



# 2021 Mid-Term Management Strategy and FY19 Outlook

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## 2021 Mid-Term Management Strategy and FY19 Outlook

1. Review of the 2018 Mid-Term Management Strategy
2. 2021 Mid-Term Management Strategy
3. FY19 Outlook
4. FY19 Outlook by Segment



# 1. Review of the 2018 Mid-Term Management Strategy

Note: YY/M denotes the year and month of the accounting period-end

## 2018 Mid-Term Management Strategy Policy

**Keep profits by main business,  
and promote resource strengthening & investments**

Revenues (FY15-18 CAGR)		Market growth ratio	Results
Achieve progress beyond market growth	The biochemical and Immunodiagnostics testing	*1 4%	6%
	Scientific Instruments	4%	4%
	Front-end semiconductor manufacturing equipment	*2 19%	13%

\*1 Equipment and reagents cumulative \*2 Calendar Year

Profitability / Service ratio		FY16 Results	FY17 Results	FY18 Results
Instruments	Maintain EBIT margin of 10% or more	13%	13%	14%
Materials	Achieve absolute EBIT of 5.0 Ybn or more	2.3 Ybn	3.7 Ybn	4.2 Ybn
EBIT from service business*3	Maintain the ratio at 50% or more	57%	54%	61%

\*3 Service business: product maintenance services, IT solutions, trading services, and others

Strategic investment for growth (FY16-18 cumulative)	Cumulative Results
R&D : 80.0 Ybn	81.1 Ybn
Capital Investment : 40.0 Ybn	54.6 Ybn
Business Investment : 30.0 Ybn	19.7 Ybn

- R&D**
  - Developed new products and related technologies for the biotechnology and medical field
  - Advanced development in close contact with customers by increasing engineers at engineering sites
- Capital Investment**
  - Promoted global open innovation by expanding demonstration and development bases for scientific instruments (Established Hitachi High-Tech Science Parks)
  - Expanded development and demonstration systems at engineering sites
  - Enhanced responsiveness to higher production by expanding production facilities and production areas
- Business Investment**
  - Strengthened product lineup and global sales network for scientific instruments (Acquired stock and partial business from Oxford Instruments plc Group in the UK)
  - Advanced new business development, including entry into cancer diagnostic field (Capital participation in MagArray, Inc. and OmniSeq®, Inc. in the US)



## 2. 2021 Mid-Term Management Strategy

Note: YY/M denotes the year and month of the accounting period-end

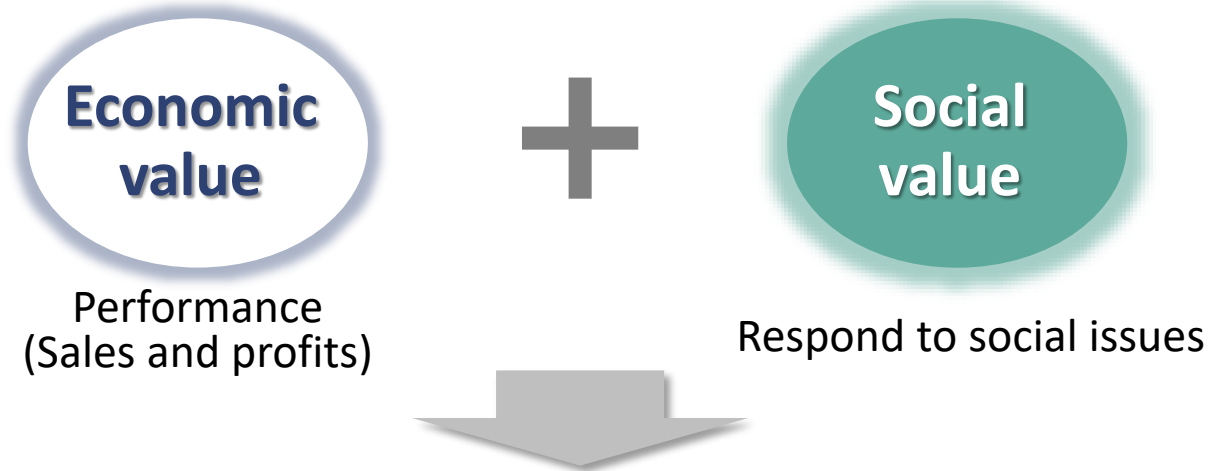
## Social Issues



## Paradigm Shift

Globalization	▶ <b>Multi-polarization</b>	Product centric	▶ <b>Customer centric</b>
Analog	▶ <b>Digital</b>	Possession	▶ <b>Share</b>
Scalable	▶ <b>Individualization</b>	Closed	▶ <b>Open</b>

