

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2026 [Japanese GAAP]



May 13, 2026

Company name: Harmonic Drive Systems Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6324
 URL: <https://www.hds.co.jp/english/>
 Representative: Akira Maruyama, President and Representative Director
 Contact: Tetsuya Shiokawa, Executive Officer
 Phone: +81-3-5471-7810
 Scheduled date of general shareholders' meeting: June 19, 2026
 Scheduled date of commencing dividend payments: June 22, 2026
 Scheduled date of filing securities report: June 16, 2026
 Availability of supplementary explanatory materials on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled (for analysts)

(Amounts less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2026 (April 1, 2025 – March 31, 2026)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2026	59,557	7.0	2,567	–	2,539	–	1,608	(53.7)
March 31, 2025	55,645	(0.3)	6	(94.4)	151	(73.5)	3,473	–

(Note) Comprehensive income: Fiscal year ended March 31, 2026: ¥4,078 million [132.0%]

Fiscal year ended March 31, 2025: ¥1,757 million [–%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2026	16.99	–	2.0	2.3	4.3
March 31, 2025	36.57	–	4.4	0.1	0.0

(Reference) Equity in earnings of affiliated companies: Fiscal year ended March 31, 2026: ¥(35) million

Fiscal year ended March 31, 2025: ¥(38) million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2026	111,400	80,390	72.2	849.20
As of March 31, 2025	113,621	78,943	69.5	831.82

(Reference) Equity: As of March 31, 2026: ¥80,390 million

As of March 31, 2025: ¥78,943 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2026	6,425	(4,941)	(5,874)	19,091
March 31, 2025	7,516	1,480	(5,874)	22,923

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2025	–	10.00	–	10.00	20.00	1,898	54.7	2.4
Fiscal year ended March 31, 2026	–	10.00	–	10.00	20.00	1,893	117.7	2.4
Fiscal year ending March 31, 2027 (Forecast)	–	10.00	–	10.00	20.00		42.1	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2027 (April 1, 2026 – March 31, 2027)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	33,500	20.3	3,000	544.5	3,000	496.7	2,200	593.8	23.24
Full year	68,000	14.2	6,200	141.5	6,200	144.1	4,500	179.7	47.54

* Notes:

- (1) Significant changes in the scope of consolidation during the period under review: None
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (3) Total number of issued and outstanding shares (common shares)
 - 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

March 31, 2026:	96,315,400 shares
March 31, 2025:	96,315,400 shares
 - 2) Total number of treasury shares at the end of the period:

March 31, 2026:	1,648,611 shares
March 31, 2025:	1,411,891 shares
 - 3) Average number of shares outstanding during the period:

Year ended March 31, 2026:	94,678,629 shares
Year ended March 31, 2025:	94,977,483 shares

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2026 (April 1, 2025 – March 31, 2026)**

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended								
March 31, 2026	33,438	9.5	983	—	1,065	469.9	719	(82.8)
March 31, 2025	30,544	6.9	(187)	—	187	(91.8)	4,174	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Year ended		
March 31, 2026	7.60	—
March 31, 2025	43.96	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2026	76,454	57,235	74.9	604.60
As of March 31, 2025	82,217	59,269	72.1	624.52

(Reference) Equity: As of March 31, 2026: ¥57,235 million

As of March 31, 2025: ¥59,269 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2027 (April 1, 2026 – March 31, 2027)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	20,300	29.9	1,800	619.2	3,500	—	2,900	—	30.63
Full year	40,800	22.0	3,400	245.9	4,800	350.3	3,800	428.2	40.14

* These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.* Explanation of the proper use of financial results forecasts and other notes

- The financial results forecasts and other forward-looking statements contained herein are based on information currently available to the Company and certain assumptions deemed reasonable by the Company. The actual financial results may differ significantly due to various factors. Refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 4 of the Attachments for conditions on which the financial results forecasts are premised and notes on the use of financial results forecasts.
- Supplementary explanatory materials on annual financial results are scheduled to be posted on the Company’s website around May 21, 2026.

Table of Contents - Attachments

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Fiscal Year under Review	2
(2) Overview of Financial Position for the Fiscal Year under Review	3
(3) Overview of Cash Flows for the Fiscal Year under Review	3
(4) Future Outlook	4
(5) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years	4
2. Management Policy	5
(1) Basic Policy for Corporate Management	5
(2) Medium- to Long-term Corporate Management Strategy and Issues to Be Addressed	5
(3) Target Management Indicators	6
3. Basic Policy for Selection of Accounting Principles	7
4. Consolidated Financial Statements and Principal Notes	8
(1) Consolidated Balance Sheets	8
(2) Consolidated Statements of Income and Comprehensive Income	10
(3) Consolidated Statements of Changes in Net Assets	12
(4) Consolidated Statements of Cash Flows	14
(5) Notes to Consolidated Financial Statements	16
(Notes on going concern assumption)	16
(Changes in presentation)	16
(Notes on accounting estimates)	16
(Consolidated statement of income)	18
(Segment information, etc.)	19
(Per share information)	25
(Significant subsequent events)	25
5. Other Matters	26
(1) Status of Production, Orders Received and Sales	26
(2) Net Sales outside Japan	27

