

STRIVING TO BE
A GLOBAL LEADER

..... IN HIGH-TECH SOLUTIONS

ANNUAL REPORT 2004
Year ended March 31, 2004

Hitachi High-Technologies: THE HOME OF INNOVATIVE THINKING

The Hitachi High-Technologies Group is developing its business based on an integrated operating structure—from development and manufacturing to sales and service—with a keen focus on customer needs in high-tech fields, primarily nanotechnology, expected to be one of the key technologies of the 21st century. Underpinned by a unique business model that combines the capabilities of a manufacturing business with those of a trading company, Hitachi High-Technologies channels its resources into four key business segments, with the objective of achieving broad-based business growth and generating stable earnings in the fast-moving high-tech industry.

Going forward, Hitachi High-Technologies will continue to pursue its mission of providing customers with advanced solutions by fully exploiting its unique capabilities and leveraging its world-class technologies, global marketing capabilities, and comprehensive sales and service network. In doing so, Hitachi High-Technologies intends to realize its corporate vision of becoming a world leader in the high-tech solutions business.

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FORWARD-LOOKING STATEMENTS

Statements made in this annual report with respect to Hitachi High-Technologies' plans, strategies and future performance are forward-looking statements based on management's assumptions and beliefs in light of the information currently available, and involve risks and uncertainties. Accordingly, actual performance may differ materially from expectations due to a range of factors including, but not limited to, changes in the Company's operating environment.

CHAIRMAN'S MESSAGE



YOSHIRO KUWATA
*Chairman of the Board
Representative Executive Officer*

“At Hitachi High-Technologies, We Like to Look at Things Differently.”

As a unique high-tech company well-equipped and strategically positioned to meet the challenges of a new era characterized by rapid change, Hitachi High-Technologies Corporation strives to maintain the trust of its various stakeholders by forging and sustaining business relationships that are built on the principle of putting the customer first. We also work to contribute to social progress through products and services engineered to create value in the high-tech solutions field. In December 2003, to better align our corporate activities with this ideal, we formulated a corporate vision that calls for Hitachi High-Technologies to be a global leader in the high-tech solutions field. Guided by this goal, we have enacted management policies to ensure strict information disclosure, fulfillment of our social responsibilities as a corporate citizen that shows concern for the environment, and rigorous compliance with all relevant laws and regulations.

Also, in June 2003, as part of moves to upgrade our corporate governance system, we adopted a Company with Committees System in accordance with revisions to the Commercial Code of Japan. In doing so, we have created a clear separation of executive and management oversight functions, thereby increasing business transparency while simultaneously speeding up the management decision-making process.

In closing, let me stress that we remain dedicated to maintaining strong trust-based relationships with all of our stakeholders, and committed to deploying our core corporate resources of technology and skilled personnel to maximize the value of the Company. On behalf of the rest of the management team at Hitachi High-Technologies, I ask for your continued support in these endeavors.

June 2004

YOSHIRO KUWATA
*Chairman of the Board
Representative Executive Officer*

AN INTERVIEW WITH THE PRESIDENT, MASAOKI HAYASHI



“We have one overriding goal:
to be a leading global company
in the hi-tech solutions field.”

MASAOKI HAYASHI
*Representative Executive Officer
President
Chief Executive Officer and Director*

YOU'VE NOW BEEN AT THE HELM OF HITACHI HIGH-TECHNOLOGIES FOR ONE YEAR. WHAT VISION HAVE YOU FORMULATED FOR THE COMPANY?

In December 2003 we announced our corporate vision: to consistently aim to be a global leader in high-tech solutions. This vision embodies our efforts to further strengthen cooperation between all parts of the Group and take Hitachi High-Technologies to the next stage of growth. In order to fully leverage the strengths of our operating structure, which combines powerful manufacturing, marketing and after-sales support capabilities, every single employee has to take on board the key tenets of our corporate vision, and actively drive forward concrete action plans based on common goals.

Efforts to realize our corporate vision rest on three key policies—a business policy that positions the customer as our number-one priority; a corporate culture policy designed to create a dynamic working environment where employees actively take on new challenges; and a management policy that defines our commitment to being a responsible corporate citizen and fulfilling our responsibilities to society. Together, these policies represent our determination to be a dedicated provider of high-tech solutions and a leader in the industry.

PLEASE TELL US ABOUT SOME OF THE MANAGEMENT INITIATIVES YOU TOOK DURING THE YEAR UNDER REVIEW.

The fiscal year got under way with the acquisition of SANYO Electric Co., Ltd.'s chip moulder arm on April 1, 2003. This move gave us a presence at all stages of the chip moulder product cycle—from development and manufacturing through marketing and after-sales services—and the potential to realize integrated operations. In a similar move, we made Hitachi Electronics Engineering Co., Ltd. a Group subsidiary to strengthen our position in semiconductor inspection systems and the liquid crystal-related equipment business.

During the year, we also moved to restructure four Group companies. In order to reinforce our business base and concentrate measuring device-related operations under one roof, we merged

two trading companies, Nissei Electronics, Ltd. and Nissei Engineering Inc. on April 1, 2004, to form Hitachi High-Tech Trading Corporation. In another merger, scheduled to take place on July 1, 2004, we will integrate two manufacturing companies, Keisoku Technology, Ltd. and Hitachi Naka Instruments Co., Ltd. This move is designed to enhance product competitiveness through the creation of a low-cost manufacturing base.

Finally, we took a number of steps to upgrade corporate governance, including the adoption of a Company with Committees System in June 2003; the appointment of a Chief Risk management Officer (CRO) to strengthen risk management and oversee these activities; and the establishment of a Compliance Committee, an Information Security Committee and other related organizations.

WHAT IS YOUR STRATEGY FOR THE COMPANY GOING FORWARD?

Later in this report, each business segment leader will explain the basic strategy for their respective segment, so I would like to focus on our overall strategy for the Hitachi High-Technologies Group.

In order to drive earnings higher in the year ending March 31, 2005, we will focus on two main approaches: ensuring we continue to put the customer first, and aggressively developing new and global businesses. In particular, we will work to derive benefits from the integration of Hitachi Electronics Engineering into the Group and expand our presence in the rapidly growing East Asian market. We will also endeavor to create a high-growth, high-earnings structure by offering customers a range of one-stop high-value-added solutions, underpinned by a full lineup of both proprietary and partner company products.

Before the next corrective phase in the silicon cycle, we aim to reinforce our operating base by focusing on core businesses. This will mean making aggressive investments to expand our range of powerful proprietary products, and maintaining investment in marketing to enhance our trading company functions. We also plan to create a lean operating profile through ongoing steps to reform and restructure the Group.

Another key objective for us will be to maximize the enterprise value of the Hitachi High-Technologies Group by giving all our companies freedom to leverage their unique strengths, and by improving management efficiency and operational competitiveness on a Group-wide basis. Finally, our commitment to winning the trust of stakeholders through business activities that have minimal impact on the environment, and through robust compliance and risk management activities, will be as enduring as ever.

DO YOU HAVE A FINAL WORD FOR THE COMPANY'S STAKEHOLDERS?

Hitachi High-Technologies, anchored by its novel business structure that fuses proprietary manufacturing capabilities with trading company networks, will work to further enhance its earnings capabilities by creating synergies between cutting-edge technologies and global marketing. Mindful of our corporate social responsibilities, including robust corporate governance, we are committed to ensuring the satisfaction of all our stakeholders going forward.

June 2004

A handwritten signature in black ink, reading "M. Hayashi". The signature is fluid and cursive, with a long horizontal stroke at the end.

MASAAKI HAYASHI
Representative Executive Officer
President
Chief Executive Officer and Director

A UNIQUE APPROACH: A NOVEL BUSINESS STRUCTURE

The Hitachi High-Technologies Group possesses a unique business model that combines design and manufacturing functions that exploit advanced technologies with trading company capabilities that deliver cutting-edge solutions.

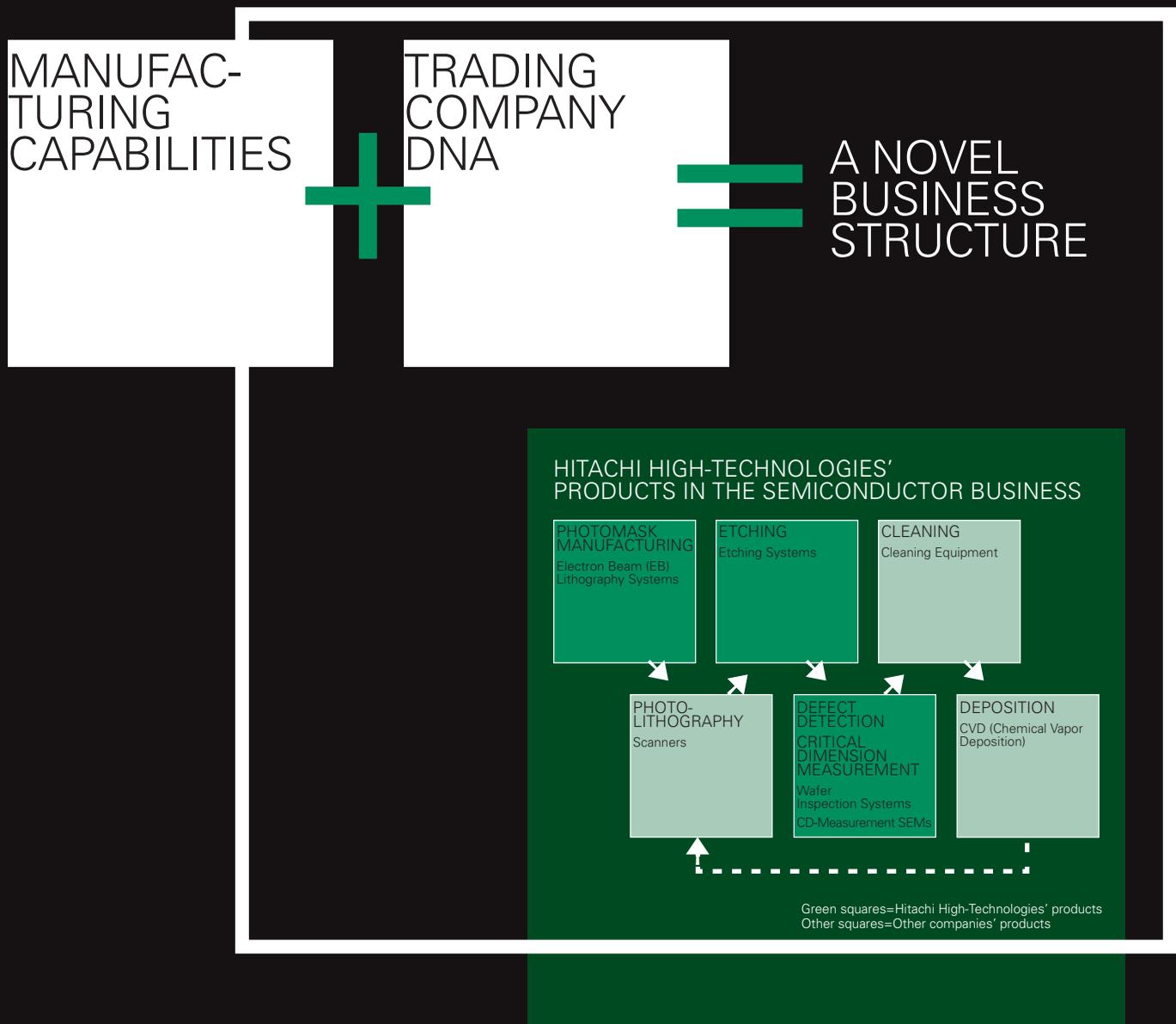
The semiconductor industry is generally characterized by extreme fluctuations in demand, with semiconductor production equipment (SPE) makers' earnings often influenced by the silicon cycle. However, Hitachi High-Technologies not only has manufacturing capabilities in its Electronic Device Systems Business and its semiconductor-oriented Information Systems & Electronic Components Business, it also possesses a Life Science Business with a solid market presence and products that boast leading global market shares in their respective categories. The stable earnings generated by the Life Science Business help to insulate the Group from global demand cycles. This is a crucial difference between Hitachi High-Technologies and other players in the industry that focus exclusively on SPE.

The Group also derives benefits from its trading company functions by using marketing capabilities to quickly and accurately assess customer needs and thereby develop products ahead of its rivals. Divisions that carry out trading company functions also use the Company's proprietary "operating profit system" to maximize earnings. Moreover, Hitachi High-Technologies can leverage its trading company foundations to link up with numerous domestic and international business partners to support its robust global customer base—which generates over half of the Company's sales—allowing it to create new business domains.

Examples of integrated manufacturing, sales, and service

- | | | |
|-------|------|---|
| April | 2003 | Acquires SANYO Electric's chip mounter arm |
| | | >> Implements integrated manufacturing, sales, and service structure in chip mounter business |
| March | 2004 | Makes Hitachi Electronics Engineering a Group company |
| | | >> Implements integrated manufacturing, sales, and service structure in the semiconductor inspection equipment business |

By combining our proprietary manufacturing capabilities with our trading company connections, we have put in place a novel business structure.



A UNIQUE APPROACH: A POWERFUL PRODUCT LINEUP

The Hitachi High-Technologies Group boasts highly sophisticated technologies in the nanotechnology and biotechnology fields, illustrated by leading global market shares for many of the Company's proprietary products, including critical dimension measurement scanning electron microscopes (CD-Measurement SEMs), DNA sequencers, and automatic clinical chemistry analyzers. Comprising one quarter of the Group's product line on a consolidated basis, proprietary products are marketed in a broad array of business domains, including the Electronic Device Systems, Life Science, and Information Systems & Electronic Components businesses.

The Electronic Device Systems Business in particular markets many of the Group's proprietary products, mainly for use in core processes in semiconductor manufacturing. This business has also reinforced its marketing system by combining the Group's products with those of other makers to create an integrated product lineup, and thereby more fully address customer needs.

