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Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 [Japanese GAAP]



May 13, 2024

Company name: Harmonic Drive Systems Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6324
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 Scheduled date of general shareholders' meeting: June 21, 2024
 Scheduled date of commencing dividend payments: June 24, 2024
 Scheduled date of filing securities report: June 24, 2024
 Availability of supplementary explanatory materials on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled (for analysts)

(Amounts less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 – March 31, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2024	55,796	(22.0)	124	(98.8)	570	(94.7)	(24,806)	—
March 31, 2023	71,527	25.3	10,224	17.0	10,757	18.1	7,595	14.3

(Note) Comprehensive income: Fiscal year ended March 31, 2024: ¥(21,661) million [–%]

Fiscal year ended March 31, 2023: ¥12,132 million [120.3%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2024	(261.00)	—	(27.1)	0.4	0.2
March 31, 2023	79.67	—	7.5	7.2	14.3

(Reference) Equity in earnings of affiliated companies: Fiscal year ended March 31, 2024: ¥(41) million

Fiscal year ended March 31, 2023: ¥(0) million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	119,142	79,401	66.6	836.02
As of March 31, 2023	154,336	103,955	67.4	1,093.53

(Reference) Equity: As of March 31, 2024: ¥79,401 million

As of March 31, 2023: ¥103,955 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2024	12,728	(5,950)	(8,122)	18,941
March 31, 2023	10,850	(8,663)	(1,599)	19,921

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2023	—	11.00	—	17.00	28.00	2,661	35.1	2.6
Fiscal year ended March 31, 2024	—	10.00	—	10.00	20.00	1,900	—	2.1
Fiscal year ending March 31, 2025 (Forecast)	—	10.00	—	10.00	20.00		95.0	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
First half	27,000	(6.1)	100	(88.5)	100	(91.4)	100	1.05
Full year	58,500	4.8	2,700	—	2,700	373.4	2,000	21.06

* Notes:

(1) Changes in significant subsidiaries during the fiscal year under review (changes in specific subsidiaries, which involve changes in the scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Total number of issued and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

March 31, 2024: 96,315,400 shares

March 31, 2023: 96,315,400 shares

2) Total number of treasury shares at the end of the period:

March 31, 2024: 1,339,057 shares

March 31, 2023: 1,251,002 shares

3) Average number of shares outstanding during the period:

Year ended March 31, 2024: 95,047,417 shares

Year ended March 31, 2023: 95,338,168 shares

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 – March 31, 2024)**

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net income	
Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2024	28,577	(43.8)	(542)	—	2,288	(75.6)	(18,460)	—
March 31, 2023	50,883	23.7	8,927	6.8	9,378	7.8	6,880	5.1

	Basic earnings per share	Diluted earnings per share
Year ended	Yen	Yen
March 31, 2024	(194.23)	—
March 31, 2023	72.17	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	90,621	62,736	69.2	660.55
As of March 31, 2023	120,888	85,678	70.9	901.27

(Reference) Equity: As of March 31, 2024 ¥62,736 million

As of March 31, 2023 ¥85,678 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
First half	15,000	(0.8)	(200)	—	(200)	—	(100)	(1.05)
Full year	34,000	19.0	600	—	600	(73.8)	450	4.74

* These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.* Explanation of the proper use of financial results forecasts and other notes

- The financial results forecasts and other forward-looking statements contained herein are based on information currently available to the Company and certain assumptions deemed reasonable by the Company. The actual financial results may differ significantly due to various factors. Refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 4 of the Attachments for conditions on which the financial results forecasts are premised and notes on the use of financial results forecasts.
- Supplementary explanatory materials on annual financial results are scheduled to be posted on the Company’s website around May 20, 2024.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

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. The situations concerning orders received by the Harmonic Drive Systems Group (hereinafter “the Group”) generally became tough owing to continuous cutbacks in future orders received by customers who were 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. Consolidated net sales for the fiscal year under review have especially been significantly affected by sluggish orders received in Japan, which has continued from the previous fiscal year, and amounted to ¥55,796 million, down 22.0% year on year.

Regarding net sales trend 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.

In terms of profit and loss, depreciation cost increased as a result of investment made to enhance production capacity. 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, down 98.8% year-on-year. In addition, loss attributable to owners of parent was ¥24,806 million (profit attributable to owners of parent of ¥7,595 million in the previous fiscal year) due to the recording of ¥28,159 million of impairment losses of intangible assets related to Harmonic Drive SE, a consolidated subsidiary, and other factors.

In terms of net sales by product group, speed reducers totaled ¥39,432 million, down 30.8% year on year and mechatronics products reached ¥16,363 million, up 12.6% year on year. They accounted for 70.7% and 29.3% of the total net sales, respectively.

Financial results by segment are as follows.

(Japan)

Net sales increased for automotive application resulting from a recovery of car production in line with a relaxation of the supply-demand balance for semiconductors. Meanwhile, demand declined for industrial robots, semiconductor manufacturing equipment, flat panel display manufacturing equipment, and other general industrial machinery applications owing to softness in capital investment trends in Chinese electronics and semiconductors, and the inventory adjustments of our products by customers and distributors of the Group. As a result, net sales decreased by 42.9% year on year to ¥25,971 million. Segment profit (ordinary profit) decreased by 64.6% year on year to ¥4,513 million due to the effect of decreased sales.

