

Hitachi Posts Half-Year Loss

Tokyo, October 30, 2001 --- Hitachi, Ltd. (TSE:6501) today announced results for the first half of fiscal 2001, ended September 30, 2001.

During the period under review, the impact of the sudden slowdown in the U.S. economy, led by declining demand for PCs, mobile phones and other IT-related products that started in the second half of 2000, became global. The effect was also felt in Japan, where semiconductor-related investment and other investment in plant and equipment fell, casting a pall over the employment and personal-income picture that also had a dampening effect on consumer spending.

Against this backdrop, consolidated net sales declined 2% year on year, to 3,938,121 million yen (US\$33,093 million). Factors behind the decrease included sharply lower sales by the Electronic Devices and High Functional Materials & Components segments.

Consolidated business results are for Hitachi, Ltd. and its 1,061 subsidiaries, including 342 overseas corporations.

By segment, in Information & Telecommunication Systems, Hitachi, Ltd., Hitachi Software Engineering Co., Ltd. and Hitachi Information Systems, Ltd. all posted gains, in their systems integration and services operations. This segment's growth was mainly attributable to growth in the financial and public sectors. Storage solutions were also steady, especially overseas. This helped push segment sales up 5% year on year, to 873,312 million yen (US\$7,339 million).

In Electronic Devices, demand for PCs, mobile phones and other IT-related products was lower than forecast at the beginning of the period. Sales of semiconductors fell sharply, hit by a major drop in demand and tumbling prices, while plunging prices of TFT LCDs also took a heavy toll on sales of displays. As a result, at 765,090 million yen (US\$6,429 million), segment sales registered a year-on-year decrease of 24%.

In Power & Industrial Systems, although Hitachi Construction Machinery Co., Ltd. was affected by the domestic and overseas slump in demand for construction machinery, major orders were received for nuclear power generation systems, and there was good demand for maintenance services for thermal and nuclear power generation systems. Maintenance services for building systems did well, and sales of rolling stock to Central Japan Railway Company and Kyushu

Railway Company were up. Thus, in overall terms, segment sales rose 6% year on year, to 1,117,375 million yen (US\$9,390 million).

In Digital Media & Consumer Products, sales of refrigerators moved back down, following the end of the bump in demand generated by people rushing to make purchases before the Law for Recycling of Specified Kinds of Home Appliances came into effect. However, a hot summer boosted sales of room air-conditioners. In digital media products, sales of optical storage products were boosted by the establishment of Hitachi-LG Data Storage, Inc., a joint-venture between Hitachi and LG Electronics Inc., and sales of projection TVs also increased, especially in North America. At Hitachi Maxell, Ltd., results improved thanks to growth in sales of computer tape products. Segment sales came to 582,493 million yen (US\$4,895 million), representing a year-on-year increase of 15%.

In High Functional Materials & Components, Hitachi Cable, Ltd., Hitachi Metals, Ltd. and Hitachi Chemicals Co., Ltd. all felt the impact of the sluggish pace of IT-related demand, which severely depressed demand for electronics-related materials, resulting in a 12% decrease in sales, to 628,175 million yen (US\$5,279 million).

In Logistics, Services & Others, the deterioration in the state of the semiconductor and display markets had a heavy impact on the results of overseas sales companies in Europe and Asia, pushing segment sales down 9%, to 707,766 million yen (US\$5,948 million).

In Financial Services, Hitachi Capital Corporation posted gains in its leasing business, led by leasing of information equipment, but on the retail business side, there was little growth in loan guarantees for consumer purchases of cars and other items. Thus, in overall terms, segment sales declined 2% year on year, to 281,102 million yen (US\$2,362 million).

As a result of the major decreases in sales in Electronic Devices and High Functional Materials & Components, for the half-year period under review the Company posted an operating loss of 42,110 million yen (US\$354 million).

Other income came to 17,246 million yen (US\$145 million), 27,199 million yen (US\$229 million) less than the same period of the preceding year. Other deductions came to 73,677 million yen (US\$619 million), a year-on-year increase of 17,852 million yen (US\$150 million) attributable to restructuring charges and the like.

There was a loss before income taxes and minority interests of 98,541 million yen (US\$828 million), and after the deduction of 18,155 million yen (US\$153 million) in income taxes, the loss before minority interests amounted to 116,696 million yen (US\$981 million). After subtracting minority interests, the net loss amounted to 110,543 million yen (US\$929 million).

On a year-on-year basis, Hitachi reduced its capital investment relating to semiconductors and displays, and as a result, capital investment amounted to 441,993 million yen (US\$3,714 million), a decrease of 3 %.

The Company spent 213,058 million yen (US\$1,790 million) on research and development, a decrease of 2% from the preceding year. R&D expenditures as a percentage of net sales were 5.4 %.

Outlook for Fiscal 2001

Stagnant demand for IT-related items, such as PCs and mobile phones, is accelerating the slowdown in the U.S. economy, and the effects are being felt around the world. There is also a concern that military actions by the U.S., in the wake of the terrorist attacks, may become a long-term effort that has an adverse economic impact. Thus, companies find themselves in a business climate in which caution is needed.

With rapid changes in the market environment leading to a worsening of the Hitachi's business results, the Company is implementing emergency management measures to cut fixed costs and boost management efficiency in order to bring about an early improvement in its business results, and is also carrying out sweeping management reforms and restructuring.

The present outlook for the Company's business results for the fiscal year ending March 31, 2002, is as follows. (Year-on-year comparison shown as percentage)

Net sales	7,900,000 million yen (US\$66,387 million) (94%)
Operating loss	30,000 million yen (US\$ 252 million) (- %)
Loss before income taxes and minority interests	215,000 million yen (US\$ 1,807 million) (- %)
Loss before minority interests	229,000 million yen (US\$ 1,924 million) (- %)
Net loss	230,000 million yen (US\$ 1,933 million) (- %)

All figures were converted at the rate of 119 yen = US\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 28, 2001.

Cautionary Statement

Statements in this news release contain forward-looking statements which reflect management's current views with respect to certain future events and financial performance. Words such as "anticipate," "believe," "expect," "estimate," "intend," "plan," "project" and similar expressions which indicate future events and trends identify forward-looking statements. Actual results may differ materially from those projected or implied in the forward-looking statements and from historical trends. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate.

Factors that could cause actual results to differ materially from those projected or implied in any forward-looking statements include, but are not limited to, rapid technological change, particularly in the Information & Telecommunication Systems segment and Electronic Devices segment; uncertainty as to Hitachi's ability to continue to develop products and to market products that incorporate new technology on a timely and cost-effective basis and achieve market acceptance; fluctuations in product demand and industry capacity, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment; increasing commoditization of information technology products, and intensifying price competition in the market for such products; fluctuations in rates of exchange for the yen and other currencies in which Hitachi makes significant sales or in which Hitachi's assets and liabilities are denominated, particularly between the yen and the U.S. dollar; uncertainty as to Hitachi's access to liquidity or long-term financing, particularly in the context of restrictions on availability of credit prevailing in Japan; uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in product demand and/or exchange rates; general economic conditions and the regulatory and trade environment of Hitachi's major markets, particularly, the United States, Japan and elsewhere in Asia, including, without limitation, continued stagnation or deterioration of the Japanese or other East Asian economies, or direct or indirect restriction by other nations of imports; uncertainty as to Hitachi's access to, or protection for, certain intellectual property rights, particularly those related to electronics and data processing technologies; Hitachi's dependence on alliances with other corporations in designing or developing certain products; and the market prices of equity securities in Japan, declines in which may result in write-downs of equity securities Hitachi holds.