

FINANCIAL HIGHLIGHTS 2004
Year ended March 31, 2004

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.

Contents

Eleven-Year Summary	2
Analysis of Operating Results	4
Consolidated Balance Sheets	10
Consolidated Statements of Income	14
Consolidated Statements of Cash Flows	16
Segment Information	18
Stock Information	22
Corporate Data	24

Eleven-Year Summary

Years ended March 31

	1994	1995	1996
For the year:			
Net sales	¥7,400,205	¥7,592,266	¥8,123,810
Japan	5,699,533	5,768,963	6,020,922
Other areas	1,700,672	1,823,303	2,102,888
Cost of sales	5,311,992	5,393,757	5,828,887
Selling, general and administrative expenses	1,874,824	1,893,919	1,962,341
Operating income (loss) (note 2)	213,389	304,590	332,582
Income (loss) before income taxes, minority interests and cumulative effect of accounting change	228,363	283,643	349,992
Net income (loss)	65,279	113,912	143,135
Capital investment (Property, plant and equipment)	662,248	655,410	723,477
Depreciation (Property, plant and equipment)	496,132	521,435	556,671
R&D expenditure	484,237	491,481	493,788
Per share data:			
Net income (loss) Basic	¥ 19.92	¥ 34.66	¥ 43.00
Diluted	19.27	33.02	40.48
Cash dividends declared	11.00	11.00	11.00
Stockholders' equity	901.71	922.73	1,068.00

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:

	1994	1995	1996
Restructuring charges, impairment losses and special termination benefits	¥ —	¥(31,989)	¥(13,456)
Net gain or loss on sale and disposal of rental assets and other property	(5,506)	5,347	(9,671)
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
1997	1998	1999	2000	2001	2002	2003	2004
¥8,523,100	¥8,416,834	¥7,977,374	¥8,001,203	¥8,416,982	¥7,993,784	¥8,191,752	¥8,632,450
6,070,552	5,805,111	5,533,554	5,657,571	5,791,300	5,444,662	5,546,543	5,654,856
2,452,548	2,611,723	2,443,820	2,343,632	2,625,682	2,549,122	2,645,209	2,977,594
6,250,895	6,230,044	6,052,345	5,898,756	6,155,023	6,184,396	6,240,493	6,710,154
1,975,039	1,977,783	1,959,103	1,928,083	1,919,647	1,926,803	1,798,292	1,737,433
297,166	209,007	(34,074)	174,364	342,312	(117,415)	152,967	184,863
264,795	173,458	(221,174)	79,235	323,655	(586,072)	96,828	237,149
89,802	12,163	(327,611)	16,922	104,380	(483,837)	27,867	15,876
740,135	712,672	585,718	574,642	971,095	856,279	787,496	816,547
543,560	550,393	547,022	541,253	505,507	529,418	480,274	436,053
503,508	510,878	496,728	432,342	435,579	415,448	377,154	371,825

Yen

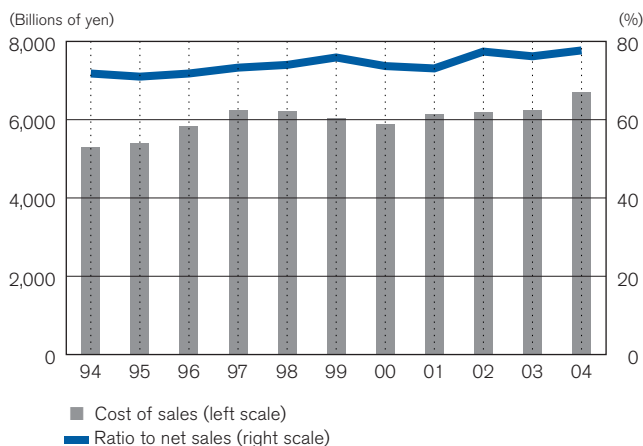
¥ 26.95	¥ 3.64	¥ (98.15)	¥ 5.07	¥ 31.27	¥(144.95)	¥ 8.31	¥ 4.81
25.97	3.58	(98.15)	4.99	30.32	(144.95)	8.19	4.75
11.00	11.00	5.50	6.00	11.00	3.00	6.00	8.00
1,054.26	1,012.77	900.57	895.08	857.27	690.28	550.76	657.42

							Millions of yen
1997	1998	1999	2000	2001	2002	2003	2004
¥(44,289)	¥(90,791)	¥(132,505)	¥(65,977)	¥(8,814)	¥(334,211)	¥ (8,474)	¥(26,085)
(15,620)	(10,514)	(12,656)	(6,842)	(7,776)	(6,477)	23,658	1,715
—	—	—	—	—	—	(24,857)	—

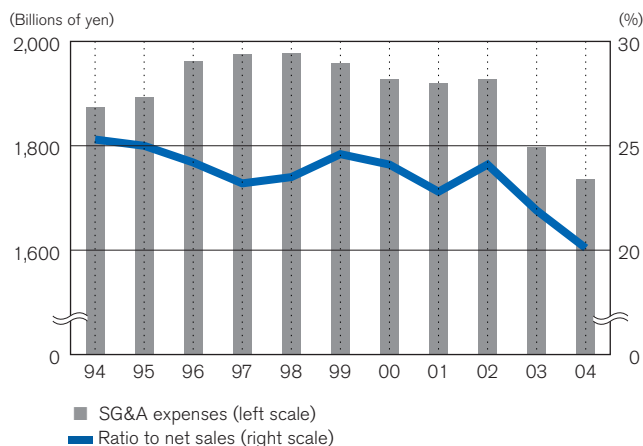
Analysis of Operating Results

Years ended March 31

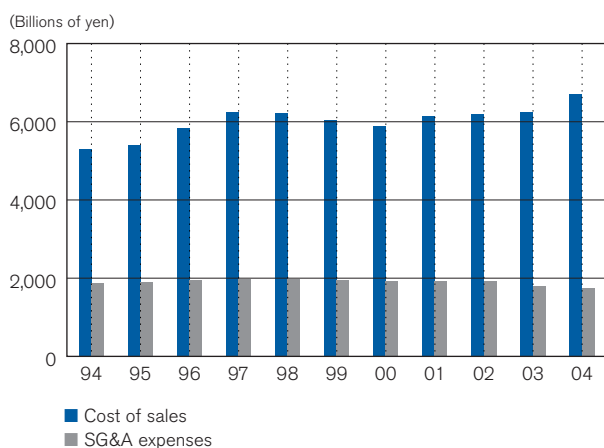
Cost of sales and ratio to net sales (note 2)



