HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

Independent Auditor’s Report

To the Board of Directors of Harmonic Drive Systems Inc.

Opinion

We have audited the consolidated financial statements of Harmonic Drive Systems Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Valuation of fixed assets of Harmonic Drive SE Group
Refer to Notes to consolidated financial statements ‘’3. Significant accounting estimates” and “6. Notes to consolidated statements of income” (f)</td></tr>
<tr><th>Key audit matter description</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>In July 2002, the Company acquired shares of Harmonic Drive SE (hereinafter referred to as “HDSE”), which became an affiliated entity of the Company. In March 2017, the Group acquired additional shares of HDSE, which resulted in HDSE becoming a subsidiary of the Company. Further, in July 2021, the Group acquired the remaining shares of HDSE, and HDSE became a wholly owned subsidiary of the Company.

The Company identifies a group of fixed assets related to HDSE and its eight subsidiaries (hereinafter referred to as “the HDSE Group”), including customer-related assets and technical assets (hereinafter referred to as “customer-related assets and others”) that were generated when the HDSE Group became its consolidated subsidiaries, and determines it to be the smallest cash generating unit. The group of fixed assets mainly consists of customer-related assets (8,856,669 thousand yen) and technical assets (2,365,486 thousand yen) while the total fixed assets of the HDSE Group are 17,309,972 thousand yen (15.2% of total consolidated assets).

The HDSE Group had projected an increase in revenues and profit margins by meeting demands in the growing industrial robot market. However, the HDSE Group’s operating results became unstable as customers adjusted the inventory volumes following the rapid change in demands for industrial robots. Given such circumstances, the HDSE Group’s fixed assets were tested for impairment for the fiscal year ended March 31, 2024. Based on the impairment testing, impairment losses of 28,159,317 thousand yen (goodwill: 15,245,574 thousand yen; customer-related assets: 10,191,691 thousand yen; and technical assets: 2,722,051 thousand yen) were recorded as extraordinary losses. As a result, the balance of goodwill became nil as of March 31, 2024.

The business plan used for the HDSE Group’s impairment testing conducted for the fiscal year</td><td>We performed the following procedures over the valuation of the fixed assets of HDSE Group:
☐Evaluated the design and operating effectiveness of internal controls related to the assessment of impairment indicators and recognition of impairment losses related to fixed assets, as well as measurement of the recoverable amount.
☐Obtained an understanding of the current business environment including the latest trends in the industrial robot market by inquiring with management and reviewing board of directors meeting minutes and other related documents.
☐Performed the following procedures related to estimated future cash flows of the HDSE Group. We involved the component auditor (PwC Frankfurt) in the following procedures, as necessary:
- To verify the reasonableness of the business plan approved by the Company’s board of directors, compared the estimated future cash flows with our independent estimates for consistency.
- Performed a comparative analysis between the business plan and the actual results for the current year. Verified whether or not there were any events that had not been anticipated at the time of preparing the business plan, and if applicable, verified the effects of such events were reasonably reflected in the business plan underlying the future cash flows.
- For forecasted sales, verified the consistency of the estimated future cash flows with forecasted growth rate data, such as those related to the industrial robot market, provided by external institutions to assess whether sales forecast by customer is reasonable based on the Group’s sales strategy.
- For manufacturing costs and selling, general and administrative expenses, verified the consistency of the estimated future cash flows with the historical trend</td></tr>
</table>

ended March 31, 2024 projected that revenues and profit margins would increase due to the recovery of demands in the industrial robot market and the advancement of customers' inventory adjustments. However, the operating results for the fiscal year ended March 31, 2025 fell below the forecasts in the business plan, and amortization expense for customer-related assets and others exceeded operating profit of the HDSE Group for the fiscal year ended March 31, 2025. In view of the above, the Company determined that there was an indication of an impairment of the HDSE Group's fixed assets for the fiscal year ended March 31, 2025 and further assessed whether the total undiscounted future cash flows would fall below the carrying amount of its fixed assets to determine whether impairment losses should be recognized. As a result, the total undiscounted future cash flows exceeded the carrying amount of fixed assets of the HDSE Group. Therefore, the Company determined that the recognition of impairment losses was not necessary for the fiscal year ended March 31, 2025. The total undiscounted future cash flows are based on business plans approved by the Company's board of directors and include estimates related to forecasted sales, manufacturing costs and selling, general and administrative expenses that reflect the information on the external business environment (e.g. trends in demand in the industrial robot market) and sales strategies. These estimates involve management's subjective judgment and uncertainty. Additionally, the balance of the fixed asset account is significant to the consolidated financial statements. Based on the above, we determined that the valuation of fixed assets of HDSE Group to be a key audit matter.	as well as sales forecasts and manufacturing capacity forecasted based on the future business environment.

Recording of impairment losses on property, plant and equipment of Harmonic Precision Inc. Refer to Notes to consolidated statements of income, (1) Impairment losses	
Key audit matter description	How our audit addressed the key audit matter
In the consolidated statements of income for the fiscal year ended March 31, 2025, the Company recorded, in extraordinary losses, impairment losses on fixed assets of Harmonic Precision Inc. (hereinafter referred to as "HPI"), its consolidated subsidiary, at the entire carrying amount (1,189,182 thousand yen). HPI mainly manufactures, processes, and sells cross roller bearings, which are key parts of speed reducer unit products manufactured and sold by the Group. In recent years, HPI's operating results have deteriorated because the demand, and therefore orders, for cross roller bearings (i.e. HPI's core product), have declined due to concerns among customers about future demand trends, which are primarily driven by the slowdown in capital investment in the manufacturing industry in China and the stagnation of new capital investment in cutting-edge semiconductors. As a result, HPI recorded operating losses in the fiscal years ended March 31, 2024 and 2025. In addition, its budget plan for the fiscal year ending March 31, 2026 projects continued operating losses. As of March 31, 2025, the Company determined that such a situation constituted a "projection of losses from operating activities for consecutive years," indicating impairment in HPI's fixed assets. Since the total undiscounted future cash flows to be generated over the remaining economic life of machinery, which is HPI's main asset, was less than the carrying amount of HPI's fixed assets, the Company determined it difficult to recover the carrying amount of fixed assets of HPI (1,189,182 thousand yen), and recorded impairment losses at the entire carrying amount. The recoverable amount is calculated as the present value of the future cash flows, which is value in use. The total future cash flows used for the determination of whether to recognize impairment losses and for the calculation of value in use are based on the Company's business plans approved by the board of	We performed the following procedures over the recording of impairment losses on property, plant and equipment of HPI: ☐Evaluated the design and operating effectiveness of internal controls related to the assessment of impairment indicators and recognition of an impairment loss related to fixed assets, as well as measurement of the recoverable amount. ☐Obtained an understanding of the current business environment including the latest trends in the industrial robot market by inquiring with management and reviewing board of directors meeting minutes and other related documents. ☐Performed the following procedures related to estimated future cash flows of HPI: - Performed a comparative analysis between the business plan and the actual results for the current year. Verified whether or not there were any events that had not been anticipated at the time of preparing the business plan, and if applicable, verified the effects of such events were reasonably reflected in the business plan underlying the future cash flows. - For forecasted sales, verified the consistency of the estimated future cash flows with forecasted growth rate data, such as those related to the industrial robot market, provided by external institutions to assess whether HPI's sales forecast is reasonable based on HPI's historical sales trends and customer trends. - For manufacturing costs, verified the consistency of the estimated future cash flows with the historical trend as well as sales forecasts based on the future business environment.

directors and include forecasted sales and estimated manufacturing costs that consider the external environment (e.g. trends in demand in the industrial robot market). They are the key assumptions applied in calculating future cash flows. These estimates involve management's subjective judgment and uncertainty. Additionally, the amount of impairment losses recorded by HPI is significant to the consolidated financial statements. Based on the above, we determined that the recording of impairment losses on property, plant and equipment of HPI to be a key audit matter.	

Other Information

The other information comprises the information included in the document containing audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group's reporting process of the other information.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience translation

The (Currency: e.g. U.S. dollar) amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into (Currency: e.g. U.S. dollar) amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Fee-Related Information

In connection with our audit of the consolidated financial statements for the year ended March 31, 2025, the amounts of fees for the audit and the other services charged to Harmonic Drive Systems Inc. and its controlled entities by PricewaterhouseCoopers Japan LLC and other PwC Network firms are disclosed under Notes 24 “Details of audit fees, etc.”.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

五代 英紀

Hideki Godai

Designated Engagement Partner
Certified Public Accountant

櫻井 良孝

Yoshitaka Sakurai

Designated Engagement Partner
Certified Public Accountant

June 30, 2025

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	March 31		March 31
	2024	2025	2025
Assets:			
Current assets -			
Cash and bank deposits (Note 10(a))	¥20,318,343	¥24,900,137	$166,533
Notes receivable	3,085,175	3,591,560	24,020
Accounts receivable, trade	8,668,982	9,544,240	63,832
Marketable securities (Notes 10(a) and 13)	37,156	52,789	353
Finished products	2,466,573	2,026,216	13,551
Work in process	3,481,346	4,115,787	27,526
Raw materials and supplies	6,681,866	6,362,096	42,550
Other current assets	2,743,454	2,606,529	17,432
Allowance for doubtful accounts	(24,906)	(34,577)	(231)
Total current assets	47,457,994	53,164,779	355,569
Fixed assets -			
Tangible fixed assets (Notes 3, 6(b) and 11):			
Buildings and structures	19,088,751	18,323,983	122,552
Machinery and equipment	16,104,298	13,806,937	92,341
Tools, furniture and fixtures	1,750,358	1,471,354	9,840
Land (Note 6(e))	3,486,870	3,600,017	24,077
Leased assets	5,035,872	4,483,816	29,988
Construction in progress	2,610,922	4,191,123	28,030
Others	70,248	82,520	551
Total tangible fixed assets	48,147,323	45,959,753	307,381
Intangible fixed assets (Note 7(f)):			
Software	493,049	810,422	5,420
Customer related assets	9,663,394	8,856,669	59,234
Technical assets	2,580,951	2,365,486	15,820
Others	159,997	126,357	845
Total intangible fixed assets	12,897,391	12,158,936	81,319
Investments and other assets:			
Investment securities (Notes 12(d), 12(e) and 13)	8,780,932	409,931	2,741
Investment in affiliated companies (Notes 6(a) and 12(d))	48,112	20,228	135
Investment in capital of affiliated companies (Notes 6(a) and 12(d))	-	89,507	598
Long-term loans to affiliated companies	200,000	270,000	1,805
Net defined benefit assets (Note 15)	1,372,071	1,275,214	8,528
Deferred tax assets (Note 17)	137,493	165,301	1,105
Others	106,571	113,630	759
Allowance for doubtful accounts	(5,600)	(5,600)	(37)
Total investments and other assets	10,639,581	2,338,213	15,638
Total fixed assets	71,684,297	60,456,902	404,339
Total assets	¥119,142,291	¥113,621,682	$759,909

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND NET ASSETS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	March 31		March 31
	2024	2025	2025
Liabilities:			
Current liabilities -			
Notes and accounts payable, trade	¥3,036,539	¥3,184,623	$21,298
Contract liabilities	172,558	136,988	916
Short-term borrowings (Notes 6(c), 6(d) and 22(b))	700,629	2,701,653	18,068
Current portion of long-term debt (Notes 6(b), 6(d), and 23(b))	2,529,452	1,890,516	12,643
Lease obligations – current (Notes 12(d), 12(e) and 23(b))	700,049	741,555	4,959
Accrued income taxes	101,581	1,284,547	8,591
Accrued bonuses for employees	949,714	1,030,221	6,890
Accrued bonuses for directors and audit & supervisory board members	66,165	84,564	565
Accrued warranty expenses	147,759	37,409	250
Other current liabilities	3,315,414	2,804,621	18,757
Total current liabilities	11,719,864	13,896,702	92,942
Long-term liabilities -			
Long-term debt (Notes 6(b), 6(d), 12(d), 12(e) and 23(b))	15,201,497	11,015,584	73,672
Lease obligations – non-current (Notes 12(d), 12(e) and 23(b))	4,681,840	4,390,974	29,367
Deferred tax liabilities (Note 17)	5,837,148	3,715,935	24,852
Reserve for retirement benefits for directors and audit & supervisory board members	12,000	26,400	176
Reserve for retirement benefits for executive officers	104,749	126,374	845
Net defined benefit liabilities (Note 15)	836,377	954,909	6,386
Other long-term liabilities	1,347,147	551,735	3,690
Total long-term liabilities	28,020,761	20,781,914	138,990
Total liabilities	¥39,740,626	¥34,678,616	$231,932

