

Please note that the following is an unofficial English translation of the Japanese original text of the 71st Ordinary General Meeting of Shareholders of Hamamatsu Photonics K.K. This translation is provided for reference and convenience purposes only and without any assurance as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

(Securities Code: 6965)

November 28, 2018

To Our Shareholders

Akira Hiruma, President and CEO  
Hamamatsu Photonics K.K.  
1126-1, Ichino-cho, Higashi-ku  
Hamamatsu City, Shizuoka Prefecture

**NOTICE OF CONVOCATION OF  
THE 71st ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 71st Ordinary General Meeting of Shareholders of Hamamatsu Photonics K.K. (the “Company”), to be held as follows.

If you are unable to attend the meeting, you may exercise your voting rights in Writing or by Electronic Means (via the Internet, etc.). Please read the attached REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS, and exercise your voting rights by 5:00 p.m., Wednesday, December 19, 2018, Japan Time.

- 1. Time and Date:** 10:00 a.m., Thursday, December 20, 2018
- 2. Place:** ACT CITY HAMAMATSU Concert Hall  
111-1, Itaya-machi, Naka-ku, Hamamatsu City,  
Shizuoka Prefecture
- 3. Agenda of the Meeting:**

- Matters to be reported:**
1. Reports on the Business Report and the Consolidated Financial Statements for the 71st Fiscal Year (From October 1, 2017 through September 30, 2018), as well as Results of the Audits of the Consolidated Financial Statements by the Independent Auditors and the Audit & Supervisory Board
  2. Report on the Non-consolidated Financial Statements for the 71st Fiscal Year (From October 1, 2017 through September 30, 2018)

**Matters to be resolved:**

- Proposal No. 1: Appropriation of Surplus  
Proposal No. 2: Election of One (1) Director

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1. Please note that “Consolidated Statements of Changes in Net Assets and Notes to the Consolidated Financial Statements” of the Consolidated Financial Statements and “Non-consolidated Statements of Changes in Net Assets and Notes to the Non-consolidated Financial Statements” of the Non-consolidated Financial Statements, which are generally provided with this Notice of Convocation of the Ordinary General Meeting of Shareholders, are not attached herein. Instead, these are published on our website (<https://www.hamamatsu.com/jp/ja/our-company/investor-relations/index.html>) in accordance with the applicable laws and regulations and Article 15 of the Articles of Incorporation (Japanese only).
  2. If any amendment is made to the REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS or any attachments, the amended information will be posted on the Company’s Website (<https://www.hamamatsu.com/jp/ja/our-company/investor-relations/index.html>).

## ■ Guide to the Exercise of Voting Rights



### **For those attending the meeting in person**

**Please present the enclosed Voting Rights Exercise Form at the reception desk upon arrival at the meeting. (Reception starts at 9:00 a.m.)**

For the purpose of resource-saving, please bring this notice with you.



### **For those exercising voting rights in writing**

**Please indicate your approval or disapproval on the enclosed Voting Rights Exercise Form, and return it.**

If there is no indication of approval or disapproval of the proposal, the Company shall deem that you have indicated your approval of the proposal.

**[Voting Rights Exercise Form must reach us by 5:00 p.m., Wednesday, December 19, 2018, Japan Time]**



### **For those exercising voting rights via the Internet, etc.**

**Please access the Website for the Exercise of Voting Rights (<https://www.web54.net>) and exercise voting rights.**

You will need the Voting Rights Exercise Code and Password, both of which are indicated on the Voting Rights Exercise Form, to indicate your approval or disapproval by following the instructions displayed on the screen.

**[Exercise your voting rights by 5:00 p.m., Wednesday, December 19, 2018, Japan Time]**

1. If you wish to exercise your voting rights by proxy on the day of the general meeting of shareholders, you may entrust its exercise to a single shareholder other than you who is also a shareholder of the Company with voting rights. In this case, a document certifying the relevant power of representation shall be presented together with your Voting Rights Exercise Form.
2. If you have exercised your voting rights more than once via the Internet, etc., only the final exercise of the voting rights shall be deemed effective.
3. If you have exercised your voting rights both in writing and via the Internet, etc., only the exercise of the voting rights via the Internet, etc. shall be deemed effective.

### **Notes on the exercise of voting rights via the Internet, etc.**

- You may use a personal computer or smartphone.  
Please be aware that, depending on your Internet connection environment, you may not be able to use the voting website (e.g. if you connect to the Internet via a firewall, etc., have anti-virus software installed or use a proxy server, etc.).
- The website is inaccessible from mobile phones.
- You will need the Voting Rights Exercise Code and Password, both of which are indicated on the right-hand side of the enclosed Voting Rights Exercise Form, to exercise your voting rights via the Internet, etc. The code and password are applicable only for this General Meeting of Shareholders. Your password will be locked and rendered invalid after certain incorrect password attempts. If you wish to create a new one, please follow the guidance on the screen appearing on the Website for the Exercise of Voting Rights.
- Please be noted that any fees incurred by Internet access (access fees to Internet service providers, telecommunications fees, etc.) are the responsibility of shareholders.

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**If you have any questions, please feel free to contact the Stock Transfer Agency Web Support.**

**Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Web Support**

**Telephone: 0120-652-031 Business hours: 9:00 – 21:00 (toll free within Japan)**

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## ■ To Institutional Investors:

With a preliminary application, you can use the platform for electronic exercise of voting rights for institutional investors managed by Investor Communications Japan, Inc.

## **REFERENCE DOCUMENTS**

### **FOR THE GENERAL MEETING OF SHAREHOLDERS**

#### **Proposals and References**

##### **Proposal No. 1: Appropriation of Surplus**

The Company hereby proposes to appropriate the surplus as described below.

##### **1. Matters Regarding Fiscal Year-end Dividend**

The Company places the highest priority on distribution of results through dividends as a measure of returning profits to shareholders. Our basic dividend strategy outlines steadily increasing dividends through continuous growth in earnings per share by enhancing and strengthening its corporate earning capacity based on a long-term perspective. Furthermore, its policy is to achieve the stable increase of dividends, with dividend payout ratio of around 30% of profit attributable to owners of parent.

On the other hand, to maintain its competitiveness based on advanced technical capabilities as the leading company in photonics, the Company believes long-term investment will be essential for the research and development necessary to achieve long-term growth of our corporate value and creation of the photon-based industries. To accomplish this, the Company also recognizes the importance of ensuring a certain level of funds on hand to provide for research and development investment and for capital investment. In addition, while the Company also regards funds on hand as a bulwark against earthquakes and other natural disasters and maintains a high level of retained earnings, it recognizes such funds contribute to the further enhancement of corporate value through business investment for the development of highly competitive future products.

Based on the above policy and a comprehensive review of various factors including its financial results, the Company proposes a year-end dividend of 20 yen per share. The amount of annual dividend will be 37 yen per share including an interim dividend of 17 yen we have already paid, which is 3 yen more than that for the previous fiscal year.

(1) Type of property for dividends:

Cash

(2) Allotment of property for dividends and total amount thereof:

20 yen per share of common stock of the Company for a total of 3,101,324,100 yen

(3) Effective date for distribution of dividends from surplus:

December 21, 2018

##### **2. Other Matters Regarding Appropriation of Surplus**

To reinforce its management base to prepare for business developments in the future while preparing for providing stable dividends to shareholders, the Company proposes to make an account transfer as follows.

(1) Item of surplus to be increased and amount thereof:

General reserve: 9,000,000,000 yen

Reserve for dividends: 2,000,000,000 yen

(2) Item of surplus to be decreased and amount thereof:

Retained earnings brought forward: 11,000,000,000 yen

## Proposal No. 2: Election of One (1) Director

In an effort to strengthen the management structure, the Company seeks to increase one (1) Director and proposes the election of such one (1) Director.

The candidate for Director is as follows.

Name (Date of Birth)	Brief History, Positions and Responsibilities in the Company (Significant Positions Concurrently Held)	Number of Shares of the Company Held
Hisaki Kato (May 7, 1957)	Mar. 1981    Joined the Company Oct. 2012    General Manager, The 1st Mfg., Electron Tube Division Apr. 2016    Executive Manager (present) Jan. 2018    Deputy Division Director, Electron Tube Division (present)	100
[Reason for nomination as a candidate for Director] The Company proposes the election of Hisaki Kato as a Director. He has accumulated a wealth of business experience and expertise mainly in the Electron Tube business. The Company is convinced he is a suitable candidate to carry out management trusted by stakeholders that will contribute to improving our corporate value based on his experience and knowledge.		

