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## Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]



November 8, 2022

Company name: Harmonic Drive Systems Inc.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 6324  
 URL: <https://www.hds.co.jp/english/>  
 Representative: Akira Nagai, President, Representative Director  
 Contact: Akira Maruyama, Representative Director  
 Phone: +81-3-5471-7810  
 Scheduled date of filing quarterly securities report: November 9, 2022  
 Scheduled date of commencing dividend payments: December 5, 2022  
 Availability of supplementary explanatory materials on quarterly financial results: Available  
 Schedule of quarterly financial results briefing session: Scheduled (for analysts)

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

### 1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 – September 30, 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	%
Six months ended September 30, 2022	33,451	27.0	4,640	31.6	4,924	38.1	2,938	32.5
Six months ended September 30, 2021	26,341	48.8	3,527	–	3,565	–	2,218	–

(Note) Comprehensive income: Six months ended September 30, 2022: ¥6,242 million [315.4%]  
 Six months ended September 30, 2021: ¥1,502 million [(62.9)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	30.74	–
September 30, 2021	23.05	–

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	151,616	99,112	65.4
As of March 31, 2022	143,289	98,856	69.0

(Reference) Equity: As of September 30, 2022: ¥99,112 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: Yes

## 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	74,000	29.6	11,000	25.9	11,300	24.1	7,500	12.9	78.67

(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):
 

September 30, 2022:	96,315,400 shares
March 31, 2022:	96,315,400 shares
  - 2) Total number of treasury shares at the end of the period:
 

September 30, 2022:	1,251,002 shares
March 31, 2022:	52,336 shares
  - 3) Average number of shares outstanding during the period:
 

Six months ended September 30, 2022:	95,610,442 shares
Six months ended September 30, 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.
- Supplementary explanatory materials on quarterly financial results are scheduled to be posted on the Company’s website on the day of the quarterly financial results briefing session scheduled for November 16, 2022.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the six months ended September 30 (April 1, 2022 to September 30, 2022), the future outlook of the world economy faced rising uncertainty, with such issues as the hike in resource prices resulting from the worsening situation in Ukraine, 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, the business environment surrounding the Harmonic Drive Systems Group (hereinafter “the Group”) was generally favorable with strong demand from the manufacturing industry, which has an eye on the medium to long term, for more advanced production and greater automation.

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 six months ended September 30, 2022 increased 27.0% year on year to ¥33,451 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 ¥4,640 million, up 31.6% year on year, due to the effect of increased profit from higher net sales. Profit attributable to owners of parent also increased to ¥2,938 million, up 32.5% year on year, mainly due to an increase in operating profit.

In terms of net sales by product group, speed reducers totaled ¥27,206 million, up 25.1% year on year, and mechatronics products reached ¥6,244 million, up 35.7% year on year. They accounted for 81.3% and 18.7% 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 manufacturing equipment also remained strong. As a result, net sales increased 24.8% year on year to ¥21,468 million. Segment profit (ordinary profit) rose 15.8% year on year to ¥6,098 million due to increased sales.

#### (North America)

While there were concerns about interest rate rises and price increases, demand for semiconductor manufacturing equipment and advanced medical applications (related to surgical robots) remained strong. As a result, net sales increased 52.9% year on year to ¥4,563 million. Segment profit (ordinary profit) increased 115.0% year on year to ¥460 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 20.7% year on year to ¥7,419 million. Segment profit (ordinary profit) totaled ¥404 million, up from the segment loss of ¥110 million in the same period of the previous year. This is due to the increase in sales, which absorbed the amortization cost of ¥839 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 second quarter of the fiscal year under review increased ¥8,327 million, up 5.8% from the end of the previous fiscal year to ¥151,616 million. This was mainly due to a ¥2,196 million or 11.0% decrease in cash and deposits from the end of the previous fiscal year, while property, plant and equipment increased ¥5,679 million or 12.9% resulting from capital investment, merchandise and finished goods, work in process, and raw materials and supplies increased ¥3,253 million or 34.6%, and accounts receivable - trade increased ¥2,210 million or 25.6% from the end of the previous fiscal year.

