Hitachi High-Tech

HITACHI
Inspire the Next

Report on the 98th Business Term
Year ended March 31, 2017
(April 1, 2016 to March 31, 2017)

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

Contents

(Attached Documents for the 98th Ordinary General Meeting of Shareholders)

The following items are provided by posting on the Company's website (http://www.hitachi-hightech.com/) in accordance with laws and regulations and the Articles of Incorporation. The Consolidated Financial Statements and Unconsolidated Financial Statements audited by the Accounting Auditors and the Board of Corporate Auditors include, in addition to the documents stated in this Report, documents (1), (2), (3) and (4) below.

(1) Consolidated Statements of Changes in Equity
(2) Notes to Consolidated Financial Statements
(3) Unconsolidated Statements of Changes in Net Assets
(4) Notes to Unconsolidated Financial Statements

(Notice of the 98th Ordinary General Meeting of Shareholders: Attached Documents)

Business Report (from April 1, 2016 to March 31, 2017)

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

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

The Japanese economy during the period under review continued to show signs of gradual recovery, with improvements in employment situation and pickup in corporate earnings. The United States also showed signs of economic recovery, with improvements in employment and income growth. However, the future is still uncertain due mainly to the EU exit movement in Europe and the economic slowdown in China.

Under such circumstances, the enterprise group consisting of the Hitachi High-Technologies Corporation (the "Company") and its subsidiaries (hereinafter referred to as the "Group"), in an effort to realize its Corporate Vision of "becoming a global leader in high-tech solutions," and enable further growth, engaged in initiatives to strengthen its business portfolio.

In implementing the Medium-term Management Strategy, starting from the period under review, "Science & Medical Systems," "Electronic Device Systems" and "Industrial Systems" segments are classified under "Instruments," and "Advanced Industrial Products" segment is classified under "Materials." Under this classification, each segment is carrying out its operation by setting values to be provided and targets to be achieved.

During the period under review, "Science & Medical Systems" has started business collaboration with two major reagent manufacturers in China by establishing a joint venture company in China in August 2016 to expand its operation in continuously growing Chinese in-vitro diagnostic market. In Europe, the segment purchased a Swedish distributor to strengthen the electron microscope business. Furthermore, to expand manufacturing capability of clinical analyzers and biotechnology equipment and to further improve operational efficiency, Hitachi High-Tech Kyushu Corporation was established in September 2016. As for "Electronic Device Systems," the segment realized an increase in sales due primarily to the enhancement of development regime toward customers' active investments in the next generation advanced processes and memory mass production and launching of new products. "Industrial Systems" focused on the expansion of sales particularly in the railroad-track inspection equipment and automated assembly equipment businesses. In October 2016, "Advanced Industrial Products" acquired a die steel distributor in Brazil where many automobile manufacturers in Europe and US have their production bases.

In order to enhance its cost-competitiveness, the Group continued to promote thorough streamlining of business processes through company-wide operational reform activities, named the Smart Transformation Project, in addition to activities to reduce expenses and costs.

As a result, the Group's consolidated business performance for the fiscal year ended March 31, 2017 was JPY644,545 million in revenues, JPY53,636 million in EBIT (earnings before interest and taxes), JPY53,918 million in income before income taxes and JPY40,170 million in net income attributable to Hitachi High-Technologies Corporation stockholders, thus marking an increase in revenues and profit from the previous term. Going forward we will strive to further expand our business and reinforce efficient management and corporate governance to meet the expectations of our shareholders.

The following is a report on the Group's business results by industry segment in the fiscal year ended March 31, 2017.

Please note that during the previous fiscal year, the Group had five segments, namely "Electronic Device Systems," "Fine Technology Systems," "Science & Medical Systems," "Industrial & IT Systems" and "Advanced Industrial Products," but starting from the fiscal year under review, "Industrial & IT Systems" and "Fine Technology Systems" are consolidated into "Industrial Systems." With this change, business segments are now classified into the following four segments: "Science & Medical Systems," "Electronic Device Systems," "Industrial Systems" and "Advanced Industrial Products."

● **Science & Medical Systems Segment**

Revenues **JPY186,120 million (Up 5.2% year-on-year)**

EBIT **JPY27,103 million (Up 2.0% year-on-year)**

Main Business Contents

Manufacturing/sales of and installation/maintenance services for various Analyzers and Measuring Equipment such as Spectrophotometers, Chromatographs, X-ray Fluorescence Analyzers and Thermal Analyzers; Electron Microscopes; Biotechnology Equipment and Clinical Analyzers

Overview

Sales of the science systems (electron microscopes and scientific instrument) decreased despite launching of new products due mainly to strong Japanese Yen as well as restraint on investments in major projects in Europe and budget cut by universities and public offices in Japan.

Sales of the biotechnology equipment and clinical analyzer significantly increased thanks to strong growth of demand in the Asian market such as China.

As a result of the above, the segment generated revenues in the amount of JPY186,120 million (up 5.2% year-on-year) and posted an EBIT of JPY27,103 million (up 2.0% year-on-year).

● **Electronic Device Systems Segment**

Revenues **JPY 124,483 million (Up 21.2% year-on-year)**

EBIT **JPY 27,044 million (Up 76.7% year-on-year)**

Main Business Contents

Manufacturing/sales of and installation/maintenance services for Semiconductor Manufacturing Equipment such as Etching Systems, CD-Measurement SEM (CD-SEM) and Inspection Systems

Overview

Sales of the process manufacturing equipment increased significantly due to strong investments in next generation advanced processes and memory mass production.

Sales of inspection system units increased significantly due to the growth in sales of CD Measurement SEM and metrology equipment.

As a result of the above, the segment generated revenues in the amount of JPY124,483 million (up 21.2% year-on-year) and posted an EBIT of JPY27,044 million (up 76.7% year-on-year).

● **Industrial Systems Segment**

Revenues **JPY91,612 million (Down 7.0% year-on-year)**

EBIT **JPY2,129 million (Up 88.4% year-on-year)**

Main Business Contents

Sales of Automated Assembly Systems of Lithium Ion Batteries, Hard Disk Drives, Power Generating and Electrical Substation Facilities, Design and Manufacturing Solutions sales of Video Conferencing Systems, and manufacturing, sales and installation/maintenance services for Measuring Equipment and Related Systems, Railroad Inspection Equipment, HD Manufacturing Equipment, FA Equipment and FPD Manufacturing Equipment

Overview

In the area of social infrastructure, sales steadily increased due to, among other things, launching of the solar photovoltaic system EPC(*) projects.

In the area of industrial infrastructure, sales slightly decreased mostly due to the decrease in sales of automated equipment, despite the strong growth in sales of lithium ion battery manufacturing equipment.

Sales of the ICT solutions fell drastically due to the decrease in sales of hard-disk drive equipment for automobiles.

As a result of the above, the segment generated revenues in the amount of JPY91,612 million (down 7.0% year-on-year) and posted an EBIT of JPY2,129 million (up 88.4% year-on-year).

(*) EPC: Engineering, Procurement and Construction

● Advanced Industrial Products Segment

Revenues	**JPY250,204 million (Down 2.6% year-on-year)**
EBIT	**JPY2,272 million (Down 34.3% year-on-year)**

Main Business Contents

Sales of Steel Products, Nonferrous Metals, Materials for Circuit Board, Plastic Resins and Engineering Plastics, Materials and Related Equipment for Batteries, Automotive Components, Silicon Wafers, Optical Devices & Materials, Raw Materials for Optical Disc, Electronic Materials & Components for Semiconductors and Petroleum Products

Overview

Sales of industrial materials decreased slightly due to a downturn in material price despite steady sales of automotive components for US and China.

Sales of electronic materials also decreased due to the decrease in sales of smartphone-related components despite steady sales of semiconductor-related and optical-communication-related components.

As a result of the above, the segment generated revenues in the amount of JPY250,204 million (down 2.6% year-on-year) and posted an EBIT of JPY2,272 million (down 34.3% year-on-year).

■ **Revenues by Segment**

Segment	FY 2015 Amount (Million yen)	FY 2015 Percentage (%)	FY 2016 (year under review) Amount (Million yen)	FY 2016 (year under review) Percentage (%)	Year-on-year Change (%)
Science & Medical Systems	176,997	28.1	186,120	28.9	5.2
Electronic Device Systems	102,711	16.3	124,483	19.3	21.2
Industrial Systems	98,549	15.7	91,612	14.2	(7.0)
Advanced Industrial Products	256,822	40.8	250,204	38.8	(2.6)
Others and Adjustments	(6,094)	(0.9)	(7,874)	(1.2)	-
Consolidated net sales - Total	628,984	100.0	644,545	100.0	2.5

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

■**Revenues by Region**

Region	FY 2015 Amount (Million yen)	FY 2015 Percentage (%)	FY 2016 (year under review) Amount (Million yen)	FY 2016 (year under review) Percentage (%)	Year-on-year Change (%)
North America	59,205	9.4	54,615	8.5	(7.8)
Europe	88,342	14.0	87,823	13.6	(0.6)
Asia	218,863	34.8	227,433	35.3	3.9
Other regions	6,831	1.1	24,880	3.8	264.2
Overseas	373,241	59.3	394,750	61.2	5.8
Japan	255,743	40.7	249,795	38.8	(2.3)
Consolidated net sales - Total	628,984	100.0	644,545	100.0	2.5

(2) Challenges the Group Faces

In Japan, there are signs of gradual economic recovery, such as strong consumer spending due to improved employment situation and increase in capital investment by corporations. In the US, although economic recovery is also expected to continue on the back of improved employment, there is a sense of uncertainty about future economic policy. In Europe, gradual economic recovery is expected as seen in the improvement in corporate earnings, while there are concerns such as the U.K.'s decision to exit EU and the rise of Anti-Europeanism. The downturn trend of Chinese economy and financial deterioration of emerging countries also raise concern.

Under such circumstances, the Group has established the following basic policies: "transform to more customer-centric organization" which provides advanced solutions that precisely respond to every individual customer's needs; and "transform to autonomous and decentralized organization" in which employees on the site think, make decisions and act on their own from the perspective of total optimization. Based on these policies, the Company intends to "Challenge to Change" and implement operational measures to realize a further growth of the Group.

To this end, the Group shall address the following challenges while enforcing "Ethics and Integrity" and consistently maintaining an awareness of CSR in order to become an enterprise group trusted by the general public and its shareholders.

(Medium/Long-term Management Strategies and Challenges to be Addressed)

The Group established policies on how to execute business in the three business domains of "Biotechnology and healthcare," "Social and industrial infrastructure" and "Advanced industrial systems" based on the "Long-term Management Strategy" and has reinforced its business portfolio by shifting its resources to the business growth areas.

Furthermore, in April 2016, the Group developed specific strategies and measures based on the Business Portfolio Strategy, and set "Medium-term Management Strategy" for the period from FY2016 to FY 2018 to accelerate a further growth of the Group toward 2020. The specific strategies and measures and progress are as follows.

1) Medium-term Management Policy

The Group's Medium-term Management Policy shall be "to keep profits by main business, and promote resource strengthening and investments." Based on this policy, the Group positions the three-year period ending FY2018 as an important period toward 2020 during which a growth cycle should be formed and strategic investment such as R&D should be actively made.

As for revenues, the Group aims to achieve growth beyond the market growth for each business segment, and as for profitability, the Group will aspire to stabilize the revenue base through continuously improving its earning capacity of its main business segments and enhancing its service business (*).

(*) Service business: Product maintenance services, IT solutions, trading services, and others

2) Division of management and business strategy for each segment

In implementing the Medium-term Management Strategy, the previous management model, i.e. management for each segment, will be changed, and the management will be divided into "Instrument" and "Materials" in consideration of the differences in business models for these distinctive areas. In promoting business, values to be provided and targets to be achieved will be set for the management of each area.

- "Instruments'

"Science & Medical Systems," "Electronic Device Systems" and "Industrial Systems" segments will be combined as "Instruments" which deals with equipment and devices and provides solutions that combine strong products and commercial products, application and services.

In the "Science & Medical Systems," the Group aims to expand its business by strengthening collaboration with strategic partners, and at the same time, considers and promotes M&A and business alliances in a positive manner.

In the "Electronic Device Systems," the Group aims to maintain or expand its market share for the existing business, while venturing into new markets which are expected to grow, such as IoT-related market.
In the "Industrial Systems," the Group will focus on enforcing the business by operating the social infrastructure business, such as railroad track inspection equipment and environmental and energy business, and the industrial infrastructure business, such as automobiles and secondary batteries, in an integrated manner.

- "Materials"

The "Advanced Industrial Products" segment will be separated as "Materials" which deals with components and materials to further strengthen the existing business, and at the same time, they provide manufacturers with commercial services to solve challenges related to customer value chain.

3) Investment Strategy

The Group will actively make R&D investment to enhance its product development capacity as well as capital investment to reinforce collaboration with customers through increased manufacturing capacity that is the backbone of the Group's business, stronger production technology capacity and expansion of demonstration equipment. At the same time, the Group will promote realization of growth strategy by executing M&A and other business investment.

4) Progress of Medium-term Management Strategy

FY2016 Action Plan established to realize the Medium-term Management Strategy has progressed largely according to the plan. Maintaining 10% or more of EBIT margin rate in “Instruments” and maintaining 50% or more of the ratio by service business to EBIT, which were listed as KPI(*), have been achieved in FY2016.
(*) KPI: Key Performance Indicator

5) Corporate governance

By strengthening corporate governance, the Group will enhance transparency and efficiency, which, in turn, will lead to the enhancement of corporate value.

(Implementation of recurrence prevention measures related to the Supervisory Disposition under the Construction Business Act)

The Company has established and is committed to continue to implement the following measures as recurrence prevention measures related to the instructions under the provision of Article 28, Paragraph 1 of the Construction Business Act, business suspension order under the provision of Article 28, Paragraph 3 of the Construction Business Act and suspension of designation that were given or ordered on January 13, 2016 to the Company by Kanto Regional Development Bureau, the Ministry of Land, Infrastructure, Transport and Tourism in relation to pile work of a condominium located in Yokohama City (hereinafter referred to as the “Project”).

(i) Enhancement of construction management system

The Company continued to enhance the management of contracts for construction projects primarily by the "Construction Control Center" established on February 1, 2016. Furthermore, the Company continued to make efforts to familiarize employees with the provisions of the Construction Business Act that are to be complied with and to promote awareness of importance of legal compliance, through "Construction Safety Management Committee" which was established on February 8, 2016.

