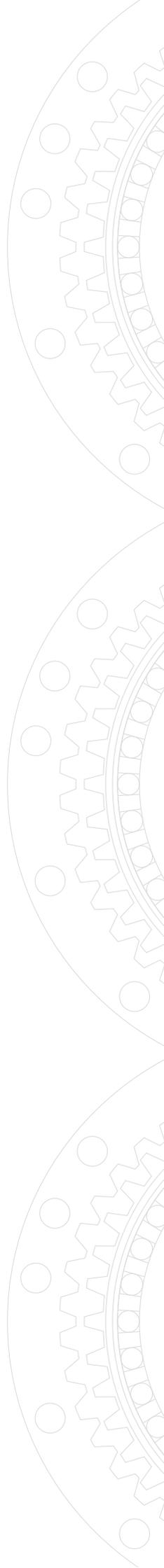




Sustainability Data Book 2025



Editorial policy



Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

This report is a data-intensive compilation of ESG-related information and has been compiled with reference to the assessment items of the main ESG assessment organisations. In the future, we plan to continuously expand the ESG-related information we consider important every year.

Specific ESG initiatives can be found on our website (<https://www.hds.co.jp/english/csr/>).

Scope of reporting

Period : FY2024(1 April, 2024 - 31 December, 2025)

Reporting and disclosure period

October 2025

Reporting organisation

Non-consolidated : Harmonic Drive Systems Inc.

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

Guaranteed Third Party

This report is not endorsed by any third-party organisation.

Contact

Sustainability Management Office

Ichigo Omori Bldg., 4F 6-25-3 Minami-Oi, Shinagawa-ku, Tokyo 140-0013 Japan

9:00~17:30 (except Saturdays, Sundays, public holidays and our designated holidays)

Email:sustainability@hds.co.jp

Related our websites

- Company profile <https://www.hds.co.jp/english/company/about/>
- Sustainability <https://www.hds.co.jp/english/csr/>
- Investors Relations <https://www.hds.co.jp/english/ir/>

With the aim of realizing a sustainable society and enhancing our corporate value over the medium term, we have formulated the following Basic Policy of Sustainability, which was approved by our Board of Directors on March 25, 2022.

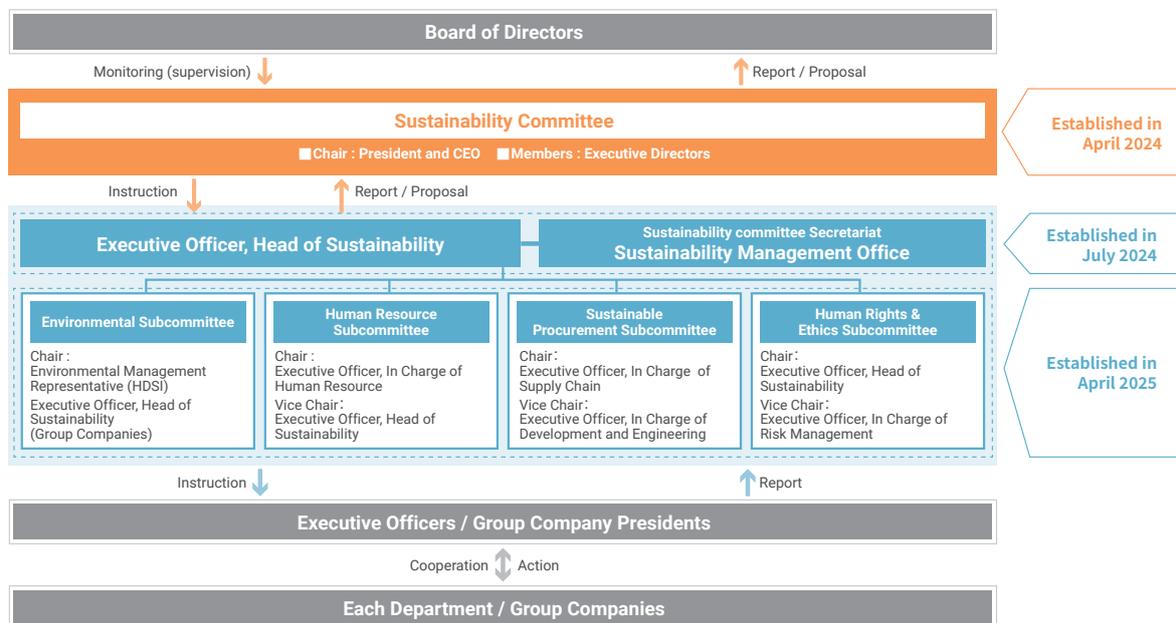
Policy of Sustainability

As a technology and skills-based organization in pursuit of Total Motion Control, the HDSI 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 individuals, be a meaningful company, coexistence and co-prosperity, and contribution to society.

[Related our websites] <https://www.hds.co.jp/english/csr/policy/>

HDS Group Organization Structure for Sustainability Promotion

Under the following structure, the HDSI Group is promoting sustainability throughout its organization. Established on April 1, 2023, the Group's Sustainability Committee has been leading efforts to facilitate sustainability across its corporate umbrella. To enhance the effectiveness of this framework, it was decided at the Sustainability Committee meeting held on March 7, 2025, that subcommittees will be established for major sustainability topics starting in fiscal year 2025. Each head of subcommittee will also attend the Sustainability Committee meetings and participate in discussions, thereby accelerating the promotion of sustainability within the Group.



[Related our websites] <https://www.hds.co.jp/english/csr/approach/>

Materiality

In conjunction with the formulation of the medium-term management plan for fiscal years 2024-2026, the Group reviewed its materiality through repeated discussions at the Sustainability Committee and, following deliberation at the Board of Directors meeting held on November 20, 2023, identified five new material issues as "Materiality to Achieve Aspirations." These five material issues represent the key priorities to be addressed in order to realize our long-term vision of becoming "the best provider of total motion control in harmony with the future" and serve as the foundation for the 2024-2026 medium-term management plan.



