

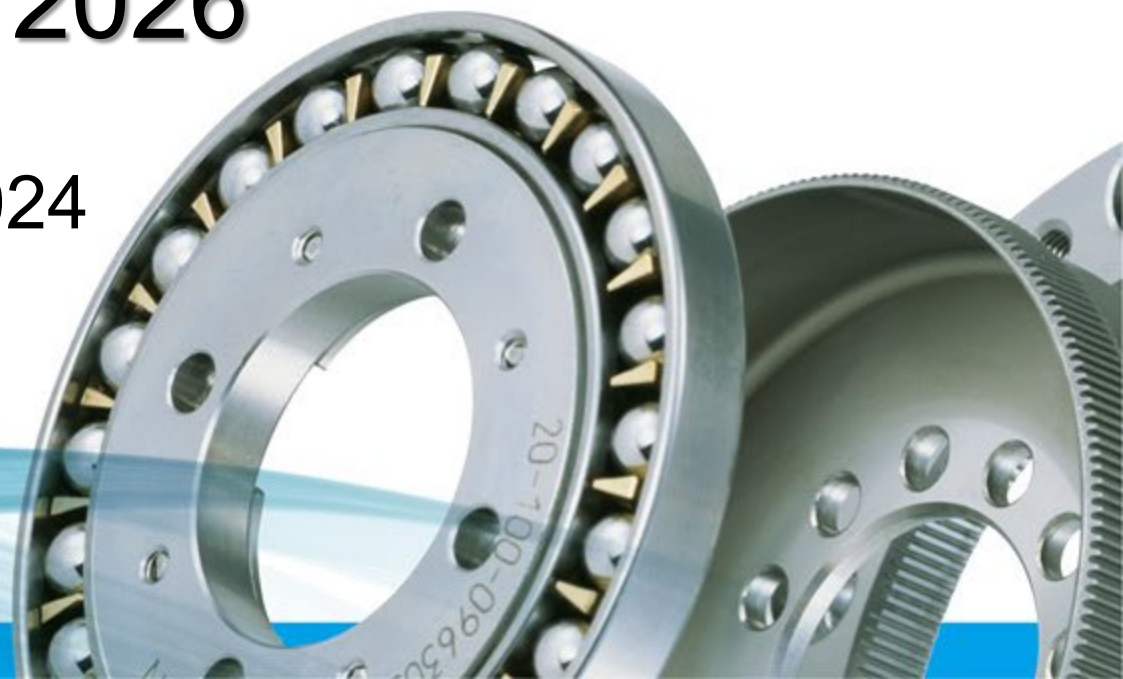


Harmonic Drive Systems Inc.

