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Securities code 6324  
May 31, 2024  
(Electronic provision measure starts on: May 22, 2024)

**Dear Shareholders:**

Akira Nagai  
President and Representative Director  
Harmonic Drive Systems Inc.  
6-25-3 Minami-Oi, Shinagawa-ku, Tokyo, Japan

## **CONVOCAION NOTICE OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS FOR FISCAL 2023**

We would like to express our appreciation for your continued support and patronage.

We hereby notify you of the Ordinary General Meeting of Shareholders (this “Meeting”) for fiscal 2023 of Harmonic Drive Systems Inc. (the “Company”). The meeting will be held for the purposes as described below.

In convening this Meeting, the Company has adopted electronic provision measures, and matters subject to electronic provision measures have been posted on the following website as “CONVOCAION NOTICE OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS FOR FISCAL 2023”

The Company website (<https://www.hds.co.jp/english/ir/event/stockholder/>)

In addition to the above, the information is also posted on the following website.

Tokyo Stock Exchange (TSE) website  
(<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>)

To view the information on the TSE website above, please access the URL, enter our company name in “Issue name (company name)” or our securities code (6324) in “Code,” select “Basic Information” and go to “Documents for public inspection/PR information.”

In addition to attending the Meeting in person, you can exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders, which are available in the matters subject to electronic provision measures, and exercise your voting rights by no later than 5:30 p.m. (the close of the Company’s business hours) on Thursday, June 20, 2024, Japan Time.

[Exercising Voting Rights by Mail]

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form, and return it so that it arrives by the above deadline for exercise.

[Exercising Voting Rights via the Internet]

Please check the “Guide to Exercising Voting Rights via the Internet” on page 4, and exercise your voting rights by the above deadline for exercise.

- 1. Date and Time:** Friday, June 21, 2024 at 10:00 a.m. Japan time  
(Reception opens at 9:00 a.m.)
- 2. Venue:** Prince Room, B1F, Grand Prince Hotel Takanawa located at  
3-13-1 Takanawa, Minato-ku, Tokyo, Japan  
(Please refer to the attached “Guide to the Location of the General Meeting  
of Shareholders” in Japanese)

**3. Meeting Agenda:**

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for Fiscal 2023 (April 1, 2023 - March 31, 2024) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors
  2. Non-consolidated Financial Statements for Fiscal 2023 (April 1, 2023 - March 31, 2024)

**Proposals to be resolved:**

- Proposal 1:** Appropriation of Surplus  
**Proposal 2:** Election of ten (10) Directors  
**Proposal 3:** Election of four (4) Corporate Auditors

**4. Matters Determined in Regard to the Convocation:**

Treatment of exercise of voting rights

- (1) If voting rights are exercised by a shareholder multiple times both in writing and via the Internet, the vote exercised via the Internet shall be considered as valid.
- (2) If voting rights are exercised by a shareholder multiple times via the Internet, the final vote exercised shall be considered as valid.
- (3) When there is no indication of approval or disapproval for a proposal on the voting form, it shall be treated as an indication of approval.

End

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- 1) When attending the Meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
  - 2) If exercising voting rights by proxy, please submit a proxy statement or other written document proving the authority to represent at the reception desk, together with the Voting Rights Exercise Form of the proxy. (In regard to the qualifications for a proxy, proxies shall be limited to one (1) other shareholder with voting rights at this Meeting, in accordance with the provisions of the Articles of Incorporation).
  - 3) In the event of revisions to matters subject to electronic provision measures, they shall be posted on the respective websites where they are posted.
  - 4) The following matters are not included in the paper copy of documents sent to shareholders who requested it, according to the provisions of laws and regulations and Article 15 of the Articles of Incorporation of the Company. Therefore, the paper copy is a part of the documents audited by the Corporate Auditors and the Accounting Auditor in preparing their Audit Reports.
    - Consolidated Statements of Changes in Net Assets and Notes to Consolidated Financial Statements in the Consolidated Financial Statements
    - Non-consolidated Statements of Changes in Net Assets and Notes to Non-consolidated Financial Statements in the Non-consolidated Financial Statements
    - Audit Reports
  - 5) Please be advised that matters subject to electronic provision measures posted on each website are the full text of the documents for the General Meeting of Shareholders (in Japanese), and therefore the page numbers do not correspond to those of this Notice of Convocation.

## Guide to Exercising Voting Rights

Shareholders' voting rights are an important right of shareholders. Please review the "Reference Documents for the General Meeting of Shareholders" and exercise your voting rights. Voting rights may be exercised with the three methods below.

### 1. **Attending the General Meeting of Shareholders**

Please submit the enclosed Voting Rights Exercise Form at the reception desk. In addition, please bring this Notice.

#### **Date and time of the General Meeting of Shareholders**

**10:00 a.m. on Friday, June 21, 2024 (Japan time)**

**(Reception opens at 9:00 a.m.)**

**Venue: Prince Room, B1F, Grand Prince Hotel Takanawa located at  
3-13-1 Takanawa, Minato-ku, Tokyo, Japan**

**(Please refer to the attached "Guide to the Location of the General Meeting of Shareholders" in Japanese.)**

### 2. **By Mail**

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form, and return it so that it arrives by the deadline for exercise. If no indication of approval or disapproval is made on the voting form for a proposal, it shall be treated as an indication of approval.

#### **Deadline for exercise**

**5:30 p.m. on Thursday, June 20, 2024 (Japan time)**

### 3. **Via the Internet**

Please see the next page for details.

Please access the designated Voting Rights Exercise Website (<https://soukai.mizuho-tb.co.jp/>), and indicate your vote for or against the proposals by the deadline for exercise.

#### **Deadline for exercise**

**5:30 p.m. on Thursday, June 20, 2024 (Japan time)**

#### **Note:**

If voting rights are exercised by a shareholder multiple times both in writing and via the Internet, the vote exercised via the Internet shall be considered as valid. If voting rights are exercised by a shareholder multiple times via the Internet, the final vote exercised shall be considered as valid.

## Guide to Exercising Voting Rights via the Internet

### ■ Via “Smart Exercise”

You can log in to the Voting Rights Exercise Website without entering Voting Rights Exercise Code and Password.

- (1) Please read the QR code printed on the lower right of the enclosed Voting Rights Exercise Form.  
Note: “QR code” is a registered trademark of DENSO WAVE INCORPORATED.
- (2) Please indicate your vote for or against the proposals following the instructions on the screen to input your vote.

You may only exercise your voting rights once via “Smart Exercise.”  
To change your vote after exercising your voting rights, please access the website for PCs and log in to the system by entering the Voting Rights Exercise Code and Password printed on the enclosed Voting Rights Exercise Form, and exercise your vote again.  
\*Scanning the QR code again redirects you to the website for PCs.

### ■ Via ID and Password

Voting Rights Exercise Website

<https://soukai.mizuho-tb.co.jp>

- (1) Please access the “Voting Rights Exercise Website”  
You may also read the QR code printed on the above and access the “Voting Rights Exercise Website”  
Click “Next”
- (2) Log in to the system  
Enter the “Voting Rights Exercise Code” and click “Next”
- (3) Change password  
Enter the “Password” and click “Register”

**Please indicate your vote for or against the proposals following the instructions on the screen to input your vote.**

Voting Rights Exercise Code and Password are printed on the enclosed Voting Rights Exercise Form.

