

**Nabtesco Value Report 2024 PDF Operation Guide**


In the PDF version of this report, various link functionalities have been implemented to enhance readability for all viewers. For information on how to use jump functions or return to the previously viewed page, please refer to the following.

**Use of tab key**  
Clicking will allow you to navigate to the first page of each chapter.

Tips to Enjoy the Nabtesco Value Report

Profile of Nabtesco   CEO Message   Value Creation Story   Strategy for Realizing Value Creation   Measures to Enhance Our Management Foundation   Data Section

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<https://www.nabtesco.com/en/about/company/policy/governance/>

# Nabtesco Value Report 2024

## Integrated Report

FY Ended December 31, 2024

# Tips to Enjoy the Nabtesco Value Report

The Nabtesco Group proactively works to realize our corporate philosophy “Providing safety, comfort and a sense of security in daily lives as well as any form of transportation with our unique motion control technology.”

As stated in the Nabtesco Way, the Group aims to deliver greater than expected satisfaction to society by understanding the needs and issues of customers and society from the perspective of “See the people. See the planet.” This is achieved by embracing the spirit of “Be open, fair, and honest.”, and by “Enjoying the challenge” while valuing “Stay curious. Explore further.” Additionally, we promote diversity through the concept of “Create together.” and encourage autonomous growth with “Improve ourselves.”

## The Nabtesco Way

### Corporate Philosophy

The Nabtesco Group, with our unique motion control technology, will provide safety, comfort and a sense of security in daily lives as well as any form of transportation.

### The Principles We Value



#### See the people. See the planet.

What will we do for people, society, and our planet? We think deeply. We identify needs and challenges. We deliver results with speed and accuracy. Doing our best, one thing at a time, we exceed the expectations of the world.



#### Create together.

We celebrate our diversity. We treat each other fairly. We all have a voice here. Crossing boundaries, we amplify each other's strengths. If we come together, the endeavors impossible for one will be achieved. To build something nonexistent together—that is what drives us.



#### Stay curious. Explore further.

Staying curious about all things and uncovering the heart of the matter. That is what moves us forward. To truly understand, we must see the places and things firsthand. With flexibility, we embrace the experience and ideas of others. Improving and innovating, we find the best solution.



#### Improve ourselves. Advance society.

We are each specialists in our own fields. We won't stop honing our unique skills. We won't stop aiming higher. Our personal growth leads our company to sustainable growth. This, in turn, brings progress to society. Our ambitions are high. There is always a better version of ourselves.



#### Enjoy the challenge.

Not fearing failure, we daringly challenge. Changing the future begins from will and passion. Proposing breakthrough ideas with a global mindset is essential. All of us are innovation leaders who open up new possibilities.



#### Be open, fair, and honest.

The trust with our stakeholders is cultivated through our self-awareness and actions. We are transparent. We believe in doing the right thing. We stay true to our values. Open, fair, and honest. These are the ideals every one of us holds to.

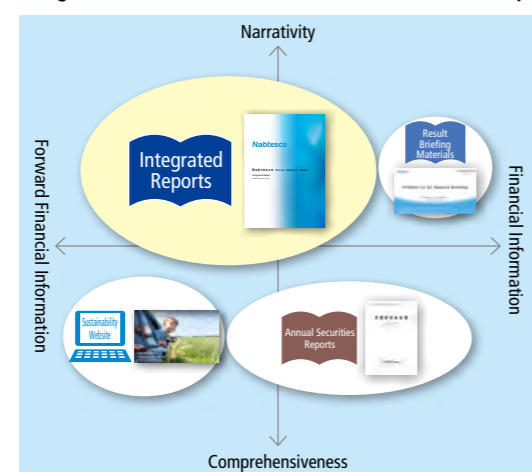
**Web** Nabtesco Way Movie  
[https://youtu.be/\\_6QkKo-btQA](https://youtu.be/_6QkKo-btQA)

### Editorial Policy and Disclosure System

The Integrated Report, “Nabtesco Value Report,” is compiled with an awareness of integrated thinking, aiming to enable our stakeholders to understand our value creation story while addressing their opinions and questions transparently and sincerely envisioning our position and the potential for future growth.

The content is structured in a way that allows both first-time readers and returning readers to easily navigate based on their interests and level of engagement.

### Integrated Disclosure Matrix of the Nabtesco Group



**Web** The “Nabtesco Value Report” contains summarized information with an emphasis on readability. Conversely, each section on the website discloses the latest information along with more detailed initiatives and data. We encourage you to refer to both this report and our website for comprehensive information.

**Investor Relations**

- Annual Securities Reports
- Result Briefing Materials
- Financial Statements

<https://www.nabtesco.com/en/about/ir/>

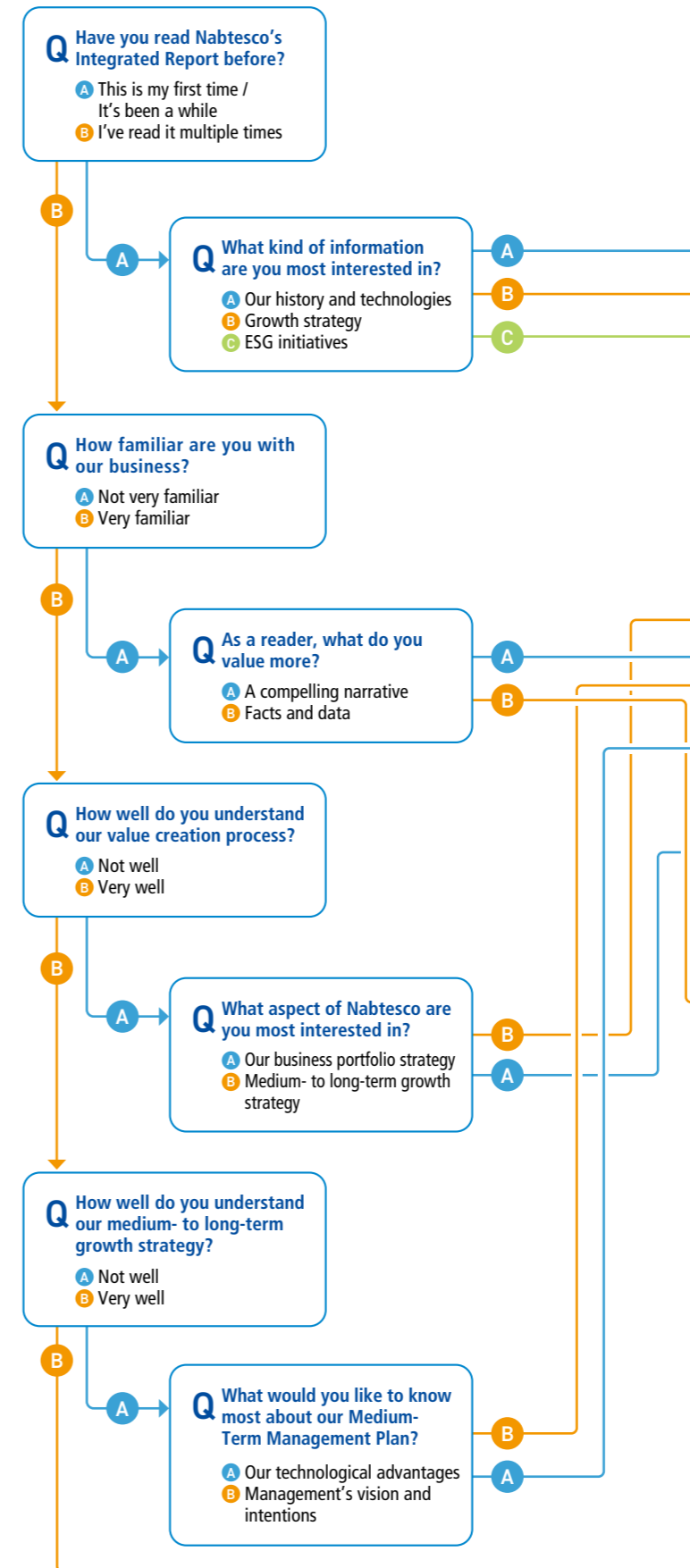
**Sustainability**

- Management Materiality (Identification process, indicators, goals and more)
- ESG information/ESG data book

<https://www.nabtesco.com/en/about/sustainability/>

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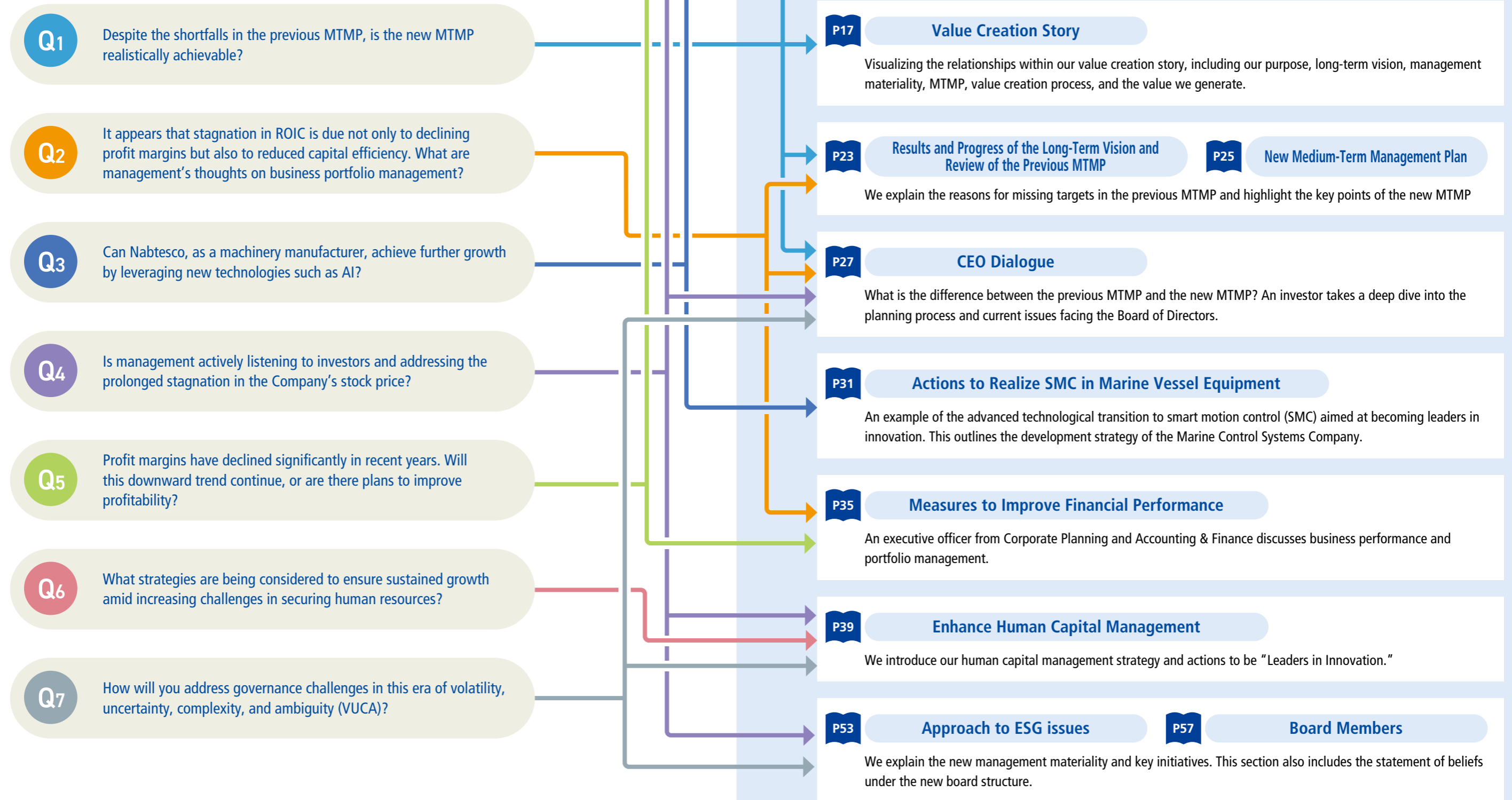
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## Answers to Stakeholder Questions

# Below are answers to frequently asked questions.

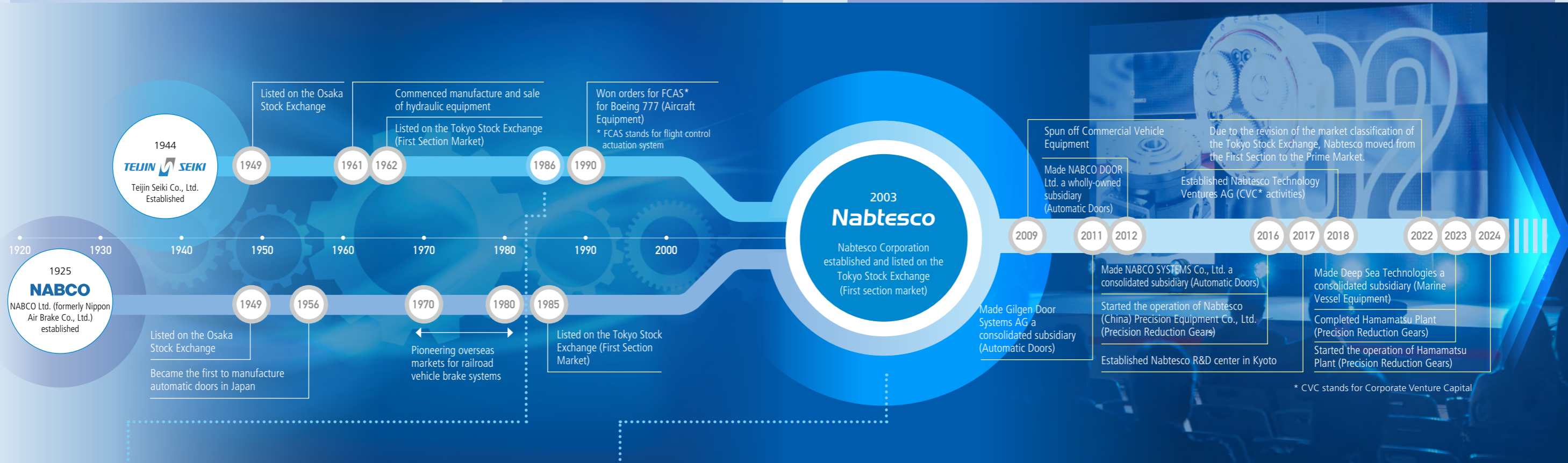
A new medium-term management plan (MTMP) has been launched with the aim of becoming “Leaders in Innovation for the Future,” as outlined in our long-term vision, Vision 2030. The Nabtesco Value Report highlights the challenges we face and the initiatives we are undertaking to address them. It is designed to respond to investors’ key questions and help them sense the exciting signs of change shaping Nabtesco’s future. We have organized a selection of must read pages based on frequently asked questions about the Company. We invite you to use this as a guide for navigating the report.



## History of Nabtesco

# Building upon the business foundations inherited from our two predecessors, Nabtesco has continually refined its unique motion control technology.

Nabtesco Corporation was established in 2003 through the merger of Teijin Seiki Co., Ltd. and NABCO Ltd. Since its inception, the Company has consistently met customers' requirements and developed its unique motion control technology. By combining advanced expertise in mechanical components with technologies such as AI and IoT, Nabtesco is evolving its capabilities toward electrification, systematization (integration), and data utilization—realizing smart motion control.



## 1986 First adoption of precision reduction gears for industrial robots

In the first half of the 1980s, Teijin Seiki's second plant in Gifu (presently Nabtesco's Tarui Plant) primarily manufactured hydraulic traveling units for construction machines. However, as the market for the product reached maturity, the Company sought new opportunities and turned its attention to industrial robots. Despite initial concerns about entering a competitive market, the Company successfully developed the precision reduction gear RV™

by enhancing its technology to produce highly rigid and robust speed reduction systems. Continuing to demonstrate advanced product quality, technology, and production capacity, the Company reshaped the industry landscape. Nabtesco's precision reduction gears have since played a pivotal role in driving the evolution and expansion of the industrial robot market.



Leaflet of RV-Z series

## 2003 Establishment of Nabtesco Corporation

Teijin Seiki, established with aircraft component manufacturing as its core business, and NABCO, specializing in air brake systems for railroad vehicles, merged in response to a downturn in the hydraulic equipment market affecting both companies. Recognizing the potential to enhance the competitiveness of existing products and create new business opportunities by combining their technological expertise, they decided to pursue management integration.

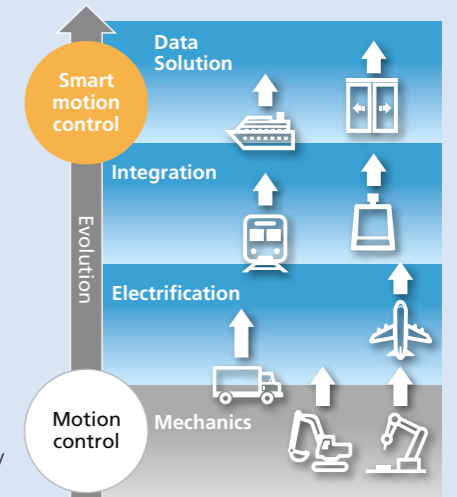
## Establishing smart motion control toward the next stage of growth

Nabtesco holds significant market share across various niche markets. In addition to having production capacity that can accommodate medium- to long-term demand growth, we are introducing innovative production techniques and enhancing efficiency via high automation to ensure the stable and flexible supply of high-quality products. These manufacturing capabilities form the foundation of its competitive advantage. Moreover, alongside core technologies such as mechanical design, electrical and electronic design, and quality assurance—continuously developed

through responding to customer needs—Nabtesco possesses advanced elemental technologies including CAE and thermal analysis, as well as control technologies, all of which underpin its unique motion control technology. Furthermore, by leveraging advanced elemental technologies and development methods such as electronic control technologies enhanced through open innovation, model-based development, and digital twins, Nabtesco has established a system capable of meeting diverse needs and accelerating development speed.

Going forward, the Company will further incorporate electrification, systematization (integration), and data utilization to accelerate the evolution toward smart motion control while advancing the development and delivery of products and services, including preventive maintenance.

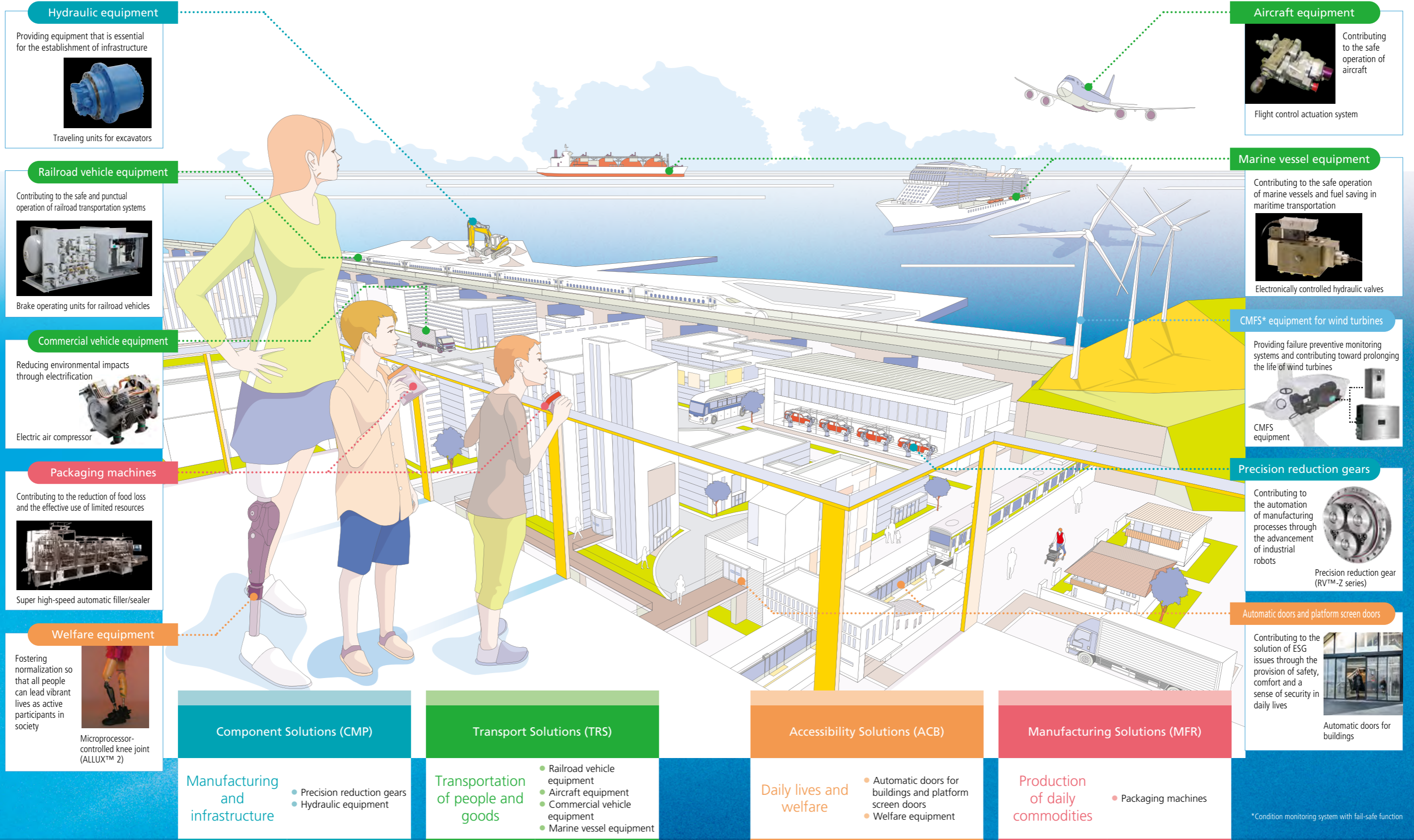
### Evolution from motion control to smart motion control



# Nabtesco Supporting Society

## With its unique motion control technology based on the key concept of “Moving it. Stopping it.,” the Nabtesco Group strives to provide safety, comfort and a sense of security in daily lives.

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



## Nabtesco at a Glance

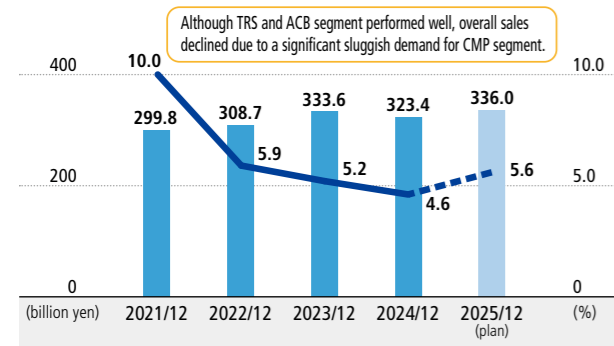
# High market share both domestically and overseas forms the basis for Nabtesco's earnings.

Nabtesco has sustained growth since its establishment in 2003, leveraging the advanced technological capabilities inherited from the two companies prior to the merger. This page highlights Nabtesco's current key indicators and the market shares of major products in each business segment.

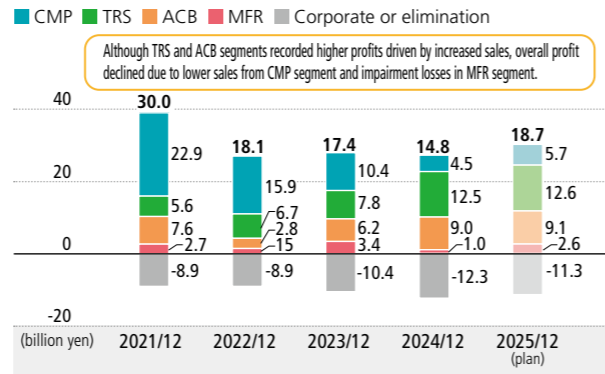
**Web** For key ESG-related figures, please refer to the ESG data book. <https://www.nabtesco.com/en/about/sustainability/s-025/>

### Financial Capital

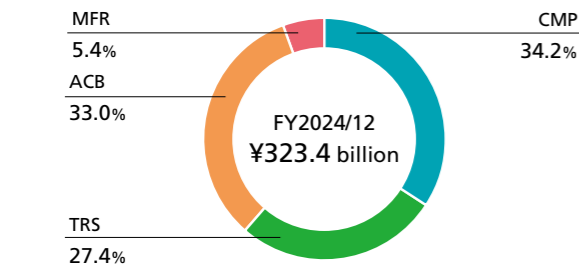
#### Sales/Operating profit margin



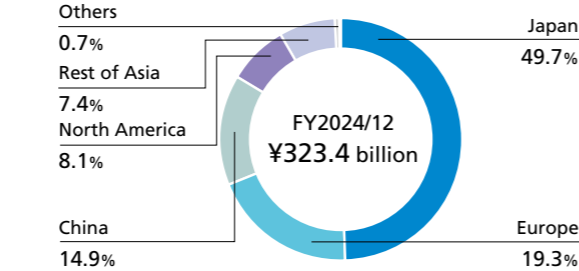
#### Operating profit (by business segment)



#### Sales (by business segment)

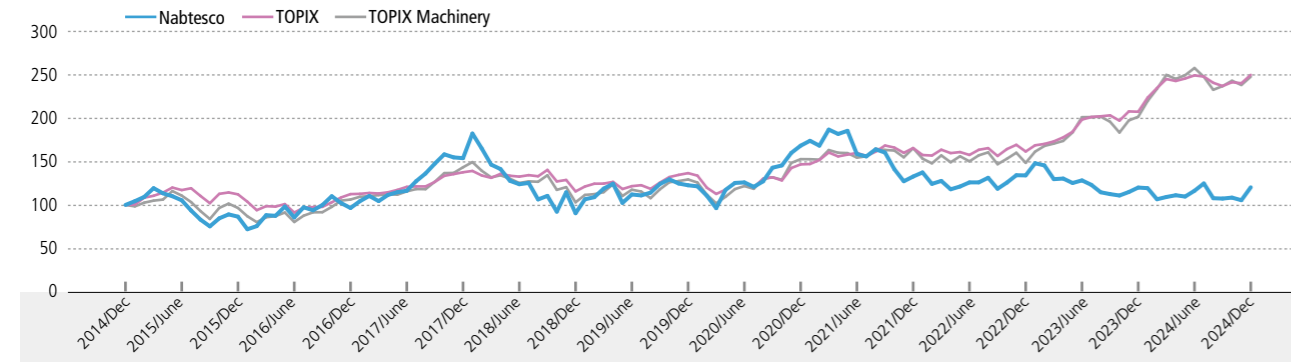


#### Sales (by geographic segment)



### Relationship Capital

#### Total Shareholder Return (TSR) for the past 10 Years



#### Return on Investment (ROI) as of December 31, 2024

	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
<b>Nabtesco</b>	0.4%	-10.5%	-3.6%	-2.1%	-0.4%	20.2%	1.9%
<b>TOPIX</b>	20.5%	50.7%	14.6%	82.5%	12.8%	148.8%	9.5%
<b>TOPIX Machinery</b>	22.8%	49.6%	14.4%	91.0%	13.8%	146.7%	9.4%

(Note 1) TSR: Represents the total return on investment for shareholders, encompassing both capital gains and dividends.  
 (Note 2) The above graphs illustrate ROI as of December 31, 2024, for investments made on December 31, 2014. The investment outcomes for Nabtesco shares are calculated based on the stock prices supplemented by dividends (assuming dividends are not reinvested), with the initial investment amount on December 31, 2014, set at 100. Similarly, TOPIX and TOPIX Machinery data are indexed using comparable methodology, including dividends.  
 (Note 3) The table above presents the cumulative return and annualized return on investments as of December 31, 2024 (including dividends) for each year from December 2023 to December 2014 (ten years prior).  
 (Note 4) Annualized return figures represent the average rate of return over one year, and the annualized return on investments for the period is calculated using the geometric mean.  
 (Source) Prepared by the Nabtesco Group based on the Tokyo Stock Exchange's monthly closing stock prices and other data.

### Relationship Capital

Business Segment	Main products	Main products shares	Note: Estimated by Nabtesco
<b>Component Solutions Segment (CMP)</b> 	<ul style="list-style-type: none"> <li>Precision Reduction Gears</li> <li>Joints of medium- to large-sized industrial robots</li> </ul>		Approx. <b>60%</b> global market share
	<ul style="list-style-type: none"> <li>Hydraulic Equipment</li> <li>Traveling units for hydraulic excavators</li> </ul>		Approx. <b>25%</b> global market share
<b>Transport Solutions Segment (TRS)</b> 	<ul style="list-style-type: none"> <li>Railroad Vehicle Equipment</li> <li>Brake system</li> </ul>		Approx. <b>50%</b> domestic market share
	<ul style="list-style-type: none"> <li>Door opening system</li> </ul>		Approx. <b>60%</b> domestic market share
	<ul style="list-style-type: none"> <li>Aircraft Equipment</li> <li>Flight Control Actuation (FCA) System</li> </ul>		Approx. <b>100%</b> market share for domestically produced aircrafts
	<ul style="list-style-type: none"> <li>Commercial Vehicle Equipment</li> <li>Wedge brake chambers for commercial vehicles</li> </ul>		Approx. <b>75%</b> domestic market share
	<ul style="list-style-type: none"> <li>Marine Vessel Equipment</li> <li>2-stroke main engine control systems</li> </ul>		Approx. <b>45%</b> domestic market share (Approx. 40% global market share)
<b>Accessibility Solutions Segment (ACB)</b> 	<ul style="list-style-type: none"> <li>Automatic Doors</li> <li>Automatic doors</li> </ul>		Automatic doors for buildings: Approx. <b>60%</b> domestic market share
<b>Manufacturing Solutions Segment (MFR)</b> 	<ul style="list-style-type: none"> <li>Packing Machines</li> <li>Packaging machines for retort pouch foods</li> </ul>		Approx. <b>85%</b> domestic market share

To Our Stakeholders

# From sowing seeds to nurturing growth, and finally to harvesting, a new medium-term management plan has commenced, aimed at realizing our long-term vision.

Reflecting on the previous medium-term management plan (hereinafter “MTMP”), Nabtesco was unable to meet the return on invested capital (ROIC) target due to market turbulence that exceeded expectations. However, even in challenging circumstances, we believe that the “seeds for future growth” have been steadily sown. Over the next three years, the new MTMP will focus on nurturing these “sprouts” to achieve the “harvest” necessary to realize our vision of becoming leaders in innovation. We aim to exceed stakeholder expectations and grow into a company that contributes to society.

Kazumasa Kimura

Representative Director, President and Chief Executive Officer (CEO)

## Focus on profitability and shifting growth drivers

Since I took over as CEO in 2022, three years have passed. At the same time as my appointment, we launched the previous MTMP, positioned as a “sowing” period to realize our long-term vision for 2030: “Leaders in Innovation for the Future.” The plan was themed “Time for Challenge – Change Yourself, Change the World-<sup>\*1</sup>,” with a focus on three pillars: “Challenge of fostering reforms,” “Challenge of fostering creativity,” and “Challenge of fostering globalization.” We set three key goals: achieving an ROIC of 10% or higher, maintaining a consolidated dividend payout ratio of 35% or higher, and reducing CO<sub>2</sub> emissions by 25% compared to 2015 levels.

Among the three goals of the previous MTMP, we achieved the targets for the consolidated dividend payout ratio and CO<sub>2</sub> reduction. However, the newly introduced ROIC metric fell significantly short of the 10% target, reaching only 3.4%. The primary reason for this shortfall was a significant decline in demand for Precision Reduction Gears. Additionally, amid a substantial drop in demand for industrial robots used in EVs, we faced rising raw material costs, delays in passing on these costs, and increased expenses due to the launch of the state-of-the-art Hamamatsu Plant, which was built in anticipation of future demand growth. As a result, the Company’s operating profit margin has declined for three consecutive years since FY2022. I have come to realize that, as management, **we must place greater focus on profitability to secure the resources necessary for medium- to long-term growth**

<sup>\*1</sup> Results and Progress of the Long-Term Vision and Review of the Previous MTMP.

and to meet the expectations of our stakeholders.

Therefore, we launched the profit improvement plan “Project 10<sup>\*2</sup>” starting in FY2024, aiming to restore our “earning power.” This plan is based on three pillars: improving the profit margins of existing businesses, optimizing fixed costs, and contributions from new

<sup>\*2</sup> New Medium-Term Management Plan

### Evaluation by segment under previous MTMP and issues of Nabtesco

Business segment	Forecast	Evaluation
CMP	[Market] Expansion of industrial robot market	✗ Improving profitability is crucial due to stagnant demand, tough competition in Hydraulic Equipment in China, and delays in price pass through
	[Sales expansion] Non-robotics market in PRG Develop the U.S. and EU market in Hydraulic Equipment	
TRS	[Market] Recovery from COVID-19 impact	◎ Almost in-line with our MTMP
	[Technology transformation] Launch electrified or systematized products	
ACB	[Market] Expand both automatic doors for buildings and platform doors	△ Despite the delay in CAPEX demand recovery, the overseas sales ratio increased
	[Expansion] Expansion of value chain	
MFR	[Market] Recovery from COVID-19 impact	△ Despite the delay in CAPEX demand recovery, the overseas sales ratio increased
	[Sales expansion] Especially overseas market	

Challenges: “Improve profitability” and “Build a resilient corporate foundation”

## To Our Stakeholders



\*3  
CEO Dialogue **P27**

\*4  
History of Nabtesco **P5**

\*5  
An intrapreneurship program "Light": Launched in October 2022, this program solicits business ideas from employees, which are then screened multiple times and refined through workshops to support the creation of new businesses.

