

# Management Philosophy and Aspirations

## Mission

To contribute to innovation  
in the society by  
our motion control technology

## Long-term Vision

The best provider of  
total motion control  
in harmony with the future

## Provision of total motion control



## Pursuit of superior actuators

## Unchanging goals that we want to achieve through corporate activities

### Management Philosophy

#### Respect for the Individual

HDSI aspires to be a company where the rights of every individual employee are respected, and where individuals can pursue a meaningful, cultural, and worthwhile life.

We will make HDSI a company that believes in each employee's aspirations, supports independent activities, and creates an environment where employees can maximize their abilities through work, and where abilities and performance are rewarded.

#### A Meaningful Company

HDSI wants to be recognized as a meaningful, superior company which manifests creativity, has personality and distinctive characteristics, and whose management foundation is based on ceaseless research and development activities and a constant emphasis on quality—a company where the entire organization finds meaning in making utmost efforts.

#### Coexistence and Co-prosperity

HDSI is supported by many different parties including our employees, customers, shareholders, materials and parts suppliers, affiliated companies, and trading partners.

We make our best efforts to create attractive products, services, compensation, working environments, and trading relations to satisfy all these concerned parties.

#### Contribution to Society

HDSI broadly contributes to society and industry through our corporate activities as a good corporate citizen.

The products and services we provide directly and indirectly contribute to the betterment of society. We aspire to be a company that helps improve the environment and the quality of the communities where we are located.

### The world of Motion Control Transformed by a Single Invention

The innovative idea and the unique principle of HarmonicDrive® are the brainchild of a brilliant American inventor, C. W. Musser. Making use of the deflection of metal, Musser's invention defied the conventional wisdom and instantly became the object of worldwide interest at the time as a revolutionary method of conveying motive power. Two companies stepped forward to take a chance at commercializing this concept. One was USM (United Shoe Machinery Corporation) in the U.S., and Hasegawa Gear Works, Ltd., the forerunner of Harmonic Drive Systems Inc. Subsequently, HarmonicDrive® was successfully commercialized for the first time in Japan. Currently, the technology fulfills the needs of various domains that require positioning accuracy.

The management philosophy of Harmonic Drive Systems demonstrate our values and reflect various aspirations behind the realization of Total Motion Control.






# Building the future of industry

through the pursuit of total motion control

—— Harmonic Drive Systems



The background of the slide is a composite image. On the left, a futuristic cityscape with tall glass skyscrapers is visible. A sleek, white flying car with a transparent canopy is shown in flight. On the right, a close-up of a humanoid robot's head is shown, featuring a white, glossy helmet-like structure with a large, dark, rectangular visor. The robot's neck and upper chest are visible, showing a complex network of wires and mechanical components. A large, white, stylized gear icon is positioned on the left side of the slide, partially overlapping the cityscape.

Space exploration, eVTOL (flying cars), and humanoid robots—visions long imagined by humankind are now becoming reality. Centered on our HarmonicDrive® strain-wave gearing technology, the HDS Group is pursuing Total Motion Control and continually creating new value for society by pioneering the future of industries yet to emerge.



## Greetings from Our Leadership

We will confidently forge ahead with our stakeholders in our quest to become the  
“best provider of total motion control in harmony with the future.”

Chairperson  
of Board  
of Directors

**Akira Nagai**

President and  
CEO

**Akira Maruyama**



## Greetings from Our Leadership

We thank you for taking a look at Harmonic Drive Systems (HDS) Report 2025. Guided by our corporate mission, “to contribute to innovation in the society by our motion control technology”, the HDS Group is advancing efforts to realize the 2030 Vision, “The best provider of total motion control in harmony with the future.”

Ever since the establishment of the Company, we have continually honed our core technology of HarmonicDrive®. This management philosophy and our proprietary technology not only give us strength but also carry the risk of being reduced to a “monoculture” if we underestimate environmental change. To avoid such a risk, we must remain curious about and pay attention to the changes around us and keep pace with the speed of change. With our management principles of “Respect for the Individual,” “A Meaningful company,” “Coexistence and Co-prosperity,” and “Contribution to Society” serving as the foundation for growth, we will continue to enhance corporate value.

### Engaging with Employees

We maintain a deep commitment to our employees. Our goal is to create workplaces where employees feel proud to have joined this Company and experience a sense of personal growth. All the more because we are living through an age of rapid change, we provide a work environment where employees can confidently take on challenges while fostering a corporate culture that champions the courage to step into new territory without fear of failure. Living up to the slogan of the Medium-Term Management Plan, “Unleash the brain power of individuals,” we continue to upgrade systems that assist each and every employee in honing their individual value and that ensure endeavors are recognized by society. We firmly believe that our employees find both job satisfaction and meaning in creating new value in response to ever-changing customer needs.

### Engaging with Shareholders and Investors

To enhance corporate value, we must maintain a constructive dialog and build a relationship of trust with shareholders and investors. We have long adhered to a policy of equally dividing profits among employees, shareholders, and growth investment. The HDS Group’s technology profile offers an advantage in cutting-edge fields, such as industrial robots, semiconductor manufacturing equipment, medical equipment, and aerospace. More recently, we have been expected to play a key role in the physical AI field, including AI robots. Although the number of AI robot players continues to increase worldwide, uncertainty remains in the fulfillment of plans and readiness for mass production. As such, the HDS Group intends to respond to major shifts in society both flexibly and steadily as we carefully determine the feasibility and risks of plans. We will also continue to strengthen our corporate governance to improve the Company’s credibility. As stakeholders’ expectations grow, we believe that striking the right balance between soundness and transparency in management will lay the foundation for sustainable growth.

