

FOR IMMEDIATE RELEASE

Issuance of Euro Yen Zero Coupon Convertible Bonds due 2009

Tokyo, September 21, 2004 --- Hitachi, Ltd. (TSE:6501 / NYSE:HIT, the "Company") today announced that, pursuant to the decision by the President and Chief Executive Officer, the Company decided the issuance of Euro Yen Zero Coupon Convertible Bonds due 2009 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) in the total amount of JPY 100 billion, consisting of JPY 50 billion Series A Zero Coupon Convertible Bonds due 2009 and JPY 50 billion Series B Zero Coupon Convertible Bonds due 2009 (collectively, the "Convertible Bonds"). The Convertible Bonds will be subscribed and purchased by Saman Capital Limited ("Saman"), the special purpose vehicle established in Cayman Islands. Saman will then issue various series of the repackaging notes secured by the Convertible Bonds and enter into certain derivative transactions with Nomura Securities Co., Ltd.

Purpose of Financing

Under its medium-term management plan "i.e. HITACHI Plan II," the Company is pursuing a realignment of its business portfolio by increasing focus on targeted businesses, businesses that will drive its growth and businesses where it can best leverage its strengths, in an effort to achieve increased profitability and enhance the financial positions. The proceeds are expected to be used to secure funding for forward-looking investments such as R&D and capital investments in the targeted businesses in an effort to realize further growth in the medium and long term.

The Company has financed flexibly by raising funds from diverse sources, according to use of the proceeds and market conditions. Under this financial policy, the Company issued debentures in May 2003 and raised funds through syndicated loan in September 2004 to secure funds for redemption of convertible bonds.

The Company intends to secure funds for the forward-looking investments by low costs and to enhance the financial positions by the conversion into the shares with high conversion price in the long term.

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Features of Convertible Bonds

Zero coupon financing by the Convertible Bonds allows the Company to minimize its interest cost and the terms of the stock acquisition rights are intended to enhance the financial position of the Company by encouraging the conversion of the Convertible Bonds when the market price of shares is going up, concurrently minimizing the potential dilution of earnings per share.

To minimize the potential dilution of earnings per share, the Company intends to target the initial conversion price with a high premium compared to the current market price and the terms of the Convertible Bonds will have a contingent conversion feature. In addition, by adding the conversion price reset feature, the potential dilution of earnings per share will be further minimized as the conversion price would be reset higher under certain conditions if the market price of share rises beyond the initial conversion price. If the market price of share goes down, the conversion price would be reset downward, but the Company intends to minimize the potential dilution by setting the floor conversion price enough higher than the current market price.

Since the conversion price reset feature functions as incentives to exercise the conversion before upward reset of the conversion price in case the market price of share rises beyond the initial conversion price, the Company expects the conversion of the Convertible Bonds will be encouraged in case the market price of share moves up. In addition, two series of the Convertible Bonds have different reset dates for the reset of the conversion price, it is expected that the conversion prices of two series of the Convertible Bonds become different and the timing of the conversion will be dispersed.

Terms of Convertible Bonds

1. Name of Convertible Bonds:
Series A Zero Coupon Convertible Bonds due 2009 (the "Series A Convertible Bonds")
Series B Zero Coupon Convertible Bonds due 2009 (the "Series B Convertible Bonds", and together with the Series A Convertible Bonds, the "Convertible Bonds")
The stock acquisition rights (*shinkabu yoyakuken*) incorporated in the Convertible Bonds shall be hereinafter referred to as the "Stock Acquisition Rights" and the Convertible Bonds excluding the Stock Acquisition Rights shall be referred to as the "Bonds". The following terms are applicable to both the Series A Convertible Bonds and the Series B Convertible Bonds unless otherwise provided.
2. Total amount of the Bonds:
Series A Convertible Bonds: ¥50,000,000,000
Series B Convertible Bonds: ¥50,000,000,000
3. Issue price of the Bonds:
100 per cent. of the principal amount of the Bonds. (Denomination of each Bond: ¥5,000,000)
4. Interest Rate:
The Bonds shall not bear interest.

