

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]



February 9, 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 Nagai, President, Representative Director

Contact: Akira Maruyama, Representative Director

Phone: +81-3-5471-7810

Scheduled date of filing quarterly securities report: February 13, 2024

Scheduled date of commencing dividend payments: —

Availability of supplementary explanatory materials on quarterly financial results: Not available

Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 – December 31, 2023)

(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	%
Nine months ended December 31, 2023	41,926	(21.4)	661	(91.8)	765	(90.9)	(402)	—
December 31, 2022	53,360	28.4	8,066	23.8	8,373	24.0	5,293	18.4

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥4,487 million [(56.6)%]

Nine months ended December 31, 2022: ¥10,338 million [443.4 %]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	(4.23)	—
December 31, 2022	55.47	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2023	150,741	105,854	70.2
As of March 31, 2023	154,336	103,955	67.4

(Reference) Equity: As of December 31, 2023: ¥105,854 million

As of March 31, 2023: ¥103,955 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, 2023	–	11.00	–	17.00	28.00
Fiscal year ending March 31, 2024	–	10.00	–		
Fiscal year ending March 31, 2024 (Forecast)				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, 2024 (April 1, 2023 – March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	55,000	(23.1)	(400)	–	(200)	–	(800)	–	(8.41)

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

* Notes:

- (1) Changes in significant subsidiaries 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: None
 - 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):

December 31, 2023:	96,315,400 shares
March 31, 2023:	96,315,400 shares
 - 2) Total number of treasury shares at the end of the period:

December 31, 2023:	1,258,949 shares
March 31, 2023:	1,251,002 shares
 - 3) Average number of shares outstanding during the period:

Nine months ended December 31, 2023:	95,070,934 shares
Nine months ended December 31, 2022:	95,427,765 shares

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* 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
(Segment information, etc.)	9
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 nine months ended December 31 (April 1, 2023 to December 31, 2023), future of the global economy remained uncertain, affected by factors such as the prolonged situation in Ukraine, the slowdown of the Chinese economy, and financial insecurity due to policy interest rate increases in countries around the world. The business environment surrounding the Harmonic Drive Systems Group (hereinafter “the Group”) became tough owing to the continued adjustment phase in capital investment in semiconductors, softness in capital investment trends in electronics even in the Chinese market, and the inventory adjustments of our products by customers and agencies of the Group.

Regarding net sales trends by application, net sales increased year on year for automotive applications resulting from a recovery of car production in line with an abatement of the worldwide semiconductor shortage. Meanwhile, net sales decreased for industrial robots, semiconductor manufacturing equipment, flat panel display manufacturing equipment, and other general industrial machinery applications.

As a result, net sales for the nine months ended December 31, 2023 decreased by 21.4% year on year to ¥41,926 million.

In terms of profit and loss, depreciation cost increased as a result of investment made to enhance production capacity in Japan during the previous fiscal year. In addition, the lower operating rates of production plants in Japan during the fiscal year under review also affected the results, and operating profit decreased to ¥661 million, down 91.8% year on year. Loss attributable to owners of parent of ¥402 million (profit attributable to owners of parent of ¥5,293 million in the same period of the previous fiscal year) was recorded due to a decrease in operating profit and a reversal of deferred tax assets.

In terms of net sales by product group, speed reducers totaled ¥29,280 million, down 32.3% year on year, and mechatronics products reached ¥12,645 million, up 24.9% year on year. They accounted for 69.8% and 30.2% of the total net sales, respectively.

Financial results by segment are as follows.

(Japan)

Sales increased for automotive application resulting from a recovery of car production in line with a relaxation of the supply-demand balance for semiconductors. Meanwhile, demand declined for industrial robots, semiconductor manufacturing equipment, flat panel display manufacturing equipment, and other general industrial machinery applications owing to softness in capital investment trends in Chinese electronics and semiconductors, and the inventory adjustments of our products by customers and agencies of the Group. As a result, net sales decreased by 41.7% year on year to ¥19,829 million. Segment profit (ordinary profit) decreased by 55.1% year on year to ¥4,288 million due to the effects of decreased sales and the lower operating rates of production plants.

(North America)

Exchange rates of the yen remained weak, and demand increased for advanced medical applications (surgical robot-related) and amusement application. As a result, net sales increased by 31.6% year on year to ¥10,068 million. Segment profit (ordinary profit) increased by 50.2% year on year to ¥1,403 million due to the effect of increase in sales.