(ii) Strengthening the cultivation of qualified personnel under the Construction Business Act

To systematically cultivate and ensure qualified personnel in relation to the Construction Business Act, the Company has started to implement reassignment and recruitment of qualified personnel in accordance with the “Qualified Personnel Cultivation and Recruitment Plan” which specified construction project plans, required number of qualified personnel and transfer of qualified personnel.

(iii) Implementation of education and training

To thoroughly familiarize employees with the provisions of the Construction Business Act that are to be complied with, the Company has implemented training for all top management and general management personnel regarding disposition related to the Construction Project and the measures to prevent recurrence of similar events.

We appreciate our shareholders' continued support and guidance.

(3) Financing Activity of the Group

In the fiscal year under review, there were no financing activities within the Group by such means as the issue of corporate bonds or new shares or borrowings in the fiscal year under review.

(4) Capital Investments by the Group

In the fiscal year under review, there were no new capital investments that impacted the production capacity of the Group.

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

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

	IFRS		
	FY 2014	**FY 2015**	**FY 2016** (under review)
Revenues (million yen)	619,632	628,984	644,545
Income from continuing operations, before income taxes (million yen)	45,189	48,566	53,918
Net income attributable to Hitachi High-Technologies Corporation stockholders (million yen)	31,093	35,989	40,170
Basic earnings per share attributable to Hitachi High-Technologies Corporation stockholders (million yen)	226.08	261.68	292.08
Hitachi High-Technologies Corporation stockholders' equity (million yen)	301,378	320,790	356,913
Total assets (million yen)	536,705	531,032	587,751

Note: 1. Starting from FY2015, the Company started to prepare consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). To reflect this change, FY2014's figures in accordance with IFRS are also shown in this table.

2. Basic earnings per share attributable to Hitachi High-Technologies Corporation stockholders was calculated based on the average total number of outstanding shares excluding treasury shares during the fiscal year under review.

	Japanese standards	
	FY 2013	**FY 2014**
Net sales (million yen)	639,116	637,497
Ordinary income (million yen)	31,102	42,169
Net income attributable to Hitachi High-Technologies Corporation stockholders (million yen)	18,032	28,129
Net income per share (yen)	131.11	204.52
Net assets (million yen)	272,968	302,324
Total assets (million yen)	494,934	536,595

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]

	Japanese standards			
	FY 2013	**FY 2014**	**FY 2015**	**FY2016 (under review)**
Net sales (million yen)	390,806	411,158	387,911	419,560
Ordinary income (million yen)	29,468	34,011	35,775	44,025
Net income (million yen)	13,532	25,784	30,341	33,190
Net income per share (yen)	98.39	187.48	220.61	241.33
Net assets (million yen)	216,810	238,328	262,194	281,985
Total assets (million yen)	376,471	414,571	419,183	469,617

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

(6) Major Business Offices of the Group

[Business offices of the Company] (As of March 31, 2017)

Name	Business office	Location
Head Office	Head Office	Minato-ku, Tokyo
Hokkaido Branch Office	Branch Office	Sapporo City, Hokkaido Prefecture
Tohoku Branch Office	Branch Office	Sendai City, Miyagi Prefecture
Chubu Branch Office	Branch Office	Nagoya City, Aichi Prefecture
Kansai Branch Office	Branch Office	Osaka City, Osaka Prefecture
Kyushu Branch Office	Branch Office	Fukuoka City, Fukuoka Prefecture
Naka Region	Production Base	Hitachinaka City, Ibaraki Prefecture
Kasado Region	Production Base	Kudamatsu City, Yamaguchi Prefecture

[Subsidiaries]

Name	Business office	Location
Hitachi High-Tech Solutions Corporation	Head Office	Chuo-ku, Tokyo
	Production Base	Mito City, Ibaraki Prefecture
Hitachi High-Tech Materials Corporation	Head Office	Minato-ku, Tokyo
Hitachi High-Tech Fielding Corporation	Head Office	Shinjuku-ku, Tokyo
Hitachi High-Tech Fine Systems Corporation	Head Office	Kodama-gun, Saitama Prefecture
	Production Base	Kodama-gun, Saitama Prefecture
Hitachi High-Tech Manufacturing & Service Corporation	Head Office	Hitachinaka City, Ibaraki Prefecture
	Production Base	Hitachinaka City, Ibaraki Prefecture
Hitachi High-Tech Science Corporation	Head Office	Minato-ku, Tokyo
	Production Base	Hitachinaka City, Ibaraki Prefecture and Sunto-gun, Shizuoka Prefecture
Hitachi High Technologies America, Inc.	Head Office	USA
Hitachi High-Technologies Europe GmbH	Head Office	Germany
Hitachi High-Technologies (Singapore) Pte. Ltd.	Head Office	Singapore
Hitachi High-Technologies (Thailand) Ltd.	Head Office	Thailand
Hitachi High-Technologies (Shanghai) Co., Ltd.	Head Office	China
Hitachi High-Technologies Hong Kong Limited	Head Office	China

(7) Employees of the Group

[Number of Employees in the Group] (As of March 31, 2017)

Segment	Number of employees	(Change from the end of the preceding year)
Science & Medical Systems	4,654	(+264)
Electronic Device Systems	2,485	(+104)
Industrial Systems	1,340	(-62)
Advanced Industrial Products	588	(+24)
Group-wide (common)	1,250	(+85)
Total	10,317	(+415)

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

[Number of Employees in the Company]

Number of employees (Change from the end of the preceding year)	3,811 (+100)
Average number of years of service	19 years and 9 months
Average age	42 years and 9 months

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

(8) Major Parent Company and Subsidiaries

[Parent Company]

The Company's parent company is Hitachi, Ltd., which owns 71,135,619 shares of its outstanding shares. The Company sells railroad-vehicle-related components, various information equipment, power-generation-related components, etc. to its parent company and purchases power-generation-related equipment and components and other items from its parent company. Furthermore, the Company sold investments in securities to its parent company.

In carrying out transactions with its parent company as mentioned above, the Company examines fairness and appropriateness of each transaction as in the case of transactions with other companies. In addition, for the funds deposited with its parent company, the interest rate has been determined reasonably in conjunction with the market interest rate.

The Board of Directors of the Company considers that transactions with its parent company during the fiscal year under review have been carried out under fair and appropriate terms and conditions as mentioned above and that these transactions do not adversely affect profit of the Company.

[Subsidiaries]
There are 34 consolidated subsidiaries, including the following major subsidiaries.

The Company's major subsidiaries are as follows.

Company name / Main business activities	Capital	Equity Stake
Hitachi High-Tech Solutions Corporation	JPY400 million	100%
Design, manufacturing and sales of measuring equipment, etc., and development and sales of software		
Hitachi High-Tech Materials Corporation	JPY200 million	100%
Sales of energy, functional chemicals, etc.		
Hitachi High-Tech Fielding Corporation	JPY1,000 million	100%
Maintenance services for semiconductor manufacturing equipment, analyzers and measuring equipment		
Hitachi High-Tech Fine Systems Corporation	JPY1,485 million	100%
Design, manufacturing, sales and maintenance services of electronic-related products, inspection systems, etc.		
Hitachi High-Tech Manufacturing & Service Corporation	JPY230 million	100%
Manufacturing of clinical analyzers and semiconductor manufacturing equipment		
Hitachi High-Tech Science Corporation	JPY100 million	100%
Design, manufacturing and sales of analyzers, measuring equipment and observation equipment		
Hitachi High Technologies America, Inc.	USD7,950 thousand	100%
Sales of semiconductor manufacturing equipment, industrial materials, etc.		
Hitachi High-Technologies Europe GmbH	EUR3,129 thousand	100%
Sales of semiconductor manufacturing equipment, clinical analyzers, etc.		
Hitachi High-Technologies (Singapore) Pte. Ltd.	SGD3,800 thousand	100%
Sales of semiconductor manufacturing equipment, electronic materials, etc.		
Hitachi High-Technologies (Thailand) Ltd.	TB 230,000 thousand	100%
Sales of industrial materials, electronic components, etc.		
Hitachi High-Technologies (Shanghai) Co., Ltd.	USD2,600 thousand	100%
Sales of industrial materials, electronic materials, etc.		
Hitachi High-Technologies Hong Kong Limited	HKD15,000 thousand	100%
Sales of industrial materials, electronic materials, electronic components, etc.		

Notes: Hitachi High-Technologies (Thailand) Ltd. is a wholly-owned subsidiary of Hitachi High-Technologies (Singapore) Pte. Ltd.

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2. Matters Concerning the Company's Stock (As of March 31, 2017)

(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

6,887 shareholders

(3) 10 Largest Shareholders

Name	Shareholding shares	Shareholding Ratio %
Hitachi, Ltd.	71,135,619	51.72
Japan Trustee Services Bank, Ltd. (Trust Account)	4,318,400	3.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,752,100	2.73
Chase Manhattan Bank GTS Client Account Escrow	2,768,318	2.01
Hitachi High-Technologies Corp.'s Shareholding Association	1,459,093	1.06
JP Morgan Chase Bank 380634	1,337,043	0.97
The Bank of New York Non-treaty JASDEC Account	1,284,408	0.93
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,256,900	0.91
State Street Bank and Trust Company 505225	1,116,302	0.81
State Street Bank and Trust Company 505001	1,103,014	0.80

Note: Shareholding ratio is calculated by deducting treasury stock (209,841 shares).

3. Directors and Executive Officers

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

[Directors] (As of March 31, 2017)

Position	Name	Committee Membership	Significant Concurrently-held Positions
Chairman of the Board	Masao Hisada	Nominating Committee	
Director	Masahiro Miyazaki	Compensation Committee	
Director	Yoshikazu Dairaku	Audit Committee	
Director	Toyoaki Nakamura	Nominating Committee Compensation Committee	Director, Hitachi, Ltd. Chairperson of the Board, Hitachi Metals, Ltd.
Director	Hideyo Hayakawa	Nominating Committee Compensation Committee	
Director	Hiromichi Toda	Nominating Committee Audit Committee Compensation Committee	
Director	Yuji Nishimi	Nomination Committee Audit Committee Compensation Committee	

Notes:
1. Directors Hideyo Hayakawa, Hiromichi Toda and Yuji Nishimi are outside directors set forth in Article 2, Item 15 of the Companies Act.
2. Director Masahiro Miyazaki also serves concurrently as Executive Officer.
3. The Company has concluded, with Directors Masao Hisada, Yoshikazu Dairaku, Toyoaki Nakamura, Hideyo Hayakawa, Hiromichi Toda and Yuji Nishimi, a limited liability agreement that limits the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, under the provision of paragraph 2 of Article 23 of the Articles of Incorporation.
4. Director Yoshikazu Dairaku is a full-time member of the Audit Committee. The reason for the Company to have appointed a full-time member of the Audit Committee is to enhance the effectiveness of audit conducted by the Audit Committee by attending important meetings, collecting information continuously from relevant sections and sharing information at the Audit Committee as well as by promoting close collaboration with the Internal Auditing Division.
5. Directors Hideyo Hayakawa, Hiromichi Toda and Yuji Nishimi are registered as independent directors with the Tokyo Stock Exchange, Inc.

[Executive Officers] (As of March 31, 2017)

Position	Name	Responsibilities
Representative Executive Officer, President, Chief Executive Officer	Masahiro Miyazaki	Overall management execution
Representative Executive Officer, Senior Vice President and Executive Officer	Toshiyuki Ikeda	Science & Medical Systems, Services, Export Control
Senior Vice President and Executive Officer	Katsutaka Kimura	Electronic Device Systems, R&D, Intellectual Property, New Business Creation, CTO (*1)
Senior Vice President and Executive Officer	Syunichi Uno	Accounting and Finance, Trade Compliance Management, Internal Control, Compliance & Risk Management, CFO (*2), CRO(*3)
Vice President and Executive Officer	Shinji Sato	Corporate Planning, Marketing & Sales Strategy, Group Company Management, CSO (*4), CMO (*5)
Vice President and Executive Officer	Ryuichi Nakashima	IT Strategy, Smart Transformation Project Promotion, IR, CIO(*6), CTrO (*7)
Vice President and Executive Officer	Junichi Hashimoto	Advanced Industrial Products
Vice President and Executive Officer	Joji Honda	Corporate Manufacturing, Procurement, Quality Assurance
Executive Officer	Hirohide Omoto	Electronic Device Systems
Executive Officer	Hiroshi Tajima	Industrial Systems
Executive Officer	Tsutomu Okada	Science & Medical Systems
Executive Officer	Futoshi Ishiwa	Electronic Device Systems
Executive Officer	Akihiro Imanishi	Advanced Industrial Products
Executive Officer	Shinji Sakurai	Operation Audit
Executive Officer	Hisashi Horikoshi	Human Resources, CSR & Corporate Communications, Legal, Environmental Management, CHRO(*8)

Notes: 1. The above Executive Officers were nominated at the meetings of the Board of Directors held on February 25, 2016, and appointed on April 1, 2016.
2. Executive Officer Masahiro Miyazaki concurrently serves as Director.
3. The following Executive Officers concurrently serve as representatives of the Company's subsidiaries
Katsutaka Kimura, Chairman of the Board and Representative Director, Hitachi High Technologies America, Inc.
Joji Honda, Chairman, Hitachi Instrument (Suzhou), Ltd.
Tsutomu Okada, President, Hitachi High-Tech Science Corporation
Akihiro Imanishi, Chairman of the Board and Representative Director, Hitachi High-Tech AW Cryo, Inc.

(*1) CTO: Chief Technology Officer
(*2) CFO: Chief Financial Officer
(*3) CRO: Chief Risk management Officer
(*4) CSO: Chief Strategy Officer
(*5) CMO: Chief Marketing Officer
(*6) CIO: Chief Information Officer
(*7) CTrO: Chief Transformation Officer
(*8) CHRO: Chief Human Resources Officer

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

The Company changed its Executive Officers on April 1, 2017. The new lineup of Executive Officers is as follows.