### ■ The Electronic Voting Platform for Foreign and Institutional Investors

Other than the method described above, institutional investors may use the Electronic Voting Platform for Foreign and Institutional Investors operated by ICJ, Inc., subject to prior application for the use of the platform.

[Please contact below if you have any inquiry on how to exercise your voting rights via the Internet using a PC, smartphone or mobile phone.]

**Stock Transfer Agency Department at Mizuho Trust & Banking**

**Toll free in Japan: 0120-768-524**

**(9:00 a.m. – 9:00 p.m. except for year-end and New Year holidays, Japan time)**

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal 1: Appropriation of Surplus

In regard to the appropriation of surplus, taking into consideration the return of profits to shareholders, strengthening the business operation, and future business development, the Company proposes to pay a year-end dividend from surplus for the fiscal year under review as follows.

#### Items Related to the Year-end Dividend

(1) Type of dividend property

Cash

(2) Items related to the allocation of dividend property and its total amount

10 yen per share of common stock at a total of 949,763,430 yen

Furthermore, as the Company paid an interim dividend of 10 yen per share on December 4, 2023, the annual dividend will be 20 yen per share.

(3) Date the appropriation of surplus comes into effect

June 24, 2024

## Proposal 2: Election of ten (10) Directors

The terms of office of all ten (10) Directors will expire at the conclusion of this Meeting, and therefore the Company proposes the election of ten (10) Directors.

The candidates for Directors are as follows:

No.		Name	Gender	Age	Current positions and responsibilities at the Company	Attributes	Attendance at Board of Directors meetings	Years in office
1	<span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Akira Nagai	Male	76	President and Representative Director, Chief Executive Officer	—	18/18	11 years
2	<span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Akira Maruyama	Male	62	Representative Director Senior Executive Officer General Manager of Corporate Planning and ICT Promotion Office	—	18/18	8 years
3	<span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Kazutoshi Kamijoh	Male	56	Director Executive Officer General Manager of Finance Accounting, Finance and Tax Division	—	18/18	4 years
4	<span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Yoshihiro Tanioka	Male	65	Director Executive Officer General Manager of Development and Engineering Division	—	18/18	3 years
5	<span style="border: 1px solid black; padding: 0 2px;">New appointment</span>	Naomi Shirasawa	Male	63	Executive Officer In charge of Marketing and Sales and General Manager of Domestic Sales Division	—	—	—
6	<span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Haruhiko Yoshida	Male	80	Outside Director	<span style="border: 1px solid black; padding: 0 2px;">Outside</span> <span style="border: 1px solid black; padding: 0 2px;">Independent</span>	18/18	21 years
7	<span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Masanobu Nakamura	Male	77	Outside Director	<span style="border: 1px solid black; padding: 0 2px;">Outside</span> <span style="border: 1px solid black; padding: 0 2px;">Independent</span>	18/18	11 years
8	<span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Yoshio Fukuda	Male	71	Outside Director	<span style="border: 1px solid black; padding: 0 2px;">Outside</span> <span style="border: 1px solid black; padding: 0 2px;">Independent</span>	18/18	4 years
9	<span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Kazuhiko Hayashi	Male	70	Outside Director	<span style="border: 1px solid black; padding: 0 2px;">Outside</span> <span style="border: 1px solid black; padding: 0 2px;">Independent</span>	18/18	2 years
10	<span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Kaeko Kitamoto	Female	59	Outside Director	<span style="border: 1px solid black; padding: 0 2px;">Outside</span> <span style="border: 1px solid black; padding: 0 2px;">Independent</span>	12/13	1 year

Notes: 1. Ms. Kaeko Kitamoto was newly elected at the Ordinary General Meeting of Shareholders for fiscal 2022 held on June 21, 2023 and subsequently took office on July 1, 2023, and the status of her attendance at meetings of the Board of Directors held on or after the date she took office is presented.

2. The age is as of the date of this Meeting.

Reappointment Candidate for reappointment as Director

New appointment Candidate for new appointment as Director

Outside Candidate for Outside Director

Independent Independent Director registered at the Tokyo Stock Exchange

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1972	Joined Mitsui & Co., Ltd.
Apr. 2002	Joined the Company
Apr. 2002	General Manager of Overseas Division, the Company
Jun. 2002	Chairperson and Director, HD Systems, Inc.
Jun. 2003	Executive Officer (Marketing and Sales), General Manager of Overseas Division, General Manager of Corporate Planning and IT Office, the Company
Dec. 2005	President and CEO, HD Systems, Inc. (incumbent)
Jun. 2007	Managing Executive Officer (Corporate Planning and IT), the Company
Apr. 2009	Managing Executive Officer (Corporate Planning and Finance), the Company
Jan. 2011	Corporate Auditor, Harmonic Drive Systems (Shanghai) Co., Ltd.
Jun. 2013	President and Representative Director, Executive President, the Company
May 2015	Director, Harmonic AD, Inc. (incumbent)
Jun. 2016	President and Representative Director, Chief Executive Officer, In charge of Marketing and Sales, the Company
Dec. 2016	Manager, GK HD Management (incumbent)
Mar. 2017	Chairperson of the Supervisory Board, Harmonic Drive AG
Jun. 2017	President and Representative Director, Chief Executive Officer, In charge of Marketing and Sales and Quality, the Company
Jun. 2019	President and Representative Director, Chief Executive Officer, In charge of Quality, the Company
Jan. 2020	Deputy Chairperson of the Supervisory Board, Harmonic Drive SE (incumbent)
Jun. 2020	President and Representative Director, Chief Executive Officer, the Company (incumbent)

(Significant concurrent positions)

President and CEO, HD Systems, Inc.  
 Director, Harmonic AD, Inc.  
 Manager, GK HD Management  
 Deputy Chairperson of the Supervisory Board, Harmonic Drive SE

(Reason for nomination as candidate)

Mr. Akira Nagai has served as President and Representative Director since June 2013, and has demonstrated his capabilities in strengthening the management foundation, enhancing corporate value, and other areas. In addition, he has utilized his abundant experience overseas to build good relationships with customers and partners around the world, and has appropriately directed and supervised Group companies developing business in the U.S., Germany, China, and South Korea. Based on the above, the Company has judged that he is an essential person to sustainably enhance Group corporate value, and therefore proposes his continued election as Director.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1985	Joined the Company
Apr. 2007	General Manager of Marketing and Sales Division, the Company
Apr. 2009	General Manager of Marketing and Sales Division and General Manager of Sales Planning Department, the Company
Sep. 2009	General Manager of Engineering Department, Precision Equipment Division, the Company
Sep. 2012	General Manager of Engineering Division, the Company
Jun. 2014	Executive Officer (Engineering), the Company
May 2015	Director, HD Logistics, Inc.
Jun. 2016	Director and Executive Officer (Development Engineering), the Company
Jun. 2018	Director and Executive Officer (Corporate Planning and IT), the Company
Jun. 2019	Corporate Auditor, Winbel Co., Ltd. (currently Harmonic Winbel Inc.)
Jun. 2019	Director and Executive Officer, General Manager of Corporate Planning Division, the Company
Jun. 2021	Director and Executive Officer, General Manager of Corporate Planning Division and General Manager of ICT Promotion Office, the Company
Jun. 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)

(Significant concurrent positions)  
Director, Harmonic Winbel Inc.

