1. Business Results

(1) Summary of Fiscal 2008 Second-Quarter (Three months ended September 30, 2008) and First-Half (Six months ended September 30, 2008) Consolidated Business Results

	Three months ended September 30, 2008			Six months ended September 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	2,767.0	(1%)	26,606	5,310.5	1%	51,063
Operating income	119.3	23%	1,148	197.0	62%	1,895
Income before income taxes and minority interests	54.5	(42%)	524	138.1	2%	1,328
Income before minority interests	9.8	(63%)	95	64.2	79%	618
Net income (loss)	(17.3)	-	(167)	14.1	-	136

During the first half of fiscal 2008, the year ending March 31, 2009, the global economy saw a slow down in Europe and the U.S. due to declines in real incomes because of soaring crude oil and raw materials prices, as well as the subprime loan problem. In September, European and U.S. economies began to experience increasing uncertainty as the subprime loan problem triggered by the collapse of U.S. financial institutions grew into a financial crisis.

Chinese economy, while continuing to grow at a double-digit pace of 10.1% in the April-June quarter, saw its growth in the subsequent quarter (July-September) fallen to 9.0% as exports destined for industrialized countries dropped. Emerging economies generally recorded high growth compared with industrialized nations, but there were signs of a slight slowdown as slowing economies in industrialized nations began to have an impact on them.

Japanese economy, meanwhile, continued to slide into recession. Higher product prices pressured household budgets, leading to sluggish consumer spending and housing investments. In addition, corporate capital investment declined as corporate earnings deteriorated due to factors such as a further escalation in raw materials prices. Exports also softened as the European and U.S. economies slowed. On the other hand, demand grew for some products and services such as energy-conserving and environmental-related equipment on the back of rising environmental awareness as well as a hot summer.

In this operating environment, Hitachi's consolidated revenues for the first half of fiscal 2008 were essentially unchanged from the first half of the previous fiscal year at 5,310.5 billion yen. This mainly reflected higher revenues in the Information & Telecommunication Systems and the Power & Industrial Systems segments, but lower revenues in the Digital Media & Consumer Products, the Logistics, Services & Others, and the Financial Services segments.

Overseas revenues were essentially unchanged from the first half of the previous fiscal year at 2,302.3 billion yen. Growth in Asia, including China, offset lower revenues in North America.

Consolidated operating income increased by 62%, to 197.0 billion yen. In addition to a significant increase in earnings in the Information & Telecommunication Systems segment, earnings also grew in the High Functional Materials & Components and the Electronic Devices segments and improved in the Digital Media & Consumer Products segment.

Other income declined 55%, to 26.5 billion yen. Meanwhile, other deductions increased 91%, to 85.5 billion yen, due chiefly to the booking of impairment losses mainly on glass panel component manufacturing facilities at Hitachi Plasma Display Limited as well as a write down of securities due to falling share prices.

As a result, for the first half of fiscal 2008, income before income taxes and minority interests rose 2% year over year, to 138.1 billion yen. After income taxes of 73.8 billion yen, Hitachi posted income before minority interests of 64.2 billion yen, up 79% year over year. After deducting minority interests of 50.0 billion yen, net income improved 27.2 billion yen, to 14.1 billion yen.

For the second quarter of fiscal 2008, the three months ended September 30, 2008, consolidated revenues were essentially unchanged from the same quarter of the previous fiscal year at 2,767.0 billion yen. Meanwhile, operating income increased 23%, to 119.3 billion yen, and Hitachi recorded a net loss of 17.3 billion yen, 17.9 billion yen lower year over year.

(2) Revenues and Operating Income (Loss) by Segment

Results by segment were as follows:

[Information & Telecommunication Systems]

	Three months ended September 30, 2008			Six months ended September 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	688.1	(2%)	6,617	1,281.7	2%	12,325
Operating income	48.6	134%	468	72.1	479%	694

For the first half of fiscal 2008, this segment recorded revenues of 1,281.7 billion yen, up 2% year over year. Software and services posted higher revenues, with lower software sales outweighed by firm growth in services due to both increased sales in system integration, particularly for financial institutions, and firm expansion in the outsourcing business. Hardware revenues also rose year over year, resulting from higher sales of telecommunications networks and ATMs.

Segment operating income was 72.1 billion yen, up 479% compared with the corresponding six-month period of the previous fiscal year. Earnings in software and services rose year over year due to higher earnings in services, resulting primarily from increased sales and stronger project management initiatives. Hardware moved into the black compared with the first half of fiscal 2007 due to a profitable interim period for HDDs, following the profitable fiscal 2007 fourth quarter, reflecting the benefits of cost reduction and new products. Another factor contributing to increased behind this return to profitability in hardware was improved earnings from telecommunications networks.

