

President's Message

We will realize sustained corporate value enhancement through a business strategy leveraging our unparalleled experience in production systems and by further strengthening ESG management.

***Jin-Gi-Kou-Ken*: A Slogan Representing 70 Years of Philosophy**

In May 2022, on the occasion of having formulated its new Medium-Term Management Plan, the Company announced the slogan *Jin-Gi-Kou-Ken* as its vision. *Jin-Gi-Kou-Ken* expresses that Hirata exists because of its technology, that its technology exists because of its people (employees), and that Hirata exists because of the happiness of its employees. I believe that the words "technology, people, and happiness" reflect Hirata's unique spirit and management foundation created by our predecessors.

For 70 years, we have been managing the Company with the founding desire to use automation and robot technology to solve problems so that people can work without physical or mental pain, and with the desire to take care of our employees and their families and protect their employment. In other words, the three words *Jin-Gi-Kou* (people, technology, and happiness) were created by successive generations of management and employees. As the fourth word *Ken* means "contribute to society," the slogan *Jin-Gi-Kou-Ken* means "To make everyone involved in Hirata content and contribute to society by means of technology."

When I witnessed the devastation of the Kumamoto Earthquake, which occurred in April 2016, I decided to return to Kumamoto, the region where the Company was founded, because I wanted to encourage the people there. At that time, I sent the following message: "We will acquire much work from all over the world and donate as much money as possible to Kumamoto." To our employees, conveying that protecting the region where the Company was founded is one of our initiatives for contributing to society. Although we were also impacted by the disaster and faced difficult conditions, our desire to donate as much money as possible to Kumamoto and contribute to the reconstruction of our home region raised the morale of all employees. As a result, we achieved record sales in that fiscal year. Our Management Philosophy states that Hirata "Contributes to Society." However, it will be difficult to contribute to society if we do not possess a suitable level of managerial strength. We learned from the Kumamoto Earthquake that making everyone involved with Hirata happy increases the potential for the Company to grow significantly. In addition to Kumamoto, the Company has bases in Japan and overseas, including Group companies. We conduct business in those regions and respect those regions just as we do Kumamoto. The accumulation of this history naturally led to the creation of the four-word slogan *Jin-Gi-Kou-Ken*.

Jin-Gi-Kou-Ken
人技幸献

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



Yuichiro Hirata

Representative Director, President

We will differentiate ourselves from other companies through the synergistic effects of our engineering capabilities and manufacturing capabilities.

The Biggest Opportunities Since the Company's Founding Are Coming

In the previous report (*Integrated Report 2022*), we stated that we recognized the fact that the Company has the greatest opportunities since its founding, mainly in the automotive-related equipment business and semiconductor-related equipment business. As we predicted, demand for equipment at related manufacturers in Japan and overseas is expanding as EVs (electric vehicles) become more popular. As a result of mass production for EV-related products, the profitability of our automotive-related equipment business has also improved. Furthermore, as competition among automobile manufacturers is intensifying, the need for each company to establish production systems (production facilities, including production lines) as soon as possible

to realize their strategies has led to the expansion of opportunities for production system integrators like Hirata.

Despite recent fluctuations in demand in the semiconductor-related equipment business sector, the emergence of applications equipped with AI and 5G technologies will stimulate the market. Therefore, business opportunities for the Company are expected to expand in the future. Although the current outlook is that the order volumes will be at the highest levels ever, the number of our plants and engineers is limited. Therefore, I believe that the most important issue to maximize opportunities is to maintain information coordination and management accuracy to avoid confusion at business sites and avoiding delay risks.

Our Unparalleled Experience in Production Systems Is Our Greatest Strength

We recognize that our strength lies in our unparalleled experience in production systems, or in other words, the engineering capabilities and manufacturing capabilities possessed by our group of engineers. Although that experience may be abstract and difficult to understand, we have a history of building one-off made-to-order products with our unique business model. When customers manufacture products, they take steps such as product planning, design, prototyping, production preparation, and mass production. In line with this, we have been proposing optimal production systems while customers make various requests and hold discussions with us from the product prototype stage to the production system introduction stage.

In this way, we respond to hundreds of inquiries every year, both in Japan and overseas. Naturally, we must maintain confidentiality with our customers, but we often find that our ideas regarding one customer's equipment can also be applied to different products. As our customers' products change in line with changes in the world, we also make improvements in accordance with the following trends. We possess information-related capabilities cultivated through our participation from the product prototype stage for global customers, and the accumulation of technological expertise that enables us to respond to changes in the playing field from one project to the next is one of our strengths.

