

Financial Highlights **2005**

Year ended March 31, 2005

HITACHI
Inspire the Next



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. In accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," 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.
5. 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.
6. 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.
7. 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.
8. On April 1, 2000, the Company adopted SFAS No. 87, "Employers' Accounting for Pensions."
9. 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 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 special termination benefits 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 Operations	14
Consolidated Statements of Cash Flows	16
Segment Information	18
Stock Information	22
Corporate Data	24

Eleven-Year Summary

Years ended March 31

	1995	1996	1997
For the year:			
Revenues	¥7,592,266	¥8,123,810	¥8,523,100
Japan	5,768,963	6,020,922	6,070,552
Other areas	1,823,303	2,102,888	2,452,548
Cost of sales	5,393,757	5,828,887	6,250,895
Selling, general and administrative expenses	1,893,919	1,962,341	1,975,039
Operating income (loss) (note 2)	304,590	332,582	297,166
Income (loss) before income taxes, minority interests and cumulative effect of accounting change	283,643	349,992	264,795
Net income (loss)	113,912	143,135	89,802
Capital investment (Property, plant and equipment)	655,410	723,477	740,135
Depreciation (Property, plant and equipment)	521,435	556,671	543,560
R&D expenditure	491,481	493,788	503,508
Per share data:			
Net income (loss) Basic	¥ 34.66	¥ 43.00	¥ 26.95
Diluted	33.02	40.48	25.97
Cash dividends declared	11.00	11.00	11.00
Stockholders' equity	922.73	1,068.00	1,054.26

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 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 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 special termination benefits 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:

	1995	1996	1997
Restructuring charges, impairment losses and special termination benefits . . .	¥(31,989)	¥(13,456)	¥(44,289)
Net gain or loss on sale and disposal of rental assets and other property	5,347	(9,671)	(15,620)
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"	—	—	—

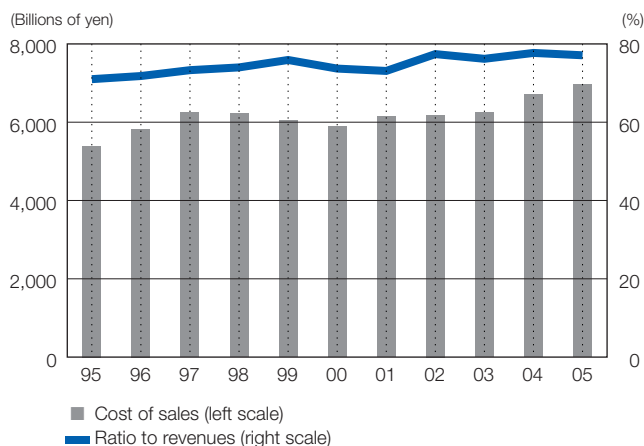
							Millions of yen
1998	1999	2000	2001	2002	2003	2004	2005
¥8,416,834	¥7,977,374	¥8,001,203	¥8,416,982	¥7,993,784	¥8,191,752	¥8,632,450	¥9,027,043
5,805,111	5,533,554	5,657,571	5,791,300	5,444,662	5,546,543	5,654,856	5,749,603
2,611,723	2,443,820	2,343,632	2,625,682	2,549,122	2,645,209	2,977,594	3,277,440
6,230,044	6,052,345	5,898,756	6,155,023	6,184,396	6,240,493	6,710,154	6,961,270
1,977,783	1,959,103	1,928,083	1,919,647	1,926,803	1,798,292	1,737,433	1,786,718
209,007	(34,074)	174,364	342,312	(117,415)	152,967	184,863	279,055
173,458	(221,174)	79,235	323,655	(586,072)	96,828	237,149	264,506
12,163	(327,611)	16,922	104,380	(483,837)	27,867	15,876	51,496
712,672	585,718	574,642	971,095	856,279	787,496	816,547	959,593
550,393	547,022	541,253	505,507	529,418	480,274	436,053	425,080
510,878	496,728	432,342	435,579	415,448	377,154	371,825	388,634
							Yen
¥ 3.64	¥ (98.15)	¥ 5.07	¥ 31.27	¥(144.95)	¥ 8.31	¥ 4.81	¥ 15.53
3.58	(98.15)	4.99	30.32	(144.95)	8.19	4.75	15.15
11.00	5.50	6.00	11.00	3.00	6.00	8.00	11.00
1,012.77	900.57	895.08	857.27	690.28	550.76	657.42	692.73

							Millions of yen
1998	1999	2000	2001	2002	2003	2004	2005
¥(90,791)	¥(132,505)	¥(65,977)	¥(8,814)	¥(334,211)	¥ (8,474)	¥(54,698)	¥(60,104)
(10,514)	(12,656)	(6,842)	(7,776)	(6,477)	23,658	1,715	(9,545)
—	—	—	—	—	(24,857)	—	—

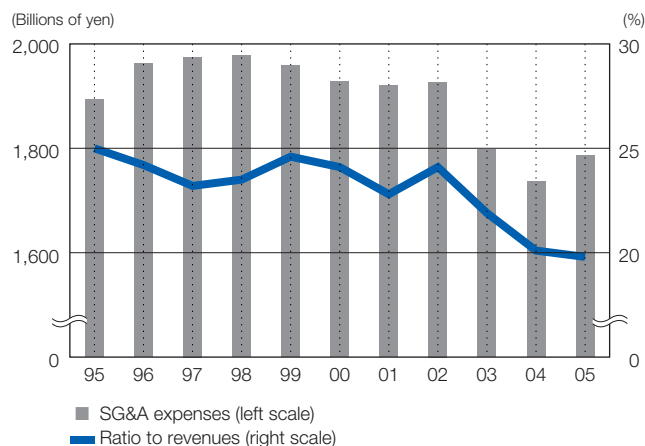
Analysis of Operating Results

Years ended March 31

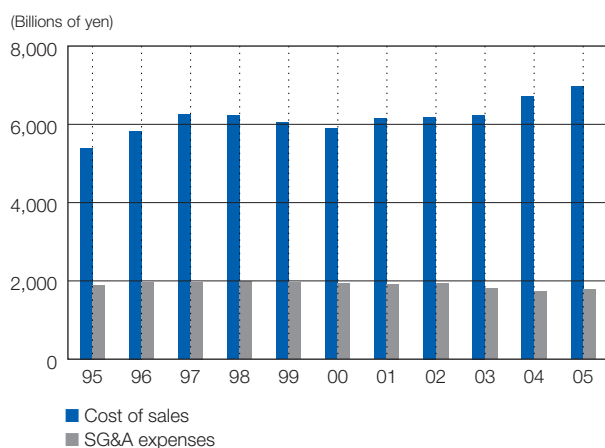
Cost of sales and ratio to revenues (note 2)



