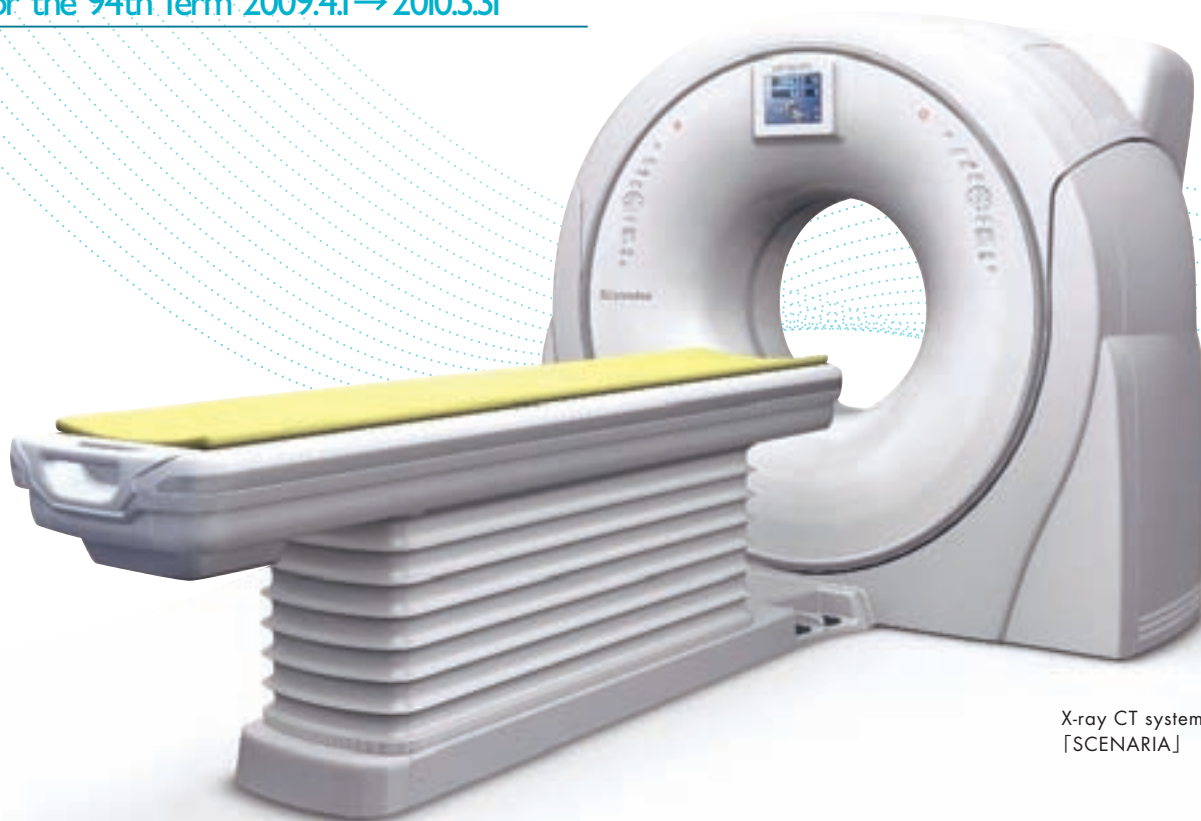


Business Report

for the 94th Term 2009.4.1 → 2010.3.31



X-ray CT system
[SCENARIO]

Hitachi Medical Corporation

Stock ticket number: 6910

CONTENTS

I. Business Report	2
II. Consolidated Balance Sheets	14
III. Consolidated Statements of Income	15
IV. Consolidated Statements of Changes in Stockholders' Equity	16
V. Non-consolidated Balance Sheets	17
VI. Non-consolidated Statements of Income	18
VII. Non-consolidated Statements of Changes in Stockholders' Equity	19

1. Matters pertaining to the current state of the Hitachi Medical Group

(1) The progress of business and results of the Hitachi Medical Group

During the consolidated accounting period under review, the Japanese economy, which started the year under extremely harsh conditions due to the effects of the global recession of the previous year, witnessed the bottoming out of deteriorating economic conditions toward the year's second half, thanks to the emergency economic stimulus package and the recovery of overseas economies primarily in Asia. However, the causes for concern, such as drastic currency fluctuations, the severe employment and income environment, and deflationary pressure, were not completely dispelled, and the situation has remained harsh overall.

In the medical equipment market as well, the business environment has remained harsh, reflecting various factors including the decline in demand in medical equipment caused by the global recession and government measures to reduce medical expenses, and the intensification of price competition.

In this environment, the Hitachi Medical Group opened its Middle East Office in Cairo, Egypt in September last year to enhance its overseas sales capabilities and boost sales. On the production side, the Group commenced the production in last August of permanent magnet open MRI systems at its manufacturing subsidiary in China to enable increased sales of popular models that meet rising demand primarily in the emerging countries, as well as to drastically reduce production costs.

Furthermore, in terms of R&D, the Group has been engaged in the development of next-generation products at the Medical Systems Development Center, which was

established with the cooperation of the Research & Development Group of Hitachi, Ltd. and others, and has been striving to secure new orders by marketing unique new products.

Although fourth quarter sales increased by JPY 3,296 million (9.0%) year on year to JPY 40,026 million, it could not offset the decreases that had accumulated to the third quarter due to the effects of declining demand, the strong yen, and lower sales prices; consequently, full-year sales ultimately fell short of the levels of the previous fiscal year.

As a result of these factors, net sales decreased by JPY 6,636 million (5.8%) year on year to JPY 108,452 million. Operating income decreased by JPY 3,379 million (89.7%) to JPY 387 million; ordinary income decreased by JPY 2,313 million (90.1%) to JPY 253 million; and a net loss of JPY 633 million was recorded, representing a decrease of JPY 1,778 million from the previous year.

