1. Qualitative Information Concerning Consolidated Business Results

1-1. Summary of Fiscal 2011 Consolidated Business Results

(1) Business Results

	Year ended March 31, 2012		
	Yen (billions)	Year over year change (% or billions yen)	U.S. dollars (millions)
Revenues	9,665.8	4%	117,877
Operating income	412.2	(32.2)	5,028
Income before income taxes	557.7	125.5	6,802
Net income	412.8	109.6	5,034
Net income attributable to Hitachi, Ltd.	347.1	108.3	4,234

In fiscal 2011, the year ended March 31, 2012, there was continued stagnation in the global economy. In industrialized countries, the economic slowdown can be attributed primarily to uncertainty surrounding government finances in Europe, lackluster personal spending in the U.S. as well as other factors. Emerging countries also experienced an economic slowdown due to declining exports and accelerating inflation. In fiscal 2011, natural disasters also had a significant impact on the global economy. The Great East Japan Earthquake and flooding in Thailand impacted production of electronic components and other products, causing disruptions in the supply chain particularly in the automotive and electronics fields.

The Japanese economy experienced stagnation in production activity as well as a large drop-off in internal demand in the wake of the Great East Japan Earthquake. However, the economy moved into a recovery phase in the second half of the fiscal year thanks to public works spending on reconstruction efforts, increased investment in housing and other factors.

Hitachi’s consolidated revenues for fiscal 2011 increased 4% year over year, to 9,665.8 billion yen, despite lower revenues in the Digital Media & Consumer Products, Components & Devices and Financial Services segments due to lower demand and other factors. Hitachi achieved higher revenues in the Others Segment, resulting from Hitachi Transport System, Ltd. making Vantec Corporation a consolidated subsidiary in April 2011, among other factors. The Information & Telecommunication Systems Segment also experienced strong revenue growth, notably in services, while the Automotive Systems Segment produced higher revenues year over year as a result of global recovery due to increased demand for automobiles.

Hitachi posted operating income of 412.2 billion yen, down 32.2 billion yen year over year, even though some segments including the Financial Services, Construction Machinery, Automotive Systems, and Electronic Systems & Equipment segments posted higher year over year earnings. In part, the overall result reflected lower earnings in the Power Systems Segment due to additional expenses and delays related to difficulties experienced with some boiler materials in overseas thermal power generation systems projects. The overall financial results also reflected lower earnings in the Digital Media & Consumer Products Segment mainly attributable to lower revenues and the impact of the floods in Thailand.

Hitachi posted net other income of 145.4 billion yen, a 157.7 billion yen improvement from fiscal 2010 when net other deductions were recorded. Despite recording exchange losses resulting from the yen's appreciation, the overall improvement primarily reflected the recording of a net gain on the sale of marketable securities from the transfer of Hitachi's hard disk drive business to Western Digital Corporation.

As a result, Hitachi recorded income before income taxes of 557.7 billion yen, an improvement of 125.5 billion yen year over year.

After deducting income taxes of 144.9 billion yen, Hitachi posted net income of 412.8 billion yen, a year over year increase of 109.6 billion yen. After deducting net income attributable to noncontrolling interests of 65.6 billion yen, Hitachi posted record-high net income attributable to Hitachi, Ltd. for the second straight year of 347.1 billion yen, a year over year increase of 108.3 billion yen.

(2) Revenues and Operating income (loss) by Segment

Results by segment were as follows.

[Information & Telecommunication Systems]

	Year ended March 31, 2012		
	Yen (billions)	Year over year change (% or billions yen)	U.S. dollars (millions)
Revenues	1,764.2	7%	21,515
Operating income	101.7	3.0	1,241

For fiscal 2011, the segment recorded revenues of 1,764.2 billion yen, an increase of 7% year over year. The higher overall revenues resulted mainly from increased sales for services in Japan, as well as higher sales in storage solutions and consulting overseas.

Segment operating income increased 3.0 billion yen year over year, to 101.7 billion yen, mainly due to improved hardware profitability.

