

## Summary of Previous Medium-Term Management Plan, Recognition of Environment

The Group receives orders for production equipment from manufacturers of products in a wide range of fields, such as EVs and other automotive-related products, semiconductors, and other automatic labor-saving equipment. Therefore, due to changes in the economic conditions in Japan and overseas, changes in economic trends due to COVID-19, changes in the life cycles of customer products and other factors, fluctuations in capital investment by business partners may affect the performance of the Group.

Under this business model, in the previous medium-term management plan (FY2018–2020), consolidated net sales were in the ¥60 billion to ¥70 billion range, and the operating margin was in the 4% to 8% range, and thus we

fell short of our targets of consolidated net sales of ¥100 billion and an operating margin of 10% or more.

Showing how efficiently profits are earned relative to the amount invested by shareholders, the Company's return on equity (ROE) has been on a downward trend since 10.1% in FY2018 and reached 5.1% in FY2021. In contrast, the equity ratio, which indicates financial stability, improved by 3.9 percentage points, from 50.9% in FY2018 to 54.8% in FY2021.

Given this financial situation, recognizing the need to work to improve efficiency, we are concentrating on businesses with high cash-generating capacity, while keeping in mind profitability indicators, such as operating income, operating margin, and ROE.

## Basic Financial Policy

The Medium-Term Management Plan covering from FY2022 to FY2024 has been positioned as a three-year period in which to, as a Group, establish management bases and work to expand business in growth markets while securing profit from existing businesses. We have adopted numerical targets of ¥100 billion in net sales, ¥10 billion in operating profit, 10% operating profit margin, and 11% ROE for the fiscal year ending March 31, 2025. To improve capital efficiency, we will work to secure ROIC that exceeds the weighted average cost of capital (WACC).

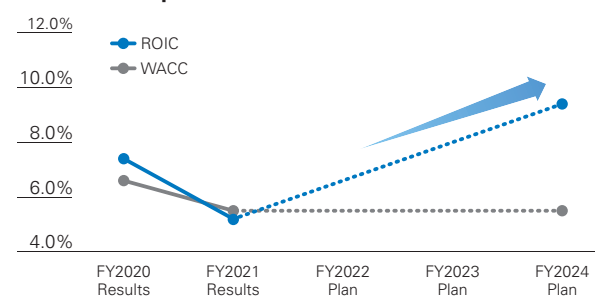
A major issue for the period of the new Medium-term Management Plan is to strengthen profitability in growth markets such as EVs and semiconductors. As the number of orders received is expected to increase amid brisk capital investment by customers in EVs and semiconductors, we will further strengthen the profitability management of projects and put in place 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,

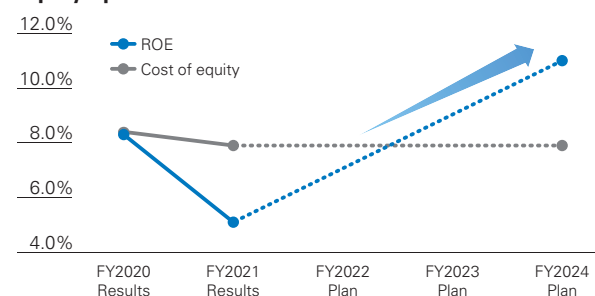
we will curb the occurrence of irregular expenses and improve the efficiency of assets such as accounts receivable and inventories.

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.

### ROIC-WACC Spread



### Equity Spread



Note: Plans for WACC and cost of equity capital from FY2022 to FY2024 are left unchanged due to unpredictability. ROIC and ROE from the FY2022 plan to the FY2024 plan are planned values based on the management index targets and capital investment plans in the Medium-Term Management Plan.

### Management Index Targets in Medium-Term Management Plan

	FY2021 Results	FY2024 Plan
Net sales	¥67.0 billion	¥100 billion
Operating profit	¥3.8 billion	¥10.0 billion
Operating profit ratio	5.7%	10.0%
ROE	5.1%	11.0%

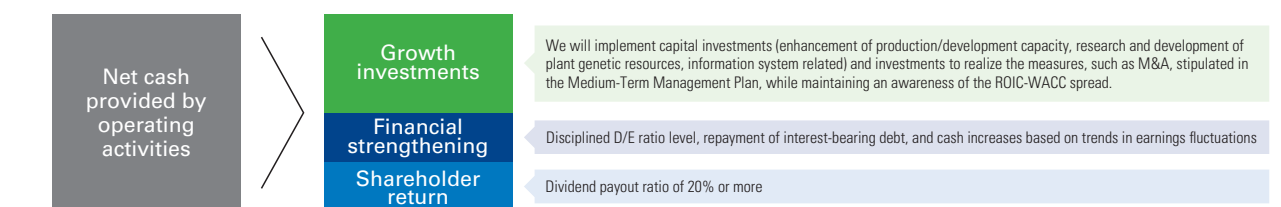
### Capital Investment Plan in Medium-Term Management Plan

	Investment to strengthen production/development capacity	Capital investment in biogenetic resource R&D	IT system-related investment	Total
Total over three years of Plan	¥6.0 billion	¥4.0 billion	¥1.0 billion	¥11.0 billion

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

While effectively investing generated operating cash flow 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

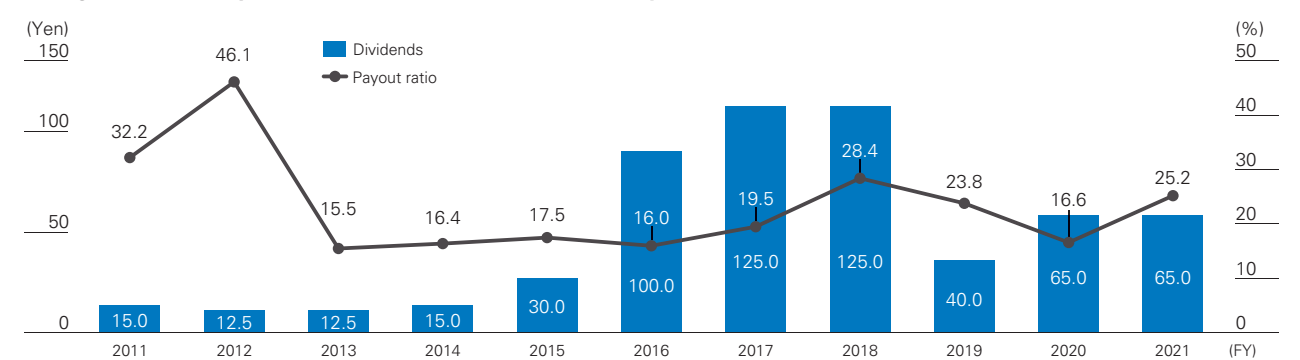


## Shareholder Return Policy

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.

For the fiscal year ended March 31, 2022, the consolidated dividend payout ratio was 25.2%, and the dividend per share ¥65. 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 the conventional shareholder return policy.

### Changes in Dividend per Share and Consolidated Dividend Payout Ratio



## Policy for Dialogue with Shareholders and Investors

We disclose information appropriately on the basis of the relevant laws and regulations. Even if the information does not fall under disclosure items based on laws and regulations, to gain the correct understanding and trust of our shareholders and investors, we strive to disclose corporate information that we judge to have a significant 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 responses to the gathering of

media material and interviews using web conferences, to enhance the content disclosed at financial results briefings, etc., and strengthen information dissemination via our website.

In addition to reflecting the content of our communications with shareholders and investors in the enhancement of our daily IR activities, such content is reported to the Board of Directors on a quarterly basis and utilized in management activities aimed at further improving corporate value.

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