

***Hitachi HighTech***

**HITACHI**

**Report on the 90th Business Term  
Year ended March 31, 2009  
(April 1, 2008 to March 31, 2009)**

**Hitachi High-Technologies Corporation**  
(Code No.: 8036)

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**Business Report (from April 1, 2008 to March 31, 2009)**

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

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

The Japanese economy experienced an unprecedented tough situation in the period under review, as the financial crisis triggered by the United States spread throughout the world and the global economy plunged into a recession. There are concerns for the future in that rapid curtailment of production and other such trends might lead to dramatic adjustments in employment. In addition, the harsh situation is likely to continue, even though the risk of the global economy's bottom falling out has been averted due to the bailout measures taken by countries around the world.

In such an environment, the enterprise group consisting of Hitachi High-Technologies Corporation and its subsidiaries (hereinafter referred to as "the Group") has spread the concepts of "focusing on speed," "focusing on site" and "enhancing consolidated management," and run its businesses by taking advantage of the Group's world-leading technologies and global sales force and service networks, in order to be the global leader in high-tech solutions. Regrettably, however, the Group's consolidated business performance for the fiscal year ended March 31, 2009 was JPY774,950 million in net sales (down 17.8% year-on-year), JPY14,909 million in operating income (down 69.7%), JPY16,475 million in ordinary income (down 66.2%) and JPY7,075 million in net income (down 73.7%).

Main measures taken by the Hitachi High-Technologies Group in the fiscal year ended March 31, 2009 were as follows.

For new businesses, efforts to create new businesses were made as exemplified by the launch of initiatives aimed at fuel cell commercialization and the aggressive promotion of the development of solutions for organizational reform that help knowledge management. In December 2008, a new facility called "High-tech Vision Techno Center" was established. The Center is equipped with a demonstration room where you can actually experience an HD (high-definition) videoconferencing system with superior video quality, and will be used to aggressively promote the provision of industry-leading videoconferencing system "High-tech Vision."

As for research and development (R&D) activities, investments in development were proactively made to establish the Group's superiority by spearheading technological innovation in the next-generation high-tech industry and by developing new products ahead of its competition. The Group released many new products in the market, such as cutting-edge electron microscopes and clinical chemistry analyzers. In regards to the production framework, construction work was carried out to rebuild the manufacturing wing of Naka Division, in order to improve the production efficiency for semiconductor manufacturing equipment and clinical analyzers. The rebuilding effort is aimed at establishing an optimal and efficient production framework, and further boosting the Group's competitiveness in its semiconductor manufacturing equipment and clinical analyzers businesses.

CSR\*-oriented management efforts included the publication of "CSR Report 2008" (digest version booklet) in June 2008 (English version and Chinese version were published in August 2008 and September 2008, respectively). In conjunction with this, a website providing a detailed explanation of the Group's CSR activities, also entitled "CSR Report 2008," was launched as an easy-to-understand introduction to its CSR activities. In March 2009, the Group checked the preparedness of systems, etc. for ensuring the adequacy of operations under the Company Law, that is, the execution status of so-called internal controls. At the same time, some of the internal controls under the Company Law were amended, following the development of a system to ensure the adequacy of documents and other information relating to financial accounting under the

Financial Instruments and Exchange Law.

In the fiscal year ended March 31, 2009, the Group changed its accounting policy for products requiring installation work after shipment, such as semiconductor manufacturing equipment and LCD manufacturing equipment: the revenue recognition criteria was changed from the point of shipment to the point of completion of installation.

The following is a report on the Group's business results by industry segment in the fiscal year ended March 31, 2009.

\* Corporate Social Responsibility

- **Electronic Device Systems Segment**

In the field of semiconductor manufacturing equipment, etching systems performed solidly due to continued investments by major customers in the U.S., whereas Hitachi High-Technologies' mainstay products, namely, CD-measurement SEM (CD-SEM) and other inspection and analysis equipment, substantially decreased in sales due to the impact of the postponement and suspension of capital investments by customers especially in Asia.

In the field of LCD manufacturing equipment, sales decreased overall as exposure systems increased but mounting systems decreased in sales.

As a result of the above, the Electronic Device Systems segment generated sales in the amount of JPY168,324 million, and posted an operating loss of JPY4,816 million.

The impact of the change in accounting policy (revenue recognition criteria) on the Electronic Device Systems segment amounted to a decrease in sales by JPY15,828 million and a decrease in operating income by JPY3,234 million.

- **Life Sciences Segment**

In the field of clinical analyzers, sales of clinical chemistry and immunodiagnostic analyzers targeted at European and U.S. markets remained brisk, due in part to the effect of releasing products that meet the high demand for highly efficient, high-quality tests.

In the biotechnology equipment field, sales of DNA sequencers were relatively solid, but sales of general-purpose analysis equipment decreased due in part to the impact of investment cutbacks by customers, which led to a decrease in sales overall.

As a result of the above, the Life Sciences segment generated sales in the amount of JPY97,725 million, and posted an operating income of JPY19,407 million.

The impact of the change in accounting policy (revenue recognition criteria) on the Life Sciences segment amounted to a decrease in sales by JPY192 million and a decrease in operating income by JPY47 million.

- **Information Systems & Electronic Components Segment**

Sales of chip mounters substantially decreased due to the suspension and postponement of investments by customers. In the field of information and communications technology, sales of mobile phones targeted at the U.S. dramatically increased. Sales of semiconductors plummeted due to the impact of production adjustments by customers and other such factors.

As a result of the above, the Information Systems & Electronic Components segment generated sales in the amount of JPY203,758 million, and posted an operating loss of JPY1,593 million.

The impact of the change in accounting policy (revenue recognition criteria) on the Information Systems & Electronic Components segment amounted to a decrease in sales by JPY713 million and a decrease in operating income by JPY88 million.

- **Advanced Industrial Products Segment**

Sales of solar cell materials and equipment targeted at Europe and China increased. Sales of silicon wafers decreased due to sluggish semiconductor demand. Sales of LCD-related materials and automobile-related components decreased due in part to the impact of production adjustments by customers.

As a result of the above, the Advanced Industrial Products segment generated sales in the amount of JPY305,143 million, and posted an operating income of JPY1,879 million.

The impact of the change in accounting policy (revenue recognition criteria) on the Advanced Industrial Products segment amounted to a decrease in sales by JPY2,167 million and a decrease in operating income by JPY211 million.

■ Sales by Segment

Segment	FY2007		FY2008 (year under review)		Year-on-year Change
	Amount	Percentage	Amount	Percentage	
Electronic Device Systems	Million yen 264,778	% 28.1	Million yen 168,324	% 21.7	% (36.4)
Life Sciences	96,173	10.2	97,725	12.6	1.6
Information Systems & Electronic Components	232,716	24.7	203,758	26.3	(12.4)
Advanced Industrial Products	349,457	37.0	305,143	39.4	(12.7)
Consolidated net sales - Total	943,124	100.0	774,950	100.0	(17.8)

■ Sales by Region

Region	FY2007		FY2008 (year under review)		Year-on-year Change
	Amount	Percentage	Amount	Percentage	
North America	Million yen 73,110	% 7.8	Million yen 83,570	% 10.8	% 14.3
Europe	94,233	10.0	82,961	10.7	(12.0)
Asia	276,411	29.3	185,703	24.0	(32.8)
Other regions	17,792	1.8	18,980	2.4	6.7
Overseas – Subtotal	461,547	48.9	371,214	47.9	(19.6)
Japan	481,577	51.1	403,736	52.1	(16.2)
Consolidated net sales - Total	943,124	100.0	774,950	100.0	(17.8)

## **(2) Problems Facing Hitachi High-Technologies Group**

Prospects for the global economy are likely to remain uncertain for some time to come. In such a business climate, the Hitachi High-Technologies Group will optimize human resources and make production adjustments in order to realize early recovery of its business performance. The Group will also resolutely cut costs, including carefully selecting capital investments and R&D investments, reducing inventories, and even reviewing selling, general and administrative (SG&A) expenses in a thoroughgoing manner. Moreover, its “customer first” policy and “ethics and integrity” will be strictly enforced, and management will be executed with a strong awareness of CSR, in order to become an enterprise group trusted by the general public, including its shareholders. As a stepping stone to expand the Group’s businesses into the future, further efforts will be made to create new businesses, and global businesses will be aggressively promoted. For the purpose of accelerating the Group’s growth strategy and boosting its status in the marketplace, efforts will be focused on the following four management measures.

- 1) Efforts to create new businesses will be enhanced. Focusing on key proprietary products and core businesses will be expedited to transform the Group’s business model into one that is characterized by high growth and high earnings, in order to build and execute a precise business portfolio to gain market acceptance and beat competitors. As part of such efforts, in April 2009, the Global Trading Group—which oversees the trading divisions as a whole—was established, and the Strategic Planning Division and the Ecology & Energy Business Division were newly established. This new organizational arrangement will be applied to optimize the trading divisions as a whole and reinforce its functions, in addition to promoting strategic initiatives and the creation of new businesses in growth areas. The Ecology & Energy Business Division will direct its efforts at businesses related to the new energy field, etc., and will proactively promote businesses related to lithium ion batteries, as well as businesses related to alternative forms of energy such as solar cells and fuel cells. In addition, the product development framework will be enhanced by strategically shifting the Group’s management resources, and group-wide measures will be taken to create new businesses.
- 2) Global businesses will be actively promoted. In running businesses on a global scale, efforts will be focused on expanding and evolving businesses by treating China and India as priority areas. To tap emerging markets, businesses will be promoted especially in Brazil, Russia and Vietnam more aggressively than ever before.
- 3) The development of a robust management foundation will be expedited for the next growth phase. Management resources will be strategically allocated in a decisive manner by focusing on key proprietary products and core businesses, cost competitiveness will be enhanced, and cash flow management will be strictly enforced. Moreover, priority will be given to making strategic enhancements to the IT infrastructure, including establishing an information infrastructure that integrates manufacturing, sales and service capabilities, in order to build a consolidated management information infrastructure that would help make management decisions in a speedy and precise fashion. Accelerated management will be sought through the extensive delegation of authority, and an open and transparent employee evaluation and treatment system will be implemented in order to create a corporate culture that makes each and every employee take on challenges by setting high goals.
- 4) Evolution of consolidated management will be sought. Efforts will be made to boost the competitiveness of the Group’s businesses and improve management efficiency on a consolidated basis, so as to maximize its enterprise value. Furthermore, a performance management and evaluation system encompassing the entire Group will be developed in an effort to further evolve consolidated management.

## **(3) Financing Activity of Hitachi High-Technologies Group**

There were no financing activities within the Hitachi High-Technologies Group by such means as the issue of corporate bonds or new shares or significant borrowings in the fiscal year under review. As of March 31, 2009, there were no borrowings.

#### (4) Capital Investments by the Hitachi High-Technologies Group

In the fiscal year under review, there was a capital investment with a material impact on the Group's production capacity, namely, refurbishing of buildings of Naka Division in the amount of JPY2,724 million. The total amount spent up until the fiscal year ended March 31, 2009 was JPY3,349 million (expected investment amount: JPY8,097 million).

