

**FOR IMMEDIATE RELEASE**

## **Hitachi Announces Consolidated Financial Results for Fiscal 2006**

Tokyo, May 16, 2007 --- Hitachi, Ltd. (NYSE:HIT / TSE:6501) today announced its consolidated financial results for fiscal 2006, ended March 31, 2007.

Notes: 1. All figures, except for the outlook for fiscal 2007, 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 March 30, 2007.

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 Position**

#### **1-1. Summary of Fiscal 2006 Consolidated Business Results**

##### **Business Environment**

During fiscal 2006, ended March 31, 2007, the global economy remained strong. The U.S. economy, although experiencing a sustained downturn in housing investment, continued to expand on the back of healthy consumer spending and exports. In the EU, the economies of member countries were generally strong, with exports and capital investment growing in Germany, France and the U.K. The Chinese economy sustained a high rate of growth led by rising exports and increased investment in fixed assets. Other Asian economies were also buoyant, with India, for example, enjoying increased foreign investment and growing exports. The exports of ASEAN countries also expanded.

The Japanese economy, meanwhile, remained on a moderate recovery path as production expanded, driven by capital investment and exports.

## **Business Results**

### **(1) Summary of Fiscal 2006 Consolidated Business Results**

Year ended March 31, 2007

	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	10,247.9	8%	86,847
Operating income	182.5	(29%)	1,547
Income before income taxes and minority interests	202.3	(26%)	1,715
Income before minority interests	39.5	(67%)	335
Net loss	(32.7)	-	(278)

Hitachi's consolidated revenues were 10,247.9 billion yen, up 8% year over year, reflecting growth in a number of segments. The Information & Telecommunication Systems segment posted higher revenues on growth in sales of storage-related products and services, as did the Electronic Devices segment due to increased sales of small and medium-size LCDs and other factors. Other segments that recorded year over year increases were the Power & Industrial Systems segment mainly due to higher sales of automotive systems and construction machinery, the Digital Media & Consumer Products segment on growth in flat-panel TVs, and the High Functional Materials & Components segment, mainly due to increased sales of components and materials for electronics- and automotive-related fields.

Overseas revenues climbed 14%, to 4,154.2 billion yen. Revenues were higher year over year in all regions and industry segments. The Information & Telecommunication Systems and Power & Industrial Systems segments grew in Asia, including China, and Europe.

Consolidated operating income dropped 29%, to 182.5 billion yen despite growth in the Electronic Devices, High Functional Materials & Components, and Logistics, Services & Others segments. The overall decline in operating income mainly reflected lower earnings in the Information & Telecommunication Systems and Power & Industrial Systems segments as well as a higher operating loss in the Digital Media & Consumer Products segment.

Other income increased 18%, to 102.9 billion yen. Other deductions increased 21%, to 83.1 billion yen, chiefly as a result of an increase in losses on the disposal of fixed assets.

As a result, Hitachi recorded income before income taxes and minority interests of 202.3 billion yen, down 26% year over year. After income taxes of 162.8 billion yen,

Hitachi posted income before minority interests of 39.5 billion yen. However, Hitachi posted a net loss of 32.7 billion yen, against net income of 37.3 billion yen in the previous fiscal year.

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

Results by segment were as follows.

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

	Year ended March 31, 2007		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	2,472.2	5%	20,951
Operating income	60.3	(29%)	511

Information & Telecommunication Systems revenues rose 5%, to 2,472.2 billion yen. Software and services revenues were higher than in fiscal 2005 due to strong sales in services, including outsourcing and solutions businesses particularly for financial institutions. Hardware revenues also rose, the result of higher sales of storage products, ATMs and other products.

Operating income dropped 29%, to 60.3 billion yen. Earnings in software and services were on a par with fiscal 2005. The increase in earnings in services accompanying higher sales came despite the absence of a gain recorded in fiscal 2005 for the return of the substitutional portion of the employees' pension fund at a consolidated subsidiary. However, despite higher earnings in disk array subsystems, hardware recorded an operating loss due to a wider loss in HDD operations and substantial investments in the development of next-generation telecommunications equipment and servers.

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 year ended March 31, 2007 include operating results of Hitachi GST for the period from January through December 2006

**[Electronic Devices]**

	Year ended March 31, 2007		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	1,287.4	7%	10,911
Operating income	45.7	124%	388

Electronic Devices revenues increased 7%, to 1,287.4 billion yen. This was mainly due to continued higher sales at Hitachi High-Technologies Corporation and growth in sales of small and medium-size LCDs, the result of implementing structural reforms which focused resources in the display business.

Operating income climbed 124%, to 45.7 billion yen, as the display business moved into the black due to the success of reform initiatives and Hitachi High-Technologies reported higher earnings.

**[Power & Industrial Systems]**

	Year ended March 31, 2007		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	3,022.2	8%	25,613
Operating income	36.3	(61%)	308

Power & Industrial Systems revenues rose 8%, to 3,022.2 billion yen. This reflected strong sales of elevators and escalators and industrial equipment, as well as higher sales at Hitachi Construction Machinery Co., Ltd. In addition, the effect of Clarion Co., Ltd. which became consolidated subsidiaries in December 2006, is reflected.

The segment posted operating income of 36.3 billion yen, down 61% from fiscal 2005, despite strong earnings at Hitachi Construction Machinery and higher earnings from automotive systems, elevators and escalators, industrial equipment and certain other businesses. This 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 in construction an overseas thermal power plant.

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]**

	Year ended March 31, 2007		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	1,506.0	15%	12,763
Operating loss	(58.4)	-	(495)

Digital Media & Consumer Products segment revenues rose 15%, to 1,506.0 billion yen, mainly due to the effect of merging Hitachi Air Conditioning Systems Co., Ltd. and Hitachi Home & Life Solutions, Inc. in April 2006, as well as growth in sales of plasma and other flat-panel TVs, DVD camcorders and home appliances such as high-value-added models of refrigerators and washer-dryers.

However, the segment posted an operating loss of 58.4 billion yen, 22.6 billion yen more than in fiscal 2005. This loss primarily reflected falling prices of flat-panel TVs, DVD recorders and other products, and sluggish sales of certain products such as room air conditioners.

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.

**[High Functional Materials & Components]**

	Year ended March 31, 2007		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	1,794.5	12%	15,208
Operating income	132.3	20%	1,122

Segment revenues increased 12%, to 1,794.5 billion yen on the back of strong sales at Hitachi Metals, Ltd., principally in the electronics- and automotive-related fields; higher sales at Hitachi Chemical Co., Ltd., mainly in the semiconductor-related field; and increased sales of wires and cables and other products at Hitachi Cable, Ltd.

Operating income climbed 20%, to 132.3 billion yen due to higher earnings at Hitachi Metals, Hitachi Chemical and Hitachi Cable, the result of higher sales and the benefits of cost cutting.

**[Logistics, Services & Others]**

	Year ended March 31, 2007		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	1,213.5	0%	10,284
Operating income	20.2	4%	171

Segment revenues were 1,213.5 billion yen, on a par with fiscal 2005. While sales grew at Hitachi Transport System, Ltd., mostly in the third-party logistics solutions business, overseas sales subsidiaries saw sales decline year over year.

The segment posted a 4% increase in operating income, to 20.2 billion yen, the result of higher earnings at Hitachi Transport System and other factors.

**[Financial Services]**

	Year ended March 31, 2007		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	500.0	(3%)	4,238
Operating income	23.5	(33%)	199

Segment revenues decreased 3%, to 500.0 billion yen, with revenues at Hitachi Capital Corporation on a par with fiscal 2005.

Segment operating income dropped 33%, to 23.5 billion yen, mainly due to lower earnings at Hitachi Capital.

**(3) Revenues by Market**

	Year ended March 31, 2007		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Japan	6,093.6	5%	51,641
Outside Japan	4,154.2	14%	35,206
Asia	1,859.6	15%	15,760
North America	1,057.3	9%	8,961
Europe	869.0	16%	7,365
Other Areas	368.2	22%	3,120

In fiscal 2006, revenues in Japan rose 5% year on year, to 6,093.6 billion yen.

Outside Japan revenues increased 14%, to 4,154.2 billion yen. Revenue growth was particularly strong in China and elsewhere in Asia. Revenues were also higher in North

America and Europe.

As a result, the ratio of overseas revenues to consolidated revenues rose by 3-percentage points year over year to 41%.

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

Capital investment, excluding leasing assets, rose 32%, to 522.9 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 5%, to 346.4 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 HDD-, automotive- and digital media-related fields, increased 2%, to 412.5 billion yen, and corresponded to 4.0% of revenues.

