

I Interview with Officer in Charge of Sustainability



Executive Officer
Head of Sustainability, Corporate Planning
and Investor Relations

Makiko Ono

Formulating the Medium-Term Management Plan for fiscal years 2024-2026 through discussions to connect materiality with our management strategy marked a huge step for the HDS Group's sustainability efforts.

Q. The HDS Group has revised its long-term vision and material issues (materiality). Tell us the purpose of the revisions and discussion process.

In order to link the Medium-Term Management Plan that started in fiscal 2024 with our sustainability strategy, we revamped our long-term vision for our ideal state in 2030 and revised and identified materiality, which we then reflected in the Medium-Term Management Plan for fiscal years 2024-2026. In revising materiality, we emphasized measures that can contribute to achieving a sustainable society by leveraging the HDS Group's strengths, rather than temporary measures that were separate from our business. I think what companies should do when tackling sustainability is make their businesses sustainable. Therefore, I think it is important for the HDS Group's businesses to coincide with the sustainability sought by society. The five material issues (materiality) that the Sustainability Committee identified through discussion were translated into the basic policy of the Medium-Term Management Plan after approval by the Board of Directors, and are being implemented in the form of concrete measures in each department's management programs.

Q. Which of the five material issues (materiality) do you think will have a particularly big impact on future financial information? Tell us about how they are linked to the management strategy and implemented on the working level.

Every materiality impacts future financial information, but if I were to choose one, it would be "Maximization of the Value of Human Capital." The theme of the Medium-Term Management Plan that started in fiscal 2024 we announced is "Take on the Challenge of Value Creation and Transformation." However, what we are instilling internally is for "Each individual to unleash their brain power and take on the challenge of value creation and transformation." What I mean by "individual" is each employee—our human capital. As I said in the last integrated report, management strategies are executed by the employees who handle day-to-day operations. The other four material issues (materiality) are also implemented by employees—our human capital. In this sense, the five material issues (materiality) are not equal; it may be more correct to say that the other four are based on the "Maximization of the Value of Human Capital." As part of our efforts to achieve "Maximization of the Value of Human Capital" in the current Medium-Term Management Plan, we are building an environment where each person is respected and individual growth and a wide range of "brain power" are demonstrated. It is especially important to create an environment where people can take on challenges without fear of failure and cultivate an outside-the-box organizational culture. We place importance on encouraging employees to take on challenges and evaluating them correctly. In addition, we are moving forward with delegating authority from senior staff to employees, and we provide support so that employees of all levels can take the initiative to build their careers, which I hope will contribute to changing awareness and behavior.

HDS Group Sustainability Governance Structure



Interview with Officer in Charge of Sustainability

Q. What kind of sustainability management is the HDS Group practicing, including outside Japan?

We have shared the Medium-Term Management Plan with companies in the HDS Group outside Japan and they are collaborating on materiality in the current plan. However, we have not started on concrete sustainability initiatives yet. First we need to share the long-term group sustainability strategy for 2030 and 2050 with the group companies outside Japan. Our German subsidiary Harmonic Drive SE is required to comply with Europe's CSRD (Corporate Sustainability Reporting Directive) from 2025. We will define long-term group targets and indicators on materiality and carry out the sustainability strategy as a consolidated group.

Q. The Sustainability Committee was established a year and a half ago. Tell us the accomplishments and challenges of sustainability management, and the policy going forward.

We formulated the Medium-Term Management Plan through discussions to connect the HDS Group's sustainability efforts with the management strategy, focusing on revising and identifying materiality. Formulating the plan marked a huge step for sustainability management. Recently, we have been receiving more requests to disclose information on sustainability, not only from shareholders and investors, but also from major customers.

**Basic Policy of Sustainability**

As a technologies and skills-based organization in pursuit of 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 comprising four pillars: Respect for the Individual, A Meaningful Company, Coexistence and Co-prosperity, and Contribution to Society.

We have also expanded the scope of disclosure to include climate change and human rights activities. The HDS Group is part of a supply chain of global companies and I am keenly aware that going forward sustainability initiatives may impact our competitiveness as a company. For our policy going forward, we will focus efforts on the following three measures. The first is to develop a process to implement the five material issues (materiality) initiatives on the working level and manage the progress of those initiatives. The second is to strengthen collaboration between group companies, including those outside Japan, on setting long-term sustainability targets for 2030 and 2050. The third is to develop a policy on corporate ethics, which includes human rights initiatives in business and the prevention of corruption. We plan to instill these group-wide. We will ensure that the Basic Policy of

Sustainability is consistent with our Management Philosophy and implement it with the aim of enhancing the corporate value of the HDS Group.

Q. What is the HDS Group's sustainability strategy for its supply chain?

The HDS Group has grown by building a sustainable relationship with its suppliers. HarmonicDrive® is used in a wide range of applications requiring compact, lightweight, and high-precision components, such as industrial robotics, semiconductor manufacturing equipment, aerospace, and medical equipment. To meet the demanding needs of such customers, it is essential to have the cooperation of suppliers that continuously pursue advanced technical capabilities and high quality. As sustainability initiatives have progressed worldwide, such initiatives must include not only a company's manufacturing processes, but also their suppliers' processes. In addition, the scope of sustainability initiatives has expanded from mitigating environment impacts to also include taking action for human rights. If we do not work with suppliers, we will not be able to provide society with high-quality products that take into account sustainability expected by society. To respond to the needs of society and customers, we will strengthen initiatives in partnership with suppliers and drive initiatives across the entire HDS Group.

Key Discussions by the Sustainability Committee (FY2023)

Date	Details
June 2023	Text on sustainability in the securities report for the fiscal year ended March 2023 is confirmed and discussed
August 2023	Sustainability Committee formulated plan for future activities
October 2023	Materiality is reexamined (identified candidates)
November 2023	Materiality is reexamined (evaluated importance)
November 2023	Materiality is reexamined (finalized final draft)

Measures to Address Climate Change

Information Disclosure Based on the TCFD Framework

The HDS Group recognizes the impact climate change has on society, and Net Zero by 2050 has been set as a long-term goal that must be addressed as a serious social issue for management.

1. Governance

The HDS Group's governance on climate change is incorporated into the governance for sustainability overall. For details, please refer to "HDS Group Organization Structure for Sustainability and Governance" in "Message From Officer in Charge of Sustainability" on pages 45 to 46, and "Sustainability Promotion System" in our corporate website (following link).

 [HDS website | Sustainability Promotion](#)



2. Strategy

Risks and opportunities related to climate change that could potentially affect the HDS Group's business were identified, then a scenario analysis was conducted to analyze the degree of impact and timeframe for conceivable emergence of each risk and opportunity on a short-, medium-, and long-term timeline. Based on the results of this scenario analysis, we will promote efforts for opportunity creation and risk mitigation. As a countermeasure against the increased risk of heavy rains and flooding projected under the 4°C scenario, we conduct risk assessments for our group's operating sites and major domestic suppliers. At sites identified as having significant flooding damage risk, we have implemented measures such as installing water barriers to reduce the risk. Meanwhile under the 1.5°C scenario, as the entire society increasingly shifts toward low-carbon solutions, we see opportunities for increased demand for our group's products, which are characterized by energy efficiency and resource conservation through their compact and lightweight designs. Recognizing this, we will continue R&D to make our products even smaller, lighter, and long-lasting.

Scenario analysis

Referenced scenarios: IEA NZE2050 (1.5°C scenario), RCP 8.5 (4.0°C scenario) **Timeline definitions:** short-term 0-3 years, medium-term 4-10 years, long-term 11-30 years, Ultra long-term 30 years-

Scenario	Value chain	Risk / opportunity	Relevant business activity	Risk / opportunity factor	Details	Timeframe in which it may emerge	Probability of occurrence	Magnitude of impact
4.0°C	Upstream	Risk	Procurement / Transportation and distribution	Flooding, heavy rains, etc.	Supply chain disruptions due to more intense and frequent natural disasters (typhoons, heavy rains, etc.) cause delays and halt in procurement of raw materials	Short-term	Medium	Medium
		Opportunity	Procurement / Transportation and distribution	Reputation	Gain greater trust from customers with transport and distribution more resilient to natural disasters by diversifying suppliers	Short-term	Low	High
	Direct	Risk	Technology / Production	Water shortage	Changes in precipitation patterns cause a decline in available water. Restricted water withdrawal, etc. cause halt in operations Increase in production costs due to surge in water prices	Medium-to long-term	Low	Medium
		Risk	Technology / Production	Flooding, heavy rains, etc.	Increase in flooding damage at coastal operation sites due to elevation in sea level	Extremely long-term	Low	Low
		Risk	Technology / Production	Flooding, heavy rains, etc.	Damage to operating sites, halt in operations, and lower production amounts occur due to more intense and frequent natural disasters	Short-term	Medium	Medium
		Risk	Technology / Production	Rising temperatures	Labor productivity falls due to rising temperatures	Medium-term	Low	Low
		Risk	Technology / Production	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
	Downstream	Opportunity	Procurement / Transportation and distribution	Reputation	Gain greater trust from customers with transport and distribution more resilient to natural disasters by dispersing manufacturing sites	Short-term	Low	High
1.5°C	Upstream	Risk	Procurement / Transportation and distribution	Surge in energy prices	Surge in energy prices due to introduction of renewable energy	Short-term	Low	Medium
		Risk	Procurement / Transportation and distribution	Surge in raw material prices	Surge in raw material prices for electrification and decarbonization (steel materials, aluminum, steel, rare earth elements, etc.)	Medium-term	Low	High
	Direct	Risk	Technology / Production	Development of low-carbon technology	If the competition to develop low-carbon products intensifies and the response is delayed, the competitiveness of products will be reduced	Medium-term	Low	High
		Risk	Technology / Production	Tightening regulations	Increase in burden to respond to broadening and stricter regulations related to sustainability, and failure to comply resulting in restriction on transactions and penalties	Short-term	Medium	High
		Risk	Technology / Production	Spread of energysaving technology	Increase in burden of capital investment to reduce emissions and of energy-saving measures	Short-term	Medium	High
		Risk	Technology / Production	Tightening regulations	Increase in expenditure with carbon pricing for emissions (tax)	Medium-term	High	High
		Risk	Technology / Production	Development of low-carbon technology	Increase in costs for technology development to switch to low-carbon materials (green materials, recycled materials)	Short-to medium-term	Low	High
		Opportunity	Technology / Production	Spread of energysaving technology	Reduced energy costs and lower burden of carbon taxes as a result of switch to low emission facilities	Medium-term	Medium	High
		Opportunity	Technology / Production	Spread of low-carbon technology	Increase in sales related to low-carbon products (EVs, etc.) due to promotion of low-carbon trend in society	Medium-term	High	High
		Opportunity	Technology / Production	Development of low-carbon technology	Increase in demand for low-carbon materials	Medium-term	High	High
		Risk	Technology / Production	Decrease in demand for existing technologies	Decline in sales of products for applications related to petroleum, natural gas, and paper due to decrease in demand for such material	Medium-term	Low	Low
		Risk / Opportunity	Sales / Reputation	Reputation	Reputational risk of response to climate change being deemed inadequate (society, consumers, employees)	Medium-term	Medium	High

Measures to Address 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 of the divisions extracts and identifies risks by business process. The Internal Control and Audit Office conducts risk assessment with a short-, medium-, and long-term timeline from the perspective of frequency and scale of damage, and formulates policies from the perspective of law and of human life. In addition, comprehensive risk assessment is conducted putting all of the above together, and the Executive Officer in Charge of Human Resources and Administration, who is in charge of risk management, prioritizes them based on assessment results, for the President and CEO to approve. Risk mitigation activity is conducted based on policies formulated from the perspectives of legal compliance and prioritizing

