

Harmonic Drive Systems Inc.

Presentation on Business Results for Fiscal 2012

Fiscal year ended March 31, 2013

May 22, 2013

This presentation contains forward-looking statements relating to expected future performance as of May 22, 2013. 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.

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

Fiscal 2012 Performance Summary

Consolidated results for fiscal year ended March 31, 2013 (versus original forecasts)

(millions of yen)

	Forecasts (as of Nov. 13, 2012)		FY ended Mar. 31, 2013		Vs. original forecasts	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	18,500	100.0	18,130	100.0	▲369	▲2.0
Operating profit	3,520	19.0	3,436	19.0	▲83	▲2.4
Ordinary income	3,530	19.1	3,576	19.7	46	1.3
Net income	1,980	10.7	1,960	10.8	▲19	▲1.0
EPS (yen)	64.85	—	64.22	—	▲0.63	▲1.0

Consolidated results for fiscal year ended March 31, 2013 (year-on-year change)

(millions of yen)

	FY ended Mar. 31, 2012		FY ended Mar. 31, 2013		Year-on-year change	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	20,159	100.0	18,130	100.0	▲2,028	▲10.1
Operating profit	4,333	21.5	3,436	19.0	▲897	▲20.7
Ordinary income	4,398	21.8	3,576	19.7	▲822	▲18.7
Net income	2,139	10.6	1,960	10.8	▲178	▲8.4
EPS (yen)	70.08	—	64.22	—	▲5.86	▲8.4
Capital investment	1,762	—	1,377	—	▲384	▲21.8
Depreciation costs	1,011	—	1,119	—	108	10.7
R&D costs	1,240	—	1,146	—	▲94	▲7.6

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, 2013

(millions of yen)

	Equity stake	Net sales		Net income	
		Amount	Year-on-year change (%)	Amount	Year-on-year change (%)
Harmonic Drive Systems Inc.	—	16,159	▲10.6	1,894	▲14.4
*1 HD Systems, Inc. (Harmonic Drive L.L.C.) (U.S.A)	100% (51%)	2,768	▲8.6	107	▲29.2
Harmonic AD, Inc.	100%	1,726	▲14.9	41	▲39.7
*2 Harmonic Drive AG (Germany)	35%	6,348	▲18.0	945	10.7

*1 Exchange rates: FY2012 1US\$ = 79.84 yen, FY2013 1US\$ = 79.82 yen

*2 Exchange rates: FY2012 1€ = 111.12 yen, FY2013 1€ = 102.63 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.

Non-consolidated results for fiscal year ended March 31, 2013 (year-on-year change)

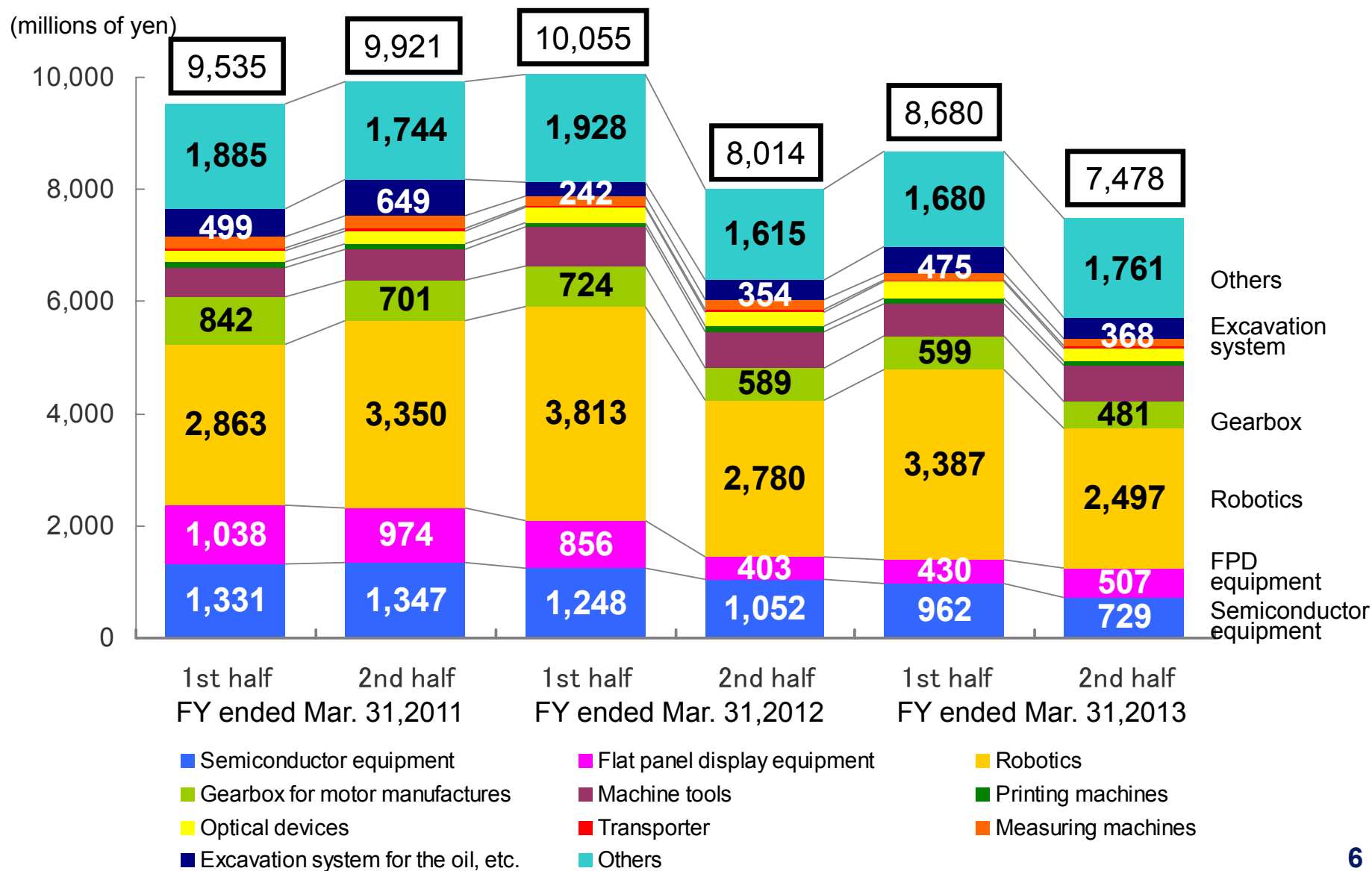
(millions of yen)

	FY ended Mar. 31, 2012		FY ended Mar. 31, 2013		Year-on-year change	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	18,069	100.0	16,159	100.0	▲1,910	▲10.6
Operating profit	3,576	19.8	2,955	18.3	▲621	▲17.4
Ordinary income	3,979	22.0	3,173	19.6	▲806	▲20.3
Net income	2,213	12.2	1,894	11.7	▲319	▲14.4
EPS (yen)	72.49	—	62.04	—	▲10.45	▲14.4
Capital investment	1,139	—	803	—	▲335	▲29.5
Depreciation costs	713	—	711	—	▲2	▲0.3
R&D costs	1,219	—	1,129	—	▲89	▲7.3

