Hitachi High-Tech

HITACHI

Report on the 92nd Business Term
Year ended March 31, 2011
(April 1, 2010 to March 31, 2011)

Hitachi High-Technologies Corporation

(Code No.: 8036)

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Business Report (from April 1, 2010 to March 31, 2011)

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

The Japanese economy during the period under review continued on its recovery trend as it witnessed developments including the improvement of corporate earnings mainly in response to external demand, thanks to the economic stimulus packages implemented by each country. However, the Great East Japan Earthquake, which struck on March 11, 2011, caused widespread devastation primarily in the Tohoku and Kanto areas, and at one of the major plant sites of Hitachi High-Technologies Corporation (the "Company"), the Naka Division, water and gas supplies were disrupted and some of the buildings and the production facilities was damaged, forcing the Division to temporarily suspend operations. Immediately following the earthquake, the Company set up a disaster headquarters to coordinate restoration efforts, and, as a result, the production of all products at the Naka Division was restored by April 4. Operations have now been restored to the same levels as those before the earthquake. Hitachi High-Technologies Group is committed to continuing its efforts to rebuild its supply chain and implement power saving measures to ensure stable supplies to its customers.

In such a business climate, the enterprise group consisting of the Company and its subsidiaries (hereinafter referred to as "the Group") had been reducing fixed costs and strategically reviewing its business portfolio as part of its ongoing restructuring plan. Consequently, the Group's consolidated business performance for the fiscal year ended March 31, 2011 was JPY653,431 million in net sales, JPY27,893 million in operating income and JPY29,475 million in ordinary income. Moreover, as a result of recording JPY1,565 million in loss from disaster due to effects of the Great East Japan Earthquake under extraordinary loss, the Group posted a net income of JPY17,752 million.

The main topics involving the Group in the fiscal year ended March 31, 2011 were as follows.

As part of its social action program, the Group participated in a project to provide power to regions in Indonesia without electricity. For this project, the Company delivered solar cell-powered systems and conducted demonstration tests aimed toward putting the systems to practical use.

The Company received a letter of gratitude in December 2010 from the Minister of Education, Culture, Sports, Science and Technology, and the Space Development Minister for the contribution made by the Company's Field Emission Scanning Electron Microscope and receptacle for the particles brought back by the JAXA (Japan Aerospace Exploration Agency) asteroid exploration vehicle, "Hayabusa."

CSR*-oriented management efforts included the publication of "CSR Report 2010" (digest version booklet) in June 2010 (English version and Chinese version were published in August 2010 and September 2010, 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.

On April 1, 2011, Masao Hisada assumed the office of President and Chief Executive Officer. Under the new executive system, we want to make Hitachi High-Technologies a company that leads the way for our customers as a fast moving creator.

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, 2011.

Starting from the fiscal year ended March 31, 2011, the Group has made changes to its industry segments. Consequently, year-on-year changes have been presented by reclassifying the previous industry segments into the current industry segments.

* Corporate Social Responsibility

● **Electronic Device Systems Segment**

In the field of Semiconductor Manufacturing Equipment, Hitachi High-Technologies' mainstay product CD-Measurement SEM (CD-SEM) significantly increased sales mainly in the Asian market due to increased production by the major memory manufacturers and foundries, as well as active investments in finer patterning. Etching systems performed strongly in line with the recovery in capital investments mainly by major semiconductor manufacturers. Despite the slight respite in capital investments from the third quarter, sales of die bonders intended for the memory market increased significantly, reflecting the growing demand for tablet-type computers and smartphones. Sales of chip mounters also increased dramatically reflecting the strong recovery in investments in the Asian market and other factors in the first half of the year.

As a result of the above, the Electronic Device Systems segment generated sales in the amount of JPY95,899 million, and posted an operating income of JPY11,646 million.

● **Fine Technology Systems Segment**

In the field of LCD Manufacturing Equipment, sales of Exposure Systems increased significantly thanks to investments anticipating the growing demand in the LCD television market mainly in China. In terms of HD Manufacturing Equipment, despite the slight respite in capital expenditures in the second half of the year, sales increased dramatically on the strength of the market recovery that started at the end of the first half of the year.

As a result of the above, the Fine Technology Systems segment generated sales in the amount of JPY38,803 million and posted an operating income of JPY1,148 million.

● **Science & Medical Systems Segment**

Although capital investments in general purpose analyzers, analysis systems in the materials-related fields regained some ground, private capital investments as a whole failed to fully recover; and compounded by the delays in shipment at the end of the fiscal year due to the earthquake, sales dropped significantly. Despite efforts toward business expansion through sales on the overseas market and the launch of a new product, clinical analyzers performed poorly due to the appreciating yen, the effects of the recession on the U.S. market and delays in shipment due to the earthquake. Sales of DNA sequencers, on the other hand, increased due to the launch of a small/medium-sized new product.

As a result of the above, the Science & Medical Systems segment generated sales in the amount of JPY115,377 million and posted an operating income of JPY12,122 million.

● **Industrial & IT Systems Segment**

Sales of automated assembly systems managed to increase overall, as a result of strong sales to the electronic devices industry, reflecting the growing demand for smartphones, etc., despite slight delays in capital investments in rechargeable batteries intended for electric and hybrid vehicles. In terms of hard disk drive equipment, sales of hard disk drives for automobile navigation systems increased dramatically, as a result of increased sales share to a major customer. Sales of telecommunication equipment dropped considerably, due to falling demand for the current mobile phone model in the U.S.

As a result of the above, the Industrial & IT Systems segment generated sales of JPY118,206 million and posted an operating income of JPY1,242 million.

● **Advanced Industrial Products Segment**

In terms of industrial materials, sales of automobile-related parts have increased significantly thanks to the eco-car tax breaks and subsidy systems. Additionally, the growing demand for smartphones has resulted in increased sales for packaging materials for semiconductors. The recovery of the semiconductors market has dramatically increased sales of silicon wafers. Sales of solar cell materials have decreased due to the downturn of the European solar cell market.

As a result of the above, the Advanced Industrial Products segment generated sales in the amount of JPY295,646 million and posted an operating loss of JPY2,626 million.

■ Sales by Segment

Segment	FY2009		FY2010 (year under review)		Year-on-year Change
	Amount	Percentage	Amount	Percentage	
Electronic Device Systems	Million yen 58,358	% 9.5	Million yen 95,899	% 14.7	% 64.3
Fine Technology Systems	30,299	4.9	38,803	5.9	28.1
Science & Medical Systems	123,003	19.9	115,377	17.7	(6.2)
Industrial & IT Systems	125,841	20.4	118,206	18.1	(6.1)
Advanced Industrial Products	289,401	46.9	295,646	45.2	2.2
Others and Adjustments	(10,024)	(1.6)	(10,499)	(1.6)	-
Consolidated net sales - Total	616,877	100.0	653,431	100.0	5.9

Note: Others and Adjustments represent sales from indirect and ancillary businesses and elimination of sales between the segments.