[Related our websites] <https://www.hds.co.jp/english/csr/materiality/>

Environmental Policy (Environmental Management System)

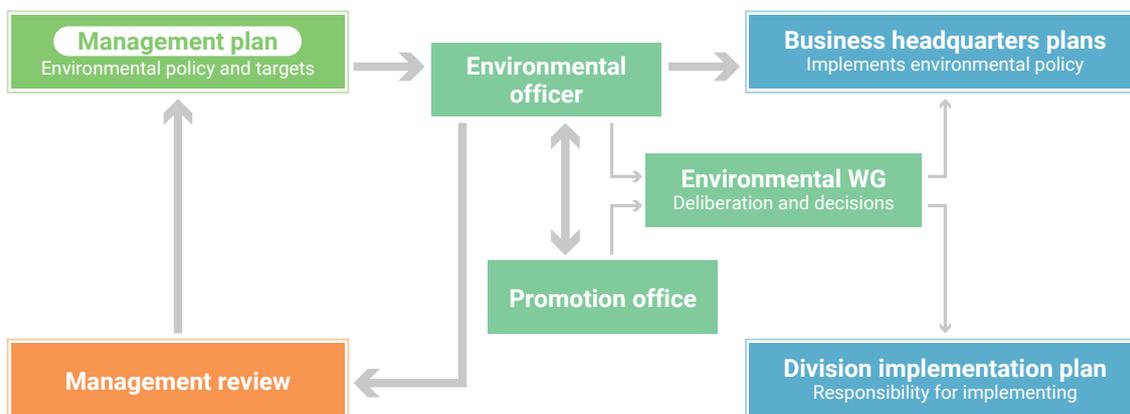
Deeply aware of our corporate social responsibility regarding global environment, our company is committed to implementing environmental protection policies. Through our business objective of pursuing total motion control, we provide society with superior technologies and services that will slow the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

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 the 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 environmental protection efforts of local communities and endeavor to coexist with them.

[Related our websites] <https://www.hds.co.jp/english/csr/environment/management/>

Environmental Management Organization

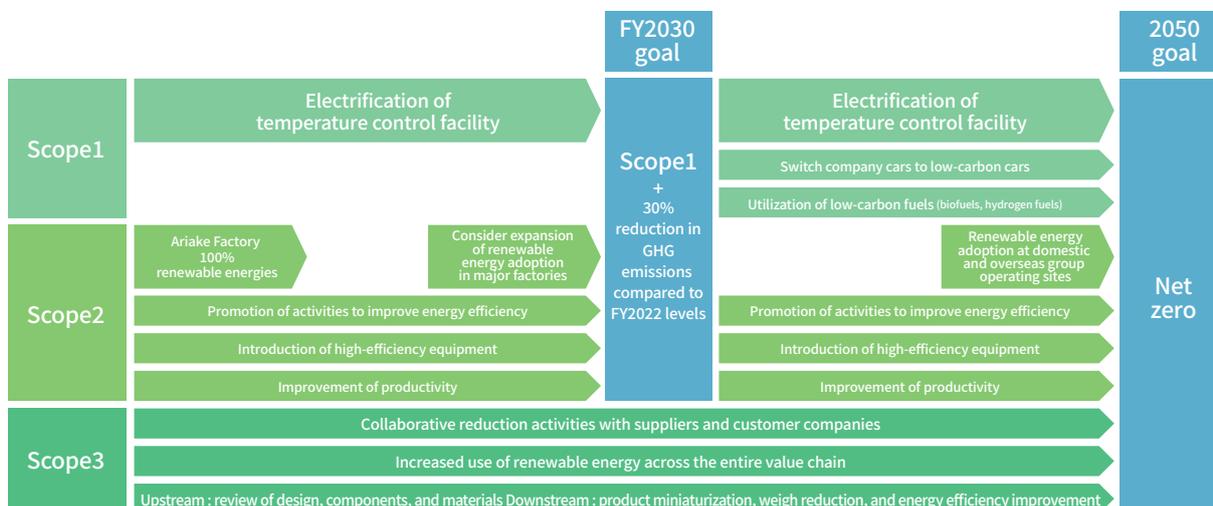
Based on our environmental policy, every fiscal year we set areas of focus and targets to be achieved by each division and develop these into a management program, thereby encouraging each organization to carry out its own environmental actions and making operation of the environmental management system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



[Related our websites] <https://www.hds.co.jp/english/csr/environment/management/>

Climate transition plan toward Net Zero by 2050

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 a milestone (interim goal) to reduce GHG emissions (Scope 1 + 2) by 30% by 2030 compared to FY2022 levels. Building on these targets, the HDS Group has developed a climate transition plan (reduction roadmap) outlining our pathway to Net Zero by 2050 goal.



