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(Translation)

**Hitachi High-Technologies Corporation**

24-14, Nishi-Shimbashi 1-chome,

Minato-ku, Tokyo

June 2, 2016

**Notice of the 97th Ordinary General Meeting of Shareholders**

Dear Shareholders:

You are cordially invited to attend the 97th Ordinary General Meeting of Shareholders of Hitachi High-Technologies Corporation (TOKYO: 8036; the “Company”) to be held as follows.

**In the event you are not able to attend, it is requested that you review the following Reference Documentation for the Ordinary General Meeting of Shareholders, indicate your vote for or against each agenda item in the enclosed voting form and send the form back to us, or vote via the Internet, following the instructions stated in the “Guide to Exercising Voting Rights” found on the following page.**

**1. Date            Friday, June 24, 2016 at 10:00 a.m.**

**2. Location      Hitachi High-Technologies Corporation (2F Conference Room)**  
24-14, Nishi-Shimbashi 1-chome, Minato-ku, Tokyo

**3. Agenda**

**(Reporting Matters)**

1. Report on the Business Report, Consolidated Financial Statements for the 97th Business Term (from April 1, 2015 to March 31, 2016), and the results of the audit on the Consolidated Financial Statements by the Accounting Auditors and the Audit Committee
2. Report on the Unconsolidated Financial Statements for the 97th Business Term (from April 1, 2015 to March 31, 2016)

**(Matters to Be Resolved)**

**Item              Election of 7 Directors due to expiration of the term of office of all Directors**

#### **4. Decisions upon Convening the 97th Ordinary General Meeting of Shareholders**

- (1) Please send back the voting form so that it would arrive at the Company no later than 5:00 p.m. (Thursday) June 23, 2016.
- (2) If you wish to exercise your voting rights via the Internet, please do so by 5:00 p.m. (Thursday) June 23, 2016.
- (3) If you have cast your vote both via the Internet and by the enclosed voting form, the vote that has been cast on the Internet will be deemed effective.
- (4) If you have exercised your voting rights more than once, either via the Internet, your last exercised vote will be deemed effective.
- (5) If you wish to exercise your voting rights inconsistently, please notify the Company in writing that you will be doing so and the reasons no later than three days before the General Meeting of Shareholders.

Very truly yours,

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

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#### **Matters for Internet Disclosure**

- ◎ The Business Report, Unconsolidated Financial Statements, Audit Reports and Consolidated Financial Statements to be provided with the Notice are included in this Notice. However, as the following items are reported on the Company's website in accordance with laws and regulations of Japan and Article 14 of the Articles of Incorporation of the Company, they are not shown in this Notice.
  - Consolidated Statements of Changes in Equity of the Consolidated Financial Statements and Notes to the Consolidated Financial Statements
  - Unconsolidated Statements of Changes in Net Assets of the Unconsolidated Financial Statements and Notes to the Unconsolidated Financial Statements
- ◎ In the event the Reference Documentation for the Ordinary General Meeting of Shareholders, Business Report, Unconsolidated Financial Statements or Consolidated Financial Statements need to be modified the Company will post the revised matters on the Company's website.

The Company's website: <http://www.hitachi-hightec.com/>

## Guide to Exercising Voting Rights

When attending the Ordinary General Meeting of Shareholders, you are earnestly requested to submit the enclosed voting form at the reception desk.

**In the event you are not able to attend, you are asked to exercise your voting rights by either of the following methods.**

- ◎ Exercise of voting rights by paper ballot (mail)

**Deadline for exercising your voting rights: 5:00 p.m., Thursday, June 23, 2016**

Please indicate your vote for or against each agenda item in the enclosed voting form and send the form back to us so that it would arrive at the Company **by the deadline indicated above.**

- ◎ Exercise of voting rights via the Internet

**Deadline for exercising your voting rights: 5:00 p.m., Thursday, June 23, 2016**

- From your personal computer

- 1) Please access the “Exercise of Voting Rights website (<http://www.tosyodai54.net>).”
- 2) Please enter the “**Exercise of voting rights code**” and “**Password**” stated under “Request” in the enclosed voting form. It should be noted that this code and password are only valid for this Ordinary General Meeting of Shareholders.
- 3) Please follow the instructions on the screen and enter your vote for or against each agenda item and cast your vote **by the deadline indicated above.**

- From your mobile phone

Similarly to “From your personal computer,” you are asked to access the “Exercise of Voting Rights website (<http://www.tosyodai54.net>),” and exercise your voting rights.

\*Important reminders when using the “Exercise of Voting Rights website”

1. Please be aware that connectivity fees and charges (e.g., phones charges) by the provider incurred when accessing the “Exercise of Voting Rights website” shall be borne by the shareholder.
2. When accessing the voting website from your mobile phone (with certain exceptions including smartphones), your phone will need to be able to access either i-mode, Ezweb, or Yahoo! Keitai services and will also need to have encrypted communication functions (support for the SSL protocol). (“i-mode”, “Ezweb”, “Yahoo!”, and “Yahoo! Keitai” are the trademarks, registered trademarks, or names of services of NTT DOCOMO, INC., KDDI CORPORATION, Yahoo! Inc., and SoftBank Corp. respectively.)
3. When accessing the “Exercise of Voting Rights website” from certain mobile handsets (e.g., smartphones), you will be connected to the website for personal computers.

**For inquiries regarding exercising voting rights via the Internet, please contact:**

Tokyo Securities Transfer Agent Co. Ltd., the shareholder registry administrator

Phone: 0120-88-0768 (toll free)

(Business hours: 9:00 – 21:00)

## Reference Documentation

### Item Election of 7 Directors due to expiration of the term of office of all Directors

Due to expiration at the close of this Meeting of the term of office of all the present Directors (8 Directors) under the Article 19 of the Company's Articles of Incorporation, it is proposed that 7 Directors be elected.

The nominees are as follows. For brief biography of and other information concerning the nominees, please see page 5 to page 13:

#### ☐ List of Director nominees

No. mi nee No.	Name	Current position and responsibilities at Hitachi High-Technologies Corporation	Nominee attribute	Attendance to the Board of Directors meetings
1	Masao Hisada	Chairman of the Board, Member of Nominating Committee	Nominee for reappointment	100% (13 meetings/13 meetings)
2	Masahiro Miyazaki	Representative Executive Officer, President, Chief Executive Officer and Director, Member of Compensation Committee	Nominee for reappointment	100% (11 meetings/11 meetings) (*)
3	Yoshikazu Dairaku	Director Member of Audit Committee	Nominee for reappointment	100% (13 meetings/13 meetings)
4	Toyoaki Nakamura	Outside Director, Member of Nominating Committee and Compensation Committee	Nominee for reappointment	100% (13 meetings/13 meetings)
5	Hideyo Hayakawa	Outside Director, Member of Nominating Committee	Nominee for reappointment Outside Director	Independent Director 100% (13 meetings/13 meetings)
6	Hiromichi Toda	Outside Director, Member of Nominating Committee and Audit Committee	Nominee for reappointment Outside Director	Independent Director 100% (13 meetings/13 meetings)
7	Yuji Nishimi	Outside Director, Member of Audit Committee	Nominee for reappointment Outside Director	Independent Director 100% (11 meetings/11 meetings) (*)

(\*): Mr. Masahiro Miyazaki and Mr. Yuji Nishimi were newly elected at the 96th Ordinary General Meeting of Shareholders held on June 19, 2015 and assumed the office. Therefore, the number of Board meetings they were eligible to attend is different from the other Directors.

No.	Name (Date of Birth)	Position and Responsibilities	Brief Biography and Other Principal Positions Held	Share Ownership
1	Masao Hisada (Dec. 16, 1948)  [Nominee for reappointment]	Chairman of the Board, Member of Nominating Committee, Hitachi High-Technologies Corporation   Term of Office as Director 6 years	<p>4/1972 Joined Hitachi, Ltd.</p> <p>2/1995 Senior Manager of International Sales Division, Power Systems Division, Hitachi, Ltd.</p> <p>4/1999 General Manager of International Sales Division, Electric Utility Sales Operations Group, Power &amp; Industrial Systems Group, Hitachi, Ltd.</p> <p>2/2001 General Manager of Hitachi (China), Ltd.</p> <p>4/2003 General Manager of Global Business Division, Deputy General Manager of Corporate Export Regulation Division, Hitachi, Ltd.</p> <p>2/2004 President and CEO of Hitachi America, Ltd.</p> <p>2/2006 General Manager of Group Procurement Division, Hitachi, Ltd.</p> <p>4/2006 General Manager of Corporate Procurement Division, Hitachi, Ltd.</p> <p>4/2007 Vice President and Executive Officer, Hitachi, Ltd.</p> <p>4/2010 Representative Executive Officer, Executive Vice President, and Executive Officer, Hitachi High-Technologies Corporation</p> <p>6/2010 Representative Executive Officer, Executive Vice President, Executive Officer and Director, Hitachi High-Technologies Corporation</p> <p>4/2011 Representative Executive Officer, President, Chief Executive Officer and Director, Hitachi High-Technologies Corporation</p> <p>4/2015 Executive Officer and Director, Hitachi High-Technologies Corporation</p> <p>6/2015 Chairman of the Board and Executive Officer, Hitachi High-Technologies Corporation</p> <p>4/2016 Chairman of the Board, Hitachi High-Technologies Corporation (to date)</p> <p>Reason for selection as director nominee: Mr. Masao Hisada has extensive knowledge and experience in corporate management. He also has a proven record of leading the management of Hitachi High-Technologies Group as the Company's Representative Executive Officer, and has in-depth knowledge of the Company's business. Based on such knowledge and experience, he has properly performed his duties to supervise the Company's management and execution of operations. Therefore, Mr. Hisada was selected for reappointment.</p>	34,900