(North America)

Exchange rates of the yen remained weak, and demand increased for advanced medical applications (surgical robot-related) and amusement application. As a result, net sales increased by 22.3% year on year to ¥13,284

million. Segment profit (ordinary profit) increased by 21.4% year on year to ¥1,707 million due to the effect of increase in sales.

(Europe)

Exchange rates of the yen remained weak, and demand increased for cutting-edge semiconductor manufacturing equipment, despite a decrease in demand for industrial robots. As a result, net sales increased by 8.7% year on year to ¥16,540 million. Segment profit (ordinary profit) decreased by 65.7% year on year to ¥214 million due to depreciation of ¥1,898 million on intangible assets posted at the time of acquisition of shares in Harmonic Drive SE.

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Total assets decreased by ¥35,193 million, down 22.8% year on year to ¥119,142 million. This was primarily because of a 58.4% or ¥4,323 million decrease in notes receivable - trade from the end of the previous fiscal year resulting from a decrease in net sales, a 14.7% or ¥1,496 million decrease in accounts receivable - trade from the end of the previous fiscal year, and an 68.0% or ¥27,435 million decrease in intangible assets from the end of the previous fiscal year due to applying impairment accounting for some of the intangible assets (goodwill, customer related assets, and technical assets) that were recognized when Harmonic Drive SE became a subsidiary, as well as an 20.5% or ¥2,263 million decrease in investment securities from the end of the previous fiscal year due to a change in market capitalization of securities held by the Company, despite a 109.9% or ¥1,436 million increase in other current assets from the end of the previous fiscal year.

(Liabilities)

Liabilities decreased by ¥10,639 million, down 21.1% year on year to ¥39,740 million. This was primarily because of a 41.6% or ¥4,165 million decrease in deferred tax liabilities resulting from a reversal of the aforementioned impairment losses of intangible assets, as well as a 14.4% or ¥2,565 million decrease in long-term borrowings from the end of the previous fiscal year resulting from repayments of borrowings and a 73.2% or ¥1,909 million decrease in short-term borrowings from the end of the previous fiscal year.

(Net Assets)

Net assets decreased by ¥24,553 million, down 23.6% year on year to ¥79,401 million. This was primarily because of a 42.2% or ¥27,373 million decrease in retained earnings from the end of the previous fiscal year due to impacts of the aforementioned impairment losses of intangible assets, payment of dividends, and other factors, despite a 58.7% or ¥4,781 million increase in foreign currency translation adjustment from the end of the previous fiscal year due to the effect of exchange rate fluctuations.

As a result, equity ratio declined from 67.4% at the end of the previous fiscal year to 66.6%.

(3) Overview of Cash Flows for the Fiscal Year under Review

(Status of Cash Flows)

Cash and cash equivalents at the end of the fiscal year under review totaled ¥18,941 million, down ¥980 million from the end of the previous fiscal year.

The status of cash flows by category for the fiscal year under review is as follows.

(Cash Flows from Operating Activities)

Operating activities in the fiscal year under review provided net cash of ¥12,728 million, compared with net cash provided of ¥10,850 million in the previous fiscal year.

This was primarily because of recording impairment losses of ¥28,159 million, recording ¥9,189 million of depreciation, and a ¥6,234 million decrease in trade receivables, while the Company recorded loss before income taxes of ¥27,606 million and ¥3,892 million used for income taxes paid.

(Cash Flows from Investing Activities)

Investing activities in the fiscal year under review used net cash of ¥5,950 million, compared with net cash used of ¥8,663 million in the previous fiscal year.

This was primarily because of ¥4,935 million used for acquisition of property, plant and equipment, and ¥2,188 million used for payments into time deposits, while there was ¥1,707 million in proceeds from withdrawal of time deposits.

(Cash Flows from Financing Activities)

Financing activities in the fiscal year under review used net cash of ¥8,122 million, compared with net cash used of ¥1,599 million in the previous fiscal year.

This was primarily because of ¥4,410 million used for repayments of short-term borrowings, ¥2,656 million used for repayments of long-term borrowings, and ¥2,566 million used in dividends paid, which was partially offset by ¥2,480 million provided from the proceeds from short-term borrowings.

(4) Future Outlook

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 distributors, we expect a recovery in orders received during the period.

The above forecast leads us to the consolidated financial results forecasts for the fiscal year ending March 31, 2025 with net sales of ¥58,500 million, operating profit of ¥2,700 million, ordinary profit of ¥2,700 million, and profit attributable to owners of parent of ¥2,000 million.

(5) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years

The Company distributes profits according to its financial results as a basic policy, and has set a target consolidated payout ratio of 30%. The Company also has a policy to take necessary measures for implementing certain stable dividends in the event that large fluctuations in financial results occur in a short period of time. The Company invests its internal reserves mainly in research and development of new products, improvement of production facilities and enhancement of information management systems for future business operations, while preparing for the execution of flexible capital policies.

The Company plans to pay ¥10 per share as the year-end dividend for the fiscal year ended March 31, 2024. For the dividends per share for the next fiscal year (fiscal year ending March 31, 2025), an interim dividend of ¥10, year-end dividend of ¥10, and annual dividend of ¥20 are forecast, premised on the financial results stated in the above “Future Outlook.”