■ Sales by Region

Region	FY2009		2010 (year under review)		Year-on-year Change
	Amount	Percentage	Amount	Percentage	
North America	Million yen 66,290	% 10.7	Million yen 58,464	% 9.0	% (11.8)
Europe	71,257	11.6	70,610	10.8	(0.9)
Asia	168,503	27.3	223,681	34.2	32.7
Continental China among Asia	75,602	12.3	96,015	14.7	27.0
Other regions	13,900	2.3	9,260	1.4	(33.4)
Overseas - Subtotal	319,951	51.9	362,015	55.4	13.1
Japan	296,926	48.1	291,416	44.6	(1.9)
Consolidated net sales - Total	616,877	100.0	653,431	100.0	5.9

(2) Problems Facing of the Group

The outlook for the Japanese economy has become extremely uncertain following the Great East Japan Earthquake. In such a business climate, the Group will, first of all, need to address the task of completely restoring the production facilities that were affected by the earthquake, and rebuild the supply chain and implement power-saving measures in order to ensure the stable supply of our products.

Additionally, to create a business structure that can adapt to the changing market environment, resources will be shifted to growth areas and further efforts will be made to create new businesses and evolve consolidated management to expand the Group's businesses into the future, as well as aggressively promoting global businesses.

Moreover, its "customer first" policy and "ethics and integrity" will be strictly enforced, and management will be undertaken with a strong awareness of CSR, in order to become an enterprise group trusted by the general public and 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) The Group's resources will be shifted to growth areas and 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 overcome competitors. The Group has already commenced efforts to enhance its product development framework by strategically shifting its management resources and taken group-wide measures to create new businesses. Currently, the Group is involved in three New Business Creation Projects. Additionally, in an effort to speed up the decision-making process, the Group shifted to a "Business Group" framework in April of this year, and established the "Corporate Marketing Group" and "Corporate Manufacturing Strategy Group," which have group-wide, cross-sectional functions of development, production, procurement, sales and services. Under this new framework, the Group will provide solutions based on its unique strengths that come from the combination and fusion of its trading and manufacturing functions, and will promote business models offering high added value that integrates IT services.
2) The Group will accelerate growth by promoting globalization.
   In addition to the further expansion and deepening of sales activities in the overseas markets, the Group will focus on shifting its resources overseas and raising overseas sales as a percentage of total sales by building a world-wide framework for production, procurement and services, among other steps.
   Moreover, the "Corporate Marketing Group" will assist in the enhancement of the global sales force, while the "Corporate Manufacturing Strategy Group" will act as the control tower directing the globalization of the development, production, and procurement functions of the Group. In regard to emerging economies, the Group has increased the number of its representatives in India, Brazil and the Middle East to speed up business development processes.
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 further creation of cash flows will be promoted through the thorough enforcement of cash-flow oriented management at the individual sales division levels. 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 the 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, 2011, there were no borrowings.

(4) Capital Investments by the Group

In the fiscal year under review, the Group's capital investment totaled JPY8,974 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 JPY181 million during the fiscal year. (The total amount spent up until the fiscal year ended March 31, 2011was JPY3,984 million, expected investment amount: JPY8,097 million).

(5) Trends in Assets and Results of Operation of the Group

[Trends in Assets and Results of Operation of the Group]

Fiscal Year	2007	2008	2009	2010 (under review)
Net sales (million yen)	943,124	774,950	616,877	653,431
Ordinary income (loss) (million yen)	48,705	16,475	(496)	29,475
Net income (loss) (million yen)	26,932	7,075	(2,827)	17,752
Net income (loss) per share (yen)	195.80	51.44	(20.55)	129.07
Net assets (million yen)	235,104	234,278	229,399	242,845
Total assets (million yen)	504,873	427,576	411,049	413,267

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 the Company]

Fiscal Year	2007	2008	2009	2010 (under review)
Net sales (million yen)	741,203	601,826	469,337	488,222
Ordinary income (loss) (million yen)	36,838	15,243	(2,327)	19,037
Net income (loss) (million yen)	27,730	4,177	(3,355)	13,978
Net income (loss) per share (yen)	201.60	30.37	(24.39)	101.63
Net assets (million yen)	193,873	191,475	186,488	197,516
Total assets (million yen)	418,578	357,158	342,459	335,950

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 the Group

(As of March 31, 2011)

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-Measurment SEM(CD-SEM), Inspection Systems and Die Bonders; Surface Mount Systems such as Chip Mounters
Fine Technology Systems	LCD Manufacturing Equipment, HD Manufacturing Equipment and Railroad Inspection Equipment
Science & Medical Systems	Various Analyzers and Measuring Equipment such as Mass Spectrometers, Spectrophotometers and Chromatographs; Analysis Systems such as Electron Microscopes; Biotechnology Equipment and Clinical Analyzers
Industrial & IT Systems	Automated Assembly Systems of Lithium Ion Batteries, Hard Disk Drives, Design and Manufacturing Solutions, Video Conferencing Systems, Communication Equipment, and Measuring Equipment and Related Systems
Advanced Industrial Products	Steel Products, Special Steel Products, Nonferrous Metals, Materials for Circuit Board, Plastic Resins and Engineering Plastics, Silicon Wafers, Automotive Components, Power Generating and Electrical Substation Facilities, Solar Cell Materials and Related Equipment, Optical Devices & Materials, Raw Materials for Optical Disc, Electronic Materials & Components for Semiconductors and 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 the Group

(As of March 31, 2011)

[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 the Group

(As of March 31, 2011)

[Number of Employees in the Group]

Segment	Number of employees	(Change from the end of the preceding year)
Electronic Device Systems	2,820	(-1,132)
Fine Technology Systems	1,176	(+1,176)
Science & Medical Systems	2,991	(+515)
Industrial & IT Systems	1,139	(-532)
Advanced Industrial Products	1,050	(+167)
Group-wide (common)	924	(-25)
Total	10,100	(+169)

Notes: 1. The number of employees refers to the number of persons on the payroll.
2. The number of employees has changed considerably from the end of the previous fiscal year. This is primarily due to the changes in industry segments which became effective from the current fiscal year.
3. 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 the Company]

Number of employees (Change from the end of the preceding year)	4,325 (-118)
Average number of years of service	17 years and 11 months
Average age	40 years and 6 months old

Note: The number of employees refers to the number of persons on the payroll.

(9) Major Parent Company and Subsidiaries

[Parent Company]

The Company's parent company is Hitachi, Ltd, which owns 51.57% of all of its outstanding shares. The Company purchases information system equipment and railroad inspection equipment, etc. from its parent company, and sells various information equipment, power-generation-related components, etc. to its parent company.

