

## **Hitachi Posts Net Loss on Lower Sales**

Tokyo, April 26, 2002 --- Hitachi, Ltd. (NYSE:HIT / TSE:6501) today announced results for the fiscal year 2001, ended March 31, 2002.

During the period under review, the world economy was slowed by weak global demand for IT-related products and affected by the September terrorist attacks in the United States. The effect was also felt in Japan, where the economy continued to falter as both private-sector investment in plant and equipment and exports declined, while at the same time consumer spending languished, reflecting a deterioration in the employment and personal-income situation.

Against this backdrop, consolidated net sales decreased 5% year on year, to 7,993.7 billion yen (US\$60,104 million). Factors behind the decrease included a sharp drop in sales by the Electronic Devices and High Functional Materials & Components segments.

By segment, in Information & Telecommunication Systems, sales of telecommunication network equipment declined and hardware products were affected by a sharp fall in prices. Hitachi, Ltd., Hitachi Software Engineering Co., Ltd. and Hitachi Information Systems, Ltd., however, all posted gains in their systems integration and services operations, led by growth in the financial and public sectors. Storage solutions were steady, especially overseas. As a result, segment sales increased 2% year on year, to 1,829.6 billion yen (US\$13,757 million).

- more -

In Electronic Devices, demand for PCs, mobile phones and other IT-related products were low. Sales of semiconductors plummeted, hit by a huge falloff in demand and plunging prices, while falling prices of large-size TFT LCDs had a heavy impact on sales of displays. Sales of semiconductor manufacturing equipment and optical communication components by Hitachi High-Technologies Corporation were also lower. Thus, segment sales amounted to 1,487.2 billion yen (US\$11,182 million), 26% less than the preceding year.

In Power & Industrial Systems, although sales of thermal power generation plants decreased, there were major orders for nuclear power generation plants, and maintenance services for power generation systems as well as steady stream of systems installations by Hitachi Plant Engineering & Construction Co., Ltd. These led to increased sales of power systems. Building systems and automotive equipment were also firm. However, cutbacks in private-sector plant and equipment investment sent industrial systems business lower, and sluggish domestic demand for construction machinery took a toll on Hitachi Construction Machinery Co., Ltd.'s results. Overall, segment sales declined 2% year on year, to 2,266.8 billion yen (US\$17,044 million).

In Digital Media & Consumer Products, in Japan, sales were affected by the slow consumer spending and sales of refrigerators and washing machines declined following the end of the temporary rise in demand in the previous year generated by people making purchases before the Law for Recycling of Specified Kinds of Home Appliances came into effect. In digital media products, sales of LCD projectors and mobile phones showed a year-on-year decrease. However, sales of optical storage products were boosted by the establishment of Hitachi-LG Data Storage, Inc., a joint venture between Hitachi and LG Electronics Inc., and sales of projection TVs rose in North America. Hitachi Maxell, Ltd. also posted gains attributable to higher sales of computer tapes. Segment sales rose 11% year on year, to 1,170.7 billion yen (US\$8,803 million).

In High Functional Materials & Components, Hitachi Cable, Ltd., Hitachi Metals, Ltd. and Hitachi Chemicals Co., Ltd. were all affected by the low level of IT-related demand, with demand for electronics-related materials being particularly hard-hit. As a result, segment sales decreased 15% year on year, to 1,250.2 billion yen (US\$9,400 million).

In Logistics, Services & Others, the results of general trading companies in Europe and Asia were heavily impacted by the depressed state of the semiconductor and display markets, while in Japan, the sluggish state of the economy decreased the volume of domestic freight handled by Hitachi Transport System, Ltd. Overall, at 1,430.8 billion yen (US\$10,758 million), segment sales decreased 11% year on year.

In Financial Services, there was a decline in the volume of retail business handled by Hitachi Capital Corporation, attributable to the depressed state of the domestic economy. Thus, segment sales decreased 4% year on year, to 567.1 billion yen (US\$4,264 million).