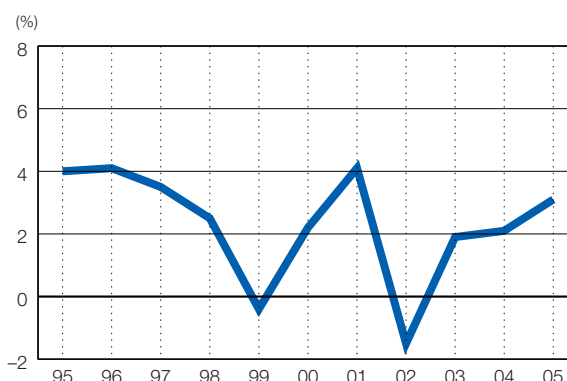
SG&A expenses and ratio to revenues (note 2)



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



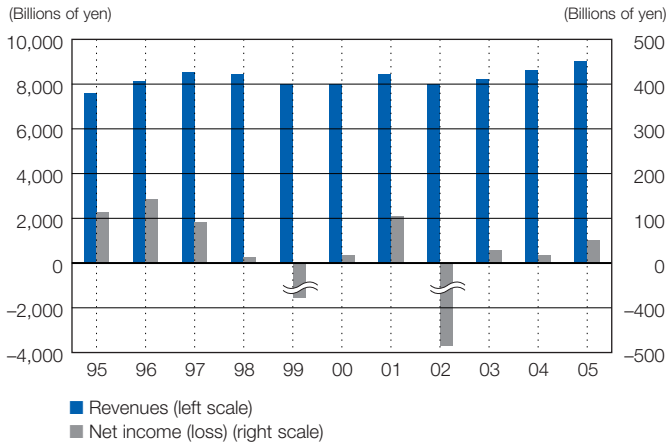
Operating income (loss) to revenues (note 2)



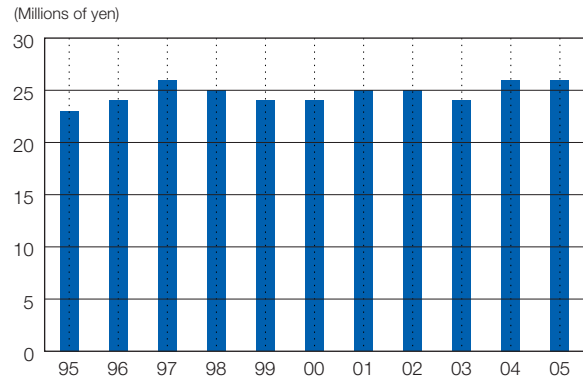
	1995	1996	1997
Revenues	¥7,592	¥8,124	¥8,523
Cost of sales	5,394	5,829	6,251
Ratio to revenues (%)	71.0%	71.8%	73.3%
Selling, general and administrative expenses (note 2)	1,894	1,962	1,975
Ratio to revenues (%)	24.9%	24.2%	23.2%
Operating income (loss) (note 2)	305	333	297
Ratio to revenues (%)	4.0%	4.1%	3.5%
Net income (loss)	114	143	90
R&D expenditure	491	494	504
Ratio to revenues (%)	6.5%	6.1%	5.9%
Revenues per employee (Millions of yen)	23	24	26

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

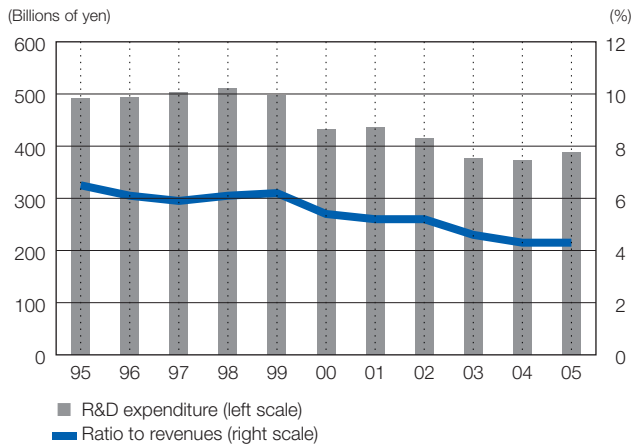
Revenues and net income (loss)



Revenues per employee



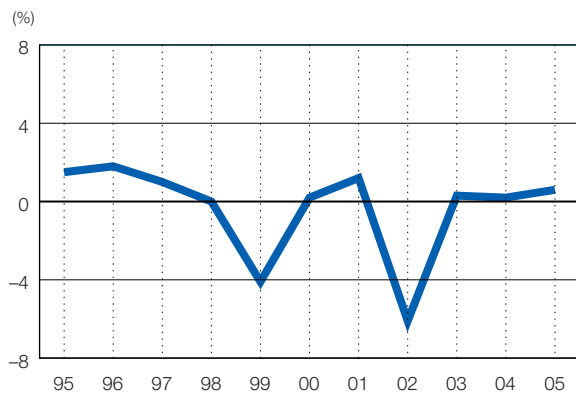
R&D expenditure and ratio to revenues



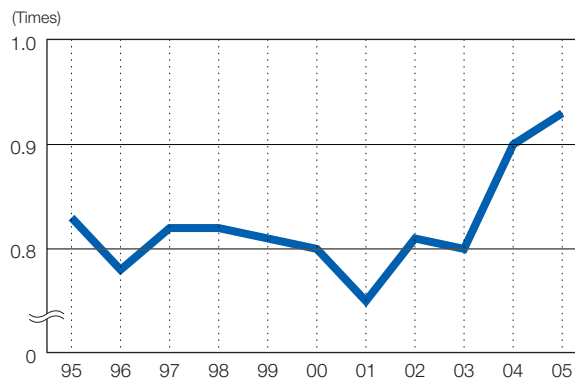
Billions of yen

1998	1999	2000	2001	2002	2003	2004	2005
¥8,417	¥7,977	¥8,001	¥8,417	¥7,994	¥8,192	¥8,632	¥9,027
6,230	6,052	5,899	6,155	6,184	6,240	6,710	6,961
74.0%	75.9%	73.7%	73.1%	77.4%	76.2%	77.7%	77.1%
1,978	1,959	1,928	1,920	1,927	1,798	1,737	1,787
23.5%	24.6%	24.1%	22.8%	24.1%	22.0%	20.1%	19.8%
209	(34)	174	342	(117)	153	185	279
2.5%	(0.4)%	2.2%	4.1%	(1.5)%	1.9%	2.1%	3.1%
12	(328)	17	104	(484)	28	16	51
511	497	432	436	415	377	372	389
6.1%	6.2%	5.4%	5.2%	5.2%	4.6%	4.3%	4.3%
25	24	24	25	25	24	26	26

