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Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]



August 7, 2024

Company name: Harmonic Drive Systems Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6324
 URL: <https://www.hds.co.jp/english/>
 Representative: Akira Maruyama, President, Representative Director
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 Scheduled date of commencing dividend payments: —
 Availability of supplementary explanatory materials on financial results: Not available
 Schedule of financial results briefing session: Not scheduled

(Amounts less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 – June 30, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2024	12,998	(13.4)	(238)	—	(134)	—	(283)	—
June 30, 2023	15,008	(4.4)	911	(57.1)	1,110	(51.6)	232	(80.7)

(Note) Comprehensive income: Three months ended June 30, 2024: ¥2,002 million [(33.4)%]

Three months ended June 30, 2023: ¥3,005 million [(9.4)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	(2.98)	—
June 30, 2023	2.44	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	120,491	80,454	66.8
As of March 31, 2024	119,142	79,401	66.6

(Reference) Equity: As of June 30, 2024: ¥80,454 million

As of March 31, 2024: ¥79,401 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	10.00	–	10.00	20.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		10.00	–	10.00	20.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	27,000	(6.1)	100	(88.5)	100	(91.4)	100	(68.1)	1.05
Full year	58,500	4.8	2,700	–	2,700	373.4	2,000	–	21.06

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

- (1) Significant changes in the scope of consolidation during the period under review: None
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued and outstanding shares (common shares)
 - 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

June 30, 2024:	96,315,400 shares
March 31, 2024:	96,315,400 shares
 - 2) Total number of treasury shares at the end of the period:

June 30, 2024:	1,339,057 shares
March 31, 2024:	1,339,057 shares
 - 3) Average number of shares outstanding during the period:

Three months ended June 30, 2024:	94,976,343 shares
Three months ended June 30, 2023:	95,064,398 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: Yes (voluntary)

* Explanation of the proper use of financial results forecasts and other notes

The financial results forecasts and other forward-looking statements contained herein are based on information currently available to the Company and certain assumptions deemed reasonable by the Company. These statements do not represent a guarantee from the Company that it will achieve such results. The actual financial results may differ significantly due to various factors. Refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the Attachments for conditions on which the financial results forecasts are premised and notes on the use of financial results forecasts.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Principal Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on going concern assumption)	8
(Notes in case of significant changes in shareholders' equity)	8
(Changes in accounting policies).....	8
(Notes on segment information, etc.)	9
(Notes on consolidated statements of cash flows)	10
(Significant subsequent events)	10
3. Other Matters	11
(1) Status of Production, Orders Received and Sales	11
(2) Net Sales outside Japan	12

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended June 30 (April 1, 2024 to June 30, 2024), 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 Harmonic Drive Systems Group (hereinafter “the Group”) showed a recovery trend in orders received due to expanding investment in automation against a backdrop of rising personnel costs and labor shortages, and active investment related to generative AI, as well as a gradual recovery in orders received from customers whose inventories have been optimized. Meanwhile, net sales for the three months ended June 30, 2024 decreased by 13.4% year on year to ¥12,998 million, compared with those supported by the high-level order backlog in the same period of the previous fiscal year.

Regarding net sales trends by application, net sales increased year on year for automotive applications. Meanwhile, net sales decreased for industrial robots, semiconductor manufacturing equipment, flat panel display manufacturing equipment, and other general industrial machinery applications.

In terms of profit and loss, we have launched and worked on a project to achieve both value creation and company-wide cost reduction, but it failed to absorb the effect of decrease in net sales, resulting in operating loss of ¥238 million (operating profit of ¥911 million in the same period of the previous fiscal year). Loss attributable to owners of parent of ¥283 million (profit attributable to owners of parent of ¥232 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 ¥9,738 million, down 10.4% year on year, and mechatronic products totaled ¥3,260 million, down 21.4% year on year. They accounted for 74.9% and 25.1% of the total net sales, respectively.

Financial results by segment are as follows.

