

(Translation purposes only)

This is an English translation of the original Semi-Annual Securities Report (“Hanki Hokokusho”) filed with the Director-General of the Kanto Local Finance Bureau via Electronic Disclosure for Investors` NETwork (“EDINET”) pursuant to the Financial Instruments and Exchange Act of Japan. In the event of any discrepancy between Hanki Hokokusho and this English translation, Hanki Hokokusho shall prevail.

# Semi-Annual Securities Report

The first half of the 37th Term

(From April 1, 2024 to September 30, 2024)

***Harmonic Drive Systems Inc.***

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The Independent Auditor's report that is included in Hanki Hokokusho is not translated to English.

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## [Cover Page]

[Document Title]	Semi-annual Securities Report
[Clause of Stipulation]	Item 1 of the table in Article 24-5, Paragraph 1 of the Financial Instruments and Exchange Act
[Place of Filing]	Director-General of the Kanto Local Finance Bureau
[Filing Date]	November 13, 2024
[Semi-annual Period]	First half of the 37th Fiscal Year (From April 1, 2024 to September 30, 2024)
[Company Name]	Kabushiki Kaisha Harmonic Drive Systems
[Company Name in English]	Harmonic Drive Systems Inc.
[Title and Name of Representative]	Akira Maruyama, President and Representative Director
[Address of Registered Head Office]	6-25-3 Minami-Oi, Shinagawa-ku, Tokyo, Japan
[Telephone Number]	+81-3-5471-7810
[Name of Contact Person]	Tetsuya Shiokawa, Executive Officer
[Nearest Place of Contact]	6-25-3 Minami-Oi, Shinagawa-ku, Tokyo, Japan
[Telephone Number]	+81-3-5471-7810
[Name of Contact Person]	Tetsuya Shiokawa, Executive Officer
[Place for Public Inspection]	Tokyo Stock Exchange, Inc.  (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan)

**Part I [Company Information]****I [Overview of Company]**

## 1 [Key financial data]

Fiscal year		36th First half	37th First half	36th
Accounting period		April 1, 2023 to September 30, 2023	April 1, 2024 to September 30, 2024	April 1, 2023 to March 31, 2024
Net sales	(Thousands of yen)	28,765,131	26,559,485	55,796,455
Ordinary profit (loss)	(Thousands of yen)	1,163,749	(828,363)	570,333
Profit (loss) attributable to owners of parent	(Thousands of yen)	313,022	(850,004)	(24,806,996)
Comprehensive income	(Thousands of yen)	4,240,628	2,391,166	(21,661,579)
Net assets	(Thousands of yen)	106,651,978	80,917,200	79,401,665
Total assets	(Thousands of yen)	151,411,258	118,372,605	119,142,291
Basic earnings (loss) per share	(Yen)	3.29	(8.95)	(261.00)
Diluted earnings per share	(Yen)	—	—	—
Equity ratio	(%)	70.4	68.4	66.6
Net cash provided by (used in) operating activities	(Thousands of yen)	8,246,187	3,161,824	12,728,600
Net cash provided by (used in) investing activities	(Thousands of yen)	(4,379,743)	(3,501,964)	(5,950,405)
Net cash provided by (used in) financing activities	(Thousands of yen)	(5,164,786)	(2,600,778)	(8,122,296)
Cash and cash equivalents at end of period	(Thousands of yen)	18,985,929	17,254,763	18,941,712

- (Notes) 1. Key financial data of the reporting company is not presented as the Company has prepared semi-annual consolidated financial statements.  
2. Diluted earnings per share is not stated because dilutive shares did not exist.

## 2 [Description of business]

There have been no material changes to the description of the business conducted by the Harmonic Drive Systems Group (the Company together with its affiliated companies, hereinafter the “Group”).

There have also been no changes regarding the Company’s main affiliated companies engaged in this business.

Changes have been made to the classification of reportable segments from the semi-annual period ended September 30, 2024. Please refer to “IV [Financial Information] 1. [Semi-annual consolidated financial statements] (Notes - Segment information, etc.)” for details.