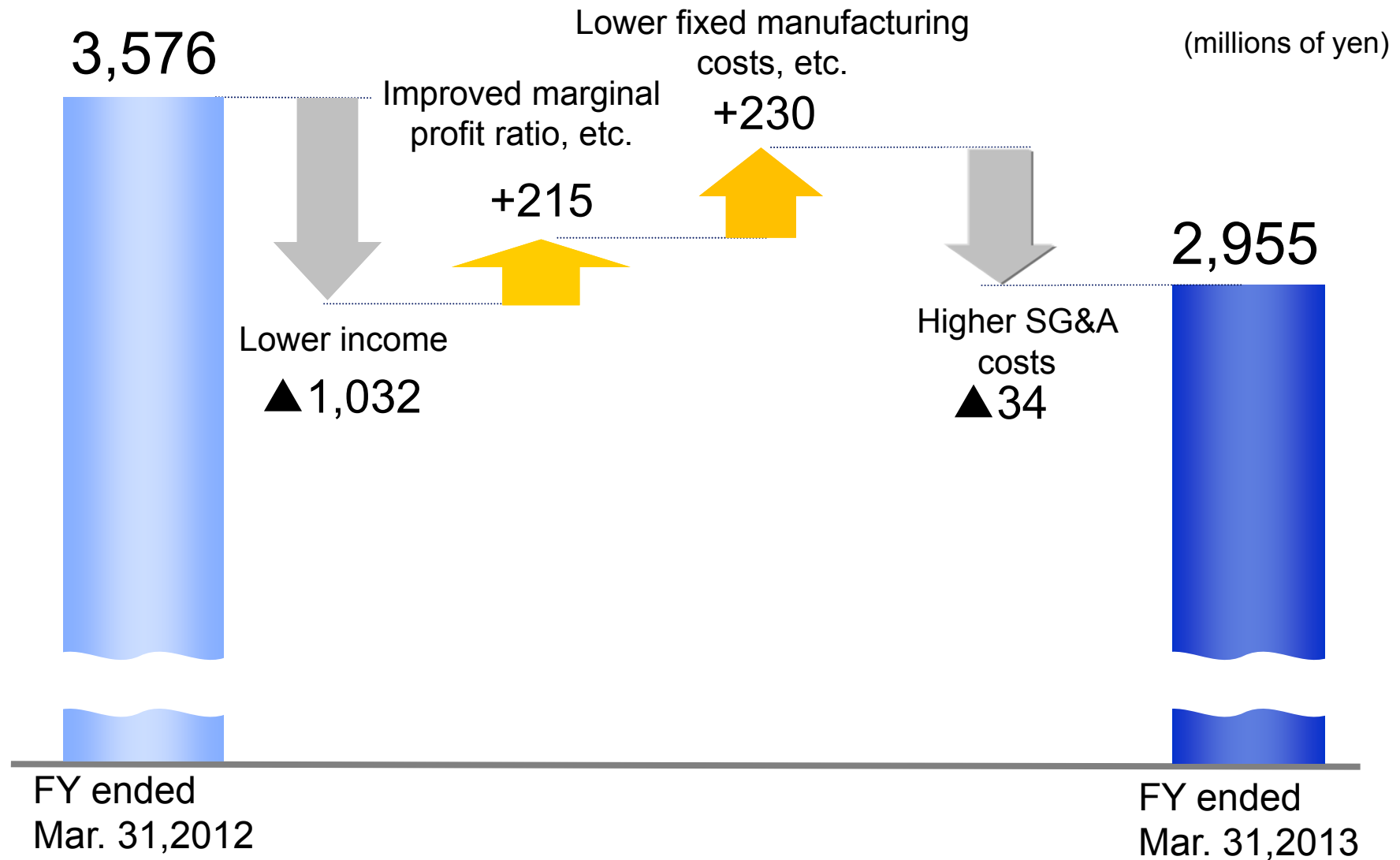
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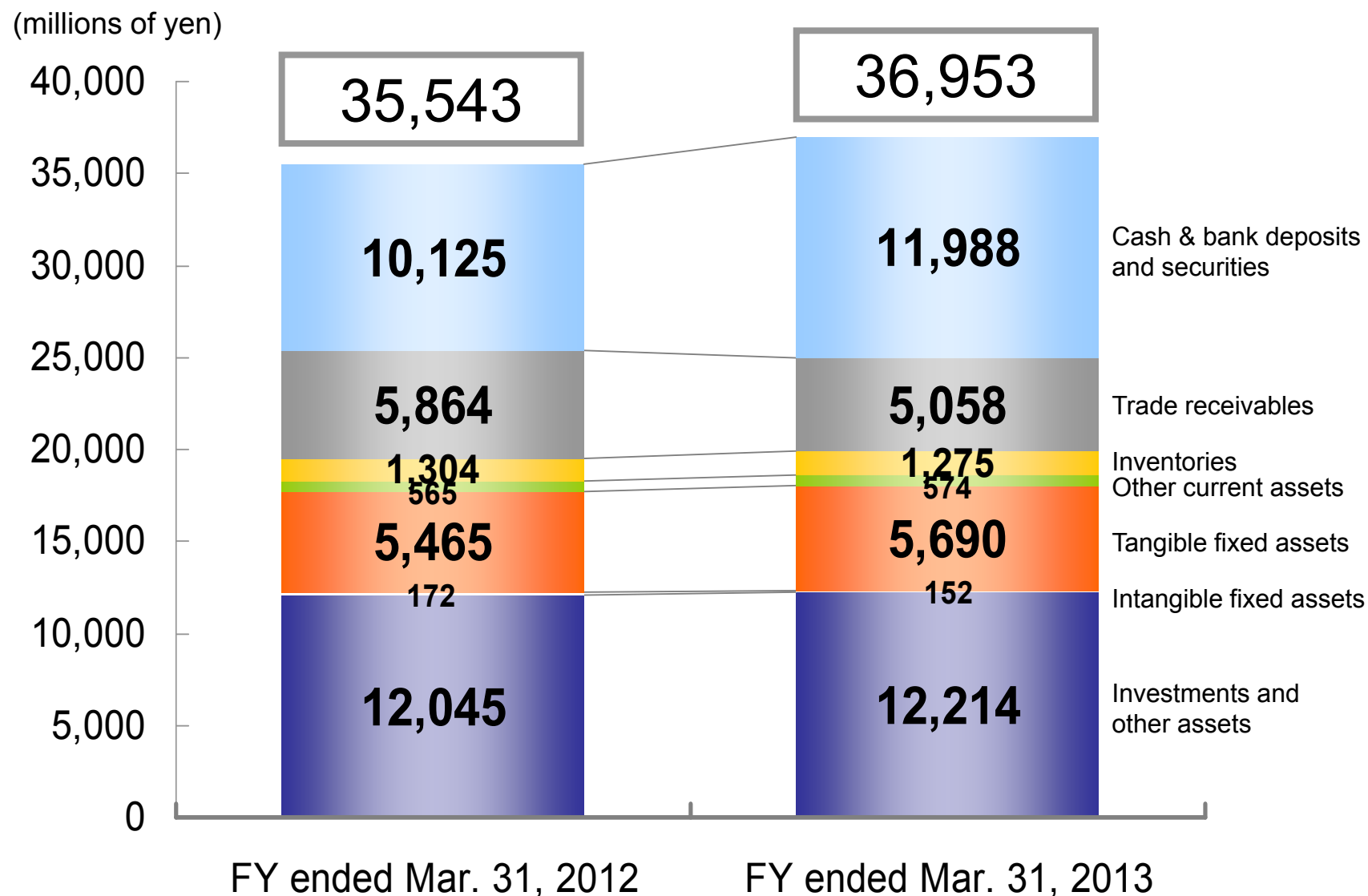
Net sales by application (non-consolidated)



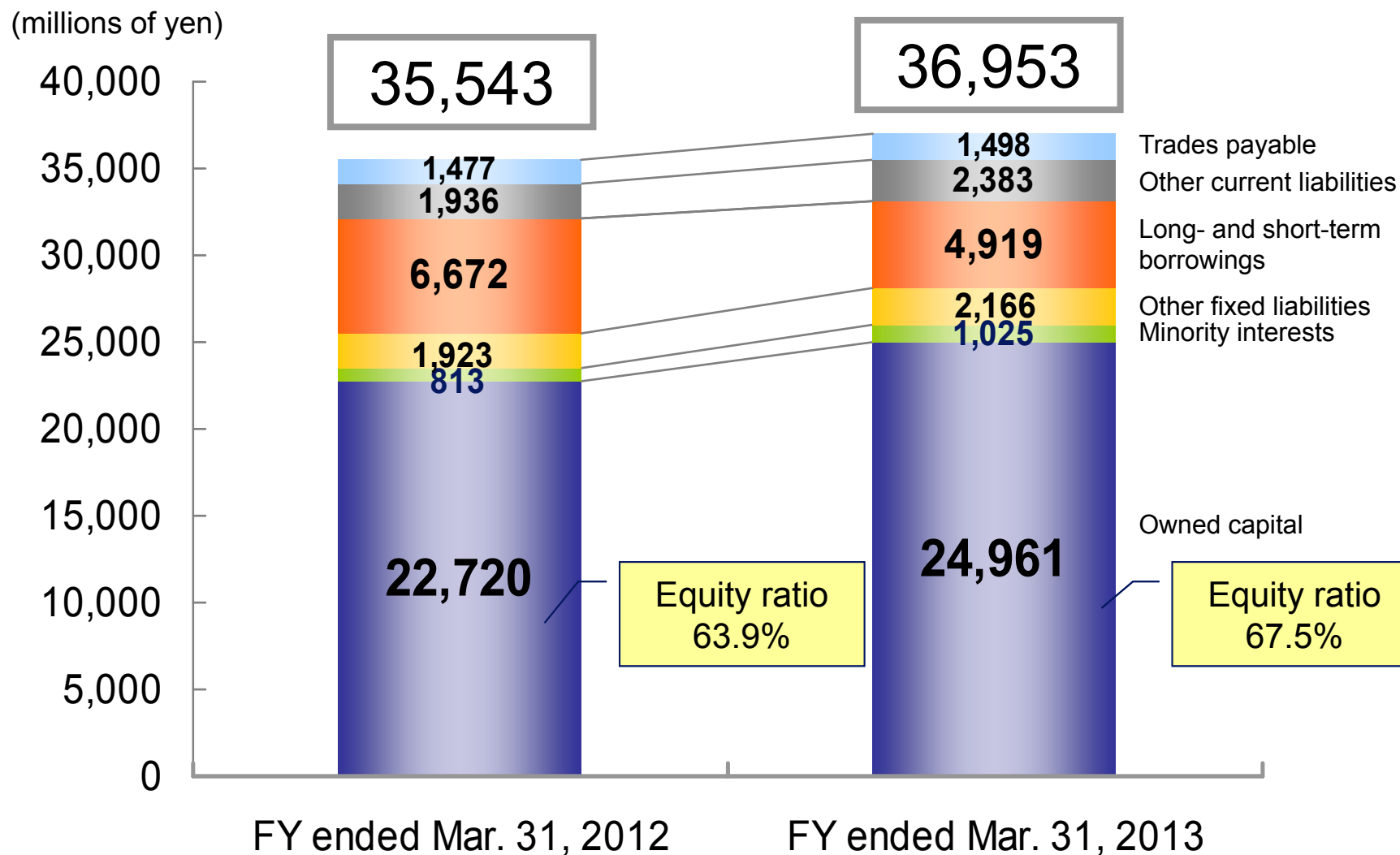
Factors in year-on-year change in non-consolidated operating profit (fiscal 2012)



Status of consolidated assets



Status of consolidated liabilities and net assets



Status of consolidated cash flows

(millions of yen)	FY ended Mar. 31,2012	FY ended Mar. 31,2013
Cash flow from operating activities	2,476	4,700
Cash flow from investing activities	▲5,909	3,271
Cash flow from financing activities	3,295	▲2,545
Effect of exchange rate changes on cash and cash equivalents	▲33	107
Net increase (decrease) in cash and cash equivalents	▲170	5,533
Cash and cash equivalents at end of year	4,180	9,713

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Fiscal 2013 Performance Forecast