[Subsidiaries]

There are 26 consolidated subsidiaries, including the following major subsidiaries.

The Company’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.	SGD3,800 thousand	100%
Hitachi High-Technologies (Shanghai) Co., Ltd.	China	
Sales of industrial materials, electronic materials, chip mounters, etc.	USD2,600 thousand	100%
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, 2011)

(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 9,047 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)	5,502,700	4.00
Japan Trustee Services Bank, Ltd. (Trust Account)	4,655,900	3.39
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,531,600	2.57
Hitachi High-Technologies Corp.'s Shareholding Association	2,190,836	1.59
NIPPONVEST	1,675,000	1.22
HAYAT	1,656,900	1.20
SAJAP	1,057,500	0.77
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	1,023,288	0.74
Trust & Custody Services Bank, Ltd. (Pension Trust Acount)	926,000	0.67

Note: Shareholding ratio is calculated by deducting treasury stock (199,127 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.
Director	Hidehito Obayashi	Nominating Committee Compensation Committee	
Director	Masao Hisada	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. Outside Auditor, Dainippon Sumitomo Pharma Co., Ltd.
Director	Ryuichi Kitayama	Nominating Committee Audit Committee Compensation Committee	Executive Officer, Hitachi, Ltd.

Notes:
1. Directors Hidehito Obayashi, Masao Hisada and Wasuke Nakano concurrently serve as Executive Officers.
2. Directors Tadamichi Sakiyama, Harumichi Uchida and Ryuichi Kitayama 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 Ryuichi Kitayama is an Executive Officer 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. Director Harumichi 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, Executive Vice President, Executive Officer	Masao Hisada	Overall management execution, management strategy, product business in general, CSR[*1], officer responsible for export management
Representative Executive Officer, Senior Vice President and Executive Officer	Wasuke Nakano	Sales for analytical sciences business, CSR*, officer responsible for export management Science systems sales
Representative Executive Officer, Senior Vice President and Executive Officer	Masumi Miyauchi	Trading operations in general
Senior Vice President and Executive Officer	Masaho Masuyama	Management strategy, LCD and 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 and finance, operations, logistics
Executive Officer	Yutaka Mitsumochi	Mount systems sales
Executive Officer	Shigekazu Kato	Fine technology products business
Executive Officer	Toshio Kajimoto	Science systems sales
Executive Officer	Hidenori Nagao	Management strategy, global business 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	Evaluation devices sales

Notes: 1. The above Executive Officers were nominated at the meeting of the Board of Directors held on February 25, 2010 and appointed on April 1, 2010.
2. Directors Hidehito Obayashi, Masao Hisada and Wasuke Nakano concurrently serve as Directors.
3. The following Executive Officers concurrently serve as representatives of the Company’s subsidiaries.
Takashi Matsuzaka President of Hitachi Instrument (Suzhou), Ltd.

*1 CSR: Corporate Social Responsibility

*2 IR: Investors Relations

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

The Company changed its Executive Officers on April 1, 2011. The new lineup of Executive Officers is as follows.

(As of April 1, 2011)

Position	Name	Responsibilities
Representative Executive Officer, President, Chief Executive Officer	Masao Hisada	Overall management execution
Representative Executive Officer, Senior Vice President, Executive Officer	Masaho Masuyama	Corporate Marketing, Global Trading, CSR*1, export control
Vice President and Executive Officer	Masanori Kazamaki	Domestic sales and marketing
Vice President and Executive Officer	Takashi Matsuzaka	Corporate strategy, Group companies, R&D, intellectual property, environmental management, CSR
Vice President and Executive Officer	Shinichi Tachi	Electronic Device System, Corporate Manufacturing Strategy, quality assurance, procurement
Vice President and Executive Officer	Morihiro Nishida	Accounting, finance, operations, logistics, information systems, export control, CSR, IR*2
Vice President and Executive Officer	Shigekazu Kato	Fine Technology Systems
Vice President and Executive Officer	Toshio Kajimoto	Science & Medical Systems
Executive Officer	Hidenori Nagao	Global Trading, corporate strategy
Executive Officer	Koji Isahaya	Fine Technology Systems
Executive Officer	Kunihiko Ukena	Global Trading, Corporate Marketing
Executive Officer	Shuji Sugiyama	Corporate Manufacturing Strategy, quality assurance, procurement, production in Naka region
Executive Officer	Toshiyuki Ikeda	Science and Medical Systems
Executive Officer	Syunichi Uno	Accounting and finance
Executive Officer	Hideo Kakii	Electronic Device Systems
Executive Officer	Katsutaka Kimura	Electronic Device Systems, evaluation, design and development
Executive Officer	Yoshikazu Dairaku	Personnel and general affairs, CSR, legal and public affairs

*1: CSR: Corporate Social Responsibility

*2: IR: Investor Relations

(2) Matters Concerning Outside Directors

[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 opinions based on his awareness of legality, corporate governance and effectiveness of internal control, as well as opinions from the perspective of general shareholders' interest in regard to agenda items in general.
Ryuichi Kitayama	Mr. Kitayama was nominated and appointed at the 91st Ordinary General Meeting of Shareholders of the Company convened on June 25, 2010. Since his appointment, he has attended 10 meetings of the Board of Directors (11 meetings total) and 11 meetings of the Audit Committee (12 meetings total), and based on his extensive knowledge and experience in business administration, management and sales activities, has been expressing opinions on general management, sales and the promotion of new businesses with an awareness for the synergies among the Hitachi Group.

[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] **(FY2010)**

	Total amount of remuneration by type				
	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	5	58	4	8	66
Outside Directors	4	24	3	3	28
Executive Officers	18	414	18	164	577

Note: 1. The number of Directors and the amount do not include Directors who concurrently serve as Executive Officers.
2. The above Monthly Salary includes the monthly salary paid to one outside Director who retired upon the expiry of term of office at the close of the 91st Ordinary General Meeting of Shareholders of the Company held on June 25, 2010.

[Amount of Compensation, etc. received by Outside Directors as Officers from the Parent Company, etc. of the Company in Fiscal Year ended March 31, 2011]

The amount of compensation, etc. received by outside Directors as officers from the parent company of the Company or its subsidiaries (excluding the Company) totaled JPY79 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, 2011: JPY67 million

2) Total amount of cash and other financial benefits payable by the Company and its subsidiaries: JPY75 million

Notes 1. The above amounts include the auditing fees, etc. for audits under the Financial Instruments and Exchange Law, as the amount of auditing fees, etc. for audits under the Company Law and audits under the Financial Instruments and Exchange Law are not clearly distinguished under the audit agreement between the Company and the accounting auditor, and in practice, cannot be distinguished from each other.

2. Among the Company's major subsidiaries (referred to in "1. Information on Current State of Hitachi High-Technologies Group (9) Major Parent Company and Subsidiaries"), overseas subsidiaries have been audited by auditing firms other than the Company's accounting auditor.

