

HITACHI LTD

FORM 20-F

(Annual and Transition Report (foreign private issuer))

Filed 06/24/11 for the Period Ending 03/31/11

Telephone	813-3258-1111
CIK	0000047710
Symbol	HTHIY
SIC Code	1600 - Heavy Construction Other Than Bldg Const - Contractors
Industry	Industrial Conglomerates
Sector	Industrials
Fiscal Year	03/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2011

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission file number: 1-8320

KABUSHIKI KAISHA HITACHI SEISAKUSHO

(Exact name of Registrant as specified in its charter)

Hitachi, Ltd.

(Translation of Registrant's name into English)

Japan

(Jurisdiction of incorporation or organization)

6-6, Marunouchi 1-chome, Chiyoda-ku,

Tokyo 100-8280, Japan

(Address of principal executive offices)

Legal Division; +81-3-3258-1111; +81-3-4564-2148; 6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8280, Japan

(Name, Telephone, Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American depositary shares, or ADSs, each of which represents ten shares of common stock	New York Stock Exchange
Common stock without par value	New York Stock Exchange*

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of March 31, 2011, the number of outstanding shares of common stock was 4,517,600,887.**

* Not for trading, but only for technical purposes in connection with the listing of the ADSs.

** The number of outstanding shares of common stock excludes the number of shares of common stock held by Hitachi, Ltd. and one of

its subsidiaries.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☒

Accelerated Filer ☐

Non-Accelerated Filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

☒ U.S. GAAP

☐ International Financial Reporting Standards as issued by the International Accounting Standards Board

☐ Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

CAUTIONARY STATEMENT

Certain statements found in this annual report 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 annual report.

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 our major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors we serve, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- exchange rate fluctuations of the yen against other currencies in which we make significant sales or in which our assets and liabilities are denominated, particularly against the U.S. dollar and the euro;
- uncertainty as to our ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities in Japan, declines in which may require us to write down equity securities that we hold;
- the potential for significant losses on our 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 Components & Devices and the Digital Media & Consumer Products segments;
- uncertainty as to our 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 we use 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 our 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 our ability to achieve the anticipated benefits of our strategy to strengthen our Social Innovation Business;

Table of Contents

- 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 we conduct 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 we depend, some of which we may not control, with other corporations in the design and development of certain key products;
- uncertainty as to our 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 we, our subsidiaries or our equity method affiliates have become or may become parties;
- the possibility of incurring expenses resulting from any defects in our products or services;
- the possibility of disruption of our operations in Japan by earthquakes, tsunamis or other natural disasters, including the possibility of continuing adverse effects on our operations as a result of the earthquake and tsunami that struck northeastern Japan on March 11, 2011;
- uncertainty as to our ability to maintain the integrity of our information systems, as well as our ability to protect our confidential information or that of our customers;
- uncertainty as to the accuracy of key assumptions we use to evaluate our significant employee benefit-related costs; and
- uncertainty as to our ability to attract and retain skilled personnel.

The factors listed above are not all-inclusive and are in addition to other factors contained elsewhere in this annual report and in other materials published by us.

Table of Contents

TABLE OF CONTENTS

	<u>Page</u>
Certain Defined Terms, Conventions and Presentation of Financial Information	
PART I	
Item 1. Identity of Directors, Senior Management and Advisers	3
Item 2. Offer Statistics and Expected Timetable	3
Item 3. Key Information	3
Item 4. Information on the Company	13
Item 4A. Unresolved Staff Comments	25
Item 5. Operating and Financial Review and Prospects	26
Item 6. Directors, Senior Management and Employees	55
Item 7. Major Shareholders and Related Party Transactions	66
Item 8. Financial Information	68
Item 9. The Offer and Listing	70
Item 10. Additional Information	71
Item 11. Quantitative and Qualitative Disclosures About Market Risk	85
Item 12. Description of Securities Other Than Equity Securities	92
PART II	
Item 13. Defaults, Dividend Arrearages and Delinquencies	93
Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds	93
Item 15. Controls and Procedures	93
Item 16A. Audit Committee Financial Expert	94
Item 16B. Code of Ethics	94
Item 16C. Principal Accountant Fees and Services	94
Item 16D. Exemptions from the Listing Standards for Audit Committees	95
Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	95
Item 16F. Change in Registrant's Certifying Accountant	96
Item 16G. Corporate Governance	96
PART III	
Item 17. Financial Statements	98
Item 18. Financial Statements	98
Item 19. Exhibits	98
SIGNATURES	99
EXHIBIT INDEX	100

CERTAIN DEFINED TERMS, CONVENTIONS AND PRESENTATION OF FINANCIAL INFORMATION

In this annual report, the terms “we,” “us,” “our” and “Hitachi” refer to Hitachi, Ltd. and our consolidated subsidiaries or, as the context may require, Hitachi, Ltd. on a non-consolidated basis.

Our fiscal year ends on March 31.

Unless otherwise stated, we present the financial information in this annual report, including our consolidated financial statements, in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Unless otherwise stated or the context otherwise requires, all amounts in such financial statements are expressed in Japanese yen.

In this annual report, we present financial information in accordance with accounting guidance issued by the Financial Accounting Standards Board, or FASB, in December 2007, which we adopted on April 1, 2009. We have applied this guidance retrospectively to relevant amounts in this annual report. The guidance requires us to separately report noncontrolling interests, previously referred to as minority interests, that are not redeemable in the equity section of our consolidated balance sheet. In addition, consolidated net income (loss) now includes the net income (loss) attributable to noncontrolling interests.

References in this annual report to “yen” or “¥” are to Japanese yen, references to “US\$,” “\$” or “U.S. dollars” are to United States dollars, references to “euros” or “€” are to the currency of those member states of the European Union which are participating in the European Economic and Monetary Union pursuant to the Treaty on the European Union, references to “AU\$” are to Australian dollars, references to “HK\$” are to Hong Kong dollars and references to “ST£” are to United Kingdom pounds sterling.

Unless otherwise stated, in this annual report, where we present information in millions or hundreds of millions of yen, we have truncated amounts of less than one million or one hundred million, as the case may be. Accordingly, the total of figures presented in columns or otherwise may not equal the total of the individual items. We have rounded all percentages to the nearest percent, one-tenth of one percent or one-hundredth of one percent, as the case may be.

References in this annual report to the “Financial Instruments and Exchange Act” are to the Financial Instruments and Exchange Act of Japan and other laws and regulations amending and/or supplementing the Financial Instruments and Exchange Act of Japan.

References in this annual report to the “Companies Act” are to the Companies Act of Japan and other laws and regulations amending and/or supplementing the Companies Act of Japan.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following selected consolidated financial information has been derived from our consolidated financial statements as of each of the dates and for each of the periods indicated below. This information should be read in conjunction with and is qualified in its entirety by reference to our consolidated financial statements, including the notes thereto, included in this annual report. Translation of dividend amounts into U.S. dollars is based on the noon buying rates for Japanese yen in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York at each respective payment date.

	Year ended March 31,				
	2007	2008	2009	2010	2011
	(Millions of yen, except per share amounts and numbers of shares issued and outstanding)				
Total revenues	10,247,903	11,226,735	10,000,369	8,968,546	9,315,807
Income (loss) before income taxes	202,338	324,782	(289,871)	63,580	432,201
Net income (loss) attributable to Hitachi, Ltd.	(32,799)	(58,125)	(787,337)	(106,961)	238,869
Per common share:					
Net income (loss) attributable to Hitachi, Ltd.					
Basic	(9.84)	(17.48)	(236.86)	(29.20)	52.89
Diluted	(9.87)	(17.77)	(236.87)	(29.20)	49.38
Cash dividends declared	6.00	6.00	3.00	—	8.00
	(\$0.051)	(\$0.057)	(\$0.031)	(—)	(\$0.096)
Cash and cash equivalents	617,866	560,960	807,926	577,584	554,810
Short-term investments	33,986	61,289	8,654	53,575	16,598
Total assets	10,644,259	10,530,847	9,403,709	8,964,464	9,185,629
Short-term debt and current portion of long-term debt	1,197,607	1,109,899	1,530,457	755,181	810,806
Long-term debt	1,489,843	1,421,607	1,289,652	1,611,962	1,300,311
Non-recourse borrowings of consolidated securitization entities	—	—	—	—	410,434
Noncontrolling interests	1,073,749	1,142,508	1,129,401	983,187	1,001,524
Total Hitachi, Ltd. stockholders' equity	2,442,797	2,170,612	1,049,951	1,284,658	1,439,865
Common stock	282,033	282,033	282,033	408,810	409,129
Number of shares issued (thousand shares)	3,368,126	3,368,126	3,368,126	4,518,132	4,520,144
Number of shares outstanding (thousand shares)	3,325,160	3,324,398	3,324,152	4,474,118	4,517,600

Notes:

- (1) The March 31, 2011 figure for our non-recourse borrowings of consolidated securitization entities includes the current portion of non-recourse borrowings of consolidated securitization entities.
- (2) See note 2(y) to our consolidated financial statements for information regarding accounting changes.

Table of Contents

The following table provides the noon buying rates for Japanese yen in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York. The average rate represents the average of the exchange rates on the last day of each month during a fiscal year, except for the monthly average rate, which represents the average of the exchange rates for each day of that month.

Year ended March 31, except month data	Yen exchange rates per U.S. dollar		
	Average	High	Low
2007	116.55	121.81	110.07
2008	113.61	124.09	96.88
2009	100.85	110.48	87.80
2010	92.49	100.71	86.12
2011	85.00	94.68	78.74
January 2011	82.63	83.36	81.56
February 2011	82.54	83.79	81.48
March 2011	81.65	82.98	78.74
April 2011	83.18	85.26	81.31
May 2011	81.13	82.12	80.12
June 2011 (through June 17)	80.38	80.98	79.87

On June 17, 2011, the yen exchange rate per U.S. dollar was ¥80.10 per \$1.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

We conduct business on a global scale across a broad range of business areas and utilize sophisticated, specialized technologies to carry out our operations. Therefore, we are exposed to risks attributable to the economic environment, risks inherent in individual industrial sectors and business lines and risks related to our operations. Investment in our securities also involves risks.

The items set forth in this section contain forward-looking statements as described in “Cautionary Statement.”

Risks Related to Economic Environment

The Great East Japan Earthquake and collateral events adversely affected and may continue to adversely affect our business, financial condition and results of operations.

On March 11, 2011, a devastating earthquake occurred off the eastern coast of Japan, followed shortly by a large tsunami that struck a vast swath of Japan’s Pacific coast. The earthquake and tsunami resulted in catastrophic losses of life and property in Japan, particularly in the Tohoku and Kanto regions, including severe damage to nuclear power facilities in Fukushima Prefecture.

The March 2011 earthquake and collateral events have adversely affected the Japanese economy. In the immediate aftermath of the earthquake, there were significant negative effects on the economy, such as reductions in consumer spending and private sector investment as well as disruption to supply chains and production processes. Japanese real GDP declined by 0.9%, or an annualized 3.5%, in the quarter ended March 31, 2011. It is likely that the instability of the Japanese economy will continue in the near term.

The disaster had a major impact on an array of our corporate activities, from production to sales. We suffered severe damage to certain of our buildings, in-process products and other assets and certain of our production facilities, particularly in Ibaraki Prefecture. The operations of many of our suppliers and customers were also damaged by the earthquake and tsunami. We experienced production adjustments and delays in our delivery or our customers’ acceptance of our products. As a result, our operating results for the year ended March 31, 2011 were adversely affected. While we were subsequently able to return our affected production bases to substantially full capacity, the long-term effects of the March 2011 earthquake and collateral events on our business, financial condition and operating results remain unclear. In addition to the general instability of the Japanese economy, the effects on our suppliers and customers and the damage to Japanese infrastructure, including potential shortages of electricity, may continue to adversely affect our business, financial condition and operating results in the future. Furthermore, the accident at the nuclear power facilities in Fukushima Prefecture has affected operations of nuclear power facilities throughout Japan and led to suspensions of the construction of new plants, which could reduce our revenues from our nuclear power systems business. Moreover, possible revisions of nuclear energy policy in Japan and many other countries due to this accident may adversely affect our nuclear power systems business. See “Item 5. Operating and Financial Review and Prospects — D. Trend Information” for additional information.

Table of Contents

Deterioration of the domestic or global economies may adversely affect our business, financial condition and results of operations.

Our business environment is influenced by conditions in the domestic and global economies. During the year ended March 31, 2011, the global economy continued to show signs of recovery from the sharp deterioration triggered by the recent financial crisis. However, this recovery may still be fragile and partially attributable to the effects of various government economic stimulus efforts. There is no guarantee that such stimulus efforts will continue or continue to be effective, and, without further government action, economic recovery may be halted or even reversed. In Japan, a persistently strong yen against currencies such as the U.S. dollar and the euro has negatively affected and may continue to negatively affect corporate earnings and exports. Unemployment in Japan has remained at a relatively high level since early 2009, and chronic unemployment could negatively affect consumer spending and economic activity. Further, the March 2011 earthquake and collateral events have had a significant negative impact on the economy by, among other things, depressing consumer and corporate spending and damaging supply chains, and such adverse effects may continue. Although, in terms of real GDP, the Japanese economy grew by 2.3% in the year ended March 31, 2011, such factors could diminish economic growth or result in a return to the contractions of recent years. The global economic recovery may also be harmed by fiscal and sovereign debt issues in Greece and other parts of Europe, which could cause instability of global capital markets and a further weakening of the euro against the yen, as well as the potential inability of emerging markets, including China, to maintain economic growth.

If the recent gradual recovery in global economic conditions is halted or reversed, our revenues may decrease, with a resultant adverse impact on our profitability. See “Item 5. Operating and Financial Review and Prospects — D. Trend Information” for additional information.

We operate on a global scale, and as a result, substantial portions of our assets and liabilities are exposed to risks relating to foreign currency exchange rates.

Since we conduct business in many foreign countries, the portion of our assets and liabilities denominated in various currencies is exposed to risks from fluctuations in foreign currency exchange rates. In addition, we sell products and purchase raw materials in local currencies, principally the U.S. dollar and the euro. Therefore, fluctuations in foreign currency exchange rates may result in lower revenues or higher costs in yen to us and thus affect our financial results, which are reported in Japanese yen. Our price competitiveness, and thus our financial results, may be harmed if we seek to increase prices in local currencies to compensate for lower revenues or to increase prices in yen to absorb the higher cost. While we take measures to reduce the risks from fluctuations in foreign currency exchange rates, such measures may only delay or temporarily mitigate the adverse impact of such fluctuations and may not be effective.

We rely on funding from banks, institutional lenders and the capital markets, and a downturn of the global economy could affect our ability to obtain short-term and long-term financing.

Our primary sources of funds are cash flows from operations, borrowings from banks and other institutional lenders, and funding from capital markets, such as offerings of commercial paper and other debt securities, as well as equity securities. We need liquid funds to pay our operating expenses, the principal of and interest on our debt and dividends on our capital stock. We also need long-term financing to fund, among other things, capital expenditures and research and development expenses. We currently believe our cash flows from operations, borrowings from banks and other institutional lenders and funding from the capital markets can provide sufficient funding for our operations and other liquidity needs. However, a return to a global economic downturn could adversely affect our cash flows from operations, business results and financial condition. Furthermore, recent rating downgrades in the calendar year 2009 and potential future rating downgrades may adversely affect our ability to obtain additional financing on terms we consider favorable.

Table of Contents

Our reliance on banks and institutional lenders exposes us to risks related to rising interest rates, and we may need to increase our reliance on external sources of funding. An increased reliance on debt instruments may further adversely affect our credit ratings, which might affect our ability to successfully obtain additional financing on terms we consider favorable. The inability to successfully obtain such financing may increase our financing costs, and therefore could adversely affect our financial condition and results of operations.

Furthermore, failure of one or more of our major lenders or a decision by one or more of them to stop lending to us could have an adverse effect on our access to funding.

We invest in marketable securities that are exposed to stock market risks.

We invest in marketable securities to maintain or promote our business or other relationships with other companies. These marketable securities are exposed to the risk of declining stock market prices. The recent global economic downturn exacerbated such declines and has required, and may continue to require, that we write down equity securities that we hold. This has had, and may continue to have, an adverse effect on our financial condition and results of operations.

We have a number of equity method affiliates and their profits and losses affect our results of operations.

We have a number of equity method affiliates. If one or more of these equity method affiliates records a loss during a given period, we must record that loss in a manner proportionate to our ownership interest in our consolidated financial statements. For example, we recognized equity in net loss of affiliated companies in the years ended March 31, 2009, 2010 and 2011, primarily owing to significant net losses recorded in those years by Renesas Electronics Corporation, our equity method affiliate that was created through the merger of Renesas Technology Corp. and NEC Electronics Corporation in April 2010. In addition, a decline in the fair value of our investments in these equity method affiliates below the carrying amount of the investments that is deemed other than temporary could require us to record an impairment loss. Further, contractual and other obligations may require us to maintain our holdings of these securities despite declining share prices and this may lead to material losses.

Risks Related to Industrial Sectors and Business Lines

We are subject to intense competition in many of the markets in which we operate, and this may adversely affect our results of operations.

The industrial sectors and business lines in which we are engaged are experiencing increasingly intense competition. We compete with diverse competitors ranging from huge global corporations to specialized companies. Competitors are increasingly manufacturing products, including sophisticated electronic products, in low-cost jurisdictions. Low-cost manufacturing and the globalization of world markets have accelerated the commoditization of certain products, which has resulted in increasingly intense price competition for many of our products. Products which are facing intense price competition or decreases in prices include computer-related products, such as hard disk drives, or HDDs, disk array subsystems and optical disk drives, semiconductors, liquid crystal displays, or LCDs, digital media products, such as flat-panel TVs, and home appliances. To succeed in this competitive environment, we believe that our products and services must be price competitive. The commoditization of such products affects our ability to set prices for our products. If we are unable to charge comparable prices to those of our competitors, our competitiveness and overall profitability may be harmed. On the other hand, charging comparable prices to those of our competitors may require us to sell products at a loss. Our products must also be competitive in terms of engineering sophistication, quality and brand value. We must introduce our products and services to the markets in a timely manner. There can be no assurance that the products or services that we offer will be competitive. The failure of such products or services to be competitive may negatively affect our business results.

Rapid technological innovation defines the industries in which we participate.

New technologies are rapidly emerging in the segments in which we do business, with the pace of technological innovation being especially notable in the fields of information systems, electronics and digital media. The development of new and advanced technologies, the continuous, timely and cost-effective incorporation of such technologies into products and services and the effective marketing of such products and services are indispensable to remaining competitive. While introducing such products and services requires a significant commitment to research and development, there can be no assurance that our research and development will be successful. Failure in our endeavors to develop and incorporate such advanced technologies into products and services in a timely manner, or to achieve market acceptance for such products and services, may negatively affect our business, financial condition and results of operations.

Table of Contents

We enter into a substantial number of long-term contracts, and fluctuations in cost during the lifetime of or cancellation of these contracts may adversely affect our business.

We enter into a substantial number of long-term contracts, particularly in connection with the construction of nuclear, thermal and hydroelectric power plants. We use the percentage-of-completion method to recognize revenue from sales of tangible products under these long-term contracts. Under the percentage-of-completion method, we recognize revenue from a sale in an amount equal to estimated total revenue from the arrangement multiplied by the percentage that costs incurred to date bear to estimated total costs at completion based upon the most recently available information. The use of the percentage-of-completion method requires us to make significant assumptions about estimates of total contract costs, remaining costs to completion, total contract revenues, contract risks and other factors. We charge any anticipated losses on fixed price contracts to operations when we are able to estimate such losses. While we employ our best judgment based on available information, there can be no assurance that these estimates will, ultimately, prove to be correct. We regularly review these estimates and adjust them as we deem necessary. Fluctuations in costs can occur for a variety of reasons, many of which are beyond our control. In addition, we or our counterparties may cancel these contracts, which would require us to revise our initial assumptions regarding a particular contract, and may adversely affect our business, financial condition and results of operations.

We rely on third parties to provide us with materials, parts, components and services, and failure of such third parties to provide such materials, parts, components and services may adversely affect our business.

Our manufacturing operations rely on third parties for supplies of materials, parts, components and services of adequate quality and quantity, delivered in a timely manner at a reasonable price. External suppliers may have other customers and may not have sufficient capacity to meet all of our needs during periods of excess demand. Shortages of materials, parts, components and services may cause a sharp rise in their prices. Prices of certain raw materials, parts and components that we purchase, such as petroleum products, copper, aluminum and semiconductor memory chips, are highly volatile. Increases in the price of petroleum and other materials, such as copper, steel, synthetic resins, rare metals and rare-earth minerals, can increase our production costs and may adversely affect our results of operations. Conversely, decreases in commodity prices, such as for raw materials, parts and components, can result in write-downs of inventory. The March 2011 earthquake and collateral events in some cases have disrupted the operations of our suppliers and damaged supply chains, resulting in significant adverse effects on our production. Although we generally maintain multiple sources of supply and work closely with our suppliers to avoid supply-related problems, such problems, including shortages and delays, may continue to occur, which could materially harm our business, financial condition and results of operations.

The supply and demand balance for particular products affects us.

Oversupply in the markets in which we compete may lead to declines in sales prices, revenues and profits. In addition, adjustment to demand may force us to dispose of excess supply or obsolete equipment or reduce production, which can result in losses. For example, market demand for HDDs and LCDs have been volatile, and an unexpected decline in demand or oversupply could result in a sharp decline in prices of these products. The imbalance between supply and demand in the semiconductor industry and the LCD industry and a resultant deterioration in market conditions could negatively affect the business results of our semiconductor and LCD manufacturing equipment business and our semiconductor and display-related product business.

Table of Contents

Risks Related to Operations

We may be unable to achieve the anticipated benefits of our strategy to strengthen our Social Innovation Business.

Our business strategy seeks to build our business portfolio and achieve a stable and profitable business structure mainly by strengthening our Social Innovation Business, which supplies advanced social infrastructure supported by information and communication technology. We plan to devote significant resources to strengthen our Social Innovation Business, which we believe will allow us to exploit synergies across our information and telecommunication systems and social infrastructure businesses. To implement this strategy, we have incurred and may continue to incur considerable expenses. For example, we invested ¥255.6 billion in tender offers for five of our consolidated subsidiaries as an initial step to convert them into wholly owned subsidiaries and bolster our Social Innovation Business during the year ended March 31, 2010. We also adopted the Company System, under which we created virtual companies to reinforce our operating base and further strengthen our Social Innovation Business. Our strategy to strengthen our Social Innovation Business is predicated on our ability to coordinate our operations across group companies and segments, foster closer group ties and establish closer capital relationships among our group companies. Our efforts to implement this strategy may be unsuccessful or less successful than we currently anticipate. Even if these efforts are successful, there is no assurance that we will be able to increase profitability, and even if profitability is achieved, we may be unable to sustain or increase it on a quarterly or annual basis. See “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Business Strategy.”

We may be unable to successfully divest or otherwise exit businesses or implement other cost reduction measures.

Our business strategy seeks to build our business portfolio and achieve a stable and profitable business structure in part by:

- closing unprofitable operations;
- divesting our subsidiaries and affiliated companies;
- reorganizing production bases and sales networks;
- selling select assets; and
- reducing our sales channels, fixed costs and procurement costs.

Examples of these efforts include the reorganization of our Automotive Systems and Consumer Business Groups to form wholly owned subsidiaries, the closing of our plasma display panel manufacturing facilities and the planned sale of our HDD subsidiary to Western Digital Corporation. Our restructuring efforts may not be implemented in a timely manner or at all, including due to governmental regulations, employment issues or a lack of demand in the M&A market for businesses we may seek to sell. In addition, we have a number of listed subsidiaries and from time to time the interests of these listed subsidiaries’ shareholders may conflict with our interests. Such conflicts of interest may result in difficulties in timely implementing group-wide policies, including mergers, corporate splits and other similar transactions to which the listed subsidiaries are parties. Restructuring efforts may also bring about unintended consequences, such as negative customer or employee perceptions, and have caused and may continue to cause us to incur significant expenses and other costs, including additional impairment losses on our long-lived assets and intangible assets, write-offs of inventory and losses on the disposal of fixed assets and losses related to the sale of securities.

Current and future restructuring efforts may be unsuccessful or less successful than we presently anticipate and may adversely affect our financial condition and results of operations.

Table of Contents

We may not successfully execute our overseas growth strategies.

We seek to expand our business, including our Social Innovation Business, in overseas markets as part of our business strategy. Through such overseas expansion, we aim to increase our revenues, reduce our costs and improve profitability. In many of these markets, we face barriers in the form of long-standing relationships between our potential customers and their local suppliers. In addition, various factors in foreign countries where we operate may adversely affect our overseas business activities. These factors include:

- changes in regulations relating to investments, exports, tariffs, antitrust, anti-bribery, consumer and business taxation, intellectual property, foreign trade and exchange controls, environmental and recycling requirements;
- differences in commercial and business customs such as contract terms and conditions;
- labor relations;
- public sentiment against Japan; and
- other political and social factors as well as economic trends and currency exchange rate fluctuations.

Because of these factors, there can be no assurance that we will be able to achieve all or any of the initial aims of our overseas growth strategy. This may adversely affect our business growth prospects and results of operations.

We may be unable to successfully complete or realize the benefits of acquisitions, joint ventures and strategic alliances.

In every operating sector, we depend to some degree on acquisitions of other companies, joint ventures and strategic alliances with outside partners to design and develop key new technologies and products and to strengthen competitiveness. For example, we integrated our affiliate, Renesas Technology, with NEC Electronics to form Renesas Electronics in April 2010. See “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Business Reorganization.” Such transactions are inherently risky because of the difficulties in integrating operations, technologies, products and personnel. Integration issues are complex, time-consuming and expensive and, without proper planning and implementation, could adversely affect our business. Decisions made by or the performance of alliance partners that we cannot control or adverse business trends may also negatively affect the success of our alliances. We may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to integration or restructuring of acquired businesses. There can be no assurance that these transactions will be beneficial to our business or financial condition. Even assuming these transactions are beneficial, there can be no assurance that we will be able to successfully integrate acquired businesses or achieve all or any of the initial objectives of these transactions.

An inability to protect our intellectual property rights or to obtain certain intellectual property licenses, or our involvement in legal proceedings relating to intellectual property, may harm our business and prospects.

We depend in part on proprietary technology and our ability to obtain patents, licenses, trademarks and other forms of intellectual property rights covering our products, product design and manufacturing processes in Japan and other countries. The fact that we hold such intellectual property rights does not ensure that they will provide a competitive advantage to us. Various parties may challenge, invalidate or circumvent our patents, trademarks and other intellectual property rights. There can be no assurance that claims allowed on any future patents will be sufficiently broad to protect our technology. Effective patent, copyright and trade secret protection may be unavailable or limited in some of the markets in which we operate, and our trade secrets may be vulnerable to disclosure or misappropriation by employees, contractors and other persons.

We design many of our products to include software or other intellectual property licenses from third parties. Competitors may not make their protected technology available to us, or may make it available to us only on unfavorable terms and conditions. There can be no assurance that we will be able to maintain a license for such intellectual property if obtained, for economic or other reasons, or that such intellectual property will give us the commercial advantages that we desire.

From time to time, we are sued or receive notices regarding patent and other intellectual property claims. Whether or not these claims have merit, they may require significant resources to defend against and may divert management attention from our business and operations and result in harm to our reputation. In addition, a successful infringement claim and our inability to obtain the license for the infringed technology or substitute similar non-infringing technology may adversely affect our business.

Table of Contents

We are subject to regulatory investigations, private litigation and governmental regulations that may result in substantial costs or otherwise harm our business.

We face risks of litigation and regulatory investigation and actions in connection with our operations. Lawsuits, including regulatory actions, may seek recovery of large, indeterminate amounts or otherwise limit our operations, and their existence and magnitude may remain unknown for substantial periods of time.

For example, in the past several years, we have been the subject of investigations of alleged antitrust violations in Japan, Europe and North America. In December 2006, we and Hitachi Europe Ltd. received requests for information from the European Commission in respect of alleged antitrust violations relating to LCDs. In November 2007, Hitachi Electronic Devices (USA), Inc., a subsidiary of Hitachi Displays, Ltd., received a grand jury subpoena in connection with an investigation conducted by the Antitrust Division of the U.S. Department of Justice in respect of alleged antitrust violations relating to cathode ray tubes, or CRTs. In addition, in November 2007, our wholly owned subsidiaries, Hitachi Asia Ltd. and Hitachi Europe, received requests for information from the European Commission in respect of alleged antitrust violations relating to CRTs. Further, in November 2007, our subsidiary, Hitachi Canada Ltd., received requests for information from the Canadian Competition Bureau in respect of alleged antitrust violations relating to CRTs. In June 2009, our subsidiary, Hitachi-LG Data Storage, Inc., received a grand jury subpoena in connection with an investigation conducted by the Antitrust Division of the U.S. Department of Justice and received requests for information from the European Commission, both in respect of alleged antitrust violations relating to optical disk drives. Also in June 2009, the Competition Commission of Singapore began an investigation of our subsidiary, Hitachi-LG Data Storage Korea, Inc., in respect of alleged antitrust violations relating to optical disk drives.

Relevant authorities in the markets in which we operate continue to investigate us and may initiate similar investigations in the future. These investigations may result in significant penalties in multiple jurisdictions, and we may become involved in disputes with private parties seeking compensation for damages resulting from the relevant violations. Such substantial legal liability or regulatory action could have a material adverse effect on our business, results of operations, financial condition, cash flows, reputation and credibility.

In addition, our business activities are subject to various governmental regulations in countries where we operate, which include investment approvals, export regulations, tariffs, antitrust, anti-bribery, intellectual property, consumer and business taxation, foreign trade and exchange controls, and environmental and recycling requirements. These regulations limit, and other new or amended regulations may further limit, our business activities or increase operating costs. In addition, the enforcement of such regulations, including the imposition of fines or surcharges for violation of such regulations, may adversely affect our results of operations, financial condition, cash flows, reputation and credibility. See “Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal Proceedings” for additional information.

We may be subject to product liability claims that could result in significant direct or indirect costs.

We increasingly provide products and services utilizing sophisticated technologies, including but not limited to components of nuclear power stations. Reliance on external suppliers reduces our control over quality assurance. There is a risk that defects may occur in our products and services. The occurrence of such defects could negatively affect our reputation for quality products, expose us to liability for damages caused by such defects and negatively affect our ability to sell certain products. Even a single significant product defect could materially and adversely affect our results of operations, financial condition and future business prospects.

In September 2008, Chubu Electric Power Co., Inc. filed a lawsuit against us in the Tokyo District Court. Chubu Electric Power seeks compensation in the amount of ¥41.8 billion plus interest for consequential losses from the breakdown of certain turbine vanes in the nuclear reactors at Hamaoka Nuclear Power Station. In May 2009, Hokuriku Electric Power Company also filed a lawsuit against us in the Tokyo District Court. Hokuriku Electric Power seeks compensation in the amount of ¥33.7 billion plus interest for consequential losses from the breakdown of certain turbine vanes in the nuclear reactors at Shika Nuclear Power Station. Although we are vigorously defending ourselves in these lawsuits, there can be no assurance that we will not be held liable for any amounts claimed. See “Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal Proceedings.”

Table of Contents

A substantial portion of our operations are conducted in Japan and earthquakes or other natural disasters or events may seriously disrupt them.

