

FINANCIAL HIGHLIGHTS 2003

Year ended March 31, 2003

2003

Notes

1. Financial statements and financial data are presented in accordance with accounting principles generally accepted in the United States of America. However, certain financial figures in this document have been derived from financial statements and financial data prepared in accordance with financial reporting principles and practices generally accepted in Japan.
2. Hitachi's fiscal year ends March 31.
3. Not all data have been audited.
4. Effective April 1, 1993, Hitachi, Ltd. adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," and has reported the cumulative effect of the change in the method of accounting for income taxes in the consolidated statement of income for the fiscal year ended March 31, 1994. The cumulative effect of this change in accounting for income taxes of ¥2,970 million is determined as of April 1, 1993.
5. In accordance with SFAS No. 109, the Company recognized the effect on deferred tax assets and liabilities of a change in income tax rates in Japan, which resulted in a decrease in net income (loss) by ¥54,363 million and ¥27,053 million for the years ended March 31, 1999 and 1998.
6. The Company changed the method of carrying the investment in its certain affiliated company from cost to equity in 2000. Figures for the fiscal years ended March 31, 1996 to 1999 have also been restated using the same method.
7. On April 1, 2000, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, figures for the fiscal years ended March 31, 1996 to 2000 have been restated.
8. The merger of Hitachi Leasing, Ltd. (an affiliated company whose investment had been carried on the equity method) with Hitachi Credit Corporation, a Hitachi subsidiary, effective on October 1, 2000, is assumed to have taken place on April 1, 2000. As a result, Hitachi Leasing, Ltd. and its subsidiaries are consolidated as subsidiaries for the fiscal year ended March 31, 2001.
9. On April 1, 2000, the Company adopted SFAS No. 87, "Employers' Accounting for Pensions."
10. 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). The restructuring charges mainly represent impairment losses incurred with the reorganization of the business structures, and as the result of the Company and its subsidiaries reviewing and reshaping the business portfolio. See note 2 on page 2.

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Eleven-Year Summary

Years ended March 31

	1993	1994	1995
For the year:			
Net sales	¥7,536,166	¥7,400,205	¥7,592,266
Japan	5,736,540	5,699,533	5,768,963
Other areas	1,799,626	1,700,672	1,823,303
Cost of sales	5,438,158	5,311,992	5,393,757
Selling, general and administrative expenses	1,875,847	1,874,824	1,893,919
Operating income (loss) (note 2)	222,161	213,389	304,590
Income (loss) before income taxes, minority interests and cumulative effect of accounting change	234,744	228,363	283,643
Net income (loss)	77,289	65,279	113,912
Capital investment (Property, plant and equipment)	615,345	662,248	655,410
Depreciation (Property, plant and equipment)	479,943	496,132	521,435
R&D expenditure	501,191	484,237	491,481
Per share data:			
Net income (loss) Basic	¥ 23.59	¥ 19.92	¥ 34.66
Diluted	22.68	19.27	33.02
Cash dividends declared	11.00	11.00	11.00
Stockholders' equity	897.42	901.71	922.73

Notes: 1. See notes on inside cover.

2. 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). The restructuring charges mainly represent impairment losses incurred with the reorganization of the business structures, and as the result of the Company and its subsidiaries reviewing and reshaping the business portfolio. The reconciliation figures are as follows.

	1993	1994	1995
Restructuring charges, impairment losses and special termination benefits	¥ —	¥ —	¥(31,989)
Net gain or loss on sale and disposal of rental assets and other property	(2,392)	(5,506)	5,347
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"	—	—	—

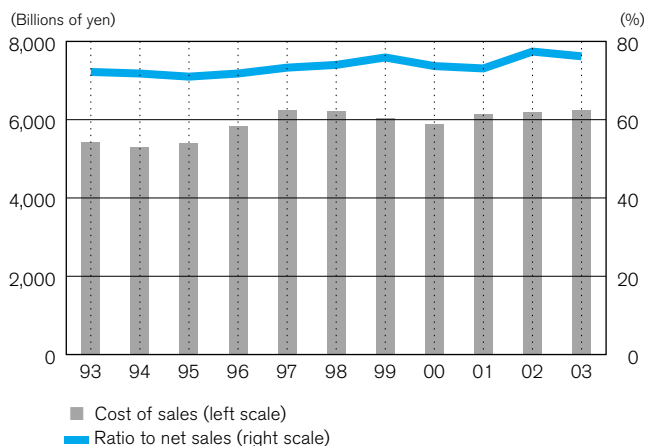
							Millions of yen
1996	1997	1998	1999	2000	2001	2002	2003
¥8,123,810	¥8,523,100	¥8,416,834	¥7,977,374	¥8,001,203	¥8,416,982	¥7,993,784	¥8,191,752
6,020,922	6,070,552	5,805,111	5,533,554	5,657,571	5,791,300	5,444,662	5,546,543
2,102,888	2,452,548	2,611,723	2,443,820	2,343,632	2,625,682	2,549,122	2,645,209
5,828,887	6,250,895	6,230,044	6,052,345	5,898,756	6,155,023	6,184,396	6,240,493
1,962,341	1,975,039	1,977,783	1,959,103	1,928,083	1,919,647	1,926,803	1,798,292
332,582	297,166	209,007	(34,074)	174,364	342,312	(117,415)	152,967
349,992	264,795	173,458	(221,174)	79,235	323,655	(586,072)	96,828
143,135	89,802	12,163	(327,611)	16,922	104,380	(483,837)	27,867
723,477	740,135	712,672	585,718	574,642	971,095	856,279	787,496
556,671	543,560	550,393	547,022	541,253	505,507	529,418	480,274
493,788	503,508	510,878	496,728	432,342	435,579	415,448	377,154
							Yen
¥ 43.00	¥ 26.95	¥ 3.64	¥ (98.15)	¥ 5.07	¥ 31.27	¥(144.95)	¥ 8.31
40.48	25.97	3.58	(98.15)	4.99	30.32	(144.95)	8.19
11.00	11.00	11.00	5.50	6.00	11.00	3.00	6.00
1,068.00	1,054.26	1,012.77	900.57	895.08	857.27	690.28	550.76

							Millions of yen
1996	1997	1998	1999	2000	2001	2002	2003
¥(13,456)	¥(44,289)	¥(90,791)	¥(132,505)	¥(65,977)	¥(8,814)	¥(334,211)	¥(8,474)
(9,671)	(15,620)	(10,514)	(12,656)	(6,842)	(7,776)	(6,477)	23,658
—	—	—	—	—	—	—	(24,857)

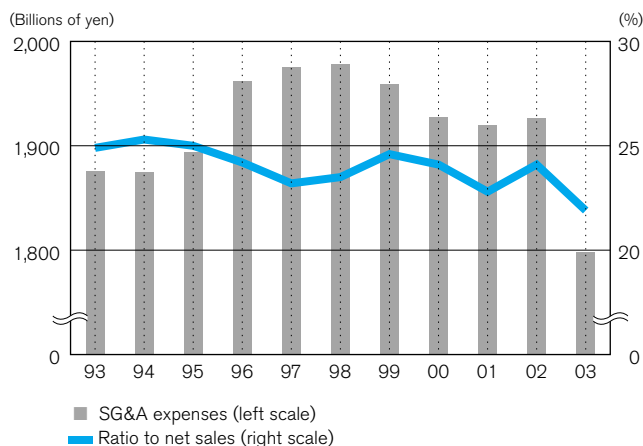
Analysis of Operating Results

Years ended March 31

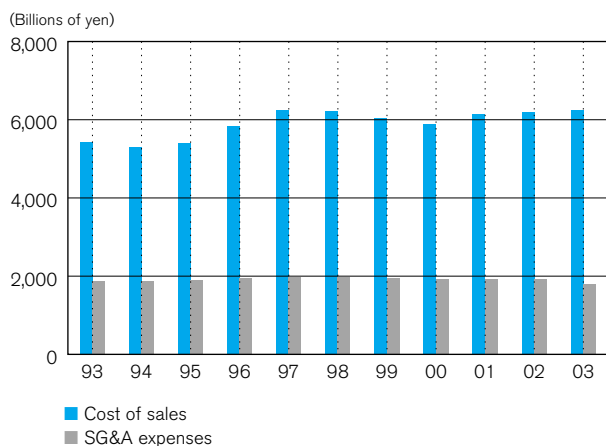
Cost of sales and ratio to net sales (note 2)