2. Management Policy

(1) Basic Policy for Corporate Management

The Company (referred to here as “HDSI”) operates based on the following management principles:

■ Management Principles

(i) Respect for the Individual

HDSI aspires to be a company where the rights of every individual employee are respected, and where individuals can pursue a meaningful, cultural, and worthwhile life.

We will make HDSI a company that believes in each employee’s aspirations, supports independent activities, creates an environment where employees can maximize their abilities through work, and where abilities and performance are rewarded.

(ii) A Meaningful Company

HDSI wants to be recognized as a meaningful, superior company which manifests creativity, has personality and distinctive characteristics, and whose management foundation is based on ceaseless research and development activities and a constant emphasis on quality—a company where the entire organization finds meaning in making utmost efforts.

(iii) Coexistence and Co-prosperity

HDSI is supported by many different parties including our employees, customers, shareholders, materials and parts suppliers, affiliated companies and trading partners. We make our best efforts to create attractive products, services, compensation, working environments, and trading relations to satisfy all these concerned parties.

(iv) Contribution to Society

HDSI broadly contributes to society and industry through our corporate activities as a good corporate citizen. The products and services we provide directly and indirectly contribute to the betterment of society. We aspire to be a company that helps to improve the environment and the quality of the communities where we are located.

(2) Medium- to Long-term Corporate Management Strategy and Issues to Be Addressed

(Medium- to Long-term Issues to Be Addressed)

The Group promotes its unwavering mission of contributing to social and technological innovation through motion control technology. Market 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 “human-like 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, and by solving issues to be addressed in the new medium-term management plan in order to achieve our missions and new long-term vision.

■ 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

- Mid-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

(3) Target Management Indicators

Towards realizing sustainable growth and long-term enhancement of corporate value, the Group has newly added ratio of operating profit to net sales of 15% or more and a ratio of net sales to EBITDA of 25% or more as a “cash generation ability indicator” for net sales as indicators in the medium-term management plan (fiscal years 2024–2026) as the Group’s important management indicators. As an important financial indicator, in addition to return on equity (ROE), ROIC is a new indicator. Assuming that a comparable capital cost (WACC) is approximately at the 9% level, setting a target of return on equity (ROE) and ROIC at 10% or more, we aim to improve return on capital through conducting management aware of the operational efficiency of invested capital.

3. Basic Policy for Selection of Accounting Principles

As a result of considering the trend of IFRS adoption in Japan, the Company intends, for the time being, to prepare its consolidated financial statements in accordance with accounting principles generally accepted in Japan.

4. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	20,783,570	20,318,343
Notes receivable - trade	7,408,386	3,085,175
Accounts receivable - trade	10,165,121	8,668,982
Securities	28,840	37,156
Merchandise and finished goods	2,014,249	2,466,573
Work in process	3,658,753	3,481,346
Raw materials and supplies	6,828,695	6,681,866
Other	1,307,220	2,743,454
Allowance for doubtful accounts	(19,356)	(24,906)
Total current assets	52,175,480	47,457,994
Non-current assets		
Property, plant and equipment		
Buildings and structures	27,102,635	28,050,179
Accumulated depreciation	(7,679,564)	(8,961,427)
Buildings and structures, net	19,423,071	19,088,751
Machinery, equipment and vehicles	41,046,656	44,620,810
Accumulated depreciation	(23,709,576)	(28,516,512)
Machinery, equipment and vehicles, net	17,337,080	16,104,298
Tools, furniture and fixtures	9,579,522	10,647,385
Accumulated depreciation	(7,735,852)	(8,897,026)
Tools, furniture and fixtures, net	1,843,670	1,750,358
Land	3,329,452	3,486,870
Leased assets	6,253,972	7,876,856
Accumulated depreciation	(2,100,357)	(2,840,983)
Leased assets, net	4,153,614	5,035,872
Construction in progress	2,766,545	2,610,922
Other	821,282	898,582
Accumulated depreciation	(747,867)	(828,333)
Other, net	73,415	70,248
Total property, plant and equipment	48,926,847	48,147,323
Intangible assets		
Goodwill	15,258,139	—
Software	191,453	493,049
Customer related assets	19,489,904	9,663,394
Technical assets	5,205,468	2,580,951
Other	187,939	159,997
Total intangible assets	40,332,904	12,897,391
Investments and other assets		
Investment securities	11,044,878	8,780,932
Shares of subsidiaries and associates	89,956	48,112
Long-term loans receivable from subsidiaries and associates	—	200,000
Retirement benefit asset	1,191,060	1,372,071
Deferred tax assets	439,351	137,493
Other	141,366	106,571
Allowance for doubtful accounts	(5,600)	(5,600)
Total investments and other assets	12,901,013	10,639,581
Total non-current assets	102,160,765	71,684,297
Total assets	154,336,246	119,142,291