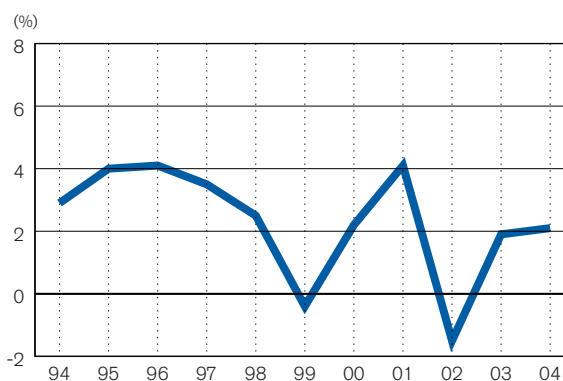
SG&A expenses and ratio to net sales (note 2)



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



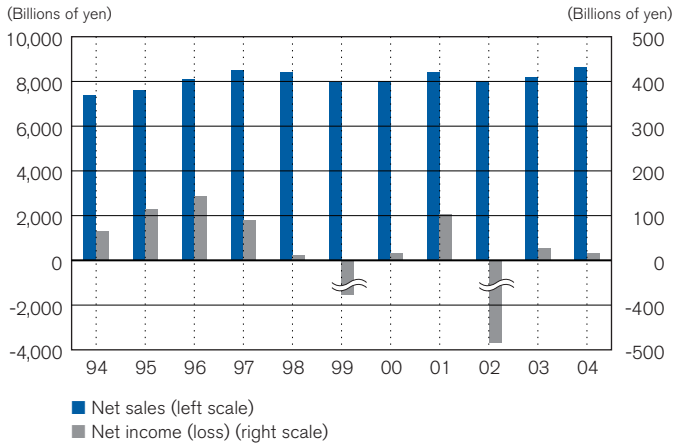
Operating income (loss) to net sales (note 2)



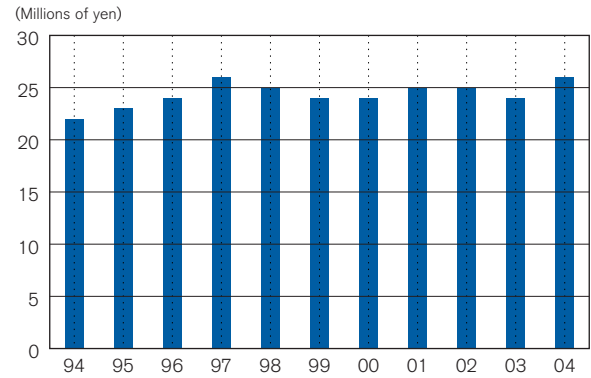
Net sales	¥7,400	¥7,592	¥8,124
Cost of sales	5,312	5,394	5,829
Ratio to net sales (%)	71.8%	71.0%	71.8%
Selling, general and administrative expenses (note 2)	1,875	1,894	1,962
Ratio to net sales (%)	25.3%	24.9%	24.2%
Operating income (loss) (note 2)	213	305	333
Ratio to net sales (%)	2.9%	4.0%	4.1%
Net income (loss)	65	114	143
R&D expenditure	484	491	494
Ratio to net sales (%)	6.5%	6.5%	6.1%
Net sales per employee (Millions of yen)	22	23	24

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

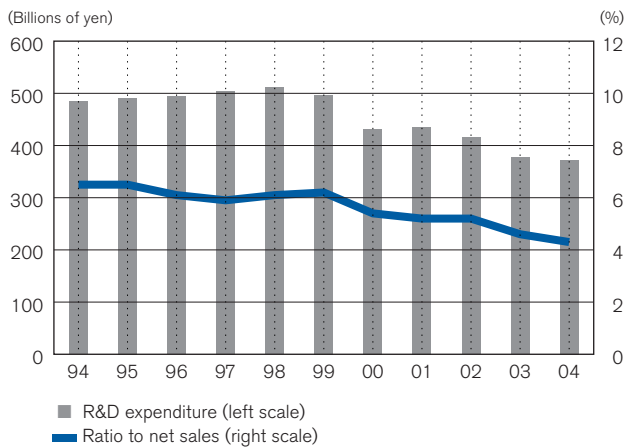
Net sales and net income (loss)



Net sales per employee



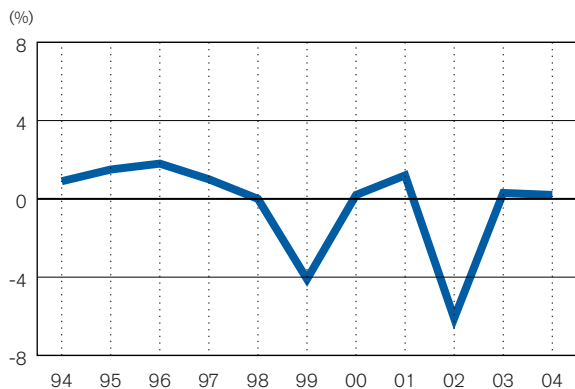
R&D expenditure and ratio to net sales



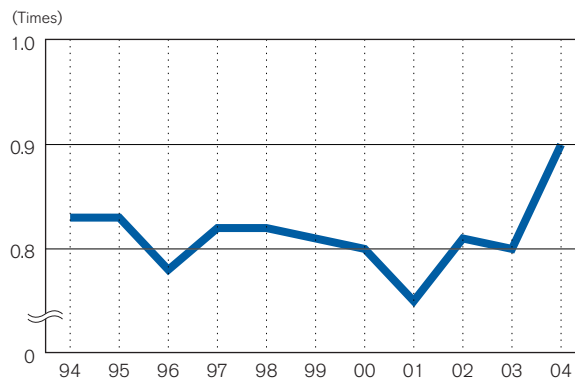
Billions of yen

1997	1998	1999	2000	2001	2002	2003	2004
¥8,523	¥8,417	¥7,977	¥8,001	¥8,417	¥7,994	¥8,192	¥8,632
6,251	6,230	6,052	5,899	6,155	6,184	6,240	6,710
73.3%	74.0%	75.9%	73.7%	73.1%	77.4%	76.2%	77.7%
1,975	1,978	1,959	1,928	1,920	1,927	1,798	1,737
23.2%	23.5%	24.6%	24.1%	22.8%	24.1%	22.0%	20.1%
297	209	(34)	174	342	(117)	153	185
3.5%	2.5%	(0.4)%	2.2%	4.1%	(1.5)%	1.9%	2.1%
90	12	(328)	17	104	(484)	28	16
504	511	497	432	436	415	377	372
5.9%	6.1%	6.2%	5.4%	5.2%	5.2%	4.6%	4.3%
26	25	24	24	25	25	24	26