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

1. Dismissal

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

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

2. Non-retention

(1) In the event individuals selected by an accounting auditor, which is an auditing firm, from among its employees to perform their duties as accounting auditors are found to fall under any or all of the items under Article 340, Paragraph 1 of the Company Law or breach the obligation(s) of CPAs provided for in the Certified Public Accountants Law, should said auditing firm fail to select promptly individuals to perform their duties as accounting auditors in the place of the former, the Audit Committee shall determine the contents of the agenda item on the non-retention of the accounting auditor to be submitted to the general meeting of shareholders.

(2) In the event it is determined that an adequate performance of duties cannot be ensured with respect to the matters related to the performance of duties by accounting auditors provided for in Article 131 of the Regulations of Companies' Financial Statements, the Audit Committee shall determine the contents of the agenda item on the non-retention of the accounting auditor to be submitted to the general meeting of shareholders.

5. Policy on Determination of Distribution of Surplus etc.

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

In the fiscal year ended March 31, 2011, the year-end dividend will be JPY10 per share, resulting in an annual dividend of JPY20 including the interim dividend of JPY10 per share, which has already been paid.

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

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

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

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

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

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

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

1) When making important decisions, Executive Officers shall engage in deliberations at the Executive Committee and the Management Committee in accordance with the Executive Committee Regulations, 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 2010 (As of March 31, 2011)	Fiscal 2009 (As of March 31, 2010)
	(Millions of yen)	
Assets		
Current assets	**330,442**	**324,783**
Cash and cash equivalents	24,968	26,123
Notes and accounts receivable	130,093	144,528
Marketable securities	80	93
Merchandise and finished goods	27,442	25,777
Work in process	38,366	27,906
Raw materials	3,030	3,482
Deferred tax assets	10,130	11,967
Advances paid	2,081	2,414
Deposit to Hitachi group cash management fund	80,609	75,621
Other	15,176	9,356
Allowance for doubtful receivables	(1,552)	(2,484)
Fixed assets	**82,846**	**86,266**
Property, plant and equipment	**53,873**	**55,922**
Buildings and structures	22,564	23,564
Machinery, equipment and vehicles	6,099	6,796
Tools, furniture & fixtures	4,631	5,839
Land	20,319	19,667
Construction in progress	260	57
Intangible assets	**6,249**	**4,932**
Goodwill	1,095	268
Software	5,028	4,527
Right of using facilities	88	91
Other	38	45
Investments and others	**22,723**	**25,412**
Investments in securities	8,189	8,852
Long-term loan receivables	227	304
Deferred tax assets	8,276	8,943
Other	7,047	8,352
Allowance for doubtful receivables	(1,016)	(1,038)
Total assets	**413,267**	**411,049**

	Fiscal 2010 (As of March 31, 2011)	Fiscal 2009 (As of March 31, 2010)
	(Millions of yen)	
Liabilities		
Current liabilities	**142,874**	**155,735**
Notes and accounts payable	94,920	110,037
Income taxes	3,965	2,514
Accrued expenses	17,894	20,423
Advances received	13,392	11,365
Warranty reserve	2,227	1,833
Provision for loss from disaster	1,082	-
Other	9,393	9,562
Long-term liabilities	**27,549**	**25,916**
Accrued pension liability	26,323	25,270
Reserve for retirement benefits for senior executives	306	212
Other	920	433
Total liabilities	**170,423**	**181,650**
Net assets		
Shareholders' equity	**244,279**	**229,282**
Common stock	7,938	7,938
Capital surplus	35,745	35,745
Retained earnings	200,920	185,919
Treasury stock	(325)	(321)
Accumulated other comprehensive income	**(1,568)**	**(137)**
Unrealized holding gains on securities	3,314	3,671
Deferred profit or loss on hedges	15	(192)
Foreign currency translation adjustment	(4,897)	(3,616)
Minority interests	**134**	**254**
Total net assets	**242,845**	**229,399**
Total liabilities and net assets	**413,267**	**411,049**

Consolidated Statements of Income

	Years ended March 31	
	2010	**2009**
	(Millions of yen)	
Net sales	**653,431**	**616,877**
Cost of sales	541,982	537,694
Gross profit	**111,449**	**79,183**
Selling, general and administrative expenses	83,556	80,809
Operating income (loss)	**27,893**	**(1,626)**
Other income	**2,099**	**1,917**
Interest income	299	390
Dividends income	125	137
Foreign exchange gains	259	276
Other	1,417	1,114
Other deductions	**517**	**787**
Interest expenses	78	92
Other	439	695
Ordinary income (loss)	**29,475**	**(496)**
Extraordinary gain	**69**	**554**
Gain on sales of investments in securities	47	554
Gain on sales of membership	23	—
Extraordinary loss	**3,427**	**2,181**
Loss on sales of investments in securities	1	—
Losses on devaluation of investments in securities	20	—
Impairment losses	1,326	417
Loss on adjustment for changes of accounting standard for asset retirement obligations	303	—
Environmental expenses	212	—
Loss from disaster	1,565	—
Loss on disposal of property, plant and equipment	—	107
Loss on cancellation of lease contract	—	513
Restructuring charges	—	1,145
Income (loss) before income taxes and minority interests	**26,117**	**(2,123)**
Income taxes-current	5,748	2,915
Income taxes-deferred	2,537	(2,249)
Total income taxes	8,285	666
Income before minority interests	17,832	—
Minority interests	80	37
Net income (loss)	**17,752**	**(2,827)**

Consolidated Statements of Changes in Net Assets

FY2010 (under review) (April 1, 2010 to March 31, 2011) (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	185,919	(321)	229,282
Change during year					
Dividends from surplus	—	—	(2,751)	—	(2,751)
Net income	—	—	17,752	—	17,752
Acquisition of treasury stock	—	—	—	(5)	(5)
Disposal of treasury stock	—	0	—	1	1
Net changes in items other than shareholders' equity	—	—	—	—	—
Total change in during year	—	0	15,001	(4)	14,997
Balance at end of year	7,938	35,745	200,920	(325)	244,279

	Accumulated other comprehensive income				Minority interests	Total net assets
	Unrealized holding gains on securities	Deferred profit or loss on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of year	3,671	(192)	(3,616)	(137)	254	229,399
Change during year						
Dividends from surplus	—	—	—	—	—	(2,751)
Net income	—	—	—	—	—	17,752
Acquisition of treasury stock	—	—	—	—	—	(5)
Disposal of treasury stock	—	—	—	—	—	1
Net changes in items other than shareholders' equity	(356)	207	(1,281)	(1,431)	(120)	(1,551)
Total change in during year	(356)	207	(1,281)	(1,431)	(120)	13,446
Balance at end of year	3,314	15	(4,897)	(1,568)	134	242,845

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: 26

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 (Shanghai) Co., Ltd., Hitachi High-Technologies Hong Kong Limited and 16 other companies

Hitachi High-Technologies (China) Co., Ltd., which was a consolidated subsidiary up until the previous fiscal year, has been excluded from the scope of consolidation from this fiscal year onward due to the merger by absorption of said company by Hitachi High-Technologies (Shanghai) Co., Ltd., effective March 24, 2011.

