Hitachi High-Tech

HITACHI
Inspire the Next

Integrated Annual Report 2015

Hitachi High-Technologies Corporation

Hitachi High-Technologies is a cutting-edge technology company that functions as both a manufacturer and a trading company, and whose corporate vision is To consistently aim to be Global Top in high-tech solutions.

Founded in 2001, we are now engaged in global business development in five segments: electronic device systems, fine technology systems, science and medical systems, industrial and IT systems, and advanced industrial products.

Blending our manufacturing and trading company functions, we will continue to leverage our collective strength as part of the Hitachi Group to provide society with the best solutions available, so that we can become a fast-moving creator of cutting-edge businesses for our customers.

Forward-Looking Statements
Statements made in this Integrated 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.

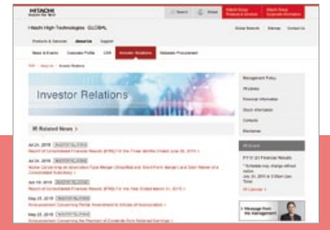
Editorial Policy

In light of international trends in corporate disclosure, Hitachi High-Technologies has opted to publish an integrated report covering FY2014. Providing information about both financial and non-financial aspects of our company, this report is a combination of the Annual Report and CSR Report, which were previously published separately.

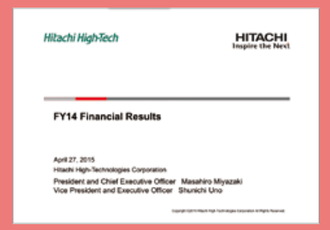
This report is provided as a communication tool to assist our wide range of stakeholders in understanding our management policies and business strategies, with a primary focus on value creation by our company.

In FY2014, we began applying the International Financial Reporting Standards (IFRS). Unless otherwise specifically noted, the figures in the financial statements are based on the IFRS. Furthermore, the numerical data in this report includes results for consolidated subsidiaries.

Supplementary Materials Available in our IR Library



IR Website [Investor Relations]



Presentation Materials

CSR Website [CSR]

Contents

President's Message

"Challenge to Change"
—Toward an Affluent Society—

Review of FY2014 Results and Prospects for FY2015

In FY2014, our major products performed strongly. In the science and medical systems segment, our biotechnology and medical products business recorded an increase in sales to emerging markets and the U.S., while in the electronic device systems segment, our process equipment business saw a rise in sales to our biggest customers. At the same time, we scaled back some underperforming businesses as we sought a transition in our business portfolio in the fine technology systems segment. In addition, sales of some products in the industrial and IT systems and advanced industrial products segments fell. As a result of these factors, revenue fell by 0.4% year on year to ¥619.6 billion. In terms of earnings, EBIT (earnings before interest and taxes) rose by 43% year on year to ¥44.8 billion, while net income for the period rose 57% year on year to ¥31.1 billion, due in part to the effects of reforms of our business structure.

In FY2015, we will continue to accelerate progress along our path to growth and expand the scale of our operations.

Shareholder Returns

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 FY2014, we paid a dividend of ¥45 per share, which was ¥15 higher than the previous fiscal year.

Aiming to Enhance Corporate Value

Based on our corporate vision of consistently aiming to be Global Top in high-tech solutions, our company's mission is to become a fast-moving creator of cutting-edge businesses for our customers by providing society with the best solutions available in the biotechnology and healthcare, social and industrial infrastructure, and advanced industrial systems business segments.

Our specific management policies for achieving our mission and continuing to accelerate the growth of our businesses are to strengthen our business portfolio by shifting resources to growing fields, to add impetus to our global growth strategy tailored to the specific characteristics of each business segment and region, and to enhance our expertise in creating business with the customer's needs in mind.

Given the rapid pace of changes in market trends and the business environment, we need to "Challenge to Change" so that we can steadily bring these management policies to fruition. We will implement the Hitachi High-Tech WAY even more rigorously and undertake organizational management that values autonomy and decentralization by ensuring full awareness of total optimization throughout the Group. By doing so, we will promote a solutions business with a high level of expertise that provides a finely tuned response to increasingly specific customer needs. In this way, we will contribute to the development of society by providing the creative and innovative value that has come to symbolize Hitachi High-Tech.

Links with Society

The key principles underpinning our business activities are increased transparency of management through enhanced corporate governance, and the fulfillment of our corporate social responsibility (CSR). In addition to increasing supervision over the execution of business as a Company with Nominating Committee, etc., we are actively addressing the requirements of the Corporate Governance Code. Moreover, as well as understanding a diverse array of values and cultures as we expand our business activities in global markets, we need to develop pleasant workplace environments for our employees. We will promote efforts to add impetus to our global growth strategy tailored to the specific characteristics of each business segment and region, which is one of our management policies, and will actively implement diversity management to stimulate innovation. We will build a strong organization capable of succeeding in global competition by incorporating diverse sensibilities and values to promote new ideas. Furthermore, we will foster a corporate culture that respects social diversity and use this to drive the growth of the Hitachi High-Tech Group.

In addition, as well as helping to create an affluent society through the provision of products and services, we will continue to engage in dialogue with all of our company's stakeholders, including investors, shareholders, customers, suppliers, employees, and local communities. With a strong awareness that the value of our company's existence is defined by our relationship to society, we will contribute to the resolution of a variety of social issues as a company that fulfills its CSR and is trusted by society.

Going forward, we will strive to enhance the value of our company by fulfilling our responsibilities to society as a company that truly embodies CSR.

September 2015

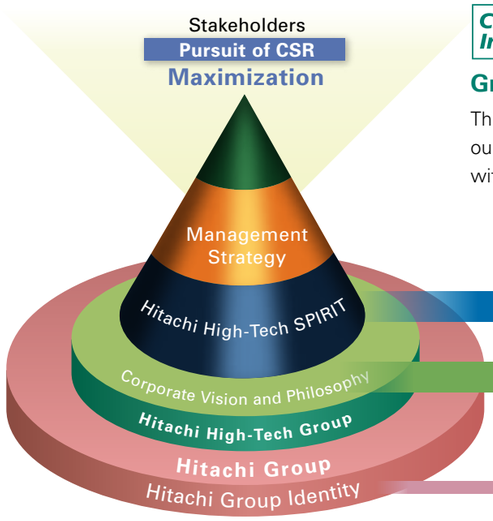
Representative Executive Officer,
President and Chief Executive Officer,
Board Director
Masahiro Miyazaki

Profile

Our Philosophy, Values and Strategy

Hitachi High-Tech WAY

The "Hitachi High-Tech WAY" means the philosophy, values, and strategy that our staff shares and practices, and which guides the actions of employees throughout the Group. More specifically, when faced with a decision as to whether or not to do something or which option to choose, it is the point of reference that serves as our judgment criterion; in essence, it is the act of sharing our opinions when considering what we should achieve.



Creative Minds. Innovative Solutions.

Group Identity Message

This refers to using creativity to provide our customers and other stakeholders with innovative value.

Value Creation through the *Hitachi High-Tech* WAY

The Hitachi High-Tech WAY consists of the Corporate Vision, which defines what we want to become, our management strategy for achieving this, and the Hitachi High-Tech SPIRIT, which sets out the four values required of each and every employee.

Of these, the Hitachi High-Tech SPIRIT plays the most important role in value creation. The Hitachi High-Tech SPIRIT consists of the four values that we want each and every member of the Group and the teams to which they belong to care about. It is also positioned as the set of values that should guide every action that our employees take.

To ensure that it permeates and becomes firmly established among our employees, the President and Vice Presidents are appointed as CWOs (Chief WAY Officers). Our senior managers are tirelessly striving to ensure that the WAY permeates the entire Group.

Throughout their day-to-day duties, each and every employee helps to foster the corporate culture that is the source of our value creation by acting on the basis of four values: Challenge, Openness, Speed, and Teamwork.

The *Hitachi High-Tech* WAY as the Cornerstone of Efforts to Promote Employee Engagement

Since formulating the Hitachi High-Tech WAY in 2011, we have striven to increase awareness and understanding of it among our employees. We are currently promoting initiatives aimed at ensuring its permeation, consolidation, and practice.

One of the activities to which we are devoting the greatest effort is our WAY SESSIONS, which give employees worldwide the opportunity for discussions with senior management. This activity helps WAY Officers and WAY Leaders, who play the leading role in promoting the WAY at each base, to identify issues specific to each region and to put together improvement plans so that we can bring the Corporate Vision to fruition. We expect that this two-way initiative will help to ensure that the WAY is steadily practiced throughout the company, improving corporate value by presenting our employees with new challenges.

In addition, we have established an annual awards scheme to recognize individuals or groups who have demonstrated outstanding achievements in putting the Hitachi High-Tech WAY into practice. Going forward, we aim to uncover earlier practical examples embodying these four SPIRIT values and to promote widespread awareness of them throughout the company in order to foster a SPIRIT-oriented mentality among our employees and create values that can easily be put into practice.

Hitachi High-Technologies Corporate Vision

Basic Philosophy

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

Corporate Vision

Becoming a global leader in high-tech solutions

Business Policy

1. To place the customer first, growing with our customers by providing the best solutions, consistently a step ahead of market needs.
2. 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.
3. To aim for reliability and excellence based on our core assets of talent and technical resources, and to maximize our corporate value.

Corporate Culture Policy

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

Management Policy

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

Hitachi High-Tech SPIRIT

Hitachi High-Tech SPIRIT consists of the four values that we want each and every member of the Hitachi High-Tech Group and the teams to which they belong to care about: Challenge, Openness, Speed, and Teamwork. These constitute the principles guiding each and every action taken by Hitachi High-Tech.

CHALLENGE

Always taking on new challenges

- We energetically take on challenges in new fields with our eye on future market and customer needs.
- We steadfastly pursue the challenges we have set as we progress toward our high goals.

SPEED

Always working in a speedy manner

- We satisfy people with speedy responses that exceed customer and market expectations.
- We speedily implement the PDCA cycle—continually improving operations through a "Plan, Do, Check, Act" process—in pursuit of high quality.

OPENNESS

Always being open to others

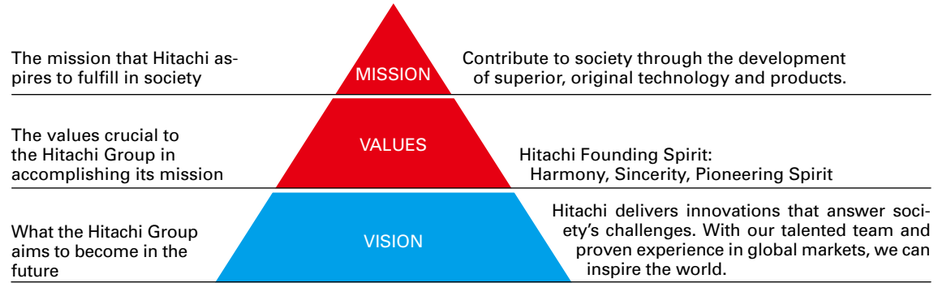
- We engage in open, lively communication with people in and outside the company to generate synergy.
- We strive to treat others fairly on the basis of mutual respect, irrespective of nationality, ethnicity, or gender.

TEAMWORK

Always emphasizing teamwork

- We create new value for the market and our customers through internal and external collaboration.
- We work together as a unified group of professionals in order to reach our common goals.

Hitachi Group Identity



By promoting the Hitachi High-Tech WAY under the umbrella of the Hitachi Group Identity, our company will strive to carve out its own identity, while helping to increase the value of the Hitachi brand as a whole.

Profile

Our Business Infrastructure

We have developed our business by honing our core technologies to a level that enables us to offer solutions to challenges in the most advanced fields at all times, while deploying high-value-added products and services that leverage those technologies in new fields. This approach focused on creating new business is the infrastructure for the creation of value.

Value Creation Resources

Number of domestic offices and countries/regions with bases
20 offices 23 countries
(As of the end of March 2015)

Number of employees
10,012 people
(As of the end of March 2015)

R&D expenditure
¥19.6 billion
(Actual figure for FY2014)

Number of patents
8,100
(As of the end of March 2015)

Our Roots

Hitachi, Ltd.'s Naka Factory

Established as a factory specializing in the manufacture of measuring instruments for Hitachi, Ltd., the Naka Factory has become a hub for manufacturing such products as electron microscopes, semiconductor equipment, and analytical instruments, developing CD-SEMs and instrument for clinical chemistry and immunoassay analysis that have captured the top share of the global market.

Core technologies
- Analytical technology
- Sensor technology
- Electron beam technology

Hitachi, Ltd.'s Kasado Factory

Another of the roots of our company's semiconductor equipment business is the Kasado Factory, which opened in 1921 as Hitachi, Ltd.'s third factory.
The Kasado Factory manufactures dry etching systems and other devices that utilize our plasma technology.

Core technologies
- Plasma technology
- Vacuum control technology

Hitachi Electronics Engineering

Established in 1965 as a group company of Hitachi, Ltd., Hitachi Electronics Engineering evolved with a primary focus on the manufacture of equipment for manufacturing and testing associated with semiconductors and liquid crystal panels. It subsequently branched out into railroad inspection technology and has been expanding its operations in this area.

