

Report of Consolidated Financial Results

For the Year Ended March 31, 2004

Registered Company Name:	Hitachi High-Technologies Corporation	Stock Listings:	Tokyo, Osaka
Code No:	8036	Head Office:	Tokyo
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Representative:	Masaaki Hayashi, President, Chief Executive Officer and Director		
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1. Business Performance (For the years ended March 31, 2004 and 2003)

(1) Results of Operations

(Millions of Yen, %)

	Net Sales	Change	Operating Income	Change	Ordinary Income	Change
FY2003	¥831,050	+6.8%	¥13,798	+16.5%	¥13,673	+13.0%
FY2002	¥778,229	+5.4%	¥11,844	+19.2%	¥12,104	+17.3%

	Net Income	Change	Net Income per Share (Yen)	Diluted Net Income per Share	ROE
FY2003	¥7,162	+20.8%	¥50.63	—	4.5%
FY2002	¥5,928	+7.6%	¥40.92	—	3.8%

	Return on Ordinary Income	Ordinary Income Margin
FY2003	3.2%	1.6%
FY2002	3.1%	1.6%

Notes:

- Equity method investment income was ¥42 million for the year ended March 31, 2004, and ¥70 million for the year ended March 31, 2003.
- The average number of common shares was 137,579,619 for the year ended March 31, 2004, and 137,663,810 for the year ended March 31, 2003.
- There were no changes in accounting procedures.
- Percentage changes for net sales, operating income, ordinary income and net income results indicate increases or decreases relative to 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	¥462,875	¥160,480	34.7%	¥1,165.06
FY2002	¥389,704	¥155,161	39.8%	¥1,125.60

Note: The number of common shares was 137,575,575 as of March 31, 2004, and 137,584,930 as of March 31, 2003.

(3) Cash Flows

(Millions of Yen)

	Net Cash Provided by Operating Activities	Net Cash (Used in) Provided by Investing Activities	Net Cash Used in Financing Activities	Cash and Cash Equivalents at End of Period
FY2003	¥14,989	¥ (531)	¥(20,853)	¥44,648
FY2002	¥18,284	¥2,457	¥(10,818)	¥52,456

(4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 40

Equity-method unconsolidated subsidiaries: 0

Equity-method affiliates: 1

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

Newly consolidated subsidiaries: 5

Unconsolidated subsidiaries: 1

New equity-method affiliates: 0

Affiliates eliminated from equity-method accounting: 0

2. Earnings Outlook (For the Six Months Ending September 30, 2004, and the Year Ending March 31, 2005)

(Millions of Yen)

	Net Sales	Ordinary Income	Net Income
FY2004 Interim	¥410,000	¥6,800	¥4,000
FY2004	¥850,000	¥15,100	¥8,900

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

In the fiscal year ended March 31, 2004, net sales amounted to ¥831.1 billion, up 6.8% from the previous fiscal year. Ordinary income grew 13.0%, to ¥13.7 billion, and net income climbed 20.8%, to ¥7.2 billion.

Electronic Device Systems

Sales of mainstay critical dimension scanning electron microscopes (CD-SEMs) were solid, boosted by vigorous capital investment in Japan and the rest of Asia. Although sales of etchers to the United States struggled, overall sales increased, reflecting growth in the Japanese market. Scanners manufactured by ASML Holding NV flagged as customers postponed capital investment plans. As a result, segment sales edged up 1.0%, to ¥137.6 billion, and operating income jumped 36.5%, to ¥3.8 billion.

Life Science

Sales of clinical analyzers were affected by reduced healthcare spending worldwide and curtailed marketing activities in Asia due to the outbreak of severe acute respiratory syndrome (SARS). Nevertheless, sales of biochemical and immune-system analyzers to Europe and North America were solid. Sales of DNA sequencers to the United States weakened compared with the previous fiscal year. As a consequence, sales in this segment dipped 1.7%, to ¥89.2 billion, and operating income was down 1.5%, to ¥6.0 billion.

Information Systems & Electronic Components

Benefiting from a recovery in demand in the second half of the year, sales of semiconductors for cellular phones were strong. Optical pick-ups for DVD players performed well, reflecting favorable conditions in the digital home electronics market. Despite increased demand in the fourth quarter, by contrast, sales to South Korea of rechargeable lithium-ion batteries for cellular phones declined. Sales of organic electroluminescence (EL) manufacturing equipment were brisk, owing to vigorous capital investments in Asia. Sales of chip mounters were also strong, reflecting the Company's acquisition of a chip mounter business. As a result, overall segment sales rose 7.2%, to ¥327.8 billion, although operating income fell 35.4%, to ¥1.9 billion.

