

**HITACHI**  
Inspire the Next

**OVERVIEW OF  
FINANCIAL RESULTS  
FOR FISCAL 2004**

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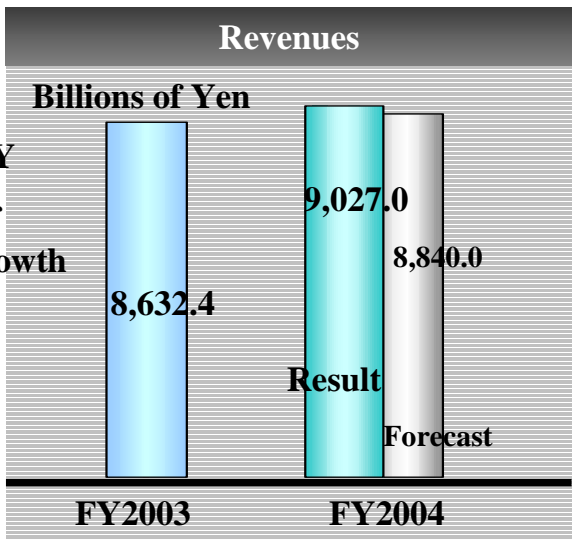
**April 28, 2005**

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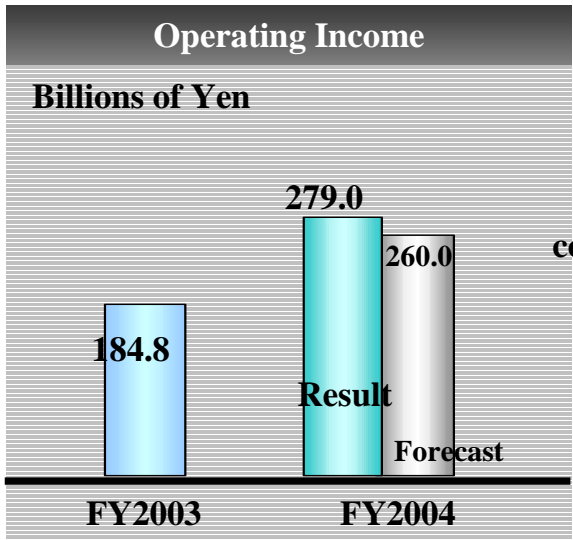
**Hitachi, Ltd.**

# 01

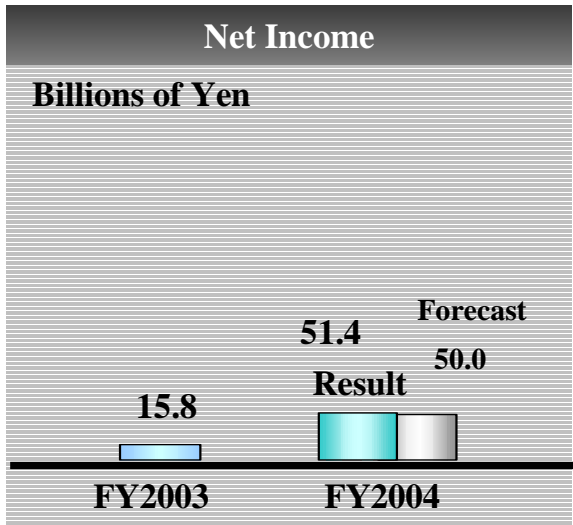
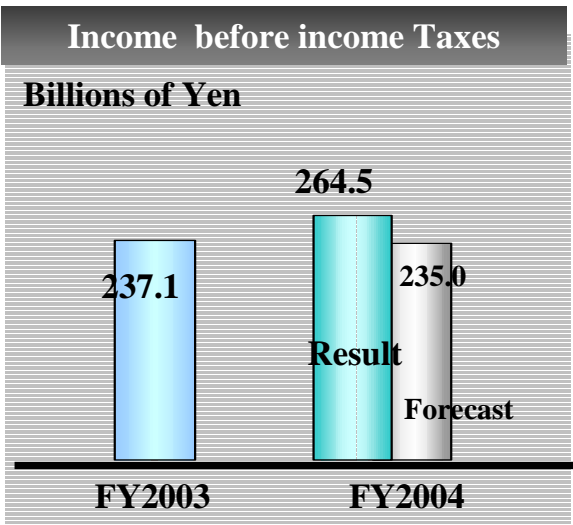
## **Consolidated Financial Highlights for Fiscal 2004**



Up 5% YoY  
3<sup>rd</sup> year of consecutive growth



Up 51% YoY  
3<sup>rd</sup> year of consecutive growth



Forecasts are figures announced on February 2, 2005 with the third quarter earnings release.

Billions of Yen

<b>Revenues</b>	<b>9,027.0</b>
<b>Cost of sales</b>	<b>6,961.2</b>
<b>SG &amp; A expenses</b>	<b>1,786.7</b>
<b>Operating Income</b>	<b>279.0</b>
<b>Non-operating items</b>	<b>(14.5)</b>
<b>Net interest and dividend</b>	<b>(9.6)</b>
<b>Streamlining expenses</b>	<b>(69.6)</b>
<b>Net gain on sales of securities</b>	<b>46.4</b>
<b>Equity-method income</b>	<b>14.2</b>
<b>Others</b>	<b>(4.1)</b>
<b>Income before income taxes and minority interests</b>	<b>264.5</b>
<b>Income taxes</b>	<b>(149.9)</b>
<b>Income before minority interests</b>	<b>114.5</b>
<b>Minority interests</b>	<b>(63.0)</b>
<b>Net income</b>	<b>51.4</b>