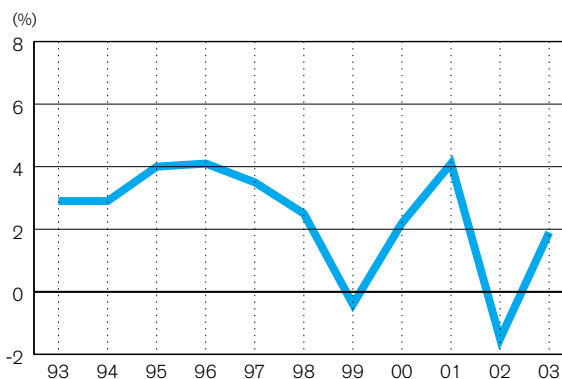
SG&A expenses and ratio to net sales (note 2)



Cost of sales and SG&A expenses (note 2)



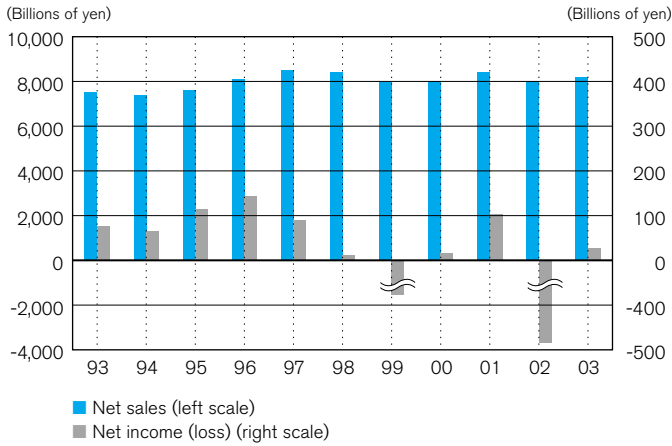
Operating income (loss) to net sales (note 2)



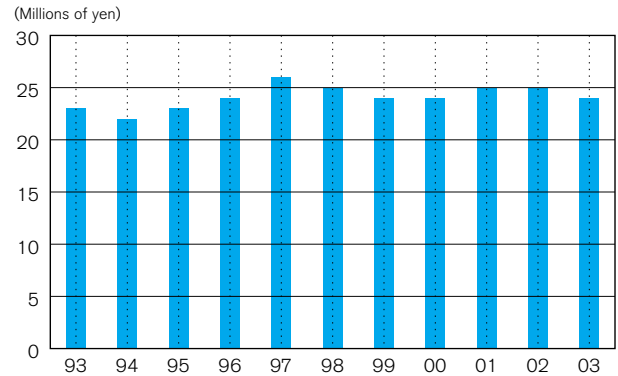
Net sales	¥7,536	¥7,400	¥7,592
Cost of sales	5,438	5,312	5,394
Ratio to net sales (%)	72.2%	71.8%	71.0%
Selling, general and administrative expenses (note 2)	1,876	1,875	1,894
Ratio to net sales (%)	24.9%	25.3%	24.9%
Operating income (loss) (note 2)	222	213	305
Ratio to net sales (%)	2.9%	2.9%	4.0%
Net income (loss)	77	65	114
R&D expenditure	501	484	491
Ratio to net sales (%)	6.7%	6.5%	6.5%
Net sales per employee (Millions of yen)	23	22	23

Notes: 1. Figures are rounded.
2. See note 2 on page 2.

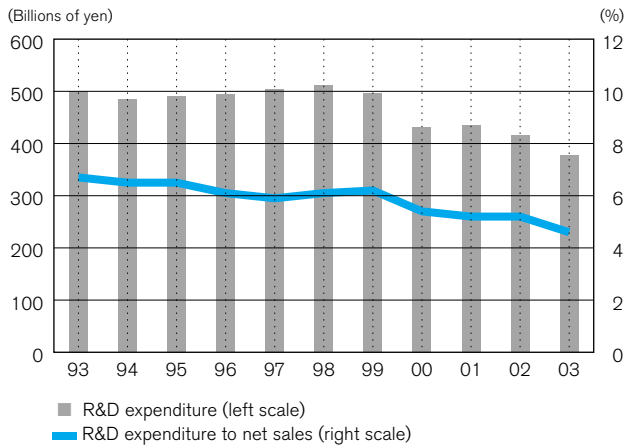
Net sales and net income (loss)



Net sales per employee



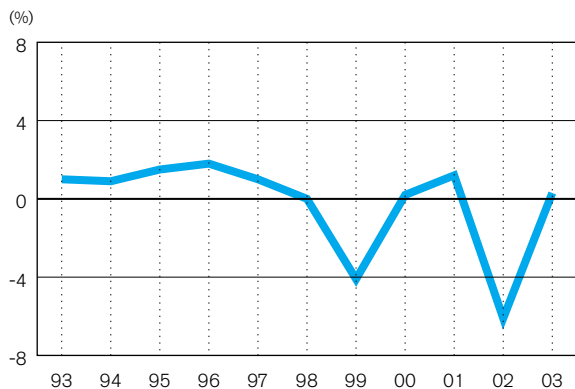
R&D expenditure and R&D expenditure to net sales



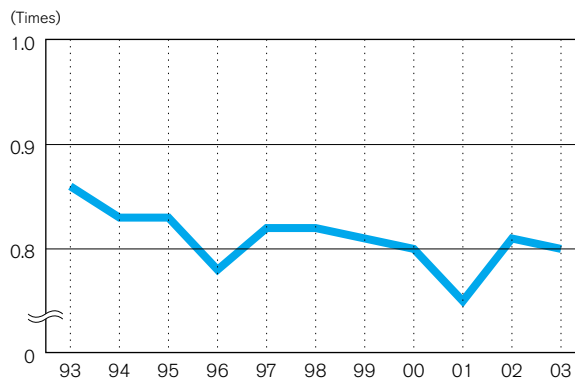
Billions of yen

1996	1997	1998	1999	2000	2001	2002	2003
¥8,124	¥8,523	¥8,417	¥7,977	¥8,001	¥8,417	¥7,994	¥8,192
5,829	6,251	6,230	6,052	5,899	6,155	6,184	6,240
71.8%	73.3%	74.0%	75.9%	73.7%	73.1%	77.4%	76.2%
1,962	1,975	1,978	1,959	1,928	1,920	1,927	1,798
24.2%	23.2%	23.5%	24.6%	24.1%	22.8%	24.1%	22.0%
333	297	209	(34)	174	342	(117)	153
4.1%	3.5%	2.5%	(0.4)%	2.2%	4.1%	(1.5)%	1.9%
143	90	12	(328)	17	104	(484)	28
494	504	511	497	432	436	415	377
6.1%	5.9%	6.1%	6.2%	5.4%	5.2%	5.2%	4.6%
24	26	25	24	24	25	25	24

