

Harmonic Drive Systems Inc.

Presentation on Business Results for Fiscal 2013

Fiscal year ended March 31, 2014

May 21, 2014

This presentation contains forward-looking statements relating to expected future performance as of May 21, 2014. Such statements are based on the views and assumptions of company management and involve risks and uncertainties such as changes in the business environment that may cause the actual results to differ materially from expectations.

A decorative graphic consisting of a light blue oval with a darker blue border, tilted at an angle. The text is centered within this oval.

Fiscal 2013 Performance Summary

Consolidated results for fiscal year ended March 31, 2014 (versus original forecasts)

(millions of yen)

	Forecasts (as of 12 Nov, 2013)		FY ended Mar. 31, 2014		Vs. original forecasts	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	21,400	100.0	21,083	100.0	▲316	▲1.5
Operating profit	4,930	23.0	4,668	22.1	▲261	▲5.3
Ordinary income	5,130	24.0	4,822	22.9	▲307	▲6.0
Net income	3,200	15.0	2,993	14.2	▲206	▲6.4
EPS (yen)	104.81	—	98.05	—	▲6.76	▲6.4

Consolidated results for fiscal year ended March 31, 2014 (year-on-year change)

(millions of yen)

	FY ended Mar. 31, 2013		FY ended Mar. 31, 2014		Year-on-year change	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	18,130	100.0	21,083	100.0	2,952	16.3
Operating profit	3,436	19.0	4,668	22.1	1,231	35.9
Ordinary income	3,576	19.7	4,822	22.9	1,246	34.9
Net income	1,960	10.8	2,993	14.2	1,032	52.7
EPS (yen)	64.22	—	98.05	—	33.83	52.7
Capital investment	1,377	—	1,304	—	▲73	▲5.3
Depreciation costs	1,119	—	1,170	—	50	4.5
R&D costs	1,146	—	1,235	—	89	7.8

Capital investment amounts are the amounts of tangible and intangible fixed assets acquired in the term.
EPS for fiscal 2011 has been adjusted for the 300-for-1 stock split carried out April 1, 2011 retrospectively.

Performance of main group companies in fiscal year ended March 31, 2014

(millions of yen)

	Equity stake	Net sales		Net income	
		Amount	Year-on-year change (%)	Amount	Year-on-year change (%)
Harmonic Drive Systems Inc.	—	18,584	15.0	2,792	47.4
*1 HD Systems, Inc. (Harmonic Drive L.L.C.) (U.S.A)	100% (51%)	3,184	15.0	130	21.0
Harmonic AD, Inc.	100%	1,887	9.3	54	33.6
*2 Harmonic Drive AG (Germany)	35%	7,829	23.3	914	▲3.2

*1 Exchange rates: FY2013 1US\$ = 79.82yen, FY2014 1US\$ = 97.65yen

*2 Exchange rates: FY2013 1€ = 102.63yen, FY2014 1€ = 129.68yen

*3 Net income of US subsidiaries (consolidated) is after excluding minority interests.

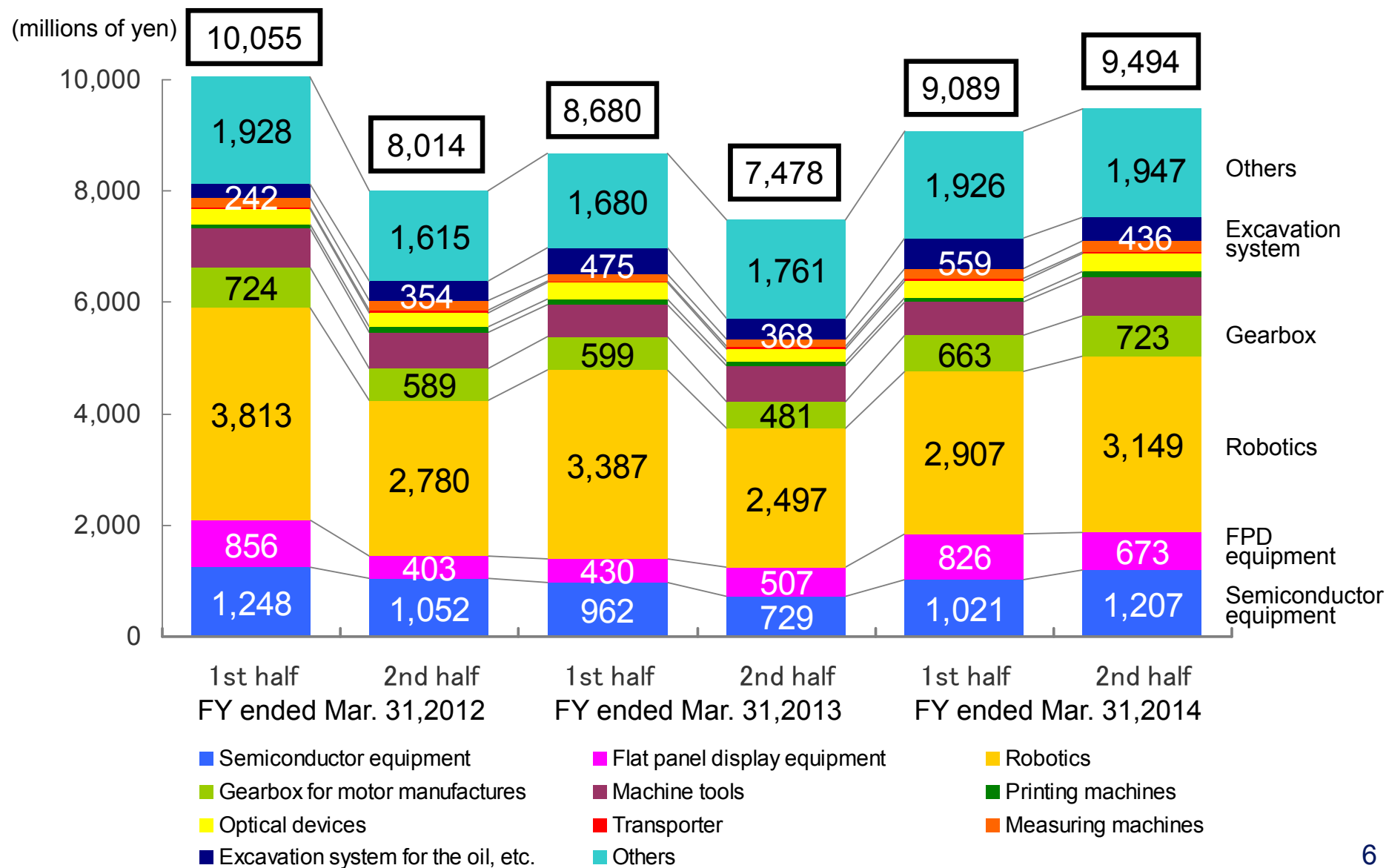
*4 For overseas subsidiaries and affiliates, the fiscal year ends December 31.

Non-consolidated results for fiscal year ended March 31, 2014 (year-on-year change)

(millions of yen)