(Japan)

Net sales decreased for industrial robots, semiconductor manufacturing equipment, flat panel display manufacturing equipment, and other general industrial machinery applications, compared with those supported by the high-level order backlog in the same period of the previous fiscal year, despite a gradual recovery in orders received from customers whose inventories have been optimized. As a result, net sales decreased by 21.5% year on year to ¥6,168 million. Segment profit (ordinary profit) decreased by 90.1% year on year to ¥372 million due to the effect of decreased sales, as well as a decrease of ¥2,330 million in dividend income from subsidiaries.

(North America)

Demand decreased for advanced medical applications (surgical robot-related) and semiconductor manufacturing equipment, despite the weak yen in exchange rates. As a result, net sales decreased by 13.1% year on year to ¥2,777 million. Segment profit (ordinary profit) decreased by 79.8% year on year to ¥100 million due to the effect of decrease in sales.

(Europe)

Exchange rates of the yen remained weak, and demand increased for industrial robots. As a result, net sales increased by 2.5% year on year to ¥4,052 million. Segment profit (ordinary profit) decreased by 44.4% year on year to ¥84 million due to the amortization cost of ¥245 million on intangible assets posted at the time of acquisition of shares in Harmonic Drive SE.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the first quarter of the fiscal year under review increased by ¥1,349 million, up 1.1% from the end of the previous fiscal year to ¥120,491 million. This was primarily because of a 3.5% or ¥341 million increase in customer related assets from the end of the previous fiscal year due to exchange rate fluctuations and a 14.7% or ¥510 million increase in work in process from the end of the previous fiscal year, as well as a 6.2% or ¥545 million increase in investment securities from the end of the previous fiscal year due to a change in market capitalization of securities held by the Company.

(Liabilities)

Liabilities increased by ¥296 million, up 0.7% from the end of the previous fiscal year to ¥40,037 million. This was primarily because of a 38.8% or ¥1,352 million increase in other current liabilities, despite a 55.1% or ¥742 million decrease in other non-current liabilities, as well as a 4.1% or ¥616 million decrease in long-term borrowings resulting from the progress of scheduled payment for borrowings from the end of the previous fiscal year.

(Net Assets)

Net assets increased by ¥1,053 million, up 1.3% from the end of the previous fiscal year to ¥80,454 million. This was primarily because of a 15.0% or ¥1,933 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 3.3% or ¥1,233 million decrease in retained earnings from the end of the previous fiscal year resulting from the payment of year-end dividend.

As a result, equity ratio rose from 66.6% at the end of the previous fiscal year to 66.8%.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

There is no change to the financial results forecast for the fiscal year ending March 31, 2025, which was announced on May 13, 2024 in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 [Japanese GAAP].” Should any revisions be deemed necessary in the future, they shall be disclosed in a timely manner.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	20,318,343	20,233,616
Notes receivable - trade	3,085,175	2,985,508
Accounts receivable - trade	8,668,982	8,608,358
Securities	37,156	45,624
Merchandise and finished goods	2,466,573	2,671,039
Work in process	3,481,346	3,991,558
Raw materials and supplies	6,681,866	6,597,511
Other	2,743,454	2,813,353
Allowance for doubtful accounts	(24,906)	(35,357)
Total current assets	47,457,994	47,911,213
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,088,751	19,087,947
Machinery, equipment and vehicles, net	16,104,298	15,713,857
Tools, furniture and fixtures, net	1,750,358	1,751,569
Other, net	11,203,914	11,452,025
Total property, plant and equipment	48,147,323	48,005,399
Intangible assets		
Software	493,049	506,265
Customer related assets	9,663,394	10,005,316
Technical assets	2,580,951	2,672,273
Other	159,997	197,256
Total intangible assets	12,897,391	13,381,112
Investments and other assets		
Investment securities	8,780,932	9,326,277
Shares of subsidiaries and associates	48,112	42,263
Long-term loans receivable from subsidiaries and associates	200,000	200,000
Retirement benefit asset	1,372,071	1,387,135
Deferred tax assets	137,493	138,703
Other	106,571	105,364
Allowance for doubtful accounts	(5,600)	(5,600)
Total investments and other assets	10,639,581	11,194,144
Total non-current assets	71,684,297	72,580,656
Total assets	119,142,291	120,491,869

