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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 12, 2024

Company name: Harmonic Drive Systems Inc.
Stock exchange listing: Tokyo Stock Exchange
Code number: 6324
URL: https://www.hds.co.jp/english/
Representative: Akira Maruyama, President, Representative Director
Contact: Tetsuya Shiokawa, Executive Officer
Phone: +81-3-5471-7810
Scheduled date of filing semi-annual report: November 13, 2024
Scheduled date of commencing dividend payments: December 5, 2024
Availability of supplementary explanatory materials on financial results: Available
Schedule of financial results briefing session: Scheduled (for analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 – September 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2024	26,559	(7.7)	(637)	–	(828)	–	(850)	–
September 30, 2023	28,765	(14.0)	872	(81.2)	1,163	(76.4)	313	(89.3)

(Note) Comprehensive income: Six months ended September 30, 2024: ¥2,391 million [(43.6)%]
Six months ended September 30, 2023: ¥4,240 million [(32.1) %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	(8.95)	–
September 30, 2023	3.29	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	118,372	80,917	68.4
As of March 31, 2024	119,142	79,401	66.6

(Reference) Equity: As of September 30, 2024: ¥80,917 million
As of March 31, 2024: ¥79,401 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	10.00	–	10.00	20.00
Fiscal year ending March 31, 2025	–	10.00			
Fiscal year ending March 31, 2025 (Forecast)			–	10.00	20.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	54,000	(3.2)	(400)	–	(500)	–	(400)	–	(4.21)

(Note) Revision to the financial results forecast announced most recently: Yes

*** Notes:**

(1) Significant changes in the scope of consolidation during the period under review: None

(2) Accounting methods adopted particularly for the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(4) Total number of issued and outstanding shares (common shares)
1) Total number of issued and outstanding shares at the end of the period (including treasury shares):
September 30, 2024: 96,315,400 shares
March 31, 2024: 96,315,400 shares

2) Total number of treasury shares at the end of the period:
September 30, 2024: 1,322,266 shares
March 31, 2024: 1,339,057 shares

3) Average number of shares outstanding during the period:
Six months ended September 30, 2024: 94,981,940 shares
Six months ended September 30, 2023: 95,069,982 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecasts and other notes

The financial results forecasts and other forward-looking statements contained herein are based on information currently available to the Company and certain assumptions deemed reasonable by the Company. These statements do not represent a guarantee from the Company that it will achieve such results. The actual financial results may differ significantly due to various factors. Refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the Attachments for conditions on which the financial results forecasts are premised and notes on the use of financial results forecasts.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended September 30 (April 1, 2024 to September 30, 2024), the future of the global economy remained uncertain due to the prospect of economic slowdowns in many countries, unstable exchange rates, and other factors, in addition to the increasing geopolitical risks, such as the prolonged conflict in Ukraine, growing tensions in the Middle East, and a constant China-U.S. standoff. The business environment surrounding the Harmonic Drive Systems Group (hereinafter "the Group") showed a recovery trend more moderately than expected due to the impact of factors including the sluggish market conditions and geopolitical risks, despite the start of a gradual recovery in orders received from customers whose inventories have been optimized.

Regarding net sales trends by application, net sales increased year on year for industrial robots owing to new customer projects. Meanwhile, net sales decreased for semiconductor manufacturing equipment, other general industrial machinery applications, and automotive applications.

As a result, net sales for the six months under review decreased 7.7% year on year to ¥26,559 million.

In terms of profit and loss, we launched and worked on a company-wide cost innovation project, but it failed to absorb the effect of a decrease in net sales, resulting in operating loss of ¥637 million (operating profit of ¥872 million in the same period of the previous fiscal year). Loss attributable to owners of parent of ¥850 million (profit attributable to owners of parent of ¥313 million in the same period of the previous fiscal year) was recorded mainly due to a decrease in operating profit.

In terms of net sales by product group, speed reducers totaled ¥19,906 million, down 1.4% year on year, and mechatronic products totaled ¥6,653 million, down 22.4% year on year. They accounted for 75.0% and 25.0% of the total net sales, respectively.

