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Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Japanese GAAP]



February 7, 2025

Company name: Harmonic Drive Systems Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6324
 URL: <https://www.hds.co.jp/english/>
 Representative: Akira Maruyama, President and Representative Director
 Contact: Tetsuya Shiokawa, Executive Officer
 Phone: +81-3-5471-7810
 Scheduled date of commencing dividend payments: —
 Availability of supplementary explanatory materials on financial results: Not available
 Schedule of financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2024 (April 1, 2024 – December 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 | % |
| Nine months ended December 31, 2024 | 40,363 | (3.7) | (336) | — | (78) | — | (354) | — |
| December 31, 2023 | 41,926 | (21.4) | 661 | (91.8) | 765 | (90.9) | (402) | — |

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥411 million [(90.8)%]
 Nine months ended December 31, 2023: ¥4,487 million [(56.6)%]

| | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| Nine months ended | Yen | Yen |
| December 31, 2024 | (3.73) | — |
| December 31, 2023 | (4.23) | — |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|-------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of December 31, 2024 | 116,313 | 77,988 | 67.1 |
| As of March 31, 2024 | 119,142 | 79,401 | 66.6 |

(Reference) Equity: As of December 31, 2024: ¥77,988 million
 As of March 31, 2024: ¥79,401 million

2. Dividends

| | Annual dividends | | | | |
|--|------------------|-----------------|-----------------|----------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2024 | – | 10.00 | – | 10.00 | 20.00 |
| Fiscal year ending March 31, 2025 | – | 10.00 | – | | |
| Fiscal year ending March 31, 2025 (Forecast) | | | | 10.00 | 20.00 |

(Note) Revision to the forecast for dividends announced most recently: None

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 |
|-----------|-------------|-------|------------------|---|-----------------|---|---|---|--------------------------|
| Full year | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| | 54,000 | (3.2) | (400) | – | (500) | – | 3,600 | – | 37.90 |

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

- (1) Significant changes in the scope of consolidation during the period under review: None
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) 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):

| | |
|--------------------|-------------------|
| December 31, 2024: | 96,315,400 shares |
| March 31, 2024: | 96,315,400 shares |
 - 2) Total number of treasury shares at the end of the period:

| | |
|--------------------|------------------|
| December 31, 2024: | 1,322,266 shares |
| March 31, 2024: | 1,339,057 shares |
 - 3) Average number of shares outstanding during the period:

| | |
|--------------------------------------|-------------------|
| Nine months ended December 31, 2024: | 94,985,684 shares |
| Nine months ended December 31, 2023: | 95,070,934 shares |

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: Yes (voluntary)

* 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. These statements do not represent a guarantee from the Company that it will achieve such results. The actual financial results may differ significantly due to various factors. Refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the Attachments for conditions on which the financial results forecasts are premised and notes on the use of financial results forecasts.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended December 31 (April 1, 2024 to December 31, 2024), the future of the global economy remained uncertain due to rising geopolitical risks, such as the prolonged conflict in Ukraine and instability in the Middle East, as well as the possibility of changes in U.S. government policies on account of the new administration taking office, and other factors. The business environment surrounding the Harmonic Drive Systems Group (hereinafter “the Group”) showed a recovery trend more moderately than expected due to the impact of factors including sluggish market conditions and geopolitical risks, despite the start of a gradual recovery in orders received from customers whose inventories have been optimized.

Regarding net sales trends by application, net sales increased year on year for industrial robots owing to rising orders from local robot manufacturers in China and projects from new customers. Meanwhile, net sales decreased for automotive, semiconductor manufacturing equipment, and other general industrial machinery applications.

As a result, net sales for the nine months under review decreased 3.7% year on year to ¥40,363 million.

In terms of profit and loss, although we launched and worked on a company-wide cost innovation project, and despite being in the process of implementing reforms throughout the Company that focus on manufacturing methods and operational efficiency, we were unable to absorb the effect of a decrease in net sales, resulting in operating loss of ¥336 million (operating profit of ¥661 million in the same period of the previous fiscal year). Loss attributable to owners of parent of ¥354 million (loss attributable to owners of parent of ¥402 million in the same period of the previous fiscal year) was recorded mainly due to a decrease in operating profit.

In terms of net sales by product group, speed reducers totaled ¥30,547 million, up 4.3% year on year, and mechatronic products totaled ¥9,815 million, down 22.4% year on year. They accounted for 75.7% and 24.3% of the total net sales, respectively.

