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.

<u>Outlook for Fiscal 2007</u>

	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.