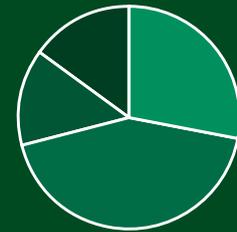
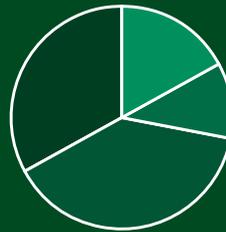
In April 2003, the Company acquired SANYO Electric's chip mounter arm and incorporated it into the Information Systems & Electronic Components Business segment. With this move, the Group has further upgraded its proprietary product base by launching modular chip mounters and other new products.

Hitachi High-Technologies boasts a powerful product lineup underpinned by proprietary products and a presence in multiple markets. This allows us to meet a wide range of customer needs.

BREAKDOWN OF CONSOLIDATED NET SALES/
OPERATING PROFIT BY SEGMENT (For Fiscal 2003)

Net Sales

Operating Profit



	Net Sales	Operating Profit
Electronic Device Systems	16.6%	27.8%
Life Science	10.7%	43.3%
Information Systems & Electronic Components	39.4%	14.1%
Advanced Industrial Products	33.3%	14.8%

NUMEROUS PROPRIETARY PRODUCTS

A MULTI-MARKET PRESENCE

A POWERFUL PRODUCT LINEUP

A UNIQUE APPROACH: UNRIVALLED PROVISION OF HIGH-TECH SOLUTIONS

Hitachi High-Technologies not only conducts R&D at its own locations, it also carries out joint development with various Hitachi, Ltd. research laboratories, outside business partners, and universities. Cooperation with Hitachi affords the Hitachi High-Technologies Group access to its various research centers and powerful core technologies, and enables the utilization of Hitachi's basic technologies and various applied technologies. This gives the Company a more robust and sophisticated R&D system. Hitachi High-Technologies also works with external business partners to develop products that exploit reciprocal strengths, and pursues joint research aimed at creating next-generation products and technologies.

The Hitachi High-Technologies Group has numerous bases outside Japan and a broad customer base that covers domestic and overseas markets. To provide users with a deeper understanding of product characteristics, the Group has set up demonstration centers to simulate the operational environments where products will be used. This system is centered on demonstration laboratories located in the world's major markets. At these demonstration laboratories, highly trained product specialists provide detailed explanations of devices that have been applied in actual machinery, conduct sample analysis, and offer training services. The goal of these activities is to promote sales and foster customers by addressing emerging needs.

In April 2003, the Company also established an Application Technology Department to better serve customers of semiconductor inspection equipment. At the same time, the Company further upgraded its support system.

By undertaking joint development projects with Hitachi and external business partners, the Hitachi High-Technologies Group is able to exploit advanced technologies in its R&D, sales, and support activities to provide customers with optimal solutions.

Thanks to a unique development and manufacturing framework, as well as a comprehensive after-sales support network, we can provide a range of unrivalled solutions.

A UNIQUE DEVELOPMENT FRAMEWORK



A ROBUST SUPPORT NETWORK

UNRIVALLED PROVISION OF HIGH-TECH SOLUTIONS

DEMONSTRATION LABORATORY AND JOINTLY DEVELOPED OPTICAL WAFER INSPECTION SYSTEM



Hitachi High-Technologies has demonstration laboratories worldwide. Each showcases the company's products in action and provides instruction on everything from how they function to methods of operation.



The HA-3000 was developed in collaboration with Tokyo Seimitsu Co., Ltd.

CORPORATE GOVERNANCE

Ever aware of its responsibilities to society at large, and particularly shareholders, Hitachi High-Technologies has separated executive and management oversight functions and upgraded its corporate governance system to increase management transparency and expedite decision making.

ADOPTION OF COMPANY WITH COMMITTEES SYSTEM

At its General Meeting of Shareholders on June 24, 2003, Hitachi High-Technologies adopted a Company with Committees System. Under this system, the authority to execute business policy is broadly entrusted to executive officers, potentially speeding up decision making. Moreover, under the Board of Directors, a Nominating Committee, Audit Committee and Compensation Committee have been established, enhancing the board’s oversight of the actions of executive officers and increasing management transparency.

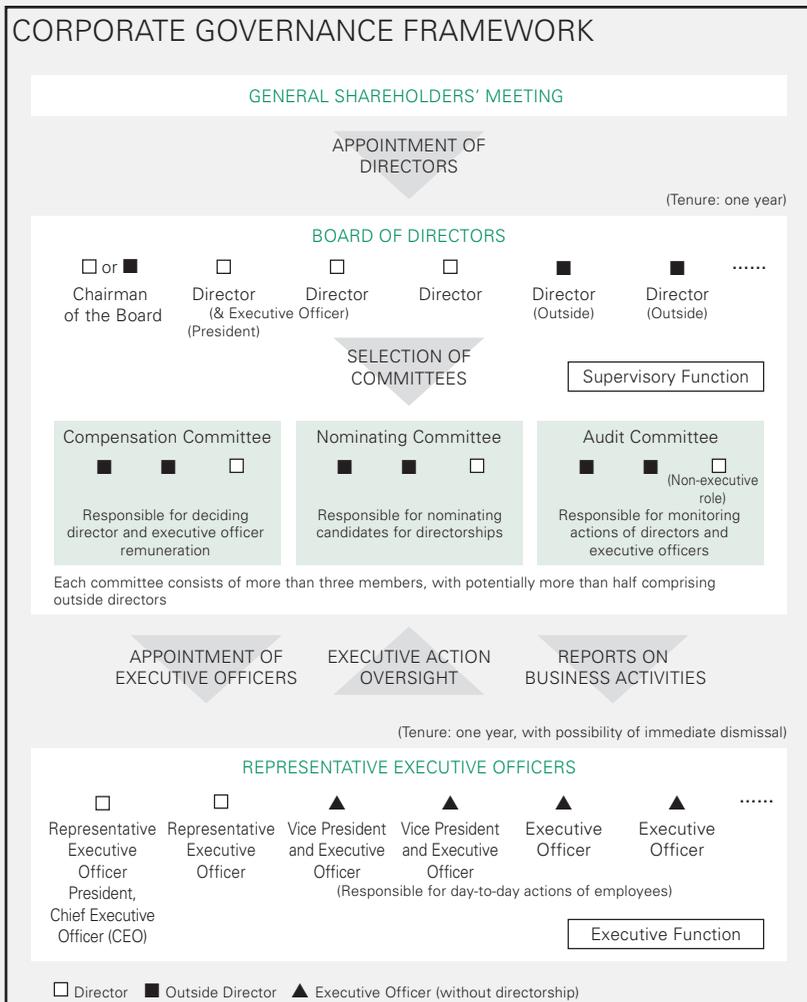
ESTABLISHMENT OF COMPLIANCE COMMITTEE

In April 2003, the Company established a Compliance Committee and a Compliance Coordinating Department under the control of the Chief Risk management Officer (CRO) to promote internal awareness of compliance-related issues and to prevent illegal business practices.

The Compliance Committee works to improve internal controls and risk management systems, including the compliance framework. Moreover, with an outside specialist organization, the Company established an internal system for employees to report potential compliance violations. These steps have increased awareness of the importance of compliance in daily work activities.

STRICT RISK MANAGEMENT

The Company has established the position of Chief Risk management Officer (CRO), responsible for coordinating risk management activities across the entire company. Management created this position to obviate the risks faced by the Company, and to minimize any adverse effects should such risks arise. Senior Vice President and Executive Officer Katsuji Yamashita has been appointed to this post and is directing efforts to bolster emergency response systems and frameworks for quickly and accurately transmitting information in emergencies. The relevant systems and procedures directly reflect classifications of assumed risk and conform to the risk management system set forth in the Company’s risk management rules and regulations.



DIRECTORS AND EXECUTIVE OFFICERS (As of June 23, 2004)



YOSHIRO KUWATA
Chairman of the Board
Representative Executive Officer



MASAAKI HAYASHI
Representative Executive Officer
President
Chief Executive Officer and Director



KATSUJI YAMASHITA
Representative Executive Officer
Senior Vice President
Executive Officer and Director



YUICHI TSUNODA
Director



SHIGEMICHI MATSUKA
Outside Director



TADASHI ISHIBASHI
Outside Director



WASUKE NAKANO
Vice President
and Executive Officer



HIDEHITO OBAYASHI
Vice President
and Executive Officer



MASUMI MIYAUCHI
Vice President
and Executive Officer



HIROSHI KANAUCHI
Vice President
and Executive Officer



MASAO SAKURAGI
Vice President
and Executive Officer



HIROSHI MISAWA
Vice President
and Executive Officer



YASUHIRO NISHIMURA
Executive Officer



AKIHISA INAGAKI
Executive Officer



NOBUHIRO SOEDA
Executive Officer



SHIGERU IIZUKA
Executive Officer



MINORU KUREBAYASHI
Executive Officer



YOSHINAO KAWASAKI
Executive Officer



MASAHO MASUYAMA
Executive Officer



MITSUHIRO HAYASHI
Executive Officer



KENYA WADA
Executive Officer



TOSHIO SENGOKU
Executive Officer

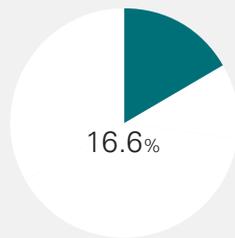


TAMIO MORI
Executive Officer

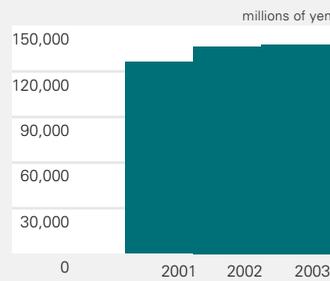
REVIEW OF OPERATIONS AT A GLANCE

ELECTRONIC DEVICE SYSTEMS

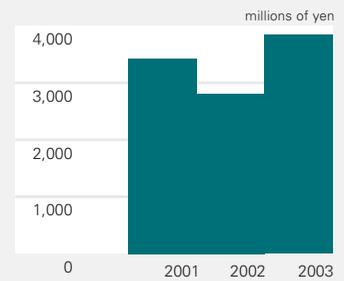
% OF TOTAL
FY2003 SALES



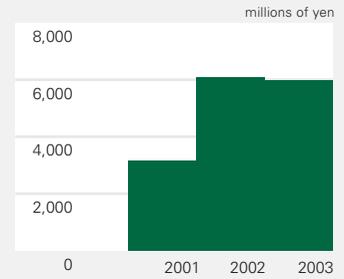
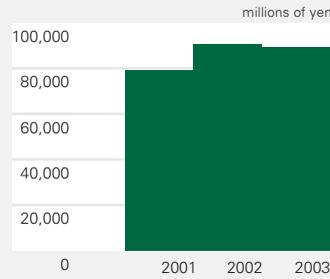
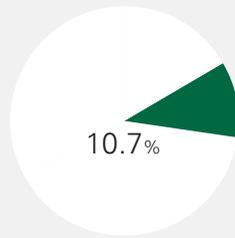
NET SALES



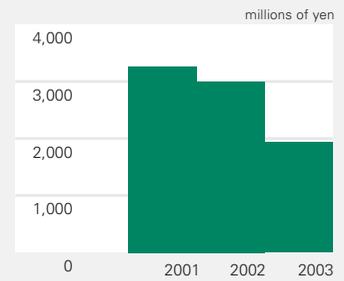
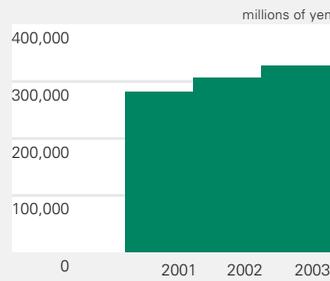
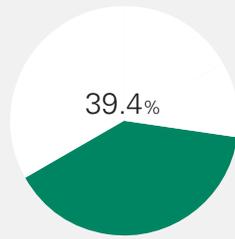
OPERATING PROFIT



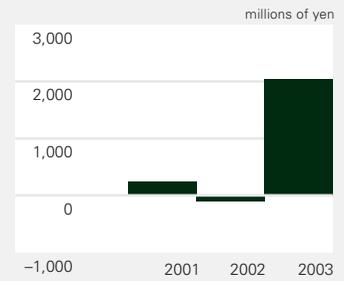
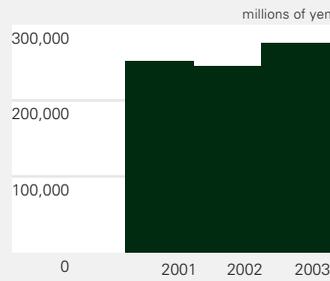
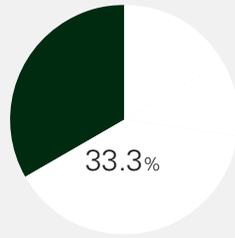
LIFE SCIENCE



INFORMATION SYSTEMS & ELECTRONIC COMPONENTS



ADVANCED INDUSTRIAL PRODUCTS



HIGHLIGHTS

The Electronic Device Systems Business Segment provides advanced solutions based on optimized proposals for the development and manufacture of equipment critical to each stage of the electronic device manufacturing process. This includes semiconductor yield management systems, primarily electron microscopes, such as critical dimension measurement scanning electron microscopes (CD-Measurement SEMs), a field in which Hitachi High-Technologies has compiled a world-class track record, and field emission scanning electron microscopes (FE-SEMs), which boast the world's highest resolution. The Electronic Device Systems Business Segment also provides after-sales services customized to meet customer needs.

The Life Science Business Segment provides a variety of analytical instrumentation in the rapidly evolving biotechnology field, clinical diagnostics, which require high levels of safety and labor conservation, as well as environmental measurement and materials research. World-class clinical chemistry/immunodiagnostic analyzers and DNA sequencers are among this variety of analytical instrumentation.

