Hitachi High-Tech

HITACHI

Seizing Opportunities on a Global Stage

Annual Report 2013

Year ended March 31, 2013

Creative Minds. Innovative Solutions.

Contents

Forward-Looking Statements

Statements made in this Annual Report with respect to Hitachi High-Technologies' plans, strategies and future performance are forward-looking statements based on management's assumptions and beliefs in light of the information currently available, and involve risks and uncertainties. Accordingly, actual performance may differ materially from expectations due to a range of factors including, but not limited to, changes in the Company's operating environment.

Editorial Policy

Hitachi High-Technologies has opted to publish this Annual Report solely on its corporate website. This report is considered a useful communication tool for promoting understanding of the Company's management policies and business strategies among a broad readership encompassing both individual and institutional investors.

Basic Philosophy

Hitachi High-Technologies Corporation aims to be a successful enterprise trusted by all our stakeholders and contributing to social progress through business activities that emphasize value creation through high-tech solutions. We are committed to open, transparent, and reliable business practices. As we continue to grow, we will value the environment and strive to build a prosperous community, fulfilling our social responsibility and contributing as a corporate citizen with passion and pride in our work.

Corporate Vision

To Consistently Aim to Be Global Top in High-Tech Solutions

Business Policy

- To place the customer first, growing with our customers by providing the best solutions, consistently a step ahead of market needs.
- To contribute to value creation in the global community through synergies between our strengths in cutting-edge technologies and our capabilities as an established trading company.
- To aim for reliability and excellence based on our core assets of talent and technical resources, and to maximize our corporate value.

Management Policy

- To aggressively disclose information and conduct business in a highly transparent manner.
- To exercise social responsibility as an environmentally aware corporate citizen.
- To conduct legally and ethically sound business activities.

Corporate Culture Policy

- To respect the abilities of every employee and inspire confidence to tackle new challenges.
- To build a vibrant, enterprising company that is open to new ideas.
- To encourage speedy and efficient performance through teamwork.

User Guide

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Company Overview

Hitachi High-Technologies is developing a high-tech solutions business derived from the integration of its trading and manufacturing functions.

Hitachi High-Tech houses a specialized trading function active across the globe, as well as manufacturing functions that enable the development of high-tech products through cutting-edge technologies. Combining this distinct framework integrating manufacturing, sales and services with the comprehensive strengths of the Hitachi Group, and together with customers, Hitachi High-Tech strives be a company on the forefront of creating front-line businesses with cutting-edge technologies.

Jan. 2013
Business Integration of SII Nano Technology Inc.

Analytical Instruments:
Competitive in cutting-edge fields

Apr. 2010
Business Integration of Renesas Eastern Japan Semiconductor, Inc.

Die Bonders:
Boasting high-speed and precision

Mar. 2004
Business Integration of Hitachi Electronics Engineering Co., Ltd.

FPD and HD-related Equipment:
Integrating expertise in technology and product development

Optical Semiconductor Inspection Equipment:
Vital to the commercial-scale production of next-generation devices

Apr. 2003
Business Integration of Sanyo High Technology Co., Ltd.

Chip Mounters:
Embodying outstanding productivity and quality

Oct. 2001
Establishment of Hitachi High-Technologies Corporation

Hitachi, Ltd.

Instruments Group:
Always at the leading edge of progress in measurement technologies

Semiconductor Manufacturing Equipment Group:
Expertise in high-density circuit integration and miniaturization

+

Nissei Sangyo Co., Ltd.

Trading Functions:
Specializing in cutting-edge technology, primarily in the field of electronics

Skill in Building New Businesses:
Supported by a worldwide network

Business Expansion through M&A/Alliance

Organic Growth

Company Overview

Electronic Device Systems

- Process Equipment
- Metrology & Inspection Equipment
- Back-end & Assembly Equipment

and others

URL

Fine Technology Systems

- FPD Manufacturing Equipment
- HD Manufacturing Equipment

and others

URL

Science & Medical Systems

- Electron Microscopes
- Scientific Instruments
- Medical Products
- Biotechnology Products

and others

URL

Industrial & IT Systems

- Industrial Infrastructure
- Social Infrastructure
- ICT Solutions

and others

URL

Advanced Industrial Products

- Industrial Components & Materials
- Automobile/Transportation Components & Materials
- Electronic Components & Materials
- Fine Chemicals

and others

URL

Manufacturer Functions

- **Technology Development Capabilities**
- **Manufacturing and Service Capabilities**

Global Network

(26 Countries and Regions/60 Locations)

Trading Company Functions

- **Global Sales Capabilities**
- **Global Sourcing Capabilities**

Consolidated Ten-Year Summary

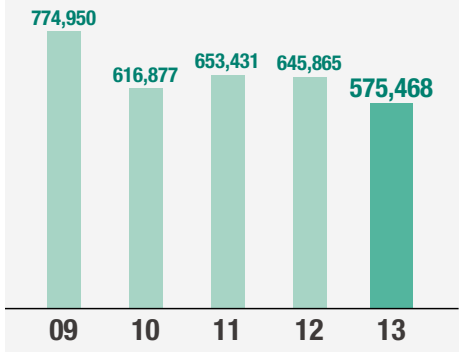
Hitachi High-Technologies and Consolidated Subsidiaries
Years ended March 31, 2004–2013

										Millions of yen	Thousands of U.S. dollars
Years ended March 31	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013
For the year:											
Net sales	¥ 831,050	¥ 936,865	¥ 888,293	¥ 951,619	¥ 943,124	¥ 774,950	¥ 616,877	¥ 653,431	¥ 645,865	**¥ 575,468**	**$6,118,744**
Electronic Device Systems	–	–	–	–	–	–	–	95,899	102,386	**103,919**	**1,104,937**
Fine Technology Systems	–	–	–	–	–	–	–	38,803	22,979	**14,320**	**152,257**
Science & Medical Systems	–	–	–	–	–	–	–	115,377	147,055	**132,919**	**1,413,276**
Industrial & IT Systems	–	–	–	–	–	–	–	118,206	121,687	**94,124**	**1,000,783**
Advanced Industrial Products	–	–	–	–	–	–	–	295,646	261,216	**236,443**	**2,514,015**
Others & Adjustments	–	–	–	–	–	–	–	(10,500)	(9,458)	**(6,257)**	**(66,524)**
Operating profit (loss)	13,798	30,001	36,036	45,062	49,141	14,909	(1,626)	27,893	25,459	**18,951**	**201,500**
Net income (loss)	7,162	15,004	19,249	26,109	26,932	7,075	(2,827)	17,752	14,265	**12,166**	**129,356**
Cash flows from operating activities	14,989	26,000	15,700	24,805	30,743	31,056	22,371	20,916	43,453	**10,974**	**116,679**
Cash flows from investing activities	(531)	(576)	(9,578)	(5,900)	(6,393)	(18,684)	(8,277)	1,194	(25,203)	**(4,424)**	**(47,042)**
Free cash flows	14,458	25,424	6,122	18,905	24,350	12,372	14,094	22,110	18,250	**6,550**	**69,637**
Cash flows from financing activities	(20,853)	(21,582)	(12,762)	(4,009)	(3,685)	(9,306)	(2,759)	(2,949)	(4,137)	**(8,013)**	**(85,203)**
At the year-end:											
Total assets	¥ 462,875	¥ 432,501	¥ 457,837	¥ 480,191	¥ 504,873	¥ 427,576	¥ 411,049	¥ 413,267	¥ 442,162	**¥ 433,639**	**$4,610,732**
Total net assets	160,480	173,379	193,363	221,330	235,104	234,278	229,399	242,845	253,012	**267,189**	**2,840,929**
Cash and cash equivalents	44,648	48,967	43,600	59,267	77,853	79,628	90,188	107,704	121,598	**123,485**	**1,312,968**
Number of employees	10,043	9,868	9,974	10,234	10,477	10,508	9,931	10,100	10,340	**10,436**	**–**
Per share data (¥):											
Net income (loss)	¥ 50.56	¥ 107.94	¥ 139.24	¥ 189.81	¥ 195.80	¥ 51.44	¥ (20.55)	¥ 129.07	¥ 103.71	**¥ 88.45**	**$ 0.94**
Net assets	1,164.99	1,259.18	1,404.96	1,572.14	1,707.69	1,701.74	1,666.00	1,764.66	1,837.84	**1,939.81**	**20.63**
Dividends	15.00	20.00	25.00	25.00	30.00	30.00	15.00	20.00	30.00	**20.00**	**0.21**
Ratio:											
Operating profit (loss) ratio (%)	1.7	3.2	4.1	4.7	5.2	1.9	(0.3)	4.3	3.9	**3.3**	**–**
Equity ratio (%)	34.7	40.1	42.2	45.0	46.5	54.7	55.7	58.7	57.2	**61.5**	**–**
Return on equity (ROE) (%)	4.5	9.0	10.5	12.7	11.9	3.0	(1.2)	7.5	5.8	**4.7**	**–**
Return on assets (ROA) (%)	3.2	5.8	7.9	9.4	9.9	3.5	(0.1)	7.2	6.1	**4.6**	**–**
Price-earnings ratio (Times)	32.8	15.7	22.3	17.0	8.4	26.9	–	12.9	19.0	**22.4**	**–**

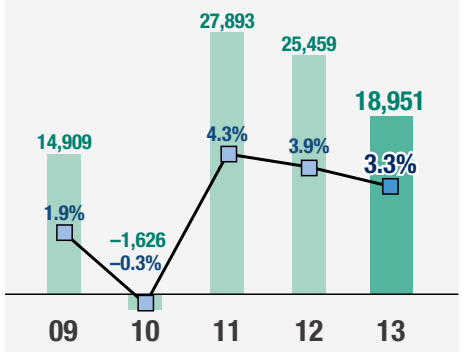
Notes: 1. U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥94.05=U.S.$1.00.
2. ROA is calculated by dividing ordinary profit by total assets, and expressed as a percentage.
3. From April 1, 2008, the Company has changed its revenue recognition criteria with regard to products such as semiconductor manufacturing equipment and LCD manufacturing equipment which require post-shipment installation. In principle, revenue is now recognized on completion of installation, rather than on shipment.
4. Due to changes in accounting standards, previous segment classifications have been reclassified based on the Company's recently formulated "Management Approach" from the fiscal year ended March 31, 2011.

Key Performance Indicators (Years ended March 31, 2009–2013)

Net Sales
(Millions of yen)

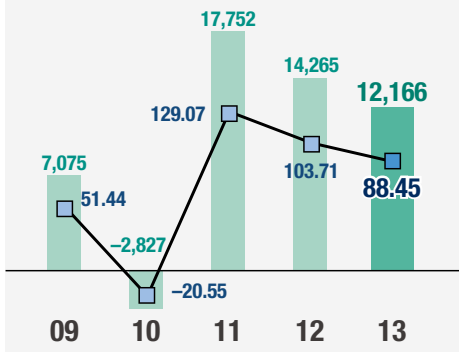


Operating Profit (Loss)/ Operating Profit (Loss) Ratio
(Millions of yen/%)



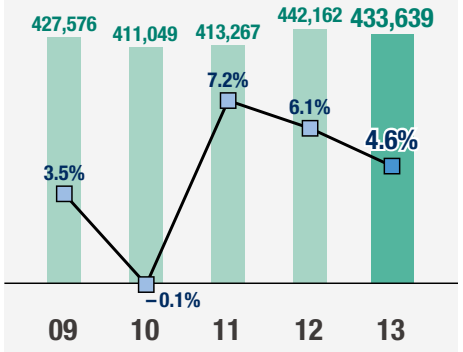
Operating profit (loss)
Operating profit (loss) ratio

Net Income (Loss)/ Net Income (Loss) per Share
(Millions of yen/Yen)



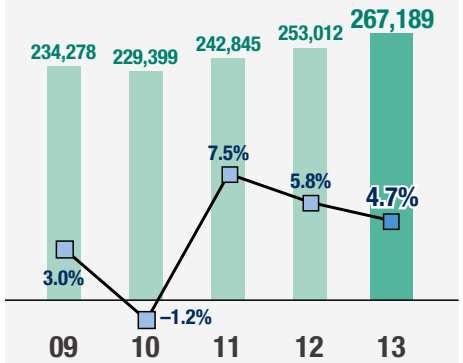
Net income (loss)
Net income (loss) per share

Total Assets/ROA
(Millions of yen/%)



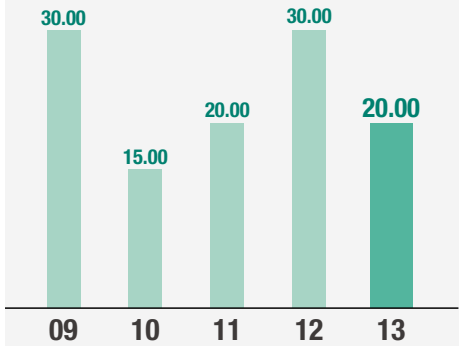
Total assets
ROA

Total Net Assets/ROE
(Millions of yen/%)

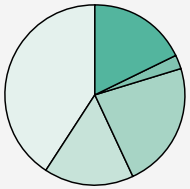


Total net assets
ROE

Dividends per Share
(Yen)



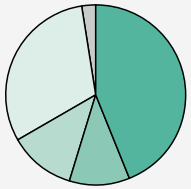
Segment Sales Ratio
(%)



Electronic Device Systems	17.9
Fine Technology Systems	2.5
Science & Medical Systems	22.8
Industrial & IT Systems	16.2
Advanced Industrial Products	40.6

Note: Total does not include "Others & Adjustments"

Domestic and Overseas Sales Ratio
(%)



Japan	43.9
North America	10.9
Europe	11.9
Asia	30.9
Other	2.4

2013 Business Highlights (April 2012 – March 2013)

April 2012

- Received Intel Corporation's Prestigious Supplier Continuous Quality Improvement Award

May 2012

- Launched HD-2700 scanning transmission electron microscope equipped with Hitachi spherical aberration corrector

- Launched new SU3500 scanning electron microscope
- Portable mass spectrometer developed to support investigations of drugs of abuse
- Held special classes for children affected by the March 2011 disaster via teleconferencing system

June 2012

- Received a 2011 Supplier Excellence Award from Texas Instruments Incorporated
- Announced the global promotion of Social Innovation Business in cooperation with Hitachi Group
- Launched polarized Zeeman atomic absorption spectrophotometer ZA3000 series

July 2012

- Tabletop scanning electron microscope cumulative sales volume exceeds 2,000 units

August 2012

- Announced the establishment of Process Engineering Center in the U.S.

September 2012

- Developed the new UH5300 double-beam spectrophotometer

October 2012

- Developed technology for analyzing big data on the behavior patterns and work performance of customers and employees and identifying measures for improving their performance

November 2012

- Established new production site for BCP (Business Continuity Plan) purposes in Omuta City, Fukuoka Prefecture

- Held a charity secondhand book fair jointly with an NPO
- Entered the communications cloud business and established joint corporation Chorus Call Asia
- Launched the Hitachi LABOSPECT 006 automatic analyzer system

December 2012

- Launched new M-8170XT Sebit silicon etch system
- Launched new HS-9050 dry removing system

- Opened Metrology and Inspection Center inside DAINIPPON SCREEN MFG. CO., LTD.

January 2013

- Acquired all shares of SII Nano Technology Inc. to establish Hitachi High-Tech Science

February 2013

- Developed new innovative tape feeder—SL Feeder—for chip mounter
- Launched the AFM5400L next-generation multi-function probe microscope
- Transferred the entire business of the Company's Fine Technology Systems Business Group to a Group company to establish Hitachi High-Tech Fine Systems

To Our Shareholders and Stakeholders

Creating Global Top Businesses in Growth Fields to Maximize Corporate Value

The Hitachi High-Tech Group is working to maximize corporate value by creating global top businesses and raising customer value worldwide in four growth fields: next-generation electronics, life sciences, environment and new energy, and social innovation.

In fiscal 2012, the business climate facing the Group continued to be very challenging, but we moved ahead with initiatives to strengthen our businesses and achieve sustained growth into the future. The following is a discussion of our achievements to date and our trajectory going forward.

President and Chief Executive Officer

Masao Hisada

Fiscal 2012: A Year of Challenging Market Conditions

In fiscal 2012, the debt crisis continued in Europe, one of the Group's important markets, and economic growth also decelerated in China and other emerging countries. Against this backdrop, regrettably, the Group saw a continued decline from the previous fiscal year in both sales and profit. Operating results were net sales of ¥575.5 billion, down 10.9% from the previous fiscal year, operating profit of ¥19.0 billion, down 25.6%, and net income of ¥12.2 million, down 14.7%.

By business segment, Electronic Device Systems posted increased profits on increased sales. Although demand for semiconductor manufacturing equipment slowed worldwide, semiconductor miniaturization for mobile devices continued in Asian markets, resulting in solid business performance with major foundries.

In Fine Technology Systems, sales of our proximity exposure systems declined due to delayed investment in manufacturing facilities for TV LCD panels in China. Meanwhile, investment in hard disk (HD) inspection systems slowed as the market shifted from computers to mobile devices. These factors resulted in lower sales and profits.

In Science & Medical Systems, SII Nano Technology Inc., which had been a subsidiary of Seiko Instruments Inc. was added to the Group on January 1, 2013 as Hitachi High-Tech Science. This contributed to an increase in sales of scientific instruments. However, sales of biotechnology and medical products declined, affected by the debt crisis in Europe. Overall, both sales and profits were lower.

In Industrial & IT Systems, one of our trading divisions, there was substantial growth in mobile phones for the U.S. market as a result of introducing new models in fiscal 2011, but growth slowed in fiscal 2012 as a reflection of this. Meanwhile, systems for automotive component assembly performed soundly in connection with auto parts manufacturers expanding their overseas production sites. In Advanced Industrial Products, demand slowed for steel, resins and other materials in the Chinese market, leading to lower sales of industrial materials. As a result, overall trading division sales and profits both declined.

Status of The Fiscal 2012 Management Policy and Its Three Themes

The management policy Hitachi High-Tech formulated for fiscal 2012 had the following three themes. After making some progress, the Company carried over the management policy in fiscal 2013 in order to continue to work on the themes and achieve further growth.

1. **Strengthen the business portfolio by shifting resources to growing fields**
2. **Act globally—Expand and accelerate global business by focusing on target regions**
3. **Create new business by accelerating research and development**

(1) Reorganize the Group and Build a Framework Focused on Growth Fields

I will first discuss our achievements this term and our initiatives going forward in connection with "Strengthen the business portfolio by shifting resources to growing fields."

In Electronic Device Systems, we established new engineering sites adjacent to the facilities of major customers in order to strengthen collaboration with them from the product development stage. In the U.S. we established a process engineering center in Portland, Oregon and a demonstration laboratory in Dallas, Texas; and in Hsinchu, Taiwan region we opened a process innovation center.

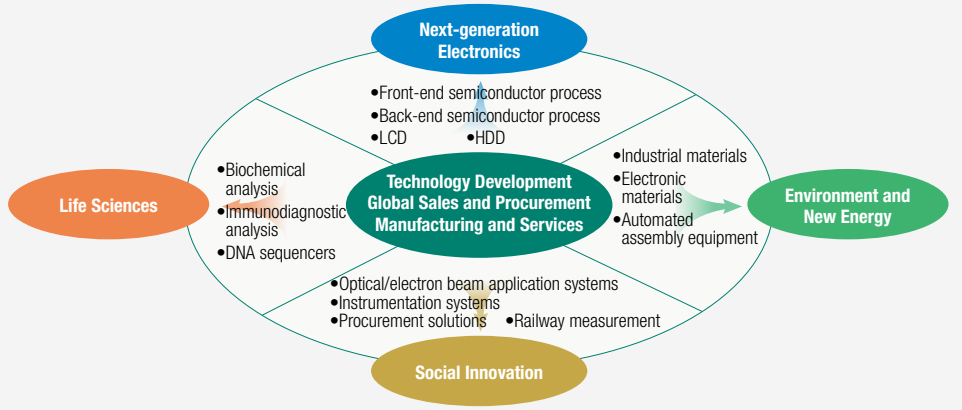
To Our Shareholders and Stakeholders

In Fine Technology Systems, business restructuring was conducted to focus on organic light emitting diode (OLED) manufacturing equipment and other new businesses. We merged the Fine Technology Systems Business Group with Group company Hitachi High-Tech Engineering Service and established Hitachi High-Tech Fine Systems on April 1, 2013. In addition to OLED manufacturing equipment, we are focused on expanding railroad inspection equipment overseas and further developing factory automation equipment related to automotive component assembly. In the future, we will also carry out technical development in areas that include lithium-ion batteries, solar cells and LED coating and deposition solutions. For HD manufacturing equipment, we are anticipating that it will take some time for the market to recover. So, for the time being our focus will be on OLED manufacturing equipment while we also reinforce initiatives aimed at launching new businesses in the fields of environment and new energy, and social innovation.

In Science & Medical Systems, as mentioned above, Hitachi High-Tech Science became a new Group company. This has enhanced our new product lineup with products the Group did not previously possess, including thermal analyzers and X-ray fluorescence spectrometers. Going forward, we will fuse core technologies possessed by Hitachi High-Tech and Hitachi High-Tech Science and leverage them to expand businesses in the environment and new energy fields, and the biotechnology and, food fields, among others.

Target Fields

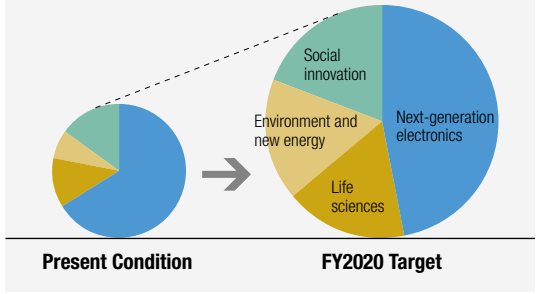
Strengths of our company × Growth markets = Promising business territories



In trading divisions, we established the joint corporation Chorus Call Asia to further strengthen the field of social innovation and launched a communication cloud business that includes pay-as-you-go video and voice conferencing services.

Meanwhile, although the Group is targeting the four fields of next-generation electronics, life sciences, environment and new energy, and social innovation as growth areas, two-thirds of sales still come from electronics. Going forward, we plan to further strengthen the other three areas and balance out our business portfolio.

Sales Composition by Field



Note: The above four business fields differ from the Company's reportable segments for accounting purposes.

(2) Cement Customer and Business Partner Ties to Be an Even Stronger Solutions Provider

With respect to "Act globally—Expand and accelerate global business by focusing on target regions," we established engineering sites to strengthen relationships with major overseas customers in Electronic Device Systems, as was mentioned above. In addition, we reinforced alliances with business partners in Europe and the U.S. and further strengthening development and production systems in China in Science & Medical Systems. Specifically, at Group company Hitachi Instruments (Dalian) Co., Ltd., a general-purpose analyzer designed by local engineers was developed, designed and produced for application in emerging countries. Looking ahead we will bolster locally integrated systems for development, design and manufacturing. At Hitachi Instrument (Suzhou), Ltd., which conducts unit production of clinical analyzers and general-purpose electron microscopes, we continue to augment production facilities and will expand production going forward, including in areas other than Science & Medical Systems.

In trading divisions, we are bolstering overseas distribution of Hitachi Group products. For example, in Indonesia we have begun installing One-Seg broadcasting systems made by Hitachi Kokusai Electric Inc., and in Russia we launched sales of surveillance cameras. Moreover, going forward, we

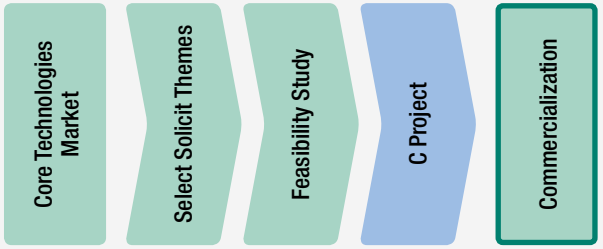
intend to not only provide individual Hitachi High-Tech products but also solutions that leverage the respective strengths of Hitachi Group companies.

(3) Think Outside the Box and Develop Technologies in New Fields

With respect to "Create new business by accelerating research and development," the C Project* is being promoted and we have worked to develop products that go beyond conventional business categories and that will serve as the foundation of the Group's future growth. There are currently five projects in progress: drug manufacturing research support (solutions for new drug manufacturing processes), social infrastructure analysis solutions (portable mass spectrometer developed to support illicit drug investigations), machine-to-machine big data (systems for reading the status of machine operation and other data), Sphelar® spherical shaped solar cells (see-through solar cells in which tiny spherical cells are interwoven in a mesh). The fifth project, coating and deposition solutions, consists of technology for thicker coating and deposition layers. The application of resin molds to solar cells would allow them to be lighter, and would also help improve power generation efficiency and weather resistance. In addition, the coating deposition technology would help raise productivity in the area of large touch-screen panels. At the same time as these projects, the respective business groups are continuing to develop new products and launch new businesses.

* The Corporate/Challenge Project

New Business Creation Scheme



C Project Themes

- Drug manufacturing research support
- Social infrastructure analysis solutions
- Machine-to-machine big data
- Spherical shaped solar cells Sphelar®
- Coating and deposition solutions

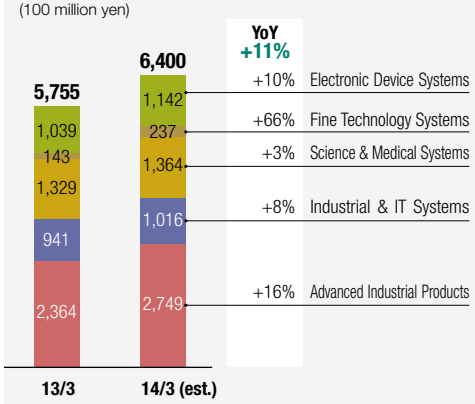
Continue Reforms to Achieve Sales and Earnings Growth in Fiscal 2013

The Hitachi High-Tech Group is forecasting both sales and profits to rise in fiscal 2013, with net sales increasing 11% to ¥640.0 billion and operating income increasing 48% to ¥28.0 billion from fiscal 2012.

In Electronic Device Systems, we will steadily capture demand from investment in miniaturization by major device manufacturers and investment related to mobile technology by foundries. In Fine Technology Systems, we expect manufacturing equipment related to OLED displays, a field we are newly entering, to drive growth. In Science & Medical Systems, we anticipate that biotechnology and medical products will continue to be weighed down by the European debt crisis in the current fiscal year. However, we will work to counter this tide by enhancing synergies with Hitachi High-Tech Science in scientific instruments. In trading divisions, we are projecting higher domestic and overseas demand related to social infrastructure in Industrial & IT Systems. In Advanced Industrial Products, we expect to see a recovery in demand for industrial products for emerging markets, along with demand related to automotive and transportation vehicle components.

FY2013 Outlook (Sales by segment)

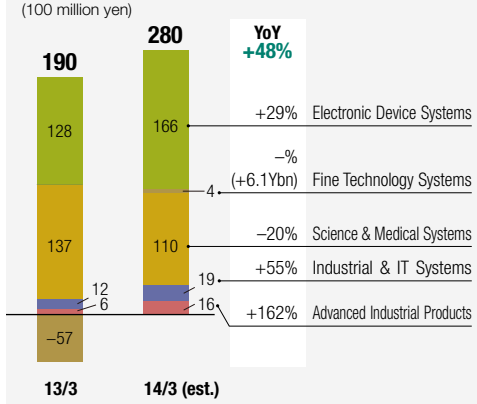
(100 million yen)



Note: Eliminations such as subtractions in intersegment transactions, etc., are included in the totals.