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

Although the global economy during the fiscal year under review remained steady overall, uncertainties regarding the outlook remained due to persistent concerns, including high resource and raw material prices against a backdrop of the increased geopolitical risk in the Middle East and instability of the supply chain, in addition to protectionist trade policies in the United States and the prolonged situation in Ukraine. Regarding the situation concerning orders received by the Harmonic Drive Systems Group (hereinafter “the Group”), we saw an increase in orders received from customers for industrial robots due to expanded investment in automation and production facilities mainly for electronic components and semiconductors. Orders received from customers for semiconductor manufacturing equipment has also increased due to the growing demand for capital investment in advanced semiconductors related to generative AI since the beginning of the year. In addition, while the market for robots driven by AI technology (hereinafter “AI robots”) is expected to expand in the future, we have secured orders from customers for AI robots as they make the shift to mass production. As a result, consolidated orders received for the full year increased by 16.2% year on year to ¥61,613 million.

Regarding net sales trend by application, net sales for industrial robots increased overall, as the increase in Japan outweighed the decrease in China in terms of sales for industrial robot applications. Although the adjustment phase had continued in the previous fiscal year, net sales for semiconductor manufacturing equipment also increased, as demand for data center and generative AI applications expanded during the fiscal year under review. Meanwhile, net sales for automotive applications decreased due to production adjustments by customers.

As a result of the above, consolidated net sales amounted to ¥59,557 million, up 7.0% year on year.

In terms of profit and loss, in the face of a challenging business environment with persistently high material prices and labor costs, the Group worked to improve profitability by revising product prices. We also launched a company-wide cost innovation project in the previous fiscal year, and promoted initiatives such as reviewing manufacturing methods and enhancing operational efficiency. In addition, the manufacturing cost ratio improved due to higher factory operating rates in the Japan segment, and operating profit was ¥2,567 million compared to ¥6 million in the previous fiscal year, which exceeded the Company’s forecast. On the other hand, while operating profit increased, as gain on sale of investment securities decreased by ¥5,779 million, profit attributable to owners of parent amounted to ¥1,608 million, down 53.7% year on year.

Net sales by product group were as follows: speed reducers totaled ¥46,333 million, up 9.5% year on year, and mechatronic products totaled ¥13,224 million, down 0.9% year on year. These accounted for 77.8% and 22.2% of total net sales, respectively.

Financial results by segment are as follows.

(Japan)

Although net sales for automotive applications decreased, orders received from customers for industrial robots and semiconductor manufacturing equipment increased. As a result, net sales increased by 22.5% year on year to ¥26,626 million. Segment profit (ordinary profit) increased by 66.1% year on year to ¥3,693 million, reflecting the impact of increased sales as well as an improvement in the manufacturing cost ratio driven by higher factory operating rates.

(China)

Net sales decreased by 28.0% year on year to ¥4,046 million due to a fall in sales for industrial robots. Segment profit (ordinary profit) increased by 26.5% year on year to ¥382 million due to changes in the sales mix.

(North America)

Net sales increased by 4.1% year on year to ¥12,107 million, reflecting an increase in orders received for AI robots, despite a decline in orders received for defense applications. Segment profit (ordinary profit) decreased

by 5.0% year on year to ¥528 million due to factors including a one-time increase in expenses associated with the renewal of core systems.

(Europe)

Net sales increased slightly year on year to ¥16,776 million, as orders received from smaller customers failed to pick up due to the economic slowdown in Europe, despite an increase in orders received from major customers. Segment profit (ordinary profit) improved to ¥644 million (segment loss of ¥52 million in the previous fiscal year), due to a higher gross profit ratio resulting from changes in the sales mix, despite the amortization cost of ¥1,008 million on intangible assets posted at the time of acquisition of shares in Harmonic Drive SE.

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Total assets decreased by ¥2,221 million, down 2.0% year on year to ¥111,400 million. This was primarily due to a ¥3,335 million decrease in cash and deposits (down 13.4% year on year) resulting from payment for borrowings and a ¥933 million decrease in other current assets (down 35.8% year on year), despite a ¥2,022 million increase in accounts receivable - trade (up 21.2% year on year).

(Liabilities)

Liabilities decreased by ¥3,669 million, down 10.6% year on year to ¥31,009 million. This was primarily due to a ¥1,890 million decrease in long-term borrowings (down 17.2% year on year) resulting from scheduled payments of borrowings, a ¥930 million decrease in income taxes payable (down 72.4% year on year), and a ¥790 million decrease in notes and accounts payable - trade (down 24.8% year on year).

(Net Assets)

Net assets increased by ¥1,447 million, up 1.8% year on year to ¥80,390 million. This was primarily due to a ¥2,532 million increase in foreign currency translation adjustment (up 16.3% year on year) due to exchange rate fluctuations, despite a ¥1,021 million decrease in total shareholders' equity (down 1.6% year on year) resulting from the acquisition of treasury shares and the payment of dividend.

As a result, the equity ratio increased from 69.5% at the end of the previous fiscal year to 72.2%.