#### (5) Trends in Assets and Results of Operation of Hitachi High-Technologies Group

##### [Trends in Assets and Results of Operation of Hitachi High-Technologies Group]

Fiscal Year	2005	2006	2007	2008 (under review)
Net sales (million yen)	888,293	951,619	943,124	774,950
Ordinary income (million yen)	35,120	44,292	48,705	16,475
Net income (million yen)	19,249	26,109	26,932	7,075
Net income per share (yen)	139.24	189.81	195.80	51.44
Net assets (million yen)	193,363	221,330	235,104	234,278
Total assets (million yen)	457,837	480,191	504,873	427,576

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

##### [Trends in Assets and Results of Operation of Hitachi High-Technologies Corporation]

Fiscal Year	2005	2006	2007	2008 (under review)
Net sales (million yen)	648,585	702,967	741,203	601,826
Ordinary income (million yen)	18,949	34,263	36,838	15,243
Net income (million yen)	10,379	30,681	27,730	4,177
Net income per share (yen)	75.45	223.04	201.60	30.37
Net assets (million yen)	143,370	172,148	193,873	191,475
Total assets (million yen)	345,908	383,442	418,578	357,158

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

**(6) Main Merchandise and Products of Hitachi High-Technologies Group**

(As of March 31, 2009)

The main merchandise and products sold by the Group are as follows.

<b>Segment</b>	<b>Main Merchandise and Products</b>
Electronic Device Systems	Semiconductor Process Equipment such as Etching Systems and Scan Exposure Systems Semiconductor Metrology and Analysis Equipment such as CD-SEM and Inspection Systems Electron Microscopes, LCD-related Production Equipment, Hard Disk Drive-related Production Equipment, Railway Inspection Equipment
Life Sciences	Mass Spectrometers, Nuclear Magnetic Resonance Equipment, Spectrophotometers, Chromatographs, DNA Sequencers, General-Purpose Analysis Equipment, Automatic Clinical Chemistry and Immunodiagnostic Analyzers
Information Systems & Electronic Components	Measuring Equipment, Chip Mounters, Automated Assembly Systems, Vehicle Test Systems, Electric Power Systems, Advanced Research Facility for National Science Project, Computer Systems, Printer and Computer Peripherals, Semiconductor Products and Related Products, TFT Displays, Electronic Products and Devices
Advanced Industrial Products	Steel Products, Special Steel Products, Nonferrous Metals, Electronic Materials & Components for Semiconductors, Plastic Resins and Engineering Plastics, Electronic Materials, Optical Device & Materials, Raw Materials for Optical Disc, Construction Equipments, Automotive Components, Oil/Oil Products/Gas

Hitachi High-Technologies Group also undertakes work as a subcontractor and carries out maintenance and provides services incidental to the sales of the aforementioned main merchandise and products.

**(7) Major Offices and Plants of Hitachi High-Technologies Group**

(As of March 31, 2009)

## [Offices in Japan]

<b>Name</b>	<b>Location</b>
Head Office	Minato-ku, Tokyo
Regional Branch Office for West Japan Area	Osaka City, Osaka Prefecture
Kansai Branch Office	Osaka City, Osaka Prefecture
Chugoku Branch Office	Hiroshima City, Hiroshima Prefecture
Kyushu Branch Office	Fukuoka City, Fukuoka Prefecture
Regional Branch Office for Kanto Area	Minato-ku, Tokyo
Ibaraki Branch Office	Hitachi City, Ibaraki Prefecture
Tsukuba Branch Office	Tsuchiura City, Ibaraki Prefecture
Chubu Branch Office	Nagoya City, Aichi Prefecture
Tohoku Branch Office	Sendai City, Miyagi Prefecture
Hokkaido Branch Office	Sapporo City, Hokkaido Prefecture

## [Plants]

<b>Name</b>	<b>Location</b>
Naka Division	Hitachinaka City, Ibaraki Prefecture
Kasado Division	Kudamatsu City, Yamaguchi Prefecture
Shonan Division	Nakai-machi, Ashigarakami-gun, Kanagawa Prefecture
Saitama Division	Kamisato-machi, Kodama-gun, Saitama Prefecture

## [Major Subsidiaries]

<b>Company Name</b>	<b>Location</b>
Hitachi High-Tech Trading Corp.	Minato-ku, Tokyo
Hitachi High-Tech Materials Corp.	Minato-ku, Tokyo
Hitachi High-Tech Solutions Corp.	Kawasaki City, Kanagawa Prefecture
Hitachi High-Tech Fielding Corp.	Shinjuku City, Tokyo
Hitachi High-Tech Control Systems Corp.	Mito City, Ibaraki Prefecture
Hitachi High-Tech Manufacturing & Service Corp.	Hitachinaka City, Ibaraki Prefecture
Hitachi High-Tech Instruments Co., Ltd.	Kumagaya City, Ibaraki Prefecture
Hitachi High Technologies America, Inc	USA
Hitachi High-Technologies Europe GmbH	Germany
Hitachi High-Technologies (Singapore) Pte. Ltd.	Singapore
Hitachi High-Technologies Hong Kong Limited	China

## (8) Employees of Hitachi High-Technologies Group

(As of March 31, 2009)

[Number of Employees in Hitachi High-Technologies Group]

Segment	Number of employees	(Change from the end of the preceding year)
Electronic Device Systems	4,478	(+298)
Life Sciences	2,334	(+68)
Information Systems & Electronic Components	1,698	(+87)
Advanced Industrial Products	907	(-107)
Group-wide (common)	1,091	(-315)
Total	10,508	(+31)

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

[Number of Employees in Hitachi High-Technologies Corporation]

Number of employees (Change from the end of the preceding year)	4,629 (+47)
Average number of years of service	18 years and 1 month
Average age	40 years and 8 months old

- Notes:
1. The number of employees refers to the number of persons on the payroll.
  2. The above figures include 6 overseas local employees.
  3. In addition to the above, there are 179 employees seconded to overseas subsidiaries.

## (9) Major Parent Company and Subsidiaries

[Parent Company]

Hitachi High-Technologies Corporation's parent company is Hitachi, Ltd, which owns 51.4% of all of its outstanding shares. Hitachi High-Technologies Corporation purchases information system equipment, automobile-related components, etc. from its parent company, and sells various information equipment, power-generation-related components, functional materials, etc. to its parent company.

[Subsidiaries]

Hitachi High-Technologies Corporation transferred all of its shares of Hitachi East Asia Ltd.—an affiliate subject to the equity method—to Hitachi, Ltd. on April 1, 2008. As a result, Hitachi East Asia Ltd. was excluded from the scope of Hitachi High-Technologies Corporation's affiliates subject to the equity method.

There are 28 consolidated subsidiaries, including the following major subsidiaries.

Hitachi High-Technologies Corporation's major subsidiaries are as follows.

Company name	Capital	Equity Stake
<b>Main business activities</b>		
Hitachi High-Tech Trading Corp.	JPY400 million	100%
Sales of electronic equipment, electronic components, measurement control equipment, etc.		
Hitachi High-Tech Materials Corp.	JPY200 million	100%
Sales of energy, functional chemicals, etc.		
Hitachi High-Tech Solutions Corp.	JPY100 million	100%
Software development, sales and administration of information management systems		
Hitachi High-Tech Fielding Corp.	JPY1,000 million	100%
Maintenance services for semiconductor process and inspection equipment, etc.		
Hitachi High-Tech Control Systems Corp.	JPY200 million	100%
Design and manufacturing of measurement control equipment, etc.		
Hitachi High-Tech Manufacturing & Service Corp.	JPY230 million	100%
Manufacturing of optical analysis equipment, medical instrument, etc.		
Hitachi High-Tech Instruments Co., Ltd.	JPY450 million	100%
Design and manufacturing of chip mounting systems, etc.		
Hitachi High Technologies America, Inc.	USD7,950 thousand	100%
Sales of semiconductor process and inspection equipment, industrial materials, etc.		
Hitachi High-Technologies Europe GmbH	EUR3,129 thousand	100%
Sales of semiconductor inspection equipment, medical instrument, etc.		
Hitachi High-Technologies (Singapore) Pte. Ltd.	SGD4,000 thousand	95%
Sales of semiconductor inspection equipment, electronic materials, etc.		
Hitachi High-Technologies Hong Kong Limited	HKD15,000 thousand	100%
Sales of industrial materials, electronic materials, electronic components, etc.		

## 2. Matters Concerning the Company's Stock (As of March 31, 2009)

### (1) Total Number of Shares

Authorized	350,000,000 shares
Issued	137,738,730 shares
Common Stock	JPY7,938,480,525
Number of Shares per Unit	100 shares

(2) Number of Shareholders 8,540 shareholders

### (3) 10 Largest Shareholders

Name	Shareholder's Equity in the Company	
	Shareholding	Equity Stake
	shares	%
Hitachi, Ltd.	70,807,382	51.48
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	7,498,800	5.45
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,061,500	4.41
Japan Trustee Services Bank, Ltd. (Trust Account)	5,696,200	4.14
Hitachi High-Technologies Corp.'s Shareholding Association	2,027,336	1.47
Hyatt	1,630,000	1.19
Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1,361,600	0.99
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	1,292,234	0.94
Trust & Custody Services Bank, Ltd. (Annuity Trust Account)	1,289,200	0.94
State Street Bank and Trust Company	1,148,634	0.84

- Notes:
- Equity stake is calculated by deducting treasury stock (194,214 shares).
  - Barclays Global Investors and co-owners submitted a report dated August 15, 2008 to amend the large shareholding report under the Financial Instruments and Exchange Law, declaring a holding of 5,623,300 shares as of August 11, 2008. However, this could not be confirmed in the list of shareholders as of the end of the fiscal year and is therefore not included in the above table.
  - Nomura Securities Co., Ltd. and co-owners submitted a report dated September 18, 2008 to amend the large shareholding report under the Financial Instruments and Exchange Law, declaring a holding of 8,510,400 shares as of September 15, 2008. However, this could not be confirmed in the list of shareholders as of the end of the fiscal year and is therefore not included in the above table.

### 3. Directors and Executive Officers

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

##### [Directors]

Position	Name	Committee Membership	Principal Position outside the Company
Chairman of the Board	Tadamichi Sakiyama	Nominating Committee Compensation Committee	Director, Hitachi, Ltd. Outside Director, Hitachi Transport System, Ltd.
Director	Hidehito Obayashi	Nominating Committee Compensation Committee	
Director	Wasuke Nakano		
Director	Hiroshi Kanauchi	Audit Committee	
Director	Harumichi Uchida	Nominating Committee Audit Committee Compensation Committee	Attorney at law Outside Auditor, Daifuku Co., Ltd.
Director	Kotaro Muneoka	Nominating Committee Audit Committee Compensation Committee	Advisor, Hitachi, Ltd. Outside Director, Hitachi Software Engineering Co., Ltd. Outside Auditor, Bank of Tokyo-Mitsubishi UFJ, Ltd.

- Notes:
1. Directors Tadamichi Sakiyama and Hiroshi Kanauchi were newly nominated and appointed to their respective positions at the 89th Ordinary General Meeting of Shareholders of the Company convened on June 25, 2008.
  2. Directors Hidehito Obayashi and Wasuke Nakano concurrently serve as Executive Officers.
  3. Directors Yoshiro Kuwata, Katsuji Yamashita and Takeo Ueno retired from the position of Director upon the expiry of term of office at the close of the Ordinary General Meeting of Shareholders of the Company convened on June 25, 2008.
  4. Directors Tadamichi Sakiyama, Harumichi Uchida and Kotaro Muneoka are outside directors set forth in Article 2, Item 15 of the Company Law.
  5. Director Tadamichi Sakiyama is a Director of Hitachi, Ltd., and Director Kotaro Muneoka is an Advisor of Hitachi, Ltd. The relationship between Hitachi, Ltd. and the Company is as described in "1. Information on Current State of Hitachi High-Technologies Group (9) Major Parent Company and Subsidiaries."

