

# Report of Consolidated Financial Results

## For the Six Months Ended September 30, 2003

<p>Registered Company Name: Hitachi High-Technologies Corporation</p> <p>Code No: 8036</p> <p>URL: <a href="http://www.hitachi-hitec.com/">http://www.hitachi-hitec.com/</a></p> <p>Representative: Masaaki Hayashi, President, Chief Executive Officer and Director</p> <p>Contact: Tatsuya Akutagawa, General Manager, Investor Relations, General Affairs Dept.</p>	<p>Stock Listings: Tokyo, Osaka</p> <p>Head Office: Tokyo</p> <p>Telephone: (03) 3504-5138</p>
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### 1. Business Performance (For the six months ended September 30, 2003 and 2002, and the year ended March 31, 2003)

#### (1) Results of Operations

(Millions of Yen, %)

	Net Sales	Change	Operating Income	Change	Ordinary Income	Change
FY2003 Interim	¥384,958	-0.1%	¥5,918	+22.0%	¥6,267	+32.3%
FY2002 Interim	¥385,203	+5.0%	¥4,851	-9.5%	¥4,736	-25.1
FY2002	¥778,229		¥11,844		¥12,104	

	Net Income	Change	Net Income per Share (Yen)	Diluted Net Income per Share
FY2003 Interim	¥2,928	+60.4%	¥21.28	—
FY2002 Interim	¥1,825	-44.3%	¥13.26	—
FY2002	¥5,928		¥40.92	—

#### Notes:

1. Equity method investment income was ¥2 million for the six months ended September 30, 2003, ¥73 million for the six months ended September 30, 2002, and ¥70 million for the year ended March 31, 2003.
2. The average number of common shares was 137,581,954 for the six months ended September 30, 2003, 137,695,281 for the six months ended September 30, 2002, and 137,663,810 for the year ended March 31, 2003.
3. There were no changes in accounting procedures.
4. Percentage changes for interim net sales, operating income, ordinary income and net income results indicate increases or decreases relative to interim results for the previous fiscal year.

#### (2) Financial Position

(Millions of Yen, %)

	Total Assets	Total Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share (Yen)
FY2003 Interim	¥402,388	¥156,611	38.9%	¥1,138.34
FY2002 Interim	¥392,683	¥153,534	39.1%	¥1,114.81
FY2002	¥389,704	¥155,161	39.8%	¥1,125.60

Note: The number of common shares was 137,578,793 as of September 30, 2003, 137,721,909 as of September 30, 2002, and 137,584,930 as of March 31, 2003.

(3) Cash Flows

(Millions of Yen)

	Net Cash Provided by Operating Activities	Net Cash Provided by (Used in) Investing Activities	Net Cash Used in Financing Activities	Cash and Cash Equivalents at End of Period
FY2003 Interim	¥7,217	¥940	¥(8,413)	¥51,219
FY2002 Interim	¥9,780	¥(682)	¥(3,052)	¥48,681
FY2002	¥18,284	¥2,457	¥(10,818)	¥52,456

(4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 38

Equity-method unconsolidated subsidiaries: 0

Equity-method affiliates: 1

(5) Change in scope of consolidation and application of equity method

Newly consolidated subsidiaries: 3

Unconsolidated subsidiaries: 1

New equity-method affiliates: 0

Affiliates eliminated from equity-method accounting: 0

## 2. Earnings Outlook (For the Year Ending March 31, 2004)

(Millions of Yen)

	Net Sales	Ordinary Income	Net Income	Net Income per Share (Yen)
FY2003	¥785,400	¥12,400	¥6,400	¥45.11

### General Notes:

1. Projections made in this report are based on information available at the time of publication. Owing to various factors, actual results may differ from these projections.
2. Net income per share forecasts exclude earnings that are not distributable to common-stock shareholders.
3. Amounts less than one million yen have been rounded.

## Results of Operations

### (1) Overview

Net sales for the six months ended September 30, 2003, amounted to ¥385.0 billion, down 0.1% from the same period a year earlier. Ordinary income rose 32.3%, to ¥6.3 billion. Net income climbed 60.4%, to ¥2.9 billion.

