FOR IMMEDIATE RELEASE

Hitachi Announces Consolidated Financial Results for the First Half of Fiscal 2005

Tokyo, October 31, 2005 --- Hitachi, Ltd. (NYSE:HIT / TSE:6501) today announced its consolidated financial results for the first half of fiscal 2005, ended September 30, 2005.

1. Business Results and Financial Position

Notes: 1. All figures, except for the outlook for fiscal 2005, were converted at the rate of 113 yen to the U.S. dollar, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 30, 2005.
2. Segment information and operating income (loss) are presented in accordance with financial reporting principles and practices generally accepted in Japan.

<u>Business Results</u>

(1) Summary of Fiscal 2005 First Half Consolidated Business Results

	The half year ended September 30, 2005		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	4,413.3	2%	39,056
Operating income	77.7	(39%)	688
Income before income taxes and minority interests	82.1	(40%)	727
Income before minority interests	21.1	(69%)	187
Net loss	(10.9)	-	(97)

During the interim period, the world economy remained healthy, despite slowing economic growth in the U.S. caused mainly by spiraling crude oil and gasoline prices and only a moderate recovery in EU economies. China’s economy continued to expand on the back of increasing domestic demand while other Asian economies saw growth in exports to China.

In Japan, the economy remained strong thanks mainly to growth in private-sector plant and equipment investment spurred by higher corporate earnings and to growth in consumer spending.

Against this backdrop, the Hitachi Group in the first half of fiscal 2005 made Fujitsu Hitachi Plasma Display Limited (FHP) a consolidated subsidiary with the aim of further expanding the group's plasma display business. In another move, Hitachi agreed to cooperate more closely with Clarion Co., Ltd. with the view to bolstering the Car Information Systems (CIS) business. Other actions were also taken during the first half to strengthen businesses targeted for growth. Furthermore, to increase its brand value, Hitachi ran the Hitachi Group Pavilion at the 2005 World Exposition held in Aichi, Japan. The pavilion attracted more than 1.7 million visitors.

Hitachi's consolidated revenues were 4,413.3 billion yen, up 2% year on year. The Power & Industrial Systems segment posted higher revenues on the back of recovering private-sector plant and equipment investment, as did the High Functional Materials & Components segment, mainly due to growth in sales of components and materials for electronics- and automotive-related fields. On the other hand, the Electronic Devices segment saw revenues decrease as sales of LCDs declined due to stiffer competition, and the Digital Media & Consumer Products segment recorded lower revenues due to falling prices.

Operating income dropped 39% year on year, to 77.7 billion yen due mainly to lower earnings in the Electronic Devices and Information & Telecommunication Systems segments and an operating loss in the Digital Media & Consumer Products segment. On the other hand, the Power & Industrial Systems, High Functional Materials & Components and Financial Services segments recorded higher operating income.

As a result, Hitachi recorded income before income taxes and minority interests of 82.1 billion yen, down 40% year on year. After income taxes of 60.9 billion yen, Hitachi posted income before minority interests of 21.1 billion yen. Hitachi posted net loss of 10.9 billion yen, compared with net income of 41.1 billion yen in the first half of fiscal 2004.

(2) Revenues and Operating Income (loss) by Segment
Results by segment were as follows.

[Information & Telecommunication Systems]

	The half year ended September 30, 2005		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	1,057.1	(1%)	9,356
Operating income	23.2	(20%)	206

Information & Telecommunication Systems revenues were 1,057.1 billion yen, largely on a par with the previous period. Software and services revenues were slightly higher year on year as a whole mainly because of growth in the outsourcing business; although software sales declined year on year due in part to lower sales of platform software. Hardware revenues declined because of the sale of Hitachi Printing Solutions, Ltd. to Ricoh Company, Ltd. and because of falling prices of servers and PCs as competition intensified, although hard disk drives (HDDs) and disk array subsystems posted higher sales.

The segment posted operating income of 23.2 billion yen, down 20% year on year. Earnings were higher year on year in software and services due to fewer unprofitable projects and other factors. However, segment earnings were brought down by lower year-on-year earnings in hardware due to a loss in HDD operations, despite a solid performance in disk array subsystems and other areas.

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 the first half of fiscal 2005 include operating results of Hitachi GST for the period from January through June 2005.

