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Securities code 6324

June 6, 2023

(Electronic provision measure starts on: May 22, 2023)

Dear Shareholders:

Akira Nagai
President and Representative Director
Harmonic Drive Systems Inc.
6-25-3 Minami-Oi, Shinagawa-ku, Tokyo, Japan

CONVOCATION NOTICE OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS FOR FISCAL 2022

We would like to express our appreciation for your continued support and patronage.

We hereby notify you of the Ordinary General Meeting of Shareholders (this “Meeting”) for fiscal 2022 of Harmonic Drive Systems Inc. (the “Company”). The meeting will be held for the purposes as described below.

In convening this Meeting, the Company has adopted electronic provision measures, and matters subject to electronic provision measures have been posted on the following website as “CONVOCATION NOTICE OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS FOR FISCAL 2022”

The Company website (<https://www.hds.co.jp/english/ir/event/stockholder/>)

In addition to the above, the information is also posted on the following website.

Tokyo Stock Exchange (TSE) website

(<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>)

To view the information on the TSE website above, please access the URL, enter our company name in “Issue name (company name)” or our securities code (6324) in “Code,” select “Basic Information” and go to “Documents for public inspection/PR information.”

In addition to attending the Meeting in person, you can exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders, which are available in the matters subject to electronic provision measures, and exercise your voting rights by no later than 5:30 p.m. (the close of the Company’s business hours) on Tuesday, June 20, 2023, Japan Time.

[Exercising Voting Rights by Mail]

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form, and return it so that it arrives by the above deadline for exercise.

[Exercising Voting Rights via the Internet]

Please check the “Guide to Exercising Voting Rights via the Internet” on page 4, and exercise your voting rights by the above deadline for exercise.

- 1. Date and Time:** **Wednesday, June 21, 2023 at 10:00 a.m. Japan time**
(Reception opens at 9:00 a.m.)
- 2. Venue:** **Prince Room, B1F, Grand Prince Hotel Takanawa located at**
3-13-1 Takanawa, Minato-ku, Tokyo, Japan
(Please refer to the attached “Guide to the Location of the General Meeting of Shareholders” in Japanese)

3. Meeting Agenda:

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for Fiscal 2022 (April 1, 2022 - March 31, 2023) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors
 2. Non-consolidated Financial Statements for Fiscal 2022 (April 1, 2022 - March 31, 2023)

Proposals to be resolved:

- Proposal 1:** Appropriation of Surplus
Proposal 2: Election of ten (10) Directors
Proposal 3: Payment of Directors’ Bonuses
Proposal 4: Revision of the Amount of Remuneration for Directors

4. Matters Determined in Regard to the Convocation:

Treatment of exercise of voting rights

- (1) If voting rights are exercised by a shareholder multiple times both in writing and via the Internet, the vote exercised via the Internet shall be considered as valid.
- (2) If voting rights are exercised by a shareholder multiple times via the Internet, the final vote exercised shall be considered as valid.
- (3) When there is no indication of approval or disapproval for a proposal on the voting form, it shall be treated as an indication of approval.

End

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- 1) When attending the Meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
 - 2) If exercising voting rights by proxy, please submit a proxy statement or other written document proving the authority to represent at the reception desk, together with the Voting Rights Exercise Form of the proxy. (In regard to the qualifications for a proxy, proxies shall be limited to one (1) other shareholder with voting rights at this Meeting, in accordance with the provisions of the Articles of Incorporation).
 - 3) In the event of revisions to matters subject to electronic provision measures, they shall be posted on the respective websites where they are posted.
 - 4) The following matters are not included in the paper copy of documents sent to shareholders who requested it, according to the provisions of laws and regulations and Article 15 of the Articles of Incorporation of the Company. Therefore, the paper copy is a part of the documents audited by the Corporate Auditors and the Accounting Auditor in preparing their Audit Reports.
 - Consolidated Statements of Changes in Net Assets and Notes to Consolidated Financial Statements in the Consolidated Financial Statements
 - Non-consolidated Statements of Changes in Net Assets and Notes to Non-consolidated Financial Statements in the Non-consolidated Financial Statements
 - Audit Reports
 - 5) Please be advised that matters subject to electronic provision measures posted on each website are the full text of the documents for the General Meeting of Shareholders (in Japanese), and therefore the page numbers do not correspond to those of this Notice of Convocation.

Guide to Exercising Voting Rights

Shareholders' voting rights are an important right of shareholders. Please review the "Reference Documents for the General Meeting of Shareholders" and exercise your voting rights. Voting rights may be exercised with the three methods below.

1. Attending the General Meeting of Shareholders

Please submit the enclosed Voting Rights Exercise Form at the reception desk. In addition, please bring this Notice.

Date and time of the General Meeting of Shareholders

10:00 a.m. on Wednesday, June 21, 2023 (Japan time)

(Reception opens at 9:00 a.m.)

Venue: Prince Room, B1F, Grand Prince Hotel Takanawa located at

3-13-1 Takanawa, Minato-ku, Tokyo, Japan

(Please refer to the attached "Guide to the Location of the General Meeting of Shareholders" in Japanese.)

2. By Mail

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form, and return it so that it arrives by the deadline for exercise. If no indication of approval or disapproval is made on the voting form for a proposal, it shall be treated as an indication of approval.

Deadline for exercise

5:30 p.m. on Tuesday, June 20, 2023 (Japan time)

3. Via the Internet

Please see the next page for details.

Please access the designated Voting Rights Exercise Website (<https://soukai.mizuho-tb.co.jp/>), and indicate your vote for or against the proposals by the deadline for exercise.

Deadline for exercise

5:30 p.m. on Tuesday, June 20, 2023 (Japan time)

Note:

If voting rights are exercised by a shareholder multiple times both in writing and via the Internet, the vote exercised via the Internet shall be considered as valid. If voting rights are exercised by a shareholder multiple times via the Internet, the final vote exercised shall be considered as valid.

Guide to Exercising Voting Rights via the Internet

■ Via “Smart Exercise”

You can log in to the Voting Rights Exercise Website without entering Voting Rights Exercise Code and Password.

- (1) Please read the QR code printed on the lower right of the enclosed Voting Rights Exercise Form.
Note: “QR code” is a registered trademark of DENSO WAVE INCORPORATED.
- (2) Please indicate your vote for or against the proposals following the instructions on the screen to input your vote.

You may only exercise your voting rights once via “Smart Exercise.”
To change your vote after exercising your voting rights, please access the website for PCs and log in to the system by entering the Voting Rights Exercise Code and Password printed on the enclosed Voting Rights Exercise Form, and exercise your vote again.
*Scanning the QR code again redirects you to the website for PCs.

■ Via ID and Password

Voting Rights Exercise Website

<https://soukai.mizuho-tb.co.jp>

- (1) Please access the “Voting Rights Exercise Website”
You may also read the QR code printed on the above and access the “Voting Rights Exercise Website”
Click “Next”
- (2) Log in to the system
Enter the “Voting Rights Exercise Code” and click “Next”
- (3) Change password
Enter the “Password” and click “Register”

Please indicate your vote for or against the proposals following the instructions on the screen to input your vote.

Voting Rights Exercise Code and Password are printed on the enclosed Voting Rights Exercise Form.

■ The Electronic Voting Platform for Foreign and Institutional Investors

Other than the method described above, institutional investors may use the Electronic Voting Platform for Foreign and Institutional Investors operated by ICJ, Inc., subject to prior application for the use of the platform.

[Please contact below if you have any inquiry on how to exercise your voting rights via the Internet using a PC, smartphone or mobile phone.]