Portions of our facilities, including our research and development facilities, manufacturing facilities and our headquarters, are located in Japan. Historically, Japan has experienced numerous natural disasters such as earthquakes, tsunamis and typhoons. As demonstrated by the March 2011 earthquake and tsunami, such significant natural disasters may directly damage or destroy our facilities, which could disrupt our operations, delay new production and shipments of existing inventory or result in costly repairs, replacements or other costs, all of which would result in significant losses. Furthermore, even if such significant natural disasters do not directly affect our facilities, they could result in disruptions in distribution channels or supply chains. The spread of infectious diseases, such as a new flu virus, may also disrupt our operations, render our employees unable to work, reduce consumer demand for our products or disrupt our supply and distribution channels. In addition, we are not insured against all potential losses, and even losses that insurance covers may not be fully covered and may be subject to challenges of or delays in payment. Direct and indirect disruption of our operations as a result of natural disasters or other events has had, and may continue to have, a negative impact on our operating activities, results of operations and financial condition. See “— Risks Related to Economic Environment” for additional information on the impact of the March 2011 earthquake and collateral events on our operating activities.

We depend heavily on information systems and our inability to maintain the integrity of such information systems may adversely affect our business.

With the increased importance of information systems to our operating activities, disruptions in such systems due to computer viruses and other factors could have a negative impact on our operating activities, results of operations and financial condition.

We maintain a large amount of sensitive information about ourselves as well as our customers and clients and our inability to maintain the confidentiality of such information may adversely affect our business, financial condition, results of operations, reputation and credibility.

We maintain and manage personal information obtained from our customers, as well as confidential information relating to our technology, research and development, or R&D, production, marketing and business operations and those of our customers and clients, in various forms. Although we have implemented controls to protect the confidentiality of such information, there can be no assurance that such controls will be effective. Unauthorized disclosures of such information could subject us to complaints or lawsuits for damages or could otherwise have a negative impact on our business, financial condition, results of operations, reputation and credibility.

We are responsible for a significant amount of employee retirement benefit costs that are based on a number of assumptions.

We have a significant amount of employee retirement benefit costs that we derive from actuarial valuations based on a number of assumptions. Inherent in these valuations are key assumptions used in estimating pension costs including mortality, withdrawal and retirement rates, changes in wages, the discount rate and expected return on plan assets. We are required to make judgments regarding the key assumptions by taking into account various factors including personnel demographics, market conditions and expected trends in interest rates. Although management believes that its key assumptions are reasonable in light of the various underlying factors, there can be no assurance that the key assumptions will correspond to actual results. If our key assumptions differ from actual results, the consequent deviation of actual pension costs from estimated costs may have a material adverse effect on our financial condition and results of operations. A decrease in the discount rate may result in an increase in the amount of the actuarial loss which we amortize into income over the service lives of employees. In addition, we may change these key assumptions, such as the discount rate or the expected return on plan assets. Changes in key assumptions may also have a material adverse effect on our financial condition and results of operations.

We depend on specially skilled personnel, and we may not be able to achieve our business objectives if we fail to attract, hire and retain such personnel.

We believe we can continue to remain competitive only if we can maintain and secure additional people who are highly skilled in the fields of management and technology. However, the number of skilled personnel is limited and the competition for attracting and maintaining such personnel is intense. We cannot ensure that we will be able to successfully attract new or maintain our current skilled personnel.

Table of Contents

Risks Related to Our American Depositary Shares

Rights of shareholders under Japanese law may be more limited than under the law of other jurisdictions.

The rights of shareholders under Japanese law to take actions, including voting their shares, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records and exercising appraisal rights are available only to shareholders of record. Because the depositary, through its custodian agents, is the record holder of the shares underlying the American Depositary Shares, or ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying ADSs in accordance with the instructions of ADS holders and will pay dividends and distributions collected from us as and to the extent provided in the deposit agreement. However, ADS holders will not be able to bring derivative actions, examine our accounting books and records, or exercise appraisal rights through the depositary.

We are incorporated in Japan with limited liability. A significant portion of our assets are located outside the United States. As a result, it may be more difficult for investors to enforce against us judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States or judgments obtained in other courts outside Japan. There is doubt as to the enforceability in Japanese courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

Due to the unit share system available under Japanese law, your voting rights may be significantly restricted.

The Companies Act allows companies to establish a “unit” of shares for the purpose of exercising voting rights at the general meetings of shareholders. Under our articles of incorporation, one unit of our shares is composed of 1,000 shares, equivalent to 100 ADSs. Each unit of our shares has one vote. A holder who owns shares or ADSs in other than multiples of 1,000 or 100, respectively, will own less than a whole unit (i.e., for the portion constituting fewer than 1,000 shares, or fewer than 100 ADSs). Our articles of incorporation, in accordance with the Companies Act, impose significant restrictions on the rights of holders of shares constituting less than a whole unit, which include restrictions on the right to vote, to attend a shareholders meeting and to bring derivative actions. In addition, less than whole unit shares cannot be traded on Japanese stock markets. Under the unit share system, holders of our shares constituting less than one unit have the right to require us to purchase their shares and the right to require us to sell them additional shares to create a whole unit of 1,000 shares. However, holders of our ADSs are unable to withdraw underlying shares representing less than one unit and, as a practical matter, are unable to require us to purchase those underlying shares. The unit share system, however, does not affect the transferability of ADSs, which may be transferred in lots of any number of whole ADSs.

We may issue or sell additional shares in the future, which would result in a dilution of your shares.

We may issue additional shares in the future within the unissued portion of our authorized share capital and sell shares held as treasury stock, generally without shareholder vote unless the subscription or sale price is significantly lower than the market price. Issuances and sales of our shares in the future may be at prices below the prevailing market prices and may be dilutive.

The market price of our ADSs is subject to foreign exchange fluctuations.

Market prices for our ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the amount of cash dividends or other cash payments made to holders of ADSs will decline if the value of the yen declines against the dollar.

Table of Contents

Item 4. Information on the Company

A. History and Development of the Company

We were founded in 1910 as a small electric repair shop and incorporated as Hitachi, Ltd. (Kabushiki Kaisha Hitachi Seisakusho), a joint stock corporation, in 1920 under the laws of Japan. Our registered office is located at 6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8280, Japan. The telephone number of our principal executive office is +81-3-3258-1111.

Over the years, we have broadened the horizon of our research as well as our business activities to develop a highly diversified product mix ranging from electricity generation systems to consumer products and electronic devices. We have grown into one of Japan's largest diversified manufacturers of electronic and electrical products. With our diverse product lines, we maintain a significant presence in each of the major markets we serve, which together make us one of the world's largest manufacturers of electronic products. With our emphasis on research and development and our ability to combine a wide range of technologies, we continue to strive to provide the world with products that meet the changing needs of our customers.

In order to establish a stable and profitable business structure, we are making an effort to realign our business portfolio by increasing our focus on our Social Innovation Business to achieve increased profitability. "Social Innovation Business" is a general reference to businesses that supply advanced social infrastructure supported by information and communication technology. Our Social Innovation Business includes products and services across a number of our business segments, including: information and telecommunication systems businesses, such as system integration, data storage systems, consulting and outsourcing; social infrastructure businesses, such as power, railway and building systems and construction machinery; and businesses that integrate the above business lines, such as environmentally friendly data centers, smart grid systems and next-generation transportation systems. Moreover, we believe our Social Innovation Business will be enhanced by our high functional materials and components business as well as by our R&D activities.

We have been allocating our business resources to strong businesses and have also been implementing a variety of projects to enhance efficiency and restructure unprofitable operations, including a project aimed at reducing materials purchasing costs and a project aimed at improving the turnover of assets. We also expect to continue to improve cash-flow management by increasing the efficiency of working capital use, by making selective investments and by further reducing inventory levels and expediting the collection of accounts receivable.

We are also striving to enhance our corporate governance structure in order to enhance our medium and long-term corporate value, reorganize our internal control system on a consolidated basis, implement multidisciplinary risk management, promote prompt information sharing systems and optimize share capital relationships among our group companies.

In August 2009, we conducted tender offers to acquire the noncontrolling interests in five listed consolidated subsidiaries to convert them into wholly owned subsidiaries and bolster our Social Innovation Business. We also conducted subsequent measures to complete the acquisition of shares we did not acquire through the tender offers completed in October 2009. The five subsidiaries and their main businesses are:

- *Hitachi Information Systems, Ltd.* . Information processing and network services; system integration; software development; and equipment and supplies sales. We converted Hitachi Information Systems into a wholly owned subsidiary in February 2010 via the August 2009 cash tender offer at ¥2,900 per share for shares of Hitachi Information Systems and a subsequent acquisition measure.
- *Hitachi Software Engineering Co., Ltd.* . Development and sales of computer software and sales of information processing equipment. We converted Hitachi Software Engineering into a wholly owned subsidiary in February 2010 via the August 2009 cash tender offer at ¥2,650 per share for shares of Hitachi Software Engineering and a subsequent acquisition measure.
- *Hitachi Systems & Services, Ltd.* . System integration and system services; software packages; and sales of information processing equipment. We converted Hitachi Systems & Services into a wholly owned subsidiary in February 2010 via the August 2009 cash tender offer at ¥2,150 per share for shares of Hitachi Systems & Services and a subsequent acquisition measure.
- *Hitachi Plant Technologies, Ltd.* . Development, design, production, sale, service and construction of social infrastructure, air conditioning, energy and other industrial systems. We converted Hitachi Plant Technologies into a wholly owned subsidiary in April 2010 via the August 2009 cash tender offer at ¥610 per share for shares of Hitachi Plant Technologies and a subsequent acquisition measure.

Table of Contents

- *Hitachi Maxell, Ltd.* Manufacturing and marketing of information storage media, batteries and various materials, devices and electronic appliances. We converted Hitachi Maxell into a wholly owned subsidiary in April 2010 via the August 2009 cash tender offer at ¥1,740 per share for shares of Hitachi Maxell and a subsequent acquisition measure.

See “B. Business Overview — Description of Segments — Information & Telecommunication Systems,” “— Social Infrastructure & Industrial Systems,” “— Components & Devices” and “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Business Reorganization” for more information.

In March 2011, we entered into an agreement with Western Digital to sell our HDD business to Western Digital. Under the terms of the agreement, we will transfer all shares of Viviti Technologies Ltd., our wholly owned subsidiary and a holding company of our HDD business, to Western Digital. The aggregate purchase price will consist of cash consideration of \$3.5 billion and 25 million shares of Western Digital’s common stock. The transaction is subject to several customary closing conditions, including the receipt of antitrust approvals and the expiration of applicable waiting periods in certain jurisdictions. The transaction is currently expected to close during the quarter ending December 31, 2011. See “B. Business Overview — Description of Segments — Components & Devices” for more information.

Our capital expenditures for fixed assets on an accrual basis were ¥556.8 billion, ¥546.3 billion and ¥788.4 billion in the years ended March 31, 2011, 2010 and 2009, respectively. While we have maintained a selective attitude toward investment decisions, we have placed an emphasis on capital expenditures for strategically important products. Excluding the purchase of assets to be leased, a significant portion of capital expenditures have been directed toward IT-related products, construction machinery, products in the Power Systems segment and the Social Infrastructure & Industrial Systems segment, high functional materials and components, including large capital investments in manufacturing facilities to maintain or enhance competitiveness in those product sectors. The increase in the year ended March 31, 2011 was primarily due to an increase in capital expenditures in HDDs and high functional materials and components. The decrease in the year ended March 31, 2010 was primarily due to a decrease in capital expenditures in construction machinery, high functional materials and components, automotive equipment and operating lease assets in the financial services sector in conformity with our selective attitude toward investment decisions in response to deteriorated market conditions for these businesses. In the year ending March 31, 2012, we expect to increase our capital expenditures on an accrual basis to approximately ¥770.0 billion due primarily to an increase in capital expenditures in most of our business sectors. We expect capital expenditures in the year ending March 31, 2012 to be funded primarily through internal sources of financing and to be made primarily in Japan.

B. Business Overview

Main Categories of Products and Services

Our business is highly diversified. We classify our business into eleven segments.

The segments and major categories of products and services offered in each segment as of March 31, 2011 are as follows:

- *Information & Telecommunication Systems* . Systems integration, outsourcing services, software, disk array subsystems, servers, mainframes, telecommunications equipment and ATMs;
- *Power Systems* . Thermal, nuclear, hydroelectric and wind power generation systems;
- *Social Infrastructure & Industrial Systems*. Industrial machinery and plants, elevators, escalators and railway vehicles and systems;
- *Electronic Systems & Equipment*. Semiconductor and LCD manufacturing equipment, test and measurement equipment, medical electronics equipment, power tools and electronic parts manufacturing systems;
- *Construction Machinery*. Hydraulic excavators, wheel loaders and mining dump trucks;
- *High Functional Materials & Components*. Wires and cables, copper products, semiconductor and display-related materials, circuit boards and materials, specialty steels, magnetic materials and components and high grade casting components and materials;
- *Automotive Systems*. Engine management systems, electric powertrain systems, drive control systems and car information systems;
- *Components & Devices*. HDDs, LCDs, information storage media and batteries;
- *Digital Media & Consumer Products* . Optical disk drives, flat-panel television sets, LCD projectors, room air conditioners, refrigerators, washing machines and air-conditioning equipment;
- *Financial Services* . Leasing and loan guarantees; and
- *Others*. Logistics and property management.

Table of Contents

Sales and Distribution

We distribute our products in Japan primarily through our own sales network. We also distribute some of our products through independent dealers. In most field sales offices, our sales personnel specialize in the marketing of particular types of products.

We conduct international marketing through overseas sales subsidiaries, joint-venture companies, unaffiliated distributors and trading companies. Also, we sell certain types of equipment to industrial companies in foreign markets on an original equipment manufacturing, or OEM, basis and market under the brand names of such industrial companies.

Overseas revenues amounted to ¥4,046.5 billion in the year ended March 31, 2011, accounting for 43% of total revenues. See “Segment Information” below for a breakdown of revenues by geographic area. Foreign currency exchange rate fluctuations influence our operating environment. A strong yen reduces the price competitiveness of products exported to foreign markets and diminishes profit by decreasing revenue when foreign currency income from overseas product sales is converted to yen. See “Item 5. Operating and Financial Review and Prospects — A. Operating Results.”

Our widespread customer base in domestic and overseas markets encompasses leading industrial companies, financial institutions, utilities, governments and individual customers. No material part of our business is dependent upon one or a few customers.

Segment Information

Financial Data by Segment

	Year ended March 31,					
	2009		2010		2011	
	(Millions of yen, except percentage data)					
Revenues (note 1)						
Information & Telecommunication Systems	1,945,351	17%	1,705,587	17%	1,652,040	16%
Power Systems	862,389	7	882,135	9	813,207	8
Social Infrastructure & Industrial Systems	1,334,246	12	1,250,225	12	1,156,936	11
Electronic Systems & Equipment	983,821	9	998,632	10	1,079,355	10
Construction Machinery	724,689	6	583,636	6	751,387	7
High Functional Materials & Components	1,561,045	14	1,249,327	12	1,408,153	13
Automotive Systems	681,750	6	638,828	6	737,901	7
Components & Devices	978,297	9	754,889	7	809,852	8
Digital Media & Consumer Products	1,103,860	10	929,258	9	951,596	9
Financial Services	401,317	3	419,650	4	372,981	4
Others	830,834	7	763,665	8	767,463	7
Subtotal	11,407,599	100%	10,175,832	100%	10,500,871	100%
Eliminations and Corporate Items	(1,407,230)		(1,207,286)		(1,185,064)	
Total	10,000,369		8,968,546		9,315,807	
Segment Profit (Loss)						
Information & Telecommunication Systems	138,452	96%	94,592	41%	98,641	22%
Power Systems	3,485	2	22,075	9	22,022	5
Social Infrastructure & Industrial Systems	34,406	24	42,086	18	39,952	9
Electronic Systems & Equipment	25,755	18	(5,218)	(2)	37,284	8
Construction Machinery	51,337	35	17,649	8	49,192	11
High Functional Materials & Components	25,257	17	44,412	19	84,506	18
Automotive Systems	(60,507)	(42)	(5,486)	(2)	23,791	5
Components & Devices	5,799	4	1,149	0	43,652	10
Digital Media & Consumer Products	(110,548)	(76)	(7,206)	(3)	14,949	3
Financial Services	6,660	5	8,518	4	14,255	3
Others	24,515	17	19,423	8	28,930	6
Subtotal	144,611	100%	231,994	100%	457,174	100%
Eliminations and Corporate Items	(17,465)		(29,835)		(12,666)	
Total	127,146		202,159		444,508	

Table of Contents

Revenues by Geographic Area (note 2)

	Year ended March 31,					
	2009		2010		2011	
	(Millions of yen, except percentage data)					
Japan	5,861,448	59%	5,313,790	59%	5,269,259	57%
Outside Japan						
Asia	1,911,290	19	1,699,071	19	2,073,756	22
North America	899,550	9	729,698	8	781,139	8
Europe	904,425	9	824,697	9	760,011	8
Other Areas	423,656	4	401,290	5	431,642	5
Subtotal	4,138,921	41	3,654,756	41	4,046,548	43
Total	<u>10,000,369</u>	<u>100%</u>	<u>8,968,546</u>	<u>100%</u>	<u>9,315,807</u>	<u>100%</u>

Notes:

- (1) Revenues by segment include intersegment transactions.
- (2) Revenues by geographic area are based on the locations of the customer to whom our products or services are sold.

Description of Segments

Information & Telecommunication Systems

In this segment, we provide products and services, including hardware products, software and services. Our main customers are business entities in various industries, national and local governments. Among the hardware products that we offer, disk array subsystems, servers and mainframes are more significant than other products. In order to meet market requirements, we must build these products to achieve high performance while meeting the cost parameters of customers. We also develop and offer various software packages designed to enhance the productivity of customers. Systems integration, consulting and outsourcing form the core of the services business, in which we aim to deliver systems that help customers achieve their business objectives. We develop customized solutions and offer them to customers along with our hardware and software products, as well as those of other vendors. This segment also provides telecommunications and network equipment and systems, which are delivered to customers in the data and telecommunication industries and other business customers.

The computer industry is extremely competitive. The speed of technology development in both hardware and software is very fast, and a failure to introduce, or a delay in the introduction of, products or services that incorporate the latest technology would materially diminish our market presence. Customers are highly sensitive to the cost effectiveness of their investments in information technology, which leads to intense price competition, particularly in hardware products.

Table of Contents

In software and services businesses, we aim to strengthen: (i) outsourcing services such as data center outsourcing services which entail the monitoring, operation and maintenance of information on behalf of clients, as well as strategic outsourcing services which provide comprehensive support for customers' information systems, including consulting, systems design, construction, operation and maintenance; and (ii) consulting services by bolstering the operational structure, principally by increasing the number of consultants. We seek to expand our data center business in China and Europe and believe that our experience building a number of data centers in Japan will aid us in this expansion. We also aim to establish an efficient project management system by sales efforts to emphasize profitability and by emphasizing cost management during the design and development process to achieve profitability.

We also intend to focus on environmentally-friendly information and telecommunications products, which we believe to be a key factor in both growth and profitability. Such products include environmentally-friendly data centers, which combine our data center and energy efficient air conditioning technologies with high levels of reliability, availability and data security.

In August 2009, we conducted tender offers to acquire the noncontrolling interests in Hitachi Information Systems, Hitachi Software Engineering and Hitachi Systems & Services, listed consolidated subsidiaries, and converted them into wholly owned subsidiaries in February 2010. Further, Hitachi Software Engineering and Hitachi Systems & Services merged to create Hitachi Solutions, Ltd. in October 2010 in order to aid in the development of our environmentally-friendly data center and cloud computing businesses and strengthen our systems integration business. Moreover, Hitachi Information Systems and Hitachi Electronics Services Co., Ltd. plan to merge in October 2011. We expect the merger to strengthen the companies' one-stop solutions capabilities to encompass the entire IT life cycle, ranging from consulting for systems installation to operations and maintenance.

In the year ended March 31, 2011, this segment accounted for 16% of total revenues before eliminations and corporate items and recorded segment profit of ¥98.6 billion.

Power Systems

In this segment, we offer thermal power plants, nuclear power plants, hydroelectric power plants and related services for power utilities. We leverage technological capabilities and products that have been developed over many years to maximize the efficiency and reliability of thermal, hydroelectric and nuclear power plants. We also provide renewable energy-related products, including wind and solar power generation systems.

Power companies are the main customers of the power sector. In this sector, we must respond to customer demand for low-priced products with high added value. In addition, in recent years we have given high priority to environmental protection in our product design. We compete primarily with large corporations in a global market in this sector. We are endeavoring to expand our power systems business, particularly highly efficient thermal power generation systems, in the overseas market. We recognize that the key to succeeding in this business overseas includes local project management, taking into consideration local business customs and labor relations. Since the orders the sector receives are generally for large items with long delivery periods, customers generally pay a portion of the procurement costs in advance to finance the production of the items. We have improved cost management in our power systems business by incorporating escalation provisions in contracts for long-term infrastructure projects in order to allocate exchange rate and commodity price risk to customers.

We have constructed nuclear power stations for more than forty years, and up to the present, we have been invited to bid on all Advanced Boiling Water Reactor projects in Japan. However, due to the March 2011 accident at the nuclear power facilities in Fukushima Prefecture, domestic investment in nuclear power in the near future remains unclear. Similarly, some countries are reconsidering their stance towards the use of nuclear power. However, we believe the long-term demand for nuclear power in overseas markets remains and we plan to expand our nuclear power systems business throughout the world, including in the United States, while focusing on improving the safety of nuclear power generation. Through our alliance with GE, which allows both companies to benefit from synergies in the areas of design, manufacturing, construction, maintenance and engineering services, we intend to improve and expand our boiling water reactor technology offerings. Under the alliance, we share ownership of a Japanese subsidiary and U.S. and Canadian affiliates with GE. These entities are engaged in the construction and maintenance of nuclear power plants and related services. We believe that GE's design engineering of an advanced economic and simplified boiling water reactor, and Hitachi and GE's cumulative know-how and experience in the nuclear power plant business place us on a solid footing to expand our nuclear power systems business globally.

Table of Contents

Following the March 2011 earthquake, we were diligent in assisting the government as well as our customers in responding to the accident at the nuclear power facilities in Fukushima Prefecture in order to minimize the damage and improve the situation as quickly as possible.

We attempt to maintain a competitive edge in the thermal power systems business by developing environmentally-friendly coal-fired thermal power plants. In the years ended March 31, 2009 and 2010, we received orders for thermal power plants and equipment in overseas markets, including South Africa, Europe, Singapore, Egypt and Canada. In July 2010, we received an order for two boilers for South Korea's first 1,000MW-class thermal power plant. We also received an order for two steam turbines and generators for another thermal plant in South Korea in December 2010. We seek to increase our thermal power systems business, particularly in emerging countries and regions such as China, India and South Africa, and Southeast Asia and Eastern Europe. At the same time, we are investing resources in developing power solutions that anticipate and respond to increasing global pressure to reduce carbon emissions, including by proactively expanding into wind and solar power.

We optimize our response to the needs and priorities of segment customers by strategically combining technologies from our diverse fields of operation, especially from technologies in the information systems and electronics field. For example, we continue to develop smart grid systems, which combine information and telecommunications technologies and power and industrial systems technologies to provide more efficient, reliable and energy-conscious power production and distribution. We also participate in demonstration projects of smart grid systems in Japan, the United States, the United Kingdom and Spain.

In September 2008, Chubu Electric Power filed a lawsuit against us in the Tokyo District Court. Chubu Electric Power seeks compensation in the amount of ¥41.8 billion plus interest for consequential losses from the breakdown of the turbine vanes in the nuclear reactors at Hamaoka Nuclear Power Station. In May 2009, Hokuriku Electric Power also filed a lawsuit against us in the Tokyo District Court. Hokuriku Electric Power seeks compensation in the amount of ¥33.7 billion plus interest for consequential losses from the breakdown of the turbine vanes in the nuclear reactors at Shika Nuclear Power Station. We are vigorously defending ourselves in these lawsuits. We have not accrued for consequential losses related to these lawsuits. However, there can be no assurance that we will not be liable for any amount claimed. See "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal Proceedings."

In the year ended March 31, 2011, this segment accounted for 8% of total revenues before eliminations and corporate items and recorded segment profit of ¥22.0 billion.

Social Infrastructure & Industrial Systems

In this segment, we provide infrastructure products and services that underpin society, such as railway vehicles and control systems, elevators and escalators. In addition, we offer industrial equipment and energy-saving solutions that help to reduce environmental impact.

For railway vehicles and control systems, we provide comprehensive systems that include rail cars, electronic components and traffic control systems, and we believe that we are the only company in Japan that can do so. In the past few years, we have received orders for railway projects throughout Japan, as well as in China, Korea, the United Arab Emirates and the United Kingdom. In addition, we continue to develop environmentally-conscious hybrid rail cars powered by our lithium-ion rechargeable batteries.

Our building systems business delivers elevators, escalators and moving sidewalks in Japan and overseas, mainly to China and other Asian countries. We also provide maintenance services for these products globally. In particular, we have focused on the Chinese market by expanding our sales, maintenance and service bases and establishing manufacturing bases locally.

The industrial equipment we offer covers products used in numerous industries and is strongly influenced by trends in public works spending and private sector plant and equipment investment. Market demands focus primarily on low price, high added value and the capability of products to be integrated into systems. The number of product types is vast, and production is frequently done in small lots or on order. The industry includes many small- to medium-sized specialty manufacturers, and competition for orders is fierce.

Table of Contents

In August 2009, we conducted a tender offer to acquire the noncontrolling interests in Hitachi Plant Technologies, a listed consolidated subsidiary, and converted it into a wholly owned subsidiary in April 2010. We expect the conversion of Hitachi Plant Technologies to foster synergies in our social infrastructure businesses and facilitate our ability to respond to the growing need for construction and renovation of social infrastructures in global markets, including Asia, Europe and the United States.

In the year ended March 31, 2011, this segment accounted for 11% of total revenues before eliminations and corporate items and recorded segment profit of ¥39.9 billion.

Electronic Systems & Equipment

In this segment, drawing on our advanced technologies, we provide systems that form the core of the information society, including semiconductor and LCD manufacturing equipment and electronic parts manufacturing systems. We also produce medical and inspection systems that enhance health and wellness and power tools for both professional and home use.

A significant portion of this segment's business is conducted by Hitachi High-Technologies Corporation, a listed consolidated subsidiary. Hitachi High-Technologies has two business areas: (i) manufacturing and sale of manufacturing equipment of semiconductors, LCDs and HDDs, test and measurement equipment, such as clinical analyzers, DNA sequencers and liquid chromatographs and other electronics-related equipment, and (ii) sale of electronic components and advanced industrial materials.

Semiconductor and LCD manufacturing equipment is strongly influenced by trends in capital spending by semiconductor and LCD manufactures, which are affected by market conditions and cyclical demand for such products. Although sales of these products have been adversely affected by reduced capital spending by manufacturers in the industry since the latter half of the year ended March 31, 2009, demand for these products firmly recovered in the year ended March 31, 2011.

In the year ended March 31, 2011, this segment accounted for 10% of total revenues before eliminations and corporate items and recorded segment profit of ¥37.2 billion.

Construction Machinery

In this segment, we offer hydraulic excavators, wheel loaders and mining dump trucks.

We provide integrated solutions globally, extending from the sale of construction machinery, such as hydraulic excavators to services and maintenance. Leveraging accumulated technologies and know-how, our solutions address the needs of a broad range of industries, including civil engineering and construction, building and structural demolition, mining and excavation.

We conduct our construction machinery business on a global scale, and our full-line operational capabilities and brand recognition have secured us a solid market position, especially in China. Our construction machinery is characterized by its durability and reliability as well as energy efficiency and easy-to-operate electronic controls.

On March 30, 2010, Hitachi Construction Machinery Co., Ltd., our consolidated subsidiary, purchased an additional 20% interest in Telco Construction Equipment Co., Ltd., or Telcon, to obtain a strong lead in the India market, which is expected to grow significantly. As a result, Hitachi Construction Machinery's ownership interests in Telcon increased from 40.0% to 60.0%, and Telcon became a consolidated subsidiary effective March 30, 2010.

Sales of construction machinery are strongly influenced by trends in public works spending and private-sector equipment and housing investment globally, and demand for infrastructure development and housing investment in China in particular.

In the year ended March 31, 2011, this segment accounted for 7% of total revenues before eliminations and corporate items and recorded segment profit of ¥49.1 billion.

Table of Contents

High Functional Materials & Components

This segment includes fabricated chemical and metal products supplied as parts or materials to downstream manufacturers of mainly electric and electronic products. For example, Hitachi Chemical Co., Ltd. manufactures products based on its resin technology and serves industrial markets including semiconductor, LCD and automobile markets. Hitachi Chemical also produces anode material for lithium-ion rechargeable batteries. Hitachi Metals, Ltd. manufactures specialty steels, magnetic materials and components and high grade casting components and materials for the automotive-, electronics- and industrial infrastructure-related markets. Hitachi Cable, Ltd. manufactures electronic materials and components for semiconductors and mobile phones as well as cable and wire products used for the transmission of power, telephone signals and automobiles.

As products in this segment become even more closely dependent upon and driven by electronics-related technological capabilities, we expect our strength in electronics technology to provide us with an advantage in introducing new products. Since the portion of materials and components used for semiconductors, LCDs and other IT-related products, as well as automobiles, has increased in recent years, the business climate of the electronics and automotive industries has significantly affected business results in this segment.

In the year ended March 31, 2011, this segment accounted for 13% of total revenues before eliminations and corporate items and recorded segment profit of ¥84.5 billion.

Automotive Systems

In this segment, we offer engine management systems, electric powertrain systems, drive control systems and car information systems.

We provide cutting-edge automotive and related systems globally by drawing on our wide-ranging technologies and vast manufacturing expertise and experience.

From the latter half of the year ended March 31, 2009, the worldwide collapse in demand for automobiles severely adversely affected sales of automotive products. In response to the difficult conditions in this industry, we separated our automotive systems business to form a new company in July 2009. We expect that the new company, our wholly owned subsidiary, will make faster decisions, operate more efficiently and innovate by combining automotive and electronics technologies.

Although the demand for automobiles sharply decreased following the global economic recession, demand recovered strongly in the year ended March 31, 2011. As a maker of cutting-edge automotive products, we depend heavily on trends in automobile sales and global levels of production by automobile manufacturers.

In the year ended March 31, 2011, this segment accounted for 7% of total revenues before eliminations and corporate items and recorded segment profit of ¥23.7 billion.

Components & Devices

In this segment, we offer HDDs, LCDs, information storage media and batteries.

The HDD industry is facing rapid technological change, such as the development of high capacity HDDs and the appearance of new alternative storage products such as solid state drives that integrate flash-based storage technology. To maintain profitability in such an environment, we believe that it is important to establish efficient development and manufacturing operations. We have therefore been implementing various business reorganization and other cost reduction measures, and have made efforts to introduce new products in a timely manner. As a result of these efforts, our HDD business has recently seen positive operating results. In March 2011, as part of the ongoing effort to focus our resources, including capital expenditure and R&D investment, on our Social Innovation Business, we entered into an agreement to sell our HDD business to Western Digital. See “A. History and Development of the Company” in this Item and “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Business Reorganization” for more information.

The display business is highly competitive and characterized by significant price fluctuations in accordance with changes in the supply-demand balance. Due to an unfavorable business environment marked by severe price competition, we exited from the unprofitable large-size LCD business which Hitachi Displays, our consolidated subsidiary, formerly conducted. In June 2010, we sold a substantial portion of our interest in IPS Alpha Technology, Ltd., an equity method affiliate, which conducts the large-size LCD business for flat-panel television sets, to Panasonic Corporation. As a result of the transfer, IPS Alpha Technology is no longer our equity method affiliate. See “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Business Reorganization” for more information.