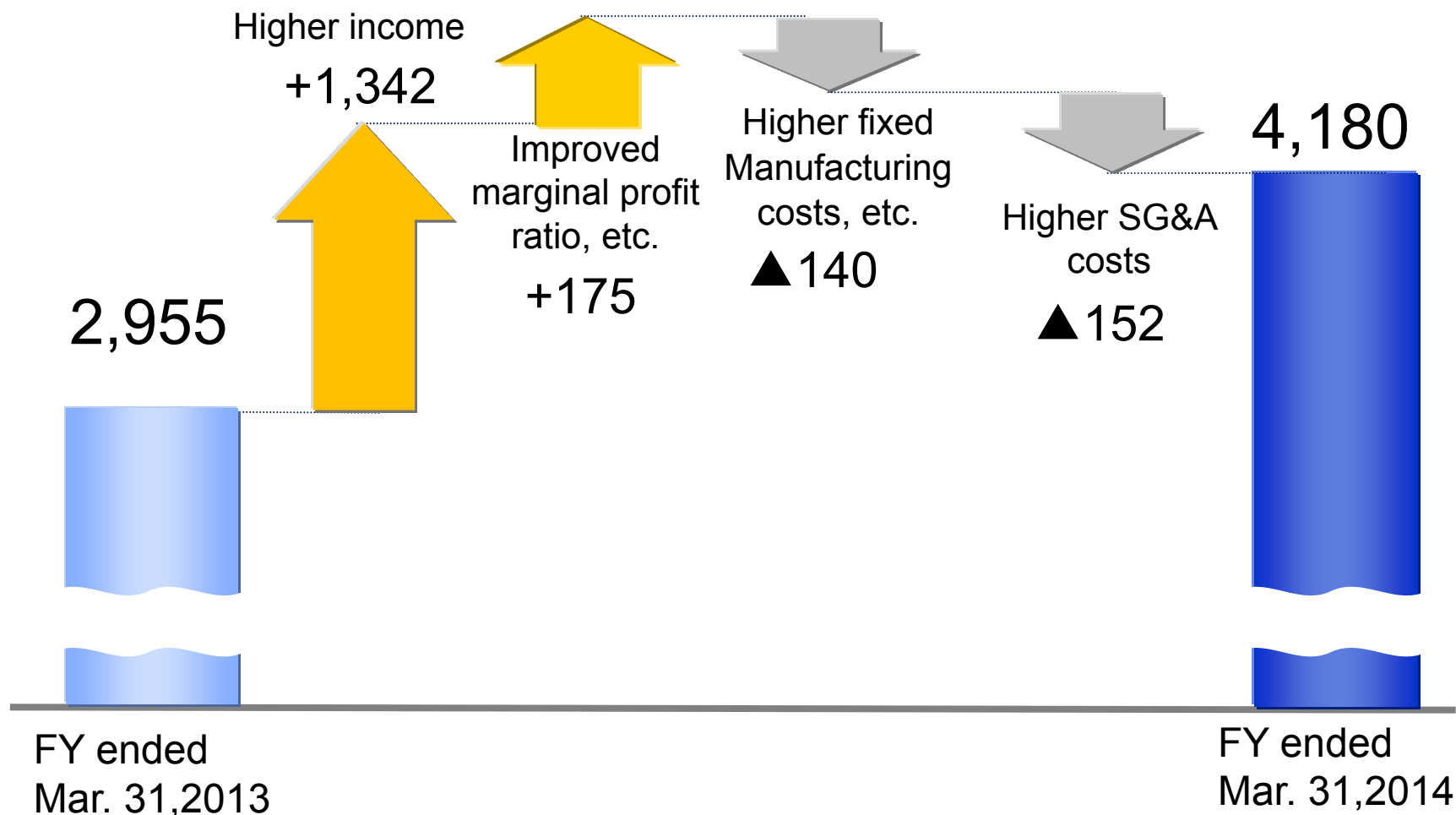
	FY ended Mar. 31, 2013		FY ended Mar. 31, 2014		Year-on-year change	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	16,159	100.0	18,584	100.0	2,425	15.0
Operating profit	2,955	18.3	4,180	22.5	1,225	41.5
Ordinary income	3,173	19.6	4,375	23.5	1,202	37.9
Net income	1,894	11.7	2,792	15.0	898	47.4
EPS (yen)	62.04	—	91.46	—	29.42	47.4
Capital investment	803	—	617	—	▲186	▲23.2
Depreciation costs	711	—	712	—	0	0.1
R&D costs	1,207	—	1,224	—	17	1.4

Net sales by application (non-consolidated)



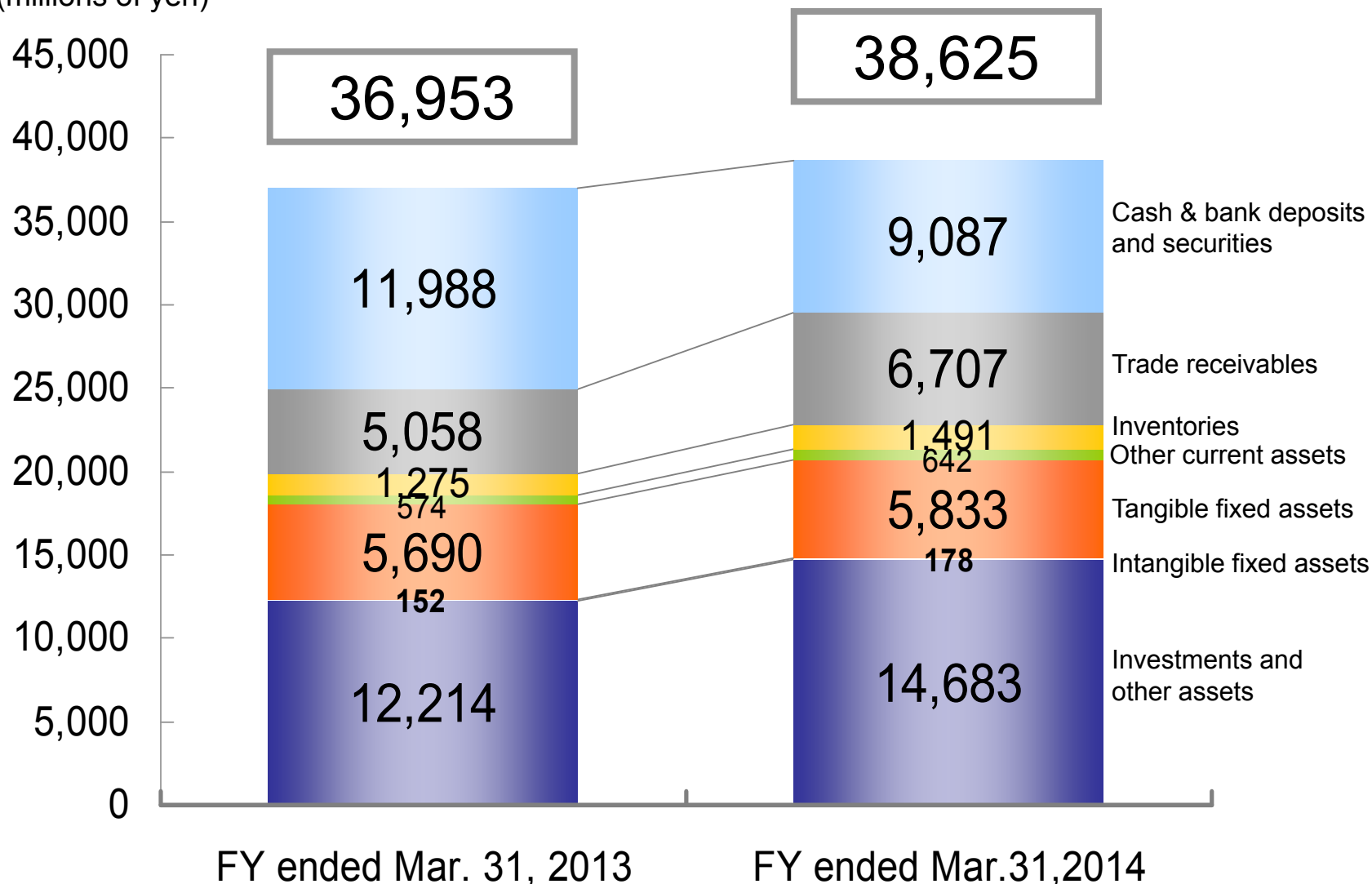
Factors in year-on-year change in non-consolidated operating profit (fiscal 2013)

(millions of yen)