We will continue to cherish the relationship of trust with all stakeholder groups, including shareholders and investors, so that we can forge ahead confidently into the future. We would greatly appreciate your continued support.

### Engaging with Customers

Regarding our relationship with customers, we believe that it is more important to be prepared to promptly respond to their consultations on technical challenges from the planning stage onward as they explore new applications and markets, rather than to suggest new markets to them. “Meeting customer expectations” is what defines our “quality,” and we aim to become the first partner they call. Simultaneously, we will increase our focus on the development of products that help customers reduce their environmental impact by supplying lighter and more energy-efficient products. We will contribute to a sustainable society by offering high-quality, long-life, and highly efficient products.

### Engaging with Suppliers

We have been fortunate to build a solid relationship with our suppliers, refining advanced processing techniques together. Our procurement section provides suppliers with technological and production support through “development purchasing” while assisting them with business continuity and succession planning. From the perspective of the business continuity plan, we are also working to optimize our supply structure both at home and abroad.

### Engaging with Communities and Future Generations

We have pursued coexistence with local communities by designing factories that consider the landscape and global environment, hiring new graduates from local high schools, and organizing community events and cleanup activities. We do not merely create jobs; we are delighted that some even say they choose to live in this neighborhood because they want to join our company. We will continue to build a sustainable relationship embedded within our host communities. We consider our products “future necessities.” Robotics and motion control are essential technologies that will underpin future industry and society. We have no doubts whatsoever about the expansive roles our Group’s technologies are expected to play and the considerable potential they offer.



# Contents / Editorial Policy / Information Disclosure

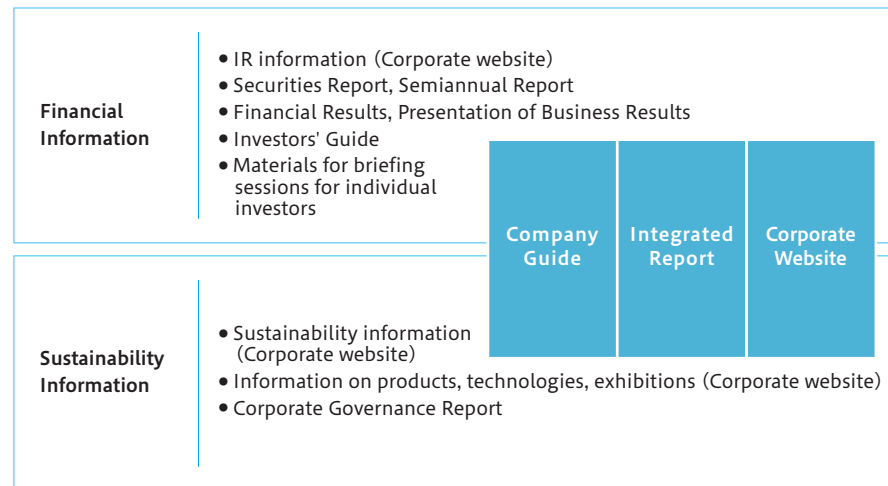
## About HDS REPORT 2025



Publication officer  
Executive Officer **Makiko Ono**

This year's report marks the third edition of HDS REPORT, the Harmonic Drive Systems (HDS) Group's integrated report, first published in 2023. As the executive officer responsible for its publication, I am committed not only to ensuring the accuracy of the information presented but also to enhancing the consistency between the Group's management strategy and materiality, with the aim of driving financial impact. We will continue to use this report as a tool for dialogue with our stakeholders, including investors, and work to further increase corporate value by reflecting their perspectives and expectations into our management practices.

## Information Disclosure System



## Contents

### I : Introduction

- 01 Management Philosophy and Aspirations
- 03 Building the Future of Industry
- 05 Greetings from Our Leadership
- 07 Contents / Editorial Policy / Information Disclosure
- 08 Key Topics
- 09 Corporate History
- 10 Milestones in Value Creation
- 11 Characteristics and Applications of HarmonicDrive®
- 12 History of the Industrial Robot Industry and its Future Outlook
- 13 [Special Feature] Growth Strategy for the AI Robot Market
- 14 [Special Feature] Growth Strategy for the Chinese Robot Market

### II : Value Creation Story

- 15 Message from the President & CEO
- 21 Value Creation Process
- 22 Management Capital as a Driver of Value Creation
- 23 Reinforcing Value Chain for Value Creation
- 25 Materiality to Achieve Aspirations

### III : Value Creation Strategy

- 27 Past Medium-Term Management Plans
- 29 Overview of the Medium-Term Management Plan for Fiscal 2024–2026
- 31 Message from the Chief Financial Officer
- 35 Initiatives for Management that is Conscious of Cost of Capital and Stock Price
- 37 Message from the Officer in Charge of Production Technology
- 38 Message from the Officer in Charge of Production
- 39 Message from the President of Harmonic Precision Inc.
- 40 Message from the President of Harmonic AD, Inc.
- 41 Message from the President of Harmonic Winbel Inc.
- 42 Message from the President of HD Logistics, Inc.
- 43 Message from the Chief Technical Officer and Quality Officer
- 44 Message from the President of Ome Iron Casting Co., Ltd.
- 45 Management Based on Ceaseless R&D and Constant Emphasis on Quality