As a result of the major decreases in sales in electronic devices, in which the main factor was the drop in sales of semiconductors and displays, and in high functional materials and communication network equipment, the Company posted an operating loss of 117.4 billion yen (US\$883 million) for the period under review.

Other income came to 36.0 billion yen (US\$271 million), 33.6 billion yen (US\$252 million) less than in the preceding year. Other deductions came to 504.7 billion yen (US\$3,795 million), a year-on-year increase of 416.4 billion yen (US\$3,131 million) attributable mainly to restructuring charges of 140.4 billion yen (US\$1,056 million) incurred for restructuring of semiconductor bases in Japan and overseas, withdrawal from the business of CRTs for PC monitors, reorganization of overseas production bases for consumer products, scaling-back of telecommunication equipment operations for the carrier market in North America, and implementation of streamlining measures in the high functional materials business; 185.1 billion yen (US\$1,392 million) for special termination benefits; and 80.9 billion yen (US\$608 million) for impairment losses on securities.

There was a loss before income taxes of 586.0 billion yen (US\$4,407 million), and after a recognition of 71.1 billion yen (US\$535 million) in income tax benefit, the loss before minority interests amounted to 514.9 billion yen (US\$3,872 million). The net loss amounted to 483.8 billion yen (US\$3,638 million), net of minority interests.

Although a net loss of 483.8 billion yen (US\$3,638 million) was posted, net cash provided by operating activities decreased 52.5 billion yen (US\$395 million) year on year to 482.8 billion yen (US\$3,631 million), showing the effect of the Company's efforts to reduce the number of days it takes to turn over inventory and accounts receivable. Reflecting a decrease in short-term investments and capital expenditures, net cash used in investing activities decreased 97.8 billion yen (US\$736 million) year on year, to 272.8 billion yen (US\$2,052 million). Free cash flows left after deducting net cash used in investing activities from net cash provided by operating activities amounted to 209.9 billion yen (US\$1,579 million). Net cash used in financing activities amounted to 578.1 billion yen (US\$4,347 million), with a decrease of 578.5 billion yen (US\$4,350 million) in interest-bearing debt resulting from the pooling of funds in the Company's Group Finance Center.

Cash and cash equivalents as of March 31, 2002 amounted to 1,029.3 billion yen (US\$7,740 million), a decrease of 352.2 billion yen (US\$2,648 million) compared to the preceding year.

The Company decreased its capital investment in the area of semiconductors and high functional materials and components, reducing capital investment to 856.2 billion yen (US\$6,438 million), 12% less than the preceding year. The Company spent 415.4 billion yen (US\$3,124 million) on research and development, a decrease of 5% from the preceding year. R&D expenditures as a percentage of net sales were 5.2%.

All figures were converted at the rate of 133 yen = U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of March 29, 2002.

## Outlook for Fiscal 2002

There are signs of an upturn in the U.S. economy and the global economy is also starting to improve. In Japan, however, where the economy is depressed and unlikely to stage any significant recovery for a while, consumer spending and capital investment are expected to continue to languish.

In view of the major decline of its business results, Hitachi is stepping up its implementation of emergency management measures to raise management efficiency and strengthen its international competitiveness in order to bring about an early improvement in its business results, and is also carrying out far-reaching management reforms and corporate restructuring.

Hitachi's consolidated forecast for fiscal 2002, ending March 31, 2003, is as follows, assuming an exchange rate of 130 yen to the U.S. dollar:

Net Sales	8,100 billion yen (\$60,902 million) (year-on-year increase of 1%)
Operating income	200 billion yen (\$1,504 million)
Income before income taxes	190 billion yen (\$1,429 million)
Income before minority interests	88 billion yen (\$662 million)
Net income	60 billion yen (\$451 million)

### < Cautionary Statement >

The forecast for the year ending March 31, 2003 is a forward-looking statement which reflects management's current views with respect to certain future events and financial performance. Actual results may differ materially from this forecast. Further, this forward-looking statement is based upon assumptions of future events, which may not prove to be accurate. Factors that could cause actual results to differ materially from the forecast 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.