## Yardstick for measuring corporate value



**For our sustainable growth,  
we need to strengthen our “Ability to respond to society”**

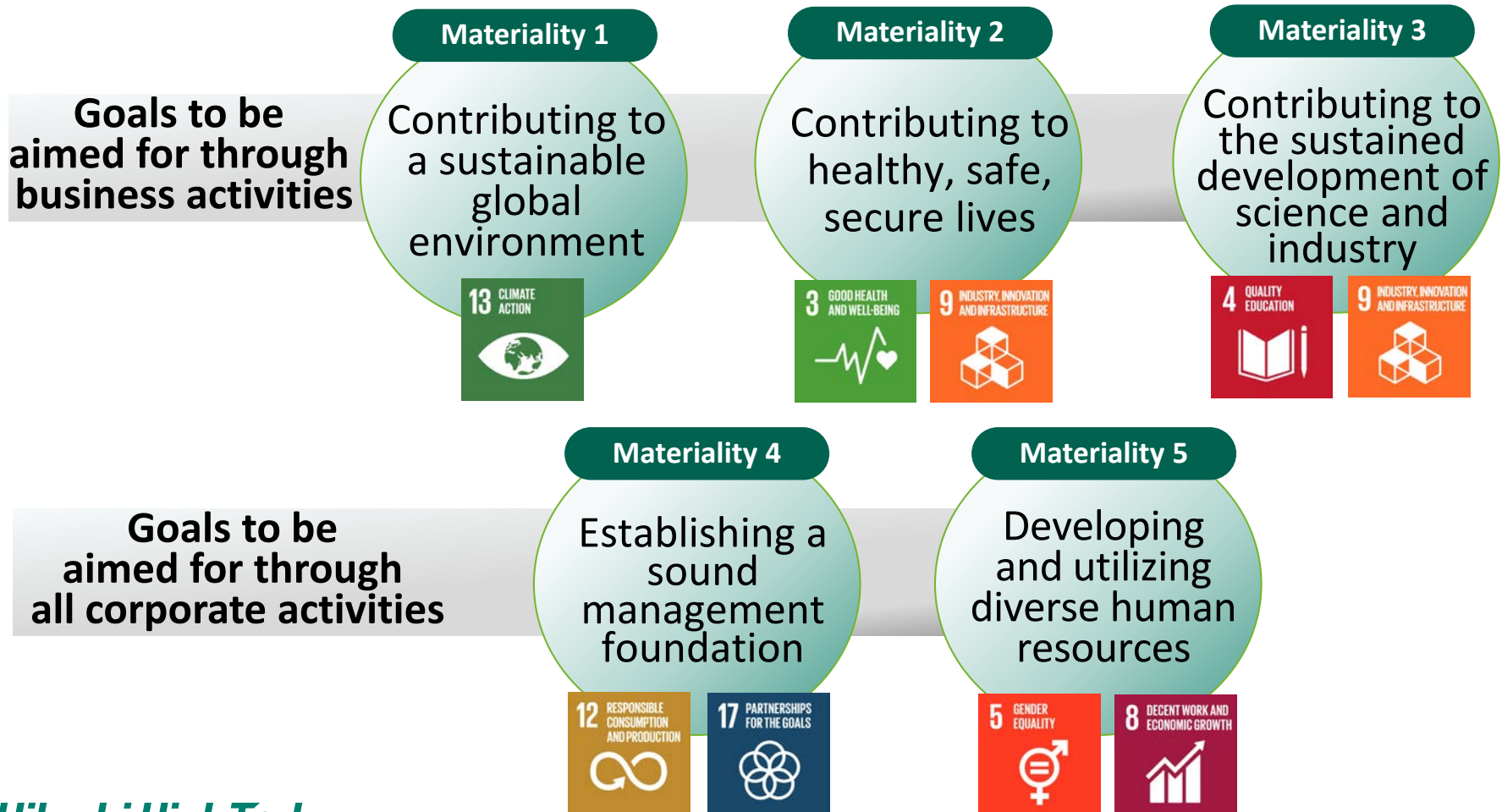
Ability to solve customers' and society's problems

Organizational ability to conduct global operations  
and enable diverse working styles

Ability to meet society's demands and expectations  
as well as fulfill our social responsibilities



## Hitachi High-Tech Group's 5 Materialities to address through our business characteristics and business models



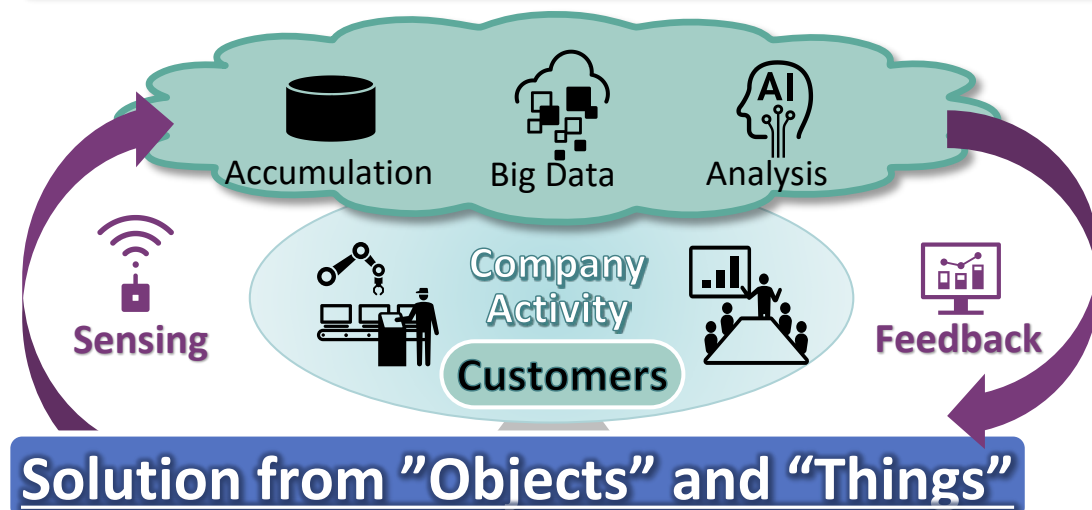
# Changes in Value Sought by Customers

Customers'  
needs

Product  
value

Utility  
value

Value created  
from user experiences  
when customers use products



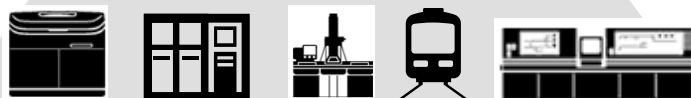
**Solution from "Objects" and "Things"**