\*6  
In-house company innovation system: Launched in August 2022, this system is designed to support innovation initiatives within in-house companies, with backing from headquarters.

businesses, with the goal of achieving an operating profit margin of 10% by FY2026—equivalent to the level in FY2021. As a result of these efforts, the operating profit margin for the final year of the previous MTMP, FY2024, exceeded the initial plan target of 4.0%, reaching 4.6%.

"Project 10" is steadily achieving results; however, there are discrepancies in some segments compared to the assumptions of the previous MTMP. The profit margin of the TRS segment exceeded expectations, and the profit amount of the ACB segment was generally in line with the previous MTMP. However, demand in the CMP segment, which has been positioned as a growth driver, has significantly declined. Not only has price pass-through been delayed, but the profit margin in Hydraulic Equipment has also sharply decreased due to intensified competition in China. From these observations, **in a business environment marked by increasing decoupling and geopolitical risks, it has become clear that relying too heavily on a single growth driver makes sustainable growth difficult. Therefore, we believe it is necessary to cultivate second and third core businesses on a resilient profit base**<sup>\*3</sup>.

### Organizational transformation to encourage challenges

In aiming to become "Leaders in Innovation" by 2030, the biggest challenge for Nabtesco has been shifting our corporate culture to enable proactive proposals that exceed customer expectations.

Nabtesco was established in 2003 through the merger of Teijin Seiki, founded in 1944 and known for manufacturing hydraulic equipment and aircraft components, and NABCO, founded in 1925 and focused on railroad air brakes. Both companies combined their hydraulic control technologies to create this old yet new company<sup>\*4</sup>.

With a strong trust relationship with customers and competitive products in hand, Nabtesco has nurtured various offerings to become global niche leaders by meeting customer needs. While this has significantly contributed to performance improvements during market growth phases, I believe **the deeply ingrained culture of "being close to customers" has, at times, stifled the momentum to actively create new technologies and products.**

In the previous MTMP, several measures were implemented to correct this conservative culture and better align with future market needs. To empower each employee to take on unprecedented challenges, we established the "intrapreneurship program"<sup>\*5</sup> and the "In-house company innovation system"<sup>\*6</sup>, and also set up the Innovation Strategy Division to create mechanisms for pursuing new business ventures. As a result, many seeds have been sown in both existing and new businesses, with some now beginning to sprout. Moving forward, to accelerate development, **it is necessary to select the sprouts that should be nurtured and concentrate time and resources on the most promising ones.** The key criteria for this selection are alignment with the company's direction, profitability considering growth potential, and compatibility with smart motion control (hereinafter, "SMC").

### "Reviving Potential, Evolving Excellence." —New MTMP has started

We have launched a new MTMP this fiscal year. The themes of the new MTMP are "Reviving Potential" and "Evolving Excellence." Through Project 10, the profit improvement plan initiated in 2024, we aim to achieve revitalization and transition from motion control centered on components to SMC.

In the past, we were unable to meet the goals set in our MTMP, falling short of stakeholder expectations. Reflecting on this, we believe that achieving the goals of the new MTMP requires a clear definition of the ideal state and enhancing the effectiveness of the plan.

For this reason, the Board of Directors engaged in another thorough discussion on what

must be achieved in the new medium-term management plan, backcasting from our ideal image for 2030: "Leaders in Innovation for the Future." Through this process, we recognized once again that we had not clearly communicated to our internal and external stakeholders what kind of innovation leader we aim to become, nor the specific vision of the SMC we are striving to achieve.

This also marked a fresh start in collectively re-evaluating Nabtesco's value proposition. **In the process of shaping our own vision of "Leaders in Innovation"—emphasizing a sustainable approach that responds to environmental changes and a commitment to pursuing SMC—we arrived at the corporate philosophy of "how to provide safety and comfort to society."** Through this process, we clarified our Vision and Purpose, revised the strategies for each business, and formulated the new MTMP based on human capital management and materiality.

### The SMC we envision

The SMC<sup>\*7</sup> we envision represents an evolution from the "passive components" that have formed the core of our mechanical technology—focused on the hard components of "moving it, stopping it"—toward "active systems." While the specific target domains vary by business, we can create higher value by promoting electrification, systemization (integration), and data solutions across each area.

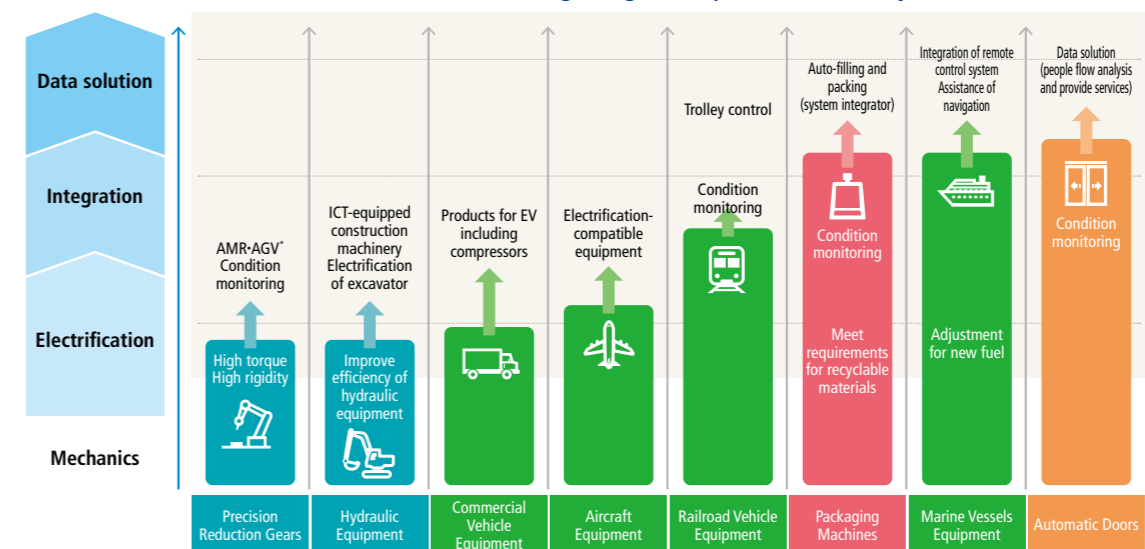
I believe the most critical factor in realizing SMC is horizontal collaboration across the company. Nabtesco has eight core businesses, each a niche leader serving different customer segments. However, this structure has historically **developed into a vertically segmented, "silo-type" organization,** making it difficult to generate synergy.

To generate synergies and shift from delivering "products" to delivering "experiences," we recognized the need for greater integration across business units. As a result, we redefined the role of the Technology and R&D Division. Previously reactive—responding to requests from individual units—it now plays a proactive role, aligning closely with each unit's growth strategy and taking the lead in driving innovation.

To accelerate the transition to SMC, securing talent capable of driving digital transformation is essential. However, there are limits to what can be achieved through

#### ● The SMC we envision

**Each business unit's SMC initiatives are currently positioned differently, depending on their respective markets and technologies. However, across the board, they are evolving by leveraging our strengths to meet a variety of needs—such as automation, labor-saving, and greater operational efficiency.**



\*AMR: Autonomous Mobile Robot / AGV: Automatic Guided Vehicle

\*7  
New Medium-Term Management Plan

To Our Stakeholders

\*8 Enhance Human Capital Management

P39

external recruitment alone. This is why the promotion of human capital management<sup>\*8</sup> has become increasingly important. While we have long emphasized diversity, it is now more critical than ever to enhance employee motivation and support individual growth through initiatives such as reskilling.

Starting in 2025, we will introduce a new personnel system for general staff. We have also established a Software Engineering Department within the Technology and R&D Division and launched an internal training program. This allows employees to remain in their current departments while bringing real-world challenges into the program to strengthen their software capabilities through practical problem-solving.

Similar efforts are underway in the Digital Transformation Promotion Department of the Innovation Strategy Division, where we have implemented a structure that enables employees to focus fully on key challenges, free from unrelated responsibilities.

Moreover, to fill the remaining gaps in achieving SMC, it is sometimes necessary to bring in fresh expertise and capabilities. This includes pursuing M&A opportunities and leveraging alliances through co-creation with external partners. For example, our collaboration with Deep Sea Technologies, acquired in 2023<sup>\*9</sup>, has enabled significant advancements—such as improving fuel efficiency through optimal route selection and speed control for ships, as well as making autonomous navigation a reality.

Enhance effectiveness and achieve the new MTMP

Analysis of the past MTMP revealed that, while we were vulnerable to changes in the business environment due to our high market share, the effectiveness of the plans themselves was also insufficient. Therefore, to achieve the new MTMP, it is essential to enhance the effectiveness of the plan itself. A key factor in this enhancement is ensuring that everyone clearly understands the direction we are aiming for and that authority is delegated appropriately in line with responsibility.

During the formulation of the new MTMP, we had already begun clarifying our Purpose and translating it into actionable initiatives. This year, we introduced the “Town Hall Meeting” to create more opportunities for dialogue with employees. While sharing the company’s vision and the new MTMP goals, I established a platform to actively listen to employees’ voices. Although financial results briefings were held previously with large groups, employees found it difficult to speak up in that setting. By holding discussions in smaller groups this time, we received many proactive opinions expressing interest in learning about other business divisions’ activities and exploring opportunities for collaboration. This shared awareness aligns with my goal of fostering cross-functional synergy, and I am confident that by promoting collaboration across divisions, Nabtesco can achieve even greater growth.

Delegating authority based on appropriate responsibility is a challenge I have personally encountered. Even when everyone shares the same goal, focusing on optimizing individual parts can lead to conflicts. For example, improving ROIC involves shortening the “inventory turnover days” in the denominator. Achieving this depends on how closely the start date of the assembly process can be aligned with the factory shipment deadline. This requires reviewing internal processes and selecting suppliers based on quality, cost, and delivery (QCD) criteria. However, when goals are set separately—manufacturing



Town Hall Meeting

and production management focusing on internal processes, and procurement on supplier selection—each tends to prioritize their own area, resulting in trade-offs where gains in one department come at the expense of another. For this reason, I believe the best approach is to delegate authority to those responsible for overseeing the factory at a higher level, enabling more holistic decision-making to shorten inventory turnover days and improve overall performance.

By delegating authority according to appropriate responsibility—allowing guidance from a bird’s-eye view of the company’s strategic direction, **managing action programs at the management level, and pursuing overall optimal problem-solving—we believe we can significantly enhance effectiveness.**

Deliver answers that earn investors’ genuine understanding and confidence

In the new MTMP, we target achieving an ROIC exceeding 10% by 2027. We have introduced a new dividend on equity (DOE) as our shareholder return policy, aiming for stable dividends with a 3.5% target payout ratio, and for the first time, explicitly stated our intention to conduct flexible share buybacks. We believe that DOE aligns well with our policy by clarifying appropriate shareholder returns while considering cash flow allocation, and we have proceeded with its introduction.

Additionally, we plan to accelerate our environmental initiatives by aiming for a 50% reduction in CO<sub>2</sub> emissions, building on the 25% reduction achieved under the previous MTMP (based on 2015 levels and aligned with the SBT 1.5°C target).

Following the announcement of the new MTMP, stock price trends suggest some investor concerns about our growth and profitability improvements. **To realize an ROIC above 10%—a target unmet in the prior plan—it is critical to focus on steady profitability improvements without overreliance on market fluctuations, regardless of the management environment.**

To enable asset-light growth by controlling invested capital, it is essential not only to optimize internal operations but also to expand collaboration with external partners. Co-creation through technology partnerships, production alliances, and marketing collaborations—areas Nabtesco has historically pursued independently—will be key to sustainable growth.

Advancing the transition to SMC is a key priority. Expanding into new regions is essential, with a focus on Europe, the Americas, and Southeast Asia as the next markets following China.

We are confident that our competitive advantage in precision reduction gears remains strong throughout this transition. As the only company capable of supplying high-precision, durable products that meet approximately 60% of the global demand for precision reduction gears, we leverage this leadership to generate synergies through high output, increased rigidity, miniaturization, energy efficiency, and AI integration. These factors are crucial for securing further competitive advantages.

Market conditions for the TRS and ACB segments have improved significantly since 2021, creating a favorable environment for growth. If we can achieve regrowth in the CMP segment under these conditions, we are confident in fully meeting the new MTMP goals and addressing any concerns related to a conglomerate discount.

Throughout the new MTMP period, all employees are committed to working together to deliver results that inspire confidence from stakeholders. We respectfully seek your continued support and guidance.



# Value Creation Story

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



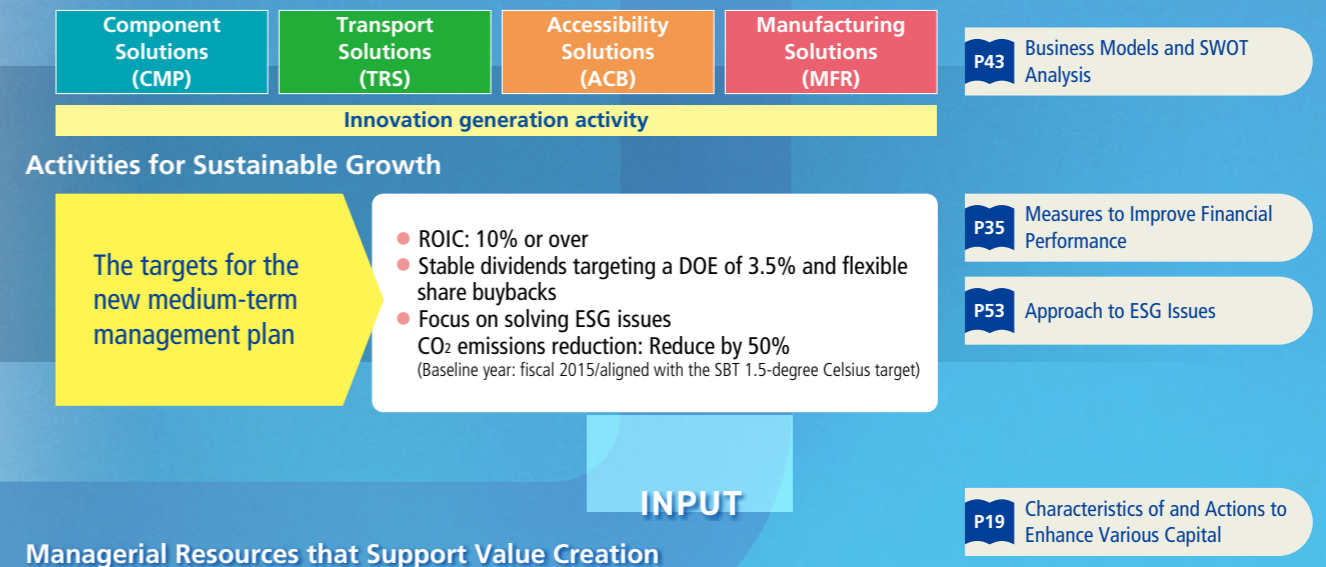
### OUTCOME

### Created Value: Establishment of Smart Motion Control

	Value for the Nabtesco Group	Impact on external stakeholders	
<b>Relationship capital</b>	<ul style="list-style-type: none"> <li>• Relations of trust with customers</li> <li>• Relations of trust with shareholders</li> <li>• Relations of trust with suppliers</li> <li>• Relations of trust with local communities</li> </ul>	<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>• Delivering 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>	

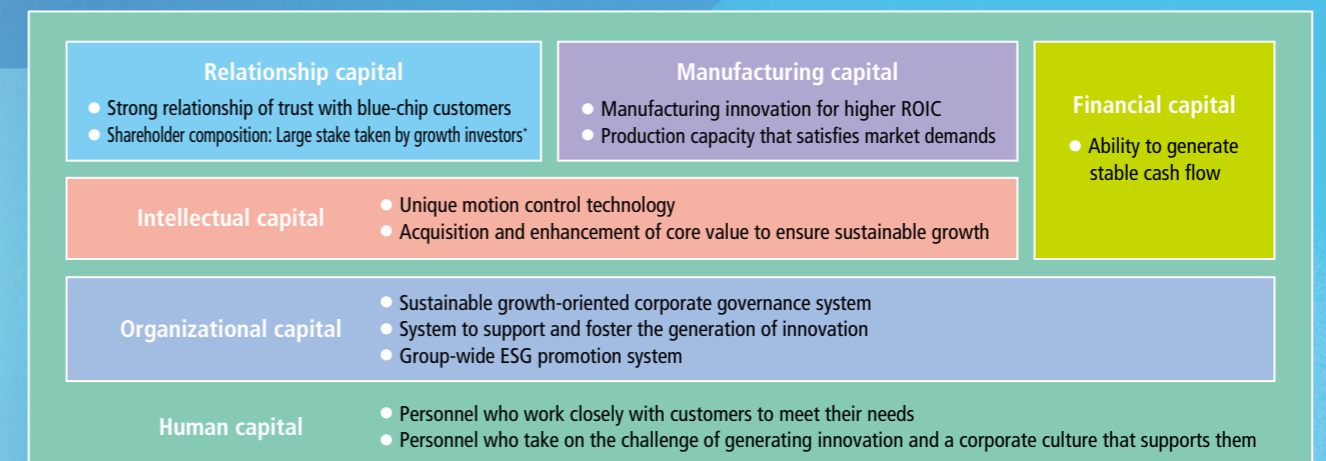
### Value Creation Process

### OUTPUT



### INPUT

### Managerial Resources that Support Value Creation



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

### Assessment of the external environment

Politics	<ul style="list-style-type: none"> <li>• Acceleration of decarbonization</li> <li>• Expansion of sustainability-related regulations</li> <li>• Need to comply with stricter product safety standards and environmental regulations</li> </ul>
Economics	<ul style="list-style-type: none"> <li>• Global economic growth projected at around 3% per year</li> <li>• Slowing economic growth in China and expansion in other emerging economies</li> <li>• Exchange rate fluctuations due to interest rate differentials between Japan and other countries, global economic trends and geopolitical risks, etc.</li> </ul>
Society	<ul style="list-style-type: none"> <li>• Rising demand for automation and the evolution and spread of service robots in response to aging populations/dwindling birthrates and labor shortages, particularly in developed countries</li> <li>• Increasing demand for products bundled with services</li> </ul>
Technology	<ul style="list-style-type: none"> <li>• Integration of AI into machinery (fusion of AI with machines/robots)</li> <li>• Expansion of IoT (remote operation and condition monitoring, etc.)</li> <li>• Gradual advancement in power electronics technology</li> </ul>

## Characteristics of and Actions to Enhance Various Capital

# We combine and enhance our unique capital to improve our competitive edge.

We will speed up our value creation 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

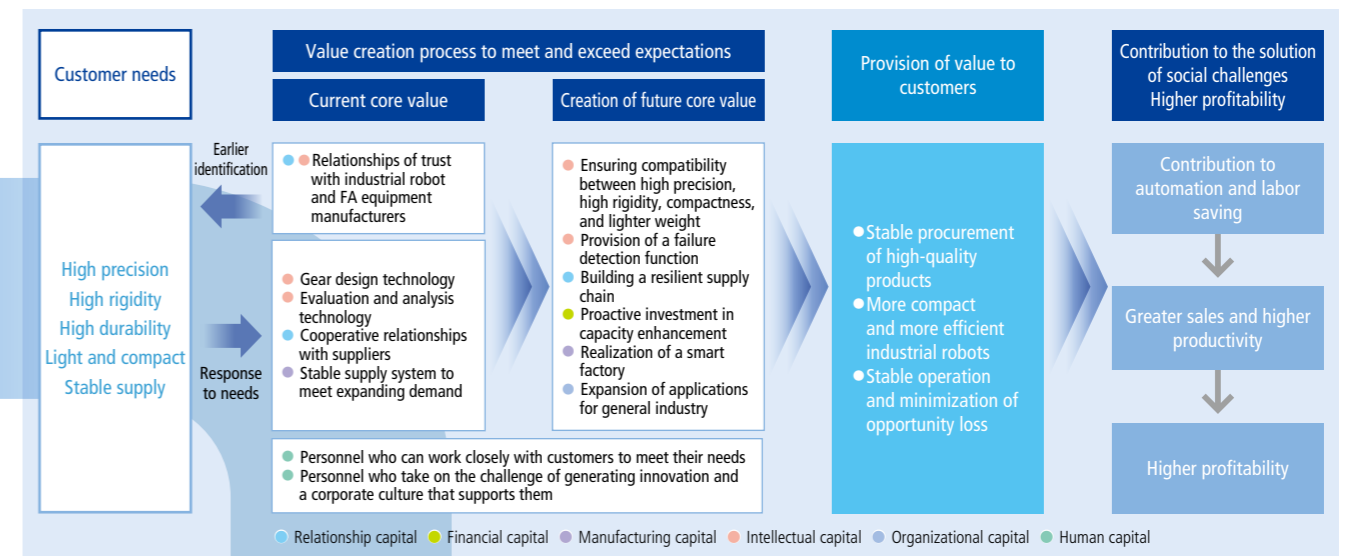
R&D		
Major categories of capital	Characteristics of capital that help "meet expectations"	Actions and direction to "exceed expectations"
Relationship capital	<ul style="list-style-type: none"> <li>Relationships of trust with blue-chip customers, which helps in identifying their needs in real time</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of innovation through collaboration with both domestic and foreign universities and research institutes</li> </ul>
Financial capital	<ul style="list-style-type: none"> <li>Balance sheet that supports proactive R&amp;D investment</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition of latest technologies through CVC and others</li> <li>Proactive R&amp;D investment to generate innovation (Budget for 2025 to 2027: ¥40 billion)</li> </ul>
Intellectual capital	<ul style="list-style-type: none"> <li>Unique motion control technology</li> <li>Cutting, polishing &amp; processing, assembly, and inspection technologies</li> <li>Fluid control and opening/closing control technologies</li> <li>CAE analysis technology</li> <li>Intellectual property management to secure the competitiveness of "current core value"</li> </ul>	<ul style="list-style-type: none"> <li>Model-based development, and use of metal additive manufacturing and other technologies</li> <li>Advancement and acceleration of development activities through the use of digital twin technology</li> <li>Governance over intellectual property to acquire "future core value"</li> </ul>
Organizational capital	<ul style="list-style-type: none"> <li>In-house company support system provided by the Technology and R&amp;D Division</li> <li>Certification system for environment-friendly/energy-saving products</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening cross-functional coordination at the headquarters level to support the development of products that meet technological innovations such as the electrification and systematization of main machines</li> <li>Enhancement of product development system to contribute to the solution of social issues</li> </ul>
Human capital	<ul style="list-style-type: none"> <li>Human resources equipped with sufficient mechanical skills</li> <li>Robust training system to develop personnel with advanced skills</li> <li>Innovation system that encourages employees to embrace challenges</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition and development of human resources for soft/power electronics and digital transformation</li> <li>Development of an innovation-oriented corporate culture through the revitalization of the innovation system</li> </ul>

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"> <li>Sensing technology and expertise for the effective use of IoT technologies</li> <li>Ability to develop OEM products so as to promote after-sales services</li> </ul>	<ul style="list-style-type: none"> <li>Creation of new customer value through the effective use of sensing, AI, and IoT technologies</li> </ul>
Organizational capital	<ul style="list-style-type: none"> <li>Network to provide MRO services in an attentive manner</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of digital transformation to expand opportunities for and increase the efficiency of MRO services</li> </ul>

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"> <li>Close relationship with production equipment manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance and enhancement of relationships with production equipment manufacturers</li> </ul>
Financial capital	<ul style="list-style-type: none"> <li>Balance sheet that supports appropriate capital investment</li> </ul>	<ul style="list-style-type: none"> <li>Capital investment in new products, environmental initiatives, and DX (Budget for 2025 to 2027: ¥45 billion)</li> </ul>
Manufacturing capital	<ul style="list-style-type: none"> <li>Ability to supply products to meet demand</li> <li>System to mass-produce high-precision products</li> <li>Steady energy conservation &amp; creation activities</li> <li>System to flexibly produce a variety of products in small lots</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing innovation for higher ROIC</li> <li>Reduction of the inventory turnover period</li> <li>Innovative production management enabled through DX</li> <li>Creation of an environment-friendly smart factory</li> </ul>
Intellectual capital	<ul style="list-style-type: none"> <li>High-precision processing &amp; assembly and surface processing know-how</li> <li>Advanced automation, combined processing and other innovative production know-how</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of advanced automation</li> <li>Development of unique production technologies</li> </ul>
Organizational capital	<ul style="list-style-type: none"> <li>Production management system to support QCDS performance</li> </ul>	<ul style="list-style-type: none"> <li>Even higher QCDS performance</li> </ul>
Human capital	<ul style="list-style-type: none"> <li>Experienced workers for high-precision assembly and processing</li> <li>Quality-oriented culture nurtured since before the integration of the two companies to create Nabtesco</li> <li>Unique human resources education, such as Quality University courses</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance of the skills of experienced engineers and incorporation of such skills into automated processes</li> <li>Continuous achievement of product safety-related targets</li> <li>Full achievement of product safety education plans</li> <li>Full achievement of product safety inspection implementation plans</li> </ul>

**Web** Intellectual Property Strategy <https://www.nabtesco.com/en/innovation/ip/> | **Web** Strategies to Acquire and Enhance Core Competence in Consideration of Market Features <https://youtu.be/bWxXANxteYo>

### ● Causal path for value creation by Precision Reduction Gears



By leveraging the diverse categories of capital available to us across the value chain, we have established a formidable market presence in our precision reduction gear business, a key driver of our corporate growth. With our sales team adept at understanding and addressing customer needs, we have cultivated a robust customer base in the industrial robots and FA equipment sectors. Additionally, we are actively addressing societal challenges by developing next-generation products, drawing on our extensive experience in product development. We have also invested in expanding our production capacity to meet growing demand while refining our mass production technology to ensure consistent delivery of high-precision products. This holistic approach to capital utilization forms a sustainable growth cycle, enhancing our competitive edge.

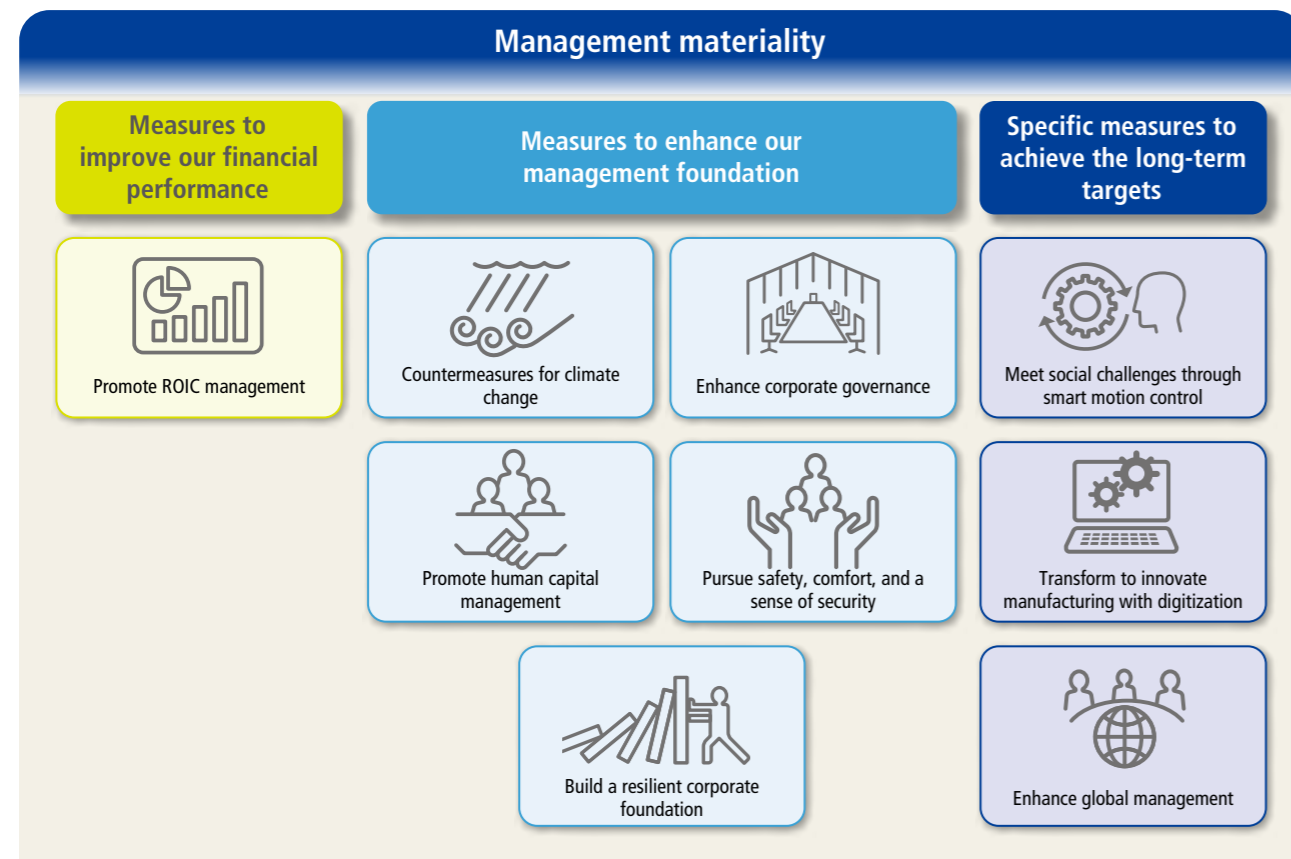
Sales		
Major categories of capital	Characteristics of capital that help "meet expectations"	Actions and direction to "exceed expectations"
Relationship capital	<ul style="list-style-type: none"> <li>Trusted relationships built by consistently meeting customer needs — including development, quality, delivery, cost, and service — at a high level.</li> </ul>	<ul style="list-style-type: none"> <li>Delivering sales proposals that consistently anticipate and surpass customer expectations</li> </ul>
Organizational capital	<ul style="list-style-type: none"> <li>Inter-business synergies based on the mutual use of overseas bases</li> <li>System for regional headquarters to support in-house companies' overseas business expansion</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of trust with promising new customers</li> <li>Sharing of information about customers' needs across the Group through the notification system to support the creation of intellectual property</li> </ul>
Human capital	<ul style="list-style-type: none"> <li>Personnel who can work closely with customers with sincerity to meet their needs</li> <li>Open, fair, and honest corporate culture</li> </ul>	<ul style="list-style-type: none"> <li>Developing the ability to make proposals that exceed the expectations of customers and cultivating talent capable of succeeding globally</li> </ul>

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

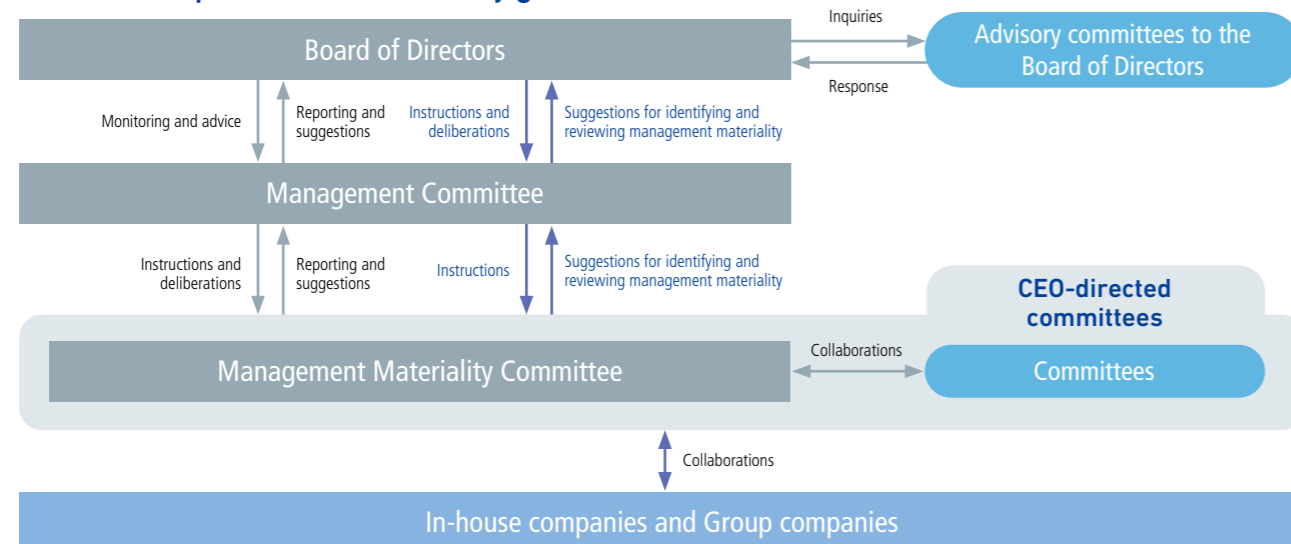
## Management Materiality

# Through the process of identifying management materiality, the Nabtesco Group strengthens its sustainability governance.