[Power Systems]

	Year ended March 31, 2012		
	Yen (billions)	Year over year change (% or billions yen)	U.S. dollars (millions)
Revenues	832.4	2%	10,151
Operating loss	(33.9)	(56.0)	(414)

For fiscal 2011, segment revenues increased 2% year over year, to 832.4 billion yen. This increase was mainly attributable to steady growth in the thermal power generation systems business in Japan, despite a decline in nuclear power generation systems sales due to the impact of the Great East Japan Earthquake.

The segment recorded an operating loss of 33.9 billion yen, a change of 56.0 billion yen from operating income in the previous fiscal year. This deterioration primarily reflected additional expenses and delays related to difficulties experienced with some boiler materials in overseas thermal power generation systems projects.

[Social Infrastructure & Industrial Systems]

	Year ended March 31, 2012		
	Yen (billions)	Year over year change (% or billions yen)	U.S. dollars (millions)
Revenues	1,204.9	4%	14,695
Operating income	49.1	9.2	600

For fiscal 2011, segment revenues increased 4% year over year, to 1,204.9 billion yen. The overall increase mainly reflected steady growth in the elevator and escalator business overseas, in addition to a recovery in plant-related equipment and construction from the impact of the Great East Japan Earthquake.

Segment operating income increased 9.2 billion yen year over year, to 49.1 billion yen, mainly due to higher sales from plant-related equipment and construction and the elevator and escalator business, as well as progress relative to cost reduction measures.

[Electronic Systems & Equipment]

	Year ended March 31, 2012		
	Yen (billions)	Year over year change (% or billions yen)	U.S. dollars (millions)
Revenues	1,101.7	2%	13,436
Operating income	49.9	12.7	610

For fiscal 2011, the segment recorded revenues of 1,101.7 billion yen, a 2% increase year over year, despite lower sales of electronic component processing equipment and other products. The higher segment revenues are mainly attributable to Hitachi Medical Corporation's consolidation of Aloka Co., Ltd. in January 2011.

Segment operating income rose 12.7 billion yen year over year, to 49.9 billion yen. This mainly reflected higher earnings at Hitachi Kokusai Electric Inc. due to progress with structural reforms.

[Construction Machinery]

	Year ended March 31, 2012		
	Yen (billions)	Year over year change (% or billions yen)	U.S. dollars (millions)
Revenues	798.7	6%	9,741
Operating income	63.1	13.9	770

For fiscal 2011, segment revenues were 798.7 billion yen, up 6% year over year, despite a decline in demand for hydraulic excavator in China and financial uncertainty in the European markets. The overall increase reflected efforts to capture reconstruction-related demand in Japan, as well as strong sales of mining machinery and service parts in Asia and Oceania.

Segment operating income rose 13.9 billion yen year over year, to 63.1 billion yen, despite the impact of the strong yen. The overall increase were mainly attributable to a revision in sales prices and progress with cost reductions in addition to increase in sales and expansion of services and conponents-related sales.

[High Functional Materials & Components]

	Year ended March 31, 2012		
	Yen (billions)	Year over year change (% or billions yen)	U.S. dollars (millions)
Revenues	1,437.1	2%	17,527
Operating income	77.0	(7.4)	939

For fiscal 2011, segment revenues increased 2% year over year, to 1,437.1 billion yen. This increase reflected higher sales recorded by Hitachi Metals, Ltd., mainly for automotive-related products. This sales growth was partly offset by lower sales at Hitachi Chemical Co., Ltd., primarily due to decreased demand for semiconductors and LCD TVs as well as the impacts of both the Great East Japan Earthquake and flooding in Thailand.

Segment operating income decreased 7.4 billion yen year over year, to 77.0 billion yen. This decrease was mainly the result of a decline in earnings at Hitachi Chemical due to lower sales and the impacts of the Great East Japan Earthquake and flooding in Thailand. This was despite improved earnings at Hitachi Cable, Ltd. as a result of progress made on structural reforms, in addition to higher earnings at Hitachi Metals in line with increased sales.

