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

38th Fiscal Year

(From April 1, 2025 to March 31, 2026)

Harmonic Drive Systems Inc.

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38th 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]	June. 16, 2026
[Fiscal Year]	38th Fiscal Year (From April 1, 2025 to March 31, 2026)
[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		34th	35th	36th	37th	38th
Year ended		March 2022	March 2023	March 2024	March 2025	March 2026
Net sales	(Thousands of yen)	57,087,914	71,527,316	55,796,455	55,645,940	59,557,877
Ordinary profit	(Thousands of yen)	9,108,243	10,757,728	570,333	151,197	2,539,620
Profit (loss) attributable to owners of parent	(Thousands of yen)	6,643,893	7,595,928	(24,806,996)	3,473,539	1,608,895
Comprehensive income	(Thousands of yen)	5,508,053	12,132,168	(21,661,579)	1,757,549	4,078,283
Net assets	(Thousands of yen)	98,856,302	103,955,658	79,401,665	78,943,066	80,390,805
Total assets	(Thousands of yen)	143,289,918	154,336,246	119,142,291	113,621,682	111,400,153
Net assets per share	(Yen)	1,026.94	1,093.53	836.02	831.82	849.20
Basic earnings (loss) per share	(Yen)	69.02	79.67	(261.00)	36.57	16.99
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	69.0	67.4	66.6	69.5	72.2
Return on equity	(%)	6.6	7.5	(27.1)	4.4	2.0
Price-earnings ratio	(Times)	61.1	55.2	(15.3)	86.4	203.9
Net cash provided by (used in) operating activities	(Thousands of yen)	9,881,633	10,850,473	12,728,600	7,516,235	6,425,287
Net cash provided by (used in) investing activities	(Thousands of yen)	(4,703,089)	(8,663,281)	(5,950,405)	1,480,063	(4,941,325)
Net cash provided by (used in) financing activities	(Thousands of yen)	(6,663,893)	(1,599,848)	(8,122,296)	(5,874,183)	(5,874,454)
Cash and cash equivalents at end of period	(Thousands of yen)	18,767,531	19,921,977	18,941,712	22,923,012	19,091,800
Number of employees [average number of temporary employees]	(Persons)	1,145 [348]	1,324 [421]	1,349 [370]	1,384 [375]	1,419 [342]

(Notes) 1. The number of employees represents the number of full-time employees.
2. The amount of diluted earnings per share from the 34th fiscal year (ended March 31, 2022) to the 38th fiscal year (ended March 31, 2026), is not stated, because dilutive shares did not exist.

(2) Key financial data of reporting company

Fiscal year		34th	35th	36th	37th	38th
Year ended		March 2022	March 2023	March 2024	March 2025	March 2026
Net sales	(Thousands of yen)	41,120,072	50,883,969	28,577,533	30,544,864	33,438,336
Ordinary profit	(Thousands of yen)	8,702,593	9,378,859	2,288,996	187,048	1,065,917
Profit (loss)	(Thousands of yen)	6,545,851	6,880,487	(18,460,744)	4,174,821	719,415
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)	85,897,339	85,678,586	62,736,973	59,269,408	57,235,133
Total assets	(Thousands of yen)	115,596,583	120,888,788	90,621,735	82,217,989	76,454,435
Net assets per share	(Yen)	892.32	901.27	660.55	624.52	604.60
Dividends per share (Interim dividends per share)	(Yen)	21 (10)	28 (11)	20 (10)	20 (10)	20 (10)
Basic earnings (loss) per share	(Yen)	68.00	72.17	(194.23)	43.96	7.60
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	74.3	70.9	69.2	72.1	74.9
Return on equity	(%)	7.6	8.0	(24.9)	6.8	1.2
Price-earnings ratio	(Times)	62.1	60.9	(20.5)	71.9	456.0
Payout ratio	(%)	30.9	38.8	–	45.5	263.2
Number of employees [average number of temporary employees]	(Persons)	412 [138]	490 [156]	523 [148]	510 [135]	526 [117]
Total shareholder return [comparative indicator: TOPIX Total Return Index]	(%) (%)	56.7 (144.3)	59.4 (152.7)	54.2 (215.9)	43.4 (212.5)	47.8 (286.2)
Highest stock price	(Yen)	8,270	5,530	5,160	5,350	4,935
Lowest stock price	(Yen)	3,700	3,015	3,115	1,763	2,316

(Notes) 1. The number of employees represents the number of full-time employees.
2. The amount of diluted earnings per share from the 34th fiscal year (ended March 31, 2022) to the 38th fiscal year (ended March 31, 2026), 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, from Standard Market on the Tokyo Stock Exchange from April 4, 2022 through February 26, 2026, and from Prime Market on the Tokyo Stock Exchange on and after February 27, 2026.
4. Of the dividend of ¥20 per share for the fiscal year ended March 31, 2026, the year-end dividend of ¥10 is subject to approval at the Ordinary General Meeting of Shareholders scheduled to be held on June 19, 2026.

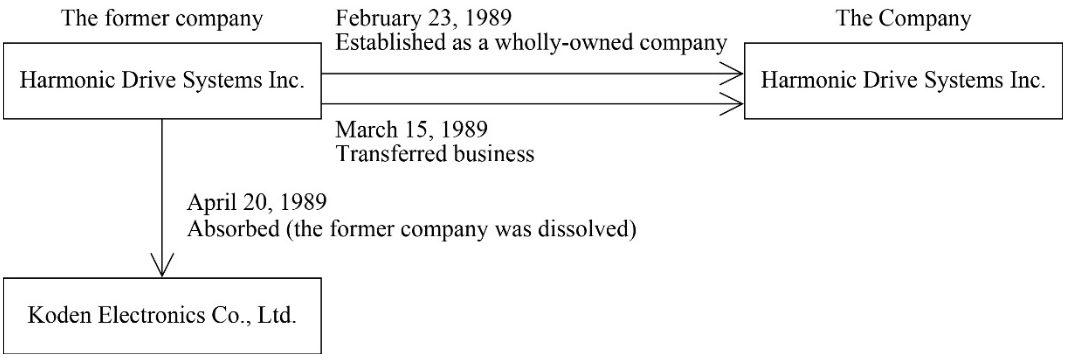
2 [History]

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.
Feb. 2026	Transferred from Standard Market, TSE to Prime Market, TSE.

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 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.

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%) (Note)	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%) (Note)	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

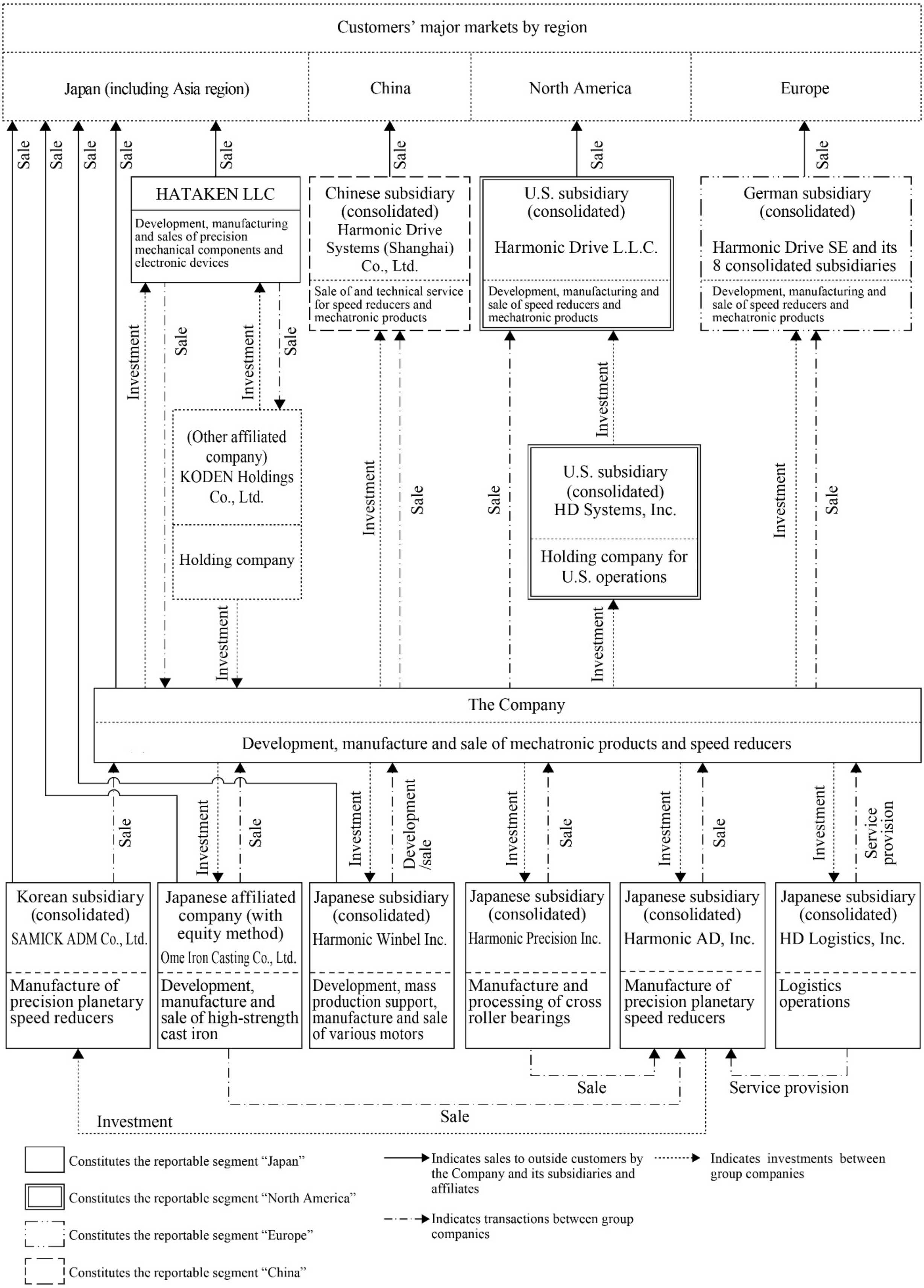
(Note) Figures in parentheses shown in the ownership ratio of voting rights represent the ratio of voting rights indirectly held.

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

(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.....Yes
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.....None
Harmonic Winbel Inc. (Note) 1	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.	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) 5	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. The amount of such transactions is insignificant. 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 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.

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, 2026.

(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 promotes its business activities under the mission of contributing to technological innovation in society 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 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 five-year medium-term management plan (fiscal years 2026–2030) starting in fiscal year 2026.

In the new medium-term management plan, "AI robots," "Aviation, Space and Defense" and "e-mobility" are identified as focus growth 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

(5) Management policy and issues to be addressed

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. Under such a business environment, and taking into account (4) Medium- to long-term corporate management strategy of the Group, the Group has positioned the following items as priority issues for fiscal year 2026, and will work to address them.

(a) Sustainable growth of 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

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 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

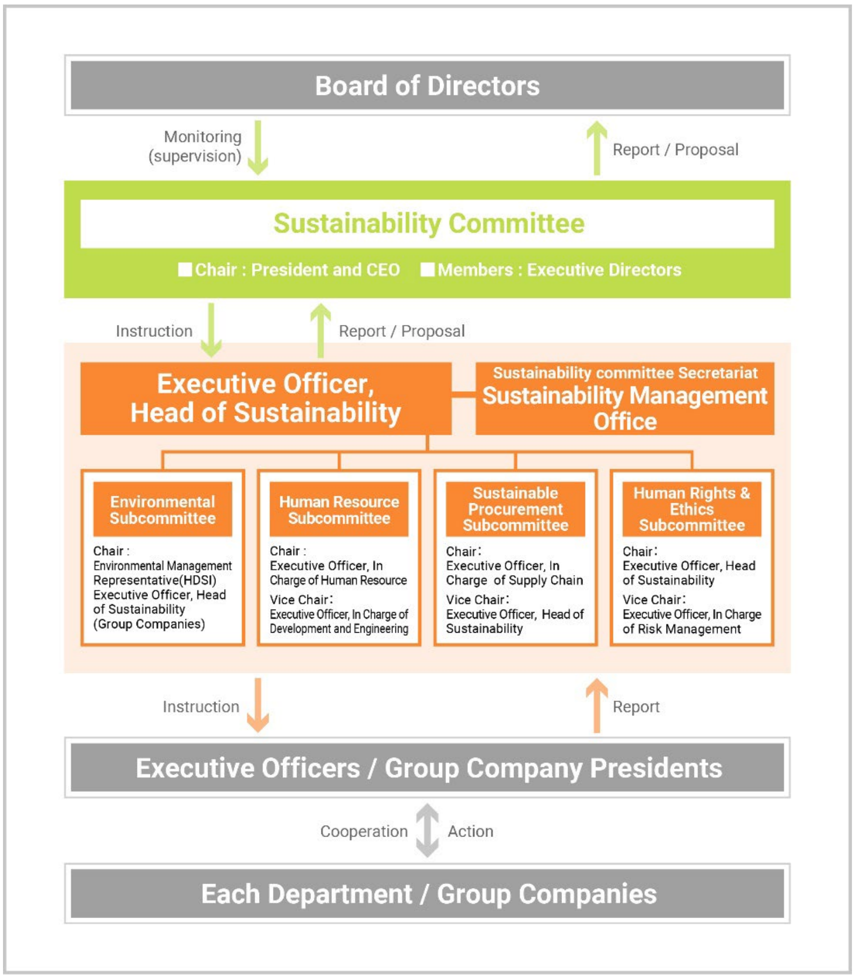
Supervised by the executive officer in charge of promoting sustainability, the Sustainability Management Office serves as a secretariat for the Sustainability Committee and takes a role of promoting the overall sustainability of the Group. In addition, the office provides the committee with recommendations 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.

Since fiscal year 2025, the Group has established subcommittees for each major sustainability issue. Each head of subcommittee also attends the Sustainability Committee meetings and participates in discussions, thereby enhancing the effectiveness of the Group's sustainability initiatives.