2) Number of non-consolidated subsidiary: 0

(2) Application of equity method

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

(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 5 other companies
End of fiscal year: December 31

Consolidation procedures have been taken based on financial statements as of March 31, 2011 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) Provision for loss from disasters

In order to provide for payments required to restore assets devastated in the Great East Japan Earthquake, the Company records the estimated amount at the end of the fiscal year.

(iv) 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.

(v) 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) Amortization of goodwill and negative goodwill

Goodwill and negative goodwill that occurred prior to March 31, 2010 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.

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

1) Application of accounting standards for asset retirement obligations

From this fiscal year onwards, the Company applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, dated March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, dated March 31, 2008). The effect of the application of ASBJ Statement No. 18 and ASBJ Guidance No. 21 on the consolidated financial statements is minimal.

2) Application of accounting standards on business combinations

From this fiscal year onwards, the Company applied the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, dated December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, dated December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, dated December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, dated December 26, 2008), the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, announced on December 26, 2008), and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, dated December 26, 2008).

The effect of application of these standards on the consolidated financial statements is minimal.

3) Change in the translation method of income and expenses of overseas consolidated subsidiaries

Previously, income and expenses of overseas consolidated subsidiaries were translated into Japanese yen at the spot rate prevailing as of the reporting date and any translation differences were included in valuation and translation adjustments and minority interests under Net assets. However, from this fiscal year onward, such amounts, as a general rule, have been recorded by translating the income and expenses into Japanese yen using the average exchange rate throughout the period. This change, which was caused recently by the drastic fluctuations in the exchange rates, has been made to reflect the fluctuations in exchange rates throughout the fiscal year properly and to present the performance of the overseas subsidiaries more accurately by eliminating the effects of temporary fluctuations in the exchange rates in the translation of income and expenses.

Compared with the translation method used in the previous fiscal year, in the fiscal year under review, net sales increased by JPY92 million, while operating income decreased by JPY36 million, ordinary income decreased by JPY33 million and income before income taxes and minority interests decreased by JPY34 million.

4) Change in presentation

Based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, dated December 26, 2008), the Company, from this fiscal year onwards, applies the "Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparations of Financial Statements" (Ministry of Justice Ordinance No. 7 of 2009). Accordingly, "Income before minority interests" is presented in the consolidated financial statements.

5) Additional information

From this fiscal year onward, the Company applies the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, dated June 30, 2010). However, the amounts for "Valuation and translation adjustments" and "Total valuation and translation adjustments" are stated as "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" of the previous fiscal year.

3. Notes to consolidated balance sheets

(1)	Accumulated depreciation of property, plant and equipment:	JPY79,702 million
(2)	Collateralized assets and secured liabilities	
	Collateralized assets	
	Deposits (guarantee for transactions)	JPY5 million
	Investments in securities (shares) (guarantee for transactions)	JPY22 million
	Secured liabilities	
	Accounts payable	JPY15 million
(3)	Guarantees (employee home loans)	JPY509 million
(4)	Export bill discount	JPY22 million
(5)	Notes endorsed	JPY56 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, 2011, the Company and its consolidated subsidiaries accounted for impairment losses for the following assets.

Location	Purpose	Type	Impairment Loss (million yen)
Head Office (Minato-ku, Tokyo)	Assets determined to be disposed of	Long-term prepaid expenses	153
Head Office (Minato-ku, Tokyo) and others	Assets of the IT Systems Business	Buildings, tools, furniture & fixtures, software	283
Nanotechnology Products Business Group Naka Division, Hitachi High-Technologies Corp. (Hitachinaka City, Ibaraki Prefecture)	Manufacturing facilities of inspection systems	Machinery and equipment, tools, furniture & fixtures, software	402
	Manufacturing facilities of analysis systems such as electron microscopes	Machinery and equipment, vehicles, tools, furniture & fixtures, patents, software	340
	Manufacturing facilities of biotechnology equipment	Tools, furniture & fixtures, patents, software, long-term prepaid expenses	146
	Assets determined to be disposed of	Buildings, tools, furniture & fixtures	2
Total			1,326

In the case of assets of the IT Systems Business, manufacturing facilities of inspection systems, manufacturing facilities of analysis systems such as electron microscopes and manufacturing facilities of biotechnology equipment, 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 terms of the assets of the IT Systems Business, a portion of the book value has been written off as an impairment loss as a component of extraordinary losses, due to the lack of prospects for generating sufficient cash flow in the future. The recoverable value of these assets has been measured based on the utility value, and the discount rate used in calculating the utility value was 7.5%. The manufacturing facilities of inspection systems, manufacturing facilities of analysis systems such as electron microscopes and manufacturing facilities of biotechnology equipment 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. In terms of assets determined to be disposed of, the difference between the net selling price and the book value was declared as an impairment loss under extraordinary losses, since they were removed from their conventional applications and the invested amount was no longer expected to be recoverable due to the decision to dispose of such assets.

(2) Environmental expenses

Environmental expenses represent the cost of disposing of contaminated soil, in conjunction with the construction of the Nanotechnology Products Business Group, Naka Division.

(3) Loss from disaster

Losses incurred as a result of the Great East Japan Earthquake have been recorded, the breakdown of which is as follows.

Impairment losses for inventories	JPY591 million
Impairment losses for fixed assets	JPY648 million
Total	JPY1,239 million
Inspection and dismantlement expenses	JPY340 million
Restoration expenses	JPY755 million
Fixed costs during suspension of operations	JPY1,193 million
Total loss from disaster	JPY3,527 million
Uncollected insurance claims	(JPY1,962 million)
Net loss from disaster	JPY1,565 million

Provision for reserve for loss from disaster is included in the inspection and dismantlement expenses and restoration expenses.

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, 2010	Increase during fiscal year ended March 31, 2011	Decrease during fiscal year ended March 31, 2011	Total number of shares as at March 31, 2011
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 21, 2010	Common stock	1,375	10.00	March 31, 2010	June 3, 2010
Meeting of Board of Directors held on October 26, 2010	Common stock	1,375	10.00	September 30, 2010	November 29, 2010

(ii) Cash dividends whose record date falls in FY2010 but effective date falls in FY2011

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 23, 2011	Common stock	Retained earnings	1,375	10.00	March 31, 2011	June 3, 2011

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, 2011 (end of FY2010) 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	24,968	24,968	-
(ii) Notes and accounts receivable	130,093		
Allowance for doubtful receivables*1	(1,552)		
Net amount	128,541	128,541	(0)
(iii) Deposits to Hitachi Group cash management fund	80,609	80,609	-
(iv) Marketable securities and investments in securities			
Other securities	8,117	8,117	-
Total assets	242,234	242,234	(0)
Notes and accounts payable	94,920	94,920	-
Total liabilities	94,920	94,920	-
Derivative transactions*2			
Derivative transactions not subject to hedge accounting	133	133	-
Derivative transactions subject to hedge accounting	29	29	-
Total derivative transactions	162	162	-

*1 The amount declared is less the amount of allowance for doubtful receivables recorded for notes and accounts receivable.

