

# Annual Report

(From April 1, 2019 to March 31, 2020)

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## 1. Business Activities and Results of Business

The business results for this fiscal year (April 2019 to March 2020) included revenues of 34,244 million yen (up 5.3% on the previous fiscal year), a loss before income tax of 325 million yen (down 1,137 million yen from the previous fiscal year), and a net loss of 185 million yen (down 731 million yen from the previous fiscal year).

A summary of the general business situation is presented below.

### Instruments & control systems

This fiscal year, revenues increased from the previous fiscal year due to the successful completion of a large-scale contract in our automotive business. However, income before income taxes were in the red due in part to a decrease in in-house products revenues from the previous fiscal year and costs of temporary measures.

As a result, the division's revenues were 22,335 million yen (up 6.8% on the previous fiscal year), and a loss before income tax was 445 million yen (down 952 million yen from the previous fiscal year).

### ICT solutions

This fiscal year, revenues increased from the previous fiscal year thanks to the steady performance of digital engineering-related products, cloud solutions-related services and network-building operations. Meanwhile, income before income taxes were down from the previous fiscal year as a result of a decline in revenues of unified communications-related products.

As a result, the division's revenues were 11,909 million yen (up 2.7% on the previous fiscal year), and income before income taxes were 88 million yen (down 68.8% from the previous fiscal year).

Organized into customer types (domestic, export, import, and overseas), the results are as follows:

Domestic customers: 30,663 million yen (up 9.2% on the previous fiscal year)

Export customers: 1,588 million yen (down 14.1% from the previous fiscal year)

Import customers: 1,891 million yen (down 24.2% from the previous fiscal year)

Overseas customers: 102 million yen (up 0.9% on the previous fiscal year)

The breakdown of these categories in terms of total revenues is as follows: domestic customers 89.6%, export customers 4.6%, import customers 5.5%, and overseas customers 0.3%.

The increase in domestic customers was due to the successful completion of a large-scale contract in our automotive business. The decline in export customers was due to a decline in analytical systems customers. The decrease in import customers was due to a decrease in imported video equipment customers.

This concludes the summary of the general business situation.

## 2. Issues to Address

We expect the business environment for us to be incredibly tough, owing to concerns around the downswing in consumer sentiment due to the new coronavirus and the influence of the sudden global economic downturn.

We aim to provide new value to society and create new customer value through innovation in our core businesses and the creation of new businesses. At the same time, we are undertaking structural business reforms that will shift us toward a highly profitable business model that is geared toward improving revenue.

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

Years ended March 31, 2017, 2018, 2019 and 2020	Millions of yen			
	2016	2017	2018	2019
Revenues	32,733	30,716	32,522	34,244
Net income(loss)	689	(376)	545	(185)
Total assets	23,432	21,770	21,847	20,114
Total Stockholder's Equity	9,618	9,010	9,606	9,422
Per share data(¥)				
Net income(loss)	86,112	(47,033)	68,186	(23,156)

#### 4. Description of main business

The main products handled by our company are as below.

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

## 5. Company Data (As of the end of March, 2020)

<b>Date Established</b>	October 1, 1987
<b>Capital</b>	400 million yen
<b>Number of Employees</b>	690
<b>Number of Issued Shares</b>	8,000 shares
<b>Stockholder</b>	Hitachi High-Tech Corporation 100%

## 6. Board of Directors and Auditors

As of April 1, 2020

<b>Name</b>	<b>Position and Responsibilities</b>	<b>Concurrent Roles</b>
Masahiro Taniguchi	President (Overall management execution, Frontier Business Incubation, Quality Management)	Executive Officer of Hitachi High-Tech Corporation
Takashiro Hirabayashi	Director (ICT Bussiness)	Director of Chorus Call Asia Corporation
Yoshito Yokoi	Director (Accounts, Finace, General Administration and Trade Compliance Management)	
Tetsuji Takada	Director (OT Solution, Construction Management)	
Shigeru Sugiyama	Director (Management assistant of OT Solution)	
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	Overseer of Audits and Corporate Policy of Hitachi High-Tech Science Corporation

## 7. Main Places of Business (As of the end of March, 2020)

(Japanese Place of Business)

