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Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]



May 13, 2022

Company name: Harmonic Drive Systems Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6324
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 Scheduled date of general shareholders' meeting: June 22, 2022
 Scheduled date of commencing dividend payments: June 23, 2022
 Scheduled date of filing securities report: June 23, 2022
 Availability of supplementary explanatory materials on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled (for analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2022	57,087	54.1	8,739	909.3	9,108	566.4	6,643	902.9
March 31, 2021	37,034	(1.2)	865	–	1,366	478.2	662	–

(Note) Comprehensive income: Fiscal year ended March 31, 2022: ¥5,508 million [(38.9)%]

Fiscal year ended March 31, 2021: ¥9,009 million [–%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended March 31, 2022	Yen 69.02	Yen –	% 6.6	% 6.4	% 15.3
March 31, 2021	6.88	–	0.7	1.0	2.3

(Reference) Equity in earnings of affiliated companies: Fiscal year ended March 31, 2022: ¥(5) million
 Fiscal year ended March 31, 2021: ¥(13) million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of March 31, 2022	Million yen 143,289	Million yen 98,856	% 69.0	Yen 1,026.94
As of March 31, 2021	140,028	110,059	73.5	1,068.83

(Reference) Equity: As of March 31, 2022: ¥98,856 million

As of March 31, 2021: ¥102,888 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended March 31, 2022	Million yen 9,881	Million yen (19,490)	Million yen 8,123	Million yen 18,767
March 31, 2021	9,555	(4,180)	(3,611)	19,996

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2021	–	10.00	–	10.00	20.00	1,925	290.6	1.9
Fiscal year ended March 31, 2022	–	10.00	–	11.00	21.00	2,021	30.4	2.0
Fiscal year ending March 31, 2023 (Forecast)	–	11.00	–	18.00	29.00		31.0	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	35,000	32.9	5,500	55.9	5,500	54.2	3,500	57.8	36.36
Full year	75,000	31.4	13,000	48.7	13,000	42.7	9,000	35.5	93.49

* Notes:

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

March 31, 2022:	96,315,400 shares
March 31, 2021:	96,315,400 shares
 - 2) Total number of treasury shares at the end of the period:

March 31, 2022:	52,336 shares
March 31, 2021:	52,300 shares
 - 3) Average number of shares outstanding during the period:

Year ended March 31, 2022:	96,263,094 shares
Year ended March 31, 2021:	96,263,117 shares

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)**

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

Year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	41,120	69.5	8,358	224.7	8,702	214.8	6,545	250.4
March 31, 2021	24,264	22.6	2,573	576.8	2,764	225.7	1,868	–

Year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2022	68.00	–
March 31, 2021	19.41	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	115,596	85,897	74.3	892.32
As of March 31, 2021	101,279	85,421	84.3	887.37

(Reference) Equity: As of March 31, 2022: ¥85,897 million

As of March 31, 2021: ¥85,421 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	25,200	32.5	4,500	20.2	4,700	22.6	3,000	13.7	31.16
Full year	55,000	33.8	11,000	31.6	11,200	28.7	7,500	14.6	77.91

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

- The financial results forecasts and other forward-looking statements contained herein are based on information currently available to the Company and certain assumptions deemed reasonable by the Company. The actual financial results may differ significantly due to various factors. Refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 4 of the Attachments for conditions on which the financial results forecasts are premised and notes on the use of financial results forecasts.
- Supplementary explanatory materials on annual financial results are scheduled to be posted on the Company’s website around May 20, 2022

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1. Overview of Operating Results, etc.

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

Future of the world economy remained uncertain during this fiscal year under review due to situations such as the spread of the COVID-19, the worldwide semiconductor shortage, and the Ukrainian situation that broke out at the end of the year. As for the situations concerning orders received by the Harmonic Drive Systems Group (hereinafter “the Group”), demand recovered notably in China in the second half of the previous fiscal year. In addition, orders remained high in Japan, the United States and Europe since the beginning of the fiscal year. This is because of the brisk investment for automation, such as industrial robots chiefly, and large-scale investment for manufacturing equipment which was prompted by vigorous demand for semiconductors. Though some of our customers were forced to adjust production because of the semiconductor shortage which became prevalent in the second half of this fiscal year, demand for primary applications expanded, and resulted in a record high ¥94,823 million of consolidated orders received, up 127.5% year on year.

Reflecting the sharp increase in demand, we enhanced production capacity in major production sites in Japan, Germany, and the United States, while minimizing the impact from the spread of the COVID-19. As a result, sales increased in all regions, with our consolidated net sales reaching ¥57,087 million, up 54.1% year on year.

Regarding net sales trend by application, net sales for industrial robots surged in Japan and in Europe, among other regions, reflecting the increase in demand to cover perpetual labor shortage with collaborative robots. In addition, expansion of EV-related capital investment mainly in China increased the sales. Net sales for semiconductor manufacturing equipment also climbed significantly following the strong demand forecast, which led to voracious appetite for capital investment. Net sales for advanced medical applications such as surgical robots rose reflecting demand recovery notably in the United States. In contrast, net sales for automotive applications, which rose in the first half of the fiscal year, turned sluggish in the second half due to production adjustment by customers caused by the semiconductor shortage.

