

Summary of Consolidated Financial Statements for the Second Quarter of Fiscal Year Ending December 31, 2023 (IFRS)



July 31, 2023

Name of listed company: Nabtesco Corporation

Stock listed on: Prime Section of the Tokyo Stock Exchange

Code number: 6268

URL: <https://www.nabtesco.com>

Representative: Title: President and CEO

Name: Kazumasa Kimura

Inquiries: Title: General Manager, Corporate Communication Div.

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Scheduled date for filing of quarterly report: August 9, 2023

Scheduled dividend payment date: August 31, 2023

Quarterly material to supplement the financial results: Yes

Quarterly financial results conference: Yes (Teleconference for institutional investors and financial analysts)

(Amounts rounded to the nearest million)

1. Consolidated Results for the First Six-month Period of FY 2023 (January 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results

(Percentages indicate year-on-year change)

	Net sales		Operating income		Income before tax		Net income		Net income attributable to owners of the parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First six-month period, FY 2023	162,997	14.6	8,690	10.2	15,485	—	10,266	—	9,452	—	17,226	192.6
First six-month period, FY 2022	142,195	(2.4)	7,886	(46.0)	(5,674)	—	(4,248)	—	(5,106)	—	5,887	(92.0)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First six-month period, FY 2023	78.74		78.74	
First six-month period, FY 2022	(42.56)		(42.56)	

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Million yen	Million yen	Million yen	%
As of June 30, 2023	425,466	274,421	259,963	61.1
As of December 31, 2022	459,293	263,228	248,696	54.1

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
FY 2022	—	39.00	—	39.00	78.00
FY 2023	—	40.00	—	—	—
FY 2023 (Forecast)	—	—	—	40.00	80.00

(Note) Revisions to the latest dividend forecasts: None

3. Forecast of Consolidated Operating Results for FY 2023 (January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year change for full year)

	Net sales		Operating income		Income before tax		Net income attributable to owners of the parent		Total basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	330,000	6.9	19,000	5.0	27,000	71.3	17,800	88.1	148.30

(Note) Revisions to the latest forecast of operating results: Yes

“Income before tax” and “Net income attributable to owners of the parent” in Forecast of Consolidated Operating Results as noted above showed substantially larger year-on-year changes than “Operating income” because of the valuation loss recorded for the fiscal year (ended on December 31, 2022) on the shares of Harmonic Drive Systems Inc. based on the closing price of the shares at the end of December 2022, and valuation gain and others on the completion of the sale of the shares in June 2023.

* Matters of note:

- (1) Changes in significant subsidiaries during the first six-month period of FY 2023 (Changes in specified subsidiaries resulting in a change in the scope of consolidation): None
Newly added: 0 (Company name: –) Excluded: 0 (Company name: –)
- (2) Changes in accounting policies and accounting estimates
1) Changes in accounting policies required by IFRS: Yes
2) Other changes in accounting policies: None
3) Changes in accounting estimates: None
- (3) Shares outstanding (Common shares)
1) Number of shares outstanding (including treasury stock) as of the end of the term
2) Amount of treasury stock
3) Average number of shares during the term

1)	As of June 30, 2023	121,064,099	As of December 31, 2022	121,064,099
2)	As of June 30, 2023	1,024,683	As of December 31, 2022	1,058,550
3)	January 1, 2023 to June 30, 2023	120,031,162	January 1, 2022 to June 30, 2022	119,990,894

* Current status of audit procedures

This “Summary of Consolidated Financial Statements” is not subject to audit procedures as stipulated under the Financial Instruments and Exchange Act, and the audit procedures based on the said Act have not been completed as of the date of publication of this summary.

* Description concerning proper use of the forecast of operating results and other remarks:

Descriptions in this document concerning future figures including forecasts for operating results, etc. are based on currently available information and certain assumptions that the Company considers reasonable. Actual results may vary significantly from such forecasts due to a variety of factors.

