

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 20-F**

(Mark One)

(     )     REGISTRATION STATEMENT PURSUANT TO SECTION 12 (b)  
                  OR 12 (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

( X )     ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
                  OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2001

OR

(     )     TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
                  OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-8320

KABUSHIKI KAISHA HITACHI SEISAKUSHO

(Exact name of Registrant as specified in its charter)

HITACHI, LTD.

(Translation of Registrant's name into English)

JAPAN

(Jurisdiction of incorporation or organization)

6, Kanda-Surugadai 4-chome, Chiyoda-ku, Tokyo 101-8010, Japan

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
<u>American Depositary Shares</u>	<u>New York Stock Exchange</u>
<u>Common Stock (par value 50 Japanese yen per share)</u>	<u>New York Stock Exchange</u>

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None  
(Title of Class)



- fluctuations in rates of exchange for the yen and other currencies in which Hitachi makes significant sales or in which Hitachi's assets and liabilities are denominated, particularly between the yen and the U.S. dollar;
- uncertainty as to Hitachi's access to liquidity or long-term financing, particularly in the context of restrictions on availability of credit prevailing in Japan;
- uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in product demand and/or exchange rates;
- general economic conditions and the regulatory and trade environment of Hitachi's major markets, particularly, the United States, Japan and elsewhere in Asia, including, without limitation, continued stagnation or deterioration of the Japanese or other East Asian economies, or direct or indirect restriction by other nations of imports;
- uncertainty as to Hitachi's access to, or protection for, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- Hitachi's dependence on alliances with other corporations in designing or developing certain products; and
- the market prices of equity securities in Japan, declines in which may result in write-downs of equity securities Hitachi holds.

These factors listed above are not exclusive and are in addition to other factors that are stated or indicated elsewhere in this report, or in other materials published by the Company.

## PART I

### Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

### Item 2. Offer Statistics and Expected Timetable

Not applicable.

### Item 3. Key Information

#### A. Selected Financial Data

	Year ended March 31				
	1997	1998	1999	2000	2001
	(Billions of yen, except per share amounts and number of shares issued)				
Net sales	¥ 8,523	8,417	7,977	8,001	8,417
Income (loss) before income taxes and minority interests	265	173	(221)	79	324
Net income (loss)	90	12	(328)	17	104
Per common share:					
Net income (loss)					
Basic	¥ 26.95	3.64	(98.15)	5.07	31.27
Diluted	25.97	3.58	(98.15)	4.99	30.32
Cash dividends declared	11.00	11.00	5.50	6.00	11.00
	(\$0.097)	(\$0.081)	(\$0.045)	(\$0.058)	(\$0.094)
Cash and cash equivalents	¥ 1,310	1,200	1,238	1,357	1,382
Short-term investments	848	771	606	632	434
Total assets	10,341	10,292	9,848	9,983	11,247
Short-term debt and current installments of long-term debt	1,181	1,317	1,160	1,306	1,612
Long-term debt	1,245	1,288	1,478	1,483	1,881
Minority interests	769	788	776	792	825
Stockholders' equity	3,519	3,381	3,006	2,988	2,862
Common stock	282	282	282	282	282
Number of shares issued (thousand shares)	3,337,796	3,337,895	3,337,895	3,337,900	3,337,932

#### Notes:

- (a) On April 1, 2000, Hitachi adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, figures for all prior periods have been restated. See note (1) to the consolidated financial statements.
- (b) Fiscal year 1999 includes a net gain on sale of securities of ¥ 30 billion and a restructuring charge of ¥ 66 billion. Fiscal year 1998 includes a restructuring charge of ¥ 133 billion. Fiscal year 1997 includes a net gain on sale of securities of ¥ 111 billion and certain impairment and liquidation losses of ¥ 82 billion. See note (14) to the consolidated financial statements.

The following table provides the noon buying rates for Japanese yen in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York. Translation of dividend amounts into U.S. dollars is based on such rates at each respective payment date. The average rate means the average of the exchange rates on the last day of each month during a fiscal year.

Yen exchange rates per U.S. dollar: <u>Year ended March 31</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
1997	¥ 113.21		
1998	123.57		
1999	128.10		
2000	110.02		
2001	111.65		
March 2001		¥ 117.33	¥ 125.54
April 2001		121.68	126.75
May 2001		118.88	123.67
June 2001		119.13	124.73
July 2001		122.85	125.85
August 2001		118.79	124.63

On September 10, 2001, the yen exchange rate per U.S. dollar was ¥ 121.08 per \$1.

## **B. Risk Factors**

Hitachi operates in a broad range of business fields, conducts business on a global scale, and utilizes sophisticated specialized technologies to carry on its operations. It is therefore exposed to risks attributable to the economic environment, risks inherent in individual industrial sectors and business lines, and risks related to management.