Table of Contents

In August 2009, we conducted a tender offer to acquire the noncontrolling interests in Hitachi Maxell, a listed consolidated subsidiary, and converted it into a wholly owned subsidiary in April 2010 in order to improve our position in the important lithium-ion rechargeable battery business by combining Hitachi Maxell's research and development resources and expertise with ours and by reducing Hitachi Maxell's investment burden.

In the year ended March 31, 2011, this segment accounted for 8% of total revenues before eliminations and corporate items and recorded segment profit of ¥43.6 billion.

Digital Media & Consumer Products

In this segment, we offer products in two main categories: digital media products and home appliances. The former includes optical disk drives, flat-panel television sets and LCD projectors, while the latter comprises room and industrial air conditioners, refrigerators, washing machines and other appliances. All products have a broad range of customers dominated by general consumers.

In this segment, we are facing intense price competition caused by increasing product commoditization both in the digital media products business and home appliances business. Especially in digital media products such as flat-panel television sets, price reductions have been significant because of domestic and overseas competition and increasing commoditization of products. In an attempt to improve the profitability of our flat-panel television set business, we have taken restructuring measures, including streamlining our sales network in both domestic and overseas markets, limiting overseas sales units of flat-panel television sets and reducing production and fixed costs. In addition, we began sourcing all glass panels for plasma television sets, which Hitachi Plasma Display Limited previously manufactured, from Panasonic. Subsequently, in December 2009, we transferred the land and buildings belonging to Hitachi Plasma Display to Showa Shell Solar K. K., currently Solar Frontier K. K. Moreover, we separated our digital media products business, mainly consisting of flat-panel television sets and commercial-use LCD projectors, to form a new wholly owned subsidiary in July 2009.

On September 14, 2009, we announced an agreement with Casio Computer Co. and NEC Corporation to integrate Casio Hitachi Mobile Communications Co., Ltd., a joint venture between us and Casio Computer, with NEC's mobile terminal operations unit. The parties expect the integrated company will be able to better cope with the difficult conditions in the mobile manufacturing business by combining both companies' technological assets, know-how and resources. The merger is also part of our larger strategy to reduce our involvement in businesses that do not share synergies with our Social Innovation Business. As a result of the merger as of June 1, 2010, our equity interest in the integrated company is 16.7% and further decreased to 9.3% as of the end of June 2010. We no longer account for the joint venture as an equity method affiliate.

In the year ended March 31, 2011, this segment accounted for 9% of total revenues before eliminations and corporate items and recorded segment profit of ¥14.9 billion.

Financial Services

We originated this segment to extend credit to purchasers of our products. This segment currently provides leases, loan guarantees and insurance services and conducts business in the area of securitization.

In the year ended March 31, 2011, this segment accounted for 4% of total revenues before eliminations and corporate items and recorded segment profit of ¥14.2 billion.

Others

This segment includes various businesses not included in our other segments, primarily consisting of logistics and property management services conducted by our consolidated subsidiaries. We also have many subsidiaries that we established to offer various services related to our business operations internally, such as printing, and services shared by our group companies, such as financial and human resource administration.

Table of Contents

In the year ended March 31, 2011, this segment accounted for 7% of total revenues before eliminations and corporate items and recorded segment profit of ¥28.9 billion.

Competition

We are subject to intense competition in each of our business segments. Among our major competitors are some of the top-ranking industrial companies in Japan, the United States, Europe and Asia. Depending on the nature of the business, rapid progress in technology or the need to reduce costs to meet customer requirements is a major basis for competition. In addition, we are facing more competition against companies that focus exclusively on specific market segments. See “Item 4. Information on the Company — B. Business Overview — Description of Segments” for details of competition in each segment.

Seasonality

Our revenues in the Information & Telecommunication Systems segment, the Power Systems segment and the Social Infrastructure & Industrial Systems segment in the fourth quarter ending March 31 tend to be higher than those in other quarters due in part to the purchase customs of our customers, including governmental agencies in Japan.

Sources of Supply

We purchase a wide variety of raw materials, parts and components from many suppliers in Japan and abroad. We conduct our purchases centrally. In general, we are not dependent on any single source of supply for our raw materials, parts and components. Because Japan produces very few of the raw materials we use in our manufacturing processes, we monitor the availability of raw materials on a regular basis. There are currently no particular shortages of energy, raw materials, parts or components that are likely to materially affect our business. Prices of certain raw materials, parts and components that we purchase, such as petroleum products, copper, aluminum and semiconductor memory chips, are volatile. Increases in prices of petroleum and other materials, such as copper, steel, synthetic resins, rare metals and rare-earth minerals, increase our production costs, and may adversely affect our results of operations. However, we are currently taking advantage of the strong yen to make purchases overseas.

Intellectual Property and Licenses

We hold numerous intellectual property rights, including patents, trademarks and copyrights. Although we consider them to be valuable assets and important for our operations, we believe that our business is not materially dependent on any single patent, trademark, copyright or other intellectual property right that we hold.

We have many licensing and technical assistance agreements covering a wide variety of products. Some of these agreements grant us the rights to use certain Japanese and foreign patents or to receive certain technical information. Under certain other agreements, we have also granted licenses and technical assistance to various companies located in Japan or overseas. Additionally, in certain instances, we have entered into cross-license agreements with major international electronics and electrical equipment manufacturers. Our patent portfolio management activities try to cultivate patents related to selected themes worldwide with the aim of creating an internationally competitive intellectual property portfolio. In the year ended March 31, 2011, we focused on themes related to our Social Innovation Business such as high-efficiency thermal power generation, smart grid systems, environmentally-friendly data centers and lithium-ion batteries. We believe that we are not materially dependent on any single such license or technical assistance agreement.

Table of Contents

Government Regulations

Our business activities are subject to various governmental regulations in countries where we operate, which include investment approvals, export regulations, tariffs, antitrust, anti-bribery, intellectual property, consumer and business taxation, foreign trade and exchange controls, and environmental and recycling requirements.

For example, we are subject to various environmental regulations such as the Air Pollution Control Law of Japan, the Soil Contamination Countermeasures Law of Japan, and the Water Pollution Control Law of Japan, which the Ministry of the Environment of Japan administers, and the law generally known as the Pollutant Release and Transfer Register Law of Japan, which the Ministry of Economy, Trade and Industry of Japan and the Ministry of the Environment of Japan administer. In order to comply with these laws and regulations, we have implemented various measures, such as improving our production facilities, introducing a chemical substance risk assessment system, monitoring the use and emission of certain chemical substances and cleaning up groundwater and soil as necessary.

Further, we have also worked to comply with the European Union directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment, or RoHS, effective since July 1, 2006, which requires the elimination of six chemicals from electrical and electronic products marketed in the European Union. The chemicals specified in the directive are:

- lead;
- hexavalent chromium;
- cadmium;
- mercury;
- polybrominated biphenyls, or PBB; and
- polybrominated diphenyl ethers, or PBDE.

We achieved compliance with this directive in July 2006 and are making continued efforts to comply with it. In addition, we have worked to comply with the European Union regulation concerning the registration, evaluation, authorization, and restrictions of chemicals, or REACH, effective since June 1, 2007, which requires manufacturers, users and importers of a broad range of chemical substances to register chemical substances imported into the European Union member states and to file reports and apply for authorization for the chemicals contained in their products. We have worked to identify chemical substances contained in our products to be registered by developing our information infrastructure.

These regulations, among others to which we are subject, could become more stringent, or additional regulations could be adopted in the future, which could cause us to incur additional compliance costs or limit our business activities. Further, a failure to comply with these regulations could result in fines or other penalties, which could adversely affect our financial condition, results of operations, cash flows, reputation or credibility.

Table of Contents

C. Organizational Structure

The table below shows our major subsidiaries as of March 31, 2011. Ownership percentage of voting rights indicates voting rights owned, directly or indirectly, by us and our subsidiaries.

Name of company	Country of incorporation	Ownership percentage of voting rights
Information & Telecommunication Systems		
Hitachi Electronics Services Co., Ltd.	Japan	100.0%
Hitachi Information & Control Solutions, Ltd.	Japan	100.0
Hitachi Information Systems, Ltd.	Japan	100.0
Hitachi-Omron Terminal Solutions, Corp.	Japan	55.0
Hitachi Solutions, Ltd.	Japan	100.0
Hitachi Computer Products (America), Inc.	U.S.A.	100.0
Hitachi Computer Products (Europe) S.A.S.	France	100.0
Hitachi Consulting Corporation	U.S.A.	99.2
Hitachi Data Systems Corporation	U.S.A.	100.0
Hitachi Information & Telecommunication Systems Global Holding Corporation	U.S.A.	100.0
Power Systems		
Babcock-Hitachi Kabushiki Kaisha	Japan	100.0%
Hitachi Engineering & Services Co., Ltd.	Japan	100.0
Hitachi-GE Nuclear Energy, Ltd.	Japan	80.0
Hitachi Power Europe GmbH	Germany	100.0
Hitachi Power Systems America, Ltd.	U.S.A.	100.0
Social Infrastructure & Industrial Systems		
Hitachi Building Systems Co., Ltd.	Japan	100.0%
Hitachi Industrial Equipment Systems Co., Ltd.	Japan	100.0
Hitachi Plant Technologies, Ltd.	Japan	100.0
Hitachi Elevator (China) Co., Ltd.	China	70.0
Electronic Systems & Equipment		
Hitachi High-Technologies Corporation	Japan	51.8%
Hitachi Koki Co., Ltd.	Japan	51.2
Hitachi Kokusai Electric Inc.	Japan	52.4
Hitachi Medical Corporation	Japan	63.2
Hitachi Via Mechanics, Ltd.	Japan	100.0
Construction Machinery		
Hitachi Construction Machinery Co., Ltd.	Japan	51.8%
High Functional Materials & Components		
Hitachi Cable, Ltd.	Japan	53.1%
Hitachi Chemical Co., Ltd.	Japan	51.4
Hitachi Metals, Ltd.	Japan	55.7
Automotive Systems		
Clarion Co., Ltd.	Japan	64.0%
Hitachi Automotive Systems, Ltd.	Japan	100.0
Hitachi Automotive Systems Americas, Inc.	U.S.A.	100.0
Components & Devices		
Hitachi Displays, Ltd.	Japan	75.1%
Hitachi Maxell, Ltd.	Japan	100.0
Hitachi Display Device (Suzhou) Co., Ltd.	China	100.0
Viviti Technologies Ltd.	Singapore	100.0
Digital Media & Consumer Products		
Hitachi Appliances, Inc.	Japan	100.0%
Hitachi Consumer Electronics Co., Ltd.	Japan	100.0
Hitachi-LG Data Storage, Inc.	Japan	51.0
Hitachi Media Electronics Co., Ltd.	Japan	100.0
Hitachi Consumer Products (Thailand), Ltd.	Thailand	80.1
Financial Services		
Hitachi Capital Corporation	Japan	60.7%
Others		
Chuo Shoji, Ltd.	Japan	100.0%
Hitachi Life, Ltd.	Japan	100.0
Hitachi Transport System, Ltd.	Japan	59.0
Hitachi America, Ltd.	U.S.A.	100.0

Hitachi Asia Ltd.	Singapore	100.0
Hitachi (China), Ltd.	China	100.0
Hitachi Europe Ltd.	U.K.	100.0

Table of Contents

D. Property, Plants and Equipment

We own a significant portion of the land, plants, offices and other fixed assets necessary to conduct our business. A significant portion of our land, plants, offices and other fixed assets are located in Japan. We believe our properties are well maintained and that our plant capacity is adequate for our current needs and future plans. Certain of our properties such as land and buildings are subject to mortgages in respect of bonds and loans. The total outstanding balance of the secured loans as of March 31, 2011 was ¥19,041 million.

The following table describes the name of the office, division, group, center or subsidiary that is using the property, the location and area of the property, and in the case of plant property, the principal products produced there as of March 31, 2011. We believe the following offices, divisions, groups, centers and subsidiaries comprise our major lines of business:

Name of user of plants and offices	Location	Land area (Thousands of square meters)	Principal products
In Japan			
Hitachi:			
Information & Telecommunication Systems Company	Tokyo, etc.	761	Software, servers, mainframes
Power Systems Company	Ibaraki	3,718	Power generating equipment
Research & Development Group	Tokyo, etc.	728	—
Urban Planning and Development Systems Company	Ibaraki	528	Elevators, escalators
Area Operations	Osaka, etc.	95	—
Head Office	Tokyo	1,100	—
Information & Control Systems Company	Ibaraki	232	Switch boards, computer control systems
Ibaraki Hospital Center	Ibaraki	49	—
Industrial & Social Infrastructure Systems Company	Yamaguchi, etc	693	Railway vehicles
Subsidiaries:			
Hitachi Automotive Systems, Ltd.	Ibaraki	2,614	Automotive equipment
Yasugi Works, Hitachi Metals, Ltd.	Shimane	1,096	Special steels
Tsuchiura Plant, Hitachi Construction Machinery Co., Ltd.	Ibaraki	5,534	Construction machinery
Hitachi Displays, Ltd.	Chiba	460	Liquid crystal displays
Hitaka Works, Hitachi Cable, Ltd.	Ibaraki	958	Wires and cables
Head Office, Hitachi Solutions, Ltd.	Tokyo	17	—
Head Office, Hitachi Building Systems Co., Ltd.	Tokyo	171	—
Hitachinaka-Rinko Works, Hitachi Construction Machinery Co., Ltd.	Ibaraki	181	Construction machinery
Shimodate Works, Hitachi Chemical Co., Ltd.	Ibaraki	742	Circuit board related materials
Yamazaki Works, Hitachi Chemical Co., Ltd.	Ibaraki	485	Semiconductor related materials
Outside of Japan			
Overseas subsidiaries:			
Viviti Technologies Ltd.	California, U.S.A., etc.	1,615	Hard disk drives
Telco Construction Equipment Company Limited	Bangalore, India	1,141	Construction machinery
Hitachi Metals America, Ltd.	New York, U.S.A., etc.	2,561	Automotive components
Hitachi Automotive Systems Americas, Inc.	Kentucky, U.S.A., etc.	874	Automotive equipment

For information on our plan for capital investment for the year ended March 31, 2011, see “A. History and Development of the Company” in this Item.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects**A. Operating Results*****Economic Environment***

We provide highly diversified products and services and conduct business throughout the world. Various aspects of the economic environment, particularly capital investment in the private sector and consumer spending in our main market sectors such as Japan, Asia, the United States and Europe, therefore affect our results of operations.

In the year ended March 31, 2011, the world economy, which had declined sharply beginning in September 2008, gradually recovered as a result of economic stimulus packages of various world governments. The Chinese economy maintained strong economic growth, spurred by government spending, and the U.S. and European economies experienced gradual recovery, despite downward pressure on income and the persistence of difficult employment conditions. The Japanese economy also gradually recovered in the first half of the year ended March 31, 2011 as a result of resurgent exports to China and other Asian markets and the effects of economic stimulus packages by the Japanese government. However, the Japanese economy fell short of achieving a self-sustaining recovery, as consumer spending failed to increase due to the diminished effects of stimulus packages in the latter half of the year. Moreover, the earthquake and tsunami that struck northeastern Japan on March 11, 2011 also adversely affected the Japanese economy. Japan's real GDP grew by 2.3% in the year ended March 31, 2011 as compared to the previous year. By comparison, real GDP declined by 2.4% in the year ended March 31, 2010 as compared to the previous year and by 4.1% in the year ended March 31, 2009 as compared to the previous year.

We conduct business in many foreign countries, and a portion of our assets and liabilities denominated in currencies other than the Japanese yen is exposed to risks from fluctuations in foreign currency exchange rates. In addition, we export products and import components and raw materials in local currencies, principally the U.S. dollar and the euro. Therefore, fluctuations in foreign currency exchange rates may affect our financial results, which are reported in Japanese yen. For example, we do a large portion of our manufacturing domestically, which means that a strong yen reduces our cost competitiveness. The Japanese yen on average strengthened against the U.S. dollar and the euro during the years ended March 31, 2009, 2010 and 2011. We employ forward exchange contracts and cross-currency swap agreements to reduce the impact of foreign currency exchange rate fluctuations. In addition, to alleviate the adverse effects of foreign currency exchange rate fluctuations, when we believe it is appropriate, we seek to manufacture outside Japan and procure materials and parts locally. We generally seek to finance foreign currency investments with available foreign currency balances. When foreign currency balances are insufficient, we may enter into forward exchange contracts to reduce the impact of foreign currency exchange rate fluctuations on such investments. For additional information regarding foreign currency exchange rate fluctuations, see "Item 4. Information on the Company — B. Business Overview — Sales and Distribution."

Business Strategy

We aim to achieve sustainable growth and establish a stable and profitable business structure by enhancing our competitiveness through promotion of our Social Innovation Business. This focus includes exiting businesses that underperform or lack synergies with our Social Innovation Business as well as combining technologies that share synergies in order to strengthen existing and develop new businesses. We have also implemented and may continue to implement a variety of operational cost reduction measures, including reorganizing our operation and production bases and reducing our workforce. The following are our specific business strategies.

Strengthening Our Social Innovation Business

We aim to achieve sustainable growth by enhancing our competitiveness as a global leader in the Social Innovation Business, which supplies advanced social infrastructure supported by information and communication technology, or ICT. Our Social Innovation Business mainly relates to the Information & Telecommunication Systems, Power Systems, Social Infrastructure & Industrial Systems and Construction Machinery segments, including businesses that integrate ICT and social infrastructure, and the High Functional Materials & Components segment. We believe our Social Innovation Business will take advantage of our knowledge, experience and customer confidence, and exploit synergies across our information and telecommunication systems and social infrastructure businesses. In addition, we believe we can leverage our ability to build environmental systems by drawing on our advanced environmental technologies and experience. We aim to expand our Social Innovation Business globally, particularly in emerging countries and regions, by strengthening project control centers via local leadership. We believe this will enable us to develop a detailed strategy in each region through developing a comprehensive understanding of local values, standards and risks. In addition, when necessary and appropriate, we will collaborate with both local and domestic partners, including local governments, to expand business opportunities. Furthermore, we will focus our business resources, including capital expenditures and R&D investments, on our Social Innovation Business.

Table of Contents

Restructuring and Divestiture of Underperforming Businesses and Implementing Cost Reduction Measures

We are responding to the challenging economic circumstances by closing or downsizing unprofitable operations where feasible, seeking joint ventures with competitors, reallocating employees from overstaffed businesses to growth businesses and reorganizing the geographic distribution of our manufacturing facilities. We have implemented and may continue to implement a variety of measures to reduce costs, including reorganizing our operation and production bases and reducing our workforce. These measures include:

- reorganizing or exiting underperforming businesses and reducing labor costs;
- controlling costs, for example by reducing procurement costs and enhancing project management;
- promoting shared services over a wide range of areas such as procurement, logistics, document services, security, personnel management and financial management; and
- maintaining our selective approach toward capital expenditures.

For the year ended March 31, 2011, we continued company-wide efforts to reduce fixed costs and procurement costs.

During the year ended March 31, 2009, we made changes in our flat-panel TV business. We shifted from producing glass panels for plasma TVs at our subsidiary to procuring such components from Panasonic. In addition, we withdrew from in-house production of TV sets overseas and accelerated utilization of production outsourcing for those markets.

Also, in September 2009, we announced plans to integrate our affiliate Renesas Technology with NEC Electronics to form a new semiconductor company. Completed on April 1, 2010, the merger of Renesas Technology and NEC Electronics is expected to result in substantial cost reductions and mitigate the negative impact of the global economic recession by permitting the combination of research and development resources, consolidation of manufacturing facilities and elimination of redundant operations. See “— Business Reorganization” in this Item below for more detailed information.

In June 2010, we sold a substantial portion of our interest in IPS Alpha Technology, an equity method affiliate that manufactures large-size LCD panels for flat-panel television sets, to Panasonic. The sale resulted in IPS Alpha Technology ceasing to be our equity method affiliate.

Strengthening of Consolidated Group Management

Our consolidated group includes a number of subsidiaries and affiliates, including publicly listed companies. We have taken and continue to take measures with a view to fostering closer ties and establishing a closer capital relationship among such group companies and facilitating the timely implementation of business strategies and other initiatives, leading to improved competitiveness and profitability. For example, we converted five listed consolidated subsidiaries into wholly owned subsidiaries, which we believe will benefit our Social Innovation Business by establishing closer ties and relationships and will also enable us to reflect the net income or loss attributable to noncontrolling interests in those companies as net income or loss attributable to Hitachi, Ltd. in our statement of operations.

On October 1, 2009, we adopted an “in-house company system” and established virtual companies within Hitachi. We have provided these in-house companies with responsibilities and authority aimed at creating a more adaptive and autonomous business management environment. Each virtual company has comparable independence, responsibility and accountability for its earnings as group companies, aiming to accelerate decision-making and to facilitate the optimal allocation of business resources within Hitachi.

Table of Contents

Furthermore, our headquarters division will focus additional attention on generating synergies and address issues that have group-wide implications, such as the adoption of a uniform advanced IT platform and coordinating production engineering, procurement and our brand to help in-house companies and group companies strengthen competitiveness. Our headquarters division will also attempt to develop business fields that incorporate elements of our information and communication technology and social infrastructure businesses.

We aim to foster growth worldwide through the bolstering of our human capital. These efforts include promotion of international recruiting, optimum deployment of personnel overseas, establishment of universal criteria for job evaluation, and improvement of our management development programs with greater focus on global business management.

Business Reorganization

Year Ended March 31, 2011 Business Reorganization

On March 7, 2011, we entered into an agreement to sell our HDD business to Western Digital. Under the terms of the agreement, we will transfer all shares of Viviti Technologies Ltd., our wholly owned subsidiary and the holding company of our HDD business, to Western Digital. The aggregate purchase price will consist of cash consideration of \$3.5 billion and 25 million shares of Western Digital's common stock. The transaction is subject to several customary closing conditions, including the receipt of antitrust approvals and the expiration of applicable waiting periods in certain jurisdictions. The transaction is currently expected to close during the quarter ending December 31, 2011.

On June 30, 2010, we, Panasonic and Hitachi Displays announced that Hitachi Displays, our small- and medium-sized LCD panel subsidiary, would sell a substantial portion of its interest in IPS Alpha Technology, which manufactures large-sized LCD panels, to Panasonic. As a result of the sale, Panasonic brought its total effective shareholdings of IPS Alpha Technology to 92%, our effective shareholding in IPS Alpha Technology became 5% and IPS Alpha Technology is no longer our equity method affiliate.

Year Ended March 31, 2010 Business Reorganization

In October 2009, we completed tender offers for the shares of five listed consolidated subsidiaries. The five subsidiaries and their main businesses are:

- *Hitachi Information Systems.* Information processing and network services; system integration; software development; and equipment and supplies sales. We converted Hitachi Information Systems into a wholly owned subsidiary in February 2010.
- *Hitachi Software Engineering.* Development and sales of computer software and sales of information processing equipment. We converted Hitachi Software Engineering into a wholly owned subsidiary in February 2010.
- *Hitachi Systems & Services.* System integration and system services; software packages; and sales of information processing equipment. We converted Hitachi Systems & Services into a wholly owned subsidiary in February 2010.
- *Hitachi Plant Technologies.* Development, design, production, sale, service and construction of social infrastructure, air conditioning, energy and other industrial systems. We converted Hitachi Plant Technologies into a wholly owned subsidiary in April 2010.
- *Hitachi Maxell.* Manufacturing and marketing of information storage media, batteries and various materials, devices and electronic appliances. We converted Hitachi Maxell into a wholly owned subsidiary in April 2010.

The tender offers for the shares of the five subsidiaries required funds in the aggregate amount of ¥255.6 billion. In addition, we acquired the shares not tendered during the tender offer period either by cash acquisitions or share-for-share exchanges. Cash acquisitions required additional funds and share-for-share exchanges resulted in some dilution of our common stock.

Table of Contents

On September 16, 2009, we, Renesas Technology, NEC Electronics, NEC and Mitsubishi Electric entered into a definitive agreement to merge Renesas Technology into NEC Electronics. The merger closed on April 1, 2010 and the surviving company was renamed Renesas Electronics Corporation. Renesas Technology was a joint venture between us and Mitsubishi Electric, pursuant to which we owned 55% and Mitsubishi Electric owned 45% of the shares. We accounted for the joint venture as an equity method affiliate since its incorporation in 2003. We contributed funds totaling ¥39.4 billion during the year ended March 31, 2010 and contributed additional funds in an amount of ¥43.0 billion on April 1, 2010 in exchange for shares of Renesas Electronics' common stock. Following the merger, we maintain a 30.6% ownership interest in Renesas Electronics, and continue to account for the company as an equity method affiliate. We, NEC and Mitsubishi Electric agreed to hold the respective shares of Renesas Electronics each company acquired via the April 1, 2010 capital injection for at least two years from that date. Renesas Electronics' common stock is listed on the First Section of the TSE.

The merger was part of our larger strategy to restructure our business portfolio, which is designed to greatly enhance resource allocation and profitability. We expect Renesas Electronics to realize synergies and provide globally competitive products in three major product groups: microcontroller units, system on chip and discrete products, while reducing costs by combining research and development resources, consolidating manufacturing facilities and eliminating redundant operations.

On July 1, 2009, to cope with the harsh business environment brought on by a worldwide collapse in demand for automobiles, we conducted a corporate split and transferred the operations of our Automotive Systems Group to a newly formed wholly owned subsidiary, Hitachi Automotive Systems, Ltd. We expect Hitachi Automotive Systems to facilitate business restructuring to improve profitability, make faster decisions and operate more efficiently through the realignment and integration of manufacturing facilities and reduction and reallocation of employees, and to improve innovation by combining automotive and electronics technologies.

On July 1, 2009, to cope with the challenging business environment, including the global economic recession and a deflationary environment, we conducted a corporate split and transferred the operations of our Consumer Business Group to a newly formed wholly owned subsidiary, Hitachi Consumer Electronics Co., Ltd. We expect Hitachi Consumer Electronics to create stronger ties with our companies responsible for externally sourcing, selling and providing services for consumer electronics. We also expect the corporate split to facilitate a market-oriented business structure that is more responsive in supplying products based on consumer needs. In addition, Hitachi Consumer Electronics is expected to strengthen competitiveness through increased cooperation with outside companies.

Year Ended March 31, 2009 Business Reorganization

In January 2009, we conducted a tender offer for shares of Hitachi Kokusai Electric, an equity method affiliate that manufactures and sells wireless communications systems, broadcasting and video systems and semiconductor manufacturing equipment. Hitachi Kokusai Electric then became our consolidated subsidiary in March 2009. We seek to realize synergies from the transaction through Hitachi Kokusai Electric's expertise in digital wireless communication technologies, video processing technologies and the broadcasting systems business in order to strengthen our businesses in such areas as information networks, transportation systems, and urban development systems.

In January 2009, we conducted a tender offer for shares of Hitachi Koki, an equity method affiliate that manufactures and sells power tools. Hitachi Koki then became our consolidated subsidiary in March 2009. The conversion of Hitachi Koki into a consolidated subsidiary is intended to expand Hitachi Koki's business on a global scale and to foster collaboration in such areas as R&D for lithium-ion battery-operated products, a strategic product for Hitachi Koki.

During the year ended March 31, 2009, we shifted from producing glass panels for plasma TVs at our subsidiary to procuring such components from Panasonic.

Note to Analysis of Revenues and Profit (Loss)

Revenues by segment include intersegment transactions for which we make adjustments in calculating total revenues. Segment profit (loss) is derived from revenues less cost of sales and selling, general and administrative expenses. Cost of sales does not include restructuring charges, net gain or loss on sale and disposal of rental assets and other property, and impairment losses for long-lived assets. See notes 18, 19, 20 and 30 to our consolidated financial statements.

Table of Contents

Results of Operations

The Year Ended March 31, 2011 Compared with the Year Ended March 31, 2010

Summary

	Year ended March 31,		Percent change
	2010	2011	
	(Millions of yen, except percentage data)		
Total revenues	8,968,546	9,315,807	+4%
Income before income taxes	63,580	432,201	+580%
Net income (loss)	(84,391)	303,126	—
Net income (loss) attributable to Hitachi, Ltd.	(106,961)	238,869	—

Our total revenues in the year ended March 31, 2011 increased compared with the year ended March 31, 2010. Our income before income taxes for the year ended March 31, 2011 significantly increased compared with the year ended March 31, 2010. This increase was due in particular to an increase in profits in our Components & Devices, Electronic Systems & Equipment and High Functional Materials & Components segments, a decline in equity in net loss of affiliated companies, a decline in restructuring charges and the recording of a net gain on securities. As a result of the foregoing, we recorded net income attributable to Hitachi, Ltd. for the year ended March 31, 2011 as compared to a net loss attributable to Hitachi, Ltd. for the year ended March 31, 2010.

Analysis of Statement of Operations

Our total revenues in the year ended March 31, 2011 were ¥9,315.8 billion, an increase of 4% compared with the year ended March 31, 2010. This increase was due primarily to increases in revenues in the Construction Machinery, High Functional Materials & Components, Automotive Systems and Electronic Systems & Equipment segments. Such revenue increases were mainly the result of strong demand for construction machinery in emerging countries and recovery of demand in the electronics and automotive industries. This increase was partially offset by the effects of the March 2011 earthquake and collateral events, such as delays in our delivery of and our customers' acceptance of our products. Our overseas revenues rose to ¥4,046.5 billion in the year ended March 31, 2011, an increase of 11% compared with the year ended March 31, 2010. This increase was due primarily to increased global demand in the electronics and automotive industries.

Our cost of sales in the year ended March 31, 2011 was ¥6,967.4 billion, an increase of 2% compared with the year ended March 31, 2010. The ratio of cost of sales to total revenues was 75%, a 1% decrease compared with the year ended March 31, 2010. This decrease was due primarily to our ongoing efforts to reduce costs, such as fixed costs and material purchasing costs.

Our selling, general and administrative expenses in the year ended March 31, 2011 were ¥1,903.8 billion, a decrease of 1% compared with the year ended March 31, 2010. The ratio of selling, general and administrative expenses to total revenues was 20%, a decrease of 1% compared with the year ended March 31, 2010. This decrease in selling, general and administrative expenses was due primarily to our ongoing efforts to reduce fixed costs.

Impairment losses for long-lived assets increased ¥9.9 billion to a total of ¥35.1 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010. The Components & Devices segment recorded an impairment loss of ¥16.5 billion in the year ended March 31, 2011. This impairment loss includes impairment of production facilities relating to batteries for electronic products. We have recognized losses for consecutive periods and have revised downward expected future income from this business area due to expectations of reduced production. The impairment loss also includes impairment of LCD component production facilities. This impairment was due to our projection of lower production based on reduced demand for a specific type of LCD component. The High Functional Materials & Components segment also recorded an impairment loss of ¥10.9 billion. This impairment loss includes impairment of production facilities relating to certain automotive materials due to a deterioration of profitability as the March 2011 earthquake and collateral events made the production facilities inoperable. The above impairment losses were determined on the basis of fair value estimates based primarily on discounted projected future cash flows. We expect portions of the investments in the aforementioned businesses to be irrecoverable.

Table of Contents

Restructuring charges in the year ended March 31, 2011 decreased ¥19.3 billion to ¥5.7 billion, as compared with the year ended March 31, 2010. This decrease was due primarily to a decrease in special and one-time termination benefits. See “— Restructuring” in this Item for more detailed information.

Interest income increased ¥1.2 billion to ¥13.2 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010.

Dividend income decreased ¥1.5 billion to ¥4.2 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010.

