Hitachi High-Tech

HITACHI
Inspire the Next

Globally Speeding Up Our Growth Strategies

Annual Report 2014

Year ended March 31, 2014

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 by 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

This PDF allows you to find information and navigate this document more easily. It also links you to useful information on the Web that is not part of this Annual Report.

Category Tab

1 Introduction | 2 Highlights | 3 President's Message | 4 Special

Click to go to the first page of each category.

Guide to Buttons

Go to main contents page

Page link

Go to previous page

Excel download

Go to next page

URL URL link

Return to last page visited

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 of integrating manufacturing, sales, and services with the comprehensive strengths of the Hitachi Group, together with customers, Hitachi High-Tech strives be a company on the forefront of creating frontline businesses with cutting-edge technologies.

Jan. 2013 Business Integration of SII NanoTechnology 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
- Skilled in Building New Businesses: Supported by a worldwide network

Business Expansion through M&As & Alliances

Organic Growth

Electronic Device Systems
- Process Equipment
- Metrology & Inspection Equipment
- Back-end & Assembly Equipment

URL

Fine Technology Systems
- Environment & Electronics
- Social Infrastructure Inspection

URL

Science & Medical Systems
- Electron Microscopes
- Scientific Instruments
- Medical Products
- Biotechnology Products, Others

URL

Industrial & IT Systems
- Industrial Solutions
- ICT Solutions

URL

Advanced Industrial Products
- Industrial Components & Materials
- Automobile/Transportation Components & Materials
- Electronic Components & Materials
- Fine Chemicals, Others

URL

Consolidated Ten-Year Summary

Hitachi High-Technologies and Consolidated Subsidiaries
Years ended March 31, 2005–2014

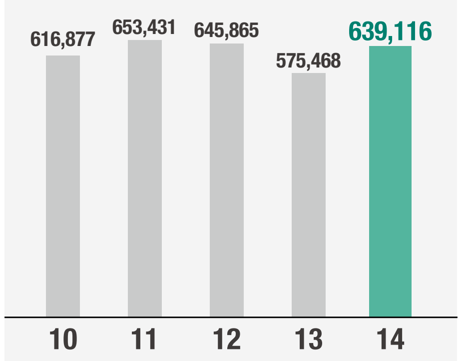
										Millions of yen	Thousands of U.S. dollars
Years ended March 31	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**	**2014**
For the year:											
Net sales	¥ 936,865	¥ 888,293	¥ 951,619	¥ 943,124	¥ 774,950	¥ 616,877	¥ 653,431	¥ 645,865	¥ 575,468	**¥ 639,116**	**$6,209,833**
Electronic Device Systems	–	–	–	–	–	–	95,899	102,386	103,919	**117,263**	**1,139,362**
Fine Technology Systems	–	–	–	–	–	–	38,803	22,979	14,320	**17,217**	**167,289**
Science & Medical Systems	–	–	–	–	–	–	115,377	147,055	132,919	**150,360**	**1,460,937**
Industrial & IT Systems	–	–	–	–	–	–	118,206	121,687	94,124	**93,344**	**906,959**
Advanced Industrial Products	–	–	–	–	–	–	295,646	261,216	236,443	**267,042**	**2,594,657**
Others & Adjustments	–	–	–	–	–	–	(10,500)	(9,458)	(6,257)	**(6,110)**	**(59,371)**
Operating income (loss)	30,001	36,036	45,062	49,141	14,909	(1,626)	27,893	25,459	18,951	**30,431**	**295,676**
Net income (loss)	15,004	19,249	26,109	26,932	7,075	(2,827)	17,752	14,265	12,166	**18,032**	**175,202**
Cash flows from operating activities	26,000	15,700	24,805	30,743	31,056	22,371	20,916	43,453	10,974	**36,334**	**353,035**
Cash flows from investing activities	(576)	(9,578)	(5,900)	(6,393)	(18,684)	(8,277)	1,194	(25,203)	(4,424)	**(24,674)**	**(239,737)**
Free cash flows	25,424	6,122	18,905	24,350	12,372	14,094	22,110	18,250	6,550	**11,661**	**113,298**
Cash flows from financing activities	(21,582)	(12,762)	(4,009)	(3,685)	(9,306)	(2,759)	(2,949)	(4,137)	(8,013)	**(4,664)**	**(45,319)**
At the year-end:											
Total assets	¥ 432,501	¥ 457,837	¥ 480,191	¥ 504,873	¥ 427,576	¥ 411,049	¥ 413,267	¥ 442,162	¥ 433,639	**¥ 494,934**	**$4,808,924**
Total net assets	173,379	193,363	221,330	235,104	234,278	229,399	242,845	253,012	267,189	**272,968**	**2,652,236**
Cash and cash equivalents	48,967	43,600	59,267	77,853	79,628	90,188	107,704	121,598	123,485	**133,599**	**1,298,084**
Number of employees	9,868	9,974	10,234	10,477	10,508	9,931	10,100	10,340	10,436	**10,504**	–
Per share data (¥):											
Net income (loss)	¥ 107.94	¥ 139.24	¥ 189.81	¥ 195.80	¥ 51.44	¥ (20.55)	¥ 129.07	¥ 103.71	¥ 88.45	**¥ 131.11**	**$ 1.27**
Net assets	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	**1,981.00**	**19.25**
Dividends	20.00	25.00	25.00	30.00	30.00	15.00	20.00	30.00	20.00	**30.00**	**0.29**
Ratio:											
Operating income (loss) ratio (%)	3.2	4.1	4.7	5.2	1.9	(0.3)	4.3	3.9	3.3	**4.8**	–
Equity ratio (%)	40.1	42.2	45.0	46.5	54.7	55.7	58.7	57.2	61.5	**55.0**	–
Return on equity (ROE) (%)	9.0	10.5	12.7	11.9	3.0	(1.2)	7.5	5.8	4.7	**7.0**	–
Return on assets (ROA) (%)	5.8	7.9	9.4	9.9	3.5	(0.1)	7.2	6.1	4.6	**6.6**	–
Price-earnings ratio (Times)	15.7	22.3	17.0	8.4	26.9	–	12.9	19.0	22.4	**18.3**	–

Notes: 1. U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥102.92=U.S.$1.00.
2. ROA is calculated by dividing ordinary profit by total assets and is 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.

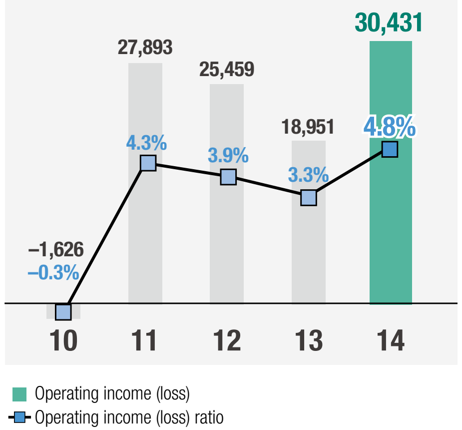
Key Performance Indicators

(Years ended March 31, 2010–2014)

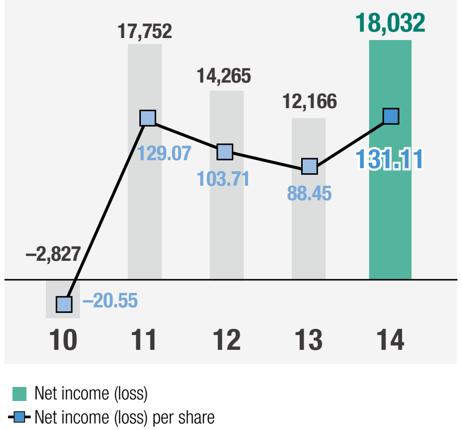
Net Sales
(Millions of yen)



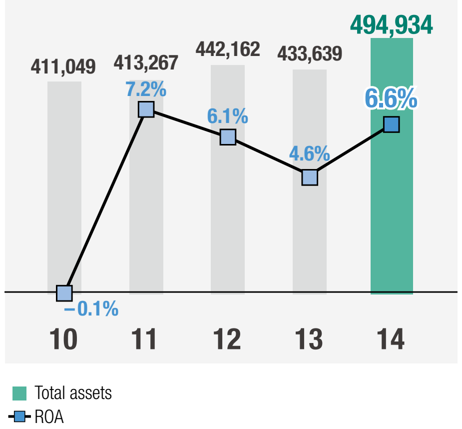
Operating Income (Loss)/ Operating Income (Loss) Ratio
(Millions of yen/%)



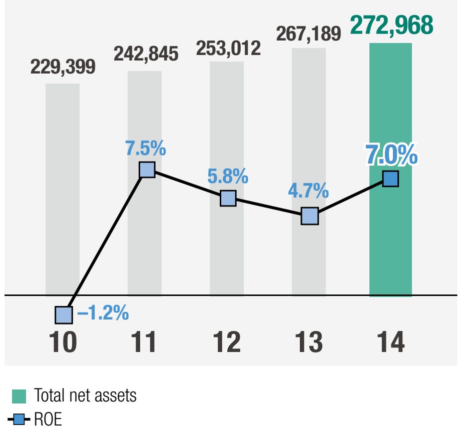
Net Income (Loss)/ Net Income (Loss) per Share
(Millions of yen/Yen)



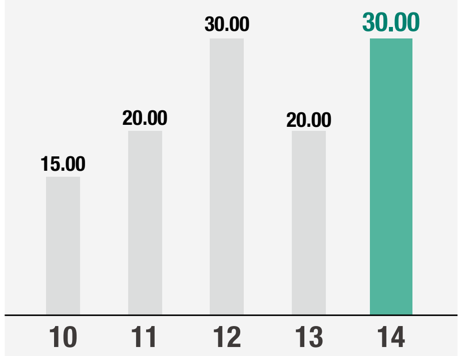
Total Assets/ROA
(Millions of yen/%)



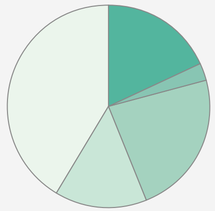
Total Net Assets/ROE
(Millions of yen/%)



Dividends per Share
(Yen)



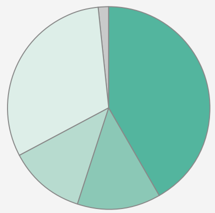
Segment Sales Ratio
(%)



Electronic Device Systems	18.2
Fine Technology Systems	2.7
Science & Medical Systems	23.3
Industrial & IT Systems	14.4
Advanced Industrial Products	41.4

Note: Total does not include "Others & Adjustments"

Domestic and Overseas Sales Ratio
(%)



Japan	41.7
North America	13.4
Europe	12.2
Asia	31.3
Other	1.4

2014 Business Highlights (April 2013–March 2014)

April 2013
- Established a local subsidiary in India

May 2013
- Launched Tabletop Microscope TM3030, a new type of tabletop electron microscope
- Started selling an individual-item management system that uses stealth printing
- Concluded a general sales agency contract in Japan with Nanosphere, Inc. (U.S.) for the Verigene system that performs automated multiple and synchronized gene detection
- Launched the SU8200 series, a new type of field emission scanning electron microscope

SU8240

- Launched the world's first ion liquid for electron microscopes

July 2013
- Concluded a collaborative technology development agreement for next-generation nanopore DNA sequencer technology with Base4 Innovation Ltd. (U.K.)

August 2013
- Launched SPECTROBLUE TI, an ICP optical emission spectrometer made by SPECTRO Analytical Instruments GmbH (Germany)

September 2013
- Launched ChromasterUltra Rs, a new type of ultra high performance liquid chromatograph
- Launched EA1000VX, an X-ray fluorescence analyzer that is compatible with environmental regulations regarding the management of substances

EA1000VX

October 2013
- Integrated the Hitachi High-Tech Group's analytical instruments business design and domestic sales functions into Hitachi High-Tech Science
- Completed construction of the Naka Division's Logistics & Manufacturing Building

Logistics & Manufacturing Building

- Concluded a joint technology development agreement with OpGen, Inc. (U.S.) regarding human chromosome mapping analytical services

November 2013
- Launched EA1000AIII, an X-ray fluorescence analyzer

December 2013
- Relocated our manufacturing site in Suzhou City, China to the new plant building and started operations

New plant building in Suzhou City

- Concluded a strategic partnership agreement with U.S.-based Axeda Corporation regarding the provision of Axeda's M2M (Machine-to-Machine) & IOT solutions in Japan

January 2014
- Entered the overhead transmission line inspection equipment business through acquisition of exclusive distribution rights from HiBot Corporation
- Established a local subsidiary in Russia

March 2014
- Hitachi High-Technologies was included in the "Global Niche Top Companies Selection 100"

To Our Shareholders and Stakeholders

Accelerating Business Creation in New Domains While Striving to Maximize Corporate Value at an Even Higher Growth Trajectory

In fiscal 2013, the Hitachi High-Tech Group achieved top- and bottom-line growth. To further accelerate the pace of future growth, we are targeting three business domains—Biotechnology and Healthcare, Social Infrastructure, and Advanced Industrial Systems—for the specific allocation of investments and resources, and as focal points for the aggressive creation of new businesses built on our core competencies. In this way, we will put the Group on an even higher trajectory for growth.

The following is a brief explanation of Hitachi High-Tech Group successes to date, as well as policies going forward.

President and Chief Executive Officer
Masao Hisada

Fiscal 2013: Top- and Bottom-line Growth in a Challenging Market Environment

While signs of economic recovery began to appear in the U.S., Japan, and other key developed countries in fiscal 2013, recovery steps in Europe faltered, as several southern European nations continued to enter a period of protracted economic stagnation. Economic growth also decelerated in China and other emerging markets. Against this backdrop, operating results for the Hitachi High-Tech Group ended with top- and bottom-line growth for the first time in three years. Net sales were up 11% year on year to ¥639.1 billion. Operating income was ¥30.4 billion, an increase of 61% from the previous fiscal year, while net income climbed 48% to ¥18.0 billion.

Electronic Device Systems and Science & Medical Systems were the business segments that led growth this term. In Electronic Device Systems, vigorous semiconductor-related capital investment among major customers as a result of growth in demand for mobile devices, notably smartphones, joined with greater market demand in Asia to boost profits. In Science & Medical Systems, SII Nano Technology Inc., which had been a subsidiary of Seiko Instruments Inc. previously, was added to the Group on January 1, 2013 as Hitachi High-Tech Science. This contributed to an increase in sales of analysis equipment, electron microscopes, and other scientific instruments, as did the supplementary budget and a surge in demand ahead of Japan's recent consumption tax increase. In biotechnology and medical products such as clinical analyzers, major projects for customers in Europe, the U.S., and emerging markets contributed to higher sales and earnings.

Status of Management Policies

As in the previous fiscal year, the Hitachi High-Tech Group positioned the three themes discussed below as management policies that guided business promotion in fiscal 2013.

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

(1) Initiatives by Segment

The following is a brief summary by segment of conditions in fiscal 2013 and initiatives going forward.

In Electronic Device Systems, we completed the full-scale launch of engineering sites (two in the U.S. and one in Taiwan) built to strengthen collaboration at the product development stage with key customers. Going forward, we will further strengthen relations with customers by promoting joint development of advanced process technology in response to ongoing miniaturization and multi-layering in semiconductor devices, while striving to identify demand for semiconductor manufacturing equipment faster. Sales of inspection equipment to core customers remains robust, and we will focus more on technology development to spur business expansion for this equipment.

In Fine Technology Systems, we promoted a resource shift from manufacturing equipment related to flat panel displays (FPDs) and hard disks (HDs), our focus until now, to new growth fields. In January 2014, we entered the overhead transmission line inspection business by acquiring exclusive sales rights from venture company HiBot Corporation. This new social infrastructure inspection business leverages Hitachi High-Tech sensor and image processing technology honed over many years in the development and manufacture of railroad track and overhead wiring inspection equipment. We are presently building a framework for development, manufacturing, and sales activities in this field. We will move ahead with shifting resources to other new growth fields that take advantage of our core technologies, including equipment related to factory automation (FA), lithium-ion batteries, and others in business fields such as the environment and electronics.

In Science & Medical Systems, we created an optimal business management structure for the Group's analysis equipment business by integrating under Hitachi High-Tech Science the design and domestic sales capacity for spectroscopic analysis, liquid chromatographs, and other analytical instruments of Hitachi High-Technologies and Hitachi High-Tech Control Systems in October 2013. We intend to make more progress in maximizing synergies within the Group, with focus on bringing jointly developed products to market by strengthening our core technologies and leveraging the respective sales networks of both companies to expand sales. In biotechnology and medical products, with the market expanding at a rate of 6% annually, the Group is projecting growth of 10% in emerging markets, with growth likely centered on China. To this end, we will remain focused on sales expansion for our mainstay equipment for clinical chemistry and immunodiagnostic analysis. With the goal of entering a new diagnostic market, we concluded a general sales agency contract with U.S.-based Nanosphere, Inc. for the sale of its bacterial genetic testing equipment and reagents in Japan in May 2013. This is just one example of initiatives we are pursuing to spur business expansion by pioneering new fields.

In the Group's trading divisions of Industrial & IT Systems and Advanced Industrial Products and as the Hitachi Group goes global with production, Hitachi High-Technologies is assuming responsibility for global procurement functions, handling a variety of materials, including auto parts, steel, and plastic materials, and information and communication devices. In December 2013, we concluded a strategic partnership agreement with U.S.-based Axeda Corporation encompassing sales rights in Japan to Axeda's M2M cloud services and the operation of its private cloud business. In this way, we will focus on social infrastructure and the solutions businesses that support it.

(2) Initiatives for Enhancing the Business Operations Framework and Management Infrastructure

In fiscal 2013, we initiated numerous measures toward achieving further growth in fiscal 2014 and beyond, among them were the development of a new framework for business operations and the establishment of overseas subsidiaries.

For the expansion of global business, in April 2013, we established Hitachi High-Technologies India Private Limited in India, where many Japan-originated companies are building a presence. In January 2014, we established Hitachi High-Technologies RUS Limited Liability Company in Russia, where development continues against a backdrop of growth in the country's natural resource-driven economy. The Hitachi High-Tech Group remains committed to accelerating a global growth strategy prefaced on the formulation of market strategies for focus regions and the shifting of resources to priority markets.

At the Naka Division (Hitachinaka City, Ibaraki Prefecture), our main production site damaged in the March 2011 Great East Japan Earthquake, construction concluded in October 2013 on the Logistics & Manufacturing Building, designed to augment production capacity and use vacant space left by quake-damaged buildings. With this integrated production system merging logistics functions and manufacturing systems, we took steps to raise the baseline level of our manufacturing capabilities across a broad spectrum of product fields. In December 2013, we relocated Hitachi Instrument (Suzhou), Ltd. in Suzhou City, China to a newly built factory in a move designed to enhance cost competitiveness through improvements in production efficiency and capacity.

We are also focused on cost business structure reform. Similar to steps mentioned earlier with respect to analytical instruments, we have developed an integrated business framework by merging the previously dispersed instrumentation business, which includes metrology equipment and information control systems, under Hitachi High-Tech Solutions. In parallel, we consolidated outsourced manufacturing functions in Japan for this business in October 2013, as we moved ahead with the progressive dismantling of Hitachi High-Tech Control Systems.

In these ways, we took definitive action in the three themes that framed our management policies in fiscal 2013, enacting initiatives designed to reform our business structure and business management framework in order to improve future business performance, as well as accelerate business creation in growth fields.

In fiscal 2014, we will take advantage of the business infrastructure we have carefully built over the years in pursuit of even greater improvements in business performance.

Initiatives for Realizing Growth Strategies

1. Reformulate the four CS11 target fields as three business domains specifically slated for investment and resource allocation
2. Respond to market environment changes and minimize unprofitable businesses to accelerate CS11 realization

In October 2011, the Hitachi High-Tech Group celebrated its tenth anniversary by drafting "Corporate Strategy 2011" (CS11), a long-term management strategy for realizing the Group's corporate vision of "To consistently aim to be Global Top in high-tech solutions." Under CS11, the Group identified four target fields—Next-generation Electronics, Life Sciences, Environment and New Energy, and Social Innovation. However, after this announcement, the market environment and technology underwent rapid changes, from the widespread use of mobile devices to a slump in PC sales, which particularly affected some operations in the next-generation electronics sector. To speed up the pace for realizing CS11 in light of these changes, we reformulated the four target fields into three business domains—Biotechnology and Healthcare, Social Infrastructure, and Advanced Industrial Systems.

