

HITACHI LTD
Form 6-K
May 16, 2005
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER

**PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of April 2005

Commission File Number 1-8320

Hitachi, Ltd.

(Translation of registrant's name into English)

6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8280, Japan

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

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This report on Form 6-K contains the following:

1. Press release dated April 28, 2005 regarding financial results for fiscal year ended March 2005.
2. Press release dated April 28, 2005 regarding new directors.
3. Press release dated April 28, 2005 regarding grant of incentive stock options.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Hitachi, Ltd.
(Registrant)

Date May 16, 2005

By /s/ Takashi Hatchoji

Takashi Hatchoji
Senior Vice President and Executive Officer

Table of Contents**FOR IMMEDIATE RELEASE****Hitachi Announces Consolidated Financial Results for Fiscal 2004**

Tokyo, April 28, 2005 Hitachi, Ltd. (NYSE:HIT / TSE:6501) today announced its consolidated financial results for fiscal 2004, ended March 31, 2005.

1. Business Results and Financial Position

Note: All figures, except for the outlook for fiscal 2005, were converted at the rate of 107 yen to the U.S. dollar, the approximate exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2005.

Business Results**(1) Summary of Fiscal 2004 Consolidated Business Results**

	Year ended March 31, 2005		
	Billions of	Year-over-year	Millions of
	yen	% change	U.S. dollars
Revenues	9,027.0	5%	84,365
Operating income	279.0	51%	2,608
Income before income taxes and minority interests	264.5	12%	2,472
Income before minority interests	114.5	197%	1,070
Net income	51.4	224%	481

During the fiscal year, the global economy was generally strong supported by growth in the U.S. Despite some cause for concern in the U.S. economy such as rapidly rising oil prices, consumer spending remained healthy against a backdrop of improvement in the income environment, while corporate plant and equipment investment showed a strong pace of double-digit growth. China, meanwhile, maintained its rapid growth on the back of robust exports to the U.S. and strong domestic demand.

In Japan, the economy remained generally healthy throughout the fiscal year due to strength in exports and plant and equipment investment even though electronic device inventories rose and plant and equipment investment for electronics-related products declined in the fiscal year's second half.

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Against this backdrop, the Hitachi Group took a number of steps to expand its business in the automotive-related field, including a merger with TOKICO LTD. and Hitachi Unisia Automotive, Ltd., and the establishment of Hitachi Vehicle Energy, Ltd. to develop and manufacture rechargeable lithium-ion batteries for hybrid electric vehicles and other applications. Furthermore, anticipating growth in demand for flat screen TVs, Hitachi teamed up with Toshiba Corporation and Matsushita Electric Industrial Co., Ltd. to establish IPS Alpha Technology, Ltd., an LCD panel joint venture, and also made the decision to make Fujitsu Hitachi Plasma Display Limited a subsidiary from April 2005. This latter company develops, produces and sells plasma display panels.

Targeting business expansion overseas, the company held the Hitachi Exhibition-China 2004 in China, a market that offers particular potential for growth, to raise the Group's presence in this country. Another move saw the appointment of Chief Executives to be based in North America, Europe and China to reinforce the management of integrated Group businesses in these regions.

In this environment, Hitachi's consolidated revenues increased 5%, to 9,027.0 billion yen. Contributing to this growth were the consolidation of NEOMAX Co., Ltd. (formerly Sumitomo Special Metals Co., Ltd.) and an equity-method affiliate that manufactures and sells elevators and escalators in China, and the merger with TOKICO LTD. Furthermore, higher sales at Hitachi Construction Machinery Co., Ltd. drove a year-on-year increase in revenues in the Power & Industrial Systems segment. Meanwhile, the popularity of plasma televisions and other products lifted revenues in the Digital Media & Consumer Products segment, and revenues in the High Functional Materials & Components segment also increased, mainly due to growth in sales of components and materials for electronics- and automotive-related fields.