The Information Systems & Electronic Components Business Segment provides optimal solutions by exploiting global market information, and by using its unique technical capabilities and integrating functions to meet customer requests in the information and electronics field. This field is characterized by the ever-increasing diversification and sophistication of surface mounting systems, network-related systems, and electronic components.

The Advanced Industrial Products Business Segment addresses wide-ranging customer needs, including proposing and developing products ranging from industrial materials to specialty high-tech materials, by thoroughly demonstrating its strengths and unique capabilities as a high-tech trading company. This includes the formulation of procurement solutions that leverage its own global network and alliances with companies in Asia and other areas.

MAJOR PRODUCTS AND BUSINESSES

- Etching Systems
 - Micro Lithographic Systems
 - Electron Beam Lithography Systems
 - Wafer Inspection Systems
 - Advanced CD-Measurement SEMs
 - Electron Microscopes
 - Back-end Process Equipment
 - LCD/PDP Manufacturing & Inspection Systems
-
- Automatic Clinical Chemistry Analyzers
 - Immunoassay Analyzers
 - Liquid Chromatography
 - Spectrophotometers
 - Amino Acid Analyzers
 - DNA Sequencers
 - Nuclear Magnetic Resonance Equipment
-
- Chip Mounters
 - OLED (Organic Light Emitting Diodes) Production Equipment
 - Semiconductor Products
 - IT Solutions
 - Information and Control Systems
 - Information Home Electronics
 - Optical Pick-Ups
-
- Steel, Plastics, Nonferrous Metals
 - Circuit Boards for Ball Grid Arrays, Components for Smart Media
 - Overseas Procurement Business
 - Silicon Wafers
 - Components for LCD Projectors
 - Optical Components
 - Optical Media Components
 - Optical Communication Components

ELECTRONIC DEVICE SYSTEMS



Amid an upturn in corporate investment, we are providing advanced solutions that combine technological support with a broad lineup of products in the process, evaluation, and analysis fields.

WASUKE NAKANO
Vice President
and Executive Officer
General Manager,
Device Manufacturing
Systems Business Group

FISCAL 2003 OPERATING ENVIRONMENT

Globally, capital investment in the semiconductor market remained depressed. However, in the second half of fiscal 2003, investment picked up, mainly in Japan and Asia, and capital expenditures increased. As a result, process, evaluation/analysis, back-end process, and liquid crystal display-related equipment all enjoyed strong demand.

NEW DEVELOPMENT INITIATIVES

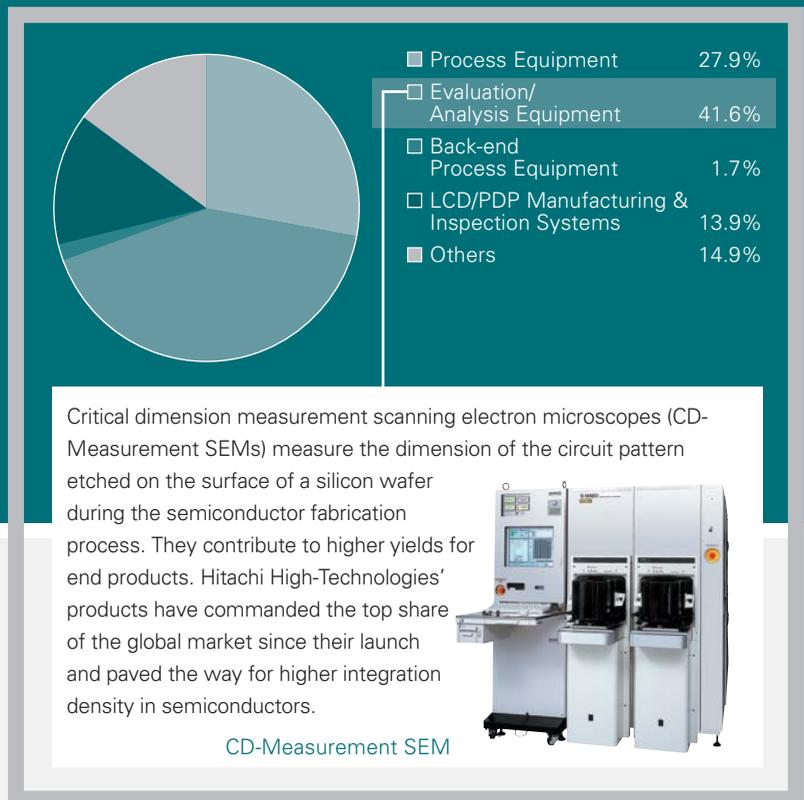
Electronic Device Systems pursued three key new development initiatives in fiscal 2003. First, in etching systems, we significantly increased mass production capabilities and reliability by deploying a new technology in our dielectric film equipment. In evaluation/analysis equipment, we launched the S-9380, a newly developed critical dimension measurement scanning electron microscope (CD-Measurement SEM) that achieves target values in the International Technical Roadmap for Semiconductors (ITRS). The S-9380 responds flexibly to evolving user needs and market demands for

high resolution, high reliability, increased automation, and high throughput. In wafer inspection systems, not only did we boost detection sensitivity and speed to promote use in semiconductor processes on the level of 65-nanometer nodes and beyond, we developed applications suitable for use with each memory and logic type.

CURRENT INITIATIVES

In the etching systems business, we are working to boost reliability and improve price competitiveness by adding additional value to our existing products and by developing next-generation dielectric film equipment. The latter is part of efforts to ensure stability in the etching systems business in the future.

In the inspection, measurement, and analysis solutions business, we are strengthening our operating base in wafer inspection systems. To further enhance the competitiveness of our CD-Measurement SEM, we are increasing throughput and enhancing image resolution. At the same time, we are pushing forward with the development of new measurement



technologies, such as optical proximity correction (OPC).

PURSuing A STRATEGY OF DEMONSTRATING OUR COMPETITIVE ADVANTAGE OVER RIVALS

With the semiconductor market entering a full-fledged expansion phase, we think capital expenditures will continue to pick up going forward. Also, the shift to more sophisticated processes that is accompanying miniaturization in manufacturing is driving users to seek increased processing performance. Moreover, the market is asking for advanced solutions that combine heightened functionality in measuring, inspection, and analysis equipment with application technology support to improve device reliability and production yields. Particularly in the measuring, inspection, and analysis field, we will

maintain a broad lineup of products backed by superior technologies while offering unbeatable solutions created by our application technology team, which is formed around manufacturing process specialists. We intend to push forward with a strategy of demonstrating our competitive advantage over rivals by maximizing the synergies generated among our measuring, inspection, and analysis technologies and the miniaturization technologies inherent in our various processing equipment.

Although some market observers expect the device market to enter a correction phase as early as autumn 2004, we are working to expedite orders by stepping up sales in regions where investment is currently strong. Simultaneously, we will maintain a flexible stance on production, staying attuned to changes in order conditions.

LIFE SCIENCE



We are trying to expand business based on our world-class products, full-scale entry into the proteome market, and our aggressive stance toward the diagnostics field.

KATSUJI YAMASHITA
 Representative Executive
 Officer
 Senior Vice President,
 Executive Officer and Director
 General Manager,
 Life Science Business Group

FISCAL 2003 OPERATING ENVIRONMENT

Although conditions in the medical field during fiscal 2003 were harsh due to constrained medical expenditures worldwide, sales of clinical chemistry and immunodiagnostic analyzers to Europe and the U.S. were strong.

In the biotechnology field, business conditions remained severe. Despite strong genome- and proteome-related demand, escalating price competition led to a decline in equipment selling prices. Another factor that caused sales to decline was deterioration in the export environment due to the stronger yen.

RESPONSE TO PRICE COMPETITION

In recent years, price competition in the life science field has intensified, causing falling prices. Our response to this situation has been to secure profits by reducing costs for production materials therefore lowering the cost of sales. We have made preparations to manufacture not only production materials but also complete products at a low cost in China, where

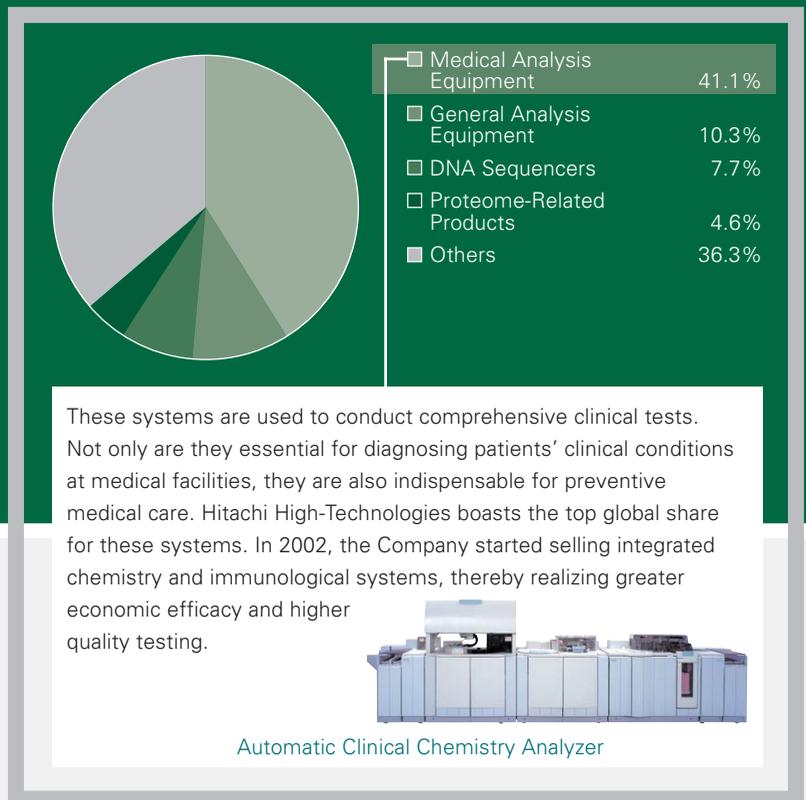
we have previously upgraded our production system. In addition, we have trained employees in China to support this production system.

FOCUSING ON THE CHINESE MARKET

In addition to altering production and procurement practices in China, we plan to step up sales in this rapidly growing market. Historically, sales activities have concentrated on Japan, the U.S., and Europe.

DEVELOPMENT OF NEW PRODUCTS AND MARKETS

In fiscal 2003, our new magnetocardiograph was approved under the Pharmaceutical Affairs Law in Japan. This system received very high marks at an exhibition as the world's first system to surmount the previously difficult task of measuring faint magnetism from the heart. The interest in this system is directly related to the fact that heart disease is the number two cause of death in Japan and the leading cause of death in the U.S. Because of its measurement abilities,



we expect significant demand for this system, particularly in the U.S. We will start preparations for market launch in the U.S. aiming at full-scale entry in the near future.

The boom in the biotechnology field has subsided slightly with the completion of the mapping of the human genome. Still, much work remains, including analysis of genomic expression. Thus, we consider the biotechnology-related market a key field and will work to further expand our business in this area. As part of this effort, we plan to enter the proteome market and launch a liquid chromatography-mass spectrometer (LC-MS) in autumn 2004.

The proteome market is more complicated than the genome market and holds significant potential. We are conducting joint research with Hokkaido University, a leader in the field of sugar

chains, an area where Japan has excelled in R&D, with a focus on gaining a competitive advantage internationally in this field going forward.

FUTURE BUSINESS DEVELOPMENT

Although some think that the medical field is saturated at this point, we think it is merely at a transition point to its next stage of development, that is, the era of personalized medical treatment involving the provision of treatments and drugs specifically created for individuals at the genomic level. By combining our array of technical expertise in both the medical and biotechnology fields, we aim to apply new technologies that exhibit our superior capabilities and demonstrate our strength in new fields in diagnostics.

INFORMATION SYSTEMS & ELECTRONIC COMPONENTS



Our strategy is to develop products capable of gaining the top position in niche markets and exploring new development themes. We will ride the waves of market expansion but temper that with a rational analysis of market trends.

MASUMI MIYAUCHI
*Vice President
 and Executive Officer
 General Manager,
 Information & Production
 Systems Business Group*

FISCAL 2003 OPERATING ENVIRONMENT

In fiscal 2003, growth in the cellular phone market and increased demand for digital home appliances supported favorable market conditions. In the first half of the fiscal year, the Chinese market stagnated because of outbreaks of SARS. However, in the second half of fiscal 2003, demand was brisk for semiconductors, information home electronics, OLED (Organic Light Emitting Diodes) production equipment, and our proprietary chip mounters.

