



Outline of Consolidated Financial Results for Fiscal 2005 and Outlook for Fiscal 2006

April 27, 2006
Hitachi, Ltd.



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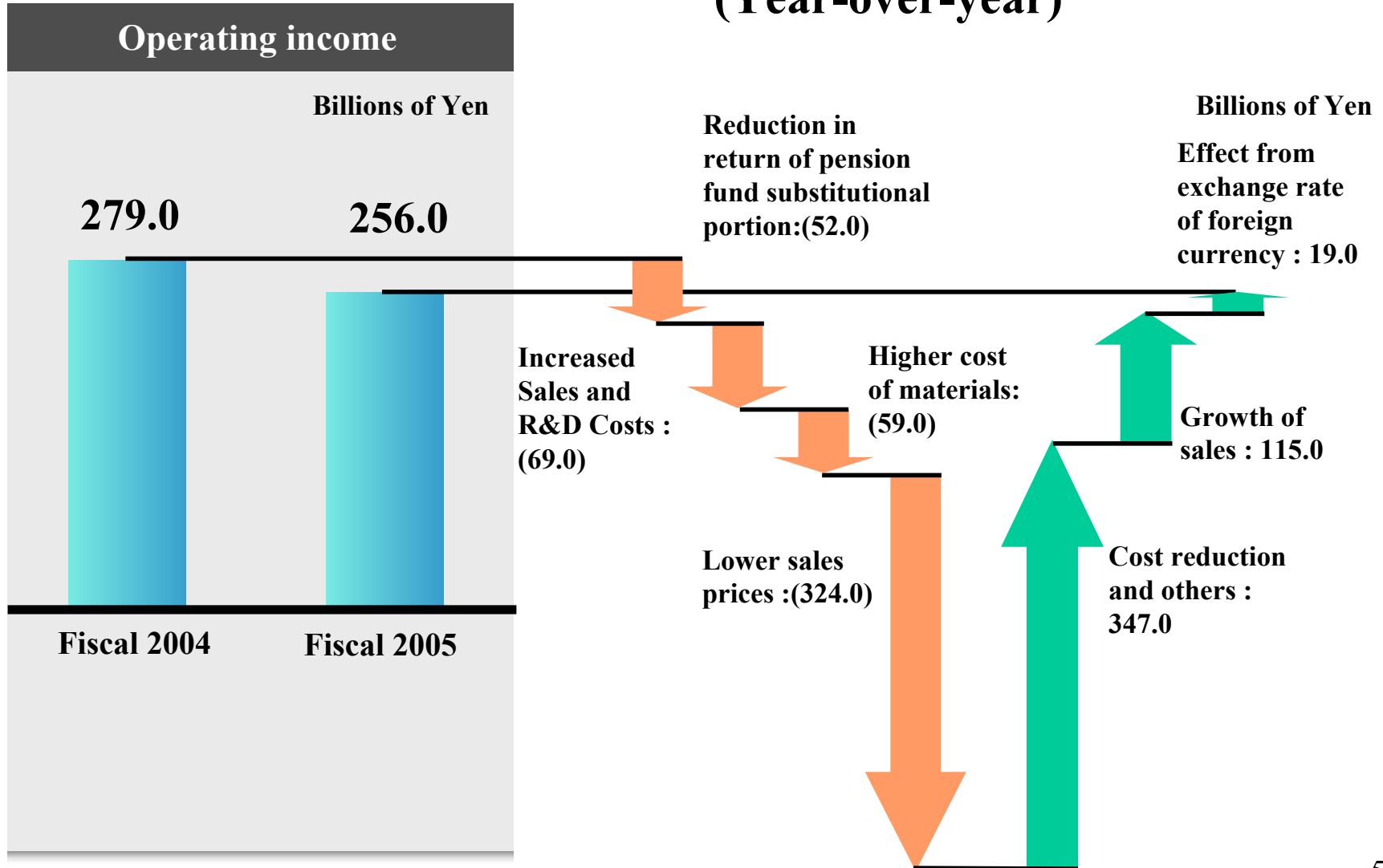
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1-1. Summary of Financial Results for Fiscal 2005

