

HITACHI LTD  
Form 6-K  
June 03, 2005  
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**FORM 6-K**

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**REPORT OF FOREIGN PRIVATE ISSUER**

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

For the month of June 2005

Commission File Number 1-8320

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**Hitachi, Ltd.**

(Translation of registrant's name into English)

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**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. Translation of the Notice of the 136th Ordinary General Meeting of Shareholders.

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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: June 3, 2005

By /s/ Takashi Hatchoji

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Takashi Hatchoji  
Senior Vice President and Executive Officer

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(Translation)

**Hitachi, Ltd.**

6-6, Marunouchi 1-chome

Chiyoda-ku, Tokyo

June 1, 2005

**Notice of the 136th Ordinary General Meeting of Shareholders**

Dear Shareholders:

You are cordially invited to attend the 136th Ordinary General Meeting of Shareholders of Hitachi, Ltd. (the Company ) to be held as follows:

- 1. Date**                **Friday, June 24, 2005 at 10:00 a.m.**
- 2. Location**        **Higashi-Ochanomizu Building**  
**29, Kanda-Awajicho 2-chome, Chiyoda-ku, Tokyo**
- 3. Agenda**

**Reporting Matters**

- (1) Report on the Business Report, the Statement of Operations and the Appropriation of Retained Earnings for the 136th Business Term (from April 1, 2004 to March 31, 2005) and the Balance Sheet as of March 31, 2005
- (2) Report on the Consolidated Balance Sheet as of March 31, 2005, the Consolidated Statement of Operations for the 136th Business Term (from April 1, 2004 to March 31, 2005), and the results of the audit on the Consolidated Financial Statements by the Accounting Auditors and the Audit Committee

**Matters to Be Resolved**

- Item No. 1** Amendment to the Articles of Incorporation

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**Item No. 2** Election of 14 Directors due to expiration of the term of office of all Directors

**Item No. 3** Issuance of stock acquisition rights for the purpose of granting stock options

Very truly yours,

Etsuhiko Shoyama  
President and Chief Executive Officer

The Business Report, the Balance Sheet, the Statement of Operations, the Appropriation of Retained Earnings, the Transcripts of Audit Reports, the Consolidated Balance Sheet and the Consolidated Statement of Operations to be provided along with the Notice of the General Meeting of Shareholders, reference information regarding exercise of right to vote on resolutions and the substance of agenda Items No. 1 and 3 are included in the following pages. The Transcripts of Audit Reports on the Consolidated Financial Statements are also included in the following pages.

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**Total number of voting rights** 3,293,616 (As of March 31, 2005)

**Matters to Be Resolved**

**Item No. 1 Amendment to the Articles of Incorporation**

It is hereby proposed that the provision of the public notices be amended to introduce electronic public notices pursuant to the Law to Amend Part of the Commercial Code, etc. for introducing Electronic Public Notice Systems (2004 Law No. 87), which permits companies to post public notices on their respective web sites. It is also proposed that the Board of Directors elect a Board member to convene and preside over meetings of the Board of Directors, instead of electing one Director as a Chairman of the Board, and that a corporate purpose be added.

The substance of the proposition to be submitted by the Board of Directors with regard to the amendment to the Articles of Incorporation and the reasons therefor are set forth below.

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| Currently in Force   | Proposed Amendment (underlined)  | Reason for Amendment   |
|--|--|--|
| <p>Article 2. (Corporate purpose)<br/>The purpose of the Company shall be to carry on the following businesses:</p> <p>1. to 20. (omitted)</p> <p>21. Home health care support business under the Health Care Insurance Law and the operation of health care and nursing facilities.</p> <p>22. Any and all businesses related to the foregoing items.</p> | <p>Article 2. (Corporate purpose)<br/>The purpose of the Company shall be to carry on the following businesses:</p> <p>1. to 20. (omitted)</p> <p>21. <u>Home health care service business, home health care support business and the operation of health care and nursing facilities under the Health Care Insurance Law.</u></p> <p>22. Any and all businesses related to the foregoing items.</p> | <p>The Company intends to add the business set forth under the Health Care Insurance Law in the corporate purpose so that hospitals which the Company operates can enter the business.</p> |
| <p>Article 5. (Method of giving public notices)<br/>The public notices of the Company shall be given by publication in the Mainichi Shimbun and the Nihon Keizai Shimbun, both published in Tokyo.</p>   | <p>Article 5. (Method of giving public notices)<br/>The public notices of the Company shall be given by <u>electronic public notices; provided, however, if the Company cannot give public notice by electronic public notices because of accidents or any other inevitable cause, the public notices shall be given by publication in the Nihon Keizai Shimbun.</u></p>                             | <p>The Company intends to introduce electronic public notices pursuant to the Commercial Code as amended, which permits electronic public notices.</p>                                     |
| <p>Article 21. (Chairman of the Board)</p> <p>By resolution of the Board of Directors, a Chairman of the Board shall be selected.</p>  | <p>Article 21. <u>(Director to convene and preside over meetings of the Board of Directors)</u></p> <p>By resolution of the Board of Directors, a <u>Director who convenes and presides over meetings of the Board of Directors</u> shall be selected.</p>   | <p>The Company intends to substitute the provision of Director to convene and preside over the meetings of the Board of Directors for the provision of Chairman of the Board.</p>          |



**Table of Contents****Item No. 2 Election of 14 Directors due to expiration of the term of office of all Directors**

Due to expiration at the close of this Meeting of the term of office of all the present Directors, it is proposed that 14 Directors be elected. The Company does not adopt cumulative voting in the election of Directors in accordance with the provision of the Articles of Incorporation of the Company.

All nominees listed below have agreed to take office as Directors assuming that they are elected at this Meeting.

| No. | Name<br>(Date of Birth)            | Principal Occupation   |  | Brief Biography  | Share<br>Ownership                | Conflict<br>of<br>Interest |
|-----|------------------------------------|--|--|--|-----------------------------------|----------------------------|
| 1   | Etsuhiko Shoyama<br>(Mar. 9, 1936) | Representative Executive Officer<br>President, Chief Executive Officer<br>and Director,<br>Hitachi, Ltd. | 4/1959<br>6/1991<br>6/1993<br>6/1995<br>6/1997<br>4/1999<br>6/2003 | Joined Hitachi, Ltd.<br>Director<br>Executive Managing Director<br>Senior Executive Managing<br>Director<br>Executive Vice-President and<br>Representative Director<br>President and Representative<br>Director<br>Representative Executive Officer,<br>President, Chief Executive Officer<br>and Director | shares<br><br><br><br><br>108,000 | None                       |
| 2   | Yoshiki Yagi<br>(Feb. 27, 1938)    | Director, Hitachi, Ltd.<br>(Standing member of Audit<br>Committee)                                       | 4/1960<br>6/1991<br>6/1993<br>6/1997<br>4/1999<br>6/2003<br>4/2004 | Joined Hitachi, Ltd.<br>Director<br>Executive Managing Director<br>Senior Executive Managing<br>Director<br>Executive Vice President and<br>Representative Director<br>Representative Executive Officer,<br>Executive Vice President,<br>Executive Officer and Director<br>Director                        | 102,000                           | None                       |
| 3   | Kotaro Muneoka<br>(Oct. 30, 1940)  | Director, Hitachi, Ltd.<br>(Standing member of Audit<br>Committee)                                       | 4/1964<br>4/1999<br>4/2001<br>6/2001<br>6/2003                     | Joined Hitachi, Ltd.<br>Senior Vice President and Director<br>Director<br>Corporate Auditor<br>Director  | 58,000                            | None                       |
| 4   | Takashi Miyoshi<br>(Sep. 25, 1947) | Senior Vice President, Executive<br>Officer and Director, Hitachi, Ltd.                                  | 4/1970<br>4/2003<br>6/2003<br>4/2004<br>6/2004                     | Joined Hitachi, Ltd.<br>General Manager, Finance<br>Executive Officer<br>Senior Vice President and<br>Executive Officer<br>Senior Vice President, Executive<br>Officer and Director  | 31,000                            | None                       |
| 5   | Ginko Sato                         | Honorary President, Japan<br>Association for the Advancement   | 4/1958   | Joined Ministry of Labour<br>(currently Ministry of Health,  | 26,000                            | None                       |

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(Jul. 6, 1934)

|                         |         |  |
|-------------------------|---------|--|
| of Working Women        | 6/1985  | Labour and Welfare)<br>Ministerial Councillor, Ministry of<br>Labour             |
| Director, Hitachi, Ltd. | 1/1986  | Director-General, Women s<br>Bureau, Ministry of Labour                          |
|                         | 7/1990  | Assistant Minister of Labour   |
|                         | 10/1991 | Ambassador Extraordinary and<br>Plenipotentiary of Japan to Kenya                |
|                         | 7/1995  | Commissioner, Securities and<br>Exchange Surveillance<br>Commission              |
|                         | 7/1998  | Chairperson, Securities and<br>Exchange Surveillance<br>Commission               |
|                         | 8/2001  | President, Japan Association for<br>the Advancement of Working<br>Women          |
|                         | 6/2003  | Director, Hitachi, Ltd.  |
|                         | 4/2005  | Honorary President, Japan<br>Association for the Advancement<br>of Working Women |



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|   |  |   |   |        |          |
|---|--|---|---|--------|----------|
| Hitachi Group Executive Officer and Director, Hitachi, Ltd. | 4/2003<br>6/2003<br>4/2004<br>6/2004   | Chairman of the Board and Representative Director<br>Chairman of the Board<br>Hitachi Group Executive Officer, Hitachi, Ltd.<br>Hitachi Group Executive Officer and Director, Hitachi, Ltd. |   |        |          |
| 10 Takashi Kawamura<br><br>(Dec. 19, 1939)                  | Chairman of the Board and Representative Executive Officer, Hitachi Software Engineering Co., Ltd. ( Hitachi Software Engineering )<br><br>Director, Hitachi, Ltd. | 4/1962<br>6/1995<br>6/1997<br>4/1999<br><br>4/2003<br>6/2003  | Joined Hitachi, Ltd.<br>Director<br>Executive Managing Director<br>Executive Vice President and Representative Director<br><br>Director<br>Chairman of the Board and Representative Executive Officer, Hitachi Software Engineering | 67,000 | Note (2) |

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| No. | Name<br>(Date of Birth)               | Principal Occupation   | Brief Biography  | Share<br>Ownership                       | Conflict<br>of<br>Interest |
|-----|---------------------------------------|--|--|--|----------------------------|
| 11  | Yoshiro Kuwata<br>(Sep. 1, 1936)      | Chairman of the Board and Representative Executive Officer, Hitachi High-Technologies Corporation ( Hitachi High-Technologies )<br><br>Director, Hitachi, Ltd. | 6/1961 Joined Hitachi, Ltd.<br>6/1993 Director<br>6/1995 Executive Managing Director<br>6/1997 Senior Executive Managing Director<br>4/1999 Executive Vice President and Representative Director<br>6/2003 Representative Executive Officer, Executive Vice President, Executive Officer and Director<br><br>Chairman of the Board and Representative Executive Officer, Hitachi High-Technologies<br>4/2004 Director  | shares<br><br><br><br><br><br><br>61,700 | Note (3)                   |
| 12  | Hiroshi Kuwahara<br>(Nov. 23, 1935)   | Chairman of the Board and Representative Executive Officer, Hitachi Maxell, Ltd. ( Hitachi Maxell )<br><br>Director, Hitachi, Ltd.                             | 4/1960 Joined Hitachi, Ltd.<br>6/1989 Director<br>6/1991 Executive Managing Director<br>6/1993 Senior Executive Managing Director<br>6/1995 Executive Vice-President and Representative Director<br>6/1999 Vice Chairman of the Board and Representative Director<br>1/2001 Executive member of Council for Science & Technology Policy, Cabinet Office<br><br>Director<br>1/2003 Vice Chairman of the Board and Representative Director<br>4/2003 Director<br>6/2003 Chairman of the Board and Representative Executive Officer, Hitachi Maxell | 33,600                                   | Note (4)                   |
| 13  | Masayoshi Hanabusa<br>(Oct. 10, 1934) | Chairman of the Board, Hitachi Capital Corporation ( Hitachi Capital )<br><br>Director, Hitachi, Ltd.  | 4/1957 Joined Hitachi Sales Corporation<br>8/1960 Joined Hitachi Credit Corporation (currently Hitachi Capital)<br>6/1977 Director<br>6/1983 Executive Managing Director<br>6/1987 Senior Executive Managing Director<br>6/1991 President and Representative Director<br>6/2001 Chairman of the Board and Representative Director  | 12,050                                   | None                       |

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|    |                 |  |         |  |        |      |
|----|-----------------|--|---------|--|--------|------|
|    |                 |  | 6/2003  | Chairman of the Board  |        |      |
|    |                 |  |         | Director, Hitachi, Ltd.  |        |      |
| 14 | Ryuichi Seguchi | Chairman of the Board, Hitachi Construction Machinery Co., Ltd. ( Hitachi Construction Machinery ) | 4/1956  | Joined Hitachi, Ltd.   |        |      |
|    | (Nov. 19, 1933) |  | 10/1970 | Joined Hitachi Construction Machinery                          |        |      |
|    |                 |  | 6/1981  | Board Director   |        |      |
|    |                 |  | 6/1983  | Executive Managing Director                                    |        |      |
|    |                 |  | 6/1989  | Senior Executive Managing Director                             |        |      |
|    |                 |  | 6/1993  | Executive Vice President                                       |        |      |
|    |                 |  | 6/1997  | President, Chief Executive Officer and Representative Director | 10,000 | None |
|    |                 |  | 4/2003  | Chairman of the Board and Representative Director              |        |      |
|    |                 |  | 6/2003  | Chairman of the Board and Representative Executive Officer     |        |      |
|    |                 |  | 4/2005  | Chairman of the Board  |        |      |

Notes: (1) Both NSC, for which Mr. Akira Chihaya serves as Representative Director and Chairman of the Board, and the Company conduct businesses in the area of power and industrial systems. Additionally, the Company has continuous transactions with NSC, including purchases of steel products of NSC through trading firms and sales of control systems and electric machinery to NSC. The amount of such transactions is negligible, in comparison to the whole business scale of both companies. The Company has no special interest in Tekko Kaikan Co., Ltd., for which Mr. Chihaya serves as Representative Director and President.