No.	Name (Date of Birth)	Position and Responsibilities	Brief Biography and Other Principal Positions Held	Share Ownership
2	Masahiro Miyazaki (April 13, 1954)  [Nominee for reappointment]	Representative Executive Officer, President, Chief Executive Officer and Director, Member of Compensation Committee, Hitachi High-Technologies Corporation  Term of Office as Director 1 year	<p>4/1977 Joined Hitachi High-Technologies Corporation</p> <p>6/2002 Deputy General Manager, Electronics Sales Div., Hitachi High-Technologies Corporation</p> <p>7/2004 General Manager, Electronics Sales Div., Hitachi High-Technologies Corporation</p> <p>4/2007 Executive Officer, General Manager, Regional Branch Office for West Japan Area and Kansai Branch Office of Hitachi High-Technologies Corporation</p> <p>4/2010 President &amp; CEO of Hitachi High Technologies America, Inc.</p> <p>4/2014 Senior Vice President and Executive Officer, General Manager, Corporate Strategy Div., Fine Technology System Business Div. and CSO (Chief Strategy Officer), Hitachi High-Technologies Corporation</p> <p>4/2015 Representative Executive Officer, President and Chief Executive Officer, Hitachi High-Technologies Corporation</p> <p>6/2015 Representative Executive Officer, President, Chief Executive Officer and Director, Hitachi High-Technologies Corporation (to date)</p> <p>Reason for selection as director nominee: Mr. Masahiro Miyazaki has led the management of Hitachi High-Technologies Group as the Company's Representative Executive Officer, and at the Board meetings, he has properly explained and reported the execution of operations to respond to his duty to supervise the management of the Company. In addition, Mr. Miyazaki has played an important role to supervise the management and execution of operations of the Company as a Director as well as an Executive Officer. Therefore, Mr. Miyazaki was selected for reappointment.</p>	6,555

No.	Name (Date of Birth)	Position and Responsibilities	Brief Biography and Other Principal Positions Held	Share Ownership
3	Yoshikazu Dairaku (July 27, 1955)  [Nominee for reappointment]	Director, Member of Audit Committee, Hitachi High-Technologies Corporation  Term of Office as Director 2 years	<p>4/1979 Joined Hitachi, Ltd.</p> <p>2/2000 General Manager, Human Resources &amp; General Affairs Dept., Hitachi Nippon Steel Semiconductor Singapore Pte. Ltd.</p> <p>4/2003 General Manager, General Affairs Dept. Naka Div., Hitachi High-Technologies Corporation</p> <p>10/2005 General Manager, Human Resources Management Dept., Human Resources &amp; General Affairs Div., Hitachi High-Technologies Corporation</p> <p>4/2010 General Manager, Human Resources &amp; General Affairs Div., Hitachi High-Technologies Corporation</p> <p>4/2011 Executive Officer and General Manager, Human Resources &amp; General Affairs Div., Hitachi High-Technologies Corporation</p> <p>4/2013 Vice President and Executive Officer, General Manager, Human Resources &amp; General Affairs Div., Hitachi High-Technologies Corporation</p> <p>7/2013 Vice President and Executive Officer, General Manager, Human Resources &amp; General Affairs Div. and CCO (Chief Compliance Officer), Hitachi High-Technologies Corporation</p> <p>4/2014 Senior Adviser, Hitachi High-Technologies Corporation</p> <p>6/2014 Director, Hitachi High-Technologies Corporation (to date)</p> <p>Reason for selection as director nominee: Due to his background as an Executive Officer of the Company in charge of human resources and general affairs as well as CSR, compliance, legal affairs and public relations, Mr. Yoshikazu Dairaku has extensive knowledge and experience in these fields. He is also very familiar with the operations of the management division of the Company. Based on such knowledge and experience, he has properly performed his duties to supervise the Company's management and execution of operations. Therefore, Mr. Dairaku was selected for reappointment.</p>	800

No.	Name (Date of Birth)	Position and Responsibilities	Brief Biography and Other Principal Positions Held	Share Ownership
4	<p>Toyooki Nakamura (Aug. 3, 1952)</p> <p>[Nominee for reappointment]</p>	<p>Outside Director, Member of Nominating Committee and Compensation Committee, Hitachi High-Technologies Corporation</p> <p>Term of Office as Director 5 years</p>	<p>4/1975 Joined Hitachi, Ltd.</p> <p>6/1998 General Manager of Accounting, Semiconductor Business Division, Hitachi, Ltd.</p> <p>6/2000 Deputy General Manager of Financial and Logistics Systems Group and Senior Manager of Accounting, Hitachi, Ltd.</p> <p>4/2001 General Manager of Finance Division of Systems Solutions Group, and Senior Manager of Accounting, Hitachi, Ltd.</p> <p>4/2002 General Manager of Finance Division of Information &amp; Telecommunication Systems Group, and Senior Manager of Accounting, Hitachi, Ltd.</p> <p>4/2004 CFO of Hitachi Data Systems Solutions Holding Corp.</p> <p>4/2005 President of Hitachi Data Systems Solutions Holding Corp.</p> <p>1/2006 General Manager, Finance Department I of Hitachi, Ltd.</p> <p>4/2007 Representative Executive Officer, Senior Vice President and Executive Officer, Hitachi, Ltd.</p> <p>6/2007 Representative Executive Officer, Senior Vice President, Executive Officer and Director, Hitachi, Ltd.</p> <p>6/2008 Director, Hitachi Global Storage Technologies Netherlands B.V. (now HGST Netherlands B.V.)</p> <p>6/2009 Representative Executive Officer, Senior Vice President and Executive Officer, Hitachi, Ltd.</p> <p>6/2010 Outside Director, Hitachi Metals, Ltd.</p> <p>11/2010 Director, Viviti Technologies Ltd. (now Viviti Technologies Pte. Ltd.)</p> <p>6/2011 Outside Director, Hitachi High-Technologies Corporation (to date)</p> <p>4/2012 Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi, Ltd.</p> <p>6/2012 Outside Corporate Auditor, Sampo Japan Insurance Inc. (current Sampo Japan Nipponkoa Insurance Inc.)</p> <p>4/2013 Outside Director, Hitachi Consumer Electronics Co., Ltd. Director, Hitachi Appliances, Inc.</p> <p>5/2013 Director, Hitachi Consumer Marketing, Inc.</p> <p>6/2015 Outside Director, Hitachi Metals Ltd. (to date)</p> <p>Reason for selection as director nominee: Mr. Toyooki Nakamura was selected for reappointment to introduce his rich experience in corporate management and his extensive knowledge and rich experience in the fields of accounting and finance into the management of the Company and the supervision of execution of its operations.</p>	0



No.	Name (Date of Birth)	Position and Responsibilities	Brief Biography and Other Principal Positions Held	Share Ownership
5	Hideyo Hayakawa (Feb. 25, 1948)  [Nominee for reappointment, Outside Director, Independent Director]	Outside Director, Member of Nominating Committee, Hitachi High-Technologies Corporation  Term of Office as Director 5 years	<p>4/1973 Joined Mitsui &amp; Co., Ltd. 7/1981 Legal Department, Mitsui &amp; Co. (U.S.A), INC., New York Headquarters 10/1984 Registered as attorney of New York State Bar Association 10/1995 Vice President, Mitsui &amp; Co. (U.S.A), INC. 4/2006 Managing Officer and General Manager of Legal Division, Mitsui &amp; Co., Ltd. 4/2008 Executive Managing Officer and General Manager of Internal Auditing Division, Mitsui &amp; Co., Ltd. 6/2011 Outside Director, Hitachi High-Technologies Corporation (to date)</p> <p>Reason for selection as outside director nominee: Mr. Hideyo Hayakawa was selected for reappointment, since he can be expected to supervise the Company's management and execution of operations from an independent perspective of protecting the interests of the general shareholder, based on his rich experience at a major international company and his extensive knowledge and experience in the legal field.</p> <p>Independence: Mr. Hideyo Hayakawa satisfies the independence criteria established by Hitachi High-Technologies Corporation as well as the criteria for independent director set by the Tokyo Stock Exchange, Inc. The Company has filed a notice thereof to the stock exchange. If his appointment is approved, the Company intends to continue the designation of Mr. Hayakawa as independent director.</p>	0

No.	Name (Date of Birth)	Position and Responsibilities	Brief Biography and Other Principal Positions Held	Share Ownership
6	Hiromichi Toda (Oct. 9, 1947)  [Nominee for reappointment, Outside Director, Independent Director]	Outside Director, Member of Nominating Committee and Audit Committee, Hitachi High-Technologies Corporation  Term of Office as Director 3 years	<p>4/1971 Joined Anritsu Electric Corporation (now Anritsu Corporation)</p> <p>7/2002 Vice President and President of Wireless Measurement Solutions, Anritsu Corporation</p> <p>4/2004 Senior Vice President and General Manager of Measurement Business Center, Anritsu Corporation</p> <p>6/2004 Director, Senior Vice President and General Manager of Measurement Business Center, Anritsu Corporation</p> <p>4/2005 Director and Executive Deputy President, Anritsu Corporation</p> <p>6/2005 Representative Director and President, Anritsu Corporation</p> <p>4/2010 Representative Director and Chairman of the Board, Anritsu Corporation</p> <p>6/2010 Director and Chairman of the Board, Anritsu Corporation</p> <p>6/2012 Adviser, Anritsu Corporation</p> <p>6/2013 Outside Director, Hitachi High-Technologies Corporation (to date)</p> <p>Reason for selection as outside director nominee: Mr. Hiromichi Toda was selected for reappointment, since he can be expected to supervise the Company's management and execution of operations from an independent perspective of protecting the interests of the general shareholder, based on his rich experience in corporate management in general and his deep insight into technology trends.</p> <p>Independence: Mr. Hiromichi Toda satisfies the independence criteria established by Hitachi High-Technologies Corporation as well as the criteria for independent director set by the Tokyo Stock Exchange, Inc. The Company has filed a notice thereof to the stock exchange. If his appointment is approved, the Company intends to continue the designation of Mr. Toda as independent director.</p>	0