Environment



Reducing Our Environmental Footprint

Items		Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024	
Environmental Management System	ISO 14001 certification	Number of establishments acquired	Company	Consolidated	4	5	5	5	5
		Ratio of certifications acquired at sites	%		44.4	55.6	55.6	55.6	55.6
ESH audit	ESH audit *ESH audit: An internal environmental audit based on the ISO14000 standard or in accordance with the company's environmental policies.	Company	Consolidated	3	4	4	4	4	
	Environmental follow-up audits *Audit to confirm improvement activities for deficiencies identified in an internal environmental audit	Company	Consolidated	3	4	4	4	4	
Environmental Compliance	Ration of sites where environmental risk assessments have been conducted among all sites*		%	Consolidated		100	57.1	78.6	67.0
	Violation of environment-related laws and regulations*		Number of case	Consolidated		0	0	0	0
	Accident/pollution that causes environmental issues*		Number of case	Consolidated		0	0	0	0
	Complaints about environmental issues*		Number of case	Consolidated		0	1	0	0
	Amount of a fine*		Yen	Consolidated		0	0	0	0
Environmental education and training	Environment-specific education*	Number of times implemented	Times	Consolidated		0	11	9	19
		Number of people attended	Person(s)			0	384	289	281
		Ratio of people attended	%			0.0	29.0	21.4	20.3
	Education to raise environmental awareness*	Number of times implemented	Times	Consolidated		0	25	37	10
		Number of people attended	Person(s)			0	557	537	229
		Ratio of people attended	%			0.0	42.1	39.8	16.5
	Education for earning environmental certifications*	Number of times implemented	Times	Consolidated		2	2	3	5
		Number of people attended	Person(s)			2	9	4	13
		Ratio of people attended	%			0.5	0.7	0.3	0.9
Environmental accounting	Environmental conservation cost investment amount*		Ten thousand yen	Consolidated			2,496	3,276	1,337
	Environmental conservation cost investment amount*		Ten thousand yen	Consolidated			150	150	150
	Economic effects associated with environmental conservation*		Ten thousand yen	Consolidated			302	262	584

*Change to consolidated data from FY2022

Creating Environmental Friendly Products

Items		Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024
Environmental Friendly Products	Number of products developed (cumulative)*	Number of case	Consolidated	4	1	16	19	2

*Change to consolidated data from FY2022

Responding to climate change

	Items	Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024	
GHG emissions	Total GHG emissions*	t-CO2	Consolidated		239,013.17	3,852,768.89	1,017,968.58	2,113,298.76	
	Scope1	Country/Region		t-CO2	Consolidated				
		Japan				80.00	80.69	54.14	37.72
		Taiwan				0.00	0.00	0.00	0.00
		China				15.62	13.70	0.00	0.00
		South Korea				0.00	0.00	0.00	0.00
		North America				204.93	145.02	82.47	82.34
		Germany				157.56	76.66	51.81	68.79
		United Kingdom				0.00	0.00	0.00	0.00
		France				11.38	4.08	5.62	0.00
		Switzerland				0.00	2.76	11.45	7.88
		Italy				22.91	11.13	0.00	0.00
		Spain				5.48	5.57	0.00	0.00
		Austria				0.00	2.42	3.45	2.57
		Total				497.87	342.04	208.94	199.30
	Scope2	Country/Region		By location					
		Japan		13,393.54	15,418.08	12,792.25	13,234.51		
		Taiwan		0.00	2.98	1.22	1.10		
		China		28.61	32.21	31.43	30.40		
		South Korea		387.69	228.77	254.67	259.43		
		North America		782.93	474.04	361.40	1,234.94		
		Germany		2,335.16	2,486.09	2,159.98	1,926.13		
		United Kingdom		3.87	3.20	3.33	2.83		
		France		2.04	0.63	0.32	0.28		
		Switzerland		0.03	0.01	0.13	0.08		
		Italy		7.51	4.16	3.78	3.00		
		Spain		0.33	0.28	0.30	0.22		
		Austria		0.00	0.05	0.34	0.23		
		Total		16,941.71	18,650.50	15,609.14	16,693.15		
	Scope2	Country/Region		By market					
		Japan				9,839.24	7,827.65	8,205.88	
		Taiwan				0.29	1.22	1.10	
		China				32.21	31.43	30.40	
		South Korea				265.92	254.67	259.43	
		North America				290.65	361.40	709.02	
		Germany				1,777.85	1,203.99	1,263.60	
		United Kingdom				0.00	0.00	0.00	
		France				0.31	0.16	0.04	
		Switzerland				0.06	0.13	0.08	
		Italy				6.19	2.14	1.45	
		Spain				0.15	0.26	0.23	
		Austria				0.04	0.00	0.00	
Total					12,212.91	9,683.04	10,471.23		
Scope3*	1.Purchased goods and services				198,899.04	358,791.95	289,079.13	313,377.54	
	2.Capital goods				17,054.10	11,236.60	12,440.66	6,468.11	
	3.Fuel- and energy-related activities not included in Scope 1 or Scope 2				899.01	18,329.40	21,588.63	21,183.09	
	4.Upstream transportation and distribution				3,951.13	8,465.52	6,568.32	7,822.12	
	5.Waste generated in operations				454.54	1,322.21	1,066.85	1,082.61	
	6. Business travel				103.75	701.52	1,301.31	1,504.82	
	7. Employee commuting				212.04	613.37	693.90	727.51	
	8. Upstream leased assets				0.00	—	—	—	
	Total upstream				221,573.60	399,460.57	332,738.81	352,165.80	
	9. Downstream transportation and distribution					3,836.67	2,286.88	2,415.46	
	10. Processing of sold products					—	—	—	
	11. Use of sold products					3,428,809.02	666,566.00	1,741,234.86	
	12. End-of-life treatment of sold products					1,399.60	272.74	342.80	
	13. Downstream leased assets					270.49	286.07	262.39	
	14. Franchises					—	—	—	
	15. Investments					—	—	—	
	Total downstream					3,434,315.78	669,411.69	1,744,255.51	
16. Other (upstream)					—	—	—		
17. Other (downstream)					—	—	—		
Total					221,573.60	3,833,776.35	1,002,150.50	2,096,421.31	
Energy consumption	Electric Power*	Consumption of purchased or acquired electricity	kWh	Consolidated		20,269,377	42,295,000	24,734,799	29,368,000
		Electricity derived from renewable energy (Solar power generation, etc.)					5,300,000	12,027,596	11,848,000
		Total					20,269,377	47,595,000	36,762,395
		Volatile oil (gasoline)*	ℓ	Consolidated			42.23	2,231	3,615
		Volatile oil (kerosene)*	ℓ	Consolidated			44.02	15,201	7,970
		LNG (city gas)*	m ³	Consolidated			168.26	0	77,111
	Light oil*	ℓ	Consolidated			22.46	8,892	4,635	
	LPG (propane gas)*	m ³	Consolidated			9.08	1,243	2,386	

