Hitachi High-Tech

HITACHI

Report on the 91st Business Term
Year ended March 31, 2010
(April 1, 2009 to March 31, 2010)

Hitachi High-Technologies Corporation

(Code No.: 8036)

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

The Japanese economy failed to attain self-sustained recovery in the fiscal year ended March 31, 2010, having been affected by the worldwide recession triggered by the global financial crisis. In the latter half of the fiscal year, however, there were signs of recovery in the economy. As for the future outlook, the economy is expected to recover gradually on the back of improvements in overseas economies and other such factors, although employment conditions remain harsh.

In such a business climate, the enterprise group consisting of Hitachi High-Technologies Corporation and its subsidiaries (hereinafter referred to as “the Group”) has resolutely cut costs, such as optimizing human resources and making production adjustments, as well as carefully selecting capital investments and research and development (R&D) investments, reducing inventories, and reviewing selling, general and administrative (SG&A) expenses in a thoroughgoing manner, in order to realize early recovery of its business performance. Regrettably, however, the Group posted a loss due to semiconductor manufacturing equipment and LCD manufacturing equipment markets being slow to recover on a full scale. Consequently, the Group’s consolidated business performance for the fiscal year ended March 31, 2010 was JPY616,877 million in net sales, JPY1,626 million in operating loss, JPY496 million in ordinary loss and JPY2,827 million in net loss.

The Group will continue to review its cost structure in an exhaustive manner to attain V-shaped recovery in its business performance, and spread the concepts of “focusing on speed,” “focusing on site” and “enhancing consolidated management” with the aim of becoming the global leader in high-tech solutions. The Group is committed to running its businesses by taking advantage of its world-leading technologies and global sales force and service networks, and making utmost efforts to restore its business performance to meet your expectations.

Main measures taken by the Hitachi High-Technologies Group in the fiscal year ended March 31, 2010 were as follows.

For the purpose of improving the efficiency of training customers of clinical analyzers, “Tokyo Technical Center” was opened in November 2009. It is hoped that the Center will not only bring about greater convenience for customers, but also further improve customers’ understanding and skillfulness of operating the machinery, as it is fully equipped with state-of-the-art machinery and facilities, not to mention the comfortable and efficient training framework established by the Group.

Furthermore, subsidiary Hitachi High-Tech Instruments Co., Ltd. took over the semiconductor manufacturing equipment business operated at the Yamanashi plant of Renesas Eastern Japan Semiconductor, Inc. (hereinafter referred to as “Renesas Eastern Japan Semiconductor”) by absorption-type demerger effective April 1, 2010. Conventionally, semiconductor manufacturing equipment had been developed and manufactured by Renesas Eastern Japan Semiconductor, and the majority of global sales had been conducted by the Group. However, the Group decided to consolidate development, manufacturing, sales and services, in order to flexibly adapt to changes in the market environment in recent years, establish business structures in a speedy manner, improve management efficiency and accelerate the development of new products reflecting customers’ needs. Through such business restructuring, the Group will seek to establish and enhance its semiconductor back-end process equipment business, whose market is expected to grow.

As for R&D activities, investments in development were made to establish the Group’s superiority by developing new products ahead of its competition, and cutting-edge electron microscopes and new IT solutions products were released in the market. Moreover, Hitachi High-Technologies received the “Minister of Economy, Trade and Industry’s Commendation (Outstanding Patent Strategy Company)” as part of the fiscal 2009 “Excellence in Intellectual Property Awards” granted by the Japan Patent Office, Ministry of Economy, Trade and Industry, in April 2009. This was awarded due to the Group’s intellectual property strategy being highly rated. The Group regards intellectual property as an important asset at the management level, and will continue to proactively utilize and improve the value of intellectual property into the future.

CSR*-oriented management efforts included the publication of “CSR Report 2009” (digest version booklet) in June 2009 (English version and Chinese version were published in August 2009 and September 2009, respectively). In conjunction with this, a website providing a detailed explanation of the Group’s CSR activities, also entitled “CSR Activities,” was launched as an easy-to-understand introduction to its CSR activities. In March 2010, the Group checked the preparedness of systems, etc. during the fiscal year for ensuring the adequacy of operations under the Company Law, that is, the execution status of so-called internal controls.

We thank you for your continuous support and guidance.

The following is a report on the Group’s business results by industry segment in the fiscal year ended March 31, 2010.

* Corporate Social Responsibility

● Electronic Device Systems Segment

In the field of semiconductor manufacturing equipment, Hitachi High-Technologies' mainstay product CD-measurement SEM (CD-SEM) substantially recovered in sales especially in Asian markets, due to such factors as the resumption of investments of major foundries. Etching systems failed to recover fully and dramatically decreased in sales, despite signs among some customers to resume investments in the latter half of the fiscal year. In the field of LCD manufacturing equipment, exposure systems and mounting systems drastically fell in sales due to panel manufacturers remaining cautious towards capital investment, even though their capacity utilization rate started to recover.

As a result of the above, the Electronic Device Systems segment generated sales in the amount of JPY114,060 million, and posted an operating loss of JPY17,003 million.

● Life Sciences Segment

In the field of clinical analyzers, sales decreased due to the delivery of small/medium-sized clinical chemistry and immunodiagnostic analyzers moved on from the initial launch phase into a period of stability. In the biotechnology equipment field, sales slightly increased thanks to the execution of the supplementary budget in Japan, even though private capital investment did not fully recover.

As a result of the above, the Life Sciences segment generated sales in the amount of JPY95,459 million, and posted an operating income of JPY15,839 million.

● Information Systems & Electronic Components Segment

In the field of information and communications technology, sales of mobile phones targeted at the U.S. dramatically decreased. Sales of chip mounters substantially decreased due to such factors as the suspension of investments by customers in Japanese and Asian markets. Sales of hard disk drives fell as the recovery in demand in the latter half of the fiscal year could not compensate the fall in demand in the first half.

As a result of the above, the Information Systems & Electronic Components segment generated sales in the amount of JPY159,543 million, and posted an operating loss of JPY2,176 million.

● Advanced Industrial Products Segment

Sales of silicon wafers failed to recover fully and plummeted despite improvements in customers' capacity utilization rate. Sales of automobile-related components had been on the way to recovery due to such factors as the effects of tax cuts for automobile buyers, but failed to recover fully and turned out to be sluggish. Sales of optical components for LCD projectors dramatically increased, driven by the expansion of demand in emerging countries.

As a result of the above, the Advanced Industrial Products segment generated sales in the amount of JPY247,814 million, and posted an operating income of JPY1,725 million.