Notes:

1. As provided for in the Company's Articles of Incorporation, the term of office of Hisaki Kato, candidate for Director, will be until the terms of office of the other currently serving Directors expire.
2. There are no special interest relationships between the Company and Hisaki Kato, candidate for Director.
3. Separately from the number of shares indicated above, Hisaki Kato, candidate for Director, held 5,085 shares as of September 30, 2018 as an interest of Hamamatsu Photonics K.K. employees stock ownership plan.

## **(Attachments)**

### **Business Report**

(From October 1, 2017 through September 30, 2018)

#### **1. Matters Concerning the Corporate Group**

##### **(1) Business Operations and Results**

During the fiscal year ended September 30, 2018 (from October 1, 2017 through September 30, 2018), Japan's economy generally traced a gradual recovery trend as capital investment rose backed by improved corporate earnings. Nevertheless, the economic outlook became increasingly opaque towards the end of the term due to concerns about the impacts of global trade disputes and policy trends.

Given these circumstances, our Group strove to expand net sales and earnings by promoting basic and applied research leveraging our proprietary photonics technologies, as well as continuing to move forward with development of high-value-added products that addressed customers' needs and to make capital investments aimed at boosting production capacity.

As a result, we closed the fiscal year 2018 with net sales of JPY 144,338 million, up by JPY 13,842 million (10.6%), thanks to higher domestic sales and overseas sales. From an earnings perspective as well, ordinary profit was JPY 28,088 million, up by JPY 4,050 million (16.8%) from the previous year and profit attributable to owners of parent was JPY 21,222 million, up by JPY 3,444 million (19.4%) from the previous year, reaching a record high respectively.

A summary of business performance by business segment and product is reported below.

#### **<Electron Tube>**

##### **Photomultiplier tubes (PMT)**

In the medical field, sales of photomultiplier tubes (PMT) for nuclear medicine testing applications such as Positron Emission Tomography (PET) contracted. On the other hand, sales of products for inspection and monitoring systems such as blood analyzers increased both inside and outside Japan, thanks to their strong reputation for their high sensitivity, low-noise and high-speed operations. In addition, in the measuring instrument field, sales for oil-well logging devices that offer superior ruggedness to withstand against harsh work conditions such as high temperatures, shocks and vibrations were higher, thanks to the recovery in oilfield investment. As a result, net sales of photomultiplier tubes (PMT) increased.

##### **Imaging devices and light sources**

In imaging devices and light sources, sales in the industrial field of microfocus X-ray sources for non-destructive testing devices continued to achieve strong sales, thanks to their strong reputation for high-definition, high reliability and excellent stability. In addition, sales in the medical field of scintillators for converting X-rays into visible light increased. Further, sales of light sources for semiconductor inspection equipment grew<sup>1</sup>, and as a result, net sales of imaging devices and light sources increased.

In total, the Electron Tube business comprised of photomultiplier tubes (PMT) and imaging devices and light sources closed the fiscal year 2018 with net sales of JPY 56,184 million, up by 15.3% from the previous year.

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<sup>1</sup> Due to the contribution of Energetiq Technology Inc., whose shares were fully acquired by a subsidiary in the United States (Photonics Management Corp.) through a merger during this fiscal year. Energetiq Technology Inc. is engaged in the development, manufacture and sale of light sources for semiconductor inspection equipment, and dominates the market with its Laser Driven Light Sources, a type of light source with high brightness. It is also the only company in the world that offers products based on Extreme Ultraviolet light sources with shorter wavelengths.

## **<Opto-semiconductor>**

### **Opto-semiconductors**

In opto-semiconductor devices, sales of image sensors for semiconductor fabrication and inspection equipment in the industrial field maintained a strong performance. In addition, sales of Photo ICs, photodiodes and LED in the FA (Factory Automation) sector for applications such as controls for industrial-use robots and other equipment increased, as well as higher sales of silicon photodiodes for baggage inspections. Opto-semiconductor devices also performed well in the medical field, and as a result, net sales of opto-semiconductors increased.

In total, net sales for the Opto-semiconductor business were JPY 66,569 million, up by 9.9% from the previous year.

## **<Imaging and Measurement Instruments>**

### **Image processing and measurement systems**

In image processing and measurement systems, sales of digital slide scanners for remote pathologic diagnosis systems and other pathologic applications grew primarily in Europe thanks to the release of new products. In addition, sales of failure analysis systems for semiconductor devices recovered in the second half and increased. However, sales of X-ray line sensor cameras contracted under the impact of inventory adjustment by customers. As a result, net sales of image processing and measurement systems decreased.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 17,145 million, down by 0.4% from the previous year.

**Net sales by business segment and by product**

(Millions of Japanese Yen)

Business segment	Product		FY2018	FY2017	Increase (decrease)	
			Amount	Amount	Amount	Percentage
Electron tube	Photomultiplier tubes (PMT)	Japan	4,650	4,306	344	8.0 %
		Overseas	23,287	21,475	1,811	8.4
		Total	27,938	25,782	2,156	8.4
	Imaging devices and light sources	Japan	8,802	7,616	1,185	15.6
		Overseas	19,443	15,345	4,097	26.7
		Total	28,245	22,962	5,283	23.0
	Subtotal	Japan	13,453	11,922	1,530	12.8
		Overseas	42,730	36,821	5,909	16.0
		Total	56,184	48,744	7,439	15.3
Opto-semicon ductor	Opto-semiconductors	Japan	20,876	19,171	1,704	8.9
		Overseas	45,693	41,417	4,275	10.3
		Total	66,569	60,589	5,979	9.9
Imaging and measurement instruments	Image processing and measurement systems	Japan	5,645	5,340	304	5.7
		Overseas	11,500	11,873	△373	△3.1
		Total	17,145	17,214	△68	△0.4
Other business segments		Japan	1,943	1,943	0	0.0
		Overseas	2,495	2,003	491	24.5
		Total	4,439	3,947	491	12.5
Total		Japan	41,918	38,378	3,539	9.2
		Overseas	102,419	92,116	10,302	11.2
		Total	144,338	130,495	13,842	10.6



The status of our research and development is reported below.

#### <Basic Research Sector>

In the medical care sector, we are pursuing approaches to Boron Neutron Capture Therapy (BNCT) from a new perspective. BNCT is a treatment to destroy cancer cells with particles generated by nuclear reaction between boron and thermal neutrons, in which the cancerous region is irradiated with thermal neutrons after the boron compounds administered in the body accumulate in the cancer cells. Because these particles react only to cancer cells and do not affect healthy cells, BNCT can reduce the physical burden on patients compared to conventional radiotherapy. However, because conventional boron compounds did not always accumulate at sufficient concentrations in cancer cells, there has been a strong need for the development of boron compounds with higher propensity to accumulate inside cells. Given these circumstances, the Company developed a new agent by modifying the L-forms of amino acids contained in the boron compound with D-forms and tested the level of accumulation in cancer cells in rats using PET. Tests confirmed that the propensity to accumulate was five times greater than conventional agents. Results of this research show that the newly developed boron agent is effective in diagnosing cancer using PET testing, and is expected to contribute to establishing effective cancer treatments based on BNCT.

In the optical information processing sector, we are pursuing research on in vivo imaging using wavefront control. With the recent advancement in genetic modification techniques and information processing techniques, three-dimensional in vivo observation is given greater importance in various filed. While two-photon excitation fluorescence microscopy (TPM) is known as an effective imaging method<sup>2</sup>, it is unable to provide clear intravital deep imaging due to optical aberrations generated from the samples themselves. Given these conditions, based on the wavefront control technology cultivated by the Company, we developed a new calculation method to correct aberration using parameters such as the surface shape of the sample, and applied it to the TPM equipped with our integrated spatial light modulator to successfully acquire clear deep imaging inside the sample<sup>3</sup>. While conventional calculation methods only allowed aberration corrections for samples with flat surfaces, the new method enables the application of aberration corrections to samples with curved surfaces. These results are expected to contribute to intravital deep observation, as well as to be applied in various fields including neuroscience, regenerative medicine and next-generation laser processing.

