Hitachi Announces Consolidated Financial Results for Fiscal 2002

Tokyo, April 28, 2003 --- Hitachi, Ltd. (NYSE:HIT / TSE:6501) today announced its consolidated financial results for fiscal 2002, the year ended March 31, 2003.

During the year, the world economy achieved only a modest recovery. While the U.S. and Asia appeared to be moving onto a recovery footing, uncertainty grew in the second half of the year as the key U.S. economy slowed, the Iraq war started and share prices fell. The Japanese economy showed some positive signs with personal spending holding its ground and private-sector plant and equipment investment showing signs of recovery. However, export growth, which had been a source of strength for the Japanese economy, stalled due to the weakness of the global economic recovery. And with structural issues, notably problem loans, still to be addressed in Japan, the economy failed to stage a broad-based recovery.

Against this backdrop, net sales edged up 2% to 8,191.7 billion yen (US$68,265 million). Hitachi posted operating income of 152.9 billion yen (US$1,275 million), reversing an operating loss of 117.4 billion yen (US$978 million) in the previous fiscal year. This improvement was mainly due to lower fixed costs brought about by the structural reforms implemented in the previous fiscal year, as well as to the results of the Corporate Innovation Initiative (CII), including the Procurement Renewal Project.

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By segment, Information & Telecommunication Systems sales rose 4%, to 1,899.6 billion yen (US$15,830 million) despite difficult market conditions characterized by a slow recovery in worldwide IT demand. Underpinning sales was increased sales for RAID systems and hard disk drives as well as for systems integration services such as for e-government-related projects in Japan. The segment recorded operating income of 110.5 billion yen (US$921 million), up 209% year on year due to several factors. One was the benefits of structural reforms that have been implemented since fiscal 2001, primarily in the telecommunication equipment sector. Another was increased earnings from RAID systems and systems integration services.

In Electronic Devices, sales were up markedly in semiconductors on solid demand for system LSIs, including LCD drivers and microcontrollers for automotive applications as well as multi-purpose semiconductors. This strength offset sluggish system memory and DRAM sales. In displays, overall sales were largely unchanged. Small and medium-size TFT LCDs used in mobile phones recorded significantly higher sales. But this growth was negated by the absence of sales from CRTs for PC monitors, a business that Hitachi terminated in fiscal 2001, and by lower sales of large-size TFT LCDs due to falling sales prices. Semiconductor manufacturing equipment sales were sluggish as demand failed to recover fully. Nevertheless, segment sales as a whole were 1,570.0 billion yen (US$13,084 million), 6% higher year on year. While the segment recorded an operating loss of 23.2 billion yen (US$194 million), this was a 140.3 billion yen (US$1,170 million) improvement from the 163.6 billion yen (US$1,364 million) loss recorded in fiscal 2001. This turnaround reflected structural reforms that included the termination of unprofitable products such as CRTs for PC monitors and the streamlining of certain semiconductor production lines.

In Power & Industrial Systems, sales from maintenance services for nuclear and thermal power generation plants of Japanese electric power companies declined. And sales of air-conditioning, industrial and other equipment declined because of the fall-off in private-sector plant and equipment investment in Japan. Nevertheless, segment sales rose 1%, to 2,297.0 billion yen (US$19,142 million) on sharply higher sales in automotive equipment operations in line with the inclusion in consolidated results of the former Unisia JECS Corporation (now Hitachi Unisia Automotive, Ltd.), which became a wholly owned subsidiary in October 2002, and brisk demand for construction machinery in China and other overseas markets. The segment saw operating income decrease 3%, to 53.2 billion yen (US$444 million) despite a significant improvement in profitability in construction machinery operations. Dragging down earnings was a decline in profitability in certain major projects, such as power generation equipment in overseas markets, as well as falling earnings from environmental equipment in Japan.

In Digital Media & Consumer Products, segment sales rose 3%, to 1,205.5 billion yen (US$10,046 million). Sales of optical storage products and plasma TVs grew, but sales of large home appliances were lackluster, the result of falling sales prices in Japan, and mobile phone sales also dropped. At Hitachi Maxell, Ltd., sales were largely on a par with fiscal 2001 levels as growth in rechargeable battery sales, notably lithium-ion batteries used in mobile phones, and recordable DVDs was offset by falling audiotape and videotape sales. The segment recorded operating income of 6.2 billion yen (US$52 million), a 20.8 billion yen (US$174 million) turnaround from the 14.6 billion yen (US$122 million) operating loss posted in fiscal 2001. This reflected an improvement in profitability in rechargeable batteries at Hitachi Maxell and the benefits of structural reforms. Hampering further gains were falling sales prices, mainly of home appliances, and delays in developing new mobile phone models.

