This is an English translation of the original Annual Securities Report (“Yukashoken Hokokusho”) filed with the Director-General of the Kanto Local Finance Bureau via Electronic Disclosure for Investors` NETwork (“EDINET”) pursuant to the Financial Instruments and Exchange Act of Japan. In the event of any discrepancy between Yukashoken Hokokusho and this English translation, Yukashoken Hokokusyo shall prevail.

Annual Securities Report

37th Fiscal Year

(From April 1, 2024 to March 31, 2025)

Harmonic Drive Systems Inc.

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37th Fiscal Year Annual Securities Report

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The Independent Auditor's report that is included in Yukashoken Hokokusho is not translated to English.

[Cover Page]

[Document Title]	Annual Securities Report
[Clause of Stipulation]	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
[Place of Filing]	Director-General of the Kanto Local Finance Bureau
[Filing Date]	Jun. 18, 2025
[Fiscal Year]	37th Fiscal Year (From April 1, 2024 to March 31, 2025)
[Company Name]	Kabushiki Kaisha Harmonic Drive Systems
[Company Name in English]	Harmonic Drive Systems Inc.
[Title and Name of Representative]	Akira Maruyama, President and Representative Director
[Address of Registered Head Office]	6-25-3 Minami-Oi, Shinagawa-ku, Tokyo, Japan
[Telephone Number]	+81-3-5471-7810
[Name of Contact Person]	Tetsuya Shiokawa, Executive Officer
[Nearest Place of Contact]	6-25-3 Minami-Oi, Shinagawa-ku, Tokyo, Japan
[Telephone Number]	+81-3-5471-7810
[Name of Contact Person]	Tetsuya Shiokawa, Executive Officer
[Place for Public Inspection]	Tokyo Stock Exchange, Inc.
	(2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan)

Part I [Company Information]

I [Overview of Company]

1 [Key financial data]

(1) Key financial data of group

Fiscal year		33rd	34th	35th	36th	37th
Year ended		March 2021	March 2022	March 2023	March 2024	March 2025
Net sales	(Thousands of yen)	37,034,042	57,087,914	71,527,316	55,796,455	55,645,940
Ordinary profit	(Thousands of yen)	1,366,803	9,108,243	10,757,728	570,333	151,197
Profit (loss) attributable to owners of parent	(Thousands of yen)	662,495	6,643,893	7,595,928	(24,806,996)	3,473,539
Comprehensive income	(Thousands of yen)	9,009,792	5,508,053	12,132,168	(21,661,579)	1,757,549
Net assets	(Thousands of yen)	110,059,815	98,856,302	103,955,658	79,401,665	78,943,066
Total assets	(Thousands of yen)	140,028,170	143,289,918	154,336,246	119,142,291	113,621,682
Net assets per share	(Yen)	1,068.83	1,026.94	1,093.53	836.02	831.82
Basic earnings (loss) per share	(Yen)	6.88	69.02	79.67	(261.00)	36.57
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	73.5	69.0	67.4	66.6	69.5
Return on equity	(%)	0.7	6.6	7.5	(27.1)	4.4
Price-earnings ratio	(Times)	1,086.9	61.1	55.2	(15.3)	86.4
Net cash provided by (used in) operating activities	(Thousands of yen)	9,555,003	9,881,633	10,850,473	12,728,600	7,516,235
Net cash provided by (used in) investing activities	(Thousands of yen)	(1,230,204)	(4,703,089)	(8,663,281)	(5,950,405)	1,480,063
Net cash provided by (used in) financing activities	(Thousands of yen)	(6,561,849)	(6,663,893)	(1,599,848)	(8,122,296)	(5,874,183)
Cash and cash equivalents at end of period	(Thousands of yen)	19,996,738	18,767,531	19,921,977	18,941,712	22,923,012
Number of employees[average number of temporary employees]	(Persons)	1,104 [236]	1,145 [348]	1,324 [421]	1,349 [370]	1,384 [375]

(Notes) 1. The number of employees represents the number of full-time employees.
2. The amount of diluted earnings per share from the 33rd fiscal year (ended March 31, 2021) to the 37th fiscal year (ended March 31, 2025), is not stated, because dilutive shares did not exist.
3. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the 34th fiscal year, and key financial data for the 34th fiscal year onward represent those after applying the accounting standard and relevant revised ASBJ regulations.

(2) Key financial data of reporting company

Fiscal year		33rd	34th	35th	36th	37th
Year ended		March 2021	March 2022	March 2023	March 2024	March 2025
Net sales	(Thousands of yen)	24,264,898	41,120,072	50,883,969	28,577,533	30,544,864
Ordinary profit	(Thousands of yen)	2,764,064	8,702,593	9,378,859	2,288,996	187,048
Profit (loss)	(Thousands of yen)	1,868,012	6,545,851	6,880,487	(18,460,744)	4,174,821
Share capital	(Thousands of yen)	7,100,036	7,100,036	7,100,036	7,100,036	7,100,036
Total number of issued and outstanding shares	(Shares)	96,315,400	96,315,400	96,315,400	96,315,400	96,315,400
Net assets	(Thousands of yen)	85,421,219	85,897,339	85,678,586	62,736,973	59,269,408
Total assets	(Thousands of yen)	101,279,098	115,596,583	120,888,788	90,621,735	82,217,989
Net assets per share	(Yen)	887.37	892.32	901.27	660.55	624.52
Dividends per share (Interim dividends per share)	(Yen)	20 (10)	21 (10)	28 (11)	20 (10)	20 (10)
Basic earnings (loss) per share	(Yen)	19.41	68.00	72.17	(194.23)	43.96
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	84.3	74.3	70.9	69.2	72.1
Return on equity	(%)	2.3	7.6	8.0	(24.9)	6.8
Price-earnings ratio	(Times)	385.5	62.1	60.9	(20.5)	71.9
Payout ratio	(%)	103.1	30.9	38.8	–	45.5
Number of employees [average number of temporary employees]	(Persons)	406 [100]	412 [138]	490 [156]	523 [148]	510 [135]
Total shareholder return [comparative indicator: TOPIX Total Return Index]	(%)	158.7 (141.5)	90.2 (144.3)	94.5 (152.7)	86.2 (215.9)	69.2 (212.5)
Highest stock price	(Yen)	9,510	8,270	5,530	5,160	5,350
Lowest stock price	(Yen)	4,190	3,700	3,015	3,115	1,763

(Notes) 1. The number of employees represents the number of full-time employees.
2. The amount of diluted earnings per share from the 33rd fiscal year (ended March 31, 2021) to the 37th fiscal year (ended March 31, 2025), is not stated, because dilutive shares did not exist.
3. The highest and lowest stock prices are quoted from JASDAQ (standard) on the Tokyo Stock Exchange on and before April 3, 2022, and from Standard Market on the Tokyo Stock Exchange on and after April 4, 2022.
4. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the 34th fiscal year, and key financial data for the 34th fiscal year onward represent those after applying the accounting standard and relevant revised ASBJ regulations.
5. Of the dividend of ¥20 per share for the fiscal year ended March 31, 2025, the year-end dividend of ¥10 is subject to approval at the Ordinary General Meeting of Shareholders scheduled to be held on June 20, 2025.

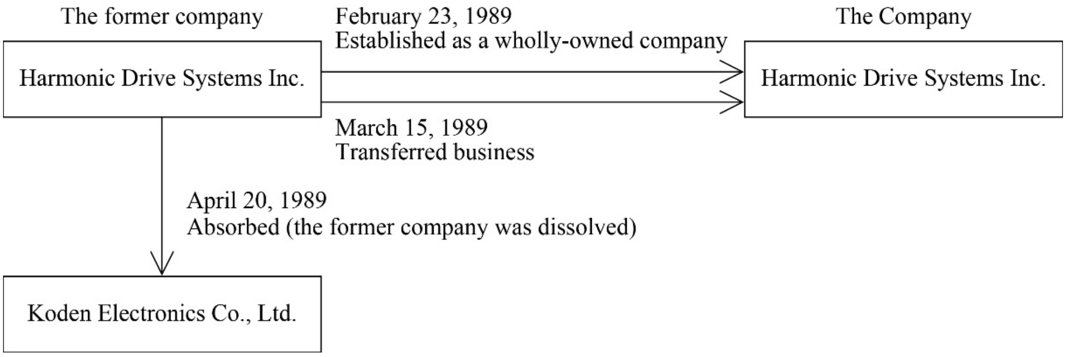
2 [History]

The Company (established as Harmonic Drive Systems Inc., the same trade name as its former company, on February 23, 1989, with a par value capital of ¥50,000) was established as a wholly-owned subsidiary of the former company (a substantial surviving company of business, established with the trade name of Harmonic Drive Systems Inc. on October 27, 1970, with a par value capital of ¥50). The whole business of the former company (excluding some assets) were transferred to the Company as of March 15, 1989, and after that, the Company fully took over the business operations of the former company, having operated to the present. All officers of the Company at the time of the establishment and business transfer took the same positions as they had in the former company. The former company was taken over by Koden Electronics Co., Ltd. and dissolved on April 20, 1989.

Accordingly, the descriptions below indicate the matters of the former company, a substantial surviving company of business, until the date before business transfer (March 14, 1989), unless otherwise stated. In addition, all employees of the former company were transferred to the Company with the same job positions, and the length of service of the Company is presented in total years including the length of service of the former company.

Fiscal years are counted anew for the Company without including those of the former company.

The following schematic diagram illustrates the relationship between the former company and the Company.



Month/Year	History
Oct. 1970	Established Harmonic Drive Systems Inc. at 3-24-13 Minami-Rokugo, Ota-ku, Tokyo, Japan, based on a joint venture agreement between Hasegawa Gear Works, Ltd. and USM Co., Ltd. (USM), a U.S. corporation (USM acquired capital in December 1970, with a share capital of ¥200 million and both companies having a 50% stake each). Hasegawa Gear Works, Ltd. handed over business rights of Harmonic Drive mechanisms that had been developed based on a technical tie-up agreement with USM, to the Company.
Nov. 1970	Started manufacturing Harmonic Drive speed reducers at the Matsumoto Plant (currently, Toyoshina, Azumino-shi, Nagano, Japan).
Nov. 1970	Concluded a non-exclusive agency agreement with Mitsui & Co., Ltd.
Sep. 1976	Reduced share capital to ¥100 million and the Company became a wholly-owned subsidiary of USM (with new share capital of ¥100 million).
Nov. 1977	Started manufacturing and selling FA equipment (current mechatronic products).
Nov. 1980	Concluded a distributorship agreement with Mitsui & Co., Ltd. for sales of the Company's products in Japan (the agency agreement was terminated).
Dec. 1984	Established sales agents in Taiwan and South Korea for market development.
Feb. 1987	Established subsidiary HD Systems, Inc. (currently, a consolidated subsidiary) for expanding into the U.S. market.
Apr. 1987	Concluded a distributorship agreement with Mitsui & Co., Ltd. for sales of the Company's products in South Korea.
Jun. 1988	Started manufacturing and selling Harmonic Drive speed reducers with the newly-developed IH tooth profile.
Feb. 1989	Established "new" Harmonic Drive Systems Inc. as a wholly-owned subsidiary of the former company.
Mar. 1989	Transferred business to the new Company from the former company.
Apr. 1989	The former company was taken over by Koden Electronics Co., Ltd. and became a wholly-owned subsidiary of Koden Electronics Co., Ltd.

Month/Year	History
Dec. 1990	Moved production base from the Matsumoto Plant to the Hotaka Plant (currently, Hotaka, Azumino-shi, Nagano, Japan), following the completion of the Hotaka Plant.
Mar. 1996	Concluded an exclusive distributorship agreement with Harmonic Drive Antriebstechnik GmbH (currently, Harmonic Drive SE, a consolidated subsidiary), a German corporation, for sales of the Company's products in the areas of Europe, the Middle East, Africa, India and Latin America.
Dec. 1996	Concluded a license and technical support agreement with Harmonic Drive Antriebstechnik GmbH (currently, Harmonic Drive SE, a consolidated subsidiary).
Mar. 1998	Listed on the Japan Securities Dealers Association over-the-counter market.
Apr. 1999	Established subsidiary HD Logistics, Inc. (currently, a consolidated subsidiary).
Jul. 1999	Established subsidiary Harmonic Precision Inc. (currently, a consolidated subsidiary).
Jul. 2002	Acquired 25% issued shares in Harmonic Drive AG (currently, Harmonic Drive SE, a consolidated subsidiary).
Apr. 2003	Established subsidiary Harmonic AD, Inc. (currently, a consolidated subsidiary).
Dec. 2004	Listed on Jasdaq Securities Exchange, Inc. (With the merger of Osaka Securities Exchange, Co., Ltd. and Jasdaq Securities Exchange, Inc. in April 2010, the market name was changed to JASDAQ market, Osaka Securities Exchange, Co., Ltd.)
Feb. 2005	Concluded an exclusive distributorship agreement with Mitsui & Co., Ltd. for sales of the Company's products in Taiwan area.
Mar. 2005	Concluded an exclusive distributorship agreement with Mitsui & Co., Ltd. for sales of the Company's products in South Korea area (the former distributorship agreement was terminated).
Dec. 2005	Established subsidiary Harmonic Drive L.L.C. (currently, a consolidated subsidiary) in the United States.
May 2007	Concluded a business and capital alliance agreement with Winbel Co., Ltd. (currently, Harmonic Winbel Inc., a consolidated subsidiary).
Sep. 2008	Expansively extended the exclusive distributorship agreement, and the license and technical support agreement, which were concluded in March and December 1996 respectively, with Harmonic Drive AG (currently, Harmonic Drive SE, a consolidated subsidiary). Acquired additional 10% of issued shares in Harmonic Drive AG (currently, Harmonic Drive SE, a consolidated subsidiary) (the shareholding ratio increased to 35% from 25%).
Oct. 2008	Concluded a business and capital alliance agreement with Ome Iron Casting Co., Ltd. (currently, a non-consolidated subsidiary with equity method).
Nov. 2008	Acquired 49.2% of issued shares in Ome Iron Casting Co., Ltd. (currently, a non-consolidated subsidiary with equity method) by acquiring shares from its existing shareholders and by subscribing to the third-party allotment of shares conducted by Ome Iron Casting Co., Ltd.
Feb. 2009	Terminated the following agreements concluded with Mitsui & Co., Ltd.: 1) the distributorship agreement for sales in Japan, which was concluded in November 1980; 2) the exclusive distributorship agreement for sales in Taiwan area, which was concluded in February 2005; 3) the exclusive distributorship agreement for sales in South Korea area, which was concluded in March 2005.
Oct. 2010	With the integration of markets of Hercules, JASDAQ and NEO in Osaka Securities Exchange (OSE), the Company listed its shares on JASDAQ (standard), OSE.
Jan. 2011	Established Harmonic Drive Systems (Shanghai) Co., Ltd. (currently, a consolidated subsidiary) with the aim of sales expansion and technical service enhancement in China.
Feb. 2013	Established SAMICK ADM Co., Ltd. (currently, a consolidated subsidiary), a joint venture company with SAMICK HDS Co., Ltd., in South Korea with the aim of sales expansion and the construction of production systems of precision planetary speed reducers in Eastern Asia markets, such as China and South Korea.
Jul. 2013	With the integration of cash equity markets of Tokyo Stock Exchange (TSE) and OSE, the Company listed its shares on JASDAQ (standard), TSE.
Mar. 2017	Jointly acquired additional 63.2% of issued shares in Harmonic Drive AG (currently, Harmonic Drive SE, a consolidated subsidiary) with Innovation Network Corporation of Japan (currently, INCJ, Ltd.) to make Harmonic Drive AG a subsidiary (the shareholding ratio increased to 74.7% from 36.8% in the Company and 25.3% in Innovation Network Corporation of Japan (currently, INCJ, Ltd.)).
Feb. 2021	HD Systems, Inc., a U.S. holding company, purchased all stakes in Harmonic Drive L.L.C., a U.S. subsidiary, held by a partner of joint venture and made Harmonic Drive L.L.C. a wholly-owned subsidiary.
Jun. 2021	Acquired additional shares in Winbel Co., Ltd. (currently, Harmonic Winbel Inc., a consolidated subsidiary) and made Winbel Co., Ltd. a wholly-owned subsidiary.
Jul. 2021	Acquired all stakes in GK HD Management, which was established jointly by the Company and INCJ, Ltd., held by the partner and made Harmonic Drive SE a wholly-owned subsidiary.
Apr. 2022	With the review of market divisions in TSE, the Company moved from JASDAQ (standard) to Standard Market, TSE.
Jan. 2025	Absorbed GK HD Management.

3 [Description of business]

The Harmonic Drive Systems Group (the Company together with its affiliated companies, hereinafter “the Group”) consists of twenty companies, including the Company, seventeen consolidated subsidiaries, and two equity method affiliates, and is solely engaged in the precision speed reducers business in which we mainly manufacture and sell speed reducers and their applied mechatronic products (precision actuators and motion control products).

The main geographic markets of the products of the Company and its affiliated companies are Japan (including the Asia area; hereinafter the same), North America, and Europe. The Group consists of region-based segments structured around its production and sales system. In the Japan market, products are manufactured and sold by the Company and its domestic subsidiaries, as well as its local subsidiaries in the Asia area. In the North America market and the Europe market, products are manufactured and sold by its local subsidiaries in the respective regions.

Accordingly, the Company had consisted of three reportable segments: Japan, North America, and Europe, which are consistent with the geographic segments based on the manufacturing and sale of the products. However, in the current fiscal year, in consideration of the increased materiality of China, which had previously been included in the Japan segment, the Company has changed its reporting method to present China as a separate reportable segment.

Overview and description of business of each company in the Group are as follows.

Company name	Address	Share capital or investment	Ownership ratio of voting rights	Segment	Description of business
Harmonic Drive Systems Inc.	Shinagawa-ku, Tokyo, Japan	¥7,100,036 thousand	The Company	Japan	Development and sales of actuators made of motors, sensors, etc. combined with speed reducers, and controllers Development, manufacturing, and sales of HarmonicDrive® strain wave gearings, and development and sales of precision planetary speed reducers
Consolidated subsidiaries					
HD Systems, Inc.	Beverly, Massachusetts, U.S.A.	US $100 thousand	100.0%	North America	Investment in Harmonic Drive L.L.C., and research and study of speed reducers and mechatronic products
Harmonic Drive L.L.C.	Beverly, Massachusetts, U.S.A.	US $6,000 thousand	100.0% (100.0%) (Notes) 1	North America	Development and manufacturing of speed reducers and mechatronic products, and sales of these products in the North America area
HD Logistics, Inc.	Azumino-shi, Nagano, Japan	¥10,000 thousand	100.0%	Japan	Logistics operations for the Group
Harmonic Precision Inc.	Matsumoto-shi, Nagano, Japan	¥10,000 thousand	100.0%	Japan	Manufacturing and processing of cross roller bearings, which are key parts of speed reducer unit products of the Group
Harmonic AD, Inc.	Azumino-shi, Nagano, Japan	¥10,000 thousand	100.0%	Japan	Manufacturing of precision planetary speed reducers, which are sold by the Company
Harmonic Winbel Inc.	Komagane-shi, Nagano, Japan	¥45,000 thousand	100.0%	Japan	Manufacturing of mechatronics products, and development, mass production support, manufacturing, and sale of various motors

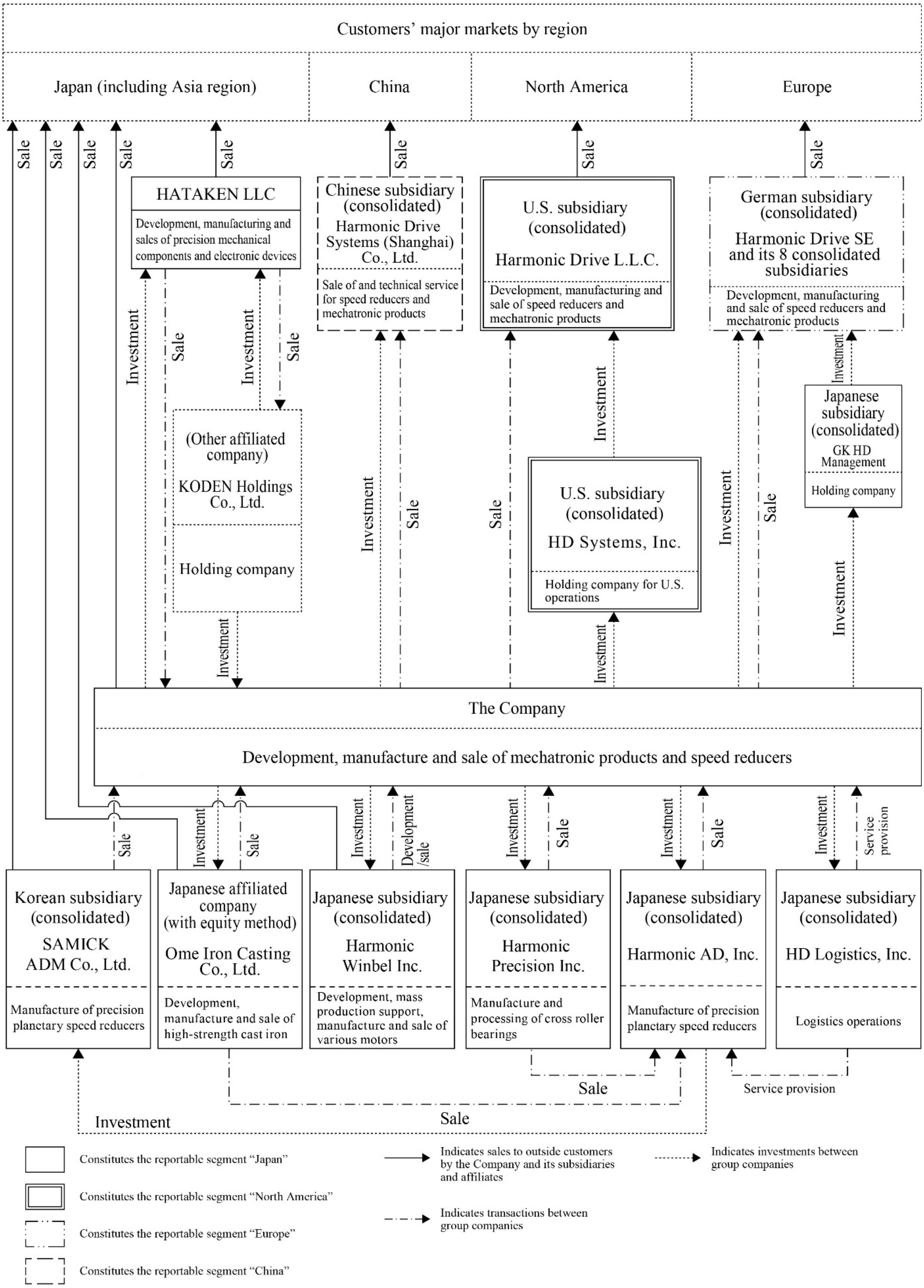
Harmonic Drive Systems (Shanghai) Co., Ltd.	Shanghai, China	CNY 8,200 thousand	100.0%	China	Sale of and technical service for speed reducers and mechatronic products
SAMICK ADM Co., Ltd.	Daegu, Korea	KRW 5,000,000 thousand	51.0% (51.0%) (Notes) 1.	Japan	Manufacture of precision planetary speed reducers
Harmonic Drive SE and its 8 consolidated subsidiaries	Limburg a.d. Lahn, Hessen, Germany	EUR 1,550 thousand	100.0%	Europe	Development and manufacturing of speed reducers and mechatronic products, and sales of these items in the areas of Europe, the Middle East, Africa, India and Latin America
Non-consolidated subsidiary with equity method					
Ome Iron Casting Co., Ltd.	Nishitama-gun, Tokyo, Japan	¥60,000 thousand	49.2%	Japan	Development, manufacturing, and sales of cast products centering on high-strength cast iron
Equity method affiliate					
HATAKEN LLC	Azumino-shi, Nagano, Japan	¥50,000 thousand	28.6%	Japan	Development, manufacturing, and sales of precision mechanical components and electronic devices

(Notes) 1. Figures in parentheses shown in the ownership ratio of voting rights represent the ratio of voting rights indirectly held.
2 On January 1, 2025, the Company absorbed GK HD Management, a special purpose company established for the purpose of investing in Harmonic Drive SE, through a merger.

(Other affiliated company)

Company name	Address	Share capital or investment	Ownership ratio of voting rights	Description of business
KODEN Holdings Co., Ltd.	Ota-ku, Tokyo	¥50,000 thousand	34.8%	Holding company for the purpose of investment in KODEN group

A schematic diagram of the business is shown below.



4 [Subsidiaries and associates]

Company name	Address	Share capital or investment	Description of main business	Ownership ratio of voting rights and ratio of voting rights held (Note 3)		Relationship
				Ownership ratio (%)	Ratio held (%)	
(Consolidated subsidiaries)						
HD Systems, Inc.	Beverly, Massachusetts, U.S.A.	US $100 thousand	Precision speed reducers (operating holding company)	100.0	–	Holding company for the purpose of investment in Harmonic Drive L.L.C. Concurrent officers......Yes
Harmonic Drive L.L.C. (Notes) 1, 3, 4	Beverly, Massachusetts, U.S.A.	US $6,000 thousand	Precision speed reducers (manufacturing and sales)	100.0 (100.0)	–	Develops and manufactures HarmonicDrive® and mechatronic products, and sells them in the North America area. Concurrent officers......None
HD Logistics, Inc.	Azumino-shi, Nagano, Japan	¥10,000 thousand	Precision speed reducers (logistics)	100.0	–	Undertakes shipment, etc. of the Company. Concurrent officers......None
Harmonic Precision Inc. (Note) 1	Matsumoto-shi, Nagano, Japan	¥10,000 thousand	Precision speed reducers (processing of parts)	100.0	–	Manufactures and processes cross roller bearings, which are key parts of precision speed reducer units of the Company. Concurrent officers......None
Harmonic AD, Inc. (Note) 1	Azumino-shi, Nagano, Japan	¥10,000 thousand	Precision speed reducers (manufacturing of planetary speed reducers)	100.0	–	Manufactures precision planetary speed reducers, which are sold by the Company, and delivers them to the Company. Concurrent officers......Yes
Harmonic Winbel Inc.	Komagane-shi, Nagano, Japan	¥45,000 thousand	Precision speed reducers (Development and manufacturing of mechatronic products)	100.0	–	Engages in joint development and manufacturing of various motors and manufactures mechatronics products sold by the Company, which it supplies to the Company. Concurrent officers......Yes
Harmonic Drive Systems (Shanghai) Co., Ltd. (Notes) 1, 5	Shanghai, China	CNY 8,200 thousand	Precision speed reducers (sales)	100.0	–	Imports the Company's products from the Company and sells them and provides technical services in China. Concurrent officers......Yes
SAMICK ADM Co., Ltd. (Note) 3	Daegu, Korea	KRW 5,000,000 thousand	Precision speed reducers (manufacturing of planetary speed reducers)	51.0 (51.0)	–	Manufactures precision planetary speed reducers and sells them mainly to agencies in Korea. Concurrent officers......None
Harmonic Drive SE (Note) 6	Limburg a.d. Lahn, Hessen, Germany	EUR 1,550 thousand	Precision speed reducers (manufacturing and sales)	100.0	–	Develops and manufactures HarmonicDrive® and mechatronic products, and sells them in the areas of Europe, the Middle East, Africa, India and Latin America. Concurrent officers......Yes
Other 8 companies						
(Non-consolidated subsidiary with equity method) Ome Iron Casting Co., Ltd.	Nishitama-gun, Tokyo, Japan	¥60,000 thousand	Precision speed reducers (processing of parts)	49.2	–	Collaborative relationship in development, application, manufacturing, etc. of high-strength cast iron materials. Concurrent officers......None
(Equity method affiliate) HATAKEN LLC	Azumino-shi, Nagano, Japan	¥50,000 thousand	Precision mechanical components (manufacturing and sales)	28.6	–	Engages in the manufacturing and contract processing of key components for precision speed reducers. Concurrent officers......None
(Other affiliated company) KODEN Holdings Co., Ltd.	Ota-ku, Tokyo	¥50,000 thousand	Manufacturing and sales of electronic devices (holding company)	–	34.8	Provides consulting services to the Company related to product development. Concurrent officers......None

(Notes) 1. They are specific subsidiaries.
2. None of the above companies file securities registration statement or annual securities report.
3. Figures in parentheses shown in the ownership ratio of voting rights and ratio of voting rights held column represent the ratio of voting rights indirectly held.
4. Net sales (excluding internal net sales among consolidated companies) of Harmonic Drive L.L.C. account for more than 10% of consolidated net sales. However, since net sales (including inter-segment net sales or transfers) of said company account for more than 90% of net sales of the North America

segment reported for the current consolidated fiscal year, primary information of profit and loss, etc. have been omitted.

5. Net sales (excluding internal net sales among consolidated companies) of Harmonic Drive Systems (Shanghai) Co., Ltd. account for more than 10% of consolidated net sales. However, since net sales (including inter-segment net sales or transfers) of said company account for more than 90% of net sales of the China segment reported for the most recent consolidated fiscal year, primary information of profit and loss, etc. have been omitted.
6. Net sales (excluding internal net sales among consolidated companies) of Harmonic Drive SE account for more than 10% of consolidated net sales. However, since net sales (including inter-segment net sales or transfers) of said company account for more than 90% of net sales of the Europe segment reported for the current consolidated fiscal year, primary information of profit and loss, etc. have been omitted.
7. On January 1, 2025, the Company absorbed GK HD Management, a special purpose company established for the purpose of investing in Harmonic Drive SE, through a merger.

5 [Employees]

(1) Information about group

As of March 31, 2025

Segment	Number of employees (Persons)
Japan	628 [327]
North America	213 [2]
Europe	371 [33]
China	29 [0]
Corporate (shared)	143 [13]
Total	1,384 [375]

(Notes) 1. The number of employees is the number of full-time employees. The average annual headcount of contract workers and temporary employees is separately presented in brackets.

2. Corporate (shared) employees consist of employees of the Company's fundamental research departments, and administrative departments, such as the General Affairs and Accounting Department, etc.

(2) Information about reporting company

As of March 31, 2025

Number of employees (Persons)	Average age (Years)	Average length of service (Years)	Average annual salary (Yen)
510 [135]	42.7	13.5	7,047,989

Segment	Number of employees (Persons)
Japan	367 [122]
Corporate (shared)	143 [13]
Total	510 [135]

(Notes) 1. The number of employees is the number of full-time employees, excluding those seconded to other companies, and including those seconded to the Company from other companies. The average headcount of contract workers and temporary employees during the fiscal year is separately presented in brackets.

2. Average annual salary includes bonuses and extra pay.

3. Corporate (shared) employees consist of employees of the Company's fundamental research departments, and administrative departments, such as the General Affairs and Accounting Department, etc.

(3) Labor union

The reporting company has an organized labor union, which is called JAM HDS Labor Union, and it belongs to JAM, an industrial union, and the number of union members was 345 as of March 31, 2025. Harmonic AD, Inc., a consolidated subsidiary, also has an organized labor union that belongs to the same industrial union as the labor union of the reporting company.

Other consolidated subsidiaries do not have organized labor union. There are no particular items concerning labor-management relations to be reported.

(4) Ratio of female employees in managerial positions, ratio of male employees taking childcare leave, and differences in wages between male and female

1) Reporting company

As of March 31, 2025

Ratio of female employees in managerial positions (%) (Note 1)	Ratio of male employees taking childcare leave (%) (Note 2)	Differences in wages between male and female (%) (Note 1)		
		All employees	Of which, regular employees	Of which, part-time and fixed-term employees
3.3	85.7	70.2	70.9	96.9

(Notes) 1. Calculated based on provisions of Act on Promotion of Women's Active Engagement in Professional Life (Act No. 64, 2015).

2. Calculated based on provisions of Article 71-6 of Ordinance for Enforcement of Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25, 1991), pursuant to the provisions of Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76, 1991).

2) Consolidated subsidiaries

As of March 31, 2025

Company name	Ratio of female employees in managerial positions (%) (Note 1)	Ratio of male employees taking childcare leave (%) (Note 2)	Differences in wages between male and female (%) (Note 1)		
			All employees	Of which, regular employees	Of which, part-time and fixed-term employees
Harmonic Precision Inc.	11.1	40.0	82.0	81.0	99.8

(Notes) 1. Calculated based on provisions of Act on Promotion of Women's Active Engagement in Professional Life (Act No. 64, 2015).

2. Calculated based on provisions of Article 71-6 of Ordinance for Enforcement of Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25, 1991), pursuant to the provisions of Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76, 1991).

II [Overview of Business]

1 [Management policy, business environment, issues to be addressed, etc.]

Forward-looking statements contained herein are based on the Group’s judgment as of March 31, 2025.

(1) Basic policy for corporate management

The Company (referred to here as “HDSI”) operates based on the following management principles:

(i) Respect for the Individual

HDSI aspires to be a company where the rights of every individual employee are respected, and where individuals can pursue a meaningful, cultural, and worthwhile life. We will make HDSI a company that believes in each employee’s aspirations, supports independent activities, creates an environment where employees can maximize their abilities through work, and where abilities and performance are rewarded.

(ii) A Meaningful Company

HDSI wants to be recognized as a meaningful, superior company which manifests creativity, has personality and distinctive characteristics, and whose management foundation is based on ceaseless research and development activities and a constant emphasis on quality—a company where the entire organization finds meaning in making utmost efforts.

(iii) Coexistence and Co-prosperity

HDSI is supported by many different parties including our employees, customers, shareholders, materials and parts suppliers, affiliated companies and trading partners. We make our best efforts to create attractive products, services, compensation, working environments, and trading relations to satisfy all these concerned parties.

(iv) Contribution to Society

HDSI broadly contributes to society and industry through its corporate activities as a good corporate citizen. The products and services we provide directly and indirectly contribute to the betterment of society. We aspire to be a company that helps to improve the environment and the quality of the communities where we are located.

(2) The Group’s business and products

As a group of technological and engineering experts providing total motion control, the Group (referred to here as “HDS Group”) highly applies the core technologies making up total motion control with the human resources of our technological and engineering experts to deliver the products that enable the kind of “motion” customers want.

Combining the HarmonicDrive®, AccuDrive®, and HarmonicPlanetary® high-precision speed reducers with actuators made of motors, sensors and other parts, as well as the drivers, controllers, and other system elements for drawing out their top performance, we provide high-added-value products with clear advantages over competing products.

(3) The HDS Group's strengths and features

(i) Accumulated technologies and skills related to HarmonicDrive®

Prompted by our fateful encounter with HarmonicDrive®, we have been pursuing the endlessly expanding potential of this speed reducer for more than 50 years, since our company was founded. Development technologies, production technologies, processing and assembly skills, and production systems that we have built up over time are irreplaceable assets of the HDS Group, and we believe they are also our greatest strengths.

(ii) A product lineup providing compact size, lightweight, and high accuracy

The mechatronic products and speed reducers, which we manufacture and sell, are being chosen by customers who seek advanced levels of motion control and more compact, lightweight equipment. Among these products, the HarmonicDrive®, with its compact size, lightweight, and high precision, has won a high worldwide market share as a speed reducer built into the joints of industrial robots, which are used in manufacturing processes of automobiles, digital equipment, semiconductor wafers, and flat panel displays. Moreover, in wide-ranging applications such as machine tools, measuring and test equipment, space satellites, advanced medical equipment, and automotive, it is providing differentiated added value that would be difficult to achieve with any other mechanism.

(iii) Core technology enabling the provision of total motion control

The HDS Group has built up technologies and skills through research and development and production of speed reducers, motors, sensors, drivers, controllers, and other system elements. We believe that the resulting tangible and intangible technologies and skills related to core technology are essential for providing the advanced motion control our customers demand, and are the source of the competitive advantage of the HDS Group.

(iv) Business operations integrating sales, manufacturing, and development

In order to reflect customer needs in our product development and manufacturing, in the HDS Group's business operations the sales, manufacturing, and technology and development divisions work closely together. For example, these main functions are concentrated in Azumino-shi, Nagano Prefecture; and an efficient workflow operates from the initial contacts with customers to technical reviews, prototyping, order-taking, manufacturing, and shipment. A strength of the HDS Group is the system in place to quickly reflect customer needs and ideas of engineers in production and to timely provide new motion control.

(v) Global business expansion

The HDS Group has operation sites in Japan, the US, Germany, South Korea, China, and Taiwan. Business strategies that conform to the characteristics of each region are promoted and each site mutually cooperates to provide optimal products and services to customers around the world.

(4) Medium- to long-term corporate management strategy of the Group

The Group is promoting its unwavering mission of contributing to social and technological innovation through motion control technology. Mechatronics and precision speed reducers, which we manufacture and sell, are contributing greatly to the emerging social and technological innovation, including the electrification of vehicles and surgical robots, and such demand is expected to continue to expand. At the same time, with the acceleration of automation as demand for collaborative robots in addition to a new market for "AI and human-like robots" is expected to increase amid the worldwide labor shortage. To properly capture these growth opportunities, the Group aims to further strengthen its business foundation. We also pursue activities for achieving a sustainable society through our business, based on the current medium-term management plan (fiscal years 2024-2026), with the whole group united. Moreover, we aim to enhance corporate value over the medium to long term by maintaining a balance between defensive and offensive approaches in our management strategy in order to achieve our missions and long-term vision.

■ Basic Policy of Sustainability

Based on our management principles on four pillars: 1) Respect for the individual, 2) a meaningful company, 3) coexistence and co-prosperity, and 4) contribution to society, the HDS Group, a group of technological and engineering experts providing total motion control, aims to realize sustainable society and increase its corporate value by contributing to technological innovation for better society.

■ Our Group's Mission

To contribute to technological innovation in society through motion control technology

■ Our Long-Term Vision

The best provider of total motion control in harmony with the future

■ Materiality

- Maximize the value of human capital
- Achieve QCDS that goes beyond customer expectations
- Take on the challenge of developing new technologies and new skills that coordinate with changes in the environment
- Contribute to creating a sustainable society through corporate activities
- Establishment of a management foundation in harmony with the times

■ Medium-term Management Plan for fiscal years 2024–2026

– Take on the challenge of "value creation and transformation" –

Basic policies

(a) Sustainable growth of all businesses with an emphasis on profitability
- Develop new drivers for growth
- Thorough implementation of QCDS+Speed to meet customer expectations

(b) Strengthen management resources (people, things, money, information) that can adapt to changes in the environment
- Realize an organization where individual growth and diverse skills are demonstrated and respected
- Growth investment aware of capital efficiency
- Strengthen the financial foundation and governance

3) Initiatives to enhance corporate value that will continue into the future
- Promote Net Zero
- Appoint and hire diverse personnel
- Develop products that promote the reduction of customers' environmental load

(5) Management policy and issues to be addressed

In the fiscal year 2025, the business environment of the Group is expected to continue on a recovery trend in orders received, as in the previous fiscal year, driven by expanded investment in automation, including robots to compensate for the declining labor force, the expansion of data centers, and increased capital investment associated with growing demand for cutting-edge semiconductors required for generative AI. However, due to persistently high resource and raw material prices resulting from international instability, exchange rate fluctuations, and the impact of the Trump tariffs, the global economy is expected to remain increasingly uncertain, and the business environment surrounding the Group is anticipated to continue facing unpredictable conditions. In order to respond to this business environment, we will steadily advance the initiatives set forth in the current medium-term management plan (fiscal years 2024-2026). We will further accelerate efforts to enhance product capabilities, reduce costs, and shorten lead times by maintaining high production capacity and quality, strengthening our supply chain structure to ensure stable procurement of materials, and proactively investing in IT to improve productivity and operational efficiency. In addition, we will promote the improvement of our ability to solve customer issues and the acceleration of our response through the integration of sales and development technology, and focus on further expanding our competitive advantage.

2 [Disclosure of sustainability-related financial information]

The HDS Group's mission is to contribute to technological innovation through its business in order to help solve various social issues and improve society. In fulfilling this mission, we base our management philosophy, which was created in the early days of the Company and has been passed down from generation to generation as the corporate culture of the Group. Based on this management philosophy, we will strategically promote sustainability in accordance with the Basic Policy of Sustainability, which was approved by the Board of Directors on March 25, 2022.

Basic Policy of Sustainability
Based on our management principles on four pillars: 1) Respect for the individual, 2) a meaningful company, 3) coexistence and co-prosperity, and 4) contribution to society, the HDS Group, a group of technological and engineering experts providing total motion control, aims to realize sustainable society and increase its corporate value by contributing to technological innovation for better society.

(1) Overall sustainability

1) Sustainability governance

The Group recognizes that sustainability initiatives are a critical management issue. Accordingly, we have established a governance structure anchored by our Sustainability Committee and ensure oversight from the Board of Directors. On the execution side, the Sustainability Management Office, which serves as the secretariat of the Sustainability Committee, works in coordination with executive officers of relevant departments and presidents of Group companies to address sustainability-related risks and opportunities.

(i) Supervisory system of the Board of Directors

Our Board of Directors is responsible for, and holds authority over, oversight related to sustainability-related risks and opportunities encountered by the Group. The Board of Directors receives reports regarding critical issues discussed and addressed by the Sustainability Committee while also discussing and overseeing policies and implementation plans surrounding the management of sustainability-related risks and opportunities.