Consolidated performance forecast for fiscal 2013

(millions of yen)

	FY ended Mar. 31, 2013		Forecasts FY ended Mar. 31, 2014		Year-on-year change	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	18,130	100.0	21,000	100.0	2,869	15.8
Operating profit	3,436	19.0	4,700	22.4	1,263	36.8
Ordinary income	3,576	19.7	4,930	23.5	1,353	37.9
Net income	1,960	10.8	2,900	13.8	939	47.9
EPS (yen)	64.22	—	94.98	—	30.76	47.9
Capital investment	1,377	—	1,100	—	▲277	▲20.2
Depreciation costs	1,119	—	1,130	—	10	0.9
R&D costs	1,146	—	1,200	—	53	4.7

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

Assumed exchange rate for FY ended Mar. 31, 2014 forecasts 1US\$ = ¥90.00 1€ = ¥125.00

Fiscal 2013 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.	—	18,800	16.3	2,670	41.0
※1 HD Systems, Inc. (Harmonic Drive L.L.C.) (U.S.A)	100% (51%)	3,000	8.3	110	1.9
Harmonic AD, Inc.	100%	2,120	22.8	65	58.1
※2 Harmonic Drive AG (Germany)	35%	7,700	21.3	1,180	24.9

*1 Exchange rates: FY2013 1US\$ = 79.82 yen, FY2014 forecasts 1US\$ = 90.00yen

*2 Exchange rates: FY2013 1€ = 102.63 yen, FY2014 forecasts 1€ = 125.00 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.

Non-consolidated performance forecast for fiscal 2013

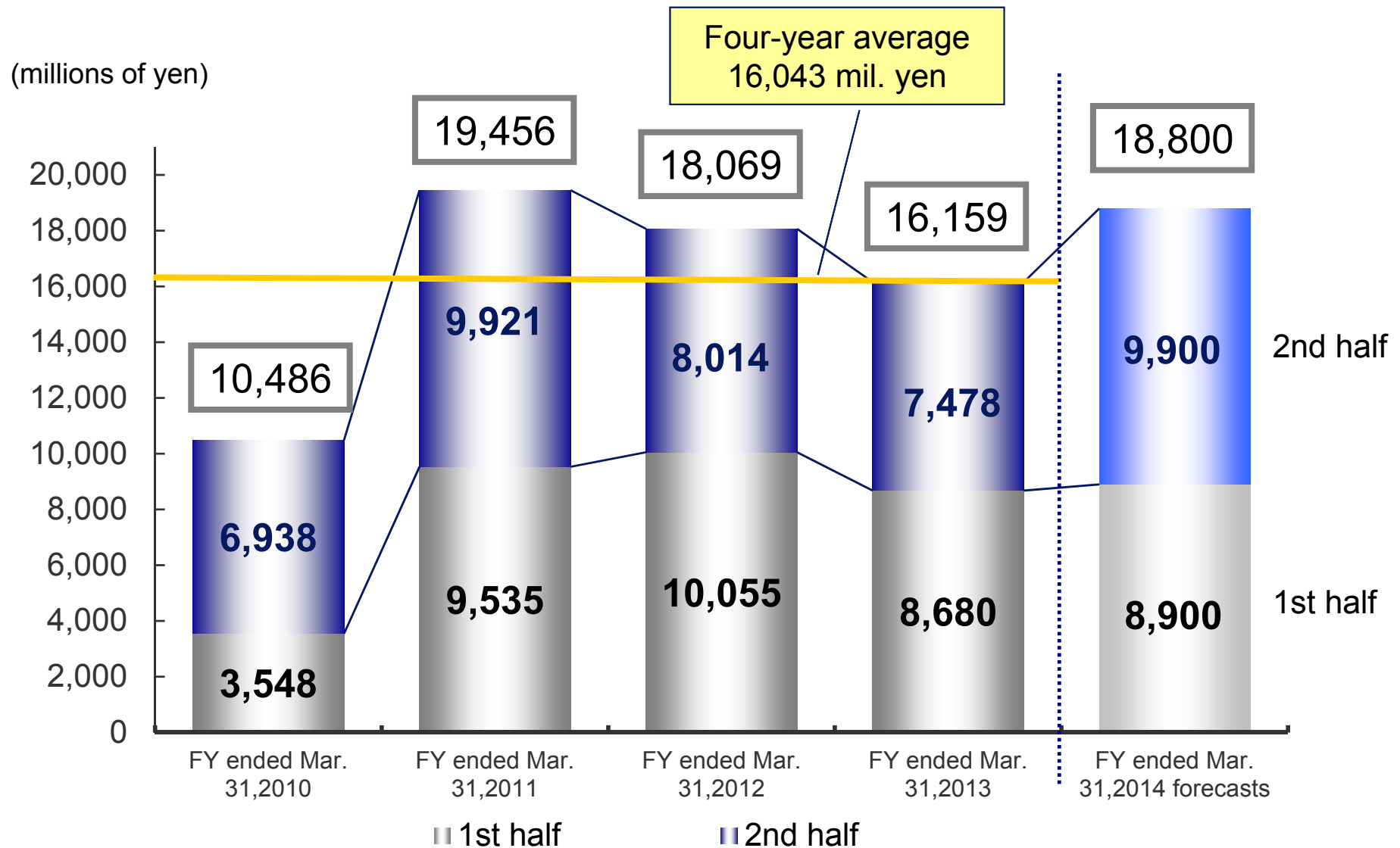
(millions of yen)

	FY ended Mar. 31, 2013		Forecasts FY ended Mar. 31, 2014		Year-on-year change	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	16,159	100.0	18,800	100.0	2,640	16.3
Operating profit	2,955	18.3	4,150	22.1	1,194	40.4
Ordinary income	3,173	19.6	4,350	23.1	1,176	37.1
Net income	1,894	11.8	2,670	14.2	775	41.0
EPS (yen)	62.04	—	87.45	—	25.41	41.0
Capital investment	803	—	650	—	▲153	▲19.1
Depreciation costs	711	—	730	—	18	2.5
R&D costs	1,129	—	1,180	—	50	4.4

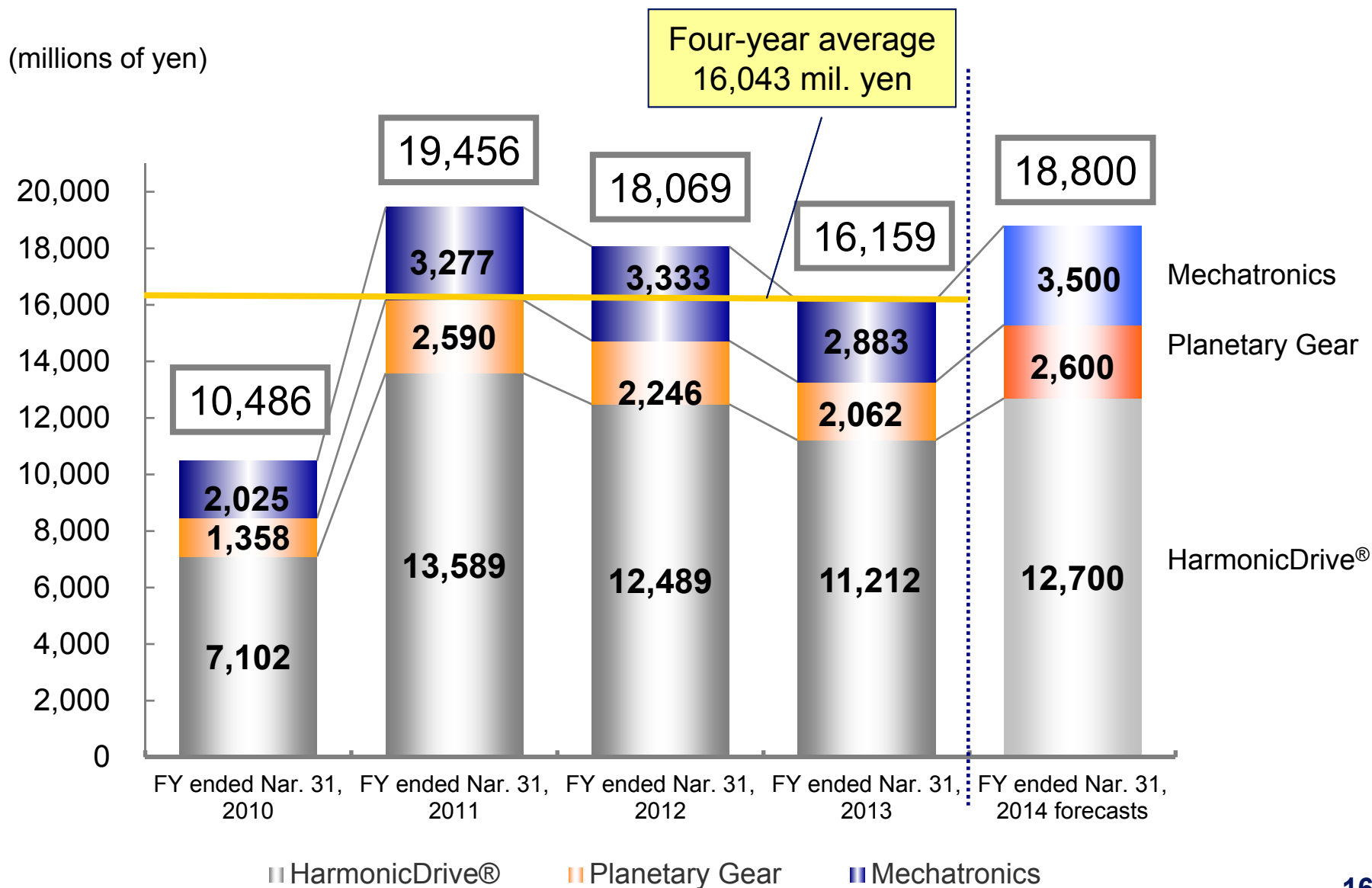
Capital investment amounts are the amounts of tangible and intangible fixed assets acquired in the term.