Overseas revenues grew 10% to 3,277.4 billion yen due to higher sales in social infrastructure-, automotive- and digital media-related fields as well as other areas, particularly in China, which is a focus of the Hitachi Group's activities.

Operating income was up 51%, to 279.0 billion yen, mainly the result of higher year-on-year earnings in the Power & Industrial Systems and the High Functional Materials & Components segments.

Lower gains on sales of investment securities were mainly responsible for a 46% decline in other income to 86.4 billion yen. Other deductions improved 7% to 100.9 billion yen as the posting of a foreign exchange gain and other factors outweighed business restructuring charges centered on Information & Telecommunication Systems and Digital Media & Consumer Products.

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As a result, Hitachi reported a 12% increase in income before income taxes and minority interests, to 264.5 billion yen. After income taxes of 149.9 billion yen, income before minority interests was 114.5 billion yen. Net income was up 224%, to 51.4 billion yen.

(2) Revenues and Operating Income by Segment

Results by segment were as follows.

[Information & Telecommunication Systems]

	Year ended March 31, 2005		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	2,268.3	(2)%	21,200
Operating income	67.7	(3)%	633

Information & Telecommunication Systems revenues decreased 2%, to 2,268.3 billion yen. Software and services revenues were higher year on year as a whole because of a strong performance by the outsourcing business and other factors. Hardware revenues declined year on year, chiefly as a result of lower prices for servers, PCs and other products, although sales of telecommunication networks improved.

Operating income was down 3%, to 67.7 billion yen. In addition to the impact of lower prices, software and services earnings were held back by unprofitable projects. Hardware earnings increased despite the impact of falling prices for servers, PCs and other products due to a smaller loss in hard disk drive (HDD) operations and an improvement in earnings from telecommunications networks.

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 2004 include operating results of Hitachi GST for the period from January through December 2004.

[Electronic Devices]

Year ended March 31, 2005

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	Billions of	Year-over-year	Millions of
	<u>yen</u>	<u>% change</u>	<u>U.S. dollars</u>
Revenues	1,320.1	1%	12,338
Operating income	37.0	22%	346

Electronic Devices revenues increased 1%, to 1,320.1 billion yen. Higher sales of semiconductor and LCD manufacturing equipment at Hitachi High-Technologies Corporation outweighed a sharp decline in sales of displays caused by increasing weakness in the LCD market.

Operating income climbed 22%, to 37.0 billion yen as a loss in the display business caused by lower prices and other factors was outweighed by a stronger performance at Hitachi High-Technologies Corporation, mainly from semiconductor and LCD manufacturing equipment.

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[Power & Industrial Systems]

	Year ended March 31, 2005		
	Billions of	Year-over-year	Millions of
	yen	% change	U.S. dollars
Revenues	2,515.3	9%	23,508
Operating income	73.6	117%	689

Revenues increased 9%, to 2,515.3 billion yen. This was attributable in part to the effect of consolidating an equity-method affiliate that manufactures and sells elevators and escalators in China, and the merger with TOKICO LTD. In addition, the increase reflected higher sales at Hitachi Construction Machinery Co., Ltd. and higher sales of air-conditioning systems, industrial machinery and other products.

Operating income rose 117%, to 73.6 billion yen on higher earnings at Hitachi Construction Machinery and higher earnings from air-conditioning systems, industrial machinery and other products.

[Digital Media & Consumer Products]

	Year ended March 31, 2005		
	Billions of	Year-over-year	Millions of
	yen	% change	U.S. dollars
Revenues	1,280.3	4%	11,966
Operating income	8.6	25%	81

In Digital Media & Consumer Products, revenues increased 4%, to 1,280.3 billion yen. The segment recorded higher sales of plasma TVs, optical disk drives and LCD projectors. Sales of home appliances were about the same as one year earlier despite lower sales prices.

Operating income was up 25%, to 8.6 billion yen because of higher earnings from plasma TVs, optical disk drives, LCD projectors and other products and an improvement in home appliance operations.

Note:

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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 fiscal 2004 include the operating results of HLDS for the period from January through December 2004.

