FOR IMMEDIATE RELEASE

Hitachi Announces Consolidated Financial Results for the First Quarter of Fiscal 2006

Tokyo, July 31, 2006 --- Hitachi, Ltd. (NYSE:HIT / TSE:6501) today announced its consolidated financial results for the first quarter of fiscal 2006, ended June 30, 2006.

Notes: 1. All figures, except for the outlook for the first half of fiscal 2006, were converted at the rate of 115 yen to the U.S. dollar, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2006.
2. Segment information and operating income (loss) are presented in accordance with financial reporting principles and practices generally accepted in Japan.

Business Results

(1) Summary of Fiscal 2006 First Quarter Consolidated Business Results

	Three months ended June 30, 2006		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	2,247.0	10%	19,539
Operating income	17.1	-	149
Income before income taxes and minority interests	11.9	146%	104
Loss before minority interests	(5.6)	-	(49)
Net loss	(22.0)	-	(192)

During the first quarter, the U.S. economy remained firm, supported by healthy consumer spending due to favorable job and wage environments, and continued strength in capital investments. This was despite the impact of surging prices for crude oil and other raw materials. Asian economies grew strongly due to a high growth rate in China and other factors. European economies staged a solid recovery. As a whole, therefore, the world economy was steady during the first quarter.

In Japan, economic conditions were firm as improving corporate earnings and a stronger job and wage environment, as well as other factors, fueled growth in plant and equipment investment and consumer spending.

Under these circumstances during the first quarter, Hitachi strengthened its social and industrial infrastructure business by transferring parts of its Industrial Systems Group to Hitachi Plant Engineering & Construction Co., Ltd. At the same time, Hitachi Kiden Kogyo, Ltd. and Hitachi Industries Co., Ltd. were merged into Hitachi Plant Engineering & Construction to form Hitachi Plant Technologies, Ltd. Furthermore, Hitachi Air Conditioning Systems Co., Ltd. and Hitachi Home & Life Solutions, Inc. were merged to form Hitachi Appliances, Inc., thereby strengthening the air conditioning and home appliance business.

Hitachi's consolidated revenues rose 10%, to 2,247.0 billion yen. Revenues were higher year on year in the Information & Telecommunication Systems segment on growth in sales of storage products; the Digital Media & Consumer Products segment due to growth in sales of flat-panel TVs and other factors; and the High Functional Materials & Components segment, mainly from growth in sales of components and materials for the electronics-related field.

Operating income rose 15.8 billion yen, to 17.1 billion yen. Earnings improved in the Information & Telecommunication Systems, the Electronic Devices, Power & Industrial Systems and High Functional Materials & Components segments mainly by expanding each business and promoting cost reductions.

Due to foreign currency exchange gain and loss and other factors, other income declined 33%, to 9.1 billion yen and other deductions increased 42%, to 14.3 billion yen.

As a result, Hitachi recorded income before income taxes and minority interests of 11.9 billion yen, up 146% year on year. After income taxes of 17.5 billion yen, Hitachi posted a loss before minority interests of 5.6 billion yen. Hitachi also posted a net loss of 22.0 billion yen, 2.0 billion yen less than a year earlier.

(2) Revenues and Operating Income (Loss) by Segment

Results by segment were as follows.

[Information & Telecommunication Systems]

	Three months ended June 30, 2006		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	501.8	11%	4,364
Operating loss	(6.5)	-	(57)

Information & Telecommunication Systems revenues rose 11%, to 501.8 billion yen. Software and services revenues were higher than the corresponding quarter of the previous fiscal year due to firm growth in software sales and strong sales in services, particularly in the outsourcing business. Hardware revenues also rose on growth in storage products.

The segment posted an operating loss of 6.5 billion yen, an improvement of 16.6 billion yen from the same term of the previous year. Earnings improved in software and services year on year, mainly reflecting improved project management in services. Furthermore, hardware earnings were much improved year on year due to a narrower loss in hard disk drive (HDD) operations, strong sales in disk array subsystems, and other factors.