FY2013 Outlook (Operating profit (loss) by segment)

(100 million yen)



Note: Eliminations such as subtractions in intersegment transactions, etc., are included in the totals.

Suitable Shareholder Returns Backed by Sound Financials and Management

At the Hitachi High-Tech Group, our fundamental policy is to return a suitable amount of profits to shareholders while strengthening our financial position and management base. Specifically, we strive to pay a stable dividend while striking a balance with internal reserves. In fiscal 2012, we paid an interim dividend and year-end dividend totaling ¥20 per share. We intend to continue returning profits to shareholders in a stable and appropriate manner by further raising corporate value.

Contributions to a Sustainable Society as a Hitachi Group Member

The Hitachi High-Tech Group, as a member of the Hitachi Group, is committed to developing products and improving services that help solve the problems society faces and that contribute to its sustained development. As a trusted company, we will strive to contribute to a thriving society and help protect the environment through our business activities.

We will continue to demonstrate our business creation expertise, which combines the technology development capacities, global sales and procurement capacities and manufacturing and service capacities of the Hitachi High-Tech Group with the comprehensive strengths of the Hitachi Group to become a global top in high-tech solutions.

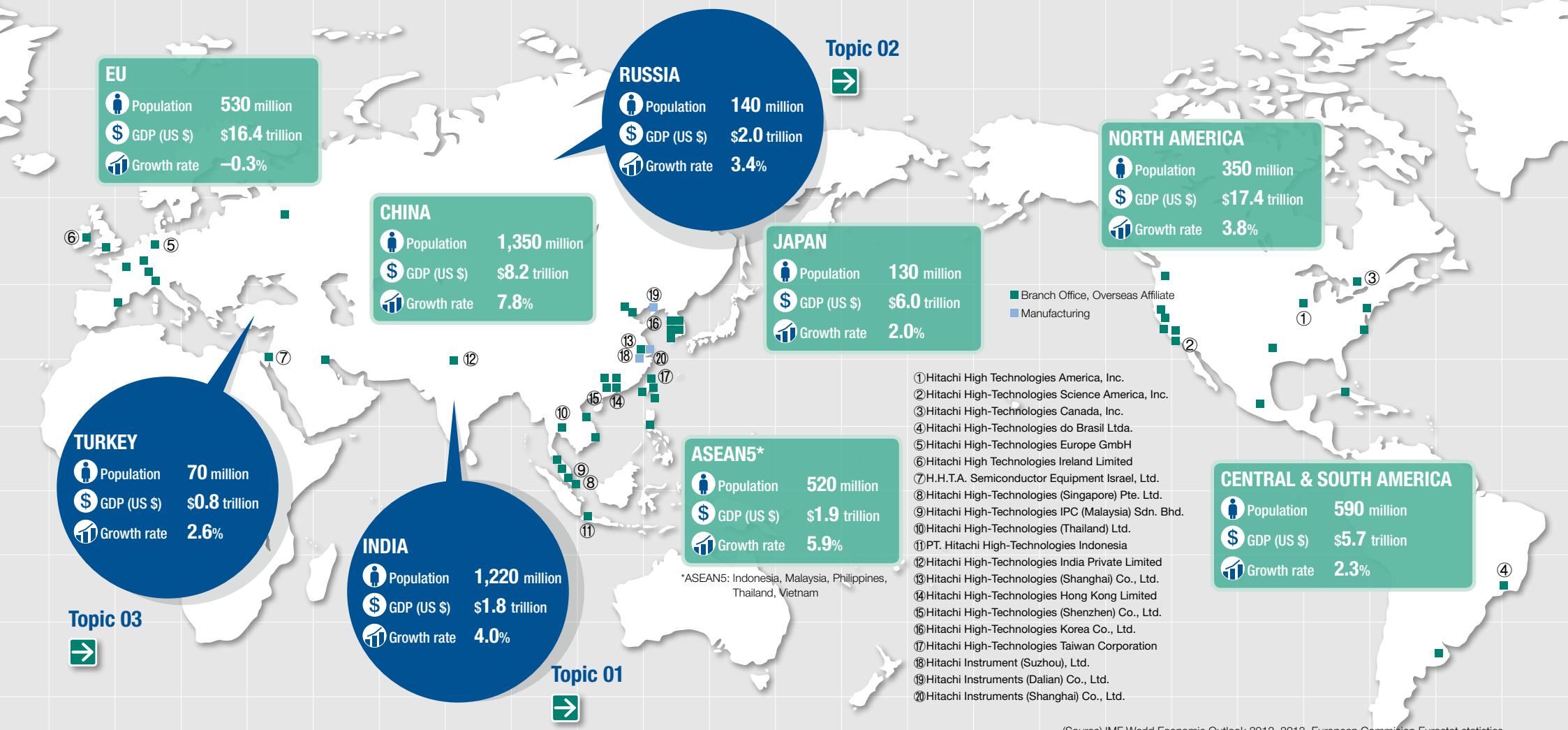
July 2013

Masao Hisada
President and Chief Executive Officer

Special Feature

Hitachi High-Technologies' Global Challenge

The Hitachi High-Tech Group is aggressively expanding business in the global market. This map shows around the world where the Group has a presence, including India, Russia, and Turkey, strategic regions that are coming into their own.



(Source) IMF World Economic Outlook 2012, 2013, European Commision Eurostat statistics

Special Feature : Hitachi High-Technologies' Global Challenge

Front Lines of Hitachi High-Tech

We would like to introduce the latest developments, and what things are important when pursuing business on the world stage.

Topic 01

INDIA

Aiming for Strong Growth with Locally-Rooted Business Development

Sadaaki Omura
President,
Hitachi High-Technologies India Private Limited

With its population of 1.2 billion and a burgeoning middle-income group, India is one of the world's foremost emerging markets. This April, Hitachi-High Tech established a local subsidiary in this rapidly developing and growing country and set up a full-scale business development system.

India is upgrading transportation infrastructure, a sector that has been identified as one on which to focus. We are already supplying components for subway projects.

The pharmaceutical industry is flourishing in India, and we have already launched a business to provide Hitachi Group manufacturing process control and quality control systems as an integrated solution. In addition, I want us to play a role in such predicted huge growth sectors as social infrastructure and the supply of automobile industry-related components, and thus boost our presence.

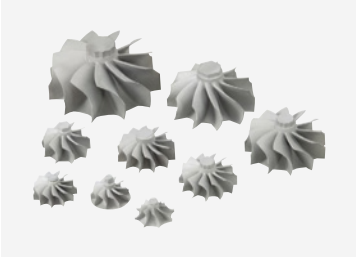
If we are to successfully achieve these objectives, we need to become even more firmly rooted in the region and expand business closely linked with local companies. That is our main aim in setting up our local subsidiary. We are now hastening forward with initiatives to find and cultivate reliable local partners. We also recognize that we must enhance our ability to adapt to business customs here, for example our handling of the complex tax systems that vary from state to state.

We need to hire and train local staff with a good knowledge of national affairs if we are to expand our business in India, a country where traditional values remain strong and persistent and tough negotiations are often required.

Our local staff is highly motivated and determined to achieve growth along with Hitachi High-Tech. One of the new company's missions is to boost our members' professional abilities and produce staff capable of playing a role in middle and then top management.

I intend to activate communication both within the company and in the Hitachi High-Tech Group and to take our first step forward in business while enjoying the opportunity to do fulfilling work in new markets with huge potential.

Compressor for railroads



Turbine wheels for automobile engines

The building where the office is located

Front Lines of Hitachi High-Tech

Special Feature : Hitachi High-Technologies' Global Challenge

Topic 02

RUSSIA

The Enormous Latent Needs in Social Infrastructure and Other Sectors

Kenzo Shimayama
General Manager,
Moscow Office,
Hitachi High-Technologies
Corporation

Wataru Takahashi
Global Sales Strategy Dept.,
Global Business Strategy Div.,
Global Business Strategy Group,
Hitachi High-Technologies
Corporation

Russia is a vast territory and its strategy for economic growth has been based around the export of oil and natural gas. However, in recent years it has been trying to break free of an economy dependent on energy resources, and is strongly pursuing high value-added mechanical industries and training in cutting-edge industries such as nanotechnology and IT.

Since Hitachi High-Tech opened our Moscow Office in 2007, we have been using a variety of approaches toward this potential market. Working here, I get a real sense of how many Russians have gained feelings of affection and respect for Japan via products such as automobiles and domestic appliances. In their economic restructuring, the Russians have very high expectations of Japanese companies and our vaunted innovative technology. I see it as our mission to capitalize upon this and expand our business opportunities.

Our immediate focus is on social infrastructure that was built during the time of the former Soviet Union and now needs to be updated. We are currently involved in a water purification project for the waterworks bureau in St. Petersburg, Russia's second-largest city. We are also putting forward proposals for ultra-sensitive integrated cameras as a measure to boost security at locations such as hydroelectric power stations and airports.

There is also a steady increase in inquiries about high-tech equipment such as electron microscopes. I believe that contributing to procurement solutions for the Hitachi Group and other Japanese companies moving into Russia will also be an important activity.

When developing business in Russia it is important to be persistent and have a long-term perspective; don't hurry and don't give up. Although there are differences in business customs, I believe that a distinctive feature of Russia is that it is a country where you can always build good relationships of mutual trust if you are determined to engage with people.

The building in which the Moscow Office is located

ISSE 2013 Security Exhibition
Exhibition of Hitachi products

Transmission Electron Microscope HT7700

Special Feature : Hitachi High-Technologies' Global Challenge

Front Lines of Hitachi High-Tech

Topic 03

TURKEY

Accelerating Full-Scale Commercialization in a Rapidly-Growing Country Replete with Youthful Energy

Kisho Yano
Global Sales Strategy Dept.,
Global Business Strategy Div.,
Global Business Strategy Group,
Hitachi High-Technologies Corporation

Masatoshi Yajima
Manager,
New Business Development Office,
Hitachi High-Technologies Europe GmbH

Turkey, located in a strategic position linking Europe and Asia, is capitalizing on the customs union it concluded with the EU and in recent years is posting rapid economic growth as a manufacturing base for European companies.

It is expected to further develop as an important market and manufacturing base given such factors as that consumption is strong with a high proportion of young people in the total population, and that the Turkish work ethic makes it easy to secure a diligent and high-quality workforce.

With the cooperation of Hitachi, Ltd., Hitachi High-Tech has been developing business in Turkey and making progress in our marketing activities. In March of this year, we held a solo exhibition of our products in which many leading figures in industrial and academic circles participated. We now plan to capitalize on the network we have built to accelerate full-scale commercialization in each sector.

Our immediate main targets are sectors in which Turkey is investing: education, social infrastructure, automobiles, and security. Investment in education is brisk as Turkey heads towards its centenary as a nation in 2023. There is a great deal of interest in electron microscopes and we are boosting our sales activities via our distributors. A project to bring IT into the classroom is underway and local production of tablet computers and other devices is forecast, so we anticipate a need for our assembly systems. With regard to the social infrastructure business, we will coordinate with Hitachi Group companies and demonstrate our procurement capabilities as a trading company.

In the course of our business negotiations, we sense a very strong demand for direct investment, including the setting up of joint ventures. This is related to the Turkish government's policy of incentives to attract investment. The speediness typical of an emerging nation demands an attitude of making prompt decisions in everything. I believe that responding to that without falling behind will be the key to future commercialization. Turks appreciate an aggressive attitude, so full-heartedly throwing your lot in with your business partner is required in order to succeed.

I will continue to update everyone in Japan with diverse information about this attractive country and market, and will keep up my efforts for an early launch of business here.

Tabletop microscope TM3030

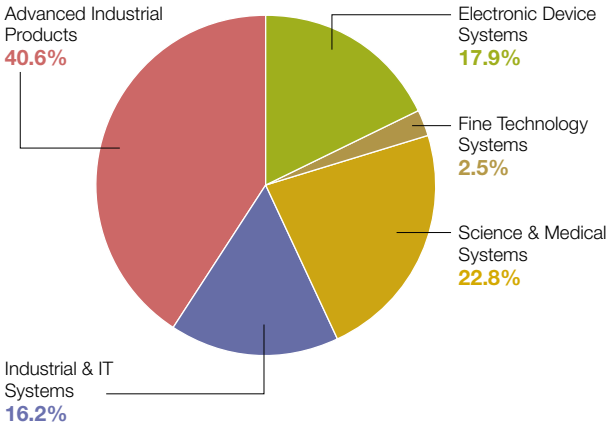
High performance liquid chromatograph Chromaster

Modernization in the making as the new and old share Istanbul's skyline

Review of Operations [At a Glance]

Years ended March 31

2013 Sales by Segment



Note: Total does not include "Others & Adjustments"

Major Products	Net Sales (millions of yen)		Operating Profit (Loss) (millions of yen)	
Electronic Device Systems	102,386	103,919	10,584	12,828
■ Process Equipment ■ Metrology & Inspection Equipment ■ Back-end & Assembly Equipment and others URL				
Fine Technology Systems	22,979	14,320	−6,273	−5,729
■ FPD Manufacturing Equipment ■ HD Manufacturing Equipment and others URL				
Science & Medical Systems	147,055	132,919	20,994	13,691
■ Electron Microscopes ■ Scientific Instruments ■ Medical Products ■ Biotechnology Products and others URL				
Industrial & IT Systems	121,687	94,124	1,360	1,197
■ Industrial Infrastructure ■ Social Infrastructure ■ ICT Solutions and others URL				
Advanced Industrial Products	261,216	236,443	1,128	628
■ Industrial Components & Materials ■ Automobile/Transportation Components & Materials ■ Electronic Components & Materials ■ Fine Chemicals and others URL				

12 13

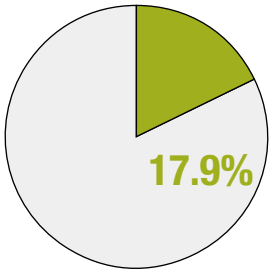
Electronic Device Systems

Contributing to semiconductor miniaturization to expand the market

In Electronic Device Systems, we will concentrate resources in growth fields, particularly smartphones, tablets and other mobile devices, strengthen relationships with priority customers and rapidly launch products tailored to customer needs to bolster our competitiveness.

Segment Sales : **¥103.9 billion**

Percentage of Net Sales :



Fiscal 2012 in Review

Electronic Device Systems overall reported higher profits on higher revenues. Though sales slowed in the second half due to declining capital investment, it was a strong first half, therefore, both segment sales and operating profit were up on a year on year basis.

In the first half, sales of semiconductor manufacturing equipment increased on solid sales of process equipment for the U.S. market, against a backdrop of miniaturization investment, and on strong sales of metrology & inspection equipment resulting from increased capital investment by major overseas semiconductor manufacturers. However, in the second half, capital investment for mobile devices declined and PC demand slowed worldwide, and sales were sluggish as a consequence.

As a result, segment sales for fiscal 2012 rose 1% year on year to ¥103.9 billion. Operating profit increased 21% to ¥12.8 billion.

Outlook for Fiscal 2013

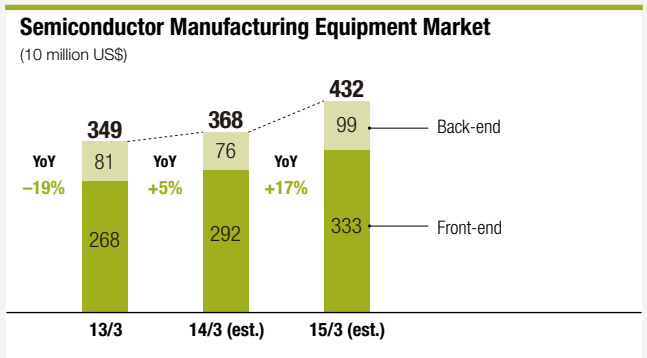
In fiscal 2013, semiconductor manufacturing equipment market growth is expected to be 5% year on year, but we are forecasting a 10% increase in sales because our process equipment and metrology & inspection equipment play major roles in semiconductor miniaturization. In the semiconductor market overall, PC-related investment is expected to slow somewhat, but firm investment is expected to continue in mobile devices, particularly smartphones and tablets.

In connection with semiconductor miniaturization, mass production of 20nm products by foundries as well as 14nm products by MPU manufacturers will commence. Investment in 2Xnm miniaturization for low-power consumption DRAMs for mobile devices is anticipated. Additionally, the first full-fledged 3D NAND lines are scheduled to go into operation, and we intend to meet related customer needs for high-precision processing equipment. In the area of process technology, mass production of devices with FinFET (3D transistors) will commence and double patterning (DP) adaptation processes will expand, therefore, investment in cutting-edge devices can be expected to pick up. In the die bonder market, investment in NAND technology for thin dies is projected to increase.

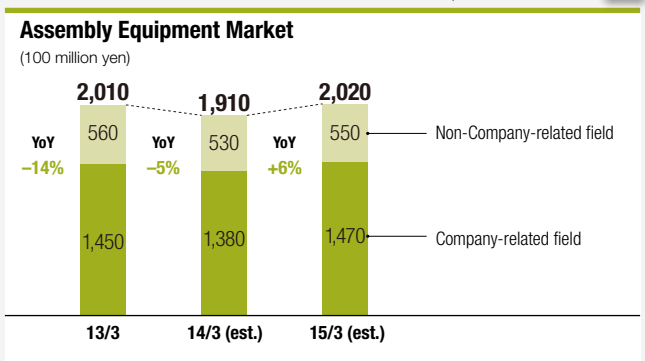
In the assembly equipment market, we anticipate the high-speed mounter market will continue to shift to low-price products, and with increasing speed to ultra-high-speed products. In electronics manufacturing services (EMS), we should see increasing requests for ultra-small component mounting, along with stronger demand for enhanced basic functions and productivity.

Based on the above, we are aiming for segment sales of ¥114.2 billion, up 10% year on year.

Click here for the latest market and business performance outlook URL



(Source) Gartner (March 2013)/Company estimation



(Source) Based on market prediction model/Company estimation

Strategy for Fiscal 2013

Optimizing our business portfolio to accelerate global growth strategies

M-8170XT Sebit
Etch system ready for hard mask etching for the 20nm generation memory devices, double patterning-compatible mask etching, and other applications

CG5000
CD-Measurement SEM designed for development of 1Xnm generation processes and mass production of 22nm generation products and beyond

The semiconductor market is expected to continue to be driven as it was last year by mobile devices, particularly smartphones and tablets, and as the market grows, customer needs will continue to diversify.

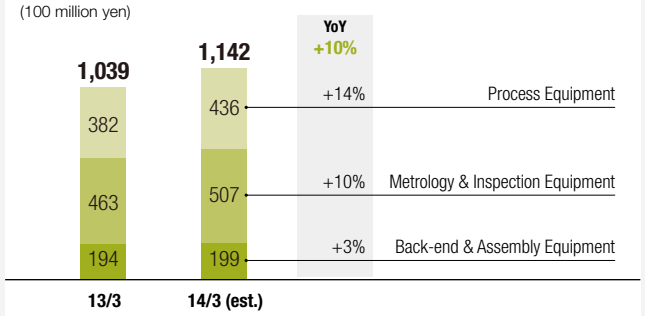
Semiconductor Process Technology Trends and Growing Technology Fields

Field	Trend	Growing technology fields
MPU	Development of mass production technology for 14nm products	High-precision processing of fine patterns Metrology of DP and FinFET
ASSP (general-purpose ICs for specified uses)	Start of mass production of 20nm products Start of trial mass production of FinFET	
NAND	Development of 3D NAND mass production technology	High-aspect, high-precision processing Bottom-hole measurement technology
Packaging	Development of thin dies for multi-layer packaging	Assembly technology for thin dies
In common	Promotion of 450mm technology	Technology for high productivity

On the basis of recent trends, we will implement the following responses;

- Enhance measurement applications for miniaturization technologies such as DP and FinFET
- Establish mass production technology for gate etching addressing 14nm fine pattern processing
- Establish process and measurement technologies for high-aspect products such as 3D NAND
- Develop 450mm technology through tie-ups with consortiums and leading-edge customers
- Release high-speed die bonders for thin dies

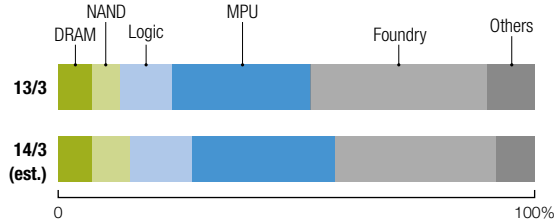
Sales Change in Main Products



Basic Policy in Fiscal 2013

1. **Promote business portfolio optimization**
   Expand mainstay businesses in growing cutting-edge wafer processes and increasingly sophisticated assembly processes, while expanding business into new fields such as power devices
2. **Accelerate global growth strategies**
   Win global customers and achieve segment leadership by promoting early collaboration and enhancing engineering sites such as U.S. and Taiwan region

Sales Ratio by Fields (Front-end Equipment)



13/3: Firm growth atop large-scale foundry investment. NAND-related investment was restrained.
14/3(est.): Continued foundry and MPU investment. Increase in NAND and logic-related investment.

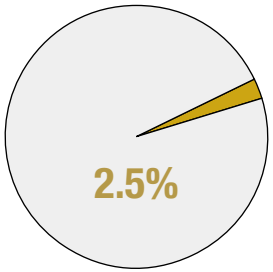
Fine Technology Systems

Working to achieve stable growth through business expansion in the areas of the environment and new energy and social infrastructure

The entire Fine Technology Systems business was merged into Hitachi High-Tech Fine Systems. Operations will be developed with greater agility with integrated systems for manufacturing, sales and service. We will pursue growth through the organic light emitting diode (OLED) manufacturing equipment business while also launching new ventures in the areas of the environment and new energy and social infrastructure.

Segment Sales : **¥14.3 billion**

Percentage of Net Sales :



Fiscal 2012 in Review

In Fine Technology Systems, capital investment in small and medium-sized LCD panels for mobile devices was firm, but major investment in large panels for TVs slowed, notably in China, due to falling prices for LCD panels, and as a result sales of mainstay FPD manufacturing equipment stagnated. Moreover, hard disk (HD) manufacturing equipment also faced tough conditions as a result of stagnant PC demand. There were high expectations for the launch of OLED manufacturing equipment, but the market has been slower to fully emerge than we had projected.

As a result, segment sales for fiscal 2012 fell 38% year on year to ¥14.3 billion. The segment recorded an operating loss of ¥5.7 billion, compared to an operating loss of ¥6.3 billion in the previous year.

Outlook for Fiscal 2013

In the FPD market, the growth rate for LCD TVs is expected to be in the single digits on a volume basis and to stagnate on a revenue basis. However, smartphones and tablets are projected to maintain double-digit growth, and their market is expected to approach the size of the LCD TV market on a revenue basis as the panels become larger and higher resolution. Sales of OLED manufacturing equipment are expected to rise in step with an increase in mobile devices equipped with OLED displays.

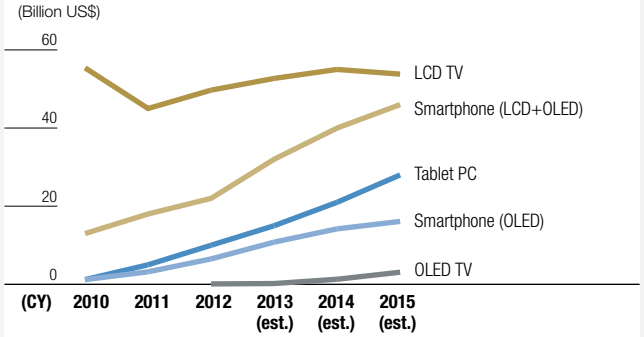
In the HD market, tablets will experience growth, but notebook PCs will continue to slump, therefore, shipments of hard disk drives (HDD) are projected to slow and investment to increase production capacity is not expected. However, in the 3.5-inch market, the number of disks per drive is expected to increase as development of technologies for higher density HDs is delayed, and we intend to accommodate related capacity increases and yield improvements.

The business merger in April 2013 has resulted in integrated systems for manufacturing, sales and service, which should enhance the responsiveness of marketing and product strategies and further improve the efficiency of business operations. In addition to our traditional FPD and HD manufacturing equipment business, going forward we will also focus on the fields of the environment and new energy and social infrastructure as we work to achieve stable growth.

Based on the above, we are aiming for segment sales of ¥23.7 billion, up 66% year on year.

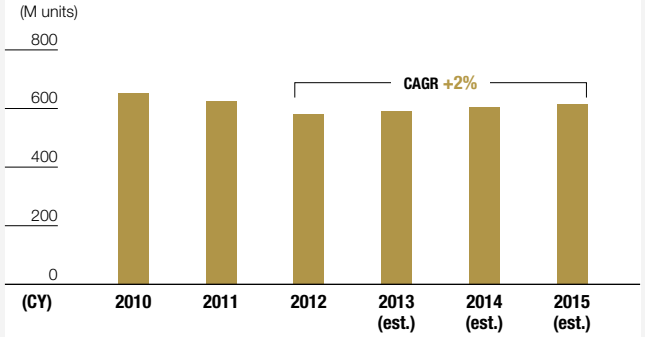
Click here for the latest market and business performance outlook URL

Market Based on FPD Sales



(Source) Display Search/Company estimation

Number of Shipments of HDD



(Source) Techno Systems Research/Company estimation

Strategy for Fiscal 2013

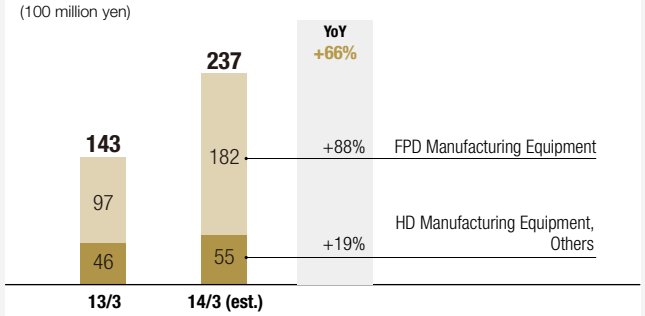
Dynamic business operations based on integrated manufacturing, sales and services

OLED Manufacturing Equipment
Support of production of OLEDs, increasingly used in displays, lighting and many other applications

RQ7800/RA5000
Disk test system ideal for characteristic measurement in high density disks

The Hitachi High-Tech Group is currently shifting its resources to growth fields and reinforcing its business portfolio, strengthening systems for product development by strategically reallocating management resources and promoting the establishment of optimal business management systems at a global level. As a part of this business restructuring, the entire Fine Technology Systems business was integrated into Hitachi High-Tech Engineering Service and restarted as the new Hitachi High-Tech Fine Systems. Development is also underway in the growth fields of the environment and new energy and social infrastructure. We are moving forward with development of a production solutions business that will leverage our distinctive business creation capabilities. In the environment and new energy, new businesses are being developed for automobile lithium-ion battery manufacturing equipment and printed electronics for flexible devices. And in social infrastructure, in addition to our established railroad inspection equipment business, we will work to commercialize other social infrastructure inspection systems.

