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(Translation)

**Hitachi High-Technologies Corporation**
24-14, Nishi-Shimbashi 1-chome,
Minato-ku, Tokyo

May 30, 2019

# Notice of the 100th Ordinary General Meeting of Shareholders

Dear Shareholders:

You are cordially invited to attend the 100th Ordinary General Meeting of Shareholders of Hitachi High-Technologies Corporation (TOKYO: 8036; the "Company") to be held as follows.

**In the event you are not able to attend, it is requested that you review the following Reference Documentation for the Ordinary General Meeting of Shareholders, indicate your vote for or against each agenda item in the enclosed voting form and send the form back to us, or vote via the Internet, following the instructions stated in the "Guide to Exercising Voting Rights" found on the following page.**

1. **Date** **Friday, June 21, 2019 at 10:00 a.m.**
2. **Location** **Hitachi High-Technologies Corporation (2F Conference Room)**
   24-14, Nishi-Shimbashi 1-chome, Minato-ku, Tokyo
3. **Agenda**

**(Reporting Matters)**

1. Report on the Business Report, Consolidated Financial Statements for the 100th Business Term (from April 1, 2018 to March 31, 2019), and the results of the audit on the Consolidated Financial Statements by the Accounting Auditors and the Audit Committee
2. Report on the Unconsolidated Financial Statements for the 100th Business Term (from April 1, 2018 to March 31, 2019)

**(Matters to Be Resolved)**

**Item 1: Partial Amendments to the Articles of Incorporation**

**Item 2: Election of 7 Directors due to expiration of the term of office of all Directors**

**4. Matters concerning Exercise of Voting Rights**

(1) Please send back the voting form so that it would arrive at the Company no later than 5:00 p.m. Thursday, June 20, 2019.

(2) If you wish to exercise your voting rights via the Internet, please do so by 5:00 p.m., Thursday, June 20, 2019.

(3) If you have cast your vote both via the Internet and by the enclosed voting form, the vote that has been cast on the Internet will be deemed effective.

(4) If you have exercised your voting rights more than once, either via the Internet, your last exercised vote will be deemed effective.

(5) If you wish to exercise your voting rights inconsistently, please notify the Company in writing that you will be doing so and the reasons no later than three days before the General Meeting of Shareholders.

Very truly yours,

Masahiro Miyazaki
Representative Executive Officer, President,
Chief Executive Officer and Director

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**Matters for Internet Disclosure**

◎ Among the documents and items to be provided with this Notice of Ordinary General Meeting of Shareholders, "Summary of Resolution of Board of Directors on Enhancing Structures and Other Things to Ensure Adequacy of Business Operations" of the Business Report; Consolidated Statements of Changes in Equity of the Consolidated Financial Statements and Notes to the Consolidated Financial Statements; Unconsolidated Statements of Changes in Net Assets of the Unconsolidated Financial Statements and Notes to the Unconsolidated Financial Statements are posted on the Company's website in accordance with laws and regulations of Japan and Article 14 of the Articles of Incorporation of the Company. Therefore, those documents are not shown in this Notice. The documents attached thereto constitute a part of the documents and items audited by the Audit Committee and the Accounting Auditor to prepare in the course of preparing the Audit Report and the Accounting Auditor's Report, respectively.

◎ In the event the Reference Documentation for the Ordinary General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Unconsolidated Financial Statements need to be modified, the Company will give notice by posting the modified information on the Company's website.

The Company's website: https://www.hitachi-hightech.com/

## Guide to Exercising Voting Rights

You are earnestly requested to exercise your voting rights upon reviewing the Reference Documentation below.

There are three ways to exercise your voting rights.

| By attending the General Meeting of Shareholders | By paper ballot (mail) | Via Internet |
|---|---|---|
| Reception desk<br>Please submit the enclosed voting form at the reception desk.<br><br>Date of General Meeting of Shareholders<br>**Friday, June 21, 2019 at 10:00 a.m.** | Please indicate your vote in the enclosed voting form and send the form back to us so that it would arrive at the Company by the deadline.<br><br>Deadline for exercising your voting rights: **5:00 p.m., Thursday, June 20, 2019** | Please access the "Exercise of Voting Rights website" specified by the Company and indicate your vote by the deadline.<br><br>Deadline for exercising your voting rights: **5:00 p.m., Thursday, June 20, 2019** |

**How to use "Exercise of Voting Rights website"**

1. Access the website below.

   Exercise of Voting Rights website

   https://www.tosyodai54.net

2. Log in

   Enter the exercise of voting rights code stated under "Request" in the voting form.

3. Enter password

   Enter the "password" stated under "Request" in the voting form.

   Please follow the instructions on the screen and enter your vote.

***Important reminders when using the "Exercise of Voting Rights website"**

- Please be aware that connectivity fees and charges (e.g., phones charges) for using the "Exercise of Voting Rights website" shall be borne by yourself.
- Please also be advised that you may not use the website depending on the device you use.

**For inquiries regarding exercising voting rights via the Internet, please contact:**

Tokyo Securities Transfer Agent Co. Ltd., the shareholder registry administrator

Phone: 0120-88-0768 (toll free)

(Business hours: 9:00 – 21:00)

If you exercise your voting rights both by the enclosed voting form and via the Internet, or more than once via the Internet, your vote will be processed as described in (3) or (4) respectively under "4. Matters concerning Exercise of Voting Rights" on page 2.

## *Reference Documentation*

**Item 1: Partial Amendments to the Articles of Incorporation**

1. Reasons for the Amendments

Because “Hitachi High-Tech” is already widely recognized by many more stakeholders compared to the current trade name, the Company propose that its trade name be changed to “Hitachi High-Tech.”

The Company would like to change the trade name on the same day as the date of the headquarters relocation, which is scheduled for 2020. The effective date of the amendments to the Articles of Incorporation shall be determined at a Board of Directors meeting to be held before the 101st Ordinary General Meeting of Shareholders (scheduled for June 2020). The supplementary provision of the Articles of Incorporation will be deleted after the date when the amendments to Article 1 take effect.

2. Description of the Amendments

Details of the proposed amendments are as follows:

(Amended parts are underlined.)

| Current Articles of Incorporation | Proposed amendments |
|---|---|
| (Trade name)<br>Article 1<br>The name of the Company shall be <u>*Kabushiki Kaisha Hitachi High-Technologies* in Japanese</u> and <u>Hitachi High-Technologies Corporation</u> in English. | (Trade name)<br>Article 1<br>The name of the Company shall be <u>*Kabushiki Kaisha Hitachi High-Tech*</u> in Japanese and <u>Hitachi High-Tech Corporation</u> in English. |
| (New) | <u>Supplementary provision</u><br><u>The amendments to Article 1 shall take effect on the date that is decided at a Board of Directors meeting to be held before the 101st Ordinary General Meeting of Shareholders scheduled for June 2020. This supplementary provision shall be deleted after the date when the amendments to Article 1 take effect.</u> |

**Item 2: Election of 7 Directors due to expiration of the term of office of all Directors**

Due to expiration at the close of this Meeting of the term of office of all the present Directors (7 Directors) under the Article 19 of the Company's Articles of Incorporation, it is proposed that 7 Directors be elected.

The nominees are as follows. For brief biography of and other information concerning the nominees, please see page 6 to page 14:

☐ List of Director nominees

| Nominee No. | Name | Current position and responsibilities at Hitachi High-Technologies Corporation | Nominee attribute | | | Attendance to the Board of Directors meetings | |
|---|---|---|---|---|---|---|---|
| 1 | Ryuichi Kitayama | Chairman of the Board, Member of Nominating Committee | Nominee for reappointment | | | 100% | (12 meetings /12 meetings) |
| 2 | Masahiro Miyazaki | Representative Executive Officer, President, Chief Executive Officer and Director, Member of Nominating Committee and Compensation Committee | Nominee for reappointment | | | 100% | (12 meetings /12meetings) |
| 3 | Ryuichi Nakashima | Director, Member of Audit Committee | Nominee for reappointment | | | 92% | (11 meetings /12 meetings) |
| 4 | Hideyo Hayakawa | Outside Director, Member of Nominating Committee and Compensation Committee | Nominee for reappointment | Outside Director | Independent Director | 100% | (12 meetings /12 meetings) |
| 5 | Hiromichi Toda | Outside Director, Member of Nominating Committee, Audit Committee and Compensation Committee | Nominee for reappointment | Outside Director | Independent Director | 100% | (12 meetings /12 meetings) |
| 6 | Yuji Nishimi | Outside Director, Member of Nominating Committee, Audit Committee and Compensation Committee | Nominee for reappointment | Outside Director | Independent Director | 100% | (12 meetings /12 meetings) |
| 7 | Mayumi Tamura | Outside Director, Member of Nominating Committee, Audit Committee and Compensation Committee | Nominee for reappointment | Outside Director | Independent Director | 100% | (12 meetings /12 meetings) |

| No. | Name<br>(Date of Birth) | Position and Responsibilities | Brief Biography and<br>Other Principal Positions Held | Share Ownership |
|---|---|---|---|---|
| 1 | Ryuichi Kitayama<br>(Feb. 4, 1952)<br><br>[Nominee for reappointment] | Chairman of the Board, Member of Nominating Committee<br><br>Term of Office as Director<br>2 years | 4/1976 Joined Hitachi, Ltd.<br>2/1996 Senior Manager of Government Sales Division No.1, Public Information Sales Group, Hitachi, Ltd.<br>2/2001 Senior Manager of Public System Sales Division No.1, Public System Business Division, Public Systems Group, Hitachi, Ltd.<br>4/2003 General Manager of Government & Public Corporation Information Systems Sales Management Division, Information & Telecommunication Systems Group, Hitachi, Ltd.<br>4/2004 President and Director, Hitachi High-System21 Co., Ltd.<br>4/2006 General Manager of Financial Information Systems Sales Management Division, Information & Telecommunication Systems Group, Hitachi, Ltd.<br>4/2009 CMO and General Manager of Sales Management & Accounting Division, Information & Telecommunication Systems Group, Deputy General Manager of Corporate Marketing Group, Hitachi, Ltd.<br>10/2009 CMO and General Manager of Sales Management & Accounting Division, Information & Telecommunication Group, Information & Telecommunication Systems Company, Deputy General Manager of Domestic Marketing Division, Corporate Marketing Group, Hitachi, Ltd.<br>4/2010 Vice President and Executive Officer, Hitachi, Ltd.<br>6/2010 Outside Director, Hitachi High-Technologies Corporation<br>4/2014 Representative Executive Officer, Senior Vice President and Executive Officer, Hitachi, Ltd.<br>4/2015 Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi, Ltd.<br>6/2015 Outside Director, Hitachi High-Technologies Corporation<br>6/2016 Director, Hitachi Capital Corporation<br>6/2017 Outside Director, Hitachi Capital Corporation<br>Director, Hitachi High-Technologies Corporation (to date)<br><br>Reason for selection as director nominee:<br>Mr. Ryuichi Kitayama has abundant experience in corporate management and considerable insight in management in general, as well as in-depth professional knowledge related to sales and group company management. Therefore, Mr. Kitayama was selected for reappointment to incorporate his experience and knowledge into the supervision of the Company’s management and execution of business. | 0 |

| No. | Name<br>(Date of Birth) | Position and Responsibilities | Brief Biography and<br>Other Principal Positions Held | Share Ownership |
|---|---|---|---|---|
| 2 | Masahiro Miyazaki<br>(Apr. 13, 1954)<br><br>[Nominee for reappointment] | Representative Executive Officer, President, Chief Executive Officer and Director, Member of Nominating Committee and Compensation Committee<br><br>Term of Office as Director<br>4 years | 4/1977 Joined Hitachi High-Technologies Corporation<br>6/2002 Deputy General Manager, Electronics Sales Div., Hitachi High-Technologies Corporation<br>7/2004 General Manager, Electronics Sales Div., Hitachi High-Technologies Corporation<br>4/2007 Executive Officer, General Manager, Regional Branch Office for West Japan Area and Kansai Branch Office, Hitachi High-Technologies Corporation<br>4/2010 President & CEO, Hitachi High Technologies America, Inc.<br>4/2014 Senior Vice President and Executive Officer, General Manager, Corporate Strategy Div., Fine Technology System Business Div. and CSO (Chief Strategy Officer), Hitachi High-Technologies Corporation<br>4/2015 Representative Executive Officer, President and Chief Executive Officer, Hitachi High-Technologies Corporation<br>6/2015 Representative Executive Officer (to date)<br>President, Chief Executive Officer and Director, Hitachi High-Technologies Corporation (to date)<br><br>Reason for selection as director nominee:<br>Mr. Masahiro Miyazaki has led the management of Hitachi High-Technologies Group as the Company's Representative Executive Officer, and at the Board meetings, he has properly explained and reported the execution of operations to respond to his duty to supervise the management of the Company. In addition, Mr. Miyazaki has played an important role to supervise the management and execution of operations of the Company as a Director as well as an Executive Officer.<br>Therefore, Mr. Miyazaki was selected for reappointment. | 10,855 |

| No. | Name<br>(Date of Birth) | Position and Responsibilities | Brief Biography and<br>Other Principal Positions Held | Share Ownership |
|---|---|---|---|---|
| 3 | Ryuichi Nakashima<br>(Feb. 8, 1956)<br><br>[Nominee for reappointment] | Director, Member of Audit Committee<br><br>Term of Office as Director<br>2 years | 4/1979 Joined Hitachi High-Technologies Corporation<br>10/2001 General Manager of Accounting Dept., Accounting Div., Hitachi High-Technologies Corporation<br>4/2004 General Manager of Accounting Dept., Nanotechnology Systems Div., Hitachi High-Technologies Corporation<br>4/2008 General Manager of Sales Administration Dept., Accounting & Finance Div., Hitachi High-Technologies Corporation<br>10/2010 General Manager of Accounting Dept., Accounting & Finance Div., Hitachi High-Technologies Corporation<br>4/2011 General Manager of Internal Auditing Div., Hitachi High-Technologies Corporation<br>4/2013 Executive Officer and General Manager of Internal Auditing Div., Hitachi High-Technologies Corporation<br>4/2015 Vice President and Executive Officer / CIO (Chief Information Officer) / CTrO (Chief Transformation Officer), Hitachi High-Technologies Corporation<br>4/2017 Senior Adviser, Hitachi High-Technologies Corporation<br>6/2017 Director, Hitachi High-Technologies Corporation (to date)<br><br>Reason for selection as director nominee:<br>Mr. Ryuichi Nakashima has engaged in accounting work for long time at Hitachi High-Technologies Corporation and has also worked as a General Manager of Internal Auditing Div. He has been in charge of IT Strategies, Smart Transformation as Executive Officer, and has extensive experience and advanced knowledge of management in general. Mr. Nakashima has supervised the management and execution of operations of the Company appropriately based on said experience and knowledge and thus was selected for reappointment. | 14,734 |

| No. | Name (Date of Birth) | Position and Responsibilities | Brief Biography and Other Principal Positions Held | Share Ownership |
|---|---|---|---|---|
| 4 | Hideyo Hayakawa<br>(Feb. 25, 1948)<br><br>[Nominee for reappointment, Outside Director, Independent Director] | Outside Director,<br>Member of Nominating Committee and Compensation Committee<br><br>Term of Office as Director<br>8 years | 4/1973 Joined Mitsui & Co., Ltd.<br>7/1981 Legal Department, Mitsui & Co. (U.S.A.), INC., New York Headquarters<br>10/1984 Registered as attorney of New York State Bar Association<br>10/1995 Vice President, Mitsui & Co. (U.S.A.), INC.<br>4/2006 Managing Officer and General Manager of Legal Division, Mitsui & Co., Ltd.<br>4/2008 Executive Managing Officer and General Manager of Internal Auditing Division, Mitsui & Co., Ltd.<br>6/2011 Outside Director, Hitachi High-Technologies Corporation (to date)<br><br>Reason for selection as outside director nominee:<br>Mr. Hideyo Hayakawa was selected for reappointment, since he can be expected to supervise the Company's management and execution of operations from an independent perspective of protecting the interests of the general shareholder, based on his rich experience at a major international company and his extensive knowledge and experience in the legal field.<br><br>Independence:<br>Mr. Hideyo Hayakawa satisfies the independence criteria established by Hitachi High-Technologies Corporation as well as the criteria for independent director set by the Tokyo Stock Exchange, Inc. The Company has submitted a notice thereof to the stock exchange.<br>If his appointment is approved, the Company intends to continue the designation of Mr. Hayakawa as independent director.<br>The Company has business transactions with Mitsui & Co., Ltd. where Mr. Hideyo Hayakawa served in the past, whereas the Company judges that such transactions, the size of which amounts to less than 0.1% of the Company's cost of purchased goods, will cause no conflict of interest with general shareholders. Furthermore, 9 years and 2 months have passed since Mr. Hideyo Hayakawa retired from his position as Executive Managing Officer and General Manager of Internal Auditing Division of Mitsui & Co, Ltd. | 0 |

| No. | Name<br>(Date of Birth) | Position and Responsibilities | Brief Biography and<br>Other Principal Positions Held | Share Ownership |
|---|---|---|---|---|
| 5 | Hiromichi Toda<br>(Oct. 9, 1947)<br><br>[Nominee for reappointment, Outside Director, Independent Director] | Outside Director,<br>Member of Nominating Committee, Audit Committee and Compensation Committee<br><br>Term of Office as Director<br>6 years | 4/1971 Joined Anritsu Electric Corporation (current Anritsu Corporation)<br>7/2002 Vice President and President of Wireless Measurement Solutions, Anritsu Corporation<br>4/2004 Senior Vice President and General Manager of Measurement Business Center, Anritsu Corporation<br>6/2004 Director, Senior Vice President and General Manager of Measurement Business Center, Anritsu Corporation<br>4/2005 Director and Executive Deputy President, Anritsu Corporation<br>6/2005 Representative Director and President, Anritsu Corporation<br>4/2010 Representative Director and Chairman of the Board, Anritsu Corporation<br>6/2010 Director and Chairman of the Board, Anritsu Corporation<br>6/2012 Adviser, Anritsu Corporation<br>6/2013 Outside Director, Hitachi High-Technologies Corporation (to date)<br><br>Reason for selection as outside director nominee:<br>Mr. Hiromichi Toda was selected for reappointment, since he can be expected to supervise the Company’s management and execution of operations from an independent perspective of protecting the interests of the general shareholder, based on his rich experience in corporate management in general and his deep insight into technology trends.<br><br>Independence:<br>Mr. Hiromichi Toda satisfies the independence criteria established by Hitachi High-Technologies Corporation as well as the criteria for independent director set by the Tokyo Stock Exchange, Inc. The Company has submitted a notice thereof to the stock exchange.<br>If his appointment is approved, the Company intends to continue the designation of Mr. Toda as independent director.<br>The Company has business transactions with Anritsu Corporation, where Mr. Hiromichi Toda served in the past, whereas the Company judges that such transactions, the size of which amounts to less than 0.0005% of the Company’s revenues, will cause no conflict of interest with general shareholders. Furthermore, 6 years and 2 months have passed since Mr. Hiromichi Toda retired from his position as Adviser of Anritsu Corporation. | 0 |

| No. | Name<br>(Date of Birth) | Position and Responsibilities | Brief Biography and<br>Other Principal Positions Held | Share Ownership |
|---|---|---|---|---|
| 6 | Yuji Nishimi<br>(Jan. 20, 1947)<br><br>[Nominee for reappointment, Outside Director, Independent Director] | Outside Director,<br>Member of Nominating Committee, Audit Committee and Compensation Committee<br><br>Term of Office as Director<br>4 years | 4/1970 Joined Asahi Glass Co., Ltd (currently, AGC Inc.)<br>6/2001 Director, Asahi Glass Co., Ltd.<br>3/2005 Senior Executive Officer, Asahi Glass Co., Ltd.<br>3/2008 Executive Vice President, Display Company President, Asahi Glass Co., Ltd.<br>1/2009 Senior Executive Vice President, Asahi Glass Co., Ltd.<br>3/2011 Representative Director, Senior Executive Vice President, Asahi Glass Co., Ltd.<br>6/2015 Outside Director, Hitachi High-Technologies Corporation (to date)<br><br>Reason for selection as outside director nominee:<br>Mr. Yuji Nishimi was selected for reappointment, since he is expected to supervise the Company's management and execution of operations from a perspective of protecting interest of general shareholders in an independent manner, based on his abundant experience and high insight into corporate management and his extensive expertise in cutting-edge industries including electronic materials.<br><br>Independence:<br>Mr. Yuji Nishimi satisfies the independence criteria established by Hitachi High-Technologies Corporation as well as the criteria for independent director set by the Tokyo Stock Exchange, Inc. The Company has submitted a notice thereof to the stock exchange.<br>If his appointment is approved, the Company intends to continue the designation of Mr. Nishimi as independent director.<br>The Company has business transactions with AGC Inc., where Mr. Yuji Nishimi served in the past, whereas the Company judges that such transactions, the size of which amounts to less than 0.005% of the Company's revenues and less than 0.16% of the Company's cost of purchased goods, will cause no conflict of interest with general shareholders. Furthermore, 4 years and 2 months have passed since Mr. Yuji Nishimi retired from his position as Representative Director, Senior Executive Vice President of AGC Inc. | 0 |

| No. | Name<br>(Date of Birth) | Position and Responsibilities | Brief Biography and<br>Other Principal Positions Held | Share Ownership |
|---|---|---|---|---|
| 7 | Mayumi Tamura<br>(May 22, 1960)<br><br>[Nominee for reappointment, Outside Director, Independent Director] | Outside Director,<br>Member of Nominating Committee, Audit Committee and Compensation Committee<br><br>Term of Office as Director<br>2 years | 4/1983 Joined Sony Corporation<br>9/1991 Joined Jonson Company, Limited<br>7/1998 Senior Department Manager of Finance, Financial Support and IS, Johnson Professional Co., Ltd. (current CxS Corporation)<br>7/2000 Director and Senior Department Manager of Finance and Financial Support Division, Johnson Professional Co., Ltd.<br>7/2002 Executive Officer, Johnson Diversey, Co., Ltd. (current CxS Corporation)<br>12/2004 CFO, adidas Japan K.K.<br>6/2007 Executive Officer and Senior Vice President and CFO, Seiyu K.K. (current Seiyu GK.)<br>5/2010 Executive Officer and Senior Vice President and CFO, Walmart Japan Holdings GK. (current Walmart Japan Holdings K.K.)<br>Executive Officer and Senior Vice President and CFO, Seiyu GK.<br>6/2015 Outside Corporate Auditor, Honda Motor Co., Ltd.<br>6/2017 Outside Director and Audit and Supervisory Committee Member, Honda Motor Co., Ltd. (to date)<br>Outside Director, Hitachi High-Technologies Corporation (to date)<br><br>Reason for selection as outside director nominee: Ms. Mayumi Tamura has long experience in corporate management at global corporations, abundant knowledge in accounting and financial areas, and considerable insight in promoting diversity and cultivating female leaders. Therefore, Ms. Tamura was selected for reappointment with the expectation that she would be able to supervise the Company's management and execution of operations from a perspective of protecting interest of general shareholders in an independent manner.<br><br>Independence:<br>Ms. Mayumi Tamura satisfies the independence criteria established by Hitachi High-Technologies Corporation as well as the criteria for independent director set by the Tokyo Stock Exchange, Inc.<br>The Company has submitted a notice thereof to the stock exchange.<br>If her appointment is approved, the Company intends to continue the designation of Ms. Tamura as independent director.<br>During the fiscal year under review, the Company had no transactions with the companies where Ms. Mayumi Tamura was engaged in business execution in the past. | 0 |