Core technologies
- Optical measurement technology
- Image processing technology
- High-speed signal processing technology

Nissei Sangyo

Originally established as Hinode Shokai, a group company of Hitachi, Ltd., Nissei Sangyo's name is derived from the fact that Hitachi, Ltd. was called "Nissei" (after the first and third characters in its Japanese name) in Ibaraki Prefecture. Starting out as a trading company selling the products of Hitachi and its group companies, it came to specialize in the field of industrial materials, mainly selling laboratory and industrial instruments, as well as industrial equipment and materials.

Commercialization

Analytical instruments
- General analysis
- Clinical chemistry and immunoassay analysis
- Electron microscopes

Semiconductor equipment
- CD-SEMs* for semiconductor evaluation
- Plasma etching systems for semiconductor manufacture
- Wafer inspection equipment for semiconductor inspection

Manufacturing and inspection equipment
- Railroad inspection equipment
- Automated assembly equipment
- Hard disk manufacturing and inspection equipment

Measurement control systems
- Instrumentation and industrial instruments

Trading company specializing in industrial materials
- Partnerships with Hitachi, Ltd. & Hitachi Group
- Specialist sales team with technical capabilities
- Overseas network

*CD-SEMs: Critical Dimension-Scanning Electron Microscopes

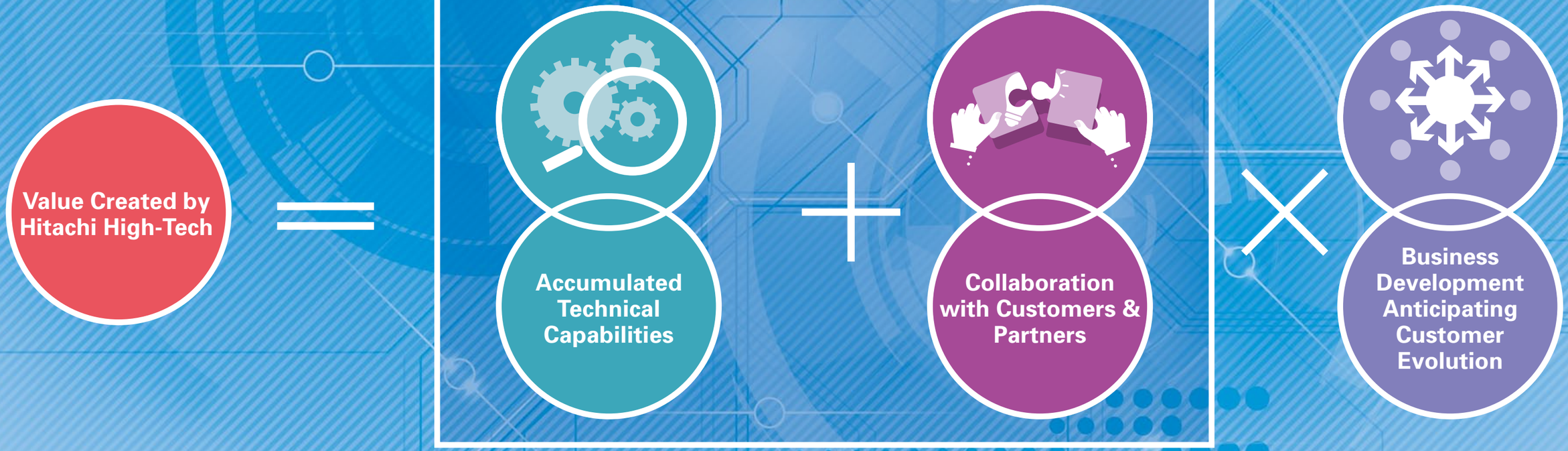
Our Business Domains

	Overview of business	Main customers	Main products & services
Electronic Device Systems	Technological innovation and market changes occur at a rapid pace in the semiconductor market. Through cooperative efforts with semiconductor manufacturers and research institutes, we develop the most optimal, world-inspiring solutions and provide them to markets across the globe.	•Semiconductor manufacturers	**Process equipment business** • Etching systems **Metrology and inspection equipment business** • CD-SEMs • Inspection systems • Wafer inspection equipment
Fine Technology Systems	We use our advanced applied optical technology to offer industrial solutions for the social and industrial infrastructure sector, including inspection equipment that ensures the safe running of the Shinkansen bullet train and other trains, as well as automation equipment for the automobile industry, and equipment used in the flat panel display field.	•Rail industry companies •Automotive component manufacturers •Household electrical appliance manufacturers •Hard disk drive manufacturers	**Social infrastructure inspection business** • Railroad inspection equipment **Industrial infrastructure business** • A comprehensive range of services, including maintenance services for automation equipment and flat panel display production equipment • Hard disk manufacturing and inspection equipment
Science and Medical Systems	We collaborate with leading-edge customers and universities and research institutes to provide analytical instruments that precisely meet the needs of each and every industrial field, including the realms of nanotechnology and biotechnology.	•Universities and research institutes •Hospitals and commercial laboratories •Reagent manufacturers	**Science systems business (electron microscopes and scientific instruments)** • Spectrophotometers • Chromatographs • X-ray fluorescence spectrometers • Electron microscopes **Biotechnology and medical business** • Instrument for clinical chemistry and immunoassay analysis • Biotechnology instrument
Industrial and IT Systems	With our cutting-edge, high-value-added systems and solutions, we support manufacturing in industrial fields that are the focus of global demand. We provide a multitude of convenient, reliable products and solutions to meet customer needs.	•Companies in the automotive industry •Electronic component manufacturers •Chemical and food manufacturers •Government offices	**Industrial solutions business** • Manufacturing and inspection equipment (automated assembly systems for automotive components, etc.) • Solar photovoltaic power generation systems • Instrumentation systems **ICT solutions business** • IoT solutions • Onboard devices • Communication services
Advanced Industrial Products	Making full use of our know-how and networks as a trading company, we undertake optimal supply chain management to support manufacturing in high-tech fields. As the Hitachi Group's trading company, we also assist with the sale of the Group's products worldwide.	•Hitachi Group companies • Automotive and transport equipment manufacturers • Semiconductor device manufacturers • Optical communications equipment manufacturers	**Global SCM services** **Synthetic resins and related products** **Automotive/transportation components and materials** • Automotive components **Steel and non-ferrous metal products** **Electronic components and materials** • Semiconductor materials • Optical communications components

The Hitachi High-Tech's Mechanisms for Creating Value

Based on our strengths in technology and collaboration, our company is creating new value through business development that anticipates customer evolution.
By technology, we mean our accumulated technical capabilities that enable us to provide high-tech solutions, while collaboration refers to partnerships that hold the seeds of high-tech solutions and our ability to co-create new business models with our customers and partners. By leveraging these strengths in implementing a business strategy that anticipates customer evolution, we will do our utmost to become a creator of businesses for our customers.
This section showcases our mechanisms for creating value in each of our company's business domains and the unique initiatives that underpin them.

To Turn Our Customers into Fast- moving, Cutting-edge Businesses



Value Created by Hitachi High-Tech

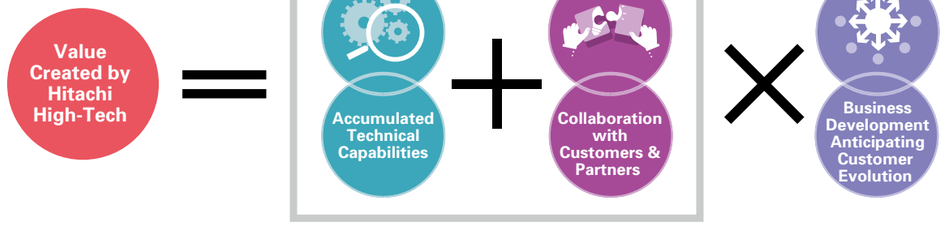
Value Creation in Our Electronic Device Systems Business

In our electronic device systems business, we have worked with partners such as Hitachi, various research institutes to develop pioneering products, building up core technologies for example electron beam applications. Moreover, we have leveraged our core technologies for industrial purposes beyond their applications in scientific analysis, providing semiconductor metrology and inspection equipment and other products. In this way, we have contributed to the development of cutting edge process technology in the semiconductor market, which is subject to constant technological innovation and huge changes in the market environment. In this field of business, we create value through our technical capabilities built up through ceaseless efforts to overcome challenges, our ability to carry out R&D focused on identifying industrial applications for advanced technologies, and our collaboration with leading-edge customers from the development stage.

Value Creation Keywords

R&D Capability

Early Collaboration



Accumulated Technical Capabilities

R&D Capability

Originating in the instrumentation and semiconductor manufacturing divisions of Hitachi, Ltd., the advanced R&D capability of this business has brought to fruition outstanding core technologies, including electron microscopy, plasma, and vacuum control technologies. Among them is field emission electron source technology, one of the technologies behind electron microscopes, which is crucial to enhancing the performance of electron microscopes by increasing their resolution. There is also magnetic microwave plasma technology, which is a core technology used in etching systems.

CD-SEMs for semiconductor metrology are one example of the application of our core technologies. We were successful in achieving a bold paradigm shift from their original use as a tool for observation to a tool for high-precision measurement in industry by changing the aforementioned field emission electron source to the more stable Schottky emission electron source and making them fully automated. As a result of these successful efforts, we have held the top market share worldwide for more than 30 years.

High Resolution FEB CD-SEM CG6300

Field Emission Electron Source Technology

With advances in nanotechnology giving rise to the need to measure critical dimension devices, higher-resolution electron microscopes are required. The question of how to achieve high luminance holds the key to the resolution of electron microscopes. The field emission electron source used by our company achieves a luminance at least 100 times greater than that of competing thermionic sources, thereby dramatically improving the resolution of our scanning electron microscopes. The IEEE, the world's largest professional association in the electrical, electronics, IT and communications fields, has honored our company's field emission electron microscope in the IEEE Milestones award, in recognition of the immense contribution that it has made to society and industry.

Collaboration with Customers & Partners

Early Collaboration

We undertake joint development with various partners, building strategic partnerships as we continue to take on the challenge of developing next-generation products. Trends in cutting-edge technology identified in the joint development process serve as pointers for the next round of product development, thereby aiding in the creation of products with value. Co-creation with our customers and partners drives our success in honing our high-tech solutions.

Joint Development with Leading-edge Customers (Early Collaboration)

We have established engineering sites close to the development bases of our leading-edge customers and undertake joint development of manufacturing, metrology, and inspection equipment, participating in the development of processes for mass production from the earliest stages of device development. By working together from an early stage in the development process, we have established good relationships as an indispensable partner for our customers.

Strategic Partnerships with External Research Institutes

We also form strategic partnerships with external research institutes for the development of next-generation technology. In 2005, we launched a joint research project with imec (Interuniversity Microelectronics Centre), an international research institute, focused on the inspection and measurement technologies required for next-generation device development.

This joint research project not only aids in identifying the latest technological trends and needs in the area of next-generation product development, but also leads to the installation of these products in the production lines of participating companies.

imec

Founded in Belgium in 1984, the independent research institute imec conducts basic research in the fields of microelectronics and nanotechnology, focusing on the needs of the industry in the next 3 to 10 years. With the participation of companies in the IT, communications, device, manufacturing equipment, and materials industries worldwide, it conducts research based on the open innovation approach.

Business Development Anticipating Customer Evolution

We will serve our customers so that they can be the best creators of cutting-edge business through undertaking business development and mapping out the prospects of the semiconductor manufacturers undertaking development while identifying trends in the end products, as well as developing a vision for the long-term outlook.

Responding to Changes in the Market Environment

The evolution of mobile communications and increasing prevalence of eco-friendly systems is significantly changing the way of life in society. The horizons of semiconductors and other electronic devices that support this social infrastructure are also expanding and changing. As such, we will strive for growth not only in our existing field of technologies focused on miniaturization, but also in the creation of solutions that address diverse needs.

Business Vision

We will pursue and create new value in partnership with our customers in forefront industries.

- We will create cutting edge products that apply our core technologies and expand our market territories.
- We will promote the development of business in new and adjacent fields through the creation of new value.

Specific Initiatives

Responding promptly to trends in technology and market changes, with a focus on our business infrastructure and core technologies, we will expand our business portfolio in three fields: 1) new processes and technologies; 2) markets adjacent to the semiconductor sector; and 3) new fields.

- We will introduce new products and solutions tailored to the growth fields of new device materials and new structures.
- We will expand our service and system solutions business.
- We will apply our core technologies to cultivate potential needs in new and adjacent fields, including the IoT, onboard systems, and energy devices.