#### *Electronic Device Systems*

In the area of semiconductor manufacturing equipment, sales of mainstay critical dimension scanning electron microscopes (CD-SEMs) in Asia were depressed by curbs on capital investment, although sales in Japan remained firm. Sales of etchers rose, bolstered by growth in the domestic market. In contrast, sales of electron beam lithography systems and scanners manufactured by ASML Holding NV flagged as customers postponed capital investment plans. Sales of liquid crystal display (LCD)-related manufacturing equipment were firm, supported by brisk sales of dispensers manufactured by Hitachi Industries Co., Ltd., for the Taiwanese market. As a consequence, segment sales declined 12.5% from the first half of fiscal 2002, to ¥62.5 billion, while operating income rose 7.3%, to ¥1.3 billion.

#### *Life Science*

Sales of DNA sequencers remained brisk, reflecting vigorous demand in the DNA analysis market and other biotechnology-related markets. Although marketing activities in China and other parts of Asia were curtailed by the outbreak of severe acute respiratory syndrome (SARS), sales of clinical analyzers were bolstered by firm sales to the European and North American immunology markets. As a result, sales in this segment advanced 7.3%, to ¥43.4 billion, and operating income rose 13.6%, to ¥3.1 billion.

#### *Information Systems & Electronic Components*

Sales of semiconductors flagged as the market for semiconductors for cellular phones entered an adjustment phase. Demand for optical pick-ups was favorable and while overall sales were hampered by price competition, sales of broadband-related products were solid. Sales of newly developed organic electroluminescence (EL) manufacturing equipment were also brisk, owing to increasingly active capital investment. Sales of chip mounters were also strong, reflecting the acquisition of a chip moulder business. Owing to these and other factors, segment sales rose 4.6%, to ¥151.7 billion, although operating income declined 37.6%, to ¥781 million.

#### *Advanced Industrial Products*

The expansion of the optical electrical components market supported brisk sales of optical components for LC projectors and optical media materials. In contrast, the optical communications market failed to gather momentum despite signs of improvement, and demand for optical communications components remained flat. As a consequence, this segment registered sales of ¥127.3 billion, down 0.7%, and operating income of ¥686 million, down from ¥431 million in the first half of the previous fiscal year.

### (2) Outlook for Fiscal 2004

While U.S. economic expansion is expected to clarify a trend toward a gradual recovery of the global economy, the outlook for the operating environment continues to invite caution. Accordingly, for the year ending March 31, 2004, the Company is targeting consolidated net sales of ¥785.4 billion, a 0.9% increase; ordinary income of ¥12.4 billion, a 2.4% rise; and net income of ¥6.4 billion, up 8.0%.

The Company will continue striving to solidify its position as a global leader in the high technology field and to achieve its performance targets by responding swiftly to customer and market needs.

(3) **Cash Flows**

Cash and cash equivalents at end of period amounted to ¥51.2 billion, down ¥1.2 billion from the end of the previous fiscal year. This reflected net cash provided by operating activities of ¥7.2 billion and net cash provided by investing activities of ¥940 million, which offset net cash used in financing activities of ¥8.4 billion.

*Net Cash Provided by Operating Activities*

Net cash provided by operating activities totaled ¥7.2 billion. This primarily reflected cash generated by income before income taxes and minority interests of ¥6.3 billion, depreciation and amortization of ¥3.5 billion, an increase in trade payables of ¥9.9 billion, which countered income taxes paid of ¥5.9 billion, a ¥1.5 billion increase in trade receivables and a ¥5.9 billion increase in inventories.

*Net Cash Provided by Investing Activities*

Net cash provided by investing activities was ¥940 million. Principal factors behind this result included ¥1.2 billion in proceeds from sales of stock and investment in consolidated subsidiaries, a consequence of the Company's acquisition of shares in two chip mounter system manufacturing and servicing companies from SANYO Electric Co., Ltd.; proceeds from sales of marketable and investment securities of ¥3.5 billion. Cash provided thus offset payment for purchase of investment securities of ¥1.0 billion and payment for purchase of property, plant and equipment of ¥2.5 billion, owing to the acquisition of manufacturing equipment and other tangible assets for the Company's new plant in Naka, Ibaraki Prefecture, and the creation of a new enterprise resource planning (ERP) system.

