Medium-Term Management Plan (FY2022–FY2024)

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

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

Management Targets

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

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

*As of November 2023

Basic Policies and Measures

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

- Basic Policy 1 **Business expansion in growth markets**
- Basic Policy 2 **Strengthening competitiveness as a global company**

To strengthen our management foundation, we will engage in:

- Basic Policy 3 **Strengthening of ESG management initiatives**
- Basic Policy 4 **Realization of management in line with the new-normal era**

Basic Policy 1

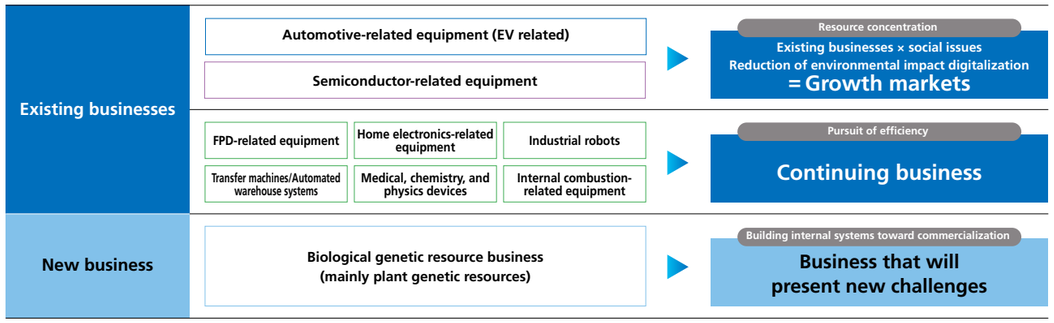
Business expansion in growth markets

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

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

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

Positioning of Medium-Term Management Period for Each Business



Individual Business Measures in Growth Markets

EV-related equipment business

Strengthening of the battery field

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

Semiconductor-related equipment business

Realization of optimal production system

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

Basic Policy 2

Strengthening competitiveness as a global company

Global response	Optimization of development/production systems within the Group
	Strengthening of cooperation within the Group
Business initiatives	Thorough digitalization-based profitability management system
	Strengthening of product competitiveness

For our global response to expand profits in growth markets such as EVs and semiconductors, we will optimize business collaboration between each business unit and each Group company to create synergies in terms of orders, development, and production systems.

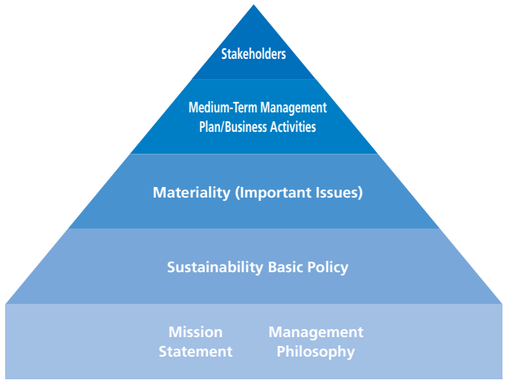
We will also work on front-loading activities as a business initiative to strengthen competitiveness. All departments will cooperate with each other, and at the initial stage of the project they will identify the risks related to the content of the inquiry and increase profits by planned responses. We will further strengthen this activity by utilizing digitalization.

Basic Policy 3

Strengthening of ESG management initiatives

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

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



Basic Policy 4

Realization of management in line with the new-normal era

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

Hirata
Infinite Growth ∞

Basic Policy 1 Business Expansion in Growth Markets

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

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

Strengthening of product appeal through selection of specialized processes and standardization

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

Development and improvement of key devices

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

Improve production capacity

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

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

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

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

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

Semiconductor-related Equipment Business

Keep up with technological innovation

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

Enhance production capacity

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

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

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

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

Other Automatic Labor-saving Business

Focusing on areas where profitability is expected

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

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

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

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

Basic Policy 2 Strengthening Competitiveness as a Global Company

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

Global Response

Optimization of development/production systems within the Group

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

Strengthening of cooperation within the Group

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

Topic

Expansion of System for Collaboration with Overseas Affiliates

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

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

Business Initiatives

Thorough digitalization-based profitability management system

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

Strengthening of product competitiveness

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

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

Topic

Establishment of Profit-oriented Behaviors

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

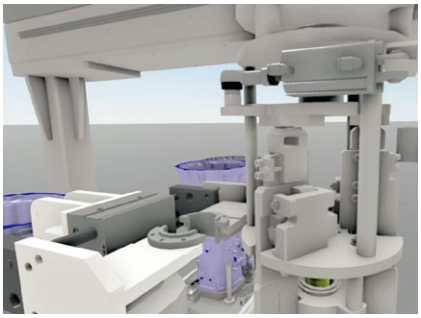
Basic Policy 4

Realization of Management in Line with the New-Normal Era

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

Promoting Value Chain Reform through the Use of Emulators

By collaborating with Rockwell Automation and introducing the company's Emulate3D engineering software, we are advancing operational improvements focusing on designers through virtual commissioning. It is effective for shortening the waiting time for problems such as insufficient debugging time due to delays in the previous process and interference problems caused by the actual machine. Specifically, in the value chain process centered on design work, program debugging can be performed before assembly and electrical work are completed, enabling a significant reduction in the debugging period for actual equipment. Currently, we are expanding the application business fields and increasing the number of usage results.



Improving Customer Value

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

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

3D simulation (in the design and commissioning phases)

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

Virtual commissioning

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

Comments from employees of the department that promotes digital engineering

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