1. Business Results

(1) Summary of Fiscal 2008 First-Quarter Consolidated Business Results

	Three months ended June 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	2,543.4	3%	23,995
Operating income	77.6	217%	733
Income before income taxes and minority interests	83.6	97%	789
Income before minority interests	54.3	503%	513
Net income	31.5	-	298

During the first quarter, the global economy was affected by soaring crude oil and raw materials prices, in addition to financial market turmoil triggered by the subprime loan problem, coupled with a slowing U.S. economy and the first signs of a slowdown in European Union (EU) economies brought on by the declining U.S. economy. However, despite these less than favorable factors, emerging economies continued to perform strongly, with China maintaining a double-digit rate of economic growth.

The Japanese economy saw increased demand for energy-conserving and environmental-related equipment on the back of rising environmental awareness. On the other hand, however, consumer spending was weak, largely due to higher consumer prices. Corporate capital investment was also lackluster due to further escalation in raw material prices and other factors.

Set against this economic backdrop, Hitachi’s consolidated revenues rose 3% year over year, to 2,543.4 billion yen, mainly due to higher revenues in the Information & Telecommunication Systems and Power & Industrial Systems segments.

Overseas revenues increased 3% year over year, to 1,147.5 billion yen, the result chiefly due to growth in Asia including China and Europe.

Consolidated operating income climbed 217%, to 77.6 billion yen. In addition to a significant increase in earnings in the Information & Telecommunication Systems segment, earnings grew in the Power & Industrial Systems, High Functional Materials & Components, Logistics, Services & Others, and Financial Services segments, and the Digital Media & Consumer Products segment also experienced an improvement in earnings.

Other income declined 3%, to 28.5 billion yen. Meanwhile, other deductions increased 96%, to 22.6 billion yen, principally due to the booking of write down of securities.

As a result, Hitachi recorded income before income taxes and minority interests of 83.6 billion yen, up 97% year over year. After income taxes of 29.2 billion yen, Hitachi posted income before minority interests of 54.3 billion yen, up 503% year over year. After deducting minority interests of 22.8 billion yen, Hitachi recorded net income of 31.5 billion yen.

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

Results by segment were as follows:

[Information & Telecommunication Systems]

	Three months ended June 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	593.6	7%	5,600
Operating income	23.5	-	222

This segment recorded revenues of 593.6 billion yen, an increase of 7% year over year. Software and services posted higher revenues, reflecting growth in software sales, centered on middleware, as well as growth in services due to both increased sales in system integration, particularly for financial institutions, and expansion in the outsourcing business. Hardware revenues also rose year over year, the result of higher sales of telecommunications networks and ATMs and steady growth in disk array subsystems.

Segment operating income was 23.5 billion yen, improving 31.8 billion yen from the same period of the previous fiscal year. Earnings in software and services rose year over year due to higher earnings in services, resulting primarily from increased sales and stronger project management initiatives. Hardware moved into the black due to the second successive quarter of profits from HDDs, following the profitable fiscal 2007 fourth quarter, resulting from structural reforms, as well as improved earnings from telecommunications networks.

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 three months ended June 30, 2008 include operating results of Hitachi GST for the three months ended March 31, 2008.

[Electronic Devices]

	Three months ended June 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	284.5	(2%)	2,684
Operating income	9.6	(4%)	91

Electronic Devices revenues were 284.5 billion yen, down 2% year over year. Although the display business recorded higher revenues on rising demand for small and medium-sized IPS LCDs, overall revenues experienced a decline due to lower revenues at Hitachi High-Technologies Corporation resulting from decreased demand for semiconductor-related production equipment, and the sale of a semiconductor manufacturing subsidiary overseas.

Segment operating income declined 4%, to 9.6 billion yen for the same reasons.

[Power & Industrial Systems]

	Three months ended June 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	817.8	12%	7,716
Operating income	26.2	7%	247

Power & Industrial Systems revenues rose 12%, to 817.8 billion yen. Contributing factors included healthy sales in the power systems business of nuclear power plant equipment in Japan, and coal-fired thermal power plant equipment overseas. The overall segment revenue also reflected strong growth in railway vehicles and systems and elevators and escalators, as well as strong revenue growth at Hitachi Construction Machinery Co., Ltd.