■ **Sales by Segment**

Segment	FY2008		FY2009 (year under review)		Year-on-year Change
	Amount	Percentage	Amount	Percentage	
Electronic Device Systems	Million yen 168,324	% 21.7	Million yen 114,060	% 18.5	% (32.2)
Life Sciences	97,725	12.6	95,459	15.5	(2.3)
Information Systems & Electronic Components	203,758	26.3	159,543	25.8	(21.7)
Advanced Industrial Products	305,143	39.4	247,814	40.2	(18.8)
Consolidated net sales - Total	774,950	100.0	616,877	100.0	(20.4)

■ **Sales by Region**

Region	FY2008		FY2009 (year under review)		Year-on-year Change
	Amount	Percentage	Amount	Percentage	
North America	Million yen 83,570	% 10.8	Million yen 66,290	% 10.7	% (20.7)
Europe	82,961	10.7	71,257	11.6	(14.1)
Asia	185,703	24.0	168,503	27.3	(9.3)
Other regions	18,980	2.4	13,900	2.3	(26.8)
Overseas - Subtotal	371,214	47.9	319,951	51.9	(13.8)
Japan	403,736	52.1	296,926	48.1	(26.5)
Consolidated net sales - Total	774,950	100.0	616,877	100.0	(20.4)

(2) Problems Facing Hitachi High-Technologies Group

Prospects for the global economy are likely to remain uncertain for some time to come, even though it is on a gradual recovery trajectory. In such a business climate, the Hitachi High-Technologies Group will optimize human resources and resolutely cut costs across the board in line with changes in the market environment and build a leaner business structure, in order to attain V-shaped recovery as soon as possible.

Evolution of consolidated management will be sought, and resources will be injected into growth areas to create a business structure that can adapt to the changing market environment. 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.

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.

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. The Strategic Planning Division will play a central role in optimizing the trading divisions as a whole and reinforcing 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. This has resulted in the launch of an initiative under the first New Business Creation Project in April 2010.
2) Global businesses will be actively promoted. The Group established its basic policies to expand and enhance its global businesses, advocating "development of emerging markets", "expansion of overseas transactions", "development of new global businesses" and "globalization of development and manufacturing". Each of these issues will be tackled steadily through its group-wide cross-sectional "Global Strategy Meeting" established this fiscal year. Based on such policies and issues, business expansion will continue to be sought in priority areas, namely, China and India, at a rate exceeding their economic growth rate. Further acceleration of overseas expansion will also be pursued by establishing a base in the Middle East, a new market, in addition to emerging countries Brazil, Russia and Vietnam.
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-oriented management will be promoted at the individual sales division level. 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, and an open and transparent employee evaluation and treatment system will continually 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. Moreover, further evolution of consolidated management will be pursued through performance management and effective evaluation systems encompassing the entire Group.

(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, 2010, there were no borrowings.

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

In the fiscal year under review, the Group's capital investment totaled JPY9,377 million.

There was a capital investment with a material impact on the Group's production capacity, namely, refurbishing of buildings of Nanotechnology Products Business Group Naka Division in the amount of JPY448 million during the fiscal year. (The total amount spent up until the fiscal year ended March 31, 2010 was JPY3,797 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	2006	2007	2008	2009 (under review)
Net sales (million yen)	951,619	943,124	774,950	616,877
Ordinary income (loss) (million yen)	44,292	48,705	16,475	(496)
Net income (loss) (million yen)	26,109	26,932	7,075	(2,827)
Net income (loss) per share (yen)	189.81	195.80	51.44	(20.55)
Net assets (million yen)	221,330	235,104	234,278	229,399
Total assets (million yen)	480,191	504,873	427,576	411,049

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	2006	2007	2008	2009 (under review)
Net sales (million yen)	702,967	741,203	601,826	469,337
Ordinary income (loss) (million yen)	34,263	36,838	15,243	(2,327)
Net income (loss) (million yen)	30,681	27,730	4,177	(3,355)
Net income (loss) per share (yen)	223.04	201.60	30.37	(24.39)
Net assets (million yen)	172,148	193,873	191,475	186,488
Total assets (million yen)	383,442	418,578	357,158	342,459

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, 2010)

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

Segment	Main Merchandise and Products
Electronic Device Systems	Semiconductor Manufacturing Equipment such as Etching Systems, CD-SEM and Inspection Systems Electron Microscopes, LCD Manufacturing Equipment, Hard Disk Manufacturing Equipment, Railroad 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, Electric Power Systems, Design and Manufacturing Solutions, Video Conferencing Systems, Communication Equipment, Hard Disk Drives, Electronic Components such as Semiconductors, TFT Displays
Advanced Industrial Products	Steel Products, Special Steel Products, Nonferrous Metals, Electronic Materials& Components for Semiconductors, Plastic Resins and Engineering Plastics, Optical Device & Materials, Raw Materials for Optical Disc, Silicon Wafers, Automotive Components, Solar Cell Materials and Related Equipment, Petroleum Products

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, 2010)

[Offices]

Name	Location
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]

Name	Location
Nanotechnology Products Business Group Naka Division	Hitachinaka City, Ibaraki Prefecture
Nanotechnology Products Business Group Kasado Division	Kudamatsu City, Yamaguchi Prefecture
Fine Technology Products Business Group Shonan Region	Nakai-machi, Ashigarakami-gun, Kanagawa Prefecture
Fine Technology Products Business Group Saitama Region	Kamisato-machi, Kodama-gun, Saitama Prefecture

[Major Subsidiaries]

Major subsidiaries and their locations are as stated in “(9) Major Parent Company and Subsidiaries”.

(8) Employees of Hitachi High-Technologies Group

(As of March 31, 2010)

[Number of Employees in Hitachi High-Technologies Group]

Segment	Number of employees	(Change from the end of the preceding year)
Electronic Device Systems	3,951	(-527)
Life Sciences	2,476	(+142)
Information Systems & Electronic Components	1,671	(-27)
Advanced Industrial Products	884	(-23)
Group-wide (common)	949	(-142)
Total	9,931	(-577)

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)	4,443 (-186)
Average number of years of service	17 years and 11 months
Average age	40 years and 1 month 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 121 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 51.57% of all of its outstanding shares. Hitachi High-Technologies Corporation purchases information system equipment, etc. from its parent company, and sells various information equipment, power-generation-related components, etc. to its parent company.

[Subsidiaries]

There are 27 consolidated subsidiaries, including the following major subsidiaries.

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

Company name	**Location of Head Office**	
Main business activities	**Capital**	**Equity Stake**
Hitachi High-Tech Trading Corp.	Minato-ku, Tokyo	
Sales of electronic equipment, electronic components, measuring equipment and related systems, etc.	JPY400 million	100%
Hitachi High-Tech Materials Corp.	Minato-ku, Tokyo	
Sales of energy, functional chemicals, etc.	JPY200 million	100%
Hitachi High-Tech Fielding Corp.	Shinjuku-ku, Tokyo	
Maintenance services for Semiconductor manufacturing equipment, analyzers and measuring equipment	JPY1,000 million	100%
Hitachi High-Tech Control Systems Corp.	Mito City, Ibaraki Prefecture	
Design and manufacturing of measuring equipment and related systems, etc.	JPY200 million	100%
Hitachi High-Tech Manufacturing & Service Corp.	Hitachinaka City, Ibaraki Prefecture	
Manufacturing of optical analysis equipment, clinical analyzers, etc.	JPY230 million	100%
Hitachi High Technologies America, Inc.	USA	
Sales of semiconductor manufacturing equipment, communication equipment, industrial materials, etc.	USD7,950 thousand	100%
Hitachi High-Technologies Europe GmbH	Germany	
Sales of semiconductor manufacturing equipment, clinical analyzers, etc.	EUR3,129 thousand	100%
Hitachi High-Technologies (Singapore) Pte. Ltd.	Singapore	
Sales of semiconductor manufacturing equipment, electronic materials, etc.	SGD4,000 thousand	95%
Hitachi High-Technologies Hong Kong Limited	China	
Sales of industrial materials, electronic materials, electronic components, etc.	HKD15,000 thousand	100%