Financial results by segment are as follows.

(Japan)

The pace of recovery in orders for products for industrial robots and semiconductor manufacturing equipment was slower than expected, and net sales for automotive and other general industrial machinery applications declined. As a result, net sales decreased by 18.3% year on year to ¥9,732 million. Segment profit (ordinary profit) decreased by 52.4% year on year to ¥2,455 million due to the effect of decreased sales, as well as a decrease of ¥2,330 million in dividend income from subsidiaries.

(China)

Net sales increased by 40.2% year on year to ¥3,005 million due to new customer projects for industrial robots. Segment profit (ordinary profit) decreased by 57.0% year on year to ¥84 million due to an increase in foreign exchange losses caused by the weaker yen, while operating profit increased due to the effect of an increase in sales.

(North America)

Sales decreased for advanced medical applications (surgical robot-related) due to production adjustments by customers, as well as a delay in the recovery to demand for semiconductor manufacturing equipment. As a result, net sales decreased by 13.2% year on year to ¥5,783 million. Segment profit (ordinary profit) decreased by 68.0% year on year to ¥277 million due to the effect of a decrease in sales.

(Europe)

While the exchange rates of the yen remained weak, the business was impacted by the sluggish market conditions and inventory adjustments. As a result, net sales decreased by 0.1% year on year to ¥8,037 million. Segment loss (ordinary loss) amounted to ¥127 million (segment profit of ¥100 million in the same period of the previous fiscal year) due to the amortization cost of ¥478 million on intangible assets posted at the time of acquisition of shares in Harmonic Drive SE.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the six months under review decreased by ¥769 million, down 0.6% from the end of the previous fiscal year to ¥118,372 million. This was primarily because of a 36.2% or ¥765 million increase from the end of the previous fiscal year and a 6.1% or ¥588 million decrease in customer-related assets, as well as a 2.8% or ¥570 million decrease in cash and deposits from the end of the previous fiscal year, despite a 22.0% or ¥765 million increase in work in process from the end of the previous fiscal year.

(Liabilities)

Liabilities decreased by ¥2,285 million, down 5.8% from the end of the previous fiscal year to ¥37,455 million. This was primarily because of an 8.2% or ¥1,240 million decrease in long-term borrowings resulting from the progress of scheduled payment for borrowings from the end of the previous fiscal year, as well as a 56.6% or ¥762 million decrease in other non-current liabilities from the end of the previous fiscal year.

(Net Assets)

Net assets increased by ¥1,515 million, up 1.9% from the end of the previous fiscal year to ¥80,917 million. This was primarily because of a 27.5% or ¥3,552 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 4.8% or ¥1,799 million decrease in retained earnings from the end of the previous fiscal year resulting from the payment of a year-end dividend.

As a result, equity ratio rose from 66.6% at the end of the previous fiscal year to 68.4%.

(Status of Cash Flows)

Cash and cash equivalents at the end of the six months under review totaled ¥17,254 million, down ¥1,686 million from the end of the previous fiscal year.

The status of cash flows by category for the six months under review is as follows.

(Cash Flows from Operating Activities)

Operating activities in the six months under review provided net cash of ¥3,161 million, compared with net cash provided of ¥8,246 million in the same period of the previous fiscal year.

This was primarily because of recording depreciation of ¥3,936 million, while the fund decreased on account of the Company having recorded loss before income taxes of ¥860 million.

(Cash Flows from Investing Activities)

Investing activities in the six months under review used net cash of ¥351 million, compared with net cash used of ¥4,379 million in the same period of the previous fiscal year.

This was primarily because of ¥2,310 million used for purchase of property, plant and equipment and ¥1,486 million used for payments into time deposits.

(Cash Flows from Financing Activities)

Financing activities in the six months under review used net cash of ¥2,600 million, compared with net cash used of ¥5,164 million in the same period of the previous fiscal year.

This was primarily because of ¥1,281 million used for repayments of long-term borrowings and ¥949 million used in dividends paid.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The Group has revised its consolidated financial results forecast for the fiscal year ending March 31, 2025, which was announced on May 13, 2024. For more information, refer to “

Notice Regarding Differences Between the Financial Results Forecast and the Actual Results for the First Half of the Fiscal Year Ending March 31, 2025, Revision to the Financial Results Forecast for the Fiscal Year Ending March 31, 2025" disclosed on November 12, 2024.