Billions of Yen

	Fiscal 2004	Fiscal 2005	Year-over-year % change
Revenues	9,027.0	9,464.8	105%
Operating income	279.0	256.0	92%
Income before income taxes and minority interests	264.5	274.8	104%
Income before minority interests	114.5	120.5	105%
Net income	51.4	37.3	72%

1-2. Major Factors of Change in Operating Income (Year-over-year)



1-3. Revenues by Market

Billions of Yen

	Fiscal 2004	Ratio	Fiscal 2005	Ratio	Year-over-year % change
Japan	5,749.6	64%	5,825.1	62%	101%
Outside Japan	3,277.4	36%	3,639.6	38%	111%
Asia	1,406.8	15%	1,619.2	17%	115%
North America	901.8	10%	968.9	10%	107%
Europe	709.7	8%	748.4	8%	105%
Other Areas	258.9	3%	302.9	3%	117%

Ratio of Overseas Revenues 38%

1-4. Consolidated Statements of Operations

Billions of Yen

	Fiscal 2004	Fiscal 2005	Year-over-year % change
Revenues	9,027.0	9,464.8	105%
Operating income	279.0	256.0	92%
Income before income taxes and minority interests	264.5	274.8	104%
Income taxes	149.9	154.3	103%
Income before minority interests	114.5	120.5	105%
Minority interests	63.0	83.1	132%
Net income	51.4	37.3	72%

1-5. Consolidated Balance Sheets

Billions of Yen

	As of March 31, 2005	As of March 31, 2006	Year-over-year change
Total assets	9,736.2	10,021.1	284.9
Total liabilities	6,507.3	6,476.6	(30.7)
Interest-bearing debts	2,502.5	2,419.0	(83.4)
Minority interests	921.0	1,036.8	115.7
Stockholders' equity	2,307.8	2,507.7	199.9
Stockholders' equity ratio	23.7%	25.0%	1.3 point improvement
D/E Ratio (Including Minority interests)	0.78 times	0.68 times	0.10 point improvement

1-6. Consolidated Statements of Cash flows

Billions of Yen

	Fiscal 2004	Fiscal 2005	Year-over-year change
Cash flows from operating activities	565.3	690.8	125.5
Cash flows from investing activities	(526.9)	(501.3)	25.6
Free cash flows	38.3	189.5	151.1
Cash flows from financing activities	(99.4)	(261.6)	(162.2)

1-7. Capital investment, R&D expenditure

(1) Capital investment

Billions of Yen

	Fiscal 2004	Fiscal 2005	Year-over-year % change
Capital investment	959.5	954.7	99%
Leasing assets	577.4	557.2	97%
Other	382.1	397.4	104%

(2) R&D expenditure

Billions of Yen

	Fiscal 2004	Fiscal 2005	Year-over-year % change
R&D expenditure	388.6	405.0	104%
Percentage of revenues	4.3%	4.3%	-

1-8. Revenues by Industry Segments

Billions of Yen

	Fiscal 2004	Fiscal 2005	Year-over-year % change
Information & Telecommunication Systems	2,268.3	2,360.9	104%
Electronic Devices	1,320.1	1,204.4	91%
Power & Industrial Systems	2,515.3	2,805.1	112%
Digital Media & Consumer Products	1,280.3	1,305.6	102%
High Functional Materials & Components	1,504.3	1,600.2	106%
Logistics, Services & Others	1,248.2	1,214.7	97%
Financial Services	529.6	517.9	98%
Eliminations & Corporate items	(1,639.4)	(1,544.3)	-
Total	9,027.0	9,464.8	105%

1-9. Operating Income (Loss) by Industry Segments

Billions of Yen

	Fiscal 2004	Fiscal 2005	Year-over-year % change
Information & Telecommunication Systems	67.7	84.6	125%
Electronic Devices	37.0	20.4	55%
Power & Industrial Systems	73.6	92.5	126%
Digital Media & Consumer Products	8.6	(35.7)	-
High Functional Materials & Components	87.5	110.0	126%
Logistics, Services & Others	9.8	19.5	199%
Financial Services	31.0	35.0	113%
Eliminations & Corporate items	(36.4)	(70.4)	-
Total	279.0	256.0	92%