(As of April 1, 2017)

Position	Name	Responsibilities	Reason for Selection
Representative Executive Officer, President, Chief Executive Officer	Masahiro Miyazaki	Overall management execution	During the fiscal year under review, they have performed their duties in a manner that satisfied the requirements set out in the Executive Officer Selection Policy. Therefore, they were reappointed as Executive Officers.
Representative Executive Officer, Senior Vice President and Executive Officer	Toshiyuki Ikeda	Science & Medical Systems, Services, Export Control	
Senior Vice President and Executive Officer	Katsutaka Kimura	Electronic Device Systems, R&D, Intellectual Property, New Business Creation, CTO	
Senior Vice President and Executive Officer	Syunichi Uno	Accounting and Finance, Trade Compliance Management, CFO	
Vice President and Executive Officer	Shinji Sato	Corporate Planning & Planning, Marketing & Sales Strategy, Group Company Management, CSO and CMO	
Vice President and Executive Officer	Junichi Hashimoto	Advanced Industrial Products	
Vice President and Executive Officer	Joji Honda	Corporate Manufacturing, Procurement, Quality Assurance	
Vice President and Executive Officer	Hisashi Horikoshi	Human Resources, CSR, Corporate Communications, Legal, Environment, Internal Control, Compliance & Risk Management, CHRO and CRO	
Executive Officer	Hiroshi Tajima	Industrial Systems	
Executive Officer	Futoshi Ishiwa	Electronic Device Systems	
Executive Officer	Akihiro Imanishi	Advanced Industrial Products	
Executive Officer	Shinji Sakurai	It Strategies, Smart Transformation Promotion, IR, CIO and CTrO	
Executive Officer	Takashi Iizumi	Industrial Systems	Mr. Iizumi rendered distinguished service in designing and developing CD-Measurement SEM and has abundant experience in creating new business and developing business strategies for science & medical systems. He also worked positively and valiantly as Representative Director, President of Hitachi High-Tech Solutions Corporation to deal with management issues and showed strong leadership. Therefore, we considered that he satisfies the requirements set out in the Executive Officer Selection Policy and was appointed as Executive Officer.

Position	Name	Responsibilities	Reason for Selection
Executive Officer	Sukehiro Ito	Science & Medical Systems	Mr. Ito rendered distinguished service in designing and developing electron microscopes and has abundant experience as a leader. He also focuses on creating an open relationship with outside parties by, for example, introducing in a positive manner open innovations through collaboration with partner companies. Therefore, we consider that he satisfies the requirements set out in the Executive Officer Selection Policy and was appointed as Executive Officer.
Executive Officer	Mikio Takagi	Science & Medical Systems	Mr. Takagi rendered distinguished service in sales of electron microscopes and general-purpose analyzers and has a wide variety of business experience accumulated by working at several branches in Japan and serving as Director of Hitachi High-Technologies Europe GmbH. Therefore, we consider that he satisfies the requirements set out in the Executive Officer Selection Policy and was appointed as Executive Officer.

(Executive Officer Selection Policy)

The Company selects individuals who satisfy the following requirements to ensure that they are capable of fulfilling their roles and responsibilities.

1) An individual who has excellent personality, perception and leadership as well as high ability to make proper management decisions.

2) An individual with necessary knowledge, experience and ability in a balanced manner who has extensive experience in various fields and made outstanding achievement.

3) An individual who is willing to work valiantly to deal with overall management issues to resolve such issues.

4) An individual who has flexible understanding of different business fields and different cultures and is willing to utilize human resources with different cultural backgrounds.

5) An individual with high ethics who performs duties in compliance with laws and regulations.

(2) Matters Concerning Outside Directors

[Major Activities of Outside Directors]

Name	Major Activities
Hideyo Hayakawa	Mr. Hayakawa has attended all 14 meetings of the Board of Directors held in the fiscal year under review, and based on his extensive knowledge and experience in business administration as well as his extensive knowledge and experience in the field of legal works, has been expressing opinions based on his awareness of legality, corporate governance, as well as opinions from the perspective of general shareholders.
Hiromichi Toda	Mr. Toda attended all 14 meetings of the Board of Directors as well as 14 meetings of the Audit Committee held in the fiscal year under review, and has been expressing opinions based on his extensive knowledge and experience in overall corporate management and technical field, as well as opinions from the perspective of general shareholders.
Yuji Nishimi	Mr. Nishimi attended all 14 meetings of the Board of Directors and all 14 meetings of the Audit Committee held in the fiscal year under review, and has been expressing opinions based on his extensive knowledge and experience in overall corporate management and advanced industry field, as well as opinions from the perspective of general shareholders.

(3) Compensation for Directors and Executive Officers

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

The policy on the determination of details of compensation to be received by each Director and Executive Officer 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.

1) Monthly salary

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.

2) Year-end allowance

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.

3) Other

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.

When a Director concurrently serves as an Executive Officer, he/she will be paid compensation either as a Director or an Executive Officer depending on his/her primary duties.

(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.

1) Level of standard annual salary

The level of standard annual salary (monthly salary and performance-linked component) will be fixed on a position-by-position basis based on the scale and scope of business of the Company (including the Group companies), ability expected of and responsibilities and risks to be assumed by the Executive Officer in consideration of general standards.

2) Monthly salary

Monthly salary will be a fixed amount on a position-by-position basis, which shall be the balance of standard annual salary after subtracting standard bonuses, divided by the number of months.

3) Performance-linked component

The performance-linked component will be set based on the standard bonus which shall be the performance-linked component payable when the standard target is achieved, and will be adjusted depending on the level of achievement of the target. The evaluation will be made based on the combination of business performance of the entire company, performance of the segment and achievement of the Executive Officer's individual target.

4) Other

As a nonmonetary reward, Executive Officers in a position (with a duty) that has a major impact on management and execution of operations 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.

For Executive Officers appointed from outside, the structure and amount of compensation that is best suited for each Executive Officer will be individually set with reference to the aforementioned policies in consideration of background of appointment the Executive Officer, mission and the general level of compensation in the area where the Executive Offer works in a comprehensive manner.

When an Executive Officer concurrently serves as a Director, he/she will be paid compensation either as a Director or an Executive Officer depending on his/her primary duties.

[Amount of Compensation to Directors and Executive Officers] **(FY2016)**

	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	7	115	6	15	130
Outside Directors	4	37	3	4	41
Executive Officers	15	237	15	309	546

Notes: 1. The number of Directors and the amount do not include Directors who concurrently serve as Executive Officer.
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 97th Ordinary General Meeting of Shareholders of the Company held on June 24, 2016.
3. The amount of Monthly Salary for Outside Directors in the above table includes the monthly salary paid to one Director who served as Outside Director until the close of the 97th Ordinary General Meeting of Shareholders of the Company held on June 24, 2016 for a period he served as Outside Director.

[Amount of Compensation, etc. received by Outside Directors as Officers from the Parent Company, etc. of the Company in Fiscal Year ended March 31, 2017]

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 JPY57 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, 2017: JPY 70 million

2) Total amount of cash and other financial benefits payable by the Company and its subsidiaries: JPY 88 million

Notes 1. After confirming and examining the contents of the audit plan, the status of work performance in accounting audit, record of audit plans in the previous years and other facts related to the accounting auditor, the Audit Committee determined that compensation, etc. for the accounting auditor was appropriate for the accounting auditor to carry out proper audits and thus agreed to the amount of compensation, etc. for the accounting auditor.

2. 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 Companies Act 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.

3. Among the Company's major subsidiaries (referred to in "1. Information on Current State of Hitachi High-Technologies Group (8) 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 Companies Act 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 Companies Act 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.

(4) Business suspension order received by the accounting auditor in the past two years
Outline of disposition published on December 22, 2015 by the Financial Services Agency

1) The firm subjected to the order

   Ernst & Young ShinNihon LLC

2) Description of sanction
   - Suspension of business preventing the firm from taking on new business contracts 3 months (from January 1, 2016 to March 31, 2016)
   - Business improvement order (improvement of business management system)

3) Reasons for sanction
   - In the conduct of audit concerning financial statements for the period ended March 2010, March 2012 and March 2013 of TOSHIBA CORPORATION, the certified public accountant of the audit firm failed to exercise due care and certified that the financial statements containing material misstatement contained no material misstatement.
   - The audit firm was found to have been operating its business in a significantly unreasonable manner.

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 aims at a 30% dividend payout ratio and endeavors to pay stable dividends in consideration of the balance with retained earnings.

In the fiscal year ended March 31, 2017, the Company, taking into account various circumstances including the financial results for the year, has decided that the year-end dividend be JPY45 per share, resulting in an annual dividend of JPY 35 per share including the interim dividend of JPY 80 per share, which has already been paid.

Retained earnings will be utilized for promoting the development of new businesses and new technologies, securing and expanding trade rights, and 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

Item	Outline of details of the Resolution
1. System related to storage and management of information associated with execution of duties by Executive Officers of the Company	(1) Approval documents 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 and other related rules.
2. Provisions related to management of risk of loss and other systems of the Company	(1) The Company shall establish Risk Management Regulations, and develop a system to properly identify and manage risks. (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, determine the division in charge of the risks in consideration of their attributes, and develop a framework for dealing with such risks at each Committee and each division. (3) The CRO shall be responsible for communicating information in a speedy and appropriate manner in the event of an emergency and setting up an emergency task force.
3. System to ensure efficient execution of duties by Executive Officers of the Company	(1) When making important decisions, Executive Officers shall engage in deliberations at the Executive Committee, in accordance with the Executive Committee Regulations. (2) The Company shall check and improve the business promotion status through management control processes. (3) The Internal Auditing Division shall conduct internal audits to verify the effective utilization of management resources, and the results shall be reported to the Executive Committee to reflect them on the execution of business. (4) Members of the Audit Committee shall attend important internal meetings as observers, in addition to conducting investigation or physical inspection including subsidiaries, collect information necessary for investigation or physical inspection and provide advice from the viewpoint of management efficiency where necessary.

Item	Outline of details of the Resolution
4. System to ensure that the execution of duties by Executive Officers and Employees of the Company conforms to laws and regulations and the Articles of Incorporation	(1) Strict observance of the law shall be the premise of all corporate activities in accordance with the “Corporate Vision” and “Code of Corporate Conduct”, and these rules shall be made available for perusal at all times. (2) The Company shall establish an Internal Control Management Committee, which will be chaired by the CRO, that oversees compliance and group-wide risks, and reinforce compliance with laws and regulations by the executive officers and employees. In addition, the Internal Control Management Committee, by conducting training that takes into account the attributes of the organization, shall operate the “Priority management division system,” to the end of preventing violations of laws, regulations and internal rules, and the recurrence thereof. (3) The Company shall establish a Compliance Committee, which will be chaired by the Officer in Charge of Compliance and Risk Management. In addition, the Company shall appoint a person in charge of compliance for each Business Group and Branch Office to enhance and promote the compliance system. (4) In-house workshops shall be periodically held by divisions in charge of legal affairs. (5) 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, and report the results to the Executive Committee and provide feedback to the relevant parties to reflect the same in the execution of their duties. (6) Information shall be gathered and investigation shall be conducted based on the internal reporting system.

Item	Outline of details of the Resolution
5. System to ensure the appropriateness of business operations within the corporate group comprising the stock company, its parent company and subsidiaries	(1) Arrangement with parent company In terms of transactions with the parent company, checks shall be conducted by not only sales divisions but multiple divisions. In addition, these transactions shall be audited by the parent company and proper feedback concerning the audit results shall be received. (2) Management system of subsidiaries 1) The Company shall periodically receive reports on the execution of operations and financial position. Material actions of its subsidiaries shall also be subject to deliberation by or reporting to the Company in accordance with the Company's internal rules including Approval Regulations. Furthermore, the Company shall check the progress of its subsidiaries' businesses through medium-term business plans, annual budgets and other means and make improvements. 2) The Internal Auditing Division shall periodically conduct audits on the subsidiaries. 3) The Audit Committee shall periodically conduct audits on the subsidiaries. 4) The Internal Control Management Committee shall establish a risk management structure including subsidiaries and the "Priority management division system" shall be operated including subsidiaries in its scope. 5) Information shall be gathered and investigation shall be conducted based on the internal reporting system, which will include the subsidiaries. 6) The Company shall thoroughly enforce the strict observance of the law by conducting education by such means as holding workshops at each job rank and compliance training. Additionally, the Company shall appoint a person in charge of compliance at each subsidiary. 7) The "Hitachi High-Technologies Group Code of Conduct" to be applied to the Group shall be established, and corporate activities shall be conducted that are rooted in corporate ethics and compliance, in line with "ethics and integrity."
6. Matters concerning Directors and employees who assist the duties of the Audit Committee of the Company	(1) The Company shall establish a Board of Directors Office and appoint Audit Committee staff, who will belong to the Board of Directors Office. The Audit Committee staff shall 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 and assurance of effectiveness of instructions given to said employees	(1) The Audit Committee shall receive a report on personnel reshuffling regarding the Audit Committee staff, in advance. If an Audit Committee staff is to be disciplined, the Executive Officer in charge of Human Resources and General Affairs shall obtain approval from the Audit Committee in advance. (2) An Audit Committee staff shall not serve concurrently as an employee of another division and shall only follow the orders of the Audit Committee.

Item	Outline of details of the Resolution
8. System concerning reporting to the Audit Committee of the Company and system to ensure that reporting to the Audit Committee will not be subject to disadvantageous treatment	(1) Agenda items of the Company and subsidiaries put forward for deliberation or reported at meetings of the Executive Committee shall be reported to members of the Audit Committee without delay. Results of internal audits conducted by the Internal Auditing Division on the Company and subsidiaries shall be reported without delay to members of the Audit Committee. (2) The status of reporting, through the internal reporting systems of the Company and subsidiaries, especially matters of particular importance, shall be reported to members of the Audit Committee. (3) When a report on the execution of operations of the Company or subsidiaries is requested by members of the Audit Committee, or there is a risk of occurrence of a material deficiency at the Company or subsidiaries, a report shall be made promptly to members of the Audit Committee. (4) Persons who have made reports described in (1) and (3) above shall not be subject to disadvantageous treatment on the grounds of having made such reports.
9. Matters relating to the policy regarding the handling of expenses or debts resulting from the execution of the duties of members of the Audit Committee of the Company, including procedures for the advance payment or indemnification of expenses, etc.	(1) When advance payment of expenses or other payment is requested by members of the Audit Committee, the Company shall promptly process the expense or debt except for cases that the expense is obviously deemed unnecessary for the execution of duties by the member of the Audit Committee in question.
10. Other systems to ensure that audits by the Audit Committee are effectively implemented	(1) The Audit Committee shall utilize the Internal Auditing Division in charge of internal audits and the accounting auditor as necessary, such as entrusting them with some audit matters and receiving reports on the results of the audits, and conduct audits through collaborative efforts. (2) The results of audits conducted by the Audit Committee and the Internal Auditing Division shall be reported to the Board of Directors and feedback shall be provided.

Note: The above represents the outline of details of the resolutions of the meeting of the Board of Directors held on April 27, 2015.