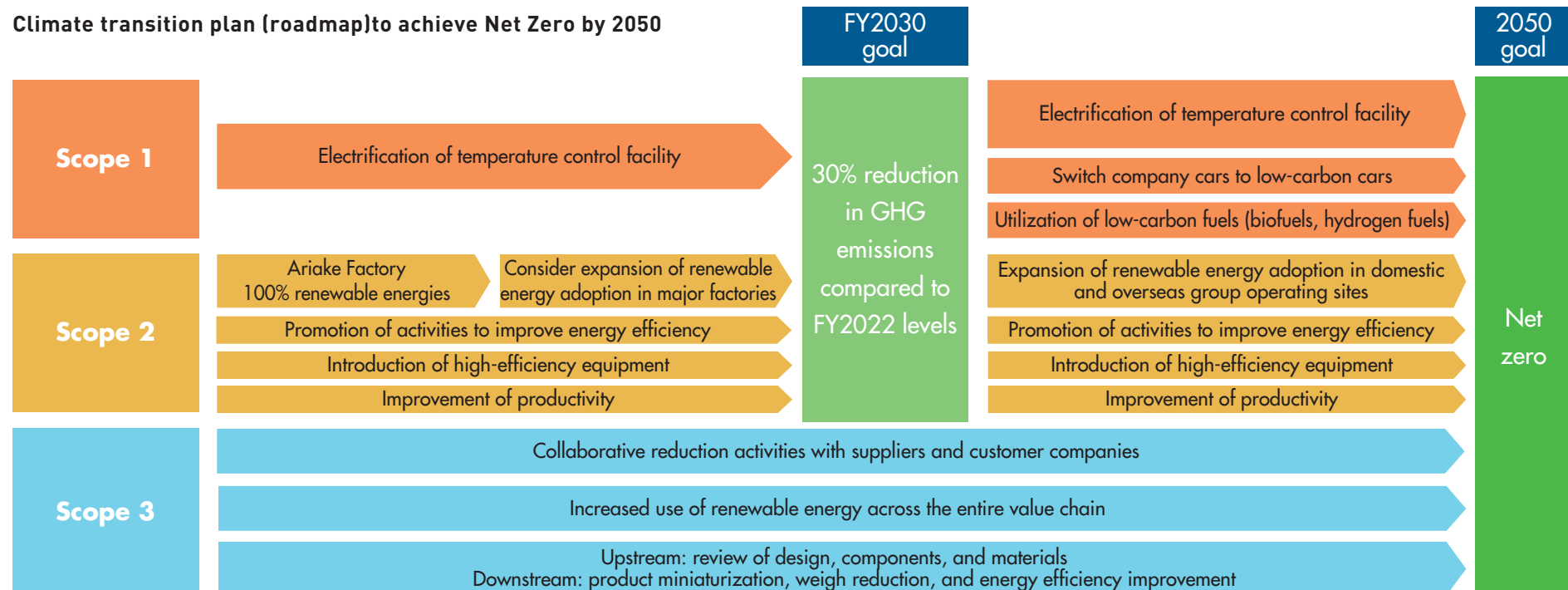
human life, with division leaders setting management targets for each of the risks and determining the response such as avoid, accept, mitigate, and transfer, according to the risk. Progress of such activity being conducted is reviewed by the Executive Officer in Charge of Human Resources and Administration annually. Based on such review, the President and CEO decides on policy for the following fiscal year, which is deployed to the divisions.

4. Metrics and Targets

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

Furthermore, to ensure accurate progress tracking towards achieving the goals and to enhance the reliability of disclosed information, the Group has obtained third-party verification of GHG emission data (Scope 1 and 2) from FY2023.

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



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.

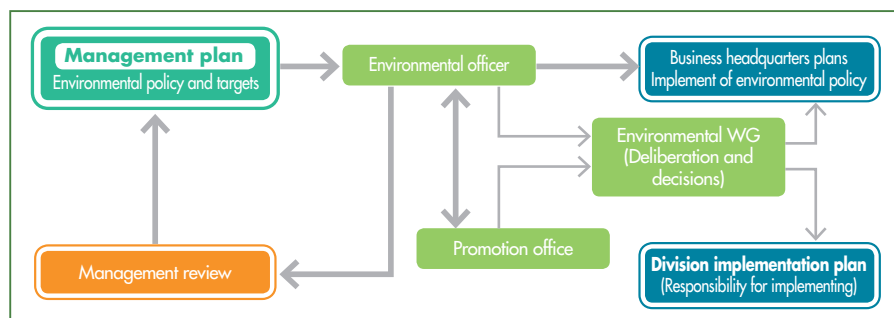
Environmental Policy

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 each organization to carry out its own environmental actions and making operation of the environmental management system more efficient.

Environmental Management Organization chart



Measures to Address Water Security

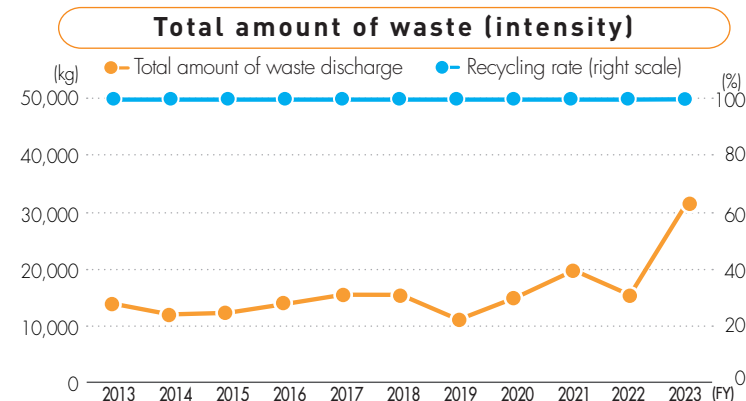
In recent years, with droughts and large-scaled flooding stemming from global climate change, a growing population, changes in consumption patterns, prospective increase in demand for freshwater in line with economic growth, etc., the impact of water security on the HDS Group's business activities cannot be ignored. In Japan, impact on both procurement and sales of materials in particular is growing, such as with breaks in the supply chain due to typhoons, heavy rains, and flooding, decreased production capacity resulting from damage to production facilities, and effects of confusion within the value chain on logistics and sales. 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 Navi from the Ministry of Land, Infrastructure, Transport and Tourism, and steps taken for the identified risks.

Reduction of Industrial Waste and Promotion of Recycling

The total amount of waste (intensity) in FY2023 was 36,962 kg, a 70.3% increase compared to the previous year. The recycling rate declined by 0.8% from the previous fiscal year to 99.1%, achieving the annual target of a recycling rate of 99% or higher.

(Coverage: Hotaka Factory, Harmonic Drive Systems)



Note: 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.

Respect for Human Rights

Basic views

As a globally operating company, the HDS Group recognizes respect for human rights as a one of the critical elements of its business activities. We have established our view on respecting fundamental human rights and are committed to creating a safe and secure workplace environment for all.

The Harmonic Drive Systems Code of Conduct explicitly states the elimination of all forms of unreasonable discrimination against individuals, the protection of privacy, and the respect for fundamental human rights. As a measure to respect human rights in the supply chain, in 2022, we established the HDS Sustainable Procurement Policy which stipulates the eradication of discrimination and the prohibition of forced labor and child labor. Furthermore, in 2024 we used the Sustainable Procurement Self-assessment Questionnaire (SAQ) to confirm the awareness and efforts of suppliers regarding human rights and the development of better working environments.

Through human rights awareness initiatives based on international norms, we strive to cultivate a corporate culture that respects human rights and promote efforts to uphold human rights across all business activities. By doing so, we will actively fulfill our responsibility to respect the human rights of all individuals.

HDS Group's initiatives on human rights

FY2004	Established HDS 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
FY2022	Established the Health Promotion Center and began support for employee mental health
FY2023	Conducted harassment communication training for those in managerial positions
FY2024	Implemented Sustainable Procurement SAQ to important suppliers

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

Human rights education

To achieve empowerment of diverse human resources and respect for human rights, we implement awareness and educational programs to raise the awareness towards human rights.

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

	FY2021	FY2022	FY2023
Number of programs held	3	3	9
Number of participants (cumulative)	381	144	320

Note: Consolidated basis from FY2023

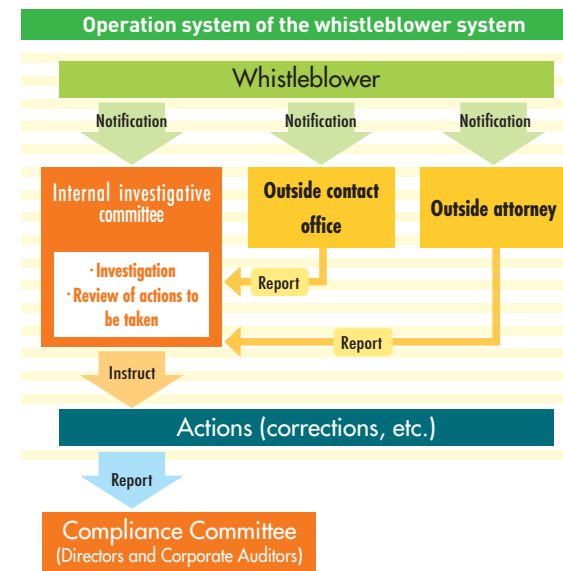
Operation of whistleblower system

In accordance with the provision on the operations of the whistleblowing system, we have established and operate both internal and external (via external specialists and attorneys) whistleblowing contact points for all employees, including temporary employees, temporary staff, part-time employees, and seasonal staff. 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 handle them swiftly and appropriately. In addition, the provision on the operations of the whistleblowing system also stipulates that whistleblowers will not face dismissal or any other adverse treatment, and their personal information will remain confidential. The Compliance Committee reviews the effectiveness of this whistleblowing system and the system is revised as necessary.

Transition in the number of whistleblowing cases

	FY2021	FY2022	FY2023
Number of whistleblowing cases	17	21	35

Note: Consolidated basis from FY2023

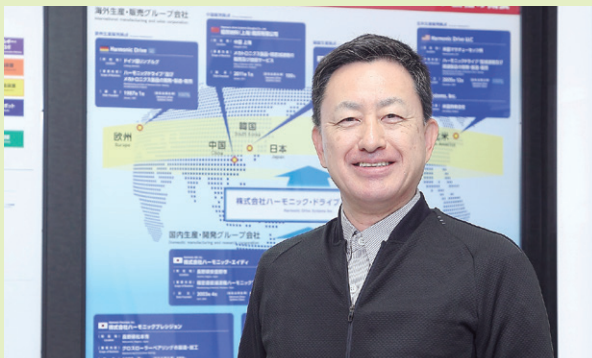


Future initiative regarding human rights

We will strengthen our system for identifying, assessing, preventing, and mitigating the impact of human rights risks in all stakeholder relationships, with human rights education and a whistleblowing system as the foundation for respecting human rights. As major initiatives from 2024 and onwards, we will implement the following three initiatives.

1. Formulation of HDS Group Policies on Human Rights
2. Establishment of a framework for human rights due diligence
3. Implementation and expansion of human rights education

Message from Officer in Charge of Supply Chains



We will implement supply chain management based on the two material issues (materiality) of “Achieve QCDS that meets customer expectations” and “Contribute to creating a sustainable society through corporate activities.”

Managing Executive Officer

General Manager of Supply Chain Division

Minoru Asano

Initiatives to “achieve QCDS that meets customer expectations”

As customers’ demands for quality grow every year, the Supply Chain Division is working to improve the quality of the components that we accept, with the aim of achieving zero defects in procured components. We assess about 30 suppliers that we consider to be particularly important throughout the year, based on our own QCDS assessment criteria. We share the results of those assessments with the suppliers, and if they fail to meet the criteria, we prepare improvement plans and work together with them to implement those plans. In addition to annual plans, we also assess the quality results of delivered components on a monthly basis. If any important quality issues are found in these monthly assessments, we promptly share those issues with the suppliers and work with them to improve quality. Ensuring that our suppliers maintain high QCDS standards enables us to respond flexibly to customers’ new needs. Customers’ requirements are constantly changing. We believe in the importance of preventing loss of opportunity by strengthening supply chain management and enhancing our ability to respond to change.

Promotion of sustainable procurement

In October 2023, we formulated the HDS Group Sustainable Procurement Guidelines, and we are now engaged in the promotion of sustainable procurement. We have long made our

basic approach clear in our green procurement policy, and we are now taking that one step further by sharing a recognition between our suppliers and the HDS Group and distributing a code of conduct for sustainable procurement to ensure it is communicated thoroughly. In addition, with regard to suppliers of electronic components and raw materials with higher risks, such as conflict mineral resources, we have rolled out a self-assessment questionnaire on sustainable procurement in accordance with international norms. This questionnaire includes 126 questions across 10 survey categories, such as human rights, labor, and environment. We ask our suppliers to respond to this questionnaire and collect their answers progressively. If these self-assessments uncover any risks, we will ask the relevant supplier to make improvements and give them any support they may require. For the realization of a sustainable society, the HDS Group will continue to communicate meticulously with our suppliers to achieve Coexistence and Co-prosperity with them. In doing so, we will fulfill our social responsibility across our entire supply chain.

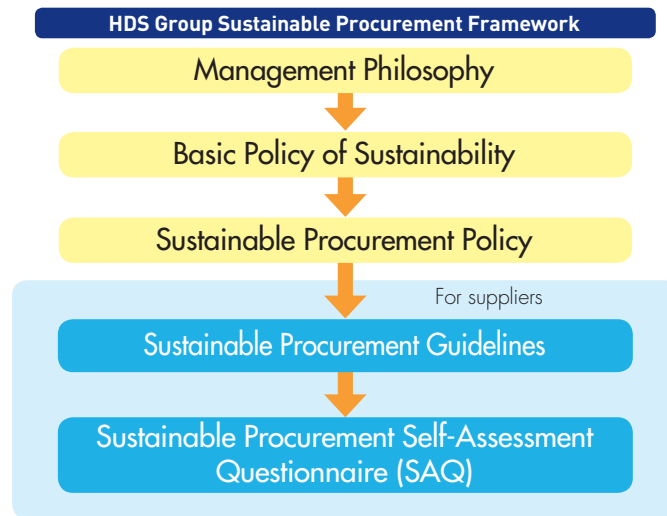
Support for the resolution of social issues in the supply chain

As many of our suppliers from which the HDS Group requests processing of components operate in the Nagano Prefecture area, primarily the Azumino region, issues for the supply chain are also issues for the local community. For suppliers who have



concerns about business succession, we also provide various assistance on the human resources development front, such as bringing their successors to work and gain experience at our production sites and quality assurance section. We also ask suppliers headed by young owners to serve as director companies of the HDS Kyoryokukai (HDS Cooperative Association), which comprises our major suppliers. This gives them the opportunity to discuss various issues with the executives of other member suppliers. Through such initiatives, the HDS Group has built a resilient supply chain with high technological standards, which we will connect to the achievement of sustainable growth together with our suppliers.