New Long-term Vision and Mid-Term Management Plan for FY2024-FY2026

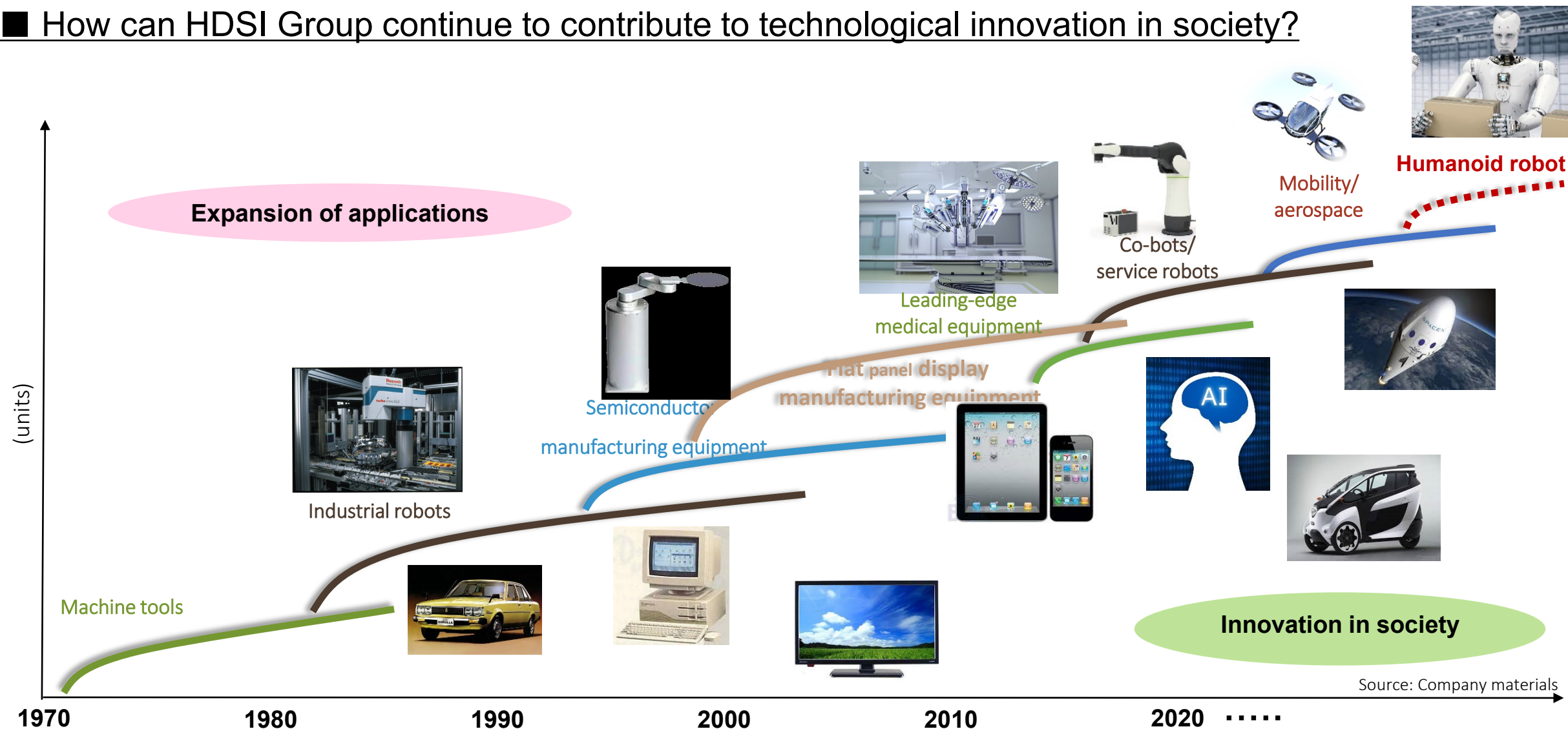
May 20, 2024

This presentation material is an excerpt from the financial results briefing for the fiscal year ended March 31, 2024, held on May 20, 2024, and includes forward-looking as of May 2024. Such statements are based on the views and assumptions of company management and involve risks and uncertainties such as changes in the business environment that may cause the actual results to differ materially from expectations.