Things  
(Service)



Digitalization

Objects  
(Products)



**Automation**

**Automate** "things"  
and business processes  
for customers

**Productivity**

Create new business  
opportunities,  
**improve productivity**

**Provide new utility value**

# Toward a New Hitachi High-Tech

## Corporate Vision

**Simplify our customers' high-tech processes**

## Mission

**Our mission is to help our customers  
be fast-moving, successful, cutting-edge businesses**

## Explanatory Phrase

Our observation, measurement and analysis systems maximize yields while minimizing waste and safeguarding profit. Our processes, production systems, components and materials help our customers stay ahead of the curve.

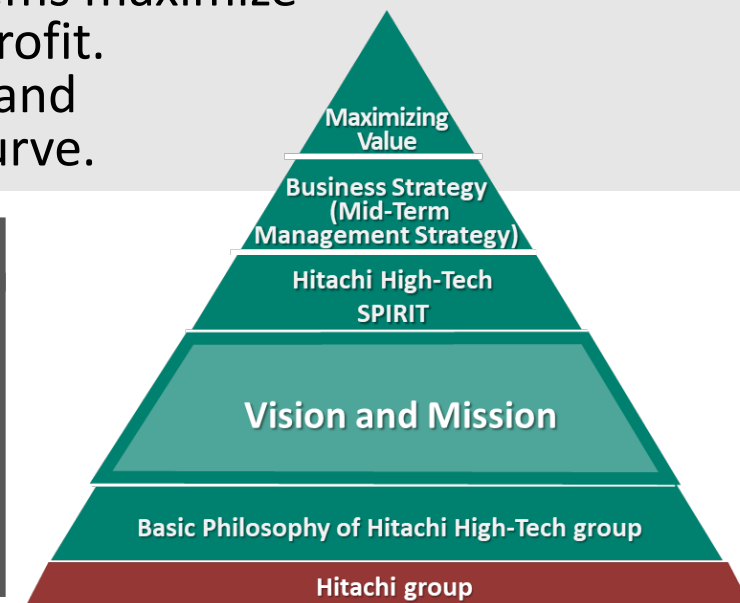
### Change company name / Relocate headquarters



Hitachi High-  
Technologies  
Corporation



Hitachi  
High-Tech  
Corporation

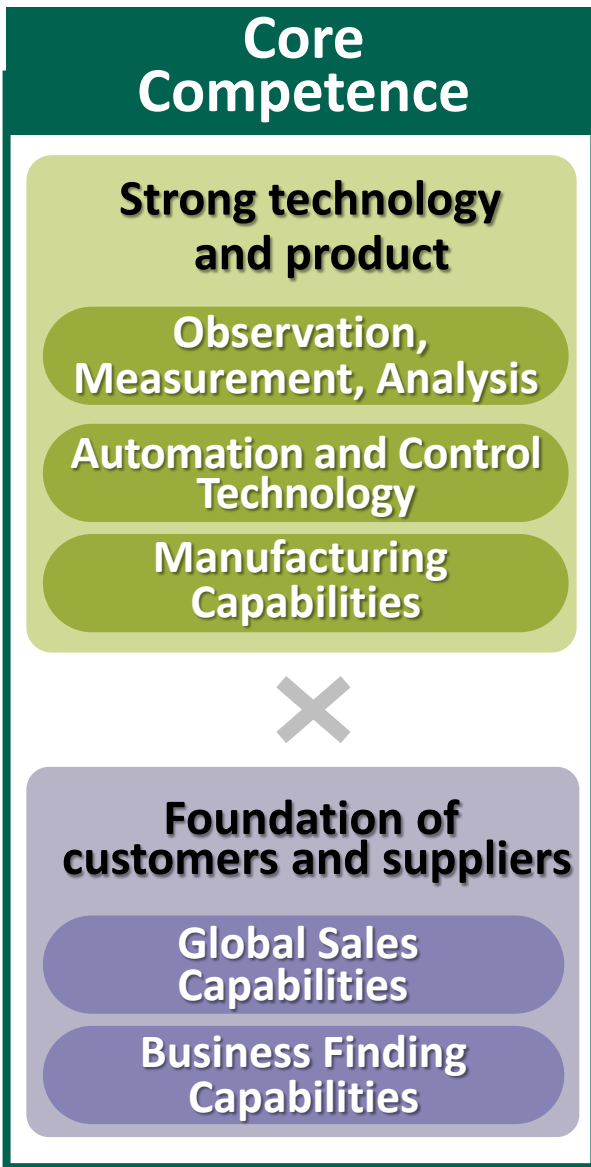


## Management Policy

**Focused Solutions Company in Global Growing Market**

### Basic strategy

**Focusing on customers' issues, providing solutions, through its technologies, products, and services, based on our core technologies in "Observation, Measurement, and Analysis".**





## Further growth of existing top businesses + Create and Expand New Top businesses

Top Share

2018

2021

Bio/  
Medical



Clinical analyzers

Clinical analyzers for hospital and clinical test center

Increase weight of preventive medicine

Testing for Emerging Countries

Mass spectroscopy applications

New  
Top



DNA sequencer

1st generation DNA Sequencer for genome research

Apply biotechnology to next medical care

Gene Testing System for IVD

Cell Culture Process Monitor

New  
Top

Device  
Tech



CD-SEM

Semiconductor in-line etching and inspection equipment

Integrated Solutions : Etching x Inspection x Defect Analysis

Device evolution → Complicated process → Yield ratio issue

New  
Top

New  
Fields



SEM

Electron microscopes and analytical Instruments mainly targeting laboratories

Develop towards industrial fields  
(RoHS II, LiB contamination test, etc.)