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,596,434	3,036,539
Contract liabilities	267,842	172,558
Short-term borrowings	2,610,183	700,629
Current portion of long-term borrowings	2,569,064	2,529,452
Lease liabilities	583,255	700,049
Income taxes payable	1,046,412	101,581
Provision for bonuses	1,471,732	949,714
Provision for bonuses for directors (and other officers)	351,669	66,165
Provision for loss on compensation for after-care of products	64,009	147,759
Other	3,906,913	3,315,414
Total current liabilities	16,467,518	11,719,864
Non-current liabilities		
Long-term borrowings	17,766,840	15,201,497
Lease liabilities	3,836,603	4,681,840
Deferred tax liabilities	10,003,116	5,837,148
Provision for retirement benefits for directors (and other officers)	12,000	12,000
Provision for operating officers' retirement benefits	80,260	104,749
Retirement benefit liability	750,593	836,377
Other	1,463,654	1,347,147
Total non-current liabilities	33,913,069	28,020,761
Total liabilities	50,380,587	39,740,626
Net assets		
Shareholders' equity		
Share capital	7,100,036	7,100,036
Capital surplus	22,773,595	22,778,711
Retained earnings	64,852,655	37,478,753
Treasury shares	(4,978,535)	(5,309,159)
Total shareholders' equity	89,747,751	62,048,341
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,845,310	4,256,856
Foreign currency translation adjustment	8,146,088	12,927,929
Remeasurements of defined benefit plans	216,507	168,538
Total accumulated other comprehensive income	14,207,906	17,353,323
Total net assets	103,955,658	79,401,665
Total liabilities and net assets	154,336,246	119,142,291

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net sales	71,527,316	55,796,455
Cost of sales	45,741,012	40,189,989
Gross profit	25,786,304	15,606,465
Selling, general and administrative expenses	15,561,495	15,481,886
Operating profit	10,224,808	124,579
Non-operating income		
Interest income	14,951	96,856
Dividend income	268,412	275,621
Foreign exchange gains	275,886	129,181
Subsidy income	245,089	110,873
Other	212,596	257,261
Total non-operating income	1,016,936	869,795
Non-operating expenses		
Commission for purchase of treasury shares	116,897	665
Interest expenses	166,982	177,069
Share of loss of entities accounted for using equity method	865	41,843
Rental expenses	144,211	116,151
Other	55,059	88,311
Total non-operating expenses	484,015	424,041
Ordinary profit	10,757,728	570,333
Extraordinary income		
Gain on sale of non-current assets	1,922	6,861
Subsidy income	2,000	2,000
Total extraordinary income	3,922	8,861
Extraordinary losses		
Loss on sale of non-current assets	—	440
Impairment losses	—	28,159,317
Loss on retirement of non-current assets	63,496	23,517
Loss on tax purpose reduction entry of non-current assets	2,000	2,000
Special extra for retirement payments	501,537	—
Total extraordinary losses	567,034	28,185,276
Profit (loss) before income taxes	10,194,617	(27,606,080)
Income taxes - current	3,089,772	1,094,861
Income taxes - deferred	(491,084)	(3,893,945)
Total income taxes	2,598,688	(2,799,084)
Profit (loss)	7,595,928	(24,806,996)
Profit attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	7,595,928	(24,806,996)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit (loss)	7,595,928	(24,806,996)
Other comprehensive income		
Valuation difference on available-for-sale securities	(66,427)	(1,588,454)
Foreign currency translation adjustment	4,392,800	4,781,841
Remeasurements of defined benefit plans, net of tax	209,867	(47,969)
Total other comprehensive income	4,536,240	3,145,417
Comprehensive income	12,132,168	(21,661,579)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,132,168	(21,661,579)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,100,036	22,762,168	59,361,329	(38,897)	89,184,636
Changes during period					
Dividends of surplus			(2,104,602)		(2,104,602)
Profit (loss) attributable to owners of parent			7,595,928		7,595,928
Purchase of treasury shares				(5,000,000)	(5,000,000)
Restricted stock payment		11,426		60,361	71,788
Net changes in items other than shareholders' equity					
Total changes during period	—	11,426	5,491,326	(4,939,638)	563,115
Balance at end of period	7,100,036	22,773,595	64,852,655	(4,978,535)	89,747,751

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,911,738	3,753,287	6,640	9,671,666	—	98,856,302
Changes during period						
Dividends of surplus						(2,104,602)
Profit (loss) attributable to owners of parent						7,595,928
Purchase of treasury shares						(5,000,000)
Restricted stock payment						71,788
Net changes in items other than shareholders' equity	(66,427)	4,392,800	209,867	4,536,240	—	4,536,240
Total changes during period	(66,427)	4,392,800	209,867	4,536,240	—	5,099,355
Balance at end of period	5,845,310	8,146,088	216,507	14,207,906	—	103,955,658

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,100,036	22,773,595	64,852,655	(4,978,535)	89,747,751
Changes during period					
Dividends of surplus			(2,566,906)		(2,566,906)
Profit (loss) attributable to owners of parent			(24,806,996)		(24,806,996)
Purchase of treasury shares				(397,294)	(397,294)
Restricted stock payment		5,115		66,670	71,786
Net changes in items other than shareholders' equity					
Total changes during period	—	5,115	(27,373,902)	(330,623)	(27,699,410)
Balance at end of period	7,100,036	22,778,711	37,478,753	(5,309,159)	62,048,341

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,845,310	8,146,088	216,507	14,207,906	—	103,955,658
Changes during period						
Dividends of surplus						(2,566,906)
Profit (loss) attributable to owners of parent						(24,806,996)
Purchase of treasury shares						(397,294)
Restricted stock payment						71,786
Net changes in items other than shareholders' equity	(1,588,454)	4,781,841	(47,969)	3,145,417	—	3,145,417
Total changes during period	(1,588,454)	4,781,841	(47,969)	3,145,417	—	(24,553,993)
Balance at end of period	4,256,856	12,927,929	168,538	17,353,323	—	79,401,665