No.	Name (Date of Birth)	Position and Responsibilities	Brief Biography and Other Principal Positions Held	Share Ownership
7	Yuji Nishimi (Jan. 20, 1947)  [Nominee for reappointment, Outside Director, Independent Director]	Outside Director, Member of Audit Committee, Hitachi High-Technologies Corporation          Term of Office as Director 1 year	<p>4/1970 Joined Asahi Glass Co., Ltd.</p> <p>6/2001 Director, Asahi Glass Co., Ltd.</p> <p>6/2002 Executive Officer, GM of CRT General Div., Display Company, Asahi Glass Co., Ltd.</p> <p>3/2005 Senior Executive Officer, GM of FPD Div., Display Company, Asahi Glass Co., Ltd.</p> <p>1/2007 Senior Executive Officer, Display Company President, Asahi Glass Co., Ltd.</p> <p>3/2008 Executive Vice President, Display Company President, Asahi Glass Co., Ltd.</p> <p>1/2009 Senior Executive Vice President, Sector Director, Display and Electronics/Energy Sector, Asahi Glass Co., Ltd.</p> <p>7/2009 Senior Executive Vice President; President of Electronics Company, Asahi Glass Co., Ltd.</p> <p>3/2011 Representative Director, Senior Executive Vice President, Asahi Glass Co., Ltd.</p> <p>3/2015 Representative Director, Senior Executive Vice President, Asahi Glass Co., Ltd.</p> <p>6/2015 Outside Director, Hitachi High-Technologies Corporation (to date)</p> <p>Reason for selection as outside director nominee: Mr. Yuji Nishimi was selected for reappointment, since he is expected to supervise the Company's management and execution of operations from a perspective of protecting interest of general shareholders in an independent manner, based on his abundant experience and high insight into corporate management and his extensive expertise in cutting-edge industries including electronic materials.</p> <p>Independence: Mr. Yuji Nishimi satisfies the independence criteria established by Hitachi High-Technologies Corporation as well as the criteria for independent director set by the Tokyo Stock Exchange, Inc. The Company has filed a notice thereof to the stock exchange. If his appointment is approved, the Company intends to continue the designation of Mr. Nishimi as independent director.</p>	0

Notes:

1. There is no conflict of interest between each director nominees and the Hitachi High-Technologies Corporation.
2. Messrs. Hideyo Hayakawa, Hiromichi Toda and Yuji Nishimi are outside director nominees.
3. Position and responsibilities other than those stated in brief biography above in cases where director nominee is executing operations of Hitachi, Ltd. or any of its subsidiaries (excluding the Company, hereinafter the same) at present or executed such operations over the past 5 years are as follows. Hitachi, Ltd. and its subsidiaries are the Companies' specified related business operators prescribed in Article 2, Paragraph 3, Item 19 of the Ordinance for Enforcement of the Companies Act.

Name	Period	Name of Company	Position and Responsibilities
Toyoaki Nakamura	From April 2010 to March 2012	Hitachi, Ltd.	Representative Executive Officer, Senior Vice President and Executive Officer (General Manager of Finance & Accounting Group)
	From April 2012 to July 2012		Representative Executive Officer, Executive Vice President and Executive Officer (General Manager of Finance Group)
	From August 2012 to March 2013		Representative Executive Officer, Executive Vice President and Executive Officer (General Manager of Finance Group, Deputy General Manager of Smart Transformation Project Initiatives Division and Project Leader of Administrative Operations Transformation Project)
	From April 2013 to September 2013		Representative Executive Officer, Executive Vice President and Executive Officer (General Manager of Consumer Business Division)
	From October 2013 to March 2014		Representative Executive Officer, Executive Vice President and Executive Officer (CFO and General Manager of Consumer Business Division)
	From April 2014 to March 2016		Representative Executive Officer, Executive Vice President and Executive Officer (CFO and General Manager of Smart Life & Ecofriendly Systems Division)
	From April 2016 to present		Associate

4. Outline of terms and conditions of limited liability agreement

The Company has concluded, with Messrs. 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 Company Act to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Company Act, under the provision of paragraph 2 of Article 23 of the Articles of Incorporation.

If the election of these five nominees is approved, the Company intends to continue the above agreement.

Furthermore, if the election of Mr. Masao Hisada is approved, since Mr. Hisada shall qualify as non-executive directors as set forth in Article 427 of the Company Act, the Company also intends to enter into an agreement similar to the aforementioned agreement with Mr. Hisada.

5. Outline of the facts in violation of laws and regulations or the Articles of Incorporation of the Company or facts of any other inappropriate execution of operations at the Company during nominees' latest terms of office as an outside director of the Company and actions taken by the outside director nominee to prevent the occurrence of such fact or to respond to such fact after the occurrence of such fact

On January 13, 2016, instructions under 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 (hereinafter, "Supervisory Disposition") were given or ordered to the Company by the Ministry of Land, Infrastructure, Transport and Tourism, Kanto Regional Development Bureau in relation to pile work of a condominium located in Yokohama City.

Mr. Hideyo Hayakawa, Mr. Hiromichi Toda and Mr. Yuji Nishimi have been serving as an outside director of the Company since June 2011, June 2013 and June 2015 respectively. They were not outside directors of the Company when the fact that caused the Supervisory Disposition occurred. However, they have been regularly expressing opinions from a perspective of legality, and after the discovery of this fact, they have requested investigation to discover the full depth of the fact and into the cause of the incident and presented proposals to strengthen the system to prevent recurrence of any similar event.

6. If this agenda item is approved, the Committees shall comprise the following members.

Nominating Committee: Masao Hisada, Toyoaki Nakamura, Hideyo Hayakawa, Hiromichi Toda, and Yuji Nishimi  
Audit Committee: Yoshikazu Dairaku, Hiromichi Toda, Yuji Nishimi

Compensation Committee: Masahiro Miyazaki, Toyoaki Nakamura, Hideyo Hayakawa, Hiromichi Toda and Yuji Nishimi

(Reference)

□ Hitachi High-Technologies Corporation Director Nominee Selection Policy (Outline)

The Nominating Committee shall select nominees based on the following policy to realize the optimal structure of the Board of Directors which combines diversity and proper size in a balanced manner, consisting of directors with knowledge, experience and ability necessary for the Board to effectively fulfill its role and responsibilities in an effective manner:

- (1) Select an individual who has excellent personality and perception;
- (2) Select an individual who is considered to have high ability to make proper management decisions and to supervise;
- (3) Select an individual who has extensive experience in corporate management, administration, legal affairs, accounting and other relevant areas and has made outstanding achievement; and
- (4) For an independent outside director, select an individual who is expected to be capable of providing proper advice and supervision in consideration of enhancement of shareholder value as well as protection of interest of minority shareholders.

(Revised on November 25, 2015)

□ Hitachi High-Technologies Corporation Independence Criteria

The Nominating Committee considers that an outside director is independent when the outside director satisfies the criteria for independent director of the Tokyo Stock Exchange, Inc. and does not fall under any of the following categories.

- (1) Any close relative, within the second degree of kinship, of the Company's Outside Director who is currently serving or has served in the last three years as an executive director, executive officer or an employee of the Company or its subsidiaries;
- (2) A company for which the Company's Outside Director is currently serving as an executive director, executive officer or employee receives payments from the Company or makes payments to the Company in consideration of provision of products or services, and the average amount of such transaction in the last three business years exceeds 2% of the consolidated gross sales of either company;
- (3) Compensation received by the Company's Outside Director directly from the Company as a legal, accounting or tax professional or consultant (excluding compensation as a Director of the Company) for any single business year in the last 3 business years exceed 10 million yen; or
- (4) Contribution made by the Company to a non-profit organization for which the Company's Outside Director serves as an officer who executes business exceeds 10 million yen and 2% of gross revenue or ordinary income of such organization for any business year in the last 3 business years.

(Revised on November 25, 2015)



**Report on the 97th Business Term**  
**Year ended March 31, 2016**  
**(April 1, 2015 to March 31, 2016)**

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

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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

**Business Report (from April 1, 2015 to March 31, 2016)**

**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 business performance particularly that of large corporations. However, the future is still uncertain due to the economic slowdown in China and other developing countries as well as resource rich countries, the continuing strong yen and a global trend toward declining share prices in the last half of the period.

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.

During the period under review, in the area of biotechnology and healthcare, the Group actively expanded its business into new fields, as seen in a successful increase in sales of medical analytical systems and the formation of business collaboration with a major corporation in the genetic testing field. In the area of social/industrial infrastructure, the Group increased its sales primarily by strategically injecting new products such as electronic microscopes and railroad-track-related inspection equipment into the market. In the area of advanced industrial systems, the Group realized, through collaboration with major customers, the expansion of application of semiconductor process manufacturing equipment to the next generation process and the introduction of optical inspection equipment to new customers.

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, 2016 was JPY628,984 million in revenues, JPY48,209 million in EBIT (earnings before interest and taxes), JPY48,566 million in income from continuing operations, before income taxes and JPY35,989 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.

On January 13, 2016, instructions under 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 (hereinafter, “Supervisory Disposition”) were given or ordered to the Company by the Ministry of Land, Infrastructure, Transport and Tourism, Kanto Regional Development Bureau in relation to pile work of a condominium located in Yokohama City (hereinafter, “Construction Project”). The Company gravely accepts these dispositions, and to regain its shareholders' confidence, strives to ensure that all laws and regulation are strictly complied with and to strengthen relevant systems to prevent similar incidents in the future.

The following is a report on the Group’s business results by industry segment in the fiscal year ended March 31, 2016.

(\*) Starting from the fiscal year under review, the Company has started to prepare consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). To reflect this change, the previous year's figures in accordance with IFRS are also included in the following report.



● **Electronic Device Systems Segment**

<b>Revenues</b>	<b>JPY 102,711 million (Down 3.0% year-on-year)</b>
<b>EBIT</b>	<b>JPY 15,307 million (Down 11.8% year-on-year)</b>

**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 decreased due to the impact of change of investment timing of some major customers.

Sales of inspection system units decreased due to the impact of postponement in certain investments by major customers, despite the growth in sales of CD Measurement SEM as customers' investment showed a recovery trend, resulting in a minor decrease in total sales of metrology equipment.

As a result of the above, the segment generated revenues in the amount of JPY102,711 million (down 3.0% year-on-year) and posted an EBIT of JPY15,307 million (down 11.8% year-on-year).

● **Fine Technology Systems Segment**

<b>Revenues</b>	<b>JPY15, 069 million (Up 32.7% year-on-year)</b>
<b>EBIT</b>	<b>JPY492 million (Down 27.4% year-on-year)</b>

**Main Business Contents**

Manufacturing/sales of and installation/maintenance services for Railroad Inspection Equipment, HD Manufacturing Equipment, FA Equipment and FPD Manufacturing Equipment

**Overview**

In the area of social infrastructure inspection, sales of railroad inspection equipment increased due to positive investment activities by railroad companies.

In the area of industrial infrastructure, sales of manufacturing equipment increased with strong capital investment by customers.

As a result, the segment generated revenues in the amount of JPY15,069 million (up 32.7% year-to-year), but posted an EBIT of JPY492 million (down 27.4% year-to-year).

● **Science & Medical Systems Segment**

<b>Revenues</b>	<b>JPY176,997 million (Up 7.8% year-on-year)</b>
<b>EBIT</b>	<b>JPY26,571 million (Up 1.8% year-on-year)</b>

**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 analyzers) increased due to the expansion in sales of new products and solid overseas sales growth primarily sales to the Asian market.