### Effects of business reorganization on revenues

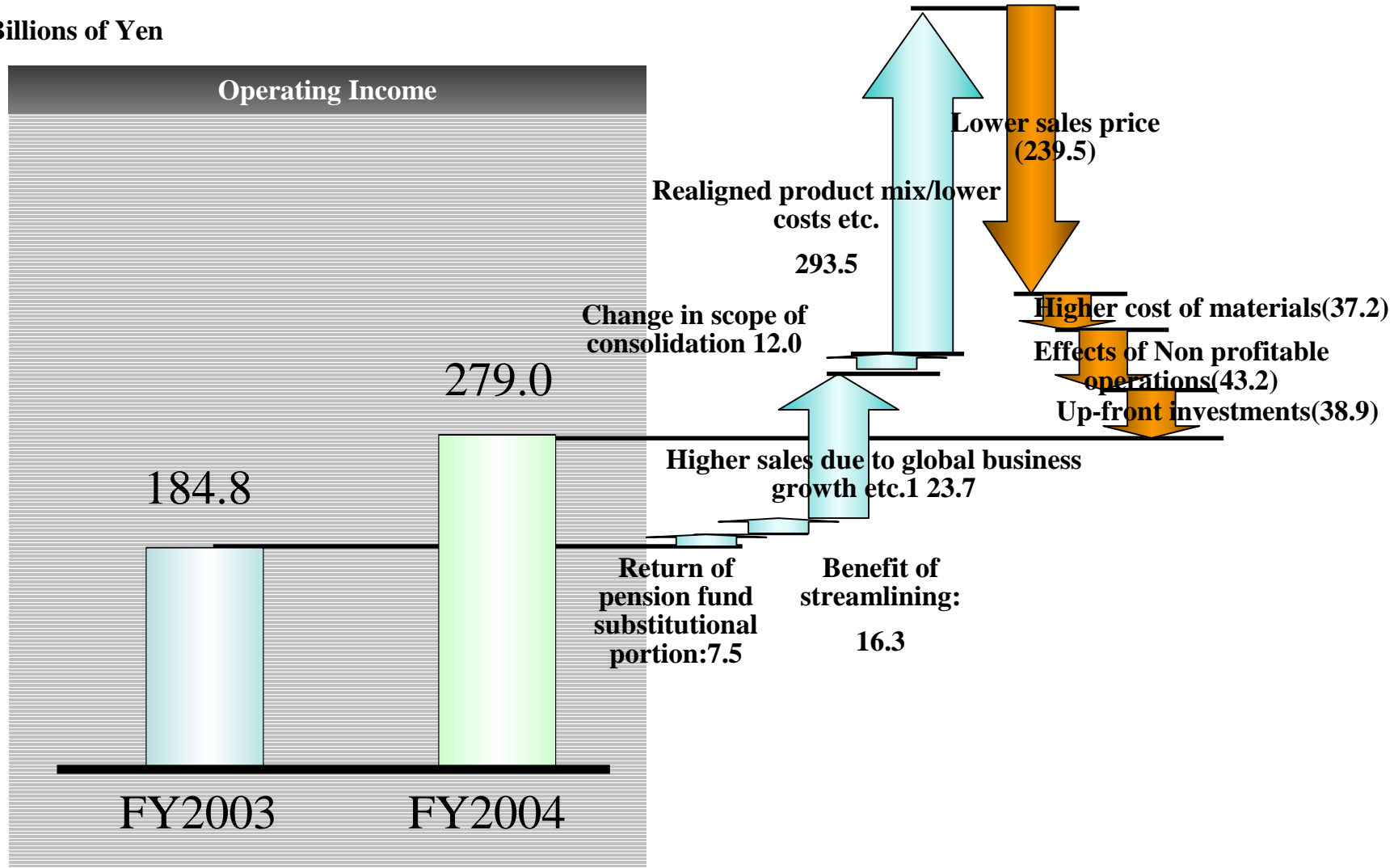
Sale of printer business : (33.0)  
 ATM merger: +13.0  
 Consolidation of Chinese escalator/elevator subsidiary: +42.0  
 TOKICO acquisition : +65.0  
 NEOMAX acquisition : +113.0



### Major components of non-operating items

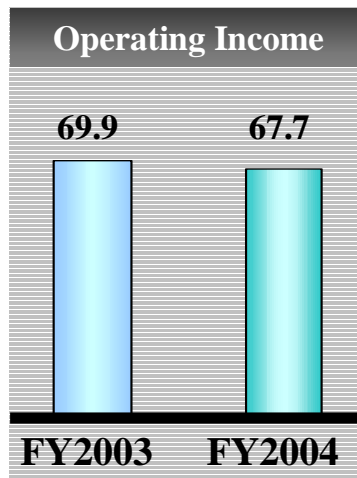
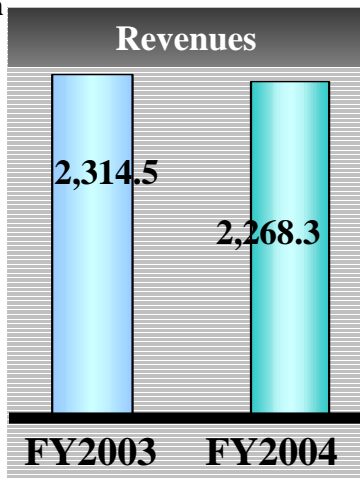
**Streamlining expenses(69.6)**  
 #Cost of structural reforms:(33.3)  
 #Gain/losses associated with fixed assets (36.3)  
**Gain/Losses on sales of securities: 46.4**  
 #Hitachi printing solutions  
 #Tokyo Securities Transfer Agent etc.

Billions of Yen



## Information &amp; telecommunication Systems

Billions of Yen



**Revenues**

- #Strong performance by outsourcing business and other businesses
- #Lower hardware revenues due to drop in server, PC and HDD prices

**Operating Income**

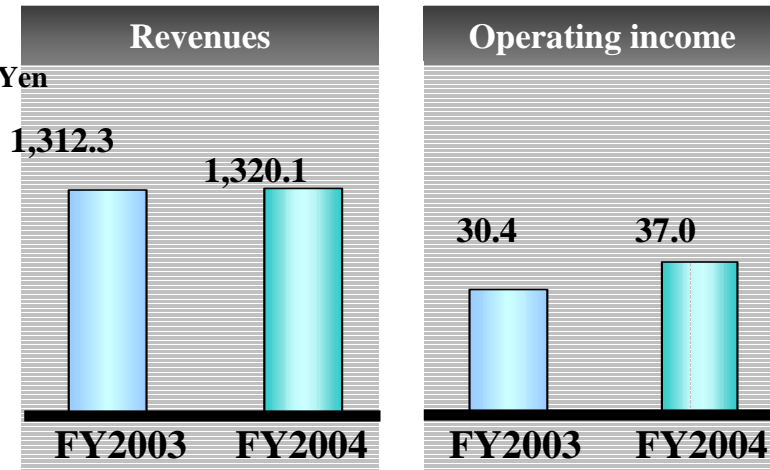
- #Unprofitable projects in system integration sector
- #Improvements in communication equipment and HDDs (HDD still in the red)

	FY04 revenues (Billions of Yen)	YoY change	FY04 operating income (Billions of Yen)	YoY change
Software/Services	1,015.5	103%	48.6	86%
Hardware	1,252.8	95%	19.1	140%
<HDD>	<453.6>	<94%>	<(5.6)>	<->

Note: HDD operations are conducted by Hitachi Global Storage Technologies (Hitachi GST), which has a December 31 fiscal year-end, different from Hitachi's March 31 year-end. Hitachi's results for fiscal 2004 include operating results of Hitachi GST for the period from January through December 2004.