Value Created by Hitachi High-Tech

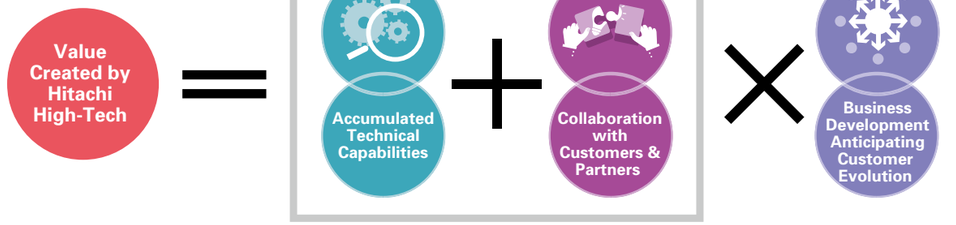
Value Creation in Our Fine Technology Systems Business

The source of value creation in our fine technology systems business is the manufacturing and inspection technology that we have established through our development of equipment used in the fields of railroad inspection, hard disk drives, and flat panel displays. Looking ahead to the replacement of social infrastructure in developed countries and its installation in emerging economies, we will provide inspection systems that promote safety behind the scenes. In addition, we will create new value by providing optimal production solutions to our customers in the manufacturing sector, where the automation of production processes is progressing.

Value Creation Keywords

System Solutions

Collaboration-centered Commercialization



Accumulated Technical Capabilities

System Solutions

The reliability of our social infrastructure inspection technologies, which remain highly accurate even in bad weather and other harsh environments, is underpinned by the applied optical and image processing technologies that we have amassed over many years.

We leverage precision mechanical technology in our production solutions to support the automation of manufacturing industry, combining it with automatic control technology and electronic circuit technology cultivated via hard disk inspections to create unique solutions.

Applied Optical Technology (Laser Surface Inspection)

Laser surface inspection is a technology for detecting the condition of an object's surface by irradiating it with a laser, concentrating the reflected light with a lens, and converting it into an electrical signal using a photoelectric converter. As an uneven surface scatters light, this property is utilized to detect defects.

Hitachi High-Tech Fine Systems has amassed considerable know-how by conducting inspections of a diverse array of objects in a variety of environments, including hard disk drives, flat panel displays, and railroad rails.

Railroad Inspection Technology

Japan's Shinkansen bullet trains are one of the world's best railroad systems in terms of precision, safety, comfort, and convenience. Our company's measurement technology and inspection equipment are closely linked to the safe running of the Shinkansen. Inspection equipment that we developed is installed on the high-speed test train used for the Shinkansen bullet train, and is capable of detecting warping and abrasion of just a fraction of a millimeter while traveling at the Shinkansen's normal running speed (275km/h), without touching the rails or overhead transmission lines.

We have also begun installing monitoring devices using this technology on trains running on conventional lines.

Our technology is used on "East-i," the high-speed test train used for the Shinkansen bullet train, to measure the warping of rails and abrasion of overhead transmission lines while the train is in motion.

"East-i," the high-speed test train used for the Shinkansen bullet train (Photo: East Japan Railway Company)

Collaboration with Customers & Partners

Collaboration-centered Commercialization

We work in partnership with our customers to create new business by developing social infrastructure inspection systems and other solutions tailored to each customer's unique needs.

Our methodology of integrating technologies, products, systems and services to meet customer needs is our mechanism for creating value in our fine technology systems business.

Commercialization of Railroad Inspection Technology via Collaboration

Railroad inspection systems ensure safety, reliability and comfort during travel, so they need to be sufficiently precise to be able to carry out accurate inspections while running at the train's normal operating speed.

We worked with the various JR companies to develop sensing technology capable of consistent inspections under a variety of conditions. We also create value with our own system solutions, which utilize our unique technologies in software that processes the resultant data.

Co-creation and Commercialization of Automated Assembly and Inspection Equipment

Automating manufacturing processes requires a deep understanding of our customers' manufacturing processes, a high level of customization to replicate them, and the ability to offer the full range of processes right through to quality inspection.

In partnership with other companies in the Hitachi Group, we create value by building system solutions tailored to our customers' industries.

Business Development Anticipating Customer Evolution

By providing optimal solution services that look ahead to the expansion of investment in social infrastructure and developments in the automation of manufacturing industry, we will serve our customers so that they can be the best creators of cutting-edge business.

Responding to Changes in the Market Environment

Overseas, we anticipate that investment in rail infrastructure will intensify, mainly in the Middle East and emerging economies. At the same time, we expect that automotive component production will shift back to Japan due to the weak yen, and that there will be a growing need for automation equipment as a result of the growing transition to unmanned production lines, as the domestic workforce shrinks.

Business Vision

As a supplier of manufacturing and inspection systems that utilize cutting-edge technologies, we will provide customers with innovations and leverage our unique business development capabilities to promote our production solutions business.

Specific Initiatives

- We will expand business in growth fields relating to social infrastructure inspection and industrial infrastructure.
- We will work on expanding our service business focused on the development of high-added-value aspects of our core technologies, such as traceability and predictive diagnosis via the analysis of big data.

Topic: Revitalizing Our Customer Support Activities to Enhance Our Service Business

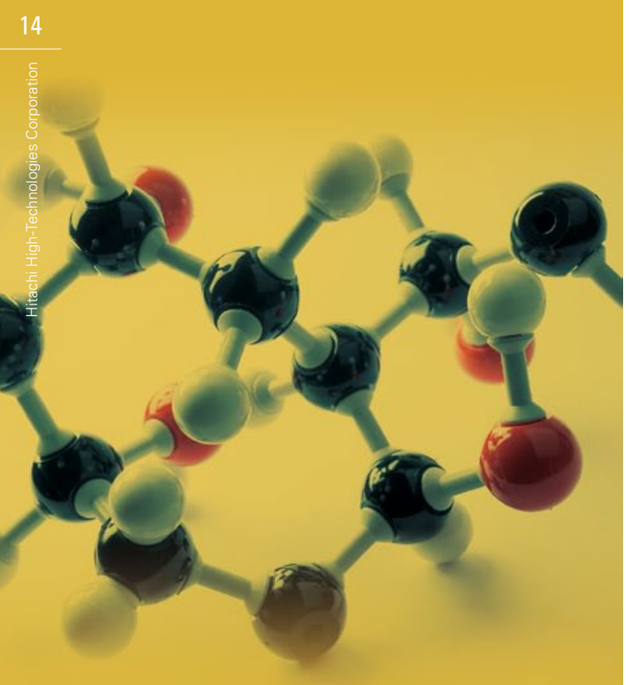
To strengthen our service business from a global perspective, we are striving to enhance and standardize our services worldwide, by deploying in our overseas service departments the service procedures and know-how that we have built up within Japan; for example, using the operational status of equipment to forecast when parts will need to be replaced.

To speed up this process, we launched our Service Strategy Promotion Center in April 2012. This was followed in January 2013 by the launch of our Global Service Support System (GSS), which facilitates central management of product operational status and service history worldwide, enabling us to ascertain the operational status of all of our products. Going forward, we will utilize information gained via this system in every area of the Hitachi High-Tech Group in order to enhance our service business.

Value Created by Hitachi High-Tech

Value Creation in Our Science and Medical Systems Business

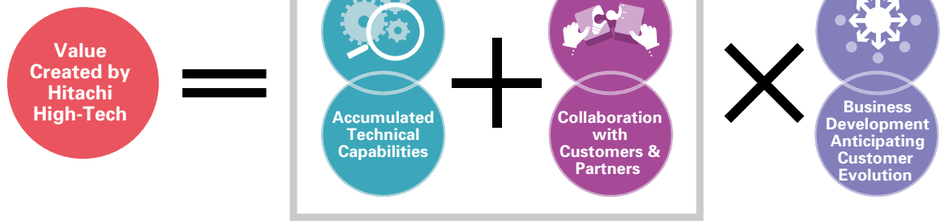
In our science and medical systems business, the customization of spectroscopic analysis technology—a core technology cultivated at our Naka Division manufacturing and design base—for specific purposes is supporting progress in basic scientific research and the development of diagnostic technologies in the medical field. Through the commercialization of new diagnostic technologies and the provision of products and solutions that increase the productivity of hospitals and commercial laboratories, we form an integral part of our customers' business models, and thereby incorporating mechanisms for increasing value together, while creating new value.



Value Creation Keywords

Customization for Specific Purposes

System Collaboration Business Model



Accumulated Technical Capabilities

Customization for Specific Purposes

One of the strengths of our company is the ability to customize general-purpose technologies for specific purposes, tailoring them to a diverse range of analytical subjects. Our stock of underlying technologies enables us to develop key components and devices, giving us the ability to create bespoke solutions to suit customer needs.

Spectroscopic Analysis Technology

When an analytical subject is irradiated with a beam, various forms of light are reflected, depending on the properties of the substance under analysis. Spectroscopic analysis technology is used to identify the substance by analyzing the wavelengths of this light.

Including X-ray analysis and fluorometry, we have analysis technologies suitable for a diverse range of analytical needs, whatever the mass, purpose of analysis, properties or shape of the substance.

The field of biochemistry requires analysis technologies that are more advanced than conventional techniques, including analysis of samples that are still part of a living organism.

Spectrofluorometers

The phenomenon in which a substance absorbs light and then emits light of a longer wavelength than that absorbed is called fluorescence. The molecules that have absorbed the light energy become unstable and release energy as they try to return to a stable state.

When this occurs, some release energy as heat and some as light; the process of detecting this light and subjecting it to qualitative and quantitative analysis is called spectroscopic analysis.

In a spectrofluorometer, the sample is brought into contact with a reagent and the device then detects the light emitted from the resultant reaction and provides a readout of the sample's properties.

Collaboration with Customers & Partners

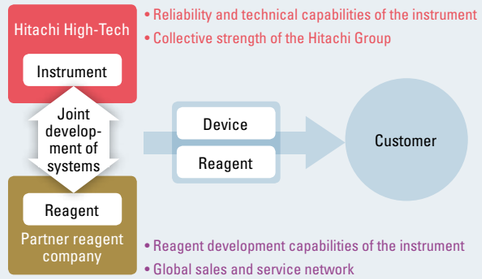
System Collaboration Business Model

The mechanism for creating value in our science and medical systems business is the creation of business opportunities through collaboration, combining our strengths with those of other leading-edge companies to bring forth unique solutions. This is underpinned by our collaborative system of sales and marketing support, which plays a crucial role in bringing our collaborative endeavors to fruition.

Mutually Complementary Business Model

The System Collaboration Business Model (SCB) is a business model based on coexistence and mutual prosperity, in which we form an integral part of our customers' business models, ensuring that our success is bound to that of our customers. We are translating our mission into reality on the basis of our outstanding technological infrastructure and the trust of our customers.

A leading example of SCB is our collaboration with the Swiss company Roche—an internationally renowned In-Vitro Diagnostics company—in the field of clinical diagnostics, which has spanned almost 40 years. Our instrument technology has won high praise for its ability to ensure that Roche's reagents demonstrate the best performance, building a win-win relationship.



Renewing Our Collaboration with Roche

In April 2014, we agreed to extend the 36-year history of our collaborative business for a further decade. With a marketing strategy that leverages the power of both brands, we are devoting our energies to product development and sales, aiming to secure an unassailable market share.

Business Development Anticipating Customer Evolution

In our science and medical systems business, which counts among its customers universities and other research institutes, hospitals and other medical institutions, reagent manufacturers, and others who require advanced solutions, we will build a system that aims to ensure that our customers' success is our success. To this end, we will maintain and build relationships that enable us to identify as early as possible the analytical challenges that they face, and participate in our customers' value creation processes.

Responding to Changes in the Market Environment

While there are fluctuations in demand for our equipment due to the economic situation in each country, we anticipate that needs for high-precision analysis will grow further in such cutting-edge fields as the environment and renewable energy, new materials, and the life sciences, resulting in market expansion in new fields of business.

Business Vision

In the fields of observation, measurement, and analysis, we will create high-value-added specialist equipment by establishing common ground with our customers across all fields, covering the whole spectrum of general-purpose products, and working with our customers to resolve the challenges that they face. Going forward, we will roll out SCB to other fields, developing a growth model rooted in our technical capabilities.

Specific Initiatives

- Growing our connections to leading-edge customers by enhancing our product range and strengthening our core technologies, we will swiftly provide solutions to cutting-edge challenges.
- Actively exploring and developing collaboration with partners with tremendous influence in the marketplace, we will strengthen and expand our business focused on products for applied fields (specialist instruments).
- We will promote efforts to bolster the Group's integrated production system and build manufacturing bases that give us a cost advantage.
- We will pursue greater customer satisfaction by swiftly enhancing our high-quality service system.

Value Created by Hitachi High-Tech

Value Creation in Our Industrial and IT Systems Business

Leveraging our strong relationships of trust, tremendous expertise, and the resources of the Hitachi Group, we are providing new value that will enable us to become a fast-moving creator of cutting-edge businesses for our customers.

Value Creation Keywords

Provider of Unique Solutions

Value Created by Hitachi High-Tech = Collaboration with Customers & Partners × Business Development Anticipating Customer Evolution

Collaboration with Customers & Partners

Provider of Unique Solutions

Working closely with our customers, we support them in fulfilling their ambitions by providing them with the best solutions for their needs.