## **II [Overview of Business]**

### **1 [Operational risks]**

During the semi-annual period ended September 30, 2024 (April 1, 2024 to September 30, 2024; hereinafter the “semi-annual period under review”), among the matters related to Overview of Business, Financial Information, and other information stated in this semi-annual securities report, there were no events that may have a significant impact on investors’ decision-making nor major changes in business risks described in the annual securities report for the previous fiscal year.

There have also been no significant events.

## 2 [Management analysis of financial position, operating results and cash flows]

### (1) Status of business performance

During the semi-annual period under review, the future of the global economy remained uncertain due to the prospect of economic slowdowns in many countries, unstable exchange rates, and other factors, in addition to the increasing geopolitical risks, such as the prolonged conflict in Ukraine, growing tensions in the Middle East, and a constant China-U.S. standoff. The business environment surrounding the Group showed a recovery trend more moderate than expected due to sluggish market conditions and the ongoing impact of geopolitical risks, despite the start of a gradual recovery in orders received from customers whose inventories have been optimized.

Regarding net sales trends by application, net sales increased year on year for industrial robots owing to new customer projects. Meanwhile, net sales decreased for semiconductor manufacturing equipment, other general industrial machinery applications, and automotive applications.

As a result, net sales for the semi-annual period under review decreased 7.7% year on year to ¥26,559 million.

In terms of profit and loss, we launched and worked on a company-wide cost innovation project, but it failed to absorb the effect of a decrease in net sales, resulting in operating loss of ¥637 million (operating profit of ¥872 million in the same period of the previous fiscal year). Loss attributable to owners of parent of ¥850 million (profit attributable to owners of parent of ¥313 million in the same period of the previous fiscal year) was recorded mainly due to a decrease in operating profit.

In terms of net sales by product group, speed reducers totaled ¥19,906 million, down 1.4% year on year, and mechatronic products totaled ¥6,653 million, down 22.4% year on year. They accounted for 75.0% and 25.0% of the total net sales, respectively.

Financial results by segment are as follows.

#### (Japan)

The pace of recovery in orders for products for industrial robots and semiconductor manufacturing equipment was slower than expected, and net sales for automotive and other general industrial machinery applications declined. As a result, net sales decreased by 18.3% year on year to ¥9,732 million. Segment profit (ordinary profit) decreased by 52.4% year on year to ¥2,455 million due to the effect of decreased sales, as well as a decrease of ¥2,330 million in dividend income from subsidiaries.

#### (China)

Net sales increased by 40.2% year on year to ¥3,005 million due to new customer projects for industrial robots. Segment profit (ordinary profit) decreased by 57.0% year on year to ¥84 million due to an increase in foreign exchange losses caused by the weak yen, while operating profit increased due to effect of higher sales.

#### (North America)

Sales decreased for advanced medical applications (surgical robot-related) due to production adjustments by customers, as well as a delay in the recovery of demand for semiconductor manufacturing equipment. As a result, net sales decreased by 13.2% year on year to ¥5,783 million. Segment profit (ordinary profit) decreased by 68.0% year on year to ¥277 million due to the effect of the decrease in sales.

#### (Europe)

While the exchange rates of the yen remained weak, the business was impacted by the sluggish market conditions and inventory adjustments. As a result, net sales decreased by 0.1% year on year to ¥8,037 million. Segment loss (ordinary loss) amounted to ¥127 million (segment profit of ¥100 million in the same period of the previous fiscal year) due to the amortization cost of ¥478 million on intangible assets posted at the time of acquisition of shares in Harmonic Drive SE.

(2) Analysis of financial position

Total assets at the end of the semi-annual period under review decreased by ¥769 million, down 0.6% from the end of the previous fiscal year to ¥118,372 million. This was primarily because of a 22.0% or ¥765 million increase in work in process from the end of the previous fiscal year, while other current assets decreased by ¥993 million or 36.2% from the end of the previous fiscal year, as well as a decrease of ¥588 million or 6.1% in customer-related assets, and a decrease in cash and deposits of ¥570 million or 2.8% from the end of the previous fiscal year.