(ii) Managerial responsibilities with regard to sustainability

The president and representative director assumes ultimate responsibility for management decisions related to sustainability issues facing the Group.

(iii) Sustainability Committee

To strengthen its group-wide sustainability promotion system, the Company established its Sustainability Committee on April 1, 2023. This committee serves as an organization that promotes, oversees, and manages overall sustainability for the Group. The Sustainability Committee is chaired by our president and representative director, and its members are executive directors.

Primary responsibilities of the Sustainability Committee are as follows.

・Development and revision of sustainability-related policies and strategies
・Identification of materiality in sustainability
・Development and progressive monitoring of long-term sustainability goals and KPIs
・Planning and reporting on promotion of sustainability-related activities
・Identification and management of sustainability-related risks and opportunities
・Submission of proposals and basic policies to the Board of Directors, and reporting on important sustainability matters

(iv) Executive officer meeting

To fulfill sustainability from the execution side, the status of initiatives for sustainability and sustainability-related trends, etc. are reported by the executive officer in charge of promoting sustainability, at each monthly executive officer meeting that is also attended by directors and corporate auditors, which holds discussions from various perspectives.

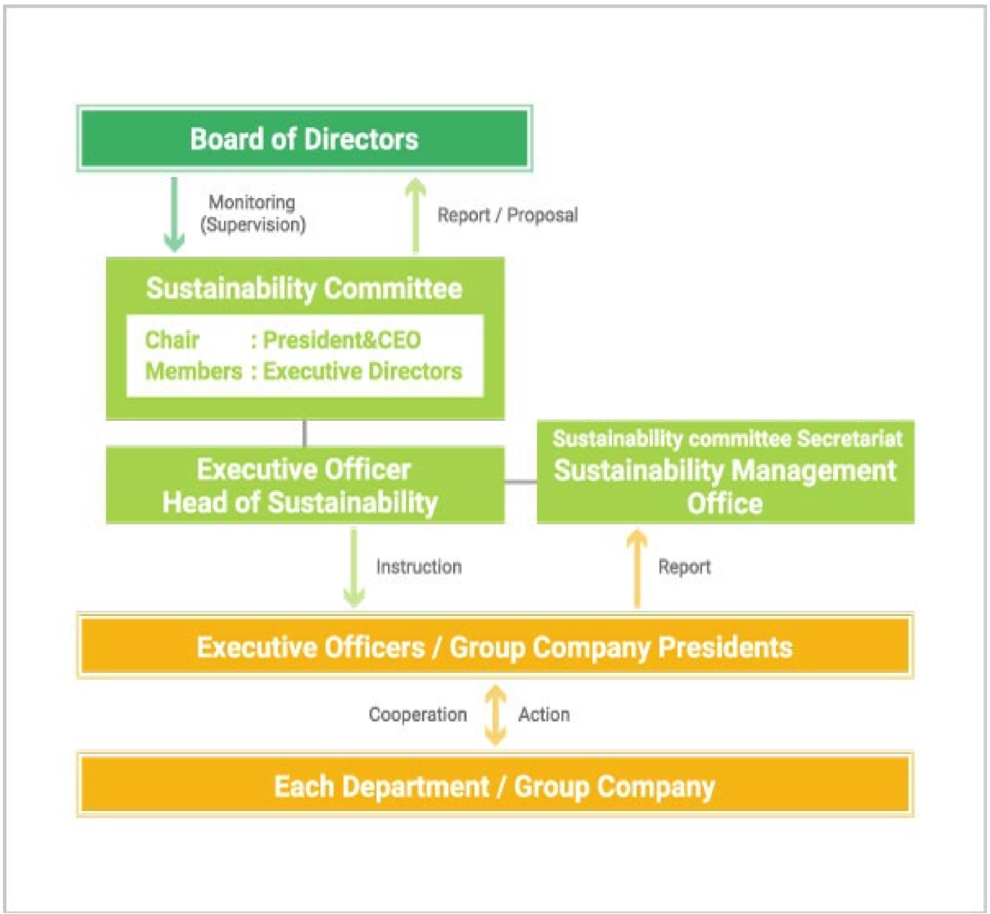
(v) Sustainability Promotion Department

Supervised by the executive officer in charge of promoting sustainability, the Sustainability Management Office serves as a secretariat for the Sustainability Committee and takes a role of promoting the overall sustainability of the Group. In addition, the office provides the committee with recommendations concerning responses to sustainability-related materiality and proposals regarding the handling of associated risks and opportunities. The office also promotes sustainability-related activities throughout the Group, encouraging their implementation in all suitable divisions and Group companies.

(vi) Structure for sustainability promotion

The Group's structure for sustainability promotion is as shown in the diagram below.
To enhance the effectiveness of this framework, it was decided at the Sustainability Committee meeting held on March 7, 2025, that subcommittees will be established for major sustainability topics starting in fiscal year 2025. Each head of subcommittee will also attend the Sustainability Committee meetings and participate in discussions, thereby accelerating the promotion of sustainability within the Group.

HDS Group Organization Structure for Sustainability Promotion



Primary discussions related to sustainability in fiscal year 2024

Date of discussion	Primary items discussed
Sustainability Committee	
Jun. 20, 2024	Matters to be reported in the Annual Securities Report for the fiscal year ended March 31, 2024
Sep. 9, 2024	Report on progress of sustainability promotion in fiscal year 2024 and overview of initiatives based on challenges identified in fiscal year 2023 Formulation of draft Harmonic Drive Systems Group Polices on Human Rights Discussion of climate transition plan toward achieving the 2025 Net Zero target
Nov. 14, 2024	Submission of the Group Human Rights Policy to the Board of Directors for resolution
Mar. 7, 2025	Overview of sustainability promotion in fiscal year 2024 and promotion plan for fiscal year 2025
Board of Directors meetings	
Nov. 20, 2024	Formulation of Harmonic Drive Systems Group Polices on Human Rights
Executive officer meetings	
May 14, 2024	Report of assessment results for fiscal year 2023 from sustainability rating agencies and plans for promotion initiatives in fiscal year 2024
Aug. 9, 2024	Specific sustainability initiatives and schedule for fiscal year 2024
Feb. 12, 2025	Report on progress of sustainability promotion in fiscal year 2024
* Executive officer meetings are attended not only by executive officers but also by directors and corporate auditors, and thus also serve as a report to the Board of Directors.	

2) Strategy

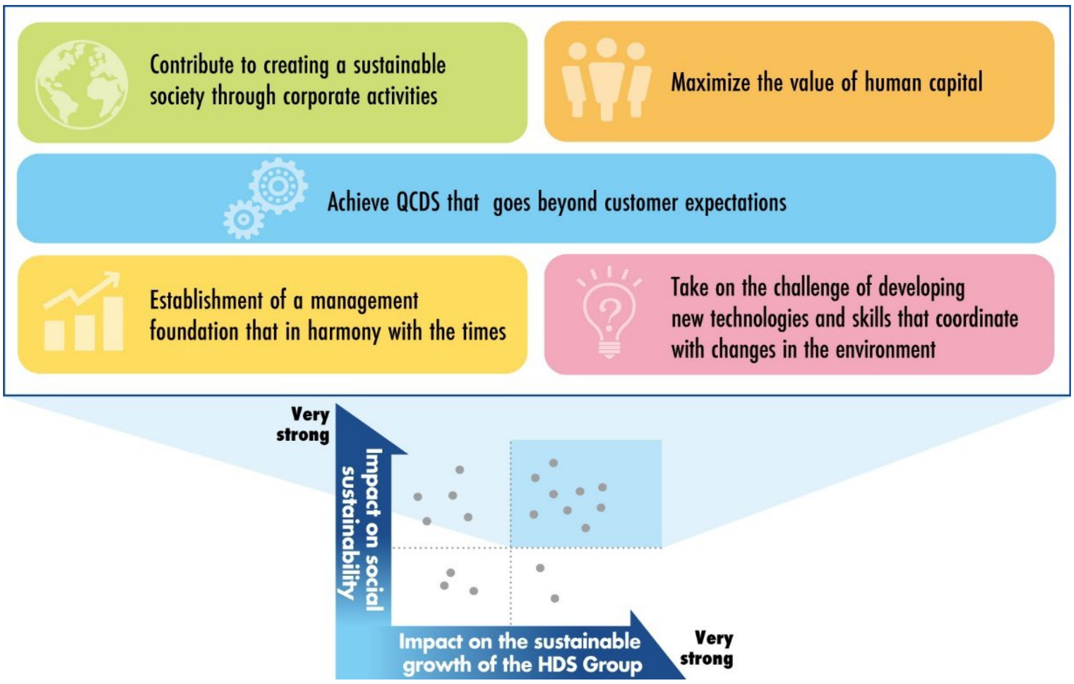
Based on our management philosophy, we aim to bring a sustainable society into reality and grow our business by achieving our mission of "To contribute to technological innovation in society through motion control technology." In order to flexibly respond to short-, medium-, and long-term opportunities and risks, and to contribute to both business growth and the resolution of social issues, we have identified material issues (materiality) as our priorities to be addressed and are working on them from a medium- to long-term perspective by incorporating them into our business strategy. In identifying materiality, we evaluate issues from the perspective of both the sustainable growth of the HDS Group and social sustainability, while also taking into consideration consistency with the management philosophy.

In conjunction with the formulation of the medium-term management plan for fiscal years 2024-2026, the Group reviewed its materiality through repeated discussions at the Sustainability Committee and, following deliberation at the Board of Directors meeting held on November 20, 2023, identified five new material issues as "Materiality to Achieve Aspirations." These five material issues represent the key priorities to be addressed in order to realize our long-term vision of becoming "the best provider of total motion control in harmony with the future" and serve as the foundation for the 2024-2026 medium-term management plan.

Process of extraction and identification of materiality

Step 1	Extracting sustainability-related issues	In addition to issues concerning the HDS Group's business strategy, issues that are related to sustainability are extracted comprehensively by going through case studies focusing on value chain companies and looking at global frameworks on sustainability such as the ISSB, GRI, SASB standards.
Step 2	Evaluating the impact of each issue	The issues extracted in Step1 are evaluated from the perspectives of "impact on social sustainability" and "impact on the sustainable growth of the HDS Group" and mapped on a materiality matrix. Among these, the issues with the greatest impact are selected as priority material issues.
Step 3	Identification of materiality	Based on the materiality matrix from Step 2, the Sustainability Committee holds discussions and, taking into account the business strategy of the HDS Group, organizes and consolidates the issues into five materiality categories.
Step 4	Approval by the Board of Directors	At the Board of Directors meeting held on November 20, 2023, the materiality organized in Step 3 was discussed and approved.

Materiality Matrix



The HDS Group's "Materiality to Achieve Aspirations"

Materiality	Key Measures
Maximize the value of human capital	● Provide a safe and secure work environment ● Promote professional development ● Develop personnel systems and workstyle that promote diversity ● Develop a corporate culture and environment that encourage employees to take on the challenge
Achieve QCDS that goes beyond customer expectations	● Strengthen the quality management system ● Complete a company-wide cost innovation project ● Improve productivity ● Strengthen solutions (planning, proposal, technology) ● Respond with a focus on speed
Take on the challenge of developing new technologies and skills that coordinate with changes in the environment	● Develop next-generation applications ● Create new technologies and methods
Contribute to creating a sustainable society through corporate activities	● Initiatives to achieve the target of Net Zero by 2050 ● Reduce environmentally hazardous substances ● Address human rights issues ● Build robust supply chain
Establishment of a management foundation in harmony with the times	● Promote sustainable management ● Align organization and management structure to market expectations ● Establish a financial base to support growth and strengthen financing ● Establish an effective sustainability system

The human capital set forth in "Maximize the value of human capital" is the most important management capital in corporate activities and serves as the foundation for all other types of management capital (manufacturing capital, intellectual capital, social capital, financial capital, and natural capital). This is also aligned with "Respect for the individual," the most important of our management philosophy. We are committed to maximizing the value of our human capital by fostering a corporate culture that encourages bold challenges, developing a rewarding workplace environment, and reviewing and enhancing our HR system and talent development programs.

"Achieve QCDS that goes beyond customer expectations" is a key issue in realizing the "sustainable growth of all businesses with an emphasis on profitability," which lies at the core of our medium-term management plan. In addition to Q (Quality), C (Cost), D (Delivery), and S (Service), we are also working as a group to improve the additional S (Speed).

"Take on the challenge of developing new technologies and new skills that coordinate with changes in the environment" is an essential element for achieving our mission: "to contribute to technological innovation in society through motion control technology." Given the accelerating pace of technological innovation and market changes, we are addressing value creation with a medium- to long-term perspective.

"Contribute to creating a sustainable society through corporate activities" is a vital initiative for enhancing the sustainability of the planet, society, and our Group together. We will promote sustainability initiatives in pursuit of harmony with the global environment and all stakeholders, including our employees.

The "establishment of a management foundation in harmony with the times" serves as a core enabler to realize these material issues. We will continue working to further enhance the sustainability of our financial base, governance, and management structure.

Relationship between management capital and value creation

	Strengths	INPUT (FY2024)	Highly relevant materiality	OUTCOME (Medium-Term Management Plan)
Human Capital	Development of an appropriate evaluation of each individual and work environment based on the Management Philosophy, "Respect for the Individual"	● Number of employees (consolidated): 1,384(including 613 overseas)	Maximization of the Value of Human Capital	● Individual growth and exercise of diverse skills ● Thorough implementation of QCDS + Speed that meets beyondcustomer expectations ● Fostering a culture that goes beyond conventional mindsets
Manufacturing Capital	8 domestic and 4 overseas production bases, and a build-to-order system that creates competitiveness	● Capital investment: ¥3.7 billion; ratio of property, plant and equipment to total assets: 40.4%	Achieve QCDS that goes beyond customer expectations	● Enhancing productivity through the promotion of automation and IT adoption ● Ensuring absolute superiority in product quality
Intellectual Capital	Quality standards that meet customer expectations and realization of total motion control	● R&D expenditure: ¥3.7 billion ● 148 R&D personnel	Take on the challenge of developing new technologies and new skills that coordinate with changes in the environment	● Developing new drivers for growth ● Solutions that meet customer needs
Social and Relationship Capital	Supply chain structure that supports competitiveness and an enhanced global presence	● HDS Cooperative Association: 38 companies ● 31 global sites in 12 countries	Achieve QCDS that goes beyond customer expectations	● Maintaining No. 1 market share ● Coexistence and Co-prosperity with suppliers
Financial Capital	High financial stability, growth investments, including use of interest-bearing liabilities	● Total assets: ¥113.6 billion ● Net assets: ¥78.9 billion ● Interest bearing liabilities: ¥15.6 billion	Establishment of a management foundation in harmony with the times	● Achieving ROE that exceeds capital cost ● Balancing financial stability with growth investments
Natural Capital	Promotion of environmentally friendly business activities	● Energy input: 37,815 MWh ● Water withdrawals: 29,909m³ *This is data for FY2023. Data for FY2024 is being compiled.	Contribute to creating a sustainable society through corporate activities	● Developing products that reduce environmental impact ● Promoting Net Zero GHG emissions

*For information on materiality and value creation process, please also refer to the Integrated Report "HDS REPORT 2024," which is posted on the Company's website (https://www.hds.co.jp/english/csr/hdsreport/).

3) Risk management

As regards risks and opportunities, the identification of material issues, formulation of the medium-term management plan, and formulation of annual plans are reviewed and discussed by each division head, the Sustainability Committee, and the Board of Directors. Based on the management policies (issues) determined by the president, each division head develops and implements management programs within their respective divisions.

Risks are classified into company-wide risks and operational process risks in accordance with the "Crisis and Risk Management Regulations," and a system has been established to identify, evaluate, and respond to risks once a year.

The executive officer in charge of corporate planning and the corporate planning department jointly identify, analyze, and evaluate company-wide risks, while individual departments extract and identify operational process risks. The Risk Management Division establishes risk assessment standards based on the frequency of occurrence and potential scale of damage across short-, medium-, and long-term time frames, as well as sets policies from both legal and humanitarian perspectives. These are combined to conduct comprehensive risk assessments. Based on the assessment results, the executive officer in charge of risk management prioritizes the risks, and the final approval is made by the president and representative director.

Subsequently, in each division, the division head sets risk management objectives and determines appropriate responses, such as avoidance, acceptance, mitigation, or transfer based on the nature of each risk and implements mitigation measures commensurate with the level of each identified risk. The executive officer in charge of risk management reviews the progress of these activities on an annual basis, and our president and representative director outlines policies for the following year based on the results of these reviews. These policies are then implemented by all departments.

Opportunities are directly linked to business growth, and a framework has been established to achieve targets by implementing measures based on outputs from the president, following reports on the degree of achievement against targets and on current issues during the president's management review, which is conducted semiannually.

(2) Climate change

The HDS Group recognizes actions related to climate change as material issues on management and promotes these actions under the initiative of the Sustainability Committee.

1) Governance

The HDS Group’s governance on climate change is incorporated into the governance for sustainability overall. For details, please refer to 1) Governance under (1) Overall sustainability.

2) Strategy

We identified risks and opportunities related to climate that could potentially affect the HDS Group’s business, and then conducted scenario analyses proposed by TCFD in each of two hypothetical worlds: a scenario that has a big impact on the policy transition, with the assumption of “holding the increase in temperature to below 1.5°C above pre-industrial-revolution levels,” a target of Paris Agreement (1.5°C scenario); and another scenario that has a higher physical-risk without environmental regulations tightened (4.0°C scenario), after referring to multiple scenarios, which are published by International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC). In these scenarios, we analyzed the degree of impact and the probability of occurrence, based on the timeframe for the conceivable emergence of each risk and opportunity on a short-, medium-, and long-term timeline. In addition, response strategies for each risk and opportunity are examined on both short-term and medium- to long-term time horizons. In addition to minimizing risks, we also focus on and convert opportunities to expand and create new business opportunities. Through these efforts, we aim to enhance the resilience of the Group and achieve sustainable growth under any climate change scenario.

<Assumptions for climate scenario analysis>

Scope of coverage	Business site	All business sites of domestic and overseas Group companies (100% coverage of consolidated net sales)
	Products	Speed reducers and mechatronics products (100% coverage of consolidated net sales)
	Value chain	Upstream (suppliers), direct operations (Group companies), downstream (customers)
Timeline definitions		Short-term 0-3 years, medium-term 3-10 years, long-term 10-30 years, extremely long-term 31 years and over

<Overview of climate scenario>

Scenario	Overview of scenario	Key Reference scenario
1.5°C scenario	<Hypothetical world> ・Climate change is mitigated due to strengthened regulations, leading to the development of low-carbon markets and technological advancements. ・As sustainability awareness becomes more widespread, costs increase across various areas, and companies are forced to reconsider their businesses in terms of procurement, production, manufacturing, logistics, and sales. <Key assumptions and parameters> ・Progress in the use of renewable energy and efficiency improvements due to increases in carbon taxes ・Rising demand for components used in energy-saving and decarbonized products ・Promotion and expansion of decarbonization and circular economy policies ・By 2050, 90% of electricity will be derived from renewable energy sources ・Increasing demand for recycled materials ・Advancement of research and development and process improvements toward decarbonization ・Accelerated requests for disclosure of greenhouse gas (GHG) emissions and related information ・Growing trend of divestment from companies emitting large volumes of GHGs	<IEA> NZE2050 (Net Zero Emissions by 2050 Scenario)
4.0°C scenario	<Hypothetical world> ・As dependence on fossil fuels continues, natural disasters such as floods and typhoons occur more frequently. ・Irreversible changes such as rising temperatures and sea levels destabilize corporate production activities. <Key assumptions and parameters> ・Decarbonization does not progress, resulting in large-scale greenhouse gas emissions ・Corporate activities stagnate due to natural disasters, causing delays in production and procurement ・By 2100, the number of extremely hot days (with a maximum temperature of 35°C or higher) increases by approximately 20 days compared with the present ・Changes in precipitation patterns lead to more severe droughts and seasonal rainfall imbalances, making it difficult to secure water necessary for operations ・Sea levels rise by approximately 20 cm by 2050 and approximately 70 cm by around 2100	<IPCC> RCP8.5 (Representative Concentration Pathways 8.5)

<Climate-related risks, opportunities, and countermeasures identified across the value chain under the 1.5°C scenario>

Risk/Opportunity							Strategy	
Category		Factor	Impact on business (financial, nonfinancial)	Timeframe in which it may emerge	Probability of occurrence	Degree of impact	Timeline	Key Measures
Transition risk	Regulations	Tightening regulations	Increase in burden to respond to broadening and stricter regulations related to sustainability, and the possibility of failure to comply resulting in restriction on transactions and penalties	Short-term	Medium	High	Short-term	・Conduct surveys on trends in relevant regulations and assess their impact on the business to implement countermeasures at an early stage ・Strengthen the sustainability information management and disclosure framework across the consolidated group
							Medium- to long-term	・Improve the efficiency of sustainability information management and establish an IT infrastructure across the entire group ・Prepare early for new regulations and respond accordingly to prevent loss of business opportunities
		Raw materials Surge in raw material prices	Surge in raw material prices for electrification and decarbonization (steel materials, aluminum, steel, rare earth elements, etc.)	Medium-term	Low	High	Short-term	・Assess the financial impact of rising raw material prices
							Medium- to long-term	・Promote research on the availability of new materials ・Consider and implement a system for collecting and recycling used in-house products
		Tightening regulations	Increase in expenditure with carbon pricing for emissions (tax) See page 28 <Assessment of financial impacts of climate- and water-related risks>	Medium-term	High	High	Short-term	・Assess the impact of carbon pricing (carbon tax) on the business and implement countermeasures
							Medium- to long-term	・Promote electrification and a shift to renewable energy to reduce absolute GHG emissions ・For facilities where electrification is difficult, promote fuel conversion to low-carbon alternatives (biomass and hydrogen, etc.)
	Technical assets	Development of low-carbon technology	If the competition to develop low-carbon products intensifies and the response is delayed, the competitiveness of products will be reduced	Medium-term	Low	High	Short-term	・Study customer and technology trends related to low-carbon products and formulate strategies to provide products and services that meet their needs ・Conduct product LCA (Life Cycle Assessment) to visualize and improve environmental performance
							Medium- to long-term	・Promote environmentally conscious design ・Collaborate with suppliers to promote decarbonization of the supply chain (procured materials)

Risk/Opportunity				Timeframe in which it may emerge	Probability of occurrence	Degree of impact	Strategy	
Category		Factor	Impact on business (financial, nonfinancial)				Timeline	Key Measures
Transition risk		Spread of energy-saving technology	Increase in the burden of capital investment to reduce emissions and of energy-saving measures	Short-term	Medium	High	Short-term	・ Regularly conduct detailed analysis of the cost-effectiveness of GHG reduction measures and revise the Net Zero transition plan Introduce ICP (Internal Carbon Pricing) to visualize the economic advantages of energy-saving equipment investments and consider and implement such investments
							Medium- to long-term	・ Utilize subsidy programs for energy-saving equipment investments to reduce initial costs
	Market	Surge in energy prices	Surge in energy prices due to the introduction of renewable energy	Short-term	Low	Medium	Short-term	・Promote GHG emissions reduction through equipment upgrades and other measures that lead to reduced energy consumption ・ Promote a strategic shift to renewable energy based on forecast analysis of renewable energy price fluctuations
							Medium- to long-term	・ Consider price stabilization through PPAs based on electricity price forecasts ・Utilize eligible carbon credits
		Surge in raw material prices	Surge in raw material prices for electrification and decarbonization (steel materials, aluminum, steel, rare earth elements, etc.)	Medium-term	Low	High	Short-term	・ Assess the financial impact of rising raw material prices
							Medium- to long-term	・Consider the feasibility of using new materials (such as alternative metals and resins, etc.) ・Establish a system for collecting and recycling used in-house products
		Development of low-carbon technology	Increase in costs for technology development to switch to low-carbon materials (green materials, recycled materials)	Short- to medium-term	Low	High	Short-term	・Study regulations, market trends, and technological trends related to low-carbon materials and promote research and development
							Medium- to long-term	・ Collaborate with suppliers to reduce procurement costs and ensure stable supply of low-carbon materials
		Decrease in demand for existing technologies	Decline in sales of products for applications related to petroleum, natural gas, and paper due to a decrease in demand for such material	Medium-term	Low	Low	Short-term	・ Build and implement business strategies based on research of market, customer, and technology trends
							Medium- to long-term	・Promote the development and sales of new products and services aligned with market and customer trends

Risk/Opportunity				Timeframe in which it may emerge	Probability of occurrence	Degree of impact	Strategy	
Category		Factor	Impact on business (financial, nonfinancial)				Timeline	Key Measures
Transition risk	Reputation	Decline in corporate image	Reputational risk of response to climate change being deemed inadequate (society, consumers, employees)	Medium-term	Medium	High	Short-term	・Strengthen disclosure of climate-related information, including climate transition plans and progress toward targets
							Medium- to long-term	・Review and implement climate transition plans in response to changes in the global and business environment ・Achieve the target of a 30% reduction in GHG emissions by fiscal year 2030 compared to fiscal year 2022 ・Achieve the Net Zero target by 2050
Opportunity	Resource efficiency	Spread of energy-saving technology	Reduced energy costs and lower burden of carbon taxes as a result of the switch to low GHG emission facilities	Medium-term	Medium	High	Short-term	・Conduct detailed analysis of the cost-effectiveness of GHG reduction measures and revise the Net Zero transition plan ・Introduce ICP (Internal Carbon Pricing) to visualize the economic benefits of energy-saving equipment investments and promote such investments
							Medium- to long-term	・Utilize subsidy programs for energy-saving equipment investments to reduce initial costs
	Products and services	Spread of low-carbon technology	Increase in sales related to low-carbon products due to the promotion of low-carbon trend in society	Medium-term	High	High	Short-term	・Study market trends for low-carbon products and promote the development of new applications
							Medium- to long-term	・Leverage the compact and flat characteristics of HarmonicDrive® to develop and sell products that meet the needs of a low-carbon society
		Development of low-carbon technology	Increase in demand for low-carbon materials	Medium-term	High	High	Short-term	・Study regulations, market trends, and technological trends related to low-carbon materials and promote research and development
							Medium- to long-term	・Collaborate with suppliers to reduce procurement costs and ensure stable supply of low-carbon materials

<Climate-related risks, opportunities, and countermeasures identified across the value chain under the 4.0°C scenario>

Risk/Opportunity							Strategy	
Category		Factor	Impact on business (financial, nonfinancial)	Timeframe in which it may emerge	Probability of occurrence	Degree of impact	Timeline	Key Measures
Physical risks	Acute	Increasing severity of natural disasters	Supply chain disruptions due to more intense and frequent natural disasters (typhoons, heavy rains, etc.) cause delays and halt in procurement of raw materials	Short-term	Medium	Medium	Short-term	・Conduct risk assessments of suppliers and raw materials and consider alternative measures in the event of a disaster
							Medium- to long-term	・Consider in-house production of procured materials Promote diversification of suppliers to mitigate risk
			Damage to operating sites, halt in operations, and lower production amounts occur due to more intense and frequent natural disasters See page 28 <Assessment of financial impacts of climate- and water-related risks>	Short-term	Medium	Medium	Short-term	・Conduct disaster risk assessments for all domestic and overseas Group sites ・Review the BCPs for business sites and the entire Group, assuming natural disasters of the highest magnitude on record
							Medium- to long-term	・Develop alternative production plans in the event of damage to manufacturing sites ・Install flood prevention equipment ・Consider and implement relocation of business sites with high disaster risk or impact
	Chronic	Water shortage	Changes in precipitation patterns cause a decline in available water. Restricted water withdrawal, etc. cause a halt in operations. Increase in production costs due to surge in water prices	Medium- to long-term	Low	Medium	Short-term	・Conduct water risk assessments for all Group sites and implement countermeasures at high-risk sites
							Medium- to long-term	・Reduce water usage by improving water use efficiency in production processes and introducing water recycling systems ・Consider and implement relocation of business sites with high water risk

<table>
<tr><th colspan="3">Risk/Opportunity</th><th rowspan="2">Timeframe in which it may emerge</th><th rowspan="2">Probability of occurrence</th><th rowspan="2">Degree of impact</th><th colspan="2">Strategy</th></tr>
<tr><th>Category</th><th>Factor</th><th>Impact on business (financial, nonfinancial)</th><th>Timeline</th><th>Key Measures</th></tr>
<tr><td rowspan="6">Physical risks</td><td rowspan="2">Rising sea levels</td><td rowspan="2">Increase in flooding damage at coastal operation sites due to elevation in sea level</td><td rowspan="2">Extremely long-</td><td rowspan="2">Low</td><td rowspan="2">Low</td><td>Short-term</td><td>・Conduct long-term sea level rise risk assessments for coastal business sites</td></tr>
<tr><td>Medium- to long-term</td><td>・Consider and implement relocation of business sites that may be affected by rising sea levels</td></tr>
<tr><td rowspan="4">Rising temperatures</td><td rowspan="2">Labor productivity falls due to rising temperatures</td><td rowspan="2">Medium-term</td><td rowspan="2">Low</td><td rowspan="2">Low</td><td>Short-term</td><td>・Thorough implementation of heatstroke prevention measures
・Strengthen emergency response systems through employee training and other initiatives</td></tr>
<tr><td>Medium- to long-term</td><td>・Review and install air conditioning systems
・Adjust working hours and shift rotations based on periods of high temperatures</td></tr>
<tr><td rowspan="2">Costs increase to add/replace air conditioning equipment at operating sites and their running costs increase due to rising temperatures</td><td rowspan="2">Medium-term</td><td rowspan="2">Medium</td><td rowspan="2">High</td><td>Short-term</td><td>・Introduce ICP (Internal Carbon Pricing) to visualize the economic advantages of energy-saving equipment investments and promote such investments</td></tr>
<tr><td>Medium- to long-term</td><td>・Utilize subsidy programs for energy-saving equipment investments to reduce initial costs
・Reduce air conditioning costs by improving the efficiency of air conditioning systems and enhancing the thermal insulation performance of business sites</td></tr>
</table>

Risk/Opportunity				Timeframe in which it may emerge	Probability of occurrence	Degree of impact	Strategy	
Category		Factor	Impact on business (financial, nonfinancial)				Timeline	Key Measures
Opportunity	Resilience	Disperse manufacturing sites	Gain greater trust from customers with transport and distribution more resilient to natural disasters by dispersing manufacturing sites	Short-term	Low	High	Short-term	・ Conduct disaster risk assessments for all Group sites ・Review and strengthen the BCPs for business sites and the entire Group, assuming natural disasters of the highest magnitude on record
							Medium- to long-term	・ Develop alternative production plans in the event of damage to manufacturing sites Install flood prevention equipment ・Relocate business sites with high disaster risk or impact
		Diversify suppliers	Gain greater trust from customers with transport and distribution more resilient to natural disasters by diversifying suppliers	Short-term	Low	High	Short-term	・Conduct risk assessments of suppliers and raw materials and consider alternative measures in the event of a disaster
							Medium- to long-term	・ Mitigate risk through diversification of suppliers ・ Promote diversification of suppliers to mitigate risk

<Assessment of financial impacts of climate- and water-related risks>

Of the climate- and water-related risks identified through scenario analysis, the estimated financial impact on the Group for the following two risks is as follows.

Overview of risk	Financial impact (estimate)	Assumptions for financial impact estimation
Transition risk under the 1.5°C scenario “Increased costs due to carbon tax in 2030”	Cost increase Approximately ¥250 million	Assumption (i) Carbon tax in 2030 set at ¥16,800 The carbon price for 2030 was independently set by the company with reference to future projections, such as the carbon price (for developed countries*) shown in the IEA NZE scenario. *The reason for referencing the IEA NZE scenario for developed countries is that over 99% of the group’s GHG emissions come from manufacturing plants in developed countries (Japan, Germany, the United States, and South Korea). Assumption (ii) Average temperature continues to rise toward 2030 Even under the SSP1-1.9 scenario, which assumes very low GHG emissions, as presented in the IPCC Sixth Assessment Report, average temperatures are projected to rise through 2030. The financial impact estimation considers the increase in cooling energy (carbon tax) due to rising temperatures. Assumption (iii) Production volume increases due to business growth toward 2030 Along with the group’s business growth toward 2030, energy consumption is expected to increase with rising production volume. The financial impact estimation assumes that energy consumption (carbon tax) increases annually toward 2030 at a constant rate due to increased production.
Physical risk under the 4.0°C scenario “Flood damage due to increased severity of natural disasters”	Decrease in net sales Approximately ¥80 million to ¥160 million	Assumption (i) One business site identified as highly affected by flood damage is the subject of evaluation Water risk at all consolidated group sites was assessed using “Aqueduct,” a water risk assessment tool provided by the World Resources Institute (WRI), and the Ministry of Land, Infrastructure, Transport and Tourism’s Web-Based Flood Simulation Search System at an Arbitrary Point “Flood Navigation System.” The site deemed to have a significant impact on the group’s business in the event of flooding was selected for the financial impact estimation. Assumption (ii) Maximum inundation depth of 48 cm as indicated by “Flood Navigation System.” Assuming intensified damage from heavy rain and flooding, the site was evaluated using the maximum inundation depth (48 cm) shown in the Ministry of Land, Infrastructure, Transport and Tourism’s “Flood Navigation System.” Assumption (iii) Production stoppage period due to flooding set at two to four weeks It is assumed that the production equipment would be damaged by flooding, resulting in production stoppage lasting from two to four weeks.

3) Risk management

The management of risks and opportunities related to climate change is incorporated into risk management of overall sustainability (please refer to 3) Risk management under (1) Overall sustainability). Along with this, environment-related risks and opportunities are in comprehensive control on a company-wide basis. In deciding company-wide environmental targets, we consider risks and opportunities related to climate change and develop them across the Company through the environmental management program. Managers in each department work on concrete departmental activities from environmental aspects that are grasped in each department, based on the environmental management program.

4) Metrics, targets and results

(i) Metrics and targets

The HDS Group aims at Net Zero by 2050 as a long-term metric in relation to climate change. In addition, the Group has set a medium-term target to reduce GHG emissions by 30% in fiscal year 2030 compared to fiscal year 2022.

(ii) Results for GHG emissions

As actual GHG emissions in the fiscal year ended March 31, 2025 are currently under calculation, GHG emissions in the fiscal year ended March 31, 2024 are presented below. Actual GHG emissions in the fiscal year ended March 31, 2025 will be disclosed on the sustainability data page of the Company's website (https://www.hds.co.jp/csr/esg/) upon completion of the calculation.

Scope 1 and 2 emissions from the consolidated group companies (t-CO_2)

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Scope 1	Scope 2	Scope 1	Scope 2	Scope 1	Scope 2
Japan	80	13,394	81	15,418	54	12,792
Asia (excluding Japan)	16	416	14	264	0	287
Europe	197	2,349	103	2,494	72	2,168
US	205	783	145	474	82	361
Total	498	16,942	342	18,650	209	15,609

*1. Scope 2 is location-based emissions

*2. Scope 1 and 2 emissions for the fiscal year ended March 2024 have been independently verified by DNV BUSINESS ASSURANCE JAPAN K.K.

Scope 3 emissions from the consolidated group companies (t-CO_2)

	Category No.	Category name	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Upstream	1	Purchased goods and services	198,899	358,792	289,079
	2	Capital goods	17,054	11,237	12,441
	3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	899	18,329	21,589
	4	Upstream transportation and distribution	3,951	8,466	6,568
	5	Waste generated in operations	455	1,322	1,067
	6	Business travel	104	702	1,301
	7	Employee commuting	212	613	694
	8	Upstream leased assets	–	–	–
	Upstream total		221,574	399,461	332,739
Downstream	9	Downstream transportation and distribution	–	3,837	2,287
	10	Processing of sold products	–	–	–
	11	Use of sold products	–	3,428,809	666,566
	12	End-of-life treatment of sold products	–	1,400	272
	13	Downstream leased assets	–	270	286
	14	Franchises	-	–	–
	15	Investments	–	–	–
	Downstream total		–	3,434,316	669,411
Scope 3 total			221,574	3,833,776	1,002,150

*1. The range covered in Categories 1, 4, 5, 6, and 7 in the fiscal year ended March 31, 2022 is on a non-consolidated basis.

*2. Categories 9, 11, 12, and 13 are newly calculated for data in the fiscal year ended March 31, 2023.

*3. Calculation methods for categories 11, 12, and 13 were revised in the fiscal year ended March 2024. To ensure comparability, figures for the fiscal year ended March 2023 were also recalculated using the same method.

(3) Human capital and diversity

1) Policies and strategies for development of human resources and internal environment

The Group has positioned “Maximize the value of human capital” as the first of its current material issues. Human capital is the most important management capital in corporate activities and serves as the foundation for all other types of management capital. The Company has set “respect for the individual” at the first place of our management principles, aspiring to be a company where the rights of every individual employee are respected, and where individuals can pursue a meaningful, cultural, and worthwhile life, as well as a company that believes in each employee’s aspirations, supports independent activities, creates an environment where employees can maximize their abilities through work, and where abilities and performance are rewarded. Based on the principle, we have developed a proper environment, including policies and systems related to human capital.

For materiality, please refer to “2) Strategy” on page 20. For management principles, please refer to “(1) Basic policy for corporate management under 1 [Management policy, business environment, issues to be addressed, etc.] in II [Overview of Business]” on page 13.

(i) Human resource development policy

The Company has a basic policy of developing human resources who can carry out our management principles, and nurtures personnel, based on the human resource development policy divided into three stages as below.

First stage: education and training

Thoroughly educates people to meet basics required for individuals the Company seeks

Second stage: putting into practice

Supports individuals’ efforts while they aim to improve skills and develop expertise through practical work, and strategically nurtures future executive candidates. <Internal top-class>

Third stage: employing expertise

Demonstrates the management capabilities, specialized skills, and expertise cultivated to date, while also working toward becoming multi-skilled. Contributes to departmental operations and the development of junior personnel. (Serve as a trainer/developer) <Externally top-class>

(ii) Policies on development of internal environment

The Group has been working on the creation of a workplace in which diverse human resources can actively play roles, in order to construct an organization that enables individuals to work with higher motivation.

Philosophy for ensuring diversity

The Group aims to create a workplace in which all employees can demonstrate their abilities and actively play roles, regardless of gender, nationality, age, and disabilities. Target headcount is set for females in managerial positions and female officers as part of measures to secure diversified personnel. In addition, mid-career employees are also positively promoted to managerial positions, and accounted for 57.1% of the Company’s managerial positions on a non-consolidated basis, as of March 31, 2025.

Results for the Company’s diversity-related metrics on a non-consolidated basis

Metrics	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Percentage of female employees	17.8%	20.7%	19.4%
Percentage of non-Japanese employees	1.2%	1.3%	1.4%
Percentage of employees with disabilities	1.8%	1.9%	2.1%

Philosophy for recruiting

In order to secure personnel who can share our management philosophy and have skills necessary for the Group, we actively hire mid-career employees who are expected to make an immediate contribution with their various experience, skills, qualifications, etc., as well as regular recruitments for new graduates, aiming at a diversified organization. The Group has promoted personnel to managerial positions according to their capabilities regardless of whether they were hired as new graduates or mid-career employees since earlier time, and the employment ratio and number in managerial positions of mid-career employees show sufficient figures, and therefore targets are not set for those items. Mid-career employees accounted for 58.7% of the Company's employees on a non-consolidated basis, as of March 31, 2025.

HR system

The Group has developed its HR system, based on a philosophy that the enhanced capabilities and higher motivation of employees enable the achievement of management visions and goals.

As part of initiatives to encourage employees to proactively build their careers and to promote internal mobility, we have developed systems such as job rotation, a self-declaration system, and an internal job posting system. In addition, various systems have been developed, including childcare and caregiver leave systems that are available regardless of employment type. Particularly, in order to strengthen support for balancing work and childcare, we are enhancing efforts to create a comfortable workplace environment through various systems, including leave, leave of absence, and reinstatement systems for childbirth and childcare, reduced working hours, and telework. As part of initiatives to promote women's active engagement and work style reform for all employees, we are also actively encouraging male employees to take childcare leave. As a result, the ratio of male employees taking childcare leave of the Company was 85.7% on a non-consolidated basis, as of March 31, 2025.

Professional development systems

The Company has formulated human resource development programs planned over a medium- to long-term span for professional development of employees, and constructed systems that allow every individual to efficiently and constantly enhance and develop capabilities required for the Company's employees.

Professional development trainings consist of the following: the training by layer, a required course based on each layer that is intended to enable individuals to perform their capabilities required for their roles; the basic training, a course needed to perform tasks and for career development; the professional area training, a course to enhance expertise on business and acquire professional skills necessary for career development; the special training, a course in which the Company supports further enrichment of employees' capabilities through self-development, including their receiving degrees, such as MBA and MOT at higher educational institutions, such as universities in Japan and overseas, as well as trainings at overseas affiliated companies, and language study in AEI programs at overseas universities, reflecting more sophisticated economic circumstances and technical levels, advancing globalization, etc. In addition, we actively back up technological and engineering experts who will support the Company's growth over the medium to long term to acquire certifications from internal qualification systems and external skill-certification tests.

