

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.

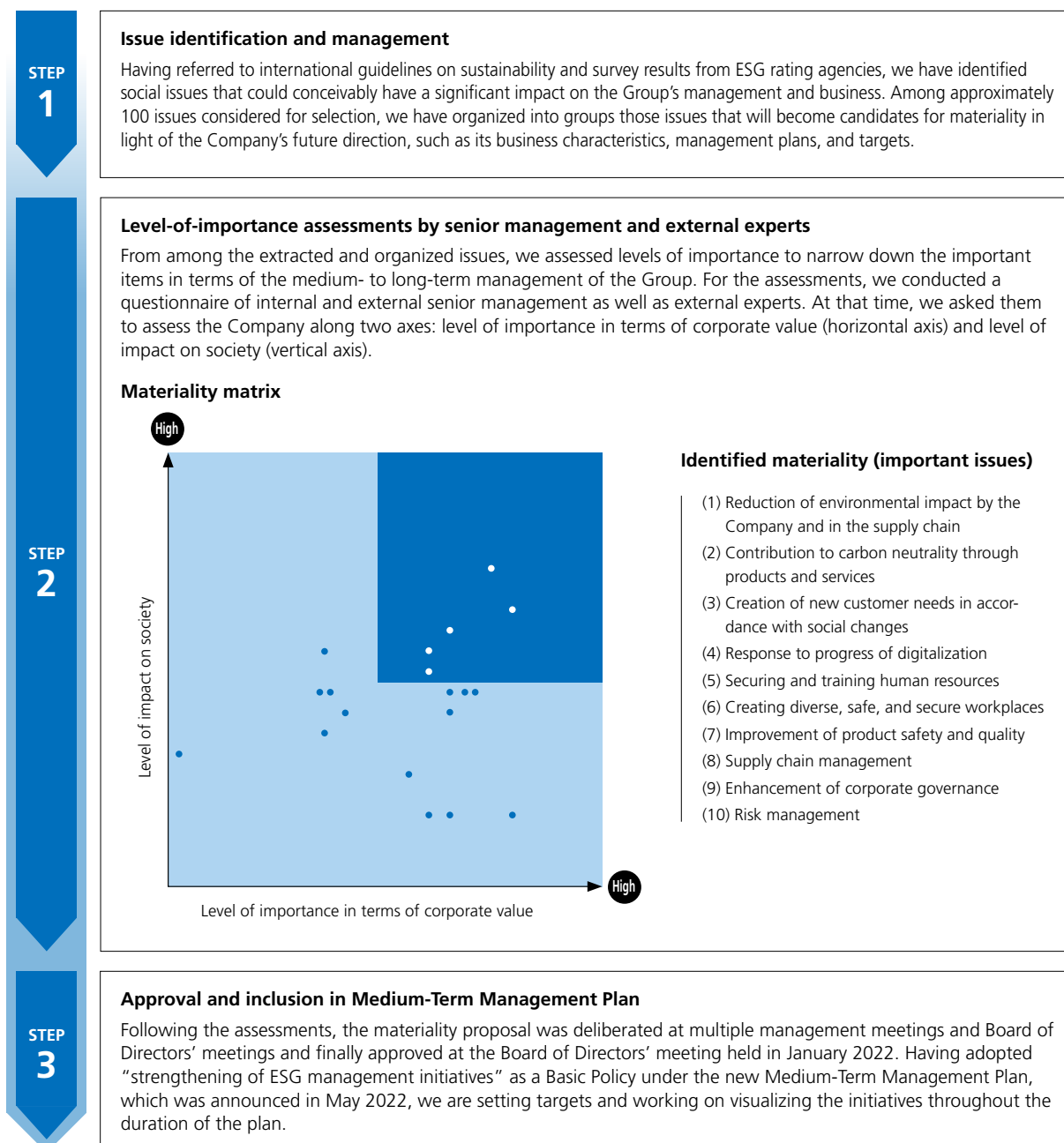
Materiality is organized into four themes and 10 items. Going forward, the Sustainability Promotion Committee will take the lead in setting KPIs and targets and then implement initiatives.