(3) Overview of Cash Flows for the Fiscal Year under Review

(Status of Cash Flows)

Cash and cash equivalents at the end of the fiscal year under review totaled ¥19,091 million, down ¥3,831 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 ¥6,425 million (compared with net cash provided of ¥7,516 million in the previous fiscal year).

This was primarily due to recording ¥7,361 million in depreciation and ¥2,293 million in profit before income taxes, despite recording ¥2,109 million in payments of income taxes and an increase of ¥1,792 million in trade receivables.

(Cash Flows from Investing Activities)

Investing activities in the fiscal year under review used net cash of ¥4,941 million (compared with net cash provided of ¥1,480 million in the previous fiscal year).

This was primarily due to recording ¥5,690 million in purchase of property, plant and equipment, despite ¥806

million in proceeds from sale of property, plant and equipment and ¥327 million in proceeds from sale 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 ¥5,874 million in the previous fiscal year).

This was primarily due to recording ¥1,895 million in dividends paid and ¥1,890 million in repayments of long-term borrowings.

(4) Future Outlook

In fiscal year 2026, the business environment of the Group is expected to trend firmly in related capital investment, supported by expanding investment in automation against the backdrop of the declining labor force, and increased demand for cutting-edge semiconductors driven by expanding data center investment and the proliferation of generative AI. Accordingly, we expect the recovery trend in the Group's orders received to continue. On the other hand, the global economy is expected to face increasing uncertainty due to factors including rising prices of crude oil and other resources and raw materials amid heightened geopolitical risks in the Middle East in addition to the situation in Ukraine, as well as fluctuations in exchange rates. The business environment surrounding the Group is expected to remain unpredictable.

The above forecast leads us to the consolidated financial results forecasts for the fiscal year ending March 31, 2027 with net sales of ¥68.0 billion, operating profit of ¥6.2 billion, ordinary profit of ¥6.2 billion, and profit attributable to owners of parent of ¥4.5 billion.

(5) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years

The Company distributes profits according to its financial results as a basic policy, and has set a target consolidated payout ratio of 35%. 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.

The Company invests its internal reserves mainly in research and development of new products, improvement of production facilities, and enhancement of information management systems for future business operations, while preparing for the execution of flexible capital policies.

The Company plans to pay ¥10 per share as the year-end dividend for the fiscal year ended March 31, 2026.

For the dividends per share for the next fiscal year (fiscal year ending March 31, 2027), an interim dividend of ¥10, year-end dividend of ¥10 and annual dividend of ¥20 are forecast, premised on the financial results stated in the above "Future Outlook."

2. Management Policy

(1) Basic Policy for Corporate Management

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

■ 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 our 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) Medium- to Long-term Corporate Management Strategy and Issues to Be Addressed

(Medium- to Long-term Issues to Be Addressed)

The Group promotes its business activities under the mission of contributing to social and technological innovation through motion control technology. Mechatronics and speed reducers, which we produce, are contributing greatly to social and technological innovation, including not only industrial machinery but also advanced medical equipment and mobility sector applications, and such demand is expected to continue to expand. Furthermore, with the acceleration of automation and labor-saving in various fields mainly at production sites, AI robots and collaborative robots are increasingly expected to be a new growing sector amid the worldwide labor shortage. However, while there is no change in growth expectations for the AI robots market in the medium to long term, as the market is still in its early days, the pace of real-world implementation is beginning to diverge from the assumptions made at the time of formulating the medium-term management plan (fiscal years 2024-2026) which was disclosed on May 13, 2024. In light of such changes in the environment, the Group has decided to develop and revise the current existing medium-term management plan to create one more effective and flexible, formulating the new medium-term management plan starting in fiscal 2026. In the new medium-term management plan, “AI robots,” “Aviation, Space and Defense” and “e-mobility” are identified as focus development areas, with a policy to boldly pursue growth opportunities in each of these fields. In addition, in order to capture future growth opportunities, the Company will work to further strengthen its marketing functions and capabilities of developing and manufacturing new products. At the same time, the Company will strengthen the management foundation to steadily promote its growth strategy under the integrated management of the Group, contributing to achieving a sustainable society. We aim to enhance corporate value over the medium to long term by intentionally maintaining a balance between defensive and offensive approaches in our management strategy while flexibly responding to environmental changes, to achieve our missions and 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 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 2026–2030**
– 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
 - (c) 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

Based on the medium- to long-term issues to be addressed described above, the Company has positioned the following items as priority issues for fiscal year 2026, and will work to address them.

- (a) Sustainable growth across all businesses with an emphasis on profitability
 - ✓ Redefine competitiveness (high quality, speed, appropriate pricing)
 - ✓ Enhance development speed and new product creation capabilities
 - ✓ Strengthen new product planning capabilities for entry into growth markets and promising applications
 - ✓ Strengthen manufacturing capabilities that achieve both quality and quantity
- (b) Strengthen management resources (people, things, money, information) that can adapt to changes in the environment
 - ✓ Fundamental review of human resources and organizational structure

(3) Target Management Indicators

Towards realizing sustainable growth and long-term enhancement of corporate value, the Group sets consolidated net sales of ¥100.0 billion or more, and a ratio of operating profit to net sales of 15% or more as indicators for fiscal year 2030 in the medium-term management plan (fiscal years 2026-2030) as the Group’s important management indicators. Assuming that a comparable capital cost (WACC) is approximately at the 9% level, setting a target of return on equity (ROE) and ROIC at 10% or more, we aim to improve return on capital

through conducting management aware of the operational efficiency of invested capital.