1. Expansion of applications and our growth

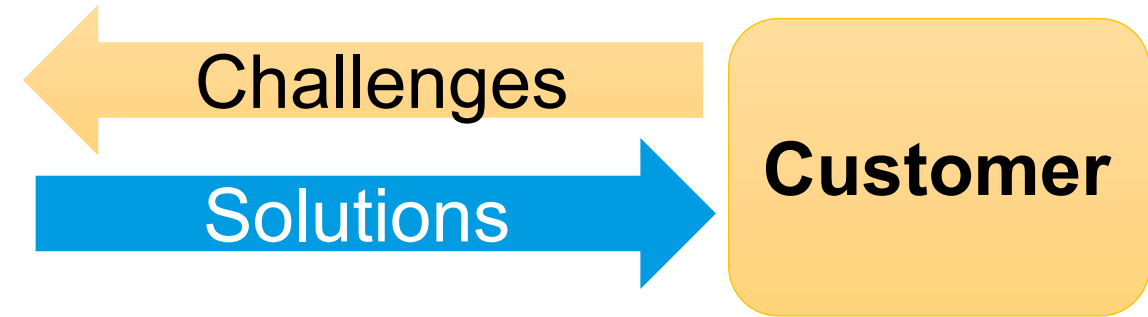
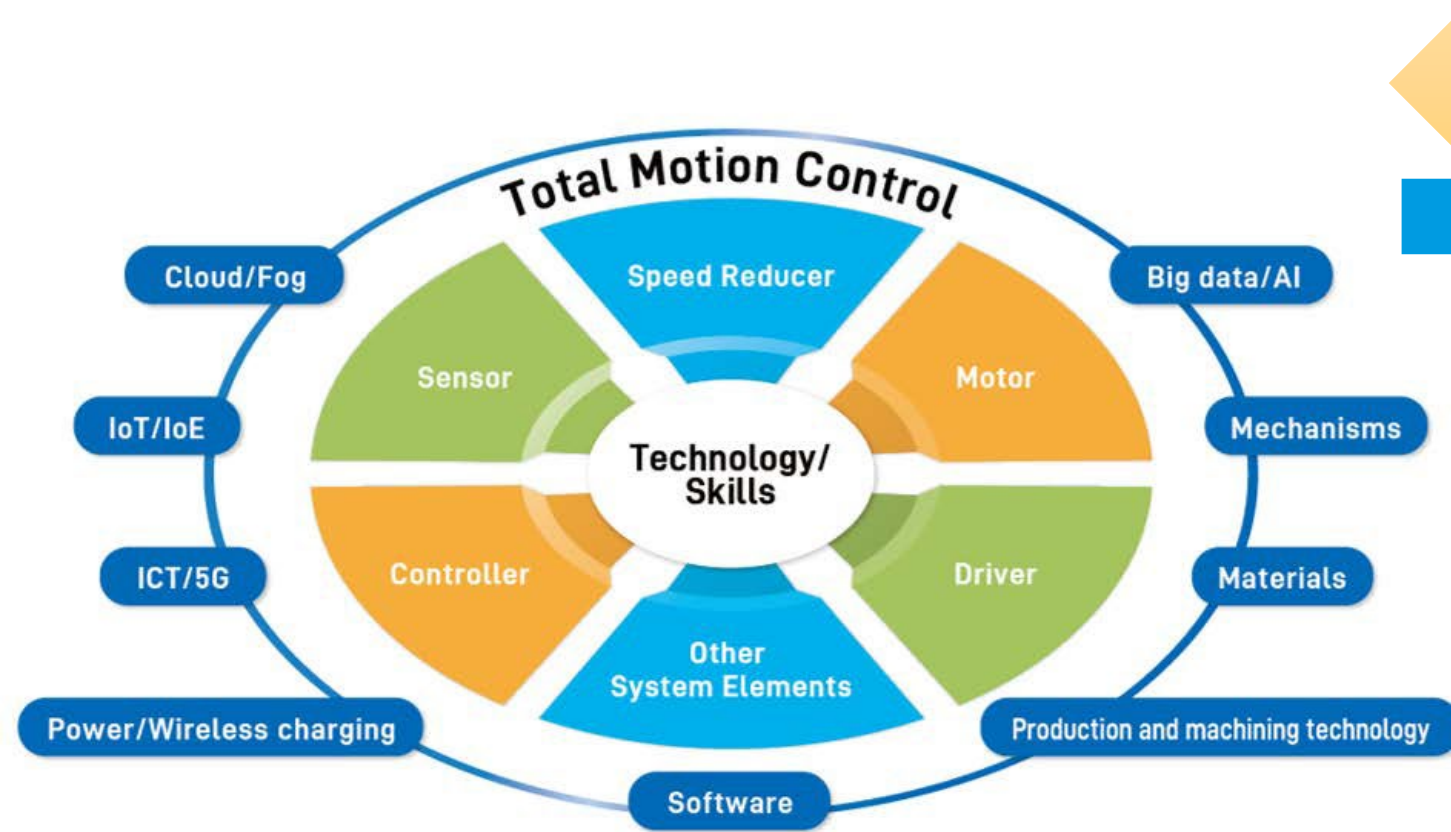
■ How can HDSI Group continue to contribute to technological innovation in society?