- 46 [Special Feature] Employee Roundtable Discussion "Craftsmanship and quality as pillars of the HDS Group"
- 49 Message from the Officer in Charge of Development and Engineering
- 50 Message from the Officer in Charge of the Laboratory
- 51 Message from the Officer in Charge of Sales
- 52 Message from the Officer in Charge of Corporate Planning
- 53 Message from the CEO of Harmonic Drive SE (Germany)
- 54 Message from the President & CEO of Harmonic Drive LLC (USA)

### IV : Sustainability

- 55 Interview with the Officer in Charge of Sustainability
- 57 Efforts on Respect for Human Rights
- 58 Efforts on Global Environment
- 59 Efforts on Climate Change
- 61 Interview with the Officer in Charge of Supply Chains
- 64 Interview with the Officer in Charge of Human Resources
- 67 Message from the Officer in Charge of Risk Management
- 68 Compliance & Risk Management
- 69 [Special Feature] Dialogue Between an Institutional Investor and Outside Directors
- 73 Corporate Governance
- 79 Directors and Executives
- 81 Message from the Officer in Charge of Public Relations
- 82 Stakeholder Engagement

### V : Data & Profile

- 83 Financial Highlights
- 84 Sustainability Indicators Highlights
- 85 Financial Data for the Past 11 Years
- 87 Sustainability Data
- 90 Global Network
- 91 Corporate Overview
- 92 Stock Information

## Editorial Policy

This HDS REPORT 2025 aims to deepen the understanding of wide-ranging stakeholders, including shareholders and investors, by explaining the medium- to long-term economic value generated by the HDS Group, as well as the HDS Group's Management Philosophy, long-term vision, business models, capital and strengths forming the source of its competitive edge, growth strategy, sustainability initiatives, etc., to improve social and environmental values. In compiling this report, we referred to IFRS Foundation's International <IR> Framework, the Ministry of Economy, Trade and Industry's "Guidance for Collaborative Value Creation," and other relevant guidelines.

## Scope of reporting

Entities reported: Harmonic Drive Systems and its Group companies included in the scope of consolidation and those accounted for by the equity method.

Period reported: This report covers mainly fiscal 2024 (from April 1, 2024, to March 31, 2025). Notes, etc., are inserted where any other period is mentioned.

Terms used to refer to the Company and its Group: In this report, "HDSI" or the "Company" refers to Harmonic Drive Systems alone, while "HDS Group" or the "Group" is used to refer to the Company and its Group companies.

## Notes on forward-looking statements

Forecasts and outlook regarding future financial results indicated in this report are what the Company judged as reasonable based on currently available information. Note that such forecasts contain risk and future uncertainty, and actual achievements and financial results may differ from them.



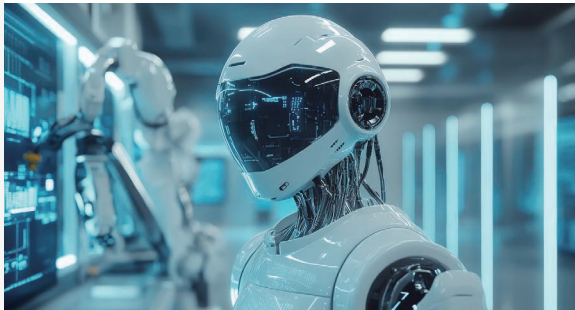
## Key Topics

1

### Growth Strategies in the AI Robot Market and the Chinese Robot Market

The feature articles explore trends in the artificial intelligence (AI) robot market and the HDS Group's strategic approach in the Chinese robot market. The AI robot segment is rapidly growing due to AI advancements, and local manufacturers are emerging in the Chinese robot market.

[Special Feature] Growth Strategy for the AI Robot Market .....	P13
[Special Feature] Growth Strategy for the Chinese Robot Market .....	P14
Message from the President & CEO .....	P15



2

### Messages from Presidents of Group Companies in Japan

Top executives from HDS Group companies in Japan shared their insights on the distinctive strengths of their products, their business strategies, and their ongoing commitment to sustainable growth. They discussed the strategic initiatives and competitive advantages they believe are key to fulfilling the HDS Group's mission, realizing its long-term vision, and achieving the goals of the Medium-Term Management Plan.

Message from the President of Harmonic Precision Inc. ....	P39
Message from the President of Harmonic AD, Inc. ....	P40
Message from the President and Representative Director of Harmonic Winbel Inc. ....	P41
Message from the President of HD Logistics, Inc. ....	P42
Message from the President of Ome Iron Casting Co., Ltd. ....	P44



