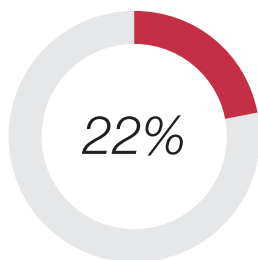


# Review of Operations

## Information & Telecommunication Systems

This segment recorded a 12% year-on-year increase in revenues, to ¥2,761.1 billion (U.S.\$27,611 million), the result of growth in software, services and HDDs (Hard Disk Drives). Operating income jumped 92%, to ¥116.1 billion (U.S.\$1,161 million), mainly due to higher earnings in services and a major improvement in HDD profitability.

### Share of Revenues



### Revenues (billions of yen)



### Operating Income (billions of yen)



### Software and Services

In software and services, sales rose year on year. Software sales were higher than the previous fiscal year on the back of growth in sales of both platform software for mainframes and middleware such as system operation management software.

Services recorded higher year-on-year sales due to growth in system integration, particularly for financial institutions, and strong growth in the outsourcing and consulting businesses.

Earnings increased year on year due to the higher sales, as well as the benefits of rigorous cost cutting and better management of projects with an emphasis on profitability.

### Hardware

Hardware sales increased from the previous fiscal year. Storage products posted higher sales on increased HDD sales, particularly for notebook and desktop PCs, as well as healthy growth in disk array subsystems, particularly mid-range products. Telecommunications networks also saw sales rise due to strong growth in routers, switches and others. However, server operations sales decreased year on year, despite growth in blade servers, mainly as a result of lower mainframe sales. PC operations also posted lower sales, owing to progress with a cooperative agreement with another company designed to structurally reform business PC operations.

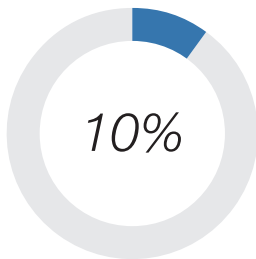
Earnings in hardware operations improved greatly and the business returned to profitability after posting a loss in the previous fiscal year. In addition to a major improvement in HDDs, server and PC operations were in the black. Earnings in telecommunications networks also rose in line with higher sales.

(Note) Share of revenues for each segment is calculated based on amounts before the elimination of inter-segment transactions.

# Electronic Devices

Segment revenues were roughly the same as the previous fiscal year, at ¥1,293.5 billion (U.S.\$12,935 million). Operating income rose 18%, to ¥54.0 billion (U.S.\$540 million) mainly because of higher earnings at Hitachi High-Technologies Corporation.

## Share of Revenues



## Revenues (billions of yen)



## Operating Income (billions of yen)



## Displays

Sales were steady year on year. Although there was a decline in sales caused by the transfer of operations related to large LCD panels for TVs to equity-method affiliate IPS Alpha Technology, Ltd., in fiscal 2006, this was offset by active efforts to expand sales of small and medium-sized TFT (Thin Film Transistor) LCD panels, which center on mobile phone applications, by promoting the features of high picture quality IPS (In-Plane Switching) technology.

Earnings declined year on year despite successful cost reduction efforts and improvements in the product mix of small and medium-sized TFT LCD panels, due to the impact of lower prices and other factors.

## Hitachi High-Technologies Corporation

Sales were level year on year. The electronic device systems business recorded growth, mainly due to a strong performance by CD-SEMs (Critical-Dimension Scanning Electron Microscope) and other

semiconductor manufacturing equipment. In life sciences too, sales increased, mainly of chemical analyzers for customers in the U.S. and Europe. However, information systems & electronic components saw lower sales of semiconductor devices in Asia. Advanced industrial products recorded lower sales of materials for functional components and equipment, and optical components for LCD projectors.

Earnings rose year on year due to strong growth in earnings in life sciences and improved profitability in information systems & electronic components.

## Hitachi Medical Corporation

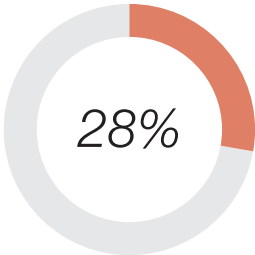
Sales were lower year on year. Although sales of digital ultrasound diagnostic systems increased, mainly in Europe, the decrease was due to lower sales of MRI (Magnetic Resonance Imaging) systems in Japan and the U.S. and X-ray systems in Japan.

Earnings rose year on year as a result of progress cutting fixed costs.

