

Harmonic Drive Systems Inc.

Presentation on Business Results for Fiscal 2014

Fiscal year ended March 31, 2015

May 19, 2015

This presentation contains forward-looking statements relating to expected future performance as of May 19, 2015. 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 text is centered and surrounded by several overlapping, hand-drawn style blue loops that create a dynamic, swirling effect.

Fiscal 2014 Performance Summary

Consolidated results for fiscal year ended March 31, 2015 (versus original forecasts)

(millions of yen)

	Forecasts (announced Nov. 12, 2014)		FY ended Mar. 31, 2015		Vs. original forecasts	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	26,000	100.0	25,951	100.0	▲48	▲0.2
Operating profit	7,350	28.3	7,066	27.2	▲283	▲3.9
Ordinary income	7,730	29.7	7,525	29.0	▲204	▲2.6
Net income	4,900	18.8	4,833	18.6	▲66	▲1.4
EPS (yen)	53.50	—	52.77	—	▲0.73	▲1.4

EPS has been adjusted for the 3-for-1 stock split carried out on October 1, 2014 retroactively.

Consolidated results for fiscal year ended March 31, 2015 (year-on-year change)

(millions of yen)

	FY ended Mar. 31, 2014		FY ended Mar. 31, 2015		Year-on-year change	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	21,083	100.0	25,951	100.0	4,867	23.1
Operating profit	4,668	22.1	7,066	27.2	2,398	51.4
Ordinary income	4,822	22.9	7,525	29.0	2,702	56.0
Net income	2,993	14.2	4,833	18.6	1,839	61.5
EPS (yen)	32.68	—	52.77	—	20.09	61.5
Capital investment	1,304	—	2,475	—	1,171	89.8
Depreciation costs	1,170	—	1,305	—	134	11.5
R&D costs	1,235	—	1,309	—	74	6.0

EPS has been adjusted for the 3-for-1 stock split carried out on October 1, 2014 retroactively.

Performance of main group companies in fiscal year ended March 31, 2015

(millions of yen)

	Equity stake	Net sales		Net income	
		Amount	Year-on-year change (%)	Amount	Year-on-year change (%)
Harmonic Drive Systems Inc.	—	23,029	23.9	4,063	45.5
*1 HD Systems, Inc. (Harmonic Drive L.L.C.) (U.S.A)	100% (51%)	3,417	7.3	128	▲1.7
Harmonic AD, Inc.	100%	2,102	11.4	97	77.2
*2 Harmonic Drive AG (Germany)	36.8%	10,030	28.1	1,437	57.2

*1 Exchange rates: FY2013 1US\$ = 97.65yen, FY2014 1US\$ = 105.85yen

*2 Exchange rates: FY2013 1€ = 129.68yen, FY2014 1€ = 140.42yen

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

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

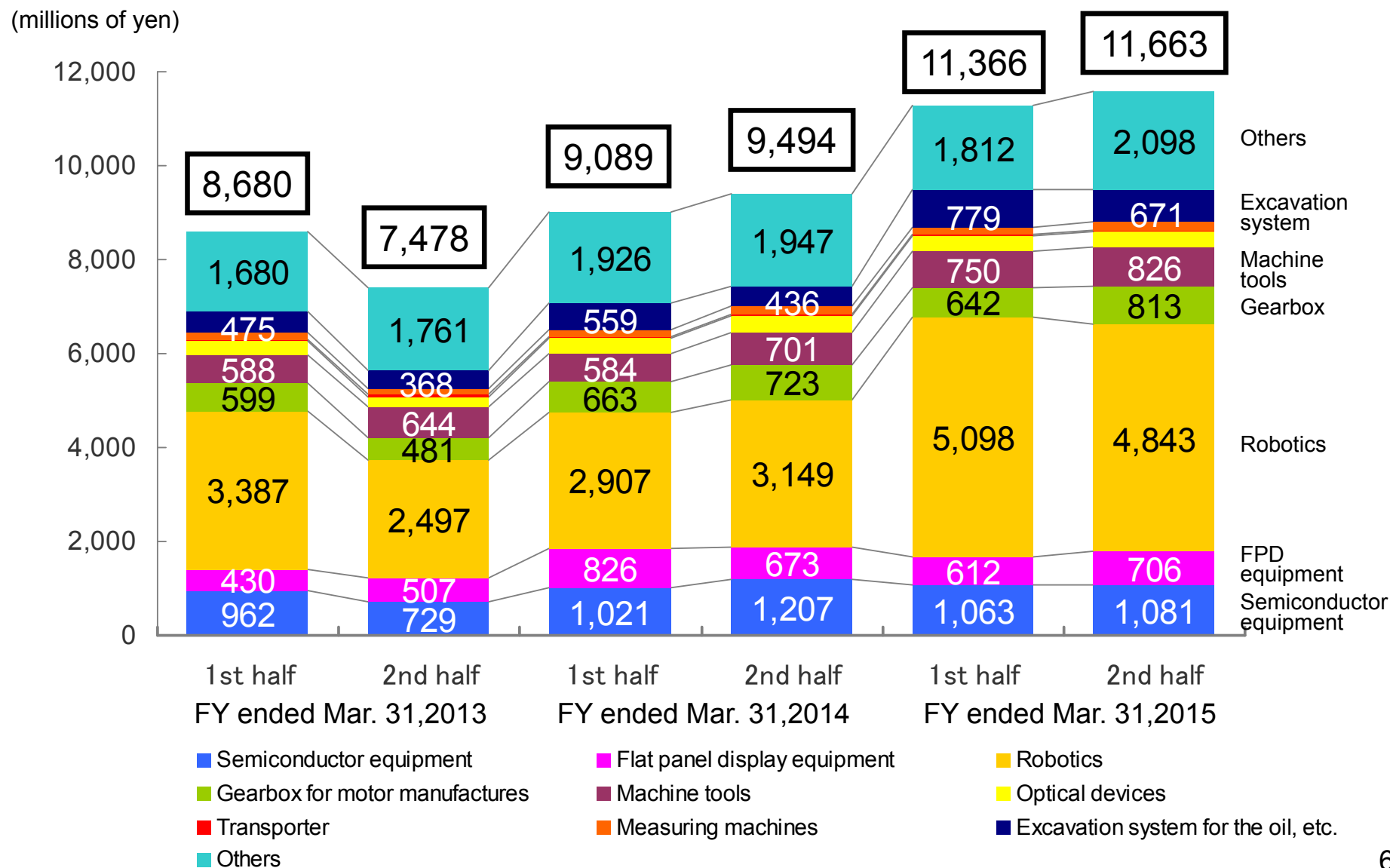
Non-consolidated results for fiscal year ended March 31, 2015 (year-on-year change)

(millions of yen)

	FY ended Mar. 31, 2014		FY ended Mar. 31, 2015		Year-on-year change	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	18,584	100.0	23,029	100.0	4,445	23.9
Operating profit	4,180	22.5	5,975	25.9	1,794	42.9
Ordinary income	4,375	23.5	6,340	27.5	1,964	44.9
Net income	2,792	15.0	4,063	17.6	1,271	45.5
EPS (yen)	30.49	—	44.37	—	13.88	45.5
Capital investment	617	—	1,456	—	839	136.1
Depreciation costs	712	—	756	—	44	6.2
R&D costs	1,224	—	1,296	—	72	5.9

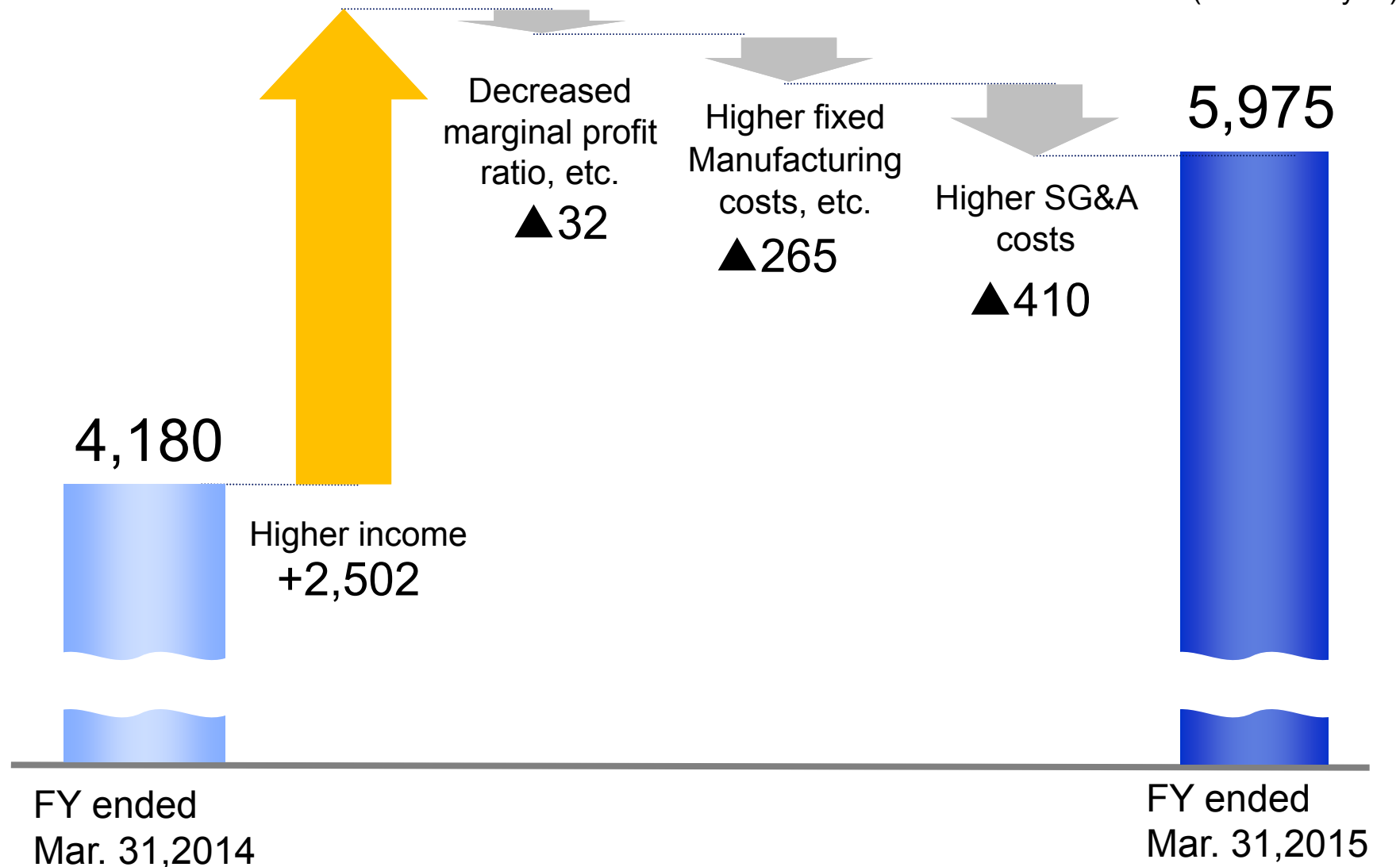
EPS has been adjusted for the 3-for-1 stock split carried out on October 1, 2014 retroactively.