I Sustainable Supply Chain Management



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](#)



Implementation of the Sustainable Procurement Self-Assessment Questionnaire (SAQ)

In line with the Sustainable Procurement Policy of the HDS Group, we have communicated with our suppliers to establish a supply chain that respects the environment and human rights, reduces waste to a minimum, and fosters safe and healthy working environments. Furthermore, from July 2024, we have asked 21 suppliers of electronic materials and components handling high-risk materials such as procurement of minerals to respond to the Sustainable Procurement Self-Assessment Questionnaire. This questionnaire is created based on the CSR Self-assessment Questionnaire announced by the Supply Chain Working Group of Global Compact Network Japan.

Moving forward, we will share the evaluation results with suppliers to enhance their understanding of their current status and actively encourage improvement efforts. In addition, we will gradually expand the scope of this questionnaire and work to establish and embed the PDCA cycle for responsible procurement, aiming to build a sustainable supply chain.

HDS Sustainable Procurement Self-Assessment Questionnaire (SAQ): 10 survey categories

(126 questions in total)

Survey categories	No. of questions (open-ended included)
1. Governance	21
2. Human rights	10
3. Labor	24
4. Environment	16
5. Fair business practices	21
6. Quality and safety	8
7. Information security	10
8. Supply chain	8
9. Coexistence with local communities	5
10. Dissemination to suppliers	3

Ensuring thorough understanding of the Sustainable Procurement Guidelines

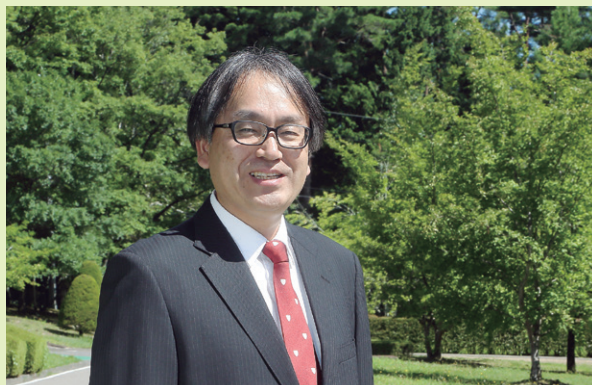
To meet societal expectations and customer needs, the HDS Group has established the Sustainable Procurement Guidelines as a code of conduct to align awareness and promote sustainability in collaboration with our suppliers. These guidelines are disseminated in principle to all primary suppliers (approximately 200 companies) and to the secondary suppliers through the primary supplies.

These guidelines are composed of seven items including ethics, human rights, and labor practices and cover the specific code of conduct in line with the Sustainable Procurement Policy. We ask suppliers who understand and agree with this code of conduct to submit a confirmation letter. As of July 31, 2024, we have distributed the guidelines to approximately 160 companies and have received confirmation letters from 43 companies. The guidelines will be reviewed once every year and will be revised as needed in response to societal demands.

[HDSI website | Sustainable Procurement Guidelines](#)



I Message from Officer in Charge of Human Resources and Administration



To take on “the challenge of value creation and transformation,” we aim to create a respectful organization in which individual growth and diverse capabilities are demonstrated

Executive Officer

General Manager of Human Resources and Administration Division

Osamu Asakura



HDS's human capital management based on our Management Philosophy

HDS's Management Philosophy begins with “Respect for the individual.” For more than a half century since our foundation, our aim has been to be a company that respects the rights of every individual employee and gives them a sense of satisfaction in their work. Our belief that human resources are the source of value creation has been passed down from generation to generation in the DNA of our company. As the pioneer of HarmonicDrive®, we have contributed to the development of various industries, along a path that has been forged by the power of people, including technological capabilities. We also set “Maximization of the value of human capital” as the first of our material issues (materiality) to be addressed as a priority for the realization of the long-term vision. We will strive to establish a working environment that will help each and every one of our employees, our human capital, to demonstrate their capabilities to the fullest extent.

The realization of our long-term vision, “The best provider of total motion control in harmony with the future” and our talent pool

As the pioneer of HarmonicDrive®, we have strived to respond to our customers' various needs. That requirement for us to respond to motion control needs that are changing with the times and to make the best proposals will continue into the future.

Simultaneously with our efforts to reduce the size and weight of HarmonicDrive®, we are also working to strengthen peripheral areas, such as motors, controllers, and sensors. Achieving these things will require people who have many and varied interests, alongside the willingness to take on challenges. We recruit around 30 people every year, a mix of new graduates and mid-career hires, primarily in engineering fields. The degree of difficulty of our customers' requirements has increased in recent years. As such, we need expertise not only in the mechanical field, but in adjacent fields such as electrical, communications, lubrication, materials, and chemical engineering, and we are recruiting diverse personnel to meet those needs. While reinforcing personnel in specific fields can be an effective way to address short-term issues, from long-term perspectives, I believe that, by having diverse individuals striving together for excellence, sustainable value creation and transformation will be possible.

Realizing an organization where individual growth and diverse skills are demonstrated and respected

To give our younger and mid-level employees a better sense of their own growth, we have begun delegating authority to them from senior staff and creating an environment where those more junior employees can do their work with both authority and responsibility. I believe that delegating authority to their subordinates will also allow our usually extremely busy managers to devote more time to addressing medium- to long-

term issues and human resources development. At the same time, we are also working on making our organization flatter. In the technological development sections, we have abandoned the conventional demarcations of departments and sections and re-organized into loose teams covering individual technical fields. The aim of this change is to realize a structure in which rapid decision-making and technology establishment is possible, regardless of organizational framework.

For the development of employees' skills, we have built a human resources development program that enables them to improve their skills in a systematic manner, and we also conduct various training aimed at skills development. We also provide support to help employees grow through self-development. Employees with high motivation to grow are given opportunities for open-call cross-border learning, such as acquisition of PhD or MBA (Master of Business Administration), language training overseas, and training dispatch to overseas Group companies. In addition, we actively support engineers and skilled workers, who support our manufacturing over the medium to long term, to obtain qualifications through our in-house qualification programs and external skill certification programs. To “strengthen management resources that can adapt to changes in the environment,” an issue to be addressed under the current Medium-Term Management Plan that started in FY2024, we aim to realize an organization where individual growth and diverse skills are demonstrated and respected.

I Maximize the value of human capital

Increasing employee engagement (job satisfaction)

I believe that there are three initiatives that we need to pursue to increase employee engagement (job satisfaction). The first is to create an environment in which employees can actively choose their own career paths. Until now, employees have been able to declare their wishes for transfers under their self-declaration system, but this fiscal year, we introduced a new internal recruitment system, which is already in operation. Under this system, departments that require personnel disclose recruitment information within the company, and employees are free to apply for those jobs without having to inform their superiors. This gives them greater autonomy in choosing their career paths. They are also able to embrace the challenge of the kind of work that they want to do, which raises their motivation. My hope for this scheme is that our employees can exercise their own will in seeking to fulfill themselves professionally, instead of merely obeying unilateral directions issued by the company.

The second thing that we need to do is to ensure that employees can really sense how their own work has contributed to the company's business performance. To achieve this, we need to make a greater effort to share company information, including about its performance, internally. I would like to communicate qualitative information, including management issues, with all employees to ensure that they can truly sense how much they are contributing to solutions to issues and to business performance. We will embark on concrete initiatives with the hope of increasing employees' sense of belonging to the company and job satisfaction by reflecting that degree of contribution to performance in their bonuses.

Third and finally, we intend to pursue the transformation of corporate culture by fostering a culture of proactively giving praise. A workplace environment in which people can feel comfortable and work with enjoyment is highly important. To that end, we have started working on initiatives to improve the quality of communication between superiors and their subordinates. Specifically, we are asking all people in managerial positions to undergo training in listening and communication skills in our efforts to change the mindset of those in our leadership ranks.

Type of individuals the HDS Group seeks

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 changes in the environment and can adapt to them
5. People who possess cultural and human breadth

Human resource development policy

Our basic policy is to develop human resource capable of realizing our Management Philosophy and the development policy is divided into the following three stages. Based on this policy, we strive to nurture individuals who embody the type of personnel sought by the HDS Group.

Stage 1:

Education and training stage

Thorough education of the basics of the type of personnel sought

Stage 2:

Practical application stage

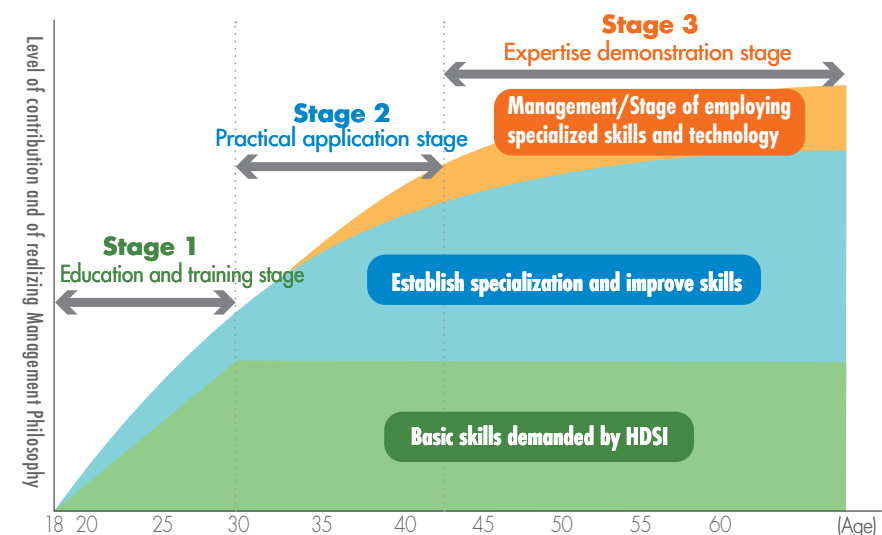
We support individual efforts while enhancing skills and establishing expertise through practical work. Additionally, we strategically develop future executive candidates.

Stage 3:

Expertise demonstration stage

We develop individuals who can contribute to divisional operations and the nurturing of junior staff, leveraging the ability and experience acquired to date, such as management skills and specialized skills and technology. (We develop individuals who will take on the role of developing others.)

Development of human resource that can realize the Management Philosophy



Maximize the value of human capital

Enhancement of work environment

In order to build an organization where individuals can actively contribute, HDSI work to create a work environment where diverse talents can thrive.

1. Ensuring diversity

We aim to create a work environment in which all employees, regardless of differences in factors such as gender, nationality, age, and disabilities, can demonstrate their abilities and thrive. At the end of fiscal 2023, the ratio of female employees was 20.7%; ratio of foreign employees, 1.7%; and ratio of employees with disabilities, 1.9%; all increasing compared to the previous fiscal year.

Items	FY2021	FY2022	FY2023
Ratio of female employees	14.6%	17.6%	20.7%
Ratio of foreign employees	-	1.2%	1.7%
Ratio of employees with disabilities	1.9%	1.8%	1.9%

(Non-consolidated)

2. Recruitment

Our goal is to build a diverse organization by recruiting individuals who can share our Management Philosophy and possess the skills necessary for the HDS Group, through regular recruitment for new graduates and proactive mid-career recruitment, targeting individuals with diverse experiences, skills, and qualifications who can make an immediate impact. From before, promotion to managers is based on capabilities regardless of whether the individual is a newly graduated recruit or a mid-career recruit. The ratio of mid-career recruits and the number of managers are both sufficient, thus no target values have been set.

Items	FY2021	FY2022	FY2023
Number of newly graduated recruits	6	9	12
Number of mid-career recruits	16	13	15
Ratio of mid-career recruits	72.7%	59.0%	55.6%

(Non-consolidated)

3. Personnel systems/diverse workstyles

The HDS Group builds personnel systems based on the belief that enhancing employees' capabilities and motivation to work is essential for achieving the management vision and goals. Various systems have been established for the professional development of individual employees, such as job rotation for skill development, a self-declaration system for employees to directly communicate their career and development wishes to the Officer in Charge of Human Resources, an internal recruitment system, and a childcare and nursing care system that is available to employees of all employment type. In particular, to strengthen support for balancing work and childcare, we are improving the work environment through various systems such as maternity and childcare leave, leave of absence, return-to-work programs, shortened working hours, and teleworking. In addition, as part of our efforts on female empowerment and employee workstyle reform, we actively promote the use of childcare leave by male employees. As a result, the ratio of males who took childcare leave on a non-consolidated basis for fiscal 2023 came to 81.8%.