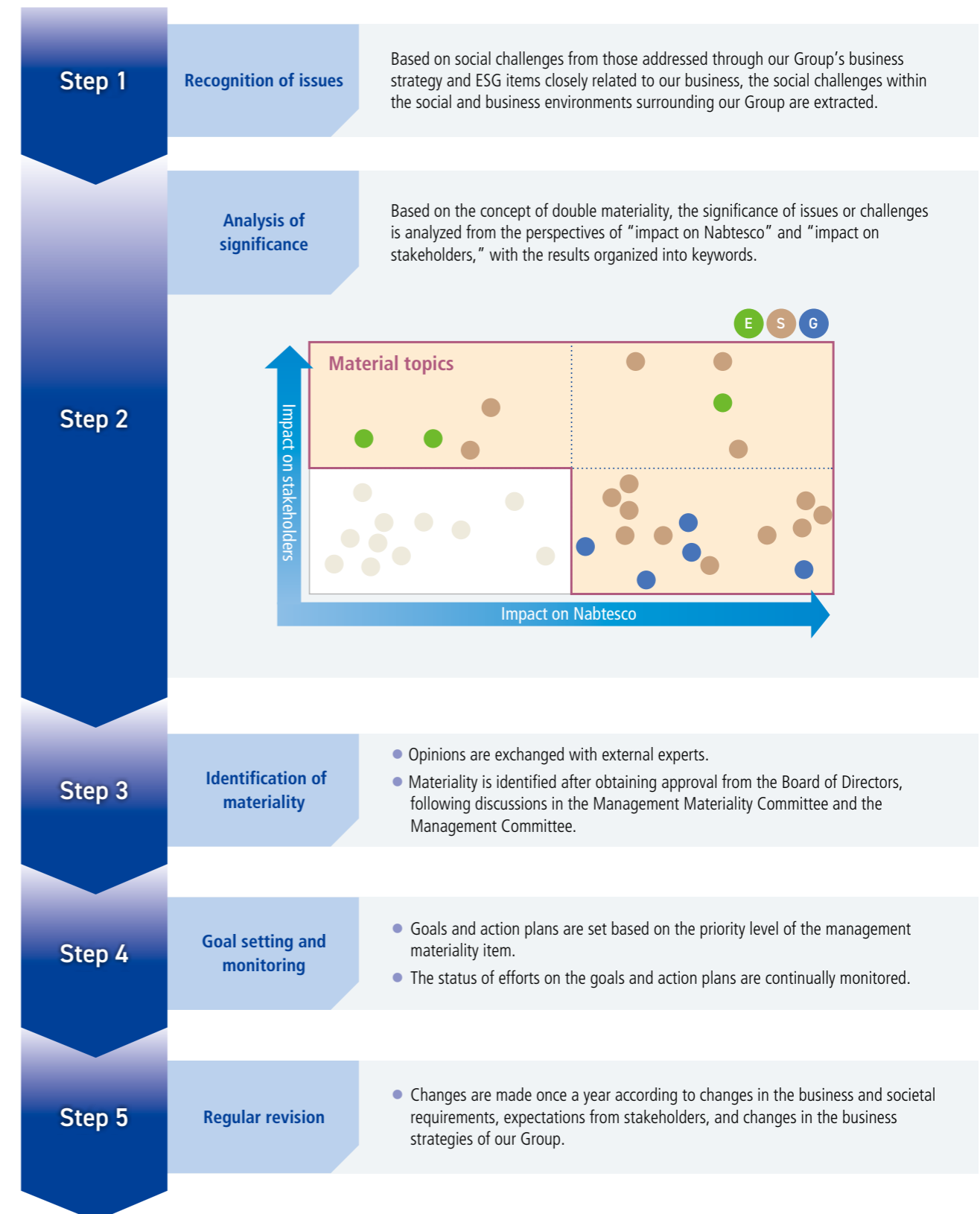
The Group regularly revises its management materiality to support long-term value creation, enabling swift and appropriate responses to shifts in business and societal demands. Accordingly, we strive to steadily advance actions on each priority to further enhance our management foundation, pursuing the sustainable growth of both society and the Group. Our management materiality is built on three pillars. By integrating financial and non-financial measures and aiming to achieve economic, environmental and social value from a long-term perspective, we will continue to deliver value to our stakeholders while maintaining profitable growth.



### Structure to promote sustainability governance



### Management materiality identification process

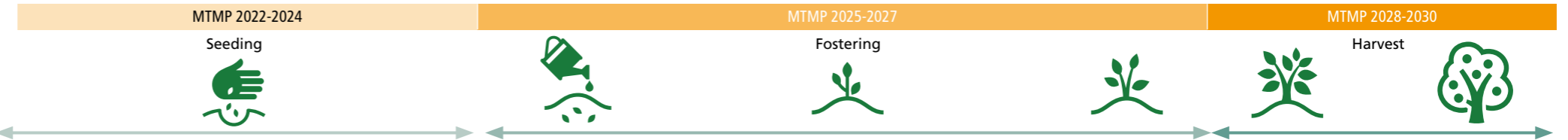


# Results and Progress of the Long-Term Vision and Review of the Previous MTMP

## Review of previous medium-term management plan and steps toward realizing the long-term vision

New business creation phase ▶

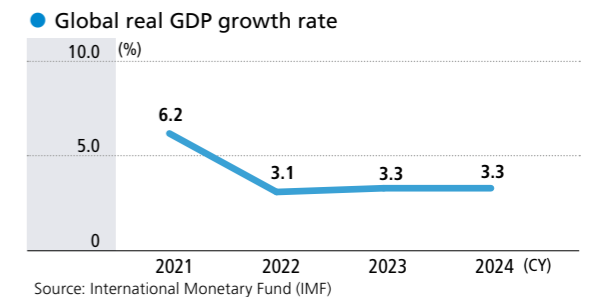
Nabtesco has established a new medium-term management plan (MTMP) building on the achievements and challenges of the previous MTMP.



Long-Term Vision	(From FY2012/3 to FY2020/12) <b>Global Partner with Best Solution —Enjoy the Challenge—</b>	(From FY2021/12 to FY2030/12) <b>Leaders in Innovation for the Future Innovation in Action</b>																								
Medium-Term Management Plan	(From FY2017/12 to FY2021/12) <b>Move forward! Challenge the future! —Create “New Value 2020”—</b>	(From FY2022/12 to FY2024/12) <b>TIME FOR CHALLENGE —Change Yourself, Change the World—</b>																								
Positioning and policy	<p><b>Key strategies</b></p> <ul style="list-style-type: none"> <li>Obtain new markets by accelerating overseas business and developing new domains</li> <li>Create new solutions through transition from components to systems and services</li> <li>Improve corporate value by raising profitability through production reforms and operational reforms as well as by seeking better capital efficiency</li> </ul> <p><small>* The plan was originally slated to end in 2020, but the period was extended by one year due to COVID-19.</small></p>	<p><b>Key strategies</b></p> <p>We will seek to become “Leaders in Innovation” by embracing the concepts of “Change Yourself” and “Change the World” through three challenges.</p> <ul style="list-style-type: none"> <li>Change corporate culture, and create and provide new value</li> <li>Create and build new business models</li> <li>Strengthen global management systems</li> </ul>																								
Strategy	<p><b>Market Creation</b></p> <ul style="list-style-type: none"> <li>Create new markets by accelerating the development of overseas businesses, including through M&amp;A, as well as of new business domains</li> <li>Expand after-sales services (MRO) business through the effective use of ICT and IoT</li> </ul> <p><b>Technology Innovation</b></p> <ul style="list-style-type: none"> <li>Expand business domains from components to the provision of system solutions</li> <li>Establish new competitive advantages in products through “manufacturing innovation” including the development of new engineering processes</li> <li>Realize highly efficient production, high environmental capabilities, and a comfortable working environment by introducing smart factory solutions</li> </ul> <p><b>Operational Excellence</b></p> <ul style="list-style-type: none"> <li>Reinforce operation bases through production reforms, structural reforms, and operation reforms</li> <li>Pursue the improvement of profitability and capital efficiency by adding ROIC to the internal management indicators</li> </ul>	<p><b>Challenge of fostering reforms</b></p> <ul style="list-style-type: none"> <li>Enjoy the Challenge</li> <li>Change corporate culture to embrace failure and encourage employees to take on challenges</li> <li>Innovation for “New Motion Control”</li> <li>Create and provide new value through digital transformation, electrification and systematization</li> </ul> <p><b>Challenge of fostering creativity</b></p> <ul style="list-style-type: none"> <li>Intelligent Imagination &amp; Execution</li> <li>Create new business models by promoting external collaboration</li> </ul> <p><b>Challenge of fostering globalization</b></p> <ul style="list-style-type: none"> <li>Global Value “Network”</li> <li>Strengthen global management systems</li> </ul>																								
Target→Result	<table border="1"> <thead> <tr> <th>FY2021</th> <th>Target</th> <th>Result</th> </tr> </thead> <tbody> <tr> <td>(1) ROE</td> <td>15%</td> <td>→ 29.6% ○<sup>1</sup></td> </tr> <tr> <td>(2) Consolidated payout ratio</td> <td>35% or over</td> <td>→ 40.9% ○<sup>2</sup></td> </tr> <tr> <td>(3) Focus on solving ESG issues</td> <td>Identified management materiality, etc.</td> <td>→ ○</td> </tr> </tbody> </table> <p><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></p>	FY2021	Target	Result	(1) ROE	15%	→ 29.6% ○ <sup>1</sup>	(2) Consolidated payout ratio	35% or over	→ 40.9% ○ <sup>2</sup>	(3) Focus on solving ESG issues	Identified management materiality, etc.	→ ○	<table border="1"> <thead> <tr> <th>FY2024</th> <th>Target</th> <th>Result</th> </tr> </thead> <tbody> <tr> <td>ROIC</td> <td>10% or higher</td> <td>→ 3.4% ×</td> </tr> <tr> <td>Dividend payout ratio</td> <td>35% or higher</td> <td>→ 95% ○</td> </tr> <tr> <td>Focus on solving ESG issues</td> <td>CO<sub>2</sub> emissions reduction: 25% → 29% ○<sup>6</sup></td> <td>(Baseline year: fiscal 2015/aligned with the SBT 1.5-degree Celsius target)</td> </tr> </tbody> </table> <p><small>*6 Based on aggregated data available at the time of disclosure.</small></p>	FY2024	Target	Result	ROIC	10% or higher	→ 3.4% ×	Dividend payout ratio	35% or higher	→ 95% ○	Focus on solving ESG issues	CO <sub>2</sub> emissions reduction: 25% → 29% ○ <sup>6</sup>	(Baseline year: fiscal 2015/aligned with the SBT 1.5-degree Celsius target)
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Qualitative evaluation	<p><b>Establishment of a foundation to pioneer new fields</b></p> <ul style="list-style-type: none"> <li>Obtained the technologies and a base in Europe for model-based development by acquiring OVALO</li> </ul> <p><b>Achievement of innovation in manufacturing</b></p> <ul style="list-style-type: none"> <li>Increased operational efficiency through an ICT-based production management system</li> <li>Promoted plant automation</li> <li>Reviewed procurement for total optimization</li> </ul> <p><b>Fulfillment of commitments</b></p> <ul style="list-style-type: none"> <li>Maintained the payout ratio at 35% or higher during the period</li> <li>Focused on solving ESG issues (Reduced CO<sub>2</sub> emissions, carried out LCA,<sup>3</sup> conducted 3R<sup>4</sup> activities, performed DD<sup>5</sup> for human rights, reduced the average overtime work hours, increased the rate of outside directors, and identified management materiality)</li> </ul> <p><small>*3 Product life cycle assessment *4 Reduce, Reuse and Recycle *5 Due diligence</small></p>	<p><b>Challenge of fostering reforms</b></p> <ul style="list-style-type: none"> <li>Redefine the Nabtesco Way, our corporate philosophy</li> <li>New system to create innovation</li> <li>Intrapreneurship program</li> <li>In-house company innovation system</li> <li>Accelerate the development to realize new motion control</li> </ul> <p><b>Challenge of fostering creativity</b></p> <ul style="list-style-type: none"> <li>Establish Digital Transformation Promotion Division to drive product and process innovation</li> <li>New business creation based on CVC<sup>7</sup> (Deep Sea Technologies P.C., WiBotic Inc.)</li> </ul> <p><b>Challenge of fostering globalization</b></p> <ul style="list-style-type: none"> <li>Strengthen the value chain through overseas acquisitions</li> <li>Enhance marketing by leveraging overseas offices</li> <li>Indonesia and other regions</li> </ul> <p><small>*7 Corporate Venture Capital</small></p>																								

### Changes in business environment during previous MTMP

- The global economy has recovered from the impact of COVID-19
  - Heightened geopolitical risks and surging steel and electricity prices (Steel prices rose approximately 10% compared to 2021)
  - Continued depreciation of the yen
- Exchange rates used by Nabtesco:  
2021: 1 USD = 110.37 yen → 2024: 1 USD = 152.24 yen



### Issue 1 Improve profitability

**ROIC =**  $\frac{\text{Net operating profit after tax}}{\text{Interest-bearing debt} + \text{Shareholders' equity}}$

**Operating profit margin** 10.0% → 3.4% (Revenue and profitability down in CMP)

**Cash Conversion Cycle (CCC)** 77.7 → 94.2 (Deterioration due to changes in sales composition and revisions to the Subcontract Act)

**Action** Executing Project 10 with continuous actions

- Improve profitability mainly in CMP
- Optimization of fixed costs
- Contribution of new business

### Issue 2 From “seeding” to “fostering” new business to realize our long-term vision

- Intrapreneurship program and in-house company innovation system
  - Three ideas moved to commercialization or the research stage over the past two years
- Supplement the technology roadmap through M&A and CVC (Approx. ¥18 billion investment during the MTMP) (Example) Increased equity stake in Deep Sea Technologies in the Marine Vessels Equipment business (transition from CVC to M&A) Expanding the product lineup in line with ship automation levels
- Establishment of overseas marketing hubs
  - Opened an office in Indonesia
  - Opened the U.S. innovation office

**Action** Evolving to “new motion control” to meet the needs of society

- Development of electrification-related products
- From components to integration
- Launch of data solution business

### Issue 3 Build a resilient corporate foundation

**Operating profit ratio by business segment**

Segment	2021	2024
MFR	7%	4%
ACB	20%	33%
TRS	14%	46%
<b>CMP</b>	<b>59%</b>	<b>17%</b>

**Action** Optimization of portfolio balance

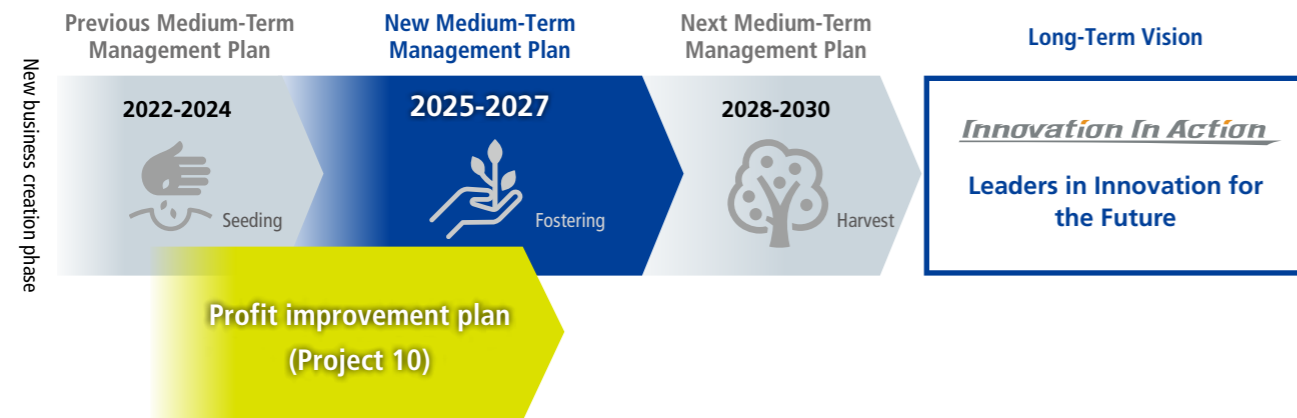
- Key factors; Medium- and long-term vision, profitability (ROIC)

# New Medium-Term Management Plan

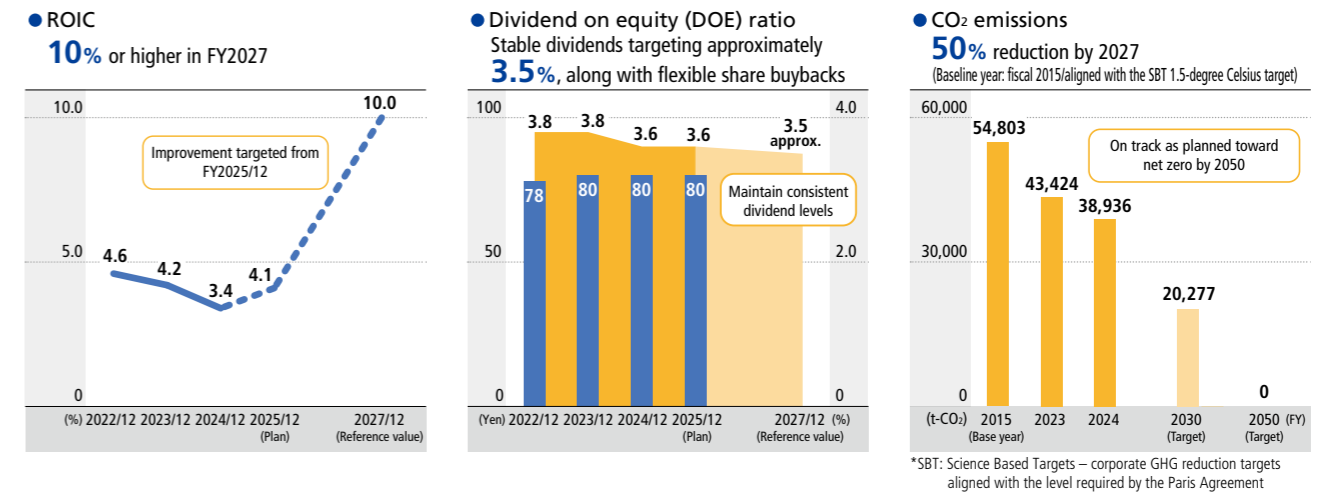
## Reviving potential. Evolving excellence.

Based on its corporate philosophy, the Nabtesco Group has formulated a new three-year medium-term management plan starting in 2025, in pursuit of its long-term vision for 2030, announced in February 2021. With the goal of becoming a “Leaders in Innovation for the Future,” our long-term vision for 2030, the new plan aims to revive profitability through **Project 10** (Reviving Potential), and to enhance the value of its products and services by advancing **Smart Motion Control** (Evolving Excellence).

### Basic Policy

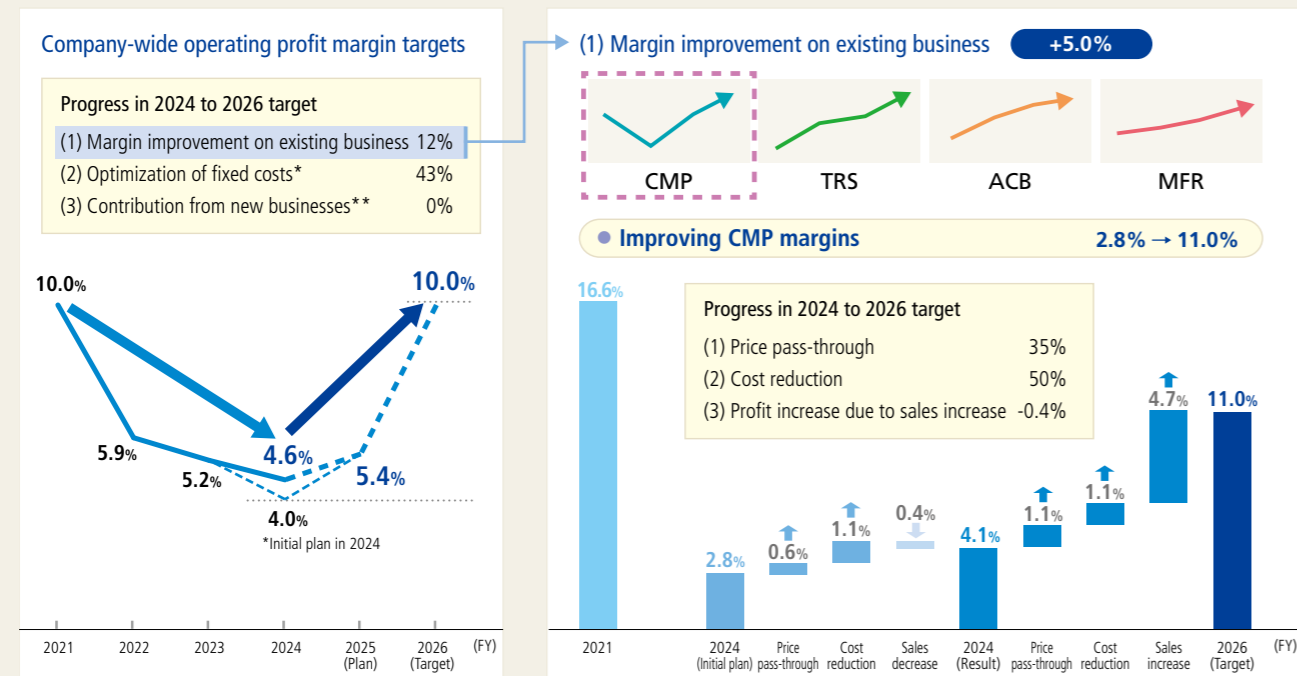


### Management targets and progress



### “Reviving Potential” Reviving our profitability by executing Project 10 (target: 2026)

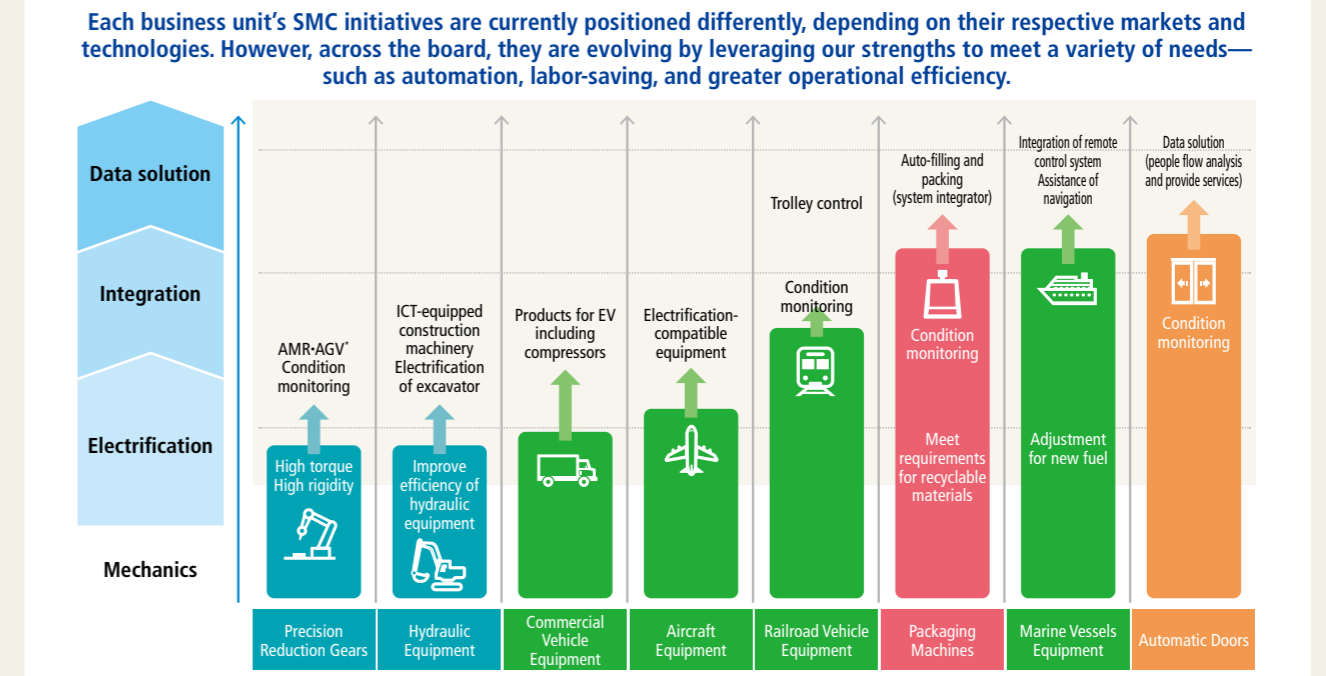
- Project 10, launched in 2024, is progressing as planned
- In addition to Company-wide fixed cost optimization, profitability improvement measures for CMP are being steadily implemented



\* The target for fixed cost optimization is a +0.7% improvement compared to the 2024 plan.  
\*\* The target for contribution from new businesses is a +0.3% improvement compared to the 2024 plan.

### “Evolving Excellence” Our component technology is evolving from “motion control” to “smart motion control”

- “Connect” our core competence with the social changes and challenges
  - “Involve” people, technology and things around the company to provide solution
- Evolving from passive components based on mechanical strengths to active integration
  - Expand value creation through electrification, integration and data solutions
- ➔ Realize smart motion control through internal R&D and open innovation



\*AMR: Autonomous Mobile Robot / AGV: Automatic Guided Vehicle

# Challenges Nabtesco must address in the new medium-term management plan



**Mari Iizuka**  
Outside Director,  
Nabtesco Corporation

**Kazumasa Kimura**  
Representative Director,  
President & Chief Executive Officer (CEO),  
Nabtesco Corporation

**Akihiro Nakao**  
Managing Director  
'Engagement Investment',  
Misaki Capital Inc.

**Naoki Hidaka**  
Outside Director,  
Nabtesco Corporation

\*This title is as of April 2025

Nabtesco has failed to achieve the targets of its medium-term management plan (hereinafter "MTMP") for five consecutive terms. What were the reasons behind this continued shortfall? Is the new MTMP, launched in FY2025, truly achievable? What changes have been made from past plans, and to what extent has the Board of Directors been involved in its formulation? Akihiro Nakao of Misaki Capital Inc., a proponent of the "Constructivist®" approach, offers an insightful analysis of these questions.

## The new MTMP with sharpened focus

**Nakao:** The newly released MTMP feels reminiscent of past plans. Looking at performance under the previous MTMP, while dividend and environmental targets were achieved,

### Nakao

As business models evolve into knowledge-based models and human capital investment becomes increasingly important—alongside shifts in regional and business dynamics—strategic investment and portfolio resource allocation are becoming more complex.

sales and profit targets were consistently missed. If this trend continues, it's understandable that investors may fear a repeat of the same pattern. What kind of discussions took place within the Board of Directors during the formulation of this new MTMP?

**Kimura:** When looking at the slogans—"Reviving Potential" and "Evolving Excellence"—along with the numerical targets in the new MTMP, one might wonder, "What's different from past plans?" However, what sets this MTMP apart is the depth of the discussions that shaped it. The process leading to these outputs involved more extensive dialogue about Nabtesco's ideal future—both within the Board of Directors and across the broader organization—than ever before.

Initially, the executive team returned to the basics and began discussions by re-examining the fundamental purpose of Nabtesco's existence. As outlined in our value creation process, our corporate philosophy is: "The

Nabtesco Group, with our unique motion control technology, will provide safety, comfort, and a sense of security in daily lives as well as any form of transportation." Our vision is to become "Leaders in Innovation for the Future" by 2030, and evolving toward Smart Motion Control (SMC) is essential to achieving this goal. We believe that enhancing the clarity—or improving the resolution—of this future vision is critical to increasing the effectiveness of the new MTMP. To that end, we began by deepening our shared understanding of the vision, incorporating it into the strategies of each business, and engaging in more concrete discussions on how management will oversee and guide those strategies.

As we refined executive input within the Board of Directors, what left a strong impression on me was Nabtesco's approach to its "core." We operate eight businesses with high market shares in niche markets. Since 2020, the environment surrounding Nabtesco has changed rapidly due to shifts in the global economy and the impact of COVID-19. Amidst this, the business environment for Precision Reduction Gears—which we had positioned as a key growth driver—temporarily stagnated, and the business faced significant challenges. This was the primary reason for the underachievement of the previous MTMP.

Precision Reduction Gears are Nabtesco's core business and are expected to grow over the medium-to-long-term. However, due to the high market share we hold, the business is highly susceptible to demand fluctuations. As a result, we concluded that cultivating a second and third core is essential to enhancing our long-term corporate value. SMC represents the technological and business model concept we aim to establish in order to develop the next core business.

**Hidaka:** To be honest, there were discussions within the Board of Directors about whether the targets set in the new MTMP were truly achievable. However, because the plan was developed by backcasting from the 2030 goal, and includes specific plans to achieve each target—even though some are based on assumptions—we believe the new MTMP is highly feasible.

Each outside director brings their own perspective and awareness of key issues when reviewing proposals from the executive side, but I believe there are two main challenges facing Nabtesco. The first is the recovery of profitability, and the second is the transformation of technology and business. Regarding profitability, the timing of the launch of "Project 10"—which may have seemed awkward—was heavily influenced by observations from the Board. Despite substantial capital investments, demand declined sharply, and forecasts shifted dramatically. While we cannot change this fact, it is essential not only to manage costs but also to pursue price increases wherever possible in order to fundamentally improve profitability.

In response to the Board's input, the executive team has developed a profitability improvement plan, which I believe also forms the foundation of the new MTMP.

### Kimura

We concluded that cultivating a second and third core business is essential to enhancing long-term corporate value.



Regarding the second challenge—transforming technology and business models—Nabtesco has traditionally competed by offering highly competitive components. Looking ahead, it will be essential to break away from existing technologies and business models, shifting from simply selling products to delivering experiences, moving closer to end-users, and developing more creative business strategies. This transformation represents the evolution toward SMC, which requires a fundamentally different approach, including collaboration with external partners. The new MTMP outlines the strategy and tactics for realizing SMC, and I believe it is a highly meaningful and forward-looking plan.

**Iizuka:** Over the past year, the Board meetings have been among the most rigorous we have ever had. I have shared numerous opinions to help ensure we dedicate sufficient time to essential discussions—such as preparing Plan B and Plan C for proposals from the executive side, adjusting schedules to allow for more flexibility, and addressing resource allocation through brainstorming both within and outside of Board meetings.

Through this process, even we outside directors have gained a clearer understanding of what Nabtesco is aiming to achieve. It has been a very positive experience, enabling us to engage in meaningful discussions about growth strategies while organically reinforcing the aspects of craftsmanship that should remain unchanged as part of the Company's identity.

## Revealing the magma of latent growth inside

**Nakao:** Investors expect Nabtesco to be a company capable of achieving growth that outpaces overall market growth. Can the SMC you are aiming for become a driver of growth that exceeds market expectations? Additionally, how do you plan to monitor the progress of SMC?

**Kimura:** In terms of external visibility, one indicator is the sales ratio of SMC, which we aim to increase from approximately 1% in 2024 to 6–7% by 2027. However, this is merely a milestone—just one part of the process of evolving Nabtesco through SMC.

**Hidaka:** The challenge of evolving into SMC is a long-term management theme focused on transforming and growing

CEO Dialogue



**Hidaka**

I believe the role of the Board of Directors has significantly changed. It has shifted from making high-stakes decisions to engaging in forward-looking discussions.

our entire business model, a process we have been working on even before the new MTMP. While short-term indicators are useful, it is essential to adopt a long-term perspective beyond just the next three years. To become a fundamentally transformed business entity within 10 years, we must understand and evaluate the critical points throughout the process. For example, as systemization advances, it can spread faster than anticipated and impact other business areas, so even a single achievement can have a significant ripple effect.

**Iizuka:** Nevertheless, the core of our business remains Precision Reduction Gears, so the key question is how much growth potential we can realize beyond market expectations. It's less about expressing growth purely in numerical terms and more about how far we can explore and pursue that potential beyond the market.

**Nakao:** That's right. However, even though it's just a milestone, if SMC accounts for only around 7% of total sales, it may seem like a small impact. Especially in the early phase of nurturing new businesses, each case might appear minor, making it difficult to convey the potential to investors. For instance, imagine there are 100 niche markets, each worth 10 billion yen, that others can't easily enter. Even if only 10% of those business seeds take root, it could still lead to 100 billion yen in potential. I genuinely feel that such "growth magma" is steadily building up inside the company.

**Kimura:** Considering the niche and high market share characteristics of our business, leveraging our advanced technological capabilities in specific fields and expanding horizontally across our business units can become a significant advantage for us.

**Hidaka:** It is rare to hold such a high market share across a wide range of high-value components, which is a key strength of Nabtesco. If we can steer the Company effectively and advance through various development phases, we will be able to realize the ambitious vision we currently have. Selecting and implementing the many different approaches to achieve SMC is an important challenge.

The missing piece is marketing ability

**Nakao:** I imagine that until now, the Company has focused

on delivering value and expanding market share within each business unit. However, under the concept of SMC, there is a need to unify these diverse businesses and strengthen corporate engagement from the top down. What kind of cross-functional approach do you believe will make the Company stronger?

**Kimura:** Our products have traditionally been developed through close relationships with customers within each business segment, and this approach has served us well. However, on the flip side, we acknowledge that we are not yet strong in new marketing approaches. This gap represents the missing piece in our evolution toward SMC. For example, we are exploring alliances with companies that have a global network and looking at ways to add value to our existing strong products to enhance their market appeal.