[Automotive Systems]

	Year ended March 31, 2012		
	Yen (billions)	Year over year change (% or billions yen)	U.S. dollars (millions)
Revenues	811.5	10%	9,897
Operating income	37.0	13.2	452

For fiscal 2011, segment revenues increased 10% year over year, to 811.5 billion yen, primarily reflecting a recovery in global demand for automobiles, including increased demand in emerging markets.

Segment operating income was 37.0 billion yen, a year over year increase of 13.2 billion yen. Growth was driven mainly by realizing the benefits of cost reductions and improved capacity utilization associated with the recovery in demand.

Note: Effective from April 1, 2011, there was a change in segmentation between the Automotive Systems and the Components & Devices segments. Figures for each segment, including figures for year over year comparisons, reflect the changed segmentations.

[Components & Devices]

	Year ended March 31, 2012		
	Yen (billions)	Year over year change (% or billions yen)	U.S. dollars (millions)
Revenues	768.0	(5%)	9,367
Operating income	39.4	(9.9)	481

For fiscal 2011, segment revenues decreased 5% year over year, to 768.0 billion yen. This result was mainly due to a year over year decline in sales of small and medium-sized displays, as well as lower sales of HDDs due to restrictions on parts procurement stemming from the impact of the Great East Japan Earthquake and the flooding in Thailand.

Segment operating income decreased 9.9 billion yen year over year, to 39.4 billion yen, mainly reflecting lower sales of HDDs.

Notes 1: Effective from April 1, 2011, there was a change in segmentation between the Automotive Systems and the Components & Devices segments. Figures for each segment, including figures for year over year comparisons, reflect the changed segmentations.

2: HDD operations were conducted by Hitachi Global Storage Technologies (Hitachi GST), which had a December 31 fiscal year-end, different from Hitachi's March 31 year-end. Hitachi's results for the fiscal year ended March 31, 2012 include operating results of Hitachi GST for the fiscal year ended December 31, 2011.

[Digital Media & Consumer Products]

	Year ended March 31, 2012		
	Yen (billions)	Year over year change (% or billions yen)	U.S. dollars (millions)
Revenues	858.8	(10%)	10,474
Operating loss	(10.9)	(25.8)	(134)

For fiscal 2011, the segment recorded a 10% decrease in revenues year over year, to 858.8 billion yen. This decline was mainly the result of the impact of flooding in Thailand and falling prices on optical disk drive-related products, as well as decreased demand and lower prices for flat-panel TVs.

The segment recorded an operating loss of 10.9 billion yen, a change of 25.8 billion yen from operating income in the previous fiscal year. This deterioration was mainly due to a decline in sales of flat-panel TVs and optical disk drive-related products.

Note: The optical disk drive operations are conducted by Hitachi-LG Data Storage, Inc. (HLDS), which has a December 31 fiscal year-end, different from Hitachi's March 31 year-end. Hitachi's results for the fiscal year ended March 31, 2012 include operating results of HLDS for the fiscal year ended December 31, 2011.

[Financial Services]

	Year ended March 31, 2012		
	Yen (billions)	Year over year change (% or billions yen)	U.S. dollars (millions)
Revenues	353.2	(5%)	4,307
Operating income	30.2	15.9	369

For fiscal 2011, the segment reported a 5% year over year decrease in revenues, to 353.2 billion yen. The overall decline mainly reflected lower revenues in the finance services business for corporate customers in Japan at Hitachi Capital Corporation. However, the overseas business at Hitachi Capital performed strongly mainly in Asia.

Segment operating income increased 15.9 billion yen year over year, to 30.2 billion yen, despite lower revenues, mainly as a result of lower fund management costs.

[Others]

	Year ended March 31, 2012		
	Yen (billions)	Year over year change (% or billions yen)	U.S. dollars (millions)
Revenues	951.6	24%	11,606
Operating income	33.2	4.3	405

For fiscal 2011, segment revenues increased 24% year over year, to 951.6 billion yen, mainly due to healthy growth in third-party logistics solutions as well as the April 2011 consolidation of Vantec Corporation at Hitachi Transport System, Ltd.