Liabilities decreased by ¥2,285 million, down 5.8% from the end of the previous fiscal year to ¥37,455 million. This was primarily because of an 8.2% or ¥1,240 million decrease in long-term borrowings resulting from the progress of scheduled payment for borrowings from the end of the previous fiscal year, as well as a 56.6% or ¥762 million decrease in other non-current liabilities from the end of the previous fiscal year.

Net assets increased by ¥1,515 million, up 1.9% from the end of the previous fiscal year to ¥80,917 million. This was primarily because of a 27.5% or ¥3,552 million increase in foreign currency translation adjustment from the end of the previous fiscal year due to the effect of exchange rate fluctuations, despite a 4.8% or ¥1,799 million decrease in retained earnings from the end of the previous fiscal year resulting from the payment of a year-end dividend.

As a result, the equity ratio rose from 66.6% at the end of the previous fiscal year to 68.4%.

(3) Status of cash flows

Cash and cash equivalents at the end of the semi-annual period under review totaled ¥17,254 million, down ¥1,686 million from the end of the previous fiscal year.

The status of cash flows by category for the semi-annual period under review is as follows.

(Cash flows from operating activities)

Operating activities in the semi-annual period under review provided net cash of ¥3,161 million, compared with net cash provided of ¥8,246 million in the same period of the previous fiscal year.

This was primarily because of recording depreciation of ¥3,936 million, while the fund decreased on account of the Company having recorded loss before income taxes of ¥860 million.

(Cash flows from investing activities)

Investing activities in the semi-annual period under review used net cash of ¥3,501 million, compared with net cash used of ¥4,379 million in the same period of the previous fiscal year.

This was primarily because of ¥2,310 million used for purchase of property, plant and equipment and ¥1,486 million used for payments into time deposits.

(Cash flows from financing activities)

Financing activities in the semi-annual period under review used net cash of ¥2,600 million, compared with net cash used of ¥5,164 million in the same period of the previous fiscal year.

This was primarily because of ¥1,281 million used for repayments of long-term borrowings and ¥949 million used in dividends paid.

(4) Business and financial issues to be addressed

There have been no material changes to the Company's business and financial issues to be addressed, on a consolidated basis, and no new issues have arisen during the semi-annual period under review.

(5) Research and development activities

Research and development expenses during the semi-annual period under review totaled ¥1,936 million. There were no material changes in the Group's research and development activities during the semi-annual period under review.



(Translation purposes only)

3 [Material contracts, etc.]

No material contracts, etc. were decided or concluded during the semi-annual period under review.

**III [Information about Reporting Company]****1 [Company's shares, etc.]****(1) [Total number of shares]****(i) [Authorized shares]**

Class	Total number of authorized shares (Shares)
Common shares	356,400,000
Total	356,400,000

**(ii) [Issued and outstanding shares]**

Class	As of the end of the period September 30, 2024 (Shares)	As of the filing date November 13, 2024 (Shares)	Listed financial instruments exchange or registered approved financial instruments firms association	Details
Common shares	96,315,400	96,315,400	Standard Market, Tokyo Stock Exchange	Number of shares constituting one unit is 100 shares
Total	96,315,400	96,315,400	—	—

**(2) [Share acquisition rights]****(i) [Employee share option plans]**

Not applicable.

**(ii) [Share acquisition rights for other uses]**

Not applicable.

**(3) [Exercise of moving strike convertible bonds, etc.]**

Not applicable.