## Electronic Devices

Billions of Yen



## Revenues

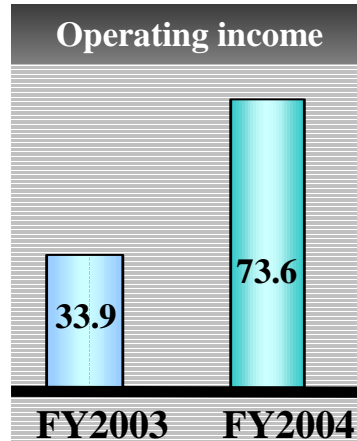
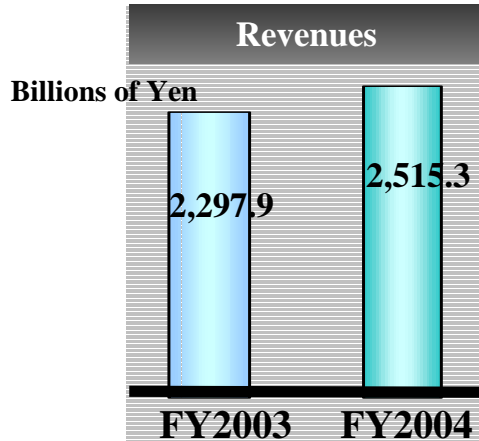
#Strong performance by semiconductor and LCD manufacturing equipment  
 #Big drop in display revenues due to rapid weakening of LCD market

## Operating income

#Higher earnings at Hitachi High-Technologies  
 #Big drop in display earnings caused by lower LCD prices and other factors

	FY04 revenues (Billions of Yen)	YoY change	FY04 operating income (Billions of Yen)	YoY change
Display	223.7	86%	(14.6)	-

## Power &amp; Industrial Systems



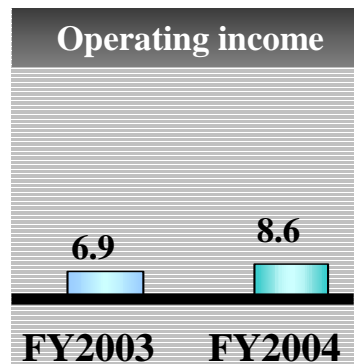
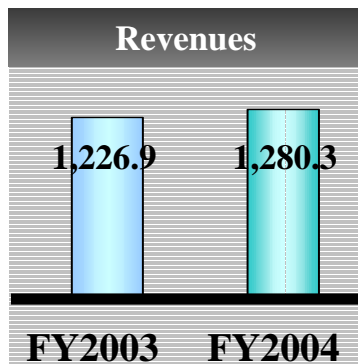
**Revenues**

- #Higher revenues from consolidation of Chinese escalator/elevator company and merger with TOKICO
- #Growth at Hitachi Construction Machinery, air-conditioning systems, industrial machinery and other sectors

**Operating income**

- #Higher earnings at Hitachi Construction Machinery
- #Improvements in air-conditioning systems, industrial machinery and other sectors

## Digital Media &amp; Consumer Products



**Revenues**

- Higher sales of plasma TVs and LCD projectors
- Flat sales of home appliances
- Lower sales at Hitachi Maxell

**Operating income**

- #Higher earnings from plasma TVs, LCD projectors and other products
- #Improvement in home appliances (returned to profitability)

Note: The optical disk drive business is conducted by Hitachi-LG Data Storage, Inc. (HLDS), which has a December 31 fiscal year-end. Hitachi's results for fiscal 2004 include the operating results of HLDS for the period from January through December 2004.



## High Functional Materials &amp; Components

## Revenues

1,297.0      1,504.3

FY2003      FY2004

## Operating income

46.7

87.5

FY2003      FY2004

## Revenues

#Consolidation of NEOMAX  
#Strong results at Hitachi Metals and  
Hitachi Chemical,  
big sales increase at Hitachi Cable

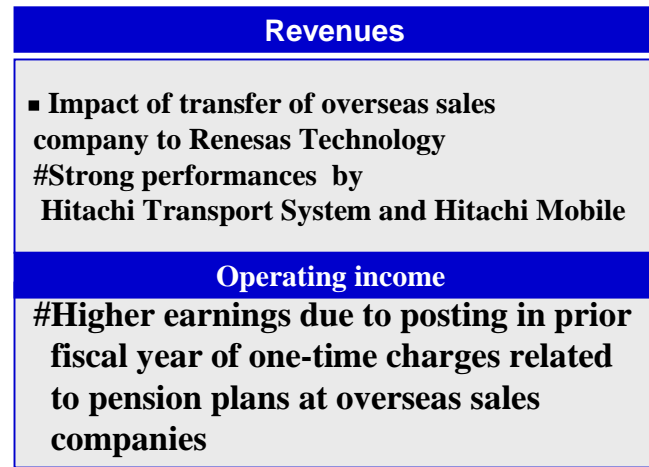
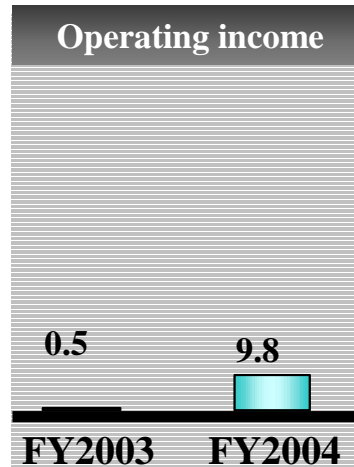
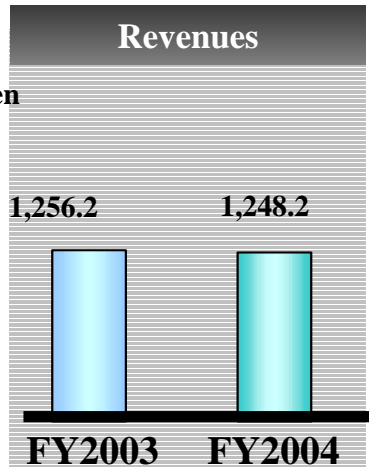
## Operating income

