

Interview with the Officer in Charge of Sustainability



Executive Officer
Head of Sustainability,
Corporate Planning, and Investor Relations
Makiko Ono

Basic Policy of Sustainability

As a technologies and skills-based organization that is pursuing Total Motion Control, the HDS Group aims to enhance corporate value and realize a sustainable society by contributing to technological innovation for the betterment of society. We intend to achieve these goals based on our Management Philosophy, which comprises four pillars: Respect for the Individual, A Meaningful Company, Coexistence and Co-Prosperity, and Contribute to Society.

By integrating material issues related to management strategies into our business activities, we will steadily advance sustainability management while establishing a group promotion framework that is consistent and effective.

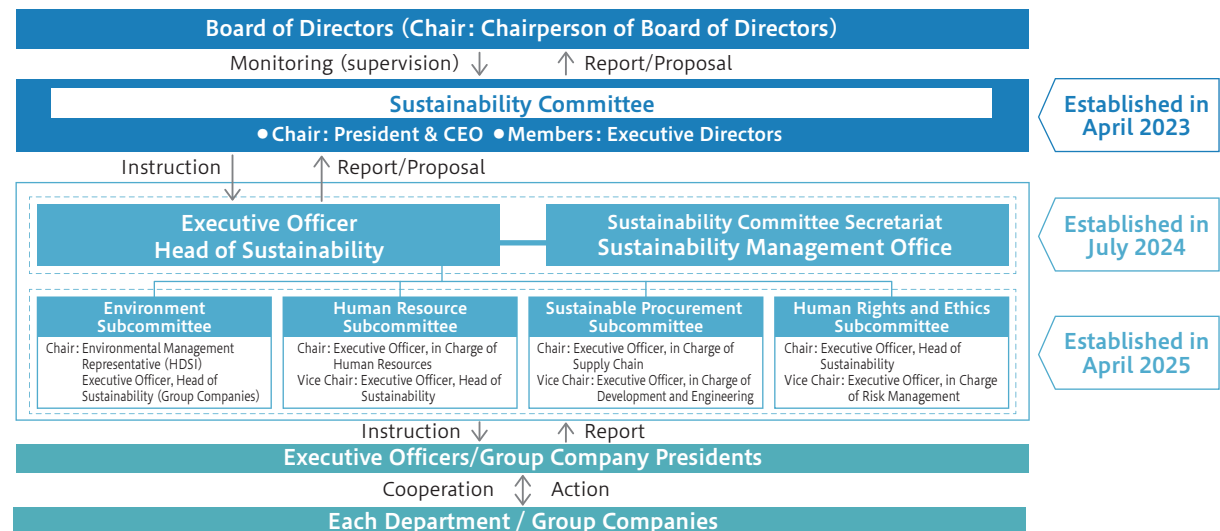
Q: Tell us what defines the HDS Group's sustainability management.

A: As described in the Basic Policy of Sustainability, our Group's sustainability management is defined as "contributing to technological innovation for the betterment of society" as a technologies and skills-based organization. The materiality goal of "developing new technologies and skills that coordinate with changes in the environment" is also aligned with this basic policy. Currently, in the physical AI market, which is attracting significant global attention, our Group's products are expected to play a crucial role. In particular, AI robots (our products offer the advantages of compactness, light weight, and high precision) provide solutions for social challenges, such as labor shortages and automating dangerous, dirty, and physically demanding work. Our active approach to these technological

innovations defines our Group's sustainability management.

We are also evolving into a more systematic and effective system this fiscal year to reduce GHG emissions from our Company and the supply chain and to address social issues. Specifically, in the 2024-2026 Medium-Term Management Plan, we are integrating our material issues, which were reviewed before it was formulated. At the same time, we are incorporating them into management programs across divisions to build a system for addressing them. Under our established framework, the president formulates the fiscal year's policy based on the Medium-Term Management Plan. Then each division formulates its own policy, which is ultimately implemented into management programs for each section. Each section sets goals in line with material issues, allowing each employee's goals to be managed accordingly. This enables individual employees to

● HDS Group Sustainability Promotion Framework



participate in sustainability management during the course of business. In FY2024, we saw this system integrated into the Company.

In addition, in FY2025, we established the following four subcommittees: (1) the environment, (2) human capital, (3) sustainable procurement, and (4) human rights and ethics, and these work in coordination with the Sustainability Committee. The subcommittee heads were appointed from among executive officers, and the initiatives have been progressing throughout the company. We also started rolling them out across our group companies and held a briefing for our subsidiaries in June. Going forward, we will advance group-wide initiatives while sharing their progress on a regular basis.

Promoting sustainability requires a considerable amount of management resources. Therefore, we will strategically prioritize our initiatives based on how they will help enhance corporate value.

Q:How do you monitor the progress of materiality initiatives?

A:Management's ability to identify where to strategically invest limited resources is essential for effectively advancing sustainability management. Our Group's policy is to optimize management resource allocation by carefully assessing cost effectiveness with the aim of enhancing corporate value in the long term.

The foundation of this framework is the Sustainability Committee and the four subcommittees. The consistency of management strategies with the activities of

subcommittees is first assessed by the Sustainability Committee before being further discussed at Executive Officer Meetings that are attended by all executive officers. These meetings are also attended by outside directors, whose views are reflected in our governance, as needed. In addressing external evaluation agencies, as requested by our customers and investors, the subcommittees are playing a central role based on their significance to our group, which is leading to improved evaluation results. This is also helping us track the progress of our sustainability management through discussions with stakeholders.

To quantitatively evaluate our progress on material issues, we believe it is crucial to establish KPIs for each measure. For example, to maximize our human capital value, promoting talent development and diversity is a priority, and we view them as sources of our competitive advantage, such as our technological innovation and value creation capabilities. Based on the belief that investing in intangible assets will lead to long-term profitability and sustainable growth, we are identifying relevant metrics. In addressing climate change, we are focusing on creating value throughout the lifecycle, especially in developing products that help reduce environmental impacts for customers. By strengthening our research and development capabilities, we aim to enhance our ability to adapt to environmental changes and technological competitiveness.

On the risk management front, we identify manufacturing locations subject to high flooding risk due

Interview with the Officer in Charge of Sustainability

to natural disasters and implement countermeasures. We have also started estimating the financial impact of identified risks. Going forward, in addition to deepening internal engagement through collaboration with the subcommittees, we will visualize the outcomes of measures corresponding to material issues and will further strengthen our monitoring system. Regarding themes attracting attention from our investors, such as securing human capital, improving technological capabilities, and enhancing competitive advantages, we will provide clear explanations from the perspective of investing in management capital in line with material issues. Simultaneously, we will continue to enhance our monitoring system. We will also advance the assessment of risks and opportunities affecting future cash flows.

Q:What challenges will you need to address for promoting sustainability?

A:One of our next challenges for promoting sustainability is how to reflect risks, such as climate change, human rights issues, and the sustainability of supply chains, into the group-wide risk management system. Since these risks directly translate into financial impacts, we will closely work with the risk management division to build an integrated control framework for management decisions.

Another important challenge is to establish a group-wide framework for promoting sustainability. Currently, we are identifying advanced initiatives and challenges across regions through hearings on the status of local responses, with a particular focus on data collection. With our Chinese and Korean subsidiaries, as is the case with our domestic subsidiaries, we share information through briefings and other means and have established collaboration frameworks.

Going forward, we will consolidate and analyze insights and information from across the globe that will then be processed by the Sustainability Committee, and we will build a unified and flexible framework that can be applied to the entire HDS Group. We believe that we can take a significant step forward toward higher corporate value by establishing a consistent and effective group-wide promotion system while respecting the culture, characteristics, and progress of each region.

• Key Discussions by the Sustainability Committee (FY2024)

| Month | Details |
|-----------|--|
| June | <ul style="list-style-type: none"> Sustainability matters discussed in the securities report |
| September | <ul style="list-style-type: none"> Overview of the initiative based on the FY2024 Sustainability Promotion Report and the challenges in FY2023 Formulated the HDS Group Policies on Human Rights Discussed climate transition plans toward achieving the 2025 net-zero emission targets |
| November | <ul style="list-style-type: none"> Board of directors' deliberations on human rights policies |
| March | <ul style="list-style-type: none"> Oversight of sustainability promotions in FY2024 and the FY2025 promotion plan |



Efforts on Respect for Human Rights

■ Basic views

As a globally operating company, the HDS Group places the international obligation to respect human rights at the core of its management. While our commitment to human rights has long been embedded in our management philosophy and code of conduct, we took a further step by formulating the Harmonic Drive Systems Group Policies on Human Rights on November 20, 2024, to clearly define the guidelines for our human rights initiatives. Responsibility for these policies rest with the executive officer for the Sustainability Management Office.

Harmonic Drive Systems Group Policies on Human Rights

The Management Principles of the Harmonic Drive Systems Group comprises four pillars: Respect for the Individual, Creating a Meaningful Company, Coexistence and Co-prosperity, and Contribution to Society. To fulfill our obligations as a corporate enterprise in showing respect for human rights in accordance with our philosophy, we hereby establish these Harmonic Drive Systems Group Policies on Human Rights (hereinafter, the "Policies") in keeping with the United Nations Guiding Principles on Business and Human Rights, endorsed by the UN Human Rights Council in June 2011.

For more details, please visit our website.
<https://www.hds.co.jp/english/csr/human-rights/>



HDS Group's initiatives on human rights

- FY2004 • Established Code of Conduct
- FY2018 • Introduced an awareness program (e-learning) on harassment prevention
- FY2019 • Began operating the whistleblower system
- FY2022 • Established the Sustainable Procurement Policy which includes respect for human rights and disseminated the policy to the suppliers
- Established the Health Promotion Center and began support for employee mental health
- FY2023 • Introduced harassment prevention and communication training for managers and above
- FY2024 • Launched Sustainable Procurement SAQ for important suppliers

- Formulated HDS Group Policies on Human Rights
- Published the latest version of the Sustainable Procurement Guidelines (Ver.2.0)
- FY2025 • Conducted training sessions on business and human rights for executives
- Conducted human rights due diligence

■ Strengthening governance structure

The HDS Group Policies on Human Rights were formulated by the Sustainability Committee, chaired by the President and Representative Director, and approved by the Board of Directors. The Committee is responsible for implementing initiatives that promote respect for human rights. A governance framework is also in place under which the Board of Directors oversees compliance with the Policies on Human Rights.

Major human rights issues handled by the Sustainability Committee

- Promoting a better understanding of DE&I within the HDS Group
- Ensuring a vibrant and productive work environment, with a strict commitment to creating a harassment-free workplace
- Implementing sustainable procurement practices based on international human rights norms
- Conducting human rights due diligence and building a remedy mechanism

■ Human rights due diligence and remedial actions

In line with the United Nations Guiding Principles on Business and Human Rights, the HDS Group has established a human rights due diligence framework. This framework is designed to identify potential adverse human rights impacts associated with our business activities, implement preventive and mitigating measures, and take prompt remedial action should any impacts occur.

■ Addressing human rights issues in the supply chain

In October 2023, we established the HDS Group Sustainable Procurement Guidelines to address human rights issues not only within the Group but also

throughout our supply chain. These Guidelines serve as a code of conduct for our suppliers, clearly outlining expectations such as the prohibition of forced and child labor, elimination of discrimination and harassment, compliance with appropriate working hours and wages, respect for freedom of association and the right to collective bargaining, and robust health and safety management.

■ Education and awareness

Human rights education

We are committed to raising human rights awareness among employees through a phased approach to training and education. These efforts are intended to promote understanding of the HDS Group Policies on Human Rights and their relevance to daily work. In FY2024, we conducted human rights training sessions for the Development and Engineering Division and the Sales Division of HDSI, with a total of 161 participants.

We also ask our suppliers to understand and support the HDS Group Policies on Human Rights and agree to the Sustainable Procurement Guidelines, which include provisions on respecting human rights. Through these initiatives, we strive to promote respect for human rights across our entire supply chain.

Harassment education

Since FY2018, we have provided mandatory harassment training for all employees through e-learning programs. In addition, beginning in FY2023, we introduced in-person and online harassment prevention and communication training for managers and above, conducted by external instructors.

● Number of participants in HDSI programs to raise awareness of and educate on human rights issues (e.g., harassment prevention)

| | FY2021 | FY2022 | FY2023 | FY2024 |
|-------------------------------------|--------|--------|--------|--------|
| Number of programs held | 3 | 3 | 4 | 3 |
| Number of participants (cumulative) | 381 | 144 | 154 | 139 |

Efforts on Global Environment

Basic Policy on Global Environmental Initiatives

Deeply aware of our corporate social responsibility regarding the global environment, the HDS Group is committed to implementing global environmental protection policies. Through our business objective of pursuing total motion control, we provide society with superior technologies and services that will mitigate environmental destruction.

Environmental Policy

1. By assessing the environmental impact of all production processes from development to recovery and disposal, and by working to develop technologies that will act as a brake on environmental destruction, we create and provide products in harmony with the environment.
2. By observing laws and ordinances related to the environment, setting our own voluntary management targets, and reviewing our environmental action plans, we continue to raise our level of environmental management.
3. We aim to reduce the environmental impact of our products and activities through more efficient use of resources and energy and by reducing and recycling wastes and discharges.
4. We make sure our environmental policy is known to employees as well as to our affiliates and partners.
5. We take part in the environmental protection efforts of local communities and endeavor to coexist with them.