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	20,318,343	19,748,002
Notes receivable - trade	3,085,175	3,166,893
Accounts receivable - trade	8,668,982	8,998,910
Securities	37,156	49,248
Merchandise and finished goods	2,466,573	2,525,093
Work in process	3,481,346	4,246,925
Raw materials and supplies	6,681,866	7,029,694
Other	2,743,454	1,750,077
Allowance for doubtful accounts	(24,906)	(35,751)
Total current assets	47,457,994	47,479,093
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,088,751	19,136,618
Machinery, equipment and vehicles, net	16,104,298	15,394,481
Tools, furniture and fixtures, net	1,750,358	1,775,991
Other, net	11,203,914	11,951,277
Total property, plant and equipment	48,147,323	48,258,368
Intangible assets		
Software	493,049	492,345
Customer related assets	9,663,394	9,074,857
Technical assets	2,580,951	2,423,761
Other	159,997	320,144
Total intangible assets	12,897,391	12,311,109
Investments and other assets		
Investment securities	8,780,932	8,435,033
Shares of subsidiaries and associates	48,112	34,472
Long-term loans receivable from subsidiaries and associates	200,000	200,000
Retirement benefit asset	1,372,071	1,403,134
Deferred tax assets	137,493	152,258
Other	106,571	104,734
Allowance for doubtful accounts	(5,600)	(5,600)
Total investments and other assets	10,639,581	10,324,033
Total non-current assets	71,684,297	70,893,512
Total assets	119,142,291	118,372,605

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,036,539	3,462,359
Short-term borrowings	700,629	702,514
Current portion of long-term borrowings	2,529,452	2,489,078
Lease liabilities	700,049	742,956
Income taxes payable	101,581	143,203
Provision for bonuses	949,714	917,920
Provision for bonuses for directors (and other officers)	66,165	49,857
Provision for loss on compensation for after-care of products	147,759	169,437
Other	3,487,973	2,914,748
Total current liabilities	11,719,864	11,592,076
Non-current liabilities		
Long-term borrowings	15,201,497	13,960,845
Lease liabilities	4,681,840	4,735,178
Deferred tax liabilities	5,837,148	5,483,271
Provision for retirement benefits for directors (and other officers)	12,000	19,200
Other provisions	104,749	112,920
Retirement benefit liability	836,377	967,207
Other	1,347,147	584,705
Total non-current liabilities	28,020,761	25,863,328
Total liabilities	39,740,626	37,455,405
Net assets		
Shareholders' equity		
Share capital	7,100,036	7,100,036
Capital surplus	22,778,711	22,786,269
Retained earnings	37,478,753	35,678,984
Treasury shares	(5,309,159)	(5,242,585)
Total shareholders' equity	62,048,341	60,322,705
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,256,856	4,004,217
Foreign currency translation adjustment	12,927,929	16,480,151
Remeasurements of defined benefit plans	168,538	110,125
Total accumulated other comprehensive income	17,353,323	20,594,494
Total net assets	79,401,665	80,917,200
Total liabilities and net assets	119,142,291	118,372,605

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statement of Income

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	28,765,131	26,559,485
Cost of sales	20,204,921	19,832,342
Gross profit	8,560,210	6,727,142
Selling, general and administrative expenses	7,687,544	7,364,715
Operating profit (loss)	872,666	(637,572)
Non-operating income		
Interest income	35,774	152,302
Dividend income	132,952	133,533
Foreign exchange gains	163,515	–
Other	153,610	163,947
Total non-operating income	485,853	449,783
Non-operating expenses		
Interest expenses	85,334	104,776
Share of loss of entities accounted for using equity method	24,789	13,640
Foreign exchange losses	–	450,765
Rental expenses	58,075	46,768
Other	26,570	24,623
Total non-operating expenses	194,769	640,574
Ordinary profit (loss)	1,163,749	(828,363)
Extraordinary income		
Gain on sale of non-current assets	6,660	737
Subsidy income	–	2,000
Total extraordinary income	6,660	2,737
Extraordinary losses		
Loss on sale of non-current assets	422	1,548
Loss on retirement of non-current assets	4,463	31,693
Loss on tax purpose reduction entry of non-current assets	–	2,000
Total extraordinary losses	4,886	35,241
Profit (loss) before income taxes	1,165,523	(860,867)
Income taxes - current	764,601	185,855
Income taxes - deferred	87,900	(196,718)
Total income taxes	852,501	(10,863)
Profit (loss)	313,022	(850,004)
Profit attributable to non-controlling interests	–	–
Profit (loss) attributable to owners of parent	313,022	(850,004)

