

HITACHI LTD  
Form 6-K  
June 27, 2008  
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**FORM 6-K**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of June 2008

Commission File Number 1-8320

**Hitachi, Ltd.**

(Translation of registrant's name into English)

**6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8280, Japan**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  X  Form 40-F \_\_\_\_\_

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_\_

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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): \_\_\_\_\_

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes \_\_\_\_\_ No  X

If  Yes  is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  82-

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This report on Form 6-K contains the followings:

1. Translation of Notice of the 139th Ordinary General Meeting of Shareholders.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Hitachi, Ltd.  
(Registrant)

Date June 27, 2008

By /s/ Toshiaki Kuzuoka  
Toshiaki Kuzuoka  
Vice President and Executive Officer

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(Translation)

**Hitachi, Ltd.**

6-6, Marunouchi 1-chome

Chiyoda-ku, Tokyo

May 26, 2008

**Notice of the 139th Ordinary General Meeting of Shareholders**

Dear Shareholders:

You are cordially invited to attend the 139th Ordinary General Meeting of Shareholders of Hitachi, Ltd. (local code: 6501; the Company ) to be held as follows:

In the event you are not able to attend, it is requested that you review the reference documentation for Ordinary General Meeting of Shareholders on pages 3 through 7 and exercise your voting rights by 5 p.m. of June 19, 2008 (Thursday), as it is possible to exercise your voting rights in writing, via the Internet (<http://www.e-tosyodai.com/>), or by other means.

**1. Date**        **Friday, June 20, 2008 at 10:00 a.m.**

**2. Location**   **Mielparque Hall**

**5-20, Shiba-Koen 2-chome, Minato-ku, Tokyo**

(Please note that the venue has changed as of this year.)

**3. Agenda**

**Reporting Matter**

Report on the Business Report, Financial Statements, and Consolidated Financial Statements for the 139th Business Term (from April 1, 2007 to March 31, 2008), and the results of the audit on the Consolidated Financial Statements by the Accounting Auditors and the Audit Committee

**Matter to Be Resolved**

**Item**    Election of 13 Directors due to expiration of the term of office of all Directors

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**4. Matters Concerning Exercise of Voting Rights**

- (1) Should no indication is made of whether you approve or disapprove the agenda item in exercising your voting rights in writing, you will be deemed to have approved.
- (2) Should you exercise your voting rights via the Internet, your vote via the Internet will be deemed to be the official indication of your intent, even if you mail your voting form.
- (3) You may appoint only one proxy who exercises your voting rights on your behalf; provided, however, that such proxy must be a shareholder of the Company entitled to vote. In so doing, a document certifying the power of representation is required to be submitted to the Company.

Very truly yours,

Kazuo Furukawa  
President, Chief Executive Officer and Director

When attending the Ordinary General Meeting of Shareholders, you are requested to submit the enclosed voting right card at the reception desk.

In the event the Business Report, Financial Statements, Consolidated Financial Statements or Reference Documents for the Ordinary General Meeting of Shareholders need to be modified in the period from the dispatch of this notice to the preceding day of the general meeting, the Company will post such modification on its website (<http://www.hitachi.co.jp/>).

The Notice of the 139th Ordinary General Meeting of Shareholders and Report on the 139th Business Term are posted on the Company website.



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|   |                                       |   |  |        |      |
|---|---------------------------------------|---|--|--------|------|
|   | Committee)                            | 6/2006 Representative Executive Officer,<br>President, Chief Executive Officer and Director |  |        |      |
| 3 | Tadamichi Sakiyama<br>(Jun. 13, 1941) | Director, Hitachi, Ltd. (Standing<br>Member of Audit Committee)                             | 4/1964 Joined Hitachi, Ltd.<br><br>6/1994 General Manager of Accounting<br>Department<br><br>4/1999 General Manager of Internal Auditing<br>Office<br><br>6/2001 Board Director, Senior Vice President,<br>Hitachi Construction Machinery Co., Ltd. ( Hitachi<br>Construction Machinery )<br><br>4/2003 Executive Vice President and<br>Representative Director, Hitachi Construction<br>Machinery<br><br>6/2003 Representative Executive Officer,<br>Executive Vice<br><br>President,Executive Officer and Director,<br>Hitachi Construction Machinery<br><br>4/2006 Director, Hitachi Construction Machinery<br><br>6/2006 Director, Hitachi, Ltd. | 24,000 | None |



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| No. | Name<br>(Date of Birth)              | Position and Responsibilities<br>at the Company, and Principal<br>Position Outside the Company  | Brief Biography  | Share<br>Ownership           | Conflict<br>of<br>Interest |
|-----|--------------------------------------|---|--|------------------------------|----------------------------|
| 4   | Michiharu Nakamura<br>(Sep. 9, 1942) | Fellow, Hitachi, Ltd.   | 4/1967 Joined Hitachi, Ltd.<br>8/1992 General Manager of Central Research<br>Laboratory<br><br>4/2001 General Manager of Research and<br>Development Group<br><br>6/2003 Senior Vice President and Executive<br>Officer<br><br>4/2004 Representative Executive Officer,<br>Executive Vice President and Executive Officer<br><br>4/2007 Fellow   | Shares<br><br><br><br>59,000 | None                       |
| 5   | Toyoaki Nakamura<br>(Aug. 3, 1952)   | Representative Executive<br>Officer, Senior Vice President<br>and Executive Officer, and<br>Director, Hitachi, Ltd.                               | 4/1975 Joined Hitachi, Ltd.<br><br>1/2006 General Manager, Finance Department<br>I<br><br>4/2007 Representative Executive Officer,<br>Senior Vice President and Executive Officer<br><br>6/2007 Representative Executive Officer,<br>Senior Vice President and Executive Officer,<br>and Director  | 12,000                       | None                       |
| 6   | Yoshie Ota<br>(Sep. 1, 1942)         | Advisor, Japan Institute of<br>Workers Evolution<br><br>Director, Hitachi, Ltd.<br><br>(Member of Nominating<br>Committee and Audit<br>Committee) | 4/1966 Joined Ministry of Labour<br><br>12/1991 Vice Governor of Ishikawa Prefecture<br><br>7/1994 Director-General, Minister's Secretariat,<br>Ministry of Labour<br><br>6/1995 Director-General, Women's Bureau,<br>Ministry of Labour<br><br>7/1998 Chairman, Japan Institute of Workers<br>Evolution<br><br>7/2005 Advisor, Japan Institute of Workers<br>Evolution<br><br>Representative Director, Kabushiki Kaisha<br>Kokusai Kenshu Service | 2,000                        | None                       |

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(Retired in October 2007)

6/2007 Director, Hitachi, Ltd.

|                                      |   |  |       |      |
|--------------------------------------|---|--|-------|------|
| Mitsuo Ohashi<br><br>(Jan. 18, 1936) | Chairman of the Board, Showa Denko K.K. ( Showa Denko )<br><br>Director, Hitachi, Ltd. (Member of Nominating Committee) | 3/1959 Joined the Mitsui Bank Limited<br><br>12/1961 Joined Showa Denko<br><br>3/1989 Director<br><br>3/1993 Managing Director<br><br>3/1995 Senior Managing Director<br><br>3/1997 President (CEO) and Representative Director<br><br>1/2005 Chairman of the Board of Directors and Representative Director<br><br>3/2007 Chairman of the Board<br><br>6/2007 Director, Hitachi, Ltd. | 1,000 | None |
|--------------------------------------|---|--|-------|------|

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| No. | Name<br>(Date of Birth)             | Position and Responsibilities<br>at the Company, and Principal<br>Position Outside the Company  | Brief Biography   | Share<br>Ownership | Conflict<br>of<br>Interest |
|-----|-------------------------------------|---|---|--------------------|----------------------------|
| 8   | Akihiko Nomiyama<br>(Jun. 15, 1934) | Special Advisor, NIPPON<br>MINING HOLDINGS, INC.<br>( NMH )<br><br>Director, Hitachi, Ltd. (Member<br>of Audit Committee and<br>Compensation Committee) | 4/1957 Joined NIPPON MINING CO., LTD.<br>6/1984 Director, NIPPON MINING CO.,<br>LTD.<br><br>6/1989 Managing Director<br><br>12/1992 Managing Director, NIKKO KYODO<br>CO., LTD.<br><br>12/1993 Managing Director, JAPAN ENERGY<br>CORPORATION ( JEC )<br><br>6/1994 Senior Managing Director, JEC<br><br>6/1996 President and CEO and Representative<br>Director, JEC<br><br>6/2000 Chairman of the Board, President and<br>CEO and Representative Director, JEC<br><br>4/2002 Chairman of the Board and<br>Representative Director, JEC<br><br>9/2002 President and CEO and Representative<br>Director, NMH<br><br>6/2003 Chairman of the Board and<br>Representative Director, NMH<br><br>6/2006 Special Advisor, NMH<br><br>6/2007 Director, Hitachi, Ltd. | Shares             | None                       |
| 9   | Kenji Miyahara<br>(Nov. 5, 1935)    | Senior Advisor, Sumitomo<br>Corporation<br><br>Director, Hitachi, Ltd. (Member<br>of Audit Committee<br>and Compensation Committee)                     | 4/1958 Joined Sumitomo Corporation<br><br>6/1986 Director<br><br>6/1990 Managing Director<br><br>6/1993 Senior Managing Director and<br>Representative Director<br><br>6/1995 Executive Vice President and<br>Representative Director   | 1,000              | None                       |

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|    |   |        |   |        |      |
|----|---|--------|---|--------|------|
|    |   | 6/1996 | President and Chief Executive Officer and Representative Director             |        |      |
|    |   | 6/2001 | Chairman of the Board and Representative Director                             |        |      |
|    |   | 6/2007 | Senior Advisor Director, Hitachi, Ltd.  |        |      |
|    | Tohru Motobayashi<br>(Jan. 5, 1938)   | 4/1963 | Member of the Tokyo Bar Association   |        |      |
|    | Attorney at Law   | 6/1970 | Partner, Mori Sogo Law Offices  |        |      |
| 10 | Director, Hitachi, Ltd. (Member of Nominating Committee and Compensation Committee) | 4/2002 | President of the Japan Federation of Bar Associations (Retired in March 2004) | 20,750 | None |
|    |   | 6/2006 | Director, Hitachi, Ltd.   |        |      |
|    |   | 4/2008 | Partner, Ihara and Motobayashi  |        |      |

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| No. | Name<br>(Date of Birth)            | Position and Responsibilities<br>at the Company, and Principal<br>Position Outside the Company              | Brief Biography  | Share<br>Ownership       | Conflict<br>of<br>Interest |
|-----|------------------------------------|---|--|--------------------------|----------------------------|
| 11  | Takeo Ueno<br>(Feb. 9, 1942)       | Senior Adviser, Hitachi Via<br>Mechanics, Ltd.<br><br>Director, Hitachi, Ltd.                               | 4/1964 Joined Hitachi, Ltd.<br>5/1995 General Manager, Materials Department<br><br>4/2000 Deputy General Manager, Sales<br>Management Division<br>6/2001 President and Representative Director,<br>Hitachi Via Mechanics, Ltd.   | Shares<br><br><br>38,000 | None                       |
| 12  | Shungo Dazai<br>(Jan. 20, 1939)    | Chairman of the Board,<br>Hitachi Construction<br>Machinery Co., Ltd. ( Hitachi<br>Construction Machinery ) | 4/1961 Joined Hitachi, Ltd.<br>10/1970 Joined Hitachi Construction Machinery<br>6/1995 Director<br>6/1997 Executive Managing Director<br>6/1999 Senior Vice President<br>4/2003 Representative Director, President and<br>Chief Executive Officer<br>6/2003 Representative Executive Officer,<br>President, Chief Executive Officer and Director<br>4/2006 Chairman of the Board and<br>Representative Executive Officer<br>4/2008 Chairman of the Board | 13,150                   | None                       |
| 13  | Michihiro Honda<br>(Oct. 13, 1942) | Chairman of the Board, Hitachi<br>Metals, Ltd. ( Hitachi Metals )<br><br>Director, Hitachi, Ltd.            | 4/1965 Joined Hitachi Metals<br>6/1995 Member of the Board of Directors<br>6/1999 Executive Managing Director and<br>Representative Director<br>6/2000 President and Representative Director   | 13,000                   | None                       |

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6/2003 Representative Executive Officer,  
President, Chief Executive Officer and Director

6/2006 Chairman of the Board

6/2007 Director, Hitachi, Ltd.

- Notes:
1. Ms. Yoshie Ota, Mr. Mitsuo Ohashi, Mr. Akihiko Nomiyama, Mr. Kenji Miyahara and Mr. Tohru Motobayashi are nominees who fulfill the qualification requirements to be outside director nominees as provided for in Article 2, Paragraph 3-7 of the Enforcement Regulations of the Companies Act.
  2. Ms. Yoshie Ota was selected as an outside director nominee, since she can be expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on her diverse experience and insight in such areas as public administration. It has been one year since Ms. Ota assumed office as the Company's outside Director.
  3. Messrs. Mitsuo Ohashi, Akihiko Nomiyama and Kenji Miyahara were selected as outside director nominees, since they can be expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on their rich experience and insight as the top executives of major global companies. It has been one year since they assumed office as the Company's outside Directors.
  4. Mr. Tohru Motobayashi was selected as an outside director nominee, since he can be expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on his rich experience and insight as a legal expert. Although Mr. Motobayashi has not been involved in the management of companies outside of his capacities as an outside director, the Company has determined that he will be able to perform his duties as an outside director appropriately, since he is well versed in the practical applications of business law, including corporate governance and the establishment of compliance structures. It has been two years since he assumed office as the Company's outside Director.
  5. NEC Corporation, where Mr. Kenji Miyahara is serving as an outside director, announced on September 21, 2007, that it was not able to complete the additional analysis on revenue recognition, which was required of NEC Corporation in the course of an audit of the consolidated financial statements for FY2005, and is consequently not able to submit the annual report on said fiscal year and subsequent fiscal years to the U.S. Securities and Exchange Commission. Mr. Miyahara, who is regularly expressing his views at NEC Corporation's Board of Directors meetings from such perspectives as ensuring the appropriateness of financial reporting, reinforcing compliance structures, including information disclosure, and reinforcing the risk management structure, deliberated on measures to be taken, information disclosure policies, and other matters upon receipt of reports on the subsequent status of the situation and the like, and made various recommendations, expressed his views, and otherwise provided input for the further enhancement of NEC Corporation's internal control system.
  6. The Company has a limited liability agreement (hereinafter referred to as "Agreement") stipulated in Article 427, Paragraph 1 of the Companies Act with Ms. Yoshie Ota and Messrs. Mitsuo Ohashi, Akihiko Nomiyama, Kenji Miyahara and Tohru Motobayashi. The general intent of the Agreement is to limit the liability of outside Directors to the aggregate amount of the sums stipulated in each item under Article 425, Paragraph 1 of the Companies Act, and the Agreement will be extended should the aforementioned individuals be reappointed at this Meeting.
  7. In the event this agenda is approved, the membership and the chair of the committees are expected to be as follows:

|                        |   |
|------------------------|---|
| Nominating Committee   | Etsuhiko Shoyama (Chair), Yoshie Ota, Mitsuo Ohashi, Tohru Motobayashi, Kazuo Furukawa        |
| Audit Committee        | Tadamichi Sakiyama (Chair), Yoshie Ota, Akihiko Nomiyama, Kenji Miyahara, Michiharu Nakamura  |
| Compensation Committee | Etsuhiko Shoyama (Chair), Akihiko Nomiyama, Kenji Miyahara, Tohru Motobayashi, Kazuo Furukawa |

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### **Reporting Matter**

#### **Report on the 139th Business Term**

##### **1. Business Report (from April 1, 2007 to March 31, 2008)**

###### **(1) Business Overview and Results of Hitachi Group**

###### **Business Results**

The Japanese economy during the period under review continued to grow though at a moderate pace, supported by capital investments and exports. Further, the world economy remained robust overall in spite of the effect of the subprime loan problem, in addition to the escalation of crude oil and raw material prices.

To report on the consolidated performance of the Hitachi Group in this environment, revenues increased by 10% from the preceding fiscal year to JPY11,226.7 billion due in part to growth in overseas revenues. Operating income increased by 89% from the preceding fiscal year to JPY345.5 billion as a result of a significant earnings increase in Power & Industrial Systems due to improvement in the power systems business, as well as solid performance in Information & Telecommunication Systems and other segments. However, a loss of JPY58.1 billion was incurred following the preceding fiscal year, due to the posting of restructuring charges in the area of flat-panel TV business and the posting of an impairment loss on plasma display panel manufacturing facilities and other assets.