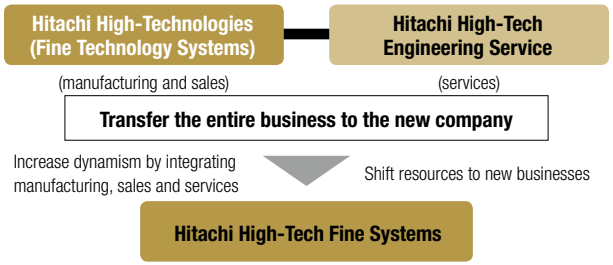
Sales Change in Main Products



Basic Policy in Fiscal 2013

1. **Promote business structure reforms**
   Promote dynamic business expansion based on integrated manufacturing, sales and services
2. **Proactively expand business in the fields of environment and new energy and social infrastructure**
   In addition to launching the OLED manufacturing equipment business, launch new businesses in the fields of environment and new energy and social infrastructure

Promote Business Restructuring



[Focus fields]
- OLED business: Manufacturing inspection equipment
- Environment and new energy business: Lithium-ion battery manufacturing equipment and printed electronics
- Social infrastructure business: Social infrastructure metrology and inspection equipment

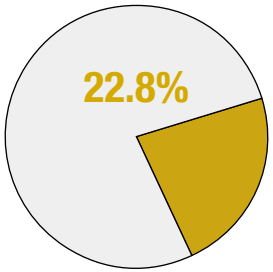
Science & Medical Systems

Aiming to expand sales in the scientific instruments field and to achieve medium to long-term growth in the life sciences field

We aim to maximize synergies with Hitachi High-Tech Science, which became a Group company, by expanding the product lineup including thermal and X-ray fluorescence analysis and by fusing core technologies. Moreover, we will expand global sales of medical products centered on clinical chemistry and immunodiagnostic analyzers, thereby extending business operations.

Segment Sales : ¥132.9 billion

Percentage of Net Sales :



Fiscal 2012 in Review

Sales of scientific instruments in the Chinese market were sluggish, but in January 2013, Hitachi High-Tech Science was added to the Hitachi High-Tech Group, therefore, sales came close to the same level as the previous year.

In the biotechnology & medical products market, demand for clinical analyzers fell on the impact of the European debt crisis, while sales of DNA sequencers also declined as a result of heightened competition.

As a result, segment sales for fiscal 2012 fell 10% year on year to ¥132.9 billion. Operating profit decreased 35% to ¥13.7 billion.

Outlook for Fiscal 2013

In the scientific instruments market, demand for electron microscopes in the semiconductor and LCD fields will likely decline, but demand in cutting-edge fields such as new energy and new materials is expected to increase slightly. In other scientific instruments market, we are projecting demand to increase for ultra-high speed liquid chromatographs, and for particle contamination inspection in the lithium-ion battery market. Moreover, we also expect synergies generated by Hitachi High-Tech Science becoming a Group company to boost sales.

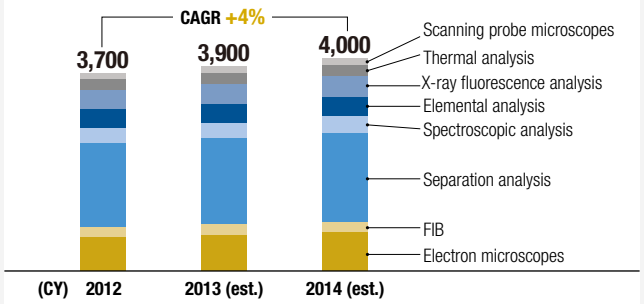
As regards the biotechnology & medical products business, in the clinical chemistry and immunodiagnostics market overall, the majority of which is reagents, will likely maintain annual growth at 4–5%, and while we expect equipment demand growth to slow over the short term due to conservative purchasing in the European market, we anticipate solid growth over the medium term on a recovery in the U.S. market and increased demand in China and other emerging markets. In the DNA sequencers market, although low growth will continue for research applications, steady growth in the market overall is projected due to expansion in other applications such as forensic identification and medical research. Demand is also expected to be maintained for capillary electrophoresis (CE) sequencers as the de facto standard. The Company anticipates a drop in sales because an early recovery from the debt crisis in some European countries is not expected.

Based on the above, we are aiming for segment sales of ¥136.4 billion, up 3% year on year.

Click here for the latest market and business performance outlook URL

Scientific Instruments Market (Company-related)

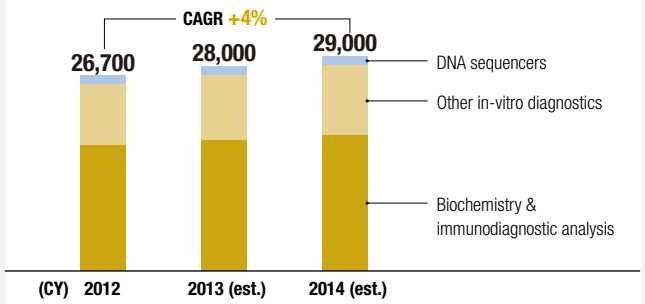
(100 million yen) (based on sales)



(Source) Company estimation

Biotechnology & Medical Products Market (Company-related)

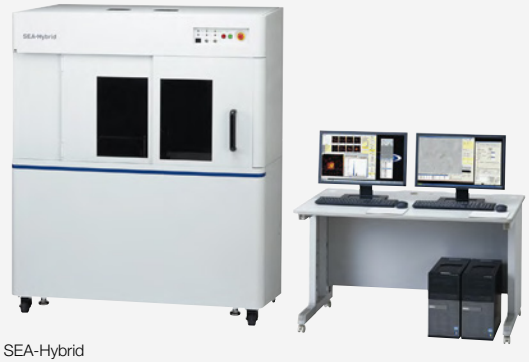
(100 million yen) (based on sales)



(Source) Company estimation (reagent and equipment included)

Strategy for Fiscal 2013

Generating synergies with Hitachi High-Tech Science
Entering clinical laboratory testing in succession to clinical chemistry and immunodiagnostics



SEA-Hybrid
An X-ray particle inspection system that helps to improve the production yield and reliability of lithium-ion rechargeable batteries and fuel cells

LABOSPECT 006
An automatic analyzer that provides frontline support for next-generation inspections as a reliable inspection laboratory partner

With Hitachi High-Tech Science becoming a Group company, we will establish a stable earnings foundation as a general manufacturer in the scientific instruments business and combine the company's technologies with technologies possessed by Hitachi High-Tech to meet the needs of customers in growth fields such as the environment and new energy and the life sciences. Also, the biotechnology & medical products business will launch next-generation pre-analytical process automation systems in the European market in sequel to Japan. Going forward, we intend to generate synergies in Science & Medical Systems from manufacturing, sales and service systems and launch cutting-edge applications to further bolster competitiveness and enter new and growing markets.

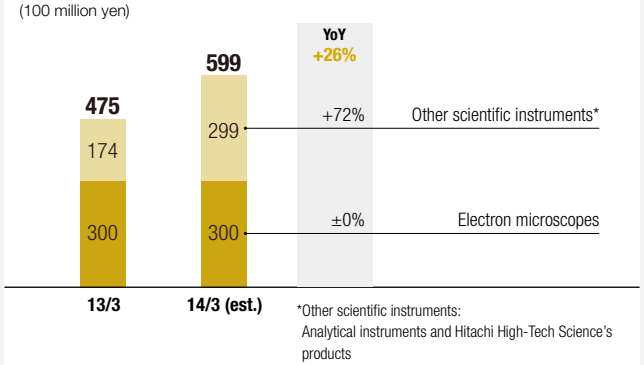
Basic Policy for Scientific Instruments in Fiscal 2013

1. **Strengthen the product portfolio and expand business volume through synergies with Hitachi High-Tech Science**
   Promote joint development (FIB-SEM and others), and promote the expansion of sales channels by using both companies' sales networks
2. **Expand sales of dedicated machines for the environment and new energy fields, and the biotechnology and food fields**
   Cultivate the environment and new energy fields by expanding sales of particle inspection systems for lithium-ion batteries and fuel cells, expand sales of restriction of hazardous substances (RoHS) inspection equipment, and in the biotechnology and food fields, expand sales of amino acid analyzer

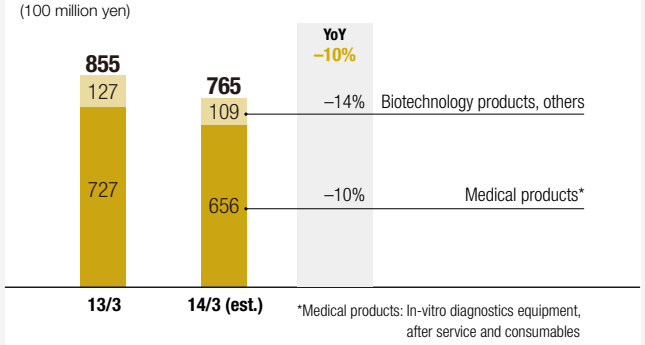
Basic Policy for Biotechnology & Medical Products in Fiscal 2013

1. **Strategies for large and medium-sized system markets through clinical chemistry and immunodiagnostic systems**
   - Expand global sales of large and medium-sized clinical chemistry and immunodiagnostic systems to large-scale hospitals and testing centers
   - Capture demand for automated clinical analyzers through an authorized sales agent network covering all of China, and enter the market for blood coagulation tests
2. **Full-scale entry into the clinical laboratory testing market through CE sequencers**
   Launch global sales in the clinical laboratory testing field of the model 3500 CE sequencer
   First to obtain U.S. FDA medical device clearance 510(k) for DNA sequencers

Scientific Instruments Sales Change in Main Products



Biotechnology & Medical Products Sales Change in Main Products



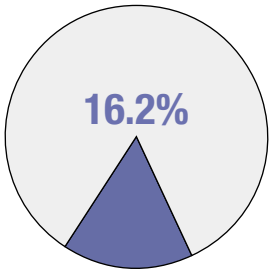
Trading Divisions (Industrial & IT Systems/Advanced Industrial Products)

Industrial & IT Systems

Promoting the Social Innovation Business through ties with the Hitachi Group

■ Segment Sales : **¥94.1 billion**

■ Percentage of Net Sales :



Fiscal 2012 in Review

In the Industrial & IT Systems, industrial infrastructure sales for automobile component assembly systems rose due to increased investment in customers' overseas production equipment and facilities. However, in information and communication technology (ICT) solutions, smartphone sales declined in the U.S. market relative to last year when new models were launched, which resulted in a major decrease in sales in fiscal 2012. In addition, hard disk drive (HDD) sales declined on the impact of reshuffling in the HDD industry.

As a result, segment sales dropped 23% year on year to ¥94.1 billion and operating profit declined 12% to ¥1.2 billion.

Outlook for Fiscal 2013

In industrial infrastructure, we are projecting increased sales of automobile component assembly systems as customers continue aggressive investment in line with growth in automobile production for North America and emerging countries. In the area of social infrastructure, the fixed-price purchase system for renewable energy has commenced and therefore, demand increase is anticipated in solar cell-related components for mega solar and other related markets.

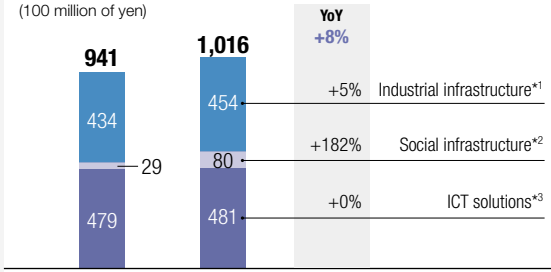
Moreover, ICT solutions launched a communication cloud business (pay-as-you–go video and voice conferencing services) by Chorus Call Asia, a new joint venture established in April 2013.

Based on the above, we are aiming for segment sales of ¥101.6 billion, up 8% year on year.

Automated assembly equipment

Click here for the latest market and business performance outlook URL

Sales Change in Main Products



*1 Industrial infrastructure: Automated assembly equipment, instrumentation facilities and others
*2 Social infrastructure: Solar power generation facilities, power distribution and others
*3 ICT solutions: IT equipment, software business and others

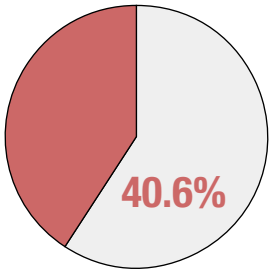
Trading Divisions (Industrial & IT Systems/Advanced Industrial Products)

Advanced Industrial Products

Aiming to expand global business as the Hitachi Group's trading company

Segment Sales : **¥236.4 billion**

Percentage of Net Sales :



Fiscal 2012 in Review

Advanced Industrial Products was impacted by the European debt crisis and economic slowdown in China. Both the industrial components & materials for construction machinery and also automobile/transportation components & materials declined. In addition, production adjustments by domestic manufacturers resulted in slow sales of electronics components & materials such as LCD and semiconductor materials.

As a result, segment sales declined 9% year on year to ¥236.4 billion and operating profit fell 44% to ¥0.6 billion.

Turbine wheels for automobile engines

Bellows exhaust manifold for large trucks

Pressure sensors for automobiles

Outlook for fiscal 2013

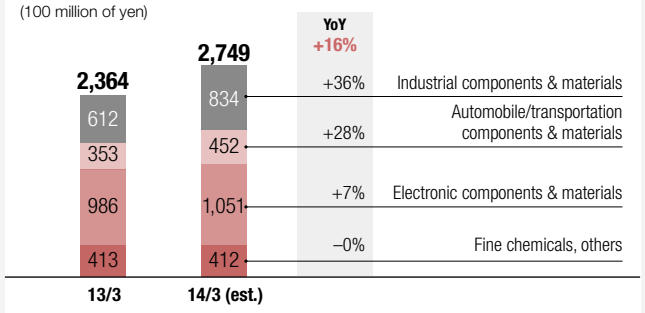
The industrial components & materials is expected to see last-minute demand ahead of the planned hike in the consumption tax rate as well as a recovery in demand for construction machinery materials together with full-fledged recovery demand for construction materials. As a result, the market environment is expected to brighten. Demand for automobile/transportation components & materials is projected to increase on expectations that automobile demand will recover in North America and emerging countries, particularly the ASEAN region. And in electronics components & materials, increased demand is projected for LCD and semiconductor materials and for lithium-ion batteries in connection with growth in the smartphone and tablets.

In addition, as the trading company of the Hitachi Group, we will demonstrate our global procurement capabilities and realize low-cost operations in order to contribute to the overseas development of Hitachi Group companies.

Based on the above, we are aiming for segment sales of ¥274.9 billion, up 16% year on year.

Click here for the latest market and business performance outlook URL

Sales Change in Main Products



Trading Divisions (Industrial & IT Systems/Advanced Industrial Products)

Strategy for Fiscal 2013

Strengthening our ties with the Hitachi Group and expanding global business

In fiscal 2013, we will work to increase business in the environment, new energy and social infrastructure fields, which includes solar power and automobile components. And, as the trading company of the Hitachi Group, we will work to further boost sales by leveraging our network to help consolidate and raise the efficiency of global purchasing, an initiative being promoted by the Hitachi Group.

Basic Policy of Trading Divisions in Fiscal 2013

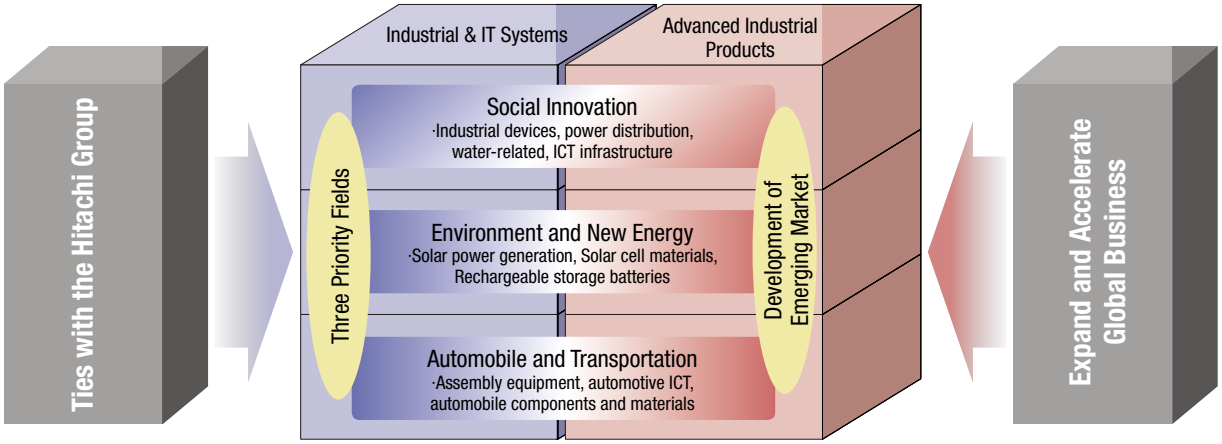
Promote expansion of business by focusing on three fields of social innovation, environment and new energy, automobile and transportation

In order to expedite business expansion in these three fields, we will broaden the breadth of global procurement and other functions, and develop business for Hitachi Group company products globally, while strengthening ties with the Hitachi Group and developing businesses on the global market, particularly in among the emerging countries.

In emerging countries, we will strive to build and further develop businesses for social and industrial infrastructure, such as electricity, water, communications and security. To this end, we are speeding up our business in emerging countries in ways that include a local affiliate in India that we established in April 2013.

Basic Policy

Expand business by promoting the three priority fields



Hitachi High-Technologies' CSR Vision

URL

Corporate social responsibility (CSR) at the Hitachi High-Tech Group is guided by our Group's basic philosophy shared by all officers and employees, and implemented in corporate activities.

Based on the CSR policy of the Hitachi High-Tech Group, we promote CSR activities on a Group-wide basis, paying close attention to the themes of "Environment," "Society," "Economy," and "Human Rights," in fulfilling our social responsibilities as a corporation.

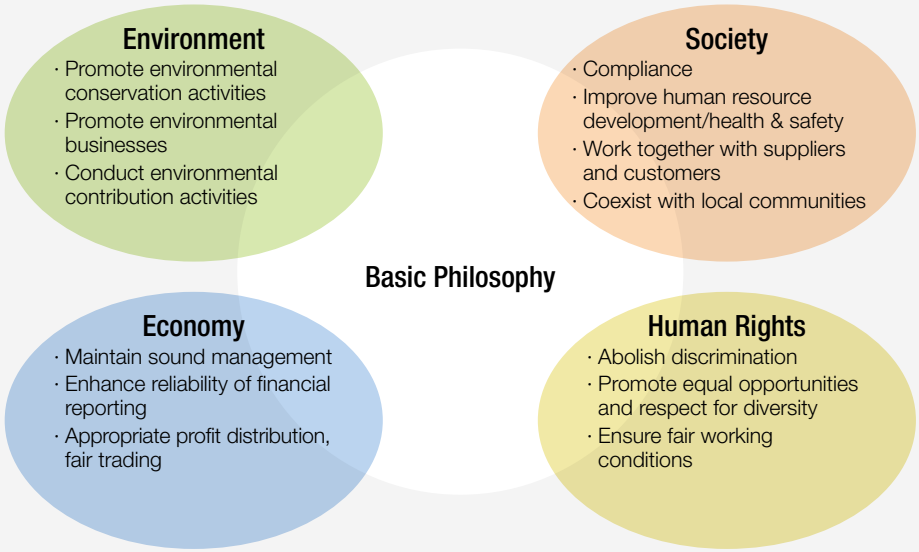
Basic Philosophy

Hitachi High-Technologies Corporation aims to be a successful enterprise trusted by all our stakeholders and contributing to social progress through business activities that emphasize value creation through high-tech solutions.

We are committed to open, transparent, and reliable business practices. As we continue to grow, we will value the environment and strive to build a prosperous community, fulfilling our social responsibility and contributing as a corporate citizen with passion and pride in our work.

Themes in Fulfilling Our Social Responsibilities

The Hitachi High-Tech Group positions four specific fields as themes for implementing its basic philosophy and fulfilling its responsibilities to society.



CSR Policy of the Hitachi High-Tech Group

The CSR policy of the Hitachi High-Tech Group, applicable to CSR efforts across the entire Group, embodies activities designed to put our basic CSR philosophy and mission into practice.

1. Commitment to Corporate Social Responsibility (CSR)
2. Contribution to Society through Our Business
3. Disclosure of Information and Stakeholder Engagement
4. Corporate Ethics and Human Rights
5. Environmental Conservation
6. Corporate Citizenship Activities
7. Working Environment
8. Responsible Partnership with Business Partners

Hitachi High-Technologies' CSR Vision

Environmental Conservation

Main Initiatives in Fiscal 2012

- Make CO_2 reductions in line with Hitachi's Third Environmental Action Plan
- Monitor and manage reductions in CO_2 emissions associated with eco-products
- Promote biodiversity conservation activities linked with the EMS

Make CO_2 Reductions in line with Hitachi's Third Environmental Action Plan

In order to realize Hitachi's Environmental Vision, we formulate environmental action plans in 3-year units and work toward achieving their targets. Within these and as regards global warming prevention, we are working to reduce CO_2 emissions originating from energy consumed in business activities and to reduce energy consumption per unit of domestic production. The following table shows the fiscal 2012 targets and results, and future targets.

Environmental Action Plan	Fiscal 2012 Target	Fiscal 2012 Results	Fiscal 2013 Target	Fiscal 2015 Target
Percentage reduction in CO_2 emissions (Compared to fiscal 1990)	27%	35%	11%	15%
Rate of reduction in energy use per unit of the amount of activity (Compared to fiscal 2005)	28%	28%	30%	35%

Monitor and Manage Reductions in CO_2 Emissions Associated with Eco-products

Based on Hitachi's Environmental Vision 2025, we worked to monitor and manage the amount of reductions in CO_2 emissions associated with our products by operating a system in which we calculate emission reductions under the assumed conditions of the average working situation of our eco-products. In fiscal 2012, we reduced CO_2 emissions by 140,000 tons in a business environment of suddenly worsening market conditions.

Approach to calculation method

Contribution to reducing CO_2 emissions by product = *CO_2 emitted by the energy benchmark products consume each year − CO_2 emitted by the energy eco-products developed consume each year

* (1) Benchmark products are products launched for sale in fiscal 2005
(2) Includes performance specification comparisons of benchmark products vs. eco-products developed

Promote Biodiversity Conservation Activities Linked with the EMS*1

We have appended some words about biodiversity (ecosystem) in our EMS environmental policies. Associated with this addition, we worked to promote our biodiversity conservation activities through our EMS and other systems. Measures included the training of employees through the holding of e-learning programs. From fiscal 2013, we will make effective use of Hitachi Group's "assessment of ecosystem conservation for business activities," improve the level of such activities in stages, and evolve the Hitachi Group's business activities with the aim of creating a sustainable society in which we will receive the benefits of our ecosystem service*2.

*1 Environmental management system
*2 The benefits we humans get from our ecosystem include clean water and oxygen.

Seminar on Environmental Laws and Regulations

In December 2012, we held a seminar on environmental laws and regulations at which lectures were given by Eiji Kanda and Tomoko Yamashita from Hitachi Urban Investment, Ltd. They explained the basics and revisions of the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., the Water Pollution Control Act, and the Waste Management and Public Cleansing Act. We made use of our video conferencing system on the day to broadcast the lectures at 7 bases and Group companies in Japan. The seminar was attended by about 160 people from the entire Group.

A scene from the seminar on environmental laws and regulations

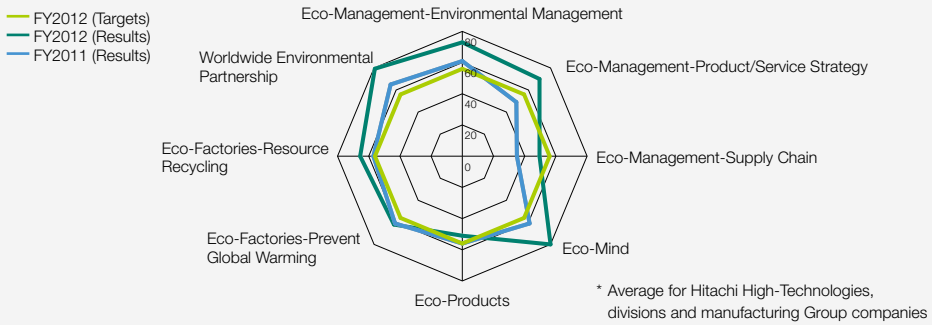
Main Initiatives in Fiscal 2013

- Promote the reduction of CO_2 emissions through the registration and increased sales of eco-products
- Implement energy-saving policies in line with our Environmental Investment Plan
- Promote simplified packaging of purchased parts and the selling of parts with resale value

Evaluation Standard for Environmental Activities: GREEN 21—2015

To ensure continual improvements and raise the level of environmental activities, the Hitachi Group has introduced the GREEN 21—2015 evaluation system. Each fiscal year, GREEN 21—2015 provides a quantitative evaluation of completion of environmental activities in 8 categories such as "Eco-Management" and "Eco-Mind." The results are reported in a radar chart to make them visible, and then reflected into environmental management. In fiscal 2012, the Hitachi High-Tech Group exceeded its target of 448 points, achieving a score of 529 points. Some categories scored poorly, however. As a result, Hitachi High-Tech will continue striving to raise the level of its environmental activities.

FY2012 Targets and Results Radar Chart



8 Categories and Evaluation Items

Category	Major Areas of Evaluation
① Eco-Management-Environmental Management	Environmental control, environmental accounting, observance of laws and regulations
② Eco-Management-Environmental Management and Product/Service Strategy	Reduction of annual CO_2 emissions by 100M tons, environment business strategy
③ Eco-Management-Environmental Management and Supply Chain	Collection and provision of environmental information through supply chain
④ Eco-Mind	Environmental education, fostering of environmental experts
⑤ Eco-Products	Assessment of products and services
⑥ Eco-Factories-Prevent Global Warming	Reduction of CO_2 emissions, energy-saving efforts, energy-saving in transport
⑦ Eco-Factories-Resource Recycling	Resource recycling, control of chemical substances
⑧ Worldwide Environmental Partnership	Information disclosure, communications, activities of global citizens, ecosystem conservation

External Evaluation (SRI-related and others)

Hitachi High-Tech actively strives to take part in external surveys and satisfy other requirements needed to earn inclusion in socially responsible investment (SRI)* funds, which invest in companies based on social and environmental factors. We have successfully earned high marks from such organizations.

Classification	Rating Organization	Evaluation
SRI-related	EIRIS (Ethical Investment Research Services)	Selected for FTSE4Good Global Index Series (As of March, 2013)
	Morningstar Japan K.K	Morningstar Socially Responsible Investment Index (As of April 1, 2013)
	The Japan Research Institute, Limited	Selected as a company implementing advanced socially responsible management initiatives based on the results of the Questionnaire Survey Concerning Trends in CSR Management at Japanese Businesses 2012
Ranking	Toyo Keizai, Inc.	Ranked 71st in Toyo Keizai CSR Ranking 2013 (Announced in the Weekly Toyo Keizai March 30, 2013 issue)

* Investment activities where investment funds select companies for inclusion based on an evaluation of the companies from a CSR perspective.

CSR Report 2013

The Hitachi High-Tech Group issues a CSR report once a year as an overall review of a year of the Group's CSR activities.

In Corporate Social Responsibility Report 2013 there are two feature articles: The first is an achievement roundup of community-oriented CSR activities from around the world, and the second is a stakeholder dialogue concerning CSR management. These special features are also available in greater detail on the Company website.