7. Status of Operation of Structures and Other Things to Ensure Adequacy of Business Operations

Item	Outline of status of operation
1. System related to storage and management of information associated with execution of duties by Executive Officers of the Company	The Company has been handling documents including approval documents in an appropriate manner based on the storage period stipulated in the Document Storage Rules. In addition, it has been confirmed through the internal audit that electronic information has been properly stored and discarded.
2. Provisions related to management of risk of loss and other systems of the Company	(1) The Company has been managing risks associated with business activities of the Group by properly operating the approval system based on the deliberations at the Executive Committee and in accordance with the Board of Directors Regulations, Approval Standards and other applicable rules and regulations, (2) To comply with laws and regulations related to anti-bribery, anti-monopoly and prevention of antisocial transactions and to manage risks associated with labor, intellectual property, import and export, procurement, sales, information security, financial reporting, environment, quality, safety and other matters, each section responsible for relevant risks has been taking measures including the establishment of rules and standards in accordance with the “Risk Management Regulations” as needed. Furthermore, the “Risk Management Department” which assists CRO and is responsible for the overall risk management of the Group was established in October 2016 to enhance the management of operational risks for the entire Group and to assist implementation of measures. (3) Measures to deal with emergency situations, such as establishing a Task Force led by CRO when needed and investigating into the cause and taking recurrence prevention measures at the time of emergency, are in place. (4) In response to the Supervisory Disposition under the Construction Business Act in January 2016, the Company has been making efforts to continuously inform employees and officers about the matters to be complied with by the Group under the Construction Business Act and to raise awareness about legal compliance, and continuously implementing management measures. For example, as some of the recurrence prevention measures, the Construction Control Center and Construction Safety Management Committee have been established and regular training in relation to the Construction Business Act has been provided.

3. System to ensure efficient execution of duties by Executive Officers of the Company	(1) As for the status of holding of important meetings, the Executive Committee meetings were held 24 times and important matters related to the Group have been deliberated and decision on approval has been made by the President and Chief Executive Officer. (2) To check the progress of operations, monthly business performance of the Group has been reported to the Executive Committee to follow-up on budget performance. The Company is also making efforts to realize more expedited, decisive and efficient decision-making by partially delegating approval authority of the Board of Directors to the Executive Officers in accordance with the Board of Directors Regulations and Criteria for Approval which set forth matters required to be approved by the Group. Furthermore, the Company has established the Corporate Governance Guidelines to contribute to continued growth and medium and long-term increase of corporate value and to present corporate governance framework of the Company. (3) The Internal Auditing Division conducts internal audits of the Group in accordance with the audit plan and reports the results to the Executive Committee. (4) The Audit Committee exchanges opinions with Executive Officers of the Company and carries out investigation or physical inspection of the Group. Furthermore, the full-time member of the Audit Committee attends important meetings of the Company such as the Executive Committee, obtains information necessary for investigation and physical inspection and provides advice from the perspective of management efficiency and internal control.

4. System to ensure that the execution of duties by Executive Officers and Employees of the Company conforms to laws and regulations and the Articles of Incorporation	(1) “Corporate Vision” and “Code of Corporate Conduct” are made available for perusal at all times. (2) A regular meeting of the Internal Control Management Committee has been held once in the first half and once in the second half of each fiscal year to understand the status of implementation of measures against risks the Group has through activities of sub-committees under said Committee, namely, J-SOX Committee, Compliance Committee, Information Security Committee and Environmental Committee, and necessary actions have been instructed to be taken at the meetings. In response to the Supervisory Disposition and other measures taken under the Construction Business Act, the Committee has been providing instructions on necessary measures by regularly reviewing the status of management of risks associated with breach of the Construction Business Act. (3) A regular meeting of the Compliance Committee has been held once in the first half and once in the second half of each fiscal year to deliberate, among other things, the ways to handle high priority compliance risks of the Group. Furthermore, to enhance and promote the Company's compliance system, the Company has appointed Compliance Manager and Manager at each Business Group and Branch Office and subsidiary of the Company. (4) As for the status of implementation of major training concerning compliance and other issues, the Company has been providing employees of the Group with education by such means as holding workshops concerning legal mind and compliance at each job rank and providing training concerning Antimonopoly Act, Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and Construction Business Act as well as agreements and contracts and other relevant subjects. In addition, e-learning system covering Competition Law and subjects related to anti-corruption has been implemented for officers and the management staff of the Group. (5) The Internal Auditing Division has been conducting internal audits of the Group in accordance with the audit plan, and reporting the results to the Executive Committee. (6) As an internal reporting system, the Company has established the Internal Reporting Desk to which illegal, unfair or inappropriate actions by the Group can be reported in accordance with the Compliance Internal Reporting System Regulations, and necessary investigation has been conducted and measures have been taken. The Company also has been internally publishing and informing its employees of the purpose of internal reporting system and the fact that whistle-blowers would be protected. Furthermore, the Company established the Internal Reporting Desk Independent of Management to which any breach of law and other misconduct of Directors and Executive Officers in relation to the performance of their duties can be directly reported to the Audit Committee, and the internal reporting system has been strengthened.

5. System to ensure the appropriateness of business operations within the corporate group comprising the stock company, its parent company and subsidiaries	(1) Arrangement with the parent company In terms of transactions with the parent company, checks have been conducted by not only sales divisions but also management divisions. The status of transactions with the parent company has been reported to the Executive Committee and the Board of Directors, and it has been confirmed that they did not adversely affect shareholders' common interest. (2) Subsidiary management system 1) The Company, through its Executive Committee (or the Board of Directors for actions involving an amount beyond certain threshold) has been deliberating and making decisions on the approval of important actions taken by subsidiaries such as reorganization and investment. Additionally, the Company's Internal Auditing Division has been periodically conducting audits concerning the operation in general, and its Audit Committee has been periodically conducting investigation and physical inspection of subsidiaries. 2) The Company including its subsidiaries has been making efforts to build a risk management system and to operate the important management division system, to collect information and conduct investigation through internal reporting system and to enforce the strict observance of the law by conducting education by such means as holding workshops at each job rank and compliance training. 3) The Company has established “Hitachi High-Tech Group Code of Conduct” setting out corporate ethics of the Group and principles of legal compliance and has been making efforts to continuously inform employees of this Code of Conduct through various means including training, in order to carry out fair business activities in accordance with this Code of Conduct.
6. Matters concerning Directors and employees who assist the duties of the Audit Committee of the Company	The Company has appointed two full-time staff in charge of the Audit Committee to assist the Audit Committee in their duties.
7. Matters concerning independence of Directors and employees mentioned above from Executive Officers and assurance of effectiveness of instructions given to said employees	The staff in charge of the Audit Committee are not concurrently assigned to any other position of any division and only follow the orders of the Audit Committee in carrying out their tasks.

8. System concerning reporting to the Audit Committee of the Company and system to ensure that reporting to the Audit Committee will not be subject to disadvantageous treatment	(1) The Executive Committee of the Company has been reporting the matters presented for deliberation or reported to it to the member of the Audit Committee. In addition, the results of internal audit conducted by the Internal Auditing Division have been reported by the Internal Auditing Division to the full-time member of the Audit Committee. (2) The status of internal reporting of the Group has been reported to the Internal Control Management Committee and the Compliance Committee which the full-time member of the Audit Committee attended. (3) The Company has been promptly reporting any request from the Audit Committee and possibility of occurrence of material flaw to the members of the Audit Committee. The Company has also confirmed that no disadvantageous treatment has been given to any person who made such report.
9. Matters relating to the policy regarding the handling of expenses or debts resulting from the execution of the duties of members of the Audit Committee of the Company, including procedures for the advance payment or indemnification of expenses, etc.	Upon request of payment of expenses by a member of the Audit Committee, the Company has been processing the expenses in a prompt manner.
10. Other systems to ensure that audits by the Audit Committee are effectively implemented	(1) The full-time member of the Audit Committee has been holding a meeting with the Internal Auditing Division where he/she discussed internal audit and annual plan, received explanation about audit policy, provided instructions concerning material audit items and also received audit results. (2) A member of the Audit Committee has been periodically holding a meeting with the accounting auditor and receiving accounting audit plan and accounting audit status report and also exchanging opinions on the important audit issues. (3) Members of the Audit Committee have been reporting the status of performance of duties of the Committee including audit results to the Board of Directors. After being reported to the Board of Directors, the audit reports have been reported by the President and Chief Executive Officer to the Executive Committee to reflect the results on the execution of business.

(Reference) Outline of Analysis, Assessment and Result of Assessment of Effectiveness of the Board of Directors as a Whole

Starting from FY2015, the Company started to assess the effectiveness of the Board of Directors as a whole to make continuous improvement of its functions and effectiveness by repeating PDCA Cycle by which issues are analyzed from the assessment result and the result of analysis is utilized for the improvement.

1. Details of Assessment conducted in FY2016
   (1) Persons subject to assessment: All seven Directors of the Company who were elected at the 97th Ordinary General Meeting of Shareholders held on June 24, 2016 and assumed the position
   (2) Period of assessment: From October 2016 to January 2017
   (3) Outline of assessment process: After conducting a questionnaire survey, each Director was interviewed by the Secretariat of the Board of Directors to confirm the intent, background, etc. of his/her responses. The result of assessment and improvement policy were discussed at a meeting of the Board of Directors held on December 26, 2016 and January 27, 2017.
   (4) Items in Questionnaire: Questions including "Structure of the Board of Directors," "Role and Responsibilities of the Board of Directors," "Operation of the Board of Directors" and "Relationship with Investors and Shareholders," and Comments section for free comments.

2. Results of Analysis of FY2016 Assessment and Efforts for Improvement of Effectiveness

The result of assessment was that the Board of Directors has performed its functions in a proper manner as to the functions pointed out as those in need of improvement in FY2015 (including focusing on important management issues through a review of matters to be discussed by the Board of Directors and improving the method to provide information to Directors), and that the Board of Directors was functioning effectively as a whole. However, as the need of further improvement was identified primarily as to the following points, a policy for the improvement of effectiveness will be established to continuously improve functions and effectiveness of the Board of Directors as a whole:

   (1) Ensure diversity of the Board of Directors as to its composition
   It came to the conclusion that further diversity needs to be ensured as to the composition of the Board of Directors, and the Nomination Committee will review this issue.
   (2) Enhance monitoring of operational risks
   With the awareness that as the management environment is changing at a faster speed and has become more and more globalized in recent years, monitoring operational risks is extremely important, matters to be reviewed by the Board of Directors have been further enhanced. Furthermore, particularly for business investment, the Board of Directors will verify investment risks in advance and strengthen monitoring after investment.
   (3) Enhance discussions on long-term strategies
   The Board of Directors will provide Executive Officers with opportunities to discuss long-term strategies at a meeting of the Board of Directors to enhance discussions on long-term strategies of the entire Company.

Consolidated Financial Statements

Consolidated statement of financial position

	Fiscal 2016 (As of March 31, 2017)	Fiscal 2015 (As of March 31, 2016)
Assets	(Millions of yen)	
Current assets		
Cash and cash equivalent	189,783	169,375
Trade receivables	146,566	134,583
Investments in securities and other financial assets	31,405	6,366
Inventories	100,851	93,306
Income taxes receivable	452	2,299
Other current assets	4,109	5,460
Subtotal	473,165	411,388
Assets held for sale	-	383
Total current assets	**473,165**	**411,771**
Non-current assets		
Property, plant and equipment	70,806	70,752
Intangible assets	7,897	10,330
Investments accounted for using the equity method	383	323
Trade receivables	994	966
Investments in Securities and other financial assets	10,487	13,977
Deferred tax assets	22,805	21,761
Other non-current assets	1,213	1,152
Total non-current assets	**114,585**	**119,261**
Total assets	**587,751**	**531,032**

	Fiscal 2016 (As of March 31, 2017)	Fiscal 2015 (As of March 31, 2016)
Liabilities	(Millions of yen)	
Current liabilities		
Trade payables	121,342	109,975
Other financial liabilities	17,202	16,494
Income tax payable	13,899	1,149
Accrued expenses	24,437	21,591
Advances received	18,549	15,486
Provisions	1,640	1,812
Other current liabilities	1,631	1,190
Total current liabilities	**198,700**	**167,697**
Non-current liabilities		
Other financial liabilities	3,478	7,038
Retirement and severance benefits	26,106	33,067
Provisions	1,488	1,467
Deferred tax liabilities	21	87
Other non-current liabilities	752	623
Total non-current liabilities	**31,846**	**42,282**
Total liabilities	**230,546**	**209,979**
Equity		
Hitachi High-Technologies Corporations stockholders' equity		
Common stock	7,938	7,938
Capital surplus	35,662	35,662
Retained earnings	303,136	267,903
Accumulated other comprehensive income	10,532	9,636
Treasury stock, at cost	(356)	(349)
Total Hitachi High-Technologies Corporations stockholders' equity	**356,913**	**320,790**
Non-controlling interests	**292**	**264**
Total equity	**357,205**	**321,054**
Total liabilities and equity	**587,751**	**531,032**

Consolidated Statements of Profit or Loss

	FY 2016 (As of March 31, 2017)	FY 2015 (As of March 31, 2016)
	(Millions of yen)	
Revenues	644,545	628,984
Cost of sales	(489,780)	(487,993)
Gross profit	**154,765**	**140,991**
Selling, general and administrative expenses	(97,493)	(93,945)
Other income	680	4,969
Other expenses	(4,845)	(2,660)
Operating profit	**53,107**	**49,356**
Financial income	664	312
Financial expenses	(276)	(1,510)
Share of profits of investments accounted for using the equity method	141	51
EBIT(Earnings before interest and taxes)	**53,636**	**48,209**
Interest income	326	409
Interest charges	(43)	(52)
Income before income taxes	**53,918**	**48,566**
Income taxes	(13,755)	(12,575)
Net income	**40,164**	**35,991**
Net income attributable to:		
Hitachi High-Technologies Corporation stockholders	40,170	35,989
Non-controlling interests	(6)	1
Total	**40,164**	**35,991**