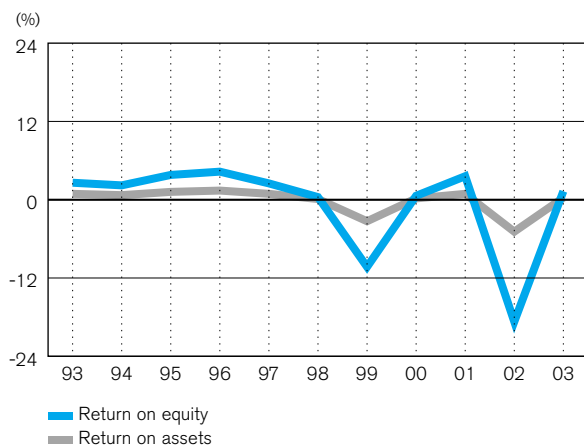
Return on sales



Asset turnover



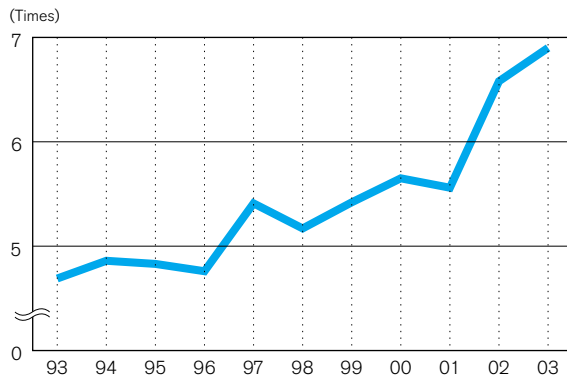
Return on equity and return on assets



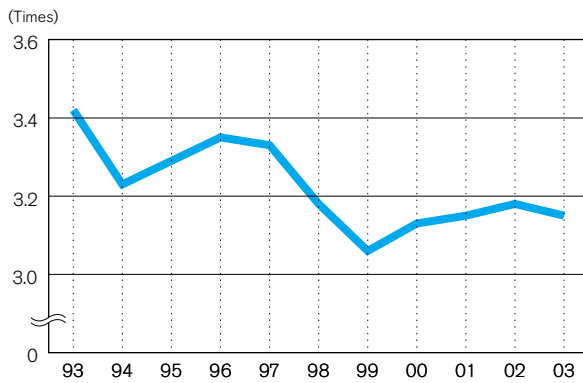
	1993	1994	1995
Return on sales (%)	1.0%	0.9%	1.5%
Return on equity (%)	2.6%	2.2%	3.8%
Return on assets (%)	0.9%	0.7%	1.2%
Asset turnover (Times)	0.86	0.83	0.83
Inventory turnover (Times)	4.69	4.86	4.83
Fixed assets	2,204	2,293	2,311
Fixed assets turnover (Times)	3.42	3.23	3.29

- Notes:
1. Return on sales = Net income (loss) / Net sales
 2. Return on equity = Net income (loss) / Average stockholders' equity
 3. Return on assets = Net income (loss) / Total assets as of March 31
 4. Asset turnover = Net sales / Total assets as of March 31
 5. Inventory turnover = Net sales / Inventory as of March 31
 6. "Fixed assets" represents net property, plant and equipment.
 7. Fixed assets turnover = Net sales / Fixed assets as of March 31
 8. See notes on inside cover.

Inventory turnover



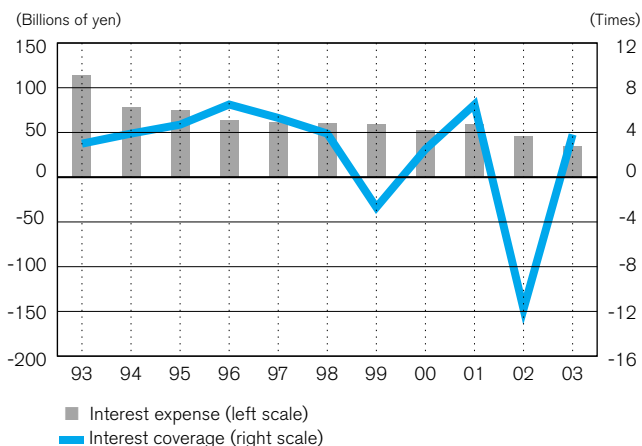
Fixed assets turnover



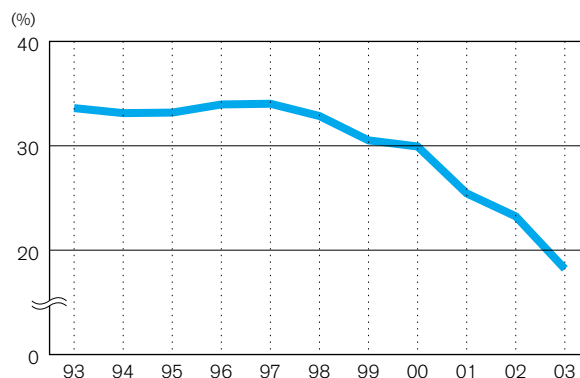
Billions of yen

1996	1997	1998	1999	2000	2001	2002	2003
1.8%	1.1%	0.1%	(4.1)%	0.2%	1.2%	(6.1)%	0.3%
4.3%	2.5%	0.4%	(10.3)%	0.6%	3.6%	(18.7)%	1.3%
1.4%	0.9%	0.1%	(3.3)%	0.2%	0.9%	(4.9)%	0.3%
0.78	0.82	0.82	0.81	0.80	0.75	0.81	0.80
4.76	5.41	5.17	5.42	5.65	5.56	6.58	6.90
2,422	2,559	2,646	2,608	2,555	2,675	2,514	2,601
3.35	3.33	3.18	3.06	3.13	3.15	3.18	3.15