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> <p>Customer satisfaction survey</p> <ul style="list-style-type: none"> 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 issues 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.

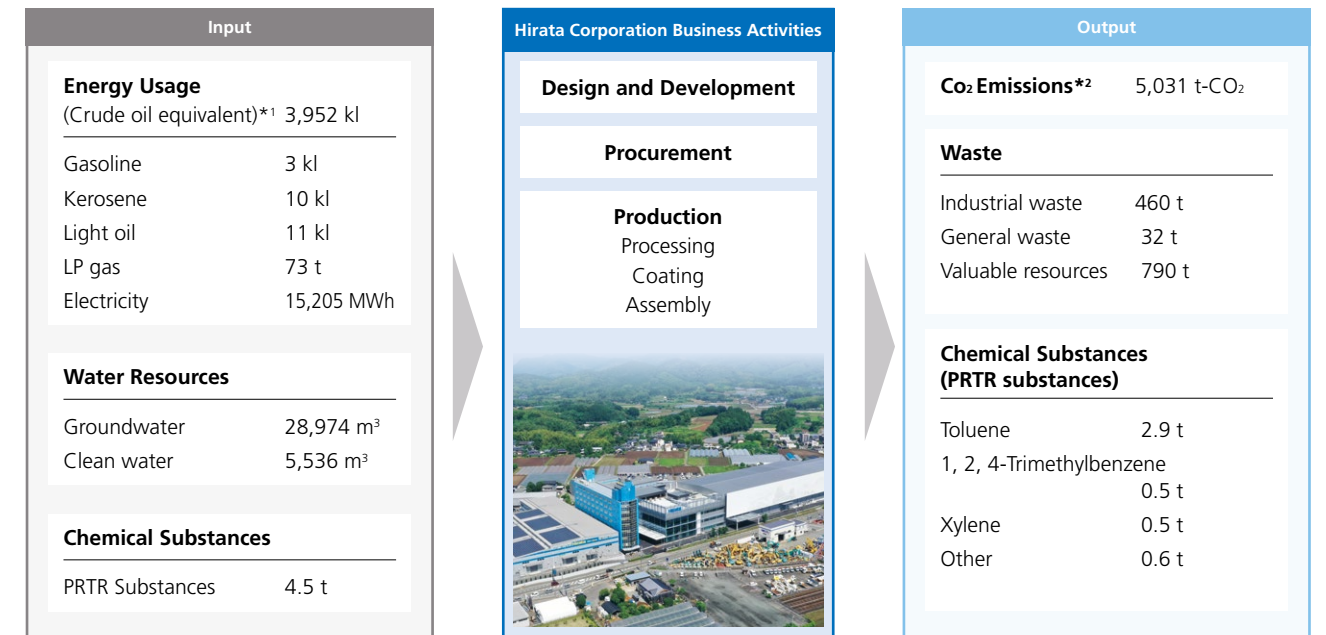
(Unit: Thousands of yen)