Additionally, strengthening cross-corporate initiatives is one of the major differences between the previous and new MTMP. Since July 2024, in developing the new MTMP, we have thoroughly examined what Nabtesco lacks in its evolution toward SMC. What emerged was a shortage of technologies and human resources in areas such as power electronics, software, sensors, and digital transformation. We recognized that these gaps may be hindering the integration of product and process innovation into our business. As a result, we have strengthened the functions of the Technology and R&D Division and the Innovation Strategy Division. It is crucial to clarify the technology roadmap and strategically address these deficiencies by increasing involvement in the technology strategies for each business.

**Hidaka:** I have also consistently highlighted the challenges in marketing capabilities at the Board of Directors. For example, we are advancing the use of corporate venture capital (CVC), but it is crucial to determine whether we can leverage its potential in alignment with Nabtesco's core business. Moreover, decisions on whether to allocate more resources or discontinue initiatives must be made at headquarters. Strengthening the functional capabilities to translate these decisions into concrete actions remains a key challenge.

Another important point is the sales strategy for each region in our global expansion. To enter new markets, it is essential not only to deliver products but also to have genuine access to those markets. When building a marketing base from scratch is not feasible, forming quick partnerships with entities that can create win-win relationships is crucial to expanding our possibilities.

**Iizuka:** I believe these two points represent a consensus among the Board of Directors. In particular, there is a shared concern that we may be missing out on large markets because our global expansion is not progressing as expected. At the same time, by focusing investments, we might be able to nurture the business seeds that have already begun to sprout. How to actually realize

SMC, including decisions on resource allocation, remains a challenging issue, but I feel that Nabtesco still has significant potential for growth.

Changes in business models and portfolio management

**Nakao:** In the past, improving production capacity and productivity to meet customer needs led to clear returns on investment. However, as business models shift toward knowledge creation and human capital investment gains importance, combined with changing regional and business dynamics, strategic investments and resource allocation across portfolios become increasingly complex. Equal resource allocation to all businesses will no longer be feasible, and difficult decisions will sometimes be necessary. How does the Board of Directors approach this challenge?

**Kimura:** The concept of business portfolios was seriously introduced in 2023. Since then, we have identified the most suitable owners for certain businesses and decided to withdraw from the automobile-related business in OVALO. Additionally, we have been driving structural reforms, such as strengthening selective orders for overseas platform doors to improve profitability. The Board of Directors actively discusses prioritizing which business units to invest in and which to divest.

**Hidaka:** From my previous experience, I believe that managing a portfolio is not simply about improving profitability, but about making tough decisions on what to discard, which is a weighty issue for the Company. Since all our businesses are niche leaders with indispensable products, it's difficult to rate them solely on current performance. Instead, the focus should be on their growth potential and market opportunities. We need to continually review resource allocation while ensuring that the future direction of Nabtesco aligns with the SMC framework. Ideally, we can create a cycle that enables us to discover the next business opportunities while progressing consistently in the same direction.

**Iizuka:** When considering the future portfolio, how we change the organization is also crucial. I felt it was very beneficial to focus on organizational changes during the previous MTMP's seeding period. Along with reforming the personnel system, we also addressed the challenge of enhancing technological capabilities related to SMC. Although these efforts may appear modest at first glance, steadily building them up one by one is no easy task.

The sense that magma is accumulating, paving the way for the next growth, also comes from the organizational changes. Naturally, since the magma has built up, I hope it will soon be unleashed.

**Nakao:** If portfolio decisions were based solely on profitability and growth, even investors could handle that. I appreciate and resonate with your inclusion of the unique

**Iizuka**

There might have been concerns about the difficulty of bold resource allocation discussions between businesses, but the situation has improved over the past year.



SMC criterion. However, to turn the accumulated magma into results, maintaining strict investment discipline is also crucial.

**Hidaka:** Some points were not fully addressed within the timeline for formulating the new MTMP, so ongoing discussions on the business portfolio are necessary.

The role of the Board of Directors going forward

**Nakao:** Finally, what are your thoughts on the future challenges the Board of Directors is considering? In other words, how do you see the growth potential for governance?

**Kimura:** It might sound cliché to emphasize ensuring diversity and objectivity, but we are clearly defining skill requirements for each director and promoting diversity that spans corporate, R&D, and other business divisions. Currently, five out of nine directors are external directors.

Meanwhile, the Board dedicates substantial time to evaluating director composition, the business portfolio, business strategy, and global strategy—key themes for the Company's future.

**Hidaka:** I believe the role of the Board has shifted significantly—from primarily deciding on high-value resolutions to engaging in forward-looking discussions. While some formal resolution items remain, the delegation of authority to the executive side will certainly be a key topic throughout the new MTMP period.

**Iizuka:** There might have been concerns about the difficulty of bold resource allocation discussions between businesses, but the situation has improved significantly over the past year. This is because a consensus has been reached that major resource allocations should be deliberated at the Board of Directors, and this has been clearly established as part of the Board's role.

**Nakao:** Listening to today's discussion, I recognized the gap between outside perceptions and the actual initiatives happening within the Company. I also believe the Board of Directors should serve as a forum for discussions focused on value creation, and I look forward to its evolving role in realizing the new MTMP.

## Actions to Realize SMC in Marine Vessel Equipment

# Challenges in utilizing new technologies to solve social issues in the shipping industry

~ Efforts to develop automation solutions for marine vessels ~



**Naoyuki Kawasaki**

Manager, Technology Strategy Group, Development Department, Marine Control Systems Company

**Atsuhiko Maeda**

Manager, Business Solution Group, Design Department, Marine Control Systems Company

The shipping industry is currently facing two major social challenges: a labor shortage driven by demographic changes such as a declining birthrate and an aging population, as well as the need to adapt to changes in the working environment and comply with strengthened environmental regulations aimed at reducing greenhouse gas emissions.

Nabtesco, a long-time industry leader in developing components for remote control systems of main engines, is addressing these challenges by advancing the development of smart motion control (SMC) products. This includes leveraging data and AI in collaboration with Deep Sea Technologies, which joined the Group in 2023.

### Advancing technology transformation with a view to the next 10 years

**Maeda:** Our main product, the engine remote control system, originated from a mechanism developed in the 1960s using pneumatic control. The Marine Control Systems Company has consistently embraced a spirit of innovation, proactively adopting new technologies over the years. For example, when semiconductors were first introduced, we incorporated electronic circuit boards and developed CPU-based microcomputer-controlled remote control devices. More recently, we have integrated LCD panels into control screens—continually evolving our products in line with societal and technological changes.

Today, we are actively driving technological transformation through the use of AI.

**Kawasaki:** The formulation of our long-term vision in 2020 served as the catalyst for revisiting AI and developing a roadmap for systematically integrating the technology into our business. At that time, we envisioned how the world would change by 2030—ten years into the future—and defined how we wanted the company to evolve by then. From this vision, we used backcasting to develop specific action plans necessary to realize that transformation.

While considering the broader challenges facing the maritime industry—such as a declining workforce, the shift to alternative fuels, and the hybridization of marine vessels in response to climate change—we anticipated

that, much like the advancement of autonomous driving in automobiles, fully autonomous navigation would eventually become mainstream in marine vessels. As this shift toward autonomous navigation progresses, it becomes essential to integrate our control devices (components) with the overall vessel system. We recognized that AI technology is indispensable for enabling this integration and adapting to these changes.

**Maeda:** At that time, AI was still a relatively new technology, and there were limits to what we could accomplish on our own, so we began searching for pioneering partners. This led us to discover Deep Sea Technologies in Greece. We initially invested through our corporate venture capital (CVC) framework, and to accelerate product development, we made the company a consolidated subsidiary in 2023.

Deep Sea Technologies offers advanced AI-driven solutions such as “Pythia,” which selects optimal navigation routes for marine vessels, and “Cassandra,” a condition monitoring software that uses AI-based modeling. Unlike automobiles, marine vessels are heavily affected by external factors such as waves, wind and tides. We were drawn to the high simulation accuracy of the company’s AI technology in accounting for these variables. Another key factor in our decision was the presence of personnel with hands-on experience in the maritime industry, allowing for development grounded in a deep understanding of real-world operations.

Since the advent of generative AI, the evolution of AI has been remarkable. However, we are not leaping directly to fully autonomous navigation. Instead, leveraging our expertise in engine control, we developed the “TELEGRAPH AGENT™” as a bridge solution—designed to connect marine crew members with cutting-edge technology.

### The development of “TELEGRAPH AGENT™”

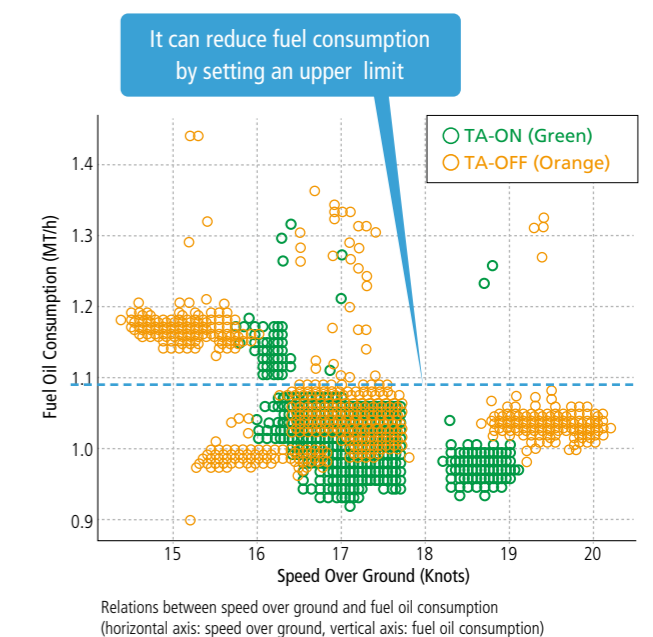
**Kawasaki:** Currently, the propulsion of marine vessels is controlled by engine revolutions per minute (rpm), not by speed. Since vessels are affected by disturbances such as waves and wind, captains adjust the engine rpm based on their experience to achieve the planned voyage schedule and fuel efficiency.

**Maeda:** Especially for large marine vessels equipped with our products, attempting to stop using steering during a voyage is challenging due to inertia and disturbances, taking about 10 minutes to actually stop. Therefore, unlike automobiles, controlling the speed of a ship is very difficult.

**Kawasaki:** Additionally, the decline in the working population for marine vessels also means a decrease in experienced captains, leading to a shift from engine rpm-based control to incorporating speed-based operation management. As fully automated operation is still some time away, we developed TELEGRAPH AGENT™ to address the operational challenges of reducing the burden on captains and crew amid labor shortages. This device maintains a constant ship speed regardless of sea conditions when the speed is input.

It can be used independently, but when switching from engine rpm control to speed control, optimal parameters change based on factors such as marine vessel size, the presence of barnacles on the hull, disturbances, and cargo load. Therefore, utilizing AI simulation can achieve higher effectiveness. For example, when used with Cassandra, it can monitor marine vessel speed, fuel efficiency, and the load on the main engine, determine recommended parameters, and support fuel-efficient operation. In recent demonstration experiments, there was approximately a 3.4% reduction in fuel consumption, which is calculated to recover the investment within about a year.

### Fuel efficiency comparison between ON and OFF the TELEGRAPH AGENT™



## Actions to Realize SMC in Marine Vessel Equipment



**Maeda**

The Marine Control Systems Company has a spirit of taking on new challenges and has consistently adopted new technologies.

**Maeda:** There are cases where TELEGRAPH AGENT™ is combined with Pythia. With the current technology, captains still need to assess the validity of the routes

proposed by Pythia based on their experience, and some skepticism about its effectiveness remains. However, after about a year of use, many have expressed satisfaction, noting reductions in fuel consumption and workload, and have continued using it or even consulted about installing it on other vessels.

**Kawasaki:** I feel that the development of TELEGRAPH AGENT™ this time was made possible by deeply understanding, analyzing, and engaging in dialogue about our customers' operations. When focusing solely on technological development, there can be a tendency to create excellent products that may not fully meet what customers truly want. I had the opportunity to be seconded to a major shipping company for about two and a half years, where I learned about marine vessel operations from the perspective of the operators. This experience allowed me to approach development from a different viewpoint. As a result, we developed TELEGRAPH AGENT™, and I am very grateful to hear that using our product has made operations easier and more comfortable.

● Difference in functions (comparison between automobiles and marine vessels)

Automobiles	Meter panel	Car navigation system	Cruise control	Advanced driver-assistance systems
Marine vessels	<p>Cassandra</p>	<p>Pythia</p>	<p>TELEGRAPH AGENT™</p>	<p>HyperPilot</p>

### Business modeling issues and future challenges

**Kawasaki:** The development based on the roadmap formulated for 2030 is progressing smoothly so far. However, just as fully autonomous driving in automobiles has not yet been realized, the widespread adoption of autonomous navigation in marine vessels may take longer than anticipated. Nevertheless, challenges remain that must be addressed even at the current stage of partial autonomous navigation.

The first challenge is to respond to changes in commercial distribution. While many of our existing products have been sold to engine manufacturers, ship owners are now the main customers for our automatic operation products.

**Maeda:** Because customer attributes differ, business practices must also adapt. For example, we need to take different approaches, such as pitching to environmental or digital transformation departments. Some customers may only want specific solutions, while others require multiple, tailored solutions to address their issues—showing that we are still in an exploratory phase. Nonetheless, I believe

this series of product developments for the autonomous navigation system represents a true form of innovation.

Once marine vessels set sail, it is difficult for them to return, so those on board face many hardships, and people on shore also encounter numerous challenges. I have felt a strong desire to assist our customers in any way possible. We are committed to taking on new challenges and reducing both the burden on our customers and the impact on the global environment through the products we create, tackling each challenge positively, step by step.

**Kawasaki:** The second challenge is that, as these are new products, there is still room for improvement in the manufacturing process.

Currently, as the product is still in the development phase, engineers make fine adjustments at shipment. However, with future widespread adoption in mind, the current manufacturing process risks may become too costly, which would raise the barrier for customer adoption. We believe that innovating processes beyond the manufacturing and inspection methods used during development is a key challenge for achieving widespread use of the product.

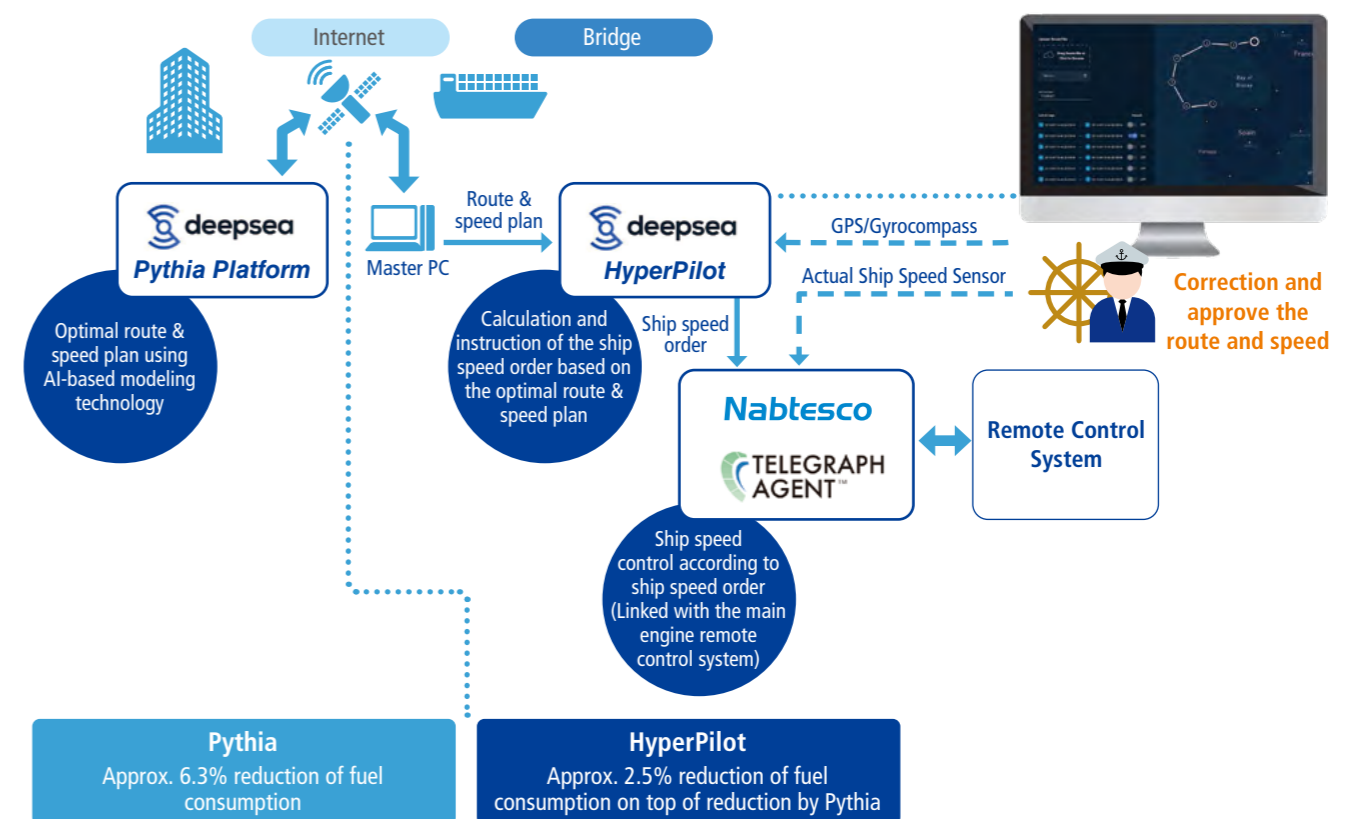


**Kawasaki**

We are committed to seeing this project through to success and will continue to pursue it with enthusiasm.

Additionally, we are about to begin demonstration experiments for "HyperPilot," which enables advanced automation. We are committed to seeing this project through to success and will continue to pursue it with enthusiasm.

● Collaboration system of Pythia and TELEGRAPH AGENT™



## Measures to Improve Financial Performance



### Improve our business performance and capture future growth opportunities to maximize our corporate value.

The aim of our new medium-term management plan (hereinafter “new MTMP”) is to revive our profitability by implementing Project 10 and evolving our technology through smart motion control (hereinafter “SMC”). We are committed to steadily improving Nabtesco’s performance, which has faced ongoing challenges in profitability, and to maximizing corporate value by driving further growth in the future.

#### Hiroshi Usui

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

#### Aspiration as an Executive Officer of Corporate Planning, Accounting & Finance, Information Systems and Corporate Communication

I have been serving as an Executive Officer in charge of Corporate Planning, Accounting & Finance, Information Systems and Corporate Communication since January 2025. My career path includes various roles in the aerospace business, such as general manager of the engineering department, president of the US subsidiary, plant manager and vice president of the Aerospace Company.

This is the second year of Project 10 and the first year of the new MTMP. My goal is to oversee corporate planning and finance, while actively engaging with investors to drive a positive re-evaluation of Nabtesco.

We are currently in a transitional period. To ensure future growth, we must improve profitability and establish our new core foundation. To successfully “revive” our profitability and “evolve” to our fullest potential, we need to enhance the effectiveness of the new MTMP and maximize corporate value.

#### Key points of FY2024 result and 2025 plan

In FY2024 (under IFRS standards), although demand in the Transport Solutions Segment (hereinafter “TRS”) and the Accessibility Solutions Segment (hereinafter “ACB”) remained favorable, a decrease in automobile-related capital expenditure in Precision Reduction Gears impacted performance. Consolidated sales totaled 323.4 billion yen, representing a -3.1% year-on-year decrease. Operating profit was 14.8 billion yen, down 14.9% year-on-year. Net profit attributable to owners of the parents was 10.1 billion yen, a -30.5% decrease, primarily due to the decline in operating profit. Return on invested capital (ROIC), set as a managerial target, was 3.4%, down 0.8% year-on-year for the same reason. Our consolidated dividend payout ratio was 95.0% (with EPS 80 yen), reflecting our stable dividend policy.

In the FY2025 plan, we expect a recovery in actual demand for Precision Reduction Gears in the Component Solutions Segment (hereinafter “CMP”) in the second half, along with increased demand, particularly for Aircraft Equipment in the TRS segment. Sales are projected to

reach 336.0 billion yen, a 3.9% year-on-year increase, while operating profit is expected to rise to 18.7 billion yen, a 26.5% increase year-on-year. ROIC is also forecast to improve to 4.1%, up 0.7% from the previous year. Dividend on equity (DOE), set as part of the new MTMP targets, is expected to be 3.6%.

After announcing the MTMP, we have faced increasing uncertainties such as tariff disputes, the resulting global stock market downturn, and concerns over an economic slowdown. There is a possibility that our business may be temporarily affected if a decline in capital investment demand occurs. However, our stable domestic operations and MRO services provide some resilience. It is essential to maintain a medium- to long-term perspective on the economic cycle and stay focused on key priorities, such as improving profitability and identifying and cultivating new business opportunities.

#### Overview of the previous MTMP

Under the previous MTMP, we achieved our targets for shareholder returns and CO<sub>2</sub> emissions reduction. However, we fell short of our 10% ROIC target. I believe it is important to distinguish between targets that can be achieved through our own efforts and those influenced by external factors beyond our control.

For example, shareholder returns are within management’s control, and we achieved the target of a consolidated payout ratio of at least 35%, with an average ratio of 84.5% over the past three years. Business performance follows a similar logic. The TRS segment, which benefits from low volatility and strong contributions from the MRO business, delivered stable profits and was further supported by a tailwind from post-COVID-19 demand recovery. As a result, its operating profit exceeded the reference target set in the previous MTMP. The ACB segment also met its target, driven by the strategic acquisition of a distribution channel that expanded its value chain.

On the other hand, the situation is different for

businesses that are heavily influenced by external factors beyond management’s control. For example, Precision Reduction Gears in the CMP segment fell significantly short of the target due to weaker-than-expected demand—underperforming even the overall market. This was driven by sluggish end-user demand for industrial robots and excess inventory of completed robots in the market. During the period of the previous MTMP, a key factor behind the decline in profitability was the delay in passing on cost increases caused by inflation, which intensified during the COVID-19 pandemic. We recognize that the delay in adapting our business practices—such as revising pricing mechanisms—was a missed opportunity. We are now addressing this by taking steps that include reviewing inflation clauses when renewing contracts.

Because many of our businesses hold high market shares, it is difficult to discuss growth entirely independent of market fluctuations. However, we believe it is equally important to pursue risk hedging measures within the scope of what can be addressed managerial efforts, and we are actively advancing these activities.

Taking these factors into account, we recognize three major challenges to achieving future growth. The first is improving profitability, the second is shifting to a phase of nurturing seeds for future growth, and the third is strengthening the resilience of our corporate foundation. Of these, the first and second challenges are being addressed through the new MTMP, while the third is being tackled through our business portfolio strategy.

#### Issues and actions for the new MTMP

One of the key challenges we must address is improving profitability. To tackle this, we are focusing on the steady execution of Project 10, which aims to restore our Companywide operating margin to 10% in 2026. This requires an improvement of approximately 5.4% compared to our FY2024 profit margin. The core initiatives include: (1) Enhancing margins in existing businesses, (2) Optimizing fixed costs, and (3) Securing contributions

Measures to Improve Financial Performance



from new businesses. Among these, enhancing margins in existing businesses is especially critical. In particular, improving profitability in the CMP segment is an urgent priority that must be prioritized. The key components of this improvement are: Passing through cost increases, implementing cost reductions, and increasing profits through higher sales.

Most of these initiatives—excluding part of the profit growth from increased factory utilization—can be achieved through our own efforts. Rather than relying solely on market-driven improvements in capacity utilization, we are committed to swiftly and steadily enhancing our profit margins by thoroughly executing internal initiatives.

The second challenge is transitioning to a phase focused on cultivating the seeds of future growth. To address this, we are aiming to “evolve” into a Smart Motion Control (SMC) company—an essential step toward becoming “Leaders in Innovation” by 2030. This evolution involves integrating electrification, systemization, and data utilization—including aspects related to solving social issues—into our core component products, where we already have strong expertise.

In the previous MTMP, our focus was on sowing the seeds of innovation. We created various systems to foster a culture in which employees are empowered to take on innovation challenges. As a result, new businesses and products have begun to emerge. Under the new MTMP, we will advance to the next phase—selecting promising growth drivers aligned with our SMC vision and

strategically allocating limited resources to accelerate their development. To nurture these growth seeds more effectively, we will leverage the horizontal collaboration of corporate functions, thereby shifting our innovation efforts from the sowing stage to the cultivation stage.

Approach to business portfolio

The third challenge is building a resilient corporate foundation. One of the key approaches to addressing this is business portfolio management. However, our approach differs somewhat from the traditional investor perspective. Typically, business portfolio management emphasizes strategic realignment—focusing on which businesses to retain, restructure, or divest. At Nabtesco, while we follow the same basic framework, our emphasis is on maximizing the value creation potential of each business.

Of course, we still evaluate whether businesses exceed our hurdle rate, categorize and map them based on market growth potential, and take improvement actions as needed. However, we also take a broader, long-term perspective—evaluating each business from the standpoint of being the “best owner” and aiming to bring out its full potential within the Group.

However, under the new MTMP—which was formulated to realize our long-term vision for 2030 of becoming “Leaders in Innovation”—we place greater emphasis on strengthening our corporate foundation rather than restructuring our businesses. As such, our business portfolio management is being utilized more as a tool to refine and enhance the value of existing businesses. While this process does involve selecting businesses within each segment and focusing capital investments accordingly, we do not anticipate significant changes to the overall structure of our core businesses. Instead, we are steadily progressing toward establishing a solid foundation across our four segments, as outlined in Plan A of the new MTMP.

In Plan A, we particularly focused on addressing the overreliance on profitability from specific businesses—a challenge that became evident in the previous MTMP.

During that period, profitability declined sharply due to the performance of a limited number of businesses, raising questions about whether our corporate foundation was truly resilient from a management perspective.

When the company is highly dependent on businesses with high volatility and high growth potential, it may face cash shortages for future investments during periods of volatility. Therefore, we recognize the need to secure businesses that can generate stable earnings at a certain baseline level. We believe that building a portfolio balancing cyclical growth with stable earnings will support steady growth in earnings per share and maintain high returns, thereby contributing to the continuous enhancement of corporate value.

Cash allocation

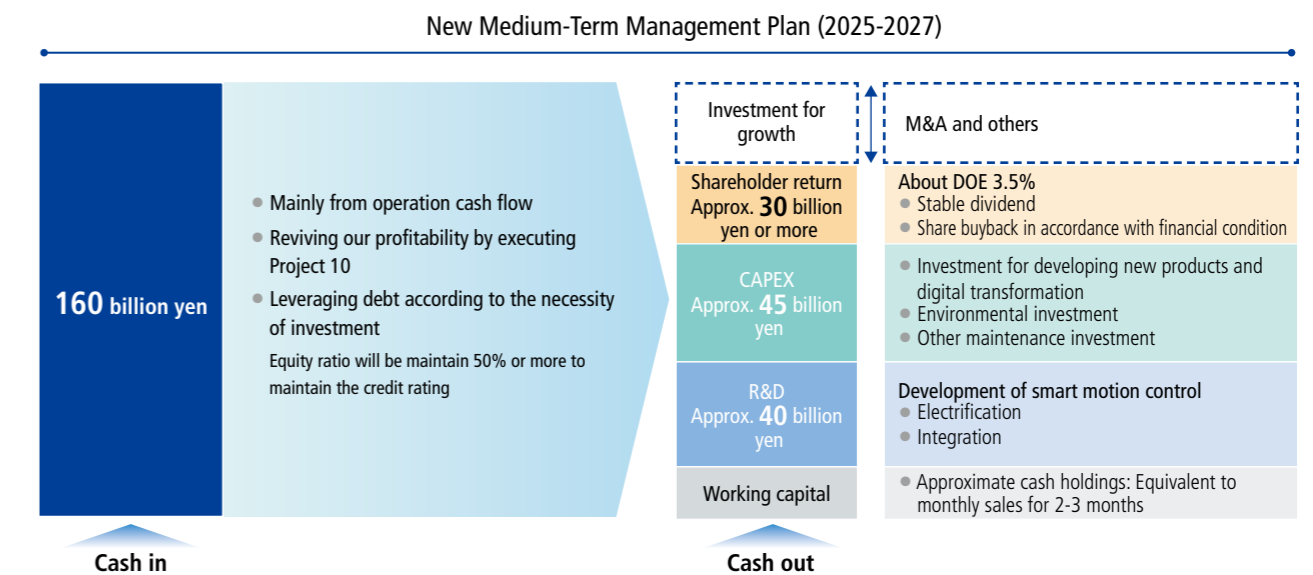
When combining operating cash flow and R&D expenses under the new MTMP, we expect a cash surplus of approximately 160 billion yen. Shareholder returns, aligned with the DOE 3.5% target set in the new MTMP, will require around 30 billion yen. The remaining cash will be prioritized

for investments aimed at future growth. We plan to allocate about 40 billion yen to R&D investments to promote SMC, and approximately 45 billion yen to capital investments in new product development, digital transformation (DX), environmental initiatives, and maintenance of existing facilities. The remaining funds are expected to cover budgets such as M&A activities and working capital linked to sales growth. Additionally, we are considering flexible share buybacks, factoring in share price levels as well as shareholders’ equity and cash reserves.

Strengthening the implementation of the plan

Although we missed our targets in the single fiscal years from 2021 onward, we were finally able to achieve them in 2024. Achieving the goals of the new MTMP is essential to realizing our long-term vision for 2030. I believe it is important to focus on the plan’s viability, solidify the foundation while maintaining a future outlook, and allocate the necessary resources appropriately to accomplish these goals.

Cash allocation approach



## Enhance Human Capital Management

### Driving the achievement of the new medium-term management plan (MTMP) through individual contributions

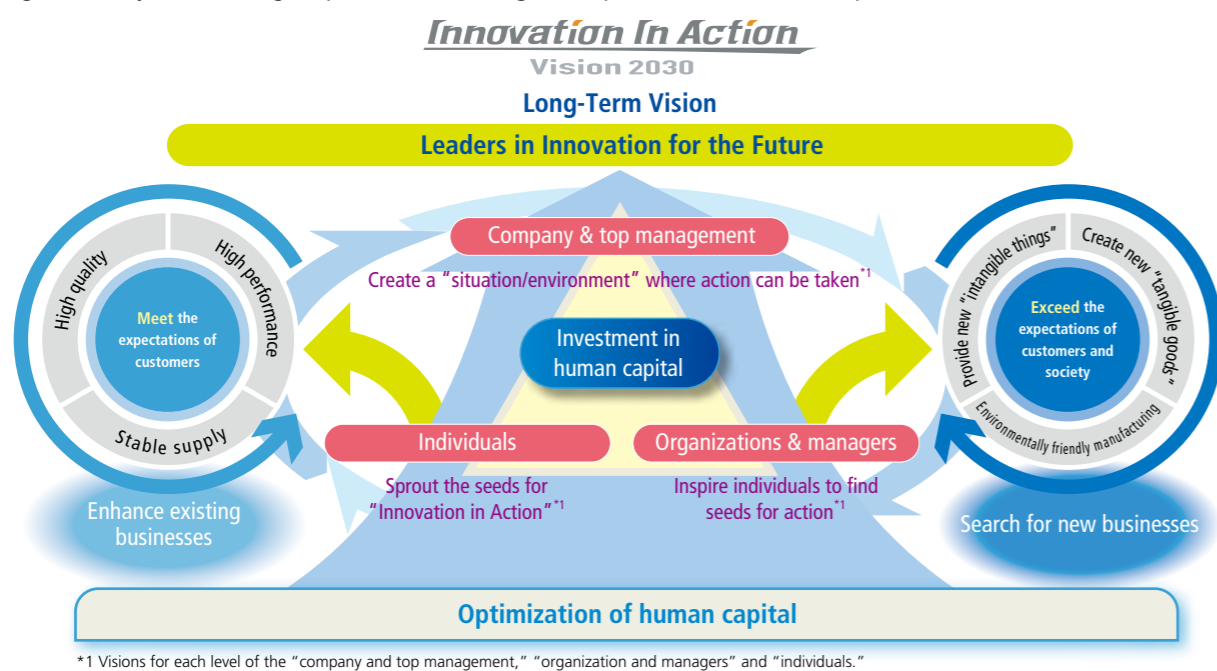
#### Setting a Human Capital Management Story to Become “Leaders in Innovation”

Nabtesco has established a human capital management story aimed at realizing the “Leaders in Innovation” vision set forth in its long-term strategy. As shown in Figure 1, human capital is structured into three layers: “Company and top management,” “Organization and managers,” and “Individuals,” with a defined ideal state for each. To track the progress and outcomes of human capital management across these layers, a composite indicator—based on organizational diagnostics and the Engagement Survey (hereinafter “ES”)—has been introduced. This set of human

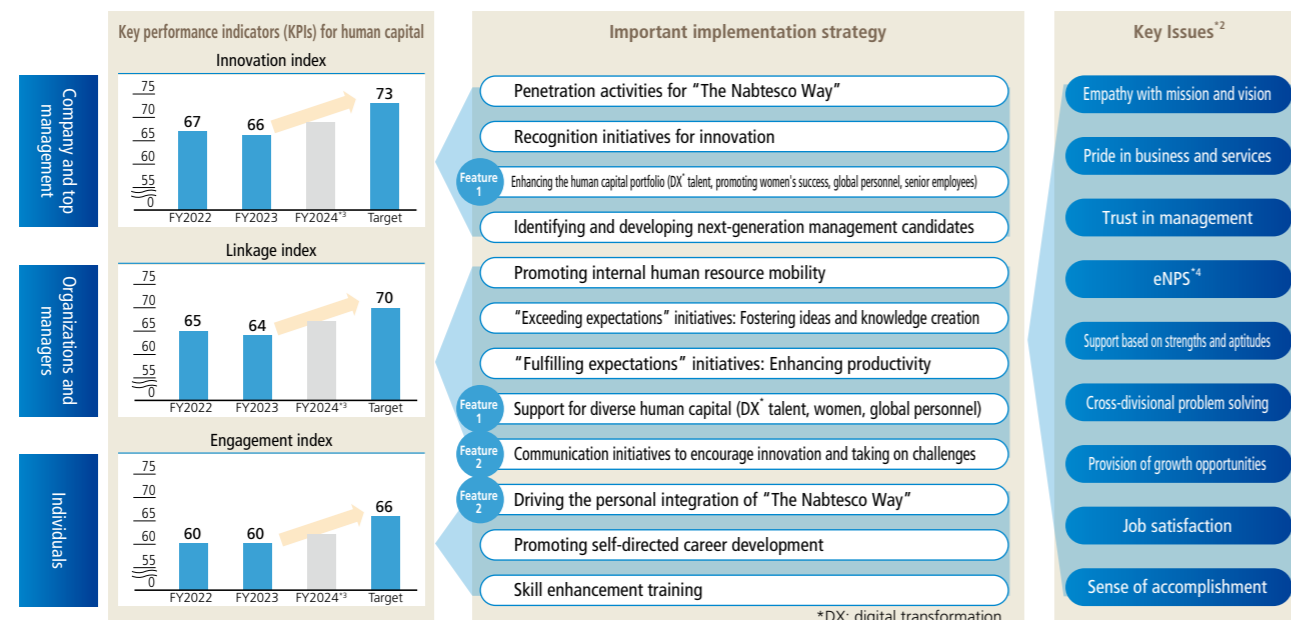
capital KPIs includes the “Innovation index,” “Linkage index,” and “Engagement index,” which are monitored for their respective trends.