*Change to consolidated data from FY2022

Conservation of water resources

Items		Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024	
Water accounting	Total water withdrawal*	Total water discharge	m ³	Consolidated		23,000	30,700	29,446.05	28,041.34
		Total water discharge					320	463.00	—
		Total				23,000	31,020	29,909.05	28,041.34
	Total water discharge*	Drainage to sewer	m ³	Consolidated		23,000	31,020	29,446.05	27,963.34
		Direct drainage to rivers, etc.				—	—	—	—
		Total				23,000	31,020	29,446.05	27,963.34
Water consumption*		m ³	Consolidated				463.00	78.00	

*Change to consolidated data from FY2022

Waste management

Items		Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024	
Resource saving and waste	General waste*	Incinerated garbage	t	Consolidated		54.1	2,245	1,837	1,927
		Cafeteria garbage				0.4	10	9	9
		Total				54.5	2,255	1,846	1,936
	Hazardous waste*		t	Consolidated			712	584	550

*Change to consolidated data from FY2022

Measures against environmentally hazardous substances

Items		Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024	
Measures against environmentally hazardous substances	Green procurement*	Ratio of consent acquired for green procurement standards	%	Consolidated	100	100	56.0	56.0	60.8
		Number of suppliers audited	Company	Consolidated	11	9	43	54	68
	Measures against environmentally hazardous substance*	Number of companies surveyed for inclusion of environmentally hazardous substances	Company	Consolidated	90	90	121	116	281
		NOx emissions(nitrogen oxides)	t	Consolidated		0	0	0	0
	Sox emissions(sulfur oxides)				0	0	0	0	

*Change to consolidated data from FY2022

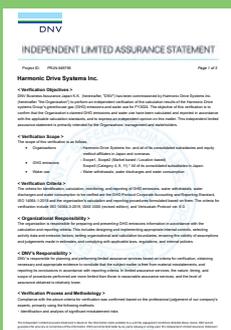
Resource usage

Items		Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024
Materials/parts	Amount of copper usage*	Thousand tons	Consolidated	2.02	3.58	3.45	3.76	3.87
	Amount of oil and grease used*	Thousand tons	Consolidated	0.05	0.09	0.21	0.09	0.15
	Amount of recycled plastic raw materials used*	t	Consolidated	3.17	17.36	13.71	5.64	6.88

*Change to consolidated data from FY2022

Biodiversity initiatives

項目	FY2020	FY2021	FY2022	FY2023	FY2024
Biodiversity initiatives				2	2



Our group's efforts

Acquiring third-party verification for environmental data

To improve the reliability of our Group's environmental performance data for the entire HDS Group, we began acquiring third-party verification in FY2023 for our GHG emissions (Scope 1 and Scope 2, both market-based and location-based), as well as water usage (water withdrawal, water discharge, and water consumption).

In FY2024, we also acquired third-party verification for Scope 3 GHG emission categories 4, 9, and 11 (for all consolidated subsidiaries in Japan only).

We will perform continuous verifications and broaden their scope to strengthen our data verification.

[Related our websites] <https://www.hds.co.jp/english/csr/environment/verification/>

Harmonic Drive Systems Group Policies on Human Rights

As a company operating in countries and regions around the world, the HDS Group recognizes that we are required to take measures to respect human rights in accordance with international standards. Respect for human rights has long been emphasized in our management philosophy and code of conduct, and we have positioned it as an important element of our management approach. In recent years, as demands for companies to engage in sustainability initiatives have increased, the importance of respecting human rights has grown even further. To clearly outline the guidelines for our Group's specific human rights initiatives, we have established the Harmonic Drive Systems Group Policies on Human Rights. This policy was developed by the Sustainability Committee, chaired by the President and Representative Director and composed of Executive Directors as members, with advice from external experts. It was submitted to and approved by the Board of Directors on November 20, 2024. For more details, please visit our website: <https://www.hds.co.jp/english/csr/human-rights/>

Sustainable Procurement Policy

To contribute to the realization of a sustainable society and enhance our corporate value, we have established the Sustainable Procurement Policy to guide collaboration with suppliers across the Group. This policy was approved by the Board of Directors at its meeting held on September 21, 2022.

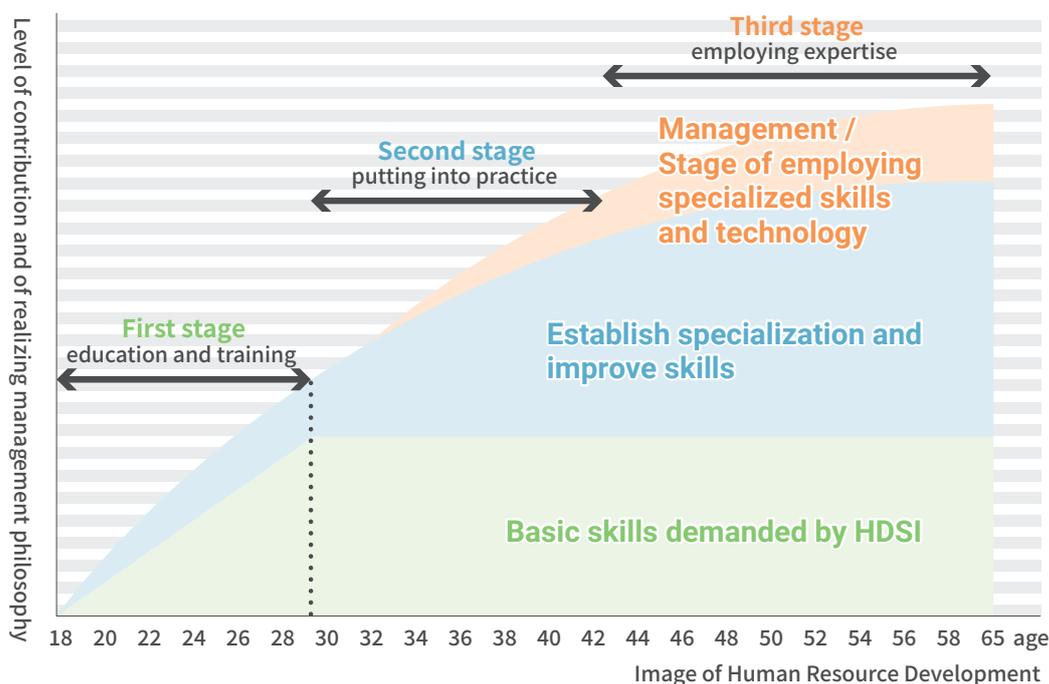
In addition, to meet societal demands and customer needs, the HDS Group has established the Sustainable Procurement Guidelines as a code of conduct to foster shared understanding with our suppliers and collaboratively advance sustainability initiatives.

