

Hirata

Integrated Report 2023

The Global Production Engineering Company

Hirata Corporation

Mission Statement

We courageously pursue technical innovation while contributing to the betterment of mankind, development of individuals and enhancement of our company's capabilities.

Management Philosophy

Hirata

Brings out the best in every person.

Brings out the best in every person is the idea that everyone has some kind of ability, and that there are jobs and places where they can play active roles. Also, even if the work cannot be done alone, the idea is that if we can work together as a group, we can produce great results.

Challenges technical innovation.

Every time a customer's new product is released into society, that product is giving rise to innovative technologies.

We have been continuing to innovate to meet the demands of our customers.

Continuing to face the challenges of innovative technologies that could not previously be created will contribute to the development of society, while we continue to grow as a world-leading technological group.

Respects humanity.

At the root of our Group's philosophy of respect for humanity is the desire to free people from mundane tasks.

We believe that a world in which people are able to devote themselves to creative work for the very reason that only they are able to carry out that work can provide creative products and services to society.

Opens the door to a creative life.

We are a company that enriches the lives of individuals through their work for the Hirata Group.

Through your work around the world, you will open up the door to your own creative life by broadening your personal perspective, improving your personal abilities, and gaining numerous opportunities.

Contributes to society.

We consider a company to be a public entity of society.

A company, we have as our goal to always strive to contribute to the development of a sustainable society, and our corporate activities contribute to the realization of a prosperous society.

Makes its customers successful.

Making our customers successful forms part of our philosophy of valuing everyone involved in our Group. Valuing all the people involved in our Group, as a company we will continue to grow together with them.

Editorial Policy

Hirata Corporation has been publishing an integrated report intended for all stakeholders, including shareholders and investors, since 2022. Positioned as a communication tool, the purpose of the integrated report is to convey information on our initiatives for sustained corporate value enhancement to our stakeholders in a comprehensive manner based on integrated thinking, from both a financial perspective and a non-financial perspective, including ESG. The following guidelines were referenced during the creation of this report: Guidance for Collaborative Value Creation from the Ministry of Economy, Trade and Industry of Japan (METI), International Integrated Reporting Framework from the International Integrated Reporting Council (IIRC), IFRS Sustainability Disclosure Standards from the International Financial Reporting Standards Foundation (IFRS), and the GRI Standards from the Global Reporting Initiative (GRI).



Target Period

Fiscal 2022 (from April 2022 to March 2023)

However, some of the Company's activities prior to and after the target period are also included in the report.

Scope

In principle, Hirata Corporation and its subsidiaries. When data pertains to Hirata Corporation alone, a note to that effect is provided.

Publication Date

December 2023

Forward-Looking Statements and Other Cautionary Notes

Statements regarding the future of the Company mentioned in this report are based on information that was currently available at the time of its compilation. Since there are a number of external factors that could affect our business performance, such as the global economy, exchange rate fluctuations, industry market conditions, and capital investment trends, readers are asked to please remain aware that the content described in these materials may differ. Its purpose being merely to convey information to our stakeholders, this report is not intended to solicit or recommend trading either in the Company's stock or of any other securities and financial instruments.

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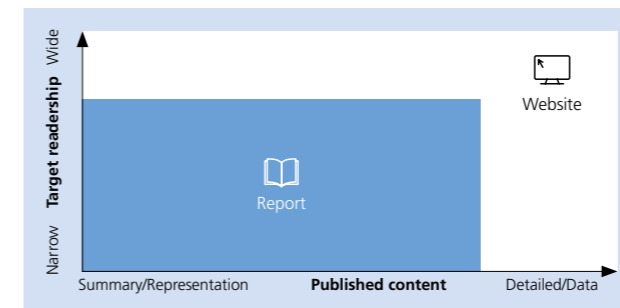
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Scope of Integrated Reports

Integrated reports are edited and published with a focus on corporate information that is considered of particular importance. For more information, please visit our website.



IR Information

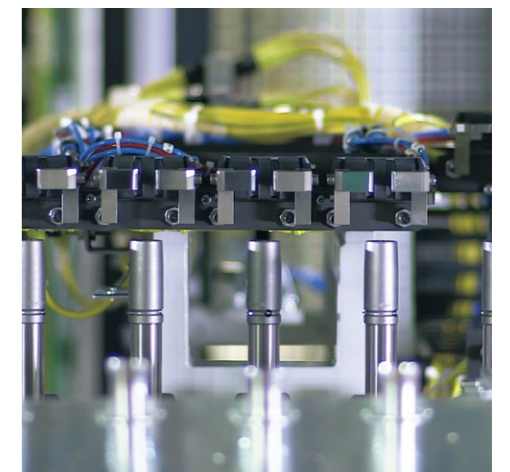


<https://www.hirata.co.jp/en/ir/>

Sustainability



<https://www.hirata.co.jp/en/sustainability/>



President's Message

We will realize sustained corporate value enhancement through a business strategy leveraging our unparalleled experience in production systems and by further strengthening ESG management.

***Jin-Gi-Kou-Ken*: A Slogan Representing 70 Years of Philosophy**

In May 2022, on the occasion of having formulated its new Medium-Term Management Plan, the Company announced the slogan *Jin-Gi-Kou-Ken* as its vision. *Jin-Gi-Kou-Ken* expresses that Hirata exists because of its technology, that its technology exists because of its people (employees), and that Hirata exists because of the happiness of its employees. I believe that the words "technology, people, and happiness" reflect Hirata's unique spirit and management foundation created by our predecessors.

For 70 years, we have been managing the Company with the founding desire to use automation and robot technology to solve problems so that people can work without physical or mental pain, and with the desire to take care of our employees and their families and protect their employment. In other words, the three words *Jin-Gi-Kou* (people, technology, and happiness) were created by successive generations of management and employees. As the fourth word *Ken* means "contribute to society," the slogan *Jin-Gi-Kou-Ken* means "To make everyone involved in Hirata content and contribute to society by means of technology."

When I witnessed the devastation of the Kumamoto Earthquake, which occurred in April 2016, I decided to return to Kumamoto, the region where the Company was founded, because I wanted to encourage the people there. At that time, I sent the following message: "We will acquire much work from all over the world and donate as much money as possible to Kumamoto." To our employees, conveying that protecting the region where the Company was founded is one of our initiatives for contributing to society. Although we were also impacted by the disaster and faced difficult conditions, our desire to donate as much money as possible to Kumamoto and contribute to the reconstruction of our home region raised the morale of all employees. As a result, we achieved record sales in that fiscal year. Our Management Philosophy states that Hirata "Contributes to Society." However, it will be difficult to contribute to society if we do not possess a suitable level of managerial strength. We learned from the Kumamoto Earthquake that making everyone involved with Hirata happy increases the potential for the Company to grow significantly. In addition to Kumamoto, the Company has bases in Japan and overseas, including Group companies. We conduct business in those regions and respect those regions just as we do Kumamoto. The accumulation of this history naturally led to the creation of the four-word slogan *Jin-Gi-Kou-Ken*.

Jin-Gi-Kou-Ken
人技幸献

To make **everyone** involved in Hirata **content** and **contribute** to society by means of **technology**



Yuichiro Hirata

Representative Director, President

We will differentiate ourselves from other companies through the synergistic effects of our engineering capabilities and manufacturing capabilities.

The Biggest Opportunities Since the Company's Founding Are Coming

In the previous report (*Integrated Report 2022*), we stated that we recognized the fact that the Company has the greatest opportunities since its founding, mainly in the automotive-related equipment business and semiconductor-related equipment business. As we predicted, demand for equipment at related manufacturers in Japan and overseas is expanding as EVs (electric vehicles) become more popular. As a result of mass production for EV-related products, the profitability of our automotive-related equipment business has also improved. Furthermore, as competition among automobile manufacturers is intensifying, the need for each company to establish production systems (production facilities, including production lines) as soon as possible

to realize their strategies has led to the expansion of opportunities for production system integrators like Hirata.

Despite recent fluctuations in demand in the semiconductor-related equipment business sector, the emergence of applications equipped with AI and 5G technologies will stimulate the market. Therefore, business opportunities for the Company are expected to expand in the future. Although the current outlook is that the order volumes will be at the highest levels ever, the number of our plants and engineers is limited. Therefore, I believe that the most important issue to maximize opportunities is to maintain information coordination and management accuracy to avoid confusion at business sites and avoiding delay risks.

Our Unparalleled Experience in Production Systems Is Our Greatest Strength

We recognize that our strength lies in our unparalleled experience in production systems, or in other words, the engineering capabilities and manufacturing capabilities possessed by our group of engineers. Although that experience may be abstract and difficult to understand, we have a history of building one-off made-to-order products with our unique business model. When customers manufacture products, they take steps such as product planning, design, prototyping, production preparation, and mass production. In line with this, we have been proposing optimal production systems while customers make various requests and hold discussions with us from the product prototype stage to the production system introduction stage.

In this way, we respond to hundreds of inquiries every year, both in Japan and overseas. Naturally, we must maintain confidentiality with our customers, but we often find that our ideas regarding one customer's equipment can also be applied to different products. As our customers' products change in line with changes in the world, we also make improvements in accordance with the following trends. We possess information-related capabilities cultivated through our participation from the product prototype stage for global customers, and the accumulation of technological expertise that enables us to respond to changes in the playing field from one project to the next is one of our strengths.

Review of the First Year of the Medium-Term Management Plan

In terms of business performance for fiscal 2022, net sales increased from the previous fiscal year due to an increase in orders for automobile-related equipment and the relaxation of restrictions on activities at overseas subsidiaries and affiliates. In terms of profit, in addition to an increase in net sales, we were able to control outsourcing costs through the expansion of in-house production, which resulted in a profit margin higher than in the previous fiscal year. As a result, net sales for the fiscal year under review amounted to ¥78,443 million (up 16.9% year-on-year), operating profit was ¥5,920 million (up 53.5% year-on-year), ordinary profit was ¥5,802 million (up 36.3% year-on-year), and profit attributable to owners of parent was ¥4,269 million (up 59.2% year-on-year).

In fiscal 2022, we launched a new Medium-Term Management Plan, which includes the four Basic Policies of "Business expansion in growth markets," "Strengthening competitiveness as a global company," "Strengthening of ESG management initiatives," and "Realization of management in line with the new-normal era."

In regard to "Business expansion in growth markets," we saw record-high orders for EV-related equipment (¥30,239 million) in the automotive-related equipment business against the backdrop of global efforts to achieve carbon neutrality. As we started with a high backlog of orders, we plan to increase net sales in the automotive-related equipment business by 25.4% year-on-year to ¥38 billion in fiscal 2023, and achieve net sales of ¥40 billion in the automotive-related equipment business segment, as planned in the Medium-Term Management Plan. The improvement in the profitability of the automotive-related equipment business as a whole is a major achievement as a result of receiving multiple large-scale orders for EV-related equipment and other factors. Our current challenges are to strengthen the development of battery-related equipment

and secure production capacity capable of responding to an increase in orders. Therefore, we are expanding production space at three of our bases: Shichijo Plant in Kumamoto, Kanto Plant in Tochigi, and Kansai Plant in Shiga.

In the semiconductor-related equipment business, orders for wafer transfer machines remained flat year-on-year at ¥19,731 million, as the semiconductor market as a whole entered an inventory adjustment phase worldwide. In order to expand our wafer transfer machine production capacity, the entire Group, including our overseas affiliates, is working together to promote local production. Advancement of procurement and other measures have resulted in shorter lead times, lower transportation costs, and avoidance of trade risks. In the medium to long term, semiconductor demand is expected to increase due to the emergence of generative AI and other factors. While capturing this demand, we aim to achieve ¥40 billion in net sales in the semiconductor-related equipment business segment as set forth in the Medium-Term Management Plan.

In terms of "Strengthening competitiveness as a global company," we are strengthening cooperative relationships with overseas Group companies. For example, in China, we have been focusing on the EV-related equipment business until now. However, we have also entered the semiconductor-related equipment business in China through collaboration within the Group, working to expand our business areas to include growth markets.

In regard to "Realization of management in line with the new-normal era," we are implementing virtual commissioning using an emulator as business digitalization while promoting VR factory tours, VR assembly processes, and remote observation and maintenance. These efforts have led to improved work efficiency, and in addition to shortening delivery times, they have been significantly effective from the viewpoint of profitability management.

ESG management Is Indispensable for Sustained Corporate Value Enhancement

With regard to "Strengthening of ESG management initiatives," one of the four Basic Policies of the Medium-Term Management Plan, we formulated the Sustainability Basic Policy and established the Sustainability Promotion Committee in October 2022 to promote it as a Company-wide initiative while linking it with our medium- to long-term management strategies. Full-scale operations of the Sustainability Promotion Committee began in fiscal 2023 with internal working groups considering solutions to material issues while incorporating the opinions of outside directors and external experts.

We continue to build production systems that support manufacturing in various industrial fields, and we can say

that we have supported the history of manufacturing in Japan and overseas. In the past, through the era of mass production and mass consumption, we have contributed to the creation of economically affluent lifestyles. Today, since the sustainability of the global environment is in jeopardy, ignoring the need to respond to climate change and environmental issues could also threaten the survival of business. I think we are in a situation where if the entire supply chain does not address this issue, companies themselves may cease to exist.

In addition to quality, price, delivery, and other conditions as prerequisites for obtaining business opportunities, various requirements, such as commitment to the environment

and respect for human rights, are needed. We have continued to respond to the needs of our customers in accordance with the times, proposing many solutions, and have earned their trust. This trust is not only related to our technical skills and the quality that we provide but also related to our consideration for the environment and respect for

the human rights of all people involved in our business. ESG management is indispensable as a foundation for the sustainable survival of our business. It is also indispensable to maintain and improve the trust of our customers and society, create opportunities for us to contribute to manufacturing in the next era, and improve our corporate value.

Initiatives to Address Materiality That Has Evolved through a New Framework

In order to evolve our efforts to address our materiality, which is organized into four themes and 10 items, we have established a structure that consists of the Sustainability Promotion Committee, its subordinate organizations, and the working groups that carry out cross-organizational activities for each theme. With the establishment of the Sustainability Promotion Committee and working groups, we are now able to discuss issues from a medium- to long-term perspective looking at the entire Company, and the framework of indicators (KPIs) and quantitative targets is gradually beginning to emerge. In addition, we can expect Hirata's original measures and plans to be developed by creating an activity plan using a bottom-up approach, not just a top-down approach. By establishing a medium- to long-term timeline and goals and formulating an action plan through backcasting, rather than being bound by conventional methods, we have identified not only risks and opportunities in the process of getting there but also several issues in the execution phase, such as the limitations of the current structure and organizational system and resource allocation, which we intend to resolve one by one.

One of the materiality issues that I place importance on is the theme related to human capital. I believe that it is an important management issue to improve employee engagement by creating an environment in which each employee can make the most of their expertise and individuality, and in which each employee can feel more satisfaction and joy when it comes to their work. I appreciate that orders have been stable recently. However, at Hirata, our system engineers are the biggest cornerstone that leads to the success of each job that we handle for customers. Having a large number of system engineers with extensive experience makes it possible to proceed with large projects without delay. It takes time to develop such skills though, so it is necessary to strategically secure and develop human resources who will become the next generation of leaders. Furthermore, the increased workload on each engineer,

the influential role still required of middle management, and other constraints on "Brings Out The Best In Every Person," part of our Management Philosophy, are far from few, and the increased workload on employees and the risk of impact on production management are also recognized as issues. Therefore, I believe it is extremely important to bring out the best in every person through means such as strengthening human resource development and promoting diversity, equity, and inclusion (DEI).

Additionally, as a response to climate change, contributing to carbon neutrality through our products and services is also an important theme. For example, installing an all-electric transport system consisting of the Hirata Eco electric series instead of the air equipment used at a customer's plant can significantly reduce electricity consumption and CO₂ emissions, as well as running costs. Since our engineers are deeply knowledgeable about the needs of our customers, I believe that they can propose optimal systems based on customers' issues.

Also, strengthening governance is an important theme for sustained corporate value enhancement. As a measure aimed to achieve this, we transitioned to a Company with an Audit and Supervisory Committee organization structure in June 2023. The purpose of this transition is to strengthen the supervisory function of the Board of Directors and further strengthen the oversight system by appointing Audit and Supervisory Committee members who are responsible for auditing the execution of duties by directors as members of the Board of Directors. We will continue to further enhance our corporate governance. By contributing to the environment, addressing social issues through the promotion of human rights and DEI, and further advancing corporate governance, we aim to achieve sustainable corporate growth from the perspective of achieving both corporate growth through business activities and resolving social issues.

To All Our Stakeholders

In addition to being the prefecture where our Company was founded, Kumamoto is also the region ruled by Kato Kiyomasa, a famous military commander. He contributed greatly to the creation of a prosperous country that continues to the present day. Contributions include the construction of Kumamoto Castle, considered one of the three premier castles in Japan, the development of industrial infrastructure, such as civil engineering and a flood control, and the cultivation of human resources and a rich culture. Kato Kiyomasa, a person of high integrity, has been highly respected by residents of Kumamoto prefecture to date.

In August 2023, we unveiled FLAGNOID Kiyomasa,* a robot created out of respect and gratitude for Kato Kiyomasa. We produced and broadcast/distribute a commercial featuring an animated version of FLAGNOID Kiyomasa. In particular, I would like to provide opportunities for young people to learn about the Company, and to raise awareness about him throughout the world.

* "FLAGNOID" is a word coined by Hirata. "FLAG" expresses both the Blue Flag Iris, a plant loved by Lord Kiyomasa, and the raising of his battle banner in Kumamoto. "NOID" means "humanoid robot."



▶ For more information on FLAGNOID Kiyomasa, please visit the website below. <https://www.hirata.co.jp/flagnoid-special/> (Japanese only)

It is said that Kiyomasa always told the people around him when he was building his country that it was "for the sake of the future," and that many of the measures at that time were long-term initiatives with a focus on the future.

As many of these measures still serve as the foundation of Kumamoto's industry and culture, I believe they were truly sustainable initiatives. I believe this is what leads to the creation of a sustainable nation, an approach that leads to the sustainability management that the Company and many other companies are focusing on.

We are developing business with customers all over the world in collaboration with our domestic and overseas bases, centered on Kumamoto, the region where the Company was founded. I would like to learn from Kiyomasa's foresight and continue to engage in management that considers the future, that is, management that contributes to the realization of a sustainable society.

In order to achieve this, we will continue to deepen communication with all stakeholders and work toward the sustainable growth of the Company. I look forward to your continued understanding and support of the Company.

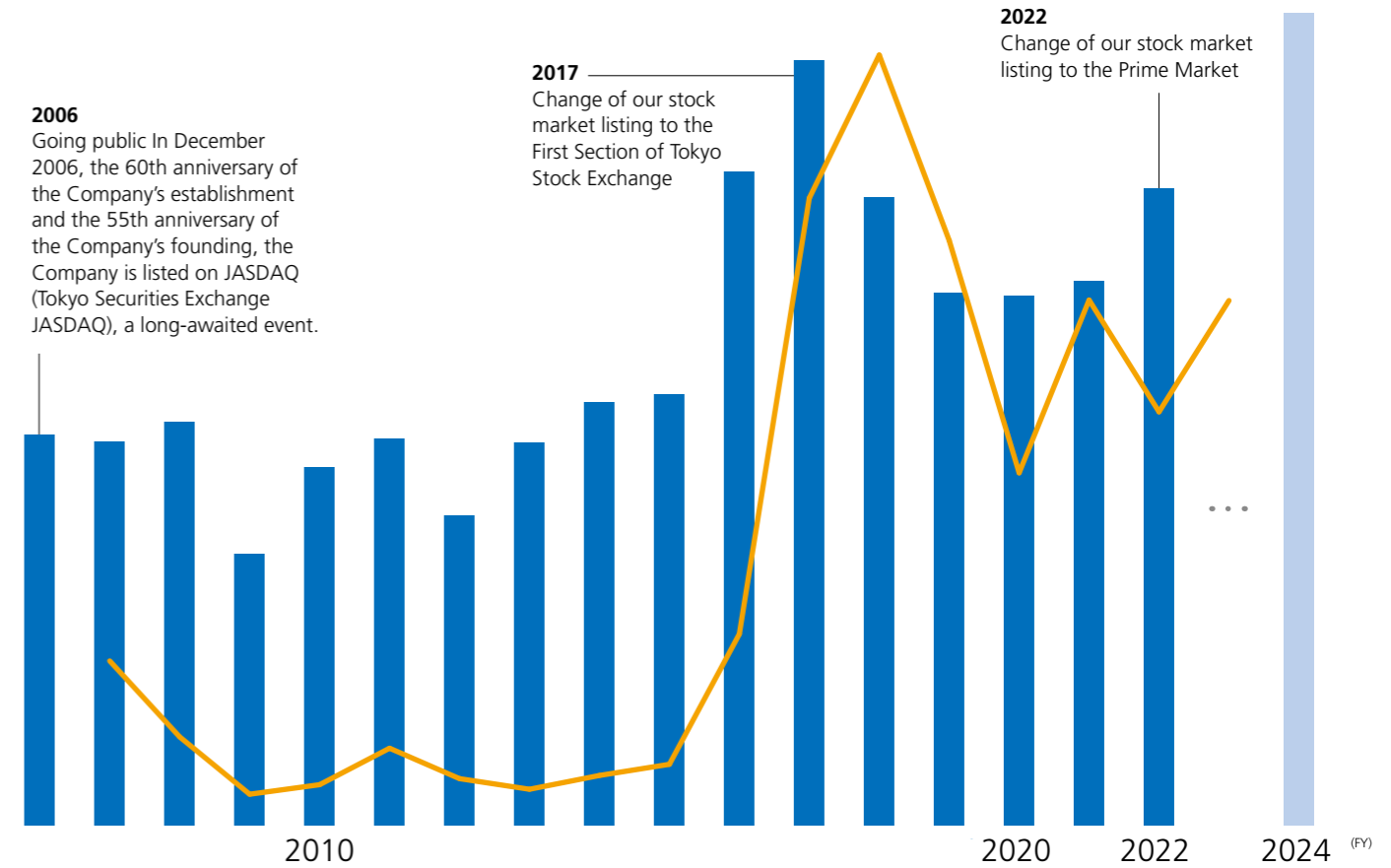
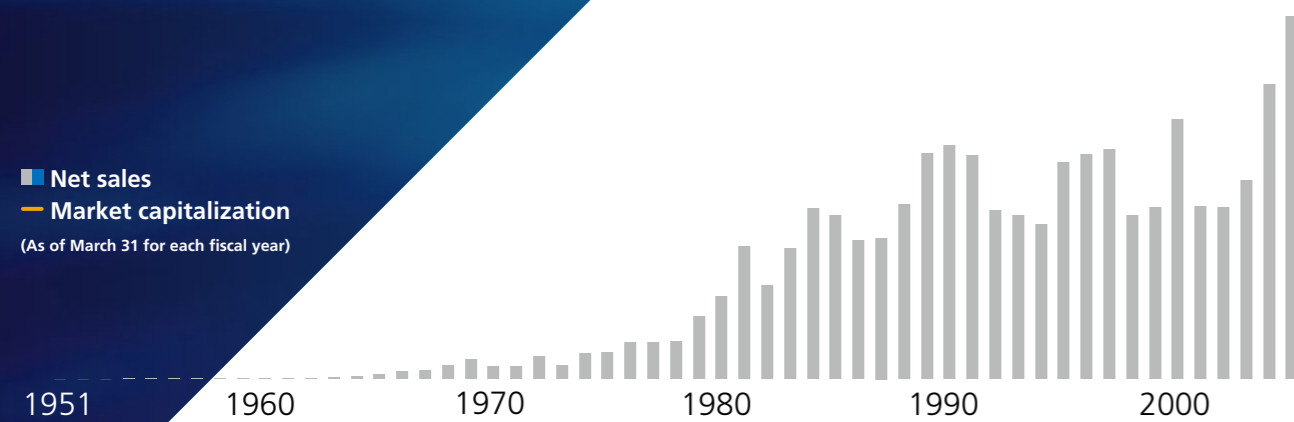
Yuichiro Hirata
Representative Director, President



We will deepen mutual communication with stakeholders around the world and aim to achieve sustainable growth by having all Group companies work together.

Value Creation Milestones

Manufacturing continues to evolve on a daily basis around the world. Hirata's job is to support manufacturing in various industrial fields.



Expansion of orders for production lines based on the concept "enhance people to double their capabilities" *1

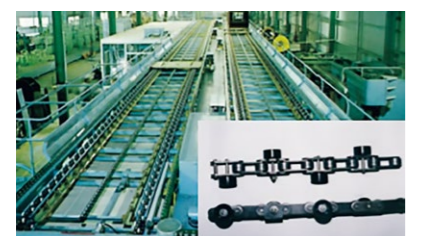
Manufacture and sale of industrial vehicles

Expansion of orders for production lines based on the concept "enhance people to double their capabilities" *1

Production system integrator mainly involved in the automotive, semiconductor, and home electronics fields

Anticipating future needs to gain a competitive edge

1951
Company Established as a Corporation
Hirata Sharyo Industrial Co., Ltd. was established in Kumamoto City, Kumamoto Prefecture, for the manufacture and sale of industrial vehicles. This increased orders for industrial vehicles, such as carts, and belt conveyors.



"MEP Chain" Conveyor
Adoption of operator-centric free flow system where products stop in front of operators

1974
Hirata Corporation Is Born
As the Company's business expanded with the increased utilization of automatic assembly machines for the home electronics industry and other industries, three affiliated companies, Taihei Conveyors, which mainly handled portable conveyors, Hirata Sharyo Industrial, and Hirata Industrial Commerce, which handled conveyors used in the manufacture of home electronics-related products, merged to form Hirata Corporation.



CRT manufacturing equipment

1980
Expansion of Overseas Bases
Began supplying assembly lines not only to home electronics manufacturers in Japan but also to major overseas home electronics manufacturers, and established our first overseas base in the United States to further develop sales channels. Afterward, we established affiliates in Europe, Southeast Asia, China, and other regions.



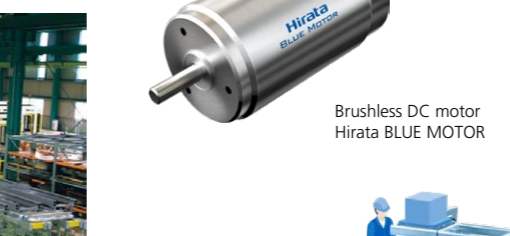
AR-K robot designed for use in clean rooms

1990
Company Receives High Praise from Overseas Automakers with Its ACS Concept
With the birth of the ACS concept, which responds to various demands by combining standards, the Company's reputation among foreign automakers began to grow in the mid-1990s. Evolution of automotive assembly lines is accelerated.



ACS concept engine assembly lines

2000
Expanding Business to Meet the Needs of the Times
Entered the flat panel display (FPD) market, anticipating a shrinking cathode-ray tube (CRT) TV market. We also entered the semiconductor-related equipment business and dealt with major overseas manufacturers. The Company moves to the world stage as a production system integrator.



Brushless DC motor
Hirata BLUE MOTOR

The present
Selecting and Focusing on Technologies for the Realization of a Sustainable Society
In response to the once-in-a-century change in the automotive industry and changing needs for the realization of a sustainable society, we will respond with reliable quality and technology. Using digital technology, we propose smart factories that are highly convenient and contribute to the environment. We will strengthen the development of products for which demand is expected to increase in the future, such as key devices related to electric vehicles (EVs).



Dual head wire bonder



Real-time operating status monitoring

*1 Hirata's coined phrase that expresses the idea of making the best use of people by having them do jobs with higher added value, instead of labor saving that reduces the number of people by automating equipment.



4-axis ARM-BASE SCARA*2 robot
*2 Selective Compliance Assembly Robot Arm (Horizontally articulated robot)

At a Glance

Beginning with the manufacture and sale of industrial vehicles, Hirata has developed into a production system integrator that meets the needs of a diverse range of fields, including automobiles, semiconductors, flat panel displays (FPDs), and home electronics, by realizing customers' requirements. We will utilize the technologies and know-how we have cultivated so far to pursue further technical innovation and support manufacturing around the world.

Consolidated Performance (FY2022)

Total assets

¥114,522 million

Net sales

¥78,443 million
(up 116.9% year-on-year)

Operating profit

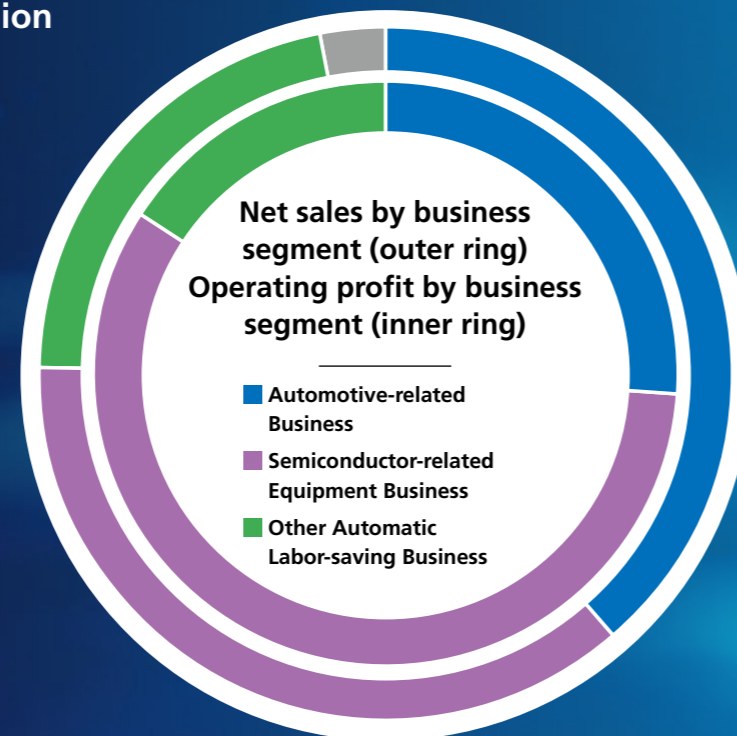
¥5,920 million
(up 153.5% year-on-year)

Number of Group companies
(as of March 31, 2023)
Consolidated subsidiaries:

12 companies

Number of consolidated employees
(As of March 31, 2023)

1,882



Automotive-related Business



Net sales **¥30,298** million
Operating profit **¥1,559** million

We comprehensively handle equipment for electric vehicles (EVs), engines, transmissions, and automotive component production. We provide optimized solutions by means of pre-verification utilizing digital technologies and comprehensive commissioning at our plants.

Semiconductor-related Equipment Business



Net sales **¥28,954** million
Operating profit **¥3,445** million

Manufacture and sale of load ports that load silicon wafers into various processing equipment, wafer transfer robots that can handle atmospheric and vacuum environments, aligners and equipment front-end modules (EFEMs) that integrate them, and vacuum platforms.

Other Automatic Labor-saving Business

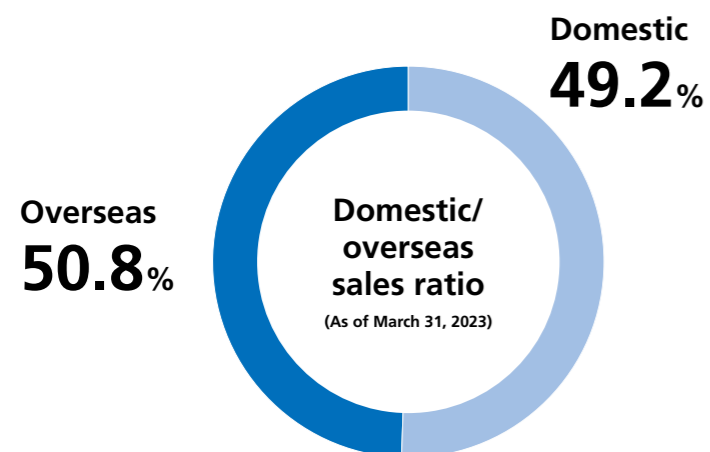


Net sales **¥16,952** million
Operating profit **¥930** million

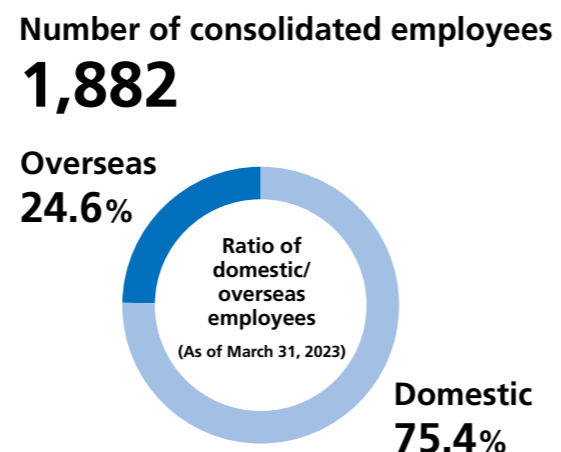
Manufacture and sale of automatic labor-saving equipment in the fields of medical and scientific equipment, home electronics, industrial robots, logistics (transport systems), and flat panel displays (FPDs). We also support single-item sales of factory automation (FA) equipment.

