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Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]



August 8, 2023

Company name: Harmonic Drive Systems Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 6324

URL: <https://www.hds.co.jp/english/>

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Scheduled date of filing quarterly securities report: August 9, 2023

Scheduled date of commencing dividend payments: —

Availability of supplementary explanatory materials on quarterly financial results: Not available

Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (April 1, 2023 – June 30, 2023)

(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	%
Three months ended June 30, 2023	15,008	(4.4)	911	(57.1)	1,110	(51.6)	232	(80.7)
June 30, 2022	15,692	31.9	2,126	19.2	2,297	34.5	1,204	7.4

(Note) Comprehensive income: Three months ended June 30, 2023: ¥3,005 million [(9.4)%]

Three months ended June 30, 2022: ¥3,317 million [651.1%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	2.44	—
June 30, 2022	12.55	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	153,479	105,344	68.6
As of March 31, 2023	154,336	103,955	67.4

(Reference) Equity: As of June 30, 2023: ¥105,344 million

As of March 31, 2023: ¥103,955 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2023	Yen —	Yen 11.00	Yen —	Yen 17.00	Yen 28.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (Forecast)		10.00	—	—	—

(Note) Revision to the forecast for dividends announced most recently: Yes

For more information on the revision to the forecast for dividends, refer to “Notice Regarding Differences Between the Financial Results Forecast and the Actual Results for the Three Months Ended June 30, 2023, Revision to the Financial Results Forecast for the Six Months Ending September 30, 2023, and Revision to the Dividend Forecast disclosed on August 8, 2023.

3. Consolidated Financial Results Forecast for the First Half of the Fiscal Year Ending March 31, 2024 (April 1, 2023 – September 30, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
First half	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	28,500	(14.8)	900	(80.6)	900	(81.7)	0	(100.0)	0.00

(Note) Revision to the financial results forecast announced most recently: Yes

For more information on the revision to the consolidated financial results forecast, refer to “Notice Regarding Differences Between the Financial Results Forecast and the Actual Results for the Three Months Ended June 30, 2023, Revision to the Financial Results Forecast for the Six Months Ending September 30, 2023, and Revision to the Dividend Forecast disclosed on August 8, 2023.

* Notes:

- (1) Changes in significant subsidiaries during the period under review: None
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) 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):

June 30, 2023:	96,315,400 shares
March 31, 2023:	96,315,400 shares
 - 2) Total number of treasury shares at the end of the period:

June 30, 2023:	1,251,002 shares
March 31, 2023:	1,251,002 shares
 - 3) Average number of shares outstanding during the period:

Three months ended June 30, 2023:	95,064,398 shares
Three months ended June 30, 2022:	95,986,581 shares

* These quarterly consolidated financial results are outside the scope of quarterly review 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. These statements do not represent a guarantee from the Company that it will achieve such results. The actual financial results may differ significantly due to various factors. Refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended June 30 (April 1, 2023 to June 30, 2023), future of the world economy remained uncertain, affected by factors such as the prolonged situation in Ukraine, worldwide inflation, and financial insecurity due to policy interest rate increases in countries around the globe. The business environment surrounding the Harmonic Drive Systems Group (hereinafter “the Group”) became tough owing to softness in capital investment trends in Chinese electronics and some semiconductors, and the inventory adjustments of our products by customers and agencies of the Group.

Regarding net sales trends by application, net sales increased year on year for automotive applications resulting from a recovery of car production in line with an abatement of the worldwide semiconductor shortage. Meanwhile, net sales decreased for industrial robots, semiconductor manufacturing equipment, flat panel display equipment, and other general industrial machinery applications.

As a result, net sales for the three months ended June 30, 2023 decreased by 4.4% year on year to ¥15,008 million.

In terms of profit and loss, depreciation cost increased as a result of investment made to enhance production capacity in Japan during the previous fiscal year. In addition, the lower operating rates of production plants in Japan during the fiscal year under review also affected the results, and operating profit decreased to ¥911 million, down 57.1% year on year. Profit attributable to owners of parent also decreased to ¥232 million, down 80.7% year on year, due to a decrease in operating profit and a reversal of deferred tax assets.

In terms of net sales by product group, speed reducers totaled ¥10,862 million, down 15.8% year on year, and mechatronics products reached ¥4,146 million, up 48.7% year on year. They accounted for 72.4% and 27.6% of the total net sales, respectively.

Financial results by segment are as follows.

(Japan)

Sales increased for automotive application resulting from a recovery of car production in line with a relaxation of the supply-demand balance for semiconductors. Meanwhile, demand declined for industrial robots, semiconductor manufacturing equipment, flat panel display equipment, and other general industrial machinery applications owing to softness in capital investment trends in Chinese electronics and some semiconductors, and the inventory adjustments of our products by customers and agencies of the Group. As a result, net sales decreased by 23.2% year on year to ¥7,856 million. Segment profit (ordinary profit) increased by 22.5% year on year to ¥3,776 million resulting from the inclusion of dividend income from subsidiaries of ¥2,486 million recorded in non-operating income, despite the effects of decreased sales and the lower operating rates of production plants.