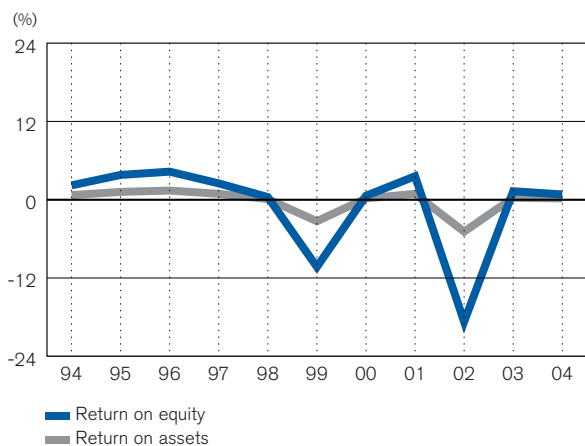
Return on sales



Asset turnover



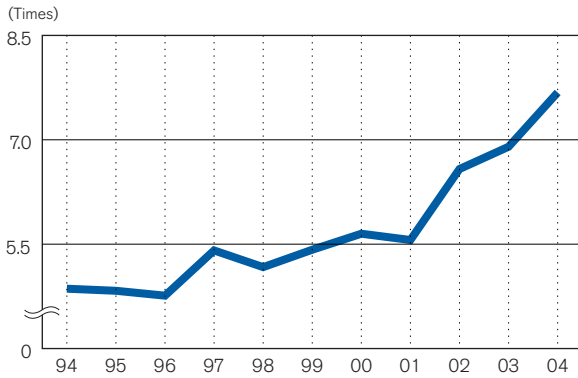
Return on equity and return on assets



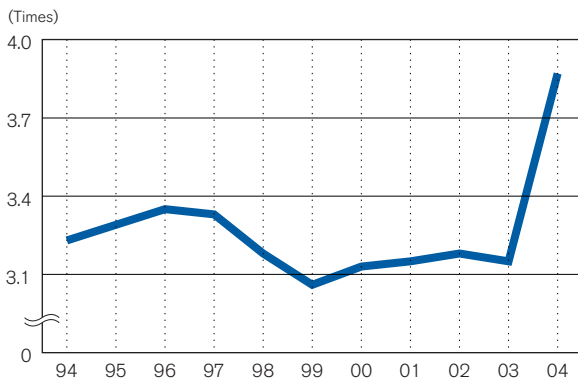
	1994	1995	1996
Return on sales (%)	0.9%	1.5%	1.8%
Return on equity (%)	2.2%	3.8%	4.3%
Return on assets (%)	0.7%	1.2%	1.4%
Asset turnover (Times)	0.83	0.83	0.78
Inventory turnover (Times)	4.86	4.83	4.76
Fixed assets	2,293	2,311	2,422
Fixed assets turnover (Times)	3.23	3.29	3.35

- 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



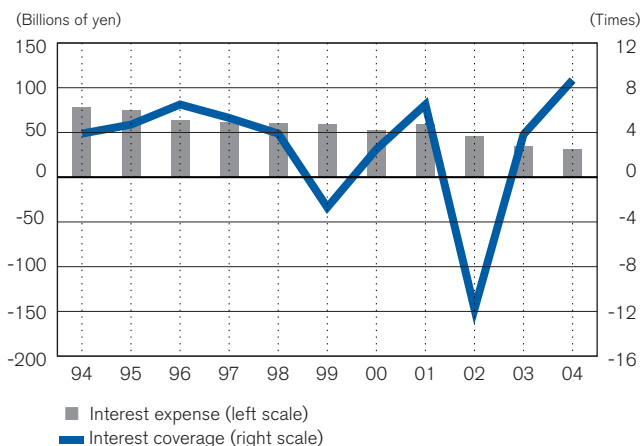
Fixed assets turnover



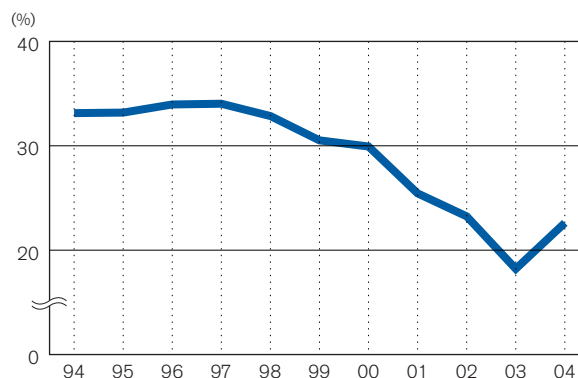
Billions of yen

1997	1998	1999	2000	2001	2002	2003	2004
1.1%	0.1%	(4.1)%	0.2%	1.2%	(6.1)%	0.3%	0.2%
2.5%	0.4%	(10.3)%	0.6%	3.6%	(18.7)%	1.3%	0.8%
0.9%	0.1%	(3.3)%	0.2%	0.9%	(4.9)%	0.3%	0.2%
0.82	0.82	0.81	0.80	0.75	0.81	0.80	0.90
5.41	5.17	5.42	5.65	5.56	6.58	6.90	7.68
2,559	2,646	2,608	2,555	2,675	2,514	2,601	2,233
3.33	3.18	3.06	3.13	3.15	3.18	3.15	3.87

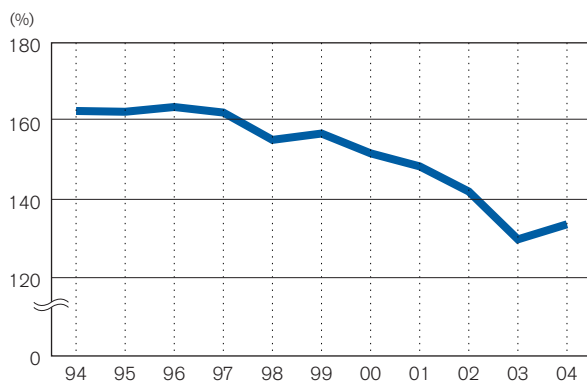
Interest expense and interest coverage



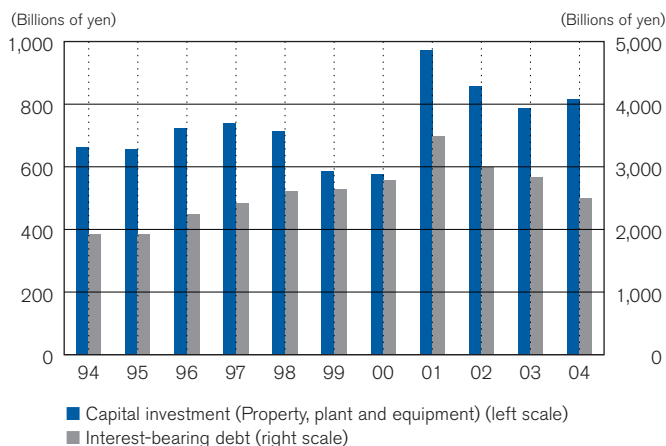
Stockholders' equity ratio



Current ratio



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



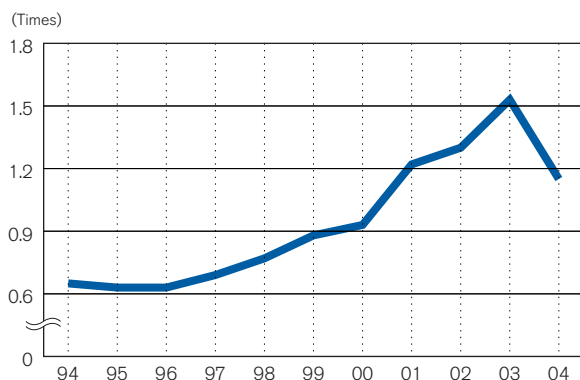
Interest expense	.....
Interest coverage (Times)	.....
Current assets	.....
Current liabilities	.....
Current ratio (%)	.....
Short-term debt	.....
Long-term debt	.....
Interest-bearing debt	.....
Stockholders' equity	.....
Total assets	.....
Debt / Equity ratio (Times)	.....
Stockholders' equity ratio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