Stock Transfer Agency Department at Mizuho Trust & Banking

Toll free in Japan: 0120-768-524

(9:00 a.m. – 9:00 p.m. except for year-end and New Year holidays, Japan time)

<Measures to prevent COVID-19 infection at the General Meeting of Shareholders>

We will take following measures to prioritize the safety and security of shareholders, and appreciate the understanding and cooperation of shareholders.

Requests to Shareholders

- We request that shareholders make a prudent judgment regarding their attendance at the General Meeting of Shareholders, considering the infection situation and their physical condition on the day of the Meeting. Shareholders can exercise their voting rights in advance by postal mail or via the Internet instead of attending the Meeting on the day of the Meeting.
- We strongly recommend shareholders who will be most affected by the infection such as elderly persons, those with underlying disease, who are pregnant or are feeling unwell to refrain from coming to the venue of the General Meeting of Shareholders.

Requests to Shareholders in attendance

- Although the use of face masks is now left to the discretion of the individual, we ask that shareholders who attend the Meeting decide whether or not to wear a face mask, considering their physical condition and risk of infection.
- Shareholders in attendance will be subject to body temperature checks at the reception and we may refuse entry of those who are confirmed to have a fever (37.5 degrees Celsius or higher). Please note that staff members may refuse the attendance of shareholders who look unwell.
- Please be advised to arrive early because the reception is expected to be crowded due to the above measures.

Our measures

- Directors, Auditors and Executive Officers on the stage, and staff members of the General Meeting of Shareholders will be wearing face masks.
- We will consider ways to ensure smooth and efficient progress of the General Meeting of Shareholders.
- Please note that we will not be giving out souvenirs, etc. or providing drinks to shareholders.
- The corporate briefing for shareholders, which is usually held after the conclusion of the General Meeting of Shareholders each year, shall be cancelled.

We may update the above measures given the changes in the situation, and please confirm our website : <https://www.hds.co.jp/> (in Japanese) as necessary.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

In regard to the appropriation of surplus, taking into consideration the return of profits to shareholders, strengthening the business operation, and future business development, the Company proposes to pay a year-end dividend from surplus for the fiscal year under review as follows.

Items Related to the Year-end Dividend

(1) Type of dividend property

Cash

(2) Items related to the allocation of dividend property and its total amount

17 yen per share of common stock at a total of 1,616,094,766 yen

Furthermore, as the Company paid an interim dividend of 11 yen per share on December 5, 2022, the annual dividend will be 28 yen per share.

(3) Date the appropriation of surplus comes into effect

June 22, 2023

Proposal 2: Election of ten (10) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this Meeting. To further strengthen corporate governance and expand diversity, the Company requests to increase the number of Outside Directors by one (1) and therefore proposes the election of ten (10) Directors.

The candidates for Directors are as follows:

No.		Name	(Age)	Current positions and responsibilities at the Company	Attributes	Attendance at Board of Directors meetings	Years in office
1	Reappointment	Mitsumasa Ito	(84)	Chairperson and Director	—	18/18	44 years
2	Reappointment	Akira Nagai	(75)	President and Representative Director, Chief Executive Officer	—	18/18	10 years
3	Reappointment	Akira Maruyama	(61)	Representative Director Senior Executive Officer General Manager of Corporate Planning and ICT Promotion	—	18/18	7 years
4	Reappointment	Kazutoshi Kamijoh	(55)	Director Executive Officer (Finance Accounting, Finance, Tax, Human Resources and Administration) General Manager of Finance Accounting, Finance and Tax Division	—	18/18	3 years
5	Reappointment	Yoshihiro Tanioka	(64)	Director Executive Officer General Manager of Development and Engineering Division	—	18/18	2 years
6	Reappointment	Haruhiko Yoshida	(79)	Outside Director	Outside Independent	17/18	20 years
7	Reappointment	Masanobu Nakamura	(76)	Outside Director	Outside Independent	18/18	10 years
8	Reappointment	Yoshio Fukuda	(70)	Outside Director	Outside Independent	18/18	3 years
9	Reappointment	Kazuhiko Hayashi	(69)	Outside Director	Outside Independent	14/14	1 year
10	New appointment	Kaeko Kitamoto	(58)	—	Outside Independent	—	—

Note: 1. Mr. Kazuhiko Hayashi was newly elected at the Ordinary General Meeting of Shareholders for fiscal 2021 held on June 22, 2022 and subsequently took office, and the status of his attendance at meetings of the Board of Directors held on or after that date is presented.

2. Ms. Kaeko Kitamoto will assume office as Outside Director of the Company effective July 1, 2023, if her election is approved in this proposal.

3. The age is as of the date of this Meeting.

Reappointment	Candidate for reappointment as Director
New appointment	Candidate for new appointment as Director
Outside	Candidate for Outside Director
Independent	Independent Director registered at the Tokyo Stock Exchange

Past experience, positions, responsibilities and significant concurrent positions

May 1976	Representative Director, Harmonic Drive System GmbH
Aug. 1979	Director, the Company
Jun. 1991	Managing Director and General Manager of Corporate Planning Office, the Company
Apr. 1992	Managing Director and General Manager of General Affairs Division, the Company
Jul. 1994	President and Representative Director, the Company
Jun. 2003	Chairperson and Representative Director, the Company
Jun. 2005	Chairperson and Representative Director and Chief Executive Officer, the Company
Jun. 2007	Chairperson and Representative Director and Executive Chairperson and Chief Executive Officer, the Company
Apr. 2009	President, Research Institute for Ocean chemistry Foundation
Jun. 2010	Chairperson and Representative Director and Executive Chairperson and CEO, the Company
Jun. 2011	Chairperson and Representative Director, the Company
Apr. 2012	Councilor, Research Institute for Ocean chemistry Foundation (General)
Jul. 2016	Chairperson, Harmonic Ito Foundation (General)
Sep. 2016	Councilor, Research Institute for Ocean chemistry Foundation (Public Interest)
Mar. 2017	Deputy Chairperson of the Supervisory Board, Harmonic Drive AG
Mar. 2018	Chairperson, Harmonic Ito Foundation (Public Interest) (incumbent)
Jun. 2019	Director, KODEN Holdings Co., Ltd.
Jan. 2020	Member of Supervisory Board, Harmonic Drive SE (incumbent)
Jun. 2021	Chairperson and Representative Director, KODEN Holdings Co., Ltd.
Jun. 2022	Chairperson and Director, the Company (incumbent)
Jun. 2022	Chairperson and Director, KODEN Holdings Co., Ltd. (incumbent)

(Significant concurrent positions)

Chairperson, Harmonic Ito Foundation (Public Interest)
 Member of Supervisory Board, Harmonic Drive SE
 Chairperson and Director, KODEN Holdings Co., Ltd.