Net sales by application (non-consolidated)

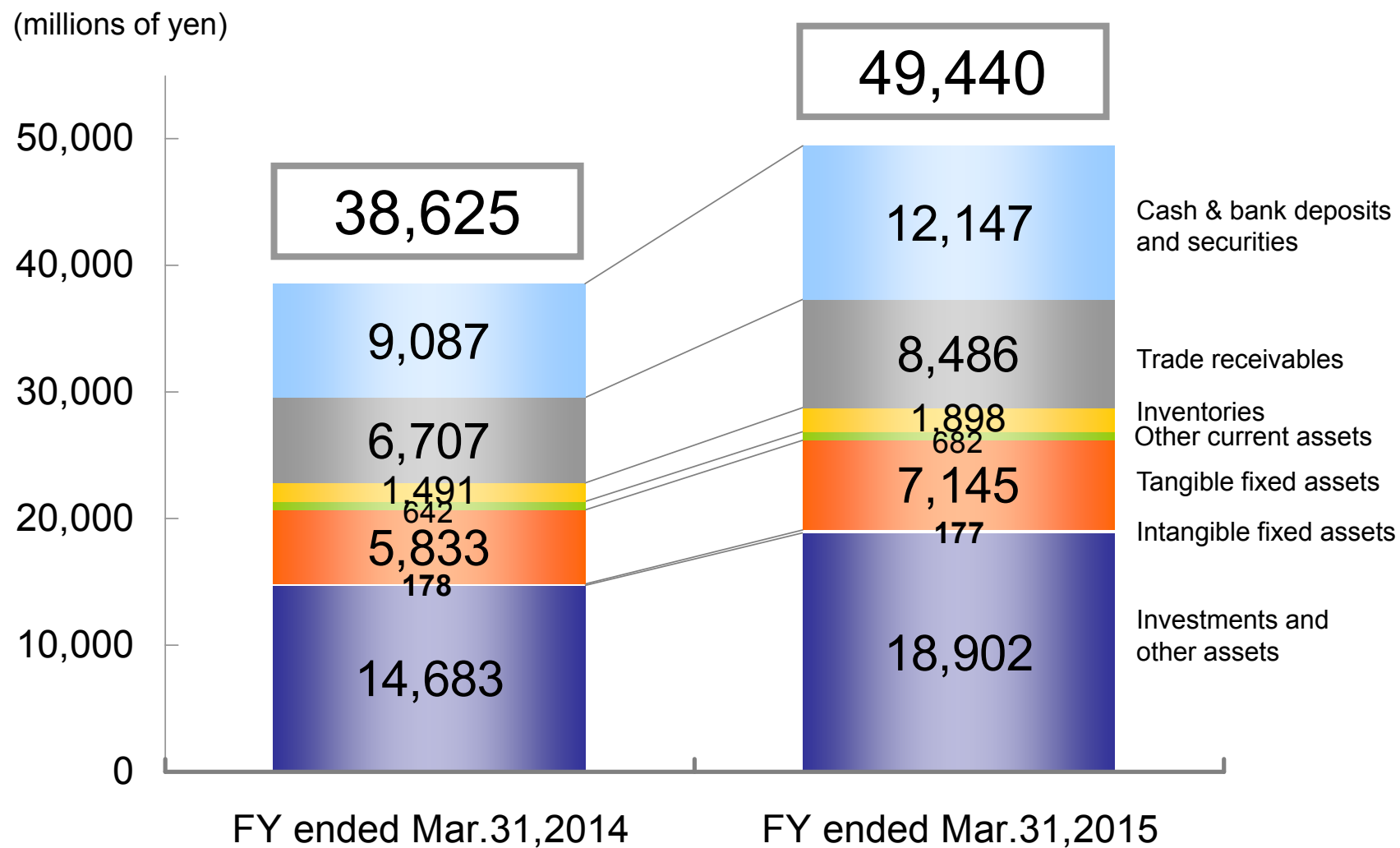


Factors in year-on-year change in non-consolidated operating profit (fiscal 2014)

(millions of yen)

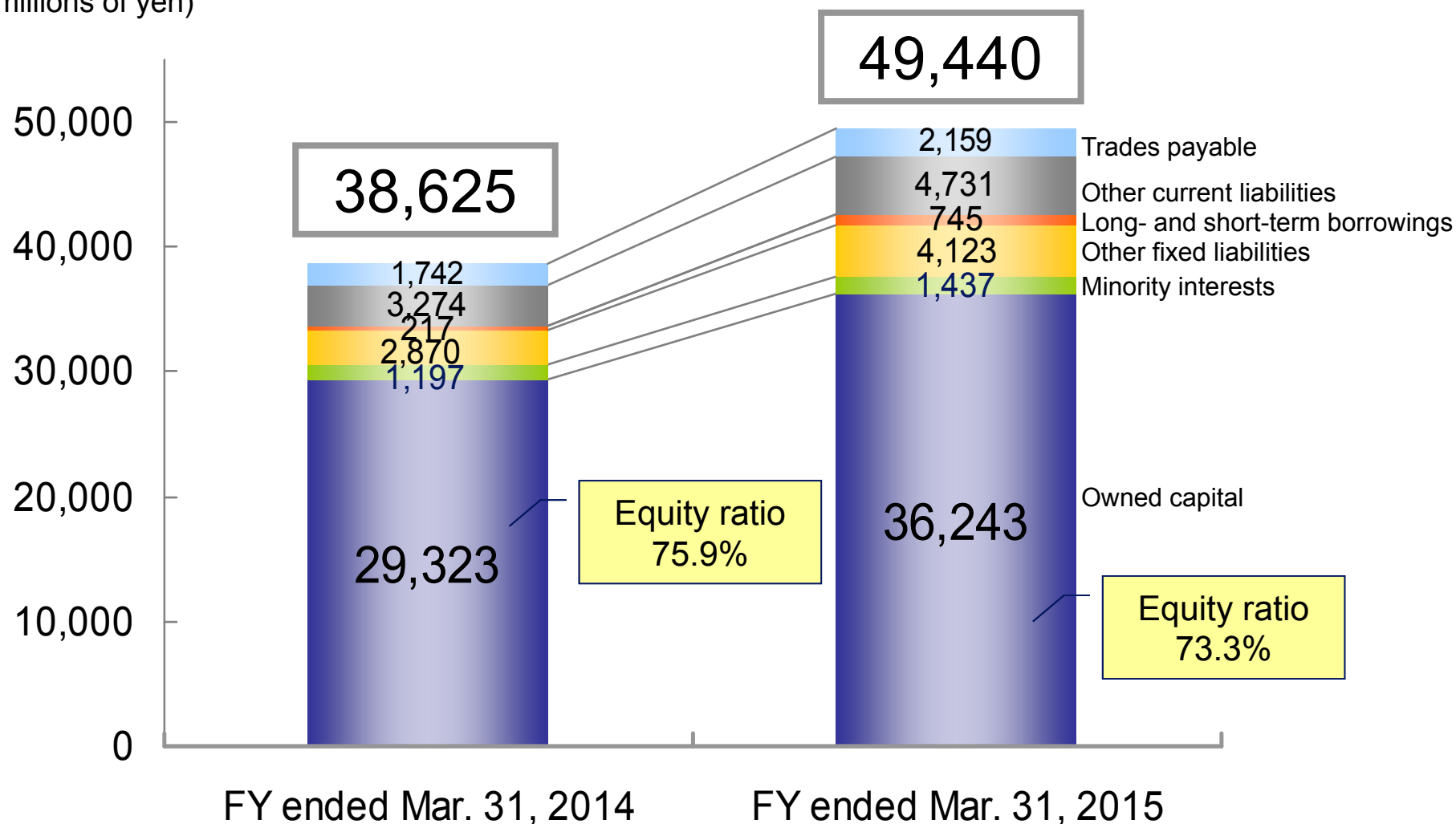


Status of consolidated assets



Status of consolidated liabilities and net assets

(millions of yen)



Status of consolidated cash flows

(millions of yen)	FY ended Mar. 31, 2014	FY ended Mar. 31, 2015
Cash flow from operating activities	3,643	5,494
Cash flow from investing activities	▲1,102	▲2,103
Cash flow from financing activities	▲5,591	▲737
Effect of exchange rate changes on cash and cash equivalents	221	193
Net increase (decrease) in cash and cash equivalents	▲2,829	▲2,846
Cash and cash equivalents at end of year	6,883	9,730



Fiscal 2015 Performance Forecast

Consolidated performance forecast for fiscal 2015

(millions of yen)

	FY ended Mar. 31, 2015		Forecasts FY ended Mar. 31, 2016		Year-on-year change	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	25,951	100.0	29,000	100.0	3,048	11.7
Operating profit	7,066	27.2	7,800	26.9	733	10.4
Ordinary income	7,525	29.0	8,400	29.0	874	11.6
Net income	4,833	18.6	5,500	19.0	666	13.8
EPS (yen)	52.77	—	60.05	—	7.28	13.8
Capital investment	2,475	—	5,700	—	3,224	130.2
Depreciation costs	1,305	—	1,700	—	394	30.3
R&D costs	1,309	—	1,520	—	210	16.1

Assumed exchange rate for FY ended Mar. 31, 2016 forecasts 1US\$ = ¥115.00 1€ = ¥135.00

EPS has been adjusted for the 3-for-1 stock split carried out on October 1, 2014 retroactively.