	1994	1995	1996
	¥ 78	¥ 75	¥ 63
	3.92	4.78	6.52
	5,796	5,976	6,550
	3,576	3,690	4,017
	162.10%	161.95%	163.05%
	902	907	1,033
	1,025	1,012	1,203
	1,927	1,919	2,237
	2,959	3,033	3,556
	8,931	9,142	10,471
	0.65	0.63	0.63
	33.13%	33.18%	33.96%
	662	655	723
	496	521	557
	(44)	285	(199)

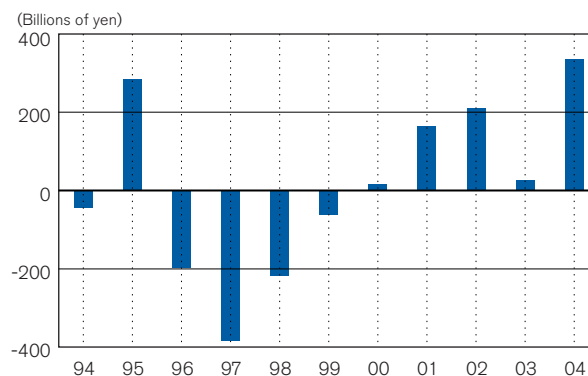
Notes: 1. Interest coverage = $\frac{\text{Income (loss) before income taxes and minority interests} + \text{Interest expense}}{\text{Interest expense}}$

- "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.

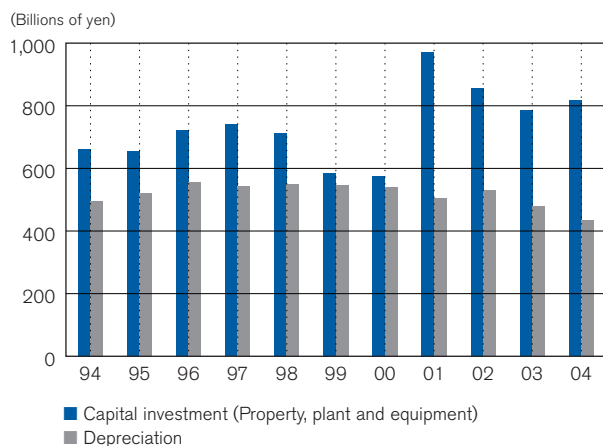
Debt / Equity ratio



Free cash flows



Capital investment and depreciation (Property, plant and equipment)



Billions of yen

	1997	1998	1999	2000	2001	2002	2003	2004
Capital investment (Property, plant and equipment)	¥ 61	¥ 60	¥ 59	¥ 52	¥ 59	¥ 46	¥ 34	¥ 31
Depreciation	5.36	3.91	(2.75)	2.52	6.51	(11.79)	3.82	8.69
Free cash flows	6,420	6,283	5,908	5,966	6,845	5,508	5,193	5,220
Operating cash flows	3,969	4,060	3,778	3,940	4,623	3,885	4,005	3,911
Current ratio	161.74%	154.77%	156.39%	151.42%	148.06%	141.75%	129.67%	133.47%
Stockholders' equity ratio	1,181	1,317	1,160	1,306	1,612	1,200	1,328	1,183
Free cash flows	1,245	1,288	1,478	1,483	1,881	1,798	1,512	1,314
Operating cash flows	2,426	2,605	2,638	2,788	3,493	2,998	2,841	2,498
Capital investment	3,519	3,381	3,006	2,988	2,862	2,304	1,853	2,168
Total assets	10,341	10,292	9,848	9,983	11,247	9,916	10,179	9,590
Current ratio	0.69	0.77	0.88	0.93	1.22	1.30	1.53	1.15
Stockholders' equity ratio	34.03%	32.85%	30.52%	29.93%	25.44%	23.24%	18.21%	22.61%
Operating cash flows	740	713	586	575	971	856	787	817
Capital investment	544	550	547	541	506	529	480	436
Free cash flows	(384)	(218)	(62)	16	165	210	27	336

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

	1994	1995	1996
Assets:			
Cash and cash equivalents	¥1,331,605	¥1,620,936	¥ 1,627,716
Short-term investments	806,699	582,785	711,857
Trade receivables:			
Notes	403,311	402,024	462,685
Accounts	1,396,149	1,440,006	1,662,631
Inventories	1,523,593	1,572,259	1,707,159
Prepaid expenses and other current assets	335,093	357,922	377,839
Investment in leases	—	—	—
Noncurrent receivables and restricted funds	169,170	180,464	161,795
Investments and advances, including affiliated companies	438,488	436,603	1,146,508
Property, plant and equipment:			
Land	297,889	317,604	334,488
Buildings	1,392,564	1,434,417	1,514,113
Machinery and equipment	4,064,912	4,246,645	4,538,128
Construction in progress	42,575	51,599	90,481
	5,797,940	6,050,265	6,477,210
Less accumulated depreciation	3,505,071	3,739,284	4,055,425
Net property, plant and equipment	2,292,869	2,310,981	2,421,785
Other assets	234,114	237,638	190,815
	¥8,931,091	¥9,141,618	¥10,470,790

See notes on inside cover.

