Harmonic Drive Systems Inc.

(Securities Code: 6324)

To Our Shareholders

FY 2025 Shareholder Newsletter

—From April 1, 2025 to March 31, 2026—

On February 27, 2026, our market listing was reclassified from the Standard Market to the Prime Market of the Tokyo Stock Exchange.
We sincerely appreciate your continued support.

To Our Shareholders

We would like to express our sincere gratitude to our shareholders for your continued and exceptional support.
We hereby report on the business overview of our Group for FY 2025 (April 1, 2025 to March 31, 2026).

Business Environment for the Fiscal Year under Review

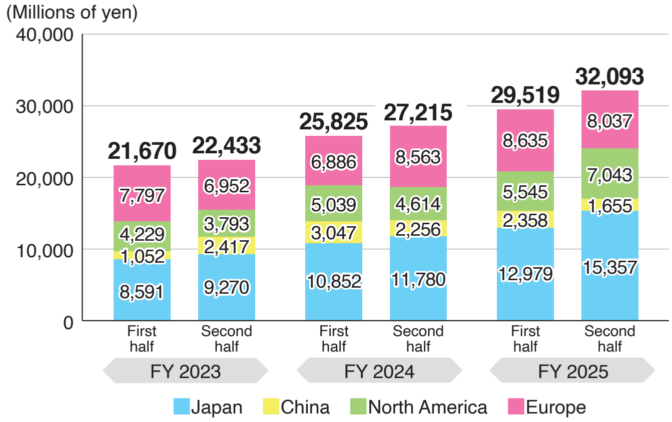
During the consolidated fiscal year under review, the global economy remained solid overall; however, future uncertainty increased due to US protectionist trade policies, the prolonged situation in Ukraine, rising resource and raw material prices amidst heightened geopolitical risks in the Middle East, and destabilized supply chains.
In this environment, our Group's orders for industrial robots increased as automation and production facility investments advanced, primarily in the electronic components and semiconductor-related fields. Orders for semiconductor manufacturing equipment also rose, driven by expanding capital investment demand in the advanced semiconductor sector for generative AI applications since the beginning of the year. Furthermore, securing orders tied to our customers' mass production of AI robots – a market expected to expand – also contributed, bringing consolidated orders to 61,613 million yen, a 16.2% year-on-year increase.
Regarding net sales, sales for industrial robot applications grew overall, as an increase in domestic sales more than offset a decline in sales for China. Additionally, sales of semiconductor manufacturing equipment – which had remained in an adjustment phase until the previous fiscal year – increased during the fiscal year under review due to growing demand for data center and generative AI applications. Conversely, sales for automotive applications decreased, impacted by our customers' production adjustments.
As a result, consolidated net sales reached 59,557 million yen, a 7.0% increase year on year.

New Medium-Term Management Plan (FY 2026 to FY 2030)

Currently, amid global labor shortages, the drive toward automation and labor savings is accelerating – primarily at production sites – and expectations are rising for AI robots as a new growth area. While the AI robot market is expected to grow over the medium to long term, progress toward real-world adoption is taking time, and because it remains in a formative stage, a divergence has emerged from the preconditions assumed when formulating the previous Medium-Term Management Plan (FY 2024 to FY 2026) announced on May 13, 2024. In light of this environment, our Group has constructively reviewed the current plan and formulated a new Medium-Term Management Plan starting from FY 2026 to build a highly effective and flexible growth strategy. Under this new plan, we position "AI robots," "Aviation, Space, and Defense," and "e-mobility" as focus growth areas, and we will boldly pursue growth opportunities in each field. To confidently secure these future growth opportunities, we will strengthen our marketing functions and further refine our capabilities in new product development and manufacturing.
Concurrently, to steadily advance our growth strategy, we will work as a united Group to fortify our management foundation and contribute to the realization of a sustainable society.
We sincerely hope that our shareholders will continue to extend their generous support to the HDS Group.

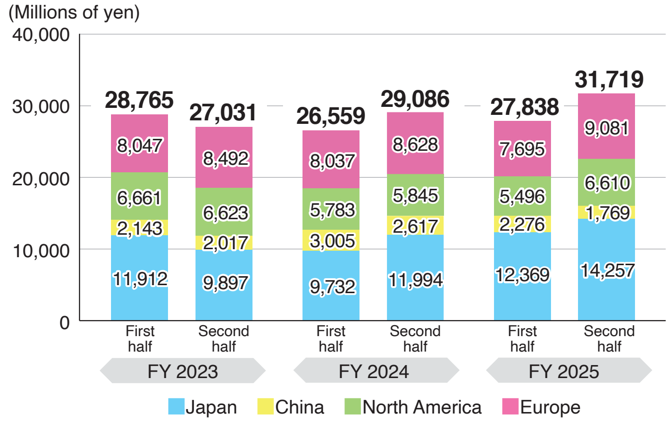
June 2026
Akira Maruyama
President and Representative Director

Trends in Consolidated Orders Received by Region



(Note) Japan includes the Asian region excluding China.