Financial results by segment are as follows.

(Japan)

The pace of recovery in orders for products for industrial robots and semiconductor manufacturing equipment was slower than expected, and net sales for automotive and other general industrial machinery applications declined. As a result, net sales decreased by 8.0% year on year to ¥15,439 million. Segment profit (ordinary profit) decreased by 74.1% year on year to ¥1,050 million due to the effect of decreased sales, as well as a decrease of ¥2,330 million in dividend income from subsidiaries.

(China)

Net sales increased by 41.8% year on year to ¥4,320 million due to an increase in orders from local robot manufacturers in China. Segment profit (ordinary profit) increased by 69.6% year on year to ¥378 million due to the effect of an increase in sales.

(North America)

Sales decreased for advanced medical applications (surgical robot-related) due to production adjustments by customers, and a recovery in demand for semiconductor manufacturing equipment has been delayed. As a result, net sales decreased by 13.8% year on year to ¥8,681 million. Segment profit (ordinary profit) decreased by 64.5% year on year to ¥498 million due to the effect of a decrease in sales.

(Europe)

While the exchange rates of the yen remained weak, demand did not increase due to sluggish conditions in the European economy. As a result, net sales decreased by 0.9% year on year to ¥11,922 million. Segment loss (ordinary loss) amounted to ¥165 million (segment profit of ¥45 million in the same period of the previous fiscal year) due to the amortization cost of ¥713 million on intangible assets posted at the time of acquisition of shares in Harmonic Drive SE.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the nine months under review decreased by ¥2,829 million, down 2.4% from the end of the previous fiscal year to ¥116,313 million. This was primarily because of an 8.8% or ¥769 million increase 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 3.7% or ¥1,787 million decrease in property, plant and equipment from the end of the previous fiscal year, a 46.2% or ¥1,268 million decrease in other current assets from the end of the previous fiscal year, and in addition, a 6.2% or 1,264 million decrease in cash and deposits from the end of the previous fiscal year.

(Liabilities)

Liabilities at the end of the nine months under review decreased by ¥1,415 million, down 3.6% from the end of the previous fiscal year to ¥38,325 million. This was primarily because of a 285.5% or ¥2,000 million increase in short-term borrowings from the end of the previous fiscal year resulting from a short-term funding, despite a 12.2% or ¥1,856 million decrease in long-term borrowings resulting from the progress of scheduled payment for borrowings from the end of the previous fiscal year, in addition to a 58.4% or ¥786 million decrease in other non-current liabilities from the end of the previous fiscal year.

(Net Assets)

Net assets at the end of the nine months under review decreased by ¥1,413 million, down 1.8% from the end of the previous fiscal year to ¥77,988 million. This was primarily because of a 12.3% or ¥524 million increase from the end of the previous fiscal year in valuation difference on available-for-sale securities on account of change in market capitalization of securities held by the Company, in addition to a 2.4% or ¥313 million increase in foreign currency translation adjustment from the end of the previous fiscal year due to the effect of exchange rate fluctuations, despite a 6.0% or ¥2,253 million decrease in retained earnings from the end of the previous fiscal year resulting from the payment of a year-end dividend and an interim dividend.

As a result, equity ratio rose from 66.6% at the end of the previous fiscal year to 67.1%.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

There is no change to the financial results forecast for the fiscal year ending March 31, 2025, which was announced on January 16, 2025 in the “Notice Regarding Revision to the Financial Results Forecast for the Fiscal Year Ending March 31, 2025.” Should any revisions be deemed necessary in the future, they shall be disclosed in a timely manner.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