Millions of yen

	1997	1998	1999	2000	2001	2002	2003	2004
¥	1,309,949	¥ 1,199,540	¥1,237,527	¥1,357,432	¥ 1,381,603	¥1,029,374	¥ 828,171	¥ 764,396
	847,854	771,147	605,679	632,434	433,650	178,933	186,972	177,949
	411,459	369,838	307,354	295,526	307,635	204,855	153,587	142,802
	1,876,678	1,897,410	1,878,272	1,908,692	2,191,698	1,895,150	1,903,640	2,043,727
	1,576,751	1,626,684	1,470,847	1,416,878	1,514,163	1,214,399	1,187,529	1,123,406
	396,931	418,742	408,577	354,581	391,963	457,392	496,490	515,909
	—	—	—	—	623,789	527,432	437,076	451,753
	188,473	195,546	176,403	160,583	163,003	—	—	—
	932,015	861,126	823,136	817,436	885,669	834,907	726,442	908,962
	345,322	363,771	369,701	380,076	386,785	383,781	445,283	419,846
	1,635,937	1,703,708	1,730,333	1,731,561	1,801,731	1,748,509	1,838,853	1,690,096
	4,817,314	5,074,698	5,116,062	4,887,088	5,622,410	5,510,651	5,709,409	4,899,239
	117,290	99,755	54,453	71,184	95,663	97,790	67,909	49,011
	6,915,863	7,241,932	7,270,549	7,069,909	7,906,589	7,740,731	8,061,454	7,058,192
	4,356,366	4,595,800	4,662,942	4,515,160	5,231,632	5,226,307	5,460,404	4,825,330
	2,559,497	2,646,132	2,607,607	2,554,749	2,674,957	2,514,424	2,601,050	2,232,862
	241,615	305,727	332,340	485,050	678,478	1,058,788	1,658,432	1,228,556
	¥10,341,222	¥10,291,892	¥9,847,742	¥9,983,361	¥11,246,608	¥9,915,654	¥10,179,389	¥9,590,322

	1994	1995	1996
Liabilities and Stockholders' Equity:			
Short-term debt	¥ 794,250	¥ 823,402	¥ 882,605
Current installments of long-term debt	107,316	83,848	150,746
Trade payables:			
Notes	245,175	212,007	212,789
Accounts	640,963	710,397	823,280
Accrued expenses	664,065	674,653	734,036
Income taxes	84,671	106,793	130,974
Advances received	544,449	578,137	500,889
Other current liabilities	494,925	500,637	581,829
Long-term debt	1,025,305	1,011,996	1,203,353
Retirement and severance benefits	629,242	648,493	659,510
Other liabilities	81,625	82,651	301,581
Total liabilities	5,311,986	5,433,014	6,181,592
Minority interests	659,940	675,227	733,663
Stockholders' equity:			
Common stock	273,266	276,041	278,178
Capital surplus	440,517	445,260	480,718
Legal reserve	84,147	89,955	95,377
Retained earnings	2,231,914	2,303,612	2,439,015
Accumulated other comprehensive income (loss)	(70,679)	(81,491)	262,247
Treasury stock, at cost	—	—	—
Total stockholders' equity	2,959,165	3,033,377	3,555,535
	¥8,931,091	¥9,141,618	¥10,470,790

See notes on inside cover.

Millions of yen

	1997	1998	1999	2000	2001	2002	2003	2004
¥	994,469	¥ 1,103,217	¥1,045,543	¥1,046,571	¥ 1,199,209	¥ 833,838	¥ 825,860	¥ 623,816
	187,022	214,064	114,268	259,099	412,646	366,083	502,586	559,647
	140,067	132,159	97,863	98,058	138,161	92,799	71,934	67,581
	945,450	944,112	907,641	974,721	1,160,789	991,037	1,140,130	1,220,033
	732,070	728,741	694,399	706,647	786,813	882,148	799,211	797,935
	118,685	89,715	63,241	76,969	106,727	60,518	54,091	78,438
	411,752	395,674	418,360	382,085	385,741	334,172	252,861	216,544
	439,489	452,007	436,653	395,686	432,571	324,670	358,555	347,060
	1,244,612	1,287,532	1,478,168	1,482,810	1,881,270	1,798,303	1,512,152	1,314,102
	671,794	682,871	723,028	699,385	982,332	1,049,054	1,932,646	1,273,509
	168,071	93,050	86,101	81,718	73,689	80,064	124,573	124,710
	6,053,481	6,123,142	6,065,265	6,203,749	7,559,948	6,812,686	7,574,599	6,623,375
	768,836	788,239	776,462	791,925	825,158	798,744	751,578	798,816
	281,684	281,735	281,735	281,738	281,754	282,032	282,032	282,032
	486,695	492,272	494,782	499,081	501,243	527,010	562,214	551,690
	101,146	104,370	105,905	106,885	109,815	110,751	111,309	109,163
	2,483,489	2,451,037	2,100,392	2,082,541	2,157,136	1,643,248	1,655,029	1,651,272
	165,891	51,097	23,201	17,442	(188,446)	(258,484)	(755,525)	(393,864)
	—	—	—	—	—	(333)	(1,847)	(32,162)
	3,518,905	3,380,511	3,006,015	2,987,687	2,861,502	2,304,224	1,853,212	2,168,131
	¥10,341,222	¥10,291,892	¥9,847,742	¥9,983,361	¥11,246,608	¥9,915,654	¥10,179,389	¥9,590,322

Consolidated Statements of Income

Years ended March 31

	1994	1995	1996
Revenues:			
Net sales	¥7,400,205	¥7,592,266	¥8,123,810
Interest income	94,434	74,550	51,126
Dividends received	6,863	8,003	7,482
Other income	3,675	13,319	53,720
Total revenues	7,505,177	7,688,138	8,236,138
Costs and expenses:			
Cost of sales	5,311,992	5,393,757	5,828,887
Selling, general and administrative expenses	1,874,824	1,893,919	1,962,341
Interest charges	78,113	74,998	63,375
Other deductions	11,885	41,821	31,543
Total costs and expenses	7,276,814	7,404,495	7,886,146
Income (loss) before income taxes, minority interests and cumulative effect of accounting change	228,363	283,643	349,992
Income taxes	146,953	153,443	165,764
Income (loss) before minority interests and cumulative effect of accounting change	81,410	130,200	184,228
Minority interests	13,161	16,288	41,093
Income (loss) before cumulative effect of accounting change	68,249	113,912	143,135
Cumulative effect of accounting change	2,970	—	—
Net income (loss)	¥ 65,279	¥ 113,912	¥ 143,135

See notes on inside cover.

Millions of yen

1997	1998	1999	2000	2001	2002	2003	2004
¥8,523,100	¥8,416,834	¥7,977,374	¥8,001,203	¥8,416,982	¥7,993,784	¥8,191,752	¥8,632,450
37,632	41,084	40,178	35,380	32,428	22,481	14,158	12,808
8,113	8,881	7,060	6,662	9,641	6,134	8,921	6,352
43,557	112,255	1,144	30,059	27,544	7,424	23,658	142,010
8,612,402	8,579,054	8,025,756	8,073,304	8,486,595	8,029,823	8,238,489	8,793,620
6,250,895	6,230,044	6,052,345	5,898,756	6,155,023	6,184,396	6,240,493	6,710,154
1,975,039	1,977,783	1,959,103	1,928,083	1,919,647	1,926,803	1,798,292	1,737,433
60,669	59,635	59,028	52,015	58,759	45,830	34,338	30,855
61,004	138,134	176,454	115,215	29,511	458,866	68,538	78,029
8,347,607	8,405,596	8,246,930	7,994,069	8,162,940	8,615,895	8,141,661	8,556,471
264,795	173,458	(221,174)	79,235	323,655	(586,072)	96,828	237,149
138,495	134,409	97,660	47,502	164,861	(71,114)	52,662	198,655
126,300	39,049	(318,834)	31,733	158,794	(514,958)	44,166	38,494
36,498	26,886	8,777	14,811	54,414	(31,121)	16,299	22,618
89,802	12,163	(327,611)	16,922	104,380	(483,837)	27,867	15,876
—	—	—	—	—	—	—	—
¥ 89,802	¥ 12,163	¥ (327,611)	¥ 16,922	¥ 104,380	¥ (483,837)	¥ 27,867	¥ 15,876