In the semiconductor laser sector, based on our proprietary crystal growth technology, the Company successfully developed a large-sized Cesium Lithium Borate (CLBO) crystal that is capable of converting near-infrared laser wavelength to deep-UV at high efficiency. By combining it with our high power-laser, we became the first in the world to achieve a pulse output exceeding one joule<sup>4</sup> with a deep-UV solid-state laser. Because this laser has high energy, by irradiating the laser onto a certain substance it can separate the binding molecules of the irradiated part, which can be expected to achieve photodecomposition processing. Photodecomposition processing is gaining attention as a new processing method for materials such as carbon fiber reinforced plastic which is expected to be applied to various fields including automobiles, aircrafts, architecture, medical care and industrial robots. Recently, the Company worked to further achieve larger outputs, higher efficiency and greater repeatability, and enhanced the efficiency of wavelength conversion by improving the beam patterns and increasing the density of the beam. Looking forward, the Company will seek to achieve photodecomposition processing as well as industrial application of high-power laser by pressing forward to grow larger and better quality CLBO crystals and to improve wavelength conversion efficiency.

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2 This method observes the fluorescence by exciting fluorescent molecules from the simultaneous absorption of two photons. Because near-infrared light with greater intravital penetration can be used, it allows observing of deeper areas compared to conventional fluorescence microscopy.

3 Results of this research was achieved through joint research with the Hamamatsu University School of Medicine.

4 Joule is a unit of energy, and one joule is equivalent to 0.24 calorie of heat energy. The newly developed deep-UV solid-state laser can focus this heat energy to one-hundred-millionth second and output repeatedly.

## <Development Sector>

### **Ionization-assisting substrates achieving matrix-free mass spectrometry**

Mass spectrometry is an analytical technique used to accurately analyze the types, quantities and structures of atoms and molecules within a sample. By irradiating a laser beam or electron beam on the sample, you can ionize them and measure their mass. Demands for mass spectrometry are growing in the recent years for application in a wide range of fields such as environment, food and life sciences. MALDI<sup>5</sup> TOF-MS<sup>6</sup>, which is one method of ionization in mass spectrometry, uses a substance (matrix) to enhance the efficiency of ionization by the laser beam, and this caused some problems: the sample pretreatment process is time-consuming because it requires mixing the matrix with the sample, and measuring was difficult in lower molecular region because the matrix itself was ionized. Just by placing the newly developed ionization-assisting substrates<sup>7</sup> on the sample, the molecules in the sample rise to the surface of substrates by capillary action in the through holes<sup>8</sup>, allowing ionization by irradiation of the laser beam onto molecules without using any matrix, drastically reducing the pretreatment time needed compared to the conventional MALDI TOF-MS and providing highly accurate measurements in low molecular region. Looking forward, the Company will improve the structural design to enhance the efficiency of ionization and develop products that are compatible with various applications.

### **Near-infrared image sensor used for hyperspectral imaging**

Hyperspectral imaging (HSI) is a technology to acquire images that contain wavelength information that cannot be acquired with a normal camera. By separating the reflected lights of the imaging target into different wavelengths, it can identify such information as components contained by measuring the light intensity for each wavelength. HSI can be used at various wavelength ranges depending on the image sensor. InGaAs (indium gallium arsenide) image sensors are effective in the near infrared region. Our InGaAs image sensors are already being used to provide HSI, but the Company has recently developed a new product based on its original compound process technology to achieve longer wavelengths, higher sensitivity, lower noise and high-speed readout. This will enable improved identification rates by HSI and higher resolutions. Because this product provides high sensitivity in the near infrared region where the characteristics of plastic composition are more distinct, it is expected to contribute to the environment by use in PET bottle recycling as well as to be applied for food component testing.

### **X-ray line sensor cameras that can be used for a wide range of applications**

X-ray line sensor cameras are used to capture the inside of objects transported on a conveyor belt or similar apparatus, and are used widely in non-destructive testing applications for food and electronic components. Due to the diverse types of objects to be inspected, particularly in the recent years, there are demands for products that are compatible with various applications. Given these circumstances, the Company developed a new X-ray line sensor camera with a significantly greater range of detection, achieving lower noise and higher sensitivity as a result of fundamental review of the sensor structure. This product is capable of inspecting objects that are thin and light that use weak X-rays as well as objects that are thick and dense that require greater X-rays, and can be used for a wide range of testing applications. Other features include double scan speed compared to conventional products for reduced testing time, downsized, and equipped with waterproof and dust-proof functions suitable for all kinds of sites. We will continue to develop products that address market needs for highly precise non-destructive testing.

As reported above, we are using the proprietary photonics technologies our Group has cultivated

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5 Acronym for Matrix Assisted Laser Desorption/Ionization

6 Acronym for Time of Flight Mass Spectrometry. By creating potential difference in the space that the ion travels to reach the detector and separating the ions by mass, it is used to measure mass based on the time taken for an ion to travel to the detector.

7 Results of this development was achieved through joint development with the Graduate School for the Creation of New Photonics Industries

8 A phenomenon in which the liquid inside the thin tube moves inside the tube.

over many years to pursue basic research aimed at the creation of new knowledge and new industries and undertake development that seeks to create new products and further enhance the high performance and added value of existing products in sectors such as biotechnology, medical care, information, telecommunications, energy, materials, space and astronomy and agriculture.

For the fiscal year ended September 30, 2018, research and development expenses increased to JPY 12,830 million (up by 9.0%) compared with the previous fiscal year.

## **(2) Capital Investment**

For the fiscal year ended September 30, 2018, we made total capital investments of JPY 14,221 million for purposes such as expanding production capacity through enhancing the efficiency of the manufacturing process and strengthening our development capabilities. The amount of capital investment by business segment was JPY 2,302 million for Electron Tube, JPY 5,024 million for Opto-semiconductor, JPY 362 million for Imaging and Measurement Instruments and JPY 6,531 million for Other.

## **(3) Fund Procurement**

There was no fund procurement during the fiscal year ended September 30, 2018.

## **(4) Issues to be Addressed**

With regard to the business environment surrounding our Group, the economy fluctuated around a gradual recovery trend, with an increase in capital investment against the backdrop of improved corporate earnings. Nevertheless, we recognize that the economic outlook is highly uncertain and unpredictable, clouded by factors that include the political trends in Europe and the United States and the rising global trade tensions.

Given such circumstances, the scope of application for the photonics technologies pursued by our Group is continuing to expand on a worldwide scale. With the recent sophistication of medical equipment and downsizing/miniaturization of electronic components based on semiconductors, demands for products that our Company offers can be seen to be spreading widely, and these products have become an important key enabling technology for the advancement of state-of-the-art technologies in various fields.

Meanwhile, global competition in the field of photonics technologies is intensifying every year, particularly abroad. As the Group, in order to survive such fierce competition, we will strengthen the organization to respond rapidly and accurately to the needs of our global customers. From a medium to long-term perspective, under the philosophy of aiming ourselves to create new industries by using photonics technology and to pursue the world's greatest monozukuri manufacturing, we will strive to maintain our advantages in the Group's proprietary photonics technologies, press forward with aggressive research and development investments for the expansion of our business, and further strengthen our global competitiveness. While ensuring that core technologies such as optical sensors that form the basis of our business growth are enhanced, we will strengthen our internal organization in order to pursue initiatives such as investments aimed at opening up new markets for the future and HR development.

As the Group, we will live up to our shareholders' expectations, and contribute to the development of industry and society, by expanding our business domain and creating a sustainable, stable and strong earnings organization through the introduction of high-value-added products unrivaled by any other company to the market, while never forgetting the spirit of challenging the unknown that we have continued to pursue from the Company's conception.

We look forward to continuing to receive your unwavering support and encouragement in the future.

**(5) Change in Business Results and Financial Position for the Three Most Recent Fiscal Years**

(Millions of Japanese Yen, except for net income per share and net assets per share, which are in Japanese Yen)

Year Classification	FY2015	FY2016	FY2017	FY2018
Net sales	120,691	121,852	130,495	144,338
Ordinary income	24,658	20,050	24,037	28,088
Profit attributable to owners of parent	16,598	14,419	17,777	21,222
Earnings per share	103.23	90.23	113.00	136.50
Total assets	226,179	217,300	239,331	245,267
Net assets	180,770	169,716	187,558	193,985
Net assets per share	1,120.38	1,075.31	1,188.30	1,248.84

- Notes:
1. Net income per share is calculated using the number of shares after deducting treasury shares from the average total shares issued during the period. Net assets per share are calculated using the number of shares after deducting treasury shares from the total shares issued at the end of the period.
  2. The Company implemented a two-for-one stock split during FY2015 (fiscal year ended September 30, 2015). Earnings per share and net assets per share for FY2015 (fiscal year ended September 30, 2015) have been calculated by assuming this stock split was executed at the beginning of the fiscal year.
  3. Amounts less than 0.01 yen are rounded.