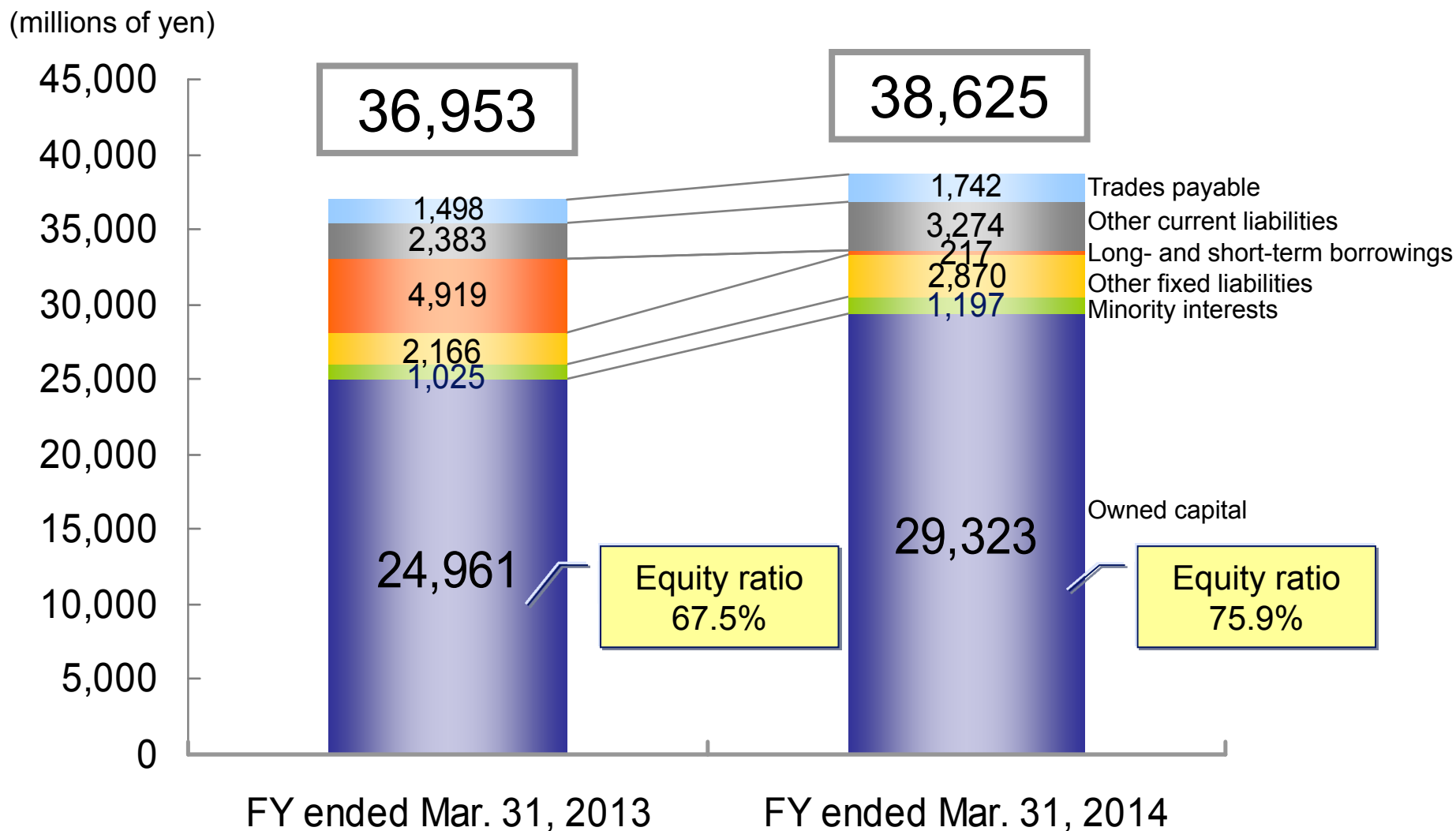


Status of consolidated assets

(millions of yen)



Status of consolidated liabilities and net assets



Status of consolidated cash flows

(millions of yen)	FY ended Mar. 31,2013	FY ended Mar. 31,2014
Cash flow from operating activities	4,700	3,643
Cash flow from investing activities	3,271	▲1,102
Cash flow from financing activities	▲2,545	▲5,591
Effect of exchange rate changes on cash and cash equivalents	107	221
Net increase (decrease) in cash and cash equivalents	5,533	▲2,829
Cash and cash equivalents at end of year	9,713	6,883



Fiscal 2014 Performance Forecast

Consolidated performance forecast for fiscal 2014

(millions of yen)

	FY ended Mar. 31, 2014		Forecasts FY ended Mar. 31, 2015		Year-on-year change	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	21,083	100.0	24,500	100.0	3,416	16.2
Operating profit	4,668	22.1	6,400	26.1	1,731	37.1
Ordinary income	4,822	22.9	6,600	26.9	1,777	36.9
Net income	2,993	14.2	4,200	17.1	1,206	40.3
EPS (yen)	98.05	—	137.56	—	39.51	40.3
Capital investment	1,304	—	1,670	—	365	28.0
Depreciation costs	1,170	—	1,200	—	29	2.5
R&D costs	1,235	—	1,350	—	114	9.3

Capital investment amounts are the amounts of tangible and intangible fixed assets acquired in the term.

Assumed exchange rate for FY ended Mar. 31, 2015 forecasts 1US\$ = ¥100.00 1€ = ¥135.00

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Fiscal 2014 forecasts for main group firms

(millions of yen)

	Equity stake	Net sales		Net income	
		Amount	Year-on-year change (%)	Amount	Year-on-year change (%)
Harmonic Drive Systems Inc.	—	21,800	17.3	3,880	38.9
※1 HD Systems, Inc. (Harmonic Drive L.L.C.) (U.S.A)	100% (51%)	3,300	3.6	150	14.9
Harmonic AD, Inc.	100%	2,100	11.2	60	9.3
※2 Harmonic Drive AG (Germany)	35%	8,400	7.3	980	7.1

*1 Exchange rates: FY2013 1US\$ = 97.65yen, FY2014 forecasts 1US\$ = 100.00yen

*2 Exchange rates: FY2013 1€ = 129.68yen, FY2014 forecasts 1€ = 135.00yen

*3 Net income of US subsidiaries (consolidated) is after excluding minority interests.

*4 For overseas subsidiaries and affiliates, the fiscal year ends December 31.

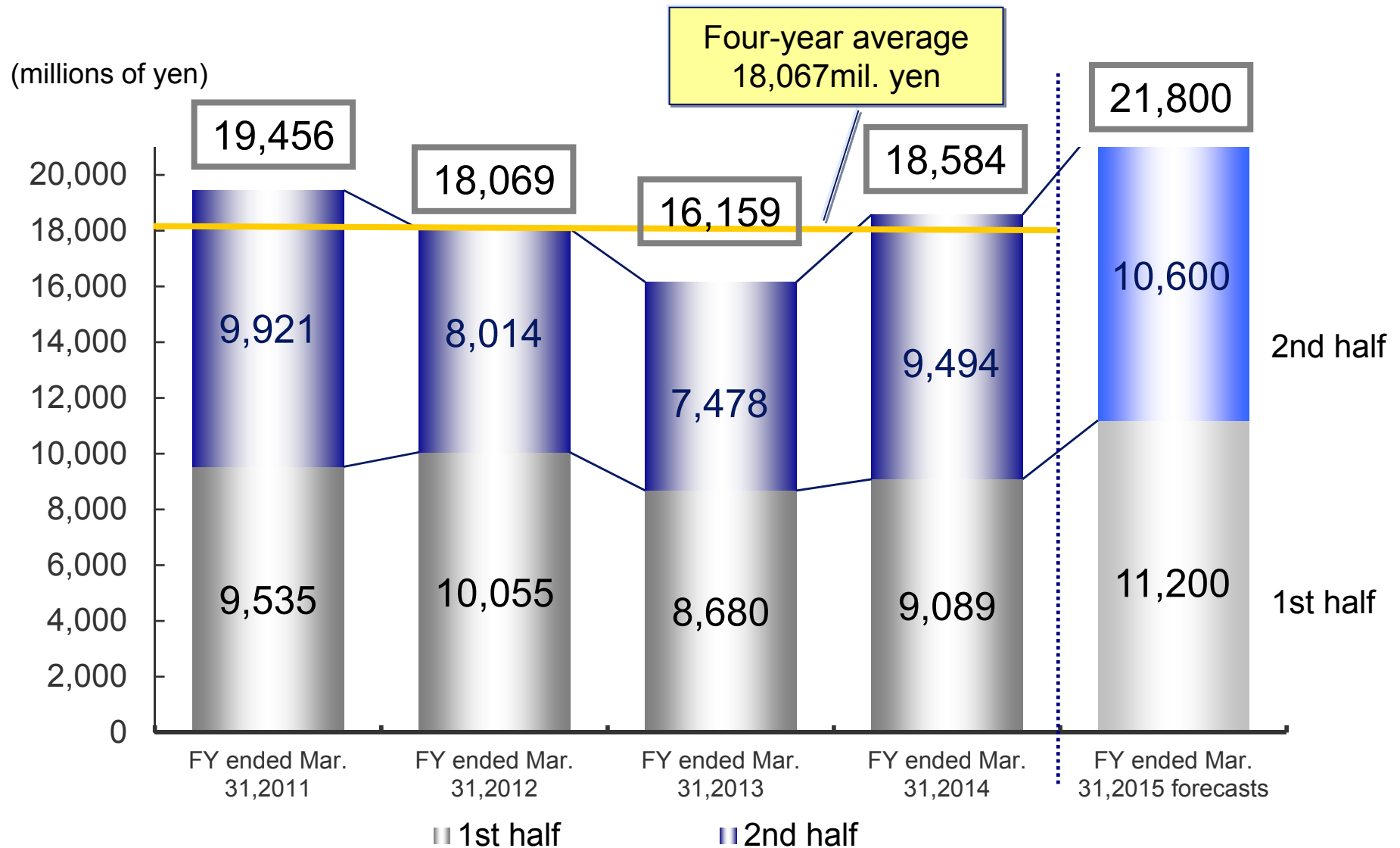
Non-consolidated performance forecast for fiscal 2014

(millions of yen)

