

October 22, 2004

Report of Consolidated Financial Results

For the Six Months Ended September 30, 2004

Registered Company Name:	Hitachi High-Technologies Corporation	Stock Listings:	Tokyo, Osaka
Code No:	8036	Head Office:	Tokyo
URL:	http://www.hitachi-hitec.com/	Telephone:	+81-3-3504-5138
Representative:	Masaaki Hayashi, President, Chief Executive Officer and Director	Application of U.S. Accounting Standards:	No
Contact:	Tatsuya Akutagawa, Deputy General Manager, General Affairs Dept.	Parent Company:	Hitachi, Ltd. (Code No: 6501)
Board of Directors' Meeting:	October 22, 2004	Percentage of Shares Held by Parent Company:	55.3 %

1. Business Performance

- (1) Results of Operations (for the six months ended September 30, 2004 and 2003, and the year ended March 31, 2004)

(Millions of Yen, %)

	Net Sales	Change	Operating Income	Change	Ordinary Income	Change
FY2004 Interim	¥490,562	27.4%	¥15,815	167.2%	¥13,390	113.7%
FY2003 Interim	¥384,958	-0.1%	¥5,918	22.0%	¥6,267	32.3%
FY2003	¥831,050		¥13,798		¥13,673	

	Net Income	Change	Net Income per Share (Yen)	Diluted Net Income per Share
FY2004 Interim	¥7,300	149.3%	¥53.06	—
FY2003 Interim	¥2,928	60.4%	¥21.28	—
FY2003	¥7,162		¥50.56	—

Notes:

- Equity income was ¥71 million for the six months ended September 30, 2004, ¥2 million for the six months ended September 30, 2003, and ¥42 million in the fiscal year ended March 31, 2004.
- The average number of common shares was 137,574,722 for the six months ended September 30, 2004, 137,581,954 for the six months ended September 30, 2003 and 137,579,619 as of March 31, 2004.
- There were changes in accounting procedures.
- 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)
FY2004 Interim	¥450,514	¥166,472	37.0%	¥1,210.06
FY2003 Interim	¥402,388	¥156,611	38.9%	¥1,138.34
FY2003	¥462,875	¥160,480	34.7%	¥1,164.99

Note:

The number of outstanding shares was 137,573,585, 137,578,793 and 137,575,575 as of September 30, 2004, September 30, 2003 and March 31, 2004, respectively.

(2) Cash Flows

(Millions of Yen)

	Net Cash Provided by Operating Activities	Net Cash Used in and Provided by Investing Activities	Net Cash Used in and Provided by Financing Activities	Cash and Cash Equivalents at End of Period
FY2004 Interim	¥349	¥816	¥-7,794	¥38,804
FY2003 Interim	¥7,217	¥940	¥-8,413	¥51,219
FY2003	¥14,989	¥-531	¥-20,853	¥44,648

(4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 38

Equity-method unconsolidated subsidiaries: 0

Equity-method affiliates: 1

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

Newly consolidated subsidiaries: 0

Unconsolidated subsidiaries: 2

New equity-method companies: 0

Companies no longer subject to the equity method: 0

2. Earnings Outlook (for the Year Ending March 31, 2005)

(Millions of Yen)

	Net Sales	Ordinary Income	Net Income
FY2004	¥935,000	¥22,100	¥12,400

*Net income per share is forecast at ¥88.83

General Notes:

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

Results of Operations

(1) Overview

Net sales for the six months ended September 30, 2004, amounted to ¥490.6 billion, up 27.4% from the same period a year earlier. Ordinary income rose 113.7%, to ¥13.4 billion. Net income climbed 149.3%, to ¥7.3 billion. Segment operating results were as follows.

Electronic Device Systems

Sales of semiconductor manufacturing equipment improved compared with the same period in the previous fiscal year, reflecting increased capital investment by domestic and Asian manufacturers. Sales of mainstay critical dimension measurement scanning electron microscopes (CD-Measurement SEMs) remained strong while sales of etchers, primarily in the domestic market, held their own. Vigorous capital investment by liquid crystal display (LCD) makers in Asia generated robust sales of LCD-related manufacturing equipment. The integration of Hitachi Electronics Engineering Co., Ltd. (currently Hitachi High-Tech Electronics Engineering Co., Ltd.) into our Group also boosted segment sales, which reached ¥112.7 billion, up 80.1%.

Life Science

Amidst efforts to restrain medical expenses, sales of clinical diagnostic instruments essentially maintained the same levels as the previous year. In the field of biotechnology-related equipment, stagnation in sales of clinical analyzers and a marked slowdown in U.S. demand for DNA sequencers caused contraction in the segment overall. As a result, segment sales declined 3.8%, to ¥41.8 billion.