Results for the Company’s professional development metrics on a non-consolidated basis

Metrics	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Number of employees using the graduate school, MBA, or MOT attendance program	2	4	3
Number of employees using the overseas study program	0	1	1
Number of employees using the distance learning program	275	372	343

Health care promotion

The Company regards employees’ health as an important management resource and promotes measures for health and safety, and health care. Specific measures are as follows.

- Prevent employees’ physical and mental disorders through regular health checkups, stress checks, etc.
- The Well-Being Center, a specialized unit relating to wellness promotion, was set up, and an internal occupational health nurse provides detailed health consultations and instructions
- Set up points of contact for reports and consultations on harassment, etc. inside and outside the Company
- Offer telework situations, etc.

Results for the Company’s health care promotion metrics on a non-consolidated basis

Metrics	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Stress check participation rate	86.0%	85.0%	84.2%
Percentage of high-stress employees	17.8%	12.5%	15.7%
Percentage of smokers	30.9%	29.8%	28.9%

2) Description of metrics for development of human resources and internal environment, and targets and performance using such metrics

Metrics	Targets		Performance			
			Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Percentage of female directors	Fiscal year ending March 31, 2030	30%	–	–	10%	10%
Female executive officers (persons)		3	1	1	2	2
Females in managerial positions (persons)	Fiscal year ending March 31, 2028	5	2	2	2	3
Ratio of male employees taking childcare leave		90%	55.6%	56.3%	81.8%	85.7%
Ratio of taking paid annual leaves		80%	74.6%	73.2%	82.0%	81.1%

*1. The above metrics and targets are for Harmonic Drive Systems Inc. on a non-consolidated basis.

*2. The above targets (fiscal year ending March 31, 2028) are set for the covered period from April 1, 2025 to March 31, 2028, in April 2025.

*3. Metrics and targets on a consolidated basis are currently under detailed review and coordination and will be disclosed on the Company’s website upon finalization.

*4. Data relating to human capital other than the above are disclosed on the sustainability data page of the Company’s website (https://www.hds.co.jp/csr/esg/).

(4) Initiatives for respecting human rights

1) Governance

The governance related to respect for human rights is incorporated into the overall sustainability governance framework of the Company (please refer to “(1) Overall Sustainability, 1) Sustainability Governance”). In addition, to clearly indicate the direction of the Group’s specific initiatives related to human rights, we have established and implemented the “Harmonic Drive Systems Group Policies on Human Rights.”

These Policies were formulated by the Sustainability Committee based on international guidelines, including the United Nations Guiding Principles on Business and Human Rights, an international standard on human rights. After receiving advice from external experts, it was approved by the Board of Directors on November 20, 2024. The policy is applied to all officers, employees, temporary staff, and all individuals working at any business site of the Group. The details and full text of these Policies are available on the Company’s website (https://www.hds.co.jp/csr/human-rights/).

2) Strategy

The Group is committed to creating a workplace environment where all individuals working at its business sites can work with peace of mind, and to building a human rights framework that enables customers and suppliers to engage with the Group with confidence. Since the past, the Group has promoted respect for human rights by clearly stating in the Harmonic Drive Systems Code of Conduct its commitment to eliminating all forms of unreasonable discrimination, protecting privacy, and respecting basic human rights.

Furthermore, as a manufacturer of mechanical components operating globally, the Group places strong emphasis on respect for human rights across its supply chain. In 2022, we formulated the “Sustainable Procurement Policies,” which outlines provisions such as the elimination of discrimination and the prohibition of forced labor and child labor, and have been promoting these policies among our suppliers. Going forward, we will expand the scope of our self-assessment questionnaires to further raise awareness among suppliers regarding human rights and labor environment improvements, as well as to monitor their progress. Through these efforts, we will strengthen the Group’s human rights initiatives, including throughout the supply chain.

In addition, the Group will work to identify any potential negative human rights impacts associated with its business activities and will develop a human rights due diligence framework in line with the United Nations “Guiding Principles on Business and Human Rights” in order to prevent or mitigate such impacts.

3) Risk management

The management of risks and opportunities related to human rights is incorporated into risk management of overall sustainability (please refer to 3) Risk management under (1) Overall sustainability). In addition, beginning in fiscal year 2025, the Human Rights and Ethics Subcommittee will be established as an initiative led by the Sustainability Management Office and the Risk Management Division to reduce such risks. Through this initiative, the Group will comprehensively identify and address human rights-related risks and opportunities on a company-wide basis.

4) Metrics and targets

Metrics	Fiscal year ending March 31, 2026	Fiscal year ending March 31, 2027	Fiscal year ending March 31, 2028
Scope of human rights due diligence	The Company	Consolidated subsidiaries	Key suppliers

3 [Operational risks]

The following risks have the potential to impact the Group's operating results and financial conditions. Forward-looking statements in the text are based on the Group's judgment as of the date of submission of the Annual Securities Report (June 18, 2025).

The timing of the manifestation of each risk is not specified, as it is difficult to determine.

(i) Risks related to demand fluctuations (likelihood of occurrence: high, level of impact: large)

Since the majority of the Group's products are sold as components for industrial machinery, including industrial robots as well as semiconductor manufacturing equipment and flat panel display manufacturing equipment, capital investment trends may have a negative impact on the Group's performance. In particular, for industries such as industrial robots, semiconductor manufacturing equipment, and flat panel display manufacturing equipment, while significant growth may occur due to factors such as improved market conditions for electronic devices (e.g., smartphones), semiconductor devices, and panels, as well as innovations in manufacturing technologies, the Group's business performance may be adversely affected if there is an unexpected market contraction due to supply-demand adjustments or other factors.

In addition, the Group offers custom-made products tailored to diverse customer needs and supplies components used in specific equipment (including not only capital goods but also consumer goods such as automobiles) manufactured and sold by specific customers. Changes in the sales performance of such equipment or decisions to discontinue their production may adversely affect the Group's business performance.

(ii) Risks related to individual made-to-order contracts (likelihood of occurrence: medium, level of impact: medium)

The Group manufactures and sells a wide range of customized products to meet the detailed and specific needs of each customer. Most of the products manufactured by the Group are produced under individual made-to-order contracts concluded with customers. Because the production is made-to-order, the lead time may be relatively longer compared to make-to-stock production, which may result in lost orders and the risk of opportunity loss. When receiving orders, the Group conducts a comprehensive review of the manufacturing methods, costs, delivery schedules, and other relevant aspects. However, unexpected changes in economic or political conditions, costs exceeding projections, penalties resulting from issues such as product performance or delays in delivery, and other such factors may have an adverse impact on the Group's business performance. In addition, after an order has been received, the cancellation of the contract by the customer or changes in product specifications may occur. If the Group is unable to recover the full costs arising from such changes, it may also affect the Group's business performance.

(iii) Risks related to research and development (likelihood of occurrence: medium, level of impact: large)

As a group of technological and engineering experts providing total motion control, the Group develops and brings to market high-value-added products with distinctive features through the focused allocation of resources to the R&D department. However, while we will continue our efforts to allocate resources to research and development and secure personnel, if we do not successfully develop appealing new products that keep pace with technological innovation and satisfy customer and market demand, or if we delay the launch or market penetration of new products that are the fruits of our R&D efforts, the Group's business performance and other results may be negatively impacted.

(iv) Risks related to technological innovation (likelihood of occurrence: low, level of impact: large)

The Group's core business is the development, manufacturing, and sale of mechatronics products and speed reducers. If technological innovations emerge that replace HarmonicDrive®, precision planetary speed reducers, or servo actuators developed by the Group, or if competitors achieve significant breakthroughs in production technologies, the competitiveness of the Group's products could decline significantly, which may adversely affect the Group's financial position and operating results.

(v) Risks related to quality (likelihood of occurrence: high, level of impact: large)

In the interest of enhancing customer satisfaction and market superiority, the Group is working to fortify its quality assurance system through measures such as the acquisition of ISO 9001 certification. However, the occurrence of issues such as unexpected product defects could affect the Group's business performance and other results.

(vi) Risks related to foreign exchange fluctuations (likelihood of occurrence: high, level of impact: medium)

The Group has two consolidated subsidiaries in the U.S., one in China, one in Korea, and nine in Europe, and is actively promoting the internationalization of its business. As a result, exchange rate fluctuations may impact the Group's business activities. Moreover, exchange rate fluctuations may affect the yen value of the Group's revenues, expenses, assets, and liabilities associated with transactions denominated in foreign currencies, which could potentially have an adverse effect on the Group's business performance and financial position.

(vii) Risks related to retirement benefit obligations (likelihood of occurrence: medium, level of impact: medium)

The Company and a portion of its consolidated subsidiaries have defined-benefit retirement pension plans or lump-sum payment plans. However, a review of the conditions that serve as the basis for retirement benefit obligation and expense calculations, or a deterioration in the pension asset investment environment, could have an impact on the Group's business performance and financial position.

Effective December 1, 2016, a portion of the defined-benefit pension plan was transferred to a defined-contribution pension plan.

(viii) Risks related to production (likelihood of occurrence: high, level of impact: large)

Although the Group is striving to improve and increase its production capacity, there is no guarantee that such capacity enhancements will be achieved as planned. Augmenting capacity requires the Group to hire employees for its production operations—particularly in the regions where its domestic factories are located. The Group's ability to satisfy its labor needs hinges on various external factors, including the availability of suitable employees in the regions where its factories are located, unemployment rates, salary levels, and local demographics. Even if the capacity increase is successfully achieved, there is no guarantee that production can be executed at the QCDS level or speed required to satisfy the customer.

On the other hand, if customer demand for the Group's products falls below expectations, production capacity may not be fully utilized, and the Group may not be able to recover its invested capital, or recovery will require more time than initially anticipated.

In such cases, the Group's business performance and financial position may be adversely affected.

(ix) Risks related to procurement (likelihood of occurrence: high, level of impact: medium)

The Group purchases raw materials, components, and production equipment from a wide range of suppliers; however, factors such as shortages in materials available from suppliers or increased costs may limit the volume of materials available to the Group. Price increases or restrictions on the use of raw materials, components, and production equipment could negatively impact the Group's business performance and other results.

(x) Risks related to securing human resources (likelihood of occurrence: medium, level of impact: large)

In the course of the Group's business, it is necessary to secure skilled employees, including researchers and other technicians with in-depth knowledge of the business and technical expertise, as well as highly competent officers. Failure to secure such employees or officers could have a negative impact on the Group's business performance and other results. In addition, if the Group's human resources leave to join competitors, its technology and know-how may be leaked to those competitors, which may adversely affect the Group's business performance and other results.

(xi) Risks related to overseas business development (likelihood of occurrence: high, level of impact: medium)

As the Group operates globally, it is potentially exposed to the following risks related to overseas business development.

・Changes in political and economic conditions and social turmoil in various countries
・Economic slowdown or recession in related industries in overseas markets
・Unforeseen changes in laws and regulations in various countries including transfer pricing issues and the imposition or increase of withholding or other taxes on remittances or other payments by foreign subsidiaries and affiliates
・Challenges and uncertainties in securing and maintaining permits and approvals in various countries
・Changes in trade restrictions or tariffs
・Terrorism, war, natural disasters, extreme weather, infectious diseases, and other force majeure
・Deterioration in political or economic relations between or among the countries or regions in which the Group operates and Japan
・Implementation or heightening of investment restrictions and other regulations by governments in various countries
・Significant rise in labor costs and wages
・Labor disputes, contentious actions, general strikes, or other disturbances concerning work environment
・Unexpected accidents such as power outages brought about by underdeveloped infrastructure
・Difficulties in managing local personnel and operations due to factors such as cultural differences
・Limited protection of intellectual property in some countries

In addition, when developing business overseas, invested capital may not be recovered as initially planned, and expenses may increase at a faster pace than revenues. This could have a significant negative impact on the Group's business performance and financial position.

(xii) Risks related to M&A and business alliances

The Group has entered into various business and capital tie-ups and joint ventures, including the acquisition of the German subsidiary Harmonic Drive SE, and may engage in further merger and acquisition (M&A) activity and business alliances should appropriate opportunities arise. Although the Group carefully considers the profitability and projected return on investment when conducting such activities, the possibility exists that the activities may not progress as planned at the time of implementation, that synergies may not be realized, or that management of the acquired business may not be successful. In such cases, the Group's business performance and financial position could be adversely affected through the impairment of goodwill and intangible assets related to acquisitions and business alliances.

(xiii) Risks related to impairment of non-current assets (likelihood of occurrence: high, level of impact: large)

The Group owns tangible and intangible non-current assets, such as those used in its operations and those arising from business combinations. If significant changes occur in the business environment or if the market value of non-current assets such as land declines, it may be necessary to record impairment losses, which could affect the Group's operating results.

(xiv) Risks related to the realization of business strategies (likelihood of occurrence: high, level of impact: large)

The Group pursues business strategies that include augmenting production capacity while maintaining a sound financial base. However, since the realization of business strategies and the achievement of goals depend on factors including the general economic and market environments in the regions in which the Group operates, and the level of competition and demand, the possibility exists that the implementation of the Group's business strategies may not have the intended effect, that actual figures may differ from the assumptions in the business plan, or that the established objectives may not be achieved. It is further possible that such objectives may be further modified in the future.

(xv) Risks related to competition (likelihood of occurrence: high, level of impact: large)

The Group has a number of products that have a high market share in the speed reducers and mechatronics product markets. If new entrants lead to intensified competition, the Group's business performance may be adversely affected due to deterioration in profit margins on products and lost sales opportunities.

(xvi) Risks related to intellectual property (likelihood of occurrence: medium, level of impact: medium)

The Group strives to protect intellectual property rights, including patents and trademarks, and know-how such as confidential business information, as they are an important source of competitiveness. However, interference with the Group's rights could have a negative impact on our business performance. Moreover, should the Group unintentionally infringe upon the intellectual property rights of others in the course of its business activities, the Group's business performance could be adversely affected.

(xvii) Risks related to litigation and other legal proceedings (likelihood of occurrence: medium, level of impact: large)

If unforeseen problems or issues arise in the course of the Group's business activities, it may be subject to damage claims or lawsuits arising from these issues, regardless of whether or not the Group in fact bears responsibility for them. Such litigation may arise in connection with, among other things, intellectual property issues such as product and environmental liability and claims of patent infringement. Should any of these events occur—depending on the details of the lawsuit, the extent of damages, and the outcome—the Group's social credibility could be harmed, and the Group's business performance and financial position may be adversely affected.

(xviii) Risks related to legal and compliance-related risks (likelihood of occurrence: medium, level of impact: medium)

The Group's business activities are subject to regulations in various countries. These regulations include trade, antitrust, intellectual property, product liability, labor-related laws and regulations, corporate governance, protection of personal information, environmental laws and regulations, government licensing, taxation, interstate national security laws and regulations, and regulations on import and export for national security purposes. If the Group's efforts to maintain risk management, compliance, and internal control systems are ineffective or insufficient, the Group may be involved in fraudulent or corrupt activities—whether committed by the Group employees or third parties—and may be perceived as being noncompliant with laws and regulations. These could result in sanctions or fines being levied against the Group, thereby adversely affecting its business and reputation. Furthermore, if laws and regulations are tightened in the future, or if the Group expands the scope of its international operations, it may be required to incur additional costs to comply with laws and regulations. This could adversely affect the Group's business performance and financial position.

(xix) Risks related to labor accidents, fires, etc. (likelihood of occurrence: medium, level of impact: large)

The Group has business sites not only in Japan but also overseas. If an industrial accident such as a labor-related incident, fire, or environmental pollution were to occur at any of these sites and significantly impact factory operations or the surrounding community, it could lead to a loss of social credibility, compensation to affected individuals, restoration costs, opportunity losses due to production suspension, and compensation to customers. These outcomes may adversely affect the Group's financial position and operating results.

(xx) Risks related to environmental laws and regulations and hazardous substances (likelihood of occurrence: medium, level of impact: medium)

The Group's operations are subject to a wide range of environmental laws and regulations in the countries in which it operates. This is particularly true in its manufacturing processes, which involve the use of chemical substances and other materials whose use, storage, discharge, and disposal are subject to strict regulations. Moreover, the Group is subject to various laws and industry standards regarding energy and resource conservation, recycling, global warming, pollution prevention, and environmental health and safety. Environmental laws and regulations may become increasingly strict. If and when this happens, it could result in restriction or prohibition on some of the Group's production and activities, or it may be forced to comply with corrective action orders. The costs associated with complying with such orders and the capital investment and other costs required to comply with applicable environmental laws and regulations could be substantial. These factors could have a negative impact on the Group's business performance and financial position.

(xxi) Risks related to financing (likelihood of occurrence: medium, level of impact: large)

Some of the Group's loan contracts such as commitment line agreements include financial covenants. In the event of a violation of such financial covenants, the Group's financial position and operating results may be adversely affected. In addition, increased costs related to loans due to factors such as a surge in market interest rate may also affect the Group's financial position and operating results.

(xxii) Risks related to information security (likelihood of occurrence: medium, level of impact: large)

The Group may obtain customers' personal information and confidential information through its business activities and also holds confidential information related to its own technologies, sales, human resources, and other areas. If these information assets are subject to unauthorized access due to cyberattacks or are destroyed or leaked, such incidents could undermine the Group's credibility or disrupt business continuity, potentially affecting the Group's financial position, operating results, and cash flows.

(xxiii) Other risks (likelihood of occurrence: high, level of impact: large)

Unforeseen events, such as changes in the economic or political environment, terrorism, war, natural disasters, extreme weather, infectious diseases, or other force majeure that the Group alone has no control over, may adversely affect the Group's business performance. In addition, recent changes in tariff policies in the United States may indirectly affect the Group's orders received and net sales through demand fluctuations in the products sold by the Group's customers, in addition to directly increasing tariff-related costs for the Group.

4 [Management analysis of financial position, operating results and cash flows]

(1) Overview of operating results, etc.

Overview of financial position, operating results and cash flows (hereinafter, “operating results”) of the Group (the Company, consolidated subsidiaries, and an equity method affiliate) for the fiscal year under review are as follows.

(i) Financial position and operating results

During the fiscal year under review, the global economy was on a recovery trend overall. However, uncertainty about the future remained persistent due to factors such as protectionist policies under U.S. President Trump, a slump in the Chinese real estate market and sluggish domestic demand, as well as surges in resource and raw material prices.

The situations concerning orders received by the Group showed signs of bottoming out in Japan, and orders received from customers whose inventories of our products had been optimized began to recover moderately. In addition, orders for industrial robots increased due to an expansion in orders from high-end local Chinese robot manufacturers and new projects from new customers, while orders for automotive applications decreased. As a result, consolidated orders received increased by 20.3% year on year to ¥53,041 million.

Regarding net sales trend by application, sales for industrial robots increased significantly, supported by progress in inventory adjustments among major customers, normalization of their ordering activities, and the acquisition of new projects from high-end local Chinese robot manufacturers and new customers. On the other hand, net sales for semiconductor manufacturing equipment decreased compared with the previous fiscal year, which had been supported by a high level of backlog, despite continued demand in cutting-edge fields such as data center applications and generative AI-related applications. Net sales for automotive applications also decreased due to production adjustments by customers.

As a result of the above, consolidated net sales amounted to ¥55,645 million, down 0.3% year on year.

In terms of profit and loss, the Group launched a company-wide cost innovation project and promoted reform across the organization, focusing on manufacturing methods and operational efficiency. In the first half of the fiscal year, operating profit turned negative due to a slower-than-expected recovery in orders for products for industrial robots and semiconductor manufacturing equipment, as well as low operating rates at production plants in Japan. On the other hand, in the second half of the fiscal year, orders received showed signs of recovery, resulting in the recording of a profit. As a result, operating profit for the full fiscal year amounted to ¥6 million (down 94.4% year on year). In addition, due to the recording of ¥5,868 million of extraordinary income from the sale of investment securities and other factors, profit attributable to owners of parent was ¥3,473 million (loss attributable to owners of parent of ¥24,806 million in the previous fiscal year).

In terms of net sales by product group, speed reducers totaled ¥42,304 million (up 7.3% year on year), and mechatronic products reached ¥13,341 million (down 18.5% year on year). They accounted for 76.0% and 24.0% of the total net sales, respectively.

Financial results by segment are as follows.

(Japan)

Net sales for products for industrial robots and semiconductor manufacturing equipment showed a moderate recovery trend, while net sales for automotive applications and other general industrial machinery decreased. As a result, net sales decreased by 0.4% year on year to ¥21,727 million. Segment profit (ordinary profit) decreased by 45.6% year on year to ¥2,224 million due to the effect of decreased sales and a ¥1,980 million decrease in dividend income from subsidiaries.

(China)

Net sales increased by 35.1% year on year to ¥5,623 million due to an expansion in orders received from high-end local Chinese robot manufacturers. Segment profit (ordinary profit) decreased by 6.5% year on year to ¥302 million due to changes in the sales mix.

(North America)

Net sales decreased by 12.5% year on year to ¥11,628 million due to a decline in demand for advanced medical applications (surgical robot-related) as a result of customers' production adjustments, and a delay in the recovery of demand for semiconductor manufacturing equipment. Segment profit (ordinary profit) decreased by 67.4% year on year to ¥556 million due to the effect of decreased sales.

(Europe)

While exchange rates of the yen remained weak, demand did not increase due to the sluggish European economy, and net sales increased by 0.8% year on year to ¥16,666 million. Segment loss (ordinary loss) was ¥52 million (segment profit of ¥214 million in the previous fiscal year) due to depreciation of ¥944 million on intangible assets posted at the time of acquisition of shares in Harmonic Drive SE.

Financial position for the fiscal year under review is as follows.

Total assets decreased by ¥5,520 million, down 4.6% year on year to ¥113,621 million. This was primarily because of a ¥8,371 million or 95.3% decrease in investment securities from the end of the previous fiscal year due to the sale of shares and a ¥2,187 million or 4.5% decrease in property, plant and equipment from the end of the previous fiscal year, despite a ¥4,581 million or 22.6% increase in cash and deposits from the end of the previous fiscal year.

Liabilities decreased by ¥5,062 million, down 12.7% year on year to ¥34,678 million. This was primarily because of a ¥4,185 million or 27.5% decrease in long-term borrowings from the end of the previous fiscal year resulting from early repayment of some borrowings, and a ¥2,121 million or 36.3% decrease in deferred tax liabilities from the end of the previous fiscal year, despite a ¥2,001 million or 285.6% increase in short-term borrowings from the end of the previous fiscal year resulting from a short-term funding.

Net assets decreased by ¥458 million, down 0.6% year on year to ¥78,943 million. This was primarily because of a ¥4,110 million or 96.6% decrease in valuation difference on available-for-sale securities from the end of the previous fiscal year, despite a ¥2,604 million or 20.1% increase in foreign currency translation adjustment from the end of the previous fiscal year due to the effect of exchange rate fluctuations and a ¥1,573 million or 4.2% increase in retained earnings from the end of the previous fiscal year mainly due to a gain on sale of shares.

As a result, equity ratio increased from 66.6% at the end of the previous fiscal year to 69.5%.

(ii) Status of cash flows

Cash and cash equivalents at the end of the fiscal year under review totaled ¥22,923 million, up ¥3,981 million from the end of the previous fiscal year.

The status of cash flows by category for the fiscal year under review is as follows.

(Cash Flows from Operating Activities)

Operating activities in the fiscal year under review provided net cash of ¥7,516 million, compared with net cash provided of ¥12,728 million in the previous fiscal year.

This was primarily because of the recording of ¥8,023 million in depreciation, despite a ¥944 million increase in trade receivables.

(Cash Flows from Investing Activities)

Investing activities in the fiscal year under review provided net cash of ¥1,480 million, compared with net cash used of ¥5,950 million in the previous fiscal year.

This was primarily because of ¥4,881 million used for purchase of property, plant and equipment, and ¥2,659 million used for payments into time deposits, while there was ¥8,325 million in proceeds from sales of investment securities.

(Cash Flows from Financing Activities)

Financing activities in the fiscal year under review used net cash of ¥5,874 million, compared with net cash used of ¥8,122 million in the previous fiscal year.

This was primarily because of ¥4,650 million provided from the proceeds from short-term borrowings, which was more than offset by ¥4,824 million used for repayments of long-term borrowings, ¥2,650 million used for repayments of short-term borrowings, and ¥1,910 million used in dividends paid.

(iii) Status of production, orders received and sales

a. Production

Production results for the fiscal year under review are as follows:

Segment		Production output (Thousands of yen)	YoY change (%)
Japan	Speed reducers	27,705,895	9.2
	Mechatronic products	3,964,412	(37.6)
China	Speed reducers	–	–
	Mechatronic products	–	–
North America	Speed reducers	4,814,908	6.0
	Mechatronic products	4,134,546	(29.6)
Europe	Speed reducers	9,212,251	(3.4)
	Mechatronic products	5,016,615	2.9
Total		54,848,630	(3.0)

(Notes) 1. Inter-segment transactions are offset and eliminated.
2. The Group's reportable segments are classified on a location basis (Japan, China, North America and Europe).
3. Although the Group is solely engaged in handling the same types and series of precision speed reducers and its business operations fall within a single industry segment based on the similarities in the types, natures, manufacturing methods and markets of their products, the above table presents figures by product for each segment.
4. The production results of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing and sales of magnetic application equipment, are classified, counted and presented as mechatronic products.

b. Orders received

The results of orders received for the fiscal year under review are as follows:

Segment		Orders received (Thousands of yen)	YoY change (%)	Order backlog (Thousands of yen)	YoY change (%)
Japan	Speed reducers	20,075,362	22.2	3,914,598	20.6
	Mechatronic products	2,557,866	78.9	851,662	70.8
China	Speed reducers	5,128,002	58.4	899,541	(19.8)
	Mechatronic products	175,543	(24.3)	48,092	(8.0)
North America	Speed reducers	5,850,209	23.6	3,916,151	(4.8)
	Mechatronic products	3,804,435	15.7	2,032,703	(39.8)
Europe	Speed reducers	10,681,834	9.4	5,471,411	(9.5)
	Mechatronic products	4,767,860	(4.4)	2,116,516	(20.7)
Total		53,041,114	20.3	19,250,679	(8.9)

(Notes) 1. Inter-segment transactions are offset and eliminated.

2. The Group's reportable segments are classified on a location basis (Japan, China, North America and Europe).

3. Although the Group is solely engaged in handling the same types and series of precision speed reducers and its business operations fall within a single industry segment based on the similarities in the types, natures, manufacturing methods and markets of their products, the above table presents figures by product for each segment.

4. Orders received of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing and sales of magnetic application equipment, are classified, counted and presented as mechatronic products.

5. The order backlog excludes ¥533,794 thousand of order cancellations. The cancellations took place during the fiscal year under review mainly in the Japan segment.

c. Sales

Sales results for the fiscal year under review are as follows:

Segment		Sales volume (Thousands of yen)	YoY change (%)
Japan	Speed reducers	19,232,175	1.4
	Mechatronic products	2,495,218	(12.0)
China	Speed reducers	5,439,049	46.2
	Mechatronic products	184,026	(58.4)
North America	Speed reducers	6,270,999	10.1
	Mechatronic products	5,357,795	(29.4)
Europe	Speed reducers	11,362,050	2.9
	Mechatronic products	5,304,624	(3.6)
Total		55,645,940	(0.3)

(Notes) 1. Inter-segment transactions are offset and eliminated.

2. Sales by primary customer and the ratio of the sales to the total sales are as follows:

Customer	Previous fiscal year		Fiscal year under review	
	Sales (Thousands of yen)	Ratio (%)	Sales (Thousands of yen)	Ratio (%)
Nissan Motor Co., Ltd.	6,547,422	11.7	5,733,870	10.3

3. The Group's reportable segments are classified on a location basis (Japan, China, North America and Europe).
4. Although the Group is solely engaged in handling the same types and series of precision speed reducers and its business operations fall within a single industry segment based on the similarities in the types, natures, manufacturing methods and markets of their products, the above table presents figures by product for each segment.
5. The sales of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing and sales of magnetic application equipment, are classified, counted and presented as mechatronic products.

(2) Analysis and review of operating results, etc. from the perspective of the management

Recognition, analysis and review of the Group's operating results, etc. from the perspective of the management are as follows. Forward-looking statements in the text are based on the Group's judgment as of the date of submission of the Annual Securities Report (June 18, 2025).

(i) Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared in accordance with accounting standards generally accepted as fair and valid in Japan. We have conducted accounting estimates deemed necessary for the preparation of this consolidated financial statements, based on reasonable standards. Details are described in "(Notes - Significant accounting policies for preparation of consolidated financial statements)" under V Financial Information, 1. (1) Consolidated financial statements.

(Deferred tax assets)

The Group reasonably estimates the occurrence time and amounts of future taxable income based on profit planning, and records deferred tax assets associated with deductible temporary differences which is judged collectible. As the collectability of deferred tax assets depends on estimated taxable income of the future, changes in conditions or assumptions on which the management's estimates are premised may result in decreased deferred tax assets for the next and subsequent fiscal years with tax expenses increasing.

(Impairment accounting for non-current assets)

The Group determines whether indications of impairment in non-current assets are seen or not, and after the process of recognizing and measuring impairment losses, the book value of non-current assets for which impairment is deemed necessary is decreased to the recoverable value, and such decreased amounts are recorded as impairment losses. In identifying the indications of impairment and recognizing and measuring impairment losses, judgments and estimates by the management are applied to the useful life, prospect of future use, future cash flows, setting of a discount rate, etc. of such assets. Changes in preconditions or assumptions for such estimates and judgments due to changes in future business plans and market environments may require impairment accounting and significantly affect financial positions and operating results for the next and subsequent fiscal years.

(ii) Analysis of financial position and operating results for the fiscal year under review

a. Financial position

(Current assets)

Current assets increased by ¥5,706 million, up 12.0% year on year to ¥53,164 million. This was primarily because of a 22.6% or ¥4,581 million increase in cash and deposits from the end of the previous fiscal year.

(Non-current assets)

Non-current assets decreased by ¥11,227 million, down 15.7% year on year to ¥60,456 million. This was primarily because of a 95.3% or ¥8,371 million decrease in investment securities from the end of the previous fiscal year resulting from the sale of shares held by the Company, as well as a 4.5% or ¥2,187 million decrease in property, plant and equipment from the end of the previous fiscal year.

As a result, total assets decreased by ¥5,520 million, down 4.6% year on year to ¥113,621 million.

(Current liabilities)

Current liabilities increased by ¥2,176 million, up 18.6% year on year to ¥13,896 million. This was primarily because of a 285.6% or ¥2,001 million increase in short-term borrowings from the end of the previous fiscal year resulting from short-term fundraising, and an ¥1,182 million increase in income taxes payable.

(Non-current liabilities)

Non-current liabilities decreased by ¥7,238 million, down 25.8% year on year to ¥20,781 million. This was primarily because of a 27.5% or ¥4,185 million decrease in long-term borrowings from the end of the previous fiscal year resulting from repayments of borrowings, as well as a 36.3% or ¥2,121 million decrease in deferred tax liabilities from the end of the previous fiscal year.

As a result, total liabilities decreased by ¥5,062 million, down 12.7% year on year to ¥34,678 million.

(Net assets)

Total net assets decreased by ¥458 million, down 0.6% year on year to ¥78,943 million. This was primarily because of a ¥4,110 million or 96.6% decrease in valuation difference on available-for-sale securities from the end of the previous fiscal year, despite a ¥2,604 million or 20.1% increase in foreign currency translation adjustment from the end of the previous fiscal year due to the effect of exchange rate fluctuations and a ¥1,573 million or 4.2% increase in retained earnings from the end of the previous fiscal year mainly due to a gain on sale of shares.

As a result, equity ratio increased from 66.6% at the end of the previous fiscal year to 69.5%.

b. Liquidity and sources of funds

(Cash flows)

The status of cash flows is as described in "(ii) Status of cash flows, 4 [Management analysis of financial position, operating results and cash flows] under II [Overview of Business]."

(Capital needs)

The Group's working capital needs primarily comprise material purchase expenses for product manufacturing, payments to outsourced processing, and manufacturing expenses, as well as operating expenses, such as selling, general and administrative expenses. A major part of the research and development expenses of the Group is personnel expenses for employees engaged in research and development.

For investment capital needs relating to capital investment, M&A, etc., various approaches for financing, such as direct and indirect financing are considered and conducted to cover a shortage of funds, while appropriation for own funds takes priority. Primary capital investments made during the fiscal year under review are for the acquisition of manufacturing equipment such as machine tools, various inspection equipment, cutting tools, and jigs. Accounting methods of purchases of property, plant and equipment or intangible assets, and lease transactions are applied in combination to these capital investments.

c. Operating results

(Net sales)

Net sales decreased by ¥150 million, down 0.3% year on year to ¥55,645 million. This was primarily because, although orders received in Japan showed signs of bottoming out and orders from customers whose inventories of our products have been optimized showed a gradual recovery trend, net sales in North America decreased, particularly for advanced medical equipment and semiconductor manufacturing equipment.

(Operating profit)

Operating profit decreased by ¥117 million, down 94.4% year on year to ¥6 million. This was due to a slower-than-expected recovery in orders for industrial robots and semiconductor manufacturing equipment in the first half, as well as a low operating rate at our domestic production facilities, resulting in an operating loss in the first half. However, the recovery trend in orders in the second half offset the loss recorded in the first half.

(Non-operating income and expenses)

Non-operating income increased by ¥10 million, up 1.2% year on year to ¥880 million. This was primarily because, although foreign exchange gains decreased by ¥129 million, interest income increased by ¥219 million.

Non-operating expenses increased by ¥311 million, up 73.5% year on year to ¥735 million. This was primarily because of a ¥235 million increase in foreign exchange losses.

As a result, ordinary profit decreased by ¥419 million, down 73.5% year on year to ¥151 million.

(Extraordinary income and losses)

Extraordinary income increased by ¥5,859 million year on year to ¥5,868 million (¥8 million in the previous fiscal year). This was primarily because of a ¥5,865 million gain on sales of investment securities resulting from the aforementioned share sale.

Extraordinary losses decreased by ¥26,946 million, down 95.6% year on year to ¥1,239 million.

(Profit attributable to owners of parent)

As a result of the above, profit attributable to owners of parent was ¥3,473 million (loss attributable to owners of parent of ¥24,806 million in the previous fiscal year).

d. Objective indicators to assess the status of the achievement of management policy and strategy, and managerial targets

The Group's target management indicators have been set at 20% or more for ratio of operating profit to net sales, and 10% or more for return on equity (ROE). In the medium-term management plan (fiscal years 2024-2026), beginning in fiscal year 2024, financial targets for the fiscal year 2026 were set at ¥90.0 billion for consolidated net sales, 15-20% for ratio of operating profit to net sales, and 10% or more for ROE. However, the results (net sales: ¥55,645 million, ratio of operating profit to net sales: 0.0%) largely fell short of the targets for the fiscal year under review, the first fiscal year of the new medium-term management plan, due to sluggish recovery in orders received. As mentioned in "1 [Management policy, business environment, issues to be addressed, etc.]" under II [Overview of Business], in the business environment of the Group in the fiscal year 2025, orders received are expected to continue on a gradual recovery trend as in the previous fiscal year, while further uncertainty in the global economy is expected, and the situation remains one in which optimism is unwarranted. Based on this outlook, the Group will continue to implement initiatives aimed at achieving its financial targets for fiscal year 2026, the final year of the medium-term management plan.

Consolidated net sales, ratio of operating profit to net sales, and ROE in the past five years are as follows:

	Fiscal year 2020	Fiscal year 2021	Fiscal year 2022	Fiscal year 2023	Fiscal year 2024
Consolidated net sales	¥37,034 million	¥57,087 million	¥71,527 million	¥55,796 million	¥55,645 million
Ratio of operating profit to net sales	2.3%	15.3%	14.3%	0.2%	0.0%
ROE	0.7%	6.6%	7.5%	(27.1%)	4.4%

5 [Material Contracts, Etc.]

(Commitment line agreement and term loan agreement)

The Company has entered into a commitment line agreement and a term loan agreement, both of which include financial covenants. Details of the agreements are as follows.

1. Commitment line agreement (revolving credit facility agreement)

The Company entered into a syndicated commitment line agreement on March 26, 2020. The agreement has since been partially amended, with the main terms of the amended agreement as follows:

1) Participating financial institutions: Six banks, including city banks and regional banks

2) Date of amended agreement: March 31, 2025

3) Maximum loan amount: ¥8.5 billion

4) Commitment period: Until March 30, 2028

5) Outstanding borrowings: ¥2.0 billion

6) Repayment due date: June 23, 2025 (for the above 5) outstanding borrowings)

7) Collateral: Unsecured

8) Financial covenants:

(1) Maintain net assets on the consolidated balance sheet and the non-consolidated balance sheet at the end of each fiscal year at not less than 70% of the higher of (a) the amount as of the end of the immediately preceding fiscal year, or (b) the amount as of the end of the fiscal year ended March 31, 2024.

(2) Do not record an ordinary loss in both the consolidated and non-consolidated statements of income for two consecutive fiscal years.

2. Term loan agreement

The Company entered into a syndicated term loan agreement on March 28, 2022. The agreement has since been partially amended, with the main terms of the amended agreement as follows:

1) Participating financial institutions: Six banks, including city banks and regional banks

2) Date of amended agreement: March 31, 2025

3) Outstanding borrowings: ¥7.7 billion

4) Repayment schedule: Repayments every three months (final repayment due on March 31, 2032)

5) Collateral: Unsecured

6) Financial covenants:

(1) Maintain net assets on the consolidated balance sheet and the non-consolidated balance sheet at the end of each fiscal year at not less than 70% of the higher of (a) the amount as of the end of the immediately preceding fiscal year, or (b) the amount as of the fiscal year ended March 31, 2024.

(2) Do not record an ordinary loss in both the consolidated and non-consolidated statements of income for two consecutive fiscal years.

6 [Research and Development Activities]

The Group pursues the mission “to contribute to technological innovation in society through motion control technology,” and aims to always be the best provider of total motion control in harmony with the future. To this end, we pursue both development on next-generation products through promoting basic research, and application development to reflect customer needs in products. In the speed reducer area, we seek mechanisms that are smaller

and lighter with higher precision and higher torque capacity. In the mechatronic products area, we focus on the research and development of various actuators and controllers by applying the results gained in the speed reducer field and our original technologies of motors, sensors, and control systems Research and development of the Group are conducted mainly with our unique technologies possessed by the Group. However, we have also focused on joint research with external research institutes, working to develop and commercialize elements that are potentially essential to next-generation motion control technology. As an outcome of the effort, our products are being adopted to applications such as advanced medical equipment (surgical robots), human-like robots, in the mobility, aviation and aerospace areas.

Among the Group, the Company is in charge of a primary part of research and development. Its R&D organization consists of three divisions: the Development and Engineering Division that develops standard catalogue products and develops and designs products based on customer requests; the New Mechanism Principle Laboratory that explores new principles and mechanisms beyond the boundaries of existing products, based on new and outside-the-box thinking; and the Harmonic Drive Gearing Laboratory that investigates deeply the basic technology supporting HarmonicDrive® to find possibilities for enhancing its performance. We have an office for the purpose of studies and research in Silicon Valley in the United States, and we gained a foothold in this region where the world’s most advanced IT and robot technologies are concentrated. This will help us not only to meet various requests from customers, but also to conduct far-sighted research and development, to pursue basic technologies that underlie all research and development, and furthermore, to actively work on the research of new principles and mechanisms that can offer innovative value to customers in the future, and we will keep up with the accelerated changes in the times. In addition, at a research annex on the Hotaka Plant site, we are researching the production technologies and skills to manufacture and measure ultra-high-precision products.

Especially, in new development cases, we contributed to our customers’ technological innovation through suggestions to which the latest lightweight technology and method development are applied. In the field of mechatronics products, the Company launched AC Servo Driver HA-900A Series, which significantly improve performance over the Company’s existing servo drivers and newly incorporate functions such as automatic adjustment and monitoring. In addition, the Company focused on developing precision planetary-type servo actuators that offer space-saving advantages over competitors’ products, thereby working to strengthen and expand its lineup of high value-added mechatronics products.

For the fiscal year under review, we had 148 R&D personnel and spent ¥3,776 million as research and development expenses.

III [Information about Facilities]

1 [Overview of capital investment]

The total amount of capital investment made by the Group during the fiscal year under review was ¥3,765 million, and the main items are as follows.

(1) Purchase of production tools and devices for addition or replacement
(2) Purchase of machinery and equipment
(3) Hardware and software of computer

The amounts of capital investment by segment are as follows.

The Group mainly manufactures and sells precision speed reducers and their applied products such as precision actuators and motion control devices, and is solely engaged in handling the same types and series of precision speed reducers. Therefore its business operations fall within a single industry segment based on the similarities in the types, natures, manufacturing methods and markets of their products.

(Japan)

The amount of capital investment made during the fiscal year under review was ¥2,121 million.

Harmonic Drive Systems Inc. completed the introduction of production machinery in March 2025. This investment did not make an increase in production capacity.

Harmonic Precision Inc., a Japanese subsidiary, completed the introduction of production machinery in March 2025. This investment did not make an increase in production capacity.