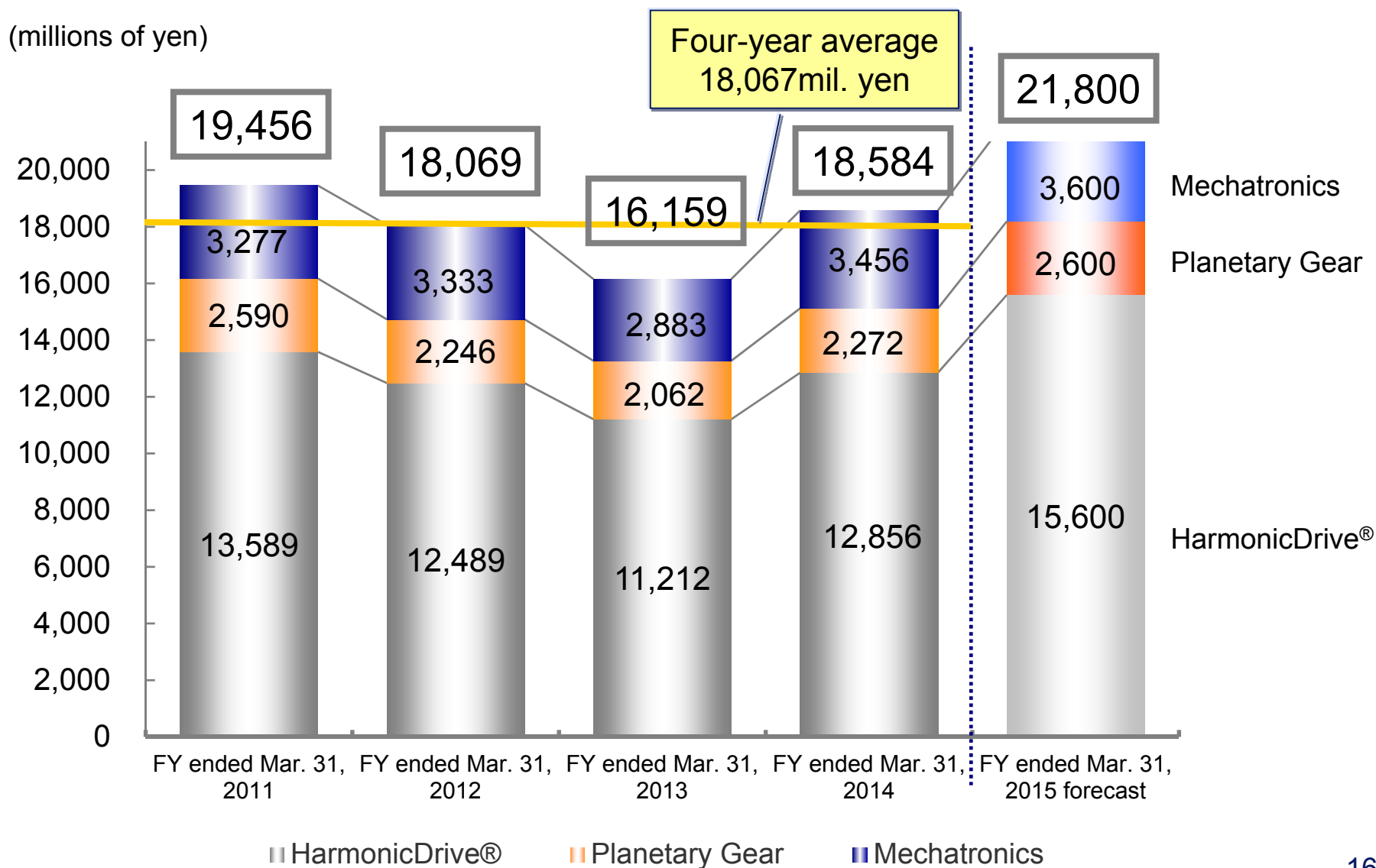
	FY ended Mar. 31, 2014		Forecasts FY ended Mar. 31, 2015		Year-on-year change	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	18,584	100.0	21,800	100.0	3,215	17.3
Operating profit	4,180	22.5	5,750	26.4	1,569	37.6
Ordinary income	4,375	23.5	6,050	27.8	1,674	38.3
Net income	2,792	15.0	3,880	17.8	1,087	38.9
EPS (yen)	91.46	—	127.08	—	35.61	38.9
Capital investment	617	—	940	—	322	52.3
Depreciation costs	712	—	750	—	37	5.3
R&D costs	1,224	—	1,330	—	105	8.6

Assumed exchange rate for FY ended Mar. 31, 2015 forecasts 1US\$ = ¥100.00 1€ = ¥135.00

Sales trend line (non-consolidated)

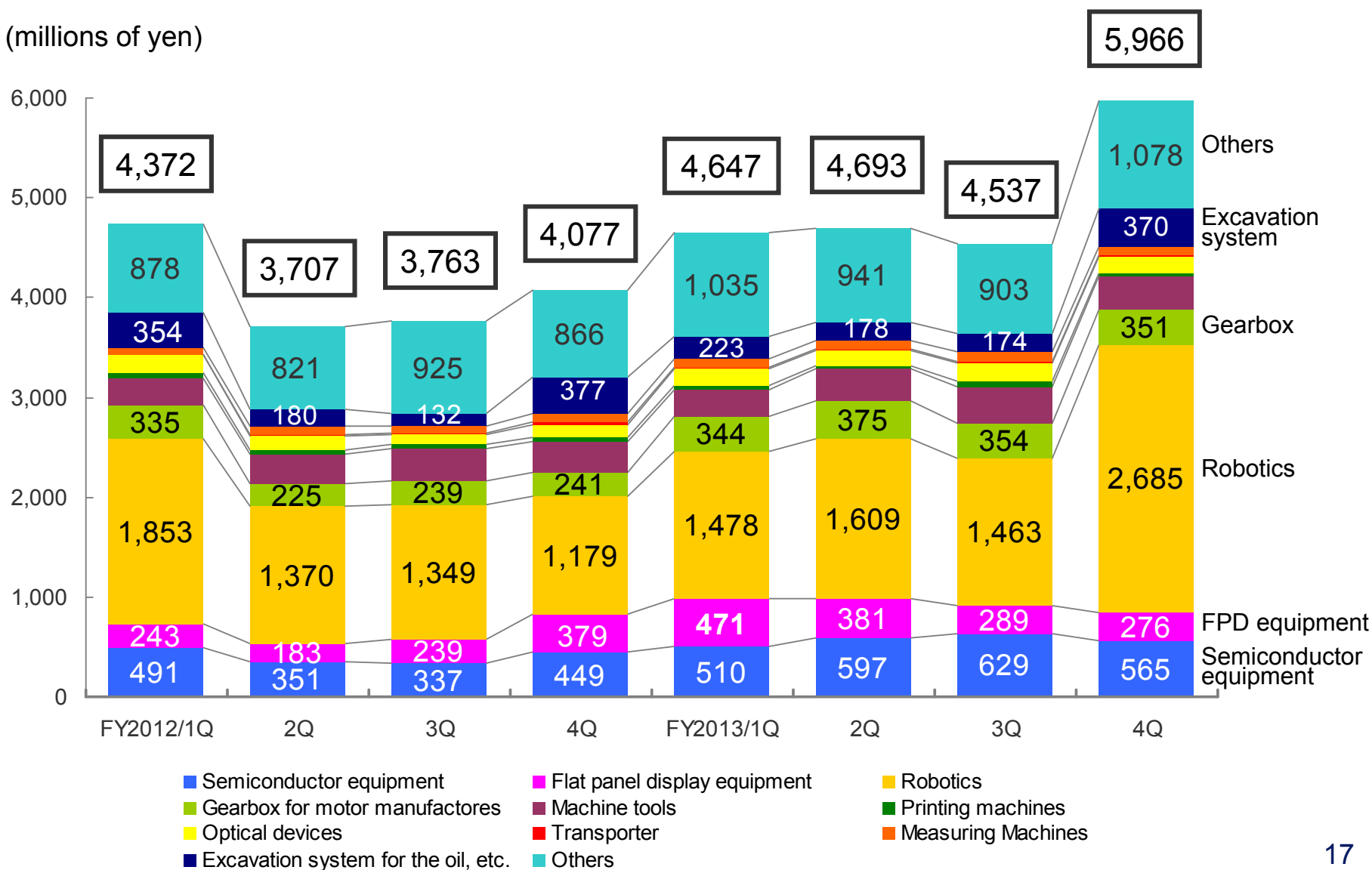


Sales trend line by product (non-consolidated)