Advanced Industrial Products

Reflecting the growing optical electronic components market, sales of optical components for liquid crystal (LC) projectors and optical media materials were brisk. Despite a decline in demand in the first half of the year, sales of silicon wafers firmed in the second half, boosted by favorable conditions in the digital home electronics market. As a consequence, sales in this segment climbed 12.6%, to ¥276.4 billion, and operating income amounted to ¥2.0 billion, compared with an operating loss of ¥101 million in the previous fiscal year.

(1) Outlook for the March 2005 Fiscal Year

The world economic is expected to remain upbeat, supported by moderate recovery in the United States and a strong Chinese economy. For the fiscal year to March 31, 2005, the Company is targeting consolidated net sales of ¥850.0 billion (up 2.3%), ordinary income of ¥15.1 billion (up 10.4%) and net income of ¥8.9 billion (up 24.3%).

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 ¥44.6 billion, down ¥7.8 billion from the end of the previous fiscal year. This reflected net cash provided by operating activities of ¥15.0 billion, net cash used investing activities of ¥531 million and net cash used in financing activities of ¥20.9 billion.

Net Cash Provided by Operating Activities

Net cash provided by operating activities totaled ¥15.0 billion. Key components were income before income taxes and minority interests of ¥13.7 billion, depreciation and amortization of ¥7.6 billion and an increase in trade payables of ¥37.0 billion, as well as income taxes paid of ¥7.3 billion and a ¥31.8 billion increase in trade receivables.

Net Cash Used in Investing Activities

Net cash used in investing activities was ¥531 million. Principal factors behind this result included proceeds from sales of marketable and investment securities of ¥9.9 billion and proceeds from sales of stock and investment in consolidated subsidiaries of ¥3.8 billion. Cash provided thus was offset by payment for purchase of investment securities of ¥2.0 billion and payment for purchase of property, plant and equipment of ¥4.7 billion, owing to the acquisition of manufacturing equipment and other tangible assets 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 ¥20.9 billion. This reflected an ¥18.7 billion decrease in short-term debt and ¥2.1 billion in dividends paid.

Consolidated Statements of Income

For the years ended March 31, 2004 and 2003

(Millions of Yen, %)

	FY 2003	FY 2002	Change
Net sales	¥831,050	¥778,229	+6.8%
Cost of sales	730,186	684,007	+6.8
Gross profit	100,864	94,222	+7.0
Selling, general and administrative expenses	87,066	82,378	+5.7
Operating income	13,798	11,844	+16.5
Other income:			
Interest	510	676	-24.6
Dividends	122	145	-15.7
Equity in earnings of affiliates	42	70	-39.3
Others	1,139	1,903	-40.1
	1,813	2,794	-35.1
Other deductions:			
Interest	165	208	-20.9
Others	1,774	2,325	-23.7
	1,939	2,533	-23.5
Ordinary income	13,673	12,104	+13.0
Extraordinary gains	—	—	—
Extraordinary losses	—	—	—
Income before income taxes and minority interests	13,673	12,104	+13.0
Corporate, inhabitant and business taxes	5,789	8,645	-33.0
Adjustment for corporate and other taxes	657	(2,856)	
Minority interests	65	388	-83.1
Net income	¥ 7,162	¥ 5,928	+20.8

Consolidated Statements of Retained Earnings

For the years ended March 31, 2004 and 2003

(Millions of Yen)

	FY2003	FY2002
Capital surplus:		
Capital surplus at beginning of period	¥ 35,745	¥ 35,723
Increase 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
Increase in earned surplus		
Net income	7,162	5,928
Increase due to greater number of consolidated subsidiaries	—	211
	7,162	6,139
Decrease in earned surplus		
Dividends	2,064	2,065
Directors' bonuses	305	293
Decrease due to equity change of consolidated subsidiaries	—	880
	2,368	3,238
Earned surplus at end of period	¥114,427	¥109,633

Consolidated Balance Sheets

As of March 31, 2004 and 2003

(Millions of Yen)

ASSETS	FY2003	FY2002	Change
Current assets:			
Cash on hand and in banks	¥ 41,747	¥ 51,675	-¥ 9,928
Trade receivables	234,613	181,469	+53,145
Marketable securities	4,092	2,164	+1,927
Inventories	55,860	37,741	+18,119
Deferred tax assets	14,115	10,652	+3,463
Advances paid	1,844	2,444	-600
Others	8,598	4,665	+3,934
Less: Allowance for doubtful receivables	(2,645)	(1,623)	-1,021
	358,226	289,186	+69,039
Property, plant and equipment:			
Buildings and structures	23,438	21,170	+2,268
Machinery and vehicles	9,086	7,709	+1,377
Tools	6,903	6,624	+279
Land	22,446	21,347	+1,099
Construction in progress	162	250	-88
	62,035	57,099	+4,936
Intangible fixed assets:			
Goodwill and patents	710	1,087	-377
Software	4,115	2,760	+1,355
Consolidated adjustment account	6,398	—	+6,398
Others	196	204	-8
	11,409	4,051	7,368
Investments and other assets:			
Investments in securities	15,323	21,601	-6,278
Long-term loans	1,410	1,630	-220
Others	8,059	7,737	+322
Deferred tax assets	7,371	9,600	-2,228
Less: Allowance for doubtful receivables	(967)	(1,200)	+233
	31,195	39,368	-8,172
	104,649	100,518	+4,131
Total assets	¥462,875	¥389,704	+¥73,170