Fiscal 2015 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.	—	25,000	8.6	4,600	13.2
※1 HD Systems, Inc. (Harmonic Drive L.L.C.) (U.S.A)	100% (51%)	4,000	17.1	150	16.8
Harmonic AD, Inc.	100%	2,200	4.6	105	7.9
※2 Harmonic Drive AG (Germany)	36.8%	10,400	3.7	1,880	30.7

*1 Exchange rates: FY2014 1US\$ = 105.85yen, FY2015 forecasts 1US\$ = 115.00yen

*2 Exchange rates: FY2014 1€ = 140.42yen, FY2015 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 2015

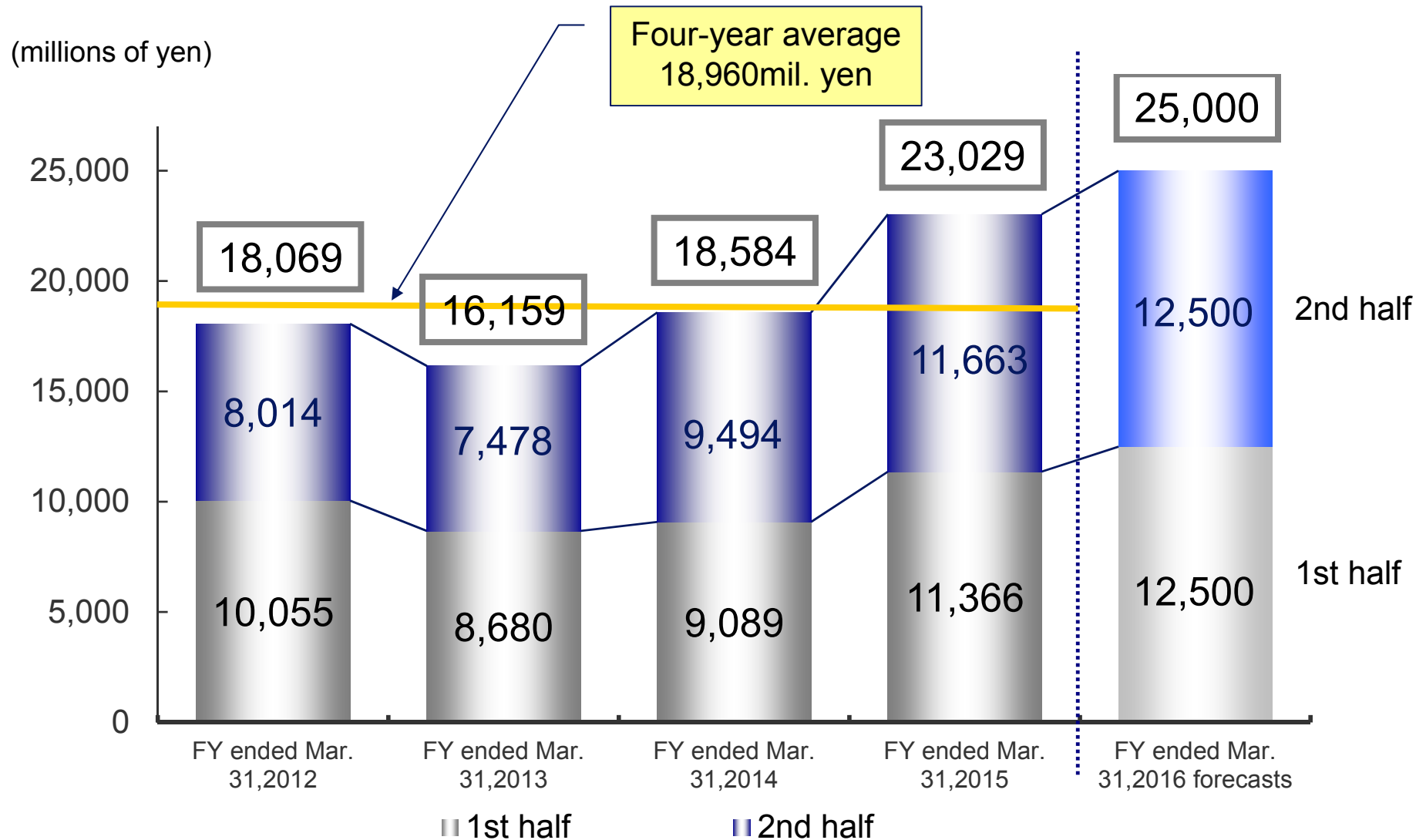
(millions of yen)

	FY ended Mar. 31, 2015		Forecasts FY ended Mar. 31, 2016		Year-on-year change	
	Amount	Percent (%)	Amount	Percent (%)	Change	Rate (%)
Net sales	23,029	100.0	25,000	100.0	1,970	8.6
Operating profit	5,975	25.9	6,300	25.2	324	5.4
Ordinary income	6,340	27.5	6,900	27.6	559	8.8
Net income	4,063	17.6	4,600	18.4	536	13.2
EPS (yen)	44.37	—	50.22	—	5.85	13.2
Capital investment	1,456	—	4,700	—	3,243	222.7
Depreciation costs	756	—	1,050	—	293	38.8
R&D costs	1,296	—	1,500	—	203	15.7

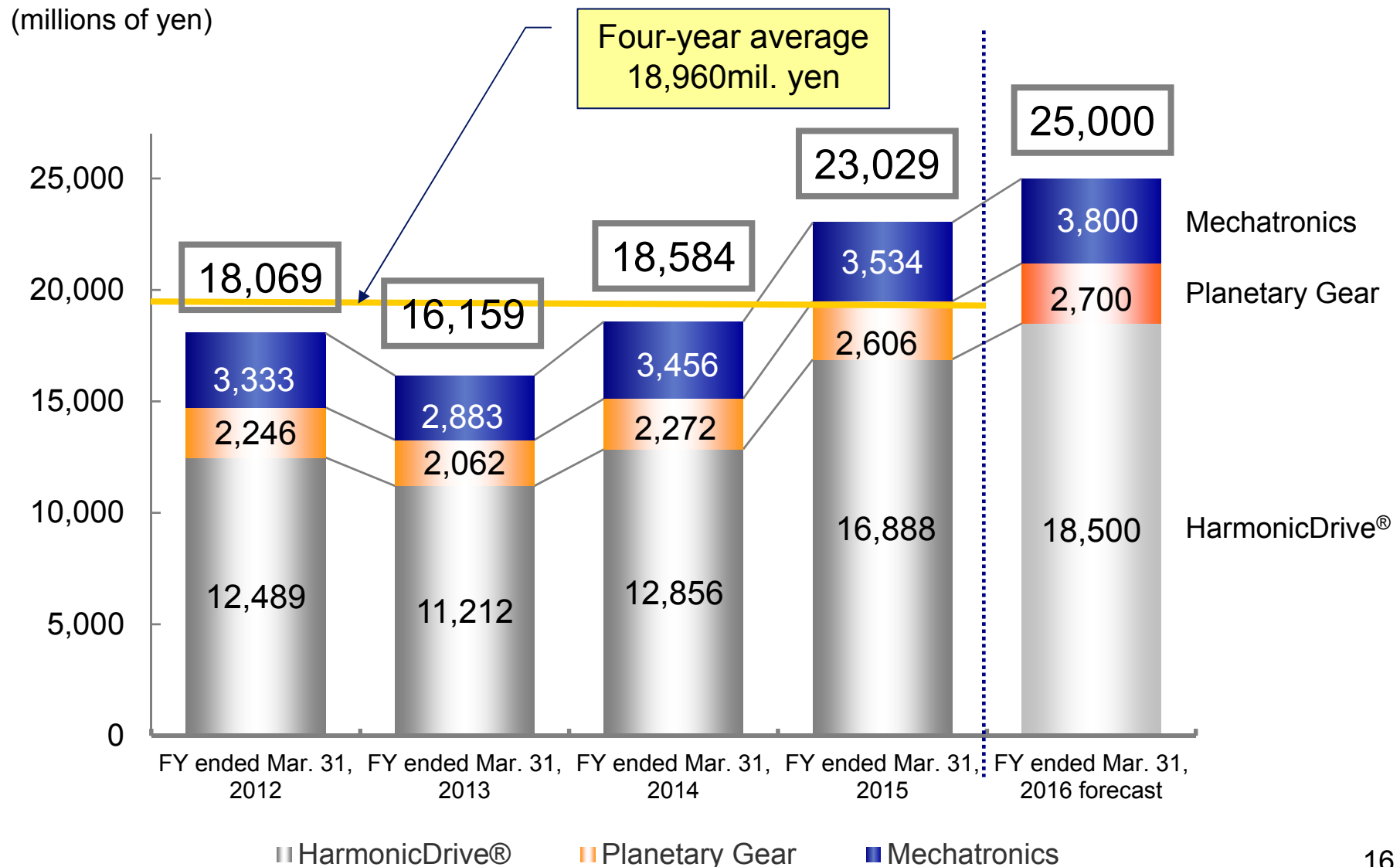
Assumed exchange rate for FY ended Mar. 31, 2016 forecasts 1US\$ = ¥115.00 1€ = ¥135.00

EPS has been adjusted for the 3-for-1 stock split carried out on October 1, 2014 retroactively.

Sales trend line (non-consolidated)

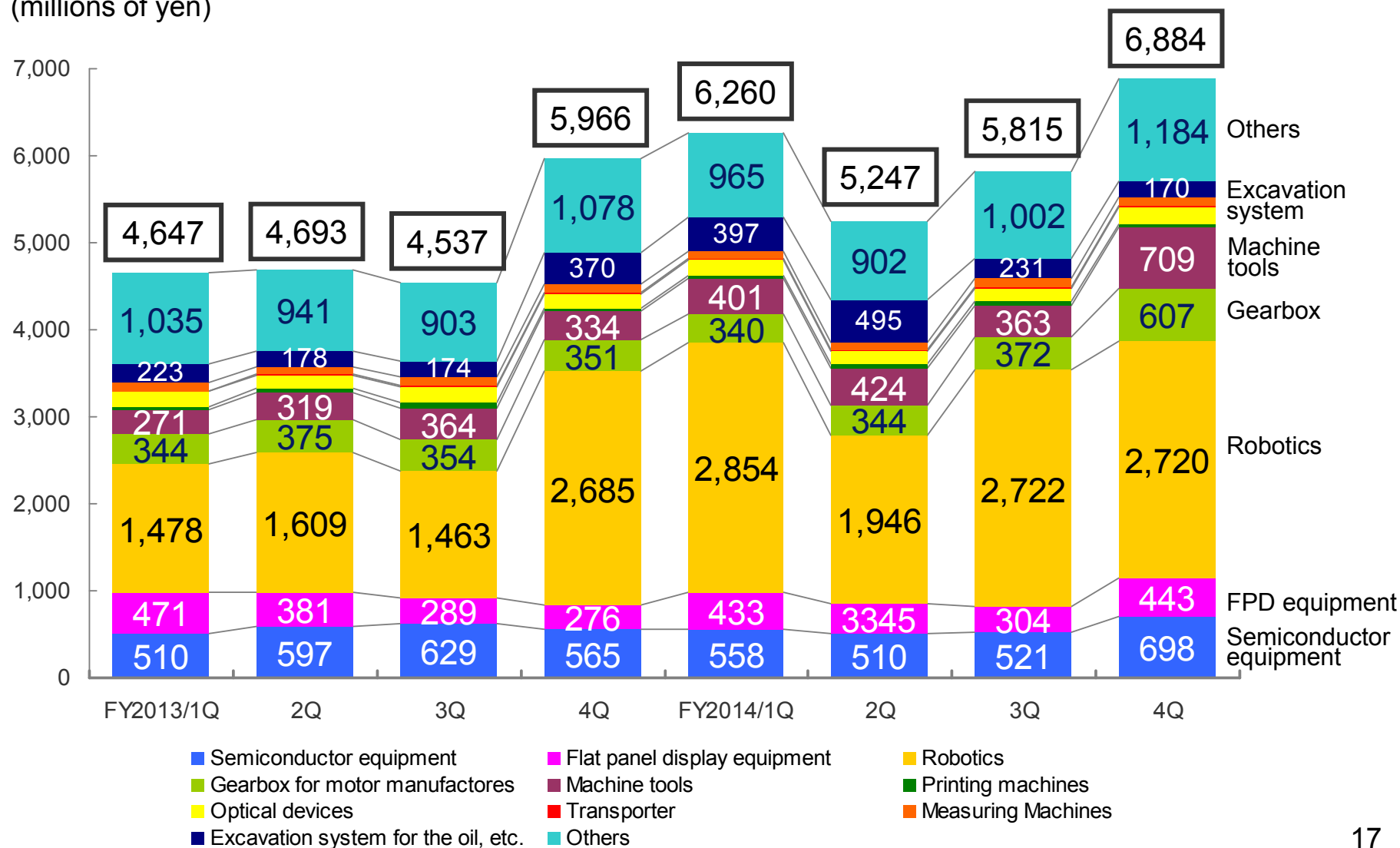


Sales trend line by product (non-consolidated)