Environmental Management Organization

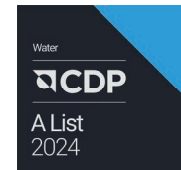
Based on our environmental policy, every fiscal year we set areas of focus and targets to be achieved by each division and develop a management program, thereby encouraging employees to carry out its own environmental actions and making operation of the environmental management system more efficient.

Measures to Address Water Security

In recent years, with droughts and large-scaled flooding stemming from global climate change, a growing population, changes in consumption patterns, prospective increase in demand for freshwater in line with economic growth, etc., the impact of water security on the HDS Group's business activities cannot be ignored. In Japan in particular, the potential impact is seen across all stages of procurement, production, and sales, including damage to production facilities caused by typhoons, heavy rains, and flooding, reduced production capacity, and effects of confusion within the value chain on logistics and sales. In addition, with the expansion and advancement of semiconductors and AI, the demand for large volumes of cooling water is increasing, and water security is thus being seen as a serious environmental issue that companies need to address along with climate change.

Since FY2022, the HDS Group has been making efforts to reduce water withdrawal and wastewater amounts by setting specific targets. Water risk analysis is also being conducted at each site using water risk assessment tools AQUEDUCT, provided by the World Resources Institute, and Flood Navigation System from the Ministry of Land, Infrastructure, Transport and Tourism, and steps taken for the identified risks.

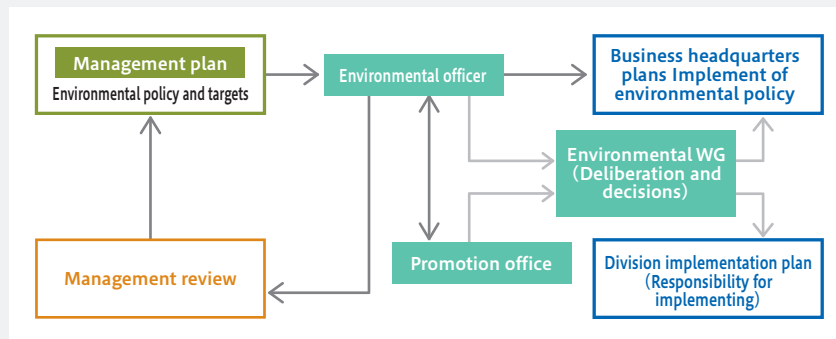
As a result, the HDS Group was recognized for its leadership in information transparency and performance in CDP 2024 Water Security and was selected as an "A List" company, the highest rating.



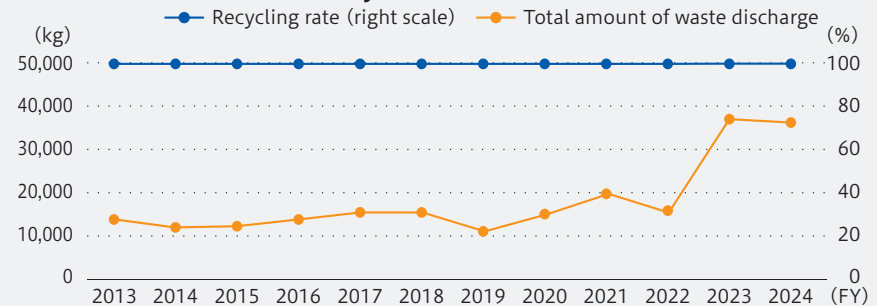
Reduction of Industrial Waste and Promotion of Recycling

The total amount of waste (intensity) in FY2024 was 36,183 kg, a 2.1% decrease compared to the previous year. The recycling rate declined by 0.1% from the previous fiscal year to 99.0%, achieving the annual target of a recycling rate of 99% or higher. (Coverage: Hotaka Factory, Harmonic Drive Systems)

Environmental Management Organization chart



Total amount of waste (intensity)



* Recyclable materials = scrap metal and chips, discarded motor parts, electrical wire scraps, electronic parts, office machines, development prototypes, etc.
Waste = wood chips, plastic waste, magnetic powder, etc.

Efforts on Climate Change

Information disclosure based on the TCFD Framework

The HDS Group recognizes climate change response as a critical management issue and has set a long-term goal of achieving net-zero GHG emissions by 2050. This initiative is led primarily by the Sustainability Committee.

1. Governance

The HDS Group's governance on climate change is incorporated into the governance for sustainability overall. For details, please refer to the HDS Group Sustainability Promotion System chart in the message from the Officer in Charge of Sustainability on pages 55 and 56, and the securities report for the fiscal year ended March 31, 2025.

2. Strategy

We identified risks and opportunities related to climate that could potentially affect the HDS Group's business, and then conducted scenario analyses proposed by TCFD in each of two hypothetical worlds: a scenario that has a significant impact on the policy transition, with the assumption of "holding the increase in temperature to below 1.5°C above pre-industrial-revolution levels," a target of Paris Agreement (1.5°C scenario); and another scenario that has a higher physical-risk without environmental regulations tightened (4.0°C scenario), after referring to multiple scenarios, which are published by International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC). In these scenarios, we analyzed the degree of impact and the probability of occurrence, based on the timeframe for the conceivable emergence of each risk and opportunity on a short-,

medium-, and long-term timeline. In addition, response strategies for each risk and opportunity are examined on both short-term and medium- to long-term time horizons. In addition to minimizing risks, we also focus on and convert opportunities to expand and create new business opportunities. Through these efforts, we aim to enhance the resilience of the Group and achieve sustainable growth under any climate change scenario.

In addition, for selected risks identified through scenario analyses, we conducted financial impact assessments. The estimated financial impact and the underlying calculation basis have been disclosed in the Annual Securities Report for the fiscal year ended March 31, 2025.

[HDSI website] Annual Securities Report for the fiscal year ended March 31, 2025



Climate-related risks, opportunities, and countermeasures identified across the value chain through scenario analyses (excerpt from the annual securities report)

Referenced scenarios: IEA NZE2050 (1.5°C scenario), IPCC RCP 8.5 (4.0°C scenario)

Timeline definitions: short-term 0-3 years, medium-term 3-10 years, long-term 10-30 years, extremely long-term 31 years and over

| Scenario | Risk / Opportunity | | | Timeframe in which it may emerge | Probability of occurrence | Degree of impact | Strategy | |
|----------|--------------------|-----------------------|--|---|---------------------------|------------------|----------------------|---|
| | Category | Factor | Impact on business (financial, nonfinancial) | | | | Timeline | Key measures |
| 1.5°C | Transition risks | Regulations | Tightening regulations | Increase in expenditure with carbon pricing for emissions (tax) | Medium-term | High | High | Short-term ● Assess the impact of carbon pricing (carbon tax) on the business and implement countermeasures |
| | | | | | | | Medium- to long-term | ● Promote electrification and a shift to renewable energy to reduce absolute GHG emissions ● For facilities where electrification is difficult, promote fuel conversion to low-carbon alternatives (biomass and hydrogen, etc.) |
| | Opportunity | Resource efficiency | Spread of energy-saving technology | Reduced energy costs and lower burden of carbon taxes as a result of switch to low emission facilities | Medium-term | Medium | High | Short-term ● Conduct detailed analysis of the cost-effectiveness of GHG reduction measures and regularly review the Net Zero transition plan ● Introduce ICP (Internal Carbon Pricing) to visualize the economic benefits of energy-saving equipment investments and promote such investments |
| | | Products and services | Spread of low-carbon technology | Increase in sales related to low-carbon products due to promotion of low-carbon trend in society | Medium-term | High | High | Medium- to long-term ● Utilize subsidy programs for energy-saving equipment investments to reduce initial costs and develop and sell products that meet needs |
| 4.0°C | Physical risks | Acute | Increasing severity of natural disasters | Damage to operating sites, halt in operations, and lower production amounts occur due to more intense and frequent natural disasters | Short-term | Medium | Medium | Short-term ● Conduct disaster risk assessments for all domestic and overseas Group sites ● Review the BCPs for business sites and the entire Group, assuming natural disasters of the highest magnitude on record |
| | | | | | | | | Medium- to long-term ● Develop alternative production plans in the event of damage to manufacturing sites ● Install flood prevention equipment ● Consider and implement relocation of business sites with high disaster risk or impact |
| | | Chronic | Rising temperatures | Costs increase to add/replace air conditioning equipment at operating sites and their running costs increase due to rising temperatures | Medium-term | Medium | High | Short-term ● Introduce ICP (Internal Carbon Pricing) to visualize the economic advantages of energy-saving equipment investments and promote such investments |
| | | | | | | | | Medium- to long-term ● Utilize subsidy programs for energy-saving equipment investments to reduce initial costs ● Reduce air conditioning costs by improving the efficiency of air conditioning systems and enhancing the thermal insulation performance of business sites |
| | Opportunity | Resilience | Disperse manufacturing sites | Gain greater trust from customers with transport and distribution more resilient to natural disasters by diversifying suppliers | Short-term | Low | High | Short-term ● Conduct risk assessments of suppliers and raw materials and consider alternative measures in the event of a disaster |
| | | | | | | | | Medium- to long-term ● Mitigate risk through diversification of suppliers ● Promote diversification of suppliers to mitigate risk |

Efforts on Climate Change

3.Risk Management

HDSI has established a system to be able to identify, assess, and respond to risks and opportunities related to climate change in accordance with the “Crisis and Risk Management Regulations.” Risks are categorized into company-wide risks and risks by business process, with risk assessment conducted once a year.

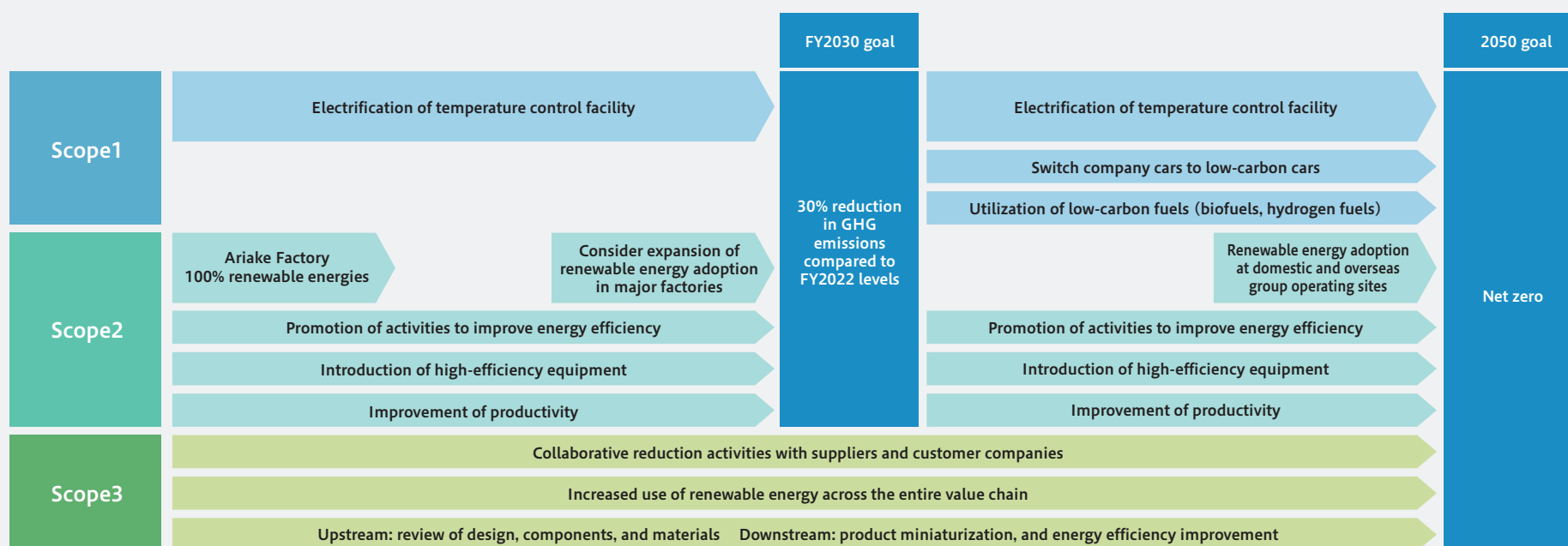
The Executive Officer in charge of Corporate Planning and the Corporate Planning Division grasp, analyze, and assess company-wide risks, while each division extracts and identifies risks related to its business processes. The General Manager of the Risk Management Division conducts risk assessments on a short-, medium-, and long-term timeline from the perspectives of frequency and potential scale of damage, and formulates policies from the viewpoints of legal compliance and the

protection of human life. In addition, a comprehensive risk assessment is conducted by integrating these evaluations, and the Executive Officer in charge of Risk Management prioritizes the risks based on the assessment results. The President and CEO then reviews and approves the content. Subsequently, each division sets its own risk management targets, and division leaders determine appropriate responses—such as avoidance, acceptance, mitigation, or transfer—according to the nature of each risk, and implement corresponding mitigation measures. The Executive Officer in charge of Risk Management reviews the progress of these activities annually, and based on this review, the President and CEO sets the policy for the following fiscal year, which is then communicated to the divisions.

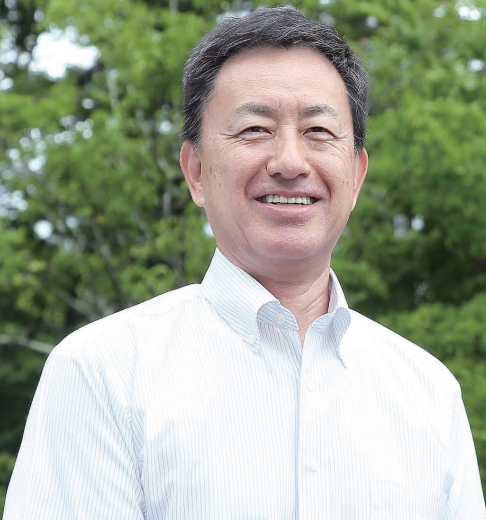
4.Metrics and Targets

The HDS Group has set “Net Zero GHG emissions by 2050 (Scope 1, 2, and 3)” as its long-term GHG emission reduction target. In addition, the Group has set “a 30% reduction in GHG emissions by FY2030 (Scope 1 + 2, compared to FY2022 levels)” as a milestone (interim goal) toward achieving the Net Zero target and has developed a climate transition plan (reduction roadmap).