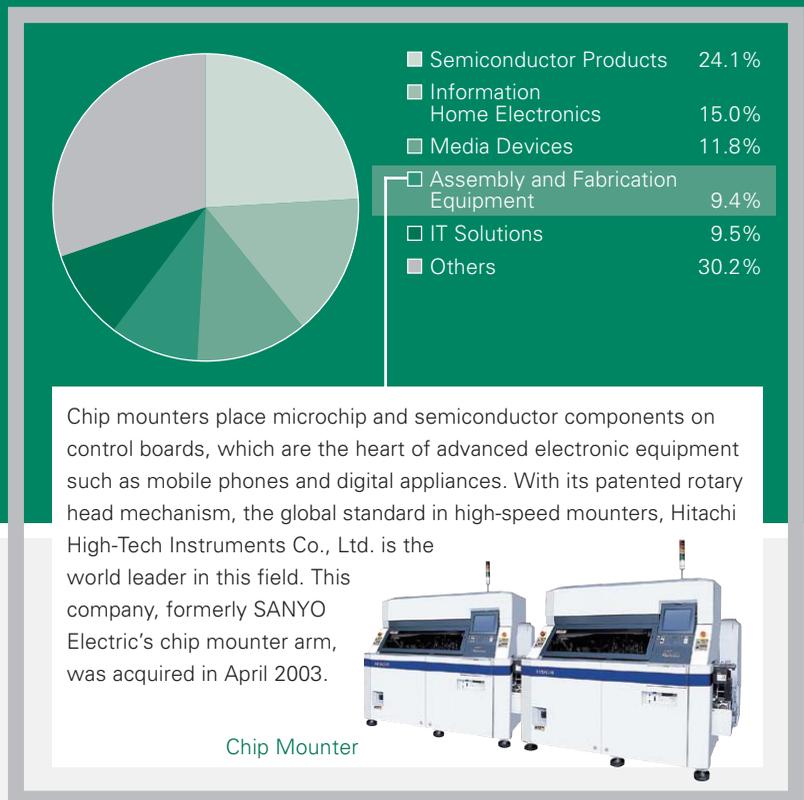
DEVELOPMENT OF NEW SYSTEMS

I would like to highlight four new development projects that we undertook in fiscal 2003. The first is an assembling system for automotive batteries, a field that is expected to show very high growth from fiscal 2004 onward. The second is the development of assembling

systems for camera lens modules. Our supply ratio in this field has increased against the backdrop of rapid growth in the digital camera and cellular phone markets. The third project involved our information solutions business, including systems to provide financial statement data and systems that provide care support in every area of hospital operations. Fourth, we engaged in new businesses related to electronic components used in cellular phones and DVD players.

OUR VISION

We intend to develop products that are number one in their category even in niche markets. As a company that aggressively enters new fields, while carefully watching for timely entry points, we aim to provide unique bio informatics solutions to specialized customers. Also, we will continue to focus on the development of



new markets, new customers, and new business fields, especially in the so-called BRIC countries (Brazil, Russia, India, and China), while pushing ahead with efforts to strengthen our marketing system, add more value through our trading functions, and further improve operating efficiency.

MARKET TRENDS AND STRATEGY GOING FORWARD

We expect capital expenditures and market conditions to remain strong, especially for digital home appliances, mainly in the Chinese, Taiwanese, and Korean markets. Partly because

of the Summer Olympics in Athens, we expect favorable conditions to continue in 2004. Yet, we expect a turning point to come at some point, leaving the future somewhat unclear. Our strategy for contending with this environment is to focus on the development of products capable of gaining the top share of the market in their respective categories in the high-technology field.

ADVANCED INDUSTRIAL PRODUCTS



Amid ongoing market growth, particularly in China, our approach is to penetrate new business fields while assessing potential shifts in the future supply-demand balance. We also aim to add additional value and build a strong procurement solutions business.

NOBUHIRO SOEDA
*Executive Officer
General Manager,
Industrial Materials Div.
and Electronic Material Div*

FISCAL 2003 OPERATING ENVIRONMENT

Fiscal 2003 was a year of tremendous growth in the imaging products market. The Chinese market showed especially strong growth. More market growth is expected. Amid this environment, sales of our optical components for LC projectors, LC-related materials, and optical media components were brisk. LCD-related products registered particularly sharp expansion, growing at a higher rate than the market. Also, following a drop in the first half of the fiscal year, demand for silicon wafers was firm in the second half thanks to an active market for digital home appliances.

DEVELOPMENT WITH A TIGHTER FOCUS

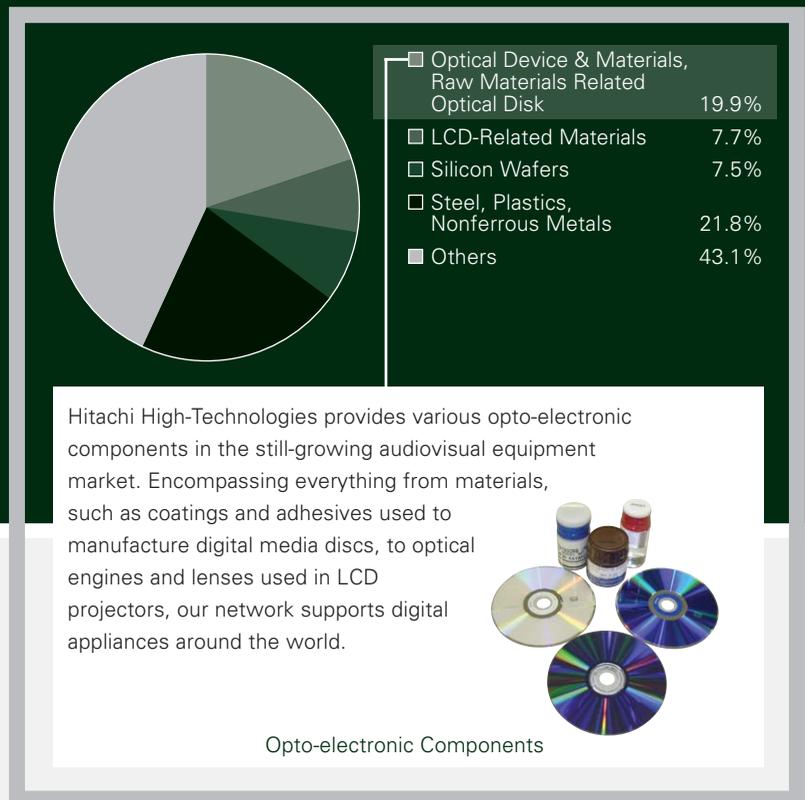
We are gaining efficiencies by narrowing our focus in the development of new products and markets. We have advanced R&D in our

development fields of products related to digital devices, semiconductors, automotive components, and environmental solutions.

While we expect to confront various challenges ahead, including the emergence of rivals amid expansion of markets and the intensification of competition, we intend to establish a competitive edge by conducting development focused on growth fields to establish new trade rights.

EAST ASIA STRATEGY

The steadily growing East Asia market (China, Taiwan, and Korea) is becoming a greater business focus in fiscal 2004, with Shanghai in particular attracting attention as a key base for hi-tech products. We currently have a total of around 40 employees stationed in Hong Kong, Shanghai, Taiwan, and Seoul to implement our business model of providing superior procurement solutions in our key fields of automobiles and displays.



We have already implemented our procurement solutions business model in the U.S. state of Kentucky, where we are providing customers with services, including delivery, that streamline their operations.

By efficiently pursuing our East Asia strategy, we aim to cement this business model in the region, which we are stressing as a key market going forward.

FUTURE BUSINESS DEVELOPMENT

We expect the market to continue expanding in fiscal 2004. Even so, we think production cutbacks, mainly for digital-related products, are not far off. As such, we are venturing into new

businesses, such as telematics, which includes wireless LANs, to address needs in the emerging business area that combines the automotive with telecommunications and information in the automobile-related fields.

Also, amid an inflationary trend in raw materials prices, we are proposing the development of supply chain management and VA systems with makers. In conjunction, we are redoubling our commitment to the principle of putting the customer first by offering materials procurement solutions, with the goal of fulfilling our mission as a trading company.

CORPORATE SOCIAL RESPONSIBILITY

Hitachi High-Technologies aims to maximize corporate value as a company whose core resources are people and technology and that is trusted by all stakeholders. At the same time, the Company actively engages in corporate activities based on consideration for the environment and conformance with laws and regulations as a responsible corporate citizen.

ENVIRONMENTAL ACTIVITIES

In the fiscal year ended March 31, 2004, guided by our Environmental Protection Action Program, we worked to create environmental value under the key words eco-management, eco-mind, eco-products, eco-factories, and eco-offices. The following are just some of our various activities in this regard.

NATURE-FRIENDLY PRODUCTS

Our manufacturing division designates Company products with a small environmental impact as nature-friendly products. We are contributing to preservation of the environment by increasing the ratio of these products (sales of nature-friendly products/overall factory sales volume). In the fiscal year ended March 31, 2004, nine products were added to the list of nature-friendly products, bringing this ratio to 62%, exceeding our target of 60%. We plan to increase this ratio further to 80% by fiscal 2010.



The 9000 Automatic Clinical Chemistry Analyzer



The S-9380 Advanced CD-Measurement SEM

ELIMINATION OF HAZARDOUS CHEMICAL SUBSTANCES FROM PRODUCTS

Calls for environmental-friendly products have led to more stringent regulations around the world on

hazardous chemical substances. In fiscal 2005, we aim to completely eliminate the use of six hazardous substances specified in the RoHS (Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment) Directive. Also, we have embarked on a program to survey the chemical substances in all the products that we handle, by the end of fiscal 2007. We are incrementally expanding the list of prohibited substances and covered products. Our ultimate goal is to completely eliminate hazardous substances from all products we handle.



Circuit board using lead-free solder

PREVENTION OF GLOBAL WARMING

We are working to reduce our consumption of electric power and thereby cut emissions of CO₂, a major greenhouse gas.

We have optimized the operation of our clean room air-conditioning systems and are strictly shutting down demonstration equipment when not in use. Our goal is to reduce CO₂ emissions in factories by 7% by the end of fiscal 2010 (relative to fiscal 1990). We are also ensuring that office and other lighting is switched off when not required.

ACHIEVEMENT OF ZERO EMISSIONS AT THE NAKA DIVISION

In fiscal 2003, we achieved zero emissions* of industrial waste in the Naka Division, following a similar achievement in the Kasado Division in fiscal 2002. We accomplished this by tightening procedures for disposal by waste category and developed avenues for disposal that convert waste back into natural resources. We are committed to further reducing waste and increasing the percentage of waste reused. Also, for the fifth time, the Naka Division won the 3R Promotion Committee

Chairman's Award, which recognizes the efforts of employees to promote the 3Rs: reduce, reuse, and recycle.

*Zero emissions is defined as an emissions volume of less than 1% of the final disposal rate of the current fiscal year, or less than five tons/year.



3R Promotion Committee
Chairman's Award

SURVEY OF CORPORATE ENVIRONMENTAL MANAGEMENT

In the *Nihon Keizai Shimbun's* Seventh Survey of Corporate Environmental Management, we ranked 2nd (53rd in last year's survey) in the non-manufacturing company division, while we ranked 1st (14th in last year's survey) in the trading company division. The most recent survey rated the activities of the Hitachi High-Technologies Group in six categories, including environmental management systems, environmental education, and resource recycling.

CORPORATE CITIZENSHIP

The Hitachi High-Technologies Group is committed to building strong relationships founded on trust with all of its stakeholders, based on the principle of "mutual value creation" by promoting open communication with its customers, business partners, shareholders, and society in general. As a corporate citizen, the Company takes initiatives in the pursuit of activities that benefit local communities and the environment. The following are some of the social activities carried out by the Hitachi High-Technologies Group.

SCIENTIFIC LIVE "SAPIENS"

Hitachi High-Technologies is a sponsor of Scientific Live "SAPIENS," a science forum held by Nikkei Science, Inc. since 1992 to promote links between culture and science. Held twice a year, the forum provides a venue for lectures by invited specialists in a broad range of fields, as well as panel discussions. The themes are always concerned with how science impacts humans' lives. The most recent forum, held in Tokyo in November 2003, focused on the theme, "Our Changing View of the Universe."



Scientific Live "SAPIENS"

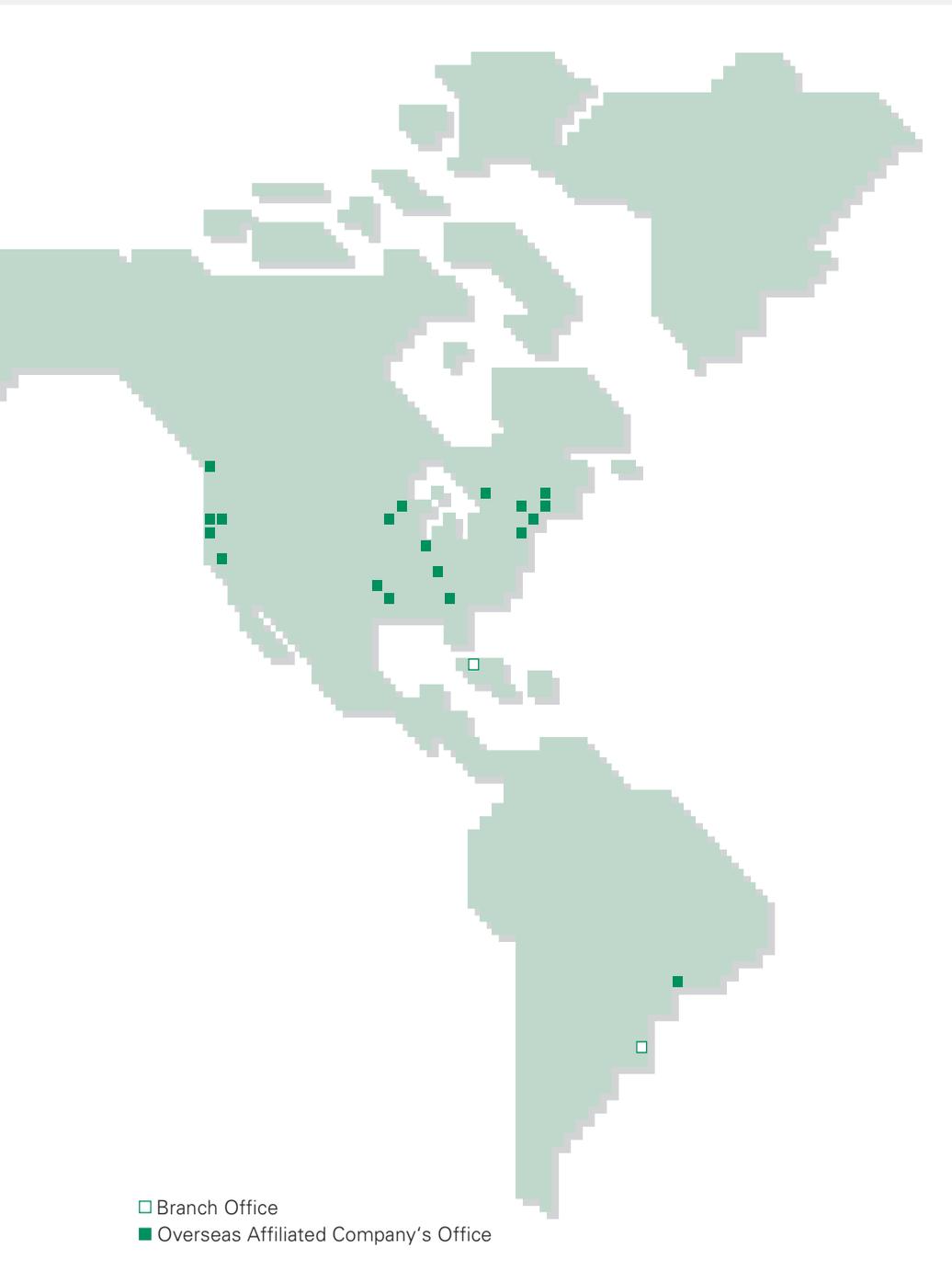
UPGRADE OF COMPLIANCE SYSTEM

The Company has established a Compliance Committee, headed by the Chief Risk management Officer (CRO). By strengthening rules and regulations and upgrading the enforcement system, the Company aims to heighten compliance awareness among employees and prevent the occurrence of corporate misconduct.