Click this image for a link to our website page for downloading our CSR Report.

For more information about Hitachi High-Tech's corporate social responsibility activities in general, please visit "CSR (Corporate Social Responsibility) Activities" on our global website. URL

Corporate Governance

Having adopted the Company with Committees System as provided in the Companies Act, Hitachi High-Technologies has separated executive and management oversight functions and is upgrading its corporate governance system. In addition, to ensure compliance with laws, ordinances and the Articles of Incorporation, the Company is actively working to develop its internal control system.

Basic Rationale Regarding Corporate Governance

The corporate vision of Hitachi High-Technologies is "becoming a Global Top in high-tech solutions." Under this vision, as a frontier technology firm with both a manufacturing and trading company function, we actively utilize our global network to provide our customers on the front lines of business with cutting-edge products and solutions. We also believe in the importance of winning the trust of our shareholders and other stakeholders at large and contributing to progress and development of society through our business activities. Moreover, we believe that the best way to achieve this is to enhance business execution oversight and improve management transparency with strengthened corporate governance, and to manage the Company with a strong sense of corporate social responsibility.

The Company with Committees System is our organizational framework for realizing our vision, aspirations and social obligations in these ways.

Relationship With Parent Company Hitachi, Ltd.

Hitachi High-Technologies belongs to a group of companies with Hitachi, Ltd. as the parent (Hitachi Group). We are a component of this group's electronic devices and systems business, and maintain close cooperative relationships with Hitachi, Ltd. and members of the Hitachi Group. The Company is also in a position to actively leverage the R&D capabilities, brand power and various other management resources the Hitachi Group owns. The Hitachi brand is a wellspring of high added value around the world, and this gives us a competitive market advantage, along with wide-ranging product lines, R&D achievements and technological acumen at our disposal. What's more, the Hitachi Group's history of efficient growth and development can be attributed to the technological foundation, expertise and synergy derived from Hitachi, Ltd.'s R&D organization led by the Central Research Laboratory, and the individual R&D capabilities of the Group companies.

On the other hand, Hitachi, Ltd. imposes no restrictions on our ability to freely go about executing our business duties. Authority over discrete execution of Hitachi High-Technologies' business rests solely with our executive officers. Moreover, consultative bodies comprised of key executive officers are accountable for discussing and consenting to important business decisions for approval by the Company President. This thereby ensures the independence of Hitachi High-Technologies' executive management decisions.

In addition, while two out of four outside directors of our Company serve concurrently as directors of other Hitachi Group companies, the remaining two are registered as independent directors with the Tokyo Stock Exchange, Inc. Those two independent directors voice opinions in the interest of general shareholders during our Board of Directors meetings, and in so doing uphold the independence of the Company's management decisions.

As stated, Hitachi High-Technologies has a business execution structure that ensures independence from the parent company, Hitachi, Ltd., while maximizing the benefits of belonging to the Hitachi Group.

Outside Directors and Their Selection Criteria and Independence (As of June 20, 2013)

Kazuhiro Mori

Mr. Kazuhiro Mori was selected as an outside director for the input of his rich experience in corporate management and marketing, and his extensive specialized knowledge of the way the Hitachi Group is run in supervising the Company's management and business execution.

Hideyo Hayakawa

Mr. Hideyo Hayakawa was selected as an outside director to supervise the Company's management and business execution from an independent perspective based on his rich experience at a major international company and his extensive knowledge and experience in the legal field.

Mr. Hayakawa satisfies the Tokyo Stock Exchange, Inc.'s criteria for an independent director, and has been registered as such with them. Note that no sales or purchasing of products, or other transactional relationship, exist between the Company and MITSUI & CO., LTD., to which Mr. Hayakawa belonged in the past.

Hiromichi Toda

Mr. Hiromichi Toda was selected as an outside director to supervise the Company's management and business execution from an independent perspective based on his rich experience in corporate management and his extensive knowledge of the measurement instruments and ICT industries.

Mr. Toda satisfies the Tokyo Stock Exchange, Inc.'s criteria for an independent director, and has been registered as such with them. Transactions involving the purchase of products are conducted between the Company and ANRITSU CORPORATION, to which Mr. Toda belonged in the past. However, as the size of transactions are minimal in comparison to the scale of the Company's business (less than 0.01% of the total amount of the Company's cost of sales and selling, general and administrative expenses), the Company has determined that there is no risk of conflict of interests arising with general shareholders.

Toyoaki Nakamura

Mr. Toyoaki Nakamura was selected as an outside director for the input of his rich experience in corporate management and his extensive knowledge in the fields of accounting and finance in supervising the Company's management and business execution.

Auditing, Nomination, Compensation, and Business Execution Functions

The Company has set up three committees—the Nominating Committee, the Audit Committee, and the Compensation Committee—comprised of members of the Board of Directors. These bodies ensure that the proposal of candidates for directorship, audits of the legality and appropriateness of business execution, and decisions on compensation for directors and executive officers are conducted separately from the business execution side of the Company.

Activities of the Three Committees and Their Members

The Board of Directors discusses and then selects the members comprising each of these committees, while taking into consideration the duties and authority of each committee.

Nominating Committee

The Nominating Committee makes decisions that include the content of resolutions on the appointment and dismissal of the Company's directors submitted for approval by the General Meeting of Shareholders.

The Nominating Committee comprised of 5 directors (of which 3 were outside directors) met 8 times during the fiscal year ended March 31, 2013.

Audit Committee

The Audit Committee audits the execution of business duties by the Company's directors and executive officers, and also makes decisions that include the content of resolutions on the selection, dismissal and rejection of the Company's Independent Auditors submitted for approval by the General Meeting of Shareholders.

This Audit Committee monitors business execution through the internal control system, centered on the Internal Auditing Division, which is under the direct authority of the Company President. In addition, the Audit Committee members, who are in charge of auditing and conduct on-the-spot inspections based on independent plans, report the results to the Audit Committee and the Board of Directors. Furthermore, based on close cooperation with the independent auditors, the Company ensures the appropriateness of matters related to the consolidated and unconsolidated accounting of the Hitachi High-Technologies Group.

The Audit Committee comprised of 3 directors (of which 2 were outside directors and 1 was full-time) met 14 times during the fiscal year ended March 31, 2013.

Compensation Committee

The Compensation Committee makes decisions that include policies regarding compensation for the Company's individual directors and executive officers, and the actual content of compensation based on those policies*.

The Compensation Committee comprised of 3 directors (of which 2 were outside directors) met 3 times during the fiscal year ended March 31, 2013.

* Please refer to "Compensation of Directors and Executive Officers" below for the Compensation Committee's decisions on the policies, amounts and other relevant matters in regard to compensating the Company's directors and executive officers.

Compensation of Directors and Executive Officers

Compensation of the Company's directors and executive officers and other relevant matters are decided by the Compensation Committee pursuant to the following policies, with input from outside professionals.

1. Basic Policy

(1) Directors and executive officers who manage the Company receive compensation based on their success in business activities emphasizing value creation through high-tech solutions, and the degree this success helps the Company to win the trust of all stakeholders and contribute to social progress.

(2) The level of compensation of the Company's directors and executives receive is decided based on standards that take into account job responsibilities commensurate with the executive position of each individual, operating performance of the Company and its Group companies, business environment, and levels deemed acceptable by the public at large, among other factors.

2. Overview of Specific Policies

(1) Compensation of directors

Directors are entitled to a monthly salary and year-end bonus as compensation. The Company also provides directors with health management services as compensation in kind.

(2) Compensation of executive officers

Executive officers are entitled to a monthly salary and an operating performance-linked bonus as compensation. The Company also provides executive officers with health management services as compensation in kind.

Total Director and Executive Officer Compensation (Year Ended March 2013)

Title	Compensation by category				Total
	Monthly salary		Bonus		
	Headcount	Amount (¥ mil)	Headcount	Amount (¥ mil)	Amount (¥ mil)
Director	6	92	5	12	104
Outside director	4	20	3	3	22
Executive officer	16	330	16	127	457

Notes:
1. The number of directors and monetary amounts do not include directors who concurrently serve as executive officers.
2. The above monthly salary includes the monthly salary paid to one director (an outside director) who retired at the end of his term of office at the close of the 93rd Ordinary General Meeting of Shareholders held on June 21, 2012.

Business Execution

Business execution is segregated by executive duties and carried out by the executive officers responsible under the Board of Directors' supervision (see P.34 Directors and Executive Officers). The Company also has a system in place whereby key executive officers meet in consultative bodies, such as the Executive Committee, to discuss and consent to important business decisions for approval by the Company President.

Internal Control System

The makeup of our internal control system is as follows:

1. System Related to Storage and Management of Information Associated with Execution of Duties by Executive Officers

(1) Resolutions by the Board of Directors and approval documents resolved by the Executive Officers shall be permanently stored under Document Storage Rules.

(2) Filing, retention, storage or disposal of documents shall be handled with precision according to the Document Storage Rules, Information Security Management Rules and other related rules.

2. Provisions Related to Management of Risk of Loss and Other Systems

(1) The Company shall establish Risk Management Regulations, which have been prepared to help boost the soundness of its management, shareholders' interests and social credibility, and develop a system to properly identify and manage risks.

(2) The Company, pursuant to the Risk Management Regulations, shall create the position of Chief Risk management Officer (hereinafter "CRO") in charge of overseeing compliance-related risks as group-wide risks, estimate and assess specific risks in advance, and, in terms of individual risks, determine the division in charge of the risks in consideration of their attributes and deal with such risks accordingly, and develop a framework for dealing with such risks at each Committee and each division.

(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

(1) When making important decisions, Executive Officers shall engage in deliberations at the Executive Committee, the Management Committee and the Management Committee of the Business Group, in accordance with internal rules including the Executive Committee Regulations and Approval Regulations, etc.

(2) The Company shall check and improve the business promotion status through management control processes ("Medium to long-term plans," "Annual budgets," "Performance outlook," "Quarterly financial closing,""Monthly closing," and "Profit/loss management by segment").

(3) The Internal Auditing Division shall conduct internal audits to verify the effective utilization of management resources.

(4) Members of the Audit Committee shall attend important internal meetings (Budget/Medium-term Management Plan Deliberation Committee, Internal Control Management Committees, Management Meetings, Executive Officers Meetings, Sales Strategy Committees, Global Sales Committees, and Stagnation Committees) as observers, as necessary, in addition to conducting investigation or physical inspection including subsidiaries, to fulfill checking functions from the viewpoint of management efficiency.

4. System to Ensure that the Execution of Duties by Executive Officers and Employees Conforms to Laws and Regulations and the Articles of Incorporation

(1) Strict observance of the law shall be the premise of all corporate activities in accordance with the "Corporate Vision" and "Code of Corporate Conduct," and internal rules, including the "Corporate Vision," shall be made available for perusal at all times via in-house intranet.

(2) The CRO shall be the officer responsible for internal controls.
Additionally, 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.

(3) The Internal Control Management Committee, by conducting training that takes into account the attributes of the organization, shall operate the "Priority management division system," to the end of preventing violations of laws, regulations and internal rules, and the recurrence thereof.

(4) The Compliance Committee, which will be chaired by the officer in charge of CSR, shall be established to conduct information gathering and confirmation, request improvements, approve compliance programs, report on the results, etc.

(5) In-house workshops shall be periodically held by divisions in charge of legal affairs and compliance.

(6) 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.

(7) 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 Stock Company in Question, its Parent Company and Subsidiaries

(1) Arrangement with parent company

1) In terms of transactions between the parent company and Group companies, checks shall be conducted by multiple divisions so that they are performed appropriately in compliance with laws and regulations.

2) The Company shall be subjected to audits periodically conducted by its parent company with respect to operations, accounting, export management and compliance, and be informed of the audit results and receive appropriate feedback.

(2) Relationship with subsidiaries

1) The Company shall periodically receive reports on the execution of operations and financial position (budget, financial statements) of its subsidiaries.

2) The Internal Auditing Division shall periodically conduct operational audits and accounting audits on the subsidiaries.

3) The Audit Committee shall periodically conduct interviews with subsidiaries.

4) The Internal Control Management Committee shall establish a risk management structure based on a compliance risk management system including subsidiaries, and reinforce and improve internal controls. The priority management division system is also applicable to Group subsidiaries.

5) Information shall be gathered and investigation shall be conducted based on the internal reporting system, which will include the subsidiaries.

6) 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.

7) The "Hitachi High-Technologies Group Code of Conduct," comprising the concrete code of conduct to be applied to the corporate group comprising the Company's parent company, the Company and the Company's subsidiaries, shall be established, and corporate activities shall be conducted that are rooted in corporate ethics and compliance, in line with "ethics and integrity."

(3) The Company shall develop an "Internal Control System" for financial reporting as a corporate group comprising the Company's parent company, the Company and the Company's subsidiaries, and the Internal Auditing Division shall verify the System.

6. Matters Concerning Directors and Employees Who Assist the Duties of the Audit Committee

(1) The Company shall establish a Board of Directors Office and appoint Audit Committee staff, who will belong to the Board of Directors Office.

(2) The Audit Committee staff shall assist the duties of the Audit Committee.

(3) 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

(1) The Audit Committee shall receive a report on personnel reshuffling regarding the Audit Committee staff, who have been appointed to the Board of Directors Office, in advance, and may propose changes in such personnel reshuffling to the Executive Officer in charge of Human Resources and General Affairs by stating the reason for such changes.

(2) If an Audit Committee staff belonging to the Board of Directors Office is to be disciplined, the Executive Officer in charge of Human Resources and General Affairs shall obtain approval from the Audit Committee in advance.

8. System to Enable Reporting by Executive Officers and Employees to the Audit Committee and other Systems to Enable Reports to the Audit Committee

(1) Agenda items put forward for deliberation or reported at meetings of the Executive Committee shall be reported by the Executive Officer involved in administration, etc. to members of the Audit Committee without delay.

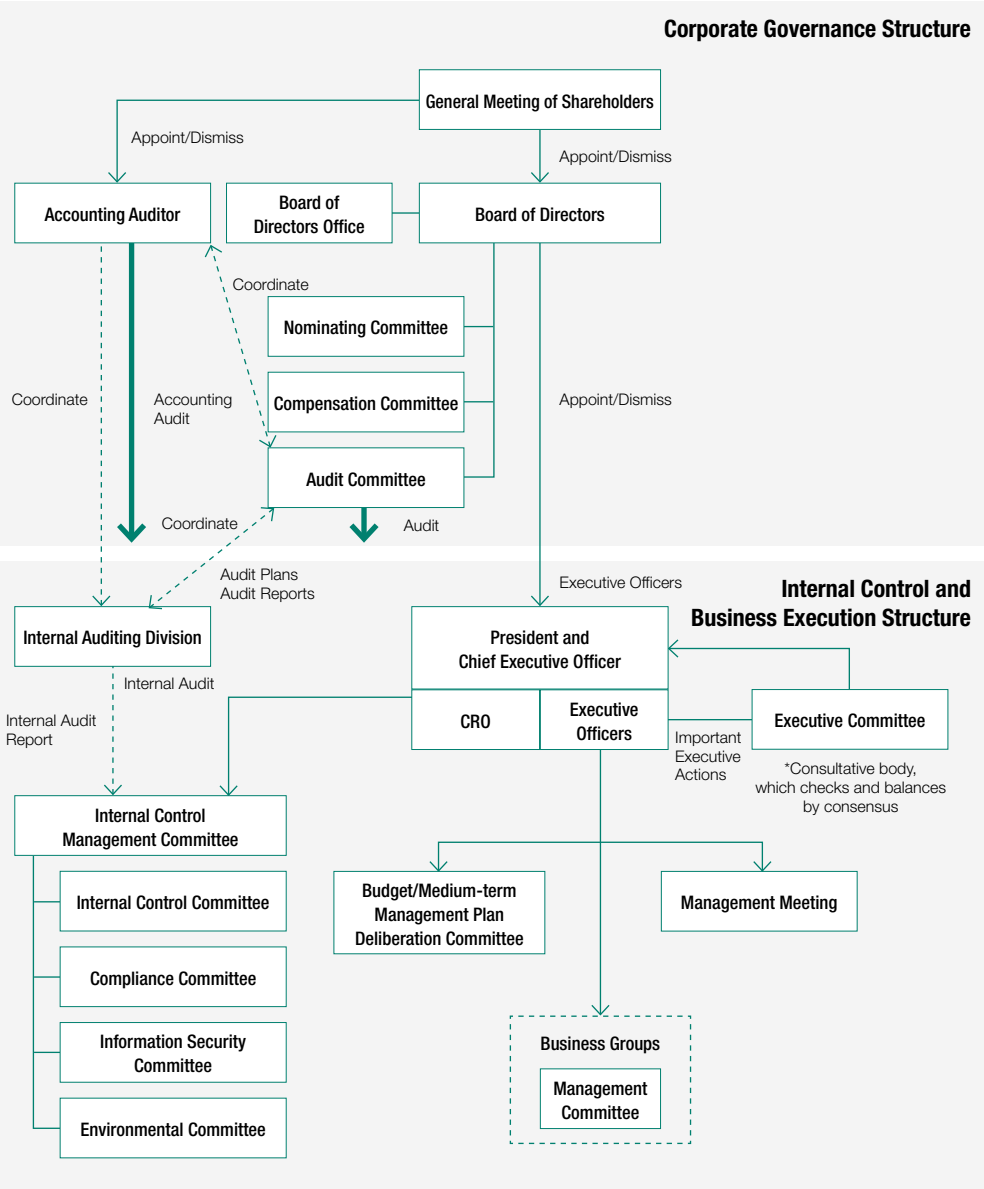
(2) Results of internal audits conducted by the Internal Auditing Division shall be reported without delay to members of the Audit Committee.

(3) The status of reporting, through the internal reporting system, especially matters of particular importance, shall be reported to members of the Audit Committee by the Head of the Compliance Committee.

9. 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.

(2) The results of audits conducted by the Audit Committee and the Internal Auditing Division shall be reported to the Board of Directors and the Executive Committee and feed back shall be provided.



Directors and Executive Officers

(As of June, 2013)

Directors

Chairman of the Board
Outside Director
Kazuhiro Mori
Member of Nominating Committee and Compensation Committee

Director
Masao Hisada
Member of Nominating Committee and Compensation Committee

Director
Katsumi Mizuno
Member of Audit Committee

Outside Director
Hideyo Hayakawa
Member of Nominating Committee and Audit Committee

Outside Director
Hiromichi Toda
Member of Nominating Committee and Audit Committee

Outside Director
Toyoaki Nakamura
Member of Nominating Committee and Compensation Committee

Executive Officers

Representative Executive Officer
President and Chief Executive Officer
Masao Hisada
Overall Management Execution

Representative Executive Officer
Senior Vice President and Executive Officer
Masaho Masuyama
Corporate Marketing, Global Trading, Internal Control, Export Control, CRO

Senior Vice President and Executive Officer
Takashi Matsuzaka
Corporate Strategy, Group Companies, R&D, Intellectual Property, Environmental Management, CTO

Senior Vice President and Executive Officer
Shinichi Tachi
Electronic Device Systems, Fine Technology Systems, Corporate Manufacturing Strategy, Quality Assurance, Procurement

Vice President and Executive Officer
Morihiro Nishida
Information Systems, Smart Transformation Project Promotion, CIO

Vice President and Executive Officer
Toshio Kajimoto
Science & Medical Systems

Vice President and Executive Officer
Shuji Sugiyama
Services

Vice President and Executive Officer
Shunichi Uno
Accounting, Finance, Operations, Logistics, Export Control, Internal Control, IR

Vice President and Executive Officer
Yoshikazu Dairaku
Human Resources and General Affairs, CSR, Legal and Public Affairs

Executive Officer
Toshiyuki Ikeda
Science & Medical Systems

Executive Officer
Katsutaka Kimura
Electronic Device Systems, Evaluation, Design and Development

Executive Officer
Hideki Tomioka
Fine Technology Systems, Corporate Manufacturing Strategy, Quality Assurance, Procurement

Executive Officer
Ryuichi Mizutani
Global Trading

Executive Officer
Ryuichi Nakajima
Auditing

Executive Officer
Junichi Hashimoto
Global Trading

Overseas Network

(As of June 2013)

Overseas Network

■ North America

United States	
Illinois	Chicago
California	San Francisco
	Santa Clara
	Los Angeles
	Foster City
	San Jose
Texas	Dallas
New York	Roslyn Heights
Maryland	Gaithersburg
Oregon	Hillsboro
Canada	Toronto

■ Latin America

Mexico	Mexico City
Cuba	Havana
Argentina	Buenos Aires
Brazil	Sao Paulo

■ Europe/Middle East

Russia	Moscow
Kuwait	Kuwait City
Germany	Krefeld
	Mannheim
Spain	Barcelona
Italy	Milan
France	Paris
United Kingdom	London
Switzerland	Zug
Ireland	Kildare
Israel	Kiryat Gat

■ Southeast Asia

Singapore	Tampines
Philippines	Manila
India	Haryana
Vietnam	Hanoi
	Ho Chi Minh
Malaysia	Kuala Lumpur
	Penang
	Johor Bahru
Indonesia	Jakarta
Thailand	Bangkok

■ East Asia

China	Shanghai
	Beijing
	Shenzhen
	Dalian
	Tianjin
	Suzhou
	Guangzhou
	Wuxi
	Dongguan
Hong Kong	Sheung Shui
Korea	Seoul
	Giheung
	Icheon
	Cheongju
	Cheonan
Taiwan Region	Taipei
	Hsinchu
	Taichung
	Tainan

Overseas Affiliated Companies

[Sales/Services]

■ North America/Latin America

Hitachi High Technologies America, Inc.

Holding: 100% **Capital:** US$7.95 million
Address: 10 N. Martingale Road, Suite 500, Schaumburg, IL 60173, U.S.A.

Hitachi High-Technologies Science America, Inc.

Holding: (HHS) 100% **Capital:** US$13.5 million
Address: 19865 Nordhoff Street, Northridge, CA 91324, U.S.A.

Hitachi High-Technologies Canada, Inc.

Holding: (HTA) 100% **Capital:** C$0.5 million
Address: 89 Galaxy Blvd., Suite 14, Rexdale, Ontario, M9W 6A4, Canada

Hitachi High-Technologies do Brasil Ltda.

Holding: 100% **Capital:** R$1.25 million
Adress: Avenida Paulista, 854-7°Andar-Cjto.73, Edificio Top Center, Bela Vista, CEP 01310-913, Sao Paulo-SP, Brazil

■ Europe/Middle East

Hitachi High-Technologies Europe GmbH

Holding: 100% **Capital:** EUR3.13 million
Address: Europark Fichtenhain A12, 47807 Krefeld, Germany

Hitachi High Technologies Ireland Limited

Holding: (HTA) 100% **Capital:** US$0.1 million
Address: C/O Intel MS: 4-1-2 Collinstown Industrial Park Leixlip, Co. Kildare, Ireland

H.H.T.A. Semiconductor Equipment Israel, Ltd.

Holding: (HTA) 100% **Capital:** NIS1 K
Address: P.O. Box 1000 MS: Hitachi LC2-3S Kiryat Gat 82109, Israel

■ South East Asia

Hitachi High-Technologies (Singapore) Pte. Ltd.

Holding: 100% **Capital:** S$3.8 million
Address: 7 Tampines Grande, #05-01, Hitachi Square, Singapore 528736

Hitachi High-Technologies IPC (Malaysia) Sdn. Bhd.

Holding: 20%, (HTS) 80% **Capital:** RM3 million
Address: Letter Box No.183, 33F, UBN Tower, 10 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia

Hitachi High-Technologies (Thailand) Ltd.

Holding: (HTS) 100% **Capital:** TB230 million
Address: 7F, Thaniya Building, 62 Silom Road, Suriyawong Bangrak, Bangkok 10500, Thailand

PT. Hitachi High-Technologies Indonesia

Holding: (HTS) 99.8%, (HTM) 0.2% **Capital:** US$0.5 million
Address: Unit No 315B, 15F, Sentral Senayan III, Jalan Asia Afrika, No.8, Gelora Bung Karno-Senayan, Jakarta Pusat 10270, Indonesia

Hitachi High-Technologies India Private Limited

Holding: (HTS) 99.98%, (HTT) 0.02% **Capital:** Rs50 million
Address: #209 Time Tower, M.G. Road, Gurugaon, Haryana, 122002 India

■ East Asia

Hitachi High-Technologies (Shanghai) Co., Ltd.

Holding: 100% **Capital:** US$2.6 million
Address: 21F Hang Seng Bank Tower, 1000 Lujiazui Ring Road, Pudong New Area, Shanghai, 200120 P.R.C.

Hitachi High-Technologies Hong Kong Limited

Holding: 100% **Capital:** HK$15 million
Address: Rm 1623-23A, Landmark North, 39 Lung Sum Avenue, Sheung Shui, NT, Hong Kong

Hitachi High-Technologies (Shenzhen) Co., Ltd.

Holding: (HTH) 100% **Capital:** HK$2 million
Address: 25F, Aerospace Skyscraper, 4019 Shennan Road, Futian District, Shenzhen, 518048 P.R.C.

Hitachi High-Technologies Korea Co., Ltd.

Holding: 100% **Capital:** WON1,500 million
Address: 8F Young Poong Bldg., 33, Seorin-Dong, Chongro-Ku, Seoul, 110-752, Korea

Hitachi High-Technologies Taiwan Corporation

Holding: 100% **Capital:** NT$60 million
Address: Shin Kang Chung Shan Bldg., 10F, 44, Sec. 2, Chung Shan N.Road, Taipei, 104, Taiwan

[Manufacturing]

Hitachi Instrument (Suzhou), Ltd.

Holding: 100% **Capital:** US$6.6 million
Address: No.5 Xinghan Street BLK G, New Industrial Park, Suzhou 215021, P.R.C.

Hitachi Instruments (Dalian) Co., Ltd.

Holding: 60%, (Dalian Levear Electric Co., Ltd.) 40%
Capital: US$0.25 million
Address: No.15 Xinzhaizi East Street, Ganjingzi District, Dalian, Liaoning Province of P.R.C. 116033 (in Dalian Levear Electric Co., Ltd.)

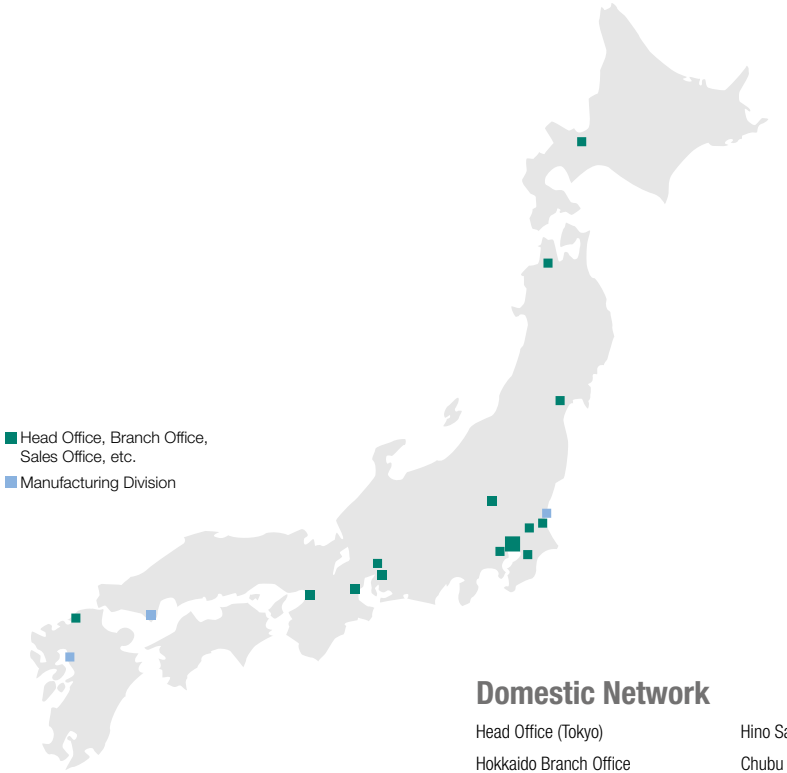
Hitachi Instruments (Shanghai) Co., Ltd.