3. Basic Policy for Selection of Accounting Principles

As a result of considering the trend of IFRS adoption in Japan, the Company intends, for the time being, to prepare its consolidated financial statements in accordance with accounting principles generally accepted in Japan.

4. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	24,900,137	21,564,965
Notes receivable - trade	3,591,560	3,744,520
Accounts receivable - trade	9,544,240	11,566,549
Securities	52,789	117,474
Merchandise and finished goods	2,026,216	1,901,346
Work in process	4,115,787	4,300,440
Raw materials and supplies	6,362,096	6,203,864
Other	2,606,529	1,672,623
Allowance for doubtful accounts	(34,577)	(23,659)
Total current assets	53,164,779	51,048,125
Non-current assets		
Property, plant and equipment		
Buildings and structures	28,510,780	28,456,468
Accumulated depreciation	(10,186,796)	(11,289,848)
Buildings and structures, net	18,323,983	17,166,620
Machinery, equipment and vehicles	46,667,016	49,452,944
Accumulated depreciation	(32,860,078)	(36,739,078)
Machinery, equipment and vehicles, net	13,806,937	12,713,866
Tools, furniture and fixtures	10,764,487	11,352,274
Accumulated depreciation	(9,293,132)	(9,976,440)
Tools, furniture and fixtures, net	1,471,354	1,375,834
Land	3,600,017	4,710,202
Leased assets	7,975,038	8,603,146
Accumulated depreciation	(3,491,221)	(4,416,209)
Leased assets, net	4,483,816	4,186,936
Construction in progress	4,191,123	5,048,868
Other	978,424	1,021,975
Accumulated depreciation	(895,903)	(968,279)
Other, net	82,520	53,696
Total property, plant and equipment	45,959,753	45,256,024
Intangible assets		
Software	810,422	704,965
Customer related assets	8,856,669	9,187,037
Technical assets	2,365,486	2,453,723
Other	126,357	260,040
Total intangible assets	12,158,936	12,605,766
Investments and other assets		
Investment securities	409,931	390,443
Shares of subsidiaries and associates	20,228	174
Investments in capital of subsidiaries and associates	89,507	73,854
Long-term loans receivable from subsidiaries and associates	270,000	304,000
Retirement benefit asset	1,275,214	1,488,057
Deferred tax assets	165,301	97,574
Other	113,630	141,732
Allowance for doubtful accounts	(5,600)	(5,600)
Total investments and other assets	2,338,213	2,490,237
Total non-current assets	60,456,902	60,352,028
Total assets	113,621,682	111,400,153

(Thousands of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,184,623	2,393,863
Contract liabilities	136,988	211,510
Short-term borrowings	2,701,653	2,204,202
Current portion of long-term borrowings	1,890,516	1,890,516
Lease liabilities	741,555	834,327
Income taxes payable	1,284,547	354,326
Provision for bonuses	1,030,221	1,173,062
Provision for bonuses for directors (and other officers)	84,564	84,926
Provision for loss on compensation for after-care of products	37,409	176,863
Other	2,804,621	2,950,022
Total current liabilities	13,896,702	12,273,622
Non-current liabilities		
Long-term borrowings	11,015,584	9,125,068
Lease liabilities	4,390,974	4,011,645
Deferred tax liabilities	3,715,935	3,969,344
Provision for retirement benefits for directors (and other officers)	26,400	30,740
Provision for operating officers' retirement benefits	126,374	159,549
Retirement benefit liability	954,909	986,328
Other	551,735	453,049
Total non-current liabilities	20,781,914	18,735,725
Total liabilities	34,678,616	31,009,347
Net assets		
Shareholders' equity		
Share capital	7,100,036	7,100,036
Capital surplus	22,786,269	22,753,025
Retained earnings	39,052,598	38,765,790
Treasury shares	(5,633,171)	(6,334,767)
Total shareholders' equity	63,305,732	62,284,084
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	146,568	23,421
Foreign currency translation adjustment	15,532,687	18,065,630
Remeasurements of defined benefit plans	(41,922)	17,669
Total accumulated other comprehensive income	15,637,333	18,106,721
Total net assets	78,943,066	80,390,805
Total liabilities and net assets	113,621,682	111,400,153

