



While securing profits in existing businesses, we will work to expand business in growth markets, including the creation of new businesses.

Yuichiro Hirata
President

***Jin-Gi-Kou-Ken*: 70 Years of Management Philosophies Summarized**

After its founding in Kumamoto City in 1951, Hirata has continued to create production systems that support manufacturing in a variety of industrial fields, but primarily centered on the automotive, semiconductor, and home electronics sectors. Today, we are the production facility integrator that is most commonly chosen by our customers around the world.

In May 2022, on the occasion of having formulated its new Medium-Term Management Plan, which is aimed at realizing long-term Group growth, the Company announced the slogan *Jin-Gi-Kou-Ken* as its vision. A summarized version of the Company's management philosophies accumulated over the 70-year history since its establishment, this means "To make everyone involved in Hirata content and contribute to society by means of technology."

Until the Kumamoto Earthquake, I myself did not possess a deep understanding of social contribution in a true sense. However, after having witnessed the devastation wrought by the earthquake, which occurred in April 2016, I was heartbroken for my hometown of Kumamoto, which had suffered damage. I decided to return to the city, where the Company had been founded, with a fervent desire to "encourage Kumamoto." At the same time, I also told the employees that "We will take on many projects from all over the world and donate as much money as possible to Kumamoto as support for reconstruction in the aftermath of the earthquake." I also told them that protecting their hometown was their own form of social contribution. Under such circumstances, we were also affected by the disaster and the environment was harsh, but the desire to donate as much money as we could to Kumamoto and contribute to the reconstruction of our hometown boosted the morale of all the employees, and sales reached a record high that fiscal year. It was from this experience with the Kumamoto earthquake that I learned that, by making everyone involved with Hirata content, we could also grow significantly as a company.

Jin-Gi-Kou-Ken
人技幸献

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

Review of Consolidated Performance for Fiscal Year Ended March 31, 2022

In the automotive-related equipment business in the year ended March 31, 2022, strong capital investment in next-generation vehicles such as electric vehicles (EVs) was seen, backed by global efforts to become carbon neutral. In the semiconductor-related equipment business, demand for semiconductors increased due to the full-scale development of fifth-generation (5G) mobile communication systems and the spread of telecommuting, and semiconductor-related capital investment, such as in silicon wafer transfer equipment, was aggressive. Mainly as a result of these factors driving performance, net sales for the fiscal year under review amounted to ¥67,087 million (¥65,255 million for the previous fiscal year),

The Noh stage in the entrance hall of the Hirata Corporation headquarters embodies the idea of becoming a "headquarters that can convey the traditions of Kumamoto and Japan to the world."



Taking into account the expansion of the EV and semiconductor markets, we will proactively make management decisions to expand earnings over the medium to long term.

operating profit was ¥3,856 million (¥4,995 million for the previous fiscal year), ordinary profit was ¥4,258 million (¥5,176 million for the previous fiscal year), and profit attributable to owners of parent was ¥2,682 million (¥4,075 million for the previous fiscal year).

Note: We are applying the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan [ASBJ] Statement No. 29, dated March 31, 2020) from the beginning of the current consolidated fiscal year.

Recognition of Business Environment

The work involved in creating production equipment is extremely difficult, and the number of competitors is decreasing. Under these circumstances, we are currently facing what could be said to be the greatest opportunities since our founding in our main automotive- and semiconductor-related equipment businesses. First, in the automotive-related equipment business, the EV-related market is burgeoning on a global basis. Compared with vehicles powered by internal combustion engines, EVs have fewer parts, even for the engine alone, making it easier to increase mass production efficiency, so we can expect an improvement in profit margins. Since our company has traditionally worked with the major European and U.S. automakers as its customers, and we have extensive experience in EV-related equipment, I recognize that we are in a leading position in terms of technological capabilities and delivery record. Next, in the semiconductor-related equipment business there is a shortage of semiconductors, from automobiles, including EVs, to electronic products. In addition to the progress being made with DX and IoT, it is expected that large-scale investments by semiconductor manufacturers worldwide will increase going forward.

In fact, in FY2021 we received large-scale orders for equipment related to both EVs and internal combustion engine-powered vehicles, and orders for semiconductors were also strong. The current fiscal year is also starting with record-high orders.

In contrast, up until now our company has maintained a strong sense of putting the customer first, and if there was a problem with a customer, we tended to respond even if the profit was low. From a management perspective, I now believe it is necessary for us to narrow down projects and business areas from the perspective of efficiency and profitability, and make decisions to concentrate management resources to expand earnings over the long term.

P18 Medium-Term Management Plan
P28 Financial/Capital Strategies

Formulation of New Medium-Term Management Plan (FY2022-FY2024)

I believe that the significant increase in demand in the automotive- and semiconductor-related equipment businesses will continue for about the next 10 years, until the spread of EVs has progressed. In the meantime, we will develop businesses that will become the pillars of new businesses alongside our existing businesses. Based on this, we formulated a new Medium-Term Management Plan in May 2022 with the aim of achieving long-term Group growth by strengthening technological superiority and profitability, which were issues in the previous medium-term management plan. We will promote a raft of measures under the Plan's four basic policies. Among them, under "business expansion in growth markets," we will concentrate management resources on existing businesses, such as automotive- and semiconductor-related facilities, which we have positioned as growth markets. As one of the measures for "strengthening competitiveness as a global company," we will also thoroughly manage profitability by utilizing DX.