*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

Assets

(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.

Liabilities

Notes and accounts payable

Notes and accounts payable are stated at book value, as all notes and accounts payable are short-term and hence their market values are nearly the same as their book values.

Derivative transactions

Derivative transactions are all forward exchange contracts, and are calculated based on the forward exchange rates.

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

Classification	Amount on Consolidated Balance Sheet (million yen)
Unlisted stock	147
Unlisted foreign bonds	0
Investments in partnership	4

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: JPY1,764.66

(2) Net loss per share: JPY129.07

8. Notes on significant subsequent events

Not applicable.

9. Other notes

Business Combinations (Business combination through acquisition)

(1) Outline of business combination

(i) Name of counterparty company

Renesas Eastern Japan Semiconductor, Inc.

(ii) Description of acquired business

Electronic devices business and incidental businesses (limited to businesses conducted at the Yamanashi Plant)

(iii) Main reason for business combination and grounds for determining the acquired business

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) Business combination date

April 1, 2010

(v) Legal framework of the business combination

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

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

(vi) Name of the company after business combination

Hitachi High-Tech Instruments Co., Ltd.

(2) Period of the acquired company's financial results included in the consolidated financial statements

From April 1, 2010 to March 31, 2011

(3) Calculation of acquisition cost

Acquisition cost of the acquired business and components thereof

Consideration for the acquisition	Cash	JPY3,285 million
Costs directly attributable to acquisition	Financial due diligence expenses, etc.	JPY30 million
Acquisition cost		JPY3,315 million

(4) Allocation of acquisition cost

(i) Amounts of assets and liabilities acquired on the day of the business combination and major components thereof

Current assets	JPY2,786 million
Fixed assets	JPY1,388 million
Total assets	JPY4,173 million
Current liabilities	JPY1,731 million
Long-term liabilities	JPY272 million
Total liabilities	JPY2,003 million

(ii) Amount of goodwill, reason for recognizing goodwill and method and term to amortize goodwill

a. Amount of goodwill

JPY1,145 million

b. Reason for recognizing goodwill

Goodwill represents the excess earning capacity expected as a result of enhanced business structure, improved management efficiency and accelerated new product development achieved by consolidating the semiconductor back-end process business into the Company's management structure.

c. Method and term to amortize goodwill
5-year straight-line method

Unconsolidated Balance Sheets

	Fiscal 2010 (As of March 31, 2011)	Fiscal 2009 (As of March 31, 2010)
	(Millions of yen)	
Assets		
Current assets	**260,264**	**262,031**
Cash and cash equivalents	8,076	7,958
Notes receivable	6,123	5,744
Accounts receivable	98,421	116,620
Merchandise and finished goods	12,778	12,944
Work in process	28,828	22,903
Raw materials	2,249	2,878
Advances paid	1,661	1,819
Deferred tax assets	5,665	8,141
Short-term loan receivables	14,980	11,559
Accounts receivable-other	7,767	6,331
Deposit to Hitachi Group cash management fund	80,609	75,621
Other	401	319
Allowance for doubtful receivables	(7,294)	(10,805)
Fixed assets	**75,686**	**80,428**
Property, plant and equipment	**46,229**	**48,826**
Buildings	16,744	17,926
Structures	510	469
Machinery and equipment	4,972	5,369
Vehicles	16	22
Tools, furniture & fixtures	2,897	4,035
Land	20,983	20,983
Construction in progress	107	22
Intangible assets	**3,765**	**3,316**
Patents	7	5
Software	3,723	3,274
Right of using facilities	34	37
Other	2	1
Investments and others	**25,692**	**28,286**
Investments in securities	7,992	8,631
Affiliated companies' common stock	7,041	7,041
Investments in companies	31	49
Investments in affiliated companies	1,534	1,534
Long-term loan receivables	179	412
Past-due operating claims	816	834
Long-term prepaid expenses	2,703	3,592
Deferred tax assets	4,609	5,323
Lease and guarantee deposits	1,178	1,194
Other	621	713
Allowance for doubtful receivables	(1,013)	(1,037)
Total assets	**335,950**	**342,459**

	Fiscal 2010 (As of March 31, 2011)	Fiscal 2009 (As of March 31, 2010)
	(Millions of yen)	
Liabilities		
Current liabilities	**121,381**	**139,540**
Notes payable	509	417
Accounts payable	74,066	92,196
Other accounts payable	4,123	3,630
Accrued expenses	10,093	11,652
Income taxes	930	140
Advances received	8,008	8,591
Deposits received	19,514	19,296
Current portion of guarantee deposits received	2,965	3,171
Warranty reserve	62	40
Provision for loss from disaster	1,002	—
Other	110	406
Long-term liabilities	**17,054**	**16,430**
Deferred tax liabilities for land revaluation	147	147
Accrued pension liability	16,230	15,914
Other	677	369
Total liabilities	**138,435**	**155,970**
Net assets		
Shareholders' equity	**192,841**	**181,618**
Common stock	**7,938**	**7,938**
Capital surplus	**35,745**	**35,745**
Capital reserve	35,723	35,723
Others	21	21
Retained earnings	**149,483**	**138,256**
Earned surplus reserve	1,385	1,385
Others	148,098	136,871
Reserve for advanced depreciation of fixed assets	142	142
General reserve	136,095	136,095
Retained earnings brought forward	11,861	634
Treasury stock	**(325)**	**(321)**
Valuation and translation adjustments	**4,674**	**4,870**
Unrealized holding gains on securities	**3,296**	**3,650**
Deferred profit or loss on hedges	**(6)**	**(164)**
Revaluation reserve for land	**1,384**	**1,384**
Total net assets	**197,516**	**186,488**
Total liabilities and net assets	**335,950**	**342,459**