(Reason for nomination as candidate)

Mr. Akira Maruyama has participated in the development of speed reducers over many years, and possesses broad and deep insight in HarmonicDrive® in particular. In addition, he has utilized his insight and demonstrated his abilities as manager not only of the development division but also the sales, engineering and technology divisions, and is currently making a significant contribution to the development of the Group as manager of the corporate planning and ICT Promotion divisions and fulfilling his responsibilities as Representative Director. Based on the above, the Company has judged that he is an essential person to sustainably enhance Group corporate value, which centers on technology and technical skill, and therefore proposes his continued election as Director.



Past experience, positions, responsibilities and significant concurrent positions

Apr. 1992	Joined the Company
Jul. 2003	Corporate Planning Manager of Corporate Planning and IT Office, and Administrative Manager, the Company
Jul. 2007	General Manager of Corporate Planning Department, Corporate Planning and IT Office, and General Manager of Administration Department, the Company
May 2012	Corporate Auditor, Ome Iron Casting Co., Ltd.
May 2013	Corporate Auditor, Harmonic Drive Systems (Shanghai) Co., Ltd.
Jun. 2014	Executive Officer, In charge of Corporate Planning and Finance, the Company
Jun. 2016	Executive Officer, In charge of Corporate Planning, Finance and Accounting, the Company
Mar. 2017	Manager, GK HD Management (incumbent)
Jun. 2019	Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company
Jun. 2020	Director and Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company
Jul. 2021	Member of the Supervisory Board, Harmonic Drive SE (incumbent)
Jun. 2022	Director and Executive Officer (Finance Accounting, Finance, Tax, Human Resources and Administration), General Manager of Finance Accounting, Finance and Tax Division, the Company
Jun. 2023	Director and Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company (incumbent)

(Significant concurrent positions)

Manager, GK HD Management  
Member of the Supervisory Board, Harmonic Drive SE

(Reason for nomination as candidate)

Mr. Kazutoshi Kamijoh has been engaged in corporate planning, finance, investor relations, information disclosure and other responsibilities over many years, and possesses abundant experience, deep insight, and a high level of expertise in finance and accounting, which he has cultivated through formulating corporate plans and capital policies, building relationships with investors, implementing corporate actions, and others as the manager in charge of these domains. Currently, as the manager in charge of accounting, finance, and tax affairs of the Company, he is demonstrating leadership in order to further strengthen the financial base of the Group while also being actively involved in IR activities, contributing to the enhancement of the Group's corporate value. Based on the above, the Company has judged that he is an essential person to sustainably enhance Group corporate value, and therefore proposes his continued election as Director.

#### Past experience, positions, responsibilities and significant concurrent positions

Apr. 1982	Joined the Company
May 2003	Manager of No.1 Development Department, Mechatronics Division, the Company
Mar. 2006	General Manager of Engineering Department, Mechatronics Division, the Company
May 2007	Director, Winbel Co., Ltd. (currently Harmonic Winbel Inc.)
Jul. 2007	General Manager of Mechatronics Division, the Company
Oct. 2009	General Manager of Development Division, the Company
Jun. 2010	Executive Officer and General Manager of Development Division, the Company
Sep. 2011	Executive Officer (Engineering), the Company
Sep. 2012	Executive Officer and General Manager of Overseas Business Division, the Company
Apr. 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 SAMICK ADM Co., Ltd. (incumbent)
May 2017	Executive Officer in charge of Harmonic Planetary Development, the Company
May 2018	Director, Harmonic AD, Inc. (incumbent)
Jun. 2018	Executive Officer (Development and Engineering), the Company
Jun. 2019	Executive Officer, General Manager of Development and Engineering Division, the Company
Jun. 2021	Director and Executive Officer, General Manager of Development and Engineering Division, the Company (incumbent)

#### (Significant concurrent positions)

Director, SAMICK ADM Co., Ltd.

Director, Harmonic AD, Inc.

#### (Reason for nomination as candidate)

For many years since he joined the Company, Mr. Yoshihiro Tanioka has been involved with development and engineering, and has demonstrated particularly outstanding abilities in the business management of mechatronics products, which are used for total motion control, the domain of the Group. Furthermore, having served in such roles as manager of the sales strategy and overseas business divisions and Representative Director and President of Harmonic AD, Inc., he possesses expertise not only in development, but also in a wide range of other fields such as international marketing and corporate management. At present, as general manager of the development and engineering division, he is demonstrating strong leadership by, for example, resolving customers' technical issues and developing new products, and is thus contributing to the enhancement of the Group's value. Based on the above, the Company has judged that he is an essential person to enhance Group corporate value, and therefore proposes his continued election as Director.

#### Past experience, positions, responsibilities and significant concurrent positions

Apr. 1983	Joined the Company
Apr. 1996	Manager of Engineering Department, Precision Equipment Division, the Company
Sep. 1998	General Manager in charge of Precision Equipment, Marketing Department, Marketing and Sales Division, the Company
Jul. 2001	General Manager of AccuDrive Division, the Company
Mar. 2003	Managing Director, Harmonic AD, Inc.
May 2007	Representative Director and President, Harmonic AD, Inc.
Jun. 2010	Executive Officer and General Manager of AD Business Promotion Office, the Company
May 2011	Senior Managing Director, Harmonic AD, Inc.
Jun. 2013	General Manager of Sales, Harmonic Drive Systems (Shanghai) Co., Ltd.
Jul. 2016	Director, Harmonic Drive Systems (Shanghai) Co., Ltd. (incumbent)
Jun. 2018	General Manager of Overseas Sales Division, the Company
Jun. 2019	Director and General Manager of Domestic Sales Division, the Company
Jun. 2021	Executive Officer and General Manager of Domestic Sales Division, the Company
Jun. 2023	Executive Officer, In charge of Marketing and Sales, General Manager of Domestic Sales Division, the Company (incumbent)

(Significant concurrent positions)

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

#### (Reason for nomination as candidate)

Since he joined the Company, Mr. Naomi Shirasawa has been involved with production engineering, development, marketing, and sales, and possesses extensive expertise in the Group's businesses, including overseas. In promoting the precision planetary speed reducer business, he participated in Harmonic AD, Inc. since its inception, and as Representative Director and President, he has demonstrated excellent management skills and established the current business foundation. Furthermore, he contributed to expanding sales in the Chinese market as the Director of Harmonic Drive Systems (Shanghai) Co., Ltd. As Executive Officer in charge of marketing and sales since 2021, he is demonstrating strong leadership by promoting forward-looking sales strategies from the customer's perspective within a changing business environment, and is thus contributing to the enhancement of the Group's value. Based on this broad experience and track record both in Japan and overseas, the Company expects that he will demonstrate the ability to execute and make decisions for the medium- to long-term growth and enhancement of the Group's value, and therefore proposes his new election as Director.

## Past experience, positions, responsibilities and significant concurrent positions

Apr. 1966	Joined Mitsui & Co., Ltd.
Feb. 1996	Senior Executive Vice President, Mitsui & Co. (U.S.A.), Inc.
Apr. 1998	General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
Jun. 1998	Director and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
Jun. 2001	Representative Director, Executive Managing Director, and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
Apr. 2002	Executive Managing Officer and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
Jul. 2002	Executive Managing Officer and Assistant to President of Machinery and Information Group, Mitsui & Co., Ltd.
Jun. 2003	Outside Director, Nagano Keiki Co., Ltd.
Jun. 2003	Outside Director, the Company (incumbent)
Jun. 2006	Corporate Auditor, Hakudo Co., Ltd.
Jun. 2007	Outside Director, Hakudo Co., Ltd.