Contract inspection services for manufacturers

Mobility, Pharmaceutical, Environment, Quality, Social and Industrial infrastructure

New  
Top

## 2021 Mid-Term Management Strategy

### 2018 Mid-Term Management Strategy

#### Science & Medical Systems

Electron Microscope, etc.

Transfer

#### Electronic Device Systems

#### Industrial Systems

#### Advanced Industrial Products

Merger

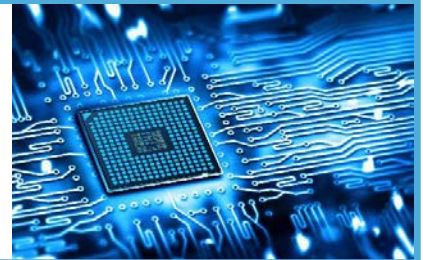
### Analytical & Medical Solutions

Create new value in the field of Bio/Medical, safety/security, etc. by utilizing "analysis technology"



### Nano-Technology Solutions

- Integrate and strengthen "Electron beam technology"
- Provide integrated solutions for semiconductor
- Create new applications for new materials and Bio, etc.



### Industrial Solutions

Change to high value-added business concentrating on OT\*<sup>1</sup> such as "FA\*<sup>2</sup>/PA\*<sup>3</sup>, IoT, FVC\*<sup>4</sup> solution"



\*1 OT : Operational Technology

\*2 FA : Factory Automation

\*3 PA : Process Automation

\*4 FVC : Full Value Chain

## Basic policy

Strengthen products, technologies and sales networks through in-house development + alliances and M&A

### Market Environment

- Medical market
  - Likely to remain brisk, expect growth in emerging markets to continue
  - CAGR : 2~4%
- Biotechnology market
  - Strong growth in genetics-related areas
  - CAGR : 4~12%
- Analytical market
  - Robust demand for general equipment, growth in dedicated industrial measurement equipment
  - CAGR : 3~4%

### Action Plan

- Deepen SCB\*<sup>1</sup> in existing core businesses
  - Expand business scope into clinical chemistry and immunoassays field and new in-vitro diagnostics testing field
- Develop solutions for new markets
  - Genetic and bacterial testing, DNA sequencers, etc.
- Strengthen analytical systems business
  - Continuously create new FS\*<sup>2</sup>
  - Increase sales worldwide

\*1 SCB : System Collaboration Business

\*2 FS : Focused Solution

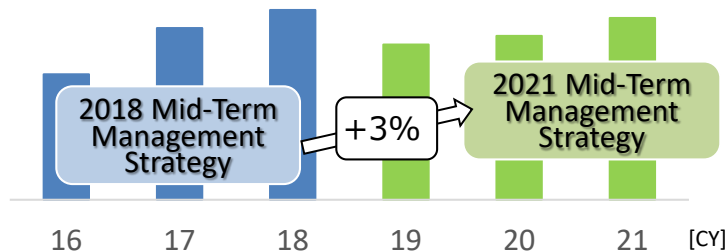


## Basic policy

Contribute to customers' cutting-edge R&D and mass production through "Processing" in addition to "Observation, Measurement, and Analysis"

## Market Environment

- Semiconductor manufacturing equipment market (Front-end)
  - Recovery on memory investments should pick up in 2020
  - 3% growth on 3 year cumulative basis



Source : Estimated by Hitachi High-Tech based on Gartner, VLSI-Research

- Analysis equipment market
  - Continue stable growth (FY19 → FY21)  
146.7 Ybn → 150.0 Ybn
  - Growth in the battery field of the materials market

## Action Plan

- Integrate and strengthen "Electron beam technology"
  - Increase competitiveness by integrating technologies of measurement and defect analysis
- Provide integrated solutions for semiconductor
  - Respond to customers' diverse needs as the sole equipment manufacturer with processing, measurement and defect analysis
- Develop business in materials and biotechnology fields
  - Provide solutions by collaborating with partners in growth fields such as batteries and drug discovery

## Basic policy

Create high value added businesses  
based on resolving customers' issues through OT\*1

### Market Environment

- CASE\*2-related markets
  - Increase demand for EV\*3-use LiBs\*4 and various types of materials and advanced devices with robust capital investment for expanding production capability
- 5G-related markets
  - Full-scale investment in the related materials, parts and manufacturing equipments has started mainly in Korea, the US and China
- Expand initiatives to improve productivity and stabilize operation by using AI/IoT in manufactures

\*1 OT : Operational Technology

\*2 CASE : Connected, Autonomous, Shared & Services, Electric

\*3 EV : Electric Vehicle

\*4 LiB : Lithium-ion Battery

### Action Plan

- Change to solution provider by utilizing high expertise
  - Fuse customer-facing and engineering capabilities
- Strengthen digital solution and analytical evaluation services contributing to automation and improvement of productivity in manufactures
- Develop focused solutions
  - Strengthen collaboration with partners, including for business investment and original technologies