Segment operating income increased 4.3 billion yen year over year, to 33.2 billion yen, mainly as a result of the consolidation of Vantec at Hitachi Transport System.

(3) Revenues by Market

	Year ended March 31, 2012		
	Yen (billions)	Year over year change	U.S. dollars (millions)
Japan	5,534.4	5%	67,493
Outside Japan	4,131.4	2%	50,383
Asia	2,000.9	(4%)	24,402
North America	869.0	11%	10,598
Europe	761.1	0%	9,282
Other Areas	500.2	16%	6,101

Revenues in Japan were 5,534.4 billion yen, up 5% year over year. The Others Segment posted much higher revenues due to the consolidation of Vantec Corporation at Hitachi Transport System, Ltd. and strong sales growth in third-party logistics solutions. In addition, the Information & Telecommunication Systems, Power Systems and Construction Machinery segments recorded higher revenues, promptly recovering from damages caused by the Great East Japan Earthquake and capturing reconstruction-related demand. The overall increase in revenues in Japan came despite lower revenues in the Components & Devices Segment, which was affected by the Great East Japan Earthquake and floods in Thailand, and lower year over year revenues in some segments including the Digital Media & Consumer Products and Financial Services segments.

Outside Japan revenues increased 2%, to 4,131.4 billion yen. In addition to higher revenues in the Automotive Systems Segment following recovery in global demand for automobiles, this overall increase was attributable to higher revenues in the Information & Telecommunication Systems Segment, where storage systems generated strong sales, especially in North America. The overall increase came despite lower year over year revenues in the Digital Media & Consumer Products Segment, where the flooding in Thailand had an impact, and in the Power Systems Segment, where there were delays with overseas projects.

As a result, the ratio of overseas revenues to consolidated revenues was 43%, the same as in fiscal 2010.

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

Capital expenditures on a completion basis, excluding leasing assets, increased 38% year over year, to 377.2 billion yen, due to investment for increasing production prompted by the recovery in demand, and investments for restoring production facilities damaged by the Great East Japan Earthquake.

Depreciation, excluding leasing assets, decreased 8% year over year, to 280.2 billion yen, primarily due to strict selection of capital investments through the end of fiscal 2010.

R&D expenditures increased 4% year over year, to 412.5 billion yen, which corresponded to 4.3% of consolidated revenues. The increase was due mainly to further R&D investment to strengthen the Social Innovation Business.

(5) Outlook for Fiscal 2012

	Year ending March 31, 2013		
	Yen (billions)	Year over year change (% or billions yen)	U.S. dollars (millions)
Revenues	9,100.0	(6%)	121,333
Operating income	480.0	67.7	6,400
Income before income taxes	420.0	(137.7)	5,600
Net income	295.0	(117.8)	3,933
Net income attributable to Hitachi, Ltd.	200.0	(147.1)	2,667

Note: All fiscal 2012 outlook figures were converted using 75 yen to the U.S. dollar.

In terms of the overall business environment going forward, the Chinese economy is expected to maintain a high rate of growth due to robust demand from the inland parts of China which still have room for growth, even though the economic slowdwon is expected in the coastal areas due to lower exports resulting from the European economic slowdown and other factors. Southeast Asian countries, India, Brazil and certain other countries are expected to maintain steady growth in general. Emerging economies are therefore expected to continue to be the drivers of growth in the world economy. Regarding industrialized countries, there are concerns that fiscal crises in some countries will be worse, with credit worries in Europe still unresolved. Various governments are expected to promote fiscal austerity policies and economic sluggishness will continue. On the other hand, the manufacturing industry in the U.S. is making a comeback on the back of a weak greenback. With an improving unemployment rate and other positive signs emerging, the U.S. economy has been maitaining gradual recovery.

Japan’s economy should continue to see a recovery in supply chains affected by the Great East Japan Earthquake and the floods in Thailand. Demand associated with reconstruction after the Great East Japan Earthquake, including housing investment, private-sector capital expenditures and public works, should drive GDP and support a moderate economic recovery.