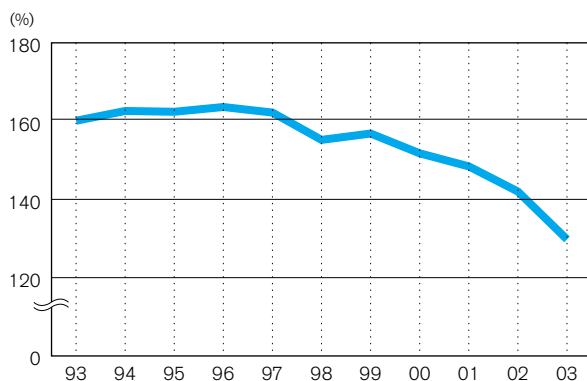
Interest expense and interest coverage



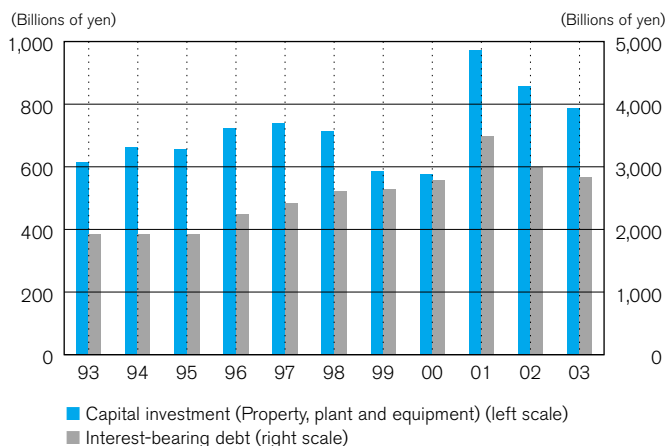
Stockholders' equity ratio



Current ratio



Capital investment (Property, plant and equipment) and interest-bearing debt



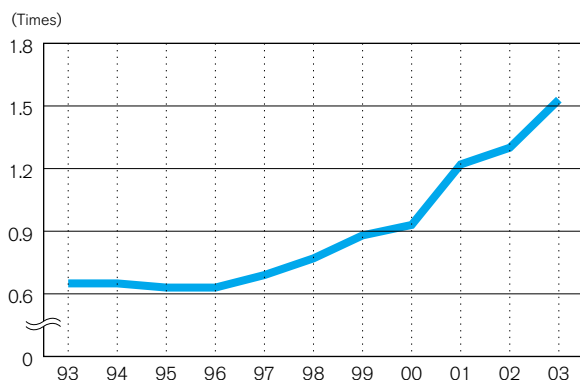
Interest expense	.....
Interest coverage (Times)	.....
Current assets	.....
Current liabilities	.....
Current ratio (%)	.....
Short-term debt	.....
Long-term debt	.....
Interest-bearing debt	.....
Stockholders' equity	.....
Total assets	.....
Debt / Equity ratio (Times)	.....
Stockholders' equity ratio (%)	.....
Capital investment (Property, plant and equipment)	.....
Depreciation (Property, plant and equipment)	.....
Free cash flows	.....

	1993	1994	1995
¥ 114	¥ 78	¥ 75	
3.06	3.92	4.78	
5,675	5,796	5,976	
3,555	3,576	3,690	
159.63%	162.10%	161.95%	
928	902	907	
990	1,025	1,012	
1,918	1,927	1,919	
2,940	2,959	3,033	
8,748	8,931	9,142	
0.65	0.65	0.63	
33.61%	33.13%	33.18%	
615	662	655	
480	496	521	
(60)	(44)	285	

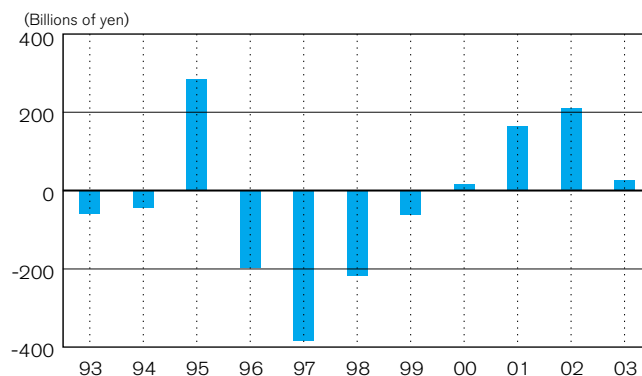
Notes: 1. Interest coverage = $\frac{\text{Income (loss) before income taxes and minority interests} + \text{Interest expense}}{\text{Interest expense}}$

- "Current assets" represents the sum of cash and cash equivalents, short-term investments, trade receivables (notes and accounts), investment in leases, inventories and prepaid expenses and other current assets.
- "Current liabilities" represents the sum of short-term debt, current installments of long-term debt, trade payables (notes and accounts), accrued expenses, income taxes, advances received and other current liabilities.

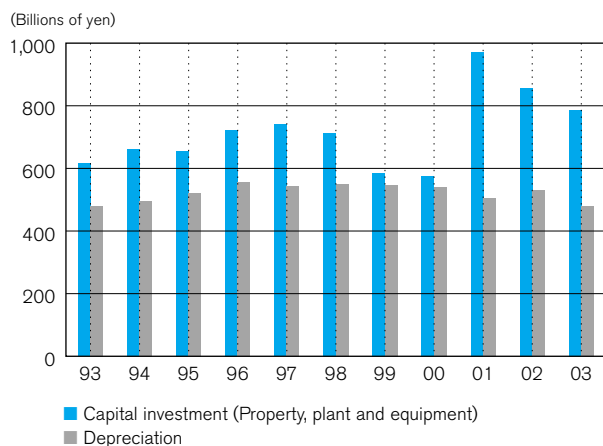
Debt / Equity ratio



Free cash flows



Capital investment and depreciation (Property, plant and equipment)



Billions of yen

	1996	1997	1998	1999	2000	2001	2002	2003
¥	63	61	60	59	52	59	46	34
	6.52	5.36	3.91	(2.75)	2.52	6.51	(11.79)	3.82
	6,550	6,420	6,283	5,908	5,966	6,845	5,508	5,193
	4,017	3,969	4,060	3,778	3,940	4,623	3,885	4,005
	163.05%	161.74%	154.77%	156.39%	151.42%	148.06%	141.75%	129.67%
	1,033	1,181	1,317	1,160	1,306	1,612	1,200	1,328
	1,203	1,245	1,288	1,478	1,483	1,881	1,798	1,512
	2,237	2,426	2,605	2,638	2,788	3,493	2,998	2,841
	3,556	3,519	3,381	3,006	2,988	2,862	2,304	1,853
	10,471	10,341	10,292	9,848	9,983	11,247	9,916	10,179
	0.63	0.69	0.77	0.88	0.93	1.22	1.30	1.53
	33.96%	34.03%	32.85%	30.52%	29.93%	25.44%	23.24%	18.21%
	723	740	713	586	575	971	856	787
	557	544	550	547	541	506	529	480
	(199)	(384)	(218)	(62)	16	165	210	27

4. "Interest-bearing debt" represents the sum of short-term debt, current installments of long-term debt and long-term debt.

5. Current ratio = Current assets / Current liabilities as of March 31

6. Stockholders' equity ratio = Stockholders' equity / Total assets as of March 31

7. Free cash flows = Cash flows from operating activities + Cash flows from investing activities

8. See notes on inside cover.

Consolidated Balance Sheets

As of March 31

	1993	1994	1995
Assets:			
Cash and cash equivalents	¥1,368,270	¥1,331,605	¥1,620,936
Short-term investments	639,108	806,699	582,785
Trade receivables:			
Notes	418,489	403,311	402,024
Accounts	1,347,967	1,396,149	1,440,006
Inventories	1,605,178	1,523,593	1,572,259
Prepaid expenses and other current assets	295,658	335,093	357,922
Investment in leases	—	—	—
Noncurrent receivables and restricted funds	185,130	169,170	180,464
Investments and advances, including affiliated companies	436,614	438,488	436,603
Property, plant and equipment:			
Land	297,504	297,889	317,604
Buildings	1,237,429	1,392,564	1,434,417
Machinery and equipment	3,844,842	4,064,912	4,246,645
Construction in progress	78,733	42,575	51,599
	5,458,508	5,797,940	6,050,265
Less accumulated depreciation	3,254,674	3,505,071	3,739,284
Net property, plant and equipment	2,203,834	2,292,869	2,310,981
Other assets	247,523	234,114	237,638
	¥8,747,771	¥8,931,091	¥9,141,618

See notes on inside cover.

