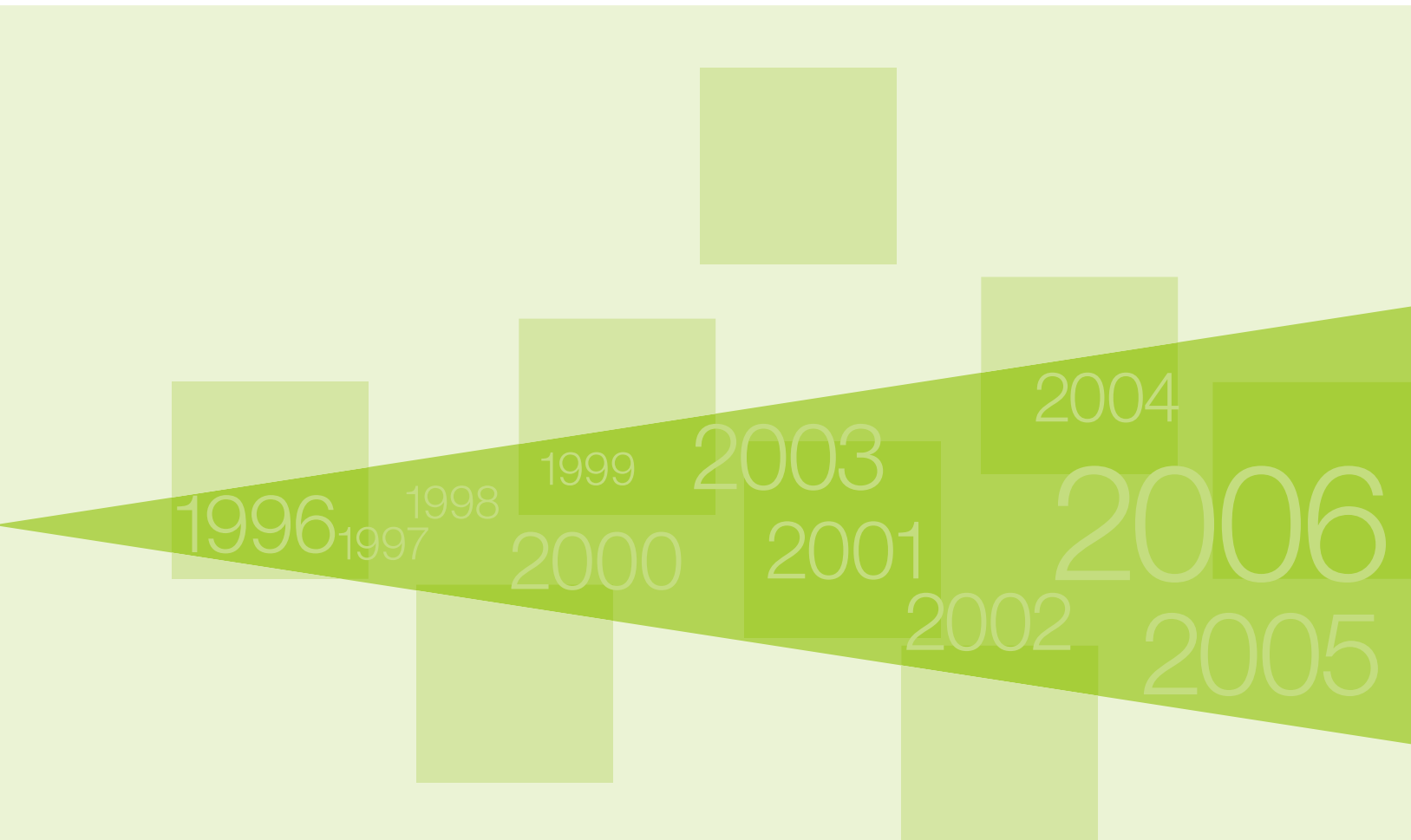




Financial Highlights 2006

Year ended March 31, 2006



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

	1996	1997	1998
For the year:			
Revenues	¥8,123,810	¥8,523,100	¥8,416,834
Japan	6,020,922	6,070,552	5,805,111
Outside Japan	2,102,888	2,452,548	2,611,723
Cost of sales	5,828,887	6,250,895	6,230,044
Selling, general and administrative expenses	1,962,341	1,975,039	1,977,783
Operating income (loss) (note 2)	332,582	297,166	209,007
Income (loss) before income taxes and minority interests	349,992	264,795	173,458
Net income (loss)	143,135	89,802	12,163
Capital investment (Property, plant and equipment)	723,477	740,135	712,672
Depreciation (Property, plant and equipment)	556,671	543,560	550,393
R&D expenditure	493,788	503,508	510,878
Per share data:			
Net income (loss) Basic	¥ 43.00	¥ 26.95	¥ 3.64
Diluted	40.48	25.97	3.58
Cash dividends declared	11.00	11.00	11.00
Stockholders' equity	1,068.00	1,054.26	1,012.77

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:

	1996	1997	1998
Restructuring charges, impairment losses and special termination benefits . . .	¥(13,456)	¥(44,289)	¥(90,791)
Net gain or loss on sale and disposal of rental assets and other property	(9,671)	(15,620)	(10,514)
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
1999	2000	2001	2002	2003	2004	2005	2006
¥7,977,374	¥8,001,203	¥8,416,982	¥7,993,784	¥8,191,752	¥8,632,450	¥9,027,043	¥9,464,801
5,533,554	5,657,571	5,791,300	5,444,662	5,546,543	5,654,856	5,749,603	5,825,156
2,443,820	2,343,632	2,625,682	2,549,122	2,645,209	2,977,594	3,277,440	3,639,645
6,052,345	5,898,756	6,155,023	6,184,396	6,240,493	6,710,154	6,961,270	7,387,744
1,959,103	1,928,083	1,919,647	1,926,803	1,798,292	1,737,433	1,786,718	1,821,045
(34,074)	174,364	342,312	(117,415)	152,967	184,863	279,055	256,012
(221,174)	79,235	323,655	(586,072)	96,828	237,149	264,506	274,864
(327,611)	16,922	104,380	(483,837)	27,867	15,876	51,496	37,320
585,718	574,642	971,095	856,279	787,496	816,547	959,593	954,706
547,022	541,253	505,507	529,418	480,274	436,053	425,080	451,170
496,728	432,342	435,579	415,448	377,154	371,825	388,634	405,079

Yen

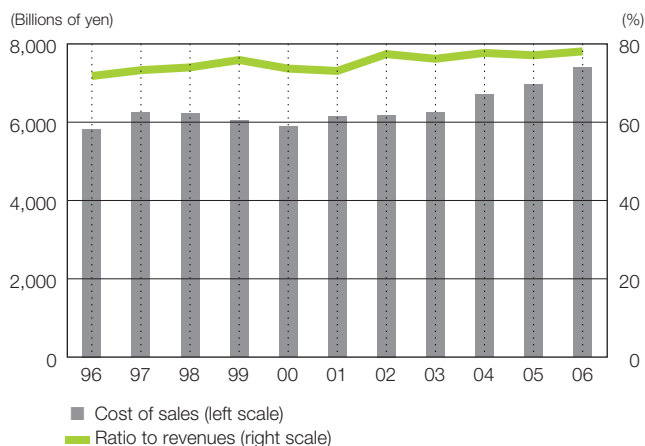
¥ (98.15)	¥ 5.07	¥ 31.27	¥(144.95)	¥ 8.31	¥ 4.81	¥ 15.53	¥ 11.20
(98.15)	4.99	30.32	(144.95)	8.19	4.75	15.15	10.84
5.50	6.00	11.00	3.00	6.00	8.00	11.00	11.00
900.57	895.08	857.27	690.28	550.76	657.42	692.73	752.91