Furthermore, to ensure accurate progress tracking toward achieving the goals and to enhance the reliability of disclosed information, the Group conducts third-party verification of GHG emission data for Scope 1 and 2 (consolidated) as well as Scope 3 Categories 4, 9, and 11 (domestic consolidated).

Climate transition plan (roadmap) to achieve Net Zero by 2050

Interview with the Officer in Charge of Supply Chains



Managing Executive Officer
General Manager of Supply Chain
Minoru Asano

To enhance the sustainability of the entire supply chain, we conduct self-assessments (SAQ) for our major suppliers based on our Sustainable Procurement Policy.

Promoting awareness of the Sustainable Procurement Policy and visualizing its compliance status

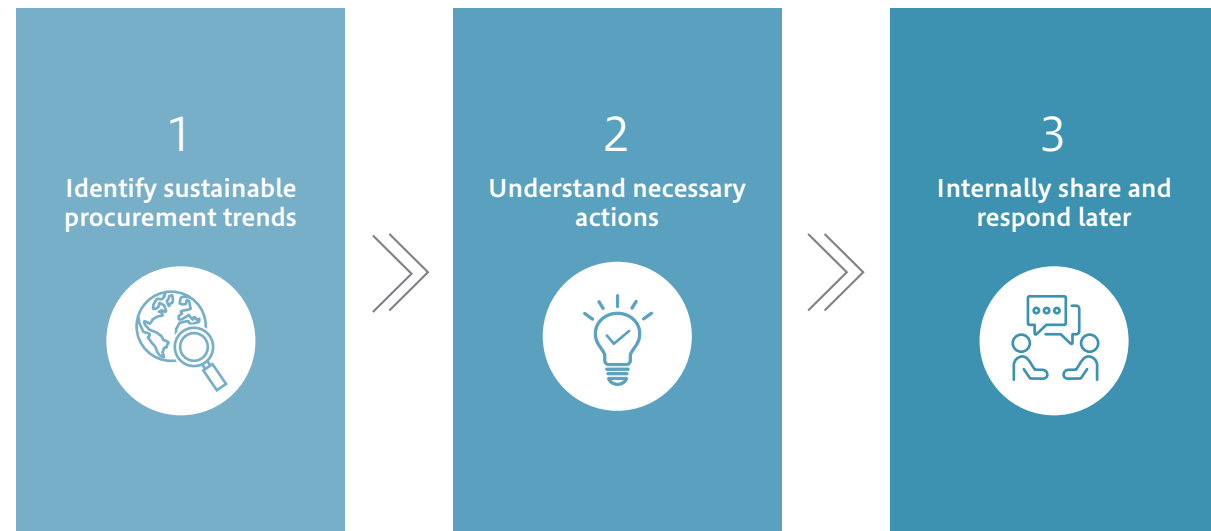
Q: How are you promoting awareness of your Sustainable Procurement Policy among suppliers and monitoring their compliance status?

A: To embed and establish our Sustainable Procurement Policy, we began a training program for our partners in FY2022. The first session, called “HDS Cooperative Association Training,” took place in October 2022, convening participants from 32 companies. In FY2023, we held a similar training session with 29 participating companies. In FY2024, we expanded our efforts by conducting a “Sustainability Training Session” for 38 companies.

To identify the response status among our suppliers, we surveyed them during the first training session. At subsequent briefings, we distribute our procurement guidelines and ask participants to submit confirmation letters. In FY2024, we expanded the scope of companies required to submit confirmation letters to 107 companies. As of the end of June 2025, the collection rate is 60%.

For 21 suppliers that handle high-risk materials, including conflict minerals, we conducted SAQ (a self-assessment questionnaire) to visualize risks and monitor their response status. We will continue conducting SAQ in FY2025 and onward to strengthen the system for responsible procurement.

● Sustainability Training Program for suppliers (conducted in FY2024) (excerpts)



Interview with the Officer in Charge of Supply Chains

Assessing risks through self-assessments and taking actions

Q: Please tell us about the purpose and results of the supplier self-assessment (SAQ), as well as how you plan to address them.

A: To enhance the sustainability of the entire supply chain, we conduct self-assessments (SAQ) for suppliers handling high-risk materials based on our Sustainable Procurement Policy. In FY2024, we conducted the SAQ for 21 companies. The collection rate was 100%, with about 70% of the companies passing the assessment. Meanwhile, for suppliers requiring improvement requests, we individually notify them of the necessary improvements for each evaluation category, including governance, human rights, the environment, and supplier management, and we verify their corrective actions within a specified timeframe.

In particular, ensuring upstream traceability concerning conflict minerals and conducting

assessments of human rights risks have emerged as common challenges for many suppliers. For these challenges, we ask them to work toward achieving Grade A in the medium term while continuing to support their efforts through supplier audits. Furthermore, in the long term, we plan to expand the target scope for SAQ to about 160 primary suppliers.

Measures for human rights due diligence and responsible mineral procurement

Q: Tell us about your initiatives for human rights due diligence and responsible mineral procurement.

A: To promote responsible mineral procurement, our company particularly encourages our electronics components suppliers to utilize the CMRT (Conflict Minerals Reporting Template) format as part of the efforts to identify risks and ensure traceability. In addition, over the past three years, we have been asking our suppliers to create supply chain charts to

identify and visualize upstream companies.

To address human rights risks, we will gradually roll out our ongoing internal initiatives for human rights due diligence across our suppliers. Through hearings with our suppliers and other means, we will identify their situations, and we will implement necessary measures based on their responses to SAQ (the self-assessment questionnaire).

In addition, we confirm the implementation status of grievance handling and remediation systems through the SAQ. We also help suppliers lacking adequate frameworks to implement whistleblowing systems and operate them. Through these initiatives, we aim to enhance respect for human rights and transparency throughout the supply chain.

- FY2024 SAQ assessment results (21 major suppliers)

| | Breakdown |
|---------------------------------|-----------|
| Grade A (Pass) | 29% |
| Grade B (Pass) | 38% |
| Grade C (Improvement Requested) | 24% |
| Grade D (Improvement Requested) | 9% |

- Priority initiatives for sustainable procurement (FY2025 plan)

1. Build a monitoring system for critical sustainability risks within the supply chain

- Select key suppliers to monitor
- Improve the collection rate of confirmation letters related to the Sustainable Procurement Guidelines
- Improve the collection rate of the self-assessment questionnaire (SAQ), and create the supplier risk evaluation report

2. Assess initial risks related to conflict minerals, and identify high risk suppliers

- Improve the collection rate for the conflict minerals survey
- Create a supplier risk evaluation report regarding conflict minerals

3. Conduct training sessions on sustainable procurement

- Continue conducting training sessions for suppliers as part of supplier engagement efforts
- Educate our purchase personnel, and improve the training completion rate among them

Interview with the Officer in Charge of Supply Chains

Collaborating to reduce GHG emissions (Scope 3, Categories 1 and 4)

Q: Tell us about how you are collaborating with suppliers to reduce GHG emissions (Scope 3, Categories 1 and 4) and your future plans.

A: To achieve our Group's net-zero targets, it is essential to reduce the GHG emissions attributable to procured products classified as Scope 3, especially those that fall under Category 1. Currently, many suppliers have not sufficiently identified specific emission figures, but we will ask them to create numerical data to visualize their emissions. In addition, regarding GHG emissions from upstream transportation (Scope 3, Category 4), we are considering obtaining primary data from our major suppliers.

Furthermore, we are encouraging our suppliers planning to update their facilities to shift to energy-saving facilities with the aim of raising awareness for reducing GHG emissions.

Simultaneously, we are currently examining the effectiveness of GHG emissions calculation software with the expectation of rolling it out across our suppliers. Through these initiatives, we will accelerate the promotion of decarbonization and the reduction of environmental impacts throughout the supply chain.

Adapting to geopolitical changes and strengthening supply chain management

Q: As geopolitical risks increase, how are you approaching procurement strategies and supply chain management?

A: In response to the recently increasing geopolitical risks, our group is strengthening resilience throughout its supply chain. So far, the direct impact of the tariff policy has been limited, but increasing material prices and energy costs have raised total procurement costs. In particular, for electronic components containing rare earths, the impact of supply restrictions has become evident, posing an ongoing challenge for procurement stability. Therefore, in addition to diversifying procurement risks by promoting multi-supplier procurement, we are currently considering alternative technologies, including developing non-rare-earth magnets in cooperation with the development section.

We are also promoting global responses by strengthening communication with the procurement sections across international subsidiaries and facilitating mutual sharing of raw materials, among other measures. These approaches are determined at Executive Officer Meetings based on analyses and proposals from the Supply Chain Division. We will continue to maintain a structure that can respond rapidly to changes in the external environment with the aim of achieving stable supply and cost optimization.

The role that the Supply Chain Division plays in achieving the Medium-Term Management Plan

Q: To achieve the Medium-term Management Plan, what challenges is the Supply Chain Division tackling?

A: To achieve the Medium-term Management Plan, the Supply Chain Division is tackling three challenges. The first challenge is to improve the quality of purchased components. While collaborating with the quality assurance section, we aim to eliminate non-conforming delivered items and enhance quality standards by collaborating with suppliers.

The second challenge is to build a procurement system for our mechatronics business. Following the transfer of the production function for this business, which is viewed as a growth segment, to Harmonic Winbel, establishing a robust material procurement system at the company has become an urgent priority. As part of our efforts to build a foundation for stable business expansion, we are focusing on redesigning supply chain management.

The third challenge is to promote cost optimization. As material prices continue to increase, we establish reasonable KPIs each year and implement ongoing improvement activities to balance cost reductions and stable procurement. These policies and their progress are shared with other sections at Business Process Innovation Meeting sessions led by the Corporate Planning Division. The entire company is addressing these challenges and working toward the goals by collaborating with the quality assurance, development, manufacturing, and sales sections.

Sustainable Procurement Policy

1. Fair and Equitable Transactions
2. Compliance with Laws and Social Norms
3. Respect for Human Rights and Work Environment
4. Consideration for the Global Environment
5. Coexistence and Co-Prosperity with Suppliers

[HDSI website]
Sustainable
Procurement Policy



Interview with the Officer in Charge of Human Resources



Executive Officer
General Manager of Human Resources and
Administration Division

Osamu Asakura

Type of individuals sought by the HDS Group

1. People who think for themselves and act with the ambition to take on new challenges
2. People who act with the spirit of cooperation needed in an organization
3. People who are richly individual and draw on their creativity
4. People who correctly see the direction of environmental changes and can adapt to them
5. People who possess cultural and human breadth

To enhance the effectiveness of human capital management, we quantitatively and qualitatively assess employees' sense of purpose and motivation and strengthen initiatives to enhance their engagement.

Q: Tell us about your current challenges in fostering an encouraging corporate culture and transforming employee behaviors and your initiatives for reforming systems and culture.

A: Since its inception, our company has directly addressed the challenges raised by our customers and provided solutions through our proprietary technologies, thereby sustaining our growth. However, with emerging competitors and diversifying customer needs, the ability to autonomously identify challenges and take necessary actions is required more than ever.

To address these situations, we view fostering a challenge-friendly culture as a priority measure in our talent strategy and are promoting various initiatives. First, we have begun reforming our personnel system and are currently building a new framework that clearly positions “willingness to take on challenges” as a core evaluation criterion and links it directly to compensation packages. We have implemented evaluator training for managers this fiscal year ahead of the system reform, focusing on establishing goals and enhancing the quality of feedback.

We implemented an internal recruitment system in the previous fiscal year and are expanding opportunities for employees to proactively take on new roles and challenges. Departments with open positions are required to share job descriptions so that anyone can voluntarily apply for career opportunities of their choice. We will build a corporate culture where employees can express their interest in new roles more casually to encourage autonomous career development.

Furthermore, we are working to improve the compensation of specialists. We are designing a system that acknowledges efforts to pursue advanced expertise and technology development and emphasizes career paths toward non-management positions. By establishing an environment where personnel achieving outstanding results in the research and development and product

technology fields receive commensurate recognition and compensation, we will strengthen our technological foundation and create innovations.

Q: Tell us how you are approaching and progressing human capital material issues.

A: Considering the maximization of human capital value as the core approach to improving corporate value in the medium to long term, we are working on the following four key measures:

- (1) Provide a safe and secure work environment
- (2) Promote professional development
- (3) Develop personnel systems and work styles that promote diversity
- (4) Develop a corporate culture and environment that encourage employees to take on challenges

We are advancing these key measures by designing and embedding systems in the workplace.

(1) We emphasize eliminating occupational disasters and ensuring psychological safety to provide a safe and secure work environment. Challenges and innovations will not emerge without a workplace atmosphere that encourages employees to freely express their views and will, even if a system is in place. We are focusing on improving psychological safety by using the internal recruitment system and enhancing the quality of dialogues between supervisors and team members.

(2) To promote professional development, we are building a three-tier talent development system that accommodates different career stages to develop personnel embodying our management philosophy. In particular, we are enhancing training programs on technologies and skills to elevate field capabilities and deepen expertise.

