1. Business Results and Financial Position

1-1. Summary of Fiscal 2007 Consolidated Business Results

(1) Business Results

	Year ended March 31, 2008		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	11,226.7	10%	112,267
Operating income	345.5	89%	3,455
Income before income taxes and minority interests	324.7	61%	3,248
Income before minority interests	52.6	33%	526
Net loss	(58.1)	-	(581)

During fiscal 2007, ended March 31, 2008, the global economy remained firm as a whole, driven by strong economies in the European Union (EU) and China. This was despite soaring crude oil and raw material prices, financial market turmoil triggered by the sub prime loan problem, a slowing U.S. economy and other contributing factors.

The Japanese economy continued to grow, albeit moderately, driven overall by capital investment and exports. On a negative note, however, consumer spending declined combined with a rapid appreciation in the yen's value against the U.S. dollar and falling share prices beginning in January 2008 affected the economy.

Hitachi's consolidated revenues were 11,226.7 billion yen, up 10% year over year. Revenues were higher year over year in the Information & Telecommunication Systems segment on growth in system integration, services and other areas. The Power & Industrial Systems segment also recorded higher revenues, primarily mainly due to growth in power systems, such as nuclear power plant equipment in Japan and coal-fired thermal power plant equipment with a lower environmental impact overseas, and construction machinery. Other segments with increasing revenues included High Functional Materials & Components, on the back of strong demand mainly for automotive- and electronic-related products, and Logistics, Services & Others.

Overseas revenues climbed 14%, to 4,742.2 billion yen. Revenues were higher year over year in all industry segments, centered on growth in Asia including China, and Europe, especially in the Power & Industrial Systems segment.

Consolidated operating income rose 89%, to 345.5 billion yen. Although the Digital Media & Consumer Products segment experienced an earnings decline, the Power & Industrial Systems segment posted much higher operating income, and the Information & Telecommunication Systems recorded strong performances and Electronic Devices segments also represent an increase in growth.

Other income increased 60%, to 165.1 billion yen, due mainly to net gains on sale of securities, including the sale of some shares for Hitachi-GE Nuclear Energy, Ltd. following its establishment and the sale of some shares for Hitachi Displays, Ltd. to Canon Inc. Other deductions increased 124% year over year, to 185.8 billion yen. This figure includes business structural reform-related expenses in the flat-panel TV business such as an impairment loss on plasma display panel production facilities at the second and third plants of the Miyazaki Works of Fujitsu Hitachi Plasma Display Ltd. (now Hitachi Plasma Display Ltd.). It also includes currency exchange losses resulting from the yen's rapid appreciation.

As a result, Hitachi recorded income before income taxes and minority interests of 324.7 billion yen, up 61% year over year.

Income taxes increased 109.3 billion yen, to 272.1 billion yen. This mainly reflected a 62.0 billion yen one-off write-down of deferred tax assets related to local taxes following re-assessment of the realizability of deferred tax assets in line with lower earnings in the Digital Media & Consumer Products segment. However, income before minority interests increased 33% year over year, to 52.6 billion yen. After deducting minority interests of 110.7 billion yen, Hitachi recorded a net loss of 58.1 billion yen.

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

Results by segment were as follows.

[Information & Telecommunication Systems]

	Year ended March 31, 2008		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	2,761.1	12%	27,611
Operating income	116.1	92%	1,161

Information & Telecommunication Systems segment recorded revenues of 2,761.1 billion yen, up 12% year over year. Software and services experienced an increase in revenues, reflecting strong growth in software sales, centered on middleware, and growth also in services due to both increased sales in system integration, particularly for financial institutions, and also expansion in the outsourcing and consulting businesses. Hardware revenues also rose year over year, the result of higher sales of HDDs, disk array subsystems, telecommunications networks and ATMs.

Segment operating income climbed 92% year over year, to 116.1 billion yen. Earnings in software and services rose sharply due to solid earnings growth in software as well as higher earnings in services stemming mainly from increased sales and stronger project management initiatives. Hardware was profitable due to higher earnings in telecommunications networks and an improvement in servers and HDDs.

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, 2008 include operating results of Hitachi GST for the period from January through December 2007.

[Electronic Devices]

	Year ended March 31, 2008		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	1,293.5	0%	12,935
Operating income	54.0	18%	540

Electronic Devices revenues were 1,293.5 billion yen, almost the same as fiscal 2006. While Hitachi High-Technologies Corporation experienced sales growth of medical analysis equipment for Europe and the U.S. markets and lower sales of semiconductor devices, optical devices and other sales businesses simultaneously, revenues in the display business were flat in accordance with as Hitachi focused on small and medium-sized LCDs.