In accordance with the resolution of the Board of Directors, the Company decided on annual dividend of JPY6 per share, including interim dividend of JPY3 per share, for the second consecutive fiscal year.

The Company intends to continue making maximum efforts possible for an early improvement of its performance and an increase in dividend in order to meet shareholder expectations.

###### **Measures Taken**

The Hitachi Group is working on enhancing its competitiveness by continually promoting structural reforms of its businesses as well as investing aggressively in its priority businesses in order to establish a stable and profitable business structure.

Joint ventures with GE of the U.S. were initiated in the domestic and overseas markets this fiscal year in the nuclear power generation equipment business, where global market growth is expected from the perspective of preventing global warming. The goal is to increase orders received through the provision of high-quality services, from designing to manufacturing and maintenance. Drastic business reorganization was undertaken in the flat-panel TV business, including enhancement of the development and sales of high value added products, and expansion of sales to customers outside the Hitachi Group, as well as improvement of the production efficiency, of plasma display panels. Profitability was achieved in the hard disk drive business during the second half of the fiscal year, due to the positive effects of such measures as the reinforcement of the management team through partial change in members, the concentration of business resources on priority products, and the consolidation of production sites.

A comprehensive strategic alliance was established with Canon Inc. and Matsushita Electric Industrial Co., Ltd. in the LCD business for the further evolution of the latest panel technology, and a part of the shares of Hitachi Displays, Ltd. was transferred to the two companies.

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### **Business Results by Industry Segment**

#### **[Information & Telecommunication Systems]**

Revenues increased from the preceding fiscal year, due to solid performance in the service businesses, including software and outsourcing, along with growth in hardware business. Operating income improved significantly from the preceding fiscal year, due in part to the achievement of profitability in the hard disk drive business in the second half of the fiscal year.

#### **[Electronic Devices]**

While revenues remained at the same level as the preceding fiscal year, operating income increased, due primarily to healthy performance of Hitachi High-Technologies Corporation.

#### **[Power & Industrial Systems]**

Both revenues and operating income increased substantially from the preceding fiscal year, due primarily to considerable improvement in the power business and the continued healthy performance of Hitachi Construction Machinery Co., Ltd.

#### **[Digital Media & Consumer Products]**

Revenues remained at the same level as the preceding fiscal year. In spite of improvement in the room air conditioner business and solid performance in the area of air conditioning equipment for enterprises, operating loss was posted, due primarily to a decline in the price of flat-panel TVs and an increase in expenses related to the reorganization of the sales structure.

#### **[High Functional Materials & Components]**

Both revenues and operating income increased from the preceding fiscal year, owing to the healthy performance of the three companies, Hitachi Metals, Ltd. in the automotive- and electronics-related product sectors, Hitachi Chemical Co., Ltd. in the semiconductor-related product sector, and Hitachi Cable, Ltd. in wires and cables.

#### **[Logistics, Services & Others]**

Both revenues and operating income increased from the preceding fiscal year, due to the growth of Hitachi Transport System, Ltd. mainly in the third party logistics business involving the comprehensive outsourcing of logistic activities by customers.

#### **[Financial Services]**

Although sales decreased from the preceding fiscal year, this segment saw an increase in operating income.



**Table of Contents****[Revenues and Operating Income by Industry Segment]**

| Industry Segment                        | Revenues  |           |         | Operating Income (Loss) |         |         |
|---|-----------|-----------|---------|-------------------------|---------|---------|
|   | Fiscal    | Fiscal    | (B)/(A) | Fiscal                  | Fiscal  | (B)/(A) |
|   | 2006(A)   | 2007(B)   |         | 2006(A)                 | 2007(B) |         |
| Information & Telecommunication Systems | 2,472.2   | 2,761.1   | 112%    | 60.3                    | 116.1   | 192%    |
| Electronic Devices                      | 1,287.4   | 1,293.5   | 100%    | 45.7                    | 54.0    | 118%    |
| Power & Industrial Systems              | 3,022.2   | 3,568.1   | 118%    | 36.3                    | 138.4   | 380%    |
| Digital Media & Consumer Products       | 1,506.0   | 1,504.6   | 100%    | (58.4)                  | (109.9) | %       |
| High Functional Materials & Components  | 1,794.5   | 1,875.0   | 104%    | 132.3                   | 141.0   | 107%    |
| Logistics, Services & Others            | 1,213.5   | 1,271.4   | 105%    | 20.2                    | 27.8    | 138%    |
| Financial Services                      | 500.0     | 445.4     | 89%     | 23.5                    | 25.4    | 108%    |
| Subtotal                                | 11,796.1  | 12,719.3  | 108%    | 260.2                   | 393.0   | 151%    |
| Eliminations & Corporate Items          | (1,548.2) | (1,492.6) | %       | (77.7)                  | (47.5)  | %       |
| Total                                   | 10,247.9  | 11,226.7  | 110%    | 182.5                   | 345.5   | 189%    |

- Notes: 1. The consolidated figures of the Company have been prepared in conformity with accounting principles generally accepted in the United States, while revenues and operating income by industry segment have been prepared in conformity with accounting principles generally accepted in Japan.
2. Restructuring charges etc. are included as part of other income or other deductions in conformity with accounting principles generally accepted in Japan, while they are included as part of operating income (loss) under accounting principles generally accepted in the United States.
3. Revenues by industry segment include intersegment transactions.
4. The businesses of each segment are set out in (2) Main Products and Services of Hitachi Group.

**(2) Main Products and Services of Hitachi Group** (As of March 31, 2008)

| Industry Segment                        | Main Products and Services   | Percentage to Total Revenues |
|---|--|------------------------------|
| Information & Telecommunication Systems | Systems Integration, Outsourcing Services, Software, Hard Disk Drives, Disk Array Subsystems, Servers, Mainframes, Personal Computers, Telecommunications Equipment, ATMs  | 22%                          |
| Electronic Devices                      | Liquid Crystal Displays ( LCDs ), Semiconductor Manufacturing Equipment, Test and Measurement Equipment, Medical Electronics Equipment, Semiconductors   | 10%                          |
| Power & Industrial Systems              | Nuclear Power Plants, Thermal Power Plants, Hydroelectric Power Plants, Industrial Machinery and Plants, Automotive Products, Construction Machinery, Elevators, Escalators, Railway Vehicles  | 28%                          |
| Digital Media & Consumer Products       | Optical Disk Drives, Plasma TVs, LCD TVs, LCD Projectors, Mobile Phones, Room Air Conditioners, Refrigerators, Washing Machines, Information Storage Media, Batteries, Air-Conditioning Equipment for Enterprises  | 12%                          |
| High Functional Materials & Components  | Wires and Cables, Copper Products, Semiconductor Materials, Circuit Boards and Materials, Organic and Inorganic Chemical Products, Synthetic Resin Products, Display Related Materials, Specialty Steels, Magnetic Materials and Components, High Grade Casting Components | 15%                          |

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|                              |   |     |
|------------------------------|---|-----|
| Logistics, Services & Others | General Trading, Logistics, Property Management | 10% |
| Financial Services           | Leasing, Loan Guarantees, Insurance Services    | 3%  |

**Table of Contents****(3) Major Facilities of Hitachi Group** (As of March 31, 2008)**Major Facilities of the Company**

|  | <b>Location</b>   |
|--|---|
| Head Office                              | Tokyo (Chiyoda-ku)  |
| R&D                                      | Tokyo (Chiyoda-ku, Kokubunji), Ibaraki (Hitachi, Hitachinaka), Saitama (Hatoyama), Kanagawa (Yokohama, Kawasaki)  |
| Manufacturing,<br>Design and Engineering | Tokyo (Chiyoda-ku, Koto-ku, Shinagawa-ku, Ome), Ibaraki (Hitachi, Hitachinaka), Kanagawa (Yokohama, Atsugi, Odawara, Kawasaki, Hadano), Aichi (Toyokawa), Yamaguchi (Kudamatsu)   |
| Sales and<br>Area Operations             | Tokyo (Chiyoda-ku, Koto-ku, Shinagawa-ku), Hokkaido Area Operation (Sapporo), Tohoku Area Operation (Sendai), Kanto Area Operation (Tokyo), Yokohama Area Operation (Yokohama), Hokuriku Area Operation (Toyama), Chubu Area Operation (Nagoya), Kansai Area Operation (Osaka), Chugoku Area Operation (Hiroshima), Shikoku Area Operation (Takamatsu), Kyushu Area Operation (Fukuoka) |

**Major Facilities of Consolidated Subsidiaries of the Company**

Major consolidated subsidiaries of the Company and their locations are as stated in (5) Major Hitachi Group Companies.

**(4) Employees of Hitachi Group** (As of March 31, 2008)

| <b>Industry Segment</b>                 | <b>Number of<br/>Employees</b> | <b>Change from<br/>the End of<br/>the Preceding Year</b> |
|---|--------------------------------|--|
| Information & Telecommunication Systems | 99,964                         | +1,707   |
| Electronic Devices                      | 27,349                         | -1,510   |
| Power & Industrial Systems              | 96,867                         | -26  |
| Digital Media & Consumer Products       | 35,752                         | -497   |
| High Functional Materials & Components  | 50,934                         | -2,530   |
| Logistics, Services & Others            | 29,851                         | +593   |
| Financial Services                      | 3,941                          | +27  |
| Corporate (Head Office and others)      | 3,152                          | +50  |
| <b>Total<br/>(the Company)</b>          | <b>347,810<br/>(37,143)</b>    | <b>-2,186<br/>(-926)</b>                                 |

Note: The total number of employees of Hitachi Group and the Company including part-time employees was 389,752 and 40,223, respectively.

**Table of Contents****(5) Major Hitachi Group Companies** (As of March 31, 2008)

| <b>Industry Segment</b>                 | <b>Name of Company</b>                                | <b>Location</b>     |
|---|---|---------------------|
| Information & Telecommunication Systems | Hitachi Communication Technologies, Ltd.              | Shinagawa-ku, Tokyo |
|   | Hitachi Electronics Services Co., Ltd.                | Yokohama, Kanagawa  |
|   | Hitachi Information & Control Solutions, Ltd.         | Hitachi, Ibaraki    |
|   | Hitachi Information Systems, Ltd.                     | Shinagawa-ku, Tokyo |
|   | Hitachi-Omron Terminal Solutions, Corp.               | Shinagawa-ku, Tokyo |
|   | Hitachi Software Engineering Co., Ltd.                | Shinagawa-ku, Tokyo |
|   | Hitachi Systems & Services, Ltd.                      | Minato-ku, Tokyo    |
|   | Hitachi Computer Products (America), Inc.             | U.S.A.              |
|   | Hitachi Computer Products (Europe) S.A.S.             | France              |
|   | *Hitachi Data Systems Holding Corp.                   | U.S.A.              |
|   | *Hitachi Global Storage Technologies Netherlands B.V. | Netherlands         |
| Electronic Devices                      | Hitachi Displays, Ltd.                                | Mobara, Chiba       |
|   | Hitachi High-Technologies Corporation                 | Minato-ku, Tokyo    |
|   | Hitachi Medical Corporation                           | Chiyoda-ku, Tokyo   |
|   | Hitachi Display Device (Suzhou) Co., Ltd.             | China               |
| Power & Industrial Systems              | Babcock-Hitachi Kabushiki Kaisha                      | Chiyoda-ku, Tokyo   |
|   | Clarion Co., Ltd.                                     | Bunkyo-ku, Tokyo    |
|   | Hitachi Building Systems Co., Ltd.                    | Chiyoda-ku, Tokyo   |
|   | Hitachi Construction Machinery Co., Ltd.              | Bunkyo-ku, Tokyo    |
|   | Hitachi Engineering & Services Co., Ltd.              | Hitachi, Ibaraki    |
|   | Hitachi-GE Nuclear Energy, Ltd.                       | Hitachi, Ibaraki    |
|   | Hitachi Industrial Equipment Systems Co., Ltd.        | Chiyoda-ku, Tokyo   |
|   | Hitachi Mobile Co., Ltd.                              | Shinagawa-ku, Tokyo |
|   | Hitachi Plant Technologies, Ltd.                      | Toshima-ku, Tokyo   |
|   | Hitachi Via Mechanics, Ltd.                           | Ebina, Kanagawa     |
|   | Hitachi Automotive Products (USA), Inc.               | U.S.A.              |
|   | Hitachi Elevator (China) Co., Ltd.                    | China               |
| Hitachi Power Europe GmbH               | Germany   |                     |
| Digital Media & Consumer Products       | Fujitsu Hitachi Plasma Display Limited                | Kunitomi, Miyazaki  |
|   | Hitachi Appliances, Inc.                              | Minato-ku, Tokyo    |
|   | Hitachi Maxell, Ltd.                                  | Ibaraki, Osaka      |
|   | Hitachi Media Electronics Co., Ltd.                   | Oshu, Iwate         |
|   | Hitachi Home Electronics (America), Inc.              | U.S.A.              |
|   | Shanghai Hitachi Household Appliances Co., Ltd.       | China               |
| High Functional Materials & Components  | Hitachi Cable, Ltd.                                   | Chiyoda-ku, Tokyo   |
|   | Hitachi Chemical Co., Ltd.                            | Shinjuku-ku, Tokyo  |
|   | Hitachi Metals, Ltd.                                  | Minato-ku, Tokyo    |
| Logistics, Services & Others            | Chuo Shoji, Ltd.                                      | Chiyoda-ku, Tokyo   |
|   | Hitachi Life Corporation                              | Hitachi, Ibaraki    |
|   | Hitachi Transport System, Ltd.                        | Koto-ku, Tokyo      |
|   | Nikkyo Create, Ltd.                                   | Chiyoda-ku, Tokyo   |
|   | Hitachi America, Ltd.                                 | U.S.A.              |
|   | Hitachi Asia Ltd.                                     | Singapore           |
|   | Hitachi (China), Ltd.                                 | China               |
|   | Hitachi Europe Ltd.                                   | U.K.                |
| Financial Services                      | Hitachi Capital Corporation                           | Minato-ku, Tokyo    |
|   | Hitachi Insurance Services, Ltd.                      | Chiyoda-ku, Tokyo   |

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- Notes:
1. The total number of consolidated subsidiaries (including variable interest entities) pursuant to Article 2, Paragraph 3, Item 20 of the Regulations of Companies Financial Statements is 910.
  2. The number of equity-method affiliates is 171. The major equity-method affiliates are Hitachi Kokusai Electric Inc., Renesas Technology Corp., Hitachi Koki Co., Ltd., Japan AE Power Systems Corporation and Casio Hitachi Mobile Communications Co., Ltd.
  3. The companies marked with \* are holding companies; their major operating companies are located in the United States.
  4. Hitachi-GE Nuclear Energy, Ltd. acquired nuclear power related business of the Company through a corporate split on July 1, 2007.
  5. Guangzhou Hitachi Elevator Co., Ltd. changed its name to Hitachi Elevator (China) Co., Ltd. on June 29, 2007.
  6. Fujitsu Hitachi Plasma Display Limited changed its name to Hitachi Plasma Display Limited on April 1, 2008.

**Table of Contents****(6) Capital Investment of Hitachi Group**

Investment in new plant and equipment amounted to JPY969.0 billion, down JPY79.4 billion from the preceding fiscal year. The total excluding investment in lease assets and the like was JPY512.4 billion. This amount was accounted for chiefly by investment directed to power plants, railway vehicles, and construction machinery. A breakdown of capital investment by industry segment is shown below.

| <b>Industry Segment</b>                 | <b>(Billions of yen)<br/>Amount</b> |
|---|-------------------------------------|
| Information & Telecommunication Systems | 103.5                               |
| Electronic Devices                      | 26.4                                |
| Power & Industrial Systems              | 163.0                               |
| Digital Media & Consumer Products       | 91.6                                |
| High Functional Materials & Components  | 106.6                               |
| Logistics, Services & Others            | 38.5                                |
| Financial Services                      | 495.3                               |
| Subtotal                                | 1,025.3                             |
| Eliminations & Corporate Items          | (56.2)                              |
| <b>Total</b>                            | <b>969.0</b>                        |

Note: The figures above include JPY456.6 billion of investment in assets to be leased. This mainly includes the investment relating to leasing business in the Financial Services segment.