(Europe)

Exchange rates of the yen remained weak, and demand increased for cutting-edge semiconductor manufacturing equipment, despite a decrease in demand for industrial robots. As a result, net sales increased by 2.8% year on year to ¥12,028 million. Segment profit (ordinary profit) decreased by 94.4% year on year to ¥45 million due to the amortization cost of ¥1,409 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 third quarter of the fiscal year under review decreased by ¥3,594 million, down 2.3% from the end of the previous fiscal year to ¥150,741 million. This was primarily because of a 57.9% or ¥4,285 million decrease in notes receivable - trade from the end of the previous fiscal year resulting from a decrease in net sales and an 8.8% or ¥1,824 million decrease in cash and deposits from the end of the previous fiscal year, as well as an 11.0% or ¥1,215 million decrease in investment securities from the end of the previous fiscal year due to a change in market capitalization of securities held by the Company, despite a 180.5% or ¥2,359 million increase in other current assets from the end of the previous fiscal year.

(Liabilities)

Liabilities decreased by ¥5,493 million, down 10.9% from the end of the previous fiscal year to ¥44,887 million. This was primarily because of a 76.2% or ¥1,990 million decrease in short-term borrowings resulting from repayments of borrowings and a 10.6% or ¥1,884 million decrease in long-term borrowings, as well as a 92.3% or ¥966 million decrease in income taxes payable from the end of the previous fiscal year.

(Net Assets)

Net assets increased by ¥1,899 million, up 1.8% from the end of the previous fiscal year to ¥105,854 million. This was primarily because of a 69.1% or ¥5,627 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 4.6% or ¥2,968 million decrease in retained earnings from the end of the previous fiscal year resulting from the payment of dividends of surplus and a 14.6% or ¥853 million decrease in valuation difference on available-for-sale securities from the end of the previous fiscal year resulting from market valuation of investment securities.

As a result, equity ratio rose from 67.4% at the end of the previous fiscal year to 70.2%.

(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, 2024, which was announced on November 9, 2023 in the “Consolidated Financial Results for the Six Months Ended September 30, 2023 [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, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	20,783,570	18,959,015
Notes receivable - trade	7,408,386	3,122,609
Accounts receivable - trade	10,165,121	9,172,419
Securities	28,840	31,646
Merchandise and finished goods	2,014,249	3,066,516
Work in process	3,658,753	3,645,980
Raw materials and supplies	6,828,695	7,247,648
Other	1,307,220	3,667,072
Allowance for doubtful accounts	(19,356)	(24,168)
Total current assets	52,175,480	48,888,742
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,423,071	19,334,070
Machinery, equipment and vehicles, net	17,337,080	16,415,287
Tools, furniture and fixtures, net	1,843,670	1,775,903
Other, net	10,323,026	11,203,601
Total property, plant and equipment	48,926,847	48,728,862
Intangible assets		
Goodwill	15,258,139	15,570,470
Software	191,453	469,033
Customer related assets	19,489,904	19,888,858
Technical assets	5,205,468	5,312,022
Other	187,939	43,451
Total intangible assets	40,332,904	41,283,837
Investments and other assets		
Investment securities	11,044,878	9,829,638
Shares of subsidiaries and associates	89,956	51,113
Long-term loans receivable from subsidiaries and associates	-	200,000
Retirement benefit asset	1,191,060	1,236,944
Deferred tax assets	439,351	390,884
Other	141,366	137,467
Allowance for doubtful accounts	(5,600)	(5,600)
Total investments and other assets	12,901,013	11,840,449
Total non-current assets	102,160,765	101,853,148
Total assets	154,336,246	150,741,890