Please refer to “1. Qualitative Information on Consolidated Operating Results for the Six Months Ended June 30, 2023, (3) Explanation on Information Concerning Future Projections Such as Forecasts for Consolidated Operating Results” on Page 6 of the attached document.

1. Qualitative Information on Consolidated Operating Results for the Six Months Ended June 30, 2023

(1) Analysis of Consolidated Operating Results

- 1) Amount of orders received, net sales and operating income
[Amount of orders received]

(Million yen)

	First six-month period of consolidated FY 2022 (January 1, 2022 to June 30, 2022)	First six-month period of consolidated FY 2023 (January 1, 2023 to June 30, 2023)	Change (%)
Component Solutions	75,299	65,276	(13.3)
Transport Solutions	37,011	46,362	25.3
Accessibility Solutions	47,345	50,565	6.8
Others	10,331	10,058	(2.6)
Total	169,986	172,261	1.3

[Net sales]

(Million yen)

	First six-month period of consolidated FY 2022 (January 1, 2022 to June 30, 2022)	First six-month period of consolidated FY 2023 (January 1, 2023 to June 30, 2023)	Change (%)
Component Solutions	64,722	74,785	15.5
Transport Solutions	31,124	36,171	16.2
Accessibility Solutions	39,548	44,347	12.1
Others	6,801	7,694	13.1
Total	142,195	162,997	14.6

[Operating income]

(Million yen)

	First six-month period of consolidated FY 2022 (January 1, 2022 to June 30, 2022)	First six-month period of consolidated FY 2023 (January 1, 2023 to June 30, 2023)	Change (%)
Component Solutions	7,204	7,394	2.6
Transport Solutions	2,012	3,651	81.5
Accessibility Solutions	2,829	2,435	(13.9)
Others	67	422	530.5
Corporate or Elimination	(4,225)	(5,211)	—
Total	7,886	8,690	10.2

Reference: Information by region
[Net sales]

(Million yen)

	First six-month period of consolidated FY 2022 (January 1, 2022 to June 30, 2022)	First six-month period of consolidated FY 2023 (January 1, 2023 to June 30, 2023)	Change (%)
Japan	77,021	86,900	12.8
China	21,940	25,137	14.6
Other Asia	9,453	9,616	1.7
North America	9,834	12,408	26.2
Europe	21,807	28,109	28.9
Other areas	2,140	827	(61.3)
Total	142,195	162,997	14.6

(Note) Net sales are classified by country or region based on the location of the buyer.

(2) Analysis of Financial Position

1) Assets, liabilities and equity

(Million yen)

	As of the end of the previous consolidated fiscal year (December 31, 2022)	As of the end of the first six-month period of the current consolidated fiscal year (June 30, 2023)	Change
Assets	459,293	425,466	(33,826)
Liabilities	196,064	151,045	(45,019)
Equity	263,228	274,421	11,193

2) Status of cash flows

(Million yen)

	First six-month period of consolidated FY 2022 (January 1, 2022 to June 30, 2022)	First six-month period of consolidated FY 2023 (January 1, 2023 to June 30, 2023)
Cash flow from operating activities	1,096	11,637
Cash flow from investing activities	(901)	(27,772)
Free cash flow	196	(16,136)
Cash flow from financing activities	(10,297)	(6,906)

(3) Explanation on Information Concerning Future Projections Such as Forecasts for Consolidated Operating Results

Based on the consolidated business performance for the first six-month period of the fiscal year ending December 31, 2023 and future developments, etc., we have decided to revise our consolidated full-year forecast for FY2023, which was announced on February 10, 2023.

For details, please refer to the " Notice of the Differences between FY2023 First Six-month of Non-consolidated Financial Forecast and its Financial Result and the Revision to FY2023 Financial Forecast" published on July 31, 2023.

The differences between the revised forecast and the previous consolidated financial forecasts announced on February 10, 2023 are as follows.