In terms of profit and loss, depreciation cost increased due to the enhancement of production capacity, and manufacturing cost rose due mainly to personnel increase in the manufacturing sector. Selling, general and administrative expenses also increased reflecting the higher transportation cost for export and larger allocation for research and development expenses. However, the increase in profit due to increased net sales outweighed that of the cost, marking 909.3% year-on-year jump in operating profit to ¥8,739 million. In addition, the increase in operating profit resulted in 902.9% jump in profit attributable to the owners of parent to ¥6,643 million.

In terms of net sales by product group, speed reducers totaled ¥47,235 million, up 61.1% year on year and mechatronics products reached ¥9,852 million, up 27.7% year on year. They accounted for 82.7% and 17.3% of the total net sales, respectively.

Financial results by segment are as follows.

(Japan)

Demand for semiconductor manufacturing equipment grew due to increase in demand for industrial robots induced by robust investment for automation, chiefly in China, and overall high level of capital investment demand for semiconductors. As a result, net sales increased 68.6% year on year to ¥37,273 million. Segment profit (ordinary profit) rose 147.2% year on year to ¥11,889 million due to increased sales.

(North America)

As normalization from the COVID-19 proceeded, demand for advanced medical applications (surgical robot-related) and semiconductor manufacturing equipment recovered. As a result, net sales rose 29.1% year on year to ¥6,643 million. Segment profit (ordinary profit) increased 126.3% year on year to ¥701 million.

(Europe)

Normalization of economic activities as noted in the North America segment pushed up demand for industrial robots, among others. Net sales marked 34.7% year-on-year increase to ¥13,170 million. Segment profit (ordinary profit) totaled ¥171 million, up from the segment loss of ¥920 million a year earlier. This is due to the increase in sales, which absorbed the amortization cost of ¥1,580 million on intangible assets posted at the time of the acquisition of shares in Harmonic Drive SE.

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

(Assets)

Total assets increased ¥3,261 million, up 2.3% from the end of the previous fiscal year to ¥143,289 million. This was primarily because of 59.2% or 5,793 million year-on-year increase in notes and accounts receivable - trade due to robust sales, despite 31.2% or ¥5,901 million year-on-year decrease in investments and other assets resulting from a fall in fair values of investment securities owned.

(Liabilities)

Liabilities increased ¥14,465 million, up 48.3% from the end of the previous fiscal year to ¥44,433 million. This was primarily because of the long-term borrowings of ¥11,000 million to raise capital for making a consolidated subsidiary, Harmonic Drive SE (Europe segment) into a wholly owned subsidiary.

(Net Assets)

Total net assets fell ¥11,203 million, down 10.2% from the end of the previous fiscal year to ¥98,856 million. This was primarily because of 24.3% or ¥7,317 million year-on-year decrease in capital surplus and 100% or ¥7,170 million year-on-year decline of non-controlling interests due to factors including making a consolidated subsidiary, Harmonic Drive SE (Europe segment) into a wholly owned subsidiary.

As a result, equity ratio fell from 73.5% at the end of the previous fiscal year to 69.0%.

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

(Status of Cash Flows)

Cash and cash equivalents at the end of the fiscal year under review totaled ¥18,767 million, down ¥1,229 million from 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 ¥9,881 million, compared with net cash provided of ¥9,555 million in the previous fiscal.

The company recorded profit before income taxes of 9,011 million and depreciation of ¥7,278 million. On the one hand, trade receivables increased by ¥5,615 million and inventories also by ¥3,323 million, and became major factors for the net cash provided.

(Cash Flows from Investing Activities)

Investing activities in the fiscal year under review used net cash of ¥19,490 million, compared with net cash used of ¥4,180 million in the previous fiscal year.

This was primarily because of ¥14,787 million used to invest in a subsidiary, set up for the purpose of making a consolidated subsidiary Harmonic Drive SE (Europe segment) into a wholly owned subsidiary, and ¥4,736 million used to acquire property, plant and equipment to expand production capacity.

(Cash Flows from Financing Activities)

Financing activities in the fiscal year under review provided net cash of ¥8,123 million, compared with net cash used of ¥3,611 million in the previous fiscal year.

This was primarily because of ¥10,557 million provided in the borrowings, namely to finance wholly owned subsidization of a consolidated subsidiary Harmonic Drive SE (Europe segment), which was partially offset by the use of dividend payment of ¥1,927 million.

(4) Future Outlook

The business environment surrounding the Group remains to be unpredictable primarily due to the worldwide shortage of semiconductors and price hike in raw materials and energy. On the one hand, the Group forecasts strong demand for applications in industrial robots, collaborative robots, and semiconductor manufacturing equipment, which is backed by vigorous demand for capital investment following accelerating electrification of vehicles worldwide, and ongoing capital investment to satisfy voracious appetite for semiconductors. In addition, opportunity for further growth is likely in the new market where we have put our focus, such as advanced medical applications (surgical robot-related) and automotives.