## (6) Key Subsidiaries

Company name	Capital stock	Percent owned	Main businesses
Photonics Management Corp.	33,521,000 US dollars	100.0 %	Holding company
Hamamatsu Photonics (China) Co., Ltd.	50,000,000 Chinese yuan	100.0	Sale of photomultiplier tubes (PMT), imaging devices and light sources, opto-semiconductors, image processing and measurement systems
Hamamatsu Photonics Deutschland GmbH	2,000,000 euros	100.0	Sale of photomultiplier tubes (PMT), imaging devices and light sources, opto-semiconductors, image processing and measurement systems
Hamamatsu Photonics France S.A.R.L.	1,136,000 euros	100.0	Sale of photomultiplier tubes (PMT), imaging devices and light sources, opto-semiconductors, image processing and measurement systems
Hamamatsu Photonics Italia S.r.l.	728,000 euros	100.0	Sale of photomultiplier tubes (PMT), imaging devices and light sources, opto-semiconductors, image processing and measurement systems
Hamamatsu Photonics Taiwan Co., Ltd.	30,000,000 Taiwan dollars	100.0	Sale of photomultiplier tubes (PMT), imaging devices and light sources, opto-semiconductors, image processing and measurement systems
Hamamatsu Photonics UK Limited	400,000 UK pounds	100.0	Sale of photomultiplier tubes (PMT), imaging devices and light sources, opto-semiconductors, image processing and measurement systems
Koso Corporation	85,000,000 yen	100.0	Manufacture of light sources
Hamamatsu Photonics Norden AB	2,700,000 Swedish krona	100.0	Sale of photomultiplier tubes (PMT), imaging devices and light sources, opto-semiconductors, image processing and measurement systems
Hamamatsu Photonics Europe GmbH	200,000 euros	100.0	Sales promotion in Europe
Beijing Hamamatsu Photon Techniques, Inc.	200,000,000 Chinese yuan	94.0	Manufacture and sale of photomultiplier tubes (PMT) and related products
Takaoka Electronics Co., Ltd.	98,000,000 yen	88.6	Manufacture of photomultiplier tubes (PMT)
Hamamatsu Electronic Press Co., Ltd.	95,000,000 yen	72.1	Manufacture of electronic components and molds
Iwata Grand Hotel Inc.	100,000,000 yen	57.1	Hotel operations
Hamamatsu Photonics Medical Technology (Lang Fang) Co., Ltd.	18,000,000 Chinese yuan	<100.0>	Manufacture and sale of medical equipment and related products
Hamamatsu Photonics Scientific Instrument (Beijing) Co., Ltd.	5,000,000 Chinese yuan	[100.0]	Sale of photomultiplier tubes (PMT), imaging devices and light sources, opto-semiconductors, image processing and measurement systems
Hamamatsu Corporation	426,000 US dollars	(100.0)	Sale of photomultiplier tubes (PMT), imaging devices and light sources, opto-semiconductors, image processing and measurement systems

Energetiq Technology, Inc.	1 US dollar	(100.0)	Manufacture and sale of light sources
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- Notes:
1. The figures in 〈 〉 for percent owned are the indirect ownership percentage held by Beijing Hamamatsu Photon Techniques, Inc.
  2. The figures in [ ] for percent owned are the indirect ownership percentage held by Hamamatsu Photonics (China) Co., Ltd.
  3. The figures in ( ) for percent owned are the indirect ownership percentage held by Photonics Management Corp.
  4. Iwata Grand Hotel Inc. decreased its capital by implementing a capital decrease.
  5. In October 2017, Photonics Management Corp. acquired all of the shares of Energetiq Technology Inc. and converted that firm into its corporate subsidiary, with the goal of expanding the lineup of light source products.

### (7) Main Businesses (As of September 30, 2018)

The main business of our Group is the manufacture and sale of light-related products such as photomultiplier tubes (PMT), imaging devices and light sources, opto-semiconductors, and image processing and measurement systems, and activities incidental to these businesses.

Our main products and business activities are described below.

Business segment	Product	Main products and business activities
Electron tube	Photomultiplier tubes (PMT)	Photomultiplier tubes (PMT), Photomultiplier tube modules, Accessories for photomultiplier tube, Photon counting heads, Hybrid photo-detectors, Image intensifiers, Phototubes, Electron multipliers, Fast decay phosphors, Ionization-assisting substrates(DIUTHAME), Flow cells, High voltage power supplies, High-speed gate image intensifier units, Photon detection units, UV power meters, Immunochromato-readers, Pinhole inspection units
	Imaging devices and light sources	Microfocus X-ray sources, X-ray scintillators, X-ray image intensifiers, Microchannel plates, FOP (fiber optic plates), Streak tubes, Deuterium lamps, Xenon lamps, Mercury xenon lamps, Xenon flash lamps, Stealth Dicing Engine (SDE), UV-LED light sources, Products using light sources, Electrostatic removers (photoionizer), Flame sensors (UV TRON), Excimer lamps, Energy-differentiation-type radiation line sensors, Laser driven light sources(LDLS), Extreme ultraviolet(EUV) light sources
Opto-semiconductor	Opto-semiconductors	Photodiodes (Si, GaAs), APD (Si, InGaAs), MPPC, photo ICs, PSD (position sensitive detectors), Infrared detectors (InGaAs, InAsSb, InSb, InAs, Photon drag detectors, Thermopile), InGaAs image sensors, CCD image sensors, CMOS image sensors, Photodiode arrays with amplifier, NMOS image sensors, X-ray flat panel sensors, LED, LCOS-SLM (phase spatial light modulators), Mini-spectrometers, Photosensor amplifiers, APD/MPPC modules, Distance sensors, Image sensor driver circuits and application products, Optical communication devices, Automotive devices, Special detectors for high energy particles, Radiation detection modules, MOEMS products
Imaging and measurement instruments	Image processing and measurement systems	Digital CCD cameras for measurement, CMOS cameras for scientific measurement, TDI cameras, X-ray line sensor cameras, Streak cameras, Fluorescence lifetime spectrometers, Multichannel spectrographs, Quantum yield measurement systems, Failure analysis systems for semiconductor manufacturing, Plasma process monitors, Thickness measurement systems, Optical NanoGauge/MicroGauge, Imaging and analysis devices for life sciences, Drug screening systems, Non-invasive brain oxygen monitors, Biological tissue fluorescent monitoring systems, Pathology digital slide scanners
	Other	Semiconductor laser business, Hotel operations, etc.

**(8) Main Office Locations & Factories (As of September 30, 2018)**

a. Hamamatsu Photonics K.K.

Office name	Location	Office name	Location
Headquarters	Naka-ku, Hamamatsu City	Sendai Sales Office	Aoba-ku, Sendai City
Main Factory	Higashi-ku, Hamamatsu City	Tsukuba Sales Office	Tsukuba City, Ibaraki Pref.
Mitsue Factory	Iwata City, Shizuoka Pref.	Tokyo Sales Office	Minato-ku, Tokyo
Shingai Factory	Minami-ku, Hamamatsu City	Chubu Sales Office	Naka-ku, Hamamatsu City
Toyooka Factory	Iwata City, Shizuoka Pref.	Osaka Sales Office	Chuo-ku, Osaka City
Tenno Glass Works	Higashi-ku, Hamamatsu City	Nishinihon Sales Office	Hakata-ku, Fukuoka City
Joko Factory	Higashi-ku, Hamamatsu City	Central Research Laboratory	Hamakita-ku, Hamamatsu City
Miyakoda Factory	Kita-ku, Hamamatsu City	Tsukuba Research Laboratory	Tsukuba City, Ibaraki Pref.
		Industries Development Laboratory	Nishi-ku, Hamamatsu City

Notes: The Tokyo Branch Office was closed as of September 30, 2018.

b. Subsidiaries

Company Name		Location
Japan	Koso Corporation	Iwata City, Shizuoka Pref.
	Takaoka Electronics Co., Ltd.	Naka-ku, Hamamatsu City
	Hamamatsu Electronic Press Co., Ltd.	Iwata City, Shizuoka Pref.
	Iwata Grand Hotel Inc.	Iwata City, Shizuoka Pref.
Overseas	Photonics Management Corp.	USA
	Hamamatsu Photonics (China) Co., Ltd.	China
	Hamamatsu Photonics Deutschland GmbH	Germany
	Hamamatsu Photonics France S.A.R.L.	France
	Hamamatsu Photonics Italia S.r.l.	Italy
	Hamamatsu Photonics Taiwan Co., Ltd.	Taiwan
	Hamamatsu Photonics UK Limited	UK
	Hamamatsu Photonics Norden AB	Sweden
	Hamamatsu Photonics Europe GmbH	Germany
	Beijing Hamamatsu Photon Techniques, Inc.	China
	Hamamatsu Photonics Medical Technology (Lang Fang) Co., Ltd.	China
	Hamamatsu Photonics Scientific Instrument (Beijing) Co., Ltd.	China
	Hamamatsu Corporation	USA
	Energetiq Technology, Inc.	USA

**(9) Employees (As of September 30, 2018)**

Business segment	No. of employees
Electron tube	1,944
Opto-semiconductor	1,401
Imaging and measurement instruments	531
Other	362
Corporate (shared)	640
Total	4,878

- Notes: 1. The number of employees is the numbers of full-time employees.  
2. Employees designated as “Corporate (shared)” are individuals affiliated with management departments who cannot be classified in a specific business segment.