In terms of specific business strategies for the three business domains, in Biotechnology and Healthcare, we will pursue new initiatives in existing businesses, including entering new fields in in-vitro diagnostics and developing next-generation DNA sequencers. We will also seek out new businesses through initiatives targeting the fields of pharmaceuticals and food, life informatics*, and regenerative medicine. In Social Infrastructure, in addition to developing solutions in the fields of new energy and materials that leverage the Group's mother technologies of "observation and measurement," we will aggressively promote account strategies in our trading businesses that encompass the development of business models for resolving customer issues in the global market. In Advanced Industrial Systems, along with retaining market share for our mainstay CD-Measurement SEM products, we will also focus on inspection equipment and new business as we strengthen our product portfolio. At the same time, we will look to boost profitability through selection and concentration, including by minimizing unprofitable businesses in the electronics field.

Beyond shifting investment and resources specifically to these three business domains, we will accelerate the push to realize our growth strategies for further improving our performance by promoting overseas business development, with the target of having overseas sales account for over two-thirds of net sales by 2020, and focus on new business creation, enabled by merging our trading and manufacturing functions and joining forces with the comprehensive capabilities of the Hitachi Group.

* Life informatics: Business segment coined by Hitachi High-Technologies to describe the fusion of IT with biotechnology and healthcare.

Long-Term Management Strategy for 2020: CS11

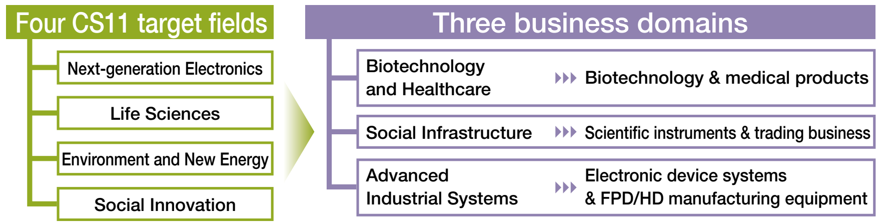
■ Corporate Vision

To consistently aim to be Global Top in high-tech solutions

■ Strategy Statement

Lead the way for our customers' future as a fast-moving creator of cutting-edge businesses

■ Business Domains



Outlook for Fiscal 2014

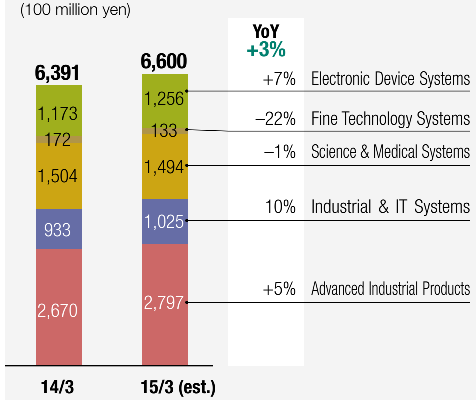
■ The success of past business structure reforms will enable growth in sales and profits forecast for fiscal 2014.

The Hitachi High-Tech Group is forecasting both sales and profits to rise in fiscal 2014, with net sales increasing 3% to ¥660.0 billion, operating income increasing 15% to ¥35.0 billion, and net income increasing 42% to ¥25.6 billion from fiscal 2013.

In Electronic Device Systems, strong performance is expected as a result of investment in advanced logic and memory products for the mobile devices market. We will encourage early collaboration with key customers as we strive to identify demand for miniaturization- and mobile-related investment. In Fine Technology Systems, along with optimally leveraging the effects of business structure reform, we

FY2014 Outlook (Sales by segment)

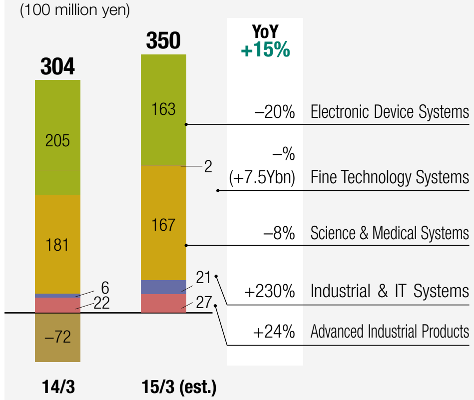
(100 million yen)



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

FY2014 Outlook (Operating income (loss) by segment)

(100 million yen)



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

will strengthen our business infrastructure by positioning the social infrastructure business, built on our core technologies, as one of our flagship businesses. Turning to Science & Medical Systems, while private-sector demand is set to recover in the scientific instruments business, recovery in the European market remains weak in medical products, and there are concerns that the absence now of upgrade demand among major customers recorded in the previous fiscal year may impact results. In this climate, we will maximize synergies with Hitachi High-Tech Science in the scientific instruments business and push ahead with sales expansion targeting large-scale facilities in Europe in the biotechnology and medical products business. As for our trading divisions, while focusing operations on industrial infrastructure, social infrastructure, automobiles and transportation equipment, we will deepen our trading functions within and outside of the Hitachi Group, while also moving to develop new businesses offering high added value.

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 2013, after close consideration of business performance and other factors, we decided on a year-end dividend that was ¥10 more than initially forecast. As a result, we paid an interim dividend and year-end dividend totaling ¥30 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

In October 2011, the Hitachi High-Tech Group celebrated its 10th anniversary. This milestone served as an opportunity to unveil the "Hitachi High-Tech SPIRIT," comprised of a set of four values that we should share as a Group—Challenge, Open, Speed, and Teamwork. Together with promotion of the "Hitachi High-Tech WAY" (or WAY, for short), the full range of activities encompassing efforts to achieve our Corporate Vision and CS11, we are striving through the sharing and realization of our philosophy, values, and strategies to enhance the value we offer to stakeholders.

At the Hitachi High-Tech Group, we work as one to put the WAY into practice, demonstrating our business creation expertise by joining our own capabilities in technology development, global sales and procurement, and manufacturing and services with the comprehensive capabilities of the Hitachi Group. Among other benefits, this allows the Hitachi High-Tech Group to develop products and offer services that help to resolve the issues that society faces, as we promote business activities prefaced on value creation through high-tech solutions.

In striving to become a global leader in the high-tech solutions business, we are determined to contribute to the development of a sustainable society as a member of the Hitachi Group.

July 2014

Masao Hisada
President and Chief Executive Officer

Special Feature:

Striking a New Path to Becoming Global Top in High-Tech Solutions

In 2011, the Hitachi High-Tech Group celebrated its first decade by drafting Corporate Strategy 2011 (CS11), a long-term management strategy for realizing its corporate vision—to consistently aim to be Global Top in high-tech solutions.

With 2015 being the midway point of its long-term management strategy, the Group has reorganized the four fields initially targeted into three business domains—Biotechnology and Healthcare, Social Infrastructure, and Advanced Industrial Systems—in a push to speed up the pace of CS11 completion.

In this feature, we will discuss the specific actions the Hitachi High-Tech Group is taking to accelerate growth strategies in each of these business domains.

Comment from a corporate strategy officer

"Clarify business domains to accelerate growth strategies."

Senior Vice President and Executive Officer Masahiro Miyazaki explains the rationale behind the target field reorganization and provides an overview of what has emerged.

Masahiro Miyazaki
General Manager, Corporate Strategy Division,
Senior Vice President and Executive Officer,
Hitachi High-Technologies Corporation

Reorganization into three business domains to solidify strategies faster

In the three years since CS11 was formulated, the market environment has changed dramatically, including rapidly shifting away from personal computers in favor of smartphones and other mobile devices. Our decision to reorganize the four fields we initially targeted into three business domains was also informed by a desire to develop measures that would make our strategies more concrete, based on the Hitachi High-Tech Group's successful business structure reforms.

The aim is to accelerate our global growth strategies by sharing a clearer image of the growth fields that the Hitachi High-Tech Group will target going forward, and concentrating the management resources we allocate accordingly. To this end, together with drafting concrete strategies for each domain, we are also promoting common growth strategies across the three business domains, including strengthening our new business creation activities, active business investment, and solution service businesses.

Strategy of Each Business Domain

Biotechnology and Healthcare

Expansion and active development of businesses	In addition to the core fields of in-vitro diagnostics and DNA sequencers businesses, we will aggressively develop new businesses in fields such as pharmaceuticals, food, and life informatics*.

Social Infrastructure

Strengthen core competency	We are honing infrastructure solutions, along with promoting global growth strategies and business model enhancements designed to encourage development of new businesses.

Advanced Industrial Systems

Accelerate shifting of resources to cutting-edge and growth fields	In tandem with completing the business structure reform of unprofitable businesses in the electronics field, we are raising our earning capacity through exclusive focus on state-of-the-art and growth domains in our core businesses—semiconductor metrology and inspection equipment and etching systems.

Common Growth Strategy

Revise and Strengthen New Business Creation Activities

The New Business Development Div. will be the nucleus of efforts to strengthen marketing and project management, and will aggressively tackle new themes in each business domain

Implementation of Aggressive Investments

Promote swift management decision making, including with respect to investing capital for M&As, alliances and the creation of high-value-added businesses, to take full advantage of Hitachi High-Technologies' strengths in domains where future growth is anticipated

Expand Solution Service Businesses

Expand the scope of solution service businesses with an eye to ensuring a full range of worldwide product maintenance services and offering value that solves customer issues

* Life informatics: Business segment coined by Hitachi High-Technologies to describe the fusion of IT with biotechnology and healthcare.

Continue to constantly solve societal issues as a fast-moving creator of cutting-edge businesses

With the recent reorganization of target fields, we have created a coherent direction in which the Hitachi High-Tech Group can move forward. In aligning the Group along this vector and continuing to provide solutions that solve societal issues through business activities as a creator of cutting-edge businesses, we are determined to become the global leader in our industry.

Strategy by Business Domains I

Biotechnology and Healthcare

Invest intensively in this top priority field—Actively develop new fields and new businesses in addition to expanding mainstay businesses

Beyond enhancing and expanding the core in-vitro diagnostics and DNA sequencers businesses, our New Business Development Div., launched in April 2014, will spearhead efforts to ramp up development of new fields and creation of new businesses, including in pharmaceuticals, food, regenerative medicine, and life informatics. To strengthen and broaden our hand in the growing field of Biotechnology and Healthcare, we will take decisive action to promote business investment and alliances.

Further expansion of mainstay businesses

In-vitro diagnostics business

Maintain and expand top worldwide market share of automated clinical chemistry and immunodiagnostic analyzers

Through a robust partnership with Roche of Switzerland, Hitachi High-Technologies has produced a host of industry-leading innovations. With an eye to expanding and developing our mutual business collaboration further, we extended this partnership agreement for another decade in April 2014. Hitachi High-Technologies possesses equipment that incorporates our cutting-edge technologies and is noted for superior reliability and toughness. Roche has an expansive menu of reagents and world-class technological capabilities in drug discovery. By bringing the strengths of both companies to the fore, we will take steps to promote greater business expansion.

Automated clinical chemistry analyzer

Accelerate development needed to establish future core businesses

In the field of in-vitro diagnostics outside of clinical chemistry and immunodiagnostics, we are pursuing development that will culminate in new core businesses.

In the bacterial testing field, we entered into a general sales agency agreement for sales in Japan of the Verigene system developed by U.S.-based Nanosphere Inc. This system for multiple and synchronized gene detection is designed to simultaneously detect pathogens and drug-resistant genes, as well as for genetic polymorphic analysis research. Initial efforts will focus on the sale of system equipment and reagents for research applications, with plans to later develop and introduce test drugs for in-vitro diagnostics.

Verigene system from Nanosphere Inc.

Elsewhere, we are ramping up development efforts in the fields of blood coagulation tests and genetic testing, as well.

DNA sequencers business

Expand sales of capillary electrophoresis sequencers and promote development of next-generation sequencers

Capillary electrophoresis sequencers boast a high market share as the de facto standard in genetic sequence analysis. These products are used in a wide range of life science research, including in biology and medicine, and we are determined to capture the new and replacement demand set to emerge in the forensic identification market.

In a related turn, in July 2013, we entered into a joint development agreement with Base4 Innovation Ltd. of the U.K. as regards single molecule, nanopore-based DNA sequencing systems, as we look to move forward the development of next-generation sequencers.

Create new businesses

Create new businesses in the life informatics business, in pharmaceuticals and food, and in regenerative medicine

We are accelerating the creation of new businesses in Biotechnology and Healthcare field, with efforts centered on the recently launched New Business Development Div.

In October 2013, we signed an agreement with U.S.-based OpGen, Inc. that initiated joint technology development for a human chromosome mapping analytical service for clinical research applications.

In parallel, we are seeking to create new businesses in fields where growth is anticipated, such as pharmaceuticals, food and regenerative medicine.

Strategy by Business Domains II

Social Infrastructure

Strengthen as a core competency for Hitachi High-Technologies—Upgrade infrastructure solutions

We are actively engaged in expanding our presence in the traditionally defined social infrastructure businesses, including those related to new energy, as well as railway line and power line inspection. Adding to this, we are including scientific instruments and our entire trading business under the social infrastructure domain as infrastructure solutions that broadly support society and industry. This domain is a true core competency of the Hitachi High-Tech Group, and one that we will strengthen as a source of our capacity to create new businesses.

Scientific instruments business

Maximize synergies with Hitachi High-Tech Science

Provide solutions to the life sciences, new energy and new materials fields

Along with steps to enhance our product lineup and applications, we are further entrenching our presence in particle contamination inspection equipment for lithium-ion batteries/fuel cells and other environment and new energy fields. At the same time, we are creating new markets in the fields of new materials and life sciences through barometric pressure scanning electron microscopes and other products.

An X-ray particle analyzer helps to improve the production yield and reliability of lithium-ion batteries and fuel cells.

Bolster global scales capacity and core technologies

Together with accelerating the global development of top-share products in Japan by reorganizing our overseas sales agency network, we will bolster core technologies and move ahead with the market release of the FIB-SEM and other products jointly developed by Hitachi High-Technologies and Hitachi High-Tech Science.

Trading business

Bolster the platform business and accelerate global growth strategies

In tandem with the pursuit of customer-oriented business expansion, we will bolster our platform business by building stronger cooperative relationships with suppliers. Similarly, we are quickening the pace of our global growth strategies, as seen in the establishment of local subsidiaries in Russia and Mexico in January and April 2014, respectively.

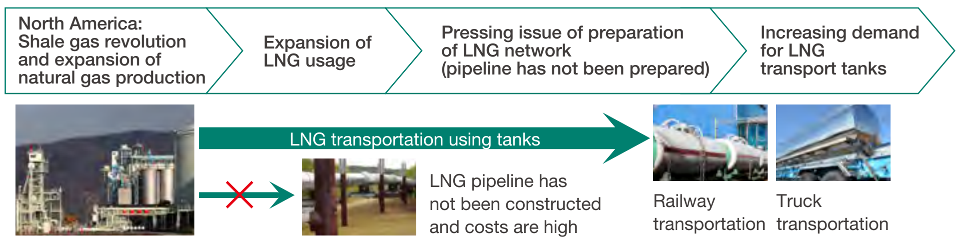
Enhance the business model by promoting the development business

In December 2013, we concluded a strategic partnership agreement with U.S.-based Axeda Corporation encompassing sales rights in Japan to Axeda's M2M (Machine-to-Machine) cloud services and the operation of its private cloud business.

In June 2014, we established a joint venture in Canada with Air Water Plant & Engineering Inc., which boasts Japan's leading share in liquefied natural gas (LNG) tanks. This step marked the launch of our LNG business in North America, as we seize the business opportunity emerging from the sharp expansion in production and demand for natural gas triggered by the revolution in shale gas extraction.

Hitachi High-Technologies is committed to exploring and promoting continued business investment for the development of new business models and businesses defined by high added value.

Canada: Background of the manufacture and sales of LNG transport tanks



Strategy by Business Domains III

Advanced Industrial Systems

Selectivity and focus for improved profitability—Accelerating the resource shift to cutting-edge growth domains

Advanced industrial systems, as a business, once centered mainly on various manufacturing, metrology and inspection equipment for the electronics field and other advanced industrial sectors. The field itself, however, is home to a highly volatile market environment. Going forward, we will focus on manufacturing, metrology and inspection equipment for cutting-edge semiconductor processes, a fast-growing field where Hitachi High-Technologies enjoys a strong advantage.

Semiconductor metrology and inspection equipment and etching systems businesses

Accelerate global growth strategies

In the U.S. and Taiwan, two markets close to customers on the cutting edge, we opened the Process Engineering Center (PEC) and the Process Innovation Center Taiwan (PICT). These overseas engineering sites have structures that enable the joint development of processes for advanced devices with customers. We also plan to strengthen our strategic partnership with the Interuniversity Microelectronics Centre (imec), an international research institution based in Belgium.

Business portfolio strategy

We are developing new fields by enhancing our product lineup through core technologies.

In metrology and inspection equipment, along with boasting the world's leading share in CD-Measurement SEMs, Hitachi High-Technologies is also finding steady success in development targeting cutting-edge customers in optical inspection equipment, and is striving for further business expansion in this area. We will also investigate and promote efforts to develop new areas, including MEMS and power devices.

In etching systems, we are involved in development that targets new customers and devices, and we are working to win even more engineering orders for production processes among Hitachi High-Technologies' existing customers.

CD-Measurement SEM

Etching systems

Completing business restructuring

In step with changes in the market environment, we have pushed ahead with business structure reforms, including in the flat panel display (FPD) business. At Hitachi High-Tech Fine Systems, we will speed the pace of a resource shift toward social infrastructure inspection and other operations positioned as growth businesses where we can take full advantage of our core technologies, such as optical measurement, robotics, image rendering, and high-speed signal processing.

Beyond enhancing our existing railroad track and overhead transmission line inspection equipment, we acquired exclusive sales rights for overhead transmission line inspection equipment in Japan from the venture company HiBot Corporation. By putting a development, manufacturing, and sales framework in place, we are seeking to expand business further in this field.

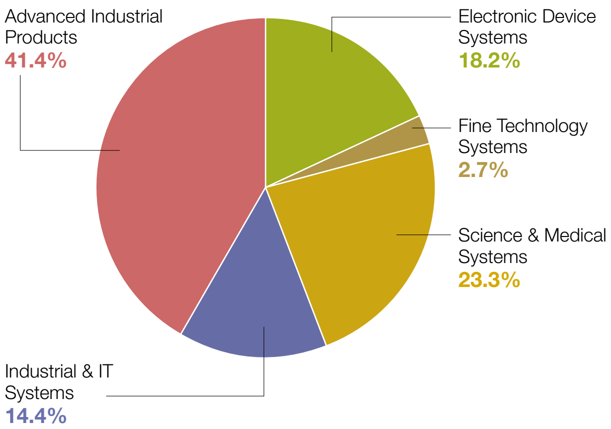
Hitachi High-Tech Fine Systems Corporation's railroad track and wire inspection equipment is installed in "East-i," the high-speed test train used for the Shinkansen bullet train.