For the consolidated earnings for the fiscal year ending March 31, 2023, based on the above business environment, the Group forecasts net sales of ¥75,000 million, operating profit of ¥13,000 million, ordinary profit of ¥13,000 million, and profit attributable to owners of parent of ¥9,000 million.

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

The Company distributes profits according to its financial results as a basic policy, and has set a target consolidated payout ratio of 30%. The Company also has a policy to take necessary measures for implementing certain stable dividends in the event that large fluctuations in financial results occur in a short period of time.

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

The Company plans to pay ¥11 per share as the year-end dividend for the fiscal year ended March 31, 2022. Regarding dividends per share for the next fiscal year (ending March 31, 2023), the Company plans an interim dividend of ¥11 and a year-end dividend of ¥18 for an annual total of ¥29 per share, on the assumption that the financial results described in the preceding Future Outlook section will be achieved.

2. Management Policy

(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 our corporate activities as a good corporate citizen. The products and services we provide directly and indirectly contribute to the betterment of society. We aspire to be a company that helps to improve the environment and the quality of the communities where we are located.

(2) Medium- to Long-term Corporate Management Strategy and Issues to Be Addressed

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

The Group continues to pursue its unwavering mission of contributing to social and technological innovation through motion control technology, stated in our fiscal years 2021-2023 medium-term management plan.

Market for mechatronics and precision speed reducers, in which we participate, is contributing greatly to the emerging social and technological innovation, including electrification of vehicles and surgical robots, and such demand will continue to expand. At the same time, as demand for collaborative robots increases amid the worldwide labor shortage, we see high growth potential in a mid-and-long term. With the whole group united, we aim for achieving sustainable society through our business, based on Basic Policy of Sustainability formulated in March 2022. In line with the policies outlined in our long-term vision and medium-term management plan, we aim to enhance corporate value over the medium to long term by maintaining a balance between defensive and offensive approaches in our management strategy.

The summaries of the Basic Policy of Sustainability, our Group’s mission, long-term vision, and medium-term management plan are as follows.

■ 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

– In pursuit of total motion control –

- ✓ Take on the challenge of developing new technologies and skills that capture changes in the environment
- ✓ Achieve QCDS that goes beyond customer expectations

- ✓ Contribute to creating a sustainable society through corporate activities
- Mid-term Management Plan for fiscal years 2021–2023
 - Toward the Next 50 Years: Moving to a Solid Growth Stage –
 - Basic policies and strategies
 - (a) Achieve QCDS that meets customer expectations
 - Q: Quality Control: Zero defects and zero claims
 - C: Improve productivity and further enhance Value Analysis / Value Engineering
 - D: Commit to delivery schedule requested by customers
 - S: Enhance ER activities by speeding up
 - (b) Expand RD, AD, and MT businesses by developing valuable products and enhancing services
 - [RD: HarmonicDrive[®]]
 - ✓ Create and commercialize new technologies and skills to support next-generation applications
 - [AD: AccuDrive[®], HarmonicPlanetary[®]]
 - ✓ Expand product offerings tailored to regions and various applications through business restructuring
 - [MT: Mechatronics]
 - ✓ Provide products that enable customers to bring their vision to life and further improve problem-solving capabilities
 - (c) Build a business foundation that meets the demands of the times
 - ✓ Promote sustainable management (SDGs)
 - ✓ Develop human resources capable of leading business expansion, and establish personnel systems and work styles that enhance diversity
 - ✓ Execute IT enhancement strategy and implement our own IoT concept
 - ✓ Establish a financial base to support growth and strengthen fundraising capabilities
 - (d) Strengthen coordination and maximize synergies with overseas group companies and institutions
 - ✓ Maximize utilization of management resources at each site
 - ✓ Maintain and promote proactive research activities with overseas research institutions
 - ✓ Establish a global production system
 - (e) Create new standards that define the next 50 years through outside-the-box thinking
 - ✓ Proactively take on the challenge of discovering new materials, new principles, new mechanisms, and new production methods
 - ✓ Make strategic moves toward developing intelligent mechatronics
 - ✓ Foster a culture that is sensitive to changes in society and accepts variant perspectives

(3) Target Management Indicators

Target management indicators of the Group are as follows:

- ✓ Ratio of operating profit to net sales: 20% or higher
- ✓ Return on equity (ROE): 10% or higher