Unconsolidated Statements of Income

	Years ended March 31	
	2011	**2010**
	(Millions of yen)	
Net sales	**488,222**	**469,337**
Cost of sales	417,497	421,590
Gross profit	**70,725**	**47,748**
Selling, general and administrative expenses	57,041	55,676
Operating income (loss)	**13,683**	**(7,928)**
Other income	**5,808**	**6,324**
Interest income	298	395
Dividends income	3,865	4,895
Foreign exchange gains	303	386
Other	1,341	648
Other deductions	**454**	**722**
Interest expenses	134	180
Other	320	543
Ordinary income (loss)	**19,037**	**(2,327)**
Extraordinary gain	**2,664**	**520**
Gain on sales of investments in securities	27	520
Reversal of allowance for doubtful receivables of affiliated companies	2,637	—
Extraordinary loss	**3,015**	**4,843**
Loss on sales of investments in securities	0	—
Losses on devaluation of investments in securities	20	—
Impairment losses	1,326	1,184
Loss on adjustment for changes of accounting standard for asset retirement obligations	239	—
Environmental expenses	212	—
Loss from disaster	1,218	—
Loss on disposal of property, plant and equipment	—	107
Loss on cancellation of lease contract	—	513
Restructuring charges	—	945
Provision for allowance for doubtful receivables for affiliated companies	—	2,094
Income (loss) before income taxes	**18,687**	**(6,650)**
Income taxes-current	1,384	163
Income taxes-correction	—	(116)
Refund of income taxes for prior periods	—	(160)
Income taxes-deferred	3,324	(3,182)
Net income (loss)	**13,978**	**(3,355)**

Unconsolidated Statements of Changes in Net Assets

FY2010 (under review) (April 1, 2010 to March 31, 2011) (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	136,871	(321)	181,618
Change during year							
Dividends from surplus	—	—	—	—	(2,751)	—	(2,751)
Net income	—	—	—	—	13,978	—	13,978
Acquisition of treasury stock	—	—	—	—	—	(5)	(5)
Disposal of treasury stock	—	—	0	—	—	1	1
Net changes in items other than shareholders' equity	—	—	—	—	—	—	—
Total change during year	—	—	0	—	11,227	(4)	11,233
Balance at end of year	7,938	35,723	21	1,385	148,098	(325)	192,841

	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	3,650	(164)	1,384	4,870	186,488
Change during year					
Dividends from surplus	—	—	—	—	(2,751)
Net income	—	—	—	—	13,978
Acquisition of treasury stock	—	—	—	—	(5)
Disposal of treasury stock	—	—	—	—	1
Net changes in items other than shareholders' equity	(354)	158	—	(196)	(196)
Total change during year	(354)	158	—	(196)	11,027
Balance at end of year	3,296	(6)	1,384	4,674	197,516

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	634	136,871
Change during year				
Dividends from surplus	—	—	(2,751)	(2,751)
Net income	—	—	13,978	13,978
Total change during year	—	—	11,227	11,227
Balance at end of year	142	136,095	11,861	148,098

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) Reserve for loss from disasters

In order to provide for payments required to restore assets devastated in the Great East Japan Earthquake, the Company records the estimated amount at the end of the fiscal year.

4) 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

(1) Application of accounting standards for asset retirement obligations

From this fiscal year onward, the Company applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, dated March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, dated March 31, 2008). The effect of the application of ASBJ Statement No. 18 and ASBJ Guidance No. 21 on the financial statements is minimal.

(2) Change in presentation

Unconsolidated statement of income

"Refund of income taxes for prior periods (JPY0 million yen for this fiscal year)," which had been presented separately in the previous fiscal year is included in "Income taxes-current" in this fiscal year, as the amount has become insignificant.

4. Notes to unconsolidated balance sheets, etc.

(1)	Accumulated depreciation of property, plant and equipment:	JPY64,267 million
(2)	Guarantees	JPY2,290 million
	The breakdown of guarantees is as follows.	
	3 affiliated companies (guarantee for trade accounts payable)	JPY1,888 million
	Employees (home loans)	JPY330 million
	1 affiliated company (guarantee for office rent)	JPY72 million
(3)	Short-term receivables from affiliated companies	JPY50,963 million
(4)	Short-term payables to affiliated companies	JPY31,857 million
(5)	Export bill discount	JPY22 million

(6) 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, 2011 was JPY864 million lower than its post-revaluation book value.

5. Notes to unconsolidated statements of income

(1) Transactions with affiliated companies

Sales	JPY178,474 million
Purchases	JPY86,901 million
Non-operating transactions	JPY20,694 million

(2) Extraordinary gain

Reversal of allowance for doubtful receivables of affiliated companies

In the previous fiscal year, the Company had recorded an allowance for doubtful receivables related to the short-term loans to Hitachi High-Tech Instruments Co., Ltd. However, a portion of the allowance has been reversed and JPY2,637 million has been recorded as "Reversal of allowance for doubtful receivables of affiliated companies," a component of extraordinary gain.

(3) Extraordinary loss

1) 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, 2011, the Company accounted for impairment losses for the following assets.

Location	Purpose	Type	Impairment Loss (million yen)
Head Office (Minato-ku, Tokyo)	Assets determined to be disposed of	Long-term prepaid expenses	153
Head Office (Minato-ku, Tokyo) and others	Assets of the IT Systems Business	Buildings, tools, furniture & fixtures, software	283
Nanotechnology Products Business Group Naka Division, Hitachi High-Technologies Corp. (Hitachinaka City, Ibaraki Prefecture)	Manufacturing facilities of inspection systems	Machinery and equipment, tools, furniture & fixtures, software	402
	Manufacturing facilities of analysis systems such as electron microscopes	Machinery and equipment, vehicles, tools, furniture & fixtures, patents, software	340
	Manufacturing facilities of biotechnology equipment	Tools, furniture & fixtures, patents, software, long-term prepaid expenses	146
	Assets determined to be disposed of	Buildings, tools, furniture & fixtures	2
Total			1,326

In the case of assets of the IT Systems Business, manufacturing facilities of inspection systems, manufacturing facilities of analysis systems such as electron microscopes and manufacturing facilities of biotechnology equipment, 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 terms of the assets of the IT Systems Business, a portion of the book value has been written off as an impairment loss as a component of extraordinary losses, due to the lack of prospects for generating sufficient cash flow in the future. The recoverable value of these assets has been measured based on the utility value, and the discount rate used in calculating the utility value was 7.5%. The manufacturing facilities of inspection systems, manufacturing facilities of analysis systems such as electron microscopes and manufacturing facilities of biotechnology equipment 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. In terms of assets determined to be disposed of, the difference between the net selling price and the book value was declared as an impairment loss under extraordinary losses, since they were removed from their conventional applications and the invested amount was no longer expected to be recoverable due to the decision to dispose of such assets.

(2) Environmental expenses

Environmental expenses represent the cost of disposing of contaminated soil, in conjunction with the construction of the Nanotechnology Products Business Group, Naka Division.

(3) Loss from disaster

Losses incurred as a result of the Great East Japan Earthquake have been recorded, the breakdown of which is as follows.