Semi-annual Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit (loss)	313,022	(850,004)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,226,149)	(252,638)
Foreign currency translation adjustment	5,095,926	3,552,221
Remeasurements of defined benefit plans, net of tax	57,828	(58,413)
Total other comprehensive income	3,927,605	3,241,170
Comprehensive income	4,240,628	2,391,166
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,240,628	2,391,166
Comprehensive income attributable to non-controlling interests	–	–

(3) Semi-annual Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	1,165,523	(860,867)
Depreciation	4,373,289	3,936,592
Amortization of goodwill	573,616	–
Increase (decrease) in allowance for doubtful accounts	1,847	7,833
Increase (decrease) in retirement benefit liability	(35,608)	27,399
Increase (decrease) in provision for retirement benefits for directors (and other officers)	7,200	7,200
Increase (decrease) in provision for operating officers' retirement benefits	11,632	8,170
Increase (decrease) in provision for bonuses for directors (and other officers)	(305,313)	(21,175)
Increase (decrease) in provision for loss on compensation for after-care of products	44,202	18,185
Interest income	(35,774)	(152,302)
Dividend income	(132,952)	(133,533)
Interest expenses	85,334	104,776
Share of loss (profit) of entities accounted for using equity method	24,789	13,640
Subsidy income	–	(2,000)
Loss (gain) on sale of non-current assets	(6,237)	811
Loss on retirement of non-current assets	4,463	31,693
Loss on tax purpose reduction entry of non-current assets	–	2,000
Decrease (increase) in trade receivables	4,565,064	230,454
Decrease (increase) in inventories	137,438	(283,813)
Increase (decrease) in trade payables	(654,932)	175,675
Other, net	319,183	(399,123)
Subtotal	10,142,766	2,711,616
Interest and dividends received	168,429	286,557
Payments of retirement benefits for directors (and other officers)	–	(725,515)
Subsidies received	–	2,000
Interest paid	(88,577)	(111,077)
Income taxes paid	(2,164,676)	(413,877)
Income taxes refund	188,245	1,412,120
Net cash provided by (used in) operating activities	8,246,187	3,161,824
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,810,567)	(2,310,214)
Proceeds from sale of property, plant and equipment	14,700	3,806
Purchase of intangible assets	(96,198)	(211,341
Payments into time deposits	(1,291,819)	(1,486,016)
Proceeds from withdrawal of time deposits	–	500,000
Payments of leasehold and guarantee deposits	(3,280)	(1,497)
Proceeds from refund of leasehold and guarantee deposits	7,180	2,567
Short-term loan advances	–	(88)
Proceeds from collection of short-term loans receivable	–	14
Loan advances to subsidiaries and associates	(200,000)	–
Other, net	240	805
Net cash provided by (used in) investing activities	(4,379,743)	(3,501,964)

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from financing activities		
Proceeds from short-term borrowings	1,210,094	1,320,000
Repayments of short-term borrowings	(3,200,189)	(1,320,213)
Proceeds from long-term borrowings	50,000	–
Repayments of long-term borrowings	(1,308,782)	(1,281,026)
Repayments of lease liabilities	(301,620)	(369,582)
Dividends paid	(1,614,289)	(949,956)
Net cash provided by (used in) financing activities	(5,164,786)	(2,600,778)
Effect of exchange rate change on cash and cash equivalents	362,294	1,253,970
Net increase (decrease) in cash and cash equivalents	(936,047)	(1,686,948)
Cash and cash equivalents at beginning of period	19,921,977	18,941,712
Cash and cash equivalents at end of period	18,985,929	17,254,763

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of "Accounting Standard for Current Income Taxes" and other standards)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard in 2022") and other standards from the beginning of the six months under review.