[Electronic Devices]

	The half year ended September 30, 2005		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	583.1	(16%)	5,161
Operating income	9.2	(69%)	82

Electronic Devices revenues declined 16%, to 583.1 billion yen. This was due to lackluster sales of LCDs in the display business owing to stiffer competition.

Operating income declined 69%, to 9.2 billion yen due mainly to the loss of LCDs in the display business.

[Power & Industrial Systems]

	The half year ended September 30, 2005		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	1,278.9	14%	11,318
Operating income	23.2	130%	205

Power & Industrial Systems revenues rose 14%, to 1,278.9 billion yen. This growth reflected healthy sales of industrial machinery and air-conditioning systems thanks to recovering private-sector plant and equipment investment. Another factor was growth in the elevator and escalator business and at Hitachi Construction Machinery Co., Ltd., mainly outside Japan. The October 2004 merger with TOKICO LTD. also contributed to revenue growth.

The segment posted a 130% increase in operating income, to 23.2 billion yen due to fewer unprofitable projects, as well as to higher earnings at Hitachi Construction Machinery and strong growth in sales of elevators and escalators, industrial machinery and air-conditioning systems.

[Digital Media & Consumer Products]

	The half year ended September 30, 2005		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	611.8	(5%)	5,414
Operating loss	(16.2)	-	(144)

Digital Media & Consumer Products segment revenues declined 5%, to 611.8 billion yen, despite the April 2005 consolidation of FHP. This performance was due mainly to lower sales prices for flat-panel TVs, including plasma TVs, and home appliances.

The segment posted an operating loss of 16.2 billion yen, compared with operating income of 10.6 billion yen in the same period in the previous fiscal year. In addition to an operating loss at FHP, this loss reflected falling sales prices for flat-panel TVs and home appliances.

Notes: 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 the first half of fiscal 2005 include the operating results of HLDS for the period from January through June 2005.

[High Functional Materials & Components]

	The half year ended September 30, 2005		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	760.4	3%	6,729
Operating income	48.0	19%	425

Revenues rose 3%, to 760.4 billion yen due mainly to steady growth at Hitachi Chemical Co., Ltd. and Hitachi Metals, Ltd., principally in components and materials for electronics- and automotive-related fields.

Operating income rose 19%, to 48.0 billion yen, due to healthy growth principally in components and materials for automotive-related fields at Hitachi Metals.

[Logistics, Services & Others]

	The half year ended September 30, 2005		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	570.5	(7%)	5,049
Operating income	6.8	(8%)	61

Segment revenues declined 7% year on year, to 570.5 billion yen despite growth in sales at Hitachi Transport System, Ltd., mostly in the third-party logistics solutions business. This decline in segment revenues was due to lower revenues at Hitachi Mobile Co., Ltd., as well as lower sales at sales companies in North America and Europe.

The segment posted operating income of 6.8 billion yen, 8% lower year on year. The decrease was due to lower earnings at Hitachi Mobile and overseas sales companies, although Hitachi Transport System recorded solid earnings growth.

[Financial Services]

	The half year ended September 30, 2005		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	260.8	(4%)	2,309
Operating income	16.0	60%	142

Segment revenues declined 4%, to 260.8 billion yen, despite healthy growth at Hitachi Capital Corporation, particularly in the home loan and IT equipment leasing businesses. Operating income climbed 60%, to 16.0 billion yen due to the healthy growth at Hitachi Capital with lower financial costs.

(3) Revenues by Market

	The half year ended September 30, 2005		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Japan	2,741.2	1%	24,259
Overseas	1,672.0	3%	14,797
Asia	726.6	5%	6,431
North America	455.2	3%	4,029
Europe	340.1	(2%)	3,010
Other Areas	149.9	9%	1,327

In the first half of fiscal 2005, revenues in Japan edged up 1% year on year, to 2,741.2 billion yen.

Overseas revenues rose 3%, to 1,672.0 billion yen. Revenues in Europe declined year on year due to sluggish sales of digital consumer electronic products in this region. However, revenues rose in Asia, particularly China, and North America.

As a result, the ratio of overseas revenues to consolidated revenues rose by 1 percentage point year on year to 38%.