(North America)

Exchange rates of the yen remained weak, and demand increased for advanced medical applications (surgical robot-related) and amusement application. As a result, net sales increased by 65.1% year on year to ¥3,196 million. Segment profit (ordinary profit) increased by 232.1% year on year to ¥498 million due to the increase in sales.

(Europe)

Exchange rates of the yen remained weak, and demand increased for cutting-edge semiconductor manufacturing equipment. As a result, net sales increased by 12.1% year on year to ¥3,955 million. Segment profit (ordinary profit) decreased by 14.7% year on year to ¥151 million due to the amortization cost of ¥452 million on intangible assets posted at the time of acquisition of shares in Harmonic Drive SE.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the first quarter of the fiscal year under review decreased by ¥857 million, down 0.6% from the end of the previous fiscal year to ¥153,479 million. This was primarily because of a 25.6% or ¥1,899 million decrease in notes receivable – trade, and a 9.3% or ¥947 million decrease in accounts receivable – trade from the end of the previous fiscal year resulting from decreased sales, despite a 6.3% or ¥2,535 million increase in terms of yen in intangible assets which include a high proportion of assets in foreign currency from the end of the previous fiscal year resulting from a trend toward weaker yen in exchange rates.

(Liabilities)

Liabilities decreased by ¥2,246 million, down 4.5% from the end of the previous fiscal year to ¥48,134 million. This was primarily because of a 11.4% or ¥2,609 million decrease in long- and short-term borrowings resulting from the progress of scheduled payment for borrowings, as well as a 79.7% or ¥833 million decrease in income taxes payable, and a 54.8% or ¥806 million decrease in provision for bonuses from the end of the previous fiscal year, despite a 9.5% or ¥953 million increase in deferred tax liabilities, and a 19.4% or ¥811 million increase in other current liabilities from the end of the previous fiscal year.

(Net Assets)

Net assets increased by ¥1,389 million, up 1.3% from the end of the previous fiscal year to ¥105,344 million. This was primarily because of a 35.8% or ¥2,918 million increase in foreign currency translation adjustment from the end of the previous fiscal year due to the effect of exchange rate fluctuations, despite a 2.1% or ¥1,383 million decrease in retained earnings from the end of the previous fiscal year resulting from payment of the year-end dividend.

As a result, equity ratio rose from 67.4% at the end of the previous fiscal year to 68.6%.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

As for the business environment surrounding the Group in the medium- to long-term, we expect sustainable growth will be achievable. This is based on our view that investment in more advanced automation will be continuously carried out, mainly in the manufacturing industry, and demand expansion will be expected in the non-manufacturing industries for advanced medical equipment, next generation mobility, and others.

On the other hand, the Group forecasts demand trends in the short-term will remain far from optimistic particularly in speed reducers for small industrial robots and semiconductor manufacturing equipment, of which adoption ratios are especially high among the Group's products. This is because of cautious attitudes in appetite for capital investment in Chinese electronics and softness in capital investment trends in some semiconductors. Against the backdrop of this slowdown in capital investment, the ongoing inventory adjustments of our products by customers and agencies are likely to require some time. Additionally, we see difficulties in determining when such inventory adjustments will end and in precisely predicting when the following full-scale pick-up in orders received will occur, because such adjustments of inventories are being proceeded in ways that vary greatly with customers and agencies as well as with items. Therefore, reasonably estimating full-year orders received and net sales is difficult at this time.

Given the above business environment and forecast for demand, the Group had disclosed a forecast only for the first three months of the fiscal year ending March 31, 2024. However, the Group revised the forecast for the first half of the fiscal year, considering the financial results of the three months ended June 30, 2023, as well as the current trend in orders received. For more information, refer to "Notice Regarding Differences Between the Financial Results Forecast and the Actual Results for the Three Months Ended June 30, 2023, Revision to the Financial Results Forecast for the Six Months Ending September 30, 2023, and Revision to the Dividend Forecast" disclosed on August 8, 2023.