Sales of the biotechnology equipment and clinical analyzer increased thanks to imports for large projects in developed countries and 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 JPY176,997 million (up 7.8% year-on-year) and posted an EBIT of JPY26,571 million (up 1.8% year-on-year).

#### ● Industrial & IT Systems Segment

**Revenues** JPY83,480 million (Down 1.6% year-on-year)

**EBIT** JPY638 million (Up 292.2% 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, Video Conferencing Systems and Communication Equipment, and manufacturing/sales of and installation/maintenance services for Measuring Equipment and Related Systems

#### Overview

Sales of the industrial solutions increased reflecting growing sales of measuring equipment due to customers' demand for renewal of equipment and start of the solar photovoltaic system EPC (\*) projects.

Sales of the ICT solutions fell drastically due to termination of mobile phone business, despite a solid increase in sales of hard-disk drive equipment for automobiles.

As a result of the above, the segment generated revenues in the amount of JPY83,480 million (down 1.6% year-on-year) and posted an EBIT of JPY638 million (up 292.2% year-on-year).

(\*) EPC: Engineering, Procurement and Construction

#### ● Advanced Industrial Products Segment

**Revenues** JPY256,822 million (Down 0.5% year-on-year)

**EBIT** JPY3,457 million (Up 56.5% 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 automotive components and transport vehicle-related components increased due to the strong performance of the US and Chinese markets in addition to the commencement of business toward Mexico.

Sales of industrial components, functional chemicals and other related products decreased due to sluggish material prices.

As a result of the above, the segment generated revenues in the amount of JPY256,822 million (down 0.5% year-on-year) and posted an EBIT of JPY3,457 million (up 56.5% year-on-year).

■ Revenues by Segment

Segment	FY 2014		FY 2015 (year under review)		Year-on-year Change %
	Amount Million yen	Percentage %	Amount Million yen	Percentage %	
Electronic Device Systems	105,893	17.1	102,711	16.3	(3.0)
Fine Technology Systems	11,354	1.8	15,069	2.4	32.7
Science & Medical Systems	164,264	26.5	176,997	28.1	7.8
Industrial & IT Systems	84,869	13.7	83,480	13.3	(1.6)
Advanced Industrial Products	258,110	41.7	256,822	40.8	(0.5)
Others and Adjustments	(4,857)	(0.8)	(6,094)	(0.9)	-
Consolidated net sales - Total	619,632	100.0	628,984	100.0	1.5

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

■ Revenues by Region

Region		FY 2014		FY 2015 (year under review)		Year-on-year Change %
		Amount Million yen	Percentage %	Amount Million yen	Percentage %	
	North America	64,394	10.4	59,205	9.4	(8.1)
	Europe	96,830	15.6	88,342	14.0	(8.8)
	Asia	191,591	30.9	218,863	34.8	14.2
	Other regions	5,853	1.0	6,831	1.1	16.7
Overseas		358,667	57.9	373,241	59.3	4.1
Japan		260,965	42.1	255,743	40.7	(2.0)
Consolidated net sales - Total		619,632	100.0	628,984	100.0	1.5

## (2) Challenges the Group Faces

In Japan, even after the introduction of negative interest, share prices continue to be low and the yen continues to be high, giving a sense of uncertainty about its economic future, despite 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, with improved employment, consumer spending continues to grow and the US economy is expected to make a mild recovery. Meanwhile, due to financial uncertainty in Europe, continuous geopolitical risks, the slowdown of Chinese economy, financial deterioration of resource rich countries and materialization of other risks, deteriorating economic conditions at a global scale is also a growing concern, making the situation unpredictable.

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.

The Group recently 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 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 previous "Industrial & IT systems" and "Fine Technology Systems" are consolidated, and they will focus on enforcing their 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) 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 measures to recurrence prevention measures related to the Supervisory Disposition)

The Company will implement the following measures as recurrence prevention measures related to the Supervisory Disposition in connection with pile work of a condominium located in Yokohama City.

#### 1) Enhancement of construction management system

The Company will enhance the management of contracts for construction projects primarily by the "Construction Control Center" established on February 1, 2016. Furthermore, the Company will establish "Construction Safety Management Committee" which will be responsible for familiarizing employees with the provisions of the Construction Business Act that are to be complied with and promoting awareness of importance of legal compliance.

#### 2) Advancement of cultivation of qualified personnel under the Construction Business Act

The Company will systematically cultivate qualified personnel under the Construction Business Act and also take necessary measures to secure qualified personnel.

#### 3) Implementation of education and training

To familiarize employees with the provisions of the Construction Business Act that are to be complied with, the Company will implement training for all top management and general management personnel on a regular basis. In this training, details of disposition related to the Construction Project and the measures to prevent recurrence of similar events will be explained.

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 (under review)
Revenues (million yen)	619,632	628,984
Income from continuing operations, before income taxes (million yen)	45,189	48,566
Net income attributable to Hitachi High-Technologies Corporation stockholders (million yen)	31,093	35,989
Basic earnings per share attributable to Hitachi High-Technologies Corporation stockholders (million yen)	226.08	261.68
Hitachi High-Technologies Corporation stockholders' equity (million yen)	301,378	320,790
Total assets (million yen)	536,705	531,032

**Note:** 1. Starting from the fiscal year under review, the Company started to prepare consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). To reflect this change, the previous year'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 2012	FY 2013	FY 2014
Net sales (million yen)	575,468	639,116	637,497
Ordinary income (million yen)	20,098	31,102	42,169
Net income attributable to Hitachi High-Technologies Corporation stockholders (million yen)	12,166	18,032	28,129
Net income per share (yen)	88.45	131.11	204.52
Net assets (million yen)	267,189	272,968	302,324
Total assets (million yen)	433,639	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 2012	FY 2013	FY 2014	FY 2015 (under review)
Net sales (million yen)	396,352	390,806	411,158	387,911
Ordinary income (million yen)	12,412	29,468	34,011	35,775
Net income (million yen)	7,873	13,532	25,784	30,341
Net income per share (yen)	57.24	98.39	187.48	220.61
Net assets (million yen)	207,279	216,810	238,328	262,194
Total assets (million yen)	338,693	376,471	414,571	419,183

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**

[Head office and branches of the Company]

(As of March 31, 2016)

<b>Name</b>	<b>Location</b>
Head Office	Minato-ku, Tokyo
Hokkaido Branch Office	Sapporo City, Hokkaido Prefecture
Tohoku Branch Office	Sendai City, Miyagi Prefecture
Ibaraki Branch Office	Hitachi City, Ibaraki Prefecture
Chubu Branch Office	Nagoya City, Aichi Prefecture
Kansai Branch Office	Osaka City, Osaka Prefecture
Kyushu Branch Office	Fukuoka City, Fukuoka Prefecture

[Production Bases of the Company]

<b>Name</b>	<b>Location</b>
Naka Region	Hitachinaka City, Ibaraki Prefecture
Kasado Region	Kudamatsu City, Yamaguchi Prefecture

[Major Subsidiaries]

<b>Name</b>	<b>Business office</b>	<b>Location</b>
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, 2016)

Segment	Number of employees	(Change from the end of the preceding year)
Electronic Device Systems	2,381	(-69)
Fine Technology Systems	438	(+23)
Science & Medical Systems	4,390	(+86)
Industrial & IT Systems	964	(-110)
Advanced Industrial Products	564	(-40)
Group-wide (common)	1,165	(0)
Total	9,902	(-110)

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

[Number of Employees in the Company]

Number of employees (Change from the end of the preceding year)	3,711 (-57)
Average number of years of service	19 years and 8 months
Average age	42 years and 6 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 various information equipment, power-generation-related components, etc. to its parent company and purchases power-generation-related equipment and components, manufacturing equipment for electricity and chemical industries and other items from 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 in consideration of 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 31 consolidated subsidiaries, including the following major subsidiaries.

The Company's major subsidiaries are as follows.

Company name	Capital	Equity Stake
<b>Main business activities</b>		
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	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..

## 2. Matters Concerning the Company's Stock (As of March 31, 2016)

### (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 7,728 shareholders

### (3) 10 Largest Shareholders

Name	Shareholding shares	Shareholding Ratio %
Hitachi, Ltd.	71,135,619	51.72
Japan Trustee Services Bank, Ltd. (Trust Account)	3,902,300	2.84
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,251,300	2.36
Chase Manhattan Bank GTS Client Account Escrow	2,559,554	1.86
Goldman Sachs International	1,917,491	1.39
Hitachi High-Technologies Corp.'s Shareholding Association	1,649,619	1.20
State Street Bank and Trust Company 505001	1,436,156	1.04
Bank of New York GCM Client Account JPRD ISG (FE-AC)	1,365,794	0.99
JP Morgan Chase Bank 380684	1,212,800	0.88
Nomura Bank (Luxembourg) S.A. S/A Nomura Multi Currency Japan Stock Leaders Fund	1,134,600	0.82

Note: Shareholding ratio is calculated by deducting treasury stock (208,212 shares).

### 3. Directors and Executive Officers

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

[Directors]

(As of March 31, 2016)

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	Hideyo Hayakawa	Nominating Committee	
Director	Hiromichi Toda	Nominating Committee Audit Committee	
Director	Yuji Nishimi	Audit Committee	
Director	Toyoaki Nakamura	Nominating Committee Compensation Committee	Representative Executive Officer, Hitachi, Ltd. Outside Director, Hitachi Metals, Ltd.
Director	Ryuichi Kitayama	Nominating Committee Compensation Committee	Representative Executive Officer, Hitachi, Ltd.

