



ANNUAL
REPORT
2008

Year ended March 31, 2008

Fast-track Innovation for Growth

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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.

THE HITACHI HIGH-TECHNOLOGIES CORPORATE VISION

Hitachi High-Technologies Corporation aims to be a successful enterprise trusted by all our stakeholders and contributing to social progress through business activities that emphasize value creation through high-tech solutions. We are committed to open, transparent, and reliable business practices. As we continue to grow, we will value the environment and strive to build a prosperous community, fulfilling our social responsibility and contributing as a corporate citizen with passion and pride in our work.

This basic philosophy is the foundation of our corporate vision, a vision that defines our future directions and articulates concepts that all our employees should share and emulate.

Business Policy

- To place the customer first, growing with our customers by providing the best solutions, consistently a step ahead of market needs.
- To contribute to value creation in the global community through synergies between our strengths in cutting-edge technologies and our capabilities as an established trading company.
- To aim for reliability and excellence based on our core assets of talent and technical resources, and to maximize our corporate value.

Management Policy

- To aggressively disclose information and conduct business in a highly transparent manner.
- To exercise social responsibility as an environmentally aware corporate citizen.
- To conduct legally and ethically sound business activities.

Corporate Culture Policy

- To respect the abilities of every employee and inspire confidence to tackle new challenges.
- To build a vibrant, enterprising company that is open to new ideas.
- To encourage speedy and efficient performance through teamwork.

***To Consistently Aim to
Be Global Top in High-Tech Solutions***

CONSOLIDATED FIVE-YEAR SUMMARY

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
Years ended March 31, 2004–2008

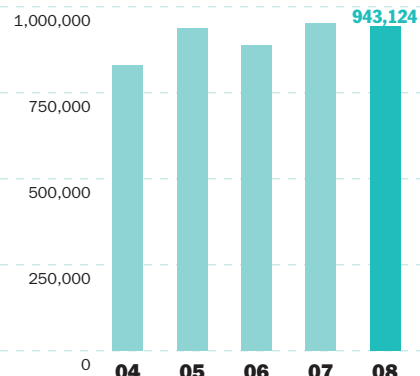
					Millions of yen	Thousands of U.S. dollars
Years ended March 31	2004	2005	2006	2007	2008	2008
For the year:						
Net sales	¥ 831,050	¥ 936,865	¥ 888,293	¥ 951,619	¥ 943,124	\$9,413,354
Electronic Device Systems	137,614	229,275	227,964	262,217	264,778	2,642,758
Life Sciences	89,200	83,866	85,331	93,281	96,173	959,907
Information Systems & Electronic Components	327,840	309,801	261,536	237,444	232,716	2,322,750
Advanced Industrial Products	276,396	313,923	313,462	358,677	349,457	3,487,939
Operating profit	13,798	30,001	36,036	45,062	49,141	490,477
Net income	7,162	15,004	19,249	26,109	26,932	268,811
Net cash provided by operating activities	14,989	26,000	15,700	24,805	30,743	306,846
Net cash used in investing activities	(531)	(576)	(9,578)	(5,900)	(6,393)	(63,811)
Net cash used in financing activities	(20,853)	(21,582)	(12,762)	(4,009)	(3,685)	(36,778)
At the year-end:						
Total assets	¥ 462,875	¥ 432,501	¥ 457,837	¥ 480,191	¥ 504,873	\$5,039,156
Total net assets	160,480	173,379	198,016	221,330	235,104	2,346,582
Cash and cash equivalents	44,648	48,967	43,600	59,267	77,853	777,052
Number of employees	10,043	9,868	9,974	10,234	10,477	–
Per share data (¥)						
Net income	¥ 50.56	¥ 107.94	¥ 139.24	¥ 189.81	¥ 195.80	\$ 1.95
Total net assets	1,164.99	1,259.18	1,404.96	1,572.14	1,707.69	17.04
Dividend	15.00	20.00	25.00	25.00	30.00	0.30
Ratio:						
Operating profit ratio (%)	1.7	3.2	4.1	4.7	5.2	–
Equity ratio (%)	34.7	40.1	42.2	45.0	46.5	–
Return on equity (ROE) (%)	4.5	9.0	10.5	12.7	11.9	–
Return on assets (ROA) (%)	3.2	5.8	7.9	9.4	9.9	–
Price-earnings ratio (Times)	32.8	15.7	22.3	17.0	8.4	–

Notes: 1. U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥100.19=U.S.\$1.00.

2. ROA is calculated by dividing ordinary income by total assets, and expressed as a percentage. (Ordinary income is income other than capital gains)

NET SALES

(millions of yen)

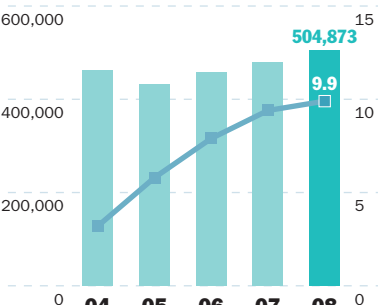


-0.9% ↓

¥943,124 million

TOTAL ASSETS/ROA

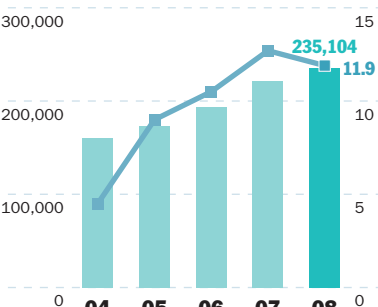
(millions of yen)



Total Assets (Left) ROA (Right)

TOTAL NET ASSETS/ROE

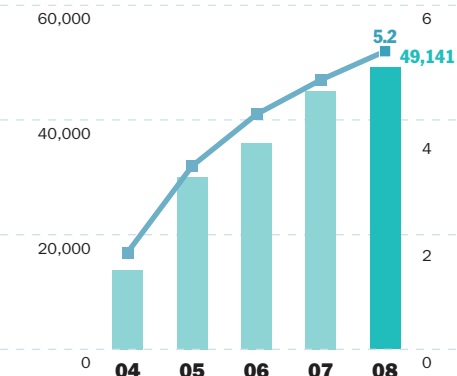
(millions of yen)



Total Net Assets (Left) ROE (Right)

OPERATING PROFIT/ OPERATING PROFIT RATIO

(millions of yen)



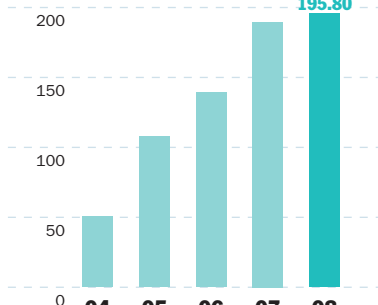
+9.1% ↑

¥49,141 million
A New Record

Operating Profit (Left) Operating Profit Ratio (Right)

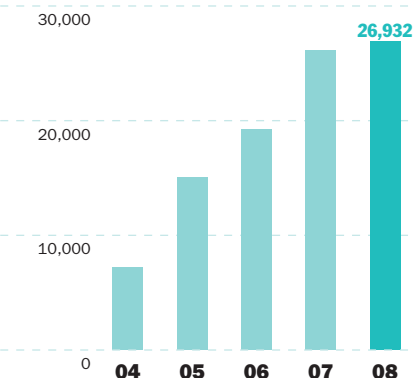
NET INCOME PER SHARE

(yen)



NET INCOME

(millions of yen)

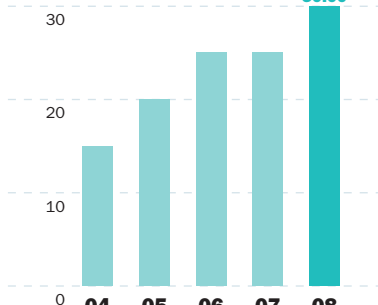


+3.2% ↑

¥26,932 million
A New Record

DIVIDEND PER SHARE

(yen)



TO OUR STAKEHOLDERS

Through Fast-Track Innovation, Hitachi Will Achieve Sustained Growth as It

In line with our corporate vision of being Global Top in high-tech solutions, Hitachi High-Technologies is expanding business globally in four segments: Electronic Device Systems, Life Sciences, Information Systems & Electronic Components, and Advanced Industrial Products.

In fiscal 2007, when I assumed the position of president, we inherited the progress made to date on the path to reform. At the same time, we saw this as a period to consolidate a foothold and managed to record earnings that exceeded expectations. Going forward, we will make the greatest efforts to step up the speed of change and achieve consolidated net sales of ¥1 trillion while shifting our emphasis to key measures aimed at overcoming current challenges.

June 2008



HIDEHITO OBAYASHI, Ph.D.

*Representative Executive Officer
President
Chief Executive Officer and Director*



High-Technologies Aims to Be Global Top Leading up to 2010

In fiscal 2007, Hitachi High-Technologies achieved record-high operating profit that exceeded forecasts. We asked Hidehito Obayashi, who marked his second year as President, about the Company's strategies and outlook focused on the medium-term management plan.

Q. Please provide an outline and your evaluation of the Company's business performance in fiscal 2007.

A. Consolidated net sales declined 1% year on year to ¥943.1 billion, marking almost flat growth, but operating profit rose 9% to ¥49.1 billion, achieving a record high.

With regard to the Electronic Device Systems segment and the Life Sciences segment, which we regard as the Company's two core businesses, Electronic Device Systems were forced to struggle as market conditions leveled off due to an oversupply of semiconductor memory devices. However, an improvement in product competitiveness and aggressive sales expansion meant that process equipment and back-end process equipment, including critical dimension scanning electron microscopes (CD-SEM), a mainstay semiconductor manufacturing equipment product, posted higher earnings than in the previous fiscal year. On the contrary, both LCD and hard disk (HD) manufacturing equipment recorded a decline in sales, mainly due to downscaling of customers' investment plans.

In the Life Sciences segment, sales increased sharply, driven by buoyant demand for clinical analyzers in the European and U.S. markets and sales of new products launched in the previous fiscal year. In the Information Systems & Electronic Components segment, sales declined due to such factors as lower sales of semiconductor devices in the Asian market, but operating profit increased on the back of an improvement in earnings from semiconductor devices for mobile phones. Furthermore, in the Advanced Industrial Products segment, sales decreased mainly because of a decline in transactions for functional and optical components.

On an overall basis, the Life Sciences segment became the earnings driver and both sales and operating profit exceeded the original forecasts made at the start of the fiscal year. Although the Life Sciences segment is currently performing strongly, I do not believe that this will continue indefinitely. Rather than being conceited about having achieved record-high operating profit, I am constantly thinking about developing new measures focused on the future.

Q. What are the Company's current challenges and what measures have you adopted to overcome them?

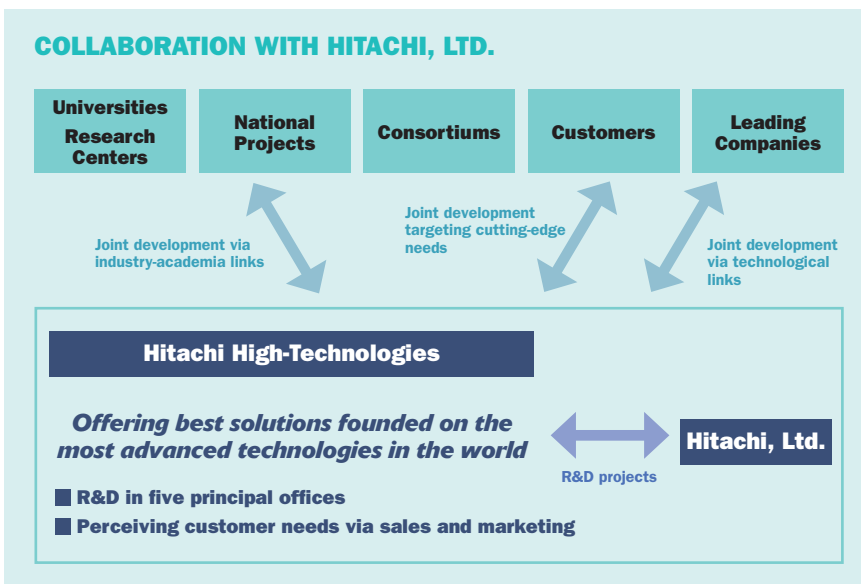
A. I think the greatest challenge is to speed up research and development (R&D).

To increase our corporate competitiveness, we have endeavored to enhance efficiency in operations extending from R&D to design and product development. In the case of R&D, our actions have been rooted in a keen sense of urgency regarding the need to prevent delays caused by unexpected factors, but I believe there are still some areas where we need to make further improvements.

Specific improvements that we are considering involve the role of marketing and elemental development within the product development process. If marketing during product development is not thorough, the pace of product development will inevitably be slow due to problems such as frequent specification changes. To overcome this pitfall, we intend to have our design and sales staff thoroughly discuss matters such as customer needs and trends among competitors as a precursor to marketing-based product development that is both strategic and speedy. In addition, we will prioritize the development of elemental technologies, which will support future core technologies and, going forward, we will refine our products by further deepening cooperation between the Company's Research and Development Division and the research laboratories of Hitachi, Ltd.

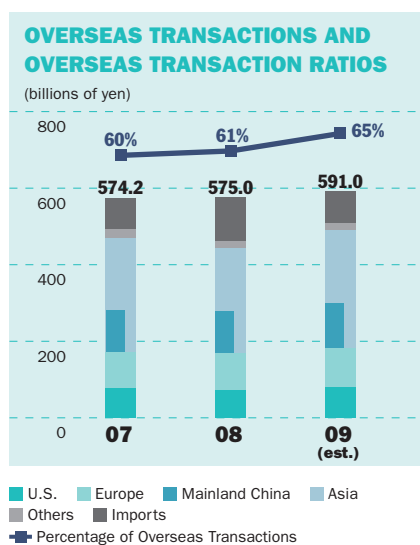
In light of our corporate vision, which calls for Hitachi High-Technologies to aim to be Global Top in high-tech solutions, technology innovation is a lifeline for our Company. The technologies on which our business is founded will not be able to overcome fierce international competition unless we continue challenging ourselves to constantly refine

them. The Electronic Device Systems Segment, which handles our mainstay semiconductor manufacturing equipment, among other products, tends to be influenced by the ups and downs of silicon cycles and investment. Even if sales should slow, we intend to continue investing in technology development. As elemental technology development in particular takes a minimum of three to four years, we will continue to pursue measures focused on the future without being led astray by short-term trends.





Q. Please tell us about the Company's management strategies and priority measures for fiscal 2008.



Note: Overseas transactions denote the direct sum of overseas sales and domestic sales of imported products.

A. Going forward, the adjustment in the U.S. economy associated with the subprime housing loan crisis is likely to be prolonged, while the European economy is also likely to see a decline in exports, and I expect the market environment to become even more challenging. For fiscal 2008, therefore, we are forecasting a 4% year-on-year decline in consolidated net sales to ¥910 billion and a 13% decline in operating profit to ¥43 billion.

To cope with such harsh conditions, I think we need above all to accelerate the speed of innovation to become an organization that accommodates changes in the environment. We will keep our finger on the pulse of the changing times and ensure our customers come first, as we strengthen our capabilities in R&D, product development, and software development anticipating market needs. In addition, we will drive through the following three priority measures.

The first priority is to reform our trading divisions, which encompass the Information Systems & Electronic Components and Advanced Industrial Products segments, excluding proprietary products such as chip mounters. We will focus our efforts on changing from the existing business model centered on procurement and sales to a business model based on providing added value. Although our current trading business is recording stable sales, profit margins are low and there is a high risk of losing commercial rights, so I believe a drastic change in the business model is necessary. We will therefore bolster businesses that are able to demonstrate the Company's strengths—synergies transcending the boundaries between our proprietary product divisions and our trading divisions, and solutions combining hardware and software.

The second priority is to promote globalization. To accelerate growth, we will raise the overseas sales ratio further. Specifically, we intend to expand overseas transactions, aggressively expand "out-to-out" transactions involving trading products, develop a worldwide field service network that enhances customer satisfaction, and start up businesses in emerging regions such as Russia and the other BRICs (Brazil, Russia, India, and China) countries. We also aim to focus on the development of overseas suppliers, to achieve a combined overseas transaction ratio (the sum of overseas sales and domestic sales of imported products) of 65%.

The third priority is to drive consolidated management down through our organization. While each Group company will individually strengthen its development, manufacturing, sales, field services, and other functions, we aim to maximize Group enterprise value by optimizing resource allocation between Group companies, among other measures.

Furthermore, I think that outstanding personnel are indispensable in promoting these innovations. The Company has taken a proactive stance in developing its human

resources, but going forward we will devote greater efforts to this area. By reinforcing the management skills of middle management and building up the international experience of employees from younger ages, we will foster professional personnel who can play an active role in the global arena.

Q. What are the specific benefits of synergies transcending the boundaries of proprietary product divisions and trading divisions?



President Obayashi listens to a product demonstration

A. Hitachi High-Technologies uses market information acquired by trading divisions to develop solutions in proprietary product divisions, while the technological capabilities of proprietary product divisions underpin improvements in the marketing capabilities of trading divisions.

Specifically, we supply our customers with final products refined to meet their needs. For example, we use our own factories to conduct trial operation of products handled by our trading divisions, making improvements to enhance ease-of-use before selling them to customers. This enables us not only to meet customers' expectations, but also to shorten the time taken to make improvements, while differentiating ourselves from our competitors.

Furthermore, we have established the Corporate Strategy Division, which considers development strategies for new businesses that go beyond the boundaries of proprietary product divisions and trading divisions. At present, it is frequently looking into new businesses that will be able to produce synergies between proprietary product divisions and trading divisions, and many projects have already got off the ground.

In such ways, we intend to further enhance our corporate competitiveness by realizing strengths that are unique to Hitachi High-Technologies and that competitors cannot imitate.

Q. What is your thinking on CSR?

A. I think that there are two aspects to CSR at companies. The first is fulfilling corporate responsibility to stakeholders based on a law-abiding spirit. The other is fulfilling a responsibility as a member of society through social contribution activities and other actions.

Hitachi High-Technologies regards CSR as an important management issue, and is actively endeavoring to meet its responsibilities to stakeholders and society based on the two aspects of CSR. We have continued working to strengthen corporate governance and ensure rigorous compliance while striving to contribute to society through business activities that leverage our forte—cutting-edge technologies. In fiscal 2008, based on “strengthening consolidated management,” one of our priority policies, we plan to further reinforce internal controls on a consolidated basis. We will clarify once



Hitachi High-Technologies Yasato Forest Tree Planting

again who bears the responsibility for the management and control of each Group company, redefine the mission of each company, and further spread corporate governance systems throughout the entire Group.

In addition, with environmental problems such as global warming becoming serious, environmental management is a vital issue for all companies. Hitachi High-Technologies takes into consideration the curbing of environmental load in the manufacturing process and regards zero emissions to realize resource circulation through measures such as recycling as a priority target. The Company is already achieving this target at many factories. In 2005, we started a tree planting program we called Hitachi High-Technologies Yasato Forest as part of activities to preserve the global environment. Employees are planting 5,600 seedlings of Japanese cypress and other trees with their own hands and they intend to cultivate this site into a forest over a period of 60 years. We will contribute to the preservation of the global environment, not only as a company, but through every single employee.

Q. Please outline the Company's policy on returning profits to shareholders and the use of capital.

A. Our fundamental policy is to return an appropriate amount of profits to shareholders while strengthening the financial position and management base. Specifically, while taking into account such factors as investment aimed at enhancing product development and management efficiency, we are striving to make stable dividend payments. In fiscal 2007 and fiscal 2008, in view of recent earnings growth, we intend to pay annual dividends of ¥30 per share. We will consider the optimal levels and methods for rewarding the support of all our shareholders.

In regard to capital policy, we are maintaining cash and cash equivalents equal to approximately one month's sales to provide mainly for R&D expenses and capital investment required for subsequent business development, as well as for M&A and other activities to supplement core businesses. Based on this policy, we intend to enhance operational flexibility.

Q. Finally, please provide a message to stakeholders.

A. Hitachi High-Technologies will further accelerate the speed of innovation in order to realize the current target of ¥1 trillion in consolidated net sales ahead of target. The entire Group will work together to increase shareholder value and fulfill the expectations of all stakeholders.

FEATURE: INNOVATING FASTER

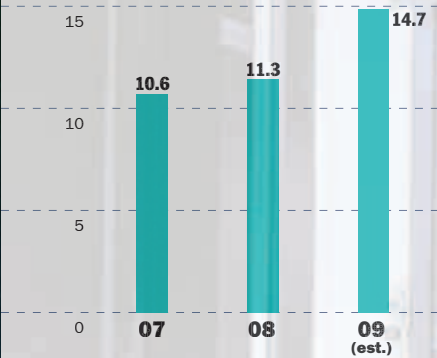
Faster Product Development

Hitachi High-Technologies (the Company) believes it is important to enhance its presence in the market by preempting market needs more than ever, further strengthening product development capabilities, and providing products and services that customers need in a timely fashion.

While attempting to reinforce collaboration with Hitachi, Ltd.'s research laboratories, we will take bold steps to enhance the efficiency of our product development and optimize production among our various manufacturing bases. These measures, combined with a tireless dedication to developing cutting-edge technologies, will enable us to take a proactive stance in developing technologies and products that become Global Top in their industries.

PLANT AND EQUIPMENT INVESTMENT

(billions of yen)





In a rapidly evolving market, it is said that new knowledge becomes obsolete remarkably quickly and that, in the field of cutting-edge technology in particular, about 30% becomes obsolete within a year. A speed-oriented product development framework is therefore essential. This is because it will be impossible to meet the market speed required if unexpected circumstances slow down the development process, or if commercialization is delayed due to factors such as specification changes caused by inadequate marketing.