Unconsolidated Financial Statements
Unconsolidated Balance Sheets

	Fiscal 2016 (As of March 31, 2017)	Fiscal 2015 (As of March 31, 2016)
	(Millions of yen)	
Assets		
Current assets	**380,765**	**323,725**
Cash and deposits	3,394	2,586
Notes receivable	2,251	2,220
Electronically recorded monetary claims-operating	6,473	4,615
Accounts receivable	93,836	88,044
Merchandise and finished goods	22,579	21,197
Work in process	38,162	35,328
Raw materials	3,781	3,080
Advances paid	2,213	4,020
Prepaid expenses	74	30
Deferred tax assets	5,650	3,966
Short-term loan receivables	17,455	15,895
Deposit to Hitachi Group cash management fund	178,632	136,451
Other	11,069	11,613
Allowance for doubtful receivables	(4,805)	(5,319)
Fixed assets	**88,853**	**95,458**
Property, plant and equipment	**54,168**	**53,458**
Buildings	22,718	22,108
Structures	637	674
Machinery and equipment	6,361	6,423
Vehicles	66	79
Tools, furniture & fixtures	7,120	6,683
Land	15,486	16,288
Construction in progress	1,779	1,202
Intangible assets	**3,766**	**3,768**
Patents	6	5
Software	3,740	3,735
Other	20	29
Investments and others	**30,919**	**38,231**
Investments in securities	6,949	10,657
Affiliated companies' common stock	10,210	15,510
Investments in companies	130	81
Investments in affiliated companies	3,138	2,385
Long-term loan receivables	367	225
Long-term loan receivables to employees	10	16
Past-due operating claims	102	110
Long-term prepaid expenses	4,207	4,945
Deferred tax assets	4,258	2,772
Other	1,832	1,822
Allowance for doubtful receivables	(284)	(292)
Total assets	**469,617**	**419,183**

	Fiscal 2016 (As of March 31, 2017)	Fiscal 2015 (As of March 31, 2016)
	(Millions of yen)	
Liabilities		
Current liabilities	**175,276**	**142,791**
Electronically recorded obligations	4,592	542
Accounts payable	83,694	77,110
Other accounts payable	9,615	9,165
Accrued expenses	13,699	11,706
Income taxes	13,171	345
Advances received	10,440	8,427
Deposits received	39,187	34,854
Current portion of guarantee deposits received	641	616
Other	236	26
Long-term liabilities	**12,357**	**14,198**
Deferred tax liabilities for land revaluation	44	44
Accrued pension liability	9,512	9,336
Asset retirement obligations	492	421
Other	2,309	4,398
Total liabilities	**187,633**	**156,989**
Net assets		
Shareholders' equity	**277,922**	**255,053**
Common stock	**7,938**	**7,938**
Capital surplus	**35,745**	**35,745**
Capital reserve	35,723	35,723
Others	21	21
Retained earnings	**234,594**	**211,719**
Earned surplus reserve	1,385	1,385
Others	233,210	210,335
Reserve for advanced depreciation of fixed assets	1,234	1,307
General reserve	194,495	174,295
Retained earnings brought forward	37,481	34,733
Treasury stock	**(356)**	**(349)**
Valuation and translation adjustments	**4,063**	**7,141**
Unrealized holding gains on securities	**3,983**	**6,512**
Deferred profit or loss on hedges	**(55)**	**495**
Revaluation reserve for land	**134**	**134**
Total net assets	**281,985**	**262,194**
Total liabilities and net assets	**469,617**	**419,183**

Unconsolidated Statements of Income

	FY 2016 (As of March 31, 2017)	FY 2015 (As of March 31, 2016)
	(Millions of yen)	
Net sales	**419,560**	**387,911**
Cost of sales	319,271	302,426
Gross profit	**100,288**	**85,485**
Selling, general and administrative expenses	60,577	57,287
Operating income	**39,712**	**28,198**
Other income	**5,230**	**9,252**
Interest income	220	354
Interest income on securities	-	23
Dividends income	3,510	8,060
Reversal of allowance for doubtful accounts for affiliated companies	438	527
Foreign exchange gains	746	-
Other	316	288
Other deductions	**916**	**1,675**
Interest expenses	302	250
Foreign exchange losses	-	951
Loss on disposal of property, plant and equipment	566	173
Other	48	300
Ordinary income	**44,025**	**35,775**
Extraordinary gain	**8,100**	**1,693**
Gain on sales of investments in securities	7,779	93
Gain on sales of property, plant and equipment	321	386
Gain on transfer of retirement benefit program	-	647
Gain on extinguishment of tie-in shares	-	568
Extraordinary loss	**7,395**	**870**
Loss on devaluation of shares of affiliated companies	5,380	-
Impairment losses	1,790	102
Loss on devaluation of investments in securities	225	214
Loss on debt waiver of affiliated companies	-	546
Loss on sales of investments in securities	-	9
Income before income taxes	**44,730**	**36,598**
Income taxes-current	13,348	2,984
Income taxes-deferred	(1,808)	3,273
Net income	**33,190**	**30,341**

Audit Report

Transcript of Accounting Auditors' Audit Report on Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

May 15, 2017

To Mr. Masahiro Miyazaki, President and Chief Executive Officer
Hitachi High-Technologies Corporation

Ernst & Young ShinNihon LLC
Limited Liability Shitei Shain
Gyomu Shikko Shain CPA Takayuki Ozaki
Limited Liability Shitei Shain
Gyomu Shikko Shain CPA Takahiro Saga

We have audited the consolidated statements, which comprise the consolidated statement of financial position, the consolidated statements of profit or loss, the consolidated statements of changes in equity, and the notes to the consolidated financial statements of Hitachi High-Technologies Corporation for the business year (from April 1, 2016 to March 31, 2017) for the purpose of reporting under Article 444, Paragraph 4 of the Companies Act.

Management's Responsibility for Consolidated Financial Statements

Management is responsible for the preparation and proper presentation of consolidated financial statements in accordance with the second sentence of Article 120, paragraph 1 of the Ordinance on Accounting of Companies permitting consolidated financial statements to be prepared by omitting some of the items required to be disclosed by the international accounting standards. This responsibility includes designing and operating internal controls, which management considers necessary for the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements from an independent viewpoint, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures select and apply depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the accounting policies used and the manner of their application, as well as the accounting estimates made by management, in addition to evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Opinion

In our opinion, the consolidated financial statements referred to above, which had been prepared in accordance with the second sentence of Article 120, paragraph 1 of the Ordinance on Accounting of Companies permitting consolidated financial statements to be prepared by omitting some of the items required to be disclosed by the international accounting standards, 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.

Relationship of Interest

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

Transcript of Accounting Auditors' Audit Report on Unconsolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

May 15, 2017

To Mr. Masahiro Miyazaki, President and Chief Executive Officer
Hitachi High-Technologies Corporation

Ernst & Young ShinNihon LLC
Limited Liability Shitei Shain
Gyomu Shikko Shain CPA Takayuki Ozaki
Limited Liability Shitei Shain
Gyomu Shikko Shain CPA Takahiro Saga

We have audited the unconsolidated financial statements, which comprise 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 annexed detailed statements of Hitachi High-Technologies Corporation for the 98th business term (from April 1, 2016 to March 31, 2017) pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act.

Management's Responsibility for Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of unconsolidated financial statements and their annexed detailed statements in accordance with generally accepted accounting standards in Japan. This responsibility includes designing and operating internal controls, which management considers necessary for the preparation and fair presentation of unconsolidated financial statements and their annexed detailed statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements and their annexed detailed statements from an independent viewpoint, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the unconsolidated financial statements and their annexed detailed statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements and their annexed detailed statements. The procedures select and apply depend on the auditors' judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements and their annexed detailed statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the unconsolidated financial statements and their annexed detailed statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the accounting policies used and the manner of their application, as well as the accounting estimates made by management, in addition to evaluating the overall presentation of the unconsolidated financial statements and their annexed detailed statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Opinion

In our opinion, the unconsolidated financial statements and their annexed detailed statements 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 annexed detailed statements based on the corporate accounting standards generally accepted in Japan.

Relationship of Interest

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

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 98th business term (from April 1, 2016 to March 31, 2017). We hereby report as follows on the method and results thereof:

1. Method and Contents 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 Companies Act, and the structure and the status of operation of the systems (internal control systems) established thereunder, confirmed the contents of such reports, requested explanations, and conducted exchanges of opinions, as necessary.

(2) We conducted the following activities in collaboration with relevant departments in accordance with the audit policy, audit plan, and other relevant matters, as determined by the Audit Committee.

1) We attended important 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 communicated and exchanged information with Directors, Company Auditors and other officers of subsidiaries, and 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 Accounting Auditor about the status of evaluation and audit of such internal controls, and requested explanations as necessary.

We audited the business reports and their annexed detailed statements, the consolidated financial statement (the consolidated statement of financial position, the consolidated statements of profit or loss, the consolidated statements of changes in equity, 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 annexed detailed statements 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 annexed detailed statements 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.
   As stated in the Business Report, the Company has been continuously implementing recurrence prevention measures in relation to the supervisory dispositions it received on January 13, 2016 from Kanto Regional Development Bureau, the Ministry of Land, Infrastructure, Transport and Tourism, under the Construction Business Act. The Audit Committee will continue to monitor the situation.
4) that there is nothing to note with respect to considerations made to prevent any adverse effect on the interest of the Company in carrying out transactions with the parent company, etc. as stated in the Business Report and the decisions made by the Board of Directors as to whether such transactions did not adversely affect the interest of the Company and its reasons.

(2) Results of Audit on Consolidated Financial Statements and Unconsolidated Financial Statements and Their Annexed detailed statements

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

May 19, 2017

Audit Committee, Hitachi High-Technologies Corporation

Committee member (full-time)	Yoshikazu Dairaku
Committee member	Hiromichi Toda
Committee member	Yuji Nishimi

Note: Mr. Hiromichi Toda and Mr. Yuji Nishimi are Outside Directors pursuant to Article 2, Item 15 of the Companies Act

(Translation)

Matters for Internet Disclosure of the 98th Ordinary General Meeting of Shareholders

1. Consolidated Statements of Changes in Equity
2. Notes to Consolidated Financial Statements
3. Unconsolidated Statements of Changes in Net Assets
4. Notes to Unconsolidated Financial Statements

Hitachi High-Technologies Corporation

The above documents are posted on the Company's website to provide necessary information to our shareholders in accordance with the provisions of applicable laws, regulations and the Articles of Incorporation of the Company.

Consolidated Statements of Changes in Equity

FY2016 (under review) (April 1, 2016 to March 31, 2017) (Millions of yen)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income		
				Net change in financial assets measured at fair value through other comprehensive income	Remeasurement on defined benefit plan	Exchange differences on translation of foreign operations
Balance at April 1, 2016	7,938	35,662	267,903	6,375	(1,613)	4,379
Net income			40,170			
Other comprehensive income				2,684	4,805	(653)
Comprehensive income for the year	-	-	40,170	2,684	4,805	(653)
Acquisition of treasury stock		(0)				
Cash dividends			(10,315)			
Acquisition and disposition of non-controlling interests						
Transfer to retained earnings			5,378	(5,378)		
Total amount of transactions with owners	-	(0)	(4,936)	(5,378)	-	-
Balance at March 31, 2017	7,938	35,662	303,136	3,681	3,191	3,726

	Accumulated other comprehensive income		Treasury stock	Total Hitachi High-Technologies Corporation stockholders' equity	Non-controlling interests	Total equity
	Net changes in the fair value of cash flow hedges	Total accumulated other comprehensive income				
Balance at April 1, 2016	496	9,636	(349)	320,790	264	321,054
Net income		-		40,170	(6)	40,164
Other comprehensive income	(562)	6,274		6,274	(14)	6,260
Comprehensive income for the year	(562)	6,274	-	46,444	(20)	46,424
Acquisition of treasury stock		-	(7)	(7)		(7)
Cash dividends		-		(10,315)	(20)	(10,335)
Acquisition and disposition of non-controlling interests		-		-	68	68
Transfer to retained earnings		(5,378)		-		-
Total amount of transactions with owners	-	(5,378)	(7)	(10,321)	48	(10,273)
Balance at March 31, 2017	(66)	10,532	(356)	356,913	292	357,205

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) Standards for the preparation of consolidated financial statements

Consolidated financial statements of the Company and its subsidiaries (hereinafter, the "Group") are prepared in accordance with the International Financial Reporting Standards (hereinafter, the "IFRS") under Article 120, paragraph 1 of the Accounting Calculation Rules.

However, in accordance with the provision of the second sentence of the aforementioned paragraph, some part of statements and notes required under IFRS is omitted.

(2) Scope of consolidation

Number of consolidated subsidiaries: 34

Name of companies: Hitachi High-Tech Solutions Corporation, Hitachi High-Tech Materials Corporation., Hitachi High-Tech Fielding Corporation., Hitachi High-Tech Fine Systems Corporation, Hitachi High-Tech Manufacturing & Service Corporation., Hitachi High-Tech Science Corporation, Hitachi High Technologies America, Inc., Hitachi High-Technologies Europe GmbH, Hitachi High-Technologies (Singapore) Pte. Ltd., Hitachi High-Technologies (Thailand) Ltd., Hitachi High-Technologies (Shanghai) Co., Ltd., Hitachi High-Technologies Hong Kong Limited and 22 other companies

As Hitachi High-Tech Diagnostics (Shanghai) Co., Ltd. and Hitachi High-Tech Kyushu Corporation were established on August 25, 2016 and September 1, 2016, respectively, they are included in the scope of consolidation starting from the consolidated fiscal year under review.

Alltech Steel do Brasil Ltda. is also included in the scope of consolidation starting from the consolidated fiscal year under review, as the Company acquired all the shares of the company on October 3, 2016. Alltech Steel do Brasil Ltda. changed its trade name to Hitachi High-Tech Steel do Brazil Ltda. as of the same date.

(3) Application of equity method

1) Number of affiliates accounted for by the equity method: 2

Name of company: Giesecke & Devrient K.K. and one other company

.

2) Matters to note regarding procedures for the application of the equity method

The fiscal year for Giesecke & Devrient K.K. and one other company ends on December 31. Financial statements as of March 31, 2017 that have been prepared by provisionally settling accounts in accordance with the annual closing of accounts have been used.

(4) 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: Hitachi High-Technologies (Shanghai) Co., Ltd. and 9 other companies
End of fiscal year: December 31

Consolidation procedures have been taken based on financial statements as of March 31, 2017 prepared by provisionally settling accounts in accordance with the annual closing of accounts.

(5) Accounting standards

1) Basis and method of valuation of significant assets

(i) Standards and method of valuation of financial assets

The Group has promptly adopted IFRS 9 Financial Instruments (published in November 2009 and revised in October 2010).

- Non-derivative financial assets

At the Group, the initial recognition of financial assets is made at the time they occur for those measured at amortized cost, or on the settlement day for other financial assets.

An outline of classifications and measurement model of non-derivative financial assets is as follows.

Financial assets measured at amortized cost

Financial assets that satisfy both of the following requirements are classified as financial assets measured at amortized cost.

- The objective of the Company's business model is to hold the asset to collect contractual cash flows; and
- The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
  The initial recognition of financial assets measured at amortized cost is made at the fair value added by transaction costs. Furthermore, after the initial recognition, these assets are measured at amortized cost using the effective interest method.