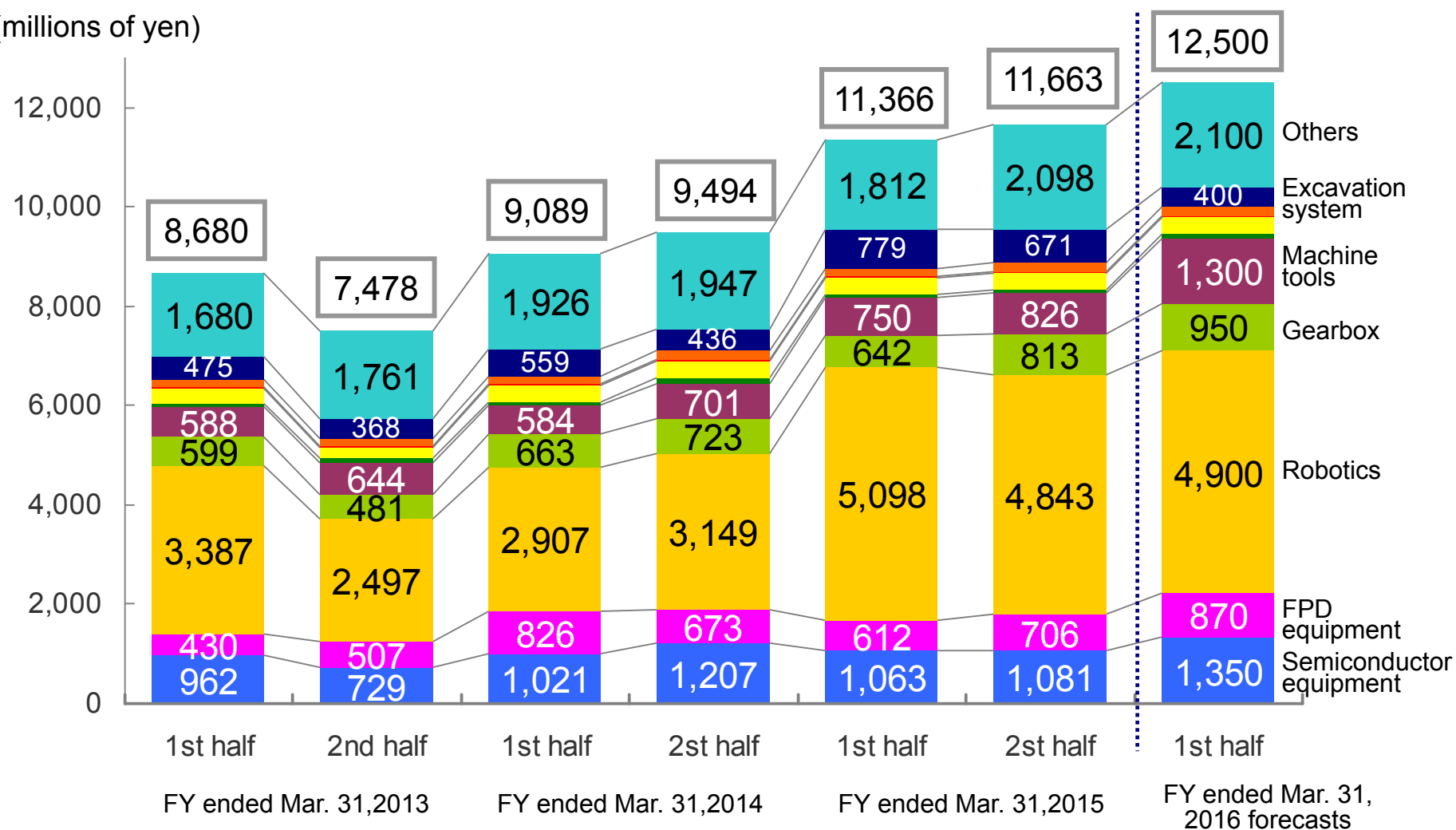
Non-consolidated bookings by application (quarterly)

(millions of yen)

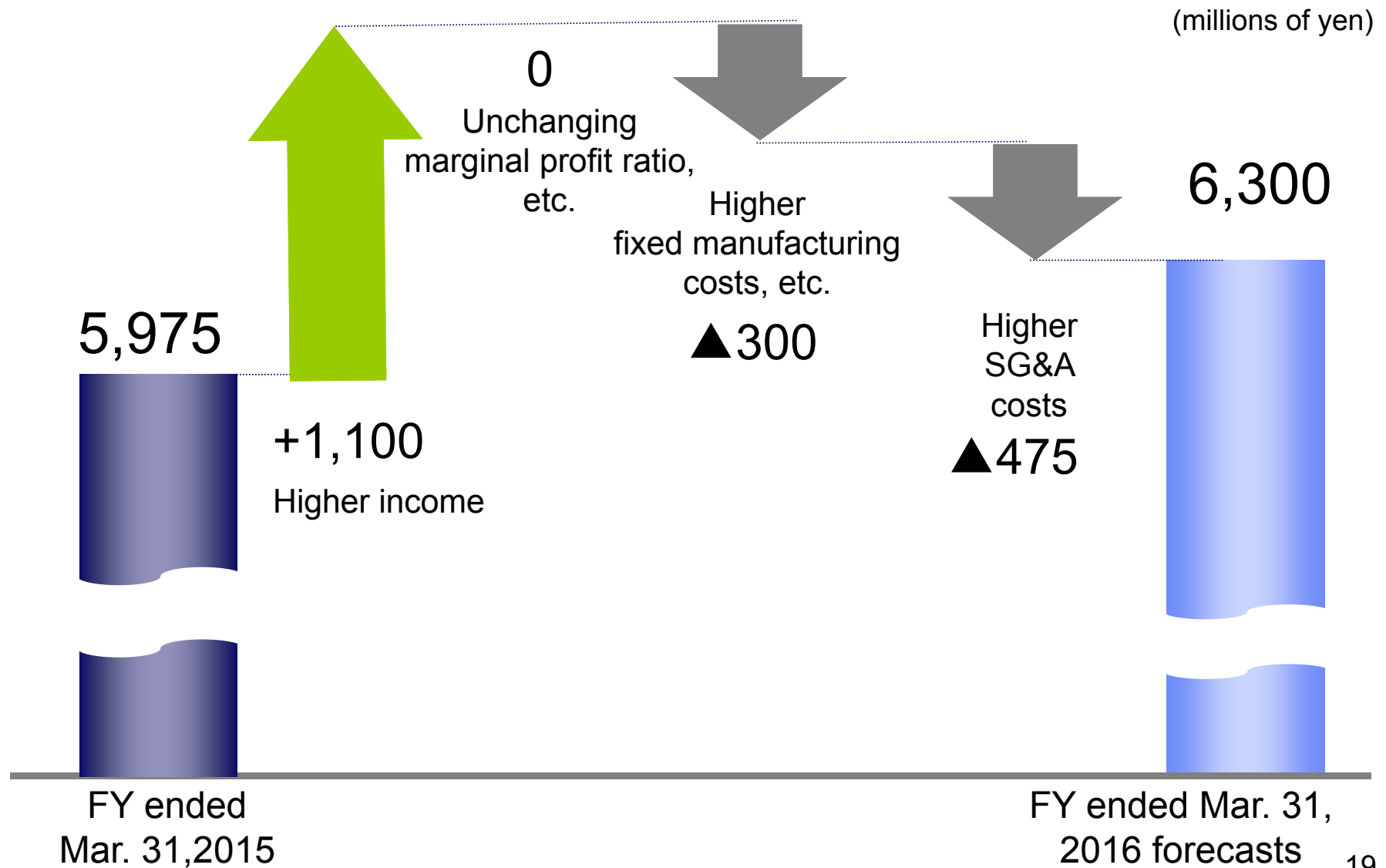


Non-consolidated bookings by application (by half-year)

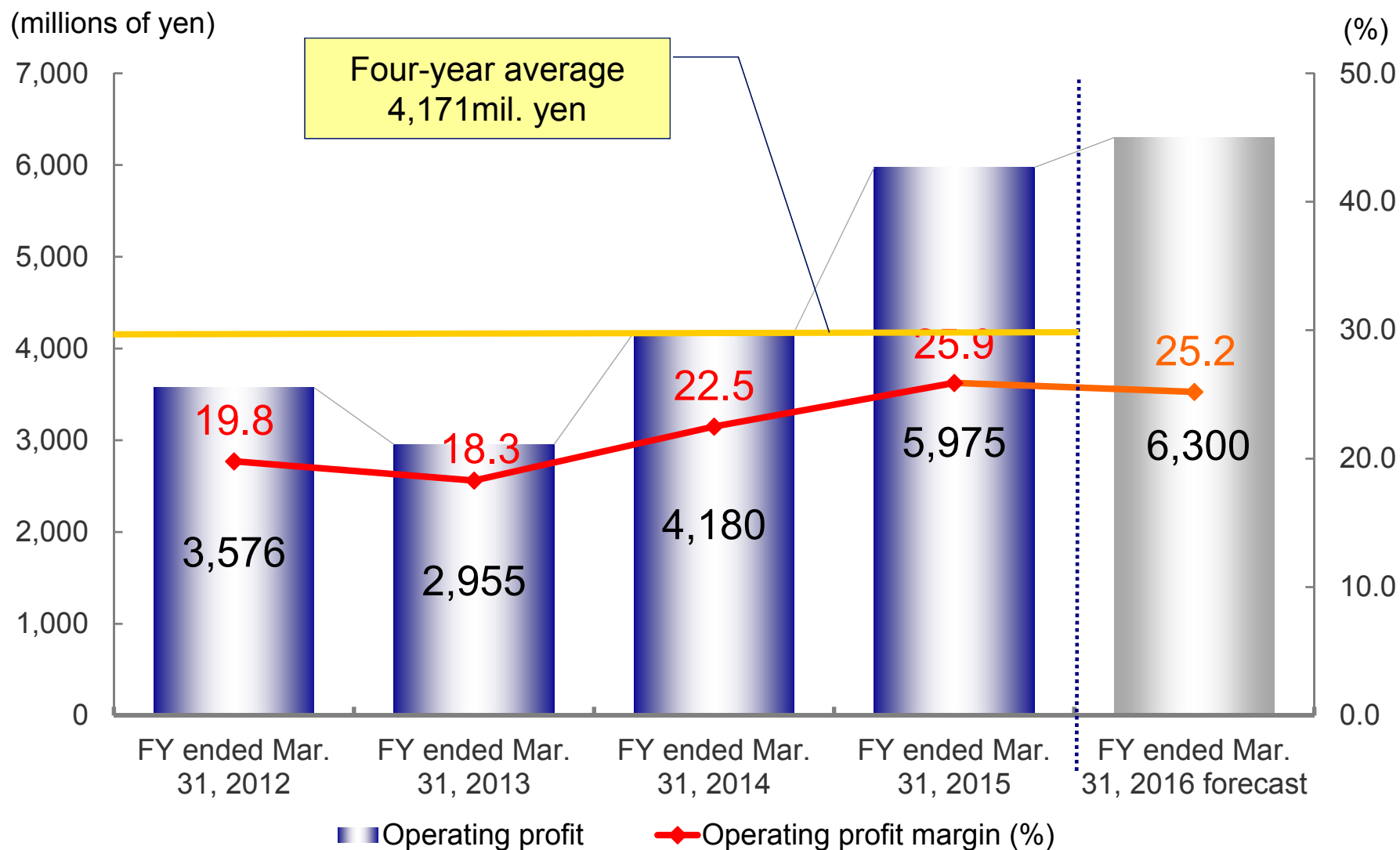
(millions of yen)