**[Executive Officers]**

<b>Position</b>	<b>Name</b>	<b>Responsibilities</b>
Representative Executive Officer, President, Chief Executive Officer	Hidehito Obayashi	Overall management execution
Representative Executive Officer, Senior Vice President, Executive Officer	Wasuke Nakano	Life sciences sales, CSR
Representative Executive Officer, Senior Vice President, Executive Officer	Yoshinao Kawasaki	Product businesses in general, R&D, technology strategy, intellectual property, quality assurance, procurement
Senior Vice President and Executive Officer	Masumi Miyauchi	Sales in general (excluding semiconductor manufacturing equipment sales and life sciences sales)
Vice President and Executive Officer	Kenya Wada	Sales (China)
Vice President and Executive Officer	Shigeru Iizuka	Accounting, finance, operations, audit, information systems, export management, CSR
Vice President and Executive Officer	Masaho Masuyama	Sales (ASEAN)
Vice President and Executive Officer	Mitsuhiro Hayashi	Management strategy, Group companies, overseas business strategies, new business development
Vice President and Executive Officer	Toshio Sengoku	LCD and hard-disk-related equipment sales
Vice President and Executive Officer	Hiroshi Ohki	R&D, technology strategy, intellectual property
Vice President and Executive Officer	Katsumi Mizuno	Personnel and general affairs, environmental management, CSR
Vice President and Executive Officer	Osamu Nakamura	Semiconductor manufacturing equipment sales, Group strategy
Vice President and Executive Officer	Masanori Kazamaki	Electronics devices, industrial materials and electronic materials sales and overseas sales bases
Executive Officer	Tsutomu Ando	Sales (Europe)
Executive Officer	Shinichi Tachi	Sales (Americas)
Executive Officer	Norio Kobayashi	Biotechnology and analysis systems sales
Executive Officer	Takashi Matsuzaka	Nanotechnology products business
Executive Officer	Masahiro Miyazaki	Sales (west Japan)
Executive Officer	Morihiro Nishida	Accounting and finance
Executive Officer	Yutaka Mitsumochi	Industrial manufacturing systems sales
Executive Officer	Shigekazu Kato	Fine technology products business

- Notes: 1. The above Executive Officers were nominated at the meeting of the Board of Directors held on February 22, 2008 and appointed on April 1, 2008.
2. Executive Officers Hidehito Obayashi and Wasuke Nakano concurrently serve as Directors.
3. The following Executive Officers concurrently serve as representatives of the Company's subsidiaries.
- |                   |  |
|-------------------|--|
| Kenya Wada        | President & General Manager of Hitachi High-Technologies (China) Co., Ltd.             |
|                   | President & General Manager of Hitachi High-Technologies (Shanghai) Co., Ltd.          |
| Masaho Masuyama   | President & Representative Director of Hitachi High-Technologies (Singapore) Pte. Ltd. |
| Tsutomu Ando      | President & Representative Director of Hitachi High-Technologies Europe GmbH           |
| Shinichi Tachi    | President & Representative Director of Hitachi High Technologies America, Inc.         |
| Takashi Matsuzaka | President of Hitachi Instrument (Suzhou), Ltd.   |

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

The Company changed its Executive Officers on April 1, 2009. The new lineup of Executive Officers is as follows.

(As of April 1, 2009)

<b>Position</b>	<b>Name</b>	<b>Responsibilities</b>
Representative Executive Officer, President, Chief Executive Officer	Hidehito Obayashi	Overall management execution
Representative Executive Officer, Senior Vice President, Executive Officer	Wasuke Nakano	Sales for analytical sciences business, CRS, officer responsible for export management
Representative Executive Officer, Senior Vice President, Executive Officer	Yoshinao Kawasaki	Product businesses in general, R&D, technology strategy, intellectual property, quality assurance, procurement
Senior Vice President and Executive Officer	Masumi Miyauchi	Trading operations in general
Vice President and Executive Officer	Shigeru Iizuka	Accounting, finance, operations, logistics, information systems, export management, CSR
Vice President and Executive Officer	Masaho Masuyama	Sales (ASEAN)
Vice President and Executive Officer	Toshio Sengoku	LCD and hard-disk-related equipment sales
Vice President and Executive Officer	Hiroshi Ohki	R&D, technology strategy, intellectual property
Vice President and Executive Officer	Katsumi Mizuno	Personnel and general affairs, environmental management, CSR
Vice President and Executive Officer	Osamu Nakamura	Semiconductor manufacturing equipment sales
Vice President and Executive Officer	Masanori Kazamaki	Industrial materials and electronic materials sales
Vice President and Executive Officer	Takashi Matsuzaka	Nanotechnology products business
Executive Officer	Shinichi Tachi	Sales (Americas)
Executive Officer	Norio Kobayashi	Management strategy, global business strategy, Group companies
Executive Officer	Masahiro Miyazaki	Sales (west Japan)
Executive Officer	Morihiro Nishida	Accounting and finance
Executive Officer	Yutaka Mitsumochi	Mount systems sales
Executive Officer	Shigekazu Kato	Fine technology products business
Executive Officer	Toshio Kajimoto	Medical systems sales
Executive Officer	Hidenori Nagao	Trading business strategy

**(2) Matters Concerning Outside Directors**

**[Relative with persons executing operations at the Company or a business that has a specific relationship with the Company]**

Outside Directors Tadamichi Sakiyama, Harumichi Uchida and Kotaro Muneoka are relatives within the third degree of kinship to employees, etc. of a business that has a specific relationship with the Company.

**[Major Activities of Outside Directors]**

<b>Name</b>	<b>Major Activities</b>
Tadamichi Sakiyama	Mr. Sakiyama was nominated and appointed at the 89th Ordinary General Meeting of Shareholders of the Company convened on June 25, 2008. He has attended all meetings of the Board of Directors held since his appointment (8 meetings total) and has been expressing his opinions based on his rich experience in corporate management and his extensive knowledge and experience in the fields of accounting and finance.
Harumichi Uchida	Mr. Uchida has attended all meetings of the Board of Directors (10 meetings total) as well as all meetings of the Audit Committee (13 meetings total) held in the fiscal year under review, and has been expressing his opinions on agenda items in general especially from the viewpoint of legality based on his extensive knowledge and experience as an attorney at law.
Kotaro Muneoka	Mr. Muneoka has attended 9 meetings of the Board of Directors (10 meetings total) as well as all meetings of the Audit Committee (13 meetings total) held in the fiscal year under review, and has been expressing his opinions based on his extensive knowledge and experience in management in general and management auditing.

**[General Intent of Limited Liability Agreement with Outside Directors]**

The Company has concluded, with each outside Director, a limited liability agreement that limits the liability for damages set forth in Article 423, Paragraph 1 of the Company Law to the minimum liability limit stipulated in Article 425, Paragraph 1 of the Company Law, under the provision of paragraph 2 of Article 24 of the Articles of Incorporation.

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

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

The policy on the determination of the amount of compensation, etc. of Directors and Executive Officers of the Company has been set forth as follows by the Compensation Committee by obtaining advice from outside experts.

#### **1. Basic Policy**

- 1) Directors and Executive Officers in charge of the management of the Company will be paid compensation for executing management aimed at making it an enterprise trusted by all of its stakeholders and contributing to social progress and development through business activities that emphasize value creation through high-tech solutions.
- 2) The standard level of compensation for Directors and Executive Officers of the Company will be determined in consideration of each individual's duties commensurate with his/her position, the Company's business performance including the Group companies, business environment, the average rate in the business world, and other such factors.

#### **2. Specific Policy**

##### **(1) Compensation for Directors**

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

- The monthly salary to be received by the Company's Directors will be fixed in amount considering that the Directors' duties are to perform supervisory functions. The level of pay will be determined by distinguishing between full-time and part-time Directors, subject to variation depending on the Committees to which they belong and the nature of their respective duties.
- The amount of year-end allowance paid will be capped at 1.5 times the monthly salary; however, the amount may be cut depending on the Company's business performance.
- As a nonmonetary reward, Directors in a position (with a duty) that has a major impact on management will be provided with health management services from a medical institution under a contract with the Company, in order to avert and reduce their health risks as a part of corporate risk management.

A Director concurrently serving as an Executive Officer will not be paid compensation as a Director.

##### **(2) Compensation for Executive Officers**

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

- Compensation received by Executive Officers of the Company will be fixed in amount by position (duty), and will be determined by adding an extra amount depending on the job title.
- The performance-linked component will be set within a range based on the standard bonus on a position-by-position basis, depending on the Company's business performance during the fiscal year, the business performance of the division under the control of the Executive Officer, the results of operations in his/her charge, and efforts/contributions made towards management.
- As a nonmonetary reward, Executive Officers in a position (with a duty) that has a major impact on management will be provided with health management services from a medical institution under a contract with the Company, in order to avert and reduce their health risks as a part of corporate risk management.

**[Amount of Compensation to Directors and Executive Officers] (FY2008)**

	Monthly Salary		Year-end Allowance or Performance-linked Component		Total
	Number	Amount (millions of yen)	Number	Amount (millions of yen)	Amount (millions of yen)
Directors	7	73	4	8	81
Outside Directors	4	24	3	4	28
Executive Officers	21	445	21	156	601

- Notes: 1. The number of Directors and the amount do not include Directors who concurrently serve as Executive Officers.  
2. The above Monthly Salary includes the monthly salary paid to 3 Directors (including 1 outside Director) who retired upon the expiry of term of office at the close of the 89th Ordinary General Meeting of Shareholders of the Company held on June 25, 2008.

**[Amount of Compensation, etc. received by Outside Directors as Officers from the Parent Company, etc. of Hitachi High-Technologies Corporation in Fiscal Year ended March 31, 2009]**

The amount of compensation, etc. received by outside Directors as officers from the parent company of Hitachi High-Technologies Corporation or its subsidiaries (excluding Hitachi High-Technologies Corporation) totaled JPY61 million.

Note: The above amount includes compensation, etc. received by 1 outside Director who retired upon the expiry of term of office at the close of the 89th Ordinary General Meeting of Shareholders of Hitachi High-Technologies Corporation held on June 25, 2008 from the parent company of Hitachi High-Technologies Corporation or its subsidiaries (excluding Hitachi High-Technologies Corporation) prior to retirement.

**4. Matters Concerning Accounting Auditor**

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

Note: Ernst & Young ShinNihon was renamed Ernst & Young ShinNihon LLC as of July 1, 2008, due to the change in the type of audit corporation set forth under the Certified Public Accountants Law.

**(2) Fees to accounting auditor**

- 1) Fees, etc. for the fiscal year ended March 31, 2009: JPY63 million  
2) Total amount of cash and other financial benefits payable by the Company and its subsidiaries: JPY72 million

- Notes 1. The above amounts include the auditing fees, etc. for audits under the Financial Instruments and Exchange Law, as the amount of auditing fees, etc. for audits under the Company Law and audits under the Financial Instruments and Exchange Law are not clearly distinguished under the audit agreement between the Company and the accounting auditor, and in practice, cannot be distinguished from each other.  
2. Among the Company's major subsidiaries (referred to in "1. Information on Current State of Hitachi High-Technologies Group (9) Major Parent Company and Subsidiaries"), overseas subsidiaries have been audited by auditing firms other than the Company's accounting auditor.

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

**1. Dismissal**

- (1) In the event the Audit Committee determines that the causes provided for in Articles 340, Paragraph 1, Item 1 or 2 of the Company Law apply to an accounting auditor, due to such reasons as that it can reasonably be expected that the accounting auditor, which is an auditing firm, is ordered by the Prime Minister of Japan to suspend its operations, in whole or in part, or to dissolve the firm pursuant to Article 34-21, Paragraph 2 of the Certified Public Accountants Law, the Audit Committee shall determine the contents of the agenda on the dismissal of the accounting auditor to be submitted to the general meeting of shareholders.

- (2) In the event significant adverse effects on the audit of financial statements are reasonably expected in the case of the preceding paragraph, the Audit Committee shall dismiss the accounting auditor by unanimity. Should this occur, the Audit Committee member selected by the Audit Committee shall give a report on the dismissal of the accounting auditor and the reason therefor at the first general meeting of shareholders to be convened after said dismissal.