## (Reason for nomination as candidate for Outside Director and expected role)

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. The Company therefore proposes his continued election as Outside Director.

In addition, as Mr. Haruhiko Yoshida possesses strong independence and there is no risk of a conflict of interest with general shareholders, the Company has judged that its corporate governance structure will also be strengthened.

Mr. Haruhiko Yoshida was appointed Outside Director of the Company in June 2003, and his term of office will be 21 years as of the conclusion of this Meeting.

Past experience, positions, responsibilities and significant concurrent positions

May 1970	Joined The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)
Jun. 1999	Executive Officer and Nihonbashi Branch Manager, The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)
Apr. 2001	Executive Officer and New York Branch Manager, The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)
Jan. 2002	Managing Executive Officer and New York Branch Manager, UFJ Bank Limited (present MUFG Bank, Ltd.)
May 2002	Executive Operating Officer, Corporate Banking Company Director, UFJ Bank Limited (present MUFG Bank, Ltd.)
May 2004	Representative Director, Executive Operating Officer (Strategic Support Group), Company Director, UFJ Bank Ltd. (present MUFG Bank, Ltd.)
Jun. 2005	Special Advisor, Sanshin Co., Ltd.
Oct. 2005	President and Representative Director, BNP Paribas (Japan)
Nov. 2005	Director, Tokyo Branch, BNP Paribas Securities (Japan) Limited
Jun. 2007	Board of Directors Advisory Committee, the Company
May 2011	Chairperson, BNP Paribas Securities (Japan) Limited
Sep. 2011	Special Advisor, BNP Paribas Securities (Japan) Limited
Jun. 2013	Outside Director, the Company (incumbent)
Jul. 2013	Chairperson, Social Collaboration Council, The Mathematical Society of Japan

(Reason for nomination as candidate for Outside Director and expected role)

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. The Company therefore proposes his continued election as Outside Director.

In addition, as Mr. Masanobu Nakamura possesses strong independence and there is no risk of a conflict of interest with general shareholders, the Company has judged that its corporate governance structure will also be strengthened.

Mr. Masanobu Nakamura was appointed Outside Director of the Company in June 2013, and his term of office will be 11 years as of the conclusion of this Meeting.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1976	Joined Teijin Limited
Jul. 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
Jun. 2010	Corporate Officer and Member of the Board, General Manager of Corporate Planning Division, Teijin Limited
Jun. 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
	President, Teijin Chemicals Ltd.
Jun. 2013	Chairperson, Global Policy Board, Teijin DuPont Films Global Joint Venture
	Senior Executive Officer and Member of the Board, General Manager of Electronics Materials and Performance Polymer Products Business Group, Teijin Limited
	Chairperson, Global Policy Board, Teijin DuPont Films Global Joint Venture
Apr. 2015	Advisor, Member of the Board, Teijin Limited
Jun. 2015	Advisor, Teijin Limited
Jun. 2016	Outside Director, Toyo Construction Co., Ltd.
Jun. 2017	Outside Corporate Auditor, the Company
Jun. 2017	Auditor, Japan Indonesia Association, Inc. (incumbent)
Jun. 2020	Outside Director, the Company (incumbent)
Jun. 2020	Director, Harmonic AD, Inc.
Mar. 2021	Auditor, Japan-Sri Lanka Association (incumbent)

(Significant concurrent positions)

Auditor, Japan Indonesia Association, Inc.

Auditor, Japan-Sri Lanka Association

(Reason for nomination as candidate for Outside Director and expected role)

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&As, 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. The Company therefore proposes his continued election as Outside Director.

In addition, as Mr. Yoshio Fukuda possesses strong independence and there is no risk of a conflict of interest with general shareholders, the Company has judged that its corporate governance structure will also be strengthened.

Mr. Yoshio Fukuda was appointed Outside Director of the Company in June 2020, and his term of office will be 4 years as of the conclusion of this Meeting.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1978	Joined Toyota Motor Co., Ltd. (present Toyota Motor Corporation)
Jan. 2001	Project General Manager of Leading-edge Vehicle Development Planning Office, Toyota Motor Corporation
Jan. 2004	General Manager of Electronics Engineering Div. II, Toyota Motor Corporation
Jan. 2005	General Manager of Electronics Engineering Div. I, Toyota Motor Corporation
Apr. 2007	General Manager of BR Control Software Development Office, Toyota Motor Corporation
Jan. 2010	Managing Executive Officer, Sumitomo Wiring Systems, Ltd.
Jan. 2012	Executive Officer of Sumitomo Electric Industries, Ltd., Managing Executive Officer of Sumitomo Wiring Systems, Ltd., and Director of AutoNetworks Technologies, Ltd.
Jun. 2015	Senior Managing Executive Officer of Sumitomo Wiring Systems, Ltd., Executive Officer of Sumitomo Electric Industries, Ltd., and Director of AutoNetworks Technologies, Ltd.
Jul. 2019	Visiting Professor, Nagasaki Institute of Applied Science
Jun. 2022	Outside Director, the Company (incumbent)

(Reason for nomination as candidate for Outside Director and expected role)

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 has been advising and supervising the management of the Company in general, and can be expected to continue to do so. The Company therefore proposes his continued election as Outside Director.

In addition, as Mr. Kazuhiko Hayashi possesses strong independence and there is no risk of a conflict of interest with general shareholders, the Company has judged that its corporate governance structure will also be strengthened.

Mr. Kazuhiko Hayashi was appointed Outside Director of the Company in June 2022, and his term of office will be 2 years as of the conclusion of this Meeting.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1988	Joined Sapporo Breweries Limited
Oct. 1993	Joined Ota Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)
Jul. 2009	Partner, Ernst & Young ShinNihon LLC
Sep. 2018	Member of Electricity and Gas Market Surveillance Commission, Ministry of Economy, Trade and Industry (incumbent)
Jul. 2019	Executive Board Member, Ernst & Young ShinNihon LLC
Jul. 2023	Outside Director, the Company (incumbent)
Jul. 2023	Audit & Supervisory Board Member (external), DAIKIN INDUSTRIES, LTD. (incumbent)

(Significant concurrent positions)

Certified public accountant

Audit & Supervisory Board Member (external), DAIKIN INDUSTRIES, LTD.

(Reason for nomination as candidate for Outside Director and expected role)

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 serving as a Partner and Executive Board Member. 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 CO2 emissions. Based on this experience and capability, the Company judges that she has been appropriately advising and supervising the management of the Company in general and its sustainability initiatives, including climate change and diversity, equity, and inclusion, and can be expected to continue to do so. The Company therefore proposes her continued election as Outside Director.

In addition, as Ms. Kaeko Kitamoto possesses strong independence and there is no risk of a conflict of interest with general shareholders, the Company has judged that its corporate governance structure will also be strengthened.

Ms. Kaeko Kitamoto was appointed Outside Director of the Company in July 2023, and her term of office will be 1 year as of the conclusion of this Meeting.