(Source): JR East Japan Railway Company

Review of Operations [At a Glance]

Years ended March 31

2014 Sales by Segment



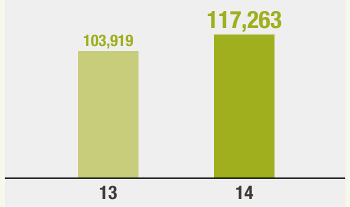
Note: Total does not include "Others & Adjustments"

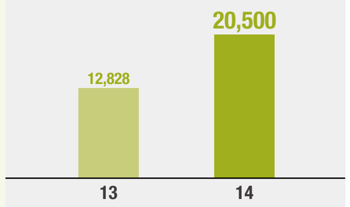
Major Products | Net Sales (millions of yen) | Operating Income (Loss) (millions of yen)

Electronic Device Systems

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

URL





Fine Technology Systems

- Environment & Electronics
- Social Infrastructure Inspection

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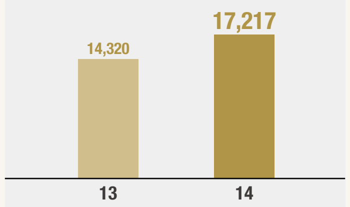
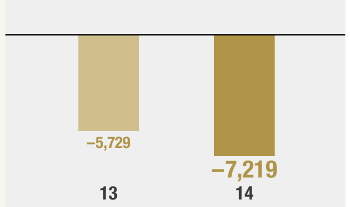
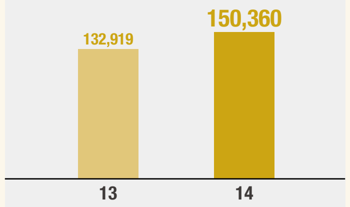


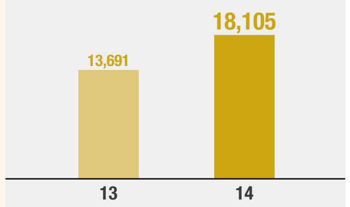


Science & Medical Systems

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

URL





Industrial & IT Systems

- Industrial Solutions
- ICT Solutions

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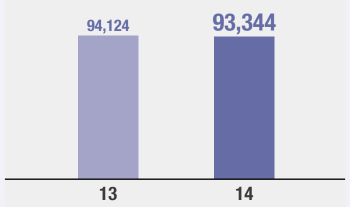
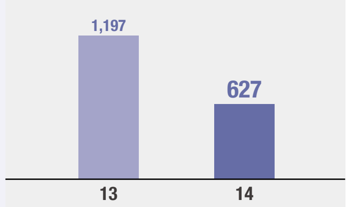
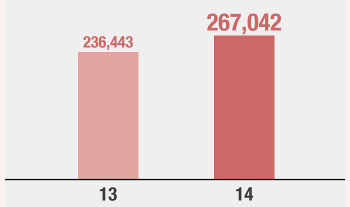


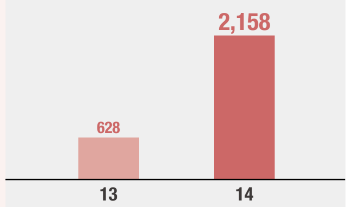


Advanced Industrial Products

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

URL





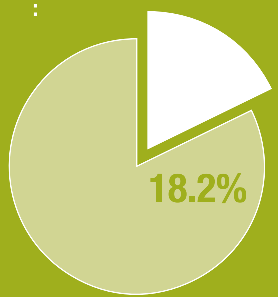
Electronic Device Systems

Contributing to the development of the semiconductor market by cooperating in cutting-edge fields

In Electronic Device Systems, we aim to achieve segment leadership by concentrating resources in growth fields, particularly smartphones, tablets and other mobile devices, by strengthening relationships with priority customers and anticipating next-generation processes to strengthen our product lineup tailored to customer needs.

Segment Sales : **¥117.3 billion**

Percentage of Net Sales :



Fiscal 2013 in Review

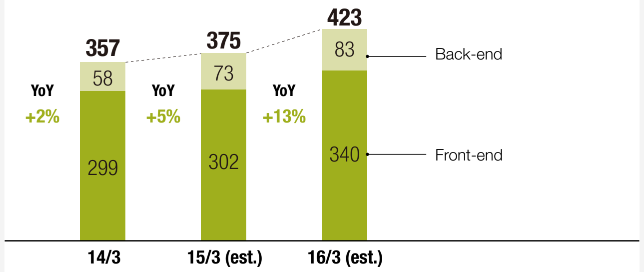
Electronic Device Systems reported higher profits with both segment sales and operating income rising on a year on year basis. This resulted from vigorous capital investment among major customers during the second quarter of fiscal 2013 and strong sales from the second half of the fiscal year.

Continuing the trends of fiscal 2012, in the market for semiconductor manufacturing equipment in fiscal 2013, there was 2% growth year on year because both our process equipment and metrology and inspection equipment sold strongly. As a result of demand for devices for mobile computing, the first half of the fiscal year saw capital investment for mobile device memories, and the second half saw investment related to mass production of 20 nm products by foundries, and large investment in the construction of the world's first 3D-NAND mass production plant. In contrast, back-end equipment declined mainly due to restricted capital investment by major customers.

As a result, segment sales for fiscal 2013 rose 13% year on year to ¥117.3 billion. Operating income increased 60% to ¥20.5 billion.

Semiconductor Manufacturing Equipment Market

(100 million US$)



(Source) Gartner (March 2014) and Company estimation

Outlook for Fiscal 2014

In fiscal 2014, semiconductor manufacturing equipment market growth is expected to be 5% year on year, but we are forecasting a 7% increase in sales, which is higher than our market expectations. This is because growth is projected from large investments that are being planned for foundries for 16 nm products, along with strong investment in miniaturization and increased production of mobile device memories. Moreover, we anticipate demand because the need for measurement and inspection equipment for double patterning (DP) and deep-hole processes is expected to increase in step with the growing mass production of logic devices with FinFET (3D transistors).

As regards the miniaturization of semiconductors, we expect the full-fledged development of MPUs with transistors in patterns finer than 10 nm to accelerate equipment makers' responses to the need for new materials, structures, and processing methods for new types of memory. In the die bonder market, strong demand for memories in mobile devices should persist.

In the assembly equipment market, we anticipate the high-speed mounter market will further accelerate its shift to low-price and ultra-high-speed products. Investment in electronics manufacturing services (EMS) for production of new types of mobile devices is expected to resume, but the market is expected to remain flat at the fiscal 2013 level.

In light of this, the Hitachi High-Tech Group expects segment sales to increase 7% year on year to ¥125.6 billion. However, operating income is projected to decrease 20% to ¥16.3 billion due to changes in the product mix and the implementation of strategic investments.

Click here for the latest market and business performance outlook. URL

Strategy for Fiscal 2014

Accelerating our global growth strategies and optimizing our business portfolio

M-8190XT
An etching system ready for hard mask etching for the 20 nm generation memory devices, double patterning-compatible mask etching, and other applications

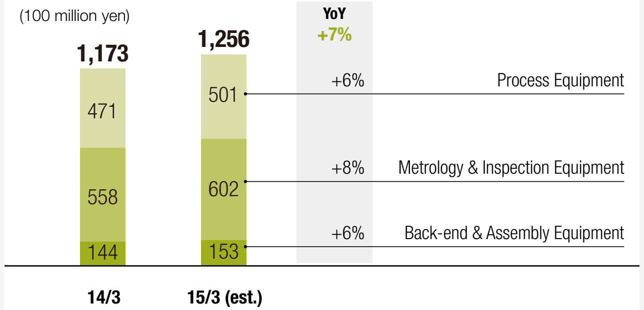
LS9300
Wafer Surface Inspection System that detects miniscule foreign substances and defects on pattern-less wafers, using 19 nm high detection sensitivity compatible with next-generation processes

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.

Fiscal 2014 Semiconductor Process Technology Trends and Growing Technology Fields

Field	Trend	Growing technology field
MPUs	• Development of mass production technology for 10 nm products	• Development of new materials and structural processes • Measurement technology for DP and FinFET mass production
ASSP (General-purpose ICs for specified uses)	• Full-scale launch of 20 nm mass production • Shift from trial mass production to mass production line installation of 16/14 nm FinFET	
NAND	• Ongoing 10 nm generation of miniaturization • Launch year of 3D-NAND mass production	• Vertical processing of high-aspect-ratio multi-layer substrates • Deep hole (aperture characteristic, dimension) measurement technology
Packaging	• Multi-layer packaging (memory) • Flip chip mounting	• High-precision thin-die bonding technology

Sales Change in Main Products



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

- Utilize overseas engineering sites (PEC*1, PICT*2) to promote joint development with cutting-edge customers directed at the development of process technologies for state-of-the-art devices, and strengthen our strategic partnership with imec (a consortium)
- Utilize modular design methods to develop multi-functionality (high-aspect-ratio processing and measurement, deep-hole measurement, etc.)
- Develop flip chip bonding equipment

*1: Process Engineering Center (U.S.)
*2: Process Innovation Center (Taiwan)

Basic Policy in Fiscal 2014

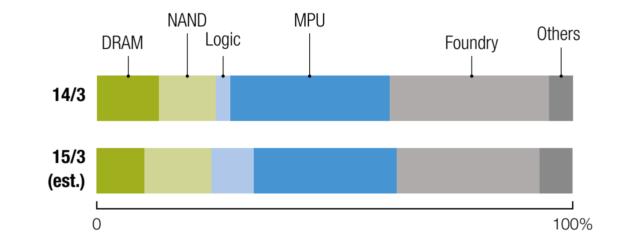
1. Accelerate global growth strategies

Win global customers and become the segment top by promoting early collaboration and building up engineering sites

2. Promote business portfolio optimization

Develop new fields by enhancing the product lineup with core technologies

Sales Ratio by Fields (Front-end Equipment)



14/3: Firm growth atop large-scale foundry investment. NAND-related investment was restrained.
15/3 (est.): Continued foundry and MPU investment. Increase in NAND and logic-related investment.

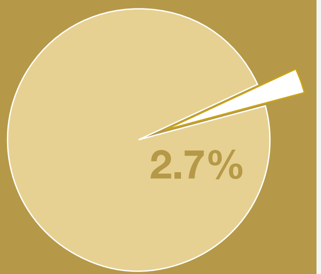
Fine Technology Systems

Aiming for steady growth by focusing on the social infrastructure inspection and the environment & electronics fields

In Fine Technology Systems, we will respond to changes in the market environment by accelerating our shift of resources away from the flat panel display (FPD) and hard disk (HD) businesses, which have been mainstay businesses, and toward the social infrastructure inspection and the environment & electronics businesses, as new growth businesses, thereby realizing stable growth.

Segment Sales : **¥17.2 billion**

Percentage of Net Sales :



Fiscal 2013 in Review

As regards FPD manufacturing equipment, Fine Technology Systems recorded increased sales of manufacturing equipment for mobile devices for the Asian market. However, HD manufacturing equipment experienced a sharp downturn, mainly due to stagnating demand for PCs as a result of the market expansion of mobile devices, specifically smartphones and tablets.

As a result, segment sales for fiscal 2013 rose 20% year on year to ¥17.2 billion. The segment recorded an operating loss of ¥7.2 billion, compared to an operating loss of ¥5.7 billion in the previous year.

Outlook for Fiscal 2014

The market environment continues to present us with changes and a sense of uncertainty. Accordingly, we will work to achieve stable growth by moving our focus away from the FPD and HD manufacturing equipment businesses, and focus on the social infrastructure inspection business and the environment & electronics business. In the social infrastructure inspection business, we will upgrade and expand the product lineup in the railroad inspection equipment business, and further accelerate sales expansion and overseas development. Moreover, we are aiming for an early launch of the transmission line inspection business that we entered in fiscal 2013, and will work to expand the business scale and create new businesses. In the environment & electronics business, we are aiming to expand the business scale of the factory automation equipment business, the lithium-ion battery business, and the printed electronics business.

As a result, we forecast segment sales for fiscal 2014 to decline 22% year on year to ¥13.3 billion, and operating income to amount to ¥200 million.

Click here for the latest market and business performance outlook. URL

Strategy for Fiscal 2014

Focus on shifting resources to growth fields and strengthening the business portfolio

Expliner high-voltage transmission line inspection robot
A self-propelled robot that moves along high-voltage overhead transmission lines to examine their external surface conditions and measure their outer diameter

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 allocating management resources and promoting the establishment of optimal business management systems on a global level. In Fine Technology Systems, we are positioning the social infrastructure inspection and the environment & electronics businesses as growth fields.

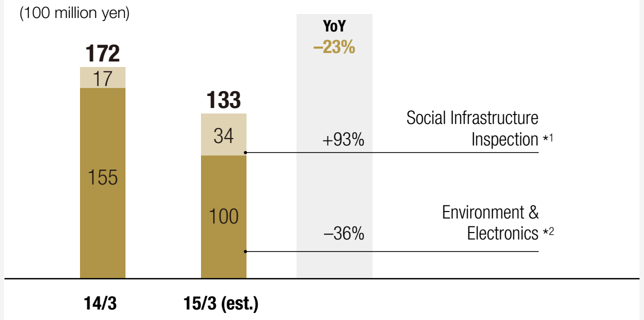
In the social infrastructure inspection business, our railroad inspection equipment is used in test trains, including the high-speed test trains that are used for the Shinkansen bullet train. The installed railroad track and wire inspection equipment is a key technology in the prevention of failures or accidents during train operation, and forms part of the indispensable social infrastructure for achieving safe and secure train operation. Looking ahead, we expect that this technology will be widely disseminated overseas as well as in Japan. Furthermore, we will leverage our transmission line inspection equipment, which integrates inspection technology for power companies and robot technology, into a new business as the next core pillar.

In the environment & electronics business, we predict an increase in demand for factory automation equipment and lithium-ion battery inspection business, against the backdrop of vigorously increasing automobile production in emerging nations.

We will utilize the core technologies of Hitachi High-Tech Fine Systems, including spectrometric technology, image processing technologies, robotic technology, and high-speed signal processing technology, to upgrade and expand our competitive product lineup in these fields. Furthermore, we will continue to focus on post-sales services for FPD and HD products with which we have been involved up to now, thereby strengthening and expanding our services business.

We aim to get these businesses on a growth track based on the business operations of Hitachi High-Tech Fine Systems, which will serve as an impetus in uniting our manufacturing, sales and service activities.

Sales Change in Main Products



*1 Social infrastructure inspection: Railroad inspection equipment, transmission line inspection equipment, and others
*2 Environment & electronics: Factory automation equipment, lithium-ion batteries, printed electronics, FPD and HD manufacturing equipment, and others

■ Basic Policy in Fiscal 2014

1. Accelerate shift in resources mainly into the social infrastructure inspection business and factory automation-related equipment business

Accelerate a shift in resources by positioning business segments leveraging core technologies as growth businesses
Reform the business structure and expand business content

2. Expand and enhance service businesses

Expand and enhance FPD and HD-related service businesses through post-sales services

Business Portfolio Strategy

- Accelerate a shift in resources by positioning business segments leveraging core technologies as growth businesses
- Reform the business structure and expand business content

	Social infrastructure inspection business	Environment & electronics business
Growth business	• Railroad inspection equipment • Transmission line inspection equipment	• Factory automation equipment • Lithium-ion batteries and printed electronics • Post-sales services (FPD and HD)

Core technologies	Optical measurement, image rendering, robotics, high-speed signal processing, and others

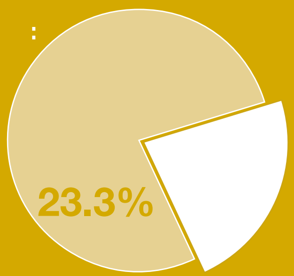
Science & Medical Systems

Aiming to achieve steady growth in core businesses, and medium to long-term growth by entering new fields and markets that leverage core technologies

In the scientific instruments business, we are working to strengthen our core technologies to develop new products and enter new fields, and to upgrade and expand our product portfolio to bolster our competitiveness, as well as pursuing business expansion. In the biotechnology & medical products business, our focus is on expanding global sales of medical products centered on clinical chemistry and immunodiagnostic analyzers, and on further extending business operations by promoting the development of next-generation sequencer technology.

Segment Sales : **¥150.4 billion**

Percentage of Net Sales :



Fiscal 2013 in Review

Sales of scientific instruments increased, mainly due to the synergies generated by the addition of Hitachi High-Tech Science to the Hitachi High-Tech Group in January 2013, the inclusion by the Japanese government of some scientific instruments as supplementary budget items, and last-minute demand ahead of the planned hike in the consumption tax rate.

Sales also increased in the biotechnology & medical products business, mainly due to a firm performance in markets in emerging nations, such as China, and the acquisition of several large orders for clinical analyzers for major clinical testing institutions in Europe and the U.S.

As a result, segment sales for fiscal 2013 rose 13% year on year to ¥150.4 billion. Operating income increased 32% to ¥18.1 billion.

Outlook for Fiscal 2014

In the scientific instruments business, we expect to see an increase in demand for electron microscopes caused by a performance recovery by private-sector companies, despite downward pressure on demand due to the supplementary budget. Moreover, we anticipate a rise in sales in such growth fields as the environment and new energy, new materials, and life sciences, together with increased sales from the launch of new products. In liquid chromatographs, demand is forecast to decline for general models, but increase for ultra-high-speed liquid chromatographs in the pharmaceutical field. In X-ray fluorescence analysis, we are projecting demand will increase for particle contamination inspection in the lithium-ion battery market, and increased replacement demand for inspection equipment for compliance with regulations about the restriction of hazardous substances (RoHS). In thermal analysis, we expect an increase in demand for thermal-property evaluations of functional materials.

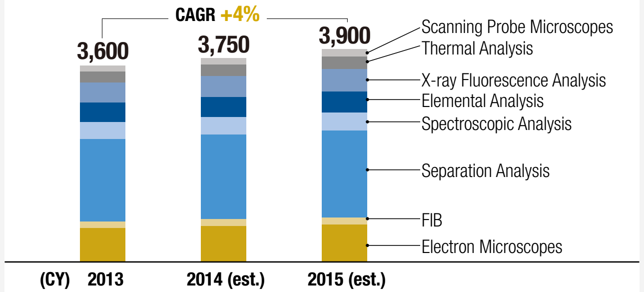
As regards the biotechnology & medical products business, the clinical chemistry and immunodiagnostics market, the majority of which are reagents, will likely achieve annual growth of 10% in China and other emerging nation markets, despite 2–3% annual growth in Europe and other developed countries. Going forward, the market will likely maintain annual growth at 4–5%. While we expect the recovery of equipment demand in the European markets to be gradual, solid growth is forecast over the medium term due to an expansion of demand from the emerging markets. In the DNA sequencers market, our capillary electrophoresis (CE) sequencers are highly acclaimed worldwide for their reliability, and demand has held firm as they are strongly positioned as the industry's de facto standard, particularly in identifying bodily remains (medical jurisprudence) for criminal investigations and after disasters, and for medical research applications.

We forecast segment sales for fiscal 2014 to decline 1% year on year to ¥149.4 billion, and operating income to fall 8% to ¥16.7 billion. This result reflects concerns about the impact of the absence of last fiscal year's replacement demand from major customers in the biotechnology & medical products business.

Click here for the latest market and business performance outlook. URL

Scientific Instruments Market (Company-Related)

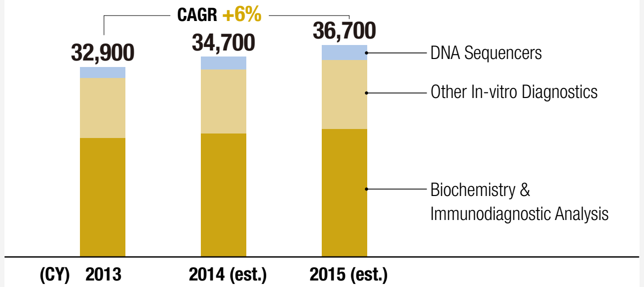
(100 million yen) (based on sales)



(Source) Company estimation

Biotechnology & Medical Products Market (Company-Related)

(100 million yen) (based on sales)



(Source) Company estimation (reagents and equipment included)

Science & Medical Systems

Strategy for Fiscal 2014

Maximize synergies with Hitachi High-Tech Science, expanding sales further in the clinical analyzer market and promoting development of next-generation technologies

Barometric pressure scanning electron microscopes
Under a wide spectrum of pressures ranging from atmospheric to low vacuum, our tabletop barometric pressure scanning electron microscopes allow observations with no need for prior specimen preparation.

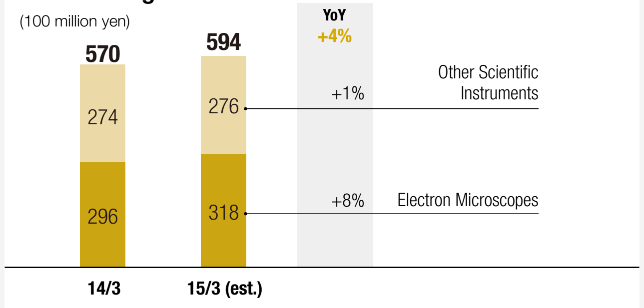
Cobas8100
Automatic sample diagnostic system

Cobas8000
Large-scale automated clinical analyzer

In the scientific instruments business, going forward we will further accelerate our initiatives to maximize the synergies resulting from the establishment of optimal business management systems in the analytical instruments business in addition to the expansion of our product lineup and core technologies as a result of Hitachi High-Tech Science becoming a Group company. Specifically, we will rise to the challenge presented by growth markets and expand the area covered by the scientific instruments market in order to increase our product portfolio. This will be achieved by pursuing vigorous business development for worldwide sales, leveraging the mutual sales network we possess with Hitachi High-Tech Science, and by launching joint development products. Moreover, we will work to expand sales of dedicated machines for the environment and new energy, new materials, and life sciences fields by leveraging our core technologies.

In the biotechnology & medical products business, we will make proposals combining new automated clinical laboratory systems with large-scale automated clinical analyzers, enable the complete automation of the routine work of testing laboratories, improve the economic efficiency of the testing work, and minimize the manual work performed by the testers, resulting in the expansion of sales to large-scale medical facilities in Europe. With DNA sequencers, we aim to continue steadily catching new and replacement demand for CE sequencers, and to vigorously promote technological development so they become the pillar of the next-generation of business, including by promoting collaborative development of nanopore-based DNA sequencer technology with Base4 Innovation Ltd. of the U.K.