Interview with the Officer in Charge of Human Resources

(3) To develop personnel systems and work styles that promote diversity, we aim to establish an inclusive work environment by embedding remote work and other flexible work styles into systems, promoting the employment of people with disabilities, among other initiatives. Male employees taking childcare leave is steadily becoming the norm, demonstrating quantitative progress with an uptake rate of 85.7% and an average duration of 57 days in FY2024.

● Childcare leave uptake rate among male employees

| | Childcare leave uptake rate (%) | Average duration (days) |
|--------|---------------------------------|-------------------------|
| FY2022 | 52.9% | 44 days |
| FY2023 | 81.8% | 36 days |
| FY2024 | 85.7% | 57 days |

(4) To develop a corporate culture and environment that encourage employees to take on challenges, we are building an encouraging environment by developing new personnel systems and using the internal recruitment system, as mentioned in my response to your previous question.

We track the progress and effects of these initiatives through quantitative indicators (e.g., key performance indicators) and qualitative evaluation. Using the employee engagement survey implemented in FY2024, we regularly review how much employees trust the organization and how happy they are about our measures.

Q:How do you implement your talent portfolio strategy in line with your long-term vision?

A:To achieve our long-term vision of becoming the “best provider of total motion control in harmony with the future,” we are building a talent portfolio in line with management strategies. In particular, we view the following two areas of people management as the core areas to strengthen:

The first one is talent with advanced expertise in the motion control field. To proactively identify potential

customer needs and address them through our proprietary technological capabilities, expanding the pool of specialists that can deliver competitive advantages is essential. Therefore, we are actively hiring both new graduates and midcareer professionals while focusing on reskilling and upskilling existing employees.

The second one is to expand the talent pool for global collaboration. Our Group must further strengthen its collaboration with its international subsidiaries across Europe and Asia and optimize functions, such as technology development, procurement, production, and corporate management, group-wide. Under these circumstances, our competitiveness depends on having an expansive pool of talent that will lead field operations while assuming a global perspective beyond individual companies.

Q:Tell us how you discover and train human resources that will shape your future.

A:Previously, career advancement mostly depended on experience and seniority. Today, however, there is an increasing demand for self-driven talent or personnel capable of flexibly capturing environmental changes, autonomously learning, and leading transformation.

With this in mind, our company is developing a talent management framework for accelerating the discovery and development of future leaders. Specifically, under the new personnel system, we have clarified the promotion criteria, which were previously operated flexibly. We have previously appointed employees in their early 30s to management positions, but going forward, we will clearly indicate the minimum age for promotion eligibility and fairly support career advancement and promotion based on merit and motivation.



Interview with the Officer in Charge of Human Resources

Q:How do you revitalize the organization through the employee engagement survey?

A:To enhance the effectiveness of human capital management, we quantitatively and qualitatively assess employees' sense of purpose and motivation and strengthen initiatives to enhance their engagement. In FY2024, we conducted a company-wide employee engagement survey for the first time to visualize the organization's current status and issues. Two main issues have emerged through the survey. The first one is that employees do not receive sufficient feedback and recognition from their supervisors. The second one is that it is unclear to employees how their jobs and organization's achievements contribute to the company's goals and ultimately to social challenges. In response to these issues, the survey results were shared with employees in management positions, and evaluator training was conducted. The training was conducted in a group discussion format, where participants exchanged views on how supervisors' support and clear expectations

directly lead to enhanced engagement.

We will incorporate these insights into the ongoing personnel system reform and improve systems by reviewing the evaluation criteria and strengthening feedback frameworks. By enhancing the transparency and credibility of assessments, we aim to enhance the sense of purpose and organizational performance of employees.

Q:What are your thoughts on the relationship between the material challenge of maximizing the value of human capital and generating a cash flow in the long run?

A:To build advanced technological and field capabilities as business foundations, developing talent with a long-term perspective is essential. Although quantifying the short-term growth of skilled workers and specialists is difficult, their ability to create value remarkably improves through certain years of experience and continued learning. Therefore, we focus on developing talent to retain skills and drive

growth eventually while hiring midcareer professionals who are ready to contribute.

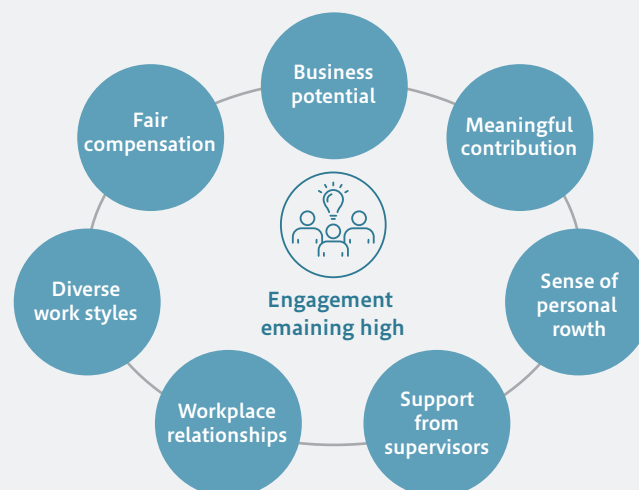
These strategies are based on high engagement and employee retention. Although we have not established numerical targets for turnover rates, we closely monitor them as key indicators of organizational soundness. The retention rate among employees who have been with the Company for three years has remained extremely high compared with industry standards. We believe that this high retention rate will eventually contribute to our financial performance, with employees' accumulated expertise and knowledge helping to enhance the organizational capabilities and product and service quality.

We would like to further enhance the effectiveness of human capital management. To this end, we will visualize how investment in human capital helps employees demonstrate and improves employee retention to ultimately elevate corporate profitability and shareholder value, and we will build and manage a continuous improvement cycle.

Employee engagement survey

Survey period
December 2024 to January 2025

Response status
474 employees
(response rate: 71.7%)



• Three-year retention rate (new graduate hires)

| | Retention rate (%) | Number of applicable hires |
|--------|--------------------|----------------------------|
| FY2022 | 88.9% | 9 |
| FY2023 | 91.7% | 12 |
| FY2024 | 100% | 13 |

Message from the Officer in Charge of Risk Management



Executive Officer
General Manager of Risk Management
Michiya Yashiro

Rather than viewing risks as threats, we assess and examine them as obstacles to our strategies and determine our countermeasures.

The HDS Group's risk management and compliance promotion frameworks

The HDS Group is enhancing its risk management and compliance frameworks as foundations for higher corporate value. The Risk Management Division, which leads such initiatives, systematically works with the legal department to promote the development of regulations, planning of activity policies, training support, and legal compliance.

Each department assesses its own risks and explores and develops countermeasures based on risk attributes while working closely with other organizations, including the Risk Management Division, Human Resources and Administration Division, Safety and Health Committee, Corporate Planning Division, ICT Promotion Office, and Public Relations Office. We work closely with our major subsidiaries daily. In particular, we strive to manage risks through integrated efforts as an entire group, including our international subsidiaries, regarding product responsibility, security, and trade management.

In the event of a serious crisis, we establish an emergency task force with the Risk Management Division and the Human Resources and Administration Division serving as the Secretariat to take quick actions systematically.

Regarding compliance, we are enhancing employee awareness by developing internal regulations and conducting educational and awareness activities. Our joint training program with the Human Resources and Administration Division plays a key role. Additionally, we seek various opinions and advice from internal and external parties to ensure the effectiveness of these initiatives and continuously review and enhance our systems in line with the changing risk environment.

Process for identifying critical risks and those in FY2025

We conduct company-wide risk assessments every March in coordination with the business plan for the following fiscal year to manage risks in line with management strategies.

Rather than viewing risks as threats, we assess and examine them as obstacles to our strategies and determine our countermeasures. Each division identifies risks and quantitatively and qualitatively assesses them. The Risk Management Division then analyzes group-wide priorities and effects, and critical risks are finalized through discussions at Executive Officer Meetings.

In FY2025, we identified the following critical risks: (1) Trade risks due to changes in U.S. tariff policies, (2) Geopolitical risks in Ukraine and the Middle East, and (3) Natural disaster risks, such as earthquakes, heavy rains, and typhoons. As countermeasures, we are not only reactively addressing them but also emphasizing preventive and predictive actions and are promoting effective risk management as an entire group.

Positioning of the whistleblowing system and initiatives to enhance its effectiveness

We view our whistleblowing system as a detection function for signs of critical risks rather than a mere channel for reporting issues. Employee reports contain important signals, such as organizational issues and concerns that something is amiss. We accept and analyze them carefully and work closely with relevant departments to correct and improve situations. By doing so, we implement proactive measures to mitigate future risks. Anonymous reporting allows whistleblowers to speak up comfortably without worrying about their positions or relationships, which makes the method effective for collecting critical information at the early stages of a case. Meanwhile, named reports facilitate investigation, leading to effective measures. Our company has a system for sincerely and promptly responding to both named and anonymous reports while respecting the choices of whistleblowers. We have also clearly documented protections for whistleblowers and prohibitions of retaliatory treatment and are continuously enhancing the credibility of the system by involving outside officers and incorporating feedback.

Compliance & Risk Management

■ Compliance

Fundamental stance for business activities

As the fundamental stance for business activities, the HDS Group strives to enhance customer satisfaction and pursue profit through business activities grounded in fair and legal competition. In addition, in executing business activities, everyone working at the Group recognizes the need to fulfill corporate social responsibility, observes laws and regulations, and respects trade customs, social norms, and business ethics. Furthermore, the Group respects the individual rights of each employee and endeavors to facilitate the realization of their cultural aspirations as well as makes its best effort to achieve coexistence and co-prosperity with everybody who is involved with the Group.

Compliance education

The HDS Group provides various compliance education programs, centering on online training, to everyone working at the Group so as to enhance employees' understanding of compliance

Furthermore, everyone working at the Group is required to carry a pocket-size booklet that contains the Management Philosophy, Basic Policy of Sustainability, the Charter of Corporate Behavior, the Code of Conduct, and Crisis Management—Code of Conduct in the Event of Crisis.

Measures to prevent insider trading

In order to prevent insider trading, the HDS Group clearly specifies procedures for buying/selling the Company's stocks and provides education on insider trading control to everyone working at the HDS Group. When an employee wishes to buy/sell the Company's stocks, he/she is obligated to do so by the specified method within the specified period in accordance with the Company's Rules on Insider Trading Control.

Operation of whistleblower system

In accordance with the provision on the operations of the whistleblowing system, the HDS Group has established and operates both internal and external (via

external specialists and attorneys) whistleblowing contact points for all employees, including temporary employees, temporary staff, part-time employees, seasonal staff, and freelancers. This contact point accepts whistleblowing not only on compliance violations, but also on human rights issues such as harassments. The internal investigative committee investigates the whistleblowing cases and handles them swiftly and appropriately. In addition, the provision on the operations of the whistleblowing system strictly stipulates that whistleblowers will not face dismissal or any other adverse treatment, and their personal information will remain confidential. The Board of Directors monitors and supervises the effectiveness of the whistleblowing system. This provision is reviewed periodically in response to legal amendments, societal demands, and changes in the external environment.

● Transition in the number of whistleblowing cases

| | FY2022 | FY2023 | FY2024 |
|--------------------------------|--------|--------|--------|
| Number of whistleblowing cases | 21 | 35 | 78 |

*Consolidated basis from FY2023

Monitoring of Compliance Status

The Risk Management Division, which reports to the President, Representative Director, periodically inspects and audits the compliance status, and also maintains and improves various compliance systems.

In addition, the President's Management Review in which the President directly reviews the situation of operation execution by each Executive Officer twice a year includes a mechanism for the President to check with each Executive Officer the compliance status as well as maintenance and improvement of compliance systems.

■ Risk management

Fundamental approach and preparedness for risk management and crisis response

The HDS Group defines risks as events that may hinder

the achievement of business objectives, and situations that have significant adverse impact on the Group's management, including natural disasters, as crises. In executing business, the Group strives to implement risk management and crisis response in a safe and responsible manner. We are committed to continuously minimizing damages caused by the occurrence of risks and crises. In the event that risks related to corporate management and crises occur, our fundamental approach prioritizes the avoidance of harm to human life and physical well-being above all else, followed by actions to minimize the negative impact on the company. The Charter of Corporate Behavior states details of this risk management and the Code of Conduct specifies specific action guidelines. Furthermore, for crises, it is stipulated that all actions must follow the Crisis Management—Code of Conduct in the Event of Crisis.

Information security measures

In order to ensure compliance with laws, regulations, and other rules concerning information security and to respond to cyberattacks, the HDS Group provides education designed to raise the awareness of all employees working at the Group regarding information security. The information security education is conducted twice a year in the form of responses to a questionnaire, and the results are notified to the entire company.

Crisis Management System

In order to deal with any crisis in a secure and responsible manner in the event of an emergency, such as a large-scale disaster, the HDS Group has established the Crisis Management—Code of Conduct in the Event of Crisis and endeavors to develop and maintain its crisis management systems. Furthermore, in order to minimize the impact on business and to fulfill our responsibility of supplying products and services to customers, the subsidiaries in the U.S., Germany, and South Korea have also developed their systems and work in collaboration to maintain these frameworks.

Dialogue Between an Institutional Investor and Outside Directors

For continuous corporate value creation, the HDS Group is working to enhance the effectiveness of governance and improve profitability. As part of these efforts, we invited Mr. Zuhair Khan of UBP Investments Co., Ltd. to exchange views with the Group's five Outside Directors. They engaged in future-oriented dialogue from both company and investor perspectives, discussing topics such as business portfolio strategies, investment decisions considering capital costs, the remuneration system for the management team, and the diversity of the Board of Directors.



