

Hitachi High-Tech

HITACHI
Inspire the Next

Annual Report

(From April 1, 2018 to March 31, 2019)

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1. Business Activities and Results of Business

The business results for this fiscal year (April 2018 to March 2019) included revenues of 32,522 million yen (up 5.9% on the previous fiscal year), income before income taxes of 812 million yen (up 1,351 million yen on the previous fiscal year), and a net income of 545 million yen (up 922 million yen on the previous fiscal year).

A summary of the general business situation is presented below.

Instruments & control systems

This fiscal year, large-scale projects have increased, thanks to sustained high levels of investment into the chemical industry. Due to the completion of a large-scale sales contract for medical control/monitoring systems, revenues is up from the previous year and income before income taxes are now in the black.

As a result, the division's revenues reached 20,920 million yen (up 18.9% on the previous fiscal year), and income before income taxes were at 507 million yen (up 1,258 million yen on the previous fiscal year).

ICT solutions

This fiscal year, revenues and income before income taxes are both up on the previous year as a result of the steady performance of cloud-related investment and being able to take on large-scale projects such as the building of networks through cloud solutions.

As a result, the division's revenues reached 11,600 million yen (up 9.7% on the previous fiscal year), and income before income taxes were at 284 million yen (up 8.8% on the previous fiscal year).

The results according to customer type are as follows.

Domestic customers: 28,079 million yen (up 7.7% on the previous fiscal year)

Export customers: 1,847 million yen (down 7.5% on the previous fiscal year)

Import customers: 2,495 million yen (up 5.1% on the previous fiscal year)

Overseas customers: 101 million yen (down 64.2% on the previous fiscal year)

The breakdown of these categories in terms of total sales revenues is as follows: domestic customers 86.3%, export customers 5.7%, import customers 7.7%, overseas customers 0.3%.

Domestic customers increased from the previous fiscal year. This is due to the completion of large-scale sales contract for control/monitoring systems. Overseas customers decreased significantly owing to a decrease in trade of analytical systems for environments and processes.

This concludes the summary of the general business situation.

2. Issues to Address

The Japanese economy is continuing to recover gradually, but the impact of the rise in the consumption tax rate and the deceleration of the global economy is concerning. The US economy is expected to keep up its steady performance due to its favorable employment situation and large tax cuts, but there is uncertainty surrounding the impact of its trade issues with China. In Europe, the economy is trending toward deceleration, and the Brexit negotiations are cause for concern. The economic growth of China is expected to continue to slow, but the Chinese government's economic stimulus measures are expected to have an impact on this.

Under such circumstances, we aim to expand our business by maintaining and expanding the instruments & control systems business for social innovation, and solving customers' management issues through cutting-edge ICT solutions business and engineering capabilities.

Going forward, we will accelerate the cycle of further synergy and development of the instruments & control systems business and the ICT solutions business, and aim to be a "platformer for problem solutions close to our customers."

3. Changes in the status of our assets and profits

Years ended March 31, 2016 and 2019	Millions of yen			
	2015	2016	2017	2018
Revenues	35,373	32,733	30,716	32,522
Net income(loss)	542	689	(376)	545
Total assets	23,302	23,432	21,770	21,847
Total Stockholder's Equity	8,647	9,618	9,010	9,606
Per share data(¥)				
Net income(loss)	67,704	86,112	(47,033)	68,186

4. Description of main business

The main products handled by our company are as below.

Division	Main Products
Instruments & control systems	<ul style="list-style-type: none"> ■ Control/monitoring systems, Analysis equipment Distributed Control System (DCS), Online mass spectrometer, Water quality analyzer, Rapid Microbial Testing System ■ Industrial instruments (Measuring equipment) Differential pressure/pressure transmitter, Electromagnetic flowmeter, Ultrasonic flowmeter, Level meter ■ IT solutions Integrated MES solutions, Process management system, Omen and Diagnosis system, Pharmaceutical manufacturing execution system, Control security ■ Environment process analysis equipment Stack gas analyzer, Process gas analyzer, Air pollution monitoring instrument, Water pollution analyzer, Industrial PH meter, Inline refractometer ■ Printing inspection systems Ink jet printer, Vision system
ICT solutions	<ul style="list-style-type: none"> ■ IoT solutions/data analysis solutions PTC/ThingWorx, TIBCO/Spotfire, Flutura/Cerebra, SparkCognition/Darwin, AI solutions ■ IoT/Control security cloud solutions IoT cloud solutions, Control security solutions, Private cloud solutions, AI cloud solutions, SDN (Software Defined Network) solutions ■ Digital engineering solutions CAE solutions, 3-D printers, PC base real-time controllers, AGV operational management solutions ■ Unified communication CISCO, Aver, Lifesize, EZ Conference, Vyopta vAnalytics, Vbrick, TechSee ■ Video/disaster prevention solutions Television news flash system (BroadCATV), Import video equipment/systems

5. Company Data (As of the end of March, 2019)

Date Established	October 1, 1987
Capital	400 million yen
Number of Employees	684
Number of Issued Shares	8,000 shares
Stockholder	Hitachi High-Technologies Corporation 100%

6. Board of Directors and Auditors

As of April 1, 2019

Name	Position and Responsibilities	Concurrent Roles
Masahiro Taniguchi	President (Overall management execution, New Business Creation)	Executive Officer of Hitachi High-Technologies Corporation
Shigeru Sugiyama	Executive Managing Director (Instruments and Control Systems)	
Takashiro Hirabayashi	Director (ICT Solutions)	Director of Chorus Call Asia Corporation
Yoshimitsu Saze	Director (Instruments and Control Systems, Mito Division)	
Yoshito Yokoi	Director (Accounts, Finance, General Administration and Trade Compliance Management)	
Yoshio Miura	Director (Quality Assurance)	
Taku Sakazume	Director	
Toshiyuki Tarumi	Audit & Supervisory Board Member	Audit & Supervisory Board Member of Hitachi High-Tech Fine Systems Corporation
Takeshi Ebihara	Audit & Supervisory Board Member	Auditor of Hitachi High-Technologies Korea Co., Ltd.

