

October 24, 2005

## Report of Consolidated Financial Results For the Six Months Ended September 30, 2005

<p>Registered Company Name: Hitachi High-Technologies Corporation</p> <p>Code No: 8036</p> <p>URL: <a href="http://www.hitachi-hitec.com/">http://www.hitachi-hitec.com/</a></p> <p>Representative: Masaaki Hayashi, President, Chief Executive Officer and Director</p> <p>Contact: Tatsuya Akutagawa, General Manager, Secretary's Office</p> <p>Board of Directors' Meeting: October 24, 2005</p>	<p>Stock Listings: Tokyo, Osaka</p> <p>Head Office: Tokyo</p> <p>Telephone: +81-3-3504-5138</p> <p>Application of U.S. Accounting Standards: No</p> <p>Parent Company: Hitachi, Ltd. (Code No: 6501)</p> <p>Percentage of Shares Held by Parent Company: 55.3%</p>
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### 1. Business of Performance

(1) Results of Operations (for the six months ended September 30, 2005 and 2004, and the year ended March 31, 2005)

(Millions of Yen, %)

	Net Sales	Change	Operating Income	Change	Ordinary Income	Change
FY2005 Interim	¥424,870	-13.4%	¥15,688	-0.8%	¥13,733	+2.6%
FY2004 Interim	¥490,562	+27.4%	¥15,815	+167.2%	¥13,390	+113.7%
FY2004	¥936,865	—	¥30,001	—	¥25,863	—

	Net Income	Change	Net Income per Share	Diluted Net Income per Share
FY2005 Interim	¥7,645	+4.7%	¥55.57	—
FY2004 Interim	¥7,300	+149.3%	¥53.06	—
FY2004	¥15,004	—	¥107.94	—

#### Notes:

1. Equity income was ¥95 million for the six months ended September 30, 2005, ¥71 million for the six months ended September 30, 2004, and ¥139 million in the fiscal year ended March 31, 2005.
2. The average number of common shares was 137,568,353 for the six months ended September 30, 2005, 137,574,722 for the six months ended September 30, 2004 and 137,572,965 as of March 31, 2005.
3. There were no changes in accounting procedures.
4. Percentage changes for interim net sales, operating income, ordinary income and net income results indicate increases or decreases relative to interim results for the previous fiscal year.

## (2) Financial Position

(Millions of Yen, %)

	Total Assets	Total Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
FY2005 Interim	¥419,471	¥181,273	43.2%	¥1,317.71
FY2004 Interim	¥450,514	¥166,472	37.0%	¥1,210.06
FY2004	¥432,501	¥173,379	40.1%	¥1,259.18

### Notes:

The number of outstanding shares was 137,566,982, 137,573,585, 137,569,447 as of September 30, 2005, September 30, 2004 and March 31, 2005, respectively.

## (3) 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
FY2005 Interim	¥12,535	-¥4,217	-¥6,713	¥51,157
FY2004 Interim	¥349	¥816	-¥7,794	¥38,804
FY2004	¥26,000	-¥576	-¥21,582	¥48,967

## (4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 37  
Equity-method unconsolidated subsidiaries: 0  
Equity-method affiliates: 1

## (5) Changes to Scope of Consolidation and Application of Equity Method

Newly consolidated subsidiaries: 3  
Unconsolidated subsidiaries: 3  
New equity-method companies: 0  
Companies no longer subject to the equity method: 0

## 2. Earnings Outlook (for the year Ending March 31, 2006)

(Millions of Yen)

	Net Sales	Ordinary Income	Net Income
FY2005	¥843,000	¥27,200	¥16,300

### General Notes:

1. Projections for the fiscal year ending March 31, 2006 are being reassessed on both a consolidated and an individual company basis.
2. 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.
3. Net income per share forecasts exclude earnings that are not distributed to holders of common stock in the Company.

## Results of Operations

### (1) *Overview of the first half of the current term*

In the initial six-month period (April 1 to September 30, 2005), net sales totaled ¥424,870 million, a 13.4% decline from the previous year; ordinary income increased by 2.6% to ¥13,733 million, while net income for the interim period totaled ¥7,645 million, a 4.7% increase. The following is a summary of results by segment.