Scientific Instruments Sales Change in Main Products



Basic Policy in Fiscal 2014

Scientific Instruments

1. Maximize synergies with Hitachi High-Tech Science

Integrate analytical instruments business to expand the product portfolio and leverage the sales networks of both companies to increase sales, and launch joint development products (FIB-SEM and others) by strengthening core technologies

2. Expand sales of dedicated machines for the environment and new energy, new materials, and life sciences fields

Cultivate the environment and new energy fields by expanding sales of particle inspection systems for lithium-ion batteries and fuel cells, and create markets and expand sales of barometric pressure scanning electron microscopes in the new materials and life sciences fields

Biotechnology & Medical Products

1. Expand sales of clinical chemistry and immunodiagnostic analyzers by launching a new automated clinical laboratory testing system

Expand sales to large-scale medical facilities in Western countries with proposals combining new automated clinical laboratory systems with large-scale automated clinical analyzers

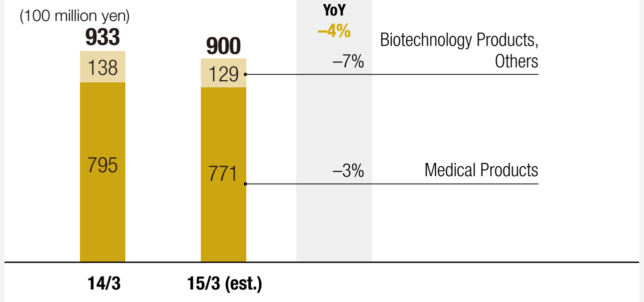
2. Promote sales of CE sequencers in fields with growing demand

Steadily capture new and replacement demand in the market for medical jurisprudence in identifying bodily remains with the model 3500 CE sequencer

3. Promote development of next-generation sequencer technology

Promote collaborative development of nanopore-based DNA sequencer technology with Base4 Innovation Ltd. of the U.K.

Biotechnology & Medical Products Sales Change in Main Products



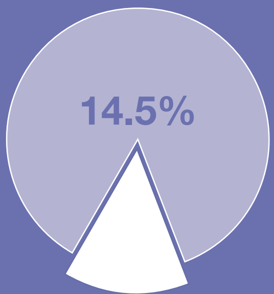
Trading Divisions (Industrial & IT Systems/Advanced Industrial Products)

Industrial & IT Systems

Making sustained investments to create new businesses and new business models in the growing industrial infrastructure and social infrastructure fields

Segment Sales : **¥93.3 billion**

Percentage of Net Sales :



Fiscal 2013 in Review

In the Industrial & IT Systems, sales declined significantly in automated assembly systems, mainly due to product launches in the electric automobile market being later than anticipated and stagnating investment in lithium-ion battery assembly systems. In addition, hard disk drive (HDD) sales declined on the impact of intense market competition and the shift to semiconductor memory products. In contrast, demand for and sales of components related to solar power generation increased, mainly picking up in Japan. Furthermore, sales of telecommunications equipment increased significantly due to launches of new models of mobile phones for the U.S. market.

As a result, segment sales for fiscal 2013 fell 1% year on year to ¥93.3 billion. Operating income decreased 48% to ¥627 million.

Mobile phone for the U.S. market

Automated assembly equipment

Outlook for Fiscal 2014

Although investment by customers and demand for raw materials and components has weakened due to slowing growth in emerging markets, investment in the industrial infrastructure, social infrastructure, automobile/transportation components and materials, and other fields is expected to grow going forward.

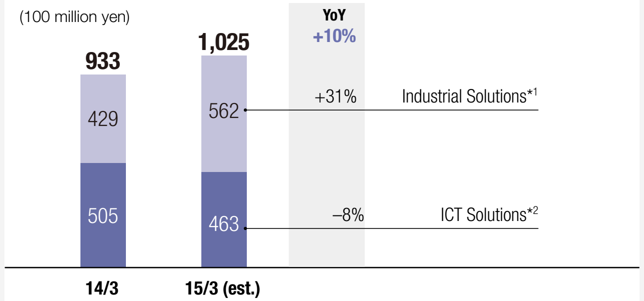
In industrial solutions, we are projecting increased demand for automotive component assembly systems following active capital investment accompanying the overseas local production of Japanese automobile manufacturers. Furthermore, we expect an increase in sales due to the launches of megasolar-related IPP*1 and EPC*2 business models through cooperation with overseas partners.

In light of this, the Hitachi High-Tech Group expects segment net sales to increase 10% year on year to ¥102.5 billion. Operating income is projected to increase 230% to ¥2.1 billion.

*1: Independent power producer: In the wholesale power business, an IPP wholesales electric power to power companies.
*2: The engineering, procurement, and construction involved with a construction project.

URL
Click here for the latest market and business performance outlook.

Sales Change in Main Products



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

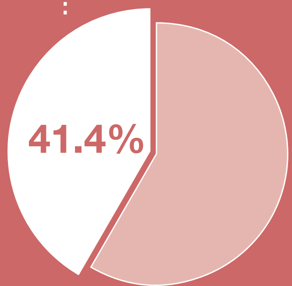
Trading Divisions (Industrial & IT Systems/Advanced Industrial Products)

Advanced Industrial Products

Contributing to expanding global businesses as the Hitachi Group's trading company

Segment Sales : **¥267.0 billion**

Percentage of Net Sales :



Fiscal 2013 in Review

In advanced industrial materials, sales increased for automobile/transportation components & materials in markets centered on Japan, the U.S. and China. In electronics components & materials, sales were robust for semiconductor components and materials and optical devices and materials, due to the construction of next-generation communications networks. With industrial components & materials, sales increased significantly for manufacturing facilities, components and materials for air conditioning in emerging countries for major customers. Sales of fine chemicals and other products declined from the impact of deteriorating market conditions related to petroleum.

As a result, segment sales for fiscal 2013 rose 13% year on year to ¥267.0 billion. Operating income increased 244% to ¥2.2 billion.

Outlook for Fiscal 2014

In industrial components & materials, we are projecting increased sales of components & materials related to metals, nonferrous metals, and resin materials in consumer products fields, such as home appliances, due to an increased share of existing transactions. In automobile/transportation components & materials, we are projecting increased sales to automobile manufacturers and automobile parts manufacturers due to the ongoing trend of increasing unit automobile production in the Americas.

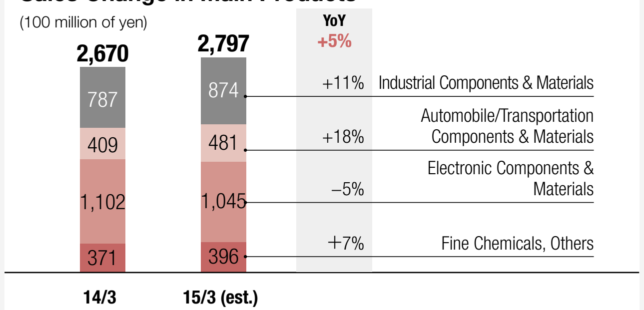
As a result, we forecast segment sales for fiscal 2014 to rise 5% year on year to ¥279.7 billion, and operating income to increase 24% to ¥2.7 billion.

Optical devices & materials

Pressure sensors for automobiles

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 2014

Creating businesses with high added value by expanding businesses globally and further cultivating trading functions

The trading divisions of industrial & IT systems and advanced industrial products are engaged in global procurement for the Hitachi Group, and also in leveraging networks to trade in a variety of products, components, and materials in global markets, which is also one of the strengths of the Hitachi High-Tech Group. We utilize products and functions of the Hitachi Group, the Hitachi High-Tech Group, and from outside the Hitachi Group, and provide high-value-added solutions from a customer's perspective, thereby developing new businesses in global markets and expanding our business scale.

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.

■ Basic Policy of Trading Divisions in Fiscal 2014

1. Cultivate trading functions further to strengthen business foundations

Develop a strategic approach by sharing information, leveraging the Group's abundant data on customers and suppliers

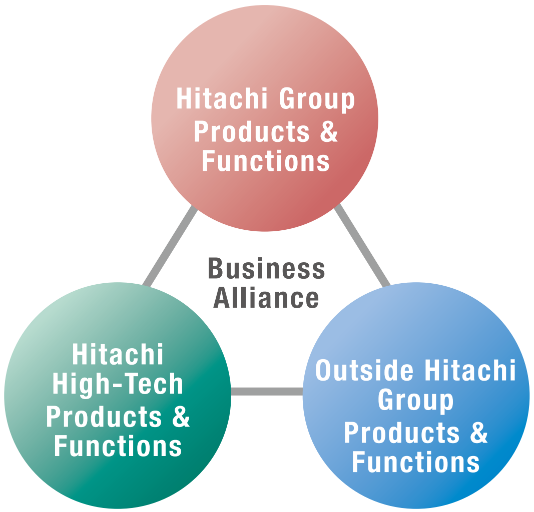
2. Promote investments for developing new lines of business

Create business lines with high added value in the shared automotive, mobile communications, materials and energy fields

3. Improve profitability by providing solutions from a customer's perspective

Improve profitability by promptly grasping customers' needs and providing services with added value

Demonstration of Trading Functions



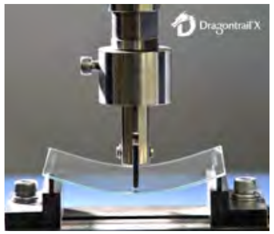
Noteworthy Businesses


Office model


High-end model

WAN Accelerator

Stems the performance-drop of global communication lines in long-distance transmissions, thereby realizing efficient data transmission



Tempered glass for smartphones

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 initiatives on a Group-wide basis after forming our CSR action plans complying with the ISO 26000 international standard for social responsibility, in order to fulfill our social responsibilities as a corporation.

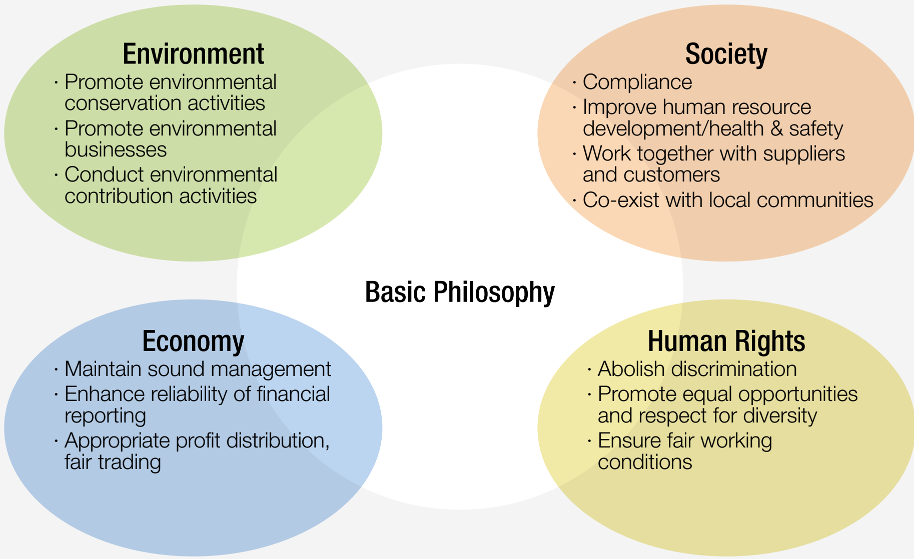
Basic Philosophy

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

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

7 Core Subjects of ISO 26000

Organizational governance	Policy 1	Fair operating practices	Policy 4 8
Human rights	Policy 4 8	Consumer issues	Policy 2
Labour practices	Policy 7	Community involvement and development	Policy 2 6
Environment	Policy 5		

* Policy 3 applies across the board to the 7 core themes

Environmental Conservation

Main initiatives in Fiscal 2013

- Reducing CO_2 emissions by registering and increasing sales of eco-products
- Implement energy-saving policies in line with our Environmental Investment Plan
- Promote simplified packaging of purchased parts and sales of parts with resale value

Reducing CO_2 emissions by registering and increasing sales of eco-products

The Hitachi High-Tech Group has introduced an environmental design assessment in order to minimize the environmental impact of its products.

Products are registered as eco-products based on an assessment of criteria such as the compact design of the product, reduced energy consumption, and the absence of hazardous chemical substances. The following table shows the results of these activities in fiscal 2013.

Fiscal 2013 Registered Eco-product
The Hitachi automatic analyzer system LABOSPECT 006

Results of fiscal 2013 activities

Environmental Action Plan Item	Target	Results
Percentage of products registered as eco-products	80	80
Percentage of net sales of eco-products*1	75	84
Reduction in CO_2 emissions*2 by product	200,000 tons	200,000 tons

*1 Percentage of eco-products in net sales of products
*2 Cumulative amount of estimated reduction of CO_2 emissions generated by product use (Comparative evaluation of standard products sold in 2005 and developed products sold since 2006)

Implement energy-saving policies in line with our Environmental Investment Plan

As part of the Group's business strategy, environmental capital investment has been allocated under its capital investment plan. Accordingly, the Group has been implementing energy-saving policies while investigating investment amounts and environmental benefits. In fiscal 2013, in order to strengthen the connection between our activities and combating global warming, we further systematically revised the framework for our investment plans other than environmental capital investment. Examples of our concrete efforts include introducing various energy-saving facilities such as LED lighting and installing new air conditioning equipment.

Promote simplified packaging of purchased parts and use of waste material exchanges

Based on the Hitachi High-Tech Group's Environmental Action Plan, the Group is working to reduce the amount of waste generated by its business activities and recycle the generated waste as resources. In particular, at the Naka Division, we have changed the cardboard packaging for transporting materials between manufacturing sites in Japan and abroad to returnable boxes that can be folded up and repeatedly reused, thereby reducing the amount of waste generated.

Results of fiscal 2013 activities

Environmental Action Plan Item	Target	Results
Percentage improvement per unit of waste generated*3	16	29

*3 The improvement rate of the standard physical unit (waste generation per sales) on the basis of the 2005 fiscal year

Main Initiatives in Fiscal 2014

- Improvement of environmental friendly design (ERP Regulation*4) criteria at manufacturing sites
- Implementation of energy-saving policies in line with investment plans including capital investment projects for environmental benefits other than environmental capital investment
- Strengthening of environmental risk management through an administration system for laws and regulations

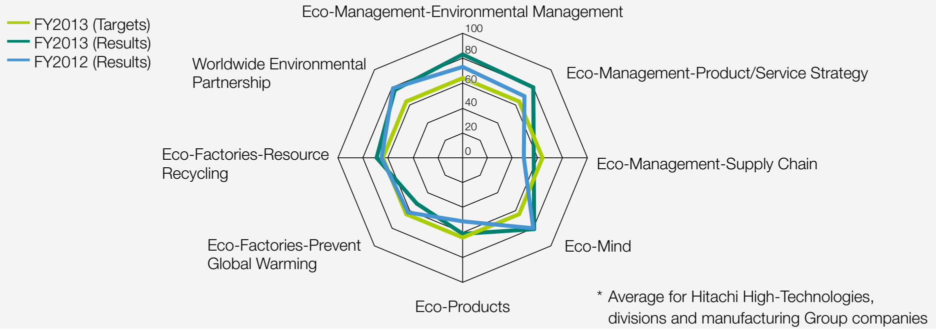
*4 A European regulation that mandates environmentally friendly design (eco-design)

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 2013, the Hitachi High-Tech Group exceeded its target of 512 points, achieving a score of 559 points. Some categories scored poorly, however. As a result, Hitachi High-Technologies will continue striving to raise the level of its environmental activities.

FY2013 Targets and Results Radar Chart



* Average for Hitachi High-Technologies, divisions and manufacturing Group companies

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-Technologies 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 the FTSE4Good Global Index Series (As of March, 2014)
	Morningstar Japan K.K.	Morningstar Socially Responsible Investment Index (As of April 1, 2014)
Ranking	Toyo Keizai, Inc.	Ranked 99th in the 8th Toyo Keizai CSR Ranking (Announced in the Weekly Toyo Keizai April 5, 2014 issue)

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

CSR Report 2014

The Hitachi High-Tech Group issues a CSR report once a year as an overall review of the Group's CSR activities from the previous year. In Corporate Social Responsibility Report 2014, there are two feature articles: The first is an achievement roundup of CSR activities through products, and the second is a stakeholder dialogue concerning global management and CSR. These special features are also available in greater detail on the Company website.

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

For more information about Hitachi High-Tech Group'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 "To consistently aim to be 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.

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 one out of four outside directors of our Company serves concurrently as a director of other Hitachi Group companies, two of the remaining outside directors are registered as independent directors with 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

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. On this basis, it is anticipated that Mr. Mori will contribute to the management of the Company and the strengthening of its oversight functions.

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 the perspective of protecting the interests of general shareholders based on his rich experience in and knowledge of corporate management.

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 0.04% 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 has the authority to make 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 4 times during the fiscal year ended March 31, 2014.

Audit Committee

The Audit Committee audits the execution of business duties by the Company's directors and executive officers, and also has the authority to make decisions that include the content of resolutions on the selection, dismissal and reappointment 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 President and Chief Executive Officer. 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-Tech Group.

The Audit Committee, comprised of 3 directors (of which 2 were outside directors), met 16 times during the fiscal year ended March 31, 2014.

Compensation Committee

The Compensation Committee has the authority to make 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, 2014.

* Please refer to the following "Compensation of Directors and Executive Officers" 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 the Company's directors and Executive Officers 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 2014)

Title	Compensation by category				Total
	Monthly salary		Bonus		
	Head count	Amount (¥ mil)	Head count	Amount (¥ mil)	Amount (¥ mil)
Director	7	98	5	12	110
Outside director	5	56	4	8	64
Executive officer	15	331	15	141	472

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 94th Ordinary General Meeting of Shareholders held on June 20, 2013.

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.33 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 President and Chief Executive Officer.

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, 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, and Executive Committee) as observers, as necessary, in addition to conducting investigations or physical inspections 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 Executive Officer in Charge of Compliance and Risk Management, shall be established to conduct information gathering and confirmation, request improvements, approve compliance programs, report on the results, etc.

(5) The executive officer in charge of compliance and risk management appoints a Hitachi High-Tech Group compliance manager to assist in the duty of strengthening and promoting the Group compliance system. At the same time, the officer appoints a compliance manager for each business group and branch office of the Group organization ("Group organization compliance manager") along with an administrative supervisor providing assistance to each Group organization compliance manager.

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

(7) 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.

(8) Information shall be gathered and investigations 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 investigations 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. In addition, the officer appoints a Group organization compliance manager along with an administrative supervisor in each Hitachi High-Technologies subsidiary to strengthen and promote the Group compliance system.

7) The "Hitachi High-Tech 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 the 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.