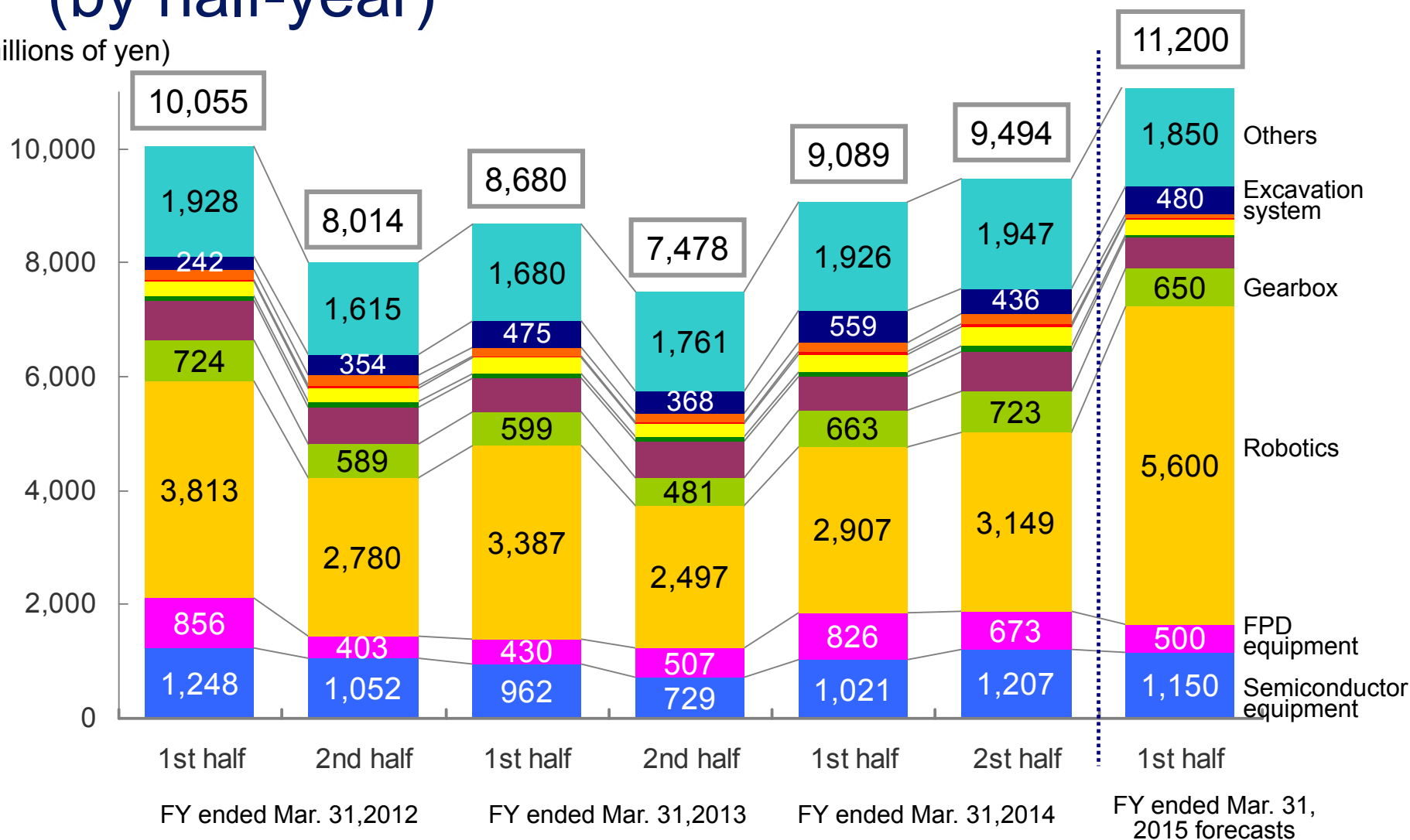
Non-consolidated bookings by application (quarterly)

(millions of yen)

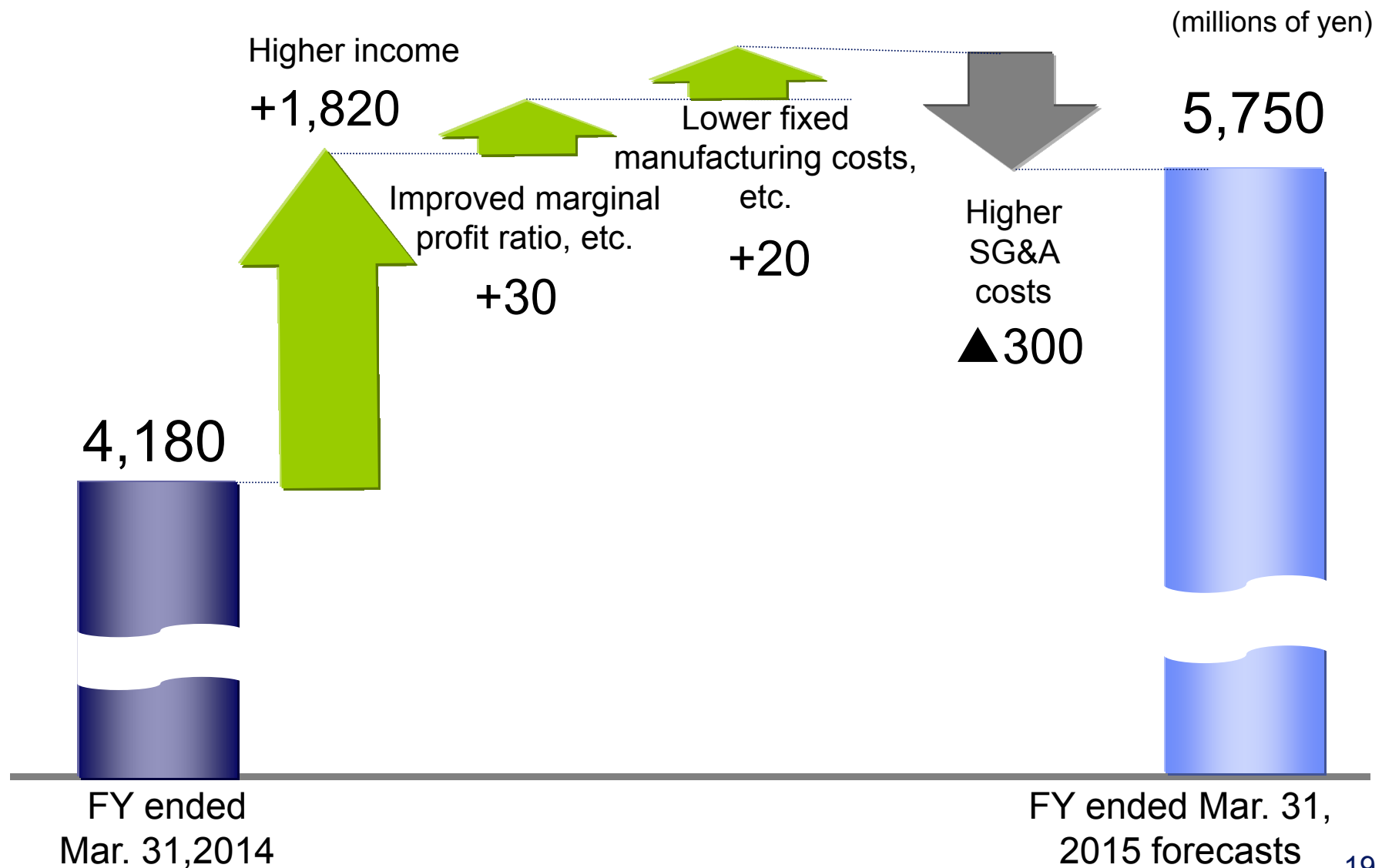


Non-consolidated bookings by application (by half-year)

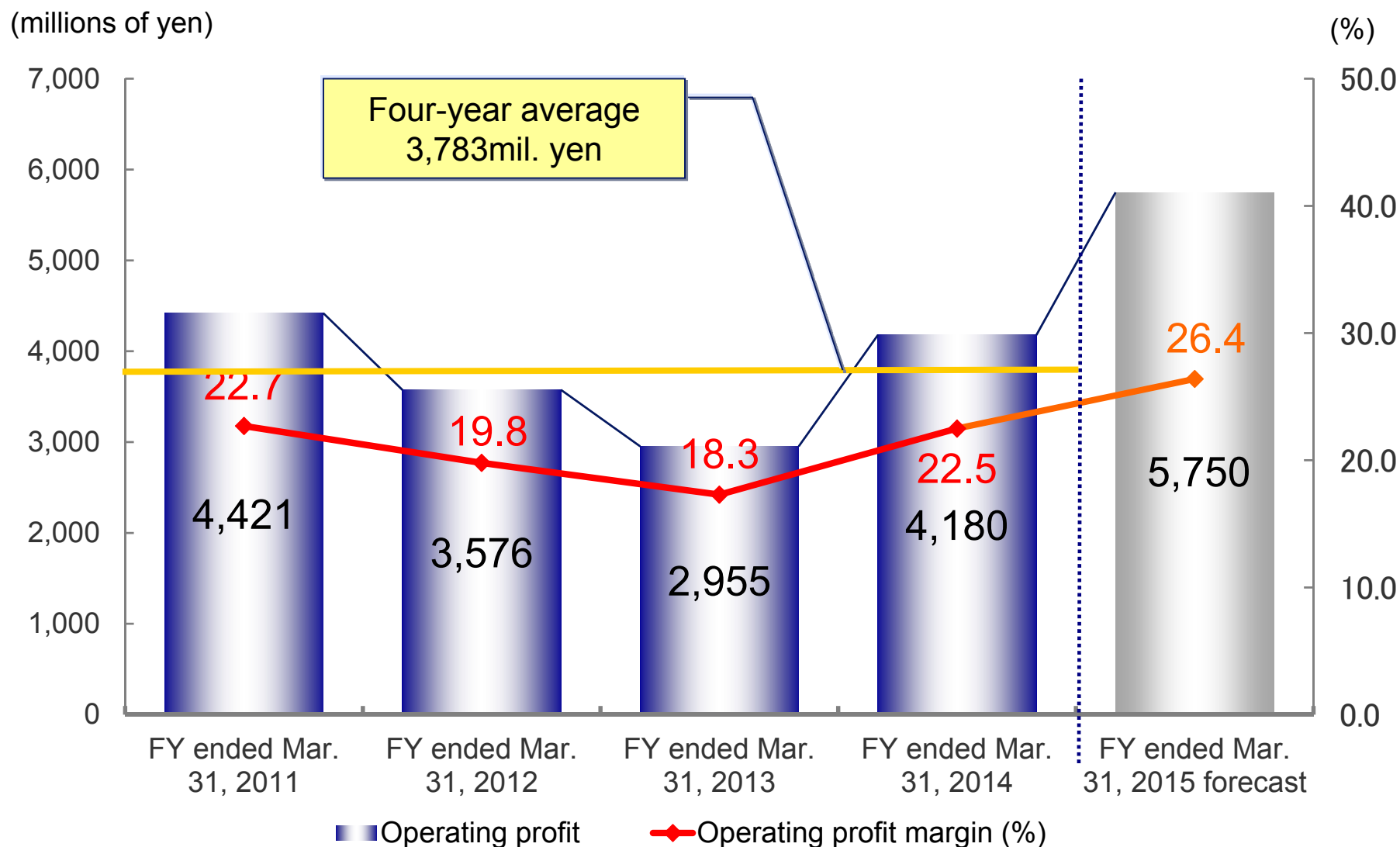
(millions of yen)



