

INFORMATION & TELECOMMUNICATION SYSTEMS

The IT market contracted in 2002. Most noticeable was a sharp drop in hardware demand as telecommunications carriers slashed capital expenditures. Software and services, however, enjoyed growth in demand.

In this climate, the segment recorded a 4% increase in sales to ¥1,899.6 billion (US\$15,831 million) in fiscal 2002 on growth in sales of services and hardware. Operating income was up too, soaring 209% to ¥110.5 billion (US\$921 million) thanks to a dramatic improvement in hardware.

High-end disk array subsystem →

This electronic application system for regional government uses digital pens. →

World's smallest HDD with 4 Gigabytes of capacity on a one-inch disk →

SOFTWARE AND SERVICES

In software and services, sales rose compared with the previous fiscal year. Software sales declined due to a drop in software development demand and other factors. This outweighed continuing firm sales of software products such as system operation management software, which commands the top share in the Japanese market. In services, sales increased due to solid sales in the public sector for systems related to e-government projects. On the downside, sales of systems to financial institutions decreased.

Earnings rose in both software and services.

HARDWARE

The hardware sector saw an increase in sales. Storage products, one of Hitachi's core businesses, recorded increased sales, underpinned by strong sales of new models of disk array subsystems and hard disk drives (HDDs). Server operations saw sales climb as Hitachi expanded production under OEM agreements. But telecommunications sales declined due to lower demand.

Earnings improved markedly year on year.

This turnaround reflected higher earnings in storage products, servers and other areas, as well as the benefits of structural reforms in telecommunications operations.

In December 2002, in a move aimed at reinforcing its HDD business, Hitachi acquired the HDD operations of IBM Corporation, currently Hitachi Global Storage Technologies. In April 2003, Hitachi's HDD operations were integrated with this company. Hitachi Global Storage Technologies has the top market share for HDDs for mobile applications and the broadest product lineup in the industry. With its world-class R&D capabilities, Hitachi Global Storage Technologies has set the goal of becoming the preeminent player in the HDD industry.



ELECTRONIC DEVICES

This segment recorded a 6% rise in sales to ¥1,570.0 billion (US\$13,084 million). And, while the segment posted an operating loss of ¥23.2 billion (US\$194 million), this was narrower than the ¥163.6 billion operating loss in the previous fiscal year.



Renesas Technology Corp. was formed in April 2003 through the integration of the semiconductor operations of Hitachi and Mitsubishi Electric Corporation.



TFT LCD module for mobile phones

DNA sequencer of Hitachi High-Technologies

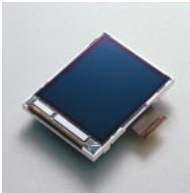


SEMICONDUCTORS

Sales in semiconductor operations in fiscal 2002 rose and, while earnings improved substantially from the previous fiscal year, these operations still face challenges. The improved performance reflected a market upswing and benefits of structural reforms implemented in the previous fiscal year.

By sector, system LSIs saw solid results continue for LCD drivers for mobile phones with color LCD panels and microcontrollers for automotive applications. However, performance in system memories was sluggish due to factors such as delays in developing large-capacity flash memories. In DRAMs, a decline in prices weighed on this sector. Multi-purpose semiconductors were buoyed by strong demand for high-power amplifier modules used in GSM-standard mobile phones.

In April 2003, Renesas Technology Corp. was formed as an equity-method affiliate from the integration of the semiconductor operations of Hitachi, Ltd. and Mitsubishi Electric Corporation. Focused on system LSI operations, the new company has a world-leading market share in microcontrollers. In addition, Renesas Technology will continue to deliver stable earnings from microcontrollers, analog and discrete devices, while establishing leading positions in the mobile communications, network and PC, automotive, and digital consumer electronics markets in the system LSI field.



DISPLAYS

Sales were flat year on year and, while earnings improved from the previous fiscal year, these operations still face challenges. The improvement reflected the termination of CRTs for PC monitors, and efforts to cut fixed costs. Large-size thin-film transistor (TFT) LCDs, which were hard hit by falling prices, saw sales drop. Sharp growth in sales of small and medium-size TFT LCDs reflected expansion in demand for mobile phones with color LCD panels. Sales of picture tubes for projection TVs also climbed sharply.

In October 2002, Hitachi Displays, Ltd. was established by separating the Display Group from the parent company in order to facilitate faster decision-making.

HITACHI HIGH-TECHNOLOGIES CORPORATION

Sales rose on growth in electronic device systems, life science systems, and information systems and electronic components. And earnings rose with life science systems making a strong contribution, buoyed by increased sales of DNA sequencers and other products.