■ Medical Systems Segment

[MRI Systems]

Domestic sales increased thanks to strong performances by the new permanent magnet open MRI systems, AIRIS Vento and APERTO Eterna. However, overseas sales dropped sharply due to the effects of the recessions in the U.S. and Europe and the strong yen. As a result, overall sales in this segment fell below the levels of the previous fiscal year.

[Diagnostic Ultrasound Systems]

Both the HI VISION Preirus, which was awarded the 2009 Good Design Gold Award, and HI VISION Avius, which was launched last December, received a high evaluation by users and contributed to increased domestic sales. However, sales in Europe dropped sharply as a result of the recession and the strong yen. As a result, overall sales in this segment fell below the levels of the previous year.

[X-ray CT Systems]

While domestic sales of ECLOS, the multislice (16/8/4) CT system, were healthy and comparable to the same period of the previous year, sales in Europe fell below the previous year's level as a result of the recession and the strong yen. As a result, overall sales in this segment were below those of the previous year.

[X-ray Systems]

Domestic sales increased thanks to the strong performance by the X-ray fluoroscopy systems, CUREVISTA and EXAVISTA, and increased service income. In terms of overseas sales, despite the sales of Sirius Ubiquitas, a CR-mounted mobile X-ray system, falling slightly in the U.S. and Europe, overall sales in this segment increased from the levels of the previous year.

[Others]

In Japan, sales of third-party products, including radiation therapy systems, fell below the level of the previous year.

As a result of the above, sales from this segment decreased by 6.6 % year on year to JPY 97,592 million, and an operating loss of JPY 42 million was recorded.

■ Medical Information Systems Segment

Sales of the Company's health check systems fell below the levels of the previous year as the special demand created by the renewal of special health checkups ended during the previous year.

Meanwhile, sales of medical accounting systems for medical and dental practices manufactured by Hitachi Medical Computer Systems, Inc., the Company's domestic consolidated subsidiary, increased due to the special demand created by the mandatory transition to online billing, resulting in substantial sales increases over the previous year.

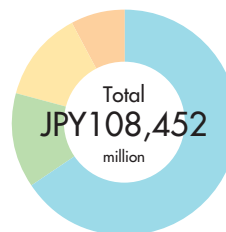
As a result of the above, sales from this segment increased by 2.4% year on year to JPY 10,860 million, while an operating loss of JPY 10 million was recorded.

For the current consolidated accounting period, operating losses from the Medical Systems segment and the Medical Information Systems segment, combined with the operating income of JPY 439 million from Elimination/Corporate, yielded a consolidated operating income of JPY 387 million.

■ Sales by Segment (Consolidated)

Segment	Amount (Millions of yen)	Composition (%)	Year-on-year change (%)
Medical Systems	97,592	90.0	93.4
Medical Information Systems	10,860	10.0	102.4
Total	108,452	100.0	94.2

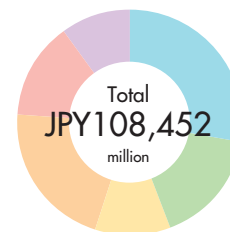
Reference



Domestic and International Sales (Consolidated)

(Fiscal year ended March 31, 2010) Millions of yen

■ Japan	71,291 (65.7%)
■ North America	14,827 (13.7%)
■ Europe	13,997 (12.9%)
■ Asia and other Regions	8,336 (7.7%)



Sales by Product Category (Consolidated)

(Fiscal year ended March 31, 2010) Millions of yen

■ MRI Systems	30,264 (27.9%)
■ Diagnostic Ultrasound Systems	17,728 (16.4%)
■ X-ray CT Systems	11,734 (10.8%)
■ X-ray Systems	22,864 (21.1%)
■ Medical Information Systems	10,860 (10.0%)
■ Others	15,002 (13.8%)

(2) Issues to be worked on by the Hitachi Medical Group

As for the outlook for the current fiscal year, we predict that while recovery will be seen in some sectors, the Japanese economy as a whole will continue to be in a state of uncertainty for the time being.

In the medical equipment market, also, despite medical treatment fees being increased for the first time in ten years, we expect the bipolarization between high-end models and popular models to become further pronounced and harsh conditions to continue.

Since FY2008, we have been making a concerted effort, under the direction of former President Kiyoshi Hamamatsu, to reinforce our business foundation, and to this end we have been implementing measures to bolster our product development capabilities and reinforce our sales power and our corporate structure. On April 1, 2010, Kazuyoshi Miki took over as President and Chief Executive Officer. Under this new executive establishment, we will draw up a medium-term management plan through FY2012 and, by systematically launching unique new products to address this bipolarization, we will promote our medical business as part of the Hitachi Group's social innovation businesses.

<Basic Policy of the Medium-term Management Plan> [Promotion of business structure reforms through the development of a new business model]

We will provide a total solution package that combines hardware, software, applications, design, maintenance, service, and image information systems.

[Promotion of a business strategy that responds to the bipolarization of the medical business]

Currently, in the medical equipment market, bipolarization is developing at an alarming rate between the high-end

models and the popular models. In response to this phenomenon, we will concentrate our efforts on the development, production and sales of both the high-end models with their exceptional performance and maneuverability and the popular models that meet the demands of the emerging countries.

[Expansion of overseas sales] (North America)

We will reinforce our sales and services structure in the North American market through our sales subsidiary in North America, which became the Company's wholly owned subsidiary last year.

Furthermore, in addition to MRI systems, our current mainstay, we intend to expand sales of our X-ray CT systems, diagnostic ultrasound systems, and X-ray systems.