2. Matters Concerning the Company's Stock (As of March 31, 2010)

(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 8,054 shareholders

(3) 10 Largest Shareholders

Name	Shareholding	Shareholding Ratio
	shares	%
Hitachi, Ltd.	71,037,389	51.65
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,396,100	4.65
Japan Trustee Services Bank, Ltd. (Trust Account)	6,276,100	4.56
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,546,100	2.58
Hitachi High-Technologies Corp.'s Shareholding Association	2,090,436	1.52
NIPPONVEST	1,675,000	1.22
HAYAT	1,656,900	1.20
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	1,105,949	0.80
SAJAP	1,057,500	0.77
Japan Trustee Services Bank, Ltd. (Trust Account 4)	909,900	0.66

Note: Shareholding ratio is calculated by deducting treasury stock (196,905 shares).

3. Directors and Executive Officers

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

[Directors]

Position	Name	Committee Membership	Significant Concurrently-held Positions
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 Hidehito Obayashi and Wasuke Nakano concurrently serve as Executive Officers.
2. Directors Tadamichi Sakiyama, Harumichi Uchida and Kotaro Muneoka are outside directors set forth in Article 2, Item 15 of the Company Law.
3. 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."
4. Hitachi Transport System, Ltd., Hitachi Software Engineering Co., Ltd. and the Company have the same parent company.
5. Director Kotaro Muneoka retired from the position of outside director of Hitachi Software Engineering Co., Ltd. on March 31, 2010.
6. Director Hrumichi Uchida is registered as an independent corporate officer with the Tokyo Stock Exchange Group, Inc. and Osaka Securities Exchange Co., Ltd.

[Executive Officers]

Position	Name	Responsibilities
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, CSR*, 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

Notes: 1. The above Executive Officers were nominated at the meeting of the Board of Directors held on February 23, 2009 and appointed on April 1, 2009.

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.

Yoshinao Kawasaki	President & Representative Director of Hitachi High-Tech Instruments Co., Ltd.
Masaho Masuyama	President & Representative Director of Hitachi High-Technologies (Singapore) Pte. Ltd.
Takashi Matsuzaka	President of Hitachi Instrument (Suzhou), Ltd.
Shinichi Tachi	President & Representative Director of Hitachi High Technologies America, Inc.

* CSR: Corporate Social Responsibility

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

The Company changed its Executive Officers on April 1, 2010. The new lineup of Executive Officers is as follows.

(As of April 1, 2010)

Position	Name	Responsibilities
Representative Executive Officer, President, Chief Executive Officer	Hidehito Obayashi	Overall management execution
Representative Executive Officer, Executive Vice President, Executive Officer	Masao Hisada	Overall management execution, management strategy, product businesses in general, CSR*1, officer responsible for export management
Representative Executive Officer, Senior Vice President, Executive Officer	Wasuke Nakano	Sales of semiconductor manufacturing equipment, sales for analytical sciences business
Representative Executive Officer, Senior Vice President, Executive Officer	Masumi Miyauchi	Trading operations in general
Senior Vice President and Executive Officer	Masaho Masuyama	Management strategy, LCD & hard-disk-related equipment sales, fine technology products business, global strategy, Group companies
Vice President and Executive Officer	Shigeru Iizuka	Accounting, finance, operations, logistics, information systems, export management, CSR, IR*2
Vice President and Executive Officer	Katsumi Mizuno	Personnel and general affairs, environmental management, CSR, legal affairs (including corporate governance)
Vice President and Executive Officer	Masanori Kazamaki	Sales (west Japan)
Vice President and Executive Officer	Takashi Matsuzaka	Nanotechnology products business, R&D, technology strategy, intellectual property, quality assurance, procurement
Vice President and Executive Officer	Shinichi Tachi	Semiconductor manufacturing equipment sales
Executive Officer	Morihiro Nishida	Accounting, finance, operations, logistics
Executive Officer	Yutaka Mitsumochi	Mount systems sales
Executive Officer	Shigekazu Kato	Fine technology products business
Executive Officer	Toshio Kajimoto	Sales for analytical sciences business
Executive Officer	Hidenori Nagao	Management strategy, global strategy, Group companies
Executive Officer	Koji Isahaya	LCD and hard-disk-related equipment sales
Executive Officer	Kunihiko Ukena	Electronic materials sales
Executive Officer	Shuji Sugiyama	Sales of evaluation devices

*1: CSR: Corporate Social Responsibility

*2: IR: Investor Relations

(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]

Name	Major Activities
Tadamichi Sakiyama	Mr. Sakiyama has attended all meetings of the Board of Directors held in the fiscal year under review (13 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, as well as opinions from the viewpoint of legality.
Harumichi Uchida	Mr. Uchida has attended all meetings of the Board of Directors (13 meetings total) as well as all meetings of the Audit Committee (14 meetings total) held in the fiscal year under review, and based on his extensive knowledge and experience as an attorney at law, has been expressing his opinions from the viewpoint of legality as well as opinions based on his awareness of the interests of general shareholders in regards to agenda items in general.
Kotaro Muneoka	Mr. Muneoka has attended all meetings of the Board of Directors (13 meetings total) as well as all meetings of the Audit Committee (14 meetings total) held in the fiscal year under review, and has been expressing his opinions based on his extensive knowledge and experience in corporate management in general and management auditing, as well as opinions from the viewpoint of legality.

[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 23 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] (FY2009)

	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	4	56	4	5	61
Outside Directors	3	24	3	2	26
Executive Officers	20	380	20	48	428

Note: The number of Directors and the amount do not include Directors who concurrently serve as Executive Officers.

[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, 2010]

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 JPY59 million.

4. Matters Concerning Accounting Auditor

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

(2) Fees to accounting auditor

1) Fees, etc. for the fiscal year ended March 31, 2010: 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. The Company paid consideration to the accounting auditor for services related to financial due diligence that corresponded to services other than those set forth in Article 2, Paragraph 1 of the Certified Public Accountants Law.

3. 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, 2010, the year-end dividend will be JPY10 per share, resulting in an annual dividend of JPY15 including the interim dividend of JPY5 per share, which has already been paid, given that the business performance had exceeded initial expectations due to the expansion of customers' capital investments especially in the Electronic Device Systems segment in the fourth quarter.