Information Systems & Electronic Components

Sales of semiconductors and secondary batteries for cellular phones to Asia increased steadily, owing to favorable growth in the market for mobile phones. In addition, OLED (organic light emitting diode) production equipment posted stable sales to South Korea and Taiwan, while sales of chip mounters benefited from active capital investment in Asia, especially China. These factors boosted segment sales 14.4%, to ¥173.6 billion.

Advanced Industrial Products

Against a background of flourishing demand and a rapid rise in the price of raw materials, sales of ferrous and non-ferrous metals and resins regained momentum. The brisk market for digital home appliances and cellular phones led to a recovery in demand for silicon wafer and LC-related materials. An expanding market for information imaging fueled brisk sales of optical components for LCD projectors. As a result, the segment posted sales of 162.5 billion, an increase of 27.6%.

(2) Outlook for the Next Fiscal Year

Though the Chinese economy remains strong, slowing in the U.S. economy and a decline in semiconductor demand foreshadow a deceleration in the pace of growth during the second half of the year.

Our targets for the period ending March 31, 2005, are: net sales of ¥935.0 billion, a year-on-year increase of 12.5%; ordinary income of ¥22.1 billion, an increase of 61.6%; and net income of ¥12.4 billion, a 73.1% increase.

We are working to achieve these goals by becoming a global leader in high-tech solutions and honing our ability to respond promptly to our customers' needs.

Consolidated Statements of Income

For the six months ended September 30, 2004 and 2003 and the year ended March 31, 2004

(Millions of Yen, %)

	FY2004 Interim	FY2003 Interim	Change	FY2003
Net sales	¥490,562	¥384,958	27.4%	¥831,050
Cost of sales	426,329	335,236	27.2	¥730,186
Gross profit	64,234	49,721	29.2	¥100,864
Selling, general and administrative expenses	48,419	43,803	10.5	¥87,066
Operating income	15,815	5,918	167.2	¥13,798
Other income				
Interest	166	232	-28.4	510
Dividends	106	68	56.2	122
Equity in earnings of affiliates	71	2	4,122.5	42
Others	1,224	565	116.8	1,139
	1,566	866	81.0	1,813
Other deductions				
Interest	99	82	20.7	165
Others	3,893	435	795.1	1,774
	3,992	517	672.8	1,939
Ordinary income	13,390	6,267	113.7	13,673
Extraordinary gains	4,946	—	—	—
Extraordinary losses	5,789	—	—	—
Income before income taxes and minority interests	12,547	6,267	100.2	13,673
Corporate, inhabitant and business taxes	8,714	2,799	211.4	5,789
Adjustments on corporate and other taxes	-3,620	518	—	657
Minority interests	153	22	588.4	65
Net income	¥ 7,300	¥ 2,928	149.3	7,162

Consolidated Statements of Retained Earnings

For the six months ended September 30, 2004 and 2003

(Millions of Yen)

	FY2004 Interim	FY2003
Capital Surplus:		
Capital surplus at beginning of period	¥ 35,745	¥ 35,745
Capital surplus at end of period	35,745	35,745
Earned Surplus:		
Earned surplus at beginning of period		
Earned surplus at beginning of period	114,427	109,633
	114,427	109,633
Increase in earned surplus		
Net income	7,300	7,162
	7,300	7,162
Decrease in earned surplus		
Dividends	1,032	2,064
Directors' bonuses	206	305
	1,238	2,368
Earned surplus at end of period	¥120,489	¥114,427

Consolidated Balance Sheets

As of September 30, 2004 and 2003

(Millions of Yen)

ASSETS	FY2004 Interim	FY2003	Change
Current assets:			
Cash on hand and in banks	¥ 38,908	¥ 41,747	¥-2,838
Trade receivables	234,056	234,613	-557
Marketable securities	1,185	4,092	-2,907
Inventories	59,613	55,860	3,753
Deferred tax assets	17,142	14,115	3,026
Advance payments	1,643	1,844	-202
Others	4,220	8,598	-4,378
Less: Allowance for doubtful receivables	-2,690	-2,645	-45
	354,077	358,226	-4,148
Property, plant and equipment:			
Buildings and structures	20,150	23,438	-3,288
Machinery and vehicles	7,997	9,086	-1,089
Tools, furniture and fixtures	7,531	6,903	628
Land	20,427	22,446	-2,019
Construction in progress	180	162	18
	56,285	62,035	-5,750
Intangible fixed assets:			
Goodwill and patents	532	710	-178
Software	4,527	4,115	412
Consolidation adjust account	5,668	6,398	-729
Others	135	196	-61
	10,862	11,419	-557
Investments and other assets:			
Investments in securities	13,932	15,323	-1,391
Long-term loans receivable	1,332	1,410	-78
Deferred tax assets	8,603	7,371	1,232
Others	6,554	8,059	-1,505
Less: Allowance for doubtful receivables	-1,132	-967	-164
	29,290	31,195	-1,906
	96,437	104,649	-8,212
Total assets	¥450,514	¥462,875	¥-12,361