Harmonic AD, Inc., a Japanese subsidiary, completed the introduction of production machinery in March 2025. This investment did not make an increase in production capacity.

No retirement or sale of facilities that have a significant impact on production capacity were conducted.

(China)

The amount of capital investment made during the fiscal year under review was ¥15 million.

Harmonic Drive Systems (Shanghai) Co., Ltd. completed the introduction of software, etc. in December 2024. This investment did not make an increase in production capacity.

No retirement or sale of facilities that have a significant impact on production capacity were conducted.

(North America)

The amount of capital investment made during the fiscal year under review was ¥625 million.

HD Systems, Inc., an overseas subsidiary, completed the introduction of production machinery in December 2024. This investment made an increase of 12% in the production capacity of the company.

No retirement or sale of facilities that have a significant impact on production capacity were conducted.

(Europe)

The amount of capital investment made during the fiscal year under review was ¥1,002 million.

Harmonic Drive SE, an overseas subsidiary, completed the introduction of production machinery in December 2024. This investment made an increase of 9% in the production capacity of the company.

No retirement or sale of facilities that have a significant impact on production capacity were conducted.

2 [Major Facilities]

(1) Reporting company

As of March 31, 2025

Site name (Address)	Segment	Facilities	Book value (Thousands of yen)						Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Thousand m^2)	Leased assets	Other	Total	
Hotaka Plant/Ariake Plant (Azumino-shi, Nagano, Japan)	Precision speed reducers (Japan)	Production facilities for speed reducers	9,218,841	8,252,994	1,228,024 (119)	1,856,991	3,080,762	23,637,614	417 [119]
Head Office and other offices (Shinagawa-ku, Tokyo, Japan, and other addresses)	Same as above	Administration and sales facilities	13,112	–	–	–	4,046	17,158	58 [5]
The former Matsumoto Plant (Toyoshina, Azumino-shi, Nagano, Japan)	Same as above	Leased buildings, structures, sites, and others	157,013	0	49,168 (11)	–	6,068	212,250	7 [1]
Matsumoto Plant (Wada, Matsumoto-shi, Nagano, Japan, and other addresses)	Same as above	Leased buildings, structures, sites, and others	5,002,725	1,165,291	1,097,949 (38)	55,285	689,921	8,011,174	26 [10]
Komagane Plant (Akaho, Komagane-shi, Nagano, Japan)	Same as above	Leased buildings, structures, sites, and others	592,482	–	119,170 (9)	–	2,975	714,628	2 [–]

(2) Japanese subsidiaries

As of March 31, 2025

Company Name	Site name (Address)	Segment name	Facilities	Book value (Thousands of yen)						Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (Thousand m^2)	Leased assets	Other	Total	
Harmonic Precision Inc.	Head Office (Wada, Matsumoto-shi, Nagano, Japan)	Precision speed reducers (Japan)	Production facilities for parts of speed reducers	0	0	–	–	0	0	100 [142]
Harmonic AD, Inc.	Head Office (Toyoshina, Azumino-shi, Nagano, Japan)	Same as above	Production facilities for planetary speed reducers	19,098	425,534	–	6,685	46,536	497,855	48 [10]
Harmonic Winbel Inc.	Head Office (Akaho, Komagane-shi, Nagano, Japan)	Same as above	Production facilities for mechatronic products	–	116,971	–	1,052	66,028	184,052	67 [–]

(3) Overseas subsidiaries

As of March 31, 2025

Company Name	Site name (Address)	Segment	Facilities	Book value (Thousands of yen)						Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (Thousand m^2)	Leased assets	Other	Total	
HD Systems, Inc.	Head Office (Beverly, Massachusetts, U.S.A.)	Precision speed reducers (North America)	Production facilities for speed reducers and mechatronic products	2,444,142	1,940,447	1,111,867 (31)	62,743	1,874,072	7,433,273	213 [2]
Harmonic Drive Systems (Shanghai) Co., Ltd.	Head Office (Shanghai, China)	Precision speed reducers (China)	Sales and technical services of mechatronic products and speed reducers	–	–	–	–	70,706	70,706	29 [–]
SAMICK ADM Co., Ltd.	Head Office (Daegu, Korea)	Precision speed reducers (Japan)	Production facilities for planetary speed reducers	–	1,264	–	–	24,463	25,727	17 [–]
Harmonic Drive SE	Head Office (Limburg a.d. Lahn, Hessen, Germany)	Precision speed reducers (Europe)	Production facilities for speed reducers and mechatronic products	876,567	1,906,211	–	2,486,296	818,740	6,087,816	371 [33]

(Notes) 1. "Other" in book value presents the total amount of tools, furniture and fixtures, construction in progress and intangible assets.
2. Book value presents amounts after impairment losses are recorded.
3. Figures in brackets of the number of employees separately present the number of contract workers and temporary employees.
4. Buildings, structures and land belonging to the former Matsumoto Plant are lent to subsidiary Harmonic AD, Inc.
5. Buildings, structures and some plots of land in the Matsumoto Rinku Industrial Park are lent to subsidiary Harmonic Precision Inc. as a site for a plant.
6. Buildings, structures and land belonging to the Komagane Plant are lent to subsidiary Harmonic Winbel Inc.
7. The presented status of HD Systems, Inc. includes the status of Harmonic Drive L.L.C., its subsidiary.
8. The presented status of Harmonic Drive SE includes the status of its eight consolidated subsidiaries.
9. Besides the above, facilities lent and leased by parties other than consolidated companies are as follows.

(i) Reporting company

Site name (Address)	Segment	Facilities	Rent and lease expenses
Hotaka Plant (Azumino-shi, Nagano, Japan)	Precision speed reducers (Japan)	Production machinery and appendage systems, etc.	Annual lease expenses ¥52,807 thousand
Hotaka Plant (Azumino-shi, Nagano, Japan)	Same as above	Production machinery and appendage systems, etc.	Annual rent expenses ¥6,784 thousand
Head Office and other offices (Shinagawa-ku, Tokyo, Japan, and other addresses)	Same as above	Offices	Annual rent expenses ¥63,026 thousand

(ii) Japanese subsidiaries

Company Name	Site name (Address)	Segment	Facilities	Rent and lease expenses
Harmonic Precision Inc.	Head Office (Wada, Matsumoto-shi, Nagano, Japan)	Precision speed reducers (Japan)	Production machinery and appendage systems, etc.	Annual lease expenses ¥163,256 thousand
			Offices	Annual rent expenses ¥600 thousand
Harmonic AD, Inc.	Head Office (Toyoshina, Azumino-shi, Nagano, Japan)	Same as above	Production machinery and appendage systems, etc.	Annual lease expenses ¥6,487 thousand
			Computers and peripheral devices	Annual lease expenses ¥92 thousand
Harmonic Winbel Inc.	Head Office (Akaho, Komagane-shi, Nagano, Japan)	Same as above	Production machinery and appendage systems, etc.	Annual lease expenses ¥415 thousand
			Production machinery and appendage systems, etc.	Annual rent expenses ¥1,028 thousand
			Computers and peripheral devices	Annual lease expenses ¥1,978 thousand

3 [Planned addition, retirement, and other changes of facilities]

(1) Major addition, etc. of facilities

Major planned addition, etc. of facilities as of March 31, 2025 are as follows.

Company Name	Site name (Address)	Segment name	Facilities	Planned investment amounts		Financing methods	Scheduled time of beginning and completion		Increased capacity after completion
				Budget (Thousands of yen)	Paid amounts (Thousands of yen)		Beginning	Completion	
Reporting company	Hotaka Plant/ Ariake Plant (Azumino-shi, Nagano, Japan)	Precision speed reducers (Japan)	IT/buildings	841,529	–	Own funds	Apr. 2025	Mar. 2026	Capital investment for maintaining production capacity
			Production machinery	1,862,677	–	Own funds	Apr. 2025	Mar. 2026	
			Tools, furniture and fixtures	1,396,285	–	Own funds	Apr. 2025	Mar. 2026	
Harmonic Precision Inc.	Head Office (Wada, Matsumoto-shi, Nagano, Japan)	Same as above	IT/buildings	13,000	–	Own funds	Apr. 2025	Mar. 2026	Capital investment for maintaining production capacity
			Production machinery	105,230	–	Own funds	Apr. 2025	Mar. 2026	
			Tools, furniture and fixtures	24,860	–	Own funds	Apr. 2025	Mar. 2026	
Harmonic AD, Inc.	Head Office (Toyoshina, Azumino-shi, Nagano, Japan)	Same as above	IT/buildings	8,000	–	Own funds	Apr. 20251	Mar. 2026	5% increase in production capacity
			Production machinery	86,559	–	Own funds	Apr. 20251	Mar. 2026	
			Tools, furniture and fixtures	90,872	–	Own funds	Apr. 2025	Mar. 2026	
Harmonic Winbel Inc.	Head Office (Akaho, Komagane-shi, Nagano, Japan)	Same as above	IT/buildings	1,181	–	Own funds	Apr. 2025	Mar. 2026	5% increase in production capacity
			Production machinery	100,975	–	Own funds	Apr. 2025	Mar. 2026	
			Tools, furniture and fixtures	84,444	–	Own funds	Apr. 2025	Mar. 2026	
HD Systems, Inc.	Head Office (Beverly, Massachusetts, U.S.A.)	Precision speed reducers (US)	IT/buildings	83,300	–	Own funds	Jan. 2025	Dec. 2025	11% increase in production capacity
			Production machinery	518,560	–	Own funds	Jan. 2025	Dec. 2025	
			Tools, furniture and fixtures	70,140	–	Own funds	Jan. 2025	Dec. 2025	
Harmonic Drive SE	Head Office (Limburg a.d. Lahn, Hessen, Germany)	Precision speed reducers (Europe)	IT/buildings	256,369	–	Own funds	Jan. 2025	Dec. 2025	Capital investment for maintaining production capacity and improving quality
			Production machinery	220,982	–	Own funds	Jan. 2025	Dec. 2025	
			Tools, furniture and fixtures	377,863	–	Own funds	Jan. 2025	Dec. 2025	

(Notes) 1. Own funds, a primary financing method, include those with non-ownership-transfer finance lease contracts.
The amounts associated with non-ownership-transfer finance lease contracts of planned investment amounts are presented in the amount equivalent to the acquisition value of relevant facilities.
2. The planned investment amounts of an overseas subsidiary HD Systems, Inc. are calculated at the exchange rate of ¥140.00 to the dollar.
3. The planned investment amounts of overseas subsidiary Harmonic Drive SE are calculated at the exchange rate of ¥155.00 to the euro.

(2) Major retirement, etc. of facilities

Not applicable.

IV [Information about Reporting Company]

1 [Company's shares, etc.]

(1) [Total number of shares]

(i) [Total number of shares]

Type	Total number of authorized shares (Shares)
Common shares	356,400,000
Total	356,400,000

(ii) [Issued and outstanding shares]

Type	As of the end of the period March 31, 2025 (Shares) (March 31, 2025)	As of the filing date (Shares) (June 18, 2025)	Listed financial instruments exchange or registered approved financial instruments firms association	Details
Common shares	96,315,400	96,315,400	Standard Market, Tokyo Stock Exchange	Number of shares constituting one unit is 100 shares
Total	96,315,400	96,315,400	–	–

(2) [Share acquisition rights]

(i) [Employee share option plans]

Not applicable.

(ii) [Rights plans]

Not applicable.

(iii) [Share acquisition rights for other uses]

Not applicable.

(3) [Exercises of moving strike convertible bonds, etc.]

Not applicable.

(4) [Changes in total number of issued and outstanding shares, share capital and legal capital surplus]

Date	Changes in total number of issued and outstanding shares (Shares)	Balance of total number of issued and outstanding shares (Shares)	Changes in share capital (Thousands of yen)	Balance of share capital (Thousands of yen)	Changes in legal capital surplus (Thousands of yen)	Balance of legal capital surplus (Thousands of yen)
Jan. 29, 2018 (Note) 1.	1,566,100	96,315,400	5,489,493	7,100,036	5,489,493	9,697,431

(Note) 1 Paid-in capital increase by public offering

Issue price	¥7,322.0
Issue value	¥7,010.4
Amount incorporated into capital	¥3,505.2

(5) [Shareholding by shareholder category]

As of March 31, 2025

Categories	Status of shares (number of shares constituting one unit is 100 shares)								Shares less than one unit (Shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders (Persons)	–	11	21	85	279	35	5,768	6,199	–
Number of shares held (Number of units)	–	91,005	17,589	368,721	376,344	28,497	80,835	962,991	16,300
Percentage of shareholdings (%)	–	9.45	1.83	38.29	39.08	2.96	8.39	100.00	–

(Notes) 1. There are no shares in the name of Japan Securities Depository Center, Inc.
2. 1,411,891 shares of treasury shares are included in 14,118 units in “individuals and others” and 91 shares in “shares less than one unit.”

(6) [Major shareholders]

As of March 31, 2025

Name	Address	Number of shares held (Shares)	Shareholding ratio (excluding treasury shares) (%)
KODEN Holdings Co., Ltd.	2-13-24 Tamagawa, Ota-ku, Tokyo	33,490,700	35.28
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	4,654,800	4.90
STATE STREET BANK AND TRUST COMPANY 505001 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS, USA (2-15-1, Konan, Minato-ku, Tokyo)	4,112,070	4.33
INTERACTIVE BROKERS LLC (standing proxy: Interactive Brokers Securities Japan, Inc.)	ONE PICKWICK PLAZA GREENWICH, CONNECTICUT 06830 USA (3-2-5, Kasumigaseki, Chiyoda-ku, Tokyo)	3,151,000	3.32
Norimitsu Ito	Minato-ku, Tokyo	3,041,600	3.20
STATE STREET BANK WEST CLIENT - TREATY 505234 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	2,490,200	2.62
Control trust (A030) trustee, SMBC Trust Bank Ltd.	1-3-2, Marunouchi, Chiyoda-ku, Tokyo	2,176,800	2.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	1,933,800	2.03
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (standing proxy: BOFA Securities Japan Co., Ltd.)	MERRILL LYNCH FINANCIAL CENTRE 2 KING EDWARD STREET LONDON UNITED KINGDOM (1-4-1, Nihonbashi, Chuo-ku, Tokyo)	1,718,512	1.81
JP MORGAN CHASE BANK 385840 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1 Konan, Minato-ku, Tokyo)	1,344,526	1.41
Total	–	58,114,008	61.23

(Notes) 1. Besides the above, there are 1,441,891 shares of treasury shares held by the Company.

2. In a statement of changes made available for public inspection as of April 7, 2025, four companies stated that they own 3,748,867 shares in their joint names; however, actual number of shares held in such corporation names cannot be confirmed as of March 31, 2025, and therefore they are not included in above [Major shareholders].
   1) Capital Research and Management Company
   2) Capital International K.K.
   3) Capital International Inc.
   4) Capital International Sarl

3. In a statement of changes made available for public inspection as of November 22, 2024, the following company stated that it owns 4,120,200 shares; however, actual number of shares held in such a corporation name cannot be confirmed as of March 31, 2025, and therefore it is not included in above [Major shareholders].
   T.Rowe Price Associates,Inc.

(7) [Voting rights]

(i) [Issued and outstanding shares]

As of March 31, 2025

Categories	Number of shares (Shares)	Number of voting rights	Details
Shares with no voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (others)	–	–	–
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares 1,411,800	–	Standard shares of the Company without any restrictions
Shares with full voting rights (others)	Common shares 94,887,300	948,873	Same as above
Shares less than one unit	Common shares 16,300	–	–
Total number of issued and outstanding shares	96,315,400	–	–
Number of voting rights held by all shareholders	–	948,873	–

(Note) Common shares in the category of shares less than one unit include 91 shares of treasury shares held by the Company.

(ii) [Treasury shares, etc.]

As of March 31, 2025

Name of shareholder	Address of shareholder	Number of shares held in own name (Shares)	Number of shares held under different names (Shares)	Total number of shares held (Shares)	Ratio of shares held to total number of shares issued and outstanding (%)
(Treasury shares) Harmonic Drive Systems Inc.	6-25-3 Minami-Oi, Shinagawa-ku, Tokyo, Japan	1,411,800	–	1,411,800	1.47
Total	–	1,411,800	–	1,411,800	1.47

2 [Acquisition and disposal of treasury shares]

[Class of shares, etc.] Acquisition of common shares pursuant to Article 155, items (iii) and (vii) of the Companies Act

(1) [Acquisition by resolution of general meeting of shareholders]

Not applicable.

(2) [Acquisition by resolution of Board of Directors meeting]

Categories	Number of shares (Shares)	Total value (Yen)
Resolution adopted by the Board of Directors (January 16, 2025) (acquisition period: February 10, 2025 to June 30, 2025)	400,000	1,200,000,000
Treasury shares acquired prior to the fiscal year under review	–	–
Treasury shares acquired during the fiscal year under review	89,600	390,464,500
Total number and total value of remaining resolution type of shares	310,400	809,535,500
Ratio of unexercised shares as of the end of the fiscal year under review (%)	77.60	67.46
Treasury shares acquired in the current fiscal year until the filing date	187,400	579,221,300
Ratio of unexercised shares as of the filing date (%)	30.75	19.19

(Note) Treasury shares acquired in the current fiscal year do not include the number of shares acquired from June 1, 2025 to the filing date of this Annual Securities Report.

(3) [Acquisition not based on resolution of general meeting of shareholders or Board of Directors meeting]

Categories	Number of shares (Shares)	Total value (Yen)
Treasury shares acquired during the fiscal year under review	25	121,625
Treasury shares acquired in the current fiscal year until the filing date	25	78,500

(Note) Treasury shares acquired in the current fiscal year until the filing date do not include the number of treasury shares of less than one unit purchased during the period from June 1, 2025 to the filing date of this Annual Securities Report.

(4) [Disposal of acquired treasury shares and number of treasury shares held]

Categories	Fiscal year under review		Current fiscal year until the filing date	
	Number of shares (Shares)	Total disposal value (Yen)	Number of shares (Shares)	Total disposal value (Yen)
Acquired treasury shares for which subscribers were solicited	–	–	–	–
Acquired treasury shares which were disposed of	–	–	–	–
Acquired treasury shares which were transferred in relation to merger, share exchange, share issuance or company split	–	–	–	–
Other (disposal of treasury shares as restricted stock payment)	16,791	74,132,265	–	–
Number of treasury shares held	1,411,891	–	1,599,316	–

(Note) Treasury shares held during the current fiscal year until the filing date do not include the number of treasury shares of less than one unit purchased or sold during the period from June 1, 2025 to the filing date of this Annual Securities Report.

3 [Dividend policy]

The Company distributes dividends according to its financial results, and has set a target consolidated payout ratio of 30% as a basic policy.

It is our basic policy to pay dividends of surplus twice a year, once as an interim and once as a year-end dividend. The decision regarding the payment of the interim dividend is the responsibility of the Board of Directors, while the decision regarding the year-end dividend is made by the general meeting of shareholders. The Company also has a policy to take necessary measures for implementing certain stable dividends in the event that large fluctuations in financial results occur in a short period of time.

In regard to the dividends of surplus for the fiscal year under review, taking into consideration the return of profits to shareholders, strengthening the business operation, and future business development, the Company plans to resolve at the Ordinary General Meeting of Shareholders scheduled to be held on June 20, 2025, to pay an interim dividend of ¥10 per share and a year-end dividend of ¥10 per share.

The Company invests its internal reserves in facilities to satisfy product demand, research and development of new products for opening up a new market, and enhancement of information management systems to increase productivity and operational efficiency, while preparing for the execution of flexible capital policies.

The Company’s Articles of Incorporation stipulates that it can pay an interim dividend set forth in Article 454, Paragraph 5 of the Companies Act.

(Note) Dividends of surplus of which record dates belong to the fiscal year under review are as follows:

Resolution date	Total dividends (Thousands of yen)	Dividends per share (Yen)
November 12, 2024 Board of Directors meeting	949,931	10
June 20, 2025 Ordinary General Meeting of Shareholders (scheduled)	949,035	10

4 [Corporate governance]

(1) [Overview of corporate governance]

(i) Basic views on corporate governance

The Company's fundamental policy for corporate governance is based upon ensuring sound and transparent corporate management and achieving swift and effective decision-making, with the aims to meet the expectations of our stakeholders, achieve sustainable growth, and enhance our corporate value over the long term. We do so through the implementation of our Management Principles, which consist of four pillars: Respect for the Individual, A Meaningful Company, Coexistence and Co-prosperity, and Contribution to Society.

(ii) Overview of corporate governance system and reasons for adoption thereof

The Company has adopted a Board of Corporate Auditors system, which is based on the institutional system under the Company with a Board of Corporate Auditors as stipulated in the Companies Act.

a. Board of Directors

In addition to formulating basic policies and strategies for the Group, the Board of Directors makes decisions on important matters, including matters stipulated by laws and regulations and the Articles of Incorporation, and supervises business execution.

The Board of Directors consists of ten (10) members and its meetings are chaired by Akira Nagai, Chairperson and Director. Other members are Directors: Akira Maruyama, Kazutoshi Kamijoh, Yoshihiro Tanioka, Naomi Shirasawa, Haruhiko Yoshida (Outside Director), Masanobu Nakamura (Outside Director), Yoshio Fukuda (Outside Director), Kazuhiko Hayashi (Outside Director), and Kaeko Kitamoto (Outside Director).

The Company plans to propose "Election of ten (10) Directors" as an agenda item at the Ordinary General Meeting of Shareholders scheduled to be held on June 20, 2025. However, there will be no change in the composition of the Board of Directors as of the filing date of this Annual Securities Report and after the approval of the said proposal.

b. Corporate auditors (Board of Corporate Auditors)

Based on audit policies and plans established by the Board of Corporate Auditors, corporate auditors audit the execution of duties by directors, attend meetings of the Board of Directors and other important meetings, review important approval documents, and conduct onsite audits of business offices and subsidiaries, allowing for the regular auditing of the status of management execution.

The Board of Corporate Auditors consists of four (4) members: Yoshitsugu Yokogoshi, Full-time Outside Corporate Auditor; Hidefumi Iguchi, Full-time Corporate Auditor; Eisaku Imazato, Outside Corporate Auditor; and Nobuyuki Higashi, Corporate Auditor.

c. Board of Directors Advisory Committee

Advisory Members to the Board of Directors, including experts from Japan and overseas, are appointed to advise the Board of Directors on management issues on a regular basis.

d. Executive Officer Meeting

In June 2003, the Company introduced an executive officer system to strengthen business execution supervisory functions and accelerate management decision-making. This clearly separated the policy and strategy formation, decision-making, and supervisory functions of the Board of Directors from the business execution functions of executive officers. In addition, monthly executive officer meetings are held to deliberate important matters and issues related to business execution.

The executive officer meeting has fifteen (15) members and are chaired by Akira Maruyama, Executive

President. Other members are Akira Nagai, Executive Chairperson; Kazutoshi Kamijoh, Senior Managing Executive Officer; and Managing Executive Officers: Minoru Asano, Tetsuo Ikuta, Yoshihide Kiyosawa, Yoshihiro Tanioka, Michiya Yashiro, Naomi Shirasawa, Makiko Ono, Tsuyoshi Awaduhara, Hiroki Hanaoka, Osamu Asakura, Shizuka Yata, and Tetsuya Shiokawa. In addition to the above-mentioned executive officers, directors and corporate auditors attend the meetings to supervise and audit the status of business execution by the executive officers.

e. Nomination and Remuneration Advisory Committee (voluntary committee)

At the Board of Directors meeting held on March 25, 2024, the Company established a voluntary Nomination and Remuneration Advisory Committee. The committee stipulates in its regulations that a majority of the committee's members shall be outside directors. Currently, the committee has three (3) members of Directors: Haruhiko Yoshida, Outside Director; Masanobu Nakamura, Outside Director; and Akira Maruyama, President and Director. The committee meetings are chaired by Haruhiko Yoshida, Outside Director.

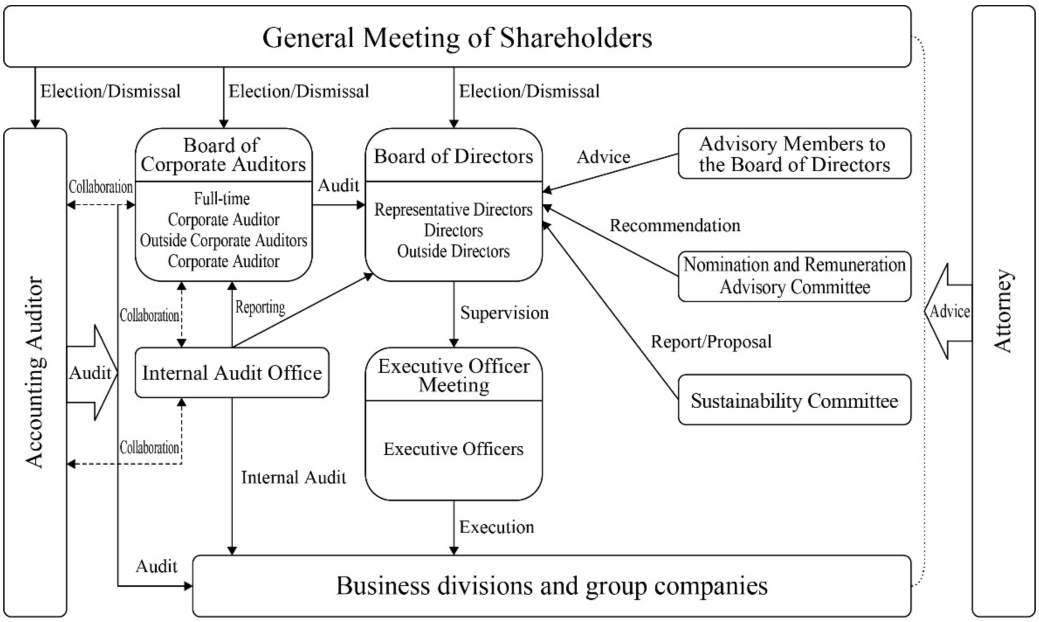
As an advisory body to the Board of Directors, the committee studies and deliberates on director candidates, candidates for directors with titles, director remuneration proposals, and other matters, and decides on matters to be reported to the Board of Directors.

f. Sustainability Committee

To strengthen the Group's overall sustainability promotion framework, the Company established the Sustainability Committee on April 1, 2023, as an organization to promote, oversee, and manage the Group's overall sustainability initiatives. The Sustainability Committee is chaired by our president and representative director, and its members are executive directors.

The Company believes that the above-mentioned corporate governance system is functioning effectively and it is appropriate to continue to improve its corporate governance system, based on the current system of Company with a Board of Corporate Auditors.

A diagram of the Company's corporate governance system is as follows.



(iii) Other matters on corporate governance

The Company is working to promote activities rooted in a high standard of corporate ethics, as well as to maintain and improve the internal control system and risk management framework.

Specifically, the Company established the “Harmonic Drive Systems Inc. Charter of Corporate Behavior” as well as the “Code of Conduct,” which is a guide for putting the Charter of Corporate Behavior into practice, in April 2004, thereby thoroughly raising awareness of every employee about corporate ethics. In addition, we have strived to ensure compliance with laws and regulations, and corporate ethics by conducting company-wide educational activities to make every employee well-acquainted with the purposes and contents of the Charter and Code. Moreover, we have continued to maintain and improve an efficient and effective internal control system, based on “Internal Control Manual,” which defines the fundamental framework of the internal control system.

As for our risk management framework, we disseminate the “Crisis Management—Code of Conduct in the Event of Crisis,” which specifies protocols for action in the event of a risk materializing and a crisis occurring. Additionally, we have developed a system for managing risks based on the “Crisis and Risk Management Regulations,” aiming to handle management risks and crisis responses in a safe and responsible manner.

In order to ensure the appropriateness of operations of the Group’s subsidiaries, we also make employees of subsidiaries’ well-acquainted with the above-mentioned “Harmonic Drive Systems Inc. Charter of Corporate Behavior” and “Code of Conduct,” and thereby maintain and increase their awareness of compliance. Furthermore, based on the Rules for Management of Affiliated Companies, we have established an appropriate management framework for our subsidiaries and, by holding regularly Affiliated Company Meeting, we continuously monitor the status of business execution and risks of our subsidiaries. In addition, the internal audit division periodically conducts operational audit of subsidiaries.

The Company has entered into agreements with outside directors and corporate auditors to limit their liability set forth in Article 423, Paragraph 1 of the Companies Act. An overview of the content of said agreements is as follows.

- If an outside director and corporate auditor causes damages to the Company owing to the neglect of his or her duties, his or her liability shall be limited to the minimum amount for liability set forth in Article 425, Paragraph 1 of the Companies Act, provided that he or she has performed his or her duties in good faith and without gross negligence.

The Company has concluded a directors and officers, etc. liability insurance agreement provided for in Article 430-3 of the Companies Act with an insurance company, and the said insurance agreement shall compensate for damages including compensation for damages and legal expenses to be borne by the insureds. Note that the insureds of said insurance agreement include the Company’s directors, corporate auditors, and executive officers, as well as officers of subsidiaries’, etc., and the Company bears the full cost of the insurance premiums associated with all insureds.

The Articles of Incorporation stipulates that the number of Company’s directors shall be fifteen (15) at most.

In order to enable flexible management which responds to changes in external circumstances, the Articles of Incorporation stipulates that the Company can acquire own shares through market transactions and other means prescribed by Article 165, Paragraph 1 of the Companies Act, subject to resolutions of the Board of Directors, pursuant to the provision of Article 165, Paragraph 2 of the same act.

As regards the election of directors at General Meeting of Shareholders, the Articles of Incorporation stipulates that the resolutions are passed by a majority of the votes of the shareholders present at the meeting, which must be attended by shareholders with at least one third of the voting rights of shareholders who are entitled to exercise voting rights, and cumulative voting is not employed.

As regards an extraordinary resolution at General Meeting of Shareholders prescribed by Article 309, Paragraph 2 of the Companies Act, the Articles of Incorporation stipulates that the resolutions are passed by two thirds or more of the votes of the shareholders present at the meeting, which must be attended by shareholders with at least one third of the voting rights of shareholders who are entitled to exercise voting rights. This is intended to make the proceedings of the meeting smooth by reducing a quorum for extraordinary resolutions at General Meeting of Shareholders.

Pursuant to the provision of Article 426, Paragraph 1 of the Companies Act, the Articles of Incorporation stipulates that the Company can exempt liability for damages caused by directors and corporate auditors (including a person who was a director or corporate auditor), owing to the neglect of his or her duties, within a limit set by laws and regulations, subject to resolutions of the Board of Directors. This is intended to enable them to make more aggressive managerial judgments, and to create an environment where the Company can invite capable personnel.

The Articles of Incorporation stipulates that the Company can pay an interim dividend to shareholders or registered pledgees of shares who are listed or registered in the shareholder registry as of September 30 every year, a last record date, subject to resolutions of the Board of Directors. This is intended to enable flexible profit returns to shareholders.

(iv) Status of the Board of Directors activities

The Company holds meetings of the Board of Directors at least once a month, and meetings were held a total of twenty (20) times for the fiscal year under review. Attendance record of individual directors is as follows:

Name	Position	Number of meetings held	Number of meetings attended	Attendance rate
Akira Nagai	Chairperson and Director	20	20	100.0
Akira Maruyama	President and Representative Director	20	20	100.0
Kazutoshi Kamijoh	Representative Director	20	20	100.0
Yoshihiro Tanioka	Director	20	20	100.0
Naomi Shirasawa	Director	15	15	100.0
Haruhiko Yoshida	Outside Director	20	20	100.0
Masanobu Nakamura	Outside Director	20	20	100.0
Yoshio Fukuda	Outside Director	20	20	100.0
Kazuhiko Hayashi	Outside Director	20	20	100.0
Kaeko Kitamoto	Outside Director	20	19	95.0

*1. Mr. Naomi Shirasawa was newly elected and took office at the Ordinary General Meeting of Shareholders for fiscal 2023 held on June 21, 2024, and the numbers of meetings held and attended are presented for the Board of Directors meetings held on or after the date he took office.

*2. In addition to the above meetings, written resolutions were adopted on October 8, 2024 and October 30, 2024.

Main agenda items of Board of Directors meetings in the fiscal year under review are as follows.

- Reports and deliberations on progress of Medium-term Management Plan/single-year plan, and status of business execution
- Deliberations on annual management plan and budget, R&D investment, etc.
- Reports and deliberations on internal audit, whistleblower system, effectiveness of business activities, and operational status of other internal control systems
- Business execution framework and revamp of organizational mechanisms
- Evaluation of Board of Directors' effectiveness (analysis based on questionnaire survey conducted among all directors and corporate auditors)
- Acquisition of treasury shares and financing
- Sustainability promotion

(2) [Directors and corporate auditors]

(i) List of directors and corporate auditors

a. As of June 18, 2025 (the filing date of this Annual Securities Report), the status of the Company's directors and corporate auditors is as follows.

Thirteen (13) males and one (1) female (ratio of female directors and corporate auditors is 7.1%)

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Chairperson and Director Executive Chairperson Group Management	Akira Nagai	March 26, 1948	Apr. 1972 Apr. 2002 Apr. 2002 Jun. 2002 Jun. 2003 Dec. 2005 Jun. 2007 Apr. 2009 Jan. 2011 Jun. 2013 May 2015 Jun. 2016 Dec. 2016 Mar. 2017 Jun. 2017 Jun. 2019 Jan. 2020 Jun. 2020 Jun. 2024	Joined Mitsui & Co., Ltd. Joined the Company General Manager of Overseas Division, the Company Chairperson and Director, HD Systems, Inc. Executive Officer (Marketing and Sales), General Manager of Overseas Division, General Manager of Corporate Planning and IT Office, the Company President and CEO, HD Systems, Inc. (incumbent) Managing Executive Officer (Corporate Planning and IT), the Company Managing Executive Officer (Corporate Planning and Finance), the Company Corporate Auditor, Harmonic Drive Systems (Shanghai) Co., Ltd. President and Representative Director, Executive President, the Company Director, Harmonic AD, Inc. President and Representative Director, Chief Executive Officer, In charge of Marketing and Sales, the Company Manager, GK HD Management Chairperson of the Supervisory Board, Harmonic Drive AG President and Representative Director, Chief Executive Officer, In charge of Marketing and Sales and Quality, the Company President and Representative Director, Chief Executive Officer, In charge of Quality, the Company Deputy Chairperson of the Supervisory Board, Harmonic Drive SE (incumbent) President and Representative Director, Chief Executive Officer, the Company Chairperson and Director and Executive Chairperson and Group Management, the Company (incumbent) (Positions as representatives in other corporations or organizations) President and CEO, HD Systems, Inc.	(Notes) 3	60,537

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
President and Director Representative Director Executive President Chief Executive Officer	Akira Maruyama	January 8, 1962	Apr. 1985 Apr. 2007 Apr. 2009 Sep. 2009 Sep. 2012 Jun. 2014 May 2015 Jun. 2016 Jun. 2018 Jun. 2019 Jun. 2019 Jun. 2021 Jun. 2022 May 2023 Jun. 2024	Joined the Company General Manager of Marketing and Sales Division, the Company General Manager of Marketing and Sales Division and General Manager of Sales Planning Department, the Company General Manager of Engineering Department, Precision Equipment Division, the Company General Manager of Engineering Division, the Company Executive Officer (Engineering), the Company Director, HD Logistics, Inc. Director and Executive Officer (Development Engineering), the Company Director and Executive Officer (Corporate Planning and IT), the Company Corporate Auditor, Winbel Co., Ltd. (currently Harmonic Winbel Inc.) Director and Executive Officer, General Manager of Corporate Planning Division, the Company Director and Executive Officer, General Manager of Corporate Planning Division and General Manager of ICT Promotion Office, the Company Representative Director and Senior Managing Executive Officer, General Manager of Corporate Planning Division and ICT Promotion Office, the Company Director, Harmonic Winbel Inc. President and Representative Director, Chief Executive Officer, the Company (incumbent)	(Notes) 3	13,697

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director Representative Director Senior Managing Executive Officer General Manager of Finance Accounting, Finance and Tax Division	Kazutoshi Kamijoh	June 9, 1968	Apr. 1992 Jul. 2003 Jul. 2007 May 2012 May 2013 Jun. 2014 Jun. 2016 Mar. 2017 Jun. 2019 Jun. 2020 Jul. 2021 Jun. 2022 Jun. 2023 Jun. 2024 Jun. 2025	Joined the Company Corporate Planning Manager of Corporate Planning and IT Office, and Administrative Manager, the Company General Manager of Corporate Planning Department, Corporate Planning and IT Office, and General Manager of Administration Department, the Company Corporate Auditor, Ome Iron Casting Co., Ltd. Corporate Auditor, Harmonic Drive Systems (Shanghai) Co., Ltd. Executive Officer, In charge of Corporate Planning and Finance, the Company Executive Officer, In charge of Corporate Planning, Finance and Accounting, the Company Manager, GK HD Management (incumbent) Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company Director and Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company Member of the Supervisory Board, Harmonic Drive SE (incumbent) Director and Executive Officer (Finance Accounting, Finance, Tax, Human Resources and Administration), General Manager of Finance Accounting, Finance and Tax Division, the Company Director and Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company Representative Director and Senior Managing Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company (incumbent) Director, Harmonic Precision, Inc. (incumbent)	(Note) 3	17,235

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director Executive Officers General Manager of Engineering Division	Yoshihiro Tanioka	September 21, 1958	Apr. 1982 May 2003 Mar. 2006 May 2007 Jul. 2007 Oct. 2009 Jun. 2010 Sep. 2011 Sep. 2012 Apr. 2015 May 2015 May 2015 May 2017 May 2018 Jun. 2018 Jun. 2019 Jun. 2021 Jun. 2025	Joined the Company Manager of No.1 Development Department, Mechatronics Division, the Company General Manager of Engineering Department, Mechatronics Division, the Company Director, Winbel Co., Ltd. (currently Harmonic Winbel Inc.) General Manager of Mechatronics Division, the Company General Manager of Development Division, the Company Executive Officer and General Manager of Development Division, the Company Executive Officer (Engineering), the Company Executive Officer and General Manager of Overseas Business Division, the Company Executive Officer and General Manager of Sales Strategy Division, the Company Representative Director and President, Harmonic AD, Inc. Director of SAMICK ADM Co., Ltd. Executive Officer in charge of Harmonic Planetary Development, the Company Director, Harmonic AD, Inc. Executive Officer (Development and Engineering), the Company Executive Officer, General Manager of Development and Engineering Division, the Company Director and Executive Officer, General Manager of Development and Engineering Division, the Company (incumbent) Director, Harmonic Winbel Inc. (incumbent)	(Notes) 3	7,982

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director Executive Officers In charge of Marketing and Sales, General Manager of Domestic Sales Division	Naomi Shirasawa	November 2, 1960	Apr. 1983 Apr. 1996 Sep. 1998 Jul. 2001 Mar. 2003 May 2007 Jun. 2010 May 2011 Jun. 2013 Jul. 2016 Jun. 2018 Jun. 2019 Jun. 2021 Jun. 2023 Jun. 2024 Oct. 2024	Joined the Company Manager of Engineering Department, Precision Equipment Division, the Company General Manager in charge of Precision Equipment, Marketing Department, Marketing and Sales Division, the Company General Manager of AccuDrive Division, the Company Managing Director, Harmonic AD, Inc. Representative Director and President, Harmonic AD, Inc. Executive Officer and General Manager of AD Business Promotion Office, the Company Senior Managing Director, Harmonic AD, Inc. General Manager of Sales, Harmonic Drive Systems (Shanghai) Co., Ltd. Director, Harmonic Drive Systems (Shanghai) Co., Ltd. General Manager of Overseas Sales Division, the Company Director and General Manager of Domestic Sales Division, the Company Executive Officer and General Manager of Domestic Sales Division, the Company Executive Officer, In charge of Marketing and Sales, General Manager of Domestic Sales Division, the Company Director and Executive Officer, In charge of Marketing and Sales, General Manager of Domestic Sales Division, the Company (incumbent) Director, Harmonic Drive Systems (Shanghai) Co., Ltd. (incumbent) (Positions as representatives in other corporations or organizations) Director, Harmonic Drive Systems (Shanghai) Co., Ltd.	(Notes) 3	9,379

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director	Haruhiko Yoshida	September 2, 1943	Apr. 1966 Feb. 1996 Apr. 1998 Jun. 1998 Jun. 2001 Apr. 2002 Jul. 2002 Jun. 2003 Jun. 2003 Jun. 2006 Jun. 2007	Joined Mitsui & Co., Ltd. Senior Executive Vice President, Mitsui & Co. (U.S.A.), Inc. General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd. Director and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd. Representative Director, Executive Managing Director, and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd. Executive Managing Officer and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd. Executive Managing Officer and Assistant to President of Machinery and Information Group, Mitsui & Co., Ltd. Outside Director, Nagano Keiki Co., Ltd. Outside Director, the Company (incumbent) Corporate Auditor, Hakudo Co., Ltd. Outside Director, Hakudo Co., Ltd.	(Note) 3	24,452