| | As of March 31, 2024 | As of December 31, 2024 |
|---|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 20,318,343 | 19,053,988 |
| Notes receivable - trade | 3,085,175 | 3,836,109 |
| Accounts receivable - trade | 8,668,982 | 8,818,186 |
| Securities | 37,156 | 47,358 |
| Merchandise and finished goods | 2,466,573 | 2,150,039 |
| Work in process | 3,481,346 | 4,041,015 |
| Raw materials and supplies | 6,681,866 | 6,389,078 |
| Other | 2,743,454 | 1,475,042 |
| Allowance for doubtful accounts | (24,906) | (31,501) |
| Total current assets | 47,457,994 | 45,779,318 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 19,088,751 | 18,519,274 |
| Machinery, equipment and vehicles, net | 16,104,298 | 14,729,933 |
| Tools, furniture and fixtures, net | 1,750,358 | 1,605,737 |
| Other, net | 11,203,914 | 11,505,130 |
| Total property, plant and equipment | 48,147,323 | 46,360,077 |
| Intangible assets | | |
| Software | 493,049 | 479,047 |
| Customer related assets | 9,663,394 | 9,199,605 |
| Technical assets | 2,580,951 | 2,457,079 |
| Other | 159,997 | 380,594 |
| Total intangible assets | 12,897,391 | 12,516,327 |
| Investments and other assets | | |
| Investment securities | 8,780,932 | 9,550,843 |
| Shares of subsidiaries and associates | 48,112 | 26,145 |
| Investments in capital of subsidiaries and associates | — | 100,137 |
| Long-term loans receivable from subsidiaries and associates | 200,000 | 300,000 |
| Retirement benefit asset | 1,372,071 | 1,418,719 |
| Deferred tax assets | 137,493 | 149,191 |
| Other | 106,571 | 117,998 |
| Allowance for doubtful accounts | (5,600) | (5,600) |
| Total investments and other assets | 10,639,581 | 11,657,435 |
| Total non-current assets | 71,684,297 | 70,533,840 |
| Total assets | 119,142,291 | 116,313,158 |

(Thousands of yen)

| | As of March 31, 2024 | As of December 31, 2024 |
|--|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 3,036,539 | 2,519,188 |
| Short-term borrowings | 700,629 | 2,700,881 |
| Current portion of long-term borrowings | 2,529,452 | 2,470,451 |
| Lease liabilities | 700,049 | 706,954 |
| Income taxes payable | 101,581 | 151,168 |
| Provision for bonuses | 949,714 | 629,816 |
| Provision for bonuses for directors (and other officers) | 66,165 | 27,842 |
| Provision for loss on compensation for after-care of products | 147,759 | 147,183 |
| Other | 3,487,973 | 3,651,513 |
| Total current liabilities | 11,719,864 | 13,004,999 |
| Non-current liabilities | | |
| Long-term borrowings | 15,201,497 | 13,345,359 |
| Lease liabilities | 4,681,840 | 4,370,357 |
| Deferred tax liabilities | 5,837,148 | 6,015,598 |
| Provision for retirement benefits for directors (and other officers) | 12,000 | 22,800 |
| Other provisions | 104,749 | 117,814 |
| Retirement benefit liability | 836,377 | 887,482 |
| Other | 1,347,147 | 560,681 |
| Total non-current liabilities | 28,020,761 | 25,320,093 |
| Total liabilities | 39,740,626 | 38,325,092 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 7,100,036 | 7,100,036 |
| Capital surplus | 22,778,711 | 22,786,269 |
| Retained earnings | 37,478,753 | 35,224,864 |
| Treasury shares | (5,309,159) | (5,242,585) |
| Total shareholders' equity | 62,048,341 | 59,868,585 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4,256,856 | 4,781,338 |
| Foreign currency translation adjustment | 12,927,929 | 13,241,334 |
| Remeasurements of defined benefit plans | 168,538 | 96,808 |
| Total accumulated other comprehensive income | 17,353,323 | 18,119,480 |
| Total net assets | 79,401,665 | 77,988,066 |
| Total liabilities and net assets | 119,142,291 | 116,313,158 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statement of Income

(Thousands of yen)

| | For the nine months ended December 31, 2023 | For the nine months ended December 31, 2024 |
|---|--|--|
| Net sales | 41,926,813 | 40,363,285 |
| Cost of sales | 29,632,588 | 29,746,509 |
| Gross profit | 12,294,224 | 10,616,775 |
| Selling, general and administrative expenses | 11,632,360 | 10,953,435 |
| Operating profit (loss) | 661,863 | (336,659) |
| Non-operating income | | |
| Interest income | 59,051 | 199,842 |
| Dividend income | 133,238 | 133,883 |
| Other | 236,174 | 252,839 |
| Total non-operating income | 428,464 | 586,565 |
| Non-operating expenses | | |
| Interest expenses | 130,063 | 163,802 |
| Share of loss of entities accounted for using equity method | 38,842 | 21,830 |
| Foreign exchange losses | 14,314 | 14,638 |
| Rental expenses | 87,113 | 69,135 |
| Other | 54,087 | 59,489 |
| Total non-operating expenses | 324,422 | 328,896 |
| Ordinary profit (loss) | 765,905 | (78,990) |
| Extraordinary income | | |
| Gain on sale of non-current assets | 6,784 | 1,033 |
| Subsidy income | – | 2,000 |
| Total extraordinary income | 6,784 | 3,033 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 433 | 3,830 |
| Loss on retirement of non-current assets | 15,677 | 43,428 |
| Loss on tax purpose reduction entry of non-current assets | – | 2,000 |
| Total extraordinary losses | 16,111 | 49,258 |
| Profit (loss) before income taxes | 756,579 | (125,215) |
| Income taxes - current | 965,519 | 316,182 |
| Income taxes - deferred | 193,096 | (87,205) |
| Total income taxes | 1,158,615 | 228,977 |
| Loss | (402,036) | (354,193) |
| Profit attributable to non-controlling interests | – | – |
| Loss attributable to owners of parent | (402,036) | (354,193) |

Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

| | For the nine months ended December 31, 2023 | For the nine months ended December 31, 2024 |
|--|--|--|
| Loss | (402,036) | (354,193) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (853,566) | 524,482 |
| Foreign currency translation adjustment | 5,627,058 | 313,404 |
| Remeasurements of defined benefit plans, net of tax | 116,140 | (71,729) |
| Total other comprehensive income | 4,889,632 | 766,156 |
| Comprehensive income | 4,487,595 | 411,963 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 4,487,595 | 411,963 |
| Comprehensive income attributable to non-controlling interests | — | — |

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Changes in scope of consolidation or scope of equity method application)

During the third quarter of the fiscal year under review, through a joint investment with KODEN Holdings, Co., Ltd., the Company newly established HATAKEN LLC, and acquired the business of HATAKEN Co., Ltd. Accordingly, HATAKEN LLC, the newly established company, has been included within the scope of equity-method application.

(Changes in accounting policies)

(Application of "Accounting Standard for Current Income Taxes" and other standards)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard in 2022") and other standards from the beginning of the first quarter of the fiscal year.

With regard to the revision regarding the accounting category of income taxes, etc. (taxation on other comprehensive income), the Company follows the transitional treatment provided for in the proviso to Paragraph 20-3 of the Revised Accounting Standard in 2022 and the transitional treatment provided for in the proviso to Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Revised Guidance in 2022"). These changes in accounting policies do not affect the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

1. Information on net sales and profit, and information on disaggregation of revenue, by reportable segment

(Thousands of yen)

| | Reportable segment | | | | | Adjustment | Consolidated |
|--|--------------------|-----------|---------------|------------|------------|-------------|--------------|
| | Japan | China | North America | Europe | Total | | |
| Net sales Revenue from contracts with customers | 22,191,584 | 3,178,339 | 10,079,774 | 12,212,436 | 47,662,133 | (5,735,320) | 41,926,813 |
| Net sales to third parties | 16,782,491 | 3,047,241 | 10,068,377 | 12,028,703 | 41,926,813 | – | 41,926,813 |
| Inter-segment net sales or transfers | 5,409,092 | 131,097 | 11,397 | 183,732 | 5,735,320 | (5,735,320) | – |
| Total | 22,191,584 | 3,178,339 | 10,079,774 | 12,212,436 | 47,662,133 | (5,735,320) | 41,926,813 |
| Segment profit | 4,054,507 | 223,077 | 1,403,123 | 45,671 | 5,726,380 | (4,960,474) | 765,905 |

(Notes) 1. The segment profit adjustment of ¥(4,960,474) thousand includes the eliminated inter-segment transaction profit of ¥(3,201,749) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(1,758,725) thousand. The general administrative expenses that are not allocated to any reportable segment consist mainly of 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 in Harmonic Drive SE, amounting to ¥871,082 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 “North America” segment includes net sales of ¥9,031,268 thousand originating from the United States of America, which represents 10% or more of net sales recorded on the consolidated statements of income.
4. The “Europe” segment includes net sales of ¥4,697,640 thousand originating from Germany, which represents 10% or more of net sales recorded on the consolidated statements of income.
5. Segment profit is adjusted to ordinary profit in the quarterly consolidated statements of income.

