

# Full-term Report of Consolidated Financial Results

## For the Fiscal Year Ended March 31, 2003

Registered Company Name:	Hitachi High-Technologies Corporation	Stock Listings:	Tokyo, Osaka
Code No:	8036	Head Office:	Tokyo
URL:	<a href="http://www.hitachi-hitec.com/">http://www.hitachi-hitec.com/</a>	Telephone:	(03) 3504-5138
Representative:	Yoshiro Kuwata, Chairman and President	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:	April 24, 2003	Percentage of Shares Held by Parent Company:	67.1%

### 1. Business Performance

#### (1) Results of Operations (For the years ended March 31, 2003 and 2002)

(Millions of Yen, %)

	Net Sales	Change	Operating Income	Change	Ordinary Income	Change
FY2002	¥778,229	5.4%	¥11,844	19.2%	¥12,104	17.3%
FY2001	¥738,289	-13.0%	¥9,940	-32.3%	¥10,321	-37.0%

(Millions of Yen, %)

	Net Income	Change	Net Income per Share (Yen)	Diluted Net Income per Share	Return on Equity	Ratio of Ordinary Income to Total Assets	Ratio of Ordinary Income to Net Sales
FY2002	¥5,928	7.6%	¥40.95	—	3.8%	3.1%	1.6%
FY2001	¥5,507	-28.4%	¥49.71	—	4.0%	2.8%	1.4%

#### Notes:

- Equity method investment income was ¥70 million in the fiscal year ended March 31, 2003, and ¥159 million in the fiscal year ended March 31, 2002.
- The average number of common shares was 137,663,810 as of March 31, 2003, and 110,791,997 as of March 31, 2002.
- There were no changes in accounting procedures.
- Percentage changes for interim net sales, operating income, ordinary income and net income results indicate increases or decreases relative to the previous fiscal year.
- Effective from the fiscal year ended March 31, 2003, net income per share will be calculated according to "Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan Statement 2, issued on September 25, 2002). Application of this accounting standard reduced net income per share by ¥2.11.

(2) Financial Position (As of March 31, 2003 and 2002)

(Millions of Yen, %)

	Total Assets	Total Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share (Yen)
FY2002	¥389,704	¥155,161	39.8%	¥1,125.63
FY2001	¥382,533	¥155,154	40.6%	¥1,127.04

Notes:

1. The number of outstanding shares was 137,584,930 and 137,665,231 as of March 31, 2003, and March 31, 2002, respectively.
2. Effective from the fiscal year ended March 31, 2003, shareholders' equity per share will be calculated according to "Implementation Guidance for Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan Implementation Guidance 4, issued on September 25, 2003). Application of the accounting standard reduced shareholders' equity per share by ¥2.11.

(3) Cash Flows (For the years ended March 31, 2003 and 2002)

(Millions of Yen)

	Net Cash Provided by (Used in) Operating Activities	Net Cash Provided by Investing Activities	Net Cash (Used in) Provided by Financing Activities	Cash and Cash Equivalents at End of Period
FY2002	¥18,284	¥2,457	¥(10,818)	¥52,456
FY2001	¥(8,824)	¥547	¥1,139	¥42,811

(4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 36  
Equity-method unconsolidated subsidiaries: 0  
Equity-method affiliates: 1

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

Newly consolidated subsidiaries: 7  
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, 2004)

(Millions of Yen)

	Net Sales	Ordinary Income	Net Income
FY2003 Interim	¥379,800	¥5,280	¥2,220
FY2003	¥785,400	¥12,120	¥5,940*

\*Net income per share is forecast at ¥41.79.

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.
3. Amounts less than one million yen have been rounded.

## Results of Operations

### (1) *Overview*

Net sales for the year ended March 31, 2003, amounted to ¥778.2 billion, up 5.4% from the previous fiscal year. Ordinary income totaled ¥12.1 billion, an increase of 17.3%, and net income climbed 7.6%, to ¥5.9 billion.