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[High Functional Materials & Components]

	Year ended March 31, 2005		
	Billions of	Year-over-year	Millions of
	yen	% change	U.S. dollars
Revenues	1,504.3	16%	14,059
Operating income	87.5	87%	818

Revenues increased 16%, to 1,504.3 billion yen. Hitachi Metals, Ltd. recorded a sharp increase in sales due to the effect of consolidating NEOMAX Co., Ltd. and strong sales to electronics- and automotive-related fields. Hitachi Chemical Co., Ltd. and Hitachi Cable, Ltd. also recorded sharply higher sales, with growth at the former reflecting strong sales, particularly to the electronics- and automotive-related fields, and growth at the latter reflecting surging IT-related demand and higher copper prices, which forced up sales prices of wires and cables and other copper products.

Operating income was up 87%, to 87.5 billion yen as Hitachi Chemical, Hitachi Metals and Hitachi Cable all turned in robust performances.

[Logistics, Services & Others]

	Year ended March 31, 2005		
	Billions of	Year-over-year	Millions of
	yen	% change	U.S. dollars
Revenues	1,248.2	(1)%	11,666
Operating income	9.8		92

Despite the transfer of an overseas sales company's semiconductor division to Renesas Technology Corp., revenues were unchanged at 1,248.2 billion yen as Hitachi Transport System, Ltd. and Hitachi Mobile Co., Ltd. posted healthy sales.

There was a substantial improvement in operating income, to 9.8 billion yen in the absence of one-time costs for changes in pension plans in fiscal 2003.

[Financial Services]

	Year ended March 31, 2005		
	Billions of	Year-over-year	Millions of
	yen	% change	U.S. dollars
Revenues	529.6	(4)%	4,950
Operating income	31.0	39%	290

Revenues decreased 4%, to 529.6 billion yen, despite Hitachi Capital Corp.'s healthy performance centered on leasing business and other operations.

Operating income increased 39%, to 31.0 billion yen, a figure that includes the effect of the transfer to the Japanese government of the substitutional portion of employee pension liabilities at Hitachi Capital Corp.

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(3) Revenues by Market

	Year ended March 31, 2005		
	Billions of	Year-over-year	Millions of
	yen	% change	U.S. dollars
Japan	5,749.6	2%	53,735
Overseas	3,277.4	10%	30,630
Asia	1,406.8	16%	13,148
North America	901.8	3%	8,429
Europe	709.7	8%	6,633
Other Areas	258.9	10%	2,420

Revenues rose in Japan and overseas due to strong performances by the Power & Industrial Systems and High Functional Materials & Components segments.

Revenues in Japan increased 2%, to 5,749.6 billion yen.

Overseas revenues climbed 10%, to 3,277.4 billion yen, mainly the result of consolidating an equity-method affiliate that manufactures and sells elevators and escalators in China, and higher sales of automotive products and materials for electronics-related products. By region, revenues generated in Asia, mainly in the Chinese market, grew significantly.

As a result, the ratio of overseas revenues to consolidated revenues increased 2 percentage points to 36%.

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

Capital investment on a completion basis, excluding leasing assets, rose 29%, to 382.1 billion yen, mainly due to investments related to increasing HDD output and transforming the product mix in the displays business. Depreciation, excluding leasing assets, declined 5%, to 313.8 billion yen. R&D expenditures, primarily used to accelerate the launch of new businesses and strengthen basic research, increased 5%, to 388.6 billion yen, which was 4.3% of revenues.