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,036,539	3,089,941
Short-term borrowings	700,629	701,274
Current portion of long-term borrowings	2,529,452	2,510,825
Lease liabilities	700,049	713,174
Income taxes payable	101,581	121,435
Provision for bonuses	949,714	728,401
Provision for bonuses for directors (and other officers)	66,165	92,190
Provision for loss on compensation for after-care of products	147,759	172,193
Other	3,487,973	4,840,135
Total current liabilities	11,719,864	12,969,570
Non-current liabilities		
Long-term borrowings	15,201,497	14,585,231
Lease liabilities	4,681,840	4,635,179
Deferred tax liabilities	5,837,148	6,261,022
Provision for retirement benefits for directors (and other officers)	12,000	15,600
Other provisions	104,749	104,828
Retirement benefit liability	836,377	861,220
Other	1,347,147	604,459
Total non-current liabilities	28,020,761	27,067,539
Total liabilities	39,740,626	40,037,110
Net assets		
Shareholders' equity		
Share capital	7,100,036	7,100,036
Capital surplus	22,778,711	22,778,711
Retained earnings	37,478,753	36,245,656
Treasury shares	(5,309,159)	(5,309,159)
Total shareholders' equity	62,048,341	60,815,244
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,256,856	4,636,523
Foreign currency translation adjustment	12,927,929	14,861,750
Remeasurements of defined benefit plans	168,538	141,240
Total accumulated other comprehensive income	17,353,323	19,639,514
Total net assets	79,401,665	80,454,759
Total liabilities and net assets	119,142,291	120,491,869

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statement of Income

(Thousands of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	15,008,880	12,998,954
Cost of sales	10,318,027	9,589,434
Gross profit	4,690,852	3,409,519
Selling, general and administrative expenses	3,778,887	3,647,769
Operating profit (loss)	911,964	(238,250)
Non-operating income		
Interest income	12,942	81,663
Dividend income	1,513	1,513
Foreign exchange gains	173,374	27,892
Other	109,546	82,412
Total non-operating income	297,378	193,482
Non-operating expenses		
Interest expenses	43,411	50,815
Share of loss of entities accounted for using equity method	10,881	5,848
Rental expenses	29,037	23,384
Other	15,115	9,917
Total non-operating expenses	98,446	89,966
Ordinary profit (loss)	1,110,896	(134,734)
Extraordinary income		
Gain on sale of non-current assets	2,957	–
Total extraordinary income	2,957	–
Extraordinary losses		
Loss on retirement of non-current assets	500	2,865
Total extraordinary losses	500	2,865
Profit (loss) before income taxes	1,113,353	(137,600)
Income taxes – current	403,526	98,086
Income taxes – deferred	477,627	47,646
Total income taxes	881,153	145,732
Profit (loss)	232,200	(283,333)
Profit attributable to non-controlling interests	–	–
Profit (loss) attributable to owners of parent	232,200	(283,333)

Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit (loss)	232,200	(283,333)
Other comprehensive income		
Valuation difference on available-for-sale securities	(170,871)	379,667
Foreign currency translation adjustment	2,918,048	1,933,820
Remeasurements of defined benefit plans, net of tax	25,740	(27,297)
Total other comprehensive income	2,772,916	2,286,190
Comprehensive income	3,005,116	2,002,857
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,005,116	2,002,857
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(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 referred to as the "Revised Accounting Standard in 2022") and other standards from the beginning of the first quarter of the fiscal year 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 referred to as the "Revised Guidance in 2022"). These changes in accounting policies do not affect the quarterly consolidated financial statements.

(Notes on segment information, etc.)

I For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Information on net sales and profit (loss) by reportable segment

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Net sales						
Revenue from contracts with customers	9,066,974	3,201,385	4,051,805	16,320,165	(1,311,285)	15,008,880
Net sales to third parties	7,856,406	3,196,547	3,955,926	15,008,880	–	15,008,880
Inter-segment net sales or transfers	1,210,567	4,838	95,879	1,311,285	(1,311,285)	–
Total	9,066,974	3,201,385	4,051,805	16,320,165	(1,311,285)	15,008,880
Segment profit	3,776,624	498,594	151,568	4,426,787	(3,315,890)	1,110,896

(Notes) 1. The segment profit adjustment of ¥(3,315,890) thousand includes the eliminated inter-segment transaction profit of ¥(2,752,509) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(563,381) thousand. The general administrative expenses that are not allocated to any reportable segment consist mainly of 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 ¥279,478 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 ¥2,864,415 thousand originating from the United States of America, which represents 10% or more of net sales recorded on the consolidated statements of income.
4. Segment profit is adjusted to ordinary profit in the quarterly consolidated statements of income.