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND NET ASSETS
(Continued)

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	March 31		March 31
	2024	2025	2025
Net assets (Note 21):			
Shareholders' equity (Note 9) -			
Common stock:			
- Authorized: 356,400,000 shares			
Issued and outstanding:			
96,315,400 shares (March 31, 2024 and 2025)	¥7,100,036	¥7,100,036	$47,485
Capital surplus	22,778,711	22,786,269	152,396
Retained earnings	37,478,753	39,052,598	261,186
Treasury stock, at cost	(5,309,159)	(5,633,171)	(37,675)
Total shareholders' equity	62,048,341	63,305,732	423,393
Accumulated other comprehensive income -			
Net unrealized gains on available-for-sale securities (Note 13)	4,256,856	146,568	980
Foreign currency translation adjustments	12,927,929	15,532,687	103,883
Remeasurements of defined benefit plans	168,538	(41,922)	(280)
Total accumulated other comprehensive income	17,353,323	15,637,333	104,583
Total net assets	79,401,665	78,943,066	527,976
Total liabilities and net assets	¥119,142,291	¥113,621,682	$759,909

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2024	2025	2025
Net sales (Notes 7(a), 18 and 19)	¥55,796,455	¥55,645,940	$372,163
Cost of sales (Notes 7(c) and 19)	40,189,989	40,791,594	272,816
Gross profit	15,606,465	14,854,345	99,346
Selling, general and administrative expenses (Notes 7(b) and 7(c))	15,481,886	14,847,351	99,300
Operating profit	124,579	6,993	46
Other income:			
Interest income	96,856	316,411	2,116
Dividend income	275,621	275,179	1,840
Foreign exchange gains	129,181	-	-
Sundry income	110,873	78,421	524
Others	257,261	210,078	1,405
	869,795	880,090	5,886
Other expenses:			
Interest expense	177,069	224,478	1,501
Equity in losses of affiliated companies	41,843	38,377	256
Exchange loss	-	235,336	1,573
Rental expenses	116,151	91,501	611
Others	88,977	146,193	977
	424,041	735,886	4,921
Ordinary profit	570,333	151,197	1,011
Exceptional gains:			
Gain on sales of fixed assets (Note 7(d))	6,861	1,031	6
Gain on sales of investment securities (Note 13(b))	-	5,865,309	39,227
Subsidy income	2,000	2,000	13
	8,861	5,868,340	39,247
Exceptional losses:			
Loss on sales of fixed assets (Note 7(e))	440	3,842	25
Impairment loss (Note 7(f))	28,159,317	1,189,182	7,953
Loss on disposal of fixed assets (Note 7(g))	23,517	44,101	294
Loss on tax purpose reduction entry of fixed assets	2,000	2,000	13
	28,185,276	1,239,126	8,287
Income (Loss) before income taxes	(27,606,080)	4,780,412	31,971
Income taxes:			
Current	1,094,861	1,555,057	10,400
Deferred	(3,893,945)	(248,184)	(1,659)
	(2,799,084)	1,306,872	8,740
Profit (Loss)	(24,806,996)	3,473,539	23,231
Profit attributable to non-controlling interests	-	-	-
Profit (Loss) attributable to owners of the parent (Note 21)	(¥24,806,996)	¥3,473,539	$23,231

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2024	2025	2025
Profit (Loss)	(¥24,806,996)	¥3,473,539	$23,231
Other comprehensive income -			
Net unrealized gains on available-for-sale securities	(1,588,454)	(4,110,287)	(27,489)
Foreign currency translation adjustments	4,781,841	2,604,757	17,420
Remeasurements of defined benefit plans	(47,969)	(210,461)	(1,407)
Total other comprehensive income (loss) (Note 8(a))	3,145,417	(1,715,990)	(11,476)
Comprehensive income (loss)	(¥21,661,579)	¥1,757,549	$11,754
Attributable to -			
owners of the parent	(¥21,661,579)	¥1,757,549	$11,754
non-controlling interests	-	-	-

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2024	2025	2025
Shareholders' equity:			
Common Stock -			
Balance at the beginning of the year	¥7,100,036	¥7,100,036	$47,485
Balance at the end of the year	7,100,036	7,100,036	47,485
Capital surplus -			
Balance at the beginning of the year	22,773,595	22,778,711	152,345
Changes during the year			
Restricted stock compensation	5,115	7,558	50
Total changes	5,115	7,558	50
Balance at the end of the year	22,778,711	22,786,269	152,396
Retained earnings -			
Balance at the beginning of the year	64,852,655	37,478,753	250,660
Changes during the year			
Cash dividends	(2,566,906)	(1,899,694)	(12,705)
Profit (Loss) attributable to owners of the parent	(24,806,996)	3,473,539	23,231
Total changes	(27,373,902)	1,573,844	10,525
Balance at the end of the year	37,478,753	39,052,598	261,186
Treasury stock, at cost -			
Balance at the beginning of the year	(4,978,535)	(5,309,159)	(35,508)
Changes during the year			
Purchase of treasury stock	(397,294)	(390,586)	(2,612)
Restricted stock compensation	66,670	66,573	445
Total changes	(330,623)	(324,012)	(2,167)
Balance at the end of the year	(5,309,159)	(5,633,171)	(37,675)
Total shareholders' equity -			
Balance at the beginning of the year	89,747,751	62,048,341	414,983
Changes during the year			
Cash dividends	(2,566,906)	(1,899,694)	(12,705)
Profit (Loss) attributable to owners of the parent	(24,806,996)	3,473,539	23,231
Purchase of treasury stock	(397,294)	(390,586)	(2,612)
Restricted stock compensation	71,786	74,132	495
Total changes	(27,699,410)	1,257,391	8,409
Balance at the end of the year	¥62,048,341	¥63,305,732	$423,393

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Continued)

	Thousands of yen For the years ended March 31 2024	2025	Thousands of U.S. dollars (Note 2) For the year ended March 31 2025
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities -			
Balance at the beginning of the year	¥5,845,310	¥4,256,856	$28,470
Changes during the year			
Net changes in items other than those in shareholders' equity	(1,588,454)	(4,110,287)	(27,489)
Total changes	(1,588,454)	(4,110,287)	(27,489)
Balance at the end of the year	4,256,856	146,568	980
Foreign currency translation adjustments -			
Balance at the beginning of the year	8,146,088	12,927,929	86,462
Changes during the year			
Net changes in items other than those in shareholders' equity	4,781,841	2,604,757	17,420
Total changes	4,781,841	2,604,757	17,420
Balance at the end of the year	12,927,929	15,532,687	103,883
Remeasurements of defined benefit plans -			
Balance at the beginning of the year	216,507	168,538	1,127
Changes during the year			
Net changes in items other than those in shareholders' equity	(47,969)	(210,461)	(1,407)
Total changes	(47,969)	(210,461)	(1,407)
Balance at the end of the year	168,538	(41,922)	(280)
Total Accumulated other comprehensive income			
Balance at the beginning of the year	14,207,906	17,353,323	116,060
Changes during the year			
Net changes in items other than those in shareholders' equity	3,145,417	(1,715,990)	(11,476)
Total changes	3,145,417	(1,715,990)	(11,476)
Balance at the end of the year	17,353,323	15,637,333	104,583
Non-controlling interests:			
Balance at the beginning of the year	¥ -	¥ -	$ -
Changes during the year			
Purchase of shares of consolidated subsidiaries	-	-	-
Net changes in items other than those in shareholders' equity	-	-	-
Total changes	-	-	-
Balance at the end of the year	-	-	-

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Continued)

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2024	2025	2025
Total net assets:			
Balance at the beginning of the year	¥103,955,658	¥79,401,665	$531,043
Changes during the year			
Cash dividends	(2,566,906)	(1,899,694)	(12,705)
Profit (Loss) attributable to owners of the parent	(24,806,996)	3,473,539	23,231
Purchase of treasury stock	(397,294)	(390,586)	(2,612)
Restricted stock compensation	71,786	74,132	495
Net changes in items other than those in shareholders' equity	3,145,417	(1,715,990)	(11,476)
Total changes	(24,553,993)	(458,599)	(3,067)
Balance at the end of the year	¥79,401,665	¥78,943,066	$527,976

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Thousands of yen		Thousands of U.S. dollars (Note 2)
	For the years ended March 31		For the year ended March 31
	2024	2025	2025
Cash flows from operating activities:			
Income (Loss) before income taxes	(¥27,606,080)	¥4,780,412	$31,971
Adjustments to reconcile income before income taxes to net cash provided by operating activities -			
Depreciation and amortization	9,189,813	8,023,274	53,660
Impairment loss	28,159,317	1,189,182	7,953
Depreciation of goodwill	1,172,736	-	-
Increase in allowance for doubtful accounts	3,428	7,960	53
(Decrease) Increase in net defined benefit liabilities	(45,106)	23,262	155
Increase in reserve for retirement benefits for directors and audit & supervisory board members	-	14,400	96
Increase in reserve for retirement benefits for executive officers	24,489	21,625	144
(Decrease) Increase in accrued bonuses for directors and audit & supervisory board members	(294,480)	15,214	101
Increase (Decrease)in accrued warranty expenses	79,428	(112,035)	(749)
Interest income	(96,856)	(316,411)	(2,116)
Dividend income	(275,621)	(275,179)	(1,840)
Interest expense	177,069	224,478	1,501
Equity in losses of affiliated companies	41,843	38,377	256
Subsidy income	(2,000)	(2,000)	(13)
Gain on sales of investment securities	-	(5,865,309)	(39,227)
(Gain) Loss on sales of fixed assets	(6,421)	2,811	18
Loss on disposal of fixed assets	23,517	44,101	294
Loss on fixed asset devaluation for subsidy Income	2,000	2,000	13
Decrease (Increase) in trade receivables	6,234,839	(944,481)	(6,316)
Decrease in inventories	603,355	711,731	4,760
Decrease in trade payables	(750,951)	(37,780)	(252)
Others, net	(469,579)	(615,429)	(4,116)
Subtotal	16,164,740	6,930,203	46,349
Interest and dividends received	371,459	550,400	3,681
Interest paid	(183,325)	(230,779)	(1,543)
Reserve for retirement benefits for directors and audit & supervisory board members paid	-	(727,348)	(4,864)
Sundry income received	2,000	2,000	13
Income taxes paid	(3,892,940)	(546,617)	(3,655)
Income taxes refunded	266,666	1,538,375	10,288
Net cash provided by operating activities	¥12,728,600	¥7,516,235	$50,269

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Continued)

	Thousands of yen For the years ended March 31		Thousands of U.S. dollars (Note 2) For the year ended March 31
	2024	2025	2025
Cash flows from investing activities:			
Payments for purchases of tangible fixed assets	(¥4,935,243)	(¥4,881,836)	($32,650)
Proceeds from sales of tangible fixed assets	15,085	7,885	52
Payments for purchases of intangible fixed assets	(377,679)	(452,277)	(3,024)
Proceeds from sales of investment securities	-	8,325,750	55,683
Payment for investment in capital of affiliated companies	-	(100,000)	(668)
Payments for time deposits with a deposit period of over three months	(2,188,275)	(2,659,408)	(17,786)
Proceeds from maturities of time deposits with a deposit period of over three months	1,707,348	1,350,719	9,033
Payments for guarantee deposits	(9,593)	(18,180)	(121)
Proceeds from collection of guarantee deposits	37,471	6,930	46
Payments for short-term loans	-	(88)	(0)
Proceeds from short-term loans	-	88	0
Payments for long-term loans to affiliated companies	(200,000)	(100,000)	(668)
Others, net	481	481	3
Net cash used in investing activities	(5,950,405)	1,480,063	9,898
Cash flows from financing activities:			
Proceeds from short-term borrowings	2,480,000	4,650,000	31,099
Repayments of short-term borrowings	(4,410,197)	(2,650,213)	(17,724)
Proceeds from long-term debt	70,000	-	-
Repayments of long-term debt	(2,656,564)	(4,824,849)	(32,268)
Repayments of lease obligations	(641,904)	(747,957)	(5,002)
Payments for treasury stock	(397,294)	(390,586)	(2,612)
Cash dividends paid	(2,566,337)	(1,910,578)	(12,778)
Net cash used in financing activities	(8,122,296)	(5,874,183)	(39,286)
Effect of exchange rate changes on cash and cash equivalents	363,836	859,185	5,746
Net (decrease) increase in cash and cash equivalents	(980,265)	3,981,300	26,627
Cash and cash equivalents at the beginning of year	19,921,977	18,941,712	126,683
Cash and cash equivalents at the end of year (Note 10(a))	¥18,941,712	¥22,923,012	$153,310

The accompanying notes are an integral part of these financial statements.