## **2. Non-retention**

- (1) In the event individuals selected by an accounting auditor, which is an auditing firm, from among its employees to perform their duties as accounting auditors are found to fall under any or all of the items under Article 340, Paragraph 1 of the Company Law or breach the obligation(s) of CPAs provided for in the Certified Public Accountants Law, should said auditing firm fail to select promptly individuals to perform their duties as accounting auditors in the place of the former, the Audit Committee shall determine the contents of the agenda item on the non-retention of the accounting auditor to be submitted to the general meeting of shareholders.
- (2) In the event it is determined that an adequate performance of duties cannot be ensured with respect to the matters related to the performance of duties by accounting auditors provided for in Article 131 of the Regulations of Companies' Financial Statements, the Audit Committee shall determine the contents of the agenda item on the non-retention of the accounting auditor to be submitted to the general meeting of shareholders.

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

The Company's basic policy for allocating profits is to generate appropriate returns for shareholders while enhancing its financial position and management foundations. Specifically, the Company endeavors to pay stable dividends in consideration of the balance with retained earnings.

In the fiscal year ended March 31, 2009, the year-end dividend will be JPY15 per share, resulting in an annual dividend of JPY30 including the interim dividend of JPY15 per share, which has already been paid.

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

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

### **(1) System related to storage and management of information associated with execution of duties by Executive Officers**

- 1) Resolutions by the Board of Directors, decisions made by the Executive Committee and approval documents involving Executive Officers shall be permanently stored under Document Storage Rules.
- 2) Filing, retention, storage or disposal of documents shall be handled with precision according to the Document Storage Rules.

### **(2) Provisions related to management of risk of loss and other systems**

- 1) The Company shall establish Risk Management Regulations and develop a system to properly identify and manage risks to help boost the soundness of its management, shareholders' interests and social credibility.
- 2) The Company shall create the position of Chief Risk management Officer (hereinafter "CRO") in charge of overseeing compliance-related risks as group-wide risks, estimate and assess specific risks in advance, and determine the division in charge of the risks in consideration of their attributes and deal with such risks accordingly.
- 3) The CRO shall be responsible for communicating information in a speedy and appropriate manner in the event of an emergency and setting up an emergency task force.

### **(3) System to ensure efficient execution of duties by Executive Officers**

- 1) When making important decisions, Executive Officers shall engage in deliberations at the Executive Committee and the Management Committee in accordance with the Executive Committee Regulations, Document Storage Rules, etc.
- 2) The Company shall check and improve the business promotion status by using a budget/actual management system.
- 3) The Internal Auditing Division shall conduct internal audits to verify the effective utilization of management resources.
- 4) Members of the Audit Committee shall attend important meetings as necessary, in addition to conducting investigation or physical inspection including subsidiaries, to fulfill checking functions from the viewpoint of management efficiency.

### **(4) System to ensure that the execution of duties by Executive Officers and Employees conforms to laws and regulations and the Articles of Incorporation**

- 1) Strict observance of the law shall be the premise of all corporate activities in accordance with the "Corporate Vision" and "Code of Corporate Conduct", which are made available for perusal at all times via in-house intranet.
- 2) The Company shall appoint an officer in charge of compliance and establish a Compliance & Risk Management Committee, gather/confirm information and request improvements, approve compliance programs and report the results, determine the compliance audit policy and so forth.
- 3) In-house workshops shall be periodically held by divisions in charge of legal affairs and compliance.
- 4) The Internal Auditing Division shall conduct internal audits to identify whether duties are executed in compliance with laws and regulations as well as the Articles of Incorporation.
- 5) Information shall be gathered and investigation shall be conducted based on the internal reporting system.

### **(5) System to ensure the appropriateness of business operations within the corporate group, comprising Hitachi High-Technologies Corporation, its parent company and subsidiaries**

#### **1) Arrangement with parent company**

- Transactions between the parent company and Group companies shall be checked by multiple divisions so that they are performed appropriately in compliance with laws and regulations.
- The Company shall be subjected to audits periodically conducted by its parent company with respect to operations, accounting, export management and compliance, and be informed of the audit results and

receive appropriate feedback.

**2) Relationship with subsidiaries**

- The Company shall periodically receive reports on the execution of operations and financial position of its subsidiaries. The Internal Auditing Division shall periodically conduct operational audits and accounting audits, and the Audit Committee shall periodically conduct interviews with subsidiaries.
- The Company shall establish a risk management structure based on a compliance risk management system including subsidiaries, and thoroughly enforce the strict observance of the law by conducting education by such means as holding workshops at each job rank.

**3) The Company shall develop an “Internal Control System” for financial reporting as a corporate group, and the Internal Auditing Division shall verify the System.**

**(6) Matters concerning Directors and employees who assist the duties of the Audit Committee**

- 1) The Company shall establish an Auditor’s Office and appoint Auditor’s Office staff who assist the duties of the Audit Committee.
- 2) As the need arises, the Internal Auditing Division and administrative divisions shall assist with the duties of the Audit Committee.

**(7) Matters concerning independence of Directors and employees mentioned above from Executive Officers**

- 1) The Audit Committee shall receive a report on personnel reshuffling regarding the Auditor’s Office staff in advance, and may propose changes in such personnel reshuffling to the Executive Officer in charge of personnel and general affairs by stating the reason for such changes.
- 2) If an employee belonging to the Auditor’s Office is to be disciplined, the Executive Officer in charge of personnel and general affairs shall obtain approval from the Audit Committee in advance.

**(8) System to enable reporting by Executive Officers and employees to the Audit Committee and other systems to enable reports to the Audit Committee**

- 1) Agenda items put forward at meetings of the Executive Committee for deliberation shall be reported by the Executive Officer involved in administration, etc. to members of the Audit Committee without delay.
- 2) Results of internal audits conducted by the Internal Auditing Division shall be reported without delay to members of the Audit Committee.
- 3) The status of internal reporting, especially matters of particular importance, shall be reported to members of the Audit Committee by the Head of the Compliance & Risk Management Committee.

**(9) Other systems to ensure that audits by the Audit Committee are effectively implemented**

- 1) The Audit Committee shall conduct audits in collaboration with the Internal Auditing Division and the accounting auditor as necessary, such as entrusting them with some audit matters and receiving reports on the results of the audits.
- 2) The results of audits conducted by the Audit Committee and the Internal Auditing Division shall be reported to the Board of Directors and the Executive Committee and feed back shall be provided.

## Consolidated Balance Sheets

	Fiscal 2008	Fiscal 2007
	(As of March 31, 2009)	(As of March 31, 2008)
	(Millions of yen)	
<b>Assets</b>		
<b>Current assets</b>	<b>340,626</b>	<b>411,637</b>
Cash and cash equivalents	22,685	25,819
Notes and accounts receivable	154,318	247,409
Marketable securities	98	1,129
Merchandise and finished goods	27,299	29,539
Work in process	41,440	32,880
Raw materials	3,216	4,650
Deferred tax assets	11,482	13,362
Advances paid	2,852	2,576
Deposit to Hitachi group cash management fund	67,281	45,957
Other	12,685	11,692
Allowance for doubtful receivables	(2,729)	(3,378)
<b>Fixed assets</b>	<b>86,950</b>	<b>93,236</b>
<b>Property, plant and equipment</b>	<b>58,438</b>	<b>58,692</b>
Buildings and structures	24,534	24,133
Machinery, equipment and vehicles	7,485	7,129
Tools, furniture & fixtures	6,507	6,921
Land	19,708	20,259
Construction in progress	204	250
<b>Intangible assets</b>	<b>4,269</b>	<b>3,847</b>
Goodwill	358	292
Software	3,755	3,302
Right of using facilities	103	110
Other	54	143
<b>Investments and others</b>	<b>24,242</b>	<b>30,698</b>
Investments in securities	7,216	14,435
Long-term loan receivables	412	498
Deferred tax assets	8,152	6,660
Other	9,502	10,170
Allowance for doubtful receivables	(1,039)	(1,065)
<b>Total assets</b>	<b>427,576</b>	<b>504,873</b>

	<b>Fiscal 2008</b>	<b>Fiscal 2007</b>
	<b>(As of March 31, 2009)</b>	<b>(As of March 31, 2008)</b>
	(Millions of yen)	
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>166,937</b>	<b>242,813</b>
Notes and accounts payable	113,871	178,134
Income taxes	1,654	8,918
Accrued expenses	23,239	26,753
Advances received	12,749	6,793
Warranty reserve	1,920	2,154
Other	13,504	20,061
<b>Long-term liabilities</b>	<b>26,361</b>	<b>26,956</b>
Accrued pension liability	25,409	25,796
Reserve for retirement benefits for senior executives	276	885
Other	675	275
<b>Total liabilities</b>	<b>193,298</b>	<b>269,769</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>	<b>234,864</b>	<b>232,269</b>
Common stock	7,938	7,938
Capital surplus	35,745	35,745
Retained earnings	191,497	188,892
Treasury stock	(316)	(306)
<b>Valuation and translation adjustments</b>	<b>(800)</b>	<b>2,624</b>
Unrealized holding gains on securities	2,552	4,365
Deferred profit or loss on hedges	(153)	156
Foreign currency translation adjustment	(3,199)	(1,897)
<b>Minority interests</b>	<b>213</b>	<b>211</b>
<b>Total net assets</b>	<b>234,278</b>	<b>235,104</b>
<b>Total liabilities and net assets</b>	<b>427,576</b>	<b>504,873</b>

## Consolidated Statements of Income

	Years ended March 31	
	2008	2007
	(Millions of yen)	
<b>Net sales</b>	<b>774,950</b>	<b>943,124</b>
Cost of sales	670,728	797,282
<b>Gross profit</b>	<b>104,223</b>	<b>145,842</b>
Selling, general and administrative expenses	89,314	96,701
<b>Operating income</b>	<b>14,909</b>	<b>49,141</b>
<b>Other income</b>	<b>2,550</b>	<b>1,872</b>
Interest income	655	1,146
Dividends income	608	227
Foreign exchange gains	377	10
Equity income	—	183
Other	910	305
<b>Other deductions</b>	<b>984</b>	<b>2,307</b>
Interest expenses	114	116
Losses on devaluation of inventories	—	1,154
other	870	1,038
<b>Ordinary income</b>	<b>16,475</b>	<b>48,705</b>
<b>Extraordinary gain</b>	<b>849</b>	<b>1,283</b>
Gain on sales of investments in securities	60	857
Gain on sales of fixed assets	732	426
Gain on termination of retirement benefit system	57	—
<b>Extraordinary loss</b>	<b>3,441</b>	<b>1,568</b>
Loss on sales of investments in securities	456	—
Losses on devaluation of investments in securities	370	1,568
Impairment losses	961	—
Restructuring charges	1,654	—
<b>Income before income taxes and minority interests</b>	<b>13,883</b>	<b>48,421</b>
Income taxes-current	5,028	17,210
Income taxes-deferred	1,744	3,762
Total income taxes	6,772	20,972
Minority interests	36	516
<b>Net income</b>	<b>7,075</b>	<b>26,932</b>

## Consolidated Statements of Changes in Net Assets

FY2008 (under review) (April 1, 2008 to March 31, 2009)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	7,938	35,745	188,892	(306)	232,269
Change during year					
Dividends from surplus	—	—	(4,470)	—	(4,470)
Net income	—	—	7,075	—	7,075
Acquisition of treasury stock	—	—	—	(10)	(10)
Net changes in items other than shareholders' equity	—	—	—	—	—
Total change in during year	—	—	2,605	(10)	2,595
Balance at end of year	7,938	35,745	191,497	(316)	234,864