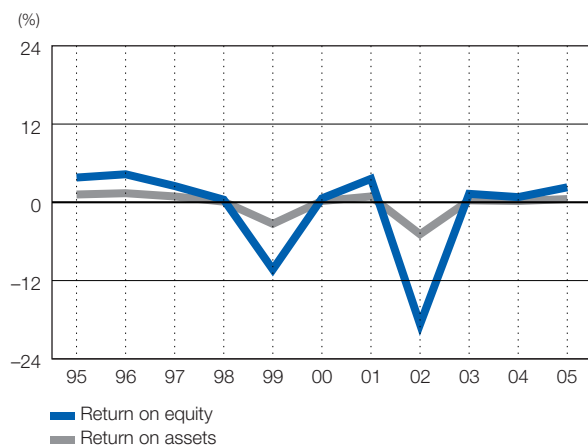
Return on revenues



Asset turnover



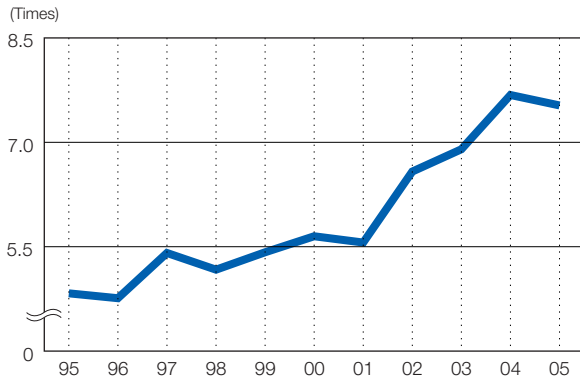
Return on equity and return on assets



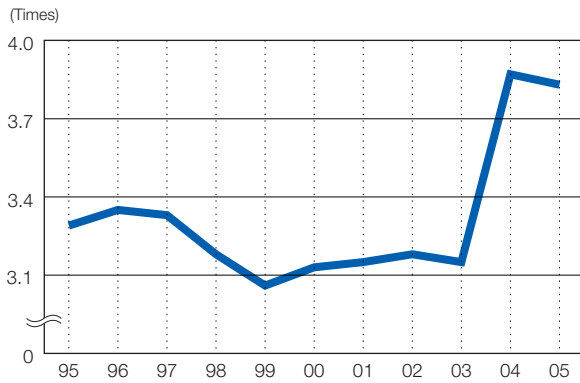
	1995	1996	1997
Return on revenues (%)	1.5%	1.8%	1.1%
Return on equity (%)	3.8%	4.3%	2.5%
Return on assets (%)	1.2%	1.4%	0.9%
Asset turnover (Times)	0.83	0.78	0.82
Inventory turnover (Times)	4.83	4.76	5.41
Fixed assets	2,311	2,422	2,559
Fixed assets turnover (Times)	3.29	3.35	3.33

- Notes: 1. Return on revenues = Net income (loss) / Revenues
 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 = Revenues / Total assets as of March 31
 5. Inventory turnover = Revenues / 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



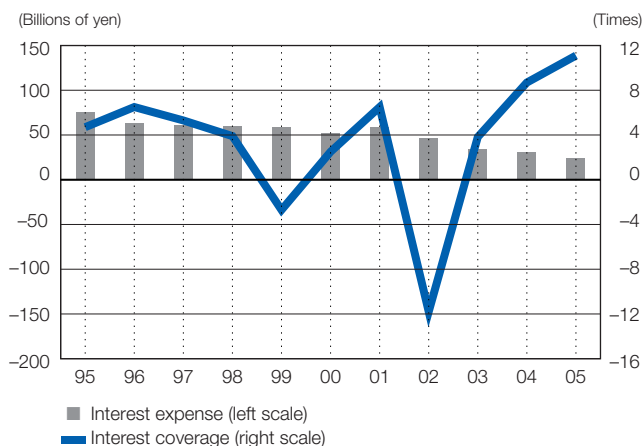
Fixed assets turnover



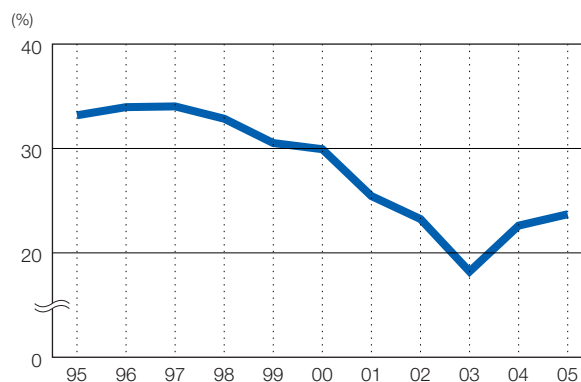
Billions of yen

1998	1999	2000	2001	2002	2003	2004	2005
0.1%	(4.1)%	0.2%	1.2%	(6.1)%	0.3%	0.2%	0.6%
0.4%	(10.3)%	0.6%	3.6%	(18.7)%	1.3%	0.8%	2.3%
0.1%	(3.3)%	0.2%	0.9%	(4.9)%	0.3%	0.2%	0.5%
0.82	0.81	0.80	0.75	0.81	0.80	0.90	0.93
5.17	5.42	5.65	5.56	6.58	6.90	7.68	7.53
2,646	2,608	2,555	2,675	2,514	2,601	2,233	2,358
3.18	3.06	3.13	3.15	3.18	3.15	3.87	3.83

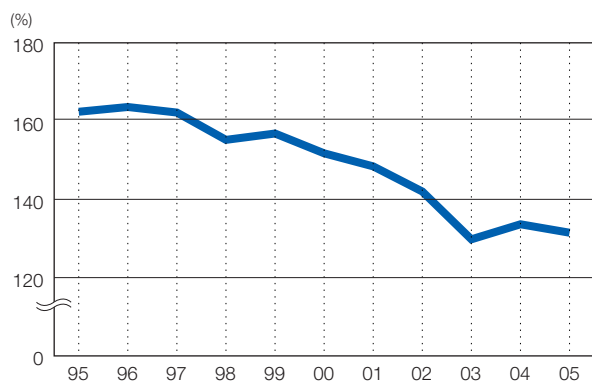
Interest expense and interest coverage



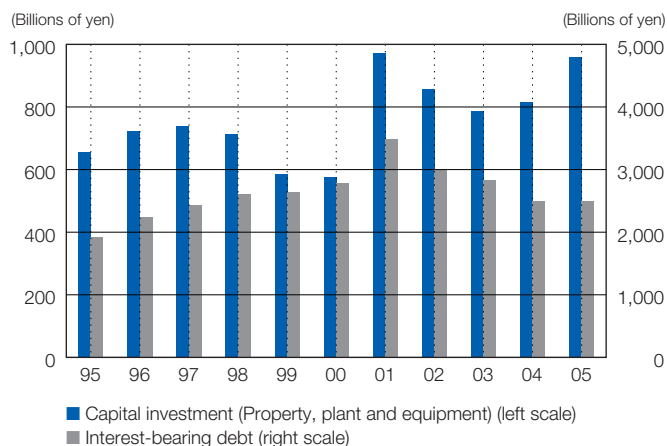
Stockholders' equity ratio



Current ratio



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

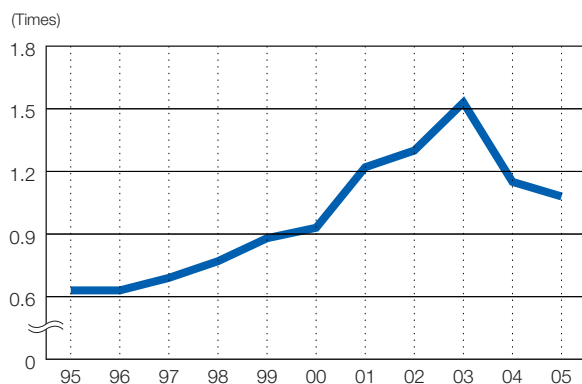


	1995	1996	1997
Interest expense	¥ 75	¥ 63	¥ 61
Interest coverage (Times)	4.78	6.52	5.36
Current assets	5,976	6,550	6,420
Current liabilities	3,690	4,017	3,969
Current ratio (%)	161.95%	163.05%	161.74%
Short-term debt	907	1,033	1,181
Long-term debt	1,012	1,203	1,245
Interest-bearing debt	1,919	2,237	2,426
Stockholders' equity	3,033	3,556	3,519
Total assets	9,142	10,471	10,341
Debt / Equity ratio (Times)	0.63	0.63	0.69
Stockholders' equity ratio (%)	33.18%	33.96%	34.03%
Capital investment (Property, plant and equipment)	655	723	740
Depreciation (Property, plant and equipment)	521	557	544
Free cash flows	285	(199)	(384)