2. Providing value through Total Motion Control

New Long-term vision

The best provider of total motion control in harmony with the future



Continue to serve as a partner that
solves customer challenges through
Total Motion Control solutions
that incorporate new technologies

3.Mission・Long-term vision・Materiality

Mission

To contribute to innovation in the society by our motion control technology.

Long-term vision

The best provider of total motion control in harmony with the future

Materiality

1.Maximize the value of human capital

2.Achieve QCDS that goes beyond customer expectations

3.Take on the challenge of developing new technologies and new skills that coordinate with changes in the environment

4. Contribute to creating a sustainable society through corporate activities

5.Establishment of a management foundation in harmony with the times

4. Mid-term Management Plan for fiscal years 2024–2026

Take on the challenge of “value creation and transformation”

① What do we aim to achieve?

Sustainable growth of all businesses with an emphasis on profitability

② What is necessary to achieve this?

Strengthen management resources (people, things, money, information) that can adapt to changes in the environment

③ Sustainability

Initiatives to enhance corporate value that will continue into the future

5. FY2024-FY2026 Mid-term Management Plan 【Issues to Be Addressed】

Issues to be addressed in the new medium-term management plan in order to achieve our new long-term vision

Issues to be addressed in the new medium-term management plan

Take on the challenge of “value creation and transformation”

1. Sustainable growth of all businesses with an emphasis on profitability
▪ Develop new drivers for growth
▪ Thorough implementation of QCDS+Speed to meet customer expectations

2. Strengthen management resources (people, things, money, information) that can adapt to changes in the environment
▪ Realize an organization where individual growth and diverse skills are demonstrated and respected
▪ Growth investment aware of capital efficiency
▪ Strengthen the financial foundation and governance

3. Initiatives to enhance corporate value that will continue into the future
▪ Full-scale development of activities based on the basic sustainability policy

Materiality
(Important challenges to realized the long-term vision)