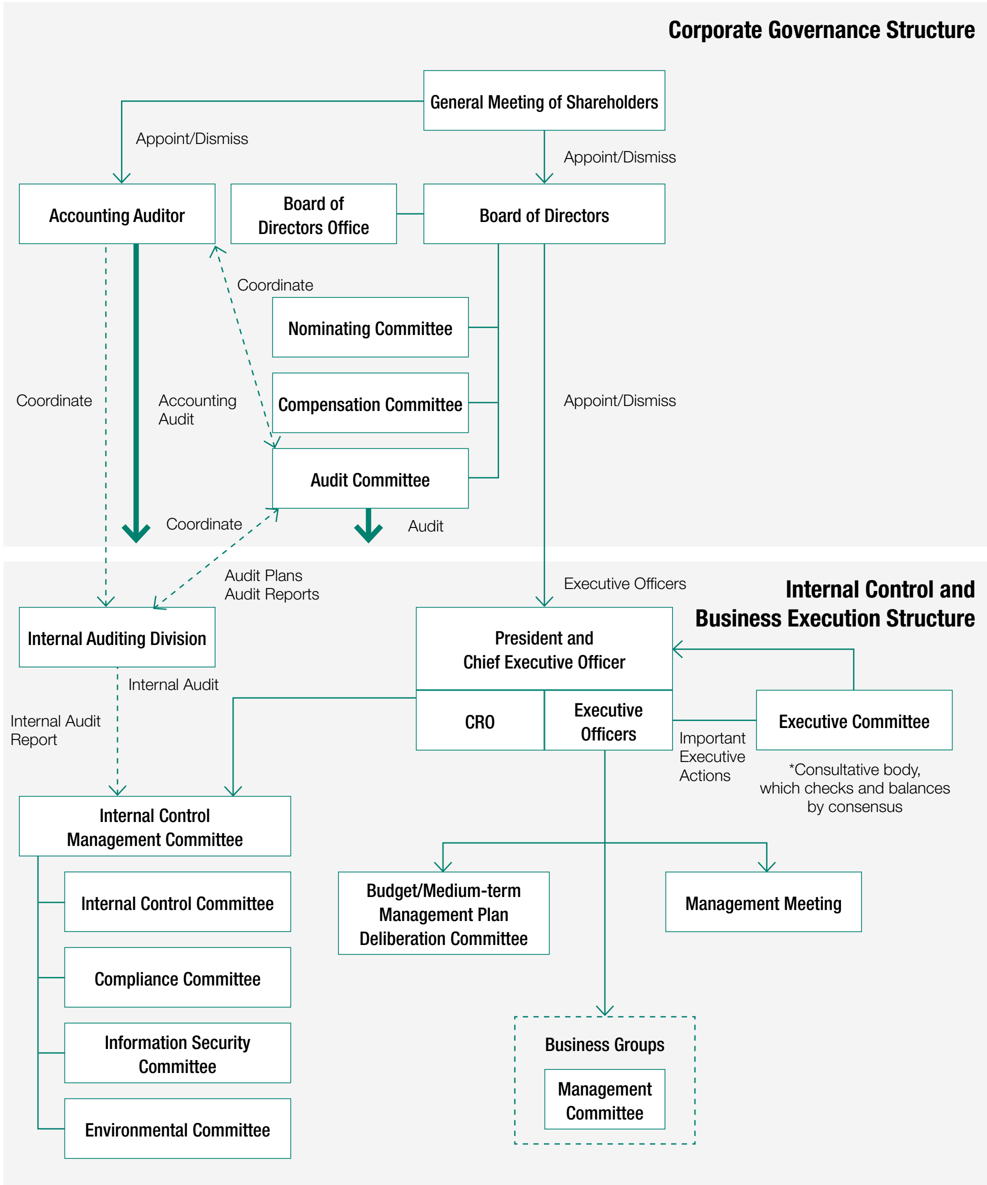
(2) Results of internal audits conducted by the Internal Auditing Division shall be reported without delay to members of the Audit Committee.

(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, 2014)

Chairman of the Board
Outside Director

Kazuhiro Mori

Member of Nominating Committee and Compensation Committee

Director
Representative Executive Officer, President and Chief Executive Officer

Masao Hisada

Member of Nominating Committee and Compensation Committee
Overall Management Execution

Director

Yoshikazu Dairaku

Member of Audit Commitee

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

Directors and Executive Officers

Senior Vice President and Executive Officer
Takashi Matsuzaka
R&D, Intellectual Property, New Business Creation, Service Business, CTO

Representative Executive Officer
Senior Vice President and Executive Officer
Toshio Kajimoto
Marketing & Sales Strategy, Science & Medical Systems, CMO

Senior Vice President and Executive Officer
Naoki Mitarai
Human Resources, CSR & Corporate Communication, Legal, Internal Control, Compliance & Risk Management, Environmental Management, Group Company Management, CHRO, CRO

Senior Vice President and Executive Officer
Masahiro Miyazaki
Corporate Strategy, Fine Technology Systems, CSO

Vice President and Executive Officer
Morihiro Nishida
IT Strategy, Smart Transformation Project Promotion, CIO

Vice President and Executive Officer
Shunichi Uno
Accounting & Finance, Trade Compliance Management, Internal Control and Investor Relations, CFO

Vice President and Executive Officer
Katsutaka Kimura
Electronic Device Systems

Vice President and Executive Officer
Hidenori Nagao
Trading

Executive Officers

Toshiyuki Ikeda
Science & Medical Systems

Junichi Hashimoto
Trading

Hiroshi Tajima
Trading

Ryuichi Nakashima
Internal Audit

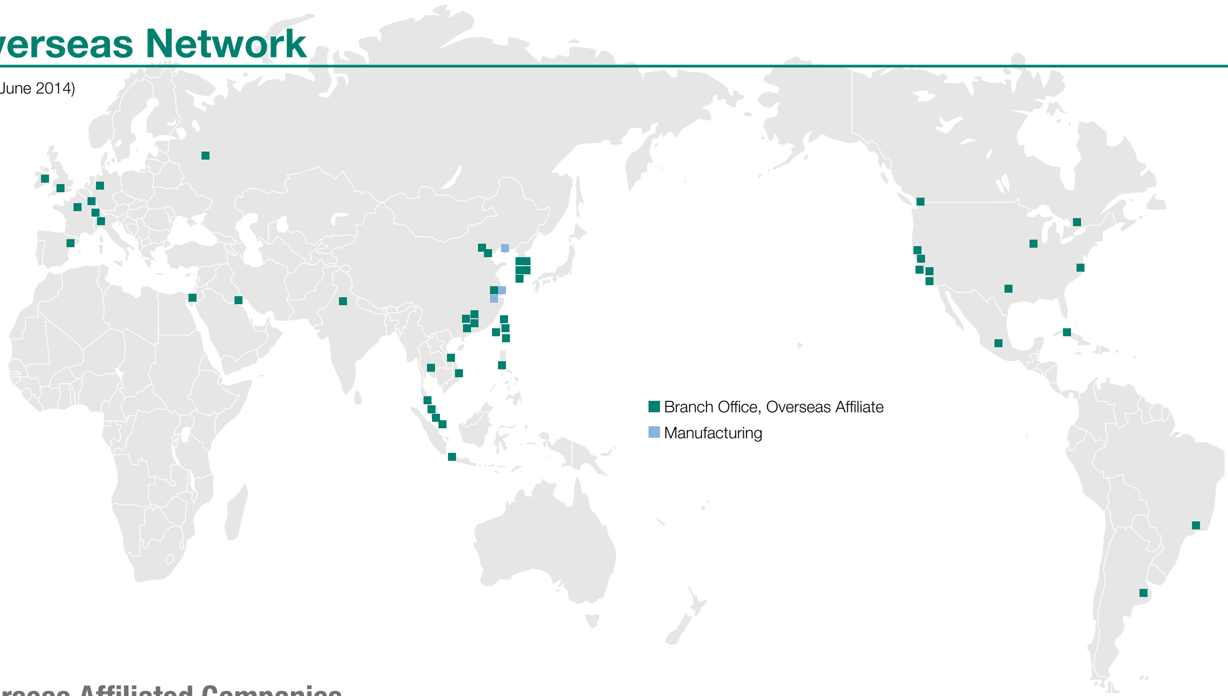
Hirohide Omoto
Electronic Device Systems

Joji Honda
Manufacturing, Procurement, Quality Assurance

CTO : Chief Technology Officer
CMO : Chief Marketing Officer
CHRO : Chief Human Resources Officer
CRO : Chief Risk management Officer
CSO : Chief Strategy Officer
CIO : Chief Information Officer
CFO : Chief Financial Officer

Overseas Network

(As of June 2014)



Overseas Network

■ North America

United States		
	Illinois	Chicago
	California	San Francisco
		Santa Clara
		Los Angeles
		Foster City
		San Jose
	Texas	Dallas
	Maryland	Clarksburg
	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

■ Asia

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

Hitach High-Tech AW Cryo, Inc.
Holding: 51%, (HTA) 15%, (Air Water Plant & Engineering Inc.) 34%
Capital: C$2.2 million
Address: Suite 1930, 777 Hornby, Vancouver B.C., V6Z 1S4, Canada

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 Mexico S.A. de C.V.
Holding: (HTA) 99.9%, (HTC) 0.1% **Capital:** Mex$3.9 million
Address: Andres Bello No. 10, Piso 10, Polanco Chapultepec, Distrito Federal 11560, Mexico

Hitachi High-Technologies do Brasil Ltda.
Holding: 100% **Capital:** R$3.25 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 RUS Limited Liability Company
Holding: 100% **Capital:** P30 million
Address: 26 Pravdy Street, Moscow 125040, Russian Federation

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

■ 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

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.

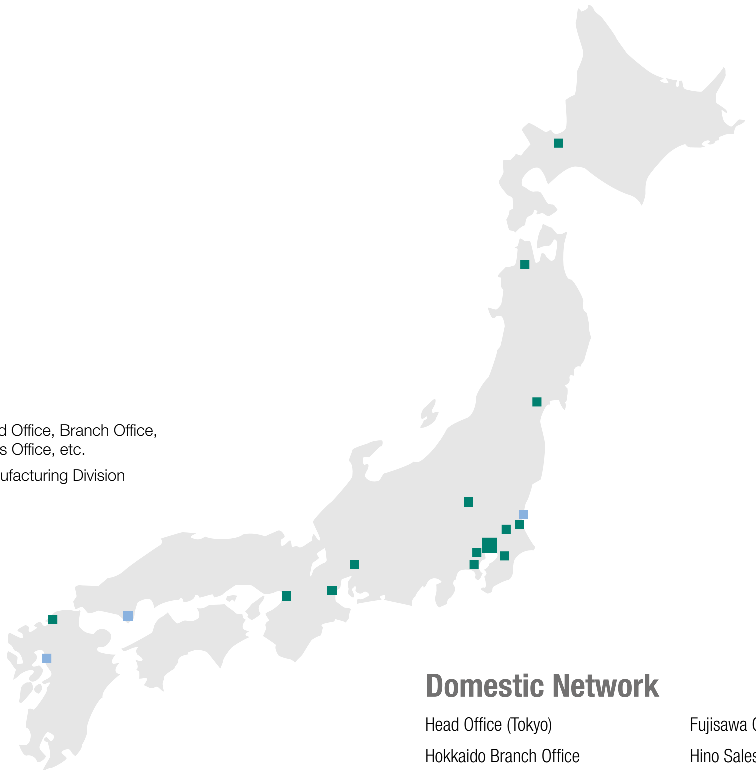
Hitachi Instruments (Dalian) Co., Ltd.
Holding: 60%, (Dalian Levear Electric Co., Ltd.) 40%
Capital: US$0.25 million
Address: No.15 Xinzhaizi East Street, Ganjingzi District, Dalian, Liaoning Province of P.R.C. 116033 (in Dalian Levear Electric Co., Ltd.)

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.

HHS : Hitachi High-Tech Science
HTA : Hitachi High Technologies America, Inc.
HTC : Hitachi High Technologies Canada, Inc.
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 2014)



■ Head Office, Branch Office, Sales Office, etc.
■ Manufacturing Division

Domestic Network

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

Domestic Affiliated Companies

Hitachi High-Tech Solutions

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

Hitachi High-Tech Materials

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

Hitachi High-Tech Support

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

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)

Hitachi High-Tech Fielding

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

Hitachi High-Tech Fine Systems

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

Hitachi High-Tech Manufacturing & Service

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

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

Epolead Service Inc.

Holding: (HHS) 100%
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 "To Consistently aim to be a Global Top in high-tech solutions."

2. OPERATING RESULTS

In fiscal 2013, the year ended March 31, 2014, consolidated net sales increased 11.1% year on year to ¥639,116 million. The Group recorded operating income of ¥30,431 million, up 60.6% year on year, and net income of ¥18,032 million, up 48.2%.

Electronic Device Systems

Sales of etching systems increased due to steady growth in investment by major primary customers. Sales of CD-Measurement SEMs increased on the back of strong investment in advanced logic and memory products in the Asian market, supported by sustained demand for mobile devices. In contrast, sales of chip mounters saw a sharp downturn, reflecting the impact of restrained capital investment by primary customers and other factors. As for die bonders, sales decreased slightly as investment by primary customers was slow to recover.

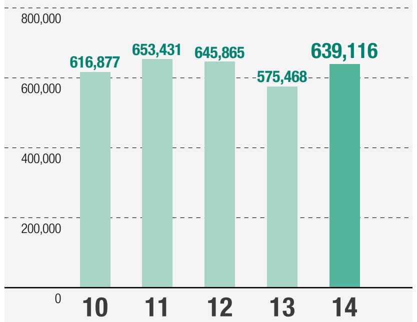
As a result, segment net sales were up 12.8% year on year to ¥117,263 million, and the segment recorded operating income of ¥20,500 million, up 59.8%.

Fine Technology Systems

In the field of FPD manufacturing equipment, sales increased as higher sales of manufacturing equipment for mobile devices were recorded in the Asian market. In terms of HD manufacturing equipment, sales decreased significantly mainly due to weakening demand for PCs as a result of growth in the market for mobile devices, including smartphones and tablets.

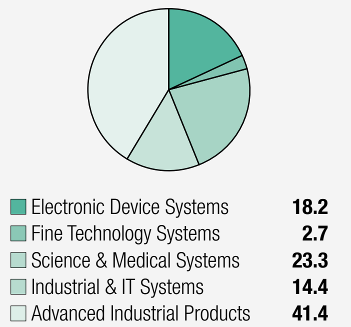
Net Sales

(millions of yen)



Segment Sales Ratio

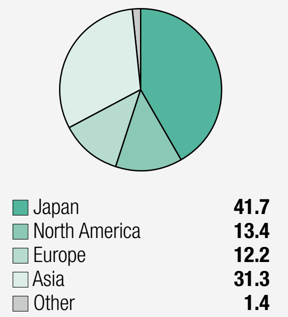
(%)



Note: Total does not include "Others & Adjustments"

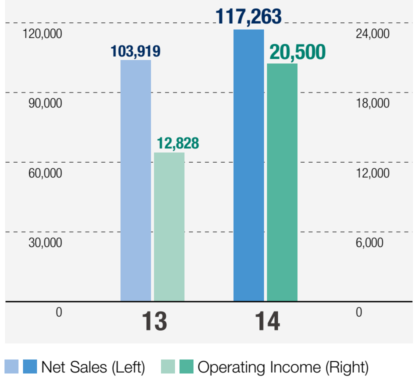
Domestic and Overseas Sales Ratio

(%)



Electronic Device Systems Net Sales/Operating Income

(millions of yen)



As a result, segment net sales increased 20.2% year on year to ¥17,218 million and the operating loss amounted to ¥7,219 million, compared to an operating loss of ¥5,729 million in the previous fiscal year.

Science & Medical Systems

Sales of analytical instruments, industrial measuring systems and electron microscopes increased, primarily reflecting the addition of Hitachi High-Tech Science Corporation to the Group as of January 1, 2013, as well as Japan's supplementary fiscal budgets and last-minute demand ahead of the increase in the consumption tax rate. Sales of clinical analyzers increased mainly owing to steady growth in emerging markets such as China, and to major orders in the European and U.S. markets.

As a result, segment net sales increased 13.1% year on year to ¥150,360 million and operating income increased 32.2% to ¥18,105 million.

Industrial & IT Systems

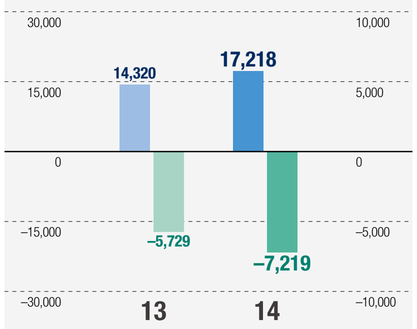
Sales of automated assembly systems decreased considerably due to sluggish investment in lithium-ion battery assembly equipment, reflecting the slower-than-anticipated inception of the electric vehicle market. Sales of components related to solar power generation increased, supported by active sales inquiries centered on Japan. In terms of hard disk drive-related products, sales decreased due mainly to intensified market competition and a shift to semiconductor memory products. Sales of communications-related equipment increased considerably, primarily reflecting the launch of new models of mobile phones for the U.S. market.

As a result, segment net sales decreased 0.8% year on year to ¥93,344 million, while operating income decreased 47.6% to ¥627 million.

Advanced Industrial Products

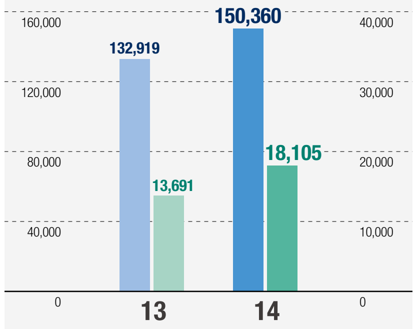
Sales of automobiles and transportation components & materials increased mainly in Japanese, the U.S. and Chinese markets. In electronic components & materials, sales of optical devices & materials grew steadily due to the construction of next-generation communications networks. With industrial components & materials, sales increased significantly of manufacturing facilities, components and materials for air conditioning for the private sector, due to launches of new plants in emerging countries for major customers.

Fine Technology Systems Net Sales/Operating Income (Loss)
(millions of yen)



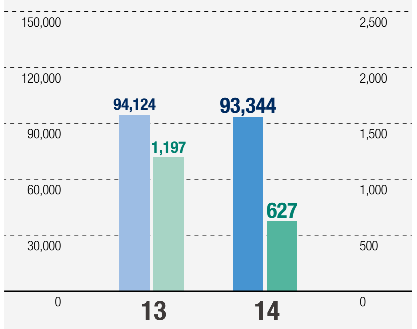
Net Sales (Left) Operating Income (Loss) (Right)

Science & Medical Systems Net Sales/Operating Income
(millions of yen)



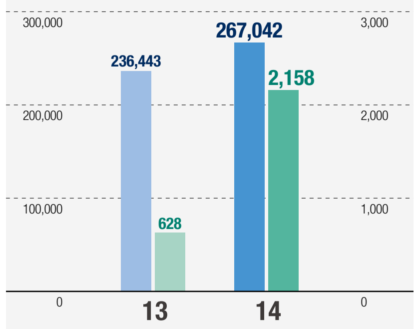
Net Sales (Left) Operating Income (Right)

Industrial & IT Systems Net Sales/Operating Income
(millions of yen)



Net Sales (Left) Operating Income (Right)

Advanced Industrial Products Net Sales/Operating Income
(millions of yen)



Net Sales (Left) Operating Income (Right)

As a result, segment net sales increased 12.9% year on year to ¥267,042 million and operating income increased 243.5% to ¥2,158 million.

Net Sales and Operating Income (Loss) by Segment

(millions of yen)

		2014	2013	Change (%)
Electronic Device Systems	Net Sales	117,263	103,919	12.8
	Operating Income	20,500	12,828	59.8
Fine Technology Systems	Net Sales	17,218	14,320	20.2
	Operating Income (Loss)	(7,219)	(5,729)	–
Science & Medical Systems	Net Sales	150,360	132,919	13.1
	Operating Income	18,105	13,691	32.2
Industrial & IT Systems	Net Sales	93,344	94,124	(0.8)
	Operating Income	627	1,197	(47.6)
Advanced Industrial Products	Net Sales	267,042	236,443	12.9
	Operating Income	2,158	628	243.5

Cost of Sales and Selling, General and Administrative Expenses

In fiscal 2013, the cost of sales increased by ¥45,152 million, or 9.6%, year on year to ¥515,752 million. The cost of sales ratio, meanwhile, improved 1.1 percentage points to 80.7%. This mainly reflected increased sales in the Electronic Device Systems and Science & Medical Systems segment, in which the Group mainly handles proprietary products.

In addition, selling, general and administrative (SG&A) expenses increased ¥7,016 million, or 8.2%, year on year to ¥92,933 million. The SG&A ratio improved 0.4 of a percentage point to 14.5%, mainly because of increased sales.

Operating Income

In fiscal 2013, operating income increased ¥11,480 million, or 60.6%, year on year, to ¥30,431 million. As a result, the operating income ratio improved 1.5 percentage points to 4.8%.

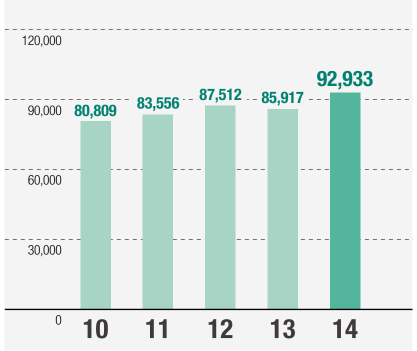
Other Income (Expenses) and Income before Income Taxes and Minority Interests

In fiscal 2013, other income (expenses) declined by ¥468 million from the other income (expenses) recorded in the previous fiscal year. This was mainly due to gain on sale of property, plant and equipment dropping by ¥546 million, gain on sale of investments in securities falling by ¥489 million, loss on disposal of property, plant and equipment declining by ¥136 million, reversal of allowance for doubtful accounts slumping by ¥176 million, and impairment losses worsening by ¥272 million, partially offset by business structure improvement expenses improving by ¥820 million and loss on cancellation of leasehold contracts improving by ¥558 million.

As a result of the above, income before income taxes and minority interests was ¥27,979 million, an increase of ¥11,012 million, or 64.9%, compared to the previous fiscal year. The ratio to net sales improved 1.5 percentage points to 4.4%.