#Higher earnings at Hitachi Chemical,  
Hitachi Metals and Hitachi Cable

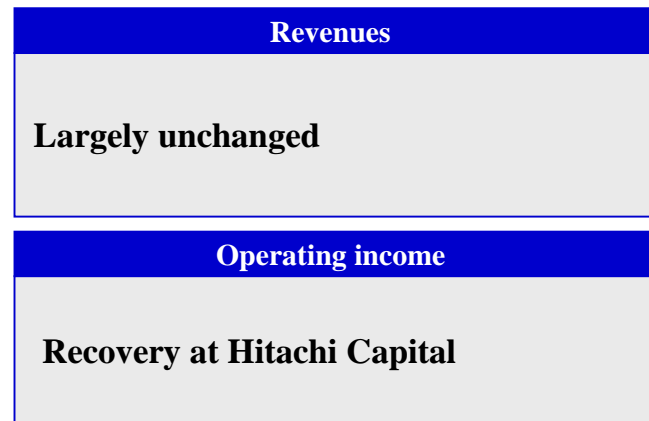
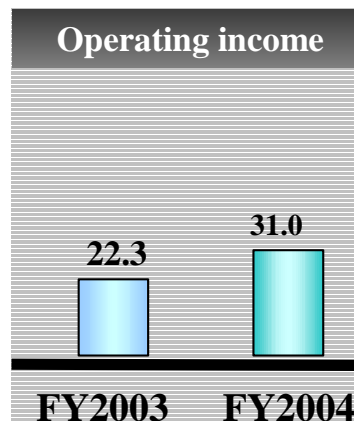
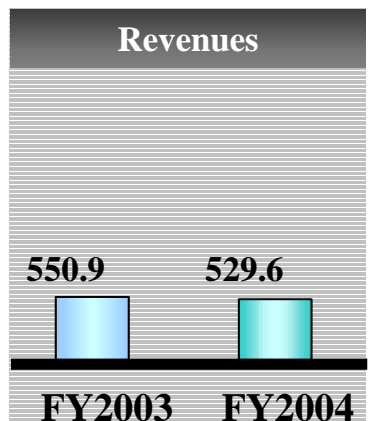
Billions of Yen