- Notes:
1. Directors Masahiro Miyazaki, Yuji Nishimi and Ryuichi Kitayama were nominated at the 96th Ordinary General Meeting of Shareholders held on June 19, 2015 and appointed.
  2. Directors Hideyo Hayakawa, Hiromichi Toda, Yuji Nishimi, Toyoaki Nakamura and Ryuichi Kitayama are outside directors set forth in Article 2, Item 15 of the Companies Act.
  3. Directors Masao Hisada and Masahiro Miyazaki also serves concurrently as Executive Officer.
  4. Directors Toyoaki Nakamura and Ryuichi Kitayama are Representative Executive Officers of Hitachi, Ltd.
  5. The relationship between Hitachi, Ltd. and the Company is as described in "1. Information on Current State of Hitachi High-Technologies Group (8) Major Parent Company and Subsidiaries." Hitachi Metals Ltd. and the Company have the same parent company.
  6. Director Toyoaki Nakamura is an Outside Director of Hitachi Metals, Ltd. and the Company conducts transactions including the procurement and sales of components and raw materials with Hitachi Metals, Ltd.
  7. The Company has concluded, with Directors Yoshikazu Dairaku, Hideyo Hayakawa, Hiromichi Toda, Yuji Nishimi, Toyoaki Nakamura and Ryuichi Kitayama, 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.
  8. 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 having a member of the Audit Committee who is familiar with the Company's internal situation and can collect information through attending important meetings, share information at the Audit Committee and promote close collaboration with the Internal Auditing Division.
  9. 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, 2016)

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

- Notes: 1. The above Executive Officers were nominated at the meetings of the Board of Directors held on February 25, 2015, and appointed on April 1, 2015.
2. Executive Officers Masahiro Miyazaki and Masao Hisada concurrently serve 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.

(\*)1 CHRO : Chief Human Resources Officer

(\*)2 CRO : Chief Risk management Officer

(\*)3 CFO : Chief Financial Officer

(\*)4 CSO : Chief Strategy Officer

(\*)5 CMO : Chief Marketing Officer

(\*)6 CIO : Chief Information Officer

(\*)7 CTrO: Chief Transformation Officer

(\*)8 CTO : Chief Technology Officer

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

The Company changed its Executive Officers on April 1, 2016. The new lineup of Executive Officers is as follows.

(As of April 1, 2016)

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, Internal Control, Compliance & Risk Management, CFO, CRO	
Vice President and Executive Officer	Shinji Sato	Corporate Planning & Planning, Marketing & Sales Strategy, Group Company Management, CSO, CMO	
Vice President and Executive Officer	Ryuichi Nakashima	IT Strategy, Smart Transformation Project Promotion, IR, CIO, CTrO	
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	Mr. Ishiwa served as the General Manager of one of the major business division of the Company, the Semiconductor Process Control Systems Division, for a long time and is highly knowledgeable about the industry trend and built and maintained good relationship with major customers. In addition, he has great understanding of different cultures and is eager to utilize human resources with different cultural background. Therefore, the Company considered that he satisfied the requirements under the Executive Officer Selection Policy and thus appointed him as an Executive Officer.
Executive Officer	Futoshi Ishiwa	Electronic Device Systems	
Executive Officer	Akihiro Imanishi	Advanced Industrial Products	Mr. Imanishi has acquired knowledge and experience in a wide variety of operations including those related to specific steel and specialty steel through his experience as Ibaraki Branch General Manager of the Company and Commercial Division Manager of Hitachi High-Technologies

Position	Name	Responsibilities	Reason for Selection
			(Shanghai) Co., Ltd.. He also has flexible understanding of different operations and different cultures and is eager to utilize human resources with different cultural background. Therefore, the Company considered that he satisfied the requirements under the Executive Officer Selection Policy and thus appointed him as an Executive Officer.
Executive Officer	Shinji Sakurai	Operation audit	Through long-time experience in the Sales Administration Dept. , Mr. Sakurai has acquired expertise and contributed to the establishment of policies and systems for the management of transactions of the Company. In addition, Mr. Sakurai has experience in overall management including accounting, human resources and general affairs through his service at the Head Office, Naka Region , Ibaraki Branch and overseas subsidiaries of the Company. Therefore, the Company considered that he satisfied the requirements under the Executive Officer Selection Policy and thus appointed him as an Executive Officer.,
Executive Officer	Hisashi Horikoshi	Human Resources, CSR & Corporate Communications, Legal, Environmental Management, CHRO	Mr. Horikoshi has exercised his strong leadership during his long service as the General Manager of HR and General Affairs Divisions at major companies of our parent company, Hitachi, Ltd. Other than HR and General Affairs Divisions, he also has experience in a wide variety of fields including CSR, and has flexible understanding of different cultures. Therefore, the Company considered that he satisfied the requirements under the Executive Officer Selection Policy and thus appointed him as an 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]**

<b>Name</b>	<b>Major Activities</b>
Hideyo Hayakawa	<p>Mr. Hayakawa has attended all 13 meetings of the Board of Directors held in the fiscal year under review and all 5 meetings of Audit Committee held up to the day of his resignation as a member of the Audit Committee on June 19, 2015, 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.</p> <p>The event that led to the Supervisory Disposition occurred prior to the assumption of office by Mr. Hayakawa, and Mr. Hayakawa was not aware of the event. However, he always expresses his opinions from the legal point of view, and after this event was discovered, he requested investigation to discover the full depth of the fact and into the cause of the incident and presented proposals to strengthen the system to prevent recurrence of similar events.</p>
Hiromichi Toda	<p>Mr. Toda attended all 13 meetings of the Board of Directors as well as 19 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.</p> <p>The event that led to the Supervisory Disposition occurred prior to the assumption of office by Mr. Toda, and Mr. Toda was not aware of the event. However, he always expresses his opinions from the legal point of view, and after this event was discovered, he requested investigation to discover the full depth of the fact and into the cause of the incident and presented proposals to strengthen the system to prevent recurrence of similar events.</p>
Yuji Nishimi	<p>Mr. Nishimi was elected at the 96th Ordinary General Meeting of Shareholders of the Company held on June 19, 2015, and attended all 11 meetings of the Board of Directors and all 14 meetings of the Audit Committee held after the assumption of the office, 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.</p> <p>The event that led to the Supervisory Disposition occurred prior to the assumption of office by Mr. Nishimi, and Mr. Nishimi was not aware of the event. However, he always expresses his opinions from the legal point of view, and after this event was discovered, he requested investigation to discover the full depth of the fact and into the cause of the incident and presented proposals to strengthen the system to prevent recurrence of similar events.</p>
Toyoaki Nakamura	<p>Mr. Nakamura attended all 13 meetings of the Board of Directors held in the fiscal year under review, and has been expressing opinions based on his rich experience in corporate management and his extensive knowledge and experience in the fields of accounting and finance.</p> <p>The event that led to the Supervisory Disposition occurred prior to the assumption of office by Mr. Nakamura, and Mr. Nakamura was not aware of the event. However, he always expresses his opinions from the legal point of view, and after this event was discovered, he requested investigation to discover the full</p>

	depth of the fact and into the cause of the incident and presented proposals to strengthen the system to prevent recurrence of similar events.
Ryuichi Kitayama	<p>Mr. Kitayama was elected at the 96th Ordinary General Meeting of Shareholders of the Company held on June 19, 2015, and attended all 11 meetings of the Board of Directors held after the assumption of office, and has been expressing opinions based on his rich experience in corporate management and extensive knowledge and experience in overall operation and management of group companies.</p> <p>The event that led to the Supervisory Disposition occurred prior to the assumption of office by Mr. Kitayama, and Mr. Kitayama was not aware of the event.</p> <p>However, he always expresses his opinions from the legal point of view, and after this event was discovered, he requested investigation to discover the full depth of the fact and into the cause of the incident and presented proposals to strengthen the system to prevent recurrence of similar events.</p>

Note: "Supervisory Disposition" refers to the disposition explained in 1. Information on Current State of Hitachi High-Technologies Group, (1) Business Overview and Results of Hitachi High-Technologies Group.

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

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

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

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

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

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

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

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

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

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.

- Compensation received by Executive Officers of the Company, as a general rule, will be fixed in amount by position (duty), and will be determined by adding an extra amount depending on the authorities and responsibilities.
- The performance-linked component will be set within a range based on the standard bonus on a position-by-position basis, depending on the Company's business performance during the fiscal year, the business performance of the division under the control of the Executive Officer, the results of operations in his/her charge, and efforts/contributions made towards management.
- As a nonmonetary reward, Executive Officers in a position (with a duty) that has a major impact on management 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.

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] (FY2015)**

	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	8	125	7	16	141
Outside Directors	6	50	5	6	56
Executive Officers	13	285	13	172	457

- Notes:
1. The number of Directors and the amount do not include one Director who concurrently serves as Representative Executive Officer. Also, the number and amount of/for Executive Officers does not include one Executive Officer who concurrently serves as the Chairman of the Board.
  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 96th Ordinary General Meeting of Shareholders of the Company held on June 19, 2015.

**[Amount of Compensation, etc. received by Outside Directors as Officers from the Parent Company, etc. of the Company in Fiscal Year ended March 31, 2016]**

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 JPY158 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, 2016: JPY 75 million

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

JPY 92 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 ending 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, 2016, the Company, taking into account various circumstances including the financial results for the year, has decided that the year-end dividend be JPY40 per share, resulting in an annual dividend of JPY 65 per share including the interim dividend of JPY 25 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	<p>(1) Approval documents shall be permanently stored under Document Storage Rules.</p> <p>(2) Filing, retention, storage or disposal of documents shall be handled with precision according to the Document Storage Rules and other related rules.</p>
2. Provisions related to management of risk of loss and other systems of the Company	<p>(1) The Company shall establish Risk Management Regulations, and develop a system to properly identify and manage risks.</p> <p>(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.</p> <p>(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.</p>
3. System to ensure efficient execution of duties by Executive Officers of the Company	<p>(1) When making important decisions, Executive Officers shall engage in deliberations at the Executive Committee, in accordance with the Executive Committee Regulations.</p> <p>(2) The Company shall check and improve the business promotion status through management control processes.</p> <p>(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 Management Meeting to reflect them on the execution of business.</p> <p>(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.</p>

Item	Outline of details of the Resolution
<p>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</p>	<p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(4) In-house workshops shall be periodically held by divisions in charge of legal affairs.</p> <p>(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.</p> <p>(6) Information shall be gathered and investigation shall be conducted based on the internal reporting system.</p>
<p>5. System to ensure the appropriateness of business operations within the corporate group comprising the stock company, its parent company and subsidiaries</p>	<p>(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.</p> <p>(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.</p> <p>2) The Internal Auditing Division shall periodically conduct audits on the subsidiaries.</p> <p>3) The Audit Committee shall periodically conduct audits on the subsidiaries.</p> <p>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.</p> <p>5) Information shall be gathered and investigation shall be conducted based on the internal reporting system, which will include the subsidiaries.</p> <p>6) The Company shall thoroughly enforce the strict observance of the law by</p>