							Millions of yen
1999	2000	2001	2002	2003	2004	2005	2006
¥(132,505)	¥(65,977)	¥(8,814)	¥(334,211)	¥ (8,474)	¥(54,698)	¥(60,104)	¥(31,837)
(12,656)	(6,842)	(7,776)	(15,150)	23,658	1,715	(9,545)	(3,107)
—	—	—	—	(24,857)	—	—	—

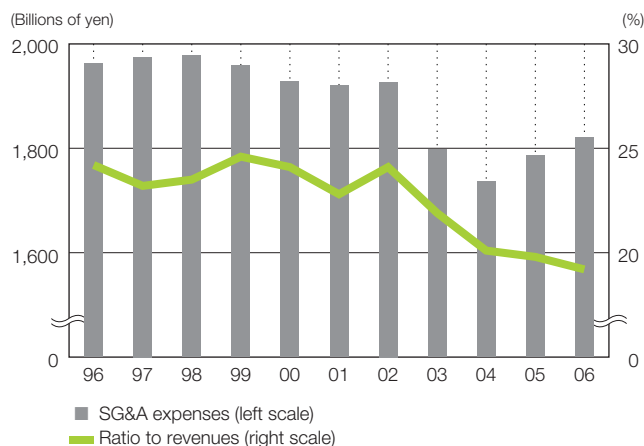
Analysis of Operating Results

Years ended March 31

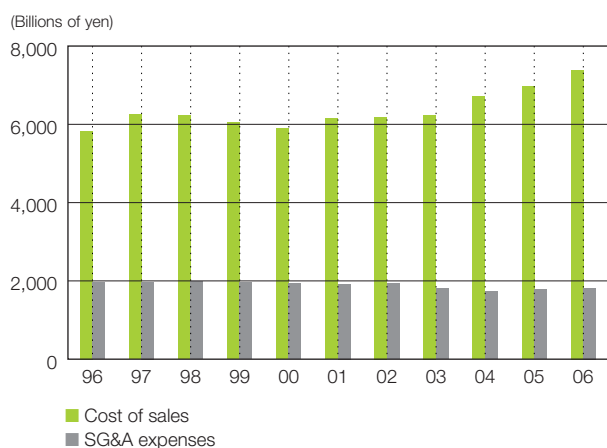
Cost of sales and ratio to revenues (note 2)



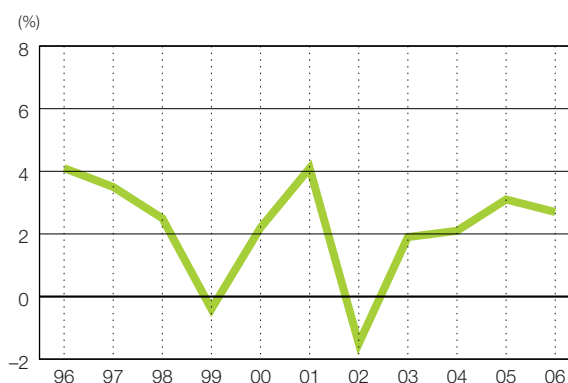
SG&A expenses and ratio to revenues (note 2)



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



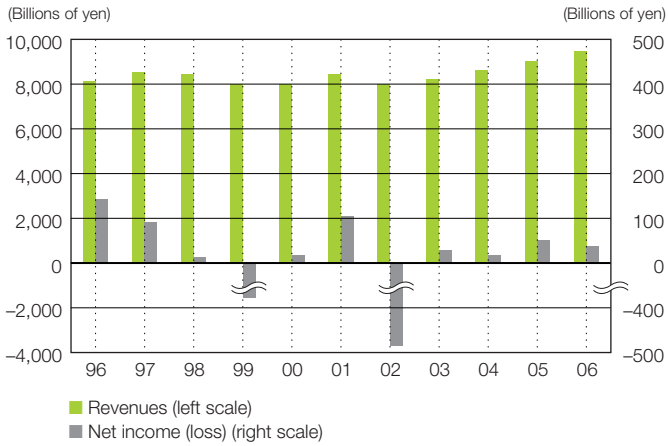
Operating income (loss) to revenues (note 2)



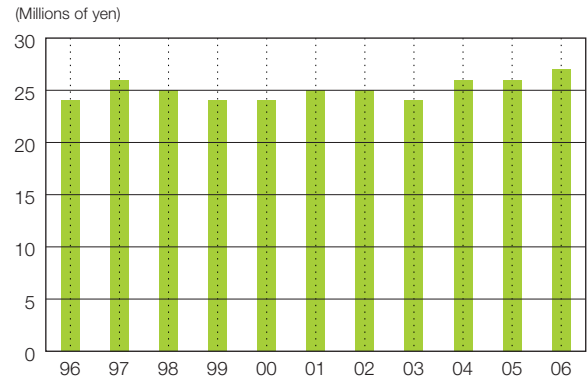
	1996	1997	1998
Revenues	¥8,124	¥8,523	¥8,417
Cost of sales	5,829	6,251	6,230
Ratio to revenues (%)	71.8%	73.3%	74.0%
Selling, general and administrative expenses (note 2)	1,962	1,975	1,978
Ratio to revenues (%)	24.2%	23.2%	23.5%
Operating income (loss) (note 2)	333	297	209
Ratio to revenues (%)	4.1%	3.5%	2.5%
Net income (loss)	143	90	12
R&D expenditure	494	504	511
Ratio to revenues (%)	6.1%	5.9%	6.1%
Revenues per employee (Millions of yen)	24	26	25

Notes: 1. Figures are rounded.
2. See notes on inside cover.

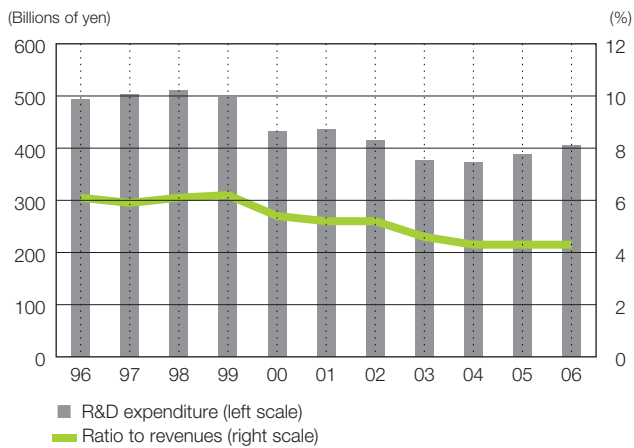
Revenues and net income (loss)