Assumed exchange rate for FY ended Mar. 31, 2014 forecasts 1US\$ = ¥90.00 1€ = ¥125.00

Sales trend line (non-consolidated)

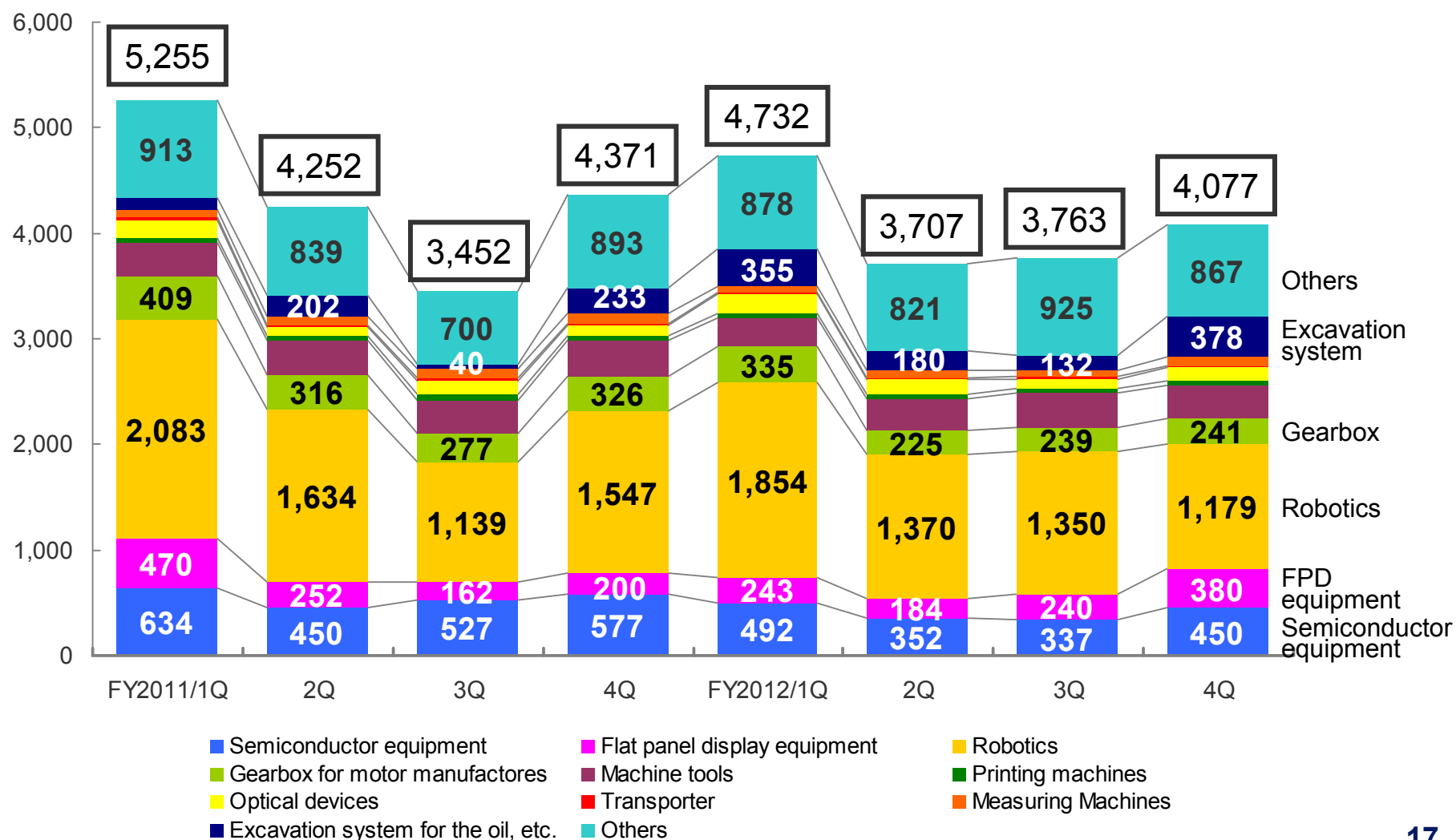


Sales trend line by product (non-consolidated)

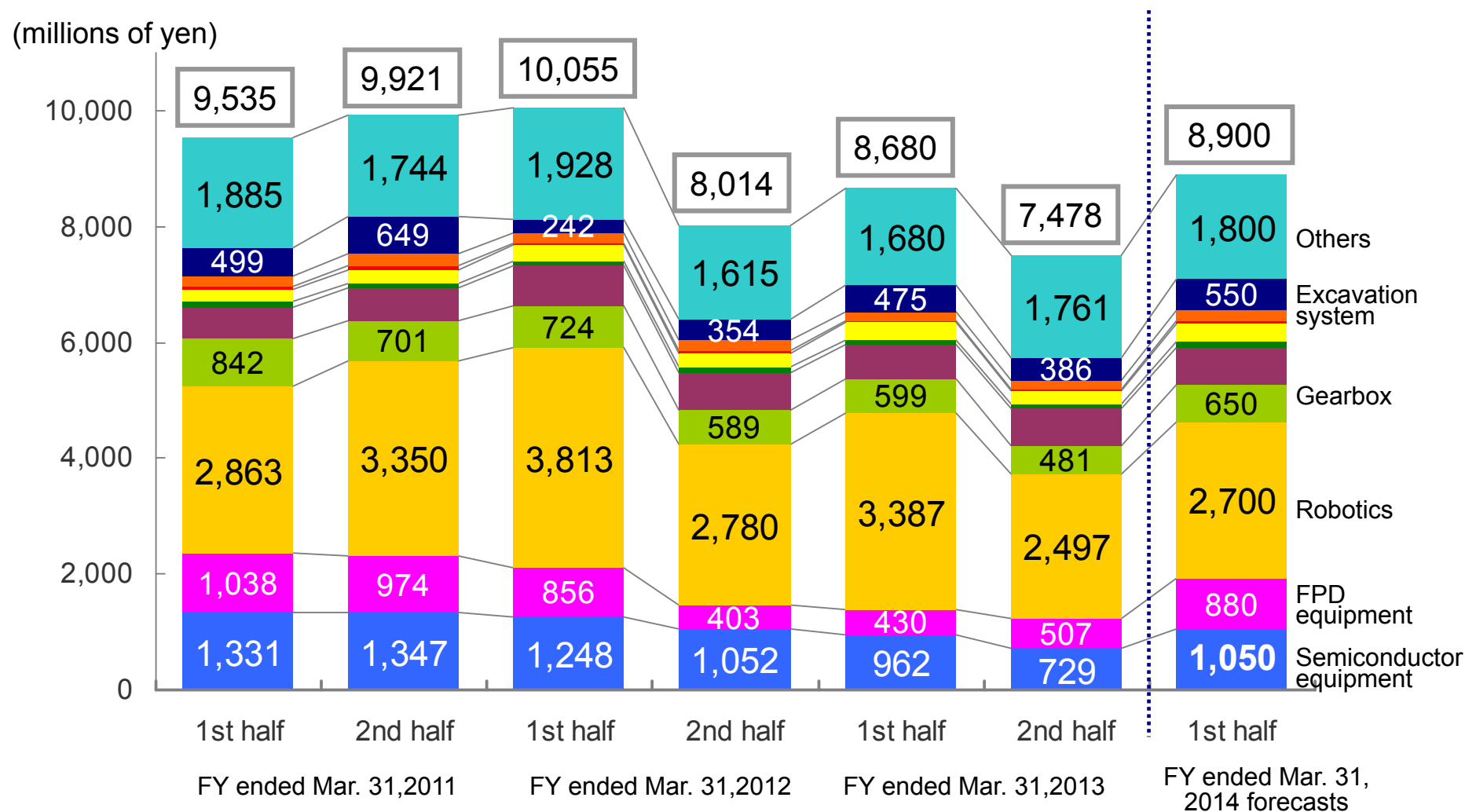


Non-consolidated bookings by application (quarterly)