The Company and its subsidiaries (the Group) therefore intend to reinforce the Group's product development framework to enable it to progress all work on schedule while enhancing performance. To do so, the Company must be constantly aware of speed, while integrating manufacturing, sales, and services, and clarifying various potential problems that are anticipated.

Fostering human resources is also a vital issue in achieving this objective. At present, we are conducting product development maximizing the use of internal and external resources, including the research laboratories of Hitachi, Ltd., but we are also continually enhancing our human resources in the Research and Development Division and bolstering human resource development. We are also focusing our efforts on participation in the WorldSkills Competition as a means of ensuring that both technologies and skills are passed on, and we have produced many medalists. Meanwhile, to ensure timely launch of highly functional products tailored to customer needs, we began operating a new chip mounter plant in Saitama, and have initiated extension and structural alterations as well as layout changes in the Naka Division, which plays a core role in R&D, with the aim of expanding production capacity.

We do not intend simply to realize the efficiencies our customers ask for. We will also provide high quality, achieve cost of sales commensurate with market prices, and above all accelerate the development of "Global Top" products that can win high acclaim from customers.



New chip mounter plant
(Hitachi High-Tech Instruments Co., Ltd.)

Faster Deployment of Business Models

To fulfill diversifying customer needs, Hitachi High-Technologies is gradually shifting the business model of its trading divisions from “procurement and sales” to one focused on providing added value.

By skillfully linking the technological prowess that the Company possesses with the client development capabilities typical of a trading company, we will enhance product features to ensure our business supplies products offering greater value for our customers.



That Add Value

By maximally leveraging the core competencies of Hitachi High-Technologies, we will develop highly original product proposals both in Japan and on a global basis.

The Group functions as both a manufacturing and trading company. To respond to diversifying customer needs in a market where drastic change is occurring, it is important to develop a business model that adds more value through maximum integration of the Group's outstanding capabilities in terms of technologies, world-wide procurement, and sales. One specific example of a product we have already developed is "High-Tech Vision" (See below.) The basic hardware for this high-value-added product was procured from overseas using our trading functions, and it incorporates our proprietary software for conference management. The product, which features a multi-site system, has been highly acclaimed by customers in Japan and overseas.

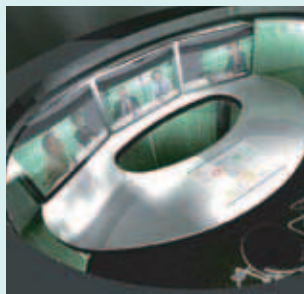
This business model is unique to the Group and is possible only because of the Company's outstanding technological prowess. In this way, the Group provides a service offering users highly convenient, high-quality products.

By gaining more depth and breadth of insight into our customers, we will ensure faster, more proactive deployment of business models that add value, thereby achieving dramatic growth.

INTRODUCTION OF HIGH-TECH VISION

High-definition TV Conferencing System

"Telepresence Room"



A One-stop Service in Hardware/Software/Support



HDTV terminal



Network device

Proprietary
conference
management
software

ASP* service

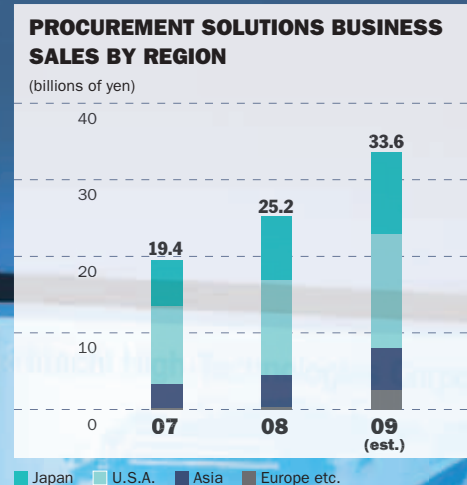
Installation/
maintenance

Remote support

*ASP: Application Service Provider

Faster Generation of Synergies

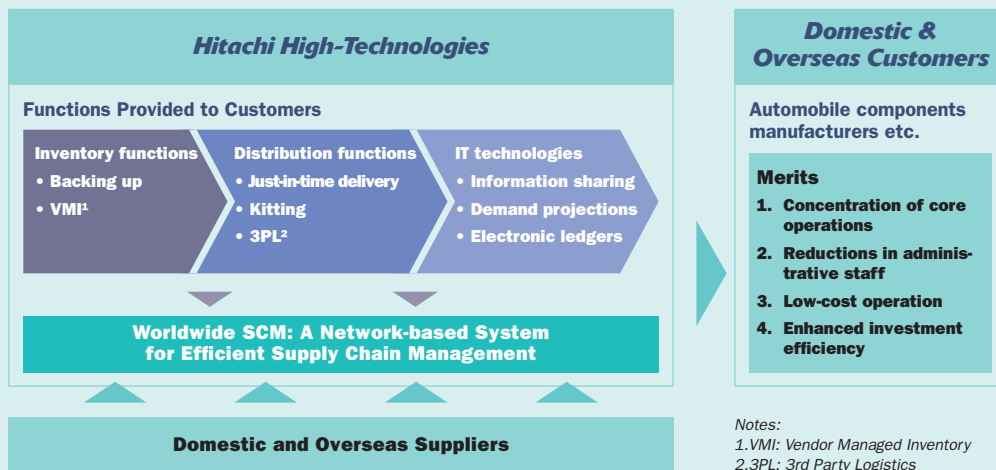
The Group will focus on expanding synergies that transcend the boundaries between proprietary product divisions and trading divisions, in addition to developing businesses that propose added value. This has been a major focus of attention since the Company's foundation. Combining strong technological and product capabilities with the information-gathering and marketing capabilities held by our trading divisions, which have operations spanning countries around the world, is very important in terms of enhancing the Company's uniqueness. We perceive a number of ways in which this is starting to happen: sometimes products or materials handled by trading divisions provide an idea that leads to development of a new product. By deepening and expanding synergies more broadly, they can serve as an engine to accelerate further growth.



Our trading divisions are operating global businesses via a wide-ranging network that includes the Japanese and overseas markets, sole agents, customers and suppliers. The latest market information and customer information that we have obtained within that network is a major asset for the Company. In the case of automotive products, trading divisions evaluate trends in the industry and introduce high-value-added products in the market by leveraging the Company's technological capabilities. Procurement solutions are also a service that makes maximum use of this strength. We enable customers engaged in various businesses, such as manufacturing and product procurement both in Japan and overseas, to devote their attention to their core businesses, and based on our global operational functions such as IT and infrastructure, we are able to procure more advantageous products and materials.

To accelerate synergies, we established the Corporate Strategy Division, which considers development strategies for new businesses that go beyond the boundaries of proprietary product divisions and trading divisions. At present, we are frequently considering specific new businesses, and we have already initiated many projects. While working to rapidly launch these strategies as businesses, we will continue to strengthen synergies between trading divisions and proprietary product divisions. At the same time, we will promote the development of solutions in our proprietary product divisions based on leading-edge information as well as the reinforcement of marketing capabilities in our trading divisions, supported by the technological prowess of our proprietary product divisions.

PROCUREMENT SOLUTIONS BUSINESS



REVIEW OF OPERATIONS

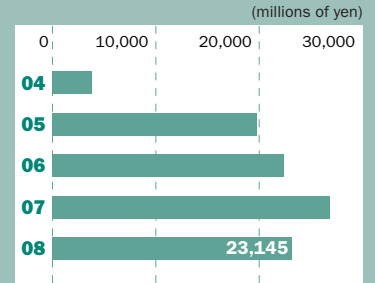
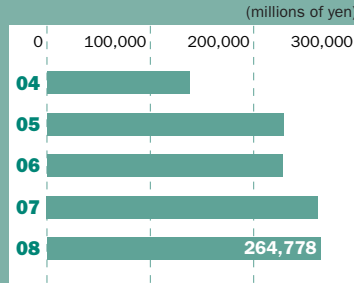
At a Glance

[Net Sales]

[Operating Profit]

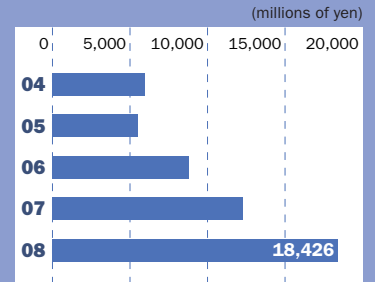
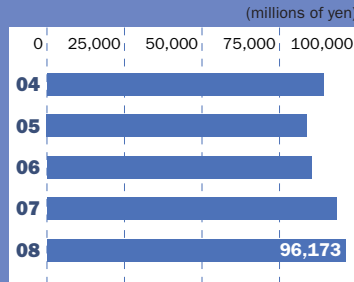
ELECTRONIC DEVICE SYSTEMS

Sales by Segment
% of Total FY2007 Sales



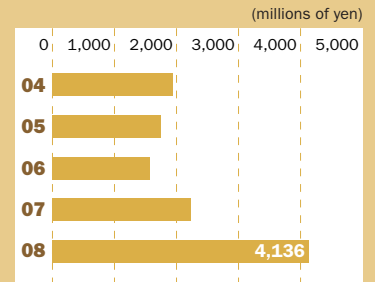
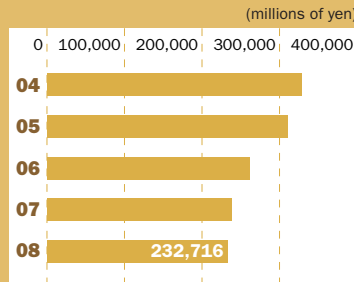
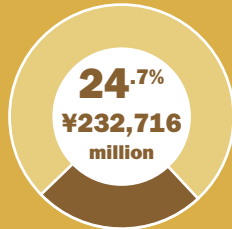
LIFE SCIENCES

Sales by Segment
% of Total FY2007 Sales



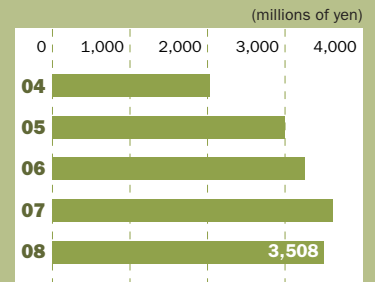
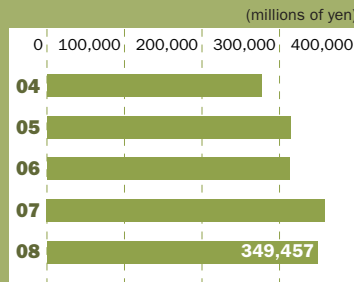
INFORMATION SYSTEMS & ELECTRONIC COMPONENTS

Sales by Segment
% of Total FY2007 Sales



ADVANCED INDUSTRIAL PRODUCTS

Sales by Segment
% of Total FY2007 Sales



[Major Products and Businesses]**[Highlights]****R&D and Manufacturing Function**

- Semiconductor Process Equipment (Etching Systems)
- Semiconductor Metrology and Analysis Equipment
- Electron Microscopes
- Liquid Crystal Display (LCD) Manufacturing Equipment
- Hard Disk (HD) Manufacturing Equipment
- Others

Trading Function

- Semiconductor Back-end Process Equipment (Die Bonders)
- Liquid Crystal Display (LCD) Manufacturing Equipment (Clean Material Handling System)
- Others

% of Total FY2007 Sales

- R&D and Manufacturing Function **61%**
- Trading Function **39%**

The Electronic Device Systems segment aims to provide the best solutions to customer needs by integrating development, manufacture, and servicing. These solutions include semiconductor manufacturing equipment such as hard mask etching systems for the increasing scaling of devices, world-class critical dimension scanning electron microscopes (CD-SEM), and field emission scanning electron microscopes (FE-SEM), which boast world-leading resolution. The segment also provides solutions and services for LCD manufacturing equipment, which has recorded remarkable growth due to demand for large-screen LCD TVs, and products such as high-speed, high-precision HD manufacturing equipment.

R&D and Manufacturing Function

- Biotechnology-related Equipment (DNA Sequencers and Liquid Chromatographs)
- Clinical Analyzers (Automatic Clinical Chemistry and Immunodiagnostic Analyzers)
- Others

Trading Function

- Nuclear Magnetic Resonance Equipment (NMR)
- Gas Chromatography-Mass Spectrometers (GC-MS)
- Reagents
- Others

% of Total FY2007 Sales

- R&D and Manufacturing Function **85%**
- Trading Function **15%**

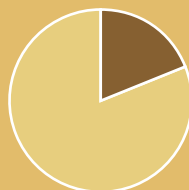
The Life Sciences segment rapidly provides products that fulfill customer needs by actively conducting joint development activities with industry-academia R&D organizations and forming alliances with reagent manufacturers. These products include DNA sequencers, which are indispensable in genomic analysis and genetic testing, liquid chromatographs, which play an active role in a broad range of fields spanning pharmaceuticals, foods, and the environment, and automatic clinical chemistry and immunodiagnostic analyzers, which have built up a world-class track record as clinical diagnostic equipment.

R&D and Manufacturing Function

- Chip Mounters
- Measuring Equipment
- Design and Production for IT Solutions
- Others

Trading Function

- Semiconductor Device Products
- IT-related Equipment
- Thin Film Transistor (TFT) Displays
- Others

% of Total FY2007 Sales

- R&D and Manufacturing Function **19%**
- Trading Function **81%**

The Information Systems & Electronic Components segment offers a varied product lineup to meet customer needs in the diversifying and increasingly sophisticated information and electronics field. Such products span the range from surface mounting systems (chip mounters) to semiconductor devices, flat panels, and rechargeable batteries. The segment is focusing on strengthening its global marketing capabilities and engineering capabilities through measures that include possible alliances. In this way, it aims to create new businesses and, by investing proactively, to develop businesses offering even greater added value.

Trading Function

- Steel, Nonferrous Metals, and Plastics
- Electronic Components and Materials
- Silicon Wafers
- Procurement Solution Businesses
- Optical Components
- Automotive-related Components
- Others

% of Total FY2007 Sales

- Trading Function **100%**

The Advanced Industrial Products segment provides supply chain management solutions for materials procurement by making full use of the Company's global network and trading company strengths. In addition, the segment is contributing to businesses in a broad range of fields. It supplies a wide range of items to the manufacturing industry, ranging from metals and plastics to specialty high-tech materials, and is focusing its efforts in the environmental field on products such as solar cell materials. By forging strategic partnerships with excellent companies, it will develop businesses that competitors are unable to imitate.

ELECTRONIC DEVICE SYSTEMS

Semiconductor Manufacturing Equipment

SHARE OF SEGMENT SALES BY PRODUCT TYPE

Process Equipment	38.5%
Metrology and Analysis Equipment	46.5%
Back-end Process Equipment and others	15.0%

Total: ¥194.2 billion



OSAMU NAKAMURA

Vice President and Executive Officer
General Manager
Semiconductor Equipment
Business Group

As we succeeded in expanding sales of CD-SEM and SEM for analysis, which are leading products in global markets, segment sales reached a record high. To foster subsequent business pillars, we will expand our market share by launching new products and products with new functions.

FISCAL 2007 OPERATING ENVIRONMENT AND RESULTS

In the year under review, the semiconductor manufacturing equipment market saw a sudden slowdown in planned investment, as prices of memory devices fell rapidly during the last three months of the fiscal year. However, the segment managed to achieve record-high sales of ¥194.2 billion.

It has been our strategy to capture most of our business from the top five semiconductor device manufacturers in the world with our mainstay products. Within this context, a CD-SEM with DesignGauge® was certified as standard measurement equipment for beyond 32nm device development by a consortium in Europe. This means that the CD-SEM with DesignGauge® has been certified as the de facto standard for next-generation processes.

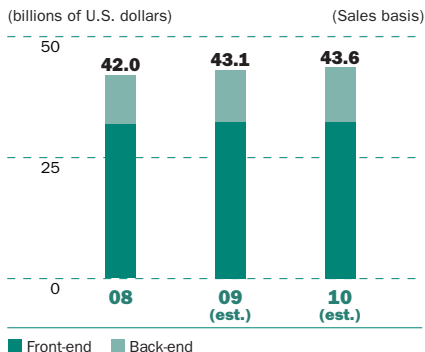
As a result of this announcement, we were able to expand our CD-SEM business to leading European and U.S. device manufacturers as well. In the case of SEM for analysis, we have been expanding our business and leading the market. In addition, we sowed the seeds of profit for further business expansion by promoting the development of new products and new functions with regard to strategic products such as etching systems, wafer defect inspection systems, transmission electron microscopes (TEM), and FIB.

CHALLENGES, COUNTERMEASURES AND 2008 FORECASTS

Since the start of fiscal 2008, capital investment has experienced a downturn due to the macroeconomic slowdown and an oversupply of memory devices. If high-speed memory devices such as DDR3 are launched full-scale on the market towards the end of 2008, we expect capital investment supporting these devices to revert to an upturn.

In the case of etching systems, which we intend to launch in the Asian market, we expect orders to accelerate and sales to exceed the level of the previous year. We are also

SEMICONDUCTOR MANUFACTURING EQUIPMENT MARKET



Source: Company estimates based on Semiconductor Equipment and Materials International (SEMI) data for December 2007.

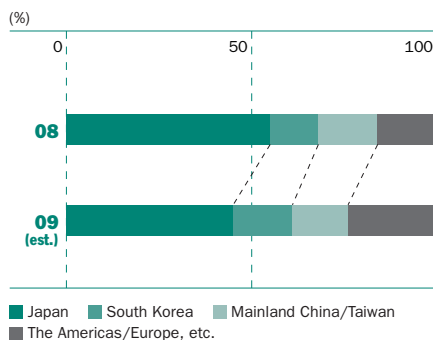


IS3000 dark field wafer defect inspection system



nanoDUE'T® focused ion beam scanning electron microscope (FIB-SEM)

SALES BY REGION



projecting an increase in sales of CD-SEM, dark field wafer defect and surface inspection systems, and SEM inspection systems in response to the launch of new products and products with new functions.

Hitachi High-Technologies' analysis equipment is likely to experience demand not only from device manufacturers but from all kinds of industries and fields such as biotechnology, medicine, automobiles, universities, and research centers. Consequently, this business is resistant to the ups and downs of the silicon cycle and is expected to produce stable results. We expect expanding market needs to be accompanied by increases in new demand.

Key Measures to Accelerate Reform:

Expanding Our Business Aggressively Based on Determination and Passion

We believe that enhancing manufacturing, sales and services is crucial to achieve business targets. Firstly, the reforms necessary to achieve that objective will be to ensure a focus on the business frontline throughout our organization, precisely evaluating trends among markets, customers, and competitors. We also need to develop an organization that can meet customer needs in a timely manner. Next, we aim to bolster our core businesses, based on a policy of business selection and focus. Specifically, we will strengthen product development and sales in terms of our production lineups such as wafer defect inspection systems, etching systems, and TEM, which are strategic products, with the aim of becoming Global Top in high-tech solutions. Furthermore, we will promote business growth for the dual-beam microscope, a newly developed analysis system, by attempting to boost sales in combination with a new type of TEM.

In striving to become Global Top in high-tech solutions, we also intend to instill an international perspective among our employees. Each overseas region has its own trends with regard to market conditions, customer needs, and competitors, and we are driving ahead efforts to recruit and train more talented individuals and local staff who can perceive these trends accurately from a global viewpoint. In this way, we will enhance our local organizations overseas and ensure full localization.

Team work is important to demonstrate real strength. The determination to achieve something against all odds is a source of incredible power. Our guiding principle will be to expand our business aggressively based on determination and passion, as we all work together to impress our customers.

ELECTRONIC DEVICE SYSTEMS

LCD Manufacturing Equipment and HD Manufacturing Equipment

SHARE OF SEGMENT SALES BY PRODUCT TYPE

LCD Manufacturing Equipment	70.9%
HD Manufacturing Equipment	19.9%
Others	9.2%

Total: ¥70.6 billion



TOSHIO SENGOKU
 Vice President and Executive Officer
 General Manager
 Flat Panel Display & Hard Disk
 Manufacturing Systems Sales Division

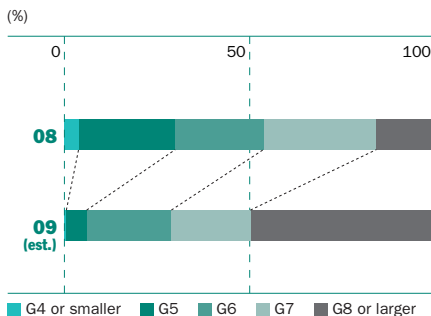
It is vital to respond to customer needs by accurately and promptly perceiving changes in the market, and being resolute in developing new businesses and new products. Integration of manufacturing, sales, and services also plays a part in these endeavors.

FISCAL 2007 OPERATING ENVIRONMENT AND RESULTS

In fiscal 2007, the LCD manufacturing equipment market benefited from growth in sales of LCD TVs and PCs. However, owing to excessive capital investment until 2006 and a slump in the earnings of panel manufacturers, front-end process systems declined sharply. In contrast, back-end process systems registered a strong performance, supported by an increase in sales volume for LCD TVs and PCs and investment in expanding production near to regions of high-consumption. As a result, in fiscal 2007, sales of our front-end process systems fell 51% while sales of our back-end process systems increased 25%, leading to a net 3% decline in overall sales of LCD manufacturing equipment.

In the HD manufacturing equipment market, demand registered a decline. This mainly reflected the impact of excessive investment until 2006, as well as such factors as the rising presence of flash memory in the digital consumer electronics market and the shift to perpendicular magnetic recording. Although we maintained our product competitiveness, demand itself was sluggish and sales declined substantially.

SALES OF FRONT-END PROCESS SYSTEMS BY GENERATION



CHALLENGES, COUNTERMEASURES AND 2008 FORECASTS

The greatest challenge is the need for measures that enhance business development potential for both LCD and HD manufacturing equipment. Therefore, in fiscal 2008, we intend to develop highly competitive new products that we can launch in the market promptly. To that end, we need to further accelerate product development.

