

HITACHI LTD
Form 6-K
November 09, 2006
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of October 2006

Commission File Number 1-8320

Hitachi, Ltd.

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

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

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This report on Form 6-K contains the following:

1. Press release dated October 31, 2006 regarding Consolidated Financial Results for the First Half of Fiscal 2006

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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: November 8, 2006

By /s/ Takashi Hatchoji

Takashi Hatchoji
Executive Vice President and Executive Officer

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FOR IMMEDIATE RELEASE

**Hitachi Announces Consolidated Financial Results
for the First Half of Fiscal 2006**

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

- Notes: 1. All figures, except for the outlook for fiscal 2006, were converted at the rate of 118 yen to the U.S. dollar, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 29, 2006.
2. Segment information and operating income (loss) are presented in accordance with financial reporting principles and practices generally accepted in Japan.

1. Business Results and Financial PositionBusiness Results**(1) Summary of Fiscal 2006 First Half Consolidated Business Results**

| | The half year ended September 30, 2006 | | |
|---|---|------------------------------------|-------------------------------------|
| | Billions of yen | Year-over-year % change | Millions of U.S. dollars |
| Revenues | 4,770.9 | 8% | 40,431 |
| Operating income | 19.8 | (74)% | 168 |
| Income before income taxes and minority interests | 25.8 | (69)% | 219 |
| Loss before minority interests | (34.7) | | (294) |
| Net loss | (78.0) | | (662) |

During the interim period, the world economy remained healthy as a whole. The U.S. economy, although experiencing a slowdown in housing investment and weaker consumer spending due to high crude oil prices and other factors, was firm on the back of strength in capital investments. Asian economies grew strongly, reflecting a high growth rate in China and other factors. European economies, meanwhile, staged a moderate recovery.

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In Japan, economic conditions were firm as better corporate earnings and an improved job environment, as well as other factors, fueled growth in plant and equipment investment and consumer spending.

Under these conditions, the Hitachi Group worked to strengthen its competitiveness on a consolidated basis. It continued to make substantial investments in businesses targeted for growth and, at the same time, pushed ahead with ongoing structural business reforms.

During the interim period, 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 8%, to 4,770.9 billion yen, as revenues increased in all segments. Revenues grew strongly in the High Functional Materials & Components segment, mainly due to growth in sales of components and materials for electronics- and automotive-related fields. Furthermore, revenues were higher year on year in the Information & Telecommunication Systems segment on growth in sales of storage products and the Digital Media & Consumer Products segment due to growth in sales of flat-panel TVs and other factors.

Overseas revenues climbed 17%, to 1,950.6 billion yen. Revenues were higher in the Information & Telecommunication Systems, Power & Industrial Systems, High Functional Materials & Components and other segments, particularly in China, which is a focus of the Hitachi Group's efforts overseas.

Operating income dropped 74%, to 19.8 billion yen, despite growth in the High Functional Materials & Components, Electronic Devices and some other segments.

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The year-on-year drop in earnings resulted from lower earnings in the Information & Telecommunication Systems segment and operating losses in the Power & Industrial Systems and Digital Media & Consumer Products segments.

Other income increased 34%, to 39.0 billion yen due to such factors as higher gains on sales of investment securities. Other deductions increased 34%, to 33.0 billion yen, chiefly as a result of foreign currency losses.

As a result, Hitachi recorded income before income taxes and minority interests of 25.8 billion yen, down 69% year on year. After income taxes of 60.5 billion yen, Hitachi posted a loss before minority interests of 34.7 billion yen. Hitachi also reported a net loss of 78.0 billion yen, which was 67.1 billion yen more than the loss recorded in the corresponding period of the previous fiscal year.

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

Results by segment were as follows.

[Information & Telecommunication Systems]

| | The half year ended September 30, 2006 | | |
|------------------|---|-----------------------|---------------------|
| | Billions of | Year-over-year | Millions of |
| | yen | % change | U.S. dollars |
| Revenues | 1,147.8 | 9% | 9,727 |
| Operating income | 13.8 | (40)% | 118 |

Information & Telecommunication Systems revenues rose 9%, to 1,147.8 billion yen. Software and services revenues were higher than the fiscal 2005 interim period due to firm growth in software sales and strong sales in services, particularly in the outsourcing and solutions businesses. Hardware revenues also rose, mainly on growth in storage products.

The segment, however, saw operating income drop 40%, to 13.8 billion yen. Earnings fell in software and services from the previous year when a gain was recorded on the return of the substitutional portion of the employees' pension fund at a consolidated subsidiary. Furthermore, hardware earnings were flat year on year due to substantial investments in the development of next-generation communications equipment and other products, although the loss in HDD operations narrowed.

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 half of fiscal 2006 include operating results of Hitachi GST for the period from January through June 2006.

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[Electronic Devices]**The half year ended September 30, 2006**

| | Billions of yen | Year-over-year % change | Millions of U.S. dollars |
|------------------|--------------------|----------------------------|-----------------------------|
| Revenues | 645.9 | 11% | 5,474 |
| Operating income | 24.0 | 161% | 204 |

Electronic Devices revenues increased 11%, to 645.9 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 161%, to 24.0 billion yen, mainly due to a smaller loss in the display business and higher earnings at Hitachi High-Technologies.

[Power & Industrial Systems]**The half year ended September 30, 2006**

| | Billions of yen | Year-over-year % change | Millions of U.S. dollars |
|----------------|--------------------|----------------------------|-----------------------------|
| Revenues | 1,280.8 | 0% | 10,854 |
| Operating loss | (45.3) | | (384) |

Power & Industrial Systems revenues were on a par with the previous fiscal year's interim period at 1,280.8 billion yen. In addition to growth in automotive systems and elevators and escalators, sales at Hitachi Construction Machinery Co., Ltd. were strong mainly outside Japan. These factors were negated, however, by the effect of merging Hitachi Air Conditioning Systems Co., Ltd. and Hitachi Home & Life Solutions, Inc. in April 2006 and by lower sales in the power systems business.

The segment posted an operating loss of 45.3 billion yen, compared to operating income of 23.2 billion yen in fiscal 2005's interim period, despite strong earnings at Hitachi Construction Machinery and higher earnings from elevators and escalators, automotive systems and certain other businesses. The loss was mainly attributable to lump-sum charges in the power systems business to cover the repair costs for turbine damage at certain nuclear power plants and cost overruns at an overseas thermal power plant project.

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.

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[Digital Media & Consumer Products]

| | The half year ended September 30, 2006 | | |
|----------------|---|-----------------------|---------------------|
| | Billions of | Year-over-year | Millions of |
| | yen | % change | U.S. dollars |
| Revenues | 758.7 | 24% | 6,430 |
| Operating loss | (34.4) | | (292) |

Digital Media & Consumer Products segment revenues climbed 24%, to 758.7 billion yen, mainly due to the effect of merging Hitachi Air Conditioning Systems Co., Ltd. and Hitachi Home & Life Solutions, Inc. in April this year, and growth in sales of plasma and other flat-panel TVs.

However, the segment posted an operating loss of 34.4 billion yen, 18.2 billion yen more than a year earlier. This loss reflected increased investments for marketing flat-panel TVs and other products as well as sluggish sales of DVD recorders and room air conditioners, among other factors.

[High Functional Materials & Components]

| | The half year ended September 30, 2006 | | |
|------------------|---|-----------------------|---------------------|
| | Billions of | Year-over-year | Millions of |
| | yen | % change | U.S. dollars |
| Revenues | 870.2 | 14% | 7,375 |
| Operating income | 63.8 | 33% | 541 |

Segment revenues rose 14%, to 870.2 billion yen on the back of higher sales at Hitachi Chemical Co., Ltd., mainly in the electronics-related field; strong growth in sales at Hitachi Metals, Ltd., principally in the automotive-related field; and increased sales at Hitachi Cable, Ltd., chiefly in wires and cables.

Operating income climbed 33%, to 63.8 billion yen due to higher earnings at Hitachi Chemical, Hitachi Metals and Hitachi Cable, the result of higher sales and the benefits of cost-cutting.

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[Logistics, Services & Others]

| | The half year ended September 30, 2006 | | |
|------------------|--|----------------------------|-----------------------------|
| | Billions of yen | Year-over-year % change | Millions of U.S. dollars |
| Revenues | 610.9 | 7% | 5,178 |
| Operating income | 7.9 | 16% | 68 |

Segment revenues rose 7%, to 610.9 billion yen on growth in sales at Hitachi Transport System, Ltd., mostly in the third-party logistics solutions business, and sales growth at overseas sales subsidiaries.

The segment posted a 16% increase in operating income, to 7.9 billion yen, the result of higher earnings at Hitachi Transport System and domestic services companies.