Factors in year-on-year change in non-consolidated operating profit (fiscal 2014 forecast)



Trends in operation profit (non-consolidated)





Future Outlook

New Robot Trends and the HDS Group Advantage

Advances in Robots and Their Spheres of Use

1980s—Introduced and promoted wide use in processes inside the safety fence

1: In auto manufacturing plants

1962: Commercialization of industrial robots by Unimation, Inc. (US)

1968: Japanese-made hydraulic servo robots

1973: Development of multi-joint motorized robots

2010s—Growing use in processes collaborating with humans

2: In plants producing IT equipment

- Explosive popularity of smartphones
- Rapid rise in labor costs and growth of middle class in Asia
- Growing investment not just for cost-lowering but for quality improvement

20xxs—Introduction and wide use in living spaces

3: In non-industrial fields

1996: Development of self-standing two-legged walking robots (Honda's ASIMO)

2013: Five-year Plan for Developing Nursing Care Robots (Japan Revitalization Strategy)

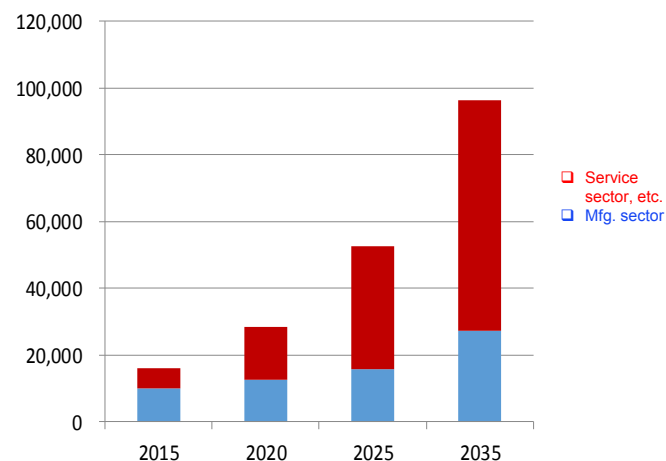
2013: Google and others enter robot business

Robot Industry Classifications

Type		Uses	Reducer demands
I. Industrial robots		Making things on the factory floor	High precision, high reliability
II. Service robots	Professional robots	Healthcare, nursing care, rehabilitation, logistics, resource extraction	Diverse needs
	Consumer robots	Consumer appliances, hobbies, and toys	Low cost

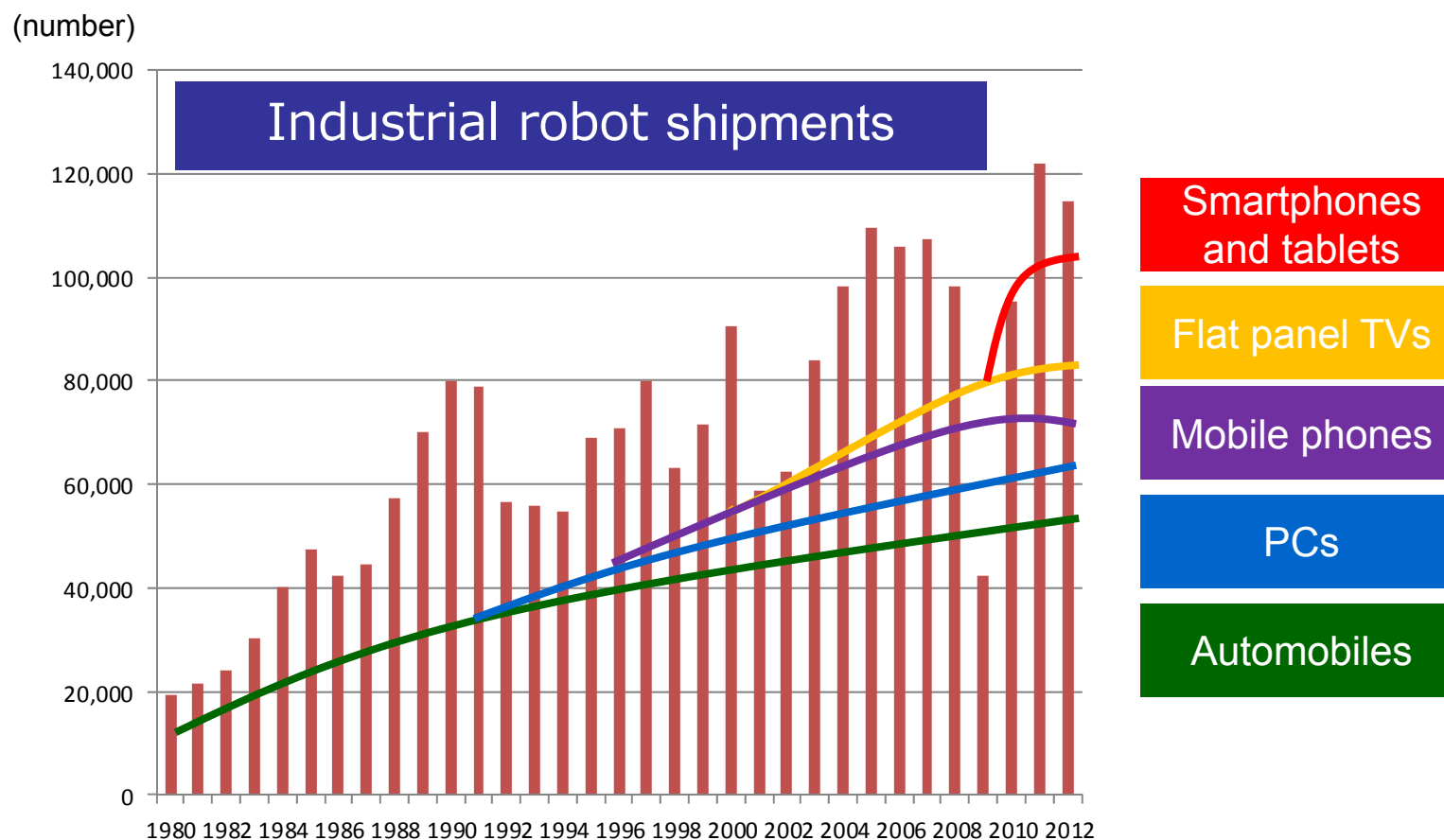
Governments, corporations, and research institutions have high hopes for the growth of the robot industry.

(100 mil. yen) Source: IFR, KDDI Research Institute



Growth Trends in Industrial Robot Market

The emergence and growth of devices with major impact on life style are driving demand for industrial robots