HDS Group Organization Structure for Sustainability Promotion



Primary discussions related to sustainability in fiscal year 2025

Date of discussion	Primary items discussed
Sustainability Committee	
Jun. 12, 2025	Matters to be reported in the Annual Securities Report for the fiscal year ended March 31, 2025
Dec. 9, 2025	・Establishment of the HDS Group Environmental Policy ・Establishment of the HDS Group Environmentally Conscious Design Policy ・Initiatives for sustainability activities from fiscal year 2026 onward
Feb. 4, 2026	・Report on the results of human rights due diligence ・Report on the results of response to climate change ・Future considerations, including preparations for SSBJ disclosures
Mar. 12, 2026	・Report on HDS REPORT 2025 receiving the "Rookie of the Year Award" at the 5th NIKKEI Integrated Report Award (sharing the judges' feedback and areas for improvement) ・Proposed sustainability promotion plan for fiscal year 2026 and response to SSBJ standards
Executive officer meetings	
May 16, 2025	Overview of sustainability promotion in fiscal year 2024 and promotion plan for fiscal year 2025
Jul. 11, 2025	Implementation of human rights due diligence
Feb. 12, 2026	Report on the results of human rights due diligence
* 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

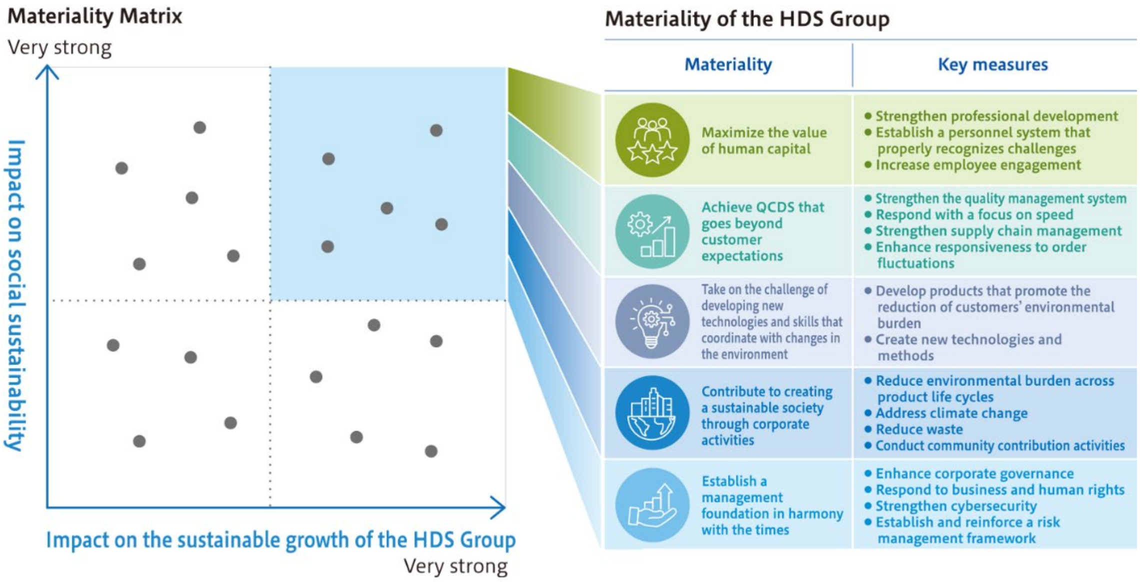
Based on our management philosophy, we aim to bring a sustainable society into reality and achieve sustainable business growth by fulfilling our mission of "To contribute to technological innovation in society through motion control technology." To achieve this, we have identified material issues (materiality)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

The Group reviewed its materiality through repeated discussions at the Sustainability Committee in 2023 and, following deliberation at the Board of Directors meeting held on November 20, 2023, identified five material issues as "Materiality to Achieve Aspirations." These five material issues are positioned as 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."

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 short-, medium-, and long-term perspectives based on both "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



“Maximize the value of human capital” is positioned as the most fundamental of our five material issues. The 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 positioning 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 continuously 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.” In a business environment where technological innovation and market changes are accelerating, its importance continues to increase. 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 global environment, society, and our Group together. We will promote sustainability initiatives with the aim of preserving the global environment and achieving harmony with all stakeholders, including our employees.

The “establishment of a management foundation in harmony with the times” serves as a core enabler to realize the four material issues described above. We will continue to build a robust management foundation capable of adapting to a changing business environment by strengthening our financial base and enhancing the sustainability of governance and management structure.

Relationship between management capital and value creation

Aspirations stated in the Medium-Term Management	1 What do we aim to achieve?	2 What is necessary to achieve this?	3 Sustainability
	Sustainable growth of all businesses with an emphasis on profitability	Strengthen management resources (people, things, money, information) that can adapt to changes in the environment	Initiatives to enhance corporate value that will continue into the future

	Strengths	INPUT (FY2025)	Highly relevant materiality	OUTCOME (Medium-term Management Plan)
Human Capital	Support for challenges and appropriate evaluation of each individual based on our Management Philosophy of “Respect for the Individual”	• Number of employees (consolidated) : 1,419 (including 627 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 : ¥4.79 billion; ratio of property, plant and equipment to total assets: 40.6%	Achieve QCDS that goes beyond customer expectations	• Enhancing productivity through the promotion of automation and DX adoption • Ensuring absolute superiority in product quality
Intellectual Capital	Quality standards that meet customer expectations and progress in total motion control	• R&D expenditure : ¥3.95 billion • 151 R&D personnel	Take on the challenge of developing new technologies and new skills that coordinate with changes in the environment	• Development of new driers 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 : 34 companies • 33 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 : ¥111.4 billion • Net assets : ¥80.3 billion • Interest bearing liabilities : ¥13.2 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 business activities aimed at reducing environmental impact	• Energy input : 42,263MWh • Water withdrawals : 28,041m³ (※This is data for FY2024. Data for FY2025 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 2025," which is posted on the Company's website (https://www.hds.co.jp/english/csr/hdsreport/).

3) Risk management

As regards sustainability-related risks and opportunities, they are reviewed and discussed by each division head, the Sustainability Committee, and the Board of Directors in each process of identifying material issues, formulating the medium-term management plan, and formulating annual plans. Based on the management policies (issues) determined by the president and representative director, each division head develops management programs and implements them through the activities of his or her respective division.

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 compliance and humanitarian perspectives. After comprehensively applying these standards and policies to assess the risks, the executive officer in charge of risk management prioritizes the risks, and the final approval is made by the president and representative director.

Following such approval, 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 determines policies for the following year based on the results of these reviews. These policies are then implemented by all departments.

Opportunities are managed as key priorities directly linked to business growth through management reviews conducted semiannually by the president and representative director. Each division reports the degree of achievement against targets and current issues, and implements appropriate measures based on the directions provided by the president and representative director, thereby operating the PDCA cycle toward the achievement of its targets.

(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) Sustainability 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
		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 29 <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	Technical assets	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				Timeframe in which it may emerge	Probability of occurrence	Degree of impact	Strategy	
Category		Factor	Impact on business (financial, nonfinancial)				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 29 <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	Medium	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
		Rising sea levels	Increase in flooding damage at coastal operation sites due to elevation in sea level	Extremely long	Low	Medium	Short-term	・Conduct long-term sea level rise risk assessments for coastal business sites
							Medium- to long-term	・Consider and implement relocation of business sites that may be affected by rising sea levels

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
Physical risks	Chronic	Rising temperatures	Labor productivity falls due to rising temperatures	Medium-term	Low	Medium	Short-term	・Thorough implementation of heatstroke prevention measures ・Strengthen emergency response systems through employee training and other initiatives
							Medium- to long-term	・Review and install air conditioning systems ・Adjust working hours and shift rotations based on periods of high temperatures
			Costs increase to add/replace air conditioning equipment at operating sites and their running costs increase due to rising temperatures	Medium-term	Medium	High	Short-term	・Introduce ICP (Internal Carbon Pricing) to visualize the economic advantages 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 ・Reduce air conditioning costs by improving the efficiency of air conditioning systems and enhancing the thermal insulation performance of business sites

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<tr><th colspan="4">Risk/Opportunity</th><th rowspan="2">Timeframe in which it may</th><th rowspan="2">Probability of occurrence</th><th rowspan="2">Degree of impact</th><th colspan="2">Strategy</th></tr>
<tr><th colspan="2">Category</th><th>Factor</th><th>Impact on business (financial, nonfinancial)</th><th>Timeline</th><th>Key measures</th></tr>
<tr><td rowspan="4">Opportunity</td><td rowspan="4">Resilience</td><td rowspan="2">Disperse manufacturing sites</td><td rowspan="2">Gain greater trust from customers with transport and distribution more resilient to natural disasters by dispersing manufacturing sites</td><td rowspan="2">Short-term</td><td rowspan="2">Low</td><td rowspan="2">High</td><td>Short-term</td><td>・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</td></tr>
<tr><td>Medium- to long-term</td><td>・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</td></tr>
<tr><td rowspan="2">Diversify suppliers</td><td rowspan="2">Gain greater trust from customers with transport and distribution more resilient to natural disasters by diversifying suppliers</td><td rowspan="2">Short-term</td><td rowspan="2">Low</td><td rowspan="2">High</td><td>Short-term</td><td>・Conduct risk assessments of suppliers and raw materials and consider alternative measures in the event of a disaster</td></tr>
<tr><td>Medium- to long-term</td><td>・Mitigate risk through diversification of suppliers
・Promote diversification of suppliers to mitigate risk</td></tr>
</table>

<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 process of overall sustainability (please refer to 3) Risk management under (1) Overall sustainability). In addition, to comprehensively identify environment-related risks and opportunities on a company-wide basis, risks and opportunities related to climate change are assessed when company-wide environmental targets are established and are implemented throughout the Company as part of the environmental management program. Based on the environmental management program, the head of each department formulates and implements specific departmental activity plans, taking into account the environmental aspects identified within the departments.

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 (Scope 1 and 2) by 30% by fiscal year 2030 compared to fiscal year 2022.

(ii) Results for GHG emissions

As actual GHG emissions in the fiscal year ended March 31, 2026 are currently under calculation, actual GHG emissions in the fiscal year ended March 31, 2024 and fiscal year ended March 31, 2025 are presented below. Actual GHG emissions in the fiscal year ended March 31, 2026 will be disclosed on the sustainability data page of the Company's website (https://www.hds.co.jp/english/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, 2024	Fiscal year ended March 31, 2025
Scope 1	* 209	* 199
Scope 2 (Location-based)	* 15,609	* 16,693
Scope 2 (Market-based)	* 9,683	* 10,471

* Emissions data marked with asterisk (*) 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, 2024	Fiscal year ended March 31, 2025
Upstream	1	Purchased goods and services	289,079	313,377
	2	Capital goods	12,441	6,468
	3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	21,589	21,183
	4	Upstream transportation and distribution	6,568	7,822
	5	Waste generated in operations	1,067	1,082
	6	Business travel	1,301	1,504
	7	Employee commuting	694	727
	8	Upstream leased assets	–	–
	Upstream total		332,739	352,165
Downstream	9	Downstream transportation and distribution	2,287	2,415
	10	Processing of sold products	–	–
	11	Use of sold products	666,566	1,741,234
	12	End-of-life treatment of sold products	272	342
	13	Downstream leased assets	286	262
	14	Franchises	–	–
	15	Investments	–	–
	Downstream total		669,411	1,744,255
Scope 3 total			1,002,150	2,096,421

* Calculation method for category 11 was revised in the fiscal year ended March 2025.

(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 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, including manufacturing capital, intellectual capital, social capital, financial capital, and natural 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 these principles, we have developed a proper environment, including policies and systems related to human capital.

For materiality, please refer to “2) Strategy” on page 18. 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 11.

(i) Human resource development policy

The Company has a basic policy of developing human resources who can carry out our management principles. Specifically, the Company develops human resources in a phased and systematic manner 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 <Internal top-class>

Supports individuals’ efforts while they aim to improve skills and develop expertise through practical work, and strategically nurtures future executive candidates.

Third stage: employing expertise <Externally top-class>

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)

(ii) Policies on development of internal environment

The Group has been working on the creation of a workplace in which diverse human resources can fully demonstrate their abilities, 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 and promote diversified personnel. In addition, mid-career employees are also positively promoted to managerial positions, and accounted for 57.8% of the Company’s managerial positions on a non-consolidated basis, as of March 31, 2026.

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	Fiscal year ended March 31, 2026
Percentage of female employees	17.8%	20.7%	19.4%	20.3%
Percentage of non-Japanese employees	1.2%	1.3%	1.4%	1.2%
Percentage of employees with disabilities	1.8%	1.9%	2.1%	2.2%

Philosophy for recruiting

In order to secure personnel who can share our management philosophy and have skills required to execute our business strategy, the Group actively hires 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, with the aim of building 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 are at sufficient levels, and therefore targets are not set for those items. Mid-career employees accounted for 58.4% of the Company's employees on a non-consolidated basis, as of March 31, 2026.

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, we have established various systems that support diverse working styles, including childcare and caregiver leave systems that are available regardless of employment type. Particularly, we place emphasis on strengthening support for balancing work and childcare. We promote the development of 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 88.2% on a non-consolidated basis, as of March 31, 2026.

Professional development systems

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

Our professional development training program consists of the following four categories:

- Training by layer (mandatory): a course based on each layer that is intended to enable individuals to perform their capabilities required for their roles
- Basic training: a course needed to perform tasks and for career development
- Professional area training: a course to enhance expertise on business and acquire professional skills necessary for career development
- 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, for technological and engineering experts who will support the Company's growth over the medium to long term, we actively promote the establishment of internal qualification systems and the acquisition of external technical certifications.