Millions of yen

1996	1997	1998	1999	2000	2001	2002	2003
¥ 1,627,716	¥ 1,309,949	¥ 1,199,540	¥1,237,527	¥1,357,432	¥ 1,381,603	¥1,029,374	¥ 828,171
711,857	847,854	771,147	605,679	632,434	433,650	178,933	186,972
462,685	411,459	369,838	307,354	295,526	307,635	204,855	153,587
1,662,631	1,876,678	1,897,410	1,878,272	1,908,692	2,191,698	1,895,150	1,903,640
1,707,159	1,576,751	1,626,684	1,470,847	1,416,878	1,514,163	1,214,399	1,187,529
377,839	396,931	418,742	408,577	354,581	391,963	457,392	496,490
—	—	—	—	—	623,789	527,432	437,076
161,795	188,473	195,546	176,403	160,583	163,003	—	—
1,146,508	932,015	861,126	823,136	817,436	885,669	834,907	726,442
334,488	345,322	363,771	369,701	380,076	386,785	383,781	445,283
1,514,113	1,635,937	1,703,708	1,730,333	1,731,561	1,801,731	1,748,509	1,838,853
4,538,128	4,817,314	5,074,698	5,116,062	4,887,088	5,622,410	5,510,651	5,709,409
90,481	117,290	99,755	54,453	71,184	95,663	97,790	67,909
6,477,210	6,915,863	7,241,932	7,270,549	7,069,909	7,906,589	7,740,731	8,061,454
4,055,425	4,356,366	4,595,800	4,662,942	4,515,160	5,231,632	5,226,307	5,460,404
2,421,785	2,559,497	2,646,132	2,607,607	2,554,749	2,674,957	2,514,424	2,601,050
190,815	241,615	305,727	332,340	485,050	678,478	1,058,788	1,658,432
¥10,470,790	¥10,341,222	¥10,291,892	¥9,847,742	¥9,983,361	¥11,246,608	¥9,915,654	¥10,179,389

	1993	1994	1995
Liabilities and Stockholders' Equity:			
Short-term debt	¥ 825,060	¥ 794,250	¥ 823,402
Current installments of long-term debt	103,103	107,316	83,848
Trade payables:			
Notes	273,520	245,175	212,007
Accounts	614,237	640,963	710,397
Accrued expenses	628,361	664,065	674,653
Income taxes	70,567	84,671	106,793
Advances received	573,583	544,449	578,137
Other current liabilities	466,384	494,925	500,637
Long-term debt	990,113	1,025,305	1,011,996
Retirement and severance benefits	601,243	629,242	648,493
Other liabilities	—	81,625	82,651
Total liabilities	5,146,171	5,311,986	5,433,014
Minority interests	661,442	659,940	675,227
Stockholders' equity:			
Common stock	270,918	273,266	276,041
Capital surplus	436,819	440,517	445,260
Legal reserve	78,161	84,147	89,955
Retained earnings	2,209,261	2,231,914	2,303,612
Accumulated other comprehensive income (loss)	(55,001)	(70,679)	(81,491)
Treasury stock	—	—	—
Total stockholders' equity	2,940,158	2,959,165	3,033,377
	¥8,747,771	¥8,931,091	¥9,141,618

See notes on inside cover.

Millions of yen

	1996	1997	1998	1999	2000	2001	2002	2003
¥	882,605	¥ 994,469	¥ 1,103,217	¥1,045,543	¥1,046,571	¥ 1,199,209	¥ 833,838	¥ 825,860
	150,746	187,022	214,064	114,268	259,099	412,646	366,083	502,586
	212,789	140,067	132,159	97,863	98,058	138,161	92,799	71,934
	823,280	945,450	944,112	907,641	974,721	1,160,789	991,037	1,140,130
	734,036	732,070	728,741	694,399	706,647	786,813	882,148	799,211
	130,974	118,685	89,715	63,241	76,969	106,727	60,518	54,091
	500,889	411,752	395,674	418,360	382,085	385,741	334,172	252,861
	581,829	439,489	452,007	436,653	395,686	432,571	324,670	358,555
	1,203,353	1,244,612	1,287,532	1,478,168	1,482,810	1,881,270	1,798,303	1,512,152
	659,510	671,794	682,871	723,028	699,385	982,332	1,049,054	1,932,646
	301,581	168,071	93,050	86,101	81,718	73,689	80,064	124,573
	6,181,592	6,053,481	6,123,142	6,065,265	6,203,749	7,559,948	6,812,686	7,574,599
	733,663	768,836	788,239	776,462	791,925	825,158	798,744	751,578
	278,178	281,684	281,735	281,735	281,738	281,754	282,032	282,032
	480,718	486,695	492,272	494,782	499,081	501,243	527,010	562,214
	95,377	101,146	104,370	105,905	106,885	109,815	110,751	111,309
	2,439,015	2,483,489	2,451,037	2,100,392	2,082,541	2,157,136	1,643,248	1,655,029
	262,247	165,891	51,097	23,201	17,442	(188,446)	(258,484)	(755,525)
	—	—	—	—	—	—	(333)	(1,847)
	3,555,535	3,518,905	3,380,511	3,006,015	2,987,687	2,861,502	2,304,224	1,853,212
	¥10,470,790	¥10,341,222	¥10,291,892	¥9,847,742	¥9,983,361	¥11,246,608	¥9,915,654	¥10,179,389

Consolidated Statements of Income

Years ended March 31

	1993	1994	1995
Revenues:			
Net sales	¥7,536,166	¥7,400,205	¥7,592,266
Interest income	126,176	94,434	74,550
Dividends received	9,167	6,863	8,003
Other income	3,563	3,675	13,319
Total revenues	7,675,072	7,505,177	7,688,138
Costs and expenses:			
Cost of sales	5,438,158	5,311,992	5,393,757
Selling, general and administrative expenses	1,875,847	1,874,824	1,893,919
Interest charges	113,839	78,113	74,998
Other deductions	12,484	11,885	41,821
Total costs and expenses	7,440,328	7,276,814	7,404,495
Income (loss) before income taxes, minority interests and cumulative effect of accounting change	234,744	228,363	283,643
Income taxes	138,916	146,953	153,443
Income (loss) before minority interests and cumulative effect of accounting change	95,828	81,410	130,200
Minority interests	18,539	13,161	16,288
Income (loss) before cumulative effect of accounting change	77,289	68,249	113,912
Cumulative effect of accounting change	—	2,970	—
Net income (loss)	¥ 77,289	¥ 65,279	¥ 113,912

See notes on inside cover.

Millions of yen

1996	1997	1998	1999	2000	2001	2002	2003
¥8,123,810	¥8,523,100	¥8,416,834	¥7,977,374	¥8,001,203	¥8,416,982	¥7,993,784	¥8,191,752
51,126	37,632	41,084	40,178	35,380	32,428	22,481	14,158
7,482	8,113	8,881	7,060	6,662	9,641	6,134	8,921
53,720	43,557	112,255	1,144	30,059	27,544	7,424	23,658
8,236,138	8,612,402	8,579,054	8,025,756	8,073,304	8,486,595	8,029,823	8,238,489
5,828,887	6,250,895	6,230,044	6,052,345	5,898,756	6,155,023	6,184,396	6,240,493
1,962,341	1,975,039	1,977,783	1,959,103	1,928,083	1,919,647	1,926,803	1,798,292
63,375	60,669	59,635	59,028	52,015	58,759	45,830	34,338
31,543	61,004	138,134	176,454	115,215	29,511	458,866	68,538
7,886,146	8,347,607	8,405,596	8,246,930	7,994,069	8,162,940	8,615,895	8,141,661
349,992	264,795	173,458	(221,174)	79,235	323,655	(586,072)	96,828
165,764	138,495	134,409	97,660	47,502	164,861	(71,114)	52,662
184,228	126,300	39,049	(318,834)	31,733	158,794	(514,958)	44,166
41,093	36,498	26,886	8,777	14,811	54,414	(31,121)	16,299
143,135	89,802	12,163	(327,611)	16,922	104,380	(483,837)	27,867
—	—	—	—	—	—	—	—
¥ 143,135	¥ 89,802	¥ 12,163	¥ (327,611)	¥ 16,922	¥ 104,380	¥ (483,837)	¥ 27,867