**(7) Research and Development of Hitachi Group**

Expenditures on research and development during the year amounted to JPY428.1 billion. R&D activities were focused on strengthening leading-edge and basic technologies, and accelerating start-up of new businesses and the development of new products. Notable achievements included the development of EMIEW 2, a compact lightweight robot equipped with a speech recognition feature and automatic obstacle avoidance technology, and finger vein authentication technology embedded on steering wheel enabling authorized driver verification by gripping the steering wheel. A breakdown of R&D expenses by industry segment is shown below.

| <b>Industry Segment</b>                 | <b>(Billions of yen)<br/>Amount</b> |
|---|-------------------------------------|
| Information & Telecommunication Systems | 155.2                               |
| Electronic Devices                      | 46.7                                |
| Power & Industrial Systems              | 110.4                               |
| Digital Media & Consumer Products       | 37.0                                |
| High Functional Materials & Components  | 50.7                                |
| Logistics, Services & Others            | 4.6                                 |
| Financial Services                      | 1.2                                 |
| Corporate Items                         | 22.0                                |
| <b>Total</b>                            | <b>428.1</b>                        |

**(8) Borrowings and Financing Activity of Hitachi Group****Major Financing Activities**

Hitachi Metals, Ltd. issued convertible bond type debentures with stock acquisition rights in the amount of JPY40.0 billion in September 2007 and 29th series of unsecured straight debentures in the amount of JPY20.0 billion in October 2007 for the purpose of repaying a part of its short-term borrowings.

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Hitachi Capital Corporation issued 32nd series of unsecured straight debentures in the amount of JPY20.0 billion in June 2007, and 33rd series and 34th series of unsecured straight debentures in the amount of JPY10.0 billion and JPY20.0 billion, respectively, in November 2007, mainly for redeeming its straight debentures.

Hitachi Construction Machinery Co., Ltd. procured funding in the amount of JPY77.8 billion for capital investment by issuing shares through public offering and private offering to the Company in August 2007.

### Major Borrowings (As of March 31, 2008)

| Name of Company | Creditor                            | Balance of Borrowings |
|-----------------|-------------------------------------|-----------------------|
| The Company     | Nippon Life Insurance Company       | 30.0 billion yen      |
|                 | Mizuho Corporate Bank, Ltd.         | 28.2 billion yen      |
|                 | Meiji Yasuda Life Insurance Company | 25.0 billion yen      |

Hitachi Capital Corporation      Mizuho Corporate Bank, Ltd.      24.6 billion yen

Note: In addition to the figures shown above, the Company owes JPY170.0 billion of long-term borrowings by means of syndicated loan agreements.

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**(9) Problems Facing Hitachi Group**

A look at the future business environment raises concerns of a slowdown of the U.S. economy triggered by the subprime loan problem, and of sluggish growth in exports and corporate earnings as regards the Japanese economy. On the other hand, there are increased opportunities to utilize the strengths of the Hitachi Group, given the expanding demand in overseas markets, where the improvement of social infrastructures is progressing, and growing global needs for environment-related business, among other factors.

Under these circumstances, the policy of the Company is to aggressively practice the corporate credo of contributing to society through technology. At the same time, the Company will vigorously implement the following measures to increase the corporate value of the Group.

In the flat-panel TV business where profitability issues remain, all available resources of the Hitachi Group will be mobilized to market high value-added products for differentiation from other companies. In addition, cost competitiveness will be thoroughly reinforced in order to improve the profit structure at an early date.

Market trends will be assessed accurately for aggressive investment in business areas and geographical regions where growth can be expected, and efforts will be made to create Group synergy.

A strong commitment will be made to strengthen MONOZUKURI (designing, manufacturing and repairing products) capabilities, and efforts will be made to improve quality in order to provide customers with safe products that can be used with ease of mind.

Efforts will be made to develop and promote the sales of products that satisfy the Company's environmental standards, embracing the conservation of global environment as a mission of the Hitachi Group as well as a significant business opportunity.

Collaboration between designing and materials procurement will be reinforced, and competitiveness will be enhanced through cost reduction starting from the product development stage, as well as through thorough delivery date management.

Risks related to large-scale overseas projects will be managed thoroughly, thereby improving profitability in the expanding overseas markets.

An efficient operating infrastructure employing information technology will be promoted, and efforts will be made to ensure information security.

Sustained growth will be realized by making efforts to foster human resources to lead our global business deployment, along with efforts to energize the workplace.

Efforts will be made to establish business ethics, commit to business basics and ethics, and thoroughly eliminate violations of laws and regulations in order to solidify the credibility from the customers and the society.



**Table of Contents****(10) Five-year Summary of Assets and Results of Operation of Hitachi Group****Consolidated Basis**

| Fiscal Year                                       | (Billions of yen) |         |          |          |          |
|---|-------------------|---------|----------|----------|----------|
|   | 2003              | 2004    | 2005     | 2006     | 2007     |
| Revenues  | 8,632.4           | 9,027.0 | 9,464.8  | 10,247.9 | 11,226.7 |
| Operating Income                                  | 184.8             | 279.0   | 256.0    | 182.5    | 345.5    |
| Income Before Income Taxes and Minority Interests | 237.1             | 264.5   | 274.8    | 202.3    | 324.7    |
| Net Income (Loss)                                 | 15.8              | 51.4    | 37.3     | (32.7)   | (58.1)   |
| Total Assets                                      | 9,590.3           | 9,736.2 | 10,021.1 | 10,644.2 | 10,530.8 |

- Notes:
1. The consolidated figures shown above have been prepared in conformity with accounting principles generally accepted in the United States.
  2. Restructuring charges etc. are included as part of other income or other deductions in conformity with accounting principles generally accepted in Japan, while they are included as part of operating income (loss) under accounting principles generally accepted in the United States.
  3. In fiscal 2004, operating income increased due to a good performance by High Functional Materials & Components segment and Power & Industrial Systems segment and net income also improved.
  4. In fiscal 2005, both operating income and net income decreased from the preceding year due primarily to a decrease in operating income in Electronic Devices segment and an operating loss in Digital Media & Consumer Products segment.
  5. In fiscal 2006, both the operating income and income before income taxes and minority interests decreased from the preceding fiscal year, forcing Hitachi to post a net loss, due primarily to a large decrease in operating income in the Power & Industrial Systems segment and an increase in operating loss in the Digital Media & Consumer Products segment.

**Unconsolidated Basis**

| Fiscal Year             | (Billions of yen) |         |         |         |         |
|-------------------------|-------------------|---------|---------|---------|---------|
|                         | 2003              | 2004    | 2005    | 2006    | 2007    |
| Revenues                | 2,488.8           | 2,597.4 | 2,713.3 | 2,785.1 | 2,807.2 |
| Operating Income (Loss) | 7.5               | (5.6)   | 1.0     | (66.2)  | (74.1)  |
| Ordinary Income (Loss)  | 20.1              | 22.2    | 42.6    | (37.2)  | (45.9)  |
| Net Income (Loss)       | 40.1              | 10.3    | 37.0    | (178.0) | (127.8) |
| Total Assets            | 3,708.3           | 3,752.5 | 3,834.2 | 3,873.9 | 3,659.9 |

- Notes:
1. In fiscal 2004, the Company posted an operating loss due to deterioration in profitability of its main business sectors. Net income substantially decreased from the preceding fiscal year due to posting an extraordinary loss, which includes an impairment loss on shares of an affiliated company engaging in plasma display panel operations and restructuring charges relating to digital media product business in Japan.
  2. In fiscal 2005, profitability in the Company's main business sectors was improved and ordinary income and net income increased due to an increase in non-operating income.
  3. In fiscal 2006, the Company posted a large amount of loss due primarily to a decrease in prices of plasma TVs and an impairment loss on shares of an affiliated company engaging in hard disk drive business.

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4. In fiscal 2007, operating loss increased due to the deterioration of performance in the flat-panel TV business. The Company posted a loss, following the previous fiscal year, due primarily to posting an impairment loss on shares of, and an allowance for doubtful receivables for an affiliated company engaging in the plasma display panel operations.

**Table of Contents****(11) Directors and Executive Officers****1) Name, Position and Responsibilities, etc. of Directors and Executive Officers****Directors** (As of March 31, 2008)

| <b>Name</b>        | <b>Position</b>       | <b>Committee Membership</b>                               | <b>Principal Position outside the Company</b>   |
|--------------------|-----------------------|---|---|
| Etsuhiko Shoyama   | Chairman of the Board | Nominating Committee (Chair)<br>Compensation Committee    | Chairman of the Board, Hitachi Chemical Co., Ltd.<br>Director, NIPPON MINING HOLDINGS, INC.   |
| Kazuo Furukawa     | Director              | (Chair)<br>Nominating Committee<br>Compensation Committee |   |
| Yoshiki Yagi       | Director              | Audit Committee (Chair)                                   | Director, Hitachi Metals, Ltd.<br>Chairman of the Board, Hitachi Capital Corporation<br>Chairman of the Board, Hitachi Kokusai Electric Inc.<br>Auditor, Sompo Japan Insurance Inc.   |
| Tadamichi Sakiyama | Director              | Audit Committee   | Director, Hitachi Information Systems, Ltd.<br>Chairman of the Board, Hitachi Transport System, Ltd.  |
| *Toyoaki Nakamura  | Director              |   |   |
| *Yoshie Ota        | Director              | Nominating Committee<br>Audit Committee                   | Advisor, Japan Institute of Workers Evolution<br>Auditor, Takara Holdings Inc.**  |
| *Mitsuo Ohashi     | Director              | Nominating Committee                                      | Chairman of the Board, Showa Denko K.K.<br>Director, Mizuho Financial Group, Inc.**<br>Director, Chugai Pharmaceutical Co., Ltd.**<br>Auditor, Fukoku Mutual Life Insurance Company** |
| *Akihiko Nomiyama  | Director              | Audit Committee   | Special Advisor, NIPPON MINING HOLDINGS, INC.   |

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|                   |          |                        |  |
|-------------------|----------|------------------------|--|
|                   |          | Compensation Committee | Director, Mizuho Financial Group, Inc.**                 |
| *Kenji Miyahara   | Director | Audit Committee        | Senior Advisor, Sumitomo Corporation                     |
|                   |          | Compensation Committee | Director, NEC Corporation**                              |
| Tohru Motobayashi | Director | Nominating Committee   | Attorney at Law  |
|                   |          | Compensation Committee |  |
| *Takeo Ueno       | Director |                        | Senior Adviser, Hitachi Via Mechanics, Ltd.              |
|                   |          |                        | Director, Hitachi Cable, Ltd.                            |
|                   |          |                        | Director, Hitachi Construction Machinery Co., Ltd.       |
|                   |          |                        | Director, Hitachi High-Technologies Corporation          |
|                   |          |                        | Auditor, Hitachi Koki Co., Ltd.                          |
| Isao Uchigasaki   | Director |                        | Advisor to the Board, Hitachi Chemical Co., Ltd.         |
|                   |          |                        | Chairman of the Board, Hitachi Information Systems, Ltd. |
| *Michihiro Honda  | Director |                        | Chairman of the Board, Hitachi Metals, Ltd.              |
|                   |          |                        | Director, Hitachi Transport System, Ltd.                 |

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- Notes: 1. The Directors marked with \* were newly elected and assumed their positions at the 138th Ordinary General Meeting of Shareholders on June 26, 2007.
2. Directors, Ms. Yoshie Ota, Mr. Mitsuo Ohashi, Mr. Akihiko Nomiyama, Mr. Kenji Miyahara, and Mr. Tohru Motobayashi are outside directors who fulfill the qualification requirements as provided for in Article 2, Item 15 of the Companies Act of Japan. Of the five individuals, those with \*\* in the Principal Position outside the Company column serve as an outside Director or an outside Auditor of the company listed in said column.
3. Mr. Yoshiki Yagi, Chairman of the Audit Committee, has considerable knowledge of finance and accounting due to his long experience as General Manager of Accounting Department, Director and Executive Officer responsible for accounting and finance of the Company.
4. Mr. Tadamichi Sakiyama, a member of the Audit Committee, has considerable knowledge of finance and accounting due to his long experience as General Manager of Accounting Department and General Manager of Internal Auditing Office of the Company, and as Director and Executive Officer responsible for accounting, finance and audit of Hitachi Construction Machinery Co., Ltd.
5. The Company has continuous transactions, including the purchase of aluminum metal and other products as well as the sale of information system equipment and software, with Showa Denko K.K. The purchases from Showa Denko are negligible in comparison to the total procurement costs of the Company and to the total sales of Showa Denko. The Company's sales to Showa Denko are also negligible in comparison to the total sales of the Company.
6. The Company has continuous transactions, including the purchase of fuel oil, copper foil, and other products as well as the sale of information system equipment and software, with NIPPON MINING HOLDINGS, INC. and its subsidiaries, which are business companies. The purchases from the NIPPON MINING HOLDINGS Group are negligible in comparison to the total procurement costs of the Company and to the total sales of the NIPPON MINING HOLDINGS Group. The Company's sales to the NIPPON MINING HOLDINGS Group are also negligible in comparison to the total sales of the Company.
7. The Company has continuous transactions, including the purchase of steel pipes and other products as well as the sale of power generation equipment, railroad vehicles, and other products through Sumitomo Corporation. The purchases through Sumitomo Corporation are negligible in comparison to the total procurement costs of the Company and to the total sales of Sumitomo Corporation. The Company's sales through Sumitomo Corporation are also negligible in comparison to the total sales of the Company.

**Table of Contents****Executive Officers** (As of March 31, 2008)

| <b>Name</b>      | <b>Position</b>                                      | <b>Responsibilities</b>  | <b>Principal Position outside the Company</b> |
|------------------|--|--|---|
| *Kazuo Furukawa  | Representative<br>Executive Officer                  | Overall management   |   |
|                  | President and Chief<br>Executive Officer             |  |   |
| Kazuhiro Mori    | Representative<br>Executive Officer                  | Social infrastructure<br>business (power<br>systems business and<br>industrial systems<br>business)  | Director, Hitachi Capital Corporation         |
|                  | Executive Vice<br>President and<br>Executive Officer |  |   |
| Kunihiko Ohnuma  | Representative<br>Executive Officer                  | Industrial<br>infrastructure<br>business (automotive<br>systems business),<br>life infrastructure<br>business (urban<br>planning &<br>development systems<br>business and<br>consumer business)<br>and procurement |   |
|                  | Executive Vice<br>President and<br>Executive Officer |  |   |
| Junzo Kawakami   | Representative<br>Executive Officer                  | Infrastructure<br>technology/ products<br>business, research &<br>development,<br>business incubation,<br>quality assurance and<br>production<br>engineering   | Director, Hitachi Metals, Ltd.                |
|                  | Executive Vice<br>President and<br>Executive Officer |  | Director, Hitachi Chemical Co., Ltd.          |
| Manabu Shinomoto | Representative<br>Executive Officer                  | Information<br>infrastructure<br>business (information<br>& telecommunication<br>systems business)   |   |
|                  | Executive Vice<br>President and<br>Executive Officer |  |   |

Masahiro Hayashi

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|                    |  |  |  |
|--------------------|--|--|--|
|                    | Representative<br>Executive Officer                  | Sales operations,<br>Hitachi group global<br>business, corporate<br>export regulation,                                     |  |
|                    | Executive Vice<br>President and<br>Executive Officer | legal and corporate<br>communications,<br>corporate brand,<br>Hitachi group<br>management and<br>corporate auditing        |  |
| Naoya Takahashi    | Senior Vice<br>President and<br>Executive Officer    | Information &<br>telecommunication<br>systems business<br>(services business<br>(global) and platform<br>systems business) | Chairman of the Board, Opnext, Inc.              |
| Koichiro Nishikawa | Senior Vice<br>President and<br>Executive Officer    | Business<br>development  | Director, Hitachi Software Engineering Co., Ltd. |
| *Toyoaki Nakamura  | Representative<br>Executive Officer                  | Finance, corporate<br>pension system,<br>Hitachi group<br>management and<br>business<br>development                        |  |
|                    | Senior Vice<br>President and<br>Executive Officer    |  |  |
| Shozo Saito        | Senior Vice<br>President and<br>Executive Officer    | Quality assurance,<br>production<br>engineering and<br>power systems<br>engineering  |  |
| Tadahiko Ishigaki  | Senior Vice<br>President and<br>Executive Officer    | Hitachi group global<br>business (North<br>America)  |  |
| Minoru Tsukada     | Senior Vice<br>President and<br>Executive Officer    | Hitachi group global<br>business (China)   |  |
| Stephen Gomersall  | Senior Vice<br>President and<br>Executive Officer    | Hitachi group global<br>business (Europe)  |  |