Other income in the year ended March 31, 2011 increased ¥69.5 billion to ¥69.7 billion, as compared with the year ended March 31, 2010. This increase was due primarily to the recording of a net gain on securities. We recorded net gain on securities of ¥61.0 billion in the year ended March 31, 2011, as compared with a net loss on securities of ¥1.2 billion in the year ended March 31, 2010. This increase consisted mainly of a gain from the sale of a substantial portion of our shares of IPS Alpha Technology. See “— Business Reorganization” in this Item above for more detailed information. Other income in the year ended March 31, 2011 also includes a gain of ¥8.6 billion on a bargain purchase related to the acquisition of Aloka Co., Ltd., currently Hitachi Aloka Medical, Ltd., by our subsidiary, Hitachi Medical Corporation.

Interest charges decreased ¥1.3 billion to ¥24.8 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010.

Other deductions, including a foreign exchange loss and a net loss on the sale and disposal of rental assets and other property, decreased ¥8.3 billion to ¥13.5 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010. We recognized a foreign exchange loss of ¥9.5 billion in the year ended March 31, 2011, as compared with foreign exchange gain in the year ended March 31, 2010. This foreign exchange loss was due primarily to the strengthening of the yen against the U.S. dollar and the euro. Net loss on the sale and disposal of rental assets and other property in the year ended March 31, 2011 was ¥3.1 billion, as compared with a net loss of ¥20.2 billion in the year ended March 31, 2010.

Equity in net loss of affiliated companies decreased ¥38.0 billion to ¥20.1 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010. This was due primarily to a decrease in the loss resulting from our interest in Renesas Electronics, our equity method affiliate in the semiconductor industry.

As a result of the foregoing, we recorded income before income taxes of ¥432.2 billion in the year ended March 31, 2011, as compared with income before income taxes of ¥63.5 billion in the year ended March 31, 2010.

Income taxes decreased ¥18.8 billion to ¥129.0 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010. This decrease was due primarily to losses relating to valuation of deferred tax assets in the year ended March 31, 2010 arising from the consolidation of five of our then listed subsidiaries which were not recorded in the year ended March 31, 2011. In the year ended March 31, 2011, while our statutory income tax rate was 40.6%, owing to favorable differences in tax rates in Japan and overseas jurisdictions where our subsidiaries operate, our effective income tax rate was 29.9%. This difference was due primarily to a certain Singaporean subsidiary recording a large profit for the year ended March 31, 2011.

As a result, we recorded net income of ¥303.1 billion in the year ended March 31, 2011, as compared with a net loss of ¥84.3 billion in the year ended March 31, 2010.

In the year ended March 31, 2011, net income attributable to noncontrolling interests was ¥64.2 billion, as compared with net income of ¥22.5 billion for the year ended March 31, 2010. This increase was due primarily to an improvement in the business results of our listed subsidiaries.

As a result of the foregoing, we recorded net income attributable to Hitachi, Ltd. of ¥238.8 billion in the year ended March 31, 2011, compared with a net loss attributable to Hitachi, Ltd. of ¥106.9 billion in the year ended March 31, 2010.

Table of Contents

Operations by Segment

	Revenues			Segment profit (loss)		
	Year ended March 31,		Percent	Year ended March 31,		Percent
	2010	2011	change	2010	2011	change
	(Millions of yen, except percentage data)					
Information & Telecommunication Systems	1,705,587	1,652,040	-3%	94,592	98,641	+4%
Power Systems	882,135	813,207	-8%	22,075	22,022	-0%
Social Infrastructure & Industrial Systems	1,250,225	1,156,936	-7%	42,086	39,952	-5%
Electronic Systems & Equipment	998,632	1,079,355	+8%	(5,218)	37,284	—
Construction Machinery	583,636	751,387	+29%	17,649	49,192	+179%
High Functional Materials & Components	1,249,327	1,408,153	+13%	44,412	84,506	+90%
Automotive Systems	638,828	737,901	+16%	(5,486)	23,791	—
Components & Devices	754,889	809,852	+7%	1,149	43,652	—
Digital Media & Consumer Products	929,258	951,596	+2%	(7,206)	14,949	—
Financial Services	419,650	372,981	-11%	8,518	14,255	+67%
Others	763,665	767,463	+0%	19,423	28,930	+49%
Subtotal	10,175,832	10,500,871	+3%	231,994	457,174	+97%
Eliminations and Corporate Items	(1,207,286)	(1,185,064)	—	(29,835)	(12,666)	—
Total	8,968,546	9,315,807	+4%	202,159	444,508	+120%

Total segment profit increased 120% to ¥444.5 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010. This increase was due primarily to an improvement in the Components & Devices, Electronic Systems & Equipment, High Functional Materials & Components and Automotive Systems segments, owing to recovery of demand in the electronics and automotive industries.

Information & Telecommunication Systems

Revenues in the year ended March 31, 2011 were ¥1,652.0 billion, a 3% decrease compared with the year ended March 31, 2010. This decrease was due primarily to reduced revenues from our services and hardware businesses owing to our customers' reduced IT investment in response to the stagnant domestic economic environment. Revenues in the services business decreased primarily as a result of diminished revenues from systems integration services. The decrease in hardware revenues was mainly a result of decreased revenues from sales of servers and telecommunications equipment. The decrease was partially offset by an increase in revenues from our storage solutions business, which consists of sales of disk array subsystems and related software and services, owing to the recovery of IT investment in the overseas market.

Segment profit in the year ended March 31, 2011 was ¥98.6 billion, a 4% increase compared with the year ended March 31, 2010, due to higher profit in our services business primarily owing to our ongoing efforts to improve project management and cost reductions. However, this higher profit was partially offset by lower profit in our hardware business.

Power Systems

Revenues in the year ended March 31, 2011 were ¥813.2 billion, an 8% decrease compared with the year ended March 31, 2010, due primarily to a decrease in revenues from thermal power systems, in particular from coal-fired power systems sold in the overseas market. A decline in revenues from nuclear power systems owing to decreased revenues from preventative maintenance services also contributed to the segment revenue decrease.

Segment profit in the year ended March 31, 2011 was ¥22.0 billion, approximately the same level as in the year ended March 31, 2010. While decreased revenues and the impact of the March 2011 earthquake and collateral events contributed to a decrease in segment profit, the decrease was offset by the effects of improved project management through development and support programs for management personnel, and cost reductions.

Table of Contents

Social Infrastructure & Industrial Systems

Revenues decreased 7% to ¥1,156.9 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010. Although sales of elevators and escalators increased due to accelerating demand in the Chinese market, the effect of the increase was offset by decreased revenues resulting from changes in transaction terms related to the manufacturing of certain products at one of our subsidiaries and a decline in revenues from sales of railway vehicles and systems in the overseas market, such as the United Kingdom.

Segment profit decreased 5% to ¥39.9 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010. Although profit increased due to higher sales of elevators and escalators in the overseas market, this increase was offset due to a deterioration in profitability resulting from a decrease in revenues and the negative effects of the March 2011 earthquake and collateral events such as the suspension of production and damage to our inventories.

Electronic Systems & Equipment

Revenues increased 8% to ¥1,079.3 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010. This increase was due primarily to increased revenues from sales of semiconductor and LCD manufacturing equipment and electronic parts manufacturing systems as a result of increased capital investments by electronics manufacturers.

Segment profit was ¥37.2 billion in the year ended March 31, 2011, as compared with a segment loss of ¥5.2 billion for the year ended March 31, 2010. This return to a segment profit was due primarily to the increased revenues in semiconductor and LCD manufacturing equipment and electronic parts manufacturing systems.

Construction Machinery

Revenues increased 29% to ¥751.3 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010. This increase was due primarily to strong demand for construction machinery, such as hydraulic excavators, resulting from strong demand for infrastructure development projects in emerging economies, particularly in China and other Asian countries, and active exploitation of natural resources in resource-rich nations, such as Australia. The increase is also due to the effects of our conversion of Telco Construction Equipment, an Indian construction machinery manufacturer, into our consolidated subsidiary.

Segment profit increased 179% to ¥49.1 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010. This increase was primarily due to improved profitability resulting from higher revenues.

High Functional Materials & Components

Revenues in the year ended March 31, 2011 were ¥1,408.1 billion, a 13% increase compared with the year ended March 31, 2010. This increase was due primarily to higher revenues from sales of automotive-related materials and semiconductor- and LCD-related products at our listed subsidiaries Hitachi Metals, Hitachi Cable and Hitachi Chemical, owing to global recovery of demand in the electronics and automotive industries.

Segment profit in the year ended March 31, 2011 was ¥84.5 billion, a 90% increase compared with the year ended March 31, 2010, due primarily to an improvement in profitability resulting from higher revenues.

Automotive Systems

Revenues increased 16% to ¥737.9 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010. This increase was due primarily to a sharp rise in demand for automotive equipment, as automobile manufacturers increased production worldwide in response to automobile sales growth in the United States and emerging countries.

Segment profit in the year ended March 31, 2011 was ¥23.7 billion, as compared with a segment loss of ¥5.4 billion in the year ended March 31, 2010. This return to profitability was due primarily to a significant increase in our level of production activity in response to rising demand for automotive equipment and the effects of our restructuring efforts since the year ended March 31, 2009, such as reorganization of production bases and other cost reduction measures.

Table of Contents

Components & Devices

Revenues increased 7% to ¥809.8 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010. This increase was due primarily to an increase in revenues from sales of HDDs, owing to increased shipment volume. This increase was partially offset by the effects of the appreciation of the Japanese yen. The shipment volume of our mainstay 2.5-inch HDD models for notebook PCs increased due primarily to increased demand. The shipment volume of our other HDD models, such as those for servers, also increased, resulting in a 24% increase in the total shipment volume from the level in the year ended March 31, 2010.

Segment profit increased ¥42.5 billion to ¥43.6 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010. This increase was due primarily to profit growth in our HDD business, owing to higher sales and the effects of cost reductions and the introduction of new products.

Digital Media & Consumer Products

Revenues in the year ended March 31, 2011 were ¥951.5 billion, a 2% increase compared with the year ended March 31, 2010. This increase was due primarily to increased revenues from sales of room air conditioners and refrigerators resulting from the effects of the Japanese government's eco-point program. The eco-point program incentivizes purchasing energy-efficient products by rewarding consumers who purchase them with eco-points, which can be exchanged for coupons and other products. Increased revenues from air conditioning equipment due to the recovery of capital expenditure in both the domestic and overseas markets contributed to the increase. The increase was partially offset by decreased revenues from our optical disk drive business due to declining price levels as a result of sluggish demand resulting from customers avoiding maintenance of excess inventory.

Segment profit in the year ended March 31, 2011 was ¥14.9 billion, as compared with a segment loss of ¥7.2 billion in the year ended March 31, 2010. This return to profitability was due primarily to an improvement of the profitability of our flat-panel television business resulting from the effects of our past restructuring efforts, such as our reorganization of sales channels and production bases and our reduction in work force, and an increase in profits from sales of air-conditioning equipment.

Financial Services

Revenues in the year ended March 31, 2011 were ¥372.9 billion, an 11% decrease compared with the year ended March 31, 2010. The decrease was due primarily to the absence in the year ended March 31, 2011 of receipt of a large cancellation penalty payment that was recorded in the year ended March 31, 2010, partially offset by positive results posted by Hitachi Capital Corporation's outsourcing business and other businesses that generate revenues from commission services.

Segment profit in the year ended March 31, 2011 was ¥14.2 billion, a 67% increase compared with the year ended March 31, 2010. This increase was due primarily to recent changes in accounting standards under U.S. GAAP. This increase was due primarily to recent changes in accounting standards under U.S. GAAP. The change led to the consolidation of securitization entities and, accordingly, the recording of earnings relating to receivables, with respect to which gains on sale were previously recorded. The increase was also attributable to an enhancement of customers' credit controls in Europe and North America and reduced financing costs.

Others

Revenues in the year ended March 31, 2011 were ¥767.4 billion, approximately the same as in the year ended March 31, 2010. Although revenues from third-party logistics solutions at Hitachi Transport System increased, this increase was offset by the sale of our food service business.

Segment profit in the year ended March 31, 2011 increased 49% to ¥28.9 billion, as compared with the year ended March 31, 2010. This increase was due primarily to an increase in profit at Hitachi Transport System, reflecting higher revenues.

Table of Contents

Revenues by Geographic Area

	Revenues		
	Year ended March 31,		Percent change
	2010	2011	
	(Millions of yen, except percentage data)		
Japan	5,313,790	5,269,259	-1%
Outside Japan			
Asia	1,699,071	2,073,756	+22%
North America	729,698	781,139	+7%
Europe	824,697	760,011	-8%
Other Areas	401,290	431,642	+8%
Subtotal	3,654,756	4,046,548	+11%
Total	8,968,546	9,315,807	+4%

Japan

Revenues in Japan in the year ended March 31, 2011 were ¥5,269.2 billion, a 1% decrease compared with the year ended March 31, 2010. Revenues from sales of materials and components for semiconductors and LCDs, automotive equipment and automotive-related materials increased due to a recovery of demand in the electronics and automotive industries. However, the increase was offset by decreased revenues in our information and telecommunication systems business, due to reduced levels of IT investment by our customers as well as the effect of the March 2011 earthquake and collateral events, such as delays in product shipment and delivery.

Asia

Revenues in Asia in the year ended March 31, 2011 were ¥2,073.7 billion, a 22% increase compared with the year ended March 31, 2010. This increase was due primarily to an increase in revenues from sales of semiconductor manufacturing equipment owing to strong demand from semiconductor manufacturers. Increased revenues from sales of construction machinery in China also contributed to the increase.

North America

Revenues in North America in the year ended March 31, 2011 were ¥781.1 billion, a 7% increase compared with the year ended March 31, 2010. This increase was primarily attributable to an increase in revenues from sales of construction machinery, reflecting an increase in capital expenditures by our customers in the United States. The increased revenues from our storage solutions and HDD business also contributed to the increase, as our customers increased IT-related investments.

Europe

Revenues in Europe in the year ended March 31, 2011 were ¥760.0 billion, an 8% decrease compared with the year ended March 31, 2010. The decrease was due primarily to a decrease in revenues from sales of coal-fired power systems. Decreased revenues from sales of railway vehicles and systems in the United Kingdom also contributed to the decrease.

Other Areas

Revenues in other areas increased 8% to ¥431.6 billion due primarily to an increase in revenues from sales of construction machinery in South Africa and Australia.

Table of Contents

The Year Ended March 31, 2010 Compared with the Year Ended March 31, 2009

Summary

	Year ended March 31,		Percent change
	2009	2010	
	(Millions of yen, except percentage data)		
Total revenues	10,000,369	8,968,546	-10%
Income (loss) before income taxes	(289,871)	63,580	—
Net loss	(795,120)	(84,391)	—
Net loss attributable to Hitachi, Ltd.	(787,337)	(106,961)	—

Our total revenues in the year ended March 31, 2010 decreased appreciably compared with the year ended March 31, 2009. We recorded income before income taxes for the year ended March 31, 2010 compared with a significant loss for the year ended March 31, 2009, due primarily to the increase in profit by business segments as a whole and declines in impairment losses on long-lived assets and equity in net loss of affiliated companies. As a result of the foregoing, we incurred a net loss attributable to Hitachi, Ltd. for the year ended March 31, 2010, but this was a significant improvement compared with the large net loss attributable to Hitachi, Ltd. for the year ended March 31, 2009.

Analysis of Statement of Operations

Our total revenues in the year ended March 31, 2010 were ¥8,968.5 billion, a decrease of 10% compared with the year ended March 31, 2009, due primarily to decreases in revenues in the Information & Telecommunication Systems, High Functional Materials & Components and Components & Devices segments. Such revenue decreases were primarily associated with falling demand stemming from the economic downturn. Overseas revenues declined 12% in the year ended March 31, 2010, to ¥3,654.7 billion, compared with the year ended March 31, 2009. This decline was due primarily to decreased revenues from sales of construction machinery and HDDs as a result of the prolonged impact of falling worldwide demand and yen appreciation against the U.S. dollar and the euro.

Our cost of sales in the year ended March 31, 2010 was ¥6,849.2 billion, a decrease of 12% compared with the year ended March 31, 2009. The ratio of cost of sales to total revenues was 76%, which was a 2% decrease compared with the year ended March 31, 2009 due primarily to our proactive reduction of costs such as fixed costs and material purchasing costs.

Our selling, general and administrative expenses in the year ended March 31, 2010 were ¥1,917.1 billion, a decrease of 7% compared with the year ended March 31, 2009. The ratio of selling, general and administrative expenses to total revenues was 21%, which was almost the same as the year ended March 31, 2009.

Impairment losses for long-lived assets decreased ¥103.2 billion, to ¥25.1 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009. This decrease was primarily due to large impairment losses recognized in the year ended March 31, 2009 in connection with our plasma panel manufacturing facilities. Similar losses were not recognized in the year ended March 31, 2010.

The Components & Devices segment, however, recorded an impairment loss of ¥18.6 billion. The impairment loss includes impairment of production facilities for the battery business. We have recognized losses, and revised expected future income from the business downward because of a reduction in production. The impairment loss also includes impairment of production facilities for the LCD business. This impairment is due to our projection of lower production because of smaller demand for small- and mid-sized LCDs. In addition, the impairment loss includes impairment of production facilities for the magnetic storage media business. This impairment is due to deterioration in profitability stemming from severe market conditions and falling prices. We determined the impairment losses by using fair value estimates based primarily on discounted future cash flows. We expect portions of the investments in the aforementioned businesses to be irrecoverable.

Restructuring charges in the year ended March 31, 2010 increased ¥2.2 billion, to ¥25.1 billion, compared with the year ended March 31, 2009 due primarily to the early retirement programs implemented in the Automotive Systems, High Functional Materials & Components and Components & Devices segments. See “— Restructuring” in this Item for more detailed information.

Table of Contents

Interest income decreased ¥7.1 billion, to ¥12.0 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009 due mainly to falling interest rates.

Dividends income decreased ¥2.7 billion, to ¥5.7 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009.

Other income in the year ended March 31, 2010 decreased ¥5.0 billion, to ¥0.1 billion, compared with the year ended March 31, 2009 as we recognized capital gains of ¥5.2 billion from the sale of our mobile communications equipment sales business in the year ended March 31, 2009 and did not recognize similar gains during the year ended March 31, 2010. The ¥0.1 billion of other income consists of exchange gain.

Interest charges decreased ¥7.5 billion, to ¥26.2 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009, due primarily to the effect of lower interest rates and a reduction in interest-bearing debt.

Other deductions, including net loss on securities, foreign exchange loss and net loss on the sale and disposal of rental assets and other property, in the year ended March 31, 2010 decreased ¥80.9 billion, to ¥21.9 billion, compared with the year ended March 31, 2009. Net loss on securities decreased ¥42.8 billion, to ¥1.2 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009. This improvement was due primarily to a decrease in write-downs of securities owing to a rise in stock market prices. Although we recognized a foreign exchange loss of ¥37.2 billion in the year ended March 31, 2009, we recognized a gain of ¥0.1 billion in the year ended March 31, 2010 due primarily to a stable yen exchange rate against the U.S. dollar and the euro. Net loss on the sale and disposal of rental assets and other property in the year ended March 31, 2010 was ¥20.2 billion, an improvement of ¥1.0 billion compared with the year ended March 31, 2009.

Equity in net loss of affiliated companies declined ¥104.0 billion, to ¥58.1 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009. This was due primarily to improvement in the business results of Renesas Technology, our equity method affiliate in the semiconductor industry, though such company still recorded a net loss.

As a result of the foregoing, income before income taxes in the year ended March 31, 2010 amounted to ¥63.5 billion, an improvement of ¥353.4 billion from a loss before income taxes of ¥289.8 billion in the year ended March 31, 2009.

Income taxes decreased ¥357.2 billion, to ¥147.9 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009, due primarily to a decrease in the amount of additional valuation allowances for deferred tax assets in the year ended March 31, 2009 mainly owing to rapid deterioration in our businesses caused by the serious economic downturn.

As a result, net loss decreased ¥710.7 billion, to ¥84.3 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009.

In the year ended March 31, 2010, net income attributable to noncontrolling interests was ¥22.5 billion compared with a net loss of ¥7.7 billion for the year ended March 31, 2009, due primarily to an improvement of business results of our listed subsidiaries in the High Functional Materials & Components segment.

As a result of the foregoing, net loss attributable to Hitachi, Ltd. decreased ¥680.3 billion, to ¥106.9 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009.

Table of Contents

Operations by Segment

	Revenues			Segment profit (loss)		
	Year ended March 31,		Percent	Year ended March 31,		Percent
	2009	2010		2009	2010	
			change			change
	(Millions of yen, except percentage data)					
Information & Telecommunication Systems	1,945,351	1,705,587	-12%	138,452	94,592	-32%
Power Systems	862,389	882,135	+2%	3,485	22,075	+533%
Social Infrastructure & Industrial Systems	1,334,246	1,250,225	-6%	34,406	42,086	+22%
Electronic Systems & Equipment	983,821	998,632	+2%	25,755	(5,218)	—
Construction Machinery	724,689	583,636	-19%	51,337	17,649	-66%
High Functional Materials & Components	1,561,045	1,249,327	-20%	25,257	44,412	+76%
Automotive Systems	681,750	638,828	-6%	(60,507)	(5,486)	—
Components & Devices	978,297	754,889	-23%	5,799	1,149	-80%
Digital Media & Consumer Products	1,103,860	929,258	-16%	(110,548)	(7,206)	—
Financial Services	401,317	419,650	+5%	6,660	8,518	+28%
Others	830,834	763,665	-8%	24,515	19,423	-21%
Subtotal	11,407,599	10,175,832	-11%	144,611	231,994	+60%
Eliminations and Corporate Items	(1,407,230)	(1,207,286)	—	(17,465)	(29,835)	—
Total	10,000,369	8,968,546	-10%	127,146	202,159	+59%

Total segment profit increased 59%, to ¥202.1 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009. This increase was due primarily to significant decreases in losses in the Automotive Systems and Digital Media & Consumer Products segments owing to our restructuring measures, which were partially offset by decreases in profit in the Information & Telecommunication Systems and Construction Machinery segments.

Information & Telecommunication Systems

Revenues in the year ended March 31, 2010 were ¥1,705.5 billion, a 12% decrease compared with the year ended March 31, 2009. Revenues in the services business decreased due primarily to the decreased revenues from systems integration and outsourcing owing to the impact of customers refraining from IT-related investments caused by the sluggish domestic economy. Hardware revenues also decreased. The decrease in hardware revenues was the result of decreased revenues from disk array subsystems due to a decrease in sales of high-end products in overseas markets caused by customers refraining from IT-related investments and the effect of yen appreciation. Decreased revenues from ATM sales due to domestic financial institutions refraining from investments also contributed to this decrease.

Segment profit in the year ended March 31, 2010 was ¥94.5 billion, a 32% decrease compared with the year ended March 31, 2009, due primarily to lower profit in our services and hardware businesses. The profit decline for services resulted primarily from lower revenues. The profit decline for hardware resulted primarily from lower revenues and yen appreciation.

Power Systems

Revenues in the year ended March 31, 2010 were ¥882.1 billion, a 2% increase compared with the year ended March 31, 2009, due primarily to an increase in revenues from thermal power systems resulting from sales of coal fired power systems to Europe and South Africa. An increase in revenues from nuclear power systems resulting from new domestic plant construction and solid orders of preventative maintenance services also contributed to the segment revenue increase.

Segment profit in the year ended March 31, 2010 was ¥22.0 billion, a 533% increase compared with the year ended March 31, 2009, due primarily to higher revenues and improved project management in overseas projects, which included qualitative and quantitative enhancement of management personnel.

Table of Contents

Social Infrastructure & Industrial Systems

Revenues decreased 6%, to ¥1,250.2 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009. The factors for the decrease included a decrease in sales of elevators and escalators, especially in Japan, as well as industrial equipment due primarily to depressed private-sector capital investments resulting from the economic downturn, though solid sales of railway vehicles and systems in overseas markets partially offset the decrease.

Segment profit increased 22%, to ¥42.0 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009, due primarily to an improvement in the profitability of overseas projects of the railway vehicles and systems business as the effect of unprofitable overseas projects resulting from the strong yen in the year ended March 31, 2009 was less pronounced. Our cost reduction efforts also contributed to the positive effect.

Electronic Systems & Equipment

Revenues increased 2%, to ¥998.6 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009. Although revenues from semiconductor and LCD manufacturing equipment decreased, as semiconductor manufacturers and LCD manufacturers reduced capital investments due to deterioration in these markets, total segment revenues increased due primarily to the inclusion of revenues for Hitachi Kokusai Electric and Hitachi Koki, which became consolidated subsidiaries in March 2009.

Segment profit in the year ended March 31, 2010 decreased ¥30.9 billion, resulting in a loss of ¥5.2 billion, compared with the year ended March 31, 2009, due primarily to the worsening profitability of the semiconductor and LCD manufacturing equipment businesses mainly as a result of the decrease in sales of such products.

Construction Machinery

Revenues decreased 19%, to ¥583.6 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009, due primarily to a decrease in sales of hydraulic excavators, primarily in Japan, the U.S. and Europe as a result of decreased demand for construction machinery mainly stemming from the economic downturn. The decrease was partially offset by an increase in sales of construction machinery in China due to a promotion of infrastructure development as a part of the government's economic stimulus package.

Segment profit decreased 66%, to ¥17.6 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009, due primarily to worsening profitability resulting from a decrease in sales primarily for hydraulic excavators.

High Functional Materials & Components

Revenues in the year ended March 31, 2010 were ¥1,249.3 billion, a 20% decrease compared with the year ended March 31, 2009 due primarily to falling worldwide demand for automotive-related materials and semiconductor- and LCD-related products and a decrease in revenues from sales of industrial and power cables stemming from the stagnation of private-sector capital investments.

Segment profit in the year ended March 31, 2010 was ¥44.4 billion, a 76% increase compared with the year ended March 31, 2009 despite a decline in revenues, due primarily to the effects of reductions in fixed costs and procurement costs and improved profitability of LCD- and semiconductor-related products for digital home appliances in China at Hitachi Chemical.

Automotive Systems

Revenues decreased 6%, to ¥638.8 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009. This was due primarily to the sharp reduction in demand for automotive equipment in the first half of the year ended March 31, 2010 as automobile manufacturers drastically decreased production against the backdrop of sluggish global automobile sales. However, we saw an increase in demand for automotive equipment as automobile sales recovered in the second half of the year ended March 31, 2010.

Segment loss in the year ended March 31, 2010 amounted to ¥5.4 billion, an improvement of ¥55.0 billion compared with the year ended March 31, 2009, due primarily to our restructuring efforts to reduce fixed costs through reorganization and consolidation of production and sales bases and appropriate reduction in the size of the workforce in Japan and overseas as well as the positive effect of the revenue increase in the second half of the year ended March 31, 2010.

Table of Contents

Components & Devices

Revenues decreased 23%, to ¥754.8 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009, due primarily to decreases in revenues from HDDs, affected primarily by price declines, and in revenues from LCDs owing to a decrease in demand for the use of high-definition LCD panels in mobile phones and game consoles. Although HDD shipment volume amounted to approximately 91.4 million units, almost the same year on year, revenues decreased due primarily to declines in unit prices. Although the shipment volume of 3.5-inch HDD models for desktop PCs decreased because of sluggish demand, demand for laptop computers progressed favorably, resulting in an increase in the shipment volume of the mainstay 2.5-inch models.

Segment profit decreased 80%, to ¥1.1 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009, due primarily to declining profitability of the HDD business primarily caused by declines in unit prices especially in the first half of year ended March 31, 2010 as well as declining profitability of the LCD business resulting from a decrease in sales.

Digital Media & Consumer Products

Revenues in the year ended March 31, 2010 were ¥929.2 billion, a 16% decrease compared with the year ended March 31, 2009. Major factors contributing to this decrease included a reduction in overseas sales channels for flat-panel TVs as part of our business structural reforms strategy designed to lower operational risk, price declines for flat-panel TVs, a decrease in sales of air-conditioning equipment, especially in Japan and Europe due primarily to restrained capital investments, and a decrease in sales of mobile phones due primarily to a decrease in new models marketed by us.

Although we recognized a segment loss of ¥7.2 billion in the year ended March 31, 2010, this was a ¥103.3 billion improvement compared with the year ended March 31, 2009. This improvement was primarily due to a significant decrease in losses in our flat-panel TV business owing to the restructuring measures and an increase in profit in our optical disk drive business mainly resulting from higher revenues in the second half of the year ended March 31, 2010 due to recovery in demand for PCs. The cost reduction measures included restructuring measures, such as the switch from manufacturing to external procurement of plasma panels, appropriate reduction in the size of the workforce primarily at production bases in Japan and overseas and effective utilization of consignment production of TV sets. These measures resulted in a narrower loss in the flat-panel TV business.

Financial Services

Revenues in the year ended March 31, 2010 were ¥419.6 billion, a 5% increase compared with the year ended March 31, 2009. The increase was due primarily to recording a one-time large cancellation penalty and an increase in lease transactions for agricultural equipment. The increase was partially offset by a decline in lease transactions with domestic enterprises amid falling private-sector capital investments against the backdrop of the economic downturn.

Segment profit in the year ended March 31, 2010 was ¥8.5 billion, a 28% increase compared with the year ended March 31, 2009. This increase was due primarily to progress in cutting operating costs and financing costs.

Others

Revenues decreased 8%, to ¥763.6 billion, and segment profit decreased 21%, to ¥19.4 billion, in the year ended March 31, 2010 compared with the year ended March 31, 2009, due primarily to lower revenues at Hitachi Transport System because of a decrease in demand for logistics services stemming from the global economic downturn and lower revenues at other services businesses.

Table of Contents

Revenues by Geographic Area

	Revenues		
	Year ended March 31,		Percent change
	2009	2010	
	(Millions of yen, except percentage data)		
Japan	5,861,448	5,313,790	-9%
Outside Japan			
Asia	1,911,290	1,699,071	-11%
North America	899,550	729,698	-19%
Europe	904,425	824,697	-9%
Other Areas	423,656	401,290	-5%
Subtotal	4,138,921	3,654,756	-12%
Total	10,000,369	8,968,546	-10%

Japan

Revenues in Japan in the year ended March 31, 2010 were ¥5,313.7 billion, a 9% decrease compared with the year ended March 31, 2009. This decrease was due primarily to lower revenues from services and hardware in the information & telecommunication systems sector, construction machinery, automotive-related equipment, materials and components, and semiconductor and LCD manufacturing equipment due to a decline in demand against a backdrop of depressed private-sector capital investments and weakening consumer spending.

Asia

Revenues in Asia in the year ended March 31, 2010 were ¥1,699.0 billion, an 11% decrease compared with the year ended March 31, 2009. This decrease was due primarily to a fall in revenues from IT-related products, including HDDs, and high functional materials and components, despite an increase in revenues from construction machinery in China caused by strong demand spurred by government stimulus measures.

North America

Revenues in North America in the year ended March 31, 2010 were ¥729.6 billion, a 19% decrease compared with the year ended March 31, 2009. This decrease was primarily attributable to a decrease in revenues from HDDs and disk array subsystems due to customers refraining from IT-related investments. Revenues from thermal power systems also decreased due primarily to weak demand from power companies. A decrease in revenues from construction machinery due to depressed housing investments in the United States also contributed to the decline.

Europe

Revenues in Europe in the year ended March 31, 2010 were ¥824.6 billion, a 9% decrease compared with the year ended March 31, 2009, due primarily to lower revenues from construction machinery and HDDs owing to weaker demand against the backdrop of the economic downturn. The lower revenues were partially offset by an increase in revenues from coal-fired thermal power plants in Germany.

Other Areas

Revenues in other areas decreased 5%, to ¥401.2 billion, due primarily to a decline in sales of mining dump trucks in Africa for natural resource development despite an increase in revenues from coal-fired thermal power plants in South Africa.