Financial Position

(1) Financial Position

	As of March 31, 2005		
	Billions of	Year-over-year	Millions of
	yen	change	U.S. dollars
Total assets	9,736.2	145.9	90,993
Total liabilities	6,507.3	(116.0)	60,816
Debts	2,502.5	4.9	23,387
Minority interests	921.0	122.2	8,608
Stockholders' equity	2,307.8	139.7	21,569
Stockholders' equity ratio	23.7%	1.1 point improvement	
D/E ratio (including minority interests)	0.78 times	0.06 point improvement	

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Total assets at March 31, 2005 were 9,736.2 billion yen, 145.9 billion yen more than one year earlier. The increase was mainly attributable to the effect of consolidating NEOMAX Co., Ltd. and an equity-method affiliate that manufactures and sells elevators and escalators in China, as well as the merger with TOKICO LTD. and the establishment of joint ventures in the ATM business. Debts remained on a par with the previous year. Stockholders' equity increased 139.7 billion yen, to 2,307.8 billion yen due to the increase in net income, higher capital surplus earnings and a decline in treasury stock resulting from the merger with TOKICO LTD., and a decline in the minimum pension liability adjustments following the transfer of the substitutional portion of employee pension fund liabilities to the Japanese government. As a result of these items, the stockholders' equity ratio improved 1.1 point, to 23.7%. The debt-to-equity ratio (including minority interests) improved by 0.06 of a point to 0.78 times as stockholders' equity increased.

(2) Cash Flows

	Year ended March 31, 2005		
	Billions of	Year-over-year	Millions of
	yen	change	U.S. dollars
Cash flows from operating activities	565.3	(38.0)	5,284
Cash flows from investing activities	(526.9)	(259.5)	(4,925)
Free cash flows	38.3	(297.6)	359
Cash flows from financing activities	(99.4)	275.0	(929)

Net cash provided by operating activities decreased 38.0 billion yen to 565.3 billion yen. This chiefly reflected an increase in net income and an improvement in working capital efficiency, outweighed by decrease in depreciation and amortization of unrecognized actuarial loss.

Net cash used in investing activities increased 259.5 billion yen to 526.9 billion, mainly due to the absence of significant proceeds from sales of investment securities booked in the previous fiscal year and an increase in plant and equipment investment focused on targeted businesses.

Free cash flows, the sum of operating and investing cash flows, were positive 38.3 billion yen, despite a deterioration of 297.6 billion yen from a year earlier.

Net cash used by financing activities declined 275.0 billion yen to 99.4 billion yen. This was mainly the result of decrease in payment of borrowing, despite an increase in cash dividends paid.

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The net result of the above items was a decrease of 55.6 billion yen in cash and cash equivalents to 708.7 billion.

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Outlook for Fiscal 2005

	Year ending March 31, 2006		
	Billions of	Year-over-year	Millions of
	yen	% change	U.S. dollars
Revenues	9,250.0	2%	92,500
Operating income	300.0	8%	3,000
Income before income taxes and minority interests	280.0	6%	2,800
Income before minority interests	130.0	14%	1,300
Net income	55.0	7%	550

Turning to the outlook for the global economy, the Hitachi Group expects the U.S. to experience a gentle slowdown due to the end of tax incentives for capital investment, a move away from a low interest rate policy, surging prices for crude oil and other raw materials and other factors. Although there are concerns of a weakening in the pace of economic recovery in Europe as a result of this, the Asian economy is projected to be comparatively strong, supported by domestic demand in China. Consequently, despite some uncertainty regarding the global economy in the first half of the year, a moderate upturn is forecasted for the second half.

The forecast for the Japanese economy calls for a more pronounced slowdown in the first half of the year due to deflation continuing and lower plant and equipment investment in electronic components and other sectors as demand for digital consumer electronics weakens. A moderate improvement in the economy is expected in the second half of the year.

Based on this outlook, the Hitachi Group is forecasting the operating results shown above for fiscal 2005. Hitachi continues to make aggressive investments in targeted businesses, such as the April 2005 investment to make Fujitsu Hitachi Plasma Display a subsidiary in order to strengthen the plasma display business. Hitachi will also push forward ongoing reform initiatives. In Information and Telecommunications Systems, efforts will focus on enhancing Groupwide project management and reinforcing development capabilities to improve HDD profitability, while in Electronic Devices, steps will be taken to realign the product lineup centered on LCD displays. Hitachi will work to become more competitive on a consolidated basis and establish a more powerful earnings base by driving forward structural reforms that target future business development such as efforts to expand overseas business.