Items	FY2021	FY2022	FY2023
Ratio of males who took childcare leave	55.6%	56.3%	81.8%

(Non-consolidated)

4. Professional development system

In terms of the professional development of our employees, we have drafted a systematic human resources development plan with a medium- to long-term perspective, establishing a system that enables everyone to effectively and continuously enhance and develop the skills expected of our company's employees.

There are various programs available for professional development such as the mandatory level-based training conducted at each organizational level to demonstrate the abilities need for each role, basic training necessary for job performance and career development, and specialized training aimed to acquire the necessary specialized skills for career development. Furthermore, taking into account the evolving economic environment, technological advancements, and globalization, there are special trainings to support further professional development of employees through self-

development, such as the support for employees pursuing advanced degrees such as MBAs and MOTs at domestic and international universities and other academic institutions, as well as opportunities for overseas training at international affiliates or language studies through academic English and international programs at foreign universities. In addition, to support the engineers and skilled workers who underpin our medium- to long-term growth, we actively support them in acquiring internal qualifications and taking external skill certification exams.

Items	FY2021	FY2022	FY2023
Number of employees in graduate schools, MBA, MOT programs	0	2	4
Number of employees in overseas training	0	0	1
Number of employees taking correspondence education programs	234	131	167

(Non-consolidated)

5. Health promotion

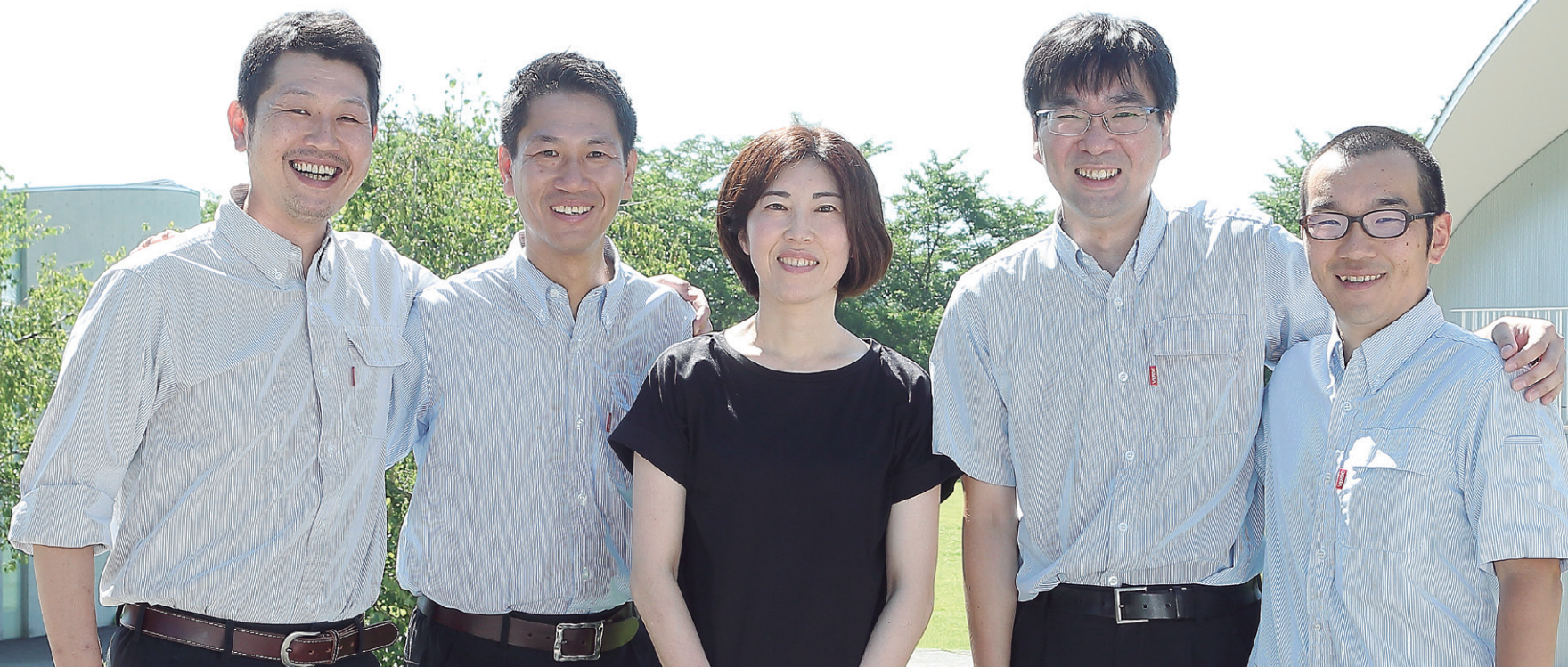
The health of our employees serves as the foundation to maximize the value of human capital. We strive to protect the physical and mental health of our employees and create a safe work environment through measures such as regular health check-ups, stress checks, and other measures to prevent physical and mental issues, as well as establishing the Health Promotion Center, offering personalized health advice and guidance from in-house industrial health nurses, and providing whistleblowing/consultation hotlines both internally and externally for issues such as harassments.

Items	FY2021	FY2022	FY2023
Stress check inspection rate	88.6%	86.0%	85.0%
Ratio of high-stress individuals	17.8%	17.8%	12.5%
Smoking ratio	31.0%	30.9%	29.8%

(Non-consolidated)

Special Feature 1 Next Generation Leaders Roundtable Discussion

We asked five next-generation leaders of HDSI about topics such as initiatives and challenges of their respective sections on achieving the Medium-Term Management Plan that started in fiscal 2024, aspirations for 2030, and our long-term vision.



**Yuki
Mieda**

First Production Division
HD Production Department #1
(Mainline)
F/S-line #1 Manager

**Takashi
Sasaki**

Corporate Planning Division
General Manager of ICT
Promotion Office

**Kaori
Takamine**

Development and Engineering
Division
Technical Management Section
Leader

**Daisaku
Takei**

Production Technology Division
Production Technology Department
First Production Technology
Machining Team Leader

**Hiroshi
Shimada**

Supply Chain Division
Procurement Department
Purchasing Leader

Special Feature | Next Generation Leaders Roundtable Discussion

MC: Could you introduce yourselves?

Mieda: This year marks my 22nd year with the Company. Two years ago I became manager of the First F/S-line. The Flexspline manufacturing line consists of the First F/S-line, which manufactures standard products, and the Second F/S-line, which handles compact and large-scale products. Currently I oversee about 40 people on First F/S-line.

Takamine: My previous job was in 3D modeling at a major automobile manufacturer that makes trucks and buses. I joined HDSI in 2007 as a mid-career hire. At first I worked in development in the Mechatronics Business Department, but after coming back from my second maternity leave, I joined the then-Legal and IP Department. Today I serve as leader of the Technical Management Section, where I manage IP and chemical substances legislation.

Sasaki: I joined the Company as a mid-career hire six years ago. This June I became General Manager of the ICT Promotion Office. My previous job was in building manufacturing support systems to manage parts with 3D data. At HDSI, I digitalize various business operations with IoT and connect different sections with data. I also focus on developing IT human resources.



Sasaki

Shimada: In 2010 I joined Harmonic AD, Inc. (HAD), a subsidiary that manufactures precision planetary speed reducers.

After working in accounting for a year and a half at HAD, I was transferred to HDSI's Finance Accounting Department. Then I was transferred to the Procurement Department through the job rotation program. Currently I serve as leader of procurement of components such as circular splines.

Takei: I joined as a mid-career hire in 2018. I work in the Production Technology Department and have served as leader there since last year. My previous job was in metalworking at a parts fabrication company that fabricated prototypes and stand-alone items such as optical and satellite components. Currently my duties include planning and implementing fabrication lines for machine tools, maintaining equipment, and designing jigs.

MC: Tell us about your initiatives to achieve the goals of the new Medium-Term Management Plan that started in fiscal 2024.

Mieda: Recently we have been focusing efforts on human resources development, which had been an issue before. Specifically, we score workers' skills and capabilities between 1 and 5 (1: Cannot do it, 2: Needs help, 3: Can do it alone, 4: Can instruct others, 5: Can make improvements) and clearly define the steps needed for workers to be able to complete tasks alone, which we visualize on an evaluation sheet. Currently I evaluate each worker individually, but I am considering creating roadmaps that include standardized duties and building a system that makes evaluations impartial and enables workers to improve their skills themselves. Workers' duties consist of more than just work on a fabrication line, but include a wide range of tasks such as handling measurement tools, maintaining equipment, and profilometry. There are 30-40 evaluation categories. Quantifying and continuously monitoring these skills makes training more effective and efficient. In addition, we started an initiative for monitoring the work of all workers in fiscal 2023. We are striving to improve the quality of workers by monitoring the work of everyone from new hire to experienced worker every three months. We evaluate whether they are capable of doing the work or not

and provide training based on the results. Currently, the staff that handles monitoring checks work processes visually, but we're considering implementing a work analysis system that uses video in the future. By working to optimize work processes based on data, we aim to prevent human error like dropping workpieces or making mistakes in operating machine tools, and to maximize output and boost production efficiency further to achieve the targets of the Medium-Term Management Plan. I think this initiative will also lead to "Maximizing the value of human capital," one of our material issues (materiality).



Mieda

Takamine: Our IP patent strategy is effective not only in improving corporate value but also in differentiating us from the competition. With patents, it is not just the number of applications that is important; the key is whether you can secure key technology. As a leading strain wave gearing company, the HDS Group has refrained from applying for patents in which we would have to disclose know-how. But recently competitors have been actively applying for patents that specifies the specific numbers. When a rival's technology is patented, we could run the risk of being sued, so I think that it is essential to "defensively" apply for patents to serve as a barrier for entry to rivals. The Technical Management Section is strategically managing IP by strengthening collaboration with the development section. Actually, when we announce information to the public, we sometimes find a new partner and it leads to the development of new technology or enhancement of existing technology. The

Special Feature

Next Generation Leaders Roundtable Discussion



technologies HDSI has accumulated over 50 years have been developed thanks to making countless mistakes. I believe that patenting the knowledge and experience gained from these mistakes will lead to building effective barriers to entry. HDSI has also built a patent reward program. Any employee can receive reward money just by applying for a patent, and if the patent is registered, they gain additional reward money. In addition, each year we select a Grand Prize, First Prize, and Most Numerous Applications Prize. And every five years we give additional reward money to the employee whose patent has contributed the most. These efforts will contribute to achieving the materiality, "Take on the challenge of developing new technologies and skills that coordinate with changes in the environment." Going forward we will further enhance conveying information internally and tackle effective patent strategies.

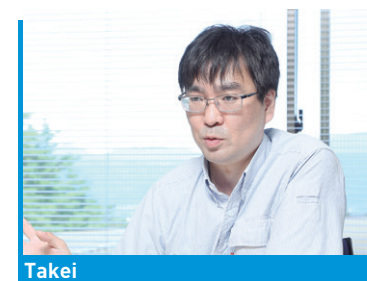
Sasaki: HDSI has a firmly rooted paper-based culture, and each section in each organization has operated in a way that is optimal for them. The objective of digital transformation (DX) is to link data and information scattered across paper documents and Excel sheets companywide across organizations. With the advancement of AI, I feel there is a risk of the competition catching up to the knowledge and experience we have gained in a few years from now. To prevent that, we will link the entire company seamlessly with data. If this initiative comes to fruition

within the next five years, it will greatly contribute to improving productivity and maximizing profit and also to the materiality, "Achieve QCDS that goes beyond customer expectations." Linking data will also connect organizations and people to each other. In addition, transforming the organizational culture based on IT and removing the walls between organizations will also foster the sense of being "one team" even further. Currently, the ICT Promotion Office is accelerating DX by driving new initiatives to enhance three chains: supply chain, manufacturing chain, and engineering chain. Because this will result in centralizing all factories, it shows great promise to bring about new innovation by improving productivity further and integrating information.

Shimada: The HDS Group makes key niche components with a high market share. That's why fulfilling our commitment to supply customers is top priority. To "Achieve QCDS that goes beyond customer expectations," one of our material issues (materiality), it is absolutely crucial that we avoid delays in delivery times. About two years ago there was a period when the order volume broke all previous records, and supply became tight. There was a sharp increase in advance orders from customers anxious that our production capacity was lacking. While this surge of orders was a factor, one reason for the tight supply was not sharing enough information with our suppliers. Building a system to regularly share information like customer inventory and demand trends is essential for efficient production. I am keenly aware of the need to collaborate with the ICT Promotion Office, which includes sharing information with sales and production sections. Furthermore, to achieve the targets in the Medium-Term Management Plan, we need an optimal production method, such as one that aims to tap new suppliers, eliminate defective items, and maximize output. The Procurement Department visits suppliers directly and offers suggestions such as new methods and how to improve the workplace environment. The department also acts as a bridge between suppliers and the design, production, and quality assurance sections when new products are developed and produced. If a defective product is found, it is the role of the Procurement Department to suggest

improvements to the supplier and find a solution in collaboration with the production technology section. The Procurement Department staff works to build a relationship of trust by communicating with the supplier and visiting them if necessary.