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2-1. Outlook for Fiscal 2006

Billions of Yen

	Fiscal 2005	Fiscal 2006(Forecast)	Year-over-year % change
Revenues	9,464.8	9,700.0	102%
Operating income	256.0	290.0	113%
Income before income taxes and minority interests	274.8	280.0	102%
Income before minority interests	120.5	135.0	112%
Net income	37.3	55.0	147%

2-2. Outlook for Revenues of Fiscal 2006 by Industry Segments

Billions of Yen

	Fiscal 2005	Fiscal 2006 (Forecast)	Year-over-year % change
Information & Telecommunication Systems	2,360.9	2,530.0	107%
Electronic Devices	1,204.4	1,245.0	103%
Power & Industrial Systems	2,805.1	2,660.0	95%
Digital Media & Consumer Products	1,305.6	1,565.0	120%
High Functional Materials & Components	1,600.2	1,605.0	100%
Logistics, Services & Others	1,214.7	1,215.0	100%
Financial Services	517.9	480.0	93%
Eliminations & Corporate items	(1,544.3)	(1,600.0)	-
Total	9,464.8	9,700.0	102%

2-3. Outlook for Operating Income (Loss) of Fiscal 2006 by Industry Segments

Billions of Yen

	Fiscal 2005	Fiscal 2006 (Forecast)	Year-over-year % change
Information & Telecommunication Systems	84.6	93.0	110%
Electronic Devices	20.4	37.0	181%
Power & Industrial Systems	92.5	93.0	100%
Digital Media & Consumer Products	(35.7)	(28.0)	-
High Functional Materials & Components	110.0	114.0	104%
Logistics, Services & Others	19.5	19.0	97%
Financial Services	35.0	33.0	94%
Eliminations & Corporate items	(70.4)	(71.0)	-
Total	256.0	290.0	113%



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3-1. Information & Telecommunication Systems

(1) Overview

Billions of Yen

	Fiscal 2004	Fiscal 2005	Year-over-year % change	Fiscal 2006 (Forecast)	Year-over-year % change
Revenues	2,268.3	2,360.9	104%	2,530.0	107%
Software/Services	1,015.5	1,055.7	104%	1,080.0	102%
Hardware	1,252.8	1,305.1	104%	1,450.0	111%
Operating income	67.7	84.6	125%	93.0	110%
Software/Services	48.6	83.6	172%	79.0	94%
Hardware	19.1	1.0	5%	14.0	1,400%

Overview of Fiscal 2005

Revenues

[Increase 4%]

- Growth in Software/Services
 - Healthy growth in outsourcing business
- Growth in Hardware
 - Higher sales of Disk array subsystems and HDD

Operating income

[Increase 25%]

- Growth in Software/Services
 - Improving project management
- Decline in Hardware
 - Losses in HDD products brought down earnings, despite healthy growth in Disk array subsystems

Outlook for Fiscal 2006

- Growth in revenues and increased operating income
- HDD operations will return to profitability in 2nd half of fiscal 2006

3-1. Information & Telecommunication Systems

(2) Key Initiatives

1. Strengthen proposal capabilities to increase orders

- Expand the consulting services business by bolstering the operating structure
 - Increase the number of consultants worldwide to 3,000 in fiscal 2008, from 1,200 in fiscal 2005
 - Increase collaboration among consulting subsidiaries in Japan, U.S. and Europe
- Develop the security business, which includes finger vein authentication systems and secure client solutions
- Expand the outsourcing business

2. Expand global operations

- Increase market share in SAN/NAS storage solutions
 - Raise share in mid-range and small-range market through collaboration with Ingram Micro Inc., etc.
- Bolster communication network business
 - Strengthen communication network business in North America, etc.