WORLD NETWORK

OVERSEAS





OVERSEAS AFFILIATED COMPANIES

(As of March 31, 2004)

SALES AND SERVICE COMPANIES

AMERICAS

- Hitachi High Technologies America, Inc.
- Hitachi High-Technologies Canada, Inc.
- Hitachi High-Technologies do Brasil Ltda.
- Hitachi Electronics Engineering (America), Inc.

EUROPE

- Hitachi High-Technologies Europe GmbH
- Hitachi High-Technologies France S.A.R.L.
- HISCO Europe GmbH
- Hitachi High Technologies Ireland Limited
- H.I.I. Scientific Instruments (Israel), Ltd.
- H.H.T.A. Semiconductor Equipment Israel, Ltd.

ASIA

- Hitachi High-Technologies (Singapore) Pte. Ltd.
- Hitachi High-Technologies IPC (Malaysia) Sdn. Bhd.
- Hitachi High-Technologies (Thailand) Ltd.
- Hitachi High-Tech Instruments Service (Asia) Pte. Ltd.
- Hitachi Electronics Engineering (Asia), Pte. Ltd.
- Hitachi Electronics Engineering (Malaysia) Sdn. Bhd.
- Hitachi High-Technologies Hong Kong Limited
- Hitachi High-Technologies (Shenzhen) Co., Ltd.
- Hitachi High-Technologies (Shanghai) Co., Ltd.
- Korea HISCO Ltd.
- Asia HISCO Co., Ltd.
- HISCO Shanghai Co., Ltd.

MANUFACTURING COMPANIES

ASIA

- Hitachi Instrument (Suzhou), Ltd.
- Dalian Naka Instruments Co., Ltd.

DOMESTIC AFFILIATED COMPANIES

(As of March 31, 2004)

SALES AND SERVICE COMPANIES

- Hitachi Instruments Service Co., Ltd.
- Nissei Electronics, Ltd.
- Nissei Mecs Corp.
- Nissei Engineering Inc.
- Nissei Software Inc.
- Nissei Service Inc.
- Nissei Science, Ltd.
- Nissei Denki Co., Ltd.
- Giesecke & Devrient K.K.
- Omni Karte Corp.
- HISCO Solution Co., Ltd.
- Hitachi D E Technology Co., Ltd.
- Instruments Technology Co., Ltd.
- Hitachi High-Tech Instruments Service Co., Ltd.

MANUFACTURING COMPANIES

- Hitachi Electronics Engineering Co., Ltd.
- Hitachi Science Systems, Ltd.
- Hitachi Naka Electronics Co., Ltd.
- Hitachi Naka Instruments Co., Ltd.
- Hitachi High-Tech Instruments Co., Ltd.

OVERSEAS AND DOMESTIC OFFICES

(As of March 31, 2004)

OVERSEAS

- London Branch Office
- Taipei Branch Office
- Seoul Branch Office

DOMESTIC

- Kansai Branch Office
- Ibaraki Branch Office
- Chubu Branch Office
- Chugoku Branch Office
- Tohoku Branch Office
- Kyushu Branch Office
- Hokkaido Branch Office
- Tsukuba Branch Office

FINANCIAL SECTION

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52	Report of Independent Auditors

THREE-YEAR SUMMARY

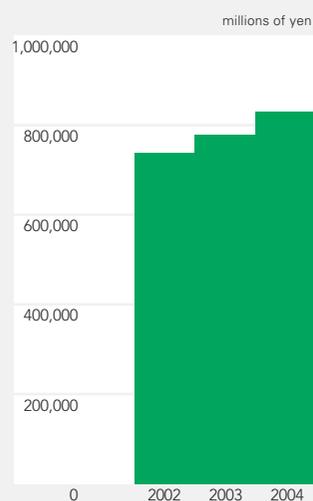
Hitachi High-Technologies Corporation and Subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
FOR THE YEAR:				
Net sales	¥831,050	¥778,229	¥738,289	\$7,863,086
Electronic Device Systems	137,614	136,239	126,258	1,302,052
Life Science	89,200	90,721	79,024	843,978
Information Systems & Electronic Components	327,840	305,750	281,593	3,101,897
Advanced Industrial Products	276,396	245,519	251,413	2,615,159
Operating profit	13,798	11,844	9,940	130,552
Net income	7,162	5,928	5,507	67,760
Net cash provided by (used in) operating activities	14,989	18,284	(8,824)	141,820
Net cash provided by (used in) investing activities	(531)	2,457	547	(5,028)
Net cash provided by (used in) financing activities	(20,853)	(10,818)	1,139	(197,304)
AT THE YEAR-END:				
Total assets	¥462,875	¥389,704	¥382,533	\$4,379,548
Total shareholders' equity	160,480	155,161	155,154	1,518,400
Cash and cash equivalents	44,648	52,456	42,811	422,440
Number of employees	10,043	8,073	7,945	—
RATIO:				
Equity ratio (%)	34.7	39.8	40.6	—
Return on equity (%)	4.5	3.8	4.0	—
Return on assets (%)	3.2	3.1	2.8	—
Price-earnings ratio (Times)	32.8	41.3	35.9	—

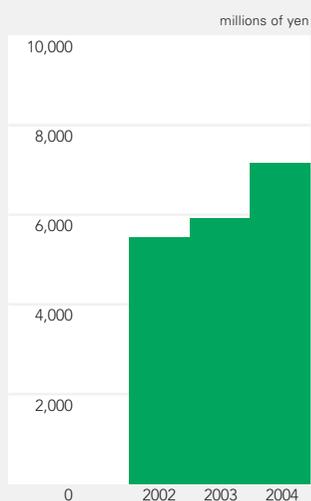
Notes: 1. U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥105.69=U.S.\$1.00

2. ROA is calculated by dividing ordinary income by total assets, expressed as a percentage.

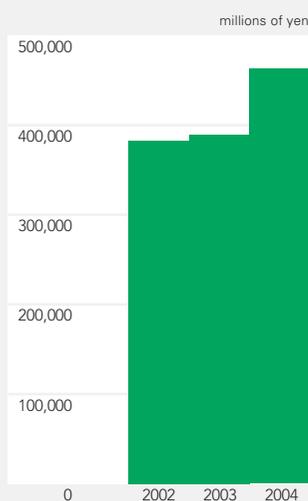
NET SALES



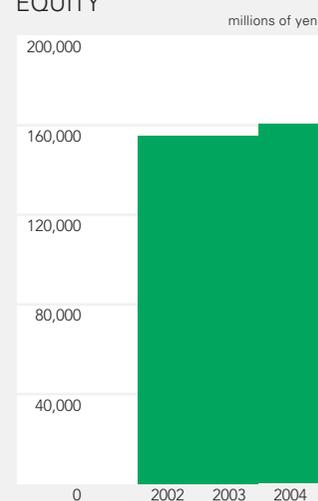
NET INCOME



TOTAL ASSETS



TOTAL SHAREHOLDERS' EQUITY



MANAGEMENT'S DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW SALES

Despite signs of a global recovery, the Japanese economy continued to struggle with the impact of structural deflation. This, combined with political tensions, including the situation in Iraq, led to the continuation of a harsh operating environment. Despite these challenging conditions, Hitachi High-Technologies posted a 6.8% increase in consolidated net sales to ¥831,050 million for the fiscal year ended March 31, 2004.

ELECTRONIC DEVICE SYSTEMS

Sales of mainstay CD-Measurement SEMs were brisk, supported by increased investment in Japan and elsewhere in Asia in the second half of the fiscal year. Sales of etching systems to North America were weak, but overall sales increased due to healthy sales in Japan. Scanner sales by ASML Holding N.V. (ASML) declined, as customers postponed investment. As a result of the above factors, segment sales rose 1.0% compared with the previous year, to ¥137,614 million.

LIFE SCIENCE

In the medical analyzer product category, the global trend toward reducing medical costs, as well as outbreaks of severe acute respiratory syndrome (SARS) in the first half of the fiscal year, led the Company to cut back its sales activities in Asia. However, sales of clinical

chemistry and immunodiagnostic analyzers to the U.S. and Europe were strong. Sales of DNA sequencers to the U.S. declined year on year. As a result, segment sales declined 1.7% from the previous year, to ¥89,200 million.

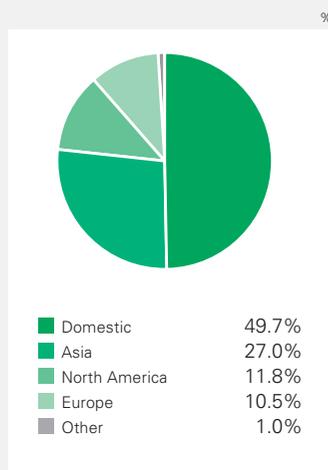
INFORMATION SYSTEMS & ELECTRONIC COMPONENTS

Demand for semiconductors rebounded in the second half of the year, while sales of semiconductors for use in mobile phones were strong. In electronic devices, reflecting positive market conditions for digital home appliances, sales of optical pick-ups for DVDs were brisk. Sales of rechargeable mobile phone batteries declined despite higher demand from South Korea in the fourth quarter. Sales of organic light emitting diodes production equipment were strong, reflecting increased investment in Asia, while sales of chip mounters increased following the acquisition of SANYO Electric's chip mounter arm. Total segment sales rose 7.2% from the previous fiscal year, to ¥327,840 million.

ADVANCED INDUSTRIAL PRODUCTS

Supported by the growing audiovisual electronics market, sales of optical products used in LCD projectors and sales of optical media components increased. Although sales of silicon wafers declined in the first half of the fiscal year because of lower demand, there was a pick up in the second half on the

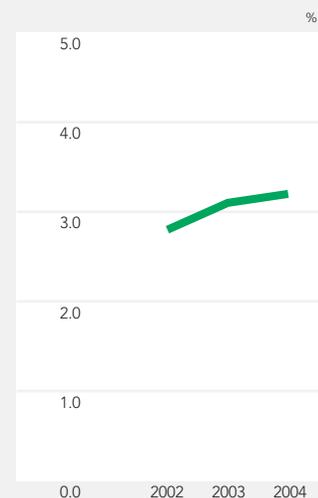
SALES IN FINAL DESTINATION



RETURN ON EQUITY



RETURN ON ASSETS



back of brisk demand for digital home appliances. Overall segment sales increased 12.6% from the previous fiscal year, to ¥276,396 million.

SALES BY GEOGRAPHICAL AREA

Domestic sales rose 5.6% from the previous fiscal year, to ¥575,490 million. Overseas sales categorized by geographical area increased 9.7% from the previous fiscal year, to ¥255,560 million.

COST OF SALES

The cost of sales increased 6.8% from the previous fiscal year to ¥730,186 million, while gross profit rose 7.0%, to ¥100,864 million. The gross profit margin was unchanged from the previous fiscal year at 12.1%.

SG&A EXPENSES, R&D EXPENSES

Selling, general and administrative (SG&A) expenses rose 5.7% from the previous fiscal year, to ¥87,066 million. R&D expenses included in SG&A expenses and manufacturing expenses totaled ¥14,757 million. By segment, R&D expenses were as follows: Electronic Device Systems ¥7,932 million, Life Science ¥4,327 million and Information Systems & Electronic Components ¥2,498 million.

OPERATING PROFIT

Operating profit increased 16.5% from the previous fiscal year, to ¥13,798 million. Operating profit by segment was as follows: Electronic Device Systems ¥3,837 million, up 36.5%; Life Science ¥5,974 million, down 1.5%; Information Systems & Electronic Components ¥1,938 million, down 35.4%; and Advanced Industrial Products ¥2,035 million, up sharply from the previous fiscal year.

OTHER INCOME (EXPENSE)

Other expense totaled ¥125 million. Income before income taxes and minority interests rose 13.0% from the previous fiscal year, to ¥13,673 million, income taxes increased 11.3% compared with the previous fiscal year, to ¥6,446 million, and minority interests fell 83.2%, to ¥65 million. As a result, net income increased 20.8% from the previous fiscal year, to ¥7,162 million.

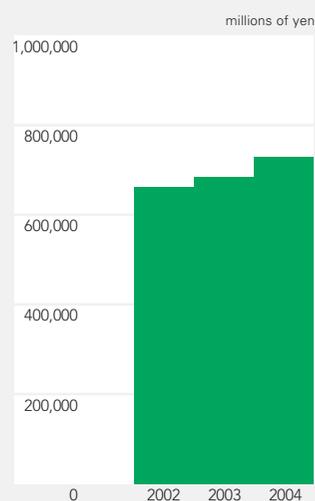
NET INCOME PER SHARE

Net income per share was ¥50.56, up ¥9.64 from ¥40.92 in the previous fiscal year.