Akira Maru

Vice President and  
Executive Officer

Power systems  
business

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| <b>Name</b>          | <b>Position</b>                      | <b>Responsibilities</b>   | <b>Principal Position outside the Company</b> |
|----------------------|--------------------------------------|---|---|
| Koji Tanaka          | Vice President and Executive Officer | Power systems business (Ibaraki Area and management improvement)              |   |
| Toshiaki Higashihara | Vice President and Executive Officer | Power systems business (overseas business promotion)                          |   |
| Gaku Suzuki          | Vice President and Executive Officer | Industrial systems business   |   |
| Hideaki Takahashi    | Vice President and Executive Officer | Urban planning and development systems business                               |   |
| Junzo Nakajima       | Vice President and Executive Officer | Information & telecommunication systems business (system solutions business)  |   |
| Mitsuo Yamaguchi     | Vice President and Executive Officer | Information & telecommunication systems business (services business (global)) |   |
| Makoto Ebata         | Vice President and Executive Officer | Consumer business   |   |
| Kazuhiro Tachibana   | Vice President and Executive Officer | Consumer business (marketing)   |   |
| Yasuhiko Honda       | Vice President and Executive Officer | Automotive systems business   | Director, Clarion Co., Ltd.                   |
| Eiji Takeda          | Vice President and Executive Officer | Research & development  |   |

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|                   |                                      |  |                                     |
|-------------------|--------------------------------------|--|-------------------------------------|
| Takao Koyama      | Vice President and Executive Officer | Sales Operations (Kansai Area)   | Auditor, ShinMaywa Industries, Ltd. |
| Kiyoshi Kozuka    | Vice President and Executive Officer | Corporate planning and Hitachi group management                            |                                     |
| Kenji Ohno        | Vice President and Executive Officer | Human resources  |                                     |
| Toshiaki Kuzuoka  | Vice President and Executive Officer | Legal and corporate communications, corporate brand and corporate auditing |                                     |
| Masao Hisada      | Vice President and Executive Officer | Procurement and Hitachi group global business                              |                                     |
| Hiroyuki Fukuyama | Vice President and Executive Officer | Quality assurance and production engineering                               | Director, Clarion Co., Ltd.         |

- Notes: 1. On May 1, 2007, the responsibilities of certain Executive Officers were changed as follows: corporate brand was added to the responsibilities of Mr. Masahiro Hayashi; and corporate communications and corporate brand were added to the responsibilities of Mr. Toshiaki Kuzuoka.
2. The Executive Officers marked with \* concurrently hold the position of Director.

**Table of Contents****Other Material Information Concerning Directors and Executive Officers of the Company**

The Company changed its Executive Officers as of April 1, 2008 as follows.

**[Executive Officers]** (As of April 1, 2008)

| <b>Name</b>        | <b>Position</b>                                | <b>Responsibilities</b>  |
|--------------------|--|--|
| Kazuo Furukawa     | Representative Executive Officer               | Overall management   |
|                    | President and Chief Executive Officer          |  |
| Kazuhiro Mori      | Representative Executive Officer               | Social infrastructure business (power systems business and industrial systems business), quality assurance and production engineering  |
|                    | Executive Vice President and Executive Officer |  |
| Kunihiko Ohnuma    | Representative Executive Officer               | Industrial infrastructure business (automotive systems business), life infrastructure business (urban planning & development systems business and consumer business) and procurement |
|                    | Executive Vice President and Executive Officer |  |
| Junzo Kawakami     | Representative Executive Officer               | Infrastructure technology/products business, research & development and business incubation  |
|                    | Executive Vice President and Executive Officer |  |
| Manabu Shinomoto   | Representative Executive Officer               | Information infrastructure business (information & telecommunication systems business) and information systems   |
|                    | Executive Vice President and Executive Officer |  |
| Masahiro Hayashi   | Representative Executive Officer               | Sales operations, Hitachi group global business and corporate export regulation  |
|                    | Executive Vice President and Executive Officer |  |
| Naoya Takahashi    | Senior Vice President and Executive Officer    | Information & telecommunication systems business (services business (global) and platform systems business)  |
| Minoru Tsukada     | Senior Vice President and Executive Officer    | Corporate planning   |
| Koichiro Nishikawa | Senior Vice President and Executive Officer    | Business development   |
| Toyoaki Nakamura   | Representative Executive Officer               | Finance, corporate pension system, Hitachi group management and business development   |
|                    | Senior Vice President and Executive Officer    |  |

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|                    |   |   |
|--------------------|---|---|
| Shozo Saito        | Senior Vice President and Executive Officer | Quality assurance, production engineering and power systems engineering       |
| Tadahiko Ishigaki  | Senior Vice President and Executive Officer | Hitachi group global business (Americas)                                      |
| Stephen Gomersall  | Senior Vice President and Executive Officer | Hitachi group global business (Europe)  |
| Akira Maru         | Vice President and Executive Officer        | Power systems business  |
| Koji Tanaka        | Vice President and Executive Officer        | Power systems business (Ibaraki Area and management improvement)              |
| Hitoshi Isa        | Vice President and Executive Officer        | Power systems business (thermal power systems business promotion)             |
| Gaku Suzuki        | Vice President and Executive Officer        | Industrial systems business   |
| Hideaki Takahashi  | Vice President and Executive Officer        | Urban planning and development systems business                               |
| Junzo Nakajima     | Vice President and Executive Officer        | Information & telecommunication systems business (system solutions business)  |
| Mitsuo Yamaguchi   | Vice President and Executive Officer        | Information & telecommunication systems business (services business (global)) |
| Kazuhiro Tachibana | Vice President and Executive Officer        | Consumer business (marketing)   |
| Yasuhiko Honda     | Vice President and Executive Officer        | Automotive systems business   |
| Eiji Takeda        | Vice President and Executive Officer        | Research & development  |
| Takao Koyama       | Vice President and Executive Officer        | Sales operations (Kansai Area)  |
| Kenji Ohno         | Vice President and Executive Officer        | Human capital   |
| Toshiaki Kuzuoka   | Vice President and Executive Officer        | Legal and corporate communications, corporate brand and corporate auditing    |

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|               |                                      |   |
|---------------|--------------------------------------|---|
| Masao Hisada  | Vice President and Executive Officer | Procurement and Hitachi group global business |
| Koushi Nagano | Vice President and Executive Officer | Hitachi group global business (China)         |

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**2) Matters Concerning Outside Directors**

**Major Activities of Outside Directors**

| <b>Name</b>       | <b>Major activities</b>   |
|-------------------|---|
| Yoshie Ota        | Ms. Ota attended all meetings of the Board of Directors held during this business term (8 days during her incumbency), as well as all meetings of the Nominating Committee (3 days during her incumbency) and the Audit Committee (8 days during her incumbency). Ms. Ota stated her opinions at the Board and Audit Committee meetings mainly from the perspective of maintaining a dynamic organizational structure based on her extensive experience in such areas as public administration.               |
| Mitsuo Ohashi     | Mr. Ohashi attended 7 days of the Board of Directors held during this business term (8 days during his incumbency), as well as all meetings of the Nominating Committee (3 days during his incumbency). Mr. Ohashi stated his opinions at the Board meetings mainly from the perspective of securing operating revenue based on his management experience with a major global manufacturer.   |
| Akihiko Nomiyama  | Mr. Nomiyama attended all meetings of the Board of Directors held during this business term (8 days during his incumbency), 7 days of Audit Committee meetings (8 days during his incumbency) and 3 days of Compensation Committee meetings (4 days during his incumbency). Mr. Nomiyama stated his opinions at the Board and Audit Committee meetings mainly from the perspective of effective allocation of business resources based on his management experience with a major global business corporation. |
| Kenji Miyahara    | Mr. Miyahara attended all meetings of the Board of Directors held during this business term (8 days during his incumbency), 7 days of Audit Committee meetings (8 days during his incumbency), and all meetings of the Compensation Committee (4 days during his incumbency). Mr. Miyahara stated his opinions at the Board and Audit Committee meetings mainly on the promotion of solid business operations based on his management experience with a global general trading company.                       |
| Tohru Motobayashi | Mr. Motobayashi attended all meetings of the Board of Directors held during this business term (10 days during his incumbency), as well as all meetings of the Nominating Committee (5 days during his incumbency) and the Compensation Committee (5 days during his incumbency). Mr. Motobayashi stated his opinions at the Board meetings mainly from the perspective of increasing corporate value based on his experience as a legal expert.  |

**General Intent of Limited Liability Agreement with Outside Directors**

The Company has entered into a limited liability agreement stipulated in Article 427, Paragraph 1 of the Companies Act with each of Ms. Yoshie Ota, Mr. Mitsuo Ohashi, Mr. Akihiko Nomiyama, Mr. Kenji Miyahara and Mr. Tohru Motobayashi. The general intent of the agreement is to limit the liability of outside Directors to the aggregate amount of the sums stipulated in each item under Article 425, Paragraph 1 of the Companies Act.

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**3) Compensation for Directors and Executive Officers**

**Policy on the Determination of Compensation of Directors and Executive Officers**

**[Method of Determination of Policy]**

The Company's Compensation Committee sets forth the policy on the determination of the amount of compensation, etc. of each Director and Executive Officer pursuant to applicable provisions of the Companies Act concerning companies with the Committee System.

**[Summary of Policy]**

(i) Matters relating to both Directors and Executive Officers

Compensation will be commensurate with the ability required of, and the responsibilities to be borne by, the Company's Directors and Executive Officers, taking into consideration compensation packages at other companies.

(ii) Matters relating to Directors

Compensation for Directors will consist of a monthly salary, a year-end allowance and a retirement allowance.

Monthly salary will be decided by making adjustments to basic salary that reflect full-time or part-time status, committee membership and position.

Year-end allowance will be a pre-determined amount equivalent to about twenty percent of the Director's annual income based on monthly salary, although this amount may be reduced depending on Company performance.

Retirement allowance will be an amount payable on retirement that is determined based on monthly salary and years of service (total years of service in the case of a Director who has served multiple terms as a Director) (the Director's Basic Retirement Amount). A Director concurrently serving as an Executive Officer will not be paid compensation as a Director.

(iii) Matters relating to Executive Officers

Compensation for Executive Officers will consist of a monthly salary, a performance-linked component and a retirement allowance.

Monthly salary will be decided by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment.

The performance-linked component will be set within a range equivalent to about thirty percent of the Executive Officer's annual income, adjusted based on Company and individual performance.

Retirement allowance will be an amount payable on retirement. The amount will be determined by adding to an amount set in accordance with the position held at retirement, an amount based on the monthly salary of previous positions held over the course of the person's career and years of service in such positions (total years in each position, in the event of multiple periods in the same position) (the Executive Officer's Basic Retirement Amount).

(iv) Miscellaneous

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In accordance with a resolution of the 134th Ordinary General Meeting of Shareholders of the Company held on June 25, 2003, the amount of retirement allowance for a Director or Executive Officer who was a Director or Corporate Auditor prior to the close of the Meeting will include an allowance corresponding to the person's period of service as a Director or Corporate Auditor before the adoption of the Committee System.

Retirement allowance may, through an assessment, be supplemented for distinguished service by an amount equivalent to up to thirty percent of the Director's Basic Retirement Amount or Executive Officer's Basic Retirement Amount. Depending on the circumstances, each such Basic Retirement Amount may also be reduced.

It was decided at the Compensation Committee meetings held on December 18, 2007 and March 26, 2008 that the compensation structure for Directors and Executive Officers will be re-examined starting with the compensation for FY2008 and that the retirement allowance will be abolished.

### Amount of Compensation to Directors and Executive Officers

|                     | Monthly Salary and<br>Year-end Allowance or<br>Performance-linked Component<br>(Fiscal 2007) |                             | Retirement Allowance |                             |
|---------------------|--|-----------------------------|----------------------|-----------------------------|
|                     | Number   | Amount<br>(millions of yen) | Number               | Amount<br>(millions of yen) |
| Directors           | 11   | 266                         | 2                    | 245                         |
| (Outside Directors) | (5)  | (66)                        | ( )                  | ( )                         |
| Executive Officers  | 29   | 861                         | 3                    | 165                         |
| Total               | 40   | 1,127                       | 5                    | 411                         |

- Notes:
1. The number of Directors indicated in the Monthly Salary and Year-end Allowance column excludes the two Directors who serve concurrently as Executive Officers.
  2. The retirement allowance to Directors is for two Directors who will retire due to expiration of their terms of offices at the close of the 139th Ordinary General Meeting of Shareholders to be held on June 20, 2008.
  3. The retirement allowance to Executive Officers consists of the retirement allowance to two Executive Officers who retired on March 31, 2008, and to one Executive Officer who retired on March 31, 2007.
  4. The retirement allowance to be paid to eligible individuals for the period spent in office until March 31, 2008, when the retirement allowance system was abolished, is estimated to be JPY692 million for nine Directors and JPY1,756 million for 30 Executive Officers.



**Table of Contents****(12) Matters Concerning the Company's Stock** (As of March 31, 2008)1) **Authorized** 10,000,000,000 shares2) **Number of Shares per Unit** 1,000 shares**3) 10 Largest Shareholders**

| Name  | Shareholder's Equity in the Company |   |
|---|-------------------------------------|---|
|   | Share Ownership<br>shares           | Percentage of<br>Total Shares Issued<br>% |
| NATS CUMCO  | 309,706,700                         | 9.20                                      |
| State Street Bank and Trust Company                     | 261,707,912                         | 7.77                                      |
| The Master Trust Bank of Japan, Ltd.                    | 208,731,000                         | 6.20                                      |
| Japan Trustee Services Bank, Ltd.                       | 133,962,000                         | 3.98                                      |
| Nippon Life Insurance Company                           | 100,156,195                         | 2.97                                      |
| Hitachi Employees' Shareholding Association             | 96,631,952                          | 2.87                                      |
| The Dai-ichi Mutual Life Insurance Company              | 76,392,222                          | 2.27                                      |
| Trust & Custody Services Bank, Ltd.                     | 70,855,000                          | 2.10                                      |
| State Street Bank and Trust Client Omnibus Account OM02 | 54,677,370                          | 1.62                                      |
| Meiji Yasuda Life Insurance Company                     | 49,138,818                          | 1.46                                      |

Notes: 1. NATS CUMCO is the nominee name of the depositary bank, Citibank, N.A., for the aggregate of the Company's American Depositary Receipts (ADRs) holders.

2. The Company holds 43,727,729 shares of treasury stock.

**4) Shareholders Composition**

| Class of Shareholders                     | Number of<br>Shareholders | Share Ownership<br>(shares) | Percentage of<br>Total Shares Issued<br>(%) |
|---|---------------------------|-----------------------------|---|
| Financial Institution and Securities Firm | 386                       | 914,861,230                 | 27.16                                       |
| Individual                                | 366,453                   | 911,233,744                 | 27.06                                       |
| Foreign Investor                          | 1,034                     | 1,418,014,296               | 42.10                                       |
| Other                                     | 3,451                     | 123,954,468                 | 3.68  |
| Government and Municipality               | 6                         | 62,318                      | 0.00  |
| Total                                     | 371,330                   | 3,368,126,056               | 100.00                                      |

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(13) Matters Concerning Stock Acquisition Rights, etc. (As of March 31, 2008)

**Stock Acquisition Rights Which the Company's Directors and Executive Officers Hold**

| Name of Stock Acquisition Rights  | Hitachi, Ltd. 2nd Stock Acquisition Rights                                | Hitachi, Ltd. 3rd Stock Acquisition Rights | Hitachi, Ltd. 4th Stock Acquisition Rights |
|---|---|--|--|
| <b>Class and Number of Shares to Be Issued upon Exercise of Stock Acquisition Rights</b>        | Common Stock<br>489,000 shares  | Common Stock<br>13,000 shares              | Common Stock<br>587,000 shares             |
| <b>Amount to Be Paid upon Exercise of Stock Acquisition Rights</b>                              | JPY782 per share  | JPY705 per share                           | JPY719 per share                           |
| <b>Period during Which Stock Acquisition Rights May Be Exercised</b>                            | From July 30, 2005 to July 29, 2008                                       | From October 2, 2005 to October 1, 2008    | From July 29, 2006 to July 28, 2009        |
| <b>Number of Persons</b>  | <b>Directors</b><br>15 persons  | 1 person                                   | 19 persons                                 |
| <b>Who Hold Stock Acquisition Rights and Number of Stock Acquisition Rights Which They Hold</b> | <b>(Excluding Outside Directors) and Executive Officers</b><br>244 rights | 8 rights                                   | 322 rights                                 |
|   | <b>Outside Directors</b>  |  |  |

Note: The number of shares to be issued upon exercise of stock acquisition rights excludes the number of stock acquisition rights which had already been exercised or expired.