*Net Cash Used in Financing Activities*

Net cash used in financing activities amounted to ¥8.4 billion. This reflected a ¥7.3 billion decrease in short-term debt and ¥1.0 billion in dividends paid.

# Consolidated Statements of Income

For the six months ended September 30, 2003 and 2002, and the year ended March 31, 2003

(Millions of Yen, %)

	FY2003 Interim	FY2002 Interim	Change	FY 2002
Net sales	¥384,958	¥385,203	-0.1%	¥778,229
Cost of sales	335,236	338,686	-1.0	684,007
Gross profit	49,721	46,517	+6.9	94,222
Selling, general and administrative expenses	43,803	41,666	+5.1	82,378
Operating income	5,918	4,851	+22.0	11,844
Other income:				
Interest	232	357	-35.1	676
Dividends	68	83	-18.9	145
Equity in earnings of affiliates	2	73	-97.7	70
Others	565	437	+29.2	1,903
	866	951	-9.0	2,794
Other deductions:				
Interest	82	105	-22.5	208
Others	435	960	-54.7	2,325
	517	1,065	-51.5	2,533
Ordinary income	6,267	4,736	+32.3	12,104
Extraordinary gains	—	—	—	—
Extraordinary losses	—	—	—	—
Income before income taxes and minority interests	6,267	4,736	+32.3	12,104
Corporate, inhabitant and business taxes	2,799	4,694	-40.4	8,645
Adjustment for corporate and other taxes	518	(2,094)		(2,856)
Minority interests	22	311	-92.8	388
Net income	¥ 2,928	¥ 1,825	+60.4	¥ 5,928

# Consolidated Statements of Retained Earnings

For the six months ended September 30, 2003 and 2002

(Millions of Yen)

	FY2003 Interim	FY2002 Interim
Capital surplus:		
Capital surplus at beginning of period	¥ 35,745	¥ 35,723
Increases in capital surplus:		
Net gain on disposal of treasury stock	—	21
Capital surplus at end of period	35,745	35,745
Earned surplus:		
Earned surplus at beginning of period	109,633	106,733
	109,633	106,733
Increase in earned surplus		
Net income	2,928	5,928
Increase due to greater number of consolidated subsidiaries	—	211
	2,928	6,139
Decrease in earned surplus		
Decrease due to equity change of consolidated subsidiaries	—	880
Dividends	1,032	2,065
Directors' bonuses	305	293
	1,336	3,238
Earned surplus at end of period	¥111,225	¥109,633

# Consolidated Balance Sheets

As of September 30, 2003 and 2002

(Millions of Yen)

ASSETS	FY2003 Interim	FY2002	Change
Current assets:			
Cash on hand and in banks	¥ 49,690	¥ 51,675	-¥ 1,984
Trade receivables	183,674	181,469	+2,206
Marketable securities	3,094	2,164	+929
Inventories	46,909	37,741	+9,167
Others	19,242	17,761	+1,481
Less: Allowance for doubtful receivables	(1,639)	(1,623)	-16
	300,970	289,186	+11,784
Property, plant and equipment:			
Land	21,302	21,347	-45
Buildings and structures	20,715	21,170	-455
Others	14,392	14,582	-191
	56,408	57,099	-691
Intangible fixed assets	8,836	4,051	+4,784
Investments and other assets:			
Investments in securities	19,566	21,601	-2,036
Others	17,800	18,966	-1,167
Less: Allowance for doubtful receivables	(1,191)	(1,200)	+9
	36,174	39,368	-3,194
	101,417	100,518	+900
Total assets	¥402,388	¥389,704	+¥12,683



(Millions of Yen)