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, Approval Regulations, 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 2009 (As of March 31, 2010)	Fiscal 2008 (As of March 31, 2009)
	(Millions of yen)	
Assets		
Current assets	**324,783**	**340,626**
Cash and cash equivalents	26,123	22,685
Notes and accounts receivable	144,528	154,318
Marketable securities	93	98
Merchandise and finished goods	25,777	27,299
Work in process	27,906	41,440
Raw materials	3,482	3,216
Deferred tax assets	11,967	11,482
Advances paid	2,414	2,852
Deposit to Hitachi group cash management fund	75,621	67,281
Other	9,356	12,685
Allowance for doubtful receivables	(2,484)	(2,729)
Fixed assets	**86,266**	**86,950**
Property, plant and equipment	**55,922**	**58,438**
Buildings and structures	23,564	24,534
Machinery, equipment and vehicles	6,796	7,485
Tools, furniture & fixtures	5,839	6,507
Land	19,667	19,708
Construction in progress	57	204
Intangible assets	**4,932**	**4,269**
Goodwill	268	358
Software	4,527	3,755
Right of using facilities	91	103
Other	45	54
Investments and others	**25,412**	**24,242**
Investments in securities	8,852	7,216
Long-term loan receivables	304	412
Deferred tax assets	8,943	8,152
Other	8,352	9,502
Allowance for doubtful receivables	(1,038)	(1,039)
Total assets	**411,049**	**427,576**

	Fiscal 2009 (As of March 31, 2010)	Fiscal 2008 (As of March 31, 2009)
	(Millions of yen)	
Liabilities		
Current liabilities	**155,735**	**166,937**
Notes and accounts payable	110,037	113,871
Income taxes	2,514	1,654
Accrued expenses	20,423	23,239
Advances received	11,365	12,749
Warranty reserve	1,833	1,920
Other	9,562	13,504
Long-term liabilities	**25,916**	**26,361**
Accrued pension liability	25,270	25,409
Reserve for retirement benefits for senior executives	212	276
Other	433	675
Total liabilities	**181,650**	**193,298**
Net assets		
Shareholders' equity	**229,282**	**234,864**
Common stock	7,938	7,938
Capital surplus	35,745	35,745
Retained earnings	185,919	191,497
Treasury stock	(321)	(316)
Valuation and translation adjustments	**(137)**	**(800)**
Unrealized holding gains on securities	3,671	2,552
Deferred profit or loss on hedges	(192)	(153)
Foreign currency translation adjustment	(3,616)	(3,199)
Minority interests	**254**	**213**
Total net assets	**229,399**	**234,278**
Total liabilities and net assets	**411,049**	**427,576**

Consolidated Statements of Income

	Years ended March 31	
	2009	2008
	(Millions of yen)	
Net sales	**616,877**	**774,950**
Cost of sales	537,694	670,728
Gross profit	**79,183**	**104,223**
Selling, general and administrative expenses	80,809	89,314
Operating income (loss)	**(1,626)**	**14,909**
Other income	**1,917**	**2,550**
Interest income	390	655
Dividends income	137	608
Foreign exchange gains	276	377
Other	1,114	910
Other deductions	**787**	**984**
Interest expenses	92	114
Other	695	870
Ordinary income (loss)	**(496)**	**16,475**
Extraordinary gain	**554**	**849**
Gain on sales of investments in securities	554	60
Gain on sales of fixed assets	—	732
Gain on termination of retirement benefit system	—	57
Extraordinary loss	**2,181**	**3,441**
Loss on sales of investments in securities	—	456
Losses on devaluation of investments in securities	—	370
Impairment losses	417	961
Loss on disposal of property, plant and equipment	107	—
Loss on cancellation of lease contract	513	—
Restructuring charges	1,145	1,654
Income (loss) before income taxes and minority interests	**(2,123)**	**13,883**
Income taxes-current	2,915	5,028
Income taxes-deferred	(2,249)	1,744
Total income taxes	666	6,772
Minority interests	37	36
Net income (loss)	**(2,827)**	**7,075**

Consolidated Statements of Changes in Net Assets

FY2009 (under review) (April 1, 2009 to March 31, 2010) (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	191,497	(316)	234,864
Change during year					
Dividends from surplus	—	—	(2,751)	—	(2,751)
Net loss	—	—	(2,827)	—	(2,827)
Acquisition of treasury stock	—	—	—	(5)	(5)
Disposal of treasury stock	—	(0)	—	0	0
Net changes in items other than shareholders' equity	—	—	—	—	—
Total change in during year	—	(0)	(5,578)	(4)	(5,582)
Balance at end of year	7,938	35,745	185,919	(321)	229,282

	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	2,552	(153)	(3,199)	(800)	213	234,278
Change during year						
Dividends from surplus	—	—	—	—	—	(2,751)
Net loss	—	—	—	—	—	(2,827)
Acquisition of treasury stock	—	—	—	—	—	(5)
Disposal of treasury stock	—	—	—	—	—	0
Net changes in items other than shareholders' equity	1,118	(39)	(417)	663	40	703
Total change in during year	1,118	(39)	(417)	663	40	(4,879)
Balance at end of year	3,671	(192)	(3,616)	(137)	254	229,399

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: 27

Name of companies: Hitachi High-Tech Trading Corp., Hitachi High-Tech Materials Corp., Hitachi High-Tech Fielding Corp., Hitachi High-Tech Control Systems Corp., Hitachi High-Tech Manufacturing & Service Corp., Hitachi High Technologies America, Inc., Hitachi High-Technologies Europe GmbH, Hitachi High-Technologies (Singapore) Pte. Ltd., Hitachi High-Technologies Hong Kong Limited and 18 other companies

Hitachi High-Tech Instruments. Service (Asia) Pte. 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 (Singapore) Pte. Ltd., Hitachi High-Technologies IPC (Malaysia) Sdn. Bhd. and Hitachi-High-Technologies (Thailand) Ltd. effective April 1, 2006 and the completion of its liquidation on August 12, 2009.

2) Number of non-consolidated subsidiary: 0

Hitachi Electronics Engineering (Malaysia) Sdn. Bhd., which was a non-consolidated subsidiary up until the previous fiscal year, had its business transferred to consolidated subsidiary Hitachi High-Technologies IPC (Malaysia) Sdn. Bhd. effective April 1, 2006 and its liquidation was completed on June 27, 2009.

(2) Application of equity method

Number of non-consolidated subsidiaries and affiliates accounted for by the equity method: 0

- Hitachi Electronics Engineering (Malaysia) Sdn. Bhd., which was a non-consolidated subsidiary not subject to the equity method up until the previous fiscal year, had its business transferred to consolidated subsidiary Hitachi High-Technologies IPC (Malaysia) Sdn. Bhd. effective April 1, 2006 and its liquidation was completed on June 27, 2009.

(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, 2010 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).

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.

(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.

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 and negative goodwill

Goodwill and negative goodwill are amortized over a period of 5 years based on the equal installment method. However, goodwill or negative 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

Change in accounting standard for net sales of completed construction contracts and cost of sales of completed construction contracts

Conventionally, the completed-contract method had been applied as the accounting standard for revenues related to contract work. From this fiscal year onwards, the Company applied "Accounting Standard for Construction Contracts" (ASBJ Statement No.15 dated December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18 dated December 27, 2007), meaning that, in construction contracts under which work commenced during this fiscal year, the portion of work done by the end of this fiscal year in which the accomplishments are deemed certain is subject to the percentage-of-completion method (cost proportion method with respect to estimate of rate of progress of work), whereas other work is subject to the completed-contract method.

The effect of the application of ASBJ Statement No.15 and ASBJ Guidance No.18 on the consolidated financial statements is minimal.