Factors in year-on-year change in non-consolidated operating profit (fiscal 2015 forecast)



Trends in operation profit (non-consolidated)



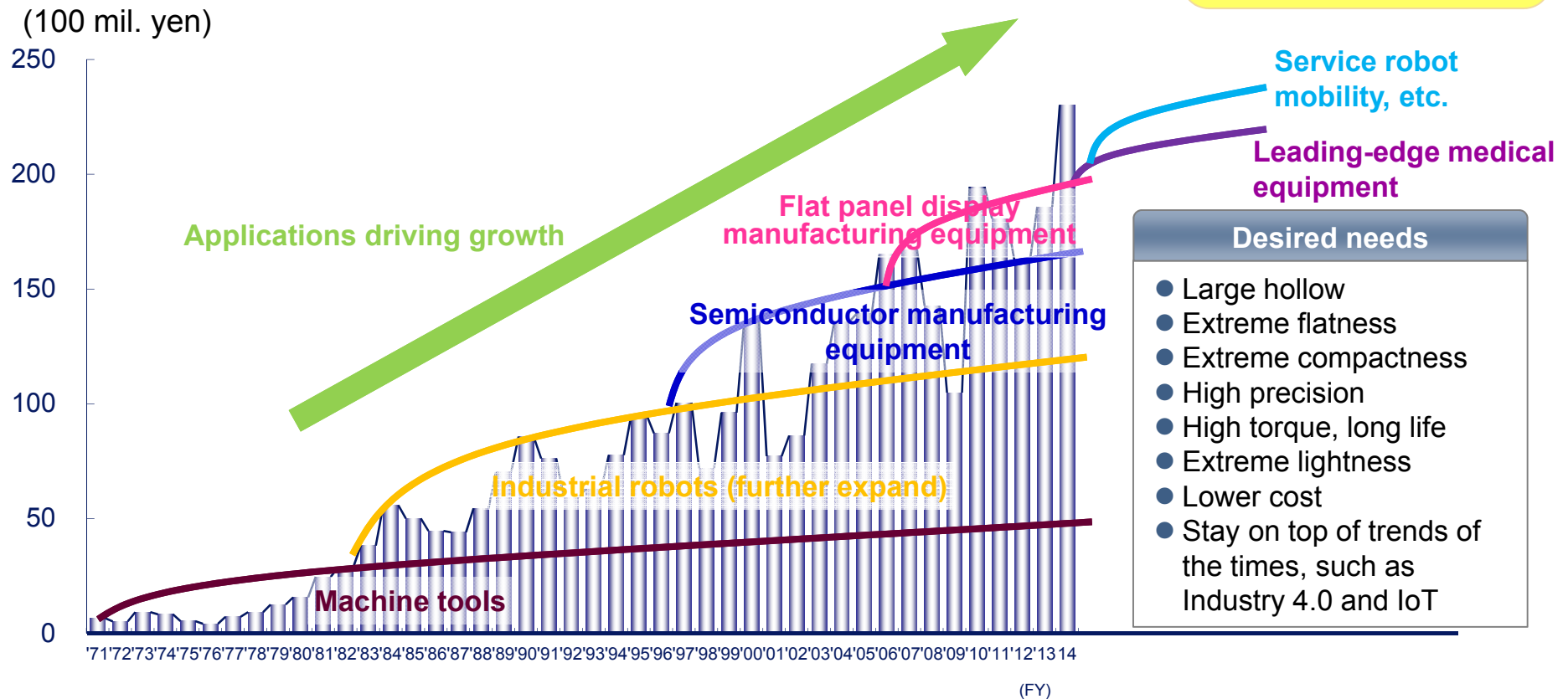
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New Mid-term Management Plan

Driving forth of our growth

Net sales (non-consolidated)

Aimed-for
new market
environment



Business Climate for HDS Group

Business Climate		
Overall		<ul style="list-style-type: none"> Global speed reducer market is growing at an annual pace of around 6%.
Main applications	Industrial robots	<ul style="list-style-type: none"> Rising labor costs have increased incentives for robot use not just in developed nations but also in emerging economies. New-concept robots, such as those that do not remain in a fixed location like conventional robots but work in collaboration with human beings, are starting to emerge.
	New applications	<ul style="list-style-type: none"> Potential expansion to new applications such as personal mobility, robot-assisted walking and other living support/nursing care fields, and self-driving control, etc. Motorization of hydraulic and pneumatic mechanisms is progressing and applicable fields are expanding.
Region	Japan	<ul style="list-style-type: none"> Market centering on industrial robot makers with a large share of the global market. Many customers, however, are moving their production to China.
	China/Asia	<ul style="list-style-type: none"> Demand is growing among local Chinese robot makers. As Japanese and European robot makers shift production to China, demand for local service is growing (urgent need for lower costs, faster delivery, and stronger local support).
	USA/Europe	<ul style="list-style-type: none"> Demand is expected to rise for lightweight, high-precision robot mechanisms to counter high labor costs and healthcare costs. The startup of new-concept and specialized-service robot markets is possible, with Google playing a leading role.

The cost-effectiveness of industrial robots introduction

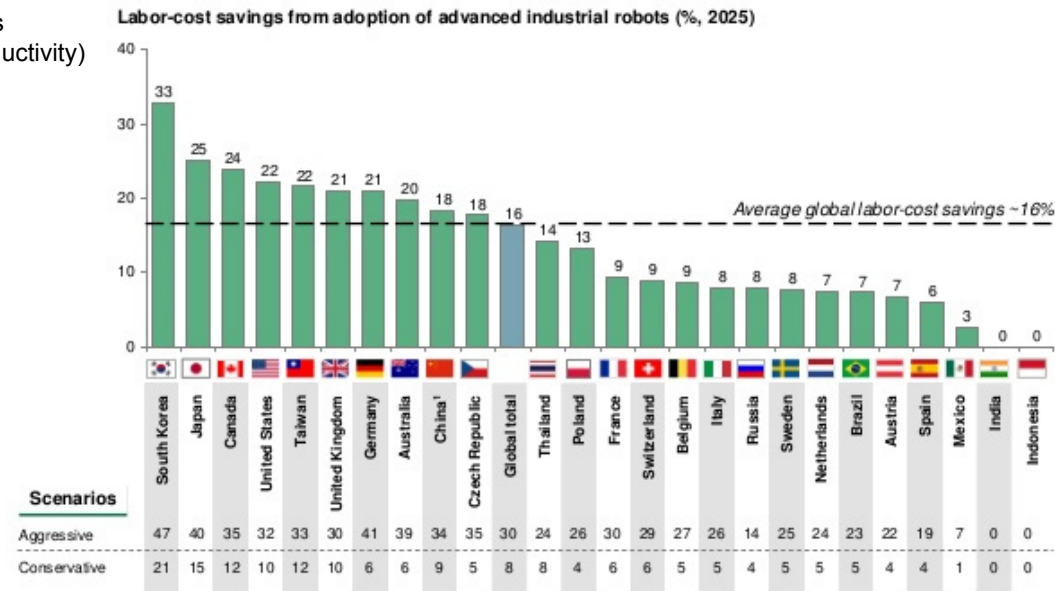
Rate of labor cost reduction due to rapid expansion of industrial robot use

The more economically developed a country, the higher its labor costs, raising expectations for robot introduction.

» Rate of labor cost reduction due to rapid expansion of industrial robot use (2014 and 2025 compared)

By 2025, ~25% of all tasks will be automated through robotics, driving ~16% in global labor-cost savings

(%, based on labor costs after adjustment for productivity)



¹China figures based on YRD region. Sources: STAN Bilateral Trade Database, US Bureau of Labor Statistics, BCG analysis

Note 1: China figures based on Yangtze River Delta region.

Sources: STAN Bilateral Trade Database, US Bureau of Labor Statistics, BCG analysis