Holding: (HHS) 100% **Capital:** US$0.46 million
Address: Rm.102, No.2 690 Bibo Road, Zhangjiang Hi-Tech Park, Shanghai, 201-203, P.R.C.

HTA: Hitachi High Technologies America, Inc.
HHS: Hitachi High-Tech Science Corporation
HTS: Hitachi High-Technologies (Singapore) Pte. Ltd.
HTM: Hitachi High-Technologies IPC (Malaysia) Sdn. Bhd.
HTT: Hitachi High-Technologies (Thailand) Ltd.
HTH: Hitachi High-Technologies Hong Kong Limited

Domestic Network

(As of June 2013)



Domestic Network

Head Office (Tokyo)
Hokkaido Branch Office
Goshogawara Office
Tohoku Branch Office
Naka Division
Ibaraki Branch Office
Hitachinaka Sales Office
Tochigi Sales Office
Mobara Sub Branch Office
Hino Sales Office
Chubu Branch Office
Toyota Sales Office
Yotsukaichi Sales Office
Kansai Branch Office
Kasado Division
Kyushu Branch Office
Omuta Center

Domestic Affiliated Companies

[Sales]

Hitachi High-Tech Solutions Corporation

Holding: 100%
Capital: ¥400 million
Address: 8-10, Harumi 1-chome, Chuo-ku, Tokyo 104-6031, Japan

Hitachi High-Tech Materials Corporation

Holding: 100%
Capital: ¥200 million
Address: 24-14, Nishi-shimbashi 1-chome, Minato-ku, Tokyo 105-0003, Japan

Hitachi High-Tech Support Corporation

Holding: 100%
Capital: ¥50 million
Address: 24-14, Nishi-shimbashi 1-chome, Minato-ku, Tokyo 105-0003, Japan

Giesecke & Devrient Kabushiki Kaisha

Holding: 49%, (Giesecke & Devrient GmbH) 51%
Capital: ¥200 million
Address: 24-14, Nishi-shimbashi 1-chome, Minato-ku, Tokyo 105-0003, Japan

Chorus Call Asia Corporation

Holding: 49%, (Chorus Call, Inc.) 51%
Capital: ¥200 million
Address: 8-10, Harumi 1-chome, Chuo-ku, Tokyo 104-6031, Japan (in Hitachi High-Tech Solutions Corporation)
*The equity-method affiliate of Hitachi High-Technologies Corporation

[Services/Manufacturing]

Hitachi High-Tech Fielding Corporation

Holding: 100%
Capital: ¥1,000 million
Address: 28-8, Yotsuya 4-chome, Shinjuku-ku, Tokyo 160-0004, Japan

Hitachi High-Tech Fine Systems Corporation

Holding: 100%
Capital: ¥1,485 million
Address: 1600, Kami, Kamisato-machi, Kodama-gun, Saitama 369-0395, Japan

Hitachi High-Tech Control Systems Corporation

Holding: 100%
Capital: ¥200 million
Address: 500, Miyu-cho, Mito-shi, Ibaraki 319-0316, Japan

Hitachi High-Tech Manufacturing & Service Corporation

Holding: 100%
Capital: ¥230 million
Address: 1040, Oaza Ichige, Hitachinaka-shi, Ibaraki 312-0033, Japan

Hitachi High-Tech Instruments Co., Ltd.

Holding: 100%
Capital: ¥450 million
Address: 6, Menuma-nishi 1-chome, Kumagaya-shi, Saitama 360-0238, Japan

Hitachi High-Tech Science Corporation

Holding: 100%
Capital: ¥100 million
Address: 24-14, Nishi-shimbashi 1-chome, Minato-ku, Tokyo 105-0003, Japan

Epolead Service Inc.

Holding: 100% (Hitachi High-Tech Science Corporation)
Capital: ¥50 million
Address: 15-5, Shintomi 2-chome, Chuo-ku, Tokyo 104-0041, Japan

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. COMPANY OVERVIEW

The Hitachi High-Technologies Group conducts operations in five segments: Electronic Device Systems, Fine Technology Systems, Science & Medical Systems, Industrial & IT Systems, and Advanced Industrial Products. The Group manufactures and sells various products in these five segments, mainly related to electronics, and provides maintenance and other services associated with these businesses as well. With business driven by the Group's world-leading technological and global marketing capabilities, the goal is to realize our corporate vision of "becoming a Global Top in high-tech solutions."

2. OPERATING RESULTS

In fiscal 2012, the year ended March 31, 2013, consolidated net sales decreased 10.9% year on year to ¥575,468 million. The Group recorded operating profit of ¥18,951 million, down 25.6% year on year, and net income of ¥12,166 million, down 14.7%.

Electronic Device Systems

Sales of etching systems fell slightly overall, as sales in the U.S. market declined as a result of major semiconductor manufacturers revising their capital investment plans, despite strong sales in the Asian market boosted by aggressive capital investments by major foundries. Sales of CD-Measurement SEMs increased mainly in the Asian market, reflecting growing capital investments by major semiconductor manufacturers. In terms of chip mounters, despite major investments in mobile devices in the Asian market in the first half of the fiscal year, sales remained weak due to the effects of shrinking demand for PCs and decreasing investments in related facilities. As for die bonders, sales grew mainly for those used in mobile device memories in the Asian market.

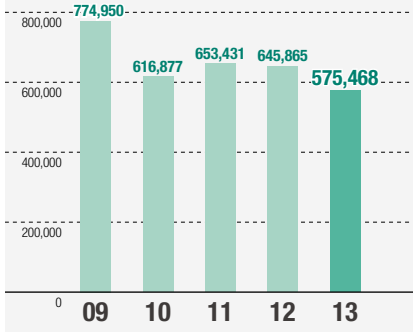
As a result, segment net sales were up 1.5% year on year to ¥103,919 million, and the segment recorded operating profit of ¥12,828 million, up 21.2%.

Fine Technology Systems

In the field of FPD manufacturing equipment, sales decreased considerably centered on proximity exposure systems due to the postponement of capital investments in manufacturing facilities for LCD TV panels in the Chinese market. In terms of HD manufacturing equipment, while factors including

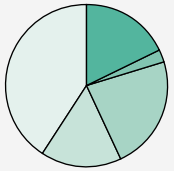
Net Sales

(millions of yen)



Segment Sales Ratio

(%)

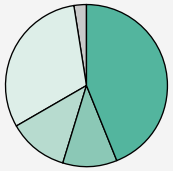


Electronic Device Systems	17.9
Fine Technology Systems	2.5
Science & Medical Systems	22.8
Industrial & IT Systems	16.2
Advanced Industrial Products	40.6

Note: Total does not include "Others & Adjustments"

Domestic and Overseas Sales Ratio

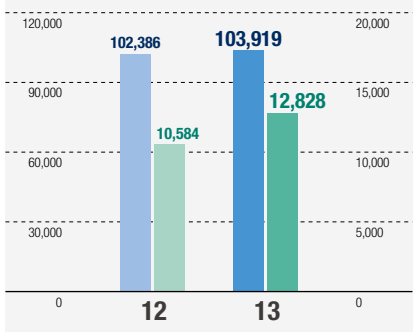
(%)



Japan	43.9
North America	10.9
Europe	11.9
Asia	30.9
Other	2.4

Electronic Device Systems Net Sales/Operating Profit

(millions of yen)



Net Sales (Left) Operating Profit (Right)

weakening demand for PCs had the effect of postponing investment plans for increasing production, sales overall remained largely the same as the previous year due to investments to improve performance in response to demand for higher density equipment and to increase productivity.

As a result, segment net sales dropped 37.7% year on year to ¥14,320 million and the operating loss amounted to ¥5,729 million, compared to operating loss of ¥6,273 million in the previous fiscal year.

Science & Medical Systems

The slump in the Chinese market and deteriorating conditions in the domestic market caused sales of analytical instruments, industrial measuring systems and electron microscopes to decrease. However, thanks to the addition of Hitachi High-Tech Science Corporation to the Group as of January 1, 2013, sales overall remained mostly the same as the previous year. Sales of clinical analyzers declined mainly in overseas markets due to the effects of the European debt crisis and other factors. Sales of DNA sequencers also declined as a result of factors including slowing demand for second-generation sequencers.

As a result, segment net sales declined 9.6% year on year to ¥132,919 million, while operating profit decreased 34.8% to ¥13,691 million.

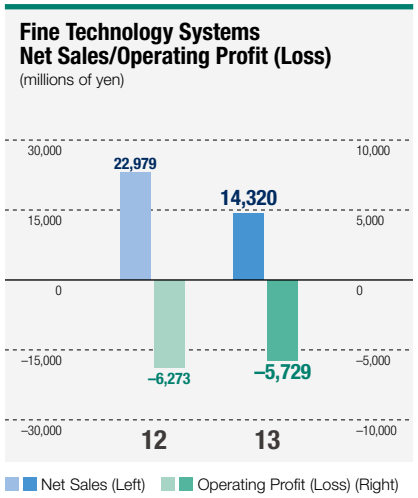
Industrial & IT Systems

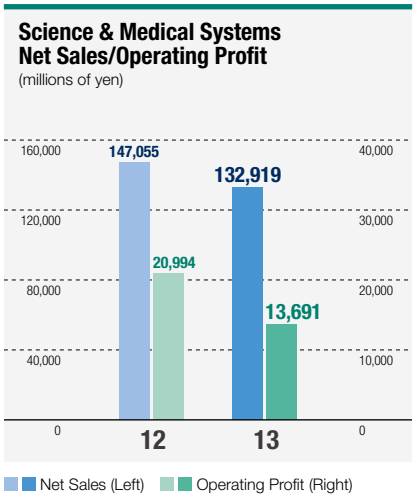
Sales of automated assembly systems increased mainly in automated assembly systems of automobiles, reflecting the expansion of capital investments in overseas facilities by Japanese customers. In terms of hard disk drive-related products, sales decreased due to the effects of industry reorganization. Sales of communications-related equipment also decreased considerably following the launch of new mobile phones in the U.S. market.

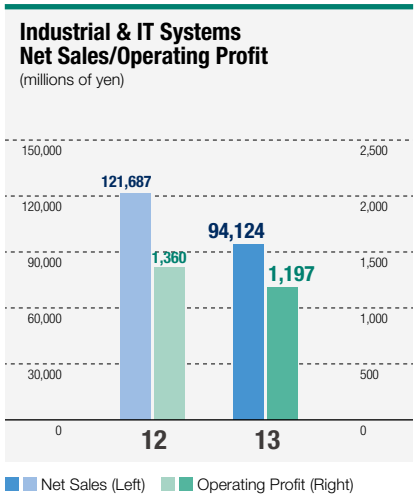
As a result, segment net sales decreased 22.7% year on year to ¥94,124 million, while operating profit decreased 12.0% to ¥1,197 million.

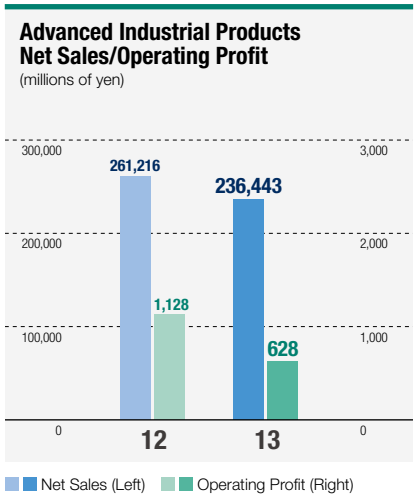
Advanced Industrial Products

In terms of industrial materials, sales of steel products and plastic resins decreased due to the slowdown of the Chinese market in the wake of the European debt crisis. Sales of solar cell-related components also decreased as a result of deteriorating market conditions mainly in Europe and China. Sales of LCD-related products dropped sharply due to drastic production adjustments conducted by major Japanese customers on LCD panels. Silicon wafers were also subject to weakened sales due to the effects of production adjustments conducted on consumer devices by major Japanese customers.









As a result, segment net sales decreased 9.5% year on year to ¥236,443 million, while operating profit dropped 44.3% to ¥628 million.

Net Sales and Operating Profit (Loss) by Segment

(millions of yen)

		2013	2012	Change (%)
Electronic Device Systems	Net Sales	103,919	102,386	1.5
	Operating Profit	12,828	10,584	21.2
Fine Technology Systems	Net Sales	14,320	22,979	(37.7)
	Operating Profit (Loss)	(5,729)	(6,273)	–
Science & Medical Systems	Net Sales	132,919	147,055	(9.6)
	Operating Profit	13,691	20,994	(34.8)
Industrial & IT Systems	Net Sales	94,124	121,687	(22.7)
	Operating Profit	1,197	1,360	(12.0)
Advanced Industrial Products	Net Sales	236,443	261,216	(9.5)
	Operating Profit	628	1,128	(44.3)

Cost of Sales and Selling, General and Administrative Expenses

In fiscal 2012, the cost of sales decreased by ¥62,294 million, or 11.7%, year on year to ¥470,600 million. The cost of sales ratio, meanwhile, improved 0.7 of a percentage point to 81.8%. This mainly reflected a large drop in sales in the Industrial & IT Systems and Advanced Industrial Products segments, in which the Group mainly handles trading products.

In addition, selling, general and administrative (SG&A) expenses decreased ¥1,595 million, or 1.8%, year on year to ¥85,917 million. Nevertheless, the SG&A ratio worsened 1.3 percentage points to 14.9%, mainly because of decreased sales.

Operating Profit

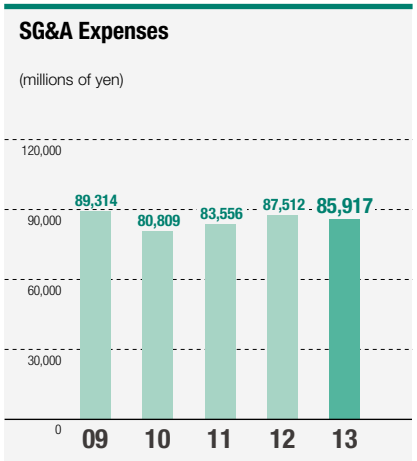
In fiscal 2012, operating profit decreased ¥6,508 million, or 25.6%, year on year, to ¥18,951 million. As a result, the operating profit ratio worsened 0.6 of a percentage point to 3.3%.

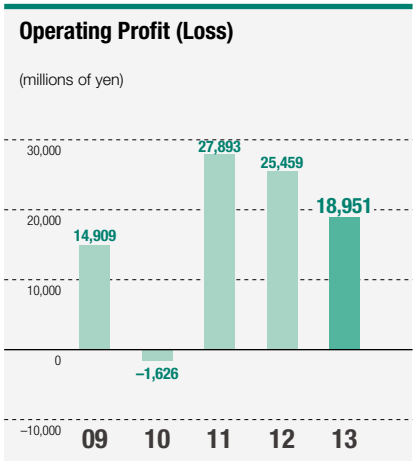
Other Income (Expenses) and Income before Income Taxes and Minority Interests

In fiscal 2012, other expenses were ¥1,984 million, a ¥4,839 million change from the other income recorded in the previous fiscal year.

In terms of other income, there were increases of ¥514 million in gain on sale of property, plant and equipment and ¥389 million in gain on sale of investments in securities. In the previous fiscal year, on the other hand, there was a ¥4,170 million gain on insurance adjustment and ¥1,890 million in insurance income associated with the Great East Japan Earthquake.

Other expenses in fiscal 2012 included ¥558 million in loss on cancellation of leasehold contracts and a ¥1,293 million increase in business structure improvement expenses. On the other hand, in the previous fiscal year, there was a ¥580 million loss on disaster triggered by damage from the Great East Japan Earthquake, and in fiscal 2012 a ¥1,025 million decrease in impairment losses.





As a result of the above, income before income taxes and minority interests was ¥16,967 million, a decrease of ¥11,347 million, or 40.1%, compared to the previous fiscal year. The ratio to net sales worsened 1.5 percentage points to 2.9%.

Income Taxes and Income before Minority Interests

Income taxes decreased ¥9,313 million, or 66.8%, year on year, to ¥4,639 million. This mainly reflected a decrease in taxable income and an increase in the amount of deferred tax assets recorded based on accounting treatment premised on the application of the consolidated taxation system from the fiscal year ending March 31, 2014.

As a result, income before minority interests for fiscal 2012 decreased by ¥2,034 million, or 14.2%, to ¥12,328 million. The ratio to net sales worsened 0.1 of a percentage point to 2.1%.

Minority Interests and Net Income

Minority interests rose ¥65 million, or 65.8%, year on year, to ¥162 million.

As a result, net income for fiscal 2012 was ¥12,166 million, down ¥2,099 million, or 14.7% from the previous fiscal year. The ratio to net sales was 2.1%, down 0.1 of a percentage point. Return on equity worsened 1.1 percentage points to 4.7%, and net income per share decreased ¥15.26 to ¥88.45.

3. FINANCIAL POSITION

Assets

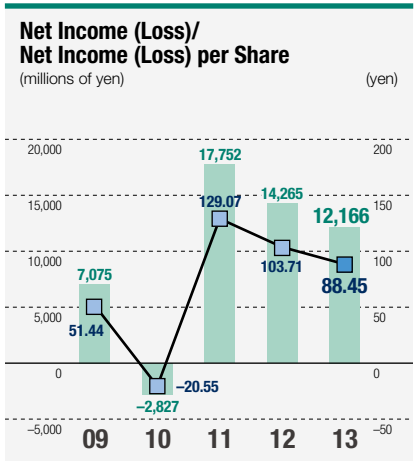
Total assets at March 31, 2013 stood at ¥433,639 million, a decrease of ¥8,523 million, or 1.9%, from a year earlier.

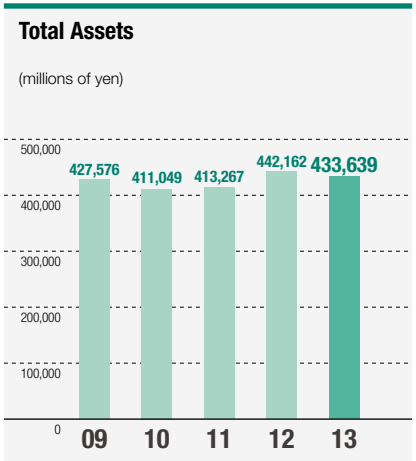
Current assets decreased ¥23,142 million, or 6.5%, to ¥330,623 million. This primarily reflected a decrease of ¥19,316 million, or 14.9%, in trade notes and accounts receivable in line with lower sales.

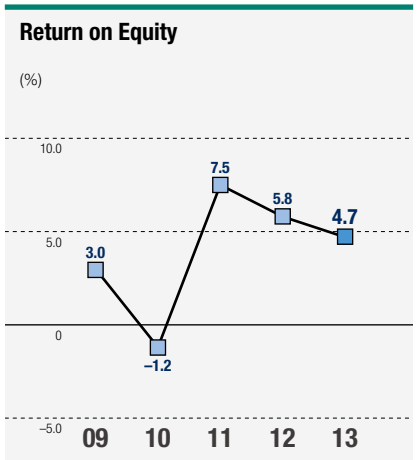
Property, plant and equipment increased ¥6,646 million, or 11.1%, to ¥66,331 million. This was mainly attributable to increases of ¥1,604 million, or 5.2%, in tools, furniture and fixtures, ¥1,780 million or 8.9% in land and ¥2,066 million in construction in progress due to the addition of Hitachi High-Tech Science Corporation to the Group and the construction of demonstration centers and new plants overseas.

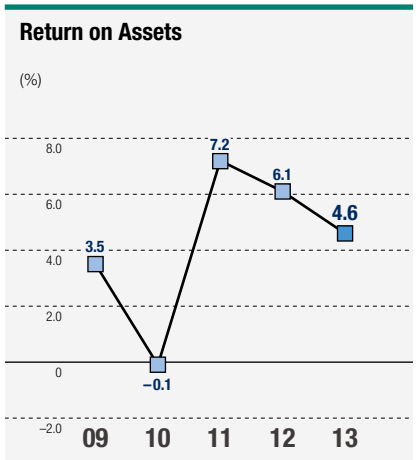
Intangible assets increased ¥7,681 million, or 122.4%, to ¥13,956 million. This is mainly due to a recording of ¥4,396 million in goodwill accompanying the addition of Hitachi High-Tech Science Corporation to the Group.

Investments and other assets increased ¥292 million, or 1.3%, to ¥22,729 million.









■ Net Income (Loss) (Left)
Net Income (Loss) per Share (Right)

Liabilities

Total liabilities decreased ¥22,700 million, or 12.0%, to ¥166,450 million.

Current liabilities decreased ¥24,280 million, or 15.0%, to ¥137,265 million. This mainly reflected a decrease of ¥21,058 million, or 20.0%, in trade notes and accounts payable in line with a lower amount of purchases tracking lower sales, and a decrease of ¥4,917 million, or 57.9%, in accrued income taxes. These decreases were partly offset by short-term loan payables of ¥1,650 million due to the addition of Hitachi High-Tech Science Corporation to the Group.

Long-term liabilities increased ¥1,580 million, or 5.7%, to ¥29,185 million. This was mainly due to ¥1,329 million in deferred tax liabilities recorded in conjunction with the addition of Hitachi High-Tech Science Corporation to the Group.

Net Assets

Net assets on March 31, 2013 stood at ¥267,189 million, an increase of ¥14,177 million, or 5.6%, from a year earlier.

Shareholders' equity was up ¥9,414 million, or 3.7%, year on year, at ¥263,830 million. This mainly reflected an increase of ¥9,415 million, or 4.5%, in retained earnings due to net income of ¥12,166 million posted for the year, which was partly offset by interim and year-end dividends paid of ¥1,375 million (¥10.00 per share) each.

Accumulated other comprehensive income was ¥2,967 million, an increase of ¥4,608 million from the loss recorded in the previous fiscal year. This was mainly due to increases of ¥4,041 million in foreign currency translation adjustments due to the yen's depreciation and ¥1,296 million in net unrealized holding gains on securities, partly offset by a worsening of ¥729 million in net deferred losses on hedges.

Minority interests increased by ¥155 million, or 64.9%, compared to a year earlier, to ¥392 million.

As a result of the above, the equity ratio increased 4.3 percentage points year on year to 61.5%, while net assets per share increased ¥101.97 to ¥1,939.81.

4. CASH FLOWS

Cash and cash equivalents at the end of the fiscal year increased ¥1,887 million to ¥123,485 million from a year earlier. The status of respective cash flows and the main contributing factors are outlined below.

Cash Flows from Operating Activities

Operating activities provided net cash of ¥10,974 million, ¥32,479 million less than in the previous year. The main reasons behind this decrease were a decline in income before income taxes and minority interests, and working capital used as a result of changes in trade notes and accounts receivable, inventories, and trade notes and accounts payable. Other reasons included cash used as a result of changes in other assets and liabilities, as well as an increase in income taxes paid.

Cash Flows from Investing Activities

Investing activities used net cash of ¥4,424 million, ¥20,779 million less than in the previous year. This was mainly due to a decrease in purchases of securities, an increase in proceeds from sale and redemption of securities and an increase in net proceeds from changes in other short-term investments. These factors were partly offset by an increase in capital expenditures and net payment for purchase of investments in subsidiaries resulting in change in scope of consolidation.

As a result, free cash flows, the total of cash flows from operating activities and cash flows from investing activities, decreased ¥11,700 million from the previous year to ¥6,550 million.

Cash Flows from Financing Activities

Financing activities used net cash of ¥8,013 million, ¥3,876 million more than a year earlier. The year on year increase in cash flow was mainly attributable to a decrease in short-term loans payable, and repayment of long-term loans payable, despite a decrease in dividends paid.

With regard to finance policy, the Group will strengthen its financial base by maintaining sufficient liquidity and securing funds. These funds will be used to meet working capital requirements for business expansion, R&D, and capital investment. The Group will also maintain a sound balance sheet.

5. RESEARCH AND DEVELOPMENT EXPENSES

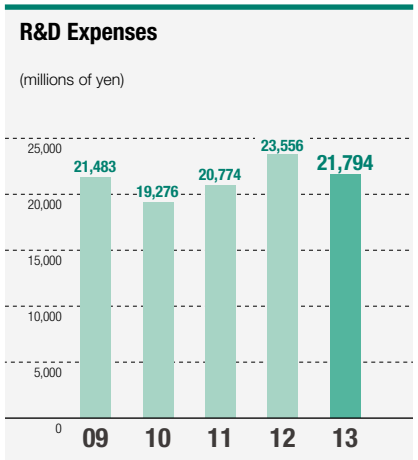
The Hitachi High-Technologies Group is working to boost product competitiveness and develop new products and businesses in the following business segments: Electronic Device Systems, Fine Technology Systems, Science & Medical Systems, and Industrial & IT Systems. R&D expenses relating to these activities for fiscal 2012 totaled ¥21,794 million.

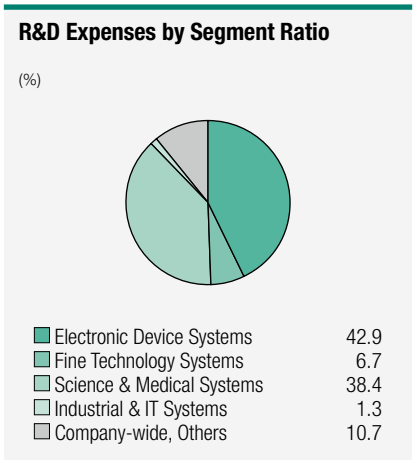
R&D Expenses by Segment

Electronic Device Systems	¥9,352 million
Fine Technology Systems	¥1,457 million
Science & Medical Systems	¥8,361 million
Industrial & IT Systems	¥293 million
Company-wide, Others	¥2,331 million

Company-wide

In fiscal 2009, the Hitachi High-Tech Group launched a new business creation initiative scheme to develop businesses with the potential to be future earnings pillars and that lie outside of the framework of existing businesses.





In fiscal 2012, the Group launched two "C (Challenge/Corporate) projects" under this rubric; one is machine-to-machine (M2M) big data and the other is spherical shaped solar cells Sphelar®. With the launch of these two new projects, the Group implemented a total of five projects including existing projects such as drug manufacturing research support, social infrastructure analysis solutions, and coating and deposition solutions. The Group is aggressively advancing activities, spearheaded by Hitachi High-Tech's Research and Development Division, designed to drive technological innovation, with the aim of bolstering new business creation and existing businesses.