Impairment losses for inventories	JPY578 million
Impairment losses for fixed assets	JPY633 million
Total	JPY1,211 million
Inspection and dismantlement expenses	JPY333 million
Restoration expenses	JPY676 million
Fixed costs during suspension of operations	JPY881 million
Total loss from disaster	JPY3,101 million
Uncollected insurance claims	(JPY1,883 million)
Net loss from disaster	JPY1,218 million

Provision for reserve for loss from disaster is included in the inspection and dismantlement expenses and restoration expenses.

6. Notes to Unconsolidated Statements of Changes in Net Assets

Treasury stock

(shares)

Class of shares	Total number of shares as at March 31, 2010	Increase during fiscal year ended March 31, 2011	Decrease during fiscal year ended March 31, 2011	Total number of shares as at March 31, 2011
Common stock	196,905	2,602	380	199,127

Note: The increase in treasury stock (common stock) by 2,602 shares was attributable to the buyback of shares falling short of the share unit, while the decrease by 380 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	JPY2,948 million
Accrued bonuses	JPY1,941 million
Accrued business taxes denied	JPY220 million
Accrued cost of sales recorded but denied	JPY267 million
Devaluation of inventories	JPY1,285 million
Loss from disaster recorded but denied	JPY901 million
Foreign tax credit	JPY26 million
Other	JPY750 million
Deferred tax assets—Subtotal	JPY8,338 million
Valuation reserve	(JPY2,663 million)
Deferred tax assets—Total	JPY5,675 million
Deferred tax liabilities	
Deferred profit or loss on hedges	(JPY10 million)
Deferred tax liabilities—Total	(JPY10 million)
Net deferred tax assets	JPY5,665 million

(Noncurrent)

Deferred tax assets	
Amount in excess of deduction limit for loss on doubtful receivables	JPY282 million
Accrued pension liability	JPY5,558 million
Loss on devaluation of memberships denied	JPY279 million
Loss on devaluation related to investments denied	JPY1,680 million
Excess depreciation	JPY1,016 million
Asset retirement obligations	JPY131 million
Deferred profit of loss on hedges	JPY13 million
Other	JPY865 million
Deferred tax assets—Subtotal	JPY9,824 million
Valuation reserve	(JPY2,843 million)
Deferred tax assets—Total	JPY6,981 million
Deferred tax liabilities	
Asset retirement obligation	(JPY30 million)
Unrealized holding gains on securities	(JPY2,242 million)
Reserve for advanced depreciation of fixed assets	(JPY97 million)
Other	(JPY3 million)
Deferred tax liabilities—Total	(JPY2,372 million)
Net deferred tax assets	JPY4,609 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, 2011

	Acquisition cost (million yen)	Accumulated depreciation (million yen)	Balance as at March 31, 2011 (million yen)
Machinery and equipment	152	124	27
Tools, furniture & fixtures	162	140	21
Total	313	265	49

(2) Balance of future lease payments as at March 31, 2011

Within 1 year	JPY36 million
After 1 year	JPY14 million
Total	JPY50 million

(3) Lease payments, depreciation and interest expenses

Lease payments	JPY101 million
Depreciation	JPY93 million
Interest expenses	JPY2 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	JPY14 million
Over 1 year	JPY19 million
Total	JPY33 million

9. Notes on transactions with related parties

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

Attribute	Name of company, etc.	Address	Capital (million yen)	Description of business or occupation	% of voting rights, etc. held by company	Nature of relationship		Description of transaction	Transaction amount (million yen)	Classification	Year-end balance (million yen)
						Sharing of officers, etc.	Business relationship				
Parent company	Hitachi, Ltd.	Chiyoda-ku, Tokyo	409,130	Manufacturing and sale of electric machinery and apparatuses	Direct: 51.7% Indirect: 0.1%	2 persons	Sale of various information equipment, power-generation-related components, etc.	Sale of various information equipment, power-generation-related components, etc.	21,822	Accounts receivable Advances received	4,196 445
								Deposit paid Interest received	4,988 201	Deposit to Hitachi group cash management fund Accounts receivable-other	80,609 1

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.	16,699	Accounts receivable	4,587
								Payment of deposits received Payment of interest	1,766 27	Deposits received Accrued expenses	6,028 4
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.	21,543	Accounts payable Advance payment	2,883 1
								Receipt of funds Payment of interest	958 8	Deposit received	4,115
Subsidiary	Hitachi High-Tech Instruments Co., Ltd.	Kumagaya City, Ibaraki Prefecture	450	Design and manufacturing of chip mounting systems, etc.	Direct: 100% Indirect: —	1 persons	Purchase of chip mounting systems, etc.	Loan Interest received	3,350 55	Short-term loan receivables	14,080
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.	46,146	Accounts receivable Advances received	6,643 1,770
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.	42,627	Accounts receivable Advances received	3,960 39
Subsidiary	Hitachi High-Technologies (Shanghai) Co., Ltd.	China	USD 2,600 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.	12,532	Accounts receivable Advances received	4,068 0
Subsidiary	Hitachi High-Technologies Hong Kong Ltd.	China	HKD 15,000 thousand	Sale of industrial materials, electronic materials, electronic materials, electronic components, etc.	Direct: 100% Indirect: —	None	Sale of industrial materials, electronic materials, electronic materials, electronic components, etc.	Sale of industrial materials, electronic materials, electronic materials, electronic components, etc.	17,715	Accounts receivable Advances received	3,875 14

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 JPY6,084 million as an allowance for doubtful receivables for subsidiaries.

10. Notes on per share information

(1) Net assets per share: JPY1,436.06

(2) Net loss per share: JPY101.63

11. Notes on significant subsequent events

Not applicable.

Transcript of Accounting Auditors' Audit Report on Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

May 17, 2011

To Mr. Masao Hisada, 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, 2010 to March 31, 2011) 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, 2011

To Mr. Masao Hisada, 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 92nd business term (from April 1, 2010 to March 31, 2011) 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 92nd business term (from April 1, 2010 to March 31, 2011). We hereby report as follows on the method and results thereof:

1. Method of Audit

(1) We received reports from the Directors, Executive Officers and employees on the contents of the 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 systems (internal control systems) established thereunder, confirmed the contents of such reports, and conducted exchanges of opinions, as necessary.

(2) We conducted the following activities in accordance with the audit policy and assignment of audit duties, as determined by the Audit Committee.

1) We attended important meetings including the Board of Directors and executive management meetings, and received reports from and conducted interviews with Directors and Executive Officers on the execution of their duties.
2) We inspected important decision documents, etc.
3) We made investigations into the state of activities and property at the head office and the principle business offices of the Company.
4) We received reports from or conducted interviews with subsidiaries about their business operation.

(3) We received reports from the internal auditing division and other relevant departments and exchanged opinions on the status of internal control.

(4) 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.

(5) 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.

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 contents of the description of said internal control systems in the Business Report and 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, 2011

Audit Committee, Hitachi High-Technologies Corporation
Hiroshi Kanauchi
Harumichi Uchida
Ryuichi Kitayama

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