[Financial Services]

| | The half year ended September 30, 2006 | | |
|------------------|--|----------------------------|-----------------------------|
| | Billions of yen | Year-over-year % change | Millions of U.S. dollars |
| Revenues | 263.6 | 1% | 2,234 |
| Operating income | 15.7 | (2)% | 134 |

Segment revenues edged up 1%, to 263.6 billion yen, reflecting a slight year-on-year increase in revenues at Hitachi Capital Corporation.

Segment operating income declined 2%, to 15.7 billion yen.

(3) Revenues by Market

| | The half year ended September 30, 2006 | | |
|---------------|--|----------------------------|-----------------------------|
| | Billions of yen | Year-over-year % change | Millions of U.S. dollars |
| Japan | 2,820.3 | 3% | 23,901 |
| Overseas | 1,950.6 | 17% | 16,531 |
| Asia | 891.2 | 23% | 7,553 |
| North America | 514.2 | 13% | 4,358 |

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| | | | |
|-------------|-------|-----|-------|
| Europe | 380.3 | 12% | 3,223 |
| Other Areas | 164.7 | 10% | 1,396 |

In the first half of fiscal 2006, revenues in Japan edged up 3% year on year, to 2,820.3 billion yen.

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Overseas revenues rose 17%, to 1,950.6 billion yen. Revenue growth was particularly strong in China and elsewhere in Asia, and was also higher in other regions, including North America and Europe.

As a result, the ratio of overseas revenues to consolidated revenues rose by 3 percentage point year on year to 41%.

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

Capital investment on a completion basis, excluding leasing assets, rose 33%, to 238.3 billion yen, mainly due to investments to increase output of HDDs, plasma display panels, automotive-related parts and high functional materials. Depreciation, excluding leasing assets, increased 3%, to 163.9 billion yen. R&D expenditures, which are primarily used to accelerate the launch of new businesses, strengthen frontier and basic research, and upgrade development capabilities in HDDs-, automotive-, displays- and digital media-related fields, increased 2%, to 201.8 billion yen, and corresponded to 4.2% of revenues.

Financial Position**(1) Financial Position**

| | As of September 30, 2006 | | |
|--|--------------------------|-------------------------------|-----------------------------|
| | Billions of yen | Change from March 31, 2006 | Millions of U.S. dollars |
| Total assets | 10,277.4 | 256.2 | 87,097 |
| Total liabilities | 6,812.0 | 335.4 | 57,729 |
| Interest-bearing debt | 2,603.1 | 184.1 | 22,061 |
| Minority interests | 1,064.4 | 27.6 | 9,021 |
| Stockholders' equity | 2,400.9 | (106.7) | 20,347 |
| Stockholders' equity ratio | 23.4% | 1.6 point deterioration | |
| D/E ratio (including minority interests) | 0.75 times | 0.07 point deterioration | |

Total assets as of September 30, 2006 were 10,277.4 billion yen, an increase of 256.2 billion yen from March 31, 2006. Interest-bearing debt increased 184.1 billion yen, to 2,603.1 billion yen. Stockholders' equity decreased 106.7 billion yen, to 2,400.9 billion yen due to the interim net loss. As a result of these changes, the stockholders' equity ratio declined by 1.6 points to 23.4%. The debt-to-equity ratio (including minority interests) deteriorated 0.07 of a point to 0.75 times due to the decrease in stockholders' equity and increase in interest-bearing debt.

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(2) Cash Flows

| | The half year ended September 30, 2006 | | |
|--------------------------------------|---|-----------------------|---------------------|
| | Billions of | Year-over-year | Millions of |
| | yen | change | U.S. dollars |
| Cash flows from operating activities | 177.5 | (43.6) | 1,504 |
| Cash flows from investing activities | (307.6) | (52.1) | (2,608) |
| Free cash flows | (130.1) | (95.7) | (1,103) |
| Cash flows from financing activities | 122.0 | 159.7 | 1,034 |

Operating activities provided net cash of 177.5 billion yen, 43.6 billion yen less than in the first half of the previous fiscal year, due to the interim net loss.

Investing activities used net cash of 307.6 billion yen, 52.1 billion yen more than a year earlier. 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 130.1 billion yen, 95.7 billion yen more than the first half of the previous fiscal year.

Financing activities provided net cash of 122.0 billion yen, 159.7 billion yen more than a year earlier, mainly due to higher borrowings.

The net result of the above items was a 7.0 billion yen decrease in cash and cash equivalents to 651.2 billion yen.

Outlook for Fiscal 2006

| | Year ending March 31, 2007 | | |
|---|-----------------------------------|-----------------------|---------------------|
| | Billions of | Year-over-year | Millions of |
| | yen | % change | U.S. dollars |
| Revenues | 9,740.0 | 3% | 84,696 |
| Operating income | 180.0 | (30)% | 1,565 |
| Income before income taxes and minority interests | 160.0 | (42)% | 1,391 |
| Income before minority interests | 25.0 | (79)% | 217 |
| Net loss | (55.0) | | (478) |

In terms of the outlook for the global economy, the Hitachi Group expects the U.S. economy to experience a gentle slowdown due to a continued downturn in consumer spending. European economies, meanwhile, are expected to see a slower pace of recovery. In contrast, Asian economies, paced by China, are expected to continue experiencing high levels of economic growth. Overall, therefore, the global economy is expected to remain healthy.

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The forecast for the Japanese economy is for a drop in the rate of expansion due to softening exports to the U.S. and slowing capital investment as a result of lower growth in corporate earnings stemming from persistently high crude oil prices and other factors.

Based on this outlook, the Hitachi Group is forecasting the operating results shown above for fiscal 2006.

Hitachi is continuing to push ahead with business reforms targeting future business development. In October, Hitachi restructured its consulting and network businesses. Furthermore, on October 25, Hitachi initiated a tender offer for the shares of Clarion Co., Ltd. to bolster the Car Information Systems (CIS) business.

Moreover, Hitachi will continue efforts to create new businesses and strengthen targeted businesses by maximizing the use of its 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 to reinforce its financial position.

In the HDD, flat-panel TV and LCD businesses, where there are currently issues about profitability, Hitachi is taking wide-ranging countermeasures to quickly improve its development capabilities, cost competitiveness, marketing activities and other areas of its operations. In flat-panel TVs, efforts are being made to reduce panel production costs following the commencement of volume production at a third plant which is manufacturing the plasma display panels operated by Fujitsu Hitachi Plasma Display Limited (FHP) in October.

In power systems operations, measures are now being implemented to restore the turbines to an operational condition. With regards to overseas thermal power plant projects, the focus is on identifying issues in this business and pushing through improvement measures. These actions are geared toward improving earnings in the power systems business.

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Projections assume exchange rates of 115 yen to the U.S. dollar and 140 yen to the Euro for fiscal 2006.

2. Management Policy

Basic Management Policy and Strategy

Amid intensifying competition in world markets, Hitachi aims to step up its development by delivering competitive products and services imbuing higher value for customers. By taking full advantage of the diverse resources of the Hitachi Group while at the same time reviewing and restructuring businesses, Hitachi will bolster its competitiveness. This process will be consistent with Hitachi's basic management policy, which is to increase shareholder value by meeting the expectations of customers, shareholders, employees and other stakeholders.

Hitachi has executed a host of business structural reforms, including realigning its business portfolio, accelerating the globalization of its operations and creating new businesses. It has also promoted group management and strengthened governance of the group. These and other actions are steadily producing results.

Hitachi made up-front investments in HDDs, flat-panel TVs, LCDs and other products that are viewed as core elements of a ubiquitous information society, with the aim of achieving growth over the long term. Nevertheless, Hitachi still has issues to deal with on the earnings front in respect to these businesses. Hitachi is taking wide-ranging countermeasures to quickly improve its development capabilities, cost competitiveness, sales activities and other areas.

Hitachi will continue to make aggressive investments in targeted businesses while continuously executing business structural reforms. In this way, Hitachi will reinforce measures to become more competitive on a consolidated basis and work to establish a more powerful earnings base. Leveraging experience, knowledge and expertise gained from the group's expansive business domains, Hitachi is determined to give full play to its collective strengths to create added value. Through these initiatives to become more profitable, Hitachi aims to achieve an operating margin of 5% in the near term, as a minimum requirement for being ranked among the world's leading corporate groups.

To enhance competitiveness in global markets in its various business fields, Hitachi is pushing ahead with efforts to improve productivity and cut costs by strengthening its production ability. Business structural reforms are also being implemented. In specific terms, Hitachi will examine and implement suitable measures to create growth in key fields as well as create new businesses by leveraging the group's technological strengths and know-how; restructure the group with the aim of more effectively utilizing the group's resources; and exit unprofitable businesses and push through restructuring measures that go beyond the Hitachi Group.

