

Harmonic Drive Systems Inc.

**Presentation on Business Results
for the 1st-Half of Fiscal Year
Ending March 31, 2015**

November 21, 2014

The title is centered and surrounded by several overlapping, hand-drawn style blue loops that create a sense of motion or a stylized 'X' shape.

Performance Summary

1st-half consolidated results (versus original forecasts for the period)

(millions of yen)

| | Original forecasts (announced May 13) | | 1st-half FY ending Mar.31,2015 | | Vs. original forecasts for the period | |
|------------------|--|-------------|-----------------------------------|-------------|--|---------|
| | Amount | Percent (%) | Amount | Percent (%) | Change | Rate(%) |
| Net sales | 12,500 | 100.0 | 12,700 | 100.0 | 200 | 1.6 |
| Operating income | 3,350 | 26.8 | 3,633 | 28.6 | 283 | 8.5 |
| Ordinary income | 3,450 | 27.6 | 3,886 | 30.6 | 436 | 12.6 |
| Net income | 2,250 | 18.0 | 2,483 | 19.6 | 233 | 10.4 |

1st-half consolidated results (year-on-year change)

(millions of yen)

| | 1st-half FY ended Mar.31,2014 | | 1st-half FY ending Mar.31,2015 | | Year-on-year change | |
|----------------------------------|----------------------------------|-------------|-----------------------------------|-------------|---------------------|----------|
| | Amount | Percent (%) | Amount | Percent (%) | Change | Rate (%) |
| Net sales | 10,411 | 100.0 | 12,700 | 100.0 | 2,288 | 22.0 |
| Gross profit | 4,602 | 44.2 | 6,034 | 47.5 | 1,432 | 31.1 |
| Operating income | 2,404 | 23.1 | 3,633 | 28.6 | 1,228 | 51.1 |
| Ordinary income | 2,557 | 24.6 | 3,886 | 30.6 | 1,328 | 52.0 |
| Net income | 1,629 | 15.6 | 2,483 | 19.6 | 854 | 52.4 |
| EPS (yen) ^{*2} | 17.79 | | 27.11 | | 9.32 | 52.4 |
| Capital investment ^{*1} | 418 | | 807 | | 389 | 93.0 |
| Depreciation costs | 537 | | 596 | | 58 | 10.9 |
| R&D costs | 595 | | 606 | | 11 | 1.9 |

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

*2 EPS calculated as if the October 1, 2014 share split (1:3) took place at the beginning of the previous fiscal year.

Performance of main group companies for 1st-half of fiscal year ending March 31, 2015

(millions of yen)

| | Equity stake | Net sales | | Net income | |
|---|---------------|-----------|-----------|------------|-----------|
| | | Amount | Change(%) | Amount | Change(%) |
| Harmonic Drive Systems Inc. | — | 11,366 | 25.0 | 2,214 | 60.6 |
| *1 *4 HD Systems Inc. (Harmonic Drive L.L.C.) (U.S.A.) | 100% (51%) | 1,635 | 1.2 | *3 47 | ▲45.7 |
| Harmonic AD, Inc. | 100% | 1,042 | 14.6 | 48 | 74.1 |
| *2 *4 Harmonic Drive AG (Germany) | 36.8% | 5,072 | 28.9 | 874 | 22.4 |

Percent change(%) indicates increase or decrease from same period of previous fiscal year.

*1 Exchange rates: Jan. – Jun., 2013 1US\$ = 95.59 yen, Jan. – Jun., 2014 1US\$ = 102.47 yen

*2 Exchange rates: Jan. – Jun., 2013 1€ = 125.50 yen, Jan. – Jun., 2014 1€ = 140.43 yen

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

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

1st-half non-consolidated results

(millions of yen)