Notes:

1. Messrs. Hideyo Hayakawa, Hiromichi Toda, Yuji Nishimi and Ms. Mayumi Tamura are outside director nominees.
2. Position and responsibilities other than those stated in brief biography above in cases where director nominee is executing

operations of Hitachi, Ltd. or any of its subsidiaries (excluding the Company, hereinafter the same) at present or executed such operations over the past 5 years are as follows. Hitachi, Ltd. and its subsidiaries are the Companies' specified related business operators prescribed in Article 2, Paragraph 3, Item 19 of the Ordinance for Enforcement of the Companies Act.

| Name | Period | Name of Company | Position and Responsibilities |
|---|---|---|---|
| Ryuichi Kitayama | From April 2014 to March 2015 | Hitachi, Ltd. | Representative Executive Officer, Senior Vice President and Executive Officer (CMO and General Manager of Corporate Sales & Marketing Group, and Project Leader of Sales Operations Transformation Project, Smart Transformation Project Initiatives Division) |
| | From April 2015 to March 2016 | | Representative Executive Officer, Executive Vice President and Executive Officer (CMO and General Manager of Corporate Sales & Marketing Group) |
| | From April 2016 to March 2017 | | Representative Executive Officer, Executive Vice President and Executive Officer (CMO and General Manager of Corporate Sales & Marketing Group, Assistant to the President [Regional Strategy]) |
| | From April 2017 to March 2018 | | Representative Executive Officer, Executive Vice President and Executive Officer (Assistant to the President [Regional Strategy], CMO) |

3. Outline of terms and conditions of limited liability agreement
   The Company has concluded, with Messrs. Ryuichi Kitayama, Ryuichi Nakashima, Hideyo Hayakawa, Hiromichi Toda, Yuji Nishimi and Ms. Mayumi Tamura, a limited liability agreement that limits the liability for damages set forth in Article 423, Paragraph 1 of the Company Act to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Company Act, under the provision of paragraph 2 of Article 23 of the Articles of Incorporation. If the election of these six nominees is approved, the Company intends to continue the agreement above with them.

4. If this agenda item is approved, the Committees shall comprise the following members.

| | |
|---|---|
| Nominating Committee: | Ryuichi Kitayama, Masahiro Miyazaki, Hideyo Hayakawa, Hiromichi Toda, Yuji Nishimi and Mayumi Tamura |
| Audit Committee: | Ryuichi Nakashima, Hiromichi Toda, Yuji Nishimi and Mayumi Tamura |
| Compensation Committee: | Ryuichi Kitayama, Masahiro Miyazaki, Hideyo Hayakawa, Hiromichi Toda, Yuji Nishimi and Mayumi Tamura |

(Reference)

□ Hitachi High-Technologies Corporation Director Nominee Selection Policy (Outline)

The Nominating Committee shall select nominees based on the following policy to realize the optimal structure of the Board of Directors which combines diversity and proper size in a balanced manner, consisting of directors with knowledge, experience and ability necessary for the Board to effectively fulfill its role and responsibilities in an effective manner:

(1) Select an individual who has excellent personality and perception;
(2) Select an individual who is considered to have high ability to make proper management decisions and to supervise;
(3) Select an individual who has extensive experience in corporate management, administration, legal affairs, accounting and other relevant areas and has made outstanding achievement; and
(4) For an independent outside director, select an individual who is expected to be capable of providing proper advice and supervision in consideration of enhancement of shareholder value as well as protection of interest of minority shareholders.

(Enacted on November 25, 2015)

□ Hitachi High-Technologies Corporation Independence Criteria

The Nominating Committee considers that an outside director is independent when the outside director satisfies the criteria for independent director of the Tokyo Stock Exchange, Inc. and does not fall under any of the following categories.

(1) Any close relative, within the second degree of kinship, of the Company's Outside Director who is currently serving or has served in the last three years as an executive director, executive officer or an employee of the Company or its subsidiaries;
(2) A company for which the Company's Outside Director is currently serving as an executive director, executive officer or employee receives payments from the Company or makes payments to the Company in consideration of provision of products or services, and the average amount of such transaction in the last three business years exceeds 2% of the consolidated gross sales of either company;
(3) Compensation received by the Company's Outside Director directly from the Company as a legal, accounting or tax professional or consultant (excluding compensation as a Director of the Company) for any single business year in the last 3 business years exceed 10 million yen; or
(4) Contribution made by the Company to a non-profit organization for which the Company's Outside Director serves as an officer who executes business exceeds 10 million yen and 2% of gross revenue or ordinary income of such organization for any business year in the last 3 business years.

(Enacted on November 25, 2015)

Report on the 100th Business Term
Year ended March 31, 2019
(April 1, 2018 to March 31, 2019)

**Hitachi High-Technologies Corporation**

**(Code No.: 8036)**

## Contents

**(Attached Documents for the 100th Ordinary General Meeting of Shareholders)**



The following items are provided by posting on the Company's website (https://www.hitachi-hightech.com/) in accordance with laws and regulations and the Articles of Incorporation. The Consolidated Financial Statements and Unconsolidated Financial Statements audited by the Accounting Auditors and the Audit Committee include, in addition to the documents stated in this Report, documents (2), (3), (4) and (5) below. Business Report audited by the Audit Committee includes, in addition to the document in this Report, document (1) below.

(1) Business Report Summary of Resolution of Board of Directors on Enhancing Structures and Other Things to Ensure Adequacy of Business Operations
(2) Consolidated Statements of Changes in Equity
(3) Notes to Consolidated Financial Statements
(4) Unconsolidated Statements of Changes in Net Assets
(5) Notes to Unconsolidated Financial Statements

(Notice of the 100th Ordinary General Meeting of Shareholders: Attached Documents)

**Business Report (from April 1, 2018 to March 31, 2019)**

1. **Information on Current State of Hitachi High-Technologies Group**

**(1) Business Overview and Results of Hitachi High-Technologies Group**

The Japanese economy during the period under review was on a modest recovery trend owing to growing personal consumption following improvements in the employment situation, improvements in corporate earnings and growing capital investments. Economic recovery continued in the United States with increases in personal consumption, while exports were sluggish in Europe despite stable domestic demand. Economic slowdown was seen in China because of the effects of the U.S.-China trade conflicts.

Under such circumstances, the enterprise group consisting of the Hitachi High-Technologies Corporation (the "Company") and its subsidiaries (the "Group"), in an effort to realize its Corporate Vision of "becoming a global leader in high-tech solutions," and enable further growth, engaged in initiatives to strengthen its business portfolio.

In this fiscal year under review, the Group strove to "Keep profits by main business, and promote resource strengthening and investments," which is the management policy set out in the Mid-Term Management Strategy that covers FY2016 through FY2018 ("2018 Mid-Term Management Strategy"). In January 2019, the Company acquired Applied Physics Technologies, Inc., a U.S. manufacturer of electron sources, which find use in electron microscopes and other products to promote initiatives to provide a full value chain solution. Furthermore, in March 2019, the Company commenced a capital and business alliance with Seibu Giken Co., Ltd. The alliance with the manufacturer of environmental conservation and energy-saving equipment is aimed at further expanding the business in the rechargeable battery and flexible device markets.

The Company commenced a digital transformation project that promotes business process innovation for all the offices including overseas bases. The purpose of this project is to simplify and automate internal operating processes that are complex due to individual optimization. This will lead to more efficient internal operations, a shift to more customer-centered business and eventually swift and reliable solutions to management issues. In addition, the Company actively utilizes accumulated digital data to ensure speedy decision-making for further business expansion.

As a result, the Group's consolidated business performance for the fiscal year ended March 31, 2019 was JPY731,104 million in revenues, JPY64,226 million in EBIT (earnings before interest and taxes), JPY 64,758 million in income before income taxes and JPY48,417 million in net income attributable to Hitachi High-Technologies Corporation shareholders, thus continuing to report increases in revenues and profit from the previous term.

(Overview of 2018 Mid-Term Management Strategy)

With respect to revenues, as a result of actively promoting the businesses to realize our growth beyond market growth, the biochemical and immunodiagnostics testing business and the scientific instruments business outperformed the market growth ratio, while the front-end semiconductor manufacturing equipment business underperformed the market growth.

With respect to profitability and service rate, the "Science & Medical Systems," "Electronic Device Systems" and "Industrial Systems" segments are classified as "Instruments," and the "Advanced Industrial Products" segment is classified as "Materials" in consideration of the differences in business models. Under this classification, each segment carried out its operation by setting values to be provided and targets to be achieved. The Group maintained an EBIT margin of 10% or more in "Instruments" but failed to achieve the EBIT absolute amount of JPY5 billion or more in "Materials." For EBIT from service business, the Group maintained the ratio of

50% or more.

As for strategic investment for growth, the Group steadily executed R&D, capital investment and business investment to form a growth cycle for 2020.

| Revenues (FY15-18 CAGR) | | Market growth rate | 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% |

| 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 *3 Service business | Maintain the ratio at 50% or more | 57% | 54% | 61% |

| 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

Going forward we will strive to further expand our business, reinforce efficient management and promote cost reductions to meet the expectations of our shareholders.

The following is a report on the Group's business results by industry segment in the fiscal year ended March 31, 2019.

**● Science & Medical Systems Segment**

| | |
|---|---|
| **Revenues** | **JPY206,418 million (Up 9.7% year-on-year)** |
| **EBIT** | **JPY29,639 million (Up 30.8% year-on-year)** |

**Main Business Contents**

Manufacturing/sales of and installation/maintenance services for various Analyzers and Measuring Equipment such as Spectrophotometers, Chromatographs, X-ray Fluorescence Analyzers and Thermal Analyzers; Electron Microscopes; Biotechnology Equipment and Clinical Analyzers

**Overview**

Revenues of science systems slightly increased as a result of establishing Hitachi High-Tech Analytical Science, as well as the steady sales of electron microscopes intended for semiconductor devices and batteries.

Revenues of biotechnology equipment and clinical analyzers sharply increased thanks to the robust demand in the Asian market, especially in China, as well as the termination of inventory adjustments with customers in the supply chain.

As a result of the above, the segment generated revenues in the amount of JPY206,418 million (up 9.7% year-on-year) and posted an EBIT of JPY29,639 million (up 30.8% year-on-year).

● **Electronic Device Systems Segment**

| | |
|---|---|
| **Revenues** | **JPY147,116 million (Up 8.5% year-on-year)** |
| **EBIT** | **JPY33,648 million (Up 6.3% year-on-year)** |

**Main Business Contents**

Manufacturing/sales of and installation/maintenance services for Semiconductor Manufacturing Equipment such as Etching Systems, CD-Measurement SEM (CD-SEM) and Inspection Systems

**Overview**

Revenues of process manufacturing equipment sharply increased due to the steady sales intended for customer investments in the mass production and investments in next generation advanced processes.

Revenues of inspection system units slightly increased due to the steady sales of CD-Measurement SEM (CD-SEM) and inspection systems, despite the effects of the postponing of some investment plans by memory customers.

As a result of the above, the segment generated revenues in the amount of JPY147,116 million (up 8.5% year-on-year) and posted an EBIT of JPY33,648 million (up 6.3% year-on-year).

● **Industrial Systems Segment**

| | |
|---|---|
| **Revenues** | **JPY83,594 million (Up 9.3% year-on-year)** |
| **EBIT** | **JPY2,185 million (Up 124.4% year-on-year)** |

**Main Business Contents**

Sales of Automated Assembly Systems of Lithium Ion Batteries, Power Generating and Electrical Substation Facilities, Digital Solutions and Video Conferencing Systems, and manufacturing, sales and installation/maintenance services for Measuring Equipment and Related Systems, Railroad Inspection Equipment, HD Manufacturing Equipment, FA Equipment and FPD Manufacturing Equipment

**Overview**

Revenues of social infrastructure remained flat due to the decline in sales of solar photovoltaic system EPC large projects, despite the increase in sales of measuring systems.

Revenues of industrial infrastructure increased significantly due to the acquisition of large projects of LCD exposure systems.

As a result of the above, the segment generated revenues in the amount of JPY83,594 million (up 9.3% year-on-year) and posted an EBIT of JPY2,185 million (Up 124.4% year-on-year).

● **Advanced Industrial Products Segment**

| | |
|---|---|
| **Revenues** | **JPY302,910 million (Up 2.9% year-on-year)** |
| **EBIT** | **JPY4,199 million (Up 12.5% year-on-year)** |

**Main Business Contents**

Sales of Steel Products, Nonferrous Metals, Materials for Circuit Board, Plastic Resins and Engineering Plastics, Materials and Related Equipment for Batteries, Automotive Components, Silicon Wafers, Hard Disk Drives, Optical Telecommunication Devices & Materials, Raw Materials for Optical Disc, Electronic Materials & Components for Semiconductors and Petroleum Products

**Overview**

Revenues of materials & electronics expanded significantly due to the strong sales of material-related transactions.

Revenues of automobiles & mobility also increased significantly due to the sales expansion of automotive-related components.

Revenues of energy & industry decreased sharply due to a decrease in sales of optical telecommunication-related components.

As a result of the above, the segment generated revenues in the amount of JPY302,910 million (up 2.9% year-on-year) and posted an EBIT of JPY4,199 million (up 12.5% year-on-year).

■ **Revenues by Segment**

| Segment | FY 2017 | | FY 2018 (year under review) | | Year-on-year Change |
|---|---|---|---|---|---|
| | Amount | Percentage | Amount | Percentage | |
| | Million yen | % | Million yen | % | % |
| Science & Medical Systems | 188,087 | 27.4 | 206,418 | 28.2 | 9.7 |
| Electronic Device Systems | 135,651 | 19.7 | 147,116 | 20.1 | 8.5 |
| Industrial Systems | 76,498 | 11.1 | 83,594 | 11.4 | 9.3 |
| Advanced Industrial Products | 294,330 | 42.8 | 302,910 | 41.4 | 2.9 |
| Others and Adjustments | (6,896) | (1.0) | (8,933) | (1.1) | - |
| Consolidated net revenues - Total | 687,670 | 100.0 | 731,104 | 100.0 | 6.3 |

Note: Others and Adjustments represent revenues from indirect and ancillary businesses and elimination of revenues between the segments.

■**Revenues by Region**

| Region | | FY 2017 | | FY 2018 (year under | | Year-on-year Change |
|---|---|---|---|---|---|---|
| | | Amount | Percentage | Amount | Percentage | |
| | | Million yen | % | Million | % | % |
| | North America | 53,653 | 7.8 | 62,017 | 8.5 | 15.6 |
| | Europe | 83,506 | 12.1 | 98,812 | 13.5 | 18.3 |
| | Asia | 256,504 | 37.3 | 256,833 | 35.1 | 0.1 |
| | Other regions | 26,879 | 4.0 | 30,414 | 4.2 | 13.2 |
| Overseas | | 420,542 | 61.2 | 448,077 | 61.3 | 6.5 |
| Japan | | 267,128 | 38.8 | 283,028 | 38.7 | 6.0 |
| Consolidated net revenues - Total | | 687,670 | 100.0 | 731,104 | 100.0 | 6.3 |

**(2)** Challenges the Group Faces

In Japan, concerns hang over that the coming consumption tax hike would cause falling consumer sentiment, which could trigger an economic slowdown. In the U.S., a freeze in consumer spending is foreseen due to the higher import tariffs, with the effect of tax reform tapering off. In Europe, uncertainty for the future is growing due to the economic deterioration resulting from sluggish overseas demand in the Euro Zone and rough negotiations for the U.K. to exit the EU. The Chinese economy is underpinned by economic stimulus measures implemented by the Chinese government despite the effects of the U.S.-China trade frictions.

Under such circumstances, the Group has specified the following five pillars of materiality (important issues) to address its social issues based on SDGs: 1) Contributing to a sustainable global environment, 2) Contributing to healthy, safe, secure lives, 3) Contributing to the sustained development of science and industry, 4) Establishing a sound management foundation, and 5) Developing and utilizing diverse human resources. The Group has also updated its corporate vision and mission with the objective of clarifying the ideal profile, mission and duties of a new Hitachi High-Tech Group to help solve social problems.

**Corporate Vison**

**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.

Based on these new corporate vision and mission, the Group has newly formulated the 2021 Mid-Term Management Strategy (for FY2019 to FY2021) to realize further growth of the Group. The Group will address the following challenges while enforcing "Basics and Ethics" and consistently maintaining an awareness of CSR in order to become an enterprise group trusted by the general public and its shareholders.

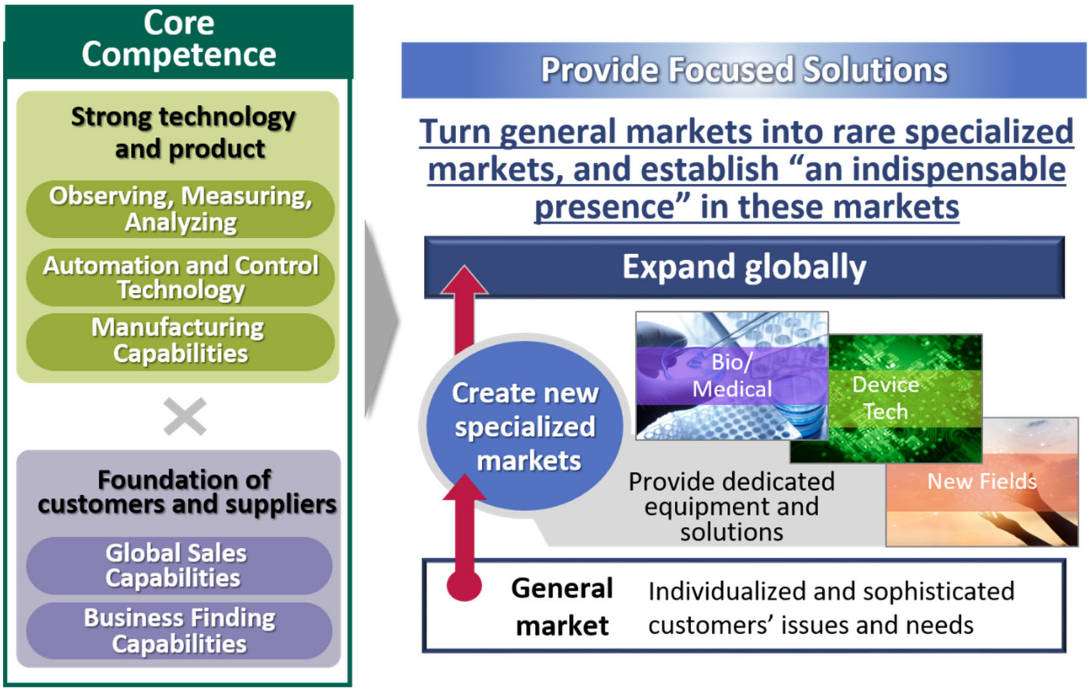
(Details of 2021 Mid-Term Management Strategy)

(i) Management Policy and Basic Strategy

Management Policy:
Focused Solutions Company in Global Growing Market

Basic Strategy:
Focusing on customers' issues, providing solutions through our technologies, products and services, based on our core technologies in "Observing, Measuring, and Analyzing"

Under the 2021 Mid-Term Management Strategy, the Group will leverage its core competence in "Observing, Measuring, and Analyzing," "Automation and Control Technology," "Manufacturing Capabilities," "Global Sales Capabilities and Business Finding Capabilities." The Group will strive to understand the issues in general markets faced by its customers that are ever individualizing and advancing, and provide tailored solutions that incorporate specialized systems, services and business models that target specific problems. In this way, the Group intends to expand globally while creating rare and specialized markets. While striving for further growth in leading existing businesses, the Group aims to create and expand new leading businesses by providing specialized solutions.