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FIV* (Future Inspiration Value), a benchmark based on the estimated cost of capital, is used to make decisions on actions for strengthening businesses. In deciding on individual investments, Hitachi uses FIV to select investments that will contribute to maximizing shareholder value. Combined with a powerful drive to reduce assets, including trade receivables and inventories, Hitachi aims to raise the return on assets. Through these and other actions, Hitachi has set the goal of maintaining a single-A grade long-term credit rating by increasing asset efficiency and strengthening its financial position.

Hitachi will also enhance corporate social responsibility initiatives and reinforce corporate governance with a view to increasing the corporate value of the Group over the long-term.

The Group invests a great deal of business resources in fundamental research and in the development of market-leading products and businesses that will bear fruit in the future, and realizing the benefits from these management policies requires that they be continued for a set period of time. For this purpose, the Company keeps its shareholders and investors well informed of not just the business results for each period but also of the Company's business policies for creating value in the future.

The Company does not deny the significance of the vitalization of business activities and performance that can be brought about through a change in management control, but it recognizes the necessity of determining the impact on company value and the interests of all shareholders of the buying activities and buyout proposals of parties attempting to acquire a large share of stock of the Company or a Group company by duly examining the business description, future business plans, past investment activities, and other necessary aspects of such a party.

There is no party that is currently attempting to acquire a large share of the Company's stocks nor is there a specific threat, neither does the Company intend to implement specified so-called anti-takeover measures in advance of the appearance of such a party, but the Company does understand that it is one of the natural duties bestowed upon it by the shareholders and investors to continuously monitor the state of trading of the Company's stock and then to immediately take what the Company deems to be the best action in the event of the appearance of a party attempting to purchase a large share of the Company's stock. In particular, together with outside experts, the Company will evaluate the buyout proposal of the party and hold negotiations with the buyer, and if the Company deems that said buyout will not maintain the Company's value and is not in the best interest of the shareholders, then the Company will quickly determine the necessity, content, etc., of specific countermeasures and prepare to implement them. The same response will also be taken in the event a party attempts to acquire a large percentage of the shares of a Group company.

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(*) FIV is Hitachi's economic value-added evaluation index in which the cost of capital is deducted from after-tax operating profit. After-tax operating profit must exceed the cost of capital to achieve positive FIV.

Policy on the Distribution of Earnings

Hitachi sets dividends by taking into consideration a range of factors, including its financial condition, results of operations and payout ratio. This policy is motivated by the desire to ensure the availability of sufficient internal funds for making investments in R&D and plant and equipment that are essential for maintaining competitiveness and improving profitability based on medium- and long-term plans, as well as to ensure the stable growth of dividends. Hitachi has adopted a flexible stance toward supplementing dividends with the repurchase of its own shares, taking its business plans and financial condition, market conditions and other factors into consideration in this respect. In addition, Hitachi will repurchase its own shares on an ongoing basis in order to implement a flexible capital strategy, including business restructuring, to maximize shareholder value.

As Hitachi has adopted the Committee Systems, in accordance with the enforcement of the new Company Law, it is deemed that Hitachi's Articles of Incorporation allow the Board of Directors to set the record date for the distribution of surplus on days other than September 30, the final day of the interim period, or March 31, the final day of the fiscal year. At this point in time, no decision has been made in this respect or regarding distribution of surplus for the period.

Policy on the Reduction of Number of Shares Constituting Investment Unit

Hitachi believes that the number of shares constituting investment unit in Japanese stock exchanges should be carefully examined from the perspectives of the liquidity of Hitachi stock, shareholder composition and other items. Because Hitachi believes that its shares currently have sufficient liquidity, the company believes that it would be difficult to obtain benefits that would justify the cost of a change in the number of shares constituting investment unit. Hitachi will continue to consider actions related to the establishment of a suitable number of shares constituting investment unit.

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Items Concerning Parent Company

Hitachi has no parent company.

Business Risk and Other Risks

The Hitachi Group is engaged in a broad range of business activities on a global scale. Furthermore, the group uses highly sophisticated and specialized technologies and information to conduct these businesses. As a result, business activities are vulnerable to a diverse array of risk factors.

Major risk factors include, but are not limited to, economic trends in major markets; changes in foreign exchange rates; rapid technological innovations; intense competition; supply and demand balance; the procurement of raw materials and components; the ability to acquire companies, conduct mergers and form strategic alliances; progress in business restructuring; overseas business activities; recruiting activities; protection, maintenance and acquisition of intellectual property; litigation and other legal proceedings; product and service quality and liability; the use of information systems; governmental regulations; trends in capital markets; and retirement benefit liabilities.

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;

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- 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.

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HITACHI, LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED SEPTEMBER 30, 2006

The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of 118 yen = U.S.\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of September 29, 2006.

Summary

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

| | The half years ended September 30 | | | |
|---|-----------------------------------|-----------|------------------------|--------------|
| | YEN | | (A)/(B) X100 (%) | U.S. DOLLARS |
| | (millions) | | | (millions) |
| | 2006 (A) | 2005 (B) | 2006 | |
| 1. Revenues | 4,770,904 | 4,413,319 | 108 | 40,431 |
| 2. Operating income | 19,857 | 77,754 | 26 | 168 |
| 3. Income before income taxes and minority interests | 25,813 | 82,117 | 31 | 219 |
| 4. Income (loss) before minority interests | (34,714) | 21,172 | | (294) |
| 5. Net income (loss) | (78,086) | (10,946) | | (662) |
| 6. Net income (loss) per share | | | | |
| Basic | (23.42) | (3.29) | | (0.20) |
| Diluted | (23.44) | (3.29) | | (0.20) |
| 7. Net income (loss) per ADS (representing 10 shares) | | | | |
| Basic | (234) | (33) | | (1.98) |
| Diluted | (234) | (33) | | (1.98) |

- Notes: 1. The Company's consolidated financial statements are prepared based on U.S.GAAPs.
2. Segment Information and operating income (loss) are presented in accordance with financial reporting principles and practices generally accepted in Japan.
3. The figures are for 885 consolidated subsidiaries, including Variable Interest Entities, and 159 equity-method affiliates.

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Consolidated Statements of Operations

| | The half years ended September 30 | | | |
|---|-----------------------------------|-----------|-----------------|--------------|
| | YEN | | | U.S. DOLLARS |
| | (millions) | | (A)/(B) X100 | (millions) |
| | 2006 (A) | 2005 (B) | (%) | 2006 |
| Revenues | 4,770,904 | 4,413,319 | 108 | 40,431 |
| Cost of sales | 3,799,045 | 3,439,903 | 110 | 32,195 |
| Selling, general and administrative expenses | 952,002 | 895,662 | 106 | 8,068 |
| Operating income | 19,857 | 77,754 | 26 | 168 |
| Other income | 39,008 | 29,070 | 134 | 331 |
| (Interest and dividends) | 14,249 | 11,389 | 125 | 121 |
| (Other) | 24,759 | 17,681 | 140 | 210 |
| Other deductions | 33,052 | 24,707 | 134 | 280 |
| (Interest charges) | 17,238 | 15,673 | 110 | 146 |
| (Other) | 15,814 | 9,034 | 175 | 134 |
| Income before income taxes and minority interests | 25,813 | 82,117 | 31 | 219 |
| Income taxes | 60,527 | 60,945 | 99 | 513 |
| Income (loss) before minority interests | (34,714) | 21,172 | | (294) |
| Minority interests | 43,372 | 32,118 | 135 | 368 |
| Net income (loss) | (78,086) | (10,946) | | (662) |

