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## Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]



February 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: February 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 Nine Months Ended December 31, 2022 (April 1, 2022 – December 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	%
Nine months ended December 31, 2022	53,360	28.4	8,066	23.8	8,373	24.0	5,293	18.4
December 31, 2021	41,556	56.0	6,513	—	6,751	—	4,472	—

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥10,338 million [443.4%]

Nine months ended December 31, 2021: ¥1,902 million [(70.6)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	55.47	—
December 31, 2021	46.46	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2022	157,763	102,162	64.8
As of March 31, 2022	143,289	98,856	69.0

(Reference) Equity: As of December 31, 2022: ¥102,162 million

As of March 31, 2022: ¥98,856 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	10.00	–	11.00	21.00
Fiscal year ending March 31, 2023	–	11.00	–		
Fiscal year ending March 31, 2023 (Forecast)				17.00	28.00

(Note) Revision to the forecast for dividends announced most recently: None

## 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
Full year	71,000	24.4	9,800	12.1	10,100	10.9	6,700	0.8	70.28

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

### \* 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: Yes
  - 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):

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

December 31, 2022:	1,251,002 shares
March 31, 2022:	52,336 shares
  - 3) Average number of shares outstanding during the period:

Nine months ended December 31, 2022:	95,427,765 shares
Nine months ended December 31, 2021:	96,263,100 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 nine months ended December 31 (April 1, 2022 to December 31, 2022), the future outlook of the world economy remained uncertain, with such issues as the hike in resource prices resulting from the worsening situation in Ukraine, surge in raw material prices and shortage of semiconductors, or rapid changes in exchange rates due to interest rate increases as Europe and the United States sought to calm inflation and stabilize prices. Against this backdrop, in terms of the financial results of the Harmonic Drive Systems Group (hereinafter “the Group”), despite a significant adjustment in trends of orders received, mainly in rebound from the rapid increase in orders received in the previous fiscal year, net sales reached a record high, supported by steady growth in investment in more advanced production and greater automation with an eye on the medium to long term in the manufacturing industry, as well as a high level of order backlog.

Regarding net sales trends by application, net sales increased year on year for industrial robots used in production automation related to rechargeable batteries in line with the shift to EVs in the automotive market and for smartphones and others. Net sales also increased for semiconductor manufacturing equipment, automotive, and other general industrial machinery applications.

As a result, net sales for the nine months ended December 31, 2022 increased 28.4% year on year to ¥53,360 million.

In terms of profit and loss, depreciation cost increased as a result of investments made to increase production capacity, and manufacturing costs and selling, general and administrative expenses also rose mainly due to personnel increase in the manufacturing and other sectors. However, operating profit increased to ¥8,066 million, up 23.8% year on year, due to the effect of increased profit from higher net sales. Profit attributable to owners of parent also increased to ¥5,293 million, up 18.4% year on year, mainly due to an increase in operating profit.

In terms of net sales by product group, speed reducers totaled ¥43,238 million, up 25.5% year on year, and mechatronics products reached ¥10,122 million, up 42.3% year on year. They accounted for 81.0% and 19.0% of the total net sales, respectively.

Financial results by segment are as follows.

#### (Japan)

Sales to China temporarily declined due to the impact of COVID-19 lockdowns. However, demand for industrial robots increased due to aggressive capital investment for upgrading and automating production, and demand for semiconductor equipment also remained strong. As a result, net sales increased 25.9% year on year to ¥34,012 million. Segment profit (ordinary profit) rose 9.1% year on year to ¥9,555 million due to increased sales.

#### (North America)

While there were concerns about interest rate rises and price increases, demand for semiconductor equipment and advanced medical applications (related to surgical robots) remained strong. As a result, net sales increased 61.4% year on year to ¥7,650 million. Segment profit (ordinary profit) increased 102.8% year on year to ¥934 million due to increased sales.

#### (Europe)

While there were concerns about interest rate rises and price increases as in North America, in Europe, there was steady demand for investment in automation, resulting in higher demand mainly for industrial robots and general industrial machinery. As a result, net sales increased 19.4% year on year to ¥11,697 million. Segment profit (ordinary profit) increased 302.4% year on year to ¥818 million due to the increase in sales, which absorbed the amortization cost of ¥1,276 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 third quarter of the fiscal year under review increased ¥14,473 million, up 10.1% from the end of the previous fiscal year to ¥157,763 million. This was mainly due to a ¥6,030 million or 13.7% increase in property, plant and equipment from the end of the previous fiscal year resulting from capital investment, while notes receivable - trade and accounts receivable - trade increased ¥4,973 million or 31.9% due to increased sales, and merchandise and finished goods, work in process, and raw materials and supplies increased ¥4,014 million or 42.7% from the end of the previous fiscal year.