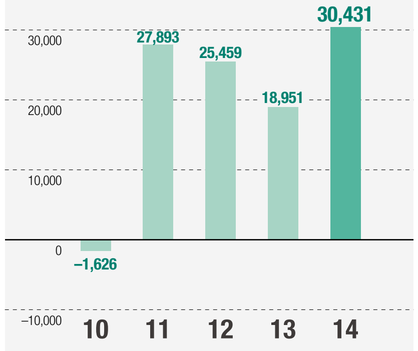
SG&A Expenses

(millions of yen)



Operating Income (Loss)

(millions of yen)



Income Taxes and Income before Minority Interests

Income taxes increased ¥5,010 million, or 108.0%, year on year, to ¥9,649 million. This mainly reflected a significant increase in taxable income.

As a result, income before minority interests for fiscal 2013 increased by ¥6,002 million, or 48.7%, to ¥18,330 million. The ratio to net sales improved 0.8 of a percentage point to 2.9%.

Minority Interests and Net Income

Minority interests rose ¥136 million, or 84.2%, year on year, to ¥298 million.

As a result, net income for fiscal 2013 was ¥18,032 million, up ¥5,866 million, or 48.2% from the previous fiscal year. The ratio to net sales was 2.8%, up 0.7 of a percentage point. Return on equity improved 2.3 percentage points to 7.0%, and net income per share increased ¥42.66 to ¥131.11.

3. FINANCIAL POSITION

Assets

Total assets at March 31, 2014 stood at ¥494,934 million, an increase of ¥61,295 million, or 14.1%, from a year earlier.

Current assets increased ¥46,408 million, or 14.0%, to ¥377,031 million. This primarily reflected an increase of ¥24,345 million, or 22.0%, in trade notes and accounts receivable in line with higher sales, and deposits to Hitachi Group cash management fund rising ¥15,098 million, or 15.6%, from use of the Hitachi Group's cash pooling system.

Property, plant and equipment increased ¥8,779 million, or 13.2%, to ¥75,110 million. This was mainly attributable to increases of ¥6,113 million, or 10.8% in buildings and structures and ¥4,097 million, or 10.4%, in machinery and equipment due mainly to the completion of construction of a new building at the Naka Division, and construction of demonstration centers and other buildings overseas.

Intangible assets decreased ¥963 million, or 6.9%, to ¥12,993 million. This mainly reflected a decrease of ¥668 million, or 14.1%, in goodwill due to amortization.

Investments and other assets increased ¥7,071 million, or 31.1%, to ¥29,800 million. This mainly reflected an increase of ¥8,625 million, or 151.9%, in deferred tax assets due to the adoption of revised retirement benefits accounting standards.

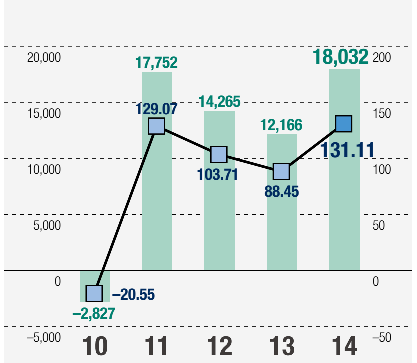
Liabilities

Total liabilities increased ¥55,516 million, or 33.4%, to ¥221,966 million.

Current liabilities increased ¥33,626 million, or 24.5%, to ¥170,891 million. This mainly reflected an increase of ¥21,257 million, or 25.2%, in trade notes and accounts payable in line with a higher amount of purchases tracking higher sales, and an increase of ¥10,860 million, or 106.6%, in advances received from customers.

Net Income (Loss)/ Net Income (Loss) per Share

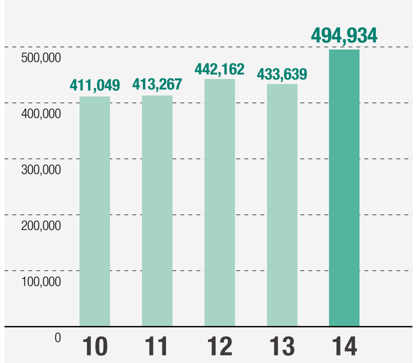
(millions of yen) (yen)



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

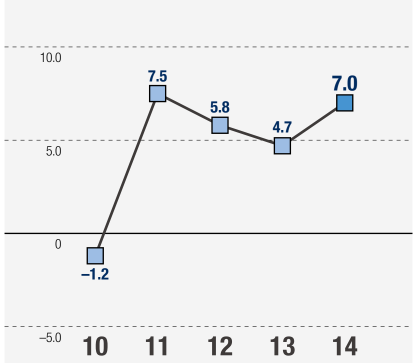
Total Assets

(millions of yen)



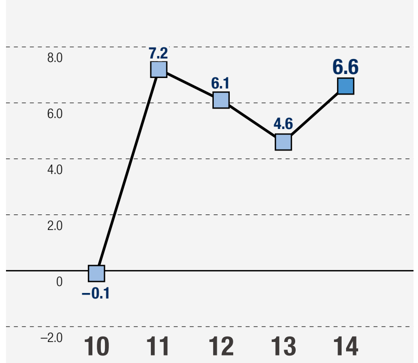
Return on Equity

(%)



Return on Assets

(%)



Long-term liabilities increased ¥21,890 million, or 75.0%, to ¥51,075 million. This was mainly due to an increase of ¥49,303 million in net defined benefit liability, despite a decrease of ¥26,535 million in accrued retirement and severance benefits in line with the adoption of revised retirement benefits accounting standards.

Net Assets

Net assets on March 31, 2014 stood at ¥272,968 million, an increase of ¥5,779 million, or 2.2%, from a year earlier.

Shareholders' equity was up ¥12,921 million, or 4.9%, year on year, at ¥276,751 million. This mainly reflected an increase of ¥12,928 million, or 5.9%, in retained earnings due to net income of ¥18,032 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 and a negative impact of ¥2,353 million from the early adoption of revised retirement benefits accounting standards.

Accumulated other comprehensive income was ¥–4,294 million, a decrease of ¥7,261 million from accumulated other comprehensive income recorded in the previous fiscal year. This was mainly due to ¥–11,910 million recorded in remeasurements of defined benefit plans in line with the adoption of revised retirement benefits accounting standards, which was partly offset by increases of ¥3,361 million in foreign currency translation adjustments due to the yen's depreciation.

Minority interests increased by ¥119 million, or 30.4%, compared to a year earlier, to ¥511 million.

As a result of the above, the equity ratio decreased 6.5 percentage points year on year to 55.0%, while net assets per share increased ¥41.19 to ¥1,981.00.

4. CASH FLOWS

Cash and cash equivalents at the end of the fiscal year increased ¥10,114 million to ¥133,599 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 ¥36,334 million, ¥25,360 million more than in the previous year. The main reasons behind this increase were an increase in income before income taxes and minority interests; cash provided as a result of changes in other assets and liabilities, such as advances received from customers, compared with cash used in the previous fiscal year; and a decrease in income taxes paid. These factors were partly offset by an increase in working capital used as a result of changes in trade notes and accounts receivable, inventories and trade notes and accounts payable.

Cash Flows from Investing Activities

Investing activities used net cash of ¥24,674 million, ¥20,250 million more than in the previous year. The main use of cash was for capital expenditures. Cash was also used as a result of changes in other short-term investments, compared with cash provided in the previous fiscal year.

As a result, free cash flows, the total of cash flows from operating activities and cash flows from investing activities, increased ¥5,110 million from the previous year to ¥11,660 million.

Cash Flows from Financing Activities

Financing activities used net cash of ¥4,664 million, ¥3,349 million less than a year earlier. The year on year decrease in cash flow was mainly attributable to a smaller decrease in short-term loans payable and a decrease in repayment of long-term loans payable.

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. R&D 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 2013 totaled ¥21,060 million.

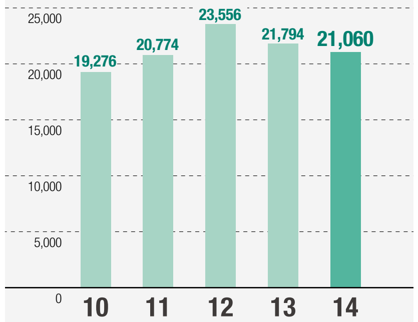
R&D Expenses by Segment

Electronic Device Systems	¥8,194 million
Fine Technology Systems	¥1,105 million
Science & Medical Systems	¥9,105 million
Industrial & IT Systems	¥316 million
Company-wide, Others	¥2,340 million

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.

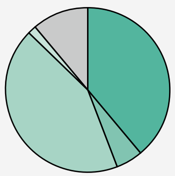
R&D Expenses

(millions of yen)



R&D Expenses by Segment Ratio

(%)



Electronic Device Systems	38.9
Fine Technology Systems	5.3
Science & Medical Systems	43.2
Industrial & IT Systems	1.5
Company-wide, Others	11.1

In fiscal 2013, the Group explored the feasibility of developing new businesses by implementing five “C (Challenge/Corporate) projects.” Meanwhile, on the technology development front, the Group is pushing ahead with development activities, spearheaded by Hitachi High-Tech's Research and Development Division, with the aim of bolstering existing businesses and new business creation.

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, 2014.

(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 the Group's 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 claims based on 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 2014

In the world economy, Europe is seeing business conditions bottom out on the whole due to a recovery in Western European countries. However, the European economic recovery is generally weak, mainly as a result of a protracted economic downturn in Southern European countries. Furthermore, emerging countries such as China are expected to see slower economic growth. Meanwhile, the U.S. is expected to undergo an economic recovery underpinned by improving employment and income levels, despite some concerns about the impact of the tapering of monetary easing policies. In Japan, the Bank of Japan continues to implement drastic monetary easing policies. Despite concerns about the immediate impact of increasing the consumption tax rate, the Japanese economy is expected to head toward recovery, supported by government economic stimulus measures and improving consumer sentiment in step with a recovery in corporate earnings.

Turning to the Company's operating environment, the market for semiconductor manufacturing equipment is forecast to remain strong due to investment in advanced logic and memory products for the market for mobile devices such as smartphones and tablets. In the science and medical systems market, private-sector demand for analytical instruments, industrial measuring systems and electron microscopes is expected to recover. In medical systems, while demand should remain firm in China and other emerging markets, the recovery in the European market is likely to be soft, and there are some concerns about the impact of the replacement demand from large customers seen in the previous fiscal year. In industrial & IT systems and advanced industrial products, although investments by customers and demand for raw materials and components have weakened due to slowing growth in emerging markets, investment in industrial infrastructure, social infrastructure, automobile and transportation machinery, and other fields is expected to grow going forward.

In Fine Technology Systems, we will strengthen our business infrastructure by positioning the social infrastructure business, built on our core technologies, as one of our flagship businesses.

Consequently, in fiscal 2014 we expect net sales to increase 3.3% year on year to ¥660,000 million, while we look for operating income to improve by 15.0% to ¥35,000 million, and net income to increase by 42.0% to ¥25,600 million.

CONSOLIDATED BALANCE SHEET

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
Assets	**2014**	2013	**2014**
Current assets:			
Cash (Notes 3 and 24)	**¥ 22,548**	¥ 21,088	**$ 219,086**
Trade notes and accounts receivable (Notes 5, 13 and 24)	**135,067**	110,722	**1,312,345**
Short-term investments (Notes 4 and 24)	**1,002**	85	**9,739**
Merchandise and finished goods	**34,930**	31,400	**339,387**
Work in process	**36,313**	34,661	**352,832**
Raw materials	**3,923**	4,189	**38,120**
Deferred tax assets (Note 6)	**9,974**	9,453	**96,906**
Advances to suppliers	**2,967**	2,553	**28,824**
Deposits to Hitachi Group cash management fund (Notes 3, 5 and 24)	**112,139**	97,041	**1,089,575**
Prepaid expenses and other current assets (Notes 3 and 5)	**18,654**	20,033	**181,254**
Less: allowance for doubtful receivables (Note 24)	**(486)**	(602)	**(4,725)**
Total current assets	**377,031**	330,623	**3,663,343**
Property, plant and equipment:			
Buildings and structures	**62,933**	56,820	**611,479**
Machinery and equipment	**43,498**	39,401	**422,637**
Tools, furniture and fixtures	**32,001**	32,466	**310,930**
Land	**21,703**	21,693	**210,868**
Construction in progress	**1,319**	2,252	**12,819**
	161,454	152,632	**1,568,733**
Less: accumulated depreciation	**(86,344)**	(86,301)	**(838,944)**
Net property, plant and equipment	**75,110**	66,331	**729,789**
Intangible assets	**12,993**	13,956	**126,245**
Investments and other assets:			
Investments in securities (Notes 4, 10, 11 and 24)	**11,928**	11,939	**115,893**
Long-term loan	**230**	122	**2,238**
Deferred tax assets (Note 6)	**14,305**	5,680	**138,992**
Other assets (Note 7)	**3,652**	5,312	**35,482**
Less: allowance for doubtful receivables	**(315)**	(324)	**(3,058)**
Total investments and other assets	**29,800**	22,729	**289,547**
Total assets	**¥494,934**	¥433,639	**$4,808,924**

See accompanying notes to consolidated financial statements

	Millions of yen		Thousands of U.S. dollars (Note 2)
Liabilities and net assets	**2014**	2013	**2014**
Current liabilities:			
Trade notes and accounts payable (Notes 11, 13 and 24)	**¥105,683**	¥ 84,426	**$1,026,848**
Short-term loans payable	**–**	1,650	**–**
Accrued income taxes (Note 6)	**8,069**	3,572	**78,402**
Accrued expenses	**19,822**	17,268	**192,601**
Advances received from customers (Note 5)	**21,048**	10,188	**204,508**
Accrued product warranty costs	**2,690**	2,431	**26,133**
Other current liabilities	**13,579**	17,730	**131,930**
Total current liabilities	**170,891**	137,265	**1,660,422**
Long-term liabilities:			
Deferred tax liabilities (Note 6)	**306**	1,329	**2,976**
Accrued retirement and severance benefits (Note 7)	**–**	26,535	**–**
Net defined benefit liability (Note 7)	**49,303**	–	**479,042**
Other liabilities	**1,466**	1,321	**14,248**
Total long-term liabilities	**51,075**	29,185	**496,266**
Total liabilities	**221,966**	166,450	**2,156,688**
Net assets:			
Shareholders' equity			
Common stock (Note 8)	**7,938**	7,938	**77,133**
Capital surplus (Notes 8 and 9)	**35,745**	35,745	**347,305**
Retained earnings (Note 9)	**233,402**	220,474	**2,267,803**
Treasury stock, at cost, 203,551 shares in 2014 and 200,583 shares in 2013	**(334)**	(327)	**(3,249)**
Total shareholders' equity	**276,751**	263,830	**2,688,992**
Accumulated other comprehensive income			
Net unrealized holding gains on securities	**5,743**	5,094	**55,806**
Net deferred losses on hedges	**(368)**	(1,007)	**(3,575)**
Foreign currency translation adjustments	**2,241**	(1,120)	**21,772**
Remeasurements of defined benefit plans	**(11,910)**	–	**(115,719)**
Total accumulated other comprehensive income	**(4,294)**	2,967	**(41,716)**
Minority interests	**511**	392	**4,960**
Total net assets	**272,968**	267,189	**2,652,236**
Commitments and contingent liabilities (Note 12)			
Total liabilities and net assets	**¥494,934**	¥433,639	**$4,808,924**

	Yen		U.S. dollars (Note 2)
	2014	2013	**2014**
Net assets per share (Note 14)	**¥1,981.00**	¥1,939.81	**$19.25**

CONSOLIDATED STATEMENT OF OPERATIONS

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Net sales (Note 5)	**¥639,116**	¥575,468	**$6,209,833**
Cost of sales (Notes 15 and 17)	**515,752**	470,600	**5,011,191**
Gross profit	**123,364**	104,868	**1,198,642**
Selling, general and administrative expenses (Notes 16 and 17)	**92,933**	85,917	**902,966**
Operating income	**30,431**	18,951	**295,676**
Other income (expenses)			
Interest and dividends income (Note 5)	**590**	662	**5,735**
Interest expense	**(56)**	(71)	**(546)**
Equity in losses of affiliates	**(59)**	–	**(575)**
Gain on sale of property, plant and equipment	**–**	546	**–**
Gain on sale of investments in securities (Note 4)	**4**	493	**41**
Loss on disposal of property, plant and equipment	**(484)**	(348)	**(4,700)**
Loss on devaluation of investments in securities	**(81)**	(4)	**(787)**
Foreign exchange gains, net	**145**	225	**1,410**
Reversal of allowance for doubtful accounts	**144**	320	**1,395**
Business structure improvement expenses (Note 20)	**(2,603)**	(3,423)	**(25,293)**
Impairment losses (Note 21)	**(443)**	(171)	**(4,303)**
Loss on cancellation of leasehold contracts	**–**	(558)	**–**
Other, net	**391**	345	**3,803**
	(2,452)	(1,984)	**(23,820)**
Income before income taxes and minority interests	**27,979**	16,967	**271,856**
Income taxes (Note 6)			
Current	**12,226**	4,790	**118,790**
Deferred	**(2,577)**	(151)	**(25,036)**
	9,649	4,639	**93,754**
Income before minority interests	**18,330**	12,328	**178,102**
Minority interests	**298**	162	**2,900**
Net income	**¥ 18,032**	¥ 12,166	**$ 175,202**

	Yen		U.S. dollars (Note 2)
Net income per share (Note 14)	**¥131.11**	¥88.45	**$1.27**

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Income before minority interests	¥18,330	¥12,328	$178,102
Other comprehensive income (Note 22)			
Net unrealized holding gains on securities	649	1,296	6,308
Net deferred gains (losses) on hedges	639	(729)	6,211
Foreign currency translation adjustments	3,442	4,072	33,435
Remeasurements of defined benefit plans	6,292	–	61,139
Total other comprehensive income	11,022	4,639	107,093
Comprehensive income	¥29,352	¥16,967	$285,195
Comprehensive income attributable to:			
Shareholders	¥29,037	¥16,776	$282,132
Minority interests	315	191	3,063

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, 2014 and 2013

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	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income	Minority interests	Total net assets
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
Balance at April 1, 2013	137,739	7,938	35,745	220,474	(327)	263,830	5,094	(1,007)	(1,120)	–	2,967	392	267,189
Cumulative effects of changes in accounting policies	–	–	–	(2,353)	–	(2,353)	–	–	(64)	(18,202)	(18,266)	–	(20,619)
Restated Balance at April 1, 2013	137,739	7,938	35,745	218,121	(327)	261,477	5,094	(1,007)	(1,184)	(18,202)	(15,299)	392	246,570
Net income	–	–	–	18,032	–	18,032	–	–	–	–	–	–	18,032
Cash dividends	–	–	–	(2,751)	–	(2,751)	–	–	–	–	–	–	(2,751)
Purchase of treasury stock	–	–	–	–	(7)	(7)	–	–	–	–	–	–	(7)
Sale of treasury stock	–	–	–	–	–	–	–	–	–	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	–	649	639	3,425	6,292	11,005	119	11,124
Balance at March 31, 2014	**137,739**	**¥7,938**	**¥35,745**	**¥233,402**	**¥(334)**	**¥276,751**	**¥5,743**	**¥ (368)**	**¥ 2,241**	**¥(11,910)**	**¥ (4,294)**	**¥511**	**¥272,968**

Thousands of U.S. dollars (Note 2)

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income	Minority interests	Total net assets
Balance at April 1, 2013	137,739	$77,133	$347,305	$2,142,188	$(3,181)	$2,563,445	$49,498	$(9,786)	$(10,874)	$ –	$ 28,838	$3,805	$2,596,088
Cumulative effects of changes in accounting policies	–	–	–	(22,859)	–	(22,859)	–	–	(628)	(176,858)	(177,486)	–	(200,345)
Restated Balance at April 1, 2013	137,739	77,133	347,305	2,119,329	(3,181)	2,540,586	49,498	(9,786)	(11,502)	(176,858)	(148,648)	3,805	2,395,743
Net income	–	–	–	175,202	–	175,202	–	–	–	–	–	–	175,202
Cash dividends	–	–	–	(26,728)	–	(26,728)	–	–	–	–	–	–	(26,728)
Purchase of treasury stock	–	–	–	–	(68)	(68)	–	–	–	–	–	–	(68)
Sale of treasury stock	–	–	–	–	–	–	–	–	–	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	–	6,308	6,211	33,274	61,139	106,932	1,155	108,087
Balance at March 31, 2014	**137,739**	**$77,133**	**$347,305**	**$2,267,803**	**$(3,249)**	**$2,688,992**	**$55,806**	**$(3,575)**	**$ 21,772**	**$(115,719)**	**$ (41,716)**	**$4,960**	**$2,652,236**