HARMONIC DRIVE SYSTEMS INC.
AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of operations:

Harmonic Drive Systems Inc. (the "Company") and its consolidated subsidiaries (collectively referred to as the "Companies") are engaged in the development, manufacturing and sales of harmonic drive gears and related motion control products. The manufacturing facilities are located in Japan, the United States and Germany and its products are marketed by the Company in Japan, and by subsidiaries in the United States and Europe.

2. Summary of significant accounting policies:

The accompanying consolidated financial statements of the Companies are prepared in accordance with accounting principles and practices generally accepted in Japan, which are different in certain respects with regard to the application and disclosure requirements from International Financial Reporting Standards. The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows of the Companies in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. However, certain reclassifications are incorporated in order to present the consolidated financial statements in a form which is more familiar to readers outside Japan. Such reclassifications have no effect on net income or retained earnings.

In the consolidated financial statements, amounts have been rounded down to ¥1 thousand consistent with the original consolidated financial statements in Japanese. As a result, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been translated, as a matter of arithmetical computation only, at the rate of ¥149.52 = US$1, the approximate exchange rate prevailing in the Japanese foreign exchange market at March 31, 2025. This translation should not be construed as implying that the yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

(a) Basis of consolidation and accounting for investment in affiliated companies -

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. Consolidated subsidiaries for the years ended March 31, 2024 and 2025 are as follows:

- HD Systems, Inc.
- HD Logistics, Inc.
- Harmonic Precision Inc.
- Harmonic AD, Inc.
- Harmonic Drive L.L.C.
- Harmonic Winbel Inc.
- Harmonic Drive Systems (Shanghai) Co., Ltd.
- SAMICK ADM CO., LTD.
- Harmonic Drive SE and its eight subsidiaries

Godo Kaisha HD Management, which was a consolidated subsidiary for the year ended March 31, 2024, was dissolved due to an absorption merger with the Company as the surviving entity during the current year, and therefore has been excluded from the scope of consolidation for the year ended March 31, 2025.

All significant intercompany transactions, accounts and unrealized intercompany profits are eliminated in consolidation.

The Company holds a 49.2% share in Ome Iron Casting Co., Ltd. The investment in Ome is excluded from the scope of consolidation as the effect of its total assets, revenues, profit or loss and retained earnings (each amount of profit or loss and retained earnings in proportion to the interest held by the Company) on the accompanying consolidated financial statements are not significant and accounted for using the equity method in the consolidated financial statements.

The Company holds a 28.6% share in Godo Kaisha Hataken. Hataken was established through joint investment between KODEN Holdings Co., Ltd and the Company, the investment in Hataken is accounted for using the equity method in the consolidated financial statements.

Some subsidiaries of the Company (HD Systems, Inc., Harmonic Drive L.L.C., Harmonic Drive Systems (Shanghai) Co., Ltd., SAMICK ADM CO., LTD., Harmonic Drive SE and the eight subsidiaries of Harmonic Drive SE) have a year end date of December 31, which differs from that of the Company. The consolidation of the foreign subsidiaries and the application of equity method for the investment in the affiliated company are based on the respective financial statements of these entities for the year ended December 31. Any material intercompany transactions occurring during the period from January 1 to March 31 are adjusted for, if appropriate, in these consolidated financial statements.

(b) Valuation basis and method for major assets -

① Marketable securities and investment securities:

Investments in affiliates are stated at cost using the moving average method.
Realized gains and losses on sales of those securities are determined using the moving average method and are reflected in the consolidated statements of income. Available-for-sale securities with available market prices are stated at fair value, with net unrealized gains or losses being reported as a separate component of net assets on a net-of-tax basis. Those securities without available market prices stated at cost using the moving average method.

② Receivables and payables arising from derivatives:

All receivables and payables arising from derivatives are stated at fair value.

③ Inventories:

Merchandise, finished products, work in process and raw materials are stated at moving average cost (reflecting the write down of their book value to the net selling value regarded as decreased profitability of any product, if any). Supplies are stated at cost, being determined by the last purchase price method.

(c) Depreciation and amortization method of depreciable assets -

① Tangible fixed assets (excluding leased assets):

Property, plant and equipment, including significant renewals and additions, are capitalized at cost. Maintenance and repairs, as well as minor renewals and improvements, are charged to income as incurred. Depreciation is computed using the declining balance method for the Company and its domestic subsidiaries, with the exception of buildings acquired on or after April 1, 1998, and accompanying facilities and structures acquired on or after April 1, 2016, respectively, which are depreciated using the straight-line method. For the foreign subsidiaries, depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

② Intangible fixed assets (excluding leased assets):

Amortization is calculated based on the straight-line method. Software for in-house use is amortized based on the straight-line method over the expected useful life of 5 years.

③ Leased assets:

Depreciation of leased assets, other than those of which ownership is deemed to be transferred to the lessee, is computed based on the straight–line method over the lease period with no residual value.
Some overseas consolidated subsidiaries prepare financial statements in accordance with International Financial Reporting Standards, and are subject to International Financial Reporting Standard No. 16 Leases ("IFRS 16"). In accordance with IFRS 16, all leases are recorded as assets and liabilities on the balance sheet by lessees, and the method of depreciation of capitalized right-of-use assets is based on the straight-line method. In addition, lease transactions based on IFRS 16 are classified as "(a) Leased assets capitalized on the consolidated balance sheets" in “10. Lease transaction (as lessee)”.

(d) Accounting for deferred charges -

Stock issue costs are not capitalized but expensed as incurred.

(e) Basis for recording provisions -

① Allowance for doubtful accounts:

The allowance for doubtful accounts is comprised of a general reserve based on historical bad debt experience and a specific reserve for doubtful receivables considered by management to be irrecoverable.

② Accrued bonuses for employees:

The Company and its domestic subsidiaries provide accrued bonuses for the expected payments of employee bonuses attributable to the current year.

③ Accrued bonuses for directors and audit & supervisory board members:

The Company and its domestic subsidiaries provide an accrual for the estimated bonuses to directors and audit & supervisory board members attributable to the current year.

④ Accrued warranty expenses:

The Company and its domestic subsidiaries provide a reserve for warranty expenses based on the estimated warranty expenses to be incurred in the future.

⑤ Reserve for retirement benefits for directors and audit & supervisory board members:

In accordance with some of the consolidated subsidiaries' internal rules for retirement benefits for directors and audit & supervisory board members, the reserve for retirement benefits for directors and audit & supervisory board members of the consolidated subsidiaries is calculated at the amount that would have been payable if all directors and audit & supervisory board members had retired at the balance sheet date.

⑥ Reserve for retirement benefits for executive officers:

In accordance with the Companies' internal rule for retirement benefits for executive officers, the reserve for retirement benefits for executive officers of the Companies is calculated at the amount that would have been payable if all executive officers had retired at the balance sheet date.

(f) Accounting method for retirement benefits for employees -

The balance of retirement benefits for employees of the Company and its domestic subsidiaries represents the difference between the estimated present value of projected benefit obligations and the fair value of the plan assets. If the fair value of the plan assets exceeds the estimated present value of projected benefit obligations, such excess is recorded as net defined benefit assets, while if the estimated present value of projected benefit obligations exceeds the fair value of plan assets, such excess is recorded as net defined benefit liabilities. With regard to the calculation of defined benefits plan obligations, the benefit formula basis was used to attribute projected benefit obligations to the period up to the end of this year. Past service costs are mainly amortized over a period of 3 years from the year in which they occur. Actuarial differences are amortized on a straight-line basis over 3 years, mainly starting from the year following that in which they occur. Unrecognized actuarial differences and unrecognized past service costs, net of the related income taxes, have been recognized as “Remeasurements of defined benefit plans” of “Accumulated other comprehensive income” within the net assets section. Certain domestic subsidiaries have adopted the simplified accounting method in the calculation of their defined benefits plan obligations.

(g) Recognition of significant revenues and expenses -

The Company’s main business is the manufacture and sale of speed reducers and mechatronics products. In respect of domestic sales, the Company recognizes revenue at the time of shipment, as the period from the time of shipment to the transfer of control of the product to the customer is considered insignificant. For export sales, transactions are mainly defined by Incoterms etc., and the Company recognizes revenue when the risk burden and control of products are transferred to the customer based on the conditions. For overseas consolidated subsidiaries, revenue is recognized when products are delivered to customers or when customer acceptance is received. Payment for transactions is usually due within a short period of time and no significant financial component has been identified within the Company’s sales contracts.
The transaction price is based on the contract price with the customer, and there are no variable considerations or discounts.

(h) Foreign currency translation -

Foreign currency assets and liabilities are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, and any difference from exchange rate change is reflected in income. Assets and liabilities of the foreign subsidiaries are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, net asset accounts are translated at historical rates, and all income and expense accounts are translated at the average exchange rate during the year. Foreign currency translation adjustments resulting from such translation are recorded as a separate component of net assets in the consolidated balance sheets.

(i) Amortization of customer related assets and technical assets -

Customer related assets and technical assets are amortized using the straight-line method over a period within 20 years.

(j) Cash and cash equivalents -

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, which are readily convertible to known amounts of cash and are so close to their maturities that they present an insignificant risk of change in value.

3. Significant accounting estimates:

Valuation of fixed assets of Harmonic Drive SE Group

(a) Amount of fixed assets

	Thousands of yen	Thousands of U.S. dollars
	2025	2025
Book value	¥17,309,972	$115,770

(b) Other information

① Calculation method:

The Companies determines that a group of non-current assets related to HDSE and its eight subsidiaries (the HDSE Group) is the smallest unit that generates cash flows largely independent from the rest of the Group's operations.

The HDSE group of assets mainly includes customer related assets (¥8,856,669 thousand ($59,234 thousand)) and technical assets (¥2,365,486 thousand ($15,820 thousand)) at March 31, 2025.

For the year ended March 31, 2024, the HDSE Group expected to expand its revenue and profit margins by capturing demand in the expanding industrial robot market, but the sudden fluctuations in demand for industrial robots led to customers adjusting their inventory, which led to instability and deterioration in business performance. As a result, the HDSE Group conducted an impairment test on its fixed assets and recorded an impairment loss of ¥28,159,317 thousand (goodwill: ¥15,245,574 thousand, customer related assets: ¥10,191,691 thousand, and technical assets: ¥2,722,051 thousand) as an exceptional loss for the year ended March 31, 2024. As a result, the balance of goodwill at March 31, 2024 was zero.

The business plan used for the HDSE Group's impairment test for the year ended March 31, 2024 projected an increase in revenue and profit margins due to a recovery in demand for industrial robots and progress in customer inventory adjustments. However, performance for the current year fell short of the forecasts in the business plan, and as a result, amortization expenses for customer-related assets and other items exceeded the operating profit of the HDSE Group for the year ended March 31, 2025.