Although certain risks that may affect Hitachi's businesses are listed in this section, the list is not exhaustive. Hitachi's businesses may in the future also be affected by other risks that are currently unknown or that are not currently considered significant. The items set forth in this section contain information relating to the forward-looking statements subject to "Cautionary Statement" on Page 2 of this report.

Certain of the risk factors that may affect Hitachi are set out below.

### **Risks related to economic environment**

- The economic environment in Hitachi's main markets may have a negative effect on Hitachi's business results. Decreases in consumption owing to economic downturns in Japan, North America, Asia and other major markets where Hitachi does business may negatively impact Hitachi's business results by reducing demand for the products and services Hitachi offers.
- Fluctuations in currency exchange rates may negatively affect Hitachi's business results. As overseas sales account for 31% of Hitachi's total sales, fluctuations in exchange rates between the yen and other major currencies, particularly between the yen and the U.S. dollar, may adversely affect Hitachi's financial performance.

## **Risks related to industrial sectors and business lines**

- **Rapid technological innovation**  
New technologies are rapidly emerging in the segments in which Hitachi does business, with the pace of technological innovation being especially notable in the field of information systems and electronics. The development of such advanced technologies and their continuous, timely and cost-effective incorporation in products and services is indispensable. Should Hitachi fail in this, the results of related businesses may be negatively impacted.
- **Intense competition**  
The business sectors in which Hitachi is engaged are experiencing increasingly intense competition. Hitachi is required to compete with a diversity of competitors ranging from huge global corporations to specialized companies. Competitors are increasingly manufacturing products, including sophisticated electronic products, in low-cost jurisdictions. Globalization of markets and commoditization of products are making price competition increasingly intense. To remain viable in this competitive environment, Hitachi's products and services must be competitive in terms of price, engineering expertise, quality and brand value. Hitachi cannot be certain that it will prevail over its competitors. If it should lose, Hitachi's business results may be negatively affected.
- **Supply and demand balance**  
Deterioration of the balance between supply and demand in the markets in which Hitachi is involved may adversely affect Hitachi's performance. The semiconductor business is one of the most strongly influenced by supply and demand balance. Production during a period of excess supply may negatively affect Hitachi's business results.

## **Risks related to management**

- **Dependence on specially skilled personnel**  
Hitachi can prevail over competitors only if it has people who are highly skilled in the fields of management and technology and therefore must continuously secure such personnel.
- **Alliances**  
In every operating segment, Hitachi conducts business through joint ventures, tie-ups and other alliances with outside partners. If these alliances do not succeed, Hitachi's performance may be negatively affected.
- **Intellectual property**  
Hitachi owns a large number of intellectual property rights and, when necessary, obtains licenses for use of other party rights. If Hitachi fails to protect or loses access to these rights, its performance may be adversely affected.
- **Financial risks**  
Hitachi owns marketable securities that are exposed to stock market risks. Declines in stock market prices may have an adverse effect on Hitachi's financial condition and results of operations. Hitachi is dependent on the capital market for long-term financing secured through the issue of debentures and long-term borrowing from financial institutions. It is therefore exposed to interest rate and credit risks.

## **Item 4. Information on the Company**

### **A. History and Development of the Company**

The Company was founded in 1910 as a small electric repair shop and was incorporated as Hitachi, Ltd. (KABUSHIKI KAISHA HITACHI SEISAKUSHO) in 1920 under the laws of Japan. Its registered office is located at 6, Kanda-Surugadai 4-chome, Chiyoda-ku, Tokyo 101-8010, Japan. The telephone number of the Company's principal executive office is +81-3-3258-1111.

Over the years, Hitachi has broadened the horizon of its research as well as its business activities to develop a highly diversified product mix ranging from electricity generation systems to consumer products and electronic devices. Hitachi has grown into Japan's largest diversified manufacturer of electronic and electrical products. With its diverse product lines, Hitachi maintains a significant presence in each of the major markets it serves, which together make Hitachi one of the world's largest manufacturers of electronic products. With its emphasis on research and development and its ability to combine a wide range of technologies, Hitachi continues to strive to provide the world with products that meet the changing needs of its customers.

In April 1999, Hitachi, Ltd. implemented fundamental management reforms to meet the escalating challenges of global competition. The reforms include, among other things, a new company officer system, reorganization of business units, simplifying its head office, and establishing an Advisory Board.

In November 1999, Hitachi launched a medium-term business plan defining the direction and goals of its businesses through fiscal 2002. The aim of this plan is to evolve into a company offering truly helpful services and systems by using its wealth of knowledge and information technology. See "Item 5. Operating and Financial Review and Prospects - A. Operating Results."

On October 1, 2000, Hitachi Credit Corporation, a 53.4% owned subsidiary, merged with Hitachi Leasing, Ltd., a 50.0% owned affiliate of the Company, for the purpose of strengthening management and promoting business development in the area of financial services. The merged company changed its name to Hitachi Capital Corporation.