(Europe)

In addition to the diagnostic ultrasound systems, HI VISION Preirus and HI VISION Avius, we intend to expand sales of our MRI systems and X-ray CT systems.

Furthermore, we will further bolster our sales structure and expand sales by utilizing trading companies and our network of sales agents in Russia and Eastern Europe.

(Others)

Regarding the rapidly growing medical equipment market in China, we are planning to double our sales in FY2012 from the FY2009 level and promote sales of both the high-end and popular models that are being manufactured at our Chinese manufacturing subsidiary.

In other regions, we intend to enhance our brand power under a strategy of thorough cost-cutting by such means as utilizing luminary sites (hospitals).

[Product strategies]

[MRI Systems]

We will expand the global sales of our high-field open MRI system OASIS and the 1.5T high-field MRI system ECHELON Vega. In Japan, we will intensify our response to the increasing demand for 1.5T systems (ECHELON Vega) in conjunction with the revision of domestic medical treatment fees. Additionally, we will speed up the development of 3T super-high-field products.

We will focus on expanding production of permanent magnet open MRI systems AIRIS Vento and APERTO Eterna at our manufacturing subsidiary in China, and increase global sales by cultivating new markets and through other means.

[Diagnostic Ultrasound Systems]

We will strive to expand sales of the HI VISION Preirus and its sister product, the popular HI VISION Avius model, by featuring the Real-time Tissue Elastgraphy function, which depicts the hardness of tissue through the use of colors. We also plan to launch a new high-end model this year.

[X-ray CT Systems]

We will strive to expand sales by launching during the current fiscal year the 64-slice CT System SCENARIA, which will distinguish us from our competitors. We also intend to expand sales of ECLOS, the multislice (16/8/4) CT system, and in particular respond to the growth of the 16-slice CT system market in conjunction with the revision of domestic medical treatment fees.

[X-ray Systems]

In regard to the standardized, multipurpose fluoroscopic systems CUREVISTA and EXAVISTA, we intend to increase their domestic sales by promoting them in the fluoroscopic field and to health exam facilities, while also promoting their overseas sales primarily in Asia. Additionally, we intend to

expand our overseas sales by launching the popular models of X-ray systems manufactured by our Chinese manufacturing subsidiary and next-generation, CR-mounted mobile X-ray system in the domestic market.

[Medical Information Systems]

By promoting further collaborations in sales and development with Hitachi Medical Computer Systems, Inc. and the Hitachi Group, we intend to expand our solution proposing business including our image information systems, electronic medical charts for clinics and comprehensive medical checkup systems for small- to medium-scale hospitals.

[Reinforcement of our product development capabilities]

We will reinforce our development structure at the Medical Systems Development Center established in cooperation with the Research & Development Group of Hitachi, Ltd. We will also accelerate the development of next-generation MRI systems, next-generation diagnostic ultrasound systems, next-generation X-ray CT systems, and next-generation image information systems.

[Expansion of Chinese production]

At Hitachi Medical Systems (Suzhou) Corporation, the Company's manufacturing subsidiary in China, the area of the plant's site was doubled last August and production of permanent magnet MRI systems commenced. In the future, we intend to further increase the production of each product, which will, in turn, lead to the growth of popular models in the markets of emerging economies as well as greatly reduce the production costs of these models.

As a result of the above efforts, for FY2010 we are projecting net sales of JPY 112,000 million, a 3.3% increase over the preceding fiscal year.

In terms of profit, taking into account the decline in retail prices due to the effects of foreign exchange rates and initial investments in R&D, we are projecting operating income of JPY 2,000 million (416.8% increase over the preceding fiscal year), ordinary income of JPY 1,900 million (651.0% increase over the preceding fiscal year), and net income of JPY 900 million.

(3) Capital Investments by the Hitachi Medical Group

The amount of capital investments during the consolidated accounting period was JPY 1,800 million, which consisted mainly of investments in the development of MRI system and in the expansion of its production facilities in Japan and China.

Reference

Forecast of results for the fiscal year ending March 31, 2011 (consolidated)

- Net Sales: JPY **112,000** million
- Operating Income: JPY **2,000** million
- Ordinary Income: JPY **1,900** million
- Net Income: JPY **900** million

(4) Assets and business results of the Hitachi Medical Group

1) The Hitachi Medical Group

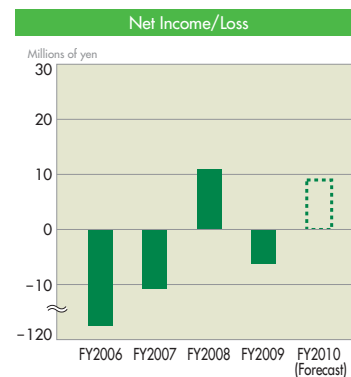
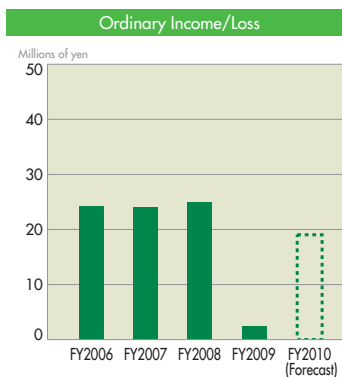
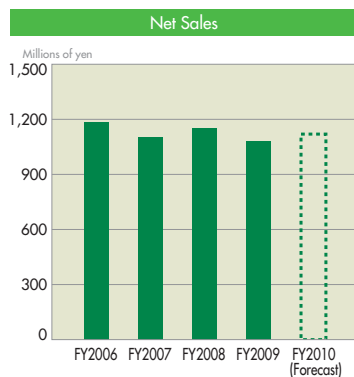
		FY2006	FY2007	FY2008	FY2009
Net sales	(Millions of yen)	118,342	110,386	115,088	108,452
Ordinary income	(Millions of yen)	2,429	2,413	2,566	253
Net income/loss	(Millions of yen)	△11,344	△1,089	1,145	△633
Net income/loss per share	(yen)	△288.77	△27.77	29.20	△16.15
Total assets	(Millions of yen)	114,219	111,364	107,132	106,504