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized holding gains on securities	Deferred profit or loss on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at beginning of year	4,365	156	(1,897)	2,624	211	235,104
Change during year						
Dividends from surplus	—	—	—	—	—	(4,470)
Net income	—	—	—	—	—	7,075
Acquisition of treasury stock	—	—	—	—	—	(10)
Net changes in items other than shareholders' equity	(1,813)	(309)	(1,301)	(3,423)	2	(3,421)
Total change in during year	(1,813)	(309)	(1,301)	(3,423)	2	(826)
Balance at end of year	2,552	(153)	(3,199)	(800)	213	234,278

## Notes to Consolidated Financial Statements

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

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

#### (1) Scope of consolidation

##### 1) Number of consolidated subsidiaries: 28

Name of companies: Hitachi High-Tech Trading Corp., Hitachi High-Tech Materials Corp., Hitachi High-Tech Solutions Corp., Hitachi High-Tech Fielding Corp., Hitachi High-Tech Control Systems Corp., Hitachi High-Tech Manufacturing & Service Corp., Hitachi High-Tech Instruments Co., Ltd., Hitachi High Technologies America, Inc., Hitachi High-Technologies Europe GmbH, Hitachi High-Technologies (Singapore) Pte. Ltd., Hitachi High-Technologies Hong Kong Limited and 17 other companies

- Asia HISCO Co., Ltd., which was a consolidated subsidiary up until the previous fiscal year, has been excluded from the scope of consolidation from this fiscal year onwards due to the transfer of its business to consolidated subsidiaries Hitachi High-Technologies Taiwan Corporation and Hitachi High-Technologies (Singapore) Pte. Ltd. effective April 1, 2006 and the completion of liquidation on April 1, 2008.
- HISCO Shanghai Co., Ltd., which was a consolidated subsidiary up until the previous fiscal year, has been excluded from the scope of consolidation from this fiscal year onwards due to the transfer of its business to consolidated subsidiary Hitachi High-Technologies (China) Co., Ltd. effective April 1, 2006 and the completion of liquidation on October 16, 2008.

##### 2) Non-consolidated subsidiary

Name of company: Hitachi Electronics Engineering (Malaysia) Sdn. Bhd.

Reason for exclusion from scope of consolidation:

Hitachi Electronics Engineering (Malaysia) Sdn. Bhd. is a small company with no material impact on the consolidated financial statements in terms of total assets, net sales, net income/loss (amount commensurate with equity stake) and retained earnings (amount commensurate with equity stake), etc. and was therefore excluded from the scope of consolidation.

#### (2) Application of equity method

##### 1) Affiliates accounted for by the equity method: None

- Hitachi East Asia Ltd., which was an equity-method affiliate up until the previous fiscal year, has been excluded from the scope of application of the equity method from this fiscal year onwards, as the Company sold all of its shares on April 1, 2008.

##### 2) Non-consolidated subsidiary not accounted for by the equity method

Name of Company: Hitachi Electronics Engineering (Malaysia) Sdn. Bhd.

Reason for not applying equity method:

Hitachi Electronics Engineering (Malaysia) Sdn. Bhd. is a small company with no material impact on the consolidated financial statements in terms of total assets, net income/loss (amount commensurate with equity stake) and retained earnings (amount commensurate with equity stake), etc. and was therefore excluded from the scope of application of the equity method.

#### (3) End of fiscal year, etc. of consolidated subsidiaries

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

Name of companies: Giesecke & Devrient K.K and 6 other companies

End of fiscal year: December 31

Consolidation procedures have been taken based on financial statements as of March 31, 2009 prepared by provisionally settling accounts in accordance with the annual closing of accounts.

#### (4) Accounting standards

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

###### (i) Available-for-sale securities

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

Securities without market value: Securities without market value are stated at cost determined by the moving average method.

###### (ii) Basis and method of valuation of derivatives

Derivatives are marked to market.

###### (iii) Basis and method of valuation of inventories

Merchandise, finished goods, semi-finished goods, raw materials:

Stated at cost determined principally by the moving-average method (however, the amount stated in the balance sheet was computed by reducing the book value to reflect deterioration in profitability).

Work in process:

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

**(Accounting policy change)**

The “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan (ASBJ) Statement No.9 released by ASBJ on July 5, 2006) is applied from this fiscal year onwards. As a result, “losses on devaluation of inventories” and “losses on disposal of inventories”, which were recorded as non-operating expenses in the previous fiscal year, are now recorded as a component of cost of sales.

The resulting decrease compared to the conventional accounting method is JPY4,309 million in gross profit and operating income, and JPY1,891 million in ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2009.

**2) Method of depreciation of significant depreciable assets**

**(i) Property, plant and equipment**

Depreciation of property, plant and equipment is calculated primarily by the declining-balance method. However, rental assets are depreciated by the straight-line method according to the length of the rental period, and buildings (except for building attachments) acquired on or after April 1, 1998 are depreciated by the straight-line method. Buildings transferred upon the absorption and merger effective October 1, 2001 are depreciated by the straight-line method.

**(Additional information)**

Following the revision of the Japanese Corporation Tax Law in FY2008 concerning the useful life of machinery and equipment, the Company and its domestic subsidiaries reviewed the status of use of assets and consequently changed the useful life of some assets applicable from this fiscal year onwards.

The resulting effect on the consolidated financial statements is minimal.

**(ii) Intangible assets**

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

**3) Accounting standard for significant allowances**

**(i) Allowance for doubtful receivables**

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

**(ii) Warranty reserve**

To prepare for expenses associated with field services for products, the projected amount of service expenses within the warranty period is recorded based on the Company’s past records.

**(iii) Accrued pension liability**

To prepare for accrued pension liability, the Company and its subsidiaries record the allowance based on the projected amount of retirement benefit obligations and pension assets at the fiscal year end.

**(iv) Reserve for retirement benefits for senior executives**

To prepare for the payment of reserve for retirement benefits for senior executives, some domestic consolidated subsidiaries record the amount payable at the end of the fiscal year under the Rules on Retirement and Severance Benefits for Senior Executives.

**(Additional information)**

To prepare for the payment of reserve for retirement benefits for senior executives, the Company recorded the amount payable under the Rules on Retirement and Severance Benefits for Senior Executives until the previous fiscal year. At the meeting of the Compensation Committee held on January 25, 2008, the Committee passed a resolution to abolish the system of reserve for retirement benefits for senior executives effective April 1, 2008, and at the meeting of the Compensation Committee convened on April 24, 2008, the Committee passed a resolution on the determined amount of payment of reserve for retirement benefits for senior executives. The amount of reserve for retirement benefits for senior executives according to the tenure until the abolition of the system is recorded in “Other” as a component of long-term liabilities, as the decision was made to pay the benefits at the time of resignation of each Director and Executive Officer.

**4) Significant hedge accounting method**

**(i) Hedge accounting method**

Deferred hedge accounting method is applied.

**(ii) Hedging instruments and hedged items**

Hedging instruments: Forward exchange contracts

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

**(iii) Hedging policy**

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

**(iv) Method of evaluating hedge effectiveness**

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

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

Consumption tax, etc. is excluded.

**(5) Valuation of assets and liabilities of consolidated subsidiaries**

Assets and liabilities of consolidated subsidiaries are partially marked to market.

**(6) Amortization of goodwill**

Goodwill is amortized over a period of 5 years based on the equal installment method. However, goodwill items in small amount are written off in full in the fiscal year in which they accrued.

**(7) Change in important matters serving as basis of preparation of consolidated financial statements**

**1) Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”**

From this fiscal year onwards, the Company applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force (PITF) No.18 dated May 17, 2006).

The effect of the application of PITF No.18 on the consolidated financial statements is minimal.

**2) Application of accounting standard for lease transactions**

The Company and its domestic subsidiaries had conventionally accounted for financial lease transactions that do not involve the transfer of legal title in a similar manner to the accounting method for rental transactions. However, from this fiscal year onwards, the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13 dated June 17, 1993, final revision: March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No.16 dated January 18, 1994, final revision: March 30, 2007) have been applied to account for such transactions in a manner similar to the accounting method for ordinary sale and purchase transactions.

There is no effect of the application of ASBJ Statement No.13 and ASBJ Guidance No.16 on the consolidated financial statements.

**3) Change in revenue recognition criteria**

In the fiscal year ended March 31, 2009, the Company changed its revenue recognition criteria for products such as semiconductor manufacturing equipment and LCD manufacturing equipment that require post-shipment installation: revenue is now recognized upon completion of installation, rather than upon shipment.

The Company changed its revenue recognition criteria to more appropriately reflect the actual state of revenues in the financial statements, given that an increasing percentage of its revenue is derived from in-house products for which there is a long duration between shipment and completion of installation due to the progress in microfabrication technology, which has led to increasingly sophisticated semiconductor manufacturing equipment and larger LCD manufacturing equipment, not to mention that the Company is now able to obtain data on the completion of installation work, thanks to the development of IT systems, etc.

The decrease resulting from the change in revenue recognition criteria compared to the conventional accounting method is JPY18,900 million in net sales and JPY3,581 million each in operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2009.

**4) Change in presentation method**

“Inventories” in the consolidated balance sheets for the previous fiscal year are subdivided into “Merchandise and finished goods”, “Work in process” and “Raw materials” from this fiscal year onwards.

**3. Notes to consolidated balance sheets**

(1) Accumulated depreciation of property, plant and equipment:	JPY75,861 million
(2) Collateralized assets	
Deposits (guarantee for transactions)	JPY50 million
Investments in securities (shares) (guarantee for transactions)	JPY20 million

(3) Guarantees (employee home loans)	JPY1,045 million
(4) Export bill discount	JPY125 million
(5) Notes endorsed	JPY197 million

#### 4. Notes to consolidated statements of income

##### (1) Loss on impairment of assets

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

In the fiscal year ended March 31, 2009, the Company accounted for impairment losses for the following assets.

Location	Purpose	Type	Impairment Loss (million yen)
Naka Division, Hitachi High-Technologies Corp. (Hitachinaka City, Ibaraki Prefecture)	Semiconductor manufacturing equipment and manufacturing facilities	Tools, furniture & fixtures, software, etc.	813
	Biotechnology equipment and manufacturing facilities		
Shonan Division, Hitachi High-Technologies Corp. (Nakai-machi, Ashigarakami-gun, Kanagawa Prefecture)	HD manufacturing equipment and manufacturing facilities	Machinery, equipment & vehicles, tools, furniture & fixtures	148
	Wafer bump manufacturing facilities		
Total			961

The book value has been reduced to the recoverable value measured based on utility value due to the deterioration in profitability stemming from the severe downturn in market conditions in the case of semiconductor manufacturing equipment and manufacturing facilities, biotechnology equipment and manufacturing facilities and HD manufacturing equipment and manufacturing facilities, and in conjunction with the withdrawal from business in the case of wafer bump manufacturing facilities.

The assets have been written off, at book value in full, as impairment losses as a component of extraordinary losses, due to the lack of prospects for generating sufficient cash flow in the future.

##### (2) Restructuring charges

In the fiscal year ended March 31, 2009, additional retirement benefits mainly associated with the Company and its consolidated subsidiaries' preferential measures for early retirement in the amount of JPY1,654 million were declared as extraordinary loss.

#### 5. Notes to consolidated statements of changes in net assets

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

(shares)

Class of shares	Total number of shares as at March 31, 2008	Increase during fiscal year ended March 31, 2009	Decrease during fiscal year ended March 31, 2009	Total number of shares as at March 31, 2009
Common stock	137,738,730	-	-	137,738,730

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

Not applicable.