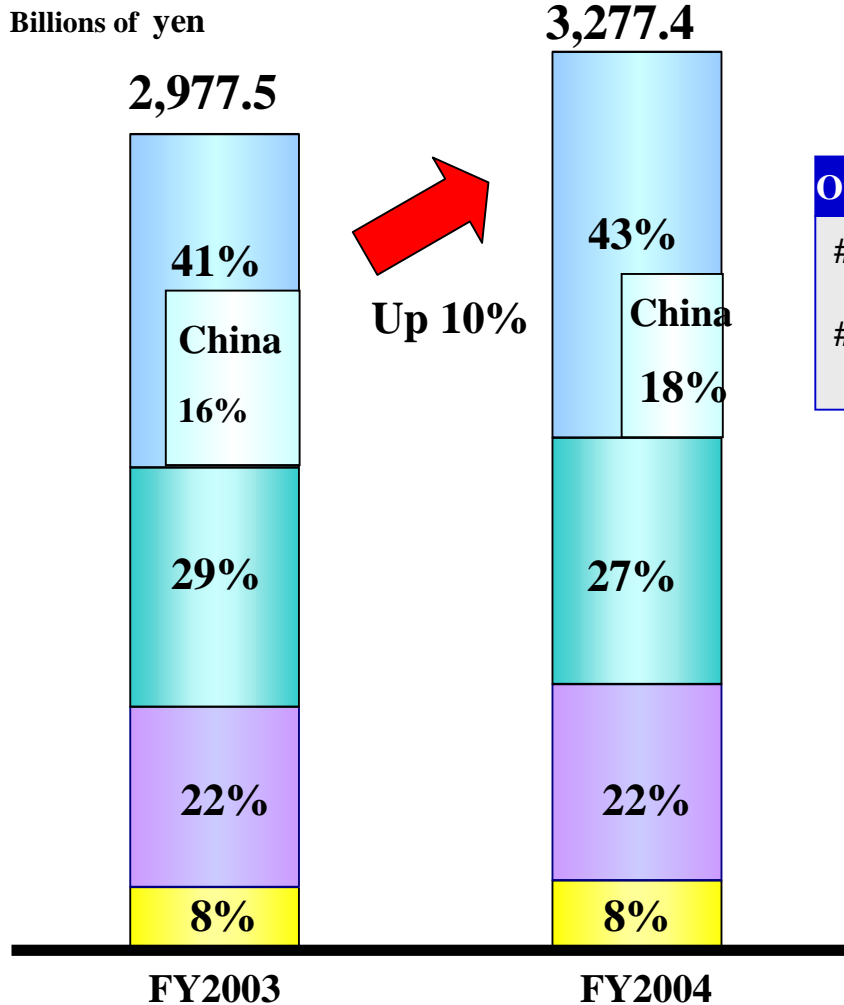
## Logistics, Services &amp; Others

Billions of Yen



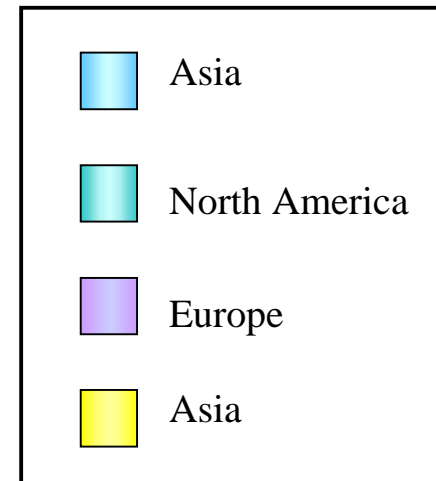
## Financial Services



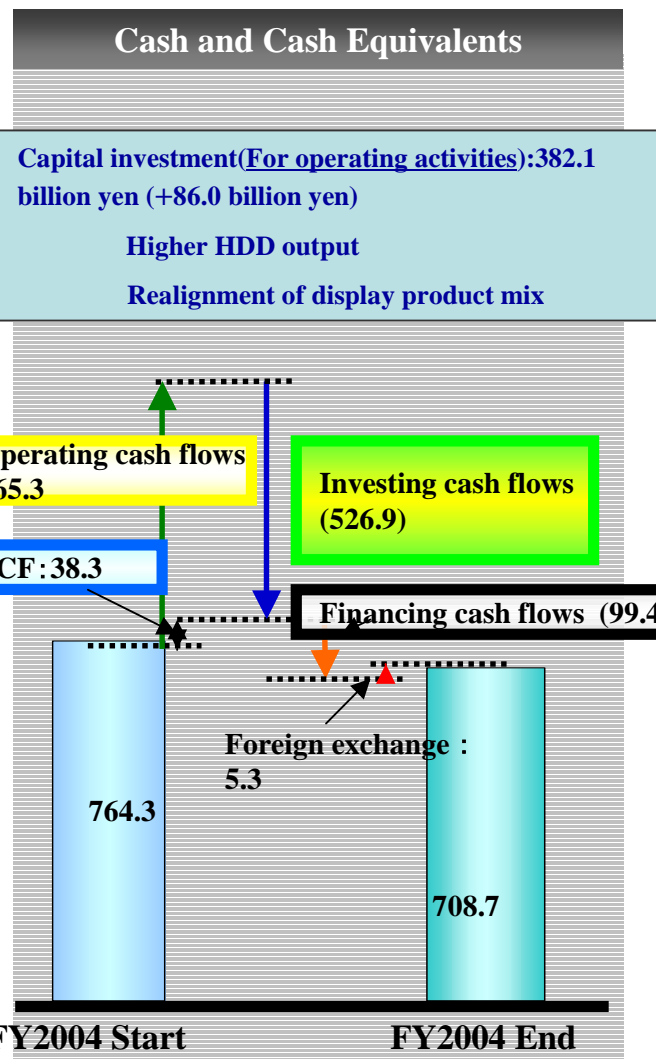
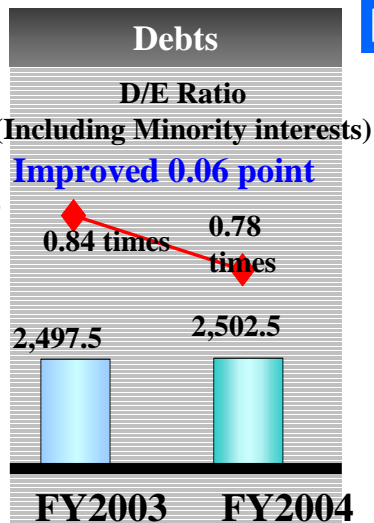
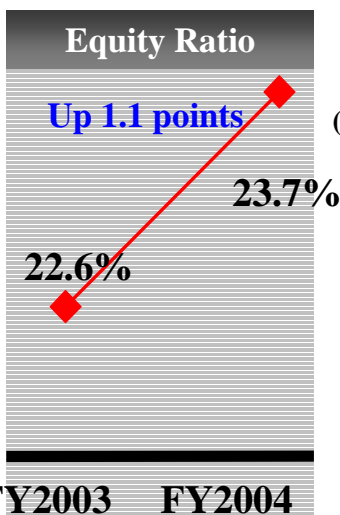
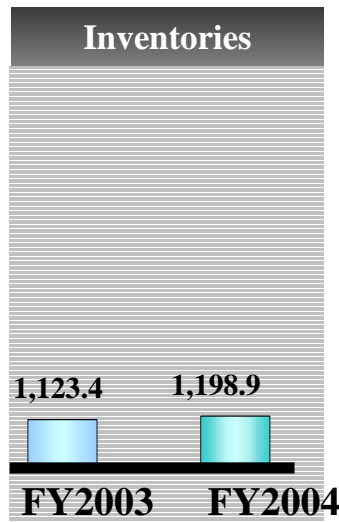
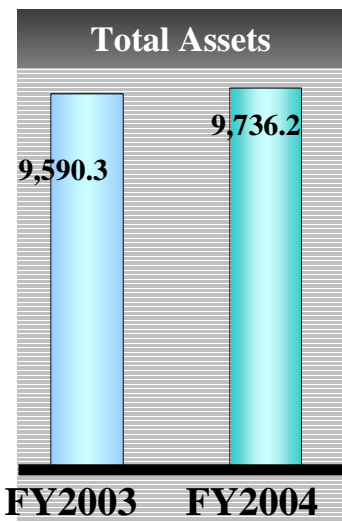


**Overseas sales as pct. of consolidated revenues**

- #Increased from 34% in FY03 to 36% in FY04
- #Increased from 41% to 43% in Asia (mainly China)



Billions of Yen



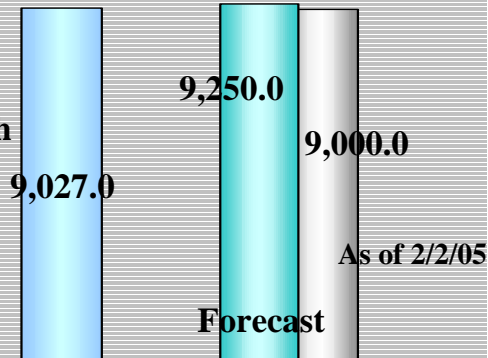
**02**

**Outlook for Year Ending  
March 31, 2006**

Billions of Yen

## Revenues

Up 2% YoY  
4th year of  
consecutive growth

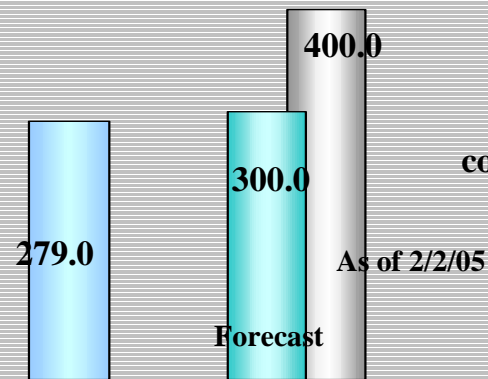


FY2004

FY2005

## Operating Income

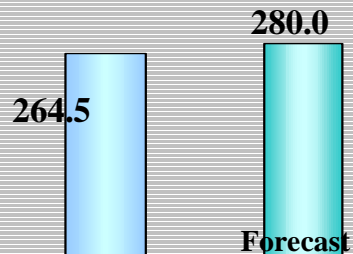
Up 8% YoY  
4th year of  
consecutive growth