Revenues per employee



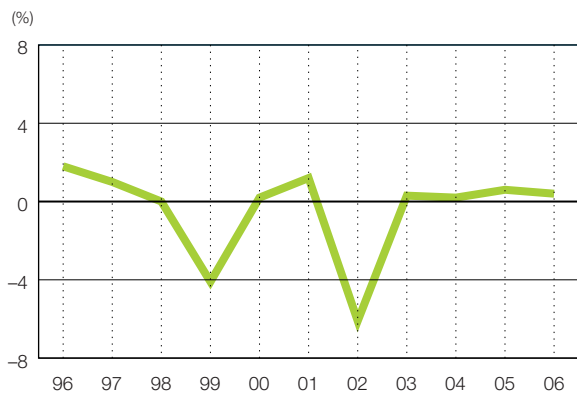
R&D expenditure and ratio to revenues



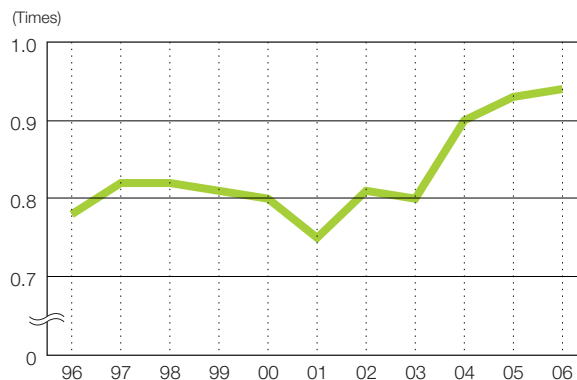
Billions of yen

1999	2000	2001	2002	2003	2004	2005	2006
¥7,977	¥8,001	¥8,417	¥7,994	¥8,192	¥8,632	¥9,027	¥9,465
6,052	5,899	6,155	6,184	6,240	6,710	6,961	7,388
75.9%	73.7%	73.1%	77.4%	76.2%	77.7%	77.1%	78.1%
1,959	1,928	1,920	1,927	1,798	1,737	1,787	1,821
24.6%	24.1%	22.8%	24.1%	22.0%	20.1%	19.8%	19.2%
(34)	174	342	(117)	153	185	279	256
(0.4)%	2.2%	4.1%	(1.5)%	1.9%	2.1%	3.1%	2.7%
(328)	17	104	(484)	28	16	51	37
497	432	436	415	377	372	389	405
6.2%	5.4%	5.2%	5.2%	4.6%	4.3%	4.3%	4.3%
24	24	25	25	24	26	26	27

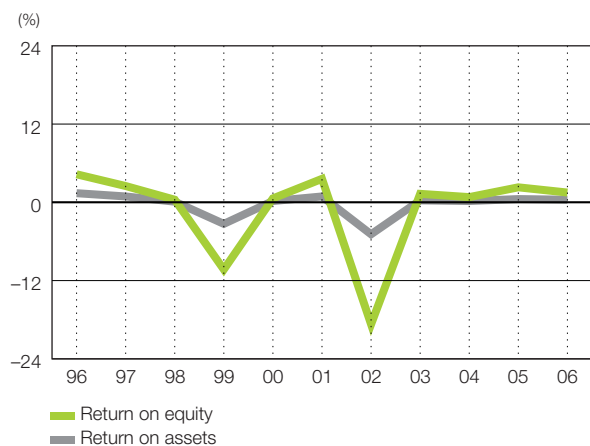
Return on revenues



Asset turnover



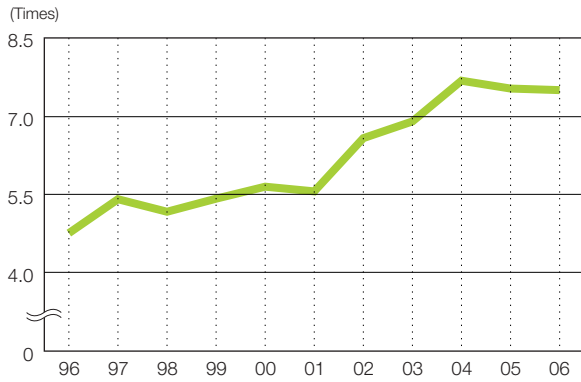
Return on equity and return on assets



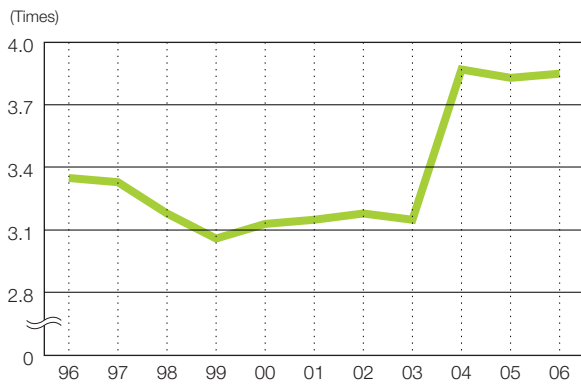
	1996	1997	1998
Return on revenues (%)	1.8%	1.1%	0.1%
Return on equity (%)	4.3%	2.5%	0.4%
Return on assets (%)	1.4%	0.9%	0.1%
Asset turnover (Times)	0.78	0.82	0.82
Inventory turnover (Times)	4.76	5.41	5.17
Fixed assets (Billions of yen)	2,422	2,559	2,646
Fixed assets turnover (Times)	3.35	3.33	3.18

- 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 = Revenues / Fixed assets as of March 31
 8. Figures are rounded.
 9. See notes on inside cover.

Inventory turnover

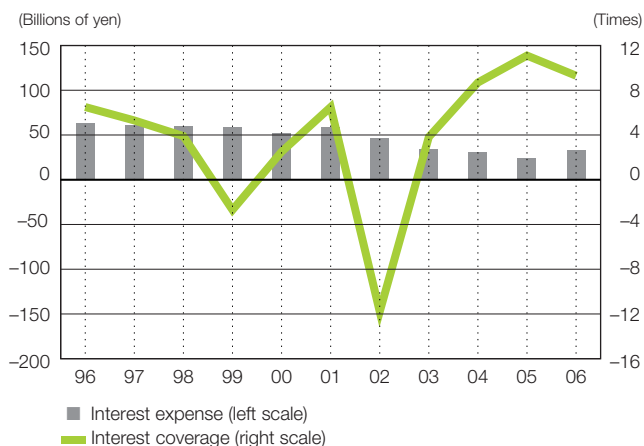


Fixed assets turnover

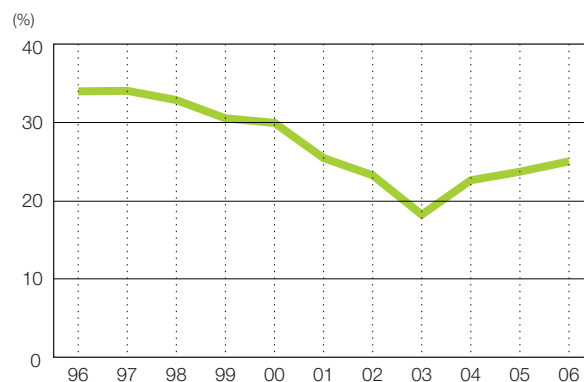


1999	2000	2001	2002	2003	2004	2005	2006
(4.1)%	0.2%	1.2%	(6.1)%	0.3%	0.2%	0.6%	0.4%
(10.3)%	0.6%	3.6%	(18.7)%	1.3%	0.8%	2.3%	1.5%
(3.3)%	0.2%	0.9%	(4.9)%	0.3%	0.2%	0.5%	0.4%
0.81	0.80	0.75	0.81	0.80	0.90	0.93	0.94
5.42	5.65	5.56	6.58	6.90	7.68	7.53	7.50
2,608	2,555	2,675	2,514	2,601	2,233	2,358	2,460
3.06	3.13	3.15	3.18	3.15	3.87	3.83	3.85