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

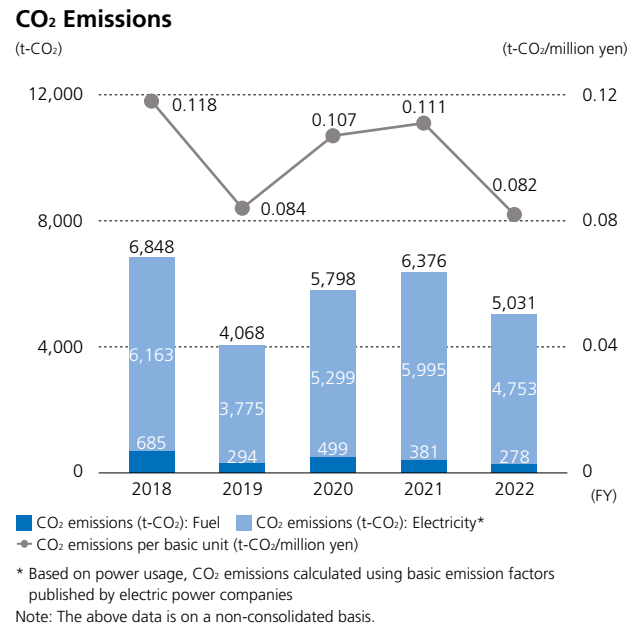
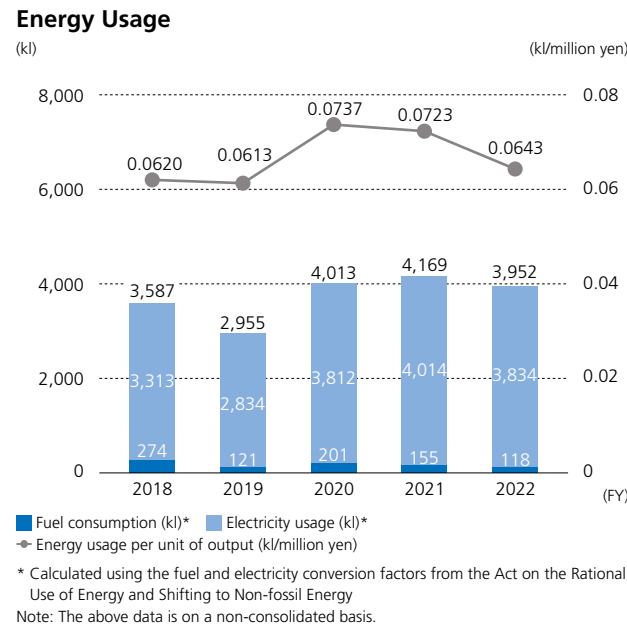
* Scope: Hirata Corporation only

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

Changes in Energy Consumption/CO₂ Emissions

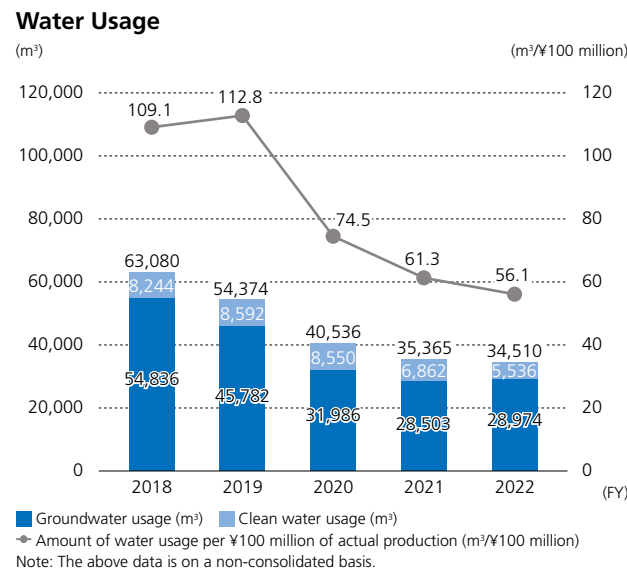
The Company is working to rationalize its energy use based on the Act on the Rational Use of Energy and Shifting to Non-fossil Energy (Energy Efficiency Act). In fiscal 2020, operations started in the new headquarters factory area in the Kumamoto Plant, so both energy consumption and energy consumption 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.



