

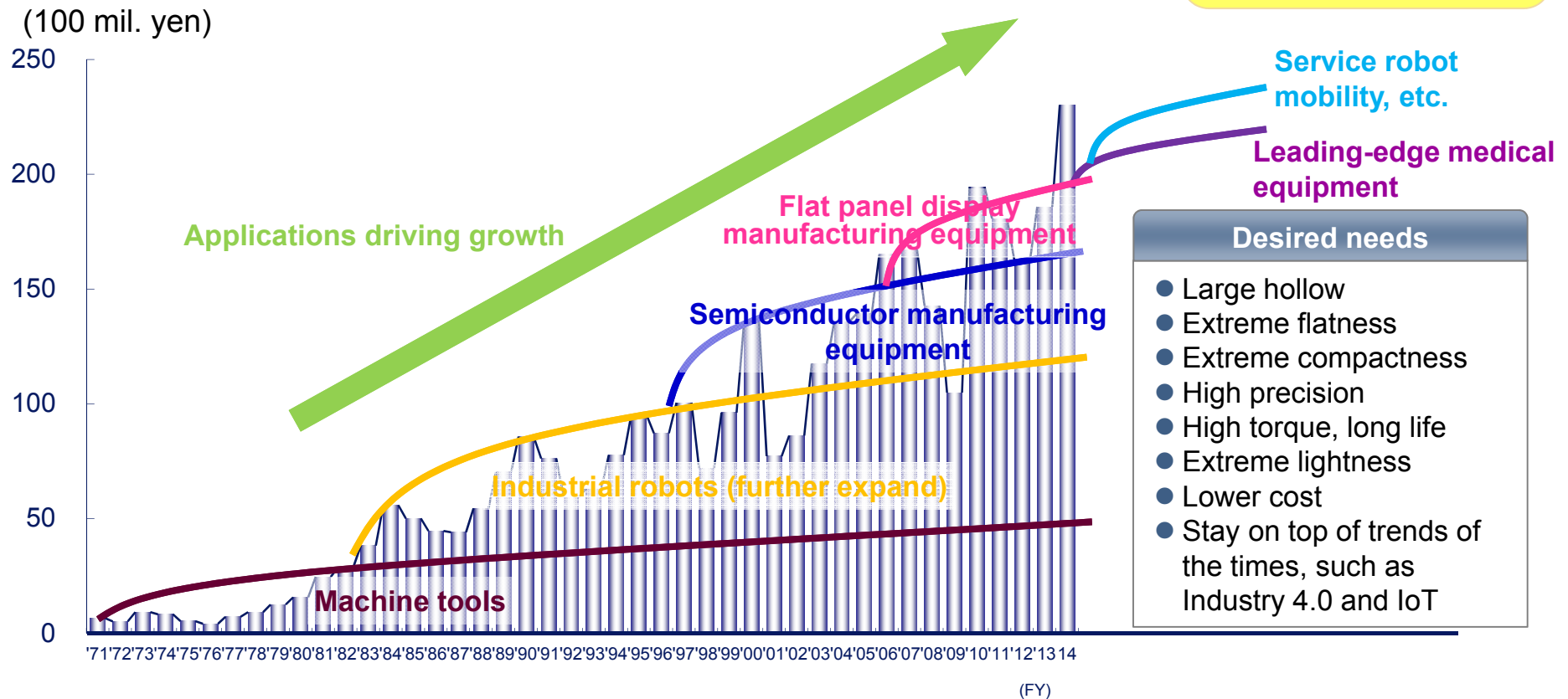
The title is centered and surrounded by several overlapping, hand-drawn style blue loops that create a sense of motion or emphasis.