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- (2) Both Hitachi Software Engineering, for which Mr. Takashi Kawamura serves as Representative Executive Officer, and the Company conduct businesses in the area of information & telecommunication systems. Additionally, the Company has continuous transactions with Hitachi Software Engineering, including purchases of software from Hitachi Software Engineering and sales of computers and components for computers to Hitachi Software Engineering. The two companies also have dealings with each other in the form of loans under the Hitachi Group's centralized cash management system.
- (3) Both Hitachi High-Technologies, for which Mr. Yoshiro Kuwata serves as Representative Executive Officer, and the Company conduct businesses in the areas of sales of information systems and medical equipment, etc. Additionally, the Company has continuous transactions with Hitachi High-Technologies, including purchases of information system equipment and liquid crystal related components from Hitachi High-Technologies and sales of information system equipment and software to Hitachi High-Technologies. The two companies also have dealings with each other in the form of loans under the Hitachi Group's centralized cash management system.
- (4) Both Hitachi Maxell, for which Mr. Hiroshi Kuwahara serves as Representative Executive Officer, and the Company conduct businesses in the area of digital media related products. Additionally, the Company has continuous transactions with Hitachi Maxell, including purchases of various types of information storage media from Hitachi Maxell and sales of components for computers to Hitachi Maxell. The two companies also have dealings with each other in the form of loans under the Hitachi Group's centralized cash management system.
- (5) Ms. Ginko Sato, Mr. Hiromichi Seya, Mr. Akira Chihaya and Mr. Toshiro Nishimura are nominees who fulfill the qualification requirements to be outside directors as provided for in Article 188.2.7-2 of the Commercial Code of Japan.

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**Item No. 3 Issuance of stock acquisition rights for the purpose of granting stock options**

To afford incentives to and raise the morale of the Directors, Executive Officers and employees to contribute to increasing the value of the Company, it is hereby proposed that the Company issue the stock acquisition rights without any consideration for the purpose of granting stock options pursuant to Article 280-20 and Article 280-21 of the Commercial Code of Japan.

The substance of the proposition to be submitted by the Board of Directors with regard to the issuance of stock acquisition rights is set forth below:

**1. Qualified persons to be allocated the stock acquisition rights (the Rights )**

Directors, Executive Officers and employees of the Company

**2. Class and number of shares to be issued upon exercise of the Rights**

Not more than 1,500,000 shares of the Company's common stock (the Common Stock ) in total.

In the event that the Company splits or consolidates its Common Stock, the number of shares to be issued upon exercise of the Rights shall be adjusted according to the following formula.

$$\begin{array}{l} \text{Number of} \\ \text{shares after} \\ \text{adjustment} \end{array} = \frac{\text{Number of shares}}{\text{before adjustment}} \times \text{Ratio of stock split or consolidation}$$

Any fraction less than one share derived in consequence of adjustment shall be rounded down to the nearest one share.

**3. Total number of the Rights to be issued**

Not more than 1,500 Rights in total. The number of shares to be issued upon exercise of each Right shall be 1,000, which shall be adjusted in accordance with the preceding provision.



**4. Issue price of the Rights**

No consideration shall be paid.

**5. Amount to be paid upon exercise of the Rights**

The amount to be paid per share upon exercise of the Rights (the Exercise Price ) shall be 1.05 times of the market price (the Market Price ), which is not lower of either (i) the average of the closing price (including indication of any bid or offer) of a Common Stock on the Tokyo Stock Exchange on each of the thirty consecutive trading days commencing on the forty-fifth trading day preceding the issue date (excluding the number of days on which no closing price is quoted) or (ii) the closing price of the issue date (or if no closing price is quoted on the issue date, the latest closing price before the issue date shall be applied). Any fraction less than one yen shall be rounded up to the nearest one yen.

In the event that the Company issues new shares or reissues its own shares at price less than the Market Price (excluding the issue of shares resulting from the exercise of the stock acquisition rights) after the issue date, the Exercise Price will be subject to adjustment in accordance with the following formula, and any fraction less than one yen derived in consequence of adjustment shall be rounded up to the nearest one yen.

$$\begin{array}{rcl}
 \text{Exercise} & & \text{Exercise} \\
 \text{Price after} & = & \text{Price before} \\
 \text{adjustment} & & \text{adjustment} \\
 & & \times \\
 & & \frac{\text{Number of} \\
 & & \text{shares already} \\
 & & \text{issued} \\
 & & + \\
 & & \frac{\text{Number of} \\
 & & \text{new shares} \\
 & & \text{to be issued} \\
 & & \text{Market Price per share} \\
 & & \text{before issue}}{\text{Number of} \\
 & & \text{shares already} \\
 & & \text{issued} + \text{Number of new} \\
 & & \text{shares to be} \\
 & & \text{issued}} \\
 & & \times \\
 & & \text{Amount} \\
 & & \text{to be paid} \\
 & & \text{per share}
 \end{array}$$

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In the above formula, the number of its own shares held by the Company shall be excluded from the number of shares already issued. In the case of the reissue of its own shares, Number of new shares to be issued means Number of its own shares to be reissued and Market Price per share before issue means Market Price per share before reissue.

Upon stock split or consolidation of Common Stocks, the Exercise Price will be subject to adjustment in accordance with the following formula, and any fraction less than one yen derived in consequence of adjustment shall be rounded up to the nearest one yen.

$$\begin{array}{rcl}
 \text{Exercise} & \text{Exercise} & \\
 \text{Price} & \text{Price} & \\
 \text{after} & = & \frac{1}{\text{Ratio of stock split or consolidation}} \\
 \text{adjustment} & \text{before} & \times
 \end{array}$$

**6. Period during which the Rights may be exercised**

The Rights will be exercisable within a three-year period following one year from the issue date.

**7. Conditions for exercise of the Rights**

- (1) In the event a person holding the Rights loses the position of Director, Executive Officer or employee of the Company, such person may exercise the Rights only within the succeeding six months of such event. In the event of the death of the person, the Rights expire immediately.
- (2) Other terms of exercising the Rights shall be subject to the provisions in granting agreement between the Company and each qualified person.

**8. Cancellation of the Rights**

The Company may acquire and cancel the Rights at any time without consideration.

**9. Restriction on the transfer of the Rights**

The approval by the Board of Directors of the Company shall be required for transfer of the Rights.



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### **Reporting Matters**

#### **1. Business Report (from April 1, 2004 to March 31, 2005)**

##### **(1) Business Overview of Hitachi Group**

### **Business Results**

The Japanese economy was solid during the first half of the year under review but leveled off in the latter half as investment in digital product sectors came full cycle.

Against this economic backdrop, consolidated revenues rose 5% from the preceding year, to JPY9,027.0 billion. Operating income increased 51%, to JPY279.0 billion, owing to a strong performance by High Functional Materials & Components and good showings by construction machinery and other business sectors in Power & Industrial Systems. Income before income taxes and minority interests came to JPY264.5 billion, up 12% from the preceding year, and net income to JPY51.4 billion, up 224%.

### **Measures Taken**

During the year under review, the Company on October 1, 2004 moved to ensure solid growth in the automotive products business by merging TOKICO LTD. ( TOKICO ) and Hitachi Unisia Automotive, Ltd., group companies operating in the engine system and drive control system sectors, into the Company. In addition, the Company, together with two other group companies, Shin-Kobe Electric Machinery Co., Ltd. and Hitachi Maxell, Ltd., established Hitachi Vehicle Energy, Ltd. as a joint-venture company for developing and manufacturing rechargeable lithium-ion batteries for hybrid electric vehicles and other applications.

The Company also responded to growing demand for flat panel TVs by joining Toshiba Corporation and Matsushita Electric Industrial Co., Ltd. in establishing IPS Alpha Technology, Ltd., a joint venture company focused on manufacture and marketing of liquid crystal display ( LCD ) panels, and also by in April 2005 making Fujitsu Hitachi Plasma Display Limited ( FHP ) a subsidiary of the Company through the acquisition of some of FHP 's stock previously held by Fujitsu Limited. Automatic teller machine ( ATM ) and other information equipment operations were consolidated with those of Omron Corporation ( Omron ) under a new company, Hitachi-Omron Terminal Solutions, Corp., established between the Company and Omron on October 1, 2004.

The Hitachi Group also stepped up its effort to become a truly local company in each geographical region of its operations. In October 2004, a former British Ambassador to Japan was appointed to represent the Hitachi Group in its relationship with the European community and customers in the region. In February 2005, the Company 's executive officers in charge of Hitachi group global business in North America and China were stationed in the United States and China to serve as the chiefs of the respective regional administration companies. Through such measures, the Hitachi Group continues to strengthen its ability to move forcefully ahead with locally led business development geared to the needs and priorities of each region. During October and November 2004, the Hitachi Exhibition China 2004 was held in Beijing, Shanghai and

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Guangzhou and succeeded in winning broad recognition of the Hitachi Group's advanced capabilities and overall strength.

With consideration to the revised Japanese Patent Law that went into effect in April 2005, the Company made changes to its invention reward program in order to deepen employee understanding of the program's purpose and promote still more vigorous research and development activities. The improved system is expected to add further impetus to the development of advanced technologies and help Hitachi maintain and improve its long-standing reputation as technology-oriented company.

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(Billions of yen)

| Industry Segment                        | Revenues       |                |             | Operating Income |              |             |
|---|----------------|----------------|-------------|------------------|--------------|-------------|
|   | Fiscal         | Fiscal         |             | Fiscal           | Fiscal       |             |
|   | 2003(A)        | 2004(B)        | (B)/(A)     | 2003(A)          | 2004(B)      | (B)/(A)     |
| Information & Telecommunication Systems | 2,314.5        | 2,268.3        | 98%         | 69.9             | 67.7         | 97%         |
| Electronic Devices                      | 1,312.3        | 1,320.1        | 101%        | 30.4             | 37.0         | 122%        |
| Power & Industrial Systems              | 2,297.9        | 2,515.3        | 109%        | 33.9             | 73.6         | 217%        |
| Digital Media & Consumer Products       | 1,226.9        | 1,280.3        | 104%        | 6.9              | 8.6          | 125%        |
| High Functional Materials & Components  | 1,297.0        | 1,504.3        | 116%        | 46.7             | 87.5         | 187%        |
| Logistics, Services & Others            | 1,256.2        | 1,248.2        | 99%         | 0.5              | 9.8          | 1,840%      |
| Financial Services                      | 550.9          | 529.6          | 96%         | 22.3             | 31.0         | 139%        |
| Subtotal                                | 10,256.1       | 10,666.5       | 104%        | 210.9            | 315.5        | 150%        |
| Eliminations & Corporate Items          | (1,623.6)      | (1,639.4)      | %           | (26.0)           | (364)        | %           |
| <b>Total</b>                            | <b>8,632.4</b> | <b>9,027.0</b> | <b>105%</b> | <b>184.8</b>     | <b>279.0</b> | <b>151%</b> |

- Notes: (1) The consolidated figures of the Company have been prepared in conformity with accounting principles generally accepted in the United States, while revenues and operating income by industry segment have been prepared in conformity with accounting principles generally accepted in Japan.
- (2) Restructuring charges etc. are included as part of other income or other deductions in conformity with accounting principles generally accepted in Japan, while they are included as part of operating income (loss) under accounting principles generally accepted in the United States.
- (3) Revenues by industry segment include intersegment transactions.
- (4) The businesses of each segment are set out in (2) Main Products and Services of Hitachi Group.

**[Information & Telecommunication Systems]**

Revenues decreased 2% from the preceding year despite good results posted by outsourcing services, owing mainly to price declines experienced by servers, hard disk drives and related products. Although hard disk drives generated considerably more profit than in the preceding year, the gain was more than wiped out by lower profit levels in the software and services sector. Operating income therefore fell 3% from the preceding year, to JPY67.7 billion.

**[Electronic Devices]**

While liquid crystal displays turned stagnant in the second half owing to an abrupt market downturn, Hitachi High-Technologies Corporation made strong advances in semiconductor and liquid crystal product manufacturing equipment. Revenues increased 1% and operating income rose 22%, to JPY37.0 billion.

**[Power & Industrial Systems]**

Revenues rose 9% from the preceding year mainly because of the merger of TOKICO and the acquisition of Guangzhou Hitachi Elevator Co., Ltd., which conducts manufacture and services operations in elevators and escalators business, to make it a subsidiary. Operating income rose 117%, to JPY73.6 billion, due particularly to the strong performance of Hitachi Construction Machinery Co., Ltd.

**[Digital Media & Consumer Products]**

As a result of advances made by plasma TVs and LCD projectors, and the fact that white goods maintained year-earlier levels, revenues increased 4% and operating income rose 25%, to JPY8.6 billion.

**[High Functional Materials & Components]**

Brisk revenues in the automotive and electronic sectors buoyed results in companies in this segment. Revenues increased 16% and operating income rose 87%, to JPY87.5 billion.

**[Logistics, Services & Others]**

Revenues declined 1% from the preceding year. However, good showings by Hitachi Transport System, Ltd. and other companies boosted operating income to JPY9.8 billion, considerably higher than in the preceding year.

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### **[Financial Services]**

Revenues fell 4% from the preceding year. Operating income rose 39%, to JPY31.0 billion, mainly because of a profit posted in connection with the change of the pension system at Hitachi Capital Corporation.

### **Relationship with Subsidiaries and Affiliates**

During the year under review, the Company acquired part of shares of Guangzhou Hitachi Elevator Co., Ltd., which became a consolidated subsidiary of the Company accordingly. On April 1, 2004, NEOMAX Co., Ltd. (former Sumitomo Special Metals Co., Ltd.) became a consolidated subsidiary of Hitachi Metals, Ltd. On October 1, 2004, the Company transferred all shares of Hitachi Printing Solutions, Ltd., which had been a consolidated subsidiary of the Company, to Ricoh Company, Ltd.

On November 15, 2004, Elpida Memory, Inc., an equity-method affiliate of the Company, listed its shares on the Tokyo Stock Exchange.

### **[Major Consolidated Subsidiaries of Hitachi, Ltd. (As of March 31, 2005)]**

#### **[Information & Telecommunication Systems]**

- Hitachi Communication Technologies, Ltd.
- Hitachi Electronics Services Co., Ltd.
- Hitachi Information Systems, Ltd.
- Hitachi-Omron Terminal Solutions, Corp.
- Hitachi Software Engineering Co., Ltd.
- Hitachi Systems & Services, Ltd.
- Hitachi Computer Products (America), Inc.
- Hitachi Computer Products (Europe) S.A.S.
- Hitachi Data Systems Holding Corp.
- Hitachi Global Storage Technologies Netherlands B.V.