On October 1, 2000, Kokusai Electric Co., Ltd., a 26.7% owned affiliate of the Company, merged with Hitachi Denshi, Ltd., a 63.7% owned subsidiary, and Yagi Antenna Co., Ltd., a 40.9% owned affiliate of the Company, for the purpose of integrating and strengthening their wireless communication businesses. The merged company became a 37.4% owned affiliate of the Company and changed its name to Hitachi Kokusai Electric Inc.

On May 24, 2001, Hitachi, Ltd. and Nissei Sangyo Co., Ltd., a 58.0% owned subsidiary, entered into an agreement under which Hitachi, Ltd.'s instrument and semiconductor manufacturing equipment operations will be separated and merged with Nissei Sangyo on October 1, 2001. Sales operations relating to clinical testing systems of Hitachi Medical Corporation, a 65.5% owned subsidiary, will be transferred to the new company, also on October 1. The aim of the reorganization is to speedily respond to market changes in nanotechnology areas such as semiconductor manufacturing equipment and biotechnology-related products by forming an integrated management system that encompasses everything from development through to manufacturing, marketing and services.

Hitachi's capital expenditures for fixed assets were ¥ 996 billion, ¥ 577 billion and ¥ 619 billion in fiscal 2000, 1999 and 1998. The increase in capital expenditures during fiscal 2000 reflects aggressive investment in the information systems and electronics field and consolidation of Hitachi Leasing, Ltd., which had been an affiliate of the Company. Excluding purchase of assets to be leased, the largest share of the funds has been directed to the Information Systems & Electronics segment. While Hitachi has maintained a selective attitude toward investment decisions, it has placed emphasis on strategically important products such as semiconductors and liquid crystal displays to be competitive in those product sectors. In April 2001, Hitachi projected that, for the fiscal year ending March 31, 2002, its capital expenditures would amount to approximately ¥ 1,025 billion. In August 2001, Hitachi reviewed the plan of capital expenditures and expects to reduce the amount, considering the change

of business environment, especially in the semiconductor sector. See “Item 5. Operating and Financial Review and Prospects - B. Liquidity and Capital Resources.”

## **B. Business Overview**

### **Main Products and Services**

Hitachi’s business is highly diversified. For the purpose of reporting, the operations of Hitachi are classified into five industry segments: (1) Information Systems & Electronics, (2) Power & Industrial Systems, (3) Consumer Products, (4) Materials and (5) Services & Other.

Hitachi’s major products and services offered in each segment are shown below.

(1) Information Systems & Electronics

Disc Storage Systems, Servers, Mainframe Computers, Computer Terminals and Peripherals, Software, Systems Integration, Personal Computers, Switches, Fiber Optic Components, DVD Drives, Semiconductors, Display Tubes, Liquid Crystal Displays, Semiconductor Manufacturing Equipment, Test and Measurement Equipment, Medical Electronics Equipment

(2) Power & Industrial Systems

Nuclear Power Plants, Hydroelectric Power Plants, Thermal Power Plants, Control Equipment, Compressors, Rolling Mill Equipment, Plant Engineering and Construction, Elevators, Escalators, Air-Conditioning Equipment, Rolling Stock, Automotive Equipment, Construction Machinery, Environmental Control Systems

(3) Consumer Products

Room Air Conditioners, Refrigerators, Washing Machines, Microwave Ovens, Vacuum Cleaners, Heating Appliances, Kitchen Appliances, Lighting Fixtures, Television Sets, VCRs, Mobile Phones, Audiotapes, Videotapes, Batteries, Optical Storage Media, Floppy Disks

(4) Materials

Synthetic Resin Materials and Products, Printed Circuit Boards, Ceramic Materials, Special Steels, Rolls for Rolling Mills, Malleable Cast-Iron Products, Forged and Cast-Steel Products, Magnetic Materials, Pipe Fittings, Wire and Cable, Copper Products, Rubber Products

(5) Services & Other

General Trading, Financial Services, Transportation, Property Management

### **Sales and Distribution**

Hitachi distributes its products in Japan primarily through its own sales network. Hitachi also distributes some of its products through independent dealers. In most field sales offices, Hitachi’s sales personnel specialize in the marketing of particular types of products.

International marketing is conducted through overseas sales subsidiaries, joint-venture companies and unaffiliated distributors. Also, certain types of equipment are sold to industrial companies in foreign markets on an original equipment manufacturing (OEM) basis and marketed under the brand names of such industrial companies.

Overseas sales amounted to ¥ 2,626 billion in fiscal 2000, accounting for 31% of net sales. Foreign currency exchange rate fluctuations influence Hitachi's operating environment. A strong yen reduces the price competitiveness of products exported to foreign markets and diminishes profit by decreasing revenue when foreign currency income from overseas product sales is converted to yen. See "Item 5. Operating and Financial Review and Prospects - A. Operating Results."

Hitachi's widespread customer base in domestic and overseas markets encompasses leading industrial companies, financial institutions, utilities, governments and individual customers. No material part of its business is dependent upon one or a few customers.