Impairment of financial assets measured at amortized cost

The Group considers that a financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.
Objective evidence of impairment includes prior record of bad debts, existence of delay in payment, extension of payment due date, negative assessment by outside credit rating organizations, excess of debts, deterioration of financial conditions and assessment of business performance.
The amount of impairment loss is estimated based on the present value of the financial asset, which is the estimated future cash flows of the financial asset discounted by the initial effective interest, or on the observable market price.
Furthermore, in addition to the impairment loss described above, impairment losses are recognized based on the actual rate of losses from bad debts or estimated recoverable value calculated in consideration of the past experience, etc. upon assessment of potential risks associated with the debtor, location, etc. related to the financial assets.
Impairment losses are deducted from the book value of the financial asset directly or through allowance for doubtful account, and at the same time, the losses are recognized in net losses. After this process, if the financial asset actually becomes unrecoverable, the amount of allowance for doubtful account is directly deducted from the book value of trade receivables and other receivables.

Financial assets measured at fair value for which subsequent changes are recognized as net profit or loss (hereinafter, "FVTPL")

At the Group, financial assets not classified as financial assets measured at amortized cost, which are measured at fair value and are not designated as financial assets at FVTOCI are classified as financial assets at FVTPL.
Financial assets at FVTPL are measured at fair value at the time of initial recognition, and transaction costs are recognized as net profit or loss as incurred. Furthermore, after the initial recognition, they are measured at fair value and any subsequent changes are recognized as net profit or loss.

Financial assets measured at fair value for which subsequent changes are recognized as other comprehensive income (hereinafter, "FVTOCI")

For investments in equity instruments made to create close relationship with the investee, the Group makes irrevocable election at initial recognition for each financial asset to designate a financial asset as financial asset at FVTOCI.
The initial recognition of financial asset at FVTOCI is made at the amount of fair value added by transaction costs. Furthermore, after the initial recognition, they are measured at fair value and any subsequent changes are recognized as other comprehensive income. The aggregate amount recognized as other comprehensive income is transferred to retained earnings at the time recognition of the financial asset ends. Dividends are recognized as net profit or loss.

(ii) Standards and method of valuation of inventory assets

The acquisition costs of inventory assets include cost of purchase, processing cost and all other costs occurred up to the time the inventory assets arrive at the current place and condition.
Inventory assets are measured at the lower of acquisition cost and net realizable value, and in calculating the cost, moving-average method is primarily used for merchandise, products and raw materials, and specific identification method is primarily used for goods in progress. Net realizable value is the amount calculated by subtracting estimated cost to complete and sell the goods from the estimated selling price in the ordinary course of business.

2) Standards and method of valuation and amortization method of property, plant and equipment and intangible assets

(i) Property, plant and equipment

Property, plant and equipment are measured based on the cost model under which the value is indicated by the cost of acquisition less accumulated depreciation and impairment losses.
The acquisition cost includes expenses directly related to the acquisition of the asset, demolition, removal and cost to restore to its original state.
Except land and other assets to which depreciation does not apply, each asset is depreciated by the straight-line method over the estimated useful life. The estimated useful life of each major asset is as shown below.

- Buildings and structures 2 years to 60 years
- Machineries and transportation equipment 2 year to 17 years
- Tools, equipment and fixtures 2 years to 20 years

Estimated useful life, depreciation method, etc. are reviewed at the end of each fiscal year, and if any change is made, such change is adopted for the future as changes in accounting estimation.

(ii) Intangible assets

- Goodwill

  Goodwill is indicated at the value of the acquisition cost less accumulated impairment losses. No amortization is made for goodwill.

- Intangible assets

  Intangible assets are measured based on the cost model under which the value is indicated by the cost of acquisition less accumulated depreciation and impairment losses.
  Intangible assets acquired individually are measured at the cost of acquisition at the initial recognition, and the acquisition cost of intangible assets acquired in business combination is measured at fair value as of the day of acquisition.
  Intangible assets with finite useful lives are amortized primarily based on the straight-line method over the estimated useful lives.
  No amortization is made for intangible assets with infinite useful lives. Estimated useful life of each major asset is as shown below.

Software	2 years to 5 years
Other intangible assets	5 years to 20 years

Estimated useful life, depreciation method, etc. are reviewed at the end of each fiscal year, and if any change is made, such change is adopted for the future as changes in accounting estimation.

(iii) Lease assets

Leases by which risks associated with the ownership and economic values of the assets are substantially transferred under the relevant contract are classified as finance lease.
The initial recognition of lease assets is made at the lower of fair value or the total minimum lease fee paid, and after the initial recognition, they are processed based on the accounting policy applicable to the assets.

(iv) Impairment losses

Whether or not there is any indication of impairment is judged for each asset, and if there is any indication of impairment, impairment test is conducted for the asset. Recoverable values are estimated and impairment test is conducted annually for goodwill and intangible assets with infinite useful lives, regardless of whether there is any indication of impairment.
Recoverable amount of an asset or cash-generating unit is the higher of fair value less costs for disposal and value in use. In calculating the current value in use, estimated future cash flows are discounted by using the pre-tax discount rate that reflects the time value of money and risks specific to the asset or cash-generating unit. If the book value of the asset or cash-generating unit exceeds the recoverable amount, impairment loss of the asset is recognized as net profit or loss.
If there is any indication that any impairment loss for an asset other than goodwill recognized in prior periods has decreased or no longer exists due to significant changes in the assumptions used for the calculation of recoverable amount of the asset, the recoverable amount of such asset or cash-generating unit is estimated. If the recoverable amount calculated exceeds the book value of the asset or

cash-generating unit, impairment loss is reversed as net profit or loss, up to the book value of the asset after depreciation assuming that no impairment loss had been recognized in previous years.

3) Accounting standard for significant allowances

Allowances are recognized when there are present obligations (legal or constructive) as a result of past events, and outflow of resources with economic benefits to settle the obligations is probable, and further, the amount of such obligations can be estimated reliably.

When it is expected to take a long time to settle the obligation and the time value of money is material, the amount is measured at the present value of the amount of payment estimated to be required for the settlement. In calculating the present value, pre-tax discount rate reflecting the time value of money and risks specific to the obligation is used.

The nature and amount of allowances recognized by the Group are as follows.

(i) Asset removal obligation

In preparation to perform obligation to restore plant facilities, land, etc., used by the Group to its original state and to remove harmful substances, provision for asset removal is recorded based on the estimated future payment calculated based on a third party estimate. These expenses are expected to be paid mainly after the elapse of one year, and will be affected by future business plan, etc.

(ii) Provision for product warranty expensive

To prepare for expenses associated with field services for products of the Group, the projected amount of service expenses within the warranty period is recorded based on the Company’s past records. These expenses are spent during the warranty period (mainly within 3 years).

4) Post-retirement benefit

(i) Defined benefit plan

The Company and some of its subsidiaries are operating defined benefit corporate pension plan or lump sum retirement allowance plan, or both.

The present value of defined retirement benefit obligation and relevant expenses for retirement benefit are calculated for each plan using the projected unit credit method. The discount rate is calculated by reference to market yields at the end of the reporting period on high quality corporate bonds corresponding to the discount period which is set based on the period in which the obligation to pay benefits arises each year in the future.

Liabilities or assets related to the defined benefit plan are calculated by deducting the fair value of the plan's assets from the present value of the defined benefit plan obligation.

The re-measured amount of liabilities or assets related to the defined benefit plan is recognized as other comprehensive income during the period as incurred, and is not transferred to net profit or loss after the period. The past service cost is recognized as net profit or loss during the period as incurred.

(ii) Defined contribution plan

The Company and some of its subsidiaries are operating defined contribution pension plan.

Defined contribution pension plan is a post-retirement benefit plan under which an employer pays fixed contributions into an independent entity and will have no legal or constructive obligation to pay further contributions.

Contributions to the defined contribution pension plan are recognized as net profit or loss for the period during which the employee provided relevant services.

5) Standards for translation of the amount of foreign currency denominated assets and liabilities to the amount in Japanese currency

Consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company.

(i) Foreign currency transactions

Each Group company has designated its own functional currency and transactions by each company are measured by its functional currency.

The amount of foreign currency transaction is translated to the amount in the functional currency at the exchange rate on the day of transaction or a rate similar thereto.

The amount of monetary assets and liabilities in foreign currency is translated to the amount in the functional currency at the exchange rate on the settlement day. Translation differences arising from such translation and settlement are recognized as net profit or loss. However, where profit or loss arising from assets and liabilities are recognized as other comprehensive income, translation differences arising from such assets and liabilities are recognized as other comprehensive income.

(ii) Translation of amounts in the financial statements of foreign operations

The amount of assets and liabilities of foreign operations is translated into Japanese yen at the exchange rate on the settlement date, and the amount of income and expenses is translated into Japanese yen at the average exchange rate during the term unless exchange rate during the term fluctuated significantly.

Translation differences arising from this translation of the amount in the financial statements of foreign operations are recognized as other comprehensive income. When the entire interest in a foreign operation is disposed of, or any portion of interest in a foreign operation is disposed of and thereby the company lost control or material influential power, translation differences are recognized as net profit or loss for the period during which accumulated translation differences related to such foreign operation were disposed of.

6) Derivatives and hedge accounting

The Group uses foreign exchange forward contracts to hedge cash flow fluctuation related to future foreign currency denominated transactions, and if the requirements of hedge accounting are satisfied, they are designated as cash flow hedge and initial recognition is made at fair value. After the initial recognition, they are measured at fair value, and any portion of subsequent changes that are considered to be effective hedge is recognized as other comprehensive income.

The Group has established risk management policies which expressly provide, among other things, the purpose of using derivatives and strategies. In addition, the Group makes the assessment on whether or not the derivatives are highly effective to offset impact on hedged future cash flow, at the time of start of hedging and periodically thereafter.

In cases where hedge accounting requirements are not satisfied, or hedging instruments expire, are sold, are concluded or executed, or hedge designation is cancelled, the Group suspends the application of hedge accounting. When expected transaction is no longer expected to occur, the amount recognized as other comprehensive income is immediately transferred to net income and loss.

7) Recognition of revenue

Revenue is measured at fair value of the consideration received or receivable by the Group less any discount, rebate, consumption taxes and other taxes. If there are several identifiable components in a single transaction, the transaction is divided into each component and revenue is recognized for each component. Conversely, if commercial effect cannot be understood without reference to the series of transactions as a whole, revenue is recognized upon linking the series of transactions together. Criteria for the recognition of revenue used by the Group and the method of indication are as follows.

(i) Criteria for recognition of revenue

Sale of goods

Revenue is recognized when: the significant risks and rewards of ownership of the goods are transferred to the customer; neither continuing involvement nor effective control over the goods sold is retained; the amount of cost and revenue related to the transaction can be measured reliably; and it is probable that the economic benefits associated with the transaction will flow to the company. More specifically, revenue is recognized at such time that goods are transferred to the customer, goods are loaded on a ship or acceptance inspection is conducted by the customer.

Rendering of services

Revenue arising from repair or support services associated with sale of goods, etc. is recognized at the time the service is rendered. Revenue from service contracts with fixed price such as maintenance contracts is recognized upon dividing the contract price equally during the contract term.

Construction contracts

When the outcome of construction contract can be estimated reliably, revenue is recognized according to the construction progress standards. Revenue based on the construction progress standards is calculated by multiplying the most recently estimated total sale price by the ratio of accrued cost to the most recently estimated total cost. Estimated loss of contract with fixed price is recognized as expenses at the time the loss is estimated.

If the outcome of construction contract cannot be estimated reliably, revenue is recognized according to the cost recovery standards. Revenue according to the cost recovery standards is recognized only to the extent it is probable that the costs incurred is recoverable. Costs are recognized as expenses for the period during which they occurred.

(ii) Method of indication of revenue

When the Group is involved in the transaction as a party to the transaction, revenue is indicated by the total amount of consideration received from the customer. When the Group is involved in a transaction as an agent of a third party, revenue is indicated by the service fee, which is the total amount of consideration received from the customer less the amount collected on behalf of the third party. Judgment on whether or not the Group is a party or an agent is made in consideration of, among other things, whether or not the Group has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, whether or not the Group has the inventory risk before or after the customer order, during shipping or on return and whether or not the Group bears the latitude in establishing prices, either directly or indirectly.

8) Other important matters for the preparation of consolidated financial statements

(i) Accounting for consumption tax, etc.

Consumption taxes paid by customers and paid to the tax authority on behalf of the customers are deducted from sales revenue, cost of sales and expenses.

(ii) Adoption of consolidated taxation system

The Company and its certain consolidated subsidiaries have adopted the consolidated taxation system.

3. Notes to consolidated statement of financial position

(1) Allowance for doubtful receivables deducted directly from assets

1) Current assets

Trade receivables	JPY34 million
Securities and other financial assets	JPY13 million

2) Non-current assets

Trade receivables	JPY105 million

(2) Accumulated depreciation and accumulated impairment losses of property, plant and equipment

JPY89,717 million

(3) Collateralized assets and secured liabilities

(Millions of yen)

	Consolidated fiscal year under review
Collateralized assets Securities and other financial assets	384
Corresponding obligations Trade payables	121

(Note 1) There are no collateralized assets for which the transferee has the right to sell or use as security.

(Note 2) Of the collateralized assets recorded for the consolidated fiscal year under review, a portion of securities and other financial assets in the amount of JPY347 million are measured at fair value, and the maximum amount of the guarantee is their acquisition cost in the amount of JPY421 million.

(4) Guarantees

Guarantees to employees (Housing loans)	JPY87 million

4. Notes to consolidated statements of profit or loss

(1) Other income and expenses

Breakdown of other income is as follows.

(Millions of yen)

	Consolidated fiscal year under review
Reversal of allowance for doubtful receivables	66
Gain on sale of property, plant and equipment and intangible assets	349
Other	264
Total	680

Breakdown of other expenses is as follows.

(Millions of yen)

	Consolidated fiscal year under review
Impairment losses (Note)	(4,119)
Loss on removal or sale of property, plant and equipment and intangible assets	(677)
Other	(49)
Total	(4,845)

(Note) Breakdown of impairment losses are shown in (2) Loss on impairment of assets.

(2) Loss on impairment of assets

Breakdown of assets for which impairment losses were recognized for each type of assets is as follows.

(Millions of yen)

	Consolidated fiscal year under review
Property, plant and equipment	(1,666)
Intangible assets	(2,318)
Other	(134)
Total	(4,119)

The difference between recoverable amounts and book values of buildings, land and other assets held by the entire company which did not belong to any segment was recognized as impairment loss, as their usage is outside the scope of the previously intended usage due to the decision to sale and consequently the invested amount is no longer expected to recover. The recoverable amounts of these assets were based on the appraisal values provided by a licensed real estate appraiser and were measured at the fair value after deducting estimated disposal costs.