**[Electronic Devices]**

- Hitachi Displays, Ltd.
- Hitachi High-Technologies Corporation
- Hitachi Medical Corporation
- Hitachi Electronic Devices (USA), Inc.
- Hitachi Semiconductor Singapore Pte. Ltd.

**[Power & Industrial Systems]**

- Babcock-Hitachi Kabushiki Kaisha
- Hitachi Air Conditioning Systems Co., Ltd.
- Hitachi Building Systems Co., Ltd.
- Hitachi Construction Machinery Co., Ltd.
- Hitachi Engineering Co., Ltd.
- Hitachi Engineering & Services Co., Ltd.
- Hitachi Industrial Equipment Systems Co., Ltd.
- Hitachi Industries Co., Ltd.
- Hitachi Kiden Kogyo, Ltd.
- Hitachi Plant Engineering & Construction Co., Ltd.
- Hitachi Via Mechanics, Ltd.
- Japan Servo Co., Ltd.
- Guangzhou Hitachi Elevator Co., Ltd.
- Hitachi Automotive Products (USA), Inc.

**[Digital Media & Consumer Products]**

- Hitachi Home & Life Solutions, Inc.

- Hitachi Maxell, Ltd.
- Hitachi Media Electronics Co., Ltd.
- Hitachi Home Electronics (America), Inc.
- Shanghai Hitachi Household Appliances Co., Ltd.

**[High Functional Materials & Components]**

- Hitachi Cable, Ltd.
- Hitachi Chemical Co., Ltd.
- Hitachi Metals, Ltd.

**[Logistics, Services & Others]**

- Chuo Shoji, Ltd.
- Hitachi Life Corporation
- Hitachi Mobile Co., Ltd.
- Hitachi Transport System, Ltd.
- Nikkyo Create, Ltd.
- Hitachi America, Ltd.
- Hitachi Asia Ltd.
- Hitachi (China), Ltd.
- Hitachi Europe Ltd.

**[Financial Services]**

- Hitachi Capital Corporation
- Hitachi Insurance Services, Ltd.

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- Notes:
- (1) The total number of consolidated subsidiaries (including variable interest entities) pursuant to Article 2.1.25 of the Enforcement Regulations of the Commercial Code of Japan is 985 as of March 31, 2005.
  - (2) The number of equity-method affiliates is 167. The major equity-method affiliates are Casio Hitachi Mobile Communications Co., Ltd., Elpida Memory, Inc., Fujitsu Hitachi Plasma Display Limited, Hitachi Koki Co., Ltd., Hitachi Kokusai Electric Inc. and Renesas Technology Corp. ( Renesas ).
  - (3) Renesas is accounted for under the equity method by the Company as major decisions require consensus between the Company and Mitsubishi Electric Corporation in accordance with the joint venture agreement, although the Company owns more than 50% of voting rights of Renesas.
  - (4) Hitachi-Omron Terminal Solutions, Corp. was incorporated through corporate split to acquire the information equipment businesses such as ATMs operated by the Company and Omron on October 1, 2004.
  - (5) Hitachi Semiconductor Singapore Pte. Ltd. made a change in corporate name from Hitachi Nippon Steel Semiconductor Singapore Pte. Ltd. on October 28, 2004.

**Table of Contents****(2) Main Products and Services of Hitachi Group (Fiscal 2004)**

| <u>Industry Segment</u>                 | <u>Main Products and Services</u>  | <u>Percentage to Total Revenues</u> |
|---|--|-------------------------------------|
| Information & Telecommunication Systems | Systems Integration, Outsourcing Services, Software, Hard Disk Drives, Disk Array Subsystems, Servers, Mainframes, Personal Computers, Telecommunications Equipment, ATMs  | 21%                                 |
| Electronic Devices                      | Liquid Crystal Displays, Semiconductor Manufacturing Equipment, Test and Measurement Equipment, Medical Electronics Equipment, Semiconductors  | 12%                                 |
| Power & Industrial Systems              | Nuclear Power Plants, Thermal Power Plants, Hydroelectric Power Plants, Industrial Machinery and Plants, Automotive Products, Construction Machinery, Elevators, Escalators, Railway Vehicles, Air-Conditioning Equipment  | 24%                                 |
| Digital Media & Consumer Products       | Optical Disk Drives, Televisions, LCD Projectors, Mobile Phones, Room Air Conditioners, Refrigerators, Washing Machines, Information Storage Media, Batteries  | 12%                                 |
| High Functional Materials & Components  | Wires and Cables, Copper Products, Semiconductor Materials, Circuit Boards and Materials, Organic and Inorganic Chemical Products, Synthetic Resin Products, LCD Materials, Specialty Steels, Magnetic Materials, Malleable Cast-Iron Products, Forged and Cast-Steel Products | 14%                                 |
| Logistics, Services & Others            | General Trading, Logistics, Property Management  | 12%                                 |
| Financial Services                      | Leasing, Loan Guarantees, Insurance Services   | 5%                                  |

**(3) Capital Investment of Hitachi Group**

Investment in new plant and equipment came to JPY959.5 billion, an increase of JPY143.0 billion from the preceding year. The total excluding investment in leasing assets and the like was JPY382.1 billion. This amount was accounted for chiefly by investment in hard disk drive manufacturing and development facilities, facilities for increasing LCD production, and facilities for increasing production of automotive equipment and components. A breakdown of capital investment by industry segment is shown below.

| <u>Industry Segment</u>                 | <u>Amount</u> |
|---|---------------|
| Information & Telecommunication Systems | 103.0         |
| Electronic Devices                      | 47.0          |
| Power & Industrial Systems              | 98.3          |
| Digital Media & Consumer Products       | 38.4          |
| High Functional Materials & Components  | 75.5          |
| Logistics, Services & Others            | 31.1          |
| Financial Services                      | 591.3         |
| Subtotal                                | 984.8         |
| Eliminations & Corporate Items          | (25.2)        |
| <b>Total</b>                            | <b>959.5</b>  |

Note: The figures above include JPY577.4 billion of investment in assets to be leased. This mainly includes the investment relating to leasing business in the Financial Services segment.

**(4) Research and Development of Hitachi Group**

Expenditures on research and development during the year amounted to JPY388.6 billion, which is equivalent to 4.3% of consolidated revenues. While the Hitachi Group is focusing R&D resources on main businesses such as hard disk drives and storage solutions, it is also forcefully pursuing leading-edge research aimed at finding and cultivating new technologies to support the Hitachi Group's future core businesses. Notable achievements included the development of the world's smallest sensor net terminal, which is capable of using sensors to gather information regarding human movement, temperature and moisture change in real time and transmitting it over a wireless network. The technology is expected to find diverse applications in fields such as building security, healthcare, and logistics. A breakdown of R&D expenditures by industry segment is shown below.

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| <u>Industry Segment</u>                 | (Billions of yen) |
|---|-------------------|
|   | <u>Amount</u>     |
| Information & Telecommunication Systems | 164.7             |
| Electronic Devices                      | 47.3              |
| Power & Industrial Systems              | 78.5              |
| Digital Media & Consumer Products       | 32.1              |
| High Functional Materials & Components  | 43.3              |
| Logistics, Services & Others            | 5.3               |
| Financial Services                      | 2.3               |
| Corporate Items                         | 14.6              |
| <b>Total</b>                            | <b>388.6</b>      |

**(5) Capital Raising Activity of Hitachi Group**

By means of syndicated loan agreements, the Company financed a total of JPY170.0 billion to be used as funds for, among other purposes, redeeming the company's 7th issue of unsecured convertible bonds that were due for redemption in September 2004. On October 19, 2004, the Company issued JPY100.0 billion in bonds with stock acquisition rights by private offering to raise funds for upfront investment, including investment in facilities and R&D for maintaining the medium-to-long term growth of the Hitachi Group. On June 4, 2004, Hitachi Construction Machinery Co., Ltd. issued 20 million new shares of stock (issue price of JPY1,273 per share) by public offering.

**Main Sources of Borrowings of the Company**

| <u>Creditor</u>                            | (As of March 31, 2005)       |                                 |
|--|------------------------------|---------------------------------|
|  | <u>Balance of Borrowings</u> | <u>Shares Owned by Creditor</u> |
| Nippon Life Insurance Company              | 10.0 billion yen             | 100,630,195 shares              |
| The Dai-Ichi Mutual Life Insurance Company | 10.0 billion yen             | 75,992,222 shares               |
| Meiji Yasuda Life Insurance Company        | 10.0 billion yen             | 49,492,818 shares               |
| Sumitomo Life Insurance Company            | 10.0 billion yen             | 5,456,000 shares                |

Note: In addition to the figures shown above, the Company owes JPY170.0 billion of borrowings by means of syndicated loan agreements.

**(6) Problems Facing Hitachi Group**

Management's assessment of the future business environment is that the Japanese economy can be expected to experience a slowdown in exports and investment in new plant and equipment and that difficult circumstances are likely to continue for sometime to follow.

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However, the Hitachi Group will not be deterred by this harsh outlook for fiscal 2005, the final year of the current medium-term management plan, the i.e. Hitachi Plan II, and is firmly committed to improving profitability through implementation of measures for coping with business risks and profit depressing factors and still more intense and effective cost cutting efforts. In addition, the following key measures will be pursued for ensuring the medium-to-long term growth and development of the Hitachi Group.

- The Hitachi Group Headquarters established during the year under review to coordinate Group management will play a central role in ensuring that cost reduction and other concrete benefits are realized through centralization of operations common to the whole Group, as well as in building a strong business portfolio that exploits the strengths of the Hitachi Group to the utmost.
- Systems for promoting the Hitachi Group's global strategies will be upgraded with focus on the North American, European, Chinese and other Asian markets to reinforce the ability of local regions to formulate regional strategies, including strategies in response to market trends and various risks.
- Efforts will be made to further leading-edge R&D for creating future core businesses of the Hitachi Group, to reinforce fundamental technologies for improving productivity and quality and lowering costs, and to pass down hands-on skills and techniques in manufacturing quality.
- In order to ensure fair presentation of financial statements, the ongoing Hitachi Group-wide initiative to rebuild internal control systems by, for example, upgrading existing internal systems and committing work procedures to writing, will be pursued in greater depth, and activities will be undertaken to thoroughly instill a strong awareness of the importance of corporate social responsibility (CSR) throughout the Hitachi Group both in Japan and overseas. Group-wide measures will also be taken to enhance protection of personal information.

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- Priority will be placed on maximizing corporate value from the long-term perspective by further reinforcing corporate governance, and, for enabling defensive action should outside threats to corporate value arise, measures that make possible a fair and unbiased response will be examined for introduction, also keeping legal and other regulatory reforms in mind.

**(7) Five-year Summary****Consolidated Basis**

| Fiscal Year                                       | (Billions of yen) |         |          |         |         |
|---|-------------------|---------|----------|---------|---------|
|   | 2000              | 2001    | 2002     | 2003    | 2004    |
| Revenues  | 8,416.9           | 7,993.7 | 8,191.7  | 8,632.4 | 9,027.0 |
| Operating Income                                  | 342.3             | -117.4  | 152.9    | 184.8   | 279.0   |
| Income Before Income Taxes and Minority Interests | 323.6             | -586.0  | 96.8     | 237.1   | 264.5   |
| Net Income  | 104.3             | -483.8  | 27.8     | 15.8    | 51.4    |
| Net Income per Share (Basic) (yen)                | 31.27             | -144.95 | 8.31     | 4.81    | 15.53   |
| Net Income per Share (Diluted) (yen)              | 30.32             |         | 8.19     | 4.75    | 15.15   |
| Total Assets                                      | 11,246.6          | 9,915.6 | 10,179.3 | 9,590.3 | 9,736.2 |

- Notes:
- (1) The consolidated figures shown above have been prepared in conformity with accounting principles generally accepted in the United States.
  - (2) Restructuring charges etc. are included as part of other income or other deductions in conformity with accounting principles generally accepted in Japan, while they are included as part of operating income (loss) under accounting principles generally accepted in the United States.
  - (3) In fiscal 2001, the semiconductor, display, telecommunications equipment and electronics related product businesses experienced a severe decline in demand and markedly weaker prices. In addition, other reductions were incurred owing mainly to the special termination benefits under an early retirement benefit system. In combination, these factors produced a large amount of loss.
  - (4) In fiscal 2002, the Company posted net income, reversing a net loss, due to the restructuring measures taken in the preceding fiscal year.
  - (5) In fiscal 2003, income before income taxes and minority interests increased sharply due mainly to the improvement of operating income and gain on sale of investments in securities.

**Unconsolidated Basis**

| Fiscal Year                        | (Billions of yen) |         |         |         |         |
|------------------------------------|-------------------|---------|---------|---------|---------|
|                                    | 2000              | 2001    | 2002    | 2003    | 2004    |
| Orders Received                    | 3,812.6           | 3,193.5 | 2,984.8 | 2,369.9 | 2,495.8 |
| Revenues                           | 4,015.8           | 3,522.2 | 3,112.4 | 2,488.8 | 2,597.4 |
| Operating Income                   | 98.5              | -84.7   | 53.7    | 7.5     | -5.6    |
| Ordinary Income                    | 56.0              | -81.6   | 52.0    | 20.1    | 22.2    |
| Net Income                         | 40.1              | -252.6  | 28.2    | 40.1    | 10.3    |
| Net Income per Share (Basic) (yen) | 12.02             | -75.68  | 8.38    | 12.14   | 3.12    |



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|                                      |                   |                   |                   |                                     |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------------------------|
| Net Income per Share (Diluted) (yen) | 12.01             |                   | 12.14             | 3.12                                |
| Total Assets                         | 4,119.2           | 3,923.1           | 3,825.0           | 3,708.3 3,752.5                     |
|                                      | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> <u>          </u> |

- Notes:
- (1) In fiscal 2001, the semiconductor, display and telecommunications equipment businesses experienced a severe decline in demand and markedly weaker prices. In addition, extraordinary losses were incurred owing mainly to the special termination benefits under an early retirement benefit system. In combination, these factors produced a large amount of loss.
  - (2) In fiscal 2002, revenues decreased from the preceding fiscal year, including due to transfer of several businesses to the subsidiaries, while income increased from the preceding fiscal year.
  - (3) In fiscal 2003, revenues decreased sharply from the preceding fiscal year due primarily to the corporate split of system LSI and other semiconductor operations and hard disk drive business from the Company.
  - (4) In fiscal 2004, the Company posted an operating loss due to deterioration in profitability of its main business sectors. Net income substantially decreased from the preceding fiscal year due to posting an extraordinary loss, which includes impairment loss on shares of an affiliated company engaging in plasma display panel operations and restructuring charges relating to digital media product business in Japan.
  - (5) Net income per share is calculated for fiscal 2000 based on total number of shares issued at year-end, for fiscal 2001 based on total number of shares issued at year-end less number of treasury stocks, and since fiscal 2002 based on total average number of shares issued less average number of treasury stocks during the fiscal year.