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HDS Group Business Areas

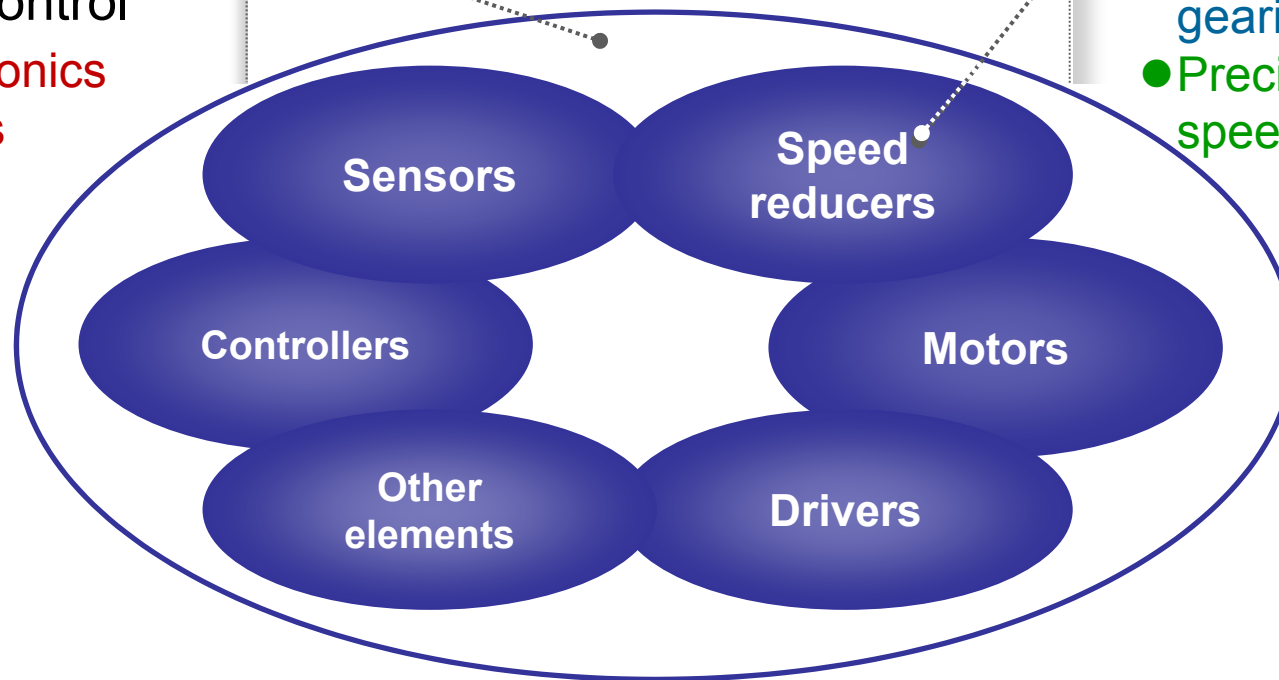
Provision of Total Motion Control

Product lineup for provision of Total Motion Control

● Mechatronics products

Reducer-only lineup

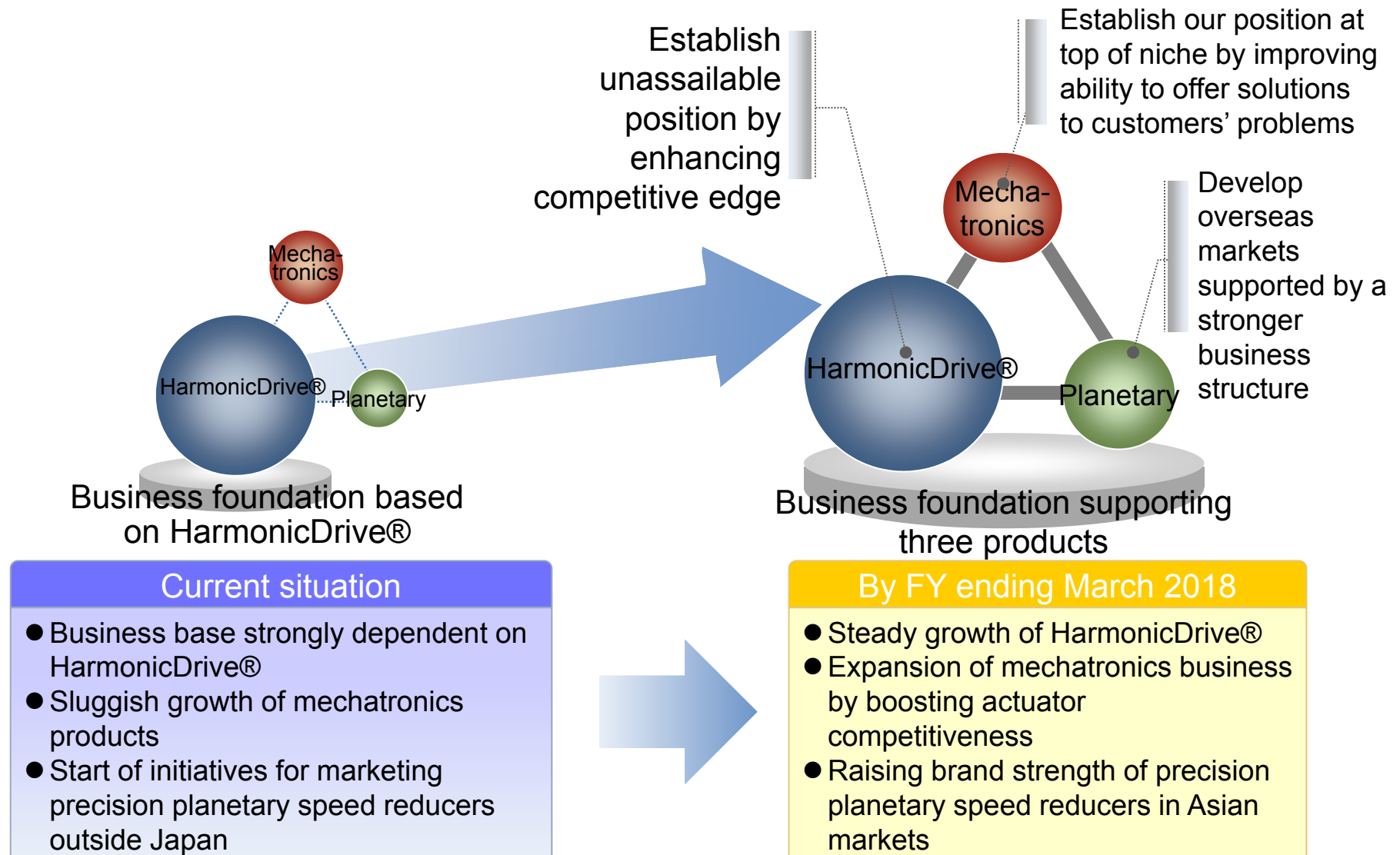
- Strain wave gearing devices
- Precision planetary speed reducers



The concept of Total Motion Control

Basic Policies of New Mid-term Management Plan (1)

Business structure aimed for



Basic Policies of New Mid-term Management Plan (2)

Strengthen the competitiveness and business base of our three main product lines

Mechatronics products	<ul style="list-style-type: none">● Establish our position at the top of the niche by improving problem-solving ability● Strengthen our service and sales structures● Aggressively introduce new products by strengthening core technologies
Precision planetary speed reducers	<ul style="list-style-type: none">● Take on overseas markets by strengthening business structure● Strengthen sales structure in markets outside Japan● Build up R&D organizational structure
HarmonicDrive®	<ul style="list-style-type: none">● Increase our competitive edge and establish an unassailable position● Extend and develop robot applications● Develop and market new products able to meet diverse needs

Basic Policies of New Mid-term Management Plan (3)

Develop Asian markets and build up business base

Aggressively expand sales in Asian markets

- Establish a community-based structure, and strengthen/popularize the brand

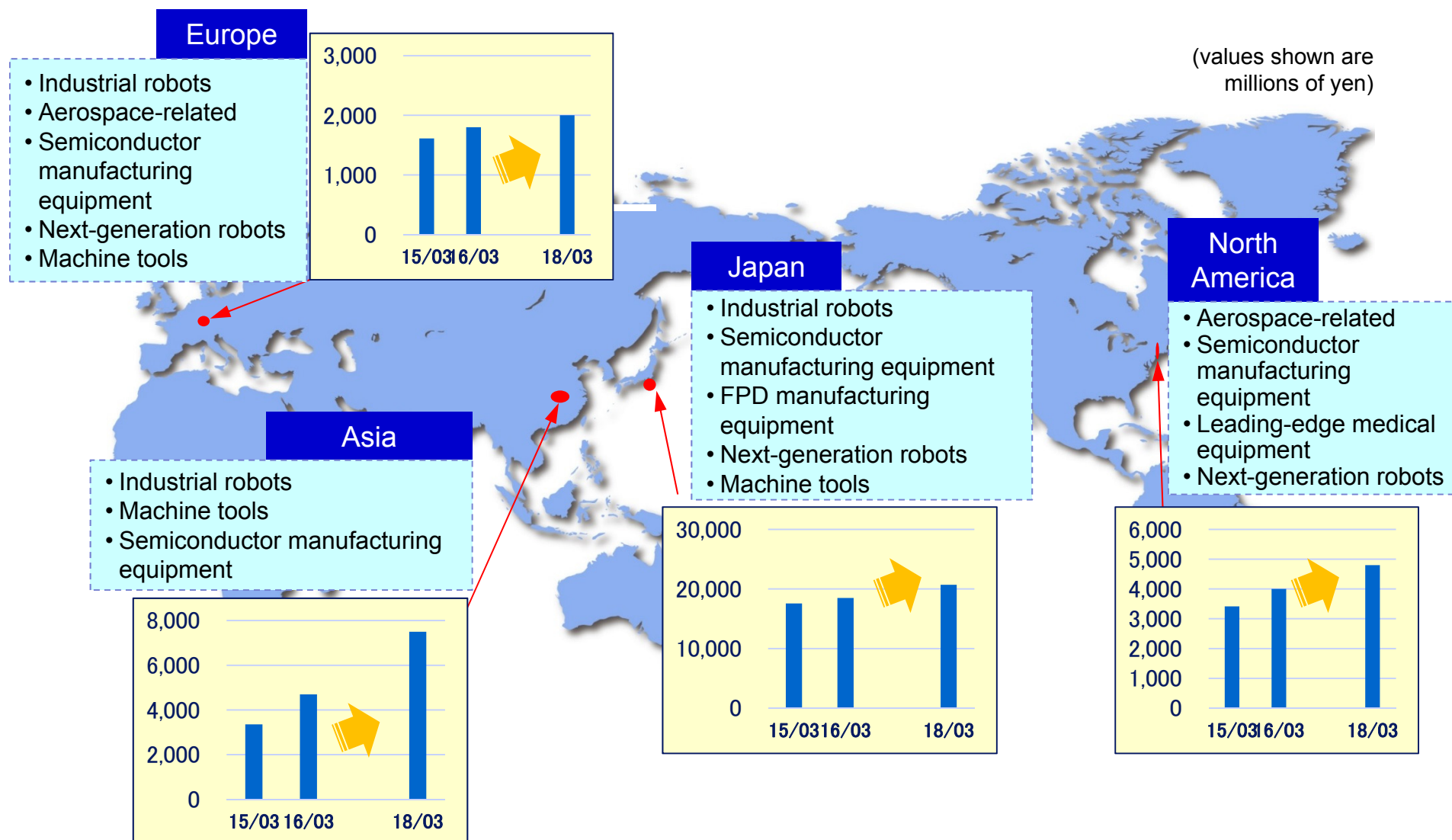
Realize a high-level customer-oriented organization by resolutely pursuing QCDS