For goodwill allocated to analysis operations that belong to the Science & Medical Systems Segment, impairment loss was recognized, as revenue that was originally projected is no longer expected. The recoverable amount of this asset was measured at the value in use. The value in use was calculated by discounting the estimated future cash flows by 6.0%.

(3) Financial income and expenses

Interest income and interest expenses relate to the financial assets and liabilities measured at amortized cost.

Breakdown of financial income excluding interest income is as follows.

(Millions of yen)

	Consolidated fiscal year under review
Dividends income	
Financial assets at FVTOCI	329
Gain on sale of financial instruments	
Financial assets at FVTPL	2
Foreign exchange gains	333
Total	664

Breakdown of financial expenses excluding interest expenses is as follows.

(Millions of yen)

	Consolidated fiscal year under review
Loss on valuation of financial instruments	
Financial assets at FVTPL	(30)
Other	(246)
Total	(276)

(4) Income tax expense

Breakdown of JPY13,755 million income tax expense is JPY15,483 million tax expense and JPY1,728 million deferred tax expense for the fiscal year under review.

5. Notes to consolidated statement of changes in equity

(1) Class and number of shares issued

(shares)

Class of shares	Total number of shares as at April 1, 2016	Increase during fiscal year ended March 31, 2017	Decrease during fiscal year ended March 31, 2017	Total number of shares as at March 31, 2017
Common stock	137,738,730	-	-	137,738,730

(2) Stock acquisition rights, etc.

Not applicable.

(3) Cash dividends

1) Total amount of cash dividends

Resolution	Class of shares	Financial source of cash dividends	Total amount of cash dividends (million yen)	Cash dividend per share (yen)	Record Date	Effective Date
Meeting of Board of Directors held on May 25, 2016	Common stock	Retained earnings	5,501	40.00	March 31, 2016	June 3, 2016
Meeting of Board of Directors held on October 27, 2016	Common stock	Retained earnings	4,814	35.00	September 30, 2016	November 30, 2016

2) Cash dividends whose record date falls in FY2016 but effective date falls in FY2017

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 24, 2017	Common stock	Retained earnings	6,189	45.00	March 31, 2017	June 2, 2017

6. Notes on financial instruments

(1) Status of financial instruments

Financial risk management policy

The Group is exposed to financial risks (credit risks, liquidity risks and market risks) in carrying out business activities, and to avoid or mitigate such risks, the Group is conducting risk management in accordance with certain policies.

The Group also utilizes derivative transactions mainly to mitigate the risk of changes in cash flow due to foreign currency fluctuations. It is the Group's policy not to enter into speculative derivative transactions.

1) Credit risk management

Trade receivables arising from the Group's business activities are exposed to customer credit risks. Bonds held for the purpose of investment of surplus funds and stocks and other securities held for policy objectives are also exposed to issuer credit risks. Furthermore, forward exchange transactions the Group enters into to hedge the risk of foreign exchange fluctuations are exposed to credit risk of financial institutions which are the counterparty to the transactions.

As for customer credit risks, the Group determines the appropriateness of entering into a transaction, credit limit and terms of transaction, in accordance with the operation standards of the Company. The Group also takes preservative measures such as obtaining collaterals. After receivables are recorded, the sales section and management section share the status of transaction to manage the payment due date. Furthermore, the Group periodically conducts credit check to examine the appropriateness of continuance of transactions, credit limit and terms of transactions. Investment of surplus funds is generally limited to investments in securities of issuers that are at the investment-grade level or higher, or deposit with financial institutions, etc. As a general rule, forward exchange transactions are made with financial institutions that are rated A or higher by internationally recognized credit rating agencies. The Group also avoids concentration of material credit risks by dealing with multiple financial institutions. As for stocks and other securities held for policy objectives, the Group regularly checks the purpose of holding and the financial condition of the issuers.

2) Liquidity risk management

Maintenance of liquidity at a proper level for the present and future business activities and securing funds in an expeditious and efficient manner are important policies of the Group in carrying out financial activities. The Group is continuously making efforts to realize optimum capital efficiency in carrying out its business activities through efficient management of working capital and also promoting centralization of funds management of the Group at the Company, to improve the efficiency of fund management of the Group.

3) Market risk management

i) Exchange rate fluctuation risks

The Group holds monetary assets and liabilities in foreign currencies and thus is exposed to exchange rate fluctuation risks. To mitigate exchange rate fluctuation risks, future cash flow arising from monetary assets and liabilities, firm commitment and forward transactions in a foreign currency is immobilized by measuring the net amount of future cash flow for each currency on each settlement date as appropriate and entering into forward exchange contracts within the measured scope. Furthermore, in most cases, the term of forward exchange contracts does not exceed one year.

ii) Stock price fluctuation risks

The Group holds equity instruments (stocks and capital contributions) to promote business and is exposed to stock price fluctuation risks. As for these equity instruments, market prices and financial conditions of issuers are regularly checked.

(2) Fair value of financial instruments

1) Book values and fair values of financial assets and financial liabilities

Book values and fair values of financial assets and financial liabilities are as follows.

(Millions of yen)

	Consolidate fiscal year under review	
	Book value	Fair value
Assets measured at amortized cost		
Current assets		
Cash and cash equivalent	189,783	189,783
Trade receivables	146,566	146,566
Securities and other financial assets	31,380	31,380
Deposits paid and deposits with banks with deposit terms of 3 months or longer	25,000	25,000
Receivables	6,279	6,279
Loans	100	100
Non-current assets		
Trade receivables	994	994
Securities and other financial assets	2,350	2,350
Securities and other investments	1,947	1,947
Loans	404	404
Assets measured at fair value		
Financial assets at FVTPL		
Current assets		
Securities and other financial assets	25	25
Other financial assets (derivatives)	25	25
Non-current assets		
Securities and other financial assets	882	882
Other investments	882	882
Financial assets at FVTOCI		
Non-current assets		
Securities and other financial assets	7,254	7,254
Securities	7,254	7,254
Liabilities measured at amortized cost		
Current liabilities		
Trade payables	121,342	121,342
Other financial liabilities	16,841	16,841
Lease obligations	140	140
Deposit received	3,281	3,281
Payables	13,420	13,420
Non-current liabilities		
Other financial liabilities	3,478	3,478
Lease obligations	156	156
Payables	3,322	3,322
Liabilities measured at fair value		
Financial Liabilities at FVTPL		
Current liabilities		
Other financial liabilities (derivatives)	361	361

2) Method for measuring fair value

Fair value of major financial assets and liabilities is determined as follows. If market value can be obtained when measuring the fair value of a financial instrument, the market value is used. If market value cannot be obtained, the method of discounting future cash flow or other appropriate valuation methods are used for the measurement.

i) Cash and cash equivalent

As a period to maturity is short, the fair value is almost the same as the book value.

ii) Trade receivables and trade payables

As most of them are settled within a short period of time, the fair value is almost the same as the book value.

iii) Securities, other financial assets and other financial liabilities measured at amortized cost

As the period to maturity for deposits paid and deposits with banks with deposit terms of 3 months or longer, receivables, deposit received, payables and short-term loans is short, the fair value is almost the same as the book value.

Securities, long-terms loans, lease obligations, long-term payables and other investments are measured by discounting future cash flow by the interest rate assumed when a similar contract is newly executed.

iv) Securities, other financial assets and other financial liabilities measured at fair value

Equity securities for which fair value can be measured at market value are measured at market value, and if important indexes to measure fair value of financial instruments are unobservable, such as the case of unlisted stocks, fair value is measured by comparable peer company analysis method, discounted cash flow method, valuation model based on net assets or any other appropriate methods.

Derivatives are measured based on the forward exchange rate as of the last day of the financial period.

7. Notes on per share information

(1) Hitachi High-Technologies Corporation stockholders' equity per share:	JPY2,595.18
(2) Basic earnings per share attributable to Hitachi High-Technologies Corporation stockholders:	JPY292.08

8. Notes on significant subsequent events

At a meeting of the Board of Directors held on April 26, 2017, Hitachi High-Technologies Corporation resolved to acquire shares of subsidiaries of Oxford Instruments plc (hereinafter, "OI") based in the U.K. and take over the business of the subsidiaries relating to a part of the industrial measuring equipment business, atomic spectrometric products (X-ray fluorescence analyzers, magnetic induction measurement instruments (contact gauges), laser induced breakdown spectrometers, optical emission spectrometers; hereinafter "targeted business"). The Group concluded an acquisition agreement on the same day as follows.

i) Reasons for the Stock Purchase and Business Acquisition

The Group has embraced the following as its Corporate Vision: To consistently aim to be Global Top in high-tech solutions. Guided by this vision, Hitachi High-Tech is pushing ahead with businesses with the mission to turn its customers into fast-moving, cutting-edge business. In April 2016, Hitachi High-Tech formulated its Mid-Term Management Strategy running through fiscal 2018 with the basic policy of maintaining profits earned by its main business and promoting resource strengthening and investments. Concrete strategies and measures are being implemented to accelerate further growth toward 2020.

In the Scientific Systems Business, Hitachi High-Tech's core business, the Company has adopted the business vision of aiming to be global major player in analytical instruments markets based on its Mid-Term Management Strategy. With this in mind, Hitachi High-Tech has been working to bolster its technologies, products and sales networks through alliances and M&A activities, in addition to in-house development.

OI is a global scientific analytical instruments company that was spun out from Oxford University. Hitachi High-Tech has reached an agreement with OI to acquire the targeted business.

OI manufactures and markets an expansive lineup of atomic spectroscopy products, including both benchtop and handheld models. Notably, handheld models and other portable equipment are increasingly being used in a broad range of fields as on-site quality assurance tools. Hitachi High-Tech's Scientific Systems Business has strengths in benchtop atomic spectroscopy product models. Through the acquisition of the targeted business, Hitachi High-Tech will bolster its lineup by bringing in OI's handheld atomic spectroscopy product models, where OI is strong. This will enable Hitachi High-Tech to address customer needs by supporting various sample types and measuring settings ranging from precision analysis in the laboratory to on-site analyses. In addition, Hitachi High-Tech will incorporate the sales network established by OI worldwide into its organization, enabling it to strengthen its sales network further.

ii) Ownership ratio

100% of the shares of subsidiaries of OI involved in the Subject Operations will be acquired.

iii) Acquisition price

GBP80 million (Approximately JPY11,200 million)*

* The above value represents business fair value. The purchase value is scheduled to be adjusted when the transaction is executed, in consideration of net interest-bearing debt, operating capital and other factors. The value has been converted into yen at the exchange rate as of March 31, 2017 (£1 = ¥140).

iv) Stock purchase and business acquisition execution date
July 3, 2017 (planned)*

* This stock purchase and business acquisition deal plans will be completed after OI has completed the reorganization of OI Group subsidiaries and after the completion of the filing of notifications and the acquisition of the necessary approvals from the government authorities pertaining to the anti-trust laws and investment control laws of each country.

Financial impact of this transaction is not stated in this document, as the calculation of fair value of assets to be acquired and liabilities to be assumed at the time of acquisition of shares and transfer of business has not been completed.

Unconsolidated Statements of Changes in Net Assets

FY2016 (under review) (April 1, 2016 to March 31, 2017) (Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Others	Total capital surplus
Balance at April 1, 2016	7,938	35,723	21	35,745
Change during year				
Dividends from surplus				-
Reversal of reserve for advance depreciation of fixed assets				-
Provision of general reserve				-
Net income				-
Acquisition of treasury stock				-
Net changes during year in items other than shareholders' equity				-
Total change during year	-	-	-	-
Balance at March 31, 2017	7,938	35,723	21	35,745

	Shareholders' equity				
	Retained earnings				
	Earned surplus reserve	Others			Total retained earnings
		Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward	
Balance at April 1, 2016	1,385	1,307	174,295	34,733	211,719
Change during year					
Dividends from surplus				(10,315)	(10,315)
Reversal of reserve for advance depreciation of fixed assets		(73)		73	-
Provision of general reserve			20,200	(20,200)	-
Net income				33,190	33,190
Acquisition of treasury stock					-
Net changes during year in items other than shareholders' equity					-
Total change during year	-	(73)	20,200	2,748	22,875
Balance at March 31, 2017	1,385	1,234	194,495	37,481	234,594

	Shareholders' equity		Valuation and translation adjustments				
	Treasury stock	Total shareholders' equity	Unrealized holding gains on securities	Deferred profit or loss on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Total net assets
Balance at April 1, 2016	(349)	255,053	6,512	495	134	7,141	262,194
Change during year							
Dividends from surplus		(10,315)				-	(10,315)
Reversal of reserve for advance depreciation of fixed assets		-				-	-
Provision of general reserve		-				-	-
Net income		33,190				-	33,190
Acquisition of treasury stock	(7)	(7)				-	(7)
Net changes during year in items other than shareholders' equity		-	(2,529)	(549)		(3,078)	(3,078)
Total change during year	(7)	22,869	(2,529)	(549)	-	(3,078)	19,790
Balance at March 31, 2017	(356)	277,922	3,983	(55)	134	4,063	281,985

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) Securities

Shares of subsidiaries and shares of affiliated companies:

Stated at cost determined by the moving average method.

Available-for-sale securities

Securities with fair value:

Securities with fair 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 fair value:

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

2) Derivatives

Derivatives are marked to market.

3) 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 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) Accrued retirement and severance benefits for employees

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. In the calculation of retirement benefit obligations, the method of attributing benefits to periods before the end of the current fiscal year is based on the standard benefit formula.

Prior service costs are amortized using the straight-line method over the average remaining years of service of the employees (thirteen to seventeen years) when incurred.

Actuarial differences are amortized using the straight-line method over the average remaining years of service of the employees (thirteen to eighteen years) when incurred from the following fiscal year.

(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

1) Accounting for consumption tax, etc.

Consumption tax, etc. is excluded.

2) Adoption of consolidated taxation system

Starting from the fiscal year under review, the Company and its certain consolidated subsidiaries have adopted the consolidated taxation system.

3. Notes to unconsolidated balance sheets

(1) Accumulated depreciation of property, plant and equipment: JPY61,367 million

(2) Collateralized assets and secured liabilities

Collateralized assets

Short-term loan receivable (Note)	JPY38 million
Investments in securities (Note)	JPY130 million
Long-term loans receivable (Note)	JPY214 million
Others (Note)	JPY39 million

Note: The amounts of the above collateralized assets represent the maximum amount of the guarantees.

(3) Guarantees JPY720 million

The breakdown of guarantees is as follows.