**Table of Contents****(8) Directors and Executive Officers (As of March 31, 2005)****Directors**

| <b>Name</b>       | <b>Position</b>       | <b>Committee Membership</b>  | <b>Principal Position outside the</b>  |
|-------------------|-----------------------|--|--|
|                   |                       |  | <b>Company</b>   |
| Tsutomu Kanai     | Chairman of the Board | Chairman of Nominating Committee<br><br>Chairman of Compensation Committee |  |
| Etsuhiko Shoyama  | Director              | Nominating Committee<br><br>Compensation Committee                         |  |
| Yoshiki Yagi      | Director              | Chairman of Audit Committee  |  |
| Kotaro Muneoka    | Director              | Audit Committee  |  |
| *Takashi Miyoshi  | Director              |  |  |
| Ginko Sato        | Director              | Nominating Committee<br><br>Audit Committee                                | President, Japan Association for the Advancement of Working Women                                  |
| Hikomichi Seya    | Director              | Nominating Committee<br><br>Audit Committee<br><br>Compensation Committee  | Senior Corporate Advisor, Asahi Glass Company, Limited   |
| Akira Chihaya     | Director              | Compensation Committee   | Representative Director and Chairman of the Board, NIPPON STEEL CORPORATION                        |
| Toshiro Nishimura | Director              | Nominating Committee<br><br>Audit Committee<br><br>Compensation Committee  | Attorney at Law  |
| *Isao Uchigasaki  | Director              |  | Chairman of the Board, Hitachi Chemical Co., Ltd.  |
| Takashi Kawamura  | Director              |  | Chairman of the Board and Representative Executive Officer, Hitachi Software Engineering Co., Ltd. |
| Yoshiro Kuwata    | Director              |  | Chairman of the Board and Representative Executive Officer, Hitachi High-Technologies Corporation  |
| Hiroshi Kuwahara  | Director              |  | Chairman of the Board and Representative Executive Officer, Hitachi Maxell, Ltd.                   |

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Masayoshi Hanabusa

Director

Chairman of the Board, Hitachi Capital  
Corporation

- Notes:
- (1) The Directors marked with \* were newly elected and assumed their positions at the 135th Ordinary General Meeting of Shareholders on June 24, 2004.
  - (2) Mr. Shigemichi Matsuka retired due to expiration of his term of office at the close of the 135th Ordinary General Meeting of Shareholders on June 24, 2004.
  - (3) Directors, Ms. Ginko Sato, Mr. Hiromichi Seya, Mr. Akira Chihaya and Mr. Toshiro Nishimura are outside Directors who fulfill the qualification requirements as provided for in Article 188.2.7-2 of the Commercial Code of Japan.

**Table of Contents****Executive Officers**

| <b><u>Name</u></b> | <b><u>Position</u></b>   | <b><u>Responsibilities</u></b>  |
|--------------------|--|---|
| *Etsuhiko Shoyama  | Representative Executive Officer<br>President and Chief Executive Officer          | Overall management  |
| Katsukuni Hisano   | Representative Executive Officer<br>Executive Vice President and Executive Officer | Automotive systems business   |
| Isao Ono           | Representative Executive Officer<br>Executive Vice President and Executive Officer | Sales operations, information & telecommunication systems business and digital media business |
| Michiharu Nakamura | Representative Executive Officer<br>Executive Vice President and Executive Officer | Research & development, business incubation and corporate export regulation                   |
| Masaharu Sumikawa  | Representative Executive Officer<br>Executive Vice President and Executive Officer | Power & industrial systems business and production engineering                                |
| Kazuo Furukawa     | Senior Vice President and Executive Officer  | Information & telecommunication systems business  |
| Hiroaki Nakanishi  | Senior Vice President and Executive Officer  | Hitachi group global business (North America)   |
| Takashi Hachoji    | Senior Vice President and Executive Officer  | Hitachi group legal and corporate communications, corporate auditing and human resources      |
| *Takashi Miyoshi   | Senior Vice President and Executive Officer  | Finance and corporate pension system  |
| Takuya Tajima      | Senior Vice President and Executive Officer  | Sales operations  |
| Shigeharu Mano     | Vice President and Executive Officer   | Power systems business  |
| Kazuhiro Mori      | Vice President and Executive Officer   | Industrial systems business   |
| Yoshito Tsunoda    | Vice President and Executive Officer   | Urban planning and development systems business   |
| Manabu Shinomoto   | Vice President and Executive Officer   | Platform and network systems business   |
| Kazuhiro Tachibana | Vice President and Executive Officer   | Digital media business  |
| Taiji Hasegawa     | Vice President and Executive Officer   | Automotive systems business   |
| Junzo Kawakami     | Vice President and Executive Officer   | Automotive systems business (suspensions and brakes)  |
| Minoru Tsukada     | Vice President and Executive Officer   | Hitachi group global business (China)   |
| Makoto Ebata       | Vice President and Executive Officer   | Hitachi group strategy and Hitachi group global business                                      |
| Iwao Hara          | Vice President and Executive Officer   | Human resources   |
| Shozo Saito        | Vice President and Executive Officer   | Power systems engineering   |
| Yasuo Sakuta       | Executive Officer  | Intellectual property   |
| Takao Suzuki       | Executive Officer  | Sales operations (Chugoku area)   |
| Koichiro Nishikawa | Executive Officer  | Business development  |
| Masahiro Hayashi   | Executive Officer  | Sales operations (Kansai area)  |

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\*Isao Uchigasaki

Hitachi Group Executive Officer

Hitachi group overall strategy

- Notes:
- (1) Mr. Kazuhiro Tachibana and Mr. Isao Uchigasaki were newly elected as Vice President and Executive Officer and Hitachi Group Executive Officer, respectively, at the Board of Directors meeting on March 11, 2004 and assumed their positions on April 1, 2004.
  - (2) Mr. Junzo Kawakami was newly elected as Vice President and Executive Officer at the Board of Directors meeting on June 24, 2004 and assumed the position on October 1, 2004.
  - (3) Mr. Masaharu Sumikawa became an Executive Vice President and Executive Officer from an Executive Officer on October 1, 2004. Mr. Takuya Tajima became a Senior Vice President and Executive Officer from a Vice President and Executive Officer on October 1, 2004. Mr. Shozo Saito became a Vice President and Executive Officer from an Executive Officer on October 1, 2004.
  - (4) The responsibilities of some Executive Officers were changed on February 1, 2005 as follows: the responsibilities of Mr. Hiroaki Nakanishi were changed to Hitachi group global business (North America) from Hitachi group global business and business development; the responsibilities of Mr. Minoru Tsukada were changed to Hitachi group global business (China) from sales operations (Kansai area); the responsibilities of Mr. Masahiro Hayashi were changed to sales operations (Kansai area) from system solutions business; and Hitachi group global business was added to the responsibilities of Mr. Makoto Ebata.
  - (5) The Executive Officers marked with \* concurrently hold the position of Director.

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The Company changed management members, effective April 1, 2005. New Executive Officers are as follows:

**Executive Officers (As of April 1, 2005)**

| <b><u>Name</u></b> | <b><u>Position</u></b>                         | <b><u>Responsibilities</u></b>  |
|--------------------|--|---|
| Etsuhiko Shoyama   | Representative Executive Officer               | Overall management  |
|                    | President and Chief Executive Officer          |   |
| Isao Ono           | Representative Executive Officer               | Sales operations and information & telecommunication systems business   |
|                    | Executive Vice President and Executive Officer |   |
| Michiharu Nakamura | Representative Executive Officer               | Research & development and business incubation  |
|                    | Executive Vice President and Executive Officer |   |
| Masaharu Sumikawa  | Representative Executive Officer               | Power & industrial systems business, automotive systems business and production engineering   |
|                    | Executive Vice President and Executive Officer |   |
| Kazuo Furukawa     | Representative Executive Officer               | Information & telecommunication systems business, digital media business, Hitachi group global business, corporate export regulation and business development |
|                    | Executive Vice President and Executive Officer |   |
| Hiroaki Nakanishi  | Senior Vice President and Executive Officer    | Hitachi group global business (North America)   |
| Takashi Hatchoji   | Senior Vice President and Executive Officer    | Hitachi group legal and corporate communications, corporate auditing and human resources  |
| Takashi Miyoshi    | Senior Vice President and Executive Officer    | Finance and corporate pension system  |
| Takuya Tajima      | Senior Vice President and Executive Officer    | Sales operations  |
| Shigeharu Mano     | Vice President and Executive Officer           | Power systems business  |
| Kazuhiro Mori      | Vice President and Executive Officer           | Industrial systems business   |
| Kunihiko Ohnuma    | Vice President and Executive Officer           | Urban planning and development systems business   |
| Manabu Shinomoto   | Vice President and Executive Officer           | System solutions business and platform and network systems business   |
| Kazuhiro Tachibana | Vice President and Executive Officer           | Digital media business  |
| Taiji Hasegawa     | Vice President and Executive Officer           | Automotive systems business   |
| Junzo Kawakami     | Vice President and Executive Officer           | Automotive systems business (suspensions and brakes)  |
| Minoru Tsukada     | Vice President and Executive Officer           | Hitachi group global business (China)   |
| Masahiro Hayashi   | Vice President and Executive Officer           | Sales operations (Kansai area)  |
| Makoto Ebata       | Vice President and Executive Officer           | Hitachi group strategy and Hitachi group global business  |
| Iwao Hara          | Vice President and Executive Officer           | Human resources   |
| Shozo Saito        | Vice President and Executive Officer           | Power systems engineering   |

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|                    |                                 |                                 |
|--------------------|---------------------------------|---------------------------------|
| Yasuo Sakuta       | Executive Officer               | Intellectual property           |
| Takao Suzuki       | Executive Officer               | Sales operations (Chugoku area) |
| Koichiro Nishikawa | Executive Officer               | Business development            |
| Isao Uchigasaki    | Hitachi Group Executive Officer | Hitachi group overall strategy  |

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**(9) Compensation for Directors and Executive Officers**

**Policy on the Determination of Compensation of Directors and Executive Officers**

(a) Matters relating to both Directors and Executive Officers

Compensation will be commensurate with the ability required of, and the responsibilities to be borne by, the Company's Directors and Executive Officers, taking into consideration compensation packages at other companies.

(b) Matters relating to Directors

Compensation for Directors will consist of a monthly salary, a year-end allowance and a retirement allowance.

- Monthly salary will be decided by making adjustments to basic salary that reflect full-time or part-time status, committee membership and position.
- Year-end allowance will be a pre-determined amount equivalent to about twenty percent of the Director's annual income based on monthly salary, although this amount may be reduced depending on Company performance.
- Retirement allowance will be an amount payable on retirement that is determined based on monthly salary and years of service (total years of service in the case of a Director who has served multiple terms as a Director) (the Director's Basic Retirement Amount).

A Director concurrently serving as an Executive Officer will not be paid compensation as a Director.

(c) Matters relating to Executive Officers

Compensation for Executive Officers will consist of a monthly salary, a performance-linked component and a retirement allowance.

- Monthly salary will be decided by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment.
-



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The performance-linked component will be set within a range equivalent to about thirty percent of the Executive Officer's annual income, adjusted based on Company and individual performance.

- Retirement allowance will be an amount payable on retirement. The amount will be determined by adding to an amount set in accordance with the position held at retirement, an amount based on the monthly salary of previous positions held over the course of the person's career and years of service in such positions (total years in each position, in the event of multiple periods in the same position) (the Executive Officer's Basic Retirement Amount).

### (d) Miscellaneous

- In accordance with a resolution of the 134th Ordinary General Meeting of Shareholders of the Company held on June 25, 2003, the amount of retirement allowance for a Director or Executive Officer who was a Director or Corporate Auditor prior to the close of the Meeting will include an allowance corresponding to the person's period of service as a Director or Corporate Auditor before the adoption of the Committee System.
- Retirement allowance may, through an assessment, be supplemented for distinguished service by an amount equivalent to up to thirty percent of the Director's Basic Retirement Amount or Executive Officer's Basic Retirement Amount. Depending on the circumstances, each such Basic Retirement Amount may also be reduced.
- In addition to the above, stock options may be granted as an incentive to increase corporate value.

### Amount of Compensation Paid to Directors and Executive Officers in Fiscal 2004

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

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

- 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 seven 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.
  - (4) Figures of Directors include those of outside Directors.



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

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

Note: The bonus was paid to Directors who were in office during the period April 1, 2003 to June 25, 2003.

**(10) Employees of Hitachi Group (As of March 31, 2005)**

| Industry Segment                        | Number of<br>Employees | Change from<br>the end of the<br>preceding year |
|---|------------------------|---|
| Information & Telecommunication Systems | 90,173                 | +466  |
| Electronic Devices                      | 25,943                 | +806  |
| Power & Industrial Systems              | 84,602                 | +8,178  |
| Digital Media & Consumer Products       | 31,302                 | -119  |
| High Functional Materials & Components  | 55,032                 | +6,507  |
| Logistics, Services & Others            | 28,706                 | +422  |
| Financial Services                      | 4,084                  | -72   |
| Corporate                               | 3,230                  | +8  |
| <b>Total</b>                            | <b>323,072</b>         | <b>+16,196</b>                                  |
| <b>(the Company)</b>                    | <b>(38,537)</b>        | <b>(+3,824)</b>                                 |

Notes: (1) The total number of employees of Hitachi Group including part-time employees was 347,424.

(2) Figures in the parentheses represent the figures for the Company. The total number of employees of the Company including part-time employees was 41,069.