FY2004

FY2005

## Income Before Income Taxes



FY2004

FY2005

## Net Income

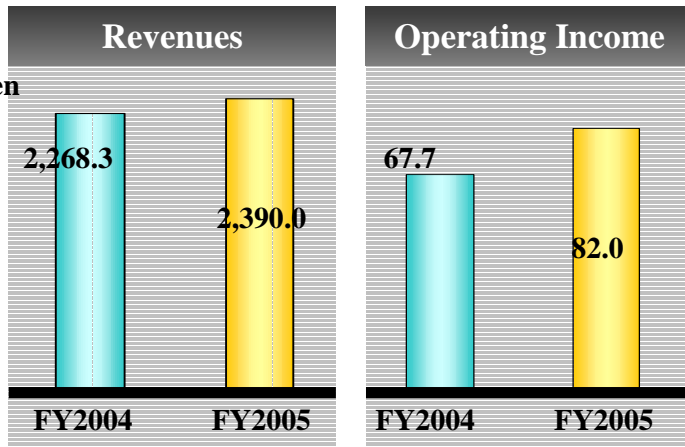


FY2004

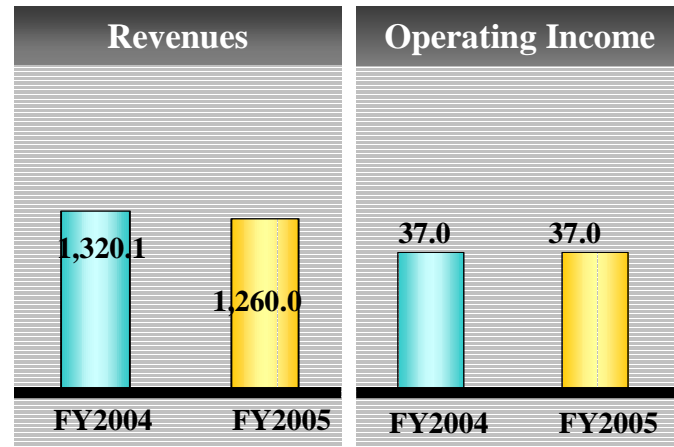
FY2005

## Information &amp; Telecommunication Systems

Billions of Yen

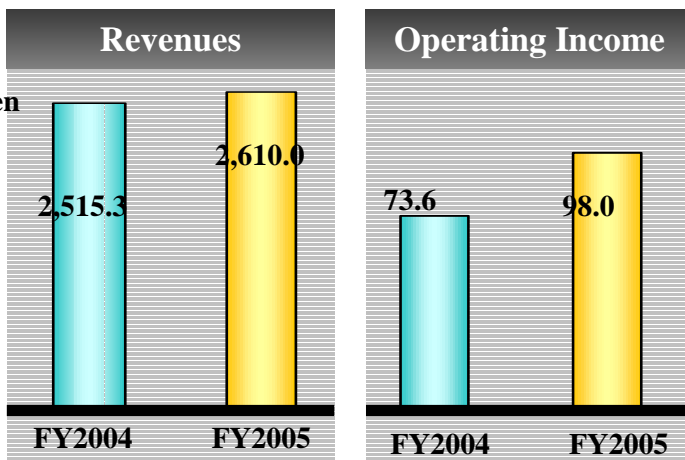


## Electronic Devices

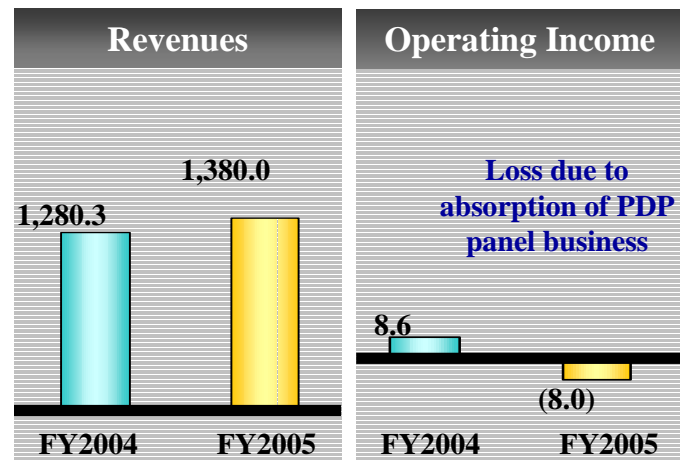


## Power &amp; Industrial Systems

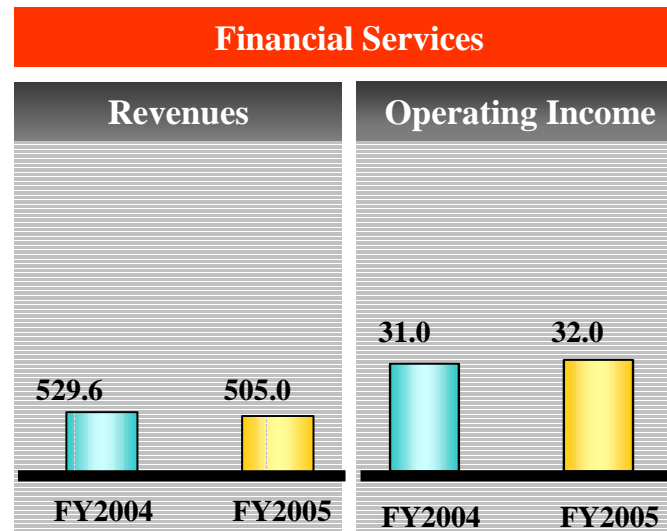
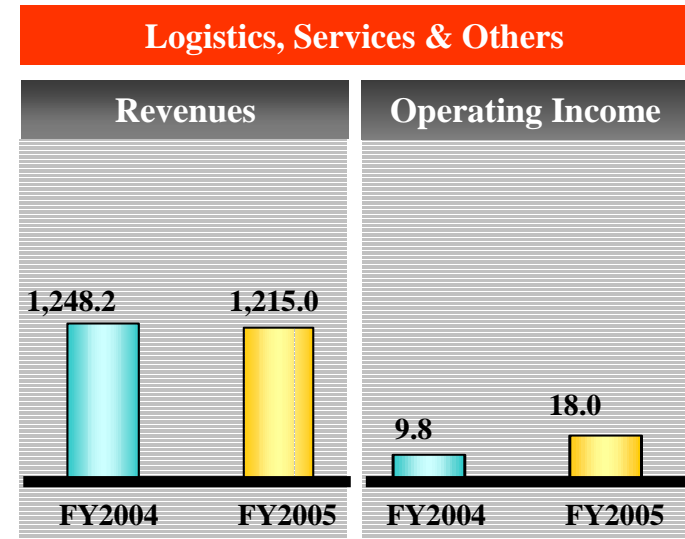
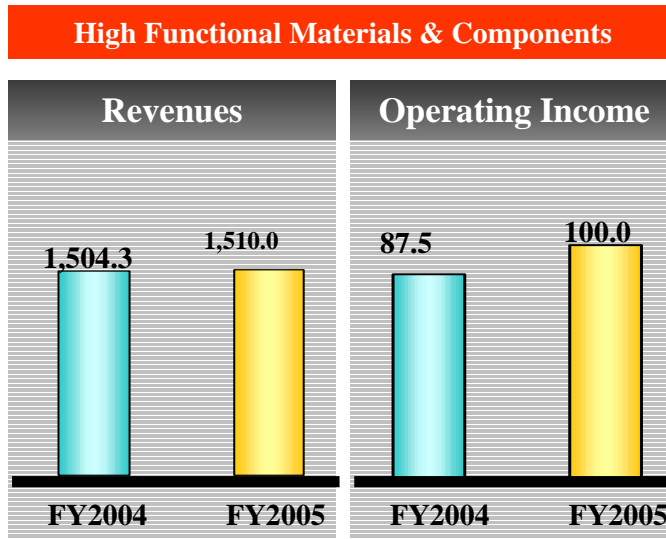
Billions of Yen