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,596,434	3,270,268
Short-term borrowings	2,610,183	620,154
Current portion of long-term borrowings	2,569,064	2,562,707
Lease liabilities	583,255	682,675
Income taxes payable	1,046,412	80,198
Provision for bonuses	1,471,732	577,397
Provision for bonuses for directors (and other officers)	351,669	59,898
Provision for loss on compensation for after-care of products	64,009	111,406
Other	4,174,756	3,595,206
Total current liabilities	16,467,518	11,559,911
Non-current liabilities		
Long-term borrowings	17,766,840	15,882,673
Lease liabilities	3,836,603	4,759,838
Deferred tax liabilities	10,003,116	10,415,558
Provision for retirement benefits for directors (and other officers)	12,000	22,800
Other provisions	80,260	98,321
Retirement benefit liability	750,593	780,032
Other	1,463,654	1,368,071
Total non-current liabilities	33,913,069	33,327,294
Total liabilities	50,380,587	44,887,205
Net assets		
Shareholders' equity		
Share capital	7,100,036	7,100,036
Capital surplus	22,773,595	22,778,711
Retained earnings	64,852,655	61,883,713
Treasury shares	(4,978,535)	(5,005,314)
Total shareholders' equity	89,747,751	86,757,146
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,845,310	4,991,744
Foreign currency translation adjustment	8,146,088	13,773,147
Remeasurements of defined benefit plans	216,507	332,647
Total accumulated other comprehensive income	14,207,906	19,097,538
Total net assets	103,955,658	105,854,685
Total liabilities and net assets	154,336,246	150,741,890

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

(Thousands of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	53,360,952	41,926,813
Cost of sales	33,888,128	29,632,588
Gross profit	19,472,824	12,294,224
Selling, general and administrative expenses	11,406,781	11,632,360
Operating profit	8,066,042	661,863
Non-operating income		
Interest income	7,322	59,051
Dividend income	129,299	133,238
Share of profit of entities accounted for using equity method	9,604	–
Foreign exchange gains	224,898	–
Subsidy income	185,462	50,212
Other	145,957	185,962
Total non-operating income	702,545	428,464
Non-operating expenses		
Interest expenses	122,118	130,063
Sales discounts	11,492	–
Share of loss of entities accounted for using equity method	–	38,842
Commission for purchase of treasury shares	116,897	151
Foreign exchange losses	–	14,314
Rental expenses	108,157	87,113
Other	36,661	53,935
Total non-operating expenses	395,326	324,422
Ordinary profit	8,373,262	765,905
Extraordinary income		
Gain on sale of non-current assets	798	6,784
Subsidy income	2,000	–
Total extraordinary income	2,798	6,784
Extraordinary losses		
Loss on sale of non-current assets	–	433
Loss on retirement of non-current assets	41,922	15,677
Loss on tax purpose reduction entry of non-current assets	2,000	–
Special extra for retirement payments	501,537	–
Total extraordinary losses	545,460	16,111
Profit before income taxes	7,830,599	756,579
Income taxes – current	2,669,607	965,519
Income taxes – deferred	(132,819)	193,096
Total income taxes	2,536,788	1,158,615
Profit (loss)	5,293,811	(402,036)
Profit attributable to non-controlling interests	–	–
Profit (loss) attributable to owners of parent	5,293,811	(402,036)

Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit (loss)	5,293,811	(402,036)
Other comprehensive income		
Valuation difference on available-for-sale securities	175,549	(853,566)
Foreign currency translation adjustment	4,839,707	5,627,058
Remeasurements of defined benefit plans, net of tax	29,873	116,140
Total other comprehensive income	5,045,130	4,889,632
Comprehensive income	10,338,942	4,487,595
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,338,942	4,487,595
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)

Not applicable.

(Segment information, etc.)

[Segment information]

I For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

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

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Net sales Revenue from contracts with customers	24,575,394	4,570,812	7,789,302	36,935,510	(3,483,895)	33,451,614
Net sales to third parties	34,012,194	7,650,805	11,697,952	53,360,952	–	53,360,952
Inter-segment net sales or transfers	4,686,988	10,779	534,470	5,232,237	(5,232,237)	–
Total	38,699,183	7,661,584	12,232,422	58,593,190	(5,232,237)	53,360,952
Segment profit	9,555,340	934,228	818,020	11,307,589	(2,934,327)	8,373,262

(Notes) 1. The segment profit adjustment of ¥(2,934,327) thousand includes the eliminated inter-segment transaction profit of ¥(1,092,385) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(1,841,942) 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 European and Asian markets, in addition to the Japanese market.
3. The “North America” segment includes net sales of ¥3,802,855 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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

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

(Thousands of yen)