Kazuhiko Hayashi
Independent Outside
Director

Masanobu Nakamura
Independent Outside
Director (Member of the
Nomination and
Remuneration Advisory
Committee)

Haruhiko Yoshida
Independent Outside
Director (Chairperson
of the Nomination and
Remuneration
Advisory Committee)

Zuhair Khan
UBP Investments Co., Ltd.

Joined UBP Investments in 2019 as a portfolio manager focused on governance at Japanese companies. Before UBP, he was the Head of Research and Japan Strategist at a U.S. securities firm. Backed by his investigation and analysis of corporate governance at Japanese companies, his products gained wide recognition among institutional investors worldwide.

Kaeko Kitamoto
Independent Outside
Director

Yoshio Fukuda
Independent Outside
Director

Dialogue Between an Institutional Investor and Outside Directors

Potential markets and evaluation of their financial viability

Khan (institutional investor): Your company follows a high-mix, low-volume production business model. In that case, I assume that sales per customer are rather modest. Could you share your views on the size of your markets and their profitability?

Yoshida (Outside Director): This high-mix, low-volume production business model allows us to make the most of our technical expertise and skills. Currently, our revenue is primarily derived from three fields: industrial robots, semiconductor manufacturing equipment, and automotive applications. Some newer fields, such as aerospace and medical equipment, still generate relatively modest sales. However, products in these domains must meet extremely high levels of accuracy, durability, and performance under demanding usage environments. Refining our technology in these areas underpins our competitive edge.

Therefore, we believe that pursuing opportunities in a diverse range of markets is essential to sustain long-term growth.



Fukuda (Outside Director): In business domains other than automotive applications, as you correctly pointed out, we pursue a business model of “producing a large variety of products in small quantities.” Our corporate mission is “to contribute to innovation in the society by our motion control technology.”

To realize this, our fundamental approach is to enhance corporate value by “multiplying” applications, products, customers, development, and production—creating synergies greater than the sum of

their parts. Some transactions are in small quantities but fetch high margins. From my personal experience in the textile industry, I know that judging a business’s growth potential solely by market size can be misleading.

Khan: As applications of your products continue to expand, I imagine that your product portfolio will become further segmented. What discussions have the Board of Directors had regarding the selection and concentration of resources in your speed reducer business, including precision planetary speed reducers?

Fukuda: We ensure strict profitability control for each product. Except during the development stage, we never keep continuously loss-making businesses in our portfolio without purpose. Precision planetary speed reducers are no exception. The Board of Directors closely monitors how the executive side is working to improve their financial viability.

Integration and the monitoring system of Group companies

Khan: I believe that there is an increasing need to integrate the Group management structure and enhance its efficiency. How does the Board assess and monitor this need?

Yoshida: With the acquisition of 100% ownership of a German company in 2017, we established a “tripolar structure” of Japan, the U.S., and Germany for manufacturing. Since then, we have standardized design, production, and quality management operations, enabling all our sites to supply uniform quality products.

That said, many issues remain in terms of integrated management strategies. Looking ahead, we plan to establish an offshore value chain by shaping a new business model under a “quadrupolar structure,” which will also include China.

Khan: What about the integration of the IT system and the accounting system? I believe that this is a key infrastructure for monitoring the Group.

Kitamoto (Outside Director): Given the business scale of overseas subsidiaries, we do not believe that full-scale integration of the accounting system is absolutely necessary at this point. However, the Head Office’s monitoring function should be strengthened. As part of this initiative, we are working to expand corporate divisions and the internal audit structure.



Hayashi (Outside Director): Considering the size of the Head Office, it may not be realistic to leap straight into establishing global cooperation. That said, we are making steady, if gradual, progress in this direction. Last year, we began inviting the presidents of our subsidiaries in the U.S., Germany, and China to participate in Board meetings.



Fukuda: Personally, I opposed the idea of the Head Office in Japan micromanaging overseas subsidiaries. Yet the Head Office has a mandate to realize total optimization of the Group through resource allocation. As such, I believe that we should consider unifying fiscal year ends and accounting standards.

Dialogue Between an Institutional Investor and Outside Directors

Investment decisions and pursuit of capital efficiency

Khan: Compared with Western peers, Japanese companies appear to lack IT investments that enable real-time monitoring of business processes across the Group. If financial data from Group companies can only be monitored on a monthly basis, the management team cannot make prompt decisions, which in turn increases capital costs.

Since 2018, you have made considerable investments to increase your production capacity. Yet factory utilization rates have been sluggish recently, which is affecting your profit margins. Could you tell me about the Board's decision-making process on such large-scale capital investments?

Yoshida: As you correctly noted, we are seeing a major discrepancy between production capacity and demand, and the decline in utilization rates has become a critical issue.

In light of the considerable inconvenience caused to our customers when we were unable to meet the rapid increase in orders (2017–2018), we took the step of expanding our capacity and workforce.

However, coupled with changes in the Chinese market, this increase resulted in excess inventories. The Board of Directors deeply reflect on the failure to make investment decisions based on accurate demand forecasting.

Nakamura (Outside Director): At the time, we lacked the culture of carefully considering capital costs and hurdle rates when making investment decisions. Because our financial base was extremely strong at the time, we were able to perform large-scale capital investments, acquire full ownership of the German subsidiary, and pursue other projects without overstretching ourselves financially.

Moving forward, as the needs evolve in emerging markets, such as those for humanoid robots, we expect the business environment to enter a new stage. Therefore, we must prepare for upcoming growth opportunities.

Approaches to capital efficiency and growth investments

Khan: We are not particularly focused on short-term results. What matters to us are your proprietary technical expertise and the profitability that it supports. We appreciate your robust financial base, but how you enhance capital efficiency is equally important.

Fukuda: We believe that there are areas requiring proactive investment, such as advancing design and production processes through AI and digital transformation (DX), and developing a globally integrated IT system.

We also recognize the importance of monitoring the outcomes of large-scale investments. The speed it takes for us to correct our course when actual outcomes differ from initial assumptions. This is a critical factor in determining investment returns.

Nakamura: With recent advances in AI and other technologies, innovation has accelerated dramatically. For us, this means a broader range of growth investment options beyond simply expanding production capacity.

To respond to such changes with agility, we must maximize our current financial strength. In other words, we must remain flexible to avoid missing opportunities.



Khan: Mr. Hayashi, given your long career as an engineer, could you share your thoughts on the Company's cost control and R&D efforts?

Hayashi: When we once held a dominant market share, our products sold well regardless of price. Partly because of this, there was little incentive to reduce costs, which hindered the development of a strong cost-consciousness. It is my understanding that the Company has begun making serious efforts to cut costs in recent years.

As for R&D, our primary focus is on how we can add value to the mechatronics domain, which includes software and hardware.

I have experience working for an automobile manufacturer. There, plans for development project management and resource deployment were carefully mapped out. I believe that the Company has considerable room to strengthen its capabilities in planning and managing development projects through cooperation with its global subsidiaries.

Composition of the Board of Directors and design of the remuneration system

Khan: Your Board of Directors has 14 members, including corporate auditors. Isn't this too many for a company of your size?

Yoshida: Twenty years ago, our Board consisted of six directors: three internal and three outside. Even before the establishment of the Governance Code, we maintained a 50% ratio of outside directors. Today, the Board comprises five internal and five outside directors. Considering the Company's business expansion, we do not believe that the current number of directors is excessive.

Nakamura: Outside directors participate in key executive meetings, such as Executive Officer Meeting, Business Process Innovation Meeting, and Development Promotion Meeting sessions. This minimizes information gaps with the executive team and ensures that outside directors are deeply involved in strategic discussions while also fulfilling their institutional supervisory function. Although this practice is unique to the Company, we believe that it works effectively.

Dialogue Between an Institutional Investor and Outside Directors

Fukuda: The company I was previously affiliated with reduced the number of directors when it transitioned to a Company with Audit and Supervisory Committee. Because the optimal size and composition of the Board of Directors are closely tied to the Company's organizational design, I believe that this discussion should proceed only after determining what is in the best interest of the Company and considering the balance between the internal and outside directors.



Khan: My next question is about compensation for the management team. Under your current system, the bonus pool is set at 4% of non-consolidated net profit; however, this does not appear to align with the management targets outlined in the current Medium-Term Management Plan.

Yoshida: The cash bonus system was originally designed to ensure consistency with the dividend payout ratio. However, because dividends are determined on the basis of consolidated financial results, a discrepancy has arisen between the system's design and actual practice. Currently, the Nomination and Remuneration Advisory Committee is discussing the design of a new system that links bonuses to medium- to long-term consolidated financial results and various performance indicators.

Khan: We would like to see the proportion of performance-linked stock compensation increase further. Ideally, there should be a system that links stock grants to the achievement of challenging KPIs so that directors receive shares of their own when these targets are met. To foreign investors, management team members at Japanese companies typically hold too few shares of their own.

Yoshida: That is under consideration. Meanwhile, there is concern about the widening income gap between the management team and employees. Therefore, we must proceed cautiously, ensuring that improvements in employee treatment keep pace.

Fukuda: The current equity-based compensation, which is not being closely linked to performance, has lost some of its effectiveness as a long-term incentive. Therefore, we might consider linking stock grants to the achievement of the Medium-Term Management Plan or raising the proportion of stock in the compensation of the CEO and other C-level executives. Additionally, to realize an "offensive governance approach," we believe that it would be effective to introduce nonfinancial KPIs, such as those related to sustainability, and extend equity-based compensation to outside directors as well.

Khan: Many European companies provide stock compensation to outside directors, with restrictions on transferring the shares for a period following retirement. I believe that a system designed in this manner would be effective in ensuring medium- to long-term management responsibility.

Independence, tenure, and ensuring diversity

Khan: What is your view on the tenure of outside directors? Many investors believe that ensuring independence becomes difficult once their tenure exceeds approximately 10–12 years, as they may become too close to management.

Yoshida: I do not believe that the length of tenure in itself compromises independence. During the last year's presidential transition, the Nomination and Remuneration Advisory Committee led the process, providing impartial recommendations to the Board of Directors. While maintaining a trusting relationship with the management team, we remain vigilant and always act in the best interests of minority shareholders.

Khan: I believe that diversity among Board members is essential to realize long-term visions. How do you consider the current composition, and what is your vision of the ideal state?

Kitamoto: To further enhance diversity among Board members, we believe that appointing directors and senior managers with advanced expertise in DX and finance is important. In particular, competition for talent in the DX field is intensifying. Given this, it is vital not only to recruit externally but also to establish a system for developing individuals internally according to planned schedules and promoting them from within.

Yoshida: Currently, our outside directors have backgrounds in auditing, manufacturing, finance, and general trading. We also have one female director. Drawing on their expertise, they engage in animated discussions. Therefore, we acknowledge that a certain level of diversity is ensured. We need to further strengthen executive expertise in DX and other specialized domains.

Hayashi: As an engineer myself, I would like to see deeper discussions on technology. Moving forward, I believe the Board should include individuals with both technological expertise and management perspectives.

Khan: I can see that you all exchange candid opinions from your respective perspectives. I found this dialogue very meaningful for both sides, helping me to deepen my understanding of the HDS Group. It is my sincere hope that this discourse will serve as an opportunity to further promote proactive management by the Board of Directors.



Corporate Governance

Basic views

The fundamental policy of Harmonic Drive Systems Inc. (hereinafter “the Company”) for corporate governance is based upon ensuring sound and transparent corporate management and achieving swift and effective decision-making, with the aim of meeting the expectations of our stakeholders, achieving sustainable growth, and enhancing our corporate value over the long term. We do so through the implementation of our Management Philosophy, which consist of four pillars: Respect for the Individual, A Meaningful Company, Coexistence and Co-prosperity, and Contribution to Society.

Reasons for selecting a company form with a Board of Corporate Auditors

The Company’s governance structure is based fundamentally on an institutional system in which it has a Board of Corporate Auditors in place, as stipulated in the Companies Act. Since the Company believes that its current governance system is functioning effectively, it has determined that it is appropriate to continuously enhance the corporate governance structure based on the current setup of the company with a Board of Corporate Auditors. The Board of Corporate Auditors after the Ordinary General Meeting of Shareholders held on June

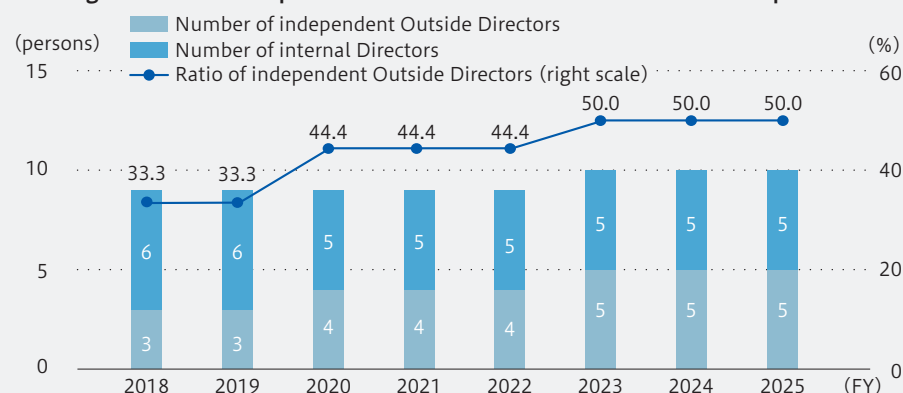
21, 2024 comprises a total of four members, two full-time and two parttime, out of which two are Outside Corporate Auditors. The four Corporate Auditors have established a system that enables them to regularly audit the status of business execution. They actively participate not only in the Board of Directors meetings but also in other important meetings related to business execution. In addition, they conduct annual interviews with the Representative Directors, share information with Outside Directors, and exchange opinions with executive Directors, Executive Officers, division heads, and the presidents of domestic and overseas subsidiaries.