Item	Outline of details of the Resolution
	<p>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.</p> <p>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.”</p>
6. Matters concerning Directors and employees who assist the duties of the Audit Committee of the Company	<p>(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.</p> <p>(2) As the need arises, the Internal Auditing Division and administrative divisions shall assist with the duties of the Audit Committee.</p>
7. Matters concerning independence of Directors and employees mentioned above from Executive Officers	<p>(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.</p> <p>(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.</p>
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	<p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>
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.	<p>(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.</p>

Item	Outline of details of the Resolution
10. Other systems to ensure that audits by the Audit Committee are effectively implemented	<p>(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.</p> <p>(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.</p>

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	<p>(1) 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 in accordance with the Internal Control Management Committee Regulations to understand the status of implementation of measures against risks of the Group through activities of sub-committees under the Internal Control Management Committee, namely, J-SOX Committee, Compliance Committee, Information Security Committee and Environmental Committee, and necessary actions to be taken have been instructed in the meetings.</p> <p>(2) After the discovery of the event that led to the Supervisory Disposition under the Construction Business Act, an emergency task force chaired by CRO was established in accordance with the Risk Management Regulations, and this task force conducted investigation into the cause and developed recurrence prevention measures. Furthermore, the Company established Construction Control Center and Construction Safety Management Committee based on the recurrence prevention measures to carry out proper management to ensure compliance with the Construction Business Act, and also implemented training concerning the Construction Business Act.</p>
3. System to ensure efficient execution of duties by Executive Officers of the Company	<p>(1) As for the status of holding of important meetings, the Executive Committee meetings were held 23 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. 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.</p> <p>(2) 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. Furthermore, to realize more expedited and decisive decision-making, the Board of Directors Regulations and Criteria for Approval which set forth matters required to be approved by the Group have been amended to expand the scope of delegation of approval authority from the Board of Directors to the Executive Officers.</p> <p>(3) The Internal Auditing Division conducts internal audits of the Group in accordance with the audit plan and reports the results to the Management Meeting. 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 meetings of the Management Meeting and Budget / Medium-term Management Plan Deliberation Committee, obtains information necessary for investigation and physical</p>

	inspection and provides advice from the perspective of management efficiency.
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	<p>(1) “Corporate Vision” and “Code of Corporate Conduct” are made available for perusal at all times.</p> <p>(2) 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 in accordance with the Compliance Regulations to deliberate, among other things, the ways to handle high priority compliance risks of the Group. After the discovery of the event that led to the Supervisory Disposition under the Construction business Act, to address the risk in non-compliance with the Construction Business Act as the top priority, an emergency task force chaired by CRO was established, which conducted investigation into the cause and developed recurrence prevention measures.</p> <p>(3) 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.</p> <p>(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. 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.</p> <p>(5) 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, in January 2016, 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 their duties can be reported to the Audit Committee, and the internal reporting system has been strengthened.</p>
5. System to ensure the appropriateness of business operations within the corporate group comprising the stock company, its parent company and subsidiaries	<p>(1) Arrangement with the parent company</p> <p>In terms of transactions with the parent company, checks have been conducted by not only sales divisions but also management divisions, and it has been confirmed that they did not adversely affect shareholders' common interest.</p> <p>(2) Subsidiary management system</p> <p>1) The Company, through its Management Meeting (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.</p> <p>2) The Company including its subsidiaries has been making efforts to build a risk management system, collect information and conduct investigation</p>

	through internal reporting system and enforce the strict observance of the law by conducting education by such means as holding workshops at each job rank and compliance training.
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	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	<p>(1) The Management Meeting of the Company has been reporting the matters presented for deliberation or reported to it to the full-time member of the Audit Committee, who then reported the matters presented to the Management Meeting for deliberation to 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.</p> <p>(2) The status of internal reporting of the Group has been reported by the Compliance Committee to the full-time member of the Audit Committee.</p> <p>(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.</p>
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	<p>(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.</p> <p>(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.</p> <p>(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 Management Meeting to reflect the results on the execution of business.</p>

**Consolidated Financial Statements**  
**Consolidated statement of financial position**

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2014 (As of March 31, 2015)
<b>Assets</b>	<b>(Millions of yen)</b>	
<b>Current assets</b>		
Cash and cash equivalent	169,375	153,942
Trade receivables	134,583	136,586
Investments in securities and other financial assets	6,366	21,629
Inventories	93,306	90,709
Income taxes receivable	2,299	938
Other current assets	5,460	4,344
Subtotal	411,388	408,148
Assets held for sale	383	269
<b>Total current assets</b>	<b>411,771</b>	<b>408,417</b>
<b>Non-current assets</b>		
Property, plant and equipment	70,752	71,665
Intangible assets	10,330	13,271
Investments accounted for using the equity method	323	314
Trade receivables	966	503
Investments in Securities and other financial assets	13,977	15,011
Deferred tax assets	21,761	24,454
Other non-current assets	1,152	3,070
<b>Total non-current assets</b>	<b>119,261</b>	<b>128,289</b>
<b>Total assets</b>	<b>531,032</b>	<b>536,705</b>

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2014 (As of March 31, 2015)
<b>Liabilities</b>	(Millions of yen)	
<b>Current liabilities</b>		
Trade payables	109,975	121,637
Other financial liabilities	16,494	14,294
Income tax payable	1,149	8,205
Accrued expenses	21,591	22,198
Advances received	15,486	18,431
Provisions	1,812	2,102
Other current liabilities	1,190	1,347
<b>Total current liabilities</b>	<b>167,697</b>	<b>188,214</b>
<b>Non-current liabilities</b>		
Other financial liabilities	7,038	196
Retirement and severance benefits	33,067	43,972
Provisions	1,467	1,778
Deferred tax liabilities	87	135
Other non-current liabilities	623	714
<b>Total non-current liabilities</b>	<b>42,282</b>	<b>46,795</b>
<b>Total liabilities</b>	<b>209,979</b>	<b>235,009</b>
<b>Equity</b>		
<b>Hitachi High-Technologies Corporations stockholders' equity</b>		
Common stock	7,938	7,938
Capital surplus	35,662	35,662
Retained earnings	267,903	239,553
Accumulated other comprehensive income	9,636	18,567
Treasury stock, at cost	(349)	(343)
<b>Total Hitachi High-Technologies Corporations stockholders' equity</b>	<b>320,790</b>	<b>301,378</b>
<b>Non-controlling interests</b>	<b>264</b>	<b>319</b>
<b>Total equity</b>	<b>321,054</b>	<b>301,696</b>
<b>Total liabilities and equity</b>	<b>531,032</b>	<b>536,705</b>

# Consolidated Statements of Profit or Loss

	FY 2015	FY 2014
	(As of March 31, 2016)	(As of March 31, 2015)
	(Millions of yen)	
Revenues	628,984	619,632
Cost of sales	(487,993)	(483,671)
<b>Gross profit</b>	<b>140,991</b>	<b>135,961</b>
Selling, general and administrative expenses	(93,945)	(88,257)
Other income	4,969	582
Other expenses	(2,660)	(1,358)
<b>Operating profit</b>	<b>49,356</b>	<b>46,928</b>
Financial income	312	219
Financial expenses	(1,510)	(2,382)
Share of profits of investments accounted for using the equity method	51	12
<b>EBIT(Earnings before interest and taxes)</b>	<b>48,209</b>	<b>44,778</b>
Interest income	409	450
Interest charges	(52)	(39)
<b>Income from continuing operations, before income taxes</b>	<b>48,566</b>	<b>45,189</b>
Income taxes	(12,575)	(13,053)
<b>Income from continuing operations</b>	<b>35,991</b>	<b>32,136</b>
Loss from discontinued operations	-	(1,005)
<b>Net income</b>	<b>35,991</b>	<b>31,131</b>
Net income attributable to:		
Hitachi High-Technologies Corporation stockholders		
Continuing operations	35,989	32,098
Discontinued operations	-	(1,005)
<b>Total</b>	<b>35,989</b>	<b>31,093</b>
Non-controlling interests	1	38
<b>Total</b>	<b>35,991</b>	<b>31,131</b>



**Unconsolidated Financial Statements**  
**Unconsolidated Balance Sheets**

	Fiscal 2015	Fiscal 2014
	(As of March 31, 2016)	(As of March 31, 2015)
	(Millions of yen)	
<b>Assets</b>		
<b>Current assets</b>	<b>323,725</b>	<b>319,857</b>
Cash and deposits	2,586	2,309
Notes receivable	2,220	3,296
Electronically recorded monetary claims-operating	4,615	4,359
Accounts receivable	88,044	91,311
Marketable securities	-	2,020
Merchandise and finished goods	21,197	23,682
Work in process	35,328	29,231
Raw materials	3,080	2,652
Advances paid	4,020	2,801
Prepaid expenses	30	60
Deferred tax assets	3,966	4,719
Short-term loan receivables	15,895	30,008
Deposit to Hitachi Group cash management fund	136,451	129,053
Other	11,613	11,112
Allowance for doubtful receivables	(5,319)	(16,755)
<b>Fixed assets</b>	<b>95,458</b>	<b>94,714</b>
<b>Property, plant and equipment</b>	<b>53,458</b>	<b>54,388</b>
Buildings	22,108	22,907
Structures	674	690
Machinery and equipment	6,423	6,207
Vehicles	79	96
Tools, furniture & fixtures	6,683	6,175
Land	16,288	17,217
Construction in progress	1,202	1,096
<b>Intangible assets</b>	<b>3,768</b>	<b>4,003</b>
Patents	5	4
Software	3,735	3,955
Other	29	44
<b>Investments and others</b>	<b>38,231</b>	<b>36,324</b>
Investments in securities	10,657	11,482
Affiliated companies' common stock	15,510	15,510
Investments in companies	81	81
Investments in affiliated companies	2,385	2,385
Long-term loan receivables	225	242
Long-term loan receivables to employees	16	35
Past-due operating claims	110	130
Long-term prepaid expenses	4,945	34
Deferred tax assets	2,772	4,882
Other	1,822	1,844
Allowance for doubtful receivables	(292)	(301)
<b>Total assets</b>	<b>419,183</b>	<b>414,571</b>