- Notes:
1. Candidates' histories at the Company are carried over from the former Harmonic Drive Systems Inc.
  2. There are no special interests between any of the candidates and the Company.
  3. Mr. Haruhiko Yoshida, Mr. Masanobu Nakamura, Mr. Yoshio Fukuda, Mr. Kazuhiko Hayashi and Ms. Kaeko Kitamoto are candidates for Outside Directors.
  4. Mr. Haruhiko Yoshida, Mr. Masanobu Nakamura, Mr. Yoshio Fukuda, Mr. Kazuhiko Hayashi and Ms. Kaeko Kitamoto are candidates for Independent Directors with no risk of conflict of interest with general shareholders, for which appointment is required by the Tokyo Stock Exchange.
  5. The number of shares of the Company held includes the portion held by the Officers' Shareholding Association.
  6. Liability limitation agreement with Outside Directors

In order to create an environment where the Company can invite capable personnel to serve as Directors, and to enable them to sufficiently perform the duties expected of them, the Company stipulates in its Articles of Incorporation that it may enter into an agreement with Directors (excluding persons who are Executive Directors, etc.) to limit their liability to the Company to a certain range. Among candidates for Director, Mr. Haruhiko Yoshida, Mr. Masanobu Nakamura, Mr. Yoshio Fukuda, Mr. Kazuhiko Hayashi, and Ms. Kaeko Kitamoto are currently Outside Directors, and the Company has thus entered into liability limitation agreements with each of these candidates.

An overview of the content of the liability limitation agreements that the Company has entered into with incumbent Outside Directors is as follows.

- If a Director (excluding persons who are Executive Directors, etc.) causes damages to the Company owing to the neglect of his or her duties, his or her liability shall be limited to the minimum amount for liability set forth in Article 425, Paragraph 1 of the Companies Act, provided that he or she has performed his or her duties in good faith and without gross negligence.

7. Directors and officers, etc. liability insurance contracts

The Company has concluded a directors and officers, etc. liability insurance agreement provided for in Article 430-3 of the Companies Act with an insurance company, and the said insurance agreement shall compensate for damages including compensation for damages and legal expenses to be borne by the insureds. Note that the Company bears the full cost of the insurance premiums. If each of the candidates for Director is elected and assumes office, the Company plans to make all of them insured persons under the aforementioned directors and officers, etc. insurance agreement.

(Reference)

Skills matrix of Directors after the conclusion of this Meeting

The overall composition of the Board of Directors and the main skills (insight, experience, capability, expertise, etc.) of each Director are as outlined below if this proposal is approved as originally proposed:

Name	Position (As proposed)	Attributes	Expected insight, experience, capability and 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 board of directors	—	●	●	●			●	●	
Akira Maruyama	President and Representative Director	—	●		●	●	●		●	
Kazutoshi Kamijoh	Representative Director	—	●		●			●		
Yoshihiro Tanioka	Director	—	●	●	●	●	●			
Naomi Shirasawa	Director	—	●	●	●	●	●			
Haruhiko Yoshida	Outside Director	Outside Independent	●	●	●					
Masanobu Nakamura	Outside Director	Outside Independent	●	●	●			●		
Yoshio Fukuda	Outside Director	Outside Independent	●	●	●	●		●		
Kazuhiko Hayashi	Outside Director	Outside Independent	●	●			●			
Kaeko Kitamoto	Outside Director	Outside Independent	●					●		●

## Reasons for selecting skill areas of the Skills Matrix

Skill areas	Reasons 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.

## (Reference) Independence Standards for Outside Directors

The Company shall elect independent outside directors who are outside directors without any risk of a conflict of interest with general shareholders (outside directors under Article 2, Paragraph 15 of the Companies Act) and outside officers prescribed in Article 2, paragraph (3), item (v) of the Regulation for Enforcement of the Companies Act (Ministry of Justice Order No. 12 of February 7, 2006) who do not fall under any of the following items and who possess strong independence without any risk of a conflict of interest with general shareholders.

- 1) A major business partner of the Group or an executive thereof;
- 2) A major shareholder who directly or indirectly holds 10% or more of the Company's total voting rights or a person performing an executive role thereof;
- 3) An executive of the Group companies;
- 4) An accounting auditor of the Group or an employee thereof;
- 5) A consultant, accounting specialist and/or legal special receiving substantial amount of money or other financial benefits beyond compensation as directors and officers paid by the Group (or if the entity receiving such financial benefits is a corporation, association or other organization, then any individual belonging to such organization);
- 6) A person who has been an executive of the Group companies or has served as a director, corporate auditor or executive officer of the Group over the past ten (10) years, a relative within the second degree of relationship of such person or a person living together with such person;

In addition, if an applicable person is still judged to be substantially independent even in a case where he or she falling under any of the items 1) – 6) above, the Company will explain and disclose the reason at the time of election.

End

### Proposal 3: Election of four (4) Corporate Auditors

The terms of office of all four (4) Corporate Auditors will expire at the conclusion of this Meeting, and therefore the Company proposes the election of four (4) Corporate Auditors.

The Board of Corporate Auditors has given its consent to the submission of this proposal.

The candidates for Corporate Auditors are as follows:

No.		Name	Gender	Age	Current positions at the Company	Attributes	Attendance at Board of Directors meetings	Attendance at Board of Corporate Auditors meetings	Years in office
1	<span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Yoshitsugu Yokogoshi	Male	70	Full-time Corporate Auditor	<span style="border: 1px solid black; padding: 0 2px;">Outside</span> <span style="border: 1px solid black; padding: 0 2px;">Independent</span>	18/18	17/17	4 years
2	<span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Hidefumi Iguchi	Male	65	Full-time Corporate Auditor	—	18/18	17/17	2 years
3	<span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Eisaku Imazato	Male	68	Outside Corporate Auditor (Part-time)	<span style="border: 1px solid black; padding: 0 2px;">Outside</span> <span style="border: 1px solid black; padding: 0 2px;">Independent</span>	18/18	17/17	4 years
4	<span style="border: 1px solid black; padding: 0 2px;">New appointment</span>	Nobuyuki Higashi	Male	60	—	—	—	—	—

Note: The age is as of the date of this Meeting.

<span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Candidate for reappointment as Corporate Auditor
<span style="border: 1px solid black; padding: 0 2px;">New appointment</span>	Candidate for new appointment as Corporate Auditor
<span style="border: 1px solid black; padding: 0 2px;">Outside</span>	Candidate for Outside Corporate Auditor
<span style="border: 1px solid black; padding: 0 2px;">Independent</span>	Independent Corporate Auditor registered at the Tokyo Stock Exchange

## Past experience, positions, and significant concurrent positions

Apr. 1977	Joined The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)
Apr. 1995	Yoyogi Branch Manager, The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)
May 2005	Executive Officer, General Manager of Public Relations Department, UFJ Bank Ltd. (present MUFG Bank, Ltd.)
May 2007	Managing Executive Officer and Deputy Chief Executive of Retail Banking Business Unit, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (present MUFG Bank, Ltd.)
Jan. 2009	Executive Vice President, Mitsubishi UFJ Asset Management Co., Ltd.
Jun. 2014	President, The Midori Kai Co., Ltd.
Jun. 2017	Full-time Audit & Supervisory Board Member, Cosmo Oil Co., Ltd.
Jun. 2020	Full-time Outside Corporate Auditor, the Company (incumbent)

## (Reason for nomination as candidate for Outside Corporate Auditor)

Mr. Yoshitsugu Yokogoshi possesses abundant management experience and broad insight gained at a major banking group. In addition, he possesses a wealth of knowledge of duties of corporate auditor and substantial knowledge of finance and accounting gained through his experience of having served as a full-time corporate auditor at another company. Since assuming office as full-time Outside Corporate Auditor of the Company, he has been strengthening its corporate governance structure from an independent standpoint. The Company therefore proposes his continued nomination as a candidate for full-time Outside Corporate Auditor.