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	10,194,617	(27,606,080)
Depreciation	8,520,379	9,189,813
Impairment losses	—	28,159,317
Amortization of goodwill	1,054,340	1,172,736
Increase (decrease) in allowance for doubtful accounts	(4,787)	3,428
Increase (decrease) in retirement benefit liability	(381,798)	(45,106)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(478,413)	—
Increase (decrease) in provision for operating officers' retirement benefits	(48,933)	24,489
Increase (decrease) in provision for bonuses for directors (and other officers)	40,182	(294,480)
Increase (decrease) in provision for loss on compensation for after-care of products	(1,295)	79,428
Interest income	(14,951)	(96,856)
Dividend income	(268,412)	(275,621)
Interest expenses	166,982	177,069
Share of loss (profit) of entities accounted for using equity method	865	41,843
Subsidy income	(2,000)	(2,000)
Loss (gain) on sale of non-current assets	(1,922)	(6,421)
Loss on retirement of non-current assets	61,992	23,517
Loss on tax purpose reduction entry of non-current assets	2,000	2,000
Decrease (increase) in trade receivables	(1,636,166)	6,234,839
Decrease (increase) in inventories	(2,540,386)	603,355
Increase (decrease) in trade payables	(458,470)	(750,951)
Other, net	1,347,695	(469,579)
Subtotal	15,551,518	16,164,740
Interest and dividends received	283,364	371,459
Subsidies received	2,000	2,000
Interest paid	(177,146)	(183,325)
Income taxes paid	(4,967,316)	(3,892,940)
Income taxes refund	158,054	266,666
Net cash provided by (used in) operating activities	10,850,473	12,728,600
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,838,891)	(4,935,243)
Proceeds from sale of property, plant and equipment	2,698	15,085
Purchase of intangible assets	(229,709)	(377,679)
Payments into time deposits	(1,701,679)	(2,188,275)
Proceeds from withdrawal of time deposits	2,108,145	1,707,348
Payments of leasehold and guarantee deposits	(8,836)	(9,593)
Proceeds from refund of leasehold and guarantee deposits	4,509	37,471
Loan advances to subsidiaries and associates	—	(200,000)
Other, net	481	481
Net cash provided by (used in) investing activities	(8,663,281)	(5,950,405)

(Thousands of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from financing activities		
Proceeds from short-term borrowings	9,910,000	2,480,000
Repayments of short-term borrowings	(7,610,179)	(4,410,197)
Proceeds from long-term borrowings	6,000,000	70,000
Repayments of long-term borrowings	(2,242,662)	(2,656,564)
Repayments of lease liabilities	(551,912)	(641,904)
Purchase of treasury shares	(5,000,000)	(397,294)
Dividends paid	(2,105,094)	(2,566,337)
Net cash provided by (used in) financing activities	(1,599,848)	(8,122,296)
Effect of exchange rate change on cash and cash equivalents	567,101	363,836
Net increase (decrease) in cash and cash equivalents	1,154,445	(980,265)
Cash and cash equivalents at beginning of period	18,767,531	19,921,977
Cash and cash equivalents at end of period	19,921,977	18,941,712

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting estimates)

Impairment losses of non-current assets of the Harmonic Drive SE Group

1) Amounts recorded in the financial statements for this fiscal year

- Book value: ¥18,203,783 thousand
- Impairment losses: ¥28,159,317 thousand

2) Other information

- Calculation method

The Company accounts non-current assets related to Harmonic Drive SE and its eight subsidiaries (hereinafter “the HDSE Group”) as the smallest unit that generates cash flow.

As of the end of the fiscal year under review, it was determined that there were indications of impairment in non-current assets of the HDSE Group, and in order to determine whether impairment losses should be recognized, as a result of considering whether the total amount of undiscounted future cash flows that the HDSE Group will obtain is less than the book value of the HDSE Group’s non-current assets, including goodwill, ¥15,245,574 thousand in goodwill, and ¥12,913,743 thousand in customer related assets and technical assets were recorded as impairment losses because the total amount of undiscounted future cash flows of the remaining economic life of goodwill, customer related assets, and technical assets was less than the book value of the HDSE Group’s non-current assets.

- Key assumptions

For determining whether to recognize impairment losses and future cash flows used in calculating use value, the estimated amount is calculated based on the business plan for the next five fiscal years approved by management and the growth rate, etc. thereafter. When measuring impairment losses, the use value is calculated by discounting future cash flows to the present value using a discount rate of 13.0% based on the HDSE Group’s weighted average cost of capital, and the value is used as the recoverable value.

The growth rate from six fiscal years onward has been determined to be 1.3%, taking into account the long-term growth rate of the market, industry, and countries to which the HDSE Group belongs, and will not exceed the long-term growth rate of the market.