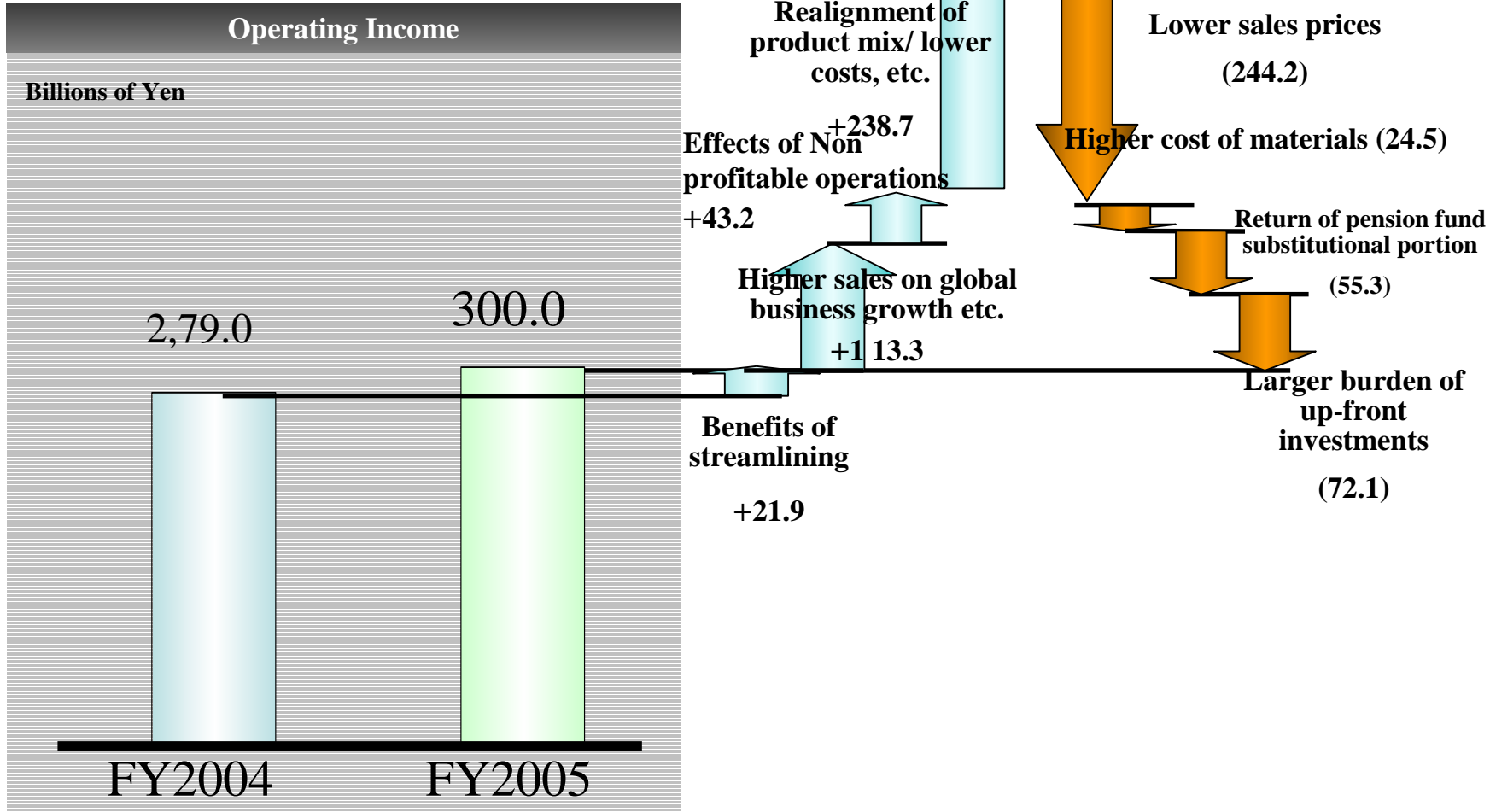
## Digital Media &amp; Consumer Products



Billions of Yen







## ● Fiscal 2005 Forecast

	Fiscal 2005 Forecast	Fiscal 2005 Projections as of Feb. 2004
Revenues	9,250.0	9,000.0 range
Operating income	300.0	Above 400.0

## ● Major Components of Gap Between Operating Income Forecast and Feb. 2004 Projection

### Up-front investments to set the stage for future growth

Investment to make Fujitsu Hitachi Plasma Display a subsidiary (Digital Media & Consumer Products)  
 More development expenses to strengthen key businesses (HDD, LCD, plasma displays, others)  
 Greater development investment to accelerate start up of "Inspire A" business

### Shifts in market conditions

Lower prices of products and components associated with digital media  
 (HDD, LCD, plasma TV, DVD-related products, others)  
 Higher cost of materials

### Additional structural reform initiatives, enhancing manufacturing capabilities

HDD business, display business, power generation and electrical machinery business, plasma panel business

# 03

## **Initiatives for further improvements in revenues and earnings**

## Major initiatives to raise operating income above 300.0 billion yen forecast

Information & Telecommunications Systems	Reinforce core businesses; improve HDD earnings
Electronic Devices	Improve LCD earnings
Power & Industrial Systems	Increase orders; focus resources on growing businesses
Digital Media & Consumer Products	Reinforce plasma display business Execute structural reforms in home appliance business
High Functional Materials/Financial Services	Grow business globally and improve earnings

Theme	Initiatives
<p><b>Strengthen group project management(Enhance/implement risk management)</b></p>	<p><b>Stronger upstream consulting</b>  <b>Increase project managers(1,000 in fiscal 2005)</b>  <b>Introduce certification system for project managers on large-scale projects</b>  <b>Visualization of project progress</b></p>
<p><b>Reinforce and expand core businesses</b></p>	<p><b>Enhance lineup of storage products, networks, blade servers, middleware etc., and move into global market</b></p>
<p><b>Thoroughly implement low-volume, low-cost approach</b></p>	<p><b>Develop common Group technologies</b>  <b>Apply SE productivity standards</b>  <b>Improve productivity</b></p>
<p><b>Leverage real collective strengths to create new businesses unique to Hitachi</b></p>	<p><b>Expand fee-based business</b>  <b>Reinforce and expand security business</b></p>