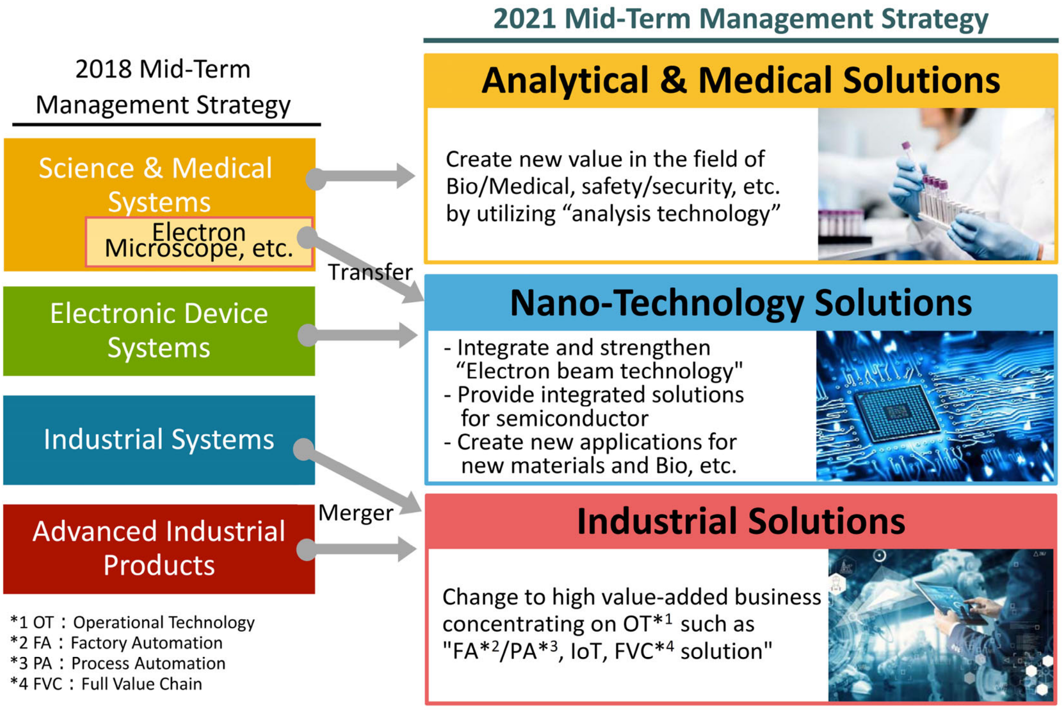

(ii) Business strategy for each segment

In April 2019, the Group's four segments were reclassified into three new segments toward the achievement of the 2021 Mid-Term Management Strategy: "Analytical & Medical Solutions," "Nano-Technology Solutions" and "Industrial Solutions" to further strengthen technological capabilities, the ability to build solutions, and profitability.

The Science & Medical Systems segment focuses on bio/medical fields with the core of organic and inorganic component analysis.

The Electronic Device Systems segment offers comprehensive nano-technology solutions, which include the electron microscope business, to semiconductor manufacturers through the strengthening of electronic line technology and other surface observation technologies. At the same time, it focuses on the development of new areas, such as new materials, secondary batteries and bio.

The Industrial Solutions segment consists of Industrial Systems and Advanced Industrial Products, and it transforms itself to a high value-added business that provides solutions to customers' issues from the perspective of Operation Technology (OT).




(iii) R&D Investment

The Group will continue to actively make R&D investment to develop advanced technologies in collaboration with the R&D group of Hitachi, Ltd. In addition, the Group participate in global consortiums, joint studies with universities and research laboratories and establish closer partnerships with companies that possess advanced technologies and specializations, in order to identify needs ahead of the time and adopt essential technologies early.

By doing so, the Group will focus on strengthening the foundation of measurement and analysis technologies and developing new business in bio/medical fields.

(iv) Management Targets

The Group has set our specific management targets as follows. To achieve these targets, the Group will make the best possible Group-wide efforts.

## 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

(Corporate governance)

With strong awareness of corporate social responsibility, the Company manages its business operations from the perspectives of proper cooperation with its shareholders and other stakeholders. The Company exerts constant efforts to maintain and improve corporate governance, and enhances transparency and efficiency in management, which will lead to continuous corporate growth and the mid- to long-term enhancement of corporate value.

(Diversity Management)

Diverse sensibilities and values are indispensable to the creation of new businesses in order to prevail against global competition. To this end, the Company is promoting diversity management as a management strategy that will become a source of the Company’s competitive edge and will ensure that the Company will become a dynamic organization. Furthermore, in order for an individual to maximize his or her performance, an environment must be provided in which the employee can choose the working style most suited to his or her situation. Consequently, the Company is keeping an open and flexible mind in reviewing the way we work, and promoting reforms of working styles, such as teleworking and working at satellite offices, that do not rely on long working hours.

(Litigation)

Regarding the pile work of a condominium complex located in the city of Yokohama (the “Condominium Complex”), which the Company contracted as the primary subcontractor, a lawsuit seeking damages was filed by Mitsui Fudosan Residential Co., Ltd., on November 28, 2017, against three companies, namely the construction company of the Condominium Complex, the Company and the secondary subcontractor, claiming that it had covered expenses including costs for the reconstruction of the Condominium Complex due to concerns over certain defects in the pile work. In relation to the aforementioned lawsuit, a lawsuit seeking damages was filed by Sumitomo Mitsui Construction Co., Ltd., the construction company of the Condominium Complex, on April 27, 2018, against the two companies, namely the Company and the secondary subcontractor. The Company intends to assert its view against these claims.

We appreciate our shareholders' continued support and guidance.

**(3) Financing Activity of the Group**

In the fiscal year under review, there were no financing activities within the Group by such means as the issue of corporate bonds or new shares or borrowings in the fiscal year under review.

**(4) Capital Investments by the Group**

In the fiscal year under review, there were no new capital investments that impacted the production capacity of the Group.

### (5) Trends in Assets and Results of Operation of the Group

**[Trends in Assets and Results of Operation of the Group]**

| | IFRS | | | |
|---|---|---|---|---|
| | **FY 2015** | **FY 2016** | **FY 2017** | **FY 2018** (under review) |
| Revenues (million yen) | 628,984 | 644,545 | 687,670 | 731,104 |
| Income before income taxes (million yen) | 48,566 | 53,918 | 55,588 | 64,758 |
| Net income attributable to Hitachi High-Technologies Corporation shareholders (million yen) | 35,989 | 40,170 | 40,882 | 48,417 |
| Basic earnings per share attributable to Hitachi High-Technologies Corporation shareholders (yen) | 261.68 | 292.08 | 297.27 | 352.06 |
| Hitachi High-Technologies Corporation shareholders' equity (million yen) | 320,790 | 356,913 | 390,063 | 425,037 |
| Total assets (million yen) | 531,032 | 587,751 | 623,335 | 666,394 |

**Note:** Basic earnings per share attributable to Hitachi High-Technologies Corporation shareholders was calculated based on the average total number of outstanding shares excluding treasury shares during the fiscal year under review.

**[Trends in Assets and Results of Operation of the Company]**

| | Japanese standards | | | |
|---|---|---|---|---|
| | **FY 2015** | **FY 2016** | **FY 2017** | **FY 2018 (under review)** |
| Net sales (million yen) | 387,911 | 419,560 | 440,019 | 475,553 |
| Ordinary income (million yen) | 35,775 | 44,025 | 41,067 | 57,540 |
| Net income (million yen) | 30,341 | 33,190 | 35,853 | 46,175 |
| Net income per share (yen) | 220.61 | 241.33 | 260.69 | 335.76 |
| Net assets (million yen) | 262,194 | 281,985 | 305,255 | 337,872 |
| Total assets (million yen) | 419,183 | 469,617 | 484,953 | 528,485 |

Note: Net income per share is calculated based on the total average number of outstanding shares during the period excluding treasury shares.

**(6) Major Business Offices of the Group**

[Business offices of the Company] (As of March 31, 2019)

| Name | Business office | Location |
|---|---|---|
| Head Office | Head Office | Minato-ku, Tokyo |
| Hokkaido Branch Office | Branch Office | Sapporo City, Hokkaido Prefecture |
| Tohoku Branch Office | Branch Office | Sendai City, Miyagi Prefecture |
| Chubu Branch Office | Branch Office | Nagoya City, Aichi Prefecture |
| Kansai Branch Office | Branch Office | Osaka City, Osaka Prefecture |
| Kyushu Branch Office | Branch Office | Fukuoka City, Fukuoka Prefecture |
| Naka Region | Production Base | Hitachinaka City, Ibaraki Prefecture |
| Kasado Region | Production Base | Kudamatsu City, Yamaguchi Prefecture |

[Subsidiaries]

| Name | Business office | Location |
|---|---|---|
| Hitachi High-Tech Solutions Corporation | Head Office | Chuo-ku, Tokyo |
| | Production Base | Mito City, Ibaraki Prefecture |
| Hitachi High-Tech Materials Corporation | Head Office | Minato-ku, Tokyo |
| Hitachi High-Tech Fielding Corporation | Head Office | Shinjuku-ku, Tokyo |
| Hitachi High-Tech Fine Systems Corporation | Head Office | Kodama-gun, Saitama Prefecture |
| | Production Base | Kodama-gun, Saitama Prefecture |
| Hitachi High-Tech Manufacturing & Service Corporation | Head Office | Hitachinaka City, Ibaraki Prefecture |
| | Production Base | Hitachinaka City, Ibaraki Prefecture |
| Hitachi High-Tech Science Corporation | Head Office | Minato-ku, Tokyo |
| | Production Base | Hitachinaka City, Ibaraki Prefecture and Sunto-gun, Shizuoka Prefecture |
| Hitachi High Technologies America, Inc. | Head Office | USA |
| Hitachi High-Technologies Europe GmbH | Head Office | Germany |
| Hitachi High-Technologies (Singapore) Pte. Ltd. | Head Office | Singapore |
| Hitachi High-Technologies (Thailand) Ltd. | Head Office | Thailand |
| Hitachi High-Technologies (Shanghai) Co., Ltd. | Head Office | China |
| Hitachi High-Tech Diagnostics (Shanghai) Co., Ltd. | Head Office | China |
| Hitachi High-Technologies Hong Kong Limited | Head Office | China |
| Hitachi High-Technologies Korea Co., Ltd. | Head Office | South Korea |
| Hitachi High-Technologies Taiwan Corporation | Head Office | Taiwan |

**(7) Employees of the Group**

[Number of Employees in the Group] (As of March 31, 2019)

| Segment | Number of employees | (Change from the end of the preceding year) |
|---|---|---|
| Science & Medical Systems | 5,208 | (+273) |
| Electronic Device Systems | 2,763 | (+124) |
| Industrial Systems | 1,372 | (+33) |
| Advanced Industrial Products | 659 | (+45) |
| Group-wide (common) | 1,480 | (+109) |
| Total | 11,482 | (+584) |

Notes: 1. The number of employees refers to the number of persons on the payroll.
2. The number of employees referred to in "Group-wide (common)" is the number of members of the administration division who are not be classified into any particular business segment.

[Number of Employees in the Company]

| | |
|---|---|
| Number of employees (Change from the end of the preceding year) | 4,134 (+170) |
| Average number of years of service | 19 years and 2 months |
| Average age | 43 years and 0 months |

Note: The number of employees refers to the number of persons on the payroll.

**(8) Major Parent Company and Subsidiaries**

[Parent Company]

The Company's parent company is Hitachi, Ltd., which owns 71,135,619 shares of its outstanding shares. The Company sells railroad-vehicle-related components, electron microscopes, power-generation-related components, etc. to its parent company, and purchases power generation equipment for solar photovoltaic systems, power-generation-related components, etc., from its parent company.

In carrying out transactions with its parent company as mentioned above, the Company examines fairness and appropriateness of each transaction as in the case of transactions with other companies. In addition, for the funds deposited with its parent company, the interest rate has been determined reasonably in conjunction with the market interest rate.

The Board of Directors of the Company considers that transactions with its parent company during the fiscal year under review have been carried out under fair and appropriate terms and conditions as mentioned above and that these transactions do not adversely affect profit of the Company.

[Subsidiaries]
There are 41 consolidated subsidiaries, including the following major subsidiaries.

The Company's major subsidiaries are as follows.

| **Company name** | **Capital** | **Equity Stake** |
|---|---|---|
| **Main business activities** | | |
| Hitachi High-Tech Solutions Corporation | JPY400 million | 100% |
| Design, manufacturing and sales of measuring equipment, etc., and development and sales of software | | |
| Hitachi High-Tech Materials Corporation | JPY200 million | 100% |
| Sales of energy, functional chemicals, etc. | | |
| Hitachi High-Tech Fielding Corporation | JPY1,000 million | 100% |
| Maintenance services for semiconductor manufacturing equipment, analyzers and measuring equipment | | |
| Hitachi High-Tech Fine Systems Corporation | JPY1,485 million | 100% |
| Design, manufacturing, sales and maintenance services of electronic-related products, inspection systems, etc. | | |
| Hitachi High-Tech Manufacturing & Service Corporation | JPY230 million | 100% |
| Manufacturing of clinical analyzers and semiconductor manufacturing equipment | | |
| Hitachi High-Tech Science Corporation | JPY100 million | 100% |
| Design, manufacturing and sales of analyzers, measuring equipment and observation equipment | | |
| Hitachi High Technologies America, Inc. | USD7,950 thousand | 100% |
| Sales of semiconductor manufacturing equipment, industrial materials, etc. | | |
| Hitachi High-Technologies Europe GmbH | EUR3,129 thousand | 100% |
| Sales of semiconductor manufacturing equipment, clinical analyzers, etc. | | |
| Hitachi High-Technologies (Singapore) Pte. Ltd. | SGD3,800 thousand | 100% |
| Sales of semiconductor manufacturing equipment, electronic materials, etc. | | |
| Hitachi High-Technologies (Thailand) Ltd. | TB230,000 thousand | 100% |
| Sales of industrial materials, electronic components, etc. | | |
| Hitachi High-Technologies (Shanghai) Co., Ltd. | USD2,600 thousand | 100% |
| Sales of industrial materials, electronic materials, etc. | | |
| Hitachi High-Tech Diagnostics (Shanghai) Co., Ltd. | CNY19,620 thousand | 77% |
| Sales and services of clinical analyzers | | |
| Hitachi High-Technologies Hong Kong Limited | HKD15,000 thousand | 100% |
| Sales of industrial materials, electronic materials, electronic components, etc. | | |
| Hitachi High-Technologies Korea Co., Ltd. | KRW1,500,000 thousand | 100% |
| Sales and maintenance services of semiconductor manufacturing equipment, inspection systems, etc. | | |
| Hitachi High-Technologies Taiwan Corporation | TWD60,000 thousand | 100% |
| Sales and maintenance services of semiconductor manufacturing equipment, inspection systems, etc. | | |

Notes: Hitachi High-Technologies (Thailand) Ltd. is a subsidiary owned by Hitachi High-Technologies (Singapore) Pte. Ltd.

Hitachi High-Tech Diagnostics (Shanghai) Co., Ltd. is a subsidiary owned by Hitachi High-Technologies (Shanghai) Co., Ltd.

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## 2. Matters Concerning the Company's Share (As of March 31, 2019)

**(1) Total Number of Shares**

| | |
|---|---|
| Authorized | 350,000,000 shares |
| Issued | 137,738,730 shares |
| Share Capital | JPY7,938,480,525 |
| Number of Shares per Unit | 100 shares |

**(2) Number of Shareholders** 7,998 shareholders

**(3) 10 Largest Shareholders**

| Name | Share Ownership | Shareholding Ratio % |
|---|---|---|
| Hitachi, Ltd. | 71,135,619 | 51.73 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 4,622,200 | 3.36 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 4,532,600 | 3.30 |
| Goldman Sachs & Co. Regular Account | 4,146,970 | 3.02 |
| SSBTC Client Omnibus Account | 1,627,673 | 1.18 |
| Hitachi High-Technologies Corp.'s Shareholding Association | 1,483,669 | 1.08 |
| State Street Bank and Trust Company 505001 | 1,250,085 | 0.91 |
| Japan Trustee Services Bank, Ltd. (Trust Account 7) | 1,228,100 | 0.89 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 1,177,000 | 0.86 |
| State Street Bank West Client Treaty 505234 | 1,081,917 | 0.79 |

Note: Shareholding ratio is calculated by deducting treasury stock (212,550 shares).

## 3. Directors and Executive Officers

### (1) Name, Position and Responsibilities, etc. of Directors and Executive Officers

**[Directors]** (As of March 31, 2019)

| Position | Name | Committee Membership | Significant Concurrently-held Positions |
|---|---|---|---|
| Chairman of the Board | Ryuichi Kitayama | Nominating Committee | |
| Director | Masahiro Miyazaki | Nominating Committee<br>Compensation Committee | |
| Director | Ryuichi Nakashima | Audit Committee | |
| Director | Hideyo Hayakawa | Nominating Committee<br>Compensation Committee | |
| Director | Hiromichi Toda | Nominating Committee<br>Audit Committee<br>Compensation Committee | |
| Director | Yuji Nishimi | Nomination Committee<br>Audit Committee<br>Compensation Committee | |
| Director | Mayumi Tamura | Nominating Committee<br>Audit Committee<br>Compensation Committee | Outside Director and Audit and Supervisory Committee Member, Honda Motor Co., Ltd. |

Notes:
1. Directors Hideyo Hayakawa, Hiromichi Toda, Yuji Nishimi and Mayumi Tamura are outside directors set forth in Article 2, Item 15 of the Companies Act.
2. Director Ryuichi Kitayama retired from his position as Representative Executive Officer of Hitachi, Ltd. on March 31, 2018. He also retired from his position as Outside Director of Hitachi Capital Corporation on June 21, 2018.
3. Director Masahiro Miyazaki also serves concurrently as Executive Officer.
4. The Company has concluded, with Directors Ryuichi Kitayama, Ryuichi Nakashima, Hideyo Hayakawa, Hiromichi Toda, Yuji Nishimi and Mayumi Tamura, a limited liability agreement that limits the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, under the provision of paragraph 2 of Article 23 of the Articles of Incorporation.
5. Director Ryuichi Nakashima has acquired extensive knowledge of finance and accounting from having served many years in the accounting and finance divisions of the Company and having engaged in accounting and finance operations. Director Mayumi Tamura has extensive knowledge of finance and accounting from having engaged in accounting and finance operations at operational companies.
6. Director Ryuichi Nakashima is a full-time member of the Audit Committee. The reason for the Company to have appointed a full-time member of the Audit Committee is to enhance the effectiveness of audit conducted by the Audit Committee by establishing a framework for deliberation and decision-making upon monitoring information in a timely and appropriate manner through coordination with the internal auditing and other divisions and attending important internal meetings, as well as sharing information with other Committee Members.
7. Directors Hideyo Hayakawa, Hiromichi Toda, Yuji Nishimi and Mayumi Tamura are registered as independent directors with the Tokyo Stock Exchange, Inc.

**[Executive Officers]** (As of March 31, 2019)

| Position | Name | Responsibilities |
|---|---|---|
| Representative Executive Officer, President and Chief Executive Officer | Masahiro Miyazaki | Overall Management Execution |
| Representative Executive Officer, Senior Vice President and Executive Officer | Toshiyuki Ikeda | Service Business, R&D, Intellectual Property, New Business Creation, Export Control, CTO (*1) |
| Senior Vice President and Executive Officer | Syunichi Uno | Accounting & Finance, Trade Compliance Management, CFO (*2) |
| Senior Vice President and Executive Officer | Shinji Sato | Corporate Strategy, Marketing & Sales Strategy, Group Company Management, CSO (*3), CMO (*4) |
| Senior Vice President and Executive Officer | Hisashi Horikoshi | Human Resources, CSR, Corporate Communications, Legal, Environment, Internal Control, Compliance Risk Management, CHRO(*5), CRO(*6) |
| Vice President and Executive Officer | Joji Honda | Manufacturing, Procurement, Quality Assurance |
| Vice President and Executive Officer | Futoshi Ishiwa | Electronic Device Systems Business |
| Vice President and Executive Officer | Shinji Sakurai | Digital Strategy, Smart Transformation Promotion, IR, CIO(*7), CTrO(*8) |
| Vice President and Executive Officer | Mikio Takagi | Science & Medical Systems Business |
| Vice President and Executive Officer | Hiroshi Tajima | Advanced Industrial Products Business |
| Executive Officer | Takashi Iizumi | Industrial Systems Business |
| Executive Officer | Sukehiro Ito | Science & Medical Systems Business |
| Executive Officer | Hitoshi Kato | Korea Area |
| Executive Officer | Yasukuni Koga | EMEA Area |
| Executive Officer | Keita Miyoshi | Advanced Industrial Products Business |

Notes: 1. The above Executive Officers were nominated at the meetings of the Board of Directors held on February 23, 2018, and appointed on April 1, 2018.
2. Executive Officer Masahiro Miyazaki concurrently serves as Director.
3. The following Executive Officers concurrently serve as representatives of the Company's subsidiaries.
Futoshi Ishiwa, Chairman of the Board and Representative Director, Hitachi High Technologies America, Inc.
Takashi Iizumi, President and Representative Director, Hitachi High-Tech Solutions Corporation
Sukehiro Ito, President and Representative Director, Hitachi High-Tech Science Corporation
Hitoshi Kato, Chairman of the Board & CEO, Hitachi High Technologies Korea Co., Ltd.
Yasukuni Koga, President and Representative Director, Hitachi High-Technologies Europe GmbH
Chairman of the Board and Representative Director, Hitachi High-Tech Analytical Science Ltd.