Revision to the full-year forecast for consolidated FY 2023 (January 1, 2023 to December 31, 2023)

	Sales	Operating income	Income before tax	Net income attributable to owners of the parents	Total basic earnings per share (Yen)
Previously announced forecast (A) (February 10, 2023)	Million yen 339,000	Million yen 26,200	Million yen 29,200	Million yen 19,500	Yen 162.50
Revised forecast (B)	330,000	19,000	27,000	17,800	148.30
Change (B-A)	(9,000)	(7,200)	(2,200)	(1,700)	—
Rate of Change (%)	(2.7)	(27.5)	(7.5)	(8.7)	—
(Reference) Previous year's results	308,691	18,097	15,763	9,464	78.87

(Segment Information)

1) Sales

(Million yen)

	Component solutions	Transport Solutions	Accessibility solutions	Others	Corporate or elimination	Total
Previously announced forecast(A) (February 10, 2023)	154,800	77,800	85,300	21,100	—	339,000
Revised forecast (B)	142,600	78,700	90,200	18,500	—	330,000
Change (B-A)	(12,200)	900	4,900	(2,600)	—	(9,000)
Rate of Change (%)	(7.9)	1.2	5.7	(12.3)	—	(2.7)
(Reference) Previous year's results	140,629	70,950	78,561	18,551	—	308,691

2) Operating income

(Million yen)

	Component solutions	Transport Solutions	Accessibility solutions	Others	Corporate or elimination	Total
Previously announced forecast (A) (February 10, 2023)	19,600	7,600	7,500	2,400	(10,900)	26,200
Revised forecast (B)	12,800	7,300	7,500	2,500	(11,100)	19,000
Change (B-A)	(6,800)	(300)	—	100	(200)	(7,200)
Rate of Change (%)	(34.7)	(3.9)	—	4.2	—	(27.5)
(Reference) Previous year's results	15,919	6,714	2,830	1,484	(8,850)	18,097

2. Summary of Quarterly Consolidated Financial Statements and Notes Thereto

(1) Summary of Quarterly Consolidated Statement of Financial Position

(Million yen)

	Note No.	End of consolidated FY 2022 (as of December 31, 2022)	End of the first six-month period of consolidated FY 2023 (as of June 30, 2023)
Assets			
Current assets			
Cash and cash equivalents		124,413	103,686
Trade receivables		77,227	70,550
Contract assets		2,165	2,827
Other receivables		1,301	1,159
Inventories		49,210	60,434
Other financial assets		1,733	1,528
Other current assets		5,445	5,192
Total		261,494	245,377
Assets held for sale		34,030	—
Total current assets		295,524	245,377
Non-current assets			
Property, plant and equipment		96,082	101,256
Intangible assets		6,373	9,639
Right-of-use assets		10,129	9,350
Goodwill		17,899	23,573
Investment property		2,066	1,716
Investments accounted for using the equity method		17,729	19,239
Other financial assets		10,041	11,843
Deferred tax assets		2,281	2,405
Other non-current assets		1,168	1,069
Total non-current assets		163,768	180,089
Total assets		459,293	425,466

(Million yen)

	Note No.	End of consolidated FY 2022 (as of December 31, 2022)	End of the first six-month period of consolidated FY 2023 (as of June 30, 2023)
Liabilities and equity			
Liabilities			
Current liabilities			
Operating payables		56,119	60,694
Contracts liabilities		7,652	9,546
Bonds and borrowings		19,943	22,438
Other payables		19,250	18,162
Income taxes payable		11,734	3,944
Provisions		1,678	2,206
Lease liabilities		2,640	2,701
Other financial liabilities		47,267	90
Other current liabilities		6,292	6,845
Total current liabilities		172,577	126,624
Non-current liabilities			
Bonds and borrowings		366	260
Lease liabilities		8,403	7,747
Liabilities concerning retirement benefit		8,472	8,812
Deferred tax liabilities		4,054	5,090
Other financial liabilities		—	295
Other non-current liabilities		2,193	2,216
Total non-current liabilities		23,488	24,421
Total liabilities		196,064	151,045
Equity			
Capital stock		10,000	10,000
Share premium		15,048	15,058
Retained earnings		215,670	220,413
Treasury shares		(4,646)	(4,504)
Other components of equity		12,624	18,997
Equity attributable to owners of the parent		248,696	259,963
Non-controlling interests		14,532	14,458
Total equity		263,228	274,421
Total liabilities and equity		459,293	425,466

