

President's Message

We embody the spirit of *Jin-Gi-Kou-Ken* to realize sustainable improvement in corporate value by taking on challenges during any era.

Respect for Production Line Workers during the Manufacturing Process

Starting off in business engaged in the manufacture and sale of industrial vehicles, such as carts, in Kumamoto, a region that was partially destroyed through bombing during World War II, Hirata took its first step in production equipment manufacturing as a "factory that produces factories" to support post-war industrial recovery through the manufacture of belt conveyors, mechanical systems that enabled companies to mass-produce quality products during a period of transition, from an era of supply shortages to an era of mass production and mass consumption.

Based on the principle of always thinking about better products and proposing them to customers, we developed the world's first "free flow conveyor system" that allows the conveyor to be stopped in front of a worker and then started again after work for a particular item has been completed. This differs from a "machine-centered production line" where workers place screws in and assemble items as the belt conveyor continues to move. By developing this system, we eliminated the heavy burden on workers to work at the pace of the production line. The ability to stop the conveyor so that line workers can perform work on items increases production efficiency by reducing the number of defective products that pass through. Respecting production line workers during the manufacturing process in this way serves as the foundation of our production philosophy that we still adhere to today.

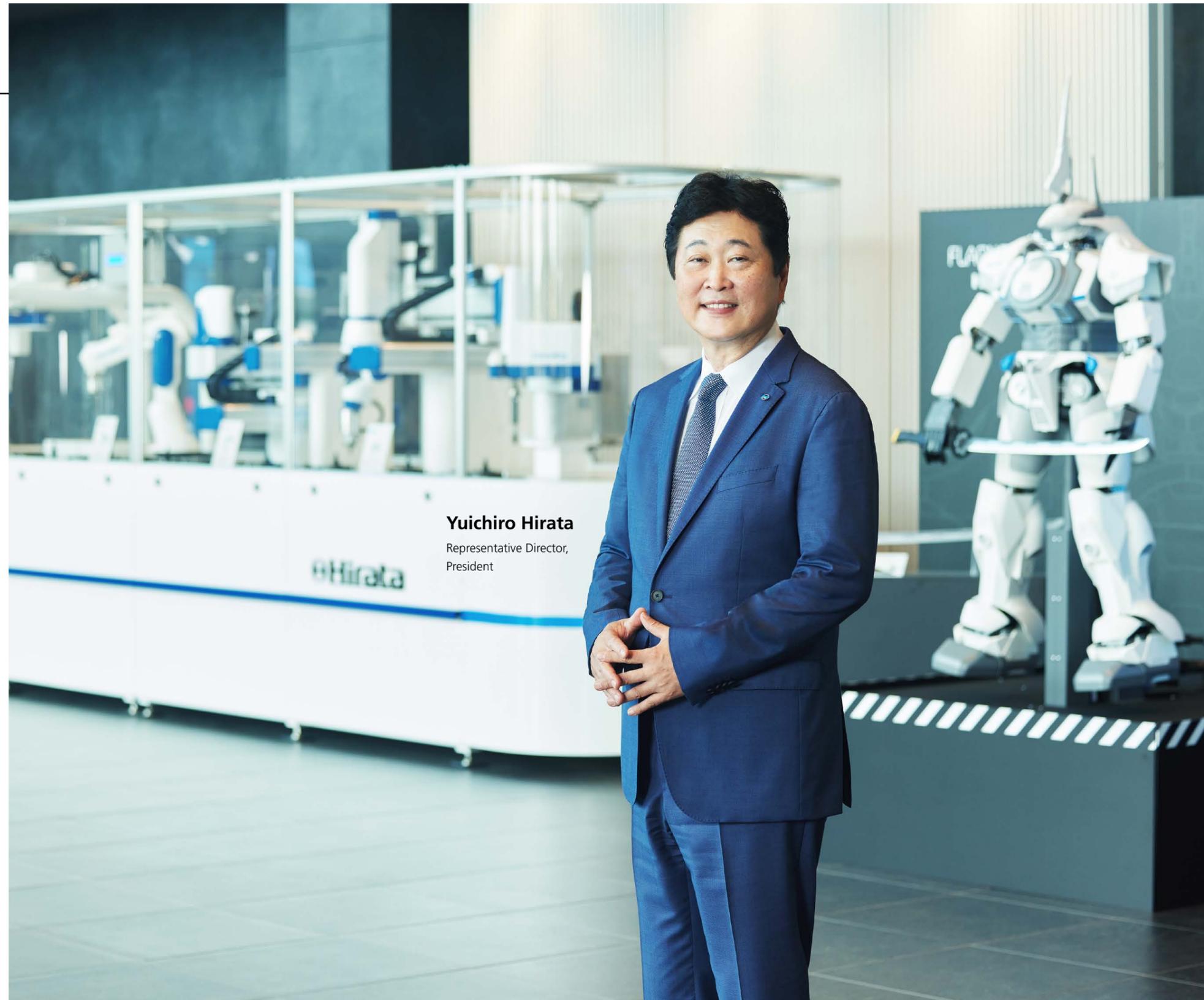
The Importance of Not Being Afraid of Failure and Seeing Things through to the End