## Segment Information

The following information is disclosed in accordance with the requirements of a ministerial ordinance under the Securities and Exchange Law of Japan. This information is not prepared in accordance with the requirements of accounting principles generally accepted in the United States of America or Statement of Financial Accounting Standards No.131, "Disclosures about Segments of an Enterprise and Related Information."

### (1) Industry Segment

	Year ended March 31 (Billions of yen)						
	1999		2000		2001		
Net Sales							
Information Systems & Electronics	¥	3,107	31%	3,149	32%	3,456	32%
Power & Industrial Systems		2,407	24	2,373	24	2,531	23
Consumer Products		897	9	905	9	923	9
Materials		1,339	14	1,346	13	1,461	13
Services & Other		<u>2,123</u>	<u>22</u>	<u>2,146</u>	<u>22</u>	<u>2,458</u>	<u>23</u>
Subtotal		<u>9,873</u>	<u>100%</u>	<u>9,919</u>	<u>100%</u>	<u>10,829</u>	<u>100%</u>
Eliminations		<u>(1,896)</u>		<u>(1,918)</u>		<u>(2,412)</u>	
Total	¥	<u><u>7,977</u></u>		<u><u>8,001</u></u>		<u><u>8,417</u></u>	
Operating Income (Loss)							
Information Systems & Electronics	¥	(90)	-%	52	24%	142	38%
Power & Industrial Systems		30	-	42	19	85	22
Consumer Products		(6)	-	20	9	3	1
Materials		28	-	50	23	82	22
Services & Other		<u>51</u>	<u>-</u>	<u>54</u>	<u>25</u>	<u>66</u>	<u>17</u>
Subtotal		<u>13</u>	<u>-%</u>	<u>218</u>	<u>100%</u>	<u>378</u>	<u>100%</u>
Eliminations and Corporate Items		<u>(47)</u>		<u>(44)</u>		<u>(36)</u>	
Total	¥	<u><u>(34)</u></u>		<u><u>174</u></u>		<u><u>342</u></u>	
Segment Assets							
Information Systems & Electronics	¥	2,243	25%	2,258	25%	2,665	25%
Power & Industrial Systems		2,245	25	2,222	25	2,415	22
Consumer Products		718	8	725	8	784	7
Materials		1,436	16	1,482	16	1,512	14
Services & Other		<u>2,296</u>	<u>26</u>	<u>2,325</u>	<u>26</u>	<u>3,387</u>	<u>32</u>
Subtotal		<u>8,938</u>	<u>100%</u>	<u>9,012</u>	<u>100%</u>	<u>10,763</u>	<u>100%</u>
Eliminations and Corporate Items		<u>910</u>		<u>971</u>		<u>484</u>	
Total	¥	<u><u>9,848</u></u>		<u><u>9,983</u></u>		<u><u>11,247</u></u>	

	Year ended March 31 (Billions of yen)						
	1999		2000		2001		
<b>Depreciation &amp; Amortization</b>							
Information Systems & Electronics	¥	218	41%	220	39%	265	48%
Power & Industrial Systems		66	12	66	12	73	13
Consumer Products		48	9	45	8	46	8
Materials		83	15	79	14	84	15
Services & Other		<u>125</u>	<u>23</u>	<u>155</u>	<u>27</u>	<u>87</u>	<u>16</u>
Subtotal		540	<u>100%</u>	565	<u>100%</u>	555	<u>100%</u>
Eliminations and Corporate Items		<u>19</u>		<u>12</u>		<u>12</u>	
Total	¥	<u>559</u>		<u>577</u>		<u>567</u>	
<b>Tangible &amp; Intangible Asset Increase</b>							
Information Systems & Electronics	¥	206	35%	228	38%	369	31%
Power & Industrial Systems		61	10	65	11	90	8
Consumer Products		48	8	41	7	48	4
Materials		91	15	80	13	113	10
Services & Other		<u>187</u>	<u>32</u>	<u>189</u>	<u>31</u>	<u>547</u>	<u>47</u>
Subtotal		593	<u>100%</u>	603	<u>100%</u>	1,167	<u>100%</u>
Eliminations and Corporate Items		<u>(2)</u>		<u>14</u>		<u>(64)</u>	
Total	¥	<u>591</u>		<u>617</u>		<u>1,103</u>	