(Reason for nomination as candidate)

Mr. Mitsumasa Ito has served as President and Representative Director, and Chairperson and Representative Director of the Company over many years, and has achieved considerable results, from formulating and promoting Group management policies and strategies, to streamlining and expanding the business foundation, and cultivating a corporate culture. In addition, he possesses business experience in Europe covering more than 20 years, has led the internationalization of the Group, and has served as a driving force for the Group's operations. Based on the above, the Company has judged that he is an essential person to serve as a leader for the Group and further develop the Group, cultivate its corporate culture, and sustainably enhance its corporate value, and therefore proposes his continued election as Director.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1972	Joined Mitsui & Co., Ltd.
Apr. 2002	Joined the Company
Apr. 2002	General Manager of Overseas Division, the Company
Jun. 2002	Chairperson and Director, HD Systems, Inc.
Jun. 2003	Executive Officer (Marketing and Sales), General Manager of Overseas Division, General Manager of Corporate Planning and IT Office, the Company
Dec. 2005	President and CEO, HD Systems, Inc. (incumbent)
Jun. 2007	Managing Executive Officer (Corporate Planning and IT), the Company
Apr. 2009	Managing Executive Officer (Corporate Planning and Finance), the Company
Jan. 2011	Corporate Auditor, Harmonic Drive Systems (Shanghai) Co., Ltd.
Jun. 2013	President and Representative Director, Executive President, the Company
May 2015	Director, Harmonic AD, Inc. (incumbent)
Jun. 2016	President and Representative Director, Chief Executive Officer, In charge of Marketing and Sales, the Company
Dec. 2016	Manager, GK HD Management (incumbent)
Mar. 2017	Chairperson of the Supervisory Board, Harmonic Drive AG
Jun. 2017	President and Representative Director, Chief Executive Officer, In charge of Marketing and Sales and Quality, the Company
Jun. 2019	President and Representative Director, Chief Executive Officer, In charge of Quality, the Company
Jan. 2020	Deputy Chairperson of the Supervisory Board, Harmonic Drive SE (incumbent)
Jun. 2020	President and Representative Director, Chief Executive Officer, the Company (incumbent)

(Significant concurrent positions)

President and CEO, HD Systems, Inc.
 Director, Harmonic AD, Inc.
 Manager, GK HD Management
 Deputy Chairperson of the Supervisory Board, Harmonic Drive SE

(Reason for nomination as candidate)

Mr. Akira Nagai has served as President and Representative Director since June 2013, and has demonstrated his capabilities in strengthening the management foundation, enhancing corporate value, and other areas. In addition, he has utilized his abundant experience overseas to build good relationships with customers and partners around the world, and has appropriately directed and supervised Group companies developing business in the U.S., Germany, China, and South Korea. Based on the above, the Company has judged that he is an essential person to sustainably enhance Group corporate value, and therefore proposes his continued election as Director.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1985	Joined the Company
Apr. 2007	General Manager of Marketing and Sales Division, the Company
Apr. 2009	General Manager of Marketing and Sales Division and General Manager of Sales Planning Department, the Company
Sep. 2009	General Manager of Engineering Department, Precision Equipment Division, the Company
Sep. 2012	General Manager of Engineering Division, the Company
Jun. 2014	Executive Officer (Engineering), the Company
May 2015	Director, HD Logistics, Inc.
Jun. 2016	Director and Executive Officer (Development Engineering), the Company
Jun. 2018	Director and Executive Officer (Corporate Planning and IT), the Company
Jun. 2019	Corporate Auditor, Winbel Co., Ltd. (currently Harmonic Winbel Inc.) (incumbent)
Jun. 2019	Director and Executive Officer, General Manager of Corporate Planning Division, the Company
Jun. 2021	Director and Executive Officer, General Manager of Corporate Planning Division and General Manager of ICT Promotion Office, the Company
Jun. 2022	Representative Director and Senior Managing Executive Officer, General Manager of Corporate Planning Division and ICT Promotion Office, the Company (incumbent)

(Significant concurrent positions)

Corporate Auditor, Harmonic Winbel Inc.

(Reason for nomination as candidate)

Mr. Akira Maruyama has participated in the development of speed reducers over many years, and possesses broad and deep insight in HarmonicDrive® in particular. In addition, he has utilized his insight and demonstrated his abilities as manager not only of the development division but also the sales, engineering and technology divisions, and is currently making a significant contribution to the development of the Group as manager of the corporate planning and ICT Promotion divisions and fulfilling his responsibilities as Director. Based on the above, the Company has judged that he is an essential person to sustainably enhance Group corporate value, which centers on technology and technical skill, and therefore proposes his continued election as Director.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1992	Joined the Company
Jul. 2003	Corporate Planning Manager of Corporate Planning and IT Office, and Administrative Manager, the Company
Jul. 2007	General Manager of Corporate Planning Department, Corporate Planning and IT Office, and General Manager of Administration Department, the Company
May 2012	Corporate Auditor, Ome Iron Casting Co., Ltd.
May 2013	Corporate Auditor, Harmonic Drive Systems (Shanghai) Co., Ltd.
Jul. 2014	Executive Officer, In charge of Corporate Planning and Finance, the Company
Jun. 2016	Executive Officer, In charge of Corporate Planning, Finance and Accounting, the Company
Mar. 2017	Manager, GK HD Management (incumbent)
Jun. 2019	Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company
Jun. 2020	Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company
Jul. 2021	Director and Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company
	Member of the Supervisory Board, Harmonic Drive SE (incumbent)
Jun. 2022	Director and Executive Officer (Finance Accounting, Finance, Tax, Human Resources and Administration), General Manager of Finance Accounting, Finance and Tax Division, the Company (incumbent)

(Significant concurrent positions)

Manager, GK HD Management
Member of the Supervisory Board, Harmonic Drive SE

(Reason for nomination as candidate)

Mr. Kazutoshi Kamijoh has been engaged in corporate planning, finance, investor relations, information disclosure and other responsibilities over many years, and possesses abundant experience, deep insight, and a high level of expertise in finance and accounting, which he has cultivated through formulating corporate plans and capital policies, building relationships with investors, implementing corporate actions, and others as the manager in charge of these domains. Currently, as the manager in charge of accounting, finance, and tax affairs of the Company, he is demonstrating leadership in order to further strengthen the financial base of the Group while also being actively involved in IR activities, contributing to the enhancement of the Group's corporate value. In addition, since last fiscal year, he has also been responsible for human resources and administration, strategically implementing the Company's personnel affairs from a managerial perspective. Based on the above, the Company has judged that he is an essential person to sustainably enhance Group corporate value, and therefore proposes his continued election as Director.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1982	Joined the Company
May 2003	Manager of No.1 Development Department, Mechatronics Division, the Company
Mar. 2006	General Manager of Engineering Department, Mechatronics Division, the Company
May 2007	Director, Winbel Co., Ltd.
Jul. 2007	General Manager of Mechatronics Division, the Company
Oct. 2009	General Manager of Development Division, the Company
Jun. 2010	Executive Officer and General Manager of Development Division, the Company
Sep. 2011	Executive Officer (Engineering), the Company
Sep. 2012	Executive Officer and General Manager of Overseas Business Division, the Company
Apr. 2015	Executive Officer and General Manager of Sales Strategy Division, the Company
May 2015	Representative Director and President, Harmonic AD, Inc.
May 2015	Director of SAMICK ADM Co., Ltd. (incumbent)
May 2017	Executive Officer in charge of Harmonic Planetary Development, the Company
May 2018	Director, Harmonic AD, Inc. (incumbent)
Jun. 2018	Executive Officer (Development and Engineering), the Company
Jun. 2019	Executive Officer, General Manager of Development and Engineering Division, the Company
Jun. 2021	Director and Executive Officer, General Manager of Development and Engineering Division, the Company (incumbent)

(Significant concurrent positions)

Director, SAMICK ADM Co., Ltd.

Director, Harmonic AD, Inc.