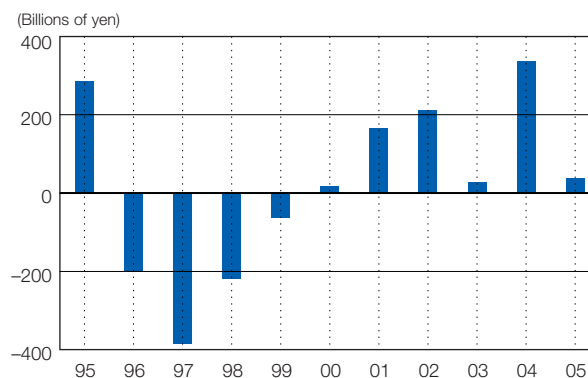
Notes: 1. Interest coverage = $\frac{\text{Income (loss) before income taxes and minority interests} + \text{Interest expense}}{\text{Interest expense}}$

- "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.

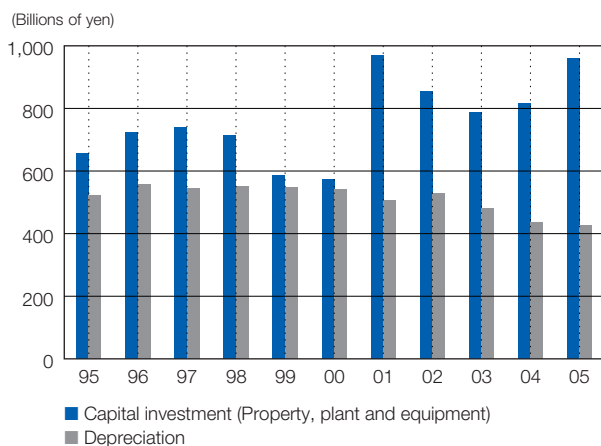
Debt / Equity ratio



Free cash flows



Capital investment and depreciation (Property, plant and equipment)



Billions of yen

	1998	1999	2000	2001	2002	2003	2004	2005
Capital investment (Property, plant and equipment)	¥ 60	¥ 59	¥ 52	¥ 59	¥ 46	¥ 34	¥ 31	¥ 29
Depreciation	3.91	(2.75)	2.52	6.51	(11.79)	3.82	8.69	10.1
Total	6,283	5,908	5,966	6,845	5,508	5,193	5,220	5,339
Operating cash flows	4,060	3,778	3,940	4,623	3,885	4,005	3,911	4,065
Free cash flows	154.77%	156.39%	151.42%	148.06%	141.75%	129.67%	133.47%	131.35%
Capital investment	1,317	1,160	1,306	1,612	1,200	1,328	1,183	1,183
Depreciation	1,288	1,478	1,483	1,881	1,798	1,512	1,314	1,319
Operating cash flows	2,605	2,638	2,788	3,493	2,998	2,841	2,498	2,503
Free cash flows	3,381	3,006	2,988	2,862	2,304	1,853	2,168	2,308
Total	10,292	9,848	9,983	11,247	9,916	10,179	9,590	9,736
Debt/Equity ratio	0.77	0.88	0.93	1.22	1.30	1.53	1.15	1.08
Current ratio	32.85%	30.52%	29.93%	25.44%	23.24%	18.21%	22.61%	23.70%
Stockholders' equity ratio	713	586	575	971	856	787	817	960
Operating cash flows	550	547	541	506	529	480	436	425
Free cash flows	(218)	(62)	16	165	210	27	336	38

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

	1995	1996	1997
Assets:			
Cash and cash equivalents	¥1,620,936	¥ 1,627,716	¥ 1,309,949
Short-term investments	582,785	711,857	847,854
Trade receivables:			
Notes	402,024	462,685	411,459
Accounts	1,440,006	1,662,631	1,876,678
Inventories	1,572,259	1,707,159	1,576,751
Prepaid expenses and other current assets	357,922	377,839	396,931
Investment in leases	—	—	—
Noncurrent receivables and restricted funds	180,464	161,795	188,473
Investments and advances, including affiliated companies	436,603	1,146,508	932,015
Property, plant and equipment:			
Land	317,604	334,488	345,322
Buildings	1,434,417	1,514,113	1,635,937
Machinery and equipment	4,246,645	4,538,128	4,817,314
Construction in progress	51,599	90,481	117,290
	6,050,265	6,477,210	6,915,863
Less accumulated depreciation	3,739,284	4,055,425	4,356,366
Net property, plant and equipment	2,310,981	2,421,785	2,559,497
Other assets	237,638	190,815	241,615
	¥9,141,618	¥10,470,790	¥10,341,222

See notes on inside cover.

Millions of yen

1998	1999	2000	2001	2002	2003	2004	2005
¥ 1,199,540	¥1,237,527	¥1,357,432	¥ 1,381,603	¥1,029,374	¥ 828,171	¥ 764,396	¥ 708,715
771,147	605,679	632,434	433,650	178,933	186,972	177,949	146,568
369,838	307,354	295,526	307,635	204,855	153,587	142,802	132,572
1,897,410	1,878,272	1,908,692	2,191,698	1,895,150	1,903,640	2,043,727	2,065,194
1,626,684	1,470,847	1,416,878	1,514,163	1,214,399	1,187,529	1,123,406	1,198,955
418,742	408,577	354,581	391,963	457,392	496,490	515,909	560,072
—	—	—	623,789	527,432	437,076	451,753	526,759
195,546	176,403	160,583	163,003	—	—	—	—
861,126	823,136	817,436	885,669	834,907	726,442	908,962	894,851
363,771	369,701	380,076	386,785	383,781	445,283	419,846	436,308
1,703,708	1,730,333	1,731,561	1,801,731	1,748,509	1,838,853	1,690,096	1,740,057
5,074,698	5,116,062	4,887,088	5,622,410	5,510,651	5,709,409	4,899,239	5,222,157
99,755	54,453	71,184	95,663	97,790	67,909	49,011	57,291
7,241,932	7,270,549	7,069,909	7,906,589	7,740,731	8,061,454	7,058,192	7,455,813
4,595,800	4,662,942	4,515,160	5,231,632	5,226,307	5,460,404	4,825,330	5,097,882
2,646,132	2,607,607	2,554,749	2,674,957	2,514,424	2,601,050	2,232,862	2,357,931
305,727	332,340	485,050	678,478	1,058,788	1,658,432	1,228,556	1,144,630
¥10,291,892	¥9,847,742	¥9,983,361	¥11,246,608	¥9,915,654	¥10,179,389	¥9,590,322	¥9,736,247