### (Liabilities)

Liabilities increased ¥11,167 million, up 25.1% from the end of the previous fiscal year to ¥55,600 million. This was mainly due to a ¥1,618 million or 62.1% decrease in income taxes payable from the end of the previous fiscal year, while borrowings for financing the repurchase of shares increased ¥7,694 million or 45.6%, notes and accounts payable - trade increased ¥1,193 million or 31.0%, and other current liabilities increased ¥3,204 million or 99.7% from the end of the previous fiscal year.

### (Net Assets)

Net assets increased ¥3,306 million, up 3.3% from the end of the previous fiscal year to ¥102,162 million. This was mainly due to a ¥1,739 million or 1.9% decrease in total shareholders' equity from the end of the previous fiscal year due to the repurchase of shares, while foreign currency translation adjustment increased ¥4,839 million or 128.9% from the end of the previous fiscal year due to the effect of exchange rate fluctuations.

As a result, equity ratio fell from 69.0% at the end of the previous fiscal year to 64.8%.

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

Due to softening demand mainly in Japan for small robot speed reducers for the Chinese market, which are used in the manufacturing process of electronic devices such as smartphones, and to changes in production plans seen among some customers caused by limitations on procurement of semiconductors, some products that were scheduled to be manufactured and shipped during the fourth quarter of the fiscal year according to the previous forecast have resulted or are expected to result in delivery delays into the next quarter or order cancelations. The Group has therefore revised its forecasts for net sales.

The Group has also downwardly revised its forecasts for profit and loss from the previous forecasts mainly due to the above revised net sales forecasts. The full-year consolidated and non-consolidated financial results forecasts for the fiscal year ending March 31, 2023, which were announced on November 8, 2022, have been revised as follows.

#### 1. Revised consolidated financial results forecast

Revised full-year consolidated financial results forecast for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

	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
Previous forecast (A)	74,000	11,000	11,300	7,500	78.67
Revised forecast (B)	71,000	9,800	10,100	6,700	70.28
Change (B-A)	(3,000)	(1,200)	(1,200)	(800)	—
Change (%)	(4.1)	(10.9)	(10.6)	(10.7)	—
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2022)	57,087	8,739	9,108	6,643	69.02

#### 2. Revised non-consolidated financial results forecast

Revised full-year non-consolidated financial results forecast for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

	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
Previous forecast (A)	53,000	9,500	10,000	6,700	70.48
Revised forecast (B)	50,000	8,300	8,700	5,800	61.01
Change (B-A)	(3,000)	(1,200)	(1,300)	(900)	—
Change (%)	(5.7)	(12.6)	(13.0)	(13.4)	—
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2022)	41,120	8,358	8,702	6,545	68.00

#### < Notes on financial results forecasts >

Financial performance forecasts contained herein have been calculated based on information currently available, and therefore the actual financial results may differ due to various factors.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2022	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	19,901,290	19,362,049
Notes receivable - trade	6,963,283	8,889,527
Accounts receivable - trade	8,621,584	11,668,456
Securities	27,616	20,499
Merchandise and finished goods	1,146,401	2,189,516
Work in process	3,883,587	4,775,391
Raw materials and supplies	4,374,176	6,453,731
Other	976,918	1,304,975
Allowance for doubtful accounts	(22,146)	(24,166)
Total current assets	45,872,713	54,639,981
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,679,146	19,842,168
Machinery, equipment and vehicles, net	14,068,453	17,324,943
Other, net	10,220,002	12,830,944
Total property, plant and equipment	43,967,603	49,998,057
Intangible assets		
Goodwill	15,336,072	15,077,648
Software	250,811	213,525
Customer related assets	19,589,451	19,259,354
Technical assets	5,232,055	5,143,891
Other	27,468	95,017
Total intangible assets	40,435,860	39,789,437
Investments and other assets		
Investment securities	11,129,188	11,409,481
Shares of subsidiaries and associates	90,821	100,426
Retirement benefit asset	1,207,717	1,247,713
Deferred tax assets	454,910	436,964
Other	136,704	146,939
Allowance for doubtful accounts	(5,600)	(5,600)
Total investments and other assets	13,013,742	13,335,925
Total non-current assets	97,417,205	103,123,420
<b>Total assets</b>	<b>143,289,918</b>	<b>157,763,402</b>