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Income

(Thousands of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Net sales	55,645,940	59,557,877
Cost of sales	40,791,594	41,424,426
Gross profit	14,854,345	18,133,450
Selling, general and administrative expenses	14,847,351	15,565,807
Operating profit	6,993	2,567,642
Non-operating income		
Interest income	316,411	211,377
Dividend income	275,179	4,245
Purchase discounts	47,704	52,289
Gain on valuation of securities	13,707	53,609
Other	227,087	172,115
Total non-operating income	880,090	493,637
Non-operating expenses		
Interest expenses	224,478	259,610
Share of loss of entities accounted for using equity method	38,377	35,706
Foreign exchange losses	235,336	101,754
Rental expenses	91,501	71,450
Other	146,193	53,138
Total non-operating expenses	735,886	521,660
Ordinary profit	151,197	2,539,620
Extraordinary income		
Gain on sale of non-current assets	1,031	507,288
Gain on sale of investment securities	5,865,309	85,674
Subsidy income	2,000	10,451
Total extraordinary income	5,868,340	603,414
Extraordinary losses		
Loss on sale of non-current assets	3,842	5
Impairment losses	1,189,182	526,923
Loss on retirement of non-current assets	44,101	18,723
Loss on tax purpose reduction entry of non-current assets	2,000	10,451
Loss on valuation of inventories	—	293,364
Total extraordinary losses	1,239,126	849,467
Profit before income taxes	4,780,412	2,293,567
Income taxes - current	1,555,057	827,564
Income taxes - deferred	(248,184)	(142,892)
Total income taxes	1,306,872	684,671
Profit	3,473,539	1,608,895
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	3,473,539	1,608,895

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Profit	3,473,539	1,608,895
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,110,287)	(123,146)
Foreign currency translation adjustment	2,604,757	2,532,942
Remeasurements of defined benefit plans, net of tax	(210,461)	59,592
Total other comprehensive income	(1,715,990)	2,469,388
Comprehensive income	1,757,549	4,078,283
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,757,549	4,078,283
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets

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 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 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

Fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,100,036	22,786,269	39,052,598	(5,633,171)	63,305,732
Changes during period					
Dividends of surplus			(1,895,703)		(1,895,703)
Profit attributable to owners of parent			1,608,895		1,608,895
Purchase of treasury shares				(809,712)	(809,712)
Restricted stock payment		(33,243)		108,116	74,872
Net changes in items other than shareholders' equity					
Total changes during period	—	(33,243)	(286,808)	(701,596)	(1,021,648)
Balance at end of period	7,100,036	22,753,025	38,765,790	(6,334,767)	62,284,084

	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	146,568	15,532,687	(41,922)	15,637,333	—	78,943,066
Changes during period						
Dividends of surplus						(1,895,703)
Profit attributable to owners of parent						1,608,895
Purchase of treasury shares						(809,712)
Restricted stock payment						74,872
Net changes in items other than shareholders' equity	(123,146)	2,532,942	59,592	2,469,388	—	2,469,388
Total changes during period	(123,146)	2,532,942	59,592	2,469,388	—	1,447,739
Balance at end of period	23,421	18,065,630	17,669	18,106,721	—	80,390,805

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Cash flows from operating activities		
Profit before income taxes	4,780,412	2,293,567
Depreciation	8,023,274	7,361,288
Impairment losses	1,189,182	526,923
Increase (decrease) in allowance for doubtful accounts	7,960	(12,596)
Increase (decrease) in retirement benefit liability	23,262	(117,437)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	14,400	4,340
Increase (decrease) in provision for operating officers' retirement benefits	21,625	33,174
Increase (decrease) in provision for bonuses for directors (and other officers)	15,214	(8,374)
Increase (decrease) in provision for loss on compensation for after-care of products	(112,035)	134,898
Interest income	(316,411)	(211,377)
Dividend income	(275,179)	(4,245)
Interest expenses	224,478	259,610
Share of loss (profit) of entities accounted for using equity method	38,377	35,706
Subsidy income	(2,000)	(10,451)
Loss (gain) on sale of investment securities	(5,865,309)	(85,674)
Loss (gain) on sale of non-current assets	2,811	(507,282)
Loss on retirement of non-current assets	44,101	18,723
Loss on tax purpose reduction entry of non-current assets	2,000	10,451
Loss on valuation of inventories	—	293,364
Decrease (increase) in trade receivables	(944,481)	(1,792,310)
Decrease (increase) in inventories	711,731	307,776
Increase (decrease) in trade payables	(37,780)	(869,181)
Other, net	(615,429)	695,827
Subtotal	6,930,203	8,356,719
Interest and dividends received	550,400	234,927
Interest paid	(230,779)	(259,099)
Payments of retirement benefits for directors (and other officers)	(727,348)	—
Subsidies received	2,000	10,451
Income taxes paid	(546,617)	(2,109,035)
Income taxes refund	1,538,375	191,324
Net cash provided by (used in) operating activities	7,516,235	6,425,287
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,881,836)	(5,690,726)
Proceeds from sale of property, plant and equipment	7,885	806,188
Purchase of intangible assets	(452,277)	(252,994)
Purchase of investment securities	—	(344,844)
Proceeds from sale of investment securities	8,325,750	327,494
Payments for investments in capital of subsidiaries and associates	(100,000)	—
Payments into time deposits	(2,659,408)	(1,088,327)
Proceeds from withdrawal of time deposits	1,350,719	1,317,110
Payments of leasehold and guarantee deposits	(18,180)	(11,072)
Proceeds from refund of leasehold and guarantee deposits	6,930	5,681
Short-term loan advances	(88)	—
Proceeds from collection of short-term loans receivable	88	—
Long-term loan advances	—	(730)
Proceeds from collection of long-term loans receivable	—	258
Loan advances to subsidiaries and associates	(100,000)	(10,000)