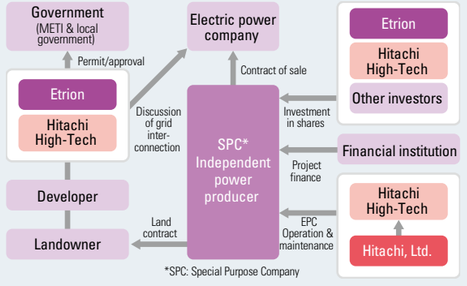
Creating Optimal Solutions with Pinpoint Accuracy Based on Customers' Own Awareness of the Issues They Face

Our relationships of trust and expertise enable us to offer solutions tailor-made to address the diverse needs and challenges specific to each customer. To do so, we identify those needs and challenges and explore the optimal solutions, leveraging the various resources. One of our biggest strengths in this process is our easy access to the products, technology, research, and personnel of the Hitachi Group.

Solar Photovoltaic Power Generation Systems Business

Focusing on solar photovoltaic power generation, which is expected to become a widely used form of renewable energy, we are working on a joint mega-solar power generation project with Etrion Corporation of Switzerland. Blending Etrion's experience and know-how in the development and operation of independent mega-solar power generation projects with the advanced technology, high quality, and maintenance capabilities of Hitachi, Ltd. in the field of power generation systems, this initiative is making full use of our company's experience and knowledge in the electric power systems business in Japan. Hitachi High-Tech is responsible for the overall management of the project, including liaison with the other partners and relevant organizations.

Our Partnerships in Independent Power Generation Projects and Our Role Therein



*SPC: Special Purpose Company

Business Development Anticipating Customer Evolution

The globalization of industrial fields means that needs on the front line of manufacturing are becoming increasingly sophisticated. We will resolve the challenges faced by our customers with cutting-edge systems and IT solutions.

Responding to Changes in the Market Environment

- We expect markets in the industrial and IT field to grow further going forward, particularly in the automotive, renewable energy, IoT, and instrumentation sectors.
- Our customers will require greater expertise and unique new solutions.

Business Vision

- We aim to be a provider of unique solutions in the industrial and IT field.
- In our specialist fields, we will pursue greater customer satisfaction, providing optimal solutions tailored to the needs of our customers and the challenges they face.

Specific Initiatives

- We strive to grow our business in our fields of expertise, namely the automotive industry, the environment and energy, instrumentation, and business associated with the IoT.
- We will devote our energies to cultivating personnel equipped with both a high level of expertise and the ability to propose solutions, who are capable of driving product development for our customers.

Value Created by Hitachi High-Tech

Value Creation in Our Advanced Industrial Products Business

In our advanced industrial products business, we are pursuing the creation of high added value by building schemes that will create businesses for our customers, leveraging the global network of the Hitachi Group.

Value Creation Keywords

Our Global Value Chain

Value Created by Hitachi High-Tech = Collaboration with Customers & Partners × Business Development Anticipating Customer Evolution

Collaboration with Customers & Partners

Our Global Value Chain

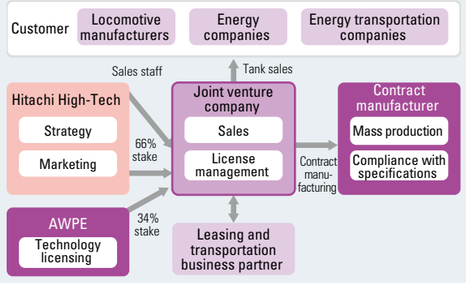
In partnership with the rest of the Hitachi Group, we are building new practices that will enable us to offer higher added value.

Building Schemes through Partnerships

As a trading company specializing in industrial materials, we will leverage our global network and high level of expertise in each sector and product to identify new business opportunities, building partnerships with the necessary operators to develop new schemes. In this process, we make full use of our strength in terms of our ease of access to the products, technologies, research, personnel, and other resources of the Hitachi Group.

LNG Transportation Tank Container Sales Business in Canada

Anticipating that the need for transportation of medium volumes of LNG will rise as demand for shale oil grows in North America and it becomes impossible to supply all of this via pipelines and supertankers, we are promoting sales of LNG transportation tank containers in Canada, in partnership with Air Water Plant & Engineering Inc. (AWPE), the tanker manufacturer with the largest share of the Canadian market. The production of the tank containers is outsourced to a local manufacturer, based on AWPE's advanced technology. Transportation tank containers have a long serviceable life of around 20 years, so we are developing this project with a view not only to our manufacturing and sales business, but also the spillover effect into peripheral businesses, such as leasing and maintenance services.



Business Development Anticipating Customer Evolution

We will seek to bring our company's mission to fruition by supporting our customers in Japan in successful global expansion through the construction of value chains.

Responding to Changes in the Market Environment

Our customers in Japan are expected to become increasingly globalized going forward, so we anticipate a growing need for the procurement of high-quality industrial products overseas.

Business Vision

Leveraging our global network, we will meet customer needs with our high level of expertise in the field of industrial materials, as well as increasing value added by building up value chains.

Specific Initiatives

- By maintaining our close links to our customers in our sales and marketing activities, we will increase the profitability of our infrastructure business and strive to share examples of success with other divisions.
- In particular, we will promote our business investment strategy in the fields of automotive components and optical communications, expanding our high value added businesses.
- We will establish and develop supply chain solutions that leverage our functions as a trading company, including in such areas as purchasing and financing.

Corporate Governance

Corporate Governance

As a Company with Nominating Committee, etc. as defined in the Companies Act, our company is striving to enhance corporate governance by separating supervisory functions from business execution functions. We are also actively putting in place internal control systems to ensure compliance with laws and regulations, as well as our articles of incorporation.
We are currently discussing our company's response to the Corporate Governance Code, which came into effect on June 1, 2015, and plan to publish this by the specified deadline in our Corporate Governance Report, as required by the Tokyo Stock Exchange.

Basic Approach to Corporate Governance

Basic Approach
Based on our corporate vision of "Becoming a global leader in high-tech solutions," we leverage our global network to bring our customers—who are leaders in their fields—the most advanced products and solutions, as befits a cutting-edge technology company that functions as both a manufacturer and a trading company. Moreover, we believe that it is vital to increase supervision over the conduct of business in each segment and to strive to improve the transparency of management by enhancing corporate governance, managing the company with a strong awareness of our corporate social responsibility. This will enable us to gain the trust not only of our shareholders, but also of the whole of society, and to contribute to the progress and development of society through our business activities.

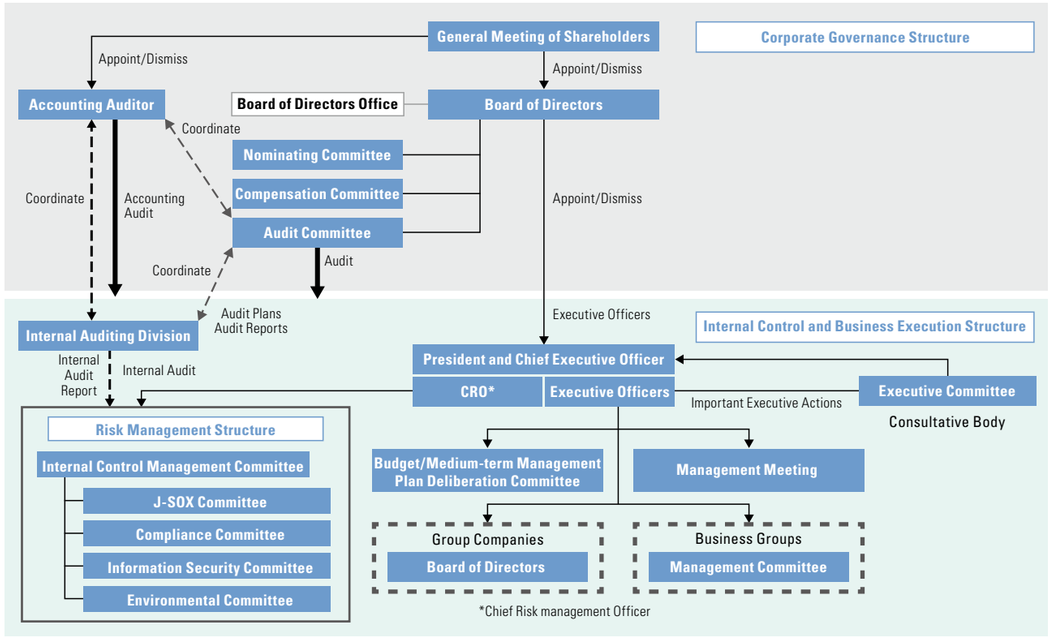
Supervisory Functions of Management and the Execution of Business
In terms of our organizational system, we are a Company with Nominating Committee, etc., as defined in Article 2 (xii) of the Companies Act. A Company with Nominating Committee, etc. is obliged to establish three committees: a Nominating Committee, an Audit Committee, and a Compensation Committee. This enables authority over the nomination of candidates for positions on the board of directors, audits of the legality and appropriateness of business administration, and decision-making concerning the remuneration of directors and executive officers to be separated from the executive side of the business.

To further increase the transparency of management, five of the eight members of the board of directors are outside directors (three of whom are independent outside directors).

There are five directors on the Nominating Committee and three each on the Compensation and Audit Committees, with outside directors constituting a majority on each committee.

In the execution of business, there is a system of checks and balances between executive officers, in which the President only grants approval for important matters concerning the management of the business after discussion by the Executive Committee.

Corporate Governance Structure and Internal Control and Business Execution Structure



The Nominating, Audit, and Compensation Committees

Our company has established three committees with members drawn from among the directors: the Nominating Committee, the Audit Committee, and the Compensation Committee. This enables authority over the nomination of candidates for positions on the board of directors, audits of the legality and appropriateness of business administration, and decision-making concerning the compensation of directors and executive officers to be separated from executive posts.

The members of each committee are selected on the basis of deliberations by the Board of Directors, with reference to the duties and authority of the committee in question. The roles of each committee are as follows.

Nominating Committee
The Nominating Committee has the authority to decide on the content of agenda items concerning the appointment and dismissal of directors for submission to the shareholders' meeting. The FY2014 Nominating Committee consisted of five directors (including three outside directors) and met three times.

Audit Committee
The Audit Committee has the authority to audit the execution of the duties of directors and executive officers and to decide on the content of agenda items concerning the appointment, dismissal, and non-reappointment of accounting auditors for submission to the shareholders' meeting. In addition, it monitors the execution of business in partnership with the Internal Auditing Division (which has 14 staff, as of April 1, 2015).

Members of the Audit Committee conduct surveys and inspections of the company and its subsidiaries to audit the execution of duties by executive officers, attending important internal meetings (such as meetings of the Budget/Medium-term Management Plan Deliberation Committee, the Internal Control Management Committee, and the Executive Committee) as observers to gather information required for their surveys and inspections, as well as providing advice concerning the efficiency of management, where necessary. The results of the Audit Committee's audits are reported to the Board of Directors. In addition, as well as conducting monitoring and verification to ensure that the Accounting Auditor maintains an independent position and is carrying out appropriate audits, the Audit Committee receives reports from the Accounting Auditor concerning the status of the execution of his/her duties and seeks explanations where necessary.

The FY2014 Audit Committee consisted of three directors (including two outside directors) and met 17 times.

Compensation Committee
The Compensation Committee has authority over such matters as the policy on determining the nature of the compensation received by each individual director and executive officer, as well as determining the actual compensation received based on this policy*. The FY2014 committee consisted of three directors (including two outside directors) and met four times.

*For details of the policy on compensation of our company's directors and executive officers and the total compensation decided on by the Compensation Committee, see "Total Compensation of Directors and Executive Officers in FY2014" on P21.

Development of Internal Control Systems

As prescribed by the Companies Act, our company has developed internal control systems, which are decided upon at meetings of the Board of Directors. The internal control systems required by law are mainly systems for ensuring the effectiveness of the execution of duties by the Audit Committee, the legality of the execution of duties by the executive officers, and the proper operation of the Group, as outlined below.

a. Systems for the storage and management of information concerning the execution of duties by our company's executive officers
b. Regulations and other systems for managing the risk of losses at our company
c. Systems for ensuring the efficient execution of the duties of our company's executive officers
d. Systems for ensuring that the duties of our company's executive officers and employees are executed in compliance with laws, regulations, and our articles of incorporation
e. Systems for ensuring proper operations within the framework of the business group consisting of our company, our parent company, and our subsidiaries
f. Matters concerning directors and employees who should assist our company's Audit Committee in its duties
g. Matters concerning efforts to ensure the independence of the directors and employees referred to in the previous item from executive officers and the effectiveness of instructions given to the employees in question
h. Systems for reporting to our company's Audit Committee and systems for ensuring that individuals are not subject to disadvantageous treatment on the grounds of having submitted such a report
i. Procedures for the prepayment or reimbursement of expenses incurred by members of our company's Audit Committee in the course of their duties and matters concerning policies on the handling of expenses or debts incurred in the execution of other relevant duties
j. Other systems for ensuring that audits by the Audit Committee are carried out effectively

In response to these requirements, our company's executive officers have established appropriate, concrete systems and procedures, which operate on the basis of approvals and resolutions by the Board of Directors.