3. Notes to consolidated balance sheets

(1) Accumulated depreciation of property, plant and equipment: JPY79,852 million

(2) Collateralized assets and secured liabilities

Collateralized assets	
Deposits (guarantee for transactions)	JPY45 million
Investments in securities (shares) (guarantee for transactions)	JPY23 million
Secured liabilities	
Notes payable	JPY36 million
Accounts payable	JPY49 million
(3) Guarantees (employee home loans)	JPY839 million
(4) Export bill discount	JPY117 million
(5) Notes endorsed	JPY62 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, 2010, the Company and its consolidated subsidiaries accounted for impairment losses for the following assets.

Location	Purpose	Type	Impairment Loss (million yen)
Nanotechnology Products Business Group Naka Division, Hitachi High-Technologies Corp. (Hitachinaka City, Ibaraki Prefecture)	Biotechnology equipment and manufacturing facilities	Tools, furniture & fixtures, software	93
	Assets determined to be disposed of	Buildings and structures, machinery and equipment, tools, furniture & fixtures	173
Nanotechnology Products Business Group Kasado Division, Hitachi High-Technologies Corp. (Kudamatsu City, Yamaguchi Prefecture)	Assets determined to be disposed of	Machinery and equipment	120
Fine Technology Products Business Group, Shonan Region (Nakai-machi, Ashigarakami-gun, Kanagawa Prefecture)	Idle assets	Buildings	1
		Structures, machinery and equipment, tools, furniture & fixtures	27
Other	Assets determined to be disposed of	Buildings, tools, furniture & fixtures	3
Total			417

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 biotechnology equipment and 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.

The book value has been reduced to the recoverable value measured based on utility value in the case of assets determined to be disposed of. The assets have been written off, at book value in full, as impairment losses as a component of extraordinary losses, since they were removed from their conventional applications and the invested amount is no longer expected to be recoverable due to the decision to dispose of such assets.

Among idle assets, in the case of buildings, the difference between the appraisal value obtained from a real estate appraiser as a measurement based on the net selling price and the book value was declared as an impairment loss in the "extraordinary losses" section, whereas in the case of other assets, they have been written off at book value in full, as impairment losses as a component of extraordinary losses, since they are no longer deemed recoverable.

(2) Restructuring charges

In the fiscal year ended March 31, 2010, additional retirement benefits mainly associated with the Company and its consolidated subsidiaries' preferential measures for early retirement in the amount of JPY1,145 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, 2009	Increase during fiscal year ended March 31, 2010	Decrease during fiscal year ended March 31, 2010	Total number of shares as at March 31, 2010
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 22, 2009	Common stock	2,063	15.0	March 31, 2009	May 25, 2009
Meeting of Board of Directors held on October 23, 2009	Common stock	688	5.0	September 30, 2009	November 30, 2009

(ii) Cash dividends whose record date falls in FY2009 but effective date falls in FY2010

Proposal	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 21, 2010	Common stock	Retained earnings	1,375	10.0	March 31, 2010	June 3, 2010

6. Notes on financial instruments

(1) Status of financial instruments

The Group gives top priority to safe and sure investment of funds with respect to principal and income, while ensuring adequate liquidity.

Efforts are made to reduce customers' credit risks regarding notes and accounts receivable according to credit management rules. Marketable securities and investments in securities mainly consist of bonds held for investment purposes and stocks and investments in companies held for business promotion purposes.

Derivative transactions are used for the purpose of averting cash-flow fluctuation risks due to exchange rate volatility. The Group's policy is not to perform speculative transactions.

(2) Market value, etc. of financial instruments

The amount declared in the consolidated balance sheet, market value and the difference between the two as at March 31, 2010 (end of FY2009) are as follows. Financial instruments whose market value is deemed extremely difficult to identify are not included in the table below (refer to Note 2).

	Amount on consolidated balance sheet (million yen)	**Market value (million yen)**	**Difference (million yen)**
(i) Cash and cash equivalents	26,123	26,123	-
(ii) Notes and accounts receivable	144,528		
Allowance for doubtful receivables	(2,477)		
Net amount	142,051	142,041	(11)
(iii) Deposits to Hitachi Group cash management fund	75,621	75,621	-
(iv) Marketable securities and investments in securities			
Other securities	8,748	8,748	-
(v) Notes and accounts payable*1	[110,037]	[110,037]	0
(vi) Derivative transactions*2			
Derivative transactions not subject to hedge accounting	[82]	[82]	-
Derivative transactions subject to hedge accounting	[318]	[318]	-

*1 Items declared as liabilities are shown in [ ].

*2 Net assets/liabilities arising from derivative transactions are shown in net amounts, and items that are net liabilities in aggregate are shown in [ ].

(Note 1) Calculation of market value of financial instruments, securities and derivative transactions

(i) Cash and cash equivalents

Cash and cash equivalents are all short-term and their market value is approximately the same as their book value; therefore, they are stated at their book value.

(ii) Notes and accounts receivable

The market value of notes and accounts receivable are stated at current value calculated by discounting the amount of receivables reflecting credit risks at a rate taking into account the period until maturity with respect to each receivable classified by period.

(iii) Deposits to Hitachi Group cash management fund

All deposits to Hitachi Group cash management fund are short-term and their market value is approximately the same as their book value; therefore, they are stated at their book value.

(iv) Marketable securities and investments in securities

As for the market value of marketable securities and investments in securities, listed stocks are stated at the price quoted at exchanges, whereas in the case of bonds, fair value is deemed as the price presented by the corresponding financial institution.

(v) Notes and accounts payable

The market value of notes and accounts payable are stated at current value calculated by discounting their future cash flows at a rate taking into account the period until the due date and the credit risk with respect to each receivable classified by period.

(vi) Derivative transactions

Derivate transactions are all forward exchange contracts, and are calculated based on the forward exchange rate.

(Note 2) Financial instruments whose market value is deemed extremely difficult to identify

Classification	**Amount on Consolidated Balance Sheet (million yen)**
Unlisted stock	175
Unlisted foreign bonds	0
Investments in partnership	22

These financial instruments are not included in "(iv) Marketable securities and investments in securities" as it is deemed extremely difficult to identify their market value due to the lack of market price.

7. Notes on per share information

(1) Net assets per share: JPY1,666.00

(2) Net loss per share: JPY20.55

8. Notes on significant subsequent events

Fully-owned subsidiary Hitachi High-Tech Instruments Co., Ltd. passed a resolution at its Board of Directors meeting held on December 22, 2009 to conclude an absorption-type demerger agreement with Renesas Eastern Japan Semiconductor, Inc., under which part of Renesas Eastern Japan Semiconductor's semiconductor manufacturing equipment business would be demerged, absorbed and taken over by Hitachi High-Tech Instruments Co., Ltd. The agreement was concluded on the same day between Hitachi High-Tech Instruments Co., Ltd. and Renesas Eastern Japan Semiconductor, Inc. and came into effect on April 1, 2010.

(1) Outline of business combination

(i) Name of counterparty company

Renesas Eastern Japan Semiconductor, Inc.

(ii) Description of acquired business

Semiconductor back-end process equipment business

(iii) Main reason for business combination

Conventionally, semiconductor back-end process equipment had been developed and manufactured by Renesas Eastern Japan Semiconductor, Inc., and the majority of global sales had been conducted by the Group.