For this reason, at the end of the year ended March 31, 2025, the Company determined that there were indications of impairment of the HDSE Group's fixed assets. In order to determine whether to recognize an impairment loss, the Company considered whether the undiscounted future cash flows to be obtained by the HDSE Group were less than the book value of the HDSE Group's fixed assets. As a result, the Company found that the total amount of undiscounted future cash flows exceeded the book value of the fixed assets, so did not recognize an impairment loss for the year ended March 31, 2025.

② Key assumptions

Future cash flows, which are used in determining whether or not to recognize impairment losses and calculating use value, are based on the business plan approved by the directors' meeting and this business plan includes assumptions such as sales forecast, manufacturing cost and sales, general and administrative expenses that take into account the business environment and sales strategies, such as demand trends in the industrial robot market.

③ Impact on consolidated financial statements for the year ending March 31, 2026

Profitability projections are carefully considered in determining whether impairment losses should be recognized. However, if there are significant failures to achieve the business plan on which future cash flows are determined, or increases in future uncertainties due to changes in the business or market environment, the recoverable amount would decrease and may result in recognition of impairment losses during the fiscal year ending March 31, 2026.

4. Accounting changes:

(a) ASBJ Statement No. 27 Accounting Standard for Current Income Taxes

Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022), etc has been adopted from the beginning of the current consolidated fiscal year ended March 31, 2025.

Revisions concerning the categories in which current income taxes should be recorded (taxes on other comprehensive income) are subject to the transitional treatment set forth in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment set forth in the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter, “Revised Guidance 2022”). The change in accounting policies had no effect on the Company’s consolidated financial statements.

5. Accounting standards not yet implemented, etc.:

(a) ASBJ Statement No. 34 Accounting Standard for Leases

(b) ASBJ Guidance No. 33 Implementation Guidance on Leases

① Overview:

Similar to international accounting standards, it stipulates the treatment of leases of lessees, such as all leases should be recorded as assets and liabilities.

② Planned adoption date:

The accounting standard is to be adopted from the beginning of the fiscal year ending March 31, 2028.

③ Impact of adoption of the accounting standards:

The Company is currently assessing the impact of application of these accounting standards to the consolidated financial statements.

6. Notes to consolidated balance sheets:

(a) Investment in unconsolidated subsidiaries and affiliates -

Investment in unconsolidated subsidiaries and affiliates at March 31, 2024 and 2025 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Investment in affiliated companies	¥48,112	¥20,228	$135
Investment in capital of affiliated companies	-	89,507	598

(b) Assets pledged as collateral and related secured liabilities -

The following assets were pledged as collateral to secure the long-term debt, including the current portion thereof, at March 31, 2024 and 2025:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Buildings	¥30,695	¥ -	$ -
Land	52,225	-	-
	¥82,920	¥ -	$ -
Secured long-term debt:			
Current portion of long-term debt	¥3,120	¥ -	$ -
Long-term debt	9,680	-	-
	¥12,800	¥ -	$ -

(c) Credit facility contracts -

The Company entered into credit facility contracts with its main banks.
The balance of unused portion based on the contracts at March 31, 2024 and 2025 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Total of credit facility contracts	¥9,442,720	¥9,489,520	$63,466
Outstanding	141,408	2,148,428	14,368
The balance of unused credit facilities	¥9,301,312	¥7,341,092	$49,097

(d) Financial covenants -

The credit facility contracts and the term loan agreements entered into by the Company are subject to financial covenants, and in the event of a violation of any of the following provisions, the benefit of time may be forfeited with respect to all obligations under this agreement.

① Maintain at least 70% of the amount of net assets on the consolidated balance sheet and non-consolidated balance sheet as of the end of each consolidated fiscal year, whichever is greater, the amount on the last day of the fiscal year immediately preceding the relevant fiscal year or the amount at March 31, 2024.

② The Company shall not record a loss for two consecutive periods of ordinary income on the consolidated statements of income and non-consolidated statements of income as of the end of each consolidated fiscal year.

(e) Fixed asset devaluation relating to government subsidies -

In relation to government subsidies, the balance deducted from the acquisition cost of the land for the years ended March 31, 2024 and 2025 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
The balance deducted from the acquisition cost of land	¥385,230	¥387,230	$2,589

(f) Accounting treatment of notes receivable matured on the consolidated balance sheet date -

Notes receivable maturing on the consolidated balance sheet date are accounted for as though they are settled on the day of actual clearance.
As March 31, 2024 was a bank holiday, notes receivable and electronically recorded receivables due on that date as follows were included in the balance of notes receivable at March 31, 2024.

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Notes receivable	¥ 167	¥ -	$ -
Electronically recorded receivables	310,214	-	-

7. Notes to consolidated statements of income:

(a) Revenue from Contracts with Customers

For sales, revenue from contracts with customers, and other revenue are not provided separately. The amount of revenue from contracts with customers is provided in "Notes 19. Segment information".

(b) Selling, general and administrative expenses -

The major components included in selling, general and administrative expenses for the years ended March 31, 2024 and 2025 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Salaries	¥2,562,428	¥3,013,305	$20,153
Accrued bonus for employees	550,996	644,736	4,312
Accrued bonuses for directors and audit & supervisory board members	105,093	92,238	616
Retirement benefit expenses	(25,392)	(26,726)	(178)
Reserve for retirement benefits for directors and audit & supervisory board members	43,196	99,454	665
Reserve for retirement benefits for executive officers	24,489	28,475	190
Research and development expenses	3,543,473	3,665,344	24,514
Depreciation	2,626,355	1,738,080	11,624

(c) Research and development expenses -

Research and development expenses, which are charged to income when incurred, and are included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2024 and 2025 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Research and development expenses	¥3,613,612	¥3,776,295	$25,256

(d) Gain on sales of fixed assets -

Gain on sales of fixed assets for the years ended March 31, 2024 and 2025 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Gain on sales of:			
Building and structures	¥ -	¥295	$ 1
Machinery and equipment	5,338	112	0
Tools, furniture and fixtures	-	623	4
Land	1,522	-	-
	¥ 6,861	¥ 1,031	$ 6

(e) Loss on sales of fixed assets -

Loss on sales of fixed assets for the years ended March 31, 2024 and 2025 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Loss on sales of:			
Buildings and structures	¥ 440	¥ -	$ -
Machinery and equipment	-	3,837	25
Toole, furniture and fixtures	-	5	0
	¥ 440	¥ 3,842	$ 25

(f) Impairment loss -

The Company recorded impairment loss on the following asset groups for the year ended March 31, 2024.

① Assets for which impairment loss was recognized:

Location	Use	Account	Thousands of yen
-	-	Goodwill	¥ 15,245,574
Germany	-	Customer related assets	10,191,691
		Technical assets	2,722,051
		Total	¥ 28,159,317

② Assets grouping method:

The Company considers a group of non-current assets related to the HDSE Group to be the smallest unit of cash flow generated.

③ Reasons for the recognition of impairment losses:

With regard to goodwill, customer related assets and technical assets ("goodwill and others"), which were recognized at the time of acquisition, they were determined that there was an indication of an impairment, due to delays in the earnings plan envisaged at the time of acquisition and amortization expense for goodwill and others exceeded operating profit of the HDSE Group for the consecutive fiscal years. As a result of the determination of the recognition of impairment losses, the total amount of undiscounted future cash flows , which are expected to be acquired over the remaining economic years of the customer related assets and technical assets, which are the main assets of the HDSE Group, was less than the book value of the non-current assets including goodwill and others of the HDSE Group, and the book value was reduced to a recoverable amount. The amount of the decrease was recorded as impairment loss.

④ Calculation method of recoverable value:

The future cash flow used in the calculation of value in use is based on the business plan for the next 5 years approved by the management of the Company and the growth rate thereafter. The future cash flow is calculated by discounting the future cash flow to the present value at a discount rate of 13.0% based on the weighted average cost of capital of the HDSE Group, and it is used as the recoverable value. In addition, the growth rate after 6 years onwards has been determined to be 1.3%, taking into account the long-term growth rate of the market, industry, or country to which the HDSE Group belongs, and does not exceed the long-term growth rate of the market.

The Company recorded impairment loss on the following asset groups for the year ended March 31, 2025.

① Assets for which impairment loss was recognized:

Location	Use	Account	Thousands of yen	Thousands of U.S. dollars
Matsumoto-city, Nagano prefecture	Cross roller bearings manufacturing equipment, etc.	Machinary and equipment	¥1,189,182	$ 7,953
		Total	¥1,189,182	$ 7,953

② Assets grouping method:

The Company considers one asset group for business assets for each consolidated company, and groups rental assets and dormant assets by individual asset.

③ Reasons for the recognition of impairment losses:

Harmonic Precision Inc. (hereinafter, "HPI"), a consolidated subsidiary of the Company, has been affected by factors such as a slowdown in capital investment in the manufacturing industry in China and stagnation in new capital investment in cutting-edge semiconductors, which have led to concerns from customers about future demand trends, that caused decreasing demand for cross roller bearings, HPI's main product, has decreased and its business performance has deteriorated. This has resulted in a decrease in orders and a deterioration in business performance, and the Company has recorded operating losses for the year ended March 31, 2024 and 2025. In addition, HPI's budget for the next year ended March 31, 2026 is expected to continue to record operating losses. As a result, as of the end of the year ended March 31, 2025, HPI is expected to "continue to experience negative profits and losses from operating activities." Therefore, the Company has determined that there are indications of impairment of HPI's tangible fixed assets.

Therefore, the Company examined whether the total amount of undiscounted future cash flows to be acquired over the remaining economic years of use of machinery and equipment, which are main assets of HPI, was less than the book value of the fixed assets of HPI. As a result, the total amount of undiscounted future cash flows was less than the book value of fixed assets, the Company judged that it would be difficult to recover the fixed assets held by HPI of ¥1,189,182 thousand ($7,953 thousand), and recorded the entire amount of the book value as an impairment loss.

④ Calculation method of recoverable value:

The future cash flows used in calculating the value in use are based on the business plan approved by the Company’s board of directors, which includes future sales forecasts and manufacturing cost estimates that take into account external factors such as demand trends in the industrial robot market. The recoverable amount is calculated using the value in use, but the future cash flows before discount are discounted to present value at a discount rate of 8.75%, based on HPI's weighted average cost of capital.

(g) Loss on disposal of fixed assets -

Loss on disposal of fixed assets for the years ended March 31, 2024 and 2025 was as follows:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Loss on disposal of:			
Buildings and structures	¥ 4,186	¥ 12,646	$ 84
Machinery and equipment	679	30,663	205
Tools, furniture and fixtures	16,291	791	5
Software	2,360	-	-
	¥ 23,517	¥ 44,101	$ 294

8. Notes to consolidated statements of comprehensive income:

(a) Recycling adjustments and related tax effect related to other comprehensive income -

Recycling adjustments and related tax effect related to other comprehensive income for the years ended March 31, 2024 and 2025 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Net unrealized gains on available-for-sale securities			
Changes arising during the year	(¥2,263,946)	(¥5,910,560)	($39,530)
Recycling adjustments	-	-	-
Before tax effect	(2,263,946)	(5,910,560)	(39,530)
Tax effect	675,491	1,800,273	12,040
Net unrealized gains on available-for-sale securities	(1,588,454)	(4,110,287)	(27,489)
Foreign currency translation adjustments			
Changes arising during the year	4,781,841	2,604,757	17,420
Remeasurements of defined benefit plans			
Changes arising during the year	66,392	(164,720)	(1,101)
Recycling adjustments	(132,419)	(135,756)	(907)
Before tax effect	(66,026)	(300,476)	(2,009)
Tax effect	18,057	90,015	602
Remeasurements of defined benefit plans	(47,969)	(210,461)	(1,407)
Total other comprehensive income	¥3,145,417	(¥1,715,990)	($11,476)

9. Notes to consolidated statements of changes in net assets:

(a) Shares issued and outstanding -

Share type	April 1, 2023	Increase	Decrease	March 31, 2024
Common stock (shares)	96,315,400	-	-	96,315,400

Share type	April 1, 2024	Increase	Decrease	March 31, 2025
Common stock (shares)	96,315,400	-	-	96,315,400

(b) Treasury stock -

Share type	April 1, 2023	Increase	Decrease	March 31, 2024
Common stock (shares)	1,251,002	104,808	16,753	1,339,057

Share type	April 1, 2024	Increase	Decrease	March 31, 2025
Common stock (shares)	1,339,057	89,625	16,791	1,411,891

(Reason for the changes)

- The increased number of 104,808 shares of treasury stock is due to 104,800 shares of acquisition of treasury stock by resolution of the Board of Directors at December 6, 2023 and 8 shares of the purchase of common shares of less-than-one unit from shareholders for the year ended March 31, 2024.
- The increased number of 89,625 shares of treasury stock is due to 89,600 shares of acquisition of treasury stock by resolution of the Board of Directors at January 16, 2025 and 25 shares of the purchase of common shares of less-than-one unit from shareholders for the year ended March 31, 2025.
- The decreased number of 16,753 and 16,791 shares of treasury stock is due to the issuance of common shares based on the stock compensation scheme of the restricted stock for directors (except for outside directors) for the year ended March 31, 2024 and 2025, respectively.