**Outlook for Fiscal 2007**

	Year ended March 31, 2008		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	10,500.0	2%	95,455
Operating income	290.0	59%	2,636
Income before income taxes and minority interests	300.0	48%	2,727
Income before minority interests	130.0	229%	1,182
Net income	40.0	-	364

In terms of the outlook for the global economy, Hitachi expects more healthy growth with only a moderate slowdown. Hitachi expects the U.S. economy, supported by firm consumer spending, to reaccelerate in the second half of fiscal 2007 after the end of inventory cutbacks. EU economies are also forecast to continue growing. Furthermore, China is expected to maintain a high rate of growth, although a slight slowdown is anticipated due to financial tightening. Other economies in Asia are expected to continue their strong growth, paced by exports.

The forecast for the Japanese economy is for more moderate growth underpinned by strong private-sector plant and equipment investment and consumer spending, although the pace of expansion is expected to slow.

However, the outlook for the business environment is difficult to predict due to a number of areas of concern. These include a slowdown in the global economy, centered on the U.S.; deeper inventory cutbacks in IT and digital-related products;

resurgent raw materials prices; and sudden strengthening of the yen against the U.S. dollar.

Under these circumstances, Hitachi is forecasting the results shown above for fiscal 2007, the year ending March 31, 2008. Hitachi is continuing to push ahead with business reforms targeting future business development. Hitachi plans to form new companies in the U.S. and Canada in June 2007, and a new company in Japan in July through a strategic alliance in the nuclear power business with General Electric Company. Moreover, Hitachi will continue efforts to promote collaborative creation with customers, 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 will continue to leverage group-wide synergies to reduce procurement costs, business expenses, IT operational costs and other costs by strengthening buying power and standardizing and integrating business operations. Hitachi is implementing business restructuring measures to build a high-earnings framework and to reinforce its financial position.

In HDD, flat-panel TV, power systems and other businesses where there are currently issues with profitability, Hitachi is implementing wide-ranging countermeasures to improve its development capabilities, cost competitiveness, marketing activities, management capabilities and other areas of its operations for quickly making these business profitable. Furthermore, expanding overseas business, 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 an operating margin of 5% in fiscal 2009.

Projections for fiscal 2007 assume an exchange rate of 110 yen to the U.S. dollar and 145 yen to the euro.

### **Progress With Corporate Strategy**

#### **(1) Corporate Strategy and Targeted Management Indicators**

In November 2006, the Hitachi Group released a corporate strategy to promote collaborative creation and profits. With a rigorous focus on a market-oriented approach and profit creation as the basic policy, the aim is to establish a structure that consistently generates high profits through the execution of key initiatives—implementation of management based on FIV\* (Future Inspiration Value), Hitachi's original benchmark based on the estimated cost of capital; creation of a



business portfolio with higher profitability; promotion of group management; and innovation in collaboration with partners and Group companies.

In line with this management policy, Hitachi will work to build a business portfolio for stable, high profits by strengthening its social innovation business, which consists of social infrastructure, industrial infrastructure, life infrastructure and information infrastructure businesses. This will be supported by efforts to maximize synergies with the infrastructure technology/products business that underpins social innovation business operations.

Moving forward, Hitachi will continue to make aggressive investments in growth businesses while rigorously executing business structural reforms. Leveraging intellectual property including experiences, knowledge and expertise gained from the Group's expansive business domains, Hitachi is determined to give full play to its true 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. 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. Hitachi will also examine measures that enable it to respond in a fair and neutral manner to any external threats to corporate value.

(\*) 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.

## **(2) Initiatives**

The Hitachi Group has worked to strengthen its competitiveness on a consolidated basis by continuing to make substantial investments in businesses targeted for growth and, at the same time, pushing ahead with ongoing structural business reforms.

In fiscal 2006, with the aim of strengthening its social and industrial infrastructure businesses, Hitachi transferred 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, which was renamed Hitachi Plant Technologies, Ltd. Furthermore, to bolster the Car Information Systems (CIS) business, Hitachi made Clarion Co., Ltd. a subsidiary through a tender offer bid. And to strengthen the air conditioning and home appliance business, Hitachi Air Conditioning Systems Co., Ltd. and Hitachi Home & Life Solutions, Inc. were merged. Moreover, the magnet business was bolstered through a tender offer by Hitachi Metals, Ltd. for the remaining shares of NEOMAX Co., Ltd., followed by a resolution approving a merger between NEOMAX and Hitachi Metals. In another move, Hitachi and GE agreed to form a global strategic alliance with the goal of expanding the nuclear power business, and Hitachi also decided to subscribe to Nidec Corporation's tender offer for the shares of Hitachi subsidiary Japan Servo Co., Ltd. \*

(\*) Hitachi subscribed to the tender offer and sold shares in April 2007.

## 1-2. Financial Position

### Financial Position

	As of March 31, 2007		
	Billions of yen	Change from March 31, 2006	Millions of U.S. dollars
Total assets	10,644.2	623.0	90,206
Total liabilities	7,127.7	651.0	60,404
Interest-bearing debt	2,687.4	268.4	22,775
Minority interests	1,073.7	36.9	9,100
Stockholders' equity	2,442.7	(64.9)	20,702
Stockholders' equity ratio	22.9%	2.1 point deterioration	-
D/E ratio (including minority interests)	0.76 times	0.08 point deterioration	-

Total assets as of March 31, 2007 were 10,644.2 billion yen, an increase of 623.0 billion yen from March 31, 2006. This increase was mainly due to the consolidation of Clarion. Interest-bearing debt increased 268.4 billion yen, to 2,687.4 billion yen. Stockholders' equity declined 64.9 billion yen, to 2,442.7 billion yen due to the net loss. As a result of these changes, the stockholders' equity ratio declined by 2.1 points compared with March 31, 2006, to 22.9%. The debt-to-equity ratio (including minority interests) deteriorated 0.08 of a point to 0.76 times due to the increase in interest-bearing debt and decrease in stockholders' equity.

**Cash Flows**

	Year ended March 31, 2007		
	Billions of yen	Year-over-year change	Millions of U.S. dollars
Cash flows from operating activities	615.0	(75.8)	5,212
Cash flows from investing activities	(786.1)	(284.8)	(6,662)
Free cash flows	(171.1)	(360.6)	(1,450)
Cash flows from financing activities	121.2	382.8	1,028

Operating activities provided net cash of 615.0 billion yen, 75.8 billion yen less than one year earlier.

Investing activities used net cash of 786.1 billion yen, 284.8 billion yen more than fiscal 2005. This was the result of an increase in capital investment, particularly in businesses targeted for growth, in addition to outflows for the purchase of shares of Clarion and NEOMAX through tender offer bids.

Free cash flows, the sum of cash flows from operating and investing activities, were an outflow of 171.1 billion yen, 360.6 billion yen less than the inflow in the previous fiscal year.

Financing activities provided net cash of 121.2 billion yen, 382.8 billion yen more the cash provided than in the previous fiscal year, mainly due to higher borrowings.

The net result of the above items was a 40.3 billion yen decrease in cash and cash equivalents to 617.8 billion yen.

**Trend of cash flow index**

	Year ending March 31, 2006	Year ending March 31, 2007
Shareholders' equity ratio (%)	25.0	22.9
Equity ratio based on market value (%)	27.7	28.6
Cash flow to interest-bearing debt ratio	3.5	4.4
Interest coverage ratio (times)	20.8	16.3

\*Shareholder's equity ratio: Shareholders' equity / Total assets

\*Equity ratio based on market value: Market capitalizations / Total assets

\*Cash flow to interest-bearing debt ratio: Interest-bearing debt / Cash flows from operating activities

\*Interest coverage ratio: Cash flows from operating activities / Interest charges

Note: Market capitalization is computed based on the number of issued shares, excluding treasury stock

### **1-3. Basic Policy on the Distribution of Earnings and Fiscal 2006 and 2007 Dividends**

Hitachi has positioned the expansion of overall profits for shareholders over the long term as an important management goal.

In the energy, information, social infrastructure and other industrial fields in which Hitachi's main business segments are active, ensuring competitiveness and increasing earnings amid rapid technological innovation and structural changes in markets requires substantial upfront investments, such as in the form of capital expenditures and research and development. For this reason, 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 reinvestment based on medium- and long-term business plans, as well as to ensure the stable growth of dividends.

Regarding the repurchase of its own shares, Hitachi has adopted a flexible stance toward supplementing dividends through share buybacks, viewing this as a measure for returning profits to shareholders. In doing so, it takes into consideration its business plans and financial condition, market conditions and other factors. 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.

Based on the above policies, Hitachi plans to pay a dividend of 6 yen per share applicable to fiscal 2006. The dividend for fiscal 2007 is still undecided.

### **1-4. 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; natural disasters and similar events; information security; 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;
- 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.

## **2. Management Policy**

### **Basic Management Policy and Strategy**

Amid intensifying competition in world markets, the Hitachi Group has been expanding its business through development of Hitachi and its related companies (subsidiaries and affiliated companies). 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.

Details of "Targeted Management Indicators" and "Medium- and Long-term Management Strategy" can be found on page 8 of this press release and have therefore been omitted from this section.