**(4) [Changes in total number of issued and outstanding shares, share capital and legal capital surplus]**

Date	Changes in total number of issued and outstanding shares (Shares)	Balance of total number of issued and outstanding shares (Shares)	Changes in share capital (Thousands of yen)	Balance of share capital (Thousands of yen)	Changes in legal capital surplus (Thousands of yen)	Balance of legal capital surplus (Thousands of yen)
September 30, 2024	—	96,315,400	—	7,100,036	—	9,697,431

## (5) [Major shareholders]

As of September 30, 2024

Name	Address	Number of shares held (Shares)	Shareholding ratio (excluding treasury shares) (%)
KODEN Holdings Co., Ltd.	2-13-24 Tamagawa, Ota-ku, Tokyo	33,490,700	35.25
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	6,195,900	6.52
STATE STREET BANK AND TRUST COMPANY 505001 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (2-15-1 Konan, Minato-ku, Tokyo)	5,104,927	5.37
Norimitsu Ito	Minato-ku, Tokyo	3,041,600	3.20
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	2,877,000	3.02
Control trust (A030) trustee, SMBC Trust Bank Ltd.	1-3-2, Marunouchi, Chiyoda-ku, Tokyo	2,176,800	2.29
J.P. MORGAN CHASE BANK 385632 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1 Konan, Minato-ku, Tokyo)	1,830,558	1.92
STATE STREET BANK WEST CLIENT - TREATY 505234 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	1,545,400	1.62
J.P. MORGAN BANK LUXEMBOURG S.A. 381572 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	EUROPEAN BANK AND BUSINESS CENTER 6, ROUTE DE TREVES, L-2633 SENNINGERBERG, LUXEMBOURG (2-15-1 Konan, Minato-ku, Tokyo)	1,528,300	1.60
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT (standing proxy: Custody Service Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	1,488,750	1.56
Total	—	59,279,935	62.40

(Notes) 1. Besides the above, there are 1,322,266 shares of treasury shares held by the Company.

2. In a statement of changes made available for public inspection as of August 22, 2024, the following four companies stated that they own 5,614,198 shares in their joint names as of August 15, 2024; however, the actual number of shares held in such corporation names cannot be confirmed as of September 30, 2024, and therefore they are not included in above [Major shareholders].

1) Capital Research and Management Company

2) Capital International K.K.

3) Capital International, Inc.

4) Capital International Sarl

3. In a statement of changes made available for public inspection as of September 6, 2024, the following company stated that it owns 9,063,400 shares as of August 30, 2024; however, the actual number of shares held in this corporation name cannot be confirmed as of September 30, 2024, and therefore it is not included in above [Major shareholders].

T. Rowe Price Associates, Inc.

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(6) [Voting rights]

(i) [Issued and outstanding shares]

As of September 30, 2024

Categories	Number of shares (Shares)	Number of voting rights	Details
Shares with no voting rights	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares 1,322,266	—	Standard shares of the Company without any restrictions
Shares with full voting rights (others)	Common shares 94,975,900	949,759	Same as above
Shares less than one unit	Common shares 17,234	—	—
Total number of issued and outstanding shares	96,315,400	—	—
Number of voting rights held by all shareholders	—	949,759	—

(Note) There are no shares in the name of Japan Securities Depository Center, Inc.

(ii) [Treasury shares, etc.]

As of September 30, 2024

Name of shareholder	Address of shareholder	Number of shares held in own name (Shares)	Number of shares held under different names (Shares)	Total number of shares held (Shares)	Ratio of shares held to total number of shares issued and outstanding (%)
(Treasury shares) Harmonic Drive Systems Inc.	6-25-3 Minami-Oi, Shinagawa-ku, Tokyo, Japan	1,322,200	—	1,322,200	1.37
Total	—	1,322,200	—	1,322,200	1.37

(Translation purposes only)

2 [Directors and corporate auditors]

Not applicable.

#### **IV [Financial Information]**

##### **1. Preparation methods of semi-annual consolidated financial statements**

The Company's semi-annual consolidated financial statements are prepared based on the "Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Order No. 28 of 1976; hereinafter the "Regulation on Consolidated Financial Statements").

In addition, the Company falls under the definition of a company listed in the upper column of Item 1 of the table in Article 24-5, Paragraph 1 of the Financial Instruments and Exchange Act and prepares type 1 semi-annual consolidated financial statements pursuant to the provisions of parts 1 and 3 of the Regulation on Consolidated Financial Statements.

