

April 25, 2005

Report of Consolidated Financial Results

For the Year Ended March 31, 2005

Registered Company Name:	Hitachi High-Technologies Corporation	Stock Listings:	Tokyo, Osaka
Code No:	8036	Head Office:	Tokyo
URL:	http://www.hitachi-hitec.com/	Telephone:	+81-3-3504-5138
Representative:	Masaaki Hayashi, President, Chief Executive Officer and Director	Application of U.S. Accounting Standards:	No
Contact:	Tatsuya Akutagawa, Deputy General Manager, Secretary's Office	Parent Company:	Hitachi, Ltd. (Code No: 6501)
Board of Directors' Meeting:	April 25, 2005	Percentage of Shares Held by Parent Company:	55.3 %

1. Business Performance

(1) Results of Operations (for the years ended March 31, 2005 and 2004)

(Millions of Yen, %)

	Net Sales	Change	Operating Income	Change	Ordinary Income	Change
FY2004	¥936,865	12.7%	¥30,001	117.4%	¥25,863	89.2%
FY2003	¥831,050	6.8%	¥13,798	16.5%	¥13,673	13.0%

	Net Income	Change	Net Income per Share (Yen)	Diluted Net Income per Share	ROE
FY2004	¥15,004	109.5%	¥107.94	—	9.0%
FY2003	¥7,162	20.8%	¥50.56	—	4.5%

	Return on Ordinary Income	Ordinary Income Margin
FY2004	5.8%	2.8%
FY2003	3.2%	1.6%

Notes:

- Equity income was ¥139 million for the year ended March 31, 2005 and ¥42 million for the year ended March 31, 2004.
- The average number of common shares was 137,572,965 for the year ended March 31, 2005, and 137,579,619 for the year ended March 31, 2004.
- There were changes in accounting procedures.
- Percentage changes for net sales, operating income, ordinary income and net income results indicate increases or decreases relative to results for the previous fiscal year.

(2) Financial Position

(Millions of Yen, %)

	Total Assets	Total Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share (Yen)
FY2004	¥432,501	¥173,379	40.1%	¥1,259.18
FY2003	¥462,875	¥160,480	34.7%	¥1,164.99

Note:

The number of outstanding shares was 137,569,447 as of March 31, 2005 and 137,575,575 as of March 31, 2004.

(2) Cash Flows

(Millions of Yen)

	Net Cash Provided by Operating Activities	Net Cash Used in and Provided by Investing Activities	Net Cash Used in and Provided by Financing Activities	Cash and Cash Equivalents at End of Period
FY2004	¥26,000	¥-576	¥-21,582	¥48,967
FY2003	¥14,989	¥-531	¥-20,853	¥44,648

(4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 37

Equity-method unconsolidated subsidiaries: 0

Equity-method affiliates: 1

(5) Changes in Scope of Consolidation and Application of Equity Method

Newly consolidated subsidiaries: 0

Unconsolidated subsidiaries: 3

New equity-method companies: 0

Companies no longer subject to the equity method: 0

2. Earnings Outlook (For the Six Months Ending September 30, 2005 and the Year Ending March 31, 2006)

(Millions of Yen)

	Net Sales	Ordinary Income	Net Income
FY2005 Interim	¥400,000	¥8,500	¥4,600
FY2005	¥830,000	¥20,000	¥11,300

*Net income per share is forecast at ¥81.02

General Notes:

1. Projections made in this report are based on information available at the time of publication. Owing to various factors, actual results may differ from these projections.
2. Net income per share forecasts exclude earnings that would not be distributable to common-stock shareholders.

Results of Operations

(1) Overview

Net sales for the year ended March 31, 2005, amounted to ¥936.9 billion, a 12.7% increase from the same period a year earlier. Ordinary income rose 89.2%, to ¥25.9 billion. Net income climbed 109.5%, to ¥15 billion. Segment operating results were as follows.

Electronic Device Systems

Sales of semiconductor manufacturing equipment improved dramatically, reflecting brisk consumer demand for digital home appliances and personal computers and increased capital investment by semiconductor manufacturers. Sales of mainstay critical dimension measurement scanning electron microscopes (CD-Measurement SEMs) remained stable based on large investments in Asia, Japan and the U.S.

Sales of etchers grew steadily, influenced by domestic semiconductor manufacturers' brisk capital investments. U.S. sales also increased significantly.

Sales of ASML scanners trended upward due to acquisition of new customers. Vigorous capital investment by LCD related makers in Korea and Taiwan in the first half of the year was reflected in a large-scale increase in sales of LCD-related manufacturing equipment. In the second half of the year, sales continued to rise steadily, supported by capital investment in these countries and China. The integration of Hitachi Electronics Engineering Co., Ltd. (currently Hitachi High-Tech Electronics Engineering Co., Ltd.) into our Group also boosted segment sales, which reached ¥229.3 billion, up 66.6%, and operating profit, which reached 19.8 billion, up 414.8%.

