

## 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.

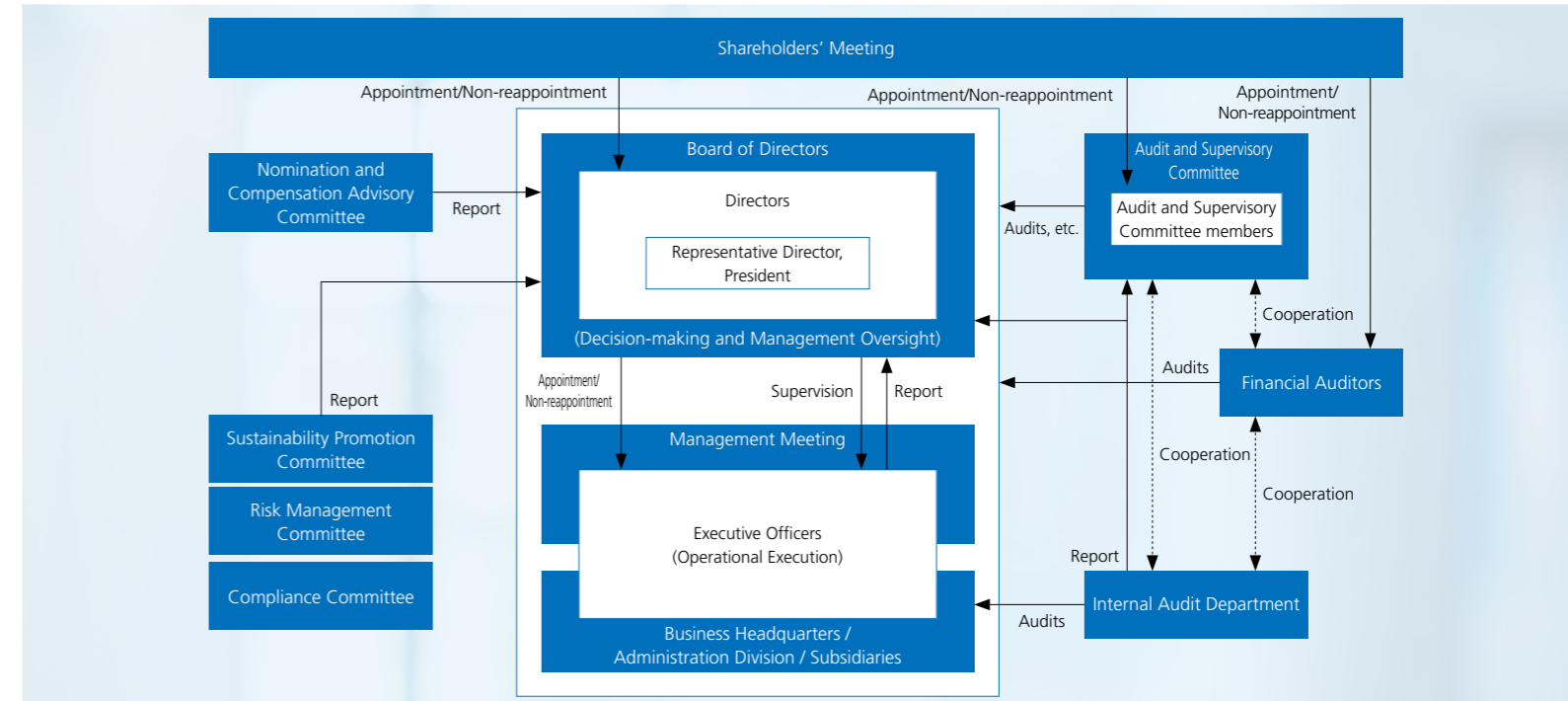
From the standpoint that a company is an entity that bears public responsibility, public interest, and social responsibilities, Hirata believes that the maintenance of good relationships with all stakeholders will lead to improved shareholder value over the long term.

### Changes to Corporate Governance

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

### 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"> <li>Transition to a Company with an Audit and Supervisory Committee organizational design</li> <li>Establishment of a sustainability promotion system and formulation of basic policies</li> <li>Formulation of various policies such as human rights policies</li> </ul>	<ul style="list-style-type: none"> <li>Audit system after adoption of the Audit and Supervisory Committee</li> <li>Status of development and operation of Group governance</li> </ul>	<ul style="list-style-type: none"> <li>Nomination of directors and executive officers, as well as determination of remuneration and related policies</li> <li>Development of succession plan</li> </ul>

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.