3

### Dialogue Between an Institutional Investor and Outside Directors

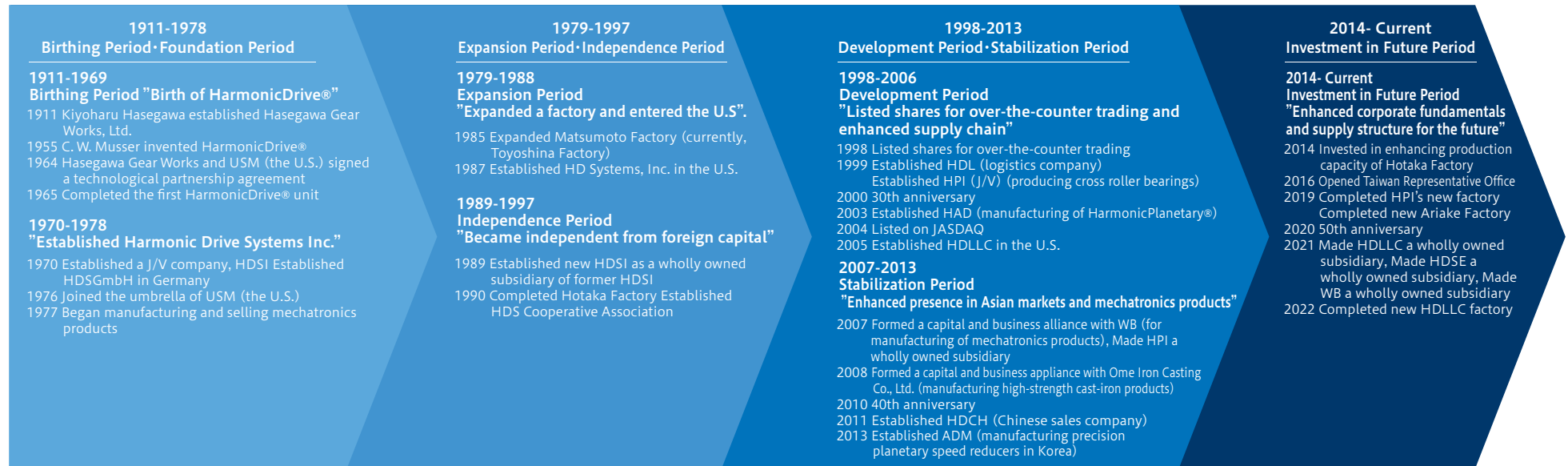
An institutional investor and our Outside Directors engaged in a joint discussion on how the HDS Group can further enhance both corporate governance and profitability to ensure sustainable growth in corporate value. The discussion was forward-looking, reflecting the perspectives of both the Company and the investor.

Dialogue Between an Institutional Investor and Outside Directors .....	P69
---	-----



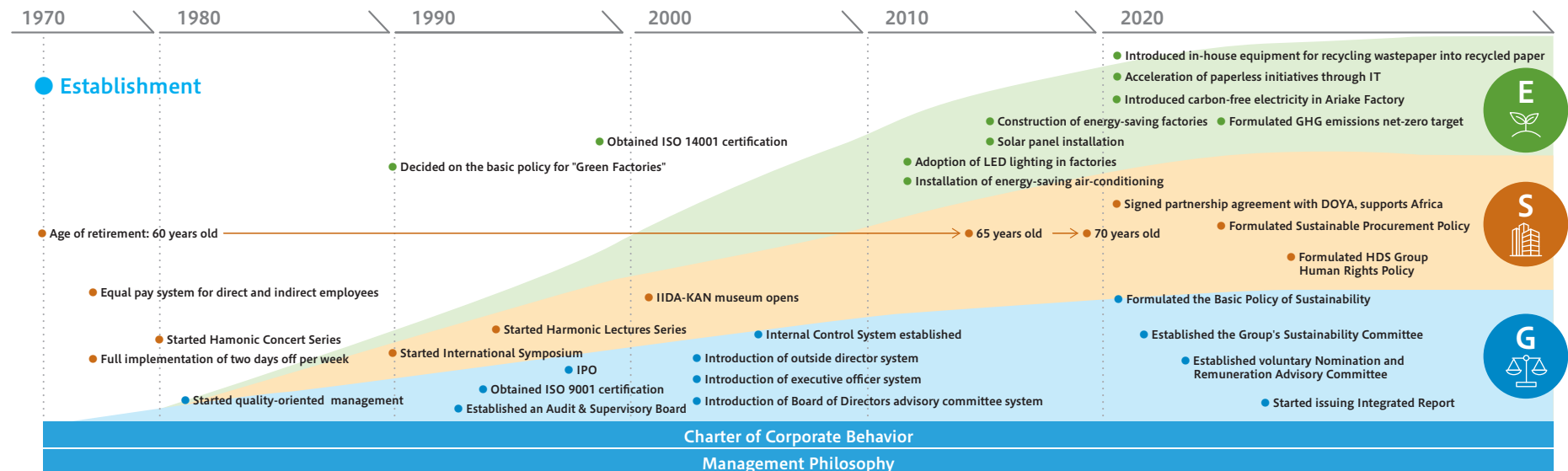


# Corporate History



HDSI : Harmonic Drive Systems Inc. HDL : HD Logistics, Inc. HAD : Harmonic AD, Inc. WB : Winbel Co., Ltd. (Currently, Harmonic Winbel Inc.) HDCH : Harmonic Drive Systems (Shanghai) Co., Ltd. (China)  
 HDSGmbH : Harmonic Drive Systems GmbH (Germany) (Currently, Harmonic Drive SE) HPI : Harmonic Precision Inc. HDLLC : Harmonic Drive L.L.C (the U.S.) HDSE : Harmonic Drive SE (Germany) ADM : SAMICK ADM CO., LTD. (South Korea)