# Management Targets

KPI	FY18 Results	FY21 Goal
EBIT margin	8.8%	10% or more
ROE	11.9%	10% or more
ROA*	7.3%	7% or more

Investment Strategy	FY16-FY18 Results (Cumulative)	FY19-FY21 Plan (Cumulative)
R&D	81.1 Ybn	100.0 Ybn
Capital Investment	54.6 Ybn	80.0 Ybn
Business Investment	19.7 Ybn	100.0 Ybn

Shareholder returns policy	FY18 Results	FY19-FY21 Goal
Dividend payout ratio	30%	40%

## R&D

- Strengthen foundation of measurement and analysis technologies
- Develop new business in the Bio/medical fields

## Capital Investment

- Build smart factories that use digital technologies
- Reinforce business foundation through digital transformation

## Business Investment

- Strengthen biotech and analysis-related businesses
- Obtain cutting-edge technologies, such as cancer diagnosis

Distribute a stable dividend of at least 100 yen per share annually

\*ROA(Return On Assets) : Net income before deducting non-controlling interests / total assets (end of the fiscal year) x 100

## Digital Transformation Project

New business process  
to realize the growth strategy

Design and  
Manufacturing  
Reform Project

Administration  
Reform Project

**Simplify Business process**

**Digitalize Management**

Sales, Manufacture and Service is connected to  
customers in one platform

**Reform customer centric business style**

**Accelerate cash generation and expand business**

## Diversity Management

- Reassess training programs to support women at work
- Encourage diverse human resources' success in the workplace such as senior, disabilities and international



## Working Style Reforms

- Realize diverse workstyle by choice of working time and place
- Promote work life balance by reducing work hours



## Environmental Management

- Accelerate switch to renewable energy
- Resource saving with eco-design products
- Expand activities to preserve ecosystems systems



## Social Contribution

- Expand science education support activities
- Contribute to regional sports promotion through corporate sports teams





## 3. FY19 Outlook

Note: YY/M denotes the year and month of the accounting period-end  
(e1) denotes the figures announced on April 2019

# FY19 Outlook (Highlights : Earning Forecast)

(100 million yen)

	FY19 Outlook(e1)	FY18 Results	YoY
Revenues	7,100	7,311	− 211( − 3%)
Adjusted Operating Income* <sup>1</sup>	560	667	− 107( − 16%)
EBIT* <sup>2</sup>	560	642	− 82( − 13%)
Income before Income Taxes	560	648	− 88( − 14%)
Net Income* <sup>3</sup>	410	484	− 74( − 15%)

▪ Exchange rate : 1USD=110 yen, 1EUR=125 yen

\*1 Adjusted operating income is presented as revenues less cost of sales as well as selling, general and administrative expenses

\*2 EBIT(Earnings Before Interest and Taxes) is presented as income before income taxes less interest income and interest expenses

\*3 Net Income is presented as net income attributable to Hitachi High-Technologies Corporation stockholders



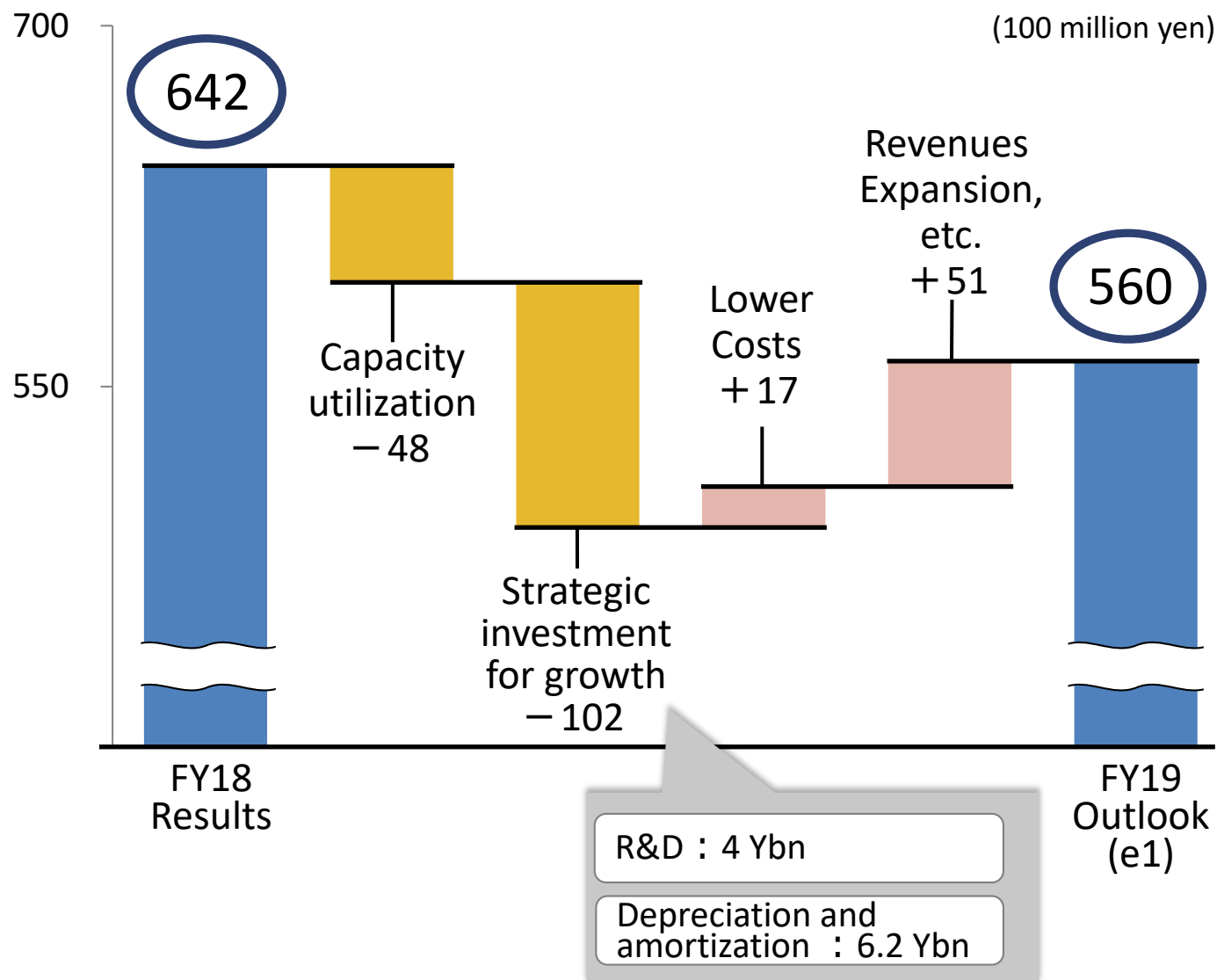
# FY19 Outlook (Highlights : Management Indicators)

