Fiscal 2010 will see Hitachi celebrate 100 years of business. We have positioned this year as a turning point, for moving from “defense” to “offense.” At present, the world is facing a number of escalating problems, including environmental problems such as global warming, and concerns about resource and energy depletion. Safe and secure social infrastructure with a small environmental impact is desperately needed to address these problems. In this context, Hitachi has the wind at its back. As we take our first steps in a new century, we believe we will witness the arrival of an era in which social infrastructure businesses and technologies—where our origins lie—will make a major contribution. We are developing our Social Innovation Business, which supplies advanced social infrastructure linked by information technology (IT), a unique strength of ours, around the world to become a global leading Social Innovation Company. In this way, we will meet the expectations of our stakeholders.
**Fiscal 2009 Results**

We viewed fiscal 2009 as a year for the Hitachi Group to make a fresh start. True to this positioning, we pushed through business structure reforms in the automotive systems, consumer and other businesses, and cut fixed expenses and procurement costs. We also conducted public tender offers for five publicly listed companies—Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd., Hitachi Systems & Services, Ltd., Hitachi Plant Technologies, Ltd., and Hitachi Maxell, Ltd.—turning them into wholly owned subsidiaries of Hitachi. The aim of these moves was to strengthen our Social Innovation Business. Moreover, we raised funds by issuing new shares and convertible bonds with the aims of strengthening our financial position and providing funds for capital expenditures and strategic investments to develop the Social Innovation Business globally.

Fiscal 2009 saw the economic environment improve as a whole from the second half of the year. China, in particular, achieved a high rate of economic growth, due in part to effective government measures. Other Asian economies also experienced modest recoveries due mainly to exports to China and government economic stimulus measures. The U.S. and European economies were supported by massive quantitative easing and government spending programs, enabling them to see a moderate recovery in the latter half of 2009 as well. Rebounding exports to emerging nations aided this recovery.

Under these conditions, Hitachi posted consolidated revenues in fiscal 2009 of ¥8,968.5 billion, down 10% year over year. However, operating income rose 59%, to ¥202.1 billion, a large improvement resulting from fixed cost cutting and the benefits of business structure reforms. On the other hand, in income taxes, we incurred a one-off charge of ¥67.0 billion, mainly due to the writing off of deferred tax assets associated with making five publicly listed companies wholly owned subsidiaries. Due to this and other factors, we posted a net loss attributable to Hitachi, Ltd. of ¥106.9 billion.

In terms of our financial position, total Hitachi, Ltd. stockholders’ equity at March 31, 2010 was ¥1,284.6 billion due to the public offering to raise capital. Total Hitachi, Ltd. stockholders’ equity ratio improved 3.2 points from March 31, 2009 to 14.4%. The debt-to-equity ratio (interest-bearing debt/(noncontrolling interests + total Hitachi, Ltd. stockholders’ equity)) improved by 0.25 points from March 31, 2009 to 1.04 at March 31, 2010. We decided to suspend cash dividends applicable to fiscal 2009 in light of our business performance.

As we said earlier, we viewed fiscal 2009 as a year for making a fresh start. We feel that we made strong progress implementing strategies that focus more on the Social Innovation Business. Regrettably, however, our performance was not what shareholders expected. We will therefore do our utmost to improve our operating results in fiscal 2010 and thereafter.

**Fiscal 2012 Mid-term Management Plan**

Recently, we announced a new mid-term management plan for the period through to fiscal 2012 as a blueprint for moving from “defense” to “offense” from fiscal 2010. Under this new plan, we will execute three management strategies aimed at achieving “Growth Driven by Social Innovation Business” and a “Solid Financial Base.” First of all, our priority is to leverage Hitachi’s strengths to promote a global growth strategy. In order to give impetus to this growth strategy, our second main initiative calls on us to focus business resources on the Social Innovation Business. Over the next 3 years, we plan to allocate ¥1.6 trillion of the ¥2.6 trillion budgeted to the Social Innovation Business. This includes capital expenditures, strategic investments and R&D expenses. The third initiative is to strengthen the business structure to stabilize profitability. Here we will cut costs, entrench our in-house company system and take other steps.

In terms of management targets for fiscal 2012, we are targeting revenues of ¥10,500 billion, an operating income ratio of over 5%, net income...
attributable to Hitachi, Ltd. of at least ¥200 billion consistently, a D/E ratio of 0.8 times or below, and total Hitachi, Ltd. stockholders’ equity ratio of 20%.