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director	Masanobu Nakamura	August 23, 1946	May 1970	Joined The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)	(Notes) 3	13,616
			Jun. 1999	Executive Officer and Nihonbashi Branch Manager, The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)		
			Apr. 2001	Executive Officer and New York Branch Manager, The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)		
			Jan. 2002	Managing Executive Officer and New York Branch Manager, UFJ Bank Limited (present MUFG Bank, Ltd.)		
			May 2002	Executive Operating Officer, Corporate Banking Company Director, UFJ Bank Limited (present MUFG Bank, Ltd.)		
			May 2004	Representative Director, Executive Operating Officer (Strategic Support Group), Company Director, UFJ Bank Ltd. (present MUFG Bank, Ltd.)		
			Jun. 2005	Special Advisor, Sanshin Co., Ltd.		
			Oct. 2005	President and Representative Director, BNP Paribas (Japan)		
			Nov. 2005	Director, Tokyo Branch, BNP Paribas Securities (Japan) Limited		
			Jun. 2007	Board of Directors Advisory Committee, the Company		
			May 2011	Chairperson, BNP Paribas Securities (Japan) Limited		
			Sep. 2011	Special Advisor, BNP Paribas Securities (Japan) Limited		
			Jun. 2013	Outside Director, the Company (incumbent)		
			Jul. 2013	Chairperson, Social Collaboration Council, The Mathematical Society of Japan		

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director	Yoshio Fukuda	March 1, 1953	Apr. 1976 Jul. 2006 May 2007 Jun. 2010 Jun. 2012 Jun. 2013 Apr. 2015 Jun. 2015 Jun. 2016 Jun. 2017 Jun. 2017 Jun. 2020 Jun. 2020 Mar. 2021	Joined Teijin Limited Corporate Officer, Teijin Group Member of the Board and General Manager of Raw Materials & Polymers Division, Teijin Fibers Ltd. President, P.T. Teijin Indonesia Fiber Corporation Tbk Corporate Officer and Member of the Board, General Manager of Corporate Planning Division, Teijin Limited Executive Officer and Member of the Board, General Manager of Electronics Materials and Performance Polymer Products Business Group, and General Manager of Resin and Plastic Processing Business Unit, Teijin Limited President, Teijin Chemicals Ltd. Chairperson, Global Policy Board, Teijin DuPont Films Global Joint Venture Senior Executive Officer and Member of the Board, General Manager of Electronics Materials and Performance Polymer Products Business Group, Teijin Limited Chairperson, Global Policy Board, Teijin DuPont Films Global Joint Venture Advisor, Member of the Board, Teijin Limited Advisor, Teijin Limited Outside Director, Toyo Construction Co., Ltd. Outside Corporate Auditor, the Company Auditor, Japan Indonesia Association, Inc. (incumbent) Director, Harmonic AD, Inc. Outside Director, the Company (incumbent) Auditor, Japan-Sri Lanka Association (incumbent)	(Note) 3	1,544

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director	Kazuhiko Hayashi	April 25, 1954	Apr. 1978 Jan. 2001 Jan. 2004 Jan. 2005 Apr. 2007 Jan. 2010 Jan. 2012 Jun. 2015 Jul. 2019 Jun. 2022	Joined Toyota Motor Co., Ltd. (present Toyota Motor Corporation) Project General Manager of Leading-edge Vehicle Development Planning Office, Toyota Motor Corporation General Manager of Electronics Engineering Div. II, Toyota Motor Corporation General Manager of Electronics Engineering Div. I, Toyota Motor Corporation General Manager of BR Control Software Development Office, Toyota Motor Corporation Managing Executive Officer, Sumitomo Wiring Systems, Ltd. Executive Officer of Sumitomo Electric Industries, Ltd., Managing Executive Officer of Sumitomo Wiring Systems, Ltd., and Director of AutoNetworks Technologies, Ltd. Senior Managing Executive Officer of Sumitomo Wiring Systems, Ltd., Executive Officer of Sumitomo Electric Industries, Ltd., and Director of AutoNetworks Technologies, Ltd. Visiting Professor, Nagasaki Institute of Applied Science Outside Director, the Company (incumbent)	(Notes) 3	580
Director	Kaeko Kitamoto	April 15, 1965	Apr. 1988 Oct. 1993 Jul. 2009 Sep. 2018 Jul. 2019 Jul. 2023 Jul. 2023 Mar. 2025	Joined Sapporo Breweries Limited Joined Ota Showa Audit Corporation (currently Ernst & Young ShinNihon LLC) Partner, Ernst & Young ShinNihon LLC Member of Electricity and Gas Market Surveillance Commission, Ministry of Economy, Trade and Industry Executive Board Member, Ernst & Young ShinNihon LLC Outside Director, the Company (incumbent) Audit & Supervisory Board Member (external), DAIKIN INDUSTRIES, LTD. (incumbent) Outside Director, EBARA CORPORATION (incumbent)	(Notes) 3	–

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Full-time Corporate Auditor	Yoshitsugu Yokogoshi	November 16, 1953	Apr. 1977 Apr. 1995 May 2005 May 2007 Jan. 2009 Jun. 2014 Jun. 2017 Jun. 2020	Joined The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.) Yoyogi Branch Manager, The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.) Executive Officer, General Manager of Public Relations Department, UFJ Bank Ltd. (present MUFG Bank, Ltd.) Managing Executive Officer and Deputy Chief Executive of Retail Banking Business Unit, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (present MUFG Bank, Ltd.) Executive Vice President, Mitsubishi UFJ Asset Management Co., Ltd. President, The Midori Kai Co., Ltd. Full-time Audit & Supervisory Board Member, Cosmo Oil Co., Ltd. Full-time Outside Corporate Auditor, the Company (incumbent)	(Notes) 4	–
Full-time Corporate Auditor	Hidefumi Iguchi	April 5, 1959	Apr. 1983 May 1999 Apr. 2009 Jun. 2011 May 2013 Jul. 2014 Jun. 2020 Apr. 2022 Jun. 2022	Joined the Company General Manager of Quality Assurance Promotion Office, the Company General Manager of Operational Process Innovation Department, the Company General Manager of Internal Control and Audit Office, the Company Corporate Auditor, the Company Executive Officer (Corporate Governance), General Manager of Internal Control and Audit Office, the Company Executive Officer, In Charge of Corporate Governance and General Manager of Internal Control and Audit Office, the Company Executive Officer, General Manager of Administration and Human Resource Division, Manager of Environment, the Company Executive Officer, General Manager of Administration and Human Resource Division, Manager of Environment, and General Manager of Health Promotion Center, the Company Full-time Corporate Auditor, the Company (incumbent)	(Notes) 4	5,578

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Corporate Auditor	Eisaku Imazato	March 2, 1956	Apr. 1979 Mar. 2002 Mar. 2003 Dec. 2004 Feb. 2005 Feb. 2007 Aug. 2008 Feb. 2009 May 2010 Jun. 2012 Jun. 2016 Mar. 2020 Jun. 2020	Joined The Nikko Securities Co., Ltd. (present SMBC Nikko Securities Inc.) General Manager of Corporate Clients Department II, Nikko Cordial Securities Inc. Executive Officer, General Manager of Tokyo Corporate Clients Department II, Nikko Cordial Securities Inc. Director in charge of sales planning and corporate clients, Nikko Cordial Securities Inc. Executive Managing Director in charge of planning and wholesale business promotion, Nikko Cordial Securities Inc. Senior Managing Director in charge of Wholesale Sales Division I, Nikko Cordial Securities Inc. Senior Executive Officer, Head of Institutional Client Coverage Division, Nikko Citigroup Limited Managing Executive Officer, Co-Head of Corporate & Institutional Business Unit, Mitsubishi UFJ Securities Co., Ltd. Managing Executive Officer, Head of Corporate & Institutional Business Unit, Head of Corporate Clients Group, and Co-Manager of Regional Executives, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Managing Executive Officer in charge of corporate consolidation, Mitsubishi UFJ Securities Holdings Co., Ltd. Executive Officer, Mitsubishi UFJ Financial Group, Inc. Principal Executive Officer, Head of Corporate & Institutional Business Unit, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Outside Director, Chairperson of the Board of Directors, Marusan Securities Co., Ltd. Outside Director, Marusan Securities Co., Ltd. (incumbent) Outside Corporate Auditor, the Company (incumbent)	(Notes) 4	–

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Corporate Auditor	Nobuyuki Higashi	March 31, 1964	Apr. 1987	Joined Nomura Research Institute, Ltd.	(Notes) 4	–
			Apr. 1998	Joined Nomura Securities Co., Ltd.		
			Jul. 2000	Seconded to Nomura Principal Finance Co., Ltd.		
			Apr. 2012	Managing Director of Investment Business Group, Innovation Network Corporation of Japan (currently Japan Investment Corporation)		
			Apr. 2017	Outside Director, JOLED Inc.		
			Apr. 2017	Outside Corporate Auditor, Harmonic Drive AG (currently Harmonic Drive SE)		
			Jun. 2017	External Director, Japan Display Inc. (retired in June 2018)		
			Sep. 2018	Executive Managing Director and Managing Director of Investment Business Group, INCJ, Ltd.		
			Mar. 2020	External Director, Japan Display Inc.		
			Jun. 2021	Senior Executive Managing Director and Managing Director of Investment Business Group, INCJ, Ltd.(incumbent)		
			Jun. 2024	Corporate Auditor, the Company (incumbent)		
Total						154,600

(Notes) 1. Directors Haruhiko Yoshida, Masanobu Nakamura, Yoshio Fukuda, Kazuhiko Hayashi and Kaeko Kitamoto are Outside Directors.

2. Corporate Auditors Yoshitsugu Yokogoshi and Eisaku Imazato are Outside Corporate Auditors.

3. The term of office of director is from the conclusion of Ordinary General Meeting of Shareholders associated with fiscal year ended March 31, 2024 to the conclusion of Ordinary General Meeting of Shareholders associated with fiscal year ended March 31, 2025.

4. The term of office of corporate auditor is from the conclusion of Ordinary General Meeting of Shareholders associated with fiscal year ended March 31, 2024 to the conclusion of Ordinary General Meeting of Shareholders associated with fiscal year ending March 31, 2028.

5.Corporate Auditor Nobuyuki Higashi used to serve as an External Director of Japan Display Inc. ("JDI"). JDI made corrections to its past annual securities reports and other financial documents associated with inappropriate accounting in April 2020. The documents subject to such corrections include those that belong to fiscal years during which he was an External Director of JDI. Also, an action for damages was brought against JDI and ten (10) former directors of JDI (including Nobuyuki Higashi) on the grounds that the plaintiffs incurred damages due to inappropriate accounting, and this case is on trial. Note that he has abundant experience in management research and investment business at major think tanks, major securities companies, investment companies, etc., and possesses considerable knowledge of finance and accounting. He also possesses a high level of insight into corporate management, having served as an outside director and an outside corporate auditor of several companies involved in investment business through public-private funds. In addition, in March 2017, the Company jointly acquired additional shares of Harmonic Drive AG (currently Harmonic Drive SE), a German equity method affiliate, with Innovation Network Corporation of Japan, and he served as an Outside Corporate Auditor of Harmonic Drive AG from April 2017 to July 2021, auditing and supervising the company's management, with a record that he sufficiently fulfilled his duties as an outside corporate auditor. Comprehensively taking these facts into consideration, the Company elected him as Corporate Auditor with the expectation that he will contribute to further strengthening our audit function.

6. The Company has introduced an executive officer system. Executive officers are elected by the Board of Directors and execute business in each area of which they are in charge with authority delegated by representative directors. This system is intended to enhance decision-making speed and supervisory functions of the Board of Directors, as well as decision-making speed in business execution.

The number of executive officers is fifteen (15) and members are Akira Nagai, Executive Chairperson, Group Management; Akira Maruyama, Executive President, Chief Executive Officer; Kazutoshi Kamijoh, Senior Managing Executive Officer, General Manager of Finance Accounting, Finance and Tax Division; Minoru Asano, Managing Executive Officer, General Manager of Supply Chain Division: Tetsuo Ikuta, Executive Officer, In Charge of Public Relations; Yoshihide Kiyosawa, Executive Fellow Officer (Chief Technical Officer), In Charge of Engineering and Quality, General Manager of Quality Assurance Division; Yoshihiro Tanioka, Executive Officer, General Manager of Development and Engineering Division; Michiya Yashiro, Executive Officer, General Manager of Risk Management Division; Naomi Shirasawa, Executive Officer, In Charge of Marketing and Sales, General Manager of Domestic Sales Division; Makiko Ono, Executive Officer, Head of Sustainability, Corporate Planning, and Investor Relations; Tsuyoshi Awaduhara, Executive Officer, In Charge of Production, Production Planning, General Manager of First Production Division; Hiroki Hanaoka, Executive Officer, General Manager of Production Technology Division; Osamu Asakura, Executive Officer, General Manager of Administration and Human Resource Division and Manager of Environment; Shizuka Yata, Executive Officer, Chief of Harmonic Drive Laboratory; and Tetsuya Shiokawa, Executive Officer, General Manager of Corporate Planning Division, In Charge of Business Development.

7. The number of shares held includes the portion held by the Officers' Shareholding Association.

b. The Company proposes "Election of ten (10) Directors" as an agenda item (proposal to be resolved) at the Ordinary General Meeting of Shareholders scheduled to be held on June 20, 2025. If this proposal is approved and adopted, the status of the Company's directors and corporate auditors will be as follows.

Please note that the positions and responsibilities of directors and corporate auditors stated below reflect the proposals to be resolved at the meeting of the Board of Directors to be held immediately after the Ordinary General Meeting of Shareholders.

Thirteen (13) males and one (1) female (ratio of female directors and corporate auditors is 7.1%)

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Chairperson and Director Executive Chairperson Group Management	Akira Nagai	March 26, 1948	Apr. 1972	Joined Mitsui & Co., Ltd.	(Notes) 3	60,537
			Apr. 2002	Joined the Company		
			Apr. 2002	General Manager of Overseas Division, the Company		
			Jun. 2002	Chairperson and Director, HD Systems, Inc.		
			Jun. 2003	Executive Officer (Marketing and Sales), General Manager of Overseas Division, General Manager of Corporate Planning and IT Office, the Company		
			Dec. 2005	President and CEO, HD Systems, Inc. (incumbent)		
			Jun. 2007	Managing Executive Officer (Corporate Planning and IT), the Company		
			Apr. 2009	Managing Executive Officer (Corporate Planning and Finance), the Company		
			Jan. 2011	Corporate Auditor, Harmonic Drive Systems (Shanghai) Co., Ltd.		
			Jun. 2013	President and Representative Director, Executive President, the Company		
			May 2015	Director, Harmonic AD, Inc.		
			Jun. 2016	President and Representative Director, Chief Executive Officer, In charge of Marketing and Sales, the Company		
			Dec. 2016	Manager, GK HD Management		
			Mar. 2017	Chairperson of the Supervisory Board, Harmonic Drive AG		
			Jun. 2017	President and Representative Director, Chief Executive Officer, In charge of Marketing and Sales and Quality, the Company		
			Jun. 2019	President and Representative Director, Chief Executive Officer, In charge of Quality, the Company		
			Jan. 2020	Deputy Chairperson of the Supervisory Board, Harmonic Drive SE (incumbent)		
			Jun. 2020	President and Representative Director, Chief Executive Officer, the Company		
			Jun. 2024	Chairperson and Director and Executive Chairperson and Group Management, the Company (incumbent)		
				(Positions as representatives in other corporations or organizations) President and CEO, HD Systems, Inc.		

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
President and Director Representative Director Executive President Chief Executive Officer	Akira Maruyama	January 8, 1962	Apr. 1985	Joined the Company	(Notes) 3	13,697
			Apr. 2007	General Manager of Marketing and Sales Division, the Company		
			Apr. 2009	General Manager of Marketing and Sales Division and General Manager of Sales Planning Department, the Company		
			Sep. 2009	General Manager of Engineering Department, Precision Equipment Division, the Company		
			Sep. 2012	General Manager of Engineering Division, the Company		
			Jun. 2014	Executive Officer (Engineering), the Company		
			May 2015	Director, HD Logistics, Inc.		
			Jun. 2016	Director and Executive Officer (Development Engineering), the Company		
			Jun. 2018	Director and Executive Officer (Corporate Planning and IT), the Company		
			Jun. 2019	Corporate Auditor, Winbel Co., Ltd. (currently Harmonic Winbel Inc.)		
			Jun. 2019	Director and Executive Officer, General Manager of Corporate Planning Division, the Company		
			Jun. 2021	Director and Executive Officer, General Manager of Corporate Planning Division and General Manager of ICT Promotion Office, the Company		
			Jun. 2022	Representative Director and Senior Managing Executive Officer, General Manager of Corporate Planning Division and ICT Promotion Office, the Company		
			May 2023	Director, Harmonic Winbel Inc.		
			Jun. 2024	President and Representative Director, Chief Executive Officer, the Company		
			Jun. 2025	President and Representative Director, Chief Executive Officer, the Company (incumbent)		

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director Representative Director Senior Managing Executive Officer In Charge of Finance Accounting, Finance and Tax Division	Kazutoshi Kamijoh	June 9, 1968	Apr. 1992	Joined the Company	(Notes) 3	17,235
			Jul. 2003	Corporate Planning Manager of Corporate Planning and IT Office, and Administrative Manager, the Company		
			Jul. 2007	General Manager of Corporate Planning Department, Corporate Planning and IT Office, and General Manager of Administration Department, the Company		
			May 2012	Corporate Auditor, Ome Iron Casting Co., Ltd.		
			May 2013	Corporate Auditor, Harmonic Drive Systems (Shanghai) Co., Ltd.		
			Jun. 2014	Executive Officer, In charge of Corporate Planning and Finance, the Company		
			Jun. 2016	Executive Officer, In charge of Corporate Planning, Finance and Accounting, the Company		
			Mar. 2017	Manager, GK HD Management		
			Jun. 2019	Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company		
			Jun. 2020	Director and Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company		
			Jul. 2021	Member of the Supervisory Board, Harmonic Drive SE (incumbent)		
			Jun. 2022	Director and Executive Officer (Finance Accounting, Finance, Tax, Human Resources and Administration), General Manager of Finance Accounting, Finance and Tax Division, the Company		
			Jun. 2023	Director and Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company		
			Jun. 2024	Representative Director and Senior Managing Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company		
			Jun. 2025	Director, Harmonic Precision, Inc. (incumbent)		
			Jun. 2025	Representative Director and Senior Managing Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company (incumbent)		

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director Executive Officers In Charge of Development and Engineering, Responsible for Company-wide Cost Innovation Project	Yoshihiro Tanioka	September 21, 1958	Apr. 1982	Joined the Company	(Notes) 3	7,982
			May 2003	Manager of No.1 Development Department, Mechatronics Division, the Company		
			Mar. 2006	General Manager of Engineering Department, Mechatronics Division, the Company		
			May 2007	Director, Winbel Co., Ltd. (currently Harmonic Winbel Inc.)		
			Jul. 2007	General Manager of Mechatronics Division, the Company		
			Oct. 2009	General Manager of Development Division, the Company		
			Jun. 2010	Executive Officer and General Manager of Development Division, the Company		
			Sep. 2011	Executive Officer (Engineering), the Company		
			Sep. 2012	Executive Officer and General Manager of Overseas Business Division, the Company		
			Apr. 2015	Executive Officer and General Manager of Sales Strategy Division, the Company		
			May 2015	Representative Director and President, Harmonic AD, Inc.		
			May 2015	Director of SAMICK ADM Co., Ltd.		
			May 2017	Executive Officer in charge of Harmonic Planetary Development, the Company		
			May 2018	Director, Harmonic AD, Inc.		
			Jun. 2018	Executive Officer (Development and Engineering), the Company		
			Jun. 2019	Executive Officer, General Manager of Development and Engineering Division, the Company		
			Jun. 2021	Director and Executive Officer, General Manager of Development and Engineering Division, the Company		
			Jun. 2025	Director, Harmonic Winbel Inc. (incumbent)		
			Jun. 2025	Director and Executive Officer, In Charge of Development and Engineering and Head of the Company Wide Cost Innovation Project (incumbent)		

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director Executive Officers In charge of Marketing and Sales, General Manager of Domestic Sales Division	Naomi Shirasawa	November 2, 1960	Apr. 1983 Apr. 1996 Sep. 1998 Jul. 2001 Mar. 2003 May 2007 Jun. 2010 May 2011 Jun. 2013 Jul. 2016 Jun. 2018 Jun. 2019 Jun. 2021 Jun. 2023 Jun. 2024 Oct. 2024	Joined the Company Manager of Engineering Department, Precision Equipment Division, the Company General Manager in charge of Precision Equipment, Marketing Department, Marketing and Sales Division, the Company General Manager of AccuDrive Division, the Company Managing Director, Harmonic AD, Inc. Representative Director and President, Harmonic AD, Inc. Executive Officer and General Manager of AD Business Promotion Office, the Company Senior Managing Director, Harmonic AD, Inc. General Manager of Sales, Harmonic Drive Systems (Shanghai) Co., Ltd. Director, Harmonic Drive Systems (Shanghai) Co., Ltd. General Manager of Overseas Sales Division, the Company Director and General Manager of Domestic Sales Division, the Company Executive Officer and General Manager of Domestic Sales Division, the Company Executive Officer, In charge of Marketing and Sales, General Manager of Domestic Sales Division, the Company Director and Executive Officer, In charge of Marketing and Sales, General Manager of Domestic Sales Division, the Company (incumbent) Director, Harmonic Drive Systems (Shanghai) Co., Ltd. (incumbent) (Positions as representatives in other corporations or organizations) Director, Harmonic Drive Systems (Shanghai) Co., Ltd.	(Notes) 3	9,379

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director	Haruhiko Yoshida	September 2, 1943	Apr. 1966 Feb. 1996 Apr. 1998 Jun. 1998 Jun. 2001 Apr. 2002 Jul. 2002 Jun. 2003 Jun. 2003 Jun. 2006 Jun. 2007	Joined Mitsui & Co., Ltd. Senior Executive Vice President, Mitsui & Co. (U.S.A.), Inc. General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd. Director and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd. Representative Director, Executive Managing Director, and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd. Executive Managing Officer and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd. Executive Managing Officer and Assistant to President of Machinery and Information Group, Mitsui & Co., Ltd. Outside Director, Nagano Keiki Co., Ltd. Outside Director, the Company (incumbent) Corporate Auditor, Hakudo Co., Ltd. Outside Director, Hakudo Co., Ltd.	(Notes) 3	24,452

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director	Masanobu Nakamura	August 23, 1946	May 1970	Joined The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)	(Notes) 3	13,616
			Jun. 1999	Executive Officer and Nihonbashi Branch Manager, The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)		
			Apr. 2001	Executive Officer and New York Branch Manager, The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)		
			Jan. 2002	Managing Executive Officer and New York Branch Manager, UFJ Bank Limited (present MUFG Bank, Ltd.)		
			May 2002	Executive Operating Officer, Corporate Banking Company Director, UFJ Bank Limited (present MUFG Bank, Ltd.)		
			May 2004	Representative Director, Executive Operating Officer (Strategic Support Group), Company Director, UFJ Bank Ltd. (present MUFG Bank, Ltd.)		
			Jun. 2005	Special Advisor, Sanshin Co., Ltd.		
			Oct. 2005	President and Representative Director, BNP Paribas (Japan)		
			Nov. 2005	Director, Tokyo Branch, BNP Paribas Securities (Japan) Limited		
			Jun. 2007	Board of Directors Advisory Committee, the Company		
			May 2011	Chairperson, BNP Paribas Securities (Japan) Limited		
			Sep. 2011	Special Advisor, BNP Paribas Securities (Japan) Limited		
			Jun. 2013	Outside Director, the Company (incumbent)		
			Jul. 2013	Chairperson, Social Collaboration Council, The Mathematical Society of Japan		

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director	Yoshio Fukuda	March 1, 1953	Apr. 1976 Jul. 2006 May 2007 Jun. 2010 Jun. 2012 Jun. 2013 Apr. 2015 Jun. 2015 Jun. 2016 Jun. 2017 Jun. 2017 Jun. 2020 Jun. 2020 Mar. 2021	Joined Teijin Limited Corporate Officer, Teijin Group Member of the Board and General Manager of Raw Materials & Polymers Division, Teijin Fibers Ltd. President, P.T. Teijin Indonesia Fiber Corporation Tbk Corporate Officer and Member of the Board, General Manager of Corporate Planning Division, Teijin Limited Executive Officer and Member of the Board, General Manager of Electronics Materials and Performance Polymer Products Business Group, and General Manager of Resin and Plastic Processing Business Unit, Teijin Limited President, Teijin Chemicals Ltd. Chairperson, Global Policy Board, Teijin DuPont Films Global Joint Venture Senior Executive Officer and Member of the Board, General Manager of Electronics Materials and Performance Polymer Products Business Group, Teijin Limited Chairperson, Global Policy Board, Teijin DuPont Films Global Joint Venture Advisor, Member of the Board, Teijin Limited Advisor, Teijin Limited Outside Director, Toyo Construction Co., Ltd. Outside Corporate Auditor, the Company Auditor, Japan Indonesia Association, Inc. (incumbent) Outside Director, the Company (incumbent) Director, Harmonic AD, Inc. Auditor, Japan-Sri Lanka Association (incumbent)	(Notes) 3	1,544

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director	Kazuhiko Hayashi	April 25, 1954	Apr. 1978 Jan. 2001 Jan. 2004 Jan. 2005 Apr. 2007 Jan. 2010 Jan. 2012 Jun. 2015 Jul. 2019 Jun. 2022	Joined Toyota Motor Co., Ltd. (present Toyota Motor Corporation) Project General Manager of Leading-edge Vehicle Development Planning Office, Toyota Motor Corporation General Manager of Electronics Engineering Div. II, Toyota Motor Corporation General Manager of Electronics Engineering Div. I, Toyota Motor Corporation General Manager of BR Control Software Development Office, Toyota Motor Corporation Managing Executive Officer, Sumitomo Wiring Systems, Ltd. Executive Officer of Sumitomo Electric Industries, Ltd., Managing Executive Officer of Sumitomo Wiring Systems, Ltd., and Director of AutoNetworks Technologies, Ltd. Senior Managing Executive Officer of Sumitomo Wiring Systems, Ltd., Executive Officer of Sumitomo Electric Industries, Ltd., and Director of AutoNetworks Technologies, Ltd. Visiting Professor, Nagasaki Institute of Applied Science Outside Director, the Company (incumbent)	(Notes) 3	580
Director	Kaeko Kitamoto	April 15, 1965	Apr. 1988 Oct. 1993 Jul. 2009 Sep. 2018 Jul. 2019 Jul. 2023 Jul. 2023 Mar. 2025	Joined Sapporo Breweries Limited Joined Ota Showa Audit Corporation (currently Ernst & Young ShinNihon LLC) Partner, Ernst & Young ShinNihon LLC Member of Electricity and Gas Market Surveillance Commission, Ministry of Economy, Trade and Industry Executive Board Member, Ernst & Young ShinNihon LLC Outside Director, the Company (incumbent) Audit & Supervisory Board Member (external), DAIKIN INDUSTRIES, LTD. (incumbent) Outside Director, EBARA CORPORATION (incumbent)	(Notes) 3	–

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Full-time Corporate Auditor	Yoshitsugu Yokogoshi	November 16, 1953	Apr. 1977 Apr. 1995 May 2005 May 2007 Jan. 2009 Jun. 2014 Jun. 2017 Jun. 2020	Joined The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.) Yoyogi Branch Manager, The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.) Executive Officer, General Manager of Public Relations Department, UFJ Bank Ltd. (present MUFG Bank, Ltd.) Managing Executive Officer and Deputy Chief Executive of Retail Banking Business Unit, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (present MUFG Bank, Ltd.) Executive Vice President, Mitsubishi UFJ Asset Management Co., Ltd. President, The Midori Kai Co., Ltd. Full-time Audit & Supervisory Board Member, Cosmo Oil Co., Ltd. Full-time Outside Corporate Auditor, the Company (incumbent)	(Notes) 4	–
Full-time Corporate Auditor	Hidefumi Iguchi	April 5, 1959	Apr. 1983 May 1999 Apr. 2009 Jun. 2011 May 2013 Jul. 2014 Jun. 2020 Apr. 2022 Jun. 2022	Joined the Company General Manager of Quality Assurance Promotion Office, the Company General Manager of Operational Process Innovation Department, the Company General Manager of Internal Control and Audit Office, the Company Corporate Auditor, the Company Executive Officer (Corporate Governance), General Manager of Internal Control and Audit Office, the Company Executive Officer, In Charge of Corporate Governance and General Manager of Internal Control and Audit Office, the Company Executive Officer, General Manager of Administration and Human Resource Division, Manager of Environment, the Company Executive Officer, General Manager of Administration and Human Resource Division, Manager of Environment, and General Manager of Health Promotion Center, the Company Full-time Corporate Auditor, the Company (incumbent)	(Notes) 4	5,578

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Corporate Auditor	Eisaku Imazato	March 2, 1956	Apr. 1979 Mar. 2002 Mar. 2003 Dec. 2004 Feb. 2005 Feb. 2007 Aug. 2008 Feb. 2009 May 2010 Jun. 2012 Jun. 2016 Mar. 2020 Jun. 2020	Joined The Nikko Securities Co., Ltd. (present SMBC Nikko Securities Inc.) General Manager of Corporate Clients Department II, Nikko Cordial Securities Inc. Executive Officer, General Manager of Tokyo Corporate Clients Department II, Nikko Cordial Securities Inc. Director in charge of sales planning and corporate clients, Nikko Cordial Securities Inc. Executive Managing Director in charge of planning and wholesale business promotion, Nikko Cordial Securities Inc. Senior Managing Director in charge of Wholesale Sales Division I, Nikko Cordial Securities Inc. Senior Executive Officer, Head of Institutional Client Coverage Division, Nikko Citigroup Limited Managing Executive Officer, Co-Head of Corporate & Institutional Business Unit, Mitsubishi UFJ Securities Co., Ltd. Managing Executive Officer, Head of Corporate & Institutional Business Unit, Head of Corporate Clients Group, and Co-Manager of Regional Executives, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Managing Executive Officer in charge of corporate consolidation, Mitsubishi UFJ Securities Holdings Co., Ltd. Executive Officer, Mitsubishi UFJ Financial Group, Inc. Principal Executive Officer, Head of Corporate & Institutional Business Unit, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Outside Director, Chairperson of the Board of Directors, Marusan Securities Co., Ltd. Outside Director, Hakudo Co., Ltd. Outside Corporate Auditor, the Company (incumbent)	(Notes) 4	–

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Corporate Auditor	Nobuyuki Higashi	March 31, 1964	Apr. 1987	Joined Nomura Research Institute, Ltd.	(Notes) 4	–
			Apr. 1998	Joined Nomura Securities Co., Ltd.		
			Jul. 2000	Seconded to Nomura Principal Finance Co., Ltd.		
			Apr. 2012	Managing Director of Investment Business Group, Innovation Network Corporation of Japan (currently Japan Investment Corporation)		
			Apr. 2017	Outside Director, JOLED Inc.		
			Apr. 2017	Outside Corporate Auditor, Harmonic Drive AG (currently Harmonic Drive SE)		
			Jun. 2017	External Director, Japan Display Inc. (retired in June 2018)		
			Sep. 2018	Executive Managing Director and Managing Director of Investment Business Group, INCJ, Ltd.		
			Mar. 2020	External Director, Japan Display Inc.		
			Jun. 2021	Senior Executive Managing Director and Managing Director of Investment Business Group, INCJ, Ltd.(incumbent)		
			Jun. 2024	Corporate Auditor, the Company (incumbent)		
Total						154,600

(Notes) 1. Directors Haruhiko Yoshida, Masanobu Nakamura, Yoshio Fukuda, Kazuhiko Hayashi and Kaeko Kitamoto are Outside Directors.

2. Corporate Auditors Yoshitsugu Yokogoshi and Eisaku Imazato are Outside Corporate Auditors.

3. The term of office of director is from the conclusion of Ordinary General Meeting of Shareholders associated with fiscal year ended March 31, 2025 to the conclusion of Ordinary General Meeting of Shareholders associated with fiscal year ending March 31, 2026.

4. The term of office of corporate auditor is from the conclusion of Ordinary General Meeting of Shareholders associated with fiscal year ended March 31, 2024 to the conclusion of Ordinary General Meeting of Shareholders associated with fiscal year ending March 31, 2028.

5.Corporate Auditor Nobuyuki Higashi used to serve as an External Director of Japan Display Inc. ("JDI"). JDI made corrections to its past annual securities reports and other financial documents associated with inappropriate accounting in April 2020. The documents subject to such corrections include those that belong to fiscal years during which he was an External Director of JDI. Also, an action for damages was brought against JDI and ten (10) former directors of JDI (including Nobuyuki Higashi) on the grounds that the plaintiffs incurred damages due to inappropriate accounting, and this case is on trial. Note that he has abundant experience in management research and investment business at major think tanks, major securities companies, investment companies, etc., and possesses considerable knowledge of finance and accounting. He also possesses a high level of insight into corporate management, having served as an outside director and an outside corporate auditor of several companies involved in investment business through public-private funds. In addition, in March 2017, the Company jointly acquired additional shares of Harmonic Drive AG (currently Harmonic Drive SE), a German equity method affiliate, with Innovation Network Corporation of Japan, and he served as an Outside Corporate Auditor of Harmonic Drive AG from April 2017 to July 2021, auditing and supervising the company's management, with a record that he sufficiently fulfilled his duties as an outside corporate auditor. Comprehensively taking these facts into consideration, the Company elected him as Corporate Auditor with the expectation that he will contribute to further strengthening our audit function.

6. The Company has introduced an executive officer system. Executive officers are elected by the Board of Directors and execute business in each area of which they are in charge with authority delegated by representative directors. This system is intended to enhance decision-making speed and supervisory functions of the Board of Directors, as well as decision-making speed in business execution.
The number of executive officers is fifteen (15) and members are Akira Nagai, Executive Chairperson, Group Management; Akira Maruyama, Executive President, Chief Executive Officer; Kazutoshi Kamijoh, Senior Managing Executive Officer, In Charge of Finance Accounting, Finance and Tax Division; Minoru Asano, Managing Executive Officer, General Manager of Supply Chain Division: Tetsuo Ikuta, Executive Officer, In Charge of Public Relations; Yoshihide Kiyosawa, Executive Fellow Officer (Chief Technical Officer), In Charge of Engineering and Quality, General Manager of Quality Assurance Division; Yoshihiro Tanioka, Executive Officer, In Charge of Development and Engineering Division, Responsible for Company-wide Cost Innovation Project; Michiya Yashiro, Executive Officer, General Manager of Sales Administrative Division and Overseas Sales Division; Naomi Shirasawa, Executive Officer, In Charge of Marketing and Sales, General Manager of Domestic Sales Division; Makiko Ono, Executive Officer, Head of Sustainability, Corporate Planning, and Investor Relations; Tsuyoshi Awaduhara, Executive Officer, In Charge of Production, Production Planning, General Manager of First Production Division; Hiroki Hanaoka, Executive Officer, General Manager of Production Technology Division; Osamu Asakura, Executive Officer, General Manager of Administration and Human Resource Division and Manager of Environment; Shizuka Yata, Executive Officer, Chief of Harmonic Drive Laboratory; and Tetsuya Shiokawa, Executive Officer, General Manager of Corporate Planning Division, In Charge of Business Development.

7. The number of shares held includes the portion held by the Officers' Shareholding Association.

(ii) Outside directors and outside corporate auditors

The Company proposes “Election of ten (10) Directors” as an agenda item (proposal to be resolved) at the Ordinary General Meeting of Shareholders scheduled to be held on June 20, 2025. If this proposal is approved and adopted, the status of the Company’s directors and corporate auditors will be as follows.

The number of Company’s outside directors is five (5).

Outside Director Haruhiko Yoshida used to serve as a Representative Director, Executive Managing Director of Mitsui & Co., Ltd.; a Director of Nagano Keiki Co., Ltd.; and a Corporate Auditor and Director of Hakudo Co., Ltd. There are no important matters in the personnel relationship, capital relationship and business relationship between the Company and each company.

Outside Director Masanobu Nakamura used to serve as a Representative Director, Executive Operating Officer of UFJ Bank Ltd. (present MUFG Bank, Ltd.); and President and Representative Director of BNP Paribas (Japan) (present BNP Paribas Securities (Japan) Limited). The Company and MUFG Bank, Ltd. have a business relationship, and the balance of borrowings from the bank is ¥5,025 million as of the filing date of this Annual Securities Report (June 18, 2025). There are no important matters in the personnel relationship, capital relationship and business relationship between the Company and BNP Paribas Securities (Japan) Limited.

Outside Director Yoshio Fukuda used to work for Teijin Limited and its affiliated companies and serve as an Outside Director of Toyo Construction Co., Ltd. There are no important matters in the personnel relationship, capital relationship and business relationship between the Company and Teijin Group, and Toyo Construction Co., Ltd. In addition, he currently serves as an Auditor of Japan Indonesia Association, Inc., and an Auditor of Japan-Sri Lanka Association. There are also no important matters in the personnel relationship, capital relationship and business relationship between the Company and the both corporate bodies.

Outside Director Kazuhiko Hayashi used to serve as a Senior Managing Executive Officer of Sumitomo Wiring Systems, Ltd.; an Executive Officer of Sumitomo Electric Industries, Ltd.; and a Director of AutoNetworks Technologies, Ltd. There are no important matters in the personnel relationship, capital relationship and business relationship between the Company and each company.

Outside Director Kaeko Kitamoto used to serve as a Partner and Executive Board Member of Ernst & Young ShinNihon LLC. There are no important matters in the personnel relationship, capital relationship and business relationship between the Company and the audit corporation. In addition, she currently serves as an Audit & Supervisory Board Member (external) of DAIKIN INDUSTRIES, LTD. and an Outside Director of EBARA CORPORATION. There are no important matters in the personnel relationship, capital relationship and business relationship between the Company and DAIKIN INDUSTRIES, LTD. or EBARA CORPORATION.

The number of Company’s outside corporate auditors is two (2).

Full-time Outside Corporate Auditor Yoshitsugu Yokogoshi used to serve as a Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd.(present MUFG Bank, Ltd.); Executive Vice President of Mitsubishi UFJ Asset Management Co., Ltd.; President of The Midori Kai Co., Ltd.; and a Full-time Audit & Supervisory Board Member of Cosmo Oil Co., Ltd. The Company and MUFG Bank, Ltd. have a business relationship, and the balance of borrowings from the bank is ¥5,025 million as of the filing date of this Annual Securities Report (June 18, 2025). There are no important matters in the personnel relationship, capital relationship and business relationship between the Company and Mitsubishi UFJ Asset Management Co., Ltd., The Midori Kai Co., Ltd., or Cosmo Oil Co., Ltd.

Outside Corporate Auditor Eisaku Imazato used to serve as a Senior Managing Director of Nikko Cordial Securities Inc.(present SMBC Nikko Securities Inc.); a Senior Executive Officer of Nikko Citigroup Limited (present Citigroup Global Markets Japan Inc.); Principal Executive Officer of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.; a Managing Executive Officer of Mitsubishi UFJ Securities Holdings Co., Ltd.; and an Executive Officer of Mitsubishi UFJ Financial Group, Inc., a parent company of MUFG Bank, Ltd. As of the filing date (June 18, 2025), he serves as an Outside Director of Marusan Securities Co., Ltd., but is scheduled to retire at the Ordinary General Meeting of Shareholders of Marusan Securities Co., Ltd. to be held on June 20, 2025. The Company and MUFG Bank, Ltd., a subordinate company of Mitsubishi UFJ Financial Group, Inc., have a business relationship, and the balance of borrowings from the bank is ¥5,025 million as of the filing date of this Annual Securities Report (June 18, 2025). There are no important matters associated with the personnel relationship, capital relationship and business relationship between the Company and the above-mentioned securities companies.

There are no important matters in the personnel relationship, capital relationship and business relationship between all of outside directors and outside corporate auditors, and the Company.

For election of outside directors and outside corporate auditors, the Company has set standards and policies relating to their independence of the Company. Comprehensively considering the personnel relationship, capital relationship and business relationship between candidates for the said outside officers themselves and companies or other bodies to which such candidates belong, and the Company, the Company proposes candidate outside officers to a General Meeting of Shareholders, subject to the judgment that the candidates can fulfill the functions and roles independently of the Company.

An overall assessment is made for election, following determination of the applicability of each item of independence standards in reference to those set by the Tokyo Stock Exchange.

(3) [Status of audits]

(i) Corporate auditors' audits

(a) Organization, members, procedures and activities

・The Company is a Company with a Board of Corporate Auditors and corporate auditors' audit for the fiscal year ended March 31, 2025 was conducted by a total of four (4) members that consist of two (2) full-time corporate auditors and two (2) part-time corporate auditors (of whom two (2) were outside corporate auditors).

・After the Ordinary General Meeting of Shareholders, the Board of Corporate Auditors determines audit policies, plans, and work assignments, and each corporate auditor audits the execution of duties by directors, executive officers, and others in accordance with the "Board of Corporate Auditors Regulations," "Board of Corporate Auditors Auditing Standards" and "Implementation Standards for Internal Control Systems."

