

REVIEW OF OPERATIONS INFORMATION & TELECOMMUNICATION SYSTEMS

This segment recorded a 22% increase in revenues, to ¥2,314.5 billion (US\$21,835 million). One reason was the addition of hard disk drive (HDD) operations acquired from IBM Corporation. However, operating income declined 37%, to ¥69.9 billion (US\$660 million) due to losses in HDD operations and other factors.



SOFTWARE AND SERVICES

In software and services, sales rose slightly compared with the previous fiscal year. Software sales declined despite healthy sales of software products such as system operation management software. The decrease was the result of falling prices, lower sales of platform software in line with falling demand for mainframes, and other factors. On the other hand, services recorded a year-on-year rise in sales due to robust growth in the outsourcing business and services for automated teller machine (ATM)-related systems from financial institutions.

Earnings decreased in both software and services due to falling software prices and unprofitable projects in the services business.

HARDWARE

The hardware sector saw an increase in sales for the year. Storage products, one of Hitachi's targeted businesses, recorded significantly higher sales due to the inclusion of results from the HDD business Hitachi acquired from IBM Corporation, which counterbalanced lower sales of disk array subsystems caused by a sluggish Japanese market and other factors. Server operations sales were in line with the previous fiscal year as expanded production under OEM agreements offset the

effect of falling prices. Telecommunications sales increased year on year due to growth in sales of base stations for data communication systems for third-generation mobile phones in Japan and other factors.

Earnings were down year on year in the hardware sector as a whole, the result of lower server earnings due to falling prices, losses in HDD operations and lower earnings in other areas. Higher earnings in telecommunications were not enough to offset these factors.

Hitachi has announced that it will integrate its ATM and other information equipment businesses with those of Omron Corporation in a joint venture company to be established in October 2004. The new company will be a subsidiary of Hitachi. In an unrelated development, Hitachi, in the same month, will sell its entire stake in Hitachi Printing Solutions, Ltd., a subsidiary that develops, manufactures and sells printers, to Ricoh Company, Ltd.

REVIEW OF OPERATIONS
ELECTRONIC DEVICES

Segment revenues decreased 16%, to ¥1,312.3 billion (US\$12,381 million), mainly as a result of the transfer of most semiconductor operations to equity-method affiliate Renesas Technology Corp., a joint venture with Mitsubishi Electric Corporation. The segment posted operating income of ¥30.4 billion (US\$287 million), reversing an operating loss of ¥23.2 billion a year earlier.

OPERATING INCOME

¥30.4
 BILLION

REVENUES

¥1,312.3
 BILLION



A high-resolution TFT LCD module for mobile phones



Hitachi High-Technologies' 300mm wafer-compatible CD-Measurement SEM

DISPLAYS

Sales as a whole increased substantially from the previous fiscal year. Strong year-on-year growth was recorded by small and medium-size thin-film transistor (TFT) LCDs due to expansion in demand accompanying the use of higher resolution color displays in mobile phones. Sales of large TFT LCDs also grew, with the start of production of LCDs for large flat screen TVs. However, sales of picture tubes for projection TVs fell year on year.

Earnings improved markedly from the previous fiscal year due to higher sales of high-value-added products, including high-resolution color LCDs for mobile phones.

HITACHI HIGH-TECHNOLOGIES CORPORATION

Sales increased year on year. In electronic device systems, sales edged up from the previous fiscal year. While sales of scanners manufactured by ASML Holding NV declined, strong growth was recorded in critical dimension measurement scanning electron microscopes (CD-Measurement SEM) and etching systems. In life science systems, a decline in DNA sequencers led sales lower year on year. But sales grew in information systems and electronic components on strong sales of chip

mounters, organic light emitting diodes (OLED) production equipment and optical pick-ups for DVDs. Sales also increased in advanced industrial products due to sharply higher sales of optical media components.

Earnings increased year on year, the result of an improvement in advanced industrial products earnings and higher earnings in electronic device systems.

HITACHI MEDICAL CORPORATION

Sales increased slightly from the previous fiscal year, with growth in sales of X-ray equipment offsetting lower sales of magnetic resonance imaging systems and X-ray CT systems. Earnings declined year on year.

POWER & INDUSTRIAL SYSTEMS

Segment revenues were on a par with the previous fiscal year at ¥2,297.9 billion (US\$21,678 million). Sales from power systems, industrial systems and other sectors were sluggish, but sales growth was recorded in automotive systems, partly reflecting the inclusion of the former Unisia JECs Corporation (now Hitachi Unisia Automotive, Ltd.), which became a subsidiary in October 2002. Sales growth was also recorded in construction machinery. Operating income decreased 36%, to ¥33.9 billion (US\$320 million).