LIABILITIES AND SHAREHOLDERS' EQUITY	FY2003 Interim	FY2002	Change
Current liabilities:			
Trade payables	¥150,234	¥141,356	+¥ 8,878
Short-term debt	25,100	20,766	+4,333
Accrued expenses	21,051	20,465	+586
Other current liabilities	18,476	22,517	-4,042
	214,860	205,105	9,755
Long-term liabilities:			
Retirement allowances	26,009	23,524	+2,485
Reserve for directors' retirement account	895	1,466	-570
Others	122	121	+1
	27,027	25,111	+1,916
Total liabilities	241,887	230,216	+11,671
Minority interests	3,889	4,327	-438
Shareholders' equity:			
Common stock	7,938	7,938	—
Capital surplus	35,745	35,745	—
Accumulated earnings	111,225	109,633	+1,592
Net unrealized holding gain on securities	3,678	2,923	+755
Foreign currency translation adjustments	(1,740)	(853)	-887
Less: Treasury stock, at cost	(235)	(226)	-9
Total shareholders' equity	156,611	155,161	+1,451
Total liabilities, minority interests and shareholders' equity	¥402,388	¥389,704	+¥12,683

# Consolidated Statements of Cash Flows

For the six months ended September 30, 2003 and 2002, and the year ended March 31, 2003

(Millions of Yen)

	FY2003 Interim	FY2002 Interim	FY2002
Cash flows from operating activities:			
Income from income taxes and minority interests	¥ 6,267	¥ 4,736	¥12,104
Depreciation and amortization	3,521	3,433	7,458
Increase (decrease) in allowance for retirement benefits	2,432	(75)	36
(Decreases) increases in various allowances	(566)	330	(388)
Interest and dividend income	(299)	(440)	(821)
Interest expenses	82	105	208
Other non-cash income and expenses	601	238	574
Bonuses paid to directors	(305)	(296)	(296)
Increase in trade receivables	(1,473)	(818)	(4,530)
Increase in inventories	(5,944)	(3,830)	(610)
Increase in trade payables	9,894	11,354	10,080
Changes in other assets and liabilities—net	(1,466)	(2,119)	512
Others	103	(365)	(1,191)
	12,846	12,253	23,137
Interest and dividends received	318	497	877
Dividends paid	(50)	(106)	(214)
Income taxes paid	(5,896)	(2,865)	(5,517)
Net cash provided by operating activities	7,217	9,780	18,284
Cash flows from investing activities:			
Increase in time deposits	(324)	(58)	(105)
Decrease in time deposits	72	253	240
Payment for purchase of marketable securities			(25)
Proceeds from sales of marketable securities	2,103	2,007	2,019
Payment for purchase of investment securities	(1,035)	(1)	(480)
Proceeds from sales of investment securities	1,387	1,394	5,741
Payment for purchase of property, plant and equipment	(2,500)	(3,821)	(6,383)
Proceeds from sales of property, plant and equipment	21	447	852
Increase in loans receivable	(30)	(6)	(6)
Proceeds from collection of loans	1	570	2,070
Payment for purchase of stock and investment in consolidated subsidiaries		(1,467)	(1,467)
Proceeds from sales of stock and investment in consolidated subsidiaries	1,244		—
Payment for purchase of other investments	—	(3,000)	(3,000)
Proceeds from sales of other investments	—	3,000	3,000
Net cash provided by (used in) investing activities	940	(682)	2,457

Cash flows from financing activities:			
Decrease in short-term debt	(7,293)	(2,100)	(8,652)
Dividends paid	(1,032)	(1,032)	(2,065)
Other	(88)	80	(101)
Net cash used in financing activities	(8,413)	(3,052)	(10,818)
Effect of exchange rate changes on cash and cash equivalents	(970)	(511)	(612)
Net (decrease) increase in cash and cash equivalents	(1,226)	5,536	9,311
Cash and cash equivalents at beginning of period	52,456	42,811	42,811
Cash and cash equivalents of newly consolidated subsidiaries	—	335	334
Decreases in cash and cash equivalents due to greater numbers of consolidated subsidiaries owing to mergers and divestment	(11)	—	—
Cash and cash equivalents at end of period	¥51,219	¥48,681	¥52,456

#### Adjustments to Cash on Hand and in Banks

Cash on hand and in banks	¥49,690	¥48,825	¥51,675
Time deposits exceeding three months	(472)	(143)	(218)
Deposits of affiliated companies included in “others” in current assets	2,000	—	1,000
Cash and cash equivalents at end of period	¥51,219	¥48,681	¥52,456