3. Basic Policy for Selection of Accounting Principles

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

4. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	21,142,106	19,901,290
Notes and accounts receivable - trade	9,791,509	—
Notes receivable - trade	—	6,963,283
Accounts receivable - trade	—	8,621,584
Securities	21,874	27,616
Merchandise and finished goods	916,359	1,146,401
Work in process	2,391,998	3,883,587
Raw materials and supplies	2,538,193	4,374,176
Other	1,342,329	976,918
Allowance for doubtful accounts	(26,661)	(22,146)
Total current assets	38,117,709	45,872,713
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,537,639	26,804,118
Accumulated depreciation	(6,028,223)	(7,124,971)
Buildings and structures, net	20,509,415	19,679,146
Machinery, equipment and vehicles	29,086,667	33,349,565
Accumulated depreciation	(15,825,685)	(19,281,112)
Machinery, equipment and vehicles, net	13,260,982	14,068,453
Land	3,108,646	3,207,177
Leased assets	4,012,493	5,298,778
Accumulated depreciation	(973,143)	(1,477,527)
Leased assets, net	3,039,349	3,821,250
Construction in progress	1,045,799	1,545,561
Other	7,580,563	8,925,804
Accumulated depreciation	(6,552,861)	(7,279,790)
Other, net	1,027,701	1,646,013
Total property, plant and equipment	41,991,895	43,967,603
Intangible assets		
Goodwill	15,532,775	15,336,072
Software	274,489	250,811
Customer related assets	19,840,708	19,589,451
Technical assets	5,299,162	5,232,055
Other	56,201	27,468
Total intangible assets	41,003,338	40,435,860
Investments and other assets		
Investment securities	17,091,091	11,129,188
Shares of subsidiaries and associates	96,226	90,821
Retirement benefit asset	1,149,229	1,207,717
Deferred tax assets	470,140	454,910
Other	114,140	136,704
Allowance for doubtful accounts	(5,600)	(5,600)
Total investments and other assets	18,915,227	13,013,742
Total non-current assets	101,910,461	97,417,205
Total assets	140,028,170	143,289,918

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,412,798	3,856,847
Contract liabilities	—	284,221
Short-term borrowings	226,668	327,135
Current portion of long-term borrowings	881,261	1,942,662
Lease liabilities	305,392	471,703
Income taxes payable	837,683	2,604,300
Provision for bonuses	765,136	1,342,333
Provision for bonuses for directors (and other officers)	107,064	305,941
Provision for loss on compensation for after-care of products	145,084	62,294
Other	2,273,003	2,929,949
Total current liabilities	7,954,093	14,127,390
Non-current liabilities		
Long-term borrowings	5,220,859	14,617,513
Lease liabilities	2,868,734	3,548,469
Deferred tax liabilities	12,075,672	9,938,302
Provision for retirement benefits for directors (and other officers)	512,872	490,413
Provision for operating officers' retirement benefits	134,089	129,193
Retirement benefit liability	1,049,268	1,009,659
Other	152,765	572,673
Total non-current liabilities	22,014,261	30,306,225
Total liabilities	29,968,354	44,433,616
Net assets		
Shareholders' equity		
Share capital	7,100,036	7,100,036
Capital surplus	30,080,004	22,762,168
Retained earnings	54,642,698	59,361,329
Treasury shares	(38,731)	(38,897)
Total shareholders' equity	91,784,007	89,184,636
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,056,041	5,911,738
Foreign currency translation adjustment	1,131,390	3,753,287
Remeasurements of defined benefit plans	(82,445)	6,640
Total accumulated other comprehensive income	11,104,985	9,671,666
Non-controlling interests	7,170,822	—
Total net assets	110,059,815	98,856,302
Total liabilities and net assets	140,028,170	143,289,918

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

(Thousands of yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales	37,034,042	57,087,914
Cost of sales	24,451,238	34,661,874
Gross profit	12,582,804	22,426,040
Selling, general and administrative expenses	11,716,886	13,686,314
Operating profit	865,918	8,739,726
Non-operating income		
Interest income	38,568	12,979
Dividend income	252,292	264,278
Subsidy income	277,232	261,404
Other	420,417	298,725
Total non-operating income	988,510	837,388
Non-operating expenses		
Interest expenses	106,293	138,182
Sales discounts	14,801	10,091
Share of loss of entities accounted for using equity method	13,904	5,404
Foreign exchange losses	139,202	44,280
Rental expenses	4,739	167,317
Loss on valuation of inventories	184,266	—
Other	24,417	103,595
Total non-operating expenses	487,624	468,870
Ordinary profit	1,366,803	9,108,243
Extraordinary income		
Gain on sale of non-current assets	949	2,848
Gain on sale of investment securities	—	21,579
Subsidy income	60,410	—
Total extraordinary income	61,359	24,427
Extraordinary losses		
Loss on sale of non-current assets	—	761
Impairment losses	—	54,724
Loss on retirement of non-current assets	26,320	47,125
Loss on tax purpose reduction entry of non-current assets	60,410	—
Extra retirement payments	285,047	1,792
Special extra for retirement payments	37,040	16,690
Total extraordinary losses	408,818	121,093
Profit before income taxes	1,019,344	9,011,578
Income taxes - current	957,980	3,048,895
Income taxes - deferred	(492,264)	(754,364)
Total income taxes	465,715	2,294,531
Profit	553,629	6,717,047
Profit (loss) attributable to non-controlling interests	(108,865)	73,154
Profit attributable to owners of parent	662,495	6,643,893