2) Hitachi Medical (Non-consolidated)

		FY2006	FY2007	FY2008	FY2009
Net sales	(Millions of yen)	89,689	84,384	90,439	85,586
Ordinary income/loss	(Millions of yen)	△734	463	472	60
Net income/loss	(Millions of yen)	△12,301	△860	108	51
Net income/loss per share	(yen)	△313.15	△21.93	2.77	1.30
Total assets	(Millions of yen)	97,259	97,542	93,495	96,025

Reference

Major Results and Changes (Consolidated)



(5) State of the parent company and major subsidiaries (As of March 31, 2010)

1) Relationship with the parent company

The Company's parent company is Hitachi, Ltd. and 62.21% of the Company's shares are held by the parent company. The Company sells medical systems to hospitals belonging to the parent company.

2) Major consolidated subsidiaries

Company Name	Paid-in Capital	Share of voting rights (%)	Principal Business
Hitachi Medical Computer Systems, Inc.	325 million yen	100	Manufacturing, sales and service of medical information systems
Hitachi Medical Systems America, Inc.	900 thousand US dollars	100	Sales and service of medical systems
Hitachi Medical Systems (Singapore) Pte, Ltd.	600 thousand Singaporean dollars	100	Sales and service of medical systems
Hitachi Medical Systems Europe Holding AG	1,673 thousand euros	100	Sales and service of medical systems
Performance Controls, Inc.	3,800 thousand US dollars	100	Manufacturing and sales of medical systems components
Hitachi Medical Systems (Suzhou) Corporation	41,385 thousand yuan	100	Manufacturing and sales of medical systems
Hitachi Medical Systems (Beijing) Corporation	54,677 thousand yuan	100	Sales and service of medical systems
Hitachi Medical (Guangzhou) Co., Ltd.	23,830 thousand yuan	60	Sales and service of medical systems

(6) Principal Businesses of the Hitachi Medical Group (As of March 31, 2010)

The Group is involved in the development, manufacturing, sales and installation of medical systems and medical information systems and the maintenance services thereof.

Segment	Business Description
Medical Systems	MRI systems, Diagnostic Ultrasound systems, X-ray CT systems, X-ray systems, Nuclear Medicine systems, etc.
Medical Information Systems	Medical image management systems, Hospital information systems, Comprehensive medical checkup systems, Medical administration systems

(7) Number of Employees of the Hitachi Medical Group (As of March 31, 2010)

Segment	Number of employees	Change from the end of the previous fiscal year (number of employees)
Medical Systems	3,188	+76
Medical Information Systems	459	+11
Total (Non-consolidated)	3,647 (2,305)	+87 (+46)

2. Stock Information (As of March 31, 2010)

1) Number of shares authorized 158,000,000 shares

2) Number of shares issued 39,540,000 shares

Capital	13,884,000,000 yen
Type of stock	Common stock
Number of shares per unit	1,000 shares

3) Number of stockholders 3,463

4) Major Stockholders

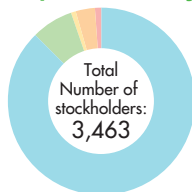
Stockholders	Equity in the Company	
	Number of shares held (shares)	Percentage of shares held (%)
Hitachi, Ltd.	24,382,900	62.21
Japan Trustee Services Bank, Ltd.	1,206,000	3.08
Credit Suisse Sec (Europe) Ltd PB Sec Int Non-Tr Clt	989,000	2.52
The Master Trust Bank of Japan, Ltd.	896,000	2.29
Royal Bank of Canada Trust Company (Cayman) Limited	668,000	1.70
State Street Bank and Trust Company 505019	657,000	1.68
CBNY DFA Intl Small Cap Value Portfolio	651,000	1.66
Hitachi Medical Corporation Group Employees' Stock Association	554,287	1.41
Atsuko Aoyama	190,000	0.48
Hitachi Medical Corporation Group Clients' Stock Association	186,000	0.47

Notes: 1. The Company holds 347,902 treasury shares but is excluded from the list of major stockholders above.

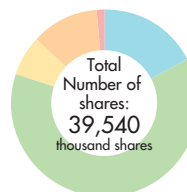
2. The percentage of shares held represents the ratio of the number of shares held to the total number of shares outstanding excluding 347,902 treasury shares.

Reference

Composition by Type of Stockholder



■ Individuals, others:	3,034	87.61%
■ Japanese companies:	250	7.22%
■ Financial institutions:	30	0.87%
■ Foreign investors:	114	3.29%
■ Securities companies:	35	1.01%



■ Individuals, others:	6,877	17.39%
■ Japanese companies:	24,831	62.80%
■ Financial institutions:	2,684	6.79%
■ Foreign investors:	4,704	11.90%
■ Securities companies:	442	1.12%

3. Board Members and Corporate Officers

1) Names of the Board of Directors and Executive Officers, their positions and responsible divisions

■ Board of Directors (As of June 24, 2010)