For the second quarter of fiscal 2008, revenues declined 2% year over year, to 688.1 billion yen. Operating income rose 134% year over year, to 48.6 billion yen due to growth in earnings in hardware, on the back of improved HDD business profitability, in addition to higher earnings from services.

Note: The HDD operations are conducted by Hitachi Global Storage Technologies (Hitachi GST), which has a December 31 fiscal year-end, different from Hitachi's March 31 year-end. Hitachi's results for the six months ended September 30, 2008 include the operating results of Hitachi GST for the six months ended June 30, 2008.

[Electronic Devices]

	Three months ended September 30, 2008			Six months ended September 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	356.6	1%	3,430	641.1	0%	6,165
Operating income	18.8	20%	182	28.5	11%	274

For the first half of fiscal 2008, Electronic Devices revenues were 641.1 billion yen, largely the same as the corresponding period of the previous fiscal year. Although the display business recorded higher revenues on rising demand for small and medium-sized IPS LCDs, overall revenues were flat due to lower revenues at Hitachi High-Technologies Corporation resulting from decreased demand for semiconductor-related production equipment, and the sale of a semiconductor manufacturing subsidiary overseas.

Segment operating income increased 11%, to 28.5 billion yen due to higher display business revenues.

For the second quarter of fiscal 2008, segment revenues were 356.6 billion yen, largely the same as the corresponding period of the previous fiscal year, while operating income increased 20%, to 18.8 billion yen.

[Power & Industrial Systems]

	Three months ended September 30, 2008			Six months ended September 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	875.9	1%	8,423	1,693.8	6%	16,287
Operating income	37.2	(5%)	359	63.5	0%	611

For the first half of fiscal 2008, Power & Industrial Systems revenues rose 6%, to 1,693.8 billion yen. Contributing factors included higher sales in the power systems business, centered on coal-fired thermal power plant equipment overseas with a lower environmental impact. The overall segment revenue also reflected strong growth in railway vehicles and systems, and elevators and escalators, as well as strong revenue growth at Hitachi Construction Machinery Co., Ltd.

Segment operating income was flat at 63.5 billion yen, with higher sales and cost reductions offsetting the impact of soaring raw materials prices.

For the second quarter of fiscal 2008, segment revenues were nearly flat at 875.9 billion yen. Operating income, however, declined 5%, to 37.2 billion yen due mainly to lower sales in the automotive systems business.

[Digital Media & Consumer Products]

	Three months ended September 30, 2008			Six months ended September 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	359.9	(2%)	3,462	695.5	(4%)	6,688
Operating loss	(12.7)	-	(123)	(26.6)	-	(256)

For the first half of fiscal 2008, Digital Media & Consumer Products revenues decreased 4%, to 695.5 billion yen, despite growth in sales of air-conditioning equipment. The lower overall segment revenues reflected lower unit sales of flat-panel TVs due to the decreasing number of sales channels as part of business structural reform initiatives and falling prices for flat-panel TVs. Lower revenues also reflected contraction in the overseas camcorder business.

The segment recorded an operating loss of 26.6 billion yen, which represented a 24.2 billion yen improvement on the result for the first half of fiscal 2007. One of the main reasons for this was a smaller loss in the flat-panel TV business due to the benefits of business structural reform initiatives.

For the second quarter of fiscal 2008, segment revenues declined 2%, to 359.9 billion yen. The segment recorded an operating loss of 12.7 billion yen, but this was a 15.6 billion yen improvement, due primarily to a smaller loss in the flat-panel TV business resulting from the benefits of business structural reform initiatives.

[High Functional Materials & Components]

	Three months ended September 30, 2008			Six months ended September 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	465.4	(2%)	4,476	921.1	(1%)	8,857
Operating income	32.8	(8%)	316	68.9	7%	663

For the first half of fiscal 2008, High Functional Materials & Components revenues were 921.1 billion yen, largely the same as the corresponding period of the previous fiscal year. Although sales grew at Hitachi Metals, Ltd., principally in automotive-related and IT-related products, and also at Hitachi Cable, Ltd., mainly in the information and telecommunications networking business, the overall result reflects the impact of the sale of subsidiaries at Hitachi Chemical Co., Ltd.

Segment operating income rose 7%, to 68.9 billion yen, due to healthy earnings growth at Hitachi Metals.