### **Problems Facing Hitachi Group**

The Hitachi Group will draw on its full resources to implement the following measures aimed at achieving a quick recovery in profitability in accordance with its basic policy to "promote collaborative creation and profits."

- All businesses will be thoroughly managed using FIV, an economic value-added evaluation index unique to the Company, and businesses will be reorganized and strengthened as necessary based on their FIV performance.
- New value that anticipates market needs will be offered to customers by strengthening Group proposal-based sales capabilities.
- Effective consolidated business management will be ensured by strengthening collaborative creation within the Hitachi Group. At the same time, the number of consolidated subsidiaries will be reduced to enable the Group to be managed more efficiently, and capital ties will be re-examined as needed to increase profitability.
- Importance will be placed on collaborative creation with domestic and overseas partners through the aggressive pursuit of strategic alliances, including technical alliances, joint ventures, and business integrations, as Hitachi works to increase earnings.
- In terms of global operations, collaborative creation with local communities will be

promoted through increased recruitment of local people and localization of operations, while reinforcing sales capabilities and the Hitachi brand.

- Efforts will be made to expand sales of distinctive products with high market shares in order to achieve a significant increase in profitability. Corporate research and development staff will be assigned to business departments to shorten development lead times.
- Bearing firmly in mind that the maintenance and improvement of quality are key to winning credibility as a manufacturer, thorough quality control will be enforced in research and development, design, manufacturing, and all other departments to strengthen MONOZUKURI (manufacturing) capabilities.
- Adhering to “business basics and ethics,” internal systems will be operated efficiently to eliminate the execution of business activities that do not comply with laws and regulations. At the same time, Hitachi will push ahead with the fine-tuning of systems that facilitate more efficient business operations.

**Hitachi, Ltd. and Subsidiaries**  
**Consolidated Financial Statements**  
**For the Year ended March 31, 2007**

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 March 30, 2007.

**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 years ended March 31			
	Yen (millions)		(A)/(B) X100 (%)	U.S. Dollars (millions)
	2007 (A)	2006 (B)		2007
1. Revenues	10,247,903	9,464,801	108	86,847
2. Operating income	182,512	256,012	71	1,547
3. Income before income taxes and minority interests	202,338	274,864	74	1,715
4. Income before minority interests	39,524	120,516	33	335
5. Net income (loss)	(32,799)	37,320	-	(278)
6. Net income (loss) per share				
Basic	(9.84)	11.20	-	(0.08)
Diluted	(9.87)	10.84	-	(0.08)
7. Net income (loss) per ADS (representing 10 shares)				
Basic	(98)	112	-	(0.83)
Diluted	(99)	108	-	(0.84)

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 934 consolidated subsidiaries, including Variable Interest Entities, and 165 equity-method affiliates.



## Consolidated Statements of Operations

	The years ended March 31			
	Yen (millions)		(A)/(B) X100	U.S. Dollars (millions)
	2007 (A)	2006 (B)	(%)	2007
Revenues	10,247,903	9,464,801	108	86,847
Cost of sales	8,088,371	7,387,744	109	68,546
Selling, general and administrative expenses	1,977,020	1,821,045	109	16,754
Operating income	182,512	256,012	71	1,547
Other income	102,987	87,593	118	873
(Interest and dividends)	31,977	24,591	130	271
(Other)	71,010	63,002	113	602
Other deductions	83,161	68,741	121	705
(Interest charges)	37,794	33,265	114	320
(Other)	45,367	35,476	128	384
Income before income taxes and minority interests	202,338	274,864	74	1,715
Income taxes	162,814	154,348	105	1,380
Income before minority interests	39,524	120,516	33	335
Minority interests	72,323	83,196	87	613
Net income (loss)	(32,799)	37,320	-	(278)

**Consolidated Balance Sheets**

	Yen (millions)		(A)-(B)	U.S. Dollars (millions)
	As of March 31, 2007 (A)	As of March 31, 2006 (B)		As of March 31, 2007
Assets	10,644,259	10,021,195	623,064	90,206
Current assets	5,434,135	5,167,317	266,818	46,052
Cash and cash equivalents	617,866	658,255	(40,389)	5,236
Short-term investments	33,986	162,756	(128,770)	288
Trade receivables				
Notes	154,406	127,284	27,122	1,309
Accounts	2,341,609	2,266,097	75,512	19,844
Investments in leases	148,456	143,569	4,887	1,258
Inventories	1,450,258	1,262,308	187,950	12,290
Other current assets	687,554	547,048	140,506	5,827
Investments and advances	1,049,724	1,029,673	20,051	8,896
Property, plant and equipment	2,688,977	2,460,186	228,791	22,788
Other assets	1,471,423	1,364,019	107,404	12,470

Liabilities, Minority interests and Stockholders' equity	10,644,259	10,021,195	623,064	90,206
Current liabilities	4,667,544	4,121,451	546,093	39,555
Short-term debt and current portion of long-term debt	1,197,607	1,000,555	197,052	10,149
Trade payables				
Notes	85,282	68,599	16,683	723
Accounts	1,584,959	1,416,367	168,592	13,432
Advances received	284,704	277,887	6,817	2,413
Other current liabilities	1,514,992	1,358,043	156,949	12,839
Noncurrent liabilities	2,460,169	2,355,164	105,005	20,849
Long-term debt	1,489,843	1,418,489	71,354	12,626
Retirement and severance benefits	818,457	827,669	(9,212)	6,936
Other liabilities	151,869	109,006	42,863	1,287
Minority interests	1,073,749	1,036,807	36,942	9,100
Stockholders' equity	2,442,797	2,507,773	(64,976)	20,702
Common stock	282,033	282,033	0	2,390
Capital surplus	560,796	561,484	(688)	4,753
Legal reserve and retained earnings	1,713,757	1,778,203	(64,446)	14,523
Accumulated other comprehensive loss	(88,450)	(95,997)	7,547	(750)
(Foreign currency translation adjustments)	(20,906)	(43,426)	22,520	(177)
(Pension liability adjustments)	(146,329)	-	(146,329)	(1,240)
(Minimum pension liability adjustments)	-	(145,903)	145,903	-
(Net unrealized holding gain on available-for-sale securities)	77,883	92,626	(14,743)	660
(Cash flow hedges)	902	706	196	8
Treasury stock	(25,339)	(17,950)	(7,389)	(215)

Note: Long-term portion of Trade Receivables and Investments in leases as of March 31, 2007 are included in Other assets.

The balances as of March 31, 2006 are reclassified to conform to the March 31, 2007 presentations.

**Consolidated Statements of Stockholders' Equity**

Yen (millions)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total stockholders' equity
The year ended March 31, 2007						
As of March 31, 2006	282,033	561,484	1,778,203	(95,997)	(17,950)	2,507,773
Decrease arising from equity transaction, net transfer of minority interest, and other		(3,293)	(3,329)			(6,622)
Net income (loss)			(32,799)			(32,799)
Current-period change of accumulated other comprehensive loss				7,547		7,547
Cash dividends			(28,318)			(28,318)
Current-period change arising from treasury stock		2,605			(7,389)	(4,784)
As of March 31, 2007	282,033	560,796	1,713,757	(88,450)	(25,339)	2,442,797
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
Decrease arising from equity transaction, net transfer of minority interest, and other		(4,026)	(1,671)			(5,697)
Net income			37,320			37,320
Current-period change of accumulated other comprehensive loss				205,527		205,527
Cash dividends			(36,644)			(36,644)
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 year ended March 31, 2007						
As of March 31, 2006	2,390	4,758	15,070	(814)	(152)	21,252
Decrease arising from equity transaction, net transfer of minority interest, and other		(28)	(28)			(56)
Net income (loss)			(278)			(278)
Current-period change of accumulated other comprehensive loss				64		64
Cash dividends			(240)			(240)
Current-period change arising from treasury stock		22			(63)	(41)
As of March 31, 2007	2,390	4,753	14,523	(750)	(215)	20,702

Note: "Legal reserve" and "Retained earnings" have been combined and shown as "Retained earnings".

Accordingly, figures as of March 31, 2006 have been reclassified.