Review of the First Year of the Medium-Term Management Plan

In terms of business performance for fiscal 2022, net sales increased from the previous fiscal year due to an increase in orders for automobile-related equipment and the relaxation of restrictions on activities at overseas subsidiaries and affiliates. In terms of profit, in addition to an increase in net sales, we were able to control outsourcing costs through the expansion of in-house production, which resulted in a profit margin higher than in the previous fiscal year. As a result, net sales for the fiscal year under review amounted to ¥78,443 million (up 16.9% year-on-year), operating profit was ¥5,920 million (up 53.5% year-on-year), ordinary profit was ¥5,802 million (up 36.3% year-on-year), and profit attributable to owners of parent was ¥4,269 million (up 59.2% year-on-year).

In fiscal 2022, we launched a new Medium-Term Management Plan, which includes the four Basic Policies of "Business expansion in growth markets," "Strengthening competitiveness as a global company," "Strengthening of ESG management initiatives," and "Realization of management in line with the new-normal era."

In regard to "Business expansion in growth markets," we saw record-high orders for EV-related equipment (¥30,239 million) in the automotive-related equipment business against the backdrop of global efforts to achieve carbon neutrality. As we started with a high backlog of orders, we plan to increase net sales in the automotive-related equipment business by 25.4% year-on-year to ¥38 billion in fiscal 2023, and achieve net sales of ¥40 billion in the automotive-related equipment business segment, as planned in the Medium-Term Management Plan. The improvement in the profitability of the automotive-related equipment business as a whole is a major achievement as a result of receiving multiple large-scale orders for EV-related equipment and other factors. Our current challenges are to strengthen the development of battery-related equipment

and secure production capacity capable of responding to an increase in orders. Therefore, we are expanding production space at three of our bases: Shichijo Plant in Kumamoto, Kanto Plant in Tochigi, and Kansai Plant in Shiga.

In the semiconductor-related equipment business, orders for wafer transfer machines remained flat year-on-year at ¥19,731 million, as the semiconductor market as a whole entered an inventory adjustment phase worldwide. In order to expand our wafer transfer machine production capacity, the entire Group, including our overseas affiliates, is working together to promote local production. Advancement of procurement and other measures have resulted in shorter lead times, lower transportation costs, and avoidance of trade risks. In the medium to long term, semiconductor demand is expected to increase due to the emergence of generative AI and other factors. While capturing this demand, we aim to achieve ¥40 billion in net sales in the semiconductor-related equipment business segment as set forth in the Medium-Term Management Plan.

In terms of "Strengthening competitiveness as a global company," we are strengthening cooperative relationships with overseas Group companies. For example, in China, we have been focusing on the EV-related equipment business until now. However, we have also entered the semiconductor-related equipment business in China through collaboration within the Group, working to expand our business areas to include growth markets.

In regard to "Realization of management in line with the new-normal era," we are implementing virtual commissioning using an emulator as business digitalization while promoting VR factory tours, VR assembly processes, and remote observation and maintenance. These efforts have led to improved work efficiency, and in addition to shortening delivery times, they have been significantly effective from the viewpoint of profitability management.

ESG management Is Indispensable for Sustained Corporate Value Enhancement

With regard to "Strengthening of ESG management initiatives," one of the four Basic Policies of the Medium-Term Management Plan, we formulated the Sustainability Basic Policy and established the Sustainability Promotion Committee in October 2022 to promote it as a Company-wide initiative while linking it with our medium- to long-term management strategies. Full-scale operations of the Sustainability Promotion Committee began in fiscal 2023 with internal working groups considering solutions to material issues while incorporating the opinions of outside directors and external experts.

We continue to build production systems that support manufacturing in various industrial fields, and we can say

that we have supported the history of manufacturing in Japan and overseas. In the past, through the era of mass production and mass consumption, we have contributed to the creation of economically affluent lifestyles. Today, since the sustainability of the global environment is in jeopardy, ignoring the need to respond to climate change and environmental issues could also threaten the survival of business. I think we are in a situation where if the entire supply chain does not address this issue, companies themselves may cease to exist.

In addition to quality, price, delivery, and other conditions as prerequisites for obtaining business opportunities, various requirements, such as commitment to the environment

and respect for human rights, are needed. We have continued to respond to the needs of our customers in accordance with the times, proposing many solutions, and have earned their trust. This trust is not only related to our technical skills and the quality that we provide but also related to our consideration for the environment and respect for

the human rights of all people involved in our business. ESG management is indispensable as a foundation for the sustainable survival of our business. It is also indispensable to maintain and improve the trust of our customers and society, create opportunities for us to contribute to manufacturing in the next era, and improve our corporate value.