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2014 (As of March 31, 2015)
	(Millions of yen)	
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>142,791</b>	<b>160,877</b>
Notes payable	-	12
Electronically recorded obligations	542	-
Accounts payable	77,110	86,709
Other accounts payable	9,165	6,708
Accrued expenses	11,706	12,066
Income taxes	345	6,853
Advances received	8,427	7,774
Deposits received	34,854	38,744
Current portion of guarantee deposits received	616	639
Other	26	1,373
<b>Long-term liabilities</b>	<b>14,198</b>	<b>15,366</b>
Deferred tax liabilities for land revaluation	44	47
Accrued pension liability	9,336	14,908
Asset retirement obligations	421	411
Other	4,398	0
<b>Total liabilities</b>	<b>156,989</b>	<b>176,243</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>	<b>255,053</b>	<b>231,596</b>
<b>Common stock</b>	<b>7,938</b>	<b>7,938</b>
<b>Capital surplus</b>	<b>35,745</b>	<b>35,745</b>
Capital reserve	35,723	35,723
Others	21	21
<b>Retained earnings</b>	<b>211,719</b>	<b>188,255</b>
Earned surplus reserve	1,385	1,385
Others	210,335	186,871
Reserve for advanced depreciation of fixed assets	1,307	1,499
General reserve	174,295	157,995
Retained earnings brought forward	34,733	27,377
<b>Treasury stock</b>	<b>(349)</b>	<b>(343)</b>
<b>Valuation and translation adjustments</b>	<b>7,141</b>	<b>6,733</b>
<b>Unrealized holding gains on securities</b>	<b>6,512</b>	<b>7,140</b>
<b>Deferred profit or loss on hedges</b>	<b>495</b>	<b>(539)</b>
<b>Revaluation reserve for land</b>	<b>134</b>	<b>131</b>
<b>Total net assets</b>	<b>262,194</b>	<b>238,328</b>
<b>Total liabilities and net assets</b>	<b>419,183</b>	<b>414,571</b>

## Unconsolidated Statements of Income

	FY 2015	FY 2014
	(As of March 31,	(As of March 31,
	2016)	2015)
	(Millions of yen)	
<b>Net sales</b>	<b>387,911</b>	<b>411,158</b>
Cost of sales	302,426	323,731
<b>Gross profit</b>	<b>85,485</b>	<b>87,426</b>
Selling, general and administrative expenses	57,287	56,224
<b>Operating income</b>	<b>28,198</b>	<b>31,203</b>
<b>Other income</b>	<b>9,252</b>	<b>7,242</b>
Interest income	354	373
Interest income on securities	23	40
Dividends income	8,060	5,991
Reversal of allowance for doubtful accounts for affiliated companies	527	-
Other	288	838
<b>Other deductions</b>	<b>1,675</b>	<b>4,433</b>
Interest expenses	250	148
Foreign exchange losses	951	1,975
Loss on disposal of property, plant and equipment	173	499
Provision of allowance for doubtful accounts for affiliated companies	-	1,779
Other	300	32
<b>Ordinary income</b>	<b>35,775</b>	<b>34,011</b>
<b>Extraordinary gain</b>	<b>1,693</b>	<b>893</b>
Gain on transfer of retirement benefit program	647	-
Gain on extinguishment of tie-in shares	568	-
Gain on sales of property, plant and equipment	386	-
Gain on sales of investments in securities	93	0
Gain on transfer of business	-	892
<b>Extraordinary loss</b>	<b>870</b>	<b>1,047</b>
Loss on debt waiver of affiliated companies	546	-
Loss on devaluation of investments in securities	214	-
Impairment losses	102	821
Loss on sales of investments in securities	9	-
Restructuring charges	-	226
<b>Income before income taxes</b>	<b>36,598</b>	<b>33,856</b>
Income taxes-current	2,984	9,636
Income taxes-deferred	3,273	(1,563)
<b>Net income</b>	<b>30,341</b>	<b>25,784</b>

## **Audit Report**

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

#### **INDEPENDENT AUDITORS' REPORT**

May 16, 2016

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, 2015 to March 31, 2016) 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 16, 2016

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 97th business term (from April 1, 2015 to March 31, 2016) 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 97th business term (from April 1, 2015 to March 31, 2016). 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 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, assignment of audit duties, 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 gravely accepts the supervisory dispositions it received from the Ministry of Land, Infrastructure, Transport and Tourism, Kanto Regional Development Bureau under the Construction Business Act, and strives to ensure that all laws and regulation are strictly complied with and to strengthen relevant systems to prevent similar incidents in the future. The Audit Committee will 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 20, 2016

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.

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(Translation)

## Matters for Internet Disclosure of the 97th 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**

FY2015 (under review) (April 1, 2015 to March 31, 2016)

(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, 2015	7,938	35,662	239,553	7,133	4,570	7,501
Net income			35,989			
Other comprehensive income				(752)	(6,951)	(3,122)
Comprehensive income for the year	-	-	35,989	(752)	(6,951)	(3,122)
Acquisition of treasury stock		(0)				
Cash dividends			(6,877)			
Transfer to retained earnings			(763)	(5)	768	
Total amount of transactions with owners	-	(0)	(7,639)	(5)	768	-
Balance at March 31, 2016	7,938	35,662	267,903	6,375	(1,613)	4,379

	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, 2015	(636)	18,567	(343)	301,378	319	301,696
Net income		-		35,989	1	35,991
Other comprehensive income	1,132	(9,694)		(9,694)	(35)	(9,729)
Comprehensive income for the year	1,132	(9,694)	-	26,295	(34)	26,262
Acquisition of treasury stock		-	(6)	(6)		(6)
Cash dividends		-		(6,877)	(21)	(6,898)
Transfer to retained earnings		763		-		-
Total amount of transactions with owners	-	763	(6)	(6,883)	(21)	(6,904)
Balance at March 31, 2016	496	9,636	(349)	320,790	264	321,054

## 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

Starting from the consolidated fiscal year under review, 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: 31

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 19 other companies

Hitachi High-Tech Instruments Co., Ltd. which had been a consolidated subsidiary up to the previous consolidated fiscal year has merged with and absorbed by the Company as of September 16, 2015.

Therefore, from the consolidated fiscal year under review, Hitachi High-Tech Instruments Co., Ltd. is excluded from the scope of consolidation.

#### (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, 2016 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 7 other companies

End of fiscal year: December 31

Consolidation procedures have been taken based on financial statements as of March 31, 2016 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 expense

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	JPY99 million
Securities and other financial assets	JPY14 million

**2) Non-current assets**

Trade receivables	JPY114 million
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**(2) Accumulated depreciation and accumulated impairment losses of property, plant and equipment**

JPY85,950 million

**(3) Collateralized assets and secured liabilities**

(Millions of yen)

	Consolidated fiscal year under review
Collateralized assets	
Securities and other financial assets	311
Corresponding obligations	
Trade payables	56

(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 JPY 288 million are measured at fair value, and the maximum amount of the guarantee is their acquisition cost in the amount of JPY 353 million.

**(4) Guarantees**

Guarantees to employees (Housing loans)	JPY133 million
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#### 4. Notes to consolidated statements of profit or loss

##### (1) 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	(104)
Intangible assets	(1,785)
Total	(1,889)

Impairment losses are recorded under “Other expenses.”

An impairment loss of JPY 1,540 million was all recognized for goodwill allocated to analysis operations that belong to the Science & Medical Systems Segment during the consolidated fiscal year under review. The recoverable amount of the assets was measured at the value in use. The value in use was calculated by discounting the estimated future cash flows by 6.0%.

##### (2) Other income and expenses

Breakdown of other income is as follows.

(Millions of yen)

	Consolidated fiscal year under review
Gain on transfer of retirement benefit plan	3,799
Reversal of allowance for doubtful receivables	132
Gain on sale of property, plant and equipment and intangible assets (Note)	412
Other	627
Total	4,969

(Note) This includes gain on sale of assets held for sale.

Breakdown of other expenses is as follows.

(Millions of yen)

	Consolidated fiscal year under review
Impairment losses (Note)	(1,889)
Loss on removal or sale of property, plant and equipment and intangible assets	(324)
Other	(447)
Total	(2,660)

(Note) Breakdown of impairment losses are shown in (1) Loss on impairment of assets.

### (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	288
Gain on sale of financial instruments	
Financial assets at FVTPL	24
Total	312

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	(32)
Foreign exchange losses	(1,278)
Other	(201)
Total	(1,510)

### (4) Income tax expense

Breakdown of JPY 12,575 million income tax expense is JPY 7,951 million tax expense and JPY 4,624 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, 2015	Increase during fiscal year ended March 31, 2016	Decrease during fiscal year ended March 31, 2016	Total number of shares as at March 31, 2016
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, 2015	Common stock	Retained earnings	3,438	25.00	March 31, 2015	June 3, 2015
Meeting of Board of Directors held on October 26, 2015	Common stock	Retained earnings	3,438	25.00	September 30, 2015	November 30, 2015

**2) Cash dividends whose record date falls in FY2015 but effective date falls in FY2016**

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 25, 2016	Common stock	Retained earnings	5,501	40.00	March 31, 2016	June 3, 2016

## **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 investment 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	169,375	169,375
Trade receivables	134,583	134,583
Securities and other financial assets	5,366	5,366
Receivables	5,305	5,305
Loans	61	61
Non-current assets		
Trade receivables	966	966
Securities and other financial assets	2,234	2,234
Securities and other investments	1,867	1,867
Loans	367	367
Assets measured at fair value		
Financial assets at FVTPL		
Current assets		
Securities and other financial assets	1,000	1,000
Other financial assets (derivatives)	1,000	1,000
Non-current assets		
Securities and other financial assets	914	914
Other investments	914	914
Financial assets at FVTOCI		
Non-current assets		
Securities and other financial assets	10,829	10,829
Securities	10,829	10,829
Liabilities measured at amortized cost		
Current liabilities		
Trade payables	109,975	109,975
Other financial liabilities	16,435	16,435
Lease obligations	181	181
Deposit received	3,332	3,332
Payables	12,922	12,922
Non-current liabilities		
Other financial liabilities	7,038	7,038
Lease obligations	248	248
Payables	6,790	6,790
Liabilities measured at fair value		
Financial Liabilities at FVTPL		
Current liabilities		
Other financial liabilities (derivatives)	59	59

**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 receivables, deposit received, payables and short-term loans is short, the fair value is almost the same as the book value.

Securities, long-term 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:                        | JPY2,332.50 |
| (2) Basic earnings per share attributable to Hitachi High-Technologies Corporation stockholders: | JPY261.68   |

## 8. Notes on significant subsequent events

Not applicable.