(2) Geographic Segment

	Year ended March 31 (Billions of yen)						
	1999		2000		2001		
<b>Net Sales</b>							
<b>Japan</b>							
Outside customer sales	¥	6,325	69%	6,411	69%	6,558	65%
Intersegment transactions		<u>915</u>	<u>10</u>	<u>952</u>	<u>10</u>	<u>1,148</u>	<u>12</u>
Total		7,240	79	7,363	79	7,706	77
<b>Asia</b>							
Outside customer sales		471	5	463	5	550	6
Intersegment transactions		<u>261</u>	<u>3</u>	<u>303</u>	<u>3</u>	<u>416</u>	<u>4</u>
Total		732	8	766	8	966	10
<b>North America</b>							
Outside customer sales		732	8	723	8	863	9
Intersegment transactions		<u>47</u>	<u>0</u>	<u>31</u>	<u>0</u>	<u>49</u>	<u>0</u>
Total		779	8	754	8	912	9
<b>Europe</b>							
Outside customer sales		411	5	364	4	396	4
Intersegment transactions		<u>21</u>	<u>0</u>	<u>45</u>	<u>0</u>	<u>27</u>	<u>0</u>
Total		432	5	409	4	423	4
<b>Other Areas</b>							
Outside customer sales		38	0	40	1	50	0
Intersegment transactions		<u>4</u>	<u>0</u>	<u>10</u>	<u>0</u>	<u>4</u>	<u>0</u>
Total		42	0	50	1	54	0
Subtotal		9,225	<u>100%</u>	9,342	<u>100%</u>	10,061	<u>100%</u>
Eliminations		<u>(1,248)</u>		<u>(1,341)</u>		<u>(1,644)</u>	
Total	¥	<u>7,977</u>		<u>8,001</u>		<u>8,417</u>	

	Year ended March 31 (Billions of yen)						
	1999		2000		2001		
Operating Income (Loss)							
Japan	¥	3	-%	184	82%	304	82%
Asia		9	-	21	10	45	12
North America		(4)	-	15	7	7	2
Europe		2	-	4	2	13	4
Other Areas		(0)	-	(1)	(1)	1	0
Subtotal		10	-%	223	100%	370	100%
Eliminations and Corporate Items		(44)		(49)		(28)	
Total	¥	(34)		174		342	
Segment Assets							
Japan	¥	7,281	83%	7,318	83%	8,492	82%
Asia		454	5	536	6	659	6
North America		532	6	489	6	663	7
Europe		458	5	458	5	471	5
Other Areas		27	1	34	0	38	0
Subtotal		8,752	100%	8,835	100%	10,323	100%
Eliminations and Corporate Items		1,096		1,148		924	
Total	¥	9,848		9,983		11,247	

### (3) Net Sales by Market

	Year ended March 31 (Billions of yen)						
	1999		2000		2001		
Domestic sales	¥	5,533	69%	5,657	71%	5,791	69%
Overseas sales							
Asia		895	11	898	11	967	11
North America		839	11	767	10	904	11
Europe		540	7	485	6	551	7
Other Areas		170	2	194	2	204	2
Subtotal		2,444	31	2,344	29	2,626	31
Total	¥	7,977	100%	8,001	100%	8,417	100%

- Notes:
- Sales by segment include intersegment transactions.
  - Geographic Segment is based on the locations of Hitachi's facilities where products or services are produced.
  - Figures for Net Sales by Market are based on the locations of the customer to whom Hitachi's products or services are sold.
  - On April 1, 2000, Hitachi adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, figures of Segment Assets for the fiscal year ended March 31, 2000 and 1999 have been restated.
  - Geographic Segment has been divided into five groups (Japan, Asia, North America, Europe, and Other Areas) for the fiscal year ended March 31, 2001. Accordingly, figures for the fiscal year ended March 31, 2000 and 1999 have been restated.

Hitachi conducts a broad and diverse range of businesses. Hitachi divides its operations into five segments that group products mainly on the basis of similarity in type, use, production method and marketing method. The five segments are Information Systems & Electronics, Power & Industrial Systems, Consumer Products, Materials and Services & Other. Each segment includes the Company's subsidiaries and affiliates engaged in related production, marketing and service activities.

(Information Systems & Electronics)

Products and services provided by Hitachi in this segment include computers, semiconductors, communications equipment and liquid crystal displays. This segment groups products with many common technological aspects, facilitating operations management. Computers and semiconductors form the nucleus of the segment.

Hitachi's computer business consists of hardware products, software and related services. Customers are business entities in various industries, national and local governments, and, to a lesser extent, individuals. Among the hardware products Hitachi offers, mainframes, servers and storage systems are more significant than other products. In order to meet market requirements, these products need to be built to achieve high performance while meeting cost parameters of customers. Hitachi also develops and offers various software packages designed to enhance the productivity of customers. Consulting and system integration form the core of the solutions business in which customized solutions are developed and offered to customers with Hitachi's hardware and software products, as well as other vendors' products, to deliver systems that help customers achieve their business objectives. The service business includes outsourcing in such areas as information processing and network operation.

The computer industry is extremely competitive. The speed of technology development in both hardware and software is very fast, and failure or delay to introduce the products or services that incorporate the latest technology would materially diminish Hitachi's market presence. Customers are highly sensitive to the cost effectiveness of their investments in information technology.