Note: HDD operations are conducted by Hitachi Global Storage Technologies (Hitachi GST), which has a December 31 fiscal year-end, different from Hitachi’s March 31 year-end. Hitachi’s results for the first quarter of fiscal 2006 include operating results of Hitachi GST for the period from January through March 2006.

[Electronic Devices]

	Three months ended June 30, 2006		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	303.9	11%	2,643
Operating income	9.8	108%	86

Electronic Devices revenues increased 11%, to 303.9 billion yen. This was mainly due to higher sales at Hitachi High-Technologies Corporation and growth in sales of small and medium-sized LCDs in the display business.

Operating income climbed 108%, to 9.8 billion yen, mainly due to improved earnings in the display business.

[Power & Industrial Systems]

	Three months ended June 30, 2006		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	603.4	3%	5,248
Operating income	10.9	21%	96

Power & Industrial Systems revenues rose 3%, to 603.4 billion yen, mainly due to increased sales at Hitachi Construction Machinery Co., Ltd. and other factors, despite the effect of merging Hitachi Air Conditioning Systems Co., Ltd. and Hitachi Home & Life Solutions, Inc. in April 2006.

The segment posted 21% increase in operating income, to 10.9 billion yen due to strong earnings at Hitachi Construction Machinery and other factors.

Note: On April 1, 2006, Hitachi Air Conditioning Systems Co., Ltd. (Power & Industrial Systems segment) and Hitachi Home & Life Solutions, Inc. (Digital Media & Consumer Products segment) were merged to form Hitachi Appliances, Inc. The new company belongs to the Digital Media & Consumer Products segment.

[Digital Media & Consumer Products]

	Three months ended June 30, 2006		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	370.8	25%	3,225
Operating loss	(16.1)	-	(140)

Digital Media & Consumer Products segment revenues climbed 25%, to 370.8 billion yen, mainly due to strong sales growth in plasma and other flat-panel TVs and the effect of the formation of Hitachi Appliances, Inc. by merging Hitachi Air Conditioning Systems Co., Ltd. and Hitachi Home & Life Solutions, Inc. in April this year.

However, the segment posted an operating loss of 16.1 billion yen, 7.9 billion yen more than a year earlier. This wider loss reflected increased investments for marketing digital media products such as plasma TVs, as well as the impact of falling prices for home appliances, among other factors.

[High Functional Materials & Components]

	Three months ended June 30, 2006		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	420.0	14%	3,652
Operating income	28.3	27%	246

Segment revenues rose 14%, to 420.0 billion yen on the back of strong sales at Hitachi Chemical Co., Ltd. and Hitachi Metals, Ltd., principally of components and materials in the electronics-related field. Hitachi Cable, Ltd. also recorded sales growth.

Operating income climbed 27%, to 28.3 billion yen, mainly due to higher sales and the benefits of cost-cutting.

[Logistics, Services & Others]

	Three months ended June 30, 2006		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	304.3	12%	2,646
Operating income	1.1	(29%)	10

Segment revenues rose 12%, to 304.3 billion yen on healthy growth in sales at Hitachi Transport System, Ltd., mostly in the third-party logistics solutions business, and sales growth at overseas general trading companies.

The segment posted operating income of 1.1 billion yen, 29% down year on year, mainly due to lower earnings at domestic services companies.

[Financial Services]

	Three months ended June 30, 2006		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	123.1	(4%)	1,071
Operating income	5.8	(6%)	50

Revenues declined 4%, to 123.1 billion yen due to flat revenues at Hitachi Capital Corporation.

Segment operating income declined 6%, to 5.8 billion yen.

(3) Revenues by Market

Three months ended June 30, 2006

	Billions of Yen	Year-over-year % change	Millions of U.S. dollars
Japan	1,265.8	2%	11,008
Overseas	981.1	21%	8,532
Asia	430.1	23%	3,740
North America	274.3	24%	2,385
Europe	196.4	14%	1,708
Other Areas	80.2	20%	698

Revenues in Japan were 1,265.8 billion yen, 2% higher than in the first quarter of the previous fiscal year.
Overseas revenues rose 21%, to 981.1 billion yen, due to year-on-year growth in sales in Europe, in addition to steep growth in revenues in Asia, particularly in China, and North America.
As a result, the ratio of overseas revenues to consolidated revenues rose 4 percentage points year on year to 44%.