Position	Name	Responsibility (Committee)
Chairman External Director	Kiyoshi Hamamatsu	Chairman of the Nomination Committee and Member of the Compensation Committee
Director	Kazuyoshi Miki	Chairman of the Compensation Committee and Member of the Nomination Committee
Director	Kenichiro Kosugi	—
Director	Hideki Takahashi	Chairman of the Audit Committee
External Director	Michiharu Nakamura	Member of the Nomination Committee, the Audit Committee and the Compensation Committee
External Director	Kazuhiro Mori	Member of the Nomination Committee and the Compensation Committee
External Director	Tomohisa Tabuchi	Member of the Nomination Committee, the Audit Committee and the Compensation Committee

■ Executive Officer (As of June 24, 2010)

Position	Name	Responsibility
Chief Executive Officer	*Kiyoshi Hamamatsu	—
President and Chief Executive Officer	*Kazuyoshi Miki	Overall control
Vice President and Executive Officer	*Kenichirou Kosugi	Finance
Vice President and Executive Officer	Toshiaki Teshima	Environment, Procurement, Quality control, Intellectual property, Development, Production
Vice President and Executive Officer	Michito Kinoshita	Marketing, Domestic sales, Services business, International sales
Vice President and Executive Officer	Norifumi Katsukura	Human resources, Labor affairs, Legal affairs, Management support, Procurement, Risk measures, Compliance
Vice President and Executive Officer	Tsuneo Maeda	Development
Executive Officer	Kunio Edo	Services business
Executive Officer	Shuichi Sato	Domestic sales
Executive Officer	Toshihiko Kawano	Development
Executive Officer	Hitoshi Matsuo	Marketing, Development
Executive Officer	Nobuo Oshima	International sales, Export control

(*Serving concurrently as a member of the Board of Directors)

4. The Company's system and policy

(1) Summary of the contents of the Board of Directors' resolution regarding the enhancement of systems, etc. to ensure the adequacy of business operations

■ Matters necessary for the execution of duties by the Audit Committee

1) Matters pertaining to directors and employees who are to assist in the duties of the Audit Committee

An administrative office for the Board of Directors has been established to assist in the duties of the various Committees including the Audit Committee and the Board of Directors; and one or more staff has been assigned to this office. In addition to the staff assigned to the administrative office for the Board of Directors, employees of the Audit Division and the General Affairs Division also assist in the administrative affairs of the Board of Directors and the various Committees. It should be noted that Directors have not been appointed explicitly to assist in the duties of the Audit Committee.

2) Matters pertaining to the independence of the Directors and employees stipulated in the previous paragraph from the Executive Officer

The Audit Committee shall receive prior explanation regarding the personnel changes involving employees belonging to the administrative office for the Board of Directors and may request changes to the Executive Officer in charge of human resources, as necessary. When disciplinary actions are to be taken against an employee belonging to the administrative office for the Board of Directors, the Executive Officer in charge of human resources must obtain prior approval from the Audit Committee.

3) System for Executive Officers and employees to report to the Audit Committee and the system for other reporting to the Audit Committee

Regarding the matters that have been brought before or reported to the Executive Committee, results of internal audits conducted by the Auditing office and the status of

reports under the whistleblower system to monitor compliance and a fact that was discovered by an Executive Officer to possibly cause material damage to the Company, reports must be made without delay to the Audit Committee.

4) Systems to ensure that audits are performed effectively by the Audit Committee

The Audit Committee shall establish a standing audit committee and draw up activity plans upon adjustments with the audit plans of Auditing office.

■ System to ensure that the execution of duties by the Executive Officers comply with the relevant laws and the Articles of Incorporation

Same as "System to ensure that execution of duties by the employee comply with relevant laws and the Articles of Incorporation," stated below.

■ Enhancement of other systems stipulated as necessary by the Order of the Ministry of Justice to ensure the adequacy of operations

1) System regarding retention and management of information relating to the execution of duties by the Executive Officers

Internal rules (Executive Officer Regulations and Document Retention Rules) stipulate that records of decisions by Executive Officers must be made and retained and that approval documents must be retained for certain number of years. Moreover in the event that a request is made for the above record or document by a member of the Audit Committee, it must be submitted by the Executive Officer without delay.

2) Regulations and other systems relating to the management of risk of loss

In terms of risks relating to compliance, information security, the environment, disasters, quality and export control, systems have been established at each corresponding division to formulate rules and guidelines, conduct training, and create/distribute manuals.

Efforts are also being made to monitor the probability of occurrence of new risks through the reports given periodically by the Executive Officers on the execution of their duties; and in order to deal with the newly occurring risks, instructions are given to the Divisions concerned by the President and Chief Executive Officer as necessary, in addition to appointing an Executive Officer responsible for promptly dealing with such risks.

Furthermore, in the event that the risks materialize and the occurrence of material losses is predicted, the Executive Officer shall promptly report to members of the Audit Committee.

3) System to ensure that the execution of duties by the Executive Officers is conducted effectively

The effectiveness of the execution of duties by the Executive Officers is ensured by utilizing the management control system indicated below.

- The Executive Committee and executive committee for each segment have been established and decisions are being made after deliberations on various aspects take place.
- Each segment, to the end of systematically and efficiently executing operations, draws up its business strategies, action plans and numerical targets in the form of the medium-term management plan (medium-term plan) and the yearly budget and manages its performance accordingly.
- Internal audits are being performed to monitor the status of operations and to implement improvements.
- In order for the Audit Committee to supervise the accounting auditors and to ensure the independence of the accounting auditors from the Executive Officers, the Audit Committee shall receive prior reports on the audit plans from the accounting auditors. Remunerations for the accounting auditors and commissioning non-auditing operations to the accounting auditors require prior approval by the Audit Committee.
- Documented processes relating to the items that are to be included in the financial statements are being

steadily implemented and verified (verifications are commissioned to accounting auditors as necessary).