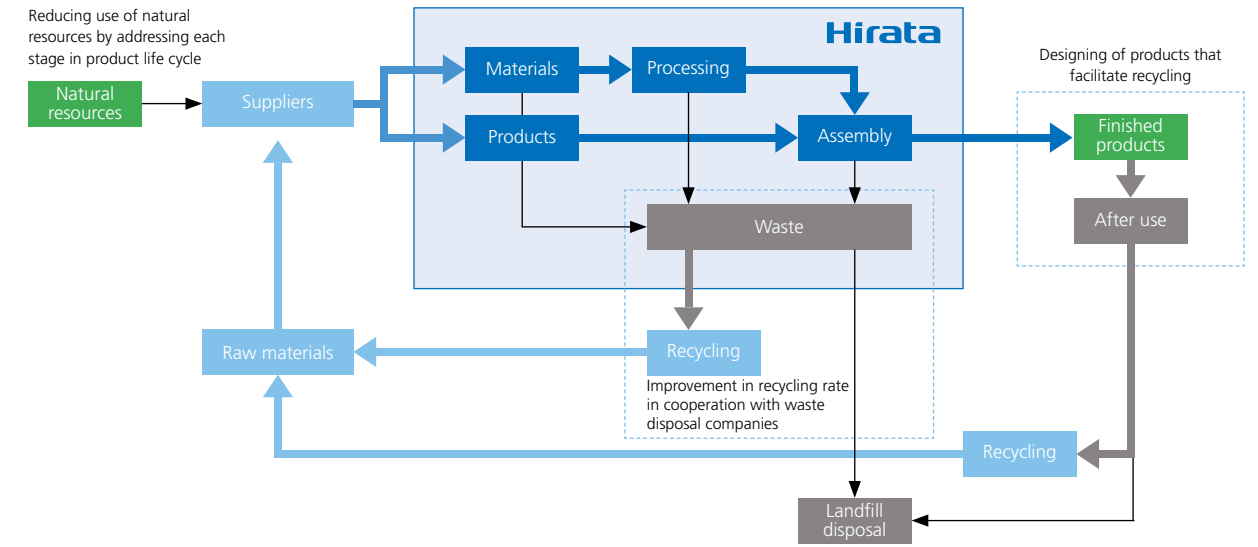
Efforts to Conserve Water Resources

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.



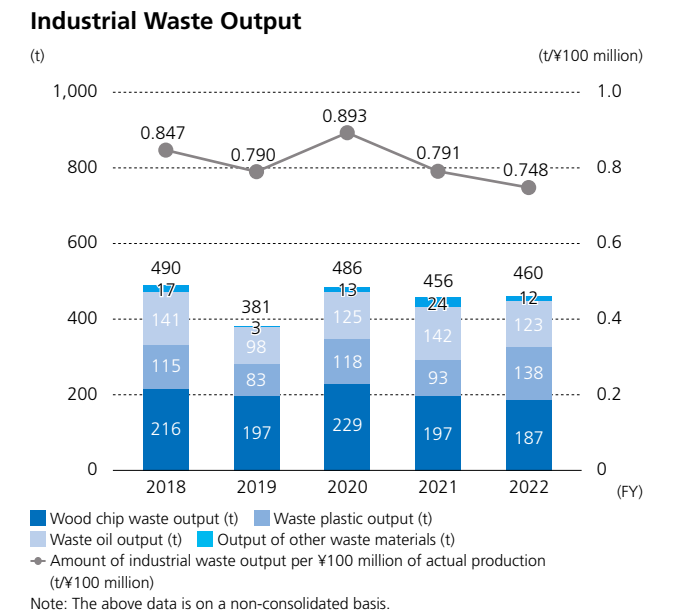
Approach to Resource Recycling

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.

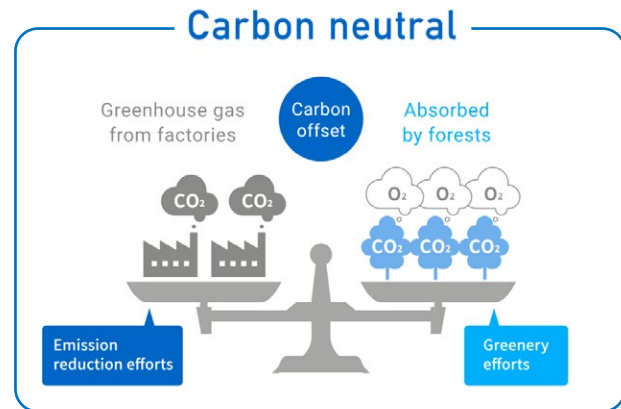
Contribution to Carbon Neutrality through Products and Services

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.