In the LCD manufacturing equipment business, we are responding to LCD panel manufacturers' plans to invest in expanding capacity. During 2008 we are collaborating with research laboratories in Hitachi, Ltd. to launch new products. In particular, we are targeting demand for 10th generation (G10) glass substrate inspection equipment, proximity exposure systems, and wet process equipment. We are also in the process of developing mask-less exposure systems that can be used for large glass substrates. For fiscal 2008, we are



LE0200SD proximity exposure system for large glass substrates

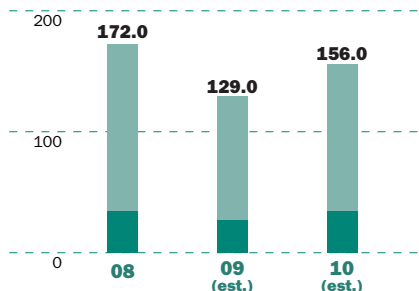


RQ7800 disk test system

HD MANUFACTURING EQUIPMENT MARKET

(billions of yen)

(sales basis)



■ Hitachi High-Technologies-related

Source: Company estimates based on IDEMA data

forecasting a 141% year-on-year increase in sales of front-end process systems and a 34% decline for back-end process systems, resulting in an overall sales gain of 2%. To handle increased production of these large-scale systems, we expanded the clean rooms for assembly and quality assurance of G10 proximity exposure systems at the Saitama Plant in April 2007 and also in June 2008.

In the HD manufacturing equipment market, we estimate that sales will fall 24% year on year in fiscal 2008, reflecting continuing curbs on investment by our customers. However, we are advancing R&D in high-performance models that can meet the need for greater efficiency in manufacturing processes associated with the shift to perpendicular magnetic recording.

Key Measures to Accelerate Reform:

We will respond to customer needs promptly by accurately perceiving changes in the market

In the LCD manufacturing equipment business, it will be vital to expand sales by promptly launching new products currently under development, and to effectively capture business from customers that are endeavoring to produce larger substrates, such as the G10 size. In back-end process systems, we will respond to global market expansion and develop more easy-to-operate products with high throughput. This will enable us to prepare for future developments in this market, where demand is projected to recover.

In the HD manufacturing equipment business, we will cater for customer needs by bolstering our product lineup. New offerings will include nanoimprint systems compatible with new high-density technologies such as discrete track media and bit patterned media, which are likely to be widely adopted in the near future.

I believe what is important above all is to respond to customer needs by accurately and promptly perceiving changes in the market, and being resolute in developing new businesses and new products. The integration of our manufacturing, sales, and services divisions also plays a crucial role in this. To respond to customer needs appropriately, we must create friendly partnerships with our customers. We will remain constantly alert to their wishes, creating a global field services network that can fulfill those wishes.

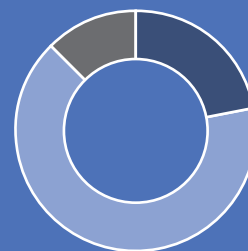
To contribute to our next stage of growth, we aim to commercialize organic electroluminescent manufacturing equipment in fiscal 2008. We have also started developing manufacturing equipment for solar power generation systems, based on a medium- to long-term commercialization plan. Besides these endeavors, we will continue staying in touch with market needs and taking on new areas of product development going forward.

LIFE SCIENCES

SHARE OF SEGMENT SALES BY PRODUCT TYPE

Biotechnology-related Equipment	22.1%
Clinical Analyzer	65.6%
Others	12.3%

Total: ¥96.2 billion



WASUKE NAKANO

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

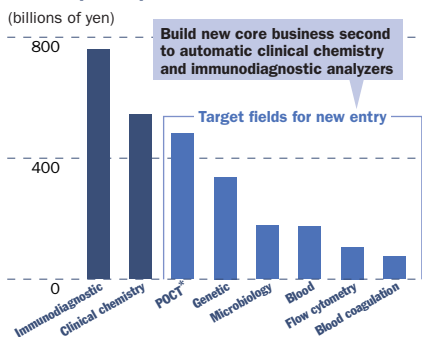
We are steadily developing our track record in both biotechnology-related equipment and clinical analyzers. We are focused on product development and sales, aiming for further earnings growth by strengthening new partnerships and making full use of the capabilities across the entire business group.

FISCAL 2007 OPERATING ENVIRONMENT AND RESULTS

In the biotechnology-related equipment field, sales of liquid chromatographs (LC), spectrophotometers, and other mainstay products rose slightly versus the previous year. We started developing an electron capture dissociation (ECD) technology to assess liquid chromatograph mass spectrometer (LC-MS) biomarker analysis applications used in protein analyses.

In the clinical analyzer field, we recorded record-breaking sales and operating profit in fiscal 2007. The strong results were mainly driven by a continued strong performance in combined clinical chemistry and immunodiagnostic analyzers, and pre-analytical process automation systems for the U.S. and European markets, particularly through our collaboration with Roche Diagnostics. In Japan, we received positive customer feedback on the LABOSPECT Net system, which uses information technology to support service in order to improve the management and quality of analytical data from our new LABOSPECT 008 model. Against a backdrop of measures to curb healthcare spending in Japan, we steadily grew the LABOSPECT Net business with public hospitals and major regional laboratory test centers.

MARKET SIZE BY IN-VITRO DIAGNOSIS FIELD (2007)



* POCT: Point of Care Testing

Source: Company estimates based on Kalorama Information 5th Edition in 2006

CHALLENGES, COUNTERMEASURES AND 2008 FORECASTS

The biotechnology-related equipment market in the U.S. and Japan is lackluster due to the worsening economic climate brought on by the subprime housing loan crisis. We are therefore focusing on maintaining and expanding our collaboration with Applied Biosystems Inc. on DNA sequencers—a current earnings platform—and growing our own brand products on a global basis. We are developing high-performance liquid chromatography (HPLC) systems for global markets. In order to bolster our sales capabilities, we are increasing staff levels at Japanese distributors and expanding sales channels in order to grow local affiliate sales in India, China, and other Asian countries.



LABOSPECT008 clinical analyzer



NanoFrontier eLD liquid chromatograph mass spectrometer

POLICIES IN BIOTECH/ANALYSIS OPERATIONS

R&D policy	2004	2006	2008	Future direction
	Basic research	Biomarker discovery	Biomarker validation	Diagnostic application
Universities/ government offices	Proteins Metabolic syndrome	Diagnostic markers Toxic markers		
Private companies (foods/drugs)			Drug discovery Preclinical/ clinical	
Hospitals/ Testing centers			Diagnostic markers	Diagnostic application

In the clinical analyzer field, we have started developing a new clinical chemistry analyzer model in combination with immunodiagnostic analyzers and are working to improve our competitive edge in the market for compact equipment. We have agreed upon a long-term strategic partnership on microbiology and gene testing systems with a major French company that is the world leader in the field of microbiology and have started looking at joint development projects. Moving forward, we aim to strengthen this partnership and develop automated test systems.

We will launch the LABOSPECT series in Asian markets and will develop our business in test systems including specialist reagents. In Japan, we will target further growth by strengthening our sales strategy for LABOSPECT 008 and LABOSPECT Net.

Key Measures to Accelerate Reform:

Establishing a Stronger Sales Structure by Changing Our Manufacturing and Sales Mindset

The Life Sciences segment prides itself on being able to generate strong earnings. The group's success is underpinned by its lineup of technical experts, but the Company does not make the most of their skills in its sales efforts. I am working to energize the business group and change its mindset, maximizing the value of our employee and technological resources and improving our sales capabilities.

In concrete terms, we are consolidating our customer base founded on market segmentation analysis and are concentrating our biotechnology-related equipment resources in the LC and LC-MS field. In this core LC-MS segment, we are launching our ECD technology and expanding sales by differentiating ourselves from the competition. We will then develop HPLC as our next core business and are working to improve product development and sales structures, targeting the largest market segment of pharmaceutical biotechnology. In order to improve our product

portfolio for this target, we are strengthening our own-brand product lineup, including software and consumable supplies, and taking in products from other companies as necessary in order to provide greater variety and grow sales.

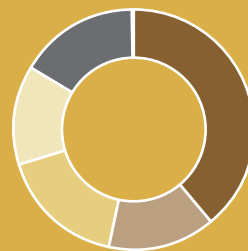
In the clinical analyzer field, we aim to increase our market share by developing even closer operational links with Roche Diagnostics, furthering the development of the Cobas series of analyzers for the clinical chemistry and immunodiagnostic markets, and sharing information with those working in diagnostics. We will also further our tie-up with our major French partner and aim to develop microbiology and gene testing as our second core business behind clinical chemistry and immunodiagnostic analyzers.

In Japan, we will also start developing new models of clinical chemistry analyzers to meet demand for lower-cost testing.

INFORMATION SYSTEMS & ELECTRONIC COMPONENTS

SHARE OF SEGMENT SALES BY PRODUCT TYPE

Information and Control Systems	39.1%
Assembly and Fabrication Equipment	14.4%
Semiconductor Products	16.9%
Media Devices and ICT	13.5%
Others	16.1%



Total: ¥232.7 billion



MASUMI MIYAUCHI
Senior Vice President and Executive Officer

We will improve our development and sales capabilities while monitoring worldwide market trends in chip mounters, IT solutions, and other businesses that have the potential for sustained growth. We will also be selective in focusing on businesses with future potential and will accelerate business reforms.

FISCAL 2007 OPERATING ENVIRONMENT AND RESULTS

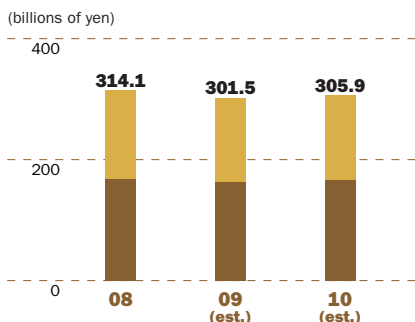
Chip mounter sales declined in Japan and the U.S., but rose year on year in China and Southeast Asia as Asian market adjustments following the introduction of surface mount systems dropped out of the picture. By industry application, we achieved sales growth for EMS, digital consumer electronics, PC, and automotive electronics applications.

Mobile phone batteries performed well, but the semiconductor business struggled because of a downturn in Asia. For information and communications technology (ICT) applications, the mobile phone business remained strong in the U.S.

In design and manufacturing solutions, we achieved year-on-year growth in fiscal 2007 because of strong IT investment in the Japanese IT service market for manufacturing applications. There is strong demand for IT services to drive reforms at automotive, semiconductor, and digital consumer electronics manufacturers, so we expect continued growth in the future.

Overall, earnings were flat, with sales falling 2% year on year to ¥232.7 billion.

CHIP MOUNTER MARKET

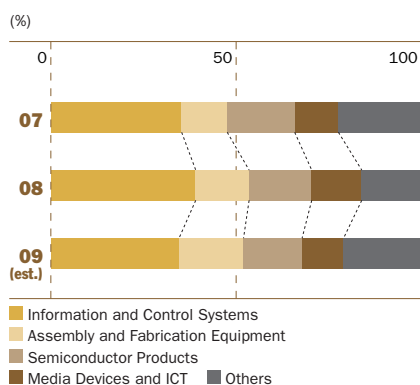


Source: Company estimates based on Japan Robot Association Materials' research institute materials in November 2007

CHALLENGES, COUNTERMEASURES AND 2008 FORECASTS

Having reflected on the greater-than-expected slowdown in growth rates in fiscal 2007, we plan to closely monitor all our businesses in fiscal 2008, focus management resources in those areas where we can make the most of the Group's strengths, and pick up the pace of innovation.

We consider the chip mounter business a key focus and plan to grow our share of the installed base to at least 30% by 2010. In fiscal 2008, we will continue to increase staff numbers at overseas sites and strengthen our global sales and support capabilities, as we expect increased investment in countries in a growth phase, including Brazil, Russia, India, and China (BRICs) as well as in Vietnam and Eastern Europe. In modular mounters, where we were comparatively late in entering the market, the high productivity and high-density

**GXH-3 direct drive modular mounter****Mobile phones****2007-2009 SALES BY PRODUCT TYPE**

mounting of our products has won acclaim in the industry such that we expect repeat orders from existing customers. We look to expand this business further with the October 2007 launch of the GXH-3 model.

In design and manufacturing solutions, we expect strong growth in the outsourcing of systems operations and maintenance services at datacenters. We are therefore increasing staff numbers and expect to achieve average annual growth of more than 3%.

In the broadband-related business, establishing brand distinction vis-à-vis competitor products has become more difficult as products in this area evolve into commodities. Consequently, we plan to scale down this business or withdraw from it entirely.

Through such selective focus on particular businesses, we expect fiscal 2008 sales to rise 2% year on year to ¥236.5 billion.

Key Measures to Accelerate Reform:**Focus on Solutions that Combine Software and Hardware**

In fiscal 2008, the Information Systems & Electronic Components segment will concentrate all its efforts on providing solutions that combine both hardware and software.

One example is the TV conferencing system “High-Tech Vision.” This is the world’s first high-definition TV conferencing system. The hardware is procured from overseas, but the operations assist software is a proprietary product developed using our experience of providing videoconferencing solutions for almost 10 years. This combination of hardware and software provides the optimal solution to customer needs in this area. Sales of this system rose sharply in fiscal 2007, with deliveries made to universities, manufacturers, and communications service providers.

We will strengthen the provision of in-vehicle hard disk (HD) solutions, focusing on car navigation systems. In-vehicle HD technologies are considered challenging, but we have decided to

focus on this area because we can leverage our technological expertise and we boast a competitive edge, having entered this market at a very early stage.

I think that one of our Company’s biggest strengths is the provision of optimal solutions that merge hardware and software, combining proprietary products and trading products. We want to make the most of our unrivaled developmental and technical capabilities. Another unique feature at Hitachi High-Technologies is our extensive lineup of sales staff expertise in cutting-edge technologies that enables the realization of combined solutions.

Moving forward, we will step up the pace in determining whether, for a particular business, we can leverage these strengths and achieve the number-one market share, even in niche markets. Our goal is to become the Global Top for all our product and business fields.

ADVANCED INDUSTRIAL PRODUCTS

SHARE OF SEGMENT SALES BY PRODUCT TYPE

Industrial Materials	49.0%
Electronic Device Materials	21.9%
Optical Components	8.1%
Others	21.0%

Total: ¥349.5 billion



MASANORI KAZAMAKI
Vice President and Executive Officer

Segment sales increased through a strong performance in ferrous metals and automotive components due to a tailwind from higher material prices. Nonetheless, we expect the operating environment to deteriorate going forward. Therefore, we will work to improve our sales capabilities, which form the basis for our value-added services, while simultaneously diversifying risk.

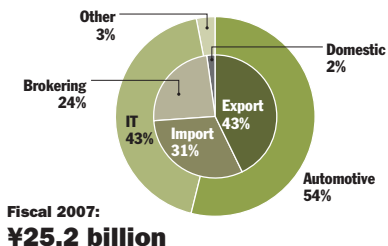
FISCAL 2007 OPERATING ENVIRONMENT AND RESULTS

In industrial materials operations, we maintained a strong performance in construction machinery and materials for industrial machinery applications, while sales of ferrous metals increased on the back of higher material prices. Inventories adjusted temporarily in line with falling stainless steel prices, but demand remained strong. Sales of general-purpose resins for consumer products were strong, while transaction volumes for automotive and food applications rose on new project uptake.

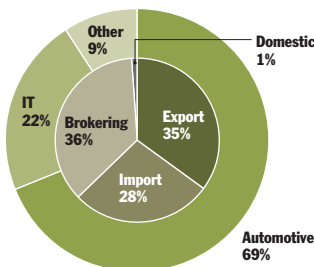
In the electronic materials business, silicon wafers posted a strong performance and we recorded a marked rise in liquid-crystal (LC) materials for TV and mobile phone applications. In contrast, optical components for optical pick-ups and LC projectors continued to struggle as transactions declined.

Overall, sales fell 3% year on year to ¥349.5 billion but we were able to achieve on-target earnings.

PROCUREMENT SOLUTION SALES BY BUSINESS DOMAIN/ TRANSACTION FORMAT



Fiscal 2007:
¥25.2 billion



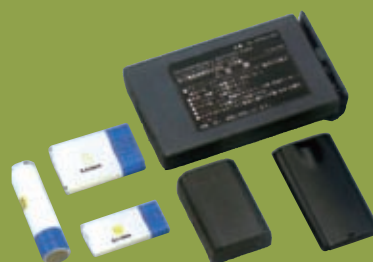
Fiscal 2010 (est.):
¥54.0 billion

CHALLENGES, COUNTERMEASURES AND 2008 FORECASTS

Advanced industrial products includes a wide-ranging portfolio of products, many of which are susceptible to developments in the industry and market trends, such as spiking crude oil prices. We therefore manage risk by constantly responding to changing times in a flexible manner.

In fiscal 2008, we expect the supply-demand picture to remain tight in various segments because of the jump in material prices, rising demand for construction machinery, and increasing production of flat-screen TVs. Ensuring stable supplies from our business partners could therefore be a major challenge. We plan to diversify the risk by finding new suppliers and customers, while taking into account the possibility of excessive supply in the future.

We expect an economic slowdown including a slump in the stock market, due to the recession caused by the subprime housing loan crisis in the U.S. and higher product prices driven

**The Monterey warehouse****Lithium-ion batteries****BASIC POLICY**

Trading Model	<ul style="list-style-type: none"> Trading activities based on strong relationships with blue-chip suppliers
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Advance to a business model offering greater added value

SCM-model	<ul style="list-style-type: none"> Procurement solutions Overseas production of electrical substation equipment
Investment-model	<ul style="list-style-type: none"> Production of flat-panel TV components at leased facilities Equity participation in overseas ventures
Fabless-model	<ul style="list-style-type: none"> Proprietary brand TV conferencing system "High-Tech Vision" Manufacture of broadband products using overseas EMS
Manufacturer-model	<ul style="list-style-type: none"> Design/manufacturing process solutions Financial information content services

by spiking material costs. We are addressing this challenge through our global strategy that makes the most of the Company's strengths. We will use existing overseas bases as the starting point to further strengthen our "out-to-out" policy, whereby products are transferred directly between overseas countries without shipping via Japan. This should enable us to accelerate expansion of sales and procurement in emerging economies such as Brazil, Russia, India, and China (BRICs). We hope to be able to respond flexibly and cover falling business in particular countries by viewing all countries around the world as targets for procurement and sales. In this way, we expect to grow fiscal 2008 sales by 1% year on year to ¥353.0 billion.

Key Measures to Accelerate Reform:**Create a Sales Force With Foresight, Making the Most of Our Trading Divisions**

One major business challenge is the reorganization of our trading divisions. In my view, such change can be accelerated by improving individual sales capabilities and strengthening our value-added solutions business.

Products under the spotlight in fiscal 2008 include solar battery components, wiping cloth materials for hard disks, automotive pressure sensors, and lithium ion battery materials. If we are to handle products with future potential such as these, we must be able to provide value-added solutions in our sales efforts. By using our worldwide network for procurement, we will attempt to provide solutions to meet a wide range of customer needs, including backing up for inventory functions, improving cash flow, and lowering distribution costs, and therefore accelerate our business development.

In Advanced Industrial Products, where product needs can change almost overnight, upfront investment does not always generate results. We need, therefore, to find ways to beat the

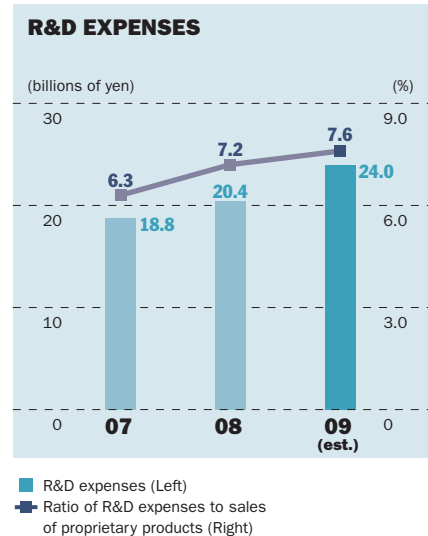
competition in developing technologies and products with market potential, and to resolve to commercialize new businesses at just the right time. Ultimately, individual sales capabilities with foresight provide the driving force behind such success. Individuals are also the starting point for potential future business or close-knit relationships between companies. It is my belief that companies with poor sales capabilities are organizations that are weak to the core. That is why we are putting greater effort into staff training as we strive to bolster our sales by nurturing professionals with the ability to predict future trends.

Another strength we have at our disposal is our extensive overseas network. We will embark on a program of change by making the most of our trading divisions, further accelerating business development overseas, maximizing the use of our overseas network, and recruiting more professional and talented employees.

RESEARCH & DEVELOPMENT

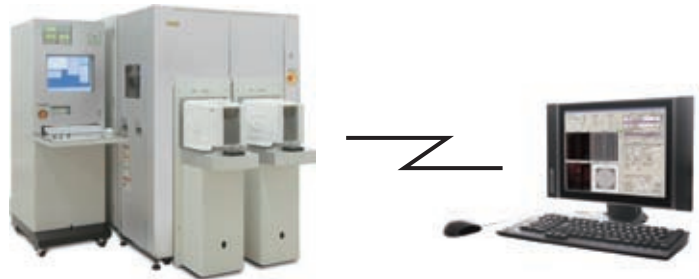
Aiming to be Global Top in high-tech solutions, the Hitachi High-Technologies Group (the Group) works closely with the research laboratories of Hitachi, Ltd. and outside alliance partners such as universities and other institutions in the rapidly advancing fields of electronics and life science. The aim is to provide optimal solutions by expediting the development of new products that anticipate market trends and meet customer needs.