**(11) Major Facilities of Hitachi Group (As of March 31, 2005)****Major Facilities of the Company**

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|                 | <b><u>Location</u></b>  |
|-----------------|---|
| Head Office     | Tokyo (Chiyoda-ku)  |
| R&D             | Tokyo (Chiyoda-ku, Kokubunji), Ibaraki (Hitachi, Hitachinaka), Saitama (Hatoyama), Kanagawa (Yokohama, Kawasaki)  |
| Manufacturing,  | Tokyo (Chiyoda-ku, Koto-ku, Shinagawa-ku, Ome), Ibaraki (Hitachi, Hitachinaka), Saitama (Kawagoe), Kanagawa   |
| Design and      | (Yokohama, Atsugi, Ebina, Odawara, Kawasaki, Hadano), Aichi (Toyokawa), Yamaguchi (Kudamatsu)   |
| Engineering     |   |
| Sales and       | Tokyo (Chiyoda-ku, Koto-ku, Shinagawa-ku), Hokkaido Area Operation (Sapporo), Tohoku Area Operation (Sendai),   |
| Area Operations | Kanto Area Operation (Tokyo), Yokohama Area Operation (Yokohama), Hokuriku Area Operation (Toyama), Chubu Area<br>Operation (Nagoya), Kansai Area Operation (Osaka), Chugoku Area Operation (Hiroshima), Shikoku Area Operation<br>(Takamatsu), Kyushu Area Operation (Fukuoka) |

Note: The Company moved its Head Office to Marunouchi, Chiyoda-ku, Tokyo on September 27, 2004.

**Table of Contents****Locations of the Company's Major Consolidated Subsidiaries**

| <b><u>Name</u></b>                                    | <b><u>Location</u></b>                |
|---|---------------------------------------|
| Babcock-Hitachi Kabushiki Kaisha<br>Chuo Shoji, Ltd.  | Minato-ku, Tokyo<br>Chiyoda-ku, Tokyo |
| Hitachi Air Conditioning Systems Co., Ltd.            | Minato-ku, Tokyo                      |
| Hitachi Building Systems Co., Ltd.                    | Chiyoda-ku, Tokyo                     |
| Hitachi Cable, Ltd.                                   | Chiyoda-ku, Tokyo                     |
| Hitachi Capital Corporation                           | Minato-ku, Tokyo                      |
| Hitachi Chemical Co., Ltd.                            | Shinjuku-ku, Tokyo                    |
| Hitachi Communication Technologies, Ltd.              | Shinagawa-ku, Tokyo                   |
| Hitachi Construction Machinery Co., Ltd.              | Bunkyo-ku, Tokyo                      |
| Hitachi Displays, Ltd.                                | Mobara, Chiba                         |
| Hitachi Electronics Services Co., Ltd.                | Yokohama, Kanagawa                    |
| Hitachi Engineering Co., Ltd.                         | Hitachi, Ibaraki                      |
| Hitachi Engineering & Services Co., Ltd.              | Hitachi, Ibaraki                      |
| Hitachi High-Technologies Corporation                 | Minato-ku, Tokyo                      |
| Hitachi Home & Life Solutions, Inc.                   | Minato-ku, Tokyo                      |
| Hitachi Industrial Equipment Systems Co., Ltd.        | Chiyoda-ku, Tokyo                     |
| Hitachi Industries Co., Ltd.                          | Adachi-ku, Tokyo                      |
| Hitachi Information Systems, Ltd.                     | Shibuya-ku, Tokyo                     |
| Hitachi Insurance Services, Ltd.                      | Chiyoda-ku, Tokyo                     |
| Hitachi Kiden Kogyo, Ltd.                             | Amagasaki, Hyogo                      |
| Hitachi Life Corporation                              | Hitachi, Ibaraki                      |
| Hitachi Maxell, Ltd.                                  | Ibaraki, Osaka                        |
| Hitachi Media Electronics Co., Ltd.                   | Mizusawa, Iwate                       |
| Hitachi Medical Corporation                           | Chiyoda-ku, Tokyo                     |
| Hitachi Metals, Ltd.                                  | Minato-ku, Tokyo                      |
| Hitachi Mobile Co., Ltd.                              | Shinagawa-ku, Tokyo                   |
| Hitachi-Omron Terminal Solutions, Corp.               | Shinagawa-ku, Tokyo                   |
| Hitachi Plant Engineering & Construction Co., Ltd.    | Chiyoda-ku, Tokyo                     |
| Hitachi Software Engineering Co., Ltd.                | Yokohama, Kanagawa                    |
| Hitachi Systems & Services, Ltd.                      | Minato-ku, Tokyo                      |
| Hitachi Transport System, Ltd.                        | Koto-ku, Tokyo                        |
| Hitachi Via Mechanics, Ltd.                           | Ebina, Kanagawa                       |
| Japan Servo Co., Ltd.                                 | Chiyoda-ku, Tokyo                     |
| Nikkyo Create, Ltd.                                   | Chiyoda-ku, Tokyo                     |
| Guangzhou Hitachi Elevator Co., Ltd.                  | China                                 |
| Hitachi America, Ltd.                                 | U.S.A.                                |
| Hitachi Asia Ltd.                                     | Singapore                             |
| Hitachi Automotive Products (USA), Inc.               | U.S.A.                                |
| Hitachi (China), Ltd.                                 | China                                 |
| Hitachi Computer Products (America), Inc.             | U.S.A.                                |
| Hitachi Computer Products (Europe) S.A.S.             | France                                |
| *Hitachi Data Systems Holding Corp.                   | U.S.A.                                |
| Hitachi Electronic Devices (USA), Inc.                | U.S.A.                                |
| Hitachi Europe Ltd.                                   | U.K.                                  |
| *Hitachi Global Storage Technologies Netherlands B.V. | Netherlands                           |
| Hitachi Home Electronics (America), Inc.              | U.S.A.                                |
| Hitachi Semiconductor Singapore Pte. Ltd.             | Singapore                             |
| Shanghai Hitachi Household Appliances Co., Ltd.       | China                                 |

Note: The companies marked with \* are holding companies; their major operating companies are located in the United States.



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**(12) Summary of Resolution of Board of Directors on Performance of Functions of Audit Committee**

- (a) Board of Directors Office (the Office ) shall be established as an organization devoted solely to supporting each Committee, including the Audit Committee, as well as the Board of Directors. The Office shall be staffed by three or more employees not subject to instructions or orders of Executive Officers. The Corporate Auditing and Legal & Corporate Communications departments shall also provide support to the Board of Directors and each Committee.
- (b) In order to ensure the independence of the Office personnel from the Executive Officers, the Audit Committee shall be informed in advance of planned transfers of the Office personnel and may request the Executive Officer in charge of human resources management to alter such plans, when necessary.
- (c) An Executive Officer or employee shall report without delay to Audit Committee members in connection with matters prescribed by law and the matters set forth below:
- the content of an Executive Officer's decision regarding an important matter that will affect the Company 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.
- (d) Records regarding decisions of an Executive Officer shall be prepared and preserved in accordance with the Company's regulations.
- (e) Each relevant department shall establish regulations and guidelines, conduct training, prepare and distribute manuals, and carry 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 shall be promptly appointed to deal with the issue. A system enabling employees to report directly to the Directors shall be established.
- (f) 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 shall deliberate on important issues that affect the Company 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 shall be set for the Company as a whole and each business group and incorporated into the fiscal budget. The targets shall be used as the reference base for performance management.
  - Internal audits shall be conducted to monitor and identify the status of business operations and to facilitate improvements. In order to ensure strict compliance with its regulatory requirements, the Company has put in place a number of committees.
  - The Audit Committee shall receive the audit plans of the accounting auditors in advance to facilitate the monitoring of the accounting auditors and ensure that these auditors are not influenced by Executive Officers. The prior approval of the Audit

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Committee shall be required with respect to the fees to the accounting auditors and non-audit services.

### (13) Fees to the Company's Accounting Auditors (Fiscal 2004)

(Millions of yen)

| <u>Category</u>   | <u>Amount</u> |
|---|---------------|
| Total fees by the Company and its subsidiaries  | 1,030         |
| Audit fees by the Company and its subsidiaries under Article 2, paragraph 1 of the Certified Public Accountants Law | 874           |
| Audit fees by the Company (*)   | 178           |

Note: The column marked with \* includes fees for audits under applicable securities exchange laws.



**Table of Contents****(14) Common Stock (As of March 31, 2005)**

|                           |                       |
|---------------------------|-----------------------|
| Authorized                | 10,000,000,000 shares |
| Issued                    | 3,368,126,056 shares  |
| Capital Stock             | JPY282,033,991,613    |
| Number of Shares per Unit | 1,000 shares          |

Issued in Fiscal 2004

|   | Number of Shares | Capital Stock Increased |
|---|------------------|-------------------------|
|   | Issued (shares)  | (yen)                   |
| Issued on Conversion of Convertible Bonds | 1,180            | 1,000,640               |

The Company did not cancel any of its own shares in fiscal 2004.

**Shareholders Composition**

| Class of Shareholders                     | Number of    | Number of Shares Owned | Ownership |
|---|--------------|------------------------|-----------|
|   | Shareholders | (shares)               | (%)       |
| Financial Institution and Securities Firm | 483          | 939,684,401            | 27.90     |
| Individual                                | 428,569      | 1,066,529,626          | 31.67     |
| Foreign Investor                          | 1,067        | 1,228,531,088          | 36.47     |
| Other                                     | 4,034        | 133,310,623            | 3.96      |
| Government and Municipality               | 4            | 70,318                 | 0.00      |
| Total                                     | 434,157      | 3,368,126,056          | 100.00    |

**10 Largest Shareholders**

| Name | Shareholder's Equity in the Company |           | The Company's Equity in Shareholder Concerned |           |
|------|-------------------------------------|-----------|---|-----------|
|      | Number of                           |           | Number of                                     |           |
|      | Shares Owned                        | Ownership | Shares Owned                                  | Ownership |
|      | shares                              | %         | shares  | %         |

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|  |             |      |
|--|-------------|------|
| NATS CUMCO                                 | 216,030,050 | 6.41 |
| The Master Trust Bank of Japan, Ltd.       | 194,452,000 | 5.77 |
| Japan Trustee Services Bank, Ltd.          | 172,379,000 | 5.12 |
| The Chase Manhattan Bank, N.A. London      | 149,190,746 | 4.43 |
| State Street Bank and Trust Company        | 146,737,849 | 4.36 |
| Nippon Life Insurance Company              | 100,630,195 | 2.99 |
| Hitachi Employees Shareholding Association | 91,625,952  | 2.72 |
| The Dai-Ichi Mutual Life Insurance Company | 75,992,222  | 2.26 |
| Trust & Custody Services Bank, Ltd.        | 59,499,000  | 1.77 |
| Meiji Yasuda Life Insurance Company        | 49,492,818  | 1.47 |

Note: NATS CUMCO is the nominee name of the depositary bank, Citibank, N.A., for the aggregate of the Company's American Depositary Receipts (ADRs) holders.

**Acquisition, Disposition and Possession by the Company of Its Own Shares in Fiscal 2004**

**Acquisition**

| Class        | Number of Shares | Aggregate Acquisition |
|--------------|------------------|-----------------------|
|              | (shares)         | Prices (yen)          |
| Common Stock | 12,381,894       | 8,136,707,283         |

Note: During fiscal 2004, the Company did not purchase any of its own shares pursuant to the resolution on the acquisition of its own shares at the 134th Ordinary General Meeting of Shareholders or resolution of the Board of Directors under Article 7 of the Company's Articles of Incorporation.

**Disposition**

| Class        | Number of Shares | Aggregate Disposition |
|--------------|------------------|-----------------------|
|              | (shares)         | Prices (yen)          |
| Common Stock | 45,942,645       | 34,071,235,302        |

**Possession (As of March 31, 2005)**

| Class        | Number of Shares |
|--------------|------------------|
|              | (shares)         |
| Common Stock | 36,549,222       |

**Table of Contents****(15) Stock Acquisition Rights****Issued Stock Acquisition Rights (As of March 31, 2005)**

| Category   | Stock Acquisition Rights as Stock Options   | Stock Acquisition Rights as Bonds with Stock Acquisition Rights |
|--|---|---|
| <b>Number of Stock Acquisition Rights Issued</b>   | 1,963   | 20,000  |
| <b>Class and Number of Shares to Be Issued upon Exercise of Stock Acquisition Rights</b> | 1,963,000 shares of the Company's common stock<br><br>(The number of shares to be issued upon exercise of each stock acquisition right shall be 1,000.) | 99,108,026 shares of the Company's common stock                 |
| <b>Issue Price of Stock Acquisition Rights</b>   | No consideration  | No consideration  |

- Notes: (1) The number of stock acquisition rights as stock options and number of shares to be issued upon exercise of stock acquisition rights excludes expired stock acquisition rights pursuant to the conditions for exercise of stock acquisition rights.
- (2) The number of shares to be issued upon exercise of stock acquisition rights which were issued as bonds with stock acquisition rights is calculated based on the conversion price as of March 31, 2005.
- (3) In addition to the stock acquisition rights shown above, the Company issues subscription rights for the purpose of granting stock options pursuant to Article 280-19.1 of the former Commercial Code of Japan. The number of shares to be issued upon exercise of these subscription rights is 728,000 shares of the Company's common stock.

**Stock Acquisition Rights Issued to Persons Other Than Shareholders with Special Favorable Conditions in Fiscal 2004**

| Name of Stock Acquisition Rights   | Hitachi, Ltd. 2nd Stock Acquisition Rights  | Hitachi, Ltd. 3rd Stock Acquisition Rights   |
|--|---|--|
| <b>Issue Date of Stock Acquisition Rights</b>  | July 29, 2004   | October 1, 2004  |
| <b>Number of Stock Acquisition Rights Issued</b>   | 1,237   | 41   |
| <b>Class and Number of Shares to Be Issued upon Exercise of Stock Acquisition Rights</b> | 1,237,000 shares of the Company's common stock<br><br>(The number of shares to be issued upon exercise of each stock acquisition right shall be 1,000.)                         | 41,000 shares of the Company's common stock<br><br>(The number of shares to be issued upon exercise of each stock acquisition right shall be 1,000.) |
| <b>Issue Price of Stock Acquisition Rights</b>   | No consideration  | No consideration   |
| <b>Amount to Be Paid upon Exercise of Stock Acquisition Rights</b>                       | JPY782 per share  | JPY705 per share   |
| <b>Period during Which Stock Acquisition Rights May Be Exercised</b>                     | From July 30, 2005 to July 29, 2008   | From October 2, 2005 to October 1, 2008  |
| <b>Conditions for Exercise of Stock Acquisition Rights</b>                               | (1) In the event a person holding the stock acquisition rights loses the position of Director, Executive Officer or employee of the Company, such person may exercise the stock |  |

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acquisition rights only within the succeeding six months of such event. In the event of the death of the person, the stock acquisition rights expire immediately.