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

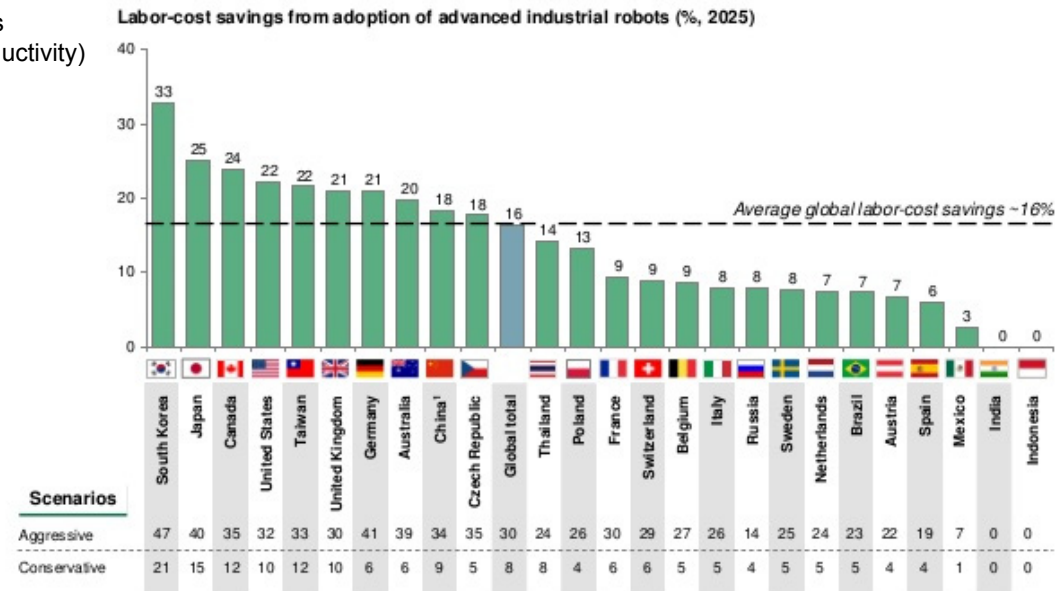
Rate of labor cost reduction due to rapid expansion of industrial robot use