・Specifically, the Board of Corporate Auditors audits the execution of duties by directors through attendance at important meetings, including Board of Directors meetings, executive officer meetings, Business Process Innovation meetings, Development Promotion meetings, and affiliated company meetings. Furthermore, the Board of Corporate Auditors meets with representative directors, shares information with outside directors, exchanges opinions with directors, executive officers, general managers, office managers, divisional sales managers, and presidents of domestic and overseas subsidiaries, and inspects important documents including approval requests and credit application forms. The Board of Corporate Auditors also plans and holds Group corporate auditor liaison meetings with auditors from affiliated companies to share information among Group companies and take the lead in improving knowledge related to auditing duties.

(b) Status of activities of Board of Corporate Auditors

・The Board of Corporate Auditors, in principle, holds ordinary meetings on the same day as Board of Directors meetings and convenes extraordinary meetings as necessary. The Board of Corporate Auditors held a total of seventeen (17) meetings in the fiscal year under review.

・Attendance record of individual corporate auditors for the fiscal year under review is as follows:

Name	Full-time/ Part-time	Internal/ Outside	Number of meetings held	Number of meetings attended	Attendance rate
Yoshitsugu Yokogoshi	Full-time	Outside	17	17	100%
Hidefumi Iguchi	Full-time	Internal	17	17	100%
Shigeto Ohashi	Part-time	Outside	4	4	100%
Eisaku Imazato	Part-time	Outside	17	17	100%
Nobuyuki Higashi	Part-time	Internal	13	13	100%

・The Board of Corporate Auditors specifically examines the goals and progress of each department in overall management based on its authority and responsibility, and monitors the establishment and operation of the internal control system resolved by the Board of Directors, as well as competitive transactions and transactions involving conflicts of interest.

・Corporate auditors exchange opinions with the Accounting Auditor regarding audit plans, receive reports on audit results, discuss and evaluate the content of audits, and ensure cooperation.

・As regards sustainability-related matters (the Sustainability Committee), which are resolved and reported to the Board of Directors at least four times a year, and are reported to and deliberated at executive officer meetings by an officer in charge, corporate auditors also provide necessary recommendations and share information.

・Besides the above, activities of full-time corporate auditors focus on matters related to corporate auditors' audit plans and policies, the audit firm, the Internal Control and Audit Office, integrated management of domestic and overseas subsidiaries, whistleblowing reports, and inventory, etc. and such information is properly handled for cooperation and sharing with part-time corporate auditors.
・Regarding key audit matters (KAM), corporate auditors held discussions with PricewaterhouseCoopers Japan LLC, received reports on the status of their audits, and requested explanations as necessary.

(ii) Status of internal audits

Internal audits are utilized as a means to obtain the assurance necessary for management by verifying the appropriateness and efficiency of operations and compliance with laws and regulations, with the objective of preserving and enhancing corporate value. These audits are conducted in a fair and independent manner based on the “Internal Audit Regulations” The Board of Directors and the president recognize the importance of internal audits and support the effective operation of internal audits by organizing a proper audit structure, allocating sufficient personnel, and utilizing audit results.

(a) Organization, members, and procedures of internal audits

The Internal Control and Audit Office, which reports directly to the president, is composed of one (1) General Manager and one (1) audit staff member. The office conducts audits of the Company and its Group companies. Audits are conducted based on an annual plan and involve verifying the status of business processes and internal controls. When necessary, findings and recommendations are made, and the status of implementation and audit results are reported regularly to the president and the Board of Directors.

(b) Cooperation among internal audits, corporate auditors’ audits and the Accounting Auditors’ audits

The status of implementation and audit results are also reported periodically to the Audit & Supervisory Board, and audit plans and risk-related information are shared with the Accounting Auditor. In addition, the Internal Control and Audit Office collaborates with the corporate planning department, which is responsible for group management, and with other administrative departments to ensure consistency between audit activities and internal controls.

(c) Initiatives to ensure the effectiveness of internal audits

The Internal Control and Audit Office maintains its independence from the business execution departments and has a system in place to report audit results to the president, as well as to the Board of Directors and the Board of Corporate Auditors. To enhance the effectiveness of audits, the Company endeavors to maintain and improve the expertise of internal auditors and to establish and maintain a follow-up process to continuously monitor the status of corrective actions.

(iii) Status of the Accounting Auditor

(a) Name of accounting firm, certified public accountants who performed the accounting audit, and structure of assistants relating to audits

In terms of accounting audits, PricewaterhouseCoopers Japan LLC conducts appropriate accounting audits based on an audit contract and the Company exchanges opinions on the audit results and receives recommendations for improvements. The certified public accountants performing the accounting audit of the Company in the fiscal year under review were Mr. Hideki Godai and Mr. Yoshitaka Sakurai, both of whom are partners of PricewaterhouseCoopers Japan LLC. Assistants related to audits of the Company are three (3) certified public accountants and ten (10) other staff members.

(b) Duration of audits

PricewaterhouseCoopers Japan LLC has continuously provided audit services to the Company since the fiscal year ended March 31, 2007. Also, former Aoyama Audit Corporation and former ChuoAoyama PricewaterhouseCoopers had continuously provided audit services to the Company at least from the fiscal year ended March 31, 1993 to the fiscal year ended March 31, 2006. Therefore the total audit period adds up to 33 years. Research about the period before the fiscal year ended March 31, 1993 was extremely difficult and there is a possibility that the duration of audits may exceed the aforementioned duration.

(c) Policies, reasons and assessment in selection of certified public accountants for audits

The Board of Corporate Auditors determined that the certified public accountants met each criterion of assessment and selection within adequate levels and their reappointments were reasonable, as a result of review based on a policy of comprehensive judgment based on the criteria of assessment and selection provided in “practical guidelines of auditors, etc. for the establishment of criteria for assessment and selection of certified public accountants” published by Japan Audit & Supervisory Board Members Association.

(d) Policies for the determination of dismissal or non-reappointment of Accounting Auditor

The Board of Corporate Auditors considers dismissal or non-reappointment of Accounting Auditor in the event of problems in execution of its duties and other cases, and resolves a proposal on dismissal or non-reappointment of the Accounting Auditor, if it is judged necessary. In the event that a violation and infringement of laws and regulations such as the Companies Act and the Certified Public Accountants Act by Accounting Auditor is recognized, the Board of Corporate Auditors considers dismissal of such Accounting Auditor, based on the facts, and dismisses the Accounting Auditor, if dismissal is judged appropriate.

(iv) Details of audit fees

(a) Fees to certified public accountants for audits

Categories	Previous fiscal year		Fiscal year under review	
	Audit fees (Thousands of yen)	Non-audit fees (Thousands of yen)	Audit fees (Thousands of yen)	Non-audit fees (Thousands of yen)
Reporting company	50,000	–	44,200	–
Consolidated subsidiaries	–	–	–	–
Total	50,000	–	44,200	–

Details of non-audit services provided to the reporting company by certified public accountants, etc. for audits

Previous fiscal year

Not applicable.

Fiscal year under review

Not applicable.

(b) Fees to PricewaterhouseCoopers GmbH, PwC Tax Japan, PwC Legal Japan, PricewaterhouseCoopers Sustainability LLC, and PricewaterhouseCoopers Consultants (Shenzhen) Limited, which belong to the same network as certified public accountants, etc.(excluding (a))

Categories	Previous fiscal year		Fiscal year under review	
	Audit fees (Thousands of yen)	Non-audit fees (Thousands of yen)	Audit fees (Thousands of yen)	Non-audit fees (Thousands of yen)
Reporting company	18,931	41,140	20,741	16,120
Consolidated subsidiaries	14,758	2,966	17,011	3,733
Total	33,690	44,106	37,752	19,853

(Details of non-audit services)

Previous fiscal year

Non-audit services provided to the Company and its consolidated subsidiaries are preparation support for income tax reports, administration of documents relating to transfer price, support for sustainability promotion, and consulting service of other tax affairs.

Fiscal year under review

Non-audit services provided to the Company and its consolidated subsidiaries are preparation support for income tax reports, administration of documents relating to transfer price, legal advisory services, and consulting service of other tax affairs.

(c) Other important fees

Not applicable.

(d) Determination policy for audit fees

The Company considers plans, contents and duration of audits proposed by certified public accountants for audits and determines audit fees, comprehensively considering the size and characteristics of the Company.

(e) Reasons for corporate auditors' consent to audit fees

The Board of Corporate Auditors gave consent to the amount of audit fees set forth in Article 399, Paragraph 1 of the Companies Act, as a result of inspection of contents of audit for the fiscal year under review explained by the Accounting Auditor and audit results for the past fiscal years, as well as a close examination of calculation bases for fee estimation, taking account of "practical guidelines for cooperation with accounting auditors" published by Japan Audit & Supervisory Board Members Association.

(4) [Remuneration for directors and corporate auditors]

(i) Policy on determining remuneration amount and the calculation methods thereof

Director remuneration consists of fixed cash remuneration as base remuneration, restricted share-based remuneration as stock compensation, and bonuses linked to the Company's fiscal year performance as variable remuneration. It takes into consideration the responsibility of directors for increasing the Group's corporate value over the medium- to long-term as well as for improving performance in each fiscal year. Outside directors do not receive share-based remuneration but are paid base remuneration and bonuses in the form of cash. This policy was determined by the Board of Directors.

a. Policy on determining the amount of base remuneration for each individual

The base remuneration for directors shall be paid in the form of a fixed monthly remuneration, and it shall be set within the range of remuneration that was resolved at the Fiscal 2022 General Meeting of Shareholders held on June 21, 2023 (¥320 million including ¥100 million for outside directors. The number of directors appointed at this General Meeting of Shareholders is ten (10) including five (5) outside directors). The base remuneration shall be determined after comprehensively considering the Company's business performance and the level of employee salary, including for executive officers, etc., depending on whether they have representative rights or not, their position, and responsibilities.

b. Policy on determining the details and calculation method for performance-linked remuneration

In an attempt to raise awareness for improving business performance in each business year, performance-linked remuneration for directors shall be decided at the General Meeting of Shareholders following a resolution by the Board of Directors after comprehensively considering business results for each business year (approximately 4% of non-consolidated profit) and the degree of achievement of the annual business plan. The reason for employing non-consolidated profit as a metric to determine the amount of director bonuses is based on a belief that it is desirable to link director bonuses to business performance, comprehensively considering its clarity as a metric and high correlation with basic earnings per share. The payment is made once a year.

c. Policy on determining the ratio of base remuneration and performance-linked remuneration to the amount of remuneration for individual directors

The Company's director remuneration consists of base remuneration (cash remuneration and restricted share-based remuneration) and variable remuneration (performance-linked bonuses). Since non-consolidated profit, which becomes the source of bonuses, fluctuates along with the business performance, we do not determine the ratio of the different types of remuneration in advance but instead determine the ratio subsequently depending on the determined amount of bonus for each fiscal year calculated by the method described in paragraph b.

d. Policy on determining the amount of non-monetary remuneration, etc. (restricted share-based remuneration)

The total amount of monetary remuneration claims to be paid as restricted share-related remuneration, etc. to directors (excluding outside directors) shall be within the range of ¥100 million as resolved at the Fiscal 2021 General Meeting of Shareholders held on June 22, 2022. The amount of monetary remuneration claims to be paid to individual directors is calculated based on the standards provided by the director regulations. Each director receives restricted shares by means of contributing all of such claims in kind to the Company after an annual resolution approved by the Board of Directors.

e. Matters concerning delegation of decisions of remuneration, etc. for individual directors

Decision-making authority on remuneration for individual directors for the fiscal year under review is delegated to President and Representative Director (Mr. Akira Maruyama for the period), taking into account factors such as if a director has the authority to represent the company, position, responsibilities, and contribution. However, in making such decisions, President and Representative Director shall consult with the Nomination and Remuneration Advisory Committee, a majority of whose members are independent Outside Directors, and make decisions after considering the committee's recommendations. Regarding the responsibilities, execution of duties, and contribution of directors, decision-making authority based on a comprehensive perspective is delegated to President and Representative Director after undergoing the aforementioned consultation and recommendation process since President and Representative Director has the most comprehensive understanding of these matters.

f. Reasons for judgment of the Board of Directors that the details of remuneration, etc. for individual directors for the fiscal year under review are in accordance with the policies

The details of remuneration, etc. for individual directors are determined by President and Representative Director, based on the above-mentioned procedures, and therefore the Board of Directors judged the determined details are in accordance with the policies.

g. Activities of the Board of Directors associated with the determination process of remuneration amount for the fiscal year under review

At the Board of Directors meeting held on May 7, 2024, deliberations and a resolution were made to reduce the remuneration (base remuneration) of the Directors who are involved in business execution, in order to clarify management responsibility for the recording of impairment losses on intangible assets in the financial results for the fiscal year ended March 31, 2024. In addition, at the Board of Directors meeting held on November 20, 2024, deliberations and a resolution were made to reduce the remuneration (base remuneration) of the Directors who are involved in business execution, in order to clarify management responsibility for the deterioration in the earnings forecast for the fiscal year ended March 31, 2025.

Remuneration for corporate auditors consists solely of fixed basic remuneration in cash. The base remuneration for corporate auditors is set within the range of a remuneration of ¥100 million that was resolved at the Fiscal 2019 General Meeting of Shareholders held on June 24, 2020 (the number of corporate auditors at the conclusion of this General Meeting of Shareholders was four (4) including three (3) outside corporate auditors). The base remuneration is determined through discussions among corporate auditors after considering their duties and other factors.

(ii) Details of remuneration for directors and corporate auditors

a. Total amount of remuneration by category of position and by type, and number of recipients of the reporting company

Categories of position	Total amount of remuneration (Thousands of yen)	Total amount of remuneration by type			Number of recipients (Persons)
		Base remuneration	Performance-linked remuneration	Non-monetary remuneration, etc.	
Directors (excluding outside directors)	200,539	127,047	–	73,492	6
Corporate auditors (excluding outside corporate auditors)	37,800	37,800	–	–	2
Outside directors and corporate auditors	115,800	115,800	–	–	8

(Notes) 1. Remuneration paid to directors does not include the salary for employee duties of directors who concurrently serve as employees.

2. Performance-linked remuneration for directors was determined to be zero, after comprehensibly considering business performance of the fiscal year under review.

3. The above-mentioned amount in non-monetary remuneration, etc. is the amount of restricted stock payment recorded as expenses in the fiscal year under review.

4. Matters concerning non-monetary remuneration, etc.

The Company has introduced a stock compensation plan (restricted share-based remuneration plan), with the intention of raising the awareness of directors (excluding outside directors) to contribute to its business performance and corporate value over the medium- to long-term by sharing the benefits and risks of fluctuating stock price with our shareholders.

Details and the upper limit of number of restricted shares delivered to directors (excluding outside directors) are as follows.

1) Allotment and payment of restricted shares

The Company pays monetary remuneration claims to directors (excluding outside directors) as restricted share-related remuneration, etc. within the range of ¥100 million on an annual basis, in accordance with a resolution of the Board of Directors. Each director receives restricted shares by means of contributing all of such claims in kind to the Company.

The amount to be paid for restricted shares is determined by the Board of Directors on the basis of the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date on which the Board of Directors resolves on issuance or disposal of the restricted shares (or the closing price on the immediately preceding trading day if no trading was effected on that date), within the range of amount which is not particularly favorable to directors who receive such restricted shares.

The above-mentioned monetary remuneration claims are paid to directors (excluding outside directors), subject to the condition that directors agree with the above-mentioned contribution in kind and conclude the restricted shares allotment agreement, including contents provided for in 3) below.

2) Total amount of restricted shares

A total of 35,000 shares of restricted shares to be allotted to directors (excluding outside directors) is the upper limit of number of restricted shares to be allotted in each fiscal year.

However, in case of stock split (including gratis allocation of the Company's common shares) or reverse stock split for the Company's common shares, or in other similar cases that require adjustment to a total number of restricted shares to be allotted, the Company can reasonably adjust the total number.

3) Details of the restricted shares allotment agreement

In allotting restricted shares, the restricted shares allotment agreement to be concluded between the Company and directors who receive restricted shares in accordance with a resolution of the Board of Directors include the following items.

I. Details of restriction on transfer

Directors who receive restricted shares are not permitted to transfer, create a pledge, create a transfer security interest, make a gift inter vivos, bequeath or otherwise dispose the restricted shares allotted to such directors (the "Allotted Shares") to a third party during the period from the delivery date of restricted shares until the date of retirement from the position of director (the "Restricted Period") ("Transfer Restrictions").

II. Free acquisition of restricted shares

If a director who receives restricted shares resigns from the position of Director on or after the commencement date of the Restricted Period and on or before the day preceding the first Ordinary General Meeting of Shareholders to be held after the date of commencement of the Restricted Period, the Company reasonably acquires the Allotted Shares without paying, except for cases in which the Board of Directors recognizes the cause as legitimate.

In addition, if there are shares of which restriction is not lifted among the Allotted Shares in accordance with the grounds for the lifting of Transfer Restrictions provided for in III. below, at the expiration of the Restricted Period described in I. above, the Company reasonably acquires such shares without paying.

III. Lifting of Transfer Restrictions

Subject to the condition that a director who receives restricted shares continues to be in the position of director until the date of the first Ordinary General Meeting of Shareholders to be held after the date of commencement of the Restricted Period, the Company lifts Transfer Restrictions from all the Allotted Shares at the expiration of the Restricted Period.

However, if such director resigns from the position of director on or before the day preceding the first Ordinary General Meeting of Shareholders to be held after the date of commencement of the Restricted Period on the grounds the Board of Directors recognizes as legitimate, the Company reasonably adjusts the number of the Allotted Shares subject to lifting and the time to lift Transfer Restrictions, as necessary.

IV. Handling of restricted shares in the event of reorganization

During the Restricted Period, in the event that proposals on reorganization, etc., including a merger agreement which defines the Company as a merged company, a share exchange agreement which defines the Company as a wholly-owned company, and a share transfer plan, are approved at the General Meeting of Shareholders (or at the Board of Directors in the cases which do not require the approval of the General Meeting of Shareholders) (only if the effective date of such reorganization, etc. is before the expiration of the Restricted Period. Hereinafter, the "Time of Approval for Reorganization, etc."), and directors who receive restricted shares retire from the position of director, as a result of such reorganization, etc., the Company lifts the Transfer Restrictions for the number of Allotted Shares to be reasonably decided based on the period from the beginning date of the Restricted Period to the date of approval for reorganization, etc., prior to the effective date of such reorganization, etc. by the resolution of the Board of Directors.

At the Time of Approval for Reorganization, etc., the Company reasonably acquires the Allotted Shares on the business day immediately preceding the date of such reorganization, etc., for the portion which remains under Transfer Restrictions as of the same day, without paying.

b. Total amount of remuneration paid by the Group to each director and corporate auditor of the reporting company

The information is not presented because there is no officer whose total remuneration amount totals to ¥100 million or more.

(iii) Salary for employee duties of officers who concurrently serve as employees

Total amount (Thousands of yen)	Officers who concurrently serve as employees (Persons)	Details
46,759	3	Salary for employee duties

(5) [Shareholdings]

(i) Criteria and principles on categories of investment shares

In categorizing investment shares according to shareholding purposes, the Company defines the investment shares held solely for capital gains from stock value fluctuation, or income gains from dividends on share as the investment shares held for pure investment, and investment shares held for other purposes as the investment shares held for purposes other than pure investment.

(ii) Investment shares held for purposes other than pure investment

a. Shareholding policy, methods to verify the reasonableness of shareholding, and details of examination by the Board of Directors, etc. on the appropriateness of holding individual issues

As regards policy for cross-shareholdings, which are investment shares held for purposes other than pure investment, based on a policy of not holding such shares more than necessary after careful selection, the Company comprehensively considers economic efficiency in cross-shareholdings, business strategies, business relationships, and other factors, and holds shares which are judged contributory to corporate value enhancement of the Group over the medium- to long-term. Accordingly, in light of the said policy, the Board of Directors examines the suitability of continuous shareholdings, both in a quantitative way such as comparison between actual dividends received and expected future dividends, and between the Company’s cost of equity and counterparties’ ROE, and in a qualitative way such as assessment from the aspect of business strategies and other factors.

b. Investment shares held for purposes other than pure investment

	Number of issues	Total balance sheet amount (Thousands of yen)
Unlisted shares	1	3,800
Shares other than those unlisted	2	406,131

(Issues whose number of shares increased in the fiscal year under review)

Not applicable.

(Issues whose number of shares decreased in the fiscal year under review)

	Number of issues	Total amount of proceeds from sales related to the decrease in the number of shares (Thousands of yen)
Unlisted shares	–	–
Shares other than those unlisted	1	8,325,750

c. Information such as shareholding categories, issues, number of shares, balance sheet amounts of investment shares held for purposes other than pure investment

Issue	Fiscal year under review	Previous fiscal year	Purpose of shareholding, overview of business alliance, quantitative effects of shareholding and reason for increase in number of shares	Shareholding of the Company
	Number of shares	Number of shares		
	Balance sheet amount (Thousands of yen)	Balance sheet amount (Thousands of yen)		
NACHI-FUJIKOSHI CORP.	107,000	107,000	The Company has a business relationship primarily in terms of both sale of speed reducers and procurement of parts, etc. and holds its shares to stabilize and reinforce the business relationship. The Company judged the shareholding reasonable, comprehensively considering the stock price, dividends received, comparison between the counterparty's ROE and the Company's cost of equity, as well as the actual and prospect of business transactions, and other factors. However, we have a policy to reduce the shareholding in the future, taking a comprehensive view including the dissolution of cross-shareholding relationships.	None
	365,405	373,430		
NANYO Corporation	35,200	17,600	The Company has a business relationship with the counterparty as a distributor of our products, as well as a strong business relationship in terms of material procurement, and therefore holds its shares to reinforce the business relationship. The Company judged the shareholding reasonable, comprehensively considering the stock price, dividends received, comparison between the counterparty's ROE and the Company's cost of equity, as well as the actual and prospect of business transactions, and other factors.	Yes
	40,726	45,302		
Nabtesco Corporation	–	3,265,000	Although we continued to hold the shares after the dissolution of the business alliance in January 2021, taking a comprehensive view of factors such as the share price, amount of dividends received, and a comparison between the investee company's ROE and the Company's cost of capital, the shares were sold in the fiscal year under review to reduce policy shareholdings, improve asset efficiency, and strengthen the financial base.	None
	–	8,358,400		

(Notes) 1. Although the above-mentioned investment shares include issues of which balance sheet amounts are 1% less of share capital amount, all issues held are presented.
2. There are no deemed holdings of shares.
3. NANYO CORPORATION conducted a two-for-one stock split effective April 1, 2024, resulting in an increase of 17,600 shares.

(iii) Investment shares held for pure investment

Not applicable.

(iv) Changes in the purpose of holding investment securities from pure investment to other than pure investment during the fiscal year under review.

Not applicable.

(v) Changes in the purpose of holding investment securities from other than pure investment to pure investment during the four fiscal years prior to and including the fiscal year under review.

Not applicable.

V [Financial Information]

1. Preparation methods of consolidated financial statements and financial statements
   (1) The Company's consolidated financial statements are prepared based on the "Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Order No. 28 of 1976).

   (2) The Company's financial statements are prepared based on the "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (Ministry of Finance Order No. 59 of 1963; hereinafter "Regulation on Financial Statements").
   In addition, the Company falls under a special company submitting financial statements and prepares the financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

2. Note on independent audit
   Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's consolidated financial statements and financial statements for the fiscal year (from April 1, 2024 to March 31, 2025) have been audited by PricewaterhouseCoopers Japan LLC.

3. Remarkable efforts to ensure fair presentation of consolidated financial statements, etc.
   The Company makes remarkable efforts to ensure fair presentation of consolidated financial statements, etc. Specifically, in order to develop a system for properly understanding the details of accounting standards, etc. and operating such standards, the Company has joined the Financial Accounting Standards Foundation, while taking part in external training and study sessions to deepen understanding and exchanging opinions with its accounting auditor.

1 [Consolidated financial statements, etc.]

(1) [Consolidated financial statements]

1) [Consolidated balance sheets]

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	20,318,343	24,900,137
Notes receivable - trade	*6 3,085,175	3,591,560
Accounts receivable - trade	8,668,982	9,544,240
Securities	37,156	52,789
Merchandise and finished goods	2,466,573	2,026,216
Work in process	3,481,346	4,115,787
Raw materials and supplies	6,681,866	6,362,096
Other	2,743,454	2,606,529
Allowance for doubtful accounts	(24,906)	(34,577)
Total current assets	47,457,994	53,164,779
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2 28,050,179	28,510,780
Accumulated depreciation	(8,961,427)	(10,186,796)
Buildings and structures, net	19,088,751	18,323,983
Machinery, equipment and vehicles	44,620,810	46,667,016
Accumulated depreciation	(28,516,512)	(32,860,078)
Machinery, equipment and vehicles, net	16,104,298	13,806,937
Tools, furniture and fixtures	10,647,385	10,764,487
Accumulated depreciation	(8,897,026)	(9,293,132)
Tools, furniture and fixtures, net	1,750,358	1,471,354
Land	*2,*5 3,486,870	*5 3,600,017
Leased assets	7,876,856	7,975,038
Accumulated depreciation	(2,840,983)	(3,491,221)
Leased assets, net	5,035,872	4,483,816
Construction in progress	2,610,922	4,191,123
Other	898,582	978,424
Accumulated depreciation	(828,333)	(895,903)
Other, net	70,248	82,520
Total property, plant and equipment	48,147,323	45,959,753
Intangible assets		
Software	493,049	810,422
Customer related assets	9,663,394	8,856,669
Technical assets	2,580,951	2,365,486
Other	159,997	126,357
Total intangible assets	12,897,391	12,158,936
Investments and other assets		
Investment securities	8,780,932	409,931
Shares of subsidiaries and associates	*1 48,112	*1 20,228
Investments in capital of subsidiaries and associates	–	*1 89,507
Long-term loans receivable from subsidiaries and associates	200,000	270,000
Retirement benefit asset	1,372,071	1,275,214
Deferred tax assets	137,493	165,301
Other	106,571	113,630
Allowance for doubtful accounts	(5,600)	(5,600)
Total investments and other assets	10,639,581	2,338,213
Total non-current assets	71,684,297	60,456,902
Total assets	119,142,291	113,621,682

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,036,539	3,184,623
Contract liabilities	172,558	136,988
Short-term borrowings	*3 700,629	*3, 4 2,701,653
Current portion of long-term borrowings	*2 2,529,452	*4 1,890,516
Lease liabilities	700,049	741,555
Income taxes payable	101,581	1,284,547
Provision for bonuses	949,714	1,030,221
Provision for bonuses for directors (and other officers)	66,165	84,564
Provision for loss on compensation for after-care of products	147,759	37,409
Other	3,315,414	2,804,621
Total current liabilities	11,719,864	13,896,702
Non-current liabilities		
Long-term borrowings	*2 15,201,497	*4 11,015,584
Lease liabilities	4,681,840	4,390,974
Deferred tax liabilities	5,837,148	3,715,935
Provision for retirement benefits for directors (and other officers)	12,000	26,400
Provision for operating officers' retirement benefits	104,749	126,374
Retirement benefit liability	836,377	954,909
Other	1,347,147	551,735
Total non-current liabilities	28,020,761	20,781,914
Total liabilities	39,740,626	34,678,616
Net assets		
Shareholders' equity		
Share capital	7,100,036	7,100,036
Capital surplus	22,778,711	22,786,269
Retained earnings	37,478,753	39,052,598
Treasury shares	(5,309,159)	(5,633,171)
Total shareholders' equity	62,048,341	63,305,732
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,256,856	146,568
Foreign currency translation adjustment	12,927,929	15,532,687
Remeasurements of defined benefit plans	168,538	(41,922)
Total accumulated other comprehensive income	17,353,323	15,637,333
Total net assets	79,401,665	78,943,066
Total liabilities and net assets	119,142,291	113,621,682

2) [Consolidated statements of income and comprehensive income]

[Consolidated statements of income]

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Net sales	*1 55,796,455	*1 55,645,940
Cost of sales	*3 40,189,989	*3 40,791,594
Gross profit	15,606,465	14,854,345
Selling, general and administrative expenses	*2,*3 15,481,886	*2,*3 14,847,351
Operating profit	124,579	6,993
Non-operating income		
Interest income	96,856	316,411
Dividend income	275,621	275,179
Foreign exchange gains	129,181	–
Subsidy income	110,873	78,421
Other	257,261	210,078
Total non-operating income	869,795	880,090
Non-operating expenses		
Interest expenses	177,069	224,478
Share of loss of entities accounted for using equity method	41,843	38,377
Foreign exchange losses	–	235,336
Rental expenses	116,151	91,501
Other	88,977	146,193
Total non-operating expenses	424,041	735,886
Ordinary profit	570,333	151,197
Extraordinary income		
Gain on sale of non-current assets	*4 6,861	*4 1,031
Gain on sale of investment securities	–	5,865,309
Subsidy income	2,000	2,000
Total extraordinary income	8,861	5,868,340
Extraordinary losses		
Loss on sale of non-current assets	*5 440	*5 3,842
Impairment losses	*6 28,159,317	*6 1,189,182
Loss on retirement of non-current assets	*7 23,517	*7 44,101
Loss on tax purpose reduction entry of non-current assets	2,000	2,000
Total extraordinary losses	28,185,276	1,239,126
Profit (loss) before income taxes	(27,606,080)	4,780,412
Income taxes - current	1,094,861	1,555,057
Income taxes - deferred	(3,893,945)	(248,184)
Total income taxes	(2,799,084)	1,306,872
Profit (loss)	(24,806,996)	3,473,539
Profit attributable to non-controlling interests	–	–
Profit (loss) attributable to owners of parent	(24,806,996)	3,473,539

[Consolidated statements of comprehensive income]

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Profit (loss)	(24,806,996)	3,473,539
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,588,454)	(4,110,287)
Foreign currency translation adjustment	4,781,841	2,604,757
Remeasurements of defined benefit plans, net of tax	(47,969)	(210,461)
Total other comprehensive income	*1 3,145,417	*1 (1,715,990)
Comprehensive income	(21,661,579)	1,757,549
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(21,661,579)	1,757,549
Comprehensive income attributable to non-controlling interests	–	–

3) [Consolidated statements of changes in net assets]

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,100,036	22,773,595	64,852,655	(4,978,535)	89,747,751
Changes during period					
Dividends of surplus			(2,566,906)		(2,566,906)
Profit (loss) attributable to owners of parent			(24,806,996)		(24,806,996)
Purchase of treasury shares				(397,294)	(397,294)
Restricted stock payment		5,115		66,670	71,786
Net changes in items other than shareholders' equity					
Total changes during period	–	5,115	(27,373,902)	(330,623)	(27,699,410)
Balance at end of period	7,100,036	22,778,711	37,478,753	(5,309,159)	62,048,341

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,845,310	8,146,088	216,507	14,207,906	–	103,955,658
Changes during period						
Dividends of surplus						(2,566,906)
Profit (loss) attributable to owners of parent						(24,806,996)
Purchase of treasury shares						(397,294)
Restricted stock payment						71,786
Net changes in items other than shareholders' equity	(1,588,454)	4,781,841	(47,969)	3,145,417	–	3,145,417
Total changes during period	(1,588,454)	4,781,841	(47,969)	3,145,417	–	(24,553,993)
Balance at end of period	4,256,856	12,927,929	168,538	17,353,323	–	79,401,665

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,100,036	22,778,711	37,478,753	(5,309,159)	62,048,341
Changes during period					
Dividends of surplus			(1,899,694)		(1,899,694)
Profit (loss) attributable to owners of parent			3,473,539		3,473,539
Purchase of treasury shares				(390,586)	(390,586)
Restricted stock payment		7,558		66,573	74,132
Net changes in items other than shareholders' equity					
Total changes during period	–	7,558	1,573,844	(324,012)	1,257,391
Balance at end of period	7,100,036	22,786,269	39,052,598	(5,633,171)	63,305,732

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4,256,856	12,927,929	168,538	17,353,323	–	79,401,665
Changes during period						
Dividends of surplus						(1,899,694)
Profit (loss) attributable to owners of parent						3,473,539
Purchase of treasury shares						(390,586)
Restricted stock payment						74,132
Net changes in items other than shareholders' equity	(4,110,287)	2,604,757	(210,461)	(1,715,990)	–	(1,715,990)
Total changes during period	(4,110,287)	2,604,757	(210,461)	(1,715,990)	–	(458,599)
Balance at end of period	146,568	15,532,687	(41,922)	15,637,333	–	78,943,066

4) [Consolidated statements of cash flows]

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Net cash provided by (used in) operating activities		
Profit (loss) before income taxes	(27,606,080)	4,780,412
Depreciation	9,189,813	8,023,274
Impairment losses	28,159,317	1,189,182
Amortization of goodwill	1,172,736	–
Increase (decrease) in allowance for doubtful accounts	3,428	7,960
Increase (decrease) in retirement benefit liability	(45,106)	23,262
Increase (decrease) in provision for retirement benefits for directors (and other officers)	–	14,400
Increase (decrease) in provision for operating officers’ retirement benefits	24,489	21,625
Increase (decrease) in provision for bonuses for directors (and other officers)	(294,480)	15,214
Increase (decrease) in provision for loss on compensation for after-care of products	79,428	(112,035)
Interest income	(96,856)	(316,411)
Dividend income	(275,621)	(275,179)
Interest expenses	177,069	224,478
Share of loss (profit) of entities accounted for using equity method	41,843	38,377
Subsidy income	(2,000)	(2,000)
Loss (gain) on sale of investment securities	–	(5,865,309)
Loss (gain) on sale of non-current assets	(6,421)	2,811
Loss on retirement of non-current assets	23,517	44,101
Loss on tax purpose reduction entry of non-current assets	2,000	2,000
Decrease (increase) in trade receivables	6,234,839	(944,481)
Decrease (increase) in inventories	603,355	711,731
Increase (decrease) in trade payables	(750,951)	(37,780)
Other	(469,579)	(615,429)
Subtotal	16,164,740	6,930,203
Interest and dividends received	371,459	550,400
Interest paid	(183,325)	(230,779)
Payments of retirement benefits for directors (and other officers)	–	(727,348)
Subsidies received	2,000	2,000
Income taxes paid	(3,892,940)	(546,617)
Income taxes refund	266,666	1,538,375
Net cash provided by (used in) operating activities	12,728,600	7,516,235
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(4,935,243)	(4,881,836)
Proceeds from sale of property, plant and equipment	15,085	7,885
Purchase of intangible assets	(377,679)	(452,277)
Proceeds from sale of investment securities	–	8,325,750
Payments for investments in capital of subsidiaries and associates	–	(100,000)
Payments into time deposits	(2,188,275)	(2,659,408)
Proceeds from withdrawal of time deposits	1,707,348	1,350,719
Payments of leasehold and guarantee deposits	(9,593)	(18,180)
Proceeds from refund of leasehold and guarantee deposits	37,471	6,930
Short-term loan advances	–	(88)
Proceeds from collection of short-term loans receivable	–	88
Loan advances to subsidiaries and associates	(200,000)	(100,000)
Other	481	481
Net cash provided by (used in) investing activities	(5,950,405)	1,480,063

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
(Cash Flows from Financing Activities)		
Proceeds from short-term borrowings	2,480,000	4,650,000
Repayments of short-term borrowings	(4,410,197)	(2,650,213)
Proceeds from long-term borrowings	70,000	–
Repayments of long-term borrowings	(2,656,564)	(4,824,849)
Repayments of lease liabilities	(641,904)	(747,957)
Purchase of treasury shares	(397,294)	(390,586)
Dividends paid	(2,566,337)	(1,910,578)
Net cash provided by (used in) financing activities	(8,122,296)	(5,874,183)
Effect of exchange rate change on cash and cash equivalents	363,836	859,185
Net increase (decrease) in cash and cash equivalents	(980,265)	3,981,300
Cash and cash equivalents at beginning of period	19,921,977	18,941,712
Cash and cash equivalents at end of period	*1 18,941,712	*1 22,923,012

[Notes]

(Notes - Significant accounting policies for preparation of consolidated financial statements)

1. Disclosure of scope of consolidation
   (1) Number of consolidated subsidiaries: 17 companies
       Names of consolidated subsidiaries:
       HD Systems, Inc.
       HD Logistics, Inc.
       Harmonic Precision Inc.
       Harmonic AD, Inc.
       Harmonic Drive L.L.C.
       Harmonic Winbel Inc.
       Harmonic Drive Systems (Shanghai) Co., Ltd.
       SAMICK ADM Co., Ltd.
       Harmonic Drive SE and its eight consolidated subsidiaries

       During the fiscal year under review, GK HD Management, which had been a consolidated subsidiary, was excluded from the scope of consolidation following its dissolution through an absorption-type merger with the Company as the surviving entity.

   (2) Number of unconsolidated subsidiaries: 1 company
       Names of unconsolidated subsidiaries:
       Ome Iron Casting Co., Ltd.
       Reasons for exclusion from consolidation:

       The unconsolidated subsidiary is small in scale and its total assets, net sales, profit or loss (amount corresponding to equity), retained earnings (amount corresponding to equity), etc. do not have a significant impact on the consolidated financial statements.

2. Disclosure about application of equity method

   Number of unconsolidated subsidiaries accounted for using equity method: 1 company
   Names of unconsolidated subsidiaries accounted for using equity method:
   Ome Iron Casting Co., Ltd.

   Number of affiliates accounted for using equity method: 1 company
   Names of affiliates accounted for using equity method:
   HATAKEN LLC

   HATAKEN LLC has been included in the scope of entities accounted for using the equity method from the fiscal year under review, as it was established through joint investment by the Company and KODEN Holdings Co., Ltd.

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

   The closing date of HD Systems, Inc., Harmonic Drive L.L.C., Harmonic Drive Systems (Shanghai) Co., Ltd., SAMICK ADM Co., Ltd., and Harmonic Drive SE (including its eight consolidated subsidiaries), is December 31 and the Company uses the financial statements as of the said closing date to prepare the consolidated financial statements. However, for significant transactions that occurred during the period up to the consolidated closing date, necessary adjustments are made for consolidation purposes.

4. Disclosure of accounting policies

(1) Valuation standards and methods for significant assets

1) Securities

a. Shares of subsidiaries and associates

The moving average cost method is applied.

b. Available-for-sale securities

- Securities other than shares, etc. that do not have a market value

The fair value method (with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method) is applied.

- Shares, etc. that do not have a market value

The moving average cost method is applied.

2) Receivables and payables arising from derivative transactions

The fair value method is applied.

3) Inventories

Inventories held for normal sales purpose

Valuation standards are based on the cost method (the method of writing down the book value based on a decline in profitability).

a. Merchandise and finished goods, raw materials and work in process

The moving average method is applied.

b. Supplies

The last purchase cost method is applied.

(2) Depreciation methods for significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries adopt the declining balance method.

However, the straight-line method is applied to buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and to facilities attached to buildings and to structures acquired on or after April 1, 2016. The overseas consolidated subsidiaries adopt the straight line method based on the estimated service life.

2) Intangible assets (excluding leased assets)

The straight-line method is applied.

However, for software (for internal use), the straight-line method is applied based on the expected usable period within the Company (five years).

3) Leased assets

Leased assets related to finance lease transactions with the right of ownership not transferred

The straight-line method is applied using the lease term as service life and a residual value of zero.

Some overseas consolidated subsidiaries prepare financial statements based on the International Financial Reporting Standards and adopt the International Financial Reporting Standards No. 16, “Leases” (hereinafter “IFRS 16”). In accordance with IFRS 16, for lessees of leases, in principle, all leases are recorded as assets and liabilities in the balance sheets and right-of-use assets recorded as assets are depreciated using the straight-line method. In addition, in (Notes - Leases), lease transactions based on IFRS 16 are classified as “1. Finance lease transactions.”

(3) Treatment of significant deferred assets

For share issuance costs, the full amount is treated as an expense at the time the disbursement is made.

(4) Recognition criteria for significant provisions

1) Allowance for doubtful accounts

To prepare for possible losses due to irrecoverable receivables, the estimated irrecoverable amount is recorded based on the historical default rate for general receivables, and individual consideration of collectability for certain receivables such as doubtful receivables.

2) Provision for bonuses

To prepare for the payment of bonuses to employees, the estimated amount of payment is recorded at the Company and its domestic consolidated subsidiaries.

3) Provision for bonuses for directors (and other officers)

To prepare for the payment of bonuses to directors (and other officers), the estimated amount of payment is recorded.

4) Provision for loss on compensation for after-care of products

To prepare for loss on compensation for after-care of products, the estimated amount of loss is recorded.

5) Provision for retirement benefits for directors (and other officers)

To prepare for the payment of retirement benefits to directors (and other officers), the full amount of payment required at the end of the fiscal year under review based on the internal rules is recorded at some consolidated subsidiaries.

6) Provision for operating officers' retirement benefits

To prepare for the payment of retirement benefits to operating officers, the full amount of payment required at the end of the fiscal year under review based on the internal rules is recorded.