(*1) CTO: Chief Technology Officer
(*2) CFO: Chief Financial Officer
(*3) CSO: Chief Strategy Officer
(*4) CMO: Chief Marketing Officer
(*5) CHRO: Chief Human Resources Officer
(*6) CRO: Chief Risk management Officer
(*7) CIO: Chief Information Officer
(*8) CTrO: Chief Transformation Officer

**[Other Material Information Concerning Directors and Executive Officers of the Company]**

The Company changed its Executive Officers on April 1, 2019. The new lineup of Executive Officers is as follows.

(As of April 1, 2019)

| Position | Name | Responsibilities | Reason for Selection |
|---|---|---|---|
| Representative Executive Officer, President, and Chief Executive Officer | Masahiro Miyazaki | Overall Management Execution | During the fiscal year under review, they have properly performed their duties in a manner that satisfied the requirements set out in the Executive Officer Selection Policy. Therefore, they were reappointed as Executive Officers. |
| Representative Executive Officer, Executive Vice President & Executive Officer | Shinji Sato | Assistant to the President | |
| Representative Executive Officer, Senior Vice President and Executive Officer | Toshiyuki Ikeda | Service Business, R&D, Intellectual Property, New Business Creation, Export Control, CTO | |
| Senior Vice President and Executive Officer | Joji Honda | Manufacturing, Quality Assurance | |
| Vice President and Executive Officer | Futoshi Ishiwa | Nano-Technology Solutions Business | |
| Vice President and Executive Officer | Shinji Sakurai | Accounting & Finance, Trade Compliance Management, CFO | |
| Vice President and Executive Officer | Mikio Takagi | Analytical & Medical Solutions Business | |
| Vice President and Executive Officer | Hiroshi Tajima | Industrial Solutions Business | |
| Vice President and Executive Officer | Takashi Iizumi | Digital Strategy, IR, CDO* | |
| Executive Officer | Hitoshi Kato | Corporate Strategy, Group Company Management, CSO | |
| Executive Officer | Yasukuni Koga | EMEA Area | |
| Executive Officer | Keita Miyoshi | Industrial Solutions Business | |

| Position | Name | Responsibilities | Reason for Selection |
|---|---|---|---|
| Executive Officer | Akira Ietsugu | Human Resources, CSR, Corporate Communications, Legal, Environment, Internal Control, Compliance Risk Management, CHRO and CRO | Mr. Ietsugu has abundant business experience from having broadly performed his duties in the group head office of Hitachi, Ltd., which is the Company’s parent company, and the human resources and general affairs divisions in several business units. He implemented reform-oriented leadership in overall control over the Company’s human resources and general affairs and the formulation of the next manpower strategy. Therefore, we believe that he satisfies the requirements set out in the Executive Officer Selection Policy and he was appointed as Executive Officer. |
| Executive Officer | Kazuo Karasawa | Sales Strategy and CMO | Mr. Karasawa has abundant sales experience and the ability to build solid relationships with customers in the industrial and railroad businesses of Hitachi, Ltd., which is the Company’s parent company. He also rendered distinguished service in both the promotion of new business and the reconstruction of existing business, and has global experience as the President of Hitachi Asia (Thailand) Ltd. Therefore, we believe that he satisfies the requirements set out in the Executive Officer Selection Policy and he was appointed as Executive Officer. |
| Executive Officer | Atsushi Takane | Manufacturing, Procurement, Smart Transformation Promotion and CTrO | Mr. Takane rendered distinguished service in overall products manufactured with image processing and control technologies and has abundant experience in the manufacturing field. He also addressed management issues as the President of Hitachi High-Tech Manufacturing & Service Corp. He currently plays a leading role in activities to achieve further growth of a mother plant as the General Manager of Naka Manufacturing Division of the Company. Therefore, we believe that he satisfies the requirements set out in the Executive Officer Selection Policy and he was appointed as Executive Officer. |

| Position | Name | Responsibilities | Reason for Selection |
|---|---|---|---|
| Executive Officer | Masahiro Taniguchi | Industrial Solutions Business | Mr. Taniguchi is knowledgeable about the operation in the science, biotechnology and medical businesses and has experience as a manager. He also rendered distinguished service in both the promotion of new business and the reconstruction of existing business, and has abundant global experience through being stationed in the U.S. and overall supervision over the businesses in Asia and Europe. Therefore, we believe that he satisfies the requirements set out in the Executive Officer Selection Policy and he was appointed as Executive Officer. |
| Executive Officer | Yoshito Nejime | New Business Creation | Mr. Nejime has broad experience and knowledge from having served as Research Head and Head of Planning Office of Central Research Laboratory of Hitachi, Ltd., and thereafter took charge of design development, business strategy and new business planning in the Company. He is responsible for innovation promotion of the Company and plays a leading role in the various reform-oriented activities to create new businesses. Therefore, we believe that he satisfies the requirements set out in the Executive Officer Selection Policy and he was appointed as Executive Officer. |

*CDO: Chief Digital Officer

(Executive Officer Selection Policy)

The Company selects individuals who satisfy the following requirements to ensure that they are capable of fulfilling their roles and responsibilities.

1) An individual who has excellent personality, perception and leadership as well as high ability to make proper management decisions.
2) An individual with necessary knowledge, experience and ability in a balanced manner who has extensive experience in various fields and made outstanding achievement.
3) An individual who is willing to work valiantly to deal with overall management issues to resolve such issues.
4) An individual who has flexible understanding of different business fields and different cultures and is willing to utilize human resources with different cultural backgrounds.
5) An individual with high ethics who performs duties in compliance with laws and regulations.

### (2) Matters Concerning Outside Directors

**[Major Activities of Outside Directors]**

| Name | Major Activities |
|---|---|
| Hideyo Hayakawa | Mr. Hayakawa has attended all 12 meetings of the Board of Directors held in the fiscal year under review and based on his extensive knowledge and experience in business administration as well as his extensive knowledge and experience in the field of legal works, has been expressing opinions based on his awareness of legality, corporate governance, as well as opinions from the perspective of general shareholders. |
| Hiromichi Toda | Mr. Toda attended all 12 meetings of the Board of Directors as well as 13 meetings of the Audit Committee held in the fiscal year under review and has been expressing opinions based on his extensive knowledge and experience in overall corporate management and technical field, as well as opinions from the perspective of general shareholders. |
| Yuji Nishimi | Mr. Nishimi attended all 12 meetings of the Board of Directors and all 13 meetings of the Audit Committee held in the fiscal year under review and has been expressing opinions based on his extensive knowledge and experience in overall corporate management and advanced industry field, as well as opinions from the perspective of general shareholders. |
| Mayumi Tamura | Ms. Tamura attended all 12 meetings of the Board of Directors as well as all 13 meetings of the Audit Committee held in the fiscal year under review; and has been expressing opinions based on her extensive experience in overall corporate management and abundant knowledge and experience in the accounting and finance field, as well as opinions from the perspective of general shareholders. |

**(3) Compensation for Directors and Executive Officers**

**[Policy on the Determination of Compensation of Directors and Executive Officers]**

The policy on the determination of details of compensation to be received by each Director and Executive Officer of the Company has been set forth as follows by the Compensation Committee.

**1. Basic Policy**

1) Directors and Executive Officers in charge of the management of the Company will be paid compensation for executing management aimed at making it an enterprise trusted by all of its stakeholders and contributing to social progress and development through business activities that emphasize value creation through high-tech solutions.

2) The standard level of compensation for Directors and Executive Officers of the Company will be determined in consideration of each individual's duties commensurate with his/her position, the Company's business performance including the Group companies, business environment, the average rate in the business world, and other such factors.

**2. Specific Policy**

**(1) Compensation for Directors**

Compensation for Directors will consist of a monthly salary and a year-end allowance. Also, health management services will be provided as a nonmonetary reward.

1) Monthly salary

The monthly salary to be received by the Company's Directors will be fixed in amount considering that the Directors' duties are to perform supervisory functions. The level of pay will be determined by distinguishing between full-time and part-time Directors, subject to variation depending on the Committees to which they belong and the nature of their respective duties.

2) Year-end allowance

Year-end allowance will be paid based on the standard of 1.5 times the monthly salary; however, the amount may be cut depending on the Company's business performance.

3) Other

As a nonmonetary reward, Directors in a position (with a duty) that has a major impact on management will be provided with health management services from a medical institution under a contract with the Company, in order to avert and reduce their health risks as a part of corporate risk management.

When a Director concurrently serves as an Executive Officer, he/she will be paid compensation either as a Director or an Executive Officer depending on his/her primary duties.

**(2) Compensation for Executive Officers**

Compensation for Executive Officers will consist of a monthly salary and a performance-linked component. Also, health management services will be provided as a nonmonetary reward to Executive Officers.

1) Level of standard annual salary

The level of standard annual salary (monthly salary and performance-linked component) will be fixed on a position-by-position basis based on the scale and scope of business of the Company (including the Group companies), ability expected of and responsibilities and risks to be assumed by the Executive Officer in consideration of general standards.

2) Monthly salary

Monthly salary will be a fixed amount on a position-by-position basis, which shall be the balance of standard annual salary after subtracting standard bonuses, divided by the number of months.

3) Performance-linked component

The performance-linked component will be set based on the standard bonus which shall be the performance-linked component payable when the standard target is achieved and will be adjusted depending on the level of achievement of the target. The evaluation will be made based on the combination of business performance of the entire company, performance of the segment and achievement of the Executive Officer's individual target.

4) Other

As a nonmonetary reward, Executive Officers in a position (with a duty) that has a major impact on management and execution of operations will be provided with health management services from a medical institution under a contract with the Company, in order to avert and reduce their health risks as a part of corporate risk management.

For Executive Officers appointed from outside, the structure and amount of compensation that is best suited for each Executive Officer will be individually set with reference to the aforementioned policies in consideration of background of appointment the Executive Officer, mission and the general level of compensation in the area where the Executive Offer works in a comprehensive manner.

When an Executive Officer concurrently serves as a Director, he/she will be paid compensation either as a Director or an Executive Officer depending on his/her primary duties.

**[Amount of Compensation to Directors and Executive Officers] (FY2018)**

| | Total amount of remuneration by type | | | | |
|---|---|---|---|---|---|
| | Monthly Salary | | Year-end Allowance or Performance-linked Component | | Total |
| | Number | Amount (millions of yen) | Number | Amount (millions of yen) | Amount (millions of yen) |
| Directors | 7 | 120 | 6 | 16 | 136 |
| Outside Directors | 4 | 47 | 4 | 6 | 53 |
| Executive Officers | 15 | 289 | 15 | 237 | 526 |

Notes: 1. The number of Directors and the amount do not include Directors who concurrently serve as Executive Officer.
2. The above Monthly Salary includes the monthly salary paid to one Director who retired upon the expiry of term of office at the close of the 99th Ordinary General Meeting of Shareholders of the Company held on June 22, 2018.

## 4. Matters Concerning Accounting Auditor

**(1) Name of accounting auditor** Ernst & Young ShinNihon LLC

**(2) Fees to accounting auditor**

1) Fees, etc. for the fiscal year ended March 31, 2019: JPY83 million

2) Total amount of cash and other financial benefits payable by the Company and its subsidiaries: JPY104 million

Notes 1. After obtaining and examining the necessary information on the status of work performance by the accounting auditor, the details of the audit plan and the basis for the calculation of estimated auditing fees, the Audit Committee determined that compensation, etc. for the accounting auditor was appropriate for the accounting auditor to carry out proper audits and thus agreed to the amount of compensation, etc. for the accounting auditor.

2. The above amounts include the auditing fees, etc. for audits under the Financial Instruments and Exchange Act, as the amount of auditing fees, etc. for audits under the Companies Act and audits under the Financial Instruments and Exchange Act are not clearly distinguished under the audit agreement between the Company and the accounting auditor, and in practice, cannot be distinguished from each other.

3. Among the Company's major subsidiaries (referred to in "1. Information on Current State of Hitachi High-Technologies Group (8) Major Parent Company and Subsidiaries"), overseas subsidiaries have been audited by auditing firms other than the Company's accounting auditor.

**(3) Dismissal and non-retention policy on accounting auditors**

If the Audit Committee determines that the causes provided for in any items of Articles 340, Paragraph 1 of the Companies Act apply to an accounting auditor and deems that the accounting auditor should be dismissed promptly, it shall dismiss the accounting auditor by unanimity. Should this occur, the Audit Committee member selected by the Audit Committee shall give a report on the dismissal of the accounting auditor and the reason therefor at the first general meeting of shareholders to be convened after said dismissal.

Other than the above cases, in a situation where the Audit Committee deems that the accounting auditor has difficulty in properly performing the duties or other situations where it determines that the accounting auditor should be changed, it shall determine the contents of the agenda on the dismissal or non-retention of the accounting auditor to be submitted to the general meeting of shareholders.

**5. Policy on Determination of Distribution of Surplus etc.**

The Company's basic policy for allocating profits is to generate appropriate returns for shareholders while enhancing its financial position and management foundations. While the Company aimed at a 30% dividend payout ratio in the fiscal year ended March 31, 2019, it aims at a 40% dividend payout ratio under the Mid-Term Management Strategy for FY2019 to FY2021 to pay stable dividends in consideration of the balance with retained earnings, with the lower limit of annual dividend of JPY100.

In the fiscal year ended March 31, 2019, the Company, taking into account various circumstances including the financial results for the year, has decided that the year-end dividend be JPY60 per share, resulting in an annual dividend of JPY105 per share including the interim dividend of JPY45 per share, which has already been paid.

Retained earnings will be utilized for promoting the development of new businesses and new technologies, securing and expanding trade rights, and in investments aimed at establishing a business model that generates high earnings and improving management efficiency, in an effort to further enhance business competitiveness.

## 6. Status of Operation of Structures and Other Things to Ensure Adequacy of Business Operations

| Item | **Outline of status of operation** |
| --- | --- |
| 1. System related to storage and management of information associated with execution of duties by Executive Officers of the Company | The Company has been handling documents including approval documents in an appropriate manner based on the storage period stipulated in the Document Storage Rules. In addition, it has been confirmed through the internal audit that electronic information has been properly stored and discarded. |
| 2. Provisions related to management of risk of loss and other systems of the Company | (1) The Company has been managing risks associated with business activities of the Group by properly operating the approval system based on the deliberations at the Board of Directors and the Executive Committee and in accordance with the Board of Directors Regulations, Approval Standards and other applicable rules and regulations,<br>(2) To comply with laws and regulations related to anti-bribery, anti-monopoly and prevention of antisocial transactions and to manage risks associated with labor, intellectual property, import and export, procurement, sales, information security, financial reporting, environment, quality, safety and other matters, each section responsible for relevant risks has been taking measures including the establishment of rules and standards in accordance with the “Risk Management Regulations” as needed. Furthermore, the “Risk Management Department” which assists CRO and is responsible for the overall risk management of the Group establishes a system to enhance the management of operational risks for the entire Group and to provide a framework for the implementation of measures.<br>(3) CRO takes measures to deal with emergency situations, such as establishing a Task Force led by CRO when needed and investigating the cause and taking recurrence prevention measures at the time of emergency. Furthermore, upon incurring damages due to a natural disaster, cyber-attack, etc., the Company has in place a system which enables it to set up a disaster response headquarters led by CRO, collect and analyze information, consider, decide and implement countermeasures, and determine the necessity of activating the BCP (Business Continuity Plan).<br>(4) In response to the Supervisory Disposition under the Construction Business Act in January 2016, the Company has been making efforts to continuously inform employees and officers about the matters to be complied with by the Group under the Construction Business Act and to raise awareness about legal compliance, and continuously implementing management measures. For example, as some of the recurrence prevention measures, the Construction Control Center and Construction Safety Management Committee have been established and regular training in relation to the Construction Business Act has been provided. |

| | |
|---|---|
| 3. System to ensure efficient execution of duties by Executive Officers of the Company | (1) As for the status of holding of important meetings, the Executive Committee meetings were held 25 times and important matters related to the Group have been deliberated and decision on approval has been made by the President and Chief Executive Officer.<br>(2) To check the progress of operations, monthly business performance of the Group has been reported to the Executive Committee to follow-up on budget performance. The Company is also making efforts to realize more expedited, decisive and efficient decision-making by partially delegating approval authority of the Board of Directors to the Executive Officers in accordance with the Board of Directors Regulations and Approval Standards which set forth matters required to be approved by the Group. Furthermore, the Company has established the Corporate Governance Guidelines to contribute to continued growth and medium and long-term increase of corporate value and to present corporate governance framework of the Company.<br>(3) The Internal Auditing Division conducts internal audits of the Group in accordance with the audit plan and reports the results to the Executive Committee.<br>(4) The Audit Committee exchanges opinions with Executive Officers of the Company and carries out investigation or physical inspection of the Group. Furthermore, the full-time member of the Audit Committee attends important meetings of the Company such as the Executive Committee meetings, obtains information necessary for investigation and physical inspection and provides advice from the perspective of management efficiency and internal control. |

| | |
|---|---|
| 4. System to ensure that the execution of duties by Executive Officers and Employees of the Company conforms to laws and regulations and the Articles of Incorporation | (1) “Corporate Vision” and “Hitachi High-Tech Group Code of Conduct” are made available for perusal at all times.<br>(2) A regular meeting of the Internal Control Management Committee has been held twice in the first half and once in the second half of each fiscal year to understand the status of implementation of measures against risks the Group has through activities of sub-committees under said Committee, namely, J-SOX Committee, Compliance Committee, Information Security Committee and Environmental Committee, and necessary actions have been instructed to be taken at the meetings. In response to the Supervisory Disposition and other measures taken under the Construction Business Act, the Committee has been providing instructions on necessary measures by regularly reviewing the status of management of risks associated with breach of the Construction Business Act.<br>(3) A regular meeting of the Compliance Committee has been held once in the first half and once in the second half of each fiscal year to deliberate, among other things, the ways to handle high priority compliance risks of the Group. Furthermore, to enhance and promote the Company's compliance system, the Company has appointed Compliance Manager and Manager at each Business Group and Branch Office and subsidiary of the Company.<br>(4) As for the status of implementation of major training concerning compliance and other issues, the Company has been providing employees of the Group with education by such means as holding workshops concerning legal mind and compliance at each job rank and providing training concerning Antimonopoly Act, Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and Construction Business Act as well as agreements and contracts and other relevant subjects. In addition, e-learning system covering Competition Law and subjects related to anti-corruption has been implemented for officers and the management staff of the Group.<br>(5) The Internal Auditing Division has been conducting internal audits of the Group in accordance with the audit plan and reporting the results to the Executive Committee.<br>(6) As an internal reporting system, the Company has established the Internal Reporting Desk to which illegal, unfair or inappropriate actions by the Group can be reported in accordance with the Compliance Internal Reporting System Regulations, and necessary investigation has been conducted and measures have been taken. The Company also has been internally publishing and informing its employees of the purpose of internal reporting system and the fact that whistle-blowers would be protected. Furthermore, the Company established the Internal Reporting Desk Independent of Management to which any breach of law and other misconduct of Directors and Executive Officers in relation to the performance of their duties can be directly reported to the Audit Committee members, and the internal reporting system has been strengthened. |

| | |
|---|---|
| 5. System to ensure the appropriateness of business operations within the corporate group comprising the Company, its parent company and subsidiaries | (1) Arrangement with the parent company<br>In terms of transactions with the parent company, checks have been conducted by not only sales divisions but also management divisions. The status of transactions with the parent company has been reported to the Executive Committee and the Board of Directors, and it has been confirmed that they did not adversely affect shareholders' common interest.<br>(2) Management system of subsidiaries<br>1) The Company, through its Executive Committee (or the Board of Directors for actions involving an amount beyond certain threshold) has been deliberating and making decisions on the approval of important actions taken by subsidiaries such as reorganization and investment. Additionally, the Company's Internal Auditing Division has been periodically conducting audits concerning the operation in general, and its Audit Committee has been conducting investigation and physical inspection of subsidiaries based on material audit items.<br>2) The Company has dispatched Directors and Auditors to subsidiaries and has them supervise and audit the execution of operations. The Company also has provided education to dispatched Directors and Auditors regarding their duties and legal responsibilities.<br>3) The Company including its subsidiaries has been making efforts to build a risk management system and to operate the important management division system, to collect information and conduct investigation through internal reporting system and to enforce the strict observance of the law by conducting education by such means as holding workshops at each job rank and compliance training.<br>4) The Company has established “Hitachi High-Tech Group Code of Conduct” setting out corporate ethics of the Group and principles of legal compliance and has been making efforts to continuously inform employees of this Code of Conduct through various means including training, in order to carry out fair business activities in accordance with this Code of Conduct. |
| 6. Matters concerning Directors and employees who assist the duties of the Audit Committee of the Company | The Company has appointed two full-time staff in charge of the Audit Committee to assist the Audit Committee in their duties. |
| 7. Matters concerning independence of Directors and employees mentioned above from Executive Officers and assurance of effectiveness of instructions given to said employees | The staff in charge of the Audit Committee are not concurrently assigned to any other position of any division and only follow the orders of the members of the Audit Committee in carrying out their tasks. |

| | |
|---|---|
| 8. System concerning reporting to the Audit Committee of the Company and system to ensure that reporting to the Audit Committee will not be subject to disadvantageous treatment | (1) The Executive Committee of the Company has been reporting the matters presented for deliberation or reported to it to the members of the Audit Committee. In addition, the results of internal audit conducted by the Internal Auditing Division have been reported by the Internal Auditing Division to the members of the Audit Committee.<br>(2) The status of internal reporting of the Group has been reported to the Internal Control Management Committee and the Compliance Committee both of which the full-time members of the Audit Committee attended.<br>(3) The Company has been promptly reporting any request from the Audit Committee and possibility of occurrence of material flaw to the members of the Audit Committee. The Company has also confirmed that no disadvantageous treatment has been given to any person who made such report. |
| 9. Matters relating to the policy regarding the handling of expenses or debts resulting from the execution of the duties of members of the Audit Committee of the Company, including procedures for the advance payment or indemnification of expenses, etc. | Upon request of payment of expenses by a member of the Audit Committee, the Company has been processing the expenses in a prompt manner. |
| 10. Other systems to ensure that audits by the Audit Committee are effectively implemented | (1) The full-time member of the Audit Committee has received explanation regarding the policy of internal audit and implementation plan from the Internal Auditing Division, and provided instructions concerning material audit items. In addition, the members of the Audit Committee have received audit results.<br>(2) The members of the Audit Committee have been periodically holding a meeting with the accounting auditor and receiving accounting audit plan and accounting audit status report and also exchanging opinions on the important audit issues.<br>(3) The full-time member of the Audit Committee has been reporting the status of performance of duties of the Committee including audit results to the Board of Directors. The President and Chief Executive Officer has reflected the results in the execution of business through discussions with the full-time member of the Audit Committee. |

**(Reference) Outline of Analysis, Assessment and Result of Assessment of Effectiveness of the Board of Directors as a Whole**

Starting from FY2015, the Company has assessed the effectiveness of the Board of Directors as a whole to make continuous improvement of its functions and effectiveness by repeating PDCA Cycle by which issues are analyzed from the assessment result and the result of analysis is utilized for the improvement.

