

**FOR IMMEDIATE RELEASE**

**Hitachi Announces Consolidated Financial Results  
for the First Quarter Ended June 30, 2002**

Tokyo, July 30, 2002 --- Hitachi, Ltd. (NYSE:HIT / TSE:6501) today announced its consolidated financial results for the first quarter ended June 30, 2002.

During the period under review, although economies in the U.S. and Asia showed signs of recovery, the uncertainty in the global economic environment increased as the U.S. stock market softened. The Japanese economy saw an upturn in exports, most notably to the U.S. However, sluggishness in private-sector investment persisted and consumer spending remained lackluster.

Against this backdrop, consolidated net sales for the quarter was 1,865.2 billion yen (US\$15,544 million), 4% lower than the same period of the previous year. But Hitachi managed to post operating income of 13.6 billion yen (US\$114 million), reversing an operating loss of 10.9 billion yen (US\$91 million) in the previous year's first quarter, as the Corporate Innovation Initiative, including Procurement Renewal Project, produced results and structural reforms implemented in the previous fiscal year yielded lower fixed costs.

By segment, in Information & Telecommunication Systems, sales of telecommunication network equipment declined year on year, while sales of hard disk drives increased. In the solutions business, sales growth was seen in the public sector in Japan, particularly for e-government-related projects, but sales from the financial sector declined. Meanwhile, storage solutions continued to post steady sales. As a result, segment sales increased 6% year on year, to 404.3 billion yen (US\$3,370 million). The segment recorded an operating loss of 5.8 billion yen (US\$49 million), which was a 6.5 billion yen (US\$55 million) improvement from the previous year. The operating loss reflects the seasonal factor that, in the first half of the fiscal year, system integration sales tend to be concentrated in the second quarter.

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In Electronic Devices, rising demand drove sales of large-size TFT LCDs higher. Small-size TFT LCD sales also increased for use in mobile phones. Semiconductor sales were down overall due to a sharp fall in sales for memories, which outweighed firm sales of multi-purpose semiconductors and system LSIs, mainly microcomputers. Semiconductor manufacturing equipment also saw a decline in sales. Consequently, segment sales amounted to 375.2 billion yen (US\$3,127 million), 9% less than the first quarter of the preceding year. The segment recorded operating income of 2.3 billion yen (US\$20 million), a reversal from an operating loss of 18.7 billion yen (US\$157 million) in the previous year's first quarter. This turnaround reflected structural reforms including the termination of unprofitable products such as CRTs for PC monitors and the closing of certain semiconductor production lines as well as a recovery in LCD prices.

In Power & Industrial Systems, sales declined for maintenance services for nuclear power generation plants of Japanese electric power companies and there were fewer major orders for thermal power generation plants. Combined with lower sales of air-conditioning equipment, industrial equipment, chemical plants and other products, due to the fall-off in private-sector plant and equipment investment, the segment posted a sales decline of 11% year on year, to 482.9 billion yen (US\$4,025 million). Segment operating income dropped 61%, to 7.4 billion yen (US\$62 million).

In Digital Media & Consumer Products, although sales of mobile phones decreased, sales of optical storage products and plasma TVs increased year on year. In home appliances, although sales of washing machines were solid, overall sales were sluggish due to slow domestic demand and falling prices. Hitachi Maxell, Ltd. saw audiotape and videotape sales fall, but sales of computer tapes, optical media and rechargeable batteries increased. Overall, segment sales rose 4% year on year, to 303.6 billion yen (US\$2,530 million). This segment also reaped the benefits of structural reforms, posting operating income of 6.5 billion yen (US\$55 million), compared with an operating loss of 0.6 billion yen (US\$5.6 million) in the same period of the previous year.

In High Functional Materials & Components, Hitachi Chemical Co., Ltd. posted lower sales for housing equipment and environmental facilities, although sales increased for electronics-related materials such as those for semiconductors and LCDs. As a whole, segment sales decreased 6% year on year, to 300.4 billion yen (US\$2,503 million) as difficult market conditions persisted in such areas as telecommunications-related products. Operating income, however, climbed 57%, to 4.5 billion yen (US\$38 million) as this segment also benefited from the results of structural reforms.

In Logistics, Services & Others, overseas general trading companies achieved higher sales of hard disk drives and LCDs. However, the sale of Tokyo Monorail Co., Ltd., formerly a subsidiary of Hitachi Transport System, Ltd., in the latter half of the previous fiscal year negatively affected segment sales, leading to a 2% decline at 340.2 billion yen (US\$2,836 million). Operating income dropped 53%, to 1.7 billion yen (US\$14 million).

In Financial Services, segment sales increased 2% year on year, to 143.7 billion yen (US\$1,198 million). This increase was partly attributable to the boost given by Hitachi Capital Corporation's acquisition of Sekisui Leasing Co., Ltd. in the second half of the previous fiscal year. Operating income rose 23%, to 10.0 billion yen (US\$84 million).