Consolidated Statements of Cash Flows

Years ended March 31

	1994	1995	1996
Cash flows from operating activities:			
Net income (loss)	¥ 65,279	¥ 113,912	¥ 143,135
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	496,132	521,435	556,671
Amortization	—	—	—
Impairment loss for long-lived assets	—	—	—
Cumulative effect of accounting change	2,970	—	—
Deferred income taxes	(8,721)	(16,488)	(30,154)
Equity in earnings of affiliated companies, net	—	—	—
Gain on sales of investments and subsidiaries' common stock	(3,229)	(5,879)	(40,746)
Impairment of investments in securities	—	—	—
Loss (gain) on disposal of rental assets and other property	—	—	—
Income (loss) applicable to minority interests	13,161	16,288	41,093
(Increase) decrease in receivables	(77,936)	(50,604)	(295,990)
(Increase) decrease in inventories	57,969	(67,092)	(102,694)
(Increase) decrease in prepaid expenses and other current assets	(947)	(12,029)	(15,145)
Increase (decrease) in payables	7,589	41,581	104,944
Increase (decrease) in accrued expenses and retirement and severance benefits ..	71,704	37,272	57,730
Increase (decrease) in accrued income taxes	14,913	23,307	21,141
Increase (decrease) in other liabilities	18,290	(1,618)	25,620
Other	31,056	20,668	7,828
Net cash provided by operating activities	688,230	620,753	473,433
Cash flows from investing activities:			
(Increase) decrease in short-term investments	(163,313)	225,843	(8,216)
Capital expenditures	(593,462)	(651,577)	(717,085)
Purchase of assets to be leased (note 1)	—	—	—
Collection of investments in leases (note 1)	—	—	—
Proceeds from disposal of rental assets and other property	32,100	93,230	61,925
Proceeds from sale of investments and subsidiaries' common stock	7,673	12,801	33,665
Purchase of investments and subsidiaries' common stock	(18,894)	(15,518)	(38,914)
Purchase of software	—	—	—
Other	3,322	(502)	(4,201)
Net cash used in investing activities	(732,574)	(335,723)	(672,826)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	(8,800)	52,132	17,964
Proceeds from long-term debt	149,188	130,490	332,559
Payments on long-term debt	(76,951)	(126,321)	(118,716)
Proceeds from sale of common stock by subsidiaries	357	1,138	3,460
Dividends paid to stockholders	(35,937)	(36,005)	(36,337)
Dividends paid to minority stockholders of subsidiaries	(9,603)	(9,746)	(9,805)
Purchase and retirement of common shares by subsidiaries	—	—	—
Acquisition of common stock for treasury	—	—	—
Proceeds from sales of treasury stock	—	—	—
Net cash provided by (used in) financing activities	18,254	11,688	189,125
Effect of exchange rate changes on cash and cash equivalents	(10,575)	(7,387)	17,048
Net increase (decrease) in cash and cash equivalents	(36,665)	289,331	6,780
Cash and cash equivalents at beginning of year	1,368,270	1,331,605	1,620,936
Cash and cash equivalents at end of year	¥1,331,605	¥1,620,936	¥1,627,716

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

	1997	1998	1999	2000	2001	2002	2003	2004
¥	89,802	¥ 12,163	¥ (327,611)	¥ 16,922	¥ 104,380	¥ (483,837)	¥ 27,867	¥ 15,876
	543,560	550,393	547,022	541,253	505,507	529,418	480,274	436,053
	—	—	—	—	—	69,210	86,095	117,561
	44,289	35,504	2,740	9,310	—	46,115	8,474	26,085
	—	—	—	—	—	—	—	—
	(61,099)	(14,667)	(22,976)	(67,179)	12,505	(182,072)	(35,526)	77,056
	—	—	—	6,426	(2,559)	35,756	15,803	(10,120)
	(24,262)	(117,998)	(3,938)	(36,215)	(17,437)	(4,035)	(54,849)	(137,925)
	—	—	—	4,784	6,876	76,867	65,828	12,893
	24,200	12,078	69,996	19,921	19,165	59,687	(14,064)	13,274
	36,498	26,886	8,777	14,811	54,414	(31,121)	16,299	22,618
	(197,337)	13,175	(2,549)	(107,685)	(72,035)	450,904	2,280	(187,545)
	162,473	(53,703)	127,802	(26,273)	(128,477)	261,229	7,994	(67,026)
	4,335	(12,847)	(1,133)	(9,931)	(38,234)	(999)	3,170	(3,075)
	994	(7,254)	(45,274)	78,728	95,855	(271,698)	96,777	145,234
	(3,428)	5,132	19,400	3,846	8,171	70,813	(71,969)	109,152
	(14,461)	(28,880)	(25,135)	15,884	26,337	(48,174)	(5,825)	27,741
	(98,271)	6,892	25,338	(41,385)	(62,858)	(69,671)	11,989	5,276
	(20,569)	(6,133)	16,420	28,233	23,823	(25,526)	5,901	3,415
	486,724	420,741	388,879	451,450	535,433	482,866	646,518	606,543
	(169,644)	49,462	153,382	(15,155)	198,610	253,236	(8,162)	10,035
	(750,066)	(690,419)	(406,685)	(365,744)	(463,585)	(429,835)	(323,825)	(289,753)
	—	—	(212,657)	(211,185)	(532,142)	(444,931)	(459,036)	(520,388)
	—	—	—	—	421,527	469,108	411,522	432,257
	49,075	32,334	26,427	133,806	70,442	59,574	142,973	122,258
	34,760	144,127	16,542	67,971	50,473	55,354	167,350	301,553
	(43,751)	(165,898)	(13,837)	(40,463)	(125,473)	(129,527)	(262,424)	(110,837)
	—	—	—	(38,096)	(36,405)	(112,506)	(152,492)	(131,576)
	9,123	(7,932)	(13,721)	33,275	45,836	6,656	(135,191)	(84,102)
	(870,503)	(638,326)	(450,549)	(435,591)	(370,717)	(272,871)	(619,285)	(270,553)
	60,490	97,057	(1,845)	43,155	(5,153)	(408,514)	(12,490)	(193,286)
	201,985	279,866	375,344	315,408	518,872	573,373	375,802	460,144
	(168,597)	(223,517)	(230,273)	(194,038)	(642,594)	(743,385)	(547,759)	(587,335)
	5,305	7,423	701	9,046	13,342	42,466	1,872	9,984
	(36,520)	(36,600)	(18,412)	(27,762)	(28,235)	(28,318)	(9,973)	(19,961)
	(10,599)	(11,838)	(11,722)	(12,033)	(15,739)	(13,401)	(13,108)	(13,714)
	—	—	—	(7,946)	—	—	—	—
	—	—	—	—	—	(333)	(1,514)	(30,464)
	—	—	—	—	—	—	—	(197)
	52,064	112,391	113,793	125,830	(159,507)	(578,112)	(207,170)	(374,435)
	13,948	(5,215)	(14,136)	(21,784)	18,962	15,888	(21,266)	(25,330)
	(317,767)	(110,409)	37,987	119,905	24,171	(352,229)	(201,203)	(63,775)
	1,627,716	1,309,949	1,199,540	1,237,527	1,357,432	1,381,603	1,029,374	828,171
	¥1,309,949	¥1,199,540	¥1,237,527	¥1,357,432	¥1,381,603	¥1,029,374	¥ 828,171	¥ 764,396