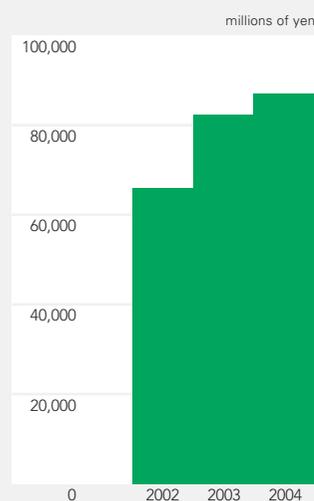
FINANCIAL POSITION

Total assets increased 18.8% year on year, to ¥462,875 million. Current assets grew 23.9% compared with the previous year, to ¥358,226 million, primarily due to increases in notes and accounts receivable, inventories, and deferred tax assets. Net property, plant and equipment rose 8.6% year on year, to ¥62,035 million,

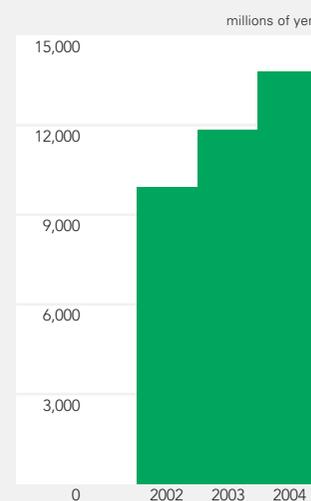
COST OF SALES



SG&A EXPENSES



OPERATING PROFIT



reflecting increases in buildings and structures, machinery and equipment, and land. Depreciation and amortization increased 1.3% from the previous year, to ¥7,552 million. Intangible assets swelled 181.9% year on year, to ¥11,419 million, chiefly due to the consolidation of a new subsidiary. Investments and other assets fell 20.8% compared with the previous year, to ¥31,195 million.

Total liabilities increased 29.8% compared with the previous year, to ¥298,768 million. Current liabilities rose 28.0% to ¥262,533 million, reflecting the net impact of higher notes and accounts payable, short-term debt, and lower deferred income taxes and advances from customers. Long-term liabilities rose 44.3% to ¥36,235 million, due to an increase in provisions for retirement and severance benefits.

Total shareholders' equity increased slightly from the previous year, to ¥160,480 million, while total shareholders' equity per share rose ¥39.39, to ¥1,164.99.

CASH FLOWS

Net cash provided by operating activities amounted to ¥14,989 million. The main factors were ¥13,673 million in income before income taxes and minority interests, ¥7,552 in depreciation and amortization, and a ¥37,037 million increase in notes and accounts payable, against ¥7,276 million in income taxes paid, and a ¥31,776 million rise in notes and accounts receivable.

Net cash used in investing activities totaled ¥531 million. This was primarily due to proceeds of ¥9,925 million from sales and redemption of securities, expenditure of ¥3,808 million to acquire the stock of a newly consolidated subsidiaries, ¥2,036 million paid for the purchase of securities, and capital expenditures of ¥4,711 million associated with the acquisition of manufacturing facilities and other fixed assets along with intangible assets, including a new ERP system.

Net cash used in financing activities was ¥20,853 million. This was primarily due to expenditures of ¥18,696 million to repay short-term debt and ¥2,064 million for dividends paid.

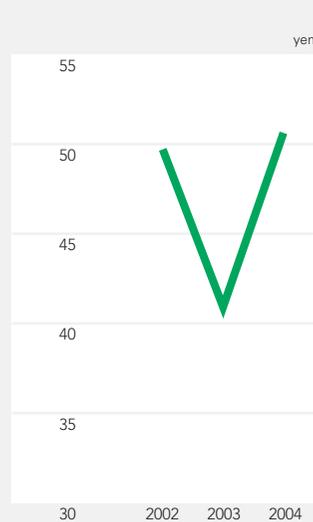
As a result, cash and cash equivalents at end of year decreased ¥7,808 million compared with the previous year, to ¥44,648 million.

OUTLOOK

The Company expects the global economy to remain robust in the fiscal year ending March 31, 2005, supported by a modest recovery in the U.S. economy and strong growth in China. In this environment, the Company is projecting net income of ¥8,900 million on consolidated net sales of ¥850,000 million.

In the year ahead, the Company will continue working to achieve its goal of being one of the top global companies in the field of high-tech solutions.

NET INCOME PER SHARE



SHAREHOLDERS' EQUITY PER SHARE



CONSOLIDATED BALANCE SHEETS

Hitachi High-Technologies Corporation and Subsidiaries
March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (note 2)
	2004	2003	2004
ASSETS			
CURRENT ASSETS:			
Cash (note 3)	¥ 41,747	¥ 51,675	\$ 394,992
Short-term investments (note 4)	4,092	2,164	38,712
Notes and accounts receivable (note 5)	234,613	181,469	2,219,827
Inventories	55,860	37,741	528,530
Advances to suppliers (note 5)	1,844	2,444	17,450
Prepaid expenses and other current assets (note 8)	8,600	4,664	81,355
Deferred tax assets (note 6)	14,115	10,652	133,555
Less: allowance for doubtful receivables	(2,645)	(1,623)	(25,022)
Total current assets	358,226	289,186	3,389,399
PROPERTY, PLANT AND EQUIPMENT:			
Land	22,446	21,347	212,374
Buildings and structures	48,282	39,557	456,830
Machinery and equipment	36,958	31,969	349,682
Tools, furniture and fixtures	25,248	21,680	238,883
Construction in process	162	250	1,530
	133,096	114,803	1,259,299
Less: accumulated depreciation	(71,061)	(57,704)	(672,350)
Net property, plant and equipment	62,035	57,099	586,949
INTANGIBLE ASSETS	11,419	4,051	108,042
INVESTMENTS AND OTHER ASSETS:			
Investments in non-consolidated subsidiaries and affiliates	2,641	2,888	24,986
Investments in securities (note 4)	12,682	18,713	119,999
Long-term loan	1,410	1,630	13,337
Deferred tax assets (note 6)	7,371	9,600	69,742
Other assets	8,058	7,737	76,248
Less: allowance for doubtful receivables	(967)	(1,200)	(9,154)
Total investments and other assets	31,195	39,368	295,158
	¥462,875	¥389,704	\$4,379,548

See accompanying notes to consolidated financial statements

	Millions of yen		Thousands of U.S. dollars (note 2)
LIABILITIES AND SHAREHOLDERS' EQUITY	2004	2003	2004
CURRENT LIABILITIES:			
Short-term debt (note 7)	¥ 25,996	¥ 20,766	\$ 245,969
Current installments of long-term debt (note 7)	1,000	–	9,462
Notes and accounts payable (note 5)	188,316	141,356	1,781,779
Accrued expenses	25,039	20,465	236,909
Income taxes (note 6)	4,672	5,898	44,206
Advances from customers (note 5)	7,395	8,755	69,971
Other current liabilities	10,115	7,865	95,693
Total current liabilities	262,533	205,105	2,483,989
LONG-TERM LIABILITIES:			
Long-term debt (note 7)	2,000	–	18,923
Retirement and severance benefits (note 8)	33,910	24,990	320,844
Other liabilities	325	121	3,081
Total long-term liabilities	36,235	25,111	342,848
Total liabilities	298,768	230,216	2,826,837
MINORITY INTERESTS	3,627	4,328	34,311
SHAREHOLDERS' EQUITY:			
Capital (note 9)	7,938	7,938	75,111
Capital surplus (notes 9 and 10)	35,745	35,745	338,202
Retained earnings (note 10)	114,427	109,633	1,082,662
Net unrealized holding gains on securities	4,897	2,923	46,334
Foreign currency translation adjustments	(2,286)	(853)	(21,633)
Treasury stock, at cost, 163,155 shares in 2004 and 153,800 shares in 2003	(241)	(226)	(2,276)
Total shareholders' equity	160,480	155,160	1,518,400
Commitments and contingent liabilities (note 11)			
	¥462,875	¥389,704	\$4,379,548

CONSOLIDATED STATEMENTS OF INCOME

Hitachi High-Technologies Corporation and Subsidiaries
Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (note 2)
	2004	2003	2004
NET SALES (note 5)	¥831,050	¥778,229	\$7,863,086
COST OF SALES (note 5)	730,186	684,007	6,908,750
Gross profit	100,864	94,222	954,336
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	87,066	82,378	823,784
Operating profit	13,798	11,844	130,552
OTHER INCOME (EXPENSE)			
Interest and dividends income	632	821	5,977
Interest expenses	(165)	(208)	(1,560)
Equity income	42	70	401
Foreign exchange gains	274	129	2,590
Other, net	(908)	(552)	(8,593)
	(125)	260	(1,185)
Income before income taxes and minority interests	13,673	12,104	129,367
INCOME TAXES (note 6)			
Current	5,789	8,645	54,773
Deferred	657	(2,856)	6,216
	6,446	5,789	60,989
Income before minority interests	7,227	6,315	68,378
MINORITY INTERESTS	65	387	618
NET INCOME	¥ 7,162	¥ 5,928	\$ 67,760
		Yen	U.S. dollars (Note 2)
Net income per share (note 12)	¥ 50.56	¥ 40.92	\$ 0.48

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Hitachi High-Technologies Corporation and Subsidiaries
Years ended March 31, 2004 and 2003

	Issued and outstanding shares (thousands)	Millions of yen					
		Capital	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2002	137,739	¥7,938	¥35,723	¥106,733	¥ 4,581	¥ 290	¥(111)
Net income	-	-	-	5,928	-	-	-
Cash dividends	-	-	-	(2,065)	-	-	-
Bonuses to directors	-	-	-	(293)	-	-	-
Gains on sales of treasury stock	-	-	22	-	-	-	-
Effect of newly consolidated subsidiaries	-	-	-	211	-	-	-
Transfer to minority interests arising from issuance of subsidiary's common stock	-	-	-	(881)	-	-	-
Net change during the year	-	-	-	-	(1,658)	(1,143)	-
Increase in treasury stock	-	-	-	-	-	-	(115)
Balance at March 31, 2003	137,739	¥7,938	¥35,745	¥109,633	¥ 2,923	¥ (853)	¥(226)
Net income	-	-	-	7,162	-	-	-
Cash dividends	-	-	-	(2,064)	-	-	-
Bonuses to directors	-	-	-	(304)	-	-	-
Net change during the year	-	-	-	-	1,974	(1,433)	-
Increase in treasury stock	-	-	-	-	-	-	(15)
Balance at March 31, 2004	137,739	¥7,938	¥35,745	¥114,427	¥ 4,897	¥(2,286)	¥(241)

	Issued and outstanding shares (thousands)	Thousands of U.S. dollars (note 2)					
		Capital	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2003	137,739	\$75,111	\$338,202	\$1,037,309	\$27,657	\$ (8,071)	\$(2,135)
Net income	-	-	-	67,760	-	-	-
Cash dividends	-	-	-	(19,526)	-	-	-
Bonuses to directors	-	-	-	(2,881)	-	-	-
Net change during the year	-	-	-	-	18,677	(13,562)	-
Increase in treasury stock	-	-	-	-	-	-	(141)
Balance at March 31, 2004	137,739	\$75,111	\$338,202	\$1,082,662	\$46,334	\$(21,633)	\$(2,276)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Hitachi High-Technologies Corporation and Subsidiaries
Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (note 2)
	2004	2003	2004
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 13,673	¥12,104	\$ 129,367
Adjustments to reconcile to net income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization	7,552	7,458	71,458
Increase (decrease) in provision for doubtful receivables	593	(697)	5,614
Increase in retirement and severance benefits	1,097	345	10,377
Interest and dividends income	(632)	(821)	(5,977)
Interest expenses	165	208	1,560
Foreign exchange losses	301	38	2,845
Equity income	(42)	(70)	(401)
Losses on sales and disposal of property and equipment	368	360	3,482
Gains on sales and devaluation of securities	(297)	(1,003)	(2,806)
Increase in notes and accounts receivable	(31,776)	(4,530)	(300,653)
Increase in inventories	(5,936)	(610)	(56,166)
Increase in notes and accounts payable	37,037	10,080	350,432
Bonuses paid to directors	(305)	(296)	(2,881)
Other, net	(105)	572	(998)
	21,693	23,138	205,253
Interest and dividends received	671	877	6,347
Interest paid	(99)	(214)	(935)
Income taxes paid	(7,276)	(5,517)	(68,845)
Net cash provided by operating activities	14,989	18,284	141,820
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in time deposits	115	135	1,086
Purchase of securities	(2,036)	(505)	(19,261)
Proceeds from sales and redemption of securities	9,925	7,760	93,910
Capital expenditures	(4,711)	(6,383)	(44,577)
Proceeds from sales of property and equipment	190	852	1,801
Purchase of shares of subsidiaries	(3,808)	–	(36,028)
Other, net	(206)	598	(1,959)
Net cash provided by (used in) investing activities	(531)	2,457	(5,028)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Decrease in short-term debt	(18,696)	(8,652)	(176,897)
Dividends paid	(2,064)	(2,065)	(19,526)
Other, net	(93)	(101)	(881)
Net cash provided by (used in) financing activities	(20,853)	(10,818)	(197,304)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(1,402)	(612)	(13,263)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,797)	9,311	(73,775)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	52,456	42,811	496,321
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	–	334	–
CASH AND CASH EQUIVALENTS OF EXCLUDED SUBSIDIARIES	(11)	–	(106)
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 3)	¥ 44,648	¥52,456	\$ 422,440

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hitachi High-Technologies Corporation and Subsidiaries

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying consolidated financial statements of Hitachi High-Technologies Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

(b) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its effectively controlled subsidiary companies, which in general are majority-owned. Investments in entities in which the Company does not have effective control but has the ability to exercise significant influence over operating and financial policies, generally 20 to 50 percent-owned, are accounted for by the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value which have maturities of generally three months or less when purchased to be cash equivalents.