(2) Other terms of exercising the stock acquisition rights shall be subject to the provisions in granting agreement between the Company and each qualified person.

### **Cancellation of Stock Acquisition Rights**

The Company may acquire and cancel the stock acquisition rights at any time without consideration.

### **Special Favorable Conditions**

The Company issued the stock acquisition rights without any consideration for granting stock options.

Note: The issues of the stock acquisition rights shown above were resolved at the Board of Directors meetings on July 29, 2004 and September 24, 2004, respectively, in accordance with the resolution at the 135th Ordinary General Meeting of Shareholders on June 24, 2004.

**Table of Contents****Directors and Executive Officers to Whom Stock Acquisition Rights Were Allocated**

| <u>Name</u>        | <u>Number of Stock<br/>Acquisition Rights</u> |
|--------------------|---|
| Tsutomu Kanai      | 30  |
| Etsuhiko Shoyama   | 30  |
| Yoshiki Yagi       | 30  |
| Kotaro Muneoka     | 30  |
| Takashi Miyoshi    | 30  |
| Ginko Sato         | 30  |
| Hiromichi Seya     | 30  |
| Akira Chihaya      | 30  |
| Toshiro Nishimura  | 30  |
| Isao Uchigasaki    | 30  |
| Takashi Kawamura   | 30  |
| Yoshiro Kuwata     | 30  |
| Hiroshi Kuwahara   | 30  |
| Masayoshi Hanabusa | 30  |
| Katsukuni Hisano   | 25  |
| Isao Ono           | 25  |
| Michiharu Nakamura | 25  |
| Kazuo Furukawa     | 20  |
| Hiroaki Nakanishi  | 20  |
| Takashi Hatchoji   | 20  |
| Takuya Tajima      | 15  |
| Shigeharu Mano     | 15  |
| Kazuhiro Mori      | 15  |
| Yoshito Tsunoda    | 15  |
| Manabu Shinomoto   | 15  |
| Kazuhiro Tachibana | 15  |
| Taiji Hasegawa     | 15  |
| Minoru Tsukada     | 15  |
| Makoto Ebata       | 15  |
| Iwao Hara          | 15  |
| Masaharu Sumikawa  | 12  |
| Shozo Saito        | 12  |
| Yasuo Sakuta       | 12  |
| Takao Suzuki       | 12  |
| Koichiro Nishikawa | 12  |
| Masahiro Hayashi   | 12  |
| Junzo Kawakami     | 8   |

**Certain Employees etc. to Whom Stock Acquisition Rights Were Allocated (10 Largest)**

| <u>Name</u>     | <u>Number of Stock<br/>Acquisition Rights</u> |
|-----------------|---|
| Keisuke Ogawa   | 15  |
| Toshihiko Odaka | 15  |
| Yoshiharu Obata | 15  |

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|                    |    |
|--------------------|----|
| Fumiyuki Kobayashi | 15 |
| Akira Tonomura     | 15 |
| Jun Naruse         | 15 |
| Hiroyuki Fukuyama  | 15 |
| Masahiro Maeda     | 15 |
| Yuzo Inakazu       | 10 |
| Yoshiyuki Imoto    | 10 |

**Stock Acquisition Rights Issued to Certain Employees etc.**

| <u>Category</u>   | <u>Number of Stock<br/>Acquisition Rights</u> | <u>Class and Number of Shares</u><br><u>to Be Issued upon Exercise of</u><br><u>Stock Acquisition Rights</u> | <u>Number of<br/>Person</u> |
|---|---|--|-----------------------------|
|   |   |  |                             |
| <b>Employees of the Company</b>   | 493   | 493,000 shares of the Company's<br>common stock  | 48                          |
| <b>Directors and Executive Officers of the<br/>Company's Affiliated Companies</b>                   |   |  |                             |
| <b>Corporate Auditors and Audit<br/>Committee Members of the Company's<br/>Affiliated Companies</b> |   |  |                             |
| <b>Employees of the Company's Affiliated<br/>Companies</b>  |   |  |                             |

**Table of Contents****2. Consolidated Balance Sheets**

|   | Fiscal 2004<br>(As of March 31, 2005) | Fiscal 2003<br>(As of March 31, 2004) |
|---|---------------------------------------|---------------------------------------|
|   | (Millions of yen)                     |                                       |
| <b>(Assets)</b>   |                                       |                                       |
| <b>Current assets</b>   | <b>5,338,835</b>                      | <b>5,219,942</b>                      |
| Cash and cash equivalents   | 708,715                               | 764,396                               |
| Short-term investments  | 146,568                               | 177,949                               |
| Trade receivables   |                                       |                                       |
| Notes   | 132,572                               | 142,802                               |
| Accounts  | 2,065,194                             | 2,043,727                             |
| Investment in leases  | 526,759                               | 451,753                               |
| Inventories   | 1,198,955                             | 1,123,406                             |
| Other current assets  | 560,072                               | 515,909                               |
| <b>Investments and advances</b>                                       | <b>894,851</b>                        | <b>908,962</b>                        |
| <b>Property, plant and equipment</b>                                  | <b>2,357,931</b>                      | <b>2,232,862</b>                      |
| Land  | 436,308                               | 419,846                               |
| Buildings   | 1,740,057                             | 1,690,096                             |
| Machinery and equipment   | 5,222,157                             | 4,899,239                             |
| Construction in progress  | 57,291                                | 49,011                                |
| Less accumulated depreciation   | (5,097,882)                           | (4,825,330)                           |
| <b>Other assets</b>   | <b>1,144,630</b>                      | <b>1,228,556</b>                      |
| <b>Total assets</b>   | <b>9,736,247</b>                      | <b>9,590,322</b>                      |
| <b>(Liabilities)</b>  |                                       |                                       |
| <b>Current liabilities</b>  | <b>4,064,546</b>                      | <b>3,911,054</b>                      |
| Short-term debt   | 676,611                               | 623,816                               |
| Current installments of long-term debt                                | 506,863                               | 559,647                               |
| Trade payables  |                                       |                                       |
| Notes   | 62,855                                | 67,581                                |
| Accounts  | 1,246,401                             | 1,220,033                             |
| Accrued expenses  | 843,022                               | 797,935                               |
| Income taxes  | 61,789                                | 78,438                                |
| Advances received   | 247,586                               | 216,544                               |
| Other current liabilities   | 419,419                               | 347,060                               |
| <b>Long-term debt</b>   | <b>1,319,032</b>                      | <b>1,314,102</b>                      |
| <b>Retirement and severance benefits</b>                              | <b>1,033,005</b>                      | <b>1,273,509</b>                      |
| <b>Other liabilities</b>  | <b>90,781</b>                         | <b>124,710</b>                        |
| <b>Total liabilities</b>  | <b>6,507,364</b>                      | <b>6,623,375</b>                      |
| <b>(Minority interests)</b>   |                                       |                                       |
| <b>Minority interests</b>   | <b>921,052</b>                        | <b>798,816</b>                        |
| <b>(Stockholders' equity)</b>   |                                       |                                       |
| <b>Common stock</b>   | <b>282,033</b>                        | <b>282,032</b>                        |
| <b>Capital surplus</b>  | <b>565,360</b>                        | <b>551,690</b>                        |
| <b>Legal reserve and retained earnings</b>                            | <b>1,779,198</b>                      | <b>1,760,435</b>                      |
| Legal reserve   | 110,214                               | 109,163                               |
| Retained earnings   | 1,668,984                             | 1,651,272                             |
| <b>Accumulated other comprehensive loss</b>                           | <b>(301,524)</b>                      | <b>(393,864)</b>                      |
| <b>Treasury stock, at cost</b>  | <b>(17,236)</b>                       | <b>(32,162)</b>                       |
| <b>Total stockholders' equity</b>                                     | <b>2,307,831</b>                      | <b>2,168,131</b>                      |
| <b>Total liabilities, minority interests and stockholders' equity</b> | <b>9,736,247</b>                      | <b>9,590,322</b>                      |





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Notes:

(1) Basis of presentation

The consolidated financial statements presented herein, under Article 179.1 of the Enforcement Regulations of the Commercial Code of Japan, have been prepared in a manner which is necessary to conform them with accounting principles generally accepted in the United States of America. However, under the above provision, some descriptions and notes required under the accounting principles generally accepted in the United States of America are omitted.

(2) Inventories

Finished goods, semi-finished goods and work-in-process: Lower of cost or market. Cost is determined by the specific identification method or the moving average method. Raw materials: Lower of cost or market. Cost is generally determined by the moving average method.

(3) Investments in securities

The Company accounts for investments in securities in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities.

Held-to-maturity securities: Amortized cost.

Trading securities: Fair value, with unrealized gains and losses included in earnings. Cost is determined by the moving average method.

Available-for-sale securities: Fair value, with unrealized gains and losses reported in other comprehensive income. Cost is determined by the moving average method.

(4) Depreciation of fixed assets

Property, plant and equipment: Principally depreciated by the declining-balance method, except for some assets which are depreciated by the straight-line method.

Selling, leasing, or otherwise marketing software: Depreciated based on expected gross revenues ratably.

Software for internal use: Capitalized and amortized on a straight-line basis over their estimated useful lives.

(5) The Company accounts for retirement and severance benefits in accordance with SFAS No. 87, Employers Accounting for Pensions. Unrecognized transition assets, unrecognized prior service benefit and cost, and unrecognized actual gains and losses are amortized using the straight-line method over the average remaining service period of active employees.

(6) Consumption tax is accounted for based on the tax segregated method, under which consumption tax is excluded from presentation of revenues, cost of sales and expenses.

(7) Goodwill and other intangible assets

The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, Goodwill and Other Intangible Assets. Goodwill and intangible assets with indefinite useful lives are no longer amortized, but instead are tested for impairment at least annually in accordance with the provisions of this statement.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives and are tested for impairment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

(8) The doubtful amount deducted from monetary receivables is JPY54,375 million.

(9) Deferred tax assets included in other current assets and other assets are JPY295,532 million and JPY460,721 million, respectively. Deferred tax liabilities included in other current liabilities and other liabilities are JPY3,011 million and JPY25,754 million, respectively.

(10) Accumulated other comprehensive loss of JPY301,524 million includes: loss on foreign currency exchange adjustments of JPY90,904 million, loss on minimum pension liability adjustments of JPY242,672 million, net unrealized holding gain on available-for-sale securities of JPY32,996 million and net losses on derivatives of JPY944 million.

(11) Collateralized assets: Cash and cash equivalents of JPY117 million, short-term investments of JPY247 million, other current assets of JPY1,833 million, investments and advances of JPY112 million, land of JPY7,437 million, buildings of JPY9,053 million and machinery and equipment of JPY5,910 million.

In addition to the above, common stocks of subsidiaries with fair market value of JPY1,614 million are collateralized.

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|                       |                    |
|-----------------------|--------------------|
| (12) Notes discounted | JPY4,853 million   |
| Notes endorsed        | JPY6,644 million   |
| Guarantees            | JPY579,762 million |

**Table of Contents****3. Consolidated Statements of Operations**

|  | <b>Years ended March 31</b> |                  |
|--|-----------------------------|------------------|
|  | <b>2005</b>                 | <b>2004</b>      |
|  | (Millions of yen)           |                  |
| Revenues   | 9,027,043                   | 8,632,450        |
| Cost of sales  | 6,961,270                   | 6,710,154        |
| <b>Gross profit</b>                                      | <b>2,065,773</b>            | <b>1,922,296</b> |
| Selling, general and administrative expenses             | 1,786,718                   | 1,737,433        |
| <b>Operating income</b>                                  | <b>279,055</b>              | <b>184,863</b>   |
| Other income   | 86,408                      | 161,170          |
| Interest income  | 13,413                      | 12,808           |
| Dividends income   | 5,971                       | 6,352            |
| Other  | 67,024                      | 142,010          |
| Other deductions   | 100,957                     | 108,884          |
| Interest charges   | 29,057                      | 30,855           |
| Impairment losses for long-lived assets                  | 26,797                      | 26,085           |
| Restructuring charges                                    | 33,307                      | 28,613           |
| Other  | 11,796                      | 23,331           |
| <b>Income before income taxes and minority interests</b> | <b>264,506</b>              | <b>237,149</b>   |
| Income taxes   | 149,990                     | 198,655          |
| <b>Income before minority interests</b>                  | <b>114,516</b>              | <b>38,494</b>    |
| Minority interests                                       | 63,020                      | 22,618           |
| <b>Net income</b>  | <b>51,496</b>               | <b>15,876</b>    |

Notes:

- (1) Income taxes of JPY149,990 million includes current tax expense of JPY104,680 million and deferred tax expense of JPY45,310 million.
- (2) Net income per share JPY15.53

**Table of Contents****4. Consolidated Statements of Cash Flows (Supplementary Information)**

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

Note: 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 consolidated statement of cash flows.