## Consolidated Statements of Cash Flows

	The years ended March 31		
	Yen (millions)		U.S. Dollars (millions)
	2007	2006	2007
Cash flows from operating activities			
Net income (loss)	(32,799)	37,320	(278)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation	472,175	451,170	4,001
Deferred income taxes	20,514	33,815	174
Loss on disposal of rental assets and other property	31,590	8,983	268
(Increase) decrease in receivables	52,599	(94,078)	446
Increase in inventories	(212,028)	(107,069)	(1,797)
Increase in payables	104,987	107,271	890
Other	178,004	253,463	1,509
Net cash provided by operating activities	615,042	690,875	5,212
Cash flows from investing activities			
Decrease in short-term investments	25,054	1,104	212
Capital expenditures	(497,771)	(382,386)	(4,218)
Purchase of rental assets, net	(420,156)	(433,364)	(3,561)
Sale (purchase) of investments and subsidiaries' common stock, net	(99,688)	32,074	(845)
Collection of investments in leases	318,063	419,956	2,695
Other	(111,672)	(138,746)	(946)
Net cash used in investing activities	(786,170)	(501,362)	(6,662)
Cash flows from financing activities			
Increase (decrease) in interest-bearing debt	165,359	(203,835)	1,401
Dividends paid to stockholders	(28,243)	(36,509)	(239)
Dividends paid to minority stockholders of subsidiaries	(20,761)	(17,591)	(176)
Other	4,904	(3,703)	42
Net cash provided by (used in) financing activities	121,259	(261,638)	1,028
Effect of exchange rate changes on cash and cash equivalents	9,480	21,665	80
Net decrease in cash and cash equivalents	(40,389)	(50,460)	(342)
Cash and cash equivalents at beginning of year	658,255	708,715	5,578
Cash and cash equivalents at end of year	617,866	658,255	5,236

## Segment Information

### (1) Industry Segments

		The years ended March 31			
		Yen (millions)		(A)/(B) X100	U.S. Dollars (millions)
		2007 (A)	2006 (B)	(%)	2007
Revenues	Information & Telecommunication Systems	2,472,227 21%	2,360,956 21%	105	20,951
	Electronic Devices	1,287,492 11%	1,204,407 11%	107	10,911
	Power & Industrial Systems	3,022,299 26%	2,805,169 25%	108	25,613
	Digital Media & Consumer Products	1,506,073 13%	1,305,658 12%	115	12,763
	High Functional Materials & Components	1,794,506 15%	1,600,246 15%	112	15,208
	Logistics, Services & Others	1,213,529 10%	1,214,784 11%	100	10,284
	Financial Services	500,065 4%	517,975 5%	97	4,238
	Subtotal	11,796,191 100%	11,009,195 100%	107	99,968
	Eliminations & Corporate items	(1,548,288)	(1,544,394)	-	(13,121)
Total		10,247,903	9,464,801	108	86,847
Operating income (loss)	Information & Telecommunication Systems	60,343 23%	84,687 26%	71	511
	Electronic Devices	45,755 18%	20,439 6%	224	388
	Power & Industrial Systems	36,391 14%	92,552 28%	39	308
	Digital Media & Consumer Products	(58,435) (23%)	(35,771) (11%)	-	(495)
	High Functional Materials & Components	132,399 51%	110,069 34%	120	1,122
	Logistics, Services & Others	20,233 8%	19,511 6%	104	171
	Financial Services	23,534 9%	35,001 11%	67	199
	Subtotal	260,220 100%	326,488 100%	80	2,205
	Eliminations & Corporate items	(77,708)	(70,476)	-	(659)
Total		182,512	256,012	71	1,547

Note: Revenues by industry segment include intersegment transactions.

**(2) Geographic Segments**

			The years ended March 31			
			Yen (millions)		(A)/(B) X100 (%)	U.S. Dollars (millions) 2007
			2007 (A)	2006 (B)		
Revenues	Japan	Outside customer sales	7,010,181 57%	6,747,222 61%	104	59,408
		Intersegment transactions	1,274,048 11%	1,033,180 9%	123	10,797
		Total	8,284,229 68%	7,780,402 70%	106	70,205
	Asia	Outside customer sales	1,459,549 12%	1,178,568 11%	124	12,369
		Intersegment transactions	561,208 4%	453,823 4%	124	4,756
		Total	2,020,757 16%	1,632,391 15%	124	17,125
	North America	Outside customer sales	981,098 8%	899,608 8%	109	8,314
		Intersegment transactions	89,912 1%	64,486 1%	139	762
		Total	1,071,010 9%	964,094 9%	111	9,076
	Europe	Outside customer sales	645,354 5%	519,042 5%	124	5,469
		Intersegment transactions	37,454 1%	27,390 0%	137	317
		Total	682,808 6%	546,432 5%	125	5,787
	Other Areas	Outside customer sales	151,721 1%	120,361 1%	126	1,286
		Intersegment transactions	21,574 0%	11,182 0%	193	183
		Total	173,295 1%	131,543 1%	132	1,469
	Subtotal		12,232,099 100%	11,054,862 100%	111	103,662
	Eliminations & Corporate items		(1,984,196)	(1,590,061)	-	(16,815)
	Total		10,247,903	9,464,801	108	86,847

		The years ended March 31			
		Yen (millions)		(A)/(B) X100	U.S. Dollars (millions)
		2007 (A)	2006 (B)	(%)	2007
Operating income (loss)	Japan	212,316 80%	275,715 83%	77	1,799
	Asia	(3,664) (1%)	6,727 2%	-	(31)
	North America	25,310 9%	23,428 7%	108	214
	Europe	23,312 9%	18,702 6%	125	198
	Other Areas	8,647 3%	6,555 2%	132	73
	Subtotal	265,921 100%	331,127 100%	80	2,254
	Eliminations & Corporate items	(83,409)	(75,115)	-	(707)
Total	182,512	256,012	71	1,547	

**(3) Revenues by Market**

		The years ended March 31			
		Yen (millions)		(A)/(B) X100	U.S. Dollars (millions)
		2007 (A)	2006 (B)	(%)	2007
Japan		6,093,627 59%	5,825,156 62%	105	51,641
	Asia	1,859,664 18%	1,619,235 17%	115	15,760
	North America	1,057,389 10%	968,957 10%	109	8,961
	Europe	869,022 9%	748,480 8%	116	7,365
	Other Areas	368,201 4%	302,973 3%	122	3,120
Outside Japan		4,154,276 41%	3,639,645 38%	114	35,206
Total		10,247,903 100%	9,464,801 100%	108	86,847

###

**Hitachi, Ltd.**  
**Unconsolidated Financial Statements**  
**for the Year ended March 31, 2007**  
**(118yen = U.S.\$1)**

May 16, 2007

	Yen (millions)	2007(A)	2006(B)	(A)/(B)X100	U.S. Dollars (millions)	2007
<b><u>Income Statements</u></b>						
Revenues		2,785,115	2,713,331	103%		23,603
Cost of sales		2,277,213	2,174,910	105%		19,298
Gross Profit		507,901	538,420	94%		4,304
S.G.A. expenses		574,187	537,365	107%		4,866
Operating income (loss)		(66,285)	1,054	—		(562)
Other income		99,546	98,121	101%		844
Other deductions		70,478	56,484	125%		597
Ordinary income (loss)		(37,217)	42,691	—		(315)
Extraordinary gain		56,803	57,415	99%		481
Extraordinary loss		176,579	63,139	280%		1,496
Income (loss) before income taxes		(156,992)	36,966	—		(1,330)
Current income taxes		(14,375)	(2,258)	636%		(122)
Deferred income taxes		35,432	2,220	—		300
Net income (loss)		(178,049)	37,005	—		(1,509)
Basic EPS (yen and dollars)		(53.44)	11.11	—		(0.45)
Diluted EPS (yen and dollars)		—	11.11	—		—
<b><u>Balance Sheets</u></b>						
Current assets		1,927,116	1,850,334	104%		16,331
(Quick assets)		1,525,965	1,457,868	105%		12,932
(Inventories)		277,449	285,697	97%		2,351
(Deferred tax assets)		123,700	106,769	116%		1,048
Fixed assets		1,946,785	1,983,935	98%		16,498
(Investments)		1,395,682	1,393,633	100%		11,828
(Deferred tax assets)		23,127	70,454	33%		196
(Others)		527,976	519,847	102%		4,474
Total assets		3,873,901	3,834,270	101%		32,830
Current liabilities		1,931,985	1,720,326	112%		16,373
Fixed liabilities		755,220	708,713	107%		6,400
(Debentures)		290,000	290,000	100%		2,458
(Long-term loans)		291,088	224,188	130%		2,467
(Others)		174,132	194,525	90%		1,476
Total liabilities		2,687,206	2,429,039	111%		22,773
Net assets		1,186,695	1,405,230	84%		10,057
Liabilities and net assets		3,873,901	3,834,270	101%		32,830



**Supplementary Information for the Year ended March 31, 2007**

**1. Summary**

**(1) Consolidated Basis**

(Billions of yen)