(2) Summary of Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**Summary of Consolidated Statements of Income
First Six-month Period**

(Million yen)

	Note No.	First six-month period of consolidated FY 2022 (January 1, 2022 to June 30, 2022)	First six-month period of consolidated FY 2023 (January 1, 2023 to June 30, 2023)
Net sales	2	142,195	162,997
Cost of sales		(106,668)	(122,481)
Gross profit		35,527	40,516
Other income		615	487
Selling, general and administrative expense		(28,121)	(31,989)
Other expenses		(135)	(324)
Operating income	2	7,886	8,690
Financial income		1,959	5,023
Financial costs		(16,658)	(518)
Equity in earnings of affiliates		1,139	2,289
Profit (loss) before tax		(5,674)	15,485
Income tax expense		1,426	(5,219)
Net income (loss)		(4,248)	10,266

Net income (loss) attributable to			
Owners of the parent		(5,106)	9,452
Non-controlling interests		858	815
Net income (loss)		(4,248)	10,266

Net income (loss) per share			
Basic earnings (loss) per share		(42.56)	78.74
Diluted earnings (loss) per share		(42.56)	78.74

Summary of Consolidated Statements of Comprehensive Income
First Six-month Period

(Million yen)

	Note No.	First six-month period of consolidated FY 2022 (January 1, 2022 to June 30, 2022)	First six-month period of consolidated FY 2023 (January 1, 2023 to June 30, 2023)
Net income (loss)		(4,248)	10,266
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net changes in financial assets measured at fair value through other comprehensive income		130	748
Total components that will not be reclassified to profit or loss		130	748
Components that will be reclassified to profit or loss			
Exchange differences on foreign operations		10,005	6,212
Total components that will be reclassified to profit or loss		10,005	6,212
Other comprehensive income after taxes		10,135	6,960
Total comprehensive income		5,887	17,226
Comprehensive income attributable to			
Owners of the parent		3,699	15,824
Non-controlling interests		2,188	1,402
Total comprehensive income		5,887	17,226

(3) Consolidated Statement of Changes in Equity

First six-month period of current consolidated fiscal year (January 1, 2022 to June 30, 2022)

(Million yen)

	Note No.	Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	
						Exchange differences on foreign operations	Valuation difference due to change in fair value
Balance as of January 1, 2022		10,000	14,961	214,791	(4,784)	1,874	3,069
Net loss		—	—	(5,106)	—	—	—
Other comprehensive income		—	—	—	—	8,682	123
Total comprehensive income		—	—	(5,106)	—	8,682	123
Acquisition, sales, etc. of treasury shares		—	—	(10)	139	—	—
Dividends		—	—	(4,692)	—	—	—
Transfer from other components of equity to retained earnings		—	—	10	—	—	(10)
Share-based compensation transactions		—	(13)	—	—	—	—
Total transactions with owners, etc.		—	(13)	(4,693)	139	—	(10)
Balance as of June 30, 2022		10,000	14,948	204,992	(4,645)	10,556	3,182

	Note No.	Other components of equity		Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		Remeasurements of net defined benefit liability (asset)	Total			
Balance as of January 1, 2022		—	4,942	239,910	15,084	254,995
Net income loss		—	—	(5,106)	858	(4,248)
Other comprehensive income		—	8,805	8,805	1,330	10,135
Total comprehensive income		—	8,805	3,699	2,188	5,887
Acquisition, sales, etc. of treasury shares		—	—	128	—	128
Dividends		—	—	(4,692)	(3,018)	(7,711)
Transfer from other components of equity to retained earnings		—	(10)	—	—	—
Share-based compensation transactions		—	—	(13)	—	(13)
Total transactions with owners, etc.		—	(10)	(4,577)	(3,018)	(7,595)
Balance as of June 30, 2022		—	13,738	239,033	14,254	253,287