Additionally, key issues are identified from the components of each KPI (see Figure 2) and are directly linked to a range of initiatives. This ensures alignment between the human capital management story and the initiatives, while also serving as a framework to assess the effectiveness of these measures and inform future actions.

● Figure 1: Story of Enhancing Corporate Value through the Optimization of Human Capital



● Figure 2: Actions to improve human capital KPIs



<sup>\*2</sup> Key issues: Items showing strong correlation with the Innovation Index, and components of the Engagement Index and Linkage Index that have low satisfaction levels.  
<sup>\*3</sup> The human capital KPI for FY2024 will be updated on our website, based on survey results.  
<sup>\*4</sup> eNPS stands for “Employee Net Promoter Score.” A metric quantifying the likelihood of recommending one’s workplace to close acquaintances.

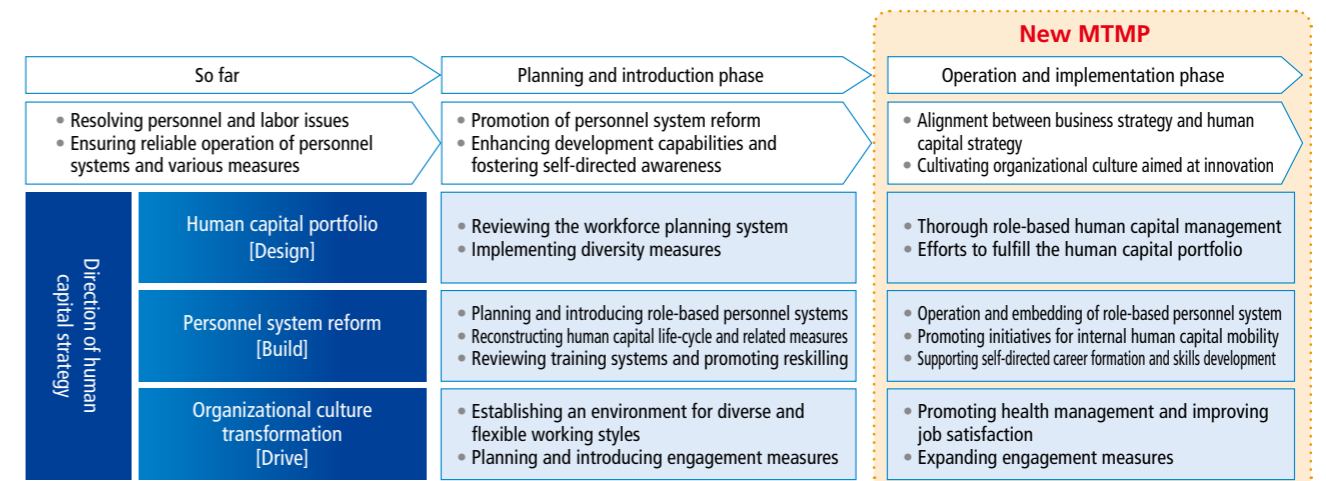
Web The Optimization of Human Capital  
<https://www.nabtesco.com/en/about/sustainability/s-004/s-005/>

#### Human Capital Management Supported by Human Capital Strategy ~Design/Build/Drive~

To realize our long-term vision, Nabtesco is promoting a shift to role-based talent management centered on business foundations. The core of this initiative is the new personnel system introduced in 2025. The new mid-term talent strategy continues the framework of the previous MTMP (Design/Build/Drive), defining (Design) the organization and talent for business strategy promotion and growth, building (Build) a talent management system aligned with business strategy, and driving (Drive) the

creation of an organizational culture and environment where employees can fully leverage their strengths and unique qualities.

The next three years are positioned as the “operation and implementation phase,” focusing on embedding and establishing the systems and mechanisms developed during the “planning and introduction phase” of the previous MTMP, and concentrating efforts on realizing the new MTMP.



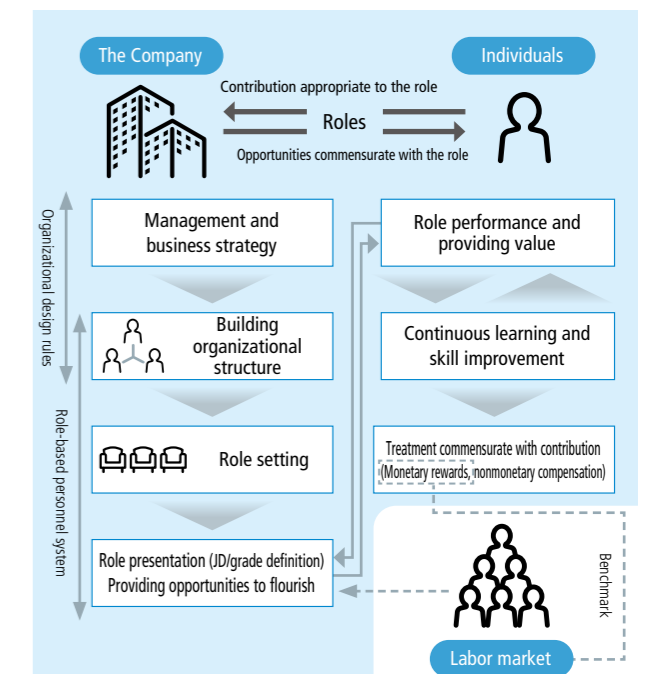
#### Transition to Role-based Talent Management

Role-based talent management is a system where the company, based on its management and business strategies, clearly defines the necessary organizational structure and roles. Employees provide value appropriate to these roles, and in return, receive treatment commensurate with their contributions. This approach aims to build a relationship between the company and its employees through “roles (jobs)” and seeks to achieve both the sustainable enhancement of corporate value and the realization of individual career goals. To enhance the effectiveness of the “Smart Motion Control” and “Project 10” initiatives outlined in the new MTMP, it is essential to acquire organizational capabilities through the optimization of human capital, which serves as the driving force behind these strategies.

In the “planning and introduction phase” of the previous MTMP, we established rules for organizational design and a role-based personnel system, creating a framework that enables each business to dynamically build the organizational structures and roles necessary to execute their strategies. Additionally, beyond traditional company-led transfers and placements, we introduced mechanisms and environments that empower employees to take on roles they aspire to.

In the new MTMP, we will transition to the “operation and implementation phase,” where these systems and mechanisms will be ingrained and established at the workplace level. While this involves revisiting long-familiar systems and frameworks, by having the “Company and

top management,” “Organization and managers,” and “Individuals” work together as a trinity, we aim to achieve our long-term vision and further enhance corporate value in the medium to long term through improved business performance and addressing social challenges.



## Enhance Human Capital Management

### ◆ Pilot introduction of a new personnel system reflecting job-based elements for managers, with expansion to regular employees starting this year

The Company has been advancing the introduction of a new personnel system, initiated by a basic agreement between the company and the labor union, coinciding with the announcement of our long-term vision in 2021. To realize this vision, transforming the personnel system to a "role-based" standard and evolving into an organization and workforce capable of driving innovation is essential. With a shared understanding between labor and management, we have completed the detailed design and preparations for system introduction. In 2024, we introduced a new personnel system incorporating job-based elements, starting with management positions. Furthermore, from 2025, this system will be expanded to regular employees, implementing the "role-based" personnel system Company-wide.

The management personnel system introduced in 2024 replaces the old "competency-based" standards, which

tended to operate on a seniority basis, with a "role-based" system where grades and compensation are determined according to the importance of the roles each position undertakes. To address the issue that many managers had taken on dual roles as player-managers, managerial roles have been redefined into two categories: "line management," responsible for leading the organization to achieve its goals, and "project lead," which promotes problem-solving by leveraging specialized expertise. The expected areas of contribution for each position have been clearly defined. Detailed role descriptions for each position are outlined in the Job Description (JD), which is updated with every organizational restructuring or role review and made available internally. Furthermore, the JD serves as the foundation for goal setting, personnel evaluation, recruitment, and human resource development.

The new MTMP emphasizes operating the evaluation system within the personnel framework, collaborating with each business division to thoroughly implement "role-based" goal setting and evaluations, with the aim of steadily achieving short- and medium-term plans.

positions was seen in the previous MTMP, the number of assistant manager-level promotions reached only a little more than 40% of the figure under the plan before that, indicating that the depth of potential future managerial candidates is still insufficient. In the new MTMP, the focus



**Web** ESG data book  
<https://www.nabtesco.com/en/about/sustainability/s-025/>

will be on achieving the target ratio of female managers and establishing a talent pipeline to support the continuous advancement of female employees, thereby fostering core talent that will drive business growth.

## Progress of Initiatives for Index Improvement

### [Innovation index / Linkage index]

#### Feature 1 Support for diverse human resources

 Key performance indicators (KPIs) for human capital	Innovation index	Linkage index	
 Priority issues to be solved	Support based on strengths and aptitudes	Provision of growth opportunities	Job satisfaction

The Company regards the diversity of each individual's ideas and values as a source of innovation. We focus on creating an environment where diverse perspectives and values are embraced and integrated, enabling every person to maximize their strengths regardless of gender, nationality, age, or employment status. Guided by this philosophy, we strategically promote organizational

development that leverages diversity by setting "fulfillment of the talent portfolio" and "support for the success of diverse talents" as key execution strategies aimed at improving human capital KPIs. We continuously monitor indicators related to talent diversity and the progress of specific initiatives.

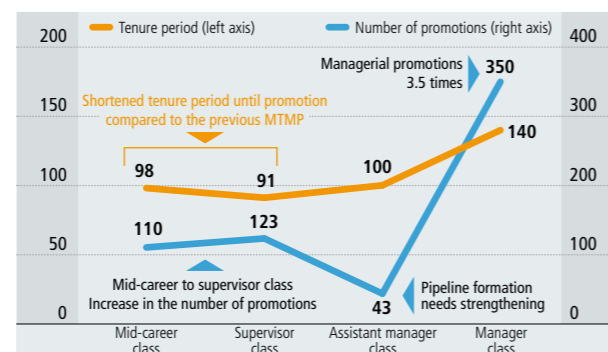
#### ● Indicators related to diversity (partial excerpt)

Classification		FY2022	FY2023	FY2024	FY2027
Percentage of female managers	Target	-	-	2.7%	4.1%
	Result	2.2%	3.0%	3.0%	-
Percentage of women among new graduate hires	Target	30.0%	30.0%	30.0%	30.0%
	Result	26.9%	27.3%	19.5%	-
Percentage of foreign nationals among new graduate hires	Target	20.0%	20.0%	20.0%	20.0%
	Result	19.2%	15.2%	19.5%	-

### ◆ Promoting female empowerment

In forming a pool of female talent, although the previous MTMP did not fully meet its targets, certain achievements were observed, such as the percentage of women among new hires reaching approximately 20–30%. Additionally, comparing the promotion outcomes for women between

#### ● Indicators related to the promotion of women in the previous MTMP



\* When the performance of the MTMP before the last is set to 100:  
 ● Below 100 = Increased speed of promotions  
 ● Above 100 = Increase in the number of promotions

the previous MTMP and the one before that, improvements were confirmed in various indicators, including an increase in the number of promotions and a reduction in the time required for promotion from mid-level to supervisory positions.

On the other hand, while active promotion to managerial

### [Linkage index / Engagement index]

#### Feature 2 Engagement improvement

 Key performance indicators (KPIs) for human capital	Linkage index	Engagement index	
 Priority issues to be solved	Empathy with mission and vision	Pride in business and services	Job satisfaction

To realize the "Leaders in Innovation" outlined in our long-term vision, we recognize the importance of implementing soft measures that foster a mindset of personal transformation and its dissemination to cultivate an organizational culture, alongside hard measures such as introducing a new personnel system.

The Company has identified "Promoting Human Capital Management" as a key management materiality and aims to create an "Organizational Culture That Fosters Innovation." This is a medium- to long-term initiative, and while quantitatively measuring outcomes is challenging, we are formulating specific actions and steadily promoting them based on trends in human capital KPIs, various survey results, and achievements of related measures.

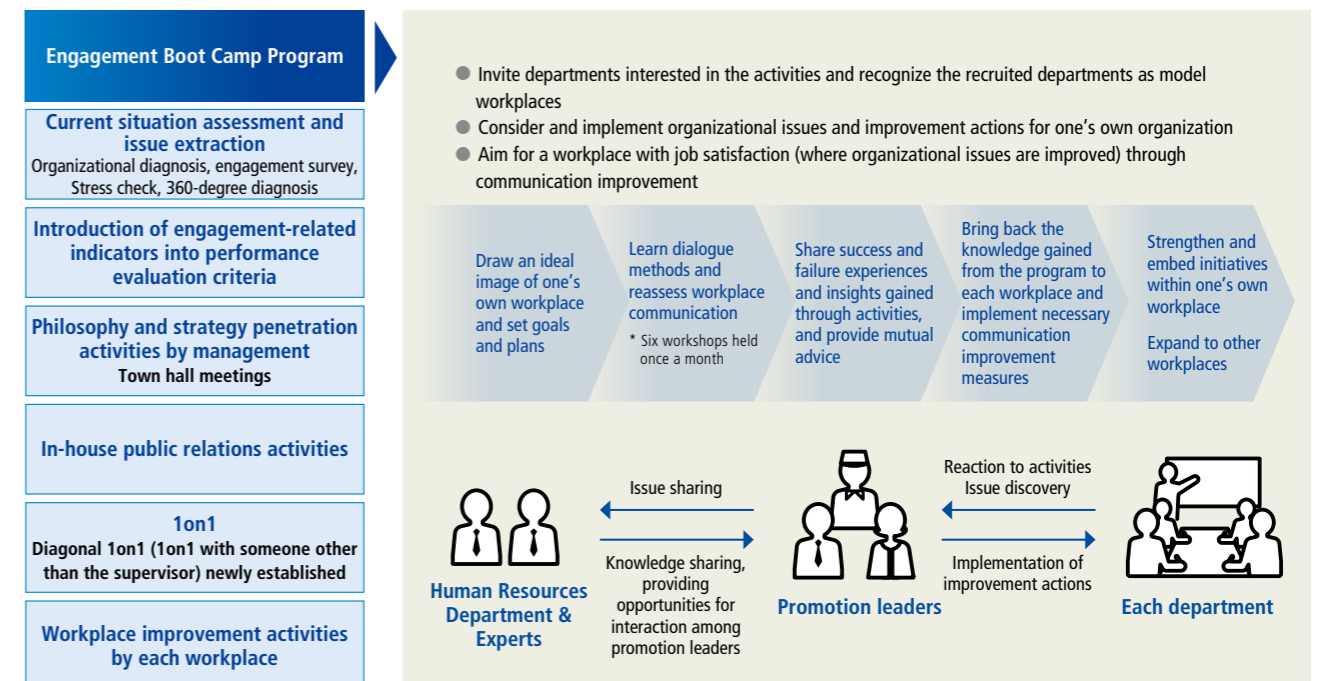
Furthermore, in the new MTMP, as part of the efforts to realize this management materiality, we have introduced engagement-related indicators into the performance evaluation criteria of each business, establishing a system that links the results of engagement improvement efforts with compensation. We aim to accelerate innovation

promotion across the organization by encouraging proactive involvement of managers at the field level, with a focus on raising awareness of individual actions.

### ◆ Engagement Boot Camp Program

To enable each organization to autonomously implement improvement actions by addressing engagement challenges through trial and error, we have launched an "Engagement Boot Camp Program" that invites departments interested in participating and supports them for about six months. Participating departments have provided positive feedback, noting gradual changes in dialogue and behavior. This program is a grassroots initiative led by small groups, but by sharing the changes and insights gained as best practices across the company and expanding this activity model to other workplaces, we aim to foster a culture of company-wide engagement improvement and ensure the sustainability and establishment of these activities.

#### ● Various measures for engagement improvement


















## Business Models and SWOT Analysis

# We are committed to providing high value-added products and services distinguished by our unique motion control technology.

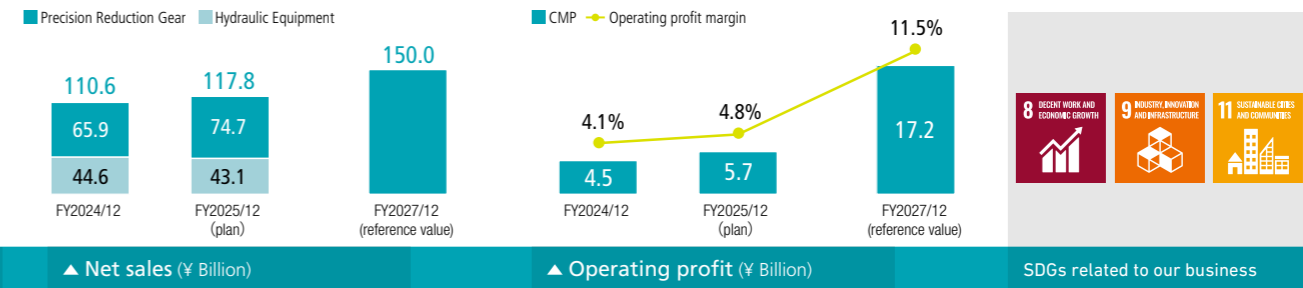
We are building a solid competitive edge by using our accumulated technologies to evolve products, services, and supply systems that meet customer needs.

**Our Business**  
<https://www.nabtesco.com/en/products/>

Business segment	Features of business model	Customers	End users	Business	Strength	Opportunity	Weakness	Threat							
Component Solutions (CMP)	<ul style="list-style-type: none"> <li>Our industrial equipment business, centered on mass-produced parts manufacturing, has a significant impact on profitability due to fluctuations in production and sales volumes caused by shifts in demand.</li> <li>Synergies can be expected within the segment, including material procurement through joint purchasing and improved production efficiency.</li> <li>Given the durability of our products, surpassing the service life of industrial robots, construction machinery, etc., there is limited demand for maintenance and replacement.</li> </ul>	 Industrial robot manufacturers, Machine tool manufacturers, Construction machinery manufacturers, etc.	 Automobile industry Civil engineering and construction industry	Precision Reduction Gears 	<ul style="list-style-type: none"> <li>Close relationships with cutting-edge technology customers</li> <li>Highly efficient automated production line</li> <li>Products that meet high levels of rigidity, precision, and durability</li> <li>Capability to develop technologies to meet customers' needs</li> <li>A wide range of products for FA applications</li> </ul>	<ul style="list-style-type: none"> <li>Growth in demand from industrial robot manufacturers and from general industry due to the needs for labor saving and automation</li> <li>Utilization of precision reduction gears technologies in response to electrification needs in every industry</li> </ul>	<ul style="list-style-type: none"> <li>High level of dependence on demand for industrial robots</li> <li>High level of dependence on auto sector</li> </ul>	<ul style="list-style-type: none"> <li>Slowdown of capital expenditure in auto industry</li> <li>Improved quality of copy products in China</li> </ul>							
				Hydraulic Equipment 					<ul style="list-style-type: none"> <li>A wide range of products from small to large offerings</li> <li>Production in regions where demand exists</li> <li>A track record of conducting business with all major mother machine manufacturers.</li> </ul>	<ul style="list-style-type: none"> <li>Expanded use of ICT and promotion of electrification by the construction machinery industry</li> <li>Demand for infrastructure driven by the boost in economic stimulus packages</li> <li>Construction demand increasing in emerging countries</li> <li>Cultivation of new customers in Europe and the U.S.</li> </ul>	<ul style="list-style-type: none"> <li>High level of dependence on hydraulic excavators usage</li> <li>Limited lineup of systemized products</li> </ul>	<ul style="list-style-type: none"> <li>Decrease in demand for construction machinery</li> <li>Rise of local competitors in China and the shift to internal production by construction machinery manufacturers</li> </ul>			
Transport Solutions (TRS)	<ul style="list-style-type: none"> <li>Since all businesses are developing aftersales services (MRO), stable earnings can be expected from the demand for maintenance, repair, and replacement even during economic fluctuations.</li> <li>Synergies can be expected from the sharing of MRO bases and know-how.</li> </ul>	 Transportation equipment manufacturer	 Airlines Railway companies Ship owners, etc.	Railroad Vehicle Equipment 	<ul style="list-style-type: none"> <li>Know-how and technologies accumulated over 50 years for major aircraft manufacturers in the U.S. and Ministry of Defense in Japan</li> <li>Close relationships with major customers and support systems</li> <li>Highly environmentally friendly and efficient production system</li> </ul>	<ul style="list-style-type: none"> <li>Growing demand for railroad in emerging countries, particularly in Asia</li> <li>Entry into the European market through compliance with European standards</li> </ul>	<ul style="list-style-type: none"> <li>Ability to expand into diversified overseas markets</li> </ul>	<ul style="list-style-type: none"> <li>Drastic changes in the supply chain with increasing uncertainty</li> <li>Intensified competition with local manufacturers in China</li> </ul>							
				Aircraft Equipment 					<ul style="list-style-type: none"> <li>Trust from customers cultivated through marine engine remote control system</li> <li>Software technology for auto navigation and fuel efficiency improvement</li> <li>Three production footprints in Japan, China, and South Korea</li> </ul>	<ul style="list-style-type: none"> <li>Recovery of passenger demand</li> <li>Increase in demand due to the growing budget for national defense</li> </ul>	<ul style="list-style-type: none"> <li>Lack of actual mass production of large capacity electrification technology</li> </ul>	<ul style="list-style-type: none"> <li>Stagnant demand for air travel due to changes in the global landscape</li> <li>Increase in foreign-sourced components in the defense industry</li> </ul>			
				Commercial Vehicle Equipment 									<ul style="list-style-type: none"> <li>Expansion of market opportunities driven by the electrification trend</li> <li>Increasing demand for advanced safety technologies for great changes, as represented by CASE*</li> </ul>	<ul style="list-style-type: none"> <li>Lack of competitiveness regarding electrified or systemized products</li> </ul>	<ul style="list-style-type: none"> <li>Competition in the market with leading European manufacturers</li> <li>New competitors emerging in developing countries</li> </ul>
				Marine Vessel Equipment 											
* CASE: Connected, Autonomous, Shared/Service, Electric															
Accessibility Solutions (ACB)	<ul style="list-style-type: none"> <li>Expand sales and service networks through M&amp;A and other means, and pursue profitability improvement by integrating production and sales, deepening the value chain across manufacturing, sales, construction, maintenance, and service.</li> <li>Given the high ratio of the after-sales service (MRO) business, stable earnings can be expected from the demand for maintenance, repair, and replacement even during economic fluctuations.</li> </ul>	 General contractors, building owners, railway companies etc.	 Office buildings, commercial buildings, hospitals, condominiums, stations	Automatic Doors and platform doors 	<ul style="list-style-type: none"> <li>Sales network that covers the world's four major automatic door markets in Japan, Europe, the U.S. and China</li> <li>A wide range of high-quality automatic doors</li> <li>Meticulous sales, installation and service networks in the major markets</li> </ul>	<ul style="list-style-type: none"> <li>Stable growth of the automatic door market mainly in developed countries</li> <li>Increase in the number of home doors installed in Japan under the barrier-free rate system for railway stations</li> </ul>	<ul style="list-style-type: none"> <li>Limited lineup of peripheral building materials for door products compared with competitors in overseas markets</li> </ul>	<ul style="list-style-type: none"> <li>Long-term tendency for domestic market demand for automatic doors to shrink due to maturity</li> <li>Chronic shortage of human resources in the construction industry</li> </ul>							
Manufacturing Solutions (MFR)	<ul style="list-style-type: none"> <li>Due to the provision of after-sales service (MRO), stable earnings can be expected due to the demand for maintenance, repair, and replacement even during economic fluctuations.</li> <li>Strive to differentiate ourselves by promptly grasping customer needs through the provision of end products and responding to customization requests.</li> </ul>	 Food companies, chemical companies, pet food companies, etc.	Packaging Machines 	<ul style="list-style-type: none"> <li>Ability to develop technologies for high-speed, spacesaving, and highly airtight packaging</li> <li>Know-how to pack wet contents such as retort foods</li> <li>Ability to customize packaging machines</li> <li>Sales network that has delivered more than 2,000 units in more than 40 countries worldwide</li> <li>Establishment of a production and services system globally</li> </ul>	<ul style="list-style-type: none"> <li>Expanded needs for small-lot and lightweight packaging</li> <li>Expanded needs for automation and labor saving at food processing factories and others</li> <li>Demand for pouch food packaging expanding due to the increase in individuals eating alone and growing public awareness about food safety</li> <li>Increase in demand for environment-friendly packaging materials</li> </ul>	<ul style="list-style-type: none"> <li>Lack of global recognition</li> </ul>	<ul style="list-style-type: none"> <li>Change in market share due to the release of low-cost products by emerging manufacturers</li> </ul>								

# Component Solutions (CMP)

Contributing to automation, labor-saving practices, and infrastructure development in the field of manufacturing and infrastructure.



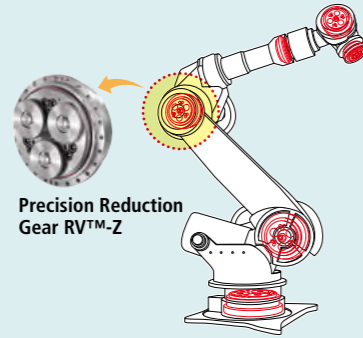
## Precision Reduction Gear Business

## Hydraulic Equipment Business

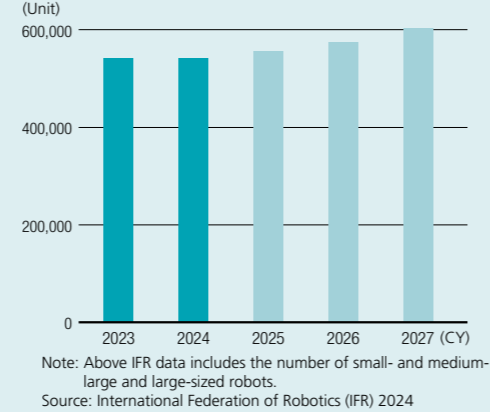
### Precision Reduction Gear Business

### Precision Equipment Company

By promoting and expanding hydraulic equipment technology, we successfully developed groundbreaking precision reduction gears that addressed challenges faced by robot manufacturers at the time. Since 1986, we have supplied major robot manufacturers and hold approximately 60% market share of the global industrial robot usage. Moving forward, we aim to create new value through synergies across our business segments to meet the increasing demand to meet electrification and systematization.



### Worldwide annual shipment of industrial robots (Forecast)



### Competitive advantages

#### Outline and features of products

- "Precision Reduction Gears RV™" are lightweight and compact, offering high precision, rigidity and durability.
- Their compact design contributes to the reduction of size and weight in robots.
- "Precision Reduction Gears RV™" achieve low vibration and high-precision movement through a proprietary mechanism, improving controllability even in heavy robots.

#### Production

- Our production capacity enables stable, large-scale of supply volume with high-quality products.
- We have the capability to customize products to meet individual customer requirements.
- By leveraging the Hamamatsu Plant, which achieves automated production through labor-saving initiatives, we are building a production system resilient to demand fluctuations.

### Business environment

Based on statistics from the international Federation of Robotics, the installation of industrial robots is progressing to address labor population decline, rising labor costs, and the need for stable quality. The annual average growth rate is expected to be around 7% through 2030.

### Growth strategy

For industrial robots, we aim to maintain a 60% market share by developing and manufacturing the world's highest-quality precision reduction gears that meet robot manufacturers' demands for high precision, high density, and long life. We also seek to expand sales by cultivating markets that use precision reduction gears in new ways. Beyond addressing automation and labor-saving needs, we will create new value by collaborating with smart motion control from other business segments to respond to the growing demand for electrification and systematization.

At the state-of-the-art Hamamatsu Plant, we are building production capacity capable of stable, large-volume supply of high-quality products through highly automated lines targeting 90% automation. This will allow us to flexibly respond to the demand for precision reduction gears, which is expected to grow further due to automation and labor-saving needs, while pursuing improved production efficiency and profitability.

### Challenging for smart motion control



With the advancement of electrification, the role of precision reduction gears is expanding, and we aim to contribute to society through world-leading advanced technologies. By evolving system-based products—such as AGV/AMR and condition monitoring—precision reduction gears will be applied in new areas, accelerating expansion into industrial fields including semiconductors, medical, and food products.

President, Precision Equipment Company  
**Hiroki Higuchi**

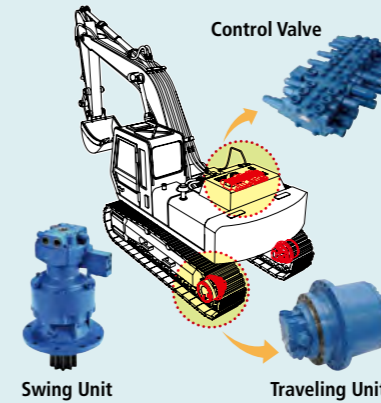


Mecanum AMR (autonomous mobile robot)

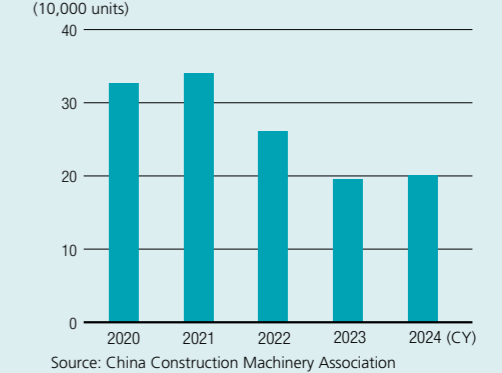
### Hydraulic Equipment Business

### Power Control Company

The technologies common to our two companies before integration form the basis for a product lineup that leverages their strengths to offer high-quality, high-value-added products. Going forward, we are also advancing the development of electrified products using reduction gears to address the social issue of electrification of hydraulic excavators.



### Annual volume of excavators in China



### Competitive advantages

#### Outline and features of products

- Our traveling units for hydraulic excavator crawlers boast advanced energy-saving performance and compact design while maintaining high efficiency and generating significant power. Built to withstand harsh environments, they are renowned for their durability and reliability.
- Our product range encompasses a wide variety of components, including traveling units, swing units, control valves, pumps, and other essential units tailored for construction machinery of different sizes, ranging from small to large-scale equipment.

#### Production

- Based on the concept of local production for local consumption, we improve Quality, Cost, Delivery, and Service (QCDS) performance by establishing production systems closer to our customers.
- The Tarui Plant, our mother plant, has realized an automated processing and assembly line as well as an environmentally conscious facility through its accumulated advanced machining technologies.

### Business environment

The global excavator market has been gradually recovering since 2024, with a CAGR rate of approximately 5% expected. While intense competition persists due to the rise of local hydraulic equipment manufacturers in China and construction machinery makers bringing in-house production, the market is undergoing transformation through the adoption of ICT and electrification in construction machinery.

### Growth strategy

We now view the Chinese market as a mature market driven by steady replacement demand for excavators. Taking this changes, we are streamlining production systems and introducing products suited to the operating conditions of construction machinery in China. Simultaneously, in the European and US markets, we are leveraging newly established sales bases to pursue new customer acquisition and increase market share, building a system that contributes to sales growth. Furthermore, we are advancing the development and launch of high-value-added products that respond to the ICT adoption and electrification of construction machinery, accelerating smart motion control.