- Raise the organizational capability to satisfy market needs

Develop the human resources for achieving sustained growth

- Develop global and management human resources

Net Sales Plans per Region



Production Structure Consisting of Sites in Japan, USA, Europe, and South Korea

Maintain and expand existing 4-location production structure



Production Plants in Japan, USA, Europe, and South Korea



(Germany) Harmonic Drive AG



(USA) Harmonic Drive LLC

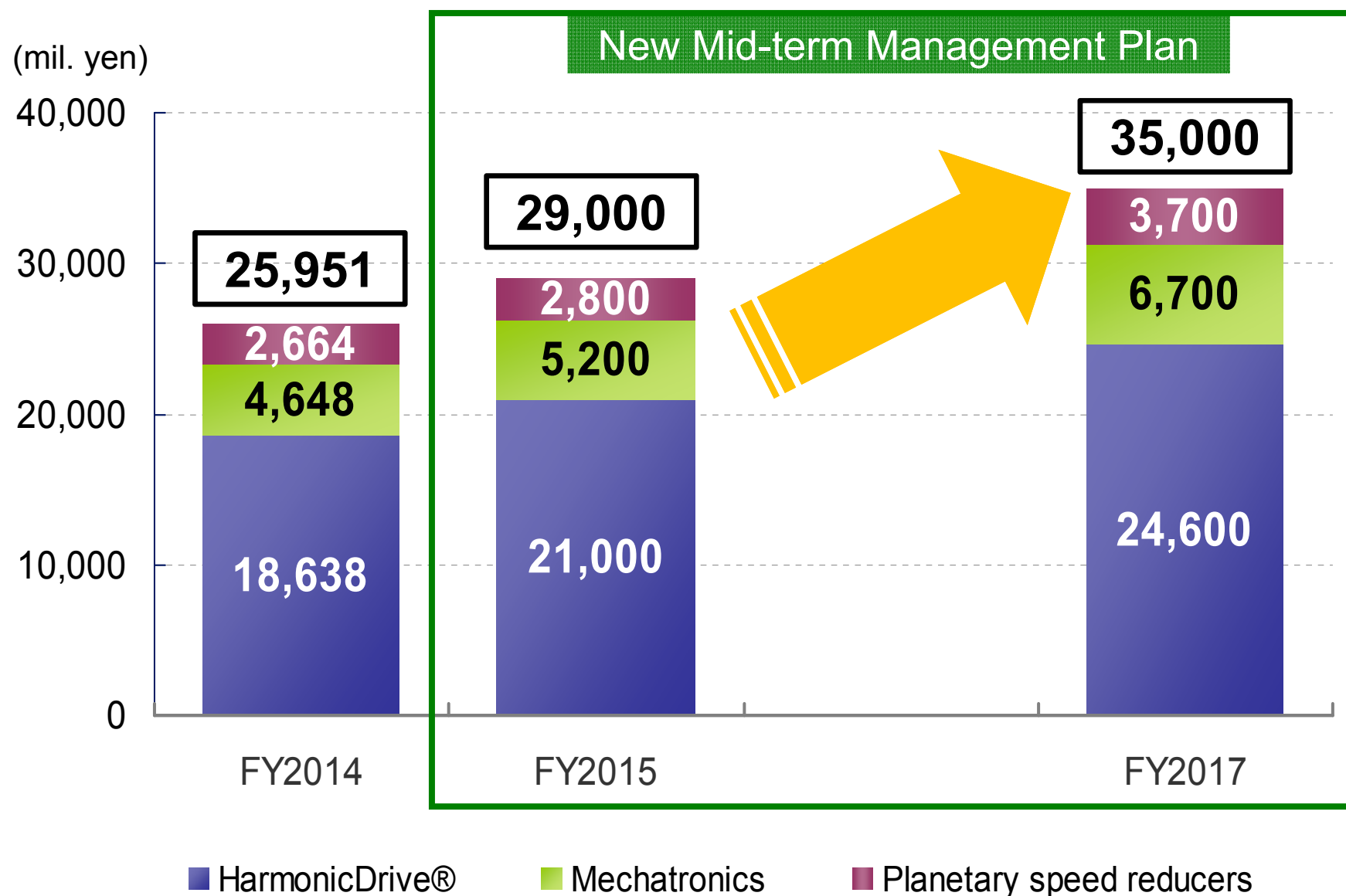


Harmonic Drive Systems New Hotaka Plant
(artist rendition)



(South Korea) SAMICK ADM Co., Ltd.


New Mid-term Management Plan: Consolidated Sales



New Mid-term Management Plan: Consolidated financial targets

(Millions of Yen)

	FY ended Mar. 2015 (actual)		FY ending Mar. 2016 (planned)		FY ending Mar. 2018 (planned)	
	Amount	Percent (%)	Amount	Percent (%)	Amount	Percent (%)
Net sales	25,951	100.0	29,000	100.0	35,000	100.0
Operating income	7,066	27.2	7,800	26.9	9,500	27.1
Net income	4,833	18.6	5,500	19.0	7,000	20.0

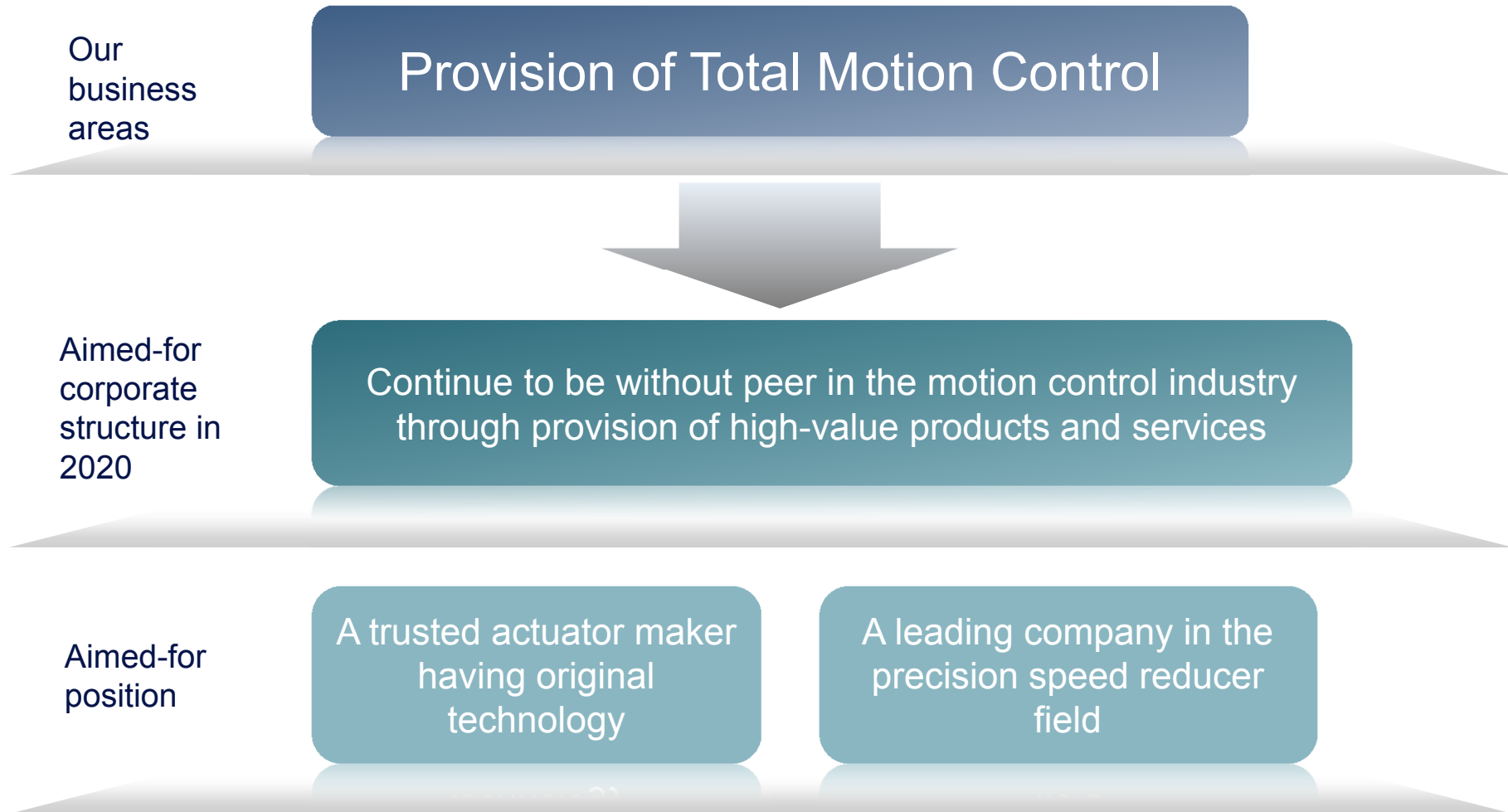


	Cumulative total for three years of previous Mid-term Plan (actual for FY ended March 2013 to FY ended March 2015)	Cumulative total for three years of new Mid-term Plan (planned for FY ending March 2016 to FY ending March 2018)
Capital investment	5,158	10,000
Depreciation costs	3,595	6,000
R&D costs	3,690	4,800

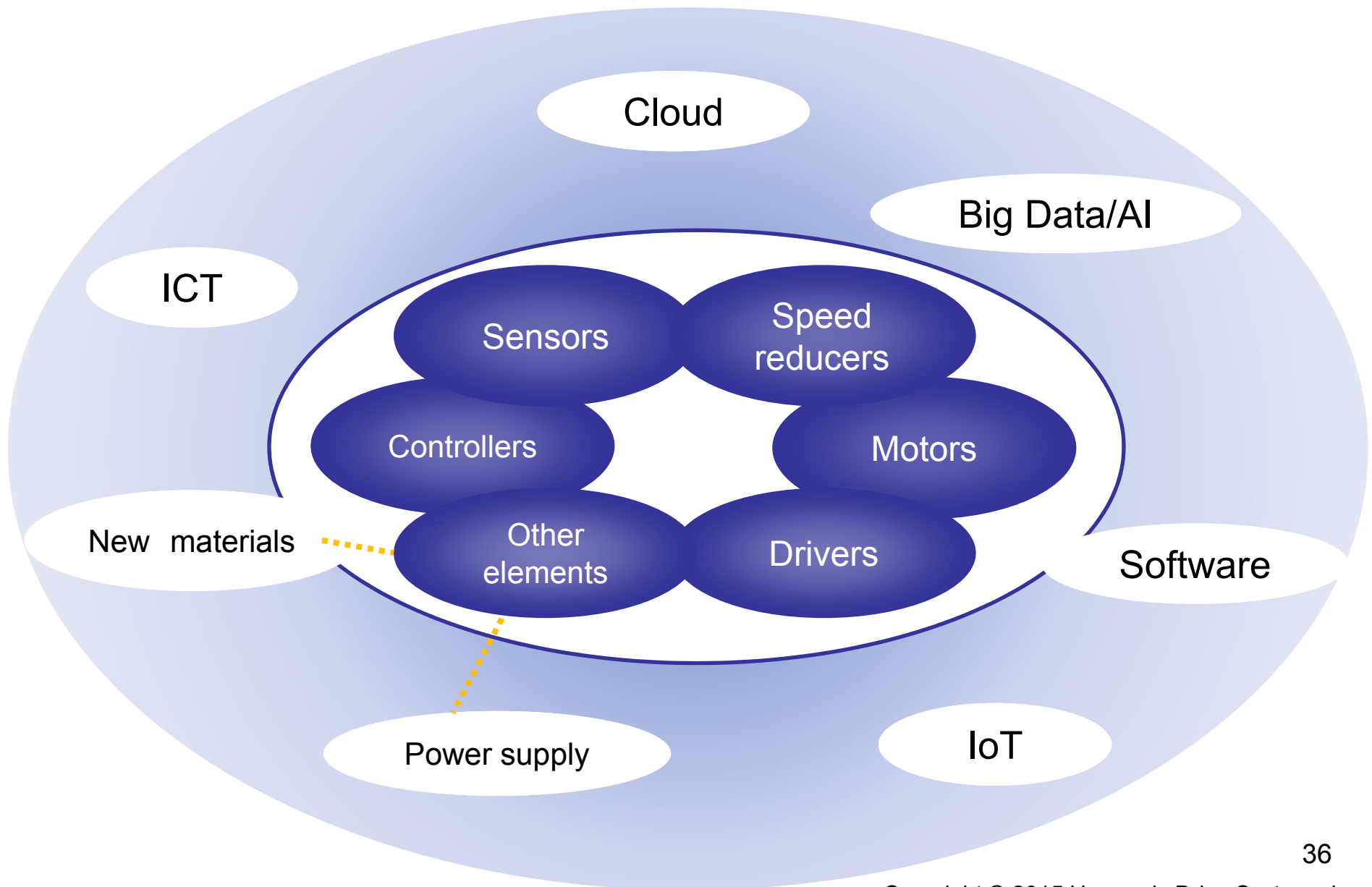
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Long-term Vision