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Consolidated Balance Sheets

| | YEN | | | U.S. DOLLARS |
|---|-----------------------------|-----------------------------|-----------|-------------------------|
| | (millions) | | | (millions) |
| | As of Sept. 30, 2006 (A) | As of March 31, 2006 (B) | (A)-(B) | As of Sept. 30, 2006 |
| Assets | 10,277,461 | 10,021,195 | 256,266 | 87,097 |
| Current assets | 5,755,508 | 5,512,805 | 242,703 | 48,775 |
| Cash and cash equivalents | 651,221 | 658,255 | (7,034) | 5,519 |
| Short-term investments | 158,617 | 162,756 | (4,139) | 1,344 |
| Trade receivables | | | | |
| Notes | 152,557 | 127,284 | 25,273 | 1,293 |
| Accounts | 2,196,615 | 2,303,397 | (106,782) | 18,615 |
| Investments in leases | 483,450 | 451,757 | 31,693 | 4,097 |
| Inventories | 1,516,549 | 1,262,308 | 254,241 | 12,852 |
| Other current assets | 596,499 | 547,048 | 49,451 | 5,055 |
| Investments and advances | 1,003,560 | 1,029,673 | (26,113) | 8,505 |
| Property, plant and equipment | 2,522,959 | 2,460,186 | 62,773 | 21,381 |
| Other assets | 995,434 | 1,018,531 | (23,097) | 8,436 |
| Liabilities, Minority interests and Stockholders equity | 10,277,461 | 10,021,195 | 256,266 | 87,097 |
| Current liabilities | 4,401,403 | 4,121,451 | 279,952 | 37,300 |
| Short-term debt and current portion of long-term debt | 1,107,877 | 1,000,555 | 107,322 | 9,389 |
| Trade payables | | | | |
| Notes | 71,197 | 68,599 | 2,598 | 603 |
| Accounts | 1,478,778 | 1,416,367 | 62,411 | 12,532 |
| Advances received | 351,110 | 277,887 | 73,223 | 2,976 |
| Other current liabilities | 1,392,441 | 1,358,043 | 34,398 | 11,800 |
| Noncurrent liabilities | 2,410,621 | 2,355,164 | 55,457 | 20,429 |
| Long-term debt | 1,495,314 | 1,418,489 | 76,825 | 12,672 |
| Retirement and severance benefits | 800,811 | 827,669 | (26,858) | 6,787 |
| Other liabilities | 114,496 | 109,006 | 5,490 | 970 |
| Minority interests | 1,064,452 | 1,036,807 | 27,645 | 9,021 |
| Stockholders equity | 2,400,985 | 2,507,773 | (106,788) | 20,347 |
| Common stock | 282,033 | 282,033 | 0 | 2,390 |
| Capital surplus | 564,801 | 561,484 | 3,317 | 4,786 |

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| | | | | |
|--|-----------|-----------|----------|---------|
| Legal reserve and retained earnings | 1,679,947 | 1,778,203 | (98,256) | 14,237 |
| Accumulated other comprehensive loss | (106,700) | (95,997) | (10,703) | (904) |
| (Foreign currency translation adjustments) | (42,516) | (43,426) | 910 | (360) |
| (Minimum pension liability adjustments) | (145,796) | (145,903) | 107 | (1,236) |
| (Net unrealized holding gain on available-for-sale securities) | 81,378 | 92,626 | (11,248) | 690 |
| (Cash flow hedges) | 234 | 706 | (472) | 2 |
| Treasury stock | (19,096) | (17,950) | (1,146) | (162) |

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Consolidated Statements of Stockholders Equity

| | Yen (millions) | | | | | |
|---|-----------------|--------------------|----------------------|---|-------------------|---------------------------------|
| | Common stock | Capital surplus | Retained earnings | Accumulated other comprehensive loss | Treasury stock | Total stockholders equity |
| The half year ended Sept. 30, 2006 As of March 31, 2006 | 282,033 | 561,484 | 1,778,203 | (95,997) | (17,950) | 2,507,773 |
| Net increase arising from equity transaction and other | | 744 | | | | 744 |
| Net income (loss) | | | (78,086) | | | (78,086) |
| Current-period change of accumulated other comprehensive loss | | | | (10,703) | | (10,703) |
| Cash dividends | | | (18,319) | | | (18,319) |
| Net transfer to minority interests | | | (1,851) | | | (1,851) |
| Current-period change arising from treasury stock | | 2,573 | | | (1,146) | 1,427 |
| As of September 30, 2006 | 282,033 | 564,801 | 1,679,947 | (106,700) | (19,096) | 2,400,985 |
| The year ended March 31, 2006 As of March 31, 2005 | 282,033 | 565,360 | 1,779,198 | (301,524) | (17,236) | 2,307,831 |
| Net decrease arising from equity transaction and other | | (4,026) | | | | (4,026) |
| Net income | | | 37,320 | | | 37,320 |
| Current-period change of accumulated other comprehensive loss | | | | 205,527 | | 205,527 |
| Cash dividends | | | (36,644) | | | (36,644) |
| Net transfer to minority interests | | | (1,671) | | | (1,671) |
| Current-period change arising from treasury stock | | 150 | | | (714) | (564) |
| As of March 31, 2006 | 282,033 | 561,484 | 1,778,203 | (95,997) | (17,950) | 2,507,773 |

| | U.S. Dollars (millions) | | | | | |
|---|-------------------------|--------------------|----------------------|---|-------------------|---------------------------------|
| | Common stock | Capital surplus | Retained earnings | Accumulated other comprehensive loss | Treasury stock | Total stockholders equity |
| The half year ended Sept. 30, 2006 As of March 31, 2006 | 2,390 | 4,758 | 15,070 | (814) | (152) | 21,252 |
| Net increase arising from equity transaction and other | | 6 | | | | 6 |
| Net income (loss) | | | (662) | | | (662) |
| Current-period change of accumulated other comprehensive loss | | | | (91) | | (91) |
| Cash dividends | | | (155) | | | (155) |

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| | | | | | | |
|---|-------|-------|--------|-------|-------|--------|
| Net transfer to minority interests | | | (16) | | | (16) |
| Current-period change arising from treasury stock | | 22 | | | (10) | 12 |
| As of September 30, 2006 | 2,390 | 4,786 | 14,237 | (904) | (162) | 20,347 |

Note: Legal reserve and Retained earnings have been combined and shown as Retained earnings as of September 30, 2006. Accordingly, figures as of March 31, 2006 have been reclassified.

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Consolidated Statements of Cash Flows

| | The half years ended September 30 | | |
|---|-----------------------------------|-----------|--------------|
| | YEN | | U.S. DOLLARS |
| | (millions) | | (millions) |
| | 2006 | 2005 | 2006 |
| Cash flows from operating activities | | | |
| Net income (loss) | (78,086) | (10,946) | (662) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | | |
| Depreciation | 228,078 | 218,599 | 1,933 |
| Deferred income taxes | (2,205) | 10,636 | (19) |
| Loss on disposal of rental assets and other property | 9,925 | 7,553 | 84 |
| Decrease in receivables | 179,067 | 137,913 | 1,518 |
| Increase in inventories | (274,363) | (152,059) | (2,325) |
| Increase (decrease) in payables | 61,707 | (57,512) | 523 |
| Other | 53,381 | 66,921 | 452 |
| Net cash provided by operating activities | 177,504 | 221,105 | 1,504 |
| Cash flows from investing activities | | | |
| (Increase) decrease in short-term investments | 7,362 | (25,286) | 62 |
| Capital expenditures | (227,378) | (179,009) | (1,927) |
| Purchase of rental assets, net | (212,011) | (216,523) | (1,797) |
| Sale of investments and subsidiaries common stock, net | 8,745 | 50,388 | 74 |
| Collection of investments in leases | 159,612 | 199,231 | 1,353 |
| Other | (44,017) | (84,293) | (373) |
| Net cash used in investing activities | (307,687) | (255,492) | (2,608) |
| Cash flows from financing activities | | | |
| Increase (decrease) in interest-bearing debt | 157,782 | (6,216) | 1,337 |
| Dividends paid to stockholders | (18,252) | (18,247) | (155) |
| Dividends paid to minority stockholders of subsidiaries | (10,351) | (9,084) | (88) |
| Other | (7,130) | (4,194) | (60) |
| Net cash provided by (used in) financing activities | 122,049 | (37,741) | 1,034 |
| Effect of exchange rate changes on cash and cash equivalents | 1,100 | 9,498 | 9 |
| Net decrease in cash and cash equivalents | (7,034) | (62,630) | (60) |
| Cash and cash equivalents at beginning of period | 658,255 | 708,715 | 5,578 |
| Cash and cash equivalents at end of period | 651,221 | 646,085 | 5,519 |

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SEGMENT INFORMATION**(1) Industry Segments**

| | The half years ended September 30 | | | |
|---|-----------------------------------|-------------------|-----------------|---------------|
| | YEN | | (A)/(B) X100 | U.S. DOLLARS |
| | (millions) | | | (millions) |
| | 2006 (A) | 2005 (B) | (%) | 2006 |
| Revenues | | | | |
| Information & Telecommunication Systems | 1,147,815 20% | 1,057,198 21% | 109 | 9,727 |
| Electronic Devices | 645,921 11% | 583,156 11% | 111 | 5,474 |
| Power & Industrial Systems | 1,280,816 23% | 1,278,905 25% | 100 | 10,854 |
| Digital Media & Consumer Products | 758,759 14% | 611,837 12% | 124 | 6,430 |
| High Functional Materials & Components | 870,283 16% | 760,441 15% | 114 | 7,375 |
| Logistics, Services & Others | 610,984 11% | 570,548 11% | 107 | 5,178 |
| Financial Services | 263,658 5% | 260,896 5% | 101 | 2,234 |
| Subtotal | 5,578,236 100% | 5,122,981 100% | 109 | 47,273 |
| Eliminations & Corporate items | (807,332) | (709,662) | | (6,842) |
| Total | 4,770,904 | 4,413,319 | 108 | 40,431 |
| Operating income (loss) | | | | |
| Information & Telecommunication Systems | 13,873 30% | 23,248 21% | 60 | 118 |
| Electronic Devices | 24,088 53% | 9,230 8% | 261 | 204 |
| Power & Industrial Systems | (45,334) (99)% | 23,216 21% | | (384) |
| Digital Media & Consumer Products | (34,468) (75)% | (16,231) (15)% | | (292) |
| High Functional Materials & Components | 63,886 140% | 48,053 44% | 133 | 541 |
| Logistics, Services & Others | 7,986 17% | 6,898 6% | 116 | 68 |
| Financial Services | 15,758 34% | 16,019 15% | 98 | 134 |

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| | | | | |
|--------------------------------|----------------|-----------------|----|-------|
| Subtotal | 45,789 100% | 110,433 100% | 41 | 388 |
| Eliminations & Corporate items | (25,932) | (32,679) | | (220) |
| Total | 19,857 | 77,754 | 26 | 168 |

Note: Revenues by industry segment include intersegment transactions.