5. Issue price of Stock Acquisition Rights:
Zero
6. Date of payment and date of issue:
October 19, 2004 (London time)
7. Method of Offering:
Third-party allotment arranged by Nomura Securities Co., Ltd. outside Japan to Saman Capital Limited, a special purpose vehicle established in Cayman Islands.
8. Particulars of Stock Acquisition Rights:
 - (1) Class and number of shares for the Stock Acquisition Rights:
 - (a) Shares issuable upon exercise of the Stock Acquisition Rights shall be share of common stocks of the Company (hereinafter referred to as the "Shares").
 - (b) The number of Shares, which may be newly issued shares or already issued and held by the Company as treasury shares, to be issued or transferred to the Bondholders upon exercise of the Stock Acquisition Rights (such issuance or transfer of the Shares shall be collectively referred to as "delivery" of the Shares) shall be calculated by dividing the aggregate issue price of the Bonds deposited for exercise of the Stock Acquisition Rights by the Conversion Price (as defined (3)(b) below); provided, however, that any fraction of a full Share resulting from the exercise of the Stock Acquisition Rights shall be disregarded and no cash adjustment will be made. In case that Shares constituting less than one unit are issued upon exercise of the Stock Acquisition Rights, the Company will make cash payment with respect to those shares as though a holder thereof exercised the right to request the Company to purchase those Shares under the Commercial Code of Japan and waived the right to request the Company to sell to it additional Shares for the purpose of making such Bondholder's holding of Shares, when added to the Shares held by such Bondholder, constitute the nearest complete unit of Shares.
 - (2) Total number of Stock Acquisition Rights:

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| Series A Convertible Bonds: | 10,000 |
| Series B Convertible Bonds: | 10,000 |
 - (3) The amount to be paid upon the exercise of the Stock Acquisition Rights:
 - (a) The amount to be paid upon the exercise of each Stock Acquisition Right shall be the amount equal to the issue price of each Bond.
 - (b) The price per share for calculation of the number of shares of common stock of the Company to be delivered upon exercise of the Stock Acquisition Rights ("Conversion Price") shall be as follows;
 - (i) Initial Conversion Price
To be determined by Etsuhiko Shoyama, the President and Chief Executive Officer
 - (ii) Revision of the Conversion Price:

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| Series A Convertible Bonds: | The Conversion Price shall be reset to 95 per cent. (rounded upwards to the nearest one yen) of the average closing price of Shares on the Tokyo Stock Exchange for 30 consecutive trading days up to October 9, 2005 and October 9, 2007 |
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(Japan time) (hereinafter referred to the "Series A First Reset Date" and "Series A Second Reset Date" respectively, and collectively, the "Series A Reset Dates") on and from (in case of the Series A First Reset Date) October 19, 2005 and (in case of the Series A Second Reset Date) October 19, 2007 (Japan time) (hereinafter referred to as the "Series A First Effective Date" and the "Series A Second Effective Date" respectively, and collectively, the "Series A Effective Dates") respectively. Provided, however, that the reset Conversion Price shall not be reset below the floor reset Conversion Price to be determined by Etsuhiko Shoyama, the President and Chief Executive Officer (subject to adjustment (in the manner provided in (b)(iii) below) which becomes effective (in the case of the Series A First Reset Date) up to and including the Series A First Effective Date and (in the case of the Series A Second Reset Date) up to and including the Series A Second Effective Date but not subject to reset in the manner provided in this (b)(ii)).

The reset Conversion Price is subject to any adjustment made in the period from but excluding each Series A Reset Date to and including the respective Series A Effective Date in accordance with (b)(iii) below.