Mr. Yoshitsugu Yokogoshi was appointed full-time Outside Corporate Auditor of the Company in June 2020, and his term of office will be 4 years as of the conclusion of this Meeting.

**Past experience, positions, and significant concurrent positions**

Apr. 1983	Joined the Company
May 1999	General Manager of Quality Assurance Promotion Office, the Company
Apr. 2009	General Manager of Operational Process Innovation Department, the Company
Jun. 2011	General Manager of Internal Control and Audit Office, the Company
May 2013	Corporate Auditor, Harmonic Precision Inc.
Jul. 2014	Executive Officer (Corporate Governance), General Manager of Internal Control and Audit Office, the Company
Jun. 2020	Executive Officer (Administration and Human Resource), General Manager of Administration and Human Resource and Manager of Environment, the Company
Apr. 2022	Executive Officer, General Manager of Administration and Human Resource Division, Manager of Environment, and General Manager of Health Promotion Center, the Company
Jun. 2022	Full-time Corporate Auditor, the Company (incumbent)

**(Reason for nomination as candidate)**

Mr. Hidefumi Iguchi has engaged in business of the Company over many years, and has served prominent positions at quality, environment, internal control audit, human resource and administration divisions. Based on the above, he possesses abundant experience and superior insight, and, since assuming office as full-time Corporate Auditor, he has been significantly contributing to strengthening our audit function based on his experience and knowledge accumulated thus far. The Company therefore proposes his continued nomination for full-time Corporate Auditor.

Mr. Hidefumi Iguchi was appointed full-time Corporate Auditor of the Company in June 2022, and his term of office will be 2 years as of the conclusion of this Meeting.

Past experience, positions, and significant concurrent positions

Apr. 1979	Joined The Nikko Securities Co., Ltd. (present SMBC Nikko Securities Inc.)
Mar. 2002	General Manager of Corporate Clients Department II, Nikko Cordial Securities Inc.
Mar. 2003	Executive Officer, General Manager of Tokyo Corporate Clients Department II, Nikko Cordial Securities Inc.
Dec. 2004	Director in charge of sales planning and corporate clients, Nikko Cordial Securities Inc.
Feb. 2005	Executive Managing Director in charge of planning and wholesale business promotion, Nikko Cordial Securities Inc.
Feb. 2007	Senior Managing Director in charge of Wholesale Sales Division I, Nikko Cordial Securities Inc.
Aug. 2008	Senior Executive Officer, Head of Institutional Client Coverage Division, Nikko Citigroup Limited
Feb. 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. Managing Executive Officer in charge of corporate consolidation, Mitsubishi UFJ Securities Holdings Co., Ltd. Executive Officer, Mitsubishi UFJ Financial Group, Inc.
Jun. 2012	Principal Executive Officer, Head of Corporate & Institutional Business Unit, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
Jun. 2016	Outside Director, Chairperson of the Board of Directors, Marusan Securities Co., Ltd.
Mar. 2020	Outside Director, Marusan Securities Co., Ltd. (incumbent)
Jun. 2020	Outside Corporate Auditor, the Company (incumbent)

(Significant concurrent positions)

Outside Director, Marusan Securities Co., Ltd.

(Reason for nomination as candidate for Outside Corporate Auditor)

Mr. Eisaku Imazato has served in prominent positions at major securities companies, and possesses abundant management experience and broad insight. Since assuming office as Outside Corporate Auditor of the Company, he has been strengthening our corporate governance structure from an independent standpoint. The Company therefore proposes his continued nomination for Outside Corporate Auditor.

Mr. Eisaku Imazato was appointed Outside Corporate Auditor of the Company in June 2020, and his term of office will be 4 years as of the conclusion of this Meeting.



#### Past experience, positions, and significant concurrent positions

Apr. 1987	Nomura Research Institute, Ltd.
Apr. 1998	Nomura Securities Co., Ltd.
Jul. 2000	Nomura Principal Finance Co., Ltd.
Apr. 2012	Managing Director of Investment Business Group, Innovation Network Corporation of Japan (currently Japan Investment Corporation)
Apr. 2017	Outside Director, JOLED Inc. (incumbent)
Apr. 2017	Outside Corporate Auditor, Harmonic Drive AG (currently Harmonic Drive SE)
Jun. 2017	External Director, Japan Display Inc. (retired in June 2018)
Sep. 2018	Executive Managing Director and Managing Director of Investment Business Group, INCJ, Ltd.
Mar. 2020	External Director, Japan Display Inc.
Jun. 2021	Senior Executive Managing Director and Managing Director of Investment Business Group, INCJ, Ltd. (incumbent)

#### (Significant concurrent positions)

Senior Executive Managing Director, INCJ, Ltd.  
Outside Director, JOLED Inc.

#### (Reason for nomination as candidate)

Mr. Nobuyuki Higashi has abundant experience in management research and investment business at major think tanks, major securities companies, investment companies, etc., and possesses considerable knowledge of finance and accounting. He also possesses a high level of insight into corporate management, having served as an outside director and an outside corporate auditor of several companies involved in investment business through public-private funds.

In March 2017, the Company jointly acquired additional shares of Harmonic Drive AG (currently Harmonic Drive SE), a German equity method affiliate, with Innovation Network Corporation of Japan, and he served as an Outside Corporate Auditor of Harmonic Drive AG from April 2017 to July 2021, auditing and supervising the company's management, and sufficiently fulfilled his duties as an Outside Corporate Auditor. The Company expects that he will contribute to strengthening our audit function, and proposes his new nomination for Corporate Auditor.

- Notes:
1. Candidates' histories at the Company are carried over from the former Harmonic Drive Systems Inc.
  2. There are no special interests between any of the candidates and the Company.
  3. Mr. Yoshitsugu Yokogoshi and Mr. Eisaku Imazato are candidates for Outside Corporate Auditor.
  4. Mr. Yoshitsugu Yokogoshi and Mr. Eisaku Imazato are candidates for Independent Corporate Auditors with no risk of conflict of interest with general shareholders, for which appointment is required by the Tokyo Stock Exchange.
  5. The number of shares of the Company held includes the portion held by the Officers' Shareholding Association.
  6. Liability limitation agreement with Corporate Auditors  
In order to create an environment where the Company can invite capable personnel to serve as Corporate Auditors, and to enable them to sufficiently perform the duties expected of them, the Company stipulates in its Articles of Incorporation that it may enter into an agreement with Corporate Auditors to limit their liability to the Company to a certain range. Among candidates for Corporate Auditor, Mr. Yoshitsugu Yokogoshi, Mr. Hidefumi Iguchi and Mr. Eisaku Imazato are currently Corporate Auditors, and the Company has thus entered into liability limitation agreements with each of these candidates. If they are reelected and assume office, the Company will continue the liability limitation agreements with each of these candidates. If the candidate for Corporate Auditor Mr. Nobuyuki Higashi, is elected and assumes office, the Company will enter into a liability limitation agreement with him.  
An overview of the content of the liability limitation agreements that the Company has entered into with incumbent Corporate Auditors is as follows.
    - If a Corporate Auditor causes damages to the Company owing to the neglect of his or her duties, his or her liability shall be limited to the minimum amount for liability set forth in Article 425, Paragraph 1 of the Companies Act, provided that he or she has performed his or her duties in good faith and without gross negligence.
  7. Directors and officers, etc. liability insurance contracts  
The Company has concluded a directors and officers, etc. liability insurance agreement provided for in Article 430-3 of the Companies Act with an insurance company, and the said insurance agreement shall compensate for damages including compensation for damages and legal expenses to be borne by the insureds. Note that the Company bears the full cost of the insurance premiums. If each of the candidates for Corporate Auditor is elected and assumes office, the Company plans to make all of them insured persons under the aforementioned directors and officers, etc. insurance agreement.