(Thousands of yen)

	As of March 31, 2022	As of December 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,856,847	5,050,757
Short-term borrowings	327,135	3,628,640
Current portion of long-term borrowings	1,942,662	2,573,814
Lease liabilities	471,703	504,914
Income taxes payable	2,604,300	986,050
Provision for bonuses	1,342,333	972,888
Provision for bonuses for directors (and other officers)	305,941	252,232
Provision for loss on compensation for after-care of products	62,294	59,205
Other	3,214,171	6,418,321
Total current liabilities	14,127,390	20,446,825
Non-current liabilities		
Long-term borrowings	14,617,513	18,379,840
Lease liabilities	3,548,469	3,979,655
Deferred tax liabilities	9,938,302	10,286,126
Provision for retirement benefits for directors (and other officers)	490,413	9,000
Other provisions	129,193	75,057
Retirement benefit liability	1,009,659	933,018
Other	572,673	1,491,447
Total non-current liabilities	30,306,225	35,154,144
Total liabilities	44,433,616	55,600,970
<b>Net assets</b>		
Shareholders' equity		
Share capital	7,100,036	7,100,036
Capital surplus	22,762,168	22,773,595
Retained earnings	59,361,329	62,550,539
Treasury shares	(38,897)	(4,978,535)
Total shareholders' equity	89,184,636	87,445,634
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,911,738	6,087,287
Foreign currency translation adjustment	3,753,287	8,592,995
Remeasurements of defined benefit plans	6,640	36,513
Total accumulated other comprehensive income	9,671,666	14,716,796
Total net assets	98,856,302	102,162,431
Total liabilities and net assets	143,289,918	157,763,402

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

(Thousands of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	41,556,265	53,360,952
Cost of sales	25,123,376	33,888,128
Gross profit	16,432,889	19,472,824
Selling, general and administrative expenses	9,919,388	11,406,781
Operating profit	6,513,500	8,066,042
Non-operating income		
Interest income	10,640	7,322
Dividend income	126,243	129,299
Share of profit of entities accounted for using equity method	—	9,604
Foreign exchange gains	—	224,898
Subsidy income	235,237	185,462
Other	205,679	145,957
Total non-operating income	577,801	702,545
Non-operating expenses		
Interest expenses	101,191	122,118
Sales discounts	7,314	11,492
Share of loss of entities accounted for using equity method	7,509	—
Commission for purchase of treasury shares	—	116,897
Foreign exchange losses	56,288	—
Rental expenses	125,488	108,157
Other	41,847	36,661
Total non-operating expenses	339,639	395,326
Ordinary profit	6,751,662	8,373,262
Extraordinary income		
Gain on sale of non-current assets	2,715	798
Subsidy income	—	2,000
Total extraordinary income	2,715	2,798
Extraordinary losses		
Loss on sale of non-current assets	21	—
Loss on retirement of non-current assets	44,220	41,922
Loss on tax purpose reduction entry of non-current assets	—	2,000
Extra retirement payments	1,792	—
Special extra for retirement payments	16,690	501,537
Total extraordinary losses	62,723	545,460
Profit before income taxes	6,691,654	7,830,599
Income taxes - current	2,429,676	2,669,607
Income taxes - deferred	(283,498)	(132,819)
Total income taxes	2,146,178	2,536,788
Profit	4,545,476	5,293,811
Profit attributable to non-controlling interests	73,147	—
Profit attributable to owners of parent	4,472,329	5,293,811

Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	4,545,476	5,293,811
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,808,856)	175,549
Foreign currency translation adjustment	1,127,759	4,839,707
Remeasurements of defined benefit plans, net of tax	38,237	29,873
Total other comprehensive income	(2,642,860)	5,045,130
Comprehensive income	1,902,616	10,338,942
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,603,912	10,338,942
Comprehensive income attributable to non-controlling interests	298,703	—

### (3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Following a resolution of the Board of Directors meeting held on May 13, 2022, the Company repurchased 1,215,400 of its own shares. As a result, treasury shares increased by ¥5,000,000 thousand during the nine months ended December 31, 2022.

In addition, following a resolution of the Board of Directors meeting held on July 15, 2022, the Company disposed of 16,734 treasury shares as restricted shares remuneration, and capital surplus increased by ¥11,426 thousand, and treasury shares decreased by ¥60,631 thousand during the nine months ended December 31, 2022.