Over the medium term, in accordance with changing market requirements, Hitachi intends to expand its service business in growing areas, such as electronic commerce and content delivery. In overseas markets, especially in North America, Hitachi decided to shift its focus from mainframes to disk storage systems in its hardware business and drive expansion in its solutions business. In accordance with this strategy, in October 2000, Experio Solutions Corporation, a subsidiary of the Company, acquired the e-Business Consulting Group of Grant Thornton LLP, an accounting and management-consulting firm. Hitachi believes strategic alliances are important to improve time to market requirements. The Company entered into an alliance with International Business Machines Corporation in the field of servers and joined Microsoft Corporation in establishing a joint-venture company in the system solutions business for enterprises.

Semiconductors are used extensively in many industries, including computers, digital consumer products and automobiles. Hitachi's product line for semiconductors consists of microprocessors, system LSIs, DRAMs, other memory products such as flash memory, and other multi-purpose semiconductors. Hitachi is a world leader in developing and manufacturing advanced memory chips. Recently, Hitachi has been giving more emphasis to system LSIs which combine memories, microprocessors and other components on a single chip and are capable of performing complex tasks.

Two notable features of the semiconductor market are rapid technological changes and significant price fluctuations with changes in the supply-demand balance. Technology becomes obsolete in a very short period of time, and new industry standards for any product line may be established very quickly. Prices for DRAMs in particular are under pressure due to increasing commoditization and intense competition among companies with large production capacity that specialize in this market. The industry is responding to these circumstances by seeking ways to spread investment risks by setting up joint ventures or forming alliances.

In accordance with changing market requirements, Hitachi has consolidated its semiconductor manufacturing bases and sold non-strategic business such as semiconductor silicon crystal operations in an effort to redefine the scope of its operation. In December 1999, Hitachi established a joint-venture company called Elpida Memory, Inc. for DRAM business with NEC Corporation. Hitachi expects the new company to integrate DRAM business including development, marketing and manufacturing. In March 2000, Hitachi also established a joint-venture company called Trecenti Technologies, Inc. with United Microelectronics Corporation of Taiwan which produces semiconductor products using next-generation wafers.

In fiscal 2000, the segment accounted for 32% of net sales before eliminations and 38% of operating income

before eliminations and corporate items.

#### (Power & Industrial Systems)

In this segment, Hitachi manufactures and sells power plants, industrial machinery, transportation equipment, construction machinery and other products for power utilities and industry.

Power companies are the main customers of the power sector. In this sector, Hitachi must respond to customer demand for low-priced products with high added value. In addition, in recent years Hitachi has given high priority to environmental protection in its product design. The entry of independent power producers into the domestic electric power industry brought about by deregulation has put pressure on power companies to lower electricity prices. This causes more intense price competition among vendors to match lower electricity prices. Since the orders the sector receives are generally for large items with long delivery periods, a portion of the purchase price from those orders is generally paid in advance to finance the production of the items.

The industrial systems sector covers products used in numerous industries and is strongly influenced by trends in public works spending and private-sector plant and equipment investment. Market demands focus primarily on low price, high added value and the capability of products to be integrated into systems. The number of product types is vast and production is frequently done in small lots or on order. The industry includes many small-to-medium-sized specialty manufacturers and competition for orders is fierce.

Hitachi optimizes its response to the needs and priorities of segment customers by strategically combining technologies from Hitachi's diverse fields of operation, especially from the technologies of Information Systems & Electronics. In fiscal 2000, the segment accounted for 23% of net sales before eliminations and 22% of operating income before eliminations and corporate items.

#### (Consumer Products)

In this segment, Hitachi manufactures and sells products in two main categories: home appliances and consumer electronics. The former includes room air conditioners, refrigerators, washing machines and other appliances, while the latter comprises TVs, VCRs, mobile phones and other digital consumer products. All products have a broad range of customers dominated by general consumers.

Home electrical equipment manufacturers are responding to customer demand for low price and high added value by cutting costs and developing differentiated product lines. Success in this segment will also depend considerably on the development of products geared to advances in new multimedia-related markets.

In order to achieve low-cost production and have access to growing markets, Hitachi has expanded overseas production, especially in Southeast Asia. Hitachi also has introduced supply chain management to shorten lead times and hold minimum inventory. Hitachi is a well-recognized brand associated with high reliability and quality. In fiscal 2000, the segment accounted for 9% of net sales before eliminations and 1% of operating income before eliminations and corporate items.

#### (Materials)

This segment includes fabricated chemical and metal products supplied as parts or materials to downstream manufacturers of mainly electric and electronic products. For example, Hitachi Chemical Co., Ltd. manufactures products based on its resin technology and serves industrial markets such as semiconductors, liquid crystal displays and automobiles. Hitachi Metals, Ltd. manufactures and sells magnetic and electronic materials and parts. They include specialty steels such as materials for mobile phones and automobile engine parts. Hitachi Cable, Ltd. manufactures and sells cable and wire products used for transmission of power and telephone signals.

In every product sector, customers insist on high quality and high added value. Hitachi's strength in electronics technology has enabled it to command a strong position in the market for products in this segment. In fiscal 2000, the segment accounted for 13% of net sales before eliminations and 22% of operating income before eliminations and corporate items.