**(10) Main Banks and Amount of Borrowing (As of September 30, 2018)**

(Millions of Japanese Yen)

Bank	Amount
MUFG Bank, Ltd.	3,000
Resona Bank, Limited	2,471
Shizuoka Bank, Ltd.	1,288

**(11) Summary of Other Important Matters Concerning the Corporate Group**

Not applicable



## 2. Matters Concerning the Company's Stock (As of September 30, 2018)

### Common stock

- a. Authorized: 500,000,000 shares
- b. Issued: 165,011,568 shares (including 9,945,363 shares of treasury shares)
- c. Number of shareholders: 22,378
- e. Major shareholders:

Name of shareholder	No. of shares	Percentage of shareholding
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,690,400	6.9
Toyota Motor Corporation	8,400,000	5.4
Japan Trustee Services Bank, Ltd. (Trust Account)	5,896,900	3.8
Japan Trustee Services Bank, Ltd. (Trust Account 9)	5,600,400	3.6
SSBTC Client Omnibus Account	5,199,575	3.4
JP Morgan Chase Bank 380055	4,748,683	3.1
Hamamatsu Photonics K.K. employees	4,748,411	3.1
The Nomura Trust and Banking Co., Ltd. (Investment Trust)	3,015,200	1.9
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,795,700	1.8
State Street Bank West Client – Treaty 505234	2,269,700	1.5

- Notes:
- 1. The Company holds 9,945,363 shares of treasury shares that is not included in the shares of the major shareholders shown above.
  - 2. At its Board of Directors meeting held on November 13, 2017, the Company approved a resolution concerning a purchase of treasury shares based on the provisions of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to the provision of Article 165 paragraph (3) of the same act. Details are provided below.
    - a. Type of shares purchased: Common stock of the Company
    - b. Total number of shares purchased: 2,518,400 shares
    - c. Total purchase amount: JPY 9,999,768,450
    - d. Purchase period: from November 14, 2017 through March 20, 2018
    - e. The shares were purchased to achieve a flexible capital policy in response to changes in the Company's operating environment, and as part of the Company's shareholder returns policy.In accordance with the resolution at the Board of Directors meeting held on April 20, 2018, the Company conducted the retirement of 2,518,400 treasury shares as of April 26, 2018.
  - 3. The percentage of shareholding is calculated after excluding treasury shares. Fractional amounts of less than a single unit have been rounded.

## 3. Matters Concerning Company Stock Acquisition Rights

Not applicable

#### 4. Matters Concerning Company Directors

##### (1) Directors and Audit & Supervisory Board Members (As of September 30, 2018)

Name	Company Position	Responsibilities and Significant Positions Concurrently Held
Akira Hiruma	Representative Director and President	(Note 1)
Junichi Takeuchi	Representative Director and Vice President	
Koei Yamamoto	Representative Director and Senior Managing Director	Division Director, Solid State Division and Laser Promotion Division
Kenji Suzuki	Managing Director	Division Director, Electron Tube Division
Tsutomu Hara	Managing Director	Director, Central Research Laboratory
Kenji Yoshida	Managing Director	Division Director, Administration Headquarters
Naofumi Toriyama	Director	Deputy Division Director, Business Headquarters General Manager, Domestic Sales Management
Kazuhiko Mori	Director	General Manager, Accounting Division Outside Director(Audit & Supervisory Committee Member), ENSHU Limited
Tadashi Maruno	Director	Division Director, System Division Director, Hamamatsu Corporation
Takayuki Suzuki	Director	Deputy Division Director, Solid State Division
Kashiko Kodate	Director	Professor Emeritus, Japan Women's University
Ken Koibuchi	Director	Executive General Manager/Advanced R&D and Engineering Company, Toyota Motor Corporation
Hiroshi Mizushima	Audit & Supervisory Board Member (Standing)	
Akira Utsuyama	Audit & Supervisory Board Member (Standing)	
Yuji Maki	Audit & Supervisory Board Member	Managing Officer, Toyota Motor Corporation
Saburo Sano	Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member, Mitsubishi Precision Company, Limited

Notes: 1. The following significant positions are concurrently held by Representative Director and President Akira Hiruma.

Company Name	Position
Photonics Management Corp.	Director and President
Hamamatsu Corporation	Director
Research Foundation for Opto-Science and Technology	Director and President
Hamamatsu Medical Photonics Foundation	President
The Graduate School for the Creation of New Photonics Industries	President

- Director Kashiko Kodate and Director Ken Koibuchi are Outside Directors.
- Audit & Supervisory Board member Yuji Maki and Audit & Supervisory Board member Saburo Sano are Outside Audit & Supervisory Board members.
- The Company has notified the Tokyo Stock Exchange of Director Kashiko Kodate, Director Ken Koibuchi, Audit & Supervisory Board Member Yuji Maki and Audit & Supervisory Board Member Saburo Sano as independent directors/auditors, as provided by the securities listing regulations of the Tokyo Stock Exchange.
- At the 70th Ordinary General Meeting of Shareholders held on December 22, 2017, all of Directors were reelected and assumed their respective positions. Changes to Directors, other than reappointments, were as follows.  
Appointed Director Kazuhiko Mori

Appointed	Director	Tadashi Maruno
Appointed	Director	Takayuki Suzuki
Appointed	Director	Ken Koibuchi
Resigned	Director and Chairman of the Board	Teruo Hiruma
Resigned	Representative Director and Vice President	Haruji Ohtsuka
Resigned	Managing Director	Hitoshi Iida
Resigned	Managing Director	Mitsutaka Takemura
Resigned	Director	Tadahiko Shimazu
Resigned	Director	Kiyotaka Ise

6. At the Board of Directors meeting held on December 22, 2017, the directors were elected and assumed their respective positions.

The change to Director with specific titles was as follows:

Appointed Representative Director and Vice President Junichi Takeuchi

7. At the close of the 70th Ordinary General Meeting of Shareholders held on December 22, 2017, Audit & Supervisory Board member Kazuhiko Mori resigned and Akira Utsuyama was elected to and assumed the position of Audit & Supervisory Board Member as an alternate.

8. Changes to responsibilities of Directors during the fiscal year ended September 30, 2018 were as follows.

Name	Prior to change	After change	Date of change
Kenji Yoshida	Director, Administrative Division	Division Director, Administration Headquarters	October 1, 2017
Koei Yamamoto	Division Director, Solid State Division	Division Director, Solid State Division and Laser Promotion Division	December 22, 2017
Kenji Suzuki	Deputy Division Director, Electron Tube Division	Division Director, Electron Tube Division	December 22, 2017

9. Change to responsibility of Director after the end of the fiscal year ended September 30, 2018 was as follows.

Name	Prior to change	After change	Date of change
Naofumi Toriyama	Deputy Division Director, Business Headquarters General Manager, Domestic Sales Management	Division Director, Business Headquarters	October 1, 2018

10. Audit & Supervisory Board member Saburo Sano has many years of experience at The Bank of Tokyo-Mitsubishi, Ltd. (now MUFG Bank, Ltd.) and Mitsubishi UFJ Financial Group, Inc., and has the appropriate degree of knowledge concerning financial affairs and accounting.