## 9. Other information

### Changes in deferred tax assets and deferred tax liabilities due to changes in the rate of taxes including income taxes

Following the passing of the "Act for Partial Revision of the Income Tax Act, etc." (Act No.15, 2016) and the "Act for the Partial Revision of the Local Tax Act, etc." (Act No. 13, 2016) through the Diet on March 29, 2016, the statutory effective tax rate used in the calculation of deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2016 has been changed from the previous 32.3% to 30.9% for temporary differences expected to be reversed on and after April 1, 2016 and on and after April 1, 2017, and to 30.6% for those expected to be reversed on and after April 1, 2018.

As a result of this change in tax rate, net value of deferred tax assets (after deduction of deferred tax liabilities) decreased by JPY788 million, and deferred tax expenses and accumulated other comprehensive income recorded for the consolidated fiscal year under review increased by JPY840 million and JPY51 million respectively.

## Unconsolidated Statements of Changes in Net Assets

FY2015 (under review) (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Others	Total capital surplus
Balance at April 1, 2015	7,938	35,723	21	35,745
Change during year				
Dividends from surplus				-
Provision of reserve for advanced depreciation of fixed assets				-
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, 2016	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, 2015	1,385	1,499	157,995	27,377	188,255
Change during year					
Dividends from surplus				(6,877)	(6,877)
Provision of reserve for advanced depreciation of fixed assets		32		(32)	-
Reversal of reserve for advance depreciation of fixed assets		(224)		224	-
Provision of general reserve			16,300	(16,300)	-
Net income				30,341	30,341
Acquisition of treasury stock					-
Net changes during year in items other than shareholders' equity					-
Total change during year	-	(192)	16,300	7,356	23,464
Balance at March 31, 2016	1,385	1,307	174,295	34,733	211,719



	Shareholders' equity		Valuation and translation adjustments				Total net assets
	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	
Balance at April 1, 2015	(343)	231,596	7,140	(539)	131	6,733	238,328
Change during year							
Dividends from surplus		(6,877)				-	(6,877)
Provision of reserve for advanced depreciation of fixed assets		-				-	-
Reversal of reserve for advance depreciation of fixed assets		-				-	-
Provision of general reserve		-				-	-
Net income		30,341				-	30,341
Acquisition of treasury stock	(6)	(6)				-	(6)
Net changes during year in items other than shareholders' equity		-	(629)	1,034	3	408	408
Total change during year	(6)	23,458	(629)	1,034	3	408	23,866
Balance at March 31, 2016	(349)	255,053	6,512	495	134	7,141	262,194

## 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 (twelve 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:** JPY59,448 million

(2) **Collateralized assets and secured liabilities**

Collateralized assets

Short-term loan receivable (Note) JPY 17 million

Investments in securities (Note) JPY 81 million

Long-term loans receivable (Note) JPY 225 million

Others (Note) JPY 31 million

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

(3) **Guarantees** JPY 545 million

The breakdown of guarantees is as follows.

1 affiliated company (guarantee for trade accounts payable) JPY 450 million

Guarantee for employees (Housing loans) JPY 95 million

(4) **Short-term receivables from affiliated companies** JPY 55,587 million

(5) **Short-term payables to affiliated companies** JPY 51,675 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 item 2, Article 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 JPY 163,415 million

Purchases JPY 79,764 million

Non-operating transactions JPY 25,598 million

(2) **Extraordinary loss**

1) Loss on impairment of assets

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

In the fiscal year ended March 31, 2016, the Company accounted for impairment losses for the following assets.

Location	Purpose	Type	Impairment Loss (million yen)
Head Office Region (Minato-ku, Tokyo)	Assets for businesses	Tools, furniture & fixtures, and software	102
Total			102

In relation to assets related to Human Big Data/Cloud Services, with a transfer and convergence of its operation, book values of property, plant and equipment (tools, furniture and fixtures) and intangible assets (software) were reduced, and JPY102 million were recognized as an impairment loss. The recoverable amount of assets to be sold was measured at fair value less costs for disposal. The recoverable amount of assets to be retired 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, 2015	Increase during fiscal year ended March 31, 2016	Decrease during fiscal year ended March 31, 2016	Total number of shares as at March 31, 2016
Common stock	206,223	1,989	-	208,212

Note: The increase of 1,989 shares was attributable to the buyback of shares falling short of the share unit.

## 6. Notes on tax effect accounting

### (1) 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	JPY 1,747 million
Accrued bonuses	JPY 1,525 million
Accrued enterprise tax denied	JPY 101 million
Accrued liability due to transfer of defined contribution pension plan	JPY 905 million
Accrued cost of sales recorded but denied	JPY 254 million
Devaluation of inventories	JPY 1,109 million
Other	<u>JPY 562 million</u>
Deferred tax assets—Subtotal	JPY 6,203 million
Valuation reserve	<u>(JPY 1,885 million)</u>
Deferred tax assets—Total	JPY 4,318 million

#### Deferred tax liabilities

Business tax refund receivable	(JPY 131 million)
Deferred profit or loss on hedges	<u>(JPY 221 million)</u>
Deferred tax liabilities—Total	<u>(JPY 352 million)</u>
Net deferred tax assets	<u>JPY 3,966 million</u>

(Noncurrent)

#### Deferred tax assets

Amount in excess of deduction limit for loss on doubtful receivables	JPY 34 million
Accrued retirement and severance benefits for employees	JPY 1,353 million
Retirement benefit trust	JPY 1,225 million
Accrued liability due to transfer of defined contribution pension plan	JPY 1,345 million
Loss on devaluation of memberships denied	JPY 178 million
Loss on devaluation related to investments denied	JPY 1,071 million
Excess depreciation	JPY 1,910 million
Asset retirement obligations	JPY 129 million
Impairment losses	JPY 805 million
Other	<u>JPY 325 million</u>
Deferred tax assets—Subtotal	JPY 8,375 million
Valuation reserve	<u>(JPY 2,126 million)</u>
Deferred tax assets—Total	JPY 6,249 million

#### Deferred tax liabilities

Asset retirement obligation	(JPY 32 million)
Unrealized holding gains on securities	(JPY 2,869 million)
Reserve for advanced depreciation of fixed assets	<u>(JPY 576 million)</u>
Deferred tax liabilities—Total	<u>(JPY 3,477 million)</u>
Net deferred tax assets	<u>JPY 2,772 million</u>

**(2) Changes in deferred tax assets and deferred tax liabilities due to changes in the rate of taxes including income taxes**

Following the passing of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No.15, 2016) and the “Act for the Partial Revision of the Local Tax Act, etc.” (Act No. 13, 2016) through the Diet on March 29, 2016, the statutory effective tax rate used in the calculation of deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2016 has been changed from the previous 32.3% to 30.9% for temporary differences expected to be reversed on and after April 1, 2016 and on and after April 1, 2017, and to 30.6% for those expected to be reversed on and after April 1, 2018.

As a result of this change in tax rate, net value of deferred tax assets (after deduction of deferred tax liabilities) decreased by JPY319 million, and income taxes-deferred, unrealized holding gains on securities, and deferred profit or loss on hedges recorded for the fiscal year under review increased by JPY483 million, JPY154 million and JPY10 million respectively.

**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)	Classification	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: —	2 persons	Purchase and sale of various information equipment, power-generation-related components, etc.	Sale of various information equipment, power-generation-related components, etc.	5,733	Accounts receivable	4,309
										Advances received	1,988
								Purchase of various power-related equipment and components	5,649	Accounts receivable	3,366
										Advances received	37
								Receipt of funds	7,398	Deposit to Hitachi group cash management fund	136,451
								Interest received	208	Accounts receivable-other	12

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

- For the sale of various equipment, materials, etc., the terms of transactions are determined based on price negotiations every period in the same manner as the terms of ordinary transactions.
- 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.
- Of the above amounts, transaction amount does NOT include consumption tax, etc., whereas the year-end balance includes consumption tax, etc.

## (2) Subsidiaries

Attribute	Name of company, etc.	Address	Capital (million yen)	Description of business or occupation	% of voting rights, etc. held by company	Nature of relationship		Description of transaction	Transaction amount (million yen)	Classification	Year-end balance (million yen)
						Sharing of officers, etc.	Relationship with related parties				
Subsidiary	Hitachi High-Tech Fielding Corporation.	Shinjuku, Tokyo	1,000	Maintenance services for semiconductor manufacturing equipment, analysis and measuring equipment, etc.	Direct: 100% Indirect: —	3 persons	Sale of service components, etc.	Sale of service components, etc.	22,515	Accounts receivable	7,189
								Receipt of funds	969	Deposit received	10,386
								Payment of interest	35	Accrued expenses	4
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.	8,915	Accounts receivable-other	2,349
								Purchase of clinical analyzers, and semiconductor-manufacturing equipment, etc.	30,162	Accounts payable	5,284
								Return of deposit Payment of interest	1,149 25	Deposit received	6,863
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: —	2 persons	Provision of loans through pooling system	Collection of loans	1,644	Short-term loans receivable	8,934
								Receipt of interest	35		
Subsidiary	Hitachi High Technologies America, Inc.	USA	USD 7,950 thousand	Sale of semiconductor manufacturing equipment and industrial materials, etc.	Direct: 100% Indirect: —	1 persons	Sale of semiconductor manufacturing equipment, etc.	Sale of semiconductor manufacturing equipment, etc.	36,594	Accounts receivable	4,557
								Return of deposit	4,183	Deposit received	1,643
								Payment of interest	26	Accrued expenses	3,060
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.	70,571	Accounts receivable	8,519
										Advances received	4

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 JPY5,241 million as an allowance for doubtful receivables for subsidiaries. Additionally, a total of JPY527 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:           | JPY 1,906.44 |
| (2) Amount of net income per share: | JPY 220.61   |

#### **9. Notes on significant subsequent events**

##### **Sale of investments in securities**

At a meeting of the Board of Directors held on May 13, 2016, the Company passed a resolution approving sale of investments in securities of one issuer held by the Company. The scheduled day of execution of sale of investments in securities under the contract is August 1, 2016. After the execution of this sale, the Company will record a gain on sale of investments in securities (extraordinary gain) in FY2016.

Outline of sale of investments in securities is as follows.

- |  |                             |
|--|-----------------------------|
| (1) Date of contract for sale of investments in securities |                             |
| May 13, 2016   |                             |
| (2) Description of sale of investments in securities       |                             |
| Issuer of shares sold:                                     | Hitachi Capital Corporation |
| Purchaser:   | Hitachi, Ltd.               |
| Gain on sale   | JPY 7,779 million           |
| Scheduled day of execution of sale                         | August 1, 2016              |