Life Science

Amidst efforts to restrain medical expenses, sales of clinical diagnostic instruments are suffering the effects of market circumstances, which resulted a lowering of instrument prices and cost-cut s on testing. In the field of biotechnology-related equipment, stagnation in demand for clinical analyzers and sales of mainstay DNA sequencers showed little growth, due to a pause in the genetic analysis business. These factors contributed to a contraction in the segment overall. As a result, segment sales and operating profit declined 6.0%, to ¥83.9 billion and 8.1%, to ¥5.5 billion respectively.

Information Systems & Electronic Components

Sales of semiconductors and secondary batteries for cellular phones decreased, owing to a decline in demand from previously booming cellular phone makers in the latter half of the year. Prices also declined significantly. The price of optical pick-ups for DVDs in Asia also slid, owing to stagnation of product sales. Sales of OLED (organic light emitting diode) production equipment to Taiwan and Korea were stable in the first half of the year, yet stagnated due to postponement of customers' investment schedules in the second half of the year. Moreover, sales of chip mounters suffered because of the sharp decrease in capital investment by electronic home appliance and digital device manufacturers from the latter part of the year. As a result, segment sales declined by 5.5%, to 309.8 billion, and operating profit was down 10%, to 1.7 billion.

Advanced Industrial Products

Due to the prolonged rise in prices for basic materials and crude oil, dramatic expansion of demand in China, and continued growth in automobile-related demand, sales of ferrous and non-ferrous metals, resins, and automobile-related parts and components trended upward. Influence by 'Olympic demand' and other factors, sales of silicon wafers, optical components for LCD projectors, and optical media materials were brisk during the first half of the year, but inventory and manufacturing schedule adjustments contributed to a slowdown during the second half. As a result, the segment saw a 13.6% increase in sales to 313.9 billion, with an attendant 47.6% increase in operating profit to 3 billion.

(2) Outlook for the Next Fiscal Year

Affected by positive trends in the U.S. and a slowing of exports from Asia due to inventory adjustments in IT and digital manufacturers during the first half of the fiscal year, the world economy seems poised for recovery during the second half, though growth rates are predicted to remain sluggish.

In this uncertain climate, our targets for the period ending March 31, 2006 are sales of 830 billion, a year-on-year decline of 11.4%; ordinary income of 20 billion, a decline of 22.7%; and net income of 11.3 billion, a decline of 24.7%.

We are working to become a global leader in high-tech solutions, honing our ability to respond promptly to market trends and customer needs as we make every effort to meet these goals.

Consolidated Statements of Income

For the years ended March 31, 2005 and 2004

(Millions of Yen, %)

	FY2004	FY2003	Change
Net sales	¥936,865	¥831,050	12.7%
Cost of sales	810,233	¥730,186	11.0
Gross profit	126,632	¥100,864	25.5
Selling, general and administrative expenses	96,631	¥87,066	11.0
Operating income	30,001	¥13,798	117.4
Other income			
Interest	363	510	-28.7
Dividends	161	122	32.3
Equity in earnings of affiliates	139	42	228.7
Others	1,933	1,139	69.6
	2,597	1,813	43.2
Other deductions			
Interest	183	165	11.2
Others	6,551	1,774	269.3
	6,735	1,939	247.4
Ordinary income	25,863	13,673	89.2
Extraordinary gains	5,617	—	—
Extraordinary losses	7,053	—	—

Income before income taxes and minority interests	24,428	13,673	78.7
Corporate, inhabitant and business taxes	11,353	5,789	96.1
Adjustments on corporate and other taxes	-2,190	657	—
Minority interests	261	65	299.4
Net income	¥ 15,004	7,162	109.5

Consolidated Statements of Retained Earnings

For the years ended March 31, 2005 and 2004

(Millions of Yen)

	FY2004	FY2003
Capital Surplus:		
Capital surplus at beginning of period	¥ 35,745	¥ 35,745
Capital surplus at end of period	35,745	35,745
Earned Surplus:		
Earned surplus at beginning of period	114,427	109,633
Increase in earned surplus		
Net income	15,004	7,162
	15,004	7,162
Decrease in earned surplus		
Dividends	2,408	2,064
Directors' bonuses	206	305
	2,614	2,368
Earned surplus at end of period	¥126,817	¥114,427

Consolidated Balance Sheets

As of March 31, 2005 and 2004

(Millions of Yen)