Table of Contents

Restructuring

Restructuring charges amounted to ¥5.7 billion in the year ended March 31, 2011, ¥25.1 billion in the year ended March 31, 2010 and ¥22.9 billion in the year ended March 31, 2009. Details of the most significant restructuring charges by segment are shown below.

Year Ended March 31, 2011 Restructuring

For the year ended March 31, 2011, we recorded restructuring charges of ¥5.7 billion. The restructuring charges included special termination benefits of ¥5.6 billion for 1,380 employees, which arose primarily from our efforts to reduce costs and improve profitability in the Components & Devices segment. We made payments of ¥10.3 billion in the year ended March 31, 2011, and we accrued special termination benefits of ¥3.3 billion as of March 31, 2011. We expect the accrued amount to be paid in the year ending March 31, 2012.

Year Ended March 31, 2010 Restructuring

For the year ended March 31, 2010, we recorded restructuring charges of ¥25.1 billion. The restructuring charges included special and one-time termination benefits of ¥24.1 billion for 3,881 employees. We made payments of ¥23.5 billion in the year ended March 31, 2010 and we accrued special and one-time termination benefits of ¥8.1 billion as of March 31, 2010. We paid the accrued amount in the year ended March 31, 2011.

Automotive Systems recorded restructuring charges of ¥7.7 billion, consisting of special termination benefits for employees in our automotive systems business both in Japan and overseas, in order to realign and integrate production bases and to reduce the workforce to address the decline in demand for automotive equipment.

High Functional Materials & Components recorded restructuring charges of ¥4.4 billion, consisting primarily of special termination benefits for employees in our metal materials business in Japan, in order to reduce costs and improve profitability.

Components & Devices recorded restructuring charges of ¥4.1 billion, consisting primarily of special and one-time termination benefits. One-time termination benefits were for employees in our LCD business in connection with liquidations of several domestic subsidiaries to reorganize the large-sized panel business.

Year Ended March 31, 2009 Restructuring

For the year ended March 31, 2009, we recorded restructuring charges of ¥22.9 billion. The restructuring charges included special termination benefits of ¥21.5 billion for 4,964 employees. We made payments of ¥22.4 billion in the year ended March 31, 2009 and we accrued special termination benefits of ¥7.5 billion as of March 31, 2009. We paid the accrued amount in the year ended March 31, 2010.

Automotive Systems recorded restructuring charges of ¥5.7 billion, consisting of special termination benefits for employees in our automotive systems business both in Japan and overseas, in order to realign and integrate production bases and to reduce the workforce to address the significant decline in demand for automotive equipment.

High Functional Materials & Components recorded restructuring charges of ¥4.2 billion, consisting primarily of special termination benefits for employees in our metal materials business, in order to reduce fixed costs and improve profitability.

Components & Devices recorded restructuring charges of ¥3.2 billion, consisting primarily of special termination benefits for employees in our HDD business in order to reduce fixed costs and improve profitability.

B. Liquidity and Capital Resources

The analysis made in this Item covers the three-year period ended March 31, 2011. Our management considers maintaining an appropriate level of liquidity and securing adequate funds for current and future business operations to be important financial objectives. Through efficient management of working capital and selective investment in new plants and equipment, we are working to optimize the efficiency of capital utilization throughout our business operations. We endeavor to improve our group cash management by centralizing such management among us and our overseas financial subsidiaries. Our internal sources of funds include cash flows generated by operating activities and cash on hand. Our management also considers short-term investments to be an immediately available source of funds. In addition, we raise funds both from the capital markets and from Japanese and international commercial banks in response to our capital requirements. Our management's policy is to finance capital expenditures primarily by internally generated funds and to a lesser extent by funds raised through the issuance of debt and equity securities in domestic and foreign capital markets.

Table of Contents

We rely for our liquidity principally on cash and other working capital as well as the issue of debentures, medium-term notes and commercial paper, bank loans and other uncommitted sources of financing. As of March 31, 2011, we maintained commitment line agreements with a number of domestic banks under which we may borrow in order to ensure efficient access to necessary funds. These commitment line agreements generally provide for a one-year term, renewable upon mutual agreement between us and each of the lending banks, although we also maintained another commitment line agreement that will end in May 2013. Our unused commitment lines totaled ¥300.0 billion as of March 31, 2011. Certain of our subsidiaries also maintain commitment line arrangements, the unused portion of which totals ¥100.0 billion, but none in an amount sufficiently large enough to have a material effect on our ability to obtain credit. These committed credit arrangements are, in general, subject to financial and other covenants and conditions both prior to and after drawdown, the most restrictive of which require maintenance of minimum issuer rating or long-term debt ratings from R&I of BBB or BBB-. As we currently maintain A+ issuer rating and long-term debt ratings from R&I, we do not believe non-compliance with such covenants is reasonably likely in the near future.

Our debt ratings affect our ability to obtain short- and long-term financing. Our current debt ratings (long-term/short-term) are: A3/P-2 by Moody's; BBB+/A-2 by S&P and A+/a-1 by R&I. With our current ratings, we believe that our access to the global capital markets will remain sufficient for our financing needs. However, a downgrade of our debt ratings would likely increase our cost of debt financing. We seek to improve our credit ratings in order to ensure financial flexibility for liquidity and capital management, and to continue to maintain access to sufficient funding resources through the capital markets.

We issued 1,150,000,000 shares of common stock for ¥253.5 billion and ¥100.0 billion principal amount of convertible bonds in December 2009.

The Companies Act and regulatory requirements of certain foreign countries in which subsidiaries are located restrict transfers of funds from a subsidiary to a parent company in the form of a cash dividend. Although some of our subsidiaries are subject to such restrictions, we do not expect such restrictions to have a significant impact on our ability to meet our cash obligations.

Our management believes that our sources of liquidity and capital resources, including working capital, are adequate for our present requirements and business operations and will be adequate to satisfy our presently anticipated requirements during at least the next twelve months for working capital, capital expenditures and other corporate needs. We are seeking to ensure that our level of liquidity and access to capital resources continue to be maintained in order for us to successfully conduct our future operations in highly competitive markets.

Cash Flows

Summarized cash flows from operating, investing and financing activities for the years ended March 31, 2009, 2010 and 2011 are shown below.

	Year ended March 31,		
	2009	2010	2011
	(Millions of yen)		
Net cash provided by operating activities	558,947	798,299	841,554
Net cash used in investing activities	(550,008)	(530,595)	(260,346)
Net cash provided by (used in) financing activities	284,388	(502,344)	(584,176)
Effect of consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	—	—	12,030
Effect of exchange rate changes on cash and cash equivalents	(46,361)	4,298	(31,836)
Net increase (decrease) in cash and cash equivalents	246,966	(230,342)	(22,774)

Table of Contents

Net cash provided by operating activities was ¥841.5 billion in the year ended March 31, 2011, ¥798.2 billion in the year ended March 31, 2010 and ¥558.9 billion in the year ended March 31, 2009. The increase in the year ended March 31, 2011 was due primarily to our recording of net income of ¥303.1 billion, as compared with a net loss in the year ended March 31, 2010. This net income increase was mainly the result of an overall improvement of our business results. An increase in receivables of ¥138.7 billion for the year ended March 31, 2010 changed to a decrease in receivables of ¥121.6 billion in the year ended March 31, 2011. This decrease in receivables was offset by an increase in inventories of ¥171.2 billion, compared with a decrease in inventories of ¥205.8 billion in the preceding fiscal year. Both the decrease in receivables and the increase in inventories were due in part to the effects of the March 2011 earthquake and collateral events which occurred near the end of the fiscal year and caused delays in product shipment and delivery. The increase in the year ended March 31, 2010 was due primarily to a decrease in inventories of ¥205.8 billion for the year ended March 31, 2010, compared with an increase in inventories of ¥57.2 billion in the preceding fiscal year, reflecting our efforts to reduce inventories and ensure the maintenance of a proper level of inventories. These efforts were standard measures aimed at ensuring maintenance of an appropriate level of inventory in light of demand and other market conditions. The change in the year ended March 31, 2010 was the result of our increased sensitivity to inventory levels due to the global economic crisis beginning in the latter half of the year ended March 31, 2009 and increased demand due to the trend of economic recovery in the year ended March 31, 2010. As we experienced gradual revenue recovery in the latter half of the year ended March 31, 2010, a decrease in payables of ¥359.2 billion for the year ended March 31, 2009 changed to an increase in payables of ¥62.2 billion for the year ended March 31, 2010. However, this was offset by an increase in receivables of ¥138.7 billion for the year ended March 31, 2010, compared with a decrease of ¥342.0 billion for the preceding fiscal year, mainly reflecting the gradual revenue recovery.

Net cash used in investing activities was ¥260.3 billion in the year ended March 31, 2011, ¥530.5 billion in the year ended March 31, 2010 and ¥550.0 billion in the year ended March 31, 2009. The decrease in the year ended March 31, 2011 was due primarily to a ¥120.5 billion increase in proceeds from the selling of investments in securities and shares of consolidated subsidiaries. This increase was mainly the result of selling a substantial portion of our shares in IPS Alpha Technology, formerly an equity method affiliate. In addition, capital expenditures decreased ¥31.7 billion to ¥254.4 billion in the year ended March 31, 2011, as compared with the year ended March 31, 2010. This decrease reflects our commitment to maintaining a selective attitude toward capital expenditures. The decrease of ¥19.4 billion in the year ended March 31, 2010 was due primarily to a decrease of ¥135.8 billion in capital expenditures, reflecting our more selective attitude for capital expenditures in light of rapid worsening business conditions beginning in the latter half of the year ended March 31, 2009. This decrease was partially offset by an increase of ¥96.6 billion in investments in securities and shares of newly consolidated subsidiaries as we acquired shares of Renesas Technology common stock in private placements during the year ended March 31, 2010. As of March 31, 2011, our capital commitments for the purchase of property, plant and equipment amounted to ¥38.8 billion, which is expected to be funded primarily through internal sources of financing.

Net cash used in financing activities was ¥584.1 billion in the year ended March 31, 2011, due primarily to our efforts to reduce interest-bearing debt, including increased repayment of outstanding long-term debt. This increased repayment was partially offset by an increase in short-term debt due in part to our issuance of commercial paper. Net cash used in financing activities was ¥502.3 billion in the year ended March 31, 2010, due primarily to a decrease in short-term debt as a result of the repayment of outstanding short-term debt that had been incurred for the purpose of ensuring cash on hand for the preceding fiscal year. This decrease was partially offset by our issuance of shares and convertible bonds for aggregate proceeds of ¥352.4 billion. Net cash provided by financing activities was ¥284.3 billion in the year ended March 31, 2009, due primarily to an increase in short-term debt, which included a ¥100.0 billion issuance of commercial paper in order to increase the level of cash on hand in response to uncertainties in the global credit markets.

In the year ended March 31, 2011, the above activities decreased cash and cash equivalents by ¥22.7 billion from the year ended March 31, 2010. Cash and cash equivalents as of March 31, 2011 amounted to ¥554.8 billion, primarily held in Japanese yen, with a substantial portion of the remaining amount held in U.S. dollars.

We consider short-term investments, the change of which we classify as investing activities, an immediately available source of funds. Short-term investments as of March 31, 2011 amounted to ¥16.5 billion, a decrease of ¥36.9 billion from March 31, 2010 due primarily to a decrease in available-for-sale securities. As a result of the foregoing, the total of cash and cash equivalents and short-term investments as of March 31, 2011 was ¥571.4 billion, a decrease of ¥59.7 billion from March 31, 2010.

Assets, Liabilities and Equity

As of March 31, 2011, our total assets amounted to ¥9,185.6 billion, an increase of ¥221.1 billion from March 31, 2010, despite a decrease in property, plant and equipment as a result of our continuing selective attitude toward capital investment. The increase was mainly due to the recording of financial assets transferred to consolidated securitization entities on the consolidated balance sheet in accordance with the amendments to provisions of ASC 860 (“Transfers and Servicing”) and ASC 810 (“Consolidation”). Our total cash and cash equivalents and short-term investments as of March 31, 2011 amounted to ¥571.4 billion, a decrease of ¥59.7 billion from the level as of March 31, 2010.

Table of Contents

As of March 31, 2011, our total interest-bearing debt, which represents the sum of short-term debt, long-term debt and non-recourse borrowings of consolidated securitization entities, amounted to ¥2,521.5 billion, an increase of ¥154.4 billion from March 31, 2010. This increase was due primarily to the recording of liabilities associated with the consolidation of securitization entities as a result of the changes in accounting standards mentioned above. As of March 31, 2011, short-term debt, consisting mainly of borrowings from banks and commercial paper, amounted to ¥472.5 billion, an increase of ¥21.1 billion from March 31, 2010. As of March 31, 2011, long-term debt (excluding current portion), consisting mainly of debentures, debentures with stock acquisition rights, medium-term notes and loans principally from banks and insurance companies, amounted to ¥1,300.3 billion, a decrease of ¥311.6 billion from March 31, 2010, due primarily to our repayment of long-term debt. As of March 31, 2011, the current portion of long-term debt amounted to ¥338.2 billion, an increase of ¥34.4 billion from March 31, 2010. A significant portion of our long-term debt bears a fixed rate of interest. Seasonal factors do not significantly affect our debt. In general, there are no material restrictions on our use of borrowings. For further details including the maturity and interest rates, see note 9 to our consolidated financial statements.

As of March 31, 2011, noncontrolling interests amounted to ¥1,001.5 billion, an increase of ¥18.3 billion from March 31, 2010, due primarily to the improvement of business results at our listed subsidiaries.

As of March 31, 2011, our total stockholders' equity amounted to ¥1,439.8 billion, an increase of ¥155.2 billion from March 31, 2010. The increase primarily reflects the posting of net income attributable to Hitachi, Ltd. As a result, our ratio of total stockholders' equity to total assets as of March 31, 2011 was 15.7%, compared with 14.3% as of March 31, 2010. Our ratio of interest-bearing debt to total equity (the sum of total stockholders' equity and noncontrolling interests) decreased to 1.03, compared with 1.04 as of March 31, 2010.

We and our subsidiaries assess foreign currency exchange rate risk and interest rate risk by continually monitoring changes in our exposure to these risks and by evaluating hedging opportunities. We use certain derivative financial instruments in order to reduce such risks. We generally do not enter into derivative financial instruments for speculation purposes. For additional information on financial instruments and derivative financial instruments, see notes 25, 26 and 27 to our consolidated financial statements.

C. Research and Development, Patents and Licenses, etc.

Viewing research and development, or R&D, activity as a key investment for the future and a source of our competitiveness, we conduct our R&D in a number of areas, from materials to production technology. We focus on basic R&D with a long-term vision but also strive to achieve more immediate benefits by introducing new products.

Our R&D expenditures amounted to ¥416.5 billion in the year ended March 31, 2009, ¥372.4 billion in the year ended March 31, 2010 and ¥395.1 billion in the year ended March 31, 2011. The ratio of R&D expenditures to total revenues was approximately 4% over these three years.

Moreover, we concentrate our efforts in R&D to expand our Social Innovation Business. Specifically, we will strengthen R&D in coal-fired thermal power plants, new energy, smart grid systems, "green mobility" (railway, construction machinery and automotive systems), environmentally-friendly data centers and storage products and solutions, as well as key devices supporting these businesses, such as high-performance motors and inverters, lithium-ion batteries and environmentally-friendly and energy-efficient materials.

We also reinforce R&D in the area of both frontier and platform research. The former aims to cultivate future mainstay businesses, while the latter has a more immediate focus of increasing our productivity and quickening the pace of product development. We focus both on leading-edge R&D for creating our future core businesses and on fundamental technologies for improving productivity and quality and lowering costs.

To achieve greater efficiency, we have reinforced the link between R&D activities and marketing activities under the control of each of our business operations while maintaining our focus on long-term research at independent corporate laboratories. While continuing such reinforcement, we have recently taken further measures to enhance our R&D capabilities with a focus on our Social Innovation Business. We are strengthening our R&D bases overseas, in particular China, Europe, the Americas, and Asia, including adding a new R&D base in India. Our overseas R&D activities include cooperation with universities, companies, and research institutions in the countries where we have R&D bases, which allows us to develop deeper ties with the local communities or markets and develop local talent. In addition, in April 2011, we reorganized our research laboratories in Japan into three enhanced centers designed to promote integrated research.

For information on our patents and licenses, see "Item 4. Information on the Company — B. Business Overview — Intellectual Property and Licenses."

D. Trend Information

In September 2008, Chubu Electric Power filed a lawsuit against us in the Tokyo District Court. Chubu Electric Power seeks compensation in the amount of ¥41.8 billion plus interest for consequential losses from the breakdown of certain turbine vanes in the nuclear reactors at Hamaoka Nuclear Power Station. In May 2009, Hokuriku Electric Power filed a lawsuit against us in the Tokyo District Court. Hokuriku Electric Power seeks compensation in the amount of ¥33.7 billion plus interest for consequential losses from the breakdown of certain turbine vanes in the nuclear reactors at Shika Nuclear Power Station. We are vigorously defending ourselves in these lawsuits. We have not accrued for consequential losses related to these lawsuits. However, there can be no assurance that we will not be liable for any amount claimed.

In January 2009, we conducted tender offers for shares of Hitachi Kokusai Electric and Hitachi Koki and acquired a controlling interest in each company. Hitachi Kokusai Electric and Hitachi Koki became our consolidated subsidiaries in March 2009. As a result, the revenues of Hitachi Kokusai Electric and Hitachi Koki from April 2009 are included in our consolidated statement of operations for the year ended March 31, 2010.

In August 2009, we conducted tender offers to acquire the noncontrolling interests in five listed consolidated subsidiaries to convert them into wholly owned subsidiaries and bolster our Social Innovation Business, and completed these tender offers in October 2009. The five subsidiaries were Hitachi Information Systems, Hitachi Software Engineering, Hitachi Systems & Services, Hitachi Plant Technologies and Hitachi Maxell. Through the tender offers and subsequent measures, we converted Hitachi Information Systems, Hitachi Software Engineering and Hitachi Systems & Services into wholly owned subsidiaries in February 2010, and converted Hitachi Plant Technologies and Hitachi Maxell into wholly owned subsidiaries in April 2010. As a result, the net income or loss attributable to noncontrolling interests in these consolidated subsidiaries are fully reflected as net income or loss attributable to Hitachi, Ltd.

In March 2011, we entered into an agreement to sell our HDD business to Western Digital. Under the terms of the agreement, we will transfer all shares of Viviti Technologies, our wholly owned subsidiary and the holding company of our HDD business, to Western Digital. The aggregate purchase price will consist of cash consideration of \$3.5 billion and 25 million shares of Western Digital's common stock. The transaction is subject to several customary closing conditions, and is currently expected to close during the quarter ending December 31, 2011. See "— A. Operating Results — Business Reorganization" for more information on this transaction.

In March 2011, Hitachi Transport System, our listed consolidated subsidiary, conducted a tender offer for shares of Vantec Corporation and acquired a controlling interest. Vantec became Hitachi Transport System's consolidated subsidiary in April 2011. As a result, the revenues of Vantec will be included in our consolidated statement of operations for the year ending March 31, 2012.

Trends in Operating Results

During the year ended March 31, 2011, the global economy continued to show signs of gradual recovery from the sharp deterioration triggered by the financial crisis, which had resulted in a substantial decline in sales volumes in many of our industries and an accompanying decrease in our total revenues in the year ended March 31, 2009. However, this recovery may still be fragile and partially attributable to the effects of various government economic stimulus efforts. There is no guarantee that such stimulus efforts will continue or continue to be effective, and, without further government action, economic recovery may be halted or reversed. While economies in emerging market countries, including China, continued to grow steadily during the year ended March 31, 2011, industrialized countries, including Japan, the United States and several European countries, grew at a slower pace due to downward pressures on income and difficult employment conditions. Furthermore, the March 2011 earthquake and collateral events in Japan have had a significant negative impact on the economy by, among other things, depressing consumer and corporate spending and damaging supply chains. These adverse effects may continue and could adversely affect our business. The global economic recovery may also be harmed by the potential inability of emerging market countries to maintain economic growth and the fiscal and sovereign debt issues in Greece and other parts of Europe, which could make market conditions unstable.

Table of Contents

Our revenues increased in the Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Components & Devices and Digital Media & Consumer Products segments in the year ended March 31, 2011. These improvements were primarily due to an increased demand for construction machinery in emerging countries and further demand growth in the electronics and automotive industries, but were partially offset by the effects of the March 2011 earthquake and collateral events in Japan. Although we expect the global economic recovery to continue during the year ending March 31, 2012, the economy may still be fragile, and a return to an economic contraction could adversely affect our business results. Furthermore, although we believe that disruptions to our business as a result of the March 2011 earthquake and collateral events will generally be resolved during the year ending March 31, 2012, if the effects of the March 2011 earthquake and collateral events last longer than expected, there may be a significant negative impact on our business results. On a segment-by-segment basis, we have felt and may continue to feel the following effects:

- *Information & Telecommunication Systems* . Sluggish economic and market conditions led to many domestic enterprises deferring IT investments in services and hardware as a means of controlling costs. This trend adversely affected the sales of our products and services in the year ended March 31, 2011 and has the potential to continue into the year ending March 31, 2012.
- *Power Systems* . Revenues decreased due primarily to a decline in revenues from coal-fired thermal power systems in the overseas market and a decline in revenues from preventative maintenance services for nuclear power systems. If the economic recovery stalls, power companies may reduce capital investments, which could adversely affect the sales of our power systems. Revenues from nuclear power systems may continue to decrease due to the deferment of investments in construction of new plants by domestic power companies as a result of the accident at the nuclear power facilities in Fukushima Prefecture. In addition, the effect of this accident on nuclear energy policy in Japan and many other countries is still uncertain.
- *Social Infrastructure & Industrial Systems* . Although sales of elevators and escalators increased due to growing demand in the Chinese market, revenues declined from sales of railway vehicles and systems abroad. Despite this recent decline, we believe there is room for strong future growth in the overseas railway systems market, although such growth would be subject to changes in demand for our products abroad.
- *Electronic Systems & Equipment* . Sales of semiconductor and LCD manufacturing equipment and electronic parts manufacturing systems increased as a result of higher levels of capital spending by electronics manufacturers. However, these positive sales trends may be partially offset in the year ending March 31, 2012 by disruptions to our supply chains as a result of the March 2011 earthquake and collateral events.
- *Construction Machinery* . Revenues in our Construction Machinery segment increased due primarily to strong demand for construction machinery resulting from strong demand for infrastructure development in China and other emerging countries and active exploitation of natural resources in resource-rich nations. Disruptions to our supply chains as a result of the March 2011 earthquake and collateral events may partially offset these trends via reduced sales volume levels for construction machinery in the year ending March 31, 2012. The business results of our construction machinery business may continue to increasingly rely on sales in China and other emerging economies.
- *High Functional Materials & Components* . Revenues increased due primarily to strong demand for automotive-related components and semiconductor- and LCD-related materials and products. This positive trend may be partially offset in the year ending March 31, 2012 by the effect of decreases in production by Japanese automobile manufacturers as a result of the March 2011 earthquake and collateral events.
- *Automotive Systems* . As automobile manufacturers increased global production in response to growth in sales for automobiles in the United States and emerging countries, our Automotive Systems revenues increased due primarily to this sharp rise in demand for automotive equipment. This positive trend may be partially offset in the year ending March 31, 2012 by the effect of decreases in production by Japanese automobile manufacturers as a result of the March 2011 earthquake and collateral events.
- *Components & Devices* . Revenues increased due primarily to an increase in sales of HDDs because of strong demand for PCs. This positive trend may be partially offset in the year ending March 31, 2012 by disruptions to our supply chains as a result of the March 2011 earthquake and collateral events.

Table of Contents

- *Digital Media & Consumer Products* . Revenues increased due primarily to an increase in sales of air conditioners and refrigerators as a result of the effects of Japan's eco-point program and an increase in sales of air conditioning equipment in domestic and overseas markets. This trend was partially offset by decreased revenues from our optical disk drive business resulting from sluggish demand and declining price levels. Furthermore, the termination of the aforementioned eco-point program has the potential to adversely affect our sales from products such as flat-panel television sets, air conditioners and refrigerators.
- *Financial Services* . Private-sector capital investments may decline as a result of the March 2011 earthquake and collateral events in Japan, which could adversely affect the leasing business for industrial equipment.
- *Others* . The overall level of sales and economic activity in Japan may be depressed by the effect of the March 2011 earthquake and collateral events, which could adversely affect our logistics and various other service businesses.

We plan to address these business challenges as follows:

- In response to the adverse effects on our business from the March 2011 earthquake and collateral events, we will strive to (i) support our suppliers' restoration efforts by cooperating with them in minimizing the effects of shortages of components and materials, and (ii) deal with potential shortages of electricity by implementing appropriate production measures to conserve and minimize our electricity usage. In addition, we will make investments to establish a risk-resilient structure to ensure business continuity, by, without limitation, strengthening our global production frameworks, securing our facilities against seismic activity, ensuring that we protect our manufacturing capabilities and have access to sufficient energy for production, maintaining multiple supply sources for components and materials and building a framework for increasing production to meet the demand necessary for relief and recovery efforts in Japan.
- We will continue to pursue a stable and profitable business structure by promoting our Social Innovation Business, through, without limitation, focusing our business resources, such as capital expenditures and research and development investments, on our Social Innovation Business and by exiting businesses that underperform or lack synergies with our Social Innovation Business.

For the year ended March 31, 2011, we continued to reduce fixed costs and procurement costs. We aim to continue to control such costs in the year ending March 31, 2012.

Trends in Capital Resources and Liquidity

The gradual recovery of the world economy in the year ended March 31, 2011 continued to ease the adverse market and economic conditions that characterized the global economic downturn that began in the latter half of the year ended March 31, 2009. We need liquidity to pay operating expenses, interest on our debt and dividends on our capital stock. We currently believe our cash flows from operations, borrowings from banks and other institutional lenders, and funding from the capital markets will provide sufficient funding for our operations and other liquidity needs. Net cash provided by operating activities for the year ended March 31, 2011 was ¥841.5 billion, continuing the positive trend observed in the year ended March 31, 2010, when net cash provided by operating activities was ¥798.2 billion as compared to ¥558.9 billion for the year ended March 31, 2009. Our credit ratings have recently been stable. Our current debt ratings (long-term/short-term) are: A3/P-2 by Moody's; BBB+/A-2 by S&P and A+/a-1 by R&I. However, a return to a global recession could adversely affect our cash flows from operations, which could adversely affect our ability to obtain additional financing on favorable terms.

While our cash flows from operating activities increased, we maintained our selective approach to capital expenditures in the year ended March 31, 2011. Our capital expenditures for fixed assets on a completion basis were ¥556.8 billion for the year ended March 31, 2011, as compared to ¥546.3 billion for the year ended March 31, 2010. The increase in the year ended March 31, 2011 was primarily due to an increase in capital expenditures in HDDs and high functional materials and components.

We have sought to reduce our requirements for liquidity and improve cash flows in most of our business segments by reducing costs, including fixed costs and procurement costs, and reducing inventory levels via production level adjustments and by expediting the collection of account receivables.

Table of Contents

See “Item 4. Information on the Company — B. Business Overview,” “— A. Operating Results” and “— B. Liquidity and Capital Resources” for additional information.

E. Off-balance Sheet Arrangements

Our off-balance sheet arrangements consist primarily of off-balance sheet Special Purpose Entities, or SPEs, used to securitize and sell certain lease and trade receivables. The purpose of such securitization transactions is to enable us to access the capital markets for liquidity.

In these securitizations, lease and trade receivables are sold to the SPEs which are in turn packaged mainly into asset-backed commercial paper by the SPEs for sale to third-party investors. In certain securitizations, the SPEs may require us to retain residual interests subordinated to the investors. Our contingent liability exposure relating to these securitizations is limited to the retained subordinated residual interests and the obligation to purchase assets with a scope that is considerably limited.

None of our officers, directors or employees have any investments in the SPEs. The SPEs meet the accounting criteria for off-balance sheet treatment and are not consolidated under U.S. GAAP.

The amount of off-balance sheet arrangements as of March 31, 2011 is as follows:

	March 31, 2011 (Millions of yen)
Securitized lease receivables	158,461
Securitized trade receivables, excluding mortgage loans receivable	232,374
Total	390,835

See notes 2(g) and 6 to our consolidated financial statements.

F. Tabular Disclosure of Contractual Obligations

The following tables show our contractual obligations and other commercial commitments, including guarantees, as of March 31, 2011.

Contractual obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
	(Millions of yen)				
Long-term debt obligations	1,602,211	327,136	612,330	473,126	189,619
Capital lease obligations	36,318	11,082	14,133	5,443	5,660
Operating lease obligations	88,874	18,799	26,481	16,777	26,817
Purchase of property, plant and equipment	38,819	37,762	1,057	—	—
Interest commitments	72,348	18,162	29,471	13,537	11,178
Total	1,838,570	412,941	683,472	508,883	233,274

For non-recourse borrowings of consolidated securitization entities, see note 6 to our consolidated financial statements.

For obligations related to retirement and severance benefits, see note 10 to our consolidated financial statements.

Other commercial commitments	As of March 31, 2011 (Millions of yen)
Lines of credit	10,202
Trade notes discounted and endorsed	5,444
Export receivables transferred with recourse	7,382
Guarantees	444,321

See note 17 to our consolidated financial statements.

G. Critical Accounting Policies

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current assumptions. Management considers the accounting estimates discussed in this section to be critical accounting estimates for two reasons. First, the estimates require us to make assumptions about matters that are highly uncertain at the time the accounting estimate is made. Second, different estimates that we reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. Management believes the following represent our critical accounting policies.

Revenue Recognition for Sales under Long-term Construction Arrangements

We use the percentage-of-completion method to recognize revenue from sales of tangible products under long-term construction type arrangements, in connection with the construction of nuclear, thermal and hydroelectric power plants and customization of software. Under the percentage-of-completion method, we recognize revenue from a sale in an amount equal to estimated total revenue from the arrangement multiplied by the percentage that costs incurred to date bear to estimated total costs at completion based upon the most recently available information. The use of the percentage-of-completion method requires us to make significant assumptions about estimates of total contract costs, remaining costs to completion, total contract revenues, contract risks and other factors. We regularly review these estimates and adjust them as we deem necessary. We charge any anticipated losses on fixed price contracts to operations when we are able to estimate such losses. We make provisions for contingencies in the period in which they become known to us under the specific terms and conditions of the relevant contract and are estimable by us.

Impairment of Long-Lived Assets

We review the carrying value of our long-lived assets held and used whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Such events or changes include, but are not limited to:

- changes in production due to trends of supply and demand in the markets;
- rapid changes in selling prices of products or purchasing prices of materials and components;
- unexpected technological innovation causing obsolescence of present products; and
- unpredictable changes in business assumptions, which cause revision of business plans that result in changes in the extent or manner in which we use long-lived assets.

We perform an initial impairment review using estimates of undiscounted future cash flows. If the carrying value of the asset is greater than our estimates of undiscounted cash flows, an impairment charge is recorded for the amount by which the carrying value of the asset exceeds its estimated fair value. In estimating, we use available quoted market prices and present value techniques, if appropriate, based on the estimated future cash flow expected to result from the use of the assets and their eventual disposition.

Although management believes that the estimates of future cash flows and fair value are reasonable, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuations of long-lived assets.

Table of Contents

For the year ended March 31, 2011, we recognized ¥35.1 billion of impairment losses for long-lived assets, mainly relating to a battery business and a liquid crystal display business in the Components & Devices segment and automotive related materials businesses in the High Functional Materials & Components segment.