##### **2. Note on independent audit**

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's semi-annual consolidated financial statements for the semi-annual period (April 1, 2024 to September 30, 2024) have been subject to an interim review by PricewaterhouseCoopers Japan LLC.

## 1 [Semi-annual consolidated financial statements]

## (1) [Semi-annual consolidated balance sheets]

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	20,318,343	19,748,002
Notes receivable - trade	3,085,175	3,166,893
Accounts receivable - trade	8,668,982	8,998,910
Securities	37,156	49,248
Merchandise and finished goods	2,466,573	2,525,093
Work in process	3,481,346	4,246,925
Raw materials and supplies	6,681,866	7,029,694
Other	2,743,454	1,750,077
Allowance for doubtful accounts	(24,906)	(35,751)
Total current assets	47,457,994	47,479,093
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,088,751	19,136,618
Machinery, equipment and vehicles, net	16,104,298	15,394,481
Tools, furniture and fixtures, net	1,750,358	1,775,991
Other, net	11,203,914	11,951,277
Total property, plant and equipment	48,147,323	48,258,368
Intangible assets		
Software	493,049	492,345
Customer related assets	9,663,394	9,074,857
Technical assets	2,580,951	2,423,761
Other	159,997	320,144
Total intangible assets	12,897,391	12,311,109
Investments and other assets		
Investment securities	8,780,932	8,435,033
Shares of subsidiaries and associates	48,112	34,472
Long-term loans receivable from subsidiaries and associates	200,000	200,000
Retirement benefit asset	1,372,071	1,403,134
Deferred tax assets	137,493	152,258
Other	106,571	104,734
Allowance for doubtful accounts	(5,600)	(5,600)
Total investments and other assets	10,639,581	10,324,033
Total non-current assets	71,684,297	70,893,512
Total assets	119,142,291	118,372,605

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,036,539	3,462,359
Short-term borrowings	700,629	702,514
Current portion of long-term borrowings	2,529,452	2,489,078
Lease liabilities	700,049	742,956
Income taxes payable	101,581	143,203
Provision for bonuses	949,714	917,920
Provision for bonuses for directors (and other officers)	66,165	49,857
Provision for loss on compensation for after-care of products	147,759	169,437
Other	3,487,973	2,914,748
Total current liabilities	11,719,864	11,592,076
Non-current liabilities		
Long-term borrowings	15,201,497	13,960,845
Lease liabilities	4,681,840	4,735,178
Deferred tax liabilities	5,837,148	5,483,271
Provision for retirement benefits for directors (and other officers)	12,000	19,200
Other provisions	104,749	112,920
Retirement benefit liability	836,377	967,207
Other	1,347,147	584,705
Total non-current liabilities	28,020,761	25,863,328
Total liabilities	39,740,626	37,455,405
<b>Net assets</b>		
Shareholders' equity		
Share capital	7,100,036	7,100,036
Capital surplus	22,778,711	22,786,269
Retained earnings	37,478,753	35,678,984
Treasury shares	(5,309,159)	(5,242,585)
Total shareholders' equity	62,048,341	60,322,705
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,256,856	4,004,217
Foreign currency translation adjustment	12,927,929	16,480,151
Remeasurements of defined benefit plans	168,538	110,125
Total accumulated other comprehensive income	17,353,323	20,594,494
Total net assets	79,401,665	80,917,200
Total liabilities and net assets	119,142,291	118,372,605



(2) [Semi-annual consolidated statements of income and comprehensive income]  
[Semi-annual consolidated statements of income]