At a Glance

We support manufacturing around the world from Kumamoto, our home.



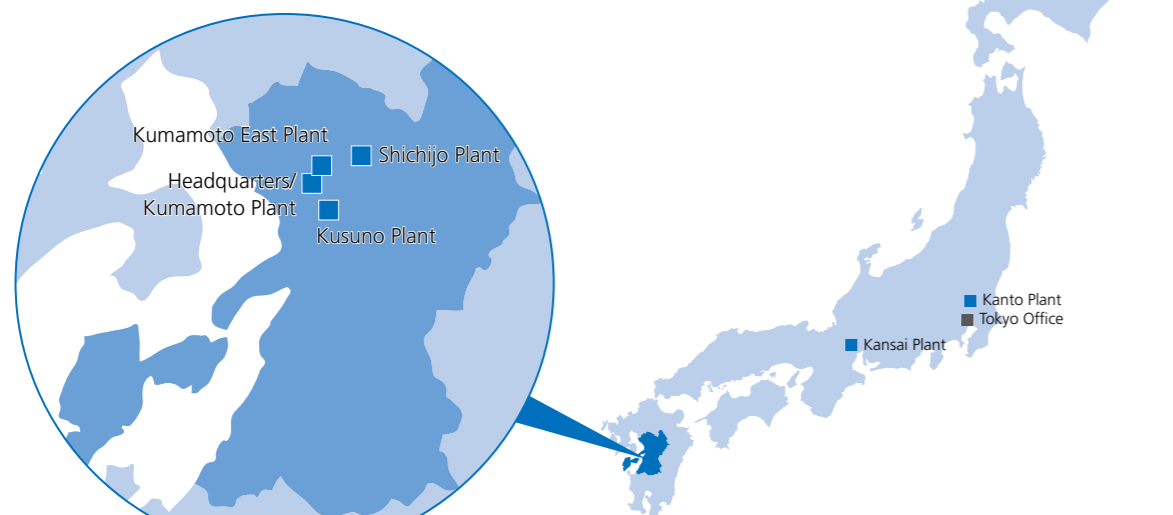
Note: Calculated according to where customers are based.
"Domestic" includes a portion of sales where the final destination of products is overseas.



Number of consolidated employees
1,882

Domestic Branches

With our headquarters located in Kumamoto, our domestic branches consist of the Kumamoto Plant, Kumamoto East Plant, Kanto Plant, Kansai Plant, Kusuno Plant, Shichijo Plant, and Tokyo Office (seven bases, six plants).



Domestic bases



- | | |
|--|----------------------------------|
| Headquarters/
Kumamoto Plant
Est. 1964 | Kumamoto East Plant
Est. 1988 |
| Kusuno Plant
Est. 1984 | Shichijo Plant
Est. 2008 |
| Kanto Plant
Est. 1968 | Kansai Plant
Est. 1981 |
| Tokyo Office
Est. 2016 | |

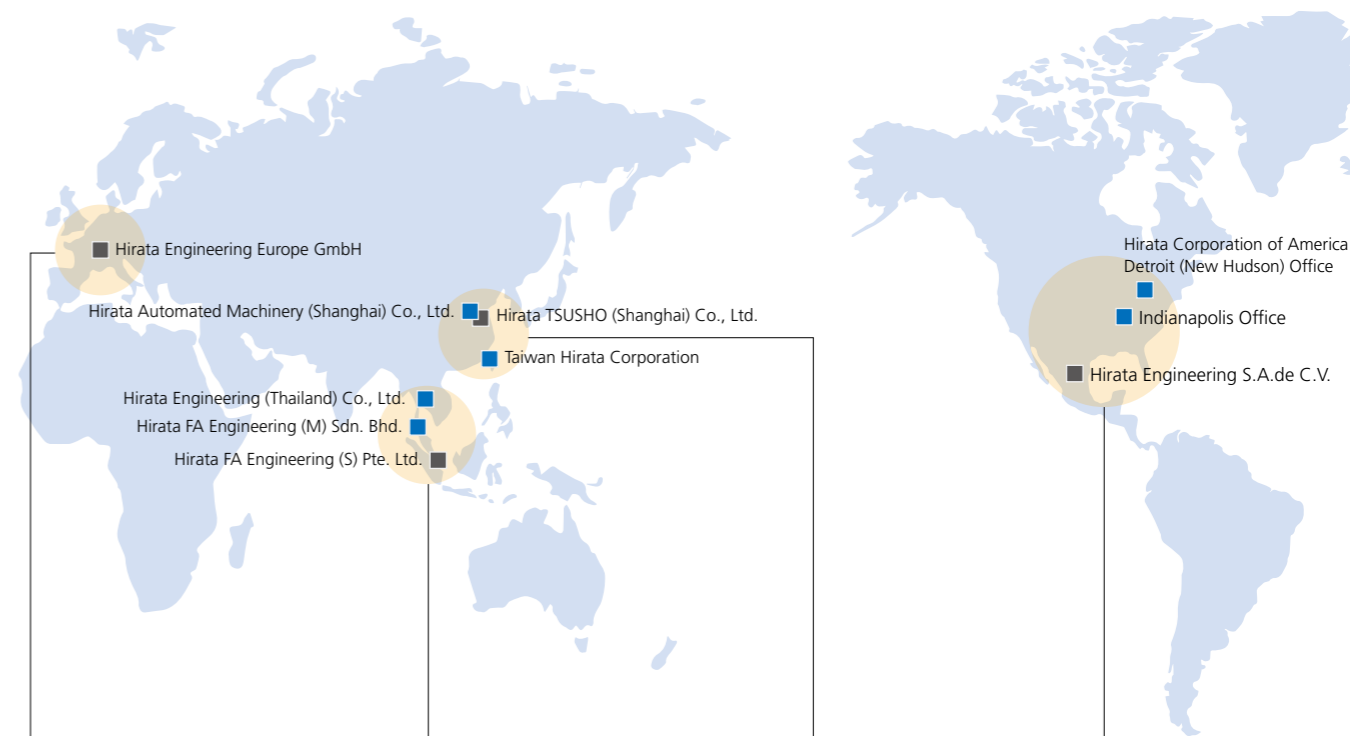
<https://www.hirata.co.jp/en/corporate/office>

Domestic affiliates

- Taihei Technos Co., Ltd.
Est. 1980
<http://www.taiheitechnos.co.jp> (Japanese only)
- Hirata Field Engineering Co., Ltd.
Est. 1999
<https://www.hirata-fe.com/en/https://hirata-fe.com>
- Trinity Inc.
Est. 1986
<https://www.3inc.jp> (Japanese only)

Overseas Affiliates

Hirata has nine overseas affiliates located in regions including North America, Europe, Southeast Asia, China, and Taiwan. The icons indicate the main businesses for each base.



Europe

Hirata Engineering Europe GmbH (Germany)
Est. 1993
<https://www.hirata.de>



Southeast Asia

Hirata FA Engineering (S) Pte. Ltd. (Singapore)
Est. 1991
<https://www.hirata.com.sg>



Hirata Engineering (Thailand) Co., Ltd. (Thailand)
Est. 2004
<https://www.smri.asia/en/hirata/>



Hirata FA Engineering (M) Sdn. Bhd. (Malaysia)
Est. 2012



China/Taiwan

Hirata Automated Machinery (Shanghai) Co., Ltd. (China)
Est. 2006
<https://www.hirata-cn.com/en/>



Hirata TSUSHO (Shanghai) Co., Ltd. (China)
Est. 1999
<http://www.hirata-hts.com>



Taiwan Hirata Corporation (Taiwan)
Est. 2006
<http://www.hirata.com.tw>



North America

Hirata Corporation of America (USA)
Est. 1980



Hirata Engineering S.A.de C.V. (Mexico)
Est. 2000



Hirata's Competitive Advantage

Engineering Capabilities, Manufacturing Capabilities, and Support Capabilities

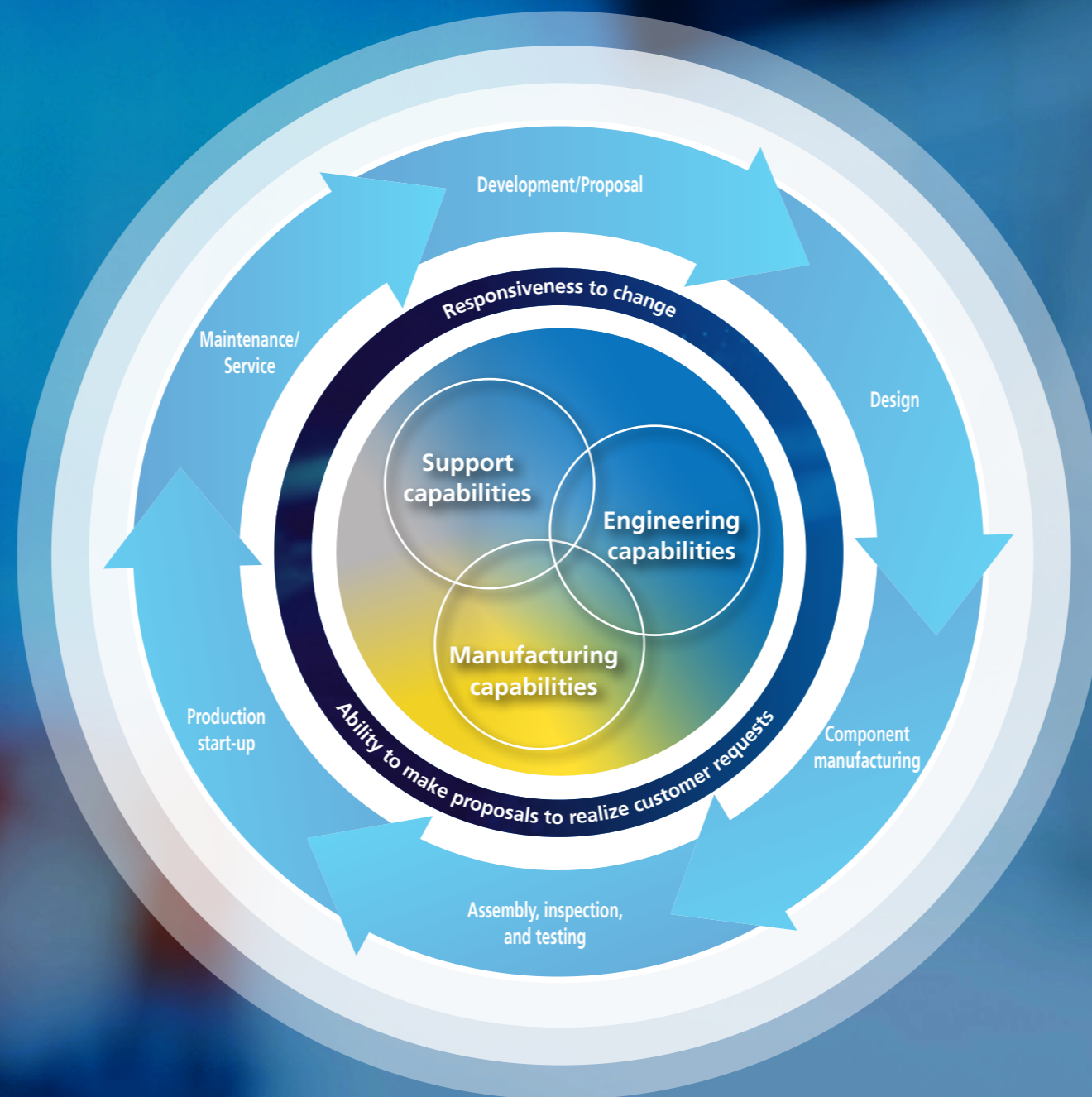
Hirata possesses engineering capabilities and manufacturing capabilities cultivated by responding to various customer requests. The strengths of the Group are created by the synergies of these two capabilities. We conduct concurrent engineering that leads to new ideas and efficiency improvement by having employees responsible for engineering and manufacturing functions share information and collaborate at a high level.

Because Hirata supports manufacturing sites around the world, we utilize the technology and know-how we have accumulated over the years to work on operation support, maintenance, and product updates. In this way, we have grown and expanded our business by grasping and responding to the changing needs of the times around the world.



Support capabilities

In supporting production sites, there are various practical issues, including labor practices, customs, and safety standards in each region. We face these issues in earnest and continue to provide optimal production systems and improve them every day based on experience and know-how. In addition, our global network, which includes nine overseas bases, provides reliable support for our customers.



Engineering capabilities

From the development stage and conceptual stage, maintaining a customer-oriented mindset is indispensable. Our experienced engineers, who have cultivated their unique proposal and design skills for each job, give shape to and realize customer needs.

The experiential knowledge of our engineers is accumulated in our organization. We can provide high-level solutions by actively incorporating the latest tools into this knowledge.



Manufacturing capabilities

Our manufacturing capabilities can be said to be manufacturing capabilities that reinforce our engineering capabilities. The integrated production that achieves both quality and speed through a sense of unity, which can be described as manufacturing versed in production sites and design versed in manufacturing, produces the greatest effect and leads to our competitive advantage. We are also actively working to improve the efficiency of our own production processes and to increase added value.

Hirata's Competitive Advantage

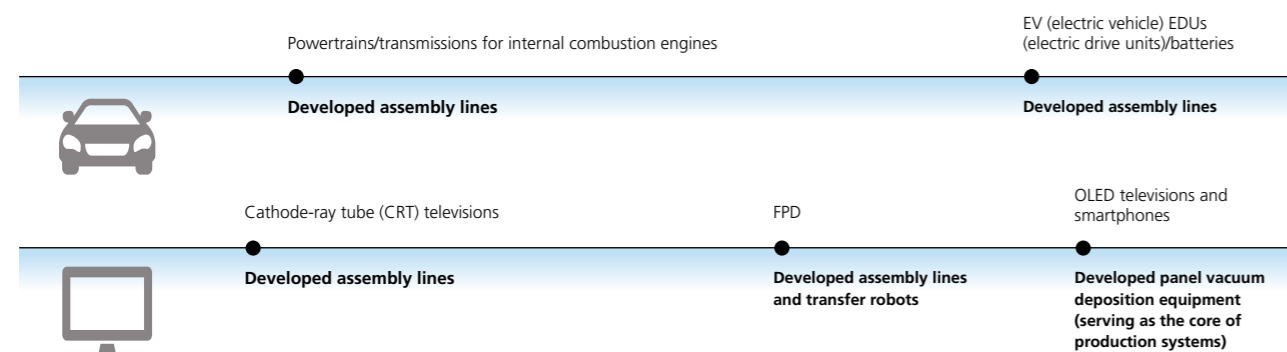
Demonstrating Our Three Capabilities in the Value Chain

Hirata has an integrated production system that includes development and proposal and design, component manufacturing, assembly and verification, production start-up, and maintenance and service. In this system, we work closely with customers from conceptual design to verification and maintenance to realize production systems with low total cost and high production efficiency. By sincerely addressing the needs of our customers and pursuing technical innovation, we respond to needs that change with the times.



Hirata's Production System Evolves in Response to the Changing Times

Since our founding, we have developed production equipment and systems that meet the needs of the times by fulfilling the needs of our customers at a high level and have enhanced our technological capabilities and ability to make proposals. The following are examples of Hirata's production facilities and systems that have evolved along with changes in manufacturing.



Hirata's Competitive Advantage Is Being Demonstrated in Each Business Field.

Hirata demonstrates its strengths in production systems in a wide range of fields, including automotive, semiconductor, medical and chemical equipment, and home electronics-related equipment.



Automotive-related Business

1. Wide-ranging lineup of EV equipment

We are able to develop new products that our customers demand with technology that extends our existing broad product lineup, contributing to the enhancement of our presence.

We are able to handle a wide range of processes, from IGBT, inverter, EDU, EV motor, and LiB to battery module- and pack-related processes. Although some processes are prone to price competition, we create added value by covering IGBT and LiB charging and discharging.

2. Robots and transport systems/equipment are manufactured in-house

We have expanded the range of proposal targets and offer comprehensive proposals for the transport section of the line that meet the customer's requirements, differentiating us from our competitors.

3. Electrification of equipment through our Eco Electric Series and motor development

This allows us to promote the environmental friendliness of our customers' manufacturing facilities.

4. Trusting relationships with Japanese auto parts manufacturers

Detailed communication between Hirata and Japanese auto parts manufacturer allows us to create prototypes of new products.

5. Global network consisting of nine companies overseas

Having a global network allows us to support the global expansion of our customers.



Semiconductor-related Equipment Business

1. Trustful relationships with customers

Through continuous communication, we gain an understanding of the needs and issues of our customers, allowing us to make appropriate proposals.

2. Wide-ranging lineup of related equipment

We accept bulk orders for transfer robots, load ports, openers, etc., increasing customer convenience.

3. Global network consisting of nine companies overseas

Having a global network allows us to support the global expansion of our customers.



Other Automatic Labor-saving Business

Medical and scientific equipment

In the market for automated equipment for medical applications, it is close to being an oligopoly market since we have few competitors in Japan. In addition, we are very different in that we can propose production systems that include robots. We provide after-sales services such as maintenance services offered through Hirata Field Engineering Co., Ltd.

Industrial robots

While there are many other companies specializing in robotics, we can propose incorporating robots into production systems.

How We Will Further Enhance Our Strengths in the Future

As society keeps changing rapidly, it is expected that the Company will play an increasingly important role in advancing customer requests and realizing a sustainable society. We will further enhance our engineering capabilities, manufacturing capabilities, and support capabilities to meet the expectations of society and enhance our competitiveness. Under the Medium-Term Management Plan (FY2022–FY2024), we will aim to further grow our business and strengthen our competitiveness by expanding our business in growth businesses, improving customer value through the use of digital technologies, and strengthening our structure as a global company.

Value Creation Process

Mission Statement: We courageously pursue technical innovation while contributing to the betterment of humankind, development of individuals, and enhancement of the Company's capabilities.

Input

Capital (as of March 31, 2023)

Financial capital

Consolidated net assets

¥59,575 million

Manufacturing capital

Production bases

(spaces that can realize entire production lines)

15 plants (in nine countries/regions)

Sales bases (global)

28 (in nine countries/regions)

Human capital

Number of employees

(excluding temporary employees)

1,882

(Non-consolidated: 1,054;
consolidated subsidiaries: 828)

Intellectual capital

Number of registered patents

603

Production system construction know-how

Social capital

Strong relationships of trust with customers

Natural capital*

Energy usage

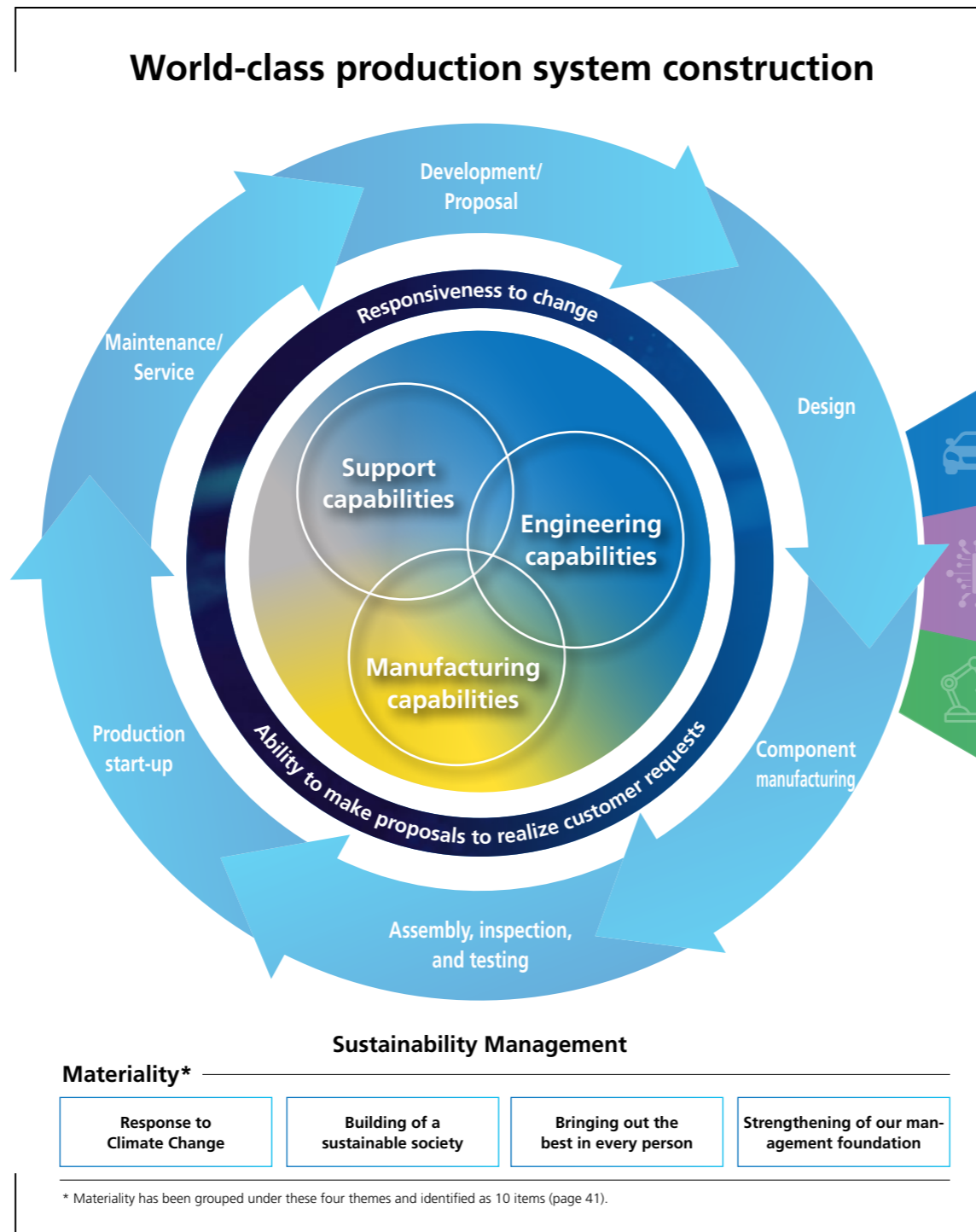
3,952 kl

Water usage

34,510 m³

* Hirata Corporation only (fiscal 2022 data)

Business Model



Output

Value for stakeholders

Customers

Improved safety, productivity, convenience, and comfort

Reduced environmental impact

Employees

Self-realization through growth

Safe and secure work environments

Suppliers

Stable trading

Opportunities for business expansion into new areas

Shareholders/Investors

Stable shareholder returns

Local communities

Tax payments, co-prosperity with local communities

Global environment

Saving of energy and resources
Reduction of GHG emissions

Value for Hirata (FY2022 performance)

Economic value

Net sales

¥78.443 billion

Operating profit

¥5.92 billion

ROE

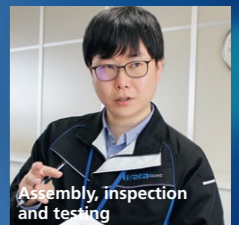
7.5%

Intellectual capital

Accumulation of technology and know-how

Social capital

Trustful relationships with customers and partner companies



Our Vision

人技貢献

Jin-Gi-Kou-Ken

To make **everyone** involved in Hirata **content** and **contribute** to society by means of **technology**



Medium-Term Management Plan (FY2022–FY2024)

Positioning of the Medium-Term Management Plan (FY2022–FY2024)

In formulating the current Medium-Term Management Plan, we reviewed our Mission Statement and Management Philosophy, which constitute our founding spirit, and arrived at the idea that the duty of our Group is “To make everyone involved in Hirata content and contribute to society by means of technology” (*Jin-Gi-Kou-Ken*).



Management Targets

Under the current Medium-Term Management Plan, we set the management targets shown on the right. In fiscal 2022, net sales amounted to ¥78,443 million, operating profit was ¥5,920 million the operating profit ratio was 7.5%, ROE was 7.5%, and ROIC was 7.1%, surpassing cost of capital (WACC), which was 5.5%.

	FY2022 Results	FY2023 Forecast*	FY2024 Plan
Net sales	¥78.4 billion	¥90 billion	¥100 billion
Operating profit	¥5.9 billion	¥5.4 billion	¥10 billion
Operating profit ratio	7.5%	6.0%	10.0%
ROE	7.5%	–	11.0%

*As of November 2023

Basic Policies and Measures

Based on our *Jin-Gi-Kou-Ken* concept, we have established four basic policies and measures to resolve social issues through our business activities over the medium term. To strengthen our profitability, we will engage in:

Basic Policy 1 Business expansion in growth markets

Basic Policy 2 Strengthening competitiveness as a global company

To strengthen our management foundation, we will engage in:

Basic Policy 3 Strengthening of ESG management initiatives

Basic Policy 4 Realization of management in line with the new-normal era

Basic Policy 1

Business expansion in growth markets

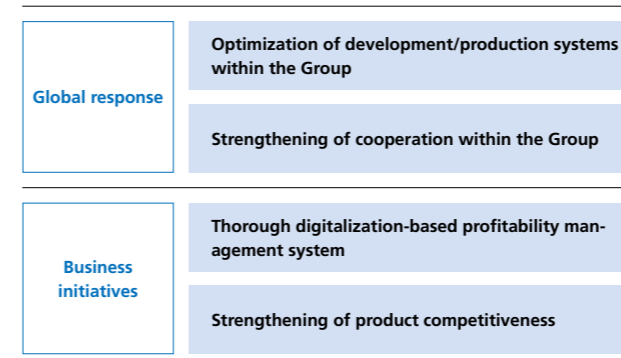
Existing businesses are defined as businesses that respond to growth markets driven by social issues such as reduction of environmental impact and digitalization and other businesses.

In particular, we will focus our resources on the two growth markets of electric vehicles (EVs) and semiconductors and pursue efficiency improvements in other businesses, such as FPDs and home electronics as continuing operations.

In addition, we will position the biological genetic resource business (mainly plant genetic resources) as a business that will present new challenges and will strive to build an internal structure with a view to commercialization.

Basic Policy 2

Strengthening competitiveness as a global company

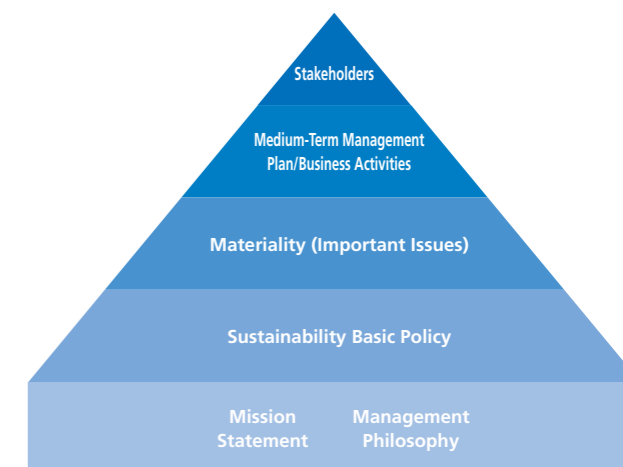


Basic Policy 3

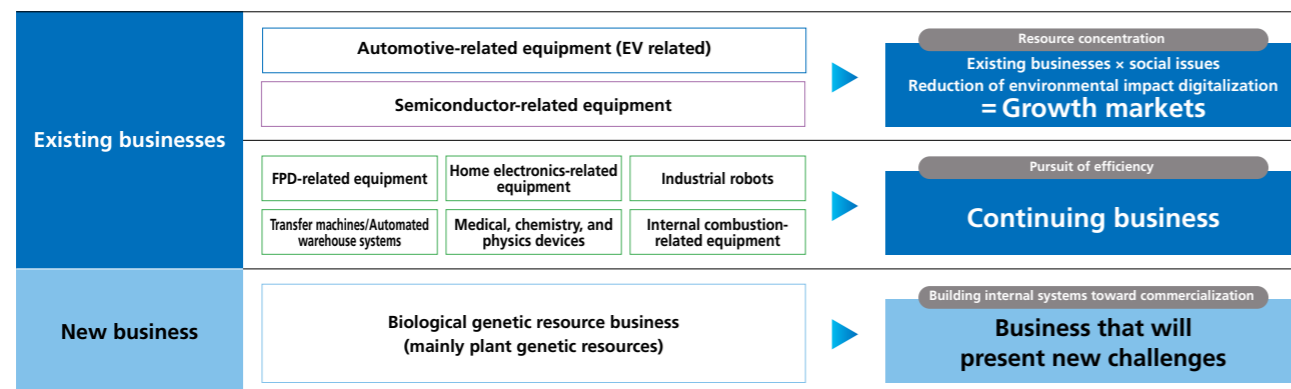
Strengthening of ESG management initiatives

To achieve both business growth and the resolution of social issues as well as to improve corporate value, we formulated the Sustainability Basic Policy, identified materiality, and organized the relationship between our philosophy system and corporate value. During the time frame of the current Medium-Term Management Plan, we will formulate a specific road map, such as setting targets for each materiality.

▶ Please refer to page 38 for details on sustainability management.



Positioning of Medium-Term Management Period for Each Business



Individual Business Measures in Growth Markets

EV-related equipment business

Strengthening of the battery field

- (1) Selection of specialized processes
- (2) Development and improvement of key devices
- (3) Strengthening of product appeal through standardization
- (4) Clarification of target customers
- (5) Active collaboration with outside companies that does not limit us to in-house resources
- (6) Review of human resource allocations

Semiconductor-related equipment business

Realization of optimal production system

- (1) Clarification of target areas
- (2) Introduction of new production control system
- (3) Increased production capacity
Increased number of manufacturing staff
Expansion of production area
- (4) Efforts to adopt EFEM standardization

Basic Policy 4

Realization of management in line with the new-normal era

We will expand the value provided to customers and society by promoting digitalization for business. This will include CADVR, which imports existing 3D design data as it is and allows users to hold remote meetings while confirming equipment in the VR space, the use of emulators that virtually verify the CAD data of development systems and industrial programs, and IoT, whereby we are aiming to digitize, quantify, and visualize every manufacturing process so that plants can be operated continuously for 24 hours.



Basic Policy 1

Business Expansion in Growth Markets

We will position EVs (electric vehicles) and semiconductors, which are driven by social issues, as growth businesses and concentrate our resources on these areas. At the same time, we will seek to improve efficiency in continuing operations in FPD, home electronics, and other businesses by identifying areas where profitability is expected.

Automotive-related Business—Acquisition of Orders for New EV-Related Processes

Strengthening of product appeal through selection of specialized processes and standardization

We specialize in EDU assembly lines for EVs, IGBT module assembly lines, and inverter assembly lines with a proven track record while promoting efforts for standardizing entire lines and customer development. In the battery field, which is a key area of focus, we are promoting the standardization of entire lines with proven battery module manufacturing processes, battery pack manufacturing processes, and charging and discharging systems. Furthermore, we are working on development and measures to enter the battery cell manufacturing process field, a new area for the Company, and are accumulating know-how.

Development and improvement of key devices

We have completed four of the five tasks set forth in the Medium-Term Management Plan (Improvement of Automated Warehouses, Dual Head Wire Bonding Machines, AGV Improvements, and Plant Simulation (Software)).