(Reason for nomination as candidate)

For many years since he joined the Company, Mr. Yoshihiro Tanioka has been involved with development and engineering, and has demonstrated particularly outstanding abilities in the development of mechatronics products and the business management, which are used for total motion control, the domain of the Company. Furthermore, having served in such roles as manager of the sales strategy and overseas business divisions and Representative Director and President of Harmonic AD, Inc., he possesses expertise not only in development, but also in a wide range of other fields such as international marketing and corporate management. At present, as general manager of the development and engineering division, he is demonstrating strong leadership by, for example, resolving customers' technical issues and developing new products, and is thus contributing to the enhancement of the Group's value. Based on the above, the Company has judged that he is an essential person to enhance Group corporate value, and therefore proposes his continued election as Director.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1966	Joined Mitsui & Co., Ltd.
Feb. 1996	Senior Executive Vice President, Mitsui & Co. (U.S.A.), Inc.
Apr. 1998	General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
Jun. 1998	Director and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
Jun. 2001	Representative Director, Executive Managing Director, and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
Apr. 2002	Executive Managing Officer and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
Jul. 2002	Executive Managing Officer and Assistant to President of Machinery and Information Group, Mitsui & Co., Ltd.
Jun. 2003	Outside Director, Nagano Keiki Co., Ltd.
Jun. 2003	Outside Director, the Company (incumbent)
Jun. 2006	Corporate Auditor, Hakudo Co., Ltd.
Jun. 2007	Outside Director, Hakudo Co., Ltd.

(Reason for nomination as candidate for Outside Director and expected role)

Mr. Haruhiko Yoshida has served in prominent positions at Mitsui & Co., Ltd., and possesses abundant experience and superior insight in regard to corporate management, in addition to extensive international experience. Thus far, he has utilized this ability and experience to appropriately advise and supervise the management of the Company in general, and can be expected to continue to do so. The Company therefore proposes his continued election as Outside Director.

In addition, as Mr. Haruhiko Yoshida possesses strong independence and there is no risk of a conflict of interest with general shareholders, the Company has judged that its corporate governance structure will also be strengthened.

Mr. Haruhiko Yoshida was appointed Outside Director of the Company in June 2003, and his term of office will be 20 years as of the conclusion of this Meeting.

Past experience, positions, responsibilities and significant concurrent positions

May 1970	Joined The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)
Jun. 1999	Executive Officer and Nihonbashi Branch Manager, The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)
Apr. 2001	Executive Officer and New York Branch Manager, The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)
Jan. 2002	Managing Executive Officer and New York Branch Manager, UFJ Bank Limited (present MUFG Bank, Ltd.)
May 2002	Executive Operating Officer, Corporate Banking Company Director, UFJ Bank Limited (present MUFG Bank, Ltd.)
May 2004	Representative Director, Executive Operating Officer (Strategic Support Group), Company Director, UFJ Bank Ltd. (present MUFG Bank, Ltd.)
Jun. 2005	Special Advisor, Sanshin Co., Ltd.
Oct. 2005	President and Representative Director, BNP Paribas (Japan)
Nov. 2005	Director, Tokyo Branch, BNP Paribas Securities (Japan) Limited.
Jun. 2007	Board of Directors Advisory Committee, the Company
May 2011	Chairperson, BNP Paribas Securities (Japan) Limited
Sep. 2011	Special Advisor, BNP Paribas Securities (Japan) Limited
Jun. 2013	Outside Director, the Company (incumbent)
Jul. 2013	Chairperson, Social Collaboration Council, The Mathematical Society of Japan

(Reason for nomination as candidate for Outside Director and expected role)

Mr. Masanobu Nakamura has served in prominent positions in major banks and securities companies, and possesses abundant experience and superior insight in regard to corporate management, in addition to extensive international experience. Thus far, he has utilized this ability and experience to appropriately advise and supervise the management of the Company in general, and can be expected to continue to do so. The Company therefore proposes his continued election as Outside Director.

In addition, as Mr. Masanobu Nakamura possesses strong independence and there is no risk of a conflict of interest with general shareholders, the Company has judged that its corporate governance structure will also be strengthened.

Mr. Masanobu Nakamura was appointed Outside Director of the Company in June 2013, and his term of office will be 10 years as of the conclusion of this Meeting.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1976	Joined Teijin Limited
Jul. 2006	Corporate Officer, Teijin Group Member of the Board and General Manager of Raw Materials & Polymers Division, Teijin Fibers Ltd.
May 2007	President, P.T. Teijin Indonesia Fiber Corporation Tbk
Jun. 2010	Corporate Officer and Member of the Board, General Manager of Corporate Planning Division, Teijin Limited
Jun. 2012	Executive Officer and Member of the Board, General Manager of Electronics Materials and Performance Polymer Products Business Group, and General Manager of Resin and Plastic Processing Business Unit, Teijin Limited President, Teijin Chemicals Ltd.
Jun. 2013	Chairperson, Global Policy Board, Teijin DuPont Films Global Joint Venture Senior Executive Officer and Member of the Board, General Manager of Electronics Materials and Performance Polymer Products Business Group, Teijin Limited Chairperson, Global Policy Board, Teijin DuPont Films Global Joint Venture
Apr. 2015	Advisor, Member of the Board, Teijin Limited
Jun. 2015	Advisor, Teijin Limited
Jun. 2016	Outside Director, Toyo Construction Co., Ltd. (incumbent)
Jun. 2017	Outside Corporate Auditor, the Company
Jun. 2017	Auditor, Japan Indonesia Association, Inc. (incumbent)
Jun. 2020	Outside Director, the Company (incumbent)
Jun. 2020	Director, Harmonic AD, Inc.
Mar. 2021	Auditor, Japan-Sri Lanka Association (incumbent)

(Significant concurrent positions)

Outside Director, Toyo Construction Co., Ltd.

Auditor, Japan Indonesia Association, Inc.

Auditor, Japan-Sri Lanka Association

(Reason for nomination as candidate for Outside Director and expected role)

Mr. Yoshio Fukuda has served in prominent positions at Teijin Limited and Teijin Group and possesses abundant experience and superior insight in regard to corporate management, in addition to extensive international experience. In addition, he has a high level of knowledge of strategic planning, establishment of joint ventures, M&As, etc. Based on the above, the Company has judged that he has been appropriately advising and supervising the overall management of the Group, which is expanding its business internationally, from an independent standpoint, and can be expected to continue to do so. The Company therefore proposes his continued election as Outside Director.

In addition, as Mr. Yoshio Fukuda possesses strong independence and there is no risk of a conflict of interest with general shareholders, the Company has judged that its corporate governance structure will also be strengthened.

Mr. Yoshio Fukuda was appointed Outside Director of the Company in June 2020, and his term of office will be 3 years as of the conclusion of this Meeting.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1978	Joined Toyota Motor Co., Ltd. (present Toyota Motor Corporation)
Jan. 2001	Project General Manager of Leading-edge Vehicle Development Planning Office, Toyota Motor Corporation
Jan. 2004	General Manager of Electronics Engineering Div. II, Toyota Motor Corporation
Jan. 2005	General Manager of Electronics Engineering Div. I, Toyota Motor Corporation
Apr. 2007	General Manager of BR Control Software Development Office, Toyota Motor Corporation
Jan. 2010	Managing Executive Officer, Sumitomo Wiring Systems, Ltd.
Jan. 2012	Executive Officer of Sumitomo Electric Industries, Ltd., Managing Executive Officer of Sumitomo Wiring Systems, Ltd., and Director of AutoNetworks Technologies, Ltd.
Jun. 2015	Senior Managing Executive Officer of Sumitomo Wiring Systems, Ltd., Executive Officer of Sumitomo Electric Industries, Ltd., and Director of AutoNetworks Technologies, Ltd.
Jul. 2019	Visiting Professor, Nagasaki Institute of Applied Science
Jun. 2022	Outside Director, the Company (incumbent)

(Reason for nomination as candidate for Outside Director and expected role)

Mr. Kazuhiko Hayashi has engaged in the development and engineering of power train and electric drive control system, etc. at the Toyota Group, and demonstrated leadership as manager. He has served in prominent positions at the Sumitomo Electric Industries Group, and possesses abundant experience and superior insight in regard to corporate management. In addition, he has top-class expertise on the development and engineering of such products, and served as a visiting professor at a graduate school which was established to invent new technology based on advanced technology and creating new business, where he lectured on energy and control-related fields in the automotive industry. Based on this experience and capability, the Company judges that he can advise and supervise the management of the Company in general, and can be expected to continue to do so. The Company therefore proposes his continued election as Outside Director.