#### *Electronic Device Systems*

In the area of semiconductor manufacturing equipment, domestic sales of reduced projection exposure systems and U.S. sales of wafer inspection and evaluation systems were robust. Curbs on capital investment by semiconductor manufacturers, however, depressed sales of mainstay scanning electron microscopes (SEMs), electron beam lithography systems and etchers. In contrast, there was a dramatic increase in orders for liquid crystal display (LCD)-related equipment—Hitachi Group products—from Taiwanese and South Korean manufacturers. Reflecting these factors, segment sales rose 7.9%, to ¥136.2 billion. Operating income, however, fell 18.1%, to ¥2.8 billion.

#### *Life Science*

In the field of clinical analyzers, firm domestic sales of automated blood analyzers were complemented by buoyant sales of proteome-related products, such as nuclear magnetic resonance (NMR) equipment. We also enjoyed brisk sales of DNA sequencers to the United States. As a result, segment sales increased 14.8%, to ¥90.7 billion, and operating income jumped 91.3%, to ¥6.1 billion.

#### *Information Systems & Electronic Components*

DVD optical pick-ups and semiconductors for cellular telephones performed well as overseas semiconductor-related demand picked up. Moreover, we recorded solid sales of rechargeable lithium ion batteries for cellular phones to South Korea and robust sales of consumer electronics, including color televisions to the United States. Reflecting these factors, segment sales increased 8.6%, to ¥305.8 billion. Despite this, operating income fell 8.1%, to ¥3.0 billion.

#### *Advanced Industrial Products*

Although sales of optical communications components suffered from the slump in the communications industry, optical components for LCD projectors and LCD-related material sold steadily. In contrast, sales of personal computer (PC)-related products were slow. Consequently, the segment registered a 2.3% drop in sales, to ¥245.5 billion, and an operating loss of ¥101 million.

### (2) *Outlook for the Next Fiscal Year*

Although the Chinese economy remains on a firm footing, it is difficult to make predictions about U.S., European and Japanese business conditions. Given such an environment, our targets for the fiscal year ending March 31, 2004, are: net sales of ¥785.4 billion, an increase of 0.9%; ordinary income of ¥12.1 billion, a rise of 0.1%; and net income of ¥5.9 billion, a 0.2% improvement. We are working toward these goals by becoming a leading company in the nanotechnology field and responding promptly to the needs of the market.

## Cash Flows

Cash and cash equivalents at end of year amounted to ¥52.5 billion, up ¥9.6 billion from the previous fiscal year. This reflected net cash provided by operating activities of ¥18.3 billion and net cash provided by investing activities of ¥2.5 billion, which easily offset net cash used in financing activities of ¥10.8 billion.

### *Net Cash Provided by Operating Activities*

Net cash provided by operating activities totaled ¥18.3 billion. Significant items included income before income taxes and minority interests of ¥12.1 billion, depreciation and amortization of ¥7.5 billion, an increase in trade payables of ¥10.1 billion, income taxes paid of ¥5.5 billion and an increase in trade receivables of ¥4.5 billion.

### *Net Cash Provided by Investing Activities*

Net cash provided by investing activities was ¥2.5 billion. Primary factors in this result were proceeds from collection of loans of ¥2.1 billion and proceeds from sales of investment and marketable securities totaling ¥7.8 billion. These countered payment for net purchase of property, plant and equipment of ¥5.5 billion, owing to the construction of “Science Laboratory,” a demonstration center in Hitachinaka City, Ibaraki Prefecture, and a new building for Hitachi High-Technologies Europe GmbH, as well as the creation of an enterprise resource planning (ERP) system.

### *Net Cash Used in Financing Activities*

Net cash used in financing activities amounted to ¥10.8 billion. This was mainly the result of a decrease in short-term debt of ¥8.7 billion and dividends paid of ¥2.1 billion.