**Other Material Information Concerning Stock Acquisition Rights, etc.**

| Name of Stock Acquisition Rights   | Series A Zero Coupon Convertible Bonds due 2009        | Series B Zero Coupon Convertible Bonds due 2009        |
|--|--|--|
| <b>Class and Number of Shares to Be Issued upon Exercise of Stock Acquisition Rights</b> | Common Stock<br>60,827,250 shares                      | Common Stock<br>60,827,250 shares                      |
| <b>Amount to Be Paid upon Exercise of Stock Acquisition Rights</b>                       | JPY822 per share                                       | JPY822 per share                                       |
| <b>Period during Which Stock Acquisition Rights May Be Exercised</b>                     | From November 2, 2004 to October 5, 2009 (London time) | From November 2, 2004 to October 5, 2009 (London time) |

**Exercised**

Note: The number of shares to be issued upon exercise of stock acquisition rights which were issued as bonds with stock acquisition rights is calculated based on the conversion price as of March 31, 2008.

**(14) Matters Concerning Accounting Auditor**

1) **Name of accounting auditor** Ernst & Young ShinNihon

2) **Fees to accounting auditor** (Fiscal 2007)

| Category  | (Millions of yen)<br>Amount |
|---|-----------------------------|
| Total amount of cash and other financial benefits by the Company and its subsidiaries | 1,574                       |
| Fees etc. by the Company*   | 504                         |

Note: The column marked with \* includes fees for audits under applicable Financial Instruments and Exchange Act.

3) **Description of non-audit services**

The Company paid fees to Ernst & Young ShinNihon for performance related to overseas tax return etc., which are non-audit services.

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### **4) Subsidiaries whose financial statements are audited by certified public accountants, etc. other than Company's accounting auditors**

Of the major Hitachi Group companies (listed in (5) Major Hitachi Group Companies), overseas subsidiaries have certified public accountants ( CPA ) or auditing firms other than Ernst & Young ShinNihon audit their financial statements.

### **5) Dismissal and non-retention policy on accounting auditors**

#### **Dismissal**

- (i) In the event an accounting auditor, which is an auditing firm, is ordered by the Prime Minister of Japan to suspend its operation related to the audit of financial statements, in whole or in part, or to dissolve the firm pursuant to Article 34-21, Paragraph 2 of the Certified Public Accountant Law, the accounting auditor shall automatically resign, since said order constitutes a cause for disqualification as accounting auditor provided for in Article 337, Paragraph 3, Item 1 of the Companies Act.
- (ii) In addition to (i) above, in the event the Audit Committee determines that the causes provided for in Articles 340, Paragraph 1, Item 1 or 2 of the Companies Act apply to an accounting auditor, due to such reasons as that it can reasonably be expected that the Prime Minister of Japan shall issue an order to suspend operations, in whole or in part, or to dissolve the firm, the Audit Committee shall determine the contents of the agenda on the dismissal of the accounting auditor to be submitted to the general meeting of shareholders.
- (iii) In the event significant adverse effects on the audit of financial statements are reasonably expected in the case of (ii) above, the Audit Committee shall dismiss the accounting auditor by unanimity. Should this occur, the Audit Committee member selected by the Audit Committee shall give a report on the dismissal of the accounting auditor and the reason therefor at the first general meeting of shareholders to be convened after said dismissal.

#### **Non-retention**

- (i) In the event individuals selected by an accounting auditor, which is an auditing firm, from among its employees to perform their duties as accounting auditors are found to fall under any or all of the items under Article 340, Paragraph 1 of the Companies Act or breach the obligation(s) of CPAs provided for in the Certified Public Accountant Law, should said auditing firm fail to select promptly individuals to perform their duties as accounting auditors in the place of the former, the Audit Committee shall determine the contents of the agenda item on the non-retention of the accounting auditor to be submitted to the general meeting of shareholders.
- (ii) In the event it is determined that an adequate performance of duties cannot be ensured with respect to the matters related to the performance of duties by accounting auditors provided for in Article 159 of the Regulations of Companies' Financial Statements, the Audit Committee shall determine the contents of the agenda item on the non-retention of the accounting auditor to be submitted to the general meeting of shareholders.

### **(15) Policy on Determination of Distribution of Surplus etc.**

The Company views enhancement of the long-term and overall interests of shareholders as an important management objective. The industrial sector encompassing energy, information systems, social infrastructure and other primary businesses of the Company is undergoing rapid technological innovation and changes in market structure. This makes vigorous upfront investment in R&D and plant and equipment essential for securing and maintaining market competitiveness and improving profitability. Dividends are therefore decided based on medium-to-long term business plans with an eye to ensuring the availability of internal funds for reinvestment and the stable growth of dividends, with appropriate consideration of a range of factors, including the Company's financial condition, results of operations and dividend payout ratio.

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The Company believes that the repurchase of its shares should be undertaken, when necessary, as part of its policy on distribution to shareholders to complement the dividend payout. In addition, the Company will repurchase its own shares on an ongoing basis in order to implement a flexible capital strategy, including business restructuring, to maximize shareholder value so far as consistent with the dividend policy. Such action will be taken by the Company after considering its future capital requirement under its business plans, market conditions and other relevant factors.

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**(16) Summary of Resolution of Board of Directors on Enhancing Structures and Other Things to Ensure Adequacy of Business Operations**

- 1) Board of Directors Office (the Office ) shall be established specifically to assist with the duties of each Committee and the Board of Directors and staffed with personnel who are not subject to orders and instructions of Executive Officers.
- 2) In order to ensure the independence of the Office personnel from Executive Officers, the Audit Committee shall be informed in advance of planned transfers of the Office personnel.
- 3) Executive Officers and employees shall report without delay to the members of the Audit Committee significant matters affecting the whole Company, results of internal audits, and the implementation status of reporting under the internal reporting system.
- 4) In order to ensure the effectiveness of audits by the Audit Committee, standing Committee member(s) shall be appointed to the Audit Committee, and activity plans of the Audit Committee shall be prepared in coordination with the audit plans of Internal Auditing Office.
- 5) A reporting system to Directors shall be established to ensure that the execution of duties by Executive Officers is in compliance with laws, regulations, and the Articles of Incorporation.
- 6) Information pertaining to the execution of duties by Executive Officers shall be prepared and maintained in accordance with internal rules.
- 7) A structure shall be established in which each relevant department shall establish regulations and guidelines, conduct training, prepare and distribute manuals, and carry out other such measures with respect to various risks. Efforts shall be made to identify possible new risks through such things as progress reports on business operations and, should it become necessary to respond to a new risk, an Executive Officer responsible for responding thereto shall be appointed promptly.
- 8) Efficient performance of duties shall be ensured through the following business management systems:

The Senior Executive Committee shall be established in order to deliberate on and facilitate the formulation of decisions based on due consideration of diverse factors regarding important issues that affect the Company and/or the Hitachi Group.

Based on the management policy, medium-term business plans and annual budgets, on which performance management is based, shall be prepared in order to operate business in a planned and efficient manner.

Internal audits shall be conducted by Internal Auditing Office to monitor and identify the status of business operations and to facilitate improvements.

The Audit Committee shall receive the audit plans of the accounting auditors in advance, and the prior approval of the Audit Committee shall be required with respect to the fees to be paid to and non-audit services to be requested of the accounting auditors.

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Documented business processes shall be executed, and internal and external auditors shall examine said processes in order to ensure the reliability of financial reports.

- 9) Continuous maintenance of a legal and regulatory compliance structure shall be ensured through the following business management systems:

Internal audits shall be conducted, and various committees shall be established for legal and regulatory compliance activities. Furthermore, an internal reporting system shall be established and education on legal and regulatory compliance shall be provided.

Various corporate rules and regulations shall be established, and efforts shall be made to ensure that the employees are aware of the internal control systems overall and that the systems are effective.

- 10) The following measures shall be effected to ensure the adequacy of business operations within the Hitachi Group.

Such fundamental policies as the emphasis of the social responsibilities of business enterprises shall be shared with the Group companies.

A group-wide policy for compliance with applicable laws and regulations shall be established as necessary.

Internal audits of Company departments and Group companies shall be conducted periodically, and Directors and Corporate Auditors shall be sent from the Company to Group companies. Each company shall execute documented business processes on matters that should be reflected in financial reports, and Corporate Auditors and others shall examine said processes.

A structure for the adequate and efficient conduct of business operations common to Group companies shall be established.

The policy on transactions within the Hitachi Group is to trade fairly based on market prices

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**(17) Fundamental Policy on the Conduct of Persons Influencing Decision on the Company's Financial and Business Policies**

The Group invests a great deal of business resources in fundamental research and in the development of market-leading products and businesses that will bear fruit in the future, and realizing the benefits from these management policies requires that they be continued for a set period of time. For this purpose, the Company keeps its shareholders and investors well informed of not just the business results for each period but also of the Company's business policies for creating value in the future.

The Company does not deny the significance of the vitalization of business activities and performance that can be brought about through a change in management control, but it recognizes the necessity of determining the impact on company value and the interests of all shareholders of the buying activities and buyout proposals of parties attempting to acquire a large share of stock of the Company or a Group company by duly examining the business description, future business plans, past investment activities, and other necessary aspects of such a party.

There is no party that is currently attempting to acquire a large share of the Company's stocks nor is there a specific threat, neither does the Company intend to implement specified so-called anti-takeover measures in advance of the appearance of such a party, but the Company does understand that it is one of the natural duties bestowed upon it by the shareholders and investors to continuously monitor the state of trading of the Company's stock and then to immediately take what the Company deems to be the best action in the event of the appearance of a party attempting to purchase a large share of the Company's stock. In particular, together with outside experts, the Company will evaluate the buyout proposal of the party and hold negotiations with the buyer, and if the Company deems that said buyout will not maintain the Company's value and is not in the best interest of the shareholders, then the Company will quickly determine the necessity, content, etc., of specific countermeasures and prepare to implement them. The same response will also be taken in the event a party attempts to acquire a large percentage of the shares of a Group company.



**Table of Contents****2. Consolidated Balance Sheets**

|   | Fiscal 2007<br>(As of March 31, 2008) | Fiscal 2006<br>(As of March 31, 2007) |
|---|---------------------------------------|---------------------------------------|
|   | (Millions of yen)                     |                                       |
| <b>(Assets)</b>   |                                       |                                       |
| <b>Current assets</b>   | <b>5,401,755</b>                      | <b>5,434,135</b>                      |
| Cash and cash equivalents   | 560,960                               | 617,866                               |
| Short-term investments  | 61,289                                | 33,986                                |
| Trade receivables, net  |                                       |                                       |
| Notes   | 163,962                               | 154,406                               |
| Accounts  | 2,365,823                             | 2,341,609                             |
| Investments in leases   | 136,119                               | 148,456                               |
| Inventories   | 1,441,024                             | 1,450,258                             |
| Other current assets  | 672,578                               | 687,554                               |
| <b>Investments and advances</b>                                       | <b>1,042,657</b>                      | <b>1,049,724</b>                      |
| <b>Property, plant and equipment</b>                                  | <b>2,653,918</b>                      | <b>2,688,977</b>                      |
| Land  | 478,620                               | 465,315                               |
| Buildings   | 1,848,105                             | 1,842,904                             |
| Machinery and equipment   | 5,770,457                             | 5,850,195                             |
| Construction in progress  | 93,137                                | 96,008                                |
| Less accumulated depreciation   | (5,536,401)                           | (5,565,445)                           |
| <b>Other assets</b>   | <b>1,432,517</b>                      | <b>1,471,423</b>                      |
| <b>Total assets</b>   | <b>10,530,847</b>                     | <b>10,644,259</b>                     |
| <b>(Liabilities)</b>  |                                       |                                       |
| <b>Current liabilities</b>  | <b>4,752,899</b>                      | <b>4,667,544</b>                      |
| Short-term debt   | 723,020                               | 894,393                               |
| Current portion of long-term debt                                     | 386,879                               | 303,214                               |
| Trade payables  |                                       |                                       |
| Notes   | 66,265                                | 85,282                                |
| Accounts  | 1,601,413                             | 1,584,959                             |
| Accrued expenses  | 901,546                               | 902,164                               |
| Income taxes  | 101,599                               | 87,354                                |
| Advances received   | 412,642                               | 284,704                               |
| Other current liabilities   | 559,535                               | 525,474                               |
| <b>Long-term debt</b>   | <b>1,421,607</b>                      | <b>1,489,843</b>                      |
| <b>Retirement and severance benefits</b>                              | <b>822,440</b>                        | <b>818,457</b>                        |
| <b>Other liabilities</b>  | <b>220,781</b>                        | <b>151,869</b>                        |
| <b>Total liabilities</b>  | <b>7,217,727</b>                      | <b>7,127,713</b>                      |
| <b>(Minority interests)</b>   |                                       |                                       |
| <b>Minority interests</b>   | <b>1,142,508</b>                      | <b>1,073,749</b>                      |
| <b>(Stockholders' equity)</b>   |                                       |                                       |
| <b>Common stock</b>   | <b>282,033</b>                        | <b>282,033</b>                        |
| <b>Capital surplus</b>  | <b>555,410</b>                        | <b>560,796</b>                        |
| <b>Legal reserve and retained earnings</b>                            | <b>1,626,497</b>                      | <b>1,713,757</b>                      |
| <b>Accumulated other comprehensive loss</b>                           | <b>(267,198)</b>                      | <b>(88,450)</b>                       |
| <b>Treasury stock, at cost</b>  | <b>(26,130)</b>                       | <b>(25,339)</b>                       |
| <b>Total stockholders' equity</b>                                     | <b>2,170,612</b>                      | <b>2,442,797</b>                      |
| <b>Total liabilities, minority interests and stockholders' equity</b> | <b>10,530,847</b>                     | <b>10,644,259</b>                     |

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(Notes to Consolidated Balance Sheet)

1. Deferred tax assets included in Other current assets and Other assets are JPY279,378 million and JPY335,153 million, respectively. Deferred tax liabilities included in Other current liabilities and Other liabilities are JPY1,774 million and JPY45,394 million, respectively.
2. Goodwill and other intangible assets included in Other assets are JPY551,802 million.
3. Accumulated other comprehensive loss of JPY267,198 million includes: loss on foreign currency translation adjustments of JPY69,222 million, loss on pension liability adjustments of JPY221,007 million, net unrealized holding gain on available-for-sale securities of JPY22,581 million and cash flow hedges of JPY450 million.
4. Collateralized assets: Cash and cash equivalents of JPY55 million, short-term investments of JPY19 million, other current assets of JPY3,633 million, investments and advances of JPY556 million, land of JPY5,261 million, buildings of JPY6,867 million, machinery and equipment of JPY8,131 million, and other assets of JPY93 million.  
Secured debts: Short-term debt of JPY2,399 million, current portion of long-term debt of JPY135 million, accounts payable of JPY1,346 million, long-term debt of JPY3,349 million and other liabilities of JPY348 million.
5. Allowance deducted directly from assets: JPY42,554 million from current assets, JPY2,443 million from investments and advances, and JPY11,430 million from other assets.
6.

|  |                    |
|--|--------------------|
| Notes discounted   | JPY4,063 million   |
| Notes endorsed   | JPY4,706 million   |
| Guarantees   | JPY489,159 million |
| Transferred export receivables with recourse obligations | JPY23,769 million  |

(Note to Per Share Information)

|                      |           |
|----------------------|-----------|
| Net assets per share | JPY652.95 |
|----------------------|-----------|

**Table of Contents****3. Consolidated Statements of Operations**

|   | Years ended March 31 |                  |
|---|----------------------|------------------|
|   | 2008                 | 2007             |
|   | (Millions of yen)    |                  |
| Revenues  | 11,226,735           | 10,247,903       |
| Cost of sales   | 8,777,657            | 8,088,371        |
| <b>Gross profit</b>   | <b>2,449,078</b>     | <b>2,159,532</b> |
| Selling, general and administrative expenses                    | 2,103,562            | 1,977,020        |
| <b>Operating income</b>   | <b>345,516</b>       | <b>182,512</b>   |
| Other income  | 165,133              | 102,987          |
| Interest income   | 31,501               | 25,914           |
| Dividends income  | 6,031                | 6,063            |
| Gains on sales of stock by subsidiaries or affiliated companies | 3,846                | 12,034           |
| Other   | 123,755              | 58,976           |
| Other deductions  | 185,867              | 83,161           |
| Interest charges  | 42,448               | 37,794           |
| Impairment losses for long-lived assets                         | 87,549               | 9,918            |
| Restructuring charges   | 18,110               | 3,983            |
| Other   | 37,760               | 31,466           |
| <b>Income before income taxes and minority interests</b>        | <b>324,782</b>       | <b>202,338</b>   |
| Income taxes  | 272,163              | 162,814          |
| <b>Income before minority interests</b>                         | <b>52,619</b>        | <b>39,524</b>    |
| Minority interests  | 110,744              | 72,323           |
| <b>Net income (loss)</b>  | <b>(58,125)</b>      | <b>(32,799)</b>  |

(Note to Consolidated Statement of Operations)

Income taxes of JPY272,163 million includes current tax expense of JPY187,576 million and deferred tax expense of JPY84,587 million.