Takei: The role of Production Technology is to ensure we have the production capacity to achieve the targets and to improve production efficiency and profitability by cutting production costs. There are many ways to cut costs. Examples include automation to improve existing processes, implementing new processing methods, and switching from procuring parts to manufacturing them in-house to improve profitability. To ensure production capacity, we are steadily carrying out capital investment plans to achieve the targets of the Medium-Term Management Plan. In regard to cutting costs, we are strengthening human capital by multi-skilling workers in existing processes, and improving production efficiency and capacity by installing automated equipment in the assembly stage. In the metalworking stage, we will improve the equipment utilization rate by making use of processing data, and we are also considering installing new equipment such as combined processing machines to automate processing. We are also considering to switch processing of around ten components, such as blanks and flanges, that we have been outsourcing to in-house to improve internal processing techniques. We aim to cut outsourcing costs by incorporating in-house manufactured components into new orders.



Takei

Special Feature | Next Generation Leaders Roundtable Discussion

MC: As a next-generation leader, what do you think should be done looking ahead to the HDS Group 10 years from now?

Takei: No matter how advanced technological capabilities a company has, it will decline if it cannot respond to the changes of the times. The HDS Group has established a strong position with strain wave gearing, but it still has a firmly rooted old-fashioned analogue culture that relies on workers' experiences. It is essential that we carry on the experience and knowledge of leaders, engineers, and technicians that helped the HDS Group get its start and maintain the strengths and advantages of the group. To do this we need to build the capability to flexibly respond to the changes of the times by quantifying and digitalizing various elements. With regard to cutting costs, digitalization will enable us to advance based on long-term themes and roadmaps through measures such as identifying where workers excel and where they don't, visualizing their skills, enhancing their strengths, and overcoming their weak points with effective training. By steadily carrying out companywide measures now, I think we can transform into a strong company that can respond to changes in the external environment.

Takamine: In Europe, the chemical regulations RoHS and REACH went into effect in 2006 and 2007 respectively. Today, the number of regulated substances continue to increase worldwide. HDSI has implemented a chemical substances management system and the products offered by the group



Takamine

comply with regulations. Going forward, I want to strengthen compliance with regulated substances that continue to increase year by year and expand activities to reduce substances that impact the environment. With regard to patents, we need to apply for patents strategically by balancing an "offensive patent approach" to tap new markets and a "defensive patent approach" to protect our technologies and products—our company's strengths. I believe it is important to undertake both approaches strategically and carry out a group-wide strategy that also includes IP other than patents.

Sasaki: In addition to measures to achieve the goals of the Medium-Term Management Plan, we have also started a new project to reform costs. To reform costs, we need to implement a DX strategy with a sense of urgency. Going forward, we expect fluctuations in demand to become even more dramatic and new business opportunities to emerge. It is essential to build a data-based organizational structure to flexibly respond to changes in the external environment and maximize profit. And to strengthen barriers to entry, we also need to properly disclose information and partner with other companies and suppliers. We also need to build a system to promote work style reforms and innovation, and develop initiatives to create and diversify new businesses. Currently we are carrying out a range of measures to transform into a great company where everyone wants to work in 10 years.

Mieda: So far HDSI has been a stable company with high market share. However, with the rise of competitors and emergence of new business opportunities, I think now is the perfect chance for transformation. I believe this transformation will also invite new growth. To take advantage of this chance, I want to change employees' mindsets with the goal of becoming an organization where each employee takes ownership. We will create a vibrant workplace where every employee can work together towards the same objective and challenge themselves. I want people to do more than just make things. I want them to always question things, and think and act on their own. To achieve this, I want everyone on the manufacturing

floor to have a mindset to make improvements to fix even the slightest problem, and make solving problems and eliminating waste they find in their day-to-day work something routine. The accumulation of small improvements will lead to dramatic results.



Shimada

Shimada: We want to work with more suppliers who want to build a win-win relationship and work with the HDS Group. Recently we have received comments from some suppliers that our quality requirements are too strict, so we need to clearly define our quality standards. Some suppliers also face the problems of labor shortage and lack of a successor. Suppliers with outstanding technical capabilities are essential for the HDS Group. I want to create more value across the HDS Group's supply chain by understanding suppliers' problems and working together to find solutions. If we neglect doing this, we run the risk of being weeded out in 10 years. I think that now is our chance to transform and grow: This includes corporate culture, organizational management, and DX. We need to act with a sense of urgency to ensure that we continue to have a competitive advantage in 10 years.

MC: Through today's roundtable discussion, I get the impression that HDSI is running a vibrant organization where everyone is working together to transform the company and achieve its aspirations and the goals of the Medium-Term Management Plan. Thank you for joining me today.

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.

Track record of corporate governance enhancement

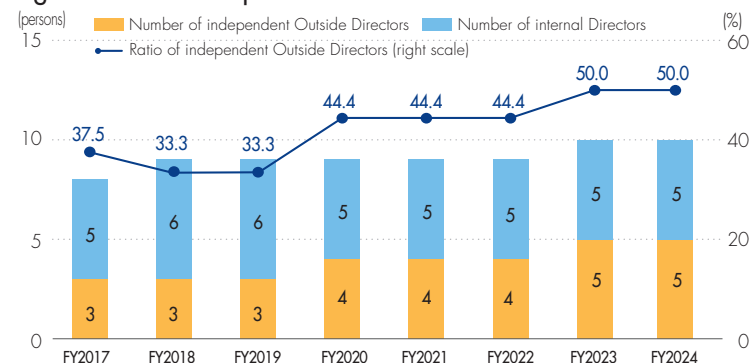
FY2001	● Number of outside corporate auditors increased (from 2 to 3)
FY2003	<ul style="list-style-type: none"> ● Executive officer system adopted ● Outside directors appointed (2 directors) ● Board of Directors Advisory Committee established
FY2004	● Number of outside directors increased (from 2 to 3)
FY2005	● Functions of Board Chairperson and President-cum-Representative Director separated
FY2006	● Basic policy for internal control system formulated
FY2011	● Internal Control and Auditing Office established
FY2013	● Number of outside directors increased (from 3 to 4)
FY2019	● 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

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

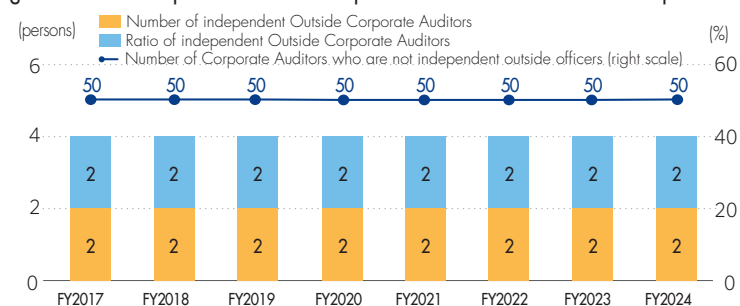
The Company has a Board of Corporate Auditors system in place. The Company's governance structure is based fundamentally on an institutional system in which it has a Board of Corporate Auditors in place, as stipulated in the Companies Act. Since the Company believes that its current governance system 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 part-time, out of which two are Outside Corporate Auditors. A system is in place so that the Corporate Auditors can regularly audit the status of business execution. This includes active participation in important meetings related to business execution in addition to the Board of Directors meeting, interviews with the Representative Directors, information sharing with Outside Directors, exchange of opinions with executive Directors, Executive Officers, heads of major divisions, and the presidents of domestic and overseas subsidiaries.

Changes in ratio of independent outside officers in the Board of Directors and Board of Corporate Auditors (As of June 21, 2024)

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 21, 2024)

Attributes	Name	Current Position (Responsibility)	Attendance at Board of Directors Meetings (FY2023)	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)	Sustainability
	Akira Nagai	Chairperson of the Board of Directors	18/18	June 2013	54,713	●	●	●			●	●	
	Akira Maruyama	President, Representative Director	18/18	June 2016	8,166	●		●	●	●		●	
	Kazutoshi Kamijoh	Representative Director	18/18	June 2020	12,123	●		●			●		
	Yoshihiro Tanioka	Director	18/18	June 2021	6,279	●	●	●	●	●			
	Naomi Shirasawa	Director	Newly appointed thus not applicable	June 2024	7,099	●	●	●	●	●			
Outside Independent	Haruhiko Yoshida	Outside Director (Independent Officer)	18/18	June 2023	22,011	●	●	●					
Outside Independent	Masanobu Nakamura	Outside Director (Independent Officer)	18/18	June 2013	13,205	●	●	●			●		
Outside Independent	Yoshio Fukuda	Outside Director (Independent Officer)	18/18	June 2020	1,265	●	●	●	●		●		
Outside Independent	Kazuhiko Hayashi	Outside Director (Independent Officer)	18/18	June 2022	234	●	●			●			
Outside Independent	Kaeko Kitamoto	Outside Director (Independent Officer)	12/13	July 2023	0	●					●		●

Note: Ms. Kaeko Kitamoto was newly elected in the FY2022 General Meeting of Shareholders held on June 21, 2023 and assumed office on July 1, 2023. The attendance shown above shows the number of meetings of the Board of Directors held after she assumed office.

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 speed reducers, 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)	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 sustainability promotion including the introduction of renewable energy sources to reduce greenhouse gas emissions and human capital such as the promotion of diversity, equity, and inclusion to promote the reduction of global environmental impacts, the development of a rewarding work environment, etc. 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

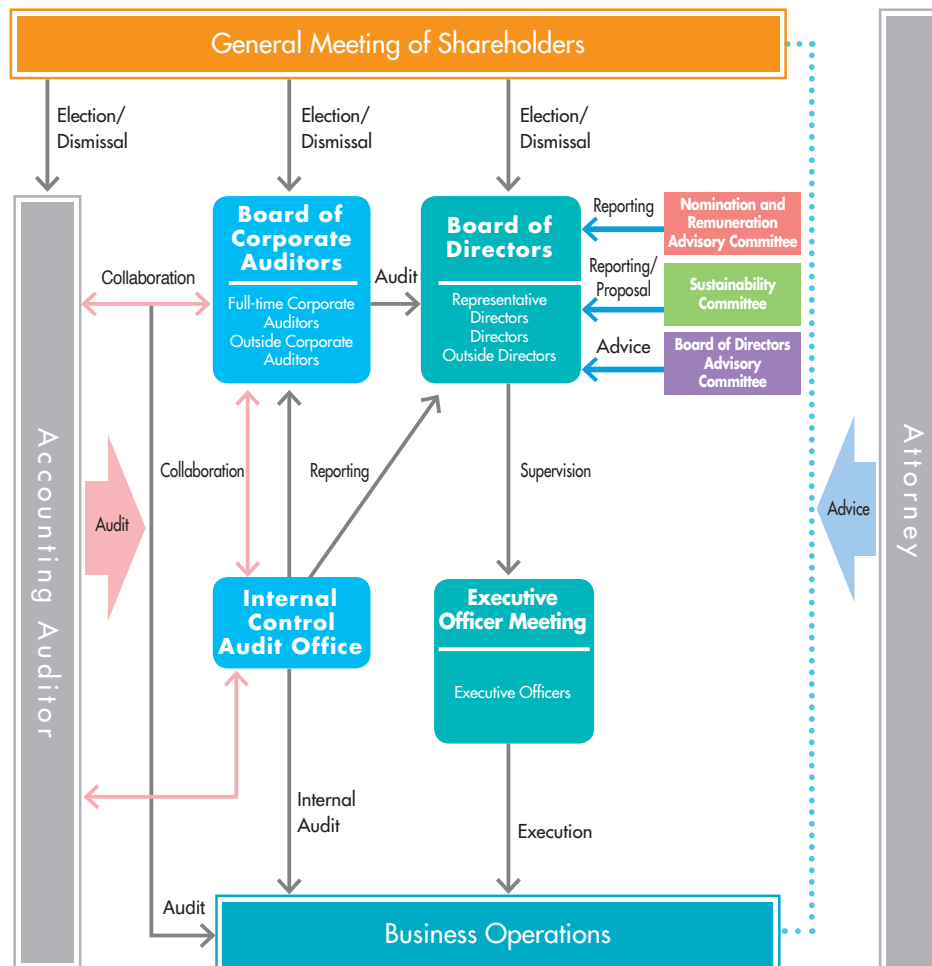
Name	Reason for appointment
Haruhiko Yoshida	Mr. Haruhiko Yoshida has served in prominent positions at Mitsui & Co., Ltd., and possesses abundant experience and superior insight in regard to corporate management, in addition to extensive international experience. Thus far, he has utilized this ability 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 Teijin Group and possesses abundant experience and superior insight in regard to corporate management, in addition to extensive international experience. In addition, he has a high level of knowledge of strategic planning, establishment of joint ventures, M&A, etc. 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.
Kazuhiko Hayashi	Mr. Kazuhiko 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 is currently serving as a Partner and Executive Board Member of the same corporation. In addition, since 2018, she has served as a member of the Electricity and Gas Market Surveillance Commission, Ministry of Economy, Trade and Industry, and has 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 FY2023



- 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, financing, and global sales of company shares
- Promotion of sustainability-related activities (identification of materiality, etc.)