(d) Short-term Investments and Investments in Securities

The Company has adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, securities are to be classified into one of the following three categories and accounted for as follows:

- Securities that the company held with the objective of generating profits on short-term differences in price are classified as trading securities and measured at fair value, with unrealized holding gains and losses included in earnings.
- Securities that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and measured at amortized cost.
- Securities classified as neither trading securities nor held-to-maturity securities are classified as available-for-sale securities and measured at fair value, with either unrealized holding gains and losses excluded from earnings and reported as net unrecognized holding gains (losses) in a separate component of shareholders' equity until realized, or with unrealized holding losses included in earnings and unrealized gains excluded from earnings and reported as unrecognized holding gains in a separate component of shareholders' equity until realized.

The Company measured available-for-sale securities at fair value and reported unrealized holding gains and losses as "Net unrealized holding gains on securities" in a separate component of shareholders' equity. Available-for-sale securities without fair values are carried at cost. In computing realized gains or losses, cost of available-for-sale securities was principally determined by the moving-average method.

(e) Inventories

Inventories are mainly stated as following methods:

Merchandise	: Stated at cost, cost being determined by the moving-average method
Finished goods	
Semi-finished goods	: Stated at lower of cost or market, cost being determined by the moving-average method
Raw materials	
Work-in-process	: Stated at lower of cost or market, cost being determined by the specific identification method

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated over the estimated useful lives of the respective assets by the declining-balance method, except for certain buildings which are depreciated by the straight-line method.

(g) Income Taxes

Deferred income taxes are accounted for under the asset and liability method in accordance with "Accounting Standards for Deferred Income Taxes" issued by the Business Accounting Deliberation Council. Under such method, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

(h) Translation of Foreign Currency Accounts

The Company has adopted the revised "Accounting Standards for Foreign Currency Transaction" issued by the Business Accounting Deliberation Council. Under this standard, foreign currency transactions are translated into yen at the rates in effect at the transaction date or, if only the relation between a foreign currency transaction and a related firm forward exchange contract meets the criteria of hedge accounting as regulated in "Accounting Standards for Financial Instruments", those covered by firm forward exchange contracts can be translated at such contract rates. At year-end, monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except for those, as described above, translated at related contract rates. Gains or losses resulting from the translation of foreign currencies, including gains and losses on settlement, are credited or charged to income as incurred.

The financial statements of the consolidated foreign subsidiaries are translated into the reporting currency of yen as follows: all assets and liabilities are translated at the rates of exchange in effect at the balance sheet date; shareholders' equity accounts are translated at historical rates; income and expenses are translated at an average of exchange rates in effect during the year; and a comprehensive adjustment resulting from translation of assets, liabilities and shareholders' equity is reported as "Foreign currency translation adjustments", a separate component of shareholders' equity.

(i) Derivative Financial Instruments

The Company has adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, in principle, derivative financial instruments are measured at fair value, with unrealized gains or losses included in earnings. Hedging transactions, which meets the criteria of hedge accounting as regulated in "Accounting Standards for Financial Instruments", are accounted for using deferral hedge accounting, which requires the unrealized gains or losses to be deferred as an asset or liability until gains or losses relating to the hedge objects are recognized.

In addition, certain foreign currency swap transactions and certain interest rate swap transactions are accounted for using the allocation method and the special method, respectively, which are regulated in the standard. The allocation method requires recognized foreign currency receivables or payables covered by firm foreign currency swap transactions to be translated at such swap rates. Under the special method, interest rate swap transactions are accounted for as if the interest rates under those transactions were originally applied to underlying borrowings and debentures.

(j) Lease

Finance lease except for those where the legal title of the underlying property is transferred from the lessor to the lessee at the end of the lease term, is accounted for as operating lease.

(k) Treasury stock

The Company has adopted "Accounting Standards for the Company's Own Shares and the Withdrawal of Legal Reserve" issued by the Business Accounting Deliberation Council. Under this standard, treasury stock is recorded at cost as a deduction of shareholders' equity. When the Company reissues the treasury stock, the difference between the issuance price and the cost of the treasury stock is accounted for as capital surplus.

(l) Net Income Per Share

The Company has adopted "Calculations of Earnings Per Share of the Current Net Earnings" issued by the Business Accounting Deliberation Council. Under this standard, basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of shares of common shares outstanding during the respective years. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.

(m) Reclassifications

Certain reclassifications have been made in prior years' consolidated financial statements to conform to classification used in the current year.

2. U.S. DOLLAR AMOUNTS

The accompanying consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥105.69=\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2004. This translation should not be construed as a representation that any amounts shown could be converted into U.S. dollars.

3. CASH AND CASH EQUIVALENTS

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

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cash	¥41,747	¥51,675	\$394,992
Time deposits with maturity over three months	(98)	(219)	(931)
Deposits to Hitachi group cash management fund	2,999	1,000	28,379
Cash and cash equivalents	¥44,648	¥52,456	\$422,440

4. SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

Investments in securities as of March 31, 2004 and 2003 are classified as available-for-sale securities. A summary of cost, unrealized holding gross gains, unrealized holding gross losses and aggregate fair value by major type of securities are as follows:

	Millions of yen							
	2004				2003			
	Cost	Gross gains	Gross losses	Aggregate fair value	Cost	Gross gains	Gross losses	Aggregate fair value
Available-for-sale securities:								
Equity securities	¥1,961	¥8,289	¥ (8)	¥10,242	¥ 2,217	¥4,963	¥(122)	¥ 7,058
Debt securities	3,008	6	(13)	3,001	5,000	65	–	5,065
Other securities	3,513	18	–	3,531	8,722	32	–	8,754
	¥8,482	¥8,313	¥(21)	¥16,774	¥15,939	¥5,060	¥(122)	¥20,877

	Thousands of U.S. dollars			
	2004			
	Cost	Gross gains	Gross losses	Aggregate fair value
Available-for-sale securities:				
Equity securities	\$18,554	\$78,432	\$ (74)	\$ 96,912
Debt securities	28,460	58	(121)	28,397
Other securities	33,237	165	–	33,402
	\$80,251	\$78,655	\$(195)	\$158,711

Debt securities consist mainly of corporate bonds. Other securities consist mainly of asset backed securities, common shares of private companies and investment trusts. It is not practicable to estimate the fair value of investments in non-marketable securities because of the lack of market prices and difficulty in estimating fair value without incurring excessive cost. The carrying amount of these investments classified as available-for-sale securities at March 31, 2004 and 2003 totaled ¥313 million (\$2,961 thousand) and ¥323 million, respectively.

The aggregate fair value recognized in the consolidated balance sheets consists of:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Short-term investments	¥ 4,092	¥ 2,164	\$ 38,712
Investments in securities	12,682	18,713	119,999
	¥16,774	¥20,877	\$158,711

The following represents the maturities of debt securities and other securities with contractual maturities as of March 31, 2004.

	Millions of yen		Thousands of U.S. dollars
	2004		2004
Within 1 year	¥4,092		\$38,712
After 1 year through 5 years	204		1,937
After 5 years through 10 years	1,000		9,464
	¥5,296		\$50,113

The proceeds from sales of available-for-sale securities for the year ended March 31, 2004 amounted to ¥722 million (\$6,828 thousand), and the gross realized gains and gross realized losses on the sales of those securities for the year ended March 31, 2004 amounted to ¥314 million (\$2,973 thousand) and ¥12 million (\$116 thousand), respectively.

The proceeds from sales of available-for-sale securities for the year ended March 31, 2003 amounted to ¥2,641 million and the gross realized gains and gross realized losses on the sales of those securities for the year ended March 31, 2003 amounted to ¥1,236 million and ¥6 million, respectively.

5. BALANCES AND TRANSACTIONS WITH RELATED PARTY

55.04% of the Company's outstanding common stock is owned by Hitachi, Ltd. (the parent company). Balances and transactions with the parent company as of and for the years ended March 31, 2004 and 2003 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Principal balances:			
Accounts receivable	¥ 7,829	¥ 9,573	\$ 74,072
Advances to suppliers	159	543	1,508
Trade accounts payable	11,137	17,390	105,378
Advances from customers	239	473	2,257
Principal transactions:			
Sale	42,719	78,281	404,195
Purchase	31,234	62,591	295,524

6. INCOME TAXES

Reconciliations between the normal income tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests are as follows:

	2004	2003
Normal income tax rate	42.1%	42.1%
Expenses not deductible for tax purpose	4.5	5.3
Tax credit on dividends income	-	(4.1)
Other, net	0.5	4.5
Effective income tax rate	47.1%	47.8%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2004 and 2003 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Total gross deferred tax assets:			
Allowance for doubtful receivables	¥ 1,150	¥ 806	\$ 10,878
Accrued bonus	3,950	2,898	37,371
Accrued business tax	364	607	3,445
Accrued expenses	3,984	3,757	37,700
Intercompany profit on inventories	892	1,034	8,439
Devaluation of inventories	1,591	1,020	15,053
Depreciation	174	571	1,644
Membership deposit	435	621	4,120
Investments in securities	107	363	1,011
Retirement and severance benefits	9,180	8,719	86,860
Net operating losses carryforwards	566	-	5,357
Other, net	2,812	1,870	26,612
	25,205	22,266	238,490
Less valuation allowance	(505)	-	(4,780)
	24,700	22,266	233,710
Total gross deferred tax liabilities:			
Net unrealized holding gains on securities	(3,214)	(2,014)	(30,413)
	(3,214)	(2,014)	(30,413)
Net deferred tax assets	¥21,486	¥20,252	\$203,297

Net deferred tax assets as of March 31, 2004 and 2003 are reflected in the consolidated balance sheets under the following items:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets—current	¥14,115	¥10,652	\$133,555
Deferred tax assets—noncurrent	7,371	9,600	69,742
Net deferred tax assets	¥21,486	¥20,252	\$203,297

7. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt as of March 31, 2004 and 2003 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Unsecured bank borrowings	¥19,400	¥12,539	\$183,556
Export bills discounted	6,596	8,227	62,413
	¥25,996	¥20,766	\$245,969

The weighted average interest rates on short-term debt outstanding as of March 31, 2004 and 2003 are 0.631% and 0.899%, respectively.

Long-term debt as of March 31, 2004 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Loans from insurance companies, due 2004-2005, interest 0.63%-0.65%	¥3,000	\$28,385
	3,000	28,385
Less current portion	1,000	9,462
	¥2,000	\$18,923

8. RETIREMENT AND SEVERANCE BENEFITS

The Company and subsidiaries have the following defined benefit pension plans to provide pension benefits to substantially all employees.

- Employees Pension Fund stipulated by the Japanese Welfare Pension Law (EPF), a funded contributory defined benefit pension plan.
- Tax Qualified Pension Plan (funded defined benefit pension plan)
- Retirement and Severance Benefit Plan (unfunded defined benefit pension plan)

The funded status of the Company and subsidiaries' pension plans as of March 31, 2004 and 2003 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Projected benefit obligation	¥(133,780)	¥(110,202)	\$(1,265,778)
Plan assets at fair value	58,827	43,197	556,598
Funded status	(74,953)	(67,005)	(709,180)
Unrecognized transition gain	236	(231)	2,234
Unrecognized actuarial loss	47,747	46,150	451,766
Unrecognized prior service cost	(5,358)	(2,382)	(50,699)
Amount recognized in the consolidated balance sheet	¥ (32,328)	¥ (23,468)	\$ (305,879)

Amounts recognized in the consolidated balance sheets consist of:

Prepaid expenses and other current assets	¥ 362	¥ 56	\$ 3,426
Retirement and severance benefits	(23,690)	(23,524)	(309,305)
	¥ (23,328)	¥ (23,468)	\$ (305,879)

Net periodic benefit cost for the Company and subsidiaries' pension plans for the years ended March 31, 2004 and 2003 consisted of the following components:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Service cost	¥ 4,063	¥ 2,793	\$ 38,444
Interest cost	3,152	3,430	29,819
Expected return on plan assets for the period	(2,016)	(2,103)	(19,071)
Amortization of transition difference	(73)	(73)	(693)
Amortization of actuarial loss	2,567	1,495	24,288
Amortization of prior service cost	(371)	(250)	(3,510)
	¥ 7,322	¥ 5,292	\$ 69,277
Settlement gain on substitutional portion	(115)	–	(1,093)
Other, net	96	–	919
	¥ 7,303	¥ 5,292	\$ 69,103

The EFP is composed of the substitutional portion of Japanese Welfare Insurance and the corporate portion. The benefits for the substitutional portion are based on standard remuneration scheduled by the Welfare Pension Insurance Law and the length of participation. The benefits of the corporate portion are based on the current rate of pay and the length of service.

On March 24, 2004, a certain subsidiary settled the substitutional portion by transfer the pension obligation to the Government, and ¥115 million (\$1,093 thousand), projected benefit obligation minus related amortization of unrecognized actuarial loss and unrecognized prior service cost minus paid amount to the Government, is recognized as settlement gain on substitutional portion.

Actuarial assumptions used in accounting for the Company and subsidiaries' plans are principally as follows:

	2004	2003
Discount rate	1.5-3.1%	1.5-3.1%
Expected rate of return on plan assets	2.5-4.5%	3.0-4.5%

The program described above does not cover directors and statutory auditors. However, the provision has been made in the accompanying balance sheets for accrued liability based on management estimates. At March 31, 2004 and 2003, such obligation recognized as retirement and severance benefits amounted to ¥1,220 million (\$11,539 thousand) and ¥1,466 million, respectively. Benefits payable to directors and statutory auditors upon retirement are subject to the approval of shareholders.