	1995	1996	1997
Liabilities and Stockholders' Equity:			
Short-term debt	¥ 823,402	¥ 882,605	¥ 994,469
Current portion of long-term debt	83,848	150,746	187,022
Trade payables:			
Notes	212,007	212,789	140,067
Accounts	710,397	823,280	945,450
Accrued expenses	674,653	734,036	732,070
Income taxes	106,793	130,974	118,685
Advances received	578,137	500,889	411,752
Other current liabilities	500,637	581,829	439,489
Long-term debt	1,011,996	1,203,353	1,244,612
Retirement and severance benefits	648,493	659,510	671,794
Other liabilities	82,651	301,581	168,071
Total liabilities	5,433,014	6,181,592	6,053,481
Minority interests	675,227	733,663	768,836
Stockholders' equity:			
Common stock	276,041	278,178	281,684
Capital surplus	445,260	480,718	486,695
Legal reserve	89,955	95,377	101,146
Retained earnings	2,303,612	2,439,015	2,483,489
Accumulated other comprehensive income (loss)	(81,491)	262,247	165,891
Treasury stock, at cost	—	—	—
Total stockholders' equity	3,033,377	3,555,535	3,518,905
	¥9,141,618	¥10,470,790	¥10,341,222

See notes on inside cover.

Millions of yen

1998	1999	2000	2001	2002	2003	2004	2005
¥ 1,103,217	¥1,045,543	¥1,046,571	¥ 1,199,209	¥ 833,838	¥ 825,860	¥ 623,816	¥ 676,611
214,064	114,268	259,099	412,646	366,083	502,586	559,647	506,863
132,159	97,863	98,058	138,161	92,799	71,934	67,581	62,855
944,112	907,641	974,721	1,160,789	991,037	1,140,130	1,220,033	1,246,401
728,741	694,399	706,647	786,813	882,148	799,211	797,935	843,022
89,715	63,241	76,969	106,727	60,518	54,091	78,438	61,789
395,674	418,360	382,085	385,741	334,172	252,861	216,544	247,586
452,007	436,653	395,686	432,571	324,670	358,555	347,060	419,419
1,287,532	1,478,168	1,482,810	1,881,270	1,798,303	1,512,152	1,314,102	1,319,032
682,871	723,028	699,385	982,332	1,049,054	1,932,646	1,273,509	1,033,005
93,050	86,101	81,718	73,689	80,064	124,573	124,710	90,781
6,123,142	6,065,265	6,203,749	7,559,948	6,812,686	7,574,599	6,623,375	6,507,364
788,239	776,462	791,925	825,158	798,744	751,578	798,816	921,052
281,735	281,735	281,738	281,754	282,032	282,032	282,032	282,033
492,272	494,782	499,081	501,243	527,010	562,214	551,690	565,360
104,370	105,905	106,885	109,815	110,751	111,309	109,163	110,214
2,451,037	2,100,392	2,082,541	2,157,136	1,643,248	1,655,029	1,651,272	1,668,984
51,097	23,201	17,442	(188,446)	(258,484)	(755,525)	(393,864)	(301,524)
—	—	—	—	(333)	(1,847)	(32,162)	(17,236)
3,380,511	3,006,015	2,987,687	2,861,502	2,304,224	1,853,212	2,168,131	2,307,831
¥10,291,892	¥9,847,742	¥9,983,361	¥11,246,608	¥9,915,654	¥10,179,389	¥9,590,322	¥9,736,247

Consolidated Statements of Operations

Years ended March 31

	1995	1996	1997
Revenues:			
Revenues	¥7,592,266	¥8,123,810	¥8,523,100
Interest income	74,550	51,126	37,632
Dividends received	8,003	7,482	8,113
Other income	13,319	53,720	43,557
Total revenues	7,688,138	8,236,138	8,612,402
Costs and expenses:			
Cost of sales	5,393,757	5,828,887	6,250,895
Selling, general and administrative expenses	1,893,919	1,962,341	1,975,039
Interest charges	74,998	63,375	60,669
Other deductions	41,821	31,543	61,004
Total costs and expenses	7,404,495	7,886,146	8,347,607
Income (loss) before income taxes, minority interests	283,643	349,992	264,795
Income taxes	153,443	165,764	138,495
Income (loss) before minority interests	130,200	184,228	126,300
Minority interests	16,288	41,093	36,498
Net income (loss)	¥ 113,912	¥ 143,135	¥ 89,802

See notes on inside cover.

Millions of yen

	1998	1999	2000	2001	2002	2003	2004	2005
	¥8,416,834	¥7,977,374	¥8,001,203	¥8,416,982	¥7,993,784	¥8,191,752	¥8,632,450	¥9,027,043
	41,084	40,178	35,380	32,428	22,481	14,158	12,808	13,413
	8,881	7,060	6,662	9,641	6,134	8,921	6,352	5,971
	112,255	1,144	30,059	27,544	7,424	23,658	142,010	67,024
	8,579,054	8,025,756	8,073,304	8,486,595	8,029,823	8,238,489	8,793,620	9,113,451
	6,230,044	6,052,345	5,898,756	6,155,023	6,184,396	6,240,493	6,710,154	6,961,270
	1,977,783	1,959,103	1,928,083	1,919,647	1,926,803	1,798,292	1,737,433	1,786,718
	59,635	59,028	52,015	58,759	45,830	34,338	30,855	29,057
	138,134	176,454	115,215	29,511	458,866	68,538	78,029	71,900
	8,405,596	8,246,930	7,994,069	8,162,940	8,615,895	8,141,661	8,556,471	8,848,945
	173,458	(221,174)	79,235	323,655	(586,072)	96,828	237,149	264,506
	134,409	97,660	47,502	164,861	(71,114)	52,662	198,655	149,990
	39,049	(318,834)	31,733	158,794	(514,958)	44,166	38,494	114,516
	26,886	8,777	14,811	54,414	(31,121)	16,299	22,618	63,020
	¥ 12,163	¥ (327,611)	¥ 16,922	¥ 104,380	¥ (483,837)	¥ 27,867	¥ 15,876	¥ 51,496