These resulted in capital surplus of ¥22,773,595 thousand and treasury shares of ¥4,978,535 thousand as of December 31, 2022.

(Changes in accounting policies)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Guidance on Fair Value Measurement Standard") from the beginning of the first quarter of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Guidance on Fair Value Measurement Standard in accordance with the transitional treatment provided in Paragraph 27-2 of the Guidance on Fair Value Measurement Standard. The application does not affect the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I For the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

1. Information on net sales and profit/loss, and information on disaggregation of revenue, by reportable segment  
(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Net sales						
Revenue from contracts with customers	30,333,300	4,750,752	9,886,925	44,970,978	(3,414,712)	41,556,265
Net sales to third parties	27,014,436	4,740,507	9,801,321	41,556,265	–	41,556,265
Inter-segment net sales or transfers	3,318,864	10,244	85,603	3,414,712	(3,414,712)	–
Total	30,333,300	4,750,752	9,886,925	44,970,978	(3,414,712)	41,556,265
Segment profit	8,755,423	460,651	203,283	9,419,359	(2,667,696)	6,751,662

(Notes) 1. The segment profit adjustment of ¥(2,667,696) thousand includes the eliminated inter-segment transaction profit of ¥(978,311) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(1,689,384) 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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

1. Information on net sales and profit/loss, and information on disaggregation of revenue, by reportable segment  
(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Net sales						
Revenue from contracts with customers	38,699,183	7,661,584	12,232,422	58,593,190	(5,232,237)	53,360,952
Net sales to third parties	34,012,194	7,650,805	11,697,952	53,360,952	–	53,360,952
Inter-segment net sales or transfers	4,686,988	10,779	534,470	5,232,237	(5,232,237)	–
Total	38,699,183	7,661,584	12,232,422	58,593,190	(5,232,237)	53,360,952
Segment profit	9,555,340	934,228	818,020	11,307,589	(2,934,327)	8,373,262

(Notes) 1. The segment profit adjustment of ¥(2,934,327) thousand includes the eliminated inter-segment transaction profit of ¥(1,092,385) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(1,841,942) 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 “North America” segment includes net sales of ¥6,475,380 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 nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022) are as follows:

Segment name		Production output (thousands of yen)	YoY change (%)
Japan	Speed reducers	34,186,763	29.4
	Mechatronic products	4,991,723	22.2
North America	Speed reducers	2,691,914	43.3
	Mechatronic products	3,156,876	121.8
Europe	Speed reducers	8,298,197	31.9
	Mechatronic products	2,253,648	24.2
Total		55,579,122	32.6

- (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 by segment for the nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022) are as follows:

Segment name		Orders received (thousands of yen)	YoY change (%)	Order backlog (thousands of yen)	YoY change (%)
Japan	Speed reducers	16,928,211	(65.7)	14,188,565	(53.9)
	Mechatronic products	3,211,304	(25.1)	2,584,735	16.4
North America	Speed reducers	3,755,554	(18.0)	5,347,127	74.5
	Mechatronic products	6,218,329	35.0	8,924,006	133.4
Europe	Speed reducers	10,722,399	18.9	7,200,466	61.3
	Mechatronic products	3,573,004	25.1	2,857,911	70.1
Total		44,408,805	(40.6)	41,102,812	(10.7)

- (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 ¥3,829,716 thousand of order cancellations. The cancellations took place during the nine months ended December 31, 2022 mainly in the Japan segment.

c. Sales

Sales results by segment for the nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022) are as follows:

Segment name		Sales volume (thousands of yen)	YoY change (%)
Japan	Speed reducers	31,120,475	27.0
	Mechatronic products	2,891,719	15.0
North America	Speed reducers	3,462,210	30.4
	Mechatronic products	4,188,594	100.8
Europe	Speed reducers	8,655,759	18.8
	Mechatronic products	3,042,192	20.9
Total		53,360,952	28.4

(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	Nine months ended December 31, 2022	
	Sales (thousands of yen)	Ratio (%)
Haneda & Co., Ltd.	6,976,327	13.1

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 nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022) are as follows:

	Europe	North America	Other regions	Total
I Net sales outside Japan (thousands of yen)	11,697,952	7,650,805	5,243,635	24,592,393
II Consolidated net sales (thousands of yen)	–	–	–	53,360,952
III Ratio of net sales outside Japan to consolidated net sales (%)	21.9	14.3	9.8	46.1

(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.