Series B Bonds: The Conversion Price shall be reset to 95 per cent. (rounded upwards to the nearest one yen) of the average closing price of Shares on the Tokyo Stock Exchange for 30 consecutive trading days up to April 9, 2006 and April 9, 2008 (Japan time) (hereinafter referred to the "Series B First Reset Date" and "Series B Second Reset Date" respectively, and collectively, the "Series B Reset Dates") on and from (in case of the Series B First Reset Date) April 19, 2006 and (in case of the Series B Second Reset Date) April 19, 2008 (Japan time) (hereinafter referred to as the "Series B First Effective Date" and the "Series B Second Effective Date" respectively, and collectively, the "Series B Effective Dates") respectively. Provided, however, that the reset Conversion Price shall not be reset below the floor reset Conversion Price to be determined by Etsuhiko Shoyama, the President and Chief Executive Officer (subject to adjustment (in the manner provided in (b)(iii) below) which becomes effective (in the case of the Series B First Reset Date) up to and including the Series B First Effective Date and (in the case of the Series B Second Reset Date) up to and including the Series B Second Effective Date but not subject to reset in the manner provided in this (b)(ii)).

The reset Conversion Price is subject to any adjustment made in the period from but excluding each Series B Reset Date to and including the respective Series B Effective Date in accordance with (b)(iii) below.

(iii) Adjustment to the Conversion Price:

The Conversion Price will be adjusted by the following formula in case the Company delivers, after issuance of the Bonds, the Shares of the Company at a price less than the market price of the Shares of the Company:

- (9) Dividend on shares delivered upon exercise of Stock Acquisition Rights effected during fiscal year:

Initial dividends or interim dividends on the Shares delivered upon the exercise of the Stock Acquisition Rights shall be paid as if the exercise had taken effect at the beginning of the Dividend Accrual Period (each six-month period ending on 31 March or 30 September of each year) during which the relevant effective date of the exercise of the Stock Acquisition Right set forth in (5) above falls.

9. Particulars of Bonds:

- (1) Method and Time of Redemption of the Bonds:

- (a) Redemption at maturity:

The Convertible Bonds shall be redeemed at 100 per cent. of the principal amount of the Bonds on October 19, 2009.

- (b) Early redemption:

- (i) Redemption for Taxation Reasons

If the Company satisfies the Trustee that, as a result of any change in the Japanese tax law, etc., the Company would be required to pay any additional amounts and the requirement cannot be avoided by the Company taking reasonable measures available to it, the Company may, upon giving not less than 30 days' nor more than 60 days' prior notice to the Bondholders, at any time redeem all, but not some only, of the Bonds then outstanding at their principal amount; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

- (ii) Redemption for *Kabushiki Kokan* or *Kabushiki Iten*

In the case of a resolution being passed at a general meeting of shareholders of the Company for the Company to become a wholly-owned subsidiary of another corporation ("Holding Company") by way of *kabushiki-kokan* or *kabushiki-iten* then, the Company, (i) if it is legally possible and practicable under the then applicable Japanese law, the Company shall use its best endeavours to execute and/or procure the Holding Company to execute, a trust deed in a form satisfactory to the Trustee, supplemental to the Trust Deed, and to structure the transaction in a manner which, together with the supplemental trust deed, provides that the holder of each Bond then outstanding shall have the right (during the exercise period as provided in 8.(5) above) to exercise the Stock Acquisition Right and, upon exercise, to receive the class and amount of shares, and other securities and property receivable upon such *kabushiki-kokan* or *kabushiki-iten* by a holder of the number of Shares which the holder of each Bond could have acquired upon exercise of the Stock Acquisition Rights immediately prior to such *kabushiki-kokan* or *kabushiki-iten*, or (ii) if (i) above is not then legally possible or practicable under the then applicable Japanese law or, despite the Company using its best endeavours, the transaction in (i) above cannot be so structured, the Company shall use its best endeavours to make, or procure the Holding Company to make, an