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

Capital investment on a completion basis, excluding leasing assets, rose 31%, to 102.8 billion yen, mainly due to investments in HDDs, plasma display panels, automotive-related parts and other products. Depreciation, excluding leasing assets, increased 5%, to 85.7 billion yen. R&D expenditures, which are primarily used to strengthen frontier and basic research, and upgrade development capabilities in HDDs, automotive-, displays- and digital media-related fields, increased 3%, to 95.7 billion yen, and corresponded to 4.3% of revenues.

Financial Position

(1) Financial Position

As of June 30, 2006

	Billions of yen	Change from March 31, 2006	Millions of U.S. dollars
Total assets	9,984.0	(37.1)	86,818
Total liabilities	6,495.2	18.6	56,481
Interest-bearing debt	2,529.9	110.9	22,000
Minority interests	1,033.6	(3.1)	8,988
Stockholders' equity	2,455.1	(52.6)	21,349
Stockholders' equity ratio	24.6%	0.4 point deterioration	-
D/E ratio (including minority interests)	0.73 times	0.05 point deterioration	-

Total assets as of June 30, 2006 were 9,984.0 billion yen, largely the same as at March 31, 2006. Interest-bearing debt increased 110.9 billion yen, to 2,529.9 billion yen as of June 30, 2006. Stockholders' equity decreased 52.6 billion yen, to 2,455.1 billion yen caused by the net loss in the first quarter. As a result of these changes, the stockholders' equity ratio declined by 0.4 of a percentage point to 24.6%. The debt-to-equity ratio (including minority interests) deteriorated 0.05 of a point to 0.73 times due to the decrease in stockholders' equity and increase in interest-bearing debt.

(2) Cash Flows

	Three months ended June 30, 2006		
	Billions of yen	Year-over-year change	Millions of U.S. dollars
Cash flows from operating activities	(39.8)	15.8	(347)
Cash flows from investing activities	(191.3)	(73.0)	(1,664)
Free cash flows	(231.2)	(57.2)	(2,011)
Cash flows from financing activities	63.6	(6.0)	553

Operating activities used net cash of 39.8 billion yen, 15.8 billion yen less than in the first quarter of the previous fiscal year.

Investing activities used net cash of 191.3 billion yen, 73.0 billion yen more than the first quarter of the previous fiscal year. This was mainly due to an increase in capital investment, particularly in businesses targeted for growth.

Free cash flows, the sum of cash flows from operating and investing activities, were an outflow of 231.2 billion yen, 57.2 billion yen more than the first quarter of the previous fiscal year.

Financing activities provided net cash of 63.6 billion yen, 6.0 billion yen less than the first quarter of the previous fiscal year.

The net result of the above items was a 169.5 billion yen decrease in cash and cash equivalents to 488.6 billion yen.

<u>Outlook for the First Half of Fiscal 2006</u>

The first half of fiscal 2006 ending September 30, 2006	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	4,590.0	4%	41,727
Operating income	50.0	(36%)	455
Income before income taxes and minority interests	60.0	(27%)	545
Income before minority interests	20.0	(6%)	182
Net loss	(10.0)	-	(91)

Regarding the outlook for the global economy, the Hitachi Group expects the U.S. to experience a gentle economic slowdown, owing to weaker growth in housing investment and consumer spending due to the effect of interest rate rises thus far. Although Asian economies are expected to remain strong, supported by domestic demand in China, there are concerns of a deceleration in the pace of economic recovery in Europe due to the slowdown of the U.S. economy.
Overall, therefore, the global economy is expected to experience a slight slowdown in the second half of fiscal 2006.

The forecast for the Japanese economy is for strong growth due to growth in plant and equipment investment as corporate earnings rise and to increasing consumer spending in an improving job environment. However, economic growth is expected to moderate in the second half of fiscal 2006, due to lower growth in corporate earnings, primarily resulting from a global economic slowdown centered on the U.S. and persistently high prices for crude oil and other raw materials.