The Board of Directors receives reports from the executive officers concerning the operational status and outcomes of these systems, issuing instructions for their improvement if necessary. Alternatively, the executive officers may propose alterations in response to changes in the business environment, which may be approved and resolved by the Board of Directors. Through these efforts, our company strives to maintain the effectiveness and relevance of our internal control systems.

Note: Details of specific decisions concerning our company's internal control systems can be found in our Corporate Governance Report, as well as our business reports and securities reports.

Corporate Governance

Risk Management System

Aware of the importance of properly addressing the various risks that our business activities entail, we have put in place a risk management system and established the Risk Management Rules, in order to improve corporate value by achieving its business goals. These rules set out the definition of risk and our basic policy toward it, as well as prescribing the roles of the Compliance Committee and the executive officers tasked with risk management.

The company's risk management system is overseen by the Internal Control Management Committee, which is chaired by the Chief Risk management Officer (CRO), who is the executive officer responsible for internal controls.

In addition, the J-SOX Committee, Compliance Committee, Information Security Committee, and Environmental Committee have been established as subcommittes of the Internal Control Management Committee. Each of these committees undertakes activities to reduce risk in the area within their purview, based on the PDCA cycle. Other forms of risk are dealt with by the executive officer in charge of each division as part of the scope of duties arising from their position.

Risks That Could Affect the Group's Operating Results, Share Price, and Financial Position

(1) Market trends
(2) Technological innovation
(3) Intensifying competition
(4) Soaring material costs
(5) Risks arising from international activities and overseas expansion
(6) Disasters
(7) Pension benefit obligation
(8) Changes in exchange rates
(9) Intellectual property matters
(10) Information security
(11) Litigation and other legal procedures

Internal Control Systems for Financial Reporting

In light of legal and social requirements to develop and report on our internal controls for financial reporting, in FY2004, we began building a system for the assessment of our internal controls by the senior management, and we strive to ensure the reliability of our financial reporting.

Since FY2008, we have been compliant with the Financial Instruments and Exchange Act, which instituted the Internal Control Reporting System*.

We have also established the J-SOX Committee, which is developing our system of internal controls concerning financial reporting.

*Internal Control Reporting System: Under this system, applicable from the business year beginning on or after April 1, 2008, businesses must submit both an internal control report assessing their internal control system for financial calculation and a securities report for each fiscal year.

Information Security

We recognize that information security initiatives are an issue of tremendous importance, so we have put in place rules and systems, and strive to ensure full awareness of and compliance with these among the whole workforce. We established the Information Security Committee to promote the development of a framework for managing information security. In addition, with the cooperation of everyone throughout the company, from senior management to front-line employees, we are implementing the following measures in accordance with the Three Principles for Preventing Leakage of Confidential Information*.

1. Taking steps to ensure that information leakage incidents do not occur in the event of the loss or theft of an item of IT equipment
2. Strengthening monitoring focused on the leakage or disclosure of important information
3. Preventing computer virus infections

*Three Principles for Preventing Leakage of Confidential Information:
1. As a general principle nobody can take confidential information out of the company's premises.
2. Any person taking confidential information out of the company's premises due to business necessity shall obtain prior approval from the Information Assets Manager.
3. Any person taking confidential information out of the company's premises due to business necessity shall put in place relevant and appropriate measures against information leakage.

Compliance Framework

1. Basic Approach
Based on our Risk Management Rules, we have established the Compliance Committee, which meets regularly to discuss the status of compliance risk, plans for measures to address this, and the implementation status of such measures. More specifically, responsibility for addressing each particular type of risk has been assigned to a specific department; the head of the department in charge of tackling a particular type of risk envisages and evaluates that risk, as well as implementing measures to deal with it, such as providing in-house education concerning relevant legislation and internal rules. In addition, the manager concerned identifies new compliance risks that are a concern. If a problem should occur, an extraordinary meeting is held, at which the Committee discusses the investigation of the problem and its root causes and measures to prevent recurrence.

2. Establishment of the Whistleblower Reporting Service
In January 2004, we established a whistleblower reporting service to identify and address violations of the law and incipient fraud as early as possible. In April 2004, we extended the scope of whistleblowers to include special fixed-term employees, temporary agency workers, and casual workers. Whistleblowers can choose to contact an external third-party organization and to report issues anonymously. The information provided to this reporting service is passed on to the Compliance Committee.

3. Compliance Education and Awareness Activities
We strive to ensure thorough compliance via ongoing compliance education at all levels of the company, from new staff to management executives.

We provide rank-specific training courses that provide participants with an understanding of the company's approach to compliance, the compliance system, and the whistleblower system. Case studies are also used during these courses to further improve compliance awareness.

The relevant departments provide training courses and e-Learning opportunities for employees who require a knowledge of specific laws and regulations in the course of their duties. One such course is the legal affairs training course, which uses examples of specific laws and regulations to explain compliance issues.

At each workplace, the managerial staff play a central role in using OJT* in the course of day-to-day operations to ensure full awareness of compliance and implement various measures.

*On-the-Job Training: Education and training provided to employees through practical training in the workplace.

Approach to Decisions on the Compensation of Directors and Executive Officers

The Compensation Committee determines the compensation of directors and executive officers pursuant to the following policies, with input from external professionals.

Basic Policy
(1) Directors and executive officers responsible for management receive compensation for managing the company based on their success in business activities emphasizing value creation through high-tech solutions, and the degree to which this success helps the company to win the trust of all stakeholders and contribute to social progress.
(2) The level of compensation that directors and executive officers receive is decided on the basis of 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.

Total Compensation of Directors and Executive Officers in FY2014

Category	Total Compensation, etc. by Type				Total
	Monthly Remuneration		Bonus		
	Number of Executives	Amount (millions of yen)	Number of Executives	Amount (millions of yen)	Amount (millions of yen)
Directors	6	105	5	13	117
Outside Directors	4	72	4	9	81
Executive Officers	15	349	15	180	529

Notes 1. Figures for the number of directors and the amount paid in compensation do not include those directors serving concurrently as executive officers.
2. The aforementioned monthly remuneration includes the monthly remuneration paid to one director who stepped down upon completing his term of office at the conclusion of the company's 95th Ordinary General Meeting of Shareholders held on June 19, 2014.

Corporate Governance

Directors and Executive Officers

(As of June, 2015)

Board Directors and Executive Officers

Chairman of the Board and Executive Officer

Masao Hisada

Member of Nominating Committee

Representative Executive Officer, President and Chief Executive Officer, Board Director

Masahiro Miyazaki

Member of Compensation Committee

Board Director

Board Director

Yoshikazu Dairaku

Member of Audit Committee

Outside Board Directors

Outside Board Director

Hideyo Hayakawa

Member of Nominating Committee

Outside Board Director

Hiromichi Toda

Member of Nominating Committee and Audit Committee

Outside Board Director

Yuji Nishimi

Member of Audit Committee

Outside Board Director

Toyoaki Nakamura

Member of Nominating Committee and Compensation Committee
Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi, Ltd.

Outside Board Director

Ryuichi Kitayama

Member of Nominating Committee and Compensation Committee
Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi, Ltd.

Executive Officers

Representative Executive Officer, President and Chief Executive Officer, Board Director

Masahiro Miyazaki

Overall Management Execution

Chairman of the Board and Executive Officer

Masao Hisada

Representative Executive Officer, Executive Vice President and Executive Officer

Naoki Mitarai

Human Resources, Corporate Communication & CSR, Legal, Internal Control, Compliance & Risk Management, Export Control, Environmental Management, Group Company Management, CHRO, CRO

Senior Vice President and Executive Officer

Toshiyuki Ikeda

Science & Medical Systems, Service Business

Senior Vice President and Executive Officer

Katsutaka Kimura

Electronic Device Systems

Vice President and Executive Officer

Shunichi Uno

Accounting & Finance, Trade Compliance Management, Internal Control and Investor Relations, CFO

Vice President and Executive Officer

Shinji Sato

Marketing & Sales Strategy, CSO, CMO

Vice President and Executive Officer

Ryuichi Nakashima

IT Strategy, Smart Transformation Promotion, CIO, CTrO

Vice President and Executive Officer

Junichi Hashimoto

Advanced Industrial Products Business

Executive Officer

Hirohide Omoto

Electronic Device Systems

Executive Officer

Hiroshi Tajima

Industrial & IT Systems Business, Fine Technology Systems Business

Executive Officer

Joji Honda

Manufacturing, Procurement, Quality Assurance

Executive Officer

Tsutomu Okada

Science & Medical Systems

Executive Officer

Yuji Sato

R&D, Intellectual Property, New Business Creation, CTO

CSR at Hitachi High-Tech

Medium- to Long-term Value Creation through CSR

We regard CSR as an activity that is essential to sustainable corporate growth and the improvement of corporate value. As such, we are promoting group-wide activities based on the CSR Policy of the Hitachi High-Tech Group. There are two aspects to our CSR: defensive, in the form of regulatory and legal compliance, and proactive, in the form of the resolution of social issues through our business activities and activities that contribute to society. We aim to be a company that truly embodies CSR, by making these initiatives an integral part of the company's management.

Our System for CSR Promotion

To promote CSR, we have established the CSR Promotion Committee, which is chaired by the President and Chief Executive Officer. The Committee's members, who are executive officers of the company, discuss Hitachi High-Tech's strategies and plans for CSR activities and other important matters.

To promote these activities, in FY2014, we established the Hitachi High-Tech Group CSR Liaison Meeting, which aims to enhance the system for promoting CSR throughout the Group by sharing information about the CSR policies and activities of both the Hitachi Group and our company. In FY2015, we will introduce an ISO 26000 self-assessment tool to promote integrated CSR activities throughout the Group.

Development of an ISO 26000 Self-assessment Tool

We have decided to introduce the ISO 26000 international standard to promote common global CSR activities throughout the Group.

The first step in this process is the development and introduction of our ISO 26000 self-assessment tool, which has been created by modifying our existing self-assessment tool. This will enable us to set policies in line with the Seven Core Subjects of ISO 26000 for all parts of the Group across the globe, and evaluate our level of achievement in these areas. This new approach will be used to further integrate CSR with management.

The Seven Core Subjects of ISO 26000

Aiming to Balance Social Value with Corporate Value by Making a Social Contribution via CSV*1

In our pursuit of CSV to create value, we have made CSR activities an integral part of our core business and are linking resources cultivated through our core business into efforts to resolve social problems. We undertake business activities in which the creation of value for society is an intrinsic aspect of our company's growth. To this end, as well as leveraging our technology and knowledge to achieve healthy lifestyles, ensure food safety, and improve the safety of rail transport, our activities include educational support*2 for elementary and junior high schools to help to promote interest in science among the next generation.

*1 CSV: Creating Shared Value
*2 See P26-27 for details of our educational support for elementary and junior high schools

For further details, please visit the CSR section of our website.

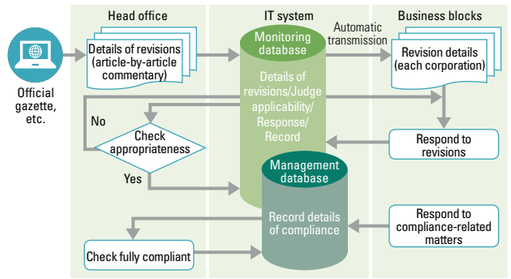
http://www.hitachi-hightech.com/global/about/csr/

Properly Addressing Global Environmental Risk Compliance

Our divisions within Japan and our Group companies, including those overseas, are divided into units called business blocks. As well as promoting activities aimed at continually reducing the environmental burden via our environmental management system, we have set voluntary numerical standards for each corporate body that are stricter than the regulatory requirements imposed by the national and local governments, and are striving to comply with our own standards. In addition, through reciprocal environmental audits, we endeavor to identify latent environmental risks and check our compliance with environmental legislation, in order to prevent environmental accidents.

To respond to frequent legislative revisions, we need to make decisions and take action promptly, based on an accurate interpretation of the legislation concerned. We have developed an Environmental Legislation Management System to share information among our business establishments within Japan about compliance with environmental legislation, as well as trends in new legislation and details of any revisions. In addition, in FY2014, we launched comprehensive environmental legislation risk management activities throughout the Group.

Environmental Legislation Management System Flow Chart



Main Advantages

This system reduces environmental risk by sharing information with the Hitachi High-Tech Group's nine business blocks, including information about the monitoring of details of revisions to environmental legislation, the applicability of new legislation, and evaluations of compliance with requirements.

- Sharing and harmonization of information about legislative revisions through its integrated management
- Recording of compliance-related matters in the event of an incident, and monitoring through the setting of deadlines
- Automation of compliance monitoring, and alert functions

Effects

- More appropriate interpretation of legislative provisions
- Increased accuracy in determining the applicability of legislative requirements
- Faster compliance assessments

Promoting Diversity Management

Globalization and innovation are at the core of our management strategy, which aims to further increase the share of overseas sales and constantly create new business. One approach helping to drive our worldwide management strategy is diversity management*, which is based on respect for diverse sensibilities and values, while drawing upon them to revitalize the organization. Based on this recognition and under the leadership of our senior management team, our Diversity Promotion Committee and interdepartmental working group are playing a central role in our efforts to accelerate a variety of measures.