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	Fiscal year ended March 31, 2026
Number of employees using the graduate school, MBA, or MOT attendance program	2	4	3	3
Number of employees using the overseas study program	0	1	1	0
Number of employees using the distance learning program	275	372	343	331

Health care promotion

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

- Monitor employees' health conditions and prevent mental health 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	Fiscal year ended March 31, 2026
Stress check participation rate	86.0%	85.0%	84.2%	85.7%
Percentage of high-stress employees	17.8%	12.5%	15.7%	13.7%
Percentage of smokers	30.9%	29.8%	28.9%	27.5%

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	Fiscal year ended March 31, 2026
Percentage of female directors	Fiscal year ending March 31, 2030	30%	–	–	10%	10%	10%
Females in managerial positions (persons)	Fiscal year ending March 31, 2028	5	2	2	2	3	4
Ratio of male employees taking childcare leave		90%	55.6%	56.3%	81.8%	85.7%	88.2%
Ratio of taking paid annual leaves		80%	74.6%	73.2%	82.0%	81.1%	80.4%

*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/english/csr/esg/).

“Human resources strategy of Harmonic Drive Systems Group” and “Policy on determining the amount and details of compensation for Harmonic Drive Systems Group employees” are described in “IV [Information about Reporting Company], 5 [Employees, etc.], (1) [Basic policy on human resources strategy].”

(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").

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 Guiding Principles on Business and Human Rights (endorsed by the United Nations Human Rights Council in 2011), an international standard on human rights. After receiving advice from external experts, it was approved by the Board of Directors on November 20, 2024. These Policies are applied to all officers, employees, temporary staff, and all individuals working at any business site of the Group. We also ask all of our business partners, including suppliers, to understand and support these Policies and to respect human rights in their own business activities. The details and full text of these Policies are available on the Company's website (https://www.hds.co.jp/english/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 throughout the supply chain.

In addition, to identify, prevent, and mitigate any potential negative human rights impacts associated with its business activities, the Group has developed a human rights due diligence framework in line with the United Nations "Guiding Principles on Business and Human Rights" and is implementing it in phases.

Furthermore, for the fiscal year ended March 31, 2026, based on the Harmonic Drive Systems Group Policies on Human Rights, we conducted human rights due diligence covering the Company on a non-consolidated basis and two domestic subsidiaries (excluding the employee survey at the two domestic subsidiaries). With the support of external experts, we identified and assessed human rights risks using methods including preliminary analysis, document reviews, interviews, and employee surveys. As a result, no significant human rights risks were identified. Accordingly, the proportion of the consolidated group covered by human rights due diligence reached 38%.

Going forward, we will continue to strengthen our efforts to respect human rights through ongoing monitoring and corrective and improvement measures as necessary. In addition, the scope of human rights due diligence will be gradually expanded to include Group companies and suppliers, thereby promoting respect for human rights throughout the supply chain.

3) Risk management

The management of risks and opportunities related to human rights is incorporated into risk management process 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 was established as an initiative led by the Sustainability Management Office and the Risk Management Division. Through this initiative, the Group establishes a framework for comprehensively promoting activities to identify, assess, and mitigate human rights-related risks on a company-wide basis.

4) Metrics and targets

Metrics	Fiscal year ended 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 16, 2026).

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: large)

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.

In addition, due to heightened tensions in the Middle East and restrictions on navigation through the Strait of Hormuz since February 2026, energy prices, including crude oil prices, have risen significantly. As a result, the Group's procurement costs may increase through higher raw material prices and logistics costs. Furthermore, if constraints on maritime transportation routes persist for an extended period, procurement lead times for raw materials and components may lengthen, or temporary supply disruptions may occur, which could adversely affect the Group's production activities and business performance.

(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 (likelihood of occurrence: medium, level of impact: large)

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 (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, in the United States, additional tariff measures have repeatedly been imposed and suspended since 2025, leaving the outlook for trade policy extremely uncertain. If tariff rates are raised or the scope of targeted items is expanded, it 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

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 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 (operating profit of ¥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 by 0.7% 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.

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

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 or 13.4% decrease in cash and deposits from the end of the previous fiscal year resulting from payment for borrowings and a ¥933 million or 35.8% decrease in other current assets from the end of the previous fiscal year, despite a ¥2,022 million or 21.2% increase in accounts receivable - trade from the end of the previous fiscal year.

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 or 17.2% decrease in long-term borrowings from the end of the previous fiscal year resulting from scheduled payments of borrowings, a ¥930 million or 72.4% decrease in income taxes payable from the end of the previous fiscal year, and a ¥790 million or 24.8% decrease in notes and accounts payable - trade from the end of the previous fiscal year.

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 or 16.3% increase in foreign currency translation adjustment from the end of the previous fiscal year due to exchange rate fluctuations, despite a ¥1,021 million or 1.6% decrease in total shareholders' equity from the end of the previous fiscal 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%.

(ii) 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.

(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	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.
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	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.

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 ¥434,546 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 (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.

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.	5,733,870	10.3	–	–

Sales to Nissan Motor Co., Ltd. for the fiscal year under review are not presented because such sales accounted for less than 10% of the Group's total sales.

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 16, 2026).

(i) Significant accounting policies and estimates

The consolidated financial statements and non-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 these consolidated financial statements and non-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] and "(Notes - Significant accounting policies)" under V [Financial Information], 2. (1) [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.

(Valuation of shares of subsidiaries and associates that do not have a market value and investments in capital of subsidiaries and associates)

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. 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.

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

a. Financial position

(Current assets)

Current assets decreased by ¥2,116 million, down 4.0% year on year to ¥51,048 million. This was primarily because of a 13.4% or ¥3,335 million decrease in cash and deposits from the end of the previous fiscal year resulting from repayments of borrowings, and a 35.8% or ¥933 million decrease in other current assets from the end of the previous fiscal year, despite a 21.2% or ¥2,022 million increase in accounts receivable - trade from the end of the previous fiscal year.

(Non-current assets)

Non-current assets decreased by ¥104 million, down 0.2% year on year to ¥60,352 million. This was primarily because of a 1.5% or ¥703 million decrease in property, plant and equipment from the end of the previous fiscal year.

As a result, total assets decreased by ¥2,221 million, down 2.0% year on year to ¥111,400 million.

(Current liabilities)

Current liabilities decreased by ¥1,623 million, down 11.7% year on year to ¥12,273 million. This was primarily because of a 72.4% or ¥930 million decrease in income taxes payable from the end of the previous fiscal year, as well as a 24.8% or ¥790 million decrease in notes and accounts payable - trade from the end of the previous fiscal year.

(Non-current liabilities)

Non-current liabilities decreased by ¥2,046 million, down 9.8% year on year to ¥18,735 million. This was primarily because of a 17.2% or ¥1,890 million decrease in long-term borrowings from the end of the previous fiscal year resulting from scheduled payments of borrowings.

As a result, total liabilities decreased by ¥3,669 million, down 10.6% year on year to ¥31,009 million.

(Net assets)

Total net assets increased by ¥1,447 million, up 1.8% year on year to ¥80,390 million. This was primarily because of a 16.3% or ¥2,532 million increase in foreign currency translation adjustment from the end of the previous fiscal year due to the effect of exchange rate fluctuations, despite a 1.6% or ¥1,021 million decrease in total shareholders' equity from the end of the previous fiscal 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%.

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 increased by ¥3,911 million, up 7.0% year on year to ¥59,557 million. This was primarily because net sales for automotive applications decreased due to the effect of production adjustments by customers, while net sales for products for industrial robots and semiconductor manufacturing equipment increased.

(Operating profit)

Operating profit increased by ¥2,560 million (operating profit of ¥6 million in the previous fiscal year) to ¥2,567 million. This was due to improved profitability resulting from product price revisions and other initiatives to enhance profitability, as well as an improvement in the manufacturing cost ratio driven by higher factory operating rates in the Japan segment.

(Non-operating income and expenses)

Non-operating income decreased by ¥386 million, down 43.9% year on year to ¥493 million. This was primarily because dividend income decreased by ¥270 million.

Non-operating expenses decreased by ¥214 million, down 29.1% year on year to ¥521 million. This was primarily because foreign exchange losses decreased by ¥133 million.

As a result, ordinary profit increased by ¥2,388 million (ordinary profit of ¥151 million in the previous fiscal year) to ¥2,539 million.

(Extraordinary income and losses)

Extraordinary income decreased by ¥5,264 million, down 89.7% year on year to ¥603 million. This was primarily because gain on sale of investment securities decreased by ¥5,779 million.

Extraordinary losses decreased by ¥389 million, down 31.4% year on year to ¥849 million.

(Profit attributable to owners of parent)

As a result of the above, profit attributable to owners of parent was ¥1,608 million, down 53.7% year on year.

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

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, as stated in "1 [Management policy, business environment, issues to be addressed, etc.], (4) Medium- to long-term corporate management strategy of the Group under II [Overview of Business]," we reviewed the existing medium-term management plan and formulated a new medium-term management plan (fiscal years 2026–2030) effective from fiscal year 2026, in light of changes in the environment that diverge from the assumptions made at the time of formulating the plan. As our target management indicators, we have set consolidated net sales of ¥100.0 billion or more, a ratio of operating profit to net sales of 15% or more, and return on equity (ROE) and ROIC of 10% or more for fiscal year 2030. We will develop the fields of "AI robots," "Aviation, Space and Defense," and "e-mobility," which are identified as focus growth areas, and promote our growth strategy, aiming to achieve the financial targets for fiscal year 2030, 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 including the fiscal year under review are as follows:

	Fiscal year 2021	Fiscal year 2022	Fiscal year 2023	Fiscal year 2024	Fiscal year 2025
Consolidated net sales	¥57,087 million	¥71,527 million	¥55,796 million	¥55,645 million	¥59,557 million
Ratio of operating profit to net sales	15.3%	14.3%	0.2%	0.0%	4.3%
ROE	6.6%	7.5%	(27.1%)	4.4%	2.0%

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: Five 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, 2029

5) Outstanding borrowings: ¥1.5 billion

6) Repayment due date: June 23, 2026 (for the above 5) outstanding borrowings)

7) Collateral: Unsecured

8) Financial covenants: (1) Maintain net assets on the consolidated balance sheets and the non-consolidated balance sheets 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: Five banks, including city banks and regional banks

2) Date of amended agreement: March 31, 2025

3) Outstanding borrowings: ¥6.6 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 sheets and the non-consolidated balance sheets 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.

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), AI 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 added new models to the lineup of the compact unit-type CSF-mini Series, one of the Company’s focus areas. Variations have been added to enable us to make more optimal proposals in response to customer requirements. In the field of mechatronics products, we also added to our lineup the AC Servo Actuator FPA Series employing planetary gears, which contribute to space saving by significantly reducing overall length compared with conventional combinations of planetary gears and motors, as well as the LW Type of the AC Servo Actuator FHA-C mini Series, a lightweight and reduced-length version of our flagship FHA-C mini Series. In addition to the existing lineup, we continue to offer products that meet an increasingly diverse range of customer requirements.

For the fiscal year under review, we had 151 R&D personnel and spent ¥3,950 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 ¥4,796 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 ¥1,421 million.

Harmonic Drive Systems Inc. completed the introduction of production machinery in March 2026. This investment did not make an increase in production capacity.

Harmonic Precision Inc., a Japanese subsidiary, completed the introduction of production machinery in March 2026. This investment made an increase of 3% in the production capacity of the company.

Harmonic AD, Inc., a Japanese subsidiary, completed the introduction of production machinery in March 2026. 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 ¥108 million.

Harmonic Drive Systems (Shanghai) Co., Ltd. completed the introduction of software, etc. in December 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.

(North America)

The amount of capital investment made during the fiscal year under review was ¥2,261 million.

HD Systems, Inc., an overseas subsidiary, completed the introduction of production machinery in December 2025. This investment made an increase of 13% 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 ¥1,005 million.

Harmonic Drive SE, an overseas subsidiary, completed the introduction of production machinery in December 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.

2 [Major facilities]

(1) Reporting company

As of March 31, 2026

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	8,608,612	6,881,399	1,227,762 (119)	1,558,914	3,291,907	21,568,596	430 [105]
Head Office and other offices (Shinagawa-ku, Tokyo, Japan, and other addresses)	Same as above	Administration and sales facilities	24,968	–	–	–	5,262	30,231	62 [3]
The former Matsumoto Plant (Toyoshina, Azumino-shi, Nagano, Japan)	Same as above	Leased buildings, structures, sites, and others	138,035	0	49,168 (11)	–	3,574	190,777	5 [1]
Matsumoto Plant (Wada, Matsumoto-shi, Nagano, Japan, and other addresses)	Same as above	Leased buildings, structures, sites, and others	4,680,391	945,787	1,097,949 (38)	43,000	1,254,377	8,021,506	29 [8]
Komagane Plant (Akaho, Komagane-shi, Nagano, Japan)	Same as above	Leased buildings, structures, sites, and others	558,142	–	119,170 (9)	–	1,414	678,727	0 [–]

(2) Japanese subsidiaries

As of March 31, 2026

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	
Harmonic Precision Inc.	Head Office (Wada, Matsumoto-shi, Nagano, Japan)	Precision speed reducers (Japan)	Production facilities for parts of speed reducers	0	17,593	–	–	6,957	24,550	100 [121]
Harmonic AD, Inc.	Head Office (Toyoshina, Azumino-shi, Nagano, Japan)	Same as above	Production facilities for planetary speed reducers	0	96,107	–	–	422	96,530	61 [6]
Harmonic Winbel Inc.	Head Office (Akaho, Komagane-shi, Nagano, Japan)	Same as above	Production facilities for mechatronic products	–	111,798	–	2,275	55,965	170,038	71 [3]

(3) Overseas subsidiaries

As of March 31, 2026

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	2,142,683	2,327,234	2,222,314 (36)	63,187	1,952,548	8,707,968	224 [4]
Harmonic Drive Systems (Shanghai) Co., Ltd.	Head Office (Shanghai, China)	Precision speed reducers (China)	Sales and technical services of mechatronic products and speed reducers	–	–	–	77,811	76,607	154,419	30 [–]
SAMICK ADM Co., Ltd.	Head Office (Daegu, Korea)	Precision speed reducers (Japan)	Production facilities for planetary speed reducers	–	19,619	–	–	28,119	47,738	15 [–]
Harmonic Drive SE	Head Office (Limburg a.d. Lahn, Hessen, Germany)	Precision speed reducers (Europe)	Production facilities for speed reducers and mechatronic products	1,013,786	2,316,174	–	2,440,899	767,693	6,538,553	358 [34]

(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 ¥48,792 thousand
Hotaka Plant (Azumino-shi, Nagano, Japan)	Same as above	Production machinery and appendage systems, etc.	Annual rent expenses ¥6,951 thousand
Head Office and other offices (Shinagawa-ku, Tokyo, Japan, and other addresses)	Same as above	Offices	Annual rent expenses ¥77,835 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 ¥145,507 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 ¥6,176 thousand
			Computers and peripheral devices	Annual lease expenses ¥674 thousand
Harmonic Winbel Inc.	Head Office (Akaho, Komagane-shi, Nagano, Japan)	Same as above	Production machinery and appendage systems, etc.	Annual lease expenses ¥445 thousand
			Production machinery and appendage systems, etc.	Annual rent expenses ¥1,046 thousand
			Offices	Annual rent expenses ¥245 thousand
			Computers and peripheral devices	Annual lease expenses ¥1,401 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, 2026 are as follows.