In High Functional Materials & Components, segment sales were basically flat year on year at 1,248.5 billion yen (US$10,405 million). Hitachi Cable, Ltd. saw sales drop year on year as sluggish sales in wires and cables operations, particularly submarine fiber-optic cables, outweighed growth in sales in Japan, mainly from information network-related products. At Hitachi Metals, Ltd. sales were on a par with fiscal 2001. Strong demand for automobile- and electronics-related products was negated by lower sales of construction components, plant and equipment. Hitachi Chemical Co., Ltd. recorded higher sales on growth in electronics-related materials for applications such as semiconductors and LCDs, and industrial materials despite falling demand for housing equipment and environmental facilities. The segment posted operating income of 18.3 billion yen (US$153 million), a 40.3 billion yen (US$336 million) improvement from the 22.0 billion yen (US$184 million) operating loss in fiscal 2001, as earnings benefited from the results of structural reforms.

In Logistics, Services & Others, segment sales rose 1%, to 1,449.5 billion yen (US$12,080 million) on higher sales of hard disk drives at overseas sales companies. Growth in segment sales was held back by the sale of Tokyo Monorail Co., Ltd., formerly a subsidiary of Hitachi Transport System, Ltd., in the second half of the previous fiscal year. Segment operating income climbed 218%, to 10.3 billion yen (US$86 million).

In Financial Services, segment sales increased 2%, to 579.2 billion yen (US$4,827 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. Hampering further growth was a lackluster performance in core financial services. Segment operating income decreased 68%, to 12.0 billion yen (US$101 million) for two main reasons. One was lower earnings in the leasing business because of falling interest rates. The other reason was one-time charges taken to strengthen the balance sheet, such as providing for pension reforms.

Other income came to 46.7 billion yen (US$389 million), up 10.6 billion yen (US$89 million), reflecting gains on the sale of real estate and other items. Meanwhile, other deductions decreased 401.8 billion yen (US$3,349 million), to 102.8 billion yen (US$857 million) as restructuring charges were not incurred during the year, as they were in fiscal 2001, and because of lower interest expenses resulting from reductions in debt.

As a result, income before income taxes was 96.8 billion yen (US$807 million), and after 52.6 billion yen (US$439 million) in income taxes, Hitachi recorded income before minority interests of 44.1 billion yen (US$368 million) and net income of 27.8 billion yen (US$232 million).

Financial Position

Net cash provided by operating activities was 646.5 billion yen (US$5,388 million), an increase of 163.6 billion yen (US$1,364 million) year on year. This was the result of efforts to use working capital more efficiently, such as by promoting Project C, which reduced the time required to turn over inventory and accounts receivable.

Investing activities used net cash of 619.2 billion yen (US$5,161 million), 346.4 billion yen (US$2,887 million) more than in fiscal 2001. Hitachi used less cash for the purchase of property, plant and equipment as it made selective capital investments, and cash inflows were generated by sales of short-term investments and subsidiaries' common stock. However, cash was used for the acquisition of IBM's hard disk drive operations.

Free cash flows remaining after deducting net cash used in investing activities from net cash provided by operating activities amounted to 27.2 billion yen (US$227 million), 182.7 billion yen (US$1,523 million) less year on year.

Financing activities used net cash of 207.1 billion yen (US$1,726 million), 370.9 billion yen (US$3,091 million) less than cash used in fiscal 2001. Due to the establishment of a new credit facility, cash was used for the repayment of short-term borrowings.

Cash and cash equivalents as of March 31, 2003 amounted to 828.1 billion yen (US$6,901 million), 201.2 billion yen (US$1,677 million) less than at March 31, 2002.

Debt on March 31, 2003 stood at 2,840.5 billion yen (US$23,672 million), 157.6 billion yen (US$1,314 million) less than a year ago.

Capital investment on a completion basis declined 8%, to 787.4 billion yen (US$6,562 million), and depreciation decreased 9%, to 480.2 billion yen (US$4,002 million). The Company spent 377.1 billion yen (US$3,143 million) on research and development, a decrease of 9% from the preceding year. R&D expenditures as a percentage of net sales were 4.6%.

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 March 31, 2003.

Dividend

Hitachi will recommend a year-end dividend of 3 yen per common share to the annual general meeting of shareholders in June 2003. No year-end dividend was declared in fiscal 2001. Total dividends for fiscal 2002, including the interim dividend of 3 yen per common share paid in December 2002, will thus be 6 yen per common share, compared with 3 yen per common share for fiscal 2001.

Outlook for Fiscal 2003

With uncertainty growing for a combination of reasons, including the U.S. economic downturn, the need to pay for the post-war restoration in Iraq, and the economic impact of SARS (Severe Acute Respiratory Syndrome), a full-scale recovery in the world economy appears to be unlikely. In Japan, continuing sluggishness in consumer spending and private-sector plant and equipment investment is creating an uncertain operating environment.

In this climate, Hitachi will build a highly profitable earnings structure by pushing ahead with efforts to create new businesses and reinforce mainstay ones by capturing synergies across the group. Hitachi will also seek to strengthen its balance sheet. These and other actions will be guided by the "i.e. HITACHI Plan *II*", the company's new medium-term management plan.