## (2) Remuneration and Other Amounts Paid to Directors and Audit & Supervisory Board Members

a. Total remuneration and other benefits pertaining to the fiscal year ended September 30, 2018

Classification	Number of compensated individuals	Amount paid	Summary
Director	18	JPY 353 million	(3 Outside Directors JPY 13 million)
Audit & Supervisory Board Member	5	JPY 47 million	(2 Outside Audit & Supervisory Board Members JPY 8 million)
Total	23	JPY 400 million	

- Notes:
1. The amount of remuneration for Directors was established at a monthly amount of up to JPY 55 million (up to JPY 3 million for Outside Directors), excluding the salary payable in the capacity of employees, by a resolution of the 70th Ordinary General Meeting of Shareholders convened on December 22, 2017.
  2. The amount of remuneration for Audit & Supervisory Board members was established at a monthly amount up to JPY 6 million by a resolution of the 65th Ordinary General Meeting of Shareholders convened on December 20, 2012.
  3. Total remuneration paid to Directors does not include the employee salary portions paid to Directors serving concurrently as employees.
  4. The number of compensated individuals shown above includes 6 Directors who resigned on December 22,

2017.

5. The number of compensated individuals shown above includes one Audit & Supervisory Board Member who resigned on December 22, 2017.

b. Retirement benefits paid in the fiscal year ended September 30, 2018

Retirement benefits paid during the fiscal year ended September 30, 2018 based on a resolution of the 65th Ordinary General Meeting of Shareholders held on December 20, 2012 to pay final benefits following abolition of the retirement benefit plan were as follows.

Directors: 5 JPY 960 million

(The amount shown above includes a transfer of the provision for officers' retirement benefits included in the total amount of officers' remuneration and other benefits disclosed in the Business Report for the prior fiscal year.)

**(3) Outside Officers**

- a. Significant positions concurrently held at other corporations etc. and relationship between the Company and said other corporations etc.

Name	Significant Positions Concurrently Held
Kashiko Kodate (Outside Director)	Professor Emeritus, Japan Women's University
Ken Koibuchi (Outside Director)	Executive General Manager/Advanced R&D and Engineering Company, Toyota Motor Corporation
Yuji Maki (Outside Audit & Supervisory Board Member)	Managing Officer, Toyota Motor Corporation
Saburo Sano (Outside Audit & Supervisory Board Member)	Outside Audit & Supervisory Board Member, Mitsubishi Precision Company, Limited

Notes: 1. Toyota Motor Corporation is a major shareholder and owns 5.4% of the Company's total shares issued (excluding treasury shares). The Company has business transactions, including the sale and purchase of products, with Toyota Motor Corporation.

2. The Company has business transactions, including the sale and purchase of products, with Mitsubishi Precision Company, Limited.

- b. Main activities

Name	Remarks etc. at meetings of the Board of Directors and Audit & Supervisory Board
Kashiko Kodate (Outside Director)	Contributes remarks and advice based on her extensive specialized knowledge as a university professor and extensive experience in corporate management. Attended 15 of the 16 Board of Directors meetings.
Ken Koibuchi (Outside Director)	Contributes remarks and advice based on his extensive experience and deep insights, mainly in sectors such as corporate management. Attended 12 of the 13 Board of Directors meetings held following his appointment.
Yuji Maki (Outside Audit & Supervisory Board Member)	Contributes remarks and advice based on his practical experience and perspective in the accounting division of a listed company. Attended 15 of the 16 Board of Directors meetings and 6 of the 6 Audit & Supervisory Board meetings.
Saburo Sano (Outside Audit & Supervisory Board Member)	Takes advantage of his experience in the banking industry to contribute remarks and advice on all aspects of corporate management, including operations management and the financial accounting system. Attended 15 of the 16 Board of Directors meetings and 6 of the 6 Audit & Supervisory Board meetings.

- c. Summary of contents of agreements to limit liability

Based on the Articles of Incorporation, the Company has entered Agreement Limiting Liability between the Company and each Outside Director and Outside Audit & Supervisory Board Member regarding the obligations set in Article 423 paragraph (1) of the Companies Act, to limit their obligation to the minimum allowance set by Article 425 paragraph (1) of the Companies Act.

## 5. Independent Auditor

### (1) Name of Independent Auditor

Ernst & Young ShinNihon LLC

### (2) Amount of Compensation and Other Benefits Paid to the Independent Auditor Pertaining to the Fiscal Year Ended September 30, 2018

Classification	Amount
Amount of compensation and other fees related to activities prescribed in Article 2 paragraph (1) of the Certified Public Accountants Act (Law No. 103 of 1948)	JPY 62 million
Total amount of cash and other financial interests the Company and its subsidiary companies will pay to the Company's independent auditor	JPY 62 million

Notes: 1. The amount of compensation and other benefits pertaining to the fiscal year ended September 30, 2018 is reported in these total amounts because the amounts of the audit fees etc. for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act are not classified separately and cannot be substantively classified in the audit agreement between the Company and its independent auditor.

2. After performing the verification necessary to determine whether the details of the audit plan, status of performance of audit duties, grounds for calculation of estimated compensation and other matters pertaining to the independent auditor are appropriate, the Company's Audit & Supervisory Board has given its consent for the amount of compensation and other benefits paid to the independent auditor.

### (3) Consolidated Subsidiary Audits

The following important consolidated subsidiaries of the Company are subject to audits by certified public accountants or audit entities other than the Company's independent auditor (including individuals in other countries holding qualifications that correspond to these qualifications).

Corporation Name
Hamamatsu Corporation
Hamamatsu Photonics Deutschland GmbH
Hamamatsu Photonics (China) Co., Ltd.

### (4) Company Policy Concerning Decisions to Dismiss or Not Reappoint the Independent Auditor

The Company's Audit & Supervisory Board will dismiss the independent auditor by a resolution of the Audit & Supervisory Board based on the consensus of all Audit & Supervisory Board members if the independent auditor corresponds to any of the reasons provided in the sub-paragraphs of Article 340 paragraph (1) of the Companies Act. In this case, an Audit & Supervisory Board member selected by the Audit & Supervisory Board will report on the dismissal and the reason at the first Ordinary General Meeting of Shareholders convened after such dismissal.

In addition the situation described above, if it recognizes the independent auditor will have difficulty in appropriately accomplishing their duties, the Company's Audit & Supervisory Board will conduct a study based on the facts, and if it is judged dismissal or non-reappointment is reasonable the Audit and Supervisory Board will decide to make that intent a purpose of the Ordinary General Meeting of Shareholders.

## **6. Systems for ensuring proper business activities and operating status of said systems**

### **Systems for ensuring proper business activities**

**A summary of matters resolved by the Board of Directors meeting is provided below.**

#### **[Basic Policy on Company-wide Efforts for Corporate Management]**

- The Company's business is carried out based on the conduct of its employees. Therefore we will strive to foster each individual and create an organization that will grow and develop as a sound, trusted company.
- Each individual must study through their daily work, and foster a corporate culture to engage in absorption of new knowledge, correct communication of information and correct conduct, with a sense of responsibility, duty, and awareness.

#### **(1) System to ensure the execution of the Board of Directors' duties complies with laws and regulations and the Articles of Incorporation**

The Company strives to clarify its basic approach concerning corporate ethics and compliance, and ensure all employees are well-acquainted with the Company's thinking.

The Company seeks to strengthen governance by regularly convening, in addition to the Board of Directors meeting, an Executive Committee chaired by the Representative Director and attended by the Directors, Audit & Supervisory Board Members and managers of the General Manager class and higher, which from time to time reports and studies issues.

#### **(2) System for retaining and managing information concerning the execution of Directors' duties**

1. The Company prepares and retains minutes of the Board of Directors meetings, the Executive Committee, and other important meetings.
2. Information will be computerized and retained in an easy to inspect format.

#### **(3) Rules and other systems related to management of loss risks**

The Company will establish respective divisions responsible for risks related to information security, quality, environment, disasters, export control, etc., and these divisions prepare rules and guidelines concerning such risks, and conduct training and education.

#### **(4) Systems to ensure the execution of Directors' duties is performed efficiently, and systems to ensure the execution of employees' duties complies with laws and regulations and the Articles of Incorporation**

1. The regular Board of Directors meeting is held once every month under the Board of Directors Meeting Rules, and fulfills responsibilities such as making decisions concerning important matters and monitoring the execution of operations. In addition, through formation of the Executive Manager System, the Company seeks to invigorate the Board of Directors meeting and accelerate communications by granting non-board members the right to attend (without voting rights) the Board of Directors meeting.
2. To accelerate the execution of operations and improve efficiency, and share information among the Directors and Executive Managers, an Executive Committee attended by managers of the General Manager class and higher, in addition to the Directors and Audit & Supervisory Board Members, is held regularly under the Executive Committee Provisions to conduct multifaceted studies of basic matters and important issues regarding the execution of operations and provide explanations and instructions to directly concerned parties. This committee also disseminates information to other employees through various other meetings.
3. The Company will prepare the organization regulations, division of duties provisions, and administrative authority provisions, and clarify responsibilities and authorities.
4. To understand budget execution status and operating results trends, the Company will establish a Budget Committee to study progress reports and actions to be taken.
5. The Company will conduct training to improve areas such as the safety and health of

employees and compliance awareness at the time when individuals join the Company and when individuals are appointed to management positions, and continually after that.