The full-year financial results forecast remains undetermined, and it will be promptly disclosed when disclosure is possible.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	20,783,570	20,326,509
Notes receivable - trade	7,408,386	5,508,639
Accounts receivable - trade	10,165,121	9,217,243
Securities	28,840	26,131
Merchandise and finished goods	2,014,249	2,751,509
Work in process	3,658,753	3,446,772
Raw materials and supplies	6,828,695	6,601,091
Other	1,307,220	1,629,238
Allowance for doubtful accounts	(19,356)	(19,909)
Total current assets	52,175,480	49,487,227
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,423,071	19,201,763
Machinery, equipment and vehicles, net	17,337,080	16,907,158
Tools, furniture and fixtures, net	1,843,670	1,888,458
Other, net	10,323,026	10,330,688
Total property, plant and equipment	48,926,847	48,328,068
Intangible assets		
Goodwill	15,258,139	16,207,397
Software	191,453	202,639
Customer related assets	19,489,904	20,702,434
Technical assets	5,205,468	5,529,317
Other	187,939	226,526
Total intangible assets	40,332,904	42,868,315
Investments and other assets		
Investment securities	11,044,878	10,792,915
Shares of subsidiaries and associates	89,956	79,074
Long-term loans receivable from subsidiaries and associates	—	200,000
Retirement benefit asset	1,191,060	1,206,374
Deferred tax assets	439,351	386,361
Other	141,366	136,492
Allowance for doubtful accounts	(5,600)	(5,600)
Total investments and other assets	12,901,013	12,795,618
Total non-current assets	102,160,765	103,992,002
Total assets	154,336,246	153,479,229

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,596,434	4,115,141
Short-term borrowings	2,610,183	620,205
Current portion of long-term borrowings	2,569,064	2,555,171
Lease liabilities	583,255	605,108
Income taxes payable	1,046,412	212,657
Provision for bonuses	1,471,732	665,667
Provision for bonuses for directors (and other officers)	351,669	114,506
Provision for loss on compensation for after-care of products	64,009	66,315
Other	4,174,756	4,986,379
Total current liabilities	16,467,518	13,941,152
Non-current liabilities		
Long-term borrowings	17,766,840	17,161,144
Lease liabilities	3,836,603	3,775,082
Deferred tax liabilities	10,003,116	10,956,781
Provision for retirement benefits for directors (and other officers)	12,000	15,600
Other provisions	80,260	85,464
Retirement benefit liability	750,593	770,922
Other	1,463,654	1,428,402
Total non-current liabilities	33,913,069	34,193,397
Total liabilities	50,380,587	48,134,549
Net assets		
Shareholders' equity		
Share capital	7,100,036	7,100,036
Capital surplus	22,773,595	22,773,595
Retained earnings	64,852,655	63,468,761
Treasury shares	(4,978,535)	(4,978,535)
Total shareholders' equity	89,747,751	88,363,857
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,845,310	5,674,439
Foreign currency translation adjustment	8,146,088	11,064,136
Remeasurements of defined benefit plans	216,507	242,247
Total accumulated other comprehensive income	14,207,906	16,980,822
Total net assets	103,955,658	105,344,680
Total liabilities and net assets	154,336,246	153,479,229

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

(Thousands of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net sales	15,692,599	15,008,880
Cost of sales	9,888,087	10,318,027
Gross profit	5,804,511	4,690,852
Selling, general and administrative expenses	3,677,785	3,778,887
Operating profit	2,126,726	911,964
Non-operating income		
Interest income	790	12,942
Dividend income	1,179	1,513
Share of profit of entities accounted for using equity method	6,282	—
Foreign exchange gains	202,493	173,374
Other	53,419	109,546
Total non-operating income	264,165	297,378
Non-operating expenses		
Interest expenses	36,359	43,411
Sales discounts	3,400	—
Share of loss of entities accounted for using equity method	—	10,881
Rental expenses	36,049	29,037
Other	17,884	15,115
Total non-operating expenses	93,694	98,446
Ordinary profit	2,297,197	1,110,896
Extraordinary income		
Gain on sale of non-current assets	49	2,957
Total extraordinary income	49	2,957
Extraordinary losses		
Loss on retirement of non-current assets	5,940	500
Special extra for retirement payments	501,537	—
Total extraordinary losses	507,477	500
Profit before income taxes	1,789,769	1,113,353
Income taxes - current	398,427	403,526
Income taxes - deferred	187,075	477,627
Total income taxes	585,503	881,153
Profit	1,204,266	232,200
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,204,266	232,200

Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	1,204,266	232,200
Other comprehensive income		
Valuation difference on available-for-sale securities	(282,684)	(170,871)
Foreign currency translation adjustment	2,390,452	2,918,048
Remeasurements of defined benefit plans, net of tax	5,215	25,740
Total other comprehensive income	2,112,983	2,772,916
Comprehensive income	3,317,249	3,005,116
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,317,249	3,005,116
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

Not applicable.

(Segment information, etc.)