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	28,765,131	26,559,485
Cost of sales	20,204,921	19,832,342
Gross profit	8,560,210	6,727,142
Selling, general and administrative expenses	*1 7,687,544	*1 7,364,715
Operating profit (loss)	872,666	(637,572)
Non-operating income		
Interest income	35,774	152,302
Dividend income	132,952	133,533
Foreign exchange gains	163,515	—
Other	153,610	163,947
Total non-operating income	485,853	449,783
Non-operating expenses		
Interest expenses	85,334	104,776
Share of loss of entities accounted for using equity method	24,789	13,640
Foreign exchange losses	—	450,765
Rental expenses	58,075	46,768
Other	26,570	24,623
Total non-operating expenses	194,769	640,574
Ordinary profit (loss)	1,163,749	(828,363)
Extraordinary income		
Gain on sale of non-current assets	6,660	737
Subsidy income	—	2,000
Total extraordinary income	6,660	2,737
Extraordinary losses		
Loss on sale of non-current assets	422	1,548
Loss on retirement of non-current assets	4,463	31,693
Loss on tax purpose reduction entry of non-current assets	—	2,000
Total extraordinary losses	4,886	35,241
Profit (loss) before income taxes	1,165,523	(860,867)
Income taxes - current	764,601	185,855
Income taxes - deferred	87,900	(196,718)
Total income taxes	852,501	(10,863)
Profit (loss)	313,022	(850,004)
Profit attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	313,022	(850,004)

## [Semi-annual consolidated statements of comprehensive income]

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit (loss)	313,022	(850,004)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,226,149)	(252,638)
Foreign currency translation adjustment	5,095,926	3,552,221
Remeasurements of defined benefit plans, net of tax	57,828	(58,413)
Total other comprehensive income	3,927,605	3,241,170
Comprehensive income	4,240,628	2,391,166
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,240,628	2,391,166
Comprehensive income attributable to non-controlling interests	—	—

## (3) [Semi-annual consolidated statements of cash flows]

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	1,165,523	(860,867)
Depreciation	4,373,289	3,936,592
Amortization of goodwill	573,616	—
Increase (decrease) in allowance for doubtful accounts	1,847	7,833
Increase (decrease) in retirement benefit liability	(35,608)	27,399
Increase (decrease) in provision for retirement benefits for directors (and other officers)	7,200	7,200
Increase (decrease) in provision for operating officers' retirement benefits	11,632	8,170
Increase (decrease) in provision for bonuses for directors (and other officers)	(305,313)	(21,175)
Increase (decrease) in provision for loss on compensation for after-care of products	44,202	18,185
Interest income	(35,774)	(152,302)
Dividend income	(132,952)	(133,533)
Interest expenses	85,334	104,776
Share of loss (profit) of entities accounted for using equity method	24,789	13,640
Subsidy income	—	(2,000)
Loss (gain) on sale of non-current assets	(6,237)	811
Loss on retirement of non-current assets	4,463	31,693
Loss on tax purpose reduction entry of non-current assets	—	2,000
Decrease (increase) in trade receivables	4,565,064	230,454
Decrease (increase) in inventories	137,438	(283,813)
Increase (decrease) in trade payables	(654,932)	175,675
Other, net	319,183	(399,123)
<b>Subtotal</b>	<b>10,142,766</b>	<b>2,711,616</b>
Interest and dividends received	168,429	286,557
Payments of retirement benefits for directors (and other officers)	—	(725,515)
Subsidies received	—	2,000
Interest paid	(88,577)	(111,077)
Income taxes paid	(2,164,676)	(413,877)
Income taxes refund	188,245	1,412,120
<b>Net cash provided by (used in) operating activities</b>	<b>8,246,187</b>	<b>3,161,824</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,810,567)	(2,310,214)
Proceeds from sale of property, plant and equipment	14,700	3,806
Purchase of intangible assets	(96,198)	(211,341)
Payments into time deposits	(1,291,819)	(1,486,016)
Proceeds from withdrawal of time deposits	—	500,000
Payments of leasehold and guarantee deposits	(3,280)	(1,497)
Proceeds from refund of leasehold and guarantee deposits	7,180	2,567
Short-term loan advances	—	(88)
Proceeds from collection of short-term loans receivable	—	14
Loan advances to subsidiaries and associates	(200,000)	—
Other, net	240	805
<b>Net cash provided by (used in) investing activities</b>	<b>(4,379,743)</b>	<b>(3,501,964)</b>