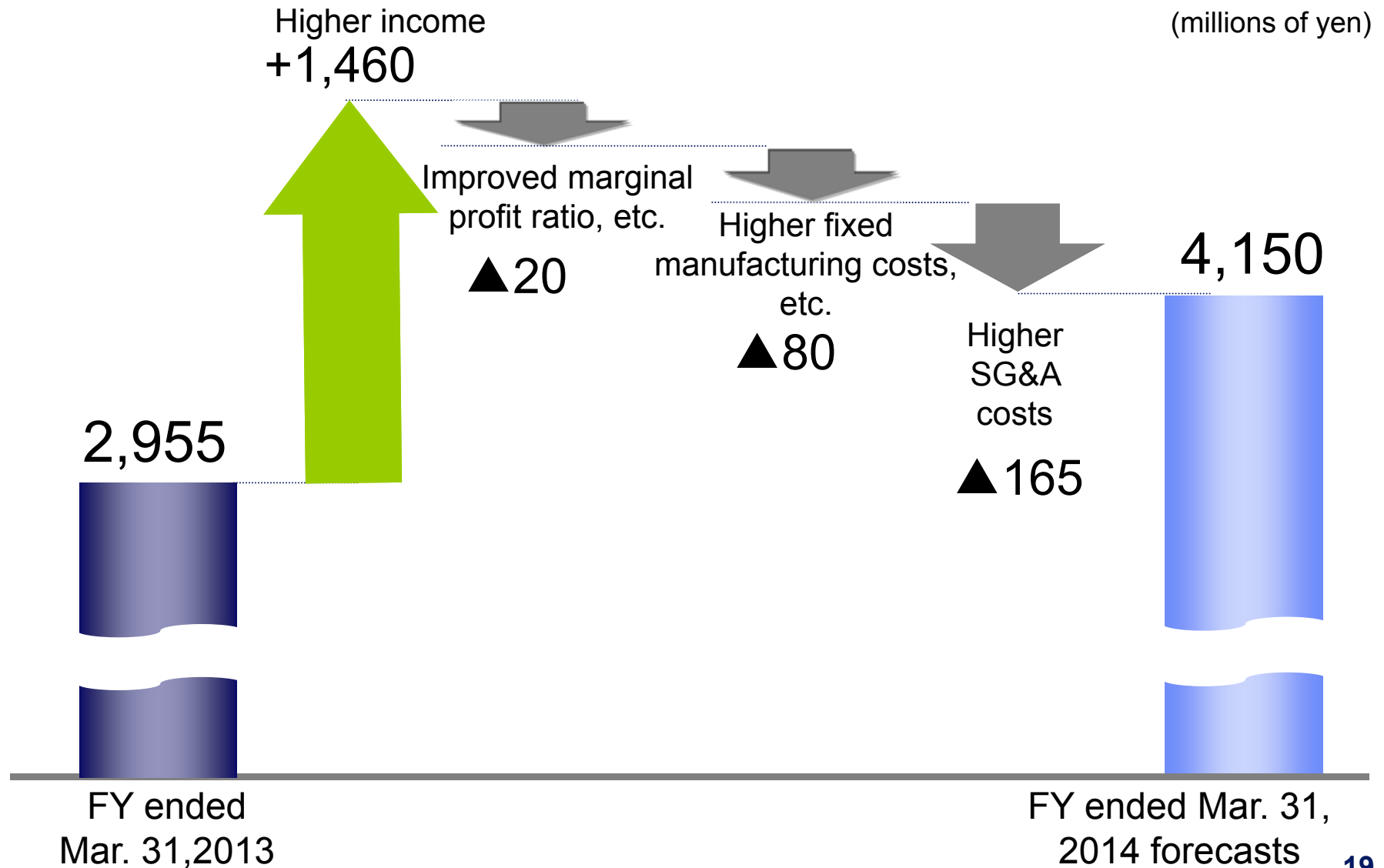
(millions of yen)



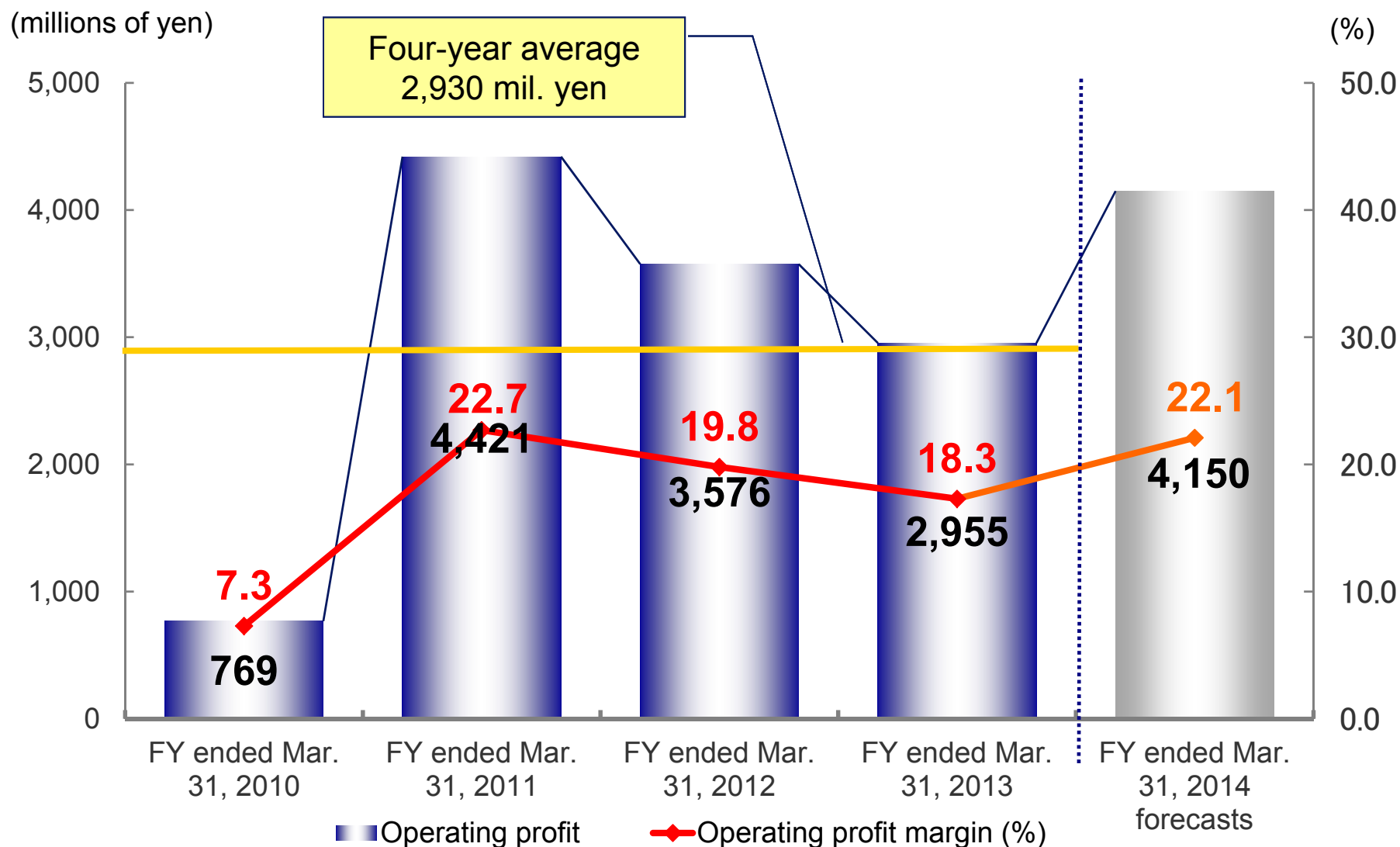
Non-consolidated bookings by application (by half-year)



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



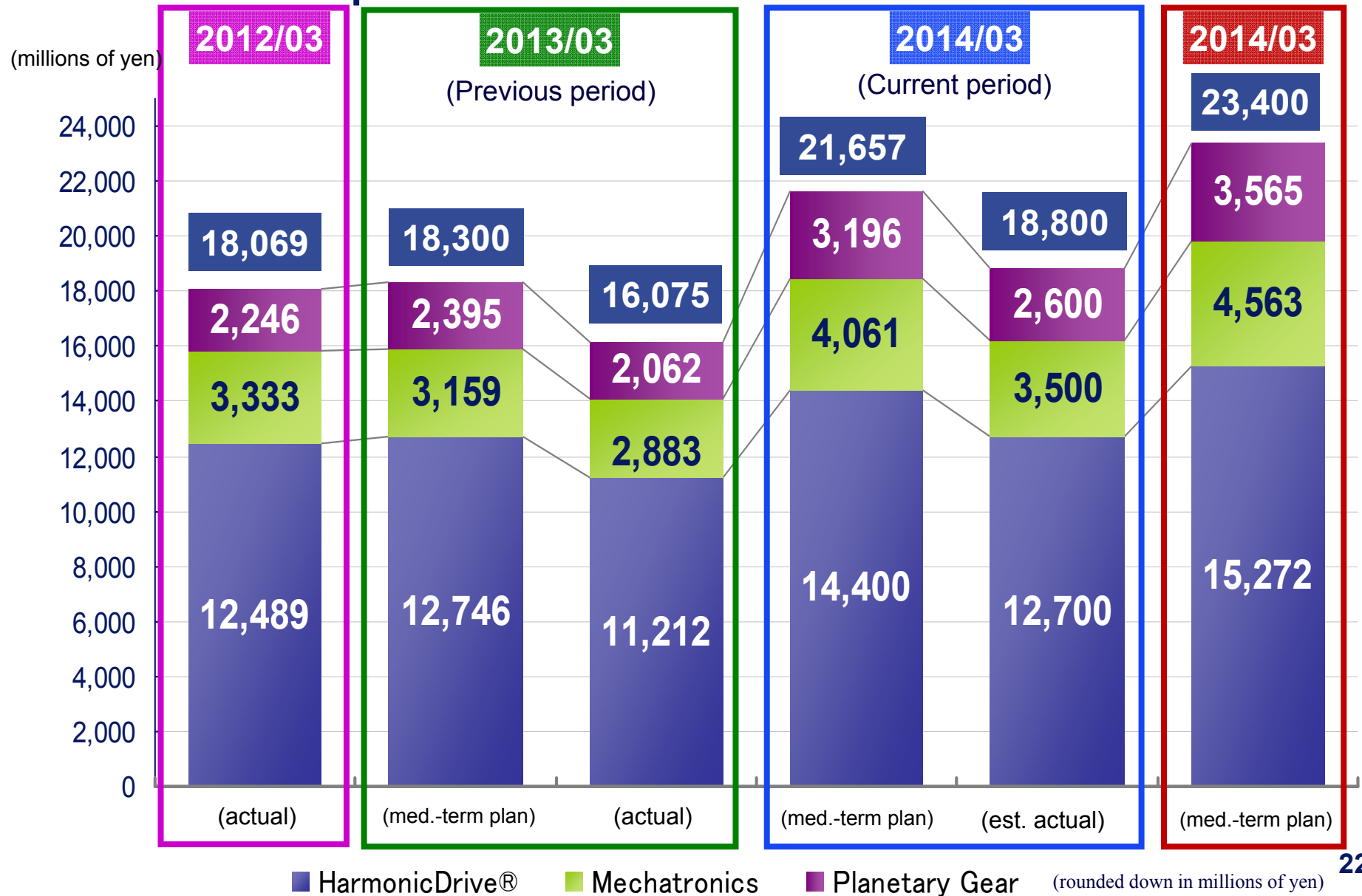
Trends in operation profit (non-consolidated)