(4) Capital Investment, Depreciation and R&D Expenditures

Capital investment on a completion basis, excluding leasing assets, rose 4%, to 178.7 billion yen, mainly due to investments to increase output of HDDs, plasma display panels, automotive-related parts and other products as well as investments for realigning the display product lineup. Depreciation, excluding leasing assets, increased 5%, to 159.2 billion yen. R&D expenditures, which are primarily used to accelerate the launch of new businesses, strengthen frontier and basic research, and upgrade development capabilities in automotive-, displays- and digital media-related fields, increased 5%, to 197.9 billion yen, and corresponded to 4.5% of revenues.

Financial Position

(1) Financial Position

	As of September 30, 2005		
	Billions of yen	Year-over-year change	Millions of U.S. dollars
Total assets	9,889.6	153.3	87,519
Total liabilities	6,597.8	90.5	58,389
Debt	2,602.5	100.0	23,032
Minority interests	955.8	34.8	8,459
Stockholders' equity	2,335.8	28.0	20,671
Stockholders' equity ratio	23.6%	0.1 point deterioration	-
D/E ratio (including minority interests)	0.79 times	0.01 point deterioration	-

Total assets as of September 30, 2005 were 9,889.6 billion yen, 153.3 billion yen more than at March 31, 2005 due to the consolidation of FHP and other factors. Debt increased 100.0 billion yen, to 2,602.5 billion yen. Stockholders' equity rose 28.0 billion yen, to 2,335.8 billion yen. As a result, the stockholders' equity ratio of 23.6% was largely the same as at March 31, 2005. The debt-to-equity ratio (including minority interests) was 0.79 times largely the same as the previous year.

(2) Cash Flows

	The half year ended September 30, 2005		
	Billions of yen	Year-over-year change	Millions of U.S. dollars
Cash flows from operating activities	221.1	70.6	1,957
Cash flows from investing activities	(255.4)	(61.8)	(2,261)
Free cash flows	(34.3)	8.7	(304)
Cash flows from financing activities	(37.7)	73.4	(334)

Operating activities provided net cash of 221.1 billion yen, 70.6 billion yen more than one year earlier.

Investing activities used net cash of 255.4 billion yen, 61.8 billion yen more year on year. This was due to increased capital investment, mainly in businesses targeted for growth, despite efforts to collect investments in leases faster.

Free cash flows, the sum of cash flows from operating and investing activities, were an outflow of 34.3 billion yen, an improvement of 8.7 billion yen.

Financing activities used net cash of 37.7 billion yen, 73.4 billion yen less, year on year, due to less redemption of corporate bond and other items.

Cash and cash equivalents as of September 30, 2005 amounted to 646.0 billion yen, a decrease of 62.6 billion yen during the interim period.

Outlook for Fiscal 2005

	Year ending March 31, 2006		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	9,220.0	2%	83,818
Operating income	240.0	(14%)	2,182
Income before income taxes and minority interests	220.0	(17%)	2,000
Income before minority interests	95.0	(17%)	864
Net income	20.0	(61%)	182

Regarding the outlook for the global economy, the Hitachi Group expects the U.S. economy to experience a gentle slowdown due to slowing consumer spending and capital investments, as well as surging prices for crude oil and gasoline and other factors. In terms of Asia, despite fears of falling exports to the U.S., the Chinese economy is expected to continue growing briskly, supported by domestic demand. European economies are forecasted to continue their moderate pace of recovery. Overall, therefore, the global economy is expected to continue expanding, although at a slower pace.

The forecast for the Japanese economy is for firm growth, underpinned by continuing strong exports to China and elsewhere in Asia, despite concerns of a rise in long-term interest rates and pressure on corporate earnings from higher crude oil and raw materials prices.

Under these circumstances, projections for fiscal 2005, as given the previous page, have been revised from those announced with fiscal 2004 results released on April 28, 2005. Projections assume an exchange rate of 110 yen to the U.S. dollar.

The revision to forecasts for fiscal 2005 reflects projections for losses in the HDD, LCD, flat-panel TV due to poorer performances than initially expected. Hitachi plans to take wide-ranging countermeasures to quickly improve its development capabilities, cost competitiveness, sales abilities and other areas of its operations.

In other fields, Hitachi will push ahead with efforts to create new businesses and strengthen targeted businesses by capturing synergies in resource use across the Hitachi Group. The company will also focus on structural reforms to concentrate more resources on highly profitable businesses and on measures to improve its financial position. For example, Hitachi decided in October 2005 to strengthen its social and industrial infrastructure systems business by transferring parts of its Industrial Systems Group to Hitachi Plant Engineering & Construction Co., Ltd. on April 1, 2006. Hitachi Plant Engineering & Construction, Hitachi Kiden Kogyo, Ltd. and Hitachi Industries Co., Ltd. will merge on the same date as a series of the transaction.