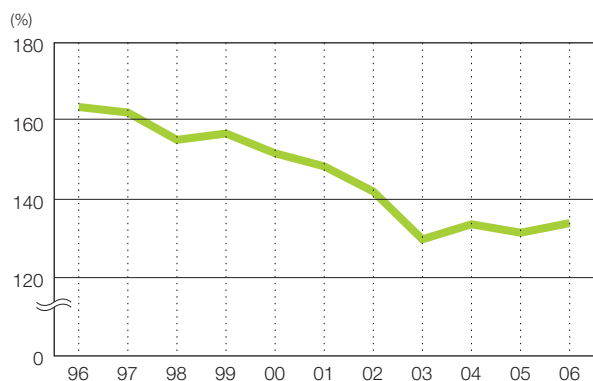
Interest expense and interest coverage



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	.....

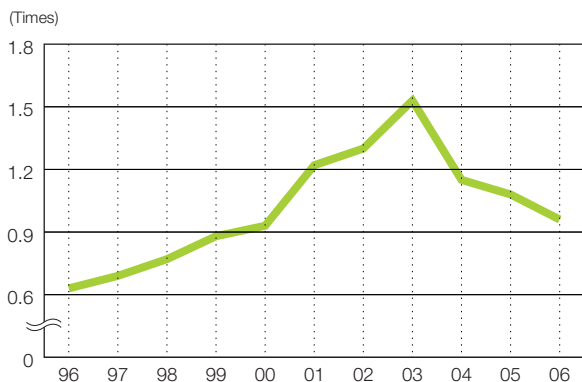
	1996	1997	1998
	¥ 63	¥ 61	¥ 60
	6.52	5.36	3.91
	6,550	6,420	6,283
	4,017	3,969	4,060
	163.05%	161.74%	154.77%
	1,033	1,181	1,317
	1,203	1,245	1,288
	2,237	2,426	2,605
	3,556	3,519	3,381
	10,471	10,341	10,292
	0.63	0.69	0.77
	33.96%	34.03%	32.85%
	723	740	713
	557	544	550
	(199)	(384)	(218)

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

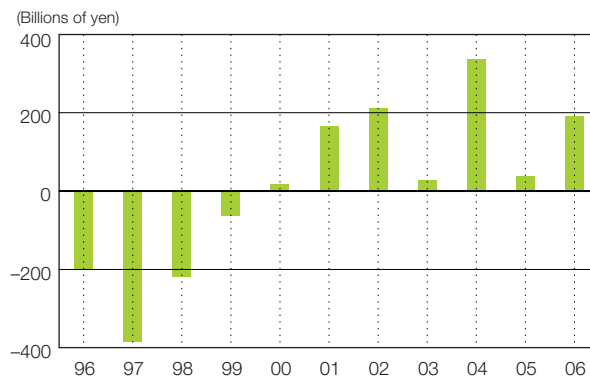
2. "Current assets" represents the sum of cash and cash equivalents, short-term investments, trade receivables (notes and accounts), investment in leases, inventories and prepaid expenses and other current assets.

3. "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.

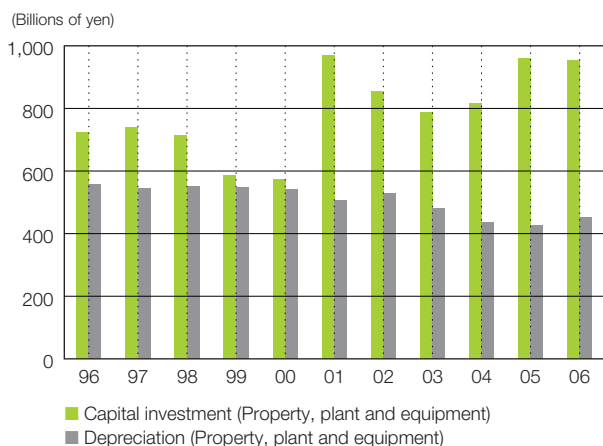
Debt / Equity ratio



Free cash flows



Capital investment and depreciation (Property, plant and equipment)



Billions of yen

	1999	2000	2001	2002	2003	2004	2005	2006
	¥ 59	¥ 52	¥ 59	¥ 46	¥ 34	¥ 31	¥ 29	¥ 33
	(2.75)	2.52	6.51	(11.79)	3.82	8.69	10.1	9.3
	5,908	5,966	6,845	5,508	5,193	5,220	5,339	5,513
	3,778	3,940	4,623	3,885	4,005	3,911	4,065	4,121
	156.39%	151.42%	148.06%	141.75%	129.67%	133.47%	131.35%	133.76%
	1,160	1,306	1,612	1,200	1,328	1,183	1,183	1,001
	1,478	1,483	1,881	1,798	1,512	1,314	1,319	1,418
	2,638	2,788	3,493	2,998	2,841	2,498	2,503	2,419
	3,006	2,988	2,862	2,304	1,853	2,168	2,308	2,508
	9,848	9,983	11,247	9,916	10,179	9,590	9,736	10,021
	0.88	0.93	1.22	1.30	1.53	1.15	1.08	0.96
	30.52%	29.93%	25.44%	23.24%	18.21%	22.61%	23.70%	25.02%
	586	575	971	856	787	817	960	955
	547	541	506	529	480	436	425	451
	(62)	16	165	210	27	336	38	190

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. Figures are rounded.

9. See notes on inside cover.

Consolidated Balance Sheets

As of March 31

	1996	1997	1998
Assets:			
Cash and cash equivalents	¥ 1,627,716	¥ 1,309,949	¥ 1,199,540
Short-term investments	711,857	847,854	771,147
Trade receivables:			
Notes	462,685	411,459	369,838
Accounts	1,662,631	1,876,678	1,897,410
Inventories	1,707,159	1,576,751	1,626,684
Prepaid expenses and other current assets	377,839	396,931	418,742
Investment in leases	—	—	—
Noncurrent receivables and restricted funds	161,795	188,473	195,546
Investments and advances, including affiliated companies	1,146,508	932,015	861,126
Property, plant and equipment:			
Land	334,488	345,322	363,771
Buildings	1,514,113	1,635,937	1,703,708
Machinery and equipment	4,538,128	4,817,314	5,074,698
Construction in progress	90,481	117,290	99,755
	6,477,210	6,915,863	7,241,932
Less accumulated depreciation	4,055,425	4,356,366	4,595,800
Net property, plant and equipment	2,421,785	2,559,497	2,646,132
Other assets	190,815	241,615	305,727
	¥10,470,790	¥10,341,222	¥10,291,892

See notes on inside cover.