Segment operating income rose 18% year over year, to 54.0 billion yen, reflecting the growth in medical analysis equipment and improved earnings in semiconductor devices and other areas.

[Power & Industrial Systems]

	Year ended March 31, 2008		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	3,568.1	18%	35,682
Operating income	138.4	280%	1,385

Power & Industrial Systems revenues rose 18%, to 3,568.1 billion yen in fiscal 2007. The main factor was growth in sales in the power systems business due to higher sales of nuclear power plant equipment in Japan, and of coal-fired thermal power plant equipment overseas with a lower environmental impact. The overall segment revenue growth also reflected growth in railway vehicle and systems and robust revenues for Hitachi Construction Machinery Co., Ltd. Growth in automotive systems, due in part to Clarion Co., Ltd. becoming a consolidated subsidiary in December 2006, which also lifted overall segment performance.

Segment operating income was 138.4 billion yen, a 280% increase year over year. There was a large improvement in earnings in the power systems business, mainly reflecting higher sales and the absence of lump-sum charges for dealing with unprofitable projects and others that were recorded in fiscal 2006. In addition, Hitachi Construction Machinery maintained strong earnings.

[Digital Media & Consumer Products]

	Year ended March 31, 2008		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	1,504.6	0%	15,047
Operating loss	(109.9)	-	(1,099)

Digital Media & Consumer Product revenues were 1,504.6 billion yen, largely unchanged from the previous fiscal year. While air-conditioning equipment and home appliances reflected a sales increase and optical disk drives also maintained strong growth; the flat revenues were due to such factors as contraction and withdrawal in the projection TV and consumer PC businesses.

The segment saw its operating loss widen by 51.4 billion yen year over year, to 109.9 billion yen, mainly due to sluggish growth in flat-panel TVs, particularly large-screen models, and falling prices, as well as business structural reform-related expenses for rebuilding the sales framework and expenses for improving the product mix by reducing and withdrawing low-margin products. On a positive note, air-conditioning equipment continued to record strong earnings overseas.

Note: 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 year ended March 31, 2008 include operating results of HLDS for the period from January through December 2007.

[High Functional Materials & Components]

	Year ended March 31, 2008		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	1,875.0	4%	18,750
Operating income	141.0	7%	1,410

High Functional Materials & Components revenues were 1,875.0 billion yen, up 4% year over year. One factor was steady sales at Hitachi Metals, Ltd., principally in automotive- and IT-related products. Another factor was steady sales growth for Hitachi Chemical Co., Ltd, mainly in the semiconductor-related field. Furthermore, Hitachi Cable, Ltd. posted increased sales, mainly due to higher sales of wires and cables as well as submarine optical fiber cables.

Segment operating income rose 7%, to 141.0 billion yen, due to healthy earnings growth for Hitachi Metals, Hitachi Chemical and Hitachi Cable.

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[Logistics, Services & Others]

	Year ended March 31, 2008		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	1,271.4	5%	12,715
Operating income	27.8	38%	279

Logistics, Services & Others revenues were 1,271.4 billion yen, 5% higher year over year. This was the result mainly of higher sales for Hitachi Transport System, Ltd. due to expansion in the third-party logistics solutions business and other factors.

Segment operating income posted a 38% year over year increase, to 27.8 billion yen, the result of higher earnings for a Hitachi Transport System on increased sales in the third-party logistics solutions business and improved transportation efficiency.

[Financial Services]

	Year ended March 31, 2008		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	445.4	(11%)	4,454
Operating income	25.4	8%	255

Financial Services revenues were 445.4 billion yen, 11% lower year over year, the result mainly of selective order-winning activities for Hitachi Capital Corporation.

Segment operating income rose 8% year over year, to 25.4 billion yen, mainly due to the sale of investments in leases for Hitachi Capital.

(3) Revenues by Market

	Year ended March 31, 2008		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Japan	6,484.4	6%	64,845
Outside Japan	4,742.2	14%	47,422
Asia	2,167.1	17%	21,672
North America	1,023.7	(3%)	10,237
Europe	1,073.8	24%	10,739
Other Areas	477.4	30%	4,775

Revenues in Japan rose 6% year over year, to 6,484.4 billion yen.
Overseas revenues overall rose 14%, to 4,742.2 billion yen due to growth in Europe and Asia, primarily in China. As a result, the ratio of overseas revenues to consolidated revenues rose 1 percentage point to 42%.