Initiatives to Address Materiality That Has Evolved through a New Framework

In order to evolve our efforts to address our materiality, which is organized into four themes and 10 items, we have established a structure that consists of the Sustainability Promotion Committee, its subordinate organizations, and the working groups that carry out cross-organizational activities for each theme. With the establishment of the Sustainability Promotion Committee and working groups, we are now able to discuss issues from a medium- to long-term perspective looking at the entire Company, and the framework of indicators (KPIs) and quantitative targets is gradually beginning to emerge. In addition, we can expect Hirata's original measures and plans to be developed by creating an activity plan using a bottom-up approach, not just a top-down approach. By establishing a medium- to long-term timeline and goals and formulating an action plan through backcasting, rather than being bound by conventional methods, we have identified not only risks and opportunities in the process of getting there but also several issues in the execution phase, such as the limitations of the current structure and organizational system and resource allocation, which we intend to resolve one by one.

One of the materiality issues that I place importance on is the theme related to human capital. I believe that it is an important management issue to improve employee engagement by creating an environment in which each employee can make the most of their expertise and individuality, and in which each employee can feel more satisfaction and joy when it comes to their work. I appreciate that orders have been stable recently. However, at Hirata, our system engineers are the biggest cornerstone that leads to the success of each job that we handle for customers. Having a large number of system engineers with extensive experience makes it possible to proceed with large projects without delay. It takes time to develop such skills though, so it is necessary to strategically secure and develop human resources who will become the next generation of leaders. Furthermore, the increased workload on each engineer,

the influential role still required of middle management, and other constraints on "Brings Out The Best In Every Person," part of our Management Philosophy, are far from few, and the increased workload on employees and the risk of impact on production management are also recognized as issues. Therefore, I believe it is extremely important to bring out the best in every person through means such as strengthening human resource development and promoting diversity, equity, and inclusion (DEI).

Additionally, as a response to climate change, contributing to carbon neutrality through our products and services is also an important theme. For example, installing an all-electric transport system consisting of the Hirata Eco electric series instead of the air equipment used at a customer's plant can significantly reduce electricity consumption and CO₂ emissions, as well as running costs. Since our engineers are deeply knowledgeable about the needs of our customers, I believe that they can propose optimal systems based on customers' issues.

Also, strengthening governance is an important theme for sustained corporate value enhancement. As a measure aimed to achieve this, we transitioned to a Company with an Audit and Supervisory Committee organization structure in June 2023. The purpose of this transition is to strengthen the supervisory function of the Board of Directors and further strengthen the oversight system by appointing Audit and Supervisory Committee members who are responsible for auditing the execution of duties by directors as members of the Board of Directors. We will continue to further enhance our corporate governance. By contributing to the environment, addressing social issues through the promotion of human rights and DEI, and further advancing corporate governance, we aim to achieve sustainable corporate growth from the perspective of achieving both corporate growth through business activities and resolving social issues.

To All Our Stakeholders

In addition to being the prefecture where our Company was founded, Kumamoto is also the region ruled by Kato Kiyomasa, a famous military commander. He contributed greatly to the creation of a prosperous country that continues to the present day. Contributions include the construction of Kumamoto Castle, considered one of the three premier castles in Japan, the development of industrial infrastructure, such as civil engineering and a flood control, and the cultivation of human resources and a rich culture. Kato Kiyomasa, a person of high integrity, has been highly respected by residents of Kumamoto prefecture to date.

In August 2023, we unveiled FLAGNOID Kiyomasa,* a robot created out of respect and gratitude for Kato Kiyomasa. We produced and broadcast/distribute a commercial featuring an animated version of FLAGNOID Kiyomasa. In particular, I would like to provide opportunities for young people to learn about the Company, and to raise awareness about him throughout the world.

* "FLAGNOID" is a word coined by Hirata. "FLAG" expresses both the Blue Flag Iris, a plant loved by Lord Kiyomasa, and the raising of his battle banner in Kumamoto. "NOID" means "humanoid robot."



▶ For more information on FLAGNOID Kiyomasa, please visit the website below. <https://www.hirata.co.jp/flagnoid-special/> (Japanese only)

It is said that Kiyomasa always told the people around him when he was building his country that it was "for the sake of the future," and that many of the measures at that time were long-term initiatives with a focus on the future.

As many of these measures still serve as the foundation of Kumamoto's industry and culture, I believe they were truly sustainable initiatives. I believe this is what leads to the creation of a sustainable nation, an approach that leads to the sustainability management that the Company and many other companies are focusing on.

We are developing business with customers all over the world in collaboration with our domestic and overseas bases, centered on Kumamoto, the region where the Company was founded. I would like to learn from Kiyomasa's foresight and continue to engage in management that considers the future, that is, management that contributes to the realization of a sustainable society.

In order to achieve this, we will continue to deepen communication with all stakeholders and work toward the sustainable growth of the Company. I look forward to your continued understanding and support of the Company.

Yuichiro Hirata
Representative Director, President

We will deepen mutual communication with stakeholders around the world and aim to achieve sustainable growth by having all Group companies work together.