This business restructuring seeks to consolidate development, manufacturing, sales and services, and thereby adapt to changes in the market environment, enhance business structures, improve management efficiency and accelerate the development of new products reflecting customers' needs.

(iv) Legal framework of business combination

This is an absorption-type demerger in which the company demerged from Renesas Eastern Japan Semiconductor, Inc. will be absorbed and taken over by Hitachi High-Tech Instruments Co., Ltd.

The absorption-type demerger will not involve exchange of shares.

(2) Calculation and allocation of acquisition cost

Upon calculating the acquisition cost of the business to be taken over, a third-party rating agency was requested to conduct evaluation and analysis of the business value of the target business. Taking into account the evaluation results calculated by the third-party rating agency by using the discounted cash flow method, the Group decided to deliver JPY3,700 million in total to Renesas Eastern Japan Semiconductor, Inc. However, if any difference arises between the amount of net assets concerning the target business that serves as the basis of calculation of the aforementioned amount and the amount of net assets concerning the target business on or before the day on which the absorption-type demerger comes into effect, the difference will be adjusted and be treated as consideration for the absorption-type demerger.

As adjustments to the acquisition cost have not been completed, allocation of the acquisition cost is yet to be completed.

Unconsolidated Balance Sheets

	Fiscal 2009 (As of March 31, 2010)	Fiscal 2008 (As of March 31, 2009)
	(Millions of yen)	
Assets		
Current assets	**262,031**	**276,314**
Cash and cash equivalents	7,958	5,144
Notes receivable	5,744	8,039
Accounts receivable	116,620	123,706
Merchandise and finished goods	12,944	13,082
Work in process	22,903	35,525
Raw materials	2,878	2,438
Advances paid	1,819	2,489
Deferred tax assets	8,141	6,622
Short-term loan receivables	11,559	10,614
Accounts receivable-other	6,331	9,808
Deposit to Hitachi Group cash management fund	75,621	67,281
Other	319	474
Allowance for doubtful receivables	(10,805)	(8,908)
Fixed assets	**80,428**	**80,844**
Property, plant and equipment	**48,826**	**51,441**
Buildings	17,926	18,586
Structures	469	459
Machinery and equipment	5,369	5,927
Vehicles	22	34
Tools, furniture & fixtures	4,035	4,500
Land	20,983	21,770
Construction in progress	22	165
Intangible assets	**3,316**	**2,807**
Patents	5	5
Software	3,274	2,754
Right of using facilities	37	46
Other	1	2
Investments and others	**28,286**	**26,596**
Investments in securities	8,631	7,058
Affiliated companies' common stock	7,041	7,041
Investments in companies	49	52
Investments in affiliated companies	1,534	1,534
Long-term loan receivables	412	283
Past-due operating claims	834	836
Long-term prepaid expenses	3,592	4,150
Deferred tax assets	5,323	4,476
Lease and guarantee deposits	1,194	1,190
Other	713	1,006
Allowance for doubtful receivables	(1,037)	(1,031)
Total assets	**342,459**	**357,158**

	Fiscal 2009 (As of March 31, 2010)	Fiscal 2008 (As of March 31, 2009)
	(Millions of yen)	
Liabilities		
Current liabilities	**139,540**	**147,981**
Notes payable	417	6,913
Accounts payable	92,196	91,690
Other accounts payable	3,630	6,717
Accrued expenses	11,652	13,315
Income taxes	140	118
Advances received	8,591	9,078
Deposits received	19,296	16,509
Current portion of guarantee deposits received	3,171	3,152
Warranty reserve	40	89
Other	406	400
Long-term liabilities	**16,430**	**17,701**
Deferred tax liabilities for land revaluation	147	194
Accrued pension liability	15,914	16,084
Other	369	1,424
Total liabilities	**155,970**	**165,683**
Net assets		
Shareholders' equity	**181,618**	**187,272**
Common stock	**7,938**	**7,938**
Capital surplus	**35,745**	**35,745**
Capital reserve	35,723	35,723
Others	21	21
Retained earnings	**138,256**	**143,905**
Earned surplus reserve	1,385	1,385
Others	136,871	142,520
Reserve for advanced depreciation of fixed assets	142	142
General reserve	136,095	136,095
Retained earnings brought forward	634	6,283
Treasury stock	**(321)**	**(316)**
Valuation and translation adjustments	**4,870**	**4,204**
Unrealized holding gains on securities	**3,650**	**2,540**
Deferred profit or loss on hedges	**(164)**	**(178)**
Revaluation reserve for land	**1,384**	**1,841**
Total net assets	**186,488**	**191,475**
Total liabilities and net assets	**342,459**	**357,158**

Unconsolidated Statements of Income

	Years ended March 31	
	2010	**2009**
	(Millions of yen)	
Net sales	**469,337**	**601,826**
Cost of sales	421,590	532,196
Gross profit	**47,748**	**69,629**
Selling, general and administrative expenses	55,676	61,438
Operating income (loss)	**(7,928)**	**8,191**
Other income	**6,324**	**7,895**
Interest income	395	499
Dividends income	4,895	6,422
Foreign exchange gains	386	219
Other	648	756
Other deductions	**722**	**843**
Interest expenses	180	237
Other	543	606
Ordinary income (loss)	**(2,327)**	**15,243**
Extraordinary gain	**520**	**1,853**
Gain on sales of investments in securities	520	60
Gain on sales of fixed assets	—	87
Gain on sale of affiliated companies' common stock	—	1,707
Extraordinary loss	**4,843**	**9,165**
Loss on sales of investments in securities	—	158
Losses on devaluation of investments in securities	—	354
Impairment losses	1,184	964
Loss on disposal of property, plant and equipment	107	—
Loss on cancellation of lease contract	513	—
Restructuring charges	945	611
Provision for allowance for doubtful receivables for affiliated companies	2,094	6,627
Losses on devaluation of affiliated companies' common stock	—	450
Income (loss) before income taxes	**(6,650)**	**7,931**
Income taxes-current	163	2,108
Income taxes-correction	(116)	—
Refund of income taxes for prior periods	(160)	—
Income taxes-deferred	(3,182)	1,646
Net income (loss)	**(3,355)**	**4,177**

Unconsolidated Statements of Changes in Net Assets

FY2009 (under review) (April 1, 2009 to March 31, 2010) (Millions of yen)

	Shareholders' equity						
	Common stock	Capital surplus		Retained earnings		Treasury stock	Total shareholders' equity
		Capital reserve	Others	Earned surplus reserve	Others		
Balance at beginning of year	7,938	35,723	21	1,385	142,520	(316)	187,272
Change during year							
Dividends from surplus	—	—	—	—	(2,751)	—	(2,751)
Reversal of revaluation reserve for land	—	—	—	—	457	—	457
Net loss	—	—	—	—	(3,355)	—	(3,355)
Acquisition of treasury stock	—	—	—	—	—	(5)	(5)
Disposal of treasury stock	—	—	(0)	—	—	0	0
Net changes in items other than shareholders' equity	—	—	—	—	—	—	—
Total change during year	—	—	(0)	—	(5,649)	(4)	(5,653)
Balance at end of year	7,938	35,723	21	1,385	136,871	(321)	181,618

	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	2,540	(178)	1,841	4,204	191,475
Change during year					
Dividends from surplus	—	—	—	—	(2,751)
Reversal of revaluation reserve for land	—	—	—	—	457
Net loss	—	—	—	—	(3,355)
Acquisition of treasury stock	—	—	—	—	(5)
Disposal of treasury stock	—	—	—	—	0
Net changes in items other than shareholders' equity	1,110	14	(457)	666	666
Total change during year	1,110	14	(457)	666	(4,987)
Balance at end of year	3,650	(164)	1,384	4,870	186,488

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	136,095	6,283	142,520
Change during year				
Dividends from surplus	—	—	(2,751)	(2,751)
Reversal of revaluation reserve for land	—	—	457	457
Net loss	—	—	(3,355)	(3,355)
Total change during year	—	—	(5,649)	(5,649)
Balance at end of year	142	136,095	634	136,871

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).