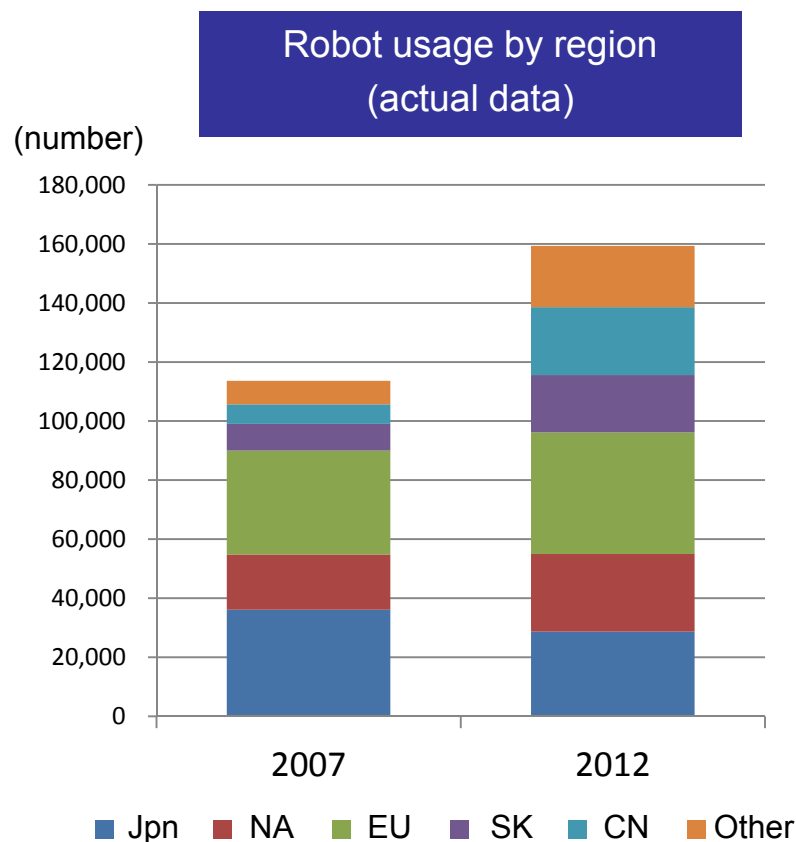


Source: Japan Robot Association

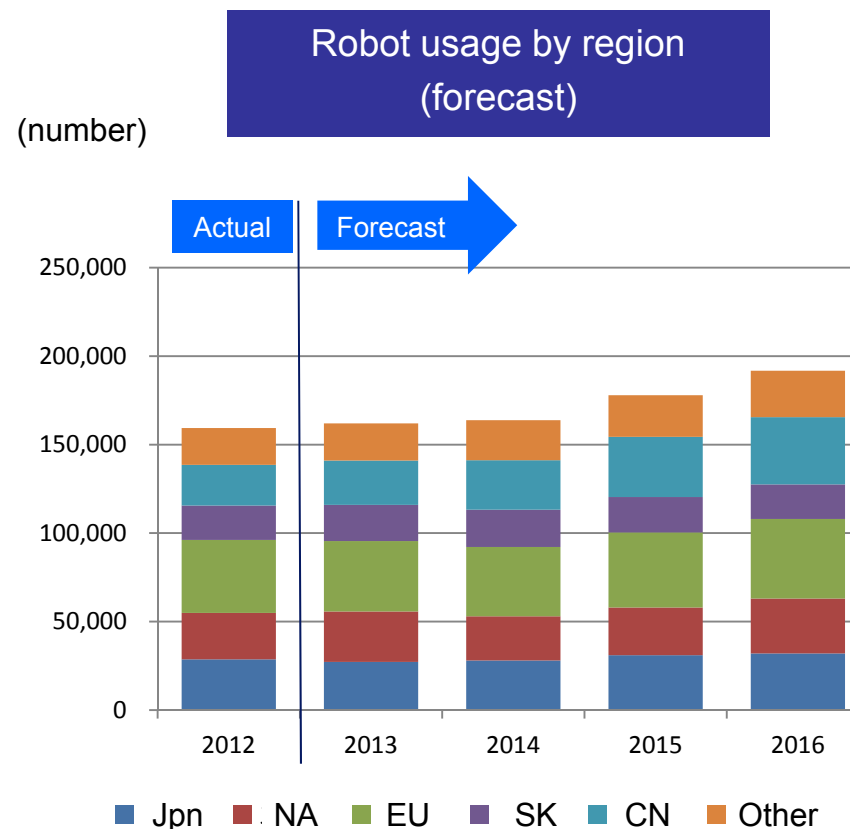
Growth of Industrial Robot Market

Robot introduction accelerating in China,
South Korea, and other regions

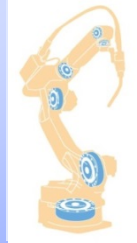
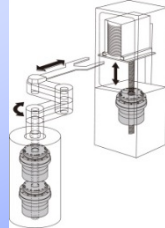
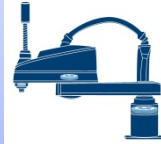
~Aimed at raising quality, reducing labor costs and labor management costs~



Source: IFR



Uses of Industrial Robots

Industry	Main processes	Robot features	Illustration
Automobiles	Welding Painting Transfer	With increasing needs for wider range of movement and carrying heavy items, mid-sized to large robots are common	
Semiconductors	Transfer	As many transferred items are light in weight (wafers), compact robots are common	
Digital devices Smartphones Tablets	Jig replacement Assembly Inspection Transfer	As many transferred items are light in weight (smartphones, tablets), mid-sized to compact robots are common	

- Need for quality improvement and stability, rise in labor costs
Demand growing in factories of newly emerging nations
- Advance of robot technology and revisions to safety standards
As they become skilled at assembly work only humans could perform, robots are expected to work side-by-side with human workers

Service Robots

Type	Uses	Reducer demands
II. Service robots	Professional robots	Healthcare, nursing care, rehabilitation, logistics, resource extraction
	Consumer robots	Consumer appliances, hobbies, and toys
		Diverse needs
		Low cost

Source: IFR, KDDI Research Institute

University of Tokyo
Ultra-high-speed multifingered hand system

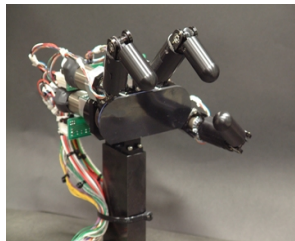
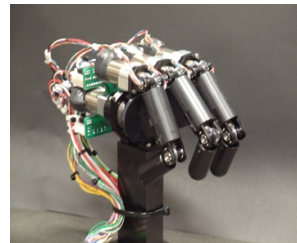
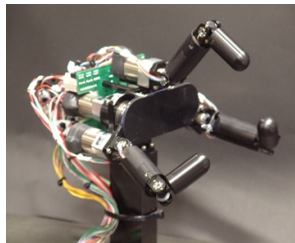


Photo: Ishikawa Oku Laboratory, University of Tokyo

Shinshu University
Robotic suit to assist with walking

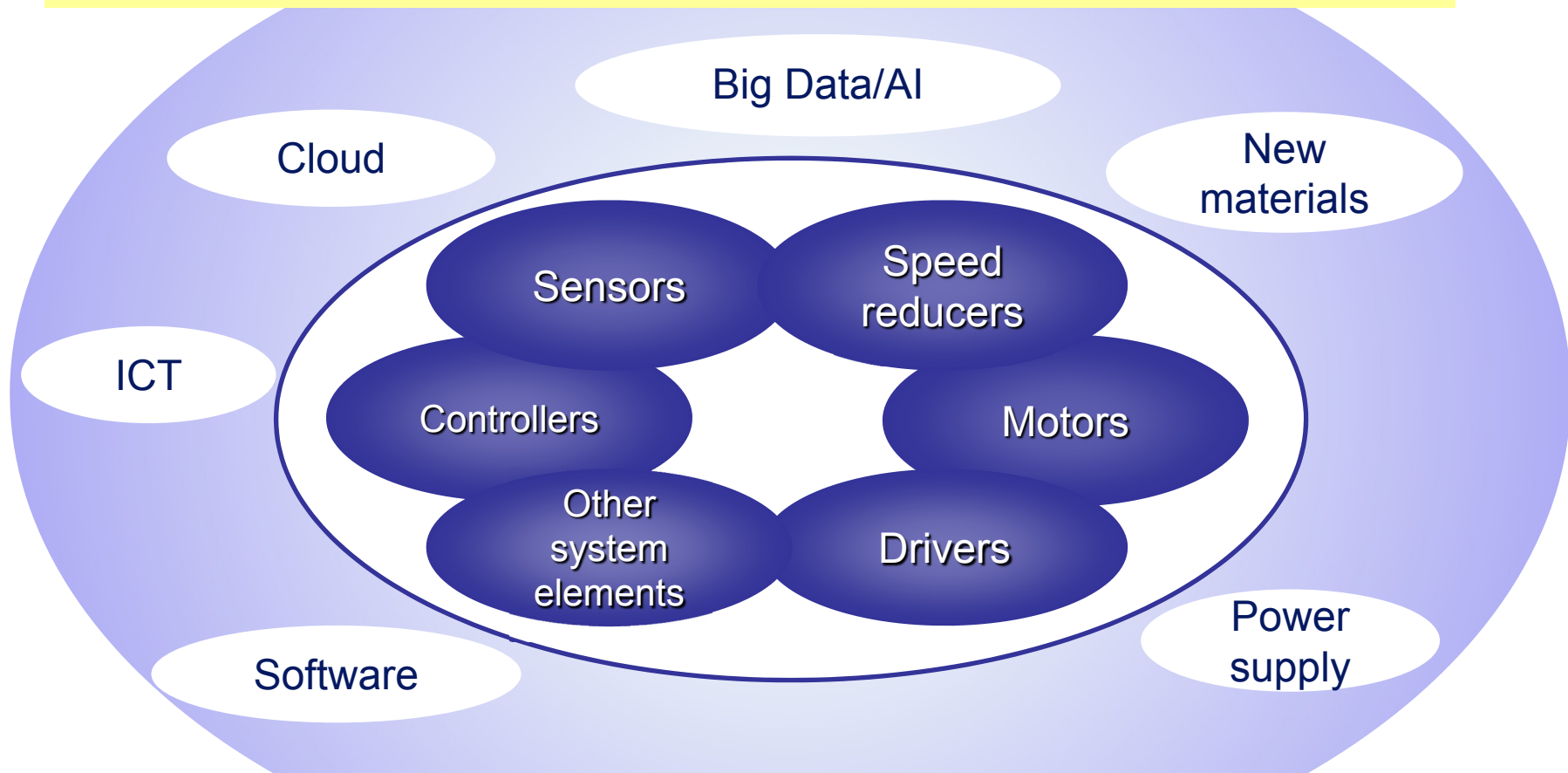


September 21, 2013 Shinano Mainichi Shimbun

Total Motion Control

Business domain of
our Group

Providing the value of Total Motion Control



On to the world of smart robots?