(Millions of Yen)

LIABILITIES AND SHAREHOLDERS' EQUITY	FY2004 Interim	FY2003	Change
Current liabilities:			
Trade payables	¥177,986	¥188,316	-10,331
Short-term debt	21,309	26,996	-5,687
Accrued income taxes	7,952	4,672	3,280
Accrued expenses	26,892	25,039	1,853
Advances from customers	6,308	7,395	-1,087
Other current liabilities	8,789	10,114	-1,325
	249,237	262,533	-13,296
Long-term liabilities:			
Long-term debt	1,000	2,000	-1,000
Retirement allowances	28,774	32,690	-3,916
Reserve for directors' retirement account	837	1,220	-383
Others	345	326	19
	30,956	36,236	-5,280
Total liabilities	280,193	298,768	-18,576
Minority interests	3,849	3,626	223
Shareholders' equity:			
Common stock	7,938	7,938	—
Capital surplus	35,745	35,745	—
Earned surplus	120,489	114,427	6,062
Net unrealized holding gain on securities	4,105	4,897	-792
Foreign currency translation adjustments	-1,561	-2,286	725
Less: Treasury stock, at cost	-243	-241	-3
Total shareholders' equity	166,472	160,480	5,992
Total liabilities, minority interests and shareholders' equity	¥450,514	¥462,875	¥-12,361

Consolidated Statements of Cash Flows

For the six months ended September 30, 2004 and 2003, and the year ended March 31, 2004

(Millions of Yen)

	FY2004 Interim	FY2003 Interim	FY2003
Cash flows from operating activities:			
Income before income taxes	¥ 12,547	¥ 6,267	¥13,673
Depreciation and amortization	4,439	3,521	7,552
Impairment losses	5,585	—	—
Increase and decrease in allowance for retirement benefits	-3,916	2,432	1,487
Decrease in various allowances	-181	-566	203
Interest and dividend income	-271	-299	-632
Interest expenses	99	82	165
Other non-cash income and expenses	954	601	1,224
Bonuses paid to directors	-206	-305	-305
Increase and decrease in trade receivables	1,030	-1,473	-31,776
Increase and decrease in inventories	-5,785	-5,944	-5,936
Increase and decrease in trade payables	-11,511	9,894	37,037
Changes in other assets and liabilities—net	3,078	-1,466	-1,011
Others	-561	103	11
	5,300	12,846	21,693
Interests and dividends received	283	318	671
Interest paid	-93	-50	-99
Income taxes paid	-5,140	-5,896	-7,276
Net cash provided by operating activities	349	7,217	14,989
Cash flows from investing activities:			
Increase in time deposits	-146	-324	-331
Decrease in time deposits	140	72	446
Proceeds from sales of marketable securities	3,000	2,103	2,103
Payment for purchase of investment securities	-37	-1,035	-2,036
Proceeds from sales of investment securities	578	1,387	7,822
Payment for purchase of property, plant and equipment	-3,174	-2,500	-4,711
Proceeds from sales of property, plant and equipment	524	21	190
Increase in loans receivable	-30	-30	-60
Proceeds from collection of loans	2	1	2
Payment for additional purchase of shares of consolidated subsidiaries	-41	—	-150
Payment for purchase of shares of subsidiaries	—	—	-3,808
Proceeds from purchase of shares of subsidiaries	—	1,244	—
Net cash provided by investing activities	816	940	-531

Cash flows from financing activities:			
Increase and decrease in short-term debt	-5,687	-7,293	-18,696
Repayment of long-term debt	-1,000	—	—
Dividends paid	-1,032	-1,032	-2,064
Other	-74	-88	-93
Net cash used in and provided by financing activities	-7,794	-8,413	-20,853
Effect of exchange rate changes on cash and cash equivalents	785	-970	-1,402
Net increase and decrease in cash and cash equivalents	-5,844	-1,226	-7,797
Cash and cash equivalents at beginning of period	44,648	52,456	52,456
Cash and cash equivalents of newly unconsolidated subsidiaries	—	-11	-11
Cash and cash equivalents at end of period	¥38,804	¥51,219	¥44,648

Adjustments to cash on hand and in banks

(Millions of Yen)

Cash on hand and in banks	¥38,908	¥49,690	¥41,747
Time deposits exceeding three months	-104	-472	-98
Deposits of affiliated companies included under “others” in current assets	—	2,000	2,999
Cash and cash equivalents at end of period	¥38,804	¥51,219	¥44,648