Company name	Site name (Address)	Segment	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	804,640	192,000	Own funds	Apr. 2026	Mar. 2027	Capital investment for maintaining production capacity
			Production machinery	1,409,890	352,290	Own funds	Apr. 2026	Mar. 2027	
			Tools, furniture and fixtures	1,711,139	–	Own funds	Apr. 2026	Mar. 2027	
Harmonic Precision Inc.	Head Office (Wada, Matsumoto-shi, Nagano, Japan)	Same as above	IT/buildings	10,680	–	Own funds	Apr. 2026	Mar. 2027	3% increase in production capacity
			Production machinery	319,100	–	Own funds	Apr. 2026	Mar. 2027	
			Tools, furniture and fixtures	19,850	–	Own funds	Apr. 2026	Mar. 2027	
Harmonic AD, Inc.	Head Office (Toyoshina, Azumino-shi, Nagano, Japan)	Same as above	Production machinery	147,587	–	Own funds	Apr. 2026	Mar. 2027	2% increase in production capacity
			Tools, furniture and fixtures	141,131	–	Own funds	Apr. 2026	Mar. 2027	
Harmonic Winbel Inc.	Head Office (Akaho, Komagane-shi, Nagano, Japan)	Same as above	Production machinery	122,295	–	Own funds	Apr. 2026	Mar. 2027	3% increase in production capacity
			Tools, furniture and fixtures	130,675	–	Own funds	Apr. 2026	Mar. 2027	
HD Systems, Inc.	Head Office (Beverly, Massachusetts, U.S.A.)	Precision speed reducers (US)	IT/buildings	142,500	–	Own funds	Jan. 2026	Dec. 2026	33% increase in production capacity
			Production machinery	1,102,500	–	Own funds	Jan. 2026	Dec. 2026	
			Tools, furniture and fixtures	19,500	–	Own funds	Jan. 2026	Dec. 2026	
Harmonic Drive SE	Head Office (Limburg a.d. Lahn, Hessen, Germany)	Precision speed reducers (Europe)	IT/buildings	266,494	–	Own funds	Jan. 2026	Dec. 2026	Capital investment for maintaining production capacity and improving quality
			Production machinery	566,532	–	Own funds	Jan. 2026	Dec. 2026	
			Tools, furniture and fixtures	260,500	–	Own funds	Jan. 2026	Dec. 2026	

(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 ¥150.00 to the dollar.

3. The planned investment amounts of overseas subsidiary Harmonic Drive SE are calculated at the exchange rate of ¥175.00 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 (Shares) (March 31, 2026)	As of the filing date (Shares) (June 16, 2026)	Listed financial instruments exchange or registered approved financial instruments firms association	Details
Common shares	96,315,400	96,315,400	Prime 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, 2026

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)	–	17	39	171	337	113	13,527	14,204	–
Number of shares held (Number of units)	–	103,397	34,010	371,050	316,760	28,749	108,422	962,388	76,600
Percentage of shareholdings (%)	–	10.74	3.53	38.56	32.91	2.99	11.27	100.00	–

(Notes) 1. There are no shares in the name of Japan Securities Depository Center, Inc.
2. 1,648,611 shares of treasury shares are included in 16,486 units in “individuals and others” and 11 shares in “shares less than one unit.”

(6) [Major shareholders]

As of March 31, 2026

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	35.37
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	5,762,900	6.08
Norimitsu Ito	Minato-ku, Tokyo	3,041,600	3.21
JPMorgan Securities Japan Co., Ltd.	2-7-3, Marunouchi, Chiyoda-ku, Tokyo	2,275,114	2.40
Control trust (A030) trustee, SMBC Trust Bank Ltd.	1-3-2, Marunouchi, Chiyoda-ku, Tokyo	2,176,800	2.29
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (standing proxy: MUFG Bank, Ltd.)	PETERBOROUGH COURT 133 FLEET STREET LONDON EC4A2BB UNITED KINGDOM (1-4-5, Marunouchi, Chiyoda-ku, Tokyo)	2,079,716	2.19
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	1,994,200	2.10
HSBC HONG KONG-TREASURYSERVICES A/C ASIAN EQUITIES DERIVATIVES (standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	1 QUEEN’S ROAD CENTRAL, HONG KONG (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	1,536,609	1.62
GOVERNMENT OF NORWAY (standing proxy: Citibank, N.A., Tokyo Branch)	BANKPLASSEN 2, 0107 OSLO 1 OSLO 0107 NO (6-27-30, Shinjuku-ku, Tokyo)	1,235,454	1.30
BNYM AS AGT/CLTS NON TREATY JASDEC (standing proxy: MUFG Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NEW YORK 10286 U.S.A. (1-4-5, Marunouchi, Chiyoda-ku, Tokyo)	1,165,372	1.23
Total	–	54,758,465	57.84

(Note) Besides the above, there are 1,648,611 shares of treasury shares held by the Company.

(7) [Voting rights]

(i) [Issued and outstanding shares]

As of March 31, 2026

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 1,648,600	–	Standard shares of the Company without any restrictions
Shares with full voting rights (others)	Common shares 94,590,200	945,902	Same as above
Shares less than one unit	Common shares 76,600	–	–
Total number of issued and outstanding shares	96,315,400	–	–
Number of voting rights held by all shareholders	–	945,902	–

(Note) Common shares in the category of shares less than one unit include 11 shares of treasury shares held by the Company.

(ii) [Treasury shares, etc.]

As of March 31, 2026

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	1,648,600	–	1,648,600	1.71
Total	–	1,648,600	–	1,648,600	1.71

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	89,600	390,464,500
Treasury shares acquired during the fiscal year under review	264,800	809,529,700
Total number and total value of remaining resolution type of shares	45,600	5,800
Ratio of unexercised shares as of the end of the fiscal year under review (%)	11.40	0.00
Treasury shares acquired in the current fiscal year until the filing date	–	–
Ratio of unexercised shares as of the filing date (%)	11.40	0.00

(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	57	183,140
Treasury shares acquired in the current fiscal year until the filing date	–	–

(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, 2026 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)	28,137	74,872,557	–	–
Number of treasury shares held	1,648,611	–	1,648,611	–

(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, 2026 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 35% 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 19, 2026, 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, 2025 Board of Directors meeting	946,668	10
June 19, 2026 Ordinary General Meeting of Shareholders (scheduled)	946,667	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).

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 sixteen (16) 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, Tetsuya Shiokawa, and Isao Mimura. 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.

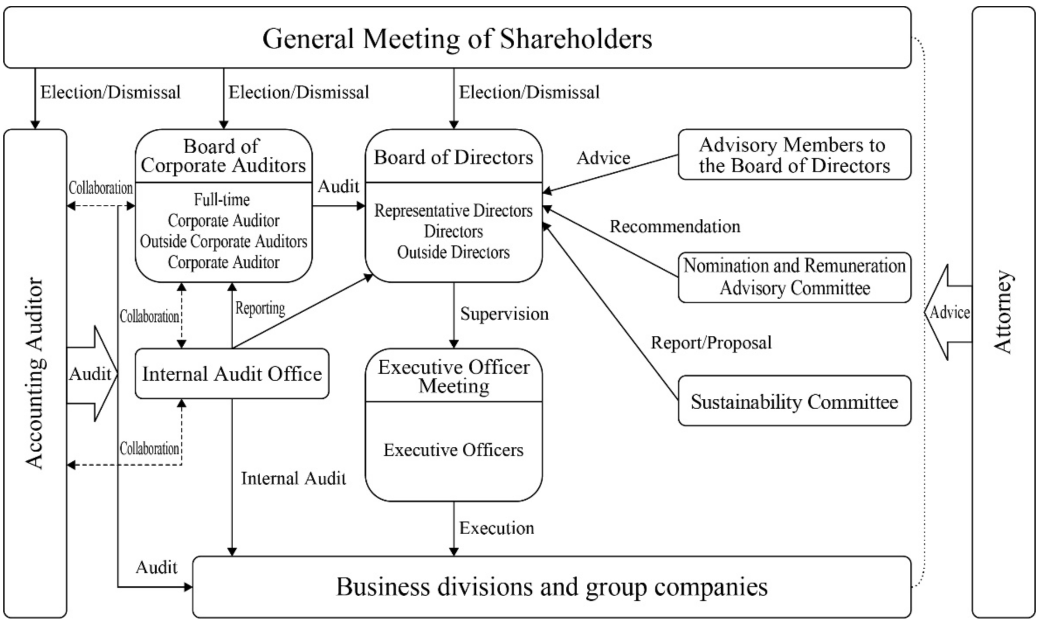
As an advisory body to the Board of Directors, the committee studies and deliberates on director candidates, candidates for directors with titles, director remuneration proposals, and other matters, and decides on matters to be reported to the Board of Directors.

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 and the Nomination and Remuneration Advisory Committee activities

(a) Board of Directors

The Company holds meetings of the Board of Directors at least once a month, and meetings were held a total of seventeen (17) 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	17	17	100.0
Akira Maruyama	President and Representative Director	17	17	100.0
Kazutoshi Kamijoh	Representative Director	17	17	100.0
Yoshihiro Tanioka	Director	17	17	100.0
Naomi Shirasawa	Director	17	17	100.0
Haruhiko Yoshida	Outside Director	17	17	100.0
Masanobu Nakamura	Outside Director	17	17	100.0
Yoshio Fukuda	Outside Director	17	17	100.0
Kazuhiko Hayashi	Outside Director	17	17	100.0
Kaeko Kitamoto	Outside Director	17	17	100.0

* In addition to the above meetings, a written resolution was adopted on April 24, 2025.

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

(b) Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee held eight (8) meetings in the fiscal year under review. Attendance record of individual committee members is as follows:

Name	Position	Number of meetings held	Number of meetings attended	Attendance rate
Haruhiko Yoshida	Chairperson	8	8	100.0
Masanobu Nakamura	Committee Member	8	8	100.0
Akira Maruyama	Committee Member	8	8	100.0

Main agenda items of the Nomination and Remuneration Advisory Committee meetings in the fiscal year under review are as follows.

- Matters related to the selection of candidates for directors
- Matters related to director remuneration (monthly remuneration, bonuses, and allotment of restricted shares)
- Matters related to personnel matters, remuneration, etc. of executive officers
- Matters related to personnel matters, remuneration, etc. of advisors and Advisory Members to the Board of Directors
- Matters related to the Corporate Governance Code

(2) [Directors and corporate auditors]

(i) List of directors and corporate auditors

a. As of June 16, 2026 (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.	(Note) 3	69,578

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 Jun. 2025	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 President and Representative Director, Chief Executive Officer, the Company (incumbent)	(Note) 3	23,152

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	(Note) 3	25,010
			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, In Charge 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 Officer Assistant to the President	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 Jun. 2025 Apr. 2026	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 Director, Harmonic Winbel Inc. Director and Executive Officer, In Charge of Development and Engineering and Head of the Company-wide Cost Innovation Project, the Company Director and Executive Officer, Assistant to the President, the Company (incumbent)	(Note) 3	10,738

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director Executive Officer In charge of Marketing and Sales, General Manager of Domestic Sales Division	Naomi Shirasawa	November 2, 1960	Apr. 1983	Joined the Company	(Note) 3	12,761
			Apr. 1996	Manager of Engineering Department, Precision Equipment Division, the Company		
			Sep. 1998	General Manager in charge of Precision Equipment, Marketing Department, Marketing and Sales Division, the Company		
			Jul. 2001	General Manager of AccuDrive Division, the Company		
			Mar. 2003	Managing Director, Harmonic AD, Inc.		
			May 2007	Representative Director and President, Harmonic AD, Inc.		
			Jun. 2010	Executive Officer and General Manager of AD Business Promotion Office, the Company		
			May 2011	Senior Managing Director, Harmonic AD, Inc.		
			Jun. 2013	General Manager of Sales, Harmonic Drive Systems (Shanghai) Co., Ltd.		
			Jul. 2016	Director, Harmonic Drive Systems (Shanghai) Co., Ltd.		
			Jun. 2018	General Manager of Overseas Sales Division, the Company		
			Jun. 2019	Director and General Manager of Domestic Sales Division, the Company		
			Jun. 2021	Executive Officer and General Manager of Domestic Sales Division, the Company		
			Jun. 2023	Executive Officer, In charge of Marketing and Sales, General Manager of Domestic Sales Division, the Company		
			Jun. 2024	Director and Executive Officer, In charge of Marketing and Sales, General Manager of Domestic Sales Division, the Company (incumbent)		
			Oct. 2024	Director, Harmonic Drive Systems (Shanghai) Co., Ltd. (incumbent)		
				(Positions as representatives in other corporations or organizations) Director, Harmonic Drive Systems (Shanghai) Co., Ltd.		