The Hitachi Group’s focus will be on the Social Innovation Business, which supplies advanced social infrastructure enhanced by IT. Specifically, our focus is on information and telecommunication systems, power systems, and industrial, transportation and urban development systems, as well as fields that fuse these systems, and materials and key devices. These are covered by five business segments—Information & Telecommunication Systems, Power Systems, Social Infrastructure & Industrial Systems, Construction Machinery and High Functional Materials & Components—which together will account for approximately 60% of consolidated revenues.

We plan to strengthen our Social Innovation Business from three angles: global, fusion and environment. In terms of global development, we intend to fully leverage the Hitachi Group’s information assets, experience and relationships of trust with customers and business partners in ways suited to each region with the goal of transforming into a truly global company. Fusion means integrating social infrastructure and IT to address social innovation needs in countries around the world. Through fusion, we aim to create value only Hitachi can deliver. In addressing the environment, we will help tackle global environmental issues by creating environmental systems that draw on our extensive environmental technologies and proven experience.

Over the next three years, we will move from a defensive stance to a more aggressive approach to business aiming to engineer the revival of a strong Hitachi. Our more aggressive approach includes concentrating investment on key business fields, strengthening cooperation with leading Japanese and overseas partners, and accelerating locally led global business expansion. Most important, however,

<table>
<thead>
<tr>
<th>FY2012 Targets</th>
<th>FY2008 Actual</th>
<th>FY2009 Actual</th>
<th>FY2012 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>¥10,000.3 billion</td>
<td>¥8,968.5 billion</td>
<td>¥10,500.0 billion</td>
</tr>
<tr>
<td>Operating income</td>
<td>¥127.1 billion (1.3%)</td>
<td>¥202.1 billion (2.3%)</td>
<td>Consistently generate at least ¥200 billion</td>
</tr>
<tr>
<td>Net income (loss) attributable to Hitachi, Ltd.</td>
<td>¥787.3 billion</td>
<td>¥106.9 billion</td>
<td>Consistently generate at least ¥200 billion</td>
</tr>
<tr>
<td>D/E ratio*</td>
<td>1.29 times</td>
<td>1.04 times</td>
<td>0.8 times or below</td>
</tr>
<tr>
<td>Total Hitachi, Ltd. stockholders’ equity ratio</td>
<td>11.2%</td>
<td>14.4%</td>
<td>20%</td>
</tr>
</tbody>
</table>

* Includes noncontrolling interests

Social Innovation Business

- Eco-city
- Water treatment
- Construction machinery
- Elevators and escalators
- Green mobility
- Smart grids
- Healthcare
- Energy (Thermal, nuclear, renewable)
- Industrial, transportation and urban development systems
- Power systems
- Materials and key devices
- Cloud computing
- Consulting
- Data centers
- Storage
- Information and telecommunication systems
is for each and every Hitachi Group employee to embrace the pioneering venture spirit of a century ago, and mirror the Company’s aggressive stance. We are convinced we can execute our plans. At the same time, we will continue to implement defensive measures, including pursuing ongoing efforts to strengthen our cost competitiveness and reinforce our financial position, while continuing to realign our business portfolio. These defensive measures will help to create a more stable high profit base and an even stronger Hitachi beyond that.

1. Global Growth Strategy
Our global growth strategy constitutes our growth engine. The first part of this strategy is to promote and expand global localization. To identify customers needs around the world in a timely manner, whether in Japan, other industrialized countries or emerging markets, and develop business quickly it is important to have a locally led project control function. We plan to strengthen this function comprehensively. We will rigorously develop a more market-centric approach through leadership by local companies, and grasp local values, standards and risks via local leadership to promote business there.

The second part of our global growth strategy is to expand business opportunities in collaboration with global partners. Through partnerships centered on government institutions of China, India and Singapore in the fast-growing Asian belt zone, we will expand and unearth business opportunities related to social innovation projects.

The third aspect of our global growth strategy is to expand new businesses that leverage Hitachi’s strengths. Taking full advantage of our accumulated technologies, experience and know-how in the Social Innovation Business, we will develop new businesses as a group and globally. These new businesses include eco-cities, water and sewage operation and management, eco-data centers, and energy-saving systems for LNG plants.