3. Launch new businesses that leverage Hitachi's collective strengths

- Develop internal control solutions business
- Expand the RFID and traceability solutions business
- Target opportunities in the broadcasting and communications business

4. Invest in R&D activities to strengthen product lineup, competitiveness, and in measures to bolster sales capabilities

- Invest in the development of next-generation BladeSymphony and router products
- Invest to improve sales capabilities in the consulting services business, platform products and overseas

3-1. Information & Telecommunication Systems

(3) Hard Disk Drive Business

Billions of Yen

	Fiscal 2004 (Jan. 2004 - Dec. 2004)	Fiscal 2005 (Jan. 2005 - Dec. 2005)	Year-over-year % change	Fiscal 2006(Forecast) (Jan. 2006 - Dec. 2006)	Year-over-year % change
Revenues	453.6	496.5	109%	660.0	133%
Operating loss	(5.6)	(27.0)	-	(8.0)	-

1. Strengthen R&D capabilities

- Integration of development organizations: Have already consolidated server applications at San Jose and other applications at Fujisawa
- “TOKKEN”(special R&D task force) implemented :Begin mass production and shipment of perpendicular magnetic recording products in July-September 2006 quarter

2. Increase production capacity and reduce costs

- Ramp up HDD assembly capabilities: Began mass production at new Chinese facility in January 2006
- Use smaller sliders to raise production efficiency
- Improve production yield by making greater use of new head materials

3. Enhance sales capabilities

- Increase sales by strengthening partnerships with leading customers

4. Improve operating efficiency

- Use total supply chain management to improve sales and production efficiency
- Raise product quality through total quality control activities

Return to profitability in 2nd half of fiscal 2006

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 2005 include operating results of Hitachi GST for the period from January through December 2005.

3-2. Electronic Devices

(1) Overview

Billions of Yen

	Fiscal 2004	Fiscal 2005	Year-over-year % change	Fiscal 2006 (Forecast)	Year-over-year % change
Revenues	1,320.1	1,204.4	91%	1,245.0	103%
Operating income	37.0	20.4	55%	37.0	181%

Overview of Fiscal 2005

Revenues

[Decrease 9%]

- Sales of LCD decreased due to lower prices

Operating income

[Decrease 45%]

- Increased losses in LCD business

Outlook for Fiscal 2006

- LCD business will return to profitability in Fiscal 2006.

3-2. Electronic Devices

(2) Key Initiatives for LCD Business

	Billions of Yen				
	Fiscal 2004	Fiscal 2005	Year-over-year % change	Fiscal 2006 (Forecast)	Year-over-year % change
Revenues	223.7	191.6	86%	224.0	117%
Operating income (loss)	(14.6)	(22.8)	-	2.0	-

1. Focus on small and medium-sized LCDs

- Increase sales of LCDs for mobile phones, digital still cameras, portable games and amusement business
- Develop new markets for LCDs (automotive, medical and industrial equipment)
- Transfer LCD TV business to equity-method affiliate IPS Alpha Technology, Ltd. and dramatically reduce output of LCDs for PCs

2. Strengthen sales capabilities and strengthen partnership with leading customers

- Execute a product strategy drawing on Hitachi's outstanding In-Plane-Switching (IPS) technology
- Become a leading global LCD supplier and expand market share

3. Strengthen cost competitiveness

- Reduce material costs: Targeting a 20%/year reduction (Locate the optimum suppliers for each material, capture group synergies)
- Monozukuri* (manufacturing) reforms: Improvement in productivity with much expanded product line-up (Improve yields and throughput, increase share of back-end production in China)
- Continue to reduce fixed costs

Return to profitability in fiscal 2006

3-3. Power & Industrial Systems

(1) Overview

Billions of Yen

	Fiscal 2004	Fiscal 2005	Year-over-year % change	Fiscal 2006 (Forecast)	Year-over-year % change
Revenues	2,515.3	2,805.1	112%	2,660.0	95%
Operating income	73.6	92.5	126%	93.0	100%

Overview of Fiscal 2005

Revenues

[Increase 12%]

- Steady growth in industrial machinery and air-conditioning systems
- Growth in sales of Hitachi Construction Machinery, elevators and escalators, particularly overseas
- Effect of merger with TOKICO in October 2004

Operating income

[Increase 26%]

- Strong growth in Hitachi Construction Machinery
- Higher earnings in elevators, escalators, industrial machinery, air-conditioning systems, etc.