(Note to Per Share Information)

Net loss per share            JPY17.48

**Table of Contents****4. Consolidated Statement of Stockholders Equity** (April 1, 2007 to March 31, 2008)

|   | (Millions of yen) |                    |  |   |                               |                                 |
|---|-------------------|--------------------|--|---|-------------------------------|---------------------------------|
|   | Common<br>stock   | Capital<br>surplus | Legal reserve<br>and<br>retained<br>earnings | Accumulated<br>other<br>comprehensive<br>loss | Treasury<br>Stock,<br>at cost | Total<br>stockholders<br>equity |
| Balance at beginning of year  | 282,033           | 560,796            | 1,713,757                                    | (88,450)                                      | (25,339)                      | 2,442,797                       |
| Increase (decrease) arising from equity transaction, net transfer of minority interest, and other |                   | (5,457)            | (9,186)                                      | 376   |                               | (14,267)                        |
| Comprehensive loss  |                   |                    |  |   |                               |                                 |
| Net loss  |                   |                    | (58,125)                                     |   |                               | (58,125)                        |
| Other comprehensive loss  |                   |                    |  | (179,124)                                     |                               | (179,124)                       |
| Net comprehensive loss  |                   |                    |  |   |                               | (237,249)                       |
| Cash dividends  |                   |                    | (19,949)                                     |   |                               | (19,949)                        |
| Acquisition of treasury stock   |                   |                    |  |   | (1,145)                       | (1,145)                         |
| Sales of treasury stock   |                   | 71                 |  |   | 354                           | 425                             |
| Balance at end of year  | 282,033           | 555,410            | 1,626,497                                    | (267,198)                                     | (26,130)                      | 2,170,612                       |

(Notes to Consolidated Statement of Stockholders Equity)

1. Class and number of issued shares at end of year
 

|              |                      |
|--------------|----------------------|
| Common stock | 3,324,307,259 shares |
|--------------|----------------------|
  
2. Cash dividends
 

|   |                   |
|---|-------------------|
| (1) Total amount of cash dividends  | JPY19,949 million |
| (2) Cash dividends of which record date falls in fiscal 2007 and of which effective date falls in fiscal 2008 |                   |
|   |                   |
| 1) Total amount of cash dividends   | JPY9,973 million  |
| 2) Cash dividend per share  | JPY3              |
| 3) Record date  | March 31, 2008    |
| 4) Effective date   | May 20, 2008      |
  
3. Class and number of shares to be issued upon exercise of stock acquisition rights (excluding those of which exercise date has not arrived) at end of year
 

|              |                    |
|--------------|--------------------|
| Common stock | 122,743,500 shares |
|--------------|--------------------|



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**5. Notes to Consolidated Financial Statements**

(Notes concerning Important Matters for Basis of Presentation of Consolidated Financial Statements)

1. Basis of presentation

The consolidated financial statements presented herein, under Article 148, Paragraph 1 of the Regulations of Companies Financial Statements, have been prepared in conformity with accounting principles generally accepted in the United States. However, under the above provision, some descriptions and notes required under the accounting principles generally accepted in the United States are omitted.

2. Inventories

Finished goods, semi-finished goods and work-in-process: Lower of cost or market. Cost is determined by the specific identification method or the moving average method.

Raw materials: Lower of cost or market. Cost is generally determined by the moving average method.

3. Investments in securities

The Company accounts for investments in securities in accordance with Statement of Financial Accounting Standards ( SFAS ) No. 115, Accounting for Certain Investments in Debt and Equity Securities.

Held-to-maturity securities: Amortized cost.

Trading securities: Fair value, with unrealized gains and losses included in earnings. Cost is determined by the moving average method.

Available-for-sale securities: Fair value, with unrealized gains and losses reported in other comprehensive income. Cost is determined by the moving average method.

4. Depreciation of fixed assets

Property, plant and equipment: Principally depreciated by the declining-balance method, except for some assets which are depreciated by the straight-line method.

Software for internal use: Capitalized and amortized on a straight-line basis over their estimated useful lives. Selling, leasing, or otherwise marketing software: Depreciated based on expected gross revenues ratably.

Effective April 1, 2007, the Company and its domestic subsidiaries elected to change the fixed-percentage-on-declining base application to the 250% declining balance application primarily for machinery and equipment used for manufacturing in order to reflect changes in the pattern of usage of long-lived depreciable assets. Accordingly, estimated salvage values were reduced. As a result of this change, operating income and income before income taxes and minority interests decreased by JPY38,379 million each, and the net loss and net loss per share increased by JPY20,316 million and JPY6.11, respectively, compared to the figures according to the conventional method.

5. Goodwill and other intangible assets

The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, Goodwill and Other Intangible Assets. Goodwill and intangible assets with indefinite useful lives are no longer amortized, but instead are tested for impairment at least annually in accordance with the provisions of this statement.

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Intangible assets with finite useful lives are amortized over their respective estimated useful lives and are tested for impairment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

6. The Company accounts for retirement and severance benefits in accordance with SFAS No. 87, Employers Accounting for Pensions and SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (an amendment of SFAS No. 87, 88, 106, and 132(R)). Unrecognized prior service benefit and cost, and unrecognized actuarial gain or loss are amortized using the straight-line method over the average remaining service period of active employees.
7. Consumption tax is accounted for based on the tax segregated method, under which consumption tax is excluded from presentation of revenues, cost of sales and expenses.
8. Effective April 1, 2007, the Company adopted Interpretation No. 48 of the U.S. Financial Accounting Standards Board ( FASB ), Accounting for Uncertainty in Income Taxes. The adoption of the Interpretation resulted in a decrease by JPY3,667 million in legal reserve and retained earnings under Increase (decrease) arising from equity transaction, net transfer of minority interest, and other in the Consolidated Statement of Stockholders Equity, due to the adjustment of the balance thereof at beginning of year.
9. Effective April 1, 2007, the Company adopted Issue No. 06-2, Accounting for Sabbatical Leave and Other Similar Benefits, of the FASB Emerging Issues Task Force. Adjustment made to the balance of legal reserve and retained earnings at beginning of year as a result of the adoption of the standards is minimal, and is included in the legal reserve and retained earnings under Increase (decrease) arising from equity transaction, net transfer of minority interest, and other in the Consolidated Statement of Stockholders Equity.

**Table of Contents****6. Consolidated Statements of Cash Flows (Supplementary Information)**

|   | Years ended<br>March 31 |                 |
|---|-------------------------|-----------------|
|   | 2008                    | 2007            |
|   | (Millions of yen)       |                 |
| <b>1. Cash flows from operating activities</b>  |                         |                 |
| Net income (loss)   | (58,125)                | (32,799)        |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities |                         |                 |
| Depreciation  | 541,470                 | 472,175         |
| Deferred income taxes   | 84,587                  | 20,514          |
| Loss on disposal of rental assets and other property                                    | 13,424                  | 31,590          |
| Decrease in receivables   | 47,843                  | 52,599          |
| Increase in inventories   | (107,546)               | (212,028)       |
| Increase in payables  | 42,453                  | 104,987         |
| Other   | 227,731                 | 178,004         |
| Net cash provided by operating activities   | 791,837                 | 615,042         |
| <b>2. Cash flows from investing activities</b>  |                         |                 |
| Decrease (Increase) in short-term investments   | (25,437)                | 25,054          |
| Capital expenditures  | (474,344)               | (497,771)       |
| Purchase of rental assets, net  | (339,756)               | (420,156)       |
| Proceeds from sale (purchase) of investments and subsidiaries common stock, net         | (93,127)                | (99,688)        |
| Collection of investments in leases   | 311,321                 | 318,063         |
| Other   | (16,275)                | (111,672)       |
| Net cash used in investing activities   | (637,618)               | (786,170)       |
| <b>3. Cash flows from financing activities</b>  |                         |                 |
| Increase (Decrease) in interest-bearing debt  | (176,897)               | 165,359         |
| Dividends paid to stockholders  | (19,889)                | (28,243)        |
| Dividends paid to minority stockholders of subsidiaries                                 | (25,787)                | (20,761)        |
| Other   | 37,017                  | 4,904           |
| Net cash provided by (used in) financing activities                                     | (185,556)               | 121,259         |
| <b>4. Effect of exchange rate changes on cash and cash equivalents</b>                  | <b>(25,569)</b>         | <b>9,480</b>    |
| <b>5. Net decrease in cash and cash equivalents</b>                                     | <b>(56,906)</b>         | <b>(40,389)</b> |
| <b>6. Cash and cash equivalents at beginning of year</b>                                | <b>617,866</b>          | <b>658,255</b>  |
| <b>7. Cash and cash equivalents at end of year</b>                                      | <b>560,960</b>          | <b>617,866</b>  |



**Table of Contents****7. Unconsolidated Balance Sheets**

| (Assets)                                 | Fiscal 2007<br>(As of March 31, 2008) | Fiscal 2006<br>(As of March 31, 2007) |
|--|---------------------------------------|---------------------------------------|
|  | (Millions of yen)                     |                                       |
| <b>Current assets</b>                    | <b>1,655,690</b>                      | <b>1,927,116</b>                      |
| Cash                                     | 76,825                                | 156,605                               |
| Notes receivable                         | 5,403                                 | 6,877                                 |
| Accounts receivable                      | 639,388                               | 703,695                               |
| Marketable securities                    | 40,348                                | 499                                   |
| Money held in trust                      | 5,031                                 | 20,663                                |
| Finished goods                           | 52,937                                | 49,953                                |
| Semi-finished goods                      | 36,990                                | 40,963                                |
| Raw materials                            | 37,443                                | 41,653                                |
| Work in process                          | 103,355                               | 144,878                               |
| Advances paid                            | 31,519                                | 20,939                                |
| Short-term loan receivables              | 422,545                               | 475,593                               |
| Deferred tax assets                      | 67,041                                | 123,700                               |
| Others                                   | 168,228                               | 146,162                               |
| Allowance for doubtful receivables       | (31,369)                              | (5,071)                               |
| <b>Fixed assets</b>                      | <b>2,004,278</b>                      | <b>1,946,785</b>                      |
| Tangible fixed assets                    | 345,902                               | 364,827                               |
| Buildings                                | 125,847                               | 128,791                               |
| Structures                               | 12,120                                | 13,062                                |
| Machinery                                | 98,805                                | 109,040                               |
| Vehicles                                 | 474                                   | 330                                   |
| Tools and equipment                      | 56,364                                | 63,509                                |
| Land                                     | 44,586                                | 44,765                                |
| Construction in progress                 | 7,703                                 | 5,328                                 |
| Intangible fixed assets                  | 137,603                               | 163,148                               |
| Patents                                  | 37,267                                | 56,792                                |
| Software                                 | 93,525                                | 93,193                                |
| Railway and public utility installation  | 541                                   | 570                                   |
| Others                                   | 6,269                                 | 12,592                                |
| Investments and others                   | 1,520,771                             | 1,418,809                             |
| Affiliated companies common stock        | 1,197,579                             | 1,084,782                             |
| Other securities of affiliated companies | 823                                   | 526                                   |
| Investments in affiliated companies      | 42,376                                | 40,325                                |
| Investments in securities                | 172,637                               | 238,783                               |
| Long-term loan receivables               | 14,232                                | 3,713                                 |
| Deferred tax assets                      | 38,716                                | 23,127                                |
| Others                                   | 54,470                                | 27,701                                |
| Allowance for doubtful receivables       | (64)                                  | (151)                                 |
| <b>Total assets</b>                      | <b>3,659,968</b>                      | <b>3,873,901</b>                      |

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|   | Fiscal 2007<br>(As of March 31, 2008) | Fiscal 2006<br>(As of March 31, 2007) |
|---|---------------------------------------|---------------------------------------|
|   | (Millions of yen)                     |                                       |
| <b>(Liabilities)</b>                                  |                                       |                                       |
| <b>Current liabilities</b>                            | <b>1,910,360</b>                      | <b>1,931,985</b>                      |
| Trade accounts payable                                | 633,915                               | 646,714                               |
| Short-term debt                                       | 65,279                                | 46,491                                |
| Commercial paper                                      | 70,000                                | 170,000                               |
| Current installments of debentures                    | 5,000                                 |                                       |
| Other accounts payable                                | 28,432                                | 45,314                                |
| Accrued expenses                                      | 221,853                               | 223,762                               |
| Advances received from customers                      | 134,072                               | 179,253                               |
| Deposits received                                     | 736,223                               | 601,502                               |
| Warranty reserve                                      | 14,366                                | 17,328                                |
| Others  | 1,216                                 | 1,619                                 |
| <b>Noncurrent liabilities</b>                         | <b>752,540</b>                        | <b>755,220</b>                        |
| Debentures  | 285,000                               | 290,000                               |
| Long-term debt  | 275,533                               | 291,088                               |
| Accrued pension liability                             | 98,629                                | 145,434                               |
| Reserve for loss on repurchasing computers            | 5,346                                 | 6,636                                 |
| Reserve for retirement benefits for senior executives | 4,578                                 |                                       |
| Reserve for loss on guarantees                        | 928                                   |                                       |
| Reserve for loss on business of affiliated companies  | 22,265                                |                                       |
| Others  | 60,259                                | 22,061                                |
| <b>Total liabilities</b>                              | <b>2,662,901</b>                      | <b>2,687,206</b>                      |
| <b>(Net assets)</b>                                   |                                       |                                       |
| <b>Stockholders equity</b>                            | <b>969,151</b>                        | <b>1,117,685</b>                      |
| Common stock  | 282,033                               | 282,033                               |
| Capital surplus                                       | 284,028                               | 283,978                               |
| Capital reserve                                       | 270,763                               | 270,763                               |
| Others  | 13,265                                | 13,215                                |
| Retained Earnings                                     | 430,663                               | 578,476                               |
| Earned surplus reserve                                | 70,438                                | 70,438                                |
| Others  | 360,225                               | 508,038                               |
| Reserve for software program development              | 5,296                                 | 9,785                                 |
| Reserve for special depreciation                      | 43                                    | 157                                   |
| Special reserve                                       |                                       | 643,685                               |
| Retained earnings (losses) carried forward            | 354,885                               | (145,589)                             |
| Treasury stock  | (27,573)                              | (26,803)                              |
| <b>Valuation and translation adjustments</b>          | <b>27,915</b>                         | <b>69,009</b>                         |
| Unrealized holding gains on securities                | 27,560                                | 68,554                                |
| Deferred profit or loss on hedges                     | 355                                   | 455                                   |
| <b>Total net assets</b>                               | <b>997,066</b>                        | <b>1,186,695</b>                      |
| <b>Total liabilities and net assets</b>               | <b>3,659,968</b>                      | <b>3,873,901</b>                      |

**Table of Contents**

(Notes to Unconsolidated Balance Sheet)

## 1. Collateralized assets

(Millions of yen)

| Type of asset              | Book value at end of year | Description  |
|----------------------------|---------------------------|--|
| Affiliated companies       | 61                        | Collaterals for borrowings by affiliated companies               |
| common stock               |                           |  |
| Investments in securities  | 8                         | Collaterals for borrowings by investees                          |
| Long-term loan receivables | 92                        | Collaterals for borrowings by affiliated companies and investees |
| Total                      | 162                       |  |