6. RISK INFORMATION

The following is a non-exhaustive list of some of the risks the Group might face in the course of its business activities that have the potential to affect its operating results, stock price, and financial condition. Forward-looking statements in this report are based on risks identified as of March 31, 2013.

(1) Market Trends

The Group conducts business globally in regions such as Japan, Europe, the U.S., China, and other parts of Asia in the Electronic Device Systems, Fine Technology Systems, Science & Medical Systems, Industrial & IT Systems, and Advanced Industrial Products fields using both its advanced technological development capabilities and trading functions. Changes in the markets for finished electronics products, in the balance of supply and demand for electronic devices, or deterioration in the economic environment in any of these regions could adversely affect the Group's operating results.

(2) Technological Innovation

In the Electronic Device Systems, Fine Technology Systems and Science & Medical Systems fields, the Group's main businesses, new technologies are being developed daily. The development of advanced technologies and their continuous application to products and services in a timely manner are vital to ensuring the Group's competitiveness. To launch these sorts of new products, the Group is concentrating on R&D in close cooperation with the research facilities of parent company Hitachi, Ltd. However, there are no guarantees that the Group's R&D activities will always be successful. Failure to translate R&D and commercialization of new products into successful outcomes could adversely affect the Group's operating results.

(3) Escalating Competition

The Group's principal business domains are prone to escalation in competition.

To prevail in this environment, the Group's products must be competitive in terms of price, performance, quality and brand appeal. However, ensuring competitiveness is an inherently uncertain matter, and loss of product competitiveness could adversely affect the Group's operating results.

(4) Rapid Rise in Materials Expenses

It is difficult for the Group to reflect rising prices of crude oil and basic materials in the sales prices of its products. Any further increase in the price of materials could thus adversely affect the Group's operating results.

(5) Risks Associated with International Activities and Developing Business Overseas

The Group conducts sales activities extensively around the world. Consequently, there is a risk of terrorist attacks, riots, war, infectious diseases, natural disasters or other adverse events in regions where the Group's major clients, or operating bases, are located. The occurrence of such political or social risks could result in bans on the movement of employees and shipment of goods. Such a situation could cause delays in business activities or adversely affect operating results.

(6) Natural Disasters

The Group implements measures to prevent disasters at production sites. However, natural disasters which cannot be averted through disaster prevention measures, such as a major earthquake, or a power outage that dramatically reduces energy supplies, or the closure of workplaces to employees who have contracted a new form of influenza or other disease, could hinder the Group's ability to manufacture products or result in the suspension of production, adversely affecting the Group's operating results.

(7) Retirement Benefit Obligations

To minimize the risk of deterioration in pension asset investments affecting its operating results and financial condition, the Group has introduced a corporate pension fund centered on a cash balance plan and other similar systems. However, a downturn in financing conditions caused by a sudden change in the economic environment, or a shift in basic rates including the discount rate, and the assumed rates for mortality, retirement and salary increases, could adversely affect the Group's operating results.

(8) Change in Foreign Currency Exchange Rates

The Group conducts business in Japan and overseas. For the purpose of preparing the consolidated financial statements, accounts denominated in local currencies in each region are converted to yen. Even if there is no change in the value of these accounts on a local currency basis, the value could change after conversion to yen. Furthermore, in divisions handling proprietary products, the bulk of procurements are denominated in yen, meaning that there is little foreign exchange rate risk related to production and procurement costs. Generally speaking, however, sales of proprietary products and products sold in trading company operations are adversely affected by an appreciation of the yen and benefit from a depreciation of the yen against other currencies.

A fall in the value of a currency in a country where trading divisions are located could result in higher costs for procuring products. Increased costs could lower the Group's profit margin and undermine the price competitiveness of products, adversely affecting the Group's operating results.

The Group takes initiatives to minimize foreign currency fluctuation risks. However, changes in foreign exchange rates could adversely affect the Group's operating results and financial condition.

(9) Intellectual Property-Related Risk

The Group owns intellectual property rights and has acquired licenses that are necessary for its businesses. Furthermore, as a member of the Hitachi Group, Hitachi High-Technologies is engaged in intellectual property activities in close collaboration with Hitachi, Ltd. However, problems relating to the infringement of intellectual property rights are inherently difficult to predict. The Group could incur considerable expenses in defending itself in a dispute with a third party over intellectual property rights, which could adversely affect the Group's operating results.

(10) Information Security

The Group maintains various confidential information regarding the operation of its businesses, including personal information, technology, sales, and other operations. Although the Group endeavors to securely manage this personal and technical information, there is a risk that this information could be leaked due to unforeseeable circumstances. Any leak of information could lead to a loss of trust in the Group or a large payment of damages, which could adversely affect the Group's operating results.

(11) Litigation and Other Legal Proceedings

In conducting its business operations, the Group faces the risk that business partners or third parties may instigate litigation or other legal proceedings against it. Any such action resulting in a demand for damages that involves a very large sum and is impossible to foresee could adversely affect the Group's operating results.

7. OUTLOOK FOR FISCAL 2013

In the world economy, the general stagnation of Europe's real economy induced by the fiscal crisis remains a matter of serious concern, although credit instability in the Southern European countries is showing signs of waning. In China, various economic stimulus measures are expected to take effect, and personal consumption is expected to grow in the U.S., and accordingly, the outlook is for the economies of both countries to head toward moderate recovery. Meanwhile, in Japan, despite mounting expectations toward economic recovery in the wake of an improved export environment and the Bank of Japan's drastic monetary easing policies, the outlook is for uncertainty to continue on the whole.

Turning to the Company's operating environment, in the market for semiconductor manufacturing equipment, demand is likely to remain strong for mobile devices, specifically smartphones and tablets, compared to the sluggish PC market. In the market for FPD manufacturing equipment, in addition to OLED (Organic Light Emitting Diode) panels for mobile devices, preparation for the full-fledged launch of large-sized OLED panels is anticipated. Demand for hard disk drives for PCs is expected to remain weak in the HD manufacturing equipment market. In the Science & Medical Systems market, we expect a full recovery in demand will require more time, based on the prolonged impact of the European debt crisis and other factors. In the markets for Industrial & IT Systems and Advanced Industrial Products, although investment by customers and demand for raw materials and components has weakened due to slowing growth in emerging markets, investment in the environment, new energy and social infrastructure fields is expected to grow going forward.

Consequently, in fiscal 2013 we expect net sales to increase 11.2% year on year to ¥640,000 million, while we look for operating profit to improve by 47.7% to ¥28,000 million, and net income to increase by 61.9% to ¥19,700 million.

CONSOLIDATED BALANCE SHEET

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2013**	2012	**2013**
Current assets:			
Cash (Notes 4 and 29)	**¥ 21,088**	¥ 23,293	**$ 224,222**
Trade notes and accounts receivable (Notes 6, 13 and 29)	**110,722**	130,038	**1,177,272**
Short-term investments (Notes 5 and 29)	**85**	578	**907**
Merchandise and finished goods	**31,400**	30,834	**333,863**
Work in process	**34,661**	34,176	**368,535**
Raw materials	**4,189**	3,552	**44,538**
Deferred tax assets (Note 7)	**9,453**	8,927	**100,514**
Advances to suppliers	**2,553**	2,246	**27,145**
Deposits to Hitachi Group cash management fund (Notes 4, 6 and 29)	**97,041**	98,831	**1,031,801**
Prepaid expenses and other current assets (Notes 4 and 6)	**20,033**	22,741	**212,996**
Less: allowance for doubtful receivables (Note 29)	**(602)**	(1,451)	**(6,397)**
Total current assets	**330,623**	353,765	**3,515,396**
Property, plant and equipment:			
Buildings and structures	**56,820**	54,200	**604,143**
Machinery and equipment	**39,401**	35,939	**418,933**
Tools, furniture and fixtures	**32,466**	30,862	**345,199**
Land	**21,693**	19,913	**230,654**
Construction in progress	**2,252**	186	**23,948**
	152,632	141,100	**1,622,877**
Less: accumulated depreciation	**(86,301)**	(81,415)	**(917,601)**
Net property, plant and equipment	**66,331**	59,685	**705,276**
Intangible assets (Note 14)	**13,956**	6,275	**148,387**
Investments and other assets:			
Investments in securities (Notes 5, 11 and 29)	**11,939**	11,062	**126,942**
Long-term loan	**122**	153	**1,299**
Deferred tax assets (Note 7)	**5,680**	5,944	**60,390**
Other assets (Note 8)	**5,312**	5,620	**56,485**
Less: allowance for doubtful receivables	**(324)**	(342)	**(3,443)**
Total investments and other assets	**22,729**	22,437	**241,673**
Total assets	**¥433,639**	¥442,162	**$4,610,732**

See accompanying notes to consolidated financial statements

	Millions of yen		Thousands of U.S. dollars (Note 3)
Liabilities and net assets	**2013**	2012	**2013**
Current liabilities:			
Trade notes and accounts payable (Notes 11, 13 and 29)	**¥ 84,426**	¥105,484	**$ 897,670**
Short-term loans payable	**1,650**	–	**17,544**
Accrued income taxes (Note 7)	**3,572**	8,489	**37,977**
Accrued expenses	**17,268**	18,175	**183,599**
Advances received from customers (Note 6)	**10,188**	11,531	**108,323**
Accrued product warranty costs	**2,431**	2,397	**25,850**
Other current liabilities	**17,730**	15,469	**188,522**
Total current liabilities	**137,265**	161,545	**1,459,485**
Long-term liabilities:			
Deferred tax liabilities (Note 7)	**1,329**	–	**14,128**
Accrued retirement and severance benefits (Note 8)	**26,768**	26,865	**284,612**
Other liabilities	**1,088**	740	**11,578**
Total long-term liabilities	**29,185**	27,605	**310,318**
Total liabilities	**166,450**	189,150	**1,769,803**
Net assets:			
Shareholders' equity			
Common stock (Note 9)	**7,938**	7,938	**84,407**
Capital surplus (Notes 9 and 10)	**35,745**	35,745	**380,060**
Retained earnings (Note 10)	**220,474**	211,059	**2,344,221**
Treasury stock, at cost, 200,583 shares in 2013 and 199,621 shares in 2012	**(327)**	(326)	**(3,481)**
Total shareholders' equity	**263,830**	254,416	**2,805,207**
Accumulated other comprehensive income			
Net unrealized holding gains on securities	**5,094**	3,798	**54,167**
Net deferred losses on hedges	**(1,007)**	(278)	**(10,709)**
Foreign currency translation adjustments	**(1,120)**	(5,161)	**(11,899)**
Total accumulated other comprehensive income	**2,967**	(1,641)	**31,559**
Minority interests	**392**	237	**4,163**
Total net assets	**267,189**	253,012	**2,840,929**
Commitments and contingent liabilities (Note 12)			
Total liabilities and net assets	**¥433,639**	¥442,162	**$4,610,732**

	Yen		U.S. dollars (Note 3)
	2013	2012	**2013**
Net assets per share (Note 15)	**¥1,939.81**	¥1,837.84	**$20.63**

CONSOLIDATED STATEMENT OF OPERATIONS

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Net sales (Note 6)	¥575,468	¥645,865	$6,118,744
Cost of sales (Notes 16 and 18)	470,600	532,894	5,003,715
Gross profit	104,868	112,971	1,115,029
Selling, general and administrative expenses (Notes 17 and 18)	85,917	87,512	913,529
Operating profit	18,951	25,459	201,500
Other income (expenses)			
Interest and dividends income (Note 6)	662	560	7,040
Interest expense	(71)	(69)	(757)
Gain on sale of property, plant and equipment	546	32	5,808
Gain on sale of investments in securities (Note 5)	493	104	5,239
Gain on sale of membership	–	5	–
Loss on disposal of property, plant and equipment	(348)	(521)	(3,697)
Loss on devaluation of investments in securities	(4)	(117)	(40)
Reversal of allowance for doubtful accounts	320	205	3,400
Foreign exchange gains, net	225	258	2,397
Gain on insurance adjustment (Note 21)	–	4,170	–
Insurance income (Note 22)	–	1,890	–
Business structure improvement expenses (Note 23)	(3,423)	(2,130)	(36,399)
Loss on cancellation of leasehold contracts	(558)	–	(5,929)
Impairment losses (Note 24)	(171)	(1,196)	(1,817)
Loss on disaster (Note 25)	–	(580)	–
Environmental expenses (Note 26)	–	(67)	–
Other, net	345	311	3,657
	(1,984)	2,855	(21,098)
Income before income taxes and minority interests	16,967	28,314	180,402
Income taxes (Note 7)			
Current	4,790	10,080	50,929
Deferred	(151)	3,872	(1,606)
	4,639	13,952	49,323
Income before minority interests	12,328	14,362	131,079
Minority interests	162	97	1,723
Net income	¥ 12,166	¥ 14,265	$ 129,356

		Yen	U.S. dollars (Note 3)
Net income per share (Note 15)	¥88.45	¥103.71	$0.94

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Income before minority interests	¥12,328	¥14,362	$131,079
Other comprehensive income (Note 27)			
Net unrealized holding gains on securities	1,296	483	13,787
Net deferred losses on hedges	(729)	(292)	(7,758)
Foreign currency translation adjustments	4,072	(259)	43,297
Total other comprehensive income	4,639	(68)	49,326
Comprehensive income	¥16,967	¥14,294	$180,405
Comprehensive income attributable to:			
Shareholders	¥16,776	¥14,190	$178,374
Minority interests	191	104	2,031

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Hitachi High–Technologies Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

Millions of yen

	Issued and outstanding shares (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total Shareholders' Equity	Net unrealized holding gains on securities	Net deferred losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehen-sive income	Minority interests	Total net assets
Balance at April 1, 2011	137,739	¥7,938	¥35,745	¥200,920	¥(325)	¥244,278	¥3,315	¥ 15	¥(4,897)	¥(1,567)	¥134	¥242,845
Net income	–	–	–	14,265	–	14,265	–	–	–	–	–	14,265
Cash dividends	–	–	–	(4,126)	–	(4,126)	–	–	–	–	–	(4,126)
Purchase of treasury stock	–	–	–	–	(1)	(1)	–	–	–	–	–	(1)
Sale of treasury stock	–	–	0	–	0	0	–	–	–	–	–	0
Net changes in items other than shareholders' equity	–	–	–	–	–	–	483	(293)	(264)	(74)	103	29
Balance at March 31, 2012	137,739	7,938	35,745	211,059	(326)	254,416	3,798	(278)	(5,161)	(1,641)	237	253,012
Balance at April 1, 2012	137,739	7,938	35,745	211,059	(326)	254,416	3,798	(278)	(5,161)	(1,641)	237	253,012
Net income	–	–	–	12,166	–	12,166	–	–	–	–	–	12,166
Cash dividends	–	–	–	(2,751)	–	(2,751)	–	–	–	–	–	(2,751)
Purchase of treasury stock	–	–	–	–	(1)	(1)	–	–	–	–	–	(1)
Sale of treasury stock	–	–	0	–	0	0	–	–	–	–	–	0
Net changes in items other than shareholders' equity	–	–	–	–	–	–	1,296	(729)	4,041	4,608	155	4,763
Balance at March 31, 2013	**137,739**	**¥7,938**	**¥35,745**	**¥220,474**	**¥(327)**	**¥263,830**	**¥5,094**	**¥(1,007)**	**¥(1,120)**	**¥ 2,967**	**¥392**	**¥267,189**

Thousands of U.S. dollars (Note 3)

	Issued and outstanding shares (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total Shareholders' Equity	Net unrealized holding gains on securities	Net deferred losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehen-sive income	Minority interests	Total net assets
Balance at April 1, 2012	137,739	$84,407	$380,060	$2,244,113	$(3,461)	$2,705,119	$40,380	$ (2,951)	$(54,888)	$(17,459)	$2,525	$2,690,185
Net income	–	–	–	129,356	–	129,356	–	–	–	–	–	129,356
Cash dividends	–	–	–	(29,248)	–	(29,248)	–	–	–	–	–	(29,248)
Purchase of treasury stock	–	–	–	–	(21)	(21)	–	–	–	–	–	(21)
Sale of treasury stock	–	–	0	–	1	1	–	–	–	–	–	1
Net changes in items other than shareholders' equity	–	–	–	–	–	–	13,787	(7,758)	42,989	49,018	1,638	50,656
Balance at March 31, 2013	**137,739**	**$84,407**	**$380,060**	**$2,344,221**	**$(3,481)**	**$2,805,207**	**$54,167**	**$(10,709)**	**$(11,899)**	**$31,559**	**$4,163**	**$2,840,929**

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 16,967	¥ 28,314	$ 180,402
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	7,823	9,072	83,184
Impairment losses	171	1,196	1,817
Amortization of goodwill	428	318	4,553
Decrease in allowance for doubtful receivables	(913)	(769)	(9,707)
(Decrease) increase in accrued product warranty costs	(236)	168	(2,514)
(Decrease) increase in accrued retirement and severance benefits	(165)	239	(1,750)
Decrease in accrued loss on disaster	–	(1,082)	–
Interest and dividends income	(662)	(560)	(7,040)
Interest expense	71	69	757
Foreign exchange losses (gains), net	115	(45)	1,227
(Gain) loss on sale and disposal of property, plant and equipment, and intangible assets	(309)	416	(3,282)
(Gain) loss on sale and devaluation of securities	(489)	13	(5,199)
Gain on sale of membership	–	(5)	–
Decrease (increase) in trade notes and accounts receivable	26,577	(796)	282,579
Decrease (increase) in inventories	283	(3,543)	3,007
(Decrease) increase in trade notes and accounts payable	(27,130)	11,401	(288,458)
Decrease in other assets	935	2,723	9,946
(Decrease) increase in other liabilities	(1,517)	1,791	(16,127)
Impairment losses included in business structure improvement expenses	264	437	2,802
Other, net	(1)	12	(21)
	22,212	49,369	236,176
Interest and dividends received	658	529	6,995
Interest paid	(35)	(19)	(377)
Income taxes paid	(11,861)	(6,426)	(126,115)
Net cash provided by operating activities	10,974	43,453	116,679

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Cash flows from investing activities:			
Payments into time deposits	(28)	–	(296)
Capital expenditures	(12,059)	(10,777)	(128,220)
Proceeds from sale of property and equipment	959	82	10,197
Purchases of securities	(100)	(3,260)	(1,058)
Proceeds from sale and redemption of securities	2,205	191	23,447
Net payment for purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 28)	(6,277)	–	(66,746)
Purchase of membership	(11)	–	(119)
Proceeds from sale of membership	1	13	10
Deposits to Hitachi Group cash management fund with maturity over three months	(26,100)	(34,000)	(277,512)
Withdrawals from Hitachi Group cash management fund with maturity over three months	37,100	22,500	394,471
Other, net	(114)	48	(1,216)
Net cash used in investing activities	(4,424)	(25,203)	(47,042)
Cash flows from financing activities:			
Decrease in short-term loans payable	(4,000)	–	(42,531)
Repayment of long-term loans payable	(1,221)	–	(12,982)
Dividends paid	(2,752)	(4,124)	(29,262)
Dividends paid to minority shareholders	(24)	–	(260)
Other, net	(16)	(13)	(168)
Net cash used in financing activities	(8,013)	(4,137)	(85,203)
Effect of exchange rate changes on cash and cash equivalents	3,350	(219)	35,622
Net increase in cash and cash equivalents	1,887	13,894	20,056
Cash and cash equivalents at beginning of year	121,598	107,704	1,292,912
Cash and cash equivalents at end of year (Note 4)	¥123,485	¥121,598	$1,312,968

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hitachi High-Technologies Corporation and Consolidated Subsidiaries

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying consolidated financial statements of Hitachi High-Technologies Corporation (the Company) and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In addition, for the convenience of readers outside Japan, the consolidated financial statements, including the notes to the consolidated financial statements, contain certain reclassifications and additional information which are not required under accounting principles generally accepted in Japan.

(b) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its effectively controlled subsidiary companies, which in general are majority-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

The cost in excess of net assets of an acquiree, based on the fair value, acquired by the Company is being amortized on a straight-line basis over the estimated period of investment effect by each asset, not exceeding 20 years or, if the amount is not material, charged immediately to earnings.

(c) Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value which have maturities of generally three months or less when purchased to be cash equivalents.

(d) Short-term Investments and Investments in Securities

The Company accounts for short-term investments and investments in securities in accordance with the "Accounting Standard for Financial Instruments" issued by the Accounting Standards Board of Japan. Under this standard, securities are to be classified into one of the following three categories and accounted for as follows:

- Securities that the company holds with the objective of generating profits on short-term differences in price are classified as trading securities and measured at fair value, with unrealized holding gains and losses included in earnings.
- Securities that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and measured at amortized cost.
- Securities classified as neither trading securities nor held-to-maturity securities are classified as available-for-sale securities and measured at fair value, either with unrealized holding gains and losses excluded from earnings and reported as net unrealized holding gains (losses) in a separate component of net assets until realized, or with unrealized holding losses included in earnings and unrealized gains excluded from earnings and reported as unrealized holding gains in a separate component of net assets until realized.

The Company measured available-for-sale securities at fair value and reported unrealized holding gains and losses as "Net unrealized holding gains on securities" in a separate component of net assets. Available-for-sale securities for which it is not practicable to estimate fair value are carried at cost. In computing realized gains or losses, cost of available-for-sale securities was principally determined by the moving-average method.

(e) Inventories

Inventories are summarized as follows :

Merchandise Finished goods Semi-finished goods Raw materials	: Stated at cost determined principally by the moving-average method (however, the amount stated in the balance sheet was written down to reflect deterioration in profitability)
Work in process	: Stated at cost determined principally by specific identification method (however, the amount stated in the balance sheet was computed by reducing the book value to reflect deterioration in profitability)

(f) Property, Plant and Equipment

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

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

The Company and its consolidated subsidiaries had previously calculated depreciation of property, plant and equipment primarily by the declining-balance method. However, starting from the fiscal year ended March 31, 2013, the depreciation method has been changed to the straight-line method.

The Company in the fiscal year ended March 31, 2012, formulated the "Hitachi High-Tech Medium-term Management Plan 2013," which will reach its final year in the fiscal year ending March 31, 2014. As part of initiatives for realizing this plan, the Company has been promoting the establishment of a company-wide optimal management structure by adopting the consolidated four-business group system from the fiscal year ended March 31, 2012, in addition to establishing cross-group organizations for the functions of corporate strategy, marketing, R&D, and manufacturing. During the fiscal year ended March 31, 2013, these initiatives resulted in capital investments decision-making on a business level and production that effectively utilized management resources. Specifically, by consolidating production facilities that had been dispersed among several production bases, the Group was able to enhance the production efficiency of said facilities and ensure stable operations. Moreover, the installation of versatile evaluation facilities capable of catering to diverse customer needs has ensured the stable operation of evaluation facilities.

Furthermore, the Company has been engaged in various initiatives, including the comprehensive development plan which mainly promotes manufacturing reforms that aim to build an optimal manufacturing system in the Naka Division, a major manufacturing base, as well as further consolidation and standardization of production facilities in the restoration investment plan following the Great East Japan Earthquake.

Taking into account the above circumstances and upon conducting a review of the usage of its property, plant and equipment, the conclusion was reached that going forward its facilities could be counted on to operate with a certain amount of stability and to generate returns on investment as well as make sustainable and long-term contributions to profits. Consequently, the Company and its consolidated subsidiaries decided that changing the depreciation method of their property, plant and equipment to the straight-line method would appropriately reflect the actual usage of the assets.

As a result of this change, for the fiscal year ended March 31, 2013, depreciation decreased by ¥2,566 million ($27,286 thousand); and operating profit increased by ¥2,111 million ($22,447 thousand) and income before income taxes and minority interests increased by ¥2,152 million ($22,885 thousand), as compared to the respective amounts that would have been reported had the change not been implemented.

The impact on each segment is shown in segment information.

(g) Intangible Assets

Intangible assets are principally amortized by the straight-line method over estimated useful lives.

(h) Allowance for Doubtful Receivables

The allowance for doubtful receivables is established at amounts considered to be appropriate based on the Company's history of credit losses, and an evaluation of potential losses for specific doubtful receivables.

(i) Accrued Product Warranty Costs

Accrued product warranty costs is estimated and recorded at the time of sales to provide for future potential costs, such as costs related to after-sales services, at amounts considered to be appropriate based on the Company's past experience.

(j) Accrued Retirement and Severance Benefits

Accrued retirement and severance benefits for employees are provided based on the estimated retirement benefit obligation and the pension assets as adjusted for unrecognized prior service costs and unrecognized actuarial gains and losses.

Prior service benefits and costs are recognized as income or expense on a straight-line basis over certain years not exceeding the expected average remaining service periods of the employees active at the date of the plan amendment. Actuarial gains and losses are recognized as income or expense on a straight-line basis commencing the year following the year in which the gains and losses are incurred over certain years not exceeding the expected average remaining service periods of the employees participating in the plans.

Accrued retirement and severance benefits for directors and statutory auditors of some of domestic subsidiaries have been provided for the vested benefits to which they are entitled if they were to retire or sever at the balance sheet date.

(k) Income Taxes

Deferred income taxes are accounted for under the asset and liability method in accordance with the "Accounting Standard for Deferred Income Taxes" issued by the Business Accounting Deliberation Council. Under such method, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

(l) Translation of Foreign Currency Accounts

The Company accounts for or translates foreign currency accounts under the "Accounting Standard for Foreign Currency Transaction" issued by the Business Accounting Deliberation Council. Under this standard, foreign currency transactions are translated into yen at the rates in effect at the transaction date. Foreign currency transactions, for which forward exchange contracts are held, are translated into yen at such contract rates, only if the relation between a foreign currency transaction and a related forward exchange contract meets the criteria of hedge accounting as regulated in the "Accounting Standard for Financial Instruments." At year-end, monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except for those, as described above, translated at related contract rates. Gains or losses resulting from the translation of foreign currencies, including gains and losses on settlement, are credited or charged to income as incurred.

The financial statements of the consolidated foreign subsidiaries are translated into the reporting currency of yen as follows: all assets and liabilities, accumulated other comprehensive income, and minority interests are translated at the rates of exchange in effect at the balance sheet date; shareholders' equity is translated at historical rates; income and expenses are translated at the average rate of exchange in effect; and differences in yen amounts arising from the use of different rates for translation of assets, liabilities, net assets, and income and expenses are reported as "Foreign currency translation adjustments," a separate component of net assets.

(m) Derivative Financial Instruments

Under the "Accounting Standard for Financial Instruments" issued by the Accounting Standards Board of Japan, in principle, derivative financial instruments are measured at fair value, with unrealized gains or losses included in earnings. Hedging transactions, which meet the criteria of hedge accounting as prescribed in the "Accounting Standard for Financial Instruments," are accounted for using deferral hedge accounting, which requires the unrealized gains or losses to be deferred as a component of net assets until gains or losses relating to the hedged items are recognized.

The Company and its consolidated subsidiaries have entered into derivative transactions in order to manage certain risk arising from adverse fluctuation in foreign currency exchange rates; hedging instruments are derivative transactions and hedged items are primarily forecast sales denominated in foreign currencies.

The derivative transactions are managed in accordance with the companies' internal policies for risk management.

(n) Treasury Stock

Under the "Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" issued by the Accounting Standards Board of Japan, treasury stock is recorded at cost as a deduction of net assets. When the Company reissues the treasury stock, the difference between the issuance price and the cost of the treasury stock is credited or charged to capital surplus.