# Power & Industrial Systems

Segment revenues rose 18%, to ¥3,568.1 billion (U.S.\$35,682 million). The increase reflected growth in power systems, as a result of construction of nuclear power plants in Japan and coal-fired thermal power plants overseas. Revenues were also boosted by growth of construction machinery, elevators and escalators, and railway vehicles and systems, mainly in overseas markets. Operating income increased 280% year on year, to ¥138.4 billion (U.S.\$1,385 million). This reflected the absence of lump-sum charges for dealing with unprofitable projects that were recorded in the previous fiscal year, as well as a strong performance from construction machinery.

## Share of Revenues



## Revenues (billions of yen)

FY06	3,022.2
FY07	3,568.1

## Operating Income (billions of yen)

FY06	36.3
FY07	138.4

### Power Systems

Sales jumped year on year as a result of growth in construction of nuclear power plants in Japan and coal-fired thermal power plants overseas.

Earnings also improved greatly. This reflected the absence of lump-sum charges for dealing with unprofitable projects that were recorded in the previous fiscal year and other factors.

### Automotive Systems

Sales rose due to the effect of consolidating Clarion Co., Ltd. in the previous fiscal year and strong sales of car components to automotive manufacturers in Japan.

Earnings were also up due to the effect of the consolidation of Clarion and rigorous cost cutting.

### Urban Planning and Development Systems

Sales rose year on year due to strong growth in elevators and escalators, mainly in China.

Earnings were also up on the back of the strong performance by elevators and escalators in China and rigorous cost cutting.

### Hitachi Construction Machinery Co., Ltd.

Both sales and earnings increased year on year due to strong growth by construction machinery, mainly overseas.

### Hitachi Plant Technologies, Ltd.

Sales rose year on year due to growth in pumps and compressors, mainly overseas.

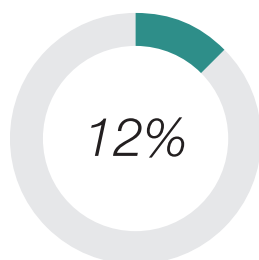
However, earnings decreased due to cost overruns incurred as a result of soaring raw materials prices and defective performance.

## Digital Media & Consumer Products

Segment revenues were largely unchanged at ¥1,504.6 billion (U.S.\$15,047 million). While sales of air-conditioning equipment and home appliances increased year on year, sales of flat-panel TVs and certain other products were down.

The segment posted an operating loss of ¥109.9 billion (U.S.\$1,099 million), ¥51.4 billion more than the previous fiscal year. This was largely due to sluggish growth in flat-panel TVs and business structural reform-related expenses.

### Share of Revenues



### Revenues (billions of yen)



### Operating Loss (billions of yen)



### Digital Media

Sales fell year on year. In optical disk drives, sales of high-value-added products recorded growth. However, this was offset by lower flat-panel TV sales due to sluggish growth in sales volume and lower prices, as well as contraction in the projection TV business, streamlining of DVD recorder sales channels and other business structural reforms.

The sector reported a larger loss than the previous fiscal year, despite improvements in projection TVs and DVD recorders. The wider loss reflected the effects of sluggish growth in sales volume and lower prices for large flat-panel TVs, coupled with business structural reform-related expenses.

### Comprehensive Air Conditioning and Home Appliances

Sales rose year on year. This was due to strong growth in industrial air conditioning equipment and room air conditioners, especially overseas, in line with higher demand, and higher sales of large refrigerators and washing machines.

The sector reported higher earnings year on year, despite the impact of a sudden jump in materials expenses and lower prices for washing machines and vacuum cleaners, especially in Japan. The increase was due to strong growth in industrial air conditioning equipment and room air conditioners, especially overseas.

### Hitachi Maxell, Ltd.

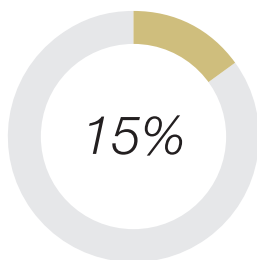
Sales increased year on year. While sales of optical disks, audio tapes and video tapes decreased, prismatic lithium-ion rechargeable batteries for mobile phones and pickup lenses for optical disk drives turned in a strong performance. Sales also received a boost from the September 2007 consolidation of Siontec Corporation.

Earnings decreased from the previous fiscal year due to lower prices for computer tapes and optical disks, which outweighed growth in prismatic lithium-ion rechargeable batteries and profitability improvement in pickup lenses for optical disk drives.

