

To Our Shareholders

In 2010, Hitachi will mark its 100th anniversary. So as to ensure that we meet the expectations of shareholders and catalyze a new era of growth for Hitachi as we head toward this important milestone, we are working to increase our corporate value. In this endeavor, we will establish a new growth strategy that will include, among other initiatives, the creation of new businesses that seek to capture more Hitachi Group synergies. Stepping up initiatives to protect the natural environment globally will be an integral part of our approach, too. On top of that, we aim to become a truly global company in this new era by creating an even more robust operating base through the development and strengthening of the Social Innovation Business. This business is one of our strengths.



Etsuhiko Shoyama *Chairman and Director*

Kazuo Furukawa *President and Chief Executive Officer*

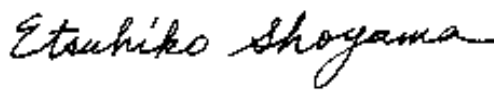
The economic environment has become extremely challenging in recent times. While BRICs and other countries continue to grow strongly, causes for concern are increasing. These include the slowing U.S. economy, the credit crunch in industrialized nations, the yen's appreciation against the greenback, and inflationary pressures stemming from skyrocketing resource prices. In response to these challenges, we have pushed ahead with a series of structural reforms with a view to growing our businesses and becoming a truly global company. Our efforts yielded strong growth in our stalwart Information & Telecommunication Systems and Power & Industrial Systems segments in fiscal 2007, ended March 31, 2008. This and other growth spurred us to a 10% year-on-year increase in revenues to ¥11,226.7 billion (U.S.\$112,267 million), and our operating income soared 89% to ¥345.5 billion (U.S.\$3,455 million). On the other hand, however, we recorded a net loss of ¥58.1 billion (U.S.\$581 million), which was ¥25.3 billion more than the previous fiscal year. This wider loss partly reflected one-off write-down of deferred tax assets related to local taxes. We wrote down deferred tax assets because of lower earnings in certain businesses. We are disappointed that we were unable to meet shareholders' expectations.

In terms of our financial condition, we achieved one of our management targets by holding the debt-to-equity ratio (interest-bearing debt/(minority interests + stockholders' equity)) under 0.80 times: the debt-to-equity ratio at March 31, 2008 was 0.76. Regrettably, the annual cash dividend per share applicable to fiscal 2007 was unchanged from fiscal 2006 at ¥6.0.

In fiscal 2008, we will seek to put Hitachi on a true growth path by reaping the benefits of business structural reforms implemented in fiscal 2007 and rigorously executing of our corporate strategy—"collaborative creation and profits." Besides the Social Innovation Business, which includes information and telecommunication systems and power and industrial systems, we will channel business resources into high functional materials and components and other areas. We will also implement structural reforms to strengthen and grow these businesses. Hitachi has launched a new initiative we call "Strengthening The Base '08-'09—for Sustained Growth." Under this initiative, we are taking steps to reinforce our operating base across the Group in order to grow globally. We are determined to meet the expectations of shareholders through steady implementation of these initiatives.

Hitachi's corporate credo is to contribute to society through the development of superior, original technology and products. This credo is guiding us as we work to improve corporate value and thereby meet the expectations of all our stakeholders, including shareholders, customers and employees. By also contributing to the preservation of the natural environment globally and to the advancement of society, we believe we can further increase long-term shareholder value.

June 20, 2008



Etsuhiko Shoyama
Chairman and Director



Kazuo Furukawa
President and Chief Executive Officer