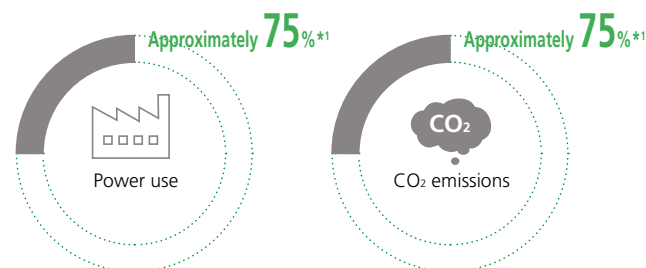
The Eco Electric Series is Hirata's all-electric transfer system that is **people-friendly** and **environmentally friendly**.

<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>
---	--	---

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

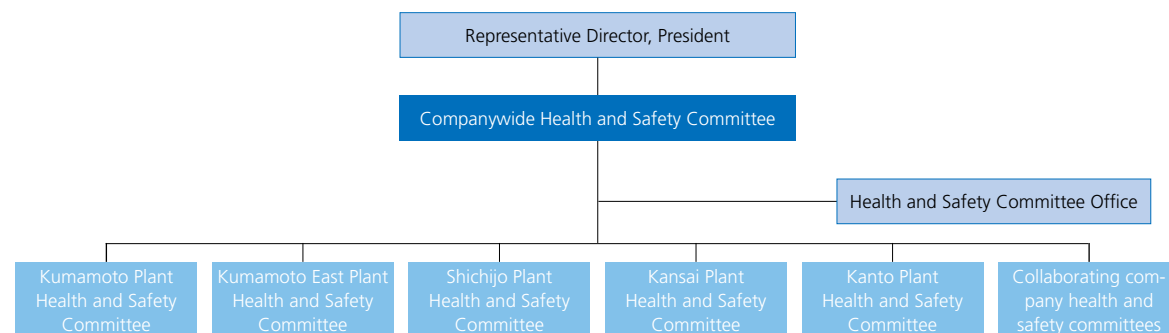
Based on its Sustainability Basic Policy, the Hirata Group engages in the following with the participation of all employees to ensure the health and safety of all people involved in the Group.

- 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.

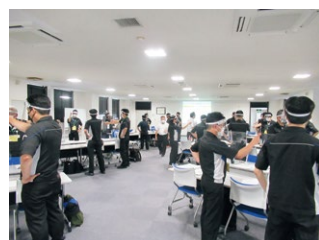
In accordance with the size of its workforce, each plant's health and safety committee appoints generalist health and safety managers, specialist safety managers, and health managers as well as industrial physicians and other relevant personnel.



Health and Safety Initiatives

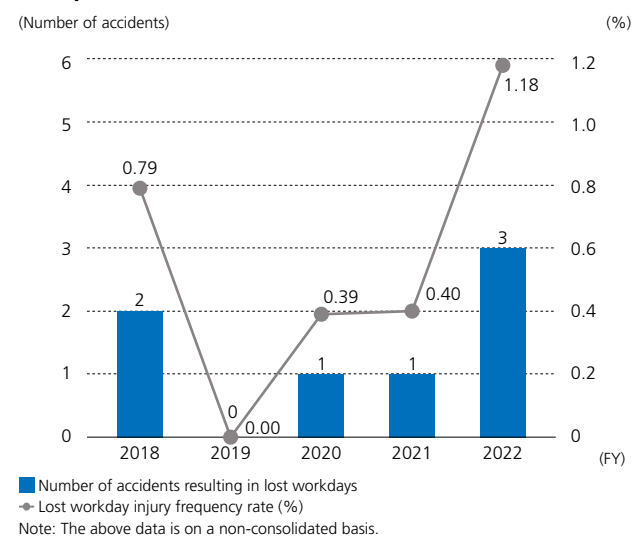
Based on annual plans, the Companywide Health and Safety Committee's remit includes reporting on the status of implementation of health and safety promotion measures, discussing measures to prevent the recurrence of accidents, as well as the drafting and setting of rules governing health and safety. 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.