II For the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

1. Information on net sales and profit (loss), and information on disaggregation of revenue, by reportable segment

(Thousands of yen)

| | Reportable segment | | | | | Adjustment | Consolidated |
|--|--------------------|-----------|---------------|------------|------------|-------------|--------------|
| | Japan | China | North America | Europe | Total | | |
| Net sales Revenue from contracts with customers | 22,482,906 | 4,321,426 | 8,691,715 | 12,040,762 | 47,536,810 | (7,173,525) | 40,363,285 |
| Net sales to third parties | 15,439,407 | 4,320,276 | 8,681,214 | 11,922,387 | 40,363,285 | – | 40,363,285 |
| Inter-segment net sales or transfers | 7,043,498 | 1,150 | 10,501 | 118,375 | 7,173,525 | (7,173,525) | – |
| Total | 22,482,906 | 4,321,426 | 8,691,715 | 12,040,762 | 47,536,810 | (7,173,525) | 40,363,285 |
| Segment profit (loss) | 1,050,874 | 378,350 | 498,387 | (165,150) | 1,762,460 | (1,841,451) | (78,990) |

- (Notes) 1. The segment profit (loss) adjustment of ¥(1,841,451) thousand includes the eliminated inter-segment transaction profit of ¥(17,623) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(1,823,827) thousand. The general administrative expenses that are not allocated to any reportable segment consist mainly of the basic research and development expenses and certain administrative expenses related to the General Affairs and Accounting Department.
2. The “Japan” segment includes the net sales and expenses related to the Asian market, in addition to the Japanese market.
3. The “North America” segment includes net sales of ¥7,620,637 thousand originating from the United States of America, which represents 10% or more of net sales recorded on the quarterly consolidated statements of income.
4. The “Europe” segment includes net sales of ¥5,143,098 thousand originating from Germany, which represents 10% or more of net sales recorded on the quarterly consolidated statements of income.
5. Segment profit (loss) is adjusted to ordinary loss in the quarterly consolidated statements of income.

2. Information on impairment loss of non-current assets or goodwill by reportable segment

Not applicable

3. Information on changes to reportable segments, etc.

Effective from the six months ended September 30, 2024, “China,” which was previously included in “Japan,” has been changed to a reportable segment due to its increased quantitative importance.

Segment information for the nine months ended December 31, 2023 is stated based on the reporting segment classification after the change.

(Notes on consolidated statements of cash flows)

Quarterly consolidated statements of cash flows are not prepared for the nine months ended December 31, 2024.

Depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the nine months ended December 31 are as follows.

| | For the nine months ended December 31, 2023 | For the nine months ended December 31, 2024 |
|--------------------------|--|--|
| Depreciation | ¥6,737,354 thousand | ¥5,962,605 thousand |
| Amortization of goodwill | ¥871,082 thousand | ¥– thousand |

(Significant subsequent events)
(Sale of investment securities)

On January 17, 2025, the Company completed the sale of a portion of its investment securities, and a gain on sale of investment securities has been recognized. The details are described below.

1. Reason for sale

To reduce cross-shareholdings in accordance with the Corporate Governance Code, and to improve asset efficiency and strengthen the financial structure.

2. Details of sale

(1) Shares sold Common shares of Nabtesco Corporation

(2) Number of shares sold 3,265,000 shares

- All the company's shares held by the Company
- 2.71% of the total number of issued and outstanding shares (excluding treasury shares)

*The above percentage is based on Nabtesco Corporation's semiannual report (Record date: June 30, 2024)

(3) Date of sale (trade date) January 17, 2025

(4) Date of settlement January 21, 2025

(5) Purchaser Securities companies (sale by block trade through Securities companies)

3. Gain on sale of investment securities ¥5,865,309 thousand

4. Effect on financial results

For details, please refer to the "Notice Regarding Revision to the Financial Results Forecast for the Fiscal Year Ending March 31, 2025" announced on January 16, 2025.

(Purchase of treasury shares)

At a meeting of the Board of Directors held on January 16, 2025, the Company passed a resolution on matters related to the repurchase of treasury shares pursuant to Article 156 of the Companies Act, applied following the deemed replacement of terms pursuant to the provisions of Article 165, Paragraph 3 of the Act.

1. Reason for repurchase of treasury shares

The Company will repurchase the treasury shares to enable flexible capital management, with the aim of returning profits to shareholders and improving capital efficiency.

