

# Annual Report

(From April 1, 2016 to March 31, 2017)

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(From April 1, 2016 to March 31, 2017)

## 1. Business Activities and Results

The operating results for the current fiscal year (April 2016–March 2017) are as follows:

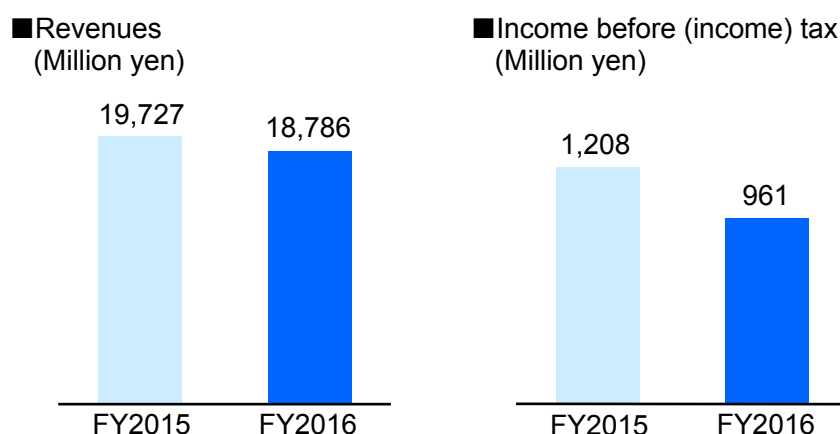
- Revenue: ¥32.733 billion JPY (7.5% Reduction on Previous Year)
- Income Before (Income) Tax: ¥959 million JPY (3.8% Increase on Previous Year)
- Net Income: ¥689 million JPY (27.2% Increase on Previous Year)

We will report a summary of our business on a product-by-product basis below.

### Instruments & control systems

Even though domestic private sector capital investment for this fiscal year was solid in the sector of environment and process analysis device-related products, revenues were down on the previous year owing to the effects of a slump in control/monitoring systems and a contraction of the market for industrial instrument-related products. Income before (income) tax was also down on the previous year owing to costs associated with carrying out measures to deal with defects in some of our products.

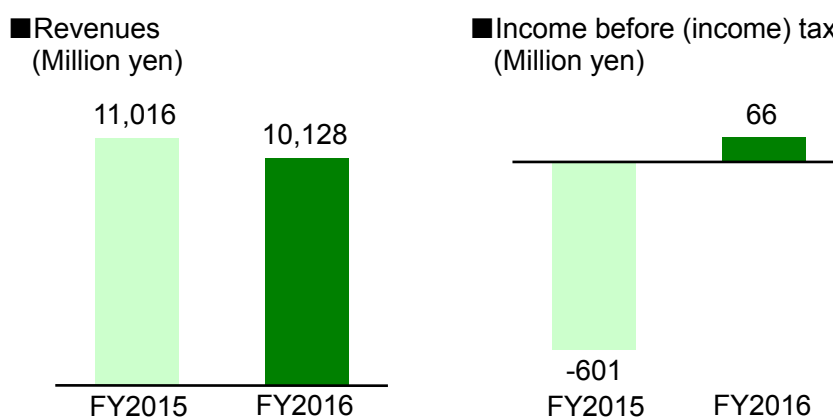
As a result, the revenue for this department was ¥18.786 billion JPY (4.8% reduction on the previous year). The income before (income) tax was ¥961 million JPY (20.5% reduction on the previous year).



### ICT solutions

Unified communications-related products and cloud solution-related services remained steady for this fiscal year, but revenues were down on the previous year owing to a reduction in CAD software licensing business. However, income before (income) tax returned to the black thanks to changes made in the business structure.