First six-month period of current consolidated fiscal year (January 1, 2023 to June 30, 2023)

(Million yen)

	Note No.	Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	
						Exchange differences on foreign operations	Valuation difference due to change in fair value
Balance as of January 1, 2023		10,000	15,048	215,670	(4,646)	9,361	3,263
Net income		—	—	9,452	—	—	—
Other comprehensive income		—	—	—	—	5,630	742
Total comprehensive income		—	—	9,452	—	5,630	742
Acquisition, sales, etc. of treasury shares		—	—	(16)	143	—	—
Dividends		—	—	(4,693)	—	—	—
Share-based compensation transactions		—	9	—	—	—	—
Total transactions with owners, etc.		—	9	(4,708)	143	—	—
Balance as of June 30, 2023		10,000	15,058	220,413	(4,504)	14,992	4,005

	Note No.	Other components of equity		Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		Remeasurements of net defined benefit liability (asset)	Total			
Balance as of January 1, 2023		—	12,624	248,696	14,532	263,228
Net income		—	—	9,452	815	10,266
Other comprehensive income		—	6,372	6,372	588	6,960
Total comprehensive income		—	6,372	15,824	1,402	17,226
Acquisition, sales, etc. of treasury shares		—	—	127	—	127
Dividends		—	—	(4,693)	(1,477)	(6,170)
Share-based compensation transactions		—	—	9	—	9
Total transactions with owners, etc.		—	—	(4,557)	(1,477)	(6,034)
Balance as of June 30, 2023		—	18,997	259,963	14,458	274,421

(4) Consolidated Statements of Cash Flows

(Million yen)

	Note No.	First six-month period of consolidated FY 2022 (January 1, 2022 to June 30, 2022)	First six-month period of consolidated FY 2023 (January 1, 2023 to June 30, 2023)
Cash flows from operating activities			
Net income (loss)		(4,248)	10,266
Depreciation and amortization		7,098	7,424
Increase (decrease) in assets and liabilities concerning retirement benefits		12	319
Interest and dividend income		(358)	(198)
Interest expenses		78	222
Loss (gain) on sale of investment securities		16,566	(3,554)
Share of profit loss (gain) of investments accounted for using equity method		(1,139)	(2,289)
Loss (gain) on sales of fixed assets		(0)	161
Expenses of income tax		(1,426)	5,219
Decrease (increase) in trade receivables, contract assets, and contract liabilities		14,630	10,858
Decrease (increase) in inventories		(8,370)	(8,448)
Increase (decrease) in operating payables		(1,012)	2,379
Other		(282)	1,477
Subtotal		21,548	23,835
Interest and dividend received		1,021	1,033
Interest paid		(81)	(206)
Income taxes refunded (paid)		(21,393)	(13,025)
Cash flows from operating activities		1,096	11,637
Cash flows from investing activities			
Decrease (increase) in time deposits		391	430
Purchases of tangible fixed assets		(4,678)	(11,807)
Proceeds from sales of tangible fixed assets		48	187
Purchases of intangible fixed assets		(1,156)	(1,270)
Payments for acquisition of subsidiaries resulting in a change in the scope of consolidation		—	(5,282)
Proceeds from sale of investment securities		14	—
Payments for settlement of sales price on investment securities		—	(9,752)
Payments of leasehold and guarantee deposits		(60)	—
Proceeds from refund of leasehold deposits		4,628	106
Other		(87)	(384)
Cash flows from investing activities		(901)	(27,772)
Cash flows from financing activities			
Increase (decrease) in short-term bank loans		(1,122)	859
Repayment of long-term loans payable		(118)	(118)
Payments of lease liabilities		(1,385)	(1,479)
Decrease (increase) in treasury shares		35	(1)
Cash dividends paid		(4,689)	(4,690)
Cash dividends paid to minority shareholders		(3,018)	(1,477)
Cash flows from financing activities		(10,297)	(6,906)
Increase (decrease) in cash and cash equivalents		(10,101)	(23,041)
Cash and cash equivalents at beginning of term		112,771	124,413
Effect of exchange rate changes on cash and cash equivalents		4,017	2,314
Cash and cash equivalents at end of term		106,687	103,686