2. Details of matters relating to repurchase

(1) Type of shares subject to repurchase Common shares

(2) Total number of shares to be repurchased 400,000 shares (upper limit)
(0.42% of the total number of issued and outstanding shares [excluding treasury shares])

(3) Total amount of share repurchase ¥1,200,000 thousand (upper limit)

(4) Repurchase period February 10, 2025–June 30, 2025

(5) Repurchase method Market purchase on the Tokyo Stock Exchange

3. Other Matters

(1) Status of Production, Orders Received and Sales

a. Production

Production results by segment for the nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024) are as follows:

| Segment name | | Production output (thousands of yen) | YoY change (%) |
|---------------|----------------------|---|----------------|
| Japan | Speed reducers | 19,805,107 | (0.3) |
| | Mechatronic products | 2,859,229 | (47.4) |
| China | Speed reducers | – | – |
| | Mechatronic products | – | – |
| North America | Speed reducers | 3,469,911 | 0.3 |
| | Mechatronic products | 3,118,993 | (32.4) |
| Europe | Speed reducers | 6,745,920 | (3.0) |
| | Mechatronic products | 3,637,483 | 4.4 |
| Total | | 39,636,645 | (9.5) |

- (Notes)
1. Inter-segment transactions are offset and eliminated.
 2. The above amounts are sales prices and exclude consumption taxes.
 3. The Group's reportable segments are classified on a location basis (Japan, China, North America, and Europe).
 4. 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.
 5. 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 by segment for the nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024) are as follows:

| Segment name | | Orders received (thousands of yen) | YoY change (%) | Order backlog (thousands of yen) | YoY change (%) |
|---------------|----------------------|---------------------------------------|----------------|-------------------------------------|----------------|
| Japan | Speed reducers | 14,699,276 | 20.8 | 4,205,889 | 18.5 |
| | Mechatronic products | 1,989,867 | 96.8 | 1,000,666 | 53.7 |
| China | Speed reducers | 3,902,848 | 129.4 | 850,441 | 45.4 |
| | Mechatronic products | 109,485 | (39.2) | 54,843 | (53.8) |
| North America | Speed reducers | 3,958,277 | 18.1 | 3,275,354 | (26.5) |
| | Mechatronic products | 2,956,521 | 14.7 | 2,353,520 | (48.7) |
| Europe | Speed reducers | 7,553,898 | 2.9 | 5,591,789 | (17.7) |
| | Mechatronic products | 3,517,557 | 6.0 | 2,246,667 | (9.2) |
| Total | | 38,687,731 | 22.3 | 19,579,172 | (15.7) |

- (Notes)
1. Inter-segment transactions are offset and eliminated.
 2. The above amounts exclude consumption taxes.
 3. The Group's reportable segments are classified on a location basis (Japan, China, North America, and Europe).
 4. 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.
 5. 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.
 6. The order backlog excludes ¥385,161 thousand of order cancellations. The cancellations took place during the nine months ended December 31, 2024.

c. Sales

Sales results by segment for the nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024) are as follows:

| Segment name | | Sales volume (thousands of yen) | YoY change (%) |
|---------------|----------------------|------------------------------------|----------------|
| Japan | Speed reducers | 13,656,352 | (5.2) |
| | Mechatronic products | 1,783,054 | (24.8) |
| China | Speed reducers | 4,211,999 | 54.8 |
| | Mechatronic products | 108,276 | (66.8) |
| North America | Speed reducers | 4,682,132 | 11.4 |
| | Mechatronic products | 3,999,081 | (31.8) |
| Europe | Speed reducers | 7,996,985 | 0.7 |
| | Mechatronic products | 3,925,401 | (3.9) |
| Total | | 40,363,285 | (3.7) |

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

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

| Customer | Nine months ended December 31, 2023 | | Nine months ended December 31, 2024 | |
|------------------------|-------------------------------------|-----------|-------------------------------------|-----------|
| | Sales (thousands of yen) | Ratio (%) | Sales (thousands of yen) | Ratio (%) |
| Nissan Motor Co., Ltd. | 5,045,696 | 12.0 | 4,384,722 | 10.9 |

3. The above amounts exclude consumption taxes.

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

5. 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.

6. 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.

(2) Net Sales outside Japan

Net sales outside Japan for the nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024) are as follows:

| | Europe | North America | China | Other regions | Total |
|---|------------|---------------|-----------|---------------|------------|
| I Net sales outside Japan (thousands of yen) | 11,922,387 | 8,681,214 | 4,320,276 | 1,419,070 | 26,342,948 |
| II Consolidated net sales (thousands of yen) | – | – | – | – | 40,363,285 |
| III Ratio of net sales outside Japan to consolidated net sales (%) | 29.5 | 21.5 | 10.7 | 3.5 | 65.3 |

(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) China: China

(4) Other regions: 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.