Consolidated Statements of Cash Flows

Years ended March 31

	1995	1996	1997
Cash flows from operating activities:			
Net income (loss)	¥ 113,912	¥ 143,135	¥ 89,802
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	521,435	556,671	543,560
Amortization	—	—	—
Impairment losses for long-lived assets	—	—	44,289
Deferred income taxes	(16,488)	(30,154)	(61,099)
Equity in (earnings) losses of affiliated companies, net	—	—	—
Gain on sale of investments and subsidiaries' common stock	(5,879)	(40,746)	(24,262)
Impairment of investments in securities	—	—	—
Loss (gain) on disposal of rental assets and other property	—	—	24,200
Income (loss) applicable to minority interests	16,288	41,093	36,498
(Increase) decrease in receivables	(50,604)	(295,990)	(197,337)
(Increase) decrease in inventories	(67,092)	(102,694)	162,473
(Increase) decrease in prepaid expenses and other current assets	(12,029)	(15,145)	4,335
Increase (decrease) in payables	41,581	104,944	994
Increase (decrease) in accrued expenses and retirement and severance benefits	37,272	57,730	(3,428)
Increase (decrease) in accrued income taxes	23,307	21,141	(14,461)
Increase (decrease) in other liabilities	(1,618)	25,620	(98,271)
Net change in inventory-related receivables from financial services	—	—	—
Other	20,668	7,828	(20,569)
Net cash provided by operating activities (note 2)	620,753	473,433	486,724
Cash flows from investing activities:			
(Increase) decrease in short-term investments	225,843	(8,216)	(169,644)
Capital expenditures	(651,577)	(717,085)	(750,066)
Purchase of assets to be leased (note 1)	—	—	—
Collection of investments in leases (note 1)	—	—	—
Proceeds from disposal of rental assets and other property	93,230	61,925	49,075
Proceeds from sale of investments and subsidiaries' common stock	12,801	33,665	34,760
Purchase of investments and subsidiaries' common stock	(15,518)	(38,914)	(43,751)
Purchase of software	—	—	—
Other	(502)	(4,201)	9,123
Net cash used in investing activities (note 2)	(335,723)	(672,826)	(870,503)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	52,132	17,964	60,490
Proceeds from long-term debt	130,490	332,559	201,985
Payments on long-term debt	(126,321)	(118,716)	(168,597)
Proceeds (payments) on subsidiaries' common stock, net	1,138	3,460	5,305
Dividends paid to stockholders	(36,005)	(36,337)	(36,520)
Dividends paid to minority stockholders of subsidiaries	(9,746)	(9,805)	(10,599)
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	11,688	189,125	52,064
Effect of exchange rate changes on cash and cash equivalents	(7,387)	17,048	13,948
Net increase (decrease) in cash and cash equivalents	289,331	6,780	(317,767)
Cash and cash equivalents at beginning of year	1,331,605	1,620,936	1,627,716
Cash and cash equivalents at end of year	¥1,620,936	¥1,627,716	¥1,309,949

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. Cash flows from financing services related to products that the Company and its subsidiaries manufactured under lease agreement were classified "Cash flows from investing activities" in prior years. The Company has reclassified cash flows from such transactions as "Cash flows from operating activities." The reclassification has also been made to the presentation of the years ended March 31, 2004 and 2003, respectively.
3. See notes on inside cover.

Millions of yen

	1998	1999	2000	2001	2002	2003	2004	2005
¥	12,163	¥ (327,611)	¥ 16,922	¥ 104,380	¥ (483,837)	¥ 27,867	¥ 15,876	¥ 51,496
	550,393	547,022	541,253	505,507	529,418	480,274	436,053	425,080
	—	—	—	—	69,210	86,095	117,561	132,370
	35,504	2,740	9,310	—	46,115	8,474	26,085	26,797
	(14,667)	(22,976)	(67,179)	12,505	(182,072)	(35,526)	77,056	45,310
	—	—	6,426	(2,559)	35,756	15,803	(10,120)	162
	(117,998)	(3,938)	(36,215)	(17,437)	(4,035)	(54,849)	(137,925)	(54,741)
	—	—	4,784	6,876	76,867	65,828	12,893	9,665
	12,078	69,996	19,921	19,165	59,687	(14,064)	13,274	15,202
	26,886	8,777	14,811	54,414	(31,121)	16,299	22,618	63,020
	13,175	(2,549)	(107,685)	(72,035)	450,904	2,280	(187,545)	103,246
	(53,703)	127,802	(26,273)	(128,477)	261,229	7,994	(67,026)	(95,191)
	(12,847)	(1,133)	(9,931)	(38,234)	(999)	3,170	(3,075)	(29,973)
	(7,254)	(45,274)	78,728	95,855	(271,698)	96,777	145,234	(53,785)
	5,132	19,400	3,846	8,171	70,813	(71,969)	109,152	(26,823)
	(28,880)	(25,135)	15,884	26,337	(48,174)	(5,825)	27,741	(18,861)
	6,892	25,338	(41,385)	(62,858)	(69,671)	11,989	5,276	(408)
	—	—	—	—	—	11,041	(3,140)	(22,036)
	(6,133)	16,420	28,233	23,823	(25,526)	5,901	3,415	(5,174)
	420,741	388,879	451,450	535,433	482,866	657,559	603,403	565,356
	49,462	153,382	(15,155)	198,610	253,236	(8,162)	10,035	47,179
	(690,419)	(406,685)	(365,744)	(463,585)	(429,835)	(323,825)	(289,753)	(368,896)
	—	(212,657)	(211,185)	(532,142)	(444,931)	(381,326)	(439,047)	(483,192)
	—	—	—	421,527	469,108	307,392	340,376	301,614
	32,334	26,427	133,806	70,442	59,574	142,973	122,258	90,726
	144,127	16,542	67,971	50,473	55,354	167,350	301,553	112,932
	(165,898)	(13,837)	(40,463)	(125,473)	(129,527)	(262,424)	(110,837)	(61,711)
	—	—	(38,096)	(36,405)	(112,506)	(137,113)	(117,896)	(121,415)
	(7,932)	(13,721)	33,275	45,836	6,656	(135,191)	(84,102)	(44,225)
	(638,326)	(450,549)	(435,591)	(370,717)	(272,871)	(630,326)	(267,413)	(526,988)
	97,057	(1,845)	43,155	(5,153)	(408,514)	(12,490)	(193,286)	27,029
	279,866	375,344	315,408	518,872	573,373	375,802	460,144	533,442
	(223,517)	(230,273)	(194,038)	(642,594)	(743,385)	(547,759)	(587,335)	(599,637)
	7,423	701	9,046	13,342	42,466	1,872	9,984	(8,431)
	(36,600)	(18,412)	(27,762)	(28,235)	(28,318)	(9,973)	(19,961)	(34,815)
	(11,838)	(11,722)	(12,033)	(15,739)	(13,401)	(13,108)	(13,714)	(16,671)
	—	—	(7,946)	—	—	—	—	—
	—	—	—	—	(333)	(1,514)	(30,464)	(1,177)
	—	—	—	—	—	—	197	831
	112,391	113,793	125,830	(159,507)	(578,112)	(207,170)	(374,435)	(99,429)
	(5,215)	(14,136)	(21,784)	18,962	15,888	(21,266)	(25,330)	5,380
	(110,409)	37,987	119,905	24,171	(352,229)	(201,203)	(63,775)	(55,681)
	1,309,949	1,199,540	1,237,527	1,357,432	1,381,603	1,029,374	828,171	764,396
	¥1,199,540	¥1,237,527	¥1,357,432	¥1,381,603	¥1,029,374	¥ 828,171	¥ 764,396	¥708,715