2.Management Policy

Basic Management Policy and Strategy

Amid intensifying competition in world markets, Hitachi aims to step up its development by delivering competitive products and services imbuing higher value for customers. By taking full advantage of the diverse resources of the Hitachi Group while at the same time reviewing and restructuring businesses, Hitachi will bolster its competitiveness. This process will be consistent with Hitachi's basic management policy, which is to increase shareholder value by meeting the expectations of customers, shareholders, employees and other stakeholders.

In line with this basic policy, in January 2003, Hitachi unveiled a medium-term management plan, "i.e.HITACHI Plan *II*," which runs through fiscal 2005 (ending in March 2006). This plan targets two primary business domains that are the focuses of the Hitachi Group—"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 high-performance hardware and software incorporating the Hitachi Group's sophisticated technologies and knowledge. Various measures are being pursued for growth in both of these fields.

In April 2004, Hitachi established the Hitachi Group Headquarters to accelerate group management in a manner best suited to Hitachi in two main ways: bolster the individual businesses of Hitachi Group companies, and give full play to the collective strengths of the Hitachi Group by encouraging greater inter-group collaboration. The Hitachi Group

Headquarters will spearhead redoubled efforts to implement measures aimed at raising the corporate value of the Hitachi Group.

To enhance competitiveness in global markets in its various business fields, Hitachi is pushing ahead with efforts to improve productivity and cut costs by strengthening its production ability. Business structural reforms are also being implemented. In specific terms, Hitachi will examine and implement suitable measures to create growth in key fields as well as create new businesses by leveraging the group's technological strengths and know-how; restructure the group with the aim of more effectively utilizing the group's resources; and exit unprofitable businesses and push through restructuring measures that go beyond the Hitachi Group.

FIV* (Future Inspiration Value), a benchmark based on the estimated cost of capital, is used to make decisions on actions for strengthening businesses. In deciding on individual investments, Hitachi uses FIV to select investments that will contribute to maximizing shareholder value. Combined with a powerful drive to reduce assets, including trade receivables and inventories, Hitachi aims to raise the return on assets. Through these and other actions, Hitachi has set the goal of maintaining a single-A grade long-term credit rating by increasing asset efficiency and strengthening its financial position.

(*) 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.

Hitachi will also enhance corporate social responsibility initiatives and reinforce corporate governance with a view to increasing the corporate value of the Group over the long-term. Furthermore, in order to respond to any external threats to corporate value, Hitachi will examine the introduction of measures that enable it to respond to changes in the regulatory environment and other issues in a fair and neutral manner.

Through the execution of "i.e.HITACHI Plan *II,*" Hitachi has been aiming to transform its earnings structure into a highly profitable one. At the same time, Hitachi has made up-front investments with the aim of achieving growth over the long term. One notable example was an investment to make Fujitsu Hitachi Plasma Display Limited, a subsidiary in order to bolster the plasma display business. However, the Hitachi Group is facing challenges posed by rapid changes in the operating environment that had not been foreseen when the "i.e.HITACHI Plan *II*" was formulated. The sharp rise in the cost of raw materials, a prolonged correction phase in the digital consumer electronics-related market, and an extended period of deflation in Japan and the accompanying drop in system and product unit prices, are examples of these challenges. With businesses in which Hitachi made up-front investments still also not contributing sufficiently to earnings, management believes that further reforms will be necessary.

Hitachi will continue to make aggressive investments in targeted businesses while continuously executing business structural reforms. In this way, Hitachi will reinforce measures to become more competitive on a consolidated basis and work to establish a more powerful earnings base.

Corporate Governance

(1) Basic Stance and Initiatives Regarding Corporate Governance

A. Corporate Governance Structure

Hitachi adopted the Committee System under the Japanese Commercial Code on June 2003. Through the adoption of the Committee System, Hitachi seeks to foster a transparent management system and to promote faster decision-making by demarcating responsibilities for management supervision and those for the execution of business operations.