	FY19 Outlook(e1)	FY18 Results	YoY
Net Income per Share	298.13 yen	352.06 yen	− 53.93 yen
Cash Dividend per Share	115.00 yen	105.00 yen	+ 10.00 yen
ROE	9.4%	11.9%	− 2.5%
ROA*	5.7%	7.3%	− 1.6%
FCF	7.0 Ybn	12.1 Ybn	− 5.1 Ybn

\*ROA(Return On Assets) : Net income before deducting non-controlling interests / total assets (end of the fiscal year) x 100



# FY19 Outlook (Factors behind Change YoY: EBIT)





## 4. FY19 Outlook by Segment

Note: YY/M denotes the year and month of the accounting period-end  
(e1) denotes the figures announced on April 2019

# FY19 Outlook (Revenues and EBIT by Segment)

(100 million yen)

	FY19 Outlook (e1)		FY18 Results		YoY	
	Revenues	EBIT	Revenues	EBIT	Revenues	EBIT
Analytical & Medical Solutions	1,700	276	1,664	286	+2%	− 9
Nano-Technology Solutions	2,055	300	1,871	347	+10%	− 47
Industrial Solutions	3,572	54	3,865	64	− 8%	− 10
Total	7,100	560	7,311	642	− 3%	− 82

Notes: • From FY19 the segment has been changed based on business classification.(Detail:P.31)

• FY18 Figures are restated

• Elimination such as subtractions in intersegment transactions, etc., are included in the totals

# FY19 Outlook (Analytical & Medical Solutions)

## Revenues / EBIT Trend

(100 million yen)

EBIT

286

276

2,000

Revenues  
YoY

1,664

1,700

277

Analytical  
Systems

+12%

1,000

1,388

1,390

Bio & Medical  
Systems

+0%

0

19/3

20/3(e1)

\*19/3 figures are restated

## FY19 Actions

### vs. FY18 Results

Revenues : +2%, EBIT : -0.9 Ybn

(+) Increase sales of Analytical Systems

(-) Increase in R&D, impact from foreign exchange rates, etc.

### Bio and Medical Systems

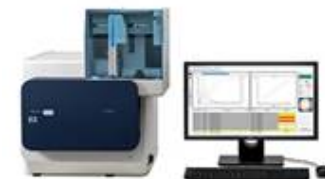
- Expand sales of cobas e801 and cobas pro(medium size)
- Start sales of new products for the biotechnology field (Compact CE\* sequencer / Next generation sequencer)
- Promote solutions business, including reagents and services



Integrated clinical chemistry and immunodiagnostic analysis  
cobas pro

### Analytical Systems

- Expand sales of phthalates screening equipment for the revised RoHS Directive
- Sales of automotive battery contamination inspection equipment



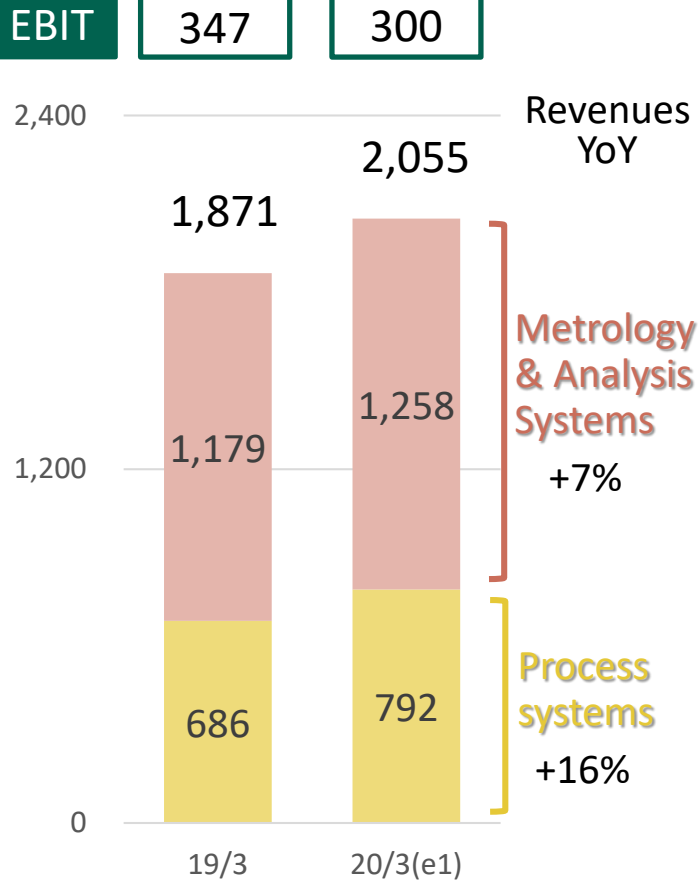
Phthalates screening  
equipment HM1000A