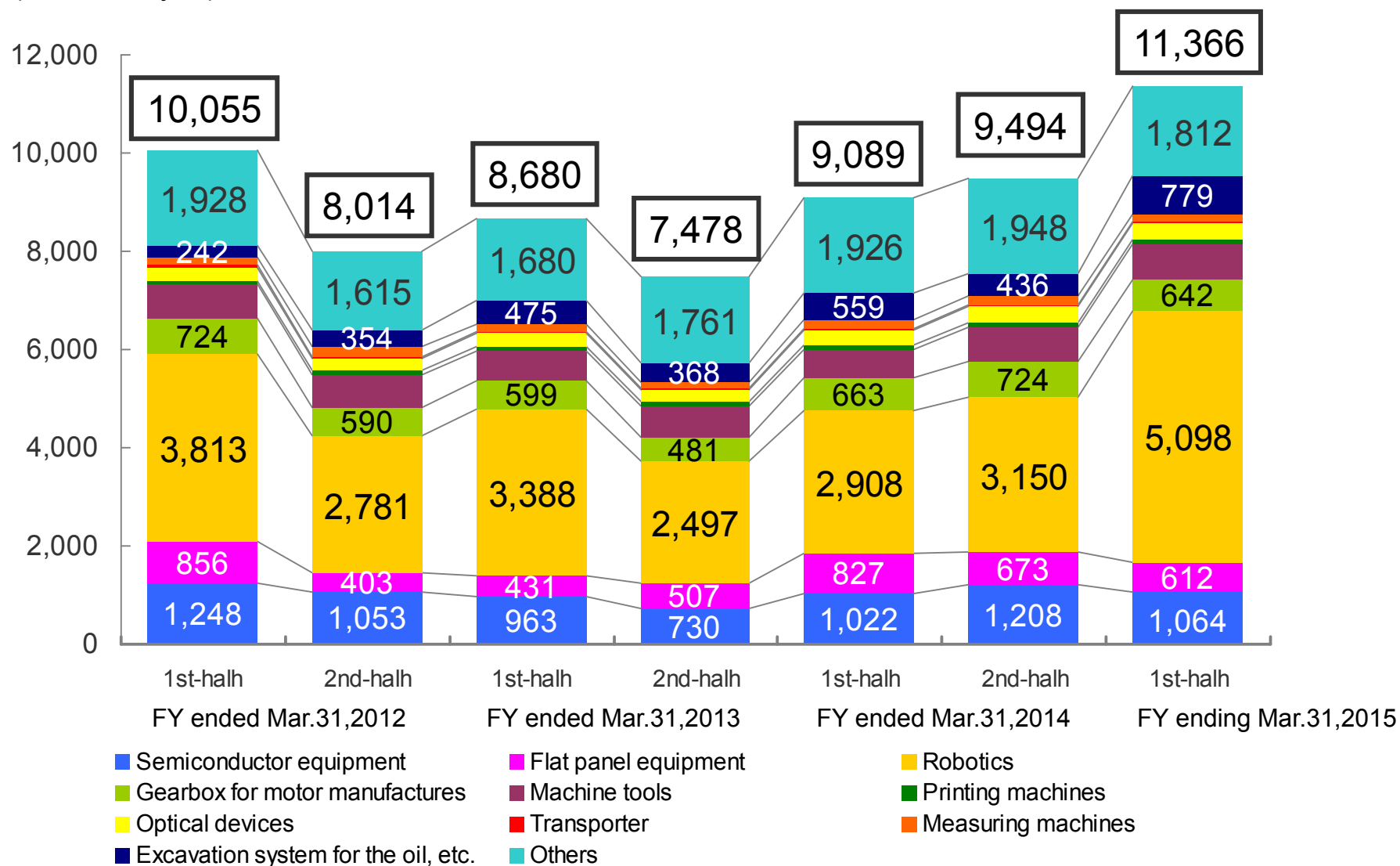
| | 1st-half FY ended Mar.31,2014 | | 1st-half FY ending Mar.31,2015 | | Year-on-year change | |
|----------------------------------|----------------------------------|------------|-----------------------------------|------------|---------------------|---------|
| | Amount | Percent(%) | Amount | Percent(%) | Change | Rate(%) |
| Net sales | 9,089 | 100.0 | 11,366 | 100.0 | 2,276 | 25.0 |
| Gross profit | 3,733 | 41.1 | 5,018 | 44.2 | 1,284 | 34.4 |
| Operating income | 1,969 | 21.7 | 3,135 | 27.6 | 1,166 | 59.2 |
| Ordinary income | 2,118 | 23.3 | 3,406 | 30.0 | 1,288 | 60.8 |
| Net income | 1,379 | 15.2 | 2,214 | 19.5 | 835 | 60.6 |
| EPS (yen) ^{*2} | 15.06 | | 24.18 | | 9.12 | 60.6 |
| Capital investment ^{*1} | 235 | | 482 | | 247 | 105.0 |
| Depreciation costs | 325 | | 320 | | ▲4 | ▲1.4 |
| R&D costs | 581 | | 591 | | 10 | 1.8 |