Consolidated Statements of Cash Flows

Years ended March 31

	1993	1994	1995
Cash flows from operating activities:			
Net income (loss)	¥ 77,289	¥ 65,279	¥ 113,912
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	479,943	496,132	521,435
Impairment loss for long-lived assets	—	—	—
Cumulative effect of accounting change	—	2,970	—
Deferred income taxes	(21,977)	(8,721)	(16,488)
Equity in earnings of affiliated companies	—	—	—
Gain on sales of investments and subsidiaries' common stock	(2,007)	(3,229)	(5,879)
Impairment of investment in securities	—	—	—
Loss (gain) on disposal of rental assets and other property	—	—	—
Income (loss) applicable to minority interests	18,539	13,161	16,288
(Increase) decrease in receivables	48,713	(77,936)	(50,604)
(Increase) decrease in inventories	120,492	57,969	(67,092)
(Increase) decrease in prepaid expenses and other current assets	(8,370)	(947)	(12,029)
Increase (decrease) in payables	(93,370)	7,589	41,581
Increase (decrease) in accrued expenses and retirement and severance benefits ..	45,045	71,704	37,272
Increase (decrease) in accrued income taxes	(24,921)	14,913	23,307
Increase (decrease) in other liabilities	19,737	18,290	(1,618)
Other	25,867	31,056	20,668
Net cash provided by operating activities	684,980	688,230	620,753
Cash flows from investing activities:			
(Increase) decrease in short-term investments	(137,859)	(163,313)	225,843
Capital expenditures	(639,323)	(593,462)	(651,577)
Purchase of assets to be leased (note 1)	—	—	—
Collection of investment in leases (note 1)	—	—	—
Proceeds from disposal of rental assets and other property	58,283	32,100	93,230
Proceeds from sale of investments and subsidiaries' common stock	4,380	7,673	12,801
Purchase of investments and subsidiaries' common stock	(9,290)	(18,894)	(15,518)
Purchase of software	—	—	—
Other	(21,077)	3,322	(502)
Net cash used in investing activities	(744,886)	(732,574)	(335,723)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(51,609)	(8,800)	52,132
Proceeds from long-term debt	159,692	149,188	130,490
Payments on long-term debt	(119,468)	(76,951)	(126,321)
Proceeds from sale of common stock by subsidiaries	270	357	1,138
Dividends paid to stockholders	(35,906)	(35,937)	(36,005)
Dividends paid to minority stockholders of subsidiaries	(9,482)	(9,603)	(9,746)
Purchase and retirement of common shares by subsidiaries	—	—	—
Acquisition of common stock for treasury	—	—	—
Net cash provided by (used in) financing activities	(56,503)	18,254	11,688
Effect of exchange rate changes on cash and cash equivalents	(11,115)	(10,575)	(7,387)
Net increase (decrease) in cash and cash equivalents	(127,524)	(36,665)	289,331
Cash and cash equivalents at beginning of year	1,495,794	1,368,270	1,331,605
Cash and cash equivalents at end of year	¥1,368,270	¥1,331,605	¥1,620,936

Notes: 1. According to the importance of lease assets, the Company divided the amount of "Capital expenditures" into two categories; "Capital expenditures" and "Purchase of assets to be leased." Figures for 1999 and 2000 have also been restated using the same method.

2. See notes on inside cover.

Millions of yen

1996	1997	1998	1999	2000	2001	2002	2003
¥ 143,135	¥ 89,802	¥ 12,163	¥ (327,611)	¥ 16,922	¥ 104,380	¥ (483,837)	¥ 27,867
556,671	543,560	550,393	547,022	541,253	505,507	529,418	480,274
—	44,289	35,504	2,740	9,310	—	46,115	8,474
—	—	—	—	—	—	—	—
(30,154)	(61,099)	(14,667)	(22,976)	(67,179)	12,505	(182,072)	(35,526)
—	—	—	—	6,426	(2,559)	35,756	15,803
(40,746)	(24,262)	(117,998)	(3,938)	(36,215)	(17,437)	(4,035)	(54,849)
—	—	—	—	4,784	6,876	76,867	65,828
—	24,200	12,078	69,996	19,921	19,165	59,687	(14,064)
41,093	36,498	26,886	8,777	14,811	54,414	(31,121)	16,299
(295,990)	(197,337)	13,175	(2,549)	(107,685)	(72,035)	450,904	2,280
(102,694)	162,473	(53,703)	127,802	(26,273)	(128,477)	261,229	7,994
(15,145)	4,335	(12,847)	(1,133)	(9,931)	(38,234)	(999)	3,170
104,944	994	(7,254)	(45,274)	78,728	95,855	(271,698)	96,777
57,730	(3,428)	5,132	19,400	3,846	8,171	70,813	(71,969)
21,141	(14,461)	(28,880)	(25,135)	15,884	26,337	(48,174)	(5,825)
25,620	(98,271)	6,892	25,338	(41,385)	(62,858)	(69,671)	11,989
7,828	(20,569)	(6,133)	16,420	28,233	23,823	43,684	91,996
473,433	486,724	420,741	388,879	451,450	535,433	482,866	646,518
(8,216)	(169,644)	49,462	153,382	(15,155)	198,610	253,236	(8,162)
(717,085)	(750,066)	(690,419)	(406,685)	(365,744)	(463,585)	(429,835)	(323,825)
—	—	—	(212,657)	(211,185)	(532,142)	(444,931)	(459,036)
—	—	—	—	—	421,527	469,108	411,522
61,925	49,075	32,334	26,427	133,806	70,442	59,574	142,973
33,665	34,760	144,127	16,542	67,971	50,473	55,354	167,350
(38,914)	(43,751)	(165,898)	(13,837)	(40,463)	(125,473)	(129,527)	(262,424)
—	—	—	—	(38,096)	(36,405)	(112,506)	(152,492)
(4,201)	9,123	(7,932)	(13,721)	33,275	45,836	6,656	(135,191)
(672,826)	(870,503)	(638,326)	(450,549)	(435,591)	(370,717)	(272,871)	(619,285)
17,964	60,490	97,057	(1,845)	43,155	(5,153)	(408,514)	(12,490)
332,559	201,985	279,866	375,344	315,408	518,872	573,373	375,802
(118,716)	(168,597)	(223,517)	(230,273)	(194,038)	(642,594)	(743,385)	(547,759)
3,460	5,305	7,423	701	9,046	13,342	42,466	1,872
(36,337)	(36,520)	(36,600)	(18,412)	(27,762)	(28,235)	(28,318)	(9,973)
(9,805)	(10,599)	(11,838)	(11,722)	(12,033)	(15,739)	(13,401)	(13,108)
—	—	—	—	(7,946)	—	—	—
—	—	—	—	—	—	(333)	(1,514)
189,125	52,064	112,391	113,793	125,830	(159,507)	(578,112)	(207,170)
17,048	13,948	(5,215)	(14,136)	(21,784)	18,962	15,888	(21,266)
6,780	(317,767)	(110,409)	37,987	119,905	24,171	(352,229)	(201,203)
1,620,936	1,627,716	1,309,949	1,199,540	1,237,527	1,357,432	1,381,603	1,029,374
¥1,627,716	¥1,309,949	¥1,199,540	¥1,237,527	¥1,357,432	¥1,381,603	¥1,029,374	¥ 828,171