(c) Dividends -

For the year ended March 31, 2024:

① Dividends paid during the current year -

(i) The following was resolved by the annual shareholders' meeting held on June 21, 2023:

Type of shares	Common stock
Total amount of dividends paid in cash (Thousands of yen)	¥1,616,094
Cash dividend per share (Yen)	¥17
Record date	March 31, 2023
Declaration date	June 22, 2023

(ii) The following was determined by the board of directors meeting held on November 9, 2023:

Type of shares	Common stock
Total amount of dividends paid in cash (Thousands of yen)	¥950,811
Cash dividend per share (Yen)	¥10
Record date	September 30, 2023
Declaration date	December 4, 2023

② Dividends for the current year that are to be paid after the balance sheet date -

The following was resolved by the annual shareholders' meeting held on June 21, 2024:

Type of shares	Common stock
Resource of the dividends to be paid	Retained earnings
The total amount of the dividends in cash paid (Thousands of yen)	¥949,763
Cash dividend per share (Yen)	¥10
Record date	March 31, 2024
Declaration date	June 24, 2024

For the year ended March 31, 2025:

① Dividends paid during the current year -

(i) The following was resolved by the annual shareholders' meeting held on June 21, 2024:

Type of shares	Common stock
Total amount of dividends paid in cash	
(Thousands of yen)	¥949,763
(Thousands of U.S. dollars)	$6,352
Cash dividend per share	
(Yen)	¥10
(U.S. dollars)	$0.06
Record date	March 31, 2024
Declaration date	June 24, 2024

(ii) The following was determined by the board of directors meeting held on November 12, 2024:

Type of shares	Common stock
Total amount of dividends paid in cash	
(Thousands of yen)	¥949,931
(Thousands of U.S. dollars)	$6,353
Cash dividend per share	
(Yen)	¥10
(U.S. dollars)	$0.06
Record date	September 30, 2024
Declaration date	December 5, 2024

② Dividends for the current year that are to be paid after the balance sheet date -

The following was resolved by the annual shareholders' meeting held on June 20, 2025:

Type of shares	Common stock
Resource of the dividends to be paid	Retained earnings
The total amount of the dividends in cash paid	
(Thousands of yen)	¥949,035
(Thousands of U.S. dollars)	$6,347
Cash dividend per share	
(Yen)	¥10
(U.S. dollars)	$0.06
Record date	March 31, 2025
Declaration date	June 23, 2025

10. Notes to consolidated statements of cash flows:

(a) Cash and cash equivalents -

Cash and cash equivalents, for the purpose of the consolidated statements of cash flows, at March 31, 2024 and 2025 comprised the following:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Cash and bank deposits	¥20,318,343	¥24,900,137	$166,533
Highly liquid investments	37,156	52,789	353
Deposits paid (Note)	-	817,931	5,470
Time deposits with a deposit period of over three months	(1,413,787)	(2,847,845)	(19,046)
Cash and cash equivalents	¥18,941,712	¥22,923,012	$153,310

(Note) Deposits paid incurred during the consolidated fiscal year ended March 31, 2025 are included in cash and cash equivalents because they are temporary deposits with securities companies, etc., for the purpose of treasury stock buyback, and can be withdrawn at any time.

11. Lease transactions (as lessee):

(a) Leased assets capitalized on the consolidated balance sheets -

Finance leased assets are mainly buildings such as offices, machinery and equipment. Depreciation expenses are calculated based on the straight-line method over the lease period, assuming no residual asset value at the end of the lease period.

(b) Operating lease transactions -

Future operating lease payments under non-cancelable lease contracts as of March 31, 2024 and 2025 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Due within 1 year	¥50,328	¥47,575	$318
Due after 1 year	56,357	37,538	251
	¥106,686	¥85,113	$569

12. Financial instruments:

(a) Policy for financial instruments -

The Companies invest excess funds, if any, in high quality and low risk financial instruments, while the Companies raise funds (necessary for business operations) through loans from financial institutions.
The Companies utilize derivative financial instruments such as foreign exchange forward contracts in order to reduce their exposure to fluctuations in foreign currency exchange rates during the normal course of business operations and do not hold or issue financial instruments for trading or speculative purposes.

(b) Description and risks of financial instruments and risk management for financial instruments -

Notes and accounts receivable, trade is exposed to customer credit risk. To mitigate the credit risk, the Companies control the collection terms, the receivable balances and the credit limits for each customer and monitor the financial conditions of the major customers periodically in accordance with the internal customer credit management rules. The trade receivables denominated in foreign currencies are exposed to the risk resulting from fluctuations in foreign currency exchange rates, and to mitigate foreign currency exchange risk, the Companies utilize foreign exchange forward contracts for portions of the trade receivables. As the Companies enter into the foreign exchange forward contracts only with financial institutions with high credit ratings (in accordance with the internal rules on assignment of authority and responsibility), the Companies believe their exposure of contractual default risk to be close to nil.
Investment securities, consisting primarily of the equity securities of corporations with which the Companies do business, are exposed to the risk of fluctuations in market price. The Companies manage this risk by periodically monitoring market prices.
Long-term debt are used to raise funds mainly for acquisition cost of treasury stock, a subsidiary and operating transactions. Floating-rate debt is exposed to the risk of fluctuations in interest rates.
Short-term borrowings and long-term debt are exposed to liquidity risk and the Companies monitor and manage that risk continuously in ways such as preparing cash flow projections periodically.
Lease obligations related to finance lease transactions are mainly for the purpose of raising funds related to capital investment, and the maximum redemption date is 19 years after fiscal year end.

(c) Supplemental information on the fair value of financial instruments -

The notional amount of the derivative transactions discussed in "(d) Fair value of financial instruments" below is not indicative of the market risk associated with derivative transactions.

(d) Fair value of financial instruments -

The following table indicates the carrying amount of financial instruments recorded in the consolidated balance sheets, the fair value and the variance as of March 31, 2024 and 2025.

	Thousands of yen		
March 31, 2024:	Carrying amount	Fair value	Variance
(1) Investment securities			
Available-for-sale securities	¥8,777,132	¥8,777,132	-
Assets total	¥8,777,132	¥8,777,132	¥ -
(1) Long-term debt	17,730,949	17,603,878	(127,070)
(2) Lease obligations	5,381,889	4,923,251	(458,638)
Liabilities total	¥23,112,838	¥22,527,130	(¥585,708)
Derivative transactions (*3)	(¥33,267)	(¥33,267)	¥ -

	Thousands of yen		
March 31, 2025:	Carrying amount	Fair value	Variance
(1) Investment securities			
Available-for-sale securities	¥406,131	¥406,131	¥ -
Assets total	¥406,131	¥406,131	¥ -
(1) Long-term debt	¥12,906,100	¥12,763,039	(¥143,060)
(2) Lease obligations	5,132,529	4,740,543	(391,986)
Liabilities total	¥18,038,629	¥17,503,582	(¥535,046)
Derivative transactions (*3)	¥19,188	¥19,188	¥ -

March 31, 2025:	Thousands of U.S. dollars		
	Carrying amount	Fair value	Variance
(1) Investment securities			
Available-for-sale securities	$2,716	$2,716	$ -
Assets total	$2,716	$2,716	$ -
(1) Long-term debt	$86,316	$85,360	($956)
(2) Lease obligations	34,326	31,705	(2,621)
Liabilities total	$120,643	$117,065	($3,578)
Derivative transactions (*3)	$128	$128	$ -

(*1) "Cash and bank deposits", "Notes receivable", "Account receivable, trade", "Marketable securities", "Notes and accounts payable, trade", "Short-term borrowings", "Accrued income taxes" are omitted because the market value is close to the book value since these are settled in a short period of time.

(*2) Unlisted equity securities are not included in "(1) Investment securities" in the first table above because such securities do not have available market prices. Those financial instruments without available market prices are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Investment securities			
Unlisted equity securities	¥3,800	¥3,800	$25
Investment in affiliated companies			
Unlisted equity securities	48,112	20,228	135
Investment in capital of affiliated companies	-	89,507	598

(*3) Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses.

(Note 1) Aggregate annual maturities of long-term debt subsequent to March 31, 2024 and 2025 are as follows:

	Thousands of yen					
March 31, 2024:	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years	Due after 5 years
Long-term debt	¥2,529,452	¥2,465,064	¥2,465,064	¥2,430,064	¥2,347,445	¥5,493,860
Lease obligations	700,049	662,290	661,284	630,879	450,104	2,277,281
Total	¥3,229,501	¥3,127,354	¥3,126,348	¥3,060,943	¥2,797,549	¥7,771,141

	Thousands of yen					
March 31, 2025:	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years	Due after 5 years
Long-term debt	¥1,890,516	¥1,890,516	¥1,855,516	¥1,775,692	¥1,732,208	¥3,761,652
Lease obligations	741,555	741,537	704,083	514,196	423,332	2,007,824
Total	¥2,632,071	¥2,632,053	¥2,559,599	¥2,289,888	¥2,155,540	¥5,769,476

	Thousands of U.S. dollars					
March 31, 2025:	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years	Due after 5 years
Long-term debt	$12,643	$12,643	$12,409	$11,875	$11,585	$25,158
Lease obligations	4,959	4,959	4,708	3,438	2,831	13,428
Total	$17,603	$17,603	$17,118	$15,314	$14,416	$38,586

(e) Breakdown, etc. of market value of financial instruments by level

The fair values of financial instruments are classified into the following three levels depending on the observability and significance of the input used in the fair value measurement.

Level 1: Fair value measured by using quoted prices in active markets for identical assets or liabilities

Level 2: Fair value measured by using observable inputs other than Level 1 inputs

Level 3: Fair values measured by using unobservable inputs

When more than one input that has a significant effect on the calculation of fair value is used, the resulting fair value is classified as the lowest priority level for fair value calculation from among the levels of the input used.

① Financial instruments stated on the consolidated balance sheet at fair value:

March 31, 2024:	Fair value (Thousands of yen) Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	¥8,777,132	-	-	¥8,777,132
Total assets	¥8,777,132	-	-	¥8,777,132
Derivative transaction related to currency	-	¥33,267	-	¥33,267
Total liabilities	-	¥33,267	-	¥33,267

March 31, 2025:	Fair value (Thousands of yen) Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	¥406,131	¥ -	-	¥406,131
Derivative transaction related to currency	-	19,188	-	19,188
Total assets	¥406,131	¥19,188	-	¥425,319

March 31, 2025:	Fair value (Thousands of U.S. dollars) Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	$2,716	$ -	-	$2,716
Derivative transaction related to currency	-	128	-	128
Total assets	$2,716	128	-	$2,844

② Financial instruments other than those whose fair values are stated on the consolidated balance sheets:

March 31, 2024:	Fair value (Thousands of yen) Level 1	Level 2	Level 3	Total
Long-term debt	-	¥17,603,878	-	¥17,603,878
Lease obligations	-	4,923,251	-	4,923,251
Total liabilities	-	¥22,527,130	-	¥22,527,130

March 31, 2025:	Fair value (Thousands of yen) Level 1	Level 2	Level 3	Total
Long-term debt	-	¥12,763,039	-	¥12,763,039
Lease obligations	-	4,740,543	-	4,740,543
Total liabilities	-	¥17,503,582	-	¥17,503,582

March 31, 2025:	Fair value (Thousands of U.S. dollars) Level 1	Level 2	Level 3	Total
Long-term debt	-	$85,360	-	$85,360
Lease obligations	-	31,705	-	31,705
Total liabilities	-	$117,065	-	$117,065

Note: Explanation of evaluation method used to calculate fair value and inputs for calculating fair value -

Investment securities:

Listed stock is valued using market prices. These fair values are classified as level 1 fair values because listed securities are traded in an active market.