In 2008, consolidated R&D expenses totaled ¥20.4 billion. In 2009, R&D expenses of ¥24.0 billion are projected.



Electronic Device Systems

We have achieved greater market penetration for the CD-SEM CG4000, which is compatible with next-generation processes. This success has been driven by the development of applications to comply with new processes and materials, as well as the launch of DesignGauge® Ver3, a mask design data measuring system with improved offline recipe creation features.



CD-SEM and mask design data measuring system

The CG4000 and DesignGauge® systems are being jointly evaluated with the Belgian semiconductor research consortium IMEC. We have also started participating in a new joint research program between U.S. firm IBM and Hitachi, Ltd. In this way, the Group is developing metrology and test methods in support of finer patterning technologies through collaborations with cutting-edge research centers and consortia.

Our etching systems are compatible with a range of applications including new materials and structures for cutting-edge processes and transistors. We have developed a new model of etcher for high-precision hardmask processing, which accelerates induction through scaling.



ECR plasma etching system

We have also developed the field emission transmission electron microscope (FE-TEM) HF-3300, which combines stable ultrahigh resolution functionality with new analytical methods. The system uses a 300kV accelerating voltage to facilitate atomic resolution imaging of thick specimens, plus a highly coherent, monochrome, and parallel electron beam produced by a high brightness cold field emission (Cold-FE) electron source.



HF-3300 FE-TEM

In the LCD field, we are working to develop technologies for 10th generation (G10)-compatible systems. In this regard, a large LCD panel factory is scheduled to come on

stream in 2009, which uses G10 glass substrates in excess of 3m along one side in a bid to further improve production efficiencies for large displays.

Life Sciences

In the medical field, we furthered our business partnership with Roche Diagnostics to continue developing the lineup in our Cobas series of clinical chemistry and immuno-diagnostic analyzers. In Japan, we have developed the IT-driven LABOSPECT Net servicing system.

In the biotechnology field, we have focused on developing applications for our LC-MS NanoFrontier LD. In the analytical systems field, we are developing an optimized separation column for ultra high-speed liquid chromatographs that will dramatically increase test speeds compared with conventional methods.



Clinical analyzer LABOSPECT 008

Information Systems and Electronic Components

The picture shows a chip moulder developed by Group company Hitachi High-Tech Instruments Co., Ltd. This moulder achieves 20% greater productivity than conventional equipment. We have a number of aims in developing this technology: to achieve even greater productivity improvements; to make it compliant with the various manufacturing formats seen in the electronic device industry; and to be able to provide total solutions ranging from solder printing to electronic parts mounting.



GXH-3 direct drive modular moulder

Key Measures to Accelerate Reform:

Three Elements Required for Innovation to Become Global Top



YOSHINAO KAWASAKI

Representative Executive Officer
Senior Vice President and Executive Officer

At present, due to dynamic environment changes, we could lose our dominance even in business where Hitachi High-Technologies is in the Global Top position. Therefore, to continue developing our businesses, I believe it is absolutely vital to strive for innovation on a daily basis.

Product development capabilities are the core of our businesses. The following three factors hold the key for the Research and Development Division to strengthen product development capabilities and promote technological innovation with a view to becoming Global Top in high-tech solutions.

The first factor is a step-up in speed. By “speed,” I mean our customers’ perception of our relative product development speed compared to our competitors, and the need to maintain the value that derives from being ahead. To display a real ability to take the lead over our competitors, we aim to step up our speed in relation to them.

The second factor is core competencies. We will further reinforce our highly specialized strengths and consolidate our position as Global Top in high-tech solutions.

The third factor is to possess a vision for the next decade. If we were to set off at full speed without a vision for our future, we would get nowhere in our manufacturing. It is essential in manufacturing to always be focused ten years ahead and to prepare ourselves with new technologies.

SIX ESSENTIAL PRINCIPLES FOR MAKING OUR PRODUCT DEVELOPMENT MORE SPEEDY

It is necessary to look into all the options before deciding to plan and develop products if they are to be able to beat the many competing products. It has to be said that there is considerable risk associated with allowing unresolved situations to arise once the process of product development has already commenced. There are six principles that should be heeded with this objective in mind.

Principle 1: EXCELLENCE

Determine whether the performance of products and systems shows excellence compared to competitors.

Principle 2: TIME TO MARKET

It is important to project the performance of competitors’ products before setting development targets, and to complete product development in a timely manner. Furthermore, we use IT to make development processes visible, aiming to see the state of progress in all processes.

Principle 3: AFFORDABLE PRICES

Before starting product development, we estimate the prices that customers expect, and then set our prices.

Principle 4: COST PLANNING

Once the price has been established, we conduct cost planning.

Principle 5: QUALITY

We realize excellent products that incorporate both performance and quality.

Principle 6: SERVICE PROVISION

When shipping products, we decide in advance what kind of support system to prepare for new products, new customers, and new regions from a worldwide perspective.

Based on the kind of considerations above, it is essential that manufacturing planning, sales, and product development divisions join forces based on business strategies that carry out planning before product development. Completing product development aimed at strategic targets and bringing the product to market in a timely manner generates value which leads to substantial profits.

STRONGLY PROMOTING CORE COMPETENCIES AND FURTHER BOLSTERING THE COMPANY’S STRENGTHS

The Research & Development Division is developing core technologies that are directly connected to businesses. In these businesses, we are bringing together personnel from various research laboratories in the Hitachi Group and promoting the development of core technologies. Sharing a road map for this process enables each participating member to recognize the significance of their work.

Furthermore, in manufacturing, human resource development must not be neglected. Therefore, we are focusing on skill training and striving to ensure that both technologies and skills are passed on. In the WorldSkills Competition, we have received a total of 57 medals, including 16 gold medals. These achievements demonstrate that the Company’s technologies are supported by high skill levels.



Success at the WorldSkills Competition

CORPORATE GOVERNANCE

Having adopted the Company with Committees System stipulated in the Company Law, Hitachi High-Technologies has separated executive and management oversight functions and is upgrading its corporate governance system. In addition, to ensure compliance with laws, ordinances and the Articles of Incorporation, the Company is actively working to develop its internal control system.

BASIC RATIONALE REGARDING CORPORATE GOVERNANCE

In order to come out ahead in the fiercely competitive high-tech solutions field, Hitachi High-Technologies (the Company) must carry out bold and rapid decision-making and business execution. We also believe it is important to enhance business execution oversight, improve management transparency by strengthening corporate governance, and fulfill our responsibilities to society in general, including our shareholders. We have adopted the Company with Committees System as the corporate governance structure to realize these objectives.

Relationship With Parent Company Hitachi, Ltd.

With the aim of sharing the unified vision of the Hitachi Group, Hitachi High-Technologies has accepted external directors from Hitachi, Ltd. and the Hitachi Group. However, this has not impeded the independence of the Company's management decisions. The authority for individual business execution lies with the executive officers of the Company, and matters that exceed the decision-making authority of the executive officers are decided, in accordance with internal Company rules, after discussion within the Executive Committee, which is made up of leading executive officers. In addition, the Company ensures the appropriateness of important transactions with the rest of the Hitachi Group, as in the case of other normal transactions, through checks not only by the sales department concerned, but also by the Sales Administration Department, the Internal Auditing Division and other bodies.

AUDITING, SUPERVISION, NOMINATION, COMPENSATION, AND BUSINESS EXECUTION FUNCTIONS

Auditing, Supervision, Nomination, and Compensation

The Company has setup three committees—the Nominating

Committee, the Audit Committee, and the Compensation Committee. These bodies ensure that the appointment of directors, audits of the legality and appropriateness of business execution, and decisions on compensation for directors and executive officers are conducted separately from the business execution side of the Company.

Proposals to elect directors at the General Meeting of Shareholders are drafted by the Nominating Committee and resolutions are voted on at the General Meeting of Shareholders.

Compensation for executives is individually decided by the Compensation Committee in accordance with basic policy, which prescribes fundamental standards on levels of compensation, and specific policies.

The Audit Committee monitors business execution through the internal control system, which is centered on the Internal Auditing Division. In addition, the Audit Committee members, who are in charge of auditing and conduct on-the-spot inspections based on independent plans, report the results to the Audit Committee and the Board of Directors. Furthermore, based on close cooperation with the independent auditors, the Company ensures the appropriateness of matters related to accounting on both a parent company and consolidated basis.

The Board of Directors decides on the appointment of various committee members after deliberation at the Nominating Committee and the Board of Directors, while taking into consideration the duties and authority of each committee member.

Business Execution

Business execution is carried out based on the decisions of the executive officer responsible. However, in the case of important executive actions, decisions are made by leading executives on the basis of discussion at ordinary meetings of the Executive Committee, which are held once a month. In addition, the

Executive Committee makes decisions regarding the formulation of budgets, major capital investments, and research and development expenditure for each fiscal year. These decisions are reached after deliberation at meetings held once in each fiscal year or, when an extraordinary need arises, at meetings held at the earliest convenience.

DEVELOPING AN INTERNAL CONTROL SYSTEM

The Company resolved to develop its internal control system at a Board of Directors meeting held on April 24, 2006. The following is a summary of the main points concerned.

1. System related to the storage and management of information associated with the execution of duties by executive officers

The Company shall stipulate precise handling of information with regard to the period of storage of approval documents and other matters based on document storage rules.

2. Provisions related to the management of risk of loss and other systems

The Company shall establish Risk Management Regulations and develop risk management systems and management methods.

3. System to ensure that the execution of duties by executive officers is performed efficiently

The Company shall create an internal system related to important decision-making. It shall check and improve business implementation by means of a budget management system and carry out internal audits regarding the effective use of management resources. The Audit Committee shall audit the efficiency of management.

4. System to ensure that the execution of duties by executive officers conforms to laws and ordinances and the Articles of Incorporation

The Company shall establish regulations regarding legal compliance, and shall appoint an executive in charge of compliance and establish a Compliance & Risk Management Committee. It shall also conduct internal training concerning compliance. The Internal Auditing Division shall conduct internal auditing and establish an internal reporting system.

5. System to ensure the appropriateness of business operations within the corporate group, comprising Hitachi High-Technologies, its parent company and subsidiaries

Several divisions shall be responsible for checking the appropriateness of transactions with Group companies. In response to a variety of audits by the parent company, feedback on the audit results shall be appropriately provided. The Company shall receive reports on business execution and financial position from subsidiaries, while the Audit Committee shall regularly conduct interviews at these subsidiaries and the Internal Auditing Division shall carry out regular internal audits of their activities.

6. Matters concerning the directors and employees who assist the duties of the Audit Committee

The Company shall establish an Auditor's Office and appoint Auditor's Office staff. As the need arises, the Internal Auditing Division and administrative departments shall assist with the duties of the Audit Committee.

7. Matters concerning independence of directors and employees mentioned above from executive officers

With regard to personnel changes among the Auditor's Office staff, the Audit Committee shall receive a report on such changes in advance, and when required, a proposal shall be made to the executive officer in charge of personnel and general affairs setting out the reason for such changes.

If an employee belonging to the Auditor's Office is to be disciplined, the executive officer in charge of personnel and general affairs should obtain approval from the Audit Committee in advance.

8. System to enable reporting by executive officers and employees to the Audit Committee and other systems to enable reports to the Audit Committee

Proposals put forward at meetings of the Executive Committee and the results of internal audits carried out by the Internal Auditing Division shall be reported without delay to the Audit Committee by the executive officer in charge or the employee concerned. With regard to the status of reporting through the internal reporting system, matters of particular importance

shall be reported to the Audit Committee members by the Head of the Compliance & Risk Management Committee.

9. Other systems to ensure that audits by the Audit Committee are effectively implemented

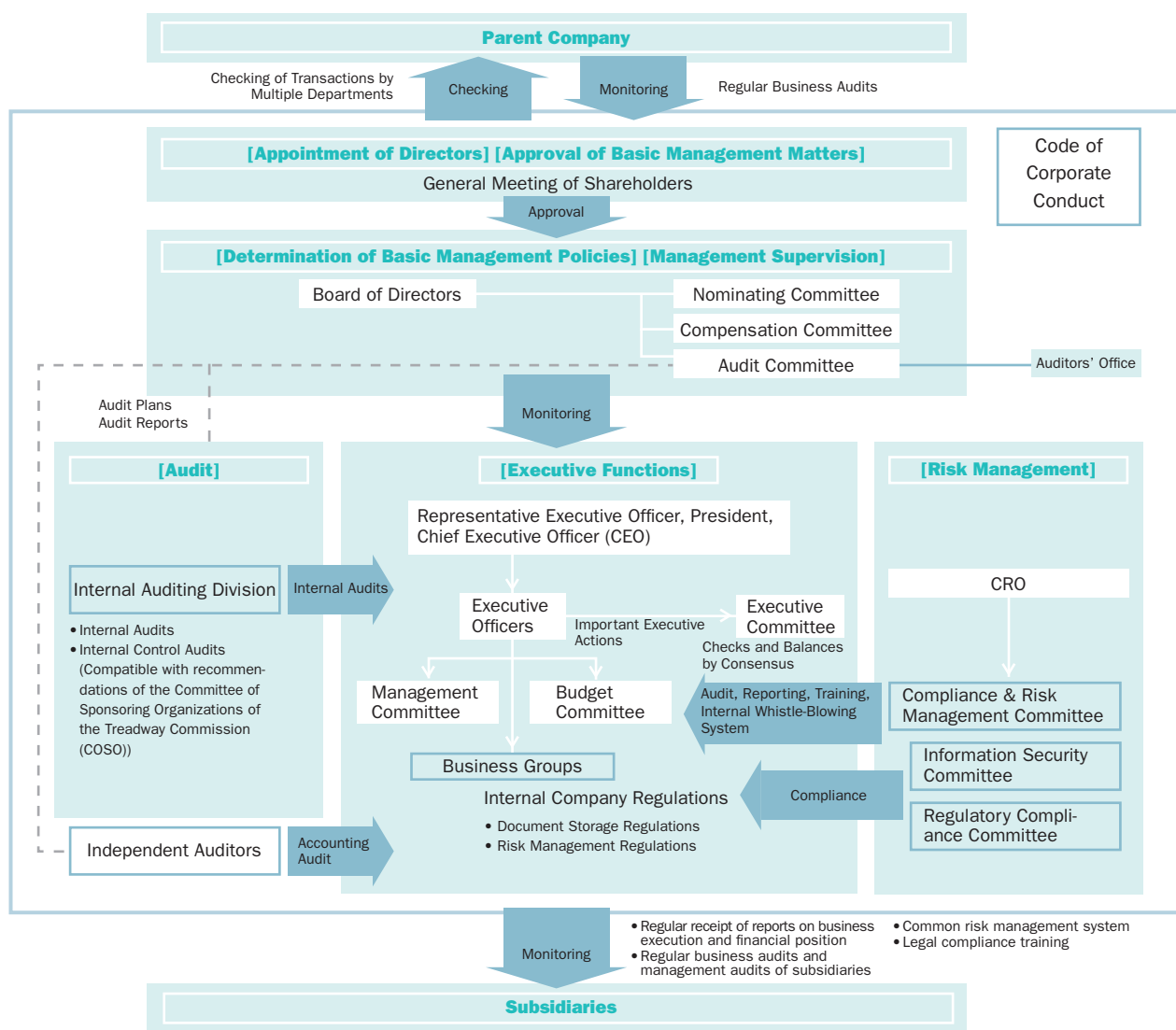
As the need arises, the Audit Committee shall consign some audit matters to the Internal Auditing Division and the

independent auditors, resulting in a cooperative approach where the Audit Committee receives reports on the results of audits.

The results of audits by the Audit Committee and the Internal Auditing Division shall be provided to the Board of Directors and the Executive Committee to be reflected in the execution of business.

BUSINESS EXECUTION, MANAGEMENT OVERSIGHT AND INTERNAL CONTROL SYSTEM

(As of March 31, 2008)



Note: The Chief Risk Management Officer (CRO) is an executive officer responsible for compliance and risk management. The CRO is selected by the Board of Directors.

CORPORATE SOCIAL RESPONSIBILITY

Contributing to Society Through High-Tech Solutions and the Practices of Each Employee

Hitachi High-Technologies regards corporate social responsibility (CSR) as an important management issue. We strive to contribute to society by applying our particular strength—business activities that utilize leading-edge technologies. At the same time, we are strengthening corporate governance and promoting corporate activities based on a law-abiding spirit as well as initiatives to conserve the global environment.

The foundation of CSR at Hitachi High-Technologies is described in the Company's basic philosophy: contributing to social progress through business activities that emphasize value creation through high-tech solutions. Our aim is for every single employee to bear that philosophy in mind and practice CSR in the course of their work.

CONTRIBUTING TO ENVIRONMENTAL PRESERVATION THROUGH BUSINESS ACTIVITIES

Providing Clean Energy Solutions

—The solar cell business contributes to solving the problem of global warming—



Panel

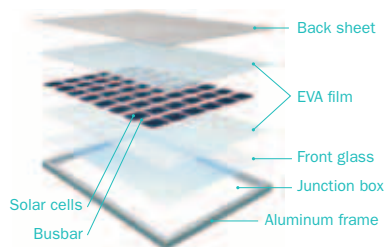


Diagram of solar cell panel

Clean energy is currently attracting attention around the world as a means of reducing emissions of carbon dioxide (CO₂), the main cause of global warming. Energy, or more specifically, electricity, takes a variety of forms according to how it is generated: wind power, solar power, geothermal, tidal, and hydroelectric power. In this context, our trading divisions are currently focusing their efforts on the solar cell business. Solar power generation is spreading rapidly, particularly in Japan and Europe, and is currently experiencing dramatic growth in demand that is outpacing capacity in materials procurement and solar panel production. As a consequence, it has become difficult to supply solar power generation systems. We are responding to this challenge by accelerating our global expansion to secure materials and ensure their steady supply to panel makers, and to sell finished products. We are also supplying manufacturing equipment and systems for production lines. In this way we are endeavoring to enable everyone around the world to use this clean energy.

Environmental Initiatives Through Manufacturing

—Development of Environmentally Friendly Products—

[Promoting Eco-Products]



U-3900H
Spectrophotometer

The Hitachi High-Technologies Group is developing environmentally friendly products that have less impact on the environment than conventional products, and supplying them to world markets. Such products retain high levels of performance, while offering such features as reduced power consumption and more compact designs requiring fewer materials and less energy for transportation. Designation as Eco-Products



RH Series
Head Tester for
Hard Disk Drives

indicates that they have been evaluated in eight categories—including size reduction, recycling, and ease of dismantling/disposal—and have passed the criteria imposed. From fiscal 2008 we intend that 80% or more of our proprietary product sales should derive from environmentally friendly products.

[Initiatives at Group Companies]

Human Resource Development Support

We are undertaking this program to promote the development of regional communities.

Hitachi High-Technologies (China) Co., Ltd.

—Supporting Human Resource Development in China, Based on Intern System and Scholarships—

Hitachi High-Technologies (China) Co., Ltd. started accepting interns from Chinese universities in 2007. This system provides interns with an opportunity to experience an actual global business site and to have direct contact with leading-edge technologies, based on the cooperation of such companies as Hitachi (China) Research & Development Corporation and Hitachi Instrument (Suzhou), Ltd. Hitachi High-Technologies (China) Co., Ltd. had already been operating a scholarship system for universities since 2005. By continuing these activities, we intend to assist in fostering highly competent human resources that will support China's society in the future, contributing to further industrial development.



Interns learn about leading-edge technology



Scholarship award ceremony

Promotion of Cooperation Between Industry, Academia and Government

We are promoting R&D based on cooperation between industry, academia and government to resolve social issues.

Hitachi High-Technologies America Inc., San Francisco Office —Partnership with Clemson University—

The San Francisco Office has been in a partnership with Clemson University in the field of electron microscopy since 2002 and has been holding nanotechnology seminars for researchers in the government, universities, and companies. In 2007, it cooperated with the South Carolina Legislature in providing a joint grant of about \$3.3 million that resulted in the supply of three electron microscopes to Clemson University. These electron microscopes are being used in the university's laboratories and research centers, and are contributing to the progress of scientific technologies through biomedical research, new materials research, and the development of advanced materials. One specific example is their use in materials research that will lead to enhanced automobile performance and safety, a field on which the university is concentrating its efforts.