(5) Accounting for retirement benefits

To prepare for the payment of retirement benefit to employees, the amount deemed to have accrued at the end of the fiscal year under review was recorded based on the estimated amount at the time. If the amount of plan assets is smaller than that of retirement benefit obligations, the difference is recorded as retirement benefit liability. If the amount of plan assets exceeds that of retirement benefit obligations, the amount exceeded is recorded as retirement benefit asset. In calculating retirement benefit obligations, the method for attributing the estimated amount of retirement benefits to the period until the end of the fiscal year under review is based on the benefit formula basis. For the past service costs, the amounts, prorated on the straight-line method over a fixed number of years (three years) that is within the average number of years of remaining service for employees at the time the costs are incurred, are primarily recorded as expenses. Also, actuarial differences are primarily recorded as expenses from the next fiscal year using the straight-line method over a fixed number of years (three years) that is within the average number of years of remaining service for employees at the time the differences arise. Unrecognized actuarial differences and unrecognized past service costs are adjusted for tax effect, and recorded under net assets as remeasurements of defined benefit plans in accumulated other comprehensive income. Some of the consolidated subsidiaries adopt the simplified method for calculating retirement benefit obligations.

(6) Recognition criteria for significant revenue and expenses

The Company's principal business is manufacturing and sales of speed reducers and mechatronic products. For the Company's domestic sale, revenue is recognized at the time of shipment, since the period from the time of shipment to the time when control of products is transferred to customers is normal. For export sale, revenue is recognized at the time when the burden of risk is transferred to customers mainly based on trade terms defined by Incoterms, etc. For the overseas consolidated subsidiaries, revenue is recognized at the time of delivery of products to customers or when the acceptance inspection is performed.

Under payment terms regarding the Company's transactions, in general, payment is due within a short period of time and significant financial elements are not included in contracts.

In addition, transaction prices are based on contract prices with customers and there is no variable consideration or discounting.

(7) Criteria for translating significant foreign-currency-denominated assets or liabilities into Japanese yen

Foreign-currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rate on the consolidated closing date and the translation adjustment is treated as a profit or loss. In addition, assets and liabilities of the overseas subsidiaries, etc. are translated into Japanese yen at the spot exchange rate on the closing date and the revenue and expenses are translated into Japanese yen at the average exchange rate during the period. Translation adjustments are included in foreign currency translation adjustment under net assets.

(8) Amortization methods and periods of customer related assets and technical assets

Customer related assets and technical assets are amortized in equal amounts over their useful period of life within 20 years.

(9) Scope of funds in consolidated statements of cash flows

Funds (cash and cash equivalents) in consolidated statements of cash flows consist of cash on hand, deposits that can be withdrawn at any time and short-term investments with a maturity within three months from the date of acquisition that are easily converted into cash and subject to insignificant risk of value fluctuations.

(Notes - Significant accounting estimates)

Valuation of non-current assets of the Harmonic Drive SE Group

1) Amounts recorded in the consolidated financial statements for the fiscal year under review
   - Book value: ¥17,309,972 thousand

2) Other information
   - Calculation method

The Company accounts non-current assets related to Harmonic Drive SE and its eight subsidiaries (hereinafter "the HDSE Group") as the smallest unit that generates cash flow.

As of the end of the fiscal year under review, the main non-current assets of the HDSE Group are customer related assets (carrying amount: ¥8,856,669 thousand) and technical assets (carrying amount: ¥2,365,486 thousand).

In the previous fiscal year, the HDSE Group was expected to expand its revenue and profit margins by capturing demand in the growing industrial robot market. However, due to inventory adjustments by customers in response to sharp fluctuations in demand for industrial robots, the Group's performance became unstable and deteriorated. Accordingly, an impairment test was conducted on the HDSE Group's non-current assets, and impairment losses of ¥28,159,317 thousand (comprising goodwill of ¥15,245,574 thousand, customer related assets of ¥10,191,691 thousand, and technical assets of ¥2,722,051 thousand) was recorded as an extraordinary losses in the previous fiscal year. As a result, the carrying amount of goodwill was reduced to zero at the end of the previous fiscal year.

The business plan used in the impairment test for the previous fiscal year projected a recovery in demand for industrial robots and progress in customer inventory adjustments, leading to growth in revenue and profit margins. However, as the Group's actual performance in the fiscal year under review fell short of those projections, depreciation of customer related assets and others exceeded the HDSE Group's operating profit during the fiscal year under review.

Therefore, it was determined that there were indications of impairment in the HDSE Group's non-current assets at the end of the fiscal year under review. To determine whether to recognize impairment losses, the Company assessed whether the total undiscounted future cash flows expected to be generated by the HDSE Group would be less than the carrying amount of its non-current assets. As a result, since the total undiscounted future cash flows exceeded the carrying amount of the non-current assets, no impairment loss was recognized for the fiscal year under review.

   - Key assumptions

For determining whether to recognize impairment losses and for calculating value in use, the future cash flows are based on the business plan approved by the Board of Directors and include future sales forecasts, estimates of manufacturing costs, and selling, general and administrative expenses, taking into account external factors such as demand trends in the industrial robot market and the Company's sales strategies.

   - How the consolidated financial statements for the next fiscal year will be affected

In recognizing impairment losses, the Company carefully examines future profitability, etc. However, if future changes in business and market conditions cause the Company's business plan, on which the estimated future cash flows are based, to fall materially short of its projections, or if future uncertainties increase, the recoverable amount may decrease, and the occurrence of impairment losses in the following fiscal year may have a material impact on the Company's financial position and results of operations.

(Changes in accounting policies)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter the "2022 Revised Accounting Standard") from the beginning of the fiscal year under review.

With respect to the revision regarding the presentation of income taxes (taxation of other comprehensive income), the Company has followed the transitional treatment set forth in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment prescribed in the proviso to Paragraph 65-2(2) of the "Implementation Guidance on Accounting Standard for Current Income Taxes" (ASBJ Guidance No. 28, October 28, 2022; hereinafter the "2022 Revised Implementation Guidance"). This change in accounting policy had no impact on the consolidated financial statements.

(Notes - New accounting standards not yet applied)

・“Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)

・“Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Overview

This standard establishes accounting treatments that require lessees to recognize assets and liabilities for all leases, in line with international accounting standards.

(2) Scheduled date of application

These standards are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2028.

(3) Impact of adopting these accounting standards

The impact on the consolidated financial statements from the application of the “Accounting Standard for Leases” and related guidance is currently under evaluation.

(Notes - Consolidated balance sheets)

*1. The item related to unconsolidated subsidiaries and associates is as follows:

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Shares of subsidiaries and associates	48,112	20,228
Investments in capital of subsidiaries and associates	–	89,507

*2. Assets pledged as collateral and corresponding liabilities are as follows:

(Thousands of yen)

(1) Assets pledged as collateral

	As of March 31, 2024	As of March 31, 2025
Buildings	30,695	–
Land	52,225	–
Total	82,920	–

(2) Corresponding liabilities

	As of March 31, 2024	As of March 31, 2025
Current portion of long-term borrowings	3,120	–
Long-term borrowings	9,680	–
Total	12,800	–

*3. Commitment line agreement

The Company and its consolidated subsidiaries concluded a commitment line agreement with their main banks in order to improve the stability of fundraising and flexibly perform business.

The balance of unexecuted borrowings based on this agreement at the end of the fiscal year under review is as follows:

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Total amount of commitment line	9,442,720	9,489,520
Balance of borrowings outstanding	141,408	2,148,428
Balance of unexecuted borrowings	9,301,312	7,341,092

*4. Financial covenants

The commitment line agreement and term loan agreement entered into by the Company include financial covenants. If any of the following conditions are breached, all obligations under the agreements may become subject to forfeiture of the benefit of time:

1) Maintain net assets on both the consolidated balance sheet and the non-consolidated balance sheet as of the end of each consolidated fiscal year at not less than 70% of the greater of the net assets as of the end of the immediately preceding fiscal year or as of the end of the fiscal year ended March 31, 2024.
2) Do not record an ordinary loss in both the consolidated and non-consolidated statements of income for two consecutive fiscal years.

*5. Amounts of tax purpose reduction entry

The amount of tax purpose reduction entry deducted from the acquisition price of property, plant and equipment due to national subsidies, etc., and breakdown thereof are as follows:

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Amounts of tax purpose reduction entry (land)	385,230	387,230

*6. Promissory notes due on balance sheet date

Promissory notes due on balance sheet date are settled on their clearance date.

Since the end of the previous fiscal year was a holiday of financial institutions, the following promissory notes due on balance sheet date are included in the balance at the end of period.

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Notes receivable - trade	167	–
Electronically recorded monetary claims - operating	310,214	–

(Notes - Consolidated statements of income)

*1. Revenue from contracts with customers

For net sales, revenue from contracts with customers and other revenue are not separately presented. The amount of revenue from contracts with customers is presented in the consolidated financial statements “(Notes - Segment information, etc.).”

*2. Among selling, general and administrative expenses, major expense items and amounts are as follows:

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Salaries and allowances	2,562,428	3,013,305
Provision for bonuses	550,996	644,736
Provision for bonuses for directors (and other officers)	105,093	92,238
Retirement benefit expenses	(25,392)	(26,726)
Provision for retirement benefits for directors (and other officers)	43,196	99,454
Provision for operating officers’ retirement benefits	24,489	28,475
Research and development expenses	3,543,473	3,665,344
Depreciation	2,626,355	1,738,080

*3. Research and development expenses included in general and administrative expenses and manufacturing costs for the period are as follows:

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Research and development expenses	3,613,612	3,776,295

*4. The breakdown of gain on sale of non-current assets is as follows:

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Buildings and structures	–	295
Machinery, equipment and vehicles	5,338	112
Tools, furniture and fixtures	–	623
Land	1,522	–
Total	6,861	1,031

*5. The breakdown of loss on sale of non-current assets is as follows:

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Buildings and structures	440	–
Machinery, equipment and vehicles	–	3,837
Tools, furniture and fixtures	–	5
Total	440	3,842

*6. Impairment losses

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

The Group recorded impairment losses for the following asset groups.

(1) Breakdown of impairment losses

(Thousands of yen)

Location	Use	Type	Impairment losses
–	–	Goodwill	15,245,574
Germany	–	Customer related assets	10,191,691
		Technical assets	2,722,051
Total			28,159,317

(2) Method of grouping assets

The Group accounts non-current assets related to Harmonic Drive SE and its eight subsidiaries (hereinafter “the HDSE Group”) as the smallest unit that generates cash flow.

(3) Reason for recognition of impairment losses

For goodwill, customer related assets and technical assets (hereinafter, the “goodwill, etc.”) recognized at the time of incorporating subsidiaries, the amount of amortization of the goodwill, etc. has continued to exceed operating profit of HDSE Group, because the revenue plan estimated at the time of the acquisition is behind the schedule. Therefore, we determined that there is an indication of impairment and considered whether impairment losses should be recognized. As a result, the total amount of undiscounted future cash flows expected to be generated by customer related assets and technical assets that are major assets of Harmonic Drive SE Group over their remaining economic life was less than the book value of the Harmonic Drive SE Group’s non-current assets including the goodwill, etc. and accordingly, the book value was reduced to the recoverable value and the amount of reduction was recorded as an impairment loss.

(4) Calculation method of recoverable value

For determining future cash flows used in calculating value in use, the estimated amount is calculated based on the business plan for the next five fiscal years approved by management and the growth rate, etc. thereafter. The value in use is calculated by discounting these future cash flows to the present value using a discount rate of 13.0% based on the HDSE Group’s weighted average cost of capital, and the value is used as the recoverable value. The growth rate from six fiscal years onward has been determined to be 1.3%, taking into account the long-term growth rate of the market, industry and countries to which the HDSE Group belongs, and will not exceed the long-term growth rate of the market.

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

The Group recorded impairment losses for the following asset groups.

(1) Breakdown of impairment losses

(Thousands of yen)

Location	Use	Type	Impairment losses
Matsumoto-shi, Nagano, Japan	Cross roller bearing manufacturing equipment, etc.	Machinery and equipment, etc.	1,189,182
Total			1,189,182

(2) Method of grouping assets

For business-use assets, the Group identifies asset groups on a consolidated company basis, while rental and idle assets are grouped individually by asset.

(3) Reason for recognition of impairment losses

Harmonic Precision Inc. (HPI), a consolidated subsidiary of the Company, experienced a decline in orders and deterioration in performance due to decreased demand for its core product, cross-roller bearings. This was caused by sluggish capital investment in the manufacturing sector in China, stagnation in new capital investment in cutting edge semiconductors, and customer concerns regarding future demand trends. Operating losses were recorded in both the previous and current fiscal years, and the budget for the following fiscal year also projects continued operating losses. Accordingly, at the end of the current fiscal year, the situation was deemed to correspond to "an indication that continuing negative operating results are expected from operating activities," and the Company determined that there were indications of impairment in HPI's property, plant and equipment.

As a result, the Company examined whether the total amount of undiscounted future cash flows expected to be generated over the remaining useful economic life of HPI's principal assets, namely machinery and equipment, was less than the book value of its non-current assets. Since the total amount of undiscounted future cash flows was found to be less than the book value, it was determined that the recoverability of the full amount of the non-current assets held by HPI was not assured, and the entire book value of ¥1,189,182 thousand was recorded as an impairment loss.

(4) Calculation method of recoverable value

The future cash flows used to calculate use value are based on the business plan approved by the Board of Directors of the Company, and include estimates of future net sales and manufacturing costs, taking into account external factors such as demand trends in the industrial robot market. Recoverable amount was measured using value in use, calculated by discounting the undiscounted future cash flows to present value using a discount rate of 8.75%, based on the weighted average cost of capital of HPI.

*7. The breakdown of loss on retirement of non-current assets is as follows:

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Buildings and structures	4,186	12,646
Machinery, equipment and vehicles	679	30,663
Tools, furniture and fixtures	16,291	791
Software	2,360	–
Total	23,517	44,101

(Notes - Consolidated statements of comprehensive income)

*1. Notes regarding reclassification adjustments, income taxes, and tax effects relating to other comprehensive income

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Valuation difference on available-for-sale securities		
Amount arising during the year	(2,263,946)	(5,910,560)
Reclassification adjustments	–	–
Before income taxes and tax effect adjustments	(2,263,946)	(5,910,560)
Income taxes and tax effect adjustments	675,491	1,800,273
Valuation difference on available-for-sale securities	(1,588,454)	(4,110,287)
Foreign currency translation adjustment		
Amount arising during the year	4,781,841	2,604,757
Remeasurements of defined benefit plans, net of tax		
Amount arising during the year	66,392	(164,720)
Reclassification adjustments	(132,419)	(135,756)
Before income taxes and tax effect adjustments	(66,026)	(300,476)
Income taxes and tax effect adjustments	18,057	90,015
Remeasurements of defined benefit plans, net of tax	(47,969)	(210,461)
Total other comprehensive income	3,145,417	(1,715,990)

(Notes - Consolidated statements of changes in net assets)

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

1. Issued and outstanding shares

Class of shares	Beginning of period	Increase	Decrease	End of period
Common shares	96,315,400	–	–	96,315,400

2. Treasury shares

Class of shares	Beginning of period	Increase	Decrease	End of period
Common shares	1,251,002	104,808	16,753	1,339,057

(Summary of reason for changes)

The increase in treasury shares (common shares) of 104,808 shares was due to the acquisition of treasury shares of 104,800 shares based on resolution at a meeting of the Board of Directors on December 6, 2023 and the increase of eight shares due to the purchase of shares less than one unit.

The decrease in treasury shares (common shares) of 16,753 shares was due to granting of the shares to Directors excluding Outside Directors based on the restricted stock payment scheme.

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date
June 21, 2023 Ordinary General Meeting of Shareholders	Common shares	1,616,094	17	March 31, 2023	June 22, 2023
November 9, 2023 Board of Directors meeting	Common shares	950,811	10	September 30, 2023	December 4, 2023

(2) Dividends for which record date is in the fiscal year under review with effective date in the next fiscal year

Resolution	Class of shares	Source of dividends	Total dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date
June 21, 2024 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	949,763	10	March 31, 2024	June 24, 2024

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

1. Issued and outstanding shares

Class of shares	Beginning of period	Increase	Decrease	End of period
Common shares	96,315,400	–	–	96,315,400

2. Treasury shares

Class of shares	Beginning of period	Increase	Decrease	End of period
Common shares	1,339,057	89,625	16,791	1,411,891

(Summary of reason for changes)

The increase in treasury shares (common shares) of 89,625 shares was due to the acquisition of treasury shares of 89,600 shares based on resolution at a meeting of the Board of Directors on January 16, 2025 and the increase of 25 shares due to the purchase of shares less than one unit.

The decrease in treasury shares (common shares) of 16,791 shares was due to granting of the shares to Directors excluding Outside Directors based on the restricted stock payment scheme.

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date
June 21, 2024 Ordinary General Meeting of Shareholders	Common shares	949,763	10	March 31, 2024	June 24, 2024
November 12, 2024 Board of Directors meeting	Common shares	949,931	10	September 30, 2024	December 5, 2024

(2) Dividends for which record date is in the fiscal year under review with effective date in the next fiscal year

Scheduled resolution	Class of shares	Source of dividends	Total dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date
June 20, 2025 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	949,035	10	March 31, 2025	June 23, 2025

(Notes - Consolidated statements of cash flows)

*1. Relationship between cash and cash equivalents at end of period and the amount of items shown on the consolidated balance sheets

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Cash and deposits	20,318,343	24,900,137
Short-term securities (with maturity within three months)	37,156	52,789
Deposits	–	817,931
Time deposits with a deposit period over three months	(1,413,787)	(2,847,845)
Cash and cash equivalents	18,941,712	22,923,012

(Note) The deposits paid during the fiscal year under review were temporary deposits with securities companies, etc. for the purpose of acquiring treasury stock, and are included in cash and cash equivalents as they are withdrawable at any time.

(Notes - Leases)

1. Finance lease transactions

   Finance lease transactions with the right of ownership not transferred

   (1) Details of leased assets

       ・Property, plant and equipment

         Mainly offices and other buildings and production facilities (machinery)

   (2) Depreciation method of leased assets

       The straight-line method using the lease term as service life and a residual value of zero

2. Operating lease transactions

   Future lease payments in non-cancelable operating lease transactions

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Within one year	50,328	47,575
Over one year	56,357	37,538
Total	106,686	85,113

(Notes - Financial instruments)

1. Status of financial instruments

(1) Policy for financial instruments

As a policy, the Group invests temporary surplus funds in highly secure financial instruments and uses bank loans for fund raising. Derivatives are used to mitigate foreign currency risk arising from business activities and as a policy, speculative transactions are not carried out.

(2) Details and risk of financial instruments and risk management system

Notes receivable - trade and accounts receivable - trade which are operating receivables are exposed to customer credit risk. For such risk, we have a system in place to control credit risk pursuant to internal rules and periodically identify credit status of major business partners. Also, although foreign-currency-denominated operating receivables are exposed to foreign currency risk, some of receivables are hedged using a forward exchange contract. Exchange contracts are executed and controlled pursuant to internal rules that specify transaction authority and such transactions are carried out only with highly creditworthy financial institutions. As counterparties of transactions are highly creditworthy financial institutions, we determined that credit risk resulting from default of contracts by counterparties is extremely small.

Although shares which are investment securities are exposed to risk of market price fluctuations, etc., they are mainly shares of companies with which we have business relationships and of which fair value is periodically identified.

Long-term borrowings are intended to raise working capital, funds for equipment, funds for acquiring treasury shares and funds related to additional purchase of investments in capital of subsidiaries. Borrowings with variable interest rates are exposed to interest rate risks.

Also, borrowings are exposed to liquidation risk, which we continue to identify and control by periodically developing funding plans.

Lease liabilities related to finance lease transactions are mainly intended to raise funds for capital investment and the longest maturity date is 19 years after the closing date.

(3) Supplementary explanation on fair value of financial instruments, etc.

For the contract amounts, etc., related to derivative transactions in “Notes -Derivatives,” the amounts themselves do not indicate the market risk related to derivative transactions.

2. Fair value of financial instruments, etc.
   The consolidated balance sheet amount, fair value and their differences are as follows:

   For the fiscal year ended March 31, 2024 (March 31, 2024)

(Thousands of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Investment securities			
Available-for-sale securities	8,777,132	8,777,132	–
Total assets	8,777,132	8,777,132	–
(1) Long-term borrowings	17,730,949	17,603,878	(127,070)
(2) Lease liabilities	5,381,889	4,923,251	(458,638)
Total liabilities	23,112,838	22,527,130	(585,708)
Derivative transactions (*3)	[33,267]	[33,267]	–

(*1) "Cash and deposits," "notes receivable - trade," "accounts receivable - trade," "securities," "notes and accounts payable - trade," "short-term borrowings," and "income taxes payable" are omitted from the table, as their fair values are deemed to approximate their book values due to their short-term nature.

(*2) Shares, etc. that do not have a market value are not included in "(1) Investment securities." The consolidated balance sheet amounts of these financial instruments are as follows:

Categories	For the fiscal year ended March 31, 2024 (Thousands of yen)
Investment securities Unlisted shares	3,800
Shares of subsidiaries and associates Unlisted shares	48,112

(*3) Net receivables and payables arising from derivative transactions are shown at net amounts and items that are net payables in total are shown in square brackets.

For the fiscal year ended March 31, 2025 (March 31, 2025)

(Thousands of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Investment securities			
Available-for-sale securities	406,131	406,131	–
Total assets	406,131	406,131	–
(1) Long-term borrowings	12,906,100	12,763,039	(143,060)
(2) Lease liabilities	5,132,529	4,740,543	(391,986)
Total liabilities	18,038,629	17,503,582	(535,046)
Derivative transactions (*3)	19,188	19,188	–

(*1) "Cash and deposits," "notes receivable - trade," "accounts receivable - trade," "securities," "notes and accounts payable - trade," "short-term borrowings," and "income taxes payable" are omitted from the table, as their fair values are deemed to approximate their book values due to their short-term nature.

(*2) Shares, etc. that do not have a market value are not included in "(1) Investment securities." The consolidated balance sheet amounts of these financial instruments are as follows:

Categories	For the fiscal year ended March 31, 2025 (Thousands of yen)
Investment securities Unlisted shares	3,800
Shares of subsidiaries and associates Unlisted shares	20,228
Investments in capital of subsidiaries and associates	89,507

(*3) Net receivables and payables arising from derivative transactions are shown at net amounts and items that are net payables in total are shown in square brackets.

(Note 1) Scheduled repayment amounts of long-term borrowings after the consolidated closing date

For the fiscal year ended March 31, 2024 (March 31, 2024)

(Thousands of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Long-term borrowings	2,529,452	2,465,064	2,465,064	2,430,064	2,347,445	5,493,860
Lease liabilities	700,049	662,290	661,284	630,879	450,104	2,277,281
Total	3,229,501	3,127,354	3,126,348	3,060,943	2,797,549	7,771,141

For the fiscal year ended March 31, 2025 (March 31, 2025)

(Thousands of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Long-term borrowings	1,890,516	1,890,516	1,855,516	1,775,692	1,732,208	3,761,652
Lease liabilities	741,555	741,537	704,083	514,196	423,332	2,007,824
Total	2,632,071	2,632,053	2,559,599	2,289,888	2,155,540	5,769,476

3. Breakdown by level of fair value of financial instruments

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

For the fiscal year ended March 31, 2024 (March 31, 2024)

Categories	Fair value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Shares	8,777,132	–	–	8,777,132
Total assets	8,777,132	–	–	8,777,132
Derivative transactions Currency-related transactions	–	33,267	–	33,267
Total liabilities	–	33,267	–	33,267

For the fiscal year ended March 31, 2025 (March 31, 2025)

Categories	Fair value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Shares	406,131	–	–	406,131
Derivative transactions Currency-related transactions	–	19,188	–	19,188
Total assets	406,131	19,188	–	425,319

(2) Financial instruments other than those measured at fair value

For the fiscal year ended March 31, 2024 (March 31, 2024)

Categories	Fair value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	–	17,603,878	–	17,603,878
Lease liabilities	–	4,923,251	–	4,923,251
Total liabilities	–	22,527,130	–	22,527,130

For the fiscal year ended March 31, 2025 (March 31, 2025)

Categories	Fair value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	–	12,763,039	–	12,763,039
Lease liabilities	–	4,740,543	–	4,740,543
Total liabilities	–	17,503,582	–	17,503,582

(Note) A description of the valuation technique(s) and inputs used in the fair value measurements

Investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

Derivative transactions

The fair value of derivative transactions is measured based on the fair value quoted by the partner financial institutions and is classified as Level 2.

Long-term borrowings

Long-term borrowings with variable interest rates reflect the market rates and credit risk in a short period of time and the fair value approximates the book value. Therefore, the book value is deemed as fair value. The fair value of long-term borrowings with fixed interest rates is measured by the present value calculated by discounting the sum of the principal and interest by an interest rate expected to be applied if similar new borrowings were made, and classified as Level 2.

Lease liabilities

The fair value is measured by the present value calculated by discounting the sum of the principal and interest by an interest rate expected to be applied if similar new lease transactions were conducted, and classified as Level 2.

(Notes - Securities)

1. Available-for-sale securities

For the fiscal year ended March 31, 2024 (as of March 31, 2024)

(Thousands of yen)

Categories	Type	Consolidated balance sheet amount	Acquisition costs	Difference
Securities for which consolidated balance sheet amount exceeds the acquisition cost	(1) Shares	8,777,132	2,709,916	6,067,215
	(2) Bonds			
	National government bonds and local government bonds	–	–	–
	Corporate bonds	–	–	–
	Other	–	–	–
	(3) Other information	–	–	–
	Subtotal	8,777,132	2,709,916	6,067,215
Securities for which consolidated balance sheet amount does not exceed the acquisition cost	(1) Shares	–	–	–
	(2) Bonds			
	National government bonds and local government bonds	–	–	–
	Corporate bonds	–	–	–
	Other	37,156	70,176	(33,020)
	(3) Other information	–	–	–
	Subtotal	37,156	70,176	(33,020)
Total		8,814,288	2,780,092	6,034,195

For the fiscal year ended March 31, 2025 (as of March 31, 2025)

(Thousands of yen)

Categories	Type	Consolidated balance sheet amount	Acquisition costs	Difference
Securities for which consolidated balance sheet amount exceeds the acquisition cost	(1) Shares	406,131	249,476	156,655
	(2) Bonds			
	National government bonds and local government bonds	–	–	–
	Corporate bonds	–	–	–
	Other	–	–	–
	(3) Other information	–	–	–
	Subtotal	406,131	249,476	156,655
Securities for which consolidated balance sheet amount does not exceed the acquisition cost	(1) Shares	–	–	–
	(2) Bonds			
	National government bonds and local government bonds	–	–	–
	Corporate bonds	–	–	–
	Other	52,789	70,176	(17,387)
	(3) Other information	–	–	–
	Subtotal	52,789	70,176	(17,387)
Total		458,920	319,652	139,268

2. Available-for-sale securities sold during the fiscal year

For the fiscal year ended March 31, 2024 (as of March 31, 2024)

Not applicable.

For the fiscal year ended March 31, 2025 (as of March 31, 2025)

(Thousands of yen)

Type	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Shares	8,325,750	5,865,309	–
Total	8,325,750	5,865,309	–

(Notes - Derivatives)

Derivative transactions for which hedge accounting is not applied

Currency-related transactions

For the fiscal year ended March 31, 2024 (March 31, 2024)

(Thousands of yen)

Categories	Type	Contract amounts, etc.	Contract amount over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward exchange contracts				
	Buying				
	Buying Japanese yen, selling Chinese yuan	704,244	–	(12,063)	(12,063)
	Buying Japanese yen, selling US dollar	541,326	–	(19,490)	(19,490)
	Buying Japanese yen, selling euro	600,000	–	(1,713)	(1,713)
Total		1,845,570	–	(33,267)	(33,267)

For the fiscal year ended March 31, 2025 (March 31, 2025)

(Thousands of yen)

Categories	Type	Contract amounts, etc.	Contract amount over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward exchange contracts				
	Buying				
	Buying Japanese yen, selling Chinese yuan	582,185	–	8,543	8,543
	Buying Japanese yen, selling US dollar	746,462	–	10,644	10,644
Total		1,328,648	–	19,188	19,188

(Notes - Retirement benefits)

1. Overview of retirement benefit plan applied

The Company and its consolidated subsidiaries have adopted funded or unfunded defined benefit plans and defined contribution plans to provide retirement benefits to employees. Under the defined benefit plan, lump-sum or pension benefits are paid based on their position and length of service. In addition, upon the retirement, etc. of employees, additional retirement payments not subject to retirement benefit obligations based on actuarial calculations in accordance with retirement benefit accounting may be paid.

Also, some of the consolidated subsidiaries calculate retirement benefit liability and retirement benefit expenses using the simplified method, in computing retirement benefit obligations.

In addition, some of the overseas subsidiaries have adopted a defined benefit plan to provide retirement benefits to directors (and other officers) of the subsidiaries.

2. Defined benefit plans (excluding a plan to which the simplified method is applied)

(1) Reconciliation of the beginning balance and the ending balance of retirement benefit obligations

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Beginning balance of retirement benefit obligations	2,501,249	2,477,704
Service cost	148,865	155,569
Interest cost	39,706	38,881
Actuarial gains and losses	81,380	6,845
Retirement benefits paid	(379,563)	(212,437)
Other	86,065	83,851
Ending balance of retirement benefit obligations	2,477,704	2,550,414

(2) Reconciliation of the beginning balance and the ending balance of plan assets

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Beginning balance of plan assets	3,060,139	3,137,522
Expected return	60,961	60,148
Actuarial gains and losses	147,773	(157,875)
Contribution from the employer	158,037	161,703
Retirement benefits paid	(302,210)	(217,973)
Other	12,821	6,498
Ending balance of plan assets	3,137,522	2,990,024

(3) Reconciliation of the ending balances of retirement benefit obligations and plan assets and the retirement benefit liability and retirement benefit asset reported on the consolidated balance sheets

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Retirement benefit obligations under the funded plans	2,477,704	2,550,414
Plan assets	(3,137,522)	(2,990,024)
	(659,817)	(439,610)
Retirement benefit obligations under the unfunded plans	–	–
Net liabilities and assets recorded on the consolidated balance sheets	(659,817)	(439,610)
Retirement benefit liability	712,253	835,603
Retirement benefit asset	(1,372,071)	(1,275,214)
Net liabilities and assets recorded on the consolidated balance sheets	(659,817)	(439,610)

(4) Amounts of retirement benefit expenses and their components

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Service cost	148,865	155,569
Interest cost	39,706	38,881
Expected return	(60,961)	(60,148)
Amortization of actuarial gains and losses	(132,419)	(135,756)
Retirement benefit expenses related to defined benefit plan	(4,809)	(1,454)

(5) Remeasurements of defined benefit plans, net of tax

The breakdown of items recorded in remeasurements of defined benefit plans, net of tax (before deducting income taxes and tax effects) is as follows:

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Actuarial differences	66,026	300,476
Total	66,026	300,476

(6) Remeasurements of defined benefit plans

The breakdown of items recorded in remeasurements of defined benefit plans, net of tax (before deducting income taxes and tax effects) is as follows:

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Unrecognized actuarial differences	(207,190)	93,285
Total	(207,190)	93,285

(7) Matters related to plan assets

1) Major breakdown of plan assets

The breakdown of plan assets by major category is as follows:

	As of March 31, 2024	As of March 31, 2025
Bonds	69 %	72 %
Shares	24 %	22 %
Other	7 %	6 %
Total	100 %	100 %

2) Method of setting the long-term expected rate of return

To determine the long-term expected rate of return on plan assets, we consider the current and expected allocation of plan assets and the current and expected future long-term rate of return from the various assets comprising the plan assets.

(8) Matters related to actuarial calculation basis

Major actuarial calculation basis (indicated by weighted average)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Discount rate	1.56 %	1.62 %
Long-term expected rate of return	1.98 %	1.99 %
Expected wage increase rate	2.77 %	2.72 %

3. Defined benefit plans to which the simplified method is applied

(1) Reconciliation of the beginning balance and the ending balance of retirement benefit liability of plans to which the simplified method is applied

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Beginning balance of retirement benefit liability	118,422	124,124
Retirement benefit expenses	21,063	17,998
Retirement benefits paid	(4,581)	(10,067)
Contributions to the plan	(10,780)	(12,749)
Ending balance of retirement benefit liability	124,124	119,305

(2) Reconciliation of the ending balances of retirement benefit obligations and plan assets and the retirement benefit liability reported on the consolidated balance sheets

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Retirement benefit obligations under the funded plans	–	–
Plan assets	–	–
Retirement benefit obligations under the unfunded plans	124,124	119,305
Net liabilities and assets recorded on the consolidated balance sheets	124,124	119,305
Retirement benefit liability	124,124	119,305
Net liabilities and assets recorded on the consolidated balance sheets	124,124	119,305

(3) Retirement benefit expenses

Retirement benefit expenses calculated by the simplified method
For the fiscal year ended March 31, 2024 ¥21,063 thousands
For the fiscal year ended March 31, 2025 ¥17,998 thousands

4. Defined contribution plans

The amount of contribution required for the defined contribution plans at the Company and its consolidated subsidiaries was ¥169,585 thousand for the previous fiscal year and ¥188,352 thousand for the fiscal year under review.

(Notes - Share options, etc.)

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

Not applicable, because the Group has not adopted a share option plan.

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

Not applicable, because the Group has not adopted a share option plan.

(Notes - Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major causes

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets		
Tax loss carried forward	808,995	620,497
Accrued enterprise tax	–	95,500
Inventory valuation loss	95,170	64,685
Provision for bonuses	214,266	242,451
Accrued social insurance premium	33,598	36,560
Unrealized gain on sale of inventory	–	145,816
Software development expenses	79,267	78,767
Provision for retirement benefits for directors (and other officers)	311,324	89,245
Provision for operating officers' retirement benefits	45,473	54,866
Stock compensation expenses for directors (and other officers)	37,819	50,709
Retirement benefit liability	40,905	34,496
Loss on valuation of investment securities	65,409	67,339
Loss on valuation of golf club membership	5,733	5,902
Impairment losses	52,575	418,841
Loss on valuation of loans to subsidiaries and associates	39,974	49,240
Other	384,274	342,170
Subtotal of deferred tax assets	2,214,786	2,397,092
Valuation allowance (Note)	(1,169,477)	(1,347,448)
Total deferred tax assets	1,045,308	1,049,644
Deferred tax liabilities		
Enterprise tax receivable	(39,553)	–
Valuation difference on available-for-sale securities	(1,810,359)	(10,086)
Undistributed profit of overseas subsidiaries and associates	(447,410)	(456,293)
Retirement benefit asset	(418,481)	(400,417)
Intangible assets identified by the business combination	(3,731,497)	(3,523,757)
Other	(297,660)	(209,724)
Total deferred tax liabilities	(6,744,963)	(4,600,278)
Net deferred tax liabilities	(5,699,654)	(3,550,634)

(Note) 1. The valuation allowance increased by ¥177,971 thousand. This increase is because we recognized an additional valuation allowance of ¥373,403 thousand related to impairment losses at our consolidated subsidiary Harmonic Precision Inc.

2. Amount of tax loss carried forward and the corresponding deferred tax assets by expiration period for tax purposes

For the fiscal year ended March 31, 2024 (March 31, 2024)

(Thousands of yen)

Disclosed item	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carried forward	–	–	–	–	–	808,995	808,995
Valuation allowance	–	–	–	–	–	(586,456)	(586,456)
Deferred tax assets	–	–	–	–	–	222,539	222,539

*The amount of tax loss carried forward is calculated by applying the effective statutory tax rate.

For the fiscal year ended March 31, 2025 (March 31, 2025)

(Thousands of yen)

Disclosed item	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carried forward	–	–	–	–	174,635	445,861	620,497
Valuation allowance	–	–	–	–	(174,635)	(400,331)	(574,966)
Deferred tax assets	–	–	–	–	0	45,530	45,530

*The amount of tax loss carried forward is calculated by applying the effective statutory tax rate.

2. Breakdown of major causes of differences between the effective statutory tax rate and income tax burden rate after the application of tax effect accounting

   Since the difference between the effective statutory tax rate and the income tax burden rate after the application of tax effect accounting is less than 5 percentage points, this note has been omitted.

3. Adjustment to deferred tax assets and deferred tax liabilities due to changes in income tax rates

   The "Act Partially Amending the Income Tax Act, etc." (Article 12) was enacted by the Diet on March 31, 2025, and the Defense Special Corporation Tax will be imposed starting from consolidated fiscal years beginning on or after April 1, 2026. Accordingly, the effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities that are expected to be reversed in consolidated fiscal years beginning on or after February 1, 2027, will be changed from 30.5% to 31.4%.

   The impact of this change in the tax rate is immaterial.

(Notes - Revenue recognition)

1. Revenue from contracts with customers

   Information on the disaggregation of revenue from contracts with customers is as presented in "(Notes - Segment information, etc.)."

2. Useful information in understanding revenue from contracts with customers

   Useful information in understanding revenue is as presented in "(Notes - Significant accounting policies for preparation of consolidated financial statements), 4. Disclosure of accounting policies, (6) Recognition criteria for significant revenue and expenses."

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from contracts with customers existing at the end of the fiscal year under review expected to be recognized in and after the next fiscal year

   (1) Balance of receivables from contracts with customers and contract liabilities

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Receivables from contracts with customers (beginning balance)		
Notes receivable - trade	7,408,386	3,085,175
Accounts receivable - trade	10,165,121	8,668,982
	17,573,507	11,754,158
Receivables from contracts with customers (ending balance)		
Notes receivable - trade	3,085,175	3,591,560
Accounts receivable - trade	8,668,982	9,544,240
	11,754,158	13,135,801
Contract liabilities (beginning balance)	267,842	172,558
Contract liabilities (ending balance)	172,558	136,988

(Note) 1. Contract liabilities are mainly advances received from customers based on payment terms under contracts with customers. Contract liabilities are reversed upon recognition of revenue.

2. Revenue recognized in the previous fiscal year that was included in the contract liability balance at the beginning of the fiscal year was ¥267,842 thousand.
3. There is no significant amount of revenue recognized in the previous fiscal year from performance obligations that were satisfied in previous periods.
4. Revenue recognized in the fiscal year under review that was included in the contract liability balance at the beginning of the fiscal year was ¥172,558 thousand.
5. There is no significant amount of revenue recognized in the fiscal year under review from performance obligations that were satisfied in previous periods.

   (2) Transaction price allocated to the remaining performance obligations

   The disclosure of information about the remaining performance obligations is omitted by applying the practical expedient because the Group has no significant contracts with an original expected duration exceeding one year. In addition, there are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

(Notes - Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The reportable segments of the Company are business units of the Company for which separate financial information can be obtained and the Board of Directors examines such information on a regular basis to determine the allocation of management resources and evaluate the business performance.

The Company mainly manufactures and sells precision speed reducers and their applied products such as precision actuators and motion control devices, and is solely engaged in handling the same types and series of precision speed reducers based on similarities in the type, nature, manufacturing method and markets of their products. The main geographic markets of the products of the Company are Japan (including the Asia area: hereinafter the same), North America and Europe. In the Japan market, products are manufactured and sold by the Company and its domestic subsidiaries, and its local subsidiaries in the Asia area. In the North America market and the Europe market, the products are manufactured and sold by its local subsidiaries in the United States and in Europe, respectively.

Accordingly, the Company had consisted of three reportable segments: Japan, North America, and Europe, which are consistent with the geographic segments based on the manufacturing and sale of the products. However, in the current fiscal year, in consideration of the increased materiality of China, which had previously been included in the Japan segment, the Company has changed its reporting method to present China as a separate reportable segment.

The segment information for the previous fiscal year is disclosed based on the revised reportable segment classification.

2. Accounting method of net sales, profit/loss, assets and other items by each reportable segment

Accounting methods used for reportable segments are identical to the descriptions in “Notes - Significant accounting policies for preparation of consolidated financial statements.”

Profit by reportable segment is based on ordinary profit. Inter-segment profit and transfers are based on the market price.

3. Net sales, profit/loss, assets, other items and information on disaggregation of revenue, by each reportable segment

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Reportable segment					Adjustment	Consolidated
	Japan	China	North America	Europe	Total		
Net sales							
Revenue from contracts with customers	29,168,036	4,295,884	13,303,687	16,741,606	63,509,214	(7,712,758)	55,796,455
Net sales to third parties	21,809,959	4,161,598	13,284,851	16,540,045	55,796,455	–	55,796,455
Inter-segment net sales or transfers	7,358,076	134,285	18,835	201,561	7,712,758	(7,712,758)	–
Total	29,168,036	4,295,884	13,303,687	16,741,606	63,509,214	(7,712,758)	55,796,455
Segment profit	4,089,374	323,133	1,707,414	214,367	6,334,290	(5,763,956)	570,333
Segment assets	57,659,982	3,168,516	16,233,037	30,689,427	107,750,963	11,391,328	119,142,291
Others							
Depreciation	5,220,985	22,403	677,682	3,268,741	9,189,813	–	9,189,813
Interest income	94,224	1,091	32,025	57,553	184,895	(88,038)	96,856
Interest expenses	95,614	446	86,911	79,749	262,722	(85,652)	177,069
Share of loss of entities accounted for using equity method	(41,843)	–	–	–	(41,843)	–	(41,843)
Investments in entities accounted for using equity method	48,112	–	–	–	48,112	–	48,112
Increase in property, plant and equipment and intangible assets	3,528,855	19,477	465,298	941,633	4,955,263	–	4,955,263

(Notes) 1. The segment profit adjustment of ¥(5,763,956) thousand consists of the eliminated inter-segment transaction profit of ¥(3,317,741) thousand, and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(2,446,215) thousand. The general administrative expenses that are not allocated to any reportable segment include the basic research and development expenses, certain administrative expenses related to the General Affairs and Accounting Department, and the amortization of the goodwill recorded in connection with the acquisition of shares of Harmonic Drive SE, amounting to ¥1,172,736 thousand.