Projections for fiscal 2005 assume an exchange rate of 100 yen to the U.S. dollar and 130 yen to the Euro.

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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 focus 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.

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(*) 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 in order to achieve positive FIV in fiscal 2005. 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. While Hitachi has been delivering higher revenues and earnings on the whole as a result of these actions, 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.

3. 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 March 31, 2005, the Board of Directors had 14 members, 4 of whom were from outside Hitachi. Three directors served concurrently as executive officers. The Chairman of the Board does not serve concurrently as an Executive Officer. Within the Board of Directors, three statutory committees have

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been established the Nominating Committee, Audit Committee and Compensation Committee with outside Directors accounting for the majority of members of each committee. The Board of Directors has met on 14 separate occasions during the fiscal year ended March 31, 2005, and the attendance rate of Directors at those meetings was 96%. The Nominating Committee, Audit Committee and Compensation Committee met 5, 12 and 7 times, respectively, during the fiscal year ended March 31, 2005.

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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.

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- (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

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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.

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D. Independent Auditors

Audits of Hitachi's financial statements under the Japanese Securities Exchange Law have been conducted by Mr. Hideo Doi, Mr. Yoshikazu Aoyagi and Mr. Naomitsu Hirayama, all of whom are certified public accountants of Shin Nihon & Co. They implement the audit, supported, when necessary, by certified public accountants, assistant certified public accountants and other employees of Shin Nihon & Co. under their supervision. Mr. Hideo Doi and Mr. Naomitsu Hirayama have audited Hitachi's financial statements for 15 years.

E. Compensation Paid to Directors, Corporate Auditors and Executive Officers in Fiscal 2004

(a) Amount paid to Directors and Executive Officers in office after adoption of the Committee System

	Remuneration		Year-end Allowance and Performance-linked Component		Retirement Allowance	
	Amount paid		Amount paid		Amount paid	
	Number	(millions of yen)	Number	(millions of yen)	Number	(millions of yen)
Directors	12	233	10	41	1	7
(Outside Directors)	(4)	(60)	(4)	(6)	()	()
Executive Officers	26	618	30	292	4	177
Total	38	851	40	334	5	184

- Notes: (1) The number of Directors who received remuneration and year-end allowance excludes three Directors who serve concurrently as Executive Officers.
(2) The number of Executive Officers who received performance-linked component includes 7 Executive Officers who retired in the preceding year.
(3) All of the Executive Officers who received retirement allowance are Executive Officers who retired in the preceding year.

(b) Amount paid to Directors and Corporate Auditors in office before adoption of the Committee System

	Bonus	Retirement Allowance
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	Amount paid		Amount paid	
	Number	(millions of yen)	Number	(millions of yen)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Directors	6	22	2	123
Corporate Auditors			1	20
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	6	22	3	144
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: The bonus was paid to Directors who were in office between April 1, 2003 and June 25, 2003.

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F. Audit Fees

The following table shows fees for audit and other services rendered by Shin Nihon & Co. and Ernst & Young for fiscal 2004.

	Amount
	(Millions of yen)
Audit Fees	1,516
Other Fees	294
Total	1,810

(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. However, these transactions are very small in comparison with the size of operations of Nippon Steel or Hitachi. Although Hitachi has also continuous business transactions with Asahi Glass Co., Ltd., where Hitachi outside Director Hiromichi Seya serves as Senior Corporate Advisor, these transactions are very small in comparison with the size of operations of Asahi Glass or Hitachi. 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 conditions, 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 business plans, financial conditions, market conditions and other factors into consideration in this respect.

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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 and Electronic Devices 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;

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- 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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HITACHI, LTD. AND SUBSIDIARIES**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2005**

The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of 107 yen = U.S.\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2005.

SUMMARY

In millions of yen and U.S. dollars, except Net income per share (6) and Net income per American Depositary Share (7).