Sustainable Procurement Policy

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

Maximize the value of human capital

The Company has a basic policy of developing human resources who can carry out our management principles, and nurtures personnel, based on the human resource development policy divided into three stages as below.



■ First stage: education and training

Thoroughly educates people to meet basics required for individuals the Company seeks

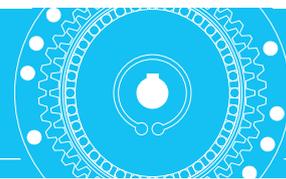
■ Second stage: putting into practice

Supports individuals' efforts while they aim to improve skills and develop expertise through practical work, and strategically nurtures future executive candidates. <Internal top-class>

■ Third stage: employing expertise

Demonstrates the management capabilities, specialized skills, and expertise cultivated to date, while also working toward becoming multi-skilled. Contributes to departmental operations and the development of junior personnel. (Serve as a trainer/developer) <Externally top-class>

[Related our websites] <https://www.hds.co.jp/english/csr/social/humanresource/>



Human Capital

	Items	Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024	
Data of employment	Number of consolidated employees	Person(s)	Consolidated	1,104	1,145	1,324	1,349	1,384	
	Number of non-consolidated employees	Male	Person(s)	Non-consolidated	350	352	389	415	419
		Female			56	60	86	108	101
		Total			406	412	484	523	520
		Ratio of female employees	%		13.8	14.6	17.8	20.7	19.4
	Average number of contract and temporary employees*	Person(s)	Consolidated	100	138	156	689	328	
	Average temporary employee ratio*	%	Consolidated	19.8	25.1	24.1	33.8	23.7	
	Average age*	Age	Consolidated	41.3	41.8	41.8	40.0	40.4	
	Average length of service*	years	Consolidated	14.8	15.1	14.4	8.9	8.6	
	Average annual income*	Overall (non-regular employees + regular employees)	Ten thousand yen	Consolidated	691	753	689	683	570
		Overall (full-time employees only)					752	723	583
		Overall (non-regular employees only)					434	343	382
		Male (full-time employee)	Ten thousand yen				783	698	703
		Female (full-time employee)					585	439	406
		Gender wage gap (full-time employees)	%					37.1	42.2
			Male (non-regular employee)		Ten thousand yen			450	344
		Female (non-regular employee)				411	344	271	
	Number of foreign employees*	Male	Person(s)	Consolidated			3	59	47
		Female					5	28	29
		Total					8	87	76
		Ratio of foreign national employee	%			1.2	6.4	5.5	
	Number of newly graduated recruits*	Male	Person(s)	Consolidated	5	5	8	18	16
		Female			1	1	1	5	4
		Total			6	6	9	23	20
	Number of mid-career recruits*	Male	Person(s)	Consolidated		16	10	68	52
		Female				0	3	24	18
		Total				16	13	92	70
	Retention of newly graduated recruits* (turnover rate after 3 years)	Male	%	Consolidated	5.0	5.0	0.0	6.0	2.5
		Female			0.0	16.7	0.0	0.0	0.0
		Total			4.3	7.7	0.0	6.0	2.2
	Total turnover rate*	%	Consolidated	2.2	3.7	3.0	8.6	11.6	
	Voluntary turnover rate*	Overall	%	Consolidated	2.2	3.7	2.8	8.3	11.6
	Managers*	Male	Person(s)	Consolidated			82	205	210
		Male (foreign nationals)					0	8	6
		Female					2	14	13
		Female (foreign nationals)					0	0	0
		Total					84	219	223
		Ratio of female managers	%			2.4	6.4	5.8	
	Executive Officer*	Male	Person(s)	Consolidated	12	12	12	29	26
		Male (foreign nationals)			0	0	0	1	2
		Female			1	1	1	2	3
		Female (foreign nationals)			0	0	0	0	0
		Total			13	13	13	31	29
		Ratio of female executive officers	%		7.7	7.7	7.7	6.5	10.3
	Directors*	Male	Person(s)	Consolidated	9	9	9	28	27
		Male (foreign nationals)			0	0	0	2	2
		Female			0	0	0	1	1
Female (foreign nationals)		0			0	0	0	0	
Total		9			9	9	29	28	
	Ratio of female directors	%		0.0	0.0	0.0	3.4	3.6	
Employees with disabilities*	Male	Person(s)	Consolidated		8	9	24	25	
	Female				2	2	4	5	
	Total				10	11	28	30	
	(of which managers)			Person(s)	0	0	0	0	0
	Ratio of employees with disabilities	%		1.9	1.8	2.1	2.2		
Monthly average overtime hours*	hours	Consolidated	12.3	25.2	22.9	9.7	16.3		
Paid leave acquisition rate*	%	Consolidated	74.6	69.6	73.2	66.7	80.0		
Number of violations of the Labor Standards Act*	Number of case	Consolidated				0	0		
Number of people taking childcare leave*	Male	Person(s)	Consolidated	2	10	9	25	31	
	Female			3	4	0	20	23	
	Total			5	14	9	45	54	
Percentage of men taking childcare leave*	%	Consolidated	16.7	55.6	56.3	47.2	47.1		
Number of people taking nursing care leave*	Male	Person(s)	Consolidated				7	13	
	Female						5	8	
	Total						12	21	
Number of users of re-employment system*	Person(s)	Consolidated				2	7		
Labor union membership rate (including managers)*	%	Consolidated			47.7	76.1	79.5		
Average number of labor-management meetings held*	Times	Consolidated			12	9	12		