#### *Electronic Device Systems*

In semiconductor manufacturing equipment, sales of our mainstay critical dimension measurement scanning electron microscopes and etching systems declined from the same period a year ago due to lagging investment by domestic and overseas semiconductor manufacturers. On the other hand, activation of investment to improve yields fueled strong sales of inspection devices, while vigorous investment by Korean and Taiwanese makers led to a significant increase in sales of post-process devices. Sales of ASML scanners also continued to expand.

Despite predictions of an adjustment following last year's massive investment by Asian LCD panel manufactures, sales of liquid crystal display-related manufacturing equipment remained stable due to resumption of investment in Taiwan. Active investment also supported an increase in sales of hard-disc manufacturing inspection equipment. As a result, Electronic Device System segment sales totaled ¥112,966 million, a 0.3% increase over the same period of the previous year.

#### *Life Science*

Clinical diagnostic instruments were affected by ongoing efforts to restrain medical expenses in Japan and overseas, and by increasingly severe price competition in the Japanese market. Despite these developments, growing overseas demand for highly efficient, high quality instruments generated increased sales of immune assay instruments and specimen pre-processing systems, maintaining levels similar to the previous year. In the biotechnology product area, expansion of applications generated a slight increase in sales of DNA sequencers, but the severely competitive environment led to an overall decline compared to the previous year. As a result, the Life Science segment posted sales of ¥40,751 million, a 2.5% decline from the same period last year.

### *Information Systems & Electronic Components*

Due to continued price pressure on mobile phones, PCs and digital home appliances, sales of mobile phone semiconductors and other components to Asian manufacturers declined. Sales of home electronics to the United States declined significantly, and intensified competition hastened the decline in hard disk drive prices, with sales showing a downward trend. Sales of organic LED production equipment failed to grow due to reassessment of customers' investment schedules. Despite signs of renewed investment by communications and digital home appliance manufacturers, sales of chip mounters declined compared to the same period a year ago. Sales for the Information Systems & Electronic Components segment totaled ¥123,727 million, a 28.7% decline from the same period of the previous year.

### *Advanced Industrial Products*

Amidst steadily rising raw material costs and increased demand in China and other overseas markets as well as in Japan, sales of general-purpose resins and nonferrous metals were strong. Influenced by adjustments in the production volume of projectors, sales of optical components declined, while rapid price declines resulted in decreased revenues from the sale of optical media. The Advanced Industrial Products segment declined, with sales of ¥147,425 million, down 9.3% year-on-year.

## *(2) Outlook for the fiscal year ending March 31, 2006*

Though the Chinese economy is maintaining high levels of growth, slowing individual consumption and capital investment, combined with rising oil prices, indicate that the U.S. economy is expected to enter a period of adjustment during the second half of the year. This will dampen the pace of exports from China and other Asian countries, including Japan, and as a result, the growth rate of the Japanese economy is expected to slow in the second half of the year.

In the first half, however, sales of medical diagnostic instruments remained brisk and we expect this trend to continue through the second half of the fiscal term. Renewed investment by LCD manufacturers in Taiwan during the first half is expected to continue, and sales of liquid crystal display-related manufacturing equipment should remain steady during the second half.

Influenced by these factors, our projections for the fiscal year ending March 31, 2006 predict net sales of ¥843,000 million, a 10.0% decrease year-on-year; ordinary income of ¥27,200 million, up 5.2%; and net income of ¥16,300 million, an 8.6% increase over the previous year.

In the future, we aim to be a global leader in high-tech solutions, emphasizing rapid response to customer and market needs as we strive to meet our performance goals.