\* CE : Capillary Electrophoresis

# FY19 Outlook (Nano-Technology Solutions)

## Revenues / EBIT Trend

(100 million yen)



\*19/3 figures are restated

## FY19 Actions

### vs. FY18 Results

Revenues : + 10%, EBIT : - 4.7 Ybn

- (+) Brisk investment in mass production for cutting-edge next-generation processes
- (-) Increase costs of strategic investments for growth (R&D) etc.

### Overall

- Provide solutions through collaboration with etching, measurement and defect analysis

### Process Systems

- Strengthen engineering sites in Japan and overseas
- Improve production capacity by expanding production facilities

### Metrology and Analysis Systems

- Strengthen product portfolio in response to diversifying customer needs
- Expand sales of new SEM for materials and analysis needs



Conductor Etch System  
9000-Series



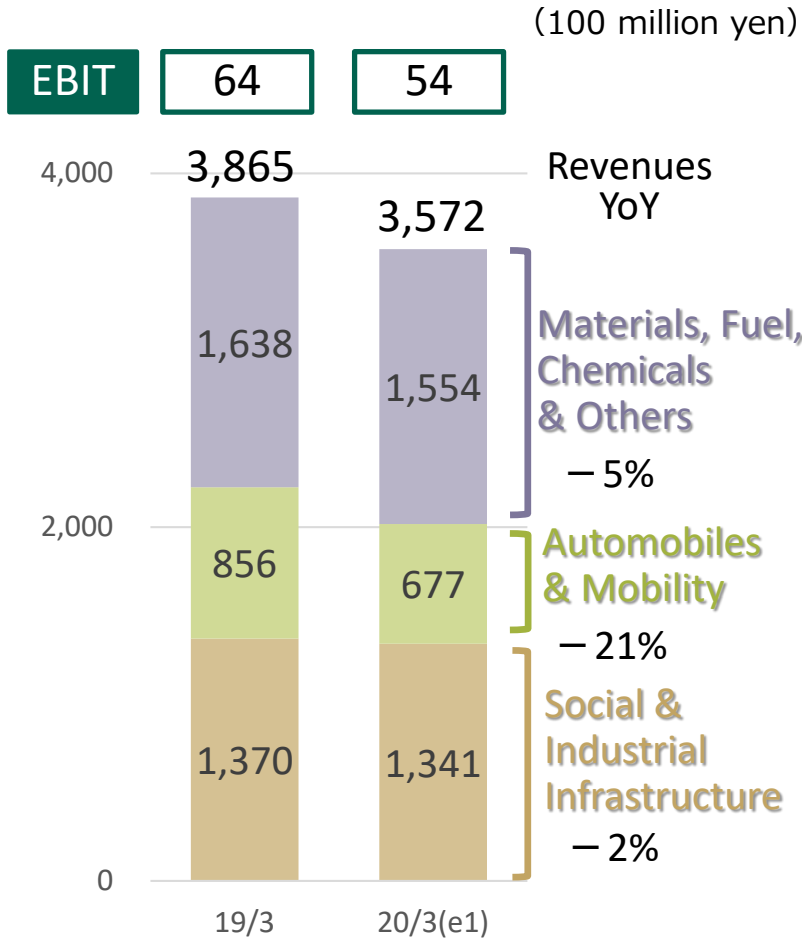
Advanced CD-SEM  
CG6300



New SEM  
SU3800/SU3900

# FY19 Outlook (Industrial Solutions)

## Revenues / EBIT Trend



\*19/3 figures are restated

## FY19 Actions

### vs. FY18 Results

Revenues : -8%, EBIT : -1.0 Ybn

(-) Decline in transactions related to automotive parts and materials

- Promote and strengthen digital solutions
  - Expand sales of predictive diagnostic systems "BD-CUBE"
  - Expand sales of AI solutions through collaboration with customers and partner companies
- Expand sales of production systems for EV\*1-use LiB\*2 and flexible device
- Develop specialized automated systems using robotics, etc.
- Strengthen solutions business for manufactures such as contract analysis evaluation, smart factory and mold-die management services