4) System to ensure that the execution of duties by the employees comply with relevant laws and the Articles of Incorporation

A compliance system is being maintained continuously by utilizing the management control system indicated below.

- Internal audits by the Auditing office and other related divisions are being conducted in order to confirm the status of compliance and to deter violations of the laws.
- A whistleblower system to monitor compliance has been established so that personnel may report incidents to their divisions.
- As part of the Company's compliance education, an educational program using texts including handbooks on the laws relating to the business activities of the Company is being conducted.
- In order to make the internal control systems known throughout the Company and to ensure their efficiency, the Executive Officers, as part of their duties, are establishing the rules for each Company. However the enactment and the revision/removal of rules determining the system of rules/enactment methods, and of the rules relating to the organizations of the companies and to compliance/information management, particularly significant ones will require the approval of the Board of Directors.

5) System to ensure the adequacy of operations by the Corporate Group comprising the Company, the Company's parent company and the Company's subsidiaries

The adequacy of operations by the Corporate Group is ensured by the system indicated below.

[The system, which includes the parent company]

- We regard the corporate behavior standards of the Company and Hitachi, Ltd., the parent company, as the foundation for the Hitachi brand and our CSR activities.

We will nurture a set of values to be shared by the entire Hitachi Group, while at the same time share in the understanding of the CSR that need to be fulfilled as a corporate entity.

- We are undergoing periodic audits on operations, accounting, export control and compliance by the parent company and receiving the results thereof in the form of appropriate feedback.
- The Company and the Hitachi Medical Group have made it their policy to conduct transactions within the Hitachi Group fairly and based on market prices.

[The system, which includes the subsidiaries]

- The Company has determined policies and management rules, which have at their core the compliance with the laws governing the business activities of the Hitachi Medical Group, including information security, the environment, quality control, export control, prevention of antisocial business, etc., and has laid down similar rules at its subsidiaries.
- In order to ensure efficiency and compliance, we have determined rules on internal audits and have developed a system that conducts periodic audits. We have also dispatched the Company's personnel as Directors and Corporate Auditors to the Hitachi Medical Group Companies.
- We have established a whistleblower system to monitor compliance, which enables employees of the Company and the Hitachi Medical Group to make reports of incidents to the responsible divisions of the Company.
- In terms of internal controls over financial statements, documented processes relating to the items that are to be included in the financial statements are being steadily implemented and verified by the Corporate Auditors, etc. of each company.
- The Company and the Hitachi Medical Group have made it their policy to conduct transactions within the Group fairly and based on market prices.

(2) Basic policy on the nature of persons who control decision-making over the financial and business policies of the Company

The Company recognizes that the listing of its stocks and the raising of capital for the Company's future growth from investors and from the stock market, while engaging in the management of the Company with a sense of urgency instilled by the awareness of being evaluated on a daily basis, is extremely important in enhancing its corporate value.

On the other hand, from the perspective of stockholder composition, the Company's parent company is Hitachi, Ltd. and on the basis of this capital relationship with Hitachi, Ltd., the Company is aggressively utilizing the R&D capabilities, the brand power and other management resources of Hitachi, Ltd. and the Hitachi Group.

The Company considers the optimization of its value as it applies to all of its stockholders as one of its major management goals and from this perspective it intends to engage in the construction of its governance structure and the formulation of its management plans.

(3) Policy on the determination of dividends

The Company considers returning profits to its stockholders as one of its top priorities.

Dividend payments will be executed based on maintaining a balance between the appropriate return of profits to our stockholders and the retention of internal reserves for R&D investments, while comprehensively taking into account the Company's performance and financial position.

During the current consolidated accounting period, the Company declared a year-end dividend of 5 yen per share. Accordingly the full year dividend amounted to 10 yen per share (including interim dividend of 5 yen per share).

II. Consolidated Balance Sheets

(Millions of yen)

Item	FY2009 (As of March 31, 2010)	FY2008 (Reference) (As of March 31, 2009)
Assets		
Current Assets	78,875	81,910
Cash	6,790	7,493
Receivables	34,331	34,173
Merchandise and finished goods	11,644	12,136
Work in process	7,931	6,874
Raw materials and supplies	8,360	6,698
Deferred tax assets	3,338	3,631
Deposits	5,936	10,247
Others	1,039	1,136
Less: Allowance for doubtful accounts	△494	△480
Fixed Assets	27,629	25,221
Tangible fixed assets	14,918	15,585
Buildings and structures	5,323	5,633
Machinery, equipment and vehicles	1,429	1,523
Land	5,790	5,790
Others	2,376	2,638
Intangible fixed assets	8,138	5,229
Goodwill	2,029	36
Software	6,015	5,105
Others	94	87
Investment and other assets	4,573	4,407
Investment securities	2,827	2,697
Long-term prepaid expenses	148	218
Deferred tax assets	190	195
Others	1,439	1,304
Less: Allowance for doubtful accounts	△31	△8
Total Assets	106,504	107,132

Item	FY2009 (As of March 31, 2010)	FY2008 (Reference) (As of March 31, 2009)
Liabilities		
Current Liabilities	34,212	32,724
Notes and accounts payable	23,730	21,528
Short-term loans payable	—	29
Accounts payable-other	610	810
Accrued expenses	5,138	5,137
Accrued income taxes	249	321
Reserve for guarantee for after-care of products	1,140	1,261
Others	3,345	3,635
Long-Term Liabilities	11,532	11,151
Long-term loans payable	278	409
Accrued retirement benefits	9,131	8,576
Reserve for directors' retirement allowances	308	322
Deferred tax liabilities on revaluation	1,612	1,612
Others	202	230
Total Liabilities	45,744	43,876
Net Assets		
Stockholders' Equity	66,077	67,119
Common stock	13,884	13,884
Capital surplus	21,210	21,210
Retained earnings	31,419	32,443
Treasury stock	△435	△419
Valuation and Translation Adjustments	△5,510	△5,233
Unrealized gain/loss on marketable securities	△1,303	△1,514
Unrealized gain/loss on revaluation of land	△3,053	△3,053
Foreign currency translation adjustment	△1,154	△664
Minority Interests	193	1,369
Total Net Assets	60,760	63,255
Total Liabilities and Net Assets	106,504	107,132