##### (3) Cash dividends

###### (i) Total amount of cash dividends

Resolution	Class of shares	Total amount of cash dividends (million yen)	Cash dividend per share (yen)	Record Date	Effective Date
Meeting of Board of Directors held on May 26, 2008	Common stock	2,407	17.5	March 31, 2008	May 27, 2008
Meeting of Board of Directors held on October 23, 2008	Common stock	2,063	15.0	September 30, 2008	November 28, 2008

**(ii) Cash dividends whose record date falls in FY2008 but effective date falls in FY2009**

Resolution	Class of shares	Financial source of cash dividends	Total amount of cash dividends (million yen)	Cash dividend per share (yen)	Record Date	Effective Date
Meeting of Board of Directors held on May 22, 2009	Common stock	Retained earnings	2,063	15.0	March 31, 2009	May 25, 2009

**6. Notes on per share information**

- (1) Net assets per share: JPY1,701.74  
(2) Net income per share: JPY51.44

**7. Notes on significant subsequent events**

Not applicable.

**8. Other notes**

**Change in accounting classification for cost of sales, selling, general and administrative (SG&A) expenses**

Up until the fiscal year ended March 31, 2008, the Company and some of its consolidated subsidiaries had declared packing and delivery expenses relating to in-house products as SG&A expenses, but decided to record such expenses as a component of cost of sales to further clarify their relationship with revenue from this fiscal year onwards.

The resulting decrease compared to the conventional accounting method is JPY2,758 million in gross profit for the fiscal year ended March 31, 2009; however, there is no impact on operating income and other earnings.

## Unconsolidated Balance Sheets

	Fiscal 2008 (As of March 31, 2009)	Fiscal 2007 (As of March 31, 2008)
	(Millions of yen)	
<b>Assets</b>		
<b>Current assets</b>	<b>276,314</b>	<b>333,434</b>
Cash and cash equivalents	5,144	7,887
Notes receivable	8,039	11,172
Accounts receivable	123,706	203,752
Marketable securities	—	1,005
Merchandise and finished goods	13,082	15,659
Work in process	35,525	25,176
Raw materials	2,438	2,001
Advances paid	2,489	2,703
Deferred tax assets	6,622	7,913
Short-term loan receivables	10,614	4,700
Accounts receivable-other	9,808	6,928
Deposit to Hitachi Group cash management fund	67,281	45,957
Other	474	1,408
Allowance for doubtful receivables	(8,908)	(2,826)
<b>Fixed assets</b>	<b>80,844</b>	<b>85,144</b>
<b>Property, plant and equipment</b>	<b>51,441</b>	<b>50,488</b>
Buildings	18,586	17,354
Structures	459	432
Machinery and equipment	5,927	5,442
Vehicles	34	11
Tools, furniture & fixtures	4,500	5,320
Land	21,770	21,783
Construction in progress	165	146
<b>Intangible assets</b>	<b>2,807</b>	<b>2,814</b>
Goodwill	—	300
Patents	5	6
Software	2,754	2,367
Right of using facilities	46	46
Other	2	94
<b>Investments and others</b>	<b>26,596</b>	<b>31,842</b>
Investments in securities	7,058	12,448
Affiliated companies' common stock	7,041	7,603
Investments in companies	52	85
Investments in affiliated companies	1,534	1,534
Long-term loan receivables	283	325
Past-due operating claims	836	823
Long-term prepaid expenses	4,150	4,254
Deferred tax assets	4,476	3,402
Lease and guarantee deposits	1,190	1,177
Other	1,006	1,254
Allowance for doubtful receivables	(1,031)	(1,063)
<b>Total assets</b>	<b>357,158</b>	<b>418,578</b>

	Fiscal 2008 (As of March 31, 2009)	Fiscal 2007 (As of March 31, 2008)
	(Millions of yen)	
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>147,981</b>	<b>207,836</b>
Notes payable	6,913	10,785
Accounts payable	91,690	140,418
Other accounts payable	6,717	3,643
Accrued expenses	13,315	16,699
Income taxes	118	6,063
Advances received	9,078	5,111
Deposits received	16,509	21,520
Current portion of guarantee deposits received	3,152	3,498
Warranty reserve	89	79
Other	400	21
<b>Long-term liabilities</b>	<b>17,701</b>	<b>16,869</b>
Deferred tax liabilities for land revaluation	194	194
Accrued pension liability	16,084	16,040
Reserve for retirement benefits for senior executives	—	635
Other	1,424	—
<b>Total liabilities</b>	<b>165,683</b>	<b>224,705</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>	<b>187,272</b>	<b>187,573</b>
<b>Common stock</b>	<b>7,938</b>	<b>7,938</b>
<b>Capital surplus</b>	<b>35,745</b>	<b>35,745</b>
Capital reserve	35,723	35,723
Others	21	21
<b>Retained earnings</b>	<b>143,905</b>	<b>144,196</b>
Earned surplus reserve	1,385	1,385
Others	142,520	142,811
Reserve for advanced depreciation of fixed assets	142	142
General reserve	136,095	113,095
Retained earnings brought forward	6,283	29,574
<b>Treasury stock</b>	<b>(316)</b>	<b>(306)</b>
<b>Valuation and translation adjustments</b>	<b>4,204</b>	<b>6,300</b>
<b>Unrealized holding gains on securities</b>	<b>2,540</b>	<b>4,322</b>
<b>Deferred profit or loss on hedges</b>	<b>(178)</b>	<b>135</b>
<b>Revaluation reserve for land</b>	<b>1,841</b>	<b>1,843</b>
<b>Total net assets</b>	<b>191,475</b>	<b>193,873</b>
<b>Total liabilities and net assets</b>	<b>357,158</b>	<b>418,578</b>

## Unconsolidated Statements of Income

	Years ended March 31	
	2009	2008
	(Millions of yen)	
<b>Net sales</b>	<b>601,826</b>	<b>741,203</b>
Cost of sales	532,196	639,154
<b>Gross profit</b>	<b>69,629</b>	<b>102,049</b>
Selling, general and administrative expenses	61,438	67,749
<b>Operating income</b>	<b>8,191</b>	<b>34,300</b>
<b>Other income</b>	<b>7,895</b>	<b>4,141</b>
Interest income	499	564
Dividends income	6,422	3,374
Foreign exchange gains	219	80
Other	756	124
<b>Other deductions</b>	<b>843</b>	<b>1,603</b>
Interest expenses	237	226
Losses on devaluation of inventories	—	751
Other	606	626
<b>Ordinary income</b>	<b>15,243</b>	<b>36,838</b>
<b>Extraordinary gain</b>	<b>1,853</b>	<b>7,001</b>
Gain on sales of investments in securities	60	857
Gain on sales of fixed assets	87	426
Gain on sale of affiliated companies' common stock	1,707	—
Gain on cancellation of shares associated with merger	—	5,718
<b>Extraordinary loss</b>	<b>9,165</b>	<b>1,568</b>
Loss on sales of investments in securities	158	—
Losses on devaluation of investments in securities	354	1,568
Impairment losses	964	—
Restructuring charges	611	—
Provision for allowance for doubtful receivables for affiliated companies	6,627	—
Losses on devaluation of affiliated companies' common stock	450	—
<b>Income before income taxes</b>	<b>7,931</b>	<b>42,271</b>
Income taxes-current	2,108	12,532
Income taxes-deferred	1,646	2,009
<b>Net income</b>	<b>4,177</b>	<b>27,730</b>

## Unconsolidated Statements of Changes in Net Assets

FY2008 (under review) (April 1, 2008 to March 31, 2009)

(Millions of yen)

	Shareholders' equity						Total shareholders' equity
	Common stock	Capital surplus		Retained earnings		Treasury stock	
		Capital reserve	Others	Earned surplus reserve	Others		
Balance at beginning of year	7,938	35,723	21	1,385	142,811	(306)	187,573
Change during year							
Dividends from surplus	—	—	—	—	(4,470)	—	(4,470)
Reversal of revaluation reserve for land	—	—	—	—	2	—	2
Net income	—	—	—	—	4,177	—	4,177
Acquisition of treasury stock	—	—	—	—	—	(10)	(10)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	—
Total change during year	—	—	—	—	(291)	(10)	(301)
Balance at end of year	7,938	35,723	21	1,385	142,520	(316)	187,272

	Valuation and translation adjustments				Total net assets
	Unrealized holding gains on securities	Deferred profit or loss on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of year	4,322	135	1,843	6,300	193,873
Change during year					
Dividends from surplus	—	—	—	—	(4,470)
Reversal of revaluation reserve for land	—	—	—	—	2
Net income	—	—	—	—	4,177
Acquisition of treasury stock	—	—	—	—	(10)
Net changes in items other than shareholders' equity	(1,782)	(313)	(2)	(2,097)	(2,097)
Total change during year	(1,782)	(313)	(2)	(2,097)	(2,398)
Balance at end of year	2,540	(178)	1,841	4,204	191,475

Note: Breakdown of other retained earnings

(Millions of yen)

	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward	Total
Balance at beginning of year	142	113,095	29,574	142,811
Change during year				
Dividends from surplus	—	—	(4,470)	(4,470)
Reversal of revaluation reserve for land	—	—	2	2
Provision of general reserve	—	23,000	(23,000)	—
Net income	—	—	4,177	4,177
Total change during year	—	23,000	(23,291)	(291)
Balance at end of year	142	136,095	6,283	142,520

## Notes to Unconsolidated Financial Statements

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

### 2. Notes concerning significant accounting policies

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

##### 1) Basis and method of valuation of securities

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

##### Available-for-sale securities

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

Securities without market value: Securities without market value are stated at cost determined by the moving average method.

##### 2) Basis and method of valuation of derivatives

Derivatives are marked to market.

##### 3) Basis and method of valuation of inventories

##### Merchandise, finished goods, semi-finished goods, raw materials:

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

##### Work in process:

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

##### (Accounting policy change)

The "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No.9 released by ASBJ on July 5, 2006) is applied from this fiscal year onwards. As a result, "losses on devaluation of inventories" and "losses on disposal of inventories", which were recorded as non-operating expenses in the previous fiscal year, are now recorded as a component of cost of sales.

The resulting decrease compared to the conventional accounting method is JPY2,265 million in gross profit and operating income, and JPY87 million in ordinary income and income before income taxes for the fiscal year ended March 31, 2009.

#### (2) Method of depreciation of depreciable assets

##### 1) Property, plant and equipment

Depreciation of property, plant and equipment is calculated by the declining-balance method. However, rental assets are depreciated by the straight-line method according to the length of the rental period, and buildings (except for building attachments) acquired on or after April 1, 1998 are depreciated by the straight-line method. Buildings transferred upon the absorption and merger effective October 1, 2001 are depreciated by the straight-line method.

##### (Additional information)

Following the revision of the Japanese Corporation Tax Law in FY2008 concerning the useful life of machinery and equipment, the Company reviewed the status of use of assets and consequently changed the useful life of some assets applicable from this fiscal year onwards.

The resulting effect on the unconsolidated financial statements is minimal.

##### 2) Intangible assets

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

#### (3) Accounting standard for allowances

##### 1) Allowance for doubtful receivables

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

##### 2) Warranty reserve

To prepare for expenses associated with field services for products, the projected amount of service expenses within the warranty period is recorded based on the Company's past records.

##### 3) Accrued pension liability

To prepare for accrued pension liability, the Company records the allowance based on the projected amount of retirement benefit obligations and pension assets at the fiscal year end.

**4) Reserve for retirement benefits for senior executives**

To prepare for the payment of reserve for retirement benefits for senior executives, the Company recorded the amount payable under the Rules on Retirement and Severance Benefits for Senior Executives until the previous fiscal year. At the meeting of the Compensation Committee held on January 25, 2008, the Committee passed a resolution to abolish the system of reserve for retirement benefits for senior executives effective April 1, 2008, and at the meeting of the Compensation Committee convened on April 24, 2008, the Committee passed a resolution on the determined amount of payment of reserve for retirement benefits for senior executives. The amount of reserve for retirement benefits for senior executives according to the tenure until the abolition of the system is recorded in "Other" as a component of long-term liabilities, as the decision was made to pay the benefits at the time of resignation of each Director and Executive Officer.

