

## **Hitachi Posts Higher Profits**

Tokyo, October 31, 2000 --- Hitachi, Ltd. (TSE: 6501) today announced results for the first half of fiscal 2000, ended September 30, 2000.

During the period under review, in Japan there was some active private-sector capital investment in IT-related areas and the like. However, investment in public works projects marked time, the recovery in consumer spending lacked any real strength, and the yen was stronger compared with the same period of the preceding year. On the other hand, overseas, the Asian economies continued to recover and the U.S. economy remained strong. Against this backdrop, Hitachi's consolidated sales posted a year-on-year increase of 5%, to 4,011,404 million yen (\$37,143 million).

Consolidated business results are for Hitachi, Ltd. and its 1,068 subsidiaries, including 332 overseas corporations.

By segment, in Information Systems & Electronics, semiconductors posted gains compared with the same period of the preceding year, based mainly on brisk demand for system LSIs and memories for PCs and cellular phones. Growth was also turned in by thin-film transistor (TFT) LCDs for PCs. In computers, the parent company, together with Hitachi Software Engineering Co., Ltd. and Hitachi Information Systems, Ltd. registered firm results in the areas of software, systems integration and services. As a result, segment sales rose 11% year on year, to 1,672,644 million yen (\$15,487 million).

In Power & Industrial Systems, sales of power systems were slow, reflecting the low level of investment in new facilities by Japanese power companies. However, in building systems, hardware and services continued to do well, and with private-sector investment in plant and equipment in the midst of a mild recovery, there were signs of a bottoming-out in some industrial system sectors. In addition, Hitachi Plant Engineering & Construction Co., Ltd. secured major orders relating to public works projects and constructions of pharmaceuticals production plants. Thus, segment sales rose 4% year on year, to 1,146,613 million yen (\$10,617 million).

In Consumer Products, a hot summer generated good sales of room air-conditioners in Japan, but sales of refrigerators and washing machines were sluggish. At Hitachi Maxell, Ltd., sales

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of computer tapes were higher, but sales of CD-R and lithium ion rechargeable batteries languished. As a result, segment sales amounted to 442,852 million yen (\$4,100 million), 3% less than in the same period of the preceding year.

In Materials, Hitachi Cable, Ltd., Hitachi Metals, Ltd. and Hitachi Chemical Co., Ltd. all posted higher sales of electronics-related materials, reflecting the expansion of demand for semiconductor- and LCD-related materials. This helped the segment to post sales of 714,683 million yen (\$6,617 million), 11% more than in the same period of the preceding year.

In Services & Other, Nissei Sangyo Co., Ltd. achieved higher sales of scanning electron microscopes and other semiconductor manufacturing equipment, and optical communication components for wavelength division multiplexing systems. Also, Hitachi Capital Corporation posted gains in loan guarantees for consumer purchases of automobiles and other items. As a result, segment sales amounted to 1,197,139 million yen (\$11,085 million), an increase of 15% compared with the same period of the preceding year.

The Company spent 217,454 million yen (\$2,013 million) on research and development, on a par with the same period last year. R&D expenditures as a percentage of net sales were 5.4 %.

During the period, Hitachi's plant and equipment investment amounted to 456,601 million yen (\$4,228 million), an increase of 66 % from the same period a year earlier.

Major gains in semiconductors and LCDs by Information Systems & Electronics, together with increases by the Power & Industrial Systems, Materials and Services & Other sectors resulted in an operating income of 166,132 million yen (\$1,538 million) for the period.

Other income increased 16,145 million yen (\$149 million), to 44,445 million yen (\$412 million), due mainly to higher gains on sale of marketable securities. Other deductions declined 5,029 million yen (\$47 million) to 55,825 million yen (\$517 million) on account of a decrease in deductions other than interest and discount charges, compared with the previous year.

Income before income taxes and minority interests came to 154,752 million yen (\$1,433 million), and after deduction of 62,422 million yen (\$578 million) in income taxes, income before minority interests amounted to 92,330 million yen (\$855 million). After excluding minority interests of 30,646 million yen (\$284 million), net income came to 61,684 million yen (\$571 million).

### **Outlook for Fiscal 2000**

In Japan, private-sector capital investment relating to electronic devices and information systems is increasing, and consumer spending is slowly recovering. Overseas, in Asia and Europe economies are expected to remain firm. However, there are concerns that a tightening of interest rates might slow the U.S. economy, which has been enjoying a boom of unprecedented proportions, so caution is required.

For its part, Hitachi will continue to focus on realization of the goals of the i.e. HITACHI Plan and the achievement of increased profits, by using IT to achieve higher management

efficiency and by moving ahead with qualitative and structural reforms to transform itself into a solutions enterprise.

Hitachi's consolidated forecast for fiscal 2000, ending March 31, 2001, is as follows:

Net Sales	8,400,000 million yen (\$77,778 million) (year-on-year increase of 5%)
Operating income	335,000 million yen (\$3,102 million) (year-on-year increase of 92%)
Income before income taxes and minority interests	315,000 million yen (\$2,917 million) (year-on-year increase of 298%)
Income before minority interests	185,000 million yen (\$1,713 million) (year-on-year increase of 483%)
Net income	125,000 million yen (\$1,157 million) (year-on-year increase of 639%)

All figures were converted at the rate of 108 yen = U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 29, 2000.

#### 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 Systems & Electronics 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 Systems & Electronics segment and the Consumer Products segment; exchange rates and their fluctuations between 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 or 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.