Segment Information

Years ended March 31

Main Products and Services

● Information & Telecommunication Systems

Systems Integration
Software
Disk Array Subsystems
Hard Disk Drives
Servers
Mainframes
PCs
Telecommunication Equipment

● Electronic Devices

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

● 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

Industry Segments

		Millions of yen		
		2002	2003	2004
Sales	Information & Telecommunication Systems	¥ 1,829,661	¥ 1,899,651	¥ 2,314,552
	Electronic Devices	1,487,200	1,570,069	1,312,380
	Power & Industrial Systems	2,266,895	2,297,068	2,297,913
	Digital Media & Consumer Products	1,170,744	1,205,551	1,226,955
	High Functional Materials & Components	1,250,248	1,248,550	1,297,085
	Logistics, Services & Others	1,430,825	1,449,594	1,256,266
	Financial Services	567,138	579,267	550,982
	Subtotal	10,002,711	10,249,750	10,256,133
	Eliminations & Corporate items	(2,008,927)	(2,057,998)	(1,623,683)
	Total	7,993,784	8,191,752	8,632,450
Operating income (loss)	Information & Telecommunication Systems	¥ 35,757	¥ 110,523	¥ 69,932
(note 2 on page 21)	Electronic Devices	(163,633)	(23,242)	30,424
	Power & Industrial Systems	55,004	53,253	33,933
	Digital Media & Consumer Products	(14,675)	6,204	6,951
	High Functional Materials & Components	(22,024)	18,301	46,767
	Logistics, Services & Others	3,257	10,352	533
	Financial Services	37,403	12,067	22,388
	Subtotal	(68,911)	187,458	210,928
	Eliminations & Corporate items	(48,504)	(34,491)	(26,065)
	Total	(117,415)	152,967	184,863

Others

		Millions of yen		
		2002	2003	2004
Capital investment (Property, plant and equipment)	Information & Telecommunication Systems	¥ 89,769	¥ 72,752	¥ 82,052
	Electronic Devices	114,602	91,297	39,577
	Power & Industrial Systems	74,549	70,739	71,672
	Digital Media & Consumer Products	38,677	35,135	31,947
	High Functional Materials & Components	80,232	60,676	62,425
	Logistics, Services & Others	40,125	30,828	29,251
	Financial Services	472,129	467,678	522,894
	Subtotal	910,083	829,105	839,818
	Eliminations & Corporate items	(53,804)	(41,609)	(23,271)
Total	856,279	787,496	816,547	
Depreciation (Property, plant and equipment)	Information & Telecommunication Systems	¥ 69,219	¥ 59,139	¥ 81,314
	Electronic Devices	162,146	112,786	52,013
	Power & Industrial Systems	62,944	70,175	73,503
	Digital Media & Consumer Products	44,025	40,841	37,802
	High Functional Materials & Components	81,827	73,055	66,771
	Logistics, Services & Others	36,351	28,836	25,702
	Financial Services	69,349	91,591	95,460
	Subtotal	525,861	476,423	432,565
	Eliminations & Corporate items	3,557	3,851	3,488
Total	529,418	480,274	436,053	
R&D expenditures	Information & Telecommunication Systems	¥ 136,714	¥ 121,379	¥ 169,882
	Electronic Devices	116,706	105,549	40,923
	Power & Industrial Systems	63,733	64,634	69,868
	Digital Media & Consumer Products	37,593	33,875	33,221
	High Functional Materials & Components	47,501	41,741	43,384
	Logistics, Services & Others	11,983	8,553	12,525
	Financial Services	1,218	1,423	2,022
	Total	415,448	377,154	371,825
Assets	Information & Telecommunication Systems	¥1,307,248	¥ 1,702,104	¥1,759,163
	Electronic Devices	1,246,285	1,345,835	899,821
	Power & Industrial Systems	2,060,169	2,194,445	2,191,091
	Digital Media & Consumer Products	743,515	782,420	781,386
	High Functional Materials & Components	1,349,133	1,298,973	1,185,662
	Logistics, Services & Others	1,051,712	1,016,599	1,027,699
	Financial Services	2,114,367	1,932,459	2,062,921
	Subtotal	9,872,429	10,272,835	9,907,743
	Eliminations & Corporate items	43,225	(93,446)	(317,421)
Total	9,915,654	10,179,389	9,590,322	

		2002	2003	2004
Number of employees	Information & Telecommunication Systems	69,966	86,630	91,254
	Electronic Devices	42,705	42,470	25,688
	Power & Industrial Systems	76,523	81,869	82,142
	Digital Media & Consumer Products	35,612	34,722	34,370
	High Functional Materials & Components	54,881	51,887	51,742
	Logistics, Services & Others	28,483	29,998	29,278
	Financial Services	4,500	4,448	4,490
	Others	5,071	3,745	3,605
	Corporate	3,776	3,803	3,775
	Total	321,517	339,572	326,344