**(4) Hedge accounting method**

**1) Hedge accounting method**

Deferred hedge accounting method is applied.

**2) Hedging instruments and hedged items**

Hedging instruments: Forward exchange contracts

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

**3) Hedging policy**

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

**4) Method of evaluating hedge effectiveness**

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

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

Accounting procedures for consumption tax, etc.

Consumption tax, etc. is excluded.

**3. Accounting policy change**

**(1) Application of accounting standard for lease transactions**

The Company had conventionally accounted for financial lease transactions that do not involve the transfer of legal title in a similar manner to the accounting method for rental transactions. However, from this fiscal year onwards, the "Accounting Standard for Lease Transactions" (ASBJ Statement No.13 dated June 17, 1993, final revision: March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16 dated January 18, 1994, final revision: March 30, 2007) have been applied to account for such transactions in a manner similar to the accounting method for ordinary sale and purchase transactions.

There is no effect of the application of ASBJ Statement No.13 and ASBJ Guidance No.16 on the unconsolidated financial statements.

**(2) Change in revenue recognition criteria**

In the fiscal year ended March 31, 2009, the Company changed its revenue recognition criteria for products such as semiconductor manufacturing equipment and LCD manufacturing equipment that require post-shipment installation: revenue is now recognized upon completion of installation, rather than upon shipment. The Company changed its revenue recognition criteria to more appropriately reflect the actual state of revenues in the financial statements, given that an increasing percentage of its revenue is derived from in-house products for which there is a long duration between shipment and completion of installation due to the progress in microfabrication technology, which has led to increasingly sophisticated semiconductor manufacturing equipment and larger LCD manufacturing equipment, not to mention that the Company is now able to obtain data on the completion of installation work, thanks to the development of IT systems, etc. The decrease resulting from the change in revenue recognition criteria compared to the conventional accounting method is JPY15,695 million in net sales and JPY2,539 million each in operating income, ordinary income and income before income taxes for the fiscal year ended March 31, 2009.

**4. Notes to unconsolidated balance sheets, etc.**

- |  |                   |
|--|-------------------|
| (1) Accumulated depreciation of property, plant and equipment: | JPY62,162 million |
| (2) Guarantees   | JPY1,842 million  |

The breakdown of guarantees is as follows.

3 affiliated companies (guarantee for trade accounts payable)	JPY904 million
Employees and affiliated companies' employees (home loans)	JPY779 million
1 affiliated company (guarantee for office rent)	JPY159 million
(3) Short-term receivables from affiliated companies	JPY46,686 million
(4) Short-term payables to affiliated companies	JPY33,684 million
(5) Long-term payables to affiliated companies	JPY1,000 million
(6) Export bill discount	JPY8 million
(7) Notes endorsed	JPY136 million
(8) Land revaluation	

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

**- Method of revaluation**

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

The market value of the said business-purpose land as at March 31, 2009 was JPY1,386 million lower than its post-revaluation book value.

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

**(1) Transactions with affiliated companies**

Sales	JPY224,290 million
Purchases	JPY85,469 million
Non-operating transactions	JPY26,371 million

**(2) Extraordinary gain**

In the fiscal year ended March 31, 2009, all shares of affiliated company accounted for by the equity method Hitachi East Asia Ltd. held by the Company were transferred to Hitachi, Ltd. This has been declared as a "gain on sale of affiliated companies' common stock" in the amount of JPY1,707 million in the "extraordinary gain" section.

**(3) Extraordinary loss**

**1) Provision for allowance for doubtful receivables for affiliated companies**

The Company has made a provision for allowance for doubtful receivables for affiliated companies with respect to short-term loans to its consolidated subsidiary Hitachi High-Tech Instruments Co., Ltd. in the amount of JPY6,627 million as a "provision for allowance for doubtful receivables for affiliated companies" in the "extraordinary loss" section.

**2) Loss on impairment of assets**

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

In the fiscal year ended March 31, 2009, the Company accounted for impairment losses for the following assets.

Location	Purpose	Type	Impairment losses (million yen)
Naka Division, Hitachi High-Technologies Corp. (Hitachinaka City, Ibaraki Prefecture)	Semiconductor manufacturing equipment and manufacturing facilities	Tools, furniture & fixtures, software, etc.	813
	Biotechnology equipment and manufacturing facilities		
Shonan Division, Hitachi High-Technologies Corp. (Nakai-machi, Ashigarakami-gun, Kanagawa Prefecture)	HD manufacturing equipment and manufacturing facilities	Machinery, equipment & vehicles, tools, furniture & fixtures	148
	Wafer bump manufacturing facilities		
	Welfare assets	Land	3
Total			964

The book value has been reduced to the recoverable value measured based on utility value due to the deterioration in profitability stemming from the severe downturn in market conditions in the case of semiconductor manufacturing equipment and manufacturing facilities, biotechnology equipment and manufacturing facilities and HD manufacturing equipment and manufacturing facilities, and in conjunction with the withdrawal from business in the case of wafer bump manufacturing facilities.

The assets have been written off, at book value in full, as impairment losses as a component of extraordinary losses, due to the lack of prospects for generating sufficient cash flow in the future.

Moreover, given that the decision has been made to sell welfare assets, the difference between the net selling price and the book value of such assets was declared as an impairment loss in the “extraordinary losses” section.

### 3) Restructuring charges

In the fiscal year ended March 31, 2009, additional retirement benefits mainly associated with the Company’s preferential measures for early retirement in the amount of JPY611 million were declared as extraordinary losses.

## 6. Notes to Unconsolidated Statements of Changes in Net Assets

### Treasury stock

Class of shares	Total number of shares as at March 31, 2008	Increase during fiscal year ended March 31, 2009	Decrease during fiscal year ended March 31, 2009	(shares)
				Total number of shares as at March 31, 2009
Common stock	188,920	5,294	-	194,214

Note: The increase in treasury stock (common stock) by 5,294 shares was attributable to the buyback of shares falling short of the share unit.

## 7. Notes on tax effect accounting

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

(Current)

#### Deferred tax assets

Amount in excess of deduction limit for loss on doubtful receivables	JPY3,607 million
Accrued bonuses	JPY1,916 million
Accrued business taxes denied	JPY48 million
Accrued cost of sales recorded but denied	JPY1,767 million
Devaluation of inventories	JPY1,352 million
Deferred profit or loss on hedges	JPY135 million
Other	JPY1,190 million
Deferred tax assets—Subtotal	JPY10,015 million
Valuation reserve	(JPY3,118 million)
Deferred tax assets—Total	JPY6,897 million

#### Deferred tax liabilities

Business taxes refundable	(JPY275 million)
Deferred tax liabilities—Total	(JPY275 million)
Net deferred tax assets	JPY6,622 million

(Noncurrent)

Deferred tax assets

Amount in excess of deduction limit for loss on doubtful receivables	JPY287 million
Accrued pension liability	JPY4,922 million
Loss on devaluation of memberships denied	JPY292 million
Loss on devaluation related to investments denied	JPY1,717 million
Excess depreciation	JPY1,081 million
Other	JPY493 million
Deferred tax assets—Subtotal	JPY8,792 million
Valuation reserve	(JPY2,480 million)
Deferred tax assets—Total	JPY6,312 million

Deferred tax liabilities

Unrealized holding gains on securities	(JPY1,725 million)
Deferred profit or loss on hedges	(JPY14 million)
Reserve for advanced depreciation of fixed assets	(JPY97 million)
Deferred tax liabilities—Total	(JPY1,836 million)
Net deferred tax assets	JPY4,476 million

**8. Notes on fixed assets leased and used**

Financial lease transactions that do not involve the transfer of legal title which commenced on or before March 31, 2008 are accounted for in a similar manner to the accounting method for ordinary rental transactions.

**Financial lease transactions in which legal title of leased property is deemed NOT to be transferred to the lessee**

**(1) Leased property's acquisition cost, accumulated depreciation and balance as at March 31, 2009**

	Acquisition cost (million yen)	Accumulated depreciation (million yen)	Balance as at March 31, 2009 (million yen)
Machinery and equipment	297	166	130
Tools, furniture & fixtures	624	392	232
Other	27	21	6
Total	948	580	368

**(2) Balance of future lease payments as at March 31, 2009**

Within 1 year	JPY208 million
After 1 year	JPY166 million
Total	JPY374 million

Balance of accumulated impairment losses on leased assets as at March 31, 2009 — million

**(3) Lease payments, reversal of accumulated impairment losses on leased assets, depreciation, interest expenses and impairment losses**

Lease payments	JPY340 million
Reversal of accumulated impairment losses on leased assets	JPY15 million
Depreciation	JPY315 million
Interest expenses	JPY8 million
Impairment losses	— million

**(4) Calculation method of depreciation**

Calculated based on straight-line method assuming that useful life equals the lease period and residual value is zero.

**(5) Calculation method of interest**

The difference between the total amount of lease payments and the acquisition cost of the leased property is regarded as the amount of interest, which is allocated to each period by the interest method.

**Operating lease transactions**

Future lease payments	
Within 1 year	JPY9 million
After 1 year	JPY0 million
Total	JPY9 million

## 9. Notes on transactions with related parties

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

Attribute	Name of company, etc.	Address	Capital (million yen)	Description of business or occupation	% of voting rights, etc. held by company	Nature of relationship		Description of transaction	Transaction amount (million yen)	Classification	Year-end balance (million yen)
						Sharing of officers, etc.	Business relationship				
Parent company	Hitachi, Ltd.	Chiyodaku, Tokyo	282,034	Manufacturing and sale of electric machinery and apparatuses	Direct: 51.5% Indirect: 0.2%	2 persons	Sale of various information equipment, power-generation-related components, functional materials, etc. and purchase of information system equipment, automobile-related components, etc.	Sale of various information equipment, power-generation-related components, etc.	39,455	Accounts receivable Advances received	6,620 405
								Purchase of information system equipment, automobile-related components, etc.	6,656	Accounts payable Advances to suppliers	1,856 22
								Deposit paid Interest received	21,324 260	Deposit to Hitachi group cash management fund	67,281

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

- For the sale of various equipment, materials, etc., the terms of transactions are determined based on price negotiations every period in the same manner as the terms of ordinary transactions.
- For the purchase of various equipment, components, etc., the price and other terms of transactions are determined based on negotiation on an individual basis in the same manner as the terms of ordinary transactions.
- Deposits paid are subject to the basic agreement concluded between the Company and Hitachi, Ltd. Interest is determined in consideration of the market interest rate.
- Of the above amounts, transaction amount does NOT include consumption tax, etc., whereas the year-end balance includes consumption tax, etc.