Derivative transaction:

The fair value of derivative transactions is based on the price provided by financial institutions with which the Company has business relationships and are classified as level 2 fair values.

Long-term debt:

The fair value of long-term debt, to which variable rates are applied, approximates the carrying amount because the variable rates reflect market interest rates and credit risks over a short term.

Those with fixed interest rates, on the other hand, are based on the method of calculating by discounting the sum total amount of principal and interest by the estimated interest rate in the case that the same type of debt is undertaken. Both are classified as level 2 fair values.

Lease obligations:

The total amount of principal and interest is calculated based on the present value discounted at the interest rate assumed to apply to similar new lease transactions, etc., and is classified as a level 2 fair value.

13. Marketable securities and investment securities:

(a) Available for securities -

The aggregate costs, gross unrealized gains and losses, and carrying amount on the consolidated balance sheets (which are re-valued to the related fair value) of available-for-sale securities with market quotations at March 31, 2024 and 2025 were as follows:

	Thousands of yen		
March 31, 2024:	Cost	Gross unrealized gains / (losses)	Carrying amount
Securities whose consolidated carrying value exceeds their acquisition price			
Equity securities	¥2,709,916	¥6,067,215	¥8,777,132
Securities whose consolidated carrying value does not exceed their acquisition price			
Bonds - Other	70,176	(33,020)	37,156
	¥2,780,092	¥6,034,195	¥8,814,288

	Thousands of yen		
March 31, 2025:	Cost	Gross unrealized gains / (losses)	Carrying amount
Securities whose consolidated carrying value exceeds their acquisition price			
Equity securities	¥249,476	¥156,655	¥406,131
Securities whose consolidated carrying value does not exceed their acquisition price			
Bonds – Other	70,176	(17,387)	52,789
	¥319,652	¥139,268	¥458,920

	Thousands of U.S. dollars		
March 31, 2025:	Cost	Gross unrealized gains / (losses)	Carrying amount
Securities whose consolidated carrying value exceeds their acquisition price			
Equity securities	$1,668	$1,047	$2,716
Securities whose consolidated carrying value does not exceed their acquisition price			
Bonds - Other	469	(116)	353
	$2,137	$931	$3,069

(b) Available for securities sold during the year -

There have been no transactions with available for securities sold for the year ended March 31, 2024

	Thousands of yen		
March 31, 2025:	Sales amount	Gains total	Losses total
Equity securities	¥8,325,750	¥5,865,309	¥ -
Total	¥8,325,750	¥5,865,309	¥ -

	Thousands of U.S. dollars		
March 31, 2025:	Sales amount	Gains total	Losses total
Equity securities	$55,683	$39,227	$ -
Total	$55,683	$39,227	$ -

14. Derivative financial instruments:

(a) Notional amount, fair value and gains (losses) of derivative transactions for which hedge accounting was not adopted -

March 31, 2024	Thousands of Yen Notional amount	Notional amount (With maturities over 1 year)	Fair value	Gains (Losses)
Forward exchange contracts:				
Buy Japanese Yen				
Sell Chinese CNY	¥704,244	¥ -	(¥12,063)	(¥12,063)
U.S. Dollars	541,326		(19,490)	(19,490)
Euro	600,000	-	(1,713)	(1,713)
	¥1,845,570	¥ -	(¥33,267)	(¥33,267)

March 31, 2025	Thousands of Yen Notional amount	Notional amount (With maturities over 1 year)	Fair value	Gains (Losses)
Forward exchange contracts:				
Buy Japanese Yen				
Sell Chinese CNY	¥582,185	¥ -	¥8,543	¥8,543
U.S. Dollars	746,462	-	10,644	10,644
	¥1,328,648	¥ -	¥19,188	¥19,188

March 31, 2025	Thousands of U.S. Dollars Notional amount	Notional amount (With maturities over 1 year)	Fair value	Gains (Losses)
Forward exchange contracts:				
Buy Japanese Yen				
Sell Chinese CNY	$3,893	$ -	$57	$57
U.S. Dollars	4,992	-	71	71
	$8,886	$ -	$128	$128

15. Retirement benefits for employees:

Retirement benefits regulations, which cover substantially all employees of the Company and its subsidiaries, provide for funded or non-funded defined benefit plans or defined contribution plans based on the employee's length of service, position in the respective company and conditions under which the termination of employment occurs. The Companies may pay additional retirement benefits to their retired employees which are not covered by the retirement benefits regulations within the scope of actuarial computation of defined benefits plan obligations.

The Company has established a non-contributory defined benefit pension plan (a tax qualified plan) for a certain portion of the retirement benefits prescribed under the severance indemnity regulations for its employees. Under the pension plan, a retiring employee may elect either a lump-sum payment or annuity payments.

Certain domestic subsidiaries have recognized their defined benefits plan obligations and retirement benefit expenses using the simplified accounting method.

In addition, an overseas consolidated subsidiary has a defined benefit pension plan for the retirement benefits for directors.

The information for the defined benefit plans as of March 31, 2024 and 2025 and for the years then ended is as follows:

① Changes in balances of the defined benefits plan obligations at beginning and end of the year (excluding the plans recorded under the simplified accounting method) -

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Defined benefits plan obligations at beginning of the year	¥2,501,249	¥2,477,704	$16,571
Service cost	148,865	155,569	1,040
Interest cost	39,706	38,881	260
Actuarial differences	81,380	6,845	45
Retirement benefits paid	(379,563)	(212,437)	(1,420)
Other	86,065	83,851	560
Defined benefits plan obligations at end of the year	¥2,477,704	¥2,550,414	$17,057

② Changes in balances of the plan assets at beginning and end of the year -

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Plan assets at beginning of the year	¥3,060,139	¥3,137,522	$20,983
Expected return on plan assets	60,961	60,148	402
Actuarial differences	147,773	(157,875)	(1,055)
Employer contributions	158,037	161,703	1,081
Retirements benefits paid	(302,210)	(217,973)	(1,457)
Other	12,821	6,498	43
Plan assets at end of the year	¥3,137,522	¥2,990,024	$19,997

③ Reconciliation between the balances of defined benefits plan obligations and plan assets at end of the year and net defined benefit liabilities and net defined benefit assets recorded in the consolidated balance sheet -

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Defined benefits plan obligations of funded plan	¥2,477,704	¥2,550,414	$17,057
Plan assets	(3,137,522)	(2,990,024)	(19,997)
	(659,817)	(439,610)	(2,940)
Defined benefits plan obligations of unfunded plan	-	-	-
Net liabilities or assets recorded in the consolidated balance sheet	(659,817)	(439,610)	(2,940)
Net defined benefit liabilities	712,253	835,603	5,588
Net defined benefit assets	(1,372,071)	(1,275,214)	(8,528)
Net liabilities or assets recorded in the consolidated balance sheet	(¥659,817)	(¥439,610)	($2,940)

④ Components of retirement benefit expenses -

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Service cost	¥148,865	¥155,569	$1,040
Interest cost	39,706	38,881	260
Expected return on plan assets	(60,961)	(60,148)	(402)
Actuarial differences	(132,419)	(135,756)	(907)
Retirement benefit expenses related to the defined benefit plans	(¥4,809)	(¥1,454)	($9)

⑤ Adjustments of defined benefit plans -

Adjustments of defined benefit plans (before net of tax effect) are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Actuarial differences	¥66,026	¥300,476	$2,009
Total	¥66,026	¥300,476	$2,009

⑥ Unrecognized adjustments of remeasurements of defined benefit plans -

Unrecognized adjustments of remeasurements of defined benefit plans (before net of tax effect) are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Unrecognized actuarial differences	(¥207,190)	¥93,285	$623
Total	(¥207,190)	¥93,285	$623

⑦ Plan assets -

1) Components of plan assets

Share by asset category in the total plan assets is as follows:

	2024	2025
Bonds	69%	72%
Equities	24%	22%
Other	7%	6%
Total	100%	100%

2) Method for determining the expected long-term rate of return on plan assets

Expected long-term rate of return on plan assets is determined by considering the current and projected plan asset allocations, as well as current and expected long-term investment returns from the various assets that compose the plan assets.

⑧ Principal actuarial assumptions -

The assumptions used in the above actuarial computations for the years ended March 31, 2024 and 2025 were as follows:

	2024	2025
Discount rate	1.56%	1.62%
Expected return ratio on plan assets	1.98%	1.99%
Assumed wage increase rate	2.77%	2.72%

(a) Defined benefit plans recorded under the simplified accounting method -

① Changes in balances of the net defined benefit liabilities at beginning and end of the year for the plans recorded under the simplified accounting method -

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Net defined benefit liabilities at beginning of the year	¥118,422	¥124,124	$830
Retirement benefits expenses	21,063	17,998	120
Retirement benefits paid	(4,581)	(10,067)	(67)
Contributions to the plan	(10,780)	(12,749)	(85)
Net defined benefit liabilities at end of the year	¥124,124	¥119,305	$797

② Reconciliation between the balances of defined benefits plan obligations and plan assets at end of the year and net defined benefit liabilities recorded in the consolidated balance sheet -

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Defined benefits plan obligations of funded plan	¥ -	¥ -	$ -
Plan assets	-	-	-
Defined benefits plan obligations of unfunded plan	124,124	119,305	797
Net liabilities or assets recorded in the consolidated balance sheet	124,124	119,305	797
Net defined benefit liabilities	124,124	119,305	797
Net liabilities or assets recorded in the consolidated balance sheet	¥124,124	¥119,305	$797

③ Retirement benefit expenses -

Retirement benefit expenses for the year ended March 31, 2024 and 2025 calculated by the simplified accounting method were ¥21,063 thousand and ¥17,998 thousand ($120 thousand), respectively.

(b) Defined contribution plans -

Required contributions to the defined contribution plans of certain subsidiaries for the year ended March 31, 2024 and 2025 were ¥169,585 thousand and ¥188,352 thousand ($1,259 thousand), respectively.

16. Stock options:

No stock options were granted during the years ended March 31, 2024 and 2025.

17. Income taxes:

Deferred tax assets and liabilities as of March 31, 2024 and 2025 consist of the following:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Deferred tax assets:			
Tax loss carryforwards	¥808,995	¥620,497	$4,149
Accrued enterprise taxes	-	95,500	638
Inventory write-down	95,170	64,685	432
Accrued bonuses	214,266	242,451	1,621
Accrued social insurance premium	33,598	36,560	244
Unrealized intercompany profit in inventories	-	145,816	975
Software development expenses	79,267	78,767	526
Reserve for retirement benefits for directors and audit & supervisory board members	311,324	89,245	596
Reserve for retirement benefits for executive officers	45,473	54,866	366
Stock compensation expenses for directors	37,819	50,709	339
Net defined benefit liabilities	40,905	34,496	230
Devaluation loss on investment securities	65,409	67,339	450
Devaluation loss on golf club memberships	5,733	5,902	39
Impairment loss	52,575	418,841	2,801
Devaluation loss on loans to affiliated companies	39,974	49,240	329
Others	384,274	342,170	2,288
Deferred tax assets sub-total	¥2,214,786	¥2,397,092	$16,031
Valuation allowance (Note)	(1,169,477)	(1,347,448)	(9,011)
Deferred tax assets total	¥1,045,308	¥1,049,644	$7,020

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Deferred tax liabilities:			
Enterprise tax receivable	(¥39,553)	¥ -	$ -
Unrealized gains on available-for-sale securities	(1,810,359)	(10,086)	(67)
Undistributed earnings of foreign subsidiaries and an affiliated company	(447,410)	(456,293)	(3,051)
Net defined benefit assets	(418,481)	(400,417)	(2,678)
Intangible assets identified by the business combination	(3,731,497)	(3,523,757)	(23,567)
Others	(297,660)	(209,724)	(1,402)
Deferred tax liabilities total	(6,744,963)	(4,600,278)	(30,766)
Net deferred tax liabilities	(¥5,699,654)	(¥3,550,634)	($23,746)

Note 1): Valuation allowance increased by ¥177,971 thousand ($1,190 thousand) for the year ended March 31, 2025. The main reason for this increase was the recognition of an additional ¥373,403 thousand ($2,497 thousand) in valuation allowance for impairment loss by Harmonic Precision Inc., a consolidated subsidiary, for the year ended March 31, 2025.