Track record of corporate governance enhancement

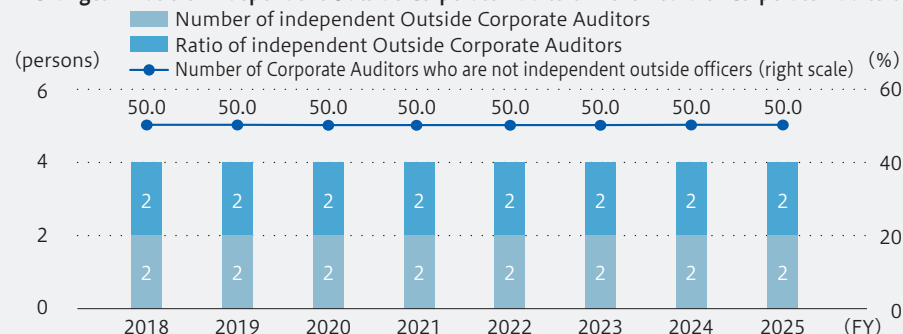
| | |
|--------|--|
| FY2001 | <ul style="list-style-type: none"> Number of outside corporate auditors increased (from 2 to 3) |
| FY2003 | <ul style="list-style-type: none"> Executive officer system adopted Outside directors appointed (2 directors) Board of Directors Advisory Committee established |
| FY2004 | <ul style="list-style-type: none"> Number of outside directors increased (from 2 to 3) |
| FY2005 | <ul style="list-style-type: none"> Functions of Board Chairperson and President-cum-Representative Director separated |
| FY2006 | <ul style="list-style-type: none"> Basic policy for internal control system formulated |
| FY2011 | <ul style="list-style-type: none"> Internal Control and Auditing Office established |
| FY2013 | <ul style="list-style-type: none"> Number of outside directors increased (from 3 to 4) |
| FY2019 | <ul style="list-style-type: none"> Whistleblower system established |
| FY2022 | <ul style="list-style-type: none"> Executive retirement allowance system abolished Stock compensation system with transfer restrictions introduced |
| FY2023 | <ul style="list-style-type: none"> Sustainability Committee established Number of Outside Directors increased (from 4 to 5) Female Director appointed Nomination and Remuneration Advisory Committee (voluntary) established |

Changes in ratio of independent outside officers in the Board of Directors and Board of Corporate Auditors (As of June 20, 2025)

Changes in ratio of independent Outside Directors to Board membership



Changes in ratio of independent Outside Corporate Auditors in the Board of Corporate Auditors



Corporate Governance

■ **Composition of the Board of Directors** (As of June 20, 2025)

Thirteen (13) males and one (1) female (ratio of female directors and corporate auditors is 7.1%)

| Name | Position | Attendance at Board of Directors Meetings (FY2024) | Time of Appointment as Director | No. of Shares Held | Expected Insight, Experience, Capability, Expertise, etc. | | | | | | | |
|--------------------------|--|--|---------------------------------|--------------------|---|-------------------|------------------|---------------------------|-----------------|--|--|----------------|
| | | | | | Corporate Management/ Management Strategy | Overseas Business | Sales/ Marketing | Manufacturing/ Production | Technology/ R&D | Financial Strategy/ Capital Policy/ Accounting | Information and Communication Technology (ICT, DX) | Sustainability |
| Akira Nagai | Chairperson of the Board of Directors | 20/20 | June 2013 | 60,537 | ● | ● | ● | | | ● | ● | |
| Akira Maruyama | President, Representative Director | 20/20 | June 2016 | 13,697 | ● | | ● | ● | ● | | ● | |
| Kazutoshi Kamijoh | Representative Director | 20/20 | June 2020 | 17,235 | ● | | ● | | | ● | | |
| Yoshihiro Tanioka | Director | 20/20 | June 2021 | 7,982 | ● | ● | ● | ● | ● | | | |
| Naomi Shirasawa | Director | 15/15 | June 2024 | 9,379 | ● | ● | ● | ● | ● | | | |
| Haruhiko Yoshida | Outside Director (Independent Officer) | 20/20 | June 2023 | 24,452 | ● | ● | ● | | | | | |
| Masanobu Nakamura | Outside Director (Independent Officer) | 20/20 | June 2013 | 13,616 | ● | ● | ● | | | ● | | |
| Yoshio Fukuda | Outside Director (Independent Officer) | 20/20 | June 2020 | 1,544 | ● | ● | ● | ● | | ● | | |
| Kazuhiko Hayashi | Outside Director (Independent Officer) | 20/20 | June 2022 | 580 | ● | ● | | | ● | | | |
| Kaeko Kitamoto | Outside Director (Independent Officer) | 19/20 | July 2023 | 0 | ● | | | | | ● | | ● |

* Naomi Shirasawa was newly elected and assumed office at the Annual General Meeting of Shareholders for FY2023 held on June 21, 2024. Accordingly, his attendance is reported only for Board of Directors meetings held on or after that date.

Corporate Governance

Reasons for selecting skill areas of the Skills Matrix

| Skill areas | Reason for selection |
|---|---|
| Corporate management/ Management strategy | A director needs management experience and track record at various companies including a manufacturing company as well as abundant knowledge to deliver technological innovation for a better society under the Group's mission of "contributing to technological innovation in society through motion control technology", in addition to achieving a sustainable society and enhancing corporate value. |
| Overseas business | A director needs abundant knowledge and experience in overseas business management and local culture, etc. to promote the growth strategy of the Group which operates business overseas. |
| Sales/ Marketing | A director needs proven knowledge and abundant experience in sales and marketing to identify essential needs of customers, create attractive and satisfactory products, and provide customer-oriented services. |
| Manufacturing/ Production | A director needs proven knowledge and abundant experience in manufacturing and production which is essential to maintain and develop a production system to achieve added-value manufacturing in total motion control, the domain of the Company, and high customer satisfaction. |
| Technology/ R&D | A director needs experience in R&D for speed reducers and mechatronics products, in addition to expertise and experience in the industry, to ensure high product quality as a leading company of precision control market, and develop high added-value products for customers. |
| Financial strategy/ Capital policy/ Accounting | A director needs proven knowledge and abundant experience in finance and accounting to build a solid financial base, promote growth investment and financial strategy to sustainably enhance corporate value and return profits to shareholders. |
| Information and Communication Technology (ICT, DX) | A director needs proven knowledge and experience in information and communication technology to develop information infrastructure including cyber security measures and to promote ICT across the Company utilizing advanced information technologies. |
| Sustainability | A director needs proven knowledge and experience in human capital—including the promotion of diversity, equity, and inclusion—and in initiatives such as the introduction of renewable energy sources to reduce greenhouse gas emissions, in order to promote the maximization of human capital value and contribute to a sustainable society through corporate activities, based on the Basic Policy of Sustainability and material issues (materiality), which were established to realize a sustainable society and enhance corporate value. |

Reason for nomination as candidate for Outside Director and expected role

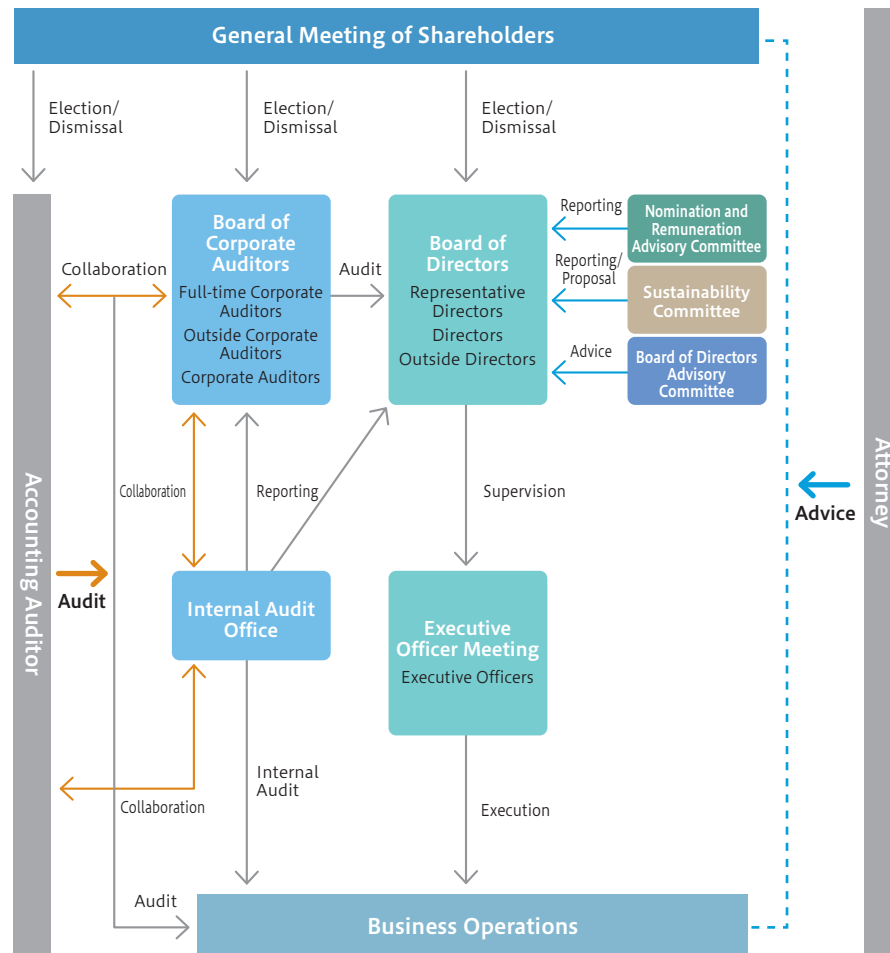
| Name | Reason for appointment |
|--------------------------|---|
| Haruhiko Yoshida | Mr. Haruhiko Yoshida has served in prominent positions at Mitsui & Co., Ltd., and possesses abundant experience and superior insight in regard to corporate management, in addition to extensive international experience. Thus far, he has utilized this ability and experience to appropriately advise and supervise the management of the Company in general, and can be expected to continue to do so. |
| Masanobu Nakamura | Mr. Masanobu Nakamura has served in prominent positions in major banks and securities companies, and possesses abundant experience and superior insight in regard to corporate management, in addition to extensive international experience. Thus far, he has utilized this ability and experience to appropriately advise and supervise the management of the Company in general, and can be expected to continue to do so. |
| Yoshio Fukuda | Mr. Yoshio Fukuda has served in prominent positions at Teijin Limited and the Teijin Group, and has also served as an Outside Director of Toyo Construction Co., Ltd. He possesses abundant experience and superior insight in corporate management, in addition to extensive international experience. He also has a high level of knowledge in strategic planning, establishment of joint ventures, and M&A. Based on the above, the Company has judged that he has been appropriately advising and supervising the overall management of the Group, which is expanding its business internationally, from an independent standpoint, and can be expected to continue to do so. |
| Kazuhiro Hayashi | Mr. Kazuhiro Hayashi has engaged in the development and engineering of power train and electric drive control system, etc. at the Toyota Group, and demonstrated leadership as manager. He has served in prominent positions at the Sumitomo Electric Industries Group, and possesses abundant experience and superior insight in regard to corporate management. In addition, he has top-class expertise on the development and engineering of such products, and served as a visiting professor at a graduate school which was established to invent new technology based on advanced technology and creating new business, where he lectured on energy and control-related fields in the automotive industry. Based on this experience and capability, the Company judges that he can advise and supervise the management of the Company in general, and can be expected to continue to do so. |
| Kaeko Kitamoto | Ms. Kaeko Kitamoto has abundant experience and superior insight into financial accounting, having been involved in accounting audits of various listed companies as a certified public accountant at a major audit corporation and having served as a Partner and Executive Board Member of the same corporation. In addition, based on her experience serving as a member of the Electricity and Gas Market Surveillance Commission of the Ministry of Economy, Trade and Industry, she possesses knowledge of introducing renewable energy sources to reduce CO ₂ emissions. Based on this experience and capability, the Company judges that she can appropriately advise and supervise the management of the Company in general and its sustainability initiatives, including climate change and diversity, equity, and inclusion. |

Main agenda items of Board of Directors meetings in FY2024

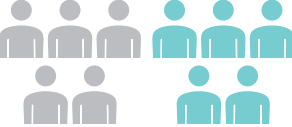

- Reports and deliberations on progress of Medium-Term Management Plan/single-year plan, and status of business execution
- Deliberations on annual management plan and budget, R&D investment, etc.
- Reports and deliberations on internal audit, whistleblower system, effectiveness of business activities, and operational status of other internal control systems
- Business execution framework and revamp of organizational mechanisms
- Evaluation of Board of Directors' effectiveness (analysis based on questionnaire survey conducted among all Directors and Corporate Auditors)
- Acquisition of treasury shares and financing
- Promotion of sustainability-related activities

Corporate Governance

• Corporate Governance System



• Roles and Compositions of Supervisory Institutions (As of June 20, 2025)

| Institutions | Board of Directors | Board of Corporate Auditors |
|------------------------------------|--|--|
| Composition |  <p>Independent Officer 5 Chair: Chairperson of the Board of Directors</p> |  <p>Independent Officer 2 Chair: Full-time Outside Corporate Auditor</p> |
| Percentage of Independent Officers | 50% | 50% |
| Purpose/ Authority | <ul style="list-style-type: none"> • Resolutions on basic management policies, etc. • Supervision of the execution of duties by Executive Officers | <ul style="list-style-type: none"> • Audit of the execution of duties by Directors • Preparation of audit reports • Determination of the content of proposals concerning the selection and dismissal of Accounting Auditors, etc. |
| Number of meetings held in FY2024 | 20 | 17 |
| Secretariat | Corporate Planning & Investor Relations | Corporate Auditors' Office |

Corporate Governance

■ Analysis and evaluation of directors' effectiveness

We annually evaluate whether the Board of Directors is appropriately fulfilling its decision-making and supervisory functions to enhance corporate value and achieve sustainable growth. Through this process, we aim to further strengthen management soundness and transparency, accelerate decision-making, improve managerial efficiency, and reinforce corporate governance.