Semiconductor-related Equipment Business

Keep up with technological innovation

We are promoting activities to develop equipment that is compatible with the miniaturization of semiconductors.

Enhance production capacity

In order to shorten the lead time to delivery, we will work to improve production capacity and ensure the stable procurement of parts and materials through cooperation with suppliers and promotion of digitalization.

Establish a Group production system for the Semiconductor-related Equipment Business

We are also focusing on building a cooperative system with our overseas affiliates and are strengthening cooperation in other regions, such as Southeast Asia and North America, in addition to existing affiliates in China and Taiwan.

In order to improve our ability to respond to changes in the external environment, we plan to review and formulate the functions and strategies of our overseas bases.

Improve production capacity

As orders grow, we are also addressing production-related issues such as factory space and human resource shortages.

• Oct. 2023 Kansai Plant (Yasu City, Shiga Prefecture) goes into full-scale operation

In October 2023, we completed the renovation of the Kansai Plant, which has been carried out in stages since 2021, and launched it into full-scale operation. A new 2,800 m² assembly building and engineering center have been added to improve productivity.

• April 2024 Operations scheduled to start at the Shichijo Plant (Kikuchi City, Kumamoto Prefecture)

The Shichijo Plant is scheduled to start operations in April 2024 ahead of the initial schedule (operations were scheduled to start in June 2024.).

Other Automatic Labor-saving Business

Focusing on areas where profitability is expected

We conduct development and production while identifying areas with high added value and high profitability potential, such as conveyor equipment and medical and scientific equipment.

In the field of medical and scientific equipment, in collaboration with SONIRE Therapeutics Inc., we are jointly developing a high-intensity focused ultrasound cancer treatment device for clinical trials for patients with unresectable pancreatic cancer and have started human clinical trials. In the future, we will promote the development of equipment for mass production.

To create new businesses and expand business domains, we are working to verify business possibilities and establish a research and development system.

With regard to M&A and collaboration, we are actively gathering and examining information and are promoting initiatives such as partial collaboration.

Basic Policy 2

Strengthening Competitiveness as a Global Company

We will strengthen our competitiveness in growth markets as a group by promoting collaboration with Group companies in Japan and overseas and with partner companies. In addition, we will work to thoroughly manage profitability using digital technology.

Global Response

Optimization of development/production systems within the Group

We will reorganize the business portfolios of each site and invest management resources in areas where high added value and mass production are expected. Currently, we are conducting training for local employees in order to build a production system for semiconductor-related equipment at our China base. Also, we dispatch sales representatives from domestic branches mainly to East and Southeast Asia to share know-how on sales activities and order-taking activities at exhibitions and other events.

Strengthening of cooperation within the Group

Until now, collaboration between each Group company has been centered on business and sales, but in order to generate further synergies as a group, we will strengthen collaboration from the perspective of governance. We are reviewing policies and formulating plans for strengthening global governance, including those of overseas-related companies, and discussing the positioning and functions of each overseas affiliate within the Group.

Topic

Expansion of System for Collaboration with Overseas Affiliates

The trend toward glocalization* is gaining momentum, with an increasing number of customers, particularly Japanese automotive-related customers, requesting local procurement for capital investment at their overseas plants. Under such circumstances, we recognize that strengthening our global response capabilities is an initiative that will lead to the strengthening of our competitiveness in the market. We aim to strengthen the global response capabilities of the Hirata Group and provide an environment where customers can use equipment with greater peace of mind by conducting activities that meet the requirements of customers for local procurement and establishing a prompt support system for problems after delivery.

* The flow of economic activities rooted in local culture while considering things on a global scale

Business Initiatives

Thorough digitalization-based profitability management system

To strengthen the profitability management system for each project using digital technology, we are promoting front-loading activities that put a load on the initial design stage and advance work ahead of schedule. During the planning phase, departments work together across the board to ensure they are aware of scheduling, workload, procurement planning, and cost control and to clarify the level of development difficulty and the risk of technical problems. In addition, collaboration tools and 3D emulators can be utilized to improve the efficiency of information sharing and enable early verification. Through these initiatives, we aim to curb unnecessary costs, shorten delivery times, improve quality, and reduce projects with low profitability.

Strengthening of product competitiveness

In order to strengthen our competitiveness as a global company, we recognize that it is important to be able to respond to changes in the market, and we are advancing various initiatives from the perspectives of costs, delivery times, production capacity, quality, flexibility, and other factors.

We strive to differentiate ourselves by working closely with our customers to solve their problems, repeatedly developing and improving our products and making unique proposals. Furthermore, by promoting initiatives for collaboration with partner companies and making effective use of external resources, we aim to supplement the shortage of technology and production capacity and increase the value we provide to customers.

Topic

Establishment of Profit-oriented Behaviors

As stated in our Management Philosophy with the words "Hirata Makes Its Customers Successful," we are working on ensuring quality and meeting delivery deadlines for customers as top priorities. On the other hand, in terms of costs, although we have been focusing on cost reduction activities, there were issues with the awareness of profitability for each project. In order to secure stable profit margins for individual projects, we will strengthen and improve profitability management processes and risk management systems for individual projects. By preventing delays in drawing output and an increase in the rate of revision, we will reduce unnecessary costs, such as increases in design costs. By doing so, we aim to improve the profit margin of the Company as a whole.

Basic Policy 4 Realization of Management in Line with the New-Normal Era

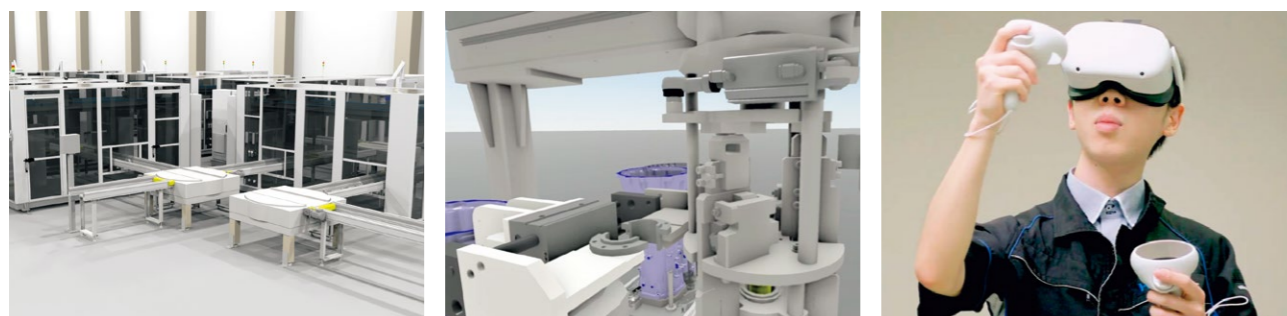
Looking ahead to the next era, we will promote value chain transformation using digital technology, aiming to expand the value we provide to our customers and other stakeholders, and create new value.



Promoting Value Chain Reform through the Use of Emulators

By collaborating with Rockwell Automation and introducing the company's Emulate3D engineering software, we are advancing operational improvements focusing on designers through virtual commissioning. It is effective for shortening the waiting time for problems such as insufficient debugging time due to delays in the previous process and interference problems caused by the actual

machine. Specifically, in the value chain process centered on design work, program debugging can be performed before assembly and electrical work are completed, enabling a significant reduction in the debugging period for actual equipment. Currently, we are expanding the application business fields and increasing the number of usage results.



Improving Customer Value

Design reviews using VR (in the engineering and design phases)

Previously, design reviews were conducted in 2D, but by reproducing the equipment on the metaverse using VR and exchanging opinions while grasping the actual size and distance, it is possible to uncover the potential needs of the customer's equipment and reduce the waste of rework and modification during the actual equipment observation.

3D simulation (in the design and commissioning phases)

For equipment that is difficult to see the internal structure from the outside, by using an emulator after design, creating a video that reproduces the actual movement in 3D, and using it for meetings with customers, it becomes easier to understand the structure and check for defects.

Virtual commissioning




Through virtual commissioning, faults with equipment can be detected before checking actual operation during the field installation. It prevents problems at the site and reduces the inspection process by 40%. It contributes to the early start-up of the customer's plant by shortening the work time.

Comments from employees of the department that promotes digital engineering

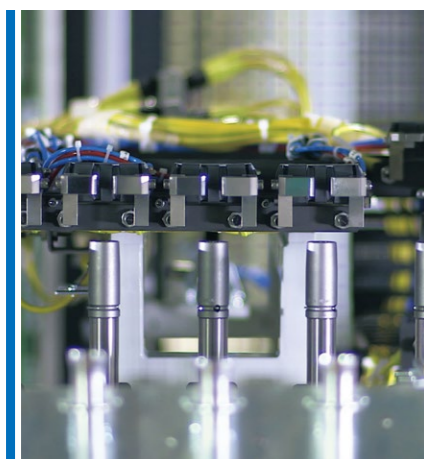
It has been about four years since we started working as members of the Digital Engineering Promotion Division, and we are pleased that the results of our efforts are beginning to be visible both internally and externally. Currently, in parallel with the improvement of QCD in the existing value chain, we are also providing consulting services related to value chain reform of production equipment using Emulate3D according to the customer's wishes. Value chain reform through digital technology is an important theme for the manufacturing industry, and the Hirata Group aims to lead the industry.



Business Segment Strategies

-  Automotive-related Business
-  Semiconductor-related Equipment Business
-  Other Automatic Labor-saving Business

Business Segment Strategies



Automotive-related Business

Including EV-related systems, the primary components of power transmissions and drive trains, electronic equipment such as computers to control them, sensors and other in-vehicle electronic components, and the air compressors used in air-conditioning, we provide support for a wide range of production systems. Completely handling a large number of devices and items of equipment at the Company, we run comprehensive in-house tests to ensure their correct operation before delivering them to our customers' factories. Hirata's standard designs and solutions improve ease of maintenance for the end user. In addition, digital twin technologies are used to design and develop production lines more efficiently.

Strengths

- (1) Integrated systems, from development to production and maintenance
- (2) Engineering capabilities that enable us to fulfill customer requirements
- (3) Vast plants where entire production lines can be verified
- (4) Trust and continuous transactions from customers
- (5) Broad product lineup

Weaknesses

- (1) Profitability management and profitability in new development projects
- (2) Development capabilities for our unique key devices and standard equipment
- (3) Competitiveness in specific regional markets

Opportunities

- (1) Expansion of market for products that address environmental issues
- (2) Local production for local consumption (strengthening of local procurement at each manufacturing company)
- (3) Advancement of digitalization for business
- (4) Cooperation on overseas expansion with domestic companies

Threats

- (1) Changes in market environment due to tightening of environmental regulations
- (2) Decrease in number of parts and in demand for production systems due to shift to EVs
- (3) Rise of Chinese companies
- (4) Exchange rate fluctuations

Business Environment

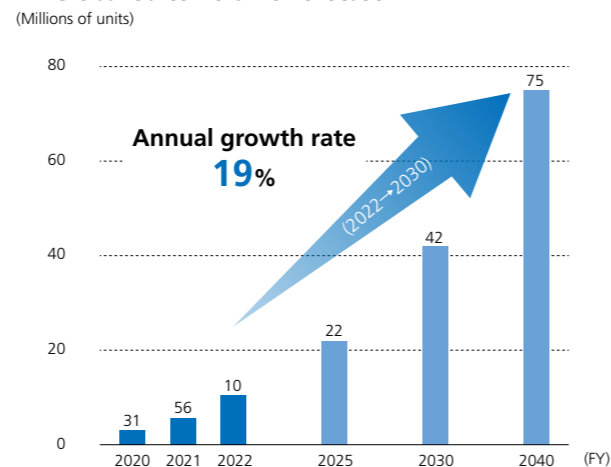
Industry Outlook

The long-term expansion of the EV market represents a future trend that can be regarded with certainty. To help curb global temperature rises, governments around the world and auto industry leaders have pledged to increase the market penetration of EVs, the sales of which are expected to reach 42 million units annually in fiscal 2030.

Major Business Partners

Our major business partners include General Motors and Ford Motor Company in North America, Stellantis N.V. in Europe, Toyota Motor Corporation, Honda Motor Co., Ltd., and DENSO Corporation in Japan, as well as start-up EV manufacturers.

EV Global Sales Volume Forecast



Source: BloombergNEF

Fiscal 2022 Results

Both orders and sales of EVs have remained strong due to continued strong capital investment in EVs against the backdrop of global efforts aimed at carbon neutrality.

	FY2022 Results	FY2024 Targets
Net sales (millions of yen)	30,298	40,000
Operating profit (millions of yen)	1,559	2,000
Operating profit ratio	5.1%	5%

Topic

Orders for Large Projects

1. Order for large-scale EV-related facility project (July 2022)

- Two electric drive unit (EDU) assembly lines for EVs were ordered with an order value exceeding ¥10 billion
- Part of this expected to contribute to the results from fiscal 2023 onward

2. Order for large-scale EV equipment project from an emerging North American manufacturer (November 2022)

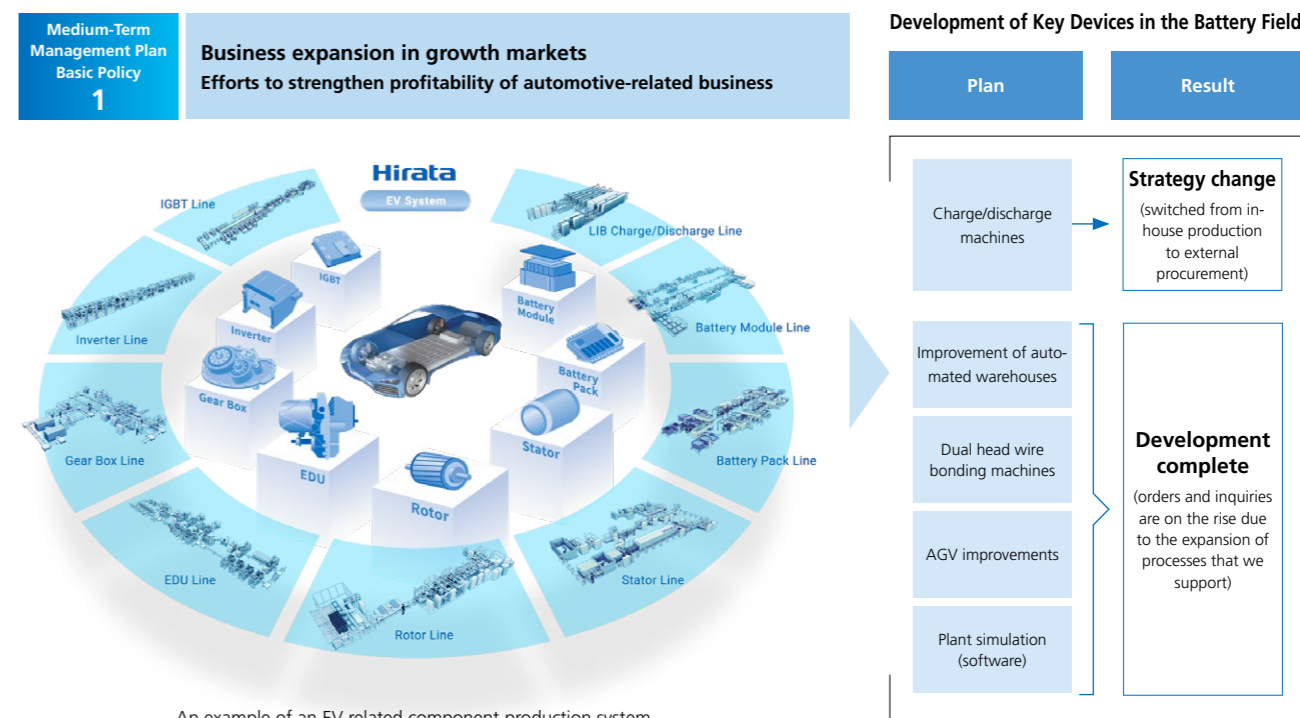
- EDU assembly lines for EVs and other equipment were ordered with an order value exceeding ¥7.5 billion
- Part of this expected to contribute to the results from fiscal 2023 onward

Business Strategies

In addition to EDU assembly lines for EVs, IGBT module assembly lines, and inverter assembly lines, we are focusing on standardizing entire lines and customer development. In addition to these existing businesses, we are working to acquire and expand orders for new processes. In the battery field, which is a key area of focus, in addition to standardizing entire lines in the existing battery module manufacturing process and charge and discharge systems (within the cell manufacturing process), we are working on development and trial production to enter the cell manufacturing field and accumulate know-how. In regard to the development and improvement of key devices, we have

completed four of the five tasks set forth in the Medium-Term Management Plan (Improvement of Automated Warehouses, Dual Head Wire Bonding Machines, AGV Improvements, and Plant Simulation (Software)). Regarding the development of charging and discharging equipment, we have changed our strategy from in-house production to external procurement.

As orders grow, we are also addressing production-related issues such as factory space and human resource shortages and are working to develop and receive orders for mass production projects that will lead to continuation and expansion.



Business Segment Strategies

Existing fields	Significant progress was made in standardizing entire lines and developing customers: EDU assembly lines for EVs, IGBT module assembly lines, inverter assembly lines, gear-box assembly lines, rotor assembly lines, and stator assembly lines.
Prior investment/New fields	We have already begun development and prototyping for standardization of entire lines and entry into the cell manufacturing field for the following: battery module and battery-pack manufacturing process and charging and discharging systems (in cell manufacturing processes).
Development of key devices	Four of the five development themes set forth in the Medium-Term Management Plan have been completed (1) Chargers/Dischargers, (2) Improvement of Automated Warehouses, (3) Dual Head Wire Bonding Machines (Hard wiring devices with two heads), (4) AGV Improvement, and (5) Plant Simulation (Software) Charging and discharging machine manufacturing was switched from in-house production to external procurement.

Business Strategies by Region

North America

Since the establishment of a North American Group company in 1980, we recognize that our long-standing track record and reliability have been highly evaluated. While major automakers are investing heavily in EVs, high-performance ICE (internal combustion engines) sales are expected to continue as the infrastructure for the full-scale development of EVs has not yet been established. Hirata will strengthen its competitiveness in both markets by strengthening relationships with customers and promoting standardization of equipment.

Europe

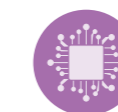
In Europe, demand for EVs is expanding against the backdrop of demand-boosting measures by governments in various countries. However, the market is highly competitive, and we will promote the creation of a system that can reliably conduct sales and maintenance without pursuing order scale.

China

EVs are a market with solid demand due to China's national policies, such as "Made in China 2025" and "Strong Manufacturing Country 2030." We have also built up a track record from the wave of local procurement by Japanese companies. By promoting the acquisition of design technology for EVs, regarding which we are ahead of the competition in Japan, we will expand opportunities for orders in China.

Southeast Asia

We recognize that, at this point in time, EV-related investments have yet to begin in earnest, and that the resulting major wave of local production opportunities has yet to present itself. We will, however, make preparations for a smooth transition to the production systems in which Japan and other countries are taking the lead.



Semiconductor-related Equipment Business

We develop, manufacture, and sell components such as openers for various storage containers used for wafer transfer in semiconductor manufacturing processes, atmospheric and vacuum robots, and aligners. In addition, we are focusing on system products that apply these technologies. For semiconductor manufacturing equipment manufacturers, we provide EFEMs* optimized for each equipment type in the form of OEM and ODM, and for semiconductor manufacturers (foundries), we offer EFEMs and sorters under our brand name. We are also responding to innovations in semiconductor manufacturing technology (miniaturization and 3D miniaturization). In addition to the development, manufacture, and sale of various components and system products (EFEMs) used for the transportation of PLPs, we also offer N₂ EFEMs to transport wafers in N₂ (nitrogen) environments to curb the adverse effect that the atmosphere has on wafers.

* Equipment front-end modules

<p>Strengths</p> <ul style="list-style-type: none"> (1) Extensive line-up of wafer transfer components (2) Provide lineup of components for PLP substrate transfer (3) Lineup of system products that combine various components (4) Knowledge and technology necessary for customization and optimization of components and system products 	<p>Weaknesses</p> <ul style="list-style-type: none"> (1) Delays in strengthening overseas production bases (cost competitiveness) and in responding to local production for local consumption trend (2) Strengthening of sales structure in European and U.S. markets (3) Profitability of parts sales and after-sales service business (4) Strengthening the lineup of our own-brand system products
<p>Opportunities</p> <ul style="list-style-type: none"> (1) Further growth of semiconductor market (2) Innovation in semiconductor manufacturing technology (3) Acceleration of electrification due to stricter environmental regulations (4) Local production for local consumption (5) Trends toward vertical set-up and standardization of facilities for fabrications by end users (6) Establishment, revisions, and addition of SEMI industry association standards 	<p>Threats</p> <ul style="list-style-type: none"> (1) Soaring material prices and longer delivery times stemming from growing demand and conflicts (2) Rise of emerging market companies and start-ups (3) Innovation in semiconductor manufacturing technology (4) Economic friction, sanctions, and disputes (5) Market exclusion due to legal regulations and economic policies (6) Establishment, revisions, and additions of SEMI industry association standards

Business Environment

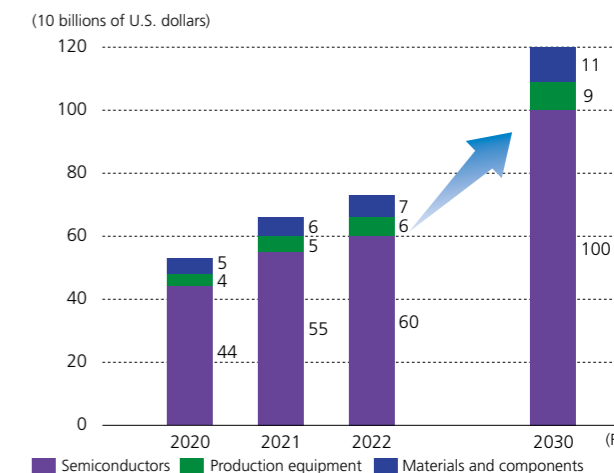
Industry Outlook

Demand for semiconductors, which can be said to be the core product of digitalization, is increasing year by year. Also, in societies that are aiming to be carbon neutral by 2050, electrification is gaining pace, and the importance of semiconductors, including their automotive applications, is increasing. Against the backdrop of governments around the world that are considering the introduction and expansion of policies to actively support investment in their semiconductor industries, semiconductor manufacturers in each country are also planning record-high levels of capital investment. The semiconductor market is expected to reach the equivalent of approximately ¥100 trillion in 2030, and the semiconductor manufacturing equipment field is expected to grow accordingly.

Major Business Partners

Our major business partners include Tokyo Electron Limited, DISCO Inc., Advantest Corporation, ULVAC, Inc., and Ebara Corporation.

Forecast of Global Semiconductor-related Equipment Market Size



Source: Based on all kinds of data, including from the Japan Electronics and Information Technology Industries Association (JEITA) and Ministry of Economy, Trade and Industry (METI) (composition ratio of semiconductors, production equipment, and materials and components assumed to remain the same until 2030, based on the METI's Strategy for Semiconductors and the Digital Industry Summary June 2021.)

Business Segment Strategies

Fiscal 2022 Results

Despite a slowdown in the semiconductor market, we secured a high level of orders and sales in the fiscal year under review, backed by a backlog of orders from the previous fiscal year and capital investment demand in the legacy (older generation) semiconductor sector.

	FY2022 Results	FY2024 Targets
Net sales (millions of yen)	28,954	40,000
Operating profit (millions of yen)	3,445	6,000
Operating profit ratio	11.9%	15%

Business Strategies

We are promoting activities to develop equipment that is compatible with the miniaturization of semiconductors. We recognize that shortening the lead time until delivery is also an issue, and we will work to improve production capacity and availability of parts and materials through cooperation with suppliers and promotion of digitalization.

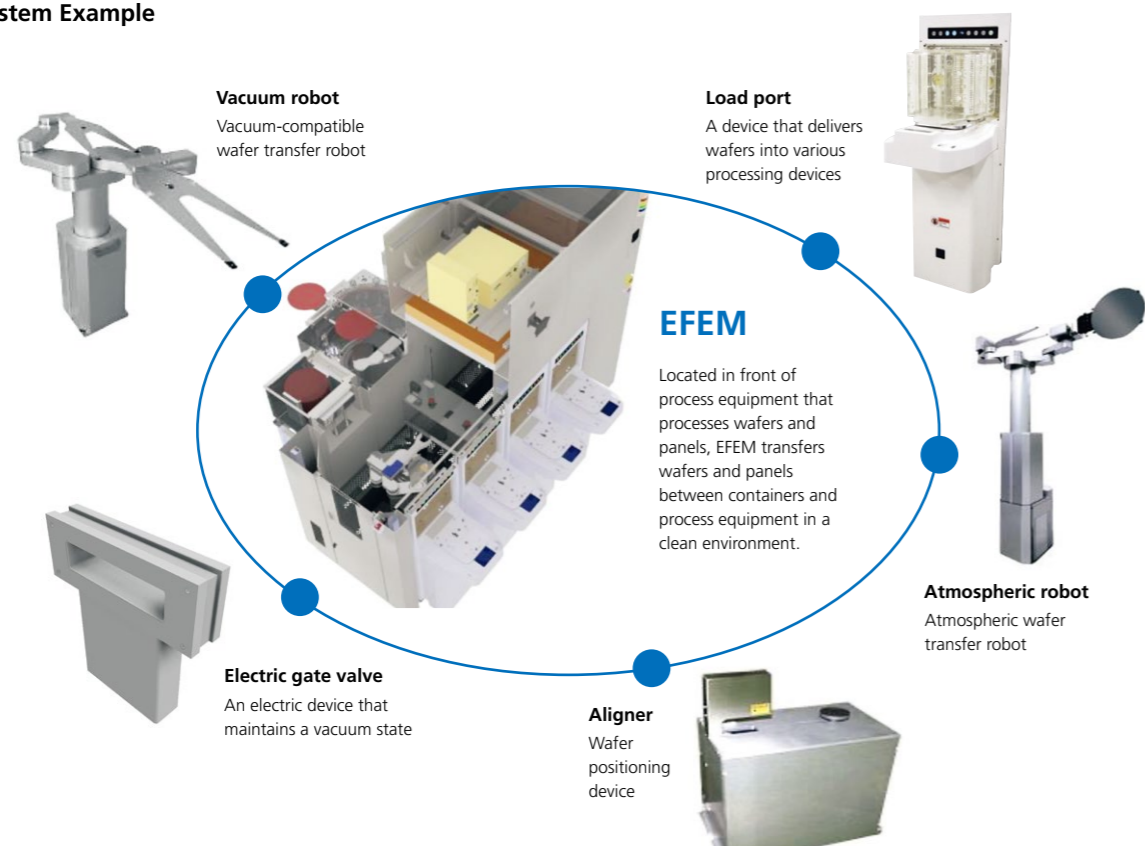
We are also focusing on building a cooperative system with our overseas affiliates and are strengthening cooperation in other regions, such as Southeast Asia and North America, in addition to China and Taiwan.

In response to changes in the external environment, we plan to review and formulate strategies and functions at overseas bases.

Medium-Term Management Plan Basic Policy 1

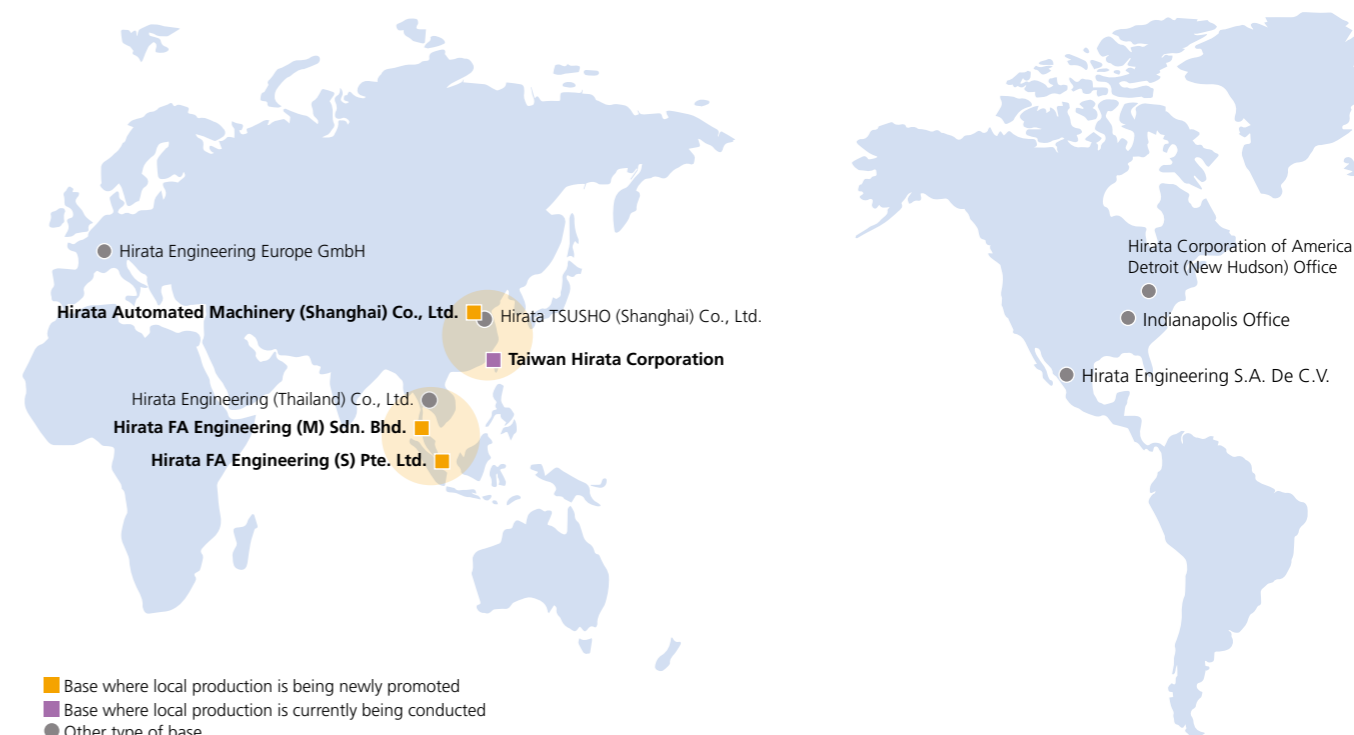
Business expansion in growth markets
Efforts to strengthen profitability of semiconductor-related equipment business and bolster efforts to adopt EFEM Standardization

System Example



Promotion of Local Production

In addition to Taiwan, we have established a system that enables production and sales in China (Shanghai) and Southeast Asia (Malaysia and Singapore) and are promoting local procurement of components.



Production efficiency	Strengthen cooperation with suppliers to reduce the risk of delays in component delivery and improve productivity
Development of next-generation equipment	Development of semiconductor transport equipment responding to the miniaturization of semiconductors has already begun

Business Strategies by Region

North America

We have an ongoing business relationship with a specific semiconductor manufacturer in the United States and will continue to maintain a system that enables us to realize local sales and maintenance while cooperating with our manufacturing bases in Japan.

China

The investment environment for semiconductors has been improving due to China's national policies, such as "Made in China 2025" and "Strong Manufacturing Country 2030." We will focus on providing technical education for employees so that we can expand the manufacturing of wafer transfer equipment in China, which is ahead of other companies in Japan and Taiwan.

Europe

Orders for openers and other products have been strong thanks to the expansion of investments by local manufacturers in the semiconductor market. While focusing on standard products, we will promote the creation of a system that enables us to realize local sales and maintenance.

Southeast Asia

In Singapore and Malaysia, as semiconductor fab investments have been announced one after another, we will promote sales of wafer transfer equipment, recognizing that these regions are expected to grow in sales in the future.