### (Liabilities)

Liabilities increased ¥8,071 million, up 18.2% from the end of the previous fiscal year to ¥52,504 million. This was mainly due to a ¥1,153 million or 44.3% decrease in income taxes payable from the end of the previous fiscal year, while short-term borrowings for financing the repurchase of shares increased ¥5,001 million or 1,528.9%, and other current liabilities increased ¥4,028 million or 125.3% from the end of the previous fiscal year.

### (Net Assets)

Net assets increased ¥255 million, up 0.3% from the end of the previous fiscal year to ¥99,112 million. This was mainly due to a ¥3,048 million or 3.4% 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 ¥4,055 million or 108.0% 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 65.4%.

### (Status of Cash Flows)

Cash and cash equivalents as of September 30, 2022 totaled ¥16,000 million, down ¥2,767 million from the end of the previous fiscal year.

The status of cash flows by category during the six months ended September 30, 2022 is as follows.

### (Cash Flows from Operating Activities)

Operating activities in the six months ended September 30, 2022 provided net cash of ¥2,298 million, compared with net cash provided of ¥4,008 million in the same period of the previous fiscal year.

The Company recorded profit before income taxes of 4,385 million and depreciation of ¥3,902 million. On the one hand, income taxes paid, inventories, and trade receivables increased by ¥2,946 million, ¥2,529 million and ¥1,515 million, respectively, and became major factors for the net cash provided.

### (Cash Flows from Investing Activities)

Investing activities in the six months ended September 30, 2022 used net cash of ¥3,275 million, compared with net cash used of ¥16,157 million in the same period of the previous fiscal year.

This was primarily because of ¥2,862 million used to acquire property, plant and equipment, and ¥1,312 million used for payments into time deposits.

### (Cash Flows from Financing Activities)

Financing activities in the six months ended September 30, 2022 used net cash of ¥2,280 million, compared with net cash provided of ¥9,353 million in the same period of the previous fiscal year.

This was primarily because of ¥5,700 million provided from the proceeds from short-term borrowings, which was partially offset by purchase of treasury shares of ¥5,000 million and dividends paid of ¥1,052 million.

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

The Group forecasts continued strong demand related to capital investment mainly in industrial robots and semiconductor manufacturing equipment, the main applications of Group's products, in the second half of the fiscal year under review. On the other hand, for automotive speed reducers, it expects that production levels at car manufacturers—the Group's customers—will not meet the forecast made previously due to a shortage of semiconductors. The Group has therefore revised its full-year forecasts for net sales. The Group has also downwardly revised its forecasts for profit and loss from the previous forecasts along with revised net sales forecasts, and due to effects of rising purchase prices for electronic components and other items. The full-year consolidated and non-consolidated financial results forecasts for the fiscal year ending March 31, 2023, which were announced on May 13, 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)	75,000	13,000	13,000	9,000	93.49
Revised forecast (B)	74,000	11,000	11,300	7,500	78.67
Change (B-A)	(1,000)	(2,000)	(1,700)	(1,500)	—
Change (%)	(1.3)	(15.4)	(13.1)	(16.7)	—
(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)	55,000	11,000	11,200	7,500	77.91
Revised forecast (B)	53,000	9,500	10,000	6,700	70.48
Change (B-A)	(2,000)	(1,500)	(1,200)	(800)	—
Change (%)	(3.6)	(13.6)	(10.7)	(10.7)	—
(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 September 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	19,901,290	17,704,974
Notes receivable - trade	6,963,283	6,787,932
Accounts receivable - trade	8,621,584	10,832,033
Securities	27,616	22,469
Merchandise and finished goods	1,146,401	2,026,105
Work in process	3,883,587	4,859,403
Raw materials and supplies	4,374,176	5,772,509
Other	976,918	1,292,009
Allowance for doubtful accounts	(22,146)	(22,020)
Total current assets	45,872,713	49,275,416
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,679,146	19,971,941
Machinery, equipment and vehicles, net	14,068,453	16,377,960
Other, net	10,220,002	13,296,802
Total property, plant and equipment	43,967,603	49,646,705
Intangible assets		
Goodwill	15,336,072	15,434,349
Software	250,811	229,926
Customer related assets	19,589,451	19,714,984
Technical assets	5,232,055	5,265,583
Other	27,468	40,097
Total intangible assets	40,435,860	40,684,941
Investments and other assets		
Investment securities	11,129,188	10,061,680
Shares of subsidiaries and associates	90,821	95,606
Retirement benefit asset	1,207,717	1,233,318
Deferred tax assets	454,910	480,045
Other	136,704	144,813
Allowance for doubtful accounts	(5,600)	(5,600)
Total investments and other assets	13,013,742	12,009,864
Total non-current assets	97,417,205	102,341,511
<b>Total assets</b>	<b>143,289,918</b>	<b>151,616,928</b>