# Business Report

(April 1, 2023 - March 31, 2024)

## 1. Matters concerning Present Status of the Corporate Group

### (1) Business Progress and Results

#### (i) Overview of business

Future of the world economy increased uncertainty during this fiscal year under review due to factors such as further instability of the international situation, strong inflationary pressures and surge in resource and raw material prices, in addition to the slower growth in the Chinese economy. These factors had a noticeable impact on the Harmonic Drive Systems Group (hereinafter “the Group”), including a decrease in orders received, a surge in procurement costs for materials, and an increase in personnel costs due to increased wage rates.

#### (ii) Overview of amount of orders received

The situations concerning orders received by the Group generally became tough owing to continuous cutbacks in future orders by customers who were increasingly concerned about demand trends, reflecting slower capital investment in China’s manufacturing industry, stagnancy of investment in new facilities for cutting-edge semiconductors, and others.

On the other hand, although it cannot be said that Japan is experiencing a full-on recovery, it can be confirmed that orders received have bottomed out, and orders received from customers whose inventories of our products have been optimized have begun to return, albeit gradually. As a result, consolidated orders received decreased by 20.9% year on year to 44,104 million yen.

#### (iii) Overview of net sales

Consolidated net sales for the fiscal year under review amounted to 55,796 million yen, down 22.0% year on year, having been significantly affected in particular by sluggish orders received in Japan, which has continued from the previous fiscal year.

#### (iv) Overview of net sales by application

Regarding net sales by application, net sales for industrial robots decreased significantly, due to factors such as slower capital investment in China, the main market, in addition to cutbacks in capital investment in EVs. Net sales for semiconductor manufacturing equipment also decreased, especially in the cutting-edge area, where new indications of investment such as in data center application and generative AI application were shown; however, there was no full-scale progress in the fiscal year under review.

On the other hand, net sales for advanced medical applications such as surgical robots rose reflecting steady demand growth mainly from customers in the United States of America. Net sales for automotive applications steadily progressed, due to gradual improvement since the latter half of the previous fiscal year in production adjustment by customers caused by the semiconductor shortage.

#### (v) Overview of profit

In terms of profit and loss, depreciation cost increased as a result of investment made to enhance production capacity in the previous fiscal year. In addition, the lower operating rates of production plants in Japan during the fiscal year under review also affected the results, and operating profit decreased to 124 million yen, down 98.8% year-on-year. In addition, loss attributable to owners of parent of 24,806 million yen (profit attributable to owners of parent of 7,595 million yen in the previous fiscal year) was recorded. This is mainly because 28,159 million yen of impairment losses of intangible assets was recorded related to Harmonic Drive SE, a consolidated subsidiary.

#### (vi) Overview of business initiatives

In fiscal year 2023, which is the final year of the medium-term management plan for fiscal years 2021-2023, we worked on various measures set out in the plan.

On the sales front, we worked to acquire orders with a greater sense of urgency in solving customer issues on a case-by-case basis. In the exhibition area, continuing from the previous year, we held the “Mechatronics Show” again on August 31 and September 1, featuring three major manufacturers of core motion control components (THK Co., Ltd., SMC Corporation, and the Company). Through the appeal of the combined strength of each company, the show provided an opportunity for attracting many visitors and having substantive business negotiations. Aiming to expand adoption opportunities for the Company’s products, we exhibited at exhibitions related to the space industry, etc. in order to expand to other new uses.

In terms of R&D, we worked on evolving the flagship product, the HarmonicDrive® strain wave gearing, as well as focused on joint research with external research institutes, continuing to develop and commercialize elements that are potentially essential to next-generation motion control technology. In particular, we applied the latest weight reduction technology and construction method development for new development projects, contributing to customers' new technological transformation. In the field of mechatronics, in addition to the development of next-generation drivers (control devices), focused on developing torque sensors and enhancing value-added products, we strengthened a new technological foundation.

On the production front, Japanese factories continued to operate at a low level due to impacts of sluggish orders received. The Company saw this as a chance and worked on reforms and improvements that could only be done at this time, aiming to further improve productivity and quality, anticipating growing demand. Utilizing information systems, we introduced the "MES (Manufacturing Execution System)" at the Ariake Plant, for real-time management, grasping the status of manufacturing processes and managing forecasts and actual results, and providing instructions and support. In addition, with the aim of further improving and passing on skills of employees, improvements in operations and promoting multi-skilled workers were conducted based on the key phrase of "eliminated waste" for all processes.

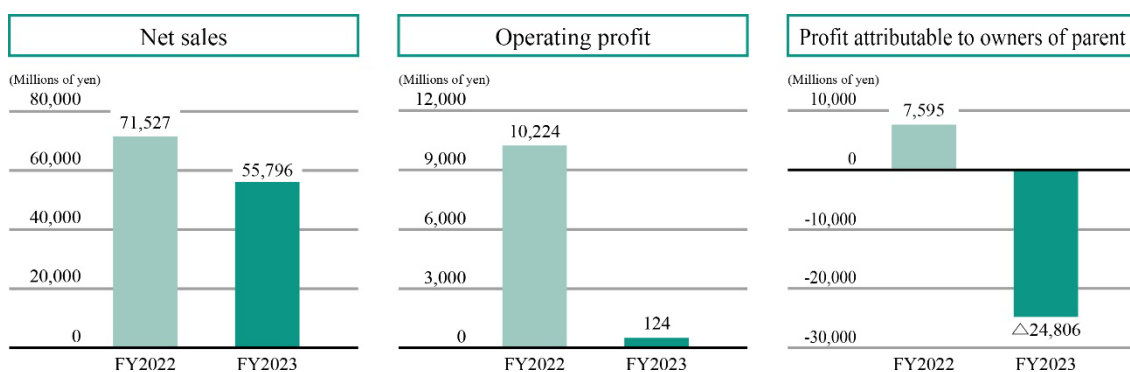
We have been progressing with the complete transfer of production capabilities of our mechatronics product from the Company to Harmonic Winbel Inc. (a consolidated subsidiary), a new manufacturing base. Alongside this, production capacity is also being increased, with the transfer scheduled to be completed in October 2024.

We also increased production capacity at our overseas production sites in Germany and the United States in anticipation of increased demand in the future. Furthermore, we transferred product production to increase locally produced products for customers in each region, with the aim of maximizing production efficiency within the Group.

In terms of quality, we significantly expanded the "visualization" of various manufacturing data, and strengthened our quality control framework.

We also focused on coordination with each Group company and worked to maintain and raise our Common Global Quality initiative as we promote production transfers.

As part of our sustainability initiatives, the Sustainability Committee was established in April 2023, and we have adopted a system in which management themselves promote initiatives. Furthermore, materiality was partially reviewed in November of the same year, and we are working to further clarify the Group's issues. We are promoting the sustainability activities of the Group, such as establishing an "SDGs Proposal System," where all employees can actively participate and not just be told what to do.