Under the Committee System, the Board of Directors focuses on the functions of decision-making with respect to fundamental management policies as well as supervision of execution by the Directors and Executive Officers of their respective duties. The Board of Directors has, by resolution, delegated to the Executive Officers most of its authority to make decisions with regard to Hitachi's business affairs. As of September 30, 2005, the Board of Directors had 14 members, 4 of whom were from outside Hitachi. Three Directors served concurrently as Executive Officers. The Board Director (Chair) does not serve concurrently as an Executive Officer. Within the Board of Directors, three statutory committees have been established—the Nominating Committee, Audit Committee and Compensation Committee—with outside Directors accounting for the majority of members of each committee.

The Nominating Committee is authorized to determine the particulars of proposals concerning the election and dismissal of Directors to be submitted to a general meeting of shareholders. The Nominating Committee consists of five Directors, three of whom are outside Directors. The Audit Committee is authorized to audit the execution by the Directors and Executive Officers of their respective duties and to determine the particulars of proposals concerning the election, dismissal and non-retention of Hitachi's outside auditor to be submitted to the general meeting of shareholders. The Audit Committee consists of five Directors, three of whom are outside Directors. The Compensation Committee is authorized to establish a policy on the determination of the particulars of compensation for each Director and Executive Officer and to determine the particulars of compensation for each Director and Executive Officer in accordance with such policy. The Compensation Committee consists of five Directors, three of whom are outside Directors.

Executive Officers execute Hitachi's business affairs and decide on matters pertaining to the same in accordance with the division of duties stipulated by resolutions of the Board of Directors.

B. Internal Control System and Risk Management

The main structures regarding Hitachi's internal control and risk management is as follows. The Board of Directors adopted these resolutions to be used by the Audit Committee in performing its functions.

(a) Board of Directors Office (the "Office") has been established as an organization devoted solely to supporting each Committee, including the Audit Committee, as well as the Board of Directors. The Office is staffed by employees not subject to instructions or orders of Executive Officers. The Corporate Auditing and Legal & Corporate

Communications departments also provide support to the Board of Directors and each Committee.

(b) An Executive Officer or employee reports without delay to Audit Committee members matters prescribed by law, matters regarding the content of an Executive Officer's decision in connection with an important matter that will affect Hitachi as a whole, the result of an internal audit conducted by the responsible departments, and the status of reporting under the internal report system maintained by the Executive Officers.

(c) Records regarding decisions of an Executive Officer are prepared and preserved in accordance with Hitachi's regulations.

(d) Each relevant department establishes regulations and guidelines, conducts training, prepares and distributes manuals, and carries out other such measures with respect to risks associated with legal issues and compliance thereof, the environment, disasters, product quality, export control and other pertinent matters. When it becomes necessary to respond to a new risk, an Executive Officer will be promptly appointed to deal with the issue. A system enabling employees to report directly to the Directors has been established.

(e) The business management system set forth below is to be used to continuously monitor risks arising in the course of business and to facilitate the efficient execution by Executive Officers of their responsibilities.

- The Senior Executive Committee comprising principal Executive Officers deliberates on important issues that will affect Hitachi as a whole to facilitate the formulation of decisions based on the due consideration of the diverse factors coloring such issues.
- In order to boost market competitiveness through the committed pursuit of profitability and by setting clearly defined goals, numerical targets are set for Hitachi as a whole and each business group and incorporated into the fiscal budget. The targets are used as the reference base for performance management.
- Internal audits are conducted to monitor and identify the status of business operations and to facilitate improvements. In order to ensure strict compliance with its regulatory requirements, Hitachi has put in place a number of committees.
- The Audit Committee receives the audit plans of the independent auditors in advance to facilitate the monitoring of the independent auditors and ensure that these auditors are not influenced by Executive Officers. The prior approval of the Audit Committee is required with respect to the remuneration of the independent auditors and non-audit services.

C. Internal Audits and Audits by Audit Committee

(a) Internal Audits

Hitachi's internal audits, for which the Corporate Auditing is primarily responsible, are conducted with respect to Hitachi's business divisions, subsidiaries and affiliates.

The Corporate Auditing examines and evaluates, in accordance with auditing standards established by Hitachi, whether the implementation of each business, including sales, personnel, labor, procurement of materials and components, production, information systems, accounting and finance, and property and asset management are being conducted properly. In addition, it specifies any improvements that need to be made as a result of such evaluation and conducts follow-up on the state of progress of those improvements. The Corporate Auditing also notifies the Audit Committee in advance of its internal audit plans and reports the results of its audit to the President and Chief Executive Officer and the Audit Committee.