- How the consolidated financial statements for the next fiscal year will be affected

By recognizing impairment losses, although future profitability, etc. is being carefully considered, there may be a significant failure to achieve the business plan based on the estimated amount of future cash flows due to changes in the management and market environment, etc. in the future, or if future uncertainty increases, the recoverable value will decrease, and the statements may be significantly affected by the occurrence of impairment losses in the next fiscal year.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The reportable segments of the Company are business units of the Companies for which separate financial information can be obtained and the Board of Directors examines such information on a regular basis to determine the allocation of management resources and evaluate the business performance.

The Company is engaged in the manufacturing and sales of precision speed reducers, precision actuators and related motion control products, and the business operations fall within a single industry segment based on similarities in the type, nature, manufacturing method and markets of their products.

The geographic markets of the products of the Company are Japan (including the Asia area), North America and Europe. In the Japan market, the products are manufactured and sold by the Company, its subsidiaries in Japan, and subsidiaries in the Asia area. In the North America market and the Europe market, the products are manufactured and sold by subsidiaries in the United States and in Europe, respectively.

As a result, the Company consists of three reportable segments: Japan, North America and Europe, which are consistent with the geographic segments based on the manufacturing and sale of the products.

2. Accounting method of net sales, profit/loss, assets and other items by each reportable segment

Accounting methods used at the reportable segments are identical to the descriptions in “Summary of significant accounting policies.”

The profit by the reportable segment is based on the ordinary profit. The transfer prices of inter-segment transactions are based on the market price.

3. Net sales, profit/loss, assets and other items, and information on disaggregation of revenue, by each reportable segment

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Net sales						
Revenue from contracts with customers	51,792,678	10,877,240	15,965,906	78,635,825	(7,108,508)	71,527,316
Net sales to third parties	45,445,979	10,858,472	15,222,864	71,527,316	–	71,527,316
Inter-segment net sales or transfers	6,346,698	18,767	743,041	7,108,508	(7,108,508)	–
Total	51,792,678	10,877,240	15,965,906	78,635,825	(7,108,508)	71,527,316
Segment profit (loss)	12,748,650	1,406,763	624,801	14,780,215	(4,022,486)	10,757,728
Segment assets	67,342,909	14,450,002	42,537,872	124,330,784	30,005,461	154,336,246
Others						
Depreciation	4,909,330	612,005	2,999,043	8,520,379	–	8,520,379
Interest income	89,903	5,107	7,079	102,089	(87,138)	14,951
Interest expenses	88,792	84,950	77,857	251,601	(84,618)	166,982
Share of loss of entities accounted for using equity method	(865)	–	–	(865)	–	(865)
Investment in affiliated companies	89,956	–	–	89,956	–	89,956
Increase in property, plant and equipment and intangible assets	8,150,824	675,758	409,671	9,236,254	–	9,236,254

- (Notes) 1. The segment profit (loss) adjustment of ¥(4,022,486) thousand consists of the eliminated inter-segment transaction profit of ¥(1,465,634) thousand, and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(2,556,852) thousand. The general administrative expenses that are not allocated to any reportable segment include the basic research and development expenses, certain administrative expenses related to the General Affairs and Accounting Department, and the amortization of the goodwill recorded in connection with the acquisition of shares of Harmonic Drive SE, amounting to ¥1,054,340 thousand.
2. The “Japan” segment includes the net sales and expenses related to the European and Asian markets, in addition to the Japanese market.
3. The segment asset adjustment of ¥30,005,461 thousand consists of an inter-segment elimination of ¥11,082,141 thousand, and corporate assets that are not allocated to any reportable segment, which amounted to ¥18,923,319 thousand. The corporate assets include excess funds (including cash, bank deposits and securities), long-term investments (such as investment securities and assets categorized as “Others” under “Investments and other assets”), certain assets related to corporate departments, and a goodwill of ¥15,258,139 thousand recorded in connection with the acquisition of shares of Harmonic Drive SE.

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Net sales						
Revenue from contracts with customers	30,510,177	13,303,687	16,741,606	60,555,471	(4,759,015)	55,796,455
Net sales to third parties	25,971,558	13,284,851	16,540,045	55,796,455	–	55,796,455
Inter-segment net sales or transfers	4,538,618	18,835	201,561	4,759,015	(4,759,015)	–
Total	30,510,177	13,303,687	16,741,606	60,555,471	(4,759,015)	55,796,455
Segment profit (loss)	4,513,802	1,707,414	214,367	6,435,584	(5,865,251)	570,333
Segment assets	59,751,761	16,233,037	30,689,427	106,674,225	12,468,065	119,142,291
Others						
Depreciation	5,243,389	677,682	3,268,741	9,189,813	–	9,189,813
Interest income	95,316	32,025	57,553	184,895	(88,038)	96,856
Interest expenses	96,061	86,911	79,749	262,722	(85,652)	177,069
Share of loss of entities accounted for using equity method	(41,843)	–	–	(41,843)	–	(41,843)
Investment in affiliated companies	48,112	–	–	48,112	–	48,112
Increase in property, plant and equipment and intangible assets	3,548,332	465,298	941,633	4,955,263	–	4,955,263

- (Notes) 1. The segment profit (loss) adjustment of ¥(5,865,251) thousand consists of the eliminated inter-segment transaction profit of ¥(3,419,035) thousand, and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(2,446,215) thousand. The general administrative expenses that are not allocated to any reportable segment include the basic research and development expenses, certain administrative expenses related to the General Affairs and Accounting Department, and the amortization of the goodwill recorded in connection with the acquisition of shares of Harmonic Drive SE, amounting to ¥1,172,736 thousand.
2. The “Japan” segment includes the net sales and expenses related to the European and Asian markets, in addition to the Japanese market.
3. The segment asset adjustment of ¥12,468,065 thousand consists of an inter-segment elimination of ¥(3,932,664) thousand, and corporate assets that are not allocated to any reportable segment, which amounted to ¥16,400,730 thousand. The corporate assets include excess funds (including cash, bank deposits and securities), long-term investments (such as investment securities and assets categorized as “Others” under “Investments and other assets”), and certain assets related to corporate departments.