# High Functional Materials & Components

Segment revenues rose 4%, to ¥1,875.0 billion (U.S.\$18,750 million). Operating income increased 7%, to ¥141.0 billion (U.S.\$1,410 million).

## Share of Revenues



## Revenues (billions of yen)



## Operating Income (billions of yen)



### Hitachi Cable, Ltd.

Sales rose year on year. In wires and cables, sales rose on the back of solid demand. In information and telecommunications networking, sales also rose, buoyed by strong demand for optical submarine cables and wireless systems. Sales in sophisticated materials were roughly level with the previous fiscal year.

Earnings increased due to higher sales and rigorous cost cutting.

### Hitachi Chemical Co., Ltd.

Sales were level year on year. Sales of electronics-related products increased due to growth in sales of copper-clad laminates for printed wiring boards with high heat-resistance property, photosensitive dry films and other materials for printed wiring boards, as well as die bonding materials, epoxy molding compounds and other semiconductor-related products. In advanced performance products, sales rose year on year due mainly to growth in sales of molded plastic rear hatch door and

other automotive-related products. In housing equipment and environmental facilities, sales declined due to the January 2008 sale of shares in Hitachi Housotec Co., Ltd. and subsequent elimination from the scope of consolidation.

Earnings increased year on year due to growth in semiconductor-related products and cost cutting.

### Hitachi Metals, Ltd.

Sales rose year on year. High-grade metal products and materials posted year-on-year growth due to increased sales of materials for molds and metal tools and other automotive-related products. In electronics and IT devices, sales also rose as amorphous alloys for transformers performed strongly. In high-grade functional components and equipment, sales rose on increases in sales of heat-resistant exhaust castings, aluminum wheels and other automotive-related components.

Earnings increased due to rigorous cost cutting and price revisions.

## Logistics, Services & Others

Segment revenues were ¥1,271.4 billion (U.S.\$12,715 million), up 5% on the previous fiscal year, largely due to firm sales growth at Hitachi Transport System, Ltd. and higher sales at some overseas general trading companies. Operating income jumped 38%, to ¥27.8 billion (U.S.\$279 million), mainly due to higher earnings at Hitachi Transport System.

### Hitachi Transport System, Ltd.

Sales increased year on year. In the domestic logistics business, sales rose due to the consolidation of Hitachi Collaboronext Transport System Co., Ltd., which was taken over from Shiseido Co., Ltd. Furthermore, healthy sales growth in the core third-party logistics solutions business, mainly in the information and telecommunications, medical and lifestyle-related fields, contributed to the increase in sales. Sales in the

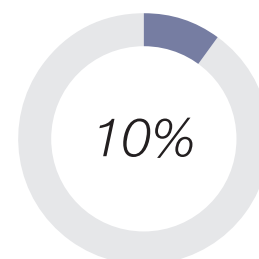
global logistics business were also up due to higher sales in overseas logistics, and in import- and export-related operations.

Earnings rose year on year mainly due to higher sales in the third-party logistics business and improved transportation efficiency.

### Others

Sales and earnings increased at overseas general trading companies on the back of solid growth, particularly in Europe and Asia.

### Share of Revenues



### Revenues (billions of yen)



### Operating Income (billions of yen)



## Financial Services

Segment revenues decreased 11% year on year, to ¥445.4 billion (U.S.\$4,454 million), due to a more selective approach to order-winning at Hitachi Capital Corporation and other factors. Operating income increased 8%, to ¥25.4 billion (U.S.\$255 million), on the back of sales of investments in leases at Hitachi Capital.

### Hitachi Capital Corporation

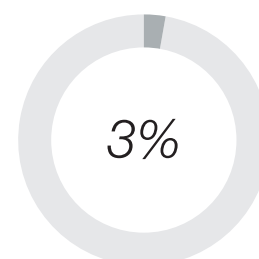
Volume declined year on year. Earnings also declined due to higher market interest rates in Japan and overseas.

In the finance sector, volume declined year on year due to selective order-winning activities. Earnings declined due to higher financing costs.

In other financial services, volume increased year on year due to an increase in customers in the outsourcing business.

Earnings were down as a result of the elimination of revenues from subsidiary Hitachi Capital (UK) PLC as intersegment revenues following its merger in the previous fiscal year.

### Share of Revenues



### Revenues (billions of yen)



### Operating Income (billions of yen)