(Thousands of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Other, net	481	636
Net cash provided by (used in) investing activities	1,480,063	(4,941,325)
Cash flows from financing activities		
Proceeds from short-term borrowings	4,650,000	4,150,000
Repayments of short-term borrowings	(2,650,213)	(4,650,219)
Repayments of long-term borrowings	(4,824,849)	(1,890,516)
Repayments of lease liabilities	(747,957)	(778,376)
Purchase of treasury shares	(390,586)	(809,712)
Dividends paid	(1,910,578)	(1,895,629)
Net cash provided by (used in) financing activities	(5,874,183)	(5,874,454)
Effect of exchange rate change on cash and cash equivalents	859,185	559,281
Net increase (decrease) in cash and cash equivalents	3,981,300	(3,831,211)
Cash and cash equivalents at beginning of period	18,941,712	22,923,012
Cash and cash equivalents at end of period	22,923,012	19,091,800

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in presentation)

Consolidated Statement of Income

“Subsidy income,” which was presented separately under “Non-operating income” in the previous fiscal year, has been included in “Other” under “Non-operating income” since the fiscal year under review, as its monetary significance has diminished. In addition, “Purchase discounts” and “Gain on valuation of securities,” which were included in “Other” under “Non-operating income” in the previous fiscal year, have been presented separately since the fiscal year under review, as they have exceeded ten hundredths of the total non-operating income. To reflect these changes in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated financial statements for the previous fiscal year, ¥78,421 thousand presented as “Subsidy income” and ¥210,078 thousand presented as “Other” under “Non-operating income” have been reclassified as “Purchase discounts” of ¥47,704 thousand, “Gain on valuation of securities” of ¥13,707 thousand and “Other” of ¥227,087 thousand.

(Notes on accounting estimates)

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

1) Amounts recorded in the financial statements for this fiscal year

- Book value: ¥18,179,313 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 principal non-current assets of the HDSE Group were customer related assets (book value of ¥9,187,037 thousand) and technical assets (book value of ¥2,453,723 thousand).

In the previous fiscal year, the HDSE Group was expected to increase revenue and profit margins by capturing demand in the expanding industrial robot market. However, as the Group’s performance for the previous fiscal year fell short of those assumptions, amortization of customer related assets and other items exceeded the HDSE Group’s operating profit in the previous fiscal year.

Accordingly, as of the end of the previous fiscal year, it was determined that indications of impairment remained for the HDSE Group’s non-current assets. To determine whether impairment losses should be recognized, the Company assessed whether the total amount of undiscounted future cash flows to be generated by the HDSE Group was less than the book value of its non-current assets. As a result, because the total amount of undiscounted future cash flows exceeded the book value of non-current assets, impairment losses were not recognized in the previous fiscal year.

In the fiscal year under review, since operating profit of the HDSE Group exceeded the amortization of customer related assets, etc., it was determined that there were no indications of impairment, and accordingly impairment losses were not recognized.

- Key assumptions

The future cash flows used in the determination and measurement of impairment loss recognition are based

on the business plan approved by the Board of Directors of the Company. These include estimates of future sales projections, 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

There may be a significant failure to achieve the business plan based on the estimated amount of future cash flows due to changes in the management and market environment, etc. in the future, or if future uncertainty increases, the recoverable value will decrease, and the statements may be significantly affected by the occurrence of impairment losses in the next fiscal year.

(Consolidated statement of income)

(1) Gain on sale of non-current assets

Gain on sale of non-current assets represents the gain recognized in connection with the sale of non-current assets by a consolidated subsidiary of the Company.

(2) Gain on sale of investment securities

Gain on sale of investment securities represents gain on the sale of investment securities held by the Company.

(3) Impairment loss

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

Company (location)	Harmonic AD, Inc. (Azumino City, Nagano Prefecture)
Use	Production of AccuDrive® and HarmonicPlanetary® high-precision planetary reducers
Type	Machinery and equipment
Impairment loss	¥394,437 thousand

Harmonic AD, Inc. (HAD), a consolidated subsidiary of the Company, reached its peak performance in fiscal year 2021. Since then, due to sluggish capital investment in the manufacturing sector in China and the United States, stagnation in new capital investment in cutting-edge semiconductors field, and inventory adjustments affecting the Group's products overall, customers' cautious stance toward future demand intensified. As a result, demand for HAD's core product, high-precision planetary reducers, declined, and the company recorded operating losses for two consecutive consolidated fiscal years in the fiscal year ended March 31, 2024 and March 31, 2025.

In the current fiscal year, while the Chinese and U.S. market continue to show sluggish trends, market conditions in the domestic market moved toward a gradual recovery, and signs of recovery were also observed in demand for high-precision planetary reducers, supported by orders from major domestic customers. Accordingly, HAD's profitability also showed some improvement, and the company recorded a slight operating profit at the end of the current fiscal year.

However, this level of profit remained low, and as a result of a review of future business plans in light of recent business performance, the Company determined that the situation corresponded to "an indication of significant deterioration in the business environment" as of the end of the current fiscal year, and that there were indications of impairment in HAD's non-current assets.