(o) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(p) Net Income per Share

The Company computes and discloses net income per share under the "Accounting Standard for Earnings per Share" issued by the Accounting Standards Board of Japan. Under this standard, basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of shares of common shares outstanding during the respective years. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock or resulted in the issuance of common stock.

(q) Reclassifications

Certain reclassifications have been made in prior year's consolidated financial statements to conform to classification used in current year.

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The "Accounting Standard for Retirement Benefits" and the "Guidance on Accounting Standard for Retirement Benefits" issued by the Accounting Standards Board of Japan

(a) Overview

Actuarial gains and losses and prior service costs are to be recognized within the net asset section of the consolidated balance sheet, after adjusting for tax effects, and the funded status is to be recognized as a liability or asset.

Furthermore, it is now possible to apply a benefit formula basis in addition to the straight-line basis in attributing expected benefits to periods, and the method for calculating the discount rate has been amended.

(b) Planned Application Date

Effective the beginning of the year ending March 31, 2014, the Company will apply the standard and the related guidance.

(c) Impact of the Application of This Accounting Standard

Application of "Accounting Standard for Retirement Benefits" is expected to result in ¥18,267 million ($194,225 thousand) decrease in total accumulated other comprehensive income and ¥2,353 million ($25,015 thousand) decrease in retained earnings at April 1, 2013. The impact on the consolidated statement of operations for the year ending March 31, 2014 is expected to be minimal.

3. U.S. DOLLAR AMOUNTS

The accompanying consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into the U.S. dollars at the rate of ¥94.05 = $1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2013. This translation should not be construed as a representation that any amounts shown could be converted into U.S. dollars.

4. CASH AND CASH EQUIVALENTS

Reconciliations between consolidated balance sheet captions and cash and cash equivalents as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash	¥ 21,088	¥ 23,293	$ 224,222
Time deposits with maturity over three months	(28)	–	(302)
Deposits to Hitachi Group cash management fund	97,041	98,831	1,031,801
Deposits to Hitachi Group cash management fund with maturity over three months	(8,000)	(19,000)	(85,061)
Other deposits in other current assets	13,384	18,474	142,308
Cash and cash equivalents	¥123,485	¥121,598	$1,312,968

5. SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

Investments in securities as of March 31, 2013 and 2012 are classified as available-for-sale securities. A summary of cost, gross unrealized holding gains, gross unrealized holding losses and aggregate fair value by major type of securities are as follows:

Millions of yen

	2013				2012			
	Cost	Gross gains	Gross losses	Aggregate fair value	Cost	Gross gains	Gross losses	Aggregate fair value
Available-for-sale securities:								
Equity securities	¥ 853	¥7,854	¥–	¥ 8,707	¥1,077	¥5,905	¥ –	¥ 6,982
Debt securities	3,009	50	–	3,059	4,516	1	(18)	4,499
Other securities	85	–	–	85	78	–	–	78
	¥3,947	¥7,904	¥–	¥11,851	¥5,671	¥5,906	¥(18)	¥11,559

Thousands of U.S. dollars

	2013			
	Cost	Gross gains	Gross losses	Aggregate fair value
Available–for–sale securities:				
Equity securities	$ 9,062	$83,515	$ –	$ 92,577
Debt securities	31,997	530	–	32,527
Other securities	907	–	–	907
	$41,966	$84,045	$ –	$126,011

Debt securities consist mainly of corporate bonds. Other securities consist mainly of investment trusts. It is not practicable to estimate the fair value of investments in non-marketable securities because of the lack of market prices and difficulty in estimating fair value without incurring excessive cost.

The proceeds from sales of available-for-sale securities (including those have extreme difficulty in determining the fair value) for the year ended March 31, 2013 amounted to ¥720 million ($7,654 thousand), and the gross realized gains on the sales of those securities for the year ended March 31, 2013 amounted to ¥493 million ($5,239 thousand).

The proceeds from sales of available-for-sale securities (including those have extreme difficulty in determining the fair value) for the year ended March 31, 2012 amounted to ¥191 million and the gross realized gains on the sales of those securities for the year ended March 31, 2012 amounted to ¥104 million.

For the years ended March 31, 2013 and 2012, the Company recorded an impairment loss of ¥4 million ($40 thousand) and ¥117 million for available-for-sale securities, respectively. In the case that the fair value as of the end of period decreased more than 50% compared to the book value, impairment loss is recognized, whereas in the case that the fair value decreased from 30% to 50% compared to the book value, it would be decided by considering the recoverability whether impairment loss is recognized.

6. BALANCES AND TRANSACTIONS WITH RELATED PARTY

51.8% of the Company's outstanding common stock is directly and indirectly owned by Hitachi, Ltd. (the parent company). Balances and transactions with the parent company and its affiliated company as of and for the years ended March 31, 2013 and 2012 are summarized as follows:

Balances and Transactions with Hitachi, Ltd.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Balances:			
Trade accounts receivable	¥ 4,846	¥ 6,707	$ 51,528
Deposits to Hitachi Group cash management fund	97,041	98,831	1,031,801
Other current assets	16	17	173
Advances received from customers	146	531	1,553
Transactions:			
Sales	¥22,913	¥23,331	$ 243,627
Cash (withdrawals) deposits, net	(1,790)	18,223	(19,036)
Interest income	316	274	3,360

Balances and Transactions with Hitachi America Capital, Ltd.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Balances:			
Other current assets	¥ 5,173	¥13,561	$ 55,000
Transactions:			
Cash (withdrawals) deposits, net	¥(8,389)	¥ 6,826	$(89,193)
Interest income	24	20	250

7. INCOME TAXES

Reconciliations between the statutory tax rates and the effective income tax rates as a percentage of income before income taxes and minority interests are as follows:

	2013	2012
Statutory tax rates	38.0%	40.7%
Expenses not deductible for tax purpose	2.5	1.7
Tax credit	(2.9)	(4.3)
Valuation allowance	0.9	8.7
Different tax rates of foreign subsidiaries	(3.6)	(3.3)
Effect of introduction of the consolidated taxation system	(5.5)	–
Effect of changes in tax laws and rates in Japan	–	5.0
Other, net	(2.1)	0.8
Effective income tax rates	27.3%	49.3%

The tax effects of temporary differences and tax loss carryforwards that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2013 and 2012 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Total gross deferred tax assets:			
Allowance for doubtful receivables	¥ 216	¥ 409	$ 2,298
Accrued bonus	3,048	3,197	32,405
Accrued business tax	121	598	1,290
Accrued expenses	300	375	3,193
Intercompany profit on inventories	1,466	1,329	15,586
Devaluation of inventories	2,201	1,837	23,397
Accrued product warranty costs	718	682	7,633
Depreciation	725	830	7,704
Membership deposit	273	280	2,906
Investments in securities	403	415	4,284
Impairment losses	1,105	1,388	11,749
Accrued retirement and severance benefits	8,383	8,796	89,130
Tax loss carryforwards	4,714	3,549	50,127
Valuation difference on business combination	478	–	5,083
Other	3,040	2,055	32,323
	27,191	25,740	289,108
Less valuation allowance	(8,183)	(7,740)	(87,003)
	19,008	18,000	202,105
Total gross deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries	(194)	(161)	(2,060)
Net unrealized holding gains on securities	(2,810)	(2,089)	(29,878)
Tax purpose reserve for fixed assets	(747)	(747)	(7,943)
Valuation difference on business combination	(1,121)	–	(11,922)
Other	(332)	(132)	(3,526)
	(5,204)	(3,129)	(55,329)
Net deferred tax assets	¥13,804	¥14,871	$146,776

Net deferred tax assets as of March 31, 2013 and 2012 are reflected in the consolidated balance sheet under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets—current	¥ 9,453	¥ 8,927	$100,514
Deferred tax assets—noncurrent	5,680	5,944	60,390
Deferred tax liabilities—noncurrent	1,329	–	14,128
Net deferred tax assets	¥13,804	¥14,871	$146,776

Additional Information

The Company and certain domestic subsidiaries have received deemed approval to adopt the consolidated taxation system effective the fiscal year ending March 31, 2014.

From the fiscal year ended March 31, 2013, accounting treatment and presentation regarding deferred taxes have been based on the "Practical Solution on Tax Effect Accounting under the Consolidated Taxation System (Part 1)" (Practical Issues Task Force No. 5 issued by the Accounting Standards Board of Japan), and the "Practical Solution on Tax Effect Accounting under the Consolidated Taxation System (Part 2)" (Practical Issues Task Force No. 7 issued by the Accounting Standards Board of Japan), under the assumption that the Company would adopt the consolidated taxation system.

8. RETIREMENT AND SEVERANCE BENEFITS

The Company and subsidiaries have the following defined benefit pension plans to provide pension benefits to substantially all employees:

- Corporate Pension Fund (funded defined benefit pension plan)
- Retirement and Severance Benefit Plan (unfunded defined benefit pension plan)

The funded status of the Company and subsidiaries' pension plans as of March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥(124,816)	¥(115,358)	$(1,327,125)
Plan assets at fair value	71,472	63,189	759,933
Funded status	(53,344)	(52,169)	(567,192)
Unrecognized actuarial loss	31,288	30,939	332,670
Unrecognized prior service cost	(2,917)	(3,425)	(31,009)
Amounts recognized in the consolidated balance sheet	¥ (24,973)	¥ (24,655)	$ (265,531)
Amounts recognized in the consolidated balance sheet consist of:			
Investments and other assets—other assets	¥ 1,562	¥ 1,921	$ 16,609
Accrued retirement and severance benefits	(26,535)	(26,576)	(282,140)
	¥ (24,973)	¥ (24,655)	$ (265,531)

Net periodic benefit cost for the Company and subsidiaries' pension plans for the years ended March 31, 2013 and 2012 consisted of the following components:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥ 4,362	¥ 4,084	$ 46,382
Interest cost	2,453	2,653	26,083
Expected return on plan assets	(1,714)	(1,691)	(18,222)
Amortization of unrecognized actuarial loss	3,769	3,314	40,078
Amortization of unrecognized prior service cost	(504)	(507)	(5,363)
	8,366	7,853	88,958
Other, net	244	168	2,588
	¥ 8,610	¥ 8,021	$ 91,546

Other, net includes contributions to defined contribution pension plan.

In addition to the cost above, extra retirement payments amounting to ¥3,471 million ($36,909 thousand) and ¥2,064 million were recorded for the years ended March 31, 2013 and 2012, respectively.

Actuarial assumptions used in accounting for the Company and subsidiaries' plans are principally as follows:

	2013	2012
Discount rates	1.4–1.6%	1.9–2.1%
Expected rate of return on plan assets	2.5%	2.5%
Amortization period of unrecognized prior service cost	10–17 years	10–17 years
Amortization period of unrecognized actuarial loss	9–18 years	7–18 years

The programs described above do not cover directors and statutory auditors. To prepare for the payment of retirement benefits for directors and statutory auditors, some domestic consolidated subsidiaries recorded the amount payable at the balance sheet date based on their internal rules on retirement and severance benefits for directors and statutory auditors. At March 31, 2013 and 2012, such obligation recognized as accrued retirement and severance benefits amounted to ¥233 million ($2,472 thousand) and ¥289 million, respectively.

9. COMMON STOCK

Through May 1, 2006, the Company and its domestic subsidiaries were subjected to the Japanese Commercial Code (JCC). The JCC requires that at least 50% of the issue price of new shares be designated as stated capital, and proceeds in excess of amount designated as stated capital be credited to capital surplus.

On May 1, 2006, a new corporate law (the Law) became effective, which reformed and replaced the JCC with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006.

Authorized shares and issued and outstanding shares as of March 31, 2013 and 2012 are summarized as follows:

	2013	2012
Authorized shares	350,000,000	350,000,000
Issued and outstanding shares	137,738,730	137,738,730

10. LEGAL RESERVE AND DIVIDENDS

The JCC requires an amount equal to at least 10% of appropriations of retained earnings to be paid in cash be appropriated as a legal reserve until total of capital surplus and legal reserve equals 25% of stated capital. In addition to reduction of a deficit and transfer to stated capital, either capital surplus or legal reserve may be available for dividends by resolution of the shareholders' meeting to the extent that the amount of total capital surplus and legal reserve exceeds 25% of stated capital.

The Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (of retained earnings) or as additional paid-in capital (of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of threshold that the JCC provided. The Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders' meeting.

Cash dividends and legal reserve reflected as appropriations of retained earnings during the years ended March 31, 2013 and 2012 represent dividends paid out during those periods and the related appropriations to the legal reserve. The accompanying consolidated financial statements do not include any provision for the dividend of ¥10.00 ($0.11) per share approved at the Board of Directors' meeting held on May 23, 2013, aggregating ¥1,375 million ($14,624 thousand) in respect of the year ended March 31, 2013.

11. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Investments in securities	¥25	¥22	$269

Related debts secured with the above assets at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Trade accounts payable	¥8	¥11	$86

12. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2013 and 2012, the Company and its subsidiaries are contingently liable for following amounts:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Export bills discounted	¥125	¥ 15	$1,325
Trade notes receivable endorsed to suppliers	51	61	544
Guarantees given for employees' housing loans	327	418	3,476
Guarantees given for Hitachi Instrument (Suzhou), Ltd.'s office rental	11	–	112
	¥514	¥494	$5,457

13. TRADE NOTES RECEIVABLE AND PAYABLE MATURED AT FISCAL YEAR-END

When the fiscal year-end falls on a holiday for financial institutions, the Company accounts for trade notes receivable and payable with maturity date being the fiscal year-end as if they were settled on the maturity date.

The amounts are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Trade notes receivable	¥1,278	¥1,240	$13,589
Trade notes payable	¥ 10	¥ 36	$ 110

14. GOODWILL AND NEGATIVE GOODWILL

Goodwill and negative goodwill before offset as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Goodwill	¥4,744	¥851	$50,436
Negative goodwill	–	(75)	–
Total	¥4,744	¥776	$50,436

15. AMOUNT PER SHARE

The Company adopted the "Accounting Standard for Earnings per Share" issued by the Accounting Standards Board of Japan as described in Note 1(p). The Company has no potentially dilutive securities for the years ended March 31, 2013 and 2012.

Net income per share computed for the years ended March 31, 2013 and 2012 are as follows:

		Number of shares
	2013	2012
Weighted average number of shares on which basic net income per share is calculated	137,538,609	137,539,353

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net income	¥12,166	¥14,265	$129,356
Net income attributable to common shareholders	12,166	14,265	129,356

		Yen	U.S. dollars
	2013	2012	2013
Net income per share:			
Basic	¥88.45	¥103.71	$0.94

Net assets per share computed as of March 31, 2013 and 2012 are as follows:

		Number of shares
	2013	2012
Number of shares on which net assets per share is calculated	137,538,147	137,539,109

		Millions of yen	Thousands of U.S. dollars
	2013	2012	2013
Total net assets	¥267,189	¥253,012	$2,840,929
Amounts deducted from total net assets:			
Minority interests	392	237	4,163
Net assets attributable to common shareholders	¥266,797	¥252,775	$2,836,766

		Yen	U.S. dollars
	2013	2012	2013
Net assets per share	¥1,939.81	¥1,837.84	$20.63

16. LOSS ON VALUATION OF INVENTORIES

Inventories at the balance sheet date reflect a decline in profitability. Loss on devaluation of inventories included in cost of sales for the years ended March 31, 2013 and 2012 is ¥1,724 million ($18,334 thousand) and ¥603 million, respectively.

17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The major components of selling, general and administrative expenses for the years ended March 31, 2013 and 2012 were as follows:

		Millions of yen	Thousands of U.S. dollars
	2013	2012	2013
Salaries	¥21,725	¥20,981	$230,994
Employees' bonuses	6,697	6,892	71,207
Retirement benefit expenses	4,810	4,391	51,146
Research and development expenses	19,140	20,563	203,509

18. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income for the years ended March 31, 2013 and 2012 amounted to ¥21,794 million ($231,724 thousand) and ¥23,556 million, respectively.

19. DERIVATIVE FINANCIAL INSTRUMENTS

The notional amounts, estimated fair values and unrealized gains and losses of the derivative financial instruments for which deferral hedge accounting has not been applied for the years ended March 31, 2013 and 2012 are as follows:

						Millions of yen
	2013			2012		
	Notional amounts	Estimated fair values	Unrealized losses	Notional amounts	Estimated fair values	Unrealized losses
Forward exchange contracts:						
To sell foreign currency	¥13,292	¥(867)	¥(867)	¥15,685	¥(186)	¥(186)
To buy foreign currency	3,834	(109)	(109)	5,045	(90)	(90)

	Thousands of U.S. dollars		
	2013		
	Notional amounts	Estimated fair values	Unrealized losses
Forward exchange contracts:			
To sell foreign currency	$141,334	$(9,216)	$(9,216)
To buy foreign currency	40,762	(1,162)	(1,162)

The notional amounts, estimated fair values and unrealized gains and losses of the derivative financial instruments for which deferral hedge accounting has been applied for the years ended March 31, 2013 and 2012 are as follows:

						Millions of yen
	2013			2012		
	Notional amounts	Estimated fair values	Unrealized gains (losses)	Notional amounts	Estimated fair values	Unrealized losses
Forward exchange contracts:						
To sell foreign currency	¥19,459	¥(1,614)	¥(1,614)	¥23,398	¥(386)	¥(386)
To buy foreign currency	2,085	14	14	4,912	(54)	(54)

	Thousands of U.S. dollars		
	2013		
	Notional amounts	Estimated fair values	Unrealized gains (losses)
Forward exchange contracts:			
To sell foreign currency	$206,904	$(17,163)	$(17,163)
To buy foreign currency	22,171	152	152

20. LEASE

As Lessee:

Finance leases, whose contracted period began on or before March 31, 2008, except for those where the legal title of the underlying property would be transferred from the lessor to the lessee at the end of the lease term, were accounted for as operating lease.

Future minimum lease payments under non-cancelable operating lease arrangements as of March 31, 2013 and 2012 are ¥378 million ($4,022 thousand) and ¥445 million due within one year, ¥1,733 million ($18,427 thousand) and ¥543 million due after one year, respectively.

21. GAIN ON INSURANCE ADJUSTMENT

Due to the Great East Japan Earthquake etc.

22. INSURANCE INCOME

Profit insurance due to the Great East Japan Earthquake etc.

23. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

In the fiscal year ended March 31, 2013, business structure improvement expenses are caused by the business structural reform of the Company and its consolidated subsidiaries.

Breakdown:	Premium severance payments	¥3,009 million ($31,996 thousand)
	Impairment losses due to held for disposal (*)	264 million (2,802 thousand)
	Relocation expenses due to integration of business location	150 million (1,601 thousand)
	Total	¥3,423 million ($36,399 thousand)

(*) Impairment Losses

Location	Purpose	Type	Impairment Loss
Saitama Division	Assets held for disposal	Machinery and equipment, automotive equipment, tools, furniture and fixtures	¥264 million ($2,802 thousand)
Total			¥264 million ($2,802 thousand)

Regarding assets held for disposal, the difference between the net selling price and their book value has been written off as expenses. This was because they are no longer serving their previous usage and recovery of investment cost can no longer be expected due to the decision to dispose them.

In the fiscal year ended March 31, 2012, business structure improvement expenses are caused by the business structural reform of the Company and its consolidated subsidiaries.

Breakdown:	Premium severance payments	¥1,650 million
	Impairment losses due to integration of business location(*)	437 million
	Relocation expenses due to integration of business location	43 million
	Total	¥2,130 million

(*) Impairment Losses

Location	Purpose	Type	Impairment Loss
Former Shonan Division	Assets held for disposal	Buildings, structures, machinery and equipment, tools, furniture and fixtures, land, software	¥430 million
Saitama Division	Assets held for disposal	Buildings, machinery and equipment, tools, furniture and fixtures	¥7 million
Total			¥437 million

Regarding assets held for disposal, the difference between the net selling price and their book value has been written off as expenses. This was because they are no longer serving their previous usage and recovery of investment cost can no longer be expected due to the decision to dispose them.

24. IMPAIRMENT LOSSES

When determining indicators of impairment, the Company and its consolidated subsidiaries classify the assets according to the categories used for their managerial accounting based on business units.

In the fiscal year ended March 31, 2013, the Company and its consolidated subsidiaries recognized impairment losses for the following assets:

Location	Purpose	Type	Impairment Loss
Kasado Division of the Company	Assets held for disposal	Machinery and equipment	¥60 million ($638 thousand)
Former Shonan Division of the Company	Idle assets	Buildings, land	¥103 million ($1,098 thousand)
Other	Assets held for disposal	Buildings, structures, machinery and equipment, tools, furniture and fixtures	¥8 million ($81 thousand)
Total			¥171 million ($1,817 thousand)

Regarding assets held for disposal, the difference between the net selling price and their book value has been written off as impairment losses. This was because they are no longer serving their previous usage and recovery of investment cost can no longer be expected due to the decision to dispose them. Regarding idle assets, the difference between the net selling price and their book value has been written off as impairment losses. An appraisal obtained from a real estate appraiser is used for measuring the net selling price.

In the fiscal year ended March 31, 2012, the Company recognized impairment losses for the following assets:

Location	Purpose	Type	Impairment Loss
Head office	Assets held for disposal	Buildings, structures, tools, furniture and fixtures, land	¥975 million
Naka Division	Manufacturing facilities for inspection equipment	Machinery and equipment, tools, furniture and fixtures	¥48 million
	Manufacturing facilities for analysis equipment: electron microscope, etc.	Tools, furniture and fixtures	¥31 million
	Manufacturing facilities for biotechnology equipment	Machinery and equipment, tools, furniture and fixtures, software	¥42 million
	Assets held for disposal	Buildings, structures, machinery and equipment, tools, furniture and fixtures	¥31 million
Kasado Division	Assets held for disposal	Machinery and equipment	¥69 million
Total			¥1,196 million

The book value of the assets has been reduced to the recoverable amount measured based on the present value of the expected future cash flows resulting from the use of the assets due to the decline in profitability stemming from the severe downturn in market conditions in the case of assets for manufacturing facilities for inspection equipment, manufacturing facilities for analysis equipment: electron microscope, etc., and manufacturing facilities for biotechnology equipment. Due to the lack of prospects for generating sufficient cash flow in the future, the book value of manufacturing facilities for inspection equipment has been fully reduced and of manufacturing facilities for analysis equipment: electron microscope, etc. and manufacturing facilities for biotechnology equipment has been reduced to recoverable amount. These reduced amounts have been written off as impairment losses. The recoverable value of these assets has been measured based on utility value that was calculated using the discount rate of 7.0%. Regarding assets held for disposal, the difference between the net selling price and their book value has been written off as impairment losses. This was because they are no longer serving their previous usage and recovery of investment cost can no longer be expected due to the decision to dispose them.

25. LOSS ON DISASTER

The loss due to the Great East Japan Earthquake is recognized as follows:

	Millions of yen
	2012
Loss on inventories	¥ 63
Loss on fixed assets	96
Total	159
Inspection and removal costs	500
Restoration costs	253
Total loss due to the disaster (gross amount)	912
Insurance recoveries	(332)
Total loss due to the disaster (net amount)	¥ 580

Inspection and removal costs, and restoration costs include the provision for loss on disaster.

26. ENVIRONMENTAL EXPENSES

The expense of the disposal of polluted soil for the new building construction at the Naka division of the Company is recorded.

27. OTHER COMPREHENSIVE INCOME

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized holding gains on securities:			
Amount arising during the year	¥ 2,499	¥ 419	$ 26,567
Reclassification adjustments	(481)	(102)	(5,113)
Amount before tax effect	2,018	317	21,454
Tax effect	(722)	166	(7,667)
Total	¥ 1,296	¥ 483	$ 13,787
Net deferred (losses) gains on hedges:			
Amount arising during the year	¥(1,228)	¥ 457	$(13,054)
Reclassification adjustments	63	(934)	669
Amount before tax effect	(1,165)	(477)	(12,385)
Tax effect	436	185	4,627
Total	¥ (729)	¥(292)	$ (7,758)
Foreign currency translation adjustments:			
Amount arising during the year	¥ 4,072	¥(259)	$ 43,297
Total other comprehensive income	¥ 4,639	¥ (68)	$ 49,326

28. BUSINESS COMBINATION

Business combination for the year ended March 31, 2013 was as follows:

Business Combination due to Acquisition

(a) Overview of Business Combination

1) The Name of Acquired Company: SII NanoTechnology Inc.

2) Business Contents: Development, manufacture and sale of analytic, measurement and observation instruments

3) Main Reasons and Primary Basis for Business Combination: The purpose of converting SII NanoTechnology Inc. into a subsidiary is two-fold. First, Hitachi High-Technologies aims to establish a stable earnings base as a comprehensive scientific instruments manufacturer by fundamentally strengthening the portfolio of the scientific instruments business, which is one of its core operations. Second, Hitachi High-Technologies aims to reinforce and augment analysis and inspection solutions that address customer needs in growth fields such as the environment and new energy, and life sciences. This will be achieved by augmenting Hitachi High-Technologies' electron beam and optical analysis technologies with SII NanoTechnology's core technologies in X-rays, thermal regulation, ion optics, and physical measurement technologies.

4) Date of Business Combination: January 1, 2013

5) Legal Form of the Business Combination: Consideration of cash for share acquisition

6) Company Name after Business Combination: Hitachi High-Tech Science Corporation

7) Share of Voting Rights Acquired: 100%

(b) Period of Operating Results Included in the Consolidated Financial Statements

From January 1, 2013 to March 31, 2013

(c) Acquisition Costs

Cash consideration for acquisition:	¥ 8,488 million ($90,250 thousand)
Costs directly incurred for acquisition including due diligence cost:	148 million (1,571 thousand)
Acquisition costs:	¥ 8,636 million ($91,821 thousand)

(d) Amount of Goodwill Recognized, Basis for Recognition, and Method and Period for Amortization of Goodwill

1) Amount of Goodwill Recognized: ¥4,396 million ($46,737 thousand)

2) Basis for Recognition: Goodwill reflects the projected excess earning power resulting from manufacturing, sales and services in the Science & Medical Systems segment.

3) Method and Period for Amortization of Goodwill: Straight-line amortization over ten years

4) Assets Acquired, Liabilities Assumed and Goodwill Recognized at the Date of the Business Combination and the Related Cash Payment:

Current assets	¥ 8,425 million	($ 89,583 thousand)
Non-current assets	6,874 million	(73,089 thousand)
Total assets	15,299 million	(162,672 thousand)
Current liabilities	(9,174) million	(–97,544 thousand)
Non-current liabilities	(1,885) million	(–20,044 thousand)
Total liabilities	(11,059) million	(–117,588 thousand)
Goodwill	4,396 million	(46,737 thousand)
Acquisition costs	8,636 million	(91,821 thousand)
Cash and cash equivalents acquired	(2,359) million	(–25,075 thousand)
Net payment for purchase of investments in subsidiaries resulting in change in scope of consolidation	¥ 6,277 million	($ 66,746 thousand)

Common Control Transactions

(a) Overview of Business Combination

1) The Name of Combined Companies and Business Contents:

Company effecting business combination

Name: Hitachi High-Tech Trading Corporation

Business Contents: Planning, designing, engineering of industrial measuring systems, control systems, factory automation systems, and computer-applied synthetic automation systems as well as related software development and sales, etc.