	(Thousands of yen)	
	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from financing activities		
Proceeds from short-term borrowings	1,210,094	1,320,000
Repayments of short-term borrowings	(3,200,189)	(1,320,213)
Proceeds from long-term borrowings	50,000	—
Repayments of long-term borrowings	(1,308,782)	(1,281,026)
Repayments of lease liabilities	(301,620)	(369,582)
Dividends paid	(1,614,289)	(949,956)
Net cash provided by (used in) financing activities	(5,164,786)	(2,600,778)
Effect of exchange rate change on cash and cash equivalents	362,294	1,253,970
Net increase (decrease) in cash and cash equivalents	(936,047)	(1,686,948)
Cash and cash equivalents at beginning of period	19,921,977	18,941,712
Cash and cash equivalents at end of period	*1 18,985,929	*1 17,254,763

## [Notes]

(Notes - Going concern assumption)

Not applicable.

(Notes - Changes in accounting policies)

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

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter the “Revised Accounting Standard in 2022”) and other standards from the beginning of the semi-annual period under review.

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

(Notes - Semi-annual consolidated statements of income)

\*1. Among selling, general and administrative expenses, major expense items and amounts are as follows:

	(Thousands of yen)	
	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Salaries and allowances	1,257,458	1,488,669
Provision for bonuses	249,348	323,683
Provision for bonuses for directors (and other officers)	79,602	47,468
Retirement benefit expenses	128,230	(13,438)
Provision for retirement benefits for directors (and other officers)	27,707	28,748
Provision for retirement benefits for operating officers	11,632	15,020
Research and development expenses	1,630,574	1,887,240
Depreciation	1,274,790	870,602

(Notes - Semi-annual consolidated statements of cash flows)

\*1. Relationship between cash and cash equivalents at end of semi-annual period under review and the amount of items shown on the semi-annual consolidated balance sheets

	(Thousands of yen)	
	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash and deposits	21,255,317	19,748,002
Short-term securities (with maturity within three months)	29,113	49,248
Time deposits with a deposit period over three months	(2,298,501)	(2,542,487)
Cash and cash equivalents	18,985,929	17,254,763

(Translation purposes only)

(Notes - Shareholders' equity)

For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

1. Dividends paid

Resolution	Class of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
June 21, 2023 Ordinary General Meeting of Shareholders	Common shares	1,616,094	17	March 31, 2023	June 22, 2023	Retained earnings

2. Dividends for which record date is in the semi-annual period under review with effective date after the end of the semi-annual period under review

Resolution	Class of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
November 9, 2023 Board of Directors meeting	Common shares	950,811	10	September 30, 2023	December 4, 2023	Retained earnings

For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

1. Dividends paid

Resolution	Class of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
June 21, 2024 Ordinary General Meeting of Shareholders	Common shares	949,763	10	March 31, 2024	June 24, 2024	Retained earnings

2. Dividends for which record date is in the semi-annual period under review with effective date after the end of the semi-annual period under review

Resolution	Class of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
November 12, 2024 Board of Directors meeting	Common shares	949,931	10	September 30, 2024	December 5, 2024	Retained earnings

(Translation purposes only)

(Notes - Segment information, etc.)

[Segment information]

I For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

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

(Thousands of yen)

	Reportable segment					Adjustment	Semi-annual Consolidated
	Japan	China	North America	Europe	Total		
Net sales							
Revenue from contracts with customers	15,295,285	2,273,301	6,669,477	8,207,926	32,445,991	(3,680,860)	28,765,131
Net sales to third parties	11,912,350	2,143,857	6,661,397	8,047,526	28,765,131	—	28,765,131
Inter-segment net sales or transfers	3,382,934	129,444	8,080	160,399	3,680,860	(3,680,860)	—
Total	15,295,285	2,273,301	6,669,477	8,207,926	32,445,991	(3,680,860)	28,765,131
Segment profit	5,156,254	196,473	867,839	100,792	6,321,359	(5,157,609)	1,163,749

(Notes) 1. The segment profit adjustment of ¥(5,157,609) thousand consists of the eliminated inter-segment transaction profit of ¥(4,009,243) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(1,148,366) thousand. The general administrative expenses that are not allocated to any reportable segment include the basic research and development expenses, certain administrative expenses related to the General Affairs and Accounting Department, and the amortization of the goodwill recorded in connection with the acquisition of shares in Harmonic Drive SE, amounting to ¥573,616 thousand.