Corporate Governance

Corporate Governance System



Roles and Compositions of Supervisory Institutions (As of June 21, 2024)

Institutions	Board of Directors	Board of Corporate Auditors
Composition	 <p>Independent Officer 5</p> <p>Chair: Chairperson of the Board of Directors</p>	 <p>Independent Officer 2</p> <p>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 FY2023	18	17
Secretariat	Corporate Planning & Investor Relations	Corporate Auditors' Office

■ Status of activities of Board of Corporate Auditors in FY2023

HDSI is a company with a Board of Corporate Auditors, and the Company's audit for fiscal 2023 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, 2023, 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

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 FY2023.

Name	Full-time/Part-time	Internal/Outside	Independent	Number of meetings held	Number of meetings attended	Attendance rate
Yoshitsugu Yokogoshi	Fulltime	Outside	Independent	17	17	100%
Hidefumi Iguchi	Fulltime	Internal	—	17	17	100%
Shigeto Ohashi	Parttime	Outside	—	17	17	100%
Eisaku Imazato	Parttime	Outside	Independent	17	17	100%

Priority audit items in FY2023

- Monitoring of implementation status of execution and progress of the final year of the Medium-Term Management Plan
- Monitoring of the status of establishment and reinforcement of communication with important subsidiaries under overseas trilateral framework
- Continuous monitoring of establishment and operation of internal control systems, which is a common issue for the domestic and overseas group subsidiaries
- Monitoring of fixed asset impairments and other matters of the HDSE Group, which is a key audit matter (KAM)
- Monitoring of initiatives related to Group risk management
- Reinforcement of IR activities as an excellent listed company and monitoring of the status of sustainability (ESG) initiatives

Cooperation with internal audit section

Internal audits are conducted throughout the year by the Internal Control and Audit Office, which is led by one office manager and three auditors, based on a pre-planned audit schedule for the Company and for domestic and overseas subsidiaries.

The matters identified through internal audits are reported to the President as audit results and are also reported to the Board of Corporate Auditors, establishing a dual reporting line system. They are also reported to the Board of Directors. During the audit process, the head of the Internal Control and Audit Office mutually share information and closely collaborates with the Corporate Auditors and accounting auditors.

■ 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 HDSI Group and for improving its performance in each business year. The compensation for Outside Directors consists of basic compensation in cash and bonuses.

Breakdown of Directors compensation

Executive Director



Outside Director



Corporate Governance

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.

Breakdown of executive compensation (FY2023 results)

Officer category	Total amount of compensation, etc. (in thousands of yen)	Total amount of compensation, etc. by type (in thousands of yen)			Number of target officers (persons)
		Basic compensation	Performance-linked compensation	Non-monetary compensation, etc.	
Directors (Except Outside Directors)	199,387	127,600	—	71,787	5
Corporate Auditors (Except Outside Corporate Auditors)	28,800	28,800	—	—	1
Outside officers	119,400	119,400	—	—	8

Note: The performance-linked compensation for Directors is zero comprehensively considering the FY2023 performance.

Nomination and Remuneration Advisory Committee (voluntary)

At the Board of Directors meeting held on 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 (April-October 30, 2024)

Name	Internal/Outside	Independent	Number of meetings held	Number of meetings attended	Attendance rate
Haruhiko Yoshida	Outside	Independent	5	5	100%
Masanobu Nakamura	Outside	Independent	5	5	100%
Akira Nagai	Internal	—	4	4	100%
Akira Maruyama	Internal	—	1	1	100%

Note: The attendance status for Akira Nagai is for the period of his service (March 25, 2024-June 21, 2024).

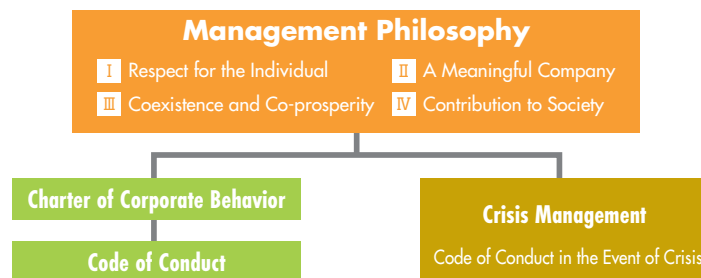
Note: The attendance status for Akira Maruyama is from the date he assumed office on June 21, 2024.

I 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 group 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, the Charter of Corporate Behavior, the Code of Conduct, and Crisis Management—Code of Conduct in the Event of Crisis.

Measures to prevent inside 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.

■ Monitoring of Compliance Status

The Internal Control and Audit Office, 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, the HDS Group provides education designed to raise the awareness on information security of everyone working at the Group. The information security check is conducted twice a year using a questionnaire survey and the survey results are notified to the entire company.

Business Continuity Plan (BCP)

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 systems for this purpose. 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 are also strengthening their production systems. The Group is deploying a collaborative production structure across four regions: Japan, the U.S., Germany, and South Korea.

Directors and Executives (As of June 21, 2024)

Directors



Akira Nagai

Date of birth: March 26, 1948

April 1972 Joined Mitsu & Co., Ltd.
April 2002 Joined Harmonic Drive Systems Inc. (the "Company")
April 2002 General Manager of Overseas Division, the Company
June 2002 Chairperson and Director, HD Systems, Inc.
June 2003 Executive Officer (Marketing and Sales), General Manager of Overseas Division, General Manager of Corporate Planning and IT Office, the Company
December 2005 President and CEO, HD Systems, Inc. (Incumbent)
June 2007 Managing Executive Officer (Corporate Planning and IT), the Company
April 2009 Managing Executive Officer (Corporate Planning and Finance), the Company
January 2011 Corporate Auditor, Harmonic Drive Systems (Shanghai) Co., Ltd.
June 2013 President and Representative Director, Executive President, the Company
May 2015 Director, Harmonic AD, Inc. (Incumbent)
June 2016 President and Representative Director, Chief Executive Officer, In Charge of Marketing and Sales, the Company
December 2016 Manager, GK HD Management (Incumbent)
June 2017 Chairperson of the Supervisory Board, Harmonic Drive AG
March 2017 President and Representative Director, Chief Executive Officer, In Charge of Marketing and Sales and Quality, the Company
June 2017 President and Representative Director, Chief Executive Officer, In Charge of Quality, the Company
June 2019 Deputy Chairperson of the Supervisory Board, Harmonic Drive SE (Incumbent)
January 2020 President and Representative Director, Chief Executive Officer, the Company
June 2020 Chairperson and Executive Officer, Group Management (Incumbent)
June 2024



Akira Maruyama

Date of birth: January 8, 1962

April 1985 Joined Harmonic Drive Systems Inc. (the "Company")
April 2007 General Manager of Marketing and Sales Division, the Company
April 2009 General Manager of Marketing and Sales Division and General Manager of Sales Planning Department, the Company
September 2009 General Manager of Engineering Department, Precision Equipment Division, the Company
September 2012 General Manager of Engineering Division, the Company
June 2014 Executive Officer (Engineering), the Company
May 2015 Director, HD Logistics, Inc.
June 2016 Director and Executive Officer (Development Engineering), the Company
June 2018 Director and Executive Officer (Corporate Planning and IT), the Company
June 2019 Corporate Auditor, Winbel Co., Ltd. (currently Harmonic Winbel Inc.)
June 2019 Director and Executive Officer, General Manager of Corporate Planning Division, the Company
June 2021 Director and Executive Officer, General Manager of Corporate Planning Division and General Manager of ICT Promotion Office, the Company
June 2022 Representative Director and Senior Managing Executive Officer, General Manager of Corporate Planning Division and ICT Promotion Office, the Company (Incumbent)
May 2023 Director, Harmonic Winbel Inc. (Incumbent)
June 2024 President and Chief Executive Officer, Chief Executive Officer (Incumbent)



Kazutoshi Kamijoh

Date of birth: June 9, 1968

April 1992 Joined Harmonic Drive Systems Inc. (the "Company")
July 2007 General Manager of Corporate Planning Department, Corporate Planning and IT Office, and General Manager of Administration Department, the Company
May 2012 Corporate Auditor, One Iron Casting Co., Ltd.
May 2013 Corporate Auditor, Harmonic Drive Systems (Shanghai) Co., Ltd.
July 2014 Executive Officer, In Charge of Corporate Planning and Finance, the Company
June 2016 Executive Officer, In Charge of Corporate Planning, Finance and Accounting, the Company
March 2017 Manager, GK HD Management (Incumbent)
June 2019 Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company
June 2020 Director and Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company
July 2021 Member of the Supervisory Board, Harmonic Drive SE (Incumbent)
June 2022 Director and Executive Officer (Finance Accounting, Finance, Tax, Human Resources and Administration), General Manager of Finance Accounting, Finance and Tax Division, the Company
June 2023 Director and Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company
June 2024 Senior Managing Executive Officer, General Manager of Finance Accounting, Finance and Tax Division (Incumbent)



Yoshihiro Tanioka

Date of birth: September 21, 1958

April 1982 Joined Harmonic Drive Systems Inc. (the "Company")
March 2006 General Manager of Engineering Department, Mechatronics Division, the Company
May 2007 Director, Winbel Co., Ltd. (currently Harmonic Winbel Inc.)
July 2007 General Manager of Mechatronics Division, the Company
October 2009 General Manager of Development Division, the Company
June 2010 Executive Officer and General Manager of Development Division, the Company
September 2012 Executive Officer (Engineering), the Company
September 2012 Executive Officer and General Manager of Overseas Business Division, the Company
April 2015 Executive Officer and General Manager of Sales Strategy Division, the Company
May 2015 Representative Director and President, Harmonic AD, Inc.
May 2015 Director of SAWICK ADMA Co., Ltd. (Incumbent)
May 2017 Executive Officer in Charge of Harmonic Planetary Development, the Company
May 2018 Director, Harmonic AD, Inc. (Incumbent)
June 2018 Executive Officer (Development Engineering), the Company
June 2019 Executive Officer, General Manager of Development and Engineering Division, the Company
June 2021 Director and Executive Officer, General Manager of Development and Engineering Division, the Company (Incumbent)



Kazuhiko Hayashi

Date of birth: April 25, 1954

April 1978 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
January 2001 Project General Manager of Leading-edge Vehicle Development Planning Office, Toyota Motor Corporation
January 2004 General Manager of Electronics Engineering Div. II, Toyota Motor Corporation
January 2005 General Manager of Electronics Engineering Div. I, Toyota Motor Corporation
April 2007 General Manager of BR Control Software Development Office, Toyota Motor Corporation
January 2010 Managing Executive Officer, Sumitomo Wiring Systems, Ltd.
January 2012 Executive Officer of Sumitomo Electric Industries, Ltd., Managing Executive Officer of Sumitomo Wiring Systems, Ltd., and Director of AutoNetworks Technologies, Ltd.
June 2015 Senior Managing Executive Officer of Sumitomo Wiring Systems, Ltd., Executive Officer of Sumitomo Electric Industries, Ltd., and Director of AutoNetworks Technologies, Ltd.
July 2019 Visiting Professor, Nagasaki Institute of Applied Science
June 2022 Outside Director, Harmonic Drive Systems Inc. (the "Company") (Incumbent)



Kaeko Kitamoto

Date of birth: April 15, 1965

April 1988 Joined Sapporo Breweries Limited
October 1993 Joined Ota Showa Audit Corporation (currently Ernst & Young Shin-Nihon LLC)
July 2009 Partner, Ernst & Young Shin-Nihon LLC
September 2018 Member of Electricity and Gas Market Surveillance Commission, Ministry of Economy, Trade and Industry (Incumbent)
July 2019 Executive Board Member, Ernst & Young Shin-Nihon LLC
July 2023 Outside Director, Harmonic Drive Systems Inc. (the "Company") (Incumbent)



Yoshitsugu Yokogoshi

Date of birth: November 16, 1953

April 1977 Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.)
April 1995 Yoyogi Branch Manager, The Sanwa Bank, Ltd.
May 2005 Executive Officer, General Manager, Public Relations Department, UJ Bank Ltd. (currently MUFG Bank, Ltd.)
May 2007 Managing Executive Officer and Deputy Chief Executive, Retail Banking Business Unit, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)
January 2009 Executive Vice President, Mitsubishi UFJ Asset Management Co., Ltd. (currently Mitsubishi UFJ Asset Management Co., Ltd.)
June 2014 President, The Midori Kai Co., Ltd.
June 2017 Fulltime Audit & Supervisory Board Member, Cosmo Oil Co., Ltd.
June 2020 Fulltime Outside Corporate Auditor, Harmonic Drive Systems Inc. (the "Company") (Incumbent)