Segment operating income rose 7%, to 26.2 billion yen. Improved earnings were a direct result of increased sales and cost reduction despite the impact of soaring raw materials prices.

[Digital Media & Consumer Products]

	Three months ended June 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	335.5	(7%)	3,165
Operating loss	(13.8)	-	(131)

Digital Media & Consumer Product revenues were 335.5 billion yen, down 7% year over year. While air-conditioning equipment and home appliances recorded higher sales, the lower overall revenues were attributable to lower unit sales of flat-panel TVs accompanying structural reform of this business and the impact of contraction and withdrawal in the projection TV and consumer PC businesses.

The segment recorded an operating loss of 13.8 billion yen, which represented an 8.6 billion yen improvement on the first quarter result in fiscal 2007. One of the main reasons for this improvement was a smaller loss in the flat-panel TV business due to the benefits of business structural reform initiatives.

[High Functional Materials & Components]

	Three months ended June 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	455.6	(1%)	4,299
Operating income	36.0	25%	340

High Functional Materials & Components revenues were essentially unchanged from the same quarter of the previous fiscal year at 455.6 billion yen. Sales growth at Hitachi Metals, Ltd., principally in automotive- and IT-related products, and higher sales at Hitachi Cable, Ltd., mainly from information and telecommunications networking business, were offset by the impact of the sale of a subsidiary at Hitachi Chemical Co., Ltd.

Segment operating income rose 25%, to 36.0 billion yen, due to healthy earnings growth at Hitachi Metals and Hitachi Chemical.

[Logistics, Services & Others]

	Three months ended June 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	292.2	(1%)	2,757
Operating income	3.9	38%	37

Logistics, Services & Others revenues were 292.2 billion yen, almost the same as the first quarter of fiscal 2007. Although Hitachi Transport System, Ltd. recorded firm revenue growth, primarily due to expansion in the third-party logistics solutions business, some overseas sales subsidiaries recorded lower sales.

Segment operating income climbed 38%, to 3.9 billion yen, the result of higher earnings at Hitachi Transport System due to increased sales in the third-party logistics solutions business and improved transportation efficiency.

[Financial Services]

	Three months ended June 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	92.4	(15%)	872
Operating income	6.4	5%	61

Financial Services revenues were 92.4 billion yen, 15% lower year over year, primarily due to selective order-winning activities and smaller demand in market in leases at Hitachi Capital Corporation.

Segment operating income rose 5% year over year to 6.4 billion yen, mainly due to improved earnings at Hitachi Capital.

(3) Revenues by Market

	Three months ended June 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Japan	1,395.9	2%	13,170
Outside Japan	1,147.5	3%	10,826
Asia	527.8	6%	4,980
North America	234.9	(10%)	2,216
Europe	270.1	9%	2,549
Other Areas	114.5	11%	1,080

Revenues in Japan rose 2% year over year, to 1,395.9 billion yen.

Overseas revenues overall rose 3%, to 1,147.5 billion yen primarily due to growth in Europe and Asia, specifically in China and India. As a result, the ratio of overseas revenues to consolidated revenues was 45%, largely unchanged from the first quarter of fiscal 2007.

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

Capital investment on a completion basis, excluding leasing assets, decreased 19%, to 102.0 billion yen. While Hitachi concentrated investments mainly on manufacturing equipment for automotive systems and construction machinery, the decrease reflected stricter selection of investments.

Depreciation, excluding leasing assets, decreased 7%, to 97.8 billion yen, due mainly to the stricter selection of capital investment.

R&D expenditures, which were used to advance development primarily in power systems equipment for power plants and automotive systems-related areas and high functional materials, were largely unchanged at 98.5 billion yen, and corresponded to 3.9% of consolidated revenues.