Business Segment Strategies



Other Automatic Labor-saving Business

Having started out as a manufacturer of transport equipment that supplied carts, the Company commenced the manufacture of conveyors, which formed the catalyst for our current business, after its establishment in 1951 and then underwent a transformation into a robotics and production systems business. Having pursued technological innovation with the desire to allow people to devote themselves to creative work that only people can do, and having not limited ourselves to the automotive and semiconductor industries, we provide labor-saving equipment to customers in a variety of fields. In formulating the Medium-Term Management Plan (FY2022–FY2024), we reviewed our business segments and classified them into three businesses: Automotive-related, semiconductor-related equipment, and other automatic labor-saving equipment. In the latter, we manufacture and sell production equipment for a variety of fields, such as flat panel displays (FPDs), home electronics, and medical and scientific devices.

	FY2022 Results	FY2024 Targets
Net sales (millions of yen)	16,952	20,000
Operating profit (millions of yen)	930	2,000
Operating profit ratio	5.5%	10%

Individual Segments

Medical, Chemistry, and Physics Devices

We are developing and manufacturing robot systems and medical devices that contribute to the automation of laboratory testing.

We are promoting product development with the goal of fully automating pathological examinations. Engaging in the development of equipment for medical use, with regard to cancer treatment equipment, we are working together with our customers to develop medical devices that comply with laws and safety standards for the purpose of obtaining pharmaceutical approvals.



AT5 (cell observation device)



EZ-PATH FLOAT (pathological tissue specimen preparation device)

Topics

High-intensity Focused Ultrasound Device for Cancer Treatment

Fusion of ultrasound technology and robotic technology

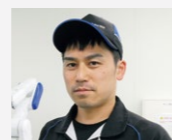
In January 2021, we started joint development of a high-intensity focused ultrasound device for cancer treatment with SONIRE Therapeutics Inc. (hereinafter "SONIRE"). In order to take advantage of the new treatment method developed by SONIRE called microbubble-enhanced HIFU (high-intensity focused ultrasound) treatment, we have developed a safe medical robot that can accurately follow the control inputs performed by the doctor.

Head section containing an ultrasonic transducer



Comment

It was important to create a system and structure that would not delay the production of specifications, verification records, and design documents without omissions during development. Since it is necessary to move the heavy head section of the unit to the affected area, we devised a function that allows medical professionals to operate the head section directly and easily. We are committed to realizing functions that are easier to use and safer, and we would like to use our technology to treat as many people as possible.



Mr. Inoue
#1 Equipment Business Division



Mr. Shimizu
Robot Division

Home Electronics

By effectively combining the technologies that are at the Company's disposal, such as transfer, robot, clean room, and precision assembly technologies, we provide global support for parts and final assembly of home electronics

that are continuing to evolve. These include mobile devices such as smartphones and tablets, high-quality displays, and high-performance vacuum cleaners.

Industrial Robots

Industrial robots represent our core technology. We have standard robot controllers, with which multiple types of robots can be operated in a same environment. It is also possible to operate a robot from a host device such as a programmable logic controller (PLC) or PC without using a robot language, reducing the burden on system designers and shortening the time required to set up the equipment. Selling multiple types of robots articulated along orthogonal, horizontal, and vertical axes, we provide products that match the processes of a wide range of production systems.

Putting functional safety at the forefront, we are working on the development and improvement of industrial and medical robots.

Targeting production systems in the electric vehicle (EV) and semiconductor fields, which are expected to see further growth in the years to come, we will make more improvements in terms of safety, performance, functionality, and operability and strive to broaden the reach and improve the performance of our equipment.

Distribution (Transfer Systems)

For a variety of industrial fields, we offer highly versatile and customized automated warehouses and storage stockers with no restrictions, manufacturing and selling products

tailor-made for the products and factory environments of our customers.

FPDs

Due to the high image quality and high-speed response features of organic EL displays, demand for their use is increasing not only in mobile phones but also in devices with large screens. To improve productivity, there is demand to shift the substrate size from G6 to G8, which is currently the mainstream, and equipment development

is progressing, but as the equipment has become larger, many technical issues have arisen. With our technological strength and production capacity for large FPD production systems that we have cultivated so far, the Group will work to acquire markets.

Topic

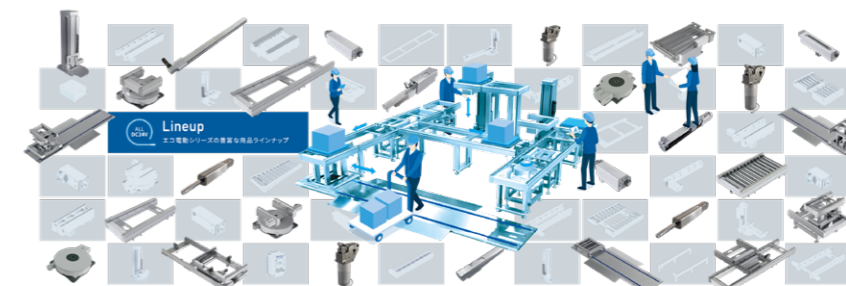
Eco Electric Series—Contributing to Sustainable Manufacturing

The brushless DC motor developed in-house enables labor-saving and compactness of conveying equipment.

Hirata's eco-friendly conveyance system for sustainable manufacturing

- Built-in compact, high-efficiency brushless DC motor developed in-house for the Eco electric series
- Activates only through 24 VDC ON/OFF operation. Does not require a drive panel or controller

Hirata
BLUE MOTOR



▶ For more information, please visit the Eco Electric Series website.
<https://hirata-ecoele.com/en>

Financial/Capital Strategies

Summary of Fiscal 2022 and Recognition of Environment

The Group receives orders for production equipment from manufacturers of products in a wide range of fields, such as electric vehicles (EVs) and other Automotive-related Businesses, semiconductors, and other automatic labor-saving equipment. Therefore, due to changes in the economic conditions in Japan and overseas, changes in the lifecycles of customer products and other factors, fluctuations in capital investment by business partners may affect performance.

The Medium-Term Management Plan (FY2022–FY2024) has been positioned as a three-year period in which to expand business in growth markets while generating profit from existing businesses and solidifying our management base. We have adopted numerical targets of ¥100 billion in

net sales, ¥10 billion in operating profit, a 10% operating profit ratio, and ROE of 11% for fiscal 2024. To improve capital efficiency, we will work to secure ROIC that exceeds the weighted average cost of capital (WACC). In fiscal 2022, we achieved net sales of ¥78.443 billion, operating profit of ¥5.92 billion, an operating profit ratio of 7.5%, and ROE of 7.5%. In addition, we secured ROIC of 7.1%, exceeding cost of capital (WACC) of 5.5%.

We will continue to focus on profitability indicators such as operating profit ratio, ROE, and ROIC and allocate resources to expand business in growth markets while solidifying our management base, leading to long-term growth.

Basic Financial Policy

A major issue for the period of the current Medium-Term Management Plan is to strengthen profitability in growth markets such as EVs and semiconductors. As customers' capital investment in EVs and semiconductors is booming, we will strengthen process control and manage the profitability of projects more thoroughly than ever before in response to an increase in production load, as well as develop a system to further strengthen our financial base.

Specifically, we will promote front-loading such as cooperation between departments at the inquiry and sales stages, resource management, 3D design, and preliminary verification utilizing an emulator. Through these measures, we will curb the occurrence of extraordinary expenses and improve the efficiency of assets such as accounts receivable and inventories.

In terms of the strengthening of our finances, we will continue working to reduce interest-bearing debt, reduce interest costs, and hedge risks through forward exchange contracts and other measures, as we have been doing, while maintaining a disciplined D/E ratio level based on fluctuations in performance.

The cash conversion cycle (CCC) worsened year-on-year due to an increase in length of the trade receivable turnover period, an increase in length of the inventory asset turnover period due to longer delivery dates for parts, and a decrease in length of the trade payable turnover period due to changes in payment policies.

In addition to setting and increasing advance payments for large projects and long-term projects, we will continue to negotiate with customers for the early collection of trade receivables, improve procurement lead times, and reduce inventories.

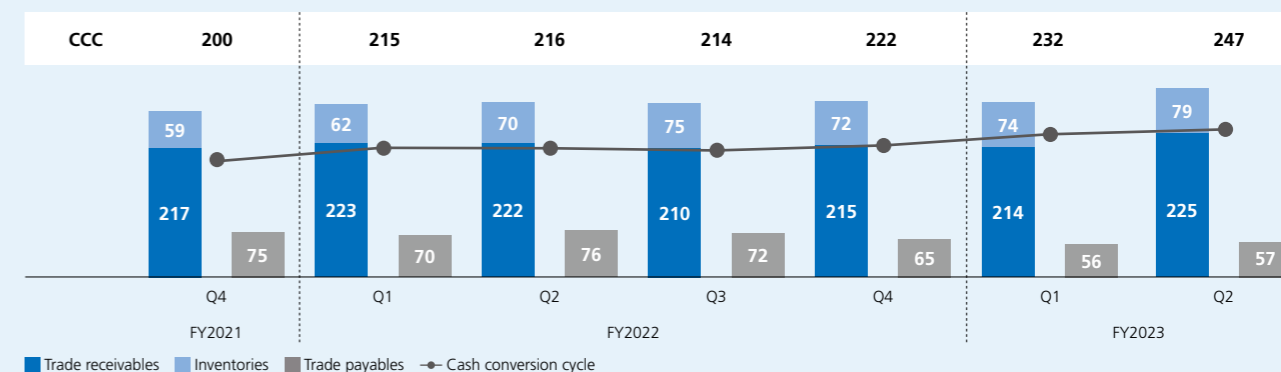
Progress of Medium-Term Management Plan Management Index Targets

(Unit: 100 million yen)

	Segment	Final-Year Target of the Medium-Term Management Plan (FY2024)		First-Year Result (FY2022)	Second-Year Forecast (FY2023)	State of Progress		
Net sales	Automotive-related equipment	400		302	380	○: Increase in orders		
	Semiconductor-related equipment	400		289	310	△: Improving production efficiency is an issue		
	Other automatic labor-saving equipment, etc.	200		191	210	○: Continued investment despite declining FPD business		
	Total	1,000		784	900	△: Expanding production capacity is an issue		
Operating profit (Operating profit ratio)	Automotive-related equipment	20	(5%)	15.5	(5.1%)	-*	-*	○: EV profitability improvement
	Semiconductor-related equipment	60	(15%)	34.4	(11.9%)	-*	-*	△: Passing on the cost of high component prices is an issue
	Other automatic labor-saving equipment, etc.	20	(10%)	9.1	(4.7%)	-*	-*	△: Profitability worsened due to specific products
	Total	100	(10%)	59.2	(7.5%)	54.0	(6.0%)	△: Improving profit margins in each segment is an issue
* Forecast for operating profit by segment for the fiscal year ending March 31, 2024 has not been disclosed ended.								
Cumulative capital investment (% increase (decrease))	Investment to strengthen production/development capacity	60		21.6 (36.0%)	57.8 (96.3%)	○: Responding to an increase in orders received in the automotive and semiconductor fields		
	Investment in biological genetic resources (mainly plant genetic resources) R&D	40		0.8 (2.0%)	14.5 (36.2%)	△: Delay in equipment arrangements due to the impact of COVID-19		
	IT system-related investment	10		4.6 (46.0%)	6.0 (60.0%)	○: Implemented major update of core systems		
	Total	110		27.0 (24.5%)	78.3 (71.1%)	○: Ensuring IT system-related investment during the fiscal year under review is an issue		

Cash Conversion Cycle

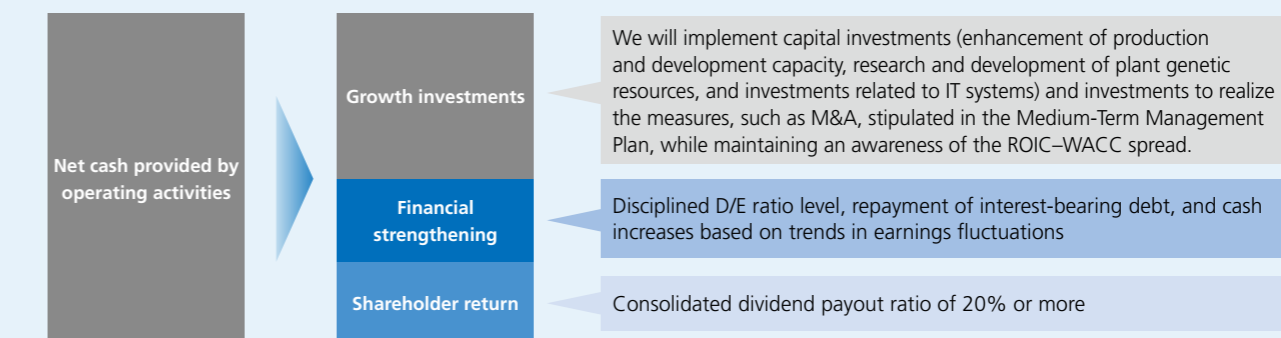
(Days)



Financial Strategy in Current Medium-Term Management Plan (Cash Allocation Concept)

While effectively investing generated operating cash flows as growth capital for capital investment and M&A, targeting existing businesses and businesses in which future expansion is expected, we will also work to strengthen our finances by repaying interest-bearing debt and increasing cash on hand.

Distribution of Net Cash Provided by Operating Activities

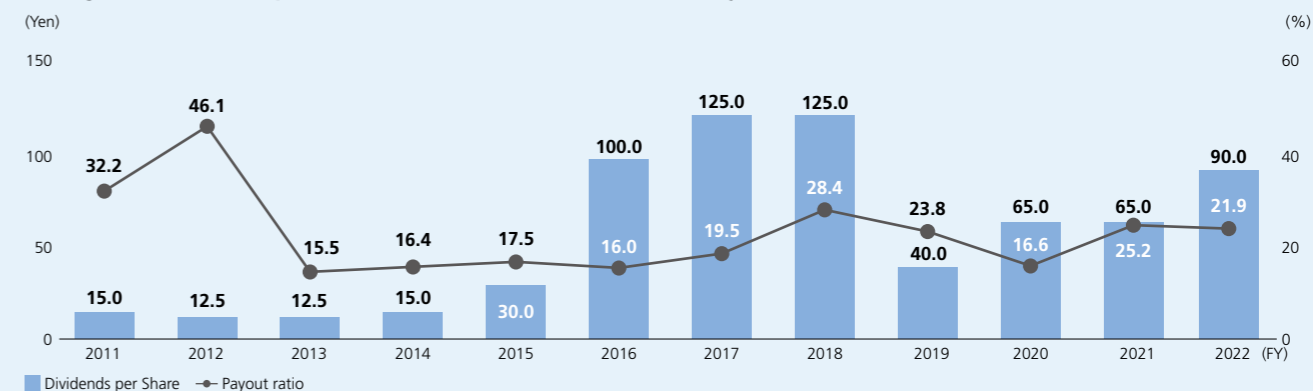


Shareholder Return Policy

The Group considers the return of profits to shareholders to be one of the most important management issues. While working to strengthen our financial position, as a general guideline, we are aiming to maintain a consolidated payout ratio of 20% or more, while taking into consideration consolidated performance and future business development, and striving to achieve returns in a stable and continuous manner.

In FY2022, the consolidated dividend payout ratio was 21.9%, and dividends per share came to ¥90. Going forward, we will discuss shareholder return policies while paying close attention to various changes, such as feedback from shareholders and investors with regard to shareholder returns and the business environment, without being bound by a conventional shareholder return policy.

Changes in Dividends per Share and Consolidated Dividend Payout Ratio



Special feature Taking On the Biological Genetic Resource Business (Mainly Plant Genetic Resources)

For more than 70 years since our founding, we have grown and expanded our business by proposing a manufacturing style that responds to customer needs that change with the times. In order for the Company to achieve sustainable growth amid ever-increasing changes in society, we believe that it is necessary to value traditional business practices, more flexibly grasp the needs of society, and actively take on the challenge of new businesses.

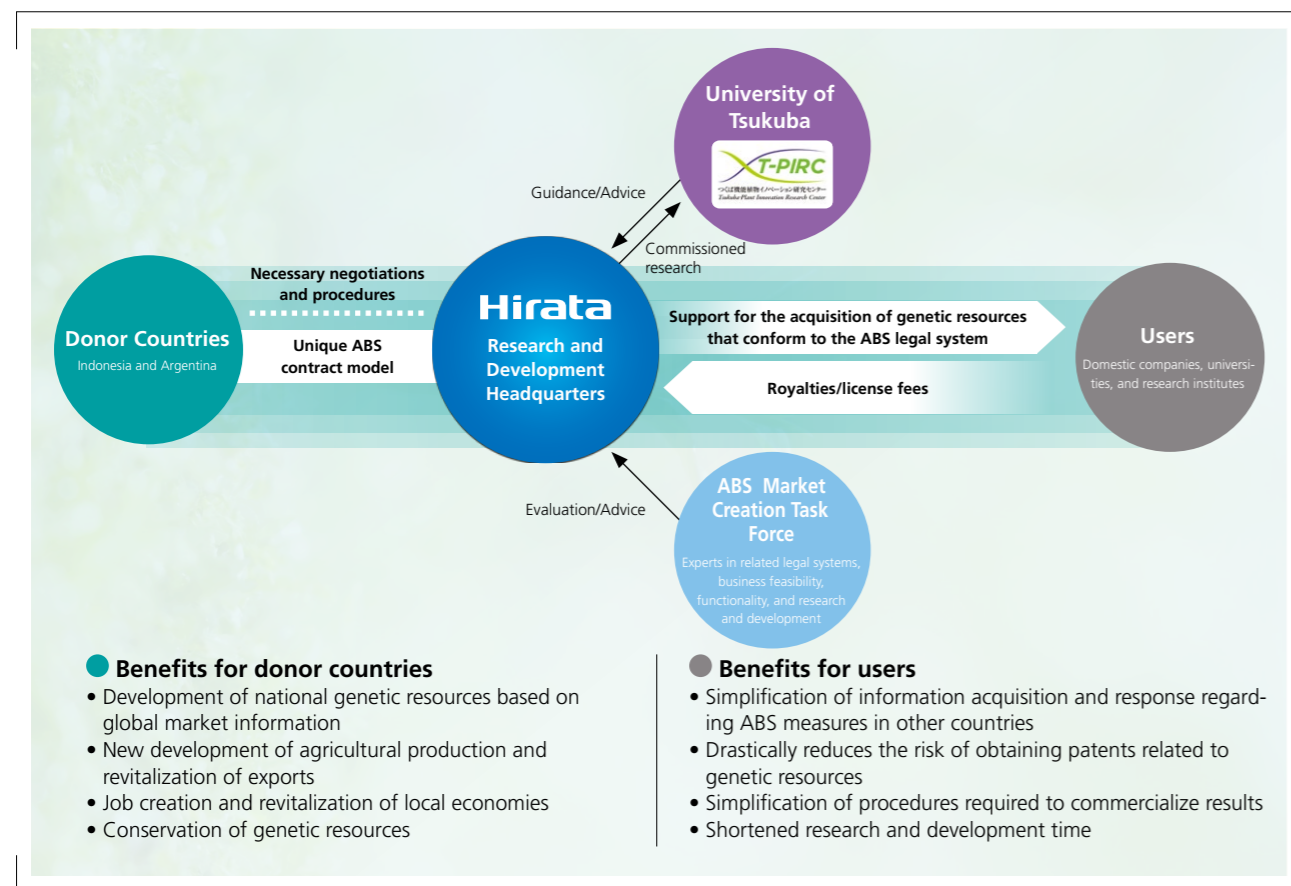
During new business development, we consider businesses irrespective of manufacturing framework on the condition that we anticipate the needs of society and contribute to society. The biological genetic resources business (mainly plant genetic resources) has been positioned in the current Medium-Term Management Plan that calls on us to take on new challenges. Although we are starting from scratch in a completely new field, we will broaden our perspective as a company and aim for sustainable growth.

Genetic resources are materials derived from plants, animals, and microorganisms or materials that have functional units of heredity with real or potential value. When using genetic resources derived from foreign countries for research purposes, ABS (access and benefit sharing) procedures are required to distribute profits generated from the use of genetic resources a fair and equitable manner, and any acquisition or use that does not comply with the laws and regulations of the donor country can be a serious risk to the researcher and to Japanese science as a whole. However, since there are many

problems related to ABS procedures, it is a major barrier to research on the utilization of genetic resources.

To address these issues, we are currently focusing mainly on plant-based genetic resources, which is a pioneering and rare business condition, even in Japan. By securing comprehensive acquisition permits for undiscovered and underutilized genetic resources, we can significantly reduce associated risks for domestic companies, universities, and research institutions.

Note: References definitions from the Convention on Biological Diversity



We are working on commercialization of biological genetic resource research while receiving objective evaluations, advice, and support from the ABS Market Creation Task Force, which consists of external experts, and the University of Tsukuba. We have already developed several projects for the sustainable use of plant-based genetic resources in Indonesia and Argentina. The fair and equitable distribution of benefits arising from the use of genetic resources

between the donor country and the user, while ensuring appropriate access to unused resources, is mutually beneficial. Furthermore, this initiative provides the Company with the hidden potential benefits of new business development and participation in new fields.

► For more information, please visit the website below.
https://www.hirata.co.jp/en/r_and_d/efforts

Hirata's Sustainability

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Sustainability Management

The Hirata Group emphasizes both business growth and the resolution of social issues while bringing about improvements in corporate value.

Emphasis on three types of value to improve corporate value

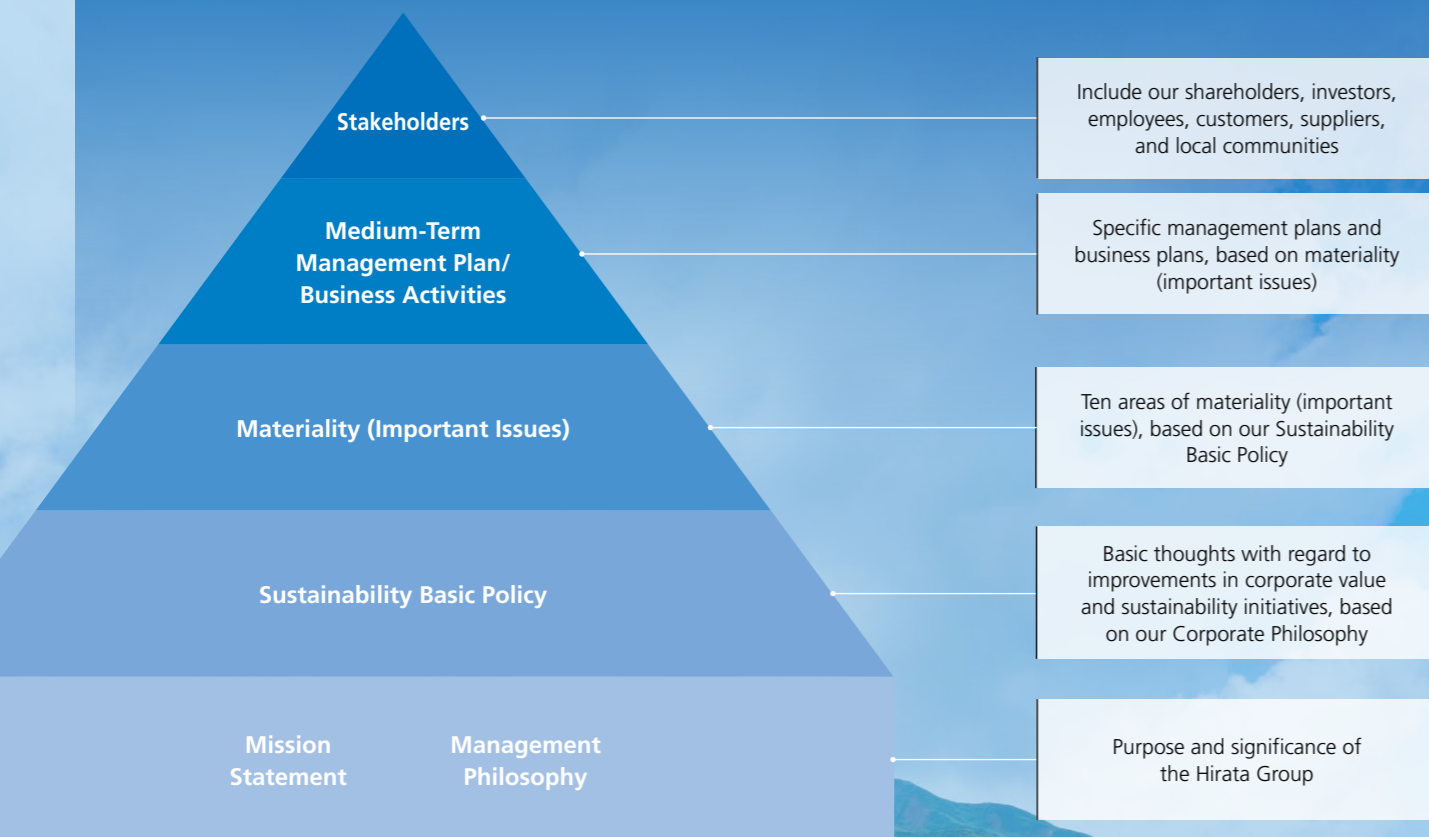
Improvement of environmental value

Increased economic value

Improvement of social value

Contributing to the spread of sustainable social infrastructure through Hirata's businesses

Aiming to be a global company with diversity of human resources and the ability to respond to change



Basic Concept behind Sustainability

The Group's Sustainability Basic Policy was decided at the Board of Directors' meeting held in April 2022. The Sustainability Basic Policy clearly states in writing our policy to contribute to the realization of a sustainable society through the Group's corporate activities from the three

perspectives of the environment, society, and economy. The starting point of our Group's sustainability is the perspective of continuing to grow our business while fulfilling our social responsibilities to all stakeholders.

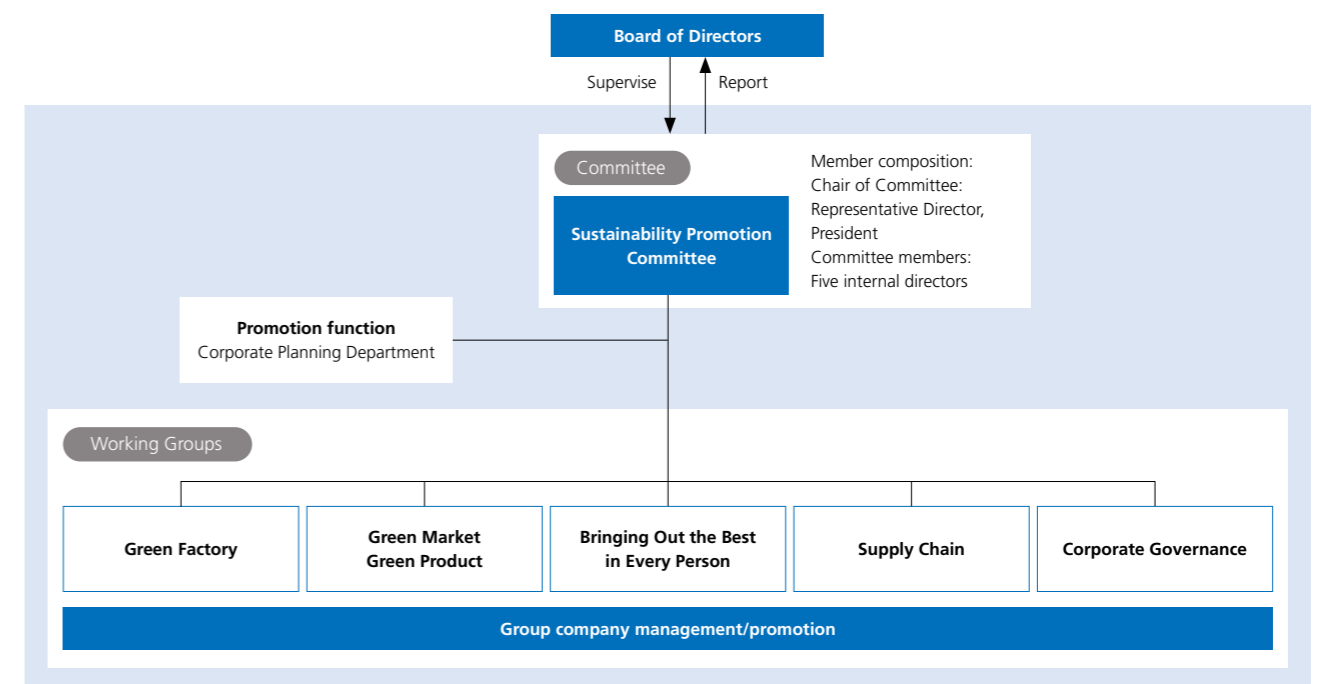
Sustainability Basic Policy

The Hirata Group aims to make everyone involved in the Company content and to contribute to the building of a sustainable society. To that end, based on the founding spirit encapsulated in our Mission Statement—and through the spirit of respect for people and the provision of products and services that show our consideration for the global environment—we will ensure management transparency and soundness while working to achieve both business growth and the resolution of social issues.

Sustainability Promotion System

The decision to establish a Sustainability Promotion Committee was taken at the Board of Directors' meeting held in October 2022. Five working groups have been established under the committee to promote each initiative. Under the supervision of the Board of Directors, the

Sustainability Promotion Committee carries out activities while integrating the committee with management, and it is currently formulating targets and action plans for the identified materiality.



Our Sustainability Activity Vision



Q1	Q2	Q3	Q4
Prepare for Goals and Activity Plans <ul style="list-style-type: none"> Understanding of sustainability Establishment of an examination system Confirmation and determination of assumptions for formulating goals and activity plans 	Review Goals and Activity Plans <ul style="list-style-type: none"> Examine goals and activity plans based on external requirements for each materiality Committee deliberations on the above goals and activity plans 	System Creation and Verification of Feasibility <ul style="list-style-type: none"> Establish a system for determining and realizing goals and activity plans for each materiality 	Prepare for Execution Phase <ul style="list-style-type: none"> Incorporate goals and activity plans into each division's next fiscal year business plan for specific activities

Materiality

To achieve both sustainable business growth and the resolution of social issues, even amid an external environment that is dramatically changing, the Hirata Group identified materiality (important issues) in fiscal 2021.

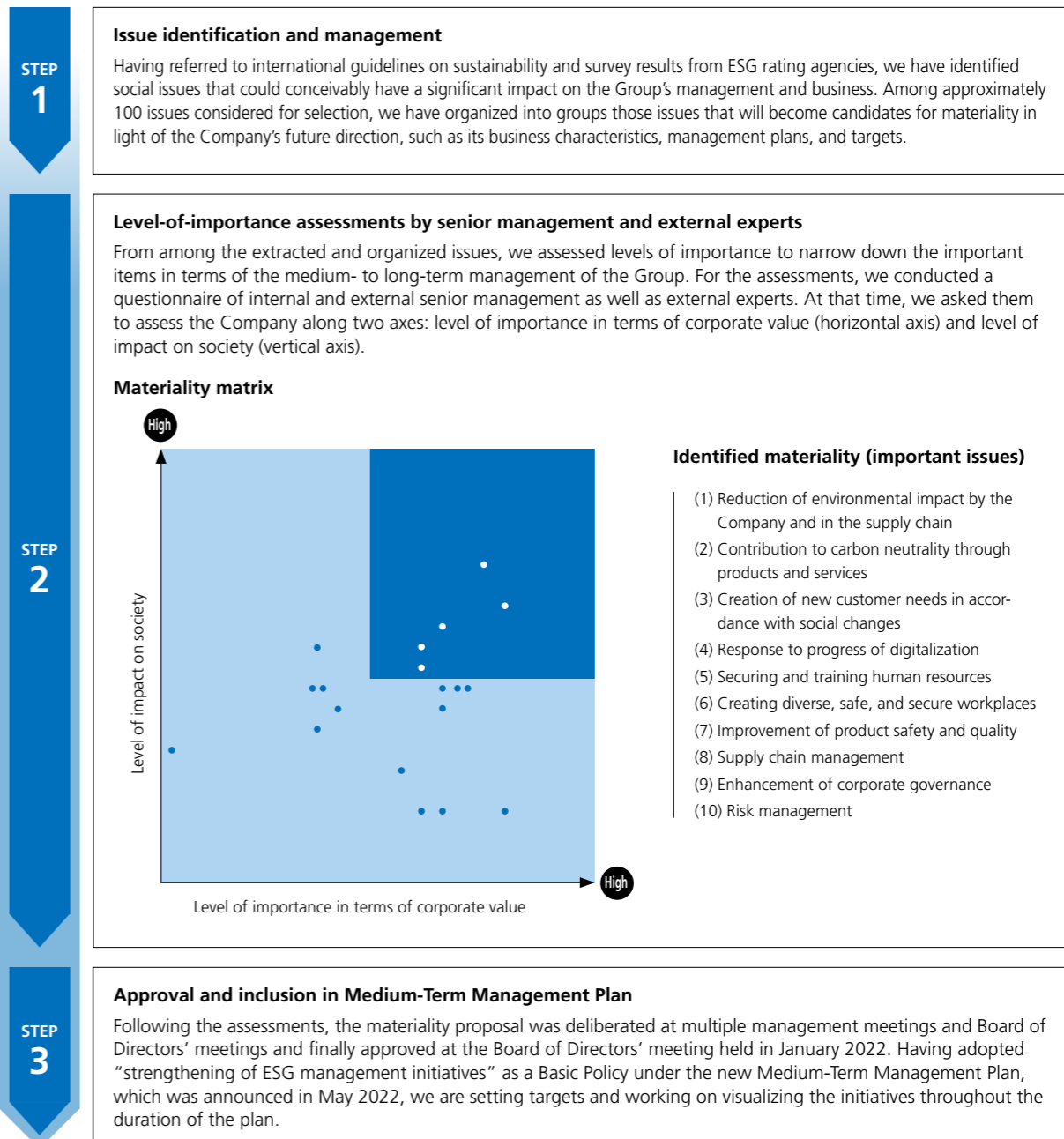
Materiality is organized into four themes and 10 items. Going forward, the Sustainability Promotion Committee will take the lead in setting KPIs and targets and then implement initiatives.