[Related information]

For the fiscal year ended March 31, 2023

1. Information by product/service

(Thousands of yen)

	Speed reducers	Mechatronic products	Total
Net sales to third parties	57,000,038	14,527,278	71,527,316

(Note) The sales of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing and sales of magnetic application equipment, are classified, counted and presented as mechatronic products.

2. Information by geographic area

(1) Net sales

(Thousands of yen)

Japan	North America	Europe	Other	Total
38,431,914	10,858,472	15,222,864	7,014,065	71,527,316

(Notes) 1. Net sales are classified into the countries and geographical areas as shown in the schedule above based on the locations of the customers.

2. The “North America” segment includes net sales of ¥9,386,137 thousand originating from the United States of America, which represents greater than 10% of net sales recorded on the consolidated statements of income.

(2) Property, plant and equipment

(Thousands of yen)

Japan	North America	Europe	Total
37,114,517	5,966,324	5,846,005	48,926,847

(Notes) 1. Property, plant and equipment are classified into the countries and geographical areas as shown in the schedule above based on their locations.

2. The “North America” segment includes ¥5,966,324 thousand worth of property, plant and equipment located in the United States of America, which represents greater than 10% of the total value of property, plant and equipment recorded on the consolidated balance sheets.

3. The “Europe” segment includes ¥5,846,005 thousand worth of property, plant and equipment located in Germany, which represents greater than 10% of the total value of property, plant and equipment recorded on the consolidated balance sheets.

3. Information on major customers

(Thousands of yen)

Customer name	Net sales	Related segment
Haneda & Co., Ltd.	8,800,059	Japan

For the fiscal year ended March 31, 2024

1. Information by product/service

(Thousands of yen)

	Speed reducers	Mechatronic products	Total
Net sales to third parties	39,432,894	16,363,561	55,796,455

(Note) The sales of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing and sales of magnetic application equipment, are classified, counted and presented as mechatronic products.

2. Information by geographic area

(1) Net sales

(Thousands of yen)

Japan	North America	Europe	Other	Total
25,971,558	13,284,851	16,540,045	—	55,796,455

(Notes) 1. Net sales are classified into the countries and geographical areas as shown in the schedule above based on the locations of the customers.

2. The “North America” segment includes net sales of ¥11,954,835 thousand originating from the United States of America, which represents greater than 10% of net sales recorded on the consolidated statements of income.

(2) Property, plant and equipment

(Thousands of yen)

Japan	North America	Europe	Total
35,887,862	6,395,440	5,864,021	48,147,323

(Notes) 1. Property, plant and equipment are classified into the countries and geographical areas as shown in the schedule above based on their locations.

2. The “North America” segment includes ¥6,395,440 thousand worth of property, plant and equipment located in the United States of America, which represents greater than 10% of the total value of property, plant and equipment recorded on the consolidated balance sheets.

3. The “Europe” segment includes ¥5,864,021 thousand worth of property, plant and equipment located in Germany, which represents greater than 10% of the total value of property, plant and equipment recorded on the consolidated balance sheets.

3. Information on major customers

(Thousands of yen)

Customer name	Net sales	Related segment
Nissan Motor Co., Ltd.	6,547,422	Japan

[Impairment loss information of non-current assets by reportable segment]

For the fiscal year ended March 31, 2023

Not applicable.

For the fiscal year ended March 31, 2024

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Impairment loss	—	—	12,287,585	—	15,871,732	28,159,317

(Note) For adjustment, as the excess profitability of goodwill, customer related assets and technological assets of the Company's consolidated subsidiary, Harmonic Drive SE, that had been originally expected was diminished, the book value was reduced to the recoverable value for goodwill due to the adjustment and for customer related assets and technological assets due to the Europe segment, and this reduction was recorded as extraordinary losses under impairment losses.

[Information regarding amortization and balance of goodwill by reportable segment]

For the fiscal year ended March 31, 2023

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Amortization of goodwill	—	—	—	—	1,054,340	1,054,340
Balance of goodwill	—	—	—	—	15,258,139	15,258,139

For the fiscal year ended March 31, 2024

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Amortization of goodwill	—	—	—	—	1,172,736	1,172,736
Balance of goodwill	—	—	—	—	—	—

[Gain on negative goodwill by reportable segment]

For the fiscal year ended March 31, 2023

Not applicable.

For the fiscal year ended March 31, 2024

Not applicable.

(Per share information)

The basis for the calculation of net assets per share, profit (loss) per share, and diluted earnings per share is as follows.