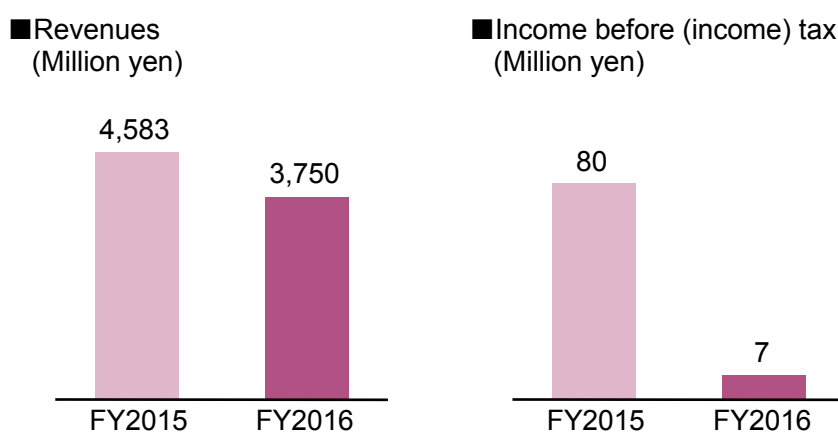
As a result, the revenue for this department was ¥10.128 billion JPY (8.1% reduction on the previous year). The income before (income) tax was ¥66 million JPY (¥667 million JPY increase on the previous year).



### Industrial equipment solutions

Both revenue and income before (income) tax saw dramatic drops on the previous year because of a postponement of customer capital investment in the sector of electronic device manufacturing equipment due to a slowdown in the smartphone market in China and other countries.

As a result, the revenue for this department was ¥3.75 billion JPY (18.2% reduction on the previous year). The income before (income) tax was ¥7 million JPY (91.3% reduction on the previous year).



Figures by domestic, export, import, and overseas customers:

Domestic Customers	¥29.176 billion JPY (5.3% Reduction on Previous Year)
Export Customers	¥1.421 billion JPY (2.0% Reduction on Previous Year)
Import Customers	¥1.975 billion JPY (35.1% Reduction on Previous Year)
Overseas Customers	¥161 million JPY (148.6% Increase on Previous Year)

The total sales figures break down as follows: 89.2% for domestic customers, 4.3% for export customers, 6.0% for import customers and 0.5% for overseas customers.

The large reduction on the previous year in our import customers can be attributed to a contraction in business from the ICT Solutions department's CAD software licensing business. The large increase in our overseas customers can be attributed to an increase in the number of customers from South East Asia purchasing control/monitoring systems from the instrumentation department.

This is the end of the summary.



## 2. Issues to Address

Domestically, we expect to see a modest economic recovery in terms of increased stable consumer spending and capital investment etc., owing to improved employment and income figures in Japan. Although we expect business in the U.S. to remain steady against a backdrop of improved employment figures, it is anticipated that anxiety over the United Kingdom's exit from the European Union and the rise in anti-Euro sentiment will mean that the global economic situation will remain uncertain. Other contributing factors to this uncertainty include a slowdown in the Chinese economy and a rise in geopolitical risk regarding the situations on the Korean peninsula, in the Middle East, etc.

By offering an IoT-focused "Total Solution" which can help improve production efficiency for the manufacturing industry, we are moving to expand the areas in which we do business. To further this, we also offer shared platform cloud-based security control solutions.

Going forward, we aim to build a growth strategy for expanding our business in what would be a rapid fashion from the customer's point of view. We are also aiming to improve our business performance and achieve further improvements and stability in terms of our business operations base.