2. The "Japan" segment includes the net sales and expenses related to the European and Asian markets, in addition to the Japanese market.

3. The segment asset adjustment of ¥11,391,328 thousand consists of an inter-segment elimination of ¥(5,009,402) thousand, and corporate assets that are not allocated to any reportable segment, which amounted to ¥16,400,730 thousand. The corporate assets include excess funds (including cash, bank deposits and securities), long-term investments (such as investment securities and assets categorized as "Others" under "Investments and other assets"), and certain assets related to corporate departments.

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Thousands of yen)

	Reportable segment					Adjustment	Consolidated
	Japan	China	North America	Europe	Total		
Net sales							
Revenue from contracts with customers	31,042,960	5,624,625	11,641,929	16,797,428	65,106,944	(9,461,004)	55,645,940
Net sales to third parties	21,727,393	5,623,075	11,628,795	16,666,675	55,645,940	–	55,645,940
Inter-segment net sales or transfers	9,315,566	1,550	13,134	130,753	9,461,004	(9,461,004)	–
Total	31,042,960	5,624,625	11,641,929	16,797,428	65,106,944	(9,461,004)	55,645,940
Segment profit (loss)	2,224,012	302,043	556,619	(52,756)	3,029,919	(2,878,721)	151,197
Segment assets	56,026,689	3,947,309	18,157,750	31,035,433	109,167,183	4,454,498	113,621,682
Others							
Depreciation	4,983,447	20,770	754,918	2,264,137	8,023,274	–	8,023,274
Interest income	92,959	1,302	144,003	164,318	402,584	(86,173)	316,411
Interest expenses	141,588	479	86,792	82,117	310,977	(86,499)	224,478
Share of loss of entities accounted for using equity method	(38,377)	–	–	–	(38,377)	–	(38,377)
Investments in entities accounted for using equity method	109,735	–	–	–	109,735	–	109,735
Increase in property, plant and equipment and intangible assets	2,121,839	15,758	625,755	1,002,597	3,765,951	–	3,765,951

(Notes) 1. The segment profit (loss) adjustment of ¥(2,878,721) thousand consists of the eliminated inter-segment transaction profit of ¥(386,089) thousand, and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(2,492,631) thousand. The general administrative expenses that are not allocated to any reportable segment include the basic research and development expenses and certain administrative expenses related to the General Affairs and Accounting Department.

2. The “Japan” segment includes the net sales and expenses related to the Asian markets, in addition to the Japanese market.

3. The segment asset adjustment of ¥4,454,498 thousand consists of an inter-segment elimination of ¥(4,861,623) thousand, and corporate assets that are not allocated to any reportable segment, which amounted to ¥9,316,121 thousand. The corporate assets include excess funds (including cash, bank deposits and securities), long-term investments (such as investment securities and assets categorized as “Others” under “Investments and other assets”), and certain assets related to corporate departments.

[Notes - Information associated with reportable segments]

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

1. Information by product/service

(Thousands of yen)

	Speed reducers	Mechatronic products	Total
Net sales to third parties	39,432,894	16,363,561	55,796,455

(Note) The sales of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing and sales of magnetic application equipment, are classified, counted and presented as mechatronic products.

2. Information by geographic area

(1) Net sales

(Thousands of yen)

Japan	China	North America	Europe	Other	Total
20,617,344	4,161,598	13,284,851	16,540,045	1,192,615	55,796,455

(Notes) 1. Net sales are classified into the countries and geographical areas as shown in the schedule above based on the locations of the customers.

2. The “North America” segment includes net sales of ¥11,954,835 thousand originating from the United States of America, which represents greater than 10% of net sales recorded on the consolidated statements of income.

3. The “Europe” segment includes net sales of ¥6,505,463 thousand originating from Germany, which represents greater than 10% of net sales recorded on the consolidated statements of income.

(2) Property, plant and equipment

(Thousands of yen)

Japan	China	North America	Europe	Total
35,830,298	57,563	6,395,440	5,864,021	48,147,323

(Notes) 1. Property, plant and equipment are classified into the countries and geographical areas as shown in the schedule above based on their locations.

2. The “North America” segment includes ¥6,395,440 thousand worth of property, plant and equipment located in the United States of America, which represents greater than 10% of the total value of property, plant and equipment recorded on the consolidated balance sheets.

3. The “Europe” segment includes ¥5,864,021 thousand worth of property, plant and equipment located in Germany, which represents greater than 10% of the total value of property, plant and equipment recorded on the consolidated balance sheets.

3. Information on major customers

(Thousands of yen)

Customer name	Net sales	Related segment
Nissan Motor Co., Ltd.	6,547,422	Japan

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

1. Information by product/service

(Thousands of yen)

	Speed reducers	Mechatronic products	Total
Net sales to third parties	42,304,275	13,341,664	55,645,940

(Note) The sales of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing and sales of magnetic application equipment, are classified, counted and presented as mechatronic products.

2. Information by geographic area

(1) Net sales

(Thousands of yen)

Japan	China	North America	Europe	Other	Total
19,806,259	5,623,075	11,628,795	16,666,675	1,921,134	55,645,940

(Notes) 1. Net sales are classified into the countries and geographical areas as shown in the schedule above based on the locations of the customers.
2. The “North America” segment includes net sales of ¥10,132,022 thousand originating from the United States of America, which represents greater than 10% of net sales recorded on the consolidated statements of income.
3. The “Europe” segment includes net sales of ¥7,056,700 thousand originating from Germany, which represents greater than 10% of net sales recorded on the consolidated statements of income.

(2) Property, plant and equipment

(Thousands of yen)

Japan	China	North America	Europe	Total
32,510,937	63,218	7,431,144	5,954,452	45,959,753

(Notes) 1. Property, plant and equipment are classified into the countries and geographical areas as shown in the schedule above based on their locations.
2. The “North America” segment includes ¥7,431,144 thousand worth of property, plant and equipment located in the United States of America, which represents greater than 10% of the total value of property, plant and equipment recorded on the consolidated balance sheets.
3. The “Europe” segment includes ¥5,954,452 thousand worth of property, plant and equipment located in Germany, which represents greater than 10% of the total value of property, plant and equipment recorded on the consolidated balance sheets.

3. Information on major customers

(Thousands of yen)

Customer name	Net sales	Related segment
Nissan Motor Co., Ltd.	5,733,870	Japan

[Impairment loss information of non-current assets by reportable segment]

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Reportable segment					Adjustment	Consolidated
	Japan	China	North America	Europe	Total		
Impairment losses	–	–	–	12,913,743	12,913,743	15,245,574	28,159,317

(Note) As the excess earning power of goodwill, customer related assets and technical assets of the Company's consolidated subsidiary, Harmonic Drive SE, that had been originally expected was diminished, the book value was reduced to the recoverable value for goodwill due to the adjustment and for customer related assets and technical assets due to the Europe segment, and this reduction was recorded as impairment losses under extraordinary losses.

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Thousands of yen)

	Reportable segment					Adjustment	Consolidated
	Japan	China	North America	Europe	Total		
Impairment losses	1,189,182	–	–	–	1,189,182	–	1,189,182

[Information regarding amortization and balance of goodwill by reportable segment]

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Reportable segment					Adjustment	Consolidated
	Japan	China	North America	Europe	Total		
Depreciation/ amortization during period	–	–	–	–	–	1,172,736	1,172,736
Balance at end of period	–	–	–	–	–	–	–

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

Not applicable

[Gain on negative goodwill by reportable segment]

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

Not applicable.

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

Not applicable.

[Notes - Related parties]

1. Transactions with related parties

Transactions between the company submitting consolidated financial statements and related parties

Directors (and other officers) and major shareholders (only in the case of individuals) of the company submitting consolidated financial statements

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

Type	Name of the company, etc.	Address	Share capital or investment	Description of business	Percentage of voting rights holding (held) (%)	Relationship with related parties	Description of transaction	Amount of transaction	Account	Balance at end of period
Companies in which directors (and other officers) and their close relatives hold a majority of voting rights (including subsidiaries of such companies)	Tokyo Aircraft Instrument Co., Ltd. (Note 1)	Machida-shi, Tokyo	¥100,000 thousand	Manufacturing and sale of aviation-related equipment	None	Acceptance of manufacturing personnel on loan Outsourcing of development-related work Concurrent officers......Yes	Payment of labor costs for personnel on loan, etc. Payment of business consignment fees	14,777 36,916	– –	– –

(Notes) 1. This is a subsidiary of a company in which the Company’s Chairperson and Director Mitsumasa Ito and his relatives hold a majority of voting rights.

2. Based on a memorandum of understanding regarding secondment, the Company pays an amount equivalent to labor costs of seconded personnel as their salaries.

3. The amount of business consignment fees is determined upon consultation based on the nature of the work to be performed.

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

Not applicable.

2. Notes on the parent company or significant affiliates

Not applicable.

(Notes - Per share information)

The basis for the calculation of net assets per share, profit (loss) per share and diluted earnings per share is as follows.

Items	As of March 31, 2024	As of March 31, 2025
(1) Net assets per share	¥836.02	¥831.82

Items	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
(2) Profit (loss) per share	¥(261.00)	¥36.57
(Basis for calculation)		
Profit (loss) attributable to owners of parent recorded on the consolidated statements of income (Thousands of yen)	(24,806,996)	3,473,539
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit (loss) attributable to owners of parent relating to common shares (Thousands of yen)	(24,806,996)	3,473,539
Average number of common shares outstanding during the period	95,047,417	94,977,483

(Note) The amount of diluted earnings per share for the fiscal year ended March 31, 2025, is not stated, because dilutive shares did not exist.

(Notes - Significant subsequent events)

Not applicable.

5) [Annexed consolidated detailed schedules]

[Annexed consolidated detailed schedule of corporate bonds]

Not applicable.

[Annexed consolidated detailed schedule of borrowings]

Categories	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%)	Repayment due
Short-term borrowings	700,629	2,701,653	0.8	–
Current portion of long-term borrowings	2,529,452	1,890,516	0.8	–
Current portion of lease liabilities	700,049	741,555	2.1	–
Long-term borrowings (excluding current portion)	15,201,497	11,015,584	0.8	2026 to 2032
Lease liabilities (excluding current portion)	4,681,840	4,390,974	1.6	2026 to 2043
Other interest-bearing liabilities	–	–	–	–
Total	23,813,468	20,740,283	–	–

(Notes) 1. "Average interest rate" indicates a weighted-average interest rate applicable to the ending balances of borrowings.

2. The total amount of scheduled repayment of long-term borrowings and lease liabilities (excluding current portion) for each year within five years after the consolidated closing date is as follows:

(Thousands of yen)

Categories	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term borrowings	1,890,516	1,855,516	1,775,692	1,732,208
Lease liabilities	741,537	704,083	514,196	423,332

[Annexed consolidated detailed schedule of asset retirement obligations]

This is omitted, as the amounts of asset retirement obligations at the beginning and end of the fiscal year under review are not more than 1% of the total amount of liabilities and net assets at the beginning and end of the fiscal year under review.

(2) [Other]

Semi-annual information for the fiscal year ended March 31, 2025

Cumulative period		Six months ended September 30, 2024	For the fiscal year ended March 31, 2025
Net sales	(Thousands of yen)	26,559,485	55,645,940
Profit (loss) before income taxes or interim loss before income taxes	(Thousands of yen)	(860,867)	4,780,412
Profit (loss) attributable to owners of parent or interim loss attributable to owners of parent	(Thousands of yen)	(850,004)	3,473,539
Profit (loss) per share or interim loss per share	(Yen)	(8.95)	36.57

2. [Financial statements, etc.]

(1) [Financial statements]

1) [Balance sheets]

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	7,487,739	9,057,219
Notes receivable - trade	*5 11,887	15,021
Electronically recorded monetary claims - operating	*5 2,858,483	3,289,167
Accounts receivable - trade	*1 4,718,476	*1 5,166,243
Merchandise and finished goods	302,438	167,585
Work in process	1,504,667	1,581,275
Raw materials and supplies	2,193,263	1,600,397
Prepaid expenses	213,307	228,385
Other	*1 1,653,575	*1 1,612,016
Total current assets	20,943,840	22,717,312
Non-current assets		
Property, plant and equipment		
Buildings	21,958,925	22,063,680
Accumulated depreciation	(7,051,973)	(7,978,097)
Buildings, net	14,906,952	14,085,582
Structures	1,617,525	1,808,226
Accumulated depreciation	(798,028)	(909,634)
Structures, net	819,496	898,591
Machinery and equipment	24,201,931	24,324,933
Accumulated depreciation	(13,172,571)	(14,906,865)
Machinery and equipment, net	11,029,360	9,418,068
Vehicles	1,902	1,902
Accumulated depreciation	(1,465)	(1,684)
Vehicles, net	436	218
Tools, furniture and fixtures	8,024,943	6,930,387
Accumulated depreciation	(6,907,660)	(6,112,462)
Tools, furniture and fixtures, net	1,117,282	817,925
Land	*4 2,437,704	*4 2,494,313
Leased assets	3,226,995	3,226,995
Accumulated depreciation	(994,391)	(1,314,717)
Leased assets, net	2,232,604	1,912,277
Construction in progress	1,225,768	2,196,310
Total property, plant and equipment	33,769,605	31,823,288
Intangible assets		
Software	393,701	664,118
Other	141,170	105,419
Total intangible assets	534,872	769,538
Investments and other assets		
Investment securities	8,780,932	409,931
Shares of subsidiaries and associates	8,825,026	22,432,469
Investments in capital of subsidiaries and associates	13,635,231	111,294
Long-term loans receivable from subsidiaries and associates	3,019,972	3,307,883
Prepaid pension costs	1,192,386	1,267,035
Deferred tax assets	–	71,277
Leasehold and guarantee deposits	39,887	53,907
Other	16,642	16,467
Allowance for doubtful accounts	(136,662)	(762,416)
Total investments and other assets	35,373,417	26,907,850
Total non-current assets	69,677,895	59,500,676
Total assets	90,621,735	82,217,989

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Notes payable - trade	1,273,819	801,190
Accounts payable - trade	*1 1,429,613	*1 1,880,577
Short-term borrowings	2,376,428	*2, 3 3,805,000
Lease liabilities	311,036	303,691
Accounts payable - other	*1 1,128,309	*1 691,643
Accrued expenses	372,152	386,461
Income taxes payable	–	1,256,102
Contract liabilities	76,389	30,256
Deposits received	119,137	48,235
Provision for bonuses	545,443	567,265
Provision for loss on compensation for after-care of products	111,669	17,454
Notes payable - facilities	325,246	279,065
Other	178,846	6,125
Total current liabilities	8,248,092	10,073,070
Non-current liabilities		
Long-term borrowings	14,765,717	*3 10,675,000
Provision for operating officers' retirement benefits	104,749	126,374
Lease liabilities	1,939,359	1,635,667
Long-term accounts payable - other	1,261,685	438,467
Deferred tax liabilities	1,565,158	–
Total non-current liabilities	19,636,669	12,875,509
Total liabilities	27,884,762	22,948,580
Net assets		
Shareholders' equity		
Share capital	7,100,036	7,100,036
Capital surplus		
Legal capital surplus	9,697,431	9,697,431
Other capital surplus	20,544,472	20,552,031
Total capital surplus	30,241,904	30,249,462
Retained earnings		
Legal retained earnings	166,700	166,700
Other retained earnings		
General reserve	11,000,000	11,000,000
Retained earnings brought forward	15,280,636	16,239,812
Total retained earnings	26,447,336	27,406,512
Treasury shares	(5,309,159)	(5,633,171)
Total shareholders' equity	58,480,117	59,122,839
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,256,856	146,568
Total valuation and translation adjustments	4,256,856	146,568
Total net assets	62,736,973	59,269,408
Total liabilities and net assets	90,621,735	82,217,989

2) [Statements of income]

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Net sales	*1 28,577,533	*1 30,544,864
Cost of sales		
Beginning finished goods inventory	290,236	302,438
Cost of products manufactured	20,748,308	20,350,121
Cost of purchased goods	2,021,833	3,396,041
Total	23,060,379	24,048,601
Ending finished goods inventory	302,438	167,585
Total cost of sales	*1 22,757,940	*1 23,881,015
Gross profit	5,819,593	6,663,848
Selling, general and administrative expenses	*1, *2 6,362,341	*1, *2 6,851,712
Operating loss	(542,748)	(187,863)
Non-operating income		
Interest income	*1 89,158	*1 87,884
Dividend income	*1 2,761,176	*1 779,312
Foreign exchange gains	221,527	–
Rental income from real estate	*1 283,997	*1 179,853
Subsidy income	25,261	2,190
Other	*1 61,277	*1 72,695
Total non-operating income	3,442,399	1,121,937
Non-operating expenses		
Interest expenses	88,255	131,136
Rental expenses on real estate	*1 418,277	*1 410,865
Foreign exchange losses	–	87,972
Provision of allowance for doubtful accounts	–	25,753
Commission for purchase of treasury shares	665	1,458
Other	*1 103,456	*1 89,838
Total non-operating expenses	610,654	747,024
Ordinary profit	2,288,996	187,048
Extraordinary income		
Gain on sale of non-current assets	1,622	99
Gain on sale of investment securities	–	*3 5,865,309
Gain on extinguishment of tie-in shares	–	*4 259,637
Subsidy income	2,000	2,000
Total extraordinary income	3,622	6,127,046
Extraordinary losses		
Loss on sale of non-current assets	–	1,553
Loss on retirement of non-current assets	593	35,423
Loss on tax purpose reduction entry of non-current assets	2,000	2,000
Loss on valuation of shares of subsidiaries and associates	114,521	6,499
Loss on valuation of investments in capital of subsidiaries and associates	20,513,001	–
Loss on waiver of debt of subsidiaries and associates	–	*5 192,187
Provision of allowance for doubtful accounts	131,062	*6 600,000
Total extraordinary losses	20,761,179	837,664
Profit (loss) before income taxes	(18,468,559)	5,476,430
Income taxes - current	12,577	1,137,772
Income taxes - deferred	(20,393)	163,837
Total income taxes	(7,815)	1,301,609
Profit (loss)	(18,460,744)	4,174,821

3) [Statements of changes in net assets]

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	7,100,036	9,697,431	20,539,357	30,236,788	166,700	11,000,000	36,308,286	47,474,986
Changes during period								
Dividends of surplus							(2,566,906)	(2,566,906)
Profit (loss)							(18,460,744)	(18,460,744)
Purchase of treasury shares								
Restricted stock payment			5,115	5,115				
Decrease by corporate division - split-off type								
Net changes in items other than shareholders' equity								
Total changes during period	–	–	5,115	5,115	–	–	(21,027,650)	(21,027,650)
Balance at end of period	7,100,036	9,697,431	20,544,472	30,241,904	166,700	11,000,000	15,280,636	26,447,336

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(4,978,535)	79,833,275	5,845,310	5,845,310	85,678,586
Changes during period					
Dividends of surplus		(2,566,906)			(2,566,906)
Profit (loss)		(18,460,744)			(18,460,744)
Purchase of treasury shares	(397,294)	(397,294)			(397,294)
Restricted stock payment	66,670	71,786			71,786
Decrease by corporate division - split-off type		–			–
Net changes in items other than shareholders' equity			(1,588,454)	(1,588,454)	(1,588,454)
Total changes during period	(330,623)	(21,353,158)	(1,588,454)	(1,588,454)	(22,941,612)
Balance at end of period	(5,309,159)	58,480,117	4,256,856	4,256,856	62,736,973

Fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	7,100,036	9,697,431	20,544,472	30,241,904	166,700	11,000,000	15,280,636	26,447,336
Changes during period								
Dividends of surplus							(1,899,694)	(1,899,694)
Profit (loss)							4,174,821	4,174,821
Purchase of treasury shares								
Restricted stock payment			7,558	7,558				
Decrease by corporate division - split-off type							(1,315,949)	(1,315,949)
Net changes in items other than shareholders' equity								
Total changes during period	–	–	7,558	7,558	–	–	959,176	959,176
Balance at end of period	7,100,036	9,697,431	20,552,031	30,249,462	166,700	11,000,000	16,239,812	27,406,512

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(5,309,159)	58,480,117	4,256,856	4,256,856	62,736,973
Changes during period					
Dividends of surplus		(1,899,694)			(1,899,694)
Profit (loss)		4,174,821			4,174,821
Purchase of treasury shares	(390,586)	(390,586)			(390,586)
Restricted stock payment	66,573	74,132			74,132
Decrease by corporate division - split-off type		(1,315,949)			(1,315,949)
Net changes in items other than shareholders' equity			(4,110,287)	(4,110,287)	(4,110,287)
Total changes during period	(324,012)	642,722	(4,110,287)	(4,110,287)	(3,467,564)
Balance at end of period	(5,633,171)	59,122,839	146,568	146,568	59,269,408

[Notes]

(Notes - Significant accounting policies)

1. Valuation standards and methods for securities
   (1) Shares of subsidiaries
   The moving average cost method is applied.
   (2) Available-for-sale securities
      1) Securities other than shares, etc. that do not have a market value
      The fair value method (with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method) is applied.
      2) Shares, etc. that do not have a market value
      The moving average cost method is applied.

2. Valuation standards and methods for net receivables (and payables) arising from derivative transactions
   The fair value method is applied.

3. Valuation standards and methods for inventories
   Inventories held for normal sales purpose
   Valuation standards are based on the cost method (the method of writing down the book value based on a decline in profitability).
   (1) Merchandise and finished goods, raw materials and work in process
   The moving average method is applied.
   (2) Supplies
   The last purchase cost method is applied.

4. Depreciation method of non-current assets
   (1) Property, plant and equipment (excluding leased assets)
   The declining-balance method is applied.
   However, the straight-line method is applied to buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and to facilities attached to buildings and to structures acquired on or after April 1, 2016.
   (2) Intangible assets (excluding leased assets)
   The straight-line method is applied.
   However, for software (for internal use), the straight-line method is applied based on the expected usable period within the Company (five years).
   (3) Leased assets
   Leased assets related to finance lease transactions with the right of ownership not transferred
   The straight-line method is applied using the lease term as service life and a residual value of zero.

5. Criteria for translating foreign-currency-denominated assets and liabilities into Japanese yen
   Foreign-currency-denominated monetary receivables are translated into Japanese yen at the spot exchange rate, etc. on the closing date and the translation adjustment is treated as a profit or loss.

6. Recognition criteria for provisions

(1) Allowance for doubtful accounts

To prepare for possible losses due to irrecoverable receivables, the estimated irrecoverable amount is recorded based on the historical default rate for general receivables, and individual consideration of collectability for certain receivables such as doubtful receivables.

(2) Provision for bonuses

To prepare for the payment of bonuses to employees, the estimated amount of payment is recorded.

(3) Provision for bonuses for directors (and other officers)

To prepare for the payment of bonuses to directors (and other officers), the estimated amount of payment is recorded.

(4) Provision for loss on compensation for after-care of products

To prepare for loss on compensation for after-care of products, the estimated amount of loss is recorded.

(5) Provision for operating officers' retirement benefits

To prepare for the payment of retirement benefits to operating officers, the full amount of payment required at the end of the fiscal year based on the internal rules is recorded.

7. Recognition criteria for revenue and expenses

The Company's principal business is manufacturing and sales of speed reducers and mechatronic products. For the Company's domestic sale, revenue is recognized at the time of shipment, since the period from the time of shipment to the time when control of products is transferred to customers is normal. For export sale, revenue is recognized at the time when the burden of risk is transferred to customers mainly based on trade terms defined by Incoterms, etc.

Under payment terms regarding the Company's transactions, in general, payment is due within a short period of time and significant financial elements are not included in contracts.

In addition, transaction prices are based on contract prices with customers and there is no variable consideration or discounting.

8. Accounting for retirement benefits

To prepare for the payment of retirement benefit to employees, the amount deemed to have accrued at the end of the fiscal year under review was recorded based on the estimated amount at the time. If the amount of plan assets is smaller than that of retirement benefit obligations to or from which unrecognized actuarial differences and unrecognized past service costs are added or deducted, the difference is recorded as provision for retirement benefits. If the amount of plan assets exceeds that of retirement benefit obligations calculated in the same way above, the amount exceeded is recorded as prepaid pension costs. In calculating retirement benefit obligations, the method for attributing the estimated amount of retirement benefits to the period until the end of the fiscal year under review is based on the benefit formula basis. In addition, for the past service costs, the amounts, prorated on the straight-line method over a fixed number of years (three years) that is within the average number of years of remaining service for employees at the time the costs are incurred, are recorded as expenses. Also, actuarial differences are recorded as expenses from the next fiscal year using the straight-line method over a fixed number of years (three years) that is within the average number of years of remaining service for employees at the time the differences arise.

9. Other significant accounting policies for preparation of consolidated financial statements

(1) Accounting for retirement benefits

The accounting for unrecognized actuarial differences related to retirement benefits and unrecognized past service costs differs from that for these items in the consolidated financial statements.

(2) Treatment of deferred assets

For share issuance costs, the full amount is treated as an expense at the time the disbursement is made.

(Notes - Significant accounting estimates)

Valuation of shares of subsidiaries and associates that do not have a market value and investments in capital of subsidiaries and associates

1) Amounts recorded in the financial statements for the fiscal year under review

Shares of subsidiaries and associates	22,432,469 thousand yen
Investments in capital of subsidiaries and associates	111,294 thousand yen
Loss on valuation of shares of subsidiaries and associates	6,499 thousand yen

2) Other information

- Calculation method

With respect to shares of subsidiaries and associates that do not have a market value and investments in capital of subsidiaries and associates, if the financial condition of the issuing company deteriorates and the effective market value of the shares declines by approximately 50% or more, such a decline is deemed significant. Unless there is sufficient evidence that recovery is reasonably expected within approximately five years, an appropriate valuation loss is recorded at the end of the fiscal year. The effective market value is calculated based on the net assets per share multiplied by the number of shares held (hereinafter, the “equity in net assets”). However, in cases where the shares were acquired at a value exceeding the net assets per share to reflect factors such as the company’s excess earning power, the effective market value is determined by including such excess earning power. Accordingly, if such excess earning power is no longer expected and the effective market value reflecting this falls to approximately 50% or less of the acquisition cost, an impairment loss is recognized.

In the fiscal year under review, the Company assessed the effective market value of shares of subsidiaries and associates and investments in capital of subsidiaries and associates to determine whether impairment should be recorded. As a result, due to the recognition of an impairment loss on non-current assets held by Harmonic Precision Inc., a subsidiary, the effective market value of shares of Harmonic Precision Inc. declined significantly. Consequently, the Company recorded a full valuation loss of ¥6,499 thousand on the shares of Harmonic Precision Inc. held by the Company.

Fluctuations in future economic conditions and other uncertainties may have a material impact on the valuation of shares of subsidiaries and associates and investments in capital of subsidiaries and associates in subsequent fiscal years.

(Changes in accounting policies)

Application of the “Accounting Standard for Current Income Taxes,” etc.

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter the “2022 Revised Accounting Standard”) from the beginning of the fiscal year under review.

Revisions regarding the classification of income taxes have been addressed in accordance with the transitional treatment prescribed in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard. This change in accounting policy has no impact on the financial statements.

(Notes - Balance sheets)

*1. Notes on subsidiaries and associates

Major items related to subsidiaries and associates included in each account other than those which are separately stated are as follows:

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Short-term receivables	1,995,810	2,387,843
Short-term payables	540,374	898,907

*2. Commitment line agreement

The Company concluded a commitment line agreement with its main banks in order to improve the stability of fundraising and flexibly perform business.

The balance of unexecuted borrowings based on this agreement at the end of the fiscal year under review is as follows:

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Total amount of commitment line	8,500,000	8,500,000
Balance of borrowings outstanding	–	2,000,000
Balance of unexecuted borrowings	8,500,000	6,500,000

*3. Financial covenants

The commitment line agreement and term loan agreement entered into by the Company include financial covenants. If any of the following conditions are breached, all obligations under the agreements may become subject to forfeiture of the benefit of time:

1) Maintain net assets on both the consolidated balance sheet and the non-consolidated balance sheet as of the end of each consolidated fiscal year at not less than 70% of the greater of the net assets as of the end of the immediately preceding fiscal year or as of the end of the fiscal year ended March 31, 2024.
2) Do not record an ordinary loss in both the consolidated and non-consolidated statements of income for two consecutive fiscal years.

*4. Amounts of tax purpose reduction entry

The amount of tax purpose reduction entry deducted from the acquisition price of property, plant and equipment due to national subsidies, etc., and breakdown thereof are as follows:

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Amounts of tax purpose reduction entry (land)	385,230	387,230

*5. Promissory notes due on balance sheet date

Promissory notes due on balance sheet date are settled on their clearance date.

Since the end of the previous fiscal year was a holiday of financial institutions, the following promissory notes due on balance sheet date are included in the balance at the end of period.

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Notes receivable - trade	167	–
Electronically recorded monetary claims - operating	310,214	–

(Notes - Statements of income)

*1. The total amount of operating transactions and non-operating transactions with subsidiaries and associates is as follows:

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Operating transactions (revenue)	7,457,328	9,450,873
Operating transactions (expenses)	5,012,338	7,396,566
Non-operating transactions (revenue)	2,863,135	792,287
Non-operating transactions (expenses)	359,040	1,180,702

*2 Selling, general and administrative expenses

Major expense items, amounts and approximate percentages are as follows:

(Thousands of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Salaries and allowances	910,694	1,011,631
Provision for bonuses	256,863	355,542
Provision for bonuses for directors (and other officers)	30,365	–
Provision for operating officers' retirement benefits	24,489	28,475
Research and development expenses	2,276,277	2,306,114
Depreciation	331,558	350,175
Approximate percentages		
Selling expenses	26%	28%
General and administrative expenses	74%	72%

*3. Gain on sale of investment securities

Gain on sale of investment securities represents gain on the sale of investment securities held by the Company. (Announced on January 17, 2025)

*4. Gain on extinguishment of tie-in shares

Gain on extinguishment of tie-in shares represents the gain recognized in connection with the absorption-type merger of a consolidated subsidiary.

*5. Loss on waiver of debt of subsidiaries and associates

Loss on waiver of debt of subsidiaries and associates represents the loss recognized on the waiver of accounts receivable from a consolidated subsidiary.

*6. Provision of allowance for doubtful accounts

Provision of allowance for doubtful accounts represents the allowance recorded for loans to a consolidated subsidiary.

(Notes - Securities)

1. As shares of subsidiaries and investments in capital of subsidiaries and associates are shares, etc. that do not have a market value, fair values of shares of subsidiaries and investments in capital of subsidiaries and associates are not stated.

   The amounts recorded on the balance sheets for shares of subsidiaries and investments in capital of subsidiaries and associates which are shares, etc. that do not have a market value are as follows:

(Thousands of yen)

Categories	As of March 31, 2024	As of March 31, 2025
Shares of subsidiaries	8,825,026	22,432,469
Investments in capital of subsidiaries and associates	13,635,231	111,294
Total	22,460,258	22,543,763

2. Securities for which impairment losses were recorded

   As of March 31, 2024

   We recorded impairment losses of ¥114,521 thousand on shares of subsidiaries and ¥20,513,001 thousand on investments in capital of subsidiaries and associates.

   In the case where the fair value at the end of the fiscal year declines by 50% or more compared to the acquisition cost, all such declines are treated as impairment losses; and in the case of a decline by approximately 30-50%, impairment losses are recorded for the amount deemed necessary, taking into consideration the recoverability and other factors.

   For securities which are shares, etc. that do not have a market value and of which effective market value declined by, in principle, 50% or more compared to the book value, impairment losses are recorded, excluding those of which recoverability of effective market value is sufficiently supported by evidence, after taking into account trends of business performance for a certain period of time and other factors.

   As of March 31, 2025

   We recorded impairment losses of ¥6,499 thousand on shares of subsidiaries.

   In the case where the fair value at the end of the fiscal year declines by 50% or more compared to the acquisition cost, all such declines are treated as impairment losses; and in the case of a decline by approximately 30-50%, impairment losses are recorded for the amount deemed necessary, taking into consideration the recoverability and other factors.

   For securities which are shares, etc. that do not have a market value and of which effective market value declined by, in principle, 50% or more compared to the book value, impairment losses are recorded, excluding those of which recoverability of effective market value is sufficiently supported by evidence, after taking into account trends of business performance for a certain period of time and other factors.

(Notes - Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major causes

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets		
Tax loss carried forward	197,733	–
Accrued enterprise tax	–	95,500
Inventory valuation loss	93,662	62,819
Provision for bonuses	166,360	173,016
Accrued social insurance premium	24,501	25,756
Accrued defined contribution pension	1,600	1,697
Provision for loss on compensation for after-care of products	34,059	5,323
Software development expenses	79,267	78,767
Provision for retirement benefits for directors (and other officers)	307,664	89,245
Provision for operating officers' retirement benefits	45,473	54,866
Stock compensation expenses for directors (and other officers)	37,819	50,709
Excess amortization of deferred assets	187	169
Loss on valuation of investment securities	65,409	67,339
Loss on transfer of receivables	49,091	50,540
Loss on valuation of shares of subsidiaries and associates	110,601	5,827,785
Loss on valuation of investments in capital of subsidiaries and associates	6,256,465	–
Loss on valuation of golf club membership	5,733	5,902
Loss on valuation of loans to subsidiaries and associates	39,974	237,640
Impairment losses	46,570	41,500
Leasehold and guarantee deposits	1,121	1,305
Subtotal of deferred tax assets	7,563,296	6,869,885
Valuation allowance	(6,919,353)	(6,385,335)
Total deferred tax assets	643,942	484,550
Deferred tax liabilities		
Enterprise tax receivable	(35,063)	–
Dividends receivable	–	(5,337)
Prepaid pension costs	(363,677)	(397,849)
Valuation difference on available-for-sale securities	(1,810,359)	(10,086)
Total deferred tax liabilities	(2,209,101)	(413,272)
Total deferred tax assets (liabilities)	(1,565,158)	71,277

2. Breakdown of major causes of differences between the effective statutory tax rate and income tax burden rate after the application of tax effect accounting

(%)

	As of March 31, 2024	As of March 31, 2025
Effective statutory tax rate	–	30.5
(Adjustment)		
Permanent difference items such as dividend income	–	(7.2)
Tax credit (research and development expenses, etc.)	–	(4.5)
Allowance for doubtful accounts of subsidiaries and associates	–	3.5
Other	–	1.5
Income tax burden rate after the application of tax effect accounting	–	23.8

(Note) Notes for the previous fiscal year is omitted because loss before income taxes was recorded.

3. Adjustment to deferred tax assets and deferred tax liabilities due to changes in income tax rates

The “Act for Partial Amendment of the Income Tax Act, etc.”” (related to Article 12) was enacted by the Diet on March 31, 2025, and the Defense Special Corporate Tax will be imposed starting from fiscal years beginning on or after April 1, 2026. Accordingly, the effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities that are expected to be reversed in fiscal years beginning on or after April 1, 2026, will be changed from 30.5% to 31.4%.

The impact of this change in the tax rate is immaterial.

(Notes - Revenue recognition)

Useful information in understanding revenue from contracts with customers is omitted as the same information is presented in the consolidated financial statements “(Notes - Revenue recognition).”

(Notes - Significant subsequent events)

Not applicable.

4) [Annexed detailed schedules]

[Annexed detailed schedule of property, plant and equipment, etc.]

(Thousands of yen)

Asset type	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period	Accumulated depreciation/ amortization at end of period	Depreciation/ amortization during period	Balance at the end of period
Property, plant and equipment							
Buildings	21,958,925	104,755	–	22,063,680	7,978,097	926,124	14,085,582
Structures	1,617,525	199,700	9,000	1,808,226	909,634	118,619	898,591
Machinery and equipment	24,201,931	534,953	411,951	24,324,933	14,906,865	2,033,039	9,418,068
Vehicles	1,902	–	–	1,902	1,684	218	218
Tools, furniture and fixtures	8,024,943	729,689	1,824,244	6,930,387	6,112,462	981,899	817,925
Land	2,437,704	58,608	2,000	2,494,313	–	–	2,494,313
Leased assets	3,226,995	–	–	3,226,995	1,314,717	320,326	1,912,277
Construction in progress	1,225,768	1,598,749	628,207	2,196,310	–	–	2,196,310
Total	62,695,696	3,226,457	2,875,404	63,046,749	31,223,461	4,380,228	31,823,288
Intangible assets							
Software	1,912,038	405,786	40,085	2,277,739	1,613,620	123,945	664,118
Other	143,885	329,354	365,105	108,134	2,714	–	105,419
Total	2,055,923	735,140	405,190	2,385,873	1,616,335	123,945	769,538

(Notes) 1. The increase during period for machinery and equipment was due to the renewal of manufacturing equipment at Hotaka Plant.

2. The decrease during the period for tools, furniture and fixtures was mainly due to the transfer of assets amounting to ¥979,006 thousand to Harmonic Winbel Inc. through an absorption-type company split.

3. Tax purpose reduction entry due to national subsidies, etc.
The amount of tax purpose reduction entry deducted directly from the acquisition cost of property, plant and equipment for the fiscal year under review was ¥2,000 thousand for land.

[Annexed detailed schedule of provisions]

(Thousands of yen)

Account	Balance at beginning of period	Increase during period	Decrease during period (used for purposes)	Decrease during period (other)	Balance at end of period
Allowance for doubtful accounts	136,662	625,753	–	–	762,416
Provision for bonuses	545,443	567,265	545,443	–	567,265
Provision for loss on compensation for after-care of products	111,669	47,314	128,001	13,527	17,454
Provision for operating officers' retirement benefits	104,749	28,475	6,850	–	126,374

(Note) The decrease (other) of provision for loss on compensation for after-care of products is a reversal as a result of the revision of individual estimates.

(2) [Components of major assets and liabilities]

This is omitted as the consolidated financial statements are prepared.

(3) [Other information]

Not applicable.

VI [Outline of Share-Related Administration of Reporting Company]

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	During June
Record date	March 31
Record date for dividends of surplus	September 30 and March 31
Number of shares per unit	100 shares
Purchase or additional purchase of shares less than one unit	
Place of handling	(Special account) Stock Transfer Agency Department at Mizuho Trust & Banking 1-3-3 Marunouchi, Chiyoda-ku, Tokyo, Japan
Shareholder register administrator	(Special account) Mizuho Trust & Banking 1-3-3 Marunouchi, Chiyoda-ku, Tokyo, Japan
Agency	Head Office and nationwide branches of Mizuho Trust & Banking
Purchase or additional purchase fees	Free
Method of public notice	Public notices of the Company is made by electronic public notice. However, in case that it is not possible to make electronic public notices due to an incident or other unavoidable reason, public notices will be made in the Nikkei newspaper. Electronic public notices are posted on the Company's website of which the URL is as follows: https://www.hds.co.jp/english/#1
Benefits for shareholders	None

(Note) The Company's shareholders may not exercise rights other than the following rights with respect to their shares less than one unit.
Rights set forth in each item of Article 189, Paragraph 2 of the Companies Act
Rights to make a demand under provisions of Article 166, Paragraph 1 of the Companies Act
Rights to receive an allotment of shares to be offered and an allotment of share acquisition rights to be offered according to the number of shares held by shareholders
Rights to demand sale of shares in a number that, together with the number of shares less than one unit held by the shareholder, will constitute one unit (loss) of shares.

VII [Reference Information of the Reporting Company]

1 [Information about parent of reporting company]

The Company has no parent company as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2 [Other reference information]

The Company submitted the following documents during the period from the beginning date of the fiscal year under review to the filing date of the annual securities report.

(1) Annual securities report and its attachments and confirmation letter

36th fiscal year (from April 1, 2023 to March 31, 2024): Filed with the Director-General of the Kanto Local Finance Bureau on June 24, 2024

(2) Internal control report

36th fiscal year (from April 1, 2023 to March 31, 2024): Filed with the Director-General of the Kanto Local Finance Bureau on June 24, 2024

(3) Semiannual securities report and its confirmation letter

During the 37th fiscal year (from April 1, 2024 to September 30, 2024): Filed with the Director-General of the Kanto Local Finance Bureau on November 13, 2024

(4) Extraordinary report

Extraordinary report based on provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Items 12 and 19 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on May 7, 2024 and January 17, 2025

Extraordinary report based on provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on June 24, 2024

Extraordinary report based on provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 3 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on October 18, 2024

Extraordinary report based on provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 19 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on April 24, 2025

(5) Share buyback report

Filed with the Director-General of the Kanto Local Finance Bureau on March 10, 2025, April 10, 2024, and May 12, 2025

Part II [Information About Reporting Company's Guarantor, Etc.]

Not applicable.