For the second quarter of fiscal 2008, segment revenues declined 2%, to 465.4 billion yen. Segment operating income declined 8% year over year, to 32.8 billion yen because of soaring raw materials prices and the impact of soft demand and falling prices for semiconductor-related products.

[Logistics, Services & Others]

	Three months ended September 30, 2008			Six months ended September 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	282.7	(13%)	2,718	574.9	(7%)	5,528
Operating income	7.7	(2%)	75	11.6	8%	112

For the first half of fiscal 2008, Logistics, Services & Others revenues declined 7% year over year, to 574.9 billion yen. Although Hitachi Transport System, Ltd. recorded solid revenue growth, primarily due to expansion in the third-party logistics solutions business, overseas sales subsidiaries experienced lower sales.

Segment operating income rose 8%, to 11.6 billion yen, the result of higher earnings at Hitachi Transport System due to increased sales in the third-party logistics solutions business and improved transportation efficiency.

For the second quarter of fiscal 2008, segment revenues declined 13%, to 282.7 billion yen. Segment operating income declined 2%, to 7.7 billion yen due to lower revenues.

[Financial Services]

	Three months ended September 30, 2008			Six months ended September 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	97.5	(14%)	938	189.9	(15%)	1,827
Operating income	1.0	(85%)	10	7.4	(42%)	72

For the first half of fiscal 2008, financial services revenues were 189.9 billion yen, 15% lower year over year, primarily due to lower revenues at Hitachi Capital Corporation because of lower demand in the Japanese leasing market.

Segment operating income declined 42% year over year, to 7.4 billion yen, mainly due to lower lease transaction volumes at Hitachi Capital and increased bad debt expense.

For the second quarter of fiscal 2008, segment revenues declined 14% year over year, to 97.5 billion yen. Operating income decreased 85%, to 1.0 billion yen.

(3) Revenues by Market

	Three months ended September 30, 2008			Six months ended September 30, 2008		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Japan	1,612.2	(1%)	15,502	3,008.2	0%	28,925
Outside Japan	1,154.8	(2%)	11,104	2,302.3	1%	22,138
Asia	547.3	4%	5,263	1,075.2	5%	10,339
North America	249.3	(4%)	2,397	484.2	(7%)	4,656
Europe	238.1	(8%)	2,289	508.2	0%	4,887
Other Areas	120.0	(5%)	1,154	234.5	2%	2,255

For the first half of fiscal 2008, revenues in Japan were flat at 3,008.2 billion yen.

Overseas revenues remained almost the same at 2,302.3 billion yen. Growth in Asia, specifically in China, offset lower revenues in North America. As a result, the ratio of overseas revenues to consolidated revenues was largely unchanged at 43%.

For the second quarter of fiscal 2008, revenues in Japan were almost flat at 1,612.2 billion yen, and overseas revenues declined 2% year over year, to 1,154.8 billion yen.

(4) Capital Investment, Depreciation and R&D Expenditures

For the first half of fiscal 2008, capital investment on a completion basis, excluding leasing assets, decreased 20% year over year, to 220.7 billion yen. While Hitachi concentrated investments mainly on manufacturing equipment for HDDs, small and medium-sized IPS LCDs and automotive systems, the decrease reflected the stricter selection of investments.

Depreciation, excluding leasing assets, decreased 5%, to 193.4 billion yen, due mainly to the stricter selection of capital investments.

R&D expenditures, which were used to advance development primarily in automotive systems and high functional materials, were almost flat at 210.6 billion yen, due to the stricter selection of investment. R&D expenditures corresponded to 4.0% of consolidated revenues.

For the second quarter of fiscal 2008, capital investment on a completion basis, excluding leasing assets, decreased 20%, to 118.7 billion yen. Depreciation, excluding leasing assets, decreased 4%, to 95.6 billion yen. R&D expenditures increased 2%, to 112.1 billion yen, and corresponded to 4.1% of consolidated revenues.

2. Financial Position

(1) Financial Position

	As of September 30, 2008		
	Yen (billions)	Change from March 31, 2008	U.S. dollars (millions)
Total assets	10,323.2	(207.6)	99,262
Total liabilities	6,993.0	(224.6)	67,241
Interest-bearing debt	2,477.6	(53.8)	23,824
Minority interests	1,172.0	29.5	11,270
Stockholders' equity	2,158.0	(12.5)	20,751
Stockholders' equity ratio	20.9%	0.3 point improvement	-
D/E ratio (including minority interests)	0.74 times	0.02 point improvement	-

Total assets as of September 30, 2008 were 10,323.2 billion yen, a decrease of 207.6 billion yen from March 31, 2008. Interest-bearing debt decreased 53.8 billion yen, to 2,477.6 billion yen due to the repayment of long-term debt mainly using the Hitachi Group's cash pooling system. Stockholders' equity decreased 12.5 billion yen from March 31, 2008 to 2,158.0 billion yen due to an increase in accumulated other comprehensive loss and other factors. As a result of the above changes, the stockholders' equity ratio improved by 0.3 of a point to 20.9% from March 31, 2008. The debt-to-equity ratio (including minority interests) was 0.74, an improvement of 0.02 of a point from March 31, 2008.