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(2) Geographic Segments

| | The half years ended September 30 | | | |
|---------------------------|-----------------------------------|-------------------------|-----------------|---------------|
| | YEN | | (A)/(B) X100 | U.S. DOLLARS |
| | (millions) | | | (millions) |
| | 2006 (A) | 2005 (B) | (%) | 2006 |
| Revenues | | | | |
| Japan | | | | |
| Outside customer sales | 3,259,141 57% | 3,164,988 62% | 103 | 27,620 |
| Intersegment transactions | 616,076 11% | 459,321 9% | 134 | 5,221 |
| Total | 3,875,217 68% | 3,624,309 71% | 107 | 32,841 |
| Asia | | | | |
| Outside customer sales | 683,171 12% | 524,756 10% | 130 | 5,790 |
| Intersegment transactions | 263,741 5% | 203,001 4% | 130 | 2,235 |
| Total | 946,912 17% | 727,757 14% | 130 | 8,025 |
| North America | | | | |
| Outside customer sales | 475,854 8% | 426,875 8% | 111 | 4,033 |
| Intersegment transactions | 36,803 1% | 23,678 1% | 155 | 312 |
| Total | 512,657 9% | 450,553 9% | 114 | 4,345 |
| Europe | | | | |
| Outside customer sales | 282,533 5% | 239,728 5% | 118 | 2,394 |
| Intersegment transactions | 15,159 0% | 13,175 0% | 115 | 128 |
| Total | 297,692 5% | 252,903 5% | 118 | 2,523 |
| Other Areas | | | | |

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| | | | | |
|--------------------------------|-------------------|-------------------|-----|---------|
| Outside customer sales | 70,205 1% | 56,972 1% | 123 | 595 |
| Intersegment transactions | 8,165 0% | 1,908 0% | 428 | 69 |
| Total | 78,370 1% | 58,880 1% | 133 | 664 |
| Subtotal | 5,710,848 100% | 5,114,402 100% | 112 | 48,397 |
| Eliminations & Corporate items | (939,944) | (701,083) | | (7,966) |
| Total | 4,770,904 | 4,413,319 | 108 | 40,431 |

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| | The half years ended September 30 | | | |
|--------------------------------|--|-----------------|-------------------------|---------------------|
| | YEN | | (A)/(B) X100 | U.S. DOLLARS |
| | (millions) | | | (millions) |
| | 2006 (A) | 2005 (B) | (%) | 2006 |
| Operating income (loss) | | | | |
| Japan | 16,713 37% | 112,449 95% | 15 | 142 |
| Asia | 561 1% | (8,082) (7)% | | 5 |
| North America | 15,900 36% | 7,681 6% | 207 | 135 |
| Europe | 8,228 18% | 4,159 4% | 198 | 70 |
| Other Areas | 3,563 8% | 2,067 2% | 172 | 30 |
| Subtotal | 44,965 100% | 118,274 100% | 38 | 381 |
| Eliminations & Corporate items | (25,108) | (40,520) | | (213) |
| Total | 19,857 | 77,754 | 26 | 168 |

(3) Revenues by Market

| | The half years ended September 30 | | | |
|---------------|--|------------------|-------------------------|---------------------|
| | YEN | | (A)/(B) X100 | U.S. DOLLARS |
| | (millions) | | | (millions) |
| | 2006 (A) | 2005 (B) | (%) | 2006 |
| Japan | 2,820,304 59% | 2,741,287 62% | 103 | 23,901 |
| Asia | 891,251 19% | 726,662 17% | 123 | 7,553 |
| North America | 514,264 11% | 455,238 10% | 113 | 4,358 |
| Europe | 380,362 8% | 340,164 8% | 112 | 3,223 |
| Other Areas | 164,723 3% | 149,968 3% | 110 | 1,396 |
| Outside Japan | | | 117 | 16,531 |

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| | | | | |
|-------|-------------------|-------------------|-----|--------|
| | 1,950,600 41% | 1,672,032 38% | | |
| Total | 4,770,904 100% | 4,413,319 100% | 108 | 40,431 |

###

Table of Contents**Hitachi, Ltd.****Unconsolidated Financial Statements****for the Half Year ended September 30, 2006****(118yen = U.S.\$1)****October 31, 2006**

| | YEN | | | U.S. DOLLARS |
|--|---------------------|---------------------|--------------------|------------------|
| | (millions) | | | (millions) |
| <u>Income Statements</u> | <u>2006(A)</u> | <u>2005(B)</u> | <u>(A)/(B)X100</u> | <u>2006</u> |
| <u>Revenues</u> | 1,229,485 | 1,210,717 | 102% | 10,419 |
| Cost of sales | 1,009,574 | 969,798 | 104% | 8,556 |
| <u>Gross Profit</u> | 219,910 | 240,918 | 91% | 1,864 |
| S.G.A. expenses | 285,126 | 260,211 | 110% | 2,416 |
| <u>Operating income (loss)</u> | (65,215) | (19,293) | | (553) |
| Other income | 41,208 | 50,535 | 82% | 349 |
| Other deductions | 27,008 | 22,297 | 121% | 229 |
| <u>Ordinary income (loss)</u> | (51,015) | 8,944 | | (432) |
| Extraordinary gain | 19,264 | 8,503 | 227% | 163 |
| Extraordinary loss | 77,609 | 4,288 | | 658 |
| <u>Income (loss) before income taxes</u> | (109,361) | 13,159 | | (927) |
| Current income taxes | (8,801) | (8,669) | 102% | (75) |
| Deferred income taxes | (34,321) | 1,805 | | (291) |
| <u>Net income (loss)</u> | (66,238) | 20,024 | | (561) |
| Basic EPS (yen and dollars) | (19.87) | 6.01 | | (0.17) |
| | | | | |
| <u>Balance Sheets</u> | <u>2006/9/30(A)</u> | <u>2006/3/31(B)</u> | <u>(A)/(B)X100</u> | <u>2006/9/30</u> |
| Current assets | 1,900,569 | 1,850,334 | 103% | 16,107 |
| (Quick assets) | 1,427,073 | 1,457,868 | 98% | 12,094 |
| (Inventories) | 336,691 | 285,697 | 118% | 2,853 |
| (Deferred tax assets) | 136,804 | 106,769 | 128% | 1,159 |
| Fixed assets | 1,973,701 | 1,983,935 | 99% | 16,726 |
| (Investments) | 1,382,795 | 1,393,633 | 99% | 11,719 |
| (Deferred tax assets) | 76,006 | 70,454 | 108% | 644 |
| (Others) | 514,899 | 519,847 | 99% | 4,364 |
| <u>Total assets</u> | 3,874,271 | 3,834,270 | 101% | 32,833 |
| Current liabilities | 1,824,643 | 1,720,326 | 106% | 15,463 |
| Fixed liabilities | 729,385 | 708,713 | 103% | 6,181 |
| (Debentures) | 290,000 | 290,000 | 100% | 2,458 |
| (Long-term loans) | 264,138 | 224,188 | 118% | 2,238 |
| (Others) | 175,247 | 194,525 | 90% | 1,485 |
| <u>Total liabilities</u> | 2,554,028 | 2,429,039 | 105% | 21,644 |
| <u>Net assets</u> | 1,320,242 | 1,405,230 | 94% | 11,188 |
| <u>Liabilities and net assets</u> | 3,874,271 | 3,834,270 | 101% | 32,833 |

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Forecast for the Year Ending March 31, 2007

| | <u>Revenues</u> | <u>Ordinary income (loss)</u> | <u>Net income (loss)</u> |
|---------------------------------|-----------------|-------------------------------|--------------------------|
| Millions of Yen | 2,670,000 | (40,000) | (55,000) |
| Millions of U.S. dollars | 22,627 | (339) | (466) |

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;

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- 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.