offer to each Bondholder to exchange each Bond then held by such Bondholder for a new bond to be issued by the Company or the Holding Company, as the case may be, which contains terms that are equivalent to the terms of Bonds and provides either (x) for the right of such Bondholder to acquire the class and amount of shares, and other securities and property receivable upon such *kabushiki-kokan* or *kabushiki-iten* by a holder of the number of Shares which the holder of each Bond could have acquired upon exercise of the Stock Acquisition Rights immediately prior to such *kabushiki-kokan* or *kabushiki-iten* or (y) for each Bondholder an equivalent economic interest as the Bonds including the Stock Acquisition Rights. If (a) an offer is made to Bondholders in (ii) above but is not accepted by all Bondholders; or (b) it is not legally possible or practicable under the then applicable Japanese law to effect a transaction provided for by (ii) above, or it is legally possible and practicable as aforesaid but, despite the Company using its best endeavours, the Company cannot effect a transaction provided for by (ii) above, then the Company may, having given not less than 30 nor more than 60 days' prior notice of redemption to Bondholders, redeem all, but not some only, of the Bonds then outstanding in respect of which the offer contemplated by (ii) above was not made or has not been accepted at the following redemption prices:

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| From October 19, 2004 to October 18, 2005 | 104% |
| From October 19, 2005 to October 18, 2006 | 103% |
| From October 19, 2006 to October 18, 2007 | 102% |
| From October 19, 2007 to October 18, 2008 | 101% |
| From October 19, 2008 to October 18, 2009 | 100% |

(iii) Redemption due to the exercise of put option of the Bondholders

The Bondholders are entitled, at its option, to require the Company to redeem the Convertible Bonds at a redemption price of 100% of the principal amount on October 17, 2008. To exercise such option, the Bondholders shall deposit to the Conversion Agent as provided in the terms and conditions of the Convertible Bonds not less than 30 nor more than 60 days prior to October 17, 2008, a notice of redemption in the provided form. The Stock Acquisition Right incorporated in a Bond which has been deposited for redemption shall be waived and forfeited on such redemption date.

(iv) Compulsory redemption due to events of default

If any of the events set out in the terms and conditions of the Convertible Bonds occurs and the Trustee notifies the Company of an occurrence of an event of default with respect to the Bonds, the Company shall redeem the Bonds at their principal amount.

(2) Purchase and cancellation:

The Company and/or any of its Subsidiaries (as defined in the Trust Deed) may at any time purchase Convertible Bonds in the open market or otherwise and may hold or resell the Convertible Bonds. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled, at which time the Stock Acquisition Rights incorporated therein shall simultaneously be waived

and forfeited. Convertible Bonds that have been purchased by any Subsidiary may, at the option of the relevant Subsidiary, be delivered to the Company for cancellation, at which time the Stock Acquisition Rights incorporated therein shall simultaneously be waived and forfeited.

- (3) Form of the Convertible Bonds:
Convertible Bonds certificates in the bearer form
- (4) Collateral or Guarantees
There is no collateral or guarantees for the Bonds.
- (5) Covenants
There is a negative pledge clause.

10. Listing

Not applicable

11. Substitute Payment:

Pursuant to Items 7 and 8 of Paragraph 1 of Article 341-3 of the Commercial Code of Japan, when the Stock Acquisition Rights are exercised, the exercising Bondholder shall be deemed to have made the request that the full amount required to be paid upon exercise of such Stock Acquisition Rights shall be deemed to be paid in lieu of the full redemption of the Bonds in respect of such Stock Acquisition Rights.

About Hitachi Ltd.

Hitachi, Ltd. (NYSE: HIT/ TSE: 6501), headquartered in Tokyo, Japan, is a leading global electronics company, with approximately 326,000 employees worldwide. Fiscal 2003 (ended March 31, 2004) consolidated sales totaled 8,632.4 billion yen (\$81.4 billion). The company offers a wide range of systems, products and services in market sectors, including information systems, electronic devices, power and industrial systems, consumer products, materials and financial services. For more information on Hitachi, please visit the company's Web site at <http://www.hitachi.com>.

Note: This press release is intended as general information regarding Hitachi, Ltd.'s issuance of convertible bonds and shall not be considered an offering of securities. This press release shall not be construed as an offering of securities in any region including the United States. The securities may not be offered or sold in the United States absent registration or an applicable exemption under the Securities Act of 1933. In the event of an offering of securities in the United States, a prospectus in English prepared in accordance with the Securities Act of 1933 will be used. This transaction does not involve any public offering of securities in the United States.

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