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	Joined Mitsui & Co., Ltd.	(Note) 3	27,349
			Feb. 1996	Senior Executive Vice President, Mitsui & Co. (U.S.A.), Inc.		
			Apr. 1998	General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.		
			Jun. 1998	Director and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.		
			Jun. 2001	Representative Director, Executive Managing Director, and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.		
			Apr. 2002	Executive Managing Officer and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.		
			Jul. 2002	Executive Managing Officer and Assistant to President of Machinery and Information Group, Mitsui & Co., Ltd.		
			Jun. 2003	Outside Director, Nagano Keiki Co., Ltd.		
			Jun. 2003	Outside Director, the Company (incumbent)		
			Jun. 2006	Corporate Auditor, Hakudo Co., Ltd.		
			Jun. 2007	Outside Director, Hakudo Co., Ltd.		

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.)	(Note) 3	14,053
			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)	(Note) 3	1,846

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)	(Note) 3	953
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)	(Note) 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)	(Note) 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)	(Note) 4	5,694

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	Joined The Nikko Securities Co., Ltd. (present SMBC Nikko Securities Inc.)	(Note) 4	–
			Mar. 2002	General Manager of Corporate Clients Department II, Nikko Cordial Securities Inc.		
			Mar. 2003	Executive Officer, General Manager of Tokyo Corporate Clients Department II, Nikko Cordial Securities Inc.		
			Dec. 2004	Director in charge of sales planning and corporate clients, Nikko Cordial Securities Inc.		
			Feb. 2005	Executive Managing Director in charge of planning and wholesale business promotion, Nikko Cordial Securities Inc.		
			Feb. 2007	Senior Managing Director in charge of Wholesale Sales Division I, Nikko Cordial Securities Inc.		
			Aug. 2008	Senior Executive Officer, Head of Institutional Client Coverage Division, Nikko Citigroup Limited		
			Feb. 2009	Managing Executive Officer, Co-Head of Corporate & Institutional Business Unit, Mitsubishi UFJ Securities Co., Ltd.		
			May 2010	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.		
			Jun. 2012	Principal Executive Officer, Head of Corporate & Institutional Business Unit, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.		
			Jun. 2016	Outside Director, Chairperson of the Board of Directors, Marusan Securities Co., Ltd.		
			Mar. 2020	Outside Director, Marusan Securities Co., Ltd.		
			Jun. 2020	Outside Corporate Auditor, the Company (incumbent)		

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 Apr. 1998 Jul. 2000 Apr. 2012 Apr. 2017 Apr. 2017 Jun. 2017 Sep. 2018 Mar. 2020 Jun. 2021 Jun. 2024 Jun. 2025	Joined Nomura Research Institute, Ltd. Joined Nomura Securities Co., Ltd. Seconded to Nomura Principal Finance Co., Ltd. Managing Director of Investment Business Group, Innovation Network Corporation of Japan (currently Japan Investment Corporation) Outside Director, JOLED Inc. Outside Corporate Auditor, Harmonic Drive AG (currently Harmonic Drive SE) External Director, Japan Display Inc. (retired in June 2018) Executive Managing Director and Managing Director of Investment Business Group, INCJ, Ltd. External Director, Japan Display Inc. Senior Executive Managing Director and Managing Director of Investment Business Group, INCJ, Ltd. Corporate Auditor, the Company (incumbent) External Director, Reskill Corp. (incumbent)	(Note) 4	–
Total						191,134

(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 ended 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 sixteen (16) 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, Assistant to the President; 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, Assistant to the President; 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 Supply Chain, Production Planning, General Manager of Supply Chain Division; Hiroki Hanaoka, Executive Officer, In Charge of Production Technology and Product Information Management, 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, General Manager of Research and Development; Tetsuya Shiokawa, Executive Officer, General Manager of Corporate Planning Division, In Charge of Business Development; and Isao Mimura, Executive Officer, In Charge of Production, General Manager of First and Second Production Division and Head of the Company-wide Cost Innovation Project.
7. The number of shares held includes the portion held by the Officers' Shareholding Association.

b. The Company proposes “Election of ten (10) Directors” and “Election of one (1) Corporate Auditor” as agenda items (proposals to be resolved) at the Ordinary General Meeting of Shareholders scheduled to be held on June 19, 2026. If these proposals are 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.

Twelve (12) males and two (2) females (ratio of female directors and corporate auditors is 14.3%)

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.	(Note) 3	69,578

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 Jun. 2025	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 President and Representative Director, Chief Executive Officer, the Company (incumbent)	(Note) 3	23,152

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 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 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 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 Director, Harmonic Precision Inc. (incumbent) Representative Director and Senior Managing Executive Officer, In Charge of Finance Accounting, Finance and Tax Division, the Company (incumbent)	(Note) 3	25,010

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director Executive Officer 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.	(Note) 3	12,761
Director Executive Officer General Manager of Research and Development	Shizuka Yata	June 24, 1973	Jul. 2014 Apr. 2017 Oct. 2018 Jun. 2021 Jun. 2023 Apr. 2026 Jun. 2026 Jun. 2026	Joined the Company Manager of Harmonic Drive Laboratory, the Company General Manager of Harmonic Drive Laboratory, the Company Head of Harmonic Drive Laboratory, the Company Executive Officer, Head of Harmonic Drive Laboratory, the Company Executive Officer, General Manager of Research and Development, the Company Director, Harmonic Winbel Inc. (incumbent) Director and Executive Officer, General Manager of Research and Development, the Company (incumbent)	(Note) 3	923

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	Joined Mitsui & Co., Ltd.	(Note) 3	27,349
			Feb. 1996	Senior Executive Vice President, Mitsui & Co. (U.S.A.), Inc.		
			Apr. 1998	General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.		
			Jun. 1998	Director and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.		
			Jun. 2001	Representative Director, Executive Managing Director, and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.		
			Apr. 2002	Executive Managing Officer and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.		
			Jul. 2002	Executive Managing Officer and Assistant to President of Machinery and Information Group, Mitsui & Co., Ltd.		
			Jun. 2003	Outside Director, Nagano Keiki Co., Ltd.		
			Jun. 2003	Outside Director, the Company (incumbent)		
			Jun. 2006	Corporate Auditor, Hakudo Co., Ltd.		
			Jun. 2007	Outside Director, Hakudo Co., Ltd.		

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	Joined Teijin Limited	(Note) 3	1,846
			Jul. 2006	Corporate Officer, Teijin Group Member of the Board and General Manager of Raw Materials & Polymers Division, Teijin Fibers Ltd.		
			May 2007	President, P.T. Teijin Indonesia Fiber Corporation Tbk		
			Jun. 2010	Corporate Officer and Member of the Board, General Manager of Corporate Planning Division, Teijin Limited		
			Jun. 2012	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		
			Jun. 2013	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		
			Apr. 2015	Advisor, Member of the Board, Teijin Limited		
			Jun. 2015	Advisor, Teijin Limited		
			Jun. 2016	Outside Director, Toyo Construction Co., Ltd.		
			Jun. 2017	Outside Corporate Auditor, the Company		
			Jun. 2017	Auditor, Japan Indonesia Association, Inc. (incumbent)		
			Jun. 2020	Outside Director, the Company (incumbent)		
			Jun. 2020	Director, Harmonic AD, Inc.		
			Mar. 2021	Auditor, Japan-Sri Lanka Association (incumbent)		

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)	(Note) 3	953
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)	(Note) 3	–

Positions and responsibilities	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director	Masao Yoshikawa	July 1, 1957	Apr. 1981	Joined The Industrial Bank of Japan, Limited	(Note) 3	–
			Apr. 2007	General Manager of Portfolio Management Division, Mizuho Trust & Banking Co., Ltd.		
			Apr. 2010	Executive Officer, General Manager of Investment Department, Mizuho Trust & Banking Co., Ltd.		
			Apr. 2014	Representative Director, Deputy President, Mizuho Trust & Banking Co., Ltd.		
			Apr. 2016	Managing Executive Officer, In charge of Building Construction Sales, Sales Headquarters, TAISEI CORPORATION		
			Apr. 2023	Senior Managing Executive Officer, In charge of Building Construction Sales, Sales Headquarters, TAISEI CORPORATION		
			Jun. 2024	Outside Audit & Supervisory Board Member, The Japan Atomic Power Company (incumbent)		
			Jun. 2026	Outside Director, the Company (incumbent)		

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)	(Note) 4	–
Full-time Corporate Auditor	Minoru Asano	November 30, 1962	May 1989 Jul. 2003 May 2008 May 2009 May 2010 Jan. 2015 Jun. 2018 Jun. 2019 Jun. 2022 Jun. 2023 Oct. 2024 Apr. 2026 Jun. 2026	Joined the Company Manager of Purchasing, Materials Division, the Company General Manager of Purchasing Department, the Company Director, HD Logistics, Inc. Director, Harmonic Precision Inc. General Manager of Production Technology and Supply Chain Division and General Manager of Material and Development Purchasing Department, the Company Executive Officer, In Charge of Production, Production Technology, and Supply Chain, General Manager of Production and Supply Chain, the Company Managing Executive Officer, In Charge of Production, Production Technology, and Supply Chain, General Manager of First Production and Supply Chain, the Company Managing Executive Officer, General Manager of Supply Chain, the Company Director, HD Logistics, Inc. Manager, HATAKEN LLC (incumbent) Managing Executive Officer, Assistant to the President, the Company Full-time Corporate Auditor, the Company (incumbent)	(Note) 5	3,497

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	Joined The Nikko Securities Co., Ltd. (present SMBC Nikko Securities Inc.)	(Note) 4	–
			Mar. 2002	General Manager of Corporate Clients Department II, Nikko Cordial Securities Inc.		
			Mar. 2003	Executive Officer, General Manager of Tokyo Corporate Clients Department II, Nikko Cordial Securities Inc.		
			Dec. 2004	Director in charge of sales planning and corporate clients, Nikko Cordial Securities Inc.		
			Feb. 2005	Executive Managing Director in charge of planning and wholesale business promotion, Nikko Cordial Securities Inc.		
			Feb. 2007	Senior Managing Director in charge of Wholesale Sales Division I, Nikko Cordial Securities Inc.		
			Aug. 2008	Senior Executive Officer, Head of Institutional Client Coverage Division, Nikko Citigroup Limited		
			Feb. 2009	Managing Executive Officer, Co-Head of Corporate & Institutional Business Unit, Mitsubishi UFJ Securities Co., Ltd.		
			May 2010	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.		
			Jun. 2012	Principal Executive Officer, Head of Corporate & Institutional Business Unit, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.		
			Jun. 2016	Outside Director, Chairperson of the Board of Directors, Marusan Securities Co., Ltd.		
			Mar. 2020	Outside Director, Marusan Securities Co., Ltd.		
			Jun. 2020	Outside Corporate Auditor, the Company (incumbent)		

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.	(Note) 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.		
			Jun. 2024	Corporate Auditor, the Company (incumbent)		
			Jun. 2025	External Director, Reskill Corp. (incumbent)		
Total						165,069

(Notes) 1. Directors Haruhiko Yoshida, Yoshio Fukuda, Kazuhiko Hayashi, Kaeko Kitamoto, and Masao Yoshikawa 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, 2026 to the conclusion of Ordinary General Meeting of Shareholders associated with fiscal year ending March 31, 2027.
4. The terms of office of Corporate Auditors Yoshitsugu Yokogoshi, Eisaku Imazato, and Nobuyuki Higashi are 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. The term of office of Corporate Auditor Minoru Asano is from the conclusion of Ordinary General Meeting of Shareholders associated with fiscal year ended March 31, 2026 to the conclusion of Ordinary General Meeting of Shareholders associated with fiscal year ending March 31, 2030.
6. 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.
7. 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 fourteen (14) 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; 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; 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 Supply Chain, Production Planning, General Manager of Supply Chain Division; Hiroki Hanaoka, Executive Officer, In Charge of Production Technology and Product Information Management, 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, General Manager of Research and Development; Tetsuya Shiokawa, Executive Officer, General Manager of Corporate Planning Division, In Charge of Business Development; and Isao Mimura, Executive Officer, In Charge of Production, General Manager of First and Second Production Division and Head of the Company-wide Cost Innovation Project.
8. The number of shares held includes the portion held by the Officers' Shareholding Association.

(ii) Outside directors and outside corporate auditors

As of the filing date (June 16, 2026), Masanobu Nakamura serves as an Outside Director of the Company. However, 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 19, 2026. If this proposal is approved and adopted, he is scheduled to retire upon expiration of his term of office at the conclusion of the Ordinary General Meeting of Shareholders. The following description of outside directors and outside corporate auditors is based on the assumption that the above proposal will be approved and adopted.

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 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.

Outside Director Masao Yoshikawa used to serve as a Representative Director, Deputy President of Mizuho Trust & Banking Co., Ltd. Although the company serves as the Company's shareholder register administrator and has a business relationship with the Company, there are no important matters in the personnel relationship and capital relationship between the Company and Mizuho Trust & Banking Co., Ltd. In addition, he previously served as a Managing Executive Officer and Senior Managing Executive Officer of TAISEI CORPORATION. There are no important matters in the personnel relationship, capital relationship and business relationship between the Company and TAISEI CORPORATION. Furthermore, he currently serves as an Outside Audit & Supervisory Board Member of The Japan Atomic Power Company. There are no important matters in the personnel relationship, capital relationship and business relationship between the Company and The Japan Atomic Power Company.

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 ¥4,960 million as of the filing date of this Annual Securities Report (June 16, 2026). 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.; an Executive Officer of Mitsubishi UFJ Financial Group, Inc., a parent company of MUFG Bank, Ltd.; and an Outside Director of Marusan Securities Co., Ltd. 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 ¥4,960 million as of the filing date of this Annual Securities Report (June 16, 2026). 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, 2026 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%
Eisaku Imazato	Part-time	Outside	17	17	100%
Nobuyuki Higashi	Part-time	Internal	17	17	100%

・The Board of Corporate Auditors specifically examines the goals and progress of each department in overall management, 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 two (2) certified public accountants and nine (9) 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 34 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	44,200	–	47,200	–
Consolidated subsidiaries	–	–	–	–
Total	44,200	–	47,200	–

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, 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	20,741	16,120	23,808	6,416
Consolidated subsidiaries	17,011	3,733	11,757	9,305
Total	37,752	19,853	35,565	15,721

(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, legal advisory services, 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, 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 and the Nomination and Remuneration Advisory Committee associated with the determination process of remuneration amount for the fiscal year under review

In the fiscal year under review, the Nomination and Remuneration Advisory Committee held a total of eight (8) meetings (of which two (2) included remuneration-related matters). In response to consultations from the Board of Directors, the committee deliberated appropriately on matters relating to remuneration for directors and executive officers, etc., and provided its recommendations.