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

Capital investment on a completion basis, excluding leasing assets, declined 2%, to 512.4 billion yen, mainly due to the end of a round of investment in the HDD business. The primary investments during fiscal 2007 were in manufacturing equipment for power systems for power plants, railcars, construction machinery, plasma display panels and other items.

Depreciation, excluding leasing assets, increased 20% year over year, to 417.2 billion yen. This reflected an increase in capital investments in fiscal 2006 and a change in accounting estimates of depreciation for some assets.

R&D expenditures, which were used to advance development primarily in power systems for power plants and automotive systems-related areas, rose 4% year over year, to 428.1 billion yen, and corresponded to 3.8% of consolidated revenues.

(5) Outlook for Fiscal 2008

	Year ending March 31, 2009		
	Billions of yen	Year-over-year % change	Millions of U.S. dollars
Revenues	11,100.0	(1%)	111,000
Operating income	380.0	10%	3,800
Income before income taxes and minority interests	330.0	2%	3,300
Income before minority interests	150.0	185%	1,500
Net income	40.0	-	400

In terms of the overall business environment, the outlook for the global economy is clouded with uncertainty due to turmoil in financial markets sparked by the subprime loan problem, a slowing U.S. economy and other contributing factors. Adding to continued uncertainty are surging crude oil and raw material prices and the yen's appreciation.

Due to these economic conditions, Hitachi is forecasting the results shown above for fiscal 2008, the year ending March 31, 2009.

Hitachi will continue efforts to promote collaborative creation with customers, create new businesses, strengthen targeted businesses and expand overseas operations by maximizing the use of Group business resources, such as R&D and marketing capabilities, personnel and its funding system. Also, Hitachi will strengthen purchasing power, standardize and integrate business operations and take other steps leveraging Group synergies, to reduce procurement costs, business expenses, IT operational costs and other costs. Hitachi is implementing business restructuring measures aimed at building a high-earnings framework, and strengthening its financial position. Furthermore, in the flat-panel TV business, where there are still issues regarding profitability, the Hitachi Group is garnering its collective strengths to launch high-value-added products that are distinct from competitors' and also strengthening cost competitiveness. These actions are aimed at quickly improving the earnings structure in this business.

Through steady implementation of these initiatives, Hitachi will work to become more competitive on a consolidated basis and to establish a more powerful earnings base by establishing a structure that consistently generates higher profits.

Projections for fiscal 2008 assume an exchange rate of 100 yen to the U.S. dollar and 155 yen to the euro.

1-2. Financial Position

(1) Financial Position

	Year ended March 31, 2008		
	Billions of yen	Change from March 31, 2007	Millions of U.S. dollars
Total assets	10,530.8	(113.4)	105,308
Total liabilities	7,217.7	90.0	72,177
Interest-bearing debt	2,531.5	(155.9)	25,315
Minority interests	1,142.5	68.7	11,425
Stockholders' equity	2,170.6	(272.1)	21,706
Stockholders' equity ratio	20.6%	2.3 point decrease	-
D/E ratio (including minority interests)	0.76 times	-	-

Total assets as of March 31, 2008 were 10,530.8 billion yen, a decrease of 113.4 billion yen from March 31, 2007, the result of efforts to reduce operating assets to improve cash flows. Interest-bearing debt decreased 155.9 billion yen, to 2,531.5 billion yen. Stockholders' equity decreased 272.1 billion yen, to 2,170.6 billion yen; due mainly to an increase in accumulated other comprehensive loss from the application of fair-value accounting and the net loss for fiscal 2007. As a result, the stockholders' equity ratio declined 2.3 points to 20.6%. The debt-to-equity ratio (including minority interests) was almost unchanged at 0.76.

(2) Cash Flows

	Year ended March 31, 2008		
	Billions of yen	Year-over-year change	Millions of U.S. dollars
Cash flows from operating activities	791.8	176.7	7,918
Cash flows from investing activities	(637.6)	148.5	(6,376)
Free cash flows	154.2	325.3	1,542
Cash flows from financing activities	(185.5)	(306.8)	(1,856)

Operating activities provided net cash of 791.8 billion yen, an improvement of 176.7 billion yen year over year, reflecting progress in quickly collecting accounts receivable and reducing inventories, among other factors.

Investing activities used net cash of 637.6 billion yen, 148.5 billion yen less than in fiscal 2006. This resulted mainly from selective order-winning activities in leasing business and strict selection of investments.