## 2. Accumulated depreciation of tangible fixed assets

|                     |     |                 |
|---------------------|-----|-----------------|
| Buildings           | JPY | 209,081 million |
| Structures          | JPY | 35,339 million  |
| Machinery           | JPY | 486,379 million |
| Vehicles            | JPY | 1,649 million   |
| Tools and equipment | JPY | 248,740 million |

## 3. Guarantees

(Millions of yen)

| Guarantee                   | Balance at end of year | Description  |
|-----------------------------|------------------------|--|
| Hitachi East Asia Ltd.      | 7,043                  | Guarantee for a borrowing of USD70 million from Japan Bank for International Cooperation   |
| Kohki Railway Systems, Ltd. | 2,200                  | Joint and several guarantee for East Japan Railway Company ( JR East ) pursuant to the Agreement on License to Execute and Use Patents, etc. between Kohki Railway Systems and JR East |
| Other                       | 260                    | Guarantee for borrowings from financial institutions   |
| Total                       | 9,503                  |  |

In addition to the foregoing, the Company has entered into an agreement with each of the following overseas affiliated companies on maintaining their finances in a sound condition, etc., mainly to enhance their credit in order to support their financing activities:

Hitachi America Capital, Ltd., Hitachi International (Holland) B.V., Hitachi Finance (UK) Plc, Hitachi International Treasury Ltd., Hitachi (China) Finance Co., Ltd. and Hitachi Power Europe GmbH

|   |     |                   |
|---|-----|-------------------|
| 4. Short-term receivables from affiliated companies | JPY | 815,875 million   |
| Long-term receivables from affiliated companies     | JPY | 15,819 million    |
| Short-term payables to affiliated companies         | JPY | 1,217,630 million |
| Long-term payables to affiliated companies          | JPY | 7,479 million     |

(Note to Per Share Information)

Net assets per share JPY299.92



**Table of Contents****8. Unconsolidated Statements of Operations**

|   | <b>Years ended March 31</b> |                  |
|---|-----------------------------|------------------|
|   | <b>2008</b>                 | <b>2007</b>      |
|   | <b>(Millions of yen)</b>    |                  |
| Revenues  | 2,807,269                   | 2,785,115        |
| Cost of sales   | 2,337,897                   | 2,277,213        |
| <b>Gross profit on sales</b>  | <b>469,371</b>              | <b>507,901</b>   |
| Selling, general and administrative expenses                            | 543,488                     | 574,187          |
| <b>Operating income (loss)</b>  | <b>(74,116)</b>             | <b>(66,285)</b>  |
| Other income  | 87,501                      | 99,546           |
| Interest and dividends  | 79,659                      | 85,917           |
| Others  | 7,841                       | 13,628           |
| Other deductions  | 59,372                      | 70,478           |
| Interest  | 12,579                      | 7,744            |
| Others  | 46,792                      | 62,733           |
| <b>Ordinary income (loss)</b>   | <b>(45,987)</b>             | <b>(37,217)</b>  |
| Extraordinary gain  | 84,154                      | 56,803           |
| Gain on sale of affiliated companies common stock                       | 64,472                      | 16,758           |
| Gain on contribution of securities to employee retirement benefit trust | 10,240                      |                  |
| Gain on sale of real property   | 5,457                       | 3,321            |
| Gain on sale of investments in securities                               | 3,983                       | 36,724           |
| Extraordinary loss  | 118,573                     | 176,579          |
| Extraordinary loss on restructuring charges                             | 110,996                     |                  |
| Loss on impairment of assets  | 4,659                       | 1,204            |
| Impairment loss on investments in securities                            | 2,918                       |                  |
| Impairment loss on affiliated companies common stock                    |                             | 175,375          |
| <b>Income (loss) before income taxes</b>                                | <b>(80,406)</b>             | <b>(156,992)</b> |
| Income taxes  |                             |                  |
| Current   | (21,642)                    | (14,375)         |
| Deferred  | 69,099                      | 35,432           |
| <b>Net income (loss)</b>  | <b>(127,863)</b>            | <b>(178,049)</b> |

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(Notes to Unconsolidated Statement of Operations)

1. The gain of JPY10,240 million on contribution of securities to the employee retirement benefit trust was realized by contributing a part of the stocks held and establishing an employee retirement benefit trust in order to increase utilization of the Company's financial assets and to improve its pension financing.
2. The loss of JPY110,996 million for extraordinary loss on restructuring charges is due to impairment loss on the shares of Fujitsu Hitachi Plasma Display Limited, which is a subsidiary that manufactures plasma display panels, loss due to the posting of an allowance for doubtful receivables relative to loans made to said company, and loss due to the posting of an allowance for loss on business of affiliated companies relative to said company, as well as expenses related to business restructuring in the flat-panel TV and other business sectors, and impairment loss on assets related thereto.
3. Loss on Impairment of Assets

- (1) Summary of assets and asset groups on which impairment loss was recognized

| Classification             | Description  | Category    | Location                        |
|----------------------------|--|-------------|---------------------------------|
| Assets to be held and used | Power generation facilities                        | Lease asset | Hitachinaka, Ibaraki Prefecture |
|                            | Patent relating to plasma display panel technology | Patent      |                                 |

- (2) Reason to recognize loss on impairment of assets

The Company recognized the impairment loss since amounts invested in the above assets are expected to be irrecoverable due to deterioration in the performance of the electrical power sales business as a result of the escalating fuel price, as well as a re-examination of the future royalty income.

- (3) Amount of impairment loss

A loss of JPY4,659 million relating to the lease asset was posted as an impairment loss and a loss of JPY12,953 million relating to the patent was posted as an extraordinary loss on restructuring charges.

- (4) Method of grouping assets

Although the grouping of assets is principally based on business divisions or places of business, said asset and asset group are grouped as a separate unit that generates a cash flow independently of other asset groups.

- (5) Calculation of recoverable amounts

Calculation is based on net sales price or value in use, whichever is higher, and a discount rate for calculation of value in use is 6.5%.

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|                                 |  |                      |
|---------------------------------|--|----------------------|
| 4.                              | Sales to affiliated companies                        | JPY985,686 million   |
|                                 | Purchases from affiliated companies                  | JPY1,714,827 million |
|                                 | Non-operating transactions with affiliated companies | JPY58,378 million    |
| (Note to Per Share Information) |  |                      |
| Net loss per share              | JPY38.46   |                      |

**Table of Contents****9. Unconsolidated Statement of Changes in Stockholders Equity etc. (April 1, 2007 to March 31, 2008)**

(Millions of yen)

|  | Capital surplus |                 |        | Stockholders equity   |                        |  | Retained earnings<br>Others      |                 | Retained earnings<br>(losses)<br>carried forward | Total retained earnings |
|--|-----------------|-----------------|--------|-----------------------|------------------------|--|----------------------------------|-----------------|--|-------------------------|
|  | Common stock    | Capital reserve | Others | Total capital surplus | Earned surplus reserve | Reserve for software program development | Reserve for special depreciation | Special reserve |  |                         |
| Balance at end of preceding year                                 | 282,033         | 270,763         | 13,215 | 283,978               | 70,438                 | 9,785                                    | 157                              | 643,685         | (145,589)  | 578,476                 |
| Change during year   |                 |                 |        |                       |                        |  |                                  |                 |  |                         |
| Reversal of reserve for software program development             |                 |                 |        |                       |                        | (4,488)                                  |                                  |                 | 4,488  |                         |
| Deposit into reserve for special depreciation                    |                 |                 |        |                       |                        |  | 7                                |                 | (7)  |                         |
| Reversal of reserve for special depreciation                     |                 |                 |        |                       |                        |  | (121)                            |                 | 121  |                         |
| Reversal of special reserve                                      |                 |                 |        |                       |                        |  |                                  | (643,685)       | 643,685  |                         |
| Distribution of surplus  |                 |                 |        |                       |                        |  |                                  |                 | (19,949)   | (19,949)                |
| Net loss   |                 |                 |        |                       |                        |  |                                  |                 | (127,863)  | (127,863)               |
| Acquisition of treasury stock                                    |                 |                 |        |                       |                        |  |                                  |                 |  |                         |
| Disposition of treasury stock                                    |                 |                 | 49     | 49                    |                        |  |                                  |                 |  |                         |
| (Net) Change in items other than stockholders equity during year |                 |                 |        |                       |                        |  |                                  |                 |  |                         |
| Total change during year   |                 |                 | 49     | 49                    |                        | (4,488)                                  | (114)                            | (643,685)       | 500,475  | (147,813)               |
| Balance at end of year   | 282,033         | 270,763         | 13,265 | 284,028               | 70,438                 | 5,296                                    | 43                               |                 | 354,885  | 430,663                 |



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(Millions of yen)

|  | Stockholders equity |                           | Valuation and translation adjustments  |                                   |   | Total net assets |
|--|---------------------|---------------------------|--|-----------------------------------|---|------------------|
|  | Treasury stock      | Total stockholders equity | Unrealized holding gains on securities | Deferred profit or loss on hedges | Total valuation and translation adjustments |                  |
| Balance at end of preceding year                                 | (26,803)            | 1,117,685                 | 68,554                                 | 455                               | 69,009                                      | 1,186,695        |
| Change during year   |                     |                           |  |                                   |   |                  |
| Reversal of reserve for software program development             |                     |                           |  |                                   |   |                  |
| Deposit into reserve for special depreciation                    |                     |                           |  |                                   |   |                  |
| Reversal of reserve for special depreciation                     |                     |                           |  |                                   |   |                  |
| Reversal of special reserve                                      |                     |                           |  |                                   |   |                  |
| Distribution of surplus  |                     | (19,949)                  |  |                                   |   | (19,949)         |
| Net loss   |                     | (127,863)                 |  |                                   |   | (127,863)        |
| Acquisition of treasury stock                                    | (1,145)             | (1,145)                   |  |                                   |   | (1,145)          |
| Disposition of treasury stock                                    | 374                 | 424                       |  |                                   |   | 424              |
| (Net) Change in items other than stockholders equity during year |                     |                           | (40,994)                               | (100)                             | (41,094)                                    | (41,094)         |
| Total change during year   | (770)               | (148,533)                 | (40,994)                               | (100)                             | (41,094)                                    | (189,628)        |
| Balance at end of year   | (27,573)            | 969,151                   | 27,560                                 | 355                               | 27,915                                      | 997,066          |

**Table of Contents**

(Note to Unconsolidated Statement of Changes in Stockholders' Equity etc.)

Matters related to Class and Number of Treasury Stock

| Class        | (Shares)<br>Number of shares |                         |                         | At end of<br>year |
|--------------|------------------------------|-------------------------|-------------------------|-------------------|
|              | At end of<br>preceding year  | Increase<br>during year | Decrease<br>during year |                   |
| Common stock | 42,966,434                   | 1,358,519               | 597,224                 | 43,727,729        |

(Summary of Reason for Change)

The increase this fiscal year by 1,358,519 shares is due to purchases made from less-than-one unit shareholders at their request. The decrease this fiscal year by 597,224 shares is due to the disposition of 362,000 shares as a result of the exercise of stock acquisition rights and the sale of 235,224 shares to less-than-one unit shareholders at their request.

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### **10. Notes to Unconsolidated Financial Statements**

(Notes on Important Accounting Policy)

#### 1. Inventories

Finished goods, semi-finished goods and work in process: Lower of cost or market. Cost is determined by the specific identification method or the moving average method.

Raw materials: Lower of cost or market. Cost is determined by the moving average method.

#### 2. Securities and money held in trust

Affiliated companies common stock and investments in affiliated companies are stated at cost. Cost is determined by the moving average method.

Other securities which had readily determinable fair values are stated at fair value. The difference between acquisition cost and carrying cost of other securities is recognized in Unrealized holding gains on securities. The cost of other securities sold is computed based on the moving average method.

Other securities which did not have readily determinable fair values are stated at cost determined by the moving average method.

Money held in trust is stated at fair value.

#### 3. Derivatives

Derivatives are stated at fair value.

#### 4. Depreciation of tangible fixed assets

Buildings: Straight-line method.

Other tangible fixed assets: Declining-balance method.

(Change in Accounting Policy)

Effective April 1, 2007, due to the amendment of the Corporation Tax Law, the depreciation method under the amended Corporation Tax Law is being applied to tangible fixed assets acquired on or after April 1, 2007.

This change led to an increase in depreciation by JPY4,280 million compared to the conventional method, resulting in a JPY4,063 million increase in the operating loss, ordinary loss and net loss before income taxes, respectively.

(Additional Information)

Effective April 1, 2007, due to the amendment of the Corporation Tax Law, tangible fixed assets acquired on or prior to March 31, 2007 are being subjected, from the fiscal year following the one in which 5% of the acquisition value is reached as a result of the application of the depreciation method under the pre-amendment Corporation Tax Law, to a depreciation of the difference between the amount equal to 5% of the acquisition value and the memorandum value thereof over a period of five years in equal amounts, and the amount thus depreciated is being included in the depreciation posted.

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This change led to an increase in depreciation by JPY5,466 million, resulting in a JPY5,072 million increase in the operating loss, ordinary loss and net loss before income taxes, respectively.

### 5. Depreciation of intangible fixed assets

Selling, leasing, or otherwise marketing software: Depreciated based on expected gross revenues ratably.

Other intangible fixed assets: Straight-line method.

### 6. Allowances

Allowance for doubtful receivables:

Estimated uncollectible amounts are accounted for based on loan loss ratios in the case of general receivables and based on case-by-case examination of collectibility in the case of specific receivables including doubtful receivables.

Warranty reserve:

In order to prepare for expenditures related to after-sales product services, estimated in-warranty service costs are accounted for based on past records.

Accrued pension liability:

Accrued pension liability is provided for employees' retirement and severance benefits. Such liability is determined based on projected benefit obligation and expected plan assets as of March 31, 2008. Unrecognized net assets at transition transferred on October 1, 2004, when the Company merged Hitachi Unisia Automotive, Ltd., are amortized by straight-line method over 15 years. Prior service cost is amortized by the straight-line method over the estimated average remaining service years of employees. Unrecognized actuarial gain or loss is amortized by the straight-line method over the estimated average remaining service years of employees from the next fiscal year.

Reserve for loss on repurchasing computers:

Projected loss on previously rented computers being returned is accounted for based on past records.

Reserve for retirement benefits for senior executives:

In order to provide for the payment of retirement benefits to senior executives, corporate officers, and the like, the Company accounted for the amount of payment required at the end of the fiscal year according to the stipulations in the Company's internal rules.

(Change in Accounting Policy)

Although the retirement benefits for senior executives had conventionally been accounted for upon disbursement, the Company switched as of the current fiscal year to the method of accounting for the amount of payment required at the end of the fiscal year according to the internal rules as an reserve for retirement benefits for senior executives, due to the announcement of the Accounting Standard for Directors' Bonus (Business Accounting Standard No. 4; November 29, 2005) and the Treatment for Auditing of Reserve under Special Taxation Measurement Law, Reserve under Special Laws and Allowance for Retirement Benefits to Senior Executives (JICPA Audit and Assurance Practice Committee Report No. 42; April 13, 2007). As a result of this change, the amount accrued during the current fiscal year and the amount for the previous fiscal years totaling JPY5,113 million were accounted for as part of the selling, general and administrative expenses. Consequently, the operating loss, ordinary loss and net loss before income taxes that were posted are JPY4,578 million higher, respectively, compared to the amounts according to the conventional method.

Decisions were made at the Compensation Committee meetings held on December 18, 2007 and March 26, 2008 to abolish the retirement allowance system and to pay the retirement allowance for the applicable period to senior executives, corporate officers, and the like at the time of their retirement, subject to resolutions of the Compensation Committee following decisions on their retirement.

Reserve for loss on guarantees:

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In order to provide for losses relating to guarantees, an estimated loss is accounted for in view of the financial conditions and the like of the parties guaranteed.

Reserve for loss on business of affiliated companies:

In order to provide for losses relating to the business of affiliated companies, the amount the Company is expected to bear in excess of the amounts invested in, loaned to, and guarantees for such companies is accounted for.

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7. Consumption tax

Consumption tax is accounted for based on the tax segregated method, under which consumption tax is excluded from presentation of revenues, cost of sales and expenses.

8. Lease transactions

Finance lease transactions, excluding those where the ownership of leased properties are to transfer to the lessee, are accounted for based on accounting methods applied to ordinary lease transactions.

