This segment recorded a 4% year-on-year increase in revenues, to ¥2,360.9 billion (U.S.$20,179 million), the result of growth in disk array subsystems, hard disk drives (HDDs) and certain other products. Operating income climbed 25% over the previous fiscal year, to ¥84.6 billion (U.S.$724 million), mainly on a strong performance in project management in the software and services sector.

Software and Services
In software and services, sales rose year on year. Software sales were on a par with the previous fiscal year. While lower demand for mainframes and other factors brought down sales of platform software, sales of middleware were healthy, particularly system operation management software. Services recorded higher year-on-year sales due to strong growth in the outsourcing business.

Earnings increased due to the strengthening of project management and other factors.

Hardware
Hardware sector sales increased from the previous fiscal year. Storage products posted a large increase in sales. In addition to higher sales of enterprise and mid-range disk array subsystems, especially overseas, this result reflected growth in HDDs chiefly for use in the home information appliance field. Server operations saw sales fall as demand shifted to low-priced models. PC operations also posted lower sales because of price declines. Hitachi-Omron Terminal Solutions, Corp., formed in October 2004 from a merger of

Hitachi’s information equipment businesses with those of Omron Corporation, recorded higher sales of ATMs equipped with finger vein authentication systems, as financial institutions beefed up security.

Earnings fell sharply year on year, mainly due to a larger loss in HDDs and a loss in PC operations, which were affected by exchange rate fluctuations.
Displays
Sales declined year on year. Large thin-film transistor (TFT) LCDs recorded a substantial drop in sales due to a decline in prices of LCDs and actions to downsize operations manufacturing LCDs for PCs. Small and medium-size TFT LCDs posted higher sales, the result of active efforts to expand sales. Growth, however, was hampered by lower prices and sluggish demand for mobile phones in Japan.

The sector recorded a sharp decline in earnings, a reflection of lower prices for LCDs for TVs and small and medium-size TFT LCDs, as well as the impact on profitability of poor capacity utilization.

Mass production of large LCD panels for TVs commenced in May 2006 at equity-method affiliate IPS Alpha Technology, Ltd. to respond to expansion in the flat-panel TV market. This joint venture was formed in 2005 by Hitachi with Toshiba Corporation, Matsushita Electric Industrial Co., Ltd. and others.

Hitachi High-Technologies Corporation
Sales decreased year on year. The electronic device systems business recorded flat sales compared with the previous fiscal year. In life science, sales rose on strong growth in sales of medical diagnosis equipment for customers in the U.S. and Europe. Information systems & electronic components, however, posted lower sales, mainly due to declining sales of consumer electronics to the U.S.

Earnings rose due to higher earnings in electronic device systems and life science.

Hitachi Medical Corporation
Sales increased year on year, despite lower sales of computerized tomography systems for overseas markets. The higher sales reflected strong sales of X-ray systems and other equipment.

Earnings declined year on year due to the impact of lower prices.
Power & Industrial Systems

Segment revenues rose 12%, to ¥2,805.1 billion (U.S.$23,976 million). This growth reflected healthy sales of industrial equipment and air-conditioning systems thanks to a recovery in private-sector plant and equipment investment. Another contributing factor was growth in sales of elevators and escalators and construction machinery, particularly in overseas markets. Operating income climbed 26%, to ¥92.5 billion (U.S.$791 million).

Power Systems
Sales rose year on year, with growth in overseas markets outweighing lower sales of power plants in Japan. Earnings, however, declined due in part to costs associated with additional construction work at certain overseas thermal power generation businesses.

Industrial Systems
Both sales and earnings increased in this sector due to healthy growth in sales of railway systems, in addition to higher sales of industrial and air-conditioning equipment.

Automotive Systems
Sales rose year on year due to the October 2004 merger with TOKICO LTD. Sector sales also benefited from healthy automobile production for overseas markets. On the other hand, earnings declined due to an increase in development expenses resulting from upfront investments.

Urban Planning and Development Systems
Both sales and earnings were higher than a year earlier. One factor was strong sales of elevators and escalators in the Chinese market. Results were also boosted by the July 2005 consolidation of two former affiliates in Thailand: one is engaged in the manufacture and sale of elevators and escalators, while the other company provides related maintenance services.

Hitachi Construction Machinery Co., Ltd.
Both sales and earnings rose year on year, driven by buoyant demand for construction machinery in global markets.

Hitachi Plant Engineering & Construction Co., Ltd.
This company posted growth in both sales and earnings on the back of strong performances in air-conditioning systems, and public and environmental systems.

In April 2006, Hitachi Plant Engineering & Construction Co., Ltd. merged with part of Hitachi, Ltd.’s Industrial Systems Group, Hitachi Kiden Kogyo, Ltd. and Hitachi Industries Co., Ltd. to strengthen the Hitachi Group’s social and industrial infrastructure systems business. The integrated company is called Hitachi Plant Technologies, Ltd.
Digital Media & Consumer Products

Segment revenues rose 2%, to ¥1,305.6 billion (U.S.$11,160 million), mainly due to growth in flat-panel TVs. The segment posted an operating loss of ¥35.7 billion (U.S.$306 million), compared with operating income of ¥8.6 billion a year earlier. This loss resulted from the impact of lower prices for flat-panel TVs and home appliances, as well as increased investments for marketing in digital media products.