Goodwill and Intangible Assets

We do not amortize goodwill and other intangible assets with indefinite useful lives but we test them for impairment in accordance with Accounting Standards Codification, or ASC 350, “Intangibles — Goodwill and Other,” on an annual basis, normally in the fourth quarter after our annual forecasts have been determined, or more frequently if events occur or circumstances change in a manner that would more likely than not reduce the fair value of these assets below their respective carrying values. Such an event might include the current global economic and financial market crisis. An impairment of these assets is recorded if their calculated fair values are less than their carrying amounts.

We determine the fair value of our reporting units mainly using an income approach (i.e., present value technique). When determining such fair value, we may, however, also use the fair value of that unit based on a comparison of comparable publicly traded companies or based on that unit’s stand-alone market capitalization. Depending on the complexity, we consult with external experts when appropriate.

The determination requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, requiring management to make subjective judgments and assumptions, including assumptions about future operating results for the relevant business unit and discount rates.

In estimating future cash flows, we base the forecasted operational results on currently available assumptions considered by management to be reasonable. However, actual results may differ materially from those projected, including due to:

- economic trends in Japan, North America, Asia and other major markets where we do business;
- supply in excess of demand leading to a decline in selling prices or production volumes;
- intense price competition or decreases in prices;
- a sharp rise in the purchasing prices of material and components; and
- currency exchange rate fluctuations.

We base our discount rate assumptions for purposes of estimating the fair value of our reporting units on our cost of capital and liabilities. Stock market trends and changes in interest rates affect these assumptions. Although management believes that the estimates of future cash flows and fair value are reasonable, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in the business environment could result in additional goodwill impairment charges.

While our businesses are diverse, the number of reporting units to which goodwill has been allocated is limited. Therefore, a decrease in our market capitalization will not necessarily have a proportional or direct effect on the carrying value of goodwill.

As of March 31, 2011, our carrying amount of goodwill was ¥171.5 billion. The majority of goodwill consists of the Information & Telecommunication Systems segment (¥42.4 billion) and the High Functional Materials & Components segment (¥58.5 billion).

The carrying amount of goodwill of the Information & Telecommunication Systems segment at March 31, 2011 mainly relates to our information and telecommunication business. Our information and telecommunication business is sensitive to customers’ motivation to invest in information-technology systems affected by macro-economic conditions. We may be required to record an impairment in goodwill in this segment if any economic downturn is expected to be prolonged beyond current estimates of our management.

Table of Contents

The carrying amount of goodwill of the High Functional Materials & Components segment at March 31, 2011 mainly relates to our metals business. The metals business is sensitive to increases in materials prices and product demand. We may need to recognize an impairment loss for goodwill in this segment if there is a sustained increase in materials prices or an unforeseen decrease in demand.

In order to evaluate the sensitivity of the fair value calculations on the goodwill impairment analysis, we applied a hypothetical and approximate 10% decrease to the fair value of each reporting unit. As a result of our sensitivity analysis, as of March 31, 2011, we do not have any reporting units that are at risk that the carrying amount of the reporting unit would reasonably likely exceed its fair value.

Deferred Tax Assets

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that we will not realize a portion or all of our deferred tax assets. The ultimate realization of our deferred tax assets is dependent on whether we are able to generate sufficient future taxable income in specific tax jurisdictions during the periods in which temporary differences become deductible. Management has scheduled the expected future reversals of the temporary differences and projected future taxable income, including the execution of certain available tax strategies if appropriate, in making this assessment. Actual results may differ materially from forecasted operating results, which are the basis for projecting future taxable income, and may be subject to adjustment because of factors such as economic trends in major markets where we do business, trends of supply and demand in the markets, prices of products and services, purchasing prices of materials and components, currency exchange rate fluctuations and rapid technological innovation. As a result, the differences could negatively affect the amount of deferred tax assets and valuation allowances. The realizability of deferred tax assets is assessed for each taxable unit in each taxable jurisdiction, and the results of the assessment may differ from unit to unit due to different products or jurisdictions even if they operate the same kind of business. Based on these factors, management believes that it is more likely than not that we will realize the benefits of these temporary differences, net of the existing valuation allowance as of March 31, 2011. However, the amount of deferred tax assets may be different if we do not realize estimated future taxable income during the carry forward periods as originally expected.

Retirement Benefits

We have a significant amount of accrued employee retirement benefit costs that are developed from actuarial valuations. Inherent in these valuations are key assumptions in estimating pension costs including mortality, withdrawal, retirement, changes in compensation, discount rates and expected return on plan assets. We are required to make key assumptions by taking into account various factors including personnel demographics, current market conditions and expected trends in interest rates. We determine the discount rates by looking at available information about rates implicit in the return on high-quality fixed-income government and corporate bonds. Accordingly, the discount rate is likely to change from period to period based on these ratings. A decrease in the discount rate results in an increase in actuarial pension benefit obligations. Increases and decreases in the pension benefit obligation affect the amount of the actuarial gain or loss that is amortized into income over the service lives of employees. Changes in the key assumptions may have a material effect on our financial position and results of operations. Management believes that estimation of the key assumptions is reasonable in light of the various underlying factors.

The table below shows the sensitivity to a change in discount rates and the expected rate of return on plan assets to pre-tax income and projected benefit obligation (PBO), holding all other assumptions constant.

	Effect on pre-tax income for the year ending March 31, 2012	Effect on PBO as of March 31, 2011
	(Millions of yen)	
Discount rates:		
0.5% decrease	(8,576)	161,488
0.5% increase	8,619	(149,422)
Expected rate of return on plan asset:		
0.5% decrease	(6,379)	—
0.5% increase	6,379	—

The objective of our investment policy is to ensure a stable return from the plans' investments over the long term, which allows our and our subsidiaries' pension funds to meet their future obligations, and we and certain of our subsidiaries attempt to maintain the pension funds in sound condition.

Table of Contents

Allowance for Doubtful Accounts

We estimate the collectability of our trade receivables as well as of our investments in leases to measure our incurred losses (that is those amounts with regard to which collection is not probable based on current information). Assessing the ultimate realization of these receivables, based on historical experience and analyses, including the current creditworthiness of each customer, requires a considerable amount of judgment. Each company in our consolidated group considers factors which are relevant to its business and circumstances, including business practices that are unique to the respective country or region in which it operates. Such factors which have been present on a historical basis and have contributed to losses at our subsidiaries in the past include: historical credit loss experience; existence of overdue payments; extended payment terms; negative evaluation by third-party credit rating agencies; excessive debt; and evaluation of deteriorating financial position and operating results. Specifically, we consider probability of credit losses if overdue payments exist or if extended payment terms are subsequently granted. However, we also consider the other factors noted above in determining probability of credit losses when outstanding balances are current but other factors indicate significant doubt about customers' ability to make future payments in full. In addition, we perform a retrospective review of the assumptions relied upon in establishing allowances for doubtful receivables, including comparisons of such assumptions to actual collections experience in order to adjust our loss estimation methods to reduce the difference between estimated losses and actual subsequent charge-offs.

Our policies require that we refrain from writing off overdue receivables until after exhaustive collection efforts have been undertaken. Account balances are generally written off against the allowance only after all means of collection have been exhausted and the potential for recovery is considered remote. Write-offs generally occur only when a debtor enters bankruptcy or liquidation because collection efforts normally continue until that point. In addition, in Japan and certain other countries where we operate, tax deductions for uncollectible receivables are only allowed upon the debtor's bankruptcy, liquidation or when legal proceedings are concluded. This policy, which is driven by business practices and income tax regulations, results in potentially long collection and write-off cycles.

We have recorded changes in required reserves in recent periods and may record them in the future due to the market environment and financial condition of customers. Any deterioration in customers' financial positions or in their credit ratings, or increases in levels or amounts of delinquency may adversely affect net income.

Investments in Securities

We hold various investments in securities and equity-method investments.

A decline in the fair value of equity securities classified as available-for-sale, cost-method or equity-method investments below their carrying value that is deemed other than temporary results in a write-down of the carrying value to the fair value as a new cost basis. The amount of the write-down is included in earnings. Fair value is determined based on quoted market prices, projected discounted cash flows or other valuation techniques as appropriate and maximizing the use of observable inputs. Management periodically reviews each equity security classified as an available-for-sale, cost-method and equity-method investment for possible impairment based on criteria such as the extent to which the carrying value exceeds fair value, the length of time the fair value has been below the carrying value and the financial condition and near-term specific prospects of the issuer.

Whether a decline in fair value of debt securities classified as available-for-sale or held-to-maturity below carrying value that is deemed other than temporary is recognized in earnings depends on whether we intend to sell the impaired debt security or it is more likely than not that we will be required to sell the security before recovery. If we do not intend to sell the security and it is not more likely than not that we will be required to sell the security before recovery, the component of the other-than-temporary impairment related to the credit loss is recognized in earnings and the component of the other-than-temporary impairment related to other factors is recognized in other comprehensive income (loss). Management periodically reviews each debt security classified as available-for-sale or held-to-maturity for the existence of impairment that is other than temporary based on criteria such as whether there is intent to sell the impaired debt security, it is more likely than not that the impaired debt security will be required to be sold before recovery, or the holder is not expected to recover the entire amortized cost basis of the security for any other reason.

A decline in market prices or a change in the financial condition of an issuer could negatively affect the fair value of an investment in a security.

Table of Contents

Recently Issued Accounting Guidance

In October 2009, the FASB issued Accounting Standards Update (ASU) 2009-13, “Multiple-Deliverable Revenue Arrangements.” The consensus codified in ASU 2009-13 supersedes certain provisions regarding multiple element arrangements in ASC 605, “Revenue Recognition,” and requires an entity to allocate arrangement consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices (the relative selling price method) following an established selling price hierarchy for determining the selling price of a deliverable, and eliminating the use of the residual method for multiple deliverable arrangements subject to ASC 605-25. The guidance in ASU 2009-13 requires both ongoing disclosures regarding an entity’s multiple-deliverable revenue arrangements as well as certain transitional disclosures during periods after adoption. All entities must adopt the guidance in ASU 2009-13 no later than the beginning of their first fiscal year beginning on or after June 15, 2010. Entities may elect to adopt the guidance through either prospective application for revenue arrangements entered into, or materially modified, after the effective date or through retrospective application to all revenue arrangements for all periods presented. Entities may elect earlier application.

In October 2009, the FASB issued ASU 2009-14, “Certain Revenue Arrangements That Include Software Elements.” The consensus codified in ASU 2009-14 is expected to significantly affect how entities account for revenue arrangements that contain both tangible products and software elements. Currently, arrangements containing both tangible products and software are accounted for based on the provisions regarding revenue recognition included in ASC 985, “Software,” if the software is considered more than incidental to the product or service. The guidance in ASU 2009-14 changes revenue recognition for tangible products containing software elements and non-software elements that function together to deliver the tangible product’s essential functionality by eliminating them from the scope of ASC 985. The revised guidance must be adopted by all entities no later than fiscal years beginning on or after June 15, 2010. An entity must select the same transition method and same period for the adoption for both this guidance and the revisions to the multiple-deliverable revenue arrangements guidance required by ASU 2009-13.

ASU 2009-13 and 14 are effective for our financial statements issued for fiscal years beginning on April 1, 2011. The adoption of the guidance in ASU 2009-13 and 14 is not expected to be material to our financial statements.

Table of Contents

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

We have adopted a committee-based corporate governance system, or the Committee System, permitted as a form of corporate organization pursuant to the Companies Act. Any company adopting the Committee System is required to (i) establish within our board of directors nominating, audit and compensation committees, a majority of the members of each of which must be outside directors, and (ii) appoint executive officers responsible for executing the business of such company. The Companies Act defines an outside director as a director who is not and has not been an executive director (a representative director or a director who executes such company's business), executive officer, manager or any other employee of such company or its subsidiaries. Under the Committee System, a company is not allowed to have corporate auditors but is instead required to delegate auditing function responsibilities to its audit committee. For information regarding our implementation of the Committee System, see "C. Board Practices" below.

Set forth below are the names of our directors, or Directors, and executive officers, or Executive Officers, as of June 24, 2011. All Directors were elected at our general meeting of shareholders held on June 24, 2011 for a term of one year. While the Chairman of the Board, Mr. Takashi Kawamura, does not concurrently serve as an Executive Officer, two Directors, Mr. Hiroaki Nakanishi and Mr. Takashi Miyoshi, do concurrently serve as Executive Officers. Four Directors, Ms. Yoshie Ota and Messrs. Mitsuo Ohashi, Nobuo Katsumata and Tohru Motobayashi, are outside Directors who fulfill the qualification requirements as provided for in the Companies Act. The term of office of all Executive Officers began on April 1, 2011 and will expire on March 31, 2012.

Directors

Name (Date of birth)	Current position (Principal position outside Hitachi, if any)	Date	Business experience, including experience in Hitachi, and functions
Takashi Kawamura (Dec. 19, 1939)	Chairman of the Board	4/2011	Chairman of the Board, Hitachi, Ltd.
		4/2010	Chairman and Director, Hitachi, Ltd.
		6/2009	Chairman, President, Chief Executive Officer and Director, Hitachi, Ltd.
		4/2009	Chairman, President and Chief Executive Officer, Hitachi, Ltd.
		6/2007	Chairman of the Board, Hitachi Maxell, Ltd.
		6/2006	Chairman of the Board, Hitachi Software Engineering Co., Ltd. (Currently Hitachi Solutions, Ltd.)
		6/2005	Chairman of the Board, Hitachi Plant Engineering & Construction Co., Ltd. (Currently Hitachi Plant Technologies, Ltd.)
		6/2003	Chairman of the Board and Representative Executive Officer, Hitachi Software Engineering Co., Ltd.
		4/2003	Director (Retired in June 2007)
		4/1999	Executive Vice President and Representative Director
		6/1997	Executive Managing Director
		6/1995	Director
		6/1992	General Manager, Hitachi Works
		4/1962	Joined Hitachi, Ltd.
Yoshie Ota (Sept. 1, 1942)	Director	6/2007	Director, Hitachi, Ltd.
		7/2005	Advisor, Japan Institute of Workers' Evolution (Retired in March 2010)
		7/1998	Chairman, Japan Institute of Workers' Evolution
		6/1995	Director-General, Women's Bureau, Ministry of Labour
		7/1994	Director-General, Minister's Secretariat, Ministry of Labour
		12/1991	Vice Governor of Ishikawa Prefecture

Table of Contents

Name (Date of birth)	Current position (Principal position outside Hitachi, if any)	Date	Business experience, including experience in Hitachi, and functions
Mitsuo Ohashi (Jan. 18, 1936)	Director (Advisor, Showa Denko K.K.)	3/2010 6/2007 3/2007 1/2005 3/1997	Advisor, Showa Denko K.K. (Currently in office) Director, Hitachi, Ltd. Chairman of the Board, Showa Denko K.K. Chairman of the Board and Representative Director, Showa Denko K.K. President (CEO) and Representative Director, Showa Denko K.K.
Nobuo Katsumata (Dec. 5, 1942)	Director (Chairman, Member of the Board, Marubeni Corporation)	6/2011 4/2008 4/2003	Director, Hitachi, Ltd. Chairman, Member of the Board, Marubeni Corporation (Currently in office) Representative Director, President and CEO, Member of the Board, Marubeni Corporation
Tohru Motobayashi (Jan. 5, 1938)	Director (Attorney at law)	4/2008 6/2006 4/2002 7/1971 4/1963	Partner, Ihara and Motobayashi (Currently in office) Director, Hitachi, Ltd. President of the Japan Federation of Bar Associations (Retired in March 2004) Partner, Mori Sogo Law Offices Member of the Tokyo Bar Association
Isao Ono (May 23, 1944)	Director (Chairman of the Board, Hitachi Solutions, Ltd.)	6/2010 4/2010 6/2006 4/2004 6/2003 6/2002 4/2002 4/1968	Director, Hitachi, Ltd. Chairman of the Board, Hitachi Software Engineering Co., Ltd. (Currently Hitachi Solutions, Ltd.) (Currently in office) President, Chief Executive Officer and Director, Hitachi Software Engineering Co., Ltd. Executive Vice President and Executive Officer (Retired in March 2006) Senior Vice President and Executive Officer Senior Vice President and Director General Manager, Information Business Group and President & CEO, Information & Telecommunication Systems Joined Hitachi, Ltd.
Stephen Gomersall (Jan. 17, 1948)	Director (Chairman of the Board, Hitachi Europe Ltd.)	6/2011 10/2006 11/2005 10/2004 7/1999 9/1970	Director, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. (Retired in March 2011) Chairman of the Board, Hitachi Europe Ltd. (Currently in office) Joined Hitachi, Ltd. British Ambassador to Japan (Retired in July 2004) Joined U.K. Foreign and Commonwealth Office

Table of Contents

Name (Date of birth)	Current position (Principal position outside Hitachi, if any)	Date	Business experience, including experience in Hitachi, and functions
Tadamichi Sakiyama (Jun. 13, 1941)	Director	4/2011 6/2009 6/2006 4/2006 6/2003 4/2003 6/2001 4/1999 6/1994 4/1964	Director, Hitachi, Ltd. Board Director (Chair), Hitachi, Ltd. Director, Hitachi, Ltd. Director, Hitachi Construction Machinery, Co., Ltd. Executive Vice President, Executive Officer and Director, Hitachi Construction Machinery, Co., Ltd. Executive Vice President and Representative Director, Hitachi Construction Machinery, Co., Ltd. Board Director, Senior Vice President, Hitachi Construction Machinery, Co., Ltd. General Manager, Internal Auditing Office General Manager, Accounting Department Joined Hitachi, Ltd.
Masaharu Sumikawa (Jul. 2, 1943)	Director (Chairman of the Board, Hitachi Plant Technologies, Ltd.)	6/2010 4/2010 4/2006 10/2004 2/2004 6/2003 6/2002 2/2002 4/1972	Director, Hitachi, Ltd. Chairman of the Board, Hitachi Plant Technologies, Ltd. (Currently in office) Chairman of the Board and Representative Executive Officer, Hitachi Plant Technologies, Ltd. President and Chief Executive Officer and Director, Hitachi Plant Technologies, Ltd. Executive Vice President and Executive Officer (Retired in March 2006) Executive Officer Senior Vice President and Executive Officer Senior Vice President and Director President, Power & Industrial Systems and CEO, power systems operation Joined Hitachi, Ltd.
Hiroaki Nakanishi (Mar. 14, 1946)	Director*	6/2010 4/2010 4/2009 4/2006 6/2005 4/2004 6/2003 4/2003 4/1970	President and Director President Executive Vice President and Executive Officer Executive Vice President and Executive Officer (Retired in December 2006) Senior Vice President and Executive Officer Chairman and Chief Executive Officer, Hitachi Global Storage Technologies, Inc. Senior Vice President and Executive Officer Vice President and Executive Officer General Manager, Global Business Joined Hitachi, Ltd.
Michiharu Nakamura (Sept. 9, 1942)	Director	6/2008 4/2007 4/2004 6/2003 4/2001 4/1967	Director Fellow Executive Vice President and Executive Officer Senior Vice President and Executive Officer General Manager, Research & Development Group Joined Hitachi, Ltd.

Table of Contents

Name (Date of birth)	Current position (Principal position outside Hitachi, if any)	Date	Business experience, including experience in Hitachi, and functions
Takashi Hatchoji (Jan. 27, 1947)	Director (Chairman of the Board, Hitachi America, Ltd.)	6/2011	Director, Hitachi, Ltd.
		4/2011	Chairman of the Board, Hitachi America, Ltd. (Currently in office)
		4/2009	Executive Vice President and Executive Officer, Hitachi, Ltd. (Retired in March 2011)
		6/2007	President and Director, Hitachi Research Institute, Ltd.
		4/2006	Executive Vice President and Executive Officer (Retired in March 2007)
		4/2004	Senior Vice President and Executive Officer
		6/2003	Vice President and Executive Officer
		4/2003	General Manager, Legal and Corporate Communications and General Manager, Corporate Auditing
		4/1970	Joined Hitachi, Ltd.
Takashi Miyoshi (Sept. 25, 1947)	Director*	6/2009	Executive Vice President, Executive Officer and Director, Hitachi, Ltd.
		4/2009	Executive Vice President and Executive Officer, Hitachi, Ltd.
		6/2008	President, Chief Executive Officer and Director, Hitachi Systems & Services, Ltd. (Currently Hitachi Solutions, Ltd.)
		4/2008	Executive Vice President and Executive Officer, Hitachi Systems & Services, Ltd.
		6/2007	Chairman of the Board, Hitachi Global Storage Technologies, Inc.
		4/2007	Director (Retired in June 2007)
		4/2006	Executive Vice President, Executive Officer and Director
		6/2004	Senior Vice President, Executive Officer and Director
		4/2004	Senior Vice President and Executive Officer
		6/2003	Executive Officer
		4/2003	General Manager, Finance
		4/1970	Joined Hitachi, Ltd.

Note: The Directors marked with * concurrently serve as Executive Officers. See “Executive Officers” below.

The members of each of our committees are as follows:

- *Nominating Committee* . Takashi Kawamura (Chair), Yoshie Ota, Mitsuo Ohashi, Tohru Motobayashi;
- *Audit Committee* . Tadamichi Sakiyama (Chair), Yoshie Ota, Tohru Motobayashi; and
- *Compensation Committee*. Hiroaki Nakanishi (Chair), Mitsuo Ohashi, Nobuo Katsumata, Tohru Motobayashi.

Table of Contents

Executive Officers

Name (Date of birth)	Current position (Responsibility of Executive Officer as authorized by the Board of Directors)	Date	Business experience, including experience in Hitachi, and functions
Hiroaki Nakanishi (Mar. 14, 1946)	Representative Executive Officer President (Overall management)	See “Directors” above	
Koji Tanaka (Jan. 22, 1952)	Representative Executive Officer Executive Vice President and Executive Officer (Power systems business, transportation systems business, social infrastructure & industrial systems business, urban planning and development systems business and defense systems business)	4/2011 4/2007 5/2006 4/1974	Executive Vice President and Executive Officer Vice President and Executive Officer General Manager, Hitachi Works, Power Systems Joined Hitachi, Ltd.
Junzo Nakajima (Feb. 8, 1949)	Representative Executive Officer Executive Vice President and Executive Officer (Information & control systems business, information & telecommunication systems business and information technology)	4/2011 4/2009 4/2006 4/2005 5/1972	Executive Vice President and Executive Officer Senior Vice President and Executive Officer Vice President and Executive Officer Chief Operating Officer, Information & Telecommunication Systems Joined Hitachi, Ltd.
Takashi Miyoshi (Sept. 25, 1947)	Representative Executive Officer Executive Vice President and Executive Officer (Management strategies, finance and corporate pension system)	See “Directors” above	
Nobuo Mochida (Apr. 1, 1947)	Representative Executive Officer Executive Vice President and Executive Officer (High functional materials & components, quality assurance, production engineering, battery systems business and automotive systems business)	4/2010 6/2006 4/1970	Chairman of the Board, Hitachi Metals, Ltd. (Currently in office) Executive Vice President and Executive Officer, Hitachi, Ltd. President and Chief Executive Officer and Director, Hitachi Metals, Ltd. Joined Hitachi Metals, Ltd.
Kazuhiro Mori (Oct. 7, 1946)	Representative Executive Officer Executive Vice President and Executive Officer (Sales operations, Hitachi group global business, corporate export regulation, medical systems business and business incubation)	1/2007 4/2006 4/2004 6/2003 2/1999 4/1969	Executive Vice President and Executive Officer Senior Vice President and Executive Officer Vice President and Executive Officer Executive Officer General Manager, Chubu Area Operation Joined Hitachi, Ltd.

Table of Contents

Name (Date of birth)	Current position (Responsibility of Executive Officer as authorized by the Board of Directors)	Date	Business experience, including experience in Hitachi, and functions
Shigeru Azuhata (Nov. 21, 1949)	Senior Vice President and Executive Officer (Research & development, environmental strategies and medical systems business)	4/2011 4/2009 1/2008 4/2005 4/1975	Senior Vice President and Executive Officer Vice President and Executive Officer General Manager, Environmental Strategy Office General Manager, Hitachi Research Laboratory Joined Hitachi, Ltd.
Shinjiro Iwata (Jun. 6, 1948)	Senior Vice President and Executive Officer (Information & telecommunication systems business)	4/2011 4/2009 10/2007 4/1972	Senior Vice President and Executive Officer, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President, Hitachi Global Storage Technologies, Inc. Joined Hitachi, Ltd.
Makoto Ebata (Feb. 23, 1947)	Senior Vice President and Executive Officer (Procurement and consumer business)	4/2011 7/2009 4/2008 4/2004 6/2003 2/2002 4/2000 4/1970	Senior Vice President and Executive Officer, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Deputy Chairman, Hitachi Europe Ltd. Vice President and Executive Officer (Retired in March 2008) Executive Officer General Manager, Group Management Office General Manager, Procurement Division Joined Hitachi, Ltd.
Toshiaki Kuzuoka (Nov. 3, 1954)	Senior Vice President and Executive Officer (Human capital, legal and corporate communications, government & external relations, corporate brand and corporate auditing)	4/2011 4/2007 4/2001 4/1978	Senior Vice President and Executive Officer Vice President and Executive Officer General Manager, Legal Division Joined Hitachi, Ltd.
Yoshito Tsunoda (Sept. 20, 1944)	Senior Vice President and Executive Officer (Battery systems business)	6/2010 4/2010 4/2006 6/2005 4/2005 6/2003 4/2003 4/1971	President and Representative Director, Hitachi Maxell, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. President, Chief Executive Officer and Director, Hitachi Maxell, Ltd. Senior Vice President, Executive Officer and Director, Hitachi Maxell, Ltd. Senior Vice President and Executive Officer, Hitachi Maxell, Ltd. Vice President and Executive Officer (Retired in March 2005) President & CEO, Urban Planning and Development Systems Joined Hitachi, Ltd.

Table of Contents

Name (Date of birth)	Current position (Responsibility of Executive Officer as authorized by the Board of Directors)	Date	Business experience, including experience in Hitachi, and functions
Toyoaki Nakamura (Aug. 3, 1952)	Representative Executive Officer	6/2009	Senior Vice President and Executive Officer
	Senior Vice President and Executive Officer	6/2007	Senior Vice President, Executive Officer and Director
	(Finance and corporate pension system)	4/2007	Senior Vice President and Executive Officer
		1/2006	General Manager, Finance Department I
		4/1975	Joined Hitachi, Ltd.
Toshio Ikemura (Dec. 2, 1953)	Vice President and Executive Officer (Urban planning and development systems business)	4/2011	Vice President and Executive Officer, Hitachi, Ltd.
		4/2007	President and Representative Director, Hitachi Building Systems Co., Ltd.
		4/1978	Joined Hitachi, Ltd.
Hitoshi Isa (Feb. 19, 1950)	Vice President and Executive Officer (Power systems business (thermal power systems business promotion))	4/2008	Vice President and Executive Officer
		1/2007	Executive Vice President, Power Systems
		4/1974	Joined Hitachi, Ltd.
Tatsuro Ishizuka (Dec. 23, 1955)	Vice President and Executive Officer (Power systems business)	4/2011	Vice President and Executive Officer
		10/2009	General Manager, Hitachi Works, Power Systems Company
		4/1978	Joined Hitachi, Ltd.
Osamu Ohno (Aug. 6, 1948)	Vice President and Executive Officer (Information technology)	4/2009	Vice President and Executive Officer
		4/2005	General Manager, Information Technology Division
		4/1969	Joined Hitachi, Ltd.
Nobuyuki Ohno (Feb. 24, 1949)	Vice President and Executive Officer (Hitachi group global business (China))	4/2009	Vice President and Executive Officer
		4/2007	Chief Marketing Officer, Information & Telecommunication Systems and Deputy General Manager, Corporate Marketing Group
		4/1971	Joined Hitachi, Ltd.
Yoshifumi Kanda (Mar. 10, 1952)	Vice President and Executive Officer (Power systems business (sales operations))	4/2011	Vice President and Executive Officer
		12/2008	General Manager, Chugoku Area Operation
		4/1974	Joined Hitachi, Ltd.
Masahiro Kitano (Nov. 23, 1955)	Vice President and Executive Officer (Environmental strategies, quality assurance and production engineering)	4/2009	Vice President and Executive Officer
		4/2007	Chief Strategy Officer and General Manager, Strategy Planning & Development Office, Information & Telecommunication Systems
		4/1980	Joined Hitachi, Ltd.

Table of Contents

Name (Date of birth)	Current position (Responsibility of Executive Officer as authorized by the Board of Directors)	Date	Business experience, including experience in Hitachi, and functions
Ryuichi Kitayama (Feb. 4, 1952)	Vice President and Executive Officer (Sales operations)	4/2010 10/2009 4/1976	Vice President and Executive Officer Chief Marketing Officer, Information & Telecommunication Group, Information & Telecommunication Systems Company Joined Hitachi, Ltd.
Kazuhiro Kurihara (Dec. 6, 1952)	Vice President and Executive Officer (Sales operations (Chubu Area))	4/2011 4/2010 4/1976	Vice President and Executive Officer General Manager, Chubu Area Operation Joined Hitachi, Ltd.
Yutaka Saito (Dec. 11, 1954)	Vice President and Executive Officer (Information & control systems business)	4/2010 10/2009 4/1979	Vice President and Executive Officer President & CEO, Information & Control Systems Company Joined Hitachi, Ltd.
Kaichiro Sakuma (Jan. 29, 1954)	Vice President and Executive Officer (Information & telecommunication systems business (platform systems business))	4/2009 4/2008 4/1979	Vice President and Executive Officer, Hitachi, Ltd. President & Chief Executive Officer, Hitachi Information & Telecommunication Systems Global Holding Corporation Joined Hitachi, Ltd.
Yasuo Tanabe (Oct. 5, 1954)	Vice President and Executive Officer (Government & external relations)	4/2011 6/2010 8/2006 4/1978	Vice President and Executive Officer, Hitachi, Ltd. Joined Hitachi, Ltd. Deputy Director-General, Economic Affairs Bureau, Ministry of Foreign Affairs (Retired in March 2010) Joined Ministry of International Trade and Industry
Masahide Tanigaki (Jan. 11, 1951)	Vice President and Executive Officer (Sales operations, Hitachi group global business and corporate export regulation)	4/2010 10/2009 4/1975	Vice President and Executive Officer Deputy General Manager, Power Systems Sales Management Division, Power Systems Company Joined Hitachi, Ltd.
Toshikazu Nishino (Jan. 9, 1955)	Vice President and Executive Officer (Management strategies)	4/2011 4/2010 4/1980	Vice President and Executive Officer Senior Manager, Strategy & Project Office, Supervisory Office for Management Reforms Joined Hitachi, Ltd.

Table of Contents

Name (Date of birth)	Current position (Responsibility of Executive Officer as authorized by the Board of Directors)	Date	Business experience, including experience in Hitachi, and functions
Masaharu Hanyu (Feb. 20, 1951)	Vice President and Executive Officer (Power systems business (nuclear power systems business promotion))	4/2011	Vice President and Executive Officer, Hitachi, Ltd.
		7/2007	President and Representative Director, Hitachi-GE Nuclear Energy, Ltd.
		4/1975	Joined Hitachi, Ltd.
Toshiaki Higashihara (Feb. 16, 1955)	Vice President and Executive Officer (Social infrastructure & industrial systems business)	4/2011	Vice President and Executive Officer, Hitachi, Ltd.
		6/2010	President and Representative Director, Hitachi Plant Technologies, Ltd. (Currently in office)
		4/2010	President and Chief Executive Officer, Hitachi Plant Technologies, Ltd.
		4/2008	President, Hitachi Power Europe GmbH
		4/2007	Vice President and Executive Officer (Retired in March 2008)
		4/2006	Chief Operating Officer, Information & Telecommunication Systems
		4/1977	Joined Hitachi, Ltd.
Naoki Mitarai (Oct. 30, 1952)	Vice President and Executive Officer (Human capital)	4/2011	Vice President and Executive Officer
		4/2010	General Manager, Corporate Administration Division, Human Capital Group
		4/1976	Joined Hitachi, Ltd.
Yoshihiko Mogami (Aug. 1, 1953)	Vice President and Executive Officer (Information & telecommunication systems business (system solutions business))	4/2010	Vice President and Executive Officer
		10/2009	Chief Operating Officer, System Solutions Business, Information & Telecommunication Group, Information & Telecommunication Systems Company
		4/1976	Joined Hitachi, Ltd.