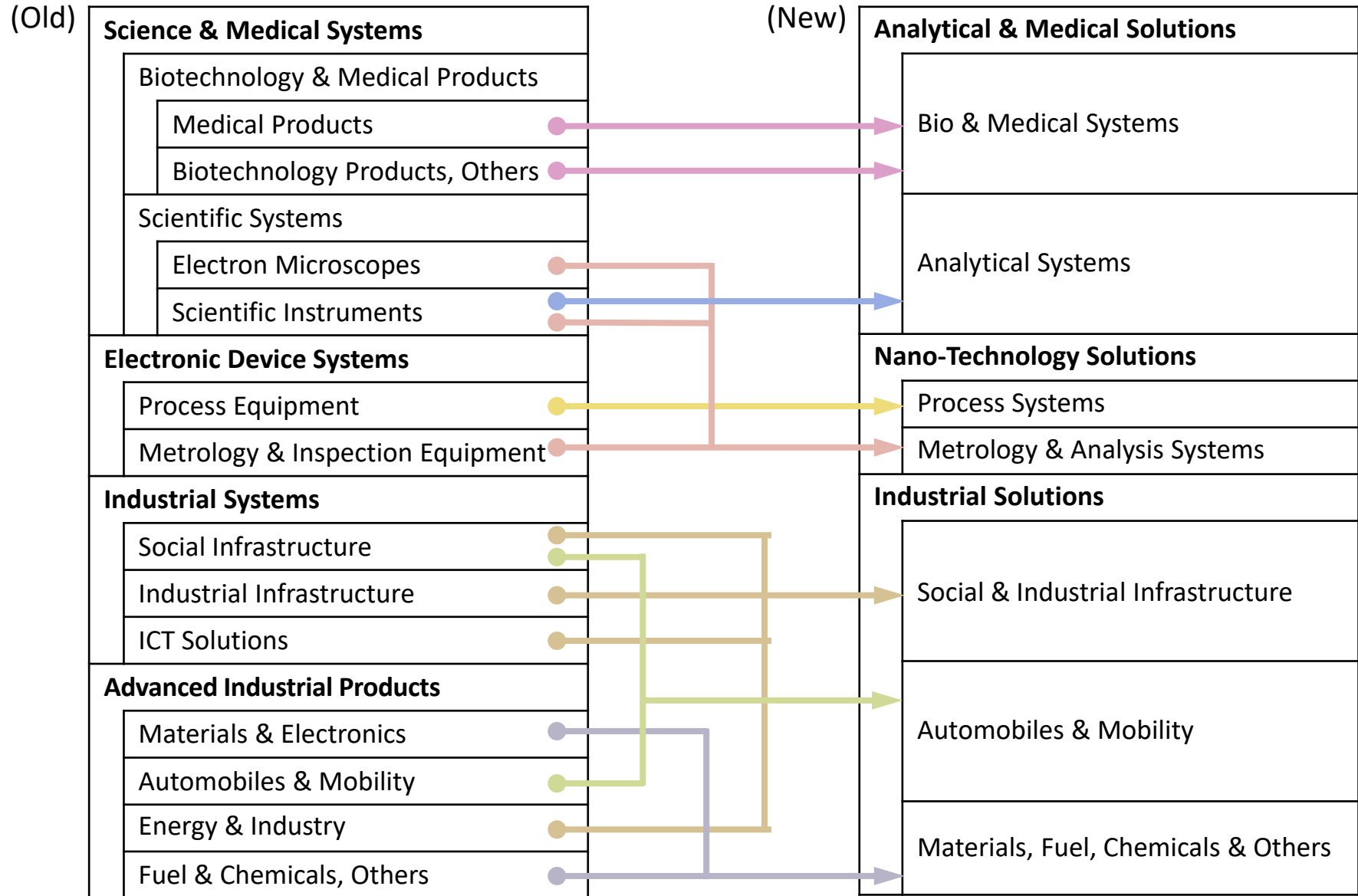
\*1 EV : Electric Vehicle \*2 LiB : Lithium-ion Battery



## Reference

Note: YY/M denotes the year and month of the accounting period-end

# Changes in Segment Classification (From FY19)





# Review of the 2018 Mid-Term Management Strategy (Summary)

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Achieve progress beyond market growth	The biochemical and Immunodiagnostics testing	*1 4%	6%
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Strategic Investment for Growth (FY16-18 cumulative)	Cumulative Results
R&D : 80.0 Ybn	81.1 Ybn
Capital Investment : 40.0 Ybn	54.6 Ybn
Business Investment : 30.0 Ybn	19.7 Ybn

Shareholder returns		
Maintain a stable dividend, targeting a dividend payout ratio of 30%		
FY16 Results	FY17 Results	FY18 Results
27%	29%	30%

\*1 Equipment and reagents cumulative \*2 Calendar Year

\*3 Service business: product maintenance services, IT solutions, trading services, and others

# Capital Expenditure/ Depreciation Costs/ R&D

(100 million yen)

	FY16 Results	FY17 Results	FY18		FY19	
			Results	YoY	Outlook	YoY
Capital Expenditure	144	157	245	+ 56%	365	+ 49%
Depreciation Costs	105	118	132	+ 11%	191	+ 46%
R&D	236	267	308	+ 15%	348	+ 13%

Note: Capital expenditure is based on acquisition base

# 2021 Mid-Term Management Plan and FY20 Outlook

## For further information

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## Notes on the data

1. All financial statement summaries and results predictions included in this presentation are on a consolidated basis unless otherwise stated.  
Numerical data is rounded off to the nearest 100 million yen.
2. In its disclosures, Hitachi High-Technologies may make statements that constitute forward-looking statements that reflect management's views with respect to certain future events and financial performance at the time of disclosure. Such statements are based on information available at the time of disclosure and may differ from actual results due to various external factors, both direct and indirect. In the event of a major discrepancy with the items disclosed, the Company will disclose on a case-by-case basis based on the law and/or the timely disclosure rules and regulations of the stock exchanges on which the Company is listed.

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