<b>Method of Evaluation</b>	Anonymous questionnaires and individual interviews for directors and Audit & Supervisory Board members conducted by a third-party organization (individual interviews held every other year)
<b>Main Evaluation Question Items</b>	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"> <li>Formulation and follow-up of management strategies for medium- to long-term improvement of corporate value and strengthening of monitoring functions</li> <li>Formulation of human resource strategies consistent with medium- to long-term strategies</li> <li>Optimization of Board of Directors' meeting agenda items</li> <li>Strengthening of Board of Directors' secretariat functions, etc.</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>Continuous reviews of Board of Directors' meeting discussion standards</li> <li>Earlier provision of more accurate agenda items and strengthening of secretariat functions such as support for outside directors and training</li> </ul>	<ul style="list-style-type: none"> <li>Formulation and follow-up of management strategies for medium- to long-term improvement of corporate value and strengthening of monitoring functions</li> <li>Formulation of human resource strategies consistent with medium- to long-term strategies</li> <li>Strengthening of Board of Directors' secretariat functions</li> <li>Establishment of an internal control system for the entire Group and sufficient supervision of its operation, etc.</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>Use of opportunities for discussion separate from the Board of Directors</li> <li>Review of Group governance</li> <li>Strengthening the secretariat functions such as through provision of proposals at an early stage, setting priority themes, and conducting training</li> </ul>

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
<b>Directors (excluding Directors Who Are Audit and Supervisory Committee Members)</b>							
Yuichiro Hirata	●	●	●	●			
Shojiro Hirata	●	●	●				
Shigeru Maeda	●	●	●				
Masaru Kozaki	●	●		●			
Shigeharu Nishimura	●	●	●				
Hideki Ninomiya					●		●
Satoru Ogawa (Outside Director)	●			●	●		
Ryoko Ueda (Outside Director)					●	●	●
<b>Directors Who Are Audit and Supervisory Committee Members</b>							
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><b>Corporate Management</b>                  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><b>Industry Knowledge</b>                  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><b>Technology and Research and Development</b>                  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><b>Global Perspective</b>                  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><b>Risk Management</b>                  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><b>Finance and Accounting</b>                  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><b>ESG Expertise</b>                  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.

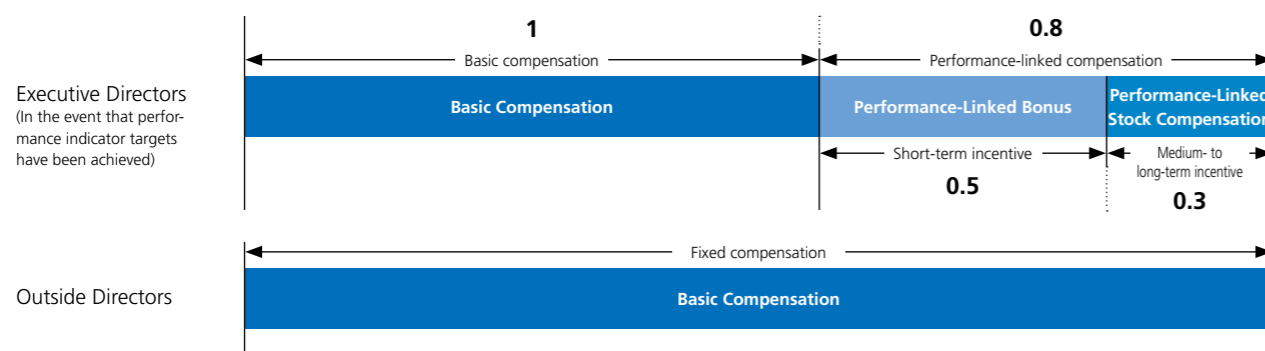
Details of Performance-linked Compensation

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.

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

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.

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.

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

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

Compliance System

Compliance Promotion Framework

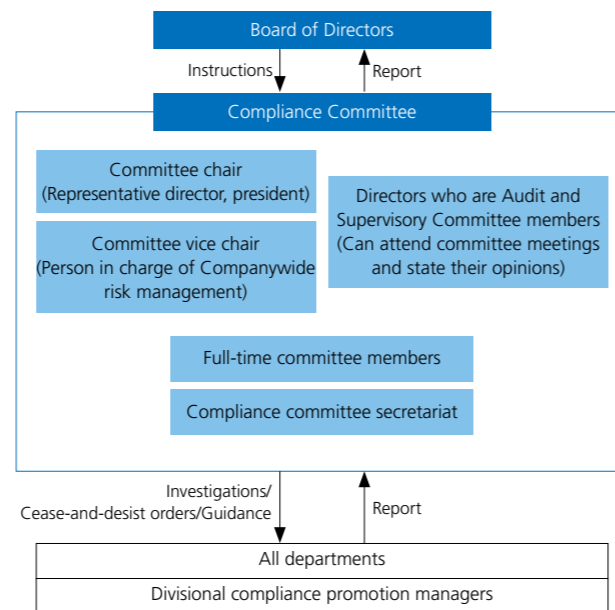
Having established a Compliance Committee under the Board of Directors, the Company formulates compliance measures and, should a compliance violation arise, it conducts investigations and analyses, issues cease-and-desist orders, and formulates measures to prevent a recurrence. Including the implementation 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