### Challenging for smart motion control



We are committed to developing products that not only deliver high-efficiency hydraulic components but also support the ICT adoption and electrification of construction machinery, thereby meeting to deliver the solution for social challenges such as labor shortages and environmental sustainability.

President, Power Control Company  
**Kiyoshi Ando**



Fully-electrified excavator (model)

# Transport Solutions (TRS)

In the field of “transportation of people and goods,” we contribute to the improvement of safety, security, and comfort through the control technology we have developed over the years.

- Railroad Vehicle Equipment Business
- Aircraft Equipment Business
- Commercial Vehicle Equipment Business
- Marine Vessel Equipment Business

**Railroad Vehicle Equipment Business**

**Railroad Products Company**

Since taking our first order for air brakes from the former Japanese Ministry of Railways in 1925, Nabtesco has contributed to safe and comfortable rail transport both in and out of Japan by providing products that meet the high standards of reliability and durability required for railway vehicles. Building on the foundation of products certified under European standards, we aim to further expand our overseas sales.

**Market size of railroad industry (by region)**

Region	2019-2021 (Average annual amount)	2025-2027 (Average annual amount)	Change (%)
Other*1	€36.1 billion (20.4%)	€44.3 billion (21.0%)	22.8%
NAFTA	€29.3 billion (16.6%)	€35.3 billion (16.7%)	20.2%
Asia & Pacific	€60.6 billion (34.4%)	€68.0 billion (32.3%)	12.2%
West Europe	€50.4 billion (28.6%)	€63.0 billion (29.9%)	24.9%
<b>Total</b>	<b>€176.5 billion</b>	<b>€210.6 billion</b>	

\*1 Other: Eastern Europe, CIS, Africa & Middle East and Latin America other than NAFTA  
Source: UNIFE/Association of the European Rail Supply Industry

## Competitive advantages

### Outline and features of products

- Brake control systems, door operators, and other products that are used in railroad vehicles both in Japan and abroad.
- Products that contribute to the weight reduction and higher energy efficiency of railroad vehicles, in addition to increasing their safety.
- Ability to develop highly reliable and durable products to meet the needs of our customers.

### Production

- Promoting optimal development, procurement, production through our production base in Japan, China, and Europe.

### Services

- Providing customer value by meeting various demands, including the stable supply of repair parts and take-back maintenance.

## Business environment

In the Japanese market, although the number of passengers is recovering, investment in new rolling stock is expected to remain restrained compared to pre-COVID levels due to factors such as inflation. In overseas markets, the railway industry is expected to continue growing as a low-environmental-impact mode of transportation and a means of avoiding urban congestion. In addition, investment in railways is anticipated as a key component of social infrastructure development in emerging countries.

### Growth strategy

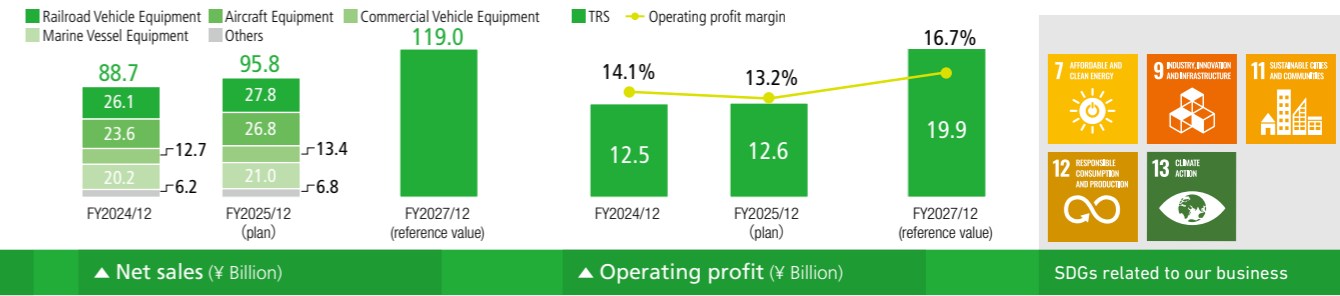
In the Japanese market, we will focus on product development tailored to customer needs and proposals for the next-generation standard vehicles. Our MRO division will continue toward practical implementation of remote monitoring systems for products, contributing to reducing maintenance workload and minimizing the risk of train service disruptions through alternatives to daily inspections and predictive fault detection. In overseas markets, we aim to secure new projects by leveraging products compliant with European standards, which are recognized globally. Additionally, using orders for state-owned railroad vehicles in Indonesia as a foothold, we plan to expand further into the Southeast Asian market.

**Challenging for smart motion control**

By building partnerships and promoting shifts in mindset to overcome all limitations, we will take on new frontiers such as equipment electrification and the utilization of status monitoring technologies. Moving toward the next 100 years, we will continue to support safe, secure, and comfortable railroad transportation.

Electrified brakes

President, Railroad Products Company  
**Michihito Suzuki**



**Aircraft Equipment Business**

**Aerospace Company**

Since entering the aerospace business in 1944, Nabtesco has contributed to the safe operation of aircraft through its long-cultivated technological development capabilities. We provide highly reliable products and after-sales services to major aircraft manufacturers both in Japan and overseas, as well as to the Ministry of Defense and airlines around the world. In the field of flight control actuation systems—a core product—Nabtesco is the only supplier in Japan.

**Forecast for jetliner demand**

Year	Existing instruments	Replacement demand	Total
2023	25,360	0	25,360
2043 (CY)	5,325	20,035	25,360
<b>Total</b>	<b>30,685</b>	<b>20,035</b>	<b>50,720</b>

Number of instruments delivered: 35,664

Source: Japan Aircraft Development Corporation

## Competitive advantages

### Outline and features of products

- Flight control actuation systems, a core product, receive electric signals from the cockpit, tilting the aircraft up, down, left, and right.
- Long-standing ability to develop aircraft technologies in both the defense and civil sectors.
- Proven excellence in QCDS, as demonstrated by orders for major commercial aircraft programs from Boeing.

### Production

- A highly efficient and environmentally friendly production system has been established at the Gifu Plant enabling the manufacture of a wide range of products.

### Services

- To provide comprehensive after-sales service, a 24-hour support system has been established through MRO bases in Japan, the U.S., and Germany.

## Business environment

In the commercial aviation sector, global demand for jet airplanes is projected to grow at an annual rate of approximately 3.2% over the next 20 years. Additionally, revenue passenger kilometers (RPK) are expected to see a medium-term average annual growth rate of 4.7%, indicating increased aircraft operating hours and a corresponding rise in MRO demand. In the defense sector, Japan is targeting defense spending equivalent to 2% of GDP by 2027, and demand for defense equipment is expected to remain strong.

### Growth strategy

In existing businesses expected to grow, we will pursue continuous improvement in QCDS through enhanced productivity and supply chain restructuring. We will also drive growth through exceeding the customer expectations by developing products for the new Boeing 777X and expanding MRO services in line with rising global demand for air travel. At the same time, we see the growing focus on sustainability and the broader use of airspace—including advanced air mobility—as new business opportunities. By strengthening collaboration with customers, we aim to contribute to the realization of a sustainable society while achieving further growth.

**Challenging for smart motion control**

We will continue to take on the challenge of developing new products and providing optimal solutions to meet the evolving needs of the future aerospace industry, contributing to the realization of a more sustainable aviation sector.

Contribution to Sustainable Aerospace Industry

President, Aerospace Company  
**Norimasa Takagi**

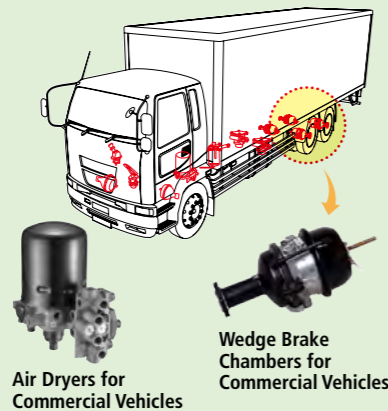
# Transport Solutions (TRS)

Railroad Vehicle Equipment Business | Aircraft Equipment Business | Commercial Vehicle Equipment Business | Marine Vessel Equipment Business

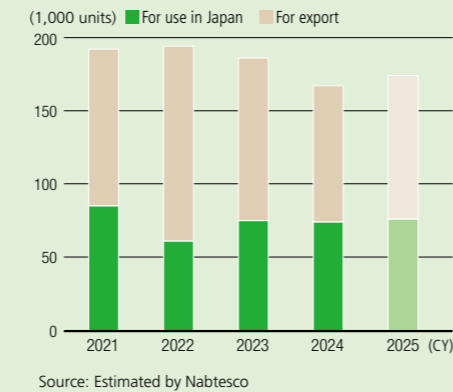
Commercial Vehicle Equipment Business

Nabtesco Automotive Corporation

In 1933, Nabco (current Nabtesco) became the first company in Japan to manufacture air brake products for commercial vehicles and has since maintained a strong market share in Japan for heavy duty trucks. We continue to develop products compatible with the electrification of commercial vehicles, aiming to expand sales and acquire new customers, while consistently delivering value that meets the evolving needs of the new era.



Production of large trucks and buses (forecast)



## Competitive advantages

### Outline and features of products

- Air brake chambers and air dryer products play a vital role in ensuring safe brake control and prolonging the service life of brake systems.
- Emergency driving stop systems (EDSS), which can be retrofitted for buses, automatically stop the vehicle in emergencies, contributing to improved safety for passengers and divers.
- Contribution to achieving a decarbonized society through the provision of electric compressors for EV buses.

### Production

- All equipment is designed and made in-house by specialists engaged in various manufacturing processes to ensure quick response to customer requirements for small-lot production across a wide range of products.
- Enhanced cost competitiveness while meeting local quality standards under our global production system.

## Business environment

In the short term, demand for the Southeast Asian market is expected to bottom out, while demand in the domestic market is anticipated to recover gradually as production issues are resolved. In the commercial vehicle sector, there is a growing need for improved fuel efficiency and electrification to support a decarbonized society. Providing products tailored to electric commercial vehicles during this period of transformation presents a growth opportunity. In particular, strong growth is expected in the Chinese market, where the adoption rate of EVs is high.

## Growth strategy

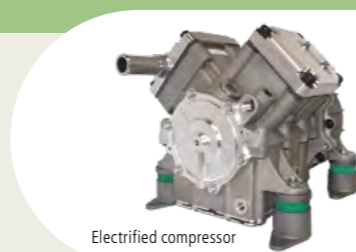
We will advance the development of products that support electrification and autonomous driving, aligned with the trends of "environment" and "safety" in the automotive and commercial vehicle sectors. Our goal is to offer a broad product lineup that meets diverse market conditions and customer needs. Beyond improving existing products, we will strengthen brand recognition in the Chinese market—where EV commercial vehicle development and adoption are progressing rapidly—and make differentiations to develop unique products which has not offered from competitors. Additionally, we will pursue factory automation, production efficiency improvements, and enhancements in QCDS to drive further growth.

## Challenging for smart motion control

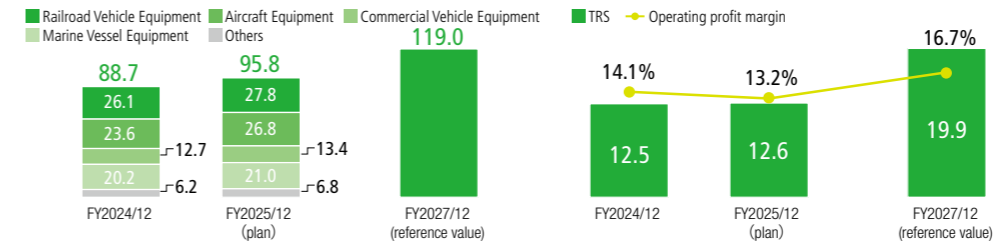


We are taking on the challenge of developing new products to meet the demands of electrification in commercial vehicles, aiming to become the leading player in brake control for the EV commercial vehicle market.

President, Nabtesco Automotive Corporation  
Ataru Inoue



Electrified compressor

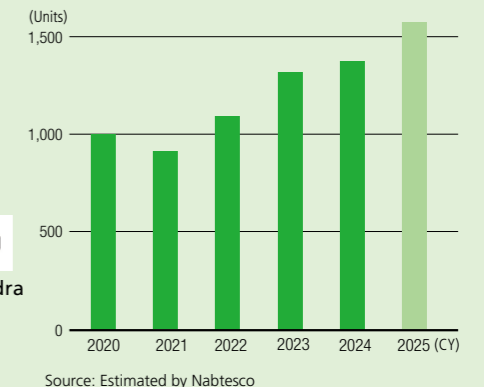
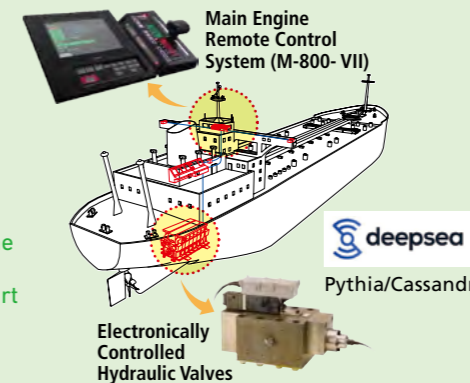


Marine Vessel Equipment Business

Marine Control Systems Company

Global production of 2-stroke diesel engines for marine vessels (forecast)

Since developing Japan's first pneumatic remote control system for marine vessel engines in 1963, we have consistently created products that meet the needs of the times. Going forward, we will continue to contribute to the safety and security of maritime transportation by providing autonomous navigation support systems and environmentally friendly marine equipment.



## Competitive advantages

### Outline and features of products

- Marine vessel engine remote control systems comply with the latest security requirements set by various classification societies and feature a user-friendly LCD touchscreen interface.
- Electronically controlled hydraulic valves optimize fuel injection and exhaust valve control across all load ranges, contributing to improved combustion efficiency of marine vessel engines.
- The subsidiary Deep Sea Technologies's optimal navigation route selection and status monitoring solutions support optimal vessel operation.
- TELEGRAPH AGENT™ enables efficient and planned navigation through control of ship speed, horsepower, and fuel consumption settings.

### Production

- Local production facilities in Japan, China, and South Korea, key shipbuilding nations, that ensure localized production and improved QCDS performance.

### Services

- MRO service bases globally, including our own facilities in Japan, China, South Korea, Singapore, the Netherlands,

and India, supported by a distribution network to ensure readiness for 24/7, year-round MRO service provision.

## Business environment

With ships built during the construction boom 20 years ago gradually retiring and maritime transport demand remaining strong, both the new shipbuilding and MRO markets continue to experience high demand. In the shipping industry, tightening GHG emission regulations and a shortage of seafarers are driving increased needs for labor-saving and automation solutions.

## Growth strategy

We will seize opportunities arising from labor-saving initiatives and environmental regulation compliance to reliably capture demand for new shipbuilding and MRO, while actively expanding sales of new products. Regarding labor-saving, we will promote wider adoption of the optimal route selection and condition monitoring solutions developed by Deep Sea Technologies, which we acquired in 2023. Moreover, in 2024, we launched our first jointly developed product with Deep Sea Technologies—a system that seamlessly transmits ship speed plans, selected by the optimal route selection system, to the remote control system for marine engines. This product has also obtained certification from classification societies.

## Challenging for smart motion control



Based on ensuring safe vessel operations, we will advance the development of new technologies to solve major social challenges such as labor-saving and reducing environmental impact, while expanding navigation support and integrated propulsion control solutions.

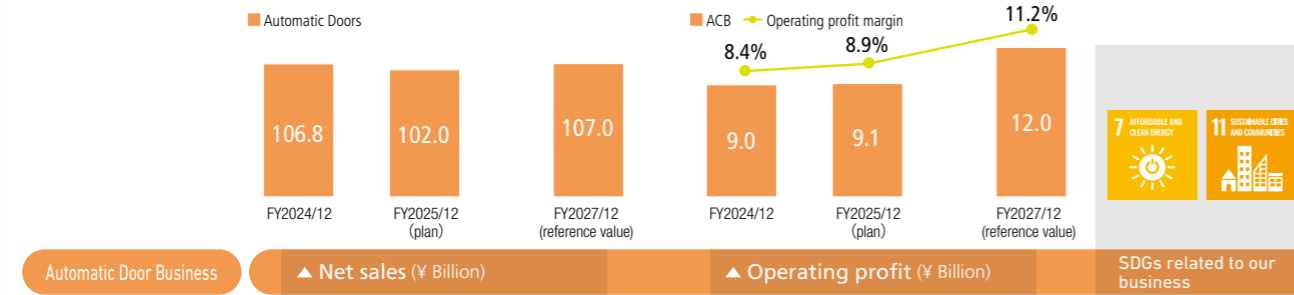
President, Marine Control Systems Company  
Yukihiro Mizutani



Logo mark of Deep Sea Technologies

# Accessibility Solutions (ACB)

The Accessibility Solutions Segment contributes to the creation of a barrier-free society.



**Automatic Door Business** | Accessibility Innovations Company

Since developing an automatic door ahead of other companies in Japan in 1956, we have expanded our product range to include barrier-free doors, platform doors, and more. We have established our position as a top-level automatic door manufacturer, serving customers in the world's major markets.

**Automatic door markets (forecast)**

(Million US dollars) | Europe | North America | Japan | Asia

CAGR 4.3%

Source: IHS

## Competitive advantages

### Outline and features of products

- Developed high-performance and highly energy-efficient automatic doors for buildings by adopting state-of-the-art sensors and advanced door control technologies.
- A broad lineup of platform doors, including full height-type doors, movable doors and lightweight doors.

### Production

- A system to supply our products in the following four major automatic door markets: Japan, Europe, North America and China (Europe: Gilgen Door Systems AG; North America: NABCO Entrances, Inc.; China: NABCO Auto Door (Beijing) Co., Ltd.)

### Services

- A network of more than 100 service bases in Japan ensures customer needs are met at all times, including needs for our products, installation work and MRO service.

## Business environment

Demand for automatic doors for buildings is expected to remain firm globally due to increased domestic urban redevelopment, stable demand in Europe and the United States, and further progress in infrastructure development in Southeast Asia. In Japan, platform doors are also expected to see sustained strong demand, supported by efforts to enhance passenger safety and in accordance with the Barrier-free Access Law.

### Growth strategy

In the automatic doors business for buildings, we aim to achieve stable growth by steadily acquiring projects driven by urban redevelopment and strengthening MRO services in Japan, while accelerating further growth through reinforcing our sales structure in the Asian market. In the platform door business, we seek to enhance profitability by introducing products tailored to domestic demand and strengthening selective orders overseas. Additionally, we will drive further growth by expanding our MRO services through condition monitoring using big data and IoT, centered on automatic door products. We will also establish an advertising business combined with digital signage and other ventures as new business opportunities.

## Challenging for smart motion control



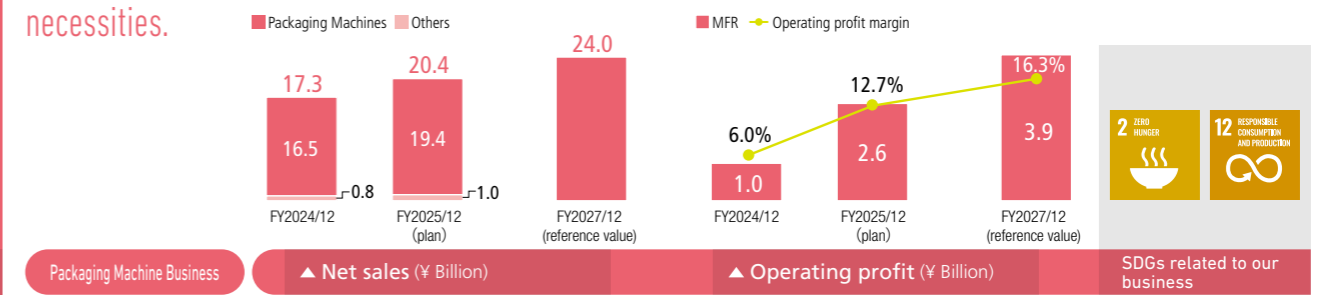
Automatic doors, built on the core values of safety, security, and comfort, are essential components of social infrastructure. Going forward, in addition to these fundamental values, we will offer new solutions that address societal challenges such as labor-saving and energy efficiency. We will also enhance information delivery through digital signage and utilize data gathered from automatic doors to support the development of future social infrastructure.

President, Accessibility Innovations Company  
**Takeshi Hanafusa**



# Manufacturing Solutions (MFR)

The packaging machine business contributes to labor saving at production facilities for food and for daily necessities.



**Packaging Machine Business** | PACRAFT Co., Ltd.

We developed the first packaging machines for retort curry pouches in Japan in 1970, and now we supply automatic fillers and sealers for packaging not only food but also detergents, pet food, and various other products. By providing whole line systems that cover both upstream and downstream processes, we aim to enhance added value for our customers.

**Global pouch packaging machinery market forecast**

(Billion US dollars)

CAGR 5%

Source: PMMI = The Association for Packaging and Processing Technologies

## Competitive advantages

### Outline and features of products

- Whole line systems customized to fit the specific needs of each production venue.
- Accumulated know-how for packaging wet contents that are difficult to fill, particularly retort foods.
- Strengths in airtight sealing, which is essential for food safety.

### Production

- Established a global production system in Japan, China, and North America.
- Increased production efficiency through plant expansion and production optimization in Japan.

### Services

- Local subsidiaries in China, the United States, and Germany answer various customer requirements and after-sale service demands.
- Official distributors in major overseas cities have delivered over 2,000 units in more than 40 countries worldwide.

## Business environment

Demand for investment in automations, which had been under review due to the impacts of inflation and economic slowdown, is expected to gradually recover both domestically and internationally. Demand for food pouch packaging is expected to remain strong over the medium- to long-term, driven by needs for small, lightweight packaging to support individual servings and reduce food loss, as well as increasing awareness of food safety and rising demand for factory automation and labor-saving due to labor shortages.

### Growth strategy

To meet the growing demand for packaging machines and respond to increasingly diverse and sophisticated customer needs, we will enhance our value proposition by developing a comprehensive line system that integrates pre- and post-packaging inspections. Additionally, we will focus on adopting new environmentally friendly packaging materials. We will also expand sales by introducing new cost-competitive models dedicated to overseas markets. In addition, we will enhance profitability by promoting more efficient MRO services through remote maintenance using condition monitoring technologies.

## Challenging for smart motion control



We are working to establish total solutions for automatic filling and packaging, including pre- and post-processes, while driving automation. Through these efforts, we aim to support the smart factory transformation of food and other manufacturing plants, as well as contribute to enhanced food safety.

President, PACRAFT Co., Ltd.  
**Akiyoshi Kitamura**



## Approach to ESG Issues

The Nabtesco Group has been steadily executing a Plan-Do-Check-Act (PDCA) cycle to enhance its management foundation, which it regards as a pillar of its management materiality, in addressing ESG issues. The Group has reviewed its materiality in FY2025.

### FY2024 (Former Management Materiality)

ESG items with significant financial impact on management materiality in FY2024				
ESG category	Management materiality items	Desirable direction/Major actions	Targets for FY2024 (Extracts)	Achievements in FY2024 (Extracts)
Environment (E)	Countermeasures for Climate Change	<ul style="list-style-type: none"> <li>Achieve medium- to long-term CO<sub>2</sub> emissions reduction targets</li> </ul>	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions by 25% relative to 2015 in line with the MTMP target</li> <li>Launch environment-friendly leading-edge plants (Hamamatsu and Tarui Plants)</li> </ul>	<ul style="list-style-type: none"> <li>Reduced CO<sub>2</sub> emissions by 29% relative to 2015 in line with the MTMP target*</li> <li>Launched operations of environment-friendly leading-edge plants (Hamamatsu and Tarui Plants)</li> </ul>
Society (S)	Deliver Solutions for Social Challenges Through Business	<ul style="list-style-type: none"> <li>Promote environment and safety-conscious design and development</li> <li>Create new businesses and products that address social challenges</li> </ul>	<ul style="list-style-type: none"> <li>Foster the use of the intrapreneurship program (Phase II) and the in-house company innovation system</li> <li>Promote intrapreneurship activities within venture units</li> <li>Create new businesses and products that address social challenges</li> </ul>	<ul style="list-style-type: none"> <li>Implemented the intrapreneurship program (Phase II) and promoted the launch of projects that were approved in Phase I</li> <li>Continued fostering the use of the in-house company innovation system</li> <li>Obtained Innovation Endorsement certification for the vessel condition monitoring system "Cassandra"</li> </ul>
	Build a Resilient Supply Chain	<ul style="list-style-type: none"> <li>Deal with supply risks posed by suppliers</li> <li>Help suppliers solve ESG issues</li> <li>Support suppliers in BCP</li> </ul>	<ul style="list-style-type: none"> <li>Promote sustainability audits</li> <li>Foster sustainability awareness-raising activities</li> <li>Support the acquisition of resilience certification</li> </ul>	<ul style="list-style-type: none"> <li>Conducted sustainability audits of accumulative total of 117 companies to identify ESG risks faced by suppliers, propose remedial measures, and promote corrective actions</li> <li>Supported accumulative total of 60 companies in the acquisition of resilience certification, with accumulative total of 41 companies acquiring resilience certification by the end of 2024</li> </ul>
Governance (G)	Increase the Effectiveness of Our Management Entities	<ul style="list-style-type: none"> <li>Build a diversity-based management system</li> <li>Enhance discussions on medium- to long-term strategies at Board of Directors' meetings</li> </ul>	<ul style="list-style-type: none"> <li>Enhance the management efficiency of the Board of Directors</li> <li>Foster deliberation on important issues (global strategies and others)</li> </ul>	<ul style="list-style-type: none"> <li>Expanded opportunities for information gathering to enhance external directors' understanding of the Company</li> <li>Deliberated on key issues at the Board of Directors' meetings (global strategies, MTMP and others)</li> </ul>
	Build a Resilient Corporate Structure	<ul style="list-style-type: none"> <li>Ensure business continuity</li> <li>Build a resilient supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Promote information security measures to strengthen cybersecurity</li> <li>Integrate Group development meetings with Group-wide intellectual property strategy discussions to promote intellectual property management with the aim of improving core competence (intellectual capital)</li> <li>Support suppliers in obtaining resilience certification</li> </ul>	

\*The figures for CO<sub>2</sub> emission reductions in FY2024 are based on the aggregated data available at the time of disclosure.

### FY2025 (Updated Management Materiality)

ESG items with significant financial impact on management materiality from FY2025				
ESG category	Management materiality items	Desirable direction/Sub-materiality	Targets for FY2024 (Extracts)	
Environment (E)	Countermeasures for Climate Change	<ul style="list-style-type: none"> <li>Strengthen efforts toward decarbonization</li> <li>Strengthen efforts toward decarbonization that involve the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> aligned with medium- to long-term targets (42% reduction compared to FY2015)</li> <li>Improve the accuracy of Scope 3 calculation data</li> </ul>	
Society (S)	Pursue Safety, Comfort and a Sense of Security	<ul style="list-style-type: none"> <li>Ensure labor safety</li> <li>Ensure safety of product and services</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives to achieve zero workplace accidents and zero major incidents</li> <li>Implement product safety screening and employee training program</li> </ul>	
	Enhance Human Capital Management	<ul style="list-style-type: none"> <li>Organizational culture that fosters innovation</li> <li>Align business strategy and human resources strategy</li> </ul>	<ul style="list-style-type: none"> <li>Implement internal communication initiatives</li> <li>Plan and implement measures for the mobilization of internal human resources</li> <li>Promote activities to ensure that the personnel system is well-established</li> <li>Plan and implement initiatives for human resources data visualization and utilization</li> </ul>	
Governance (G)	Enhance Corporate Governance	<ul style="list-style-type: none"> <li>Ensure transparency of management</li> <li>Promote compliance</li> </ul>	<ul style="list-style-type: none"> <li>Continue the effectiveness evaluation of the Board of Directors based on an analysis of self-assessments from each executive</li> <li>Conduct training and enhance collaboration with relevant locations to strengthen compliance</li> </ul>	
	Build a Resilient Corporate Structure	<ul style="list-style-type: none"> <li>Ensure business continuity</li> <li>Build a resilient supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Promote information security measures to strengthen cybersecurity</li> <li>Integrate Group development meetings with Group-wide intellectual property strategy discussions to promote intellectual property management with the aim of improving core competence (intellectual capital)</li> <li>Support suppliers in obtaining resilience certification</li> </ul>	

## External Assessments regarding ESG

The Nabtesco Group's approach to ESG issues has garnered global recognition, exemplified by its inclusion in indices such as the Dow Jones Sustainability World Indices, FTSE4Good, STOXX Global ESG Leaders Indices, and S&P/JPX CARBON EFFICIENT INDEX. In addition, we

have obtained top evaluations for environmental measures from CDP.

[Support Initiatives and External Assessments](https://www.nabtesco.com/en/about/sustainability/s-024/)  
<https://www.nabtesco.com/en/about/sustainability/s-024/>

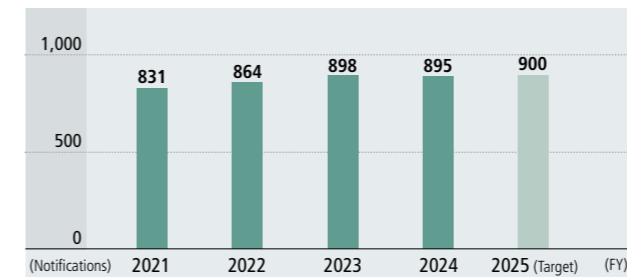
## Changes in Main KPIs

### Combating climate change

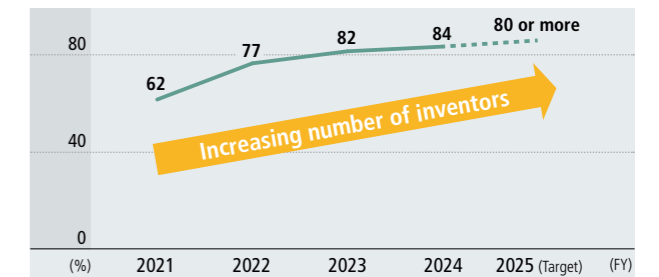
Indicator		FY2021	FY2022	FY2023	FY2024	Unit
CO <sub>2</sub> emissions	CO <sub>2</sub> emissions (Scope 1+2)	45,082	47,033	43,424	38,936	t-CO <sub>2</sub>
	Scope 1	4,061	3,893	4,929	4,173	t-CO <sub>2</sub>
	Scope 2	41,021	43,140	38,495	34,763	t-CO <sub>2</sub>
	Basic unit sales	0.150	0.152	0.130	0.120	t-CO <sub>2</sub> /Million yen
Scope 3		957,099	934,968	1,074,907	1,070,037	t-CO <sub>2</sub>

\*Please refer to the link that follows for the scope of environmental and other data: <https://www.nabtesco.com/en/about/sustainability/s-025/>

### Number of notifications for intellectual property creation



### Increase in the percentage of inventors leading innovation



### Addressing ESG issues in the supply chain

Indicator	Scope	FY2021	FY2022	FY2023	FY2024	Unit
Number of respondents to the SAQ	Japan/China	1,144	1,137	1,182	1,515	Companies
Number of supplier visits	Japan/China	22	25	27	33	
Cumulative number of suppliers supported in acquiring resilience certification	Japan	20	30	44	62	
Cumulative number of suppliers acquiring resilience certification	Japan	17	24	31	41	

### Governance data

Indicator		FY2021	FY2022	FY2023	FY2024	Unit
Number of Directors	Inside Directors	Male	6	5	5	Persons
		Female	0	0	0	
	Subtotal		6	5	5	
	Independent Outside Directors	Male	2	3	3	
Female		2	2	2		
Total		4	5	5		
Total		10	10	10	10	
Ratio of Independent Outside Directors		40	50	50	50	%
Ratio of Female Directors		20	20	20	20	%
Number of Nominating Committee members	Inside Executive Officers	1	1	1	1	Persons
	Independent Outside Executive Officers	4	4	4	4	
	Total	5	5	5	5	
Number of Remuneration Committee members	Inside Executive Officers	1	1	1	1	Persons
	Independent Outside Executive Officers	4	4	4	4	
	Total	5	5	5	5	

### Remuneration for Directors and Audit & Supervisory Board Members

Composition		FY2021	FY2022	FY2023	FY2024	Unit
Remuneration of Directors (excl. Outside Directors)	Basic Compensation (Fixed Compensation + Performance-linked Compensation)	211	220	168	118	Million yen
	Performance-linked Stock Compensation (BBT)	102	104	102	70	
	Total	313	324	270	188	
Remuneration of Audit & Supervisory Board Members (excl. Independent Members)	Basic Compensation (Fixed Compensation)	54	54	54	54	
	Performance-linked Stock Compensation (BBT)	—	—	—	—	
	Total	54	54	54	54	
Remuneration of Outside Directors and Audit & Supervisory Board Members (Independent)	Basic Compensation (Fixed Compensation)	63	71	73	79	
	Performance-linked Stock Compensation (BBT)	—	—	—	—	
	Total	63	71	73	79	

[FY2024/12 Annual Securities Report](https://www.nabtesco.com/cms/wp-content/uploads/Annual-Securities-Report-FY2024_e.pdf#page=79)  
[https://www.nabtesco.com/cms/wp-content/uploads/Annual-Securities-Report-FY2024\\_e.pdf#page=79](https://www.nabtesco.com/cms/wp-content/uploads/Annual-Securities-Report-FY2024_e.pdf#page=79)

# Enhance Corporate Governance

## Ensuring Management Transparency

### Measures for Enhancing Corporate Governance

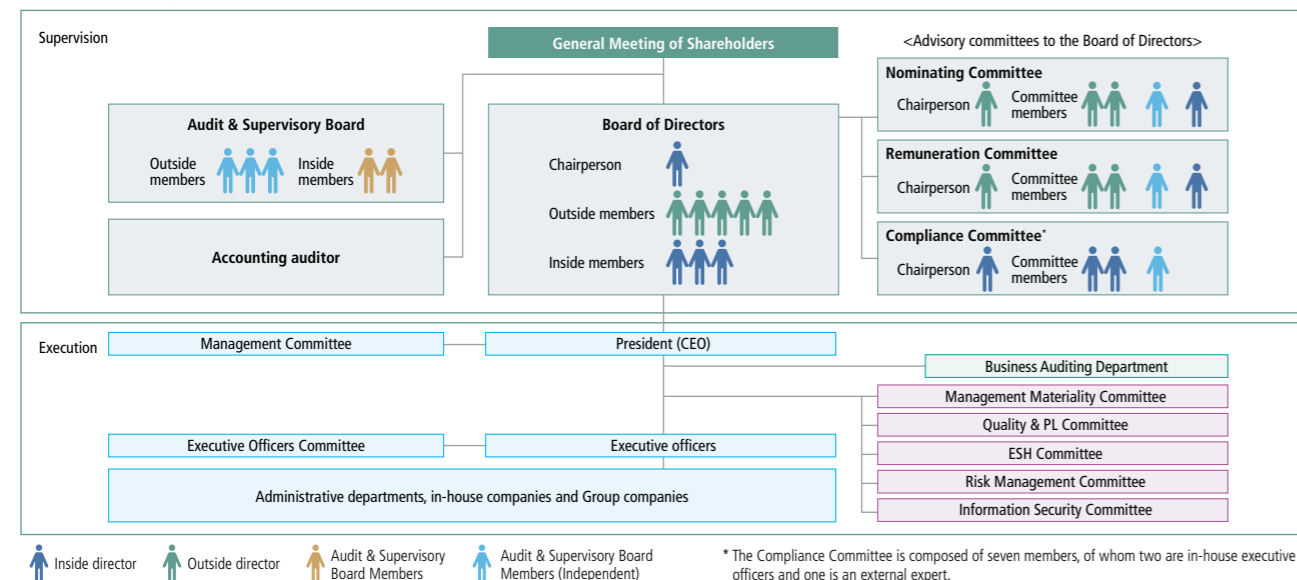
Nabtesco is committed to enhancing its corporate governance based on the Corporate Governance Basic Policy, which indicates the Company's basic approach to, framework of, and measures for corporate governance. Through the implementation of The Nabtesco Way, we are committed to increasing our corporate value over the medium- to long-term and earning even greater trust from stakeholders.