Dr. JoAn Hudson,
Senior Scientist at
Clemson University



Members of the
partnership project

For more details regarding the above, and information on Hitachi High-Technologies' other CSR initiatives, please access our webpage entitled "CSR (Corporate Social Responsibility) Activities" at <http://www.hitachi-hitec.com/global/csr/index.html>

DIRECTORS AND EXECUTIVE OFFICERS

(As of June 25, 2008)



TADAMICHI SAKIYAMA
Chairman of the Board
Outside Director



HIDEHITO OBAYASHI
Representative Executive Officer
President
Chief Executive Officer and Director



WASUKE NAKANO
Representative Executive Officer
Senior Vice President
Executive Officer and Director



HIROSHI KANAUCHI
Director



HARUMICHI UCHIDA
Outside Director



KOTARO MUNEOKA
Outside Director



YOSHINAO KAWASAKI
Representative Executive Officer
Senior Vice President and
Executive Officer



MASUMI MIYAUCHI
Senior Vice President and
Executive Officer



KENYA WADA
Vice President and Executive Officer



SHIGERU IIZUKA
Vice President and Executive Officer



MASAHO MASUYAMA
Vice President and Executive Officer



MITSUHIRO HAYASHI
Vice President and Executive Officer



TOSHIO SENGOKU
Vice President and Executive Officer



HIROSHI OHKI
Vice President and Executive Officer



KATSUMI MIZUNO
Vice President and Executive Officer



OSAMU NAKAMURA
Vice President and Executive Officer



MASANORI KAZAMAKI
Vice President and Executive Officer

Chairman of the Board
Outside Director
TADAMICHI SAKIYAMA

Representative Executive Officer
President
Chief Executive Officer and Director
HIDEHITO OBAYASHI

Representative Executive Officer
Senior Vice President
Executive Officer and Director
WASUKE NAKANO

Director
HIROSHI KANAUCHI

Outside Directors
HARUMICHI UCHIDA
KOTARO MUNEOKA

Representative Executive Officer
Senior Vice President and
Executive Officer
YOSHINAO KAWASAKI

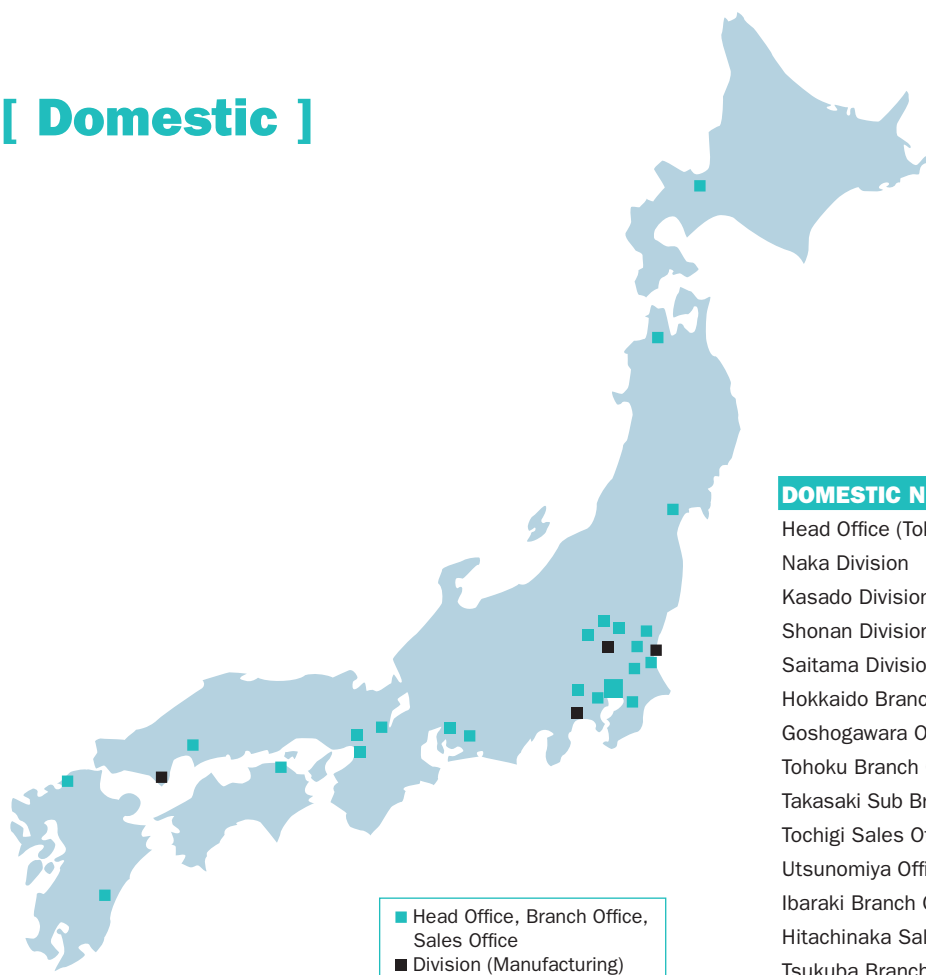
Senior Vice President and
Executive Officer
MASUMI MIYAUCHI

Vice Presidents and
Executive Officers
KENYA WADA
SHIGERU IIZUKA
MASAHO MASUYAMA
MITSUHIRO HAYASHI
TOSHIO SENGOKU
HIROSHI OHKI
KATSUMI MIZUNO
OSAMU NAKAMURA
MASANORI KAZAMAKI

Executive Officers
TSUTOMU ANDO
SHINICHI TACHI
NORIO KOBAYASHI
TAKASHI MATSUZAKA
MASAHIRO MIYAZAKI
MORIHIRO NISHIDA
YUTAKA MITSUMOCHI
SHIGEKAZU KATO

NETWORK

(As of March 31, 2008)

[Domestic]**DOMESTIC NETWORK**

Head Office (Tokyo)	Kanto Branch Office
Naka Division	Hino Sales Office
Kasado Division	Mobara Sub Branch Office
Shonan Division	Chubu Branch Office
Saitama Division	Toyota Sales Office
Hokkaido Branch Office	Mie Sales Office
Goshogawara Office	Kyoto Sales Office
Tohoku Branch Office	West Japan Branch Office
Takasaki Sub Branch Office	Kansai Branch Office
Tochigi Sales Office	Chugoku Branch Office
Utsunomiya Office	Shikoku Sales Office
Ibaraki Branch Office	Kyushu Branch Office
Hitachinaka Sales Office	South Kyushu Sales Office
Tsukuba Branch Office	

DOMESTIC AFFILIATED COMPANIES**[Sales]****Hitachi High-Tech Trading Corp.**

HOLDING: 100% **CAPITAL:** ¥400 million
 24-14, Nishi-shimbashi 1-chome, Minato-ku,
 Tokyo 105-8418, Japan
TEL: +81-3-3504-7911 **FAX:** +81-3-3504-7900

Hitachi High-Tech Support Corp.

HOLDING: 100% **CAPITAL:** ¥50 million
 24-14, Nishi-shimbashi 1-chome, Minato-ku,
 Tokyo 105-0003, Japan
TEL: +81-3-3504-7951 **FAX:** +81-3-3504-7973

[Services/Manufacturing]**Hitachi High-Tech Fielding Corp.**

HOLDING: 100% **CAPITAL:** ¥1,000 million
 28-8, Yotsuya 4-chome, Shinjuku-ku,
 Tokyo 160-0004, Japan
TEL: +81-3-5379-2311 **FAX:** +81-3-3341-6158

Hitachi High-Tech Manufacturing & Service Corp.

HOLDING: 100% **CAPITAL:** ¥230 million
 1040, Ichige, Hitachinaka-shi, Ibaraki
 312-0033, Japan
TEL: +81-29-276-6340 **FAX:** +81-29-276-6349

Hitachi High-Tech Materials Corp.

HOLDING: 100% **CAPITAL:** ¥200 million
 24-14, Nishi-shimbashi 1-chome, Minato-ku,
 Tokyo 105-0003, Japan
TEL: +81-3-3504-5011 **FAX:** +81-3-3504-5095

Giesecke & Devrient K.K.

HOLDING: (HHT) 49%, (Giesecke & Devrient GmbH) 51%
CAPITAL: ¥200 million
 24-14, Nishi-shimbashi 1-chome, Minato-ku,
 Tokyo 105-8717, Japan
TEL: +81-3-3504-5910 **FAX:** +81-3-3504-5924

Hitachi High-Tech Engineering Service Corp.

HOLDING: 100% **CAPITAL:** ¥370 million
 24-14, Nishi-shimbashi 1-chome, Minato-ku,
 Tokyo 105-0003, Japan
TEL: +81-3-3504-3151 **FAX:** +81-3-3504-3130

Hitachi High-Tech Instruments Co., Ltd.

HOLDING: 100% **CAPITAL:** ¥450 million
 6, Menuma Nishi, 1-chome, Kumagaya-shi,
 Saitama 360-0238, Japan
TEL: +81-48-506-6000 **FAX:** +81-48-567-0079

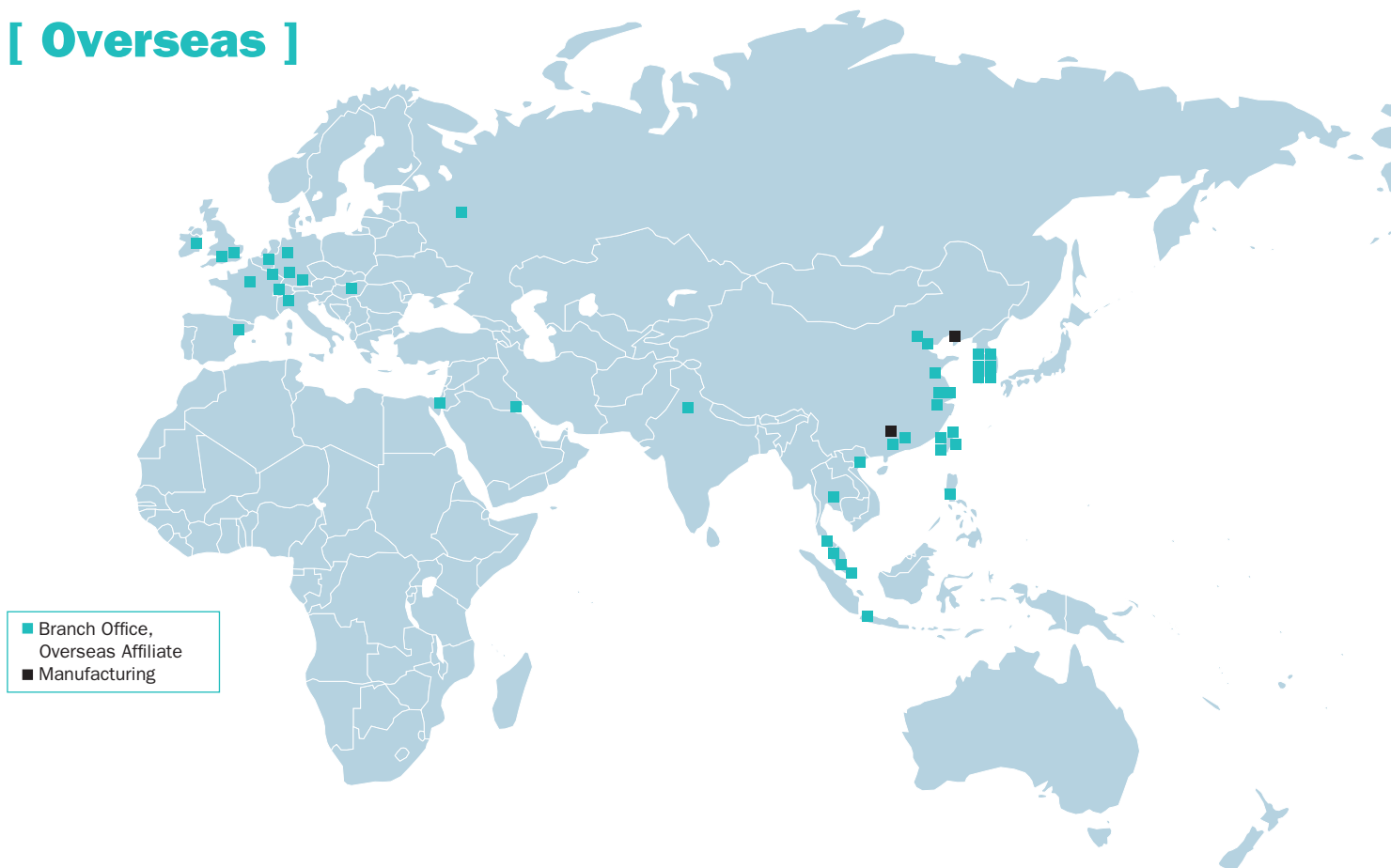
Hitachi High-Tech Solutions Corp.

HOLDING: 100% **CAPITAL:** ¥100 million
 7th fl., Solid Square West Wing,
 580, Horikawa-cho, Saiwai-ku, Kawasaki-shi,
 Kanagawa 212-0013, Japan
TEL: +81-44-543-7211 **FAX:** +81-44-543-7222

Hitachi High-Tech Control Systems Corp.

HOLDING: 100% **CAPITAL:** ¥200 million
 500, Miyu-cho, Mito-shi,
 Ibaraki 319-0316, Japan
TEL: +81-29-257-5100 **FAX:** +81-29-257-5120

[Overseas]



- Branch Office, Overseas Affiliate
- Manufacturing

OVERSEAS AFFILIATED COMPANIES

[Sales/Services]

■ NORTH AMERICA/SOUTH AMERICA

Hitachi High Technologies America, Inc.

HOLDING: 100% **CAPITAL:** US\$7.95 million
 10 N. Martingale Road, Suite 500,
 Schaumburg, IL 60173, U.S.A.
TEL: 1-847-273-4141 **FAX:** 1-847-273-4407

Hitachi High-Technologies Canada, Inc.

HOLDING: (HTA) 100% **CAPITAL:** C\$0.5 million
 89 Galaxy Blvd., Suite 14, Rexdale, Ontario,
 M9W 6A4, Canada
TEL: 1-416-675-5860 **FAX:** 1-416-675-0061

Hitachi High-Technologies do Brasil Ltda.

HOLDING: 100% **CAPITAL:** R\$0.7 million
 Avenida Paulista, 854-7° Andar-Cjto.73, Edificio
 Top Center, Bela Vista, CEP 01310-913,
 Sao Paulo-SP, Brazil
TEL: 55-11-3253-2511 **FAX:** 55-11-3251-2464

■ EUROPE

Hitachi High-Technologies Europe GmbH

HOLDING: 100% **CAPITAL:** EUR3.1 million
 Europark Fichtenhain A12, 47807 Krefeld,
 Germany
TEL: 49-2151-6435-0 **FAX:** 49-2151-6435-696

Hitachi High-Technologies Ireland Ltd.

HOLDING: (HTA) 100% **CAPITAL:** US\$0.1 million
 C/O Intel MS: 4-1-2 Collinstown Industrial Park
 Leixlip, Co., Kildare, Ireland
TEL: 353-1-60-64206 **FAX:** 353-1-60-65298

HHTA Semiconductor Equipment Israel, Ltd.

HOLDING: (HTA) 100% **CAPITAL:** 1,000NIS
 P.O. Box 1000 MS: Hitachi LC2-3S Kiryat Gat
 82109, Israel
TEL: 972-8-666-6342 **FAX:** 972-8-666-6939

■ ASEAN

Hitachi High-Technologies (Singapore) Pte. Ltd.

HOLDING: (HHT) 95%, (A.C.T. Holding Pte. Ltd.) 5%
CAPITAL: S\$4 million
 3 Killiney Road, #07-06/09, Winsland House 1,
 Singapore 239519
TEL: 65-67332754 **FAX:** 65-67353917

Hitachi High-Technologies IPC (Malaysia) Sdn. Bhd.

HOLDING: (HHT) 20%, (HTS) 80%
CAPITAL: RM3 million
 Letter Box No. 183, 33rd floor, UBN Tower, 10
 Jalan P. Ramlee, 50250 Kuala Lumpur,
 Malaysia
TEL: 60-3-2078-8800 **FAX:** 60-3-2078-6968

Hitachi High-Technologies (Thailand) Ltd.

HOLDING: (HTS) 100% **CAPITAL:** TB30 million
 7th fl., Thaniya Building, 62 Silom Road,
 Suriyawong Bangrak, Bangkok 10500,
 Thailand
TEL: 66-2-237-4538 **FAX:** 66-2-236-7346

CORPORATE HISTORY

1947	April	Established in Chuo-ku, Tokyo, as Hinode Shokai Co., Ltd. with capital of ¥195,000
1953	January	Head office moved to Minato-ku, Tokyo
1960	May	New York sub branch office opened (now Hitachi High-Technologies America, Inc.)
	July	Düsseldorf sub branch office opened (now Hitachi High-Technologies Europe GmbH)
1962	September	São Paulo branch office opened (now Hitachi High-Technologies do Brasil Ltda.)
1964	February	Hong Kong representative office opened (now Hitachi High-Technologies Hong Kong Ltd.)
	March	Head office moved to Nishi-Shimbashi 2-chome, Minato-ku, Tokyo
1965	April	Hitachi Instruments Service Co., Ltd. established (now Hitachi High-Tech Fielding Corp.)
1971	October	Company listed on the Second Section of the Tokyo Stock Exchange
1972	March	Singapore branch office opened (now Hitachi High-Technologies (Singapore) Pte. Ltd.)
	April	Nissei Oil Sales Co., Ltd. established (now Hitachi High-Tech Materials Corp.)
	October	Company listed on the Second Section of the Osaka Securities Exchange
1973	July	Nissei Electronics Co., Ltd. established (now Hitachi High-Tech Trading Corp.)
1978	August	Nissei Sangyo France S.A.R.L. established (now Hitachi High-Technologies Europe GmbH)
1980	April	Nissei Sangyo Canada, Inc. established (now Hitachi High-Technologies Canada, Inc.)
1983	September	Company listed on the First Section of both the Tokyo and Osaka markets Nissei Software Co., Ltd. established (now Hitachi High-Tech Solutions Corp.)
1986	March	Head office moved to Nishi-Shimbashi 1-chome, Minato-ku, Tokyo
1987	April	Nissei Service Inc. established
	October	Nissei Engineering Co., Ltd. established (now Hitachi High-Tech Trading Corp.)
1992	January	Nissei Sangyo Malaysia Sdn. Bhd. established (now Hitachi High-Technologies IPC (Malaysia) Sdn. Bhd.)
1993	April	Nissei Science Ltd. established
1994	January	Nissei Sangyo Thailand Ltd. established (now Hitachi High-Technologies (Thailand) Ltd.)
	October	Nissei Sangyo Shanghai Co., Ltd. established (now Hitachi High-Technologies (Shanghai) Co., Ltd.)
2001	October	Company name changed to Hitachi High-Technologies Corp. following the integration of Hitachi's Instruments Group and Semiconductor Manufacturing Equipment Group; Hitachi Science Systems, Ltd., Hitachi Naka Electronics Co., Ltd. and Naka Instruments Co., Ltd. (now Hitachi High-Tech Manufacturing & Service Corp.) made subsidiaries
2002	January	Nissei Sangyo Trading (Shenzhen) Co., Ltd. established (now Hitachi High-Technologies (Shenzhen) Co., Ltd.)
2003	April	SANYO High Technology Co., Ltd. (now Hitachi High-Tech Instruments Co., Ltd.) and SANYO High-Tech Service Co., Ltd. (now Hitachi High-Tech Instruments Service Co., Ltd.) made subsidiaries
2004	March	Hitachi Electronics Engineering Co., Ltd. made a subsidiary
2005	April	Nissei Science, Ltd. absorbed by Hitachi High-Technologies Corp.
	May	Hitachi High-Technologies (China) Co., Ltd. established
2006	April	Hitachi High-Tech Electronics Engineering Co., Ltd. absorbed by Hitachi High-Technologies Corp.
2007	April	Hitachi High-Tech Science Systems Corp. absorbed by Hitachi High-Technologies Corp.

FINANCIAL SECTION

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MANAGEMENT'S DISCUSSION AND ANALYSIS

1. COMPANY OVERVIEW

The operations of the Hitachi High-Technologies Group (the Group) are divided into four segments: Electronic Device Systems, Life Sciences, Information Systems & Electronic Components, and Advanced Industrial Products. The Group manufactures and sells various products in these four segments, mainly related to electronics, and provides maintenance and other services associated with these businesses as well. The Group is expanding its business operations by making effective use of its world-class technological prowess and global marketing capabilities, and consistently aims to be Global Top in high-tech solutions.

2. BUSINESS ENVIRONMENT

In fiscal 2007, the year ended March 31, 2008, the Japanese economy entered a challenging phase due to such factors as the slowdown in economic growth originating from the subprime housing loan problem in the U.S., dramatic fluctuation in currency rates, and a steep rise in crude oil prices.

In this environment, the Group generally performed strongly in semiconductor manufacturing equipment, although semiconductor manufacturers successively curbed or postponed their capital investments in these products. In LCD manufacturing equipment, sales of module assembly systems supplied to the Chinese and Taiwanese markets increased, but proximity

exposure systems declined. In addition, sales of hard disk (HD) manufacturing equipment fell sharply because of the downscaling of customers' investment plans. Nevertheless, the Life Sciences segment recorded higher sales and profits, as in the previous year, due to buoyant demands for clinical analyzers in Europe and the U.S.

As a result, operating profit, ordinary income, and net income grew for a sixth consecutive year to reach record levels.

3. OPERATING RESULTS

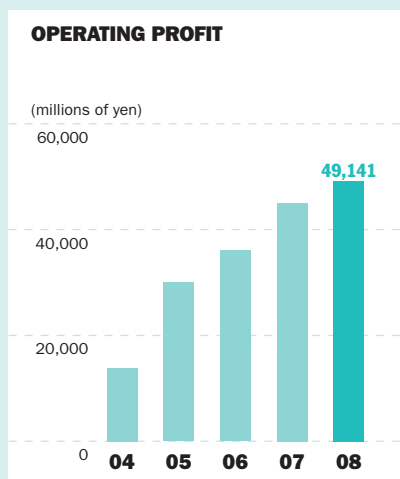
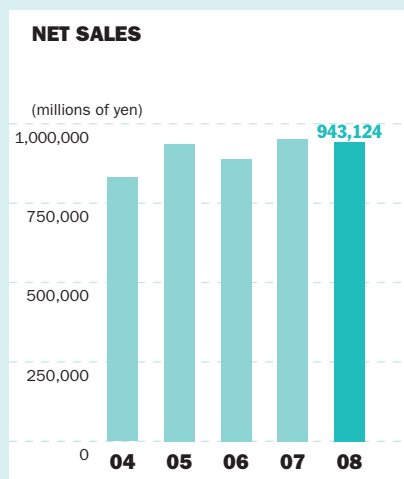
Net Sales

In fiscal 2007, consolidated net sales declined ¥8.5 billion, or 0.9%, year on year to ¥943.1 billion. This mainly reflected a drop in sales in the Information Systems & Electronic Components and Advanced Industrial Products segments. Overseas sales decreased by ¥31.3 billion, or 6.4%, year on year to ¥461.5 billion, mainly due to a decline in sales in the Asian region. Overseas sales accounted for 48.9% of total net sales, down 2.9 percentage points from the previous fiscal year.