In response, the Company examined whether the total amount of undiscounted future cash flows expected to be generated over the remaining economic useful life of machinery and equipment, the principal assets of HAD's high-precision planetary reducer business, was less than the book value of its non-current assets. As a result, since the total amount of undiscounted future cash flows was found to be less than the book value, it was determined that it would be difficult to recover the book value of ¥394,437 thousand for the non-current assets pertaining to HAD's high-precision planetary reducer business, and has therefore recorded the entire book value amount as an impairment loss.

The future cash flows used to determine whether to recognize an impairment loss 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 HAD.

Company (location)	Harmonic Drive Systems Inc. (Azumino City, Nagano Prefecture)
Use	Production equipment for HarmonicDrive®
Type	Machinery and equipment
Impairment loss	¥132,486 thousand

Among the Company's property, plant and equipment, certain assets scheduled for dismantling and disposal in the next fiscal year were grouped as idle assets. The book value of the relevant production equipment was reduced, and the amount of the reduction was recorded as an impairment loss under extraordinary losses.

(4) Loss on valuation of inventories

Among certain products manufactured by the Company, as a result of revisions to production plans due to rapid fluctuations in orders received, ¥293,364 thousand related to inventories not expected to be used in the next fiscal year or thereafter was recorded as a loss on valuation of inventories under extraordinary losses.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The reportable segments of the Company are business units of the Companies 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 is engaged in the manufacturing and sales of precision speed reducers, precision actuators and related motion control products and the business operations fall within a single industry segment based on similarities in the type, nature, manufacturing method and markets of their products. The geographic markets of the products of the Company are Japan (including the Asia area excluding China; the same applies hereinafter), North America, Europe and China. In the Japan market, the products are manufactured and sold by the Company, its subsidiaries in Japan, and subsidiaries in the Asia area excluding China. In the North America market and the Europe market, the products are manufactured and sold by subsidiaries in the United States and in Europe, respectively. In the China market, the products are sold by subsidiaries in China.

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

Accounting methods used at the reportable segments are identical to the descriptions in "Summary of significant accounting policies."

The profit by the reportable segment is based on the ordinary profit. The transfer prices of inter-segment transactions are based on the market price.

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

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)
Investment in affiliated companies	109,735	—	—	—	109,735	—	109,735

- (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 excluding China, 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.
4. Net sales to North America include ¥10,132,022 thousand in sales to the United States, which account for 10% or more of the total net sales in the consolidated statement of income.
5. Net sales to Europe include ¥7,056,700 thousand in sales to Germany, which account for 10% or more of the total net sales in the consolidated statement of income.

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Thousands of yen)

	Reportable segment					Adjustment	Consolidated
	Japan	China	North America	Europe	Total		
Net sales							
Revenue from contracts with customers	34,005,165	4,056,756	12,141,758	16,881,078	67,084,759	(7,526,881)	59,557,877
Net sales to third parties	26,626,847	4,046,666	12,107,628	16,776,734	59,557,877	—	59,557,877
Inter-segment net sales or transfers	7,378,317	10,090	34,129	104,343	7,526,881	(7,526,881)	—
Total	34,005,165	4,056,756	12,141,758	16,881,078	67,084,759	(7,526,881)	59,557,877
Segment profit (loss)	3,693,824	382,072	528,727	644,983	5,249,608	(2,709,988)	2,539,620
Segment assets	53,519,404	3,699,539	18,322,100	34,042,884	109,583,929	1,816,224	111,400,153
Others							
Depreciation	4,346,654	27,898	811,029	2,175,706	7,361,288	—	7,361,288
Interest income	90,167	489	74,181	127,285	292,123	(80,746)	211,377
Interest expenses	170,954	1,206	83,759	84,260	340,181	(80,571)	259,610
Share of loss of entities accounted for using equity method	(35,706)	—	—	—	(35,706)	—	(35,706)
Investment in affiliated companies	74,028	—	—	—	74,028	—	74,028

- (Notes)
1. The segment profit (loss) adjustment of ¥(2,709,988) thousand consists of the eliminated inter-segment transaction profit of ¥(136,910) thousand, and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(2,573,077) 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 excluding China, in addition to the Japanese market.
 3. The segment asset adjustment of ¥1,816,224 thousand consists of an inter-segment elimination of ¥(4,093,552) thousand, and corporate assets that are not allocated to any reportable segment, which amounted to ¥5,909,776 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.
 4. Since decisions regarding the allocation of management resources of the Group are made for each company within the Group, the amounts of increases in property, plant and equipment and intangible assets are not presented. Segment information for the previous fiscal year is presented in accordance with the revised classification.

[Related information]

For the fiscal year ended 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

For the fiscal year ended March 31, 2026

1. Information by product/service

(Thousands of yen)

	Speed reducers	Mechatronic products	Total
Net sales to third parties	46,333,632	13,224,244	59,557,877

(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
24,388,261	4,046,666	12,107,628	16,776,734	2,238,585	59,557,877

(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 ¥10,694,252 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 ¥5,999,294 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
29,980,794	128,599	8,705,840	6,440,790	45,256,024

(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 ¥8,705,840 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 ¥6,440,790 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

As there are no customers that account for 10% or more of net sales in the consolidated statements of income among net sales to third parties, information on major customers has been omitted.