## Consolidated Statements of Income

For the years ended March 31, 2003 and 2002

(Millions of Yen, %)

	FY2002	FY2001	Change
Net sales	¥778,229	¥738,289	5.4%
Cost of sales	684,007	662,257	3.3
Gross profit	94,222	76,032	23.9
Selling, general and administrative expenses	82,378	66,092	24.6
Operating income	11,844	9,940	19.2
Other income			
Interest	676	1,047	-35.4
Dividends	145	160	-9.8
Equity in earnings of affiliates	70	159	-56.0
Others	1,903	902	111.1
	2,794	2,268	23.2
Other deductions			
Interest	208	183	13.8
Others	2,325	1,703	36.5
	2,533	1,887	34.3
Ordinary income	12,104	10,321	17.3
Extraordinary gains	—	—	—
Extraordinary losses	—	—	—
Income before income taxes and minority interests	12,104	10,321	17.3
Corporate, inhabitant and business taxes	8,645	4,574	89.0
Adjustments on corporate and other taxes	(2,856)	108	—
Minority interests	388	132	194.3
Net income	¥ 5,928	¥ 5,507	7.6

## Consolidated Statements of Retained Earnings

For the years ended March 31, 2003 and 2002

(Millions of Yen)

	FY2002	FY2001
<b>Capital Surplus:</b>		
Capital surplus at beginning of period	¥ 35,723	¥ 9,695
Increases in capital surplus		
Increases resulting from the issuing of new stock due to consolidation and divestment	—	26,028
Net gain on disposal of treasury stock	21	—
	21	26,028
Capital surplus at end of period	35,745	35,723
<b>Earned Surplus:</b>		
Earned surplus at beginning of period		
Earned surplus at beginning of period	106,733	96,084
Increase due to greater number of consolidated subsidiaries owing to consolidation and divestment	—	7,568
	106,733	103,652
Increase in earned surplus		
Net income	5,928	5,507
Increase due to greater number of consolidated subsidiaries	211	—
	6,139	5,507
Decrease in earned surplus		
Decrease due to equity change of consolidated subsidiaries	880	—
Dividends	2,065	2,193
Directors' bonuses	293	233
	3,238	2,426
Earned surplus at end of period	¥109,633	¥106,733

## Consolidated Balance Sheets

As of March 31, 2003 and 2002

(Millions of Yen)

ASSETS	FY2002	FY2001	Change
Current assets:			
Cash on hand and in banks	¥ 51,675	¥ 43,193	8,482
Trade receivables	181,469	177,127	4,341
Marketable securities	2,164	2,098	66
Inventories	37,741	37,448	294
Deferred tax assets	10,652	8,036	2,616
Advance payments	2,444	2,917	-473
Others	4,665	5,663	-998
Less: Allowance for doubtful receivables	(1,623)	(2,095)	471
	289,186	274,386	14,800
Property, plant and equipment:			
Buildings and structures	21,170	19,436	1,734
Machinery and vehicles	7,709	8,854	-1,145
Tools, furniture and fixtures	6,624	6,616	8
Land	21,347	20,842	505
Construction in progress	250	836	-586
	57,099	56,584	515
Intangible fixed assets:			
Goodwill and patents	1,087	1,371	-284
Software	2,760	1,574	1,186
Others	204	241	-37
	4,051	3,187	865
Investments and other assets:			
Investments in securities	21,601	31,328	-9,727
Long-term loans receivable	1,630	1,817	-187
Others	7,737	8,523	-785
Deferred tax assets	9,600	8,137	1,462
Less: Allowance for doubtful receivables	(1,200)	(1,429)	229
	39,368	48,376	-9,008
	100,518	108,147	-7,629
Total assets	¥389,704	¥382,533	7,171

(Millions of Yen)