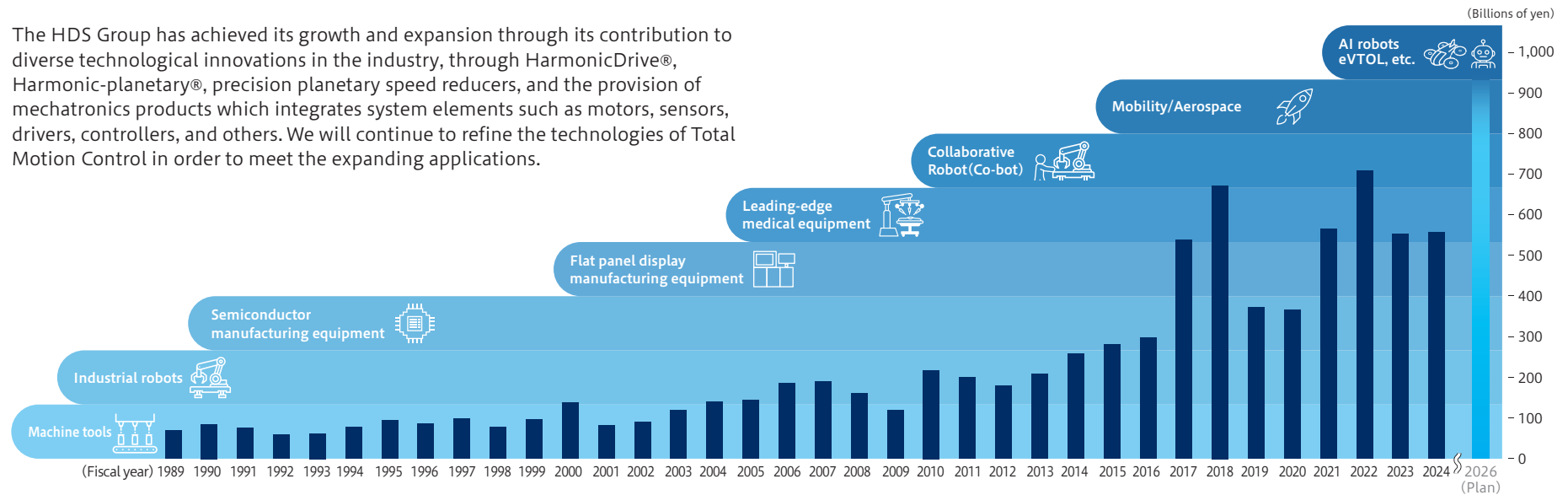
## Our ESG efforts to improve the corporate value



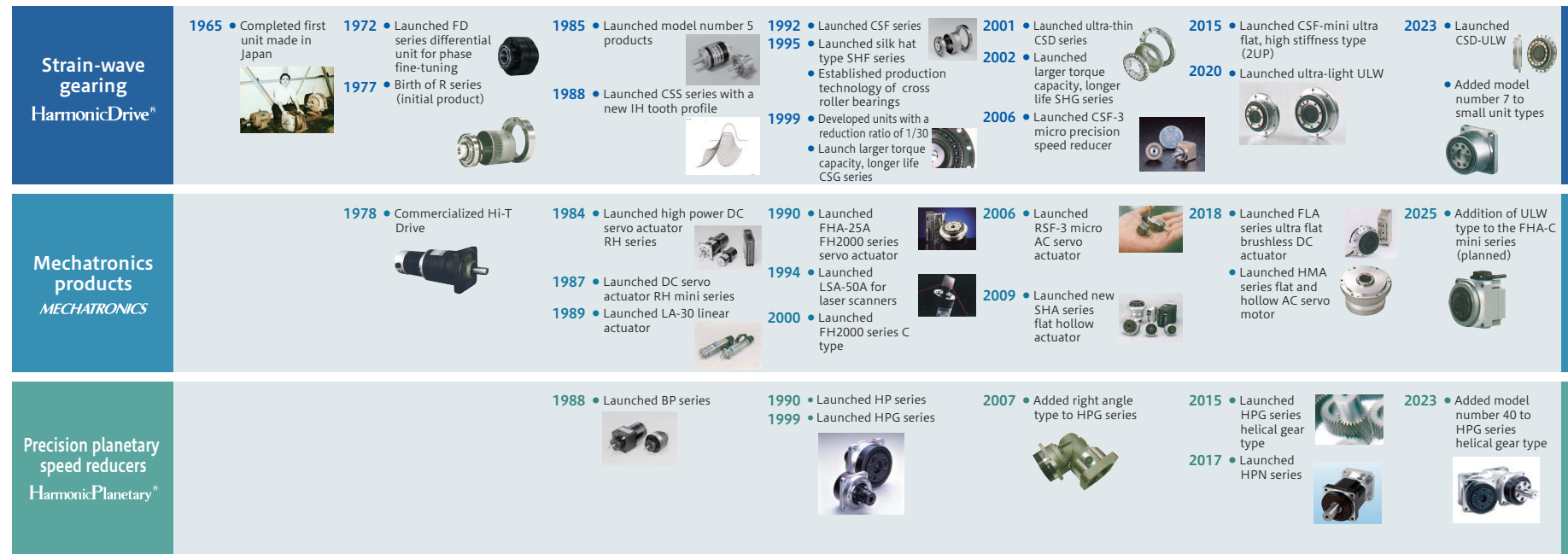


## Milestones in Value Creation

The HDS Group has achieved its growth and expansion through its contribution to diverse technological innovations in the industry, through HarmonicDrive®, Harmonic-planetary®, precision planetary speed reducers, and the provision of mechatronics products which integrates system elements such as motors, sensors, drivers, controllers, and others. We will continue to refine the technologies of Total Motion Control in order to meet the expanding applications.