[Impairment loss information of non-current assets by reportable segment]

For the fiscal year ended March 31, 2025

(Thousands of yen)

	Reportable segment					Adjustment	Consolidated
	Japan	China	North America	Europe	Total		
Impairment loss	1,189,182	–	–	–	1,189,182	–	1,189,182

For the fiscal year ended March 31, 2026

(Thousands of yen)

	Reportable segment					Adjustment	Consolidated
	Japan	China	North America	Europe	Total		
Impairment loss	526,923	–	–	–	526,923	–	526,923

[Information regarding amortization and balance of goodwill by reportable segment]

For the fiscal year ended March 31, 2025

Not applicable.

For the fiscal year ended March 31, 2026

Not applicable.

[Gain on negative goodwill by reportable segment]

For the fiscal year ended March 31, 2025

Not applicable.

For the fiscal year ended March 31, 2026

Not applicable.

(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.

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
(1) Net assets per share	¥831.82	¥849.20

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
(2) Profit per share	¥36.57	¥16.99
(Basis for calculation)		
Profit attributable to owners of parent recorded on the consolidated statements of income (thousands of yen)	3,473,539	1,608,895
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent relating to common shares (thousands of yen)	3,473,539	1,608,895
Average number of common shares outstanding during the period	94,977,483	94,678,629

(Note) The amount of diluted profit per share is not stated, because dilutive shares did not exist.

(Significant subsequent events)

Not applicable.

5. Other Matters

(1) Status of Production, Orders Received and Sales

a. Production

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

Segment name		Production output (thousands of yen)	YoY change (%)
Japan	Speed reducers	31,123,624	12.3
	Mechatronic products	5,040,031	27.1
China	Speed reducers	—	—
	Mechatronic products	—	—
North America	Speed reducers	5,123,608	6.4
	Mechatronic products	3,527,667	(14.7)
Europe	Speed reducers	10,025,679	8.8
	Mechatronic products	4,787,757	(4.6)
Total		59,628,369	8.7

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

- The Group's reportable segments are classified on a location basis (Japan, China, North America and Europe).
- 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.
- 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 name		Orders received (thousands of yen)	YoY change (%)	Order backlog (thousands of yen)	YoY change (%)
Japan	Speed reducers	25,480,834	26.9	5,574,090	42.4
	Mechatronic products	2,856,641	11.7	922,326	8.3
China	Speed reducers	3,173,168	(38.1)	673,696	(25.1)
	Mechatronic products	840,403	378.7	268,569	458.4
North America	Speed reducers	7,681,536	31.3	4,233,657	8.1
	Mechatronic products	4,907,897	29.0	2,108,253	3.7
Europe	Speed reducers	11,616,509	8.8	5,766,076	5.4
	Mechatronic products	5,056,390	6.1	2,326,434	9.9
Total		61,613,382	16.2	21,873,106	13.6

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

- The Group's reportable segments are classified on a location basis (Japan, China, North America and Europe).
- 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.
- The results of 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.
- The order backlog excludes ¥434,546 thousand of order cancellations. The cancellations took place during the current fiscal year mainly in the Japan segment.

c. Sales

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

Segment name		Sales volume (thousands of yen)	YoY change (%)
Japan	Speed reducers	23,878,839	24.2
	Mechatronic products	2,748,008	10.1
China	Speed reducers	3,410,128	(37.3)
	Mechatronic products	636,537	245.9
North America	Speed reducers	7,291,882	16.3
	Mechatronic products	4,815,746	(10.1)
Europe	Speed reducers	11,752,782	3.4
	Mechatronic products	5,023,952	(5.3)
Total		59,557,877	7.0

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

- The Group's reportable segments are classified on a location basis (Japan, China, North America and Europe).
- 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.
- The sales 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.
- Sales by primary customer and the ratio of the sales to the total sales are as follows:

Customer	Previous fiscal year		Current fiscal year	
	Sales (thousands of yen)	Ratio (%)	Sales (thousands of yen)	Ratio (%)
Nissan Motor Co., Ltd.	5,733,870	10.3	–	–

Net sales to Nissan Motor Co., Ltd. are not presented for the fiscal year under review since the ratio of the sales to the total sales is less than ten hundredths.

(2) Net Sales outside Japan

Net sales outside Japan for the current fiscal year are as follows:

	China	North America	Europe	Other regions	Total
I Net sales outside Japan (thousands of yen)	4,046,666	12,107,628	16,776,734	2,238,585	35,169,615
II Consolidated net sales (thousands of yen)	–	–	–	–	59,557,877
III Ratio of net sales outside Japan to consolidated net sales (%)	6.8	20.3	28.2	3.8	59.1

(Notes) 1. The categorization of countries or regions is based on geographical proximity.

- Primary countries or regions that belong to each category
 - China: China; (2) North America: the U.S.; (3) Europe: Germany; (4) Other regions: South Korea, Taiwan and Oceania
- Net sales outside Japan are net sales that were recorded by the Company and its consolidated subsidiaries in countries or regions other than Japan.