	Fiscal 2005		Fiscal 2006		Fiscal 2007 (Forecast)			
	(A)	(A)/ FY2004	(B)	(B)/(A)	1st half of FY2007	Note 2	(C)	(C)/(B)
Revenues	9,464.8	105%	10,247.9	108%	4,950.0	104%	10,500.0	102%
C/U(Note 1)(%)	349	-	368	-	-	-	-	-
Operating income	256.0	92%	182.5	71%	90.0	453%	290.0	159%
Income before income taxes and minority interests	274.8	104%	202.3	74%	85.0	329%	300.0	148%
Income before minority interests	120.5	105%	39.5	33%	15.0	-	130.0	329%
Income before minority interests/(Stockholders' equity + Minority interests )(%)	3.6	-	1.1	-	-	-	-	-
Net income (loss)	37.3	72%	(32.7)	-	(25.0)	-	40.0	-
C/U (Note 1)(%)	101	-	-	-	-	-	-	-
ROE(%)	1.5	-	(1.3)	-	-	-	-	-
Dividend payout ratio (%)	98.2	-	-	-	-	-	-	-
Average exchange rate (yen / U.S.\$)	114	-	117	-	110	-	110	-
Net interest and dividends	(8.6)	-	(5.8)	-	-	-	-	-

Notes: 1.C/U:Consolidated basis / Unconsolidated basis

2.1st half of FY 2007 / 1st half of FY 2006

	As of March 31, 2006	As of March 31, 2007
Cash & cash equivalents, Short-term investments (Billions of yen)	821.0	651.8
Interest-bearing debt (Billions of yen)	2,419.0	2,687.4
Number of employees	355,879	384,444
Japan	242,659	250,767
Overseas	113,220	133,677
Number of consolidated subsidiaries (Including Variable Interest Entities)	932	934
Japan	476	450
Overseas	456	484

**(2) Unconsolidated Basis**

(Billions of yen)

	Fiscal 2005		Fiscal 2006	
	(A)	(A)/ FY 2004	(B)	(B)/(A)
Revenues	2,713.3	104%	2,785.1	103%
Operating income (loss)	1.0	-	(66.2)	-
Ordinary income (loss)	42.6	192%	(37.2)	-
Net income (loss)	37.0	358%	(178.0)	-
Average exchange rate (yen / U.S.\$)	114	-	117	-

	As of March 31, 2006	As of March 31, 2007
Cash & cash equivalents, Short-term investments (Billions of yen)	219.2	177.8
Interest-bearing debt (Billions of yen)	621.1	797.6
Number of employees	41,157	41,016

**2. Consolidated Revenues by Industry Segment**

(Billions of yen)

	Fiscal 2005		Fiscal 2006(Note 1)		Fiscal 2007 (Forecast)			
	(A)	(A)/ FY 2004	(B)	(B)/(A)	1st half of FY2007	Note 2	(C)	(C)/(B)
Information & Telecommunication Systems	2,360.9	104%	2,472.2	105%	1,130.0	98%	2,420.0	98%
Electronic Devices	1,204.4	91%	1,287.4	107%	600.0	93%	1,235.0	96%
Power & Industrial Systems	2,805.1	112%	3,022.2	108%	1,580.0	123%	3,400.0	112%
Digital Media & Consumer Products	1,305.6	102%	1,506.0	115%	785.0	103%	1,630.0	108%
High Functional Materials & Components	1,600.2	106%	1,794.5	112%	890.0	102%	1,810.0	101%
Logistics, Services & Others	1,214.7	97%	1,213.5	100%	575.0	94%	1,200.0	99%
Financial Services	517.9	98%	500.0	97%	230.0	87%	480.0	96%
Eliminations & Corporate items	(1,544.3)	-	(1,548.2)	-	(840.0)	-	(1,675.0)	-
Total	9,464.8	105%	10,247.9	108%	4,950.0	104%	10,500.0	102%

Notes : 1. 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.

2. 1st half of FY 2007 / 1st half of FY 2006

### 3. Consolidated Operating Income (Loss) by Industry Segment

(Billions of yen)

	Fiscal 2005		Fiscal 2006(Note 1)		Fiscal 2007 (Forecast)			
	(A)	(A)/ FY 2004	(B)	(B)/(A)	1st half of FY 2007	Note 2	(C)	(C)/(B)
Information & Telecommunication Systems	84.6	125%	60.3	71%	(15.0)	-	73.0	121%
Electronic Devices	20.4	55%	45.7	224%	24.0	100%	43.0	94%
Power & Industrial Systems	92.5	126%	36.3	39%	55.0	-	120.0	330%
Digital Media & Consumer Products	(35.7)	-	(58.4)	-	(13.0)	-	(15.0)	-
High Functional Materials & Components	110.0	126%	132.3	120%	58.0	91%	127.0	96%
Logistics, Services & Others	19.5	199%	20.2	104%	5.0	63%	18.0	89%
Financial Services	35.0	113%	23.5	67%	11.0	70%	22.0	93%
Eliminations & Corporate items	(70.4)	-	(77.7)	-	(35.0)	-	(98.0)	-
Total	256.0	92%	182.5	71%	90.0	453%	290.0	159%

Notes : 1. 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.

2. 1st half of FY 2007 / 1st half of FY 2006

### 4. Consolidated Overseas Revenues by Industry Segment

(Billions of yen)

	Fiscal 2005		Fiscal 2006		Fiscal 2007 (Forecast)	
	(A)	(A)/ FY 2004	(B)	(B)/(A)	(C)	(C)/(B)
Information & Telecommunication Systems	781.9	114%	913.8	117%	/	
Electronic Devices	448.7	89%	457.0	102%		
Power & Industrial Systems	924.8	132%	1,114.0	120%		
Digital Media & Consumer Products	544.6	106%	575.3	106%		
High Functional Materials & Components	514.0	116%	599.6	117%		
Logistics, Services & Others	377.5	96%	436.7	116%		
Financial Services	47.7	109%	57.5	121%		
Total	3,639.6	111%	4,154.2	114%		

**5. Overseas Production (Total Revenues of Overseas Manufacturing Subsidiaries)**

(Billions of yen)

	Fiscal 2005		Fiscal 2006	
	(A)	(A)/ FY 2004	(B)	(B)/(A)
Overseas production	1,868.2	116%	2,295.1	123%
Percentage of revenues	20%	-	22%	-
Percentage of overseas revenues	51%	-	55%	-

**6. Consolidated Capital Investment by Industry Segment (Completion basis, including leasing assets)**

(Billions of yen)

	Fiscal 2005		Fiscal 2006		Fiscal 2007 (Forecast)			
	(A)	(A)/ FY 2004	(B)	(B)/(A)	(C)	(C)/(B)		
Information & Telecommunication Systems	123.2	120%	155.6	126%	/			
Electronic Devices	35.7	76%	34.6	97%				
Power & Industrial Systems	106.7	109%	151.9	142%				
Digital Media & Consumer Products	38.5	100%	83.1	216%				
High Functional Materials & Components	84.5	112%	91.8	109%				
Logistics, Services & Others	24.1	77%	28.2	117%				
Financial Services	570.6	97%	554.8	97%				
Eliminations & Corporate items	(28.9)	-	(51.8)	-				
Total	954.7	99%	1,048.5	110%			1,140.0	109%
Internal use Assets	397.4	104%	522.9	132%			580.0	111%
Leasing Assets	557.2	97%	525.5	94%	560.0	107%		

## 7. Consolidated Depreciation by Industry Segment

(Billions of yen)

	Fiscal 2005		Fiscal 2006		Fiscal 2007 (Forecast)	
	(A)	(A)/ FY 2004	(B)	(B)/(A)	(C)	(C)/(B)
Information & Telecommunication Systems	82.7	107%	93.2	113%		
Electronic Devices	45.6	105%	37.8	83%		
Power & Industrial Systems	79.6	108%	91.7	115%		
Digital Media & Consumer Products	40.6	107%	43.5	107%		
High Functional Materials & Components	64.3	98%	65.9	102%		
Logistics, Services & Others	23.6	101%	23.3	99%		
Financial Services	111.8	111%	113.8	102%		
Corporate items	2.6	90%	2.6	100%		
Total	451.1	106%	472.1	105%		
Internal use Assets	329.6	105%	346.4	105%	440.0	127%
Leasing Assets	121.4	109%	125.7	104%	130.0	103%

## 8. Consolidated R&D Expenditure by Industry Segment

(Billions of yen)

	Fiscal 2005		Fiscal 2006		Fiscal 2007 (Forecast)	
	(A)	(A)/ FY 2004	(B)	(B)/(A)	(C)	(C)/(B)
Information & Telecommunication Systems	161.6	98%	157.8	98%		
Electronic Devices	47.0	99%	46.0	98%		
Power & Industrial Systems	85.5	109%	95.0	111%		
Digital Media & Consumer Products	33.4	104%	35.8	107%		
High Functional Materials & Components	48.8	113%	50.1	103%		
Logistics, Services & Others	4.7	90%	2.5	53%		
Financial Services	1.6	72%	1.5	90%		
Corporate items	21.9	150%	23.4	107%		
Total	405.0	104%	412.5	102%		
Percentage of revenues	4.3%	-	4.0%	-	4.1%	-

**9. Consolidated Balance Sheets by Financial and Non-Financial Services**

(Billions of yen)