Note 2): Tax loss carryforward and related deferred tax assets are as follows:

	Thousands of yen						
March 31, 2024:	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years	Due after 5 years	Total
Tax loss carryforward (*)	¥ -	¥ -	¥ -	¥ -	¥ -	¥808,995	¥808,995
Valuation allowance	-	-	-	-	-	(586,456)	(586,456)
Deferred tax assets	¥ -	¥ -	¥ -	¥ -	¥ -	¥222,539	¥222,539

March 31, 2025:	Thousands of yen Due within 1 year	Due after 1 year but within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years	Due after 5 years	Total
Tax loss carryforward (*)	¥ -	¥ -	¥ -	¥ -	¥174,635	¥445,861	¥620,497
Valuation allowance	-	-	-	-	(174,635)	(400,331)	(574,966)
Deferred tax assets	¥ -	¥ -	¥ -	¥ -	¥ 0	¥45,530	¥45,530

March 31, 2025:	Thousands of U.S. dollars Due within 1 year	Due after 1 year but within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years	Due after 5 years	Total
Tax loss carryforward (*)	$ -	$ -	$ -	$ -	$1,167	$2,981	$4,149
Valuation allowance	-	-	-	-	(1,167)	(2,677)	(3,845)
Deferred tax assets	$ -	$ -	$ -	$ -	$ 0	$304	$304

(*) Tax loss carryforward is measured using the normal effective statutory tax rate

Reconciliation of the differences between the normal effective statutory tax rate and the actual effective tax rate for the year ended March 31, 2024 and 2025 are omitted due to immateriality.

<u>Adjustment of deferred tax assets and deferred tax liabilities due to changes in corporate tax rates</u>

The Act for Partial Amendment of the Income Tax Act, etc. (Article 12) was enacted by the Diet on March 31, 2025, and the "Special defense corporate tax" will be imposed starting from the consolidated fiscal year beginning on or after April 1, 2026. Accordingly, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities expected to be resolved in consolidated fiscal years beginning on or after February 1, 2027 will change from 30.5% to 31.4%.

The impact of this tax rate change is immaterial.

18. Revenue recognition:

(a) Information on the breakdown of revenue arising from the contracts with customers

Information on the breakdown of revenue arising from the contracts with customers is provided in “Note 19. Segment information”.

(b) Information that is fundamental to understanding revenue from contracts with customers

Information that is fundamental to understanding revenue is provided in “ 2. Summary of significant accounting policies: (g) Recognition of significant revenues and expenses”.

(c) Information on the relationship between the satisfaction of performance obligations under contracts with customers and the cash flow arising from the contract, and the amount and timing of revenue that is expected to be recognized from the contracts with the customers existing at the end of the current consolidated fiscal year to the following consolidated fiscal year and beyond.

① Receivables arising from contracts with customers and outstanding Contract liabilities, etc.

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Receivables arising from contracts with customers (opening balance):			
Notes receivable	¥7,408,386	¥3,085,175	$20,633
Accounts receivable, trade	10,165,121	8,668,982	57,978
	¥17,573,507	¥11,754,158	78,612
Receivables arising from contracts with customers (closing balance)			
Notes receivable	¥3,085,175	¥3,591,560	$24,020
Accounts receivable, trade	8,668,982	9,544,240	63,832
	¥11,754,158	¥13,135,801	$87,853
Contract liabilities (opening balance)	¥267,842	¥172,558	$1,154
Contract liabilities (closing balance)	172,558	136,988	916

(Note 1) Contract liabilities are advances received from customers primarily under payment terms under contracts with customers. Contract liabilities are reversed upon recognition of revenue.

(Note 2) For revenues recognized in the previous consolidated fiscal year, the amount included in contract liabilities as of the beginning of the period was ¥267,842 thousand.

(Note 3) In the previous consolidated fiscal year, there is no significant amount of revenue recognized from performance obligations fulfilled in the past period.

(Note 4) For revenues recognized in the current consolidated fiscal year, the amount included in contract liabilities as of the beginning of the period was ¥172,558 thousand ($1,154 thousand).

(Note 5) In the current consolidated fiscal year, there is no significant amount of revenue recognized from performance obligations fulfilled in the past period.

② Transaction price allocated to remaining performance obligations

Since there are no important contracts with an initially expected contract period of more than one year, the Companies apply the practical expedient and omit disclosure of information regarding remaining performance obligations. In addition, there is no significant amount of consideration arising from contracts with customers that is not included in the transaction price.

19. Segment information:

(a) Overview of the 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 based on similarities in the type, nature, manufacturing method and markets of their products.

The geographic markets for the products manufactured and sold by the Company are Japan (including the Asia area), North America and Europe, and the products are marketed by the Company and its subsidiaries in Japan and Asia, subsidiaries in the United States and theirs 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. However, in consideration of the increasing importance of the volume, we have changed the method of listing "China" as a reporting segment, which was previously included in "Japan" for the year ended March 31, 2025. Segment information for the year ended March 31, 2024 is disclosed based on the classification of the reported segment after the change.

(b) Accounting method of sales, profit/loss, assets and other items by each reportable segment -

Accounting methods used at the reportable segments are identical to the descriptions in “Note 2. 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.

(c) Sales, profit/loss, assets, other items and revenue breakdown information by each reportable segment -

For the year ended March 31, 2024	Thousands of yen Reportable segment Japan	China	North America	Europe	Total	Adjustment	Consolidated
Sales:							
Revenue from Contracts with Customers	¥29,168,036	¥4,295,884	¥13,303,687	¥16,741,606	¥63,509,214	(¥7,712,758)	¥55,796,455
Third party	¥21,809,959	¥4,161,598	¥13,284,851	¥16,540,045	¥55,796,455	¥ -	¥55,796,455
Inter-segment	7,358,076	134,285	18,835	201,561	7,712,758	(7,712,758)	-
Total	¥29,168,036	¥4,295,884	¥13,303,687	¥16,741,606	¥63,509,214	(¥7,712,758)	¥55,796,455
Segment profit	¥4,089,374	¥323,133	¥1,707,414	¥214,367	¥6,334,290	(¥5,763,956)	¥570,333
Segment assets	¥57,659,982	¥3,168,516	¥16,233,037	¥30,689,427	¥107,750,963	¥11,391,328	¥119,142,291
Others							
Depreciation	¥5,220,985	¥22,403	¥677,682	¥3,268,741	¥9,189,813	¥ -	¥9,189,813
Interest income	94,224	1,091	32,025	57,553	184,895	(88,038)	96,856
Interest expenses	95,614	446	86,911	79,749	262,722	(85,652)	177,069
Equity in losses of affiliated companies	(41,843)	-	-	-	(41,843)	-	(41,843)
Investment in affiliated companies	48,112	-	-	-	48,112	-	48,112
Increase in tangible and intangible fixed assets	3,528,855	19,477	465,298	941,633	4,955,263	-	4,955,263

- The adjustment for segment profit of (¥5,763,956) thousand includes the eliminated profit of the inter-segment transactions of (¥3,317,741) thousand, the general administrative expenses of (¥2,446,215) thousand that are not allocated to any reportable segment and amortization of the goodwill recorded in connection with the acquisition of the shares of Harmonic Drive SE of ¥1,172,736 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.

- “Japan” segment includes the sales and expenses to the Japan market, European market and Asian market.

- The adjustment for segment assets of ¥11,391,328 thousand includes inter-segment elimination of (¥5,009,402) thousand, corporate assets of ¥16,400,730 thousand that are not allocated to any reportable segment. The corporate assets consist mainly of excess funds including cash and bank deposits and long-term investments such as "Investment securities" or "Others" included in "Investments and other assets", and certain assets related to corporate departments.

	Thousands of yen						
	Reportable segment						
For the year ended March 31, 2025	Japan	China	North America	Europe	Total	Adjustment	Consolidated
Sales:							
Revenue from Contracts with Customers	¥31,042,960	¥5,624,625	¥11,641,929	¥16,797,428	¥65,106,944	(¥9,461,004)	¥55,645,940
Third party	¥21,727,393	¥5,623,075	¥11,628,795	¥16,666,675	¥55,645,940	¥ -	¥55,645,940
Inter-segment	9,315,566	1,550	13,134	130,753	9,461,004	(9,461,004)	-
Total	¥31,042,960	¥5,624,625	¥11,641,929	¥16,797,428	¥65,106,944	(¥9,461,004)	¥55,645,940
Segment profit/(loss)	¥2,224,012	¥302,043	¥556,619	(¥52,756)	¥3,029,919	(¥2,878,721)	¥151,197
Segment assets	¥56,026,689	¥3,947,309	¥18,157,750	¥31,035,433	¥109,167,183	¥4,454,498	¥113,621,682
Others							
Depreciation	¥4,983,447	¥20,770	¥754,918	¥2,264,137	¥8,023,274	¥ -	¥8,023,274
Interest income	92,959	1,302	144,003	164,318	402,584	(86,173)	316,411
Interest expenses	141,588	479	86,792	82,117	310,977	(86,499)	224,478
Equity in losses of affiliated companies	(38,377)	-	-	-	(38,377)	-	(38,377)
Investment in affiliated companies	109,735	-	-	-	109,735	-	109,735
Increase in tangible and intangible fixed assets	2,121,839	15,758	625,755	1,002,597	3,765,951	-	3,765,951

For the year ended March 31, 2025	Thousands of U.S. dollars						
	Reportable segment						
	Japan	China	North America	Europe	Total	Adjustment	Consolidated
Sales:							
Revenue from Contracts with Customers	$207,617	$37,617	$77,862	$112,342	$435,439	($63,275)	$372,163
Third party	$145,314	$37,607	$77,774	$111,467	$372,163	$ -	$372,163
Inter-segment	62,303	10	87	874	63,275	(62,275)	-
Total	$207,617	$37,617	$77,862	$112,342	$435,439	($63,275)	$372,163
Segment profit/(loss)	$14,874	$2,020	$3,722	($352)	$20,264	($19,253)	$1,011
Segment assets	$374,710	$26,399	$121,440	$207,567	$730,117	$29,791	$759,909
Others							
Depreciation	$33,329	$138	$5,048	$15,142	$53,660	$ -	$53,660
Interest income	621	8	963	1,098	2,692	(576)	2,116
Interest expenses	946	3	580	549	2,079	(578)	1,501
Equity in losses of affiliated companies	(256)	-	-	-	(256)	-	(256)
Investment in affiliated companies	733	-	-	-	733	-	733
Increase in tangible and intangible fixed assets	14,191	105	4,185	6,705	25,186	-	25,186

- The adjustment for segment profit of (¥2,878,721) thousand (($19,253) thousand) includes the eliminated profit of the inter-segment transactions of (¥386,089) thousand (($2,582) thousand), the general administrative expenses of (¥2,492,631) thousand (($16,670) thousand) that are not allocated to any reportable segment.

- "Japan" segment includes the sales and expenses to the Japan market and Asian market.

- The adjustment for segment assets of ¥4,454,498 thousand ($29,791 thousand) includes inter-segment elimination of (¥4,861,623) thousand (($32,514) thousand), corporate assets of ¥9,316,121 thousand ($62,306 thousand) that are not allocated to any reportable segment. The corporate assets consist mainly of excess funds including cash and bank deposits and long-term investments such as “Investment securities” or “Others” included in “Investments and other assets”, and certain assets related to corporate departments.