(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.

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) 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

Change in accounting standard for net sales of completed construction contracts and cost of sales of completed construction contracts

Conventionally, the completed-contract method had been applied as the accounting standard for revenues related to contract work. From this fiscal year onwards, the Company applied "Accounting Standard for Construction Contracts" (ASBJ Statement No.15 dated December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18 dated December 27, 2007); meaning that, in construction contracts under which work commenced during this fiscal year, the portion of work done by the end of this fiscal year in which the accomplishments are deemed certain is subject to the percentage-of-completion method (cost proportion method with respect to estimate of rate of progress of work), whereas other work is subject to the completed-contract method.

The effect of the application of ASBJ Statement No.15 and ASBJ Guidance No.18 on the unconsolidated financial statements is minimal.

4. Notes to unconsolidated balance sheets, etc.

(1)	Accumulated depreciation of property, plant and equipment:	JPY65,004 million
(2)	Guarantees	JPY2,574 million

(i) Guarantee liabilities

The breakdown of guarantees is as follows.

3 affiliated companies (guarantee for trade accounts payable)	JPY1,836 million
Employees and affiliated companies' employees (home loans)	JPY623 million
1 affiliated company (guarantee for office rent)	JPY116 million

(ii) Commitment to guarantee

Fully-owned subsidiary Hitachi High-Tech Instruments Co., Ltd. passed a resolution at its Board of Directors meeting held on December 22, 2009 to conclude an absorption-type demerger agreement with Renesas Eastern Japan Semiconductor, Inc., under which part of Renesas Eastern Japan Semiconductor's semiconductor manufacturing equipment business would be demerged, absorbed and taken over by Hitachi High-Tech Instruments Co., Ltd. The agreement was concluded on the same day between Hitachi High-Tech Instruments Co., Ltd. and Renesas Eastern Japan Semiconductor, Inc. and came into effect on April 1, 2010. In the memorandum on the said agreement, the Company has made a commitment to guarantee the payment of the acquisition cost regarding the absorption-type demerger and the performance of transferred obligations.

As adjustments to the acquisition cost are not yet completed at this point in time, the calculation of the amount of acquisition cost payable and the amount of transferred obligations subject to the guarantee commitment is yet to be completed.

(3)	Short-term receivables from affiliated companies	JPY51,057 million
(4)	Short-term payables to affiliated companies	JPY34,145 million
(5)	Long-term receivables to affiliated companies	JPY200 million
(6)	Export bill discount	JPY21 million

(7) 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, 2010 was JPY720 million lower than its post-revaluation book value.

5. Notes to unconsolidated statements of income

(1) Transactions with affiliated companies

Sales	JPY183,964 million
Purchases	JPY69,529 million
Non-operating transactions	JPY21,627 million

(2) 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 JPY2,094 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, 2010, the Company accounted for impairment losses for the following assets.

Location	Purpose	Type	Impairment Loss (million yen)
Nanotechnology Products Business Group Naka Division, Hitachi High-Technologies Corp. (Hitachinaka City, Ibaraki Prefecture)	Biotechnology equipment and manufacturing facilities	Tools, furniture & fixtures, software	93
	Assets determined to be disposed of	Buildings and structures, machinery and equipment, tools, furniture & fixtures	173
Nanotechnology Products Business Group Kasado Division, Hitachi High-Technologies Corp. (Kudamatsu City, Yamaguchi Prefecture)	Assets determined to be disposed of	Machinery and equipment	120
Fine Technology Products Business Group, Shonan Region (Nakai-machi, Ashigarakami-gun, Kanagawa Prefecture)	Idle assets	Buildings and land	771
		Structures, machinery and equipment, tools, furniture & fixtures	27
Total			1,184

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 biotechnology equipment and 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.
The book value has been reduced to the recoverable value measured based on utility value in the case of assets determined to be disposed of. The assets have been written off, at book value in full, as impairment losses as a component of extraordinary losses, since the assets were removed from their conventional applications and the invested amount is no longer expected to be recoverable due to the decision to dispose of such assets.
Among idle assets, in the case of buildings and land, the difference between the appraisal value obtained from a real estate appraiser as a measurement based on the net selling price and the book value was declared as an impairment loss in the "extraordinary losses" section, whereas in the case of other assets, they have been written off at book value in full, as impairment losses as a component of extraordinary losses, since they are no longer deemed recoverable.

3) Restructuring charges

In the fiscal year ended March 31, 2010, additional retirement benefits mainly associated with the Company's preferential measures for early retirement in the amount of JPY945 million were declared as extraordinary losses.

6. Notes to Unconsolidated Statements of Changes in Net Assets
Treasury stock

(shares)

Class of shares	Total number of shares as at March 31, 2009	Increase during fiscal year ended March 31, 2010	Decrease during fiscal year ended March 31, 2010	Total number of shares as at March 31, 2010
Common stock	194,214	2,850	159	196,905

Note: The increase in treasury stock (common stock) by 2,850 shares was attributable to the buyback of shares falling short of the share unit, while the decrease by 159 shares was due to the sale 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	JPY4,380 million
Accrued bonuses	JPY1,766 million
Accrued business taxes denied	JPY57 million
Accrued cost of sales recorded but denied	JPY973 million
Devaluation of inventories	JPY1,279 million
Deferred profit or loss on hedges	JPY113 million
Operating loss carryforwards for tax purposes	JPY2,041 million
Other	JPY1,560 million
Deferred tax assets—Subtotal	JPY12,169 million
Valuation reserve	(JPY4,028 million)
Deferred tax assets—Total	JPY8,141 million
Deferred tax liabilities	
Deferred tax liabilities—Total	(—)
Net deferred tax assets	JPY8,141 million

(Noncurrent)

Deferred tax assets	
Amount in excess of deduction limit for loss on doubtful receivables	JPY286 million
Accrued pension liability	JPY5,145 million
Loss on devaluation of memberships denied	JPY295 million
Loss on devaluation related to investments denied	JPY1,695 million
Excess depreciation	JPY847 million
Operating loss carryforwards for tax purposes	JPY1,517 million
Foreign tax credit	JPY129 million
Other	JPY721 million
Deferred tax assets—Subtotal	JPY10,635 million
Valuation reserve	(JPY2,729 million)
Deferred tax assets—Total	JPY7,906 million
Deferred tax liabilities	
Unrealized holding gains on securities	(JPY2,486 million)
Reserve for advanced depreciation of fixed assets	(JPY97 million)
Deferred tax liabilities—Total	(JPY2,583 million)
Net deferred tax assets	JPY5,323 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, 2010