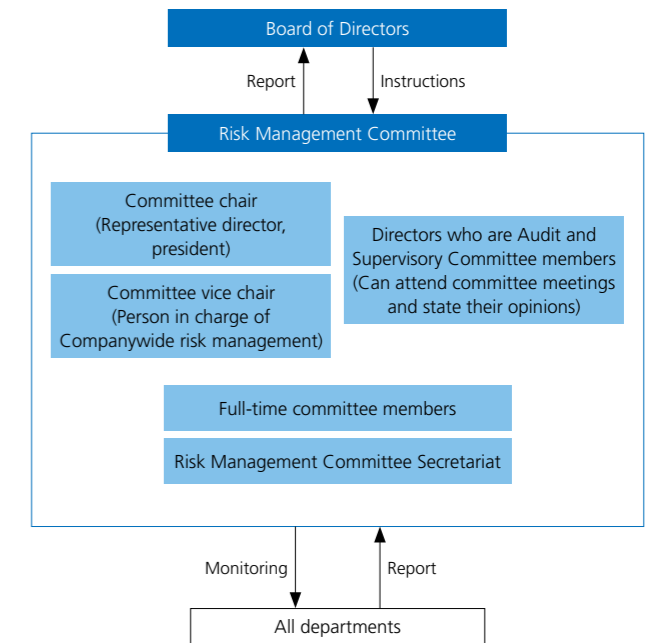
Risk Management

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.

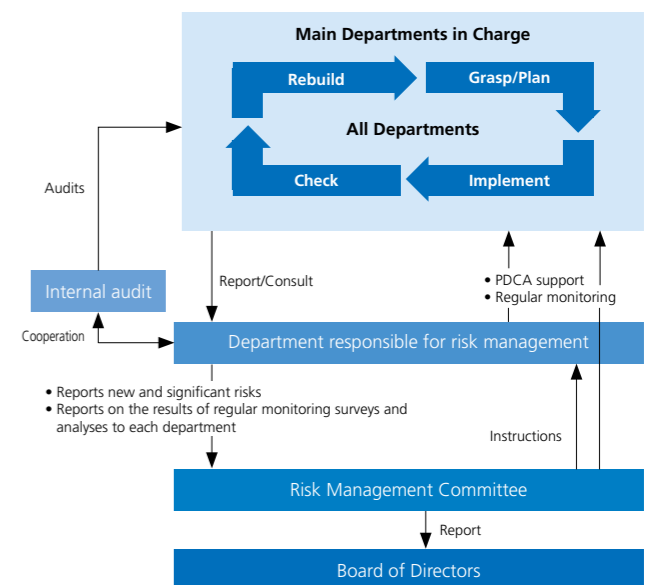


Ascertaining of and Responding to Risks

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



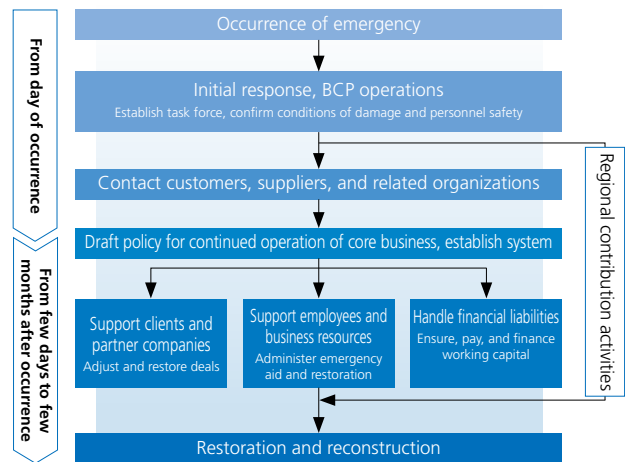
Corporate Governance

**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.

Flowchart for Implementing 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.