Based on changes in the business environment and social trends, the Company will periodically review its materiality.

Materiality Identification Process

In addition to discussions at management meetings and Board of Directors' meetings, we received opinions and evaluations from external experts when identifying the important issues. Along with incorporating these materiality

issues into the Medium-Term Management Plan, we will work to instill awareness of them throughout the Company by specifically reflecting our Sustainability Basic Policy and our sustainability activity vision in the form of activity plans.



Materiality

With regard to the identified materiality, each working group is currently formulating its 2030 goals and KPIs. The table below shows some of the goals and KPIs that have already been decided within the Company.

Working Groups
■ Green factory (GF) ■ Green market/Green product (GMP)
■ Bringing out the best in every person (People) ■ Supply chain (SC)
■ Corporate governance (CG)

Four themes	Materiality (important issues)	Risks	Opportunities	Key initiatives	Efforts implemented	Goals/KPIs* for 2030
Response to Climate Change ▶ P.44	(1) Reduction of environmental impact by the Company and in the supply chain	<ul style="list-style-type: none"> Decrease of business opportunities and increase of response costs when we cannot comply with customers' environmental requirements and industry code of conduct Restrictions on business activities due to laws and regulations 	<ul style="list-style-type: none"> Acquisition of trust of stakeholders by strengthening environmental initiatives and improvement of long-term corporate value Reduction of GHG emissions at our plants and reduction of environmental impact on local communities 	<ul style="list-style-type: none"> Reduce environmental impact Reduce GHG emissions Promote resource-recycling society 	<ul style="list-style-type: none"> Established Environmental Policy and environmental management system (acquired ISO 14001 certification) Examined Scope 1 and 2 emissions, installed solar panels, and examined renewable energy procurement methods such as PPA Promoted the introduction of energy-saving equipment, reviewed water circulation equipment settings, and participated in beautification campaigns 	<p>[GF]</p> <p>* Currently under discussion by the Sustainability Promotion Committee</p>
	(2) Contribution to carbon neutrality through products and services	<ul style="list-style-type: none"> Trade impact due to the provision of products that do not meet the environmental requirements of our business partners Reduced competitiveness of our products 	<ul style="list-style-type: none"> Acquire business opportunities through the provision of products and services with low environmental impact 	<ul style="list-style-type: none"> Expand the carbon-neutral market 	<ul style="list-style-type: none"> Expanded the Eco Electric Series lineup Expanded opportunities to make carbon-neutral-related proposals to customers 	<p>[GMP]</p> <p>* Currently under discussion by the Sustainability Promotion Committee</p>
Building of a sustainable society ▶ P.51	(3) Creation of new customer needs in accordance with social changes	<ul style="list-style-type: none"> Decrease of business opportunities due to delays in understanding needs and R&D due to social changes 	<ul style="list-style-type: none"> Improve competitive advantage by creating products and services that contribute to carbon neutrality Expand business fields beyond existing products and services 	<ul style="list-style-type: none"> Discover new customer needs in accordance with social changes and make related improvements 	<ul style="list-style-type: none"> Developed and improved key devices in the battery field for electric vehicles (EVs) (dual head wire bonders, etc.) Developed and improved products to meet customer needs 	<p>[GMP]</p> <p>* Currently under discussion by the Sustainability Promotion Committee</p>
	(4) Response to progress of digitalization	<ul style="list-style-type: none"> Decline in competitiveness and outflow of human resources due to a delay in responding to digitalization 	<ul style="list-style-type: none"> Effective strategy formulation by understanding customer behavior and market trends through data analysis 	<ul style="list-style-type: none"> Respond to progress of digitalization Prepare the foundation for a smart society 	<ul style="list-style-type: none"> Enhanced the advancement of 3D design (implementation and training) Use of CADVR and emulators Automation of other business processes 	<p>[GMP]</p> <p>Improve work efficiency by replacing core systems (30% workload reduction)</p>
Bringing out the best in every person ▶ P.52	(5) Securing and training human resources	<ul style="list-style-type: none"> Lack of a group of engineers, which is necessary for establishing an order business when human resource development is insufficient Productivity decline due to inferior recruitment of human resources amid the shrinking labor force in Japan 	<ul style="list-style-type: none"> Increase in employee engagement Acquisition of a competitive advantage in proposal-based business Opportunity to demonstrate organizational strength through diverse human resources in a highly uncertain business environment 	<ul style="list-style-type: none"> Secure and train human resources DE&I 	<ul style="list-style-type: none"> Expansion of training (specialized themes such as harassment, anger management, mental health, communication, evaluator training, etc.) Enhanced career recruitment Engagement surveys 	<p>[People]</p> <p>20% employee engagement rate</p>
	(6) Creating diverse, safe, and secure workplaces	<ul style="list-style-type: none"> Impact on the physical and mental health of employees Stagnation of business activities due to occupational accidents 	<ul style="list-style-type: none"> Realization of diverse workstyles Preservation of the physical and mental health of employees 	<ul style="list-style-type: none"> Improve work-life balance Create a safe workplace where employees can work with peace of mind 	<ul style="list-style-type: none"> Established a health management center within the Human Resources Department Expanded rules to make working hours more suitable, such as regular day shift work, time off, and interval time Formulated Health and Safety Policy Expanded barrier-free accessibility (at facilities, etc.) 	<p>[People]</p> <p>Strengthen health and productivity management initiatives (acquire "White 500" certification)</p>
Strengthening of our management foundation ▶ P.56	(7) Improvement of product safety and quality	<ul style="list-style-type: none"> Distrust in the safety and quality of products and services Distrust of QCD/Poor quality 	<ul style="list-style-type: none"> Establish and strengthen trust in QCD 	<ul style="list-style-type: none"> Improve product safety and quality 	<ul style="list-style-type: none"> Established Quality Policy and environmental management system (acquired ISO 9001 certification) Promoted standardization 	<p>[GMP]</p> <ul style="list-style-type: none"> Customer satisfaction survey Response rate: 90% Weighted average of survey results: 4.5 points or more <p>Continue to report zero serious accidents caused by products</p>
	(8) Supply chain management	<ul style="list-style-type: none"> Stagnation of business activities and non-fulfillment of contracts due to delays in delivery Decrease of business opportunities due to delays in environmental and social practices 	<ul style="list-style-type: none"> Business continuity and strengthening of the production system Creation of trustful relationships with business partners 	<ul style="list-style-type: none"> Implement supply chain management Respect human rights 	<ul style="list-style-type: none"> Formulated Procurement Basic Policy Formulated procurement guidelines Held supplier meetings Conducted CSR procurement self-assessments 	<p>[SC]</p> <p>CSR procurement self-assessments: No suppliers with a score of less than 3.7 points</p>
	(9) Enhancement of corporate governance	<ul style="list-style-type: none"> Loss of opportunities due to lack of investor relations and shareholder relations Deterioration of the business environment and stagnation of business due to lack of governance function 	<ul style="list-style-type: none"> Acquisition of trust from stakeholders by responding to global standards Increased momentum for strategic change through appropriate oversight and execution of responsibilities 	<ul style="list-style-type: none"> Stakeholder engagement Enhance corporate governance 	<ul style="list-style-type: none"> Declared support for TCFD recommendations Signed United Nations Global Compact Reviewed our Code of Conduct 	<p>[CG]</p> <ul style="list-style-type: none"> Zero serious legal violations Zero key compliance item violations
	(10) Risk management	<ul style="list-style-type: none"> Loss of social credibility due to violations of laws, regulations, and compliance 	<ul style="list-style-type: none"> Improvement of management and corporate culture by acting with integrity and ethics in addition to compliance with laws and regulations Establishment of a risk management system that aligns with management strategies 	<ul style="list-style-type: none"> Adhere to fair trade compliance Conduct risk management Maintain soundness of financial capital 	<ul style="list-style-type: none"> Enhanced risk management system 	

Note: As of fiscal 2023, the goals and KPIs above are for Hirata Corporation alone.

Comments from Working Group Leaders

Green Factory

Reduction of greenhouse gas emissions at our plants (Scope 1 and 2) and reduction of other environmental impacts are the main themes of our activities. At present, we are formulating a plan for achieving carbon neutrality at our plants and conducting concrete discussions and verification to set reduction targets by 2030. Although there are many issues to consider, such as how to collect and aggregate data and how to deal with renewable energy, we will work on it by aggregating wisdom across the Company.



Jo Yoneda

Green Market/Green Product

Our mission is to contribute to carbon neutrality through our products and services and to create new customer needs in response to social changes. We believe that these efforts will provide opportunities for us to expand our market and develop new products. In response to the advancement of digitalization, we will make full use of digital technology to improve operational efficiency and increase the added value of our products. We will reflect these activities in our medium- to long-term business strategy and aim for continuous growth.



Shigeru Maeda

Bringing Out the Best in Every Person

As stated in our Management Philosophy, from the time of our founding, Hirata has always believed in nurturing people by taking advantage of their characteristics and valuing their growth, and it wants each person's life to be wonderful by working for the Company. In order to achieve this, it is necessary to first ensure that employees are healthy both physically and mentally, to create a workplace that ensures psychological safety and a safe working environment, and then to create a system that enables employees to think about their careers and play an active role. We are working to clarify issues and thereafter realize more effective initiatives by grasping actual conditions through employee engagement surveys and promoting dialogue between management and employees.



Miho Mori

Supply Chain

As a global company, Hirata recognizes that supply chain management has rapidly increased in importance in recent years. We are required to ensure a stable supply based on quality, price, and delivery time and also to practice CSR procurement that fulfills social responsibilities, such as considerations for the environment, labor (human rights), and ethics. Although there are many issues to be addressed, we will work together with our customers and suppliers to face those issue in earnest in order for each other to survive and grow over the long term.



Shojiro Hirata

Corporate Governance

We will review and organize the Hirata Group Code of Conduct to ensure that officers and employees comply with laws and regulations and act in good faith under high ethical standards. In addition, we have set a goal of zero violations in priority areas and promote a PDCA cycle (Plan-Do-Check-Act), such as monitoring, with the aim of gaining high trust and recognition from stakeholders from all walks of life.



Hideki Ninomiya

Materiality Theme 1 Response to Climate Change



Environmental Management

Hirata has established environmental policies and promotes environmental activities in line with those policies. We will contribute to protecting the global environment by reducing the environmental load in all aspects of our business activities, products, and services.

Environmental Policy

Hirata Corporation contributes to protecting the global environment by reducing the environmental load in all aspects of its business activities, products, and services in order to achieve a sustainable society.

(1) We lower the environmental load of our products by considering each phase of a product's life cycle throughout our supply chain, from raw material sourcing to design, production, transportation, use of the product, and its disposal after use.

- Making products that save more energy when in use
- Designing and manufacturing products to be recyclable at disposal
- Reducing the amounts of harmful materials used in our products and using substitutes

(2) We abide by environmental laws, treaties, requirements, and voluntary standards as needed. We also develop coordination and cooperative relationships with relevant government agencies and contribute to local communities.

(3) We strive to improve productivity and conserve the environment throughout all our business activities and production processes, including sales, design, manufacturing, installation, and after-sales services.

- Reducing energy usage and emissions of greenhouse gases
- Reducing waste and promoting recycling
- Reducing harmful materials and using substitute articles
- Preventing environmental problems and accidents
- Preserving biological diversity

(4) We increase environmental awareness by implementing educational and publicity activities.

(5) We review our EMS regularly to enhance environmental performance while striving for continuous improvement.

Environmental Management Promotion Framework

Having put in place an environmental management system (EMS) promotion framework led by top management and environmental management managers, we obtained international standard ISO 14001 certification at our Kumamoto, Kanto, and Kansai plants.



Environmental Accounting

The environmental preservation costs for fiscal 2022 were as follows.

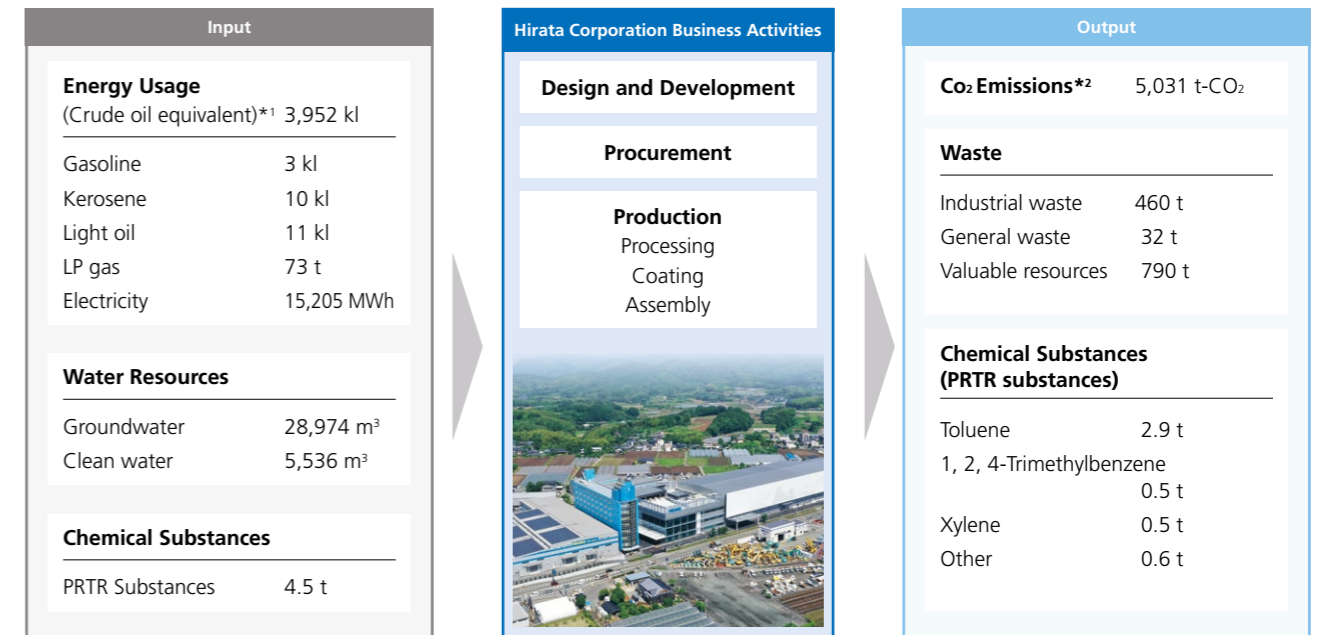
(Unit: Thousands of yen)

Item	Major Initiatives	Investment	Cost	
Business area costs	Cost of preventing pollution	• Installation of warehouses for hazardous materials	4,007	16,753
	Global environmental protection cost	• Introduction of energy-saving equipment	163,888	172,107
	Cost of resource recycling	• Disposal of general and industrial waste	–	58,140
Upstream and downstream costs	• Investigation of chemical substances contained in products	–	6,428	
Administration costs	• Installation of energy measurement units • Maintenance of environmental management system • Environmental measurement • Environmental education	400	44,148	
Social activity costs	• Environmental preservation and beautification • Donations to environmental protection organizations	–	2,422	
Total		168,295	299,998	

Note: The above data is on a non-consolidated basis.

Status of Business Activities and Environmental Impact

Environmental impact in fiscal 2022 was as follows.



*1 Energy usage calculated using method based on the Energy Conservation Law

*2 CO₂ emissions associated with power consumption calculated based on basic emission factors from electric power companies

Note: The above data is on a non-consolidated basis.

Environmental Goals

No.	Item	Goals	FY2022 Accomplishments*	Evaluation	FY2023 Target
1	Prevention of global warming	Reducing energy usage By the end of fiscal 2023, we will have reduced the amount of energy used by 3% or more compared with that of fiscal 2020 when measured based on the actual production amounts. Goal for fiscal 2022 2% reduction in energy usage compared with fiscal 2020	Energy usage decreased by 12.8% in comparison with actual production Reduced due to the installation of energy-saving equipment such as electric forklifts and high-efficiency air-conditioners, and the increase in production output	○	To promote the reduction of energy consumption through the introduction of energy-saving equipment, such as high-efficiency air-conditioners and energy-saving control devices
		Reducing CO₂ emissions By the end of fiscal 2023, we will have reduced the amount of CO ₂ emissions by 3% or more compared with that of fiscal 2020 when measured based on the actual production amounts. Goal for fiscal 2022 2% reduction in CO ₂ emissions compared with fiscal 2020	CO₂ emissions decreased by 23.2% in comparison with actual production Decreased due to a decrease in energy consumption and a decrease in greenhouse gas emission factors from electric power companies	○	To strive to reduce CO ₂ emissions by reducing energy consumption
2	Effective use of resources	Reducing water usage By the end of fiscal 2023, we will have reduced the amount of water used by 3% or more compared with that of fiscal 2020 when measured based on the actual production amounts. Goal for fiscal 2022 2% reduction in water usage compared with fiscal 2020	Water usage decreased by 24.7% in comparison with actual production Reduced due to an increase in production output	○	To work to reduce water usage by reviewing equipment that uses water
		Reduction of industrial waste generation By the end of fiscal 2023, we will have reduced the amount of industrial waste generated by 3% or more compared with that of fiscal 2020 when measured based on the actual production amounts. Goal for fiscal 2022 2% reduction in industrial waste generation compared to fiscal 2020	Industrial waste generation decreased by 16.2% in comparison with actual production Reduced due to a decrease in waste oil discharge and an increase in production output	○	To work to reduce the amount of industrial waste generated by expanding the use of returnable boxes

○ : Achieved △ : Nearly achieved × : Underachieved

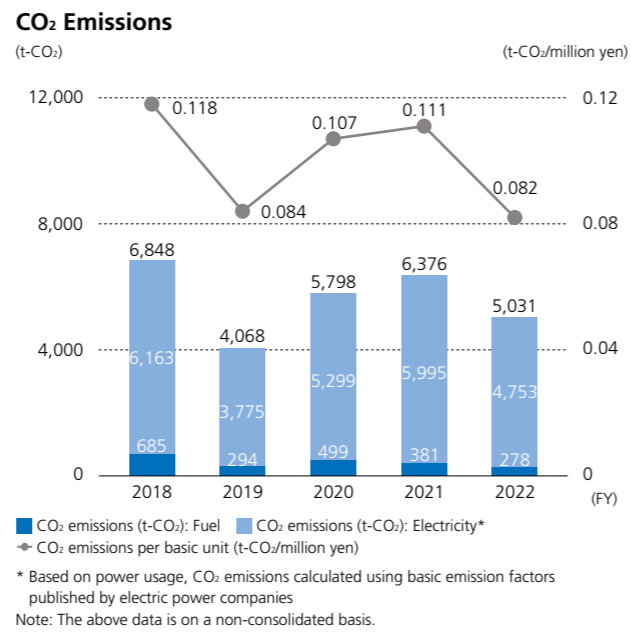
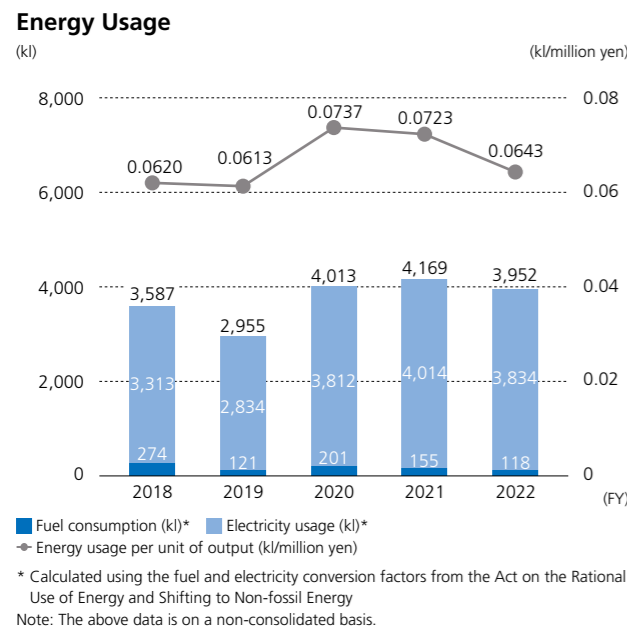
* Scope: Hirata Corporation only

Reduction of Environmental Impact by the Company and in the Supply Chain

Changes in Energy Consumption/CO₂ Emissions

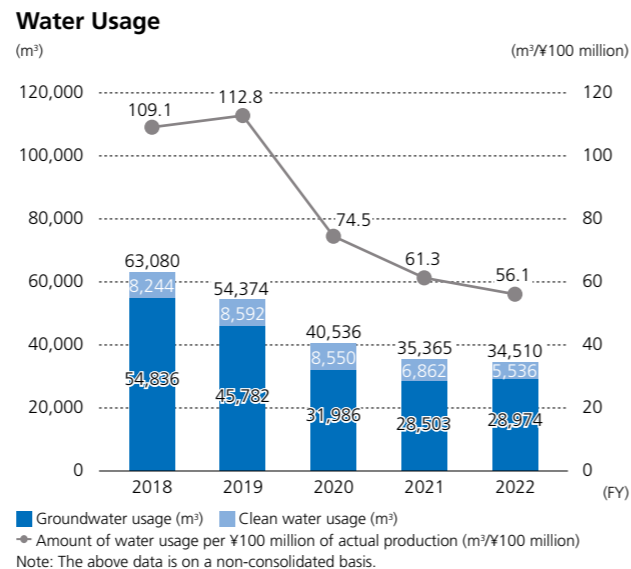
The Company is working to rationalize its energy use based on the Act on the Rational Use of Energy and Shifting to Non-fossil Energy (Energy Efficiency Act). In fiscal 2020, operations started in the new headquarters factory area in the Kumamoto Plant, so both energy consumption and energy consumption per unit of output increased significantly. In our environmental targets, we set a 3% reduction in energy consumption intensity by fiscal 2023, using fiscal 2020 as the base year. In fiscal 2022, energy consumption was reduced by 12.8% in comparison with actual production, using fiscal 2020 as the base year, due to the introduction of electric forklifts and high-efficiency air-conditioners, and increased

production output. In terms of environmental targets concerning CO₂ emissions, for which we also deem fiscal 2020 as the base year, we adopted a 3% reduction in CO₂ emissions per unit of production by fiscal 2023. In fiscal 2022, CO₂ emissions were reduced by 23.2% compared with actual production output due to reduced energy consumption and a decrease in CO₂ emission factors (basic emission factors) from electric power companies. In addition, the Sustainability Promotion Committee is discussing medium- and long-term initiatives, and concrete measures will be reflected in the future.



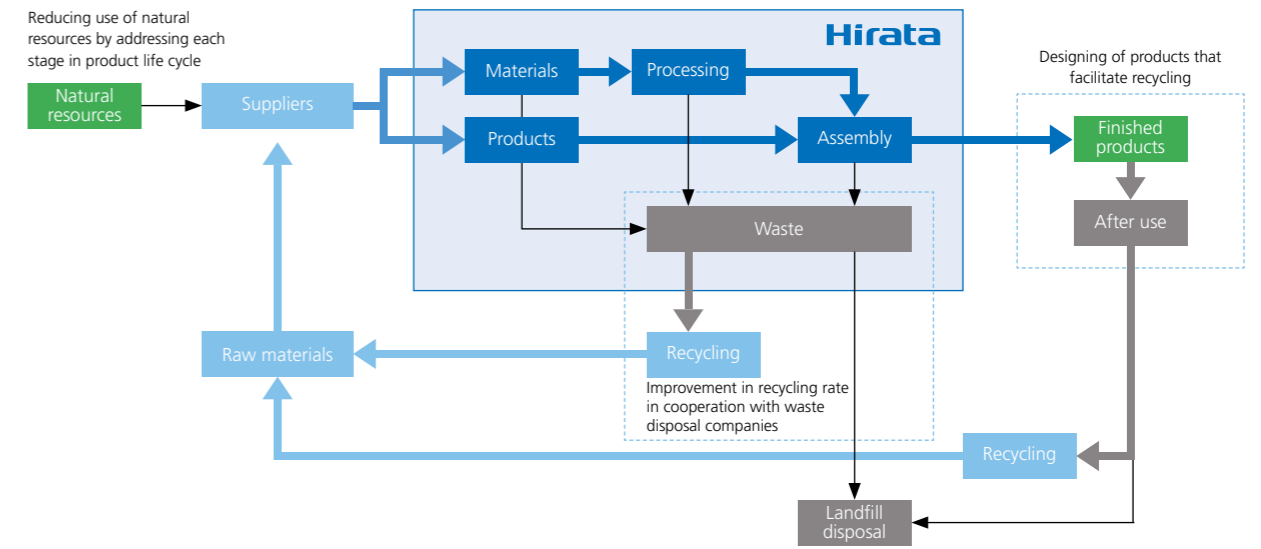
Efforts to Conserve Water Resources

To conserve water resources, the Company is reducing water usage and monitoring factory wastewater. We conduct analyses of the wastewater from all our plants every year and respond to any abnormalities.



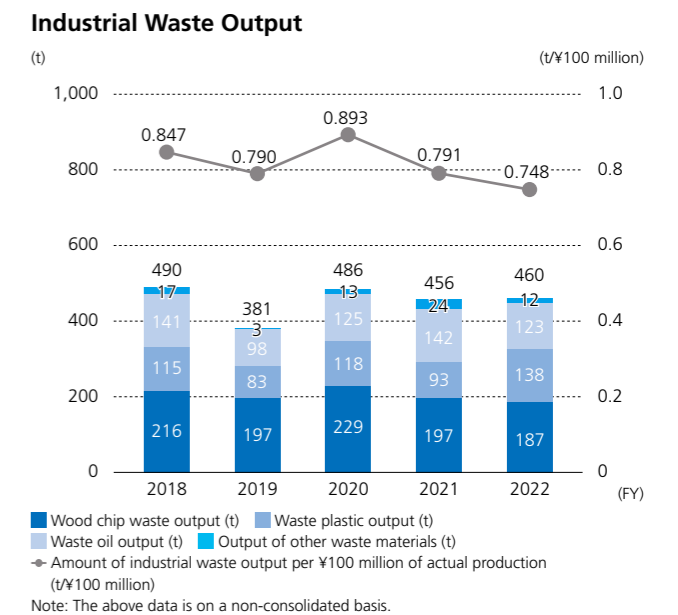
Approach to Resource Recycling

To help realize a sustainable society, we are working to create products that show we have given consideration to resource recycling at each stage of the product life cycle (the procurement of materials and parts, design, production, and disposal after use). Through eco-friendly design, we are promoting the reduction of raw materials used in product manufacturing and the provision of products that can be recycled at the time of disposal. We are also working to reduce the packaging materials for some equipment imported from overseas suppliers, reduce waste in production activities, and promote recycling.



Efforts to Reduce Industrial Waste Output

The industrial waste generated by the Company mainly comprises wood chips, waste plastics, and waste oil. Used to package deliveries to the Company, wood chips and waste plastics are disposed of as waste after unpacking. For this reason, we are working to reduce the amount of waste generated by reviewing and simplifying the packaging methods for some equipment imported from overseas suppliers.



Managing Hazardous Substances

To respond to chemical substance-related laws and regulations in Japan and overseas, including the European RoHS Directive*¹ and REACH Regulations,*² we are strengthening the management of the chemical substances contained in our products.

We ask our suppliers to submit information through chemSHERPA*³ and cooperate with our surveys on the chemical substances contained in our products. We will continue to work on managing the chemical substances contained in our products.

*1 Regulations on hazardous substances in the European Union
*2 Chemical substance management regulations in the European Union
*3 Format for providing data on chemical substances contained in products in a supply chain

Disclosure Based on TCFD Recommendations

In 2022, the Group announced its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and released information on climate-related risks and opportunities based on the TCFD recommendations. Going forward, we will continue to enhance climate change-related information disclosure and strive to further increase our corporate value by resolving social issues and growing our business.



Governance

Based on our Sustainability Basic Policy, we have established the Sustainability Promotion Committee to promote sustainability management, including climate change. The committee is chaired by the president, with internal directors serving as committee members. Furthermore, in order to enhance opinions from an external perspective and lead to deeper discussions, outside directors are allowed to attend the meetings of the Sustainability Promotion Committee as observers. The Sustainability Promotion

Committee submits proposals, reports, and provides information. The Committee will also be subject to regular oversight by the Board of Directors. The Sustainability Promotion Committee discusses targets and plans to support the sustainable growth of the Group and aims to enhance opportunities for more proactive discussions on climate change countermeasures in light of our business activities.

Risk Management

The Sustainability Promotion Committee identifies, assesses, and manages risks related to climate change. We added climate change and other sustainability-related

items to the Hirata Risk Map on which the Company's risks are listed and strengthened cooperation with the department in charge of risk management.

Strategies

Through scenario analyses, in fiscal 2021, the Group ascertained the changes in the Group and its customers' industries in 2030 and 2050—under the 1.5°C and 4°C scenarios, based on scientific information such as that from the International Energy Agency (IEA)—and analyzed climate change risks and opportunities.

Based on the results of the analyses, we worked to expand energy-saving products and reduce physical risks. Specifically, we expanded the product lineup of our Eco

Electric Series and made advance arrangements to reduce procurement risks. In particular, for our Eco Electric Series (see page 50), we will implement initiatives that will lead to the realization of carbon neutrality worldwide, including within the Company, such as reducing CO₂ emissions at plants by approximately 75%.*

* Compared with our previous products

Scenario Analyses Results

Based on the aforementioned 1.5°C Scenario, the Group recognizes that, while business opportunities will increase due to increased demand for energy-saving products, the impact of physical risks will increase in the 4°C Scenario.

Based on the results of these analyses, the Group will sequentially verify initiatives for maximizing opportunities while addressing recognized risks, starting with those with the highest feasibility, and promote the reflection and integration of those initiatives into management strategies.

Opportunities		Details of Opportunities	Degree of impact		Countermeasures
Main Category	Middle Category		1.5°C	4°C	
Development of energy-saving products	Products that save more energy	In accordance with energy-saving policies and rising temperatures, electrification and automation at customer factories will advance, and demand for products that raise productivity and improve energy-saving performance in factories and at facilities will increase	Large	Small	<ul style="list-style-type: none"> Expand local production for local consumption business models, such as local manufacturing and sale of parts and repair parts that have already started in some regions, and consolidation of production bases Introduction of eco-friendly electrification products and design and development of products for which lightness and longevity have been taken into account, etc.
	Demand to save labor	In accordance with declining labor productivity due to rising temperatures, demand for labor-saving and efficiency improvement at production sites will increase	Small	Small	<ul style="list-style-type: none"> Development of products for automated warehouses, automated guided vehicles, etc.