**Table of Contents****5. Unconsolidated Balance Sheets**

|   | Fiscal 2004<br>(As of March 31, 2005) | Fiscal 2003<br>(As of March 31, 2004) |
|---|---------------------------------------|---------------------------------------|
|   | (Millions of yen)                     |                                       |
| <b>(ASSETS)</b>                                     |                                       |                                       |
| <b>CURRENT ASSETS</b>                               | <b>1,860,523</b>                      | <b>1,909,420</b>                      |
| Cash  | 195,463                               | 265,201                               |
| Notes receivable                                    | 8,500                                 | 10,936                                |
| Accounts receivable                                 | 654,044                               | 585,880                               |
| Marketable securities                               | 6,218                                 | 3,319                                 |
| Money held in trust                                 | 64,592                                | 82,902                                |
| Finished goods                                      | 41,035                                | 37,523                                |
| Semi-finished goods                                 | 52,387                                | 52,343                                |
| Raw materials                                       | 34,766                                | 36,610                                |
| Work in process                                     | 154,685                               | 167,920                               |
| Advances paid                                       | 36,121                                | 34,068                                |
| Short-term loan receivables                         | 356,508                               | 370,390                               |
| Deferred tax assets                                 | 109,698                               | 86,903                                |
| Others  | 154,268                               | 182,020                               |
| Allowance for doubtful receivables                  | (7,768)                               | (6,600)                               |
| <b>FIXED ASSETS</b>                                 | <b>1,891,998</b>                      | <b>1,798,964</b>                      |
| Tangible fixed assets                               | 333,804                               | 291,048                               |
| Buildings   | 124,920                               | 114,145                               |
| Structures  | 13,129                                | 11,507                                |
| Machinery   | 95,377                                | 62,666                                |
| Vehicles  | 244                                   | 193                                   |
| Tools and equipment                                 | 55,791                                | 56,736                                |
| Land  | 41,232                                | 43,840                                |
| Construction in progress                            | 3,107                                 | 1,958                                 |
| Intangible fixed assets                             | 185,575                               | 153,039                               |
| Software  | 101,523                               | 106,753                               |
| Railway and public utility installation             | 705                                   | 729                                   |
| Others  | 83,346                                | 45,556                                |
| Investments and others                              | 1,372,618                             | 1,354,876                             |
| Investments in affiliated companies                 | 1,072,717                             | 1,048,965                             |
| Other marketable securities of affiliated companies | 287                                   |                                       |
| Investments in securities                           | 162,794                               | 145,334                               |
| Long-term loan receivables                          | 7,551                                 | 5,606                                 |
| Deferred tax assets                                 | 96,883                                | 123,516                               |
| Others  | 32,393                                | 31,816                                |
| Allowance for doubtful receivables                  | (10)                                  | (361)                                 |
| <b>TOTAL ASSETS</b>                                 | <b>3,752,522</b>                      | <b>3,708,385</b>                      |

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|   | Fiscal 2004            | Fiscal 2003            |
|---|------------------------|------------------------|
|   | (As of March 31, 2005) | (As of March 31, 2004) |
|   | (Millions of yen)      |                        |
| <b>(LIABILITIES)</b>  |                        |                        |
| <b>CURRENT LIABILITIES</b>  | <b>1,776,593</b>       | <b>1,819,420</b>       |
| Trade accounts payable  | 619,376                | 624,281                |
| Short-term debt   | 26,331                 | 21,641                 |
| Commercial paper  | 30,000                 | 20,000                 |
| Current installments of debentures                                | 200,000                | 218,470                |
| Other accounts payable  | 58,971                 | 57,695                 |
| Accrued expenses  | 191,164                | 152,135                |
| Advances received from customers                                  | 143,222                | 148,711                |
| Deposits received   | 473,112                | 557,928                |
| Warranty reserve  | 17,392                 | 8,668                  |
| Reserve for exhibition at The 2005 World Exposition, Aichi, Japan | 2,685                  |                        |
| Others  | 14,338                 | 9,888                  |
| <b>FIXED LIABILITIES</b>  | <b>610,272</b>         | <b>515,584</b>         |
| Debentures  | 190,000                | 280,000                |
| Long-term debt  | 224,533                | 54,428                 |
| Accrued pension liability   | 158,539                | 127,372                |
| Reserve for loss on repurchasing computers                        | 12,949                 | 21,260                 |
| Reserve for exhibition at The 2005 World Exposition, Aichi, Japan |                        | 1,790                  |
| Others  | 24,250                 | 30,734                 |
| <b>TOTAL LIABILITIES</b>  | <b>2,386,866</b>       | <b>2,335,005</b>       |
| <b>(STOCKHOLDERS EQUITY)</b>                                      |                        |                        |
| <b>CAPITAL STOCK</b>  | <b>282,033</b>         | <b>282,032</b>         |
| <b>CAPITAL SURPLUS</b>  | <b>281,644</b>         | <b>268,756</b>         |
| Capital reserve   | 268,709                | 268,708                |
| Others  | 12,934                 | 47                     |
| Gain on disposition of treasury stock                             | 12,934                 | 47                     |
| <b>RETAINED EARNINGS</b>  | <b>784,484</b>         | <b>823,768</b>         |
| Earned surplus reserve  | 70,438                 | 70,438                 |
| Voluntary reserve   | 684,491                | 684,444                |
| Reserve for software program development                          | 25,708                 | 30,610                 |
| Reserve for special depreciation                                  | 792                    | 1,843                  |
| Reserve for advanced depreciation of fixed assets                 | 304                    |                        |
| Special reserve   | 657,685                | 651,990                |
| Unappropriated retained earnings                                  | 29,554                 | 68,885                 |
| <b>UNREALIZED HOLDING GAINS ON SECURITIES</b>                     | <b>36,607</b>          | <b>30,983</b>          |
| <b>TREASURY STOCK</b>   | <b>(19,114)</b>        | <b>(32,162)</b>        |
| <b>TOTAL STOCKHOLDERS EQUITY</b>                                  | <b>1,365,655</b>       | <b>1,373,379</b>       |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>                  | <b>3,752,522</b>       | <b>3,708,385</b>       |

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## Notes:

- (1) Inventories  
 Finished goods, semi-finished goods and work in process: Lower of cost or market. Cost is determined by the specific identification method or the moving average method.  
 Raw materials: Lower of cost or market. Cost is determined by the moving average method.
- (2) Securities and money held in trust  
 Investments in affiliated companies are stated at cost. Cost is determined by the moving average method. Other securities which had readily determinable fair values are stated at fair value. The difference between acquisition cost and carrying cost of other securities is recognized in Unrealized Holding Gains On Securities. The cost of other securities sold is computed based on a moving average method. Other securities which did not have readily determinable fair values are stated at cost determined by the moving average method.  
 Money held in trust is stated at fair value.
- (3) Depreciation of tangible fixed assets  
 Buildings: Straight-line method.  
 Other tangible fixed assets: Declining-balance method.  
 Accumulated depreciation of tangible fixed assets: JPY976,082 million
- (4) Depreciation of intangible fixed assets  
 Selling, leasing, or otherwise marketing software: Depreciated based on expected gross revenues ratably.  
 Other intangible fixed assets: Straight-line method.
- (5) Accrued pension liability is provided for employees' retirement and severance benefits. Such liability is determined based on projected benefit obligation and expected plan assets as of March 31, 2005.  
 Unrecognized net asset of JPY34,771 million at transition is amortized by the straight-line method over 5 years.  
 Unrecognized net assets at transition transferred on October 1, 2004, when the Company merged Hitachi Unisia Automotive, Ltd., are amortized by straight-line method over 15 years.  
 Prior service cost is amortized by the straight-line method over the estimated average remaining service years of employees.  
 Unrecognized actual gain or loss is amortized by the straight-line method over the estimated average remaining service years of employees from the next fiscal year.
- (6) Reserve for exhibition at The 2005 World Exposition, Aichi, Japan is based on Article 43 of the Enforcement Regulations of the Commercial Code of Japan.
- (7) Consumption tax is accounted for based on the tax segregated method, under which consumption tax is excluded from presentation of sales, cost of sales and expenses.
- (8) Short-term receivables from affiliated companies JPY730,422 million  
 Long-term receivables from affiliated companies JPY9,127 million  
 Short-term payables to affiliated companies JPY952,619 million  
 Long-term payables to affiliated companies JPY2,300 million
- (9) The difference between acquisition cost and carrying cost of other securities in Total Stockholders' Equity, under Article 124.3 of the Enforcement Regulations of the Commercial Code of Japan, amounted to JPY38,723 million.
- (10) Rights to subscribe for new shares of the Company under Article 280-19.1 of the former Commercial Code of Japan

| Class        | Number of shares to be issued | Issue price per share | Issue period |           |
|--------------|-------------------------------|-----------------------|--------------|-----------|
| Common Stock | 184,000 shares                | JPY1,451              | 7/27/2001    | 7/26/2005 |
| Common Stock | 544,000 shares                | JPY1,270              | 8/4/2002     | 8/3/2006  |

- (11) In addition to the capitalized fixed assets, as significant equipment, the Company utilizes application software and computer manufacturing equipment under the lease arrangements.
- (12) Guarantees JPY49,115 million
- (13) The Company adopted the Accounting Standard on Impairment of Fixed Assets (Business Accounting Council, August 9, 2002) and the Guideline for Applying the Accounting Standard No. 6, Guideline for Applying Accounting Standard on Impairment of Fixed Assets (Accounting Standards Board of Japan, October 31, 2003) in fiscal 2004. Consequently, net income before income taxes for fiscal 2004 decreased by JPY19,882 million.





**Table of Contents****6. Unconsolidated Statements of Operations**

|   | <b>Years ended March 31</b> |                |
|---|-----------------------------|----------------|
|   | <b>2005</b>                 | <b>2004</b>    |
|   | (Millions of yen)           |                |
| Revenues  | 2,597,496                   | 2,488,873      |
| Cost of sales   | 2,096,204                   | 1,999,740      |
| <b>Gross profit on sales</b>  | <b>501,292</b>              | <b>489,132</b> |
| Selling, general and administrative expenses                                      | 506,986                     | 481,584        |
| <b>Operating income and loss</b>  | <b>(5,694)</b>              | <b>7,548</b>   |
| Non-operating income  | 87,863                      | 61,569         |
| Interest and dividends  | 77,422                      | 52,641         |
| Others  | 10,441                      | 8,927          |
| Non-operating expenses  | 59,886                      | 48,934         |
| Interest  | 11,007                      | 12,089         |
| Others  | 48,878                      | 36,844         |
| <b>Ordinary income</b>  | <b>22,282</b>               | <b>20,183</b>  |
| Extraordinary gain  | 63,140                      | 68,891         |
| Gain on sale of affiliated companies - common stock                               | 41,874                      |                |
| Gain on sale of investments in securities   | 11,895                      |                |
| Gain on sale of land  | 9,369                       | 7,029          |
| Gain on sale of affiliated companies - common stock and investments in securities |                             | 61,861         |
| Extraordinary loss  | 66,140                      | 10,155         |
| Extraordinary loss on restructuring charges                                       | 46,258                      |                |
| Loss on impairment of assets  | 19,882                      |                |
| Impairment loss on investments and securities                                     |                             | 10,155         |
| <b>Net income before income taxes</b>   | <b>19,281</b>               | <b>78,918</b>  |
| Income taxes  |                             |                |
| Current   | (6,961)                     | (61,207)       |
| Deferred  | 15,898                      | 100,014        |
| <b>Net income</b>   | <b>10,344</b>               | <b>40,111</b>  |
| Unappropriated retained earnings at the beginning of the period                   | 37,348                      | 37,695         |
| Interim dividends paid  | 18,138                      | 9,894          |
| Transferred retained earnings associated with corporate split                     |                             | 972            |
| <b>Unappropriated retained earnings at the end of the period</b>                  | <b>29,554</b>               | <b>68,885</b>  |

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Notes:

- (1) Extraordinary loss on restructuring charges of JPY46,258 million relates mainly to an impairment loss on shares held in Fujitsu Hitachi Plasma Display Limited, an affiliated company engaging in plasma display panel operations, and expenses associated with the implementation of measures such as business reorganization, realignment and streamlining to restructure digital media operations in Japan. The figure consists of JPY36,856 million of loss on restructuring of affiliated companies and JPY7,564 million of special termination benefits, etc.
- (2) Loss on impairment of assets
- (i) Summary of long-lived assets or group of long-lived assets which recognized impairment loss

| <u>Use</u>                            | <u>Category</u>                                | <u>Location</u>      |
|---------------------------------------|--|----------------------|
| Long-lived assets to be held and used | Land, buildings, software, etc.                | Suminoe-ku, Osaka    |
|                                       |  | Ebina, Kanagawa      |
| Long-lived assets to be sold          | Land, building, machinery, tools and equipment | Other                |
|                                       |  | Tsuzuki-ku, Yokohama |
| Long-lived assets to be abandoned     | Land, building, machinery, tools and equipment | Iwaki, Fukushima     |
|                                       |  | Suminoe-ku, Osaka    |
|                                       |  | Totsuka-ku, Yokohama |
|                                       |  | Kokubu, Kagoshima    |

- (ii) Reason to recognize loss on impairment of assets

The Company recognized the impairment loss because: irrecoverable amounts for entity-wide long-lived assets that are now designated for leasing are estimated; market price of long-lived assets to be abandoned and long-lived assets to be sold declines; irrecoverable amounts for investments in some long-lived assets to be held and used are estimated due to declining of profitability.

- (iii) Amount of impairment loss

|                     |                   |
|---------------------|-------------------|
| Buildings           | JPY6,535 million  |
| Machinery           | JPY191 million    |
| Tools and equipment | JPY616 million    |
| Land                | JPY11,740 million |
| Software            | JPY703 million    |
| Other               | JPY94 million     |
| Total               | JPY19,882 million |

- (iv) Method of grouping long-lived assets

Grouping of assets are principally based on either division or place of business.

- (v) Calculation method of recoverable amounts

Calculation of recoverable amounts for long-lived assets to be held and used is based on net sales price or value in use, whichever higher, and the discount rate for calculating value in use ranges from 3.5% to 6.5%. Calculation of recoverable amounts for long-lived assets to be abandoned and long-lived assets to be sold is based on net sales price.

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|     |  |                      |
|-----|--|----------------------|
| (3) | Sales to affiliated companies                        | JPY881,688 million   |
|     | Purchases from affiliated companies                  | JPY1,590,920 million |
|     | Non-operating transactions with affiliated companies | JPY117,222 million   |
| (4) | Net income per share                                 | JPY3.12              |

**Table of Contents****7. Appropriation of Retained Earnings****Appropriation of Retained Earnings**

|  | <b>Yen</b>            |
|--|-----------------------|
| <b>Unappropriated retained earnings at the end of the period</b>         | <b>29,554,751,659</b> |
| Reversal of reserve for software program development                     | 5,427,624,794         |
| Reversal of reserve for special depreciation                             | 258,237,366           |
| Reversal of reserve for advanced depreciation of fixed assets            | 304,787,158           |
| Reversal of special reserve  | 20,000,000,000        |
| <b>Total</b>   | <b>55,545,400,977</b> |
| Unappropriated retained earnings disposed of:                            |                       |
| Cash dividends (JPY5.50 per share)                                       | 18,323,672,587        |
| Unappropriated retained earnings carried forward to the following period | 37,221,728,390        |

## Notes:

- (1) The amount of cash dividends is calculated after deducting 36,549,222 shares of treasury stock.
- (2) Reserve for software program development, reserve for special depreciation and reserve for advanced depreciation of fixed assets are made in accordance with the Special Taxation Measurement Law.