Specifically, we have been increasing the number of

independent outside directors to further enhance the independence and objectivity of the Board of Directors as a supervisory body. Currently, five out of nine directors, or 55.6% of the total, are independent outside directors. To advise the Board of Directors, we also have the Nominating and Remuneration Committees, with the majority of members being independent outside directors. Since March 2025, the chairpersons of these committees have also been independent outside directors.

**Web Corporate Governance**  
<https://www.nabtesco.com/en/about/company/policy/governance/>

### Corporate governance system (As of March 26, 2025)



### Evaluation of the Effectiveness of the Board of Directors

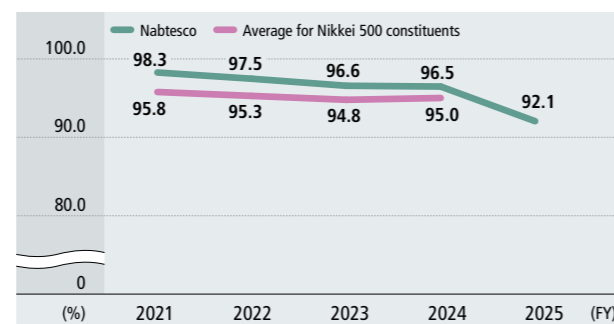
Nabtesco conducts a yearly analysis and evaluation of the effectiveness of the Board of Directors based on the self-evaluations of the directors to improve the Board's functions. Also, in FY2024, we conducted an anonymous self-evaluation questionnaire survey of all directors and Audit & Supervisory Board members. The survey results were tabulated and analyzed by external lawyers to evaluate the effectiveness of the Board of Directors through discussions among Board members.

Based on the results, directors believe that the number of members and the structure of the Board were appropriate, and that open, natural, and constructive discussions took place in FY2024, as in the previous fiscal year. Since the addition of one independent outside director in FY2022, the Board has maintained a structure in which half of its members are independent outside directors, enabling discussions conducted with a healthy sense of tension. Furthermore, the appointment of a technology-oriented director in 2024 has further diversified the perspectives in boardroom discussions. Taking these factors into account, we recognize that the Board of Directors remains effective.

In FY2024, the Board of Directors allocated more time relative to the previous fiscal year to discuss the business

portfolio, business and global strategies, and other important management issues aimed at realizing the Long-term Vision. Additionally, the Board engaged in more in-depth discussions on these issues, in addition to the current issues faced by the Board. We will continue to pursue more effective deliberations by the Board to increase our corporate value over the medium-to long-term.

#### Affirmative vote rate for director appointment



Nabtesco considers the affirmative vote rate for selected directors at the general meeting of shareholders as an indicator of confidence in management. We received 92.1% support at the meeting held in March 2025.

(Note) Nabtesco calculates its affirmative vote rate of selected directors by averaging the rates recorded for each of the selected directors at the general meeting of shareholders for the fiscal period. As for the affirmative vote rates of selected directors among Nikkei 500 constituents, the average rate is calculated for companies that submitted temporary reports on their general meetings of shareholders held in June by early July.

#### Measures to enhance the effectiveness of the Board of Directors

	Evaluation results for FY2023	Outline of the self-evaluation questionnaire survey	Evaluation results for FY2024
Evaluation	Continued assurance of board effectiveness	Discussions on medium- to long-term management and growth strategy are increasing. Continued discussion is necessary to ensure these strategies lead to sustainable growth.	The effectiveness continued to be ensured
Structure	Maintained an appropriate number and composition of directors, including at least 50% independent outside directors and 20% female representation		The number of members and the composition continued to be appropriate. • 50% were independent outside directors • Female directors (20%)
Challenges	Enhanced opportunities for free discussion Improved access to information for directors	Measures implemented in FY2024 <ul style="list-style-type: none"> <li>Enhance opportunities for free discussion on management and growth strategy</li> <li>Major themes related to management strategy                             <ul style="list-style-type: none"> <li>New medium-term management plan</li> <li>Examination of M&amp;A projects</li> <li>Business portfolio</li> <li>Global strategies</li> <li>Human capital strategy and intellectual property strategy</li> <li>Innovation strategy</li> </ul> </li> </ul>	Enhancement of opportunities for discussions on management and growth strategies Enhancement of opportunities for directors to gather information (briefings in advance on important matters, Board meetings held at plants)

### Compensation System for Directors

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

The basic indicators for performance-linked compensation paid to directors (excluding outside directors) are Return on Invested Capital (ROIC) and profit (attributable to owners of the parent), which reflect the collective efforts of all employees and are key indicators linked to the improvement of Return on Equity (ROE).

This approach encourages all directors to consider capital costs and the payout ratio, promoting management practices that prioritize the sustainable growth of the Group. Furthermore, directors overseeing business units have additional performance functions aimed

at incentivizing medium- to long-term performance improvement. These include R&D indicators to encourage the creation of intellectual property and environmental indicators showing reductions in CO<sub>2</sub> emissions, in addition to management indicators such as the degree of ROIC improvement.

Moreover, net sales and operating profit are adopted as indicators to measure the degree of achievement of the medium-term management plan. These metrics reflect the collective business activities of all directors and employees, aiming to align all business activities in one direction. However, if there are impacts from events not caused by the Company's management decisions, the above indicators may be subject to adjustment.

#### Composition of compensation

Position	Fixed compensation	Performance-linked compensation		
	Basic compensation	Short-term performance-linked compensation	Tenure grant-type stock compensation	Retirement grant-type stock compensation
Chairman of the Board/President	25%	35%	25%	15%
Director	25%	35%	25%	15%

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

#### Actual performance of principal indicators related to performance-linked compensation

ROIC	Net sales	Operating profit	Net profit*
4.2%	¥333,631 million	¥17,376 million	¥14,554 million

The performance-linked compensation for the current fiscal year is calculated based on the financial results for the fiscal year ended December 31, 2023.

\*Net profit attributable to owners of the parent

### Treatment/Reduction of Cross-shareholdings

Nabtesco adheres to a policy of disposing of cross-holdings of shares that have lost their significance as of the end of the most recent fiscal year. In line with this basic policy, the Board of Directors conducts annual examinations based on certain criteria about the purpose, benefits, and capital cost-based risk of cross-shareholdings to determine whether to continue holding each stock and on the number of shares to retain. In FY2024, Nabtesco sold three cross-holdings of shares.

**Web** FY2024/12 Annual Securities Report, P76 Compensation of Directors and Audit & Supervisory Board Members  
[https://www.nabtesco.com/cms/wp-content/uploads/Annual-Securities-Report-FY2024\\_e.pdf#page=79](https://www.nabtesco.com/cms/wp-content/uploads/Annual-Securities-Report-FY2024_e.pdf#page=79)

**P54** Changes in Main KPIs Remuneration for Directors and Audit & Supervisory Board Members

At the Board meeting held on February 28, 2025, the directors confirmed the appropriateness of maintaining cross-holdings of shares issued by seven companies (as of the end of FY2024). This decision followed an examination of the significance and economic rationality for each stock. The Company remains committed to reducing the balance of cross-holdings of shares.

**Web** FY2024/12 Annual Securities Report, P79 Status of shareholding  
[https://www.nabtesco.com/cms/wp-content/uploads/Annual-Securities-Report-FY2024\\_e.pdf#page=82](https://www.nabtesco.com/cms/wp-content/uploads/Annual-Securities-Report-FY2024_e.pdf#page=82)

## Board Members

Nabtesco defines the necessary skill requirements for the Board of Directors and the Audit & Supervisory Board based on management materiality, and identifies the skills possessed by each Board member. To effectively respond to a volatile business environment and execute management strategies across diverse businesses, we aim to diversify the composition of the Board.

Management materiality P21	Field of specialization						
	Corporate management	Global	Legal, personnel & labor affairs and risk management	Financial accounting	Manufacturing and technology	Sales and marketing	Digital transformation (DX)
Promote ROIC management	●			●	●		
Meet social challenges through smart motion control	●				●	●	●
Transform to innovate manufacturing with digitization	●				●		●
Enhance global management	●	●	●	●	●	●	●
Countermeasures for climate change	●		●		●		●
Enhance corporate governance	●	●	●	●			
Pursue safety, comfort, and a sense of security	●		●		●		●
Promote human capital management	●		●				●
Build a resilient corporate foundation	●	●	●	●	●		●

### Board of Directors (as of March 26, 2025) | Statement of beliefs




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

Attendance at Board meetings in FY2024  
15/15

**Fields of specialization**




The Company's urgent task is to decisively execute the new Medium-Term Management Plan (MTMP), which is grounded in the fundamental policies of "Reviving Potential" and "Evolving Excellence." To ensure sustainable growth, we will deepen discussions on the effectiveness of the MTMP, focusing on business strategy, business portfolio optimization, global strategy, and the review and refinement of management materiality. In parallel, we will strengthen corporate governance to further enhance corporate value.




**Seiji Takahashi**  
 Representative Director  
 Managing Executive Officer  
 General Administration, Human Resources and Legal & Compliance  
 (Feb. 12, 1966)

Attendance at Board meetings in FY2024  
15/15

**Fields of specialization**




Leveraging my extensive experience in personnel and labor affairs, along with my expertise in Group management cultivated through collaboration with both domestic and international Group companies, I promote the development and effective utilization of human resources that support the sustainable growth of the organization. I also contribute by advising on strategies to advance human capital management, enabling all Group employees and the Company to demonstrate their unique strengths and contribute to enhancing both corporate value and Group governance.



**Kiyoshi Ando**  
 Director  
 Executive Officer  
 Component Solutions Segment, President,  
 Power Control Company  
 (Jan. 10, 1964)

Attendance at Board meetings in FY2024  
11/11

**Fields of specialization**



Leveraging my 30 years of experience in developing new businesses and precision reduction gears, my collaboration with European software development companies on electrified products, and my experience as President of a European holdings company, I will provide advice and oversight on the development of smart motion control products from an engineer's perspective, contributing to the technological revitalization of Nabtesco.




**Hiroshi Usui**  
 Director  
 Executive Officer  
 Corporate Planning, Accounting & Finance, Information Systems and Corporate Communication  
 (Apr. 22, 1965)

As a newly appointed member, no attendance at Board meetings in FY2024

**Fields of specialization**



Drawing on my many years of experience and expertise in technology development, marketing, and manufacturing in global business, I will provide advice and supervision to enhance the profitability and competitiveness of operations. To increase corporate value, I will work to ensure resilient financial strength that supports accelerated growth, while providing multifaceted monitoring and oversight.




**Mari Iizuka**  
 Independent  
 Outside Director  
 (Mar. 29, 1959)


Attendance at Board meetings in FY2024  
15/15

**Significant positions concurrently held:**  
 Professor of Doshisha Business School

**Fields of specialization**



After joining Henkel Japan, I earned an MBA from Stanford University and worked at the World Bank in Washington, D.C. I am currently a professor at the Doshisha University Graduate School, where I teach courses in organizational theory, diversity management, and business ethics, while conducting research on companies promoting employee well-being. With many years of experience engaging with executives both in Japan and overseas, as well as with multinational organizations in academia, I contribute a global perspective to strategy and governance monitoring.




**Naoko Mizukoshi**  
 Independent  
 Outside Director  
 (Sep. 23, 1967)

Attendance at Board meetings in FY2024  
15/15

**Significant positions concurrently held:**  
 Partner of Leftright Law & IP  
 External Director of TIS Inc.

**Fields of specialization**



Leveraging my experience working with global companies on legal, intellectual property, and policy matters—as well as promoting diversity in corporate human resources—I provide advice on business execution processes, particularly in the areas of compliance and sustainability. I also contribute to building systems that empower diverse global talent to actively play a role in creating new value.

**Web** Brief history and reasons for appointment of Board of Directors and Audit & Supervisory Board Members  
<https://www.nabtesco.com/en/about/company/management/>


**Web** Skill matrix of Board of Directors and Audit & Supervisory Board Members  
<https://www.nabtesco.com/en/about/company/management/#SkillMatrix>

## Board Members




**Naoki Hidaka**  
Independent  
Outside Director  
(May 16, 1953)  
Attendance at Board meetings in FY2024 15/15  
Significant positions concurrently held:  
Outside Director of BROTHER INDUSTRIES, LTD.  
Outside Director of TOPCON CORPORATION  
Fields of specialization

Leveraging my experience in global business operations at a general trading company and my management experience as a representative director, I will oversee company-wide strategies and global management to support the Company's stable growth. Specifically, I will contribute to enhancing corporate value by participating in discussions and providing advice on evolving and growing the business, while leveraging our strengths as a component supplier with exceptional technology and products.



**Toshiya Takahata**  
Independent  
Outside Director  
(Nov. 19, 1963)  
Attendance at Board meetings in FY2024 15/15  
Fields of specialization

Drawing on my experience as a business executive and my deep knowledge in technology and business development, digital transformation (DX), intellectual property, and sustainability, I will supervise and advise on transforming the Company into "Leaders in Innovation"—its long-term vision. With a clear understanding of the balance between "aggressive offense" and "prudent defense," I will proactively propose leveraging digital technologies and intangible assets, both critical to the Company's transformation, to management.




**Seiichiro Shirahata**  
Independent  
Outside Director  
(Mar. 3, 1961)  
Attendance at Board meetings in FY2024 15/15  
Significant positions concurrently held:  
Outside Director of LINTEC Corporation  
Fields of specialization

I have been deeply engaged in Board meeting discussions, resonating with the ambition to become "Leaders in Innovation" centered on core technologies. To overcome the current challenges—marked by an inability to adapt to external changes and declining profitability—I actively pose tough questions and offer candid opinions to executives. Drawing on lessons from my many past failures, I am committed to confronting executive proposals directly and providing thoughtful advice and oversight, with the goal of helping the Company realize its vision.



**Yasuhito Nakagawa**  
Audit & Supervisory Board member  
(May 10, 1963)  
Attendance at Board meetings in FY2024 10/10  
Fields of specialization

In addition to expertise in production technologies—such as quality improvement and manufacturing automation—developed over many years, I will leverage my knowledge gained from involvement in plant construction and launching production both in Japan and overseas. My goal is to achieve a balance of high productivity, safety, and environmental measures, a key challenge of the Company. To help realize sustainable growth, I will also strive to strengthen corporate governance and ensure compliance by conducting rigorous, independent audits based on the "three-real" principles: actual place, actual object, and actual fact.



**Tetsuro Hirai**  
Independent  
Audit & Supervisory Board member  
(Independent)  
(Dec. 19, 1955)  
Attendance at Board meetings in FY2024 13/13  
Fields of specialization

Drawing on my experience at Toyota Motor Corporation and Toyota Tsusho Corporation, I will conduct audits and provide oversight from the perspectives of global planning, cost control, production management, production engineering, manufacturing management, and the Toyota Production System. Through this, I aim to contribute to strengthening the Company's corporate governance as a manufacturing company. Additionally, as a corporate auditor, I will not only ensure compliance but also actively offer advice and recommendations on overall management, supporting the successful achievement of the medium-term management plan's objectives going forward.



**Masatoshi Hitomi**  
Independent  
Audit & Supervisory Board member  
(Independent)  
(Nov. 9, 1957)  
Attendance at Board meetings in FY2024 10/10  
Fields of specialization

After joining Sony Corporation (now Sony Group Inc.), I held management positions at domestic and overseas factories, sales companies, and business headquarters for 19 years. During my overseas assignments, I also gained experience in accounting and management roles. I will contribute to enhancing corporate governance by leveraging my experience with audits conducted by Sony's Audit Committee in 2015, following the implementation of the Corporate Governance Code.


### Audit & Supervisory Board members (as of March 26, 2025)

#### Statement of beliefs



**Koji Nakano**  
Audit & Supervisory Board member  
(Jan. 2, 1962)  
Attendance at Board meetings in FY2024 13/13  
Fields of specialization

The Group launched a new medium-term management plan this year that demands our full commitment. The core strategy of Project 10 is to restore our earning power and revitalize the business by driving growth initiatives, reducing costs, and cutting fixed expenses. As a full-time auditor, I will monitor the execution of these strategies and provide advice, thereby contributing to both defensive and offensive governance.



**Yasuhiro Tanabe**  
Independent  
Audit & Supervisory Board member  
(Independent) (Nov. 7, 1960)  
Attendance at Board meetings in FY2024 10/10  
Significant positions concurrently held:  
Special Advisor, National Institute of Advanced Industrial Science and Technology  
Joined Tokyo Fuji Law Office  
Field of specialization

I will contribute to strengthening the Company's governance by supervising compliance with laws and regulations during business operations and by actively promoting risk management and compliance, drawing on my legal expertise and experience in compliance-related work. Additionally, I am committed to fulfilling the duties of a corporate auditor from an objective and independent perspective, utilizing my knowledge and extensive experience as a prosecutor and lawyer. Through active participation in compliance initiatives, I will further promote compliance and reinforce the Company's governance.

As of March 26, 2025, the average term of office of Board members, including both Board of Directors and Audit & Supervisory Board members, is approximately 2.8 years.

[Web](https://www.nabtesco.com/en/about/company/management/) Brief history and reasons for appointment of Board of Directors and Audit & Supervisory Board Members

[Web](https://www.nabtesco.com/en/about/company/management/#SkillMatrix) Skill matrix of Board of Directors and Audit & Supervisory Board members

[Web](https://www.nabtesco.com/en/about/company/management/#executiveOfficers) Executive Officers

# Countermeasures for Climate Change

## Mitigation of Climate Change

### Disclosure Based TCFD Recommendations

The Nabtesco Group expresses its support for the recommendations made by the Task Force on Climate related Financial Disclosures (TCFD). Accordingly, we are committed to disclosing relevant information in line with the TCFD recommendations, including our progress on climate change-related measures.

#### ◆ Governance

Nabtesco Corporation's Board of Directors determines and oversees our strategies, basic policies and the execution of important operations by sharing information through reports on key issues. Regarding climate change, a director responsible for environment & safety reports on progress toward CO<sub>2</sub> emission reduction targets and the status of major environmental facility investments.

Under the guidance and supervision of the Board of Directors, the President and CEO establishes the Nabtesco Group Environmental Philosophy, Environmental Action Guidelines and long-term targets. During Management Committee meetings (comprising the CEO, directors, and executive officers in charge), the director responsible for environment & safety reports the status of CO<sub>2</sub> emissions at in-house companies and main Group companies. If there is a discrepancy between the current status and the goal, we identify causes and take appropriate measures. If any item under discussion or report is deemed to affect our business, the CEO determines suitable measures and reflects them in our business strategies.

As a facilitating body under the direct control of the CEO that is involved in ESH (Environment, Safety, and Health) management, Nabtesco has established the ESH Committee with jurisdiction over the entire Nabtesco Group. The CEO appoints the chairperson and members of the ESH Committee from among our officers, including members of the Board of Directors. The chairperson collects important information on the environment, safety, and health, including climate change-related risks and opportunities, from the in-house companies and Group companies. For verification, the chairperson also conducts site visits and leads the organization of company-wide energy conservation meetings and the implementation of ESH audits. The ESH Committee uses the results of these monitoring efforts to evaluate the materiality of identified issues and deliberate measures for any issues deemed to be important.

#### ◆ Strategy (Risks and opportunities)

We analyze the potential impact of climate change on our business activities based on multiple scenarios developed by external parties. When audits by the ESH Committee reveal that climate-related issues (both risks and opportunities) significantly affect our business, they are reflected in our business strategies through the CEO's determination.

The Nabtesco Group identifies "Countermeasures for climate change" as one of the management materiality

issues which are, the important challenges for the achievement of our long-term goals. The Management Materiality Committee collaborates with the ESH committee and other relevant committees to regularly evaluate these issues. Activities are discussed and decided upon by the Management Committee and reported to the Board of Directors.

In the future, we anticipate various risks depending on market or customer demands, including: an increase in carbon prices, higher operating costs due to the purchase of electricity from renewable sources, elevated capital expenditures for the introduction of power generation equipment utilizing renewable resources, and rising R&D costs for energy-saving product development. Additionally, we foresee physical risks such as business interruption due to damaged infrastructure or unstable electric power supply caused by wind or water disaster.

However, we also foresee new business opportunities arising from the enactment of new laws and regulations, including energy-efficiency labeling mandates. Furthermore, growing public awareness of climate change is expected to lead to a trend toward extending the lifespan of products aimed at reducing CO<sub>2</sub> emissions, thereby expanding opportunities for our MRO\* business.

Going forward, Nabtesco Corporation will intensify efforts to identify environmental risks and opportunities and implement measures to address these, including the promotion of energy conservation activities.

#### ◆ Initiatives for transition to a carbon-free society

The Nabtesco Group has set medium-and long-term targets (SBT: Science Based Targets) for reducing CO<sub>2</sub> emissions, based on scientific evidence, in order to realize a carbon-free society. To achieve these targets, we have established measures to reduce CO<sub>2</sub> emissions through energy conservation, energy creation and renewable energy procurement in the short, medium and long terms, while formulating a plan to gradually reduce CO<sub>2</sub> emissions.

Under the Medium-term Management Plan (2025-2027), we have allocated approximately 11 billion yen for environmental investments. Furthermore, under this plan, we are promoting energy conservation and creation through environmental facilities, aiming to achieve zero CO<sub>2</sub> emissions (carbon-free) by 2050.

Beyond reducing CO<sub>2</sub> emissions in our own operations, we have implemented various systems and initiatives throughout our value chain. Globally, we promote energy conservation activities and install highly efficient facilities at each production site. We also utilize the latest environmental technologies for constructing and renovating factory buildings. Furthermore, we engage in various energy-creating activities, including solar power generation, and procure renewable energy (through certificate purchases) to monitor progress.

Moreover, we have introduced a Certification System for Energy-Saving Products to encourage the development

\*MRO: Maintenance, Repair and Overhaul (after-sale services)

### ● Measures taken in line with the TCFD's recommendations: Results of risk assessment (Scenario we referred to: IEA450/IEA NZE 2050/RCP2.6/RCP8.5)

● : Risks ● : Opportunities

Type	Climate change-related risk item	Impact assessment	Business risk/Opportunity				Measures taken by Nabtesco
			(Short-term)	(Medium-term)	(Medium- to long-term)	(Long-term)	
Transition risk	Higher carbon tax rate	Large			<ul style="list-style-type: none"> <li>● Increase in energy &amp; procurement costs</li> <li>● Differentiation by low-carbon products</li> <li>● Better evaluation due to appropriate information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>● Promote the use of renewable energy</li> <li>● Introduce carbon pricing</li> <li>● Promote efficient replacement with substitute materials</li> </ul>	
	Regulation (energy conservation & low carbon)	Large	<ul style="list-style-type: none"> <li>● Increase in energy conservation cost</li> <li>● Larger sales of products with higher fuel efficiency</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in development cost to deal with regulations (Example: TRS and MFR segments)</li> <li>● Increase in demand for products that comply with the regulations (Example: TRS and MFR segments)</li> </ul>	<ul style="list-style-type: none"> <li>● Decrease in demand for old models due to new regulations (Example: TRS segment)</li> <li>● Increase in demand for more efficient new models (Example: TRS segment)</li> </ul>	<ul style="list-style-type: none"> <li>● Operate the energy-saving product certification system</li> <li>● Follow the guidelines on capital investment and energy conservation</li> <li>● Expand the lineup of products with higher fuel efficiency</li> <li>● Develop products for which new types of fuels can be used</li> </ul>	
	Policies	Large		<ul style="list-style-type: none"> <li>● Increase in cost to deal with laws and regulations</li> </ul>			<ul style="list-style-type: none"> <li>● Invest in the development of technologies and products</li> <li>● Strategically disclose climate change-related information</li> </ul>
	Technology	Medium		<ul style="list-style-type: none"> <li>● Increase in cost to acquire new element technology</li> <li>● Entry into a new market by the development of new element technology</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in cost due to the diversification of needs</li> </ul>		<ul style="list-style-type: none"> <li>● Make technological investments, develop products and form partnerships with other companies in line with the regulatory and development trends</li> <li>● Develop new mobility products</li> </ul>
	Market	Large		<ul style="list-style-type: none"> <li>● Lagging behind competitors in development activities</li> <li>● Need for electrification (Example: CMP segment)</li> </ul>	<ul style="list-style-type: none"> <li>● Higher competitiveness based on technologies superior to those of competitors</li> </ul>		
	Market uncertainties	Large		<ul style="list-style-type: none"> <li>● Increase in cost due to increased need to reduce CO<sub>2</sub> emissions</li> <li>● Increase in demand due to modal shift and electrification (Example: TRS segment)</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in the operational cost due to RE100 measures</li> <li>● Better evaluation due to appropriate information disclosure</li> </ul>		<ul style="list-style-type: none"> <li>● Promote the use of renewable energy</li> </ul>
Reputation	Criticism against the industry	Medium		<ul style="list-style-type: none"> <li>● Negative reputation due to a delay in environmental measures</li> <li>● Increase in sales of environmentally friendly products</li> <li>● Better brand image due to the implementation of environmental measures</li> </ul>		<ul style="list-style-type: none"> <li>● Promote the use of renewable energy</li> <li>● Strategically disclose climate change-related information</li> </ul>	

Type	Climate change-related risk item	Impact assessment	Business risk/Opportunity				Measures taken by Nabtesco
			(Short-term)	(Medium-term)	(Medium- to long-term)	(Long-term)	
Physical risk	Frequent occurrence of typhoons	Large			<ul style="list-style-type: none"> <li>● Damage to infrastructure, suspension of operations</li> <li>● Increase in need to increase the resilience of power infrastructure (Example: CMFS equipment for wind turbines)</li> </ul>	<ul style="list-style-type: none"> <li>● Foster BCP</li> <li>● Procure components from multiple suppliers</li> <li>● Increase the resilience of the electricity system</li> <li>● Optimize the on-site assignment of employees</li> <li>● Use weather forecast services and take emergency measures</li> </ul>	
	Heavy rain/drought events	Large			<ul style="list-style-type: none"> <li>● Damage to infrastructure, suspension of operations</li> <li>● Increase in need to establish water resource infrastructure (Example: CMP segment)</li> <li>● Increase in demand for construction machinery for reconstruction activities (Example: CMP segment)</li> </ul>		
	Changes in precipitation patterns	Large			<ul style="list-style-type: none"> <li>● Suspension of operations due to floods</li> <li>● Increase in the need to establish water resource infrastructure (Example: CMP segment)</li> </ul>	<ul style="list-style-type: none"> <li>● Examine measures against storms and floods with suppliers</li> <li>● Increase resilience of the electricity system</li> <li>● Review the location of bases</li> <li>● Reuse water and review the water circulation system</li> <li>● Use weather forecast services and take emergency measures</li> </ul>	
Chronic	Rise in average temperatures	Large			<ul style="list-style-type: none"> <li>● Increase in air-conditioning and capital investment costs</li> <li>● Increase in electricity costs due to lower power generation efficiency</li> <li>● Increase in the need for higher efficiency at plants (Example: CMP segment)</li> </ul>		

\* As for impact, we classified the size into "Large," "Medium" and "Small" based on the frequency of occurrence and financial impact.  
 Frequency of occurrence: Occurs frequently/Has occurred/May occur/May not occur/Will never occur  
 Financial impact: Serious (¥5 billion or more)/Large (¥2.5 billion to ¥5 billion)/Medium (¥500 million to ¥2.5 billion)/Minor (¥100 million to ¥500 million)/Very minor (Less than ¥100 million)

of decarbonization products and services. We also established an Energy Conservation Activity Award System to incentivize decarbonization efforts during production. Additionally, we support our suppliers in setting voluntary targets for reducing CO<sub>2</sub> emissions.

#### ◆ Risk management

The ESH Committee collects information about climate change-related risks and opportunities from each in-house company and Group company. The Committee evaluates their financial impact on the Group's business activities and the possibility of their materialization. It then discusses

measures to address those that would have a significant impact on the activities. For risks, regardless of their financial impact, measures are formulated first to deal with risks with a high possibility of materialization, and the ESH Committee discusses these measures. The Committee also evaluates issues related to water resource and biodiversity conservation, waste, chemical substances, and the safety and health of employees.

[Web Combating Climate Change https://www.nabtesco.com/en/about/sustainability/s-016/](https://www.nabtesco.com/en/about/sustainability/s-016/)

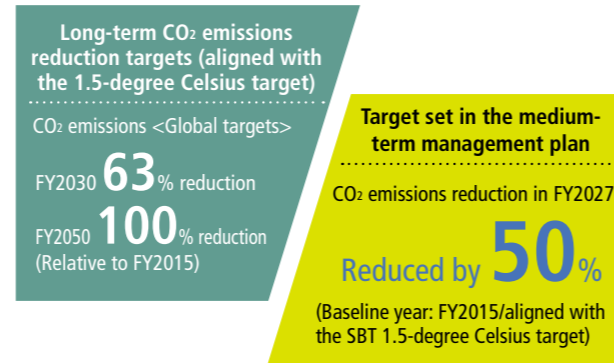
## Countermeasures for Climate Change

### ◆ Indicators and targets

The Nabtesco Group has established long-term greenhouse gas emissions targets, aiming to reduce the CO<sub>2</sub> emissions of the entire Group by 63% by FY2030 and by 100% by FY2050 (baseline year: FY2015). These long-term targets are 1.5 degrees-aligned and SBT-certified. We reduced our emissions by 29% as of the end of FY2024 and have thus been making steady progress to attain the targets.

In addition, our efforts extend beyond the Group to include our suppliers. Since a significant portion of greenhouse gas emissions in our supply chain comes from purchased goods and services (category 1 of Scope 3 emissions), it is essential for our suppliers to actively reduce their emissions. To address this, we began a survey of our main suppliers (top suppliers constituting 70% of our annual procurement) to assess whether they have set

voluntary targets for greenhouse gas reduction. According to the results of the FY2024 survey, 63% of our main suppliers have established such targets and have begun to take initiatives to achieve them.