There are no family relationships between any of our Directors or Executive Officers and any other of our Directors or Executive Officers. There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a Director or Executive Officer.

B. Compensation

The aggregate amount of compensation, including retirement allowances, paid by us during the year ended March 31, 2011 to all our Directors and Executive Officers who served during that year was ¥3,030 million. The amount of compensation for Takashi Kawamura, our Chairman of the Board and former Representative Executive Officer, was ¥170 million, representing his total annual salary and a performance-linked bonus. The amount of compensation for Hiroaki Nakanishi, our Representative Executive Officer and Director, was ¥170 million, representing his total annual salary and a performance-linked bonus.

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

Compensation for Directors consists of a monthly salary and a year-end allowance. Monthly salary is decided by making adjustments to basic salary that reflect full-time or part-time status, committee membership and position. Year-end allowance is a predetermined amount equivalent to about 20% of the Director's annual income based on monthly salary, although this amount may be reduced depending on our performance. A Director concurrently serving as an Executive Officer is not paid compensation as a Director.

Compensation for Executive Officers consists of a monthly salary and a performance-linked bonus. We decide monthly salary by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment. The performance-linked bonus is payable in an amount equivalent to approximately 30% of the Executive Officer's annual income, adjusted based on our performance and on the individual's performance.

We reexamined the compensation structure for directors and officers starting with the compensation for the year ended March 31, 2009 and we abolished the retirement allowance for directors and officers.

C. Board Practices

The Companies Act requires any company adopting the Committee System to (i) establish within its board of directors nominating, audit and compensation committees, a majority of the members of each of which must be outside directors, and (ii) appoint executive officers responsible for executing the business of such company. The Companies Act defines an outside director as a director who is not and has not been an executive director (a representative director or a director who executes such company's business), executive officer, manager (*shihai nin*) or any other employee of such company or its subsidiaries. Under the Committee System, we are not allowed to have corporate auditors, but instead we must delegate auditing function responsibilities to its audit committee. Through the adoption of the Committee System and the resulting separation of business execution and supervision thereof, we hope to improve the efficiency of our management and foster a thorough and transparent management system.

Table of Contents

Our articles of incorporation provide for a Board of Directors of not more than twenty members. All Directors are elected at a general meeting of shareholders and the current Directors were elected at the general meeting of shareholders held on June 24, 2011. Our articles of incorporation provide that, by resolution of the Board of Directors, a Director who convenes and presides over meetings of the Board of Directors shall be selected. Directors are reelected each year, and not on a staggered basis. The term of office of Directors expires at the close of the ordinary general meeting of shareholders for the last business year that will end within one year after their election. A Director may serve any number of consecutive terms. The term of office of the Directors currently in office will expire at the close of the ordinary general meeting of shareholders to be held within three months from March 31, 2012.

Under the Committee System, the Board of Directors focuses on the functions of decision making with respect to fundamental management policies and certain important matters prescribed by law, as well as supervision of execution by the Directors and Executive Officers of their respective duties. The Board of Directors has, by resolution, delegated to the Executive Officers most of its authority to make decisions with regard to our business affairs.

The Nominating Committee is authorized to determine the particulars of proposals concerning the election and dismissal of Directors to be submitted to a general meeting of shareholders. As stated above, a majority of the members of the Nominating Committee must be outside directors.

The Compensation Committee is authorized to establish a policy on the determination of the particulars of compensation for each Director and Executive Officer and to determine the particulars of compensation for each Director and Executive Officer in accordance with such policy. As stated above, a majority of the members of the Compensation Committee must be outside directors.

The Audit Committee is authorized to audit the execution by the Directors and Executive Officers of their respective duties, to prepare its audit report, and to determine the particulars of proposals concerning the election, dismissal and non-retention of our independent auditor to be submitted to the general meeting of shareholders. The Audit Committee has the statutory duty to examine the financial statements and business reports prepared by Executive Officers designated by the Board of Directors and to prepare its audit report. Pursuant to our Board of Directors regulations, the Audit Committee has the authority to pre-approve non-audit services provided by an independent auditor. As stated above, a majority of the members of the Audit Committee must be outside directors. In addition, a member of the Audit Committee may not concurrently be an Executive Officer or a Director who is engaged in our business affairs or those of our subsidiaries, or an accounting advisor (*kaikai san-yo*), a manager (*shihai nin*), or any other employee of our subsidiaries.

For a list of the members of each committee, see “— A. Directors and Senior Management” above.

Our articles of incorporation provide for a maximum of forty Executive Officers. The Board of Directors appoints all Executive Officers. Pursuant to our articles of incorporation, the term of office of Executive Officers expires on the last day of the business year that ends within one year from their election. An Executive Officer may serve any number of consecutive terms. The term of office of the Executive Officers currently in office will expire on March 31, 2012.

Under the Committee System, Executive Officers have the power to make decisions on matters delegated to them by the Board of Directors. An Executive Officer executes our business affairs within the scope of assignment determined by the Board of Directors. From among the Executive Officers, the Board of Directors must appoint one or more representative Executive Officers. Each of the representative Executive Officers has the statutory authority to represent us generally in the conduct of our affairs. Pursuant to our articles of incorporation, the Board of Directors must appoint a President who must also be a representative Executive Officer.

No Directors have service contracts with us providing for benefits upon termination of employment.

Pursuant to the Companies Act and our articles of incorporation, we may, by resolution of the Board of Directors, exempt any Director and Executive Officer from liabilities to us arising in respect of his/her failure to execute duties except in the case of willful misconduct or gross negligence to the extent provided in laws or regulations. In addition, we have entered into an agreement with each outside Director to limit such Director's liabilities to us arising in connection with a failure by such Director to execute his/her duties to us except in the case of willful misconduct or gross negligence. The maximum aggregate amount of liability coverage under these agreements is in accordance with the Companies Act.

D. Employees

The following tables show the number of our full-time employees by segment and geographic area as of March 31, 2009, 2010 and 2011.

Segment

	As of March 31,		
	2009	2010	2011
	(Number of employees)		
Information & Telecommunication Systems	67,828	68,409	70,853
Power Systems	15,611	15,977	16,852
Social Infrastructure & Industrial Systems	42,086	42,980	39,240
Electronic Systems & Equipment	25,051	24,576	25,597
Construction Machinery	16,890	19,063	19,218

High Functional Materials & Components	49,408	47,342	48,745
Automotive Systems	26,839	24,602	25,599
Components & Devices	50,085	51,304	55,474
Digital Media & Consumer Products	29,649	26,491	26,253
Financial Services	3,539	3,429	3,220
Others	31,629	32,538	27,448
Corporate	3,181	3,035	3,246
Total	<u>361,796</u>	<u>359,746</u>	<u>361,745</u>

Table of Contents

Geographic Area

	As of March 31,		
	2009	2010	2011
	(Number of employees)		
Japan	234,519	230,948	216,393
Asia	96,713	99,216	114,150
North America	14,487	14,667	15,537
Europe	10,611	9,488	9,833
Other Areas	5,466	5,427	5,832
Total	361,796	359,746	361,745

In addition to the above, the average number of temporary employees was 42,097 for the year ended March 31, 2009, 39,562 for the year ended March 31, 2010 and 44,353 for the year ended March 31, 2011.

Our employees are members of the Hitachi Workers Union or unions representing the employees of certain domestic subsidiaries under the Federation of Hitachi Group Workers Unions. Each company in our group has a collective bargaining agreement with its workers union. Under the agreements, all of our employees and those of our domestic subsidiaries that have labor unions, except management and a limited number of other employees, must become union members. The collective bargaining agreements are customarily for two-year terms and the present provisions, other than those relating to wages, extend to March 31, 2012. We consider our relations with the labor unions to be excellent and there have been no significant strikes or labor disputes in recent years.

E. Share Ownership

The following table shows the number of shares of our common stock owned by the Directors and Executive Officers as of June 24, 2011, representing 0.04% of total shares issued.

Name	Position	Share ownership (Number of shares)
Takashi Kawamura	Chairman of the Board	155,720
Yoshie Ota	Director	22,000
Mitsuo Ohashi	Director	30,000
Nobuo Katsumata	Director	0
Tohru Motobayashi	Director	40,750
Isao Ono	Director	122,000
Stephen Gomersall	Director	7,000
Tadamichi Sakiyama	Director	48,000
Masaharu Sumikawa	Director	47,000
Hiroaki Nakanishi	President and Director	73,000
Michiharu Nakamura	Director	109,000
Takashi Hatchoji	Director	67,000
Takashi Miyoshi	Executive Vice President, Executive Officer and Director	61,000
Koji Tanaka	Executive Vice President and Executive Officer	32,000
Junzo Nakajima	Executive Vice President and Executive Officer	32,000
Nobuo Mochida	Executive Vice President and Executive Officer	15,000
Kazuhiro Mori	Executive Vice President and Executive Officer	48,000
Shigeru Azuhata	Senior Vice President and Executive Officer	44,000
Shinjiro Iwata	Senior Vice President and Executive Officer	28,000
Makoto Ebata	Senior Vice President and Executive Officer	41,000
Toshiaki Kuzuoka	Senior Vice President and Executive Officer	141,000
Yoshito Tsunoda	Senior Vice President and Executive Officer	34,000
Toyoaki Nakamura	Senior Vice President and Executive Officer	32,000
Toshio Ikemura	Vice President and Executive Officer	5,000
Hitoshi Isa	Vice President and Executive Officer	38,000
Tatsuro Ishizuka	Vice President and Executive Officer	17,000
Osamu Ohno	Vice President and Executive Officer	49,000
Nobuyuki Ohno	Vice President and Executive Officer	40,000
Yoshifumi Kanda	Vice President and Executive Officer	15,000
Masahiro Kitano	Vice President and Executive Officer	20,050
Ryuichi Kitayama	Vice President and Executive Officer	18,000
Kazuhiro Kurihara	Vice President and Executive Officer	22,350
Yutaka Saito	Vice President and Executive Officer	15,000
Kaichiro Sakuma	Vice President and Executive Officer	28,000
Yasuo Tanabe	Vice President and Executive Officer	2,000

Masahide Tanigaki	Vice President and Executive Officer	23,400
Toshikazu Nishino	Vice President and Executive Officer	7,000
Masaharu Hanyu	Vice President and Executive Officer	24,000
Toshiaki Higashihara	Vice President and Executive Officer	24,000
Naoki Mitarai	Vice President and Executive Officer	20,000
Yoshihiko Mogami	Vice President and Executive Officer	13,000
Total		<u>1,610,270</u>

No Director or Executive Officer has different voting rights from any other shareholder of our common stock.

Hitachi Employees' Shareholding Association owned approximately 124,090 thousand shares as of March 31, 2011, which amounted to 2.75% of total shares issued. The association consists of our employees and those of certain of our subsidiaries. Membership in the association is voluntary.

Table of Contents

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table provides information concerning shareholders holding more than 5% of our total shares issued as of March 31, 2011 based on our register of shareholders. It is not necessarily the case that a shareholder recorded on the share register beneficially owns shares of our common stock.

Title of class	Name	Share ownership (Thousands of shares)	Percentage of
			total shares issued
Common stock	The Master Trust Bank of Japan, Ltd. (Trust Account)	287,253	6.4%
Common stock	Japan Trustee Services Bank, Ltd. (Trust Account)	276,235	6.1%

Schedule 13G

In February 2009, we received from Brandes Investment Partners, L.P. a notice included on Schedule 13G filed on February 12, 2009 pursuant to Rule 13d-1(b) under the Securities Exchange Act of 1934, or the Act. The notice indicated that neither Brandes Investment Partners, L.P. nor any of its affiliates owned shares for its own account and that the shares were held solely for investment purposes in the ordinary course of business and not with the purpose or effect of changing or influencing control. However, by virtue of Rule 13d-3 under the Act, Brandes Investment Partners, L.P. may be deemed to “beneficially own” 2,523,820 ADSs and 67,949,856 ordinary shares as of December 31, 2008, representing 2.8% of our total issued shares at that time.

In February 2009, we received from Dodge & Cox a notice included on Schedule 13G filed on February 11, 2009 pursuant to Rule 13d-1(b) under the Act. The notice indicated that Dodge & Cox did not own shares for its own account and that the shares were held solely for investment purposes in the ordinary course of business and not with the purpose or effect of changing or influencing control. However, by virtue of Rule 13d-3 under the Act, Dodge & Cox may be deemed to “beneficially own” 12,557,154 ADSs as of December 31, 2008, representing 3.7% of our total issued shares at that time.

In February 2011, we received from Mitsubishi UFJ Financial Group, Inc. a notice included on Schedule 13G filed on February 8, 2011 pursuant to Rule 13d-1(b) under the Act. The notice indicated that neither Mitsubishi UFJ Financial Group nor any of its affiliates owned shares for its own account and that the shares were held solely for investment purposes in the ordinary course of business and not with the purpose or effect of changing or influencing control. However, by virtue of Rule 13d-3 under the Act, Mitsubishi UFJ Financial Group may be deemed to “beneficially own” 287,108,553 ordinary shares as of December 31, 2010, representing 6.3% of our total issued shares at that time.

Table of Contents

Report of Substantial Shareholdings under the Financial Instruments and Exchange Act

Reports of substantial shareholdings are required under the Financial Instruments and Exchange Act when any person beneficially and solely or jointly owns more than 5% of total issued voting shares of a company listed on any Japanese stock exchange. The following is a summary of the reports we have received from beneficial owners whom we recognize as currently holding more than 5% of our total issued voting shares.

In May 2011, we received a copy of a filing made with the Kanto Local Finance Bureau dated May 19, 2011 indicating that Sumitomo Mitsui Trust Holdings, Inc. directly or indirectly held 232,928,697 shares, representing 5.15% of our total issued shares as of May 13, 2011 and that Sumitomo Mitsui Trust Holdings held the shares solely for investment purposes. We have not received any revision or update to the filing made with the Kanto Local Finance Bureau.

In May 2011, we received a copy of a filing made with the Kanto Local Finance Bureau dated May 30, 2011 indicating that Mitsubishi UFJ Financial Group, Inc. directly or indirectly held 237,294,613 shares, representing 5.24% of our total issued shares as of May 23, 2011 and that Mitsubishi UFJ Financial Group held the shares solely for investment and dealing purposes. We have not received any revision or update to the filing made with the Kanto Local Finance Bureau.

Our major shareholders do not have different voting rights from any other shareholder of our common stock.

As of March 31, 2011, 238 U.S. shareholders of record, in the aggregate, including the depository's nominee as one shareholder of record, owned approximately 20.4% of our common stock.

No other corporation, foreign country or any other natural or legal person severally or jointly directly or indirectly owns or controls us. To our knowledge there are no arrangements, the operation of which may at a subsequent date result in a change in control of us.

B. Related Party Transactions

To our knowledge, as of March 31, 2011, no person was the beneficial owner of more than 10% of any class of our shares which might give that person significant influence over us. In addition, we are not directly or indirectly owned or controlled by, or under common control with, any enterprise.

We may enter into transactions with shareholders or potential large investors in the ordinary course of our business. We may also enter into transactions in the ordinary course of our business with certain companies over which we or our key management personnel may have a significant influence. We believe that we conduct our business with these companies in the normal course and on terms equivalent to those that would exist if they did not have equity holdings in Hitachi, or if we or our key management personnel did not have significant influence over them, as the case may be. None of these transactions is or was material to us or, to our knowledge, to the other party.

There are no outstanding loans (including guarantees of any kind) made by us or any of our subsidiaries to or for the benefit of our Directors or Executive Officers except home loans extended to certain Executive Officers, including a newly appointed Executive Officer, by a subsidiary of ours engaged in the business of financial services. The aggregate outstanding balance of such loans to the Executive Officers as of May 31, 2011 was ¥96 million, and the largest aggregate outstanding balance during the period from April 1, 2010 through May 31, 2011 was ¥148 million. We believe these loans were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features.

Table of Contents

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Consolidated Financial Statements

See “Item 18. Financial Statements.”

Legal Proceedings

We and certain of our subsidiaries and equity method affiliates are subject to a number of legal proceedings, as follows.

In January 2007, the European Commission ordered us, Hitachi Europe, our wholly owned subsidiary, and Japan AE Power Systems Corporation, or AE Power, an equity method affiliate of ours which was demerged and succeeded to our gas insulated switchgear, or GIS, operations, to pay a fine for infringement of EC antitrust rules regarding alleged antitrust violations relating to GIS equipment used at substations. In April 2007, we lodged an appeal with the Court of First Instance of the European Communities requesting the court to annul the decision of the European Commission. The European Commission has not yet rendered a determination, but we believe that we have accrued a reasonably estimated amount for the fine based on past judgments in the year ended March 31, 2007.

In December 2006, we and Hitachi Europe received requests for information from the European Commission in respect of alleged antitrust violations relating to LCDs. Also in December 2006, Hitachi Displays, our subsidiary which was demerged and succeeded to our LCD operations, received a grand jury subpoena in connection with the investigation conducted by the Antitrust Division of the U.S. Department of Justice in respect of alleged antitrust violations relating to LCDs. In March 2009, Hitachi Displays pled guilty to one count of price fixing under the Sherman Act, for which it paid a fine in June 2009.

In June 2007, we received requests for information from the European Commission in respect of alleged antitrust violations relating to dynamic random access memories. In May 2010, the European Commission ordered us to pay a fine for infringement of EC antitrust rules. We paid the fine in August 2010.

In November 2007, Hitachi Electronic Devices (USA), Inc., a subsidiary of Hitachi Displays, received a grand jury subpoena in connection with an investigation conducted by the Antitrust Division of the U.S. Department of Justice in respect of alleged antitrust violations relating to cathode ray tubes, or CRTs. In addition, in November 2007, Hitachi Asia, our wholly owned subsidiary, and Hitachi Europe received requests for information from the European Commission in respect of alleged antitrust violations relating to CRTs. Further, in November 2007, Hitachi Canada, our subsidiary, received requests for information from the Canadian Competition Bureau in respect of alleged antitrust violations relating to CRTs.

In June 2009, our subsidiary, Hitachi-LG Data Storage, received a grand jury subpoena in connection with an investigation conducted by the Antitrust Division of the U.S. Department of Justice and received requests for information from the European Commission, both in respect of alleged antitrust violations relating to optical disk drives. Also in June 2009, the Competition Commission of Singapore began an investigation of our subsidiary, Hitachi-LG Data Storage Korea, also in respect of alleged antitrust violations relating to optical disk drives. We believe that we have accrued a reasonably estimated amount for potential losses in relation to the investigation by the Antitrust Division of the U.S. Department of Justice as of March 31, 2011.

Table of Contents

We and the other named parties have cooperated with the above investigations. In addition, subsequent to these actions by the competent authorities, civil disputes, including class action lawsuits, involving us and certain of our subsidiaries and equity method affiliates that are or were formerly engaged in the semiconductor, LCD, CRT and optical disk drive businesses, have arisen in a number of countries, including the United States and Canada. These complaints allege violations of various jurisdictions' antitrust, consumer protection or unfair competition laws and seek treble monetary damages, restitution, costs, interest and attorneys' fees for unspecified amounts. We believe that we have accrued a reasonably estimated amount for potential losses in relation to these civil disputes as of March 31, 2011. Depending upon their outcome, such legal proceedings may, either singly or in the aggregate, result in a material adverse effect on our business, results of operations, cash flows, financial condition, reputation or credibility. Except as otherwise stated, as we are currently unable to make reasonable estimates as to such adverse effects, if any, no accrual for potential losses has been made with respect thereto.

In June 2006, Hamaoka Nuclear Power Station No. 5 of Chubu Electric Power was shut down due to turbine damage. As a precautionary measure, on July 5, 2006, Hokuriku Electric Power Company shut down Shika Nuclear Power Station No. 2, which uses the same type of turbines, for an examination of the turbines. The examination revealed damage to the turbine vanes. We included the accrued amount of the repair costs in our operating results for the year ended March 31, 2007, and we recorded it as part of cost of sales.

In September 2008, Chubu Electric Power filed a lawsuit against us in the Tokyo District Court. Chubu Electric Power seeks compensation in the amount of ¥41.8 billion plus interest for consequential losses from the breakdown of certain turbine vanes in the nuclear reactors at Hamaoka Nuclear Power Station. In May 2009, Hokuriku Electric Power filed a lawsuit against us in the Tokyo District Court. Hokuriku Electric Power seeks compensation in the amount of ¥33.7 billion plus interest for consequential losses from the breakdown of certain turbine vanes in the nuclear reactors at Shika Nuclear Power Station. We are vigorously defending ourselves in these lawsuits. We have not accrued for consequential losses related to these lawsuits. However, there can be no assurance that we will not be liable for any amount claimed.

In addition to the above, we, certain of our subsidiaries and our equity method affiliates are subject to several other legal and arbitration proceedings and claims which have arisen in the ordinary course of business and have not been finally adjudicated. However, based upon the information currently available to us, our management does not expect the outcomes of these legal and arbitration proceedings and claims to have a material effect on our financial condition, results of operations or cash flows.

Dividend Policy

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

We believe that, when necessary, we should repurchase our shares as part of our policy on distribution to shareholders to complement the dividend payout. In addition, we may repurchase our own shares on an ongoing basis in order to flexibly implement a capital strategy, including business restructuring, to greatly enhance shareholder value so far as it is consistent with the dividend policy. We will take such action after considering our future capital requirement under our business plans, market conditions and other relevant factors.

Consistent with our dividend policy and taking into account, among other things, our business forecast, we paid a dividend of ¥8 per share for the year ended March 31, 2011.

B. Significant Changes

None.

Table of Contents

Item 9. The Offer and Listing

A. Offer and Listing Details

The primary market for our common stock is the Tokyo Stock Exchange, or the TSE. The common stock is traded on the First Section of the TSE and is also listed on four other Japanese stock exchanges: Osaka, Nagoya, Fukuoka and Sapporo. In the United States, our ADSs are listed and traded on the New York Stock Exchange, or the NYSE, in the form of Certificated ADSs (ADRs) or Uncertificated ADSs. There may from time to time be a differential between the common stock's price on exchanges in Japan and the market price of the ADSs in the United States.

ADRs are issuable pursuant to the Second Amended and Restated Deposit Agreement dated as of December 14, 2007, or the Deposit Agreement, by and among us, Citibank, N.A. as depositary, or the Depositary, and the holders and beneficial owners of ADSs. Each ADS or ADR represents ten shares of our common stock deposited under the Deposit Agreement with Mizuho Corporate Bank, Ltd., Tokyo, as agents of the depositary, or any successor or successors to such agent or agents.

The following table sets forth for the periods indicated the reported high and low sales prices of our common stock on the TSE and the reported high and low sales prices of our ADSs on the NYSE.

	TSE price per share of		NYSE price per ADS	
	common stock (Yen)		(U.S. Dollars)	
	High	Low	High	Low
Fiscal year ended March 31,				
2007	936	644	79.760	55.740
2008	947	569	79.200	58.990
2009	843	230	77.330	23.840
2010	404	227	40.790	26.060
2011	523	313	65.230	35.590
Fiscal year ended March 31, 2010				
1 st quarter	404	264	40.790	27.370
2 nd quarter	337	262	35.590	28.860
3 rd quarter	314	227	33.970	26.060
4 th quarter	353	276	37.930	30.560
Fiscal year ended March 31, 2011				
1 st quarter	424	317	45.020	35.940
2 nd quarter	387	313	44.740	35.590
3 rd quarter	434	344	53.600	42.220
4 th quarter	523	334	65.230	45.110
Fiscal year ending March 31, 2012				
1 st quarter (through June 17)	477	387	59.450	47.160
January 2011	468	436	56.600	53.310
February 2011	515	454	61.500	57.100
March 2011	523	334	65.230	45.110
April 2011	439	387	54.940	47.160
May 2011	471	437	58.230	53.940
June 2011 (through June 17)	477	448	59.450	56.440

(1) Prices per share of common stock are as reported by the TSE.

(2) Prices per ADS are based upon one ADS representing ten shares of common stock and are as reported by the NYSE via the NYSEnet system.

Table of Contents

B. Plan of Distribution

Not applicable.

C. Markets

See “A. Offer and Listing Details” in this Item.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Organization

We are incorporated in Japan under the former Commercial Code of Japan and exist under the Companies Act. We are registered in the commercial register (*shogyo tokibo*) maintained by the Tokyo Legal Affairs Bureau of the Ministry of Justice.

Objects and Purposes

Article 2 of our articles of incorporation provides that our purpose is to carry on the following businesses: manufacture and sale of electrical machinery and appliances; manufacture and sale of industrial machinery and appliances; manufacture and sale of rolling stock; manufacture and sale of telecommunication and electronic machinery and appliances; manufacture and sale of lighting and household machinery and appliances; manufacture and sale of optical and medical machinery and instruments; manufacture and sale of measuring and other general machinery and appliances; manufacture and sale of materials related to the products mentioned in any of the foregoing items; preparation and sale of software; preparation and sale of images, software and data related to multimedia; leasing and maintenance services of the products mentioned in any of the foregoing items; supply of electricity; telecommunication, information processing and information supply services, as well as broadcasting; undertaking of commercial transactions and payment transactions by utilizing the Internet; provision of results of research and development related to biotechnology; consulting on any of the foregoing items; licensing of industrial property rights and know-how; undertaking of engineering related to any of the foregoing items; design, supervision and undertaking of construction work; money lending, factoring, debt guarantee and investment advisory business; home health care service business, home health care support business and the operation of health care and nursing facilities under the Health Care Insurance Law; any and all businesses related to the foregoing items.

Table of Contents

Directors

Under the Committee System, the Board of Directors focuses on the functions of decision-making with respect to fundamental management policies and certain important matters prescribed by law, as well as supervision of execution by the Directors and Executive Officers of their respective duties. The Board of Directors may, by resolution, delegate to the Executive Officers its authority to make decisions with regard to our business affairs.

Under the Companies Act, the adoption of a resolution of the Board of Directors requires a majority vote of the Directors present, who must in turn constitute a majority of the Directors who are entitled to vote for the resolution. Any Director who has a conflict of interest or a vested interest with respect to any given resolution cannot participate in voting for the resolution. Under the Companies Act and our articles of incorporation, the Board of Directors can dispense with holding a board meeting to approve a proposed resolution if all the Directors who are entitled to vote on it consent in writing to approve the proposed resolution. Under the Companies Act, each Director must refrain from engaging in any business competing with us unless approved by the Board of Directors.

The Companies Act provides that, under the Committee System, the Compensation Committee established within the Board of Directors determines matters relating to compensation for each Director and Executive Officer. A member of a Committee, including the Compensation Committee, cannot participate in voting for any resolution in which such member has a special interest. Therefore, a member of the Compensation Committee cannot participate in voting for any resolution relating to his/her own compensation.

There is no mandatory retirement age for the Directors required by the Companies Act or our articles of incorporation. No shares are required for a Director's qualification under the Companies Act or our articles of incorporation.

As a company that has adopted the Committee System, we have delegated to Executive Officers, by resolution of the Board of Directors, powers regarding the incurrence by us of a significant amount of debt.

Common Stock

Distribution of surplus

Under the Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so called "dividends," are referred to as "Distributions of Surplus" ("Surplus" is described in "Restriction on Distributions of Surplus" below). We may make Distributions of Surplus to the shareholders any number of times per fiscal year, subject to certain limitations described in "Restriction on Distributions of Surplus." The Companies Act requires Distributions of Surplus in principle to be authorized by a resolution of a general meeting of shareholders. However, in accordance with the Companies Act, our articles of incorporation provide that the Board of Directors may decide to make Distributions of Surplus, except for limited exceptions, as provided by the Companies Act, since we have satisfied the following requirements:

- (a) an independent auditor is appointed;
- (b) the normal term of office of our Directors terminates on or prior to the date of conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within the period of one year from the election of the Directors; and
- (c) the Committee System is adopted.

The provision in our articles of incorporation delegating the decision to make Distributions of Surplus to the Board of Directors is effective only if non-consolidated annual financial statements and certain other documents for the last fiscal year present fairly our assets and profit or loss, as required by the ordinances of the Ministry of Justice.

Under our articles of incorporation, distribution of surplus through dividend payment, if any, will be made to shareholders of record as of March 31 and September 30 of each year pursuant to a resolution of our Board of Directors or a general meeting of shareholders. In addition, under the Companies Act and our articles of incorporation, we may make further Distributions of Surplus to shareholders of record as of another record date for the purpose of distributing surplus by resolution of our Board of Directors or a general meeting of shareholders. See "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Dividend Policy" for additional information.

Under our articles of incorporation, we are not obligated to make a distribution of surplus that a shareholder leaves unclaimed for a period of three years after the date on which it first became payable.

Table of Contents

Distributions of Surplus may be made in cash or in kind in proportion to the number of shares each shareholder holds. A resolution of the Board of Directors or a general meeting of shareholders authorizing a Distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a Distribution of Surplus is to be made in kind, we may, pursuant to a resolution of a general meeting of shareholders or our Board of Directors, grant a right to our shareholders to require us to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of surplus must be approved by a special resolution of a general meeting of shareholders. For information as to Japanese taxes on dividends, see “E. Taxation — Japanese Taxation.”

Restrictions on distributions of surplus

When we make a distribution of surplus, we must, until the aggregate amount of our capital surplus reserve and earned surplus reserve reaches one-quarter of our capital stock, set aside in our capital surplus reserve and/or earned surplus reserve an amount equal to one-tenth of the amount of Surplus so distributed.

Under the Companies Act, we may distribute Surplus up to the amount (the “Distributable Amount”) equal to the aggregate of (a) and (b) below, less the aggregate of (c) through (f) below, as of the effective date of the distribution, if our net assets are not less than ¥3,000,000:

- (a) the amount of Surplus, as described below;
- (b) in the event that extraordinary financial statements as of, and for a period from the beginning of the fiscal year to, the specified date are approved, the aggregate amount of (i) the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net income for such period described in the statement of operations constituting the extraordinary financial statements and (ii) the amount of consideration that we received for the treasury stock that we disposed of during such period;
- (c) the book value of our treasury stock;
- (d) in the event that we disposed of treasury stock after the end of the last fiscal year, the amount of consideration that we received for such treasury stock;
- (e) in the event described in (b) in this paragraph, the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net loss for such period described in the statement of operations constituting the extraordinary financial statements; and
- (f) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of its goodwill and deferred assets exceeds the total of our capital stock, capital surplus reserve and earned surplus reserve, each such amount as it appears on the balance sheet as of the end of the last fiscal year) all or certain parts of such excess amount as calculated in accordance with the ordinances of the Ministry of Justice.

If we become, at our option, a company with respect to which consolidated balance sheets should also be taken into consideration in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), we will be required to further deduct from the Distributable Amount the excess amount, if any, of (x) the total amount of shareholders’ equity appearing on our non-consolidated balance sheet as of the end of the last fiscal year and certain other amounts set forth in the ordinances of the Ministry of Justice over (y) the total amount of shareholders’ equity and certain other amounts set forth in the ordinances of the Ministry of Justice appearing on our consolidated balance sheet as of the end of the last fiscal year.