Risks		Details of risks	Degree of impact		Countermeasures
Main Category	Middle Category		1.5°C	4°C	
Transition risks					
Carbon prices	Scope 1, 2	Increase in manufacturing costs due to introduction of carbon taxes in each country, emissions trading, and border carbon adjustment measures	Medium	Small	<ul style="list-style-type: none"> Setting of carbon emission reduction targets such as carbon-neutral declarations Ascertaining of Scope structure for carbon emissions, building a monitoring system, etc.
Raw material costs	Scarce resources	Increased procurement costs due to restrictions placed on raw materials and purchases due to emission regulations	Small	Small	<ul style="list-style-type: none"> Promoting the reuse and recycling of equipment and parts through remodeling and repair services, including renewal of aging robots, etc.
	Cost of plastic	Increased costs for materials containing plastic due to regulatory restrictions placed on their use and requirements that recycled plastic be used	Medium	Small	<ul style="list-style-type: none"> In addition to reviewing excessive packaging in product packaging, reducing the amount of plastic used by switching to recycled paper and returnable boxes, etc.
Energy costs	Electricity costs	Electricity costs are increasing due to decarbonization of the Company's plants and offices as well as popularization of renewable energy	Medium	Medium	<ul style="list-style-type: none"> Promotion of energy saving by installation of LED lighting, etc. Examining installation of in-house power generation equipment (solar power generation equipment) and the utilization of leasing services Introduction of optimal operation by means of energy management systems, starting with buildings and plants where said systems are already be installed or considered, and gradual expansion to locations places where not yet introduced, etc.
	Air-conditioning costs	Due to rising temperatures, operating rate of air-conditioning in plants, etc., rises, and thus air-conditioning costs increase	Small	Small	<ul style="list-style-type: none"> Operational improvements, including ventilation reviews, measures against air leaks, and measures to shade external air-conditioning units Installation of energy-saving air-conditioning equipment, etc.
	Distribution costs	Distribution costs rise due to shift to electric vehicles (EVs) for large vehicles	Medium	Medium	<ul style="list-style-type: none"> Consolidate production bases and expand initiatives with customers (OEMs) for joint transportation in some businesses to streamline interfactory transportation Examine expansion of streamlining of distribution by multidrop (milk run) shipments of goods to suppliers in the region, etc.
Physical risk					
Physical costs	Restoration/operating costs	Increasing costs from expenses for restoring equipment following the effects of abnormal weather, etc.	Small	Large	<ul style="list-style-type: none"> Implementation of risk reduction through multiple purchasing Advance arrangements, appropriate inventory management, and thorough operation in line with business content so that a certain level of production activity can be carried out even if supply is interrupted, etc.

Indicators and Targets

Curbing global warming by reducing CO₂ emissions is becoming an essential activity for realizing a sustainable society.

In order to curb global warming, we aim to achieve net zero CO₂ emissions (Scopes 1, 2, and 3) from our business activities by 2050 (carbon neutrality).

In order to achieve this target, we are considering the formulation of intermediate targets, reduction plans, and reduction measures. We are also considering a plan to prioritize our supply chain CO₂ emissions (Scope 3) in the high-emission categories.

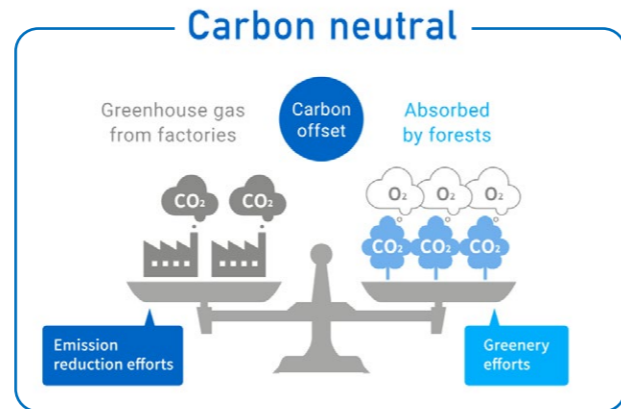
Contribution to Carbon Neutrality through Products and Services

As the importance of environmental considerations increases, the development and provision of products and services that reduce CO₂ emissions and power consumption from factories is one of the most important issues. Since our customers and other stakeholders have many needs for eco-friendly products and services, we see the expansion of the carbon-neutral market as an opportunity to contribute to carbon neutrality and sustainable manufacturing through our products and services.



Hirata Eco Electric Series

In the automotive field, moves to shift from internal combustion engines to electric vehicles (EVs) are rapidly progressing on a global scale. In terms of production, there is a shift from pneumatic systems, which emphasize power and emit a large amount of CO₂, to electric systems, which are environmentally friendly and safe. Based on its track record in various industrial fields, Hirata provides non-pneumatic, safe production equipment by realizing all-electric transport, which is the basis of the production system, and contributes to the realization of factories that do not place a burden on the environment.



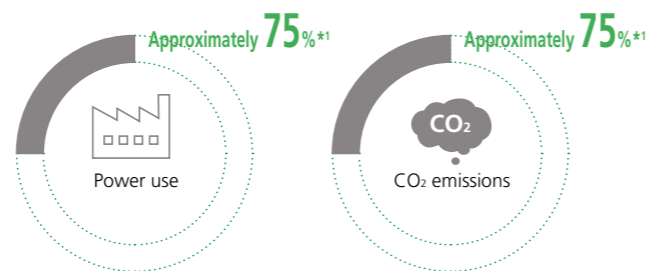
The Eco Electric Series is Hirata's all-electric transfer system that is **people-friendly** and **environmentally friendly**.

<p>01 No pneumatics makes the system environmentally friendly</p> <p>Compressors account for 25% of power consumption at factories. The Eco electric series reduces power consumption by approximately 75% compared with our conventional products because it does not require pneumatics, reducing CO₂ emissions.</p>	<p>02 Low thrust makes the system safe</p> <p>The Eco Electric Series does not require safety-related equipment such as safety fences and light curtains because of its low thrust, allowing people to work together. While maintaining the required speed, it achieves a high level of safety that can be stopped with the force of one hand in the event of an emergency, such as a collision.</p>	<p>03 Reliability and performance</p> <p>It has been certified as a designated product by major automobile companies in Japan and overseas with more than approximately 29,000 units delivered.</p>
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Hirata BLUE MOTOR
The Heart of the Eco Electric Series

Hirata BLUE MOTOR is a compact, high-efficiency brushless DC motor developed in-house for the Eco Electric Series.

This compact yet powerful motor is installed in the Eco Electric Series and contributes greatly to energy-saving performance. It is compatible with various standards, such as UL certification, and can be used globally.



*1 Compared with our similar conventional system. The reduction rate shown here is the representative value to describe the features of the Eco Electric Series as a whole.

Further Expansion of the Eco Electric Series

In addition to the existing lineup, we are working to expand the Eco Electric Series for use in growth fields and make it applicable for use in key devices.

► For more information, please visit the Eco Electric Series website.
<https://hirata-ecoele.com/en/>



Creation of New Customer Needs in Accordance with Social Changes

Currently, we are contributing to carbon neutrality by providing production systems to the EV market, including hybrid vehicles.

It is expected that global needs for the realization of a sustainable society will continue to grow. However, it is necessary to build a system that responds to the possibilities of being significantly affected by the policies of each country and which responds to the diversification of needs. The Green Market/Green Product working group led by the managers of the sales divisions of each business division conducts market research and other activities to accurately and quickly grasp market needs from a medium- to long-term perspective while paying attention to the global situation.

Efforts to Address Needs along with Rising Environmental Awareness

At present, we are catering to the energy-saving needs of our customers' factories by developing and expanding sales of environmentally friendly products with a focus on the Eco Electric Series. In promoting efforts toward a sustainable society throughout the supply chain with customers

and suppliers, we recognize that accurate measurement of Scope 1, 2, and 3 emissions and calculation of CO₂ emission reductions through environmentally friendly products and other initiatives are important issues that are being discussed by the working group.

Respond to Progress of Digitalization

We are working to improve operational efficiency by reforming our value chain through the use of digital technology and introducing new core systems. Also, we actively support the digitalization of our customers' production sites and exchange opinions with other companies to accelerate innovation and contribute to the smart manufacturing industry as a whole.

Topic

Creation of SDGs-related Intellectual Property

We are promoting the development of technologies that contribute to solving social issues, including the SDGs. Of the 272 patents registered and pending in Japan for which the Company (including joint applications) is the applicant, 169 patents* are related to the SDGs, accounting for about 62% of the total. We will continue to develop technologies that contribute to solving social issues and promote the appropriate management and utilization of intellectual property.

* As of September 2023

Total number of Hirata's SDGs-related patents		3 GOOD HEALTH AND WELL-BEING	1
6 CLEAN WATER AND SANITATION	11	7 AFFORDABLE AND CLEAN ENERGY	15
8 DECENT WORK AND ECONOMIC GROWTH	131	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	8
11 SUSTAINABLE CITIES AND COMMUNITIES	2	13 CLIMATE ACTION	1

Note: Created by Hirata using "Visualization of SDGs-related Technologies" provided by the Intellectual Property AI Research Center of the Japan Patent Information Organization (JAPIO)



Materiality Theme 3 Bringing Out the Best in Every Person

In the Medium-Term Management plan (FY2022–FY2024), we returned to our founding principles and Management Philosophy. We decided on *Jin-Gi-Kou-Ken* as a slogan from our desire to contribute to society by means of technology as well as to make everyone involved in Hirata content. Aiming to improve both its corporate value and employee engagement, the Group is actively working to promote the creation of environments in which each and every employee can make the most of their expertise and individuality while they and the Company grow together.

We believe that creating a virtuous cycle through initiatives aimed at securing human resources, developing human resources, and creating environments that bring out the best in every person will result in higher employee engagement.



Human Resource Development Policy

Under the slogan *Jin-Gi-Kou-Ken*, which was formulated as the Company's vision, we aim to develop human resources who continue to learn independently and come together to take on challenges.

Specifically, we provide rank-specific training and technical specialized training tailored to each employee's experience and skills so that each employee can take on challenges by making the most of their expertise and individuality.

The Company is also working to expand its self-development support system by encouraging employees to learn autonomously and introducing e-learning by hierarchy and theme. Hirata will also focus on developing global human resources through the training of next-generation management candidates, assigning employees to overseas Group companies, technical training, and personnel exchanges.

In addition, we will continue to strengthen our initiatives by regularly reviewing our training programs and invigorating personnel exchanges and transfers with the aim of deepening mutual understanding and further strengthening cooperation.

Internal Environment Development Policy

We aim to create an environment where employees with diverse careers and social backgrounds (gender, age, nationality, disability, lifestyle, etc.) can experience growth through their work, work with satisfaction and pride, and feel happy. Specifically, we are working on introducing teleworking to realize flexible workstyles that are not bound by time or place.

In order to support employees' self-directed career development, we will promote job rotation, expand follow-up and career interviews after joining the Company, and build evaluation and compensation systems that enable employees to feel a sense of satisfaction and fulfillment from their work.

Additionally, we place the highest priority on the health and safety of our employees, their families, and many others involved in the Company, and we are also focusing on health management. We will strengthen initiatives such as realizing a work-life balance by reducing overtime work, strengthening the health management center system, and providing various health-related programs for employees and their families.

Human Resource-Related Data

	FY2022
Ratio of women to people hired	21.5%
Ratio of female employees to male employees	17.3%
Ratio of women serving as section heads	12.4%
Ratio of women in managerial positions	5.2%
Average length of service of male employees	18.3 years
Average length of service of female employees	18.2 years

	FY2022
Childcare leave acquisition rate (Companywide)	54.3%
Childcare leave acquisition rate (male employees)	46.7%
Childcare leave acquisition rate (female employees)	100%
Average overtime hours of employees per month	20.8 hours
Percentage of annual paid leave taken	68.6%

Strategic Securing of Human Resources with the Aim of Improving Corporate Value

While each and every employee has been making the most of their expertise and individuality, the Group has been facing the challenges of new businesses, technical innovation, high-set goals, and issues that have led to sustainable growth.

To further improve our sustainable corporate value and achieve our management strategies, we will work to recruit, train, and relocate highly specialized human resources to strategically secure human resources for the necessary

functions and functions where there is a shortfall, such as in human resources with digital technology expertise and business creation as well as management human resources.

To expand our business in growth markets and enhance our ability to respond to changes in the business environment, we will also actively recruit diverse human resources regardless of gender, age, nationality, religion, or whether they have a disability.

Strengthening of Human Resource Development and Creation of Environments in Which Employees Can Continue to Take On Challenges

Under our Management Philosophy of "Bringing Out the Best in Every Person," we believe that creating an environment in which each and every employee can grow and maximize their abilities is the most important management issue, and we are working to strengthen support for human resource development. Because of the high importance of rank-based training, we have set a target of 100% participation rate among the employees.

Going forward, we will reallocate human resources to focus businesses to achieve our Medium-Term Management Plan and aim to develop the human resources necessary for our growth from a long-term perspective.

By means of training programs that support the careers of diverse human resources and promoting the activation of staff change rotations and reviews with regard to evaluations, we will encourage not only human resources who possess high technical skills and expertise but also the continuous development of global human resources and management human resources. In addition, by enhancing our self-development support system, we will actively work to foster environments and the climate in which each and every employee can pursue their own dreams and goals, improve their personalities and abilities, and continue to challenge themselves to reach their potential.

Support for Active Participation of Diverse Human Resources

We are strengthening our DE&I-related initiatives and supporting the active participation of diverse human resources as activities of the Bringing Out the Best in Every Person working group.

By respecting the values of each and every employee, increasing their motivation, providing them with a

place where they can make the most of their abilities and individuality, and bringing together their diverse strengths, we will actively work not only for the well-being of employees but also for the development of the organization and the sustainable growth of the Company.

Creation of Workplaces Where People Can Work with Peace of Mind

Giving top priority to health and safety, the Company has implemented a raft of measures to ensure that its employees remain healthy and active and to improve their work-life balance.

We established health management centers, which are working on initiatives aimed at health management. The centers are staffed by professionals with public health nursing qualifications and have consultation desks for mental and physical health.

Additionally, we strengthened our consultation system for mental and physical health by increasing the number of contracted industrial physicians and signing new contracts with clinical psychologists.

To improve work-life balance, we are also creating systems and implementing measures to realize diverse work-styles.

We will continue to focus on creating a work environment and culture that enables employees to achieve a work-life balance in line with the wishes of each employee, such as raising the rate of male employees

taking childcare leave, actively participating in male childcare, volunteer activities, and health promotion.

Summary of Previous Measures

FY2015	<ul style="list-style-type: none"> Ban on working on legal national holidays Ban on overtime work on Wednesdays, the designated day when all employees leave work on time Ban on overtime work after midnight Annual paid leave can be taken in one-hour units
FY2016	<ul style="list-style-type: none"> Salary and bonus payment days are also on days when employees leave work on time Overtime management changed from 30-minute unit increments to one-minute unit increments Expanded the scope of shortened working hours for childcare to employees with children up to the third grade of elementary school
FY2018	<ul style="list-style-type: none"> Introduction of interval system
FY2020	<ul style="list-style-type: none"> Established health management centers
FY2021	<ul style="list-style-type: none"> Reduced prescribed working hours from eight hours to 7.5 hours Began application of shift work on days when employees leave work on time Systematic implementation of telecommuting
FY2022	<ul style="list-style-type: none"> Number of annual paid leave days required to be taken increased to eight days Started operation of new sick and leave system "Unused annual leave and sick leave system" changed to "Uniform 40-days system" Converted menstrual leave into wellness leave, with a maximum of 12 days off per year
FY2023	<ul style="list-style-type: none"> Number of annual paid leave days required to be taken increased from eight days to 10 days Ban on working on holidays (in principle) Expanded wellness leave (for treatment of diseases designated as intractable diseases, cancer treatment, dialysis treatment, fertility treatment, etc.) ⇒ Work-life balance support

Materiality Theme (3): Bringing Out the Best in Every Person

Health and Safety Policy

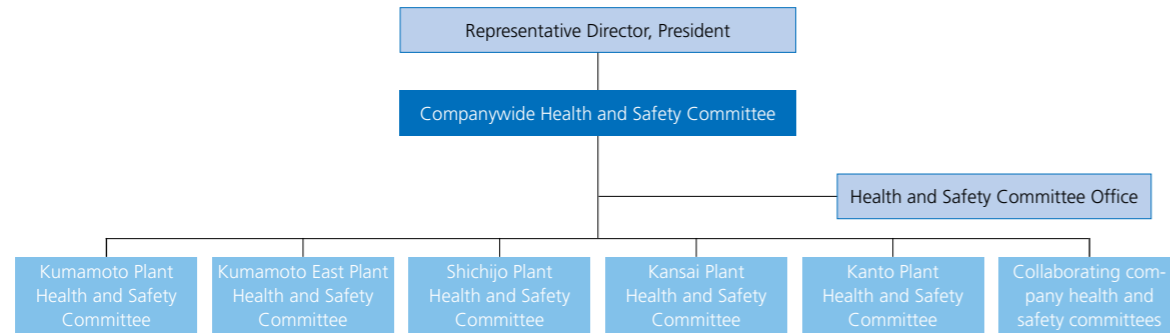
Based on its Sustainability Basic Policy, the Hirata Group engages in the following with the participation of all employees to ensure the health and safety of all people involved in the Group.

- We will give top priority to health and safety while striving to develop and improve our occupational health and safety management system.
- We will work to prevent accidents and disasters by conducting risk assessments, making improvements based on the results, and providing health and safety education.
- We will remain in compliance with occupational health-and-safety-related laws and regulations and the health and safety rules set by each Group company.
- Promoting the manufacture of safe and secure products, we will meet the expectations of our stakeholders.

Health and Safety Promotion System

Based on its Health and Safety Policy, the Company has formed health and safety committees at all of its business sites, as is required by law. We have also formed a Companywide health-and-safety committee to investigate and deliberate on health and safety management on a Companywide basis while promoting health and safety.

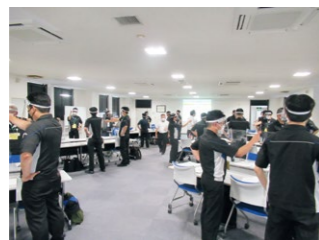
In accordance with the size of its workforce, each plant's health and safety committee appoints generalist health and safety managers, specialist safety managers, and health managers as well as industrial physicians and other relevant personnel.



Health and Safety Initiatives

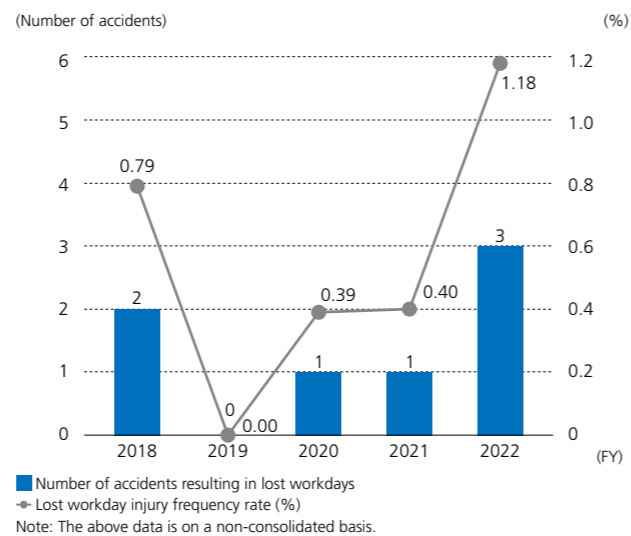
Based on annual plans, the Companywide Health and Safety Committee's remit includes reporting on the status of implementation of health and safety promotion measures, discussing measures to prevent the recurrence of accidents, as well as the drafting and setting of rules governing health and safety. Carrying out and improving health and safety patrols and conducting *kiken yochi* (hazard prediction) training (KYT) at each site, the health and safety committees at each factory work to ensure safety. Safety patrols of each factory are also conducted by directors every year, and strict checks are carried out from the perspective of management.

In fiscal 2022, we conducted in-house KYT trainer training and forklift training to prevent accidents. However, accidents resulting in lost workdays occurred, significantly increasing the frequency rate of lost-time accidents.



In fiscal 2023, we are reviewing the procedures for occupational health and safety risk assessments and reassessing and improving risk management at each site in order to achieve a zero lost-time accident frequency rate.

Occupational Accident Status



Respect for Human Rights

Based on our Sustainability Basic Policy, the Hirata Group established a global human rights policy in fiscal 2022 to respect the basic human rights of all people involved in its business. Established by resolution of the Board of Directors, we apply said policy to all officers and employees of the Group. With regard to our efforts to respect human rights based on our global human rights policy, we have established our guidelines for respecting human rights, referring to the JEITA Guidelines for Responsible Corporate Behavior, etc., and we ask all our business partners, including our suppliers, to support and implement them.

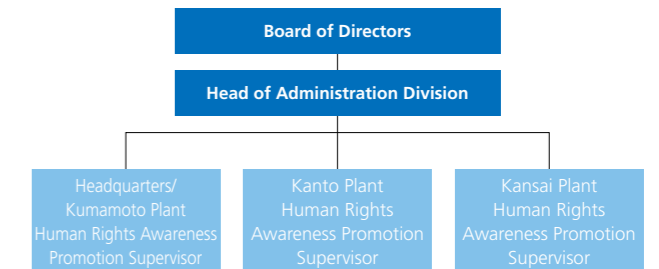
Basic Approach to Human Rights	Complying with the laws and regulations applicable to Japan and the countries and regions in which it conducts business, the Hirata Group supports and respects the Guiding Principles on Business and Human Rights of the United Nations and other international norms with regard to respect for human rights.										
Human Rights Policy (Items Only)	<table border="0"> <tr> <td>(1) Prohibiting Forced Labor</td> <td>(6) Prohibiting Discrimination</td> </tr> <tr> <td>(2) Prohibiting Child Labor</td> <td>(7) Freedom of Association and Right to Collective Bargaining</td> </tr> <tr> <td>(3) Decent Working Hours</td> <td>(8) Occupational Health and Safety</td> </tr> <tr> <td>(4) Adequate Wages and Allowances</td> <td></td> </tr> <tr> <td>(5) Prohibiting Inhumane Treatment</td> <td></td> </tr> </table>	(1) Prohibiting Forced Labor	(6) Prohibiting Discrimination	(2) Prohibiting Child Labor	(7) Freedom of Association and Right to Collective Bargaining	(3) Decent Working Hours	(8) Occupational Health and Safety	(4) Adequate Wages and Allowances		(5) Prohibiting Inhumane Treatment	
(1) Prohibiting Forced Labor	(6) Prohibiting Discrimination										
(2) Prohibiting Child Labor	(7) Freedom of Association and Right to Collective Bargaining										
(3) Decent Working Hours	(8) Occupational Health and Safety										
(4) Adequate Wages and Allowances											
(5) Prohibiting Inhumane Treatment											

System for Respecting Human Rights

As part of our efforts to build a system for respecting human rights, we have appointed a human rights awareness promotion supervisor and a human rights awareness promotion officer at our three bases in Kumamoto (and the Tokyo office), Kanto, and Kansai in fiscal 2023. Each human rights awareness promotion supervisor and human rights awareness promotion officer is responsible for planning and implementing human rights education at each site, conducting and verifying assessments, implementing and verifying corrective measures against identified risks, and instilling human rights policies and guidelines to suppliers. Furthermore, the personnel in charge of promoting human rights awareness at each site also serve as a human rights consultation desk within the Company, striving to create a

culture in which all employees can easily consult with the Company on human rights issues.

Human Rights Promotion System



Human Rights Due Diligence

Following the formulation of the Global Human Rights Policy in fiscal 2022, the following initiatives were implemented in fiscal 2023 as part of human rights due diligence.

- We have formulated and expanded our human rights policy guidelines to promote the spread of our global human rights policy throughout the Company
- Conducted human rights assessment of Hirata corporation (the fiscal 2023 assessment did not include subsidiaries or suppliers.)

As a result of the assessment, out of all 43 items to be checked, two items were judged to be inadequate:

“Regular education on human rights” and “Education on anti-discrimination for all employees, including migrant workers.”

If appropriate corrections are not taken, there is concern of the negative impact on human rights through our business activities. As a result, we are currently taking corrective measures. Specifically, we will conduct training for all employees to which the two items above are applicable by March 2024.

We plan to conduct human rights assessments every other year.

Initiatives for the Next Fiscal Year and Beyond

- We will expand the scope of our human rights assessment to include consolidated subsidiaries.
- In order to identify negative human rights impacts throughout the supply chain, suppliers (who meet certain requirements) will also conduct assessments.
- We will continue to provide human rights awareness education at Hirata Corporation and its consolidated subsidiaries.
- The Hirata Group Code of Conduct, which was formulated during fiscal 2023, will also clearly state respect for human rights.

Major Guidelines Referred to in Conducting Human Rights Due Diligence, Including for the Establishment of Our Global Human Rights Policy

- United Nations Universal Declaration of Human Rights
- United Nations Guiding Principles on Business and Human Rights
- United Nations Global Compact, ILO International Labor Standards
- JEITA Responsible Business Conduct Guidelines (ver. 1.1)
- OECD Guidelines for Multinational Enterprises, OECD Due Diligence Guidance for Responsible Business Conduct, etc.

Materiality Theme 4 Strengthening of Our Management Foundation



Improvement of product safety and quality

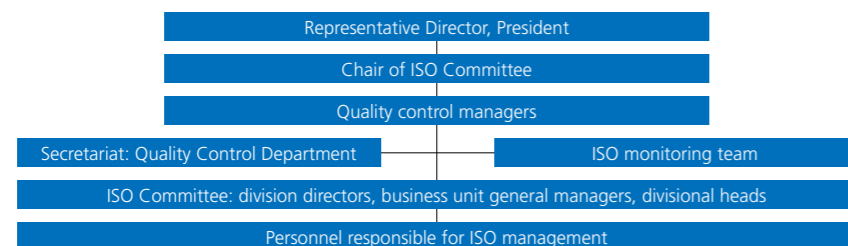
As the best partner for our customers, we will endeavor to deliver trustworthiness and satisfaction to the whole world, being sure to embody various requests for safety, quality, and productivity.

Quality Management

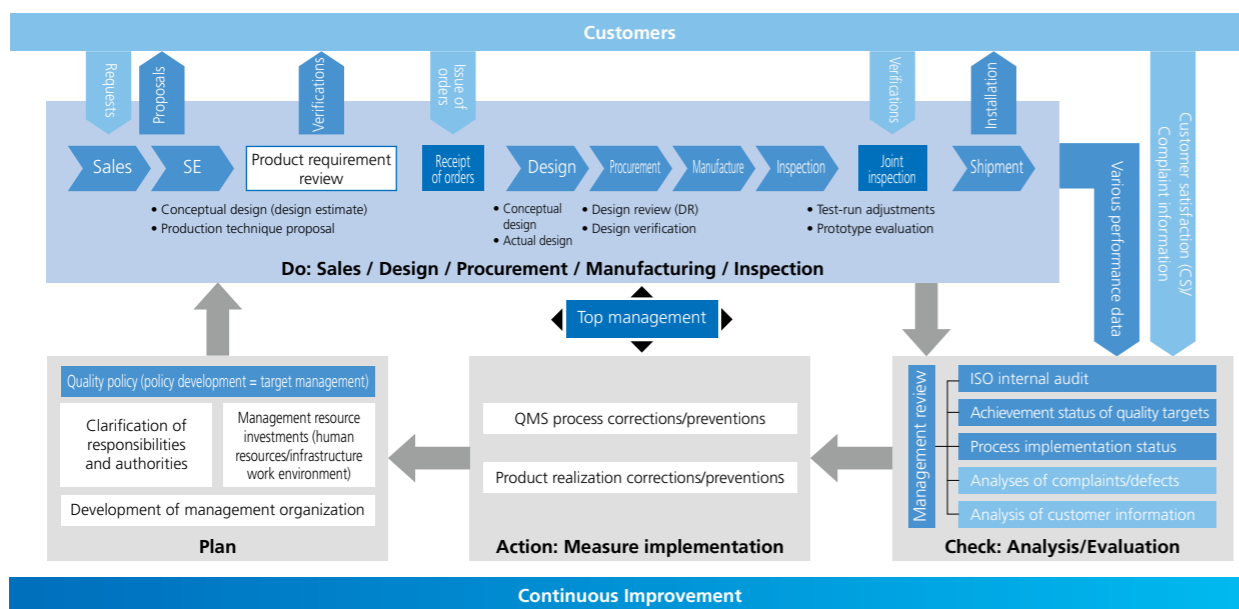
We have in place an ISO 9001-based quality control system that includes the promotion of measures to improve product safety.

	We strive to improve quality, productivity, and customer satisfaction (CS) through continuous improvement of our quality management system (QMS).	
Quality policy	(1) Provision of products and services that satisfy our customers	<ul style="list-style-type: none"> Improving technology and providing safe and highly productive products Confirmation of contract details and sharing of information in documents Establishment of system for handling complaints and thorough prevention of any recurrence CS improvements
	(2) High-quality manufacturing	<ul style="list-style-type: none"> Reliability-ensuring designs based on theories and principles (reliability engineering) Reduction of quality risk through design reviews, verification, and validation Compliance with laws, regulations, and standards Reflection of product safety and Hirata Standard (Hirata internal standards) in products Product perfection improvements by inspection standard clarification Thorough supplier and design change management Improvements in management/enhancement activities and problem-solving capabilities using statistical management methods
	(3) Establishment of standardization and commonality in high-mix, low-volume production	<ul style="list-style-type: none"> Promotion of standardization Promotion of commonality of parts Promotion of unitization Proactive development and management of products (mass-produced products)

Quality Management Promotion Framework



Quality Management System (QMS)



Specific QMS Efforts

Utilization of PDCA Quality Management System

Having obtained ISO 9001 certification, we promote standardization by establishing procedures for each process from order acceptance, design and development, procurement, manufacturing, and assembly to shipping and packing to stabilize quality and prevent defects. In addition, we carry out activities with an awareness of a PDCA cycle, including monitoring of quality conditions such as complaints and continuous improvement based on the results of activities such as customer satisfaction (CS) surveys and management reviews.

Implementation of ISO Internal Audits and Quality Management Audits for Our Suppliers

Evaluating effectiveness and suitability through annual ISO internal audits, the Company utilizes its QMS in its efforts to prevent quality defects, in addition to taking reliable corrective actions, by providing corrective guidance as appropriate. We also conduct quality management audits geared toward those suppliers with which the Company does business. Having built a system that can guarantee the quality of each part incorporated in our products, we are working to provide safer and more reliable products.

Knowledge Acquisition That Leads to Improvements in Quality Awareness and Product Reliability

We deliver trustworthiness and satisfaction to our customers. With this in mind, we plan and implement a range of educational programs that lead to improved quality awareness and product reliability. Basic product safety education is conducted annually by qualified safety assessors (Company employees) by means of case studies. In fiscal 2022, we held seminars on CE (Europe) and UKCA

(UK) given by external lecturers with the aim of acquiring the knowledge necessary for dealing with products for Europe. Furthermore, we are working to improve the quality of operations throughout the Company, such as conducting human error prevention training for all departments, including indirect administrative departments.