Other income came to 25.4 billion yen (US\$212 million), an increase of 14.5 billion yen (US\$121 million) compared to the first quarter of the preceding year, mainly reflecting a 16.2 billion yen (US\$136 million) net gain on securities. Meanwhile, other deductions were 38.1 billion yen (US\$318 million), a year-on-year increase of 12.4 billion yen (US\$104 million). This increase was primarily due to 22.8 billion yen (US\$190 million) in exchange losses, which negated the lower interest expenses resulting from reductions in debt.

Income before income taxes was 1.0 billion yen (US\$8 million), and after the recognition of 6.3 billion yen (US\$53 million) in income taxes, the loss before minority interests amounted to 5.3 billion yen (US\$44 million). Hitachi posted a net loss of 8.0 billion yen (US\$67 million), net of minority interests, an improvement of 25.9 billion yen (US\$216 million) from the same period of the previous year.

### **Financial Position**

Operating activities used net cash of 18.2 billion yen (US\$152 million), compared with net cash provided of 14.4 billion yen (US\$120 million) in the same period of the previous year, principally due to the payment of special termination benefits under early retirement plans. Efforts were, however, made to use working capital more efficiently, such as by promoting Project C, which reduced the time it takes to turn over inventory and accounts receivable from 201 days at the end of June 2001, to 176 days at June 30, 2002.

Investing activities used net cash of 171.7 billion yen (US\$1,432 million), 49.8 billion yen (US\$416 million) more year on year, reflecting an increase in short-term investments due to the transfer of some cash and cash equivalents. Cash used for the purchase of property, plant and equipment decreased as Hitachi made selective capital investments.

Free cash flows, the sum of cash flows from operating and investing activities, was an outflow of 189.9 billion yen (US\$1,583 million), 82.5 billion yen (US\$688 million) higher year on year.

Financing activities used net cash of 19.3 billion yen (US\$161 million), compared with net cash provided of 175.9 billion yen (US\$1,466 million) in the same period of the previous year, reflecting the repayment of short-term borrowings by implementing a new committed credit facility.

Cash and cash equivalents as of June 30, 2002 amounted to 799.8 billion yen (US\$6,665 million), a reduction of 229.5 billion yen (US\$1,913 million) during the first quarter.

Debt on June 30, 2002 stood at 2,952.7 billion yen (US\$24,606 million), 45.4 billion yen (US\$379 million) less than at March 31, 2002.

Capital investment on a completion basis declined 27%, to 175.7 billion yen (US\$1,464 million), and depreciation declined 12% to 116.2 billion yen (US\$969 million).

All figures were converted at the rate of 120 yen = U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 28, 2002.

### Outlook for the first half of fiscal 2002

Hitachi's first-quarter results were better than initially expected thanks to strong performances by information-related equipment and electronic devices. However, since the start of the second quarter, uncertainty in the IT market has increased, especially for PCs and mobile phones. Together with the sharp appreciation of the yen, the Company's operating environment has become increasingly difficult. Consequently, Hitachi has decided at this point not to revise its projections for the interim period, ending September 30, 2002, as announced in April this year and detailed below.

The interim projections assume an exchange rate of 120 yen to the U.S. dollar, whereas a rate of 130 yen to the U.S. dollar was assumed in April.

Net Sales	3,850 billion yen (US\$32,083 million) (year-on-year decrease of 2%)
Operating income	70 billion yen (US\$583 million)
Income before income taxes	53 billion yen (US\$442 million)
Income before minority interests	17 billion yen (US\$142 million)
Net income	5 billion yen (US\$42 million)

#### < Cautionary Statement >

This document contains forward-looking statements which reflect management's current views with respect to certain future events and financial performance. Words such as "anticipate," "believe," "expect," "estimate," "intend," "plan," "project" and similar expressions which indicate future events and trends identify forward-looking statements. Actual results may differ materially from those projected or implied in the forward-looking statements and from historical trends. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate.

Factors that could cause actual results to differ materially from those projected or implied in any forward-looking statements 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 products and to market products that incorporate new technology on a timely and cost-effective basis and achieve market acceptance; 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 access to liquidity or long-term financing, particularly in the context of restrictions on availability of credit prevailing in Japan; 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 economic conditions and the regulatory and trade environment of Hitachi's major markets, particularly, the United States, Japan and elsewhere in Asia, including, without limitation, continued stagnation or deterioration of the Japanese or other East Asian economies, or direct or indirect restriction by other nations of imports; uncertainty as to Hitachi's access to, or protection for, certain intellectual property rights, particularly those related to electronics and data processing technologies; Hitachi's dependence on alliances with other corporations in designing or developing certain products; and the market prices of equity securities in Japan, declines in which may result in write-downs of equity securities Hitachi holds.

These factors listed above are not exclusive and are in addition to other factors that are stated or indicated elsewhere in this document, or in other materials published by the Company.