(d) Related information -

① Information by products/service -

Sales to third parties	Thousands of yen 2024	Thousands of yen 2025	Thousands of U.S. dollars 2025
Speed reducers	¥ 39,432,894	¥ 42,304,275	$282,933
Mechatronic products	16,363,561	13,341,664	89,229
	¥55,796,455	¥55,645,940	$372,163

The sales of the subsidiary, Harmonic Winbel Inc., which is engaged in the development, manufacturing and sales of the Magnetic application equipment, are classified as mechatronic products.

② Information by geographic region -

Sales:

	Thousands of yen					
	Japan	China	North America	Europe	Other	Total
For the year ended March 31, 2024:						
Total	¥20,617,344	¥4,161,598	¥13,284,851	¥16,540,045	¥1,192,615	¥55,796,455
For the year ended March 31, 2025:						
Total	¥19,806,259	¥5,623,075	¥11,628,795	¥16,666,675	¥1,921,134	¥55,645,940

	Thousands of U.S. dollars					
	Japan	China	North America	Europe	Other	Total
For the year ended March 31, 2025:						
Total	$132,465	$37,607	$77,774	$111,467	$12,848	$372,163

- Sales are classified into the countries and areas as shown in the schedule above based on the location of the customers.

- “North America” segment includes ¥11,954,835 thousand and ¥10,132,022 thousand ($67,763 thousand) of sales originating from the United States of America, which represents greater than 10% of sales recorded on the consolidated statements of income for the years ended March 31, 2024 and 2025, respectively.

- "Europe" segment includes ¥6,505,463 thousand and ¥7,056,700 thousand ($47,195 thousand) of sales originating from Germany, which represents greater than 10% of sales recorded on the consolidated statements of income for the year ended March 31, 2024 and 2025.

Tangible fixed assets:

	Thousands of yen				
	Japan	China	North America	Europe	Total
March 31, 2024:					
Total Assets	¥35,830,298	¥57,563	¥6,395,440	¥5,864,021	¥48,147,323
March 31, 2025:					
Total Assets	¥32,510,937	¥63,218	¥7,431,144	¥5,954,452	¥45,959,753

	Thousands of U.S. dollars				
	Japan	China	North America	Europe	Total
March 31, 2025:					
Total Assets	$217,435	$422	$49,700	$39,823	$307,381

- Tangible fixed assets are classified into the countries and geographical areas as shown in the schedule above based on their location.

- "North America" segment includes ¥6,395,440 thousand and ¥7,431,144 thousand ($49,700 thousand) of tangible fixed assets located in the United States of America, which represents greater than 10% of tangible fixed assets recorded on the consolidated balance sheets for the years ended March 31, 2024 and 2025, respectively.

- "Europe" segment includes ¥5,864,021 thousand and ¥5,954,452 thousand ($39,823 thousand) of tangible fixed assets located in Germany, which represents greater than 10% of tangible fixed assets recorded on the consolidated balance sheets for both the years ended March 31, 2024 and 2025, respectively.

③ Information of major customers -

Customer Name	Thousands of yen		Thousands of U.S. dollars	Related Segment
	2024	2025	2025	
Nissan Motor Co., Ltd.	¥6,547,422	¥5,733,870	$38,348	Japan

(e) Impairment loss information of fixed assets by reportable segment -

	Thousands of yen						
	Reportable segment						
For the year ended March 31, 2024	Japan	China	North America	Europe	Total	Adjustment	Consolidated
Impairment loss	¥ -	¥ -	¥ -	¥12,913,743	¥12,913,743	¥15,245,574	¥ 28,159,317

- Due to the fact that the excess profitability of goodwill, customer related assets, and technical assets related to Harmonic Drive SE, a consolidated subsidiary of the Company, is no longer expected to be in excess of the originally anticipated profitability, goodwill will be reduced from the "Adjustment" above, and the carrying value of customer related assets and technical assets will be reduced from "Europe" segment to recoverable value. The reduction is included as "Impairment loss" included in "Exceptional losses" on the consolidated statement of income for the year ended March 31, 2024.

	Thousands of yen						
	Reportable segment						
For the year ended March 31, 2025	Japan	China	North America	Europe	Total	Adjustment	Consolidated
Impairment loss	¥1,189,182	¥ -	¥ -	¥ -	¥1,189,182	¥ -	¥1,189,182

	Thousands of yen						
	Reportable segment						
For the year ended March 31, 2025	Japan	China	North America	Europe	Total	Adjustment	Consolidated
Impairment loss	$7,953	$ -	$ -	$ -	$7,953	$ -	$7,953

(f) Information regarding amortization and balance of goodwill by reportable segment -

For the year ended March 31, 2024	Thousands of yen						
	Reportable segment						
	Japan	China	North America	Europe	Total	Adjustment	Consolidated
Amortization of goodwill	¥ -	¥ -	¥ -	¥ -	¥ -	¥1,172,736	¥1,172,736
Balance of goodwill	-	-	-	-	-	-	-

No amortization and balance of goodwill were recognized for the year ended March 31, 2025.

(g) Information regarding gain on negative goodwill by reportable segment -

No gain on negative goodwill was recognized for the years ended March 31, 2024 and 2025.

20. Transactions with related parties:

(a) Transactions with related parties –

The director and major shareholder of the Company.

The following transactions occurred in the fiscal year ended March 31, 2024.

Category		The Company in which a director and his/her close relatives owns a majority of voting rights (including subsidiaries of the Company).
Entity name		Tokyo Aircraft Instrument Co., Ltd.
Location		Machida-shi, Tokyo, Japan
Capital		¥100,000 thousand
Description of business		Manufacturing and sales of Aerospace products.
Share of shareholders voting rights		None.
Description of relationship		
- Business relationship		Acceptance of dispatched seconded manufacturing personnel
		Outsourcing of development-related work
- Sharing of directors		Yes
For the year:	Transaction	Payment of personal expenses subject to seconded employees, etc.
	Amounts	¥14,777 thousand
	Transaction	Payment of consignment fees
	Amounts	¥36,916 thousand
At year-end:	Accounts	-
	Amounts	¥ - ($ -)

(Note 1) It is a subsidiary of Mitsumasa Ito, Chairman of the Board of Directors of the Company, and his close relatives, who own a majority of voting rights.

(Note 2) The payment of seconded employees' salaries is based on a memorandum of understanding regarding secondment, and an amount equivalent to the personnel costs related to seconded employees is paid.

(Note 3) The amount of the consignment fees are determined after negotiation based on the content of the work.

There have been no transactions with related parties companies for the year ended March 31, 2025.

(b) Notes to a significant affiliated company -

There have been no companies treated as significant affiliated companies for the year ended March 31, 2024 and 2025.

21. Net income (loss) per share information:

The computation of net income (loss) per share is based on the weighted-average number of common shares outstanding during each year. Treasury stocks held during these years are excluded from the weighted-average number of common shares outstanding.

	Yen		U.S. dollars
	2024	2025	2025
Net assets per share	¥836.02	¥831.82	$5.56
Net income (loss) per share	(261.00)	36.57	0.24

Net income (loss) used in the computation of basic net income (loss) per share is as follows:

	Thousands of yen		Thousands of U.S. dollars
	2024	2025	2025
Profit (Loss) attributable to owners of the parent	(¥24,806,996)	¥3,473,539	$23,231
Profit (Loss) attributable to common stock owners of the parent	(¥24,806,996)	¥3,473,539	$23,231

The weighted average number of shares used in the computation of basic net income per share is as follows:

	Number of shares	
	2024	2025
Weighted average number of shares	95,047,417	94,977,483

(Note)

- Diluted net income per share is not computed because the Company does not have any potentially dilutive shares for the year ended March 31, 2024 and 2025.

22. Subsequent events:

There have been no significant subsequent events on or after April 1, 2025.

23. Consolidated supplementary schedules:

(a) Schedule of bonds -

No bonds were issued by the Company as of March 31, 2024 and 2025.

(b) Schedule of borrowings -

Category	Thousands of yen		Thousands of U.S. dollars		
	Balance at March 31, 2024	Balance at March 31, 2025	Balance at March 31, 2025	Average interest rate (%)	Maturity
Short-term borrowings	¥700,629	¥2,701,653	$18,068	0.8	-
Current portion of long-term debt	2,529,452	1,890,516	12,643	0.8	-
Current portion of lease obligations	700,049	741,555	4,959	2.1	-
Long-term debt (excluding current portion)	15,201,497	11,015,584	73,672	0.8	2026-2032
Lease obligations (excluding current portion)	4,681,840	4,390,974	29,367	1.6	2026-2043
Other	-	-	-	-	-
Total	¥23,813,468	¥20,740,283	$138,712	-	-

- The average interest rate represents the weighted-average rate applicable to the borrowings balance at March 31, 2025.
- Aggregate annual maturities of long-term debt for the 5 years subsequent to March 31, 2025 are as follows:

March 31, 2025	Thousands of yen			
	Due after 1 year within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years
Long-term debt	¥1,890,516	¥1,855,516	¥1,775,692	¥1,732,208
Lease obligations	741,537	704,083	514,196	423,332

March 31, 2025	Thousands of U.S. dollars			
	Due after 1 year within 2 years	Due after 2 years within 3 years	Due after 3 years within 4 years	Due after 4 years within 5 years
Long-term debt	$12,643	$12,409	$11,875	$11,585
Lease obligations	4,959	4,708	3,438	2,831

(c) Schedule of asset retirement obligations -

Disclosure of asset retirement obligations as of March 31, 2024 and 2025 were omitted due to immateriality.

24. Details of audit fees, etc.:

(a) Details of fees to the certified public accountant auditor -

	Thousands of yen				Thousands of U.S. dollars	
	2024		2025		2025	
	Audit fees	Non audit fees	Audit fees	Non audit fees	Audit fees	Non audit fees
The Company	¥50,000	¥ -	¥44,200	¥ -	$295	$ -
Consolidated subsidiaries	-	-	-	-	-	-
Total	¥50,000	¥ -	¥44,200	¥ -	$295	$ -

There was no non-audit service for the Company by the certified public accountant auditor for the year ended March 31, 2024 and 2025.

(b) Details of fees paid to the member firms of PricewaterhouseCoopers GmbH, PwC TAX Japan, PwC Legal Japan, PricewaterhouseCoopers Sustainability LLC and PricewaterhouseCoopers Consultants (Shenzhen) Limited which belong to the same network to which PricewaterhouseCoopers Japan LLC belongs (expect for (a)) -

	Thousands of yen				Thousands of U.S. dollars	
	2024		2025		2025	
	Audit fees	Non audit fees	Audit fees	Non audit fees	Audit fees	Non audit fees
The Company	¥18,931	¥41,140	¥20,741	¥16,120	$138	$107
Consolidated subsidiaries	14,758	2,966	17,011	3,733	113	24
Total	¥33,690	¥44,106	¥37,752	¥19,853	$252	$132

For the year ended March 31, 2024

The non-audit services of the Company and its consolidated subsidiaries include support of the preparation of tax returns for corporate and other taxes, document management related to transfer pricing, support for sustainability advancement, and consulting services related to other tax matters.

For the year ended March 31, 2025

The non-audit services of the Company and its consolidated subsidiaries include support of the preparation of tax returns for corporate and other taxes, document management related to transfer pricing, legal advisory services, and consulting services related to other tax matters.

(c) Details of other significant fees -

There are no other significant fees.

(d) Policy for determining audit fees -

The Company determines audit fees based on comprehensive consideration of the size and characteristics of the Company, after examining the audit plan, audit contents, and estimates of audit time presented by auditing certified public accountant auditor, etc.

(e) Reason for the audit & supervisory board's consent to audit fees -

The audit & supervisory board of the Company carefully examined the contents of the audit plan for the current fiscal year as explained by the accounting auditor, the verification of the audit results of previous years, and the calculation basis for estimating the amount of remuneration for the accounting auditor, based on the "Practical Guidelines for Cooperation with Accounting Auditors" published by Japan Audit & Supervisory Board Members Association. As a result, the audit & supervisory board of the Company has agreed to Article 399, Paragraph 1 of the Companies Act.