In 1980, Hirata Corporation established Hirata Corporation of America in the state of Indiana (USA) as its first overseas base. Around 2000, Hirata expanded its overseas bases to include locations in Europe, Southeast Asia, and China. At that time, Hirata Corporation mainly focused on developing assembly lines for cathode-ray tube (CRT) production lines and also supplied assembly line systems to overseas home electronics manufacturers. However, in anticipation of a shrinking market, the Company looked for its next business pillar and found the automotive industry to be a particularly important market.

In charge of the management of Hirata Corporation of America at the time, I was working hard in accordance with the "HCA 100 Million Plan" *1 based on the idea that if we could win orders from the world's largest automakers and gain their trust, the Automotive-related Business could become our next major business pillar. Since we did not have a track record doing business in North America, we were not taken seriously by local companies. Despite this, we made various efforts together with our local affiliates, gradually gaining recognition. After overcoming repeated failures, we entered the automobile and semiconductor industries in North America. Hirata Corporation is now viewed as a highly reputable company by enterprises around the world.

Taking on new challenges is always accompanied by failures. However, new businesses are always born from such "failures." Hirata Corporation is a company that moves forward with the courage to keep thinking and the spirit to take on challenges.

*1 The name of a business plan aimed at achieving a net sales target of US\$100 million. "HCA" is the abbreviation for Hirata Corporation of America.



Yuichiro Hirata
Representative Director,
President

Creating New Markets

The Company has survived for the past 73 years since its founding by continuing to take on new challenges and transforming its business. It is not easy to predict the future in the rapidly changing society of recent years. Examples of this are how the automotive market is shifting from internal combustion engine vehicles to electric vehicles (EVs) and the sudden appearance of something called a "smartphone," which instantly became popular throughout the world.

Since our business model is based on build-to-order manufacturing and is always influenced by our customers' business plans, our sales may be significantly affected by increases and decreases in customers' production.

Based on this, I feel that we also need a business designed to create our own markets with our own products and create markets to increase sales in order to stabilize management.

This is like shifting from a "hunting-type business model," in which orders are obtained after establishing targets, to an "agricultural-type business model" where fields are cultivated and products developed. The Eco Electric Series, a lineup of all-electric conveyor line products with the Hirata BLUE MOTOR, an electric motor developed in-house, built in all Eco Electric units, and the cancer treatment robot,^{*2} a product that led to our winning the METI Minister's Award under the Award for Academic Startups 2024 Program, are examples of products that differ from our traditional approach of where each product is uniquely tailored to a customer's specific requirements.

*2 Hirata Corporation provided support to SONIRE Therapeutics Inc., a startup engaging in the development of next-generation high-intensity-focused ultrasound (HIFU) therapy devices for intractable cancers. The Company was recognized for supporting the development of clinical trial devices through the utilization of its robot technology and production capabilities.

Medium-Term Management Plan Results and Issues

We are working to improve profitability by concentrating our management resources on the EV-related equipment and semiconductor-related equipment markets, which are positioned as growth markets in the Medium-Term Management Plan (FY2022–FY2024).

In fiscal 2023, the second year of the Medium-Term Management Plan, orders from EV-related component manufacturers were strong and silicon wafer transfer equipment sales were solid, which led to higher sales. As a result, net sales for the fiscal year under review amounted to ¥82,839 million (up 5.6% year-on-year), operating profit was ¥6,047 million (up 2.2% year-on-year), and ordinary profit was ¥6,259 million (up 7.9% year-on-year).