II For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

1. Information on net sales and profit (loss) by reportable segment

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Net sales						
Revenue from contracts with customers	7,077,411	2,784,223	4,079,729	13,941,363	(942,409)	12,998,954
Net sales to third parties	6,168,232	2,777,756	4,052,964	12,998,954	–	12,998,954
Inter-segment net sales or transfers	909,178	6,466	26,764	942,409	(942,409)	–
Total	7,077,411	2,784,223	4,079,729	13,941,363	(942,409)	12,998,954
Segment profit (loss)	372,009	100,890	84,283	557,183	(691,918)	(134,734)

(Notes) 1. The segment profit (loss) adjustment of ¥(691,918) thousand includes the eliminated inter-segment transaction profit of ¥(56,722) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(635,195) thousand. The general administrative expenses that are not allocated to any reportable segment consist mainly of the basic research and development expenses and certain administrative expenses related to the General Affairs and Accounting Department.

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 ¥2,337,618 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 ¥1,670,784 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 quarterly consolidated statements of income.

(Notes on consolidated statements of cash flows)

Quarterly consolidated statements of cash flows are not prepared for the three months ended June 30, 2024. Depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30 are as follows.

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	¥2,109,232 thousand	¥1,921,896 thousand
Amortization of goodwill	¥279,478 thousand	¥ – thousand

(Significant subsequent events)

(Disposal of treasury shares as restricted share-based remuneration)

Harmonic Drive Systems Inc. (hereinafter “the Company”), at the Board of Directors meeting held on July 19, 2024, resolved to dispose of its treasury shares as restricted share-based remuneration (hereinafter, “the Disposal of Treasury Shares”) as follows.

1. Overview of the disposal

Payment date	August 6, 2024
Class and number of shares subject to disposal	16,791 shares of common stock of the Company
Disposal price	¥4,415 per share
Total value of disposal	¥74,132,265
Scheduled allottees	5 Directors of the Company (*), 16,791 shares * Excluding Outside Directors
Other	With respect to the Disposal of Treasury Shares, a written notice of securities has been filed in accordance with the Financial Instruments and Exchange Act.

2. Purposes and reasons for the disposal

At the Ordinary General Meeting of Shareholders for Fiscal 2021 held on June 22, 2022, the Company obtained approval for introducing a restricted share-based remuneration plan (hereinafter “the Plan”) to grant restricted shares to the Company’s Directors (excluding Outside Directors, hereinafter “the Eligible Directors”), for the purpose of sharing the benefits and risks of stock price changes between the Eligible Directors and the shareholders, and motivating the Eligible Directors to contribute to the improvement of the medium- to long-term business performance and corporate value. It was also approved at the same Ordinary General Meeting of Shareholders, among others, that the total amount of annual monetary remuneration claim to be granted to the Eligible Directors as remuneration, etc. in connection with restricted shares is capped at ¥100 million, that the total number of restricted shares to be allocated to the Eligible Directors per each fiscal year is capped at 35,000 shares, and that the restriction on transferring these shares lasts from the date of their delivery to the date the Eligible Directors resign from the office of Director of the Company.

3. Other Matters

(1) Status of Production, Orders Received and Sales

a. Production

Production results by segment for the three months ended June 30, 2024 (April 1, 2024 to June 30, 2024) are as follows:

Segment name		Production output (thousands of yen)	YoY change (%)
Japan	Speed reducers	6,140,255	(26.4)
	Mechatronic products	786,065	(59.1)
North America	Speed reducers	964,444	(16.0)
	Mechatronic products	1,219,367	(21.9)
Europe	Speed reducers	2,614,456	11.2
	Mechatronic products	1,258,085	14.3
Total		12,982,676	(21.0)