Due to these economic conditions, at present, Hitachi is forecasting the results shown above for fiscal 2012, the year ending March 31, 2013.

Hitachi aims to establish itself as a major global player as it works to achieve the goals of its 2012 Mid-term Management Plan. Among other actions, the Company will accelerate global development of the Social Innovation Business and promote the Hitachi Smart Transformation Project, a project for overhauling cost structures, across the Hitachi Group.

Projections for fiscal 2012 assume an exchange rate of 75 yen to the U.S. dollar and 100 yen to the euro.

1-2. Financial Position

(1) Financial Position

	As of March 31, 2012		
	Yen (billions)	Change from March 31, 2011	U.S. dollars (millions)
Total assets	9,418.5	232.8	114,860
Total liabilities	6,644.5	(99.7)	81,031
Interest-bearing debt	2,396.4	(125.0)	29,225
Total Hitachi, Ltd. stockholders' equity	1,771.7	331.9	21,607
Noncontrolling interests	1,002.2	0.6	12,222
Total Hitachi, Ltd. stockholders' equity ratio	18.8%	3.1 point improvement	-
D/E ratio (including noncontrolling interests)	0.86times	0.17 point improvement	-

Total assets as of March 31, 2012 increased 232.8 billion yen, to 9,418.5 billion yen, due to increase in trade receivables and inventories mainly related to the Social Innovation Business. Interest-bearing debt decreased 125.0 billion yen from March 31, 2011, to 2,396.4 billion yen, mainly due to repayment of short-term debt tapping into the consideration for the transfer of hard disk drive business. Stockholders' equity increased 331.9 billion yen, to 1,771.7 billion yen, due to the net income attributable to Hitachi, Ltd. As a result, the total Hitachi, Ltd. stockholders' equity ratio was 18.8%. The debt-to-equity ratio, including noncontrolling interests, was 0.86.

(2) Cash Flows

	Year ended March 31, 2012		
	Yen (billions)	Year over year change (billions yen)	U.S. dollars (millions)
Cash flows from operating activities	447.1	(394.3)	5,453
Cash flows from investing activities	(195.5)	64.7	(2,385)
Free cash flows	251.5	(329.6)	3,068
Cash flows from financing activities	(167.8)	416.3	(2,047)

Operating activities provided net cash of 447.1 billion yen, a 394.3 billion yen decrease year over year. This decrease mainly reflected increase in trade receivables and inventories, despite the increase in net income.

Investing activities used net cash of 195.5 billion yen, 64.7 billion yen less than in the previous fiscal year, due to the sale of the HDD operations and other factors.

Free cash flows, the sum of cash flows from operating and investing activities, was a positive 251.5 billion yen, a decline of 329.6 billion yen year over year.

Financing activities used net cash of 167.8 billion yen, 416.3 billion yen less year over year due to decreased repayment of debt.

The net result of the above items was a 64.7 billion yen increase in cash and cash equivalents of 619.5 billion yen.

(3) Trends in Cash Flow Indexes

	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012
Hitachi, Ltd. stockholders' equity ratio (%)	14.3	15.7	18.8
Equity ratio based on market value (%)	17.4	21.3	26.1
Cash flow to interest-bearing debt ratio	3.0	3.0	5.4
Interest coverage ratio (times)	30.4	33.8	15.9

(a) Hitachi, Ltd. stockholder's equity ratio: Total Hitachi, Ltd. shareholders' equity / Total assets
(b) Equity ratio based on market value: Market capitalization / Total assets
(c) Cash flow to interest-bearing debt ratio: Interest-bearing debt / Cash flows from operating activities
(d) Interest coverage ratio: Cash flows from operating activities / Interest charges

Note: Market capitalization is computed based on the number of issued shares, excluding treasury stock.

1-3. Basic Policy on the Distribution of Earnings and Fiscal 2011 and 2012 Dividends

Hitachi 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 Hitachi 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 on ensuring the availability of internal funds for reinvestment and the stable growth of dividends, with appropriate consideration of a range of factors, including Hitachi's financial condition, results of operations and dividend payout ratio.