*Change to consolidated data from FY2023

Initiatives for occupational safety and health

	Items	Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024	
Occupational safety and health	Occupational accident frequency rate*	%	Consolidated				0.3	0.4	
	Occupational accident severity rate*	%	Consolidated				1.0	12.0	
	Number of occupational accidents*	Number of case	Consolidated				23	11	
	Number of fatal accidents*	Number of case	Consolidated				0	0	
	Occupational disease incidence rate (OIFR)*	%	Consolidated				1.1	1.1	
	Safety and Health Committee*	Number of events held	Times	Consolidated	12	12	12	9	12
		Average attendance percentage	%		44.1	38.5	46.2	81.3	67.0
	Management training on safety and health*	Number of events held	Times	Consolidated		0	0	10	9
		Number of participants	Person(s)			0	0	54	36
		Participant ratio	%			0.0	0.0	24.7	16.1
	Management training on safety and health*	Number of events held	Times	Consolidated		20	12	72	74
Number of participants		Person(s)			300	162	587	698	
Participant ratio		%			72.8	33.5	43.5	50.4	
Mental health initiatives	Stress check test rate*	%	Consolidated	94.3	88.6	86.0	90.1	85.3	
	High stress rate*	%	Consolidated	24.8	17.8	17.8	17.1	20.8	
	Smoking rate*	%	Consolidated	29.0	31.0	30.9	31.9	28.1	
Prevention of harassment, etc.	Harassment training session*	Number of implementations	Times	Consolidated		3	3	9	9
		Total number of participants	Person(s)			381	144	320	305
		Participant ratio	%			92.5	29.4	23.7	22.0
	Human rights training session	Number of implementations	Times	Consolidated					2
		Total number of participants	Person(s)						161
		Participant ratio	%						12.0
Number of cases of child labor, forced labor, and human trafficking		Number of case	Consolidated	0	0	0	0	0	
Percentage of employees for whom we have taken action	Percentage of employees covered by a formal joint labor and safety health and safety committee*		%	Consolidated		90	91.8	83.2	71.3
	Percentage of employees covered by formal collective agreements regarding working conditions*		%	Consolidated		50.3	47.7	93.9	85.1
	Percentage of employees represented by duly elected employees as a percentage of total employees*		%	Consolidated		100	100	62.3	69.0
	Percentage of employees who receive regular performance and career development reviews as a percentage of all employees*		%	Consolidated		98.2	99.4	99.3	82.8

*Change to consolidated data from FY2023

Human resource development

	Items	Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024	
Human resource development	Number of trainees dispatched overseas*		Person(s)	Consolidated	1	1	1	1	1
	Number of participants*	Graduate school/MBA/MOT commuting system	Person(s)	Consolidated	0	0	2	4	3
		Overseas training system			0	0	0	1	1
		Correspondence education system/students			208	234	131	185	382
		Total			208	234	133	190	386
	Participants ratio (employee ratio)*		%	Consolidated	56.1	56.8	27.5	14.1	27.9

*Change to consolidated data from FY2023

Providing valuable products

	Items	Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024	
Quality management system	Certification status (Including ISO9001 and other industry-specific standards)*	Number of establishments acquired	Company	Consolidated	6	7	7	7	8
Research and development activities	Research and development expenses	Research and development expenses	Million yen	Consolidated	2,444	3,012	3,274	3,614	3,775
		Technology related costs	Million yen	Consolidated	1,667	2,049	2,204	2,328	2,366
	Number of patents held*		Number of case	Consolidated	912	951	1,004	1,050	1,083

*Change to consolidated data from FY2023

Fair, just, and transparent procurement activities

	Items	Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024
Procurement ratio (procurement amount ratio)	Metal parts*	%	Consolidated	22	25	26	55	53
	Electronic lighting parts*	%	Consolidated	8	8	10	10	12
	Other parts*	%	Consolidated	32	15	27	17	17
	Machining*	%	Consolidated	39	52	37	17	18
	Assembly processing*	%	Consolidated	0	0	0	1	0

*Change to consolidated data from FY2023

Consideration for local communities and society

	Items	Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024	
Input resources and pact	Achievements in corporate citizenship activities (social contribution activities)	Local cleaning	Times	Consolidated		6	7	10	14
		Harmonic lecture	Times	Non-consolidated		1	1	1	1
		Harmonic concert	Times	Non-consolidated		1	0	1	1
		On-site class	Times	Non-consolidated			5	5	6
	Participation in women's races	Number of participants	Person(s)	Consolidated				20	26
	Donation amount*		Ten thousand yen	Consolidated				1,633	218

*Change to consolidated data from FY2023



Our group's efforts



Supplier Sustainability Engagement Session

On March 27, 2025, we held a hybrid sustainability engagement session to share information with our suppliers on societal expectations for sustainability and our sustainable procurement activities.

The session was attended by 44 participants from 31 supplier companies. During the session, we introduced the Sustainable Procurement Guidelines and asked for their understanding, as well as their cooperation regarding activities such as conflict minerals surveys and the implementation of Self-Assessment Questionnaires (SAQ).