2. The “Japan” segment includes the net sales and expenses related to the European and Asian markets, in addition to the Japanese market.
3. The “North America” segment includes net sales of ¥5,953,049 thousand originating from the United States of America, which represents 10% or more of net sales recorded on the consolidated statements of income.
4. The “Europe” segment includes net sales of ¥3,096,458 thousand originating from Germany, which represents 10% or more of net sales recorded on the consolidated statements of income.
5. Segment profit is adjusted to ordinary profit in the semi-annual consolidated statements of income.

## II For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

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

(Thousands of yen)

	Reportable segment					Adjustment	Semi-annual Consolidated
	Japan	China	North America	Europe	Total		
Net sales							
Revenue from contracts with customers	14,222,502	3,006,478	5,790,924	8,134,118	31,154,023	(4,594,537)	26,559,485
Net sales to third parties	9,732,568	3,005,324	5,783,721	8,037,870	26,559,485	—	26,559,485
Inter-segment net sales or transfers	4,489,933	1,154	7,202	96,247	4,594,537	(4,594,537)	—
Total	14,222,502	3,006,478	5,790,924	8,134,118	31,154,023	(4,594,537)	26,559,485
Segment profit	2,455,669	84,426	277,649	(127,767)	2,689,978	(3,518,341)	(828,363)

- (Notes) 1. The segment profit (loss) adjustment of ¥(3,518,341) thousand consists of the eliminated inter-segment transaction profit of ¥(2,269,166) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(1,249,175) thousand. The general administrative expenses that are not allocated to any reportable segment include the basic research and development expenses and certain administrative expenses related to the General Affairs and Accounting Department.
2. The “Japan” segment includes the net sales and expenses related to the Asian market, in addition to the Japanese market.
3. The “North America” segment includes net sales of ¥4,986,416 thousand originating from the United States of America, which represents 10% or more of net sales recorded on the consolidated statements of income.
4. The “Europe” segment includes net sales of ¥3,281,677 thousand originating from Germany, which represents 10% or more of net sales recorded on the consolidated statements of income.
5. Segment profit (loss) is adjusted to ordinary loss in the semi-annual consolidated statements of income.

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

Not applicable.

## 3. Information on changes to reportable segments, etc.

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

Segment information for the semi-annual period ended September 30, 2023 is stated based on the reporting segment classification after the change.

## (Notes - Revenue recognition)

Information on the disaggregation of revenue from contracts with customers is as presented in “(Notes - Segment information, etc.).”



(Translation purposes only)

(Notes - Per share information)

The basis for the calculation of profit (loss) per share is as follows.

Items	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit (loss) per share	¥3.29	¥(8.95)
(Basis for calculation)		
Profit (loss) attributable to owners of parent recorded on the consolidated statements of income (Thousands of yen)	313,022	(850,004)
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit (loss) attributable to owners of parent relating to common shares (Thousands of yen)	313,022	(850,004)
Average number of common shares outstanding during the period	95,069,982	94,981,940

(Note) The amount of diluted earnings per share is not stated because dilutive shares did not exist.

(Notes - Significant subsequent events)

Not applicable.

## 2 [Other]

At the meeting of the Board of Directors held on November 12, 2024, the Company resolved to pay an interim dividend for the 37th fiscal year (from April 1, 2024 to March 31, 2025) to shareholders who are registered in the shareholder registry as of September 30, 2024, as shown below.

- |   |                   |
|---|-------------------|
| 1) Total dividends:   | ¥949,931 thousand |
| 2) Dividends per share:   | ¥10               |
| 3) Effective date of right to claim payment and date<br>when dividend payments will commence: | December 5, 2024  |

(Translation purposes only)

**Part II [Information About Reporting Company's Guarantor, Etc.]**

Not applicable.