By executing the above measures, we will harness growth in emerging markets as a growth driver in fiscal 2012 with the goal of generating more than half of our revenues from overseas. The relative weight of human resources overseas will increase as a natural consequence of this effort.
• Initiatives in China
Hitachi was the first Japanese company to start doing business in China in earnest in 1981 when we established a joint venture to manufacture TVs there. Since then, we have steadily expanded business using the catchphrase, “The Most Trusted Partner in China,” and today, we generate revenues of approximately ¥1 trillion there. We expect high growth in Chinese business going forward and are already highly competitive in the Chinese market. Our strategy is to strengthen the competitiveness of individual businesses such as construction machinery, elevators and escalators, and ATMs. We will also leverage environmental and energy-saving technologies refined in Japan, to meet the demands of Chinese society by helping to solve environmental problems.

Furthermore, with the cooperation of the National Development and Reform Commission, we will focus on creating eco-cities, an area that includes smart grids and water treatment systems. The new business models we develop in China will be utilized in social innovation projects in the Asian belt zone that extends from the Middle East to India and Southeast Asia. For instance, we will package our environmental systems model, progressively utilize existing local production and maintenance systems, and implement other initiatives based on businesses in China to contribute to social innovation projects in the Asian belt zone.

• Initiatives in Europe
In Europe, authorities are imposing stricter environmental regulations at the same time as existing social infrastructure ages. This is generating greater demand for renewing social infrastructure. In the thermal power plant business, Hitachi acquired a local German company in 2003 and since 2006 has strengthened locally led operations targeting Europe and Africa through Hitachi Power Europe GmbH. We are combining local management and staff with Japanese manufacturing expertise, quality and project management techniques to establish an even more stable base in the region.

Our railway business in the U.K. is another business with a growing presence in Europe. We started this business 10 years ago with just one representative. Today, through promotional work by local staff and engineering capabilities underpinned by Japanese technology and experience, we are advancing steadily in delivering high-speed railcars and developing other businesses. Going forward, we will strengthen locally led operations and channel more resources into the business, so that we address robust demand to upgrade social infrastructure.

• Initiatives in North America
We do business in storage solutions globally and command a global top share in the enterprise sector. This is the result of harnessing outstanding Japanese development capabilities and the marketing capabilities of Silicon Valley-based Hitachi Data Systems, which already serves as a control center targeting world markets.

Combining distinctive solutions, centered on our strong storage products, and a proven 10-year consulting track record in the U.S., we will develop our information and telecommunication systems business globally.

• Initiatives in Japan
Japan remains an important base market. We have built up advanced technologies and an extensive track record with our customers in Japan, as well as top-class market shares that testify to the trust we have earned here. We will strengthen our operations from this base going forward. In the information and telecommunication systems business, we will strive to expand cloud computing and other high-value-added services businesses. In nuclear power, we will continue to make steady progress with projects currently under construction and win more orders. In the smart grid business, which fuses information and power systems, we aim to achieve high growth based on Hitachi’s strengths. While the Japanese market is generally said to be experiencing slowing growth, we believe that there are opportunities to expand business by making creative proposals that accurately address changes in society and markets.

2. Focusing Business Resources on the Social Innovation Business
We have continued to reshape our business portfolio to move away from high volatility businesses whose products are becoming commodities and strengthen the Social Innovation Business. Making
the five publicly listed companies wholly owned subsidiaries, as mentioned earlier, was one move to this end. Reviewing and optimizing a business portfolio is something management should do constantly, and we will therefore continue to restructure our operations going forward.

While optimizing our portfolio, in order to achieve growth we plan to allocate ¥1 trillion, or 70%, of the ¥1.4 trillion budgeted for capital expenditures and strategic investments between fiscal 2010 and fiscal 2012 to the Social Innovation Business. We will invest in areas where growth is expected such as eco-data centers, highly efficient thermal power and nuclear power systems, and establishing rolling stock manufacturing and maintenance facilities in the U.K. Besides the ¥1 trillion earmarked for investments, we will actively utilize M&As and other means to strengthen key businesses.

Research and development is the wellspring of growth for the Social Innovation Business. Of the ¥1.2 trillion we plan to invest in R&D over the next 3 years, we will allocate ¥0.6 trillion, or 50%, for technologies, products and systems related to the three themes mentioned earlier: global, fusion and environment. In specific terms, we will invest to expand and enhance R&D functions at global bases, and to develop information platforms for social infrastructure corresponding to the Social Innovation Business. This includes storage systems in North America and smart grids in China. In the environment field, in addition to electronics research in areas such as new power devices, inverters and lithium-ion batteries, we will invest to strengthen analysis technologies that form the basis of development.

In this way, we will concentrate ¥1.6 trillion of the ¥2.6 trillion in management resources budgeted for the next 3 years in the Social Innovation Business, namely information and telecommunication systems, social infrastructure and industrial systems, and high functional materials and components to drive our growth and medium-term expansion.