With regard to the revision regarding the accounting category of income taxes, etc. (taxation on other comprehensive income), the Company follows the transitional treatment provided for in the proviso to Paragraph 20-3 of the Revised Accounting Standard in 2022 and the transitional treatment provided for in the proviso to Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Revised Guidance in 2022"). These changes in accounting policies do not affect the semi-annual consolidated financial statements.

(Segment information, etc.)

[Segment information]

I For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

1. Information on net sales and profit, and information on disaggregation of revenue, by reportable segment

(Thousands of yen)

	Reportable segment					Adjustment	Semi-annual Consolidated
	Japan	China	North America	Europe	Total		
Net sales Revenue from contracts with customers	15,295,285	2,273,301	6,669,477	8,207,926	32,445,991	(3,680,860)	28,765,131
Net sales to third parties	11,912,350	2,143,857	6,661,397	8,047,526	28,765,131	–	28,765,131
Inter-segment net sales or transfers	3,382,934	129,444	8,080	160,399	3,680,860	(3,680,860)	–
Total	15,295,285	2,273,301	6,669,477	8,207,926	32,445,991	(3,680,860)	28,765,131
Segment profit	5,156,254	196,473	867,839	100,792	6,321,359	(5,157,609)	1,163,749

(Notes) 1. The segment profit adjustment of ¥(5,157,609) thousand includes the eliminated inter-segment transaction profit of ¥(4,009,243) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(1,148,366) thousand. The general administrative expenses that are not allocated to any reportable segment consist mainly of the basic research and development expenses, certain administrative expenses related to the General Affairs and Accounting Department, and the amortization of the goodwill recorded in connection with the acquisition of shares in Harmonic Drive SE, amounting to ¥573,616 thousand.

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

3. The “North America” segment includes net sales of ¥5,953,049 thousand originating from the United States of America, which represents 10% or more of net sales recorded on the consolidated statements of income.

4. The “Europe” segment includes net sales of ¥3,096,458 thousand originating from Germany, which represents 10% or more of net sales recorded on the consolidated statements of income.

5. Segment profit is adjusted to ordinary profit in the semi-annual consolidated statements of income.

II For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

1. Information on net sales and profit, and information on disaggregation of revenue, by reportable segment

(Thousands of yen)

	Reportable segment					Adjustment	Semi-annual Consolidated
	Japan	China	North America	Europe	Total		
Net sales Revenue from contracts with customers	14,222,502	3,006,478	5,790,924	8,134,118	31,154,023	(4,594,537)	26,559,485
Net sales to third parties	9,732,568	3,005,324	5,783,721	8,037,870	26,559,485	–	26,559,485
Inter-segment net sales or transfers	4,489,933	1,154	7,202	96,247	4,594,537	(4,594,537)	–
Total	14,222,502	3,006,478	5,790,924	8,134,118	31,154,023	(4,594,537)	26,559,485
Segment profit	2,455,669	84,426	277,649	(127,767)	2,689,978	(3,518,341)	(828,363)

(Notes) 1. The segment profit (loss) adjustment of ¥(3,518,341) thousand includes the eliminated inter-segment transaction profit of ¥(2,269,166) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(1,249,175) thousand. The general administrative expenses that are not allocated to any reportable segment consist mainly of 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 market, in addition to the

Japanese market.

3. The “North America” segment includes net sales of ¥4,986,416 thousand originating from the United States of America, which represents 10% or more of net sales recorded on the consolidated statements of income.
4. The “Europe” segment includes net sales of ¥3,281,677 thousand originating from Germany, which represents 10% or more of net sales recorded on the consolidated statements of income.
5. Segment profit (loss) is adjusted to ordinary loss in the semi-annual consolidated statements of income.

