

INDEPENDENT AUDITORS' REPORT



To the Shareholders and Board of Directors of
Hitachi, Ltd.:

We have audited the accompanying consolidated balance sheets of Hitachi, Ltd. and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2003, all expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The segment information required to be disclosed in financial statements under accounting principles generally accepted in the United States of America is not presented in the accompanying consolidated financial statements. Foreign issuers are presently exempted from such disclosure requirement in Securities Exchange Act filings with the United States Securities and Exchange Commission.

In our opinion, except for the omission of segment information, as discussed in the third paragraph, the consolidated financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of Hitachi, Ltd. and subsidiaries as of March 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis set forth in Note 2 to the consolidated financial statements.

A handwritten signature of the KPMG firm, written in a stylized, cursive font.

KPMG
Tokyo, Japan
May 15, 2003, except as to Note 26, which is as of May 30, 2003

FIVE-YEAR SUMMARY

Hitachi, Ltd. and Subsidiaries

	Millions of yen				
	2003	2002	2001	2000	1999
For the year:					
Net sales	¥ 8,191,752	¥7,993,784	¥8,416,982	¥8,001,203	¥7,977,374
Operating income (loss) (note)	152,967	(117,415)	342,312	174,364	(34,074)
Net income (loss)	27,867	(483,837)	104,380	16,922	(327,611)
Cash dividends declared	20,107	10,013	36,716	20,026	18,357
Capital investment					
(Property, plant and equipment)	787,496	856,279	971,095	574,642	585,718
Depreciation (Property, plant and equipment) . . .	480,274	529,418	505,507	541,253	547,022
R&D expenditures	377,154	415,448	435,579	432,342	496,728
At year-end:					
Total assets	10,179,389	9,915,654	11,246,608	9,983,361	9,847,742
Net property, plant and equipment	2,601,050	2,514,424	2,674,957	2,554,749	2,607,607
Stockholders' equity	1,853,212	2,304,224	2,861,502	2,987,687	3,006,015
					Yen
Per share information:					
Net income (loss):					
Basic	¥ 8.31	¥(144.95)	¥ 31.27	¥ 5.07	¥ (98.15)
Diluted	8.19	(144.95)	30.32	4.99	(98.15)
Net income (loss) per ADS (representing 10 shares):					
Basic	83	(1,450)	313	51	(982)
Diluted	82	(1,450)	303	50	(982)
Cash dividends declared	6.0	3.0	11.0	6.0	5.5
Cash dividends declared per ADS (representing 10 shares)					
	60	30	110	60	55
Stockholders' equity	550.76	690.28	857.27	895.08	900.57
Number of employees	339,572	321,517	340,939	337,911	328,351

Note: In order to be consistent with financial reporting principles and practices generally accepted in Japan, operating income (loss) is presented as net sales less cost of sales and selling, general and administrative expenses. The Company believes that this is useful to investors in comparing the company's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, restructuring charges, net gain or loss on sale and disposal of rental assets and other property, impairment losses, special termination benefits and the losses resulting from the adoption of EITF Issue No. 03-2 "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities" are included as part of operating income (loss) for the years ended March 31, 2003, 2002 and 2001. See the consolidated statements of income and note 17 to the consolidated financial statements.

The restructuring charges mainly represent impairment losses incurred with the reorganization of our business structures, and as the result of the Company and its subsidiaries reviewing and reshaping the business portfolio. The restructuring charges and net loss on sale and disposal of rental assets and other property for the years ended March 31, 2000 and 1999 totaled ¥72,819 million and ¥145,161 million, respectively.

CORPORATE DATA

(As of March 31, 2003)

CORPORATE NAME

Hitachi, Ltd.
(Kabushiki Kaisha Hitachi Seisakusho)

PRINCIPAL OFFICE

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

FOUNDED

1910 (Incorporated in 1920)

NUMBER OF EMPLOYEES

339,572

NUMBER OF SHARES ISSUED

Common Stock: 3,368,124,286 shares

NUMBER OF SHAREHOLDERS

421,138

TRANSFER AGENT FOR THE SHARES

Tokyo Securities Transfer Agent Co., Ltd.
5-1, Marunouchi, 1-chome, Chiyoda-ku,
Tokyo, 100-0005, Japan
TEL: +81-3-3212-4611

DEPOSITARY AND REGISTRAR FOR AMERICAN DEPOSITARY RECEIPTS

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New York, New York 10005, USA

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E-mail: citibank@em.fcnhd.com
URL: www.citibank.com/adr

OVERSEAS STOCK EXCHANGE LISTINGS

Luxembourg, Frankfurt, Amsterdam,
Paris and New York stock exchanges

JAPANESE STOCK EXCHANGE LISTINGS

Tokyo, Osaka, Nagoya, Fukuoka
and Sapporo stock exchanges

INDEPENDENT AUDITORS

KPMG

URL

<http://global.hitachi.com>

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HITACHI

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