Future Outlook

Situation after initial year of medium-term business plan



Factors in shortfall from initial year targets

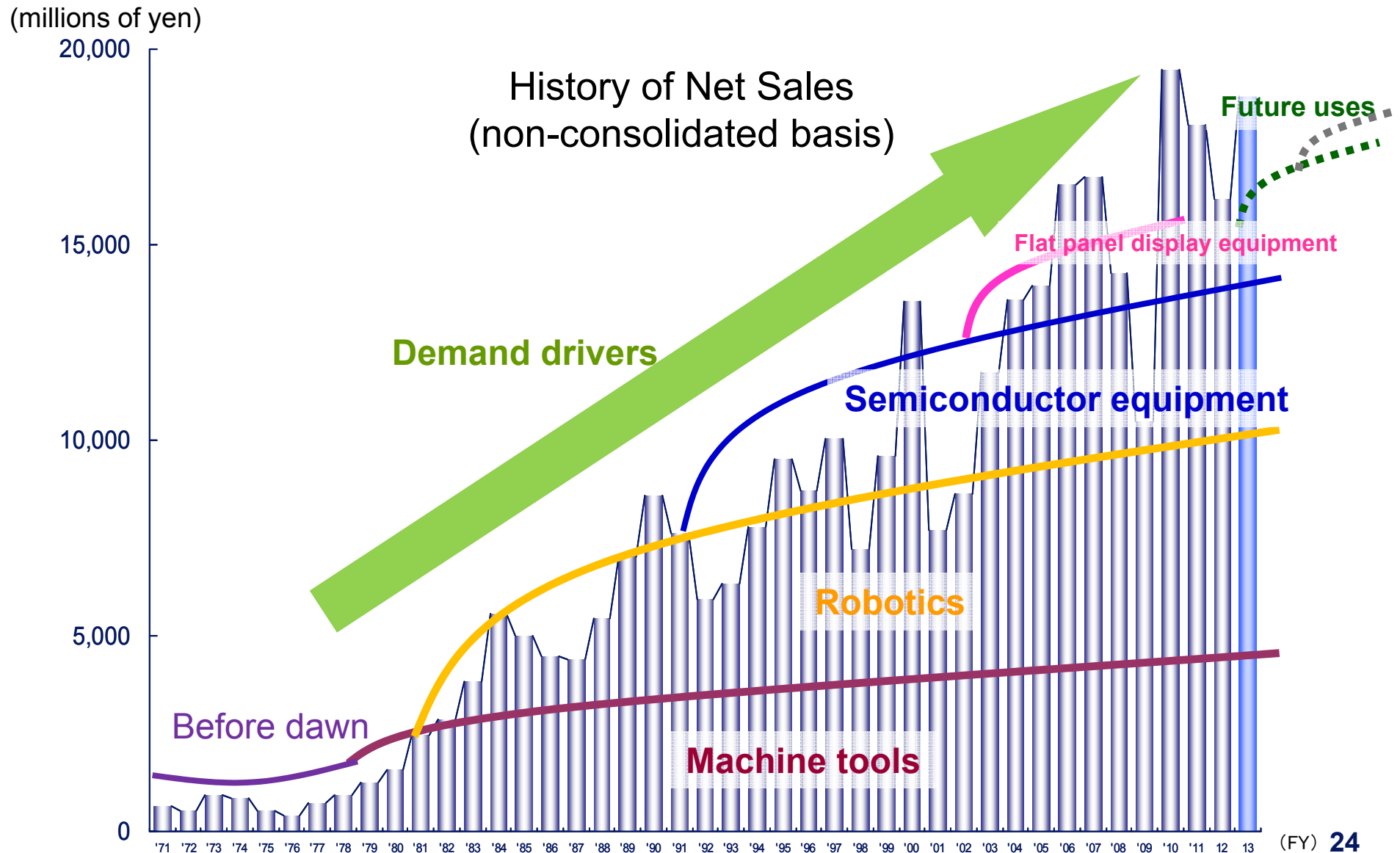
External

1. Slow growth of emerging economies
2. Ripple effects of financial uncertainty in European market
3. Changing consumption patterns in Japanese economy

Internal

Slowness in product and market development over past several years

Dips in demand cycle



Basic approach in medium-term business plan

Keys to medium-term growth


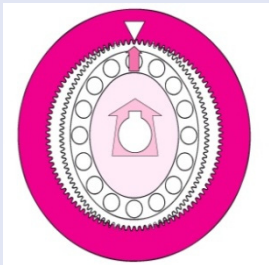


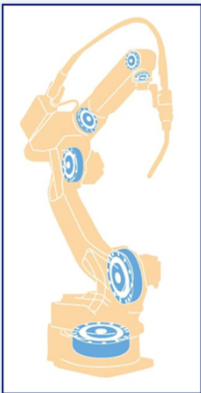
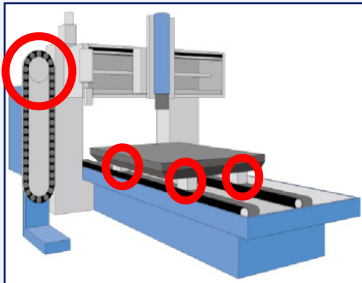
1. Management giving top priority to quality and safety
2. Strengthening of core technologies
3. Wider choice of product variations
4. Stepped up sales expansion in Asia

Basic approach unchanged from when plan was first drawn up

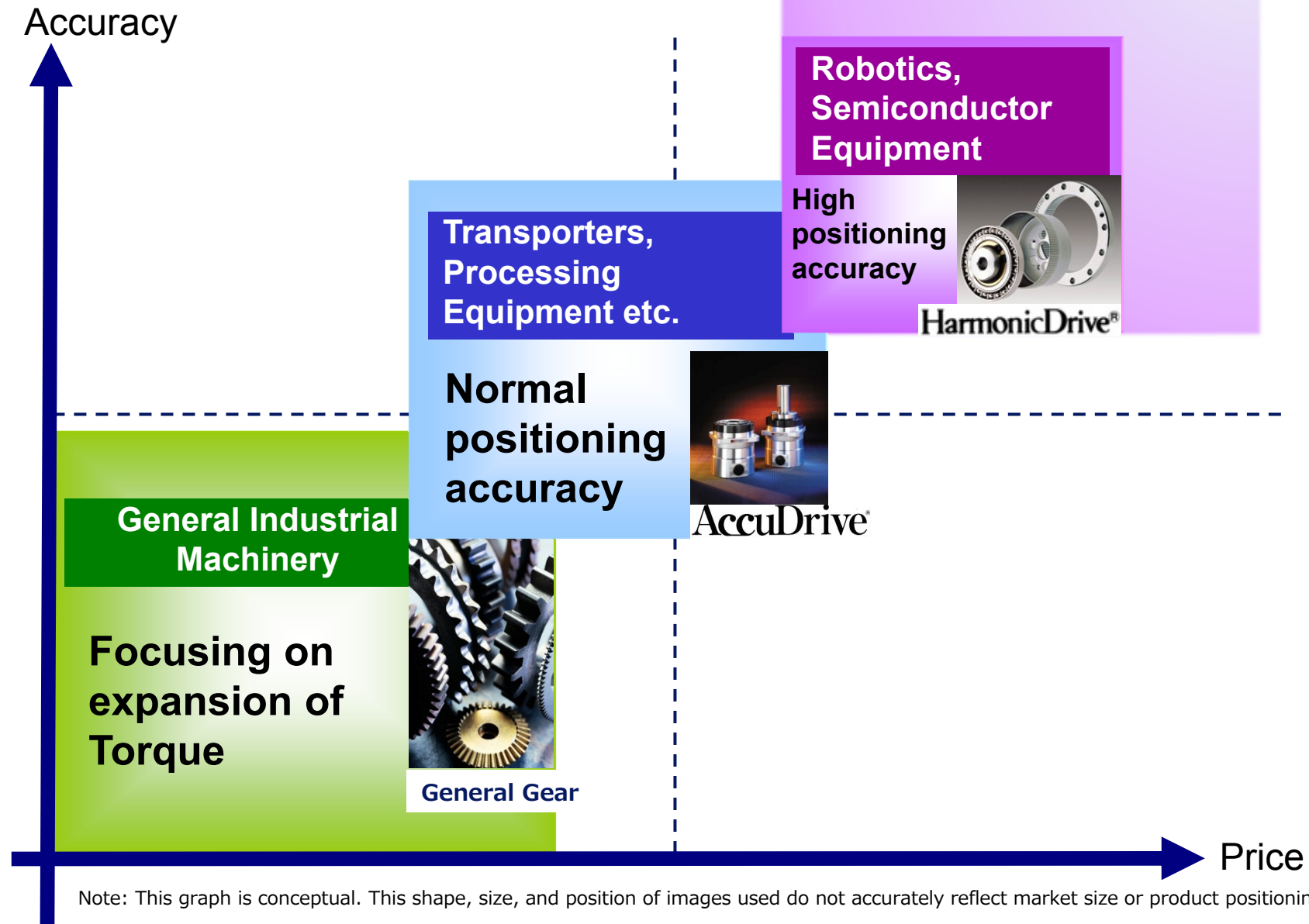
Priority measures for meeting goals of medium-term plan