(5) Notes on the Summary of Quarterly Consolidated Financial Statements

1. Notes Relating to the Going Concern Assumption

None

2. Business Segments

(1) Summary of reportable segments

The Group's reportable segments are components of the Group about which separate financial statement is available that is evaluated regularly at the Board of Directors' meetings in deciding how to allocate the management resources and in assessing performance.

The Group classifies its business segments into the following three reportable segments, based on the similarity of business models: 1) the "Component Solutions Business;" 2) the "Transport Solutions Business;" and 3) the "Accessibility Solutions Business."

The main lines of business of each reportable segment are as below.

Business segment	Main lines of business
Component Solutions Business	The design, manufacture, sale, maintenance and repair of industrial robot components and equipment for construction machinery and its components
Transport Solutions Business	The design, manufacture, sale, maintenance and repair of brake systems and automatic door operating systems for railroad vehicles, aircraft components, brake systems and drive control units for vehicles, control systems for marine vessels, and components thereof
Accessibility Solutions Business	The design, manufacture, sale, installation, maintenance and repair of automatic door operating systems for buildings and general industry, platform safety systems, and components thereof

(2) Information on reportable segments

I. For the six months ended June 30, 2022 (January 1, 2022 to June 30, 2022)

(Million yen)

	Reportable segments				Others	Total	Adjustments	Amount stated in summary of consolidated statements of income
	Component Solutions	Transport Solutions	Accessibility Solutions	Total				
Net sales								
Sales to external customers	64,722	31,124	39,548	135,394	6,801	142,195	—	142,195
Inter-segment sales	1,255	594	2	1,850	150	2,000	(2,000)	—
Total sales	65,977	31,718	39,550	137,245	6,950	144,195	(2,000)	142,195
Segment income (Operating income)	7,204	2,012	2,829	12,044	67	12,111	(4,225)	7,886
Finance income								1,959
Finance costs								(16,658)
Equity in earnings of affiliates								1,139
Income before tax								(5,674)

Notes: 1. "Others" is a business segment that is not a reportable segment and consists of businesses that are engaged in the design, manufacture, sale, maintenance and repair of packaging machines, three-dimensional model production device, machine tools, and components thereof.

2. Adjustment to sales is as a result of eliminations of inter-segment transactions.

3. Adjustment to segment income (operating income) is total profit/loss, etc. that are not allocated to the respective segments.

II. For the six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)

(Million yen)

	Reportable segments				Others	Total	Adjustments	Amount stated in summary of consolidated statements of income
	Component Solutions	Transport Solutions	Accessibility Solutions	Total				
Net sales								
Sales to external customers	74,785	36,171	44,347	155,303	7,694	162,997	—	162,997
Inter-segment sales	1,419	850	6	2,275	191	2,466	(2,466)	—
Total sales	76,204	37,021	44,354	157,578	7,885	165,463	(2,466)	162,997
Segment income (Operating income)	7,394	3,651	2,435	13,480	422	13,901	(5,211)	8,690
Financial income								5,023
Financial costs								(518)
Equity in earnings of affiliates								2,289
Income before tax								15,485

Notes: 1. "Others" is a business segment that is not a reportable segment and consists of businesses that are engaged in the design, manufacture, sale, maintenance and repair of packaging machines, three-dimensional model production devices, machine tools, and components thereof.