Hidefumi Iguchi

Date of birth: April 5, 1959

April 1983 Joined Harmonic Drive Systems Inc. (the "Company")
May 1999 General Manager of Quality Assurance Promotion Office, the Company
April 2009 General Manager of Operational Process Innovation Department, the Company
June 2011 General Manager of Internal Control and Audit Office, the Company
May 2013 Corporate Auditor, Harmonic Precision Inc.
July 2014 Executive Officer (Corporate Governance), General Manager of the Internal Control and Audit Office, the Company
June 2020 Executive Officer (Administration and Human Resource), General Manager of Administration and Human Resource and Manager of Environment
April 2022 Executive Officer, General Manager of Administration and Human Resource Division, Manager of Environment and General Manager of Well-Being Center, the Company
June 2022 Fulltime Corporate Auditor, the Company (Incumbent)

Corporate Auditors

Directors and Executives

**Naomi Shirasawa**

Date of Birth : Nov. 2, 1960

April 1983 Joined Harmonic Drive Systems Inc. (the "Company")
September 1998 General Manager in charge of Precision Equipment, Marketing Department, Marketing and Sales Division, the Company
July 2001 General Manager of AccuDrive Division, the Company
March 2003 Managing Director, Harmonic AD, Inc.
May 2007 Representative Director and President, Harmonic AD, Inc.
June 2010 Executive Officer and General Manager of AD Business Promotion Office, the Company
May 2011 Senior Managing Director, Harmonic AD, Inc.
June 2013 General Manager of Sales, Harmonic Drive Systems (Shanghai) Co., Ltd.
July 2016 Director, Harmonic Drive Systems (Shanghai) Co., Ltd.
June 2018 General Manager of Overseas Sales Division, the Company
June 2019 Director and General Manager of Domestic Sales Division, the Company
June 2021 Executive Officer and General Manager of Domestic Sales Division, the Company
June 2023 Executive Officer, In charge of Marketing and Sales, General Manager of Domestic Sales Division, the Company
June 2024 Executive Officer, In Charge of Marketing and Sales; General Manager of Domestic Sales (incumbent)

**Haruhiko Yoshida**

Date of birth: September 2, 1943

April 1966 Joined Mitsui & Co., Ltd.
February 1996 Senior Executive Vice President, Mitsui & Co. (U.S.A.), Inc.
April 1998 General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
June 1998 Director and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
June 2001 Representative Director, Executive Managing Director, and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
April 2002 Executive Managing Officer and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
July 2002 Executive Managing Officer and Assistant to President of Machinery and Information Group, Mitsui & Co., Ltd.
June 2003 Outside Director, Nagano Koki Co., Ltd.
June 2003 Outside Director, Harmonic Drive Systems Inc. (the "Company") (incumbent)
June 2006 Corporate Auditor, Hakudo Co., Ltd.
June 2007 Outside Director, Hakudo Co., Ltd.

**Masanobu Nakamura**

Date of birth: August 23, 1946

May 1970 Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.)
June 1999 Executive Officer and Nihonbashi Branch Manager, The Sanwa Bank, Ltd.
April 2001 Executive Officer and New York Branch Manager, The Sanwa Bank, Ltd.
January 2002 Managing Executive Officer and New York Branch Manager, UfJ Bank Limited (currently MUFG Bank, Ltd.)
May 2002 Executive Operating Officer, Corporate Banking Company Director, UfJ Bank Limited
May 2004 Representative Director, Executive Operating Officer (Strategic Support Group), Company Director, UfJ Bank Limited
June 2005 Special Advisor, Sanshin Co., Ltd.
October 2005 President and Representative Director, BNP Paribas (Japan)
November 2005 Director, Tokyo Branch, BNP Paribas Securities (Japan) Limited
June 2007 Board of Directors Advisory Committee, Harmonic Drive Systems Inc. (the "Company")
May 2011 Chairperson, BNP Paribas Securities (Japan) Limited
September 2011 Special Advisor, BNP Paribas Securities (Japan) Limited
June 2013 Outside Director, the Company (incumbent)

**Yoshio Fukuda**

Date of birth: March 1, 1953

April 1976 Joined Teijin Limited
July 2006 Corporate Officer, Teijin Group Member of the Board and General Manager of Raw Materials & Polymers Division, Teijin Fibers Ltd.
May 2007 President, P.T. Teijin Indonesia Fiber Corporation Tbk
June 2010 Corporate Officer and Member of the Board, General Manager of Corporate Planning Division, Teijin Limited
June 2012 Executive Officer and Member of the Board, General Manager of Electronics Materials and Performance Polymer Products Business Group, and General Manager of Resin and Plastic Processing Business Unit, Teijin Limited
June 2013 President, Teijin Chemicals Ltd.
June 2013 Chairperson, Global Policy Board, Teijin DuPont Films Global Joint Venture
June 2013 Senior Executive Officer and Member of the Board, General Manager of Electronics Materials and Performance Polymer Products Business Group, Teijin Limited
June 2013 Chairperson, Global Policy Board, Teijin DuPont Films Global Joint Venture
April 2015 Advisor, Member of the Board, Teijin Limited
June 2015 Advisor, Teijin Limited
June 2016 Outside Director, Toyo Construction Co., Ltd.
June 2017 Outside Corporate Auditor, Harmonic Drive Systems Inc. (the "Company")
June 2017 Auditor, Japan Indonesia Association, Inc. (incumbent)
June 2020 Director, Harmonic AD, Inc.
June 2020 Outside Director, the Company (incumbent)
March 2021 Auditor, Japan-Sri Lanka Association (incumbent)

**Eisaku Imazato**

Date of birth: March 2, 1956

April 1979 Joined The Nikko Securities Co., Ltd. (currently SMBC Nikko Securities Inc.)
March 2002 General Manager, Corporate Clients Department II, Nikko Cordial Securities Inc.
March 2003 Executive Officer, General Manager, Tokyo Corporate Clients Department II, Nikko Cordial Securities Inc.
December 2004 Director in charge of sales planning and corporate clients, Nikko Cordial Securities Inc.
February 2005 Executive Managing Director in charge of planning and wholesale business promotion, Nikko Cordial Securities Inc.
February 2007 Senior Managing Director in charge of Wholesale Sales Division I, Nikko Cordial Securities Inc.
August 2008 Senior Executive Officer, Head of Institutional Client Coverage Division, Nikko Citigroup Limited
February 2009 Managing Executive Officer, Co-Head of Corporate & Institutional Business Unit, Mitsubishi UFJ Securities Co., Ltd.
May 2010 Managing Executive Officer, Head of Corporate & Institutional Business Unit, Head of Corporate Clients Group, and Co-Manager of Regional Executives, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
May 2010 Managing Executive Officer, Mitsubishi UFJ Securities Holdings Co., Ltd.
June 2012 Executive Officer, Mitsubishi UFJ Financial Group, Inc.
June 2012 Principal Executive Officer, Head of Corporate & Institutional Business Unit, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
June 2016 Outside Director, Chairperson of the Board of Directors, Manusan Securities Co., Ltd.
March 2020 Outside Director, Manusan Securities Co., Ltd. (incumbent)
June 2020 Outside Corporate Auditor, Harmonic Drive Systems Inc. (the "Company") (incumbent)

**Nobuyuki Higashi**

Date of Birth : Mar. 31, 1964

April 1987 Nomura Research Institute, Ltd.
April 1998 Nomura Securities Co., Ltd.
July 2000 Nomura Principal Finance Co., Ltd.
April 2012 Managing Director of Investment Business Group, Innovation Network Corporation of Japan (currently Japan Investment Corporation)
April 2017 Outside Director, JOIED Inc. (incumbent)
April 2017 Outside Corporate Auditor, Harmonic Drive AG (currently Harmonic Drive SE)
June 2017 External Director, Japan Display Inc. (retired in June 2018)
September 2018 Executive Managing Director and Managing Director of Investment Business Group, INCJ, Ltd.
March 2020 External Director, Japan Display Inc.
June 2021 Senior Executive Managing Director and Managing Director of Investment Business Group, INCJ, Ltd. (incumbent)
June 2024 Corporate Auditor, the Company (incumbent)

Executive Officers (As of October 1, 2024)**Akira Nagai**

Chairperson and Executive Officer (Group Management)

Akira Maruyama

President and Chief Executive Officer (Chief Executive Officer)

Kazutoshi KamijohSenior Managing Executive Officer
(General Manager of Finance Accounting, Finance and Tax Division)**Minoru Asano**

Managing Executive Officer (General Manager of Supply Chain)

Tetsuo Ikuta

Executive Officer (In Charge of Public Relations)

Yoshihide KiyosawaExecutive Fellow Officer
(Chief Technical Officer) (In Charge of Engineering and Quality)**Yoshihiro Tanioka**

Executive Officer (General Manager of Development and Engineering)

Michiya Yashiro

Executive Officer (General Manager of Risk Management)

Naomi ShirasawaExecutive Officer
(In Charge of Marketing and Sales) (General Manager of Domestic Sales)**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)

Osamu Asakura

Executive Officer (In Charge of Administration, Human Resource and Environmental Management Representative)

Shizuka Yata


Executive Officer (In Charge of Harmonic Drive Laboratory)

Tetsuya ShiokawaExecutive Officer
(General Manager of Corporate Planning; In Charge of Business Development)

Special Feature 2 Outside Officers Roundtable Discussion

Toward the achievement of the 2030 Vision and growth beyond that

The HDS Group is working to strengthen its governance and improve the effectiveness of the Board of Directors through the advice and supervision provided by seven outside officers (five Outside Directors and two Outside Corporate Auditors), based on their objective viewpoints and diverse experiences. In this roundtable discussion, two Outside Directors, who concurrently serve as members of the Nomination and Remuneration Advisory Committee, and two Outside Corporate Auditors, exchange candid views about their expectations of the achievement of the 2030 Vision and growth beyond that, and about the issues involved therein.

A photograph of four men in business suits standing side-by-side against a light blue background. From left to right: Eisaku Imazato, Yoshitsugu Yokogoshi, Haruhiko Yoshida, and Masanobu Nakamura. Each man has a nameplate and title below him.

**Eisaku
Imazato**

*Independent Outside Corporate
Auditor*

**Yoshitsugu
Yokogoshi**

*Independent Full-time Outside
Corporate Auditor*

**Haruhiko
Yoshida**

*Independent Outside Director
Chair of Nomination and
Remuneration Advisory Committee*

**Masanobu
Nakamura**

*Independent Outside Director
Nomination and Remuneration
Advisory Committee Member*

Management that is conscious of profitability and growth potential

MC: What is your focus in monitoring the progress of 2030 Vision and the Medium-Term Management Plan for fiscal years 2024-2026?

Yoshida: I intend to check two points strictly, namely, whether the basic approach and goals of the Vision and Medium-Term Management Plan have been shared among everyone in every corner of the organization, and whether the whole of the company is working in unison to address them. HDSI used to be the only company of its kind, with little competition, but these days, it faces an extremely competitive environment. I feel that there is a sense of complacency within the company, the attitude that "it is still okay." Changing the mindset of all employees will be essential for the accomplishment of the Medium-Term Management Plan. I have also sounded the warning bell on this point in the Board of Directors.

Nakamura: The impairment write-down associated with the acquisition of the German subsidiary at the end of the previous fiscal year put an end to past problems. I look forward to seeing HDSI decisively execute its growth strategy under the leadership of the new president. Progress is being made in the expansion of capacity and improvement of productivity at the Ariake Factory, and preparations are well under way at that factory for the next growth.

Yokogoshi: I place particular emphasis on two points when auditing and supervising the execution of management strategy. The first point is whether the basic views of the management strategy has been properly shared with frontline employees, enabling them to work toward its goals. For this reason, as Corporate Auditor, I visit frontline operations such as factories on a regular basis, gathering opinions from many people, including the responsible officers of the relevant departments, and providing feedback from the frontlines to the executive side. The other point is whether internal controls is being established and implemented properly across the entire HDS Group, particularly its eight major subsidiaries in Japan and overseas.

In emphasizing these points, I hope to establish an environment in which the management team can be decisive in taking appropriate risks.

Imazato: As the high PER and PBR of HDSI's shares indicate, I am aware that investors have high expectations for the company's growth. Even further management efforts will be needed to meet those expectations. Until about a dozen years ago, HDSI had been operating its business with almost no competition, but in more recent times, competition has become increasingly intense. We can also expect that listening carefully to customer feedback, as the company done has in the past, will become more difficult. As Corporate Auditor, I will also pay attention to risks that newly emerge with the change in competitive environment, as well as the underlying risks of overseas subsidiaries that pursue localization.

MC: What kind of discussion is taking place in the Board of Directors about business portfolio transformation and capital reallocation in consideration of capital costs?

Nakamura: An assumption of cost of shareholders' equity of 8% has been shared in the Board of Directors. Meanwhile, the hurdle rate for new investments has been set at 10% or higher, by which, I believe, we have been able to implement investment allocations that are conscious of capital efficiency. HDSI's business model is based on a Business to Engineer (B2E) approach, and we provide customized products that meet the needs of the engineers at our customer companies. I believe that we will be able to improve capital efficiency by continuously identifying growth markets and making selective and intensive investments.