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit	553,629	6,717,047
Other comprehensive income		
Valuation difference on available-for-sale securities	5,971,402	(4,144,302)
Foreign currency translation adjustment	2,448,399	2,841,622
Remeasurements of defined benefit plans, net of tax	36,361	93,686
Total other comprehensive income	8,456,163	(1,208,993)
Comprehensive income	9,009,792	5,508,053
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,331,930	5,210,574
Comprehensive income attributable to non-controlling interests	677,862	297,479

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,100,036	30,225,361	55,905,466	(38,280)	93,192,583
Changes during period					
Dividends of surplus			(1,925,263)		(1,925,263)
Purchase of shares of consolidated subsidiaries		(145,356)			(145,356)
Profit attributable to owners of parent			662,495		662,495
Purchase of treasury shares				(450)	(450)
Cancellation of treasury share acquisition rights					—
Net changes in items other than shareholders' equity					
Total changes during period	—	(145,356)	(1,262,768)	(450)	(1,408,575)
Balance at end of period	7,100,036	30,080,004	54,642,698	(38,731)	91,784,007

	Accumulated other comprehensive income				Share acquisition rights	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	4,084,638	(513,267)	(135,821)	3,435,550	625,511	9,464,843	106,718,488
Changes during period							
Dividends of surplus							(1,925,263)
Purchase of shares of consolidated subsidiaries						(2,793,154)	(2,938,510)
Profit attributable to owners of parent							662,495
Purchase of treasury shares							(450)
Cancellation of treasury share acquisition rights					(625,511)		(625,511)
Net changes in items other than shareholders' equity	5,971,402	1,644,657	53,375	7,669,435	—	499,132	8,168,567
Total changes during period	5,971,402	1,644,657	53,375	7,669,435	(625,511)	(2,294,021)	3,341,327
Balance at end of period	10,056,041	1,131,390	(82,445)	11,104,985	—	7,170,822	110,059,815

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,100,036	30,080,004	54,642,698	(38,731)	91,784,007
Changes of during period					
Dividends of surplus			(1,925,262)		(1,925,262)
Purchase of shares of consolidated subsidiaries		(7,317,836)			(7,317,836)
Profit attributable to owners of parent			6,643,893		6,643,893
Purchase of treasury shares				(166)	(166)
Cancellation of treasury share acquisition rights					—
Net changes in items other than shareholders' equity					
Total changes during period	—	(7,317,836)	4,718,631	(166)	(2,599,371)
Balance at end of period	7,100,036	22,762,168	59,361,329	(38,897)	89,184,636

	Accumulated other comprehensive income				Share acquisition rights	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	10,056,041	1,131,390	(82,445)	11,104,985	—	7,170,822	110,059,815
Changes during period							
Dividends of surplus							(1,925,262)
Purchase of shares of consolidated subsidiaries						(7,473,424)	(14,791,260)
Profit attributable to owners of parent							6,643,893
Purchase of treasury shares							(166)
Cancellation of treasury share acquisition rights							—
Net changes in items other than shareholders' equity	(4,144,302)	2,621,897	89,086	(1,433,319)	—	302,602	(1,130,716)
Total changes during period	(4,144,302)	2,621,897	89,086	(1,433,319)	—	(7,170,822)	(11,203,512)
Balance at end of period	5,911,738	3,753,287	6,640	9,671,666	—	—	98,856,302

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,019,344	9,011,578
Depreciation	6,464,279	7,278,201
Impairment losses	—	54,724
Amortization of goodwill	925,175	976,482
Increase (decrease) in allowance for doubtful accounts	4,207	(5,571)
Increase (decrease) in retirement benefit liability	52,618	(109,045)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	3,311	(22,458)
Increase (decrease) in provision for operating officers' retirement benefits	9,219	(4,895)
Increase (decrease) in provision for bonuses for directors (and other officers)	10,287	197,891
Increase (decrease) in provision for loss on compensation for after-care of products	(4,016)	(83,454)
Interest income	(38,568)	(12,979)
Dividend income	(252,292)	(264,278)
Interest expenses	106,293	138,182
Share of loss (profit) of entities accounted for using equity method	13,904	5,404
Subsidy income	(60,410)	—
Gain on sale of investment securities	—	(21,579)
Loss (gain) on sale of non-current assets	(949)	(2,086)
Loss on retirement of non-current assets	26,320	47,125
Loss on tax purpose reduction entry of non-current assets	60,410	—
Decrease (increase) in trade receivables	(2,530,849)	(5,615,727)
Decrease (increase) in inventories	(105,341)	(3,323,760)
Increase (decrease) in trade payables	934,795	1,294,609
Other, net	902,707	1,264,426
Subtotal	7,540,448	10,802,789
Interest and dividends received	290,864	277,258
Subsidies received	60,410	—
Interest paid	(102,825)	(143,195)
Income taxes paid	(440,857)	(1,311,481)
Income taxes refund	2,206,964	256,260
Net cash provided by (used in) operating activities	9,555,003	9,881,633
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,326,055)	(4,736,925)
Proceeds from sale of property, plant and equipment	130,009	7,531
Purchase of intangible assets	(59,602)	(76,306)
Proceeds from sale of investment securities	—	28,593
Purchase of shares of subsidiaries and associates	(2,950,318)	(14,787,753)
Payments into time deposits	(265,399)	(247,314)
Proceeds from withdrawal of time deposits	275,745	348,589
Payments of leasehold and guarantee deposits	(3,616)	(32,715)
Proceeds from refund of leasehold and guarantee deposits	19,869	4,975
Proceeds from collection of short-term loans receivable	128	—
Other, net	(1,283)	481
Net cash provided by (used in) investing activities	(4,180,523)	(19,490,843)
Cash flows from financing activities		
Proceeds from short-term borrowings	810,000	12,010,000
Repayments of short-term borrowings	(810,375)	(11,910,168)
Proceeds from long-term borrowings	120,000	11,342,000
Repayments of long-term borrowings	(743,881)	(883,945)
Repayments of lease liabilities	(308,630)	(473,217)