Company subject to business combination

Name: Hitachi High-Tech Solutions Corporation

Business Contents: Software development and sales with respect to computers, data processing equipment, analysis and measuring equipment, etc.

2) Date of Business Combination: April 1, 2012

3) Legal Form of the Business Combination: An absorption-type merger of Hitachi High-Tech Trading Corporation as the surviving company with Hitachi High-Tech Solutions Corporation as the dissolved company.

4) Company Name after Business Combination: Hitachi High-Tech Solutions Corporation (The surviving company Hitachi High-Tech Trading Corporation changed its name to Hitachi High-Tech Solutions Corporation.)

5) Matters Concerning Outline of Other Transactions: The purpose of this merger is to form a new solutions business by combining the hardware capabilities (control systems and equipment business) of Hitachi High-Tech Trading Corporation with the software development capabilities of Hitachi High-Tech Solutions Corporation.

This merger involved no share allotments or other consideration upon execution because it was carried out between wholly owned subsidiaries of the Company.

(b) Outline of Accounting Standards Applied

The foregoing business combination was treated as a common control transaction based on the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" issued by the Accounting Standards Board of Japan.

29. FINANCIAL INSTRUMENTS

Overview

(a) Policy for Financial Instruments

When investing funds, the Company and its consolidated subsidiaries (the Group) focus first and foremost on the safety of principal and income, and also on ensuring proper liquidity. In financing, the Group limits procurement to the minimum amount necessary while maintaining appropriate liquidity. Derivative transactions are utilized mainly to mitigate the risk of changes in cash flow due to foreign currency fluctuations. The Group does not enter into speculative derivative transactions.

(b) Types of Financial Instruments and Related Risk

Trade notes and accounts receivable are exposed to the counterparty credit risks. Short-term investments and investments in securities, which are mainly comprised of bonds for the purpose of investment of funds, shares held for business promotion purposes and other investment of funds, are exposed to credit risk, market risk, and liquidity risk.

The majority of trade notes and accounts payable are due within one year.

Foreign currency-denominated transactions are exposed to the risk of changes in cash flows due to foreign currency fluctuations, and the Group enters into forward exchange contracts as hedging instruments against such risks. Forward exchange contracts are exposed to credit risk of losses due to the non-performance of contracts because of factors such as the bankruptcy of financial institutions, and market risk of losses due to market changes such as interest and foreign exchange rates. The forward exchange contracts into which the Group enters are primarily to hedge future risk of changes in cash flow due to foreign exchange fluctuations related to future foreign currency-denominated monetary receivables and payables. Such future foreign currency-denominated transactions entail market risk due to cancellation or modification, but the Group has judged these risks to be limited in nature. Information regarding the method of hedge accounting, hedging instruments and hedged items, and hedging policy is described in Note 1(m).

(c) Risk Management System for Financial Instruments

1) Management of Risk Related to Trade Notes and Accounts Receivable, and Trade Notes and Accounts Payable (Counterparties' Non-performance of Contract, etc.)

Based on its credit management regulations, the Group manages risk by due date and balance for each counterparty, and monitors the credit status of its major counterparties continuously or as needed.

2) Management of Risk Related to Short-Term Investments and Investments in Securities

The Group establishes remaining periods and rating guidelines for bonds for the purpose of investment of funds, and manages risk by periodically checking the fair values and ratings. For shares held for business promotion purposes and other investment of funds, the Group periodically checks fair values and the financial condition of issuers.

3) Management of Liquidity Risk Related to Financing

The Group manages liquidity risk by creating a monthly cash management plan.

4) Management of Risk Related to Derivative Transactions

For derivative transactions, the Company deals with financial institutions with high credit ratings. Execution and management of derivative transactions are conducted through double checks and mutual checks by the Finance Department according to the Company's internal regulations approved by the relevant executive. In management of the balance of forward exchange contracts, the Company regularly requests documents from financial institutions, and compares these with its own balances. The status of forward exchange contracts and positions of foreign currency-denominated monetary receivables and payables is reported to the officer in charge of finance in a timely manner.

The Company's subsidiaries also enter into forward exchange contracts based on internal management rules, including risk management policies similar to those of the Company. The Company's Finance Department receives regular reports on the status of forward exchange contracts and positions of foreign currency-denominated monetary receivables and payables from the subsidiaries, and confirms whether the management of the subsidiaries is being conducted in accordance with internal management regulations such as the risk management policy.

In addition, the Company's Internal Auditing Division periodically checks the status of the Company's subsidiaries' observance of regulations and limits, the effectiveness and independence of risk management functions, and the reliability of reporting.

(d) Supplementary Explanation of the Estimated Fair Value of Financial Instruments

Fair values of listed shares are based on market price, while the fair values of bonds are measured by the prices obtained from financial institutions. The forward exchange contracts into which the Group enters are for the purpose of hedging risk of changes in cash flow from foreign currency-denominated transactions and valuation gains or losses on derivative transactions offset with high degree of effectiveness valuation gains or losses generated by foreign currency-denominated monetary receivables and payables, which are the hedged items.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2013 and 2012 and unrealized gains and losses are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below.)

Millions of yen

	2013		
	Carrying value	Estimated fair value	Unrealized gains (losses)
Assets:			
Cash	¥ 21,088	¥ 21,088	¥ –
Trade notes and accounts receivable	110,722		
Less allowance for doubtful receivables (*1)	(601)		
	110,121	110,121	(0)
Deposits to Hitachi Group cash management fund	97,041	97,041	–
Short-term investments and investments in securities	11,851	11,851	–
	¥240,101	¥240,101	¥(0)
Liabilities:			
Trade notes and accounts payable	¥ 84,426	¥ 84,426	¥(0)
	¥ 84,426	¥ 84,426	¥(0)
Derivatives transactions (*2):			
Those to which hedge accounting is not applied	¥ (976)	¥ (976)	¥ –
Those to which hedge accounting is applied	(1,600)	(1,600)	–
	¥ (2,576)	¥ (2,576)	¥ –

Millions of yen

	2012		
	Carrying value	Estimated fair value	Unrealized gains (losses)
Assets:			
Cash	¥ 23,293	¥ 23,293	¥ –
Trade notes and accounts receivable	130,038		
Less allowance for doubtful receivables (*1)	(1,451)		
	128,587	128,587	(0)
Deposits to Hitachi Group cash management fund	98,831	98,831	–
Short-term investments and investments in securities	11,559	11,559	–
	¥262,270	¥262,270	¥(0)
Liabilities:			
Trade notes and accounts payable	¥105,484	¥105,484	¥ –
	¥105,484	¥105,484	¥ –
Derivatives transactions (*2):			
Those to which hedge accounting is not applied	¥ (276)	¥ (276)	¥ –
Those to which hedge accounting is applied	(440)	(440)	–
	¥ (716)	¥ (716)	¥ –

	Thousands of U.S. dollars		
	2013		
	Carrying value	Estimated fair value	Unrealized gains (losses)
Assets:			
Cash	$ 224,222	$ 224,222	$ –
Trade notes and accounts receivable	1,177,272		
Less allowance for doubtful receivables (*1)	(6,396)		
	1,170,876	1,170,874	(2)
Deposits to Hitachi Group cash management fund	1,031,801	1,031,801	–
Short-term investments and investments in securities	126,011	126,011	–
	$2,552,910	$2,552,908	$(2)
Liabilities:			
Trade notes and accounts payable	$ 897,670	$ 897,670	$(0)
	$ 897,670	$ 897,670	$(0)
Derivatives transactions (*2):			
Those to which hedge accounting is not applied	$ (10,378)	$ (10,378)	$ –
Those to which hedge accounting is applied	(17,011)	(17,011)	–
	$ (27,389)	$ (27,389)	$ –

*1: This represents allowance for doubtful receivables provided for trade notes and accounts receivable.
*2: These represent net assets or liabilities arising from derivative transactions. The figures in parentheses indicate net liabilities.

Note:

1. Method to Determine the Estimated Fair Value of Financial Instruments and Other Matters Related to Securities and Derivative Transactions

Assets

Cash

The carrying amount approximates the fair value because of the short-term nature. Thus, the carrying amount is used as fair value.

Trade Notes and Accounts Receivable

The fair value is based on the present value calculated by discounting receivables reflecting credit risk for each receivable categorized by time to maturity by an interest rate for the time to maturity.

Deposits to Hitachi Group Cash Management Fund

The carrying amount approximates the fair value because of the short-term nature. Thus, the carrying amount is used as fair value.

Short-Term Investments and Investments in Securities

While the fair values of listed shares are measured by quoted market prices, the fair values of bond securities are measured by the prices obtained from financial institutions.

Please refer to Note 5 for information regarding securities by holding purpose.

Liabilities

Trade Notes and Accounts Payable

The carrying amount approximates the fair value because of the short-item nature. Thus the carrying amount is used as fair value.

Derivative Transactions

Please refer to the Note 19.

2. Financial Instruments for Which It Is Extremely Difficult to Determine the Fair Value

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unlisted equity securities	¥173	¥78	$1,837
Unlisted foreign bonds	0	0	2
Investments in limited investment partnerships	–	4	–

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in short-term investments and investments in securities.

3. Redemption Schedule for Receivables and Marketable Securities with Maturities at March 31, 2013 and 2012

Millions of yen

	2013			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	Over 10 years
Cash	¥ 21,087	¥ –	¥–	¥–
Trade notes and accounts receivable	110,534	188	–	–
Deposits to Hitachi Group cash management fund	97,041	–	–	–
Short-term investments and investments in securities:				
Corporate bonds	–	3,000	–	–
Other	85	–	–	–
	¥228,747	¥3,188	¥–	¥–

Millions of yen

	2012			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	Over 10 years
Cash	¥ 23,292	¥ –	¥–	¥–
Trade notes and accounts receivable	129,985	53	–	–
Deposits to Hitachi Group cash management fund	98,831	–	–	–
Short-term investments and investments in securities:				
Corporate bonds	500	3,000	–	–
Other	78	4	–	–
	¥252,686	¥3,057	¥–	¥–

Thousands of U.S. dollars

	2013			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	Over 10 years
Cash	$ 224,210	$ –	$–	$–
Trade notes and accounts receivable	1,175,268	2,004	–	–
Deposits to Hitachi Group cash management fund	1,031,801	–	–	–
Short-term investments and investments in securities:				
Corporate bonds	–	31,898	–	–
Other	907	–	–	–
	$2,432,186	$33,902	$–	$–

30. SEGMENT INFORMATION

(a) Outline of Reportable Segments

The Company's reportable segments are the constituent units of the Company for which separate financial information is available. These reportable segments are subject to periodic review by the Executive Committee to determine the allocation of management resources and evaluate business performance.

The Company's Sales Divisions are segmented according to product, merchandise and service characteristics and housed in the Head Office. Each Sales Division is responsible for formulating a comprehensive strategy of domestic and overseas operations and developing business activities globally in their designated business domain.

The Company has five reportable segments: Electronic Device Systems, Fine Technology Systems, Science & Medical Systems, Industrial & IT Systems, and Advanced Industrial Products. These segments are designated from products, merchandise and services comprising the Sales Divisions.

The main products, merchandise and services of each reportable segment are as follows:

Electronic Device Systems

Manufacture, sales, and installation and maintenance services of semiconductor-related manufacturing equipment such as etching systems, CD-Measurement SEMs, inspection systems, die bonders, and surface mounting systems such as chip mounters.

Fine Technology Systems

Manufacture, sales, and installation and maintenance services of FPD manufacturing equipment, HD manufacturing equipment, railway inspection equipment, etc.

Science & Medical Systems

Manufacture, sales, and installation and maintenance services of various analytical instruments including spectrophotometers, chromatographs, fluorescent X-ray analysis and thermal analysis, and electron microscopes, biotechnology products and clinical analyzers.

Industrial & IT Systems

Sales of automated assembly systems for LIBs and other products, HDDs, power generation and transformation facilities, design and development solutions, videoconferencing systems and telecommunications equipment. Manufacture, sales, and installation and maintenance services of instruments and control systems, and related systems.

Advanced Industrial Products

Sales and other business activities in steel products, non-ferrous metal products, and components for circuits, plastics, solar cell materials and components, automotive components, silicon wafers, optical telecommunications device materials and components, optical storage device materials and components, electronic components such as semiconductors, and oil products.

(b) Method of Computing the Amounts of Sales and Income (Loss), Assets, Liabilities, and Other Items by Each Reportable Segment

Accounting procedures for business segment are almost the same as those described in "Basis of Presentation and Summary of Significant Accounting Policies".

Segment income basically represents the income before income taxes and minority interests. Inter-segment transactions are based on the market price.

Corporate fixed assets are not included in the computation of segment assets, as they are not allocated to any segments. However, the depreciation of the corporate fixed assets is included in the computation of segment income, as it is a part of corporate expenses allocated to segments.

As described in "Basis of Presentation and Summary of Significant Accounting Policies (f) Property, Plant and Equipment", starting from the fiscal year ended March 31, 2013, the depreciation method of property, plant and equipment has been changed.

As a result of this change, for the fiscal year ended March 31, 2013, segment income increased by ¥1,036 million ($11,013 thousand) on Electronic Device Systems, ¥740 million ($7,867 thousand) on Science & Medical Systems, ¥89 million ($948 thousand) on Industrial & IT Systems and ¥106 million ($1,122 thousand) on Advanced Industrial Products and segment loss decreased by ¥137 million ($1,455 thousand) on Fine Technology Systems and ¥44 million ($480 thousand) on Others, as compared to the respective amounts that would have been reported had the change not been implemented.

(c) Information about the Amounts of Sales and Income (Loss), Assets, Liabilities, and Other Items by Reportable Segment

Millions of yen

	2013									
	Reportable Segment									
	Electronic Device Systems	Fine Technology Systems	Science & Medical Systems	Industrial & IT Systems	Advanced Industrial Products	Total	Others	Total	Adjustment	Consolidated
Net Sales										
External customers	¥103,886	¥14,313	¥132,046	¥90,280	¥234,268	¥574,793	¥ 675	¥575,468	¥ –	¥575,468
Intersegment sales and transfers	33	7	873	3,844	2,175	6,932	3,509	10,441	(10,441)	–
Total	103,919	14,320	132,919	94,124	236,443	581,725	4,184	585,909	(10,441)	575,468
Segment income (loss)	¥ 12,175	¥ (9,458)	¥ 13,877	¥ 1,088	¥ 423	¥ 18,105	¥(2,442)	¥ 15,663	¥ 1,304	¥ 16,967
Segment assets	¥ 59,003	¥17,897	¥ 72,392	¥27,856	¥ 64,761	¥241,909	¥ 1,294	¥243,203	¥190,436	¥433,639
Segment liabilities	16,895	6,091	22,195	17,317	43,123	105,621	322	105,943	60,507	166,450
Depreciation and amortization	¥ 2,571	¥ 849	¥ 2,792	¥ 881	¥ 632	¥ 7,725	¥ 98	¥ 7,823	¥ –	¥ 7,823
Amortization of goodwill	229	–	110	–	–	339	–	339	89	428
Interest income	–	–	241	–	–	241	–	241	247	488
Interest expense	477	153	–	86	233	949	5	954	(883)	71
Impairment losses	60	103	8	–	–	171	–	171	–	171
Increase in fixed assets and intangible fixed assets	1,843	482	15,480	849	376	19,030	203	19,233	1,416	20,649

Millions of yen

	2012									
	Reportable Segment									
	Electronic Device Systems	Fine Technology Systems	Science & Medical Systems	Industrial & IT Systems	Advanced Industrial Products	Total	Others	Total	Adjustment	Consolidated
Net Sales										
External customers	¥102,106	¥22,963	¥145,994	¥114,741	¥259,194	¥644,998	¥ 867	¥645,865	¥ –	¥645,865
Intersegment sales and transfers	280	16	1,061	6,946	2,022	10,325	3,810	14,135	(14,135)	–
Total	102,386	22,979	147,055	121,687	261,216	655,323	4,677	660,000	(14,135)	645,865
Segment income (loss)	¥ 9,001	¥ (8,258)	¥ 21,123	¥ 1,089	¥ 811	¥ 23,766	¥(1,140)	¥ 22,626	¥ 5,688	¥ 28,314
Segment assets	¥ 63,679	¥14,791	¥ 62,997	¥ 33,422	¥ 71,710	¥246,599	¥ 1,611	¥248,210	¥193,952	¥442,162
Segment liabilities	23,784	3,263	25,611	25,881	48,986	127,525	774	128,299	60,851	189,150
Depreciation and amortization	¥ 3,133	¥ 1,267	¥ 2,917	¥ 993	¥ 640	¥ 8,950	¥ 122	¥ 9,072	¥ –	¥ 9,072
Amortization of goodwill	229	–	–	–	–	229	–	229	89	318
Interest income	–	–	345	–	–	345	–	345	67	412
Interest expense	679	138	–	115	282	1,214	3	1,217	(1,148)	69
Impairment losses	127	–	93	–	–	220	–	220	976	1,196
Increase in fixed assets and intangible fixed assets	3,772	669	6,408	376	393	11,618	207	11,825	1,845	13,670

Thousands of U.S. dollars

	2013									
	Reportable Segment									
	Electronic Device Systems	Fine Technology Systems	Science & Medical Systems	Industrial & IT Systems	Advanced Industrial Products	Total	Others	Total	Adjustment	Consolidated
Net Sales										
External customers	$1,104,585	$ 152,184	$1,404,003	$ 959,911	$2,490,884	$6,111,567	$ 7,177	$6,118,744	$ –	$6,118,744
Intersegment sales and transfers	352	73	9,273	40,872	23,131	73,701	37,317	111,018	(111,018)	–
Total	1,104,937	152,257	1,413,276	1,000,783	2,514,015	6,185,268	44,494	6,229,762	(111,018)	6,118,744
Segment income (loss)	$ 129,451	$(100,563)	$ 147,549	$ 11,565	$ 4,498	$ 192,500	$(25,960)	$ 166,540	$ 13,862	$ 180,402
Segment assets	$ 627,363	$ 190,290	$ 769,718	$ 296,186	$ 688,584	$2,572,141	$ 13,751	$2,585,892	$2,024,840	$4,610,732
Segment liabilities	179,642	64,767	235,987	184,126	458,515	1,123,037	3,422	1,126,459	643,344	1,769,803
Depreciation and amortization	$ 27,334	$ 9,026	$ 29,686	$ 9,367	$ 6,725	$ 82,138	$ 1,046	$ 83,184	$ –	$ 83,184
Amortization of goodwill	2,434	–	1,168	–	–	3,602	–	3,602	951	4,553
Interest income	–	–	2,558	–	–	2,558	–	2,558	2,628	5,186
Interest expense	5,076	1,629	–	911	2,476	10,092	50	10,142	(9,385)	757
Impairment losses	640	1,098	79	–	–	1,817	–	1,817	–	1,817
Increase in fixed assets and intangible fixed assets	19,601	5,121	164,593	9,032	4,002	202,349	2,148	204,497	15,056	219,553

Notes: 1) Others are the business segments not included in the reportable segment, and they include indirect-support business.

2) Adjustments for amortization of goodwill, impairment losses, increase in fixed assets and intangible fixed assets are the amounts of corporate costs, which do not belong to any business segments.

3) Interest income and interest expense are offset against each other and the net amount is recognized for internal management purposes.
The net amount includes the interests on intracompany loans payable.
The adjustments for interest income and interest expense are mainly the amount for head office which does not belong to any business segments and reversal of interests on intracompany loans payable.

(d) Information about the Difference between Total Amount of the Reportable Segments and the Amount of the Consolidated Financial Statements

	Millions of yen		Thousands of U.S. dollars
Net Sales	2013	2012	2013
Reportable segment total	¥581,725	¥655,323	$6,185,268
Others (other business segments)	4,184	4,677	44,494
Inter-segment transaction elimination	(10,441)	(14,135)	(111,018)
Consolidated financial statements	¥575,468	¥645,865	$6,118,744

	Millions of yen		Thousands of U.S. dollars
Income	2013	2012	2013
Reportable segment total	¥18,105	¥23,766	$192,500
Others (other business segments)	(2,442)	(1,140)	(25,960)
Inter-segment transaction elimination	20	(11)	208
Amortization of unallocated goodwill	(89)	(89)	(951)
Reversal of interests on intracompany loans payable	664	810	7,065
Other adjustments	709	4,978	7,540
Income before income taxes and minority interests for the consolidated financial statements	¥16,967	¥28,314	$180,402

Other adjustments are mainly selling, general and administrative expenses, and other income (expense), which do not belong to any business segments.

	Millions of yen		Thousands of U.S. dollars
Assets	2013	2012	2013
Reportable segment total	¥241,909	¥246,599	$2,572,141
Others (other business segments)	1,294	1,611	13,751
Inter-segment elimination	(1,564)	(2,262)	(16,631)
Other adjustments	192,000	196,214	2,041,471
Consolidated financial statements	¥433,639	¥442,162	$4,610,732

Other adjustments are mainly corporate assets which do not belong to any business segments.

	Millions of yen		Thousands of U.S. dollars
Liabilities total	2013	2012	2013
Reportable segment total	¥105,621	¥127,525	$1,123,037
Others (other business segments)	322	774	3,422
Inter-segment elimination	(1,501)	(2,182)	(15,955)
Other adjustments	62,008	63,033	659,299
Consolidated financial statements	¥166,450	¥189,150	$1,769,803

Other adjustments are mainly corporate liabilities which do not belong to any business segments.

(e) Geographical Information

Net sales to third parties for the years ended March 31, 2013 and 2012 are grouped by country or area according to geographical classification as follows:

Millions of yen

2013						
Japan	North America	Europe	China	Asia	Others	Total
¥252,387	**¥62,953**	**¥68,621**	**¥78,973**	**¥98,664**	**¥13,870**	**¥575,468**

Millions of yen

2012						
Japan	North America	Europe	China	Asia	Others	Total
¥273,994	¥83,040	¥89,049	¥93,618	¥91,306	¥14,858	¥645,865

Thousands of U.S. dollars

2013						
Japan	North America	Europe	China	Asia	Others	Total
$2,683,542	**$669,354**	**$729,620**	**$839,695**	**$1,049,056**	**$147,477**	**$6,118,744**

Net sales information above is based on customer location.

(f) Information about the Unamortized Balances of Goodwill

The unamortized balances of goodwill as of March 31, 2013 and 2012 by reportable segment are summarized as follows:

Millions of yen

2013							
Electronic Device Systems	Fine Technology Systems	Science & Medical Systems	Industrial & IT Systems	Advanced Industrial Products	Others	Elimination/ Corporate	Total
¥458	**–**	**¥4,286**	**–**	**–**	**–**	**–**	**¥4,744**

Millions of yen

2012							
Electronic Device Systems	Fine Technology Systems	Science & Medical Systems	Industrial & IT Systems	Advanced Industrial Products	Others	Elimination/ Corporate	Total
¥687	–	–	–	–	–	¥89	¥776

Thousands of U.S. dollars

2013							
Electronic Device Systems	Fine Technology Systems	Science & Medical Systems	Industrial & IT Systems	Advanced Industrial Products	Others	Elimination/ Corporate	Total
$4,868	**–**	**$45,568**	**–**	**–**	**–**	**–**	**$50,436**

Amortization of goodwill included in the elimination/corporate relates to goodwill recognized when Hitachi High Technologies America, Inc. acquired of the stocks owned by Hitachi America, Ltd., a subsidiary of Hitachi, Ltd. on March 31, 2008.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Hitachi High-Technologies Corporation

We have audited the accompanying consolidated financial statements of Hitachi High-Technologies Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements 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 to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi High-Technologies Corporation and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 1 (f) to the consolidated financial statements, which describes that effective the year ended March 31, 2013, Hitachi High-Technologies Corporation and its consolidated subsidiaries have changed their depreciation method for property, plant, and equipment from the declining-balance method to the straight-line method. Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 20, 2013
Tokyo, Japan

Investor Information

(As of March 31, 2013)

Corporate Data

Date of Establishment
April 12, 1947

Paid-in Capital
¥7,938 million

Number of Employees
10,436

Stock Overview

Number of Authorized Shares
350,000,000

Number of Issued Shares
137,738,730

Ordinary General Meeting of Shareholders
June Every Year

Stock Exchange Listings (As of July 16, 2013)
Tokyo Stock Exchange, First Section

Independent Auditors
Ernst & Young ShinNihon LLC

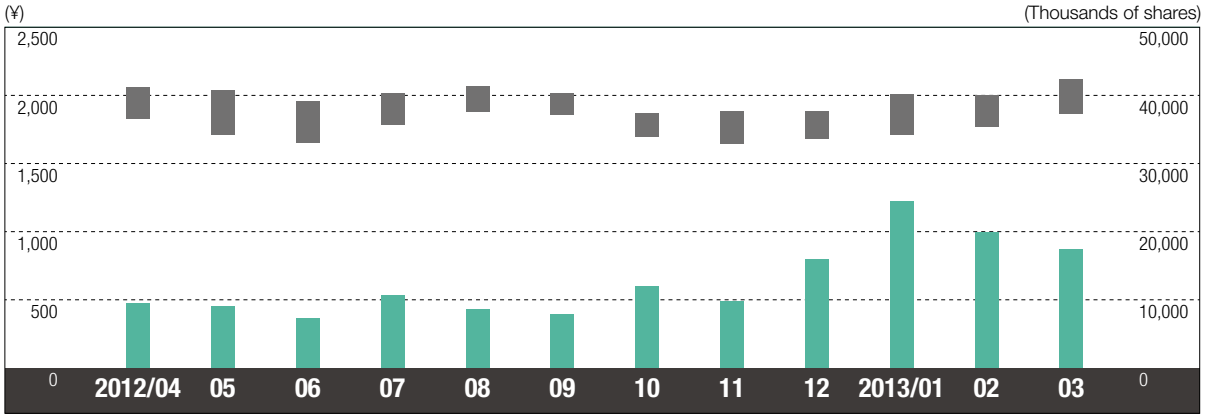
Number of Shareholders
7,850

Transfer Agent
Tokyo Securities Transfer Agent Co., Ltd.

Major Shareholders

Name	Number of shares	Percentage of total equity (%)
Hitachi, Ltd.	71,135,619	51.64
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,718,800	4.15
Japan Trustee Services Bank, Ltd. (Trust Account)	5,678,200	4.12
Japan Trustee Services Bank, Ltd. (Trust Account 9G)	3,469,200	2.51
Hitachi High-Technologies Corp.'s Shareholding Association	2,337,200	1.69
NOMURA BANK (LUXEMBOURG) S.A. S/A NOMURA MULTI CURRENCY JP STOCK LEADERS FD	1,866,200	1.35
NIPPONVEST	1,500,000	1.08
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	1,398,409	1.01
EVERGREEN	1,222,500	0.88
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1,148,400	0.83

Share Price and Total Volume (April 2012–March 2013)



Share Price (Left) Total Volume (Right)

Type of Shareholders

	Number of Shareholders	Percentage of total equity (%)	Number of Shares (shares)	Percentage of total equity (%)
Government and municipality	0	0.0	0	0.0
Securities firms	35	0.4	386,712	0.3
Financial institutions	47	0.6	22,605,900	16.4
Other domestic corporations, etc.	127	1.6	72,871,350	52.9
Foreign corporations, etc.	335	4.3	31,784,126	23.1
Individuals	7,306	93.1	10,090,642	7.3
Total	7,850	100.0	137,738,730	100.0

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