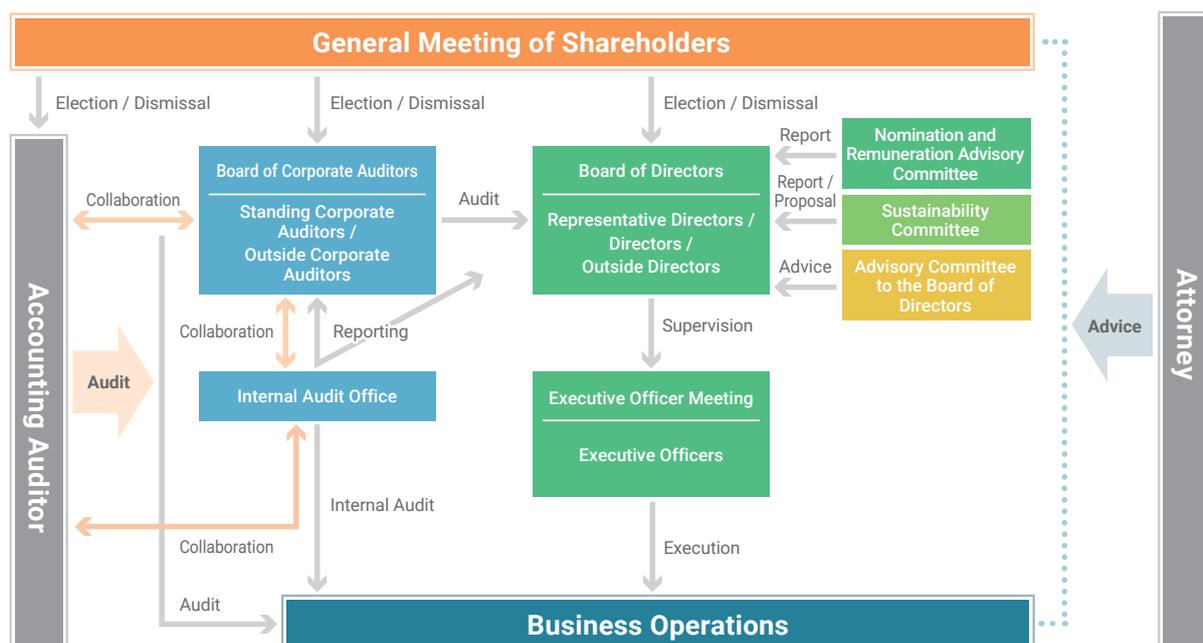
Corporate Governance Fundamental Policy

Our fundamental policy for corporate governance is to strive to ensure sound and transparent corporate management and achieve swift and effective decision-making in order to meet the expectations of our stakeholders, achieve sustainable growth, and enhance our corporate value over the long term through the implementation of our Management Principles, which consists of four pillars: Respect for the Individual, Creating a Meaningful Company, Coexistence and Co-prosperity, and Contribution to Society.

[Related our websites] <https://www.hds.co.jp/english/csr/governance/approach/>

Corporate Governance Structure

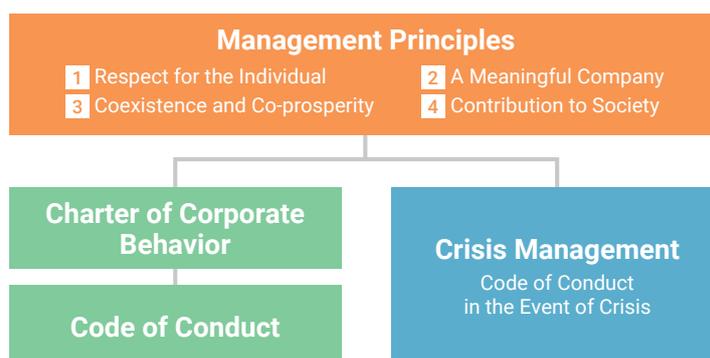
The Company has a Board of Corporate Auditors system in place. The Company's governance structure is based fundamentally on an institutional system in which it has a Board of Corporate Auditors in place, as stipulated in the Companies Act. Since the Company believes that its current governance system 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.



[Related our websites] <https://www.hds.co.jp/english/csr/governance/corporate/>

Risk Management

The Group defines "risks" as unfavorable events that may occur in the course of usual business activities and "crises" as events that may have a significant adverse impact on the Group's management and operations. In executing business, we strive to implement risk management and crisis response in a safe and responsible manner. We continuously endeavor to minimize damage of risks or crises if they are to occur. If a risk or a crisis concerning the operations of the Group occurs, we appoint the highest priority to saving lives and preventing bodily injuries, and minimizing adverse impact on the Group comes second. The Charter of Corporate Behavior states the Group's policies on risk management and preparation for crises and the Code of Conduct specifies specific action guidelines. It is stipulated that all actions by officers and employees of the Group shall be in accordance with Crisis Management—Code of Conduct in the Event of Crisis in the event of a crisis.