<b>Main Offices</b>	<b>Location</b>
■ Head Office	Minato-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, 2019	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	2,591	3,508
Trade receivables	11,318	9,304
Other financial assets	92	89
Inventories	1,497	2,025
Income taxes receivable	218	122
Other current assets	1,997	752
Total current assets	17,712	15,800
Non-current assets		
Property, plant and equipment	2,167	2,421
Intangible assets	630	637
Investments in securities and other financial assets	194	193
Deferred tax assets	1,139	1,051
Other non-current assets	5	11
Total non-current assets	4,135	4,314
Total assets	21,847	20,114

Millions of yen

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Trade payables	7,157	5,491
Other financial liabilities	710	915
Income taxes payable	29	41
Accrued expenses	1,340	1,258
Advances received	754	984
Provisions	6	118
Other current liabilities	276	252
Total current liabilities	10,271	9,059
Non-current liabilities		
Other financial liabilities	0	22
Retirement and severance benefits	1,780	1,443
Provisions	145	135
Other non-current liabilities	44	34
Total non-current liabilities	1,970	1,633
Total liabilities	12,241	10,692
<b>Equity</b>		
Stockholders' equity		
Common stock	400	400
Capital surplus	100	100
Retained earnings	8,723	8,319
Accumulated other comprehensive income	382	603
Total Stockholders' Equity	9,606	9,422
Total Liabilities & Stockholders' Equity	21,847	20,114

### 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, 2019 and 2020	Millions of yen	
	2018	2019
Revenues	32,522	34,244
Cost of sales	(26,343)	(28,792)
Gross profit	<u>6,179</u>	<u>5,453</u>
Selling, general and administrative expenses	(5,388)	(5,728)
Other income	30	21
Other expenses	(21)	(62)
Operating profit (loss)	<u>800</u>	<u>(317)</u>
Financial income	4	-
Financial expenses	(0)	(11)
EBIT (Earnings before interest and taxes)	<u>804</u>	<u>(328)</u>
Interest income	8	4
Interest charges	(0)	(1)
Income (loss) before income taxes	<u>812</u>	<u>(325)</u>
Income taxes - current	189	137
Income taxes - deferred	(455)	3
Net income (loss)	<u>545</u>	<u>(185)</u>
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(0)	(56)
Remeasurements of defined benefit plans	51	276
Total items not to be reclassified into net income	<u>51</u>	<u>220</u>
Items that can be reclassified into net income		
Net changes in cash flow hedges	(0)	0
Other comprehensive income (OCI)	<u>51</u>	<u>221</u>
Comprehensive income (loss)	<u>596</u>	<u>35</u>

### 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 31,2018	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
Cumulative effects of changes in accounting policies			0
Restated balance	400	100	8,724
Net income (loss)			(185)
Other comprehensive income			
Comprehensive income (loss)	-	-	(185)
Dividends			(219)
Total transactions with the owners	-	-	(219)
As of March 31,2020	400	100	8,319

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 31,2018	(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				-	-
Total transactions with the owners	-	-	-	-	-
As of March 31,2019	(91)	474	(0)	382	9,606
Cumulative effects of changes in accounting policies				0	0
Restated balance	(91)	474	(0)	382	9,606
Net income (loss)				-	(185)
Other comprehensive income	(56)	276	0	221	221
Comprehensive income (loss)	(56)	276	0	221	35
Dividends				-	(219)
Total transactions with the owners	-	-	-	-	(219)
As of March 31,2020	(146)	749	0	603	9,422

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, 2019 and 2020

Millions of yen

	2018	2019
Cash flows from operating activities:		
Net Income	812	(325)
Depreciation and amortization	730	916
Increase (decrease) in trade receivables	(72)	2,014
Increase (decrease) in advance payments	(836)	1,176
Increase (decrease) in inventories	511	(529)
Increase (decrease) in trade payables	531	(1,666)
Increase (decrease) in advances received	(660)	230
Increase (decrease) in Net Defined Benefit Liability	15	71
Income Taxes Paid (Refund)	(266)	224
Other	(14)	215
Net cash provided by operating activities	751	2,326
Cash flows from investing activities:		
	(747)	(1,072)
Cash flows from financing activities:		
	(1)	(337)
Net increase in cash and cash equivalents		
	3	917
Cash and cash equivalents at beginning of year	2,587	2,591
Cash and cash equivalents at end of year	2,591	3,508