Outlook for Fiscal 2006

- Steady growth in sales of Hitachi Construction Machinery, elevators and escalators and industrial machinery
- Revenues will decline due to air-conditioning systems operations moving to Digital Media & Consumer Products segment through the establishment of Hitachi Appliances.

3-3. Power & Industrial Systems

(2) Key Initiatives

1. Improve profitability

Power Systems : **Improve project progress management on overseas thermal power plant business**
Improve cost competitiveness of core products
 (reduce costs of boilers, turbines, generators)

2. Expand overseas operations

Power Systems : **Implement an overseas business strategy matched to market characteristics**
Railway Systems : **Strengthen operations in the U.K. and China**
Urban Planning & Development Systems : **Expand elevators and escalators operations in China and Southeast Asia**
Construction Machinery : **Strengthen production capability, expand operations in North America and China**

3. Strengthen growth businesses

Automotive Systems : **Continue to make up-front investments in electric power train systems, Car Information Systems (CIS) businesses**
Urban planning & development Systems : **Bolster security systems for offices and condominiums, strengthen ESCO businesses**

4. Strengthen core operations

Integration of social infrastructure businesses: Formed Hitachi Plant Technologies, Ltd. (April 2006)

3-4. Digital Media & Consumer Products

(1) Overview

Billions of Yen

	Fiscal 2004	Fiscal 2005	Year-over-year % change	Fiscal 2006 (Forecast)	Year-over-year % change
Revenues	1,280.3	1,305.6	102%	1,565.0	120%
Operating income (loss)	8.6	(35.7)	-	(28.0)	-

Overview of Fiscal 2005

Revenues

[Increase 2%]

- Growth in FPD TV
- Consolidation of Fujitsu Hitachi Plasma Display in April 2005

Operating income (loss)

[Posted loss of 35.7 billion yen]

- Increased sales costs for Digital Media products
- Lower prices for FPD TV and home appliance products

Outlook for Fiscal 2006

- Focus on FPD TV business as key products in Ubiquitous information society.
- Home appliance operations will return to profitability in fiscal 2006.
- Revenues will increase due to addition of air-conditioning systems operation from Power & Industrial Systems segment through the establishment of Hitachi Appliances.

3-4. Digital Media & Consumer Products

(2) Key Initiatives for Flat-Panel TV Business

	Fiscal 2004	Fiscal 2005	Fiscal 2006 (Forecast)
Plasma TV shipments (units)	300,000	480,000	1,000,000
LCD TV shipments (units)	100,000	270,000	500,000

1. Strengthen product competitiveness and upgrade R&D capabilities

- Differentiate products (Apply high definition and proprietary panel technology)
- Increase R&D workforce, integrate R&D sections, and amalgamate sales and marketing sections
- Introduce new models twice each year by increasing speed of product development
- Bolster technologies in Hitachi groups (Increase ratio of using components made by Hitachi group companies)

2. Strengthen cost-competitiveness

- Reduce costs: Rationalization of circuit structures, reduction of panel costs, centralized purchasing of core components

3. Boost production capability and bolster business infrastructure

- Expand plasma panel production capacity: October 2006 (2.4 million units/year), 2nd quarter of fiscal 2007 (3.6 million units/year)
[investment to expand production capacity: a 3rd plant of Fujitsu Hitachi plasma display:85.0billion yen]
- Expand flat-panel TV production capacity: Establish new factory in Europe in 2006, Fiscal 2008 (5.4 million units/year)
- Build global supply chain management system

4. Enhance global sales capabilities

- Strengthen sales channels in each region
(Europe and U.S.: Sell products through major retailers; China: Increase number of sales locations)
- Strengthen the Hitachi brand (Increase investment in marketing, conduct worldwide brand campaign)