Digital Media
Sales rose year on year despite a drop in projection TVs in North America as demand slid. The higher sales were the result of strong growth in plasma and LCD flat-panel TVs and DVD-related products. Another contributing factor was the April 2005 consolidation of Fujitsu Hitachi Plasma Display Limited to strengthen the plasma TV business.

In terms of earnings, the sector fell into a loss after reporting a profit a year earlier. Besides the effect of a drop in projection TVs, this reflected the impact of falling prices for plasma panels, DVD recorders, LCD projectors and other products. Increased investments for marketing in digital media products also affected earnings.

Home Appliances
Sales fell year on year. Although sales of washer-dryers were strong, sales of room air conditioners and refrigerators declined as prices fell.

The sector posted a loss, compared with a profit a year earlier. While earnings in vacuum cleaners were firm, supported by the launch of high-end models, lower prices for room air conditioners, refrigerators and other products as well as soaring raw materials expenses impacted sector earnings.

Hitachi Maxell, Ltd.
Sales rose year on year, the result of firm sales of rechargeable batteries, such as lithium-ion batteries for mobile phones, high-capacity computer tapes, recordable DVDs and optical components.

Earnings were higher, as improved capacity utilization and cost reductions offset the impact of lower prices and an escalation in the cost of materials.
Segment revenues rose 6%, to ¥1,600.2 billion (U.S.$13,677 million) due to strong sales in electronics- and automotive-related fields. Operating income climbed 26%, to ¥110.0 billion (U.S.$941 million).

Hitachi Chemical Co., Ltd.
Sales rose year on year. Sales of electronics-related products increased due to growth in sales of anisotropic conductive films for displays, slurry for chemical mechanical planarization, and die bonding materials for semiconductors. In advanced performance products, sales rose year on year due to higher sales of electrical insulating varnishes as well as strong growth in sales of automotive-related products such as automotive molded parts and disc brake pads. In housing equipment and environmental facilities, sales rose on higher sales of natural refrigerant heat pump water heaters, although prefabricated bathroom unit sales were lackluster.

Earnings increased year on year due to growth in electronics-related products and other factors.

Hitachi Metals, Ltd.
Sales increased year on year. In high-grade metal products and materials, sales rose due to higher sales of electronics-related materials, including sputtering target materials for LCDs, and automotive components and materials. In electronics and IT devices, sales were unchanged from a year earlier, with strong growth in amorphous alloys negated by lower sales of isolators for mobile phones. In high-grade functional components and equipment, sales rose on increases in sales of heat-resistant metal castings and aluminum wheels.

Earnings increased due to higher sales, in addition to cost cutting and price revisions.

Hitachi Cable, Ltd.
Sales increased year on year. In wires and cables, sales rose due to factors such as an increase in sales prices as the price of copper surged. In information and telecommunications networking, sales declined due to sluggish sales of information network devices and telecommunications cables. Sales of sophisticated materials rose due to increased sales of semiconductor packaging materials for LCDs and high-speed memories, in addition to higher sales prices of copper products, which were driven up by the surging price of copper.

Earnings increased due to higher sales and cost cutting.

Hitachi Chemical’s die bonding materials for semiconductors
Hitachi Metals’ amorphous alloys for transformers
Hitachi Cable’s flame retardant polyflex cables
Logistics, Services & Others

Segment revenues declined 3%, to ¥1,214.7 billion (U.S.$10,383 million). While Hitachi Transport System, Ltd. posted strong sales, Hitachi Mobile Co., Ltd. saw sales fall, as did overseas general trading companies. Operating income jumped 99% year on year, to ¥19.5 billion (U.S.$167 million) due to higher earnings at Hitachi Transport System, Ltd. and other factors.

Hitachi Transport System, Ltd.
Sales increased year on year. In the domestic distribution and transport business, sales rose on sharply higher sales in the third-party logistics solutions business due to new orders. Sales also increased in the global distribution and transport business on higher volumes of goods handled.

Earnings rose year on year due to growth in the third-party logistics solutions business and cost cutting.

Others
Hitachi Mobile Co., Ltd. recorded lower year-on-year sales due to a lackluster performance in the mobile communications business. The company also saw earnings fall as costs increased in line with the development of sales bases and due to other factors.

Overseas general trading companies posted lower sales but earnings improved.

Financial Services

Segment revenues decreased 2%, to ¥517.9 billion (U.S.$4,427 million), reflecting in part flat revenues at Hitachi Capital Corporation. Operating income increased 13%, to ¥35.0 billion (U.S.$299 million), mostly on higher earnings at Hitachi Capital Corporation.

Hitachi Capital Corporation
Volume rose over the previous fiscal year. Earnings also increased, the result of efforts to pare operating expenses, in addition to strong earnings in installment finance and others.

In the finance sector, volumes were unchanged from a year earlier, with lower volumes in the automobile finance business being offset by firm growth in information equipment-related leases and home loans. Sector earnings rose due to reductions in operating expenses.

In other financial services, volume rose year on year. This reflected an increase in the number of cardholders in the card businesses. The provision of new insurance products in the non-life insurance business and an increase in the customer base in the outsourcing business also drove volume higher. Earnings rose on the higher volume and other factors.