III. Consolidated Statements of Income

(Millions of yen)

Item	FY2009 (from April 1, 2009 to March 31, 2010)		FY2008 (Reference) (from April 1, 2008 to March 31, 2009)	
Net sales	108,452		115,088	
Cost of goods sold	73,806		75,506	
Gross Profit	34,646		39,582	
Selling, general and administrative expenses	34,259		35,815	
Operating Income	387		3,766	
Non-operating income				
Interest income	95		171	
Dividends income	58		58	
Others	186	339	203	433
Non-operating expenses				
Interest expenses	12		11	
Loss on disposal of fixed assets	28		64	
Foreign exchange losses	289		1,476	
Waste disposal expenses	82		—	
Others	62	473	80	1,633
Ordinary Income	253		2,566	
Extraordinary income				
Reversal of reserve for directors' retirement allowances	—		139	139
Extraordinary losses				
Loss on valuation of investment securities	8	8	168	168
Income before Income Taxes	245		2,538	
Income taxes-Current	571		724	
Income taxes-Deferred	173	744	379	1,104
Minority interest in earnings of consolidated subsidiaries	134		288	
Net Income/Loss	△633		1,145	

IV. Consolidated Statements of Changes in Stockholders' Equity

(Millions of yen)

Item	Balance and Reasons for Change	FY2009 (from April 1, 2009 to March 31, 2010)	FY2008 (Reference) (from April 1, 2008 to March 31, 2009)
Stockholders' Equity			
Common stock	Balance at the end of previous period	13,884	13,884
	Balance at the end of current period	13,884	13,884
Capital surplus	Balance at the end of previous period	21,210	21,206
	Changes of items during the period		
	Other	—	4
	Balance at the end of current period	21,210	21,210
Retained earnings	Balance at the end of previous period	32,443	31,652
	Changes of items during the period		
	Dividend payments of surplus	△392	△353
	Net income/loss	△633	1,145
	Disposition of treasury stocks	△0	△1
	Balance at the end of current period	31,419	32,443
Treasury stock	Balance at the end of previous period	△419	△394
	Changes of items during the period		
	Acquisition of treasury stocks	△16	△29
	Disposition of treasury stocks	0	4
	Balance at the end of current period	△435	△419
Total Stockholders' Equity	Balance at the end of previous period	67,119	66,348
	Changes of items during the period		
	Dividend payments of surplus	△392	△353
	Net income/loss	△633	1,145
	Acquisition of treasury stocks	△16	△29
	Disposition of treasury stocks	0	2
	Other	—	4
	Balance at the end of current period	66,077	67,119
Valuation and Translation Adjustments			
Unrealized gain/loss on marketable securities	Balance at the end of previous period	△1,514	328
	Net changes of items during the period	211	△1,843
	Balance at the end of current period	△1,303	△1,514
Unrealized gain/loss on revaluation of land	Balance at the end of previous period	△3,053	△3,053
	Balance at the end of current period	△3,053	△3,053
Foreign currency translation adjustment	Balance at the end of previous period	△664	53
	Net changes of items during the period	△490	△717
	Balance at the end of current period	△1,154	△664
Total Valuation and Translation Adjustments	Balance at the end of previous period	△5,233	△2,671
	Net changes of items during the period	△277	△2,561
	Balance at the end of current period	△5,510	△5,233
Minority Interests	Balance at the end of previous period	1,369	1,488
	Net changes of items during the period	△1,176	△118
	Balance at the end of current period	193	1,369
Total Net Assets	Balance at the end of previous period	63,255	65,165
	Net changes of items during the period		
	Dividend payments of surplus	△392	△353
	Net income/loss	△633	1,145
	Acquisition of treasury stocks	△16	△29
	Disposition of treasury stocks	0	2
	Other	—	4
	Net changes in items other than stockholders' equity during the period	△1,455	△2,680
	Balance at the end of current period	60,760	63,255

V. Non-consolidated Balance Sheets

(Millions of yen)

Item	FY2009 (As of March 31, 2010)	FY2008 (Reference) (As of March 31, 2009)
Assets		
Current Assets	66,103	67,123
Cash	3,779	2,950
Notes receivable-trade	2,959	3,328
Accounts receivable-trade	30,555	30,691
Merchandise and finished goods	2,484	3,166
Work in process	7,832	6,622
Raw materials and supplies	8,020	6,404
Deferred tax assets	2,430	2,621
Accounts receivable-other	594	673
Short-term loans receivable from affiliates	1,597	359
Deposits	5,584	10,140
Others	277	166
Less: Allowance for doubtful accounts	△12	△2
Fixed Assets	29,922	26,372
Tangible fixed assets	13,403	14,069
Buildings	4,819	5,137
Structures	116	131
Machinery	1,024	1,028
Vehicles	1	1
Equipment	1,446	1,720
Land	5,682	5,682
Construction in progress	312	368
Intangible fixed assets	5,118	4,350
Patent right	7	15
Right of trademark	6	7
Software	5,060	4,282
Right of using facilities	44	45
Investment and other assets	11,400	7,952
Investment securities	2,827	2,624
Stocks of affiliates	5,406	1,990
Investments in capital of affiliates	1,600	1,600
Long-term loans receivable from employees	6	4
Loans receivable from affiliates	400	600
Long-term prepaid expenses	144	211
Others	1,037	922
Less: Allowance for doubtful accounts	△22	△1
Total Assets	96,025	93,495