1. Details of Assessment conducted in FY2018
   (1) Persons subject to assessment: All seven Directors of the Company who were elected at the 99th Ordinary General Meeting of Shareholders held on June 22, 2018 and assumed the position
   (2) Period of assessment: From November 2017 to December 2018.
   (3) Outline of assessment process: After conducting a questionnaire survey, each Director was interviewed by the Secretariat of the Board of Directors to confirm the intent, background, etc. of his/her responses. Discussions were made regarding the assessment results and improvement policies at the meetings of the Board of Directors held on March 27, 2019 and April 25, 2019.
   (4) Items in Questionnaire: Questions including “Structure of the Board of Directors,” “Role and Responsibilities of the Board of Directors,” “Operation of the Board of Directors,” “Relationship with Investors and Shareholders” and “Committee Assessment” and Comments section for free comments. Opinions that are not included in the question items were checked in the free entry field and individual interviews.

2. Results of Analysis of FY2018 Assessment and Efforts for Improvement of Effectiveness

With regard to the items requiring improvement in FY2017, namely enhancing discussions on the major directions to be taken by the Company as a whole and medium- to long-term strategies for the purpose of ensuring sustained growth and the medium- to long-term improvement of corporate value, improvement of reports on the status of development of Executive Officers and their selection process, and continuous examination of the compensation policy and compensation system, the result of the assessment was that the Board of Directors has performed its functions in a proper manner and that the Board of Directors was functioning effectively as a whole.

Meanwhile, the Board of Directors has determined through this assessment of effectiveness that the priority issues to be addressed would be “continuous examination of medium- to long-term growth strategy” and “improvement of information delivery to stakeholders” and decided to address those issues for the purpose of ensuring sustained growth and the medium- to long-term improvement of corporate value of the Group.

## Consolidated Financial Statements

### Consolidated statement of financial position

| Assets | Fiscal 2018 (As of March 31, 2019) (Millions of yen) | Fiscal 2017 (As of March 31, 2018) (Millions of yen) |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalent | 191,478 | 192,361 |
| Trade receivables | 165,865 | 159,338 |
| Investments in securities and other financial assets | 27,477 | 20,797 |
| Inventories | 137,738 | 116,526 |
| Income taxes receivable | 308 | 424 |
| Other current assets | 7,578 | 6,090 |
| Subtotal | 530,444 | 495,537 |
| Assets held for sale | 879 | - |
| **Total current assets** | **531,323** | **495,537** |
| **Non-current assets** | | |
| Property, plant and equipment | 78,451 | 73,809 |
| Intangible assets | 18,281 | 16,951 |
| Investments accounted for using the equity method | 1,060 | 1,182 |
| Trade receivables | 1,792 | 896 |
| Investments in Securities and other financial assets | 11,201 | 12,926 |
| Deferred tax assets | 22,901 | 20,749 |
| Other non-current assets | 1,384 | 1,286 |
| **Total non-current assets** | **135,070** | **127,798** |
| **Total assets** | **666,394** | **623,335** |

| Liabilities | Fiscal 2018 (As of March 31, 2019) (Millions of yen) | Fiscal 2017 (As of March 31, 2018) (Millions of yen) |
|---|---|---|
| **Current liabilities** | | |
| Trade payables | 136,751 | 132,091 |
| Other financial liabilities | 16,540 | 18,642 |
| Income tax payable | 7,463 | 5,037 |
| Accrued expenses | 25,769 | 25,409 |
| Advances received | - | 20,960 |
| Contract liabilities | 23,716 | - |
| Provisions | 2,633 | 1,605 |
| Other current liabilities | 46 | 1,778 |
| **Total current liabilities** | **212,918** | **205,521** |
| **Non-current liabilities** | | |
| Other financial liabilities | 162 | 420 |
| Retirement and severance benefits | 24,083 | 23,177 |
| Provisions | 1,657 | 2,059 |
| Deferred tax liabilities | 903 | 821 |
| Other non-current liabilities | 907 | 844 |
| **Total non-current liabilities** | **27,712** | **27,320** |
| **Total liabilities** | **240,630** | **232,841** |
| **Equity** | | |
| **Hitachi High-Technologies Corporations shareholders’ equity** | | |
| Share Capital | 7,938 | 7,938 |
| Capital surplus | 35,662 | 35,662 |
| Retained earnings | 371,388 | 334,931 |
| Accumulated other comprehensive income | 10,417 | 11,894 |
| Treasury stock, at cost | (368) | (362) |
| **Total Hitachi High-Technologies Corporations shareholders’ equity** | **425,037** | **390,063** |
| **Non-controlling interests** | **727** | **431** |
| **Total equity** | **425,764** | **390,494** |
| **Total liabilities and equity** | **666,394** | **623,335** |

## Consolidated Statements of Profit or Loss

| | Fiscal 2018<br>(Year ended March 31, 2019)<br>(Millions of yen) | Fiscal 2017<br>(Year ended March 31, 2018)<br>(Millions of yen) |
|---|---|---|
| Revenues | 731,104 | 687,670 |
| Cost of sales | (546,341) | (523,244) |
| **Gross profit** | **184,763** | **164,426** |
| Selling, general and administrative expenses | (118,060) | (108,907) |
| Other income | 1,431 | 1,198 |
| Other expenses | (1,368) | (764) |
| **Operating profit** | **66,767** | **55,953** |
| Financial income | 110 | 163 |
| Financial expenses | (2,793) | (1,103) |
| Share of profits of investments accounted for using the equity method | 143 | 222 |
| **EBIT(Earnings before interest and taxes)** | **64,226** | **55,236** |
| Interest income | 580 | 416 |
| Interest charges | (49) | (64) |
| **Income before income taxes** | **64,758** | **55,588** |
| Income taxes | (15,986) | (14,509) |
| **Net income** | **48,771** | **41,079** |
| Net income attributable to: | | |
| Hitachi High-Technologies Corporation shareholders | 48,417 | 40,882 |
| Non-controlling interests | 354 | 196 |
| **Total** | **48,771** | **41,079** |

## Unconsolidated Financial Statements
### Unconsolidated Balance Sheets

| | Fiscal 2018 (As of March 31, 2019) | Fiscal 2017 (As of March 31, 2018) |
|---|---|---|
| | (Millions of yen) | (Millions of yen) |
| **Assets** | | |
| **Current assets** | **414,595** | **377,416** |
| Cash and deposits | 11,188 | 6,121 |
| Notes receivable | 1,832 | 2,022 |
| Electronically recorded monetary claims-operating | 7,698 | 7,735 |
| Accounts receivable | 114,230 | 104,441 |
| Merchandise and finished goods | 32,793 | 24,596 |
| Work in process | 53,201 | 43,800 |
| Raw materials | 5,540 | 4,098 |
| Advances paid | 3,543 | 2,897 |
| Prepaid expenses | 235 | 207 |
| Short-term loan receivables | 17,987 | 15,451 |
| Deposit to Hitachi Group cash management fund | 158,937 | 157,785 |
| Other | 11,200 | 12,585 |
| Allowance for doubtful receivables | (3,789) | (4,322) |
| **Fixed assets** | **113,890** | **107,536** |
| **Property, plant and equipment** | **59,683** | **54,729** |
| Buildings | 21,205 | 22,185 |
| Structures | 587 | 620 |
| Machinery and equipment | 9,473 | 7,031 |
| Vehicles | 46 | 50 |
| Tools, furniture & fixtures | 11,335 | 8,061 |
| Land | 15,348 | 15,348 |
| Construction in progress | 1,687 | 1,433 |
| **Intangible assets** | **4,090** | **3,460** |
| Patents | 21 | 13 |
| Software | 4,059 | 3,431 |
| Other | 10 | 16 |
| **Investments and others** | **50,118** | **49,348** |
| Investments in securities | 5,871 | 8,063 |
| Affiliated companies' common stock | 23,894 | 20,811 |
| Investments in companies | 131 | 130 |
| Investments in affiliated companies | 3,138 | 4,697 |
| Long-term loan receivables | 198 | 456 |
| Long-term loan receivables to employees | 5 | 7 |
| Past-due operating claims | 101 | 104 |
| Long-term prepaid expenses | 3,021 | 3,396 |
| Deferred tax assets | 11,515 | 9,821 |
| Other | 2,505 | 2,125 |
| Allowance for doubtful receivables | (260) | (263) |
| **Total assets** | **528,485** | **484,953** |

| | Fiscal 2018<br>(As of March 31, 2019) | Fiscal 2017<br>(As of March 31, 2018) |
|---|---|---|
| | (Millions of yen) | (Millions of yen) |
| **Liabilities** | | |
| **Current liabilities** | **181,068** | **169,485** |
| Electronically recorded obligations | 8,481 | 6,159 |
| Accounts payable | 91,447 | 90,875 |
| Other accounts payable | 7,185 | 8,780 |
| Accrued expenses | 13,779 | 13,535 |
| Income taxes | 5,996 | 2,697 |
| Advances received | 12,694 | 8,837 |
| Deposits received | 40,068 | 38,024 |
| Current portion of guarantee deposits received | 457 | 447 |
| Asset retirement obligations | 601 | - |
| Other | 359 | 131 |
| **Long-term liabilities** | **9,546** | **10,213** |
| Deferred tax liabilities for land revaluation | 44 | 44 |
| Accrued pension liability | 9,312 | 9,394 |
| Asset retirement obligations | 174 | 754 |
| Other | 16 | 21 |
| **Total liabilities** | **190,614** | **179,697** |
| | | |
| **Net assets** | | |
| **Shareholders' equity** | **335,871** | **302,078** |
| **Common stock** | **7,938** | **7,938** |
| **Capital surplus** | **35,745** | **35,745** |
| Capital reserve | 35,723 | 35,723 |
| Others | 22 | 22 |
| **Retained earnings** | **292,555** | **258,757** |
| Earned surplus reserve | 1,385 | 1,385 |
| Others | 291,170 | 257,372 |
| Reserve for advanced depreciation of fixed assets | 1,075 | 1,159 |
| General reserve | 236,895 | 215,395 |
| Retained earnings brought forward | 53,200 | 40,818 |
| **Treasury stock** | **(368)** | **(362)** |
| **Valuation and translation adjustments** | **2,001** | **3,177** |
| **Unrealized holding gains on securities** | **1,946** | **2,873** |
| **Deferred profit or loss on hedges** | **(80)** | **170** |
| **Revaluation reserve for land** | **134** | **134** |
| **Total net assets** | **337,872** | **305,255** |
| **Total liabilities and net assets** | **528,485** | **484,953** |

## Unconsolidated Statements of Income

| | Fiscal 2018 (Year ended March 31, 2019) | Fiscal 2017 (Year ended March 31, 2018) |
|---|---|---|
| | (Millions of yen) | |
| **Net sales** | **475,553** | **440,019** |
| Cost of sales | 361,340 | 340,112 |
| **Gross profit** | **114,213** | **99,908** |
| Selling, general and administrative expenses | 72,096 | 65,911 |
| **Operating income** | **42,117** | **33,996** |
| **Other income** | **17,534** | **8,406** |
| Interest income | 398 | 266 |
| Dividends income | 16,276 | 7,212 |
| Reversal of allowance for doubtful accounts for affiliated companies | 149 | 488 |
| Other | 711 | 440 |
| **Other deductions** | **2,111** | **1,336** |
| Interest expenses | 380 | 380 |
| Foreign exchange losses | 924 | 663 |
| Loss on disposal of property, plant and equipment | 742 | 239 |
| Other | 64 | 52 |
| **Ordinary income** | **57,540** | **41,067** |
| **Extraordinary gain** | **64** | **4,540** |
| Gain on sales of property, plant and equipment | - | 775 |
| Gain on sales of investments in securities | 64 | 3,764 |
| **Extraordinary loss** | **1,385** | **624** |
| Impairment losses | 120 | 152 |
| Loss on devaluation of investments in securities | 1,265 | 472 |
| **Income before income taxes** | **56,220** | **44,983** |
| Income taxes-current | 11,222 | 8,654 |
| Income taxes-deferred | (1,178) | 476 |
| **Net income** | **46,175** | **35,853** |

## Audit Report

## Transcript of Accounting Auditors' Audit Report on Consolidated Financial Statements

### INDEPENDENT AUDITORS' REPORT

May 14, 2019

To Mr. Masahiro Miyazaki, President and Chief Executive Officer
Hitachi High-Technologies Corporation

Ernst & Young ShinNihon LLC
Designated Limited Liability Partner
Managing Partner CPA Takayuki Ozaki
Designated Limited Liability Partner
Managing Partner CPA Satoshi Udagawa

We have audited the consolidated statements, which comprise the consolidated statement of financial position, the consolidated statements of profit or loss, the consolidated statements of changes in equity, and the notes to the consolidated financial statements of Hitachi High-Technologies Corporation for the business year (from April 1, 2018 to March 31, 2019) for the purpose of reporting under Article 444, Paragraph 4 of the Companies Act.

Management's Responsibility for Consolidated Financial Statement

Management is responsible for the preparation and proper presentation of consolidated financial statements in accordance with the second sentence of Article 120, paragraph 1 of the Ordinance on Accounting of Companies permitting consolidated financial statements to be prepared by omitting some of the items required to be disclosed by the international accounting standards. This responsibility includes designing and operating internal controls, which management considers necessary for the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements from an independent viewpoint, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures select and apply depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the accounting policies used and the manner of their application, as well as the accounting estimates made by management, in addition to evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Opinion

In our opinion, the consolidated financial statements referred to above, which had been prepared in accordance with the second sentence of Article 120, paragraph 1 of the Ordinance on Accounting of Companies permitting consolidated financial statements to be prepared by omitting some of the items required to be disclosed by the international accounting standards, presented fairly, in every significant aspect, the financial position and the results of operations of the Company and its consolidated subsidiaries for the period of the consolidated financial statements.

Relationship of Interest

We have no interest in the Company which should be disclosed pursuant to the provision of the Certified Public Accountants Act.

## Transcript of Accounting Auditors' Audit Report on Unconsolidated Financial Statements

### INDEPENDENT AUDITORS' REPORT

May 14, 2019

To Mr. Masahiro Miyazaki, President and Chief Executive Officer
Hitachi High-Technologies Corporation

Ernst & Young ShinNihon LLC
Designated Limited Liability Partner
Managing Partner CPA Takayuki Ozaki
Designated Limited Liability Partner
Managing Partner CPA Satoshi Udagawa

We have audited the unconsolidated financial statements, which comprise the unconsolidated balance sheets, the unconsolidated statements of income, the unconsolidated statements of changes in net assets, the notes to the unconsolidated financial statements and their annexed detailed statements of Hitachi High-Technologies Corporation for the 100th business term (from April 1, 2018 to March 31, 2019) pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act.

Management's Responsibility for Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of unconsolidated financial statements and their annexed detailed statements in accordance with generally accepted accounting standards in Japan. This responsibility includes designing and operating internal controls, which management considers necessary for the preparation and fair presentation of unconsolidated financial statements and their annexed detailed statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements and their annexed detailed statements from an independent viewpoint, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the unconsolidated financial statements and their annexed detailed statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements and their annexed detailed statements. The procedures select and apply depend on the auditors' judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements and their annexed detailed statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the unconsolidated financial statements and their annexed detailed statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the accounting policies used and the manner of their application, as well as the accounting estimates made by management, in addition to evaluating the overall presentation of the unconsolidated financial statements and their annexed detailed statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Opinion

In our opinion, the unconsolidated financial statements and their annexed detailed statements referred to above presented fairly, in every significant aspect, the financial position and the results of operations of the Company for the period of the unconsolidated financial statements and their annexed detailed statements based on the corporate accounting standards generally accepted in Japan.

Relationship of Interest

We have no interest in the Company which should be disclosed pursuant to the provision of the Certified Public Accountants Act.

## Transcript of Audit Committee's Audit Report

**AUDIT REPORT**

We, the Audit Committee of the Company, audited the performance by Directors and Executive Officers of their duties during the 100th business term (from April 1, 2018 to March 31, 2019). We hereby report as follows on the method and results thereof:

1. Method and Contents of Audit

(1) We received reports from the Directors, Executive Officers and employees on the contents of the of the resolutions of the Board of Directors concerning the matters as listed in Article 416, Paragraph 1, Item 1 (ro) and (ho) of the Companies Act, and the structure and the status of operation of the systems (internal control systems) established thereunder, requested explanations, and expressed opinions, as necessary.

(2) We conducted the following activities in collaboration with relevant departments in accordance with the audit policy, audit plan, and other relevant matters, as determined by the Audit Committee.

1) We attended important meetings and received reports from and conducted interviews with Directors and Executive Officers on the execution of their duties.
2) We inspected important decision documents, etc.
3) We made investigations into the state of activities and property at the head office and the principle business offices of the Company.
4) We communicated and exchanged information with Directors, Company Auditors and other officers of subsidiaries, and received reports from or conducted interviews with subsidiaries about their business operation.

(3) We received reports on the status of internal control from the internal auditing division and other relevant departments, requested explanations, and expressed opinions, as necessary.

(4) With respect to the transactions with the parent company, etc. pursuant to Article 118, Item 5 (i) of the Ordinance for Enforcement of the Companies Act stated in the Business Report, we reviewed the content of the consideration made for such transactions so as not to harm the Company's interests, as well as the judgment of the Board of Directors on whether or not the transactions stated in Item 5 (ro) harm the Company's interests and the basis of such judgment, considering the status, etc. of deliberations at the Board of Directors and other meetings.

(5) We monitored and examined whether the Accounting Auditors maintained their independence and performed their auditing duties adequately, as well as received reports from the Accounting Auditors on the performance status of their duties and requested explanations as necessary. We also received a notice from the Accounting Auditors to the effect that "structures for ensuring that duties are appropriately performed" (matters stipulated in each item under Article 131 of the Regulations of Companies' Financial Statements) were being developed pursuant to the "Quality Management Standards for Auditing" (Business Accounting Council, October 28, 2005) and requested explanations as necessary.

(6) With respect to internal controls for financial reporting, we received reports from Executive Officers, etc. and Accounting Auditor about the status of evaluation and audit of such internal controls and requested explanations as necessary.

We audited the business reports and their annexed detailed statements, the consolidated financial statement (the consolidated statement of financial position, the consolidated statements of profit or loss, the consolidated statements of changes in equity, and the notes to consolidated financial statements) and the unconsolidated financial statements (the unconsolidated balance sheets, the unconsolidated statements of income, the unconsolidated statements of changes in net assets, and the notes to unconsolidated financial statements), and their annexed detailed statements for this business term in accordance with the foregoing method.

2. Results of Audit

(1) Results of Audit on Business Report, etc.