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

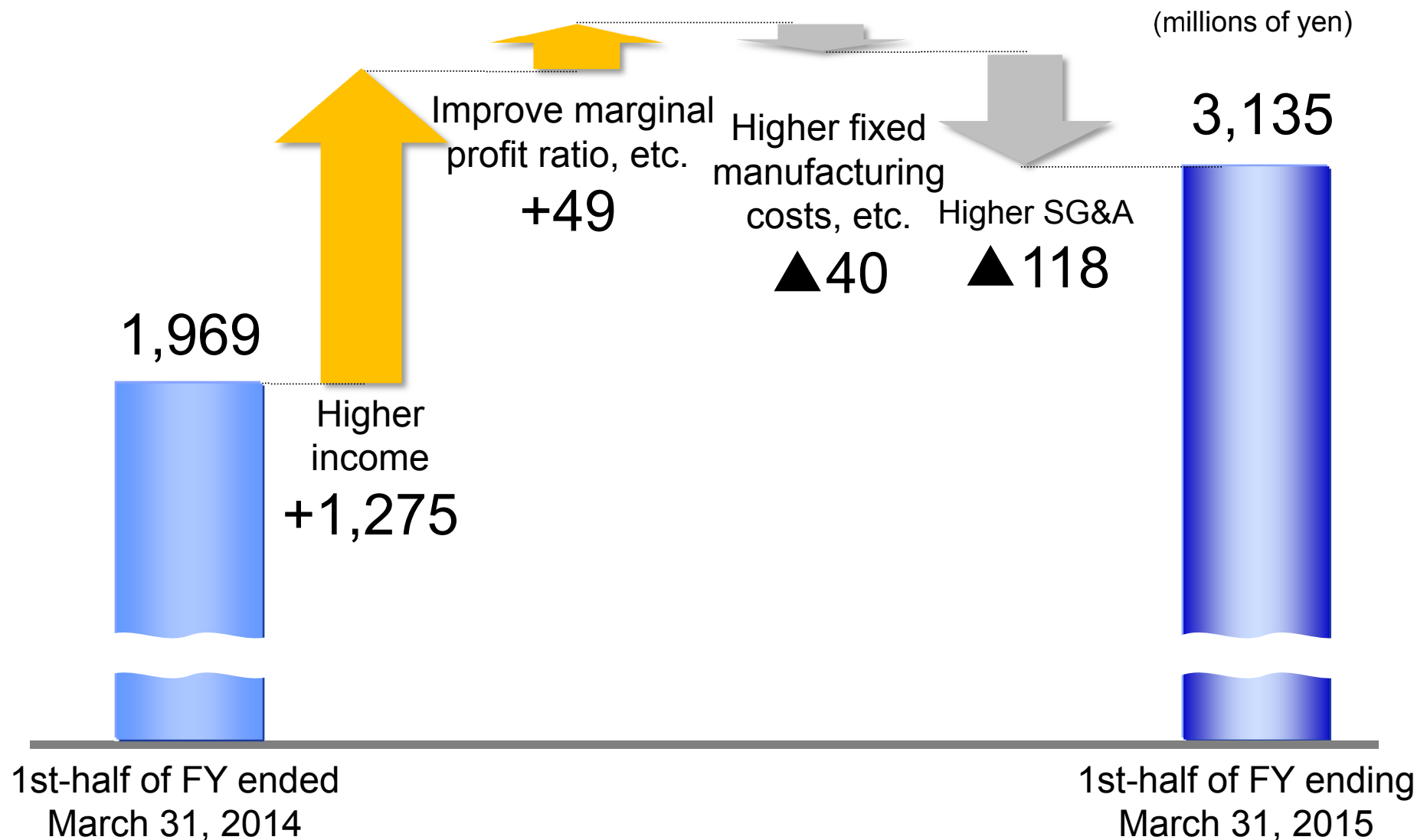
*2 EPS calculated as if the October 1, 2014 share split (1:3) took place at the beginning of the previous fiscal year.