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 27,979	¥ 16,967	$ 271,856
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	9,365	7,823	90,989
Impairment losses	443	171	4,303
Amortization of goodwill	668	428	6,495
Decrease in allowance for doubtful receivables	(150)	(913)	(1,461)
Increase (decrease) in accrued product warranty costs	110	(236)	1,066
Decrease in accrued retirement and severance benefits	–	(165)	–
Increase in net defined benefit liability	2,067	–	20,080
Interest and dividends income	(590)	(662)	(5,735)
Interest expense	56	71	546
Foreign exchange losses, net	108	115	1,046
Loss (gain) on sale and disposal of property, plant and equipment, and intangible assets	350	(309)	3,399
Loss (gain) on sale and devaluation of securities	77	(489)	747
Equity in losses of affiliates	59	–	575
(Increase) decrease in trade notes and accounts receivable	(21,042)	26,577	(204,455)
(Increase) decrease in inventories	(4,114)	283	(39,972)
Increase (decrease) in trade notes and accounts payable	17,316	(27,130)	168,245
(Increase) decrease in other assets	(642)	935	(6,227)
Increase (decrease) in other liabilities	9,434	(1,517)	91,669
Impairment losses included in business structure improvement expenses	535	264	5,196
Other, net	14	(1)	142
	42,043	22,212	408,504
Interest and dividends received	597	658	5,803
Interest paid	(35)	(35)	(338)
Income taxes paid	(6,271)	(11,861)	(60,934)
Net cash provided by operating activities	36,334	10,974	353,035

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Cash flows from investing activities:			
Payments into time deposits	(0)	(28)	(3)
Proceeds from withdrawal of time deposits	26	–	249
Capital expenditures	(18,714)	(12,059)	(181,831)
Proceeds from sale of property and equipment	74	959	716
Purchases of securities	(73)	(100)	(713)
Proceeds from sale and redemption of securities	149	2,205	1,450
Net payment for purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(6,277)	–
Purchase of membership	–	(11)	–
Proceeds from sale of membership	3	1	28
Deposits to Hitachi Group cash management fund with maturity over three months	(18,700)	(26,100)	(181,695)
Withdrawals from Hitachi Group cash management fund with maturity over three months	12,700	37,100	123,397
Other, net	(139)	(114)	(1,335)
Net cash used in investing activities	(24,674)	(4,424)	(239,737)
Cash flows from financing activities:			
Decrease in short-term loans payable	(1,650)	(4,000)	(16,032)
Repayment of long-term loans payable	–	(1,221)	–
Dividends paid	(2,754)	(2,752)	(26,756)
Dividends paid to minority shareholders	(210)	(24)	(2,038)
Other, net	(50)	(16)	(493)
Net cash used in financing activities	(4,664)	(8,013)	(45,319)
Effect of exchange rate changes on cash and cash equivalents	3,118	3,350	30,293
Net increase in cash and cash equivalents	10,114	1,887	98,272
Cash and cash equivalents at beginning of year	123,485	121,598	1,199,812
Cash and cash equivalents at end of year (Note 3)	¥133,599	¥123,485	$1,298,084

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 and Investments in Affiliates

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.

Investments in affiliated companies, where the Company has the ability to exercise significant influence over operational and financial policies generally by holding 20% - 50% ownership, are accounted for under the equity method. Investment where the Company does not have significant influence are accounted for under the cost method.

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.

(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) Retirement Benefits

The retirement benefit obligation for employees is attributed to each period by the benefit formula basis over the estimated years of service of the eligible employees.

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.

(Changes in accounting policies due to changes in accounting standards)

As the "Accounting Standard for Retirement Benefits" and the "Guidance on Accounting Standard for Retirement Benefits" issued by the Accounting Standards Board of Japan became applicable from the beginning of the year ended March 31, 2014 onwards, the Company and its consolidated subsidiaries have applied these accounting standards since the fiscal year ended March 31, 2014. In line with this, the retirement and severance benefit liabilities are now calculated as net defined benefit liability which is the amount of retirement and severance benefits deducting pension assets. In addition, the unrecognized actuarial gain or loss and unrecognized prior service costs are calculated in the liablity. Furthermore, the method of calculation for retirement and severance benefit liabilities and service cost was reviewed and the method of attributing expected benefits to periods was changed from the straight-line basis to the benefit formula basis, and the method for calculating the discount rate was also changed.

Moreover, in accordance with transitional treatment determined by article 37 of the Accounting Standard for Retirement Benefits, the impact of the net defined benefit liability calculated by deducting pension assets from the retirement and severance benefit liablities was added to/deducted from remeasurements of defined benefit plans of accumulated other comprehensive income from the beginning of the year ended March 31, 2014. In addition, the impact associated with changing methods of calculation of retirement and severance benefit liability and service cost was added to/deducted from retained earnings.

As a result, at the beginning of the year ended March 31, 2014, the net defined benefit liability was recognized in the amount of ¥31,957 million ($310,499 thousand), the accumulated other comprehensive income decreased by ¥18,267 million ($177,486 thousand), and the retained earnings decreased by ¥2,353 million ($22,859 thousand). The impact on the consolidated statement of operations for the year ended March 31, 2014 was minimal.

The impact on amount per share is shown in “Amount Per Share.”

(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. 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 ¥102.92 = $1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2014. This translation should not be construed as a representation that any amounts shown could be converted into U.S. dollars.

3. CASH AND CASH EQUIVALENTS

Reconciliations between consolidated balance sheet captions and cash and cash equivalents as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash	¥ 22,548	¥ 21,088	$ 219,086
Time deposits with maturity over three months	(0)	(28)	(3)
Deposits to Hitachi Group cash management fund	112,139	97,041	1,089,575
Deposits to Hitachi Group cash management fund with maturity over three months	(14,000)	(8,000)	(136,028)
Other deposits in other current assets	12,912	13,384	125,454
Cash and cash equivalents	¥133,599	¥123,485	$1,298,084

4. SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

Investments in securities as of March 31, 2014 and 2013 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
				2014				2013
	Cost	Gross gains	Gross losses	Aggregate fair value	Cost	Gross gains	Gross losses	Aggregate fair value
Available-for-sale securities:								
Equity securities	**¥ 902**	**¥8,873**	**¥(8)**	**¥ 9,767**	¥ 853	¥7,854	¥–	¥ 8,707
Debt securities	**3,003**	**48**	**–**	**3,051**	3,009	50	–	3,059
Other securities	**–**	**–**	**–**	**–**	85	–	–	85
	¥3,905	**¥8,921**	**¥(8)**	**¥12,818**	¥3,947	¥7,904	¥–	¥11,851

				Thousands of U.S. dollars
				2014
	Cost	Gross gains	Gross losses	Aggregate fair value
Available–for–sale securities:				
Equity securities	**$ 8,765**	**$86,216**	**$(80)**	**$ 94,901**
Debt securities	**29,174**	**471**	**–**	**29,645**
Other securities	**–**	**–**	**–**	**–**
	$37,939	**$86,687**	**$(80)**	**$124,546**

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, 2014 amounted to ¥135 million ($1,308 thousand), and the gross realized gains on the sales of those securities for the year ended March 31, 2014 amounted to ¥4 million ($41 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, 2013 amounted to ¥720 million and the gross realized gains on the sales of those securities for the year ended March 31, 2013 amounted to ¥493 million.

For the years ended March 31, 2014 and 2013, the Company recorded an impairment loss of ¥81 million ($787 thousand) and ¥4 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.

5. 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, 2014 and 2013 are summarized as follows:

Balances and Transactions with Hitachi, Ltd.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Balances:			
Trade accounts receivable	¥ –	¥ 4,846	$ –
Deposits to Hitachi Group cash management fund	112,139	97,041	1,089,575
Other current assets	16	16	159
Advances received from customers	–	146	–
Transactions:			
Sales	¥ –	¥22,913	$ –
Cash deposits (withdrawals), net	15,098	(1,790)	146,698
Interest income	211	316	2,050

Balances and Transactions with Hitachi Europe Ltd.

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balances:		
Other current assets	¥7,030	$68,304
Transactions:		
Cash deposits, net	¥2,976	$28,917
Interest income	7	70

Balances and Transactions with Hitachi America Capital, Ltd.

	Millions of yen
	2013
Balances:	
Other current assets	¥ 5,173
Transactions:	
Cash (withdrawals), net	¥(8,389)
Interest income	24

6. 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:

	2014	2013
Statutory tax rates	38.0%	38.0%
Expenses not deductible for tax purpose	1.7	2.5
Tax credit	(8.7)	(2.9)
Valuation allowance	0.8	0.9
Different tax rates of foreign subsidiaries	(3.0)	(3.6)
Effect of changes in tax laws and rates in Japan	1.7	–
Effect of introduction of the consolidated taxation system	–	(5.5)
Influence of the change in judgement about the realizability of deferred tax assets	2.1	–
Other, net	1.9	(2.1)
Effective income tax rates	34.5%	27.3%

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, 2014 and 2013 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Total gross deferred tax assets:			
Allowance for doubtful receivables	¥ 143	¥ 216	$ 1,392
Accrued bonus	3,322	3,048	32,280
Accrued business tax	860	121	8,359
Accrued expenses	387	300	3,759
Intercompany profit on inventories	1,574	1,466	15,294
Devaluation of inventories	1,783	2,201	17,327
Accrued product warranty costs	897	718	8,711
Depreciation	1,357	725	13,188
Membership deposit	267	273	2,594
Investments in securities	400	403	3,887
Impairment losses	1,193	1,105	11,592
Accrued retirement and severance benefits	–	8,383	–
Net defined benefit liability	17,354	–	168,620
Tax loss carryforwards	5,691	4,714	55,296
Valuation difference on business combination	465	478	4,513
Other	2,873	3,040	27,907
	38,566	27,191	374,719
Less valuation allowance	(9,256)	(8,183)	(89,938)
	29,310	19,008	284,781
Total gross deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries	(165)	(194)	(1,605)
Net unrealized holding gains on securities	(3,170)	(2,810)	(30,801)
Tax purpose reserve for fixed assets	(819)	(834)	(7,958)
Valuation difference on business combination	(990)	(1,121)	(9,618)
Other	(193)	(245)	(1,877)
	(5,337)	(5,204)	(51,859)
Net deferred tax assets	¥23,973	¥13,804	$232,922

Net deferred tax assets as of March 31, 2014 and 2013 are reflected in the consolidated balance sheet under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets—current	¥ 9,974	¥ 9,453	$ 96,906
Deferred tax assets—noncurrent	14,305	5,680	138,992
Deferred tax liabilities—noncurrent	306	1,329	2,976
Net deferred tax assets	¥23,973	¥13,804	$232,922

Adjustment of deferred tax assets and deferred tax liabilities due to change of statutory tax rate

Following the promulgation on March 31, 2014 of the "Act for Partial Revision of the Income Tax Act etc." (Act No. 10 of 2014), the Company is no longer subject to the Special Reconstruction Income Tax effective for fiscal years beginning on or after April 1, 2014, the effective corporate tax rate used to calculate the Company's deferred tax assets and liabilities was changed from 38.0% to 35.6% for the temporary differences expected to be reversed and net operating loss carryforwards expected to be realized or settled from in the fiscal years beginning on or after April 1, 2014.

As a result, net deferred tax assets and net deferred losses on hedges decreased by ¥489 million ($4,748 thousand) and ¥13 million ($126 thousand), respectively, and deferred income taxes increased by ¥476 million ($4,622 thousand).

7. RETIREMENT BENEFIT PLANS

For the year ended March 31, 2014

The Company and some 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)

Defined Benefit Plans

The changes in the retirement benefit obligation during the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Retirement benefit obligation at April 1, 2013	¥124,816	$1,212,749
Cumulative effects of changes in accounting policies	3,585	34,836
Restated retirement benefit obligation at April 1, 2013	128,401	1,247,585
Service cost	5,092	49,478
Interest cost	1,592	15,472
Actuarial gain	(3,552)	(34,511)
Retirement benefit paid	(5,299)	(51,485)
Other	613	5,947
Retirement benefit obligation at March 31, 2014	¥126,847	$1,232,486

The changes in plan assets during the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Plan assets at April 1, 2013	¥71,472	$694,439
Expected return on plan assets	1,991	19,343
Actuarial gain	2,828	27,474
Contributions by the Company	4,541	44,123
Retirement benefits paid	(3,721)	(36,151)
Other	434	4,217
Plan assets at March 31, 2014	¥77,545	$753,445

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2014 for the Company's and its consolidated subsidiaries' defined benefit plans:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligation	¥106,692	$1,036,650
Plan assets at fair value	(77,545)	(753,445)
	29,147	283,205
Unfunded retirement benefit obligation	20,156	195,837
Net defined benefit liability in the balance sheet	¥ 49,303	$ 479,042

The components of retirement benefit expense for the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥ 5,092	$ 49,478
Interest cost	1,592	15,472
Expected return on plan assets	(1,990)	(19,343)
Amortization of actuarial loss	3,986	38,731
Amortization of prior service cost	(496)	(4,820)
Retirement benefit expense	¥ 8,184	$ 79,518

In addition to the expense above, extra retirement payments amounting to ¥2,684 million ($26,077 thousand) were recorded for the year ended March 31, 2014.

Prior service cost and actuarial loss included in other comprehensive income (before tax effect) for the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Prior service cost	¥ (496)	$ (4,820)
Actuarial loss	10,365	100,711
Total	¥ 9,869	$ 95,891

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized prior service cost	¥ 2,421	$ 23,530
Unrecognized actuarial loss	(20,850)	(202,588)
Total	¥(18,429)	$(179,058)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 are as follows:

	2014
Bonds	32%
Stocks	23%
Other	45%
Total	100%

The expected return on assets has been estimated based on the anticipated allocation to asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans are as follows:

	2014
Discount rates	0.8–1.6%
Expected rates of return on plan assets	2.5%

Defined Contribution Plans

The amount of cost recognized for some of the consolidated subsidiaries' contribution to the plans for the year ended March 31, 2014 was ¥466 million ($4,529 thousand).

For the year ended March 31, 2013

The Company and some 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 are summarized as follows:

	Millions of yen
	2013
Projected benefit obligation	¥(124,816)
Plan assets at fair value	71,472
Funded status	(53,344)
Unrecognized actuarial loss	31,288
Unrecognized prior service cost	(2,917)
Amounts recognized in the consolidated balance sheet	¥ (24,973)
Amounts recognized in the consolidated balance sheet consist of:	
Investments and other assets—other assets	¥ 1,562
Accrued retirement and severance benefits	(26,535)
	¥ (24,973)

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

	Millions of yen
	2013
Service cost	¥ 4,362
Interest cost	2,453
Expected return on plan assets	(1,714)
Amortization of unrecognized actuarial loss	3,769
Amortization of unrecognized prior service cost	(504)
	8,366
Other, net	244
	¥ 8,610

Other, net includes contributions to defined contribution pension plan.

In addition to the cost above, extra retirement payments amounting to ¥3,471 million were recorded for the year ended March 31, 2013.

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

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

8. 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, 2014 and 2013 are summarized as follows:

	Number of Shares	
	2014	2013
Authorized shares	**350,000,000**	350,000,000
Issued and outstanding shares	**137,738,730**	137,738,730

9. 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, 2014 and 2013 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 ¥20.00 ($0.19) per share approved at the Board of Directors' meeting held on May 23, 2014, aggregating ¥2,751 million ($26,727 thousand) in respect of the year ended March 31, 2014.

10. INVESTMENTS IN AFFILIATES

Investments in affiliates as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Investments in securities (equity securities)	¥39	–	$378

11. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Investments in securities	¥24	¥25	$236

Related debts secured with the above assets at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Trade accounts payable	¥10	¥8	$97

12. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2014 and 2013, the Company and its subsidiaries are contingently liable for following amounts:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Export bills discounted	¥ 27	¥125	$ 260
Trade notes receivable endorsed to suppliers	92	51	897
Guarantees given for employees' housing loans	253	327	2,461
Guarantees given for Hitachi Instrument (Suzhou), Ltd.'s office rental	–	11	–
	¥372	¥514	$3,618

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
	2014	2013	2014
Trade notes receivable	–	¥1,278	–
Trade notes payable	–	¥ 10	–

14. 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, 2014 and 2013.

Net income per share computed for the years ended March 31, 2014 and 2013 are as follows:

	Number of shares	
	2014	2013
Weighted average number of shares on which basic net income per share is calculated	137,536,638	137,538,609

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net income	¥18,032	¥12,166	$175,202
Net income attributable to common shareholders	18,032	12,166	175,202

	Yen		U.S. dollars
	2014	2013	2014
Net income per share:			
Basic	¥131.11	¥88.45	$1.27

Net assets per share computed as of March 31, 2014 and 2013 are as follows:

	Number of shares	
	2014	2013
Number of shares on which net assets per share is calculated	137,535,179	137,538,147

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Total net assets	¥272,968	¥267,189	$2,652,236
Amounts deducted from total net assets:			
Minority interests	511	392	4,960
Net assets attributable to common shareholders	¥272,457	¥266,797	$2,647,276

	Yen		U.S. dollars
	2014	2013	2014
Net assets per share	¥1,981.00	¥1,939.81	$19.25

As described in "Basis of Presentation and Summary of Significant Accounting Policies (j) Retirement Benefits", the Company and its consolidated subsidiaries have applied the "Accounting Standard for Retirement Benefits" and followed transitional treatment determined by its article 37.

As a result, net assets per share as of March 31, 2014 decreased by ¥119.79 ($1.16). The impact on net income per share for the year ended March 31, 2014 was minimal.

15. 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, 2014 and 2013 is ¥(10) million ($(94) thousand) and ¥1,724 million, respectively.

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The major components of selling, general and administrative expenses for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Salaries	¥24,200	¥21,725	$235,130
Employees' bonuses	7,278	6,697	70,715
Retirement benefit expenses	5,327	4,810	51,760
Research and development expenses	18,094	19,140	175,810

17. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income for the years ended March 31, 2014 and 2013 amounted to ¥21,060 million ($204,626 thousand) and ¥21,794 million, respectively.

18. 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, 2014 and 2013 are as follows:

	Millions of yen					
	2014			2013		
	Notional amounts	Estimated fair values	Unrealized gains (losses)	Notional amounts	Estimated fair values	Unrealized losses
Forward exchange contracts:						
To sell foreign currency	¥12,278	¥(243)	¥(243)	¥13,292	¥(867)	¥(867)
To buy foreign currency	5,570	3	3	3,834	(109)	(109)

	Thousands of U.S. dollars		
	2014		
	Notional amounts	Estimated fair values	Unrealized gains (losses)
Forward exchange contracts:			
To sell foreign currency	$119,298	$(2,366)	$(2,366)
To buy foreign currency	54,115	29	29

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, 2014 and 2013 are as follows:

	Millions of yen					
	2014			2013		
	Notional amounts	Estimated fair values	Unrealized losses	Notional amounts	Estimated fair values	Unrealized gains (losses)
Forward exchange contracts:						
To sell foreign currency	¥21,429	¥(556)	¥(556)	¥19,459	¥(1,614)	¥(1,614)
To buy foreign currency	3,280	(15)	(15)	2,085	14	14

	Thousands of U.S. dollars		
	2014		
	Notional amounts	Estimated fair values	Unrealized losses
Forward exchange contracts:			
To sell foreign currency	$208,208	$(5,403)	$(5,403)
To buy foreign currency	31,867	(141)	(141)

19. 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, 2014 and 2013 are ¥766 million ($7,440 thousand) and ¥378 million due within one year, ¥2,402 million ($23,340 thousand) and ¥1,733 million due after one year, respectively.

20. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

In the fiscal year ended March 31, 2014, business structure improvement expenses were caused by the business structural reform of consolidated subsidiaries.

Breakdown:	Premium severance payments	¥2,068 million ($20,097 thousand)
	Impairment losses (*)	535 million (5,196 thousand)
	Total	¥2,603 million ($25,293 thousand)

(*) Impairment Losses

Location	Purpose	Type	Impairment Loss
Hitachi High-Tech Fine Systems Corporation	FPD manufacturing equipment	Buildings, machinery and equipment, tools, furniture and fixtures, software	¥535 million ($5,196 thousand)
Total			¥535 million ($5,196 thousand)

The book value of the assets was 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 FPD manufacturing equipment. The book value was fully written off as impairment losses due to the lack of prospects for generating sufficient cash flow in the future.