HITACHI MEDICAL CORPORATION

Both sales and earnings declined year on year. Growth in magnetic resonance imaging systems was negated by lower sales of X-ray CT systems and other products.

POWER & INDUSTRIAL SYSTEMS

Sales in this segment edged up 1% to ¥2,297.0 billion (US\$19,142 million), while operating income decreased 3% to ¥53.2 billion (US\$444 million). These results reflected lower sales from power systems, industrial systems and other sectors. But sales growth was recorded in construction machinery. And sales in automotive products were given a boost by the inclusion in consolidated results of the former Unisia JECS Corporation (now Hitachi Unisia Automotive, Ltd.), which became a subsidiary in October 2002.

H-25 gas turbine for medium- to small-capacity power generation equipment



Automotive products
(from top: airflow sensor, control unit, electronic throttle body)



Hitachi Construction Machinery's ZAXIS hydraulic excavator



POWER SYSTEMS

The domestic power generation systems market slumped in fiscal 2002 as electric power companies curbed capital expenditures due to lackluster electricity demand. Both sales and earnings fell short of year-earlier levels mainly as a result of a precipitous drop in sales of maintenance services for nuclear and thermal power generation plants and substations. On the other hand, sales of power plants increased.



INDUSTRIAL SYSTEMS

Industrial systems also saw sales and earnings fall. Sales of industrial plants, water and sewage facilities, air-conditioning equipment and other systems declined due to lower levels of capital expenditures in Japan. One noteworthy development during the fiscal year was the April 2002 establishment of Hitachi Industrial Equipment Systems Co., Ltd. following the separation of the Industrial Components & Equipment Group from the parent company and its integration with manufacturing, maintenance and services subsidiaries. In another move, Hitachi sold its air separation plant business to Nippon Sanso Corporation in March 2003 as part of a policy of prioritizing resources.



AUTOMOTIVE PRODUCTS

In automotive products, sales and earnings both increased. Sales were lifted by the consolidation of Hitachi Unisia Automotive in October 2002, as mentioned earlier. In addition, solid sales of automotive products were recorded overseas.

BUILDING SYSTEMS

In building systems, sales of elevators and escalators increased year on year. Nevertheless, sales of building systems as a whole decreased due to stiff price competition in elevator and escalator maintenance and services in Japan. Earnings rose due to success in cutting fixed costs.

HITACHI CONSTRUCTION MACHINERY CO., LTD.

