

## Introduction

The management philosophy of Harmonic Drive Systems consists of four pillars: "Respect for the Individual," "A Meaningful Company," "Coexistence and Co-prosperity," and "Contribution to Society." Atsuo Tokoro, the first president, played a key role in establishing them. "Respect for the Individual" is placed in the first place. In "Coexistence and Co-prosperity," employees are listed at the top of stakeholders. As a premise of "A Meaningful Company," it doesn't have any meaning if our employees cannot work happily. To fulfill the philosophy of "Contribution to Society," our employees' jobs must be protected. Thus, our management philosophy put employees at the core and this is the foundation of all our activities.

In the past, I had to cut staff due to deteriorating business. I thought about the departing employees and cried. I will never forget that moment. I believe the most important thing for the management is that each employee can perform at their full potential. I tell them that they need to pursue their individual happiness. As the description of "Respect for the Individual" shows, we aspire to be a company where employees come first. I worked in Germany for a long time and learned that recognizing individuality and understanding differences are keys to good management. We share our management philosophy with the heads of our group companies outside Japan. At the same time, we encourage them to establish unique identities of their own by recognizing their individualities under our global common product, HarmonicDrive®. To realize it, we need to have a solid foundation and be deeply rooted in it.

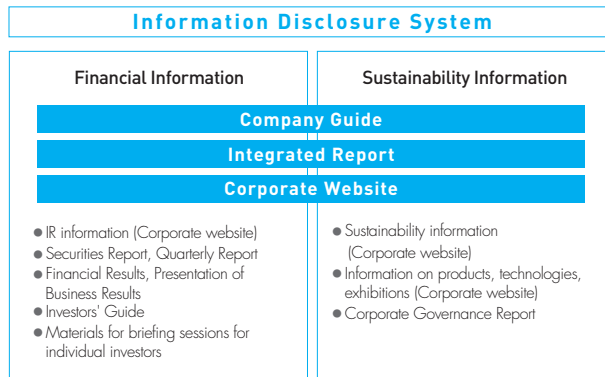
Looking back, we went through a hard time during the 1970s when we were going through repeated trial and error to promote HarmonicDrive®, the main product of our group. At the time, we thought of HarmonicDrive® merely as a speed reducer. However, we didn't realize the product's strengths. As a result, we could only sell it for limited uses. In such circumstances, one day, an engineer in a German printing machine manufacturer came to us to find whether HarmonicDrive® could be used for precise positioning. With this as a trigger, product usage started to expand. The HDS Group has a long history of advancing our business model of customizing HarmonicDrive®, our core product, by listening and responding seriously to requests from such customers. It has been firmly rooted in our corporate culture for more than 50 years since our foundation.



*Chairperson of the Board of Directors*  
Mitsumasa Ito

A handwritten signature in black ink, consisting of stylized, flowing characters that appear to be 'Mitsumasa Ito'.

# Contents / Editorial Policy / Information Disclosure



## Our website

Access our website for detailed information including financial information, such as Financial Results, Presentation of Business Results, as well as sustainability information.

[Investor Relations | Harmonic Drive Systems](#)

[Sustainability | Harmonic Drive Systems](#)

[Harmonic Drive Systems 50th anniversary](#)

## Editorial Policy

This publication, HDS Report 2023, is the first integrated report issued by the Harmonic Drive Systems Group (HDS Group). It deepens the understanding of wide-ranging stakeholders, including shareholders and investors, by explaining not only the medium- to long-term economic value generated by the HDS Group, but also other factors of the Group, including the management philosophy, long-term vision, and business models, the capital and strengths forming the source of the Group's competitive edge, and the sustainability promotion system, in order to improve the Group's social and environmental value. In compiling this report, we referred to IFRS Foundation's International Integrated Reporting Framework, the Ministry of Economy, Trade and Industry's "Guidance for Collaborative Value Creation," and other relevant guidelines.

## Scope of reporting

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

Period reported: this report covers mainly fiscal 2022 (from April 1, 2022, to March 31, 2023). Notes, etc., are inserted where any other period is mentioned.

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

## Notes on forward-looking statements

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

## Contents

- 01 Introduction
- 02 Contents / Editorial Policy / Information Disclosure

## HDS Group's Values and Aspirations

- 03 Values and Aspirations
- 05 Message from the CEO
- 11 Materiality to Achieve Aspirations
- 13 Value Creation Process

## Strategies to Achieve Aspirations

- 15 Interview With Representative Director
- 17 Message From Officer in Charge of Financial Affairs
- 19 Interview With Officer in Charge of Intellectual Capital
- 21 Interview With Chief of Harmonic Drive Laboratory
- 23 Interview With Officer in Charge of Manufacturing Capital
- 25 Interview With Officer in Charge of Domestic Sales
- 26 Interview With Officer in Charge of Overseas Sales
- 27 Corporate History and History of Value Creation
- 29 At a glance
- 31 Financial Highlights
- 32 Sustainability Information Highlights
- 33 Past Medium-Term Management Plans
- 34 Overview of Current Medium-Term Management Plan

## Sustainability Supporting Action Strategies

- 35 Message From Person in Charge of Sustainability Promotion
- 37 Efforts on Global Environment
- 39 Measures to Address Climate Change
- 41 Provision of Products and Services That Meet Customer Expectations
- 42 Message From Officer in Charge of Supply Chains
- 43 Interview With Officer in Charge of Human Resources
- 45 Employee Roundtable Discussion
- 48 Interview With Officer in Charge of Public Relations

## Sustainability Management

- 49 Outside Directors Roundtable Discussion
- 52 Corporate Governance
- 58 Stakeholder Engagement
- 59 Directors and Executives

## Data and Company Information

- 61 Sustainability Data
- 63 Financial Data for the Past 11 Years
- 65 Financial Data
- 66 Global Network
- 67 Corporate overview
- 68 Stock Information