1. Further expansion of markets for precision planetary gear speed reducers
2. Market cultivation by means of new products
3. Stepped up sales expansion in Asian markets

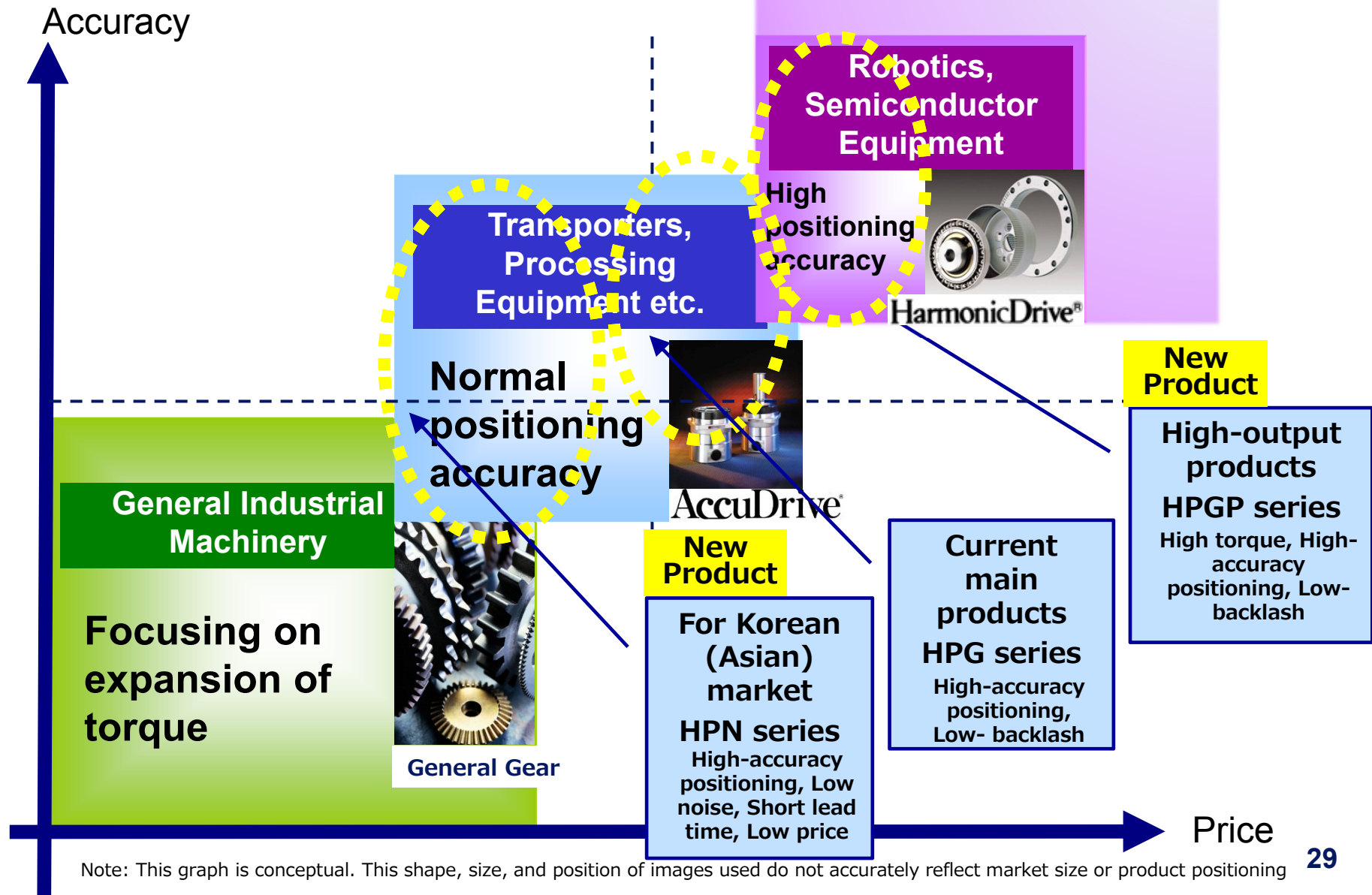
How strain wave and planetary gears differ

	Strain wave gearing	Planetary gear
Brands made by HDS Group	HarmonicDrive®  	AccuDrive® HarmonicPlanetary®  
Reduction Ratio	1/30 ~ 1/320	1/3 ~ 1/45
Backlash	Zero Backlash	Low Backlash
Main application	Robotics Joint drive 	Machine tools Automatic tool changer Table drive 
Required specifications	• Many special specifications	• Mostly standard specifications

Target segment image i



Target segment image ii



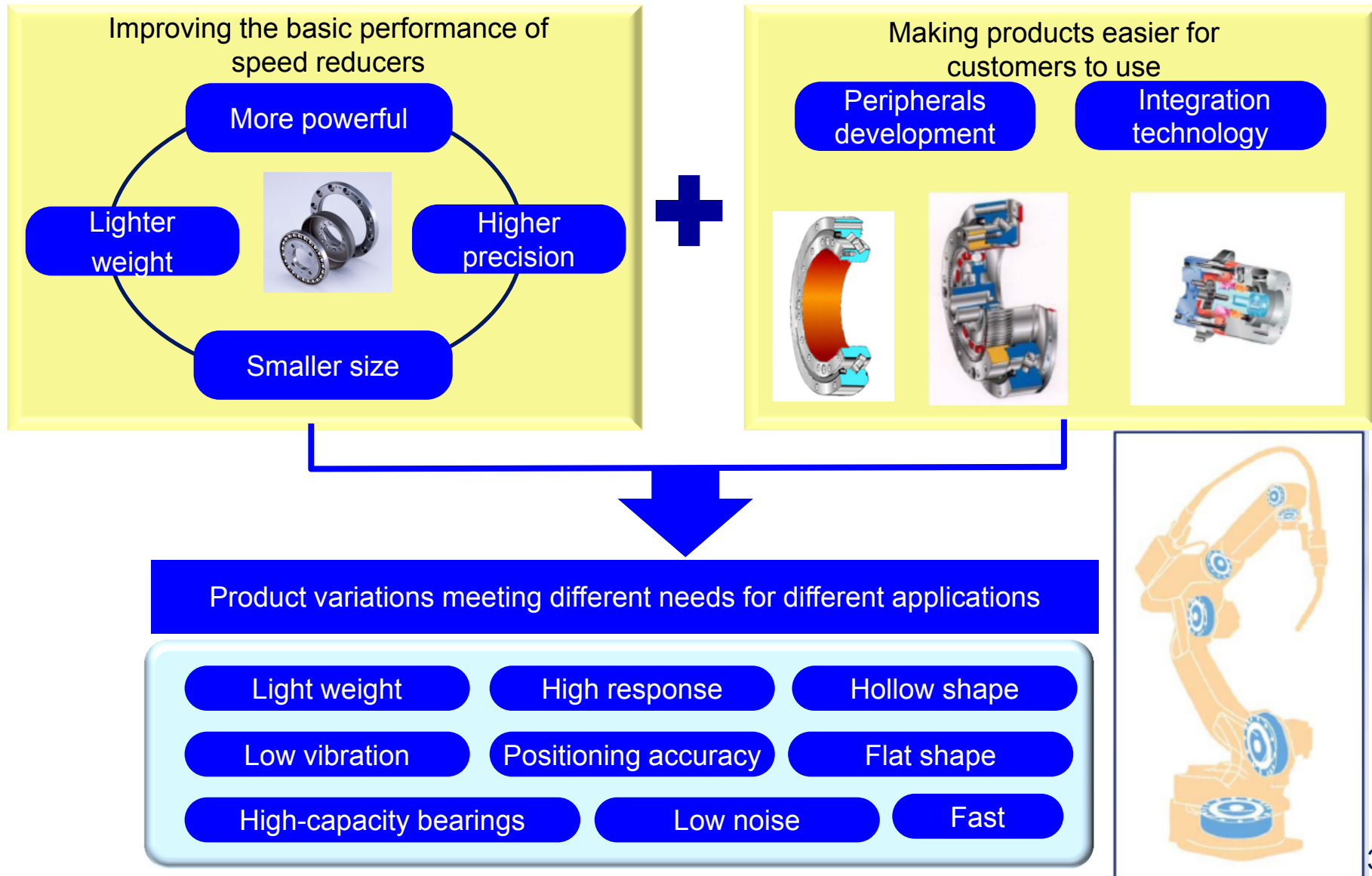
South Korean joint venture company established

SAMICK ADM CO., LTD.