(Millions of Yen)

LIABILITIES AND SHAREHOLDERS' EQUITY	FY2003	FY2002	Change
Current liabilities:			
Trade payables	¥188,316	¥141,356	+¥46,960
Short-term debt	26,996	20,766	+6,230
Accrued income taxes	4,672	5,898	-1,225
Accrued expenses	25,039	20,465	+4,574
Advances received	7,395	8,755	-1,359
Other current liabilities	10,114	7,865	+2,249
	262,533	205,105	+57,428
Long-term liabilities:			
Retirement allowances	32,690	23,524	+9,166
Reserve for directors' retirement account	1,220	1,466	-246
Others	2,326	121	+2,205
	36,236	25,111	+11,125
Total liabilities	298,768	230,216	+68,552
Minority interests	3,626	4,327	-701
Shareholders' equity:			
Common stock	7,938	7,938	—
Capital surplus	35,745	35,745	—
Accumulated earnings	114,427	109,633	+4,793
Net unrealized holding gain on securities	4,897	2,923	+1,974
Foreign currency translation adjustments	(2,286)	(853)	-1,433
Less: Treasury stock, at cost	(241)	(226)	-15
Total shareholders' equity	160,480	155,161	+5,319
Total liabilities, minority interests and shareholders' equity	¥462,875	¥389,704	+¥73,170

Consolidated Statements of Cash Flows

For the years ended March 31, 2004 and 2003

(Millions of Yen)

	FY2003	FY2002
Cash flows from operating activities:		
Income before income taxes and minority interests	¥13,673	¥12,104
Depreciation and amortization	7,552	7,458
Increase in allowance for retirement benefits	1,487	36
Increases (decreases) in various allowances	203	(388)
Interest and dividend income	(632)	(821)
Interest expenses	165	208
Other non-cash income and expenses	1,224	524
Bonuses paid to directors	(305)	(296)
Increase in trade receivables	(31,776)	(4,530)
Increase in inventories	(5,936)	(610)
Increase in trade payables	37,037	10,080
Changes in other assets and liabilities—net	(1,011)	566
Others	11	(1,194)
	21,693	23,137
Interest and dividends received	671	877
Dividends paid	(99)	(214)
Income taxes paid	(7,276)	(5,517)
Net cash provided by operating activities	14,989	18,284
Cash flows from investing activities:		
Increase in time deposits	(331)	(105)
Decrease in time deposits	446	240
Payment for purchase of marketable securities	—	(25)
Proceeds from sales of marketable securities	2,103	2,019
Payment for purchase of investment securities	(2,036)	(480)
Proceeds from sales of investment securities	7,822	5,741
Payment for purchase of property, plant and equipment	(4,711)	(6,383)
Proceeds from sales of property, plant and equipment	190	852
Increase in loans receivable	(60)	(6)
Proceeds from collection of loans	2	2,070
Payment for purchase of stock and investment in consolidated subsidiaries	(150)	(1,467)
Proceeds from sales of stock and investment in consolidated subsidiaries	(3,808)	—
Payment for purchase of other investments	—	(3,000)
Proceeds from sales of other investments	—	3,000
Net cash (used in) provided by investing activities	(531)	2,457

Cash flows from financing activities:		
Decrease in short-term debt	(18,696)	(8,652)
Dividends paid	(2,064)	(2,065)
Other	(93)	(101)
Net cash used in financing activities	(20,853)	(10,818)
Effect of exchange rate changes on cash and cash equivalents	(1,402)	(612)
Net (decrease) increase in cash and cash equivalents	(7,797)	9,311
Cash and cash equivalents at beginning of period	52,456	42,811
Cash and cash equivalents of newly consolidated subsidiaries	—	334
Decreases in cash and cash equivalents of newly consolidated subsidiaries	(11)	—
Cash and cash equivalents at end of period	¥44,648	¥52,456

Adjustments to Cash on Hand and in Banks

Cash on hand and in banks	¥41,747	¥51,675
Time deposits exceeding three months	(98)	(218)
Deposits of affiliated companies included in “others” in current assets	2,999	1,000
Cash and cash equivalents at end of period	¥44,648	¥52,456