### 3. Changes in the status of our assets and profits

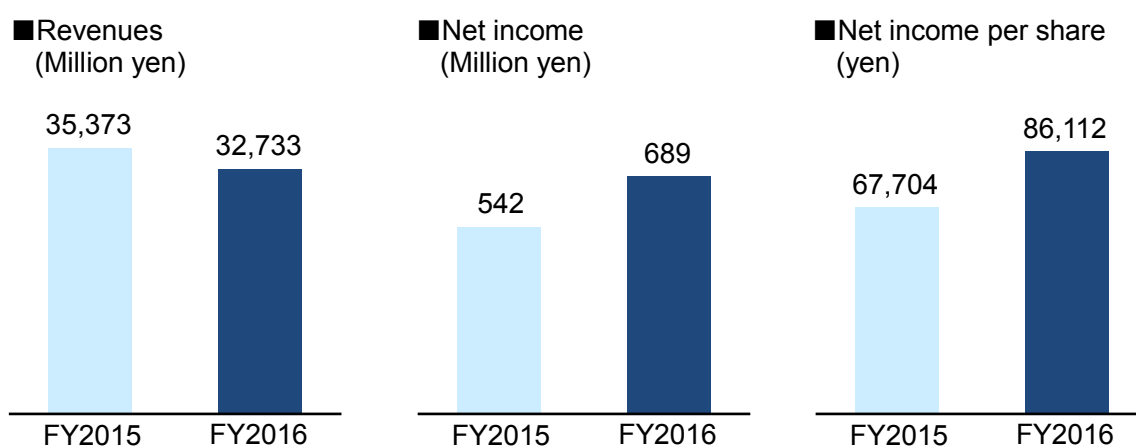
Years ended March 31, 2016 and 2017

Millions of yen

	2015	2016
Revenues	35,373	32,733
Net income	542	689
Total assets	23,302	23,432
Total Stockholder's Equity	8,647	9,618

Per share data(¥)

Net income	67,704	86,112
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#### 4. Description of main business

The main products handled by our company are as below.

Division	Main Products
<p style="text-align: center;"><b>Instruments &amp; control systems</b></p>	<p>■ <b>Control/monitoring systems, Analysis equipment</b> Distributed Control System (DCS), Online mass spectrometer, Water quality analyzer, Rapid Microbial Testing System</p> <p>■ <b>Industrial instruments (Measuring equipment)</b> Differential pressure/pressure transmitter, Electromagnetic flowmeter, Ultrasonic flowmeter, Level meter</p> <p>■ <b>IT solutions</b> Hitachi integrated MES solutions, Process management system, Omen and Diagnosis system, Pharmaceutical manufacturing execution system, Control security</p> <p>■ <b>Environment process analysis equipment</b> Stack gas analyzer, Process gas analyzer, Air pollution monitoring instrument, Water pollution analyzer, Industrial PH meter, Inline refractometer</p> <p>■ <b>Printing inspection systems</b> Ink jet printer, Vision system</p>
<p style="text-align: center;"><b>ICT solutions</b></p>	<p>■ <b>IoT solutions/data analysis solutions</b> PTC/ThingWorx, TIBCO/Spotfire, Flutura/Cerebra</p> <p>■ <b>IoT/Control security cloud solutions</b> IoT cloud solutions, Control security solutions, Private cloud solutions</p> <p>■ <b>Digital engineering solutions</b> CAE solutions, 3-D printers, PC base real-time controllers, AGV operational management solutions</p> <p>■ <b>Unified communication</b> CISCO, Lifesize, Aver, Compunetix, EZ Conference, Vyopta vAnalytics, "Robocot" AI communication robot</p> <p>■ <b>Video/disaster prevention solutions</b> Television news flash system (BroadCATV), Drone utilization service, Import video equipment/systems</p>
<p style="text-align: center;"><b>Industrial equipment solutions</b></p>	<p>■ <b>Advanced electric device manufacturing systems</b> Ion beam etching system, Wet processing system (Wet cleaning, Resist removing, Chemical processing), CMP, Metal plating system, Wafer edge polishing system, Laser marker system, Resin molding system, Scanning acoustic tomography and inspection system</p> <p>■ <b>FPD manufacturing systems</b> FPD Mask wet cleaning system, FPD Mask substrate inspection system, FPD glass substrate transfer system</p> <p>■ <b>Electro components</b> Dry vacuum pumps, Reactive gas treatment system</p>