Educational Programs Implemented in FY2022 (Education Aimed at Improving Quality Awareness and Product Reliability)

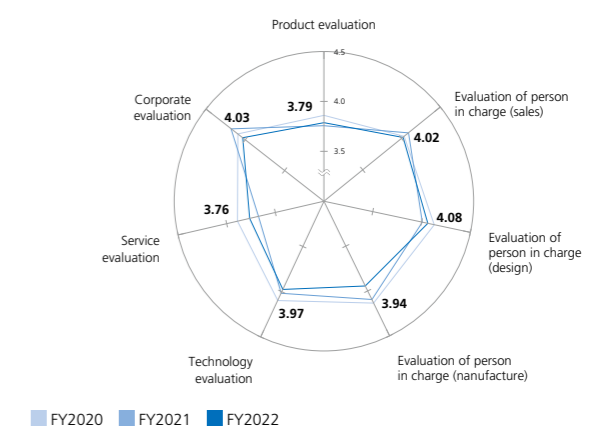
Program name	Purpose/Content	Number of participants
Basic Education for Quality Management (Introduction to ISO 9001, ISO Auditor)	In addition to acquiring basic knowledge about ISO 9001, this program deepens understanding of ISO, such as the effects of unifying business processes and the importance of a PDCA cycle.	34
QC Methodology Education (Reason Analysis, 7 QC Tools)	For acquiring skills in analyzing collected data, analyzing factors, and identifying root causes of problems, leading to early resolution of problems and improvement of the effectiveness of recurrence-prevention measures.	78
Inspector Training	In addition to acquiring the basic knowledge of inspection work, cultivating the mindset as an inspector will lead to the prevention of outflow of quality defects by improving the reliability of the inspection process.	29
Change Management Education	By raising the level of basic knowledge of change management, participants understand the importance of accurate action and communication at the time of change, leading to the prevention of quality defects.	52
Basic Product Safety Education (Machinery Safety, Electrical Safety, and Product Risk Assessment)	Raising the level of basic knowledge about product safety and raising safety awareness.	337
Seminar on CE (Europe) and UKCA (UK) (Outside Lecturer)	A program to deepen participants' basic knowledge of the European Union CE marking and the UKCA (UK) and to deepen knowledge that can be used in their work.	30
Human Error Prevention Education	By incorporating the idea of preventing human errors, we will revitalize the creation of a mechanism that prevents mistakes from occurring.	80

Building an Improvement System That Reflects Customer Feedback

The Company listens to opinions and suggestions through all departments that have opportunities to interact with customers. Fifty-four customers participated in our customer satisfaction survey. Based on these valuable opinions and other factors, we are striving toward product improvements and strengthened service support.

In fiscal 2022, scores for product evaluation and service evaluation improved slightly compared with fiscal 2021. However, since the scores for these two items are lower than other evaluation items, we consider them to be issues. Many of the opinions from customers were related to overseas services and communication issues due to language barriers, so we will work to improve these issues.

Satisfaction Weighted Average Score (Five Points Max.)



Supply Chain Management

To remain a company that is trusted and chosen by all stakeholders, including its customers and suppliers, the Group fulfills its corporate social responsibility (CSR) in its procurement activities. We will also share the Procurement Basic Policy with our suppliers and work on responsible procurement activities and continuous improvement in accordance with the Hirata CSR Procurement Guidelines.

Procurement Basic Policy	(1) In compliance with laws and ethics (2) In a fair and just manner as an equal partner with our suppliers (3) Giving due consideration to human rights concerns and the reduction of environmental impact in the selection of suppliers and procured items
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Initiatives for Sustainable Procurement Activities

Under the lead of its director, the Procurement Division plays a central role in promoting sustainable procurement activities in cooperation with sustainability promotion activities. The Sustainability Promotion Committee oversees initiatives by reporting, discussing, and making decisions on directions and issues.

- Holds supplier meetings (Company performance reports, explanation of market trend policies, explanation of trends and policies of the Procurement Division, and supplier awards)
- Conducts CSR procurement self-assessments and sends out consent forms
- Exchanges information and provides improvement support through CSR procurement audits
- Builds a cooperative framework for BCP

CSR Procurement Self-Assessments

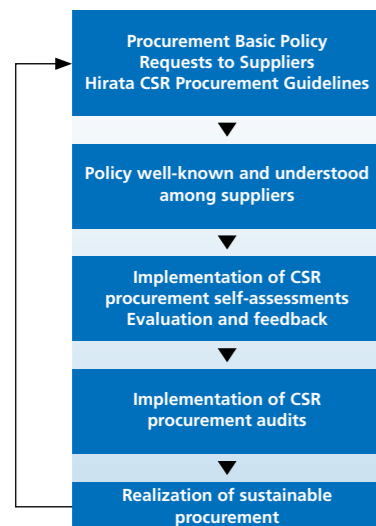
In procuring products, materials, and raw materials, we are promoting CSR (corporate social responsibility) throughout the supply chain and making improvements in accordance with conventional requirement items of quality, performance, price, and delivery time and items added from the perspective of the environment, working environment, human rights, etc.

In fiscal 2021, we conducted CSR procurement self-assessments for the top 70% of the transaction value suppliers (the top 100 domestic transaction value suppliers). In fiscal 2022, we completed responses for the top 80% of the transaction value suppliers (the top 120 domestic transaction value suppliers), as a result of the surveys conducted for suppliers that have not yet implemented the

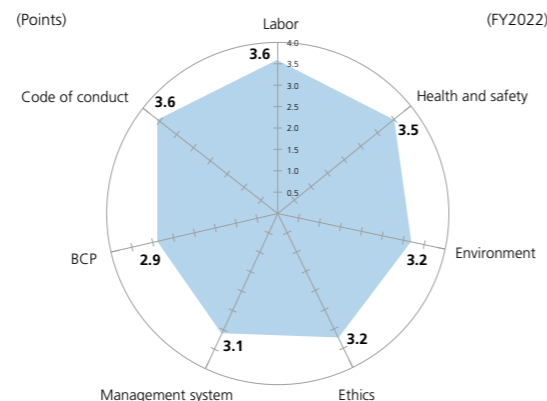
previous surveys. In addition, we have received consent to the Hirata CSR Procurement Guidelines along with requests for cooperation in self-assessments (100% recovery rate for self-assessment and consent forms).

Furthermore, in fiscal 2022, we worked to formulate a CSR procurement audit sheet and conducted trial audits of some suppliers. Although no major problems have been confirmed at this time, we will make improvements as necessary and strive to maintain sustainable procurement activities, such as expanding the scope of audits.

▶ For more information on the Hirata CSR Procurement Guidelines, please visit the website below.
https://www.hirata.co.jp/files/uploads/esg_20230301_05.pdf



Results of CSR Procurement Self-Assessments



Supplier Engagement

In June 2023, we held a supplier meeting to talk about the Group's consolidated results for fiscal 2022, the forecast for fiscal 2023, trends and policies of business divisions, basic procurement policies, and priority measures.

In fiscal 2023, we established and shared two new items that we would like our suppliers to actively work on in the fields of society and the environment. We will promote this with the goal of having all Tier 1 suppliers, which account for the top 80% of the transaction value suppliers, focus on these items.

The Company will continue to engage in sustainable procurement activities while engaging in dialogue with suppliers about its business activities and sustainability.



Matters to be promoted in the social and environmental fields

1. Establishment of social and environmental policies
 - Labor and human rights policies
 - Health and safety policies
 - Environmental policies
 - Ethics policies
2. Understanding of the CO₂ emissions of suppliers

Business Continuity Plan

As a result of conducting an assessment of the business continuity plan (BCP) through the CSR procurement self-assessment, it was found that there were issues in the status of initiatives compared to other items.

In recent years, in order to minimize the impact on our production activities in the event of serious natural disasters,

such as frequent earthquakes and floods, we have been promptly confirming the damage situation with our suppliers. In FY2022, we investigated the impact of four natural disasters on production activities among our suppliers.

Establishment of Supplier Whistleblowing Contact Point (Supplier Helpline)

In response to the Revised Whistleblower Protection Act and in accordance with the strengthening of governance, the Company set up a supplier helpline in 2022 and posted the point of contact on its website. Based on the information provided, the helpline secretariat (the Company's

Compliance Department) will conduct an internal investigation and take corrective and preventive measures. Strictly protecting the confidentiality of reports, the Company will not provide disadvantageous treatment to whistleblowers as a result.

Reporting method	We have set up a dedicated point of contact on our website. https://www.hirata.co.jp/en/contact/
Those subject to reporting	Suppliers (of goods, software, utilities, equipment, etc., necessary for our production activities)
Post-report handling	Promptly conducting a factual investigation of the reported case, necessary measures, such as an order to cease and desist, correction or recurrence prevention, to be taken if non-compliance proven
Number of reports	1

Responsible Procurement of Minerals

We are aware of and actively cooperate with international efforts to investigate and monitor the use of conflict minerals,* which have been implicated in human rights abuses and labor problems, and minerals that pose a risk of child labor and environmental destruction. In line with the update of the RMI (Responsible Minerals Initiative)

information, we regularly conduct surveys of each supplier using survey templates (CMRT, EMRT, etc.).

* Conflict minerals: The term refers to minerals, among them tantalum, tungsten, tin, gold, and cobalt, produced in the Democratic Republic of the Congo and neighboring countries, which are regarded as a source of funding for armed groups that are committing serious human rights violations.

Corporate Governance

The Company aims to make everyone involved in Hirata content and to contribute to society through technology. To achieve this, we believe that it is essential to build and effectively operate a management system that enables transparent, fair, prompt, and resolute decision-making. We will thus work to strengthen corporate governance as one of our most important tasks.

Basic Stance

As a company that targets the global marketplace, Hirata has promoted sound and effective management activities with an emphasis on corporate governance to fulfill its social responsibilities. Hirata is thus working to enhance its compliance system, continuously strengthen its business competitiveness, and further improve its corporate value.

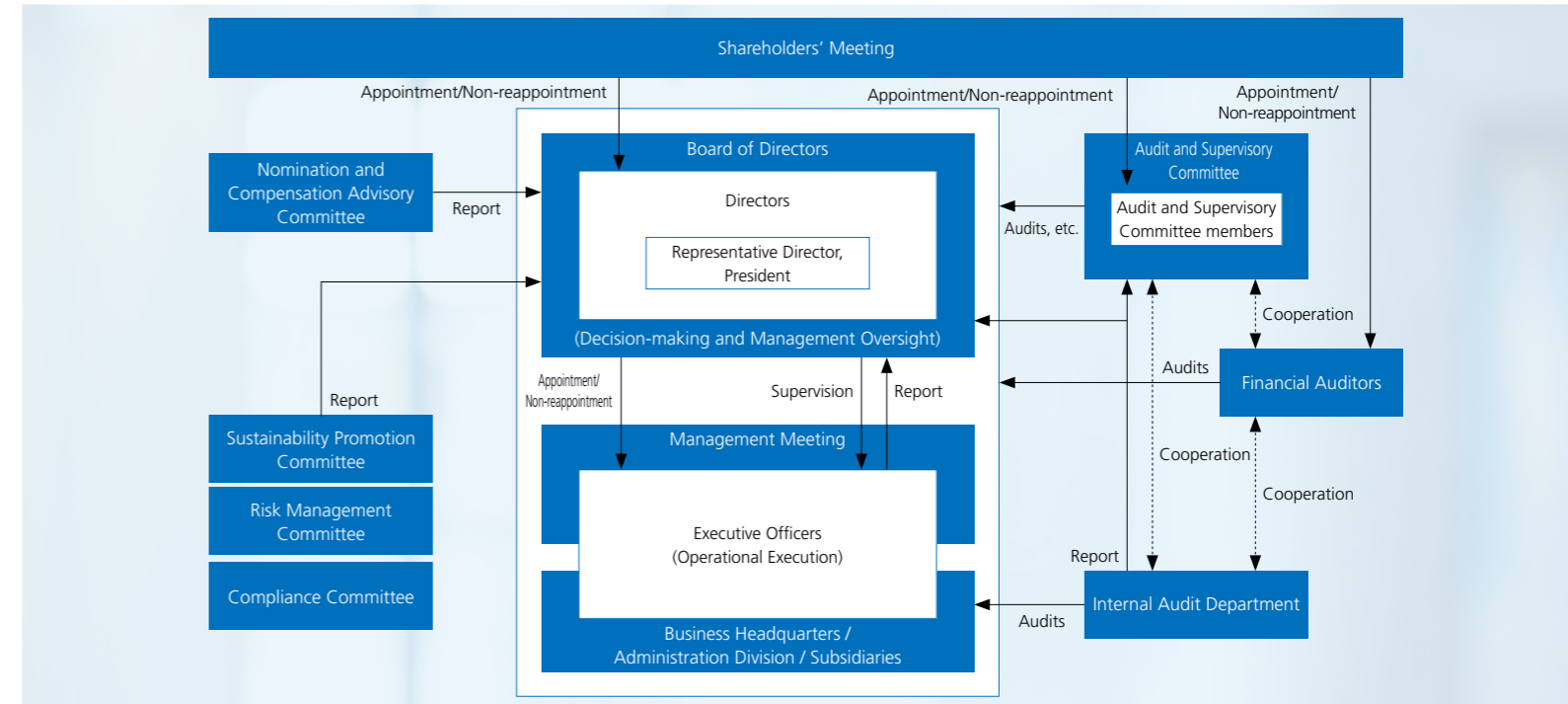
From the standpoint that a company is an entity that bears public responsibility, public interest, and social responsibilities, Hirata believes that the maintenance of good relationships with all stakeholders will lead to improved shareholder value over the long term.

Changes to Corporate Governance

2005	<ul style="list-style-type: none"> Introduction of executive officer system Management Meeting established
2006	<ul style="list-style-type: none"> Stock listed on JASDAQ Securities Exchange
2014	<ul style="list-style-type: none"> Appointed one independent outside director Abolition of executive retirement benefits system
2016	<ul style="list-style-type: none"> Appointed two independent outside directors
2017	<ul style="list-style-type: none"> Stock market listing changed to First Section of Tokyo Stock Exchange Establishment of independence standards for outside directors Introduction of stock options Began evaluations of Board of Directors' effectiveness
2018	<ul style="list-style-type: none"> Establishment of voluntary Nomination and Compensation Advisory Committee
2019	<ul style="list-style-type: none"> Shortened director term of office from two years to one year Independent outside directors to account for at least one-third of those present in Board of Directors' meetings
2021	<ul style="list-style-type: none"> Policy decisions on executive compensation, etc. Introduction of performance-linked compensation system
2022	<ul style="list-style-type: none"> Moved to Tokyo Stock Exchange Prime Market Appointed two female directors Appointed one female Audit and Supervisory Board member Skills matrix disclosure
2023	<ul style="list-style-type: none"> Transitioned to a Company with an Audit and Supervisory Committee organizational design

Governance Framework and Summary

Approved during the 72nd Ordinary Shareholders' Meeting held on June 23, 2023, we have shifted from being a Company with a Board of Corporate Auditors to a Company with an Audit and Supervisory Committee in order to further enhance corporate governance by strengthening the supervisory function of the Board of Directors and further strengthening the monitoring system through the inclusion of Audit and Supervisory Committee members, who are responsible for auditing the execution of duties by the directors, as members of the Board of Directors.



● Internal director
 ● Outside director (Audit and Supervisory Committee member)
 ● Independent outside director
● Independent outside director (Audit and Supervisory Committee member)
 ★ Woman

Body	Board of Directors	Audit and Supervisory Committee	Nomination and Compensation Advisory Committee
Composition	Chairperson Ratio of women: 17% Ratio of independent outside directors: 42%	 Ratio of women: 25%	Chairperson Ratio of women: 33%

Note: In June 2023, we transitioned to a Company with an Audit and Supervisory Committee organizational design.

Operational Status of Board of Directors, Discretionary Committees, and Audit & Supervisory Board (FY2022)

Body	Board of Directors	Audit & Supervisory Board	Nomination and Compensation Advisory Committee
Record of Meetings Held in FY2022	14 times Average attendance rate: 98.8% (Directors and Audit & Supervisory Board members)	18 times Average attendance rate: 98.6% (Audit & Supervisory Board members)	8 times Average attendance rate: 100% (All committee members)
Main Themes	<ul style="list-style-type: none"> Transition to a Company with an Audit and Supervisory Committee organizational design Establishment of a sustainability promotion system and formulation of basic policies Formulation of various policies such as human rights policies 	<ul style="list-style-type: none"> Audit system after adoption of the Audit and Supervisory Committee Status of development and operation of Group governance 	<ul style="list-style-type: none"> Nomination of directors and executive officers, as well as determination of remuneration and related policies Development of succession plan

Corporate Governance

Evaluations of Effectiveness of Board of Directors' Meetings (Fiscal 2022)

To improve the effectiveness of its Board of Directors' meetings, the Company has evaluations of their effectiveness conducted by a third-party organization. Based on the results of the evaluations, the issues are shared and countermeasures are discussed at Board of Directors' meetings.

Method of Evaluation	Anonymous questionnaires and individual interviews for directors and Audit & Supervisory Board members conducted by a third-party organization (individual interviews held every other year)
Main Evaluation Question Items	Include composition, operation, discussions, and monitoring functions of the Board of Directors; performance of directors, support system, and training for directors and Audit & Supervisory Board members; voluntary committee operations

FY2021 Evaluation Results (Issues)	FY2022 Initiatives	FY2022 Evaluation Results (Issues)	Future Initiatives
<ul style="list-style-type: none"> Formulation and follow-up of management strategies for medium- to long-term improvement of corporate value and strengthening of monitoring functions Formulation of human resource strategies consistent with medium- to long-term strategies Optimization of Board of Directors' meeting agenda items Strengthening of Board of Directors' secretariat functions, etc. 	<ul style="list-style-type: none"> Monitoring of Medium-Term Management Plan progress and discussions on human resource strategies to be incorporated into annual schedule of Board of Directors' agenda items Continuous reviews of Board of Directors' meeting discussion standards Earlier provision of more accurate agenda items and strengthening of secretariat functions such as support for outside directors and training 	<ul style="list-style-type: none"> Formulation and follow-up of management strategies for medium- to long-term improvement of corporate value and strengthening of monitoring functions Formulation of human resource strategies consistent with medium- to long-term strategies Strengthening of Board of Directors' secretariat functions Establishment of an internal control system for the entire Group and sufficient supervision of its operation, etc. 	<ul style="list-style-type: none"> Review of the standards and authority for deliberation by the Board of Directors in light of the transition to a Company with an Audit and Supervisory Committee organizational design Use of opportunities for discussion separate from the Board of Directors Review of Group governance Strengthening the secretariat functions such as through provision of proposals at an early stage, setting priority themes, and conducting training

In addition to the above, the Company consulted with the Nomination and Remuneration Advisory Committee on the appropriateness of policies and procedures for the appointment and dismissal of directors and executive officers, the review of the skills matrix for the transition to a Company with an Audit and Supervisory Committee organizational design, and the ideal form of the officer remuneration system. Based on the results of the effectiveness evaluations and analyses of the status of compliance with the Corporate Governance Code, we will continue to make ongoing efforts to further improve the effectiveness of the Board of Directors in the years to come.

Appointment/Non-reappointment of Directors

Nomination and Compensation Advisory Committee

The Company established the Nomination and Compensation Advisory Committee as a voluntary advisory body to the Board of Directors. The purpose of this committee is to deliberate important matters, such as the nomination and compensation of directors and executive officers, and to thereby ensure the objectivity and transparency of these matters and to further strengthen the corporate governance system.

Committee Chair: Yuichiro Hirata (representative director, president)
 Committee members: Satoru Ogawa (independent outside director), Ryoko Ueda (independent outside director)

Appointment/Non-reappointment of Directors

To ensure transparency and fairness in the nomination of both director candidates and executive officers, the Nomination and Compensation Advisory Committee, in which independent outside directors form the majority, deliberates the criteria and policies for nominating the candidates as well as candidate nomination proposals. The results of those

deliberations are reported to the Board of Directors, which makes decisions after receiving reports from the Nomination and Compensation Advisory Committee on the basis of the candidates' knowledge, experience, ability, performance evaluations, and other factors.

In addition, with respect to the nomination of candidates for director who are not members of the Audit and Supervisory Committee, the right of the Audit and Supervisory Committee to state its opinion on the nomination shall be properly exercised, and with respect to the nomination of candidates for director who are members of the Audit and Supervisory Committee, the consent of the Audit and Supervisory Committee shall be obtained.

If a director or executive officer breaks the law or acts in a manner contrary to the Articles of Incorporation or internal regulations, or should it be recognized that there is a difficulty to perform duties properly due to physical or mental breakdown or a lack of ability, in such cases the Board of Directors will consider dismissal after having received a report from the Nomination and Compensation Advisory Committee.

Executive Training and Support System for Outside Directors

We support outside officers so that they can deepen their understanding of the Company through training for officers, providing and explaining support systems for outside officers, and visiting production sites. Additionally, the Company provides support for outside officers to fulfill their roles, such as holding preliminary briefings for outside officers prior to meetings of the Board of Directors and providing opportunities for interviews with key executive officers and employees.

Skills Matrix of the Company's Directors

For the Board of Directors to fulfill its responsibilities of realizing sustainable growth and supervising business execution, the Company has defined the key skills and areas of experience required of its directors—corporate management, industry knowledge, technology and research and development, global perspective, risk management, finance and accounting, and ESG expertise—and aims to maintain a Board of Directors that is well balanced in terms of its composition.

Name	Corporate Management	Industry Knowledge	Technology and Research and Development	Global Perspective	Risk Management	Finance and Accounting	ESG Expertise
Directors (excluding Directors Who Are Audit and Supervisory Committee Members)							
Yuichiro Hirata	●	●	●	●			
Shojiro Hirata	●	●	●				
Shigeru Maeda	●	●	●				
Masaru Kozaki	●	●		●			
Shigeharu Nishimura	●	●	●				
Hideki Ninomiya					●		●
Satoru Ogawa (Outside Director)	●			●	●		
Ryoko Ueda (Outside Director)					●	●	●
Directors Who Are Audit and Supervisory Committee Members							
Naokuni Motoda (Outside Director)	●				●	●	
Ken Imamura (Outside Director)	●				●		
Yasuhiko Endo (Outside Director)	●				●	●	
Asako Okabe (Outside Director)	●					●	

Note: The above shows the knowledge, experience, and capabilities particularly expected of each individual and is not a complete list of all the expertise possessed by said individuals.

<p>Corporate Management In order to achieve the sustainable growth of the Group and increase its corporate value over the medium to long term, we need directors who have the ability to set a vision in order to determine the major direction of management strategies and ability to make decisions to establish a strategy, taking into account the management issues faced and future business opportunities. We need directors who can make strategic proposals and make decisions in light of changes in the business environment, such as politics, the economy, society, and technology, taking into account business trends and risks, and the business conditions of the Group.</p> <p>Industry Knowledge Directors who have knowledge of the Group's business, business models, and trends in the market environment and who can make proposals and make management decisions regarding business strategies and marketing are required.</p> <p>Technology and Research and Development We need directors who have diverse knowledge in cutting-edge technologies, products, and services from a global perspective; view solutions to social and business issues as new innovations, business opportunities, and research themes; and can judge the appropriateness of the research from an objective perspective.</p> <p>Global Perspective In order to expand the support system for the Group's global expansion and local production, we need directors who have a global perspective and a broad perspective to judge global business strategies and have a certain understanding of business practices and regional characteristics in multiple countries with abundant overseas business experience. Since we are promoting One Hirata, an integrated Group management</p>	<p>initiative, we need directors who can make decisions from a global perspective in an optimal overall manner.</p> <p>Risk Management Legal risks are always associated with the Group's management and business activities, and it is essential not only to mitigate and eliminate them but also to assess the severity of the risks and take risks. Also, in order to establish an optimal governance system, it is also important for the Group to focus on a Companywide risk management system that takes into account management strategies, management issues, and future visions. Based on the above, it is necessary to have directors with specialized knowledge of legal affairs, internal control, and compliance.</p> <p>Finance and Accounting In addition to having knowledge of finance, accounting, and tax affairs, directors are required to have a full understanding of the Group's business and to be able to grasp and make judgments on management figures in accordance with products and business characteristics. In terms of strategy, directors who can make proposals and make management decisions regarding capital procurement and dividend policies for growth investments and business strategies that contribute to the sustainable enhancement of the Group's corporate value are necessary.</p> <p>ESG Expertise In order for the Group to realize ESG management that integrates sustainability into management, it is essential to establish a perspective that balances corporate growth and the resolution of social issues, as well as an optimal governance system. Based on this point, it is necessary to have directors who can make decisions from the perspective of medium- to long-term ESG management without sticking to short-term profits.</p>
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Corporate Governance

Executive Compensation

Executive Compensation Policy

The Company's decision-making policy with regard to executive compensation and associated matters is decided upon by the Board of Directors. The main basic policies are as follows:

- To achieve sustainable growth and increase corporate value over the medium to long term, directors' compensation shall involve a system that functions as an incentive and at an appropriate level based on position and responsibility.
- Specifically, in addition to their basic compensation, executive directors will receive executive bonuses and stock compensation as performance-linked compensation, the ratios of which shall be approximately 1:0.5:0.3 (if performance indicator targets are achieved).
- Outside directors who are primarily responsible for supervisory functions shall receive only basic compensation.

Process for Determining Compensation

Regarding individual remuneration for directors (excluding Audit and Supervisory Committee members), the Board of Directors delegates decision-making of specific details to the Nomination and Remuneration Advisory Committee.

In delegating such authority, we respect the Audit and Supervisory Committee's right to state opinions regarding remuneration and take measures to ensure that such authority is properly exercised.

The remuneration of individual directors who are Audit and Supervisory Committee members is determined

through discussion among directors who are Audit and Supervisory Committee members.

Details of Performance-linked Compensation

Intended to raise awareness of improving performance each fiscal year, the bonuses in performance-linked compensation shall be regarded as cash compensation that reflects performance indicators. Such bonuses are calculated in accordance with the level of achievement of the consolidated ROE targets for each fiscal year.

By sharing the profits and the risks of stock price fluctuations between directors and shareholders, stock compensation shall be paid via a stock delivery trust mechanism in order to raise awareness of contributing to improving medium- to long-term business performance and increasing corporate value. For each fiscal year, points are awarded according to position and length of tenure of office as well as according to the level of achievement of the target values for evaluation indicators (consolidated ROE and consolidated operating profit ratio) in the settlement of accounts. At the time of retirement, stock equivalent to points shall be delivered.

The performance indicators and their target values for performance-linked compensation are reviewed based on recommendations from the Nomination and Compensation Advisory Committee depending on changes in the business environment and other factors.

Group Governance

The Hirata Group consists of Hirata and 12 consolidated subsidiaries. Based on the following businesses—the Automotive- and Semiconductor-related Equipment businesses and Other Automatic Labor-saving business—the Group is developing its businesses at bases in North America, Europe, Southeast Asia, China, and Taiwan.

Having established a Basic Policy for Establishing an Internal Control System, the Board of Directors is working to strengthen Group controls.

In addition to monitoring the execution of management's duties, each Group company strengthens Group controls by ensuring the Company's involvement in important decision-making and the reporting of serious incidents, such as compliance violations, to the Company in accordance with affiliated company management regulations.

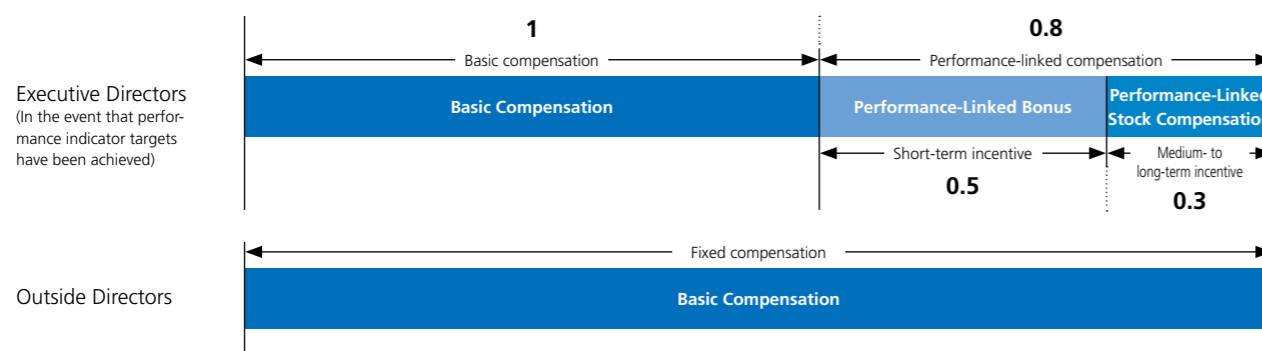
As the most recent major initiative in Group control, we have established subcommittees consisting of members from multiple departments, including the affiliated company management department, the general affairs department, and the corporate planning department, with the aim of formulating a basic policy for Group governance by the end of fiscal 2023. The basic policy under consideration sets the level of involvement of affiliated companies from the perspectives of fund management, release of personnel, and involvement in business strategies and is considering effective control by monitoring risk based on the financial condition of each Group company.

Furthermore, in parallel with the formulation of the above policy, each department of the Administration Division and the management departments of affiliated companies cooperate in carrying out activities with a plan to complete a review of Group head office functions by the end of fiscal 2023. We aim to build an optimal system for maximizing corporate value by exerting certain controls on the scope of functions handled by the head office to each Group company, which had been entrusted to each division.

In addition, in order to increase synergies across the Group, companies hold regular briefings (quarterly for domestic affiliates and biannually for overseas affiliates) to share business strategies and issues and monitor business performance as appropriate.

In audits, the Company's Audit & Supervisory Board members and other committee members conduct audits of Group companies, and the Group Company Audit & Supervisory Board Members Liaison Meeting is held on a regular basis to enhance the effectiveness of audits of Group companies by sharing the audit status of Group companies and risk-related matters. The Internal Audit Department also regularly conducts audits of Group companies and reports to the Board of Directors and the Audit and Supervisory Committee in a timely manner.

Composition of Executive Compensation



Executive Compensation Breakdown (Fiscal 2022)

Director Classification	Total Amount of Compensation (Thousands of Yen)	Total Amount by Type of Compensation, etc. (Thousands of Yen)				Number of Eligible Directors
		Basic Compensation	Performance-Linked Stock Compensation	Bonus	Of the Items on the Left, Non-Monetary Compensation, etc.	
Directors (Excluding Outside Directors)	233,910	148,960	31,610	53,340	31,610	8
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	-	-	-	-	-	-
Outside Directors	76,700	76,700	-	-	-	11

Cross-shareholdings

(1) Approach to Cross-shareholdings

In working to maintain medium- to long-term relationships and expand transactions with its business partners, the Company's basic policy is to hold only those stocks that contribute to the enhancement of its corporate value.

(2) Verification of Cross-shareholding Suitability

In line with the basic policy, verification of aspects such as the benefits and risks associated with the holdings and whether to continue with them is undertaken at Board of Directors' meetings. The Company shall consider selling shareholdings that are judged to have low rationality.

(3) Criteria for Exercising Voting Rights Related to Cross-shareholdings

With regard to the voting rights related to shareholdings, these will be exercised in an appropriate manner with the sustainable growth of the issuing company as an evaluation criterion and on the premise that they will contribute to the improvement of the Company's corporate value.

Compliance

Compliance Charter

Fundamental Principles

Because of our global nature, we at Hirata as well as each of our Group companies abide by a set of established rules we call our Code of Conduct. We strive for total compliance with the code to effectuate commercial endeavors that are both fair and transparent always in accordance with legal statutes both domestically and abroad along with social norms and in-house regulations.

Code of Conduct

Based on our business principles, we at Hirata are fully aware of our mission and role as a corporate entity with respect to our valued customers, shareholders, business partners, employees, and members of local communities. To make a contribution to society at large, the following Code of Conduct is applied to all employees of every company in the Hirata Group, with every single employee having the responsibility of maintaining and improving upon them.