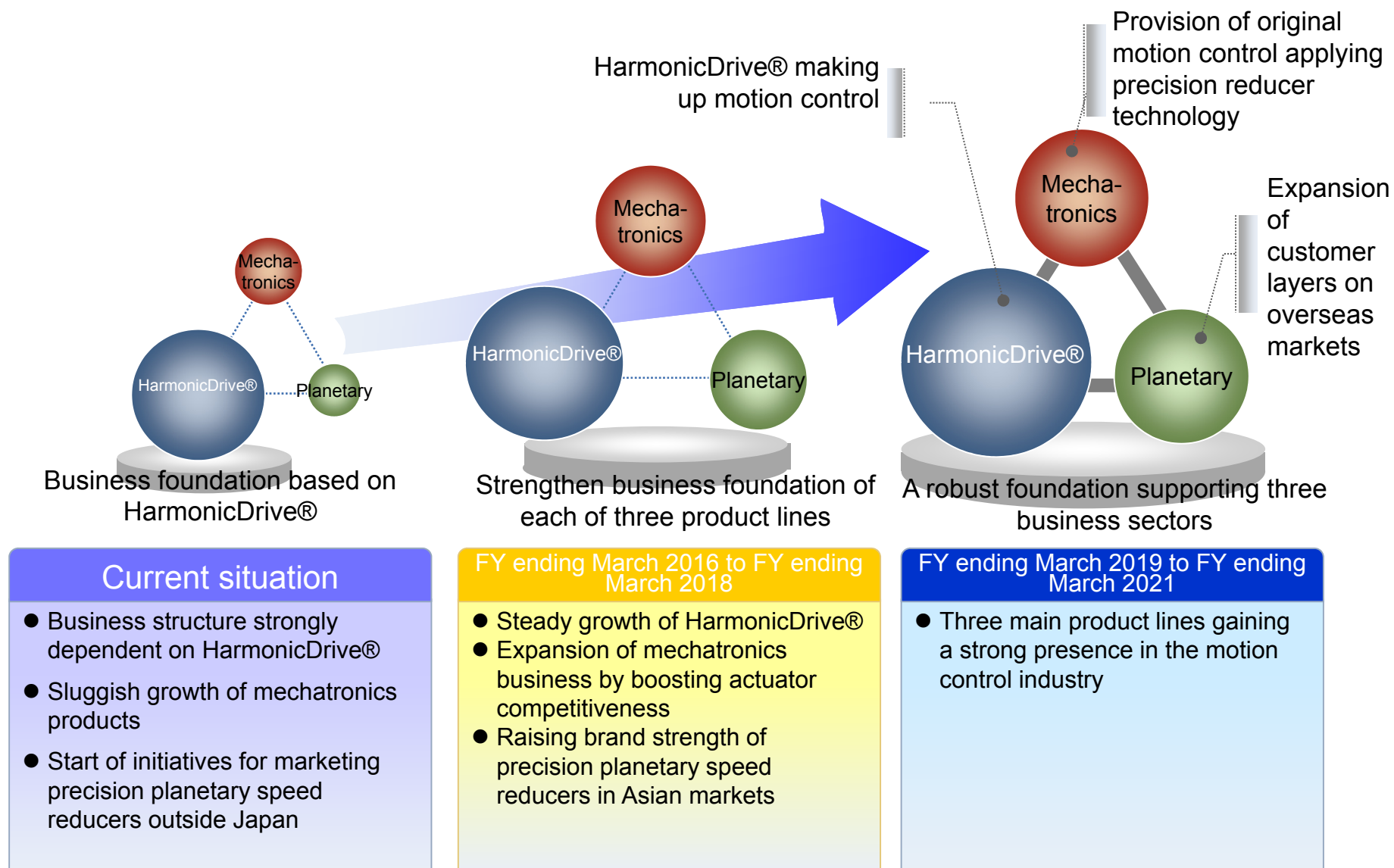
Aimed-for corporate structure and industry position in 2020



Cooperation with the new element technology



Business Structure Aimed For



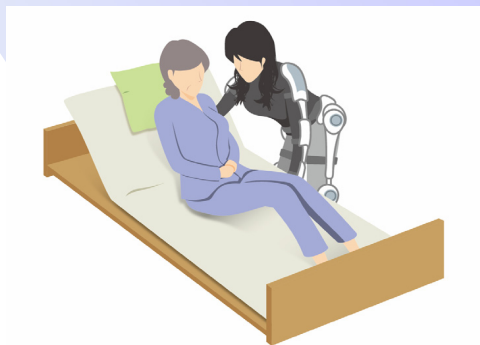
Examples of Next-generation Motion Control

Medical and nursing care fields

Surgical robots



Nursing care and healthcare robots

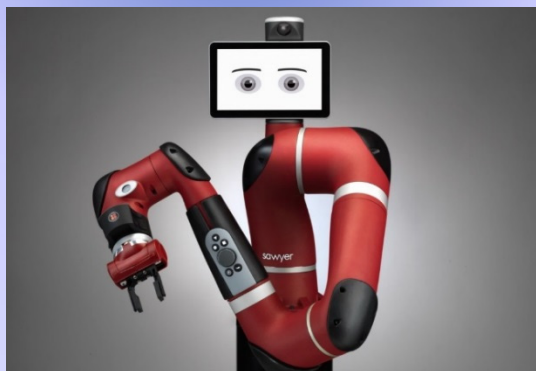


Manual labor fields

Collaborative task-performing robots



From Life Robotics Inc. website



From Rethink Robotics, Inc. website

Next-generation mobility

Self-driving vehicles



Smart mobility



From WHILL website

Meeting Needs for Next-generation Motion Control

Creation of original value

High precision plus alpha

- Large hollow
- Extreme flatness
- Extreme compactness
- Extreme lightness
- Long life

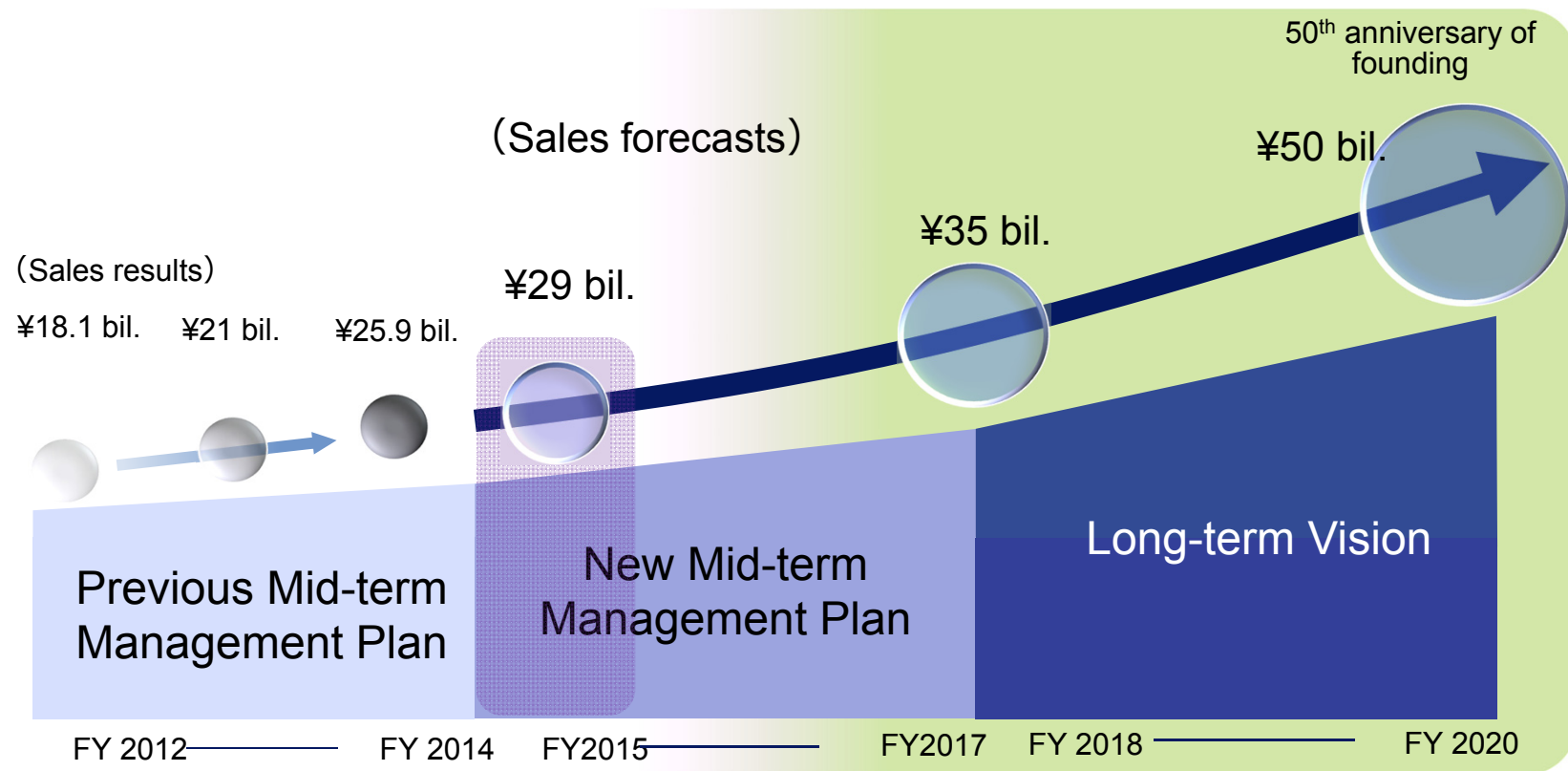
• Long life

Strengthen partnership
with customers

Boost R&D

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:

Please contact us as follows for material contents and investor information of all kinds.

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