6. The Company will prepare a system for responding accurately, and on a timely basis, to disclosures of inside information.
7. The Company will prepare various guidelines based on the Personal Information Management Guidelines to address the management of personal information.
8. The Company will clarify the basic policy for eliminating anti-social forces, and thoroughly acquaint all employees with it.
9. Based on the Internal Controls and Audit Provisions, the Company will prepare the internal control systems necessary to ensure the appropriateness of financial reporting.

**(5) Systems to ensure appropriate business operations in our Group (meaning the Company and consolidated subsidiaries)**

1. For domestic and foreign consolidated subsidiaries, the Company will establish a management division responsible for ensuring appropriate operations while respecting, as a rule, each company's autonomy. The Company will respond as follows based on the size and business of consolidated subsidiaries.
  - a) At domestic consolidated subsidiaries, the Company executes operations in accordance with the Company's policy and monitors the execution of operations by dispatching Directors or Executive Officers of the Company to serve as Directors of these subsidiaries. In addition, the Company strives to avoid risks by dispatching Directors or Executive Officers of the Company to serve as Audit & Supervisory Board Members.
  - b) In addition to a) above, at overseas consolidated subsidiaries, the Company periodically bring together responsible individuals of the overseas consolidated subsidiaries for reporting and conferring, to build a consensus about the management. In addition, the Company dispatches or seconds responsible individuals to subsidiaries in order to collect information as necessary.
2. Domestic and foreign consolidated subsidiaries shall regularly report on their operating results etc. to the Company, and if necessary the Company shall convene a liaison meeting to encourage communication, in order to promote cooperation within our Group.
3. The Company will address the risks at domestic and foreign consolidated subsidiaries by sharing risk information corresponding to size and business category, preparing and disseminating various provisions, and implementing training and education, with using the responsible division of the Company as a contact.
4. The Company will formulate a consolidated earnings plan while sharing information between the Company and consolidated subsidiaries.
5. The Company will make the Fundamental CSR Policy and the Corporate Code of Conduct known to consolidated subsidiaries, with the goal of improving compliance within our Group.

**(6) Matters concerning employees to be appointed when the Audit & Supervisory Board Members have requested that employees be assigned to assist their duties**

If the Audit & Supervisory Board Members have requested staff to assist an audit, the Company will appoint individuals from among its employees based on the Audit & Supervisory Board meeting's request about the number and the abilities of staff.

**(7) Matters concerning ensuring the independence of the employees in the preceding paragraph from the Directors and ensuring the effectiveness of instructions to said employees**

As dedicated staff to assist the Audit & Supervisory Board meeting, the relevant employees must act solely in accordance with the standards set by the Audit & Supervisory Board meeting, and must follow the Audit & Supervisory Board Members' instructions and orders. Furthermore, they are not to serve concurrently in an office related to the execution of operations or as employees in other divisions.



**(8) System for directors and employees of our Group to report to Audit & Supervisory Board Members, and system concerning other reports to Audit & Supervisory Board Members**

When Directors and employees (including Directors, Audit & Supervisory Board Members, and employees of consolidated subsidiaries) are requested to report on matters concerning the execution of operations by Audit & Supervisory Board Members of the Company, they will make an appropriate report promptly.

Furthermore, as soon as they have discovered any facts that might cause a significant loss to our Group, including acts that will violate laws and regulations or the Company's Articles of Incorporation, they shall make a report immediately to an Audit & Supervisory Board Member, or to the Audit & Supervisory Board meeting.

**(9) System to ensure individuals who have made a report under the preceding paragraph are not subjected to disadvantageous treatment because they made said report**

The Company will not subject a Director or employee of our Group who made a report to an Audit & Supervisory Board Member to disadvantageous treatment because they made said report.

**(10) Matters concerning the policy with respect to the procedure for advances or reimbursements of expenses incurred with respect to the execution of an Audit & Supervisory Board Member's duties or other processing of expenses or debts incurred with respect to the execution of said duties**

When an Audit & Supervisory Board Member has submitted a request for advance payment of expenses with respect to the execution of duties based on Article 388 of the Companies Act, the Company will process said expenses or debts promptly except when it has determined, based on discussions with the responsible division, that the expenses or debts with respect to the relevant payment request were not necessary for execution of said Audit & Supervisory Board Member's duties.

**(11) Other systems to ensure that audits by Audit & Supervisory Board Member are conducted effectively**

The Company will ensure that the Audit & Supervisory Board Members will conduct effective audit activities for operating audits and accounting audits, based on a system of appropriate reports from parties such as the Independent Auditor, the Internal Audit & Control Division, the Internal Audit Division, subsidiaries' Directors and Audit & Supervisory Board Members and the audit assistance staff, as well as coordination and information sharing with them.

**Operation status of the systems for ensuring appropriate business operations**

**A summary of the operation status of the systems for ensuring appropriate business operations is provided below.**

1. Execution of Directors' duties

For the purpose of maintaining and improving the effectiveness of the Board of Directors, the Company has continually conducted evaluations of the Board of Directors in the form of questionnaire based on self-assessment by the Directors and Audit & Supervisory Board Members. Based on the results of these evaluations, the Company changes the steering policy of the Board of Directors as necessary. In addition, the Company has formulated a basic policy concerning corporate governance in which it identified the management philosophy, and has disclosed it on the Company's website to make known not only to the employees but also to various stakeholders.

The Company has also made its basic thinking concerning corporate ethics and compliance, its Fundamental CSR Policy and its Corporate Code of Conduct known to employees by posting this information on its intranet website and through various educational efforts. In August 2017, the Company became a signatory to the UN Global Compact and declared its support for its 10 principles. This fiscal year, the Company was recognized under the 2018 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise

category) “White 500.” The Company will continue to implement policies to enable all employees to balance work and family and to continue working actively on a long-term basis.

On the other hand, the Company holds an Executive Committee attended by managers of the General Manager class and higher, in addition to the Directors and Audit & Supervisory Board Members once every week under the Executive Committee Provisions to conduct multifaceted studies of basic matters and important issues regarding the execution of operations and from time to time prepares reports and studies on various issues. This committee prepares and retains all the Executive Directors Committee minutes.

#### 2. Management of loss risk

The Company has formulated a business continuity plan, which it continuously revises through means such as training, to prepare for disasters such as earthquakes. It also has strengthened its risk management system for overseas business travel. Training with regard to other risks related to information security, quality, environment, disasters, and export control, etc., is implemented by each responsible division.

#### 3. Execution of employees’ duties

The Company holds the Executive Committee once every week and communicates information through various discussions, including our Group’s management policies and conformity with our corporate culture, to Executive Officers. In addition, the Company holds a meeting of its employees holding the managerial position once every month, where together with giving reports from the management side which seeks to deliver and share information in their own words.

The Company has also prepared rules and provided education to prevent research activity misconduct and the improper use of public research funds.

#### 4. Ensuring proper operations in our Group

To ensure the propriety of operations, including those of consolidated subsidiaries, the Company works to identify the administrative authority including those of consolidated subsidiaries, create risk management systems for our entire Group and achieve thorough compliance with laws and regulations. Furthermore, in addition to dispatching or seconding executives to consolidated subsidiaries, for domestic consolidated subsidiaries the Company exchanges information monthly if necessary, and for overseas consolidated subsidiaries implements meetings where all managers attend.

The Company also works to familiarize consolidated subsidiaries with its Fundamental CSR Policy and Corporate Code of Conduct, with the aim of improving compliance within our Group. During this fiscal year, the Company undertook collaborative initiatives between consolidated subsidiaries in order to ensure compliance with the General Data Protection Regulation (GDPR).

#### 5. Systems to ensure audits and supervision are conducted effectively

To improve the effectiveness of audits by the Audit & Supervisory Board Members, if necessary the Company confers beforehand with the Audit & Supervisory Board Members concerning the contents of materials to be submitted to the Board of Directors meeting. Furthermore, to improve the effectiveness of audits and supervision by the Outside Directors and Outside Audit & Supervisory Board Members, the Company creates an opportunity to provide and explain the necessary information by sending beforehand the materials related to matters to be resolved at the regular Board of Directors meeting.