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

Automotive Products

Construction Machinery

Elevators

Escalators

Rail Vehicles

Air-Conditioning Equipment

● 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

Semiconductor-related Materials

Printed Wiring Boards and

Related Products

Organic and Inorganic Chemical

Products

Plastic Molded Products

LCD-related Materials

Specialty Steels

Magnetic Materials

Ductile Cast-Iron Products

Forged and Cast-Steel Products

● Logistics, Services & Others

General Trading

Transportation

Property Management

● Financial Services

Loan Guarantees

Leasing

Insurance Services

Industry Segments

		Millions of yen		
		2003	2004	2005
Revenues	Information & Telecommunication Systems	¥ 1,899,651	¥ 2,314,552	¥ 2,268,386
	Electronic Devices	1,570,069	1,312,380	1,320,177
	Power & Industrial Systems	2,297,068	2,297,913	2,515,366
	Digital Media & Consumer Products	1,205,551	1,226,955	1,280,302
	High Functional Materials & Components	1,248,550	1,297,085	1,504,312
	Logistics, Services & Others	1,449,594	1,256,266	1,248,296
	Financial Services	579,267	550,982	529,695
	Subtotal	10,249,750	10,256,133	10,666,534
	Eliminations & Corporate items	(2,057,998)	(1,623,683)	(1,639,491)
	Total	8,191,752	8,632,450	9,027,043
Operating income (loss)	Information & Telecommunication Systems	¥ 110,523	¥ 69,932	¥ 67,761
(note 2 on page 21)	Electronic Devices	(23,242)	30,424	37,017
	Power & Industrial Systems	53,253	33,933	73,661
	Digital Media & Consumer Products	6,204	6,951	8,694
	High Functional Materials & Components	18,301	46,767	87,514
	Logistics, Services & Others	10,352	533	9,808
	Financial Services	12,067	22,388	31,073
	Subtotal	187,458	210,928	315,528
	Eliminations & Corporate items	(34,491)	(26,065)	(36,473)
	Total	152,967	184,863	279,055

Others

		Millions of yen		
		2003	2004	2005
Capital investment (Property, plant and equipment)	Information & Telecommunication Systems	¥ 72,752	¥ 82,052	¥ 103,023
	Electronic Devices	91,297	39,577	47,039
	Power & Industrial Systems	70,739	71,672	98,348
	Digital Media & Consumer Products	35,135	31,947	38,426
	High Functional Materials & Components	60,676	62,425	75,535
	Logistics, Services & Others	30,828	29,251	31,160
	Financial Services	467,678	522,894	591,330
	Subtotal	829,105	839,818	984,861
	Eliminations & Corporate items	(41,609)	(23,271)	(25,268)
Total	787,496	816,547	959,593	
Depreciation (Property, plant and equipment)	Information & Telecommunication Systems	¥ 59,139	¥ 81,314	¥ 77,289
	Electronic Devices	112,786	52,013	43,504
	Power & Industrial Systems	70,175	73,503	73,887
	Digital Media & Consumer Products	40,841	37,802	37,913
	High Functional Materials & Components	73,055	66,771	65,789
	Logistics, Services & Others	28,836	25,702	23,416
	Financial Services	91,591	95,460	100,316
	Subtotal	476,423	432,565	422,114
	Eliminations & Corporate items	3,851	3,488	2,966
Total	480,274	436,053	425,080	
R&D expenditures	Information & Telecommunication Systems	¥ 121,379	¥ 169,882	¥ 164,765
	Electronic Devices	105,549	40,923	47,361
	Power & Industrial Systems	64,634	69,868	78,576
	Digital Media & Consumer Products	33,875	33,221	32,172
	High Functional Materials & Components	41,741	43,384	43,398
	Logistics, Services & Others	8,553	12,525	5,354
	Financial Services	1,423	2,022	2,347
	Corporate items	—	—	14,661
	Total	377,154	371,825	388,634
Assets	Information & Telecommunication Systems	¥ 1,702,104	¥1,759,163	¥ 1,767,074
	Electronic Devices	1,345,835	899,821	838,605
	Power & Industrial Systems	2,194,445	2,191,091	2,357,504
	Digital Media & Consumer Products	782,420	781,386	719,168
	High Functional Materials & Components	1,298,973	1,185,662	1,301,039
	Logistics, Services & Others	1,016,599	1,027,699	932,354
	Financial Services	1,932,459	2,062,921	2,157,409
	Subtotal	10,272,835	9,907,743	10,073,153
	Eliminations & Corporate items	(93,446)	(317,421)	(336,906)
Total	10,179,389	9,590,322	9,736,247	

		2003	2004	2005
Number of employees	Information & Telecommunication Systems	86,630	91,254	91,956
	Electronic Devices	42,470	25,688	26,492
	Power & Industrial Systems	81,869	82,142	92,919
	Digital Media & Consumer Products	34,722	34,370	34,458
	High Functional Materials & Components	51,887	51,742	59,172
	Logistics, Services & Others	33,743	32,883	34,113
	Financial Services	4,448	4,490	4,485
	Corporate	3,803	3,775	3,829
Total	339,572	326,344	347,424	

Geographic Segments

		Millions of yen		
		2003	2004	2005
Revenues				
Japan	Outside customer revenues	¥ 6,290,654	¥ 6,364,411	¥ 6,598,002
	Intersegment transactions	1,026,916	854,532	937,814
	Total	7,317,570	7,218,943	7,535,816
Asia	Outside customer revenues	651,228	993,471	1,059,197
	Intersegment transactions	351,006	312,153	388,249
	Total	1,002,234	1,305,624	1,447,446
North America	Outside customer revenues	802,582	784,782	798,266
	Intersegment transactions	38,753	25,894	34,224
	Total	841,335	810,676	832,490
Europe	Outside customer revenues	379,615	404,278	470,792
	Intersegment transactions	28,382	32,949	20,015
	Total	407,997	437,227	490,807
Other Areas	Outside customer revenues	67,673	85,508	100,786
	Intersegment transactions	2,645	2,655	3,545
	Total	70,318	88,163	104,331
	Subtotal	9,639,454	9,860,633	10,410,890
	Eliminations & Corporate items	(1,447,702)	(1,228,183)	(1,383,847)
	Total	8,191,752	8,632,450	9,027,043
Operating income (note 2 on page 21)				
Japan		¥ 155,684	¥ 177,102	¥ 274,389
Asia		18,357	33,363	27,538
North America		6,336	4,733	10,188
Europe		6,720	10,512	16,382
Other Areas		2,097	3,245	3,260
	Subtotal	189,194	228,955	331,757
	Eliminations & Corporate items	(36,227)	(44,092)	(52,702)
	Total	152,967	184,863	279,055