We are of the opinion:

1) that the Business Report and its annexed detailed statements fairly present the state of the Company in accordance with the laws, regulations and the Articles of Incorporation.
2) that, in connection with the performance by Directors and Executive Officers of their duties, no dishonest act or material fact of violation of laws, regulations or the Articles of Incorporation exists.
3) that the contents of the resolution by the Board of Directors concerning internal control systems are appropriate. Further, there is nothing to note with respect to the contents of the description of said internal control systems in the Business Report and the performance by Directors and Executive Officers of their duties related to said internal control systems, including internal controls for financial reporting.
4) As stated in the Business Report, the Company has been continuously implementing recurrence prevention measures in relation to the supervisory dispositions it received on January 13, 2016 from Kanto Regional Development Bureau, the Ministry of Land, Infrastructure, Transport and Tourism, under the Construction Business Act. The Audit Committee continuously monitors the situation by attending relevant meetings, etc.
5) that there is nothing to note with respect to considerations made to prevent any adverse effect on the interest of the Company in carrying out transactions with the parent company, etc. as stated in the Business Report and the decisions made by the Board of Directors as to whether such transactions did not adversely affect the interest of the Company and its reasons.

(2) Results of Audit on Consolidated Financial Statements and Unconsolidated Financial Statements and Their Annexed detailed statements

We are of the opinion that the method and results of the audit made by the Company's Accounting Auditors, Ernst & Young ShinNihon LLC are appropriate.

May 20, 2019

Audit Committee, Hitachi High-Technologies Corporation

| | |
|---|---|
| Committee member (full-time) | Ryuichi Nakashima |
| Committee member | Hiromichi Toda |
| Committee member | Yuji Nishimi |
| Committee member | Mayumi Tamura |

Note: Mr. Hiromichi Toda, Mr. Yuji Nishimi and Ms. Mayumi Tamura are Outside Directors pursuant to Article 2, Item 15 of the Companies Act.

(Translation)

# Matters for Internet Disclosure of the 100th Ordinary General Meeting of Shareholders



Hitachi High-Technologies Corporation

The above documents and matters are posted on the Company's website to provide necessary information to our shareholders in accordance with the provisions of applicable laws, regulations and the Articles of Incorporation of the Company.

**Business Report**
**Summary of Resolution of Board of Directors on Enhancing Structures and Other Things to Ensure Adequacy of Business Operations**

| Item | Outline of status of operation |
|---|---|
| 1. System related to storage and management of information associated with execution of duties by Executive Officers of the Company | (1) Approval documents shall be permanently stored under Document Storage Rules.<br>(2) Filing, retention, storage or disposal of documents shall be handled with precision according to the Document Storage Rules and other related rules. |
| 2. Provisions related to management of risk of loss and other systems of the Company | (1) The Company shall establish Risk Management Regulations and develop a system to properly identify and manage risks.<br>(2) The Company shall set up the position of Chief Risk management Officer (the "CRO") in charge of overseeing risks as group-wide risks, determine the division in charge of the risks in consideration of their attributes, and develop a framework for dealing with such risks at each Committee and each division.<br>(3) The CRO shall be responsible for communicating information in a speedy and appropriate manner in the event of an emergency and setting up an emergency task force. |
| 3. System to ensure efficient execution of duties by Executive Officers of the Company | (1) When making important decisions, Executive Officers shall engage in deliberations at the Executive Committee, in accordance with the Executive Committee Regulations.<br>(2) The Company shall check and improve the business promotion status through management control processes.<br>(3) The Internal Auditing Division shall conduct internal audits to verify the effective utilization of management resources, and the results shall be reported to the Executive Committee to reflect them on the execution of business.<br>(4) Members of the Audit Committee shall attend important internal meetings as observers, in addition to conducting investigation or physical inspection including subsidiaries, collect information necessary for investigation or physical inspection and provide advice from the viewpoint of management efficiency where necessary. |
| 4. System to ensure that the execution of duties by Executive Officers and Employees of the Company conforms to laws and regulations and the Articles of Incorporation | (1) Strict observance of the laws shall be the premise of all corporate activities in accordance with the "Corporate Vision" and "Hitachi High-Tech Group Code of Conduct," and these rules shall be made available for perusal at all times.<br>(2) The Company shall establish an Internal Control Management Committee, which will be chaired by the CRO, that oversees compliance and group-wide risks, and reinforce compliance with laws and regulations by the Executive Officers and employees. In addition, the Internal Control Management Committee, by conducting training that takes into account the attributes of the organization, shall operate the "Priority management division system," for the purpose of preventing violations of laws, regulations and internal rules, and the recurrence thereof.<br>(3) The Company shall establish a Compliance Committee, which will be chaired by the Executive Officer in Charge of Compliance and Risk Management. In addition, the Company shall appoint a person in charge of compliance for each Business Group and Branch Office to enhance and promote the compliance system.<br>(4) In-house workshops shall be periodically held by divisions in charge of legal affairs.<br>(5) The Internal Auditing Division shall conduct internal audits to identify whether duties are executed in compliance with laws and regulations as well as the Articles of Incorporation and report the results to the Executive Committee and provide feedback to the relevant parties to reflect the same in the execution of their duties.<br>(6) Information shall be gathered and investigation shall be |

| | |
|---|---|
| | conducted based on the internal reporting system. |
| 5. System to ensure the appropriateness of business operations within the corporate group comprising the Company, its parent company and subsidiaries | (1) Arrangement with parent company<br>In terms of transactions with the parent company, checks shall be conducted by not only sales divisions but by multiple divisions. In addition, these transactions shall be audited by the parent company and proper feedback concerning the audit results shall be received.<br>(2) Management system of subsidiaries<br>1) The Company shall periodically receive reports on the execution of operations and financial position. Material actions of its subsidiaries shall also be subject to deliberation by or reporting to the Company in accordance with the Company's internal rules including Approval Standards. Furthermore, the Company shall check the progress of its subsidiaries' businesses through medium-term business plans, annual budgets and other means and make improvements.<br>2) The Internal Auditing Division shall periodically conduct audits on the subsidiaries.<br>3) The Audit Committee shall conduct audits on the subsidiaries based on material audit items.<br>4) The Company shall dispatch Directors and Auditors to subsidiaries and have them supervise and audit the execution of operations and provide education to such dispatched Directors and Auditors.<br>5) The Internal Control Management Committee shall establish a risk management structure including subsidiaries and the "Priority management division system" shall be operated including subsidiaries in its scope.<br>6) Information shall be gathered and investigation shall be conducted based on the internal reporting system, which will include the subsidiaries.<br>7) The Company shall thoroughly enforce the strict observance of the law by conducting education by such means as holding workshops at each job rank and compliance training. Additionally, the Company shall appoint a person in charge of compliance at each subsidiary.<br>8) The "Hitachi High-Tech Group Code of Conduct" to be applied to the Group shall be established, and corporate activities that are rooted in corporate ethics and compliance in line with "Basics and Ethics" shall be conducted. |
| 6. Matters concerning Directors and employees who assist the duties of the Audit Committee of the Company | (1) The Company shall establish a Board of Directors Office and appoint Audit Committee staff, who will belong to the Board of Directors Office. The Audit Committee staff shall assist the duties of the Audit Committee.<br>(2) As the need arises, the Internal Auditing Division and administrative divisions shall assist with the duties of the Audit Committee. |
| 7. Matters concerning independence of Directors and employees mentioned above from Executive Officers and assurance of effectiveness of instructions given to said employees | (1) The Audit Committee shall receive a report on personnel reshuffling regarding the Audit Committee staff in advance. If an Audit Committee staff is to be disciplined, the Executive Officer in charge of Human Resources and General Affairs shall obtain approval from the Audit Committee in advance.<br>(2) Audit Committee staff members shall not serve concurrently as employees of another division and shall only follow the orders of the members of the Audit Committee. |
| 8. System concerning reporting to the Audit Committee of the Company and system to ensure that reporting to the Audit Committee will not be subject to disadvantageous treatment | (1) Agenda items of the Company and subsidiaries put forward for deliberation or reported at meetings of the Executive Committee shall be reported to members of the Audit Committee without delay. Results of internal audits conducted by the Internal Auditing Division on the Company and subsidiaries shall be reported without delay to members of the Audit Committee. |

| | |
|---|---|
| | (2) The status of reporting, through the internal reporting systems of the Company and subsidiaries, especially matters of particular importance, shall be reported to members of the Audit Committee.<br>(3) When a report on the execution of operations of the Company or subsidiaries is requested by members of the Audit Committee, or there is a risk of occurrence of a material deficiency at the Company or subsidiaries, a report shall be made promptly to members of the Audit Committee.<br>(4) Persons who have made reports described in (1) to (3) above shall not be subject to disadvantageous treatment on the grounds of having made such reports. |
| 9. Matters relating to the policy regarding the handling of expenses or debts resulting from the execution of the duties of members of the Audit Committee of the Company, including procedures for the advance payment or indemnification of expenses, etc. | (1) When advance payment of expenses or other payment is requested by members of the Audit Committee, the Company shall promptly process the expense or debt except for cases that the expense is obviously deemed unnecessary for the execution of duties by the member of the Audit Committee in question. |
| 10. Other systems to ensure that audits by the Audit Committee are effectively implemented | (1) The Audit Committee shall utilize the Internal Auditing Division in charge of internal audits and the accounting auditor as necessary, such as entrusting them with some audit matters and receiving reports on the results of the audits, and conduct audits through collaborative efforts.<br>(2) The results of audits conducted by the Audit Committee and the Internal Auditing Division shall be reported to the Board of Directors and shall be reflected in the execution of the relevant parties' duties. |

Note: The above represents the outline of details of the resolutions of the meeting of the Board of Directors held on April 25, 2019.

**Consolidated Statements of Changes in Equity**

FY2018 (under review) (April 1, 2018 to March 31, 2019) (Millions of yen)

| | Common stock | Capital surplus | Retained earnings | Accumulated other comprehensive income | | |
|---|---|---|---|---|---|---|
| | | | | Net change in financial assets measured at fair value through other comprehensive income | Remeasurement on defined benefit plan | Exchange differences on translation of foreign operations |
| Balance at April 1, 2018 | 7,938 | 35,662 | 334,931 | 2,601 | 5,307 | 3,825 |
| Cumulative effect of accounting change | | | 75 | | | |
| Restated balance at beginning of period | 7,938 | 35,662 | 335,007 | 2,601 | 5,307 | 3,825 |
| Net income | | | 48,417 | | | |
| Other comprehensive income | | | | (334) | (193) | (329) |
| Comprehensive income for the year | - | - | 48,417 | (334) | (193) | (329) |
| Acquisition of treasury stock | | (0) | | | | |
| Disposal of treasury stock | | 0 | | | | |
| Cash dividends | | | (12,377) | | | |
| Acquisition and disposition of non-controlling interests | | | | | | |
| Transfer to retained earnings | | | 341 | (341) | | |
| Total amount of transactions with owners | - | 0 | (12,036) | (341) | - | - |
| Balance at March 31, 2019 | 7,938 | 35,662 | 371,388 | 1,925 | 5,114 | 3,496 |

| | Accumulated other comprehensive income | | Treasury stock | Total Hitachi High-Technologies Corporation shareholders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| | Net changes in the fair value of cash flow hedges | Total accumulated other comprehensive income | | | | |
| Balance at April 1, 2018 | 161 | 11,894 | (362) | 390,063 | 431 | 390,494 |
| Cumulative effect of accounting change | | - | | 75 | | 75 |
| Restated balance at beginning of period | 161 | 11,894 | (362) | 390,139 | 431 | 390,569 |
| Net income | | - | | 48,417 | 354 | 48,771 |
| Other comprehensive income | (279) | (1,136) | | (1,136) | (16) | (1,151) |
| Comprehensive income for the year | (279) | (1,136) | - | 47,282 | 338 | 47,620 |
| Acquisition of treasury stock | | - | (6) | (6) | | (6) |
| Disposal of treasury stock | | - | 0 | 0 | | 0 |
| Cash dividends | | - | | (12,377) | (96) | (12,474) |
| Acquisition and disposition of non-controlling interests | | - | | - | 54 | 54 |
| Transfer to retained earnings | | (341) | | - | | - |
| Total amount of transactions with owners | - | (341) | (6) | (12,383) | (42) | (12,425) |
| Balance at March 31, 2019 | (119) | 10,417 | (368) | 425,037 | 727 | 425,764 |

**Notes to Consolidated Financial Statements**

**1. All figures are rounded off to the nearest million yen.**

**2. Notes concerning important matters serving as basis of preparation of consolidated financial statements**

**(1) Standards for the preparation of consolidated financial statements**

Consolidated financial statements of the Company and its subsidiaries (hereinafter, the "Group") are prepared in accordance with the International Financial Reporting Standards (hereinafter, the "IFRS") under Article 120, paragraph 1 of the Accounting Calculation Rules.

However, in accordance with the provision of the second sentence of the aforementioned paragraph, some part of statements and notes required under IFRS is omitted.

**(2) Scope of consolidation**

**Number of consolidated subsidiaries: 41**

Name of companies: Hitachi High-Tech Solutions Corporation, Hitachi High-Tech Materials Corporation, Hitachi High-Tech Fielding Corporation, Hitachi High-Tech Fine Systems Corporation, Hitachi High-Tech Manufacturing & Service Corporation, Hitachi High-Tech Science Corporation, Hitachi High Technologies America, Inc., Hitachi High-Technologies Europe GmbH, Hitachi High-Technologies (Singapore) Pte. Ltd., Hitachi High-Technologies (Thailand) Ltd., Hitachi High-Technologies (Shanghai) Co., Ltd., Hitachi High-Tech Diagnostics (Shanghai) Co., Ltd., Hitachi High-Technologies Hong Kong Limited, Hitachi High-Technologies Korea Co., Ltd., Hitachi High-Technologies Taiwan Corporation and 26 other companies

Smart Factory & Services Holdings (Thailand) Co., Ltd. and Hitachi High-Tech Amata Smart Services Co., Ltd. were newly established on May 25, 2018 and June 11, 2018, respectively, and they are included in the scope of consolidation starting from the consolidated fiscal year under review.

Applied Physics Technologies, Inc. is included in the scope of consolidation starting from the consolidated fiscal year under review, due to the acquisition of all shares of said company as of January 15, 2019.

**(3) Application of equity method**

**1) Number of affiliates accounted for by the equity method: 5**

Name of companies: Giesecke & Devrient K.K., Chorus Call Asia Corporation and three other companies

Changzhou KTH International Trading Co., Ltd. was established on June 15, 2018 and is included in the scope of affiliates accounted for by the equity method starting from the consolidated fiscal year under review.

**2) Matters to note regarding procedures for the application of the equity method**

The fiscal year for Giesecke & Devrient K.K. and two other company ends on December 31, and the fiscal year for Chorus Call Asia Corporation ends on November 30.

Financial statements as of March 31, 2018 prepared by provisionally settling accounts in accordance with the annual closing of accounts have been used.

**(4) End of fiscal year, etc. of consolidated subsidiaries**

The following consolidated subsidiaries have a different fiscal year end from the consolidated fiscal year end.

Name of companies: Hitachi High-Technologies (Shanghai) Co., Ltd. and 10 other companies

End of fiscal year: December 31

Consolidation procedures have been taken based on financial statements as of March 31, 2019 prepared by provisionally settling accounts in accordance with the annual closing of accounts.

**(5) Accounting standards**

**1) Basis and method of valuation of significant assets**

(i) Standards and method of valuation of financial assets

While the Group previously adopted IFRS 9 Financial Instruments (published in November 2009 and revised in October 2010), it has adopted IFRS 9 Financial Instruments (revised in July 2014) since the beginning of the consolidated fiscal year under review. IFRS 9 Financial Instruments (revised in July 2014) uses revised classification and measurements of hedge accounting and financial instruments, and adopts the model of expected credit loss impairment of financial assets. With the application of the standard, some policies regarding the impairment of non-derivative financial assets, and derivative and hedge accounting have been changed and added. The outline of IFRS 9 Financial Instruments (revised in July 2014) following the application of the standard is as follows.

The effect of adopting this standard on the Group’s financial position and operating results is immaterial.

- Non-derivative financial assets

At the Group, the initial recognition of financial assets is made at the time they occur for those measured at amortized cost, or on the settlement day for other financial assets.

An outline of classifications and measurement model of non-derivative financial assets is as follows.

Financial assets measured at amortized cost

Financial assets that satisfy both of the following requirements are classified as financial assets measured at amortized cost.

- The objective of the Company's business model is to hold the asset to collect contractual cash flow; and
- The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The initial recognition of financial assets measured at amortized cost is made at the fair value added by transaction costs. Furthermore, after the initial recognition, these assets are measured at amortized cost using the effective interest method.

Financial assets measured at fair value for which subsequent changes are recognized as net profit or loss (hereinafter, “FVTPL”)

At the Group, financial assets not classified as financial assets measured at amortized cost, which are measured at fair value and are not designated as financial assets at FVTOCI are classified as financial assets at FVTPL.

Financial assets at FVTPL are measured at fair value at the time of initial recognition, and transaction costs are recognized as net profit or loss as incurred. Furthermore, after the initial recognition, they are measured at fair value and any subsequent changes are recognized as net profit or loss.

Financial assets measured at fair value for which subsequent changes are recognized as other comprehensive income (hereinafter, “FVTOCI”)

For investments in equity instruments made to create close relationship with the investee, the Group makes irrevocable election at initial recognition for each financial asset to designate a financial asset as financial asset at FVTOCI.

The initial recognition of financial asset at FVTOCI is made at the amount of fair value added by transaction costs. Furthermore, after the initial recognition, they are measured at fair value and any subsequent changes are recognized as other comprehensive income. The aggregate amount recognized as other comprehensive income is transferred to retained earnings at the time recognition of the financial asset ends. Dividends are recognized as net profit or loss.

Impairment of financial assets

The Group conducts periodical measurement at least every quarter regarding the allowance for doubtful accounts on expected credit losses of financial assets, trade receivables, contract assets, and other receivables measured at amortized cost, according to whether a significant increase in credit risk occurs after initial recognition. If a significant increase in credit risk occurs after initial recognition, the allowance for doubtful accounts is measured at the amount equal to lifetime expected credit losses for the expected remaining period of the financial assets. If not, the allowance for doubtful accounts is measured at the amount equal to the expected credit losses incurred in the next 12 months after the end of the fiscal year. Meanwhile, trade receivables and contract assets are always measured at the amount equal to lifetime expected credit losses.

The Group determines whether a significant increase in credit risk has occurred based on the change in the risk of the occurrence of default. “Default” is defined as the state where a significant problem has occurred in the borrower’s payments of contractual cash flow and no reasonable expectation of recovering the financial asset or a portion thereof exists. To determine whether there is a change in the risk of the occurrence of default, consideration is mainly given to information on negative ratings by external credit agencies and past due history and other related information.

Expected credit losses are measured by the weighted average of outcomes obtained by the discounted pre-

sent value of the difference between total cash flow payable under the contract and total estimated future cash flow on the financial assets weighted by the probability of their occurrence.
In cases where there is one or more events representing the deterioration in the financial condition and lower evaluation of operating performance, such as past due history, extension of payment period, negative ratings by external credit agencies, and insolvency, the financial assets are individually evaluated as those which are “credit-impaired” and expected credit losses are measured based on the past loss allowance, future recoverable amount and other related indicators. For financial assets that are not credit-impaired, expected credit losses are measured by the collective assessment based on the allowance rate, which is adjusted based on the current and future economic condition, etc. and, where necessary, the past loss allowance history.
Expected credit losses of financial assets, trade receivables and contract assets measured at amortized cost are deducted from the book value of the financial asset directly or through the allowance for doubtful accounts, and changes of expected credit losses are recognized in net losses as impairment losses. If a financial asset is believed to be almost unrecoverable because all the means of collections are used up, it is judged that no reasonable expectation of recovering the financial asset or a portion thereof exists, and the asset is directly written off.

Derecognition of financial assets
When contractual rights to cash flow from the financial assets expire or when contractual rights to receive cash flow generated from the financial assets are transferred in a transaction where substantially all the risks and rewards of ownership of those financial assets are transferred, the Group derecognizes the financial assets.

- Non-derivative financial liabilities

At the Group, non-derivative financial liabilities are classified as financial liabilities measured wholly at amortized cost and their initial recognition is made at the time they occur. The initial recognition of financial liabilities measured at amortized cost is made at the fair value minus transaction costs. After the initial recognition, these liabilities are measured at amortized cost using the effective interest method. Financial liabilities are derecognized when the contractual duties are performed, discharged, forfeited or annulled.

- Offset of financial assets and financial liabilities

The Group holds a legally enforceable right to set off recognized amounts of financial assets and financial liabilities. In addition, when the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously, the offset amounts are presented as a net amount.

(ii) Standards and method of valuation of inventory assets
The acquisition costs of inventory assets include cost of purchase, processing cost and all other costs occurred up to the time the inventory assets arrive at the current place and condition.
Inventory assets are measured at the lower of acquisition cost and net realizable value, and in calculating the cost, moving-average method is primarily used for merchandise, products and raw materials, and specific identification method is primarily used for goods in progress. Net realizable value is the amount calculated by subtracting estimated cost to complete and sell the goods from the estimated selling price in the ordinary course of business.