### Diverse product groups



## Characteristics and Applications of HarmonicDrive®

### ■ Principles of HarmonicDrive®

Our HarmonicDrive® strain wave gears, the mainstay product of the HDS Group, consist of three key components. As the wave generator forces the flexspline (flexible gear) into an elliptical shape, it engages with the circular spline (rigid gear). This mechanism achieves the unique principle of speed reduction.

### ■ Strengths and features of HarmonicDrive®

Using fewer components than other speed reducers, HarmonicDrive® stands out for its compact and lightweight design. The absence of any gap (backlash) at the gear engagement points ensures high positioning accuracy and excellent positional

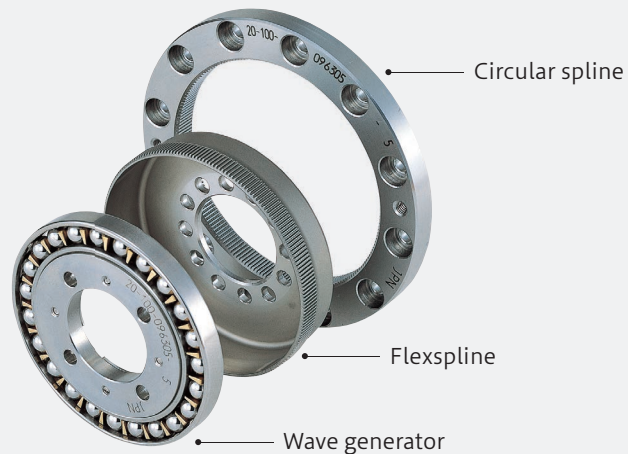
reproducibility. Its hollow structure allows cables and hoses to pass through the center of the robot unit, offering greater freedom in robot design. The gear's rigid mechanism, combined with its highly efficient and quiet operation, has earned it strong acclaim. The HDS Group's products continue to outperform competing brands in quality and performance, earning the enduring trust of customers.

### ■ Where can HarmonicDrive® be found?

Vertically articulated robots, for example, typically incorporate six speed reducers. Thanks to its compact and lightweight construction, HarmonicDrive® maintains a significant market share in the compact and collaborative robot segments, where five to six

units are used per robot. In robotic hands, which are designed for human-like dexterity, speed reducers are installed across 15 joints per hand (five fingers with three joints each), resulting in up to 30 units for both hands. Bipedal humanoid robots require an even larger number of speed reducers, used in the wrists, elbows, shoulders, and waist of the upper body, as well as in numerous joints of the lower limbs. Beyond robotics, HarmonicDrive® also has a strong market presence and proven performance in eVTOL (flying cars), surgical robots, and space-development applications.

#### ● Strain-wave gears HarmonicDrive®



#### ● Product Applications



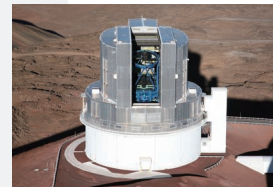
**Hayabusa, Hayabusa2**  
Courtesy of the Japan Aerospace  
Exploration Agency (JAXA)



**Industrial robots**



**eVTOL (flying cars)**



**Subaru, a large optical-infrared telescope  
on Mauna Kea, Island of Hawaii**  
Courtesy of Inter-University Research  
Institute Corporation, National  
Astronomical Observatory of Japan



**Collaborative Robot (Co-bot)**  
Courtesy of Techman Robot Inc.



**Surgical robots**



# History of the Industrial Robot Industry and its Future Outlook

## ■ Evolution of the industrial robot industry

### The industrial robot market expanded from medium- and large-sized robots into small-sized robots

Industrial robots first became widely used in the 1980s because of the need for quality improvement, mass production, automation, labor saving, and workplace improvement in the automotive and other manufacturing industries. They spread again in overseas markets in the late 1990s. During this period, medium- and large-sized robots became popular in the automotive sector for applications such as welding and component conveyance. Amid the steady diffusion of industrial robots, new applications emerged such as precision assembly of small devices like smartphones, and small-sized robots advanced, resulting in market expansion from medium- and large-sized robots to small-sized robots.

### Deregulation triggered the rapid growth of the collaborative robot market

In the past, operators were required to install safety fences when using industrial robots with a motor output of 80W or more. However, in 2013, the regulation was reduced to allow robots to be used without safety fences, provided they complied with international safety standards (ISO 10218-1). This regulatory change accelerated the introduction of collaborative robots (co-bots) to the shop floor for applications

such as picking, assembly, and transportation across the manufacturing sector. In 2025, ISO 10218-1 was revised for the first time in 14 years, placing greater emphasis on safety. Looking ahead, co-bots are expected to make inroads into logistics, healthcare, services, education, and other fields.

### Evolution of AI accelerates the development of next-generation robots

With advances in AI technology, the development of humanoid and other AI robots is gaining momentum worldwide. The market for AI robots is expected to expand beyond the shop floor into specialized environments such as distribution warehouses, space exploration, and deep-sea development. It is also projected to enter everyday life, including long-term care and household applications, where these robots can serve as substitutes for human labor.