	The years ended March 31			
	YEN		(A)/(B)	U.S.DOLLARS
	(millions)			(millions)
	2005 (A)	2004 (B)	X100 (%)	2005
1. Revenues	9,027,043	8,632,450	105	84,365
2. Operating income	279,055	184,863	151	2,608
3. Income before income taxes and minority interests	264,506	237,149	112	2,472
4. Income before minority interests	114,516	38,494	297	1,070
5. Net income	51,496	15,876	324	481
6. Net income per share				
Basic	15.53	4.81	323	0.15
Diluted	15.15	4.75	319	0.14
7. Net income per ADS (representing 10 shares)				
Basic	155	48	323	1.45
Diluted	152	48	317	1.42

Notes: 1. The Company's financial statements are prepared based on U.S. GAAPs.

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2. Segment Information and operating income are presented in accordance with financial reporting principles and practices generally accepted in Japan.
3. The figures are for 985 consolidated subsidiaries, including Variable Interest Entities, and 167 equity-method affiliates.

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CONSOLIDATED STATEMENTS OF INCOME

	The years ended March 31			
	YEN		(A)/(B)	U.S. DOLLARS
	(millions)			(millions)
	2005 (A)	2004 (B)	X100 (%)	2005
Revenues	9,027,043	8,632,450	105	84,365
Cost of sales	6,961,270	6,710,154	104	65,059
Selling, general and administrative expenses	1,786,718	1,737,433	103	16,698
Operating income	279,055	184,863	151	2,608
Other income				
(Interest and dividends)	86,408	161,170	54	808
	19,384	19,160	101	181
(Other)	67,024	142,010	47	627
Other deductions				
(Interest charges)	100,957	108,884	93	944
	29,057	30,855	94	272
(Other)	71,900	78,029	92	672
Income before income taxes and minority interests	264,506	237,149	112	2,472
Income taxes	149,990	198,655	76	1,402
Income before minority interests	114,516	38,494	297	1,070
Minority interests	63,020	22,618	279	589
Net income	51,496	15,876	324	481

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CONSOLIDATED BALANCE SHEETS

	YEN		(A)/(B) X100 (%)	U.S.DOLLARS
	(millions)			(millions)
	As of March 31, 2005 (A)	As of March 31, 2004 (B)		As of March 31, 2005
Assets	9,736,247	9,590,322	102	90,993
Current assets	5,338,835	5,219,942	102	49,896
Cash and cash equivalents	708,715	764,396	93	6,624
Short-term investments	146,568	177,949	82	1,370
Trade receivables				
Notes	132,572	142,802	93	1,239
Accounts	2,065,194	2,043,727	101	19,301
Investment in leases	526,759	451,753	117	4,923
Inventories	1,198,955	1,123,406	107	11,205
Other current assets	560,072	515,909	109	5,234
Investments and advances	894,851	908,962	98	8,363
Property, plant and equipment	2,357,931	2,232,862	106	22,037
Other assets	1,144,630	1,228,556	93	10,697
Liabilities and Stockholders' equity	9,736,247	9,590,322	102	90,993
Current liabilities	4,064,546	3,911,054	104	37,986
Short-term debt and current installments of long-term debt	1,183,474	1,183,463	100	11,060
Trade payables				
Notes	62,855	67,581	93	587
Accounts	1,246,401	1,220,033	102	11,649
Advances received	247,586	216,544	114	2,314
Other current liabilities	1,324,230	1,223,433	108	12,376
Noncurrent liabilities	2,442,818	2,712,321	90	22,830
Long-term debt	1,319,032	1,314,102	100	12,327
Retirement and severance benefits	1,033,005	1,273,509	81	9,654
Other liabilities	90,781	124,710	73	849
Minority interests	921,052	798,816	115	8,608
Stockholders' equity	2,307,831	2,168,131	106	21,569
Common stock	282,033	282,032	100	2,636
Capital surplus	565,360	551,690	102	5,284
Legal reserve and retained earnings	1,779,198	1,760,435	101	16,628