Evaluation process

We followed the process below to evaluate the effectiveness of the Board of Directors for fiscal 2024.

- (1) Conducted a questionnaire survey for all directors and corporate auditors covering matters deemed important for the Board of Directors to effectively fulfill its roles and responsibilities. These matters include the Board's composition, operation, and agenda, as well as systems supporting the Board and sustainability issues.
- (2) Reported and discussed the survey results at the Board of Directors meetings.

Overview of evaluation results for FY2024

Based on the results of this evaluation, we confirmed the effectiveness of the Board of Directors as follows:

- (1) Regarding the Board's composition, operational status, agenda deliberations, and support systems, more than 90% of responses indicated "appropriate" or "generally appropriate," confirming that overall effectiveness is maintained.
- (2) Regarding the medium- to long-term, future-oriented business strategy and the development of human resources to support it, we recognized that further discussion is necessary.

Initiatives for FY2025

Based on the evaluation results, we will pursue the following initiatives in fiscal 2025:

- (1) Set discussion themes and hold free discussions
- (2) Conduct training sessions on related themes

■ Status of activities of Board of Corporate Auditors in FY2024

HDSI is a company with a Board of Corporate Auditors. The Company's audit for fiscal 2024 was conducted as follows by a total of four members of the Board of Corporate Auditors (including three Outside Auditors), consisting of two full-time auditors and two part-time auditors.

- After the Ordinary General Meeting of Shareholders held on June 21, 2024, the Board of Corporate Auditors determined audit policies, plans, and work assignments, and each Board member audited the execution of duties by Directors, Executive Officers and others in accordance with the "Board of Corporate Auditors Regulations," "Board of Corporate Auditors Auditing Standards" and "Implementation Standards for Internal Control System."
- Audited the execution of duties by Directors through attendance at important meetings, including Board of Directors meetings, Executive Officer Meeting sessions, Business Process Innovation Meeting sessions, Development Promotion Meeting sessions, Affiliated Company Meeting sessions, and the President's Audit
- Met with Representative Directors, shared information with Outside Directors, exchanged opinions with executive Directors, Executive Officers, division heads, office managers, divisional sales managers, and the presidents of domestic and overseas subsidiaries
- Inspected important documents, including authorization requests and credit application forms
- Planned and held Group corporate auditor liaison meetings with auditors from affiliated companies to share information among Group companies and took the lead in improving knowledge related to auditing duties

Priority audit items in FY2024

- Management environment and progress of plans, including the status of the current Medium-Term Management Plan in its initial year, the new Board structure, and responses to new projects
- Status of building and strengthening collaborative frameworks with subsidiaries important to overseas strategies
- Status of establishing and operating internal control systems at group subsidiaries
- Status of information security measures
- Status of initiatives related to group risk management
- Policies, strategies, promotion framework, and progress related to sustainability

The status of Board of Corporate Auditors meetings is as follows.

The Board of Corporate Auditors holds regular meetings on the same day in principle as the Board of Directors' meetings and convenes extraordinary meetings as necessary. The Board of Corporate Auditors held a total of 17 meetings in FY2024.

| Name | Full-time/ Part-time | Independent | Attendance record | Attendance rate |
|----------------------|-------------------------|-------------|----------------------|--------------------|
| Yoshitsugu Yokogoshi | Full-time | ○ | 17/17 | 100% |
| Hidefumi Iguchi | Full-time | — | 17/17 | 100% |
| Shigeto Ohashi | Part-time | — | 4/4 | 100% |
| Eisaku Imazato | Part-time | ○ | 17/17 | 100% |
| Nobuyuki Higashi | Part-time | — | 13/13 | 100% |

*1 Mr. Shigeto Ohashi retired upon the conclusion of the FY2023 General Meeting of Shareholders held on June 21, 2024. Therefore, his record reflects his attendance of the Board of Corporate Auditors meetings held up to that date.

*2 Mr. Nobuyuki Higashi was newly elected and assumed office at the FY2023 General Meeting of Shareholders held on June 21, 2024. Therefore, his record reflects his attendance of the Board of Corporate Auditors meetings held on or after that date.

Cooperation with internal audit section

The Internal Audit Office is responsible for conducting internal audits. It reports directly to the President & CEO and consists of one General Manager and one audit staff member. The office conducted audits of the Company and its Group companies. The office conducted internal audits based on an annual audit schedule, assessing the status of business processes and internal controls. It also provided suggestions and recommendations as necessary, and regularly reported the status and results of audits to the President & CEO, the Board of Directors, and the Board of Corporate Auditors. The Internal Audit Office also shared audit plans and risk-related information with the Accounting Auditor. In addition, it worked closely with the Corporate Planning Division, which is responsible for group management, and other management sections to ensure consistency between audit activities and internal controls.

■ Policy for determining executive compensation and its calculation method

Compensation for executive directors consists of a fixed remuneration of basic compensation in cash and equity-based compensation in the form of shares with transfer restrictions, and variable remuneration such as bonuses linked to the annual performance. Such executive compensation takes into account Directors' responsibilities for enhancing the medium to long-term corporate value of the HDS Group and for improving its performance in each business year. The compensation for Outside Directors consists of basic compensation in cash and bonuses.

Indicators determining performance-linked compensation

The Directors' performance-linked compensation is determined by a comprehensive consideration of the earnings performance of each business year (based on a standard of 4% of non-consolidated net profit in principle) and the achievement status of the relevant year's management plan, in order to enhance the awareness of performance improvement on an annual basis. After this process of determination, the proposed compensation is consulted with the Nomination and Remuneration Advisory Committee, which gives recommendations, and is resolved by the Board of Directors as a matter to be submitted to the shareholders' general meeting before being finalized at a shareholders' general meeting. The reason for using non-consolidated net profit as a metric for determining executive bonuses is based on the belief that it is desirable to align executive bonuses with earnings performance. In addition, it is a clear indicator and it highly correlates with earnings per share, among other factors.

Proportion by type of compensation

Remuneration for executive Directors consists of fixed compensation (basic compensation in cash and equity-based compensation in the form of shares with transfer restrictions) and variable compensation (performance-linked bonuses). Since non-consolidated net profit, which serves as the funding source for bonuses, varies depending on business performance, the proportion of each type of compensation is not determined in advance, but retrospectively, based on the amount of bonus determined by the performance linked key indicators for each business year.

Method for determining compensation amount for individual Directors

Decision-making authority on compensation for individual executive Directors is delegated to the President, Representative Director, taking into account factors such as if a Director has the authority to represent the company, position, responsibilities, and contribution. In determining the compensation amount, however, the President, Representative Director consults with other Representative Directors and two Outside Directors selected by the Board of Directors regarding a draft remuneration amount prepared in advance for each Director, and decides after considering recommendations from these officers. Regarding the responsibilities, execution of duties, and contribution of executive Directors, decision-making authority based on a comprehensive perspective is delegated to the President, Representative Director, after undergoing the aforementioned consultation and recommendation process since the President, Representative Director, has the most comprehensive understanding of these matters.

Compensation for individual Outside Directors is determined after consideration and evaluation of factors such as the responsibilities of each Outside Director, the status of Board meeting attendance, and the contents of statements and proposals at various meetings. The President, Representative Director makes decisions from a comprehensive perspective after discussions with each Outside Director.

The compensation for each Director and other matters for the fiscal year ending March 31, 2025 and onwards will be decided by the President, Representative Director after going through the process of consultation and recommendation from the Nomination and Remuneration Advisory Committee (established on March 25, 2024) and a resolution by the Board of Directors.

Compensation for Corporate Auditors

Compensation for Corporate Auditors consists solely of fixed basic remuneration in cash.

Details of executive compensation (FY2024 results)

Details of executive compensation are provided in the "Executive Compensation" section of the Securities Report.

[Website] Securities Report
for the fiscal year ending
March 31, 2025



■ Nomination and Remuneration Advisory Committee (voluntary)

As of March 25, 2024, HDSI established a Nomination and Remuneration Advisory Committee (voluntary) on the same date. According to its regulations, the Nomination and Remuneration Advisory Committee is required to have a majority of Outside Directors among its members. Currently, three Directors (Outside Director, Haruhiko Yoshida; Outside Director, Masanobu Nakamura; and President, Representative Director, Akira Maruyama) serve as members. The Committee is chaired by Outside Director, Haruhiko Yoshida.

As an advisory body to the Board of Directors, the Nomination and Remuneration Advisory Committee considers and deliberates Director candidates, candidates for Directors with titles, compensation plans for Directors, and other matters, and decides the recommendations for the Board of Directors.

Status of activities in FY2024

| Name | Independent | Attendance record | Attendance rate |
|-------------------|-------------|-------------------|-----------------|
| Haruhiko Yoshida | ○ | 7/7 | 100% |
| Masanobu Nakamura | ○ | 7/7 | 100% |
| Akira Nagai | — | 4/4 | 100% |
| Akira Maruyama | — | 3/3 | 100% |

*1: The attendance record for Akira Nagai is reported up to his resignation on June 21, 2024.

*2: The attendance record for Akira Maruyama is reported from his appointment on June 21, 2024 onward.

Directors and Executives



Directors



He joined Mitsui & Co., Ltd. in 1972, achieving notable results in business operations at overseas locations. He joined the Company in 2002, where he led and promoted sales and marketing, corporate planning, IT, and investor relations. He was appointed President and Representative Director in 2013, demonstrating strong leadership in strengthening the Group's management foundation and enhancing corporate value. Since 2024, as Chairperson of Board of Directors, he has focused on reinforcing the Group's governance, enhancing the effectiveness of the Board of Directors and overseeing group management.

Skills



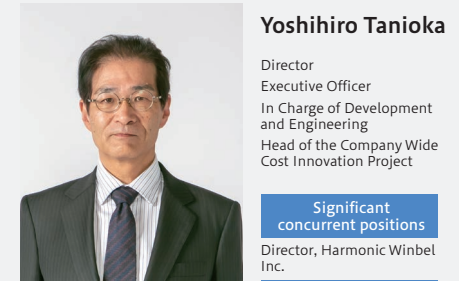
He joined the Company in 1985 and made significant contributions to the development, sales, design, and engineering of speed reducers. He was appointed Director in 2016 and served as the head of development, corporate planning, IR, and ICT. He became Representative Director in 2022, and President and Representative Director in 2024. Since then, he has demonstrated leadership by launching initiatives such as the Company Wide Cost Innovation Project to achieve the Medium-Term Management Plan for fiscal 2024-2026, centered on the theme "Take on the Challenge of Value Creation and Transformation."

Skills



He joined the Company in 1992. After gaining practical experience in the sales section, he achieved strong results in management planning, capital policy, and corporate actions as the head of finance and corporate planning. He built the IR framework from the ground up and actively promoted dialogue with shareholders and investors. He was appointed Director in 2020 and Representative Director in 2024. As CFO, he has demonstrated leadership in strengthening the Group's financial foundation and IR. He has substantial expertise in finance and accounting.

Skills



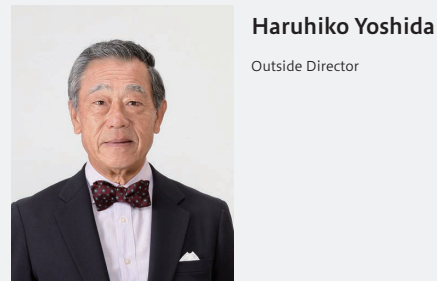
He joined the Company in 1982 and demonstrated strong capabilities in managing the mechatronics product business. He served as the head of the Sales Strategy and Overseas Business Divisions. As President of Harmonic AD, Inc., he also delivered strong results in the precision planetary speed reducer business. He was appointed Director of the Company in 2021. He led and strengthened development and engineering while also exercising leadership as the officer in charge of the Company Wide Cost Innovation Project.

Skills



He joined the Company in 1983 and achieved strong results in production technology, development, marketing, and sales. He played a key role in the launch of Harmonic AD, Inc. and led the precision planetary speed reducer business as its Representative Director and President. He also contributed to expanding sales in the Chinese market as a Director of Harmonic Drive Systems (Shanghai) Co., Ltd. He was appointed Director of the Company in 2024 and is demonstrating leadership as the head of marketing and sales.

Skills



He joined Mitsui & Co., Ltd. in 1966 and was appointed Director in 1998 and Representative Director in 2001. He has extensive international business experience as well as insight and expertise in corporate management. He was appointed Outside Director of the Company in 2003 and has contributed to group governance through recommendations and oversight based on his deep insight and experience in corporate management. In 2024, as the inaugural Chair of the Company's voluntary Nomination and Remuneration Advisory Committee, he demonstrated leadership in deliberations on director appointments and dismissals, compensation, and succession planning, thereby contributing to governance.