Segment Information

Years ended March 31

Industry Segments

		Millions of yen		
		2001	2002	2003
Sales	Information & Telecommunication Systems	¥ 1,796,084	¥ 1,829,661	¥ 1,899,651
	Electronic Devices	2,011,717	1,487,200	1,570,069
	Power & Industrial Systems	2,321,104	2,266,895	2,297,068
	Digital Media & Consumer Products	1,053,199	1,170,744	1,205,551
	High Functional Materials & Components	1,467,345	1,250,248	1,248,550
	Logistics, Services & Others	1,599,369	1,430,825	1,449,594
	Financial Services	592,774	567,138	579,267
	Subtotal	10,841,592	10,002,711	10,249,750
	Eliminations & Corporate items	(2,424,610)	(2,008,927)	(2,057,998)
	Total	8,416,982	7,993,784	8,191,752
Operating income (loss)	Information & Telecommunication Systems	¥ 48,921	¥ 35,757	¥ 110,523
(note 2 on page 21)	Electronic Devices	118,128	(163,633)	(23,242)
	Power & Industrial Systems	77,269	55,004	53,253
	Digital Media & Consumer Products	1,541	(14,675)	6,204
	High Functional Materials & Components	83,415	(22,024)	18,301
	Logistics, Services & Others	8,437	3,257	10,352
	Financial Services	44,146	37,403	12,067
	Subtotal	381,857	(68,911)	187,458
	Eliminations & Corporate items	(39,545)	(48,504)	(34,491)
	Total	342,312	(117,415)	152,967

Main Products and Services

■ Information & Telecommunication Systems

Systems Integration
Software
Disk Array Subsystems
Hard Disk Drives
Servers
Mainframes
PCs
Wireless Communication Base Stations

■ Electronic Devices

System LSIs
Memories
Multi-Purpose Semiconductors
LCDs
Semiconductor Manufacturing Equipment
Testing and Measurement Equipment
Medical Electronics Equipment

■ Power & Industrial Systems

Nuclear Power Plants
Thermal Power Plants
Hydroelectric Power Plants
Industrial Machinery and Plant Construction
Air-Conditioning Equipment
Construction Machinery
Rail Vehicles
Elevators
Escalators
Automotive Products
Environmental Control Systems

■ Digital Media & Consumer Products

Optical Disk Drives
TVs
Mobile Phones
LCD Projectors
Room Air Conditioners
Refrigerators
Washing Machines
Batteries
Video Tapes
Information Storage Media

■ High Functional Materials & Components

Wires and Cables
Copper Products
Ductile Cast-Iron Products
Forged and Cast-Steel Products
Specialty Steels
Magnetic Materials
Chemical Products
Electrical Insulating Materials
Synthetic Resins
Carbon Products
Printed Circuit Boards
Fine Ceramics

■ Logistics, Services & Others

General Trading
Transportation
Property Management

■ Financial Services

Loan Guarantees
Leasing
Insurance Services

Geographic Segments

		Millions of yen		
		2001	2002	2003
Sales				
Japan	Outside customer sales	¥ 6,557,736	¥ 6,134,554	¥ 6,290,654
	Intersegment transactions	1,148,587	892,562	1,026,916
	Total	7,706,323	7,027,116	7,317,570
Asia	Outside customer sales	550,303	607,041	651,228
	Intersegment transactions	415,946	349,337	351,006
	Total	966,249	956,378	1,002,234
North America	Outside customer sales	863,349	830,959	802,582
	Intersegment transactions	48,141	45,382	38,753
	Total	911,490	876,341	841,335
Europe	Outside customer sales	395,809	364,840	379,615
	Intersegment transactions	27,513	32,268	28,382
	Total	423,322	397,108	407,997
Other Areas	Outside customer sales	49,785	56,390	67,673
	Intersegment transactions	4,254	2,359	2,645
	Total	54,039	58,749	70,318
	Subtotal	10,061,423	9,315,692	9,639,454
	Eliminations & Corporate items	(1,644,441)	(1,321,908)	(1,447,702)
	Total	8,416,982	7,993,784	8,191,752
Operating income (loss) (note 2 on page 21)				
Japan		303,359	(70,420)	155,684
Asia		45,032	(5,090)	18,357
North America		7,037	(21,053)	6,336
Europe		13,109	4,007	6,720
Other Areas		1,246	1,842	2,097
	Subtotal	369,783	(90,714)	189,194
	Eliminations & Corporate items	(27,471)	(26,701)	(36,227)
	Total	342,312	(117,415)	152,967

Sales by Market

		Millions of yen		
		2001	2002	2003
Japan	Sales	¥5,791,300	¥5,444,662	¥5,546,543
	Percentage of Net Sales (%)	69	68	68
Outside Japan	Asia	966,870	896,050	1,017,439
	Percentage of Net Sales (%)	11	11	12
	North America	903,800	930,629	890,684
	Percentage of Net Sales (%)	11	12	11
	Europe	550,968	513,310	537,029
	Percentage of Net Sales (%)	7	6	7
	Other Areas	204,044	209,133	200,057
	Percentage of Net Sales (%)	2	3	2
	Subtotal	2,625,682	2,549,122	2,645,209
	Percentage of Net Sales (%)	31	32	32
	Total	8,416,982	7,993,784	8,191,752

Others

		Millions of yen		
		2001	2002	2003
Capital investment (Property, plant and equipment)	Information & Telecommunication Systems	¥ 89,937	¥ 89,769	¥ 72,752
	Electronic Devices	224,201	114,602	91,297
	Power & Industrial Systems	75,073	74,549	70,739
	Digital Media & Consumer Products	45,486	38,677	35,135
	High Functional Materials & Components	108,813	80,232	60,676
	Logistics, Services & Others	30,199	40,125	30,828
	Financial Services	465,213	472,129	467,678
	Subtotal	1,038,922	910,083	829,105
	Eliminations & Corporate items	(67,827)	(53,804)	(41,609)
Total	971,095	856,279	787,496	
Depreciation (Property, plant and equipment)	Information & Telecommunication Systems	¥ 63,046	¥ 69,219	¥ 59,139
	Electronic Devices	149,566	162,146	112,786
	Power & Industrial Systems	63,960	62,944	70,175
	Digital Media & Consumer Products	44,507	44,025	40,841
	High Functional Materials & Components	83,023	81,827	73,055
	Logistics, Services & Others	35,027	36,351	28,836
	Financial Services	62,278	69,349	91,591
	Subtotal	501,407	525,861	476,423
	Eliminations & Corporate items	4,100	3,557	3,851
Total	505,507	529,418	480,274	
R&D expenditures	Information & Telecommunication Systems	¥ 153,744	¥ 136,714	¥ 121,379
	Electronic Devices	128,414	116,706	105,549
	Power & Industrial Systems	66,060	63,733	64,634
	Digital Media & Consumer Products	37,297	37,593	33,875
	High Functional Materials & Components	43,896	47,501	41,741
	Logistics, Services & Others	5,339	11,983	8,553
	Financial Services	829	1,218	1,423
	Total	435,579	415,448	377,154
Assets	Information & Telecommunication Systems	¥ 1,342,252	¥1,307,248	¥ 1,702,104
	Electronic Devices	1,582,447	1,246,285	1,345,835
	Power & Industrial Systems	2,230,193	2,060,169	2,194,445
	Digital Media & Consumer Products	820,212	743,515	782,420
	High Functional Materials & Components	1,520,718	1,349,133	1,298,973
	Logistics, Services & Others	1,191,298	1,051,712	1,016,599
	Financial Services	2,193,057	2,114,367	1,932,459
	Subtotal	10,880,177	9,872,429	10,272,835
	Eliminations & Corporate items	366,431	43,225	(93,446)
Total	11,246,608	9,915,654	10,179,389	