(Services & Other)

This segment includes various businesses not covered by the other four segments. Hitachi has set up sales subsidiaries by region or by products. Hitachi also has many subsidiaries that were established to offer various functions related to its business operations internally, such as transportation, printing, and property management. Financial services, which originated in extending credit to purchasers of Hitachi products, has grown to become an integral part of this segment.

On October 1, 2000, Hitachi Credit Corporation, a subsidiary of the Company, merged with Hitachi Leasing, Ltd., an affiliate of the Company, for the purpose of strengthening management and promoting business development in the area of financial services. The merged company changed its name to Hitachi Capital Corporation.

In fiscal 2000, the segment accounted for 23% of net sales before eliminations and 17% of operating income before eliminations and corporate items.

### **Competition**

Hitachi is subject to intense competition in each of its businesses. Among its major competitors are some of the top-ranking industrial companies in Japan, U.S., Europe and Asia. Depending on the nature of the business, the competition is marked by rapid progress in technology or the need to reduce costs to meet customer requirements. In addition, Hitachi is facing more competition against companies that focus exclusively on specific market segments. See "Segment Information" in this Item for details of competition in each segment.

### **Raw Materials and Energy**

Hitachi has many suppliers from which it purchases a variety of raw materials, and is not dependent on any single source of supply for any of its raw materials. In light of the fact that Japan produces very few of the raw materials Hitachi uses in its manufacturing processes, Hitachi monitors the availability of raw materials on a regular basis. There are currently no particular energy or raw material shortages that are likely to materially affect Hitachi's business.

### **Patents and Licenses**

Hitachi holds numerous patents, trademark rights and copyrights. While Hitachi considers them to be valuable assets and important for its operations, it believes that its business is not dependent to any material extent upon any single patent, trademark right, copyright or any related group of such rights it holds.

Hitachi also has many licenses and technical assistance agreements covering a wide variety of products. They grant Hitachi the rights to use certain Japanese and foreign patents or the rights to receive certain technical information. Hitachi is not materially dependent on any single such agreement.

Hitachi has granted licenses and technical assistance to various companies located in Japan and overseas. In certain instances, Hitachi has entered into cross-licensing agreements with other major international electronics and electrical equipment manufacturers.

### **Government Regulations**

Hitachi's business activities are subject to various governmental regulations in countries where it operates, which include investment approvals, export regulations, tariffs, antitrust, intellectual property, consumer and business taxation, exchange controls, and environmental and recycling requirements. At present, Hitachi manages to operate its business without any significant difficulty in coping with them.

## C. Organizational Structure

The table below shows major subsidiaries of Hitachi, Ltd. as of March 31, 2001.

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Percentage owned</u>
(1) Information Systems & Electronics		
Hitachi Electronics Engineering Co., Ltd.	Japan	61.0%
Hitachi Electronics Services Co., Ltd.	Japan	100.0
Hitachi Hokkai Semiconductor, Ltd.	Japan	100.0
Hitachi Information Systems, Ltd.	Japan	50.5
Hitachi Medical Corporation	Japan	65.5
Hitachi Semiconductor and Devices Sales Co., Ltd.	Japan	100.0
Hitachi Software Engineering Co., Ltd.	Japan	52.6
Hitachi Systems & Services, Ltd.	Japan	100.0
Hitachi Telecom Technologies, Ltd.	Japan	100.0
Hitachi Tohbu Semiconductor, Ltd.	Japan	100.0
Hitachi Tokyo Electronics Co., Ltd.	Japan	100.0
Trecenti Technologies, Inc.	Japan	60.0
Hitachi Computer Products (America), Inc.	U.S.A	100.0
Hitachi Computer Products (Asia) Corp.	Philippines	100.0
Hitachi Computer Products (Europe) S.A.	France	100.0
Hitachi Data Systems Holding Corp.	U.S.A	100.0
Hitachi Electronic Devices (Singapore) Pte. Ltd.	Singapore	85.0
Hitachi Electronic Devices (USA), Inc.	U.S.A	100.0
Hitachi Nippon Steel Semiconductor Singapore Pte. Ltd.	Singapore	53.8
Hitachi Semiconductor (America) Inc.	U.S.A	100.0
Hitachi Semiconductor (Europe) GmbH	Germany	100.0
Hitachi Semiconductor (Malaysia) Sdn. Bhd.	Malaysia	90.0
(2) Power & Industrial Systems		
Babcock-Hitachi Kabushiki Kaisha	Japan	100.0%
Hitachi Air Conditioning Systems Co., Ltd.	Japan	100.0
Hitachi Building Systems Co., Ltd.	Japan	100.0
Hitachi Construction Machinery Co., Ltd.	Japan	54.8
Hitachi Engineering Co., Ltd.	Japan	100.0
Hitachi Engineering & Services Co., Ltd.	Japan	100.0
Hitachi Kiden Kogyo, Ltd.	Japan	58.6
Hitachi Mobile Co., Ltd.	Japan	100.0
Hitachi Plant Engineering & Construction Co., Ltd.	Japan	56.3
Hitachi Service & Engineering (East), Ltd.	Japan	100.0
Hitachi Service & Engineering (West), Ltd.	Japan	100.0
Hitachi Techno Engineering Co., Ltd.	Japan	100.0
Hitachi Via Mechanics, Ltd.	Japan	100.0
Japan Servo Co., Ltd.	Japan	53.1
Hitachi Automotive Products (USA), Inc.	U.S.A.	100.0
Taiwan Hitachi Co., Ltd.	Taiwan	61.5
(3) Consumer Products		
Hitachi Hometec, Ltd.	Japan	100.0%
Hitachi Maxell, Ltd.	Japan	52.4
Hitachi Media Electronics Co., Ltd.	Japan	100.0
Hitachi Consumer Products (S) Pte. Ltd.	Singapore	100.0
Hitachi Home Electronics (America), Inc.	U.S.A	100.0
Hitachi Home Electronics (Europe) Ltd.	U.K.	100.0
Shanghai Hitachi Household Appliances Co., Ltd.	China	60.0