Since we have the production capacity and track record allowing us to provide support for both EV and internal combustion engine vehicle businesses, we are able to flexibly capture demand even if EV sales in North America slow down. In the EV battery field, which is a key area of focus, we have established a new specialized department in which our engineers become involved right from the point when customers start developing products, thereby establishing a system that can respond to requests more quickly. In addition, the expansion of the Shichijo Plant (located in Kikuchi City, Kumamoto Prefecture) expanded our production capacity to meet growing demand. As a result of these initiatives, we received large orders for EV battery charging/discharging equipment in January 2024 and have been receiving orders for large projects since the beginning of fiscal 2024. We will continue to improve our production systems and proficiency in key areas to strengthen our competitiveness.

In the Semiconductor-related Equipment Business, net sales in fiscal 2023 decreased 5.4% year-on-year due to the impact of inventory adjustments in the market. However, operating profit increased 29.2% year-on-year due to an increase in the sales ratio of silicon wafer transfer equipment, which comprise products with a relatively high profit margin, and the effect of pass-through costs. I believe that long-term demand for semiconductor-related equipment will continue to increase with the rapid growth of automotive semiconductors and generative AI. Additionally, we are establishing a production system that allows us to cooperate with our affiliates in China, Taiwan, and Southeast Asia to develop our Semiconductor-related Equipment Business working together as the Hirata Group. I think that strengthening collaboration with

Group companies, including those overseas, will improve our ability to respond to changes in the business environment and will enable us to provide even more comprehensive support to Japanese companies that are making capital investments at overseas plants.

On the other hand, I recognize that soaring energy prices and general price increases have made it difficult to improve profitability. With regard to the rise in procurement prices, we are passing on costs to customers through end prices and emphasizing co-existence and co-prosperity with our suppliers. At the same time, we are working to further increase

added value while passing it on to customers in an appropriate manner. The Company will also focus on reducing unnecessary costs by enhancing profitability management and risk management systems for each project and reducing work time and man-hours through the utilization of digital technologies and digital transformation (DX). By expanding the business fields in which digital technologies and DX are utilized, we aim to increase the value provided to customers and improve profitability.

Further Strengthening of ESG Management for Sustainable Growth

As "Strengthening of ESG management initiatives" is one of the basic policies of our Medium-Term Management Plan, we have made efforts to strengthen ESG management. This has led to Hirata Corporation receiving a Bronze rating from EcoVadis, an international organization that evaluates supply chain sustainability, and being selected for the first time as a constituent of the FTSE Blossom Japan Index, an ESG investment index. The Sustainability Promotion Committee, which started activities in earnest in 2023, has convened six times (during fiscal 2023 and the first half of fiscal 2024), raising awareness of sustainability initiatives among internal directors and executive officers. Outside directors also participate in Sustainability Promotion Committee meetings, resulting in very meaningful discussions.

Under the Sustainability Promotion Committee are working groups consisting of members from different departments that examined activity plans and targets from a medium- to long-term perspective. Additionally, each department is involved at the activity implementation stage with all executives and employees coming together to focus their efforts on activities.

As we are currently considering a Medium-Term Management Plan for fiscal 2025 and beyond, I want to see the Company formulate a new strategy for sustainable growth by bringing together the knowledge of the organization and employees that support our engineering capabilities to show the path that we should head down in the future.

To All Our Stakeholders

The slogan *Jin-Gi-Kou-Ken* serves as the Company's vision. *Jin-Gi-Kou* ("people," (employees) "technology," and "happiness") reflects our founding philosophy and values as symbolized by the free flow conveyor system that I mentioned earlier. The fourth word *Ken*, which means "contribute to society," was later added to *Jin-Gi-Kou*. The Kumamoto Earthquake, which occurred in April 2016, prompted us to reconsider our contribution to society. We learned from the Kumamoto Earthquake that we can help others by contributing to society and that people will feel thankful, something that will deeply motivate us. That experience also led to the creation of our slogan.

In the future, I want the Hirata Group to contribute to the happiness of all people involved with the Company, including customers, employees, suppliers, and local communities. I would like to ask our shareholders, investors, and other stakeholders for their continued understanding and support.

Yuichiro Hirata
Representative Director,
President

Jin-Gi-Kou-Ken
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To make **everyone** involved in Hirata **content** and **contribute** to society by means of **technology**