9. Hedge accounting

Deferral hedge accounting is employed.

(Notes on Accounting for Deferred Taxes)

The major causes of deferred tax assets were such things as the accrued pension liability and the accrued employees' bonuses. The major cause of deferred tax liabilities was unrealized holding gains on securities.

(Notes on Leased Fixed Assets)

In addition to the capitalized fixed assets, as significant equipment, the Company utilizes some application software and power generation equipment under lease arrangements.

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(Notes on Transactions with Related Parties)

## 1. Subsidiaries and Equity-Method Affiliates

| Attribute  | Name of company etc.                     | % of voting rights held          | Relationship with the related parties   | Description of transaction                               | Transaction amount | (Millions of yen)           |                  |
|------------|--|----------------------------------|---|--|--------------------|-----------------------------|------------------|
|            |  |                                  |   |  |                    | Classification              | Year-end balance |
| Subsidiary | Hitachi America, Ltd.                    | Direct: 100.0%                   | Sale of the Company's products  | Underwriting capital increase                            | 101,277            |                             |                  |
| Subsidiary | Hitachi Construction Machinery Co., Ltd. | Direct: 50.3%<br>Indirect: 0.8%  | See below this table.   | Underwriting capital increase                            | 39,748             |                             |                  |
| Subsidiary | Hitachi Home Electronics (America), Inc. | Indirect: 100%                   | Manufacture of the Company's products   | Payment of expenses related to restructuring<br>(Note 1) | 6,417              | Accrued expense             | 6,317            |
| Subsidiary | Hitachi Europe Ltd.                      | Direct: 100%                     | Sale of the Company's products  | Payment of expenses related to restructuring<br>(Note 1) | 5,075              | Accrued expense             | 5,075            |
| Subsidiary | Hitachi Asset Funding Corporation        | Direct: 51.7%<br>Indirect: 48.3% | Loans based on the pooling system   | Loan (Note 2)<br>Interest received (Note 2)              | 5,966<br>1,511     | Short-term loan receivables | 196,630          |
| Subsidiary | Hitachi Displays, Ltd.                   | Direct: 50.2%                    | Purchase of Hitachi Displays products   | Loan (Note 2)<br>Interest received (Note 2)              | (6,323)<br>699     | Short-term loan receivables | 79,469           |
| Subsidiary | Hitachi Building Systems Co., Ltd.       | Direct: 100%                     | Sales of the Company's products   | Deposit received (Note 2)<br>Interest paid (Note 2)      | (3,431)<br>629     | Deposit                     | 94,170           |
| Subsidiary | Hitachi Capital Corporation              | Direct: 57.6%<br>Indirect: 3.0%  | Leasing equipment and devices to the Company,<br><br>Leasing and sale on credit of the Company's products | Deposit received (Note 2)<br>Interest paid (Note 2)      | 15,728<br>757      | Deposit                     | 74,008           |
| Subsidiary | Hitachi-GE Nuclear Energy, Ltd.          | Direct: 80%                      | Sale of the Company's products  | Deposit received (Note 2)<br>Interest paid (Note 2)      | 67,712<br>317      | Deposit                     | 68,030           |

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|               |  |                                 |   |  |                    |   |        |
|---------------|--|---------------------------------|---|--|--------------------|---|--------|
| Subsidiary    | Hitachi High-Technologies Corporation    | Direct: 51.5%<br>Indirect: 0.2% | Sale of the Company's products                | Deposit received (Note 2)<br>Interest paid (Note 2)  | 16,553<br>211      | Deposit                                       | 45,957 |
| Subsidiary    | Hitachi Kasei Business Service Co., Ltd. | Indirect: 100.0%                | Sale of the Company's products                | Deposit received (Note 2)<br>Interest paid (Note 2)<br>Loan (Note 2)<br>Interest received (Note 2) | 12,368<br>139<br>1 | Deposit<br><br>Short-term loan<br>receivables | 39,236 |
| Equity-method | Hitachi Kokusai Electric Inc.            | Direct: 38.7%<br>Indirect: 0.9% | Purchase of Hitachi Kokusai Electric products | Deposit received (Note 2)<br>Interest paid (Note 2)  | 404<br>278         | Deposit                                       | 25,613 |

affiliate

The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers at above companies, with the exception Hitachi Kasei Business Service Co., Ltd.

Terms of Transactions, Policy on Determining Terms of Transactions, etc.

- Notes:
1. These were payments of restructuring charges for the flat-panel TV and other businesses.
  2. These are loans or deposits made based on the pooling system wherein the funds of affiliated companies are concentrated at the Company to be loaned to affiliated companies who have financing needs. The interest rates on loans and deposits are determined with due consideration to market interest rates. The transaction amounts indicate the increase or decrease from the balance at the end of the previous fiscal year.



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## 2. Directors/Executive Officers and Major Individual Shareholders

| Attribute  | Name of company, etc.                              | % of voting rights held | Relationship with the related parties             | Description of Transaction    | (Millions of yen)  |                  |                  |
|--|--|-------------------------|---|-------------------------------|--------------------|------------------|------------------|
|  |  |                         |   |                               | Transaction amount | Classification   | Year-end balance |
| Company wherein senior executives and their close relatives hold a majority of the voting rights<br>Terms of Transactions, Policy on Determining Terms of Transactions, etc. | Mitaka Communication Systems Co., Ltd.<br>(Note 1) |                         | Purchase of Mitaka Communication Systems products | Purchase of products (Note 2) | 16                 | Accounts payable | 0                |

Notes: 1. A close relative of Mr. Mitsuo Yamaguchi, Executive Officer of the Company, directly holds 55.0% of the voting rights.

2. Products are purchased under the same terms as ordinary transactions.

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**11. Transcript of Accounting Auditors Audit Report on Consolidated Financial Statements**

**INDEPENDENT AUDITORS REPORT**

May 12, 2008

To Mr. Kazuo Furukawa, President and Chief Executive Officer  
Hitachi, Ltd.

Ernst & Young ShinNihon

Shitei Shain

Gyomu Shikko Shain CPA Hitoshi Matsuoka

Shitei Shain

Gyomu Shikko Shain CPA Satoshi Fukui

Shitei Shain

Gyomu Shikko Shain CPA Takashi Ouchida

We have audited the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of stockholders equity, and the notes to the consolidated financial statements of Hitachi, Ltd. for the business year ended March 31, 2008 for the purpose of reporting under Article 444, Paragraph 4 of the Companies Act. Management of the Company is responsible for preparing such consolidated financial statements and our responsibility is to express our opinion thereon from an independent standpoint.

Our audit was conducted in accordance with auditing standards generally accepted in Japan. The auditing standards require us to obtain reasonable assurance whether any material misstatement exists in the consolidated financial statements or not. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. Our audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We consider that as a result of our audit, we have obtained reasonable basis for expressing our opinion. The auditing procedures also include those considered necessary for the subsidiaries.

In our opinion, the consolidated financial statements referred to above presented fairly, in every significant aspect, the financial position and the results of operations of the Company and its consolidated subsidiaries for the period of the consolidated financial statements in accordance with the accounting principles generally accepted in the United States, pursuant to the provision of Article 148, Paragraph 1 of the Regulations of Companies Financial Statements. (See Item 1 of the Notes concerning Important Matters for Basis of Presentation of Consolidated Financial Statements in the Notes to Consolidated Financial Statements )

**Additional Information**

As indicated in Note 4 Depreciation of fixed assets under Notes concerning Important Matters for Basis of Presentation of Consolidated Financial Statements, the Company has employed the 250% declining balance method from this fiscal year.

We have no interest in the Company which should be disclosed pursuant to the provision of the Certified Public Accountants Law.

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**12. Transcript of Audit Committee's Audit Report on Consolidated Financial Statements**

**AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

We, the Audit Committee of the Company, audited the consolidated financial statements of the Company (the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of stockholders' equity, and the notes to consolidated financial statements) during the 139th business term (from April 1, 2007 to March 31, 2008). We hereby report as follows on the method and result thereof:

**1. Method of Audit**

We received reports from the Executive Officers and others in accordance with the audit policy, assignment of audit duties, etc., as determined by the Audit Committee, on the consolidated financial statements, and requested explanations as necessary. Further, we monitored and examined whether the Accounting Auditors maintained their independence and performed their auditing duties adequately, as well as received reports from the Accounting Auditors on the performance status of their duties, and requested explanations as necessary. We also received a notice from the Accounting Auditors to the effect that structures for ensuring that duties are appropriately performed (matters stipulated in each item under Article 159 of the Regulations of Companies' Financial Statements) were being developed pursuant to the Quality Management Standards for Auditing (Business Accounting Council, October 28, 2005) and requested explanations as necessary.

We examined the consolidated financial statements for this business term in accordance with the foregoing method.

**2. Result of Audit**

We are of the opinion that the method and result of the audit made by the Company's Accounting Auditors, Ernst & Young ShinNihon, are appropriate.

May 13, 2008

Audit Committee, Hitachi, Ltd.  
Yoshiki Yagi (Standing)  
Tadamichi Sakiyama (Standing)  
Yoshie Ota  
Akihiko Nomiyama  
Kenji Miyahara

Note: Ms. Yoshie Ota, Mr. Akihiko Nomiyama and Mr. Kenji Miyahara are outside Directors pursuant to Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

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**13. Transcript of Accounting Auditors Audit Report on Unconsolidated Financial Statements**

**INDEPENDENT AUDITORS REPORT**

May 12, 2008

To Mr. Kazuo Furukawa, President and Chief Executive Officer  
Hitachi, Ltd.

Ernst & Young ShinNihon

Shitei Shain

Gyomu Shikko Shain CPA Hitoshi Matsuoka

Shitei Shain

Gyomu Shikko Shain CPA Satoshi Fukui

Shitei Shain

Gyomu Shikko Shain CPA Takashi Ouchida

We have audited the unconsolidated balance sheet, the unconsolidated statement of operations, the unconsolidated statement of changes in stockholders' equity etc., the notes to the unconsolidated financial statements, and their supporting schedules of Hitachi, Ltd. for the 139th business year ended March 31, 2008 pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act. Management of the Company is responsible for preparing such unconsolidated financial statements and their supporting schedules and our responsibility is to express our opinions thereon from an independent standpoint.

Our audit was conducted in accordance with auditing standards generally accepted in Japan. The auditing standards require us to obtain reasonable assurance whether any material misstatement exists in the unconsolidated financial statements and their supporting schedules or not. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the unconsolidated financial statements. Our audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall unconsolidated financial statement presentation. We consider that as a result of our audit, we have obtained reasonable basis for expressing our opinions.

In our opinion, the unconsolidated financial statements and their supporting schedules referred to above presented fairly, in every significant aspect, the financial position and the results of operations of the Company for the period of the unconsolidated financial statements and their supporting schedules based on the accounting standards generally accepted in Japan.

We have no interest in the Company which should be disclosed pursuant to the provision of the Certified Public Accountants Law.

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**14. Transcript of Audit Committee's Audit Report on Unconsolidated Financial Statements**

**AUDIT REPORT**

We, the Audit Committee of the Company, audited the performance by Directors and Executive Officers of their duties during the 139th business term (from April 1, 2007 to March 31, 2008). We hereby report as follows on the method and results thereof:

**1. Method of Audit**

We monitored and examined the contents of the resolutions of the Board of Directors concerning the matters as listed in Article 416, Paragraph 1, Item 1 (*ro*) and (*ho*) of the Companies Act and the status of the systems (internal control systems) established thereunder, and in accordance with the audit policy, assignment of audit duties, etc., as determined by the Audit Committee and in collaboration with the relevant departments, attended important meetings, received reports or heard from the Directors, Executive Officers, etc. on matters concerning the execution of their duties, inspected important decision documents, etc., made investigation into the state of activities and property at the head office and principal business offices of the Company. We examined the contents of the fundamental policy on the conduct of persons influencing decision on the Company's financial and business policies set forth in the business report giving due consideration to such things as the circumstances of deliberations by the Board of Directors and others. As regards subsidiaries, we sought to communicate and exchange information with the Directors, Executive Officers, Auditors, and others of the subsidiaries, and received reports on their business operations as necessary.

Further, we monitored and examined whether the Accounting Auditors maintained their independence and performed their auditing duties adequately, as well as received reports from the Accounting Auditors on the performance status of their duties and requested explanations as necessary. We also received a notice from the Accounting Auditors to the effect that structures for ensuring that duties are appropriately performed (matters stipulated in each item under Article 159 of the Regulations of Companies' Financial Statements) were being developed pursuant to the Quality Management Standards for Auditing (Business Accounting Council, October 28, 2005) and requested explanations as necessary.

We examined the business reports, the unconsolidated financial statements (the unconsolidated balance sheet, the unconsolidated statement of operations, the unconsolidated statement of changes in stockholders' equity etc., and the notes to unconsolidated financial statements), and their supporting schedules for this business term in accordance with the foregoing method.

**2. Results of Audit**

**(1) Results of Audit on Business Report etc.**

We are of the opinion:

- 1) that the business report and its supporting schedules fairly present the state of the Company in accordance with the laws, regulations and the Articles of Incorporation.
- 2) that, in connection with the performance by Directors and Executive Officers of their duties, no dishonest act or material fact of violation of laws, regulations or the Articles of Incorporation exists.
- 3) that the contents of the resolution by the Board of Directors concerning internal control systems are appropriate. Further, there is nothing to note with respect to the performance by Directors and Executive Officers of their duties related to said internal control systems.
- 4)

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that the fundamental policy on the conduct of persons influencing decision on the Company's financial and business policies set forth in the business report are appropriate.

### (2) Results of Audit on Unconsolidated Financial Statements and Their Supporting Schedules

We are of the opinion that the method and results of the audit made by the Company's Accounting Auditors, Ernst & Young ShinNihon are appropriate.

May 13, 2008

Audit Committee, Hitachi, Ltd.  
Yoshiki Yagi (Standing)  
Tadamichi Sakiyama (Standing)  
Yoshie Ota  
Akihiko Nomiya  
Kenji Miyahara

Note: Ms. Yoshie Ota, Mr. Akihiko Nomiya and Mr. Kenji Miyahara are outside Directors pursuant to Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

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(Supplementary Information on Consolidated Basis)

**Percentage to Total Revenues by Industry Segment**

|   | Year ended March, 31, 2008<br>Revenues |
|---|--|
| Information & Telecommunication Systems | 22%                                    |
| Electronic Devices                      | 10                                     |
| Power & Industrial Systems              | 28                                     |
| Digital Media & Consumer Products       | 12                                     |
| High Functional Materials & Components  | 15                                     |
| Logistics, Services & Others            | 10                                     |
| Financial Services                      | 3                                      |
| Total                                   | 100%                                   |

Note: The calculation of the percentage to total revenues by industry segment is on the basis including intersegment transactions and excluding corporate items and eliminations.

**Revenues by Market**

|                   | 2007(A)           | Years ended March 31<br>2008(B) |     | (B)/(A) |
|-------------------|-------------------|---------------------------------|-----|---------|
|                   | (Billions of yen) | Percentage<br>to total          |     |         |
| Domestic revenues | 6,093.6           | 6,484.4                         | 58% | 106%    |
| Overseas revenues |                   |                                 |     |         |
| Asia              | 1,859.6           | 2,167.1                         | 19  | 117     |
| North America     | 1,057.3           | 1,023.7                         | 9   | 97      |
| Europe            | 869.0             | 1,073.8                         | 10  | 124     |
| Other Areas       | 368.2             | 477.4                           | 4   | 130     |
| Subtotal          | 4,154.2           | 4,742.2                         | 42  | 114     |
| Total             | 10,247.9          | 11,226.7                        | 100 | 110     |

**Five-Year Summary**

|                              | 2004              | 2005    | Years ended March 31<br>2006 |         | 2007    | 2008 |
|------------------------------|-------------------|---------|------------------------------|---------|---------|------|
|                              | (Billions of yen) |         |                              |         |         |      |
| Overseas revenues            | 2,977.5           | 3,277.4 | 3,639.6                      | 4,154.2 | 4,742.2 |      |
| Percentage to total revenues | 34%               | 36%     | 38%                          | 41%     | 42%     |      |
| Capital investment           | 816.5             | 959.5   | 954.7                        | 1,048.5 | 9,690   |      |
| R&D expenditure              | 371.8             | 388.6   | 405.0                        | 412.5   | 428.1   |      |