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
(1) Net assets per share	¥1,093.53	¥836.02

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
(2) Profit (loss) per share	¥79.67	¥(261.00)
(Basis for calculation)		
Profit (loss) attributable to owners of parent recorded on the consolidated statements of income (thousands of yen)	7,595,928	(24,806,996)
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit (loss) attributable to owners of parent relating to common shares (thousands of yen)	7,595,928	(24,806,996)
Average number of common shares outstanding during the period	95,338,168	95,047,417

(Note) The amount of diluted profit per share for the fiscal year ended March 31, 2024, is not stated, because dilutive shares did not exist.

(Significant subsequent events)

Not applicable.

5. Other Matters

(1) Status of Production, Orders Received and Sales

a. Production

Production results for the fiscal year under review are as follows:

Segment name		Production output (thousands of yen)	YoY change (%)
Japan	Speed reducers	25,367,761	(43.8)
	Mechatronic products	6,348,550	(12.3)
North America	Speed reducers	4,542,696	18.3
	Mechatronic products	5,870,712	32.6
Europe	Speed reducers	9,538,660	(9.7)
	Mechatronic products	4,874,168	52.9
Total		56,542,550	(24.0)

- (Notes)
1. Inter-segment transactions are offset and eliminated.
 2. The Group's reportable segments are classified on a location basis (Japan, North America and Europe).
 3. Although the Group is solely engaged in handling the same types and series of precision speed reducers and its business operations fall within a single industry segment based on the similarities in the types, natures, manufacturing methods and markets of their products, the above table presents figures by product for each segment.
 4. The production results of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing and sales of magnetic application equipment, are classified, counted and presented as mechatronic products.

b. Orders received

The results of orders received for the fiscal year under review are as follows:

Segment name		Orders received (thousands of yen)	YoY change (%)	Order backlog (thousands of yen)	YoY change (%)
Japan	Speed reducers	19,670,225	(4.7)	4,367,658	(41.5)
	Mechatronic products	1,661,663	(61.3)	550,970	(68.8)
North America	Speed reducers	4,733,360	(16.3)	4,114,616	(18.7)
	Mechatronic products	3,289,557	(54.2)	3,378,676	(53.7)
Europe	Speed reducers	9,762,430	(25.7)	6,045,652	(12.7)
	Mechatronic products	4,987,642	2.3	2,667,955	(12.6)
Total		44,104,880	(20.9)	21,125,530	(33.1)

- (Notes)
1. Inter-segment transactions are offset and eliminated.
 2. The Group's reportable segments are classified on a location basis (Japan, North America and Europe).
 3. Although the Group is solely engaged in handling the same types and series of precision speed reducers and its business operations fall within a single industry segment based on the similarities in the types, natures, manufacturing methods and markets of their products, the above table presents figures by product for each segment.
 4. The results of orders received of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing and sales of magnetic application equipment, are classified, counted and presented as mechatronic products.
 5. The order backlog excludes ¥703,134 thousand of order cancellations. The cancellations took place during the current fiscal year mainly in the Japan segment.

c. Sales

Sales results for the fiscal year under review are as follows:

Segment name		Sales volume (thousands of yen)	YoY change (%)
Japan	Speed reducers	22,695,240	(44.4)
	Mechatronic products	3,276,318	(29.0)
North America	Speed reducers	5,698,189	12.7
	Mechatronic products	7,586,662	30.8
Europe	Speed reducers	11,039,465	(0.6)
	Mechatronic products	5,500,580	33.7
Total		55,796,455	(22.0)

(Notes) 1. Inter-segment transactions are offset and eliminated.

2. The Group's reportable segments are classified on a location basis (Japan, North America and Europe).

3. Although the Group is solely engaged in handling the same types and series of precision speed reducers and its business operations fall within a single industry segment based on the similarities in the types, natures, manufacturing methods and markets of their products, the above table presents figures by product for each segment.

4. The sales results of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing and sales of magnetic application equipment, are classified, counted and presented as mechatronic products.

5. Sales by primary customer and the ratio of the sales to the total sales are as follows:

Customer	Previous fiscal year		Current fiscal year	
	Sales (thousands of yen)	Ratio (%)	Sales (thousands of yen)	Ratio (%)
Haneda & Co., Ltd.	8,800,059	12.3	—	—
Nissan Motor Co., Ltd.	—	—	6,547,422	11.7

(Notes) 1. The sales to Haneda & Co., Ltd. are not presented for the current fiscal year, since the ratio of the sales to the total sales is less than ten hundredths.

2. The sales to Nissan Motor Co., Ltd. are not presented for the previous fiscal year, since the ratio of the sales to the total sales is less than ten hundredths.

(2) Net Sales outside Japan

Net sales outside Japan for the current fiscal year are as follows:

	Europe	North America	Other regions	Total
I Net sales outside Japan (thousands of yen)	16,540,045	13,284,851	5,354,214	35,179,111
II Consolidated net sales (thousands of yen)	—	—	—	55,796,455
III Ratio of net sales outside Japan to consolidated net sales (%)	29.6	23.8	9.6	63.0

(Notes) 1. The categorization of countries or regions is based on geographical proximity.

2. Primary countries or regions that belong to each category

(1) Europe: Germany; (2) North America: the U.S.; (3) Other regions: China, South Korea, Taiwan and Oceania

3. Net sales outside Japan are net sales that were recorded by the Company and its consolidated subsidiaries in countries or regions other than Japan.