OPERATING INCOME

¥33.9

BILLION

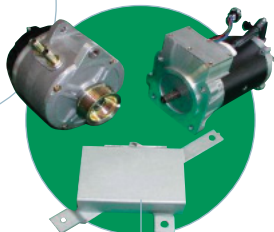
REVENUES

¥2,297.9

BILLION



An 800-series train (named *Tsubame*) for Kyushu Railway Company's Kyushu Shinkansen Line



Battery-less electric 4WD system for automobiles



Hitachi Construction Machinery's ultra-large hydraulic excavator

POWER SYSTEMS

Sales declined year on year despite higher sales of maintenance services for power plants. This decrease reflected lower sales of power plants due to curbs on capital expenditures at electric power companies amid lackluster electricity demand in Japan. Earnings also fell, the result of lower sales and additional expenses for nuclear power-related facilities.

INDUSTRIAL SYSTEMS

Sales were down year on year because of a drop-off in water and sewage facility sales, which resulted from curbs on public-works spending in Japan, and lower sales of industrial plants. Earnings declined, too, due to lower sales, additional expenses at environmental plants in Japan and other factors.

AUTOMOTIVE SYSTEMS

Sales and earnings were both up, mainly on higher sales to overseas markets and the contribution from the consolidation of Hitachi Unisia Automotive, Ltd. in October 2002.

Hitachi, Ltd. has announced that it will merge with TOKICO LTD. and Hitachi Unisia Automotive in October 2004 to strengthen the automotive systems business.

URBAN PLANNING AND DEVELOPMENT SYSTEMS

Sales were largely the same as in the previous fiscal year, with firm sales for maintenance and services offsetting lower elevator and escalator sales, reflecting fewer orders involving large construction projects in Japan. Earnings rose due to reductions in fixed expenses and other factors.

HITACHI CONSTRUCTION MACHINERY CO., LTD.

Strong construction machinery sales in overseas markets, notably China and Europe, drove sales and earnings higher year on year.

HITACHI PLANT ENGINEERING & CONSTRUCTION CO., LTD.

Sales and earnings declined year on year due to lower sales for construction of nuclear power plants in Japan. Firm sales were recorded for the installation of clean rooms.

DIGITAL MEDIA & CONSUMER PRODUCTS

Segment revenues edged up 2%, to ¥1,226.9 billion (US\$11,575 million), and operating income rose 12%, to ¥6.9 billion (US\$66 million).

OPERATING INCOME

¥6.9
BILLION

REVENUES

¥1,226.9
BILLION



This high-speed recordable DVD drive is compatible with all DVD recording formats.



Mainstay home appliances (upper: room air conditioner, left: refrigerator, lower: washer-dryer)



A Hitachi Maxell DVD-R

DIGITAL MEDIA

Sales in this sector increased year on year. Sales of optical disk drives were flat as higher shipments were negated by falling prices. However, strong growth was recorded in sales of plasma TVs and sales of mobile phones also rose year on year.

Sector earnings improved as optical disk drives posted higher earnings on the back of a strong performance in recordable DVD drives, and on higher sales of plasma TVs and mobile phones.

HITACHI MAXELL, LTD.

Sales declined year on year. While recordable DVDs recorded significantly higher sales, falling unit prices brought down sales of computer tapes. Sales were also lower of lithium-ion batteries and video and audio tapes.

Earnings decreased due to an increase in expenses for developing new businesses and falling computer tape unit prices.

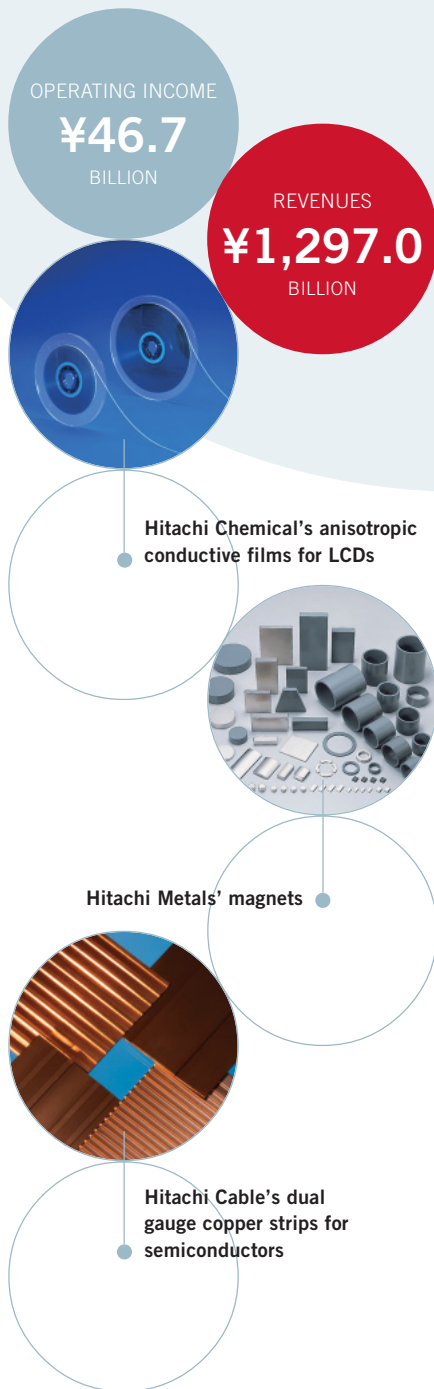
HOME APPLIANCES

Sales fell year on year due to weak sales of room air conditioners in the wake of a cool summer and mild winter in Japan, overshadowing higher sales of refrigerators and washing machines.