**P54** Changes in Main KPIs  
Combating climate change

**Web** Scope of Environmental and Other Data  
<https://www.nabtesco.com/en/about/sustainability/s-025/>

## Mitigation of Environmental Impact Caused by Products and Services

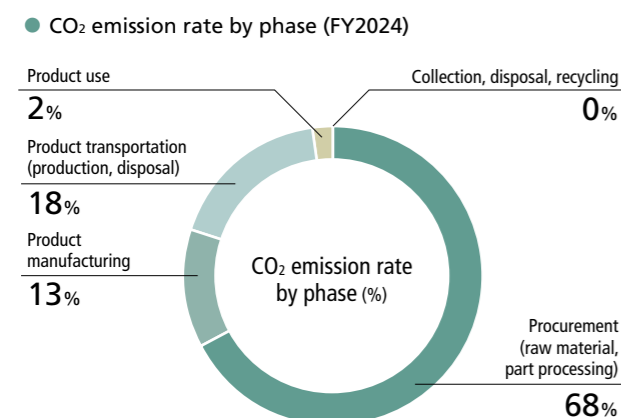
### Product Life Cycle Assessment (LCA)

Our products, which are used in a range of fields, impact the environment throughout their life cycle. We quantify this environmental impact at each stage of their life cycle to implement necessary measures to mitigate it. The LCA results are extensively used in product design.

### LCA Results

In the Precision Reduction Gears Business and Hydraulic Equipment Business, the proportion of CO<sub>2</sub> emissions at the material stage is higher compared to other businesses. Therefore, product design is aimed at weight reduction and recycling. In the Automatic Door Business, the proportion of CO<sub>2</sub> emissions during the usage stage is higher compared to other businesses. Therefore, product design is focused on low power consumption and reducing the number of opening and closing cycles.

**Web** Mitigation of Environmental Impact Caused by Products and Services  
<https://www.nabtesco.com/en/about/sustainability/s-016/#products>



### Certification System for Energy-Saving Products

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

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

**Web** Certification System for Energy-Saving Products  
<https://www.nabtesco.com/en/about/sustainability/s-016/#products>

## Conservation of Water Resources and Biodiversity

### Conservation of Water Resources

The Nabtesco Group does not require a large amount of water or water of a certain quality for our business operations. However, we recognize the importance of managing water resources for environmental conservation. Therefore, we conduct water-related risk analyses, measure the amount of water used and discharged, monitor water quality, and implement measures to prevent the leakage of hazardous substances into water.

Water usage and discharge amounts at each base are measured every month, and the Group data are collected through the environmental information management tool. For bases where the monthly water usage fluctuates greatly, we conduct surveys to identify the factors contributing to the increased water usage and implement measures to reduce it as necessary.

### Water Use and Water Discharge Management

Nabtesco Group uses groundwater mainly to cool test stands and melt snow in the snowy regions. We discharge the used groundwater into rivers, adhering to the strict water quality control criteria set by the Group. In FY2024, we had no cases of non-compliance with environmental laws and regulations. We will continue to enhance our management of water use and wastewater.

The total volume of water used by the Nabtesco Group in FY2024 amounted to 519,000m<sup>3</sup>, marking a significant decrease from the previous fiscal year. Efforts to recycle water used in factory facilities have been highly successful, greatly exceeding our targets. Additionally, starting from FY2025, we have set a new Group medium-term target aiming for FY2027. Our goal is to reduce the water intake per unit of sales by 4.3% compared to FY2023, and we will continue activities toward achieving this.

Due to heavy rain falls caused by recent climate change, the risk of rainwater flooding our plants has increased. The Nabtesco Group uses both oil-based and water-soluble cutting fluids in our operations, and we recognize the risk that hazardous substances from these cutting fluids could be discharged into rivers if rainwater floods our manufacturing facilities. To prevent this risk, we have invested in capital expenditures to install oil-water separation tanks and oil recovery equipment.

In FY2024, we spent 43.7 million yen to enhance the rainwater discharge function and make our facilities more water-resistant.

#### ● Targets for water use and FY2024 results

Item	Targets	FY2024 results	Status
Global water use (Per unit of sales)	Year-on-year reduction of water use to: 1.85 m <sup>3</sup> /¥1 million	1.61 m <sup>3</sup> /¥1 million	<b>Achieved</b>

**Web** Conservation of Water Resources  
<https://www.nabtesco.com/en/about/sustainability/s-017/>

### Biodiversity Conservation

The Nabtesco Group evaluated the impact of its business activities on biodiversity using the SBTN Sectoral Materiality Tool<sup>1</sup>. As the first step, we screened to identify the materiality of the impact on biodiversity in the sectors related to our businesses. We defined the pressure categories with a score of "Medium" or higher as "material pressure categories," and found that all our Group's businesses needed to be assessed in more detail.

At the same time, to assess both the dependency on and impact to natural capital of our businesses, we used the WWF Biodiversity Risk Filter<sup>2</sup>. Regarding dependency, all our businesses were rated "High" or above for water availability, and the businesses related to construction materials were rated "High" for timber availability. Regarding impact, manufacturing-related businesses received a "Very High" rating for pollution, while businesses related to construction materials were rated "High" or above for land use change, exploitation, resource depletion, and media scrutiny.

Subsequently, we used the WWF Biodiversity Risk Filter<sup>2</sup> to assess the impact based on the location of each base. The evaluation identified several sites with high dependency risks related to water and air. However, since our operations do not require large volumes of water or specific water and air quality, these risks are considered low. Additionally, multiple sites were rated as having high or greater risks for landslides, fires, heatwaves, and tropical cyclones. We are committed to mitigating these risks through ongoing climate change adaptation efforts. On the impact side, two sites involved in construction materials were found to have a high risk of deforestation, indicating significant pressure on biodiversity. However, since these sites primarily handle materials like stainless steel, the actual risk of deforestation and impact on biodiversity is judged to be low.

We also conducted a similar evaluation of the impacts throughout our supply chain. This included major suppliers whose annual procurement amounts exceed 1% of our total purchases, as well as the top customers by sales in each of our seven core business areas. On the dependency side, multiple suppliers and customers were assessed as having high risks related to landslides, extreme heat, and tropical cyclones. We will continue to mitigate these risks by advancing climate change initiatives across the entire supply chain, including both upstream and downstream partners. On the impact side, a moderate risk was identified at some key customer locations, particularly in China. Moving forward, we will enhance our impact assessment methods and regularly conduct evaluations to better understand and manage biodiversity-related risks.

<sup>1</sup>: Tool to assess the impact on biodiversity provided by the Science Based Targets Network (SBTN). Users of the tool can assess the materiality of impacts on a six-point scale for the selected business activities (sectors) and pressure categories.

<sup>2</sup>: Impact assessment tool provided by the World Wide Fund for Nature (WWF). Users of this tool can assess biodiversity-related global risks based on the use of 50 or more biodiversity-related dataset groups.

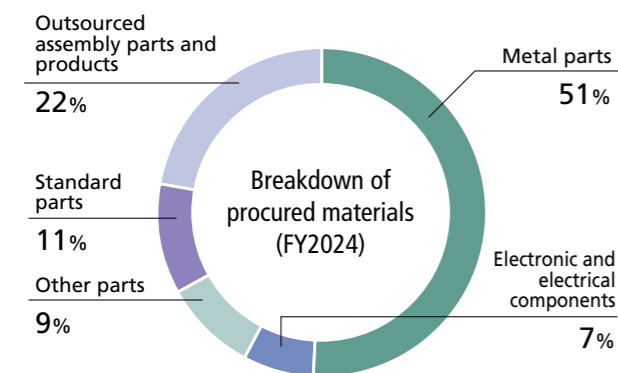
# Build a Resilient Corporate Foundation

## Build a Resilient Supply Chain

### Fundamental Approach to Sustainability in Supply Chain

The Nabtesco Group conducts business with approximately 1,600 suppliers, encompassing various types such as metal parts, electronic and electrical components, outsourced machining, assembly, and processing. Our relationships with suppliers significantly influence the Nabtesco Group's cost structure and performance across quality, cost, delivery and service (QCDS). To achieve medium- to long-term growth, we prioritize building a resilient supply chain. In alignment with the Act against Delay in Payment of Subcontract Proceeds, we engage closely with our suppliers, conducting business transactions that are fair, transparent, and structured appropriately in terms of cost. Additionally, we recognize the societal expectations regarding the social and environmental impacts of supply chain activities. Consequently, the Nabtesco Group is committed to fulfilling its social responsibilities throughout the supply chain, with a focus on local procurement and local employment.

#### Materials procured by the Nabtesco Group (in Japan)



### Nabtesco Group's CSR-Oriented Procurement Policy

The Nabtesco Group is promoting CSR-oriented procurement to address ESG issues within its supply chain. Recognizing the increasingly complex and diverse nature of supply chain risks, we revised the Nabtesco Group CSR-Oriented Procurement Policy in 2020, following approval from the Management Committee. The revision signified our commitment to strengthening our supply chain management practices. As part of the update, we integrated our procurement guidelines with the Policy to enhance suppliers' understanding of our commitment to CSR-oriented procurement. We remain committed to implementing a Plan-Do-Check-Act (PDCA) cycle based on the Policy, which is available in Japanese, English, Chinese, and Thai. Furthermore, we will continue to enhance communication with our suppliers to promote CSR-oriented procurement practices.

### The Nabtesco Group's CSR-Oriented Procurement Promotion System

The Nabtesco Group is committed to innovation in manufacturing and promotes CSR-oriented procurement in collaboration with suppliers with the aim of strengthening our comprehensive procurement capabilities, focusing on sustainability factors such as QCDS and technological development.

In order to promote CSR-oriented procurement, it is essential to possess expertise and knowledge in environment- and human rights-related issues, areas typically outside the scope of traditional procurement departments. Therefore, the Procurement Planning Department of the Production Innovation Division, in collaboration with head office departments, plays a central role in promoting CSR-oriented procurement. This entails supporting initiatives conducted by both in-house and Group companies. The Procurement Planning Department convenes the Group Procurement Meeting, attended by the procurement departments of each in-house and Group company, to deliberate and establish relevant policies and measures. Furthermore, it provides education and training for procurement managers. Through these Group-wide efforts, we endeavor to fulfill our social responsibility throughout the supply chain in cooperation with our suppliers.

### Implementation of Self-Assessment Questionnaire (SAQ) to Suppliers

Since 2014, we have conducted the SAQ survey annually of our primary suppliers both within and outside Japan, including key suppliers, to ensure CSR-oriented procurement. The Nabtesco Group identifies key suppliers crucial for its business continuity based on various factors such as transaction volume, QCDS performance, technological development capability, and financial stability.

In FY2024, we surveyed 1,515 primary suppliers (compared to 1,179 in the previous survey) and received responses from 84% of them (84% in the previous survey). The response rate for our 100 major suppliers, who account for about 70% of our procurement in terms

#### Results of the SAQ conducted on primary suppliers in FY2024 (Average among all suppliers)



of transaction amount, was 100% (100% in the previous survey). We analyzed and evaluated the questionnaire results for each supplier, providing relevant feedback as necessary. In addition, we utilized the results to identify, monitor, and address ESG risks. In FY2024, we received no reports of serious non-compliance with labor and environment laws or regulations from any stakeholders within our supply chain. We remain committed to enhancing the SAQ, including refining the questions and response method, as part of our ongoing improvement efforts.

### Interviews, Audits and Briefing Sessions Targeting Suppliers

In 2024, we conducted online audits and interviews with 33 major suppliers. Following the revision of our CSR-Oriented Procurement Policy, we expanded the audit items to include labor issues, health management, and due diligence (DD) for human rights and the environment. Moreover, in 2022, we set a target for the number of suppliers' interviews as a medium-term KPI, showing our commitment to boosting communication with suppliers. We will continue to prioritize interviews, particularly with major suppliers whose ESG-related performance appears to be low based on SAQ results. Through these interviews, we will conduct audits to help suppliers identify ESG-related risks, propose improvement measures, and implement corrective actions as needed.

Furthermore, we have been holding collective briefing sessions for suppliers since the latter half of FY2014 to enhance their awareness of CSR issues.

### Nabtesco Group Statement on Responsible Sourcing of Minerals

For responsible mineral sourcing, the Nabtesco Group has affirmed its commitment to collaborate with suppliers to prevent the use of conflict minerals\*. These minerals,

[Build a Robust Supply Chain](https://www.nabtesco.com/en/about/sustainability/s-013/)  
<https://www.nabtesco.com/en/about/sustainability/s-013/>

sourced from regions such as the Democratic Republic of the Congo (DRC) and neighboring areas, are often linked to human rights abuses and conflicts.

In 2020, we incorporated a section on "Responsible procurement of minerals" into the Nabtesco Group's CSR Oriented Procurement Policy and requested suppliers to adhere to it by submitting a letter of consent.

Additionally, in FY2024, we surveyed our top 200 suppliers, representing about 80% of our procurement in terms of transaction amount, to ensure mineral procurement safety, using an industry-standard survey format.

Moving forward, we plan to expand the scope of our surveys and implement safety checks throughout our supply chain. If any use of conflict minerals is detected, we will address the issue with the respective supplier and take immediate action to discontinue their use.

\*The term "conflict minerals" refers to the four mined minerals (gold, tantalum, tin and tungsten) that may be partially used to fund armed groups and perpetuate conflicts in the Democratic Republic of the Congo (DRC) and neighboring countries. In the United States, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in 2010, companies using these minerals are required to report such usage to the Securities and Exchange Commission (SEC).

### Partnership with Suppliers

The Nabtesco Group is proactively helping suppliers in enhancing their productivity and addressing their ESG-related issues. We provide guidance to suppliers on quality management improvements for the products they manufacture and deliver to us. Moreover, we support them in implementing regular "5S" activities for plant management, and utilize the value engineering (VE) method to perform functional analyses of their products and operations to increase their productivity. In addition, we regularly provide suppliers with training to address ESG-related issues, thereby enhancing our capability to deal with such concerns across our supply chain.

5S: Sort, Set, Shine, Standardize, Sustain

## Nabtesco Group's BCP Activities

### Supporting Suppliers in Enhancing Their BCP\*

With a view to increasing the resilience of its supply chain in cooperation with suppliers, the Nabtesco Group has been supporting each supplier in building their Business Continuity Plan (BCP) system through the procurement departments of our business divisions. Since 2018, we have been providing our suppliers with a range of training opportunities to aid them in formulating their plans and acquiring practical BCP skills. We also provide important suppliers with individual support. Moreover, we have established a unique position called "BCP buyer" within our procurement team and have already trained 38 individuals in this role. Through these efforts, we are enhancing BCP implementation across our supply chain to mitigate procurement risks for the Nabtesco Group.

Our BCP support activities have garnered recognition from the Ministry of Economy, Trade and Industry,

the Small and Medium Enterprise Agency, and local governments, and have been showcased as model examples. We have thus also contributed to raising public awareness about BCP.

\* While BCP traditionally stands for "Business Continuity Plan," for Nabtesco, BCP represents "Business Continuity Power." We are dedicated to strengthening the BCP of our organizations and bolstering our ability to respond effectively to crises.

### Support for the Acquisition of Resilience Certification\*

We are actively assisting suppliers in acquiring Resilience Certification for the development of their BCP systems. As of today, 41 suppliers have successfully acquired it.

\* Resilience Certification is awarded under a national government certification system according to the basic law on national resilience. It is granted to enterprises that demonstrate a consistent improvement in their capacity to swiftly resume operations following crises such as disasters.

## Build a Resilient Corporate Foundation

### Ensure Business Continuity

#### Intellectual Property Management Strategy

The Nabtesco Group positions intellectual property as a core competence that drives competitiveness in the pursuit of sustainable growth and business expansion for all stakeholders, including customers and partner companies. The Group aims to enhance corporate value by developing and implementing an Intellectual Property Management Strategy focused on protecting and strengthening its competitive advantages across the organization.

#### Governance Structure of Intellectual Property

The Group Intellectual Property Strategy Committee, comprising Nabtesco's CEO and executives, discusses and deliberates on the basic policies for Group-wide intellectual property strategies. Based on the policies established by this Committee, the Company Roadmap Meeting—comprising the Senior General Manager of the Technology and R&D Division, presidents, and leaders of in-house companies—discusses and deliberates on each company's individual intellectual property strategies. The meeting also addresses technological strategy.

The Nabtesco Intellectual Property Strategy

Subcommittee shares information on the activities of the Nabtesco Intellectual Property Strategy Committees, as well as common intellectual property issues faced by in-house and Group companies. This Subcommittee is composed of the heads of administrative departments and representatives from in-house and Group companies, and is chaired by the head of the Technology and R&D Division. Discussions held by the Subcommittee are reported to the Group Intellectual Property Strategy Committee in the form of strategic proposals. These proposals are deliberated by the Committee, and the outcomes are referenced when formulating the basic policies for Group-wide intellectual property strategies for the following year. As described above, the activities of the Group Intellectual Property Strategy Committee, the Company Roadmap Meeting, and the Nabtesco Intellectual Property Strategy Subcommittee are organically linked, promoting the spiral development of intellectual property strategy across the Group.

Moreover, since 2022, the basic policies on Group-wide intellectual property strategies have been reported to and reviewed by the Board of Directors on an annual basis. Intellectual property strategies for individual businesses are also reported to the Board and reviewed as necessary.

#### ● Nabtesco's intellectual property governance structure



Since 2024, we have integrated our intellectual property and technology strategies and partially reviewed the structure of our councils responsible for discussing and deliberating the company-wide roadmap. In March 2025, we restructured our organization by integrating the Technology Strategy Division and the Intellectual Property Division, enabling comprehensive discussions of strategy at both the in-house company and Group levels.

#### Creation of New Businesses through IP Landscaping

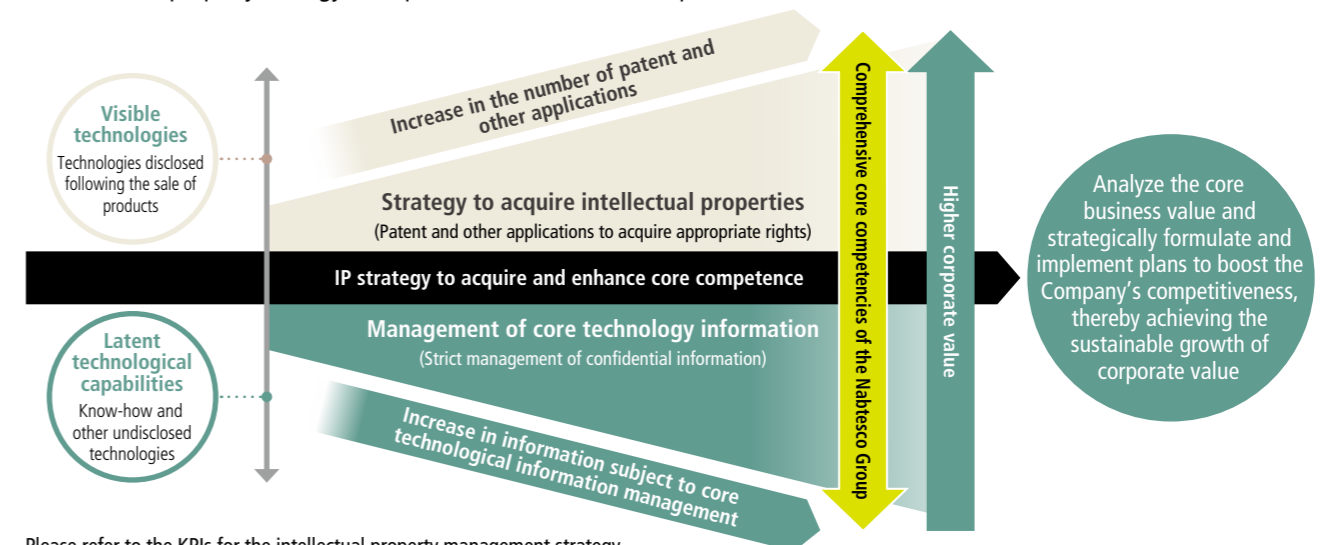
The Nabtesco Group is enhancing and acquiring core competencies—intellectual property and intangible assets—by identifying new market and customer needs through effective use of IP landscape analysis. For the equipment and systems that incorporate the Group's products and services, we globally collect publicly available information, including patent and other intellectual property data, as well as insights from papers, magazines, and competitor activities. This enables us to conduct macro-level analyses of related technologies, market trends, and customer needs. Based on the analysis results, we identify new business themes and market/customer needs, validate our development themes, and seek open innovation partners. This supports the formulation of future business policies and promotes cross-organizational

discussions within in-house companies about collaboration with external partners.

#### Management of Core Technological Information and Strategic Utilization of Intellectual Property Rights

The Nabtesco Group's competitive advantages, which constitute our core competencies (intellectual property and intangible assets), include not only inventions but also deep trust relationships with customers, successful market branding, product and service ideas, design and manufacturing expertise, supply chain management, and human resources. For core competencies that can be kept confidential, we impose strict management controls to protect them as confidential technological information. For technologies that cannot be kept confidential due to being sold, we protect them proactively through a strategy focused on acquiring intellectual property rights. By managing core technological information and strategically acquiring intellectual property rights, we safeguard both existing and future intellectual property as core competencies. This approach continuously strengthens Nabtesco Group's intellectual property position, thereby enhancing our corporate value.

#### ● Intellectual property strategy to acquire and enhance core competence



Please refer to the KPIs for the intellectual property management strategy

**P54** Number of notifications for intellectual property creation

**Web** Measures for the intellectual property strategy  
<https://www.nabtesco.com/en/innovation/ip/>

#### Initiatives for information security management

For details on our information security initiatives to strengthen cybersecurity, please see below.

**Web** Information Security Management  
<https://www.nabtesco.com/en/about/sustainability/s-022/>

## Financial Data

(¥ Million)

Major Financial Indicators	2015/3	2015/12 <sup>*2</sup>	2016/12 <sup>*3</sup>	2017/12	2018/12	2019/12	2020/12	2021/12	2022/12	2023/12	2024/12
Net sales	219,657	187,000	244,968	282,422	294,626	289,808	279,358	299,802	308,691	333,631	<b>323,384</b>
Cost of sales	158,693	136,576	175,508	201,982	215,043	212,105	206,166	217,759	232,007	250,970	<b>236,255</b>
Selling, general and administrative expenses	37,347	35,129	44,294	51,285	53,184	51,998	50,655	52,520	59,620	66,861	<b>71,167</b>
Operating profit	23,615	15,294	25,982	29,468	21,889	25,320	28,533	30,017	18,097	17,376	<b>14,788</b>
Profit before tax	27,026	15,358	26,779	34,907	29,962	27,979	33,718	101,966	15,763	25,629	<b>15,747</b>
Income taxes expense	9,254	5,731	7,843	8,338	6,997	8,028	10,206	34,073	4,376	9,199	<b>4,051</b>
Non-controlling interests <sup>*1</sup>	25	(1,432)	330	1,423	1,935	2,020	3,008	3,075	1,923	1,876	<b>1,577</b>
Net profit attributable to owners of the parent	17,746	11,059	18,606	25,146	21,029	17,931	20,505	64,818	9,464	14,554	<b>10,119</b>
<b>At year-end</b>											
Current assets	139,321	128,575	143,792	165,695	179,124	179,154	183,110	288,900	295,524	220,847	<b>229,083</b>
Property, plant and equipment	56,877	55,916	63,155	70,700	80,573	87,083	89,522	89,020	96,082	107,527	<b>114,340</b>
Total assets	245,992	233,381	256,973	301,557	328,568	344,558	351,723	481,718	459,293	422,065	<b>445,544</b>
Current liabilities	64,830	73,000	74,876	96,934	112,558	109,614	113,662	191,315	172,577	119,491	<b>117,111</b>
Interest-bearing debt	16,659	15,333	16,949	27,720	45,310	43,936	39,866	17,587	20,309	21,572	<b>31,884</b>
Equity	158,664	148,924	155,904	177,002	189,255	199,133	211,641	254,995	263,228	275,894	<b>287,278</b>
Equity attributable to owners of the parent	149,862	142,068	147,929	167,537	178,702	187,398	198,031	239,910	248,696	260,470	<b>270,093</b>
<b>Cash flows</b>											
Cash flows from operating activities	19,949	8,746	27,730	23,071	24,165	38,433	34,203	36,340	7,717	11,177	<b>26,650</b>
Cash flows from investing activities	(7,880)	(4,886)	(14,989)	(20,186)	(21,823)	(20,086)	(10,710)	67,147	13,231	(46,295)	<b>(28,733)</b>
Cash flows from financing activities	(15,888)	(19,090)	(4,808)	(950)	8,396	(13,365)	(17,497)	(57,960)	(13,456)	(13,482)	<b>(4,137)</b>
<b>Per share of common stock (¥)</b>											
Basic earnings per share	140.24	88.85	150.64	203.85	169.65	144.50	165.18	534.67	78.87	121.25	<b>84.25</b>
Equity attributable to owners of the parent per share	1,184.17	1,150.41	1,193.79	1,355.72	1,438.64	1,508.53	1,594.10	1,999.10	2,071.87	2,169.52	<b>2,248.31</b>
Cash dividends per share	44.00	44.00	50.00	72.00	73.00	73.00	75.00	77.00	78.00	80.00	<b>80.00</b>
<b>Major management indicators (%)</b>											
Operating profit margin	10.8	8.2	10.6	10.4	7.4	8.7	10.2	10.0	5.9	5.2	<b>4.6</b>
Return on assets (ROA)	7.4	4.6	7.6	9.0	6.7	5.3	5.9	15.6	2.0	3.3	<b>2.3</b>
Return on equity (ROE)	12.6	7.6	13.0	15.9	12.1	9.8	10.6	29.6	3.9	5.7	<b>3.8</b>
Payout ratio	31.4	49.5	35.1	35.3	43.0	50.5	45.4	14.4	98.9	66.0	<b>95.0</b>
Equity ratio	60.9	60.9	57.6	55.6	54.4	54.4	56.3	49.8	54.1	61.7	<b>60.6</b>

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

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

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



FY2024/12 Annual Securities Report, P82 Consolidated financial statements

[https://www.nabtesco.com/cms/wp-content/uploads/Annual-Securities-Report-FY2024\\_e.pdf#page=85](https://www.nabtesco.com/cms/wp-content/uploads/Annual-Securities-Report-FY2024_e.pdf#page=85)

## Disclosure Policy

### Boundary of the report

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

### Period covered

January 1, 2024 to December 31, 2024  
In recognition of the importance of providing up-to-date information, certain activities conducted after this period are also included in this report.

### Date of publication

June 2025 (Published annually)

### Performance data

The Nabtesco Group has applied the International Financial Reporting Standards (IFRS) to its accounting since FY2017. To facilitate comparison with FY2017 results, FY2016 results have also been recalculated in accordance with IFRS.

### Note regarding forecasts

Forecasts provided in this report regarding numerical figures and future measures are based on currently available information, as well as judgments and assumptions deemed reasonable by Nabtesco. Actual results may significantly differ from these forecasts due to various critical factors, including economic conditions in the Company's major markets in and outside Japan, and fluctuations in the foreign exchange market.

### Guidelines referenced

- International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)\*

- Sustainability Accounting Standards Board (SASB)\* Standards
- WICI Intangible Reporting Framework published by the World Intellectual Capital/Assets Initiative (WICI)
- GRI Standards by the Global Reporting Initiative (GRI)
- The Guidelines on Disclosure and Governance of Strategies for Investment and Utilization of Intellectual Property and Intangible Assets (Ver. 2.0)
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation, Ministry of Economy, Trade and Industry of Japan



\*Currently known as International Sustainability Standards Board (ISSB)

### Participation in external initiatives and external evaluation

The Nabtesco Group announced its support for the following initiatives. Additionally, our long-term greenhouse gas emissions reduction targets have been officially approved by the SBT Initiative, aligning with its 1.5 degrees Celsius scenario.



**Web** Support Initiatives  
<https://www.nabtesco.com/en/about/sustainability/s-024/>

## Third-Party Assurance

To enhance the credibility of non-financial disclosures, the Nabtesco Group has obtained assurances from LRQA Limited, an independent third-party organization, for the performance indicators related to the environment and society listed below. These indicators are disclosed in this report and on our website.

### Independent assurance on environmental and social data for CY2024

- Energy consumption (including the breakdown of energy type)
- GHG emissions data (Scope 1, Scope 2 [Market-based and location-based], Scope 1 and 2 [Market-based] year-on-year emissions change between calendar years 2023 and 2024 and Scope 3)
- Water withdrawal and water discharge
- Waste generated and landfilled, and hazardous waste generated
- Chemical substances controlled under the PRTR scheme and VOC emissions
- Percentage of the Company's main suppliers with GHG emission reduction targets
- Occupational accident rate
- Occupational disease rate

**Web** Independent Assurance on Environmental and Social Data for CY2024 and Independent Assurance on GHG Emissions and Electricity Consumption for CY2024  
[https://www.nabtesco.com/cms/wp-content/uploads/AS\\_Nabtesco2024\\_EnvSoc\\_EN.pdf](https://www.nabtesco.com/cms/wp-content/uploads/AS_Nabtesco2024_EnvSoc_EN.pdf)  
[https://www.nabtesco.com/cms/wp-content/uploads/AS\\_Nabtesco2024\\_CO2\\_EN.pdf](https://www.nabtesco.com/cms/wp-content/uploads/AS_Nabtesco2024_CO2_EN.pdf)

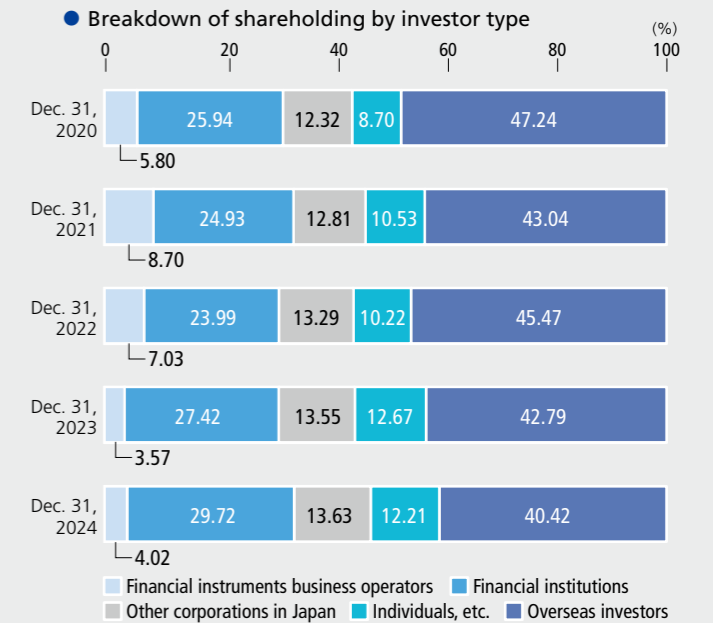
### Independent assurance on GHG emissions and electricity consumption for CY2024

- Verifying conformance with the Company's reporting methodologies for the selected dataset
- Evaluating the accuracy and reliability of data for the selected indicators listed below:
  - Scope 1 GHG emissions and Scope 2 GHG emissions (Location-based and Market-based, Scope 1 and 2 [Market-based] year-on-year emissions change between CY2023 and 2024)
  - Scope 3 GHG emissions attributed to categories 1, 2, 3, 4, 5, 6, 7, 11, and 12

## Corporate Profile

### Corporate Profile (as of December 31, 2024)

Company Name	Nabtesco Corporation
Security Code	6268
SEDOL Code	6687571
Established	September 29, 2003
Address	7-9, Hirakawa-cho 2-chome, Chiyoda-ku, Tokyo 102-0093, Japan
TEL	+81-3-5213-1133
Capital	¥10.0 billion
Number of Issued Shares	121,064,099
Minimum Trading Unit	100 All of our issued shares are common stock with a minimum trading unit of 100 shares.
Employees	Non-consolidated 2,485 Consolidated 8,227
Consolidated Subsidiaries in Japan	13 (excl. 2 equity method affiliates)
Consolidated Subsidiaries outside Japan	51 (excl. 4 equity method affiliates)



**Web** FY2024/12 Annual Securities Report, P50 Status of Shares  
[https://www.nabtesco.com/cms/wp-content/uploads/Annual-Securities-Report-FY2024\\_e.pdf#page=53](https://www.nabtesco.com/cms/wp-content/uploads/Annual-Securities-Report-FY2024_e.pdf#page=53)

**Web** Management Structure  
<https://www.nabtesco.com/en/about/company/overview/organization/>

## Validity Statement



**Hiroshi Usui**  
Director  
Executive Officer  
Corporate Planning, Accounting & Finance, Information Systems and Corporate Communication

### About the Publication of Nabtesco Value Report 2024 for FY2024/12

The Nabtesco Group has been publishing the "Nabtesco Value Report" as its integrated report since FY2016 to help stakeholders, including shareholders and investors, understand the Group's measures to increase its corporate value on a medium- to long-term basis.

In this year's report, we not only convey management's perspective on the new MTMP launched this year, but also present the formulation process—an area frequently questioned by investors—in an engaging dialogue format, including discussions held at the Board of Directors. Additionally, we introduce the aspirations of our engineers as they drive the transformation toward "Smart Motion Control," using real examples. This approach is intended not only to generate excitement about our future growth but also to help readers clearly envision the enhancement of corporate value over the medium-to long-term.

Furthermore, we have included an explanation of the skill matrix of our directors and auditors—something we have had limited opportunities to share in the past—and outlined the skills, knowledge, and experience of each executive to provide a clearer understanding of our governance structure.

As the Executive Officer overseeing the creation of this report, I hereby affirm that we followed a rigorous process to ensure the accuracy of the information included in the Nabtesco Value Report 2024. I extend my gratitude to all stakeholders who have reviewed the report and to those within and outside the Company who cooperated with us in its publication. Moving forward, we remain committed to enhancing the report's content through meaningful dialogue with our stakeholders.