In addition, as Mr. Kazuhiko Hayashi possesses strong independence and there is no risk of a conflict of interest with general shareholders, the Company has judged that its corporate governance structure will also be strengthened.

Mr. Kazuhiko Hayashi was appointed Outside Director of the Company in June 2022, and his term of office will be 1 year as of the conclusion of this Meeting.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1988	Joined Sapporo Breweries Limited
Oct. 1993	Joined Ota Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)
Jul. 2009	Partner, Ernst & Young ShinNihon LLC (incumbent)
Sep. 2018	Member of Electricity and Gas Market Surveillance Commission, Ministry of Economy, Trade and Industry (incumbent)
Jul. 2019	Executive Board Member, Ernst & Young ShinNihon LLC (incumbent)

(Reason for nomination as candidate for Outside Director and expected role)

Ms. Kaeko Kitamoto has abundant experience and superior insight into financial accounting, having been involved in accounting audits of various listed companies as a certified public accountant at a major audit corporation and is currently serving as a Partner and Executive Board Member of the same corporation. In addition, since 2018, she has served as a member of the Electricity and Gas Market Surveillance Commission, Ministry of Economy, Trade and Industry, and has knowledge of introducing renewable energy sources to reduce CO₂ emissions. Based on this experience and capability, the Company judges that she can appropriately advise and supervise the management of the Company in general and its sustainability initiatives, including climate change and diversity, equity, and inclusion. Therefore, the Company newly proposes her election as Outside Director.

In addition, as Ms. Kaeko Kitamoto possesses strong independence and there is no risk of a conflict of interest with general shareholders, the Company has judged that its corporate governance structure will also be strengthened.

- Notes:
1. Candidates' histories at the Company are carried over from the former Harmonic Drive Systems Inc.
 2. There are no special interests between any of the candidates and the Company.
 3. Mr. Haruhiko Yoshida, Mr. Masanobu Nakamura, Mr. Yoshio Fukuda, Mr. Kazuhiko Hayashi and Ms. Kaeko Kitamoto are candidates for Outside Directors.
 4. Mr. Haruhiko Yoshida, Mr. Masanobu Nakamura, Mr. Yoshio Fukuda, Mr. Kazuhiko Hayashi and Ms. Kaeko Kitamoto are candidates for Independent Directors with no risk of conflict of interest with general shareholders, for which appointment is required by the Tokyo Stock Exchange.
 5. The candidate, Ms. Kaeko Kitamoto, will assume office as Outside Director of the Company effective July 1, 2023, if her election is approved in this proposal.
 6. The number of shares of the Company held includes the portion held by the Officers' Shareholding Association.
 7. Liability limitation agreement with Outside Directors

In order to create an environment where the Company can invite capable personnel to serve as Directors, and to enable them to sufficiently perform the duties expected of them, the Company stipulates in its Articles of Incorporation that it may enter into an agreement with Directors (excluding persons who are Executive Directors, etc.) to limit their liability to the Company to a certain range. Among candidates for Director, Mr. Haruhiko Yoshida, Mr. Masanobu Nakamura, Mr. Yoshio Fukuda, and Mr. Kazuhiko Hayashi are currently Outside Directors, and the Company has thus entered into liability limitation agreements with each of these candidates. If the candidate for Director, Ms. Kaeko Kitamoto, is elected and assumes office, the Company will enter into a liability limitation agreement with her.

An overview of the content of the liability limitation agreements that the Company has entered into with incumbent Outside Directors is as follows.

- If a Director (excluding persons who are Executive Directors, etc.) causes damages to the Company owing to the neglect of his or her duties, his or her liability shall be limited to the minimum amount for liability set forth in Article 425, Paragraph 1 of the Companies Act, provided that he or she has performed his or her duties in good faith and without gross negligence.

8. Directors and officers, etc. liability insurance contracts

The Company has concluded a directors and officers, etc. liability insurance agreement provided for in Article 430-3 of the Companies Act with an insurance company, and the said insurance agreement shall compensate for damages including compensation for damages and legal expenses to be borne by the insureds. Note that the Company bears the full cost of the insurance premiums. If each of the candidates for Director is elected and assumes office, the Company plans to make all of them insured persons under the aforementioned directors and officers, etc. insurance agreement.

(Reference)

Skills matrix of Directors after the conclusion of this Meeting

The overall composition of the Board of Directors and the main skills (insight, experience, capability, expertise, etc.) of each Director are as outlined below if this proposal is approved as originally proposed:

Name	Position (As proposed)	Attributes	Expected insight, experience, capability and expertise, etc.							
			Corporate management/ Management strategy	Overseas business	Sales/ Marketing	Manufacturing /Production	Technology/ R&D	Financial strategy/ Capital policy/ Accounting	Information and Communication Technology (ICT)	Sustainability
Mitsumasa Ito	Chairperson of board of directors	—	●	●	●	●		●		
Akira Nagai	President and Representative Director	—	●	●	●			●	●	
Akira Maruyama	Representative Director	—	●		●	●	●		●	
Kazutoshi Kamijoh	Director	—	●		●			●		
Yoshihiro Tanioka	Director	—	●	●	●	●	●			
Haruhiko Yoshida	Outside Director	Outside Independent	●	●	●					
Masanobu Nakamura	Outside Director	Outside Independent	●	●	●			●		
Yoshio Fukuda	Outside Director	Outside Independent	●	●	●	●		●		
Kazuhiko Hayashi	Outside Director	Outside Independent	●	●			●			
Kaeko Kitamoto	Outside Director	Outside Independent	●					●		●

Reasons for selecting skill areas of the Skills Matrix

Skill areas	Reasons for selection
Corporate management/ Management strategy	A director needs management experience and track record at various companies including a manufacturing company as well as abundant knowledge to deliver technological innovation for a better society under the Group's mission of "contributing to technological innovation in society through motion control technology", in addition to achieving a sustainable society and enhancing corporate value.
Overseas business	A director needs abundant knowledge and experience in overseas business management and local culture, etc. to promote the growth strategy of the Group which operates business overseas.
Sales/ Marketing	A director needs proven knowledge and abundant experience in sales and marketing to identify essential needs of customers, create attractive and satisfactory products, and provide customer-oriented services.
Manufacturing/ Production	A director needs proven knowledge and abundant experience in manufacturing and production which is essential to maintain and develop a production system to achieve added-value manufacturing in total motion control, the domain of the Company, and high customer satisfaction.
Technology/ R&D	A director needs experience in R&D for speed reducers and mechatronics products, in addition to expertise and experience in the industry, to ensure high product quality as a leading company of precision speed reducers, and develop high added-value products for customers.
Financial strategy/ Capital policy/ Accounting	A director needs proven knowledge and abundant experience in finance and accounting to build a solid financial base, promote growth investment and financial strategy to sustainably enhance corporate value and return profits to shareholders.
Information and Communication Technology (ICT)	A director needs proven knowledge and experience in information and communication technology to develop information infrastructure including cyber security measures and to promote ICT across the Company utilizing advanced information technologies.
Sustainability	A director needs proven knowledge and experience in sustainability promotion including the introduction of renewable energy sources to reduce greenhouse gas emissions and human capital such as the promotion of diversity, equity, and inclusion to promote the reduction of global environmental impacts, the development of a rewarding work environment, etc. based on the Basic Policy of Sustainability and material issues (materiality), which were established to realize a sustainable society and enhance corporate value.