(Thousands of yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Purchase of treasury shares	(450)	(166)
Dividends paid	(1,926,259)	(1,927,297)
Dividends paid to non-controlling interests	(126,422)	(33,344)
Payments for purchase of treasury subscription rights to shares	(625,511)	—
Net cash provided by (used in) financing activities	(3,611,531)	8,123,859
Effect of exchange rate change on cash and cash equivalents	(108,653)	256,144
Net increase (decrease) in cash and cash equivalents	1,654,295	(1,229,206)
Cash and cash equivalents at beginning of period	18,342,443	19,996,738
Cash and cash equivalents at end of period	19,996,738	18,767,531

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of the Accounting Standards for Revenue Recognition)

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 31, 2020; hereinafter the “Revenue Recognition Standard”) and related guidance has been applied since the beginning of the first quarter of the consolidated fiscal year under review, and revenue is recognized at the amount to be received in exchange for promised goods or services at the time when their control was transferred to the customer.

As the Company adopts alternative application of the paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, revenue from domestic sales transactions is recognized at shipment, provided that goods or services are transferred to or accepted by a customer in an ordinary time frame.

Furthermore, “notes and accounts receivable - trade,” which was presented under “current assets” in the consolidated balance sheet of the previous fiscal year, has been included under “notes receivable - trade” and “accounts receivable - trade” from the fiscal year under review, and “other,” which was presented under “current liabilities,” has been included under “contract liabilities” and “other” from the fiscal year under review.

However, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

As a result, this does not affect profit and loss for the fiscal year under review. There is also no impact on the balance of retained earnings at the beginning of the fiscal year under review.

(Application of the Accounting Standard for Fair Value Measurement)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Measurement Standard”) and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

(Business combinations and related issues)

Transactions under common control, etc.

Additional acquisition of subsidiary shares

1. Overview of transaction

(1) Name and business description of entity involved in business combination

Name of the entity: GK HD Management

Business description: Holding company for the purpose of investment in Harmonic Drive SE

(2) Date of the business combination

July 28, 2021

(3) Legal form of the business combination

Acquisition of shares from a non-controlling shareholder

(4) Name of the entity after the business combination

No change

(5) Other matters related to overview of transaction

With the additional acquisition of 40%, shareholding ratio was increased to 100%. As a result of this transaction, Harmonic Drive SE, a subsidiary in Germany, became the Group's wholly owned subsidiary.

2. Overview of accounting treatment to be implemented

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," (ASBJ Guidance No.10, January 16, 2019) the Company treated the transaction as a transaction with a non-controlling shareholder among transactions under common control, etc.

3. Matters concerning the additional acquisition of shares of a subsidiary

Acquisition price	Cash	¥14,724,713 thousand
Acquisition cost		¥14,724,713 thousand

4. Matters concerning a change in initial equity related to transactions with non-controlling shareholders

(1) Main reasons for the change in capital surplus

Additional acquisition of special purpose company shares

(2) Amount of capital surplus reduced by transactions with non-controlling shareholders

¥7,314,019 thousand

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The reportable segments of the Company are business units of the Companies for which separate financial information can be obtained and the Board of Directors examines such information on a regular basis to determine the allocation of management resources and evaluate the business performance.

The Company is engaged in the manufacturing and sales of precision speed reducers, precision actuators and related motion control products, and the business operations fall within a single industry segment based on similarities in the type, nature, manufacturing method and markets of their products.

The geographic markets of the products of the Company are Japan (including the Asia area), North America and Europe, and the products are marketed by the Company and its subsidiaries in Japan, by subsidiaries in the United States and Europe.

As a result, the Company consists of three reportable segments: Japan, North America and Europe, which are consistent with the geographic segments based on the manufacturing and sale of the products.