		2001	2002	2003
Number of employees	Information & Telecommunication Systems	67,015	69,966	86,630
	Electronic Devices	51,308	42,705	42,470
	Power & Industrial Systems	81,172	76,523	81,869
	Digital Media & Consumer Products	40,155	35,612	34,722
	High Functional Materials & Components	59,562	54,881	51,887
	Logistics, Services & Others	28,448	28,483	29,998
	Financial Services	4,277	4,500	4,448
	Others	5,255	5,071	3,745
	Corporate	3,747	3,776	3,803
	Total	340,939	321,517	339,572

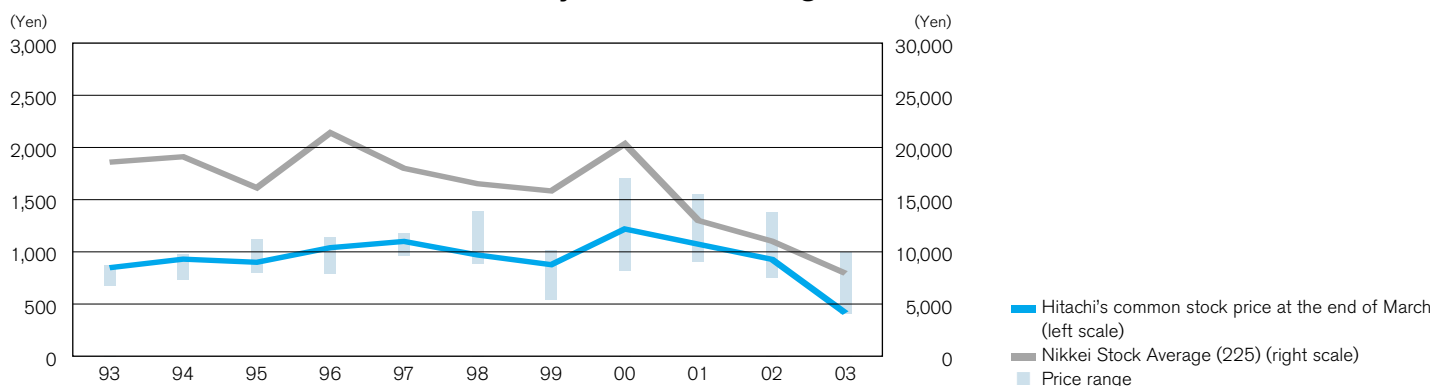
Notes: 1. This information is disclosed in accordance with a ministerial ordinance under the Securities and Exchange Law of Japan.

2. 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). The restructuring charges mainly represent impairment losses incurred with the reorganization of the business structures, and as the result of the Company and its subsidiaries reviewing and reshaping the business portfolio. See note 2 on page 2.

3. The Company has changed the industry segment classification starting from the year ended March 31, 2002. Figures for the year ended March 31, 2001 have been restated to reflect the reclassifications.

Stock Information

Common Stock Price Movement (Tokyo Stock Exchange)



Price Range of Hitachi Common Stock (Tokyo Stock Exchange)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Price range High	¥ 873	¥ 979	¥ 1,120	¥ 1,140	¥ 1,180	¥ 1,390	¥ 1,015	¥ 1,709	¥ 1,549	¥ 1,380	¥ 997
Low	670	729	799	781	961	877	532	814	899	745	398
Price at the end of March	848	930	900	1,040	1,100	970	877	1,219	1,073	928	413
Nikkei Stock Average (225)	18,591	19,111	16,139	21,406	18,003	16,527	15,836	20,337	12,999	11,024	7,973

Note: Common stock prices are those of Hitachi, Ltd.

Price/Earnings Ratio, Price/Cash Flow Ratio and Price/Book Value Ratio

Years ended March 31

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Number of shares on which diluted net income per share is calculated (thousand)	3,534,595	3,534,594	3,534,231	3,568,498	3,547,591	3,366,369	3,337,895	3,366,369	3,544,817	3,337,850	3,351,625
Common stock of Hitachi, Ltd. at March 31 (thousand)	3,276,252	3,281,724	3,287,404	3,329,139	3,337,796	3,337,895	3,337,895	3,337,900	3,337,932	3,338,481	3,368,124
Net income (loss) per share (Diluted) (¥)	22.68	19.27	33.02	40.48	25.97	3.58	(98.15)	4.99	30.32	(144.95)	8.19
Price/Earnings ratio (Times)	37.4	48.3	27.3	25.7	42.4	270.9	—	244.3	35.4	—	50.4
Free cash flows per share (¥)	—	—	—	(55.88)	(108.18)	(64.63)	(18.48)	4.71	46.47	62.91	8.13
Price/Free cash flow ratio (Times)	—	—	—	—	—	—	—	258.76	23.09	14.75	50.83
Stockholders' equity per share (¥)	897.42	901.71	922.73	1,068.00	1,054.26	1,012.77	900.57	895.08	857.27	690.28	550.76
Price/Book value ratio (Times)	0.94	1.03	0.98	0.97	1.04	0.96	0.97	1.36	1.25	1.34	0.75
Cash dividends declared per share (¥)	11.00	11.00	11.00	11.00	11.00	11.00	5.50	6.00	11.00	3.00	6.00

Notes: 1. Stockholders' equity per share is based on common stock of Hitachi, Ltd. as of March 31.

2. Free cash flows per share is based on the number of shares on which diluted net income (loss) per share is calculated.

3. See notes on inside cover.

Equity-Linked Financings

Issue Date	Type	Amount	Coupon (%)	Conversion Price	Redemption Date
8/ 2 /1988	CB #6	¥120,000 million	1.3	¥1,875.20	9/30/2003
5/16/1989	CB #7	¥250,000 million	1.4	¥1,694.30	9/30/2004

Major Stockholders

As of March 31, 2003

	Numbers of Shares Held	Percentage of Shares Held
Japan Trustee Services Bank, Ltd.	212,080,650	6.37%
NATS CUMCO	172,918,080	5.20%
The Master Trust Bank of Japan, Ltd.	169,035,321	5.08%
The Chase Manhattan Bank, N.A. London	133,317,139	4.01%
Nippon Life Insurance Company	111,221,960	3.34%
State Street Bank and Trust Company	92,709,173	2.79%
The Dai-ichi Mutual Life Insurance Company	81,770,222	2.46%
Hitachi Employees' Shareholding Association	80,447,952	2.42%
Trust & Custody Services Bank, Ltd.	79,660,000	2.39%
Mizuho Corporate Bank, Ltd.	74,958,682	2.25%

Note: NATS CUMCO is the nominee name of the depository bank, Citibank, N.A., for the aggregate of the Company's American Depositary Receipts (ADRs) holders.

Composition of Shareholders

As of March 31, 2003

Financial Institutions and Securities Firms	36.83%
Individuals	30.44%
Foreign Investors	29.38%
Others	3.34%
Governments	0.01%

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

Depository and Registrar for American Depositary Receipts

Citibank, N.A.
111 Wall Street, 20th Floor
New York, New York 10005, USA
TEL: U.S.A. 1-877-CITI-ADR(248-4237)(toll-free)
International +1-816-843-4281
E-mail: citibank@em.fcnhd.com
URL: www.citibank.com/adr
(New York Stock Exchange Listed Symbol — HIT)

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

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 Consolidated Subsidiaries	Japan	708
	Overseas	404
Number of Employees	339,572	
Common Stock	Issued	3,368,124,286 shares
Number of Shareholders	421,138	
URL	http://global.hitachi.com	

For further information, please contact:

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