Millions of yen

1999	2000	2001	2002	2003	2004	2005	2006
¥1,237,527	¥1,357,432	¥ 1,381,603	¥1,029,374	¥ 828,171	¥ 764,396	¥ 708,715	¥ 658,255
605,679	632,434	433,650	178,933	186,972	177,949	146,568	162,756
307,354	295,526	307,635	204,855	153,587	142,802	132,572	127,284
1,878,272	1,908,692	2,191,698	1,895,150	1,903,640	2,043,727	2,065,194	2,303,397
1,470,847	1,416,878	1,514,163	1,214,399	1,187,529	1,123,406	1,198,955	1,262,308
408,577	354,581	391,963	457,392	496,490	515,909	560,072	547,048
—	—	623,789	527,432	437,076	451,753	526,759	451,757
176,403	160,583	163,003	—	—	—	—	—
823,136	817,436	885,669	834,907	726,442	908,962	894,851	1,029,673
369,701	380,076	386,785	383,781	445,283	419,846	436,308	435,961
1,730,333	1,731,561	1,801,731	1,748,509	1,838,853	1,690,096	1,740,057	1,748,318
5,116,062	4,887,088	5,622,410	5,510,651	5,709,409	4,899,239	5,222,157	5,522,253
54,453	71,184	95,663	97,790	67,909	49,011	57,291	74,114
7,270,549	7,069,909	7,906,589	7,740,731	8,061,454	7,058,192	7,455,813	7,780,646
4,662,942	4,515,160	5,231,632	5,226,307	5,460,404	4,825,330	5,097,882	5,320,460
2,607,607	2,554,749	2,674,957	2,514,424	2,601,050	2,232,862	2,357,931	2,460,186
332,340	485,050	678,478	1,058,788	1,658,432	1,228,556	1,144,630	1,018,531
¥9,847,742	¥9,983,361	¥11,246,608	¥9,915,654	¥10,179,389	¥9,590,322	¥9,736,247	¥10,021,195

	1996	1997	1998
Liabilities and Stockholders' Equity:			
Short-term debt	¥ 882,605	¥ 994,469	¥ 1,103,217
Current portion of long-term debt	150,746	187,022	214,064
Trade payables:			
Notes	212,789	140,067	132,159
Accounts	823,280	945,450	944,112
Accrued expenses	734,036	732,070	728,741
Income taxes	130,974	118,685	89,715
Advances received	500,889	411,752	395,674
Other current liabilities	581,829	439,489	452,007
Long-term debt	1,203,353	1,244,612	1,287,532
Retirement and severance benefits	659,510	671,794	682,871
Other liabilities	301,581	168,071	93,050
Total liabilities	6,181,592	6,053,481	6,123,142
Minority interests	733,663	768,836	788,239
Stockholders' equity:			
Common stock	278,178	281,684	281,735
Capital surplus	480,718	486,695	492,272
Legal reserve	95,377	101,146	104,370
Retained earnings	2,439,015	2,483,489	2,451,037
Accumulated other comprehensive income (loss)	262,247	165,891	51,097
Treasury stock, at cost	—	—	—
Total stockholders' equity	3,555,535	3,518,905	3,380,511
	¥10,470,790	¥10,341,222	¥10,291,892

See notes on inside cover.

Millions of yen

1999	2000	2001	2002	2003	2004	2005	2006
¥1,045,543	¥1,046,571	¥ 1,199,209	¥ 833,838	¥ 825,860	¥ 623,816	¥ 676,611	¥ 752,527
114,268	259,099	412,646	366,083	502,586	559,647	506,863	248,028
97,863	98,058	138,161	92,799	71,934	67,581	62,855	68,599
907,641	974,721	1,160,789	991,037	1,140,130	1,220,033	1,246,401	1,416,367
694,399	706,647	786,813	882,148	799,211	797,935	843,022	863,683
63,241	76,969	106,727	60,518	54,091	78,438	61,789	66,101
418,360	382,085	385,741	334,172	252,861	216,544	247,586	277,887
436,653	395,686	432,571	324,670	358,555	347,060	419,419	428,259
1,478,168	1,482,810	1,881,270	1,798,303	1,512,152	1,314,102	1,319,032	1,418,489
723,028	699,385	982,332	1,049,054	1,932,646	1,273,509	1,033,005	827,669
86,101	81,718	73,689	80,064	124,573	124,710	90,781	109,006
6,065,265	6,203,749	7,559,948	6,812,686	7,574,599	6,623,375	6,507,364	6,476,615
776,462	791,925	825,158	798,744	751,578	798,816	921,052	1,036,807
281,735	281,738	281,754	282,032	282,032	282,032	282,033	282,033
494,782	499,081	501,243	527,010	562,214	551,690	565,360	561,484
105,905	106,885	109,815	110,751	111,309	109,163	110,214	111,005
2,100,392	2,082,541	2,157,136	1,643,248	1,655,029	1,651,272	1,668,984	1,667,198
23,201	17,442	(188,446)	(258,484)	(755,525)	(393,864)	(301,524)	(95,997)
—	—	—	(333)	(1,847)	(32,162)	(17,236)	(17,950)
3,006,015	2,987,687	2,861,502	2,304,224	1,853,212	2,168,131	2,307,831	2,507,773
¥9,847,742	¥9,983,361	¥11,246,608	¥9,915,654	¥10,179,389	¥9,590,322	¥9,736,247	¥10,021,195

Consolidated Statements of Operations

Years ended March 31

	1996	1997	1998
Revenues:			
Revenues	¥8,123,810	¥8,523,100	¥8,416,834
Interest income	51,126	37,632	41,084
Dividends received	7,482	8,113	8,881
Other income	53,720	43,557	112,255
Total revenues	8,236,138	8,612,402	8,579,054
Costs and expenses:			
Cost of sales	5,828,887	6,250,895	6,230,044
Selling, general and administrative expenses	1,962,341	1,975,039	1,977,783
Interest charges	63,375	60,669	59,635
Other deductions	31,543	61,004	138,134
Total costs and expenses	7,886,146	8,347,607	8,405,596
Income (loss) before income taxes and minority interests	349,992	264,795	173,458
Income taxes	165,764	138,495	134,409
Income (loss) before minority interests	184,228	126,300	39,049
Minority interests	41,093	36,498	26,886
Net income (loss)	¥ 143,135	¥ 89,802	¥ 12,163

See notes on inside cover.

Millions of yen

1999	2000	2001	2002	2003	2004	2005	2006
¥7,977,374	¥8,001,203	¥8,416,982	¥7,993,784	¥8,191,752	¥8,632,450	¥9,027,043	¥9,464,801
40,178	35,380	32,428	22,481	14,158	12,808	13,413	18,170
7,060	6,662	9,641	6,134	8,921	6,352	5,971	6,421
1,144	30,059	27,544	7,424	23,658	142,010	67,024	63,002
8,025,756	8,073,304	8,486,595	8,029,823	8,238,489	8,793,620	9,113,451	9,552,394
6,052,345	5,898,756	6,155,023	6,184,396	6,240,493	6,710,154	6,961,270	7,387,744
1,959,103	1,928,083	1,919,647	1,926,803	1,798,292	1,737,433	1,786,718	1,821,045
59,028	52,015	58,759	45,830	34,338	30,855	29,057	33,265
176,454	115,215	29,511	458,866	68,538	78,029	71,900	35,476
8,246,930	7,994,069	8,162,940	8,615,895	8,141,661	8,556,471	8,848,945	9,277,530
(221,174)	79,235	323,655	(586,072)	96,828	237,149	264,506	274,864
97,660	47,502	164,861	(71,114)	52,662	198,655	149,990	154,348
(318,834)	31,733	158,794	(514,958)	44,166	38,494	114,516	120,516
8,777	14,811	54,414	(31,121)	16,299	22,618	63,020	83,196
¥ (327,611)	¥ 16,922	¥ 104,380	¥ (483,837)	¥ 27,867	¥ 15,876	¥ 51,496	¥ 37,320