Earnings also fell as mainstay products, room air conditioners, refrigerators and washing machines, again turned in lackluster results, and the mild winter in Japan hurt the performance of heating appliances.

HIGH FUNCTIONAL MATERIALS & COMPONENTS

Segment revenues rose 4%, to ¥1,297.0 billion (US\$12,237 million), and operating income jumped 156%, to ¥46.7 billion (US\$441 million) on strong electronics-related products sales as well as the benefits of structural reforms.



HITACHI CHEMICAL CO., LTD.

Sales rose year on year. Sales of electronics-related products climbed due to growth in sales of slurry for chemical mechanical planarization, die bonding materials for semiconductors and anisotropic conductive films for LCDs. In chemical-related products, sales rose as lower sales of batteries and other products were outweighed by higher sales of carbon anode materials for lithium-ion batteries and electromagnetic shielding films for plasma display panels. In housing equipment and environmental facilities, sales rose on higher sales of system kitchens and other products.

Earnings increased year on year due to growth in electronics-related products.

HITACHI METALS, LTD.

Sales increased year on year. In high-grade metal products and materials, sales rose due to growth in automotive components and materials and electronics-related materials. In electronics and IT devices, sales were buoyed by growth in sales of IT equipment as well as higher sales of magnets. In high-grade casting components for automobiles, growth in sales of aluminum wheels and heat-resistant steel and iron castings drove sales higher year on year. On the other hand, sales dropped sharply in construction components, plant

and equipment due to the October 2003 sale of water treatment equipment operations.

Earnings improved due to higher sales and cost cutting.

In April 2004, Hitachi Metals' magnetic materials business was integrated with Sumitomo Special Metals Co., Ltd. to form NEOMAX Co., Ltd., which became a subsidiary.

HITACHI CABLE, LTD.

Sales were higher than in the previous fiscal year. In wires and cables, increased sales of industrial cables on the back of an upturn in private-sector plant and equipment investment in Japan led sales higher. In information systems and electronic components, sales were up year on year, paced by growth in sales of information transmission system products and compound semiconductors that outweighed lower sales of semiconductor packaging materials. In copper products, although copper tubes saw a decrease, sales rose year on year due to increased sales of copper strips, mainly for lead frames for semiconductors. In electric equipment, construction and others, sales dropped year on year because of a lower volume of electrical transmission construction.

Earnings improved due to the benefits of structural reforms and other factors.

REVIEW OF OPERATIONS

LOGISTICS, SERVICES & OTHERS



Segment revenues decreased 13%, to ¥1,256.2 billion (US\$11,852 million). Overseas sales companies saw sales decline due to the transfers of semiconductor and HDD sales operations. Operating income dropped 95%, to ¥0.5 billion (US\$5 million) due to the abovementioned overseas sales companies sales decline and increase in costs for strengthening new businesses. A one-time charge for changes in pension plans also affected operating income.

HITACHI TRANSPORT SYSTEM, LTD.

Sales increased year on year. In the domestic distribution business, sales increased on strong growth in the logistics solutions business, despite lower sales in general cargo and in-factory distribution. In the overseas distribution business, sales were on a par with the previous fiscal year, with higher volumes to China negated by lower volumes in seaborne freight of large plants and in air cargo to North America.

Earnings rose due to growth in the logistics solutions business and cost-cutting.

OTHERS

General trading companies Hitachi America, Ltd., Hitachi Europe Ltd. and Hitachi Asia Ltd. saw sales drop sharply due to the transfer of semiconductor sales operations to equity-method affiliate Renesas Technology Corp. and HDD sales operations to Hitachi Global Storage Technologies.

REVIEW OF OPERATIONS

FINANCIAL SERVICES



Segment revenues decreased 5%, to ¥550.9 billion (US\$5,198 million), the result of low interest rates and a declining volume of automobile loans to individuals. Operating income climbed 86%, to ¥22.3 billion (US\$211 million) in the absence of one-time charges, such as providing for pension reforms, in the previous fiscal year at Hitachi Capital Corporation.

HITACHI CAPITAL CORPORATION

Volume rose over the previous fiscal year. Earnings also increased due to efforts to pare operating expenses, particularly financing costs.

In the finance sector, volumes declined in the automobile finance business as the company shifted focus from automobile loans to leases. However, due to higher volumes of home appliance, refurbishment and housing loans as well as financing for medical equipment at medical institutions, overall

finance sector volume increased slightly. Earnings declined due to lower automobile loan volume.

In other financial services, both volume and earnings rose over the previous fiscal year due to an increase in alliance partners in the securitization and outsourcing businesses. In January 2004, Hitachi Capital acquired UNUM Japan Accident Insurance Co., Ltd., establishing an operating base for non-life insurance operations.