1 affiliated company (guarantee for trade accounts payable)	JPY656 million
Guarantee for employees (Housing loans)	JPY64 million

(4) Short-term receivables from affiliated companies JPY63,230 million

(5) Short-term payables to affiliated companies JPY56,932 million

(6) Land revaluation

The Company revaluated its business-purpose land on March 31, 2002 in accordance with the "Act on 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 Act on 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 Article 2, item 2 of the "Enforcement Order on Act on Revaluation of Land" (Ordinance No. 119 promulgated on March 31, 1998).

4. Notes to unconsolidated statements of income

(1) Transactions with affiliated companies

Sales	JPY184,288 million
Purchases	JPY83,635 million
Non-operating transactions	JPY30,747 million

(2) Extraordinary gain

Gain on sales of investments in securities

On October 3, 2016, the Company sold shares of Hitachi Capital Corporation to Hitachi, Ltd. as approved by a resolution at a meeting of the Board of Directors held on May 13, 2016, and recorded gain on sale of JPY7,779 million.

(3) Extraordinary loss

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, 2017, the Company recorded impairment losses for the following assets.

Location	Purpose	Type	Impairment Loss (million yen)
Head Office Region (Shiroi City, Chiba)	Defined assets to be disposed of	Buildings, structures, land and others	1,737
Head Office Region (Nakai-machi, Ashigara-kamigun, Kanagawa)	Idle assets	Land	31
Kasado Region (Kudamatsu City, Yamaguchi)	Electronic Device Systems Defined assets to be disposed of	Construction in progress	22
Total			1,790

In relation to the assets to be disposed of, the difference between recoverable amounts and book value was recognized as impairment loss, as their usage is outside the scope of the previously intended usage due to the decision to sale and consequently the invested amount is no longer expected to recover. The recoverable amounts of these assets were based on the appraisal values provided by a licensed real estate appraiser and were measured at the fair value after deducting estimated disposal costs.

In relation to the idle assets, the difference between the assessment value obtained from a licensed real estate appraiser and book value was recorded as impairment loss.

In relation to the assets to be disposed of belonging to Electronic Device Systems, the difference between the recoverable value and book value was recorded as impairment loss, as their usage is outside the scope of the previously intended usage due to the decision to sale and consequently the invested amounts is no longer expected to recover. The recoverable amount of these assets to be disposed of is zero.

5. Notes to unconsolidated statements of changes in net assets

Treasury stock

(shares)

Class of shares	Total number of shares as at April 1, 2016	Increase during fiscal year ended March 31, 2017	Decrease during fiscal year ended March 31, 2017	Total number of shares as at March 31, 2017
Common stock	208,212	1,629	-	209,841

Note: The increase of 1,629 shares was attributable to the buyback of shares falling short of the share unit.

6. 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	JPY1,472 million
Accrued bonuses	JPY1,677 million
Accrued enterprise tax denied	JPY845 million
Accrued liability due to transfer of defined contribution pension plan	JPY675 million
Accrued cost of sales recorded but denied	JPY669 million
Devaluation of inventories	JPY1,249 million
Deferred profit or loss on hedges	JPY25 million
Other	JPY648 million
Deferred tax assets—Subtotal	JPY7,260 million
Valuation reserve	(JPY1,610 million)
Deferred tax assets—Total	JPY5,650 million
Deferred tax liabilities	
Deferred tax liabilities—Total	-
Net deferred tax assets	JPY5,650 million

(Noncurrent)

Deferred tax assets	
Amount in excess of deduction limit for loss on doubtful receivables	JPY31 million
Accrued retirement and severance benefits for employees	JPY1,628 million
Retirement benefit trust	JPY1,231 million
Accrued liability due to transfer of defined contribution pension plan	JPY660 million
Loss on devaluation of memberships denied	JPY184 million
Loss on devaluation related to investments denied	JPY2,787 million
Excess depreciation	JPY2,693 million
Asset retirement obligations	JPY151 million
Impairment losses	JPY1,188 million
Other	JPY245 million
Deferred tax assets—Subtotal	JPY10,798 million
Valuation reserve	(JPY4,191 million)
Deferred tax assets—Total	JPY6,607 million
Deferred tax liabilities	
Asset retirement obligation	(JPY51 million)
Unrealized holding gains on securities	(JPY1,753 million)
Reserve for advanced depreciation of fixed assets	(JPY545 million)
Deferred tax liabilities—Total	(JPY2,349 million)
Net deferred tax assets	JPY4,258 million

7. Notes on transactions with related parties

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

Attribute	Name of company, etc.	Address	Capital (million yen)	Description of business or occupation	% of voting rights, etc. held by company	Nature of relationship		Description of transaction	Transaction amount (million yen)	Classifi-cation	Year-end balance (million yen)
						Sharing of officers, etc.	Relationship with related parties				
Parent company	Hitachi, Ltd.	Chiyoda-ku, Tokyo	458,791	Manufacturing and sale of electric machinery and apparatuses	Direct: 51.8 Indirect: —	1 person	Purchase and sale of railroad-vehicle-related components, various information equipment, power-generation-related components, etc.	Sale of railroad-vehicle-related components, various information equipment, power-generation-related components, etc.	6,869	Accounts receivable	5,868
										Advances received	234
								Purchase of various power-related equipment and components	4,178	Accounts payable	759
										Advances paid	410
								Deposit of funds	42,181	Deposit to Hitachi group cash manage-ment fund	178,632
								Interest received	116	Accounts receivable-other	10
								Sale of investments in securities			
								Sales proceeds	7,907	—	—
								Gain on sale	7,779		

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.
4. The sale price of investments in securities was determined in accordance with the Share Transfer Agreement with Hitachi Ltd.

(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.	Relationship with related parties				
Subsidiary	Hitachi High-Tech Fielding Corporation.	Shinjuku-ku, Tokyo	1,000	Maintenance services for semiconductor manufacturing equipment, analysis and measuring equipment, etc.	Direct: 100% Indirect: —	2 persons	Sale of service components, etc.	Sale of service components, etc.	25,794	Accounts receivable	7,982
								Receipt of funds	1,763	Deposit received	12,149
								Payment of interest	33	Accrued expenses	1
Subsidiary	Hitachi High-Tech Manufacturing & Service Corporation.	Hitachinaka City, Ibaraki Prefecture	230	Manufacturing of clinical analyzers, and semiconductor-manufacturing equipment, etc.	Direct: 100% Indirect: —	2 persons	Purchase of clinical analyzers, and semiconductor–manufacturing equipment, etc.	Provision for a fee of clinical analyzers, and semiconductor-manufacturing equipment, etc.	9,100	Accounts receivable-other	2,190
								Purchase of clinical analyzers, and semiconductor-manufacturing equipment, etc.	31,241	Accounts payable	5,650
								Return of deposit	411	Deposit received	7,275
								Payment of interest	21		
Subsidiary	Hitachi High-Tech Fine Systems Corporation	Kodama-gun, Saitama Prefecture	1,485	Design, manufacturing, sales and maintenance services of electronics-related products and inspection equipment, etc.	Direct 100% Indirect —	1 person	Provision of loans through pooling system	Provision of loans	401	Short-term loans receivable	9,336
								Receipt of interest	24		
Subsidiary	Hitachi High-Tech Science Corporation	Minato-ku Tokyo	100	Development, manufacturing, sale and maintenance of analyzers, measuring and observation equipment, and sale of relevant components and supplies	Direct 100% Indirect —	2 persons	Provision of loans through pooling system	Provision of loans	2,134	Short-term loans receivable	4,903
								Receipt of interest	14		
Subsidiary	Hitachi High Technologies America, Inc.	USA	USD 7,950 thousand	Sale of semiconductor manufacturing equipment and industrial materials, etc.	Direct: 100% Indirect: —	1 person	Sale of semiconductor manufacturing equipment, etc.	Sale of semiconductor manufacturing equipment, etc.	43,132	Accounts receivable	3,841
										Advances received	295
								Safe-keeping of deposit	2,421	Deposit received	5,481
								Payment of interest	29	Accrued expenses	5
Subsidiary	Hitachi High-Technologies Europe GmbH	Germany	EUR 3,129 thousand	Sale of semiconductor manufacturing equipment, clinical analyzers, etc.	Direct: 100% Indirect: —	1 person	Sale of semiconductor manufacturing equipment, clinical analyzers, etc.	Sale of semiconductor manufacturing equipment, clinical analyzers, etc.	80,663	Accounts receivable	10,823

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 JPY4,803 million as an allowance for doubtful receivables for subsidiaries. Additionally, a total of JPY438 million as reversal of allowance for doubtful receivables has been recorded in this fiscal year under other income.

8. Notes on per share information

(1) Net assets per share: JPY2,050.37

(2) Amount of net income per share: JPY241.33

9. Notes on significant subsequent events

(Acquisition of companies, etc. through acquisition of shares)

At a meeting of the Board of Directors held on April 26, 2017, the Company resolved to acquire shares of subsidiaries of Oxford Instruments plc (hereinafter, "OI") based in England and take over the business of the subsidiaries relating to a part of the industrial measuring equipment business, atomic spectrometric products (X-ray fluorescence analyzers, magnetic induction measurement instruments (contact gauges), laser induced breakdown spectrometers, optical emission spectrometers; hereinafter "targeted business"). The Group concluded an acquisition agreement on the same day as follows.

(1) Objective

The Group has embraced the following as its Corporate Vision: To consistently aim to be Global Top in high-tech solutions. Guided by this vision, Hitachi High-Tech is pushing ahead with businesses with the mission to turn its customers into fast-moving, cutting-edge business. In April 2016, Hitachi High-Tech formulated its Mid-Term Management Strategy running through fiscal 2018 with the basic policy of maintaining profits earned by its main business and promoting resource strengthening and investments. Concrete strategies and measures are being implemented to accelerate further growth toward 2020.

In the Scientific Systems Business, Hitachi High-Tech's core business, the Company has adopted the business vision of aiming to be global major player in analytical instruments markets based on its Mid-Term Management Strategy. With this in mind, Hitachi High-Tech has been working to bolster its technologies, products and sales networks through alliances and M&A activities, in addition to in-house development.

OI is a global scientific analytical instruments company that was spun out from Oxford University. Hitachi High-Tech has reached an agreement with OI to acquire the targeted business.

OI manufactures and markets an expansive lineup of atomic spectroscopy products, including both benchtop and handheld models. Notably, handheld models and other portable equipment are increasingly being used in a broad range of fields as on-site quality assurance tools. Hitachi High-Tech's Scientific Systems Business has strengths in benchtop atomic spectroscopy product models. Through the acquisition of the targeted business, Hitachi High-Tech will bolster its lineup by bringing in OI's handheld atomic spectroscopy product models, where OI is strong. This will enable Hitachi High-Tech to address customer needs by supporting various sample types and measuring settings ranging from precision analysis in the laboratory to on-site analyses. In addition, Hitachi High-Tech will incorporate the sales network established by OI worldwide into its organization, enabling it to strengthen its sales network further.

(2) Name of the counterparty of share acquisition

Oxford Instruments plc

(3) Outline of companies to be acquired

OI is engaged in a global industrial precision instruments business, including the targeted business. Hitachi High-Tech will acquire the targeted business as a single business. Accordingly, Hitachi High-Tech will purchase the shares of five subsidiaries of OI based in the U.K., Germany, Finland, the United States and China, after OI has completed the reorganization of the subsidiaries involved in the targeted business (transfer of targeted business and assignment of businesses other than the targeted business). In addition, Hitachi High-Tech plans to acquire the targeted business from two subsidiaries of OI based in Singapore and India. (For details on the reorganization, please see "3. Outline of Subsidiaries and Targeted Business to Be Acquired.") This scheme was decided upon based on the current scale of business, future business management, and related factors at each operating site. The Company and OI have entered into the agreement based on the premise that the stock purchase and business acquisition will be executed swiftly and efficiently. Oxford Instruments is carrying out the industrial measuring equipment business including the Subject Operations worldwide. For the Company to acquire the Subject Operations as a single business, the Company is to acquire shares of five subsidiaries of Oxford Instruments located in England, Germany, Finland, Unites States and China, and take over the Subject Operations from two subsidiaries of Oxford Instruments located in Singapore and India, after Oxford Instruments completes reorganization of the subsidiaries engaged in the Subject Operations (transfer of Subject Operations and transfer of operations other than Subject Operations). This scheme was formulated based on the current scale of the business, future business operations at each business base and other considerations, and was agreed upon by both parties through mutual understanding that the scheme would allow the parties to acquire shares and transfer business in a prompt and smooth manner.

1) Names

i) Five companies will be subsidiarized through acquisition of shares

- Oxford Instruments Analytical GmbH
- Oxford Instruments Industrial Analysis Oy
- Materials Analysis Limited (Note 1)
- Baker Avenue Services Inc. (Note 2)
- Oxford Instruments (Shanghai) Co. Limited (Note 3)

(Note 1) The Company plans to acquire the shares of Materials Analysis Limited after OI transfers the targeted business at its subsidiaries RMG Technology Limited and Oxford Instruments Industrial Products Limited, as well as other entities, to Materials Analysis Limited.

(Note 2) The Company plans to acquire the shares of Baker Avenue Services Inc. after OI transfers the targeted business at its subsidiary Oxford Instruments America INC. to Baker Avenue Services Inc.

(Note 3) The Company plans to acquire the shares of Oxford Instruments (Shanghai) Co. Limited after OI transfers businesses other than the targeted business at Oxford Instruments (Shanghai) Co. Limited to another company.

ii) Transfer of Subject Operations from 2 companies

- Oxford Instruments Pte Limited
- Oxford Instruments India Private. Ltd.

2) Description of business

Development, manufacture and sale of industrial measuring equipment business and services related thereto

(4) Stock purchase and business acquisition execution date and ownership ratio

(i) Acquisition price

GBP80 million (Approximately JPY11,200 million) *

* The above value represents business fair value. The purchase value is scheduled to be adjusted when the transaction is executed, in consideration of net interest-bearing debt, operating capital and other factors. The value has been converted into yen at the exchange rate as of March 31, 2017 (£1 = ¥140).

(ii) Ownership ratio

100%

(5) Stock purchase and business acquisition execution date

July 3, 2017 (planned)

This stock purchase and business acquisition deal plans will be completed after OI has completed the reorganization of OI Group subsidiaries and after the completion of the filing of notifications and the acquisition of the necessary approvals from the government authorities pertaining to the anti-trust laws and investment control laws of each country.

(6) Method of procurement of funds

Self-financing

10. Other information

Starting from the fiscal year under review, the Company has adopted the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)