2. Information on impairment loss of non-current assets or goodwill by reportable segment

Not applicable

3. Information on changes to reportable segments, etc.

Effective from the six months under review, “China,” which was previously included in “Japan,” has been changed to a reportable segment due to its increased quantitative importance.

Segment information for the six months ended September 30, 2023 is stated based on the reporting segment classification after the change.

(Significant subsequent events)

Not applicable.

3. Other Matters

(1) Status of Production, Orders Received and Sales

a. Production

Production results by segment for the six months ended September 30, 2024 (April 1, 2024 to September 30, 2024) are as follows:

Segment name		Production output (thousands of yen)	YoY change (%)
Japan	Speed reducers	12,016,613	(16.6)
	Mechatronic products	1,456,754	(59.7)
China	Speed reducers	–	–
	Mechatronic products	–	–
North America	Speed reducers	2,306,519	0.6
	Mechatronic products	2,197,360	(30.4)
Europe	Speed reducers	5,447,087	18.0
	Mechatronic products	2,854,996	24.4
Total		26,279,331	(13.5)

(Notes) 1. Inter-segment transactions are offset and eliminated.
2. The above amounts are sales prices and exclude consumption taxes.
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 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 by segment for the six months ended September 30, 2024 (April 1, 2024 to September 30, 2024) are as follows:

Segment name		Orders received (thousands of yen)	YoY change (%)	Order backlog (thousands of yen)	YoY change (%)
Japan	Speed reducers	9,494,938	21.8	4,105,890	15.1
	Mechatronic products	1,357,467	70.9	1,000,879	(4.0)
China	Speed reducers	2,990,545	216.3	1,318,552	111.8
	Mechatronic products	56,817	(46.8)	24,313	(81.3)
North America	Speed reducers	2,938,120	29.2	4,316,134	(8.9)
	Mechatronic products	2,101,554	7.4	3,177,855	(45.3)
Europe	Speed reducers	4,251,961	(20.5)	5,442,205	(27.0)
	Mechatronic products	2,634,584	7.6	2,797,636	(6.6)
Total		25,825,990	19.2	22,183,466	(15.8)

(Notes) 1. Inter-segment transactions are offset and eliminated.
2. The above amounts are sales prices and exclude consumption taxes.
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 results of orders received of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing, and sales of magnetic application equipment, are classified, counted, and presented as mechatronic products.
6. The order backlog excludes ¥310,092 thousand of order cancellations. The cancellations took place

during the six months ended September 30, 2024.

c. Sales

Sales results by segment for the six months ended September 30, 2024 (April 1, 2024 to September 30, 2024) are as follows:

Segment name		Sales volume (thousands of yen)	YoY change (%)
Japan	Speed reducers	8,572,565	(15.9)
	Mechatronic products	1,160,003	(32.6)
China	Speed reducers	2,916,516	53.0
	Mechatronic products	88,807	(62.7)
North America	Speed reducers	3,098,409	12.2
	Mechatronic products	2,685,312	(31.1)
Europe	Speed reducers	5,318,867	(0.3)
	Mechatronic products	2,719,003	0.2
Total		26,559,485	(7.7)

(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	Six months ended September 30, 2023		Six months ended September 30, 2024	
	Sales (thousands of yen)	Ratio (%)	Sales (thousands of yen)	Ratio (%)
Nissan Motor Co., Ltd.	3,235,660	11.2	2,959,989	11.1

3. The above amounts are sales prices and exclude consumption taxes.
4. The Group's reportable segments are classified on a location basis (Japan, China, North America, and Europe).
5. 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.
6. The sales results of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing, and sales of magnetic application equipment, are classified, counted, and presented as mechatronic products.

(2) Net Sales outside Japan

Net sales outside Japan for the six months ended September 30, 2024 (April 1, 2024 to September 30, 2024) are as follows:

	Europe	North America	China	Other regions	Total
I Net sales outside Japan (thousands of yen)	8,037,870	5,783,721	3,005,324	850,810	17,677,727
II Consolidated net sales (thousands of yen)	–	–	–	–	–
III Ratio of net sales outside Japan to consolidated net sales (%)	30.3	21.8	11.3	3.2	66.6

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

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