Note: The figures presented in this Business Report are rounded down to the nearest whole unit of presentation.

## Consolidated Balance Sheets

(As of September 30, 2018)

(Millions of Japanese Yen)

Assets		Liabilities	
Item	Amount	Item	Amount
<b>Current assets</b>	<b>153,971</b>	<b>Current liabilities</b>	<b>38,099</b>
Cash and deposits	74,458	Notes and accounts payable-trade	5,101
Notes and accounts receivable-trade	35,914	Electronically recorded obligations-operating	6,266
Merchandise and finished goods	8,874	Short-term loans payable	1,662
Work in process	17,933	Current portion of long-term loans payable	3,178
Raw materials and supplies	7,677	Income taxes payable	2,892
Deferred tax assets	3,774	Provision for bonuses	5,138
Other	5,501	Other	13,860
Allowance for doubtful accounts	(162)	<b>Non-current liabilities</b>	<b>13,181</b>
<b>Non-current assets</b>	<b>91,295</b>	Long-term loans payable	3,512
<b>Property, plant and equipment</b>	<b>71,730</b>	Deferred tax liabilities	950
Buildings and structures	34,117	Reserve for loss on dissolution of employees' pension fund	529
Machinery, equipment and vehicles	12,364	Net defined benefit liability	7,393
Tools, furniture and fixtures	4,359	Other	795
Land	16,789	<b>Total liabilities</b>	<b>51,281</b>
Leased assets	272	<b>Net assets</b>	
Construction in progress	3,826	<b>Shareholders' equity</b>	<b>191,126</b>
<b>Intangible assets</b>	<b>6,278</b>	Capital stock	34,928
Customer relationships	2,634	Capital surplus	34,672
Other	3,644	Retained earnings	142,321
<b>Investments and other assets</b>	<b>13,286</b>	Treasury shares	(20,795)
Investment securities	4,158	<b>Accumulated other comprehensive income</b>	<b>2,190</b>
Real estate for investment	795	Valuation difference on available-for-sale securities	1,545
Deferred tax assets	6,833	Foreign currency translation adjustment	1,259
Other	1,518	Remeasurements of defined benefit plans	(614)
Allowance for doubtful accounts	(19)	<b>Non-controlling interests</b>	<b>668</b>
		<b>Total net assets</b>	<b>193,985</b>
<b>Total assets</b>	<b>245,267</b>	<b>Total liabilities and net assets</b>	<b>245,267</b>

**Consolidated Statements of Income**  
(From October 1, 2017 through September 30, 2018)

(Millions of Japanese Yen)

Item	Amount	
<b>Net sales</b>		<b>144,338</b>
<b>Cost of sales</b>		<b>70,385</b>
<b>Gross profit</b>		<b>73,952</b>
<b>Selling, general and administrative expenses</b>		<b>46,688</b>
<b>Operating profit</b>		<b>27,263</b>
<b>Non-operating income</b>		
Interest income	194	
Dividend income	46	
Insurance income	153	
Rent income on non-current assets	73	
Rent of real estate for investment	100	
Foreign exchange gains	64	
Share of profit of entities accounted for using equity method	119	
Gain on sales of scraps	130	
Other	322	<b>1,205</b>
<b>Non-operating expenses</b>		
Interest expenses	65	
Rent expenses on real estates	125	
Commission for purchase of treasury shares	103	
Other	86	<b>381</b>
<b>Ordinary profit</b>		<b>28,088</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	34	
Subsidy income	277	
Gain on sales of investment securities	16	
Insurance income	266	<b>594</b>
<b>Extraordinary loss</b>		
Loss on sales of non-current assets	54	
Loss on retirement of non-current assets	52	
Loss on reduction of non-current assets	263	
Loss on disaster	194	
Loss on valuation of investment securities	5	
Provision for loss on dissolution of employees' pension fund	534	<b>1,105</b>
<b>Profit before income taxes</b>		<b>27,577</b>
Income taxes-current	7,282	
Income taxes-deferred	△995	<b>6,287</b>
<b>Profit</b>		<b>21,289</b>
Profit attributable to non-controlling interests		<b>67</b>
<b>Profit attributable to owners of parent</b>		<b>21,222</b>

## Non-consolidated Balance Sheets

(As of September 30, 2018)

(Millions of Japanese Yen)

Assets		Liabilities	
Item	Amount	Item	Amount
<b>Current assets</b>	<b>116,657</b>	<b>Current liabilities</b>	<b>30,725</b>
Cash and deposits	53,599	Electronically recorded obligations - operating	6,266
Notes receivable - trade	6,282	Accounts payable - trade	5,214
Accounts receivable - trade	23,440	Current portion of long-term loans payable	3,000
Merchandise and finished goods	2,855	Lease obligations	84
Work in process	17,327	Accounts payable - other	2,470
Raw materials and supplies	6,841	Accrued expenses	1,223
Deferred tax assets	2,198	Income taxes payable	2,412
Accounts receivable - other	3,907	Advances received	32
Other	237	Deposits received	473
Allowance for doubtful accounts	(33)	Provision for bonuses	4,485
		Electronically recorded obligations - facilities	2,841
<b>Non-current assets</b>	<b>83,641</b>	Deposits received from employees	2,040
<b>Property, plant and equipment</b>	<b>62,624</b>	Other	180
Buildings	27,413	<b>Non-current liabilities</b>	<b>10,327</b>
Structures	1,727	Long-term loans payable	3,000
Machinery and equipment	11,496	Lease obligations	184
Vehicles	19	Reserve for loss on dissolution of employees' pension fund	529
Tools, furniture and fixtures	3,152	Provision for retirement benefits	6,051
Land	14,785	Asset retirement obligations	246
Leased assets	245	Other	315
Construction in progress	3,784	<b>Total liabilities</b>	<b>41,053</b>
<b>Intangible assets</b>	<b>793</b>	<b>Net assets</b>	
Patent right	138	<b>Shareholders' equity</b>	<b>157,700</b>
Software	638	<b>Capital stock</b>	<b>34,928</b>
Other	16	<b>Capital surplus</b>	<b>34,636</b>
<b>Investments and other assets</b>	<b>20,223</b>	Legal capital surplus	34,636
Investment securities	2,992	<b>Retained earnings</b>	<b>108,926</b>
Shares of subsidiaries and associates	8,381	Legal retained earnings	695
Investments in capital	1	Other retained earnings	108,231
Investments in capital of subsidiaries and associates	1,414	Reserve for special depreciation	9
Deferred tax assets	6,547	Reserve for dividends	4,500
Real estate for investment	362	General reserve	82,600
Other	543	Retained earnings brought forward	21,121
Allowance for doubtful accounts	(19)	<b>Treasury shares</b>	<b>(20,791)</b>
		<b>Valuation and translation adjustments</b>	<b>1,545</b>
		Valuation difference on available-for-sale securities	1,545
		<b>Total net assets</b>	<b>159,245</b>
<b>Total assets</b>	<b>200,298</b>	<b>Total liabilities and net assets</b>	<b>200,298</b>

## Non-consolidated Statements of Income

(From October 1, 2017 through September 30, 2018)

(Millions of Japanese Yen)

Item	Amount	
<b>Net sales</b>		<b>116,323</b>
<b>Cost of sales</b>		<b>67,337</b>
<b>Gross profit</b>		<b>48,986</b>
<b>Selling, general and administrative expenses</b>		<b>31,378</b>
<b>Operating profit</b>		<b>17,607</b>
<b>Non-operating income</b>		
Interest income	5	
Dividend income	3,459	
Rent of real estate for investment	33	
Miscellaneous income	537	<b>4,035</b>
<b>Non-operating expenses</b>		
Interest expenses	37	
Rent expenses on real estates	106	
Foreign exchange losses	28	
Commission for purchase of treasury shares	103	
Miscellaneous loss	42	<b>319</b>
<b>Ordinary profit</b>		<b>21,323</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	18	
Subsidy income	277	
Gain on sales of investment securities	16	
Insurance income	266	<b>578</b>
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	1	
Loss on retirement of non-current assets	44	
Loss on reduction of non-current assets	263	
Loss on disaster	194	
Loss on valuation of investment securities	5	
Provision for loss on dissolution of employees' pension fund	534	<b>1,043</b>
<b>Profit before income taxes</b>		<b>20,858</b>
Income taxes - current	4,517	
Income taxes - deferred	△451	<b>4,065</b>
<b>Profit</b>		<b>16,792</b>

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