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Percentage owned</u>
(4) Materials		
Hitachi Cable, Ltd.	Japan	52.5%
Hitachi Chemical Co., Ltd.	Japan	53.9
Hitachi Metals, Ltd.	Japan	55.0
(5) Services & Other		
Chuo Shoji, Ltd.	Japan	100.0%
Hitachi Capital Corporation	Japan	53.0
Hitachi Life Corporation	Japan	100.0
Hitachi Transport System, Ltd.	Japan	59.9
Nikkyo Create, Ltd.	Japan	100.0
Nissei Sangyo Co., Ltd.	Japan	58.0
Hitachi America, Ltd.	U.S.A	100.0
Hitachi Asia Ltd.	Singapore	100.0
Hitachi (China), Ltd.	China	100.0
Hitachi Europe Ltd.	U.K.	100.0

#### **D. Property, Plants and Equipment**

Most of Hitachi's plants, offices and other fixed assets are located in Japan. Hitachi considers its properties to be well maintained and believes its plant capacity is adequate for its current needs. Certain of Hitachi's properties such as land and buildings are subject to mortgages in respect of bonds and loans. The total outstanding balance of the secured loans and bonds as of March 31, 2001 was ¥ 16 billion.

The following table shows relevant property data in relation to major lines of business as of March 31, 2001.

<u>Name</u>	<u>Location</u>	<u>Area</u> thousand m <sup>2</sup>	<u>Principal products</u>
In Japan			
Hitachi, Ltd.:			
Semiconductor & Integrated Circuits	Tokyo, etc.	596	LSIs, ICs
Displays	Chiba	523	Liquid crystal displays
Thermal & Hydroelectric Systems Division, etc.	Ibaraki	3,630	Power generating equipment, Turbines
Sales Offices	Osaka, etc.	231	-
Research & Development Group	Tokyo, etc.	863	-
Device Development Center	Tokyo	60	LSIs, ICs
Head Office	Tokyo	876	-
Enterprise Server Division	Kanagawa	208	Mainframe computers
Data Storage & Retrieval Systems Division	Kanagawa	131	Disk storages
Refrigeration & Air Conditioning Division	Tochigi	1,112	Refrigerators, Air conditioners

<u>Name</u>	<u>Location</u>	<u>Area</u> thousand m <sup>2</sup>	<u>Principal products</u>
Subsidiaries:			
Tokyo Monorail Co., Ltd.	Tokyo	62	-
Hitaka Works (Hitachi Cable, Ltd.)	Ibaraki, etc.	1,064	Electric wire and cable
Yasugi Works (Hitachi Metals, Ltd.)	Shimane	1,124	Special steels
Kyoto Works (Hitachi Maxell, Ltd.)	Kyoto	313	Magnetic recording media
Tsuchiura Operations Group (Hitachi Construction Machinery Co., Ltd.)	Ibaraki, etc.	5,350	Hydraulic excavators
Head Office (Hitachi Building Systems Co., Ltd.)	Tokyo	165	-
Densen Works (Hitachi Cable, Ltd.)	Ibaraki	115	Electronic materials and components
Shimodate Works (Hitachi Chemical Co., Ltd.)	Ibaraki	434	Electronic materials and components
Head Office (Hitachi Medical Corporation)	Tokyo	37	-
Head Office (Nissei Sangyo Co., Ltd.)	Tokyo	2	-
Overseas Subsidiaries:			
Hitachi Metals America, Ltd.	New York, U.S.A., etc.	2,857	Casting products
Hitachi Computer Products (Asia) Corp.	Binan, Philippines	83	Magnetic disks
Hitachi Semiconductor (Europe) GmbH	Landshut, Germany	63	LSIs, ICs

Regarding the plan of capital investment for the fiscal year ending March 31, 2002, see “A. History and Development of the Company” in this Item.