- (Notes)
1. Inter-segment transactions are offset and eliminated.
 2. The Group's reportable segments are classified on a location basis (Japan, North America, and Europe).
 3. Although the Group is solely engaged in handling the same types and series of precision speed reducers and its business operations fall within a single industry segment based on the similarities in the types, natures, manufacturing methods and markets of their products, the above table presents figures by product for each segment.
 4. The production results of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing, and sales of magnetic application equipment, are classified, counted, and presented as mechatronic products.

b. Orders received

The results of orders received by segment for the three months ended June 30, 2024 (April 1, 2024 to June 30, 2024) are as follows:

Segment name		Orders received (thousands of yen)	YoY change (%)	Order backlog (thousands of yen)	YoY change (%)
Japan	Speed reducers	5,871,253	31.5	4,642,034	(11.8)
	Mechatronic products	580,166	18.7	878,804	(47.3)
North America	Speed reducers	1,232,231	12.8	4,220,808	(11.1)
	Mechatronic products	638,363	(43.7)	2,841,002	(56.7)
Europe	Speed reducers	2,686,676	14.5	6,195,463	(6.2)
	Mechatronic products	847,497	(46.0)	2,282,495	(33.2)
Total		11,856,188	6.9	21,060,609	(25.5)

- (Notes)
1. Inter-segment transactions are offset and eliminated.
 2. The Group's reportable segments are classified on a location basis (Japan, North America, and Europe).
 3. Although the Group is solely engaged in handling the same types and series of precision speed reducers and its business operations fall within a single industry segment based on the similarities in the types, natures, manufacturing methods and markets of their products, the above table presents figures by product for each segment.
 4. The results of orders received of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing, and sales of magnetic application equipment, are classified, counted, and presented as mechatronic products.
 5. The order backlog excludes ¥55,040 thousand of order cancellations. The cancellations took place during the three months ended June 30, 2024.

c. Sales

Sales results by segment for the three months ended June 30, 2024 (April 1, 2024 to June 30, 2024) are as follows:

Segment name		Sales volume (thousands of yen)	YoY change (%)
Japan	Speed reducers	5,608,500	(17.7)
	Mechatronic products	559,732	(46.1)
North America	Speed reducers	1,391,750	3.5
	Mechatronic products	1,386,006	(25.2)
Europe	Speed reducers	2,738,208	1.4
	Mechatronic products	1,314,756	4.7
Total		12,998,954	(13.4)

(Notes) 1. Inter-segment transactions are offset and eliminated.

2. Sales by primary customer and the ratio of the sales to the total sales are as follows:

Customer	Three months ended June 30, 2023		Three months ended June 30, 2024	
	Sales (thousands of yen)	Ratio (%)	Sales (thousands of yen)	Ratio (%)
Nissan Motor Co., Ltd.	–	–	1,552,781	11.9

The sales to Nissan Motor Co., Ltd. are not presented for the three months ended June 30, 2023, since the ratio of the sales to the total sales is less than ten hundredths.

3. The Group's reportable segments are classified on a location basis (Japan, North America, and Europe).
4. Although the Group is solely engaged in handling the same types and series of precision speed reducers and its business operations fall within a single industry segment based on the similarities in the types, natures, manufacturing methods and markets of their products, the above table presents figures by product for each segment.
5. The sales results of Harmonic Winbel Inc., a subsidiary engaged in the development, manufacturing, and sales of magnetic application equipment, are classified, counted, and presented as mechatronic products.

(2) Net Sales outside Japan

Net sales outside Japan for the three months ended June 30, 2024 (April 1, 2024 to June 30, 2024) are as follows:

	Europe	North America	Other regions	Total
I Net sales outside Japan (thousands of yen)	4,052,964	2,777,756	1,828,639	8,659,360
II Consolidated net sales (thousands of yen)	–	–	–	12,998,954
III Ratio of net sales outside Japan to consolidated net sales (%)	31.2	21.4	14.1	66.6

(Notes) 1. The categorization of countries or regions is based on geographical proximity.

2. Primary countries or regions that belong to each category

(1) Europe: Germany

(2) North America: the U.S.

(3) Other regions: China, South Korea, Taiwan and Oceania

3. Net sales outside Japan are net sales that were recorded by the Company and its consolidated subsidiaries in countries or regions other than Japan.