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October 31, 2006

Hitachi, Ltd.

Supplementary Information for the First Half of Fiscal 2006, ended September 30, 2006**1. Summary****(1) Consolidated Basis**

| | (Billions of yen) | | | | | |
|---|-------------------------|----------------------------|-------------------------|-------------|------------------------|----------------|
| | 1st half of fiscal 2005 | | 1st half of fiscal 2006 | | Fiscal 2006 (Forecast) | |
| | (A) | (A)/1st half of FY 2004 | (B) | (B)/(A) | (C) | (C)/ FY2005 |
| Revenues | 4,413.3 | 102% | 4,770.9 | 108% | 9,740.0 | 103% |
| C/U * | 365% | | 388% | | 365% | |
| Operating income | 77.7 | 61% | 19.8 | 26% | 180.0 | 70% |
| Income before income taxes and minority interests | 82.1 | 60% | 25.8 | 31% | 160.0 | 58% |
| Income (loss) before minority interests | 21.1 | 31% | (34.7) | | 25.0 | 21% |
| Net income (loss) | (10.9) | | (78.0) | | (55.0) | |
| C/U * | | | | | | |
| Average exchange rate (yen / U.S.\$) | 110 | | 115 | | 115** | |
| Net interest and dividends | (4.2) | | (2.9) | | | |

* Consolidated basis/Unconsolidated basis

** Assumed exchange rate for 2nd half of fiscal 2006

| | As of March 31, 2006 | As of September 30, 2006 |
|--|----------------------|--------------------------|
| Cash & cash equivalents, Short-term investments (Billions of yen) | 821.0 | 809.8 |
| Interest-bearing debt (Billions of yen) | 2,419.0 | 2,603.1 |
| Number of employees | 355,879 | 368,820 |
| Japan | 242,659 | 247,126 |
| Overseas | 113,220 | 121,694 |
| Number of consolidated subsidiaries (Including Variable Interest Entities) | 932 | 885 |
| Japan | 476 | 428 |
| Overseas | 456 | 457 |

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(2) Unconsolidated Basis

| | (Billions of yen) | | | | | |
|--------------------------------------|-------------------------|------------|-------------------------|-------------|------------------------|--------|
| | 1st half of fiscal 2005 | | 1st half of fiscal 2006 | | Fiscal 2006 (Forecast) | |
| | (A)/1st half | | (B) | (B)/(A) | (C)/ | |
| | (A) | of FY 2004 | | | (C) | FY2005 |
| Revenues | 1,210.7 | 105% | 1,229.4 | 102% | 2,670.0 | 98% |
| Operating income (loss) | (19.2) | | (65.2) | | | |
| Ordinary income (loss) | 8.9 | 93% | (51.0) | | (40.0) | |
| Net income (loss) | 20.0 | 76% | (66.2) | | (55.0) | |
| Dividend payout ratio (%) | | 92% | | | | |
| Average exchange rate (yen / U.S.\$) | 110 | | 116 | | 115* | |

* Assumed exchange rate for 2nd half of fiscal 2006

| | As of March 31, 2006 | As of September 30, 2006 |
|---|----------------------|--------------------------|
| Cash & cash equivalents, Short-term investments (Billions of yen) | 219.2 | 231.6 |
| Interest-bearing debt (Billions of yen) | 621.1 | 776.3 |
| Number of employees | 41,157 | 41,802 |

2. Consolidated revenues by industry segment

| | (Billions of yen) | | | | | |
|---|-------------------------|-------------|-------------------------|-------------|------------------------|-------------|
| | 1st half of fiscal 2005 | | 1st half of fiscal 2006 | | Fiscal 2006 (Forecast) | |
| | (A)/1st half | | (B) | (B)/(A) | (C)/ | |
| | (A) | of FY 2004 | | | (C) | FY2005 |
| Information & Telecommunication Systems | 1,057.1 | 99% | 1,147.8 | 109% | 2,440.0 | 103% |
| Electronic Devices | 583.1 | 84% | 645.9 | 111% | 1,250.0 | 104% |
| Power & Industrial Systems | 1,278.9 | 114% | 1,280.8 | 100% | 2,760.0 | 98% |
| Digital Media & Consumer Products | 611.8 | 95% | 758.7 | 124% | 1,520.0 | 116% |
| High Functional Materials & Components | 760.4 | 103% | 870.2 | 114% | 1,700.0 | 106% |
| Logistics, Services & Others | 570.5 | 93% | 610.9 | 107% | 1,190.0 | 98% |
| Financial Services | 260.8 | 96% | 263.6 | 101% | 490.0 | 95% |
| Eliminations & Corporate items | (709.6) | | (807.3) | | (1,610.0) | |
| Total | 4,413.3 | 102% | 4,770.9 | 108% | 9,740.0 | 103% |

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3. Consolidated operating income (loss) by industry segment

| | (Billions of yen) | | | | | |
|---|-------------------------|--------------|-------------------------|------------|------------------------|------------|
| | 1st half of fiscal 2005 | | 1st half of fiscal 2006 | | Fiscal 2006 (Forecast) | |
| | | (A)/1st half | | (B)/(A) | | (C)/ |
| | (A) | of FY 2004 | (B) | | (C) | FY2005 |
| Information & Telecommunication Systems | 23.2 | 80% | 13.8 | 60% | 58.0 | 68% |
| Electronic Devices | 9.2 | 31% | 24.0 | 261% | 45.0 | 220% |
| Power & Industrial Systems | 23.2 | 230% | (45.3) | | 35.0 | 38% |
| Digital Media & Consumer Products | (16.2) | | (34.4) | | (45.0) | |
| High Functional Materials & Components | 48.0 | 119% | 63.8 | 133% | 118.0 | 107% |
| Logistics, Services & Others | 6.8 | 92% | 7.9 | 116% | 19.0 | 97% |
| Financial Services | 16.0 | 160% | 15.7 | 98% | 28.0 | 80% |
| Eliminations & Corporate items | (32.6) | | (25.9) | | (78.0) | |
| Total | 77.7 | 61% | 19.8 | 26% | 180.0 | 70% |

4. Consolidated overseas revenues by industry segment

| | (Billions of yen) | | | | | |
|---|-------------------------|--------------|-------------------------|-------------|------------------------|-------------|
| | 1st half of fiscal 2005 | | 1st half of fiscal 2006 | | Fiscal 2006 (Forecast) | |
| | | (A)/1st half | | (B)/(A) | | (C)/ |
| | (A) | of FY 2004 | (B) | | (C) | FY2005 |
| Information & Telecommunication Systems | 342.6 | 105% | 410.0 | 120% | | |
| Electronic Devices | 214.9 | 79% | 236.2 | 110% | | |
| Power & Industrial Systems | 417.0 | 128% | 491.6 | 118% | | |
| Digital Media & Consumer Products | 259.5 | 102% | 294.4 | 113% | | |
| High Functional Materials & Components | 240.9 | 109% | 292.8 | 122% | | |
| Logistics, Services & Others | 174.1 | 86% | 200.3 | 115% | | |
| Financial Services | 22.6 | 111% | 25.0 | 111% | | |
| Total | 1,672.0 | 103% | 1,950.6 | 117% | 3,900.0 | 107% |

5. Overseas production (Total revenues of overseas manufacturing subsidiaries)

| (Billions of yen) | |
|-------------------------|-------------------------|
| 1st half of fiscal 2005 | 1st half of fiscal 2006 |

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| | <u>(A)</u> | <u>(A)/1st half of FY 2004</u> | <u>(B)</u> | <u>(B)/(A)</u> |
|---------------------------------|------------|------------------------------------|----------------|----------------|
| Overseas production | 834.9 | 106% | 1,070.0 | 128% |
| Percentage of revenues | 19% | | 22% | |
| Percentage of overseas revenues | 50% | | 55% | |

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6. Consolidated capital investment by industry segment (Completion basis, including leasing assets)

(Billions of yen)

| | Fiscal 2005 | | 1st half of fiscal 2006 | | Fiscal 2006 (Forecast) | |
|---|-------------|------|-------------------------|-------------|------------------------|---------|
| | (A)/FY | | (B)/1st half | | (C) | (C)/(A) |
| | (A) | 2004 | (B) | of FY 2005 | | |
| Information & Telecommunication Systems | 123.2 | 120% | 71.4 | 135% | | |
| Electronic Devices | 35.7 | 76% | 17.5 | 110% | | |
| Power & Industrial Systems | 106.7 | 109% | 71.8 | 147% | | |
| Digital Media & Consumer Products | 38.5 | 100% | 30.1 | 158% | | |
| High Functional Materials & Components | 84.5 | 112% | 46.3 | 116% | | |
| Logistics, Services & Others | 24.1 | 77% | 13.0 | 133% | | |
| Financial Services | 570.6 | 97% | 267.9 | 94% | | |
| Eliminations & Corporate items | (28.9) | | (15.5) | | | |
| Total | 954.7 | 99% | 502.7 | 109% | 1,050.0 | 110% |
| Internal use assets | 397.4 | 104% | 238.3 | 133% | 510.0 | 128% |
| Leasing assets | 557.2 | 97% | 264.3 | 94% | 540.0 | 97% |