For the time being, we are focusing on active social participation by women in particular. As such, we have set two key targets: (1) women to make up at least 30% of the new graduates hired from FY2016 onward; and (2) at least 5% of managerial posts to be held by women by FY2020. As a result, we are appointing the female executives in the year ahead.

In addition, to create an environment in which a diverse array of people can play an active role, we are implementing the 20-20 (two-zero, two-zero) Project in all workplaces and among all employees. This innovative seeks to reform ways of working by encouraging staff to keep overtime to 20 hours a month on average and to take at least 20 days of paid leave each year.

Going forward, we will roll out these measures to our Group companies, including those overseas, and ensure that they are brought to fruition, thereby promoting diversity management throughout the Group, across the globe.

*A management technique that brings people with diverse ideas and ways of thinking into the company and introduces systems and programs to encourage the creation of innovative programs and ideas.

Hitachi High-Technologies Corporation

CSR at Hitachi High-Tech

Topic

Providing Thrilling Insights into the Microscopic World to Nurture an Interest in Science

Inviting children into a world that they cannot normally see stimulates their curiosity, awakening a boundless interest in their surroundings. Our Miniscope tabletop electron microscope is an important item that provides children with a glimpse into the world of science.

Using Our Core Technologies to Tackle the Global Drift Away from Science

The drift away from science that has become an issue common to all developed countries could not only make it difficult for companies to secure research and development personnel, but also reduce the international competitiveness of the nation as a whole. We have supported science education across the globe by providing children with opportunities to view familiar items at the microscopic level through the loan of tabletop electron microscopes, thereby arousing their interest in the science and technology that makes this possible.

This initiative encompasses not only Japan, but also countries in North and South America and Europe. For example, in the United States, we have enhanced the content of our activities by partnering with distributors and establishing a special website. In doing so, our goal is to go beyond the boundaries of activities that merely contribute to society and to actually create value for society by helping to nurture the next generation of scientific researchers.

Our activities to support science education using the Miniscope are mainly handled by our CSR Division, which implements strategic programs and builds cooperative relationships with various relevant organizations, as well as promoting awareness among employees. Based on the know-how that we have cultivated from our experience to date, we plan to adopt a multifaceted approach in ongoing efforts to forge deeper day-to-day links with local governments, educators, and communities.

Achievements in Our Support for Science Education and Prospects for the Future

Since 2005, we have been involved in a number of activities to support science education, with a view to stemming the drift away from science among young people. Our activities to date fall into three major categories.

1) Exhibiting at events for children, to give them opportunities to see and touch the equipment we make
2) Visiting SSHs* to give demonstrations
3) Taking equipment into elementary and junior high schools to support science classes

We have exhibited regularly at a variety of events for children since 2005, including "Hitachi Science Seminar: Let's observe by using an electronic microscope!", "Concours of Schoolchildren's Inventions" (National Museum of Nature and Science), and Nippon Cultural Broadcasting's Science Kids public recording session, with around 100 children taking part in each event.

In FY2014, 1,624 schoolchildren took part in these hands-on events aimed at kindling an interest in science. These activities have undoubtedly helped to deepen children's awareness of science.

To expand these activities further, we need to ensure that as many people as possible can operate the Miniscope proficiently. As such, our next goal is to teach current and former staff from our company and science teachers from SSHs how to use them.

These activities will foster teaching and learning relationships via the medium of the Miniscope. If the Miniscope helps to increase the number of children with a passion for science, we will truly be able to say that our corporate activities and a resource that we have cultivated are helping to solve a problem for society.

*SSH: Super Science High School. A high school or combined junior and senior high school designated by the Ministry of Education, Culture, Sports, Science and Technology as a school providing advanced education in science and mathematics, in order to nurture future scientists and engineers with a global outlook.

Educational Support Using the Miniscope at a Fukushima Elementary School

In May 2015, we took a Miniscope to Kawamata Elementary School in Fukushima Prefecture to assist with science lessons for the fifth-grade students.

A staff member from our CSR Division served as guest lecturer for two classes. During the first lesson, which followed the standard curriculum, the children observed microorganisms in water, under the guidance of their science teacher. When they looked at a pre-prepared sample with the naked eye, under a stereo microscope (20 times magnification), and under an optical microscope (300 times magnification), the organisms in the sample became clearer and clearer as the magnification increased.

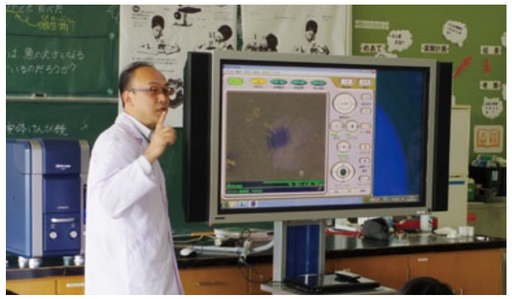
Normally, this kind of observation would end after using the optical microscope, but our company's Miniscope was then used in this lesson to continue observing the sample at an even higher magnification. From then on, the children entered a world that would have been closed to them without access to an electron microscope.

Conventional electron microscopes are big and have limitations in terms of the environments in which they can be installed, as well as necessitating a difficult sample pretreatment process, so most people could not readily access them. However, thanks to our company's development of the Miniscope, an electron microscope that can be used on a tabletop and simplifies the complex sample pretreatment process, electron microscopy can now be used in the classroom.

In the latter half of the lesson, our staff member operated the Miniscope, which had been placed on the teacher's bench, using it to bring up a huge image of Scenedesmus (a type of green algae that lives in fresh water) on the screen. He then switched through the magnifications from 600 to 10,000 times on the computer screen. The students all watched the screen intently, completely enthralled.

In the next lesson, the students conducted experiments in which they used the Miniscope to enlarge samples that they had brought in. The students cheered when they saw the microscopic world of the sample plants and insects shown on screen while preparations were being made.

In fact, a sample brought in by one of the students received the biggest reaction of all. It was a woodlouse.



Yotaro Hatamura
Professor, Kogakuin University/Professor Emeritus, University of Tokyo

Current fields of activity: Micro- and nanofabrication, production engineering, medical support engineering, failure studies, risk studies, creativity studies. Heads the Practical Design Research Foundation, which studies the principles of creative design. He is also the founder and president of the Association for the Study of Failure, through which he is promoting more widespread study of failure.

Appraisal of Hitachi High-Tech's Activities

I believe that this is precisely the kind of thing that satisfies children's curiosity. The special lessons that Hitachi High-Tech provides on school visits provide insights that cannot be gained from textbooks or by carrying out a pre-selected experiment with a predetermined result. These lessons offer real-life experiences that give children the opportunity to bring in the things that they think are interesting and want to look at, and to observe them at a magnification of thousands or tens of thousands of times. This process is crucial in cultivating a passion for science.

Hitachi High-Tech is able to undertake these activities precisely because it has the most advanced technologies, enabling it to combine the user-friendliness of an optical microscope with the performance of an electron microscope. It truly is an initiative that contributes to society while playing to the company's strengths. This initiative requires considerable effort in terms of preparation and coordination, so it would not be possible without the enthusiastic support of the company's staff.

Company Facts and Figures

Financial Highlights

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
Fiscal year

Japan GAAP

Millions of yen

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	**FY2014**
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	**¥ 637,497**
Electronic Device Systems	—	—	—	—	—	—	95,899	102,386	103,919	117,263	**124,480**
Fine Technology Systems	—	—	—	—	—	—	38,803	22,979	14,320	17,217	**10,037**
Science & Medical Systems	—	—	—	—	—	—	115,377	147,055	132,919	150,360	**164,136**
Industrial & IT Systems	—	—	—	—	—	—	118,206	121,687	94,124	93,344	**84,858**
Advanced Industrial Products	—	—	—	—	—	—	295,646	261,216	236,443	267,042	**258,882**
Others & Adjustments	—	—	—	—	—	—	(10,500)	(9,458)	(6,257)	(6,110)	**(4,897)**
Operating income (loss)	30,001	36,036	45,062	49,141	14,909	(1,626)	27,893	25,459	18,951	30,431	**44,134**
Net income (loss)	15,004	19,249	26,109	26,932	7,075	(2,827)	17,752	14,265	12,166	18,032	**28,129**
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	**34,488**
Cash flows from investing activities	(576)	(9,578)	(5,900)	(6,393)	(18,684)	(8,277)	1,194	(25,203)	(4,424)	(24,674)	**(9,543)**
Free cash flows	25,424	6,122	18,905	24,350	12,372	14,094	22,110	18,250	6,550	11,661	**24,945**
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)	**(5,515)**
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	**¥ 536,595**
Total net assets	173,379	193,363	221,330	235,104	234,278	229,399	242,845	253,012	267,189	272,968	**302,324**
Cash and cash equivalents	48,967	43,600	59,267	77,853	79,628	90,188	107,704	121,598	123,485	133,599	**154,558**
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	**¥ 204.52**
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	**2,193.48**
Dividends	20.00	25.00	25.00	30.00	30.00	15.00	20.00	30.00	20.00	30.00	**45.00**
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	**6.9**
Equity ratio (%)	40.1	42.2	45.0	46.5	54.7	55.7	58.7	57.2	61.5	55.0	**56.2**
Return on equity (ROE) (%)	9.0	10.5	12.7	11.9	3.0	(1.2)	7.5	5.8	4.7	7.0	**9.8**
Return on assets (ROA) (%)	5.8	7.9	9.4	9.9	3.5	(0.1)	7.2	6.1	4.6	6.6	**8.2**
Price-earnings ratio (Times)	15.7	22.3	17.0	8.4	26.9	—	12.9	19.0	22.4	18.3	**17.9**

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
Fiscal year

IFRS

Millions of yen

	FY2013	**FY2014**
For the year:		
Revenues	¥ 621,815	**¥ 619,632**
Electronic Device Systems	103,184	**105,893**
Fine Technology Systems	16,677	**11,354**
Science & Medical Systems	150,308	**164,264**
Industrial & IT Systems	93,722	**84,869**
Advanced Industrial Products	263,983	**258,110**
Others & Adjustments	(6,059)	**(4,857)**
EBIT	31,367	**44,778**
Net income	19,866	**31,131**
Cash flows from operating activities	35,533	**34,426**
Cash flows from investing activities	(24,250)	**(9,277)**
Free cash flows	11,283	**25,149**
Cash flows from financing activities	(4,482)	**(5,662)**
At the year-end:		
Total assets	¥ 494,703	**¥ 536,705**
Total equity	270,900	**301,696**
Cash and cash equivalents	132,923	**153,942**
Per share data (¥):		
Earnings attributable to owners of the parent	¥ 144.39	**¥ 226.08**
Equity attributable to owners of the parent	1,968.19	**2,191.32**
Cash dividend	30.00	**45.00**
Ratio:		
Income before income taxes ratio to revenues	5.1	**7.3**
Equity attributable to owners of the parent ratio	54.7	**56.2**
Net income ratio to equity attributable to owners of the parent	7.7	**10.9**
Income before income taxes ratio to assets	6.8	**8.8**
Price-earnings ratio	16.6	**16.2**

Note: Starting with the securities reports for FY2014, the Company has switched to compiling IFRS-compliant consolidated financial statements. For FY2013, the Company has also prepared IFRS-compliant figures, as well as making the adjustments required under Japanese standards.

Company Facts and Figures

At a Glance

FY2014

Revenues	EBIT	Earnings per Share	Payout Ratio
¥619.6 billion	¥44.8 billion	¥226.08	22%

Electronic Device Systems Business

Share of Revenues by Business Segment: 17.0%

Revenues (billions of yen)

FY2014	105.9
FY2013	103.2

EBIT (billions of yen)

FY2014	17.4
FY2013	22.7

FY2014 in Review

Our process equipment business saw a substantial rise, due to strong sales to our biggest customers.

Despite growth in the number of inspection systems sold, sales in our metrology and inspection equipment business declined, due to the postponement of some investment in the mass production of CD-SEMs.

As a result, revenues in this segment rose 2.6% year on year to ¥105.893 billion, while EBIT fell 23.4% year on year to ¥17.362 billion.

Main Products

Conductor etch system

Fine Technology Systems Business

Share of Revenues by Business Segment: 1.8%

Revenues (billions of yen)

FY2014	11.4
FY2013	16.7

EBIT (billions of yen)

FY2014	0.7
FY2013	-9.8

FY2014 in Review

Our industrial infrastructure business saw a substantial decline, due to scaling back our underperforming FPD manufacturing equipment business.

In our social infrastructure inspection business, sales of railroad inspection equipment increased.

As a result, while revenues in this segment fell 31.9% year on year to ¥11.354 billion, EBIT actually improved by ¥10.497 billion year on year to ¥678 million (EBIT having been –¥9.819 billion in the previous fiscal year), due to the effects of reforms of our business structure.