Net sales by application (non-consolidated)

(millions of yen)

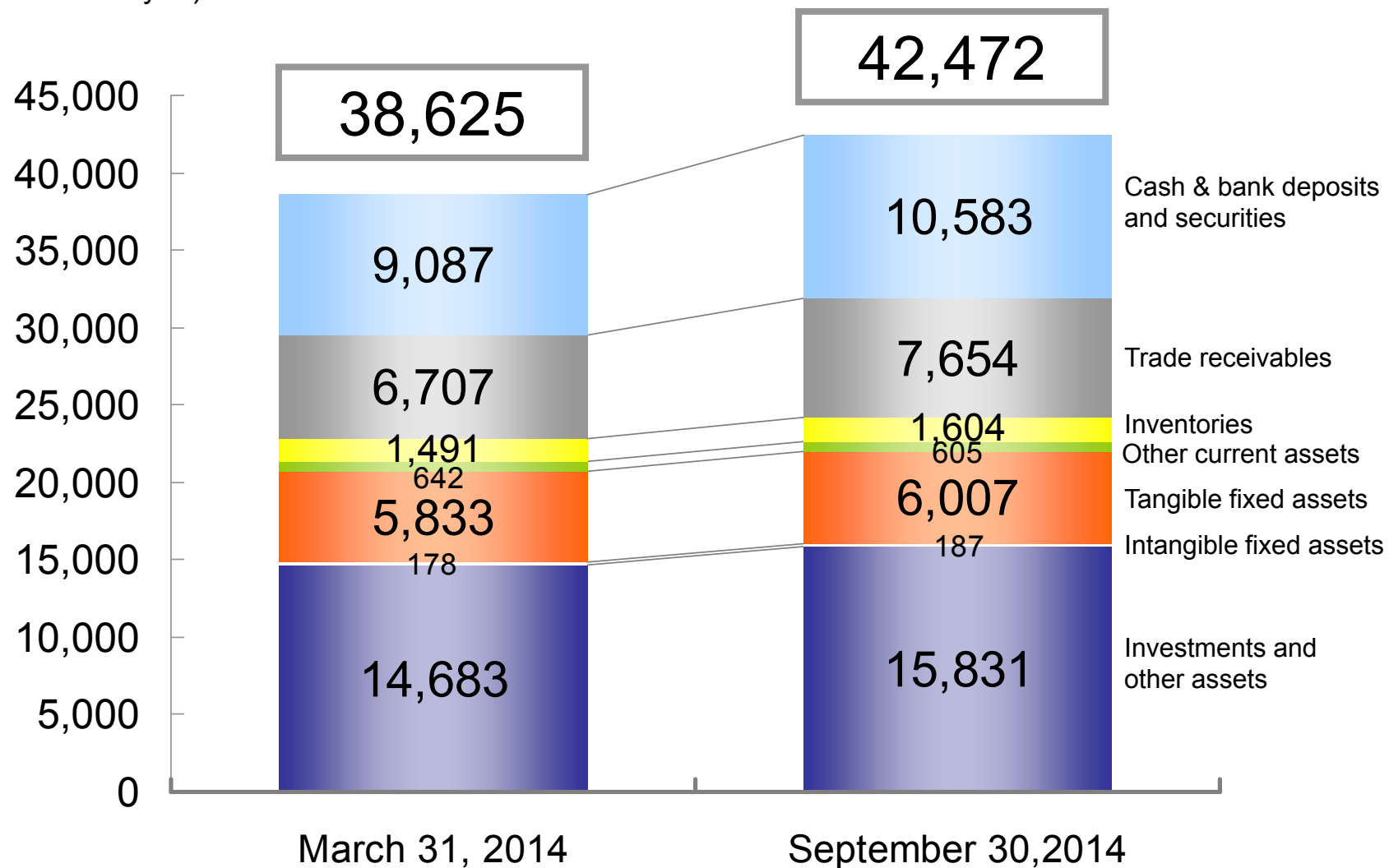


Factors in year-on-year change in 1st-half non-consolidated operating income

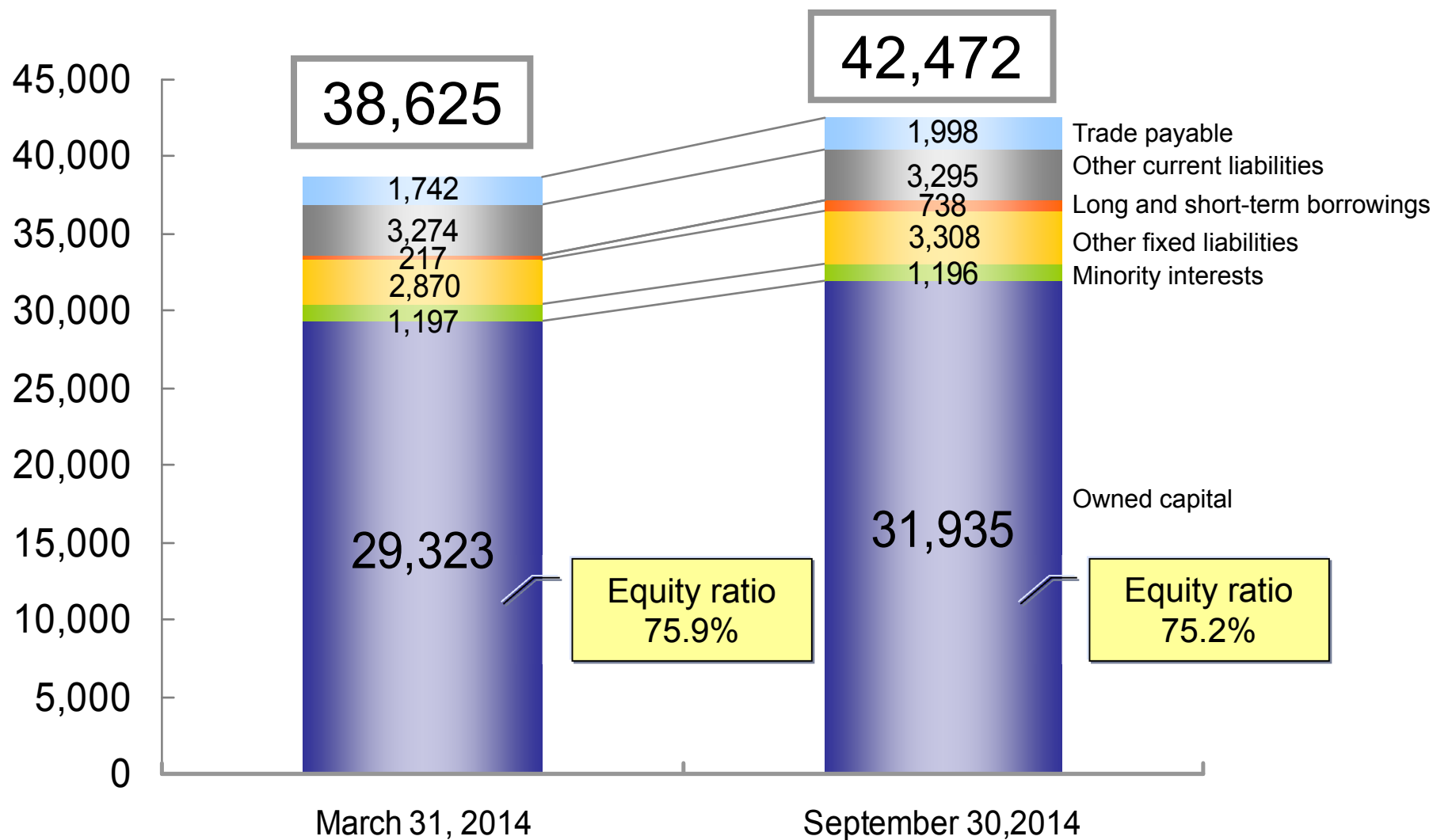


Status of consolidated assets

(millions of yen)



Status of consolidated liabilities and net assets



Status of consolidated cash flows

| (millions of yen) | 1st-half of FY ended Mar.31,2014 | 1st-half of FY ending Mar.31,2015 |
|---|-------------------------------------|--------------------------------------|
| Cash flow from operating activities | 1,544 | 2,397 |
| Cash flow from investing activities | ▲449 | ▲639 |
| Cash flow from financing activities | ▲1,536 | 23 |
| Effect of exchange rate changes on cash and cash equivalents | 143 | ▲45 |
| Net increase (decrease) in cash and cash equivalents | ▲298 | 1,737 |
| Cash and cash equivalents at end of year | 9,415 | 8,621 |