## Consolidated Statements of Income

For the six months ended September 30, 2005 and 2004, and the year ended March 31, 2004

(Millions of Yen, %)

	FY2005 Interim	FY2004 Interim	Change	FY 2004
Net sales	¥424,870	¥490,562	-13.4%	¥936,865
Cost of sales	362,327	426,329	-15.0	810,233
Gross profit	62,543	64,234	-2.6	126,632
Selling, general and administrative expenses	46,855	48,419	-3.2	96,631
Operating profit	15,688	15,815	-0.8	30,001
Other income:				
Interest income	255	166	53.9	363
Dividends income	132	106	24.8	161
Equity income	95	71	34.3	139
Others	680	1,224	-44.5	1,933
	1,161	1,566	-25.8	2,597
Other expense:				
Interest expenses	59	99	-40.1	183
Losses on devaluation of inventories	1,640	2,422	-32.3	4,261
Others	1,417	1,471	-3.7	2,290
	3,116	3,992	-21.9	6,735
Ordinary profit	13,733	13,390	2.6	25,863
Extraordinary gains	—	4,946	—	5,617
Extraordinary losses	272	5,789	-95.3	7,053
Income before income taxes and minority interests	13,461	12,547	7.3	24,428
Income taxes (Current)	4,306	8,714	-50.6	11,353
Income taxes (Deferred)	1,334	-3,620	—	-2,190
Minority interests	177	153	15.1	261
Net income	¥7,645	¥7,300	4.7%	¥15,004

## Consolidated Statements of Retained Earnings

For the six months ended September 30, 2005 and the year ended March 31, 2005

(Millions of Yen)

	FY2005 Interim	FY2004
Capital Surplus:		
Capital surplus at beginning of period	¥35,745	¥35,745
Capital surplus at end of period	35,745	35,745
Retained earnings:		
Retained earnings at beginning of period	126,817	114,427
Increase in retained earnings		
Net income	7,645	15,004
Decrease in retained earnings		
Dividends	1,376	2,408
Directors' bonuses	155	206
	1,530	2,614
Retained earnings at end of period	¥132,931	¥126,817

# Consolidated Balance Sheets

As of September 30, 2005 and March 31, 2005

(Millions of Yen)

ASSETS	FY2005 Interim	FY 2004	Change
Current assets:			
Cash	¥32,137	¥46,052	¥-13,915
Notes and accounts receivable	204,194	213,022	-8,828
Short-term investments	113	193	-80
Inventories	52,127	56,900	-4,773
Deferred tax assets	16,721	17,893	-1,172
Advances to suppliers	1,739	1,755	-17
Deposits to Hitachi group cash management fund	19,094	3,000	16,094
Others	4,317	3,624	693
Less: Allowance for doubtful receivables	-4,017	-3,803	-214
	326,425	338,636	-12,211
Property, plant and equipment:			
Buildings and structures	21,082	21,383	-301
Machinery and equipment	7,197	7,840	-643
Tools, furniture & fixtures	6,859	7,053	-193
Land	20,054	20,031	23
Construction in progress	401	325	77
	55,594	56,632	-1,038
Intangible assets:			
Goodwill and patents	183	355	-171
Software	4,126	4,505	-379
Telephone and other rights	116	119	-3
Consolidated goodwill	3,680	4,303	-623
Others	243	268	-26
	8,348	9,551	-1,202
Investments and other assets:			
Investments in securities	17,524	15,585	1,939
Long-term loan	1,017	1,097	-79
Deferred tax assets	4,931	5,804	-873
Others	6,614	6,224	391
Less: Allowance for doubtful receivables	-982	-1,028	46
	29,104	27,682	1,422
	93,046	93,864	-818
Total	¥419,471	¥432,501	¥-13,030

(Millions of Yen)