Assets	As of March 31, 2006	As of March 31, 2007	Liabilities and Stockholders' equity	As of March 31, 2006	As of March 31, 2007
Manufacturing, Services and Others			Manufacturing, Services and Others		
Cash and cash equivalents	602.7	575.2	Short-term debt	753.4	1,088.2
Short-term investments	119.7	32.0	Trade payables	1,440.3	1,612.5
Trade receivables	2,001.4	2,095.2	Long-term debt	891.6	934.7
Inventories	1,262.2	1,450.7	Other liabilities	2,381.0	2,520.4
Investments and advances	921.5	906.5	Total	5,466.5	6,155.9
Property, plant and equipment	2,100.2	2,323.3	Financial Services		
Other assets	1,749.8	2,023.5	Short-term debt	820.0	811.7
Total	8,757.8	9,406.7	Trade payables	278.7	335.7
Financial Services			Long-term debt	677.8	709.9
Cash and cash equivalents	55.4	42.5	Other liabilities	224.4	292.2
Trade receivables	687.1	721.5	Total	2,001.0	2,149.7
Investments in leases	601.0	664.5	Eliminations	(991.0)	(1,178.0)
Property, plant and equipment	369.6	373.7	Liabilities	6,476.6	7,127.7
Other assets	567.5	639.6	Minority interests	1,036.8	1,073.7
Total	2,280.8	2,442.0	Stockholders' equity	2,507.7	2,442.7
Eliminations	(1,017.5)	(1,204.5)	Liabilities, Minority interests and Stockholders' equity	10,021.1	10,644.2
Assets	10,021.1	10,644.2			

**10. Consolidated Statements of Operations by Financial and Non-Financial Services**

(Billions of yen)

		Fiscal 2005	Fiscal 2006
Manufacturing, Services and Others	Revenues	9,191.6	9,954.6
	Cost of sales and selling, general and administrative expenses	8,968.9	9,793.0
	Operating income	222.7	161.6
Financial Services	Revenues	517.9	500.0
	Cost of sales and selling, general and administrative expenses	482.9	476.5
	Operating income	35.0	23.5
Eliminations	Revenues	(244.8)	(206.8)
	Cost of sales and selling, general and administrative expenses	(243.0)	(204.2)
	Operating income	(1.7)	(2.6)
Total	Revenues	9,464.8	10,247.9
	Cost of sales and selling, general and administrative expenses	9,208.7	10,065.3
	Operating income	256.0	182.5

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

###

**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 comparisons to the previous year; billions of yen)

	Fiscal 2006			Fiscal 2007 (Forecast)		
	1st half	2nd half	Total	1st half	2nd half	Total
Revenues	109%	102%	105%	98%	97%	98%
	1,147.8	1,324.4	2,472.2	1,130.0	1,290.0	2,420.0
Software & Services	114%	104%	108%	96%	96%	96%
	536.9	608.4	1,145.3	515.0	585.0	1,100.0
Software	106%	95%	100%			
	78.4	75.6	154.0			
Services	115%	106%	110%			
	458.5	532.8	991.3			
Hardware	105%	99%	102%	101%	98%	99%
	610.9	716.0	1,326.9	615.0	705.0	1,320.0
Storage *4	113%	110%	111%			
	351.2	420.1	771.3			
Servers *5	121%	95%	106%			
	47.3	45.9	93.2			
PCs *6	72%	60%	66%			
	37.0	32.5	69.5			
Telecommunication	86%	89%	88%			
	61.5	57.4	118.9			
Others	103%	94%	97%			
	113.9	160.1	274.0			
Operating income (loss)	60%	76%	71%	-	189%	121%
	13.8	46.4	60.3	(15.0)	88.0	73.0
Software & Services	75%	121%	101%			97%
	27.8	56.4	84.2			82.0
Hardware	-	-	-			-
	(14.0)	(10.0)	(24.0)			(9.0)

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 twelve months ended March 31, 2007 include the operating results of Hitachi GST for the twelve months ended December 31, 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.



**(2) Storage Solutions (except Hard Disk Drives)**

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

	Fiscal 2006			Fiscal 2007 (Forecast)		
	1st half	2nd half	Total	1st half	2nd half	Total
Revenues	114%	106%	109%	100%	101%	101%
	162.0	186.0	348.0	162.0	188.0	350.0

**(3) Hard Disk Drives \*7 \*8**

(The upper rows show comparisons to the previous year)

Period recorded for consolidated accounting purposes		Fiscal 2006				Fiscal 2007	
		1st half		2nd half	Total	1st quarter	Total (Forecast)
		1st quarter					
Shipment Period		Jan. 2006 to Mar. 2006	Jan. 2006 to Jun. 2006	Jul. 2006 to Dec. 2006	Jan. 2006 to Dec. 2006	Jan. 2007 to Mar. 2007	Jan. 2007 to Dec. 2007
Revenues	Yen (billions of yen)	118%	113%	116%	114%	116%	112%
		130.6	252.3	315.8	568.1	151.0	638.0
Revenues	U.S. dollar (millions of dollar)	106%	104%	113%	109%	113%	119%
		1,115	2,183	2,694	4,877	1,264	5,800
Operating loss	Yen (billions of yen)	-	-	-	-	-	-
		(5.4)	(18.4)	(25.4)	(43.7)	(18.0)	(33.0)
Operating loss	U.S. dollar (millions of dollar)	-	-	-	-	-	-
		(46)	(159)	(216)	(375)	(150)	(300)
Shipments (thousand units) *9		110%	108%	130%	120%	133%	90,000
		14,700	29,600	40,400	70,000	19,500	-95,000
Consumer and Commercial	1.8/2.5inch *10	133%	126%	139%	133%	121%	
		8,400	16,100	21,600	37,700	10,100	
Consumer and Commercial	3.5inch *11	119%	126%	145%	137%	154%	
		5,100	10,800	15,800	26,600	7,900	
Servers *12		128%	138%	111%	122%	130%	
		900	1,900	2,200	4,100	1,200	
Emerging *13		17%	18%	29%	22%	92%	
		350	810	790	1,600	330	

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.

## **2. Displays**

### **(1) Revenues and Operating Income (Loss)**

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

	Fiscal 2006			Fiscal 2007 (Forecast)		
	1st half	2nd half	Total	1st half	2nd half	Total
Revenues	107%	102%	105%	94%	106%	100%
	101.0	99.2	200.3	95.0	105.0	200.0
Operating income (loss)	-	-	-	-	92%	360%
	(4.3)	4.9	0.5	(2.5)	4.5	2.0

### **(2) LCD Revenues**

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

	Fiscal 2006			Fiscal 2007 (Forecast)		
	1st half	2nd half	Total	1st half	2nd half	Total
Revenues	107%	108%	108%	99%	100%	99%
	86.0	91.0	177.0	85.0	91.0	176.0

## **3. Digital Media**

### **Shipments of Main Products \*14**

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

	Fiscal 2006			Fiscal 2007 (Forecast)		
	1st half	2nd half	Total	1st half	2nd half	Total
Optical Disk Drives *15	100%	106%	103%	111%	110%	110%
	36,000	41,000	77,000	40,000	45,000	85,000
Plasma TVs *16	178%	150%	160%	156%	200%	182%
	320	450	770	500	900	1,400
LCD TVs	222%	172%	189%	175%	145%	157%
	200	310	510	350	450	800

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 twelve months ended March 31, 2007 include the operating results of HLDS for the twelve months ended December 31, 2006.

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

###

# Outline of Consolidated Financial Results for Fiscal 2006

May 16, 2007

Hitachi, Ltd.