(Reference) Independence Standards for Outside Directors

The Company shall elect independent outside directors who are outside directors without any risk of a conflict of interest with general shareholders (outside directors under Article 2, Paragraph 15 of the Companies Act) and outside officers prescribed in Article 2, paragraph (3), item (v) of the Regulation for Enforcement of the Companies Act (Ministry of Justice Order No. 12 of February 7, 2006) who do not fall under any of the following items and who possess strong independence without any risk of a conflict of interest with general shareholders.

- 1) A major business partner of the Group or an executive thereof;
- 2) A major shareholder who directly or indirectly holds 10% or more of the Company's total voting rights or a person performing an executive role thereof;
- 3) An executive of the Group companies;
- 4) An accounting auditor of the Group or an employee thereof;
- 5) A consultant, accounting specialist and/or legal special receiving substantial amount of money or other financial benefits beyond compensation as directors and officers paid by the Group (or if the entity receiving such financial benefits is a corporation, association or other organization, then any individual belonging to such organization);
- 6) A person who has been an executive of the Group companies or has served as a director, corporate auditor or executive officer of the Group over the past ten (10) years, a relative within the second degree of relationship of such person or a person living together with such person;

In addition, if an applicable person is still judged to be substantially independent despite he or she falling under any of the items 1) – 6) above, the Company will explain and disclose the reason at the time of election.

End

Proposal 3: Payment of Directors' Bonuses

Taking into consideration the Company's performance during the fiscal year under review, the Company proposes to pay directors' bonuses totaling 250 million yen (230 million yen to Directors and 20 million yen to Outside Directors) to nine (9) Directors (of whom four (4) are Outside Directors) who were in their posts as of the end of the fiscal year under review.

The directors' bonuses are paid as performance-linked remuneration, and we judge them reasonable because the total amount is calculated based on 4% of non-consolidated profit for fiscal 2022 as described in the "4. (4) (i) Total Amounts of Remuneration, etc., for Directors and Corporate Auditors (Note 2)" and "4. (4) (iv) (b) II. Policy for Determining Details and Calculation Method of Performance-linked Remuneration" in the Business Report, which is available in matters subject to electronic provision measures. The Directors' bonuses will be calculated based on the decision made by the Board of Directors.

Excerpts from the Business Report, which is available in matters subject to electronic provision measures

4. Matters regarding Directors and Officers

(4) The amount of remuneration, etc. for Directors and Corporate Auditors

(i) The total amount of remuneration, etc. for Directors and Corporate Auditors (Note 2)

Performance-linked remuneration for Directors is the amount to be submitted to the Ordinary General Meeting of Shareholders for fiscal 2022, which was resolved by the Board of Directors after comprehensively taking into consideration the business results for the fiscal year under review (target of 4% of non-consolidated profit) and the status of achievement of the annual management plan. The reason for using profit as an indicator is that we believe Directors' bonuses should be linked to business performance, and we have adopted it based on comprehensive consideration of its clarity as an indicator and its high linkage to profit per share. The non-consolidated profit for fiscal 2022 is 6,880 million yen, and this amount multiplied by 4% is used as the basis for the proposed payment of Directors' bonuses.

(Please refer to page 40 of the Business Report, which is available in matters subject to electronic provision measures posted on the Company's website in Japanese)

(iv) The policy for determining the details of remuneration, etc. for individual Directors

(b) Outline of policy details

II. Policy for Determining Details and Calculation Method of Performance-linked Remuneration

Performance-linked remuneration for Directors will be determined at the General Meeting of Shareholders after a resolution by the Board of Directors, comprehensively taking into consideration the overall performance of each fiscal year (target of at 4% of non-consolidated profit) and the achievement status of the annual management plan, to raise awareness of the need to improve performance for each fiscal year. Profit is used as an indicator for determining the payment of bonuses to Directors and Officers because we believe that those bonuses should be linked to business performance, and we have comprehensively taken into consideration its clarity as an indicator and its high linkage to profit per share. The payment will be made once a year.

(Please refer to page 43 of the Business Report, which is available in matters subject to electronic provision measures posted on the Company's website in Japanese)

Proposal 4: Revision of the Amount of Remuneration for Directors

The maximum amount of remuneration for Directors was approved in the Ordinary General Meeting of Shareholders for Fiscal 2017 held on June 21, 2018, to be 300 million yen per annum (80 million yen to Outside Directors) and remains to this day. However, considering the addition of one (1) Outside Director to further strengthen corporate governance and expand diversity, we propose to revise the maximum amount of remuneration to be 320 million yen per annum (100 million yen to Outside Directors).

The amount of remuneration for Directors shall not include the salaries provided as employees for Directors concurrently serving as employees, as in the past.

Currently, the number of Directors is nine (9) (including four (4) Outside Directors). Should Proposal 2 be approved as proposed, the number of Directors will be ten (10) (including five (5) Outside Directors).

The Company deems that this proposal is appropriate, as it has been determined by the Board of Directors upon comprehensively considering the size of the Company's business, the remuneration system for Directors and Officers and its payment level, the number of Outside Directors to be increased, future trends, and other factors. The Company's policy for determining the details of remuneration, etc. for individual Directors is as described in "4. (4) (iv) The policy for determining the details of remuneration, etc. for individual Directors" in the Business Report, which is available in matters subject to electronic provision measures (in Japanese).

Excerpts from the Business Report, which is available in matters subject to electronic provision measures

4. Matters regarding Directors and Officers

(4) The amount of remuneration, etc. for Directors and Corporate Auditors

(iv) The policy for determining the details of remuneration, etc. for individual Directors

(b) Outline of policy details

Considering the Directors' responsibility to improve the corporate value of the Group over the medium to long term as well as the performance of each fiscal year, their remuneration consists of basic remuneration, which is fixed, in cash and share-based remuneration using restricted shares, as well as bonuses linked to the Company's performance for the fiscal year, which are variable. Outside Directors shall not be paid share-based remuneration but a cash-based remuneration and a bonus.

I. Policy on Determining the Amount of Remuneration, etc. for Each Individual in Basic Remuneration

The basic remuneration for Directors shall be a monthly fixed remuneration, within the amount of remuneration of 300 million yen (80 million yen to Outside Directors) as resolved at the Ordinary General Meeting of Shareholders for fiscal 2017 held on June 21, 2018 (there were nine (9) Directors, including four (4) Outside Directors as of the conclusion of the Ordinary General Meeting of Shareholders), which shall be determined in accordance with their representation, position, and responsibilities, taking into consideration the Company's business performance, the level of employee salaries, including those of Executive Officers, and other factors in a comprehensive manner.

(Please refer to pages 42 - 43 of the Business Report, which is available in matters subject to electronic provision measures posted on the Company's website in Japanese)

Business Report

(April 1, 2022 - March 31, 2023)

1. Matters concerning Present Status of the Corporate Group

(1) Business Progress and Results

(i) Overview of business

Future of the world economy increased uncertainty during this fiscal year under review due to factors such as the impact of China's lockdown to address the spread of COVID-19 infections, surge in resource and raw material prices caused by the worsening Ukrainian situation, the worldwide semiconductor shortage, and rapid changes in exchange rates due to interest rate increases in Europe and the United States. These factors had a noticeable impact on the Harmonic Drive Systems Group (hereinafter "the Group"), including a decrease in orders received and a surge in procurement costs for materials.