Segment Information

[ELECTRONIC DEVICE SYSTEMS]

Sales of critical dimension scanning electron microscopes (CD-SEM), a mainstay product among semiconductor manufacturing systems, were robust in the U.S. market, and sales of



(¥100 million)			
	Fiscal 2007	Fiscal 2006	Change (%)
Electronic Device Systems	2,648	2,622	1.0
	231	269	(13.9)
Life Sciences	962	933	3.1
	184	123	49.6
Information Systems & Electronic Components	2,327	2,374	(2.0)
	41	22	85.2
Advanced Industrial Products	3,495	3,587	(2.6)
	35	36	(3.2)

The upper figures of each segment represent net sales while the lower figures show operating profit.

process equipment also grew substantially. Sales of back-end process equipment posted a strong performance in the Asian market.

In LCD manufacturing equipment, sales of module assembly systems supplied to the Chinese and Taiwanese markets increased, but proximity exposure systems fell, leading to an overall decline in this field.

Sales of HD manufacturing equipment fell sharply year on year mainly because of the downscaling of customers' investment plans.

[LIFE SCIENCES]

Sales of clinical analyzers rose sharply year on year, supported by continued vigorous demand for clinical chemistry and

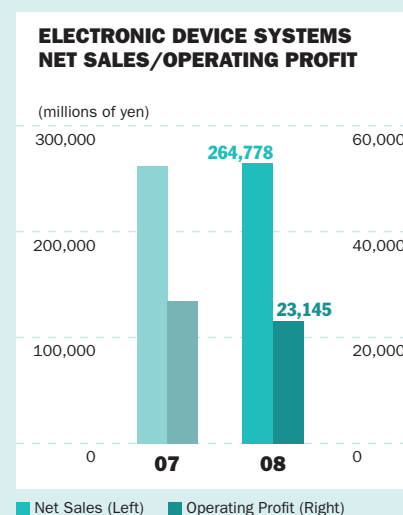
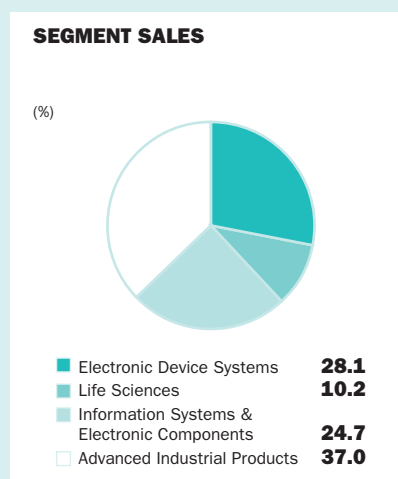
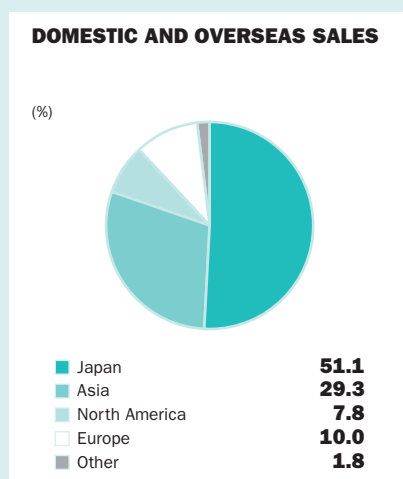
immunodiagnostic analyzers in Europe and the U.S. and brisk sales of new products released in the previous fiscal year.

In the biotechnology-related equipment field, sales of general-purpose analysis equipment were robust, but sales of DNA sequencers decreased, resulting in an overall year-on-year decline.

[INFORMATION SYSTEMS & ELECTRONIC COMPONENTS]

Although batteries for mobile phones registered a strong performance, semiconductor transactions declined in the Asian market.

In the field of information and communications technology, sales increased year on year thanks to vigorous mobile phone transactions in the U.S. market.



Sales of chip mounters declined in the Japanese and U.S. markets but increased in the European and Asian markets. As a result, sales of chip mounters rose on an overall basis.

[ADVANCED INDUSTRIAL PRODUCTS]

In addition to the rise in material prices, automobile components recorded a strong performance. However, sales of functional components and printer-related components decreased. Silicon wafers performed well and LCD-related materials also posted a sharp sales increase in products used in TVs and mobile phones. In contrast, optical components for LCD projectors registered a drop in sales and sales declined overall.

Cost of Sales and Selling, General and Administrative Expenses

In fiscal 2007, the cost of sales decreased by ¥11.9 billion, or 1.5%, year on year to ¥797.3 billion, and the cost of sales ratio improved 0.6 of a percentage point to 84.5%. This mainly reflected efforts to cut costs in the Electronic Device Systems and Life Sciences segments. In addition, selling, general and administrative (SG&A) expenses declined ¥0.6 billion, or 0.7%, year on year to ¥96.7 billion. However, the SG&A ratio rose 0.1 of a percentage point to 10.3%, mainly because of the decline in sales.

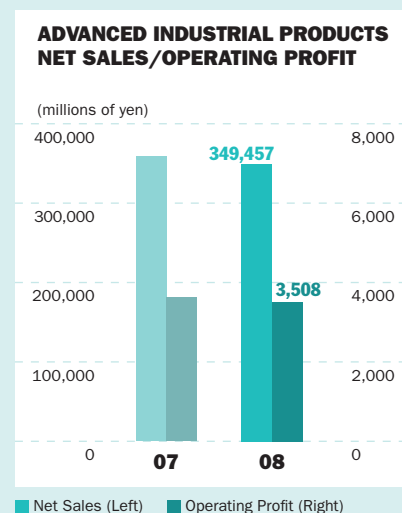
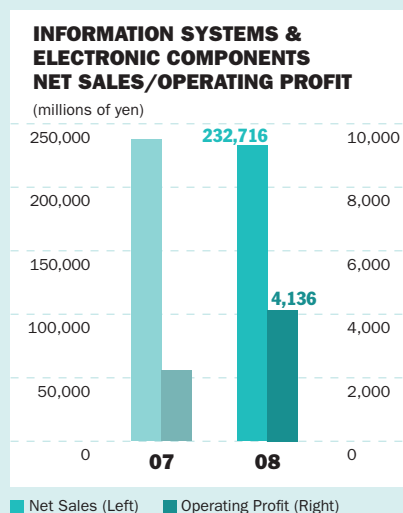
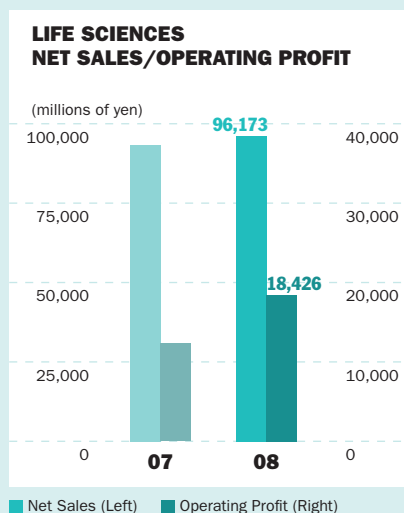
Operating Profit

In fiscal 2007, operating profit rose ¥4.1 billion, or 9.1%, year on year to ¥49.1 billion, and the operating profit ratio improved 0.5 of a percentage point to 5.2%. An overview of operating profit by business segment is shown below.

In the Electronic Device Systems segment, operating profit fell ¥3.8 billion, or 13.9% year on year to ¥23.1 billion. The segment operating profit ratio deteriorated 1.5 percentage points to 8.7%. Operating profit in the Life Sciences segment rose ¥6.1 billion, or 49.6%, to ¥18.4 billion, and the operating profit ratio in this segment improved 6.0 percentage points to 19.2%. In the Information Systems & Electronic Components segment, operating profit increased ¥1.9 billion, or 85.2%, to ¥4.1 billion. The segment operating profit ratio was up 0.8 of a percentage point to 1.8%. In the Advanced Industrial Products segment, operating profit was down ¥0.1 billion, or 3.2%, to ¥3.5 billion. However, the segment operating profit ratio remained unchanged at 1.0%.

Other Income (Expense) and Income before Income Taxes and Minority Interests

Other income declined ¥0.8 billion, or 19.6%, to ¥3.2 billion, mainly reflecting a decrease in interest and dividends income.



Other expenses decreased ¥2.1 billion, or 35.5%, to ¥3.9 billion. This mainly reflected a decrease in losses on devaluation of inventories.

As a result of the above, income before income taxes and minority interests was ¥48.4 billion, an increase of ¥5.4 billion, or 12.7%, compared to the previous fiscal year. The ratio of income before income taxes and minority interests to sales improved 0.6 of a percentage point to 5.1%.

Net Income

Income taxes increased ¥4.7 billion, or 28.9%, to ¥21.0 billion due to the Group's strong earnings performance in fiscal 2007. In addition, minority interests decreased by ¥0.1 billion, or 14.0%, to ¥0.5 billion. As a result, net income grew ¥0.8 billion, or 3.2%, year on year to ¥26.9 billion, marking a record high. The ratio of net income to sales improved 0.2 of a percentage point to 2.9%. Return on equity (ROE) declined 0.8 of a percentage point to 11.9%, and net income per share rose ¥5.99 to ¥195.80.

Finance Policy

Regarding the Group's finance policy, the Group will strengthen its financial base by maintaining sufficient liquidity and securing funds. These funds will be used to meet working capital requirements for business expansion, R&D, and capital investment.

The Group will also maintain a sound balance sheet by collecting accounts receivable earlier, reducing inventories and promoting other initiatives to improve working capital. In addition, it will review asset holdings and take other steps. These and other actions target a further increase in free cash flows on a consolidated basis.

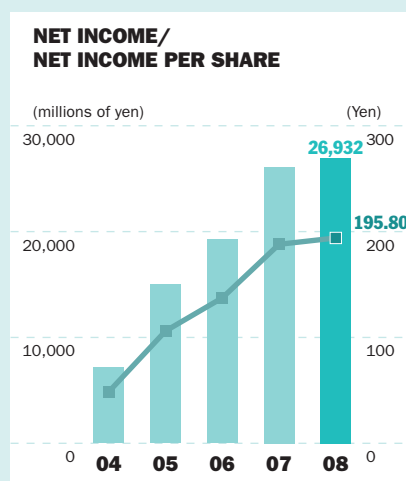
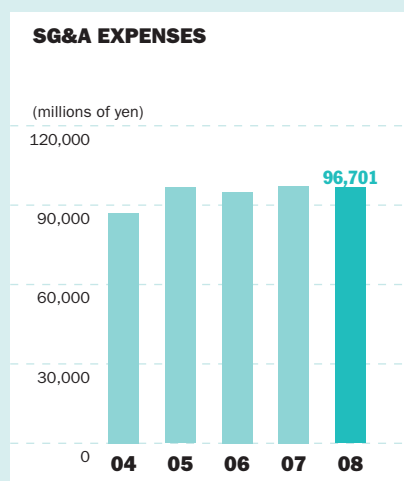
The Group aims to improve the efficiency of capital through the use of a cash pooling system among Group companies. In addition, by making active use of the Hitachi Group Cash management fund, the Group aims to maintain liquidity and improve profitability.

The Group uses Future Inspiration Value (FIV), a management performance indicator used by the Hitachi Group, to evaluate its operating results. By strictly applying this management performance metric, the Group is promoting an improvement in asset efficiency across the whole Group with the aim of creating a management framework capable of consistently delivering earnings that exceed the cost of capital.

4. FINANCIAL POSITION

Assets

Total assets at March 31, 2008 stood at ¥504.9 billion, an increase of ¥24.7 billion, or 5.1%, from a year earlier. Current assets increased ¥30.8 billion, or 8.1%, to ¥411.6 billion. This



■ Net Income (Left) ■ Net Income per Share (Right)

mainly reflected a decrease of ¥4.3 billion, or 14.3%, in cash and cash equivalents and a decrease of ¥3.3 billion, or 19.9%, in deferred tax assets, which was more than offset by an increase of ¥13.0 billion, or 5.5%, in notes and accounts receivable, ¥16.8 billion, or 57.4%, in deposits to the Hitachi Group cash management fund, and ¥6.1 billion in deposits included in “Others” to the Hitachi Group cash management fund overseas.

Property, plant and equipment increased ¥1.6 billion, or 2.8%, to ¥58.7 billion. This was mainly due to an increase of ¥1.9 billion, or 8.7%, in buildings and structures resulting mainly from the construction of a new building for manufacturing chip mounters. Intangible assets increased ¥0.1 billion, or 3.1%, to ¥3.8 billion. This mainly reflected an increase of ¥0.4 billion in goodwill associated with turning Hitachi High Technologies America, Inc. into a wholly owned subsidiary, which was partially offset by a decrease of ¥0.3 billion in goodwill due to amortization and a ¥0.1 billion, or 1.6%, decrease in software.

Investments and other assets declined ¥7.9 billion, or 20.4%, to ¥30.7 billion. This was mainly attributable to an increase of ¥1.1 billion, or 19.7%, in deferred tax assets, which was more than offset by a decrease of ¥8.1 billion, or 36.1%, in investments in securities resulting from a ¥1.8 billion decrease in a shareholding in Hitachi East Asia Ltd., a ¥1.6 billion decrease due to losses on devaluation of investments in

securities, and a decrease of ¥4.6 billion based on mark-to-market valuation.

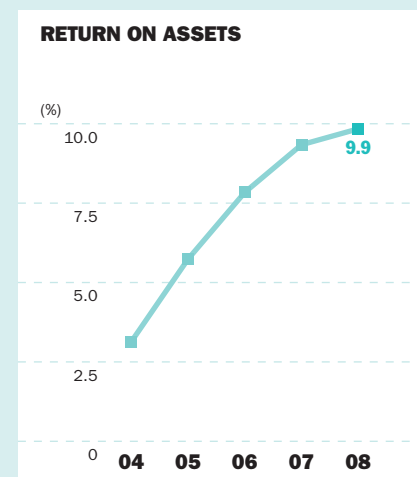
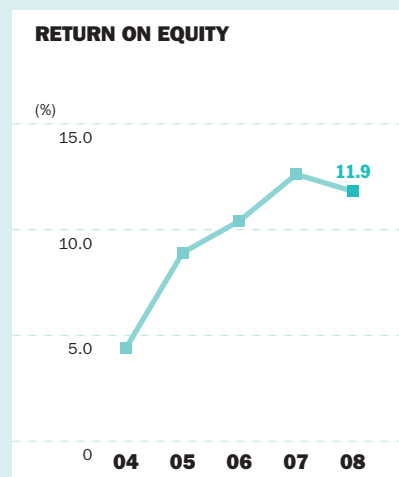
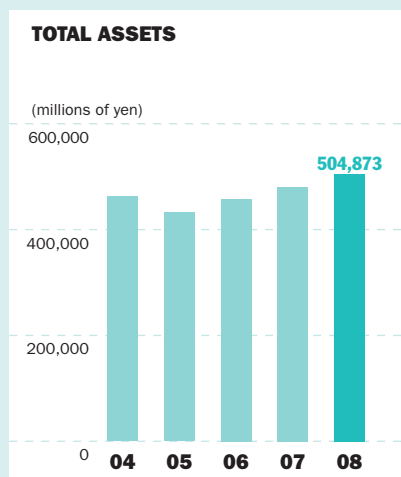
Liabilities

Total liabilities increased ¥10.9 billion, or 4.2%, to ¥269.8 billion. Current liabilities rose ¥11.9 billion, or 5.2%, to ¥242.8 billion. This mainly reflected a decrease of ¥3.6 billion, or 28.8% in income taxes and a decrease of ¥1.7 billion, or 6.1%, in accrued expenses, which was more than outweighed by an increase of ¥7.4 billion, or 4.4%, in notes and accounts payable, ¥3.8 billion, or 55.1%, in accrued expenses, and ¥3.8 billion, or 384.1%, in deposits. Long-term liabilities declined ¥1.0 billion, or 3.7%, to ¥27.0 billion. This was mainly due to a decrease of ¥0.9 billion, or 3.2%, in retirement and severance benefits.

Net Assets

Net assets on March 31, 2008 stood at ¥235.1 billion, an increase of ¥13.8 billion, or 6.2%, from a year earlier. Shareholders' equity was ¥23.5 billion, or 11.2%, higher year on year, at ¥232.3 billion. This mainly reflected an increase of ¥23.5 billion, or 14.2%, in retained earnings associated with a favorable business turnaround.

The equity ratio rose 1.5 percentage points year on year to 46.5%, and net assets per share increased ¥135.55 to ¥1,707.69.



5. CASH FLOWS

Cash and cash equivalents at the end of the year increased ¥18.6 billion to ¥77.9 billion. The status of respective cash flows and the main contributing factors are outlined below.

Operating activities provided net cash of ¥30.7 billion, an increase of ¥5.9 billion from a year earlier. This was mainly attributable to a cash inflow of ¥48.4 billion in income before income taxes and minority interests. In contrast, a decrease in cash resulted from ¥21.1 billion in income taxes paid.

Investing activities used net cash of ¥6.4 billion, an increase of ¥0.5 billion from a year earlier. This mainly reflected an outflow of ¥7.5 billion in capital expenditures for the purchase of tangible and intangible fixed assets, such as land and buildings aimed at the reinforcement of manufacturing functions, and an inflow of ¥1.0 billion from the sale of tangible and intangible fixed assets, including a welfare facility.

Financing activities used net cash of ¥3.7 billion, a decrease of ¥0.3 billion from a year earlier. This was mainly due to dividends paid of ¥3.4 billion.

6. R&D EXPENSES

In fiscal 2007, total R&D expenses amounted to ¥20.4 billion.

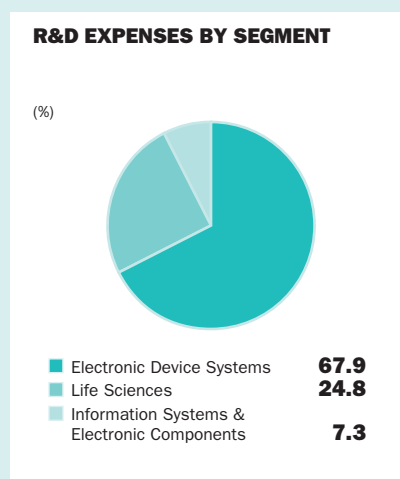
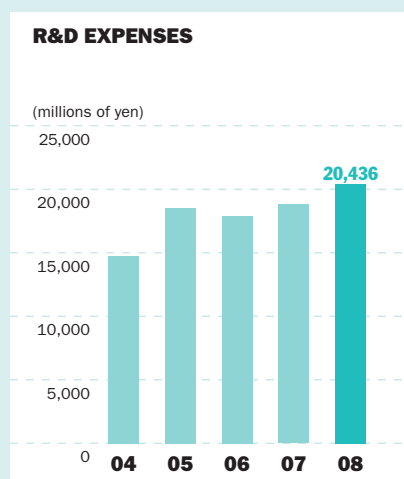
The Group aims to be Global Top in high-tech solutions. To achieve this goal, the Group is working closely with the research

laboratories of Hitachi, Ltd. and alliance partners such as universities in the advanced fields of electronics and life sciences. The aim is to provide optimal solutions by expediting the development of new products that dovetail with market trends and customer needs. The Group boasts a distinctive business model that combines advanced technological development capabilities as a manufacturer with trading company functions, enabling it to provide unique solutions.

In April 2007, Hitachi High-Technologies Corporation absorbed its subsidiary company, Hitachi High-Tech Science Systems Corp. The Group thereby concentrated its design resources at the Hitachi High-Technologies' Naka Division and bolstered product development capabilities for electron microscopes, semiconductor metrology and analysis equipment, and clinical analyzers, which are the Group's core businesses.

[R&D EXPENSES BY SEGMENT]

Electronic Device Systems	¥13.9 billion
Life Sciences	5.1 billion
Information Systems & Electronic Components	1.5 billion



7. RISK INFORMATION

The following is a non-exhaustive list of some of the risks the Group might face in the course of its business activities that have the potential to affect its operating results, stock price, and financial condition. Forward-looking statements in this report are based on risks identified as of March 31, 2008.

(1) Market Trends

The Group conducts business globally in regions such as Japan, Europe, the U.S., China and other parts of Asia, in the Electronic Device Systems, Life Sciences, Information Systems & Electronic Components and Advanced Industrial Products fields using both its advanced technological development capabilities and trading functions. Deterioration in the supply-demand balance of any of these fields or an economic downturn in any of these regions could adversely affect the Group's operating results.

(2) Technological Innovation

In the Electronic Device Systems and Life Sciences fields, the Group's main businesses and new technologies are being developed daily. The development of advanced technologies, continuous and timely development of applications, and the provision of outstanding services are vital to ensuring the Group's competitiveness. To launch these sorts of new products, the Group is concentrating on research and development in close cooperation with the research facilities of parent company Hitachi, Ltd. However, there are no guarantees that the Group's R&D activities will always be successful. Failure to translate R&D and commercialization of new products into successful outcomes could adversely affect the Group's operating results.

(3) Escalating Competition

Based on past experiences, the Group's business domains are bound to see an escalation in competition.

To prevail in this competitive environment, the Group's products must be competitive in terms of price, performance, quality and brand appeal. However, ensuring competitiveness is an inherently uncertain matter. Loss of product competitiveness could adversely affect the Group's operating results.

(4) Rapid Rise in Materials Expenses

It is difficult to pass rising prices of crude oil and basic materials on to the sales prices of the Group's products promptly. Any

further increase in materials prices could thus adversely affect the Group's operating results.

(5) Risks Associated with International Activities and Developing Business Overseas

The Group conducts sales activities expansively around the world. Consequently, there is a risk of terrorist attacks, riots, war, infectious diseases, natural disasters or other adverse events in regions where the Group's major clients, or operating bases, are located. The occurrence of such political or social risks could result in bans on the movement of employees and shipment of goods. Such a situation could cause delays in business activities or adversely affect operating results.