Main Products

"East-i," the high-speed test train used for the Shinkansen bullet train
(Photo: East Japan Railway Company)

Science and Medical Systems Business

Share of Revenues by Business Segment: 26.3%

Revenues (billions of yen)

FY2014	164.3
FY2013	150.3

EBIT (billions of yen)

FY2014	26.1
FY2013	19.5

FY2014 in Review

Despite an increase in sales to Western countries, sales in our science systems business (electron microscopes and scientific instruments) decreased overall, due to the postponement of capital investment in the domestic market in response to the consumption tax increase and implementation of the supplementary budget.

Although the pace of recovery in European markets remained sluggish, our biotechnology and medical products business saw a substantial rise in sales, thanks to strong sales to emerging markets, combined with growth in sales of packaged equipment for clinical chemistry and immunodiagnostic analysis and sample pretreatment systems to major customers in the United States market.

As a result, revenues in this segment rose 9.3% year on year to ¥164.264 billion and EBIT rose 34.0% year on year to ¥26.090 billion.

Main Products

Automated clinical laboratory system

Industrial and IT Systems Business

Share of Revenues by Business Segment: 13.6%

Revenues (billions of yen)

FY2014	84.9
FY2013	93.7

EBIT (billions of yen)

FY2014	0.2
FY2013	0.9

FY2014 in Review

Our industrial solutions business saw a rise in sales due to strong performance by our automotive component automated assembly systems against the background of proactive capital investment by customers, coupled with an increase in sales of solar photovoltaic EPC* projects and related components and materials.

Although our ICT solutions business saw growth in sales of hard disk drives for use in cars, sales of communications equipment decreased considerably, due to a fall in sales of cellphones.

As a result, revenues in this segment fell 9.4% year on year to ¥84.869 billion, while EBIT fell 82.4% year on year to ¥0.163 billion.

*Engineering, Procurement and Construction

Main Products

Automated assembly system

Advanced Industrial Products Business

Share of Revenues by Business Segment: 41.3%

Revenues (billions of yen)

FY2014	258.1
FY2013	264.0

EBIT (billions of yen)

FY2014	2.2
FY2013	2.0

FY2014 in Review

Sales of automotive/transportation components and materials grew, due to continued strong performance in the United States and China in particular.

While sales to China of tempered glass for smartphones and other components and materials grew, our electronic components and materials business declined overall, due to a fall in sales of batteries and other components and materials.

As a result, revenues in this segment fell 2.2% year on year to ¥258.110 billion, while EBIT increased 10.9% year on year to ¥2.209 billion.

Main Products

Optical transceiver
(optical communications)

Company Facts and Figures

Review of Operations

	Outlook for FY2015	Medium-term Business Environment	Medium-term Vision and Basic Policies	FY2015 Initiatives
 Electronic Device Systems Business	Revenues ¥113.8 billion EBIT ¥19.8 billion	In terms of the market environment for semiconductor equipment, which is relevant to this segment, further advances in the refinement of advanced devices and the creation of new needs in relation to three-dimensional structures and new materials are expected to lead to new business. On the other hand, there are areas of uncertainty in the medium to long term, with some customers changing the timing of their investment, so close scrutiny of market trends will be required going forward.	Having established our vision of pursuing and creating new value in partnership with our customers in forefront industries, we will be guided by three basic policies as we move the business forward: (1) enhancing our core technologies to provide cutting edge products; (2) developing business in new fields through the creation of new value (tailoring product enhancements to meet new customer needs); and (3) expanding our service and solutions businesses.	We will promote three key initiatives: (1) maximizing customer value through the provision of solutions adapted to multiple exposure, three-dimensional structures, and new materials; (2) enhancing our ability to address customer needs by augmenting the number of development bases both within Japan and overseas; (3) and expanding our service business by improving service quality and promoting the CIP*. *Continued Improvement Plan
 Fine Technology Systems Business	Revenues ¥16.1 billion EBIT ¥0.5 billion	In terms of the markets relevant to this segment, it is anticipated that capital investment will intensify in our social infrastructure inspection and industrial infrastructure businesses.	Our three basic policies are (1) expanding business in growth fields relating to social infrastructure inspection and industrial infrastructure; (2) developing high-value-added aspects of our business by strengthening our core competences, such as optical measurement and image processing technology; and (3) expanding our service business.	In our social infrastructure inspection business, as well as devoting our energies to expanding sales of on-board inspection equipment for commercial vehicles in the field of railroad inspection equipment, we will cultivate the social infrastructure inspection realm, where there will be a growing need for inspection of roads and bridges in future. In our industrial infrastructure business, we will expand our automotive equipment business and provide high-value-added automation equipment, with a particular focus on leveraging robot technology. In terms of service business in this area, we will roll out after-sales service based on suggesting productivity and quality improvements.
 Science and Medical Systems Business	Revenues ¥168.1 billion EBIT ¥23.1 billion	In terms of the market environment relevant to this segment, improved business sentiment in markets related to our science systems business is expected to stimulate capital investment by companies in Japan. On the other hand, in the case of markets associated with our biotechnology and medical products business, European markets are still experiencing only a weak recovery. In addition, there are fears of changes in China's market environment. In relation to new business fields, an expansion in the market for companion diagnostics and other forms of genetic testing is anticipated.	In our science systems business, we aim to become a major global player in the field of scientific instruments, while simultaneously striving to be the world's foremost company in the electron microscope sector. In our biotechnology and medical products business, we will promote our system solutions business in the field of clinical chemistry and immunodiagnostic analysis with packages consisting of new automated clinical laboratory systems and modular analysis equipment, with the aim of entering the bacterial and genetic testing markets.	Regarding our science systems business, in the electron microscope field, we will launch and expand sales of strategic new products in our main market segment and promote ongoing development. In the scientific instruments field, we will expand sales into the life sciences field and tap further into the environment and renewable energy field, striving to expand sales worldwide. In our biotechnology and medical products business, we will promote customer retention with automated clinical laboratory systems, as well as enhancing development of technologies and products associated with bacterial and genetic testing.
 Industrial and IT Systems Business	Revenues ¥86.4 billion EBIT ¥1.1 billion	In this segment, capital investment by automotive/transportation equipment manufacturers is forecast to remain high and the IoT services market is expected to grow as well.	Having established our vision of aiming to be a provider of unique solutions in the industrial and IT field, we will develop our business through our basic policy of improving customer satisfaction, underpinned by our high level of expertise, the creation of new value, strong relationships of trust, and cooperation with other members of the Hitachi Group.	We will strive to expand sales of our main targets, namely automotive manufacturing equipment, instruments, and components. In addition, we will promote initiatives in such areas as the development of new products in the field of industrial instruments and instrumentation systems, the expansion of sales of solar photovoltaic EPC projects and related components and materials, the expansion of our solutions business focused on the IoT field, and the promotion of global business development.
 Advanced Industrial Products Business	Revenues ¥296.0 billion EBIT ¥4.2 billion	It is expected that this segment will continue to see strong performance in the automotive/transportation equipment fields, primarily in the United States and China, and that there will be growth in the field of smartphones and other mobile communications equipment.	Having established our vision of being a global trading company specializing in industrial materials, we will pursue three basic policies: (1) maintaining our close links to customers in our sales and marketing activities; (2) promoting our business investment strategy; and (3) establishing and developing supply chain solutions (SCS).	We aim to establish highly profitable business infrastructure by devoting our energies to high-value-added business in the areas of automotive/transportation components and materials and electronic components and materials. In addition, as well as aiming to expand our business in the fields of automotive components and optical communications in the ASEAN region, Brazil, and Mexico, among others, we will seek to increase value added through the construction of value chains that extend from raw materials through to functional components and the global expansion of SCS business using logistics and finance.

Consolidated Statements of Financial Position

Millions of yen

	As of April 1, 2013	As of March 31, 2014	**As of March 31, 2015**
Assets			
Current assets			
Cash and cash equivalents	123,005	132,923	**153,942**
Trade receivables	107,016	131,006	**136,586**
Investments in securities and other financial assets	11,426	19,655	**21,629**
Inventories	71,581	77,051	**90,709**
Income taxes receivable	2,600	483	**938**
Other current assets	3,295	3,580	**4,344**
Subtotal	318,924	364,698	**408,148**
Assets held for sale	—	32	**269**
Total current assets	318,924	364,730	**408,417**
Non-current assets			
Property, plant and equipment	64,816	73,746	**71,665**
Intangible assets	13,640	13,555	**13,271**
Investments accounted for using the equity method	202	329	**314**
Trade receivables	221	379	**503**
Investments in securities and other financial assets	15,143	15,092	**15,011**
Deferred tax assets	26,389	24,644	**24,454**
Income taxes receivable	721	799	**—**
Other non-current assets	1,846	1,430	**3,070**
Total non-current assets	122,977	129,973	**128,289**
Total assets	441,901	494,703	**536,705**

Millions of yen

	As of April 1, 2013	As of March 31, 2014	**As of March 31, 2015**
Liabilities			
Current liabilities			
Trade payables	84,275	105,611	**121,637**
Other financial liabilities	19,152	13,361	**14,294**
Income taxes payable	2,592	7,101	**8,205**
Accrued expenses	18,229	20,741	**22,198**
Advances received	10,188	21,048	**18,431**
Provision	941	1,122	**2,102**
Other current liabilities	1,243	1,270	**1,347**
Total current liabilities	136,620	170,254	**188,214**
Non-current liabilities			
Other financial liabilities	255	255	**196**
Income taxes payable	656	656	**—**
Retirement and severance benefits	57,164	49,537	**43,972**
Provision	2,096	2,248	**1,778**
Deferred tax liabilities	332	205	**135**
Other non-current liabilities	547	647	**714**
Total non-current liabilities	61,052	53,550	**46,795**
Total liabilities	197,671	223,804	**235,009**
Equity			
Hitachi High-Technologies Corporation stockholders' equity			
Common stock	7,938	7,938	**7,938**
Capital surplus	35,662	35,662	**35,662**
Retained earnings	196,687	213,799	**239,553**
Accumulated other comprehensive income	4,089	13,631	**18,567**
Treasury stock, at cost	(327)	(334)	**(343)**
Total Hitachi High-Technologies Corporation stockholders' equity	244,049	270,696	**301,378**
Non-controlling interests	180	204	**319**
Total equity	244,230	270,900	**301,696**
Total liabilities and equity	441,901	494,703	**536,705**

Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income

Consolidated Statements of Profit or Loss

Years ended March 31, 2014 and 2015

Millions of yen

	2014	2015
Revenues	621,815	**619,632**
Cost of sales	(502,053)	**(483,671)**
Gross profit	119,762	**135,961**
Selling, general and administrative expenses	(85,922)	**(88,257)**
Other income	694	**582**
Other expenses	(3,696)	**(1,358)**
Operating profit	30,838	**46,928**
Financial income	338	**219**
Financial expenses	(26)	**(2,382)**
Share of profits of investments accounted for using the equity method	218	**12**
EBIT (Earnings before interest and taxes)	31,367	**44,778**
Interest income	405	**450**
Interest charges	(56)	**(39)**
Income from continuing operations, before income taxes	31,717	**45,189**
Income taxes	(11,089)	**(13,053)**
Income from continuing operations	20,628	**32,136**
Loss from discontinued operations	(761)	**(1,005)**
Net income	19,866	**31,131**
Net income attributable to:		
Hitachi High-Technologies Corporation stockholders		
Continuing operations	20,621	**32,098**
Discontinued operations	(761)	**(1,005)**
Total	19,860	**31,093**
Non-controlling interests	7	**38**
Total	19,866	**31,131**

Yen

Earnings (loss) per share from continuing operations, attributable to Hitachi High-Technologies Corporation stockholders		
Basic and diluted earnings (loss) per share from continuing and discontinued operations, attributable to Hitachi High-Technologies Corporation stockholders		
Continuing operations	149.93	**233.38**
Discontinued operations	(5.54)	**(7.30)**
Total	144.39	**226.08**

Consolidated Statements of Comprehensive Income

Years ended March 31, 2014 and 2015

Millions of yen

	2014	2015
Net income	19,866	**31,131**
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	611	**1,445**
Remeasurements of defined benefit plans	4,813	**(82)**
Total items not to be reclassified into net income	5,423	**1,363**
Items that can be reclassified into net income		
Foreign currency translation adjustments	3,513	**4,050**
Net changes in cash flow hedges	625	**(268)**
Total items that can be reclassified into net income	4,138	**3,781**
Other comprehensive income (OCI)	9,561	**5,144**
Comprehensive income	29,428	**36,275**
Comprehensive income attributable to:		
Hitachi High-Technologies Corporation stockholders	29,404	**36,192**
Non-controlling interests	23	**83**
Total	29,428	**36,275**