## ■ Industrial robot demand forecast

### IFR revises demand forecast upward

In September 2025, the International Federation of Robotics (IFR) announced that 542,000 industrial robots were installed worldwide in 2024, representing a slight increase from the previous year. Of this total, co-bots accounted for 12% of the market, approximately three times their share in 2019. The forecast for the 2025 industrial robot market has

been revised upward from 555,000 units to 575,000 units, marking a 6% increase over the previous year. For 2026, the market is projected to grow by approximately 8% to 619,000 units (compared with the previous forecast of 575,000 units). Although the global economic outlook remains uncertain, continued demand for automation and labor-saving solutions, together with advances in AI, is expected to support market growth.

### The small-sized robot segment is growing comparatively faster

According to IFR, the global industrial robot market is forecast to grow by an average of 7% per year between 2025 and 2028. Driven by expanding applications, a broader range of installation sites, and revisions to international safety standards, the small-sized robot market, including co-bots that the HDS Group focuses on, is expected to grow at a faster pace than the overall industrial robot market.

### A mega AI robot market will emerge over the long term

Over the long term, the contraction of the global labor market, combined with advances in AI and related technologies, is expected to fuel explosive growth in demand for AI robots, particularly humanoid robots. Full-scale adoption is expected to begin in 2027 and beyond, potentially creating a massive market of 1.0 billion units by 2050.

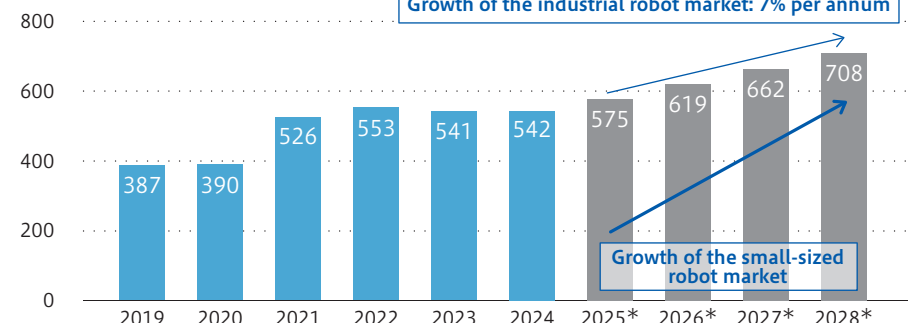
## ● Historical evolution of industrial robot profiles

	1980s: Industrial robots	Late 1990s: Industrial robots (small-sized)	2010: Co-bots	2027: AI robots
Sectors	Mainly automotive industry	Manufacturing in general, such as smartphones and semiconductors	All sectors	
Applications	Welding, transportation	Picking, assembly, and transportation	Substitution of humans	
Sizes	Medium- and large-sized	Small-sized (transportable weight not higher than 20kg)	Medium- and small-sized	
(Size of speed reducers)	Medium- and large-sized	Small-sized	Medium- and small-sized, ultra-small-sized	
Form of installation	Fixed	Fixed	Portable	
Factors behind expansion	Quality improvement, mass production	Substitution of workers, deregulation of safety regulations	Evolution of AI	
Market size (yearly)	Approx. 500,000 units	Approx. 70,000 units (co-bots)	Potential market estimated at 1.0 billion units	

### The Company's assumption that the small-sized robot market will continue to outpace growth in the overall industrial robot market remains unchanged.

#### Annual installations of industrial robots 2019 – 2024 and 2025\* – 2028\*

('000 of units)



\* Forecast value

Source: Data from the IFR World Robotics 2025, compiled by the Company

## Growth Strategy for the AI Robot Market

### ■What is an AI robot?

There is no universally defined classification of AI robots, but the term generally refers to humanoid robots that resemble the human body in both form and function. In Japan, some of the most recognized examples include Honda Motor's ASIMO and SoftBank's Pepper, both of which have primarily been used for entertainment purposes. Many of the humanoid robots currently attracting global attention are capable of bipedal motion similar to that of humans. Accordingly, they are expected to assume practical roles traditionally performed by humans.

### ■Why are AI robots drawing attention now?

The process of “teaching” specific motions and operations has been a major challenge in deploying conventional industrial robots. However, with the rapid progress of generative AI in recent years, robots have effectively acquired a “brain” that enables autonomous learning, dramatically increasing their potential for real-world

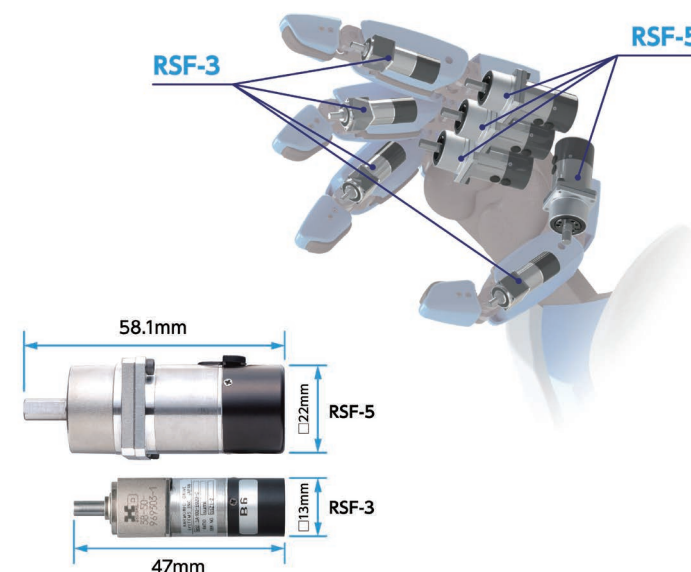
implementation. In the U.S., tech giants are investing heavily in developing the AI robot market.