Revenues by Market

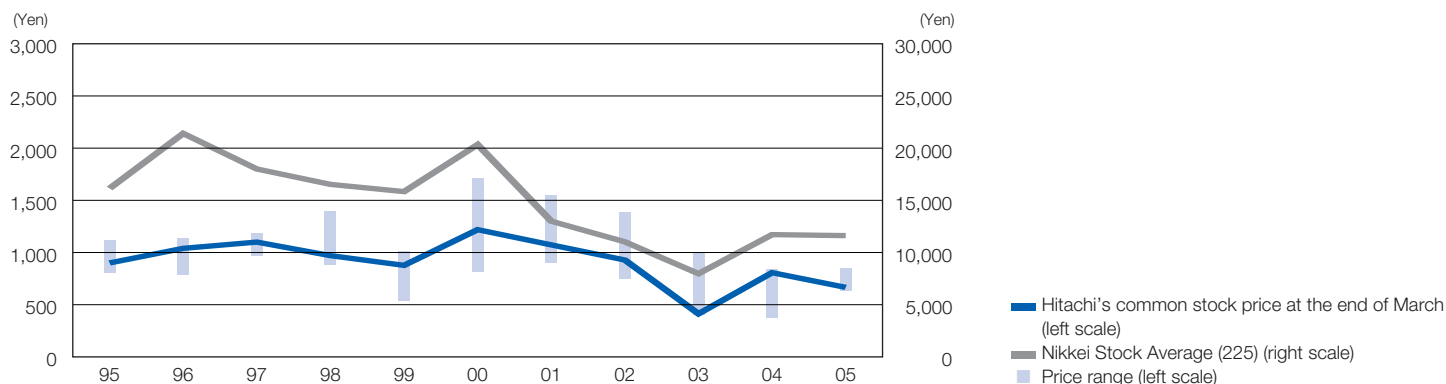
		Millions of yen		
		2003	2004	2005
Japan	Revenues	¥5,546,543	¥5,654,856	¥5,749,603
	Percentage of revenues (%)	68	66	64
Outside Japan	Asia	1,017,439	1,212,844	1,406,883
	Percentage of revenues (%)	12	14	15
	North America	890,684	873,243	901,855
	Percentage of revenues (%)	11	10	10
	Europe	537,029	655,824	709,770
	Percentage of revenues (%)	7	7	8
	Other Areas	200,057	235,683	258,932
	Percentage of revenues (%)	2	3	3
	Subtotal	2,645,209	2,977,594	3,277,440
	Percentage of revenues (%)	32	34	36
	Total	8,191,752	8,632,450	9,027,043

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 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 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 special termination benefits 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)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Price range High	¥ 1,120	¥ 1,140	¥ 1,180	¥ 1,390	¥ 1,015	¥ 1,709	¥ 1,549	¥ 1,380	¥ 997	¥ 835	¥ 850
Low	799	781	961	877	532	814	899	745	398	366	627
Price at the end of March	900	1,040	1,100	970	877	1,219	1,073	928	413	807	666
Nikkei Stock Average (225)	16,139	21,406	18,003	16,527	15,836	20,337	12,999	11,024	7,972	11,715	11,618

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

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Number of shares on which diluted net income per share is calculated (thousand)	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	3,361,101
Common stock of Hitachi, Ltd. at March 31 (thousand)	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	3,368,126
Net income (loss) per share (Diluted) (¥)	33.02	40.48	25.97	3.58	(98.15)	4.99	30.32	(144.95)	8.19	4.75	15.15
Price/Earnings ratio (Times)	27.3	25.7	42.4	270.9	—	244.3	35.4	—	50.4	170.0	44.0
Free cash flows per share (¥)	—	(55.88)	(108.18)	(64.63)	(18.48)	4.71	46.47	62.91	8.13	101.70	11.42
Price/Free cash flow ratio (Times)	—	—	—	—	—	258.76	23.09	14.75	50.83	7.94	58.42
Stockholders' equity per share (¥)	922.73	1,068.00	1,054.26	1,012.77	900.57	895.08	857.27	690.28	550.76	657.42	692.73
Price/Book value ratio (Times)	0.98	0.97	1.04	0.96	0.97	1.36	1.25	1.34	0.75	1.23	0.96
Cash dividends declared per share (¥)	11.00	11.00	11.00	11.00	5.50	6.00	11.00	3.00	6.00	8.00	11.00

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

As of March 31, 2005

Issue Date	Type	Outstanding	Coupon (%)	Conversion Price	Redemption Date
10/19/2004	CB #A	¥50,000 million	0.0	¥1,009*	10/19/2009
10/19/2004	CB #B	¥50,000 million	0.0	¥1,009*	10/19/2009

*The Conversion prices are subject to revision.

Major Stockholders

As of March 31, 2005

	Numbers of Shares Held	Percentage of Shares Held
NATS CUMCO	216,030,050	6.41%
The Master Trust Bank of Japan, Ltd.	194,452,000	5.77%
Japan Trustee Services Bank, Ltd.	172,379,000	5.12%
The Chase Manhattan Bank, N.A. London	149,190,746	4.43%
State Street Bank and Trust Company	146,737,849	4.36%
Nippon Life Insurance Company	100,630,195	2.99%
Hitachi Employees' Shareholding Association	91,625,952	2.72%
The Dai-ichi Mutual Life Insurance Company	75,992,222	2.26%
Trust & Custody Services Bank, Ltd.	59,499,000	1.77%
Meiji Yasuda Life Insurance Company	49,492,818	1.47%

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, 2005

Foreign Investors	36.47%
Individuals	31.67%
Financial Institutions and Securities Firms	27.90%
Others	3.96%

Transfer Agent for the Shares

Tokyo Securities Transfer Agent Co., Ltd.
4-2, Marunouchi, 1-chome, Chiyoda-ku, Tokyo, 100-0005, Japan
TEL: +81-3-3212-4611

Depository and Registrar for American Depositary Receipts

Citibank, N.A. Shareholder Services
P.O. Box 43077
Providence, Rhode Island 02940-3077 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, Euronext Amsterdam, Euronext Paris and New York stock exchanges

Japanese Stock Exchange Listings

Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo stock exchanges

Corporate Data

As of March 31, 2005

Corporate Name	Hitachi, Ltd. (Kabushiki Kaisha Hitachi Seisakusho)	
Principal Office	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8280, Japan	
Founded	1910 (Incorporated in 1920)	
Number of Consolidated Subsidiaries	Japan	539
	Overseas	446
Number of Employees	347,424	
Common Stock	Issued	3,368,126,056 shares
Number of Shareholders	434,157	
URL	http://www.hitachi.com	

For further information, please contact:

Investor Relations

JAPAN

Hitachi, Ltd.
6-6, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8280
TEL: +81-3-3258-1111
E-mail: IR@hdq.hitachi.co.jp

U.S.A.

Hitachi America, Ltd.
2000 Sierra Point Parkway, Brisbane,
California 94005-1835
TEL: +1-650-244-7902
E-mail: investor.info@hal.hitachi.com

U.K.

Hitachi Europe Ltd.
Whitebrook Park,
Lower Cookham Road,
Maidenhead, Berkshire
SL6 8YA
TEL: +44-1628-585379
E-mail: investor.info@hitachi-eu.com

CHINA

Hitachi (China) Investment, Ltd.
18F Beijing Fortune Bldg.,
5 Don San Huan Bei Lu, Cao Yang District, Beijing 100004
TEL: +86-10-6590-8141
E-mail: investor.info@hitachi.cn

HITACHI

Inspire the Next



This financial highlights was printed on recycled paper.

Printed in Japan