Yoshida: As HDSI focuses on the businesses of precision speed reducers and motion control, the transformation of its business portfolio may not necessarily be the ideal approach. Having said that, there is a possibility that capital allocations



Yoshida

to the planetary gear business will become an important item on the Board of Directors' agenda in the future. To achieve ROE of 10% or higher, which is our financial target for capital efficiency, I believe that we need to actively invest in digital transformation, using automation of production and AI, and to improve operational efficiency and productivity.

Imazato: My understanding is that the rise of competing companies and increasingly harsh competition in both Japan and overseas have been factored into the evaluations made by capital markets. To maintain a high return on invested capital going forward, we need to change our previous awareness and behavior. I hope to confirm whether the reform of awareness and behavior that the management team aspires to has taken root on the frontlines through exchanges of opinion with people on those frontlines.

Yokogoshi: HDSI has a relatively uncomplicated business portfolio, so in my view, the need analyze the spread between ROIC and WACC in detail and discuss it in the Board of Directors is relatively low. Nevertheless, the number of M&A and business investment projects is expected to grow in the future, which will require investment decisions to be made with a focus on capital efficiency. Gaining a deeper understanding of that point will also be important for those on the supervising side.

Special Feature 2 Outside Officers Roundtable Discussion

Sustainability-conscious management

MC: There is an expectation in the capital markets for management strategy and sustainability strategy to be integrated. What is your assessment of HDSI's efforts toward its material issues (materiality) for the realization of the 2030 Vision?

Yokogoshi: In April 2023, we established a Sustainability Committee, chaired by the President & CEO. We identified the material issues (materiality) for the achievement of the long-term vision and reflected them in specific measures under the Medium-Term Management Plan that began this fiscal year. Sustainability management systems and disclosure contents will also be subject to audits from now on, necessitating the reinforcement of the supervisory function of the Board of Corporate Auditors and Board of Directors.

Yoshida: Among those material issues (materiality), "Achieving QCDS that meets customer expectations," particularly the "C" part, namely restoration of cost competitiveness, is the most important issue. I hope to see the realization of company-wide cost innovation projects with a focus on results. I also want the company to take on the challenge of developing new business models through collaboration with overseas Group companies in Germany, the U.S., and China. If we establish a value chain overseas, it will function as a BCP in the event of unforeseen circumstances, even in Japan. "Maximizing the value of human capital" is another matter of urgency, so I look forward to seeing the Company clarify its concrete plans and execute them swiftly to achieve that goal.

Nakamura: One of the material issues (materiality) of "Achieving QCDS that meets customer expectations" is crucial for the HDS Group to deliver what society needs through our customers' products. To respond to ever changing needs, it will be necessary for the entire value chain, including development, manufacturing, and sales, to act in unison to enhance technologies and skills that solve customers' issues. To achieve this, we will strengthen these initiatives even further by linking it to another material issue (materiality), "Take on the challenge of developing new

technologies and skills that coordinate with changes in the environment."



Nakamura

Imazato: I think the next step in HDSI's sustainability management will be to promote it across the Group, including overseas Group companies. I hope that the HDS Group will enhance sustainability through contribution to the sustainability of society by sharing a common philosophy with subsidiaries in Germany and the U.S. as well. We could probably learn from them about their approaches toward and practice of sustainability.

Yokogoshi: In the Board of Corporate Auditors meetings held in FY2024, we set key audit items, such as initiatives for sustainability, structures for their promotion, indicators and materiality targets, and state of progress, in the Medium-Term Management Plan launched this fiscal year. Looking ahead of the transition to statutory disclosure, we will also include appropriateness of information disclosure in the scope of audit. By auditing the appropriateness of sustainability management, the Board of Corporate Auditors hopes to help the Group's various initiatives for sustainability take root as part of the corporate culture.

MC: Do you see any issues in terms of HDS Group's governance and internal control, including at its overseas Group companies?

Yokogoshi: To enhance the effectiveness of Group governance, members of the executive team of the parent company, HDSI, serve as directors and corporate auditors of overseas Group companies and perform supervisory functions. As the Board of Corporate Auditors, four Corporate Auditors make regular site visits and conduct detailed operational audits. We also receive quarterly reports from the heads of Group companies in Japan and overseas on their respective progress of their management plans and any issues. In addition, the Corporate Auditors check the monthly reports of the Group companies to identify any changes that occur, even short-term ones. I believe that the supervisory function over the entire Group has been well established.



Yokogoshi

Yoshida: In terms of internal control across the entire Group, including overseas companies, we receive regular reports from the Board of Corporate Auditors and Internal Control and Audit Office. I think that this approach works soundly. However, as we have entrusted the business operations of overseas Group companies to local management teams, I do see a need over the medium to long term to further strengthen our supervisory functions. In the

Special Feature 2 Outside Officers Roundtable Discussion

future, for example, we will consider involving the Nomination and Remuneration Advisory Committee in the selection and nomination process of management teams of local subsidiaries.

Nakamura: HDSI has delegated operational authority to the local executive teams of its subsidiaries in Germany and the U.S. On the other hand, HDSI dispatches top management to the Group company in China, as it is positioned as a sales subsidiary of the company. As well as appointing HDSI executives as directors and corporate auditors of local subsidiaries as supervisors of business execution, we outside officers also conduct monitoring by observing the quarterly business report meetings of Group companies in Japan and overseas, through reports made by corporate auditors, and further, through the operation of the internal whistleblowing system, in which I am directly involved.

Imazato: While localization of subsidiaries in Germany and the U.S. is progressing, making it possible for them to make management decisions swiftly, due to the small number of seconded employees from HDSI, I sense that there are issues in terms of communication at the frontlines level. I hope to increase the number of young and mid-level employees dispatched to overseas locations. This will allow for deeper mutual understanding and strengthen personal networks, and I believe we could expect to see synergy in operations emerge from that. I think there are many employees who want to build up their career overseas, so I hope that the executive side will establish an environment in which these employees can take on such challenges.



Functions demonstrated by independent outside officers

MC: What is your view on the functions and roles of the Nomination and Remuneration Advisory Committee? Could you also tell us about any main initiatives coming up?

Yoshida: The Nomination and Remuneration Advisory Committee was established in March 2024. Even before the establishment of the Committee, HDSI's outside officers have always participated in discussions on officers' remuneration. Regarding nomination as well, outside officers participated in meetings and committees held by the executive side and were involved in the process of evaluating director candidates in a natural way. The purposes of establishing the Committee are to enhance the objectivity and transparency of these processes, including such participation by outside officers and to be accountable to stakeholders. The Committee met four times in the three months until the General Meeting of Shareholders. We consulted and reported for the nominations of the new President & CEO and Chairperson of the Board. This was to be the first change in President & CEO in 11 years and the first change in Chairperson of the Board in 21 years. Going forward, we will proceed with the formulation of succession plans as well as an examination of the remuneration system that will contribute to the enhancement of the HDS Group's corporate value.

Nakamura: For the nomination of new President & CEO and Chairperson of the Board, the Nomination and Remuneration Advisory Committee held numerous discussions and undertook

careful deliberations. The objective and transparent deliberations through which the candidates were selected has, I believe, secured the legitimacy of those choices. Going forward, we will accelerate initiatives for the formulation of succession plans from medium-to long-term perspectives and strive to strengthen corporate governance.

Yokogoshi: The Board of Corporate Auditors inspects the minutes of the Nomination and Remuneration Advisory Committee and checks the legality of the content of the consultation and report. Regarding the question of how Outside Corporate Auditors should be involved in discussions on officers' remuneration and nomination, I am aware that one school of thought is that they should be involved in the Committee directly. However, in consideration of the scale and governance structure of HDSI, we see the current status as appropriate under present circumstances.

Imazato: I believe that, for the selection and development of the next generation of executive management, an approach of selecting individuals early and developing them over the long term will be key. While I understand that management of the manufacturing business requires abundant experience, I also believe that we will be able to enhance the talent pool for the next generation of management by providing highly motivated employees who have management qualities with opportunities that will allow them to demonstrate leadership at an early stage.



I Message from Officer in Charge of Public Relations



We will communicate the Group's diverse social initiatives to internal and external stakeholders and contribute to the achievement of our long-term vision by realizing corporate culture reform and enhancing the value of the HDS brand.

Executive Officer in Charge of Public Relations **Tetsuo Ikuta**

Roles of public relations section inside and outside the Company

The Company is enhancing its communication of information both internally and externally through public relations. Internally, we are working to foster a corporate culture based on our Management Philosophy by sharing information that employees will find useful in their business activities. Externally, we contribute to the maximization of corporate value by establishing our corporate image in line with our branding strategy and building a relationship of trust with society. We have two major media for internal public relations. "HD.Times" is an internal newsletter distributed to all employees of the HDS Group, and "HD Technical Report" is a technical journal aimed at educating and raising awareness among engineers. First published in 1979, HD.Times will mark its 300th issue in December 2024. Taking this opportunity, we are planning to enhance the English version and publish an electronic version of the newsletter. The main thrust of our external public relations includes dealing with the media, sponsorship of local events such as the Shinshu Azumino Half Marathon, and public relations activities at company events such as Harmonic Concerts and Harmonic Lectures. We believe that these public relations activities at sports and cultural events have helped to increase recognition of the HDS Group in the Nagano Prefecture's Azumino region, where our production base is located, and to nurture pride in HDS Group employees.

Passing on the Management Philosophy, fostering corporate culture, and enhancing communication of information to stakeholders

Our aims in the editing of HD.Times are to pass on the

Management Philosophy and to realize corporate culture reform. We place particular emphasis on sharing the vision and policy of top management with employees. As an initiative for the communication of information to stakeholders, we are preparing to establish a company museum at our Ariake Factory. Specifically, video panels will be installed in the entrance hall on the 1st floor to screen videos introducing the company and the various initiatives being undertaken by the HDS Group. There will also be a product showroom. The 2nd floor will house the Musser Memorial Room introducing C. W. Musser, the inventor of HarmonicDrive®, and a lobby overlooking the factory, where the history of the company and its product development will be exhibited using digital archives. Our goal is to open this museum in 2025 as a place to convey the history and aspirations of the HDS Group to our employees, shareholders, customers, suppliers, sales agents, and the local community.

Contributions and achievements for local community and future society

Since establishing a factory in Azumino, Nagano Prefecture in the 1970s, we have held Harmonic Concerts and Harmonic Lectures with the aim of contributing to the local community. All proceeds of the concerts are donated to elementary and junior high schools in Azumino City to cover the cost of purchasing books. In addition, the Personnel Department and Public Relations Office collaborate to conduct outreach classes at national technical colleges and high schools in Nagano Prefecture. In these classes, our development engineers act as lecturers to introduce the principles of HarmonicDrive® and practical examples of its applications. We hope to keep contributing to the development

of future generations who will support Japan's manufacturing industry. We also actively participate in local events. In addition to sponsoring the Shinshu Azumino Half Marathon as a gold partner, our employees participate as runners themselves. This year, more than 20 of our employees ran through the streets of Azumino.

As a manufacturer of precision speed reducers, the HDS Group has been consistent in its proposals of products that meet customer needs. These products are mounted on our customers' innovative devices and robots, and as such, they have made great contributions to the development of industries in society. Going forward, we hope to continue our contribution to the society of the future by predicting the future and preemptively developing products that will be needed.




















Roles of the public relations section in the achievement of the long-term vision and current Medium-Term Management Plan

Sharing the concepts and goals of the long-term vision and current Medium-Term Management Plan with employees and stakeholders is another key role of the Public Relations Office. To this end, our immediate issue is how to roll out public relations activities in an integrated manner across the Group companies. In our internal public relations, we aim to stimulate communications among Group companies and employees, and in our external public relations, we aim to establish a future-oriented, high-quality HDS brand through collaboration with the marketing sections of Group companies. It is in such ways that we hope to contribute to the achievement of the long-term vision and Medium-Term Management Plan.

*Harmonic Ito Foundation has hosted the Harmonic Concerts since the 35th concert in 2018 and the Harmonic Lectures since the 20th lecture in 2019, with HDSI participating as a co-sponsor.

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	SDGs
Employees 	<p>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.</p>	<ul style="list-style-type: none"> ● Respect for fundamental 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 	<p>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.</p>	<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 (FY2023: 10 meetings attended by 293 persons, FY2022: 14 meetings attended by 291 persons) ● Individual meetings with domestic and overseas institutional investors (Domestic : FY2023: 106 investors, FY2022: 146 investors) (Overseas: FY2023: 89 investors, FY2022: 79 investors) ● Company briefing sessions for individual investors (once or more per year) 	
Customers 	<p>As the foundation of its management, The HDS Group prioritizes "ceaseless research and development activities" and "a constant emphasis on quality," aiming to create attractive products that satisfy our customers and provide services from the perspective of our customers.</p>	<ul style="list-style-type: none"> ● Stable supply of high-quality products ● Meeting delivery deadlines ● Maintaining and improving product quality ● Provision of environmentally-friendly products ● 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 	  
Suppliers 	<p>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.</p>	<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 ● Environmental impact assessments of potentially hazardous substances and submission of documents on green procurement standards 	 
Local communities 	<p>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.</p>	<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 	<p>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.</p>	<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 	