1. Maximize the value of human capital

2. Achieve QCDS that goes beyond customer expectations

3. Take on the challenge of developing new technologies and new skills that coordinate with changes in the environment

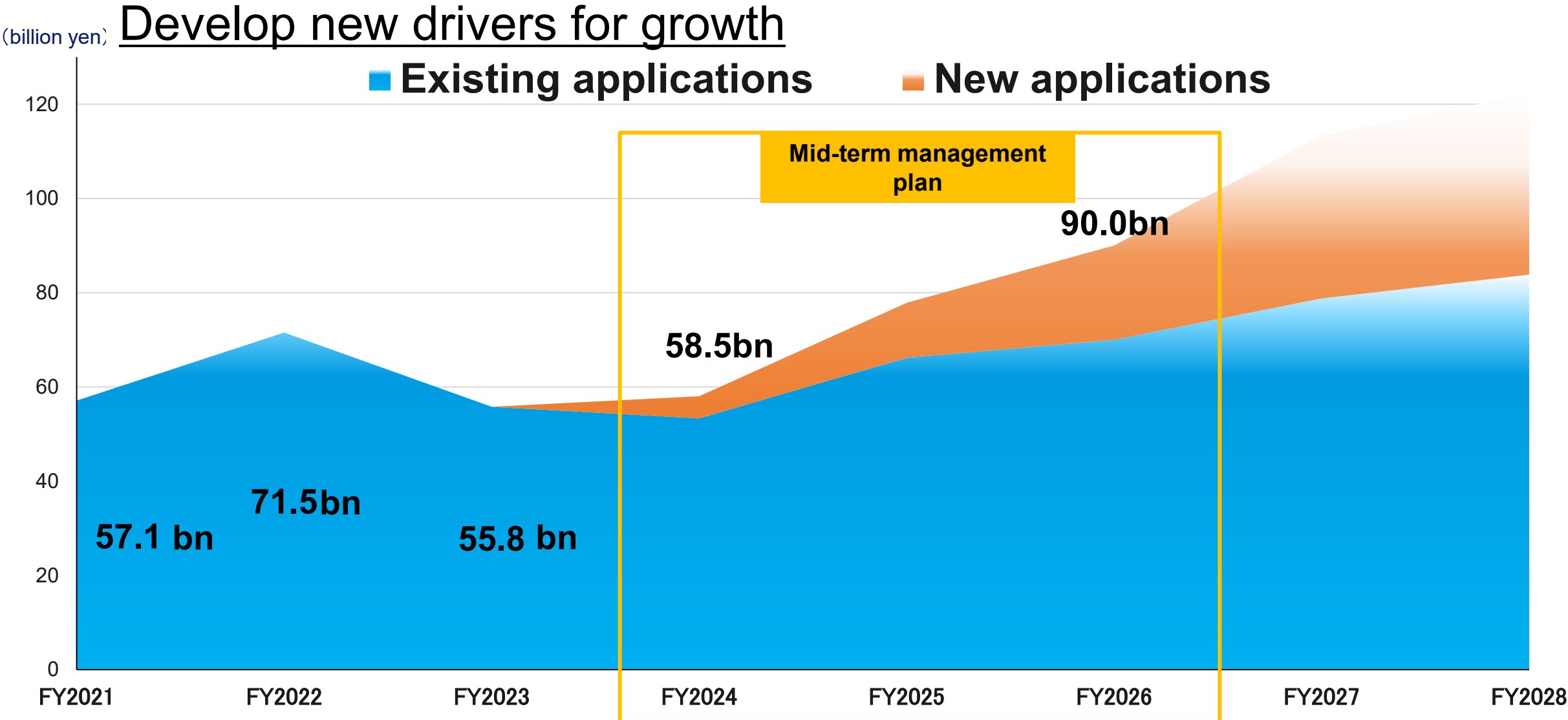
4. Contribute to creating a sustainable society through corporate activities

5. Establishment of a management foundation in harmony with the times

Long-term vision (2030)

The best provider of total motion control in harmony with the future

6. Growth forecast for HDSI Group



7. Priority measures toward opportunities

New opportunities

- Measures to compensate for the decline in the working population in developed countries : Rise of the humanoid robot market
- Democratization of industrial robots in the Chinese market(※Rapidly spreading)
—Polarization between high-end and low-end

※550,000 industrial robots were installed worldwide in 2022, of which 290,000 were in China
(Source: IFR World Robotics 2023)