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

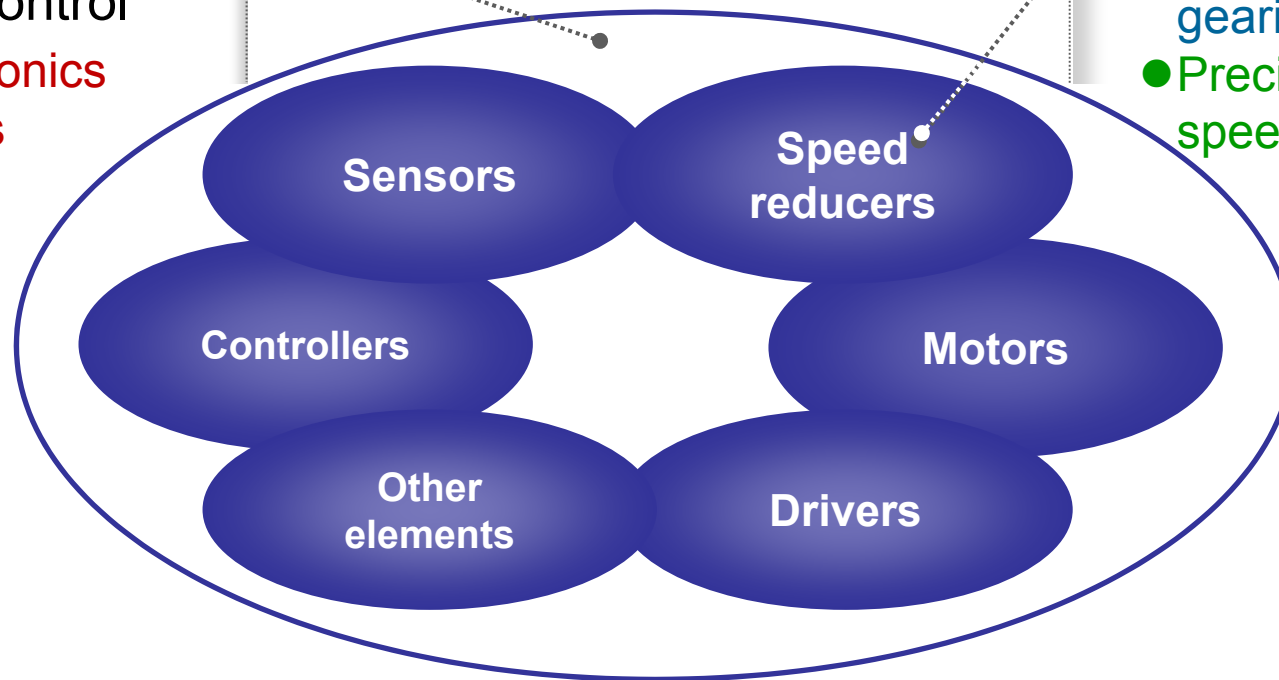
Provision of Total Motion Control

Product lineup for provision of Total Motion Control

● Mechatronics products

Reducer-only lineup

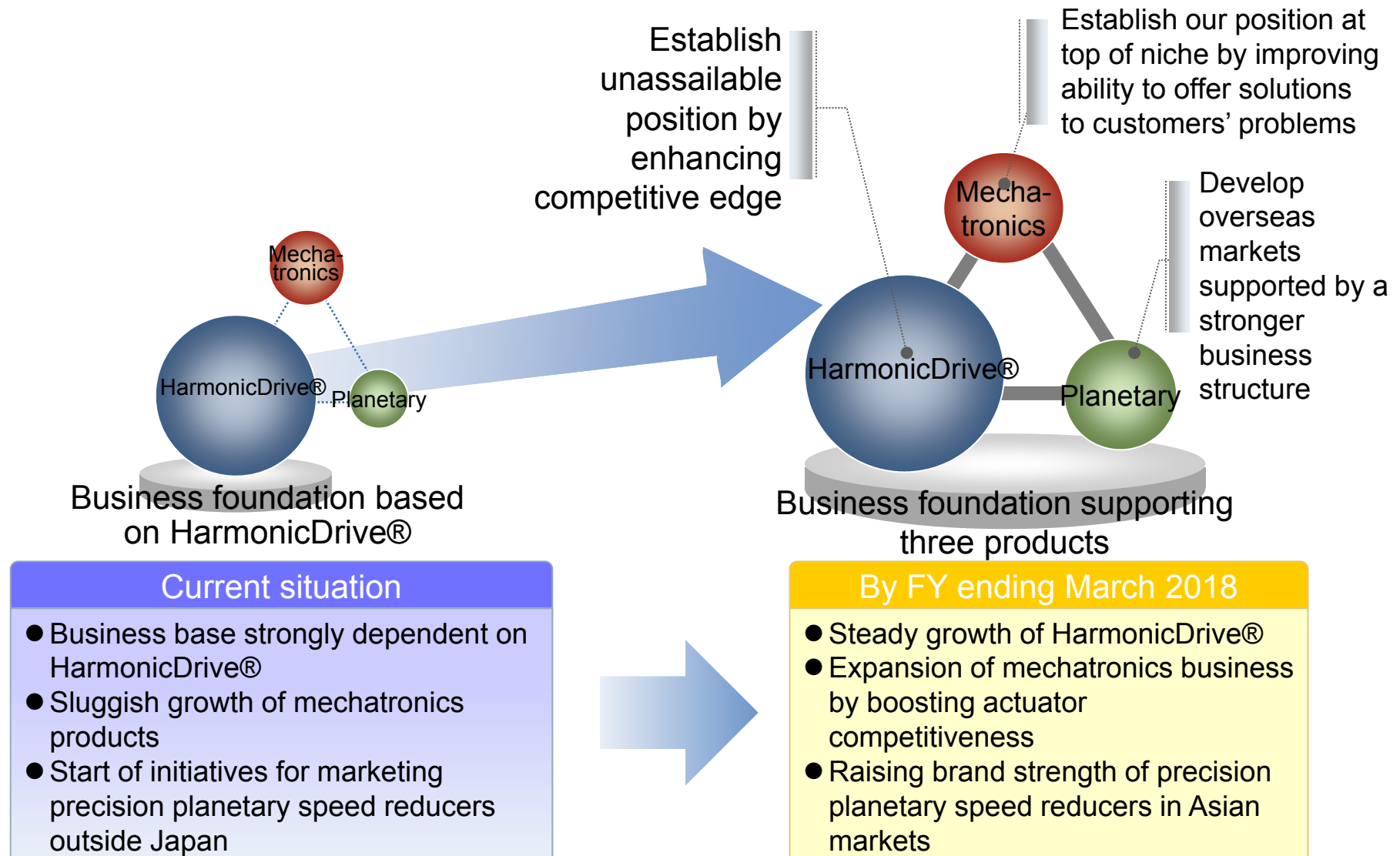
- Strain wave gearing devices
- Precision planetary speed reducers