Trends in Consolidated Net Sales by Region



(Note) Japan includes the Asian region excluding China.

Consolidated Financial Statements (Summary)

Consolidated Balance Sheet

(Unit: Millions of yen)

Item	FY 2024 (As of March 31, 2025)	FY 2025 (As of March 31, 2026)
Assets		
Current assets	53,164	**51,048**
Non-current assets	60,456	**60,352**
Property, plant and equipment	45,959	**45,256**
Intangible assets	12,158	**12,605**
Investments and other assets	2,338	**2,490**
Total assets	113,621	**111,400**
Liabilities		
Current liabilities	13,896	**12,273**
Non-current liabilities	20,781	**18,735**
Total liabilities	34,678	**31,009**
Net assets		
Shareholders' equity	63,305	**62,284**
Share capital	7,100	**7,100**
Capital surplus	22,786	**22,753**
Retained earnings	39,052	**38,765**
Treasury shares	(5,633)	**(6,334)**
Accumulated other comprehensive income	15,637	**18,106**
Total net assets	78,943	**80,390**
Total liabilities and net assets	113,621	**111,400**

(Note) The stated amounts are rounded down to the nearest million yen.

Consolidated Statement of Income

(Unit: Millions of yen)

Item	FY 2024 (For the year ended March 31, 2025)	FY 2025 (For the year ended March 31, 2026)
Net sales	55,645	**59,557**
Cost of sales	40,791	**41,424**
Gross profit	14,854	**18,133**
Selling, general and administrative expenses	14,847	**15,565**
Operating profit	6	**2,567**
Non-operating income	880	**493**
Non-operating expenses	735	**521**
Ordinary profit	151	**2,539**
Extraordinary income	5,868	**603**
Extraordinary losses	1,239	**849**
Profit before income taxes	4,780	**2,293**
Income taxes	1,306	**684**
Profit attributable to owners of parent	3,473	**1,608**

Consolidated Statement of Cash Flows

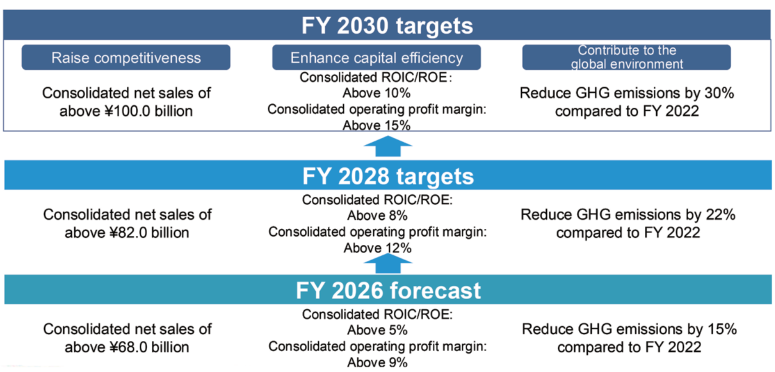
(Unit: Millions of yen)

Item	FY 2024 (For the year ended March 31, 2025)	FY 2025 (For the year ended March 31, 2026)
Cash flows from operating activities	7,516	**6,425**
Cash flows from investing activities	1,480	**(4,941)**
Cash flows from financing activities	(5,874)	**(5,874)**
Effect of exchange rate change on cash and cash equivalents	859	**559**
Net increase (decrease) in cash and cash equivalents	3,981	**(3,831)**
Cash and cash equivalents at beginning of period	18,941	**22,923**
Cash and cash equivalents at end of period	22,923	**19,091**

Click here for details
https://www.hds.co.jp/english/ir/achievements/highlight/

New Medium-Term Management Plan (FY 2026 to FY 2030)

New Medium-Term Management Plan: KPIs



We explained the New Medium-Term Management Plan (FY 2026 to FY 2030) at the financial results briefing for analysts.
You can access it from the URL or QR code below.
Please take a look.

● URL
https://www.hds.co.jp/english/ir/data/briefings/

● QR Code

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