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

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

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

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

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Net sales						
Net sales to third parties	22,113,575	5,144,915	9,775,551	37,034,042	–	37,034,042
Inter-segment net sales or transfers	2,863,725	5,913	43,436	2,913,076	(2,913,076)	–
Total	24,977,301	5,150,829	9,818,988	39,947,119	(2,913,076)	37,034,042
Segment profit (loss)	4,809,307	310,083	(920,704)	4,198,686	(2,831,882)	1,366,803
Segment assets	50,643,122	9,184,394	38,458,126	98,285,644	41,742,526	140,028,170
Others						
Investment in affiliated companies	96,226	–	–	96,226	–	96,226
Increase in property, plant and equipment and intangible assets	754,636	683,161	514,349	1,952,147	–	1,952,147

(Notes) 1. The segment profit (loss) adjustment of ¥(2,831,882) thousand includes the eliminated inter-segment transaction profit of ¥(835,697) thousand, the general administrative expenses that are not allocated to any reportable segment, totaling ¥(1,996,185) thousand, and the amortization of the goodwill recorded in connection with the acquisition of the shares of Harmonic Drive SE, amounting to ¥(925,175) 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 European and Asian markets, in addition to the Japanese market.

3. The segment asset adjustment of ¥41,742,526 thousand includes an inter-segment elimination of ¥12,560,904 thousand, corporate assets that are not allocated to any reportable segment, which amounted

to ¥29,181,621 thousand, and a goodwill of ¥15,532,775 thousand recorded in connection with the acquisition of shares of Harmonic Drive SE. The corporate assets consist mainly of excess funds (including cash, bank deposits and securities), long-term investments (such as investment securities and assets categorized as “Others” under “Investments and other assets,” and certain assets related to corporate departments.

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Net sales						
Revenue from contracts with customers	42,033,740	6,660,013	13,293,826	61,987,581	(4,899,666)	57,087,914
Net sales to third parties	37,273,495	6,643,427	13,170,991	57,087,914	–	57,087,914
Inter-segment net sales or transfers	4,760,244	16,586	122,835	4,899,666	(4,899,666)	–
Total	42,033,740	6,660,013	13,293,826	61,987,581	(4,899,666)	57,087,914
Segment profit (loss)	11,889,694	701,580	171,574	12,762,849	(3,654,605)	9,108,243
Segment assets	61,425,916	11,212,583	39,886,140	112,524,640	30,765,278	143,289,918
Others						
Investment in affiliated companies	90,821	–	–	90,821	–	90,821
Increase in property, plant and equipment and intangible assets	5,337,964	4,199	348,333	5,690,496	–	5,690,496

- (Notes) 1. The segment profit (loss) adjustment of ¥(3,654,605) thousand includes the eliminated inter-segment transaction profit of ¥(1,237,115) thousand, the general administrative expenses that are not allocated to any reportable segment, totaling ¥(2,417,489) thousand, and the amortization of the goodwill recorded in connection with the acquisition of shares of Harmonic Drive SE, amounting to ¥(976,482) 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 European and Asian markets, in addition to the Japanese market.
3. The segment asset adjustment of ¥30,765,278 thousand includes an inter-segment elimination of ¥11,547,126 thousand, corporate assets that are not allocated to any reportable segment, which amounted to ¥19,218,152 thousand, and a goodwill of ¥15,336,072 thousand recorded in connection with the acquisition of shares of Harmonic Drive SE. The corporate assets consist mainly of excess funds (including cash, bank deposits and securities), long-term investments (such as investment securities and assets categorized as “Others” under “Investments and other assets,” and certain assets related to corporate departments.

[Related information]

For the fiscal year ended March 31, 2021

1. Information by product/service

(Thousands of yen)

	Speed reducers	Mechatronic products	Total
Net sales to third parties	29,319,650	7,714,392	37,034,042

(Note) The sales of Winbel Co., Ltd., 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	North America	Europe	Other	Total
18,421,653	5,144,915	9,775,551	3,691,922	37,034,042

(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 ¥4,473,780 thousand originating from the United States of America, which represents greater than 10% of net sales recorded on the consolidated statements of income.

(2) Property, plant and equipment

(Thousands of yen)

Japan	North America	Europe	Total
30,635,216	4,571,605	6,785,072	41,991,895

(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 ¥4,571,605 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 ¥6,785,072 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

Information on major customers is omitted since no individual customer accounts for at least 10% of the net sales recorded on the consolidated statements of income.

For the fiscal year ended March 31, 2022

1. Information by product/service

(Thousands of yen)

	Speed reducers	Mechatronic products	Total
Net sales to third parties	47,235,882	9,852,032	57,087,914

(Note) The sales of Winbel Co., Ltd., 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	North America	Europe	Other	Total
31,180,543	6,643,427	13,170,991	6,092,951	57,087,914

- (Notes) 1. Net sales are classified into the countries and geographic areas as shown in the schedule above based on the locations of the customers.
2. The “North America” segment includes net sales of ¥5,783,447 thousand originating from the United States of America, which represents greater than 10% of net sales recorded on the consolidated statements of income.

(2) Property, plant and equipment

(Thousands of yen)

Japan	North America	Europe	Total
33,021,966	4,996,222	5,949,413	43,967,603

- (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 ¥4,996,222 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 ¥5,949,413 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

Information on major customers is omitted since no individual customer accounts for at least 10% of the net sales recorded on the consolidated statements of income.