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

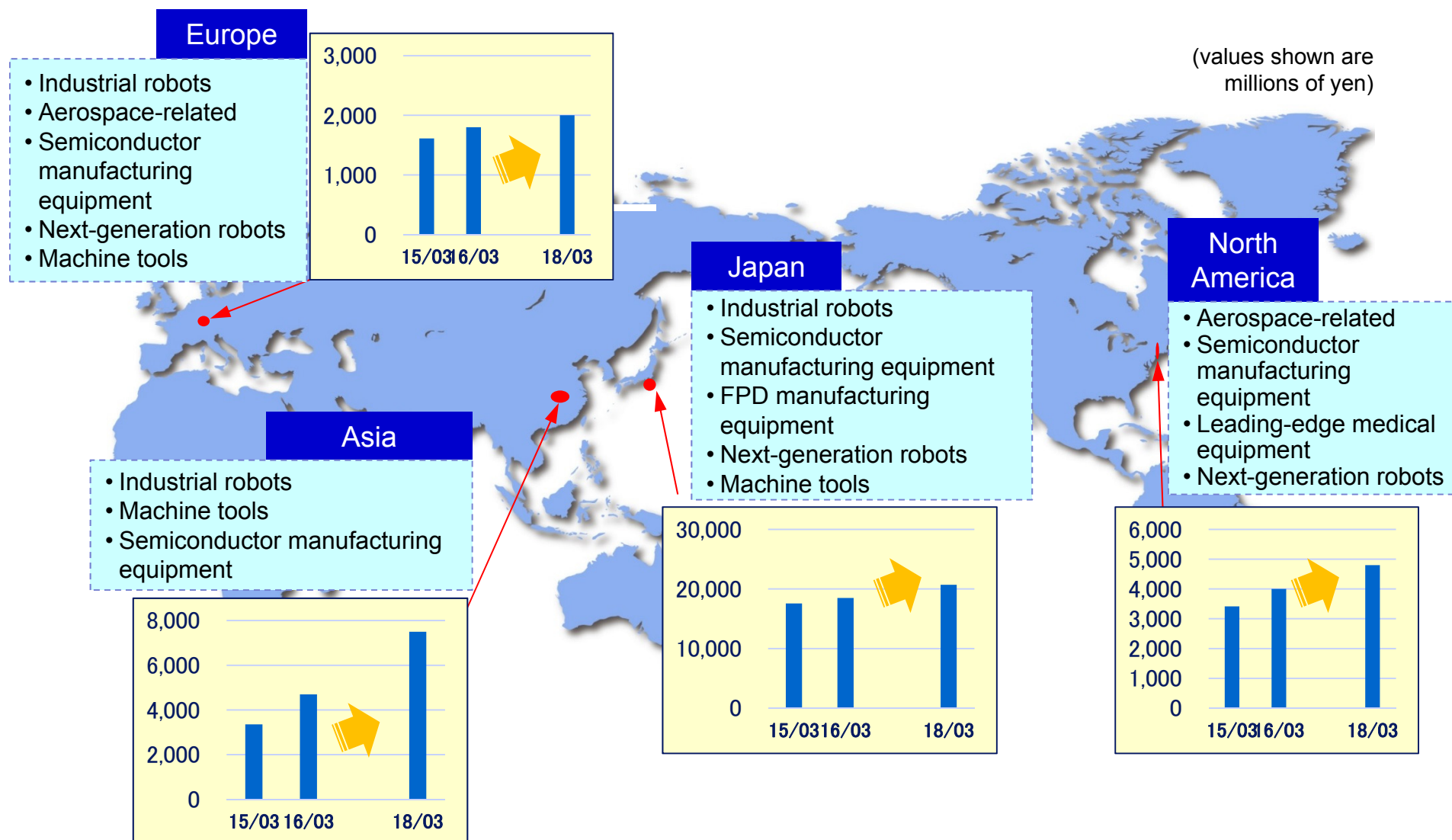
Realize a high-level customer-oriented organization by resolutely pursuing QCDS