(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,856,847	4,488,213
Short-term borrowings	327,135	5,328,639
Current portion of long-term borrowings	1,942,662	1,964,564
Lease liabilities	471,703	557,891
Income taxes payable	2,604,300	1,451,148
Provision for bonuses	1,342,333	1,134,709
Provision for bonuses for directors (and other officers)	305,941	190,147
Provision for loss on compensation for after-care of products	62,294	68,963
Other	3,214,171	7,242,893
Total current liabilities	14,127,390	22,427,172
Non-current liabilities		
Long-term borrowings	14,617,513	13,623,231
Lease liabilities	3,548,469	3,980,002
Deferred tax liabilities	9,938,302	9,923,751
Provision for retirement benefits for directors (and other officers)	490,413	6,000
Other provisions	129,193	69,853
Retirement benefit liability	1,009,659	957,548
Other	572,673	1,517,332
Total non-current liabilities	30,306,225	30,077,720
Total liabilities	44,433,616	52,504,893
<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	61,241,414
Treasury shares	(38,897)	(4,978,535)
Total shareholders' equity	89,184,636	86,136,510
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,911,738	5,148,118
Foreign currency translation adjustment	3,753,287	7,808,437
Remeasurements of defined benefit plans	6,640	18,969
Total accumulated other comprehensive income	9,671,666	12,975,524
Total net assets	98,856,302	99,112,034
Total liabilities and net assets	143,289,918	151,616,928

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

(Thousands of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	26,341,079	33,451,614
Cost of sales	16,191,488	21,335,331
Gross profit	10,149,590	12,116,283
Selling, general and administrative expenses	6,622,500	7,475,517
Operating profit	3,527,090	4,640,765
Non-operating income		
Interest income	9,826	2,451
Dividend income	125,490	129,029
Share of profit of entities accounted for using equity method	—	4,784
Foreign exchange gains	—	361,061
Other	171,515	101,887
Total non-operating income	306,831	599,214
Non-operating expenses		
Interest expenses	63,614	75,668
Sales discounts	4,680	7,689
Share of loss of entities accounted for using equity method	3,626	—
Commission for purchase of treasury shares	—	116,897
Foreign exchange losses	82,829	—
Rental expenses	83,658	72,103
Other	29,735	42,626
Total non-operating expenses	268,145	314,984
Ordinary profit	3,565,777	4,924,995
Extraordinary income		
Gain on sale of non-current assets	2,695	767
Subsidy income	—	2,000
Total extraordinary income	2,695	2,767
Extraordinary losses		
Loss on sale of non-current assets	21	—
Loss on retirement of non-current assets	34,586	38,495
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	53,090	542,033
Profit before income taxes	3,515,382	4,385,729
Income taxes - current	1,514,248	1,579,395
Income taxes - deferred	(289,161)	(132,644)
Total income taxes	1,225,087	1,446,750
Profit	2,290,295	2,938,978
Profit attributable to non-controlling interests	71,678	—
Profit attributable to owners of parent	2,218,616	2,938,978

Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	2,290,295	2,938,978
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,850,208)	(763,620)
Foreign currency translation adjustment	1,043,428	4,055,149
Remeasurements of defined benefit plans, net of tax	19,217	12,328
Total other comprehensive income	(787,562)	3,303,858
Comprehensive income	1,502,733	6,242,836
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,204,553	6,242,836
Comprehensive income attributable to non-controlling interests	298,179	—

## (3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	3,515,382	4,385,729
Depreciation	3,443,599	3,902,032
Amortization of goodwill	489,512	518,793
Increase (decrease) in allowance for doubtful accounts	(1,002)	(2,238)
Increase (decrease) in retirement benefit liability	(46,196)	(154,943)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(40,705)	(484,413)
Increase (decrease) in provision for operating officers' retirement benefits	(16,008)	(59,340)
Increase (decrease) in provision for bonuses for directors (and other officers)	59,308	(119,394)
Increase (decrease) in provision for loss on compensation for after-care of products	(82,007)	3,462
Interest income	(9,826)	(2,451)
Dividend income	(125,490)	(129,029)
Interest expenses	63,614	75,668
Share of loss (profit) of entities accounted for using equity method	3,626	(4,784)
Subsidy income	—	(2,000)
Loss (gain) on sale of non-current assets	(2,674)	(767)
Loss on retirement of non-current assets	34,586	38,495
Loss on tax purpose reduction entry of non-current assets	—	2,000
Decrease (increase) in trade receivables	(3,516,403)	(1,515,734)
Decrease (increase) in inventories	(1,691,571)	(2,529,716)
Increase (decrease) in trade payables	1,903,305	347,298
Other, net	613,426	786,792
Subtotal	4,594,477	5,055,459
Interest and dividends received	135,286	131,449
Subsidies received	—	2,000
Interest paid	(65,966)	(88,273)
Income taxes paid	(816,729)	(2,946,687)
Income taxes refund	161,315	144,844
Net cash provided by (used in) operating activities	4,008,384	2,298,791
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,578,325)	(2,862,183)
Proceeds from sale of property, plant and equipment	3,533	1,522
Purchase of intangible assets	(35,583)	(55,024)
Purchase of investments in capital of subsidiaries	(14,724,713)	—
Purchase of shares of subsidiaries and associates	(63,040)	—
Payments into time deposits	(50)	(1,312,519)
Proceeds from withdrawal of time deposits	267,559	956,452
Payments of leasehold and guarantee deposits	(29,947)	(4,984)
Proceeds from refund of leasehold and guarantee deposits	3,203	981
Other, net	240	240
Net cash provided by (used in) investing activities	(16,157,121)	(3,275,515)

(Thousands of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from financing activities		
Proceeds from short-term borrowings	11,400,000	5,700,000
Repayments of short-term borrowings	(400,000)	(700,000)
Proceeds from long-term borrowings	20,000	—
Repayments of long-term borrowings	(443,150)	(972,380)
Repayments of lease liabilities	(226,592)	(255,750)
Purchase of treasury shares	—	(5,000,000)
Dividends paid	(963,401)	(1,052,522)
Dividends paid to non-controlling interests	(33,344)	—
Net cash provided by (used in) financing activities	9,353,510	(2,280,653)
Effect of exchange rate change on cash and cash equivalents	339,764	490,066
Net increase (decrease) in cash and cash equivalents	(2,455,461)	(2,767,310)
Cash and cash equivalents at beginning of period	19,996,738	18,767,531
Cash and cash equivalents at end of period	17,541,276	16,000,221

#### (4) 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 six months ended September 30, 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 six months ended September 30, 2022.

