

INDEPENDENT AUDITORS' REPORT



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

We have audited the accompanying consolidated balance sheet of Hitachi, Ltd. and subsidiaries as of March 31, 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, all expressed in Japanese 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 audit. The consolidated balance sheet of Hitachi, Ltd. and subsidiaries as of March 31, 2003 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended March 31, 2003 were audited by other auditors whose report dated May 15, 2003 expressed a qualified opinion on those statements with respect to the omission of segment information required to be disclosed in financial statements under accounting principles generally accepted in the United States of America. Such disclosure is not required by foreign issuers in Securities Exchange Act filings with the United States Securities and Exchange Commission.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 audit provides 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 as of and for the year ended March 31, 2004 present fairly, in all material respects, the consolidated financial position of Hitachi, Ltd. and subsidiaries as of March 31, 2004, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also recomputed the translation of the consolidated financial statements as of and for the year ended March 31, 2004 into United States dollars. In our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis described in Note 3.

A handwritten signature in cursive script that reads 'Ernst & Young Shinbicon'.

Tokyo, Japan
May 12, 2004

FIVE-YEAR SUMMARY

Hitachi, Ltd. and Subsidiaries

	Millions of yen				
	2004	2003	2002	2001	2000
For the year:					
Revenues	¥8,632,450	¥ 8,191,752	¥7,993,784	¥ 8,416,982	¥8,001,203
Operating income (loss) (note)	184,863	152,967	(117,415)	342,312	174,364
Net income (loss)	15,876	27,867	(483,837)	104,380	16,922
Cash dividends declared	26,385	20,107	10,013	36,716	20,026
Capital investment					
(Property, plant and equipment)	816,547	787,496	856,279	971,095	574,642
Depreciation (Property, plant and equipment)	436,053	480,274	529,418	505,507	541,253
R&D expenditures	371,825	377,154	415,448	435,579	432,342
At year-end:					
Total assets	9,590,322	10,179,389	9,915,654	11,246,608	9,983,361
Net property, plant and equipment	2,232,862	2,601,050	2,514,424	2,674,957	2,554,749
Stockholders' equity	2,168,131	1,853,212	2,304,224	2,861,502	2,987,687
Yen					
Per share information:					
Net income (loss):					
Basic	¥ 4.81	¥ 8.31	¥(144.95)	¥ 31.27	¥ 5.07
Diluted	4.75	8.19	(144.95)	30.32	4.99
Net income (loss) per ADS					
(representing 10 shares):					
Basic	48	83	(1,450)	313	51
Diluted	47	82	(1,450)	303	50
Cash dividends declared	8.0	6.0	3.0	11.0	6.0
Cash dividends declared per ADS					
(representing 10 shares)					
	80	60	30	110	60
Stockholders' equity	657.42	550.76	690.28	857.27	895.08
Number of employees	326,344	339,572	321,517	340,939	337,911

Note: In order to be consistent with financial reporting principles and practices generally accepted in Japan, operating income (loss) is presented as total revenues 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 remeasurement of the obligation upon 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, 2004, 2003 and 2002. See the consolidated statements of operations and notes 18, 19 and 20 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, 2001 and 2000 totaled ¥8,814 million and ¥72,819 million, respectively.

CORPORATE DATA

(As of March 31, 2004)

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

326,344

NUMBER OF SHARES ISSUED

Common Stock: 3,368,124,876 shares

NUMBER OF SHAREHOLDERS

410,937

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

*Tokyo Securities Transfer Agent will change address, as shown below, on July 20, 2004. The phone number will remain the same.
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Tokyo, 100-0005, Japan

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(New York Stock Exchange Listed Symbol — HIT)
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111 Wall Street, 20th Floor
New York, New York 10005, USA

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International +1-816-843-4281
E-mail: citibank@shareholders-online.com
URL: www.citigroup.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

Ernst & Young ShinNihon

URL

<http://www.hitachi.com>

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