## (2) Capital investment status

The total amount of capital investment made by the Group during the fiscal year under review was 4,955 million yen, and the details are as follows.

(Millions of yen)	
Facilities	Capital investment amount
Buildings and structures	722
Machinery, equipment and vehicles	2,386
Tools, furniture and fixtures	1,151
Leased machinery, equipment and vehicles	171
Software	424
Land	98

### **(3) Financing status**

To enable flexible management, we have concluded a three-year commitment line agreement with a syndicate of six banks for a total of 8.5 billion yen.

However, at the end of the fiscal year under review, there was no outstanding borrowing based on the commitment line agreements.

### **(4) Issues to Be Addressed**

#### **(i) Issues for fiscal year 2024**

Amid expectations of further uncertainty in the global economy, such as resource and raw material prices remaining high due to instability of the international situation, and exchange rate fluctuations, in the business environment of the Group in fiscal year 2024, product demand is expected to recover due to expanding investment in automation, such as robots to make up for the decline in the working population, and expanding demand for cutting-edge semiconductors, which are necessary for expanding data centers and generative AI. As a result, with inventory adjustments of our products by customers and agencies, we expect a recovery in orders received during the period. In order to respond to this business environment, we will continue to maintain our high production capacity and strengthen our supply chain system to ensure stable procurement of materials, further promote productivity improvement and operational efficiency through proactive investment in IT, and strive for further quality, cost, delivery, service; product power enhancement, cost reduction, and lead-time reduction), which were implemented as measures in the current medium-term management plan (fiscal years 2021-2023).

In addition, we will promote the improvement of our ability to solve customer issues and the acceleration of our response through the integration of sales and development technology, and focus on further expanding our competitive advantage.

#### **(ii) Medium- to long-term issues**

The Group promotes its unwavering mission of contributing to social and technological innovation through motion control technology.

For mechatronics and precision speed reducers, in which we participate, is contributing greatly to the emerging social and technological innovation, including electrification of vehicles and surgical robots, and such demand is expected to continue to expand. At the same time, with the acceleration of automation as demand for collaborative robots in addition to a new market for “humanoid robots” is expected to increase amid the worldwide labor shortage. To properly capture these growth opportunities, the Group aims to further strengthen its business foundation. We also pursue activities for achieving sustainable society through our business, based on the new medium-term management plan (fiscal years 2024-2026) which was newly formulated, with the whole Group united. Moreover, we aim to enhance corporate value over the medium to long term by maintaining a balance between defensive and offensive approaches in our management strategy to achieve our missions and new long-term vision.

The summaries of the Management Principles, the Basic Policy of Sustainability, our Group's mission, long-term vision, materiality, and medium-term management plan are as follows.

- Management Principles
  1. Respect for the individual
  2. A meaningful company
  3. Coexistence and co-prosperity
  4. Contribution to society
  
- Basic Policy of Sustainability

Based on our management principles on four pillars: 1) Respect for the individual, 2) a meaningful company, 3) coexistence and co-prosperity, and 4) contribution to society, the HDS Group, a group of technological and engineering experts providing total motion control, aims to realize sustainable society and increase its corporate value by contributing to technological innovation for better society.
  
- Our Group's Mission

To contribute to technological innovation in society through motion control technology
  
- Our Vision

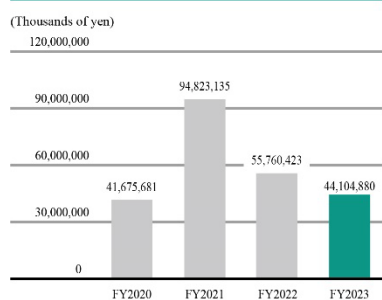
The best provider of total motion control in harmony with the future
  
- Materiality
  - ✓ Maximize the value of human capital
  - ✓ Achieve QCDS that goes beyond customer expectations
  - ✓ Take on the challenge of developing new technologies and new skills that coordinate with changes in the environment
  - ✓ Contribute to creating a sustainable society through corporate activities
  - ✓ Establishment of a management foundation in harmony with the times
  
- Medium-term Management Plan for Fiscal Years 2024–2026
  - Take on the challenge of “value creation and transformation” –
  - Basic policies
  - (a) Sustainable growth of all businesses with an emphasis on profitability
    - ✓ Develop new drivers for growth
    - ✓ Thorough implementation of QCDS+Speed to meet customer expectations
  
  - (b) Strengthen management resources (people, things, money, information) that can adapt to changes in the environment
    - ✓ Realize an organization where individual growth and diverse skills are demonstrated and respected
    - ✓ Growth investment aware of capital efficiency
    - ✓ Strengthen the financial foundation and governance
  
  - (c) Initiatives to enhance corporate value that will continue into the future
    - ✓ Promote Net Zero
    - ✓ Appoint and hire diverse personnel
    - ✓ Develop products that promote the reduction of customers' environmental load

## (5) Trends in Assets and Profit/Loss

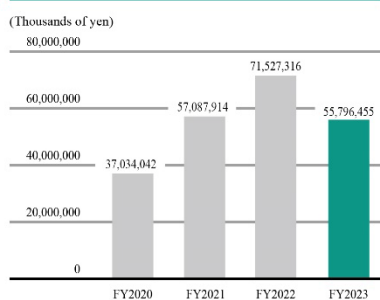
(Thousands of yen, or for profit (loss) per share, yen)

Category	FY 2020	FY 2021	FY 2022	FY 2023 (FY under review)
Orders received	41,675,681	94,823,135	55,760,423	44,104,880
Net sales	37,034,042	57,087,914	71,527,316	55,796,455
Ordinary profit	1,366,803	9,108,243	10,757,728	570,333
Profit (loss) attributable to owners of parent	662,495	6,643,893	7,595,928	(24,806,996)
Profit (loss) per share	6.88	69.02	79.67	(261.00)
Total assets	140,028,170	143,289,918	154,336,246	119,142,291
Net assets	110,059,815	98,856,302	103,955,658	79,401,665

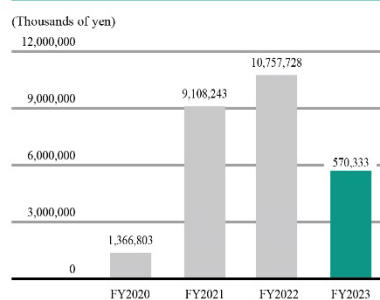
Orders received



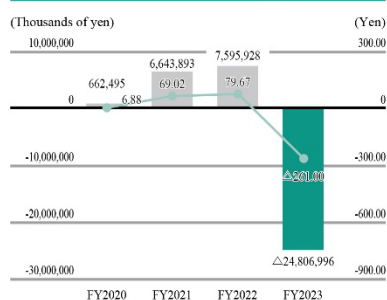
Net sales



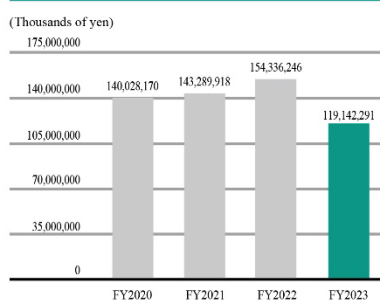
Ordinary profit



Profit attributable to owners of parent Profit per share



Total assets



Net assets