	Reportable segment				Adjustment	Consolidated
	Japan	North America	Europe	Total		
Net sales Revenue from contracts with customers	16,531,612	6,669,477	8,207,926	31,409,016	(2,643,884)	28,765,131
Net sales to third parties	19,829,733	10,068,377	12,028,703	41,926,813	–	41,926,813
Inter-segment net sales or transfers	3,644,218	11,397	183,732	3,839,348	(3,839,348)	–
Total	23,473,951	10,079,774	12,212,436	45,766,161	(3,839,348)	41,926,813
Segment profit	4,288,079	1,403,123	45,671	5,736,874	(4,970,968)	765,905

(Notes) 1. The segment profit adjustment of ¥(4,970,968) thousand includes the eliminated inter-segment transaction profit of ¥(3,212,243) thousand and the general administrative expenses that are not allocated to any reportable segment, totaling ¥(1,758,725) 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 cost of ¥573,616 thousand on goodwill involved in acquisition of shares in Harmonic Drive SE.

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 quarterly consolidated statements of income.

3. Other Matters

(1) Status of Production, Orders Received and Sales

a. Production

Production results by segment for the nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023) are as follows:

Segment name		Production output (thousands of yen)	YoY change (%)
Japan	Speed reducers	19,866,460	(41.9)
	Mechatronic products	5,436,001	8.9
North America	Speed reducers	3,459,109	28.5
	Mechatronic products	4,615,161	46.2
Europe	Speed reducers	6,954,720	(16.2)
	Mechatronic products	3,483,495	54.6
Total		43,814,948	(21.2)

- (Notes)
1. Inter-segment transactions are offset and eliminated.
 2. The above amounts are sales prices and exclude consumption taxes.
 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 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 nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023) are as follows:

Segment name		Orders received (thousands of yen)	YoY change (%)	Order backlog (thousands of yen)	YoY change (%)
Japan	Speed reducers	13,867,020	(18.1)	4,135,030	(70.9)
	Mechatronic products	1,191,428	(62.9)	769,920	(70.2)
North America	Speed reducers	3,350,978	(10.8)	4,454,151	(16.7)
	Mechatronic products	2,578,426	(58.5)	4,586,964	(48.6)
Europe	Speed reducers	7,338,435	(31.6)	6,792,792	(5.7)
	Mechatronic products	3,317,933	(7.1)	2,472,825	(13.5)
Total		31,644,223	(28.7)	23,211,685	(43.5)

- (Notes)
1. Inter-segment transactions are offset and eliminated.
 2. The above amounts exclude consumption taxes.
 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 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.
 6. The order backlog excludes ¥633,234 thousand of order cancellations. The cancellations took place during the nine months ended December 31, 2023.

c. Sales

Sales results by segment for the nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023) are as follows:

Segment name		Sales volume (thousands of yen)	YoY change (%)
Japan	Speed reducers	17,133,075	(45.0)
	Mechatronic products	2,696,657	(6.8)
North America	Speed reducers	4,204,399	21.4
	Mechatronic products	5,863,977	40.0
Europe	Speed reducers	7,943,370	(8.2)
	Mechatronic products	4,085,333	34.3
Total		41,926,813	(21.4)

- (Notes)
1. Inter-segment transactions are offset and eliminated.
 2. The above amounts exclude consumption taxes.
 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.
 6. Sales by primary customer and the ratio of the sales to the total sales are as follows:

Customer	Nine months ended December 31, 2022		Nine months ended December 31, 2023	
	Sales (thousands of yen)	Ratio (%)	Sales (thousands of yen)	Ratio (%)
Haneda & Co., Ltd.	6,976,327	13.1	–	–
Nissan Motor Co., Ltd.	–	–	5,045,696	12.0

- (Notes)
1. The above amounts exclude consumption taxes.
 2. The sales to Haneda & Co., Ltd. are not presented for the nine months ended December 31, 2023, since the ratio of the sales to the total sales is less than ten hundredths.
 3. The sales to Nissan Motor Co., Ltd. are not presented for the nine months ended December 31, 2023, since the ratio of the sales to the total sales is less than ten hundredths.

(2) Net Sales outside Japan

Net sales outside Japan for the nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023) are as follows:

	Europe	North America	Other regions	Total
I Net sales outside Japan (thousands of yen)	12,028,703	10,068,377	3,937,349	26,034,430
II Consolidated net sales (thousands of yen)	–	–	–	41,926,813
III Ratio of net sales outside Japan to consolidated net sales (%)	28.7	24.0	9.4	62.1

- (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.