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

Breakdown:	Premium severance payments	¥3,009 million
	Impairment losses due to held for disposal (*)	264 million
	Relocation expenses due to integration of business location	150 million
	Total	¥3,423 million

(*) Impairment Losses

Location	Purpose	Type	Impairment Loss
Former Saitama Division of the Company	Assets held for disposal	Machinery and equipment, automotive equipment, tools, furniture and fixtures	¥264 million
Total			¥264 million

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

21. 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, 2014, the Company and its consolidated subsidiaries recognized impairment losses for the following assets:

Location	Purpose	Type	Impairment Loss
Head office of the Company	Assets held for disposal	Machinery and equipment, other	¥85 million ($828 thousand)
Head office of the Company	Assets held for disposal	Buildings, land	¥349 million ($3,391 thousand)
Other	Assets held for disposal	Buildings	¥9 million ($84 thousand)
Total			¥443 million ($4,303 thousand)

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

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
Former Shonan Division of the Company	Idle assets	Buildings, land	¥103 million
Other	Assets held for disposal	Buildings, structures, machinery and equipment, tools, furniture and fixtures	¥8 million
Total			¥171 million

Regarding assets held for disposal, the difference between the net selling price and their book value was written off as impairment losses. This was because they were no longer serving their previous usage and recovery of investment cost could 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 was written off as impairment losses. An appraisal obtained from a real estate appraiser was used for measuring the net selling price.

22. 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, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Net unrealized holding gains on securities:			
Amount arising during the year	**¥ 1,009**	¥ 2,499	**$ 9,806**
Reclassification adjustments	**–**	(481)	**–**
Amount before tax effect	**1,009**	2,018	**9,806**
Tax effect	**(360)**	(722)	**(3,498)**
Total	**¥ 649**	¥ 1,296	**$ 6,308**
Net deferred gains (losses) on hedges:			
Amount arising during the year	**¥ (2,545)**	¥(1,228)	**$ (24,724)**
Reclassification adjustments	**3,590**	63	**34,881**
Amount before tax effect	**1,045**	(1,165)	**10,157**
Tax effect	**(406)**	436	**(3,946)**
Total	**¥ 639**	¥ (729)	**$ 6,211**
Foreign currency translation adjustments:			
Amount arising during the year	**¥ 3,442**	¥ 4,072	**$ 33,435**
Remeasurements of defined benefit plans:			
Amount arising during the year	**¥ 6,379**	–	**$ 61,980**
Reclassification adjustments	**3,490**	–	**33,911**
Amount before tax effect	**9,869**	–	**95,891**
Tax effect	**(3,577)**	–	**(34,752)**
Total	**¥ 6,292**	–	**$ 61,139**
Total other comprehensive income	**¥11,022**	¥ 4,639	**$107,093**

23. BUSINESS COMBINATION

Business combination for the year ended March 31, 2014 is as follows:

Common Control Transactions

(a) Overview of Business Combination

1. Fine Technology Systems Business

1) The Name of Combined Business and Business Contents:

Name: Fine Technology Systems Business of the Company

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

2) Date of Business Combination: April 1, 2013

3) Legal Form of the Business Combination: Transfer of business of Fine Technology Systems Business of the Company to Hitachi High-Tech Engineering Service Corporation

4) Company Name after Business Combination: Hitachi High-Tech Fine Systems Corporation (Hitachi High-Tech Engineering Service Corporation changed its name to Hitachi High-Tech Fine Systems Corporation)

5) Matters Concerning Outline of Other Transactions: The Fine Technology Systems Business, a part of the Company's product division, has been expanding into the areas of environment, new energy and social innovation, in addition to the growth area of next-generation electronics, and by leveraging its unique business creation ability, has been promoting production solution-type businesses development.

This transfer of business and reorganization was conducted with the aim of accelerating the realization of these growth strategies.

2. Scientific Instruments Business

1) The Name of Combined Business and Business Contents:

Name: analytical instruments business of the Company and Hitachi High-Tech Control Systems Corporation

Business Contents: Design and domestic sales functions of the analytical instruments business including spectroanalysis and liquid chromatographs

2) Date of Business Combination: October 1, 2013

3) Legal Form of the Business Combination: Company split in which the Company and Hitachi High-Tech Control Systems Corporation are the split companies, and Hitachi High-Tech Science Corporation is the successor company

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

5) Matters Concerning Outline of Other Transactions: This company split was conducted with the aim of accelerating the early maximization of synergy between the analytical instruments business held by the Company and Hitachi High-Tech Control Systems Corporation, which includes spectroanalysis and liquid chromatographs, and analytical instruments business held by Hitachi High-Tech Science Corporation, which includes thermal analysis and florescent X-ray analysis.

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

3. Control Systems Business

1) The Name of Combined Business and Business Contents:

Name: Control Systems Business of Hitachi High-Tech Control Systems Corporation

Business Contents: Design and manufacturing functions of control systems business, which includes measurement devices and information control systems

2) Date of Business Combination: October 1, 2013

3) Legal Form of the Business Combination: Company split in which Hitachi High-Tech Control Systems Corporation is the split company, and Hitachi High-Tech Solutions Corporation is the successor company

4) Company Name after Business Combination: Hitachi High-Tech Solutions Corporation

5) Matters Concerning Outline of Other Transactions: This company split was conducted with the aim of building an integrated control systems business and strengthening collaboration with the IT business, which includes software development, one of the strengths of Hitachi High-Tech Solutions Corporation.

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

4. Domestic Contract Manufacturing Functions

1) The name of Combined Companies and Business Contents:

Company effecting business combination

Name: Hitachi High-Tech Manufacturing & Service Corporation

Business Contents: Manufacturing of science and medical equipment, service components and printed circuit board; contracted analysis services and indirect assistance services

Company subject to business combination

Name: Hitachi High-Tech Control Systems Corporation

Business Contents: Design and manufacturing of peripheral equipment of semiconductor inspection systems

2) Date of Business Combination: October 1, 2013

3) Legal Form of the Business Combination: An absorption-type merger of Hitachi High-Tech Manufacturing & Service Corporation as the surviving company with Hitachi High-Tech Control Systems Corporation as the dissolved company.

4) Company Name after Business Combination: Hitachi High-Tech Manufacturing & Service Corporation

5) Matters Concerning Outline of Other Transactions: This merger was conducted with the aim of positioning Hitachi High-Tech Manufacturing & Service Corporation as the Group's domestic contract manufacturing company, and realizing increased efficiency and total optimization through the concentration of the domestic contract manufacturing functions.

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" (announced at December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (announced at December 26, 2008) issued by the Accounting Standards Board of Japan.

24. 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.

Trade notes and accounts payable are due within one year for all as of March 31, 2014 and for most as of March 31, 2013.

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 (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, 2014 and 2013 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
			2014
	Carrying value	Estimated fair value	Unrealized gains (losses)
Assets:			
Cash	**¥ 22,548**	**¥ 22,548**	**¥ –**
Trade notes and accounts receivable	**135,067**		
Less allowance for doubtful receivables (*1)	**(486)**		
	134,581	**134,581**	**(0)**
Deposits to Hitachi Group cash management fund	**112,139**	**112,139**	**–**
Short-term investments and investments in securities	**12,818**	**12,818**	**–**
	¥282,086	**¥282,086**	**¥(0)**
Liabilities:			
Trade notes and accounts payable	**¥105,683**	**¥105,683**	**¥ –**
	¥105,683	**¥105,683**	**¥ –**
Derivatives transactions (*2):			
Those to which hedge accounting is not applied	**¥ (240)**	**¥ (240)**	**¥ –**
Those to which hedge accounting is applied	**(571)**	**(571)**	**–**
	¥ (811)	**¥ (811)**	**¥ –**

			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)	¥ –

	Thousands of U.S. dollars		
	2014		
	Carrying value	Estimated fair value	Unrealized gains (losses)
Assets:			
Cash	$ 219,086	$ 219,086	$ –
Trade notes and accounts receivable	1,312,345		
Less allowance for doubtful receivables (*1)	(4,725)		
	1,307,620	1,307,620	(0)
Deposits to Hitachi Group cash management fund	1,089,575	1,089,575	–
Short-term investments and investments in securities	124,546	124,546	–
	$2,740,827	$2,740,827	$(0)
Liabilities:			
Trade notes and accounts payable	$1,026,848	$1,026,848	$ –
	$1,026,848	$1,026,848	$ –
Derivatives transactions (*2):			
Those to which hedge accounting is not applied	$ (2,337)	$ (2,337)	$ –
Those to which hedge accounting is applied	(5,544)	(5,544)	–
	$ (7,881)	$ (7,881)	$ –

*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 4 for information regarding securities by holding purpose.

Liabilities

Trade Notes and Accounts Payable

The fair value is based on the present value calculated by discounting future cash flows for payables classified by time to repayment by an interest rate taken into account the time to the repayment and credit risk as of March 31, 2013.

The carrying amount approximates the fair value because of the short-item nature. Thus the carrying amount is used as fair value as of March 31, 2014.

Derivative Transactions

Please refer to the Note 18.

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unlisted equity securities	¥111	¥173	$1,080
Unlisted foreign bonds	1	0	6

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.

For the years ended March 31, 2014 and 2013, the Company recorded an impairment loss of ¥81 million ($787 thousand) and ¥2 million for Unlisted equity securities, respectively.

3. Redemption Schedule for Receivables and Marketable Securities with Maturities at March 31, 2014 and 2013

				Millions of yen
				2014
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	Over 10 years
Cash	**¥ 22,547**	**¥ –**	**¥–**	**¥–**
Trade notes and accounts receivable	**135,052**	**15**	**–**	**–**
Deposits to Hitachi Group cash management fund	**112,139**	**–**	**–**	**–**
Short-term investments and investments in securities:				
Corporate bonds	**1,000**	**2,000**	**0**	**–**
Other	**–**	**–**	**–**	**–**
	¥270,738	**¥2,015**	**¥0**	**¥–**

				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	¥–	¥–

				Thousands of U.S. dollars
				2014
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	Over 10 years
Cash	**$ 219,077**	**$ –**	**$–**	**$–**
Trade notes and accounts receivable	**1,312,204**	**142**	**–**	**–**
Deposits to Hitachi Group cash management fund	**1,089,575**	**–**	**–**	**–**
Short-term investments and investments in securities:				
Corporate bonds	**9,716**	**19,436**	**2**	**–**
Other	**–**	**–**	**–**	**–**
	$2,630,572	**$19,578**	**$2**	**$–**

25. 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, 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.

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

Millions of yen

2014	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	¥117,131	¥17,215	¥149,451	¥89,963	¥264,804	¥638,564	¥ 552	¥639,116	¥ –	¥639,116
Intersegment sales and transfers	132	3	909	3,381	2,238	6,663	3,575	10,238	(10,238)	–
Total	117,263	17,218	150,360	93,344	267,042	645,227	4,127	649,354	(10,238)	639,116
Segment income (loss)	¥ 19,724	¥ (9,401)	¥ 18,183	¥ 450	¥ 2,006	¥ 30,962	¥(2,900)	¥ 28,062	¥ (83)	¥ 27,979
Segment assets	¥ 70,871	¥ 7,629	¥ 84,609	¥35,460	¥ 78,515	¥277,084	¥ 1,463	¥278,547	¥216,387	¥494,934
Segment liabilities	31,542	2,236	29,077	23,173	51,186	137,214	673	137,887	84,079	221,966
Depreciation and amortization	¥ 3,335	¥ 379	¥ 3,848	¥ 997	¥ 668	¥ 9,227	¥ 138	¥ 9,365	¥ –	¥ 9,365
Amortization of goodwill	229	–	439	–	–	668	–	668	–	668
Interest income	–	–	202	–	–	202	–	202	203	405
Interest expense	391	45	–	73	192	701	10	711	(655)	56
Equity in losses of affiliates	–	–	–	59	–	59	–	59	0	59
Impairment losses	–	–	–	–	–	–	85	85	358	443
Investments in affiliates	–	–	–	98	–	98	–	98	(59)	39
Increase in fixed assets and intangible fixed assets	6,873	326	7,952	1,368	701	17,220	(268)	16,952	821	17,773

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

Thousands of U.S. dollars

2014	Reportable Segment: Electronic Device Systems	Reportable Segment: Fine Technology Systems	Reportable Segment: Science & Medical Systems	Reportable Segment: Industrial & IT Systems	Reportable Segment: Advanced Industrial Products	Reportable Segment: Total	Others	Total	Adjustment	Consolidated
Net Sales										
External customers	$1,138,079	$167,262	$1,452,108	$874,103	$2,572,914	$6,204,466	$ 5,367	$6,209,833	$ –	$6,209,833
Intersegment sales and transfers	1,283	27	8,829	32,856	21,743	64,738	34,741	99,479	(99,479)	–
Total	1,139,362	167,289	1,460,937	906,959	2,594,657	6,269,204	40,108	6,309,312	(99,479)	6,209,833
Segment income (loss)	$ 191,645	$ (91,343)	$ 176,671	$ 4,378	$ 19,488	$ 300,839	$(28,176)	$ 272,663	$ (807)	$ 271,856
Segment assets	$ 688,599	$ 74,123	$ 822,086	$344,541	$ 762,878	$2,692,227	$ 14,220	$2,706,447	$2,102,477	$4,808,924
Segment liabilities	306,474	21,725	282,525	225,158	497,339	1,333,221	6,536	1,339,757	816,931	2,156,688
Depreciation and amortization	$ 32,403	$ 3,677	$ 37,388	$ 9,689	$ 6,494	$ 89,651	$ 1,338	$ 90,989	$ –	$ 90,989
Amortization of goodwill	2,224	–	4,271	–	–	6,495	–	6,495	–	6,495
Interest income	–	–	1,958	–	–	1,958	–	1,958	1,982	3,940
Interest expense	3,799	438	–	712	1,865	6,814	92	6,906	(6,360)	546
Equity in losses of affiliates	–	–	–	573	–	573	–	573	2	575
Impairment losses	–	–	–	–	–	–	828	828	3,475	4,303
Investments in affiliates	–	–	–	952	–	952	–	952	(574)	378
Increase in fixed assets and intangible fixed assets	66,780	3,170	77,262	13,295	6,806	167,313	(2,605)	164,708	7,978	172,686

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.
4) Under internal management, share of income (loss) before income taxes and minority interests accounted for by the equity method is counted as segment income (loss) of equity in income (loss) of affiliates.
Difference between segment income (loss) and consolidated income (loss) of equity in income (loss) of affiliates is counted in Adjustment.
5) Under internal management, initial amount of investments in affiliates is counted in segment.
Difference between initial amount and consolidated amount of investments in affiliates is counted in Adjustment.

(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	2014	2013	2014
Reportable segment total	¥645,227	¥581,725	$6,269,204
Others (other business segments)	4,127	4,184	40,108
Inter-segment transaction elimination	(10,238)	(10,441)	(99,479)
Consolidated financial statements	¥639,116	¥575,468	$6,209,833

	Millions of yen		Thousands of U.S. dollars
Income	2014	2013	2014
Reportable segment total	¥30,962	¥18,105	$300,839
Others (other business segments)	(2,900)	(2,442)	(28,176)
Inter-segment transaction elimination	3	20	28
Amortization of unallocated goodwill	–	(89)	–
Reversal of interests on intracompany loans payable	459	664	4,457
Other adjustments	(545)	709	(5,292)
Income before income taxes and minority interests for the consolidated financial statements	¥27,979	¥16,967	$271,856

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	2014	2013	2014
Reportable segment total	¥277,084	¥241,909	$2,692,227
Others (other business segments)	1,463	1,294	14,220
Inter-segment elimination	(1,978)	(1,564)	(19,218)
Other adjustments	218,365	192,000	2,121,695
Consolidated financial statements	¥494,934	¥433,639	$4,808,924

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

	Millions of yen		Thousands of U.S. dollars
Liabilities total	2014	2013	2014
Reportable segment total	¥137,214	¥105,621	$1,333,221
Others (other business segments)	673	322	6,536
Inter-segment elimination	(1,917)	(1,501)	(18,628)
Other adjustments	85,996	62,008	835,559
Consolidated financial statements	¥221,966	¥166,450	$2,156,688

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, 2014 and 2013 are grouped by country or area according to geographical classification as follows:

Millions of yen

2014						
Japan	North America	Europe	China	Asia	Others	Total
¥266,693	**¥85,444**	**¥78,026**	**¥85,024**	**¥115,019**	**¥8,910**	**¥639,116**

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

Thousands of U.S. dollars

2014						
Japan	North America	Europe	China	Asia	Others	Total
$2,591,265	**$830,195**	**$758,123**	**$826,119**	**$1,117,559**	**$86,572**	**$6,209,833**

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, 2014 and 2013 by reportable segment are summarized as follows:

Millions of yen

2014							
Electronic Device Systems	Fine Technology Systems	Science & Medical Systems	Industrial & IT Systems	Advanced Industrial Products	Others	Elimination/ Corporate	Total
¥229	**–**	**¥3,846**	**–**	**–**	**–**	**–**	**¥4,075**

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

Thousands of U.S. dollars

2014							
Electronic Device Systems	Fine Technology Systems	Science & Medical Systems	Industrial & IT Systems	Advanced Industrial Products	Others	Elimination/ Corporate	Total
$2,224	**–**	**$37,370**	**–**	**–**	**–**	**–**	**$39,594**

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, 2014, 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, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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 2.

Ernst & Young ShinNihon LLC

June19, 2014
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Stock Information

(As of March 31, 2014)

Corporate Data

Date of Establishment
April 12, 1947

Paid-in Capital
¥7,938 million

Number of Employees
10,504

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

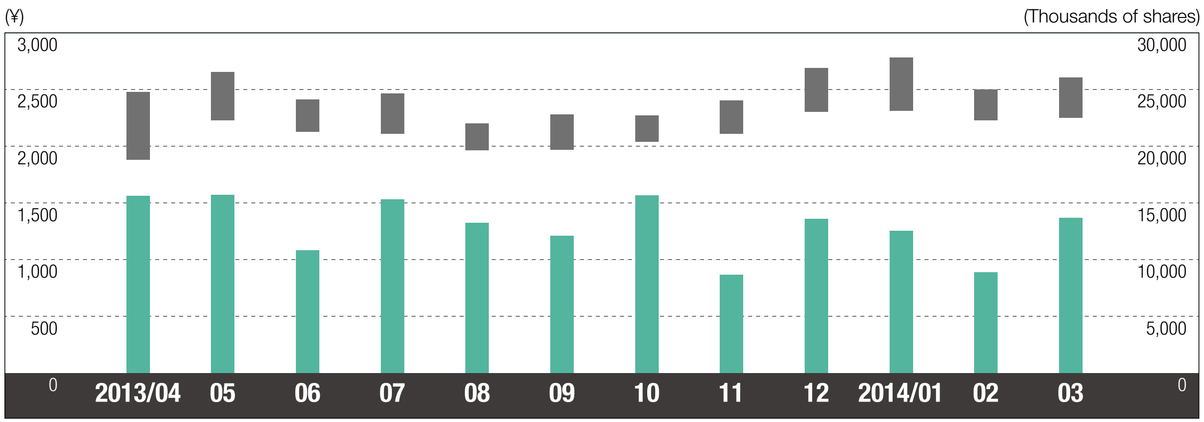
Number of Shareholders
7,304

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)	5,236,600	3.80
Japan Trustee Services Bank, Ltd. (Trust Account)	4,606,100	3.34
Hitachi High-Technologies Corp.'s Shareholding Association	2,131,478	1.54
NOMURA BANK (LUXEMBOURG) S.A. S/A NOMURA MULTI CURRENCY JP STOCK LEADERS FD	1,758,900	1.27
THE BANK OF NEW YORK MELON SA/NV 10	1,338,613	0.97
CMBL S.A. RE MUTUAL FUNDS	1,268,300	0.92
Trust & Custody Services Bank, Ltd. (Trust Account)	1,250,000	0.90
Japan Trustee Services Bank, Ltd. (Trust Account 1G)	1,247,900	0.90
Japan Trustee Services Bank, Ltd. (Trust Account 6G)	1,191,900	0.86

Share Price and Total Volume (April 2013–March 2014)



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	33	0.5	716,840	0.5
Financial institutions	45	0.6	21,127,600	15.4
Other domestic corporations, etc.	134	1.8	72,760,595	52.8
Foreign corporations, etc.	364	5.0	34,480,271	25.0
Individuals	6,728	92.1	8,653,424	6.3
Total	7,304	100.0	137,738,730	100.0

Hitachi High-Technologies Corporation

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