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Accumulated other comprehensive loss	(301,524)	(393,864)		(2,818)
(Foreign currency translation adjustments)	(90,904)	(95,786)		(849)
(Minimum pension liability adjustments)	(242,672)	(329,536)		(2,268)
(Net unrealized holding gain on available-for-sale securities)	32,996	31,499	105	308
(Cash flow hedges)	(944)	(41)		(9)
Treasury stock	(17,236)	(32,162)		(161)

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

	YEN		U.S. DOLLARS
	(millions)		(millions)
	The year ended March 31, 2005	The year ended March 31, 2004	The year ended March 31, 2005
Common stock			
Balance at beginning of year	282,032	282,032	2,636
Conversion of convertible debentures	1	0	0
Balance at end of year	282,033	282,032	2,636
Capital surplus			
Balance at beginning of year	551,690	562,214	5,156
Gains on sales of treasury stock	12,862	48	120
Increase (Decrease) arising from divestiture and other	808	(10,572)	8
Balance at end of year	565,360	551,690	5,284
Legal reserve			
Balance at beginning of year	109,163	111,309	1,020
Transfers from (to) retained earnings	921	(1,849)	9
Transfers from (to) minority interests	130	(297)	1
Balance at end of year	110,214	109,163	1,030
Retained earnings			
Balance at beginning of year	1,651,272	1,655,029	15,432
Net income	51,496	15,876	481
Cash dividends	(34,628)	(19,990)	(323)
Transfers from (to) legal reserve	(921)	1,849	(9)
Transfers from (to) minority interests	1,765	(1,492)	17
Balance at end of year	1,668,984	1,651,272	15,598
Legal reserve and retained earnings	1,779,198	1,760,435	16,628
Accumulated other comprehensive loss			
Foreign currency translation adjustments			
Balance at beginning of year	(95,786)	(60,948)	(895)

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Current-period change	4,882	(34,838)	46
Balance at end of year	(90,904)	(95,786)	(849)
Minimum pension liability adjustments			
Balance at beginning of year	(329,536)	(698,916)	(3,080)
Current-period change	86,864	369,380	812
Balance at end of year	(242,672)	(329,536)	(2,268)
Net unrealized holding gain on available-for-sale securities			
Balance at beginning of year	31,499	4,874	294
Changes in unrealized holding gain	1,497	26,625	14
Balance at end of year	32,996	31,499	308
Cash flow hedges			
Balance at beginning of year	(41)	(535)	(0)
Changes in the fair value of derivative financial instruments	(903)	494	(9)
Balance at end of year	(944)	(41)	(9)
Accumulated other comprehensive loss	(301,524)	(393,864)	(2,818)
Treasury stock			
Balance at beginning of year	(32,162)	(1,847)	(301)
Current-period increase	14,926	(30,315)	140
Balance at end of year	(17,236)	(32,162)	(161)
Total stockholders' equity	2,307,831	2,168,131	21,569

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	The years ended March 31		
	YEN		U.S. DOLLARS
	(millions)		(millions)
	2005	2004	2005
Cash flows from operating activities			
Net income	51,496	15,876	481
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	425,080	436,053	3,973
Deferred income taxes	45,310	77,056	424
Loss on disposal of rental assets and other property	15,202	13,274	142
(Increase) Decrease in receivables	103,246	(187,545)	965
Increase in inventories	(95,191)	(67,026)	(890)
Increase (Decrease) in payables	(53,785)	145,234	(503)
Other	73,998	170,481	692
Net cash provided by operating activities	565,356	603,403	5,284
Cash flows from investing activities			
Increase in short-term investments	47,179	10,035	441
Capital expenditures	(368,896)	(289,753)	(3,448)
Purchase of rental assets, net	(443,570)	(384,197)	(4,146)
Proceeds from sale of investments and subsidiaries common stock, net	51,221	190,716	479
Collection of investment in leases	301,614	340,376	2,819
Other	(114,536)	(134,590)	(1,070)
Net cash used in investing activities	(526,988)	(267,413)	(4,925)
Cash flows from financing activities			
Decrease in interest-bearing debt	(39,166)	(320,477)	(366)
Dividends paid to stockholders	(34,815)	(19,961)	(325)
Dividends paid to minority stockholders of subsidiaries	(16,671)	(13,714)	(156)
Other	(8,777)	(20,283)	(82)
Net cash used in financing activities	(99,429)	(374,435)	(929)
Effect of exchange rate changes on cash and cash equivalents	5,380	(25,330)	50
Net decrease in cash and cash equivalents	(55,681)	(63,775)	(520)
Cash and cash equivalents at beginning of year	764,396	828,171	7,144
Cash and cash equivalents at end of year	708,715	764,396	6,624