Theme	Achievements up to fiscal 2004	Initiatives for fiscal 2005
<p><b>Strengthen development capabilities</b></p>	<p><b>Progress in integrating product development process</b>  <b>→Start of shipments of integrated products</b></p>	<p><b>Realign divisions developing products for servers</b>  <b>(Concentrate in US; shift focus in Japan on high-growth fields)</b>  <b>Establish CE Design Center</b>  <b>(CE: <u>C</u>onsumer <u>E</u>lectronics)</b></p>
<p><b>Improve operational efficiency and product quality</b></p>	<p><b>Progress in improving comprehensive product quality with establishment of TQI Office</b>  <b>(TQI: <u>T</u>otal <u>Q</u>uality <u>I</u>nitiative)</b></p>	<p><b>Integrate production processes for heads and disks, install new equipment, and launch new SCM system</b></p>
<p><b>Boost cost competitiveness</b></p>	<p><b>Integration of sites producing products for servers</b>  <b>Progress in boosting output in China</b>  <b>Stronger relationships with vendors</b>  <b>Low-volume approach</b></p>	<p><b>Set up new plants in China</b>  <b>Further progress on low-volume approach</b>  <b>Use common components and technologies in new products</b>  <b>Improve yields</b></p>

	Themes	Actions
Expand businesses by leveraging core technologies	Expand businesses involving mobile phones	Japan: Distinguish services by continuously introducing superior technologies Overseas: Establish base for sales growth to become a leading global company
	Expand businesses involving digital still cameras	High-end models: Use In Plane Switching (IPS) to distinguish products Middle-range: Use Selectively Enlarging Laser Xtallization (SELAX) to distinguish products
	Expand businesses involving portable game units	Use ideas incorporating superior technology to distinguish products
	Expand businesses involving amusement products	Broaden the lineup of large products and offer highly distinctive products
Become more cost competitive	Manufacturing reforms	Improve production yields and throughput Increase use of China for back-end processes Shorten development/production and reduce inventories
	V Project	Use fewer parts Adopt low-cost processes
	Improve the sales/fixed cost ratio	Transform fixed costs into variable costs, take other actions
Optimize the product portfolio	Focus on small and medium-size products	Review the production and sales framework Use distinctive technologies Target a broader range of new markets and customer segments
	Become more competitive in LCD TVs	LCD TV business will be operated by JV IPS Alpha Technology beginning in FY06 Become more globally competitive by optimizing size of investments

Themes		Actions
<b>Improve profitability of underperforming businesses</b>	<b>Increase orders in Japanese electric power business</b>	<b>Focus on large gas turbine combined-cycle projects Increase preventive and maintenance revenues; increase electricity sales and services</b>
	<b>Respond to shift in demand for nuclear power projects</b>	<b>Target Japanese plant construction market; retain staff of engineers Strengthen preventive maintenance services (safety and reliability)</b>
	<b>Water supply and sewer systems</b>	<b>Cut fixed costs in line with falling sales as this market contracts</b>
	<b>Industrial infrastructure</b>	<b>Execute group-wide structural reforms for business operations</b>
<b>Channel resources to growing businesses and overseas markets</b>	<b>Electric power</b>	<b>Target overseas thermal power projects</b>
	<b>Social infrastructure services</b>	<b>Start new businesses that tap the group's expertise</b>
	<b>Transportation infrastructures</b>	<b>Speed up manufacturing reforms Localize operations in China and the U.K.</b>
<b>Significantly improve productivity</b>		<b>Reinforce manufacturing technologies, invest to rationalize, reduce materials costs</b>



Themes		Actions
Restructure operations in the consumer business field		Pare back lineup and channel resources into growth products
Strengthen and expand the plasma display business	Bolster business by using the Matsushita Electric alliance	Study a broad range of collaboration in marketing, joint development, production and other fields.
	Establish vertical integration business model	Build vertical integration business model and differentiate products through consolidation of Fujitsu Hitachi Plasma Display
	Reinforce global business and boost market share to at least 15%	Invest to expand sales Use movie tie-ups in global sales campaigns
	Measures to cut the cost production	Raise internal production ratio (“Made in Hitachi” campaign): goal is 60% of total cost
		Raise development efficiency of embedded software: strengthen development framework
		Raise efficiency of development work: Combine 3 development bases into a single base
Establish a worldwide production network: Four bases – North America, Europe, China and Japan		
Strengthen alliances	Expand and reinforce Hitachi-LG Data Storage with vertical integration business model, move into HDTV recorders  Strategically use plasma patents	
Strengthen the home appliance business		Increase the device businesses Step up activities outside Japan: Grow in China/Asia, develop markets in the Middle East, Russia and India Cut the cost of sales, reform logistics

## Examine and implement new initiatives to boost performance

**Steadily implement key initiatives tailored to each segment**

**Actively pursue Group synergies(Expand sales, reduce material and indirect costs etc.)**

**Review product mix using FIV**

## Thoroughly implement risk management

### Expected Risk

**Marked changes in global economy, social situation in regions around the world, surging raw material prices, fall in prices for digital consumer electronics and other products**

# HITACHI

Inspire the Next

## Cautionary Statement

Certain statements found in this document may constitute “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such “forward-looking statements” reflect management’s current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as “anticipate,” “believe,” “expect,” “estimate,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “forward-looking statements.” Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the “forward-looking statements” and from historical trends. Certain “forward-looking statements” are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on “forward-looking statements,” as such statements speak only as of the date of this document.

Factors that could cause actual results to differ materially from those projected or implied in any “forward-looking statement” and from historical trends include, but are not limited to:

- rapid technological change, particularly in the Information & Telecommunication Systems segment and Electronic Devices segment;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technology on a timely and cost-effective basis and to achieve market acceptance for such products;
- fluctuations in product demand and industry capacity, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- increasing commoditization of information technology products, and intensifying price competition in the market for such products;
- fluctuations in rates of exchange for the yen and other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated, particularly between the yen and the U.S. dollar;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand and/or exchange rates;
- general socio-economic and political conditions and the regulatory and trade environment and the regulatory and trade environment of Hitachi’s major markets, particularly, the United States, Japan and elsewhere in Asia, including, without limitation, a return to stagnation or deterioration of the Japanese economy, or direct or indirect restriction by other nations on imports;
- uncertainty as to Hitachi’s access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- uncertainty as to the success of restructuring efforts to improve management efficiency and to strengthen competitiveness;
- uncertainty as to the success of alliances upon which Hitachi depends, some of which Hitachi may not control, with other corporations in the design and development of certain key products; and
- uncertainty as to general market price levels for equity securities in Japan, declines in which may require Hitachi to write-down equity securities it holds.

The factors listed above are not all-inclusive and are in addition to other factors contained in Hitachi’s periodic filings with the U.S. Securities and Exchange Commission and in other materials published by Hitachi.