The Next Mid-term Management Plan and Long-term Vision

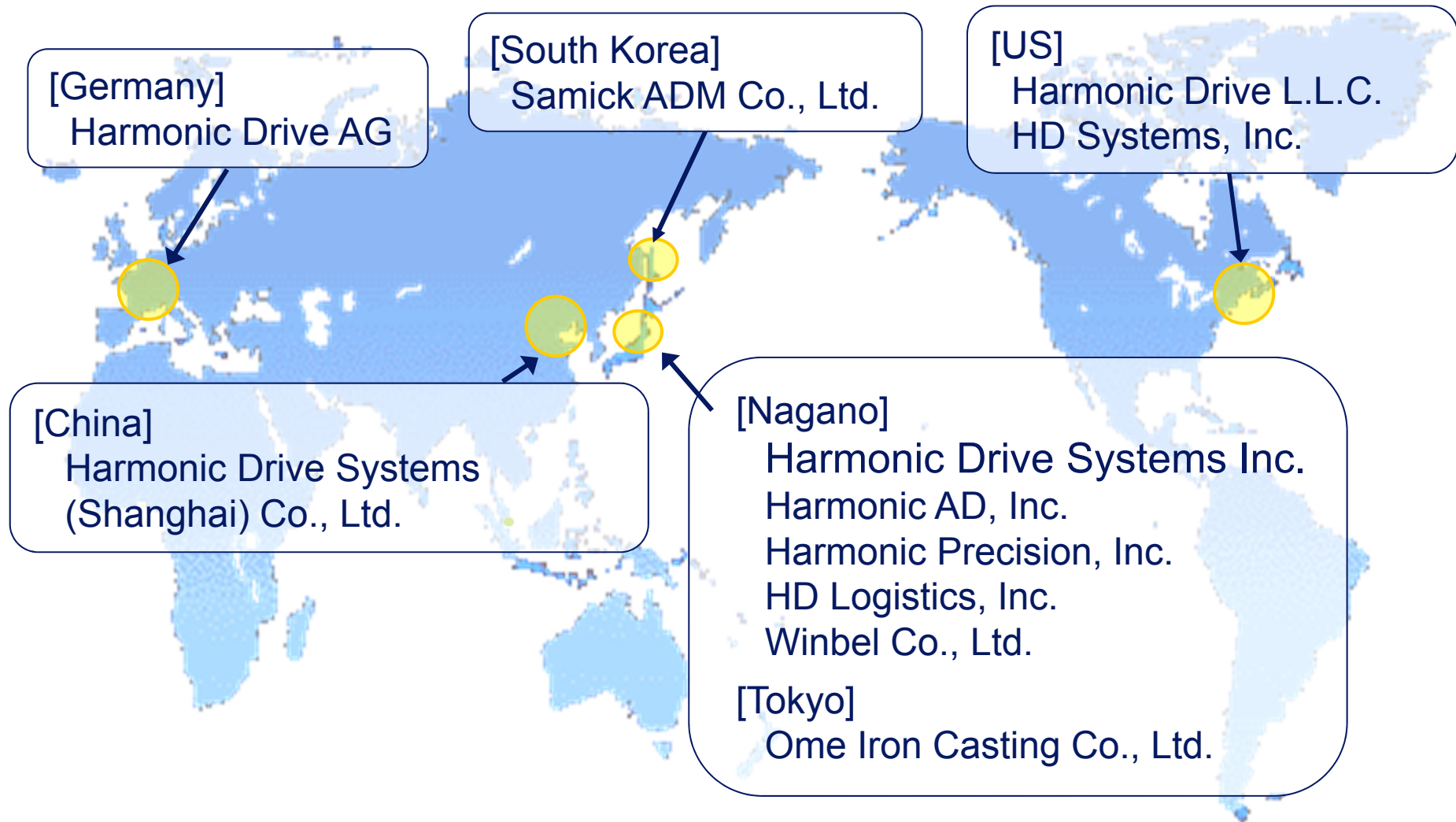
~Looking ahead to our 50th anniversary~

Strengthening our ability to meet future expansion of innovative applications

Pursuing advances in
Total Motion Control

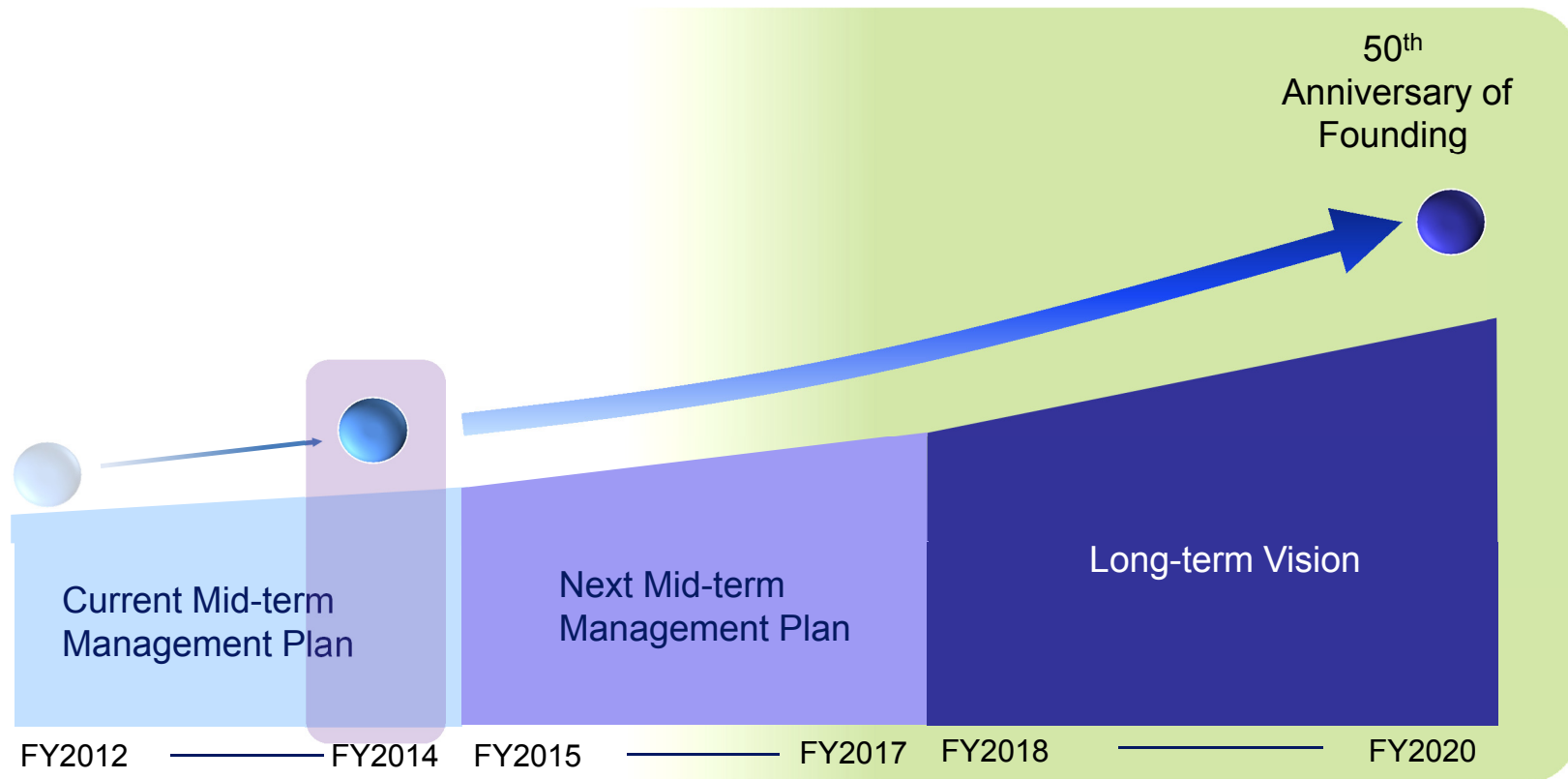
1. Raising overall competitiveness of precision speed reducers
2. Boosting marketing for next-generation robots, vehicles, and other innovative fields
3. Raising manufacturing ability through the upward spiral of technology and skills
4. Fostering an R&D climate for boldly challenging new technology
5. Promoting globalization

Promoting Globalization



Envisioning Growth

On to a new growth stage



The performance targets and other numerical data presented herein are forecasts based on information available to the HDS Group at the time this material was prepared, and are subject to the influence of uncertainties including those in the economic and competitive environment. Actual performance may therefore differ materially from the forecasts given in this material.

Harmonic Drive Systems Inc.

For more information:

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