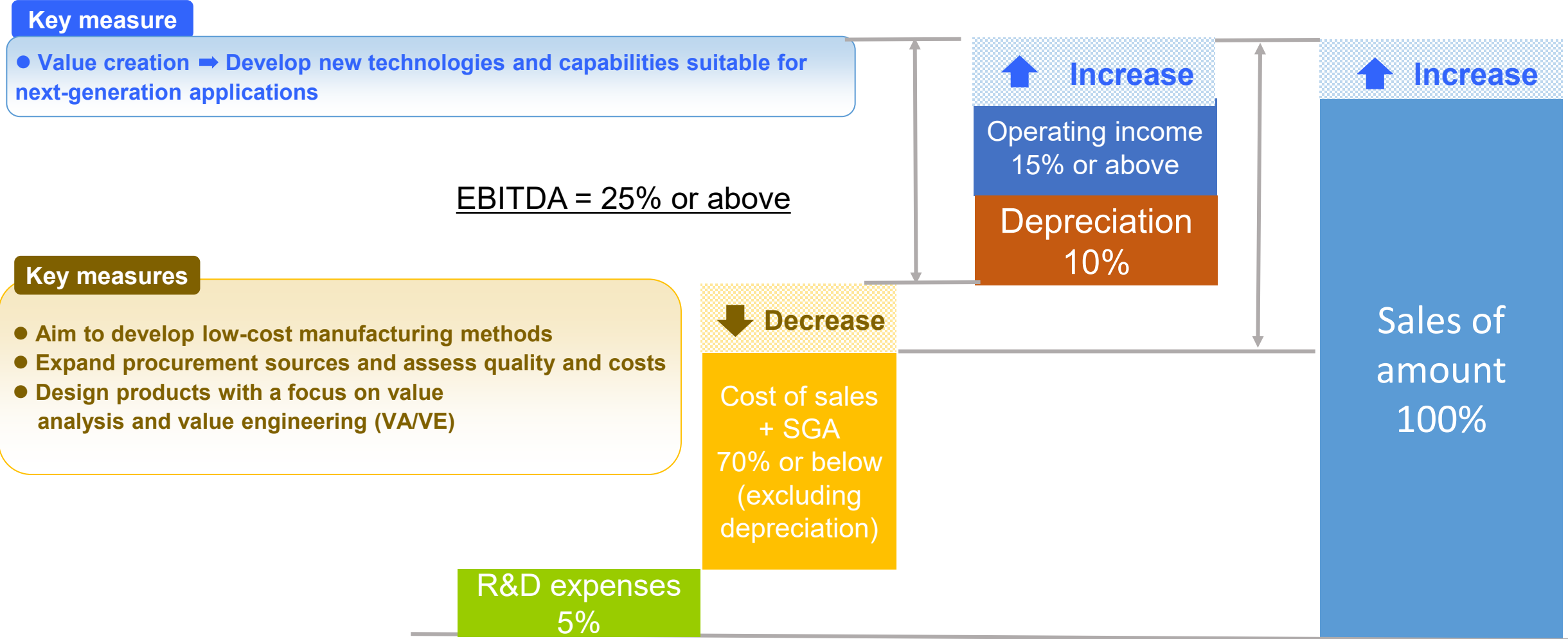
Thorough implementation of QCDS + Speed to meet customer expectations

Priority measures

- Product development capabilities and price responsiveness that can keep up with new market demands
 - ➡Pursuit of further miniaturization and weight reduction and manufacturing development
 - ➡Vertical product integration (Enrichment of multifunctional mechatronics products)
 - ➡Cost improvement: Pursuing product design specialized for VAVE and expanding procurement sources
 - ➡Productivity improvement: Through pursuit of QC through Skill improvement + “automation and DX”

8. Targeted P/L structure in FY2026 (final year of medium-term plan)

Sustainable growth of all businesses with an emphasis on profitability



9. FY2024-FY2026 Management targets and Long-term vision

		FY2023	FY2026 Management Targets		Targets FY2030
Growth	Sales growth	¥55.7bn	¥90.0bn	Tie market expansion with our growth	Over 100 bn
Profitability	Operating margin EBITDA	0.2% 18.8%	15~20% 25~30%	Improve profitability by providing valuable products	20+% 30+%
Efficiency	ROE ROIC※	— —	10+% 10+%	ROE > = Cost of equity	10+% 10+%
Stability	Equity ratio	66.6%	70+%	Build a financial base that balances growth and stability	70+%
Shareholder returns	Dividend payout ratio	¥20/share	30+%	Dividend increase due to business expansion	30+%
Capital investment	Capital investment (3-year total)	¥19.8bn	¥27.5bn	Layout capital investments to support our growth	
Technology development	R&D budget (3-year total)	¥9.9bn	¥12.3bn	Create new technologies and new expertise	

※ROIC=NOPAT(After-tax profit) ÷ Invested capital (Shareholders' equity + Interest-bearing debt)



Harmonic Drive Systems Inc.

Contact

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