LIABILITIES AND SHAREHOLDERS' EQUITY	FY2005 Interim	FY2004	Change
Current liabilities:			
Notes and accounts payable	¥153,564	¥164,787	¥-11,223
Short-term debt	3,658	7,903	-4,245
Current installments of long-term debt	1,000	2,000	-1,000
Income taxes	4,948	7,073	-2,125
Accrued expenses	26,748	26,415	333
Advances from customers	5,062	5,964	-903
Other current liabilities	10,117	11,515	-1,398
	205,097	225,657	-20,560
Long-term liabilities:			
Allowance for retirement and severance benefits	27,700	28,235	-536
Allowance for directors' retirement	935	1,024	-89
Others	332	363	-31
	28,966	29,622	-656
Total liabilities	234,063	255,279	-21,216
Minority interests	4,135	3,842	293
Shareholders' equity:			
Capital	7,938	7,938	—
Capital surplus	35,745	35,745	—
Retained earnings	132,931	126,817	6,115
Net unrealized holding gain on securities	6,099	4,926	1,173
Foreign currency translation adjustments	-1,186	-1,797	611
Treasury stock, at cost	-254	-250	-4
Total shareholders' equity	181,273	173,379	7,893
Total	¥419,471	¥432,501	¥-13,030



## Consolidated Statements of Cash Flows

For the six months ended September 30, 2005 and 2004, and the year ended March 31, 2005

(Millions of Yen)

	FY2005 Interim	FY 2004 Interim	FY2004
Cash flows from operating activities:			
Income before income taxes and minority interests	¥13,461	¥12,547	¥24,428
Depreciation and amortization	4,059	4,439	8,891
Impairment losses	272	5,585	5,701
Decrease in allowance for retirement and severance benefits	-544	-3,916	-4,461
Increase (decrease) in various allowances	73	-181	1,220
Interest and dividends income	-387	-271	-525
Interest expenses	59	99	183
Other non-cash income and expenses	695	954	2,998
Bonuses paid to directors	-155	-206	-206
Decrease in notes and accounts receivable	9,789	1,030	21,259
Decrease (increase) in inventories	4,614	-5,785	-2,941
Decrease in notes and accounts payable	-12,233	-11,511	-25,432
Increase (decrease) in other assets and liabilities, net	-1,302	3,078	4,650
Other, net	-92	-561	-1,290
	18,310	5,300	34,475
Interest and dividends received	405	283	536
Interest paid	-25	-93	-116
Income taxes paid	-6,155	-5,140	-8,895
Net cash provided by operating activities	12,535	349	26,000
Cash flows from investing activities:			
Increase in time deposits	—	-146	-109
Decrease in time deposits	10	140	123
Proceeds from sales and redemption of securities	100	3,000	4,000
Purchase of investment in securities	-10	-37	-203
Proceeds from sales of investment in Securities	125	578	564
Capital expenditures	-4,523	-3,174	-5,843
Proceeds from sales of property and equipment	48	524	894
Payment for loan	-5	-30	-30
Proceeds from collection of loan	1	2	3
Payment for additional purchase of shares of subsidiaries	—	-41	-41
Proceeds from sales of shares of subsidiaries	—	—	67
Other, net	38	—	—
Net cash used in (provided by) investing activities	-4,217	816	-576

	FY2005 Interim	FY 2004 Interim	FY2004
Cash flows from financing activities:			
Decrease in short-term debt	¥-4,246	¥-5,687	¥-18,094
Repayments of long-term debt	-1,000	-1,000	-1,000
Dividends paid	-1,376	-1,032	-2,408
Other, net	-92	-74	-81
Net cash used in financing activities	-6,713	-7,794	-21,582
Effect of exchange rate changes on cash and cash equivalents	423	785	478
Net increase (decrease) in cash and cash equivalents	2,028	-5,844	4,320
Cash and cash equivalents at beginning of term (year)	48,967	44,648	44,648
Increase in cash and cash equivalents by newly consolidated subsidiaries	162	—	—
Cash and cash equivalents at end of term (year)	¥51,157	¥38,804	¥48,967

Reconciliations between consolidated balance sheet captions and cash and cash equivalents are as follows:

(Millions of Yen)

	FY2005 Interim	FY 2004 Interim	FY2004
Cash	¥32,137	¥38,908	¥46,052
Time deposits with maturity over three months	-75	-104	-85
Deposits to Hitachi group cash management fund	19,094	—	3,000
Cash and cash equivalents	¥51,157	¥38,804	¥48,967