**HITACHI**  
Inspire the Next



# Outline of Consolidated Financial Results for Fiscal 2006

May 16, 2007



## Contents

1. Outline of Consolidated Financial Results for Fiscal 2006
2. Outlook for Fiscal 2007
3. Overview by Industry Segment

# Outline of Consolidated Financial Results for Fiscal 2006

May 16, 2007



## Contents

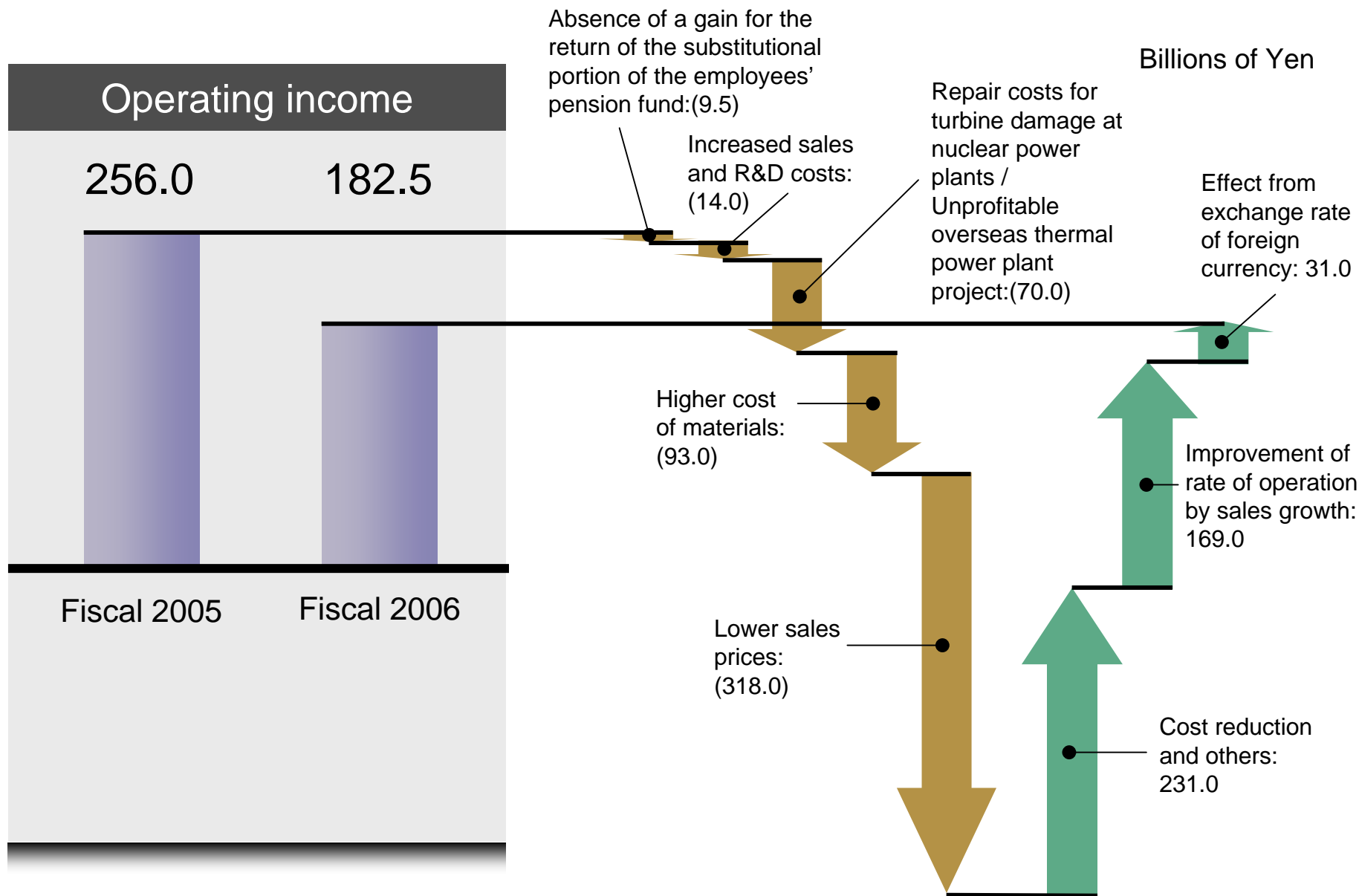
1. Outline of Consolidated Financial Results for Fiscal 2006
2. Outlook for Fiscal 2007
3. Overview by Industry Segment

# 1-1. Summary of Financial Results for Fiscal 2006

Billions of Yen

	Fiscal 2005	Fiscal 2006	Year-over-year % change
Revenues	9,464.8	10,247.9	108%
Operating income	256.0	182.5	71%
Income before income taxes and minority interests	274.8	202.3	74%
Income before minority interests	120.5	39.5	33%
Net income (loss)	37.3	(32.7)	-

# 1-2. Major Factors of Change in Operating Income (Year-over-year)



# 1-3. Revenues by Market

Billions of Yen

	Fiscal 2005	Ratio	Fiscal 2006	Ratio	Year-over-year % change
Japan	5,825.1	62%	6,093.6	59%	105%
Outside Japan	3,639.6	38%	4,154.2	41%	114%
Asia	1,619.2	17%	1,859.6	18%	115%
North America	968.9	10%	1,057.3	10%	109%
Europe	748.4	8%	869.0	9%	116%
Other Areas	302.9	3%	368.2	4%	122%
<b>Total</b>	<b>9,464.8</b>	<b>100%</b>	<b>10,247.9</b>	<b>100%</b>	<b>108%</b>

Ratio of Overseas Revenues 41%



# 1-4. Consolidated Statements of Operations

Billions of Yen

	Fiscal 2005	Fiscal 2006	Year-over-year % change
Revenues	9,464.8	10,247.9	108%
Operating income	256.0	182.5	71%
Income before income taxes and minority interests	274.8	202.3	74%
Income taxes	154.3	162.8	105%
Income before minority interests	120.5	39.5	33%
Minority interests	83.1	72.3	87%
Net income (loss)	37.3	(32.7)	-

# 1-5. Consolidated Balance Sheets

Billions of Yen

	As of March 31, 2006	As of March 31, 2007	Change from March 31, 2006
Total assets	10,021.1	10,644.2	623.0
Total liabilities	6,476.6	7,127.7	651.0
Interest-bearing debt	2,419.0	2,687.4	268.4
Minority interests	1,036.8	1,073.7	36.9
Stockholders' equity	2,507.7	2,442.7	(64.9)
Stockholders' equity ratio	25.0%	22.9%	(2.1)
D/E Ratio (Including minority interests)	0.68 times	0.76 times	+0.08

# 1-6. Consolidated Statements of Cash Flows

Billions of Yen

	Fiscal 2005	Fiscal 2006	Year-over-year change
Cash flows from operating activities	690.8	615.0	(75.8)
Cash flows from investing activities	(501.3)	(786.1)	(284.8)
Free cash flows	189.5	(171.1)	(360.6)
Cash flows from financing activities	(261.6)	121.2	382.8

## (1) Consolidated capital investment

Billions of Yen

	Fiscal 2005	Fiscal 2006	Year-over-year % change
Consolidated capital investment	954.7	1,048.5	110%
Internal use assets	397.4	522.9	132%
Leasing assets	557.2	525.5	94%

## (2) Consolidated R&amp;D expenditure

Billions of Yen

	Fiscal 2005	Fiscal 2006	Year-over-year % change
Consolidated R&D expenditure	405.0	412.5	102%
Percentage of revenues	4.3%	4.0%	-

# 1-8. Revenues by Industry Segment

Billions of Yen

	Fiscal 2005	Fiscal 2006	Year-over-year % change
Information & Telecommunication Systems	2,360.9	2,472.2	105%
Electronic Devices	1,204.4	1,287.4	107%
Power & Industrial Systems	2,805.1	3,022.2	108%
Digital Media & Consumer Products	1,305.6	1,506.0	115%
High Functional Materials & Components	1,600.2	1,794.5	112%
Logistics, Services & Others	1,214.7	1,213.5	100%
Financial Services	517.9	500.0	97%
Eliminations & Corporate items	(1,544.3)	(1,548.2)	-
<b>Total</b>	<b>9,464.8</b>	<b>10,247.9</b>	<b>108%</b>

# 1-9. Operating Income (Loss) by Industry Segment

Billions of Yen

	Fiscal 2005	Fiscal 2006	Year-over-year % change
Information & Telecommunication Systems	84.6	60.3	71%
Electronic Devices	20.4	45.7	224%
Power & Industrial Systems	92.5	36.3	39%
Digital Media & Consumer Products	(35.7)	(58.4)	-
High Functional Materials & Components	110.0	132.3	120%
Logistics, Services & Others	19.5	20.2	104%
Financial Services	35.0	23.5	67%
Eliminations & Corporate items	(70.4)	(77.7)	-
<b>Total</b>	<b>256.0</b>	<b>182.5</b>	<b>71%</b>

# Outline of Consolidated Financial Results for Fiscal 2006

May 16, 2007



## Contents

1. Outline of Consolidated Financial Results for Fiscal 2006
2. Outlook for Fiscal 2007
3. Overview by Industry Segment

## 2-1. Outlook for Fiscal 2007

Billions of Yen

	Fiscal 2006	Fiscal 2007 (Forecast)	Year-over-year % change
Revenues	10,247.9	10,500.0	102%
Operating income	182.5	290.0	159%
Income before income taxes and minority interests	202.3	300.0	148%
Income before minority interests	39.5	130.0	329%
Net income (loss)	(32.7)	40.0	-



## 2-2. Outlook for Revenues of Fiscal 2007 by Industry Segment

Billions of Yen

	Fiscal 2006	Fiscal 2007 (Forecast)	Year-over-year % change
Information & Telecommunication Systems	2,472.2	2,420.0	98%
Electronic Devices	1,287.4	1,235.0	96%
Power & Industrial Systems	3,022.2	3,400.0	112%
Digital Media & Consumer Products	1,506.0	1,630.0	108%
High Functional Materials & Components	1,794.5	1,810.0	101%
Logistics, Services & Others	1,213.5	1,200.0	99%
Financial Services	500.0	480.0	96%
Eliminations & Corporate items	(1,548.2)	(1,675.0)	-
<b>Total</b>	<b>10,247.9</b>	<b>10,500.0</b>	<b>102%</b>