Based on the above factors, Hitachi is projecting the following operating results for fiscal 2003, ending March 31, 2004. The projections assume an exchange rate of 120 yen to the U.S. dollar.

Net sales	8,000 billion yen (US$66,667 million) (year-on-year decrease of 2%)
Operating income	170 billion yen (US$1,417 million) (year-on-year increase of 11%)
Income before income taxes	110 billion yen (US$917 million) (year-on-year increase of 14%)
Income before minority interests	30 billion yen (US$250 million) (year-on-year decrease of 32%)
Net income	5 billion yen (US$42 million) (year-on-year decrease of 82%)

Management Policy

Amid intensifying competition in world markets and the economic slump in Japan, Hitachi is reviewing and reshaping its business portfolio from the perspective of raising the efficiency of operations and with the aim of achieving further growth. This process will be consistent with Hitachi's basic management policy, which is to increase shareholder value by raising the return on capital and increasing its market capitalization.

Based on this basic policy, in November 1999 Hitachi launched "i.e. HITACHI Plan," a medium-term management plan that was aimed at transforming Hitachi into a "best solutions partner" capable of delivering business solutions to customers. In this vein, Hitachi has supplied information systems services and social infrastructure systems rooted in IT and knowledge. It has also been supplying the key hardware, software and high functional materials and components required by these services and systems. And Hitachi launched structural reforms designed to transform Hitachi into a global supplier capable of providing total solutions in these targeted fields.

Building on this basic approach, in January 2003, Hitachi unveiled a new medium-term management plan, "i.e. HITACHI Plan *II*," which runs through fiscal 2005 (ending in March 2006). This three-year period is positioned as a key juncture for enacting major reforms of the company's operating framework and focusing on highly profitable businesses. Hitachi will reshape its business portfolio by creating growth and new businesses in key fields where it can leverage the group's technological strengths and know-how. Portfolio realignment also calls for Hitachi to exit certain businesses that currently account for approximately 20% of Hitachi's net sales. Hitachi will use FIV* (Future Inspiration Value) to make decisions on whether to exit, strengthen or incubate specific businesses.

* FIV is Hitachi's economic value-added evaluation index in which the cost of capital is deducted from after-tax operating profit. After-tax operating profit must exceed the cost of capital to achieve positive FIV.

The "i.e. HITACHI Plan *II*" targets two primary business domains—"New Era Lifeline Support Solutions," which further fuse and enhance information systems services and social infrastructure systems, and "Global Products Incorporating Advanced Technology," where Hitachi aims to achieve strong growth in global markets by focusing on technologies as well as high-performance hardware and software that incorporate knowledge from several disciplines. In this way, Hitachi will establish a highly profitable earnings structure and advance to a new stage of growth.

While it is assumed that net sales will remain at around the present level, the "i.e. HITACHI Plan *II*" will transform Hitachi's earnings structure so that it can achieve positive FIV in fiscal 2005. This mandates an operating margin of at least 5% and ROE of at least 8%, which will be achieved by implementing a variety of measures. Furthermore, Hitachi has set the goal of maintaining a single-A grade long-term credit rating by strengthening its financial position.

In deciding on individual investments, Hitachi's policy is to use FIV to select those investments that will contribute to maximizing shareholder value. Combined with further efforts to reduce assets, including accounts receivables and inventories, Hitachi aims to raise the return on assets.

Positioning its brand as an important asset underpinning the company's competitiveness in an era of consolidated group management, Hitachi is promoting brand management to enhance brand equity.

Hitachi is also working to reinforce corporate governance to establish an executive system that facilitates the speedy and accurate operation of businesses and a high degree of transparency. To this end, Hitachi has reduced the number of directors and vested considerable authority in business groups. At the same time, it has implemented other reforms such as establishing the Advisory Board to bring in advice from outside experts on management issues. And in June 2003, Hitachi will adopt the Committee System, which will ensure the effective supervision of management and promote faster decision-making. Hitachi also plans to appoint four outside directors as part of this move. Hitachi's 18 publicly-held group companies will also alter their corporate governance structure by adopting the Committee System. Under this new governance structure, Hitachi directors and executive officers will be represented on the boards of group companies as outside directors and certain group companies' directors will be represented on Hitachi's Board of Directors. This will produce a group-wide framework with a stronger sense of unity. Moreover, Hitachi established a Compliance Division to ensure strict observance of laws and regulations.

Hitachi views enhancement of the long-term and overall interests of shareholders as an important management objective. To achieve this, Hitachi must make investments in R&D and plant and equipment to maintain its competitiveness and improve profitability. Dividends are therefore decided based on medium- to long-term business plans and the need to ensure the availability of sufficient internal funds for reinvestment and the stable growth of dividends. Hitachi's financial condition and results of operations are also taken into consideration.

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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.

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