Skills



He joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.) in 1970 and was appointed Representative Director in 2004. He subsequently held key positions at major foreign securities firms and other organizations. He has extensive international business experience as well as insight and expertise in corporate management. He became a member of the Company's Board of Directors Advisory Committee in 2007 and was appointed Outside Director of the Company in 2013, contributing to group governance through recommendations and oversight based on his deep insight and experience. Since 2024, he has also served as a member of the Company's voluntary Nomination and Remuneration Advisory Committee.

Skills



He joined Teijin Limited in 1976 and was appointed Director in 2010. He was appointed Outside Director of Toyo Construction Co., Ltd. in 2016. He has international business experience as well as insight and expertise in corporate management, with particular strengths in strategic planning, joint venture formation, and M&A. He was appointed Outside Corporate Auditor of the Company in 2017 and Outside Director in 2020. He contributes to group governance through recommendations and oversight based on his deep insight and experience.

Skills



Directors and Executives

**Kazuhiko Hayashi**

Outside Director

He joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation) in 1978 and served as the head of development and engineering for power trains, electric drive control system, and related areas. He subsequently held key positions within the Sumitomo Electric Group. He has outstanding expertise and know-how in development and engineering. He was appointed Outside Director of the Company in 2022 and contributes to group governance through recommendations and oversight based on his deep insight and experience.

Skills

**Kaeko Kitamoto**

Outside Director

Significant concurrent positions

Audit & Supervisory Board Member (External),
DAIKIN INDUSTRIES, LTD.
Independent Director,
EBARA CORPORATION

She joined Sapporo Breweries Limited in 1988. In 1993, she joined Ota Showa Audit Corporation (currently Ernst & Young ShinNihon LLC), where she served as Partner and Executive Board Member. She has substantial expertise in finance and accounting. She has also served as a member of the Electricity and Gas Market Surveillance Commission of the Ministry of Economy, Trade and Industry in 2018, and has expertise in CO₂ reduction and renewable energy adoption. She was appointed Outside Director of the Company in 2023 and contributes to group governance through recommendations and oversight based on her deep insight and experience.

Skills



Corporate Auditors

**Yoshitsugu Yokogoshi**

Full-time Outside Corporate Auditor

He joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.) in 1977 and held key positions at the bank. In 2009, he became Executive Vice President of Mitsubishi UFJ Asset Management Co., Ltd. (currently Mitsubishi UFJ Asset Management Co., Ltd.). He gained substantial management experience and deep insight into corporate management through his career at a major banking group. He was appointed full-time Audit & Supervisory Board Member of Cosmo Oil Co., Ltd. in 2017, where he accumulated experience as an auditor and developed substantial expertise in finance and accounting. He was appointed full-time Outside Corporate Auditor of the Company in 2020 and contributes to group governance through neutral and objective auditing.

**Hidefumi Iguchi**

Full-time Corporate Auditor

He joined the Company in 1983 and achieved strong results as the head of quality, environment, internal control, and audit. He was appointed Executive Officer of the Company in 2014. As Manager of Environment, he promoted corporate governance, strengthened human capital, and advanced climate change initiatives. He was appointed full-time Corporate Auditor of the Company in 2022 and contributes to strengthening the audit function and enhancing group governance by drawing on the experience and expertise he has accumulated to date.

**Eisaku Imazato**

Outside Corporate Auditor

He joined The Nikko Securities Co., Ltd. (currently SMBC Nikko Securities Inc.) in 1979 and became its Director in 2004. He was appointed Managing Executive Officer of Mitsubishi UFJ Securities Co., Ltd. in 2009. In 2016, he was appointed Outside Director and Chairperson of the Board of Directors of Marusan Securities Co., Ltd. He gained extensive management experience and insight through holding key positions at major securities companies. He was appointed Outside Corporate Auditor of the Company in 2020 and contributes to group governance through neutral and objective auditing.

**Nobuyuki Higashi**

Corporate Auditor

Significant concurrent position

Senior Executive Managing Director, INCJ, Ltd.

He joined Nomura Research Institute, Ltd. in 1987. In 2012, he joined Innovation Network Corporation of Japan (INCJ, currently Japan Investment Corporation) as Managing Director, where he also served as an outside officer for multiple companies within its investment portfolio. He also served as Outside Corporate Auditor of the Company's German affiliate, for which the Company and INCJ jointly acquired additional shares in 2017. He was appointed Corporate Auditor of the Company in 2024. He has substantial expertise in finance and accounting and contributes to group governance through audits based on his extensive corporate management experience.

Executive Officers

Akira Nagai

Executive Chairperson, Group Management

Akira Maruyama

Executive President, Chief Executive Officer

Kazutoshi Kamijoh

Senior Managing Executive Officer, General Manager of Finance Accounting, Finance and Tax Division

Minoru Asano

Managing Executive Officer, General Manager of Supply Chain Division

Tetsuo Ikuta

Executive Officer, In Charge of Public Relations

Yoshihide Kiyosawa

Executive Fellow Officer (Chief Technical Officer), In Charge of Engineering and Quality, General Manager of Quality Assurance Division

Yoshihiro Tanioka

Executive Officer, General Manager of Development and Engineering Division

Michiya Yashiro

Executive Officer, General Manager of Risk Management Division

Naomi Shirasawa

Executive Officer, In Charge of Marketing and Sales, General Manager of Domestic Sales Division

Makiko Ono

Executive Officer, Head of Sustainability, Corporate Planning, and Investor Relations

Tsuyoshi Awaduhara

Executive Officer, In Charge of Production, Production Planning, General Manager of First Production Division

Hiroki Hanaoka

Executive Officer, General Manager of Production Technology Division

Osamu Asakura

Executive Officer, General Manager of Administration and Human Resource Division and Manager of Environment

Shizuka Yata

Executive Officer, Chief of Harmonic Drive Laboratory

Tetsuya Shiokawa

Executive Officer, General Manager of Corporate Planning Division, In Charge of Business Development.

Message from Officer in Charge of Public Relations



Executive Officer
Head of Public Relations
Tetsuo Ikuta

Exhibition at Future Creation Robot Week
at the Osaka-Kansai Expo
(July 13–19, 2025)



We will widely disseminate our Group's business model to society and establish a trusted brand as a provider of optimal technological solutions.

■ Building trust and co-creating value with stakeholders

Our Group views public relations as a touchpoint for building trust with society and as a crucial management function for maximizing corporate value. In particular, co-creating value with stakeholders in advanced industries is a driving force that sustains our Group's growth.

The foundation of our business is our dedication to technological innovation in constantly evolving industrial domains. Our competitive advantage relies on the demand for our Group's high-precision and high-performance mechanical components from customers designing and developing state-of-the-art robots and mechanical equipment, given that their market is inherently in growing industries attracting global attention. Public relations widely disseminates this business model to society and aims to establish a trusted brand as a corporate group that provides optimal technological solutions.

■ Promoting internal communication to support management philosophy

Our Group is on a mission "to contribute to innovation in society by our motion control technology." To support this mission, we have established a management philosophy with four pillars: "Respect for the Individual," "A Meaningful Company," "Coexistence and Co-prosperity," and "Contribution to Society." In particular, the fact that we place "respect for the individual" at the forefront of our management philosophy distinguishes our corporate culture. To generate awareness of the management philosophy, mission, long-term vision, and material issues among individual employees and integrate them into the organizational culture, it is essential to enhance both the quality and quantity of communication. In *HD.Times*, our internal newspaper, we promote such efforts through the following specific measures.

- Share the philosophy and vision through the internal newspaper
- Strengthen digital communication
- Foster a sense of unity across the globe/group

■ Build sustainable corporate value by contributing to communities and future generations

■ Contributing to communities

Five of our Group's domestic factories and many of our suppliers are located in Azumino City, Nagano Prefecture, and surrounding areas. Many of our stakeholders, including our employees, their families, and business partners, live in this region, where locals support our Group's business. Through our deep connections with these communities, we promote a wide range of activities, including promoting local cultures, socializing, and revitalizing communities through sports events.

- Promoting cultural activities: Harmonic concerts
Harmonic lectures
- Participating in sports events: Shinshu Azumino Half Marathon















■ Contributing to future generations

As a corporate group supporting technological innovation, our Group understands that remaining one and only in the motion control field is a crucial responsibility for contributing to future generations.

We aim to precisely meet constantly changing customer needs, thrive during the intensifying market competition, and remain a socially essential corporate group. As public relations, we will continue to strategically and clearly communicate our management philosophy and how we practice it to domestic and international parties and build a sustainable relationship with future generations.

Stakeholder Engagement

The HDS Group aims to enhance corporate value as well as enriching the lives of people worldwide and bringing a sustainable society into reality by "contributing to technological innovation in society through motion control technology". To achieve this, we are endeavoring to build trusting relationships with all stakeholders, including employees, shareholders/investors, customers, suppliers, local communities, and future generations, through continuous dialogue and co-creation with them.

| Stakeholders | Basic Policy | Key concerns of stakeholders | Main dialogue channels | Related SDGs |
|----------------------------|--|--|--|---|
| Employees | We aim to be a company where the rights of each and every employee are respected, and where individuals can pursue a meaningful and fulfilling cultural life. For that purpose, we strive to be a company that rewards capabilities and performance by supporting the autonomous activities of each individual and creating an environment where individuals can fully utilize their abilities through work. | <ul style="list-style-type: none"> ● Respect for human rights in labor ● Safe production site environment ● Opportunities for growth and self-realization ● Environmental protection of the earth, respect for culture and customs of society ● Ensuring diversity and choice in work style | <ul style="list-style-type: none"> ● Job rotation ● Self-declaration system for career paths, etc. ● Regular personnel appraisals and meetings with superiors ● Internal recruitment system ● Varied skill development training ● Whistleblower system |     |
| Shareholders/ investors | We disclose information in accordance with the Financial Instruments and Exchange Act and the "Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities" established by the Tokyo Stock Exchange. Furthermore, it is our policy to proactively and fairly disclose various corporate information considered useful for understanding the Company, including mechanisms of corporate value creation and efforts for enhancing corporate value. | <ul style="list-style-type: none"> ● Initiatives for enhancing corporate value (strengthening shareholder returns) ● Capital policy taking account of capital efficiency ● Earning shareholder returns that exceed capital cost ● Enhancing sustainability-related efforts and disclosure ● Enhancing effectiveness of governance | <ul style="list-style-type: none"> ● Financial results briefing attended by president-cum-representative director (twice a year) ● Small meetings for overseas institutional investors (FY2024: 14 meetings attended by 373 persons, FY2023: 10 meetings attended by 293 persons) ● Individual meetings with domestic and overseas institutional investors (Domestic: FY2024: 150 investors, FY2023: 106 investors) (Overseas: FY2024: 127 investors, FY2023: 89 investors) ● Company briefing sessions for individual investors |  |
| Customers | The HDS Group consistently adheres to management that places "ceaseless research and development activities" and "a constant emphasis on quality" at its foundation, aiming to create attractive products that satisfy our customers and provide services from the perspective of our customers. | <ul style="list-style-type: none"> ● Stable supply of high-quality products ● Meeting delivery deadlines ● Maintaining and improving product quality ● Provision of products that reduce environmental impact ● Responsible supply chain | <ul style="list-style-type: none"> ● Provision of products and services that satisfy customers ● Continuous communication with customers ● Establishment of Customer Satisfaction (CS) Dept. to accommodate various specification requirements ● Global technology exchanges among industry, government and academia through international symposiums ● Product exhibitions such as the International Robot Exhibition |    |
| Suppliers | We established a Sustainable Procurement Policy in September 2022. We aim for mutual prosperity with all suppliers, who are valued partners, taking into account such matters as fair and equitable transactions, compliance with laws and social norms, respect for human rights and consideration for labor conditions, and consideration for the global environment throughout the entire supply chain. | <ul style="list-style-type: none"> ● Fair, equitable and transparent terms of trading ● Continuous and stable transactions ● Procurement activities friendly to society and the global environment ● Co-creation of sustainability | <ul style="list-style-type: none"> ● Daily procurement activities ● Audits of product quality ● On-site audit on sustainable procurement and response to SAQ ● Confirmation of agreement to the Sustainable Procurement Guidelines ● Environmental impact assessments of potentially hazardous substances and submission of documents on green procurement standards |   |
| Local communities | Toward achieving "Coexistence and Co-prosperity and "Contribution to Society," as stated in our Management Philosophy, we aim to contribute directly and indirectly to society and industry broadly through our business activities as a good member of society, striving to be a company that helps improve the environment and quality of life in our local communities. | <ul style="list-style-type: none"> ● Prosperity of local communities ● Coexistence and Co-prosperity with local communities ● Job creation in local communities and their development | <ul style="list-style-type: none"> ● Sponsorship of Harmonic Concerts ● Sponsorship of Harmonic Lectures ● Cleanup activities in local communities ● Support for Shinshu Azumino Half-Marathon ● Donations and support activities |    |
| Future generations | We teach the mechanisms of our group's products, how they are used in robotics, the joy of manufacturing, value creation, and social contribution to younger generations who shoulder the future, ranging from elementary school to university students, through various events and lessons given at school as an outreach program. | <ul style="list-style-type: none"> ● Joy and importance of manufacturing ● Role of mechanical design ● Mechanisms of robots and how they are used ● Value created by our group's products | <ul style="list-style-type: none"> ● Painting competition for elementary schoolchildren ● Lectures on science ● Lessons given at school as outreach program |  |