Item	FY2009 (As of March 31, 2010)	FY2008 (Reference) (As of March 31, 2009)
Liabilities		
Current Liabilities	28,107	25,973
Accounts payable-trade	22,966	20,479
Accounts payable-other	193	408
Accrued expenses	3,411	3,211
Accrued income taxes	107	124
Advance received	491	488
Deposits received	457	472
Reserve for guarantee for after-care of products	362	502
Others	117	285
Long-Term Liabilities	10,642	10,099
Long-term loans payable	278	262
Deferred tax liabilities on revaluation	1,612	1,612
Accrued retirement benefits	8,477	7,940
Reserve for directors' retirement allowances	273	284
Total Liabilities	38,750	36,073
Net Assets		
Stockholders' Equity	61,632	61,990
Common stock	13,884	13,884
Capital surplus	21,206	21,206
Capital reserve	21,206	21,206
Retained earnings	26,977	27,319
Earned surplus reserve	798	798
Other retained earnings	26,180	26,521
General reserve	38,968	38,968
Retained earnings carried forward	△12,788	△12,447
Treasury stock	△435	△419
Valuation and Translation Adjustments	△4,356	△4,568
Unrealized gain/loss on marketable securities	△1,303	△1,514
Unrealized gain/loss on revaluation of land	△3,053	△3,053
Total Net Assets	57,275	57,421
Total Liabilities and Net Assets	96,025	93,495

VI. Non-consolidated Statements of Income

(Millions of yen)

Item	FY2009 (from April 1, 2009 to March 31, 2010)		FY2008 (Reference) (from April 1, 2008 to March 31, 2009)	
Net sales	85,586		90,439	
Cost of goods sold	66,881		70,854	
Gross Profit	18,705		19,584	
Selling, general and administrative expenses	19,082		19,187	
Operating Income/Loss	△376		396	
Non-operating income				
Interest income	73		113	
Interest on securities	—		2	
Dividends income	783		1,267	
Others	62		85	
	919		1,467	
Non-operating expenses				
Interest expenses	8		9	
Loss on disposal of fixed assets	16		24	
Foreign exchange losses	360		1,313	
Waste disposal expenses	82		—	
Others	14		45	
	482		1,392	
Ordinary Income	60		472	
Extraordinary income				
Reversal of reserve for directors' retirement allowances	—		139	
Extraordinary losses				
Loss on valuation of investment securities	8		168	
	8		168	
Income before Income Taxes	52		443	
Income taxes-Current	△190		△21	
Income taxes-Deferred	191		356	
	1		335	
Net Income	51		108	

VII. Non-consolidated Statements of Changes in Stockholder's Equity

(Millions of yen)

Item	Balance and Reasons for Change	FY2009 (from April 1, 2009 to March 31, 2010)	FY2008 (Reference) (from April 1, 2008 to March 31, 2009)
Stockholders' Equity			
Common stock	Balance at the end of previous period	13,884	13,884
	Balance at the end of current period	13,884	13,884
Capital surplus			
Capital reserve	Balance at the end of previous period	21,206	21,206
	Balance at the end of current period	21,206	21,206
Retained earnings			
Earned surplus reserve	Balance at the end of previous period	798	798
	Balance at the end of current period	798	798
Other retained earnings			
General reserve	Balance at the end of previous period	38,968	38,968
	Balance at the end of current period	38,968	38,968
Retained earnings carried forward	Balance at the end of previous period	△12,447	△12,201
	Changes of items during the period		
	Dividend payments of surplus	△392	△353
	Net income	51	108
	Disposition of treasury stocks	△0	△1
	Balance at the end of current period	△12,788	△12,447
Total retained earnings	Balance at the end of previous period	27,319	27,565
	Changes of items during the period		
	Dividend payments of surplus	△392	△353
	Net income	51	108
	Disposition of treasury stocks	△0	△1
	Balance at the end of current period	26,977	27,319
Treasury stock	Balance at the end of previous period	△419	△394
	Changes of items during the period		
	Acquisition of treasury stocks	△16	△29
	Disposition of treasury stocks	0	4
	Balance at the end of current period	△435	△419
Total Stockholders' Equity	Balance at the end of previous period	61,990	62,261
	Changes of items during the period		
	Dividend payments of surplus	△392	△353
	Net income	51	108
	Acquisition of treasury stocks	△16	△29
	Disposition of treasury stocks	0	2
	Balance at the end of current period	61,632	61,990
Valuation and Translation Adjustments			
Unrealized gain/loss on marketable securities	Balance at the end of previous period	△1,514	328
	Net changes of items during the period	211	△1,843
	Balance at the end of current period	△1,303	△1,514
Unrealized gain/loss on revaluation of land	Balance at the end of previous period	△3,053	△3,053
	Balance at the end of current period	△3,053	△3,053
Total Valuation and Translation Adjustments	Balance at the end of previous period	△4,568	△2,724
	Net changes of items during the period	211	△1,843
	Balance at the end of current period	△4,356	△4,568
Total Net Assets	Balance at the end of previous period	57,421	59,536
	Net changes of items during the period		
	Dividend payments of surplus	△392	△353
	Net income	51	108
	Acquisition of treasury stocks	△16	△29
	Disposition of treasury stocks	0	2
	Net changes in items other than stockholders' equity during the period	211	△1,843
	Balance at the end of current period	57,275	57,421