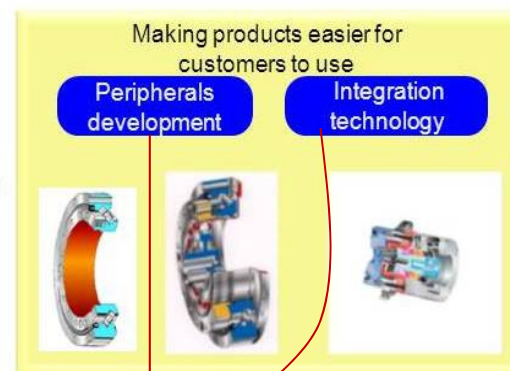
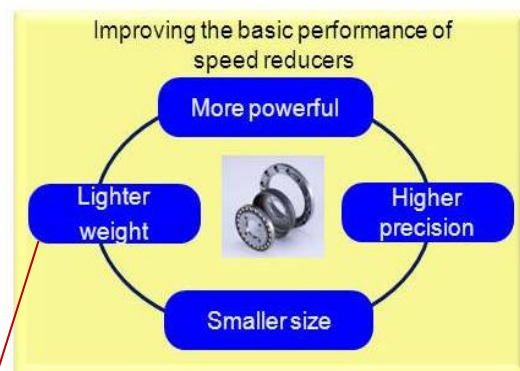
Head Office	Daegu Metropolitan City, S. Korea
Founded	February 20, 2013
Capital	3 billion won
Equity shares	HDSI: 51.0% SAMICK HDS: 49.0%
Employees	11 (24 projected by 2015)
Plant floor area	2,460m ²
Business domain	Production of high-precision planetary reducers
Target net sales	Approx. 1.5 billion yen (2015)



Core technology and wider choice of product variations



Expansion of product variations



New product

[HarmonicDrive®]

Place lightweight unitary type products on the market



New product

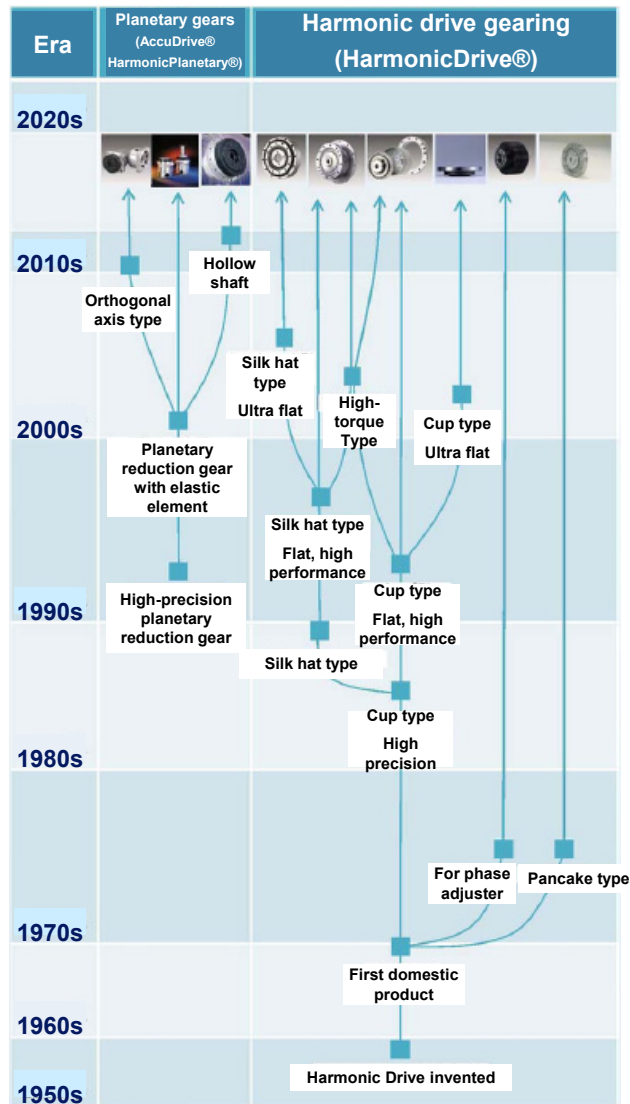
[Mechatronics]

Add AC servo actuator models, expand options

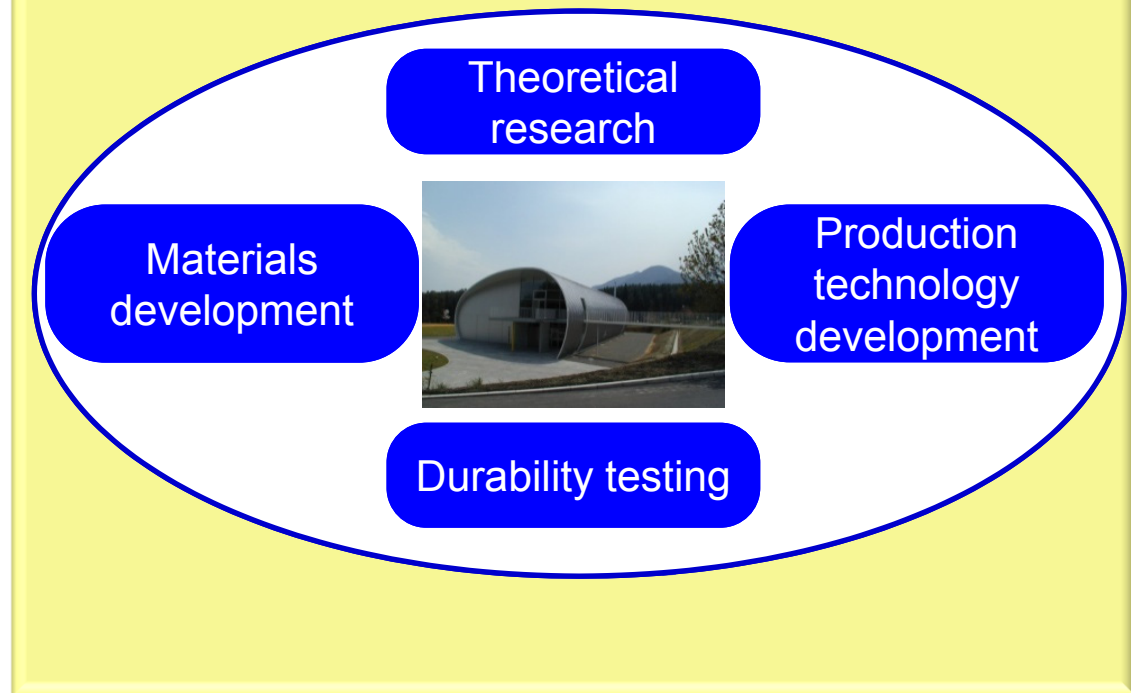


A never-ending upward spiral of technology and skills

■ HDS and speed reducers over the years



Steady R&D and building up skills



Stepped up sales expansion in Asia

China

Sales expansion mainly through sales subsidiaries (also use of sales agents)

- New product sales expansion
- Technology services
- Marketing

Focus markets:

- Industrial robots
- Machine tools
- Semiconductor manufacturing equipment

South Korea

Sales expansion using tech-savvy sales agents

- New product sales expansion
- Customized product orders

Focus markets:

- Machine tools
- Semiconductor manufacturing equipment
- FPD manufacturing equipment

Taiwan

Use of machine parts trading firm for sales expansion

- New product sales expansion

Focus markets:

- Machine tools
- FPD manufacturing equipment

Singapore

Use of machine parts trading firm for sales expansion

- New product sales expansion

Focus markets:

- Machine tools
- FPD manufacturing equipment



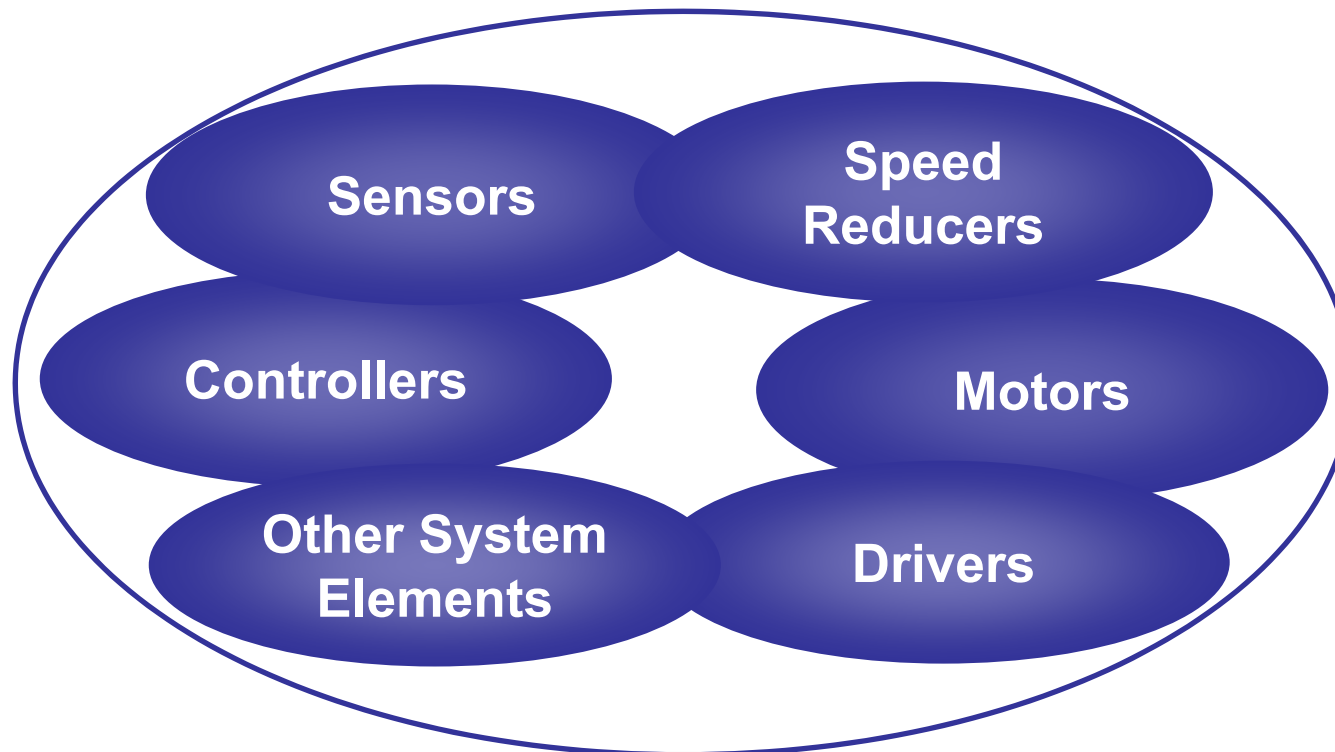
Total Motion Control

Business
domain



Providing the value of Total Motion Control
in precision control fields

Schematic Concept of Total Motion Control



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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