[Related our websites] <https://www.hds.co.jp/english/csr/governance/risk/>

Governance



Governance

Items			Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024
Chairman of the Board				Non-consolidated	Representative director chairman	Representative director chairman	Chairman of the Board	Chairman of the Board	Chairman of the Board
Directors	Internal	Male	Person(s)	Non-consolidated	5	5	5	5	5
		Male (including foreign nationals)			0	0	0	0	0
		Female			0	0	0	0	0
		Female (including foreign nationals)			0	0	0	0	0
		Total			5	5	5	5	5
	Outside	Male			4	4	4	4	4
		Male (including foreign nationals)			0	0	0	0	0
		Female			0	0	0	1	1
		Female (including foreign nationals)			0	0	0	0	0
		Total			4	4	4	5	5
	Grand total				9	9	9	10	10
Ratio of female directors		%	0.0	0.0	0.0	10.0	10.0		
Director's term of office			Year	Non-consolidated	1	1	1	1	1
Average length of service as a director			Year	Non-consolidated	12.5	11.4	11.1	11.0	7.5
Average age of directors			Age	Non-consolidated	70.6	69.3	70.3	70.1	67.9
Number of board meetings held			Times	Non-consolidated	19	17	18	18	20
Average attendance rate of board of directors meetings			%	Non-consolidated	100	99.3	99.4	99.1	99.5
Independent outside officer attendance rate			%	Non-consolidated	100	100	98.5	98.5	99.0
Executive Officer and Director			Person(s)	Non-consolidated	4	4	4	4	5
Ratio of directors who also serve as executive officers			Person(s)	Non-consolidated	44.4	44.4	44.4	40.0	50.0
Independent outside officer with four or more important concurrent duties			Person(s)	Non-consolidated	0	0	0	0	0
Independent outside director ratio			Person(s)	Non-consolidated	44.4	44.4	44.4	50.0	50.0
Auditors	Internal	Male	Person(s)	Non-consolidated	0	1	1	1	1
		Male (including foreign nationals)			0	0	0	0	0
		Female			0	0	0	0	0
		Female (including foreign nationals)			0	0	0	0	0
		Total			0	1	1	1	1
	Outside	Male			4	3	3	3	3
		Male (including foreign nationals)			0	0	0	0	0
		Female			0	0	0	0	0
		Female (including foreign nationals)			0	0	0	0	0
		Total			4	3	3	3	3
	Grand total				4	4	4	4	4
Ratio of female directors		%	0.0	0.0	0.0	0.0	0.0		
Independent outside auditor ratio			%	Non-consolidated	50.0	50.0	50.0	50.0	50.0
Number of times the Board of Corporate Auditors was held			Times	Non-consolidated	11	18	18	17	17
Average attendance rate of the Board of Corporate Auditors			%	Non-consolidated	100	98.6	98.6	100	100
Executive officer		Male	Person(s)	Non-consolidated	12	12	12	12	12
		Male (including foreign nationals)			0	0	0	0	0
		Female			1	1	1	2	2
		Female (including foreign nationals)			0	0	0	0	0
		Total			12	13	13	14	14
	Ratio of female directors	%			7.7	7.7	7.7	14.3	14.3

Reward

	Items	Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024	
Executive compensation	Director compensation (excluding outside directors)	Thousand yen	Non-consolidated	215,565	390,785	415,528	199,387	200,539	
	Auditor remuneration (excluding outside auditors)			52,350	7,514	21,601	28,800	37,800	
	Outside officer remuneration			Outside director	53,002	68,000	77,000	66,600	72,000
				Outside auditor	36,941	58,714	55,200	52,800	43,800
Auditor remuneration	Remuneration for accounting auditors	Thousand yen	Non-consolidated	42,200	36,200	40,200	50,000	44,200	

Compliance

	Items	Unit	Scope covered	FY2020	FY2021	FY2022	FY2023	FY2024	
Compliance	Number of internal reports*	Number of case	Consolidated	17	17	21	35	78	
	Number of corrupt acts*	Number of case	Consolidated	0	0	0	1	2	
	Number of employees fired for violating anti-corruption policies*	Person(s)	Consolidated			0	0	0	
	Amount of fines imposed in connection with corruption*	Yen	Consolidated			0	0	0	
	Reserve for fines and settlements*	Yen	Consolidated			0	0	0	
	Compliance training*	Number of events held	Person(s)	Consolidated			6	4	8
		Total number of participants	Times				293	931	1,020
		Percentage of participants	%				60.5	69.0	73.7
		Average course time	hours					3.3	2.3
	Political contributions*	Yen	Consolidated			0	0	0	
	Lobbying activities, stakeholder representation and corresponding contributions/expenditures*	Yen	Consolidated			0	0	0	
	District/regional/national political activities/ Amount of contributions and expenditures to candidates*	Yen	Consolidated			0	0	0	
	Amount spent on industry organizations*	Ten thousand yen	Consolidated				1,946	0	
	Number of cases of corruption and bribery*	Number of case	Consolidated			0	0	0	
	Number of competition law violations*	Number of case	Consolidated			0	0	0	
	Number of information security incidents*	Number of case	Consolidated	1	1	0	1	0	
	Information security compliance rate*	%	Consolidated	93.2	97.0	96.5	97.9	99.3	
Awareness training to prevent information security breaches*	Number of implementations	Times	Consolidated	2	1	2	29	30	
	Number of participants (cumulative)	Person(s)		931	470	1,040	1,696	1,691	
	Percentage of participants	%		84.3	41.0	78.5	90.6	79.3	
Number of times information security due diligence was conducted by a third party	Times	Consolidated	2	2	2	16	28		

*Change to consolidated data from FY2023



UBP Investments Co., Ltd.
Mr. Zuhair Khan

Our group's efforts

Engagement with institutional investors and independent outside directors

In pursuit of sustainable corporate value, the HDS Group strives to enhance the effectiveness of governance and improve profitability. As part of these efforts, on July 18, 2025, we invited Mr. Zuhair Kahn from UBP Investments to hold a dialogue with our five independent outside directors, focusing on fair and sustainable initiatives that contribute to long-term corporate value. For more details, please see the summary of this engagement in our Integrated Report published in November 2025.



Independent Outside Director
Mr. Haruhiko Yoshida



Independent Outside Director
Mr. Kazuhiko Hayashi



Independent Outside Director
Mr. Masanobu Nakamura

Independent Outside Director
Ms. Kaeko Kitamoto



Independent Outside Director
Mr. Yoshio Fukuda

Disclaimer



We have included information in this report that was known to us as of October 2025. While every effort has been made to ensure the accuracy of the information contained in this report, we do not guarantee any actions that users may take using the information in this report.

Please note that we are not responsible for any damage caused to the user as a result of the use of the data in this report.