2. Adjustment to sales is as a result of eliminations of inter-segment transactions.

3. Adjustment to segment income (operating income) is total profit/loss, etc. that are not allocated to the respective segments.

3. Significant subsequent events

(Acquisition of shares in R.K. DEEP SEA TECHNOLOGIES LIMITED)

On 14 July 2023, the Company acquired the 100% parent company of Deep Sea Technologies SMPC (hereinafter, "Deep Sea"), a Greek operating company that provides AI-based solutions, R.K. Deep Sea Technologies Ltd of Cyprus, and made it a wholly-owned subsidiary of the Company by acquiring an additional 85% of its issued shares.

(1) Overview of business combinations

1. Name of the acquired company and business

Name of the acquired company: R.K. Deep Sea Technologies Ltd

Business details: Providing AI-based maritime solution services of vessel condition monitoring and voyage optimization through Deep Sea Technologies SMPC, a Greek operating company

2. Reasons of business combination

In July 2021, the Nabtesco Group invested in DeepSea through its corporate venture capital arm, Nabtesco Technology Ventures L.P. Since 2022 Nabtesco has represented DeepSea's industry-leading maritime solutions in vessel condition monitoring (through its "Cassandra" platform) and voyage optimization (through its "Pythia" platform) in the Japanese, Chinese and Korean markets. The Group has also worked with DeepSea on the joint development of new control algorithms for its marine vessel control systems and the future of shipping.

With the acquisition, the Group will further promote the development and sales of DeepSea's existing solutions, as well as accelerate digital transformation (DX) in the maritime industry - combining Nabtesco's marine engine control systems with DeepSea's optimal route and speed proposals based on world-leading AI technology. The combined offering will have a profound environmental impact - continuing to reduce fuel consumption with DeepSea's platforms, whilst also focusing on the move towards the autonomous operation of marine vessels.

DeepSea will remain a separate entity, based in Athens Greece, and will continue to function as a specialist centre of AI research and development for the Nabtesco Group. By welcoming DX human resources such as AI/IoT specialists and system engineers, the Group will enhance its overall AI-based application development capabilities, including optimal control and condition monitoring, whilst accelerating innovation through systemization and DX across all its business fields. The move will provide both Nabtesco and DeepSea customers with even higher value-added products.

3. Method of obtaining control of the acquired company

Acquisition of shares in cash

4. Date of acquisition

July 14, 2023

5. Percentage of voting rights acquired

Percentage of voting rights before the business combination	15%
Percentage of voting rights additionally acquired	85%
Percentage of voting rights after the business combination	100%

(2) Acquisition amount and breakdown

Fair value of equity interests held before the acquisition	approx. EUR 8 million
Cash	approx. EUR 42 million
Total acquisition amount	approx. EUR 50 million

Apart from the above acquisition amount, the contract includes a conditional consideration of approximately

EUR 2 million. The fair value of this conditional consideration is under calculation and has therefore been omitted.

(3) Acquisition-related costs

Acquisition-related costs amount to approximately JPY 70 million and will be included in 'Selling, general and administrative expenses' in the consolidated income statement.

(4) Others

As the accounting for the business combination has not been completed at present, detailed information on the fair value of the assets acquired and liabilities assumed and their main components, goodwill and the impact on results of operations has not been provided.

3. Other Information

(1) Order Backlog by Business Segment

Reportable segments	As of the end of the first six-month period of consolidated FY 2022 (June 30, 2022)		As of the end of the first six-month period of consolidated FY 2023 (June 30, 2023)	
	Amount (million yen)	% to total	Amount (million yen)	% to total
Component Solutions	44,837	27.5	30,992	18.7
Transport Solutions	58,027	35.6	69,856	42.2
Accessibility Solutions	46,333	28.4	53,032	32.1
Others	13,664	8.5	11,460	7.0
Total	162,861	100.0	165,341	100.0