2. Financial Position

(1) Financial Position

	Three months ended June 30, 2008		
	Yen (billions)	Change from March 31, 2008	U.S. dollars (millions)
Total assets	10,511.9	(18.8)	99,169
Total liabilities	7,167.2	(50.4)	67,615
Interest-bearing debt	2,606.7	75.1	24,591
Minority interests	1,156.1	13.6	10,907
Stockholders' equity	2,188.5	17.9	20,647
Stockholders' equity ratio	20.8%	0.2 point increase	-
D/E ratio (including minority interests)	0.78 times	0.02 point increase	-

Total assets as of June 30, 2008 were 10,511.9 billion yen, a decrease of 18.8 billion yen from March 31, 2008. Interest-bearing debt increased 75.1 billion yen to 2,606.7 billion yen due to an increase in short-term debt for seasonal reasons such as increased inventory. Stockholders' equity increased 17.9 billion yen from March 31, 2008 to 2,188.5 billion yen due to the improved first-quarter net income result. As a result, the stockholders' equity ratio increased by 0.2 of a point to 20.8%. The debt-to-equity ratio (including minority interests) was 0.78, up 0.02 of a point from March 31, 2008.

(2) Cash Flows

	Three months ended June 30, 2008		
	Yen (billions)	Year-over-year change	U.S. dollars (millions)
Cash flows from operating activities	51.8	(90.2)	489
Cash flows from investing activities	(149.5)	122.6	(1,411)
Free cash flows	(97.7)	32.3	(922)
Cash flows from financing activities	55.6	(115.7)	525

Operating activities provided net cash of 51.8 billion yen, a decrease of 90.2 billion yen from the cash provided in the first quarter of the previous fiscal year. The decrease was primarily due to smaller cash in-flows from large transaction related to thermal and nuclear power plants in the first quarter of fiscal 2007.

Investing activities used net cash of 149.5 billion yen, 122.6 billion yen less than in the first quarter of fiscal 2007, reflecting stricter selection of investments, including property, plant and equipment and share purchases.

Free cash flows, the sum of cash flows from operating and investing activities, were an outflow of 97.7 billion yen, which was improved by 32.3 billion yen year on year.

Financing activities provided net cash of 55.6 billion yen, represented by dividends paid and fund raising through bank borrowing. Therefore, cash provided by financing activities was improved by 115.7 billion yen year over year as a result of rising turnover of funds.

The net result of the above items was a decrease of 41.6 billion yen in cash and cash equivalents, to 5,193 billion yen.

3. Outlook for Fiscal 2008

	The first half of fiscal 2008 ending September 30, 2008		
	Yen (billions)	Year-over-year change	U.S. dollars (millions)
Revenues	5,330.0	1%	53,330
Operating income	125.0	3%	1,350
Income before income taxes and minority interests	103.0	(24%)	1,030
Income before minority interests	60.0	67%	600
Net income	14.0	-	140

	Year ending March 31, 2009		
	Yen (billions)	Year-over-year change	U.S. dollars (millions)
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

Note: All fiscal 2008 outlook figures were converted using 100 yen to the U.S. dollar, the same rate was used for fiscal 2008 consolidated financial forecast announced on May 13, 2008.

In terms of the overall business environment, the outlook for the global economy continues to be clouded with uncertainty due to turmoil in financial markets sparked by the subprime loan problem, a slowing U.S. economy and concern about a Chinese economic slowdown, stock market sluggishness, other contributing factors. Adding to continued uncertainty are surging crude oil and raw material prices and the yen’s ongoing appreciation.

Under these circumstances, Hitachi is forecasting the results shown above for the first half of fiscal 2008 and fiscal year ending March 31, 2009. These are the same forecasts as those announced with fiscal 2007 consolidated financial results on May 13, 2008.

Projections for the second quarter assume exchange rates of 105 yen to U.S. dollar and 160 yen to the euro.

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:

- increased commoditization of information technology products and digital media related products and intensifying price competition 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 innovation, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- exchange rate fluctuation for the yen and other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated, particularly against the U.S. dollar and the euro;
- increases in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum and synthetic resins;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rate fluctuation and/or increases in the price of raw materials;
- general socio-economic and political conditions and the regulatory and trade environment of Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, including, without limitation, a return to stagnation or a deterioration of the Japanese economy, direct or indirect restrictions by other nations on imports, or differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- 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 outcome of litigation, regulatory investigations and other 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 other materials published by Hitachi.