Note:

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In this fiscal year, the Company classified the effect of net change in inventory-related receivables from financial services as Cash flows from operating activities in place of Cash flows from investing activities. The reclassification has also been made to the presentation of the prior year's statements of cash flows.

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SEGMENT INFORMATION**(1) INDUSTRY SEGMENTS**

	The years ended March 31			
	YEN		(A)/(B) X100 (%)	U.S. DOLLARS
	(millions)			(millions)
	2005 (A)	2004 (B)	2005	
Revenues				
Information & Telecommunication Systems	2,268,386 21%	2,314,552 23%	98	21,200
Electronic Devices	1,320,177 12%	1,312,380 13%	101	12,338
Power & Industrial Systems	2,515,366 24%	2,297,913 22%	109	23,508
Digital Media & Consumer Products	1,280,302 12%	1,226,955 12%	104	11,966
High Functional Materials & Components	1,504,312 14%	1,297,085 13%	116	14,059
Logistics, Services & Others	1,248,296 12%	1,256,266 12%	99	11,666
Financial Services	529,695 5%	550,982 5%	96	4,950
Subtotal	10,666,534 100%	10,256,133 100%	104	99,687
Eliminations & Corporate items	(1,639,491)	(1,623,683)		(15,322)
Total	9,027,043	8,632,450	105	84,365
Operating income				
Information & Telecommunication Systems	67,761 21%	69,932 33%	97	633
Electronic Devices	37,017 12%	30,424 15%	122	346
Power & Industrial Systems	73,661 23%	33,933 16%	217	689
Digital Media & Consumer Products	8,694 3%	6,951 3%	125	81
High Functional Materials & Components	87,514 28%	46,767 22%	187	818
Logistics, Services & Others	9,808 3%	533 0%		92

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Financial Services	31,073 10%	22,388 11%	139	290
Subtotal	315,528 100%	210,928 100%	150	2,949
Eliminations & Corporate items	(36,473)	(26,065)		(341)
Total	279,055	184,863	151	2,608

Note: Revenues by industry segment include intersegment transactions.

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(2) GEOGRAPHIC SEGMENTS

	The years ended March 31			
	YEN		(A)/(B) X100 (%)	U.S. DOLLARS
	(millions)			(millions)
	2005 (A)	2004 (B)	2005	
Revenues				
Japan				
Outside customer sales	6,598,002	6,364,411		
	63%	64%	104	61,664
Intersegment transactions	937,814	854,532		
	9%	9%	110	8,764
Total	7,535,816	7,218,943	104	70,428
	72%	73%		
Asia				
Outside customer sales	1,059,197	993,471		
	10%	10%	107	9,899
Intersegment transactions	388,249	312,153		
	4%	3%	124	3,629
Total	1,447,446	1,305,624	111	13,528
	14%	13%		
North America				
Outside customer sales	798,266	784,782		
	8%	8%	102	7,460
Intersegment transactions	34,224	25,894		
	0%	0%	132	320
Total	832,490	810,676	103	7,780
	8%	8%		
Europe				
Outside customer sales	470,792	404,278		
	5%	4%	116	4,400
Intersegment transactions	20,015	32,949		
	0%	1%	61	187
Total	490,807	437,227	112	4,587
	5%	5%		
Other Areas				
Outside customer sales	100,786	85,508		
	1%			