To improve FPD TV business, maintain aggressive investment to strengthen brand

3-5. High Functional Materials & Components

Overview

Billions of Yen

	Fiscal 2004	Fiscal 2005	Year-over-year % change	Fiscal 2006 (Forecast)	Year-over-year % change
Revenues	1,504.3	1,600.2	106%	1,605.0	100%
Operating income	87.5	110.0	126%	114.0	104%

Overview of Fiscal 2005

Revenues

[Increase 6%]

- Strong growth in Hitachi Chemical and Hitachi Metals principally electronics-related and automotive fields
- Growth in Hitachi Cable

Operating income

[Increase 26%]

- Strong earnings at Hitachi Chemical and Hitachi Metals

Outlook for Fiscal 2006

- Continuous growth in Hitachi Chemical, Hitachi Metals and Hitachi Cable

3-6. Logistics, Services & Others / Financial Services

Logistics, Services & Others

Billions of Yen

	Fiscal 2004	Fiscal 2005	Year-over-year % change	Fiscal 2006 (Forecast)	Year-over-year % change
Revenues	1,248.2	1,214.7	97%	1,215.0	100%
Operating income	9.8	19.5	199%	19.0	97%

Financial Services

Billions of Yen

	Fiscal 2004	Fiscal 2005	Year-over-year % change	Fiscal 2006 (Forecast)	Year-over-year % change
Revenues	529.6	517.9	98%	480.0	93%
Operating income	31.0	35.0	113%	33.0	94%



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4-1. Concentrating Resources on Targeted Businesses

R & D

- **Concentrate resources in growing businesses so as to quickly bring to market distinctive products**
 - HDDs, plasma display panels, LCD panels, automotive systems, high functional materials, etc.
- **Create synergies through group vertical integration development projects**
 - Plasma display panels, LCD panels, motors and inverters, embedded systems, etc.

Sales Investments

- **Promote group-wide sales activities**
 - Share information within the group
 - Strengthen sales efforts targeting major global client accounts
- **Increase brand power for consumer products**
 - Conduct brand strengthening campaigns in all regions
 - Sell products through major retailers: North America, Europe, China
- **Strengthen Total Security Solutions business**
 - Finger vein authentication system, secure client solutions, security system for office & condominium, explosive trace detection system, etc.

4-2. Accelerate Globalization

● Implement an overseas business strategy matched to market characteristics

- **Conduct business from the perspective of the local market by collaborating with regional chief executives**
- **Consolidate and standardize management platforms within regions to improve operating efficiency**
 - **Make greater use of shared services**
 - **Bolster risk management**
- **Recruit and nurture local leaders**
 - **Conduct cohesive group recruitment activities**
 - **Use the same training program for managers worldwide**

● Strengthen business infrastructure worldwide

- **Reinforce marketing capabilities, sales channels and brand power**
- **Improve total supply chain management**

4-3. Enhance Operating Efficiency

● Capture group synergies and rigorously reduce costs

● Conduct a drive to lower the total cost ratio

- Reduce unnecessary costs / expenses and opportunity loss, in all R&D, design, production and sales processes
- Shorten new product development lead times by 30%

● Promote group-wide projects

- Group materials expenses reduction project

[Year-over-year reduction: Fiscal 2005=270 billion yen ; Fiscal 2006 target=310 billion yen]

- Reduce indirect materials and expenses, shared services expansion projects

[Year-over-year reduction : Fiscal 2005=10 billion yen ; Fiscal 2006 target=11 billion yen]

- IT cost reduction project (cost reductions from sharing systems)

[Year-over-year reduction : Fiscal 2005=6 billion yen ; Fiscal 2006 target=10 billion yen]

● Establish a sound financial position

● Execute total supply chain management reforms worldwide to improve working capital

- Reduce debt
- Maintain D/E ratio of 0.8

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, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- 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 results of litigation and legal proceedings of which the Company, its subsidiaries or its equity method affiliates have become or may become parties;
- 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.

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