9. COMMON STOCK

The Japanese Commercial Code (JCC) requires that at least 50% of the issue price of new shares is designated as stated capital, and proceeds in excess of the amount designated as stated capital are credited to additional paid-in capital.

Conversion of convertible bond issued subsequent to October 1, 1982 into common stock were accounted for in accordance with the provision of the JCC by crediting one-half of the conversion price to each of the stated capital and capital surplus.

Authorized shares and issued shares for the years ended March 31, 2004 and 2003 are summarized as follows:

	Authorized shares	Issued shares
Balance as of March 31, 2003	350,000,000	137,738,730
Balance as of March 31, 2004	350,000,000	137,738,730

10. LEGAL RESERVE AND DIVIDENDS

The JCC requires an amount equal to at least 10% of appropriations of retained earnings to be paid in cash be appropriated as a legal reserve until total of capital surplus and legal reserve equals 25% of stated capital. In addition to reduction of a deficit and transfer to stated capital, either capital surplus or legal reserve may be available for dividends by resolution of the shareholders' meeting to the extent that the amount of total capital surplus and legal reserve exceeds 25% of stated capital.

Cash dividends, directors' bonuses and appropriations to the legal reserve charged to retained earnings during the years ended March 31, 2004 and 2003 represent dividends and directors' bonuses paid out during those periods and the related appropriations to the legal reserve. The accompanying consolidated financial statements do not include any provision for the semiannual dividend of ¥7.50 (\$0.07) per share, aggregating ¥1,032 million (\$9,763 thousand), or directors' bonuses for subsidiaries of ¥206 million (\$1,949 thousand) in respect of the year ended March 31, 2004.

11. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2004 and 2003, the Company and subsidiaries are contingently liable for the following amounts:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Export bills discounted	¥ 756	¥1,242	\$ 7,155
Notes receivable endorsed to suppliers	264	226	2,496
Guarantees given for employees' housing loans	2,080	1,918	19,679
	¥3,100	¥3,386	\$29,330

12. NET INCOME PER SHARE INFORMATION

The Company adopted ASB Statement No.2, "Calculations of Earnings Per Share of the Current Net Earnings" issued by the Business Accounting Deliberation Council as described in note 1 (I). The Company has no potentially dilutive securities for the years ended March 31, 2004 and 2003. Net income per share computation for the year ended March 31, 2004 is as follows:

	Number of shares 2004
Weighted average number of shares on which basic net income per share is calculated	137,579,619

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Net income	¥7,162	\$67,760
Appropriations for directors' bonuses	(206)	(1,949)
Net income available to common shareholders	¥6,956	\$65,811

	Yen	U.S. dollar
Net income per share: Basic	¥50.56	\$0.48

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income for the year ended March 31, 2004 amounted to ¥14,757 million (\$139,627 thousand).

14. FINANCIAL INSTRUMENTS

The Company and subsidiaries are exposed to market risks arising from fluctuations in foreign currency exchange rates. The Company and subsidiaries enter into forward exchange contracts for the purpose of hedging these risk exposures. Forward exchange contracts are utilized to manage foreign currency exchange rate risk from receivables and payables which are denominated in foreign currency.

The Company has no derivative financial instruments for trading purposes. In addition, the Company may be exposed to losses in the event of nonperformance by counterparties to financial instruments, but it is not expected that any counterparties will fail to meet their obligations because most of the counterparties are authentic financial institutions. The Company has also developed hedging policies to control various aspects of derivative financial transactions including authorization levels, transaction volumes and counterparty credit guidelines.

The notional amounts, estimated fair values and unrealized gains (losses) of the derivative financial instruments other than derivative financial instruments accounted for using the deferral hedge accounting for the years ended March 31, 2004 and 2003 are as follows:

	2004			Millions of yen 2003		
	Notional amounts	Estimated fair values	Unrealized gains	Notional amounts	Estimated fair values	Unrealized gains (losses)
Forward exchange contracts:						
To sell foreign currency	¥12,891	¥12,628	¥263	¥10,755	¥10,760	¥ (5)
To buy foreign currency	¥ 4,747	¥ 4,761	¥ 14	¥ 2,839	¥ 2,892	¥53

	Thousands of U.S. dollars 2004		
	Notional amounts	Estimated fair values	Unrealized gains
Forward exchange contracts:			
To sell foreign currency	\$121,968	\$119,482	\$2,486
To buy foreign currency	\$ 44,917	\$ 45,046	\$ 129

15. SEGMENT INFORMATION

Business segment information

The Company has divided its operations into four reportable segments: "Electronic Device Systems," "Life Science," "Information Systems & Electronic Components" and "Advanced Industrial Products." The main products of each business segment are provided on pages 14-23 of this annual report. The following is a tabulation of business segment information as of and for the years ended March 31, 2004 and 2003.

							Millions of yen	
							2004	
	Electronic Device Systems	Life Science	Information Systems & Electronic Components	Advanced Industrial Products	Total	Elimination	Consolidated	
Net sales:								
External customers	¥137,614	¥89,200	¥327,840	¥276,396	¥831,050	¥ -	¥831,050	
Intersegment sales	705	1,868	1,503	2,770	6,846	(6,846)	-	
	138,319	91,068	329,343	279,166	837,896	(6,846)	831,050	
Operating expenses	134,482	85,094	327,405	277,131	824,112	(6,860)	817,252	
Operating profit	¥ 3,837	¥ 5,974	¥ 1,938	¥ 2,035	¥ 13,784	¥ 14	¥ 13,798	
Total assets	¥166,515	¥41,577	¥116,341	¥ 88,257	¥412,690	¥50,185	¥462,875	
Depreciation	4,118	1,617	1,333	484	7,552	-	7,552	
Capital expenditure	4,362	1,908	1,811	545	8,626	-	8,626	

							Millions of yen	
							2003	
	Electronic Device Systems	Life Science	Information Systems & Electronic Components	Advanced Industrial Products	Total	Elimination	Consolidated	
Net sales:								
External customers	¥136,239	¥ 90,721	¥305,750	¥245,519	¥778,229	¥ -	¥778,229	
Intersegment sales	1,000	3,128	1,575	2,287	7,990	(7,990)	-	
	137,239	93,849	307,325	247,806	786,219	(7,990)	778,229	
Operating expenses	134,429	87,782	304,324	247,907	774,442	(8,057)	766,385	
Operating profit (loss)	¥ 2,810	¥ 6,067	¥ 3,001	¥ (101)	¥ 11,777	¥ 67	¥ 11,844	
Total assets	¥100,243	¥ 49,424	¥ 99,459	¥ 68,100	¥317,226	¥ 72,478	¥389,704	
Depreciation	4,293	1,535	1,089	541	7,458	-	7,458	
Capital expenditure	4,848	2,628	1,406	407	9,289	-	9,289	

							Thousands of U.S. dollars	
							2004	
	Electronic Device Systems	Life Science	Information Systems & Electronic Components	Advanced Industrial Products	Total	Elimination	Consolidated	
Net sales:								
External customers	\$1,302,052	\$843,978	\$3,101,897	\$2,615,159	\$7,863,086	\$ -	\$7,863,086	
Intersegment sales	6,668	17,674	14,221	26,209	64,772	(64,772)	-	
	1,308,720	861,652	3,116,118	2,641,368	7,927,858	(64,772)	7,863,086	
Operating expenses	1,272,418	805,132	3,097,781	2,622,111	7,797,442	(64,908)	7,732,534	
Operating profit	\$ 36,302	\$ 56,520	\$ 18,337	\$ 19,257	\$ 130,416	\$ 136	\$ 130,552	
Total assets	\$1,575,508	\$393,386	\$1,100,777	\$ 835,055	\$3,904,726	\$474,822	\$4,379,548	
Depreciation	38,959	15,302	12,613	4,584	71,458	-	71,458	
Capital expenditure	41,267	18,055	17,137	5,154	81,613	-	81,613	

Geographic segment information

Geographic segment information as of and for the years ended March 31, 2004 and 2003 are as follows:

								Millions of yen	
								2004	
	Japan	North America	Europe	Asia	Other areas	Total	Elimination	Consolidated	
Net sales:									
External customers	¥575,490	¥108,925	¥70,376	¥75,906	¥353	¥831,050	¥ –	¥831,050	
Intersegment sales	117,963	2,544	2,891	7,679	29	131,106	(131,106)	–	
	693,453	111,469	73,267	83,585	382	962,156	(131,106)	831,050	
Operating expenses	683,236	111,337	72,697	80,905	359	948,534	(131,282)	817,252	
Operating profit	¥ 10,217	¥ 132	¥ 570	¥ 2,680	¥ 23	¥ 13,622	¥ 176	¥ 13,798	
Total assets									
	¥411,468	¥ 31,689	¥19,981	¥26,972	¥368	¥490,478	¥ (27,603)	¥462,875	

								Millions of yen	
								2003	
	Japan	North America	Europe	Asia	Other areas	Total	Elimination	Consolidated	
Net sales:									
External customers	¥545,220	¥119,390	¥53,088	¥60,075	¥456	¥778,229	¥ –	¥778,229	
Intersegment sales	99,421	3,763	5,633	7,626	32	116,474	(116,474)	–	
	644,641	123,153	58,721	67,700	488	894,703	(116,474)	778,229	
Operating expenses	634,126	123,581	58,391	65,505	461	882,064	(115,679)	766,385	
Operating profit (loss)	¥ 10,515	¥ (428)	¥ 330	¥ 2,196	¥ 27	¥ 12,639	¥ (795)	¥ 11,844	
Total assets									
	¥345,217	¥ 33,170	¥17,504	¥21,331	¥437	¥417,659	¥ (27,955)	¥389,704	

								Thousands of U.S. dollars	
								2004	
	Japan	North America	Europe	Asia	Other areas	Total	Elimination	Consolidated	
Net sales:									
External customers	\$5,445,075	\$1,030,611	\$665,873	\$718,192	\$3,335	\$7,863,086	\$ –	\$7,863,086	
Intersegment sales	1,116,124	24,073	27,351	72,660	274	1,240,482	(1,240,482)	–	
	6,561,199	1,054,684	693,224	790,852	3,609	9,103,568	(1,240,482)	7,863,086	
Operating expenses	6,464,528	1,053,432	687,833	765,495	3,390	8,974,678	(1,242,144)	7,732,534	
Operating profit	\$ 96,671	\$ 1,252	\$ 5,391	\$ 25,357	\$ 219	\$ 128,890	\$ 1,662	\$ 130,552	
Total assets									
	\$3,893,158	\$ 299,829	\$189,048	\$255,199	\$3,486	\$4,640,720	\$ (261,172)	\$4,379,548	

Overseas sales

Export sales of the Company and its domestic subsidiaries and foreign subsidiaries' sales other than sales to Japan are summarized as follows:

	Millions of yen				
	2004				
	North America	Europe	Asia	Other areas	Total
Net sales:	¥97,670	¥86,942	¥224,744	¥8,634	¥417,990
Percentage of consolidated net sales	11.8%	10.5%	27.0%	1.0%	50.3%

	Millions of yen				
	2003				
	North America	Europe	Asia	Other areas	Total
Net sales:	¥120,798	¥63,263	¥190,205	¥6,526	¥380,792
Percentage of consolidated net sales	15.5%	8.1%	24.5%	0.8%	48.9%

	Thousand of U.S. dollars				
	2004				
	North America	Europe	Asia	Other areas	Total
Net sales:	\$924,118	\$822,614	\$2,126,446	\$81,690	\$3,954,868
Percentage of consolidated net sales	11.8%	10.5%	27.0%	1.0%	50.3%

REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

The Board of Directors
Hitachi High-Technologies Corporation

We have audited the accompanying consolidated balance sheets of Hitachi High-Technologies Corporation and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi High-Technologies Corporation and consolidated subsidiaries at March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.



Tokyo, Japan
June 23, 2004

INVESTOR INFORMATION

(As of March 31, 2004)

CORPORATE DATA

DATE OF ESTABLISHMENT	April 12, 1947
PAID-IN CAPITAL	¥7,938 million
NUMBER OF EMPLOYEES	10,043 (Hitachi High-Technologies Group Total)
NUMBER OF COMMON SHARES	137,738,730 (Issued and Outstanding)
STOCK EXCHANGE LISTINGS	Tokyo, Osaka
ANNUAL SHAREHOLDERS' MEETING	June
TRANSFER AGENT	Tokyo Securities Transfer Agent Co., Ltd. 4-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan Tokyo Securities Transfer Agent changed its address as shown above on July 20, 2004.
INDEPENDENT AUDITORS	Ernst & Young ShinNihon
NUMBER OF SHAREHOLDERS	7,649

MAJOR SHAREHOLDERS

Name	Number of shares	Percentage of total equity (%)
Hitachi, Ltd.	75,807,382	55.0
Japan Trustee Services Bank, Ltd.	12,286,400	8.9
The Master Trust Bank of Japan, Ltd.	4,060,300	2.9
The Chase Manhattan Bank NA London	3,581,700	2.6
BNY for Goldman Sachs International	2,931,700	2.1
Trust & Custody Services Bank, Ltd.	2,721,800	2.0
Hitachi High-Technologies Employees Shareholders' Association	2,274,936	1.7
Deutsche Bank AG London	1,651,170	1.2
The Northern Trust Company	1,448,400	1.1
Morgan Stanley & Co. International Limited	1,147,200	0.8

TYPE OF SHAREHOLDERS

	Number of shareholders	Percentage of total equity (%)	Number of shares (Tens of thousands)	Percentage of total equity (%)
Financial institutions	59	0.8	2,361	17.1
Securities firms	34	0.4	119	0.9
Other domestic corporations	163	2.1	7,778	56.5
Foreign corporations, etc.	151	2.0	2,172	15.8
Individuals and others	7,242	94.7	1,344	9.7
Total	7,649	100.0	13,774	100.0

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