Hitachi 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, Hitachi 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 Hitachi after considering its future capital requirement under its business plans, market conditions and other relevant factors.

Based on the above policies, Hitachi plans to pay an annual dividend of 8 yen per share for fiscal 2011. Dividends for fiscal 2012 have yet to be determined.

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:

- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- exchange rate fluctuations of the yen against 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;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- the potential for significant losses on Hitachi’s investments in equity method affiliates;
- increased commoditization of information technology products and digital media-related products and intensifying price competition for such products, particularly in the Digital Media & Consumer Products segments;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- rapid technological innovation;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to Hitachi’s ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness and other cost reduction measures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports

and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;

- 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 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;
- the possibility of disruption of Hitachi's operations by earthquakes, tsunamis or other natural disasters;
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers;
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its significant employee benefit-related costs; and
- uncertainty as to Hitachi's ability to attract and retain skilled personnel.

The factors listed above are not all-inclusive and are in addition to other factors contained in other materials published by Hitachi.

2. Management Policy

(1) Basic Management Policy

Amid intensifying competition in world markets, the Hitachi Group has been expanding its business through development of Hitachi and its related companies (subsidiaries and affiliated companies). Hitachi aims to improve its development by delivering competitive products and services imbuing higher value for customers. By taking full advantage of the diverse resources of the Hitachi Group while at the same time reviewing and restructuring businesses, Hitachi will bolster its competitiveness. This process will be consistent with Hitachi's basic management policy, which is to increase shareholder value by meeting the expectations of customers, shareholders, employees and other stakeholders.

(2) Medium- and Long-term Management Strategy

The Hitachi Group will work to drive growth through the Social Innovation Business and establish an even more solid financial base. This will involve capitalizing fully on the Hitachi Group's business base built up over the years to promote three themes---transforming into a truly global company; expanding environmental businesses; and fusing social infrastructure and IT. The Social Innovation Business includes information and telecommunication systems, power systems, industrial and transportation systems, and social and urban systems, as well as the sophisticated materials and key devices that support them.

(3) Challenges Facing Hitachi Group

While the forecast of the management environment remains uncertain, the Hitachi Group will promote the following measures in order to further improve profitability and achieve future growth as Hitachi works to become a top global company.

- In order to respond to increasing global demand for safe, secure, and highly economical social infrastructures, Hitachi will promote the Social Innovation Business globally. Hitachi will further strengthen the Social Innovation Business through the integration of IT with social infrastructure by collaboratively operating highly related businesses and establishing cross-functional organization.
- In order to achieve global growth, Hitachi will enhance our local functions, employing strategies carefully tailored to the needs of their respective regions. Hitachi will also work to cultivate and recruit human capital that can be utilized globally, throughout the Hitachi Group. Hitachi will dedicate its efforts in particular to China, Asia, and other areas for which high levels of growth are expected, creating and expanding businesses.
- In order to achieve cost competitiveness that will be advantageous in global markets, Hitachi will promote cost reductions by thoroughly overhauling its cost structure across the Group including procurement, production and administrative operations.
- Hitachi will continue to strengthen the financial position by striving to improve the cash flow through reducing costs, as well as thoroughly implementing measures

such as inventory management and reduction of working capital.

- By continuing to strive to ensure the quality of the products and services Hitachi provides to customers, Hitachi will further gain the trust of society in the Hitachi Group, and increase the value of the Hitachi brand.
- Hitachi will combine various strengths of the Hitachi Group to promote measures directed at recovering from the Great East Japan Earthquake, such as by contributing to the creation of sustainable, disaster-resistant cities. At the same time, Hitachi will utilize such experience to contribute to the development of social infrastructures worldwide.
- Hitachi will contribute to stable supplies of energy around the world by striving to provide even safer nuclear power generation systems.
- Hitachi will intensify the focus on “Basics and Ethics” in order to eliminate misconducts within the Hitachi Group, and strive to contribute to the environment and to communities.