[Segment information]

I For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

1. Information on net sales and profit/loss by reportable segment

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Net sales						
Revenue from contracts with customers	11,710,486	1,940,312	3,654,973	17,305,773	(1,613,173)	15,692,599
Net sales to third parties	10,227,970	1,936,144	3,528,484	15,692,599	–	15,692,599
Inter-segment net sales or transfers	1,482,516	4,167	126,489	1,613,173	(1,613,173)	–
Total	11,710,486	1,940,312	3,654,973	17,305,773	(1,613,173)	15,692,599
Segment profit	3,082,879	150,113	177,756	3,410,749	(1,113,552)	2,297,197

(Notes) 1. The segment profit adjustment of ¥ (1,113,552) thousand includes the eliminated inter-segment transaction profit of ¥ (494,740) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(618,811) 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. Segment profit is adjusted to ordinary profit in the quarterly consolidated statements of income.

II For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Information on net sales and profit/loss by reportable segment

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Net sales						
Revenue from contracts with customers	9,066,974	3,201,385	4,051,805	16,320,165	(1,311,285)	15,008,880
Net sales to third parties	7,856,406	3,196,547	3,955,926	15,008,880	–	15,008,880
Inter-segment net sales or transfers	1,210,567	4,838	95,879	1,311,285	(1,311,285)	–
Total	9,066,974	3,201,385	4,051,805	16,320,165	(1,311,285)	15,008,880
Segment profit	3,776,624	498,594	151,568	4,426,787	(3,315,890)	1,110,896

(Notes) 1. The segment profit adjustment of ¥(3,315,890) thousand includes the eliminated inter-segment transaction profit of ¥(2,752,509) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(563,381) thousand. The general administrative expenses that are not allocated to any reportable segment consist mainly of the basic research and development expenses, certain administrative expenses related to the General Affairs and Accounting Department, and the amortization cost of ¥279,478 thousand on goodwill involved in acquisition of shares in Harmonic Drive SE.

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 “North America” segment includes net sales of ¥2,864,415 thousand originating from the United States of America, which represents 10% or more of net sales recorded on the consolidated statements of income.
4. Segment profit is adjusted to ordinary profit in the quarterly consolidated statements of income.

3. Other Matters

(1) Status of Production, Orders Received and Sales

a. Production

Production results by segment for the three months ended June 30, 2023 (April 1, 2023 to June 30, 2023) are as follows:

Segment name		Production output (thousands of yen)	YoY change (%)
Japan	Speed reducers	8,344,278	(22.5)
	Mechatronic products	1,919,952	35.3
North America	Speed reducers	1,148,095	50.4
	Mechatronic products	1,560,629	115.4
Europe	Speed reducers	2,352,175	(7.2)
	Mechatronic products	1,101,100	42.5
Total		16,426,232	(3.3)

- (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 Harmonic Winbel Inc., 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 by segment for the three months ended June 30, 2023 (April 1, 2023 to June 30, 2023) are as follows:

Segment name		Orders received (thousands of yen)	YoY change (%)	Order backlog (thousands of yen)	YoY change (%)
Japan	Speed reducers	4,465,247	(39.0)	5,263,869	(81.9)
	Mechatronic products	488,968	(54.5)	1,667,948	(33.5)
North America	Speed reducers	1,092,279	0.7	4,749,247	6.3
	Mechatronic products	1,134,355	(54.3)	6,558,222	(8.0)
Europe	Speed reducers	2,346,110	(23.9)	6,604,581	16.5
	Mechatronic products	1,568,019	32.5	3,417,311	31.7
Total		11,094,981	(31.6)	28,261,181	(45.1)

- (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 Harmonic Winbel Inc., 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 ¥198,833 thousand of order cancellations. The cancellations took place during the three months ended June 30, 2023.

c. Sales

Sales results by segment for the three months ended June 30, 2023 (April 1, 2023 to June 30, 2023) are as follows:

Segment name		Sales volume (thousands of yen)	YoY change (%)
Japan	Speed reducers	6,817,581	(27.3)
	Mechatronic products	1,038,824	21.3
North America	Speed reducers	1,344,811	51.0
	Mechatronic products	1,851,735	77.1
Europe	Speed reducers	2,700,322	2.2
	Mechatronic products	1,255,603	41.7
Total		15,008,880	(4.4)

(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	Three months ended June 30, 2022		Three months ended June 30, 2023	
	Sales (thousands of yen)	Ratio (%)	Sales (thousands of yen)	Ratio (%)
Haneda & Co., Ltd.	1,831,310	11.7	–	–

The sales to Haneda & Co., Ltd. are not presented for the three months ended June 30, 2023, since the ratio of the sales to the total sales is less than ten hundredths.

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 Harmonic Winbel Inc., 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 three months ended June 30, 2023 (April 1, 2023 to June 30, 2023) are as follows:

	Europe	North America	Other regions	Total
I Net sales outside Japan (thousands of yen)	3,955,926	3,196,547	1,591,986	8,744,459
II Consolidated net sales (thousands of yen)	–	–	–	15,008,880
III Ratio of net sales outside Japan to consolidated net sales (%)	26.4	21.3	10.6	58.3

(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.