ASSETS	FY2004	FY2003	Change
Current assets:			
Cash on hand and in banks	¥ 46,052	¥ 41,747	¥4,306
Trade receivables	213,022	234,613	-21,592
Marketable securities	193	4,092	-3,899
Inventories	56,900	55,860	1,040
Deferred tax assets	17,893	14,115	3,778
Advance payments	1,755	1,844	-89
Others	6,624	8,598	-1,975
Less: Allowance for doubtful receivables	-3,803	-2,645	-1,158
	338,636	358,226	-19,589
Property, plant and equipment:			
Buildings and structures	21,383	23,438	-2,055
Machinery and vehicles	7,840	9,086	-1,245
Tools, furniture and fixtures	7,053	6,903	149
Land	20,031	22,446	-2,415
Construction in progress	325	162	163
	56,632	62,035	-5,403
Intangible fixed assets:			
Goodwill	355	695	-340
Software	4,505	4,115	390
Consolidation adjust account	4,303	6,398	-2,095
Others	388	212	176
	9,551	11,419	-1,868
Investments and other assets:			
Investments in securities	15,585	15,323	261
Long-term loans receivable	1,097	1,410	-313
Deferred tax assets	5,804	7,371	-1,567
Others	6,224	8,059	-1,835
Less: Allowance for doubtful receivables	-1,028	-967	-60
	27,682	31,195	-3,514
	93,864	104,649	-10,785
Total assets	¥432,501	¥462,875	¥-30,374

(Millions of Yen)

LIABILITIES AND SHAREHOLDERS' EQUITY	FY2004	FY2003	Change
Current liabilities:			
Trade payables	¥164,787	¥188,316	-23,529
Short-term debt	9,903	26,996	-17,094
Accrued income taxes	7,073	4,672	2,401
Accrued expenses	26,415	25,039	1,376
Advances from customers	5,964	7,395	-1,431
Other current liabilities	11,515	10,114	1,401
	225,657	262,533	-36,876
Long-term liabilities:			
Long-term debt	—	2,000	-2,000
Retirement allowances	28,235	32,690	-4,455
Reserve for directors' retirement account	1,024	1,220	-196
Others	363	326	37
	29,622	36,236	-6,613
Total liabilities	255,279	298,768	-43,489
Minority interests	3,842	3,626	216
Shareholders' equity:			
Common stock	7,938	7,938	—
Capital surplus	35,745	35,745	—
Earned surplus	126,817	114,427	12,390
Net unrealized holding gain on securities	4,926	4,897	29
Foreign currency translation adjustments	-1,797	-2,286	489
Less: Treasury stock, at cost	-250	-241	-9
Total shareholders' equity	173,379	160,480	12,900
Total liabilities, minority interests and shareholders' equity	¥432,501	¥462,875	¥-30,374

Consolidated Statements of Cash Flows

For the year ended March 31, 2005 and 2004

(Millions of Yen)

	FY2004	FY2003
Cash flows from operating activities:		
Income before income taxes	¥ 24,428	¥13,673
Depreciation and amortization	8,891	7,552
Impairment losses	5,701	—
Increase and decrease in allowance for retirement benefits	-4,461	1,487
Decrease in various allowances	1,220	203
Interest and dividend income	-525	-632
Interest expenses	183	165
Other non-cash income and expenses	2,998	1,224
Bonuses paid to directors	-206	-305
Increase and decrease in trade receivables	21,259	-31,776
Increase and decrease in inventories	-2,941	-5,936
Increase and decrease in trade payables	-25,432	37,037
Changes in other assets and liabilities—net	4,650	-1,011
Others	-1,290	11
	34,475	21,693
Interests and dividends received	536	671
Interest paid	-116	-99
Income taxes paid	-8,895	-7,276
Net cash provided by operating activities	26,000	14,989
Cash flows from investing activities:		
Increase in time deposits	-109	-331
Decrease in time deposits	123	446
Proceeds from sales of marketable securities	4,000	2,103
Payment for purchase of investment securities	-203	-2,036
Proceeds from sales of investment securities	564	7,822
Payment for purchase of property, plant and equipment	-5,843	-4,711
Proceeds from sales of property, plant and equipment	894	190
Increase in loans receivable	-30	-60
Proceeds from collection of loans	3	2
Payment for additional purchase of shares of consolidated subsidiaries	-41	-150
Payment for purchase of shares of subsidiaries	—	-3,808
Proceeds from purchase of shares of subsidiaries	67	—
Net cash provided by investing activities	-576	-531

Cash flows from financing activities:		
Increase and decrease in short-term debt	-18,094	-18,696
Repayment of long-term debt	-1,000	—
Dividends paid	-2,408	-2,064
Other	-81	-93
Net cash used in and provided by financing activities	-21,582	-20,853
Effect of exchange rate changes on cash and cash equivalents	478	-1,402
Net increase and decrease in cash and cash equivalents	4,320	-7,797
Cash and cash equivalents at beginning of period	44,648	52,456
Cash and cash equivalents of newly unconsolidated subsidiaries	—	-11
Cash and cash equivalents at end of period	¥48,967	¥44,648

Adjustments to cash on hand and in banks

(Millions of Yen)

Cash on hand and in banks	¥46,052	¥41,747
Time deposits exceeding three months	-85	-98
Deposits of affiliated companies included under “others” in current assets	3,000	2,999
Cash and cash equivalents at end of period	¥48,967	¥44,648