- 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

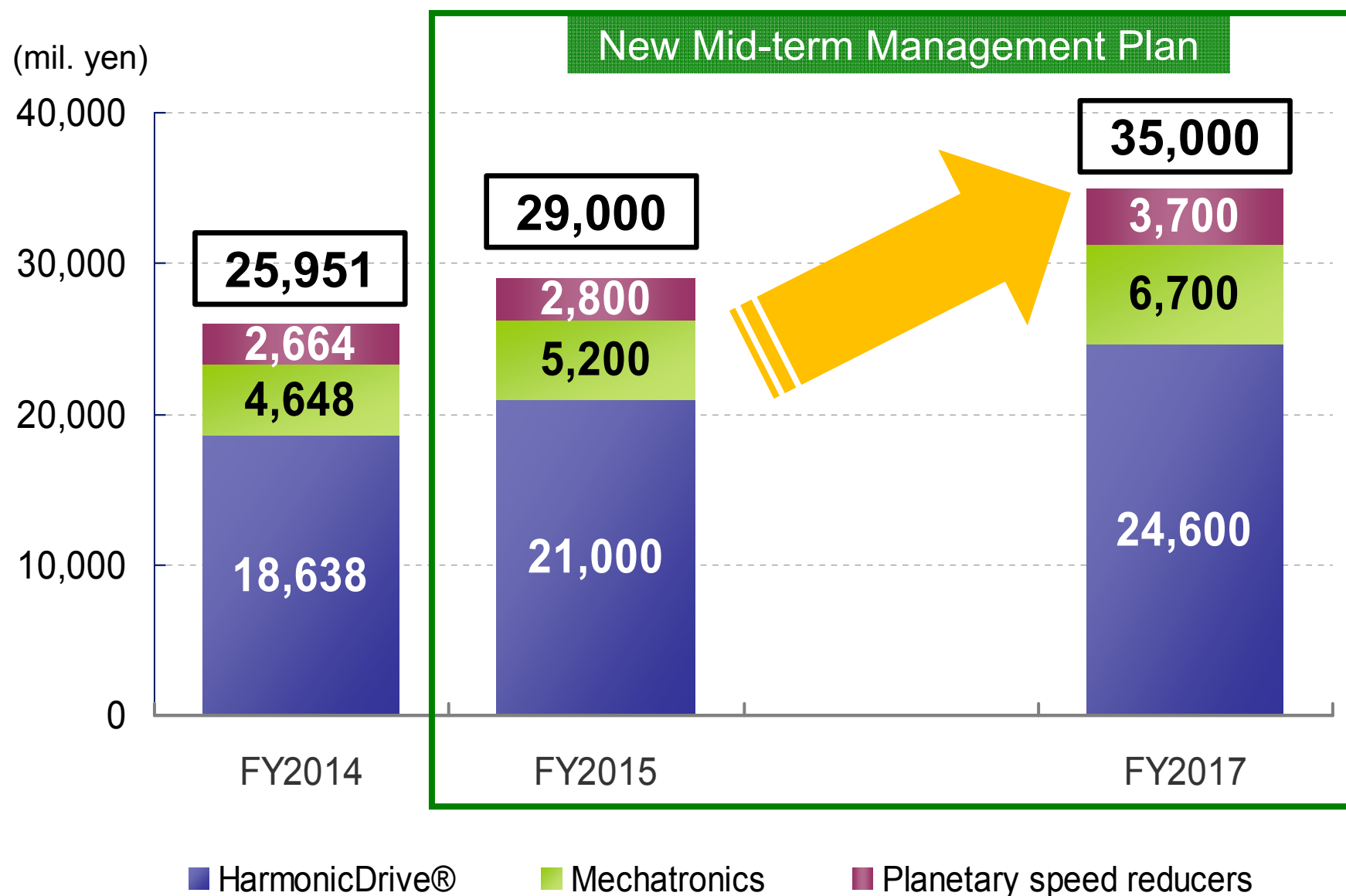


Harmonic Drive Systems New Hotaka Plant
(artist rendition)



(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