(6) Natural Disasters

The Group implements measures to prevent disasters at production sites. However, natural disasters such as a major earthquake, an impact which cannot be reduced with disaster prevention equipment, or a power outage or other events that dramatically reduce energy supplies, could hinder the Group's ability to manufacture products or result in the suspension of production, adversely affecting the Group's operating results.

(7) Retirement Benefit Obligations

To minimize the risk of deterioration in pension asset investments affecting its operating results and financial condition, the Group has introduced a corporate pension fund centered on a cash balance plan and other similar systems.

However, a downturn in financing conditions caused by a sudden change in the economic environment, or a shift in basic rates including the discount rate, and the assumed rates for mortality, retirement and salary increases, could adversely affect the Group's operating results.

(8) Change in Foreign Currency Exchange Rates

The Group conducts business in Japan and overseas. For the purpose of preparing the consolidated financial statements, accounts denominated in local currencies in each region, are converted to yen. Even if there is no change in the value of these accounts on a local currency basis, the value may change after conversion to yen. Furthermore, in divisions handling proprietary products, the bulk of procurements are denominated in yen, meaning that there is little foreign exchange rate risk related to production and procurement

costs. Generally speaking, however, sales of proprietary products and products sold in trading company operations are adversely affected by an appreciation of the yen and benefit from a depreciation of the yen against other currencies.

A fall in the value of a currency in a country where trading divisions are located could result in higher costs for procuring products. Increased costs could lower the Group's profit margin and undermine the price competitiveness of products, adversely affecting the Group's operating results.

The Group uses forward exchange contracts to minimize the adverse effects of short-term currency fluctuations between major currencies, including the U.S. dollar, euro and yen. However, because there are cases where the Group cannot execute planned business activities due to medium- and long-term foreign exchange movements, changes in foreign exchange rates may adversely affect the Group's operating results and financial condition.

(9) Intellectual Property-related Risk

The Group owns intellectual property rights and has acquired licenses that are necessary for its businesses. Furthermore, as a member of the Hitachi Group, Hitachi High-Technologies is engaged in intellectual property activities in close collaboration with Hitachi, Ltd. However, problems relating to the infringement of intellectual property rights are inherently difficult to predict. The Group could incur considerable expenses in defending itself in a dispute with a third party over intellectual property rights.

(10) Information Security

Technical information associated with the Electronic Device Systems, Life Sciences, Information Systems & Electronic Components and Advanced Industrial Products fields is the source of the Group's competitiveness. Additionally, some of the Group's main companies are deemed by laws related to the protection of personal information to be businesses that handle personal information. As a result, the Group has put in place Group-wide systems to securely manage this personal and technical information. However, with vast volumes of information exchanged due to the increasingly advanced nature of the information society and the spread of IT, there is a risk that this information may be leaked. Any leak of technical information could impact the Group's relative competitiveness, while a leak of personal information could lead to a loss of trust in the Group.

8. OUTLOOK FOR FISCAL 2008

In the U.S. economy, the impact of the cooling housing market and the confusion in financial markets, which originated with the subprime housing loan problem, has begun to spread to the overall economy, and the correction is likely to be drawn out. In the European economy, exports are forecast to decline because of the slowdown in the U.S., which is a major recipient of exports, and the strength of the euro. China, however, is projected to maintain high growth, supported by exports to emerging economies and public-sector projects.

In regard to the Japanese economy, exports are tending to slow in response to the downturn in overseas economic conditions mainly in Europe and the U.S. At the same time, consumer spending and capital investment are also likely to show increasing signs of a slowdown, due to the deterioration of the U.S. economy and a steep rise in crude oil and raw material prices.

With regard to the environment in which the Group operates, the semiconductor manufacturing equipment market is sluggish due to a decline in the investment inclinations of semiconductor manufacturers associated with the prolonged weakness of the semiconductor memory market. The market environment is thus forecast to remain challenging for some time.

In the LCD manufacturing equipment market, orders have been recovering in response to a favorable turnaround in the earnings of LCD panel manufacturers and in reaction to the holding back of capital investment. However, sales are not projected to recover until the second half of the fiscal year onward. Demand for clinical analyzers is likely to remain buoyant in the first half of the fiscal year in the European and U.S. markets, but there are concerns about a reactionary decline in the second half.

Under these conditions, the Group will strive to further expand the scope of operations by launching competitive new products promptly and promoting the development of high-value-added businesses in trading divisions.

As it consistently aims to be Global Top in high-tech solutions, the Group will work to increase enterprise value by rapidly responding to market trends and customer needs.

CONSOLIDATED BALANCE SHEETS

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (note 2)
Assets	2008	2007	2008
Current assets:			
Cash (note 3)	¥ 25,819	¥ 30,130	\$ 257,702
Short-term investments (note 4)	1,129	147	11,269
Notes and accounts receivable (note 5)	247,409	234,402	2,469,401
Inventories	67,070	66,175	669,429
Advances to suppliers (note 5)	2,576	2,256	25,709
Deposit to Hitachi Group cash management fund (note 3 and 5)	45,957	29,192	458,702
Deferred tax assets (note 6)	13,362	16,692	133,371
Prepaid expenses and other current assets (note 3)	11,692	4,936	116,699
Less: allowance for doubtful receivables	(3,378)	(3,094)	(33,719)
Total current assets	411,636	380,836	4,108,563
Property, plant and equipment:			
Land	20,259	19,917	202,205
Buildings and structures	47,902	45,251	478,111
Machinery and equipment	34,755	34,788	346,888
Tools, furniture & fixtures	27,807	26,322	277,545
Construction in progress	250	239	2,492
	130,973	126,517	1,307,241
Less: accumulated depreciation	(72,281)	(69,451)	(721,437)
Net property, plant and equipment	58,692	57,066	585,804
Intangible assets	3,847	3,733	38,394
Investments and other assets:			
Investments in non-consolidated subsidiaries and affiliates	1,728	3,511	17,245
Investments in securities (note 4)	12,708	19,067	126,835
Long-term loan	498	610	4,967
Deferred tax assets (note 6)	6,660	5,564	66,471
Other assets (note 7)	10,169	10,658	101,505
Less: allowance for doubtful receivables	(1,065)	(854)	(10,628)
Total investments and other assets	30,698	38,556	306,395
	¥504,873	¥480,191	\$5,039,156

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (note 2)
Liabilities and net assets	2008	2007	2008
Current liabilities:			
Notes and accounts payable (note 5)	¥178,134	¥168,872	\$1,777,964
Accrued expenses	26,753	28,483	267,024
Income taxes (note 6)	8,918	12,518	89,008
Advances from customers (note 5)	6,793	6,185	67,797
Provision for product warranty expenses	2,154	2,505	21,497
Other current liabilities (note 6)	20,061	12,307	200,234
Total current liabilities	242,813	230,870	2,423,524
Long-term liabilities:			
Retirement and severance benefits (note 7)	26,681	27,697	266,303
Other liabilities (note 6)	275	294	2,747
Total long-term liabilities	26,956	27,991	269,050
Total liabilities	269,769	258,861	2,692,574
Net assets (note 1):			
Common stock (note 8)	7,938	7,938	79,234
Capital surplus (note 8 and 9)	35,745	35,745	356,768
Retained earnings (note 9)	188,892	165,399	1,885,336
Treasury stock, at cost, 188,920 shares in 2008 and 185,064 shares in 2007	(306)	(295)	(3,052)
Net unrealized holding gains on securities	4,365	7,078	43,568
Other comprehensive income	156	56	1,557
Foreign currency translation adjustments	(1,897)	333	(18,939)
Minority interests	211	5,076	2,110
Total net assets	235,104	221,330	2,346,582
Commitments and contingent liabilities (note 10)			
	¥504,873	¥480,191	\$5,039,156

CONSOLIDATED STATEMENTS OF INCOME

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (note 2)
	2008	2007	2008
Net sales (note 5)	¥943,124	¥951,619	\$9,413,354
Cost of sales (note 5)	797,282	809,217	7,957,704
Gross profit	145,842	142,402	1,455,650
Selling, general and administrative expenses	96,701	97,340	965,173
Operating profit	49,141	45,062	490,477
Other income (expense)			
Interest & dividends income	1,373	1,646	13,703
Interest expenses	(116)	(118)	(1,160)
Equity in earnings of affiliates	183	367	1,827
Foreign exchange gains	10	136	105
Losses on devaluation of inventories	(1,154)	(2,851)	(11,514)
Gain on sales of investments securities	857	–	8,554
Gain on sales of fixed assets	426	527	4,252
Losses on devaluation of investments securities	(1,568)	–	(15,646)
Impairment losses (note 15)	–	(123)	–
Restructuring charges (note 16)	–	(955)	–
Losses on sales of shares of subsidiaries	–	(555)	–
Other, net	(731)	(158)	(7,309)
	(720)	(2,084)	(7,188)
Income before income taxes and minority interests	48,421	42,978	483,289
Income taxes (note 6)			
Current	17,211	16,112	171,772
Deferred	3,762	156	37,551
	20,973	16,268	209,323
Income before minority interests	27,448	26,710	273,966
Minority interests	516	601	5,155
Net income	¥ 26,932	¥ 26,109	\$ 268,811

	Yen	U.S. dollars (note 2)
Net income per share (note 11)	¥ 195.80	\$ 1.95

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Issued and outstanding shares (thousands)	Millions of yen										
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' Equity	Net unrealized holding gains on securities	Other comprehensive income	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	137,739	¥7,938	¥35,745	¥143,160	¥(270)	¥186,573	¥ 7,109	¥ -	¥ (319)	¥ 6,790	¥ 4,653	¥198,016
Net income	-	-	-	26,109	-	26,109	-	-	-	-	-	26,109
Cash dividends	-	-	-	(3,783)	-	(3,783)	-	-	-	-	-	(3,783)
Bonuses to directors	-	-	-	(87)	-	(87)	-	-	-	-	-	(87)
Purchase of treasury stock	-	-	-	-	(25)	(25)	-	-	-	-	-	(25)
Net change during the year	-	-	-	-	-	-	(31)	56	652	677	-	677
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	423	423
Balance at March 31, 2007	137,739	¥7,938	¥35,745	¥165,399	¥(295)	¥208,787	¥ 7,078	¥ 56	¥ 333	¥ 7,467	¥ 5,076	¥221,330
Net income	-	-	-	26,932	-	26,932	-	-	-	-	-	26,932
Cash dividends	-	-	-	(3,439)	-	(3,439)	-	-	-	-	-	(3,439)
Purchase of treasury stock	-	-	-	-	(11)	(11)	-	-	-	-	-	(11)
Net change during the year	-	-	-	-	-	-	(2,713)	100	(2,230)	(4,843)	-	(4,843)
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	(4,865)	(4,865)
Balance at March 31, 2008	137,739	¥7,938	¥35,745	¥188,892	¥(306)	¥232,269	¥ 4,365	¥156	¥(1,897)	¥ 2,624	¥ 211	¥235,104

	Issued and outstanding shares (thousands)	Thousands of U.S. dollars (note 2)										
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' Equity	Net unrealized holding gains on securities	Other comprehensive income	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	137,739	\$79,234	\$356,768	\$1,650,849	\$(2,944)	\$2,083,907	\$70,642	\$ 561	\$ 3,327	\$74,530	\$ 50,663	\$2,209,100
Net income	-	-	-	268,811	-	268,811	-	-	-	-	-	268,811
Cash dividends	-	-	-	(34,324)	-	(34,324)	-	-	-	-	-	(34,324)
Purchase of treasury stock	-	-	-	-	(108)	(108)	-	-	-	-	-	(108)
Net change during the year	-	-	-	-	-	-	(27,074)	996	(22,266)	(48,344)	-	(48,344)
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	(48,553)	(48,553)
Balance at March 31, 2008	137,739	\$79,234	\$356,768	\$1,885,336	\$(3,052)	\$2,318,286	\$43,568	\$1,557	\$(18,939)	\$26,186	\$ 2,110	\$2,346,582

CONSOLIDATED STATEMENTS OF CASH FLOWS

Hitachi High-Technologies Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (note 2)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 48,421	¥ 42,978	\$ 483,289
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	8,854	7,638	88,370
Impairment losses	-	123	-
Increase (Decrease) in provision for doubtful receivables	519	(166)	5,184
Decrease in retirement and severance benefits	(958)	(261)	(9,564)
Interest and dividends income	(1,373)	(1,646)	(13,703)
Interest expenses	116	118	1,160
Foreign exchange losses (gains)	88	(30)	882
Equity in earnings of affiliates	(183)	(367)	(1,827)
Gains on sales and disposal of property and equipment	(198)	(167)	(1,972)
Gains on sales and devaluation of securities	727	(129)	7,259
Increase (Decrease) in notes and accounts receivables	(16,037)	6,090	(160,068)
Increase in inventories	(5,260)	(9,507)	(52,495)
Increase (Decrease) in notes and accounts payables	11,526	(14,113)	115,038
Bonuses paid to directors	-	(87)	-
Other, net	2,924	2,047	29,174
	49,166	32,521	490,727
Interest and dividends received	2,732	1,658	27,268
Interest paid	(27)	(37)	(267)
Income taxes paid	(21,128)	(9,337)	(210,882)
Net cash provided by operating activities	30,743	24,805	306,846
Cash flows from investing activities:			
Decrease in time deposits	5	20	50
Purchase of securities	(1,059)	(378)	(10,569)
Proceeds from sales and redemption of securities	1,154	215	11,513
Capital expenditures	(7,464)	(5,913)	(74,503)
Proceeds from sales of property and equipment	954	857	9,526
Other, net	17	(701)	172
Net cash used in investing activities	(6,393)	(5,900)	(63,811)
Cash flows from financing activities:			
Dividends paid	(3,439)	(3,783)	(34,324)
Other, net	(246)	(226)	(2,454)
Net cash used in financing activities	(3,685)	(4,009)	(36,778)
Effect of exchange rate changes on cash and cash equivalents	(2,079)	771	(20,751)
Net increase (decrease) in cash and cash equivalents	18,586	15,667	185,506
Cash and cash equivalents at beginning of year	59,267	43,600	591,546
Cash and cash equivalents at end of year (note 3)	¥ 77,853	¥ 59,267	\$ 777,052

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hitachi High-Technologies Corporation and Consolidated 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 Financial Instruments and Exchange Law of Japan.

In addition, for the convenience of readers outside Japan, the consolidated financial statements, including the notes to the consolidated financial statements, contain certain reclassifications and additional information which is not required under accounting principles generally accepted in 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.

The cost in excess of net assets of an acquiree based on the fair value, acquired by the Company is being amortized on a straight-line basis over 5 years or, if the amount is not material, charged immediately to earnings.

(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 accounts for short-term investments and investment securities in accordance with the "Accounting Standards for Financial Instruments" issued by the Accounting Standards Board of Japan. 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 net assets 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 net assets 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 net assets. Available-for-sale securities for which it is not practicable to estimate fair value 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 follows:

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 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 were acquired on or after April 1, 1998, being depreciated by the straight-line method.

(Accounting policy change)

In accordance with the revised Japanese Corporation Tax Law and its regulation, the Company and its domestic subsidiaries have changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007.

The effect of adoption of the new depreciation method on income before income taxes and minority interests was not material.
(Additional Information)

In accordance with the revised Japanese Corporation Tax Law and its regulation, the Company and its domestic subsidiaries have adopted a new depreciation method for tangible fixed assets acquired on or before March 31, 2007 from the current consolidated fiscal year. By the new method, the residual book value of those assets which had been fully depreciated to the limit prescribed in the previous corporate tax code is depreciated in equal amount over five-year period.

The effect of adoption of the new depreciation method on income before income taxes and minority interests was not material.

(g) Intangible Assets

Intangible assets are principally amortized by the straight-line method over estimated useful lives.

(h) Allowance for Doubtful Receivables

The allowance for doubtful receivables is established at amounts considered to be appropriate based on the Company's history of credit losses, and an evaluation of potential losses for specific doubtful receivables.

(i) Provision for Product Warranty Expenses

The provision for product warranty expenses is estimated and recorded at the time of sales to provide for future potential costs, such as costs related to after-sales services, at amounts considered to be appropriate based on the Company's past experience.

(j) Retirement and Severance Benefits

Allowance for retirement and severance benefits for employees is provided based on the estimated retirement benefit obligation and the pension assets.

Prior service benefits and costs are recognized as income or expense on a straight-line basis over certain years (7 to 17 years) not exceeding the expected average remaining service periods of the employees active at the date of the amendment. Actuarial gains and losses are recognized as income or expense on a straight-line basis from the next year over certain years (7 to 18 years) not exceeding the expected average remaining service periods of the employees participating in the plans.

A retirement allowance for directors and executive officers has been provided for the vested benefits to which they are entitled if they were to retire or sever immediately at the balance sheet date.

(k) 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.

(l) Translation of Foreign Currency Accounts

The Company accounts for or translates foreign currency accounts under the “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. Foreign currency transactions, for which firm forward exchange contracts are held, are translated into yen at such contract rates, only if 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”. 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; net assets 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 net assets is reported as “Foreign currency translation adjustments”, a separate component of net assets.

(m) Derivative Financial Instruments

Under the “Accounting Standards for Financial Instruments” issued by the Accounting Standards Board of Japan, 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 prescribed in “Accounting Standards for Financial Instruments”, are accounted for using deferral hedge accounting, which requires the unrealized gains or losses to be deferred as a component of net assets until gains or losses relating to the hedge objects are recognized.

(n) 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.

(o) Treasury Stock

Under the “Accounting Standards for Treasury Shares and Appropriation of Legal Reserve” issued by the Accounting Standards Board of Japan, treasury stock is recorded at cost as a deduction of net assets. When the Company reissues the treasury stock, the difference between the issuance price and the cost of the treasury stock is credited or charged to capital surplus.

(p) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(q) Net Income per Share

The Company computes and discloses net income per share under the “Accounting Standard for Earnings per Share” issued by the Accounting Standards Board of Japan. 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.

(r) Reclassifications

Certain reclassifications have been made in prior year’s consolidated financial statements to conform to classification used in 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 the U.S. dollars at the rate of ¥100.19=\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2008. 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
	2008	2007	2008
Cash	¥25,819	¥30,130	\$257,702
Time deposits with maturity over three months	(50)	(55)	(499)
Deposits to Hitachi Group cash management fund	45,957	29,192	458,702
Other deposits in other current assets	6,127	–	61,147
Cash and cash equivalents	¥77,853	¥59,267	\$777,052

4. SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

Investments in securities as of March 31, 2008 and 2007 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							
	2008				2007			
	Cost	Gross gains	Gross losses	Aggregate fair value	Cost	Gross gains	Gross losses	Aggregate fair value
Available-for-sale securities:								
Equity securities	¥3,122	¥7,375	¥(17)	¥10,480	¥4,619	¥12,239	¥(365)	¥16,493
Debt securities	3,004	–	(16)	2,988	2,005	5	(4)	2,007
Other securities	366	3	–	369	713	2	0	714
	¥6,492	¥7,378	¥(33)	¥13,837	¥7,337	¥12,246	¥(369)	¥19,214

	Thousands of U.S. dollars			
	2008			
	Cost	Gross gains	Gross losses	Aggregate fair value
Available-for-sale securities:				
Equity securities	\$31,163	\$73,605	\$(166)	\$104,602
Debt securities	29,982	–	(157)	29,825
Other securities	3,644	33	–	3,677
	\$64,789	\$73,638	\$(323)	\$138,104

Debt securities consist mainly of corporate bonds. Other securities consist mainly of 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, 2008 and 2007 totaled ¥302 million (\$3,012 thousand) and ¥632 million, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Short-term investments	¥ 1,129	¥ 147	\$ 11,269
Investments in securities	12,708	19,067	126,835
	¥13,837	¥19,214	\$138,104

The following represents the maturities of debt securities and other securities with contractual maturities as of March 31, 2008.

	Millions of yen		Thousands of U.S. dollars
	2008	2008	2008
Within 1 year	¥1,129		\$11,269
After 1 year through 5 years	62		616
After 5 years through 10 years	0		2
	¥1,191		\$11,887

The proceeds from sales of available-for-sale securities for the year ended March 31, 2008 amounted to ¥1,123 million (\$11,213 thousand), and the gross realized gains on the sales of those securities for the year ended March 31, 2008 amounted to ¥857 million (\$8,554 thousand).

The proceeds from sales of available-for-sale securities for the year ended March 31, 2007 amounted to ¥80 million and the gross realized gains on the sales of those securities for the year ended March 31, 2007 amounted to ¥52 million.