7. Main Places of Business (As of the end of March, 2019)

(Japanese Place of Business)

Main Offices	Location
■ 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, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	2,587	2,591
Trade receivables	11,246	11,318
Other financial assets	72	92
Inventories	2,007	1,497
Income taxes receivable	172	218
Other current assets	1,091	1,997
Total current assets	17,175	17,712
Non-current assets		
Property, plant and equipment	2,263	2,167
Intangible assets	518	630
Investments in securities and other financial assets	195	194
Deferred tax assets	1,611	1,139
Other non-current assets	9	5
Total non-current assets	4,595	4,135
Total assets	21,770	21,847

Millions of yen

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Trade payables	6,626	7,157
Other financial liabilities	896	710
Income taxes payable	31	29
Accrued expenses	1,699	1,340
Advances received	1,414	754
Provisions	4	6
Other current liabilities	153	276
Total current liabilities	10,822	10,271
Non-current liabilities		
Other financial liabilities	0	0
Retirement and severance benefits	1,765	1,780
Provisions	132	145
Other non-current liabilities	41	44
Total non-current liabilities	1,939	1,970
Total liabilities	12,760	12,241
Equity		
Stockholders' equity		
Common stock	400	400
Capital surplus	100	100
Retained earnings	8,178	8,723
Accumulated other comprehensive income	332	382
Total Stockholders' Equity	9,010	9,606
Total Liabilities & Stockholders' Equity	21,770	21,847

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, 2018 and 2019	Millions of yen	
	2017	2018
Revenues	30,716	32,522
Cost of sales	(26,013)	(26,343)
Gross profit	4,703	6,179
Selling, general and administrative expenses	(5,257)	(5,388)
Other income	10	30
Other expenses	(3)	(21)
Operating profit (loss)	(547)	800
Financial income	-	4
Financial expenses	(1)	(0)
EBIT (Earnings before interest and taxes)	(548)	804
Interest income	9	8
Interest charges	(0)	(0)
Income (loss) before income taxes	(539)	812
Income taxes - current	7	189
Income taxes - deferred	156	(455)
Net income (loss)	(376)	545
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(90)	(0)
Remeasurements of defined benefit plans	134	51
Total items not to be reclassified into net income	44	51
Items that can be reclassified into net income		
Net changes in cash flow hedges	(0)	(0)
Total items can be reclassified into net income	(0)	(0)
Other comprehensive income (OCI)	44	51
Comprehensive income (loss)	(333)	596

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 31,2017	400	100	8,830
Net income (loss)			(376)
Other comprehensive income			
Comprehensive income (loss)	-	-	(376)
Dividends			(276)
Total transactions with the owners	-	-	(276)
As of March 31,2018	400	100	8,178
Net income (loss)			545
Other comprehensive income			
Comprehensive income (loss)	-	-	545
Dividends			-
Total transactions with the owners	-	-	-
As of March 31,2019	400	100	8,723

Millions of yen

	Accumulated other comprehensive income				Total equity
	Net changes in financial assets measured at fair value through OCI	Remeasurements of defined benefit plans	Net changes in cash flow hedges	Total accumulated other comprehensive income	
As of March 31,2017	-	288	0	288	9,618
Net income (loss)				-	(376)
Other comprehensive income	(90)	134	(0)	44	44
Comprehensive income (loss)	(90)	134	(0)	44	(333)
Dividends				-	(276)
Total transactions with the owners	-	-	-	-	(276)
As of March 31,2018	(90)	422	(0)	332	9,010
Net income (loss)				-	545
Other comprehensive income	(0)	51	(0)	51	51
Comprehensive income (loss)	(0)	51	(0)	51	596
Dividends				-	0
Total transactions with the owners	-	-	-	-	0
As of March 31,2019	(91)	474	(0)	382	9,606

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, 2018 and 2019

Millions of yen

	2017	2018
Cash flows from operating activities:		
Net Income	(376)	812
Depreciation and amortization	670	730
Increase (decrease) in trade receivables	833	(72)
Increase (decrease) in advance payments	(397)	(836)
Increase (decrease) in inventories	(45)	511
Increase (decrease) in trade payables	(1,324)	531
Increase (decrease) in advances received	797	(660)
Increase (decrease) in Net Defined Benefit Liability	(222)	15
Income Taxes Paid (Refund)	(163)	(266)
Other	(258)	(14)
Net cash provided by operating activities	(485)	751
Cash flows from investing activities:		
	(803)	(747)
Cash flows from financing activities:		
	(278)	(1)
Net increase in cash and cash equivalents	(1,566)	3
Cash and cash equivalents at beginning of year	4,153	2,587
Cash and cash equivalents at end of year	2,587	2,591