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

For the fiscal year ended March 31, 2021

Not applicable.

For the fiscal year ended March 31, 2022

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Impairment loss	54,724	–	–	54,724	–	54,724

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

For the fiscal year ended March 31, 2021

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Amortization of goodwill	–	–	–	–	925,175	925,175
Balance of goodwill	–	–	–	–	15,532,775	15,532,775

For the fiscal year ended March 31, 2022

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Amortization of goodwill	–	–	–	–	976,482	976,482
Balance of goodwill	–	–	–	–	15,336,072	15,336,072

[Gain on negative goodwill by reportable segment]

For the fiscal year ended March 31, 2021

Not applicable.

For the fiscal year ended March 31, 2022

Not applicable.

(Per share information)

The basis for the calculation of net assets per share, profit (loss) per share, and diluted earnings per share is as follows.

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
(1) Net assets per share	¥1,068.83	¥1,026.94

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
(2) Profit (loss) per share	¥6.88	¥69.02
(Basis for calculation)		
Profit (loss) attributable to owners of parent recorded on the consolidated statements of income (thousands of yen)	662,495	6,643,893
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit (loss) attributable to owners of parent relating to common shares (thousands of yen)	662,495	6,643,893
Average number of common shares outstanding during the period	96,263,117	96,263,094

(Note) Diluted profit per share for the fiscal year ended March 31, 2022, is not stated, because dilutive shares did not exist.

(Significant subsequent events)

(Stock repurchases)

At a meeting of Board of Directors held on May 13, 2022, the Company authorized repurchase of shares of its common shares conducted pursuant to Article 156 of the Companies Act of Japan (“the Companies Act”), as applied pursuant to Paragraph 3, Article 165 of the Companies Act.

1. Reason for the repurchase

The Company will repurchase its shares, taking its price level into account, so that it can implement flexible capital policies.

2. Status of the repurchase

(1) Class of shares to be repurchased

Common shares

(2) Total number of shares to be repurchased

Up to 2,000,000 shares

Ratio to the number of outstanding shares (excluding treasury shares):2.07%

(3) Aggregate repurchase amount

Up to ¥5,000,000 thousand

(4) Period for repurchase

May 16, 2022 to September 30, 2022

(5) Method of repurchase

Acquisitions on the Tokyo Stock Exchange

5. Other Matters

(1) Status of Production, Orders Received and Sales

a. Production

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

Segment name		Production output (thousands of yen)	YoY change (%)
Japan	Speed reducers	35,948,552	71.4
	Mechatronic products	5,403,105	32.3
North America	Speed reducers	2,663,984	26.8
	Mechatronic products	2,027,639	35.2
Europe	Speed reducers	8,460,901	48.0
	Mechatronic products	2,402,362	25.2
Total		56,906,545	56.8

(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, 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 Winbel Co., Ltd., a subsidiary engaged in the development, manufacturing and sales of magnetic application equipment, are classified, counted and presented as mechatronic products.

b. Orders received

The results of orders received for the fiscal year under review are as follows:

Segment name		Orders received (thousands of yen)	YoY change (%)	Order backlog (thousands of yen)	YoY change (%)
Japan	Speed reducers	59,733,111	154.5	31,420,031	355.0
	Mechatronic products	5,508,923	72.4	2,306,803	387.8
North America	Speed reducers	6,459,332	145.8	4,010,539	296.4
	Mechatronic products	6,837,363	155.3	5,317,564	367.4
Europe	Speed reducers	12,113,037	85.5	5,087,118	97.6
	Mechatronic products	4,171,367	31.5	2,204,030	67.8
Total		94,823,135	127.5	50,346,087	275.3

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

2. The above amounts exclude consumption taxes.

3. The Group's reportable segments are classified on a location basis (Japan, 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 Winbel Co., Ltd., 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 ¥1,974,869 thousand of order cancellations. The cancellations took place during the current fiscal year mainly in the Japan segment.

c. Sales

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

Segment name		Sales volume (thousands of yen)	YoY change (%)
Japan	Speed reducers	33,700,262	75.7
	Mechatronic products	3,573,233	22.0
North America	Speed reducers	3,683,782	22.2
	Mechatronic products	2,959,644	39.0
Europe	Speed reducers	9,851,837	38.4
	Mechatronic products	3,319,154	25.0
Total		57,087,914	54.1

(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	Current fiscal year	
	Sales (thousands of yen)	Ratio (%)
Haneda & Co., Ltd.	5,748,575	10.1

3. The above amounts exclude consumption taxes.

4. The Group's reportable segments are classified on a location basis (Japan, 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 Winbel Co., Ltd., 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 current fiscal year are as follows:

	Europe	North America	Other regions	Total
I Net sales outside Japan (thousands of yen)	13,170,991	6,643,427	6,092,951	25,907,370
II Consolidated net sales (thousands of yen)	–	–	–	57,087,914
III Ratio of net sales outside Japan to consolidated net sales (%)	23.1	11.6	10.7	45.4

(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) Other regions: China, 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.