**2) Standards and method of valuation and amortization method of property, plant and equipment and intangible assets**
(i) Property, plant and equipment
Property, plant and equipment are measured based on the cost model under which the value is indicated by the cost of acquisition less accumulated depreciation and impairment losses.
The acquisition cost includes expenses directly related to the acquisition of the asset, demolition, removal and cost to restore to its original state.
Except land and other assets to which depreciation does not apply, each asset is depreciated by the straight-line method over the estimated useful life. The estimated useful life of each major asset is as shown below.

- Buildings and structures 2 years to 60 years
- Machineries and transportation equipment 2 years to 17 years
- Tools, furniture and fixtures 2 years to 20 years

Estimated useful life, depreciation method, etc. are reviewed at the end of each fiscal year, and if any change is made, such change is adopted for the future as changes in accounting estimation.

(ii) Intangible assets

- Goodwill

  Goodwill is indicated at the value of the acquisition cost less accumulated impairment losses. No amortization is made for goodwill.

- Intangible assets

  Intangible assets are measured based on the cost model under which the value is indicated by the cost of acquisition less accumulated depreciation and impairment losses.

  Intangible assets acquired individually are measured at the cost of acquisition at the initial recognition, and the acquisition cost of intangible assets acquired in business combination is measured at fair value as of the day of acquisition.

  Intangible assets with finite useful lives are amortized primarily based on the straight-line method over the estimated useful lives.

  No amortization is made for intangible assets with infinite useful lives. Estimated useful life of each major asset is as shown below.

| | |
|---|---|
| Software | 2 years to 5 years |
| Other intangible assets | 3 years to 20 years |

  Estimated useful life, depreciation method, etc. are reviewed at the end of each fiscal year, and if any change is made, such change is adopted for the future as changes in accounting estimation.

(iii) Lease assets

Leases by which risks associated with the ownership and economic values of the assets are substantially transferred under the relevant contract are classified as finance lease.

The initial recognition of lease assets is made at the lower of fair value or the total minimum lease fee paid, and after the initial recognition, they are processed based on the accounting policy applicable to the assets.

(iv) Impairment losses

Whether or not there is any indication of impairment is judged for each asset, and if there is any indication of impairment, impairment test is conducted for the asset. Recoverable values are estimated and impairment test is conducted annually for goodwill and intangible assets with infinite useful lives, regardless of whether there is any indication of impairment.

Recoverable amount of an asset or cash-generating unit is the higher of fair value less costs for disposal and value in use. In calculating the current value in use, estimated future cash flows are discounted by using the pre-tax discount rate that reflects the time value of money and risks specific to the asset or cash-generating unit. If the book value of the asset or cash-generating unit exceeds the recoverable amount, impairment loss of the asset is recognized as net profit or loss.

If there is any indication that any impairment loss for an asset other than goodwill recognized in prior periods has decreased or no longer exists due to significant changes in the assumptions used for the calculation of recoverable amount of the asset, the recoverable amount of such asset or cash-generating unit is estimated. If the recoverable amount calculated exceeds the book value of the asset or cash-generating unit, impairment loss is reversed as net profit or loss, up to the book value of the asset after depreciation assuming that no impairment loss had been recognized in previous years.

**3) Accounting standard for significant allowances**

Allowances are recognized when there are present obligations (legal or constructive) as a result of past events, and outflow of resources with economic benefits to settle the obligations is probable, and further, the amount of such obligations can be estimated reliably.

When it is expected to take a long time to settle the obligation and the time value of money is material, the amount is measured at the present value of the amount of payment estimated to be required for the settlement. In calculating the present value, pre-tax discount rate reflecting the time value of money and risks specific to the obligation is used.

The nature and amount of allowances recognized by the Group are as follows.

(i) Asset removal obligation

In preparation to perform obligation to restore plant facilities, land, etc., used by the Group to its original state and to remove harmful substances, provision for asset removal is recorded based on the estimated future payment calculated based on a third party estimate. These expenses are expected to be paid mainly after the elapse of one year, and will be affected by future business plan, etc.

(ii) Provision for product warranty expensive

To prepare for expenses associated with field services for products of the Group, the projected amount of service expenses within the warranty period is recorded based on the Company's past records. These expenses are spent during the warranty period (mainly within 3 years).

**4) Post-retirement benefit**

(i) Defined benefit plan

The Company and some of its subsidiaries are operating defined benefit corporate pension plan or lump sum retirement allowance plan, or both.

The present value of defined retirement benefit obligation and relevant expenses for retirement benefit are calculated for each plan using the projected unit credit method. The discount rate is calculated by reference to market yields at the end of the reporting period on high quality corporate bonds corresponding to the discount period which is set based on the period in which the obligation to pay benefits arises each year in the future.

Liabilities or assets related to the defined benefit plan are calculated by deducting the fair value of the plan's assets from the present value of the defined benefit plan obligation.

The re-measured amount of liabilities or assets related to the defined benefit plan is recognized as other comprehensive income during the period as incurred and is not transferred to net profit or loss after the period. The past service cost is recognized as net profit or loss during the period as incurred.

(ii) Defined contribution plan

The Company and some of its subsidiaries are operating defined contribution pension plan.

Defined contribution pension plan is a post-retirement benefit plan under which an employer pays fixed contributions into an independent entity and will have no legal or constructive obligation to pay further contributions.

Contributions to the defined contribution pension plan are recognized as net profit or loss for the period during which the employee provided relevant services.

**5) Standards for translation of the amount of foreign currency denominated assets and liabilities to the amount in Japanese currency**

Consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company.

(i) Foreign currency transactions

Each Group company has designated its own functional currency and transactions by each company are measured by its functional currency.

The amount of foreign currency transaction is translated to the amount in the functional currency at the exchange rate on the day of transaction or a rate similar thereto.

The amount of monetary assets and liabilities in foreign currency is translated to the amount in the functional currency at the exchange rate on the settlement day. Translation differences arising from such translation and settlement are recognized as net profit or loss. However, where profit or loss arising from assets and liabilities are recognized as other comprehensive income, translation differences arising from such assets and liabilities are recognized as other comprehensive income.

(ii) Translation of amounts in the financial statements of foreign operations

The amount of assets and liabilities of foreign operations is translated into Japanese yen at the exchange rate on the settlement date, and the amount of income and expenses is translated into Japanese yen at the average exchange rate during the term unless exchange rate during the term fluctuated significantly.

Translation differences arising from this translation of the amount in the financial statements of foreign operations are recognized as other comprehensive income. When the entire interest in a foreign operation is disposed of, or any portion of interest in a foreign operation is disposed of and thereby the company lost control or material influential power, translation differences are recognized as net profit or loss for the period during which accumulated translation differences related to such foreign operation were disposed of.

**6) Derivatives and hedge accounting**

The Group uses foreign exchange forward contracts to hedge cash flow fluctuation related to future foreign currency denominated transactions, and if the requirements of hedge accounting are satisfied, they are designated as cash flow hedge and initial recognition is made at fair value. After the initial recognition, they are measured at fair value, and any portion of subsequent changes that are considered to be effective hedge is recognized as other comprehensive income.

The Group has established risk management policies which expressly provide, among other things, the purpose of using derivatives and strategies. In addition, the Group makes the assessment on whether or not the derivatives are effective to offset impact on hedged future cash flow, at the time of start of hedging and periodically thereafter.

In cases where hedge accounting requirements are not satisfied, or hedging instruments expire, are sold, are concluded or executed, or hedge designation is cancelled, the Group suspends the application of hedge accounting. When expected transaction is no longer expected to occur, the amount recognized as other comprehensive income is immediately transferred to net income and loss.

**7) Recognition of revenue**

From the beginning of the consolidated fiscal year under review, the Group has adopted IFRS 15 "Revenue from Contracts with Customers." IFRS 15 provides a comprehensive and robust framework to handle the principles for revenue recognition. In this standard, an entity measures revenue based on changes in assets and liabilities generated from contracts with customers according to five-step approach, and recognizes revenue upon transferring the control of goods or services to a customer.

Regarding some transactions to provide goods to a customer, the Group previously determined that significant risks and economic values of the goods were transferred to a customer when an inspection was performed by the customer based on the above five-step approach. However, revenue is recognized when the Group determines that goods or services provided to a customer satisfy the specification agreed in the contract upon completion of the installation.

Upon the adoption of this standard, the Group recognizes the cumulative effect of initially applying the new standard at the date of initial application, which is approved as a transitional measure, and recognizes the cumulative effect as an adjustment to the balance of retained earnings at the beginning of the consolidated fiscal year under review as follows.

Compared to when the previous accounting policy was applied, the effects on the consolidated statement of financial position as of the beginning and end of the consolidated fiscal year under review include increases in retained earnings by JPY75 million and JPY100 million, respectively.

Similarly, the effects on the consolidated statements of profit or loss as of the beginning and end of the consolidated fiscal year under review include increases in revenues and income before income taxes by JPY36 million, respectively.

In addition, a portion of goods or services transferred to a customer for which consideration is paid by the customer or before it becomes due minus the amount to be shown as receivables (JPY 144 million) is included in other current assets, being recognized as a contract asset. Its deposit from the customer, which was previously included in advances received, is presented as contract liability.

The Group recognizes revenues based on the following five steps:

Step 1. Identify the contract with a customer.

Step 2. Identify the performance obligations in the contract.

Step 3. Determine the transaction price.

Step 4. Allocate the transaction price to each performance obligation in the contract.

Step 5. Recognize revenue when (or as) a performance obligation is satisfied.

The Group handles diverse transactions in response to each customer request, including transactions in the combination of two or more elements of products and services. When two or more contracts are concluded regarding the provision of products and services, the Group assesses the interdependence of consideration between contracts, the time of conclusion of each contract and other related matters. The Group combines related contracts and allocates the transaction price to each performance obligation at the ratio of the stand-alone selling prices of each product or service to recognize revenue.

Stand-alone selling prices are estimated in consideration of various factors, such as the market condition, market price of competing products, cost of products, and customer conditions.

The transaction price is measured at the amount of consideration that an entity expects to receive in exchange for transferring promised goods or services to a customer. Discounts and other variable considerations are included in the transaction price only when it is highly probable that there will not be a significant revenue reversal of recognized revenue when the uncertainty of the variable considerations is resolved. No significant financing components are included in the amount of promised consideration.

For transactions in which the control of goods or services is transferred to a customer over a certain period of time, the Group recognizes revenue by measuring progress toward the satisfaction of performance obligations using the output method and the input method by taking into account the relevant product and services provided to the customer. If said progress cannot be measured reasonably, it recognizes revenue to the extent of the costs incurred.

Of incremental costs to obtain a contract with a customer and performance costs directly related to a contract, the portion that is expected to be recoverable is recognized as an asset, and depreciated/amortized based on the revenue recognition method for products and goods related to the said asset. When the period of the depreciation/amortization is one year or less, incremental costs to obtain the contract are not recognized as an asset but an expense.

When the Group is involved in the transaction as a principal to the transaction, revenue is indicated by the total amount of consideration received from the customer. When the Group is involved in a transaction as an agent of a third party, revenue is indicated by the service fee, which is the total amount of consideration received from the customer less the amount collected on behalf of the third party. Judgment on whether the Group is a principal or an agent is made based on whether the Group has the control of goods or services specified before the transfer thereof to a customer, and in consideration of, among other things, whether the Group has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, whether the Group has the inventory risk before or after the customer order, during shipping or on return and whether the Group bears the latitude in establishing prices, either directly or indirectly.

**8) Other important matters for the preparation of consolidated financial statements**

(i) Accounting for consumption tax, etc.

Consumption taxes paid by customers and paid to the tax authority on behalf of the customers are deducted from sales revenue, cost of sales and expenses.

(ii) Adoption of consolidated taxation system

The Company and its certain consolidated subsidiaries have adopted the consolidated taxation system.

**3. Notes to consolidated statement of financial position**

**(1) Allowance for doubtful receivables deducted directly from assets**

**1) Current assets**

| | |
|---|---|
| Trade receivables | JPY72 million |
| Securities and other financial assets | JPY14 million |

**2) Non-current assets**

| | |
|---|---|
| Trade receivables | JPY103 million |

**(2) Accumulated depreciation and accumulated impairment losses of property, plant and equipment**

JPY95,772 million

**(3) Collateralized assets and secured liabilities**

(Millions of yen)

| | Consolidated fiscal year under review |
|---|---|
| Collateralized assets | |
| Securities and other financial assets | 340 |

(Note 1) There are no collateralized assets for which the transferee has the right to sell or use as security.

(Note 2) A portion of securities and other financial assets belonging to the collateralized assets recorded for the consolidated fiscal year under review in the amount of JPY340 million are measured at fair value, and the maximum amount of the guarantee is their acquisition cost in the amount of JPY407 million.

**(4) Guarantees**

| | |
|---|---|
| Guarantees to employees (Housing loans) | JPY31 million |

## 4. Notes to consolidated statements of profit or loss

### (1) Other income and expenses

Breakdown of other income is as follows.

(Millions of yen)

| | Consolidated fiscal year under review |
|---|---|
| Reversal of allowance for doubtful receivables | 3 |
| Gain on sale of property, plant and equipment and intangible assets | 60 |
| Gain on reversal of impairment of non-current assets | 152 |
| Other | 1,216 |
| Total | 1,431 |

Breakdown of other expenses is as follows.

(Millions of yen)

| | Consolidated fiscal year under review |
|---|---|
| Impairment losses (Note) | (357) |
| Loss on removal or sale of property, plant and equipment and intangible assets | (776) |
| Other | (234) |
| Total | (1,368) |

(Note) Breakdown of impairment losses are shown in (2) Loss on impairment of assets.

### (2) Loss on impairment of assets

Breakdown of assets for which impairment losses were recognized for each type of assets is as follows.

(Millions of yen)

| | Consolidated fiscal year under review |
|---|---|
| Property, plant and equipment | (120) |
| Intangible assets (Note) | (237) |
| Total | (357) |

(Note) For goodwill allocated to the science systems business that belong to the Science & Medical Systems Segment, impairment loss was recognized, as revenue that was originally projected is no longer expected. The recoverable amount of this asset was measured at the value in use. The value in use was calculated by discounting the estimated future cash flow by 8.0%.

### (3) Financial income and expenses

Interest income and interest expenses relate to the financial assets and liabilities measured at amortized cost.
Breakdown of financial income excluding interest income is as follows.

(Millions of yen)

| | Consolidated fiscal year under review |
|---|---|
| Dividends income | |
| Financial assets at FVTOCI | 108 |
| Gain on sale of financial instruments | |
| Financial assets at FVTPL | 2 |
| Total | 110 |

Breakdown of financial expenses excluding interest expenses is as follows.

(Millions of yen)

| | Consolidated fiscal year under review |
|---|---|
| Loss on valuation of financial instruments | |
| Financial assets at FVTPL | (1,048) |
| Foreign exchange losses | (1,147) |
| Other | (598) |
| Total | (2,793) |

### (4) Income tax expense

Breakdown of JPY15,986 million income tax expense is JPY17,522 million tax expense and JPY-1,536 million deferred tax expense for the fiscal year under review.

## 5. Notes to consolidated statement of changes in equity

### (1) Class and number of shares issued

(shares)

| Class of shares | Total number of shares as at April 1, 2018 | Increase during fiscal year ended March 31, 2019 | Decrease during fiscal year ended March 31, 2019 | Total number of shares as at March 31, 2019 |
|---|---|---|---|---|
| Common stock | 137,738,730 | - | - | 137,738,730 |

### (2) Stock acquisition rights, etc.

Not applicable.

### (3) Cash dividends

**1) Total amount of cash dividends**

| Resolution | Class of shares | Financial source of cash dividends | Total amount of cash dividends (million yen) | Cash dividend per share (yen) | Record Date | Effective Date |
|---|---|---|---|---|---|---|
| Meeting of Board of Directors held on May 23, 2018 | Common stock | Retained earnings | 6,189 | 45.00 | March 31, 2018 | June 1, 2018 |
| Meeting of Board of Directors held on October 25, 2018 | Common stock | Retained earnings | 6,189 | 45.00 | September 30, 2018 | November 30, 2018 |

**2) Cash dividends whose record date falls in FY2017 but effective date falls in FY2018**

| Proposal | Class of shares | Financial source of cash dividends | Total amount of cash dividends (million yen) | Cash dividend per share (yen) | Record Date | Effective Date |
|---|---|---|---|---|---|---|
| Meeting of Board of Directors held on May 23, 2019 | Common stock | Retained earnings | 8,252 | 60.00 | March 31, 2019 | May 31, 2019 |

## 6. Notes on financial instruments

### (1) Status of financial instruments

Financial risk management policy

The Group is exposed to financial risks (credit risks, liquidity risks and market risks) in carrying out business activities, and to avoid or mitigate such risks, the Group is conducting risk management in accordance with certain policies.

The Group also utilizes derivative transactions mainly to mitigate the risk of changes in cash flow due to foreign currency fluctuations. It is the Group's policy not to enter into speculative derivative transactions.

**1) Credit risk management**

Trade receivables arising from the Group's business activities are exposed to customer credit risks. Bonds held for the purpose of investment of surplus funds and stocks and other securities held for policy objectives are also exposed to issuer credit risks. Furthermore, forward exchange transactions the Group enters into to hedge the risk of foreign exchange fluctuations are exposed to credit risk of financial institutions which are the counterparty to the transactions.

As for customer credit risks, the Group determines the appropriateness of entering into a transaction, credit limit and terms of transaction, in accordance with the operation standards of the Company. The Group also takes preservative measures such as obtaining collaterals. After receivables are recorded, the sales section and management section share the status of transaction to manage the payment due date. Furthermore, the Group periodically conducts credit check to examine the appropriateness of continuance of transactions, credit limit and terms of transactions. Investment of surplus funds is generally limited to investments in securities of issuers that are at the investment-grade level or higher, or deposit with financial institutions, etc. As a general rule, forward exchange transactions are made with financial institutions that are rated A or higher by internationally recognized credit rating agencies. The Group also avoids concentration of material credit risks by dealing with multiple financial institutions. As for stocks and other securities held for policy objectives, the Group regularly checks the purpose of holding and the financial condition of the issuers.

**2) Liquidity risk management**

Maintenance of liquidity at a proper level for the present and future business activities and securing funds in an expeditious and efficient manner are important policies of the Group in carrying out financial activities. The Group is continuously making efforts to realize optimum capital efficiency in carrying out its business activities through efficient management of working capital and also promoting centralization of funds management of the Group at the Company, to improve the efficiency of fund management of the Group.

**3) Market risk management**

i) Exchange rate fluctuation risks

The Group holds monetary assets and liabilities in foreign currencies and thus is exposed to exchange rate fluctuation risks. To mitigate exchange rate fluctuation risks, future cash flow arising from monetary assets and liabilities, firm commitment and forward transactions in a foreign currency is immobilized by measuring the net amount of future cash flow for each currency on each settlement date as appropriate and entering into forward exchange contracts within the measured scope. Furthermore, in most cases, the term of forward exchange contracts does not exceed one year.

ii) Stock price fluctuation risks

The Group holds equity instruments (stocks and capital contributions) to promote business and is exposed to stock price fluctuation risks. As for these equity instruments, market prices and financial conditions of issuers are regularly checked.

**(2) Fair value of financial instruments**

**1) Book values and fair values of financial assets and financial liabilities**

Book values and fair values of financial assets and financial liabilities are as follows.

(Millions of yen)

| | Consolidate fiscal year under review | |
|---|---|---|
| | Book value | Fair value |
| Assets measured at amortized cost | | |
| Current assets | | |
| Cash and cash equivalent | 191,478 | 191,478 |
| Trade receivables | 165,865 | 165,865 |
| Securities and other financial assets | 27,293 | 27,293 |
| Deposits paid and deposits with banks with deposit terms of 3 months or longer | 20,000 | 20,000 |
| Receivables | 6,959 | 6,959 |
| Loans | 334 | 334 |
| Non-current assets | | |
| Trade receivables | 1,792 | 1,792 |
| Securities and other financial assets | 2,891 | 2,891 |
| Securities and other investments | 2,688 | 2,688 |
| Loans | 203 | 203 |
| Assets measured at fair value | | |
| Financial assets at FVTPL | | |
| Current assets | | |
| Securities and other financial assets | 184 | 184 |
| Other financial assets (derivatives) | 184 | 184 |
| Non-current assets | | |
| Securities and other financial assets | 2,386 | 2,386 |
| Other investments | 1,388 | 1,388 |
| Other financial assets (derivatives) | 998 | 998 |
| Financial assets at FVTOCI | | |
| Non-current assets | | |
| Securities and other financial assets | 5,924 | 5,924 |
| Securities | 5,924 | 5,924 |
| Liabilities measured at amortized cost | | |
| Current liabilities | | |
| Trade payables | 136,751 | 136,751 |
| Other financial liabilities | 16,078 | 16,078 |
| Lease obligations | 120 | 120 |
| Deposit received | 5,709 | 5,709 |
| Payables | 10,249 | 10,249 |
| Non-current liabilities | | |
| Other financial liabilities | 162 | 162 |
| Lease obligations | 112 | 112 |
| Payables | 51 | 51 |
| Liabilities measured at fair value | | |
| Financial Liabilities at FVTPL | | |
| Current liabilities | | |
| Other financial liabilities (derivatives) | 462 | 462 |

**2) Method for measuring fair value**

Fair value of major financial assets and liabilities is determined as follows. If market value can be obtained when measuring the fair value of a financial instrument, the market value is used. If market value cannot be obtained, the method of discounting future cash flow or other appropriate valuation methods are used for the measurement.

i) Cash and cash equivalent

As the period to maturity is short, the fair value is almost the same as the book value.

ii) Trade receivables and trade payables

As most of them are settled within a short period of time, the fair value is almost the same as the book value.

iii) Securities, other financial assets and other financial liabilities measured at amortized cost

As the period to maturity for deposits paid and deposits with banks with deposit terms of 3 months or longer, receivables, deposit received, payables and short-term loans is short, the fair value is almost the same as the book value.