Consolidated Statements of Cash Flows

Years ended March 31

	1996	1997	1998
Cash flows from operating activities:			
Net income (loss)	¥ 143,135	¥ 89,802	¥ 12,163
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	556,671	543,560	550,393
Amortization	—	—	—
Impairment losses for long-lived assets	—	44,289	35,504
Deferred income taxes	(30,154)	(61,099)	(14,667)
Equity in (earnings) losses of affiliated companies, net	—	—	—
Gain on sale of investments and subsidiaries' common stock	(40,746)	(24,262)	(117,998)
Impairment of investments in securities	—	—	—
Loss (gain) on disposal of rental assets and other property	—	24,200	12,078
Income (loss) applicable to minority interests	41,093	36,498	26,886
(Increase) decrease in receivables	(295,990)	(197,337)	13,175
(Increase) decrease in inventories	(102,694)	162,473	(53,703)
(Increase) decrease in prepaid expenses and other current assets	(15,145)	4,335	(12,847)
Increase (decrease) in payables	104,944	994	(7,254)
Increase (decrease) in accrued expenses and retirement and severance benefits	57,730	(3,428)	5,132
Increase (decrease) in accrued income taxes	21,141	(14,461)	(28,880)
Increase (decrease) in other liabilities	25,620	(98,271)	6,892
Net change in inventory-related receivables from financial services	—	—	—
Other	7,828	(20,569)	(6,133)
Net cash provided by operating activities (note 2)	473,433	486,724	420,741
Cash flows from investing activities:			
(Increase) decrease in short-term investments	(8,216)	(169,644)	49,462
Capital expenditures	(717,085)	(750,066)	(690,419)
Purchase of assets to be leased (note 1)	—	—	—
Collection of investments in leases (note 1)	—	—	—
Proceeds from disposal of rental assets and other property	61,925	49,075	32,334
Proceeds from sale of investments and subsidiaries' common stock	33,665	34,760	144,127
Purchase of investments and subsidiaries' common stock	(38,914)	(43,751)	(165,898)
Purchase of software	—	—	—
Other	(4,201)	9,123	(7,932)
Net cash used in investing activities (note 2)	(672,826)	(870,503)	(638,326)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	17,964	60,490	97,057
Proceeds from long-term debt	332,559	201,985	279,866
Payments on long-term debt	(118,716)	(168,597)	(223,517)
Proceeds (payments) on subsidiaries' common stock, net	3,460	5,305	7,423
Dividends paid to stockholders	(36,337)	(36,520)	(36,600)
Dividends paid to minority stockholders of subsidiaries	(9,805)	(10,599)	(11,838)
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	189,125	52,064	112,391
Effect of exchange rate changes on cash and cash equivalents	17,048	13,948	(5,215)
Net increase (decrease) in cash and cash equivalents	6,780	(317,767)	(110,409)
Cash and cash equivalents at beginning of year	1,620,936	1,627,716	1,309,949
Cash and cash equivalents at end of year	¥1,627,716	¥1,309,949	¥1,199,540

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

1999	2000	2001	2002	2003	2004	2005	2006
¥ (327,611)	¥ 16,922	¥ 104,380	¥ (483,837)	¥ 27,867	¥ 15,876	¥ 51,496	¥ 37,320
547,022	541,253	505,507	529,418	480,274	436,053	425,080	451,170
—	—	—	69,210	86,095	117,561	132,370	138,727
2,740	9,310	—	46,115	8,474	26,085	26,797	27,408
(22,976)	(67,179)	12,505	(182,072)	(35,526)	77,056	45,310	33,815
—	6,426	(2,559)	35,756	15,803	(10,120)	162	(8,688)
(3,938)	(36,215)	(17,437)	(4,035)	(54,849)	(137,925)	(54,741)	(46,468)
—	4,784	6,876	76,867	65,828	12,893	9,665	4,858
69,996	19,921	19,165	59,687	(14,064)	13,274	15,202	8,983
8,777	14,811	54,414	(31,121)	16,299	22,618	63,020	83,196
(2,549)	(107,685)	(72,035)	450,904	2,280	(187,545)	103,246	(94,078)
127,802	(26,273)	(128,477)	261,229	7,994	(67,026)	(95,191)	(107,069)
(1,133)	(9,931)	(38,234)	(999)	3,170	(3,075)	(29,973)	35,947
(45,274)	78,728	95,855	(271,698)	96,777	145,234	(53,785)	107,271
19,400	3,846	8,171	70,813	(71,969)	109,152	(26,823)	(30,505)
(25,135)	15,884	26,337	(48,174)	(5,825)	27,741	(18,861)	2,047
25,338	(41,385)	(62,858)	(69,671)	11,989	5,276	(408)	44,060
—	—	—	—	11,041	(3,140)	(22,036)	14,328
16,420	28,233	23,823	(25,526)	5,901	3,415	(5,174)	(11,447)
388,879	451,450	535,433	482,866	657,559	603,403	565,356	690,875
153,382	(15,155)	198,610	253,236	(8,162)	10,035	47,179	1,104
(406,685)	(365,744)	(463,585)	(429,835)	(323,825)	(289,753)	(368,896)	(382,386)
(212,657)	(211,185)	(532,142)	(444,931)	(381,326)	(439,047)	(483,192)	(466,681)
—	—	421,527	469,108	307,392	340,376	301,614	419,956
26,427	133,806	70,442	59,574	142,973	122,258	90,726	80,718
16,542	67,971	50,473	55,354	167,350	301,553	112,932	99,717
(13,837)	(40,463)	(125,473)	(129,527)	(262,424)	(110,837)	(61,711)	(67,643)
—	(38,096)	(36,405)	(112,506)	(137,113)	(117,896)	(121,415)	(121,983)
(13,721)	33,275	45,836	6,656	(135,191)	(84,102)	(44,225)	(64,164)
(450,549)	(435,591)	(370,717)	(272,871)	(630,326)	(267,413)	(526,988)	(501,362)
(1,845)	43,155	(5,153)	(408,514)	(12,490)	(193,286)	27,029	5,121
375,344	315,408	518,872	573,373	375,802	460,144	533,442	342,309
(230,273)	(194,038)	(642,594)	(743,385)	(547,759)	(587,335)	(599,637)	(551,265)
701	9,046	13,342	42,466	1,872	9,984	(8,431)	(3,139)
(18,412)	(27,762)	(28,235)	(28,318)	(9,973)	(19,961)	(34,815)	(36,509)
(11,722)	(12,033)	(15,739)	(13,401)	(13,108)	(13,714)	(16,671)	(17,591)
—	(7,946)	—	—	—	—	—	—
—	—	—	(333)	(1,514)	(30,464)	(1,177)	(1,058)
—	—	—	—	—	197	831	494
113,793	125,830	(159,507)	(578,112)	(207,170)	(374,435)	(99,429)	(261,638)
(14,136)	(21,784)	18,962	15,888	(21,266)	(25,330)	5,380	21,665
37,987	119,905	24,171	(352,229)	(201,203)	(63,775)	(55,681)	(50,460)
1,199,540	1,237,527	1,357,432	1,381,603	1,029,374	828,171	764,396	708,715
¥1,237,527	¥1,357,432	¥1,381,603	¥1,029,374	¥ 828,171	¥764,396	¥708,715	¥ 658,255

