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Notice Regarding Disposal of Treasury Shares as Restricted Share-Based Remuneration

Harmonic Drive Systems Inc. (the “Company”) hereby announces that, at the Board of Directors meeting held on July 18, 2025, the Company resolved to dispose of its treasury shares as restricted share-based remuneration (hereinafter the “Disposal of Treasury Shares”) as described below.

1. Overview of the disposal

(1) Payment date	August 5, 2025
(2) Class and number of shares subject to disposal	28,137 shares of common stock of the Company
(3) Disposal price	¥2,661 per share
(4) Total value of disposal	¥74,872,557
(5) Scheduled allottees	5 Directors of the Company (*) 28,137 shares * Excluding Outside Directors

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.

The Company resolved at today’s Board of Directors meeting to provide total monetary remuneration claims of ¥74,872,557 to five (5) Eligible Directors (hereinafter the “Allottee(s)”) as restricted share-based remuneration for the period from the Company’s Ordinary General Meeting of Shareholders for Fiscal 2024 to the Ordinary General Meeting of Shareholders for Fiscal 2025. The Allottees will fully contribute to these claims through in-kind contribution, and the Company will allot 28,137 shares of the Company’s common stock as restricted stock. The amount of monetary remuneration claim for each Allottee is determined in comprehensive consideration of factors including their level of contribution to the Company. The monetary remuneration claim is provided on the condition that each Allottee shall enter into an allotment agreement for restricted shares (hereinafter the “Allotment Agreement”) with the Company, including the following terms.

3. Overview of the Allotment Agreement

(1) Transfer restriction period

The period from August 5, 2025 to the date the Allottees resign from the position of Director of the Company

During the transfer restriction period as stipulated above (hereinafter the “Transfer Restriction Period”), the Allottees shall not transfer, pledge, create a security interest on, provide as an inter vivos gift, bequeath, or in any other way dispose of, the restricted shares allotted to the Allottees (hereinafter the “Allotted Shares”) to third parties (hereinafter the “Transfer Restrictions”).

(2) Acquisition of restricted shares without compensation

If an Allottee resigns from the position of Director of the Company before the day preceding the first Ordinary General Meeting of Shareholders following the commencement of the Transfer Restriction Period, the Company shall automatically acquire the Allotted Shares without compensation at the time of resignation, unless the reason for resignation is deemed justifiable by the Company’s Board of Directors.

Of the Allotted Shares, at the expiration of the Transfer Restriction Period (hereinafter the “Expiration Point”), the Company shall automatically acquire, without compensation, all Allotted Shares for which Transfer Restrictions have not been lifted, as stipulated under (3) Lifting of Transfer Restrictions, immediately after the Expiration Point.

(3) Lifting of Transfer Restrictions

Provided that the Allottee holds the position of Director of the Company continuously until the day of the first Ordinary General Meeting of Shareholders following the commencement of the Transfer Restriction Period, the Transfer Restrictions on all Allotted Shares currently held by the Allottee shall be lifted at the Expiration Point. However, if the Allottee resigns from the position of Director of the Company before the day preceding the first Ordinary General Meeting of Shareholders following the commencement of Transfer Restriction Period, due to a reason the Company’s Board of Directors deems justifiable, the Transfer Restrictions on the Allotted Shares shall be lifted immediately after the resignation. The number of the Allotted Shares subject to the lifting of Transfer Restrictions shall be calculated by multiplying the number of months from July 2025 to the month that includes the day of the Allottee’s resignation divided by 12, by the number of the Allotted Shares currently held by the Allottee (provided, however, that any fractional shares of less than one share resulting from the calculation shall be rounded down).

(4) Management of Shares

The Allottees shall open a dedicated account with SMBC Nikko Securities Inc. to enter or record the Allotted Shares in a manner designated by the Company, and shall keep and administer Allotted Shares in such dedicated account until the lifting of Transfer Restrictions.

(5) Treatment in Organizational Restructuring, etc.

If, during the Transfer Restriction Period, a proposal related to a merger agreement in which the Company is to be dissolved, a share exchange agreement or a share transfer plan in which the Company will become a wholly-owned subsidiary, or any other matter relating to organizational restructuring, etc. is approved at the Company’s General Meeting of Shareholders (or by the Board of Directors of the Company, where such organizational restructuring, etc. does not require approval of the General Meeting of Shareholders of the Company,) (and only if the effective date of such organizational restructuring, etc. falls prior to the end of Expiration Point, hereinafter the “Time of Organizational Restructuring Approval”), and if such organizational restructuring, etc. results in the resignation of the Allottees from their positions as Director of the Company, then, the Company shall, by a resolution of the Board of Directors of the Company, lift the Transfer Restrictions on the number of the Allotted Shares calculated by multiplying the number of months from July 2025 to the month including the date of such approval divided by 12 (provided, however, that if the result exceeds 1, it shall be 1), by the number of the Allotted Shares held by the Allottees as of the date of such approval (provided, however, that any fractional shares of less than one share resulting from the calculation shall be rounded down). Such lifting shall take effect as of the time immediately before the business day preceding the effective date of the relevant organizational restructuring, etc.

At the Time of Organizational Restructuring Approval, the Company shall, on the business day immediately preceding the effective date of the organizational restructuring, etc. automatically acquire, without compensation, all of the Allotted Shares for which Transfer Restrictions have not been lifted as of the date.

4. Basis for calculating the amount of payment and specific details thereof

Regarding the disposal price of the Disposal of Treasury Shares, it has been set at ¥2,661 per share, the closing price of the Company's common stock on the Tokyo Stock Exchange on July 17, 2025 (the business day immediately prior to the date of the resolution of the Board of Directors) to eliminate arbitrariness. The Company believes that the disposal price is reasonable as it was the market price immediately prior to the date of the resolution of the Board of Directors of the Company and does not represent a particularly advantageous price to the Allottees.