As mentioned above, although decision-making authority on the remuneration amount for individual directors is delegated to President and Representative Director by a resolution of the Board of Directors, for the fiscal year under review, President and Representative Director made the decisions based on the recommendations of the Nomination and Remuneration Advisory Committee.

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)	213,018	138,146	–	74,872	5
Corporate auditors (excluding outside corporate auditors)	40,800	40,800	–	–	2
Outside directors and corporate auditors	112,800	112,800	–	–	7

(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
48,000	2	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	386,643

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

	Number of issues	Total amount of acquisition cost related to the increase in the number of shares (Thousands of yen)	Reason for the increase in the number of shares
Unlisted shares	–	–	–
Shares other than those unlisted	1	344,844	Investment for the purpose of business collaboration

(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	327,494

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	The Company has a business relationship primarily in terms of both sale of speed reducers and procurement of parts, etc. and held its shares to stabilize and reinforce the business relationship. However, after taking into consideration various factors, including the dissolution of cross-shareholding relationships, the shares were sold in the fiscal year under review to reduce policy shareholdings, improve asset efficiency, and strengthen the financial base.	None
	–	365,405		
NANYO Corporation	35,200	35,200	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
	50,652	40,726		
ISDN Holdings Ltd	7,138,000	–	The Company entered into a strategic sales alliance agreement for the Asian market with Servo Dynamics Pte Ltd, a subsidiary of ISDN Holdings Ltd, to actively pursue new business opportunities. The shares were newly acquired to strengthen the Company's relationship with ISDN Holdings Ltd. The increase in the number of shares was due to the acquisition of the shares during the fiscal year under review.	None
	335,990	–		

(Notes) 1. Although the above-mentioned investment shares include issues of which balance sheet amounts are 1% or less of share capital amount, all listed shares held are presented.
2. There are no deemed holdings of 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.

5 [Employees, etc.]

(1) [Basic policy on human resources strategy]

As a group of technological and engineering experts providing total motion control, the Group integrates the technologies making up total motion control with the human capital of our technological and engineering experts as its core to deliver products that enable the motion our customers demand. The Group's basic policy is to promote its management strategy and human resources strategy in an integrated manner.

1) Human resources strategy of Harmonic Drive Systems Group

Under the new medium-term management plan (fiscal years 2026–2030), the Group has set "Take on the challenge of value creation and transformation" as its basic policy and is promoting its management strategy based on the following three pillars:

(i) Sustainable growth of all businesses with an emphasis on profitability
(ii) Strengthen management resources (people, things, money, information) that can adapt to changes in the environment
(iii) Initiatives to enhance corporate value that will continue into the future

For fiscal year 2030, the Group aims to achieve consolidated net sales of ¥100.0 billion or more, a ratio of operating profit to net sales of 15% or more, and ROIC and ROE of 10% or more.

Under this new medium-term management plan, in addition to existing applications such as industrial robots, semiconductor manufacturing equipment, and surgical robots, the Group has newly designated "AI and human-like robots," "Aviation, Space and Defense," and "e-mobility" as focus growth areas. To achieve this sales plan for these applications, it will be necessary to enhance and expand the skills of personnel involved in technologies, manufacturing, and other functions corresponding to each area. Accordingly, execution of a human resources strategy aligned with the Group's management strategy is indispensable.

The achievement of the above strategies depends largely on advanced technological capabilities, manufacturing know-how, and marketing and development capabilities related to its precision speed reducers, which are the source of the Group's competitive advantage, and mechatronic products incorporating such reducers, as well as the human resources that support these capabilities. In particular, design and manufacturing technologies related to the Group's strain wave gearings, HarmonicDrive®, are highly specialized, and long-term investment in talent development is indispensable for preserving and advancing this expertise. In addition, the acquisition and development of personnel with expertise in each of the Group's focus growth areas will be key to expanding these businesses.

Under this medium-term management plan, the Group will establish an organizational structure, secure talent capable of responding quickly to change, and foster a corporate culture.

In addition, strengthening the management foundation is essential to executing the above strategies. Accordingly, the Group will also strengthen the human resources needed to drive the following management foundation initiatives:

(i) Organization and Human Resources: Establishing an organizational structure optimized for strategy execution, setting KPIs, and introducing a new human resources system
(ii) DX Promotion: Promoting the utilization of AI and IoT and strengthening information security
(iii) Global Collaboration: Strengthening collaboration among the four regions (Japan, Europe, the US, and China) and entry into emerging markets
(iv) Finance and Management: Promoting ROIC management and optimizing capital allocation
(v) Sustainability: Promoting initiatives toward SSBJ-compliant disclosure
(vi) Governance: Strengthening the supervisory function of the Board of Directors
(vii) Risk Management and Internal Audit: Enhancing risk control and audit functions

Based on this recognition, to achieve the objectives of the medium-term management plan (fiscal years 2026–

2030), the Group will manage its recruitment, development, placement, and compensation initiatives in an integrated manner with its management strategy and systematically enhance both the quality and quantity of the human resources required.

Specifically, to realize its management strategy and continuously enhance the Group's overall capacity for value creation by leveraging each employee's expertise and willingness to take on new challenges, the Group will establish a human resources system that appropriately rewards those who embrace challenges and create an environment in which every employee can proactively shape his or her career and continue to grow through taking on new challenges.

The Group will also place emphasis on both value creation through professional expertise and organizational management. To this end, it will establish a framework under which technical and practical skills and management capabilities are appropriately evaluated and reflected in compensation, with the system under which employees are rewarded appropriately for their challenges, achievements, and contributions. In addition, to realize human resources management which provides compensation appropriate to their roles, growth, and challenges, the Group has established and will implement the following "Policy on determining the amount and details of compensation for Harmonic Drive Systems Group employees."

2) Policy on determining the amount and details of compensation for Harmonic Drive Systems Group employees

1. Basic philosophy

The Group regards compensation not merely as consideration for labor, but as a means of investing in human capital and fulfilling its social responsibilities. Based on this philosophy, the Group seeks to achieve the sustainable enhancement of corporate value while supporting the growth and active engagement of its employees.

2. Definition of compensation

The Group defines compensation as the total value (Total Reward), comprising not only monetary compensation but also growth opportunities, opportunities to take on challenges, recognition, organizational culture, and a sense of purpose at work.

3. Social responsibility and fairness

The Group is committed to ensuring compensation levels that enable all employees to live with peace of mind, taking into account living standards in the countries and regions where it operates. The Group also strives to realize a fair, equitable, and transparent compensation system that does not permit unreasonable disparities based on gender, age, employment status, or other factors.

4. Growth, challenge, and sustainable value creation

The Group regards the enhancement of employees' capabilities and growth as the source for creating medium- to long-term value. In determining compensation, the Group places emphasis on the accumulation of professional expertise, willingness to take on challenges, and collaboration with others. Rather than focusing solely on short-term profits, the Group values actions that contribute to the creation of sustainable corporate and social value, and appropriately reflects such contributions in compensation.

5. Competitiveness, sustainability, and Group operation

The Group seeks to maintain sustainable personnel cost levels while ensuring competitiveness in the global market.

This Policy sets forth common principles applicable throughout the Group. The design and administration of individual compensation systems shall be appropriately carried out under the responsibility of each Group company in accordance with its own business characteristics and other relevant circumstances.

In addition, policies for the development of human resources, including ensuring the diversity of human resources, and policies on development of the internal environment are described in "II [Overview of Business], 2 [Disclosure of sustainability-related financial information], (3) Human capital and diversity."

(2) [Employees]

(1) Information about group

As of March 31, 2026

Segment	Number of employees (Persons)
Japan	666 [291]
North America	224 [4]
Europe	358 [34]
China	30 [0]
Corporate (shared)	141 [13]
Total	1,419 [342]

(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, 2026

Number of employees (Persons)	Average age (Years)	Average length of service (Years)	Average annual salary (Yen)	Year-on-year change in average annual salary (%)
526 [117]	42.5	13.2	7,192,860	2.1

Segment	Number of employees (Persons)
Japan	385 [104]
Corporate (shared)	141 [13]
Total	526 [117]

(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 353 as of March 31, 2026. 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, 2026

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
4.4	88.2	69.3	71.0	90.7

(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, 2026

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.	10.0	33.3	81.4	80.9	104.0

(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).

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, 2025 to March 31, 2026) 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, 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	*4 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	*4 3,600,017	*4 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	*1 20,228	*1 174
Investments in capital of subsidiaries and associates	*1 89,507	*1 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, 3 2,701,653	*2, 3 2,204,202
Current portion of long-term borrowings	*3 1,890,516	*3 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	*3 11,015,584	*3 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 statements of income]

(Thousands of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Net sales	*1 55,645,940	*1 59,557,877
Cost of sales	*3 40,791,594	*3 41,424,426
Gross profit	14,854,345	18,133,450
Selling, general and administrative expenses	*2, *3 14,847,351	*2, *3 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	*4 1,031	*4 507,288
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	*5 3,842	*5 5
Impairment losses	*6 1,189,182	*6 526,923
Loss on retirement of non-current assets	*7 44,101	*7 18,723
Loss on tax purpose reduction entry of non-current assets	2,000	10,451
Loss on valuation of inventories	–	*8 293,364
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 statements 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 (1,715,990)	*1 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]

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 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

For the 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

(Thousands of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
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)
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	*1 22,923,012	*1 19,091,800

[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

   (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

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: ¥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 main non-current assets of the HDSE Group are customer related assets (carrying amount: ¥9,187,037 thousand) and technical assets (carrying amount: ¥2,453,723 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, as the Group’s actual performance in the previous fiscal year fell short of those projections in the business plan, amortization expenses of customer related assets and others exceeded the HDSE Group’s operating profit in the previous fiscal year.

Therefore, it was determined that there were indications of impairment in the HDSE Group’s non-current assets at the end of the previous fiscal year. 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 in the previous fiscal year.

In the fiscal year under review, since operating profit of the HDSE Group exceeded amortization expenses of customer related assets and others, it was determined that there were no indications of impairment. Accordingly, no impairment loss was recognized.

・ Key assumptions

The future cash flows used in determining whether to recognize impairment losses and measuring impairment losses 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

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.

(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.

・“Practical Guidelines on Accounting for Financial Instruments” (ASBJ Transferred Guidance No. 9 (revised), March 11, 2025)

(1) Overview

The Guidelines revise the accounting treatment for equity interests in venture capital funds held by listed companies and other entities so that investors are provided with more useful information by measuring at fair value unquoted shares included in such venture capital funds.

(2) Scheduled date of application

These standards are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2027.

(3) Impact of adopting these accounting standards

The amount of the impact is currently under evaluation as of the date of preparation of these consolidated financial statements.

・“Accounting Standard for Subsequent Events” (ASBJ Statement No. 41, January 9, 2026)

・“Implementation Guidance on Accounting Standard for Subsequent Events” (ASBJ Implementation Guidance No. 35, January 9, 2026)

(1) Overview

The Accounting Standard for Subsequent Events and related guidance have the priority objective of establishing comprehensive accounting standards covering the definition, accounting treatment, and disclosure of subsequent events. The standards generally carry forward the accounting guidance set forth in Statement on Auditing Standards 560, Practical Guideline No. 1, Audit Considerations Relating to Subsequent Events, issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants (JICPA), which has been transferred to the Accounting Standards Board of Japan (ASBJ). The standards also revise certain wording, clarify the evaluation period for subsequent events, and newly require notes regarding the approval of the issuance of financial statements.

(2) Scheduled date of application

These standards are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2029.

(Notes - Changes in presentation)

Consolidated statements 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 statements of income 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 - Consolidated balance sheets)

*1. Items related to unconsolidated subsidiaries and associates are as follows:

(Thousands of yen)

	As of March 31, 2025	As of March 31, 2026
Shares of subsidiaries and associates	20,228	174
Investments in capital of subsidiaries and associates	89,507	73,854

*2. 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, 2025	As of March 31, 2026
Total amount of commitment line	9,489,520	9,421,650
Balance of borrowings outstanding	2,148,428	1,665,897
Balance of unexecuted borrowings	7,341,092	7,755,753

*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 sheets and the non-consolidated balance sheets 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, 2025	As of March 31, 2026
Machinery, equipment and vehicles	–	10,451
Land	387,230	387,230

(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, 2025	For the fiscal year ended March 31, 2026
Salaries and allowances	3,013,305	3,125,051
Provision for bonuses	644,736	658,627
Provision for bonuses for directors (and other officers)	92,238	64,256
Retirement benefit expenses	(26,726)	30,505
Provision for retirement benefits for directors (and other officers)	99,454	53,247
Provision for operating officers’ retirement benefits	28,475	33,174
Research and development expenses	3,665,344	3,860,810
Depreciation	1,738,080	1,878,920

*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, 2025	For the fiscal year ended March 31, 2026
Research and development expenses	3,776,295	3,950,024

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

(Thousands of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Buildings and structures, land (Note)	–	505,184
Buildings and structures	295	–
Machinery, equipment and vehicles	112	2,104
Tools, furniture and fixtures	623	–
Total	1,031	507,288

(Note) The sale was made under a contract covering the combined sale of buildings and structures and land. As it is difficult to separately calculate the gain on sale for each asset, the gain on sale arising from the transaction is presented in the aggregate.

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

(Thousands of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Machinery, equipment and vehicles	3,837	–
Tools, furniture and fixtures	5	–
Land	–	5
Total	3,842	5

*6. Impairment losses

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.

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

The Group recorded impairment losses for the following asset groups.