As new management targets, we are aiming for net sales of ¥100 billion and operating profit of ¥10 billion in FY2024, the Plan's final fiscal year, the targets that were not achieved under the previous medium-term management plan.

Basic Policies and Priority Measures

Basic Policies	1. Business expansion in growth markets 2. Strengthening competitiveness as a global company 3. Strengthening of ESG management initiatives 4. Realization of management in line with new normal era			
Priority Measures	Thorough profitability management that utilizes DX	Growth strategy for EV-related equipment business	Growth strategy for semiconductor-related equipment business	Initiatives for new businesses

Management Targets

	FY2021 Results	Final year of Medium-Term Management Plan (FY2024)
Net sales	67.0 billion yen	100 billion yen
Operating profit	3.8 billion yen	10.0 billion yen
Operating profit ratio	5.7%	10.0%
ROE*	5.1%	11.0%

Secure Target ROIC that exceeds the cost of capital (WACC) and improve capital efficiency

* ROE assumed as (Increase in retained earnings for each fiscal year) = (Profit attributable to owners of parent) - (Dividend payment [Note: dividend payout ratio 20%])

Adding "Made by Hirata" Products for Long-Term Growth

The strength of our group undoubtedly lies in our overwhelming experience with production equipment. We are handling hundreds of large and small production lines every year for customers in 40 countries around the world. In the case of EVs, we fully understand the on-site needs of our customers, for example by possessing a thorough knowledge of the differences between customers in Europe, North America, and China, and always make the most suitable proposals.

A large assembly line with a total length of several hundred meters also requires a large-scale team-up, and engineers, who account for about 70% of all employees, are involved.

This group of engineers is the source of our company's strength, but the fact that we have manufacturing functions in-house is also a factor that sets us apart from other companies. We are more than just an engineering company, as we use the know-how we have acquired through actual production and manufacturing activities to make proposals that lead to solving our customers' problems. Through the synergistic effects of our capabilities in engineering and manufacturing, we have achieved integrated production, from development and design to start-up and maintenance, and earned the trust of our customers.

While leveraging these strengths in our existing businesses, we are also focusing on efforts to increase new earnings pillars. Specific examples include the plant genetic resource business, which under the Medium-Term Management Plan is positioned as one that will present new challenges, and the Hirata ECO electric series, which reduces the environmental impact of air equipment in customers' factories. Our company is a facility manufacturer, and thus our basic policy is to ultimately hand over the products we make to our customers. In addition, in the years to come, we will strive to evolve from a made-to-order business and improve profitability by increasing the ratio of products and services that we have developed in-house and thus are, so to speak, "Made by Hirata."

Naturally, employees are included in "everyone involved in Hirata" in *Jin-Gi-Kou-Ken*. For our employees to work with pride and remain content, we will value in-house manufacturing as we aim for further growth and scale expansion.

Identification of Materiality and Promotion of ESG Management

The two other basic policies under the new Medium-Term Management are the "strengthening of ESG management initiatives" and the "realization of management in line with the new normal era."

To further promote ESG management, we had identified materiality consisting of four themes and 10 areas as our key issues for FY2021. During the period of the Medium-Term Management Plan, we will formulate specific action plans based on the materiality (important issues) and contribute to solving social issues under the leadership of our Sustainability Promotion Committee.

One of the issues on which we place importance is human capital, which is also specified in our materiality. I believe that it is a management issue to improve employee engagement by creating environments in which each employee can make the most of their expertise and individuality and feel more joy. To this end, I will proactively encourage efforts to strategically secure human resources, strengthen human resource development, and promote Diversity & Inclusion.

As part of our response to climate change, it is also important to contribute to achieving carbon neutrality by means of our products and services. For example, instead of the air equipment used in customers' factories, a significant reduction in running costs as well as electricity usage and CO₂ emissions can be achieved by installing an all-electric transfer system, consisting of the Hirata ECO electric series. As I mentioned earlier, our engineers possess a wealth of experience and

We solve customer issues through the synergistic effects of our engineering capabilities and manufacturing capabilities.



are familiar with the needs of our customers, so this kind of shift to electrification is possible.

As we enter the new normal era, I expect that the shift to remote and online operations, which has taken root due to the COVID-19 pandemic, will accelerate. Before the pandemic, I used to travel overseas frequently, but now my work is mainly via the Metaverse (a virtual space built on the internet). Under the current management in line with the new normal era, we are implementing virtual commissioning using an emulator as business DX while promoting VR factory tours, VR assembly processes, remote attendance and maintenance. Not only enabling the achievement of shortened delivery times that will lead to improved work efficiency, these initiatives can also be expected to be effective from the viewpoint of profitability management.

To All Our Stakeholders

Our business itself will continue to create value over the medium to long term, and we will continue to actively and continuously contribute to our stakeholders and local communities. Recognizing the significance and mission of social existence, we also recognize that continuing to be an organization that "brings out the best in every person" will remain an important factor in further improving our corporate value.

In the years to come, we will continue to deepen mutual communication with all of our stakeholders, and all officers and employees will work together as one as we aim for sustainable growth.

In anticipation of your ongoing support, I would like to take this opportunity to convey my heartfelt appreciation.

Yuichiro Hirata
 Representative Director, President