(ii) Overview of amount of orders received

The situations concerning orders received by the Group generally became tough owing to cutbacks in future orders by customers who were concerned about demand trends, reflecting slower capital investment in China's manufacturing industry, impacts of reduced new investment resulting from saturation of capital investment in cutting-edge semiconductors, and others. Due to a decrease in orders caused mainly by these factors as well as rebound from orders received in the previous fiscal year that remained high reflecting customers' strong preceding orders, consolidated orders received decreased by 41.2% year on year to 55,760 million yen.

(iii) Overview of net sales

On the other hand, consolidated net sales for the fiscal year under review reached 71,527 million yen, up 25.3% year on year. Factors contributing to this increase include an abundant order backlog at the beginning of the period thanks to a high level of orders in the previous fiscal year. Measures taken to increase production capacity inside and outside Japan also contributed to the sales increase. This includes investment in the Ariake Plant during the period to boost production and measures for enhancing production capacity in overseas production sites that had been pursued since the previous fiscal year.

(iv) Overview of net sales by application

Regarding net sales trend by application, net sales for industrial robots surged, reflecting expansion of investment in advanced automation such as EV-related capital investment and an increase in demand to cover perpetual labor shortage with collaborative robots. Net sales for semiconductor manufacturing equipment also climbed significantly, especially in the cutting-edge area, driven by voracious appetite for capital investment globally.

Net sales for advanced medical applications such as surgical robots rose reflecting steady demand growth including introduction by new players.

Net sales for automotive applications increased gradually, despite continued production adjustment by customers caused by the semiconductor shortage.

(v) Overview of profit

In terms of profit and loss, depreciation cost increased due to the enhancement of production capacity, and manufacturing cost rose due mainly to personnel increase in the manufacturing sector. Selling, general and administrative expenses also increased reflecting the higher transportation cost attributable to a surge in logistics costs and increased sales and larger allocation for research and development expenses. However, the increase in profit due to increased net sales outweighed that of the cost, marking 17.0% year-on-year rise in operating profit to 10,224 million yen. In addition, the increase in operating profit resulted in 14.3% year-on-year rise in profit attributable to owners of parent to 7,595 million yen.

(vi) Overview of business initiatives

In fiscal year 2022, which is the second year of the medium-term management plan for fiscal years 2021-2023, we worked on various measures set out in the plan.

On the sales front, in addition to taking advantage of online sales approaches that took root under the COVID-19 pandemic, we fully resumed face-to-face sales that had been restricted and worked to acquire orders with a greater sense of urgency in solving customer issues on a case-by-case basis. In the exhibition area, we held a private exhibition called "Mechatronics Show" in August 2022 as a first attempt, featuring three major manufacturers of core motion control components (THK Co., Ltd., SMC Corporation, and the Company). Through the appeal of the combined strength of each company, the show provided an opportunity for attracting many visitors and having substantive business negotiations.

In terms of R&D, we worked on evolving our flagship product, the HarmonicDrive® strain wave gearing, as well as focused on joint research with external research institutes, working to develop and commercialize elements that are potentially essential to next-generation motion control technology. In the field of mechatronics, we also devoted efforts to the software development of next-generation drivers (control devices), partially by utilizing external resources. Additionally, our prospective flagship product, the Ultra-Light Weight (ULW) series, was recognized for achieving lightweight and labor-savings in its unit products and received the GOOD DESIGN AWARD 2022.

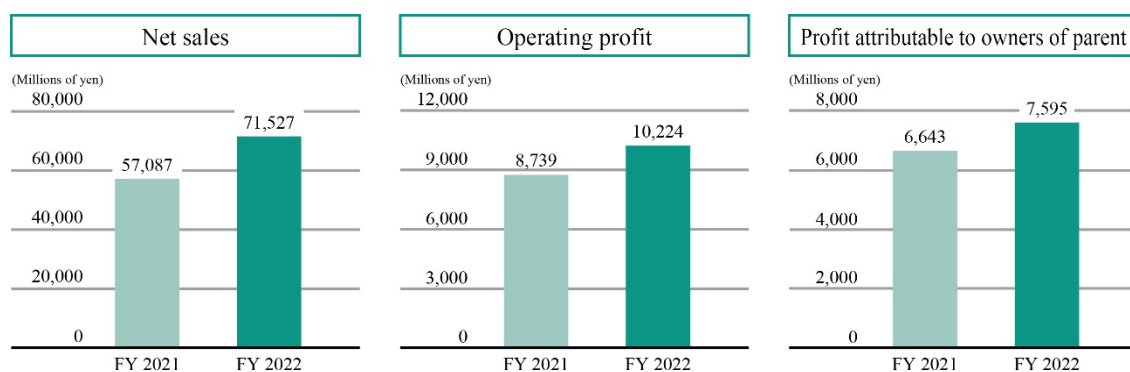
On the production front, anticipating growing demand for our products, we steadily moved forward with the Group production capacity expansion plan set out in the previous medium-term management plan. We carried out capital investment worth a total of 6.5 billion yen in the Ariake Plant and started mass production from October 2022. The newly established production system is a production line that actively incorporates automation and labor-saving measures, achieving more than twice the productivity compared to the previous system. As a result, we were able to achieve a prompt improvement in delivery lead times. After October 2022, our monthly production capacity in Japan increased by 46.7% compared to the previous level, with a monthly production of 130,000 units for industrial machinery and 90,000 units for automotive applications, resulting in a total monthly production capacity of 220,000 units. In addition, we implemented the visualization of various process data through the promotion of digitalization in production and process management functions, aiming not only to improve productivity but also to enhance quality.

In addition, we completed the relocation of our mechatronics product production site to Komagane City, Nagano Prefecture, Japan, which we began the previous fiscal year, and started operation under a new company name, Harmonic Winbel Inc. (one of our subsidiaries), in June 2022.

We also increased production capacity at our overseas production sites in Germany and the United States in anticipation of increased demand. Furthermore, we transferred product production to increase locally produced products for customers in each region, with the aim of maximizing production efficiency within the Group.

In terms of quality, we reinforced our quality control framework by digitalizing process data. We also focused on coordination with the Group's overseas production sites and continued to maintain and raise our Common Global Quality initiative as we expand production transfers.

As part of our sustainability initiatives, we introduced “CO2-free electricity made from water in Azumino” in April 2022 and completely switched the power source for the Ariake Plant to renewable energy, achieving zero CO2 emissions from electricity usage. In addition, we are promoting environmental conservation by using 100% recycled paper that was produced in-house.



(2) Capital investment status

The total amount of capital investment made by the Group during the fiscal year under review was 9,236 million yen, and the details are as follows.

(Millions of yen)	
Facilities	Capital investment amount
Buildings and structures	436
Machinery, equipment and vehicles	6,531
Tools, furniture and fixtures	1,479
Leased machinery, equipment and vehicles	721
Software	66

(3) Financing status

To enable flexible management, we have concluded a three-year commitment line agreement with a syndicate of six banks for a total of 8.5 billion yen.

However, at the end of the fiscal year under review, there was no outstanding borrowing based on the commitment line agreements.

Also, we procured 5.0 billion yen of short-term borrowings for share buybacks and 6.0 billion yen of long-term borrowings intended for capital investment from counterparty banks during the period under review.