Segment Information

Years ended March 31

Main Products and Services

<ul style="list-style-type: none"> ● Information & Telecommunication Systems Systems Integration Outsourcing Services Software Hard Disk Drives Disk Array Subsystems Servers Mainframes PCs Telecommunications Equipment ATMs 	<ul style="list-style-type: none"> ● Power & Industrial Systems Nuclear Power Plants Thermal Power Plants Hydroelectric Power Plants Industrial Machinery and Plants Automotive Products Construction Machinery Elevators Escalators Railway Vehicles Air-Conditioning Equipment 	<ul style="list-style-type: none"> ● Digital Media & Consumer Products Optical Disk Drives TVs Plasma Displays LCD Projectors Mobile Phones Room Air Conditioners Refrigerators Washing Machines Information Storage Media Batteries 	<ul style="list-style-type: none"> ● High Functional Materials & Components Wires and Cables Copper Products Semiconductor Materials Circuit Boards and Materials Organic and Inorganic Chemical Products Synthetic Resin Products LCD Materials Specialty Steels Magnetic Materials Malleable Cast-Iron Products Forged and Cast-Steel Products
<ul style="list-style-type: none"> ● Electronic Devices LCDs Semiconductor Manufacturing Equipment Test and Measurement Equipment Medical Electronics Equipment Semiconductors 			<ul style="list-style-type: none"> ● Logistics, Services & Others General Trading Logistics Property Management
			<ul style="list-style-type: none"> ● Financial Services Leasing Loan Guarantees Insurance Services

Industry Segments

		Millions of yen		
		2004	2005	2006
Revenues	Information & Telecommunication Systems	¥ 2,314,552	¥ 2,268,386	¥ 2,360,956
	Electronic Devices	1,312,380	1,320,177	1,204,407
	Power & Industrial Systems	2,297,913	2,515,366	2,805,169
	Digital Media & Consumer Products	1,226,955	1,280,302	1,305,658
	High Functional Materials & Components	1,297,085	1,504,312	1,600,246
	Logistics, Services & Others	1,256,266	1,248,296	1,214,784
	Financial Services	550,982	529,695	517,975
	Subtotal	10,256,133	10,666,534	11,009,195
	Eliminations & Corporate items	(1,623,683)	(1,639,491)	(1,544,394)
	Total	8,632,450	9,027,043	9,464,801
Operating income (loss) (note 2 on page 21)	Information & Telecommunication Systems	¥ 69,932	¥ 67,761	¥ 84,687
	Electronic Devices	30,424	37,017	20,439
	Power & Industrial Systems	33,933	73,661	92,552
	Digital Media & Consumer Products	6,951	8,694	(35,771)
	High Functional Materials & Components	46,767	87,514	110,069
	Logistics, Services & Others	533	9,808	19,511
	Financial Services	22,388	31,073	35,001
	Subtotal	210,928	315,528	326,488
	Eliminations & Corporate items	(26,065)	(36,473)	(70,476)
	Total	184,863	279,055	256,012

Others

		Millions of yen		
		2004	2005	2006
Capital investment (Property, plant and equipment)	Information & Telecommunication Systems	¥ 82,052	¥ 103,023	¥ 123,266
	Electronic Devices	39,577	47,039	35,756
	Power & Industrial Systems	71,672	98,348	106,778
	Digital Media & Consumer Products	31,947	38,426	38,516
	High Functional Materials & Components	62,425	75,535	84,557
	Logistics, Services & Others	29,251	31,160	24,119
	Financial Services	522,894	591,330	570,644
	Subtotal	839,818	984,861	983,636
	Eliminations & Corporate items	(23,271)	(25,268)	(28,930)
Total	816,547	959,593	954,706	
Depreciation (Property, plant and equipment)	Information & Telecommunication Systems	¥ 81,314	¥ 77,289	¥ 82,735
	Electronic Devices	52,013	43,504	45,658
	Power & Industrial Systems	73,503	73,887	79,657
	Digital Media & Consumer Products	37,802	37,913	40,687
	High Functional Materials & Components	66,771	65,789	64,310
	Logistics, Services & Others	25,702	23,416	23,629
	Financial Services	95,460	100,316	111,820
	Subtotal	432,565	422,114	448,496
	Eliminations & Corporate items	3,488	2,966	2,674
Total	436,053	425,080	451,170	
R&D expenditures	Information & Telecommunication Systems	¥ 169,882	¥ 164,765	¥ 161,640
	Electronic Devices	40,923	47,361	47,037
	Power & Industrial Systems	69,868	78,576	85,591
	Digital Media & Consumer Products	33,221	32,172	33,478
	High Functional Materials & Components	43,384	43,398	48,869
	Logistics, Services & Others	12,525	5,354	4,797
	Financial Services	2,022	2,347	1,686
	Subtotal	371,825	373,973	383,098
	Corporate items	—	14,661	21,981
Total	371,825	388,634	405,079	
Assets	Information & Telecommunication Systems	¥1,759,163	¥ 1,767,074	¥ 1,844,979
	Electronic Devices	899,821	838,605	856,147
	Power & Industrial Systems	2,191,091	2,357,504	2,474,327
	Digital Media & Consumer Products	781,386	719,168	841,935
	High Functional Materials & Components	1,185,662	1,301,039	1,363,833
	Logistics, Services & Others	1,027,699	932,354	958,337
	Financial Services	2,062,921	2,157,409	2,280,880
	Subtotal	9,907,743	10,073,153	10,620,438
	Eliminations & Corporate items	(317,421)	(336,906)	(599,243)
Total	9,590,322	9,736,247	10,021,195	

		2004	2005	2006
Number of employees	Information & Telecommunication Systems	91,254	91,956	92,413
	Electronic Devices	25,688	26,492	30,288
	Power & Industrial Systems	82,142	92,919	96,189
	Digital Media & Consumer Products	34,370	34,458	34,572
	High Functional Materials & Components	51,742	59,172	59,065
	Logistics, Services & Others	32,883	34,113	34,941
	Financial Services	4,490	4,485	4,706
	Subtotal	322,569	343,595	352,174
	Corporate	3,775	3,829	3,705
	Total	326,344	347,424	355,879