7. Consolidated depreciation by industry segment

(Billions of yen)

| | Fiscal 2005 | | 1st half of fiscal 2006 | | Fiscal 2006 (Forecast) | |
|---|-------------|------|-------------------------|-------------|------------------------|---------|
| | (A)/FY | | (B)/1st half | | (C) | (C)/(A) |
| | (A) | 2004 | (B) | of FY 2005 | | |
| Information & Telecommunication Systems | 82.7 | 107% | 43.7 | 113% | | |
| Electronic Devices | 45.6 | 105% | 19.8 | 91% | | |
| Power & Industrial Systems | 79.6 | 108% | 40.7 | 106% | | |
| Digital Media & Consumer Products | 40.6 | 107% | 19.9 | 92% | | |
| High Functional Materials & Components | 64.3 | 98% | 31.6 | 104% | | |
| Logistics, Services & Others | 23.6 | 101% | 11.5 | 99% | | |
| Financial Services | 111.8 | 111% | 59.2 | 108% | | |
| Eliminations & Corporate items | 2.6 | 90% | 1.3 | 102% | | |
| Total | 451.1 | 106% | 228.0 | 104% | 480.0 | 106% |
| Internal use assets | 329.6 | 105% | 163.9 | 103% | 350.0 | 106% |
| Leasing assets | 121.4 | 109% | 64.0 | 108% | 130.0 | 107% |

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8. Consolidated R&D expenditure by industry segment

| | (Billions of yen) | | | | | |
|---|-------------------|------|-------------------------|-------------|------------------------|----------|
| | Fiscal 2005 | | 1st half of fiscal 2006 | | Fiscal 2006 (Forecast) | |
| | (A)/FY | | (B)/1st half | | (C) | (C)/ (A) |
| | (A) | 2004 | (B) | of FY 2005 | | |
| Information & Telecommunication Systems | 161.6 | 98% | 80.5 | 102% | | |
| Electronic Devices | 47.0 | 99% | 22.8 | 96% | | |
| Power & Industrial Systems | 85.5 | 109% | 40.9 | 101% | | |
| Digital Media & Consumer Products | 33.4 | 104% | 18.8 | 111% | | |
| High Functional Materials & Components | 48.8 | 113% | 24.7 | 105% | | |
| Logistics, Services & Others | 4.7 | 90% | 0.4 | 18% | | |
| Financial Services | 1.6 | 72% | 0.7 | 88% | | |
| Corporate items | 21.9 | 150% | 12.6 | 116% | | |
| Total | 405.0 | 104% | 201.8 | 102% | 430.0 | 106% |
| Percentage of revenues | 4.3% | | 4.2% | | 4.4% | |

9. Consolidated balance sheets by financial and non-financial services

| | (Billions of yen) | |
|------------------------------------|----------------------------|--------------------------------|
| | As of March 31, 2006 | As of September 30, 2006 |
| Assets | | |
| Manufacturing, Services and Others | | |
| Cash and cash equivalents | 602.7 | 600.1 |
| Short-term investments | 119.7 | 113.5 |
| Trade receivables | 2,001.4 | 1,901.5 |
| Inventories | 1,262.2 | 1,511.8 |
| Investments and advances | 921.5 | 909.1 |
| Property, plant and equipment | 2,100.2 | 2,170.5 |
| Other assets | 1,749.8 | 1,821.0 |
| Total | 8,757.8 | 9,027.9 |
| Financial Services | | |
| Cash and cash equivalents | 55.4 | 51.0 |
| Trade receivables | 687.1 | 724.3 |
| Investments in leases | 601.0 | 633.0 |
| Property, plant and equipment | 369.6 | 361.2 |
| Other assets | 567.5 | 576.3 |
| Total | 2,280.8 | 2,346.0 |

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| | | |
|--|-----------|------------------|
| Eliminations | (1,017.5) | (1,096.4) |
| Assets | 10,021.1 | 10,277.4 |
| <hr/> | | |
| Liabilities and Stockholders' equity | | |
| Manufacturing, Services and Others | | |
| Short-term debt | 753.4 | 943.5 |
| Trade payables | 1,440.3 | 1,511.7 |
| Long-term debt | 891.6 | 901.6 |
| Other liabilities | 2,381.0 | 2,466.7 |
| <hr/> | | |
| Total | 5,466.5 | 5,823.6 |
| <hr/> | | |
| Financial Services | | |
| Short-term debt | 820.0 | 804.4 |
| Trade payables | 278.7 | 287.1 |
| Long-term debt | 677.8 | 738.0 |
| Other liabilities | 224.4 | 228.8 |
| <hr/> | | |
| Total | 2,001.0 | 2,058.4 |
| <hr/> | | |
| Eliminations | (991.0) | (1,070.0) |
| Liabilities | 6,476.6 | 6,812.0 |
| Minority interests | 1,036.8 | 1,064.4 |
| Stockholders' equity | 2,507.7 | 2,400.9 |
| Liabilities, Minority interests and Stockholders' equity | 10,021.1 | 10,277.4 |
| <hr/> | | |

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10. Consolidated statements of operations by financial and non-financial services

| | 1st half of fiscal 2005 | (Billions of yen) 1st half of fiscal 2006 |
|--|------------------------------------|--|
| Manufacturing, Services and Others | | |
| Revenues | 4,264.5 | 4,612.7 |
| Cost of sales and selling, general and administrative expenses | 4,202.1 | 4,607.6 |
| Operating income | 62.4 | 5.0 |
| Financial Services | | |
| Revenues | 260.8 | 263.6 |
| Cost of sales and selling, general and administrative expenses | 244.8 | 247.9 |
| Operating income | 16.0 | 15.7 |
| Eliminations | | |
| Revenues | (112.1) | (105.5) |
| Cost of sales and selling, general and administrative expenses | (111.4) | (104.5) |
| Operating income | (0.6) | (0.9) |
| Total | | |
| Revenues | 4,413.3 | 4,770.9 |
| Cost of sales and selling, general and administrative expenses | 4,335.5 | 4,751.0 |
| Operating income | 77.7 | 19.8 |

Note: Figures in tables 5, 9 and 10 represent unaudited financial information prepared by the Company for the purpose of this supplementary information.

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October 31, 2006

Hitachi, Ltd.

**Supplementary Information on Information & Telecommunication Systems,
Displays and Digital Media**

Note: *1. Segment information and operating income are presented in accordance with financial reporting principles and practices generally accepted in Japan.

1. Information & Telecommunication Systems *2**(1) Revenues and Operating Income (Loss) *3**

(The upper rows show comparison to the previous year; Billions of yen)

| | Fiscal 2005 | | | Fiscal 2006 | | |
|-------------------------|-------------|----------|---------|----------------|------------------------|---------------------|
| | 1st half | 2nd half | Total | 1st half | 2nd half (Forecast) | Total (Forecast) |
| Revenues | 99% | 109% | 104% | 109% | 99% | 103% |
| | 1,057.1 | 1,303.7 | 2,360.9 | 1,147.8 | 1,292.2 | 2,440.0 |
| Software & Services | 101% | 107% | 104% | 114% | 93% | 102% |
| | 472.9 | 582.8 | 1,055.7 | 536.9 | 543.1 | 1,080.0 |
| Software | 98% | 101% | 99% | 106% | | |
| | 73.7 | 80.0 | 153.7 | 78.4 | | |
| Services | 101% | 108% | 105% | 115% | | |
| | 399.2 | 502.8 | 902.0 | 458.5 | | |
| Hardware | 97% | 111% | 104% | 105% | 104% | 104% |
| | 584.2 | 720.9 | 1,305.1 | 610.9 | 749.1 | 1,360.0 |
| Storage *4 | 104% | 117% | 110% | 113% | | |
| | 311.4 | 383.0 | 694.4 | 351.2 | | |
| Servers *5 | 83% | 102% | 93% | 121% | | |
| | 39.2 | 48.4 | 87.6 | 47.3 | | |
| PCs *6 | 83% | 101% | 91% | 72% | | |
| | 51.3 | 54.5 | 105.8 | 37.0 | | |
| Telecommunication | 104% | 92% | 98% | 86% | | |
| | 71.2 | 64.2 | 135.4 | 61.5 | | |
| Others | 90% | 113% | 102% | 103% | | |
| | 111.1 | 170.8 | 281.9 | 113.9 | | |
| Operating income (loss) | 80% | 158% | 125% | 60% | 72% | 68% |
| | 23.2 | 61.4 | 84.6 | 13.8 | 44.2 | 58.0 |
| Software & Services | 160% | 183% | 172% | 75% | 114% | 97% |
| | 37.0 | 46.6 | 83.6 | 27.8 | 53.2 | 81.0 |
| Hardware | | 111% | 5% | | | |
| | (13.8) | 14.8 | 1.0 | (14.0) | (9.0) | (23.0) |

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- Notes:
- *2. The Hard Disk Drive 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 half of fiscal 2006, ended September 30, 2006, include the operating results of Hitachi GST for the six months ended June 30, 2006.
 - *3. Figures for each product exclude intra-segment transactions.
 - *4. Figures for Storage include disk array subsystems, hard disk drives, etc.
 - *5. Figures for Servers include general-purpose computers, UNIX servers, etc.
 - *6. Figures for PCs include PC servers, client PCs (only commercial use from FY2006), etc.