Geographic Segments

		Millions of yen		
		2002	2003	2004
Sales				
Japan	Outside customer sales	¥ 6,134,554	¥ 6,290,654	¥ 6,364,411
	Intersegment transactions	892,562	1,026,916	854,532
	Total	7,027,116	7,317,570	7,218,943
Asia	Outside customer sales	607,041	651,228	993,471
	Intersegment transactions	349,337	351,006	312,153
	Total	956,378	1,002,234	1,305,624
North America	Outside customer sales	830,959	802,582	784,782
	Intersegment transactions	45,382	38,753	25,894
	Total	876,341	841,335	810,676
Europe	Outside customer sales	364,840	379,615	404,278
	Intersegment transactions	32,268	28,382	32,949
	Total	397,108	407,997	437,227
Other Areas	Outside customer sales	56,390	67,673	85,508
	Intersegment transactions	2,359	2,645	2,655
	Total	58,749	70,318	88,163
	Subtotal	9,315,692	9,639,454	9,860,633
	Eliminations & Corporate items	(1,321,908)	(1,447,702)	(1,228,183)
	Total	7,993,784	8,191,752	8,632,450
Operating income (loss) (note 2 on page 21)				
Japan		¥ (70,420)	¥ 155,684	¥ 177,102
Asia		(5,090)	18,357	33,363
North America		(21,053)	6,336	4,733
Europe		4,007	6,720	10,512
Other Areas		1,842	2,097	3,245
	Subtotal	(90,714)	189,194	228,955
	Eliminations & Corporate items	(26,701)	(36,227)	(44,092)
	Total	(117,415)	152,967	184,863

Sales by Market

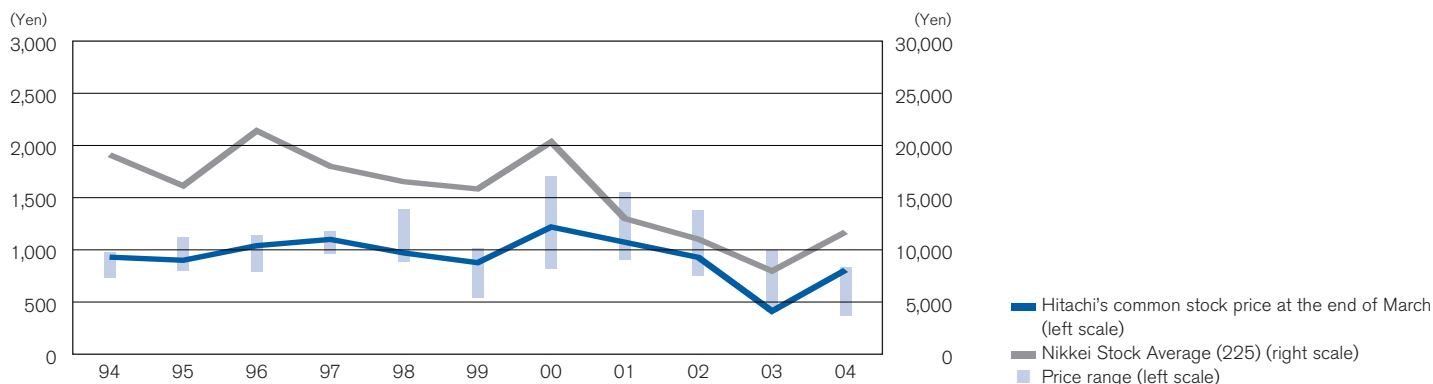
		Millions of yen		
		2002	2003	2004
Japan	Sales	¥5,444,662	¥5,546,543	¥5,654,856
	Percentage of Net Sales (%)	68	68	66
Outside Japan	Asia	896,050	1,017,439	1,212,844
	Percentage of Net Sales (%)	11	12	14
	North America	930,629	890,684	873,243
	Percentage of Net Sales (%)	12	11	10
	Europe	513,310	537,029	655,824
	Percentage of Net Sales (%)	6	7	7
	Other Areas	209,133	200,057	235,683
	Percentage of Net Sales (%)	3	2	3
	Subtotal	2,549,122	2,645,209	2,977,594
	Percentage of Net Sales (%)	32	32	34
	Total	7,993,784	8,191,752	8,632,450

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.

Stock Information

Common Stock Price Movement (Tokyo Stock Exchange)



Price Range of Hitachi Common Stock (Tokyo Stock Exchange)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Price range High	¥ 979	¥ 1,120	¥ 1,140	¥ 1,180	¥ 1,390	¥ 1,015	¥ 1,709	¥ 1,549	¥ 1,380	¥ 997	¥ 835
Price range Low	729	799	781	961	877	532	814	899	745	398	366
Price at the end of March	930	900	1,040	1,100	970	877	1,219	1,073	928	413	807
Nikkei Stock Average (225)	19,111	16,139	21,406	18,003	16,527	15,836	20,337	12,999	11,024	7,972	11,715

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Number of shares on which diluted net income per share is calculated (thousand)	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	3,303,759
Common stock of Hitachi, Ltd. at March 31 (thousand)	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	3,368,125
Net income (loss) per share (Diluted) (¥)	19.27	33.02	40.48	25.97	3.58	(98.15)	4.99	30.32	(144.95)	8.19	4.75
Price/Earnings ratio (Times)	48.3	27.3	25.7	42.4	270.9	—	244.3	35.4	—	50.4	170.0
Free cash flows per share (¥)	—	—	(55.88)	(108.18)	(64.63)	(18.48)	4.71	46.47	62.91	8.13	101.70
Price/Free cash flow ratio (Times)	—	—	—	—	—	—	258.76	23.09	14.75	50.83	7.94
Stockholders' equity per share (¥)	901.71	922.73	1,068.00	1,054.26	1,012.77	900.57	895.08	857.27	690.28	550.76	657.42
Price/Book value ratio (Times)	1.03	0.98	0.97	1.04	0.96	0.97	1.36	1.25	1.34	0.75	1.23
Cash dividends declared per share (¥)	11.00	11.00	11.00	11.00	11.00	5.50	6.00	11.00	3.00	6.00	8.00

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
5/16/1989	CB #7	¥250,000 million	1.4	¥1,694.30	9/30/2004

Major Stockholders

As of March 31, 2004

	Numbers of Shares Held	Percentage of Shares Held
The Master Trust Bank of Japan, Ltd.	227,450,000	6.75%
Japan Trustee Services Bank, Ltd.	204,563,000	6.07%
NATS CUMCO	201,992,080	6.00%
The Chase Manhattan Bank, N.A. London	176,356,854	5.24%
Nippon Life Insurance Company	105,208,960	3.12%
Morgan Grenfell and Co. Limited	95,498,000	2.84%
Hitachi Employees' Shareholding Association	89,289,952	2.65%
State Street Bank and Trust Company	88,181,714	2.62%
The Dai-ichi Mutual Life Insurance Company	80,630,222	2.39%
Hitachi, Ltd.	70,109,973	2.08%

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, 2004

Foreign Investors	34.66%
Financial Institutions and Securities Firms	30.62%
Individuals	29.79%
Others	4.92%
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

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

4-2, Marunouchi, 1-chome, Chiyoda-ku, Tokyo, 100-0005, Japan

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@shareholders-online.com
URL: www.citigroup.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, 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 Consolidated Subsidiaries	Japan	545
	Overseas	411
Number of Employees	326,344	
Common Stock	Issued	3,368,124,876 shares
Number of Shareholders	410,937	
URL	http://www.hitachi.com	

For further information, please contact:

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