### ■Expected applications and markets

As working-age population is shrinking due to demographic aging, AI robots are increasingly being considered for fully automated factories and unmanned logistics operations. Other promising applications include long-term care and healthcare support in welfare facilities and private homes, as well as operations in harsh environments such as outer space, the deep sea, and disaster response. According to a top executive of a U.S. manufacturer of AI and humanoid robots, “Half of global GDP is paid to human labor. If robots were to replace it, this could create a huge market worth ¥6,200 trillion annually.” Reflecting these expectations, new entrants are rapidly emerging across China and Europe, as well as in the U.S. In the near future, the market for physical AI systems, including AI robots, is projected to grow swiftly.

### ■The HDS Group's strategy and its impact on business performance

The Group anticipates that its existing compact HarmonicDrive® units will be adopted for the upper arms, knees, and other joints of AI robots, while its ultra-small HarmonicDrive® (RSF-3, RSF-5)—supplied globally only by the Company—will be used in the joints of robot hands. At present, the Group is receiving inquiries from nearly all AI robot manufacturers in Europe and North America, while also proactively approaching these potential partners. In addition, the Group is collaborating with major companies aiming to enter this market, initiating joint development projects for actuators, robot hands, and other robot-arm components designed to align with ongoing advances in AI and software technologies. Although current performance is somewhat below the assumptions set forth in the Medium-Term Management Plan, the Group has already begun transactions with multiple companies and expects to achieve commensurate sales growth within the next several years.



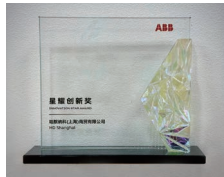


## Growth Strategy for the Chinese Robot Market

**In the Chinese market, the HDS Group aims to secure a 20%+ share by 2030 by leveraging our competitive advantage backed by superior product quality and execute the optimal growth strategy.**

President  
Harmonic Drive Systems (Shanghai) Co., Ltd.

**Takeshi Nakahira**



### Topics

**INNOVATION STAR AWARD received from ABB Engineering Shanghai Ltd. for the first time**

The accolade was earned in recognition of our many years of contribution to their robot development, our technological partnership, and our close business collaboration.

### Q: Why do you think our products have won admiration in the Chinese market?

**A:** Harmonic Drive Systems (Shanghai) celebrated its 15th foundation anniversary in 2024, registering a record-high level of net sales. The prime driver behind this accomplishment is a pickup in demand from local robot manufacturers in China. Our technical support capability, as well as the performance and reliability of our products, sets us apart from the pack. However, one concern is the erosion of selling prices. We remain flexible in this regard, seeking a common ground acceptable to both parties while prioritizing the bottom line. In fact, customers tell us they want to shift away from competition based solely on prices and strengthen their edge in the high-end market and overseas by improving product quality. Partly because of this, a steadily increasing number of customers choose to adopt our products.

### Q: How are you expanding the customer base?

**A:** In fiscal 2024, we sold to approximately 330 companies. In addition to customers in the robot business, an increasing number of customers are involved in developing semiconductor manufacturing equipment intended for domestic production in China. These customers highly value our delivery track record in Japan and the U.S., as well as our extensive line of compact and high-precision products. By

product category, our sales break down to more than 70% for industrial robots, followed by 5-10% for semiconductor manufacturing equipment, with the remainder derived from machine tools. The largest customer segment in China consists of local manufacturers of midrange products.

### Q: Could you update us on the Chinese market's growth potential?

**A:** The industrial robot market (including co-bots and humanoid robots) in China is expected to grow by over 10% per year up to 2027. We are experiencing an increase in projects related to AI and humanoid robots. Multiple companies are accelerating their transition to mass production. In addition to existing robot manufacturers, we have begun engaging joint module manufacturers. Furthermore, we expect to capture demand resulting from the domestic production of semiconductor manufacturing equipment in China. We believe that we have the potential to outperform market forecasts depending on the pace at which demand for AI and humanoid robots grows.

### Q: How do you anticipate your market share and future industry trends?

**A:** Our market penetration in China rose from 9.3% in 2023

to 12.1% in 2024, buoyed by increased adoption by large accounts. Although we expect a slight decline in 2025 due to intensifying competition among robot manufacturers, we are targeting at least a 20% market share by 2030. I would imagine that the companies that ultimately prevail in China's robot industry are those that can withstand pricing competition. Similarly, for speed reducer manufacturers, the ability to achieve profit growth through cocreation with customers is what separates the winners from the losers.

### Q: What are your proactive strategies and targets for mid- to long-term performance in the Chinese market?

**A:** A collaborative project has already begun with a leading local servomotor manufacturer in China. We aim to expand our market share and boost revenue growth, led chiefly by business with local robot manufacturers in China. To this end, we will strategically collaborate with local partners in China, capture selected target customers and utilize a strategic sales tie-up with Servo Dynamics. In fiscal 2024, our net sales and operating profit were ¥5.6 billion and ¥0.5 billion (operating profit margin: 9.0%), respectively. Looking ahead to fiscal 2027, we aim to achieve net sales of ¥6.8 billion while maintaining profitability.