(1) Breakdown of impairment losses

(Thousands of yen)

Location	Use	Type	Impairment losses
Azumino-shi, Nagano, Japan	Production equipment, etc. for AccuDrive® and HarmonicPlanetary® high-precision planetary reducers	Machinery and equipment, etc.	394,437
Azumino-shi, Nagano, Japan	Idle assets	Machinery and equipment, etc.	132,486
Total			526,923

(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 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 years ended March 31, 2024 and March 31, 2025.

In the fiscal year under review, while the Chinese and U.S. markets 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 fiscal year under review.

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 fiscal year under review, 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 the Company has therefore recorded the entire book value amount as an impairment loss.

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) 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 HAD.

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

(Thousands of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Buildings and structures	12,646	1,056
Machinery, equipment and vehicles	30,663	6,348
Tools, furniture and fixtures	791	11,317
Total	44,101	18,723

*8. The breakdown of loss on valuation of inventories is as follows:

(Thousands of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Work in process	–	197,615
Raw materials and supplies	–	95,748
Total	–	293,364

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.

(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, 2025	For the fiscal year ended March 31, 2026
Valuation difference on available-for-sale securities		
Amount arising during the year	(5,910,560)	(36,838)
Reclassification adjustments	–	(85,674)
Before income taxes and tax effect adjustments	(5,910,560)	(122,512)
Income taxes and tax effect adjustments	1,800,273	(634)
Valuation difference on available-for-sale securities	(4,110,287)	(123,146)
Foreign currency translation adjustment		
Amount arising during the year	2,604,757	2,532,942
Remeasurements of defined benefit plans, net of tax		
Amount arising during the year	(164,720)	160,759
Reclassification adjustments	(135,756)	(62,449)
Before income taxes and tax effect adjustments	(300,476)	98,309
Income taxes and tax effect adjustments	90,015	(38,717)
Remeasurements of defined benefit plans, net of tax	(210,461)	59,592
Total other comprehensive income	(1,715,990)	2,469,388

(Notes - Consolidated statements of changes in net assets)

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

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

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

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	1,411,891	264,857	28,137	1,648,611

(Summary of reason for changes)

The increase in treasury shares (common shares) of 264,857 shares was due to the acquisition of treasury shares of 264,800 shares based on resolution at a meeting of the Board of Directors on January 16, 2025 and the increase of 57 shares due to the purchase of shares less than one unit.

The decrease in treasury shares (common shares) of 28,137 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 20, 2025 Ordinary General Meeting of Shareholders	Common shares	949,035	10	March 31, 2025	June 23, 2025
November 12, 2025 Board of Directors meeting	Common shares	946,668	10	September 30, 2025	December 5, 2025

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

The following matters relating to dividends of surplus are subject to approval at the Ordinary General Meeting of Shareholders scheduled to be held on June 19, 2026.

Resolution	Class of shares	Source of dividends	Total dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date
June 19, 2026 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	946,667	10	March 31, 2026	June 22, 2026

(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, 2025	For the fiscal year ended March 31, 2026
Cash and deposits	24,900,137	21,564,965
Short-term securities (with maturity within three months)	52,789	117,474
Deposits	817,931	–
Time deposits with a deposit period over three months	(2,847,845)	(2,590,638)
Cash and cash equivalents	22,923,012	19,091,800

(Note) The deposits paid during the previous fiscal year 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, 2025	As of March 31, 2026
Within one year	47,575	33,570
Over one year	37,538	9,637
Total	85,113	43,208

(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 18 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, 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.

For the fiscal year ended March 31, 2026 (March 31, 2026)

(Thousands of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Investment securities			
Available-for-sale securities	386,643	386,643	–
Total assets	386,643	386,643	–
(1) Long-term borrowings	11,015,584	10,881,248	(134,335)
(2) Lease liabilities	4,845,973	4,544,865	(301,107)
Total liabilities	15,861,557	15,426,114	(435,443)
Derivative transactions (*3)	[49,000]	[49,000]	–

(*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, 2026 (Thousands of yen)
Investment securities Unlisted shares	3,800
Shares of subsidiaries and associates Unlisted shares	174
Investments in capital of subsidiaries and associates	73,854

(*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, 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

For the fiscal year ended March 31, 2026 (March 31, 2026)

(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	1,855,516	1,775,692	1,732,208	1,732,208	2,029,444
Lease liabilities	834,327	800,994	592,201	466,870	432,535	1,719,043
Total	2,724,843	2,656,510	2,367,893	2,199,078	2,164,743	3,748,487

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, 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

For the fiscal year ended March 31, 2026 (March 31, 2026)

Categories	Fair value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	386,643	–	–	386,643
Derivative transactions				
Currency-related transactions	–	(49,000)	–	(49,000)
Total assets	386,643	(49,000)	–	337,643

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

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

For the fiscal year ended March 31, 2026 (March 31, 2026)

Categories	Fair value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	–	10,881,248	–	10,881,248
Lease liabilities	–	4,544,865	–	4,544,865
Total liabilities	–	15,426,114	–	15,426,114

(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, 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	–	–	–
	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	–	–	–
	Subtotal	52,789	70,176	(17,387)
Total		458,920	319,652	139,268

For the fiscal year ended March 31, 2026 (as of March 31, 2026)

(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	386,643	352,500	34,142
	(2) Bonds			
	National government bonds and local government bonds	–	–	–
	Corporate bonds	–	–	–
	Other	117,474	70,176	47,298
	(3) Other	–	–	–
	Subtotal	504,117	422,676	81,440
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	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Total		504,117	422,676	81,440

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

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	–

For the fiscal year ended March 31, 2026 (as of March 31, 2026)

(Thousands of yen)

Type	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Shares	327,494	85,674	–
Total	327,494	85,674	–

(Notes - Derivatives)

Derivative transactions for which hedge accounting is not applied

Currency-related transactions

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

For the fiscal year ended March 31, 2026 (March 31, 2026)

(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	577,407	–	(18,188)	(18,188)
	Buying Japanese yen, selling US dollar	1,074,772	–	(30,811)	(30,811)
Total		1,652,179	–	(49,000)	(49,000)

(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, 2025	For the fiscal year ended March 31, 2026
Beginning balance of retirement benefit obligations	2,477,704	2,550,414
Service cost	155,569	158,121
Interest cost	38,881	40,331
Actuarial gains and losses	6,845	(100,962)
Retirement benefits paid	(212,437)	(244,729)
Other	83,851	75,011
Ending balance of retirement benefit obligations	2,550,414	2,478,186

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

(Thousands of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Beginning balance of plan assets	3,137,522	2,990,024
Expected return	60,148	58,490
Actuarial gains and losses	(157,875)	59,796
Contribution from the employer	161,703	159,712
Retirement benefits paid	(217,973)	(177,069)
Other	6,498	8,233
Ending balance of plan assets	2,990,024	3,099,188

(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, 2025	As of March 31, 2026
Retirement benefit obligations under the funded plans	2,550,414	2,478,186
Plan assets	(2,990,024)	(3,099,188)
	(439,610)	(621,001)
Retirement benefit obligations under the unfunded plans	–	–
Net liabilities and assets recorded on the consolidated balance sheets	(439,610)	(621,001)
Retirement benefit liability	835,603	867,056
Retirement benefit asset	(1,275,214)	(1,488,057)
Net liabilities and assets recorded on the consolidated balance sheets	(439,610)	(621,001)

(4) Amounts of retirement benefit expenses and their components

(Thousands of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Service cost	155,569	158,121
Interest cost	38,881	40,331
Expected return	(60,148)	(58,490)
Amortization of actuarial gains and losses	(135,756)	(62,449)
Retirement benefit expenses related to defined benefit plan	(1,454)	77,512

(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, 2025	For the fiscal year ended March 31, 2026
Actuarial differences	300,476	(98,309)
Total	300,476	(98,309)

(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, 2025	As of March 31, 2026
Unrecognized actuarial differences	93,285	(5,023)
Total	93,285	(5,023)

(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, 2025	As of March 31, 2026
Bonds	72%	72%
Shares	22%	22%
Other	6%	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, 2025	For the fiscal year ended March 31, 2026
Discount rate	1.62%	2.62%
Long-term expected rate of return	1.99%	1.99%
Expected wage increase rate	2.72%	2.61%

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, 2025	For the fiscal year ended March 31, 2026
Beginning balance of retirement benefit liability	124,124	119,305
Retirement benefit expenses	17,998	12,762
Retirement benefits paid	(10,067)	(2,256)
Contributions to the plan	(12,749)	(10,540)
Ending balance of retirement benefit liability	119,305	119,272

(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, 2025	As of March 31, 2026
Retirement benefit obligations under the funded plans	–	–
Plan assets	–	–
Retirement benefit obligations under the unfunded plans	119,305	119,272
Net liabilities and assets recorded on the consolidated balance sheets	119,305	119,272
Retirement benefit liability	119,305	119,272
Net liabilities and assets recorded on the consolidated balance sheets	119,305	119,272

(3) Retirement benefit expenses

Retirement benefit expenses calculated by the simplified method

For the fiscal year ended March 31, 2025 ¥17,998 thousand

For the fiscal year ended March 31, 2026 ¥12,762 thousand

4. Defined contribution plans

The amount of contribution required for the defined contribution plans at the Company and its consolidated subsidiaries was ¥188,352 thousand for the previous fiscal year and ¥196,535 thousand for the fiscal year under review.

(Notes - Share options, etc.)

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.

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

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, 2025	As of March 31, 2026
Deferred tax assets		
Tax loss carried forward (Note)	620,497	602,519
Accrued enterprise tax	95,500	4,816
Inventory valuation loss	64,685	135,295
Provision for bonuses	242,451	283,206
Accrued social insurance premium	36,560	42,598
Unrealized gain on sale of inventory	145,816	126,679
Software development expenses	78,767	52,481
Provision for retirement benefits for directors (and other officers)	89,245	89,245
Provision for operating officers' retirement benefits	54,866	65,283
Stock compensation expenses for directors (and other officers)	50,709	74,156
Retirement benefit liability	34,496	33,232
Loss on valuation of investment securities	67,339	–
Loss on valuation of golf club membership	5,902	5,902
Impairment losses	418,841	495,248
Loss on valuation of loans to subsidiaries and associates	49,240	60,758
Other	342,170	415,749
Subtotal of deferred tax assets	2,397,092	2,487,172
Valuation allowance	(1,347,448)	(1,343,681)
Total deferred tax assets	1,049,644	1,143,491
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(10,086)	(10,720)
Undistributed profit of overseas subsidiaries and associates	(456,293)	(520,420)
Retirement benefit asset	(400,417)	(467,250)
Intangible assets identified by the business combination	(3,523,757)	(3,655,198)
Other	(209,724)	(361,670)
Total deferred tax liabilities	(4,600,278)	(5,015,260)
Net deferred tax liabilities	(3,550,634)	(3,871,769)

(Note) 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, 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.

For the fiscal year ended March 31, 2026 (March 31, 2026)

(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	–	–	–	162,213	40,985	399,321	602,519
Valuation allowance	–	–	–	(145,604)	(40,985)	(381,954)	(568,544)
Deferred tax assets	–	–	–	16,608	0	17,366	33,975

*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.

(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, 2025	For the fiscal year ended March 31, 2026
Receivables from contracts with customers (beginning 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
Receivables from contracts with customers (ending balance)		
Notes receivable - trade	3,591,560	3,744,520
Accounts receivable - trade	9,544,240	11,566,549
	13,135,801	15,311,069
Contract liabilities (beginning balance)	172,558	136,988
Contract liabilities (ending balance)	136,988	211,510

(Notes) 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 ¥172,558 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 ¥136,988 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 other than China: hereinafter the same), North America, Europe, and China. 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 excluding China. In the North America market and the Europe market, the products are manufactured and sold by its local subsidiaries in the respective regions. In the China market, the products are sold by its local subsidiaries.

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, 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

(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 "Other" under "Investments and other assets"), and certain assets related to corporate departments.

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	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)
Investments in entities accounted for using equity method	74,028	–	–	–	74,028	–	74,028

(Notes) 1. The segment profit 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 “Other” 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.

[Notes - Information associated with reportable segments]

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

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

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		
Impairment losses	526,923	–	–	–	526,923	–	526,923

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

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

Not applicable.

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

Not applicable.

[Gain on negative goodwill by reportable segment]

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

Not applicable.

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

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

Not applicable.

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

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 per share and diluted earnings per share is as follows.

Items	As of March 31, 2025	As of March 31, 2026
(1) Net assets per share	¥831.82	¥849.20

Items	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 earnings per share 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	2,701,653	2,204,202	1.3	–
Current portion of long-term borrowings	1,890,516	1,890,516	1.2	–
Current portion of lease liabilities	741,555	834,327	2.1	–
Long-term borrowings (excluding current portion)	11,015,584	9,125,068	1.2	2027 to 2032
Lease liabilities (excluding current portion)	4,390,974	4,011,645	1.5	2027 to 2043
Other interest-bearing liabilities	–	–	–	–
Total	20,740,283	18,065,759	–	–

(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	1,855,516	1,775,692	1,732,208	1,732,208
Lease liabilities	800,994	592,201	466,870	432,535

[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, 2026

		Six months ended September 30, 2025	For the fiscal year ended March 31, 2026
Net sales	(Thousands of yen)	27,838,688	59,557,877
Profit before income taxes	(Thousands of yen)	583,784	2,293,567
Profit attributable to owners of parent	(Thousands of yen)	317,072	1,608,895
Profit per share	(Yen)	3.35	16.99

2 [Financial statements, etc.]