Free cash flows, the sum of cash flows from operating and investing activities, were 154.2 billion yen.

Financing activities used net cash of 185.5 billion yen, mainly for the repayment of debt and payment of dividends.

The net result of the above items was a decrease of 56.9 billion yen in cash and cash equivalents, to 560.9 billion yen.

(3) Trend of Cash Flow Index

	Half year ended September 30, 2006	Year ended March 31, 2007	Half year ended September 30, 2007	Year ended March 31, 2008
Shareholders' equity ratio (%)	23.4	22.9	22.6	20.6
Equity ratio based on market value (%)	22.3	28.6	23.7	18.7
Cash flow to interest-bearing debt ratio	14.7	4.4	7.0	3.2
Interest coverage ratio (times)	10.3	16.3	18.0	18.7

(a) Shareholder's equity ratio: Shareholders' equity / Total assets
(b) Equity ratio based on market value: Market capitalizations / Total assets
(c) Cash flow to interest-bearing debt ratio: Interest-bearing debt / Cash flows from operating activities
(d) 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 2007 and 2008 Dividends

Hitachi views enhancement of the long-term and overall interests of shareholders as an important management objective. The industrial sector encompassing energy, information systems, social infrastructure and other primary businesses of Hitachi is undergoing rapid technological innovation and changes in market structure. This makes vigorous upfront investment in R&D and plant and equipment essential for securing and maintaining market competitiveness and improving profitability. Dividends are therefore decided based on medium-to-long term business plans with an eye on ensuring the availability of internal funds for reinvestment and the stable growth of dividends, with appropriate consideration of a range of factors, including Hitachi's financial condition, results of operations and dividend payout ratio.

Hitachi believes that the repurchase of its shares should be undertaken, when necessary, as part of its policy on distribution to shareholders to complement the dividend payout. In addition, Hitachi will repurchase its own shares on an ongoing basis in order to implement a flexible capital strategy, including business restructuring, to maximize shareholder value so far as consistent with the dividend policy. Such action will be taken by Hitachi after considering its future capital requirement under its business plans, market conditions and other relevant factors.

Based on the above policies, Hitachi declared a dividend of 6 yen per share for fiscal 2007. The dividend for fiscal 2008 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 utilizes 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; intensifying competition; supply and demand balance; the procurement of raw materials and components; the ability to implement mergers and acquisitions and to 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:

- increasing commoditization of information technology products, and intensifying price competition in the markets for such products, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- 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;
- 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 restrictions 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;
- the 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 order materials published by Hitachi.

2. Corporate Strategy

(1) Corporate Strategy

This section has been omitted because there have been no major changes to the information disclosed by the Company on May 16, 2007 in a release titled “Hitachi Announces Consolidated Financial Results for Fiscal 2006.” This earnings release can be viewed at the following URL http://www.hitachi.com/New/cnews/070516.html

(2) Problems Facing Hitachi Group

In the light of the current business circumstances and its business results, Hitachi will vigorously promote the following measures to increase the corporate value of the Hitachi Group.

- In the flat-panel TV business where profitability issues remain, all available resources of the Hitachi Group will be mobilized to market high value-added products for differentiation from other companies. In addition, cost competitiveness will be thoroughly reinforced in order to improve the profit structure at an early date.
- Market trends will be assessed accurately for aggressive investment in business areas and geographical regions where growth can be expected, and efforts will be made to create Group synergy.
- A strong commitment will be made to strengthen MONOZUKURI (designing, manufacturing and repairing products) capabilities, and efforts will be made to improve quality in order to provide customers with safe products that can be used with ease of mind.
- Efforts will be made to develop and promote the sales of products that satisfy the Company’s environmental standards, embracing the conservation of global environment as a mission of the Hitachi Group as well as a significant business opportunity.
- Collaboration between designing and materials procurement will be reinforced, and competitiveness will be enhanced through cost reduction starting from the product development stage, as well as through thorough delivery date management.
- Risks related to large-scale overseas projects will be managed thoroughly, thereby improving profitability in the expanding overseas markets.
- An efficient operating infrastructure employing information technology will be promoted, and efforts will be made to ensure information security.
- Sustained growth will be realized by making efforts to foster human resources to lead our global business deployment, along with efforts to energize the workplace.
- Efforts will be made to establish business ethics, commit to “business basics and ethics,” and thoroughly eliminate violations of laws and regulations in order to solidify the credibility from the customers and the society.