Consolidated Statements of Changes in Equity

Millions of yen

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income: Net changes in financial assets measured at FVTOCI	Accumulated other comprehensive income: Remeasurements of defined benefit plans	Accumulated other comprehensive income: Foreign currency translation adjustments
As of April 1, 2013	7,938	35,662	196,687	5,082	—	—
Net income			19,860			
Other comprehensive income				611	4,813	3,496
Comprehensive income	—	—	19,860	611	4,813	3,496
Acquisition of treasury stock		(0)				
Sales of treasury stock						
Dividends			(2,751)			
Acquisition (disposal) of non-controlling interests						
Reclassified into retained earnings			3	(3)		
Total transactions with the owners	—	(0)	(2,748)	(3)	—	—
As of March 31, 2014	7,938	35,662	213,799	5,690	4,813	3,496
Net income			**31,093**			
Other comprehensive income				**1,445**	**(82)**	**4,004**
Comprehensive income	**—**	**—**	**31,093**	**1,445**	**(82)**	**4,004**
Acquisition of treasury stock		**(0)**				
Sales of treasury stock		**0**				
Dividends			**(5,501)**			
Acquisition (disposal) of non-controlling interests						
Reclassified into retained earnings			**162**	**(2)**	**(160)**	
Total transactions with the owners	**—**	**0**	**(5,339)**	**(2)**	**(160)**	**—**
As of March 31, 2015	**7,938**	**35,662**	**239,553**	**7,133**	**4,570**	**7,501**

Millions of yen

	Accumulated other comprehensive income: Net changes in cash flow hedges	Accumulated other comprehensive income: Total accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi High-Technologies Corporation stockholders' equity	Non-controlling interests	Total equity
As of April 1, 2013	(993)	4,089	(327)	244,049	180	244,230
Net income				19,860	7	19,866
Other comprehensive income	625	9,545		9,545	17	9,561
Comprehensive income	625	9,545	—	29,404	23	29,428
Acquisition of treasury stock			(7)	(7)		(7)
Sales of treasury stock				—		—
Dividends				(2,751)		(2,751)
Acquisition (disposal) of non-controlling interests				—		—
Reclassified into retained earnings		(3)		—		—
Total transactions with the owners	—	(3)	(7)	(2,758)	—	(2,758)
As of March 31, 2014	(368)	13,631	(334)	270,696	204	270,900
Net income				**31,093**	**38**	**31,131**
Other comprehensive income	**(268)**	**5,099**		**5,099**	**45**	**5,144**
Comprehensive income	**(268)**	**5,099**	**—**	**36,192**	**83**	**36,275**
Acquisition of treasury stock			**(8)**	**(8)**		**(8)**
Sales of treasury stock			**0**	**0**		**0**
Dividends				**(5,501)**	**(39)**	**(5,540)**
Acquisition (disposal) of non-controlling interests				**—**	**70**	**70**
Reclassified into retained earnings		**(162)**		**—**		**—**
Total transactions with the owners	**—**	**(162)**	**(8)**	**(5,510)**	**31**	**(5,478)**
As of March 31, 2015	**(636)**	**18,567**	**(343)**	**301,378**	**319**	**301,696**

Consolidated Statements of Cash Flows

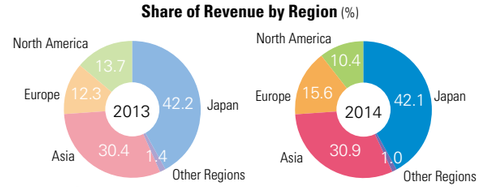
Years ended March 31, 2014 and 2015

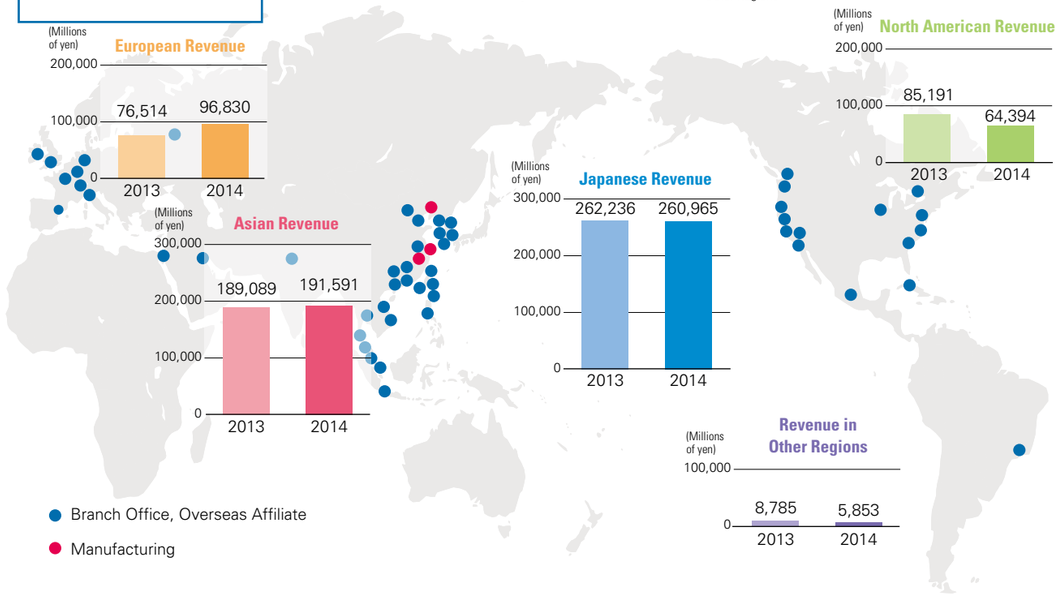
Millions of yen

	2014	2015
Cash flows from operating activities:		
Net income	19,866	**31,131**
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	9,289	**10,574**
Impairment losses	978	**1,330**
Income taxes	10,651	**12,656**
Share of profits of investments accounted for using the equity method	(218)	**(12)**
Interest income	(405)	**(450)**
Dividend income	(185)	**(209)**
Interest expense	56	**39**
Profits on sales of property, plant and equipment and intangible assets	462	**541**
Increase in trade receivables	(20,972)	**(2,233)**
Increase in inventories	(4,656)	**(11,440)**
Increase in trade payables	17,394	**12,824**
Increase (decrease) in advances received	10,521	**(2,508)**
Decrease in retirement and severance benefits	(402)	**(4,798)**
Other	(1,804)	**(1,525)**
Subtotal	40,576	**45,920**
Interest received	412	**453**
Dividends received	374	**237**
Interest paid	(35)	**(40)**
Income taxes paid	(7,184)	**(12,389)**
Income taxes refund	1,390	**245**
Net cash provided by operating activities	35,533	**34,426**
Cash flows from investing activities:		
Payments into deposits and time deposits	(18,700)	**(17,100)**
Proceeds from withdrawal of deposits and time deposits	12,726	**18,600**
Purchase of property, plant and equipment	(16,168)	**(10,377)**
Purchase of intangible assets	(2,276)	**(3,033)**
Proceeds from sales of property, plant and equipment	50	**100**
Proceeds from sales of intangible assets	5	**0**
Purchase of investments in securities and other financial assets	(223)	**(400)**
Proceeds from sales and redemption of investments in securities and other financial assets	450	**1,381**
Proceeds from transfer of business	—	**1,453**
Other	(114)	**99**
Net cash used in investing activities	(24,250)	**(9,277)**
Cash flows from financing activities:		
Proceeds from payments from non-controlling interests	—	**70**
Dividends paid to Hitachi High-Technologies Corporation stockholders	(2,754)	**(5,503)**
Dividends paid to non-controlling interests	(13)	**—**
Acquisition of common stock for treasury	(7)	**(8)**
Proceeds from sales of treasury stock	—	**0**
Other	(1,708)	**(221)**
Net cash used in financing activities	(4,482)	**(5,662)**
Effect of exchange rate changes on cash and cash equivalents	3,118	**1,530**
Net increase in cash and cash equivalents	9,918	**21,018**
Cash and cash equivalents at beginning of year	123,005	**132,923**
Cash and cash equivalents at end of year	132,923	**153,942**

Company Facts and Figures

Revenue by Region/ Our Locations





Global Network (as of September 2015)

Domestic

Hitachi High-Technologies Corporation

Domestic Affiliated Companies

Hitachi High-Tech Solutions Corporation
Hitachi High-Tech Materials Corporation
Hitachi High-Tech Support Corporation
Hitachi High-Tech Fielding Corporation
Hitachi High-Tech Fine Systems Corporation
Hitachi High-Tech Manufacturing & Service Corporation
Hitachi High-Tech Science Corporation
Epolead Service Inc.
Giesecke & Devrient Kabushiki Kaisha
Chorus Call Asia Corporation

Europe

Hitachi High-Technologies Moscow Office
Hitachi High-Technologies Europe GmbH
Hitachi High-Technologies RUS Limited Liability Company
Hitachi High Technologies Ireland Limited
H.H.T.A. Semiconductor Equipment Israel, Ltd.

Asia

Hitachi High-Technologies Kuwait Office
Hitachi High-Technologies (Singapore) Pte. Ltd.
Hitachi High-Technologies IPC (Malaysia) Sdn. Bhd.
Hitachi High-Technologies (Thailand) Ltd.
PT. Hitachi High-Technologies Indonesia
Hitachi High-Technologies India Private Limited
Hitachi High-Technologies (Shanghai) Co., Ltd.
Hitachi High-Technologies Hong Kong Limited
Hitachi High-Technologies (Shenzhen) Co., Ltd.
Hitachi High-Technologies Korea Co., Ltd.
Hitachi High-Technologies Taiwan Corporation
Hitachi Instrument (Suzhou), Ltd.
Hitachi Instruments (Dalian) Co., Ltd.
Hitachi Instruments (Shanghai) Co., Ltd.

America

Hitachi High-Technologies Havana Office
Hitachi High Technologies America, Inc.
Hitachi High-Technologies Science America Inc.
Hitachi High-Technologies Canada, Inc.
Hitachi High-Technologies Mexico S.A. de C.V.
Hitachi High-Technologies do Brasil Ltda.
Hitachi High-Tech AW Cryo, Inc.

Company Data/ Stock Information

(As of the end of March 2015)

Company Data

Date of Establishment	April 12, 1947
Paid-in Capital	¥7,938 million
Number of Employees	10,012

Stock Information

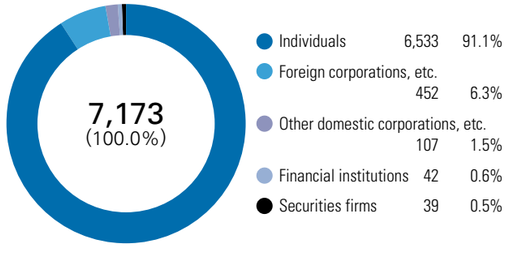
Number of Authorized Shares	350,000,000
Number of Issued Shares	137,738,730
Ordinary General Meeting of Shareholders	June Every Year
Stock Exchange Listings	Tokyo Stock Exchange, First Section
Independent Auditors	Ernst & Young ShinNihon LLC

Major Shareholders

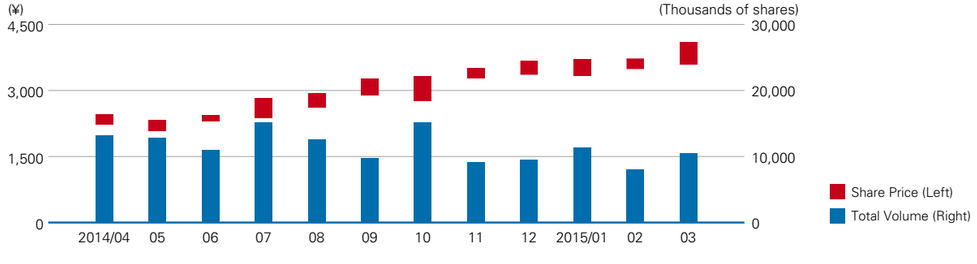
Name	Number of shares	Shareholding percentage (%)
Hitachi, Ltd.	71,135,619	51.72
Japan Trustee Services Bank, Ltd. (Trust Account)	5,317,100	3.87
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,545,800	3.31
Hitachi High-Technologies Corp.'s Shareholding Association	1,719,019	1.25
State Street Bank and Trust Company 505225	1,378,830	1.00
Nomura Bank (Luxembourg) S.A. S/A Nomura Multi Currency Japan Stock Leaders Fund	1,267,700	0.92
JP Morgan Chase Bank 385093	1,264,500	0.92
Goldman, Sachs & Co. Reg.	1,201,452	0.87
Pictet and Cie (Europe) S.A.	980,300	0.71
Japan Trustee Services Bank, Ltd. (Trust Account 9)	952,300	0.69

Note: The shareholding percentage is calculated after deducting treasury shares (206,223 shares).

Distribution of Ownership by Type of Shareholder



Share Price and Total Volume (April 2014–March 2015)



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Publisher/Address for Inquiries

Hitachi High-Technologies Corporation

CSR Division
24-14, Nishi-Shimbashi 1-chome, Minato-ku, Tokyo 105-8717
TEL: 81-3-3504-7111 (main number)
FAX: 81-3-3504-5943
e-mail: csr-promotion.aj@hitachi-hightech.com