(1) [Financial statements]

1) [Balance sheets]

(Thousands of yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	9,057,219	5,391,069
Notes receivable - trade	15,021	2,159
Electronically recorded monetary claims - operating	3,289,167	3,458,592
Accounts receivable - trade	*1 5,166,243	*1 6,825,824
Merchandise and finished goods	167,585	211,516
Work in process	1,581,275	1,261,206
Raw materials and supplies	1,600,397	1,363,685
Prepaid expenses	228,385	214,533
Other	*1 1,612,016	*1 658,708
Total current assets	22,717,312	19,387,297
Non-current assets		
Property, plant and equipment		
Buildings	22,063,680	22,128,138
Accumulated depreciation	(7,978,097)	(8,894,369)
Buildings, net	14,085,582	13,233,768
Structures	1,808,226	1,808,226
Accumulated depreciation	(909,634)	(1,031,844)
Structures, net	898,591	776,381
Machinery and equipment	24,324,933	24,396,852
Accumulated depreciation	(14,906,865)	(16,570,155)
Machinery and equipment, net	9,418,068	7,826,696
Vehicles	1,902	2,302
Accumulated depreciation	(1,684)	(1,812)
Vehicles, net	218	490
Tools, furniture and fixtures	6,930,387	7,229,106
Accumulated depreciation	(6,112,462)	(6,494,588)
Tools, furniture and fixtures, net	817,925	734,517
Land	*4 2,494,313	*4 2,494,051
Leased assets	3,226,995	3,226,995
Accumulated depreciation	(1,314,717)	(1,625,080)
Leased assets, net	1,912,277	1,601,914
Construction in progress	2,196,310	2,991,569
Total property, plant and equipment	31,823,288	29,659,391
Intangible assets		
Software	664,118	592,410
Other	105,419	238,038
Total intangible assets	769,538	830,449
Investments and other assets		
Investment securities	409,931	390,443
Shares of subsidiaries and associates	22,432,469	22,432,469
Investments in capital of subsidiaries and associates	111,294	111,294
Long-term loans receivable from subsidiaries and associates	3,307,883	2,631,675
Prepaid pension costs	1,267,035	1,285,527
Deferred tax assets	71,277	136,890
Leasehold and guarantee deposits	53,907	52,381
Other	16,467	18,466
Allowance for doubtful accounts	(762,416)	(481,849)
Total investments and other assets	26,907,850	26,577,298
Total non-current assets	59,500,676	57,067,138
Total assets	82,217,989	76,454,435

(Thousands of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Notes payable - trade	801,190	333,848
Accounts payable - trade	*1 1,880,577	*1 2,017,968
Short-term borrowings	*2, 3 3,805,000	*2, 3 3,305,000
Lease liabilities	303,691	302,461
Accounts payable - other	*1 691,643	*1 784,818
Accrued expenses	386,461	437,656
Income taxes payable	1,256,102	10,364
Contract liabilities	30,256	76,314
Deposits received	48,235	44,493
Provision for bonuses	567,265	674,984
Provision for loss on compensation for after-care of products	17,454	128,016
Notes payable - facilities	279,065	117,146
Other	6,125	282,553
Total current liabilities	10,073,070	8,515,625
Non-current liabilities		
Long-term borrowings	*3 10,675,000	*3 8,870,000
Provision for operating officers' retirement benefits	126,374	159,549
Lease liabilities	1,635,667	1,333,205
Long-term accounts payable - other	438,467	340,920
Total non-current liabilities	12,875,509	10,703,675
Total liabilities	22,948,580	19,219,301
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	20,552,031	20,518,787
Total capital surplus	30,249,462	30,216,218
Retained earnings		
Legal retained earnings	166,700	166,700
Other retained earnings		
General reserve	11,000,000	11,000,000
Retained earnings brought forward	16,239,812	15,063,524
Total retained earnings	27,406,512	26,230,224
Treasury shares	(5,633,171)	(6,334,767)
Total shareholders' equity	59,122,839	57,211,711
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	146,568	23,421
Total valuation and translation adjustments	146,568	23,421
Total net assets	59,269,408	57,235,133
Total liabilities and net assets	82,217,989	76,454,435

2) [Statements of income]

(Thousands of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Net sales	*1 30,544,864	*1 33,438,336
Cost of sales		
Beginning finished goods inventory	302,438	167,585
Cost of products manufactured	20,350,121	20,198,083
Cost of purchased goods	3,396,041	5,050,522
Total	24,048,601	25,416,190
Ending finished goods inventory	167,585	211,516
Total cost of sales	*1 23,881,015	*1 25,204,674
Gross profit	6,663,848	8,233,662
Selling, general and administrative expenses	*1, *2 6,851,712	*1, *2 7,250,634
Operating profit (loss)	(187,863)	983,027
Non-operating income		
Interest income	*1 87,884	*1 83,807
Dividend income	*1 779,312	*1 165,212
Foreign exchange gains	–	39,396
Rental income from real estate	*1 179,853	*1 83,569
Subsidy income	2,190	2,190
Reversal of allowance for doubtful accounts	–	317,247
Other	*1 72,695	*1 77,720
Total non-operating income	1,121,937	769,143
Non-operating expenses		
Interest expenses	131,136	157,785
Rental expenses on real estate	*1 410,865	*1 411,401
Foreign exchange losses	87,972	–
Provision of allowance for doubtful accounts	25,753	36,680
Commission for purchase of treasury shares	1,458	3,013
Other	*1 89,838	*1 77,373
Total non-operating expenses	747,024	686,254
Ordinary profit	187,048	1,065,917
Extraordinary income		
Gain on sale of non-current assets	99	–
Gain on sale of investment securities	*3 5,865,309	*3 85,674
Gain on extinguishment of tie-in shares	259,637	–
Subsidy income	2,000	–
Total extraordinary income	6,127,046	85,674
Extraordinary losses		
Loss on sale of non-current assets	1,553	5
Impairment losses	–	*4 132,486
Loss on retirement of non-current assets	35,423	5,478
Loss on tax purpose reduction entry of non-current assets	2,000	–
Loss on valuation of shares of subsidiaries and associates	6,499	–
Loss on waiver of debt of subsidiaries and associates	192,187	–
Provision of allowance for doubtful accounts	600,000	–
Loss on valuation of inventories	–	*5 293,364
Total extraordinary losses	837,664	431,333
Profit before income taxes	5,476,430	720,258
Income taxes - current	1,137,772	67,089
Income taxes - deferred	163,837	(66,247)
Total income taxes	1,301,609	842
Profit	4,174,821	719,415

3) [Statements of changes in net assets]

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

(Thousands of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
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							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		
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Total net assets
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		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

For the 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			
		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	20,552,031	30,249,462	166,700	11,000,000	16,239,812	27,406,512
Changes during period								
Dividends of surplus							(1,895,703)	(1,895,703)
Profit							719,415	719,415
Purchase of treasury shares								
Restricted stock payment			(33,243)	(33,243)				
Decrease by corporate division - split-off type								
Net changes in items other than shareholders' equity								
Total changes during period	–	–	(33,243)	(33,243)	–	–	(1,176,287)	(1,176,287)
Balance at end of period	7,100,036	9,697,431	20,518,787	30,216,218	166,700	11,000,000	15,063,524	26,230,224

	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	(5,633,171)	59,122,839	146,568	146,568	59,269,408
Changes during period					
Dividends of surplus		(1,895,703)			(1,895,703)
Profit		719,415			719,415
Purchase of treasury shares	(809,712)	(809,712)			(809,712)
Restricted stock payment	108,116	74,872			74,872
Decrease by corporate division - split-off type		–			–
Net changes in items other than shareholders' equity			(123,146)	(123,146)	(123,146)
Total changes during period	(701,596)	(1,911,127)	(123,146)	(123,146)	(2,034,274)
Balance at end of period	(6,334,767)	57,211,711	23,421	23,421	57,235,133

[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

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 losses should be recorded. As a result, there were no shares of subsidiaries and associates, etc. whose effective market value declined significantly, and no valuation loss on shares was recorded.

Fluctuations in future economic conditions and other uncertainties may have a material impact on the valuation of shares of subsidiaries and associates in subsequent fiscal years.

(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, 2025	As of March 31, 2026
Short-term receivables	2,387,843	1,982,993
Short-term payables	898,907	1,061,368

*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, 2025	As of March 31, 2026
Total amount of commitment line	8,500,000	8,500,000
Balance of borrowings outstanding	2,000,000	1,500,000
Balance of unexecuted borrowings	6,500,000	7,000,000

*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 sheets and the non-consolidated balance sheets 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, 2025	As of March 31, 2026
Amounts of tax purpose reduction entry (land)	387,230	387,230

(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, 2025	For the fiscal year ended March 31, 2026
Operating transactions (revenue)	9,450,873	7,521,080
Operating transactions (expenses)	7,396,566	9,302,668
Non-operating transactions (revenue)	792,287	353,314
Non-operating transactions (expenses)	1,180,702	389,528

*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, 2025	For the fiscal year ended March 31, 2026
Salaries and allowances	1,011,631	1,054,926
Provision for bonuses	355,542	409,651
Provision for operating officers' retirement benefits	28,475	33,174
Research and development expenses	2,306,114	2,378,739
Depreciation	350,175	374,296
Approximate percentages		
Selling expenses	28%	28%
General and administrative expenses	72%	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.

*4. Impairment losses

Company (Location): Harmonic Drive Systems Inc. (Azumino-shi, Nagano, Japan)
Use: Production equipment for strain wave gearings (HarmonicDrive®)
Type: Machinery and equipment, etc.
Impairment losses: ¥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.

*5. 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.

(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, 2025	As of March 31, 2026
Shares of subsidiaries	22,432,469	22,432,469
Investments in capital of subsidiaries and associates	111,294	111,294
Total	22,543,763	22,543,763

2. Securities for which impairment losses were recorded

   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.

   As of March 31, 2026

   Not applicable.

(Notes - Tax effect accounting)

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

(Thousands of yen)

	As of March 31, 2025	As of March 31, 2026
Deferred tax assets		
Accrued enterprise tax	95,500	3,254
Inventory valuation loss	62,819	132,556
Provision for bonuses	173,016	211,945
Accrued social insurance premium	25,756	31,455
Accrued defined contribution pension	1,697	1,784
Provision for loss on compensation for after-care of products	5,323	40,197
Software development expenses	78,767	52,481
Provision for retirement benefits for directors (and other officers)	89,245	89,245
Provision for operating officers' retirement benefits	54,866	65,283
Stock compensation expenses for directors (and other officers)	50,709	74,156
Excess amortization of deferred assets	169	146
Loss on valuation of investment securities	67,339	–
Loss on transfer of receivables	50,540	50,540
Loss on valuation of shares of subsidiaries and associates	5,827,785	5,827,785
Loss on valuation of golf club membership	5,902	5,902
Loss on valuation of loans to subsidiaries and associates	237,640	149,542
Impairment losses	41,500	77,445
Leasehold and guarantee deposits	1,305	1,505
Subtotal of deferred tax assets	6,869,885	6,815,228
Valuation allowance	(6,385,335)	(6,263,961)
Total deferred tax assets	484,550	551,266
Deferred tax liabilities		
Dividends receivable	(5,337)	–
Prepaid pension costs	(397,849)	(403,655)
Valuation difference on available-for-sale securities	(10,086)	(10,720)
Total deferred tax liabilities	(413,272)	(414,376)
Total deferred tax assets (liabilities)	71,277	136,890

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, 2025	As of March 31, 2026
Effective statutory tax rate	30.5	30.5
(Adjustment)		
Permanent difference items such as dividend income	(7.2)	(16.9)
Tax credit (research and development expenses, etc.)	(4.5)	(4.3)
Allowance for doubtful accounts of subsidiaries and associates	3.5	(11.6)
Other	1.5	2.4
Income tax burden rate after the application of tax effect accounting	23.8	0.1

(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 end of period
Property, plant and equipment							
Buildings	22,063,680	64,457	–	22,128,138	8,894,369	916,271	13,233,768
Structures	1,808,226	–	–	1,808,226	1,031,844	122,210	776,381
Machinery and equipment	24,324,933	433,776	361,857 [132,486]	24,396,852	16,570,155	1,873,347	7,826,696
Vehicles	1,902	400	–	2,302	1,812	128	490
Tools, furniture and fixtures	6,930,387	616,943	318,224	7,229,106	6,494,588	700,097	734,517
Land	2,494,313	355	616	2,494,051	–	–	2,494,051
Leased assets	3,226,995	–	–	3,226,995	1,625,080	310,362	1,601,914
Construction in progress	2,196,310	1,266,338	471,078	2,991,569	–	–	2,991,569
Total	63,046,749	2,382,270	1,151,777 [132,486]	64,277,242	34,617,851	3,922,418	29,659,391
Intangible assets							
Software	2,277,739	110,138	141,684	2,246,193	1,653,782	181,774	592,410
Other	108,134	141,356	8,738	240,752	2,714	–	238,038
Total	2,385,873	251,495	150,422	2,486,945	1,656,496	181,774	830,449

(Notes) 1. The increase during period for machinery and equipment was due to the renewal of manufacturing equipment at Hotaka Plant.
2. Figures in square brackets in the “Decrease during period” represent impairment losses recorded.

[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	762,416	36,680	–	317,247	481,849
Provision for bonuses	567,265	674,984	567,265	–	674,984
Provision for loss on compensation for after-care of products	17,454	175,306	58,964	5,780	128,016
Provision for operating officers’ retirement benefits	126,374	33,174	–	–	159,549

(Notes) 1. The decrease (other) of allowance for doubtful accounts is a reversal as a result of the reassessment of the related receivables.
2. 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/
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

37th fiscal year (from April 1, 2024 to March 31, 2025): Filed with the Director-General of the Kanto Local Finance Bureau on June 18, 2025

(2) Internal control report

37th fiscal year (from April 1, 2024 to March 31, 2025): Filed with the Director-General of the Kanto Local Finance Bureau on June 18, 2025

(3) Semiannual securities report and its confirmation letter

During the 38th fiscal year (from April 1, 2025 to September 30, 2025): Filed with the Director-General of the Kanto Local Finance Bureau on November 13, 2025

(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, 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

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 23, 2025

(5) Amendment report to the 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 12, 2025

(6) Share buyback report

Filed with the Director-General of the Kanto Local Finance Bureau on June 12, 2025 and July 4, 2025

Part II [Information about Reporting Company's Guarantor, Etc.]

Not applicable.