(4) Issues to Be Addressed

(i) Issues for fiscal year 2023

Amidst the continued uncertainty of the world economy, such as the soaring prices of resources and raw materials, semiconductor supply shortage, and volatile exchange rates, the business environment for the Group in fiscal year 2023 is expected to be challenging in the short term. In addition to the cautious stance on capital investment in the Chinese manufacturing industry and in semiconductors, it is anticipated that our customers and distributors will take some time to adjust their inventory of our products. We will make every effort to eliminate waste in each business and operation and strive for efficient management in order to respond to this challenging business environment.

On the other hand, there is no change in the outlook for the highly growing market of advanced automation in the manufacturing industry, which is accelerating globally. Therefore, we will continue to maintain our high production capacity and strengthen our supply chain system to ensure stable procurement of materials, further promote productivity improvement and operational efficiency through proactive investment in IT, and strive to further improve QCDS (quality, cost, delivery, service; product power enhancement, cost reduction, and lead-time reduction). In addition, we will promote the improvement of our ability to solve customer issues and the acceleration of our response through the integration of sales and development technology, and focus on further expanding our competitive advantage.

(ii) Medium- to long-term issues

The Group continues to pursue its unwavering mission of contributing to social and technological innovation through motion control technology, stated in our fiscal years 2021-2023 medium-term management plan.

Market for mechatronics and precision speed reducers, in which we participate, is contributing greatly to the emerging social and technological innovation, including electrification of vehicles and surgical robots, and such demand will continue to expand. At the same time, as demand for collaborative robots increases amid the worldwide labor shortage, we see high growth potential in a mid-and-long term.

To properly capture these growth opportunities, the Group aims to further strengthen its business foundation. We also pursue activities for achieving sustainable society through our business, based on Basic Policy of Sustainability formulated in March 2022, with the whole group united. Moreover, we aim to enhance corporate value over the medium to long term by implementing strategies based on the policies outlined in our long-term vision and medium-term management plan, with maintaining a balance between defensive and offensive approaches in our management strategy.

The summaries of the Management Principles, the Basic Policy of Sustainability, our Group's mission, long-term vision, and medium-term management plan are as follows.

- Management Principles
 1. Respect for the individual
 2. A meaningful company
 3. Coexistence and co-prosperity
 4. Contribution to society

- Basic Policy of Sustainability

As a technology and skills-based organization in pursuit of Total Motion Control, the HDS Group aims to enhance corporate value and realize a sustainable society by contributing to technological innovation for the betterment of society. We intend to achieve these goals based on our management philosophy comprising four pillars: Respect for individuals, be a meaningful company, coexistence and co-prosperity, and contribution to society.

- Our Group's Mission

To contribute to technological innovation in society through motion control technology

- Long-term Vision
 - In pursuit of total motion control –
 - ✓ Take on the challenge of developing new technologies and skills that capture changes in the environment
 - ✓ Achieve QCDS that goes beyond customer expectations
 - ✓ Contribute to creating a sustainable society through corporate activities

- Mid-term Management Plan for fiscal years 2021–2023
 - Toward the Next 50 Years: Moving to a Solid Growth Stage –
 - Basic policies and strategies
 - (a) Achieve QCDS that meets customer expectations
 - Q: Quality Control: Zero defects and zero claims
 - C: Improve productivity and further enhance Value Analysis / Value Engineering
 - D: Commit to delivery schedule requested by customers
 - S: Enhance ER activities by speeding up
 - (b) Expand RD, AD, and MT businesses by developing valuable products and enhancing services
 - [RD: HarmonicDrive®]
 - ✓ Create and commercialize new technologies and skills to support next-generation applications
 - [AD: AccuDrive®, HarmonicPlanetary®]
 - ✓ Expand product offerings tailored to regions and various applications through business restructuring
 - [MT: Mechatronics]
 - ✓ Provide products that enable customers to bring their vision to life and further improve problem-solving capabilities
 - (c) Build a business foundation that meets the demands of the times
 - ✓ Promote sustainable management (SDGs)
 - ✓ Develop human resources capable of leading business expansion, and establish personnel systems and work styles that enhance diversity
 - ✓ Execute IT enhancement strategy and implement our own IoT concept
 - ✓ Establish a financial base to support growth and strengthen fundraising capabilities
 - (d) Strengthen coordination and maximize synergies with overseas group companies and institutions
 - ✓ Maximize utilization of management resources at each site
 - ✓ Maintain and promote proactive research activities with overseas research institutions
 - ✓ Establish a global production system
 - (e) Create new standards that define the next 50 years through outside-the-box thinking
 - ✓ Proactively take on the challenge of discovering new materials, new principles, new mechanisms, and new production methods
 - ✓ Make strategic moves toward developing intelligent mechatronics
 - ✓ Foster a culture that is sensitive to changes in society and accepts variant perspectives

(5) Trends in Assets and Profit/Loss

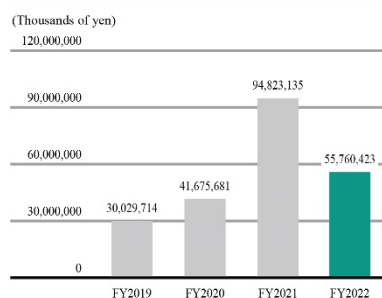
(Thousands of yen, or for profit (loss) per share, yen)

Category	FY 2019	FY 2020	FY 2021	FY 2022 (FY under review)
Orders received	30,029,714	41,675,681	94,823,135	55,760,423
Net sales	37,487,753	37,034,042	57,087,914	71,527,316
Ordinary profit	236,398	1,366,803	9,108,243	10,757,728
Profit (loss) attributable to owners of parent	(1,095,310)	662,495	6,643,893	7,595,928
Profit (loss) per share	(11.38)	6.88	69.02	79.67
Total assets	131,848,248	140,028,170	143,289,918	154,336,246
Net assets	106,718,488	110,059,815	98,856,302	103,955,658

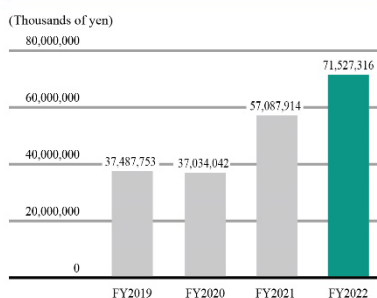
Note: For fiscal year 2019, the figures presented reflect corrections made to the financial results of past fiscal years.

For further details, please refer to the announcement titled “Notice of Corrections Made to Financial Results of Past Fiscal Years” dated May 14, 2021 (in Japanese).

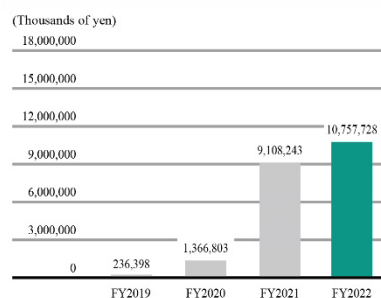
Orders received



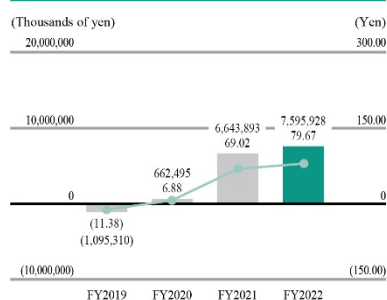
Net sales



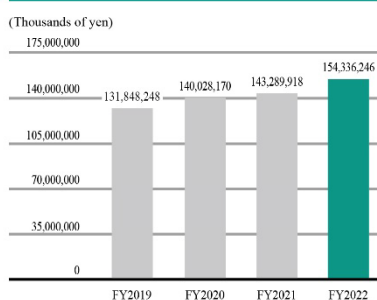
Ordinary profit



Profit attributable to owners of parent Profit per share



Total assets



Net assets