## 5. Company Data (As of the end of March, 2017)

<b>Date Established</b>	October 1, 1987
<b>Capital</b>	400 million yen
<b>Number of Employees</b>	664
<b>Number of Issued Shares</b>	8,000 shares
<b>Stockholder</b>	Hitachi High-Technologies Corporation 100%

## 6. Board of Directors and Auditor

As of April 1, 2017

<b>Name</b>	<b>Position and Responsibilities</b>	<b>Concurrent Roles</b>
Takashi Iizumi	President (Corporate Administration)	Executive Officer of Hitachi High-Technologies Corporation  Director of Hitachi High-Technologies Europe GmbH
Satoshi Tonoike	Executive Managing Director (Sales & Marketing, Industrial Equipment Solutions Sales, Consolidated Instruments Business Relations, Instruments & Control Systems)	
Shigeru Sugiyama	Executive Managing Director (Consolidated Instruments Business Relations, Instruments & Control Systems, Business Strategy)	Director of Mitsubishi-Hitachi Metals Machinery, Inc. Director of Primetals Technologies Japan, Ltd.
Tatsuya Akutagawa	Director (General Administration, Office for Export Management Relations)	
Yoshio Miura	Director (Consolidated Instruments Business Relations, Instruments & Control Systems, Mito)	
Masashi Tanabe	Director (Solution Business)	
Sukehiro Ito	Director	Executive Officer of Hitachi High-Technologies Corporation
Jiro Kitano	Audit & Supervisory Board Member	Audit & Supervisory Board Member of Hitachi High-Tech Fine Systems Corporation

## 7. Main Places of Business (As of the end of March, 2017)

(Japanese Place of Business)

<b>Main Offices</b>	<b>Location</b>
■ Head Quarter	Chuo-ku, Tokyo
■ Mito Division	Mito-shi, Ibaraki
■ Kansai Branch Office	Osaka-shi, Osaka
■ Chubu Branch Office	Nagoya-shi, Aichi
■ Hokkaido Sales Office	Sapporo-shi, Hokkaido
■ Tohoku Sales Office	Sendai-shi, Miyagi
■ Ibaraki Sales Office	Hitachinaka-shi, Ibaraki
■ Kashima Sales Office	Kamisu-shi, Ibaraki
■ Chiba Sales Office	Ichihara-shi, Chiba
■ Yokkaichi Sales Office	Yokkaichi-shi, Mie
■ Chugoku Sales Office	Hiroshima-shi, Hiroshima
■ Shikoku Sales Office	Takamatsu-shi, Kagawa
■ Kyushu Sales Office	Fukuoka-shi, Fukuoka



## 8. Statement of Financial Position

	Millions of yen	
	As of March 31, 2016	As of March 31, 2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents	3,389	4,153
Trade receivables	11,974	12,079
Other financial assets	236	141
Inventories	1,931	1,962
Other current assets	719	672
Subtotal	18,248	19,007
Assets held for sale	318	-
Total current assets	18,566	19,007
Non-current assets		
Property, plant and equipment	2,278	2,273
Intangible assets	512	449
Investments in securities and other financial assets	175	174
Deferred tax assets	1,746	1,514
Other non-current assets	24	14
Total non-current assets	4,735	4,425
Total assets	23,302	23,432

	Millions of yen	
	As of March 31, 2016	As of March 31, 2017
<b>Liabilities</b>		
Current liabilities		
Trade payables	7,866	7,950
Other financial liabilities	846	969
Income taxes payable	283	341
Accrued expenses	1,708	1,571
Advances received	817	617
Provisions	22	17
Total current liabilities	11,543	11,465
Non-current liabilities		
Other financial liabilities	500	240
Retirement and severance benefits	2,500	1,941
Provisions	59	131
Other non-current liabilities	53	37
Total non-current liabilities	3,112	2,349
Total liabilities	14,655	13,814
<b>Equity</b>		
Stockholders' equity		
Common stock	400	400
Capital surplus	100	100
Retained earnings	8,311	8,830
Accumulated other comprehensive income	(165)	288
Total Stockholders' Equity	8,647	9,618
Total Liabilities & Stockholders' Equity	23,302	23,432

### Notes:

The above financial data is based on International Financial Reporting Standards (IFRS). All figures have been rounded to the nearest million yen.