LIABILITIES AND SHAREHOLDERS' EQUITY	FY2002	FY2001	Change
Current liabilities:			
Trade payables	¥141,356	¥129,371	11,985
Short-term debt	20,766	29,425	-8,658
Accrued income taxes	5,898	2,805	3,093
Accrued expenses	20,465	19,416	1,050
Advances from customers	8,755	9,579	-824
Other current liabilities	7,865	9,172	-1,307
	205,105	199,766	5,339
Long-term liabilities:			
Retirement allowances	23,524	23,283	242
Reserve for directors' retirement account	1,466	1,157	308
Others	121	126	-4
	25,111	24,566	546
Total liabilities	230,216	224,332	5,884
Minority interests	4,327	3,047	1,280
Shareholders' equity:			
Common stock	7,938	7,938	—
Capital surplus	35,745	35,723	21
Earned surplus	109,633	106,733	2,901
Net unrealized holding gain on securities	2,923	4,581	-1,658
Foreign currency translation adjustments	(853)	290	-1,143
Less: Treasury stock, at cost	(226)	(111)	-114
Total shareholders' equity	155,161	155,154	7
Total liabilities, minority interests and shareholders' equity	¥389,704	¥382,533	7,171

## Consolidated Statements of Cash Flows

For the years ended March 31, 2003 and 2002

(Millions of Yen)

	FY2002	FY2001
Cash flows from operating activities:		
Income before income taxes	¥ 12,104	¥ 10,321
Depreciation and amortization	7,458	4,882
Increase (decrease) in allowance for retirement benefits	36	(317)
Decrease in various allowances	(388)	(10)
Interest and dividend income	(821)	(1,207)
Interest expenses	208	183
Other non-cash income and expenses	574	402
Bonuses paid to directors	(296)	(233)
(Increase) decrease in trade receivables	(4,530)	47,784
(Increase) decrease in inventories	(610)	3,732
Increase (decrease) in trade payables	10,080	(68,691)
Changes in other assets and liabilities—net	512	3,594
Others	(1,191)	(467)
	23,137	(27)
Interests and dividends received	877	1,277
Interest paid	(214)	(175)
Income taxes paid	(5,517)	(9,898)
Net cash provided by (used in) operating activities	18,284	(8,824)
Cash flows from investing activities:		
Increase in time deposits	(105)	(382)
Decrease in time deposits	240	568
Payment for purchase of marketable securities	(25)	(101)
Proceeds from sales of marketable securities	2,019	4,509
Payment for purchase of investment securities	(480)	(184)
Proceeds from sales of investment securities	5,741	1,814
Payment for purchase of property, plant and equipment	(6,383)	(5,204)
Proceeds from sales of property, plant and equipment	852	56
Increase in loans receivable	(6)	(530)
Proceeds from collection of loans	2,070	—
Payment for purchase of stock and investment in consolidated subsidiaries	(1,467)	—
Payment for purchase of other investments	(3,000)	—
Proceeds from sales of other investments	3,000	—
Net cash provided by investing activities	2,457	547

Cash flows from financing activities:		
(Decrease) increase in short-term debt	(8,652)	3,450
Dividends paid	(2,065)	(2,193)
Other	(101)	(117)
Net cash (used in) provided by financing activities	(10,818)	1,139
Effect of exchange rate changes on cash and cash equivalents	(612)	1,379
Net increase (decrease) in cash and cash equivalents	9,311	(5,759)
Cash and cash equivalents at beginning of period	42,811	42,995
Cash and cash equivalents of newly consolidated subsidiaries	334	3,814
Increases in cash and cash equivalents due to greater numbers of consolidated subsidiaries owing to mergers and divestment	—	1,759
Cash and cash equivalents at end of period	¥52,456	¥42,811

#### Adjustments to cash on hand and in banks

(Millions of Yen)

Cash on hand and in banks	¥51,675	¥43,193
Time deposits exceeding three months	(218)	(382)
Deposits of affiliated companies included under “others” in current assets	1,000	—
Cash and cash equivalents at end of period	¥52,456	¥42,811