## 2-3. Outlook for Operating Income (Loss) of Fiscal 2007 by Industry Segment

Billions of Yen

	Fiscal 2006	Fiscal 2007 (Forecast)	Year-over-year % change
Information & Telecommunication Systems	60.3	73.0	121%
Electronic Devices	45.7	43.0	94%
Power & Industrial Systems	36.3	120.0	330%
Digital Media & Consumer Products	(58.4)	(15.0)	-
High Functional Materials & Components	132.3	127.0	96%
Logistics, Services & Others	20.2	18.0	89%
Financial Services	23.5	22.0	93%
Eliminations & Corporate items	(77.7)	(98.0)	-
<b>Total</b>	<b>182.5</b>	<b>290.0</b>	<b>159%</b>

# Outline of Consolidated Financial Results for Fiscal 2006

May 16, 2007



## Contents

1. Outline of Consolidated Financial Results for Fiscal 2006
2. Outlook for Fiscal 2007
3. Overview by Industry Segment

## (1) Overview

Billions of Yen

	Fiscal 2005	Fiscal 2006	Year-over-year % change	Fiscal 2007 (Forecast)	Year-over-year % change
Revenues	2,360.9	2,472.2	105%	2,420.0	98%
Software/Services	1,055.7	1,145.3	108%	1,100.0	96%
Hardware	1,305.1	1,326.9	102%	1,320.0	99%
Operating income (loss)	84.6	60.3	71%	73.0	121%
Software/Services	83.6	84.2	101%	82.0	97%
Hardware	1.0	(24.0)	—	(9.0)	—

## (2) Overview of the Fiscal 2006

### ● Revenues

[Increase of 5%]

- Growth in Software/Services
  - Healthy growth in solutions for financial institutions, outsourcing businesses
- Growth in Hardware
  - Higher sales of storage products and ATMs

### ● Operating income (loss)

[Decrease of 29%]

- Flat in Software/Services
  - Increase in earnings in services covered absence of a gain recorded in fiscal 2005 for the return of the substitutional portion of the employees' pension fund
- Losses in Hardware
  - Growth in disk array subsystems
  - Increased development costs of the next-generation telecommunications equipment and servers
  - Larger loss in hard disk drive operations

### (3) Outlook for Fiscal 2007

- Healthy growth in disk array subsystems
- Profit recovery in PC and server businesses
- Narrower losses in hard disk drive business

### (4) Key Initiatives

- Expand platform business in global market based on competitive products
- Turn the system solutions business into highly profitable business
- Expand the service/global business centered on consulting business

## (5) Overview of Hard Disk Drive Business

Billions of Yen

	Fiscal 2005 (Jan. 2005- Dec.2005)	Fiscal 2006 (Jan. 2006- Dec.2006)	Year-over- year % change	Fiscal 2007 (Forecast) (Jan. 2007- Dec.2007)	Year-over- year % change
Revenues	496.5	568.1	114%	638.0	112%
Operating loss	(27.0)	(43.7)	—	(33.0)	—

## (6) Key Initiatives in Hard Disk Drive Business

- Accelerate delivery of new products
  - New product ratio of 75% in fiscal 2007
  - Focusing management resources on 2.5-inch, 3.5-inch and Enterprise drives
- Thorough cost reduction
  - Increasing efficiency through reorganization of manufacturing/development sites
  - Continuous fixed costs reduction
  - Yield improvement and scrap cost reduction
- Manufacturing capacity growth through productivity improvement
  - Establishing new flexible production systems responsive to market demand changes

## (1) Overview

Billions of Yen

	Fiscal 2005	Fiscal 2006	Year-over-year % change	Fiscal 2007 (Forecast)	Year-over-year % change
Revenues	1,204.4	1,287.4	107%	1,235.0	96%
Display business	191.6	200.3	105%	200.0	100%
Operating income (loss)	20.4	45.7	224%	43.0	94%
Display business	(22.8)	0.5	—	2.0	360%

## (2) Overview of the Fiscal 2006

### ● Revenues

[Increase of 7%]

- Growth in sales of display products by focusing management resources on small and medium-sized LCDs
- Higher sales at Hitachi High-Technologies

### ● Operating income (loss)

[Increase of 124%]

- Display business moved into the black due to the success of reform initiatives
- Hitachi High-Technologies reported higher earnings

## (3) Outlook for Fiscal 2007

- Maintain the profitability in display business

## (1) Overview

Billions of Yen

	Fiscal 2005	Fiscal 2006	Year-over-year % change	Fiscal 2007 (Forecast)	Year-over-year % change
Revenues	2,805.1	3,022.2	108%	3,400.0	112%
Operating income	92.5	36.3	39%	120.0	330%

## (2) Overview of the Fiscal 2006

### ● Revenues

[Increase of 8%]

- Growth in sales of Hitachi Construction Machinery, elevators and escalators, and industrial equipment
- Revenues increased due to the consolidation of Clarion Co., Ltd.

### ● Operating income

[Decrease of 61%]

- Higher earnings from Hitachi Construction Machinery, automotive systems, elevators and escalators and industrial equipment
- Lump-sum charges for repair costs for turbine damage at nuclear power plants and cost overruns in construction at an overseas thermal power plant

## (3) Outlook for Fiscal 2007

- Power systems business will return to profitability in fiscal 2007 by expanding and strengthening overseas projects
- Steady growth at Hitachi Construction Machinery and in industrial equipment



## (1) Overview

Billions of Yen

	Fiscal 2005	Fiscal 2006	Year-over-year % change	Fiscal 2007 (Forecast)	Year-over-year % change
Revenues	1,305.6	1,506.0	115%	1,630.0	108%
Operating loss	(35.7)	(58.4)	—	(15.0)	—

## (2) Overview of the Fiscal 2006

### ● Revenues

[Increase of 15%]

- Growth in plasma and other flat-panel TVs and DVD camcorders
- Growth in high-value-added models of refrigerator and washer-dryers
- Revenues increased due to merger of Hitachi Air Conditioning Systems (Power & Industrial Systems segment) with Hitachi Home & Life Solutions

### ● Operating loss

[Increased the loss]

- Price erosion of flat-panel TVs, DVD recorders and other products
- Sluggish sales of room air conditioners

## (3) Outlook for Fiscal 2007

- Flat-panel TV business aims to return to profitability in fiscal 2007
- Expect costs for optimizing product mix by reducing low-profit products

### (4) Overview of Flat-Panel TV Business

units

	Fiscal 2005	Fiscal 2006	Fiscal 2007 (Forecast)
Plasma TV shipments	480,000	770,000	1,400,000
LCD TV shipments	270,000	510,000	800,000

### (5) Key Initiatives in Flat-panel TV Business

- Efficient investment strategy
  - Focusing management resources on development of large-screen products and sales in North America and Japan
  - Quicker recovery of investment by improving production efficiency
- Rigorous cost-cutting
- Ensure quality and volume through "collaborative creation"
- Promote optimal business portfolio mix in terms of products and regions centered on plasma TVs
- Establish Supply Chain Management (SCM) system in 5 plants worldwide

## (1) Overview

Billions of Yen

	Fiscal 2005	Fiscal 2006	Year-over-year % change	Fiscal 2007 (Forecast)	Year-over-year % change
Revenues	1,600.2	1,794.5	112%	1,810.0	101%
Operating income	110.0	132.3	120%	127.0	96%

## (2) Overview of the Fiscal 2006

### ● Revenues

[Increase of 12%]

- Hitachi Metals: Growth mainly in electronics- and automotive-related fields
- Hitachi Chemical: Growth mainly in semiconductor-related field
- Hitachi Cable: Growth mainly in wires and cables

### ● Operating income

[Increase of 20%]

- Increase in earnings at Hitachi Metals, Hitachi Chemical and Hitachi Cable due to higher sales, cost-cutting and etc.

## (3) Outlook for Fiscal 2007

- Continued growth at Hitachi Metals and Hitachi Chemical
- Profit decline at Hitachi Cable

## (1) Overview of Logistics, Services & Others

Billions of Yen

	Fiscal 2005	Fiscal 2006	Year-over-year % change	Fiscal 2007 (Forecast)	Year-over-year % change
Revenues	1,214.7	1,213.5	100%	1,200.0	99%
Operating income	19.5	20.2	104%	18.0	89%

## (2) Overview of Financial Services

Billions of Yen

	Fiscal 2005	Fiscal 2006	Year-over-year % change	Fiscal 2007 (Forecast)	Year-over-year % change
Revenues	517.9	500.0	97%	480.0	96%
Operating income	35.0	23.5	67%	22.0	93%

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.

**HITACHI**  
Inspire the Next 