5. BALANCES AND TRANSACTIONS WITH RELATED PARTY

51.7% 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, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Principal balances:			
Accounts receivable	¥ 8,916	¥ 8,377	\$ 88,994
Advances to suppliers	18	33	181
Deposit to Hitachi Group cash management fund	45,957	29,192	458,702
Trade accounts payable	5,851	6,158	58,397
Advances from customers	1,339	1,192	13,361
Principal transactions:			
Sale	44,978	47,487	448,925
Purchase	12,864	13,772	128,396

6. INCOME TAXES

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

	2008	2007
Statutory tax rate	40.7%	40.7%
Expenses not deductible for tax purpose	1.9	2.0
Tax credit	(3.5)	(5.4)
Valuation allowance	1.7	0.7
Temporary difference from retained earnings of equity-method affiliates	1.5	–
Other, net	1.0	(0.1)
Effective income tax rate	43.3%	37.9%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2008 and 2007 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Total gross deferred tax assets:			
Allowance for doubtful receivables	¥ 1,615	¥ 1,453	\$ 16,114
Accrued bonus	4,110	4,104	41,019
Accrued business tax	690	1,013	6,891
Accrued expenses	3,692	5,215	36,850
Intercompany profit on inventories	1,336	1,581	13,337
Devaluation of inventories	1,689	2,689	16,859
Depreciation	1,338	1,379	13,353
Membership deposit	348	388	3,475
Investments in securities	2,026	1,473	20,226
Retirement and severance benefits	7,821	7,881	78,058
Net operating losses carryforwards	664	54	6,626
Other, net	952	2,205	9,509
	26,281	29,435	262,317
Less valuation allowance	(3,083)	(2,263)	(30,773)
	23,198	27,172	231,544
Total gross deferred tax liabilities:			
Net unrealized holding gains on securities	(2,969)	(4,818)	(29,633)
Other	(401)	(292)	(4,001)
	(3,370)	(5,110)	(33,634)
Net deferred tax assets	¥19,828	¥22,062	\$197,910

Net deferred tax assets as of March 31, 2008 and 2007 are reflected in the consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets-current	¥13,362	¥16,692	\$133,371
Deferred tax assets-noncurrent	6,660	5,564	66,471
Deferred tax liabilities-current	-	(1)	-
Deferred tax liabilities-noncurrent	(194)	(193)	(1,932)
Net deferred tax assets	¥19,828	¥22,062	\$197,910

7. RETIREMENT AND SEVERANCE BENEFITS

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

- Corporate Pension Fund (funded 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, 2008 and 2007 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Projected benefit obligation	¥(104,413)	¥(103,117)	\$(1,042,154)
Plan assets at fair value	62,013	63,471	618,957
Funded status	(42,400)	(39,646)	(423,197)
Unrecognized actuarial loss	27,004	24,320	269,528
Unrecognized prior service cost	(5,682)	(6,256)	(56,713)
Amount recognized in the consolidated balance sheet	¥ (21,078)	¥ (21,582)	\$ (210,382)
Amounts recognized in the consolidated balance sheets consist of:			
Investment and other assets—other assets	¥ 4,718	¥ 5,071	\$ 47,086
Retirement and severance benefits	(25,796)	(26,653)	(257,468)
	¥ (21,078)	¥ (21,582)	\$ (210,382)

Net periodic benefit cost for the Company and subsidiaries' pension plans for the years ended March 31, 2008 and 2007 consisted of the following components:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost	¥ 4,156	¥ 4,087	\$ 41,486
Interest cost	2,519	2,488	25,143
Expected return on plan assets for the period	(2,329)	(2,204)	(23,241)
Amortization of actuarial loss	2,349	2,276	23,441
Amortization of prior service cost	(524)	(525)	(5,235)
	¥ 6,171	¥ 6,122	\$ 61,594
Other, net	109	135	1,091
	¥ 6,280	¥ 6,257	\$ 62,685

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

	2008	2007
Discount rate	1.9–2.5%	1.9–2.5%
Expected rate of return on plan assets	3.5%	3.5%

The programs described above do not cover directors and statutory auditors. Provision has been made in the accompanying balance sheets for accrued retirement benefit for directors and statutory auditors based on managements' estimates. At March 31, 2008 and 2007, such obligation recognized as retirement and severance benefits amounted to ¥885 million (\$8,835 thousand) and ¥1,044 million, respectively.

8. COMMON STOCK

Through May 1, 2006, the Company and its domestic subsidiaries are subjected to the Japanese Commercial Code (JCC). The JCC requires that at least 50% of the issue price of new shares is designated as stated capital, and proceeds in excess of amount designated as stated capital are credited to additional paid-in capital.

On May 1, 2006, a new corporate law (the Law) became effective, which reformed and replaced the JCC with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006.

Authorized shares and issued shares for the years ended March 31, 2008 and 2007 are summarized as follows:

	Authorized shares	Issued shares
Balance as of March 31, 2007	350,000,000	137,738,730
Balance as of March 31, 2008	350,000,000	137,738,730

9. LEGAL RESERVE AND DIVIDENDS

The JCC requires an amount of 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.

The Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (of retained earnings) or as additional paid-in capital (of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of threshold that the JCC provided. The Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

Cash dividends and appropriations to the legal reserve charged to retained earnings during the years ended March 31, 2008 and 2007 represent dividends and 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 dividend of ¥17.50 (\$0.17) per share approved at the Board of Directors' meeting held on May 26, 2008, aggregating ¥2,407 million (\$24,026 thousand) in respect of the year ended March 31, 2008.

10. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2008 and 2007, the Company and its subsidiaries are contingently liable for following amounts:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Export bills discounted	¥ 191	¥2,846	\$ 1,906
Notes receivable endorsed to suppliers	97	169	973
Guarantees given for employees' housing loans	1,246	1,472	12,432
	¥1,534	¥4,487	\$15,311

11. NET INCOME PER SHARE INFORMATION

The Company adopted "Accounting Standard for Earnings per Share" issued by Accounting Standard Board of Japan as described note 1 (q). The Company has no potentially dilutive securities for the years ended March 31, 2008 and 2007. Net income per share computed for the years ended March 31, 2008 and 2007 are as follows:

	Number of shares
	2008
Weighted average number of shares on which basic net income per share is calculated	137,551,481

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net income	¥26,932	¥26,109	\$268,811
Net income available to common shareholders	26,932	26,109	268,811

	Yen		U.S. dollars
	2008	2007	2008
Net income per share:			
Basic	¥195.80	¥189.81	\$1.95

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income for the year ended March 31, 2008 and 2007 amounted to ¥20,436 million (\$203,972 thousand) and ¥18,785 million, respectively.

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Company and its 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 currencies.

The Company has no derivative financial instruments for trading purpose. 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, 2008 and 2007 are as follows:

	2008			2007		
	Notional amounts	Estimated fair values	Unrealized gains	Notional amounts	Estimated fair values	Unrealized gains (losses)
Forward exchange contracts:						
To sell foreign currency	¥17,289	¥16,227	¥1,062	¥23,497	¥23,486	¥ 11
To buy foreign currency	¥ 3,845	¥ 3,853	¥ 8	¥ 5,992	¥ 5,941	¥(51)

	Thousands of U.S. dollars		
	Notional amounts	Estimated fair values	Unrealized gains
Forward exchange contracts:			
To sell foreign currency	\$172,557	\$161,962	\$10,595
To buy foreign currency	\$ 38,376	\$ 38,457	\$ 81

14. LEASE

Lessee

Future minimum lease payments under non-cancelable operating lease arrangements as of March 31, 2008 and 2007 are ¥682 million (\$6,802 thousand) and ¥534 million due within one year, ¥2,087 million (\$20,827 thousand) and ¥2,551 million due after one year, respectively.

Finance leases (without transfer of legal title) are accounted for as operating leases. For the years ended March 31, 2008 and 2007, lease payments of ¥1,300 million (\$12,957 thousand) and ¥1,643 million, respectively, under such finance leases were included in earnings. On a pro forma basis, leased property, lease obligation and related expenses, with assumed capitalization of such finance leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Leased property:			
Equipment and other, at cost	¥3,663	¥5,188	\$36,559
Less accumulated depreciation (Note a)	1,817	2,751	18,132
Less impairment	86	105	860
Net equipment and other	¥1,760	¥2,332	\$17,567
Depreciation expense (Note a)	¥1,258	¥1,595	\$12,554
Interest expense (Note b)	40	39	398
Lease obligation:			
Within one year	¥ 768	¥1,029	\$ 7,662
After one year	1,001	1,325	9,990
Total	¥1,769	¥2,354	\$17,652
Leased property impaired	¥ 18	¥ 52	\$ 184

Notes: a. Leased property is depreciated over the lease term by the straight-line method with no residual value.

b. Excess of total lease payments over the assumed acquisition costs is regarded as assumed interest payable and is allocated to each period using the interest method.

15. IMPAIRMENT OF TANGIBLE ASSETS

For determining impairment indicators, the Company and its consolidated subsidiaries group assets in accordance with managerial accounting classifications on the basis of each business unit, except for significant idle assets, assets held for sale, etc.

Based on the Company's reviews of impairment, the Company recognized impairment losses for its idle facilities, as summarized below:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Buildings and structures	¥-	¥ 76	\$-
Other	-	47	-
Total	¥-	¥123	\$-

16. RESTRUCTURING CHARGES

The Company recorded severance benefit and other expense of ¥955 million as restructuring charges due to reorganization of its Naka division including related subsidiaries for the year ended March 31, 2007.

17. SEGMENT INFORMATION

Business segment information

The Company has divided its operations into four reportable segments: "Electronic Device Systems," "Life Sciences," "Information Systems and Electronic Components" and "Advanced Industrial Products." Following is a tabulation of business segment information as of and for the years ended March 31, 2008 and 2007.

	Millions of yen						
	2008						
	Electronic Device Systems	Life Sciences	Information Systems & Electronic Components	Advanced Industrial Products	Total	Elimination	Consolidated
Net sales:							
External customers	¥264,778	¥96,173	¥232,716	¥349,457	¥943,124	¥ -	¥943,124
Intersegment sales	13	1,328	94	1,108	2,543	(2,543)	-
	264,791	97,501	232,810	350,565	945,667	(2,543)	943,124
Operating expenses	241,646	79,075	228,674	347,057	896,452	(2,469)	893,983
Operating profit	¥ 23,145	¥18,426	¥ 4,136	¥ 3,508	¥ 49,215	¥ (74)	¥ 49,141
Total assets	¥180,768	¥45,791	¥ 87,373	¥104,278	¥418,210	¥86,663	¥504,873
Depreciation	4,543	1,504	1,253	1,554	8,854	-	8,854
Impairment losses	-	-	-	-	-	-	-
Capital expenditure	4,894	1,494	4,438	899	11,725	-	11,725

Millions of yen

2007

	Electronic Device Systems	Life Sciences	Information Systems & Electronic Components	Advanced Industrial Products	Total	Elimination	Consolidated
Net sales:							
External customers	¥262,217	¥93,281	¥237,444	¥358,677	¥951,619	¥ -	¥951,619
Intersegment sales	59	1,613	121	1,708	3,501	(3,501)	-
	262,276	94,894	237,565	360,385	955,120	(3,501)	951,619
Operating expenses	235,379	82,581	235,332	356,761	910,053	(3,496)	906,557
Operating profit	¥ 26,897	¥12,313	¥ 2,233	¥ 3,624	¥ 45,067	¥ (5)	¥ 45,062
Total assets	¥174,992	¥44,623	¥ 88,365	¥100,076	¥408,056	¥72,135	¥480,191
Depreciation	4,091	1,347	1,119	1,081	7,638	-	7,638
Impairment losses	111	-	-	12	123	-	123
Capital expenditure	7,508	1,178	1,353	1,375	11,414	-	11,414

Thousands of U.S. dollars

2008

	Electronic Device Systems	Life Sciences	Information Systems & Electronic Components	Advanced Industrial Products	Total	Elimination	Consolidated
Net sales:							
External customers	\$2,642,758	\$959,907	\$2,322,750	\$3,487,939	\$9,413,354	\$ -	\$9,413,354
Intersegment sales	129	13,259	934	11,059	25,381	(25,381)	-
	2,642,887	973,166	2,323,684	3,498,998	9,438,735	(25,381)	9,413,354
Operating expenses	2,411,879	789,252	2,282,402	3,463,988	8,947,521	(24,644)	8,922,877
Operating profit	\$ 231,008	\$183,914	\$ 41,282	\$ 35,010	\$ 491,214	\$ (737)	\$ 490,477
Total assets	\$1,804,253	\$457,045	\$ 872,076	\$1,040,803	\$4,174,177	\$864,979	\$5,039,156
Depreciation	45,338	15,013	12,508	15,511	88,370	-	88,370
Impairment losses	-	-	-	-	-	-	-
Capital expenditure	48,851	14,913	44,297	8,977	117,038	-	117,038

The major products and goods of each business segment are as follows:**Electronic Device Systems:**

- Semiconductor Process Equipment (Etching Systems)
- Semiconductor Metrology and Analysis Equipment
- Electron Microscopes
- Liquid Crystal Display (LCD) Manufacturing Equipment
- Hard Disk (HD) Manufacturing Equipment
- Semiconductor Back-end Process Equipment (Die Bonders)
- Liquid Crystal Display (LCD) Manufacturing Equipment (Clean Material Handling System)
- Others

Life Sciences:

- Biotechnology-related Equipment
(DNA Sequencers and Liquid Chromatographs)
- Clinical Analyzers
(Automatic Clinical Chemistry and Immunodiagnostic Analyzers)
- Nuclear Magnetic Resonance Equipment (NMR)
- Gas Chromatography-Mass Spectrometers (GC-MS)
- Reagents
- Others

Information Systems & Electronic Components:

- Chip Mounters
- Measuring Equipment
- Design and Production for IT Solutions
- Semiconductor Device Products
- IT-related Equipment
- Thin Film Transistor (TFT) Displays
- Others

Advanced Industrial Products:

- Steel, Nonferrous Metals, and Plastics
- Electronic Components and Materials
- Silicon Wafers
- Procurement Solution Businesses
- Optical Components
- Automotive-related Components
- Others

Geographic segment information

Geographic segment information as of and for the years ended March 31, 2008 and 2007 are as follows:

								Millions of yen
								2008
	Japan	North America	Europe	Asia	Other areas	Total	Elimination	Consolidated
Net sales:								
External customers	¥707,850	¥73,821	¥77,801	¥ 83,290	¥362	¥ 943,124	¥ -	¥943,124
Intersegment sales	157,992	3,808	207	25,048	26	187,081	(187,081)	-
	865,842	77,629	78,008	108,338	388	1,130,205	(187,081)	943,124
Operating expenses	822,137	76,396	76,716	105,754	410	1,081,413	(187,430)	893,983
Operating profit	¥ 43,705	¥ 1,233	¥ 1,292	¥ 2,584	¥ (22)	¥ 48,792	¥ 349	¥ 49,141
Total assets	¥468,528	¥24,275	¥19,073	¥ 30,477	¥502	¥ 542,855	¥ (37,982)	¥504,873

								Millions of yen
								2007
	Japan	North America	Europe	Asia	Other areas	Total	Elimination	Consolidated
Net sales:								
External customers	¥685,357	¥84,650	¥79,295	¥102,120	¥197	¥ 951,619	¥ -	¥951,619
Intersegment sales	146,200	3,770	227	28,379	96	178,672	(178,672)	-
	831,557	88,420	79,522	130,499	293	1,130,291	(178,672)	951,619
Operating expenses	791,221	86,810	78,595	127,916	313	1,084,855	(178,298)	906,557
Operating profit	¥ 40,336	¥ 1,610	¥ 927	¥ 2,583	¥ (20)	¥ 45,436	¥ (374)	¥ 45,062
Total assets	¥433,115	¥28,377	¥19,744	¥ 33,834	¥409	¥ 515,479	¥ (35,288)	¥480,191

								Thousands of U.S. dollars
								2008
	Japan	North America	Europe	Asia	Other areas	Total	Elimination	Consolidated
Net sales:								
External customers	\$7,065,080	\$736,805	\$776,530	\$ 831,316	\$3,623	\$ 9,413,354	\$ -	\$9,413,354
Intersegment sales	1,576,927	38,010	2,063	250,007	253	1,867,260	(1,867,260)	-
	8,642,007	774,815	778,593	1,081,323	3,876	11,280,614	(1,867,260)	9,413,354
Operating expenses	8,205,780	762,514	765,703	1,055,536	4,097	10,793,630	(1,870,753)	8,922,877
Operating profit	\$ 436,227	\$ 12,301	\$ 12,890	\$ 25,787	\$ (221)	\$ 486,984	\$ 3,493	\$ 490,477
Total assets	\$4,676,400	\$242,290	\$190,370	\$ 304,191	\$5,013	\$ 5,418,264	\$ (379,108)	\$5,039,156

Major countries and areas included in each geographic segment are as follows:

- North America: United States, Canada
- Europe: Germany, United Kingdom, etc.
- Asia: Singapore, Korea, China, Hong Kong, Taiwan, etc.
- Other areas: Brazil, Israel

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					
2008					
	North America	Europe	Asia	Other areas	Total
Net sales	¥73,110	¥94,233	¥276,411	¥17,793	¥461,547
Percentage of consolidated net sales	7.8%	10.0%	29.3%	1.8%	48.9%

Millions of yen					
2007					
	North America	Europe	Asia	Other areas	Total
Net sales	¥76,740	¥95,917	¥296,867	¥23,326	¥492,850
Percentage of consolidated net sales	8.1%	10.1%	31.2%	2.4%	51.8%

Thousands of U.S. dollars					
2008					
	North America	Europe	Asia	Other areas	Total
Net sales	\$729,714	\$940,545	\$2,758,870	\$177,587	\$4,606,716
Percentage of consolidated net sales	7.8%	10.0%	29.3%	1.8%	48.9%

Major countries and areas included in each geographic area are as follows:

- North America: United States, Canada
- Europe: Germany, United Kingdom, etc.
- Asia: Singapore, Korea, China, Hong Kong, Taiwan, etc.
- Other areas: Middle East, Latin America, etc.

18. SUBSEQUENT EVENT

In April 2008, the Company sold all shares of Hitachi East Asia, Ltd., an equity-method affiliate, to Hitachi, Ltd. due to lowered business relationship and improvement of return on investment. The Company is expected to record consolidated losses of ¥298 million (\$2,997 thousand) for the year ended March 31, 2009.

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, 2008 and 2007, and the related consolidated statements of income, changes in net assets, 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, 2008 and 2007, 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, 2008 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.

Ernst & Young Shin Nihon

Tokyo, Japan

June 25, 2008

INVESTOR INFORMATION

CORPORATE DATA (As of March 31, 2008)

Date of Establishment

April 12, 1947

Paid-in Capital

¥7,938 million

Number of Employees

10,477 (Hitachi High-Technologies Group Total)

Number of Common Shares

137,738,730 (Issued and Outstanding)

Stock Exchange Listings

Tokyo Stock Exchange, First Section;
Osaka Securities Exchange, First Section

Annual Shareholders' Meeting

June

Independent Auditors

Ernst & Young ShinNihon

Number of Shareholders

8,843

TRANSFER AGENT

Transfer Agent

Tokyo Securities Transfer Agent Co., Ltd.

Office of the Transfer Agent

6-2, Otemachi 2-chome, Chiyoda-ku, Tokyo
100-0004, Japan

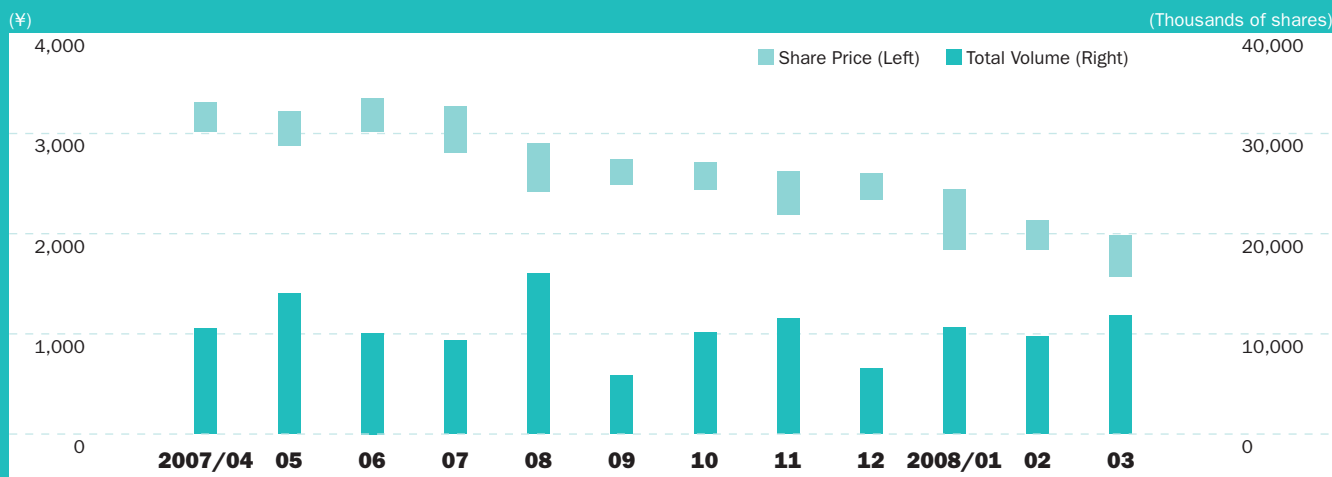
MAJOR SHAREHOLDERS (As of March 31, 2008)

Name	Number of shares	Percentage of total equity (%)
Hitachi, Ltd.	70,807,382	51.41
The Master Trust Bank Of Japan, Ltd.	8,718,200	6.33
Japan Trustee Services Bank, Ltd.	5,393,400	3.92
Investors Bank and Trust Company (West)-Pension Fund Clients	1,859,438	1.35
Employees' Stockholding	1,779,736	1.29
Trust & Custody Services Bank, Ltd.	1,701,300	1.24
BNP Paribas Securities (Japan) Limited	1,456,800	1.06
The Nomura Trust and Banking Co., Ltd.	1,437,000	1.04
State Street Bank and Trust Company	1,340,457	0.97
Mellon Bank, N.A. as Agent for Its Client Mellon Omnibus US Pension	1,225,576	0.89

TYPE OF SHAREHOLDERS (As of March 31, 2008)

	Number of shareholders	Percentage of total equity (%)	Number of shares (Tens of thousands)	Percentage of total equity (%)
Financial institutions	62	0.7	2,428	17.6
Securities firms	39	0.4	59	0.4
Other domestic corporations	164	1.9	7,255	52.7
Foreign corporations, etc.	274	3.1	2,970	21.6
Individuals and others	8,304	93.9	1,062	7.7
Total	8,843	100.0	13,774	100.0

SHARE PRICE AND TOTAL VOLUME



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