**Policy and Reasons of Appropriation of Retained Earnings**

The Company's dividend policy is to ensure the stable growth of dividends and to ensure the availability of sufficient internal funds for capital investment and R&D that are essential for maintaining competitiveness and improving profitability based on the Company's medium- and long-term business plans. The Company believes that the repurchase of its shares should be undertaken, when necessary, as part of its policy on distribution to shareholders to complement the dividend payout. Such action will be taken by the Company based on a consideration of market conditions, its future capital requirement and other relevant factors.

For the 136th business term, the Company decided to pay the year-end dividend of 5.5 yen per share, taking into account various factors including its financial position, profit level and payout ratio, etc. The Company considers that it has enough funds for the planned capital investment and R&D in its focusing businesses and that the equity ratio keeps targeted level, although net income on unconsolidated basis sharply declined from the preceding year.

The Company paid the interim dividend of 5.5 yen per share on December 7, 2004.

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**8. Transcript of Accounting Auditors Audit Report on Consolidated Financial Statements**

**INDEPENDENT AUDITORS REPORT**

May 18, 2005

To Mr. Etsuhiko Shoyama, President and Chief Executive Officer  
Hitachi, Ltd.

Ernst & Young ShinNihon

Shitei Shain

Gyomu Shikko Shain CPA Hideo Doi

Shitei Shain

Gyomu Shikko Shain CPA Yoshikazu Aoyagi

Shitei Shain

Gyomu Shikko Shain CPA Naomitsu Hirayama

We have audited the consolidated balance sheet and the consolidated statement of operations of Hitachi, Ltd. for the 136th business year ended March 31, 2005 for the purpose of reporting under Article 21-32, paragraph 2 of the Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki-Kaisha. Management of the Company is responsible for preparing such consolidated financial statements and our responsibility is to express our opinion thereon from an independent standpoint.

Our audit was conducted in accordance with auditing standards generally accepted in Japan. The auditing standards require us to obtain reasonable assurance whether any material misstatement exists in the consolidated financial statements or not. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. Our audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We consider that as a result of our audit, we have obtained reasonable basis for expressing our opinion. The auditing procedures also include those considered necessary for the subsidiaries.

In our opinion, the above consolidated financial statements fairly present the financial position and the results of operations of the Company and its consolidated subsidiaries in conformity with related laws, regulations and the Articles of Incorporation of the Company.

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We have no interest in the Company which should be disclosed pursuant to the provision of the Certified Public Accountants Law.

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**9. Transcript of Audit Committee's Audit Report on Consolidated Financial Statements**

**AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

We, the Audit Committee of the Company, audited the consolidated balance sheet and the consolidated statement of operations of the Company (hereinafter referred to as the Consolidated Financial Statements) during the 136th business term from April 1, 2004 to March 31, 2005. As a result, we hereby report as follows:

1. Method of Audit in Outline

We monitored and examined, in accordance with the audit policy, assignment of audit duties, etc., as determined by the Audit Committee, the Consolidated Financial Statements, by receiving reports or hearing from the Executive Officers, etc. and from the Company's Accounting Auditors.

2. Result of Audit

We are of the opinion that the method and results of the audit made by the Company's Accounting Auditors, Ernst & Young ShinNihon, are appropriate.

May 19, 2005

Audit Committee, Hitachi, Ltd.  
Yoshiki Yagi (Standing)  
Kotaro Muneoka (Standing)  
Ginko Sato  
Hiromichi Seya  
Toshiro Nishimura

Note: Ms. Ginko Sato, Mr. Hiromichi Seya and Mr. Toshiro Nishimura are outside Directors who fulfill the qualification requirements as provided for in the proviso clause of Article 21-8.4 of the the Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki-Kaisha (hereinafter referred to as the Special Exceptions Law)

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**10. Transcript of Accounting Auditors Audit Report on Unconsolidated Financial Statements**

**INDEPENDENT AUDITORS REPORT**

May 18, 2005

To Mr. Etsuhiko Shoyama, President and Chief Executive Officer  
Hitachi, Ltd.

Ernst & Young ShinNihon

Shitei Shain

Gyomu Shikko Shain CPA Hideo Doi

Shitei Shain

Gyomu Shikko Shain CPA Yoshikazu Aoyagi

Shitei Shain

Gyomu Shikko Shain CPA Naomitsu Hirayama

We have audited the balance sheet, the statement of operations, the business report, the statement of proposed appropriation of retained earnings, and the related schedules of Hitachi, Ltd. for the 136th business year ended March 31, 2005 for the purpose of reporting under Article 21-26, paragraph 4 of the Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki-Kaisha. With respect to the aforementioned business report and the supporting schedules, our audit was limited to those matters based on the accounting records of the Company and subsidiaries. Management of the Company is responsible for preparing such financial statements and their supporting schedules and our responsibility is to express our opinions thereon from an independent standpoint.

Our audit was conducted in accordance with auditing standards generally accepted in Japan. The auditing standards require us to obtain reasonable assurance whether any material misstatement exists in the financial statements and their supporting schedules or not. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We consider that as a result of our audit, we have obtained reasonable basis for expressing our opinions. The auditing procedures also include those considered necessary for the subsidiaries.

In our opinion,



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- (1) the balance sheet and the statement of operations fairly present the financial position and the results of operations of the Company in conformity with related laws, regulations and the Articles of Incorporation of the Company; as stated in the note 13 to the balance sheet as of March 31, 2005, the Company adopted the Accounting Standard on Impairment of Fixed Assets (Business Accounting Council, August 9, 2002) and the Guideline for Applying the Accounting Standard No. 6, Guideline for Applying Accounting Standard on Impairment of Fixed Assets (Accounting Standards Board of Japan, October 31, 2003) from this fiscal year; this change is appropriate, as an adoption of the above Accounting Standard is permitted from the fiscal year ended March 31, 2004,
- (2) the business report, as far as the accounting data included such report are concerned, presents fairly the status of the Company in conformity with related laws, regulations and the Articles of Incorporation of the Company,
- (3) the statement of proposed appropriation of retained earnings has been prepared in conformity with related laws, regulations and the Articles of Incorporation of the Company, and
- (4) the supporting schedules, as far as the accounting data included in such schedules are concerned, have nothing to be pointed out pursuant to the provisions of the Commercial Code.

We have no interest in the Company which should be disclosed pursuant to the provision of the Certified Public Accountants Law.

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**11. Transcript of Audit Committee's Audit Report on Unconsolidated Financial Statements**

**AUDIT REPORT**

We, the Audit Committee of the Company, audited the performance by Directors and Executive Officers of their duties during the 136th business term from April 1, 2004 to March 31, 2005. As a result, we hereby report as follows:

1. Method of Audit in Outline

We monitored and examined the contents of the resolutions of the Board of Directors concerning the matters as listed in Article 21-7, paragraph 1, item 2 of the Law Concerning Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki-Kaisha (hereinafter referred to as the Special Exceptions Law) and Article 193 of the Enforcement Regulations of the Commercial Code of Japan and the system in general concerning the internal control of the Company established thereunder, and in accordance with the audit policy, assignment of audit duties, etc., as determined by the Audit Committee and in collaboration with the relevant departments, attended important meetings, received reports or heard from the Directors, Executive Officers, etc. on matters concerning the execution of their duties, inspected important decision documents, etc., made investigation into the state of activities and property at the head office and principal business offices of the Company, and received reports or heard from the subsidiaries on their business operations and made investigation into the state of their activities and property when necessary. In addition, we received from the Company's Accounting Auditors reports on and accounts of their audit and examined the financial statements and the supporting schedules based on such reports and accounts.

With respect to competitive transactions by Directors or Executive Officers, transactions involving conflicting interests between Directors or Executive Officers and the Company, gratuitous offering of proprietary profits by the Company, transactions not customary in nature between the Company and its subsidiaries or shareholders, acquisition and disposition by the Company of its shares, etc., we, in addition to the aforementioned method of audit, required Directors or Executive Officers, etc. to render reports on and made a full investigation into the state of any transaction in question, whenever necessary.

2. Results of Audit

We are of the opinion:

- (1) that the contents of the resolutions of the Board of Directors concerning the matters as listed in Article 21-7, paragraph 1, item 2 of the Special Exceptions Law and Article 193 of the Enforcement Regulations of the Commercial Code of Japan are appropriate;
- (2) that the method and results of the audit made by the Company's Accounting Auditors, Ernst & Young ShinNihon are proper;
- (3) that the business report fairly presents the state of the Company in accordance with the law, regulations and the Articles of Incorporation;

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- (4) that the proposition relating to the appropriation of retained earnings has nothing to be pointed out in the light of the state of property of the Company and other circumstances;
- (5) that the supporting schedules fairly present the matters to be stated therein and contain nothing to be pointed out; and
- (6) that in connection with the performance by Directors or Executive Officers of their duties, including the subsidiaries' affairs, no dishonest act or material fact of violation of laws, regulations or the Articles of Incorporation exists.

With respect to competitive transactions by Directors or Executive Officers, transactions involving conflicting interests between Directors or Executive Officers and the Company, gratuitous offering of proprietary profits by the Company, transactions not customary in nature between the Company and its subsidiaries or shareholders, acquisition and disposition by the Company of its shares, etc., we find no breach by Directors and Executive Officers of their duties.

May 19, 2005

Audit Committee, Hitachi, Ltd.  
Yoshiki Yagi (Standing)  
Kotaro Muneoka (Standing)  
Ginko Sato  
Hiromichi Seya  
Toshiro Nishimura

Note: Ms. Ginko Sato, Mr. Hiromichi Seya and Mr. Toshiro Nishimura are outside Directors who fulfill the qualification requirements as provided for in the proviso clause of Article 21-8.4 of the Special Exceptions Law.

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(Supplementary Information on Consolidated Basis)

**Percentage to Total Revenues and Operating Income by Industry Segment**

|   | Year ended March 31, 2005 |             |
|---|---------------------------|-------------|
|   | Revenues                  | Operating   |
|   |                           | Income      |
| Information & Telecommunication Systems | 21%                       | 21%         |
| Electronic Devices                      | 12                        | 12          |
| Power & Industrial Systems              | 24                        | 23          |
| Digital Media & Consumer Products       | 12                        | 3           |
| High Functional Materials & Components  | 14                        | 28          |
| Logistics, Services & Others            | 12                        | 3           |
| Financial Services                      | 5                         | 10          |
| <b>Total</b>                            | <b>100%</b>               | <b>100%</b> |

Note: The calculation of the percentage to total revenues and operating income by industry segment is on the basis including intersegment transactions and excluding corporate items and eliminations.

**Revenues by Market**

|                   | Years ended March 31 |                |                     |
|-------------------|----------------------|----------------|---------------------|
|                   | 2004(A)              | 2005(B)        | (B) / (A)           |
|                   | (Billions of yen)    |                | Percentage to total |
| Domestic revenues | 5,654.8              | 5,749.6        | 64%                 |
| Overseas revenues |                      |                | 102%                |
| Asia              | 1,212.8              | 1,406.8        | 15                  |
| North America     | 873.2                | 901.8          | 10                  |
| Europe            | 655.8                | 709.7          | 8                   |
| Other Areas       | 235.6                | 258.9          | 3                   |
| Subtotal          | 2,977.5              | 3,277.4        | 36                  |
| <b>Total</b>      | <b>8,632.4</b>       | <b>9,027.0</b> | <b>100</b>          |

**Five-Year Summary**

|   | Years ended March 31 |         |         |         |         |
|---|----------------------|---------|---------|---------|---------|
|   | 2001                 | 2002    | 2003    | 2004    | 2005    |
|   | (Billions of yen)    |         |         |         |         |
| Overseas revenues                             | 2,625.6              | 2,549.1 | 2,645.2 | 2,977.5 | 3,277.4 |
| Percentage to total revenues                  | 31%                  | 32%     | 32%     | 34%     | 36%     |
| Capital investment (excluding leasing assets) | 541.1                | 414.1   | 328.4   | 296.1   | 382.1   |
| Capital investment (leasing assets)           | 429.9                | 442.1   | 459.0   | 520.3   | 577.4   |
| R&D expenditure                               | 435.5                | 415.4   | 377.1   | 371.8   | 388.6   |
| Stockholders' equity per share (yen)          | 857                  | 690     | 551     | 657     | 693     |
| Return on equity                              | 3.6%                 | -18.7%  | 1.3%    | 0.8%    | 2.3%    |

Note: The calculation of the return on equity is based on the average of the stockholders' equity at the beginning and at the end of each fiscal year.

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(Translation)

**Hitachi, Ltd.**

**VOTING RIGHT CARD**

I hereby exercise my voting right as indicated below in respect of the proposals put forward at the 136th Ordinary General Meeting of Shareholders of Hitachi, Ltd. to be held on June 24, 2005. In the event of any continuation or adjournment of the General Meeting, my voting right shall be exercised in accordance with my intentions as signified by my entries herein.

Date: June , 2005

Registered seal \_\_\_\_\_

Number of voting rights held\* \_\_\_\_\_

\* A shareholder is entitled to one voting right per 1,000 shares.

|            |   |     |         |
|------------|---|-----|---------|
| Item No. 1 | On the proposal by the Board of Directors | FOR | AGAINST |
| Item No. 2 | On the proposal by the Board of Directors |     |         |
|            | (Except for the nominee(s) at right) ( )  | FOR | AGAINST |
| Item No. 3 | On the proposal by the Board of Directors | FOR | AGAINST |

Notes: - The absence of a FOR or AGAINST indication in respect of any proposal will be treated by Hitachi, Ltd. as an affirmative vote.  
- With respect to Item No. 2, if you wish to disapprove any of the nominees, please mark FOR and write the nominee's number assigned to the person concerned in the parentheses provided. The nominees' numbers are provided in the Agenda in the Notice of the Ordinary General Meeting of Shareholders.

DETACH HERE

Please read the following before filling the Voting Right Card.

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1. If you wish to attend the General Meeting of Shareholders, please bring the Voting Right Card with you on the day and present it at the entrance to the meeting hall.
2. If you do not wish to attend the General Meeting of Shareholders, please circle FOR or AGAINST in the column of each item, affix your seal in the space provided, detach and mail the card so as to be received by Hitachi, Ltd. on or before June 23, 2005.

Reference number of shareholder \_\_\_\_\_

Number of shares held \_\_\_\_\_

Number of shares in the share-register \_\_\_\_\_

Number of shares in the beneficiaries record \_\_\_\_\_