Based on this outlook, the Hitachi Group is forecasting the operating results shown above for the first half of fiscal 2006, the same as those announced with fiscal 2005 consolidated financial results on April 27, 2006.

Hitachi is pushing forward with business reforms targeting future business development. For example, Hitachi decided to reorganize the network systems related subsidiaries in October this year. In another move, Hitachi will establish the post of Chief Executive for Asia in August with the aim of expanding business in the Asia region.

Furthermore, Hitachi will continue efforts to create new businesses and strengthen targeted businesses by maximizing Hitachi’s internal resources, such as R&D and marketing capabilities, personnel, and its funding system. Also, Hitachi is leveraging group-wide synergies to reduce procurement costs, business expenses, IT operational costs and other costs by standardizing and integrating business operations. Hitachi is implementing business restructuring measures to build a high-earnings framework, and reinforce its financial position.

Regarding the HDD, flat-panel TV and LCD businesses, where there are issues concerning profitability, Hitachi is taking wide-ranging countermeasures to quickly improve its development capabilities, cost competitiveness, marketing activities and other areas of its operations. Furthermore, Hitachi will work to become more competitive on a consolidated basis and to establish a more powerful earnings base by driving forward structural reforms that target future business development, such as efforts to expand overseas business.

Projections assume exchange rates of 110 yen to the U.S. dollar and 140 yen to the euro for the second quarter of fiscal 2006.

Since June 2006, damage has been discovered to Hitachi-manufactured steam turbines installed at Hamaoka Nuclear Power Station No. 5, operated by Chubu Electric Power Co., Inc., and Unit 2 of Shika Nuclear Power Station, operated by Hokuriku Electric Power Company. Hitachi is currently focusing all its efforts on ascertaining the cause of and then repairing the damaged parts.

Cautionary Statement

Certain statements found in this document may constitute "forward-looking statements" as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such "forward-looking statements" reflect management's current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as "anticipate," "believe," "expect," "estimate," "forecast," "intend," "plan," "project" and similar expressions which indicate future events and trends may identify "forward-looking statements." Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the "forward-looking statements" and from historical trends. Certain "forward-looking statements" are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on "forward-looking statements," as such statements speak only as of the date of this document.

Factors that could cause actual results to differ materially from those projected or implied in any "forward-looking statement" and from historical trends include, but are not limited to:

- fluctuations in product demand and industry capacity, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- uncertainty as to Hitachi's ability to continue to develop and market products that incorporate new technology on a timely and cost-effective basis and to achieve market acceptance for such products;
- rapid technological change, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- increasing commoditization of information technology products, and intensifying price competition in the market for such products, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- fluctuations in rates of exchange for the yen and other currencies in which Hitachi makes significant sales or in which Hitachi's assets and liabilities are denominated, particularly between the yen and the U.S. dollar;
- uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in product demand and/or exchange rates;
- general socio-economic and political conditions and the regulatory and trade environment of Hitachi's major markets, particularly, the United States, Japan and elsewhere in Asia, including, without limitation, a return to stagnation or deterioration of the Japanese economy, or direct or indirect restriction by other nations on imports;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- uncertainty as to the results of litigation and legal proceedings of which the Company, its subsidiaries or its equity method affiliates have become or may become parties;
- possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- uncertainty as to the success of restructuring efforts to improve management efficiency and to strengthen competitiveness;
- uncertainty as to the success of alliances upon which Hitachi depends, some of which Hitachi may not control, with other corporations in the design and development of certain key products;
- uncertainty as to Hitachi's ability to access, or access on favorable terms, liquidity or long-term financing; and
- uncertainty as to general market price levels for equity securities in Japan, declines in which may require Hitachi to write down equity securities it holds.

The factors listed above are not all-inclusive and are in addition to other factors contained in Hitachi's periodic filings with the U.S. Securities and Exchange Commission and in other materials published by Hitachi.