	Acquisition cost (million yen)	Accumulated depreciation (million yen)	Balance as at March 31, 2010 (million yen)
Machinery and equipment	221	151	69
Tools, furniture & fixtures	293	212	80
Other	13	11	2
Total	526	374	152

(2) Balance of future lease payments as at March 31, 2010

Within 1 year	JPY99 million
After 1 year	JPY56 million
Total	JPY155 million

(3) Lease payments, depreciation and interest expenses

Lease payments	JPY220 million
Depreciation	JPY205 million
Interest expenses	JPY4 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	JPY0 million
Total	JPY0 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)	Classifi-cation	Year-end balance (million yen)
						Sharing of officers, etc.	Business relationship				
Parent company	Hitachi, Ltd.	Chiyoda-ku, Tokyo	408,811	Manufacturing and sale of electric machinery and apparatuses	Direct: 51.7% Indirect: 0.1%	1 person	Sale of various information equipment, power-generation-related components, etc.	Sale of various information equipment, power-generation-related components, etc.	21,431	Accounts receivable Advances received	4,641 335
								Deposit paid Interest received	8,340 277	Deposit to Hitachi group cash management fund Accounts receivable-other	75,621 6

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

1. 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.
2. Deposits paid are subject to the basic agreement concluded between the Company and Hitachi, Ltd. Funds are provided on a daily basis, and the amount of transactions represents the difference from the amount as at the end of the previous period. Interest is determined in consideration of the market interest rate.
3. 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)	Classifi-cation	Year-end balance (million yen)
						Sharing of officers, etc.	Business relationship				
Subsidiary	Hitachi High-Tech Fielding Corp.	Shinjuku-ku, Tokyo	1,000	Maintenance services for semiconductor manufacturing equipment, scientific equipment, etc.	Direct: 100% Indirect: —	3 persons	Sale of service components, etc.	Sale of service components, etc.	14,647	Accounts receivable	4,452
								Payment of deposits received	838	Deposits received	7,794
										Accrued expenses	11
								Payment of interest	50		
Subsidiary	Hitachi High-Tech Manufacturing & Service Corp.	Hitachinaka City, Ibaraki Prefecture	230	Manufacturing of optical analysis equipment, clinical analyzers, etc.	Direct: 100% Indirect: —	None	Purchase of optical analysis equipment, clinical analyzers, etc.	Purchase of optical analysis equipment, clinical analyzers, etc.	21,341	Accounts payable	4,001
Subsidiary	Hitachi High-Tech Instruments Co., Ltd.	Kumagaya City, Ibaraki Prefecture	450	Design and manufacturing of chip mounting systems, etc.	Direct: 100% Indirect: —	2 persons	Purchase of chip mounting systems, etc.	Loan	1,010	Short-term loan receivables	10,730
								Interest received	63		
Subsidiary	Hitachi High Technologies America, Inc.	USA	USD 7,950 thousand	Sale of semiconductor manufacturing equipment, communication equipment, and industrial materials, etc.	Direct: 100% Indirect: —	2 persons	Sale of semiconductor manufacturing equipment, communication equipment, and industrial materials, etc.	Sale of semiconductor manufacturing and equipment, communication equipment, and industrial materials, etc.	55,295	Accounts receivable	7,704
										Advances received	219
Subsidiary	Hitachi High-Technologies Europe GmbH	Germany	EUR 3,129 thousand	Sale of semiconductor manufacturing equipment, clinical analyzers, etc.	Direct: 100% Indirect: —	None	Sale of semiconductor manufacturing equipment, clinical analyzers, etc.	Sale of semiconductor manufacturing equipment, clinical analyzers, etc.	52,892	Accounts receivable	6,320
Subsidiary	Hitachi High-Technologies (Shanghai) Co., Ltd.	China	USD 500 thousand	Sale of industrial materials, electronic materials, chip mounting systems, etc.	Direct: 100% Indirect: —	2 persons	Sale of industrial materials, electronic materials, chip mounting systems, etc.	Sale of industrial materials, electronic materials, chip mounting systems, etc.	10,165	Accounts receivable	3,641
										Advances received	0
Subsidiary	Hitachi High-Technologies Hong Kong Ltd.	China	HKD 15,000 thousand	Sale of industrial materials, electronic materials, electronic components, etc.	Direct: 100% Indirect: —	None	Sale of industrial materials, electronic materials, electronic components, etc.	Sale of industrial materials, electronic materials, electronic components, etc.	13,678	Accounts receivable	3,569
										Advances received	3

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. Funds are provided on a daily basis, and the amount of transactions represents the difference from the amount as at the end of the previous period. Interest is determined in consideration of the market interest rate.

3. Of the above amounts, transaction amount does NOT include consumption tax, etc., whereas the balance includes consumption tax, etc.
4. The Company has recorded a total of JPY8,721 million as an allowance for doubtful receivables for subsidiaries.
   It also made a provision for allowance for doubtful receivables in the amount of JPY2,094 million in the fiscal year ended March 31, 2010, 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)	Classifi-cation	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	112,850	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 materials, etc.	Sale of electronic, materials, etc.	13,218	Accounts receivable Advances received	7,225 1
Subsidiary of parent company	Hitachi Plant Technologies, Ltd.	Toshima-ku, Tokyo	12,000	Development, design, manufacturing, sale, services, etc. relating to social infrastructure systems, industrial systems, etc.	Hold Direct: — Indirect: — Held Direct: — Indirect: —	None	Purchase of equipment and outsourcing of installation work	Purchase of equipment and outsourcing of installation work	6,417	Accounts payable	5,735

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

1. The terms of transactions for equipment, etc. are determined based on individual negotiations, whereas the terms of sale of electronic 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: JPY1,355.87

(2) Net loss per share: JPY24.39

11. Notes on significant subsequent events

Not applicable.

Transcript of Accounting Auditors' Audit Report on Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

May 17, 2010

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, 2009 to March 31, 2010) 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 policies and their implementation methods adopted by the management and estimates made by the 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.

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 corporate auditing standards generally accepted in Japan.

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

Transcript of Accounting Auditors' Audit Report on Unconsolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

May 17, 2010

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 91st business term (from April 1, 2009 to March 31, 2010) 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 policies and their implementation methods adopted by the management and estimates made by the 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 corporate accounting standards generally accepted in Japan.

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

AUDIT REPORT

We, the Audit Committee of the Company, audited the performance by Directors and Executive Officers of their duties during the 91st business term (from April 1, 2009 to March 31, 2010). 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. 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.

With respect to internal controls for financial reporting, we received reports from or conducted interviews with Executive Officers, etc. and Ernst & Young ShinNihon LLC about the status of evaluation and audit of such internal controls, 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 audited the business reports and their supporting schedules, the consolidated financial statement (the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in net assets, and the notes to consolidated financial statements) and 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 Consolidated Financial Statements and 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 18, 2010

Audit Committee, Hitachi High-Technologies Corporation
Hiroshi Kanauchi
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.