1. Abiding by legal statutes and regulations
2. Engaging in fair and just business
3. Disclosure of corporate information
4. Proper management and utilization of corporate assets
5. Contribution to society
6. Respecting the individual
7. Controlling confidential information and personal information
8. Duty of practice and accountability

Note: For more details on each of these items please visit: <https://www.hirata.co.jp/en/sustainability/esg/compliance>

Compliance System

Compliance Promotion Framework

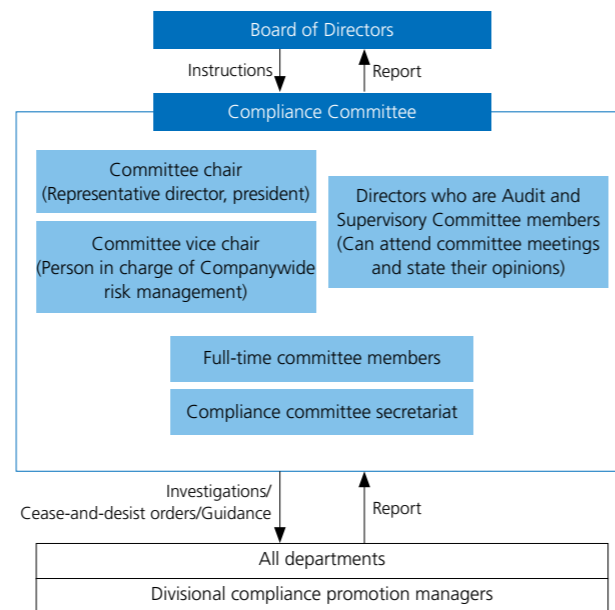
Having established a Compliance Committee under the Board of Directors, the Company formulates compliance measures and, should a compliance violation arise, it conducts investigations and analyses, issues cease-and-desist orders, and formulates measures to prevent a recurrence. Including the implementation status of each measure and the operational status of the internal whistleblowing system, reports are also made to the Board of Directors.

Efforts to Strengthen Compliance

The Company provides compliance training for employees when they join the Company, and theme-based training, which for example covers the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, security export controls, and harassment prevention, is conducted as appropriate for Group employees.

Having conducted compliance fact-finding surveys since fiscal 2020 on a yearly basis, the Company is continuing to conduct a variety of measures and education based on the survey results. The Company has also set up a compliance webpage on its intranet, on which educational and other

materials based on violation case studies are posted for employees on a monthly basis.



Whistleblowing System

The Company has established a whistleblowing system in order to quickly identify compliance violations and take appropriate measures. In addition to an internal hotline, we have established an external hotline for reporting to third-party outsourcing companies that enables anonymous reporting in the local language and a supplier hotline that can be used by suppliers. Each hotline has a system in place that complies with the Revised Whistleblower Protection Act, and regulations stipulate the duty of confidentiality

of whistleblower information and the prohibition of disadvantageous treatment due to whistleblowing. Reports received are handled in accordance with said regulations and reported to the Board of Directors through the Compliance Committee Secretariat.

	FY2020	FY2021	FY2022
Number of whistleblowing reports	6	8	12

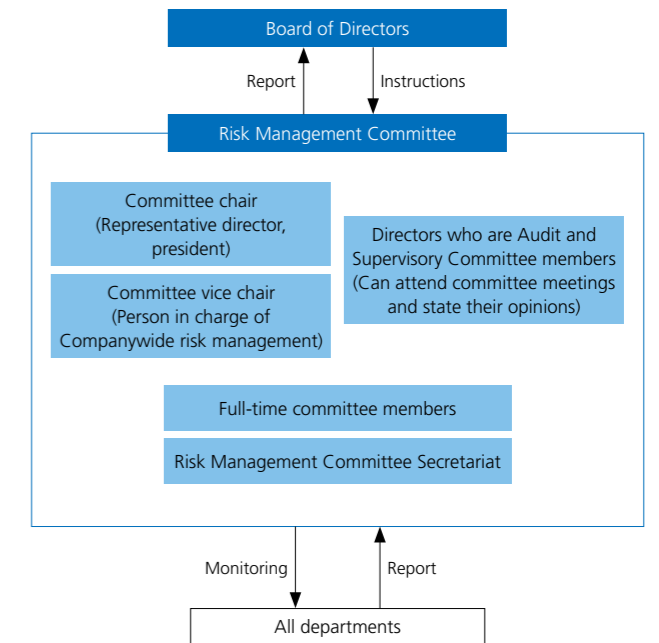
Risk Management

Risk Management System

The Company has established a Risk Management Committee under the Board of Directors, which conducts Companywide risk management in accordance with the Risk Management Rules to deal with events that may affect the achievement of business goals or sustainable management.

In the Company's risk management system, the division director of the Administration Division is responsible for Companywide risk management and conducts such management. The Risk Management Committee, chaired by the representative director and president, has been established as a deliberative body for risk management. We comprehensively grasp and evaluate risks that occur throughout the Group from the perspective of the entire organization and conduct activities to maximize corporate value, prevent risks from occurring, and minimize losses after they occur.

The department in charge of each risk item identifies risks evaluates them, and implements countermeasures. The department in charge of risk management summarizes Companywide risks and monitors the implementation status and effectiveness of countermeasures, and the Internal Audit Department audits the effectiveness and response status.

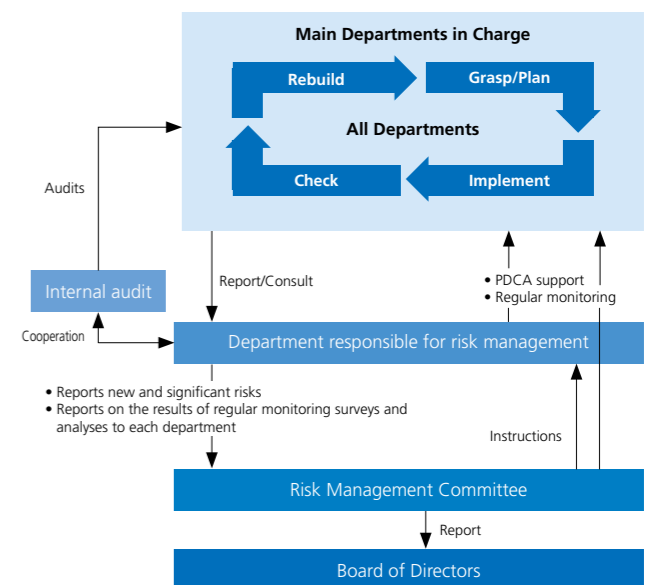


Ascertaining of and Responding to Risks

The Company has created a Hirata Risk Map that broadly classifies approximately 70 risk items into four categories: management process risks, which include governance; external factor risks such as market changes; indirect business process risks that cover human resources and IT systems; and direct business process risks related to business activities such as production. Based on the Hirata Risk Map, the Company has established the main department in charge of each risk item and put in place a mechanism whereby the information collected on assumed and incurred risks is aggregated by the department responsible for risk management.

From the aggregated risk information, the department responsible for risk management comprehensively evaluates the likelihood of the occurrence, magnitude of the impact, and priority of the risk. The Risk Management Committee then determines major risks and related measures, monitors the status of measures, and reports to the Board of Directors.

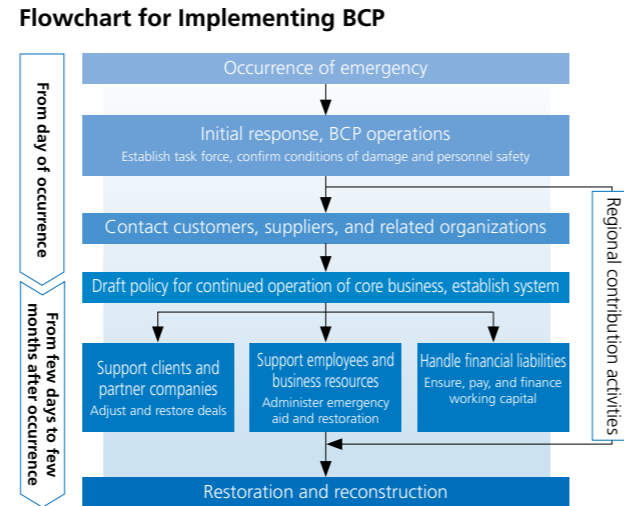
Company-wide Risk Management Flow



Business Continuity Plan (BCP)

Based on its BCP Policy, which places the highest priority on the lives and safety of employees and their families, the Company has established procedures for clarifying how to confirm the safety of employees and others. We also secure stockpiles of supplies in the event that makes it difficult for employees to return home. In addition, by sequentially developing and reviewing procedures for checking the damage status of building infrastructure at our business sites and procedures for conducting surveys on the damage status of suppliers, we will not only ensure the safety of our employees but also minimize the impact on our customers' businesses, thereby contributing to our stakeholders. Furthermore, by conducting simulated drills on a regular basis, we are working to promote understanding of the BCP among employees and others while ensuring the effectiveness of procedures, etc.

In the event of an emergency, the BCP organization will play a central role in the initial response, business continuity, and recovery following the flowchart for implementing our BCP.



BCP Policy

To as far as possible avoid circumstances that could endanger business continuity due to unexpected disasters or problems, we plan to continue business by extracting risks in advance and defending ourselves against and mitigating those risks and to restore business operations in a short period of time in emergency situations.

- Give top priority to the lives and safety of employees and their families
 - Minimize any negative impact on our customers' businesses
 - Assist our stakeholders
- We review our BCP on a regular basis for continuous improvement

IT Security

IT Security Management

To protect information and information assets, including IT equipment, from threats such as leakage and damage as well as to conduct its business activities safely and securely, the Company established an IT Security Basic Policy and formulated IT security management regulations.

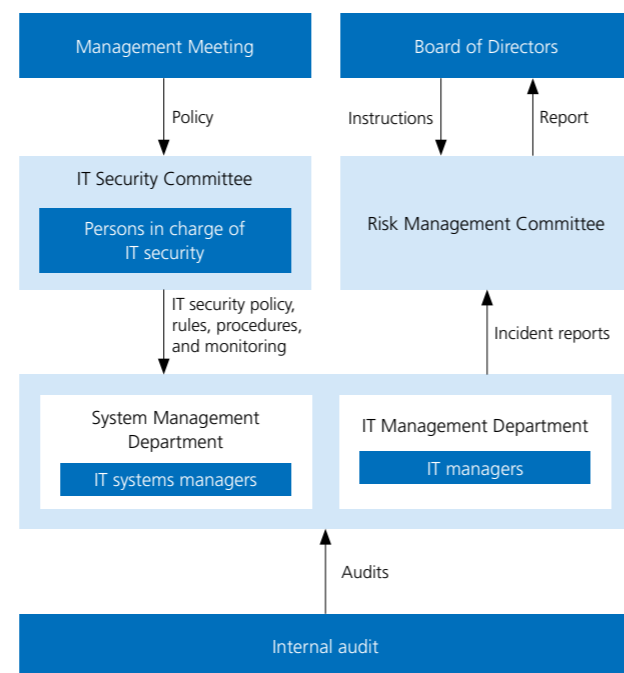
To act as a management system, we have established an IT Security Committee while reviewing policies and regulations, conducting risk analysis, and monitoring IT security measures, including those of Group companies and the supply chain.

In the event of a security incident, we form a response team in accordance with set procedures so that we can respond swiftly.

Efforts to Strengthen IT Security

To ensure the safety of the IT assets handled by the Company, we have implemented a raft of measures from both system and human resource perspectives. As an example of one such system, we have introduced an endpoint detection and response (EDR) service to quickly implement appropriate countermeasures against new threats, such as previously unknown computer viruses and targeted threat emails. We are working to improve IT

security literacy by providing our employees with IT security education and targeted threat email training.



A Talk between Our Outside Directors



Ryoko Ueda
Outside Director

Naokuni Motoda
Outside Director
Full-time Audit & Supervisory
Committee member

We will work to enhance the medium- to long-term corporate value of the Company through fulfilling our responsibility as directors.

Outside Director and Full-time Audit and Supervisory Committee Member Naokuni Motoda, who has been participating in the management of the Company since his appointment as a full-time Audit & Supervisory Board member (outside Audit & Supervisory Board member) in 2015 and Outside Director Ryoko Ueda, who has been involved in the revision of the Japanese Stewardship Code and Corporate Governance Code as an academic expert, exchanged views on corporate governance to enhance the Company's corporate value over the medium to long term.

Completion of the First Year of the Medium-Term Management Plan

Motoda During the first year of the Medium-Term Management Plan, which started in fiscal 2022, orders received were at a record high. However, I believe there are issues with the Company's operating profit and operating profit ratio. Our Medium-Term Management Plan is a three-year plan, but in order to achieve sustainable growth, it is always necessary to formulate management strategies that look 10 to 20 years into the future. While it is natural to be particular about achieving the numerical targets of the Medium-Term Management Plan, it is also necessary to deepen discussions on the Company's vision for the future with an eye to the future. Through these efforts, I believe that the achievement of the numerical targets of the current Medium-Term Management Plan will become more realistic, so I think it is important for the Board of Directors to discuss it from a medium- to long-term perspective.

Also, in the process of promoting the Medium-Term Management Plan, I think there are some issues in reviewing the progress of the plan. It is necessary to review not

only the degree of achievement of numerical targets but also whether various measures are functioning effectively. As an Audit and Supervisory Committee member, I have already made recommendations on this point, and progress management is being improved.

Ueda I agree. It is important for the Board of Directors to thoroughly discuss the vision for the future and share it internally. The Medium-Term Management Plan sets three-year targets for realizing our vision for the future. There are many companies that simply follow the numbers in the plan, achieving first-year targets, but, because they will not achieve targets in the second year, do everything in the third year, which is the last year of the plan. This means that accomplishing the plan is the objective. Clarifying what kind of company we want to be and what kind of presence we want to have in society in the future will change the way we manage our business. First of all, I think it is important to clarify the Company's vision for the future.

Full Implementation of Sustainability Management

Ueda The Sustainability Promotion Committee, a Companywide committee, which started full-scale operation in fiscal 2023, has set targets for each materiality issue identified and has been materializing action plans to achieve those targets.

However, the demands and expectations of society are drastically changing more than we think, so we need to be flexible enough to keep up to date with the latest information. I believe that our current form of sustainability management is at the stage of raising the quality of our initiatives with a unique corporate identity while being fully aware of external feedback.

A Talk between Our Outside Directors



The Sustainability Promotion Committee, which meets regularly and in which I participate as an observer, has specific discussions with an awareness of the issues. In the future, as an outside director, I would like to evaluate efforts, taking into account the perspectives of external stakeholders such as shareholders and investors, and disseminate them externally as necessary.

Motoda The Sustainability Promotion Committee is composed of five working groups, each dedicated to a

specific theme, which raise a variety of issues and report on progress toward resolving each issue.

Prior to the establishment of the Sustainability Promotion Committee, the Audit & Supervisory Board (now the Audit and Supervisory Committee) had proposed specific initiatives for issues such as human capital, risk management, and compliance. These initiatives are being embodied in the activities of the various working groups of this committee. I feel that management centered on sustainability has begun to move in a systematic manner.

Ueda We must proactively expand information disclosure regarding the recognition of sustainability issues and the progress and results of our initiatives. As the next step, it is necessary to set specific KPIs to trace the degree of achievement of targets and the progress of initiatives for each materiality and to formulate a concrete road map for implementation.

In the future, discussions on these issues, which are indispensable for improving our corporate value, will take shape, but in setting them, we need not only an internal perspective but also an objective viewpoint from outside the Company. As an outside director, I would like to be fully involved and supportive of these discussions.

Toward Strengthening Human Capital

Motoda As one of the important themes of the Sustainability Promotion Committee, various initiatives to strengthen human capital are being considered and promoted. However, I believe that an accurate understanding of the current status of human resources with what abilities and to what extent they are available within our Group is necessary for carrying out those initiatives. The specific direction in which human resource investment is headed is closely related to management strategy. This means that if the management strategy for the future is clarified, the required human resources will be determined. I am aware that the extent to which management strategy and human resource strategy are aligned is an important theme for the Board of Directors.

Ueda On the other hand, we as directors must always think about how we can keep employees motivated and working with a positive mindset.

Especially among the younger generation, the feelings of belonging to the Company and workstyle needs are becoming more diverse. Only by respecting such diversity and motivating employees to continue working will they realize growth and make a greater contribution to the Company.

I think that it is important for us to always consider what a corporate culture and work environment should be like in which individuals and organizations can grow sustainably.

Contributing to the Enhancement of Corporate Value through Appropriate Risk Management

Motoda Various risks are always present in the execution of all business operations. Through my many years at a financial institution, I have learned various forms of risk management and have experienced many successes and failures.

As a member of the Audit and Supervisory Committee of the Company, I would like to make use of the correct approach to risk management that I have experienced in discussions at Board of Directors' meetings and in my daily

activities. It is essential to hedge the risk of loss in advance. On the other hand, there are situations in which drastic risk taking is necessary by management judgment in order to increase corporate value.

I would like to contribute to the sustainable enhancement of corporate value by utilizing my knowledge to support the Board of Directors' prompt and decisive decision-making from both risk-hedging and risk-taking perspectives.

Strengthening Governance for Sustained Corporate Value Enhancement.

Motoda In June 2023, in accordance with the transition to a Company with an Audit and Supervisory Committee organizational design, we established a new basic policy for fiscal 2023 in the form of the Audit and Supervisory Committee. One of our stated goals is to establish a high-quality Group governance system that lives up to the trust of society. In the past, we made recommendations on strengthening governance every year, and in fiscal 2023, Group governance remains a priority audit item for the Audit and Supervisory Committee. The way we manage our business in a rapidly changing business environment is to establish a high-quality Group governance system. I am confident that this will lead to the sustainable development of the Company and the enhancement of corporate value.

Ueda As a member of the Japanese government's panel of experts, I am involved in the revision of the Corporate Governance Code, and I believe that the main purpose of strengthening corporate governance is to sustainably increase corporate value from a medium- to long-term perspective. Although corporate value is fundamentally based on shareholder value, we must also enhance corporate value for all stakeholders. We feel that the Company has a good balance between those two types of value. While being very conscious of corporate value for shareholders and investors, the Company's management also emphasizes consideration for its customers, suppliers, employees, and local communities. The executive side is making efforts to further enhance corporate value, and through my duties as a director, I would like to support management while maintaining an awareness of all stakeholders.

What the Transition to a Company with an Audit and Supervisory Committee Organizational Design Has Brought About

Motoda Before the introduction of the Corporate Governance Code and the outside director system, each Audit & Supervisory Board Member actively asked questions and made recommendations at meetings of the Board of Directors. This culture has continued to this day, and even after the transition to a Company with an Audit and Supervisory Committee organizational design, directors who are Audit and Supervisory Committee members actively speak during meetings of the Board of Directors. We have conducted not only legal audits but also audits on appropriateness since the days of the Audit & Supervisory Board, and our basic role has not changed even after said transition.

As a result of the formation of the Audit and Supervisory Committee, Audit and Supervisory Committee members have received new voting rights in the Board of Directors. In addition, I have been granted the legal authority and responsibility of expressing opinions on the nomination and remuneration of directors at the Shareholders' Meeting, so I believe that I must participate more responsibly in decision-making.

Supervisory Committee members will have new voting rights at the Board of Directors and will be able to contribute to strengthening governance beyond the conventional framework. I also believe that the addition of legal authority and responsibility has established more clearly the position and role of Audit and Supervisory Committee members in management.

We do not have a mindset of "I can only say so much because I am an Audit and Supervisory Committee member." In addition, each Audit and Supervisory Committee member possesses a high level of expertise, so I believe that we have a very well-balanced structure. The opinions of the Board of Directors as a whole, including Audit and Supervisory Committee members, are always respected based on mutual trust and respect, and relationships are fostered that allow free and open exchange of opinions. By all means, I would like to play a role in contributing to the sustainable growth of the Company and the enhancement of corporate value over the medium to long term, while valuing such relationships.

Ueda Whether a Audit & Supervisory Board or a Audit and Supervisory Committee, the important thing is whether it fulfills its substantive functions and roles. What surprised me when I was appointed as outside director of the Company is that Audit & Supervisory Board members made very in-depth comments on the execution of the Company and that the execution side was taking these comments very seriously and applying them to their initiatives, rather than simply saying that they had listened to them.

With the transition to a Company with an Audit and Supervisory Committee organizational design, Audit and



List of Directors (as of June 26, 2023)

Note: Extracts from the reasons for selection are provided.
Attendance is based on Board of Directors' and the Audit & Supervisory Board meeting attendance in fiscal 2022.

Directors



Yuichiro Hirata

Representative Director

As representative director and president, has led the management of the Company and the Group and made a meaningful contribution to the development of its businesses.

Number of shares owned	Number of Board of Directors' meetings attended
291,600	14/14



Shojiro Hirata

Director

Has made a meaningful contribution to enhancing the Chinese business, developing the Company's device business, and enhancing its procurement function, through his management of a Chinese subsidiary and the operation of the Business and Procurement divisions.

Number of shares owned	Number of Board of Directors' meetings attended
163,400	14/14



Shigeru Maeda

Director

Having previously served as manager mainly of automobile sector departments as well as manager of the Business Promotion Division for the entire Company, has more recently been fulfilling his role in supervising overall business management.

Number of shares owned	Number of Board of Directors' meetings attended
1,600	10/10



Masaru Kozaki

Director

In addition to having served in the capacity of representative of a local subsidiary in Singapore for six years, has made a meaningful contribution to the business development of the Group globally by, for example, being in charge of affiliate companies.

Number of shares owned	Number of Board of Directors' meetings attended
400	10/10



Shigeharu Nishimura

Director

He has been in charge of business divisions mainly in the fields of semiconductor-related production equipment and panel manufacturing equipment, and since 2022, he has been serving as Division Director of the Research and Development Headquarters, contributing to the creation of new business models using biological genetic resources (mainly plant genetic resources).

Number of shares owned	Number of Board of Directors' meetings attended
700	— (appointed in June 2023)



Hideki Ninomiya

Director

He is mainly responsible for legal affairs, risk management, and corporate governance. Since 2023, he has been the Head of the Administration Division, and is responsible for overseeing the administrative divisions, such as strengthening the governance and management foundation of the Group.

Number of shares owned	Number of Board of Directors' meetings attended
2,800	— (appointed in June 2023)



Satoru Ogawa

Outside Director

Outside Independent officer

In addition to extensive experience in the formulation of information strategies and corporate management at other companies, possesses sophisticated insights into manufacturing and corporate management. Has served as an outside director of the Company since 2021.

Number of shares owned	Number of Board of Directors' meetings attended
100	14/14

Status of important concurrent positions
Representative Director and President, Wako Industries Co., Ltd.



Ryoko Ueda

Outside Director

Outside Independent officer

Ms. Ueda possesses extensive experience and sophisticated insight as an expert on corporate governance and ESG. Has served as an outside director of the Company since 2022.

Number of shares owned	Number of Board of Directors' meetings attended
200	10/10

Status of important concurrent positions
Senior Research Fellow, Japan Investor Relations and Investor Support, Inc.
Member, Certified Public Accountants and Auditing Oversight Board
Professor, SBI Graduate School
Visiting Professor, Kyoto University



Naokuni Motoda

Outside Director, Full-time Audit and Supervisory Committee Member*

Outside

Possesses specialized knowledge and extensive experience as a director and executive officer of a financial institution as well as a representative director of a general corporation. He has served as a full-time Audit & Supervisory Board member since 2015.

Number of shares owned	Number of Board of Directors' meetings attended
500	13/14
	Number of Audit & Supervisory Board meetings attended
	17/18



Ken Imamura

Outside Director, Audit and Supervisory Committee Member*

Outside Independent officer

Possesses specialized knowledge and experience as a lawyer handling corporate legal affairs. Has served as an Outside Audit & Supervisory Board member for the Company since 2015.

Number of shares owned	Number of Board of Directors' meetings attended
—	13/14
	Number of Audit & Supervisory Board meetings attended
	18/18

Status of important concurrent positions
Partner, Okuno & Partners



Yasuhiko Endo

Outside Director, Audit and Supervisory Committee Member*

Outside Independent officer

Possesses specialized knowledge as a certified fraud examiner (CFE) and a wealth of experience and insight regarding stocks and management. Has served as an Outside Audit & Supervisory Board member for the Company since 2018.

Number of shares owned	Number of Board of Directors' meetings attended
400	14/14
	Number of Audit & Supervisory Board meetings attended
	18/18

Status of important concurrent positions
Outside Audit and Supervisory Board Member, Estelle Holdings Co., Ltd.
Outside Director and Audit and Supervisory Committee Member, Sac's Bar Holdings Inc.



Asako Okabe

Outside Director, Audit and Supervisory Committee Member*

Outside Independent officer

As a certified public accountant (CPA) possessing specialized knowledge and extensive experience in corporate accounting, Ms. Okabe has served as an Outside Audit & Supervisory Board member for the Company since 2022.

Number of shares owned	Number of Board of Directors' meetings attended
—	10/10
	Number of Audit & Supervisory Board meetings attended
	13/13

Status of important concurrent positions
Representative, Okabe Asako Certified Public Accountant Office

* As a result of the transition to a Company with an Audit and Supervisory Committee organizational design in June 2023, it became a director and Audit and Supervisory Committee member, shifting from their former position of Audit & Supervisory Board member.

Executive Officers

Yuichiro Hirata

President and Chief Executive Officer

Shojiro Hirata

Senior Executive Officer
Division Director, Procurement
Division, In Charge of Quality Control

Shigeru Maeda

Senior Executive Officer

Division Director, Business Headquarters

Masaru Kozaki

Managing Executive Officer
Division Director, Global Business
Headquarters

Shigeharu Nishimura

Executive Officer
Division Director, Research and
Development Headquarters

Hideki Ninomiya

Executive Officer
Head of Administration Division

Toshiyuki Matsuzaki

Executive Officer
Business Headquarters
Executive General Manager,
#1 Business Unit

Yoshitaka Taniguchi

Executive Officer
Business Headquarters
Executive General Manager,
#2 Business Unit

Takenori Hirakawa

Executive Officer
Business Headquarters
Executive General Manager,
#3 Business Unit

Kazuhiro Toda

Executive Officer
Business Headquarters
Executive General Manager,
#4 Business Unit
Head of Device Center

Michinobu Shuto

Executive Officer
Administration Division
In Charge of Strategy and Corporate
Communications and Head of
Corporate Planning

Jo Yoneda

Executive Officer
Administration Division
In Charge of Administration and
Secretarial Section

Miho Mori

Executive Officer
Administration Division
In Charge of Governance and
Internal Control

Company Profile/Stock Status

Company Profile (as of March 31 2023)

Company Name	Hirata Corporation
Headquarters	111 Hitotsugi, Ueki, Kita, Kumamoto, 861-0198 Japan
Representative	Yuichiro Hirata Representative Director, President
Date Established	December 29, 1951
Fields of business	Manufacture and sale of various manufacturing line systems, industrial robots, and logistic equipment
Capital	¥2,633 million
Employees	Consolidated: 1,882 Non-Consolidated: 1,054
Fiscal Year-End	March 31
Stock Exchange Listing	Tokyo Stock Exchange Prime Market

Stock Status (as of March 31, 2023)

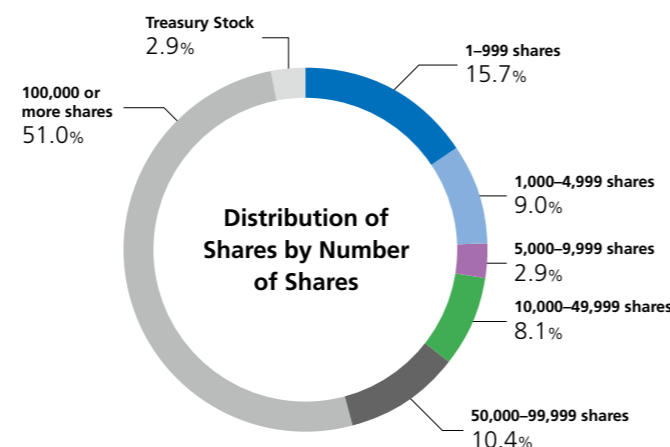
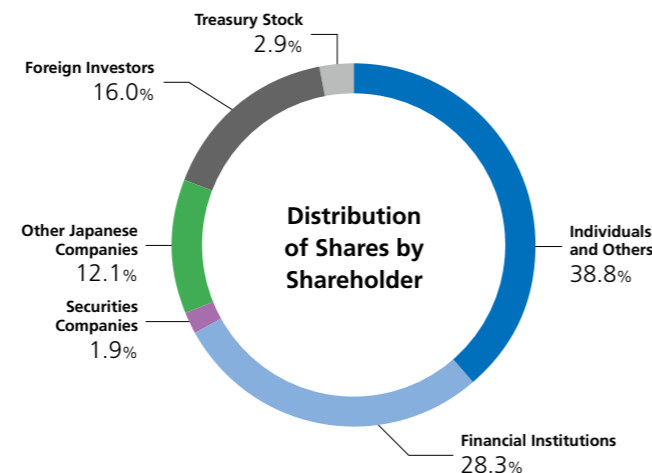
Stock information

Authorized Number of Shares	37,000,000
Issued Number of Shares	10,756,090
Number of Shareholders	10,933

Major Shareholders

Name/Company Name	Number of Shares Held (Shares)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,069,300	10.24
SMC Corporation	500,000	4.79
Higo Bank, Ltd.	456,000	4.36
STATE STREET BANK AND TRUST COMPANY 505025	424,300	4.06
Mizuho Trust & Banking Co., Ltd. Securities Management Trust 0700096	400,000	3.83
Custody Bank of Japan (Trust Account)	391,000	3.74
Yuichiro Hirata	291,600	2.79
NIKKON Holdings Co., Ltd.	272,400	2.61
Hirata Corporation Employees Stockholdings	263,110	2.52
SANYO DENKI CO., LTD.	192,900	1.85

Note 1. In addition to the above, the Company holds 308,852 treasury shares.
 2. Treasury shares do not include 63,000 shares held by the trust for granting shares to officers.
 3. In a large shareholding report made available for public inspection as of May 31, 2021, Goodheart Partners LLP is listed as holding 538,300 shares, or 5.00%, as of May 24, 2021, but as we are unable to confirm the number of shares actually held by the company as of March 31, 2023, it is not included in the above list of major shareholders.



Dividend Policy

The Group considers the return of profits to shareholders to be one of the most important management issues. While working to strengthen our financial position, as a general guideline we are aiming to maintain a consolidated payout ratio of 20% or more, while taking into consideration consolidated performance and future business development and striving to achieve returns in a stable and continuous manner. With regard to the record date for dividends, since the relationship between interim results and fiscal-year results is low due to the nature of the build-to-order structure, dividends are paid once at the end of each fiscal year, in principle.

Changes in Dividends per Share and Dividend Payout Ratio

	Dividends per share (Yen)	Dividend ratio (%)
FY2018	125.0	28.4
FY2019	40.0	23.8
FY2020	65.0	16.6
FY2021	65.0	25.2
FY2022	90.0	21.9

Policy for Dialogue with Shareholders and Investors—Results of Dialogue in Fiscal 2022

The Company discloses information appropriately in accordance with relevant laws and regulations. In order to gain the correct understanding and trust of shareholders and investors, even if the disclosure items do not fall under laws and regulations, we strive to disclose corporate information that is judged to have a material impact on investment decisions in a timely, accurate, and fair manner.

Specifically, with regard to our business environment, management plans, business strategies, etc., we are working to strengthen our response to interviews using web conferences, enhance the content of disclosure at financial results briefings and other meetings, and strengthen the dissemination of information through our website. In fiscal 2022, we held 166 individual interviews and small meetings and conducted 3 plant tours.

The content of communication with shareholders and investors is reflected in the enhancement of day-to-day IR activities and is reported quarterly to the Board of Directors, which is utilized in management activities aimed at further enhancing corporate value.

Signing of the United Nations Global Compact

Hirata is a signatory to the United Nations Global Compact (UNGC) and registered as a participating company on September 10, 2023. We also joined the Global Compact Network Japan (GCNJ), the local network of the UNGC in Japan. We will continue to work to achieve both business growth and resolution of social issues by providing products and services with respect for human dignity and consideration for the global environment while ensuring the transparency and soundness of our management.



External Evaluation of Sustainability

Hirata has been selected as a constituent of the FTSE Blossom Japan Sector Relative Index (FTSE Blossom SR), an ESG (environmental, social, and governance) investment index, and the S&P/JPX Carbon Efficient Index, a global environmental equity index. These indicators are adopted by the Government Pension Investment Fund (GPIF).



FTSE Blossom Japan Sector Relative Index (FTSE Blossom SR)



S&P/JPX Carbon Efficient Index

Hirata

<https://www.hirata.co.jp/en/>