Furthermore, each Hitachi division, including those responsible for compliance, the environment and export management, conducts examinations and evaluations for compliance with those laws relating to its activities and, as necessary, specifies improvements that need to be made.

(b) Audits by Audit Committee

The Audit Committee monitors whether the Directors and Executive Officers are conducting, in a legal manner, corporate management based upon an appropriate internal control system.

The Audit Committee holds hearings and receives reports on a regular basis from the Directors and Executive Officers with respect to the performance of their duties. The Audit Committee sets audit policy and plans, and evaluates whether the implementation of business and property and assets management at principal business divisions and subsidiaries are being conducted properly. In addition, the Audit Committee participates in important internal committees such as the budget committee, reviews such things as materials of the Senior Executive Committee and audit reports of internal auditing departments and, as necessary, may instruct responsible internal auditing divisions with respect to such things as the divisions for which an audit should be conducted and the items upon which the audit should focus. Furthermore, the Audit Committee receives reports and explanations from independent auditors with respect to their audit plans and results, and examines Hitachi's financial statements based upon such reports and explanations.

D. Independent Auditors

Audits of Hitachi's financial statements have been conducted by Mr. Hideo Doi, Mr. Naomitsu Hirayama and Mr. Satoshi Fukui, all of whom are certified public accountants at Ernst & Young ShinNihon. They implement the audit, supported, when necessary, by certified public accountants, junior accountants and other employees of Ernst & Young ShinNihon. Mr. Hideo Doi and Mr. Naomitsu Hirayama have audited Hitachi's financial statements for 16 years.

(2) Personal, financial, trading and other beneficial relationships between Hitachi and outside directors

Hitachi has continuous business transactions with Nippon Steel Corporation, the chairman of the board of which is Hitachi outside Director Akira Chihaya, and with Asahi Glass Co., Ltd., where Hitachi outside Director Hiromichi Seya serves as Senior Corporate Advisor.

Furthermore, Hitachi outside Directors Toshiro Nishimura and Ginko Sato have no conflicts of interest with Hitachi. Mr. Nishimura does not act as a legal representative of, or provide legal advice as an attorney to Hitachi.

Policy on the Distribution of Earnings

Hitachi sets dividends by taking into consideration a range of factors, including its financial condition, results of operations and payout ratio. This policy is motivated by the desire to ensure the availability of sufficient internal funds for making investments in R&D and plant and equipment that are essential for maintaining competitiveness and improving profitability based on medium- and long-term plans, as well as to ensure the stable growth of dividends. Moreover, Hitachi has adopted a flexible stance toward the acquisition of its own shares, taking its business plans and financial condition, market conditions and other factors into consideration in this respect.

Policy on the Reduction of Number of Shares Constituting Investment Unit

Hitachi believes that the number of shares constituting investment unit in Japanese stock exchanges should be carefully examined from the perspectives of the liquidity of Hitachi stock, shareholder composition and other items. Because Hitachi believes that its shares currently have sufficient liquidity, the company believes that it would be difficult to obtain benefits that would justify the cost of a change in the number of shares constituting investment unit. Hitachi will continue to consider actions related to the establishment of a suitable number of shares constituting investment unit.

Items Concerning Parent Company

Hitachi has no parent company.

Business Risk and Other Risks

The Hitachi Group is engaged in a broad range of business activities on a global scale. Furthermore, the group uses highly sophisticated and specialized technologies and information to conduct these businesses. As a result, business activities are vulnerable to a diverse array of risk factors.

Major risk factors include, but are not limited to, economic trends in major markets; changes in foreign exchange rates; rapid technological innovations; intense competition; supply and demand balance; the procurement of raw materials and components; the ability to acquire companies, conduct mergers and form strategic alliances; progress in business restructuring; overseas business activities; recruiting activities; protection, maintenance and acquisition of intellectual property; product and service quality and liability; the use of information systems; governmental regulations; trends in capital markets; and retirement benefit liabilities.

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:

- fluctuations in product demand and industry capacity, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products 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;
- rapid technological change, 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 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 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;
- uncertainty as to Hitachi's ability to access, or access on favorable terms, liquidity or long-term financing; 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.