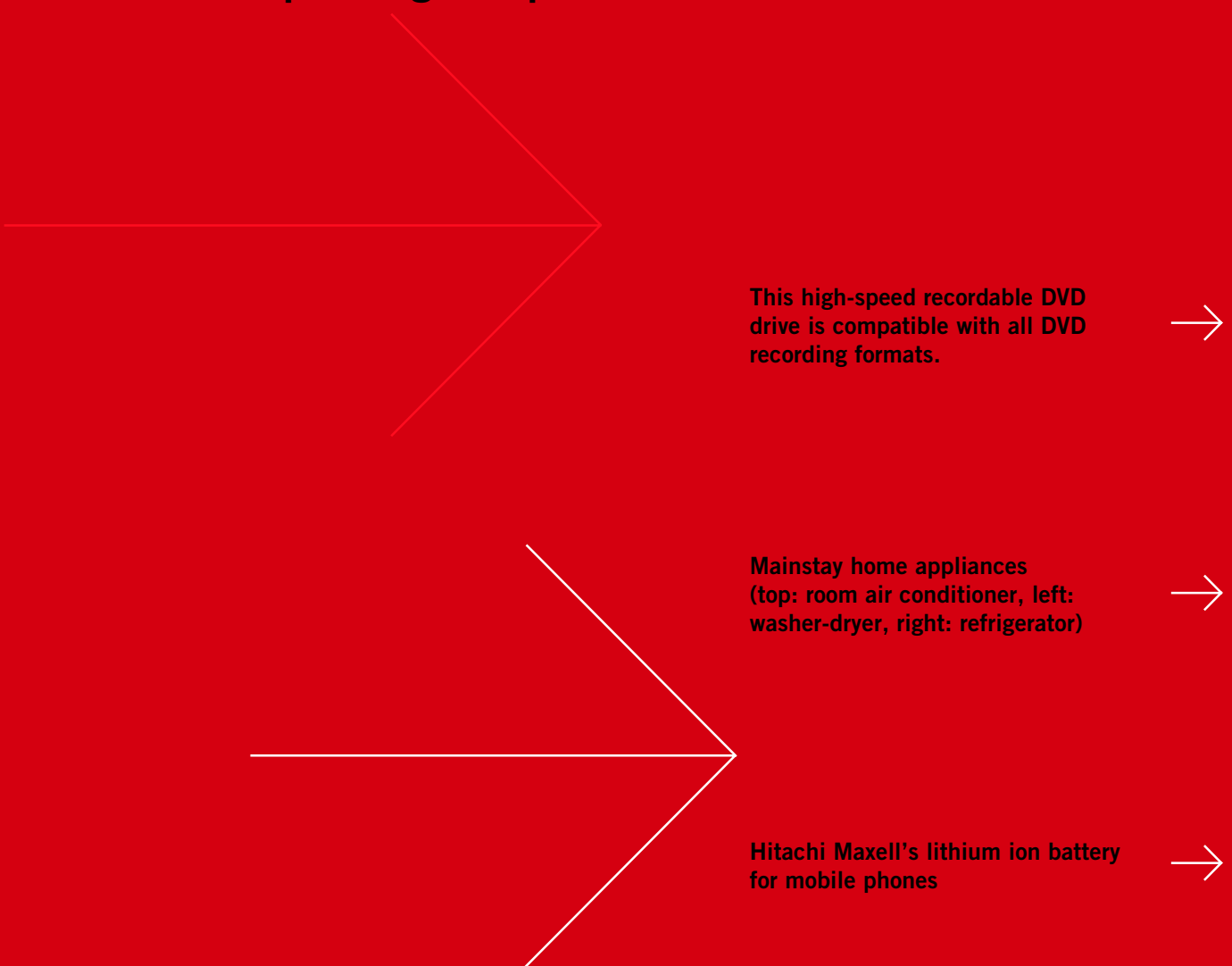
Sales increased as a result of a continuation of strong sales of construction machinery to overseas customers, particularly in China. Earnings improved sharply in fiscal 2002, on the higher sales and lower fixed costs.

HITACHI PLANT ENGINEERING & CONSTRUCTION CO., LTD.

Sales of clean rooms and services for the installation of power facilities declined as capital expenditures in Japan dropped. Consequently, both sales and earnings were down year on year.

DIGITAL MEDIA & CONSUMER PRODUCTS

Segment sales rose 3% to ¥1,205.5 billion (US\$10,046 million). And operating income improved to ¥6.2 billion (US\$52 million) from the ¥14.6 billion operating loss posted in fiscal 2001.



DIGITAL MEDIA

Sales in this sector increased year on year. Although mobile phone sales declined due to delays in developing new models, sales were strong for optical disk drives for PCs, notably recordable DVD drives, at Hitachi-LG Data Storage, Inc. Furthermore, sales of projection TVs remained healthy to the North American market, and LCD projectors did well in the European and Southeast Asian markets. In Japan, continuing growth was recorded in sales of plasma TVs, where Hitachi has the top share in the Japanese market. There was an improvement in earnings due partly to the benefits of structural reforms implemented in the previous fiscal year.



HOME APPLIANCES

Sector sales and earnings dipped below fiscal 2001 levels. In Japan, consumer preference for lower-priced products amid the economic slump and falling sales prices hurt results of Hitachi's three mainstay products: room air conditioners, refrigerators and washing machines.

In April 2002, the Consumer Products Group was separated from the parent company and integrated with two manufacturing subsidiaries to form Hitachi Home & Life Solutions, Inc. in a move to facilitate more flexible utilization of resources.



HITACHI MAXELL, LTD.

Sales were flat as growth in large-capacity computer tapes, recordable DVDs and rechargeable batteries, notably lithium ion batteries for mobile phones, was negated by soft demand for floppy disks, VHS video tapes, MiniDiscs and other products. Earnings, however, increased due to an improvement in the utilization rate in rechargeable battery operations and cost reductions in audio-video tape operations.

HIGH FUNCTIONAL MATERIALS & COMPONENTS

In this segment, sales were unchanged from the previous fiscal year at ¥1,248.5 billion (US\$10,405 million). The segment posted operating income of ¥18.3 billion (US\$152 million), which was an improvement from the ¥22.0 billion operating loss recorded in fiscal 2001. This was supported by the benefits of structural reforms implemented in the previous fiscal year.