Geographic Segments

		Millions of yen		
		2004	2005	2006
Revenues				
Japan	Outside customer revenues	¥ 6,364,411	¥ 6,598,002	¥ 6,747,222
	Intersegment transactions	854,532	937,814	1,033,180
	Total	7,218,943	7,535,816	7,780,402
Asia	Outside customer revenues	993,471	1,059,197	1,178,568
	Intersegment transactions	312,153	388,249	453,823
	Total	1,305,624	1,447,446	1,632,391
North America	Outside customer revenues	784,782	798,266	899,608
	Intersegment transactions	25,894	34,224	64,486
	Total	810,676	832,490	964,094
Europe	Outside customer revenues	404,278	470,792	519,042
	Intersegment transactions	32,949	20,015	27,390
	Total	437,227	490,807	546,432
Other Areas	Outside customer revenues	85,508	100,786	120,361
	Intersegment transactions	2,655	3,545	11,182
	Total	88,163	104,331	131,543
	Subtotal	9,860,633	10,410,890	11,054,862
	Eliminations & Corporate items	(1,228,183)	(1,383,847)	(1,590,061)
Total	8,632,450	9,027,043	9,464,801	
Operating income (note 2 on page 21)				
Japan		¥ 177,102	¥ 274,389	¥ 275,715
Asia		33,363	27,538	6,727
North America		4,733	10,188	23,428
Europe		10,512	16,382	18,702
Other Areas		3,245	3,260	6,555
Subtotal		228,955	331,757	331,127
Eliminations & Corporate items		(44,092)	(52,702)	(75,115)
Total		184,863	279,055	256,012

Revenues by Market

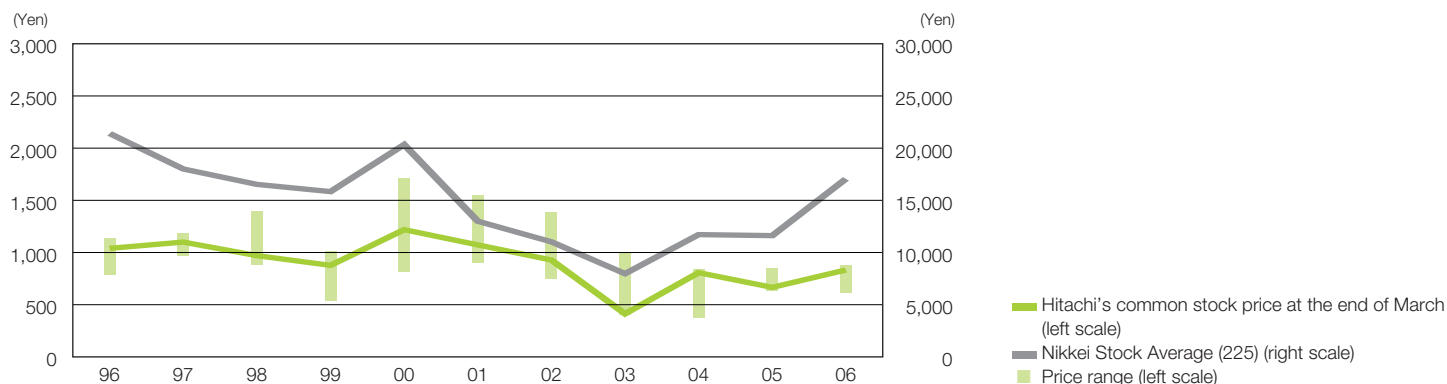
		Millions of yen		
		2004	2005	2006
Japan	Revenues	¥5,654,856	¥5,749,603	¥5,825,156
	Percentage of Total Revenues (%)	66	64	62
Outside Japan	Asia	1,212,844	1,406,883	1,619,235
	Percentage of Total Revenues (%)	14	15	17
	North America	873,243	901,855	968,957
	Percentage of Total Revenues (%)	10	10	10
	Europe	655,824	709,770	748,480
	Percentage of Total Revenues (%)	7	8	8
	Other Areas	235,683	258,932	302,973
	Percentage of Total Revenues (%)	3	3	3
	Subtotal	2,977,594	3,277,440	3,639,645
	Percentage of Total Revenues (%)	34	36	38
	Total	8,632,450	9,027,043	9,464,801

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 and special termination benefits 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)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Price range High	¥ 1,140	¥ 1,180	¥ 1,390	¥ 1,015	¥ 1,709	¥ 1,549	¥ 1,380	¥ 997	¥ 835	¥ 850	¥ 874
Price range Low	781	961	877	532	814	899	745	398	366	627	604
Price at the end of March	1,040	1,100	970	877	1,219	1,073	928	413	807	666	833
Nikkei Stock Average (225)	21,406	18,003	16,527	15,836	20,337	12,999	11,024	7,972	11,715	11,618	17,059

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

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Number of shares on which diluted net income per share is calculated (thousand)	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	3,435,433
Common stock of Hitachi, Ltd. at March 31 (thousand)	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	3,368,126
Net income (loss) per share (Diluted) (¥)	40.48	25.97	3.58	(98.15)	4.99	30.32	(144.95)	8.19	4.75	15.15	10.84
Price/Earnings ratio (Times)	25.7	42.4	270.9	—	244.3	35.4	—	50.4	170.0	44.0	76.8
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	55.16
Price/Free cash flow ratio (Times)	—	—	—	—	258.76	23.09	14.75	50.83	7.94	58.34	15.10
Stockholders' equity per share (¥)	1,068.00	1,054.26	1,012.77	900.57	895.08	857.27	690.28	550.76	657.42	692.73	752.91
Price/Book value ratio (Times)	0.97	1.04	0.96	0.97	1.36	1.25	1.34	0.75	1.23	0.96	1.11
Cash dividends declared per share (¥)	11.00	11.00	11.00	5.50	6.00	11.00	3.00	6.00	8.00	11.00	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, 2006

Issue Date	Type	Outstanding	Coupon (%)	Conversion Price	Redemption Date
10/19/2004	CB #A	¥50,000 million	0.0	¥822	10/19/2009
10/19/2004	CB #B	¥50,000 million	0.0	¥1,009	10/19/2009

Notes: 1. Conversion prices are subject to revision.

2. Conversion price of CB #B was revised to ¥822 on April 19, 2006.

Major Stockholders

As of March 31, 2006

	Numbers of Shares Held	Percentage of Total Shares Issued
NATS CUMCO	292,793,700	8.69%
State Street Bank and Trust Company	202,063,693	6.00%
The Master Trust Bank of Japan, Ltd.	189,443,000	5.62%
Japan Trustee Services Bank, Ltd.	155,829,000	4.63%
The Chase Manhattan Bank, N.A. London	106,973,180	3.18%
Nippon Life Insurance Company	99,247,195	2.95%
Hitachi Employees' Shareholding Association	91,732,952	2.72%
The Dai-ichi Mutual Life Insurance Company	75,661,222	2.25%
Trust & Custody Services Bank, Ltd.	58,446,000	1.74%
Meiji Yasuda Life Insurance Company	49,044,818	1.46%

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.

Shareholders Composition

As of March 31, 2006

Foreign Investors	39.59%
Individuals	29.54%
Financial Institutions and Securities Firms	27.12%
Others	3.75%

Administrator of Shareholders' Register

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

As of June 27, 2006

Frankfurt and New York stock exchanges
Note: Hitachi, Ltd. is applying to delist its shares (represented by depository receipts) from Frankfurt Stock Exchange.

Japanese Stock Exchange Listings

Tokyo, Osaka, Nagoya, Fukuoka and Sapporo stock exchanges

Corporate Data

As of March 31, 2006

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	476
	Overseas	456
Number of Employees	355,879	
Common Stock	Issued	3,368,126,056 shares
Number of Shareholders	407,522	
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 94005-1845
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) Ltd.
18F Beijing Fortune Bldg.,
5 Dong San Huan Bei-Lu, Chao Yang District, Beijing 100004
TEL: +86-10-6539-9135

HITACHI
Inspire the Next



This Financial Highlights was printed on recycled paper.

Printed in Japan