3. Strengthening the Business Structure to Stabilize Profitability

We are taking steps to improve underperforming businesses so as to stabilize earnings. In our flat-panel TV business, we have ceased producing panels in-house and switched to using OEM and
production outsourcing of TV sets overseas. This has created a low-risk flat-panel TV business model. In automotive systems, we are rigorously implementing structural reforms and developing and producing parts for eco-vehicles. In HDD operations, progress with business structure reforms has produced positive earnings for the past two fiscal years since fiscal 2008. All in all, we have managed to limit the downside risks of underperforming businesses.

Cost cutting will remain an ongoing theme for us. In terms of reducing procurement costs, we plan to expand centralized purchasing from 25% of total procurements at present to 35% in fiscal 2012. We also plan to expand global procurement, increasing overseas procurement from 25% at present to 50% of total procurements in fiscal 2012. In addition, we will continue to lower the fixed cost ratio, reduce indirect materials costs and expand shared services, with the overarching aim of strengthening our cost competitiveness to prevail against global competition.

In terms of improving profitability, in addition to increasing operating income by expanding strong products and services, we plan to utilize the consolidated tax filing system. In this way, we aim to establish an earnings structure that can consistently generate net income attributable to Hitachi, Ltd. of at least ¥200 billion. Furthermore, in order to strengthen our financial position, we will increase net income attributable to Hitachi, Ltd. to reinforce total Hitachi, Ltd. stockholders’ equity. By reducing total assets, continuously generating positive free cash flows and lowering interest-bearing debt, we aim to achieve a debt-to-equity ratio of 0.8 times or below, and a total Hitachi, Ltd. stockholders’ equity ratio of 20%.

As a framework for supporting actions to strengthen our business structure in this way, we have adopted an in-house company system with the goal of strengthening individual businesses. Under this system, each in-house company is assigned an internal rating and delegated authority in accordance with it. This delegation of authority is intended to facilitate speedy, autonomous management. In-house company performance evaluations are based on FIV*, operating income and cash flows, and are reflected in the remuneration of in-house company executives. Moreover, we hold Hitachi IR Days to provide an opportunity for our main in-house companies to explain their business strategies to investors and discharge their accountability responsibilities.

Corporate, which supports the in-house companies, will upgrade the management platform that spans the group and the world, including the IT platform, manufacturing and procurement. In doing so, Corporate will take the lead in improving in-house companies’ competitiveness. Corporate will also spearhead efforts to accelerate synergies in in-house corporate marketing, R&D and engineering divisions, working actively to promote and coordinate businesses that cut across the Hitachi Group and in-house companies.

* FIV (Future Inspiration Value) is Hitachi’s unique economic value-added evaluation index in which the cost of capital is deducted from the after-tax operating profit.

4. FY2012 Targets
We will strive to improve Hitachi Group earnings as a whole, with the Social Innovation Business positioned as a driver of higher profitability in our mid-term management plan. For fiscal 2012, we have set revenues of ¥10,500 billion and an operating income ratio of over 5% as management targets. We aim to generate approximately 60% of our revenues from the five business segments that form the Social Innovation Business, with an operating income ratio of 7%, to drive the growth of the entire Hitachi Group.

In order to strengthen our financial position, rather than focus only on operating income, we aim to create a structure that can steadily raise net income attributable to Hitachi, Ltd. Moving forward, we will improve net other deductions by reducing business structural reform expenses. And as a result of making five publicly listed companies wholly owned subsidiaries, we will reduce outflows attributable to noncontrolling interests. In these and other ways, we aim to consistently generate net income attributable to Hitachi, Ltd. of at least ¥200 billion by fiscal 2012.
Aiming to Create a Stronger Hitachi

Over the past 100 years, Hitachi has grown into the company it is today with the support of customers, shareholders, other investors, employees and other stakeholders. In our next 100 years, we will leverage our human, technological and all our other resources, to re-establish a strong Hitachi as a world leader in the Social Innovation Business. Our corporate credo is to contribute to society through the development of superior, original technology and products. Guided by this credo, we will promote efforts to contribute to the reduction of CO₂ through our products, thus adopting an approach that integrates CSR with management and business strategy. In doing so we aim to transform into a truly global company whose values parallel those of society. United in our commitment to meeting the expectations of all stakeholders, as the senior management we ask for your unwavering support going forward.

Takashi Kawamura
Chairman

Hiroaki Nakanishi
President