Hitachi Chemical's scintillators for high-performance PET equipment



Hitachi Metals' high-performance EMC noise reduction components using FINEMET™, a nanocrystalline soft magnetic material



Hitachi Cable's multifunction Gigabit Ethernet* switches



* Ethernet is a registered trademark of Xerox Corp.

HITACHI CHEMICAL CO., LTD.

Sales rose year on year. Sales of electronics-related products grew, paced by increased sales for semiconductor materials such as epoxy molding compounds, anisotropic conductive films for LCDs and multilayer printed circuit boards. In chemical-related products, although automotive molded parts and scintillators for positron emission tomography (PET) fared well, overall growth in sales was modest because of lower sales of batteries and other products. In housing equipment and environmental facilities, sales declined as a whole due to sluggish sales for prefabricated bathroom units and household-use domestic wastewater treatment systems.

Earnings increased year on year due mainly to cost cutting.

HITACHI METALS, LTD.

Sales were on a par with the previous fiscal year. In high-grade metal products and materials, sales increased due to growth in automotive components and materials to the U.S. as well as IC lead frame materials and display-related materials. Contrastingly, sales in electronics and IT devices fell year on year as lower sales of magnet components outweighed higher sales for IT equipment. In high-grade casting components for automobiles, sales increased as heat-resistant iron castings and aluminum wheels fared well. However, high-grade ductile castings declined as the company ceased production of unprofitable products. In construction components, plant and equipment, sales were down due to soft demand in Japan.

Earnings improved substantially year on year. The benefits of structural reforms were mainly responsible for this improvement.

HITACHI CABLE, LTD.

Sales decreased from the previous fiscal year. In wires and cables, sales declined sharply due to a dramatic drop-off in sales of submarine fiber-optic cables and falling sales for power cables. In information systems and electronic components, sales rose on growth in information transmission system and semiconductor-related products, although sales of optical components decreased. In copper products, although copper tubes saw a decrease, sales rose due to increased sales for lead frames for semiconductor packaging materials and other products. In electric equipment, construction and others, sales dropped year on year because sales were slow for automotive hoses and the number of construction projects declined.

Hitachi Cable's earnings remained unsatisfactory as an improvement in information systems and electronic components was negated by lower earnings in wires and cables.



LOGISTICS, SERVICES & OTHERS

Segment sales edged up 1% from the previous fiscal year to ¥1,449.5 billion (US\$12,080 million).

Operating income climbed 218% to ¥10.3 billion (US\$86 million).

↓ Hitachi Transport System operates this distribution center for the AEON Group.



HITACHI TRANSPORT SYSTEM, LTD.

Sales were down marginally and earnings declined from the previous fiscal year. In the domestic distribution business, sales increased on steady sales from the logistics solutions business. Higher sales in this sector offset lower sales in general cargo and in-factory distribution. In the overseas distribution business, sales rose year on year owing to a strong performance by the air cargo business in North America and Asia, which offset a decline in seaborne freight. In other businesses, sales decreased significantly due to factors such as the absence of sales from Tokyo Monorail Co., Ltd., which was sold in February 2002.

OTHERS

Overseas-based general trading companies Hitachi America, Ltd., Hitachi Europe Ltd. and Hitachi Asia Ltd. saw growth in sales of HDDs and other products.

The “μ-chip,” the world’s smallest contactless IC chip, was selected by a steel maker for use in the supply chain management of steel products. Furthermore, the chip has been selected for use in the admission ticket system at the 2005 World Exposition to be held in Japan.

FINANCIAL SERVICES

Segment sales edged up 2% to ¥579.2 billion (US\$4,827 million) due partly to the inclusion of sales of Sekisui Leasing Co., Ltd., which was acquired by Hitachi Capital Corporation in March 2002. However, operating income dropped 68% to ¥12.0 billion (US\$101 million) due to falling interest rates and one-time charges taken to strengthen the balance sheet, such as providing for pension reforms.

↓ Multifunctional IC card



HITACHI CAPITAL CORPORATION

Although volume rose slightly over the previous fiscal year, the core finance sector turned in a lackluster performance. Earnings fell year on year.

In the finance sector, volume was flat, with large orders for leased software negated by lower volumes of automobile, home appliance and housing loans due to sluggish consumer spending. Leasing volume to corporate clients was lackluster as companies held back on capital expenditures. Earnings declined due to factors such as lower interest rates.

In other financial services, volume rose over the previous fiscal year. Growth was primarily due to expansion in the card business, notably multifunctional IC cards, and in the securitization and outsourcing businesses. Earnings declined on account of higher selling, general and administrative and other operating expenses.