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(2) SAN/NAS Storage Solutions

(The upper rows show comparisons to the previous year; Billions of yen)

| | Fiscal 2005 | | | Fiscal 2006 | | |
|----------|-------------|----------|-------|--------------|------------------------|---------------------|
| | 1st half | 2nd half | Total | 1st half | 2nd half (Forecast) | Total (Forecast) |
| Revenues | 110% | 127% | 119% | 114% | 101% | 107% |
| | 142.0 | 176.0 | 318.0 | 162.0 | 178.0 | 340.0 |

(3) Hard Disk Drives *7 *8

(The upper rows show comparisons to the previous year)

| Period recorded for consolidated accounting purposes | Fiscal 2005 | | | Fiscal 2006 | | |
|---|--------------------------|--------------------------|-----------------------|--------------------------|--|-------------------------------------|
| | 1st half Jan. 2005 to | 2nd half Jul. 2005 to | Total Jan. 2005 to | 1st half Jan. 2006 to | 2nd half (Forecast) Jul. 2006 to | Total (Forecast) Jan. 2006 to |
| Shipment Period | Jun. 2005 | Dec. 2005 | Dec. 2005 | Jun. 2006 | Dec. 2006 | Dec. 2006 |
| Yen | 103% | 115% | 109% | 113% | 125% | 120% |
| Revenues (billions of yen) | 223.2 | 273.3 | 496.5 | 252.3 | 342.7 | 595.0 |
| U.S. dollar | 105% | 108% | 106% | 104% | 122% | 114% |
| (millions of dollar) | 2,090 | 2,375 | 4,465 | 2,183 | 2,907 | 5,090 |
| Yen | | | | | | |
| Operating loss (billions of yen) | (24.4) | (2.6) | (27.0) | (18.4) | (21.6) | (40.0) |
| U.S. dollar | | | | | | |
| (millions of dollar) | (229) | (22) | (251) | (159) | (184) | (343) |
| Shipments (thousand units) *9 | 133% | 119% | 125% | 108% | | |
| | 27,300 | 31,100 | 58,400 | 29,600 | 40,400- | 70,000- |
| | 105% | 118% | 112% | 126% | 45,400 | 75,000 |
| 1.8/2.5inch *10 | 12,800 | 15,500 | 28,300 | 16,100 | | |
| Consumer and Commercial | 150% | 143% | 146% | 126% | | |
| 3.5inch *11 | 8,600 | 10,900 | 19,500 | 10,800 | | |
| Servers *12 | 72% | 108% | 90% | 138% | | |
| | 1,400 | 2,000 | 3,400 | 1,900 | | |
| Emerging *13 | 654% | 79% | 176% | 18% | | |
| | 4,580 | 2,720 | 7,290 | 810 | | |

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< 2nd Half by Quarter >

(The upper rows show comparisons to the previous year)

| Period recorded for consolidated accounting purposes | Shipment Period | Fiscal 2005 2nd Half | | Fiscal 2006 2nd Half | |
|---|-------------------------------------|--|--|--|--|
| | | 3rd quarter Jul. 2005 to Sep. 2005 | 4th quarter Oct. 2005 to Dec. 2005 | 3rd quarter Jul. 2006 to Sep. 2006 | 4th quarter (Forecast) Oct. 2006 to Dec. 2006 |
| Revenues | Yen (billions of yen) | 101% | 130% | 127% | 124% |
| | U.S. dollar (millions of dollar) | 122.4 | 150.8 | 155.0 | 187.7 |
| | | 100% | 116% | 122% | 123% |
| Operating income (loss) | Yen (billions of yen) | (7.4) | 4.8 | (14.4) | (7.2) |
| | U.S. dollar (millions of dollar) | (66) | 43 | (124) | (60) |
| Shipments (thousand units) *9 | | 118% | 121% | 139% | 20,500- 25,500 |
| | | 14,300 | 16,800 | 19,900 | |
| Consumer and Commercial | 1.8/2.5inch *10 | 104% | 131% | 166% | |
| | | 6,700 | 8,800 | 11,100 | |
| | 3.5inch *11 | 140% | 145% | 151% | |
| | | 4,800 | 6,100 | 7,200 | |
| Servers *12 | | 91% | 132% | 110% | |
| | | 1,000 | 1,000 | 1,100 | |
| Emerging *13 | | 155% | 39% | 24% | |
| | | 1,840 | 880 | 450 | |

Notes: *7. Figures include intra-segment transactions.

*8. Hitachi GST's operating currency is U.S. dollar. Yen figures include yen / dollar conversion fluctuation.

*9. Shipment less than 100,000 units have been rounded, with the exception of Emerging, where shipment less than 10,000 units have been rounded.

*10. Consumer electronics applications (1.8inch), note-PCs (2.5inch), etc.

*11. Desktop-PCs, consumer electronics applications (3.5inch), etc.

*12. Disk array subsystems, servers (3.5inch), etc.

*13. Hand held devices (1inch), automotive (2.5inch), etc.

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2. Displays**(1) Revenues and Operating Income (Loss)**

(The upper rows show comparisons to the previous year; Billions of yen)

| | Fiscal 2005 | | | Fiscal 2006 | | |
|-------------------------|-------------|----------|--------|--------------|------------------------|---------------------|
| | 1st half | 2nd half | Total | 1st half | 2nd half (Forecast) | Total (Forecast) |
| | Revenues | 75% | 100% | 86% | 107% | 112% |
| | 94.2 | 97.4 | 191.6 | 101.0 | 109.0 | 210.0 |
| Operating income (loss) | (12.8) | (10.0) | (22.8) | (4.3) | 6.3 | 2.0 |

(2) LCD Revenues

(The upper rows show comparisons to the previous year; Billions of yen)

| | Fiscal 2005 | | | Fiscal 2006 | | |
|----------------------------|-------------|----------|-------|-------------|------------------------|---------------------|
| | 1st half | 2nd half | Total | 1st half | 2nd half (Forecast) | Total (Forecast) |
| | Revenues | 72% | 102% | 85% | 107% | 112% |
| | 80.5 | 84.0 | 164.5 | 86.0 | 94.0 | 180.0 |
| Large-size LCDs | 55% | 68% | 60% | | | |
| | 28.0 | 25.5 | 53.5 | | | |
| Small and medium-size LCDs | 86% | 131% | 105% | | | |
| | 52.5 | 58.5 | 111.0 | | | |

3. Digital Media**Shipments of Main Products *14**

(The upper rows show comparisons to the previous year; Thousand units)

| | Fiscal 2005 | | | Fiscal 2006 | | |
|----------------|-------------------------|----------|--------|---------------|------------------------|---------------------|
| | 1st half | 2nd half | Total | 1st half | 2nd half (Forecast) | Total (Forecast) |
| | Optical Disk Drives *15 | 113% | 101% | 106% | 100% | 104% |
| | 36,000 | 38,500 | 74,500 | 36,000 | 40,000 | 76,000 |
| Plasma TVs *16 | 113% | 211% | 160% | 178% | 160% | 167% |
| | 180 | 300 | 480 | 320 | 480 | 800 |
| LCD TVs | 300% | 257% | 270% | 222% | 167% | 185% |
| | 90 | 180 | 270 | 200 | 300 | 500 |

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Notes: *14. Shipment less than 10,000 units have been rounded, with the exception of Optical Disk

Drives, where shipment less than 100,000 units have been rounded.

*15. The Optical Disk Drive operations are conducted by Hitachi-LG Data Storage, Inc. (HLDS), which has a December 31 fiscal year-end, different from Hitachi's March 31 year-end. Hitachi's results for the first half of fiscal 2006, ended September 30, 2006, include the operating results of HLDS for the six months ended June 30, 2006.

*16. The sum of plasma TV and plasma monitor shipments.

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