## 9. Statement of Profit or Loss and Statement of Comprehensive Income

Years ended March 31, 2016 and 2017

Millions of yen

	2015	2016
Revenues	35,373	32,733
Cost of sales	(29,507)	(26,627)
Gross profit	5,866	6,107
Selling, general and administrative expenses	(5,137)	(5,156)
Other income	306	12
Other expenses	(120)	(19)
Operating profit	915	944
Financial income	-	6
Financial expenses	(3)	1
EBIT (Earnings before interest and taxes)	912	951
Interest income	14	9
Interest charges	(2)	(1)
Income before income taxes	924	959
Income taxes - current	(181)	(239)
Income taxes - deferred	(201)	(31)
Net income	542	689
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Remeasurements of defined benefit plans	(509)	453
Items that can be reclassified into net income		
Net changes in cash flow hedges	8	0
Other comprehensive income (OCI)	(501)	453
Comprehensive income	41	1,142

Notes:

The above financial data is based on International Financial Reporting Standards (IFRS).

All figures have been rounded to the nearest million yen.

## 10. Statement of Changes in Equity

Millions of yen

	Common stock	Capital surplus	Retained earnings
As of March 31,2015	400	100	7,955
Net income			542
Other comprehensive income			
Comprehensive income	-	-	542
Dividends			(120)
Reclassified into retained earnings			(65)
Total transactions with the owners	-	-	(185)
As of March 31,2016	400	100	8,311
Net income			689
Other comprehensive income			
Comprehensive income	-	-	689
Dividends			(170)
Reclassified into retained earnings			
Total transactions with the owners	-	-	(170)
As of March 31,2017	400	100	8,830

Millions of yen

	Accumulated other comprehensive income			Total equity
	Remeasurements of defined benefit plans	Net changes in cash flow hedges	Total accumulated other comprehensive income	
As of March 31,2015	280	(8)	271	8,726
Net income			-	542
Other comprehensive income	(509)	8	(501)	(501)
Comprehensive income	(509)	8	(501)	41
Dividends			-	(120)
Reclassified into retained earnings	65		65	-
Total transactions with the owners	65	-	65	(120)
As of March 31,2016	(165)	(0)	(165)	8,647
Net income			-	689
Other comprehensive income	453	0	453	453
Comprehensive income	453	0	453	1,142
Dividends			-	(170)
Reclassified into retained earnings			-	-
Total transactions with the owners	-	-	-	(170)
As of March 31,2017	288	0	288	9,618

Notes:

The above financial data is based on International Financial Reporting Standards (IFRS).

All figures have been rounded to the nearest million yen.

## 11. Statements of Cash Flows

Years ended March 31, 2016 and 2017

Millions of yen

	2015	2016
Cash flows from operating activities:		
Net Income	542	689
Depreciation and amortization	727	640
Increase (decrease) in trade receivables	(274)	(105)
Increase (decrease) in advances received	613	6
Increase (decrease) in inventories	(486)	(31)
Increase (decrease) in trade payables	370	84
Increase (decrease) in advances received	(1,357)	(201)
Decrease in Net Defined Benefit Liability	(712)	(160)
Income Taxes Paid (Refund)	(641)	123
Other	191	159
Net cash provided by operating activities	(1,027)	1,204
Cash flows from investing activities:	(214)	(267)
Cash flows from financing activities:	(128)	(173)
Net increase in cash and cash equivalents	(1,368)	764
Cash and cash equivalents at beginning of year	4,757	3,389
Cash and cash equivalents at end of year	3,389	4,153