These resulted in capital surplus of ¥22,773,595 thousand and treasury shares of ¥4,978,535 thousand as of September 30, 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 six months ended September 30, 2021 (from April 1, 2021 to September 30, 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	19,585,395	2,989,078	6,198,687	28,773,160	(2,432,081)	26,341,079
Net sales to third parties	17,208,406	2,984,767	6,147,905	26,341,079	–	26,341,079
Inter-segment net sales or transfers	2,376,988	4,311	50,781	2,432,081	(2,432,081)	–
Total	19,585,395	2,989,078	6,198,687	28,773,160	(2,432,081)	26,341,079
Segment profit (loss)	5,264,893	214,192	(110,398)	5,368,687	(1,802,909)	3,565,777

(Notes) 1. The segment profit (loss) adjustment of ¥(1,802,909) thousand includes the eliminated inter-segment transaction profit of ¥(694,983) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(1,107,926) 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 (loss) is adjusted to ordinary profit in the quarterly consolidated statements of income.

II For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

1. Information on net sales and profit, 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	24,575,394	4,570,812	7,789,302	36,935,510	(3,483,895)	33,451,614
Net sales to third parties	21,468,829	4,563,487	7,419,298	33,451,614	–	33,451,614
Inter-segment net sales or transfers	3,106,565	7,325	370,004	3,483,895	(3,483,895)	–
Total	24,575,394	4,570,812	7,789,302	36,935,510	(3,483,895)	33,451,614
Segment profit	6,098,200	460,554	404,239	6,962,994	(2,037,999)	4,924,995

(Notes) 1. The segment profit adjustment of ¥(2,037,999) thousand includes the eliminated inter-segment transaction profit of ¥(813,240) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(1,224,759) 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 ¥3,802,855 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 six months ended September 30, 2022 (April 1, 2022 to September 30, 2022) are as follows:

Segment name		Production output (thousands of yen)	YoY change (%)
Japan	Speed reducers	21,890,533	29.4
	Mechatronic products	3,365,294	22.1
North America	Speed reducers	1,664,961	54.4
	Mechatronic products	1,772,175	94.6
Europe	Speed reducers	5,434,602	37.7
	Mechatronic products	1,376,081	17.7
Total		35,503,649	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 six months ended September 30, 2022 (April 1, 2022 to September 30, 2022) are as follows:

Segment name		Orders received (thousands of yen)	YoY change (%)	Order backlog (thousands of yen)	YoY change (%)
Japan	Speed reducers	13,054,214	(60.2)	23,534,638	(1.2)
	Mechatronic products	1,968,356	(30.7)	2,382,688	43.1
North America	Speed reducers	2,230,522	(15.3)	4,871,369	127.5
	Mechatronic products	4,206,104	69.1	8,223,637	252.3
Europe	Speed reducers	7,457,180	33.2	7,238,473	93.1
	Mechatronic products	2,315,520	43.1	2,736,284	93.7
Total		31,231,898	(34.9)	48,987,093	39.5

- (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 ¥1,981,692 thousand of order cancellations. The cancellations took place during the six months ended September 30, 2022 mainly in the Japan segment.



c. Sales

Sales results by segment for the six months ended September 30, 2022 (April 1, 2022 to September 30, 2022) are as follows:

Segment name		Sales volume (thousands of yen)	YoY change (%)
Japan	Speed reducers	19,553,019	25.6
	Mechatronic products	1,915,809	17.1
North America	Speed reducers	2,123,153	33.6
	Mechatronic products	2,440,333	74.9
Europe	Speed reducers	5,530,732	20.8
	Mechatronic products	1,888,566	20.4
Total		33,451,614	27.0

(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	Six months ended September 30, 2022	
	Sales (thousands of yen)	Ratio (%)
Haneda & Co., Ltd.	3,996,228	11.9

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 six months ended September 30, 2022 (April 1, 2022 to September 30, 2022) are as follows:

	Europe	North America	Other regions	Total
I Net sales outside Japan (thousands of yen)	7,419,298	4,563,487	3,164,837	15,147,622
II Consolidated net sales (thousands of yen)	–	–	–	33,451,614
III Ratio of net sales outside Japan to consolidated net sales (%)	22.2	13.6	9.5	45.3

(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.