## (2) Subsidiaries

Attribute	Name of company, etc.	Address	Capital (million yen)	Description of business or occupation	% of voting rights, etc. held by company	Nature of relationship		Description of transaction	Transaction amount (million yen)	Classification	Year-end balance (million yen)
						Sharing of officers, etc.	Business relationship				
Subsidiary	Hitachi High-Tech Fielding Corp.	Shinjuku, Tokyo	1,000	Maintenance services for semiconductor manufacturing and inspection equipment, etc.	Direct: 100% Indirect: —	2 persons	Sale of semiconductor manufacturing and inspection equipment, materials, etc.	Sale of materials, etc.	17,185	Accounts receivable	5,085
								Payment of deposits received	1,638	Deposits received	7,632
								Payment of interest	78	Long-term liabilities, etc. Accrued expenses	24
Subsidiary	Hitachi High-Tech Manufacturing & Service Corp.	Hitachinaka City, Ibaraki Prefecture	230	Manufacturing of optical analysis equipment, medical equipment, etc.	Direct: 100% Indirect: —	None	Purchase of optical analysis equipment, medical equipment, etc.	Purchase of optical analysis equipment, medical equipment, etc.	22,658	Accounts payable	3,742
Subsidiary	Hitachi High-Tech Instruments Co., Ltd.	Kumagaya City, Ibaraki Prefecture	450	Design and manufacturing of chip mounting systems, etc.	Direct: 100% Indirect: —	1 person	Purchase of chip mounting systems, etc.	Loan Interest received	5,320 69	Short-term loan receivables	9,720
Subsidiary	Hitachi High Technologies America, Inc.	USA	USD 7,950 thousand	Sale of semiconductor manufacturing and inspection equipment, industrial materials, etc.	Direct: 100% Indirect: —	1 person	Sale of semiconductor manufacturing and inspection equipment, industrial materials, etc.	Sale of semiconductor manufacturing and inspection equipment, industrial materials, etc.	71,020	Accounts receivable Advances received	7,782 1,439
Subsidiary	Hitachi High-Technologies Europe GmbH	Germany	EUR 3,129 thousand	Sale of semiconductor inspection equipment, medical equipment, etc.	Direct: 100% Indirect: —	1 person	Sale of semiconductor inspection equipment, medical equipment, etc.	Sale of semiconductor inspection equipment, medical equipment, etc.	60,040	Accounts receivable Advances received	6,246 9

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

1. The terms of transactions for devices, equipment, etc. are determined based on individual negotiations, whereas the terms of sale of materials, etc. are determined based on price negotiations every period, in the same manner as the terms of ordinary transactions.
2. Deposits received and loans are subject to the basic agreement concluded between the Company and its subsidiaries.
3. Interest is determined in consideration of the market interest rate.
4. Of the above amounts, transaction amount does NOT include consumption tax, etc., whereas the balance includes consumption tax, etc.
5. The Company has recorded a total of JPY6,627 million as an allowance for doubtful receivables for subsidiaries and affiliated companies, etc.  
It also made a provision for allowance for doubtful receivables in the amount of JPY6,627 million in the fiscal year ended March 31, 2009, which is declared as extraordinary loss in full.

### (3) Sister Companies, etc.

Attribute	Name of company, etc.	Address	Capital (million yen)	Description of business or occupation	% of voting rights, etc. held	Nature of relationship		Description of transaction	Transaction amount (million yen)	Classification	Year-end balance (million yen)
						Sharing of officers, etc.	Business relationship				
Company whose major shareholders hold majority of voting rights in own account	Renesas Technology Corp.	Chiyoda-ku, Tokyo	77,000	Development, design, manufacturing, sale, and provision of services for system LSI, discrete semiconductors and memory	Hold Direct: — Indirect: —  Held Direct: — Indirect: —	None	Sale of electronic device manufacturing equipment, materials, etc.	Sale of electronic device manufacturing equipment, materials, etc.	13,031	Accounts receivable  Advances received	3,372  1
Subsidiary of parent company	Hitachi Plant Technologies, Ltd.	Toshima-ku, Tokyo	12,000	Development, design, manufacturing, sale, services construction work, etc. relating to social infrastructure systems, etc.	Hold Direct: 0.1% Indirect: —  Held Direct: 0.0% Indirect: —	None	Purchase of equipment and outsourcing of installation work	Purchase of equipment and placement of orders for installation work	8,637	Accounts payable	8,780

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

1. The terms of transactions for devices, equipment, etc. are determined based on individual negotiations, whereas the terms of sale of materials, etc. are determined based on price negotiations every period, in the same manner as the terms of ordinary transactions.
2. Of the above amounts, transaction amount does NOT include consumption tax, etc., whereas the balance includes consumption tax, etc.

**10. Notes on per share information**

(1) Net assets per share: JPY1,392.10

(2) Net income per share: JPY30.37

**11. Notes on significant subsequent events**

Not applicable.

**12. Other notes**

**Change in accounting classification for cost of sales, selling, general and administrative (SG&A) expenses**

Up until the fiscal year ended March 31, 2008, the Company had declared packing and delivery expenses relating to in-house products as SG&A expenses, but decided to record such expenses as a component of cost of sales to further clarify their relationship with revenue from this fiscal year onwards.

The resulting decrease compared to the conventional accounting method is JPY2,489 million in gross profit for the fiscal year ended March 31, 2009; however, there is no effect on operating income and other earnings.

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

### INDEPENDENT AUDITORS' REPORT

May 18, 2009

To Mr. Hidehito Obayashi, President & Chief Executive Officer  
Hitachi High-Technologies Corporation

Ernst & Young ShinNihon LLC  
Limited Liability Shitei Shain  
Gyomu Shikko Shain CPA Koichi Tsuji  
Limited Liability Shitei Shain  
Gyomu Shikko Shain CPA Ryo Kayama

We have audited the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in net assets, and the notes to the consolidated financial statements of Hitachi High-Technologies Corporation for the business year (from April 1, 2008 to March 31, 2009) for the purpose of reporting under Article 444, Paragraph 4 of the Company Law. Management of the Company is responsible for preparing such consolidated financial statements and our responsibility is to express our opinion thereon from an independent standpoint.

Our audit was conducted in accordance with auditing standards generally accepted in Japan. The auditing standards require us to obtain reasonable assurance whether any material misstatement exists in the consolidated financial statements or not. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. Our audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We consider that as a result of our audit, we have obtained reasonable basis for expressing our opinion. The auditing procedures also include those considered necessary for the subsidiaries.

In our opinion, the consolidated financial statements referred to above presented fairly, in every significant aspect, the financial position and the results of operations of the Company and its consolidated subsidiaries for the period of the consolidated financial statements in accordance with the auditing standards generally accepted in Japan.

#### Additional Information

As indicated in "Notes concerning important matters serving as basis of preparation of consolidated financial statements," the Company changed its revenue recognition criteria for products that require post-shipment installation: revenue is recognized upon completion of installation, rather than upon shipment, from this fiscal year onwards.

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

## Transcript of Audit Committee's Audit Report on Consolidated Financial Statements

### AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We, the Audit Committee of the Company, audited the consolidated financial statements of the Company (the consolidated balance sheets, the consolidated statements of income, the consolidated statement of changes in net assets, and the notes to consolidated financial statements) during the 90th business term (from April 1, 2008 to March 31, 2009). We hereby report as follows on the method and result thereof:

#### 1. Method of Audit

We received reports from the Executive Officers and others in accordance with the audit policy, assignment of audit duties, etc., as determined by the Audit Committee, on the consolidated financial statements, and requested explanations as necessary. Further, we monitored and examined whether the Accounting Auditors maintained their independence and performed their auditing duties adequately, as well as received reports from the Accounting Auditors on the performance status of their duties, and requested explanations as necessary. We also received a notice from the Accounting Auditors to the effect that “structures for ensuring that duties are appropriately performed” (matters stipulated in each item under Article 131 of the Regulations of Companies’ Financial Statements) were being developed pursuant to the “Quality Management Standards for Auditing” (Business Accounting Council, October 28, 2005) and requested explanations as necessary.

We examined the consolidated financial statements for this business term in accordance with the foregoing method.

#### 2. Result of Audit

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

May 19, 2009

Audit Committee, Hitachi High-Technologies Corporation  
Hiroshi Kanauchi (Standing)  
Harumichi Uchida  
Kotaro Muneoka

Note: Mr. Harumichi Uchida and Mr. Kotaro Muneoka are outside Directors pursuant to Article 2, Item 15 of the Company Law.

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

### INDEPENDENT AUDITORS' REPORT

May 18, 2009

To Mr. Hidehito Obayashi, President & Chief Executive Officer  
Hitachi High-Technologies Corporation

Ernst & Young ShinNihon LLC  
Limited Liability Shitei Shain  
Gyomu Shikko Shain CPA Koichi Tsuji  
Limited Liability Shitei Shain  
Gyomu Shikko Shain CPA Ryo Kayama

We have audited the unconsolidated balance sheets, the unconsolidated statements of income, the unconsolidated statements of changes in net assets, the notes to the unconsolidated financial statements, and their supporting schedules of Hitachi High-Technologies Corporation for the 90th business term (from April 1, 2008 to March 31, 2009) pursuant to Article 436, Paragraph 2, Item 1 of the Company Law. Management of the Company is responsible for preparing such unconsolidated financial statements and their supporting schedules and our responsibility is to express our opinions thereon from an independent standpoint.

Our audit was conducted in accordance with auditing standards generally accepted in Japan. The auditing standards require us to obtain reasonable assurance whether any material misstatement exists in the unconsolidated financial statements and their supporting schedules or not. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the unconsolidated financial statements. Our audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall unconsolidated financial statement presentation. We consider that as a result of our audit, we have obtained reasonable basis for expressing our opinions.

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

#### Additional Information

As indicated in "Accounting policy change," the Company changed its revenue recognition criteria for products that require post-shipment installation: revenue is recognized upon completion of installation, rather than upon shipment, from this fiscal year onwards.

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

## Transcript of Audit Committee's Audit Report on Unconsolidated Financial Statements

### AUDIT REPORT

We, the Audit Committee of the Company, audited the performance by Directors and Executive Officers of their duties during the 90th business term (from April 1, 2008 to March 31, 2009). We hereby report as follows on the method and results thereof:

#### 1. Method of Audit

We monitored and examined the contents of the resolutions of the Board of Directors concerning the matters as listed in Article 416, Paragraph 1, Item 1 (*ro*) and (*ho*) of the Company Law and the status of the systems (internal control systems) established thereunder, and in accordance with the audit policy, assignment of audit duties, etc., as determined by the Audit Committee and in collaboration with the Company's internal auditing division and other relevant departments, attended important meetings, received reports or heard from the Directors, Executive Officers, etc. on matters concerning the execution of their duties, inspected important decision documents, etc., made investigation into the state of activities and property at the head office and principal business offices of the Company. With respect to internal controls for financial reporting, we received reports from or conducted interviews with Executive Officers and Ernst & Young ShinNihon LLC about the status of evaluation and audit of such internal controls, and requested explanations as necessary. As regards subsidiaries, we sought to communicate and exchange information with the Directors, Auditors, and others of the subsidiaries, and received reports from or conducted interviews with subsidiaries about their business operations as necessary.

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

We examined the business reports, the unconsolidated financial statements (the unconsolidated balance sheets, the unconsolidated statements of income, the unconsolidated statements of changes in net assets, and the notes to unconsolidated financial statements), and their supporting schedules for this business term in accordance with the foregoing method.

#### 2. Results of Audit

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

We are of the opinion:

- 1) that the business report and its supporting schedules fairly present the state of the Company in accordance with the laws, regulations and the Articles of Incorporation.
- 2) that, in connection with the performance by Directors and Executive Officers of their duties, no dishonest act or material fact of violation of laws, regulations or the Articles of Incorporation exists.
- 3) that the contents of the resolution by the Board of Directors concerning internal control systems are appropriate. Further, there is nothing to note with respect to the performance by Directors and Executive Officers of their duties related to said internal control systems, including internal controls for financial reporting.

##### (2) Results of Audit on Unconsolidated Financial Statements and Their Supporting Schedules

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

May 19, 2009

Audit Committee, Hitachi High-Technologies Corporation  
Hiroshi Kanauchi (Standing)  
Harumichi Uchida  
Kotaro Muneoka

Note: Mr. Harumichi Uchida and Mr. Kotaro Muneoka are outside Directors pursuant to Article 2, Item 15 of the Company Law.