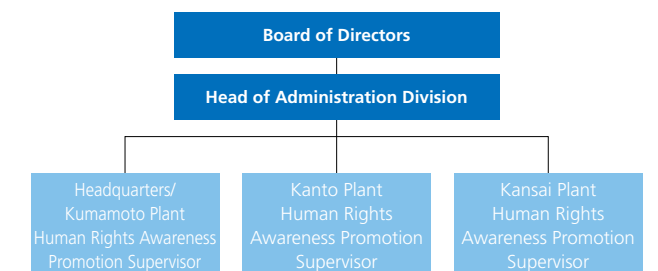
Basic Approach to Human Rights	Complying with the laws and regulations applicable to Japan and the countries and regions in which it conducts business, the Hirata Group supports and respects the Guiding Principles on Business and Human Rights of the United Nations and other international norms with regard 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

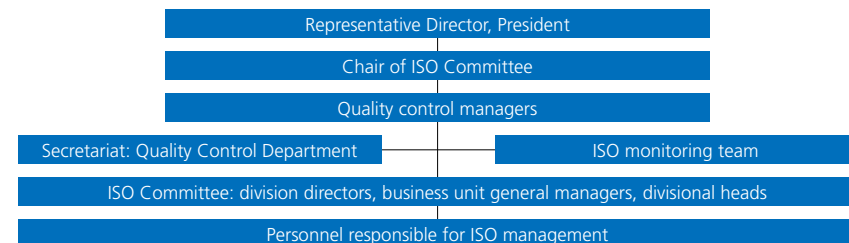
As the best partner for our customers, we will endeavor to deliver trustworthiness and satisfaction to the whole world, being sure to embody various requests for safety, quality, and productivity.

Quality Management

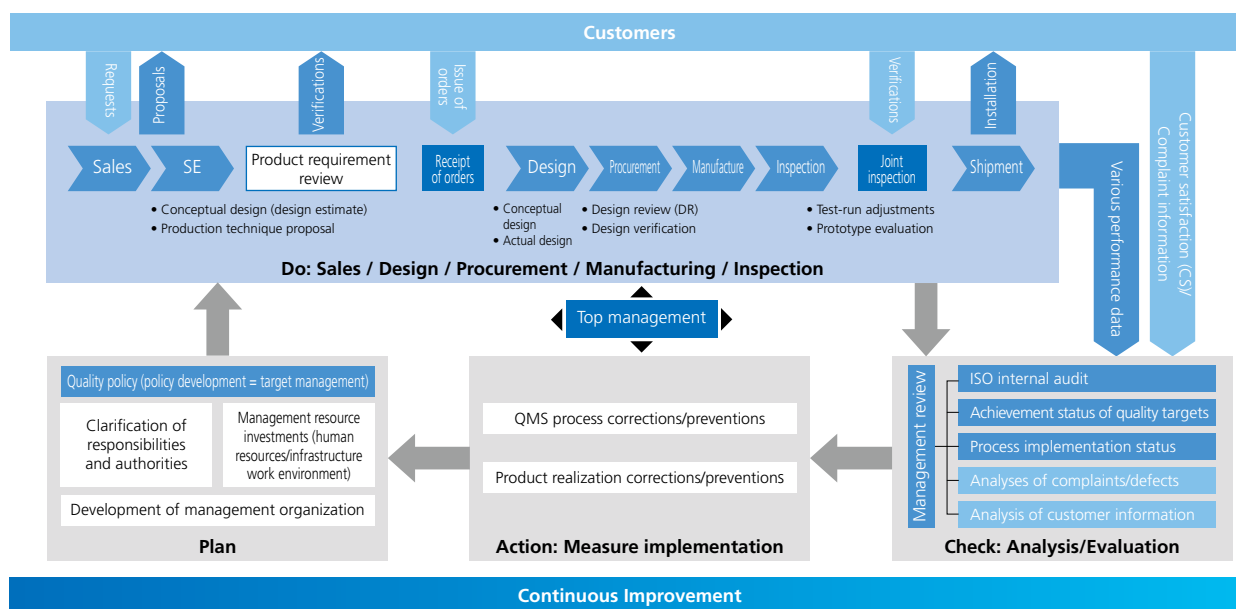
We have in place an ISO 9001-based quality control system that includes the promotion of measures to improve product safety.

	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.)