Securities, long-terms loans, lease obligations, long-term payables and other investments are measured by discounting future cash flow by the interest rate assumed when a similar contract is newly executed.

iv) Securities, other financial assets and other financial liabilities measured at fair value

Equity securities for which fair value can be measured at market value are measured at market value, and if important indexes to measure fair value of financial instruments are unobservable, such as the case of unlisted stocks, fair value is measured by comparable peer company analysis method, discounted cash flow method, valuation model based on net assets or any other appropriate methods.

Derivatives are measured based on the forward exchange rate as of the last day of the financial period.

The fair values of derivatives other than forward exchange contracts are measured using the discounted cash flow method.

**7. Notes on per share information**

(1) Hitachi High-Technologies Corporation stockholders' equity per share: JPY3,090.59

(2) Basic earnings per share attributable to Hitachi High-Technologies Corporation stockholders: JPY352.06

**8. Business combination**

There is no major business combination.

**9. Notes on significant subsequent events**

Not applicable

**10. Notes on contingencies**

Lawsuits, etc.

In November 2017, Mitsui Fudosan Residential Co., Ltd., allegedly having incurred the rebuilding costs, etc. of a condominium located in Yokohama (hereinafter referred to as the "Condominium") due to concerns about some defects regarding piling work for the Condominium which the Company undertook as a primary subcontractor, filed a lawsuit against three companies, i.e., the contractor of the Condominium, the Company and the secondary subcontractor of said piling work, claiming compensation for damages amounting to approximately 45.9 billion yen. However, in July 2018, it appealed to change said amount to approximately 51.0 billion yen.

In relation to this lawsuit, a lawsuit seeking damages amounting to approximately 49.6 billion yen was filed by Sumitomo Mitsui Construction Co., Ltd., the construction company of the Condominium, in April 2018, against the two companies, i.e., the Company and the secondary subcontractor of said piling work. However, in July 2018, it appealed to change said amount to approximately 54.8 billion yen.

The Company, while intending to advocate our views over these claims, has no assurance that the Company will not incur any payment obligation.

**Unconsolidated Statements of Changes in Net Assets**

FY2018 (under review) (April 1, 2018 to March 31, 2019) (Millions of yen)

| | Shareholders' equity | | | |
|---|---|---|---|---|
| | Common stock | Capital surplus | | |
| | | Capital reserve | Others | Total capital surplus |
| Balance at April 1, 2018 | 7,938 | 35,723 | 22 | 35,745 |
| Change during year | | | | |
| Dividends from surplus | | | | - |
| Provision of reserve for tax purpose reduction entry of fixed assets | | | | |
| Reversal of reserve for advance depreciation of fixed assets | | | | - |
| Provision of general reserve | | | | - |
| Net income | | | | - |
| Acquisition of treasury stock | | | | - |
| Disposal of treasury stock | | | 0 | 0 |
| Net changes during year in items other than shareholders' equity | | | | - |
| Total change during year | - | - | 0 | 0 |
| Balance at March 31, 2019 | 7,938 | 35,723 | 22 | 35,745 |

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Retained earnings | | | | |
| | Earned surplus reserve | Others | | | Total retained earnings |
| | | Reserve for advanced depreciation of fixed assets | General reserve | Retained earnings brought forward | |
| Balance at April 1, 2018 | 1,385 | 1,159 | 215,395 | 40,818 | 258,757 |
| Change during year | | | | | |
| Dividends from surplus | | | | (12,377) | (12,377) |
| Provision of reserve for tax purpose reduction entry of fixed assets | | 2 | | (2) | - |
| Reversal of reserve for advance depreciation of fixed assets | | (86) | | 86 | - |
| Provision of general reserve | | | 21,500 | (21,500) | - |
| Net income | | | | 46,175 | 46,175 |
| Acquisition of treasury stock | | | | | - |
| Disposal of treasury stock | | | | | - |
| Net changes during year in items other than shareholders' equity | | | | | - |
| Total change during year | - | (84) | 21,500 | 12,382 | 33,798 |
| Balance at March 31, 2019 | 1,385 | 1,075 | 236,895 | 53,200 | 292,555 |

| | Shareholders' equity | | Valuation and translation adjustments | | | | |
|---|---|---|---|---|---|---|---|
| | Treasury stock | Total shareholders ' equity | Unrealized holding gains on securities | Deferred profit or loss on hedges | Revaluation reserve for land | Total valuation and translation adjustments | Total net assets |
| Balance at April 1, 2018 | (362) | 302,078 | 2,873 | 170 | 134 | 3,177 | 305,255 |
| Change during year | | | | | | | |
| Dividends from surplus | | (12,377) | | | | - | (12,377) |
| Provision of reserve for tax purpose reduction entry of fixed assets | | - | | | | - | - |
| Reversal of reserve for advance depreciation of fixed assets | | - | | | | - | - |
| Provision of general reserve | | - | | | | - | - |
| Net income | | 46,175 | | | | - | 46,175 |
| Acquisition of treasury stock | (6) | (6) | | | | - | (6) |
| Disposal of treasury stock | 0 | 0 | | | | - | 0 |
| Net changes during year in items other than shareholders' equity | | - | (926) | (250) | | (1,176) | (1,176) |
| Total change during year | (6) | 33,792 | (926) | (250) | - | (1,176) | 32,616 |
| Balance at March 31, 2019 | (368) | 335,871 | 1,946 | (80) | 134 | 2,001 | 337,872 |

## Notes to Unconsolidated Financial Statements

**1. All figures are rounded off to the nearest million yen.**

**2. Notes concerning significant accounting policies**

**(1) Basis and method of valuation of assets**

**1) Securities**

Shares of subsidiaries and shares of affiliated companies:
Stated at cost determined by the moving average method.

**Available-for-sale securities**

Securities with fair value: Stated at the quoted market price, etc. as at the end of the fiscal year. Selling cost is calculated based on the moving-average method. (Unrealized holding gains/losses are directly charged or credited to Net Assets.)

Securities without fair value: Stated at cost determined by the moving average method.

**2) Derivatives**

Derivatives are marked to market.

**3) Inventories**

Merchandise, finished goods, semi-finished goods, raw materials: Stated at cost determined by the moving-average method (however, the amount stated in the balance sheet was computed by reducing the book value to reflect deterioration in profitability).

Work in process: Stated at cost by specific identification method (however, the amount stated in the balance sheet was computed by reducing the book value to reflect deterioration in profitability).

**(2) Method of depreciation of fixed assets**

**1) Property, plant and equipment**

Depreciation of property, plant and equipment is calculated by the straight-line method.

**2) Intangible assets**

Intangible assets are amortized by the straight-line method. However, software for internal use is amortized over its estimated in-house useful life (5 years). The amount of amortization of software for sale for the fiscal year is the amortization amount based on the expected sales volume, or the equally allocated amount over the remaining effective period (within 3 years), whichever is larger.

**(3) Accounting standard for allowances**

**1) Allowance for doubtful receivables**

In order to prepare against losses due to bad debt, etc., allowances are provided for, in the case of general claims, by using the rate based on the Company's history of credit losses, and in the case of specific claims such as doubtful claims, by applying the estimated amount deemed uncollectible in consideration of their collectability on an individual basis.

**2) Accrued retirement and severance benefits for employees**

To prepare for accrued pension liability, the Company records the allowance based on the projected amount of retirement benefit obligations and pension assets at the fiscal year end. In the calculation of retirement benefit obligations, the method of attributing benefits to periods before the end of the current fiscal year is based on the standard benefit formula.

Prior service costs are amortized using the straight-line method over the average remaining years of service of the employees (14 to 17 years) when incurred.

Actuarial differences are amortized using the straight-line method over the average remaining years of service of the employees (14 to 18 years) when incurred from the following fiscal year.

### (4) Hedge accounting method

**1) Hedge accounting method**

Deferred hedge accounting method is applied.

**2) Hedging instruments and hedged items**

Hedging instruments: Forward exchange contracts

Hedged items: Risk of fluctuations in cash flow due to exchange rate volatility associated with scheduled receivables and payables based on transactions denominated in foreign currencies

**3) Hedging policy**

The Company performs forward exchange transactions capped at the contract amount (including transactions for which contracts are yet to be signed but have an extremely high possibility of being executed) for the purpose of averting risks of exchange rate volatility in foreign-currency-denominated transactions according to in-house risk management policies.

**4) Method of evaluating hedge effectiveness**

In principle, the Company evaluates hedge effectiveness by comparing the changes in the market price of the hedged items or cumulative changes in cash flow from the hedged items with the corresponding changes in the hedging instruments over the duration from the point of commencing hedging to the point of conducting the evaluation, based on their respective changes in amount and other such factors.

### (5) Other important matters serving as the basis of preparation of unconsolidated financial statements

**1) Accounting for consumption tax, etc.**

Consumption tax, etc. is excluded.

**2) Adoption of consolidated taxation system**

Starting from the fiscal year under review, the Company and its certain consolidated subsidiaries have adopted the consolidated taxation system.

**3. Changes of presentation**

(Change associated with the application of partial amendments to Accounting Standard for Tax Effect Accounting)

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year under review. Accordingly, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under noncurrent liabilities.

As a result, in the balance sheet for the previous fiscal year, deferred tax assets in current assets (JPY4,861 million) are included in deferred tax assets in investments and other assets (JPY9,821 million).

**4. Notes to unconsolidated balance sheets**

**(1) Accumulated depreciation of property, plant and equipment**: JPY66,986 million

**(2) Collateralized assets and secured liabilities**

Collateralized assets

| | |
|---|---|
| Short-term loan receivable (Note) | JPY261 million |
| Investments in securities (Note) | JPY130 million |
| Others (Note) | JPY16 million |

Note: The amounts of the above collateralized assets represent the maximum amount of the guarantees.

**(3) Guarantees, etc.**

1) Guarantees

The breakdown of guarantees is as follows.

| | |
|---|---|
| 2 affiliated companies (Guarantee for trade accounts payable) | JPY779 million |
| 1 affiliated company (Unearned rent) | JPY562 million |
| Guarantee for employees (Housing loans) | JPY27 million |

In addition to the above, the Company has issued a letter of awareness to 1 overseas affiliate company mainly for the purpose of providing credit enhancement for financing.

2) Lawsuits, etc.

See "Notes to Consolidated Financial Statements - 10. Notes on contingencies" for lawsuits, etc.

**(4) Short-term receivables from affiliated companies** JPY72,853 million

**(5) Short-term payables to affiliated companies** JPY55,042 million

**(6) Land revaluation**

The Company revaluated its business-purpose land on March 31, 2002 in accordance with the "Act on Revaluation of Land" (Law No. 34 promulgated on March 31, 1998). The Company declared the tax component of the valuation difference as "deferred tax liabilities for land revaluation" in the "Liabilities" section and the full amount of such valuation difference minus the tax component as "revaluation reserve for land" in the "Net assets" section according to the "Law to Partially Modify the Act on Revaluation of Land" (Law No. 24 promulgated on March 31, 1999).

- Method of revaluation

Calculation by computation method involving reasonable adjustments to the standard price determined under the provisions of the Enforcement Order for the National Land Use Planning Law (Ordinance No. 387 promulgated on December 20, 1974) set forth in Article 2, item 2 of the "Enforcement Order on Act on Revaluation of Land" (Ordinance No. 119 promulgated on March 31, 1998).

**5. Notes to unconsolidated statements of income**

**(1) Transactions with affiliated companies**

| | |
|---|---|
| Sales | JPY198,596 million |
| Purchases | JPY93,506 million |
| Non-operating transactions | JPY41,406 million |

**(2) Extraordinary loss**

Loss on impairment of assets

When determining signs of impairment, the Company and its consolidated subsidiaries classify the assets according to administrative and accounting categories based on business units.

In the fiscal year ended March 31, 2018, the Company recorded impairment losses for the following assets.

| Location | Purpose | Type | Impairment Loss (million yen) |
|---|---|---|---|
| Head Office (Minato-ku, Tokyo) | Defined assets to be disposed of | Tools, furniture & fixtures | 115 |
| Kasado Division (Kudamatsu City, Yamaguchi) | Defined assets to be disposed of | Machinery and equipment | 5 |
| Total | | | 120 |

In relation to the assets to be disposed of, the difference between the recoverable amounts and the book value was recognized as an impairment loss, as their usage is outside the scope of the previously intended usage due to the decision of disposal and consequently the invested amount is no longer expected to be recovered. The recoverable amounts of these assets were measured at the fair value after deducting estimated disposal costs.

**6. Notes to unconsolidated statements of changes in net assets**

**Treasury stock**

(shares)

| Class of shares | Total number of shares as at April 1, 2018 | Increase during fiscal year ended March 31, 2019 | Decrease during fiscal year ended March 31, 2019 | Total number of shares as at March 31, 2019 |
|---|---|---|---|---|
| Common stock | 211,217 | 1,363 | 30 | 212,550 |

Notes: 1. The increase of 1,363 shares was attributable to the buyback of shares falling short of the share unit.
2. The decrease of 30 shares was attributable to the sale of shares falling short of the share unit.

**7. Notes on tax effect accounting**

**Breakdown of major causes of deferred tax assets and deferred tax liabilities by cause**

| | |
|---|---|
| Deferred tax assets | |
| Amount in excess of deduction limit for loss on doubtful receivables | JPY1,191 million |
| Accrued bonuses | JPY1,839 million |
| Accrued enterprise tax denied | JPY494 million |
| Accrued cost of sales recorded but denied | JPY592 million |
| Devaluation of inventories | JPY1,251 million |
| Accrued retirement and severance benefits for employees | JPY1,953 million |
| Retirement benefit trust | JPY1,230 million |
| Loss on devaluation related to investments denied | JPY3,338 million |
| Excess depreciation | JPY3,091 million |
| Research and development expenses | JPY918 million |
| Asset retirement obligations | JPY237 million |
| Loss on devaluation of memberships denied | JPY177 million |
| Impairment losses | JPY1,188 million |
| Deferred profit or loss on hedges | JPY35 million |
| Other | JPY985 million |
| Deferred tax assets—Subtotal | JPY18,519 million |
| Valuation reserve | (JPY5,601 million) |
| Deferred tax assets—Total | JPY12,918 million |
| | |
| Deferred tax liabilities | |
| Retirement expenses corresponding to asset retirement obligations | (JPY70 million) |
| Unrealized holding gains on securities | (JPY858 million) |
| Reserve for advanced depreciation of fixed assets | (JPY475 million) |
| Deferred tax liabilities—Total | (JPY1,403 million) |
| Net deferred tax assets | JPY11,515 million |

### 8. Notes on transactions with related parties

**(1) Parent company and major corporate shareholders, etc.**

| Attribute | Name of company, etc. | Address | Capital (million yen) | Description of business or occupation | % of voting rights, etc. held by company | Nature of relationship | | Description of transaction | Transaction amount (million yen) | Classification | Year-end balance (million yen) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Sharing of officers, etc. | Relationship with related parties | | | | |
| Parent company | Hitachi, Ltd. | Chiyoda-ku, Tokyo | 458,791 | Manufacturing and sale of electric machinery and apparatuses | Direct: 51.8<br>Indirect: — | None | Purchase and sale of railroad-vehicle-related components, various information equipment, power-generation-related components, etc. | Sale of railroad-vehicle-related components, various information equipment, power- generation- related components, etc. | 5,517 | Accounts receivable | 3,023 |
| | | | | | | | | | | Advances received | 23 |
| | | | | | | | | Purchase of various power-related equipment and components | 2,492 | Accounts payable | 777 |
| | | | | | | | | | | Advances paid | 48 |
| | | | | | | | | Deposit of funds | 1,152 | Deposit to Hitachi group cash management fund | 158,937 |
| | | | | | | | | Interest received | 206 | Accounts receivable-other | 22 |

Notes: Terms of Transactions, Policy on Determining Terms of Transactions, etc.

1. For the sale of various equipment, materials, etc., the terms of transactions are determined based on price negotiations every period in the same manner as the terms of ordinary transactions.
2. Deposits paid are subject to the basic agreement concluded between the Company and Hitachi, Ltd. Funds are provided on a daily basis, and the amount of transactions represents the difference from the amount as at the end of the previous period. Interest is determined in consideration of the market interest rate.
3. Of the above amounts, transaction amount does NOT include consumption tax, etc., whereas the year-end balance includes consumption tax, etc.

**(2) Subsidiaries**

| Attribute | Name of company, etc. | Address | Capital (million yen) | Description of business or occupation | % of voting rights, etc. held by company | Nature of relationship | | Description of transaction | Transaction amount (million yen) | Classification | Year-end balance (million yen) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Sharing of officers, etc. | Relationship with related parties | | | | |
| Subsidiary | Hitachi High-Tech Fielding Corporation | Shinjuku-ku, Tokyo | 1,000 | Maintenance services for semiconductor manufacturing equipment, analysis and measuring equipment, etc. | Direct: 100% Indirect: — | 1 person | Sale of service components, etc. | Sale of service components, etc. | 26,133 | Accounts receivable | 8,512 |
| | | | | | | | | Repayment of funds | 4,095 | Deposit received | 8,501 |
| | | | | | | | | Payment of interest | 28 | | |
| | | | | | | | | Dividends income | 6,026 | — | — |
| Subsidiary | Hitachi High-Tech Manufacturing & Service Corporation | Hitachinaka City, Ibaraki Prefecture | 230 | Manufacturing of clinical analyzers, and semiconductor-manufacturing equipment, etc. | Direct: 100% Indirect: — | None | Purchase of clinical analyzers, and semiconductor – manufacturing equipment, etc. | Provision for a fee of clinical analyzers, and semiconductor-manufacturing equipment, etc. | 8,645 | Accounts receivable-other | 2,009 |
| | | | | | | | | Purchase of clinical analyzers, and semi-conductor-manufacturing equipment, etc. | 32,857 | Accounts payable | 6,202 |
| | | | | | | | | Repayment of funds | 817 | Deposit received | 7,044 |
| | | | | | | | | Payment of interest | 22 | | |
| Subsidiary | Hitachi High-Tech Fine Systems Corporation | Kodama-gun, Saitama Prefecture | 1,485 | Design, manufacturing, sales and maintenance services of electronics-related products and inspection equipment, etc. | Direct: 100% Indirect: — | None | Provision of loans through pooling system | Loan of funds | 230 | Short-term loans receivable | 6,441 |
| | | | | | | | | Receipt of interest | 17 | | |
| Subsidiary | Hitachi High-Tech Science Corporation | Minato-ku Tokyo | 100 | Development, manufacturing, sale and maintenance of analyzers, measuring and observation equipment, and sale of relevant components and supplies | Direct: 100% Indirect: — | 1 person | Provision of loans through pooling system | Loan of funds | 1,598 | Short-term loans receivable | 6,560 |
| | | | | | | | | Receipt of interest | 18 | | |
| Subsidiary | Hitachi High Technologies America, Inc. | USA | USD 7,950 thousand | Sale of semiconductor manufacturing equipment and industrial materials, etc. | Direct: 100% Indirect: — | 1 person | Sale of semiconductor manufacturing equipment, etc. | Sale of semiconductor manufacturing equipment, etc. | 44,708 | Accounts receivable | 10,306 |
| | | | | | | | | | | Advances received | 3,907 |
| | | | | | | | | Receipt of funds | 4,817 | Deposit received | 8,660 |
| | | | | | | | | Payment of interest | 62 | Accrued expenses | 8 |
| Subsidiary | Hitachi High-Technologies Europe GmbH | Germany | EUR 3,129 thousand | Sale of semiconductor manufacturing equipment, clinical analyzers, etc. | Direct: 100% Indirect: — | 1 person | Sale of semiconductor manufacturing equipment, clinical analyzers, etc. | Sale of semiconductor manufacturing equipment, clinical analyzers, etc. | 88,700 | Accounts receivable | 17,065 |
| | | | | | | | | Receipt of funds | 988 | Deposit received | 5,459 |
| | | | | | | | | Payment of interest | 12 | Accrued expenses | 1 |

Notes: Terms of Transactions, Policy on Determining Terms of Transactions, etc.

1. The terms of transactions for devices, equipment, etc. are determined based on individual negotiations, whereas the terms of sale of materials, etc. are determined based on price negotiations every period, in the same manner as the terms of ordinary transactions.

2. Deposits received and loans are subject to the basic agreement concluded between the Company and its subsidiaries. Funds are provided on a daily basis, and the amount of transactions represents the difference from the amount as at the end of the previous period. Interest is determined in consideration of the market interest rate.
3. Of the above amounts, transaction amount does NOT include consumption tax, etc., whereas the balance includes consumption tax, etc.
4. The Company has recorded a total of JPY3,781 million as an allowance for doubtful receivables for subsidiaries. Additionally, a total of JPY149 million as reversal of allowance for doubtful receivables has been recorded in this fiscal year under other income.

**9. Notes on per share information**

(1) Net assets per share: JPY2,456.78

(2) Amount of net income per share: JPY335.76

**10. Notes on significant subsequent events**

Not applicable