(2) Cash Flows

	Six months ended September 30, 2008		
	Yen (billions)	Year-over-year change	U.S. dollars (millions)
Cash flows from operating activities	246.9	(131.6)	2,374
Cash flows from investing activities	(242.7)	182.1	(2,334)
Free cash flows	4.1	50.5	40
Cash flows from financing activities	(66.9)	(36.3)	(643)

For the first half of fiscal 2008, operating activities provided net cash of 246.9 billion yen, 131.6 billion yen less year over year, despite the improvement in net income. The decline primarily reflected smaller cash in-flows from large transactions related to thermal and nuclear power plants than in the first half of fiscal 2007.

Investing activities used net cash of 242.7 billion yen, 182.1 billion yen less than in the same period a year earlier, reflecting stricter selection of investments, including property, plant and equipment and share purchases.

Free cash flows, the sum of cash flows from operating and investing activities, were a positive 4.1 billion yen, which was a 50.5 billion yen improvement year over year.

Financing activities used net cash of 66.9 billion yen. One reason for this was a decrease in cash provided by subsidiaries' stock issuances from the previous fiscal year when Hitachi Construction Machinery Co., Ltd. conducted a public stock offering. Hitachi also reduced long-term debt mainly using the Group's cash pooling system.

3. Outlook for Fiscal 2008

	Year ending March 31, 2009		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Revenues	10,900.0	(3%)	105,825
Operating income	410.0	19%	3,981
Income before income taxes and minority interests	310.0	(5%)	3,010
Income before minority interests	120.0	128%	1,165
Net income	15.0	-	146

Note: All fiscal 2008 outlook figures were converted using 103 yen to the U.S. dollar.

The overall business environment going forward is filled with increasing uncertainty, even though the G7 Action Plan announced in October, trying to quell financial market volatility. The economic outlook remains unpredictable against a backdrop of concerns about a further slowdown of economic growth in Europe, the U.S. and China, stubbornly high raw material prices, the yen's run-up and falling share prices.

Under these circumstances, Hitachi is forecasting the results shown above for fiscal 2008, which are revised from forecasts announced with fiscal 2007 full-year results on May 13, 2008.

Hitachi is assuming exchange rates of 100 yen to the U.S. dollar and 130 yen to the euro for the third and fourth quarters of fiscal 2008.

Cautionary Statement

Certain statements found in this document may constitute “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such “forward-looking statements” reflect management’s current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as “anticipate,” “believe,” “expect,” “estimate,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “forward-looking statements.” Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the “forward-looking statements” and from historical trends. Certain “forward-looking statements” are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on “forward-looking statements,” as such statements speak only as of the date of this document.

Factors that could cause actual results to differ materially from those projected or implied in any “forward-looking statement” and from historical trends include, but are not limited to:

- increased commoditization of information technology products and digital media related products and intensifying price competition for such products, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- fluctuations in product demand and industry capacity, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technology on a timely and cost-effective basis and to achieve market acceptance for such products;
- rapid technological innovation, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- exchange rate fluctuation for the yen and other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated, particularly against the U.S. dollar and the euro;
- increases in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum and synthetic resins;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rate fluctuation and/or increases in the price of raw materials;
- general socio-economic and political conditions and the regulatory and trade environment of Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, including, without limitation, a return to stagnation or a deterioration of the Japanese economy, direct or indirect restrictions by other nations on imports, or differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to Hitachi’s access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity method affiliates have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- uncertainty as to the success of restructuring efforts to improve management efficiency and to strengthen competitiveness;
- uncertainty as to the success of alliances upon which Hitachi depends, some of which Hitachi may not control, with other corporations in the design and development of certain key products;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing; and
- uncertainty as to general market price levels for equity securities in Japan, declines in which may require Hitachi to write down equity securities it holds.

The factors listed above are not all-inclusive and are in addition to other factors contained in Hitachi’s periodic filings with the U.S. Securities and Exchange Commission and in other materials published by Hitachi.