For the purposes of this section, the amount of Surplus is the amount equal to the aggregate of I through IV below, less the aggregate of V through VII below:

- I. the aggregate of other capital surplus and other retained earnings at the end of the last fiscal year;
- II. in the event that we disposed of treasury stock after the end of the last fiscal year, the consideration that we received for such treasury stock less the book value thereof;
- III. in the event that we reduced our capital stock after the end of the last fiscal year, the amount of such reduction less the portion thereof that has been transferred to capital surplus reserve and/or earned surplus reserve (if any);

Table of Contents

- IV. in the event that we reduced capital surplus reserve and/or earned surplus reserve after the end of the last fiscal year, the amount of such reduction less the portion thereof that has been transferred to capital stock (if any);
- V. in the event that we canceled treasury stock after the end of the last fiscal year, the book value of such treasury stock;
- VI. in the event that we distributed Surplus after the end of the last fiscal year, the aggregate of the following amounts:
 - a. the aggregate amount of the book value of the distributed assets, excluding the book value of such assets that would be distributed to shareholders but for their exercise of the right to receive a distribution in cash instead of a distribution in kind;
 - b. the aggregate amount of cash we distributed to shareholders who exercised the right to receive a distribution in cash instead of a distribution in kind; and
 - c. the aggregate amount of cash we paid to shareholders holding fewer shares than the shares that were required in order to receive a distribution in kind;
- VII. the aggregate amounts of a through d below, less e and f below:
 - a. in the event that the amount of Surplus was reduced and transferred to capital surplus reserve, earned surplus reserve and/or capital stock after the end of the last fiscal year, the amount so transferred;
 - b. in the event that we distributed Surplus after the end of the last fiscal year, the amount set aside in its reserve;
 - c. in the event that we disposed of treasury stock in the process of (x) a merger in which we acquired all rights and obligations of a company, (y) a corporate split in which we acquired all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the last fiscal year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock;
 - d. in the event that the amount of Surplus was reduced in the process of a corporate split in which we transferred all or a part of our rights and obligations after the end of the last fiscal year, the amount so reduced;
 - e. in the event of (x) a merger in which we acquired all rights and obligations of a company, (y) a corporate split in which we acquired all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the last fiscal year, the aggregate amount of (i) the amount of our other capital surplus after such merger, corporate split or share exchange, less the amount of our other capital surplus before such merger, corporate split or share exchange, and (ii) the amount of our other retained earnings after such merger, corporate split or share exchange, less the amount of our other retained earnings before such merger, corporate split or share exchange; and
 - f. in the event that an obligation to cover a deficiency, such as the obligation of a person who subscribed to newly issued shares with an unfair amount to be paid in, was fulfilled after the end of the last fiscal year, the amount of other capital surplus increased by such payment.

In Japan, the “ex-dividend” date and the record date for any distribution of surplus come before the date a company determines the amount of distribution of surplus to be paid.

Table of Contents

Voting rights

Our shareholders are generally entitled to one vote per unit of shares of common stock they hold, as described in this paragraph and under “— Unit Share System” below. In general, under the Companies Act, a resolution can be adopted at a general meeting of shareholders by a majority of the number of voting rights represented and entitled to vote at the meeting. The Companies Act and our articles of incorporation require the election of Directors annually, and a quorum of not less than one-third of the total number of voting rights of all the shareholders who are entitled to vote. Our shareholders are not entitled to cumulative voting in the election of Directors and the board is not staggered. A corporate shareholder (including a shareholder in the form of a partnership) one-quarter or more of the voting rights of which are directly or indirectly owned by us does not have voting rights. We do not have voting rights with respect to treasury stock. Shareholders may cast their votes in writing and may also exercise their voting rights through proxies, provided that those proxies are also shareholders who have voting rights. Shareholders may also cast their votes by electronic means in accordance with our regulations on handling shares, etc.

The Companies Act and our articles of incorporation provide that a quorum of not less than one-third of the voting rights of the shareholders who are entitled to vote must be present at a shareholders’ meeting to approve any material corporate actions such as:

- a reduction of the capital stock (with certain exceptions);
- amendment of the articles of incorporation;
- establishment of a 100% parent-subsidiary relationship by way of share exchange or share transfer;
- a dissolution, merger or consolidation;
- a corporate split;
- the transfer of the whole or an important part of the business;
- the taking over of the whole of the business of any other corporation;
- entering into an agreement for the leasing of an entire business, entrustment of the management of the entire business or sharing the entire profit and loss with third parties;
- any issuance of new shares at a “specially favorable” price (or any issuance of rights to subscribe for or acquire shares, or stock acquisition rights, with “specially favorable” conditions or of bonds or debentures with stock acquisition rights with “specially favorable” conditions) to persons other than shareholders;
- purchase of shares by us from a specific shareholder other than a subsidiary of ours;
- a reverse stock split; and
- release of part of directors’, independent auditors’ or executive officers’ liabilities to us.

At least two-thirds of the voting rights represented at the meeting must approve these actions.

Issue of additional shares and pre-emptive rights

Holders of our shares of common stock have no preemptive rights under our articles of incorporation. Authorized but unissued shares may be issued at such times and upon such terms as Executive Officers determine, subject to the limitations as to the issuance of new shares at a “specially favorable” price mentioned above. Executive Officers may determine that shareholders be given subscription rights to new shares, in which case they must be given on uniform terms to all shareholders as of a record date of which not less than two weeks’ prior public notice must be given. Each of the shareholders to whom such subscription rights are given must also be given at least two weeks’ prior notice of the date on which such rights expire.

Rights to subscribe for shares of common stock given to the shareholders are not transferable. However, the Companies Act enables us to allot stock acquisition rights to shareholders without consideration therefor, and such stock acquisition rights are transferable. See “— Stock Acquisition Rights” below.

Table of Contents

Liquidation rights

In the event of our liquidation, the assets remaining after payment of all debts and liquidation expenses and taxes will be distributed among the holders of shares of common stock in proportion to the respective numbers of shares of common stock held by each of them.

Stock splits and allotment of shares without consideration

By determination of an authorized Executive Officer, we may at any time split shares of common stock in issue or allot shares of common stock to shareholders without consideration.

When Executive Officers determine to effect a stock split, we may amend our articles of incorporation without shareholder approval to increase the number of authorized shares in proportion to the stock split if we have only one class of outstanding shares. However, in cases of share allotment without consideration, we may not so amend our articles of incorporation without shareholder approval.

Before a stock split and an allotment of shares without consideration, we must give public notice of the stock split or the allotment of shares without consideration specifying the record date and the effective date for the stock split or the allotment of shares without consideration, not less than two weeks prior to the record date.

Promptly after the allotment of shares without consideration takes effect, we must send notice to each shareholder specifying the number of shares to which each such shareholder is entitled.

Under the new paperless book-entry transfer system, on the effective date of the stock split, the numbers of shares recorded in all accounts held by our shareholders at Account Management Institutions will be increased in accordance with the applicable ratio, and on the effective date of an allotment of shares without consideration, the number of shares registered in accounts held by our shareholders at Account Management Institutions will be increased in accordance with a notice from us to JASDEC. Such notice will be made at least two weeks prior to the relevant record date.

Reverse stock split

We may at any time consolidate our shares into a smaller number of shares by a special resolution of the general meeting of shareholders. We must disclose the reason for the reverse stock split at the general meeting of shareholders. When a reverse stock split is to be made, we must give public notice of the reverse stock split at least two weeks prior to the effective date of the reverse stock split.

Under the paperless book-entry transfer system, on the effective date of the reverse stock split, the numbers of shares recorded in all accounts held by our shareholders at Account Management Institutions will be decreased in accordance with the applicable ratio.

Unit share system

Pursuant to the Companies Act, we have designated 1,000 shares as one unit of shares in our articles of incorporation. Under the unit share system, a shareholder is generally entitled to one voting right for each unit of shares of our common stock.

Under the paperless book-entry transfer system, shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

Although the number of shares which constitute one unit is stipulated in our articles of incorporation, an authorized Executive Officer has the power to amend our articles of incorporation to reduce the number of shares which constitute one unit or abolish the unit share system. Pursuant to the Companies Act, the number of shares constituting one unit, however, may not exceed 1,000.

Table of Contents

Our articles of incorporation provide that a holder of shares representing less than one unit does not have any other rights of a shareholder in respect of those shares, other than those specified in the articles of incorporation. This includes rights to:

- receive dividends;
- receive cash or other assets in case of a reverse stock split or stock split, share exchange, share transfer, corporate split or merger;
- be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders; or
- participate in any distribution of surplus assets upon liquidation.

A holder of shares representing less than one unit may at any time require us to purchase his/her shares. These shares will be purchased at (a) the closing price of the shares reported by the TSE on the day when the administrator of the register of shareholders receives the request to purchase or (b) if no sale takes place on the TSE on that day, the price at which a sale of shares is effected on the TSE immediately thereafter. Our articles of incorporation also provide that a holder of shares representing less than one unit may require us to sell to such holder such number of shares as may be necessary to raise such holder's share ownership to a whole unit. These shares will be sold at (a) the closing price of the shares reported by the TSE on the day when the administrator of the register of shareholders receives the request to sell or (b) if no sale takes place on the TSE on that day, the closing price at which the sale of shares is effected on the TSE immediately thereafter. Under the paperless book-entry transfer system, the request set forth in this paragraph must be made through the relevant Account Management Institution and JASDEC.

Repurchase by us of our shares

We may repurchase shares of our common stock (i) by way of purchase on any Japanese stock exchange on which shares are listed or by way of tender offer (in either case pursuant to a resolution of a general meeting of shareholders), (ii) by way of purchase from a specific shareholder other than our subsidiaries (pursuant to a special resolution of a general meeting of shareholders), (iii) by way of purchase from our subsidiary (pursuant to a resolution of the Board of Directors), or (iv) by soliciting all shareholders of our common stock to offer to sell shares they hold (pursuant to a resolution of the Board of Directors). In the case of (ii) above, any other shareholder may make a request to us, five days prior to the relevant general meeting of shareholders, to include such shareholder as a seller in the proposed purchase. The preceding right is subject to the qualification that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the closing price of the shares reported by the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (ii) was adopted. If no sale takes place on that day, the relevant price is the price at which a sale of shares is effected on the relevant stock exchange immediately thereafter.

The authorization to purchase shares of our common stock pursuant to (i) above may also be granted by a resolution of the Board of Directors pursuant to our articles of incorporation; provided, however, that the provision in our articles of incorporation is effective only if non-consolidated annual financial statements and certain other documents for the last fiscal year present fairly our assets and profit or loss, as required by the ordinances of the Ministry of Justice.

Any such repurchase of shares of our common stock must satisfy certain requirements, including that the total amount of the purchase price may not exceed the distributable amount as of the date of repurchase available for distribution of surplus. We may hold the shares acquired in compliance with the provisions of the Companies Act, and we may generally dispose of or cancel such shares in accordance with the Companies Act.

Abolition of share certificates

The Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc. of Japan (Law No. 75 of 2001, as amended), or the Book-Entry Law, amended in 2004, came into force on January 5, 2009, or the Enforcement Date. From the Enforcement Date, all Japanese companies whose shares are listed on a stock exchange in Japan, including us, can no longer issue share certificates. On the Enforcement Date, all share certificates issued by Japanese listed companies as of that date, including our shares of common stock, were abolished and the shares were converted to a paperless or uncertificated form.

Table of Contents

Under the paperless book-entry transfer system, shares held by a shareholder are electronically recorded in an account of that shareholder opened with a Book Entry Organization (*furikae kikan*) or an Account Management Institution (*koza-kanri-kan*). Currently, JASDEC is designated as a Book Entry-Organization. An Account Management Institution is a financial institution such as a bank, securities firm, trust company or certain other financial institution which meets the requirements prescribed by the Book-Entry Law, and only those financial institutions that meet further stringent requirements of the Book-Entry Law can open accounts directly at JASDEC. For purposes of the description under “Common Stock — Abolition of share certificates,” it is assumed that the relevant person has no account at JASDEC. The paperless book-entry transfer system is operated by JASDEC. All the share certificates of Japanese listed companies have been voided, have ceased to have any effect and cannot be traded. All shareholders who own shares must maintain a trading account, as described above, to hold their shares. Any transfer of shares must be effected, not by the physical delivery of share certificates as previously mandated by law, but by electronically recording the transfer of the shares from the transferor’s account to the transferee’s account. The rights regarding voting, dividends and other shareholders rights enjoyed by a shareholder are not affected by the adoption of the paperless book-entry transfer system.

On the Enforcement Date, this paperless book-entry transfer system replaced the depository, custody and book-entry transfer system previously operated by JASDEC.

Under the Book-Entry Law, any transfer of listed shares of Japanese companies is effected through book-entry and the title to the shares passes to the transferee at the time when the transferred number of shares is recorded in the transferee’s account at an Account Management Institution. The holder of an account at an Account Management Institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act, in order to assert shareholders’ rights against us, the transferee must have its name and address registered in the register of shareholders, except in limited circumstances. Under the paperless book-entry transfer system, such registration is generally made upon an all shareholders notice (as described in “— Register of Shareholders” below) from JASDEC. For this reason, shareholders are required to file their names and addresses with our administrator of shareholders through Account Management Institutions and JASDEC. See “— Register of Shareholders” for more information.

Nonresident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan and must give notice of their standing proxy or mailing address to the relevant Account Management Institution. Such notice will be forwarded to our administrator of the register of shareholders through JASDEC. Japanese securities firms and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from us to nonresident shareholders are delivered to the standing proxies or mailing addresses.

Subscription rights

Holders of our shares of common stock have no preemptive rights under our articles of incorporation. Authorized but unissued shares may be issued at such times and upon such terms as Executive Officers determine, subject to the limitations as to the issuance of new shares at a “specially favorable” price mentioned above. Executive Officers may determine that shareholders be given subscription rights to new shares, in which case they must be given on uniform terms to all shareholders as of a record date of which not less than two weeks’ prior public notice must be given. Each of the shareholders to whom such subscription rights are given must also be given at least two weeks’ prior notice of the date on which such rights expire.

Rights to subscribe for shares of common stock given to the shareholders are not transferable. However, the Companies Act enables us to allot stock acquisition rights to shareholders without consideration therefor, and such stock acquisition rights are transferable. See “— Stock acquisition rights” below.

Stock acquisition rights

Pursuant to the Companies Act, we may issue stock acquisition rights. Except where the issuance of stock acquisition rights would be on “specially favorable” terms, Executive Officers may determine the issuance of stock acquisition rights other than those for stock option purposes, which in contrast, must be approved by the Compensation Committee within the Board of Directors. Holders of stock acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as prescribed in the terms of their stock acquisition rights. Upon exercise of stock acquisition rights, we will be obligated to issue the relevant number of new shares, or alternatively, to transfer the necessary number of existing shares held by us.

Table of Contents

Sales by us of shares held by shareholders whose addresses are unknown

We are not required to send a notice to a shareholder if notices to such shareholder fail to arrive for a continuous period of five or more years at the registered address of such shareholder in our register of shareholders or at the address otherwise provided to us.

In addition, we may sell or otherwise dispose of the shares held by a shareholder whose location is unknown. Generally, if:

- notices to a shareholder fail to arrive for a continuous period of five or more years at the shareholder's registered address in our register of shareholders or at the address otherwise provided to us; and
- the shareholder fails to receive dividends on the shares for a continuous period of five or more years at the address registered in our register of shareholders or at the address otherwise provided to us,

we may sell or otherwise dispose of the shareholder's shares at the market price, after giving at least three months' prior public and individual notice, and hold or deposit the proceeds of such sale or disposal for the shareholder.

General Meeting of Shareholders

Capital and reserves

Under the Companies Act we must account for the paid-in amount of any newly issued shares of common stock as capital stock, although we may account for an amount not exceeding one-half of such paid-in amount as capital surplus reserve. We may generally reduce capital surplus reserve and/or earned surplus reserve by resolution of a general meeting of shareholders, and if so decided by the same resolution we may account for the whole or any part of the amount of such reduction as capital stock. We may also transfer all or any part of surplus as described in "— Restriction on Distribution of Surplus" above to capital stock, capital surplus reserve or earned surplus reserve by resolution of a general meeting of shareholders, subject to certain restrictions. We may generally reduce our capital stock by a special resolution of a general meeting of shareholders and, if so decided by the same resolution, we may account for the whole or any part of the amount of such reduction as capital surplus reserve or earned surplus reserve.

Register of shareholders

The registration of names, addresses and other information of shareholders in our register of shareholders will be made by us upon the receipt of the all shareholders notice (*soukabunushi tsuchi*) given to us by JASDEC (with the exception that in the event of the issuance of new shares, we will register the names, addresses and other information of shareholders in our register of shareholders without the all shareholders notice from JASDEC), which will give us such all shareholders notice based on information provided by the Account Management Institutions. Such all shareholders notices will be made only in cases prescribed under the Book-Entry Law such as when we fix the record date and when we make requests to JASDEC with any justifiable reason. Therefore, the shareholder may not assert shareholders' rights against us immediately after such shareholder acquires the shares, unless such shareholder's name and address are registered in the register of shareholders upon receipt of the all shareholders notice; provided, however, that, in respect of the exercise of rights of minority shareholders defined under the Book-Entry Law, the shareholder may exercise such rights upon requesting JASDEC, through the shareholder's Account Management Institution, to issue an individual shareholder notice (*kobetsukabunushi tsuchi*) to us, but only during a certain period prescribed under the Book-Entry Law.

Administrator of the register of shareholders

The Tokyo Securities Transfer Agent Co. Ltd. is our administrator of the register of shareholders. The office of Tokyo Securities Transfer Agent is located at 6-2, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan. Tokyo Securities Transfer Agent maintains our register of shareholders.

Table of Contents

Record date

The record date for annual dividends and the determination of shareholders entitled to vote at the annual general meeting of our shareholders is March 31. In addition, we may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks' prior public notice.

Under the Book-Entry Law, we are required to give notice of each record date to JASDEC at least two weeks prior to each record date. JASDEC is required to promptly give us notice of the names and addresses of its shareholders, the number of shares held by them and other relevant information as of each record date.

We normally hold our ordinary general meeting of shareholders in Tokyo within three months following the date of the end of the fiscal year. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks' advance notice. Under the Companies Act, notice of any shareholders' meeting must be mailed to each shareholder having voting rights or, in the case of a nonresident shareholder, to his resident proxy or mailing address in Japan in accordance with our regulations on handling shares, etc., at least two weeks prior to the date of the meeting. Under the Companies Act, we may give such notice to shareholders by electronic means, with the consent of the relevant shareholders.

Generally, our shareholders registered as having voting rights on the register of shareholders as of the end of a given fiscal year may exercise their voting rights at the ordinary general meeting of shareholders concerning that fiscal year and our shareholders registered as having voting rights on the register of shareholders as of a record date properly fixed by us may exercise their voting rights at the relevant extraordinary general meeting of shareholders.

Reporting of Substantial Shareholdings

The Financial Instruments and Exchange Act requires any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued voting shares of capital stock of a company listed on any Japanese stock exchange in Japan to file with the director general of the relevant financial bureau of Japan within five business days a report concerning such share holdings. A similar report must also be made in respect of any subsequent change of one percentage point or more in any such holding or of any change in material matters set forth in any reports previously filed. Currently, such report is required to be filed through the Electronic Disclosure for Investors' Network, or EDINET. For this purpose, shares issuable to such person upon exercise of any rights to subscribe for or acquire shares are taken into account in determining both the number of shares held by such holder and the issuer's total issued share capital. Any report so filed will be made available for public inspection. Copies of each such report must also be furnished to the issuer of such shares and all Japanese stock exchanges on which the shares are listed.

There is no provision in our articles of incorporation that would have an effect of delaying, deferring or preventing a change in control of Hitachi and that would operate only with respect to a merger, acquisition or corporate restructuring involving us.

C. Material Contracts

None.

D. Exchange Controls

The Foreign Exchange and Foreign Trade Law of Japan, as amended, and the cabinet orders and ministerial ordinances thereunder, or the Foreign Exchange Law, govern certain matters relating to the issuance of equity-related securities by us and the acquisition and holding of shares of common stock by "exchange non-residents" and by "foreign investors" as hereinafter defined.

"Exchange nonresidents" are defined under the Foreign Exchange Law as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Generally branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents, but branches and other offices located within Japan of non-resident corporations are regarded as residents of Japan. "Foreign investors" are defined to be (i) individuals not resident in Japan, (ii) corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan and (iii) corporations of which (a) 50% or more of the voting rights are held by (i) and/or (ii) above, (b) a majority of officers consists of nonresident individuals or (c) a majority of the officers having the power of representation consists of nonresident individuals.

Table of Contents

Dividends and Proceeds of Sales

Under the Foreign Exchange Law, dividends paid on, and the proceeds of sales in Japan of, shares of common stock held by exchange non-residents in general may be converted into any foreign currency and repatriated abroad.

Acquisition of Shares

Under the Foreign Exchange Law, acquisition of shares of a Japanese company listed on any Japanese stock exchange or traded on the over-the-counter market in Japan, or the listed shares, by an exchange non-resident from a resident of Japan is generally not subject to a prior filing requirement.

In case a foreign investor acquires listed shares (whether from a resident of Japan or an exchange non-resident, from another foreign investor or from or through a designated securities company) and as a result of such acquisition the number of shares held directly or indirectly by such foreign investor (including shares held by persons who agree to act in concert with such foreign investor in connection with the exercise of shareholders' rights) would become 10% or more of our total issued shares, such acquisition constitutes a direct inward investment and the foreign investor is required to make a subsequent report on such acquisition to the Minister of Finance and other Ministers having jurisdiction over the business of the subject company, or to the Competent Ministers. In certain exceptional cases, a prior filing is required and the Competent Ministers may recommend the modification or abandonment of the proposed acquisition and, if the foreign investor does not accept the recommendation, order its modification or prohibition. More specifically, such prior filing requirement is triggered if, among other things, we, our subsidiary or any person over which we have the power to determine such person's finance and business policies, is engaged in the manufacture of products related to arms, airplanes, nuclear power or space development, including the manufacturing of general purpose devices capable of being diverted for military use. Due to the nature of our business, including our nuclear power system business that involves the manufacture of products related to nuclear power development and other businesses, this prior filing requirement is likely to apply to the acquisition of our shares.

E. Taxation

Japanese Taxation

The discussion of Japanese taxation set forth below is intended only as a summary and does not purport to be a complete analysis or discussion of all the potential Japanese tax consequences that may be relevant to the ownership of our shares or ADSs by a person who is not a resident of Japan.

A non-resident of Japan or a non-Japanese corporation is generally subject to a Japanese withholding tax on cash dividends. Stock splits and allotment of shares without consideration, in general, are not subject to Japanese withholding tax since they are characterized merely as an increase in the number of shares (as opposed to an increase in the value of the shares) from a Japanese tax perspective.

In the absence of any applicable treaty or agreement reducing the maximum rate of withholding tax, the standard rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-residents of Japan or non-Japanese corporations is generally 20%. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the shares of our common stock) to shareholders who are non-Japanese corporations or Japanese nonresident individuals, the aforementioned standard 20% withholding tax rate is reduced to (i) 7% for dividends due and payable on or before December 31, 2013 and (ii) 15% for dividends due and payable on or after January 1, 2014. This tax reduction is not available for any individual shareholder who holds a certain percentage or more of the shares issued by the relevant Japanese corporation. The relevant percentage is 5% with respect to dividends to be due and payable on or before September 30, 2011 and 3% thereafter.

Pursuant to the Convention Between the Government of the United States of America and the Government of Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, or the Treaty, (i) the withholding tax rate on dividends is generally 10% for portfolio investors (i.e., investors with the shareholding ratio of less than 10%) who are qualified U.S. residents eligible to enjoy treaty benefits and (ii) dividends are exempt from Japanese taxation by way of withholding or otherwise for pension funds which are qualified U.S. residents eligible to enjoy treaty benefits, unless the dividends are derived from the carrying on of a business, directly or indirectly, by such pension funds. For Japanese tax purposes, a treaty rate generally supersedes the tax rate under domestic tax law. However, due to the so-called "preservation doctrine" under the Treaty, and/or due to the Special Measurement Law for the Income Tax Law, Corporation Tax Law and Local Taxes Law with respect to the Implementation of Tax Treaties, if the tax rate under domestic tax law is lower than the treaty rate (which is currently the case with respect to the treaty), the domestic tax rate applies (which, as discussed above, is currently 7% with respect to dividends paid on shares of our common stock or ADSs).

Table of Contents

The amount of withholding tax imposed on dividends payable to the holders of shares of our common stock or ADSs who reside in a country other than the United States is dependent upon the provisions of such treaties or agreements as may exist between such country and Japan.

Gains derived from the sale outside Japan of shares of common stock of Japanese corporations by a non-resident of Japan or a non-Japanese corporation, or from the sale of the shares within Japan by a non-resident of Japan as an occasional transaction or by a non-Japanese corporation not having a permanent establishment in Japan, are in general not subject to Japanese income or corporation taxes. Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired shares of common stock and ADSs as a distributee, legatee or donee even if none of the individual, the decedent or the donor is a Japanese resident.

United States Taxation

The following is a description of certain U.S. federal income tax consequences to the U.S. Holders (as defined below) described below of owning and disposing of shares of common stock or ADSs. This discussion applies only to a U.S. Holder that holds shares of common stock or ADSs as capital assets for tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of the U.S. Holder's particular circumstances, including alternative minimum tax consequences and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- persons holding shares of common stock or ADSs as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the shares of common stock or ADSs;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities, including "individual retirement accounts" or "Roth IRAs";
- persons that own or are deemed to own 10% or more of our voting stock;
- persons who acquired shares of common stock or ADSs pursuant to the exercise of any employee stock option or otherwise as compensation; or
- persons holding shares of common stock or ADSs in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds shares of common stock or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding shares of common stock or ADSs and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the shares of common stock or ADSs.

This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, and the Treaty, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. It is also based in part on representations by the Depositary and assumes that each obligation under the Deposit Agreement and any related agreement will be performed in accordance with its terms.

Table of Contents

A “U.S. Holder” is a holder who, for U.S. federal income tax purposes, is a beneficial owner of shares of common stock or ADSs who is eligible for the benefits of the Treaty and is:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

In general, a U.S. Holder who owns ADSs will be treated as the owner of the underlying shares of common stock represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares of common stock represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom American depositary shares are released prior to delivery of shares to the depository, or intermediaries in the chain of ownership between holders and the issuer of the security underlying the American depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits by holders of American depositary shares. Such actions would also be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain noncorporate holders. Accordingly, the analysis of the creditability of Japanese taxes and the availability of the reduced tax rate for dividends received by certain noncorporate U.S. Holders, each described below, could be affected by actions taken by such parties or intermediaries.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of shares of common stock or ADSs in their particular circumstances.

This discussion assumes that we are not, and will not become, a passive foreign investment company, as described below.

Taxation of Distributions

Distributions paid on shares of common stock or ADSs, other than certain *pro rata* distributions of common stock, will generally be treated as dividends. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders in taxable years beginning before January 1, 2013 may be taxable at favorable rates, up to a maximum rate of 15%. U.S. Holders should consult their tax advisers regarding the availability of the reduced tax rate on dividends in their particular circumstances. The amount of a dividend will include any amounts withheld by us in respect of Japanese taxes. The amount of the dividend will be treated as foreign-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Dividends will be included in a U.S. Holder’s income on the date of the U.S. Holder’s or, in the case of ADSs, the Depositary’s receipt of the dividend. The amount of any dividend paid in yen will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss, which is generally ordinary income or loss, in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Subject to applicable limitations, some of which vary depending upon the U.S. Holder’s circumstances, Japanese income taxes withheld from dividends on shares of common stock or ADSs at a rate not exceeding the rate provided by the Treaty will be creditable against the U.S. Holder’s U.S. federal income tax liability. Instead of claiming a foreign tax credit, a U.S. Holder may elect to deduct foreign taxes, including the Japanese tax, in computing such holder’s taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all taxes paid or accrued in the taxable year to foreign countries and possessions of the United States. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances.

Table of Contents

Sale or Other Disposition of Shares

For U.S. federal income tax purposes, gain or loss realized on the sale or other disposition of shares of common stock or ADSs will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held the shares of common stock or ADSs for more than one year. The amount of the gain or loss will equal the difference between the U.S. Holder's tax basis in the shares of common stock or ADSs disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes.

Passive Foreign Investment Company Rules

We do not believe that we were a "passive foreign investment company," or a PFIC, for U.S. federal income tax purposes for our taxable year ended March 31, 2011, and we do not expect to become a PFIC in the foreseeable future. However, since PFIC status depends on the composition of our income and assets and the market value of our assets from time to time, there can be no assurance that we will not be a PFIC for any taxable year.

If we were a PFIC for any taxable year during which a U.S. Holder held shares of common stock or ADSs, gain recognized by a U.S. Holder on a sale or other disposition (including certain pledges) of shares of common stock or ADSs would be allocated ratably over the U.S. Holder's holding period for the shares of common stock or ADSs. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the amount allocated to that taxable year. Further, to the extent that any distribution received by a U.S. Holder on its shares of common stock or ADSs exceeds 125% of the average of the annual distributions on the shares of common stock or ADSs received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the shares of common stock or ADSs. U.S. Holders should consult their tax advisers to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances. In addition, if we were a PFIC, the 15% dividend rate discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

For taxable years beginning after March 18, 2010, new legislation requires certain U.S. Holders who are individuals to report information relating to stock of a non-U.S. person, subject to certain exceptions (including an exception for stock held in custodial accounts maintained by a U.S. financial institution). U.S. Holders are urged to consult their tax advisers regarding the effect, if any, of this legislation on their ownership and disposition of shares of common stock or ADSs.

F. Dividends and Paying Agents

Not applicable.

Table of Contents

G. Statement by Experts

Not applicable.

H. Documents on Display

The documents filed by us with the SEC can be inspected at its public reference room located at 100 F Street, N.E., Washington D.C. 20549. The documents filed via the Electronic Data Gathering, Analysis, and Retrieval system can be also available for inspection on the SEC's web site (<http://www.sec.gov>).

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Primary Market Risk Exposure

We are exposed to market risks from changes in foreign currency exchange rates, interest rates and market prices for equity securities. We seek to manage these market risks by using derivative financial instruments. We generally do not employ derivative financial instruments for speculation purposes.

We are exposed to credit-related risks arising from the potential non-performance by counterparties to derivative and other financial instruments we use to hedge our market risks. Most of the counterparties are internationally recognized financial institutions and contracts are diversified among a number of major financial institutions.

Equity Price Risk

We hold marketable securities which are subject to price risks arising from changes in market prices for such securities. We consider marketable securities classified as short-term investments to be highly liquid and to present a relatively low equity price risk. We hold marketable securities classified as investments and advances as long-term investments.

Table of Contents

The tables below provide information about the contractual maturities of available-for-sale securities and held-to-maturity securities and fair values of these market risk sensitive securities as of March 31, 2011 and 2010, regardless of the consolidated balance sheet classification as follows.

	Carrying amount as of March 31, 2011				Fair value
	Contractual maturity date				
	Due after				
	Due within	one year	Due after	Total	
	one year	through five years	five years		
(Millions of yen)					
Available-for-sale securities					
Equity securities				145,816	145,816
Debt securities	13,948	13,581	13,783	41,312	41,312
Other securities	2,610	130	6,567	9,307	9,307
Held-to-maturity securities	40	355	—	395	395

	Carrying amount as of March 31, 2010				Fair value
	Contractual maturity date				
	Due after				
	Due within	one year	Due after	Total	
	one year	through five years	five years		
(Millions of yen)					
Available-for-sale securities					
Equity securities				159,850	159,850
Debt securities	49,914	10,485	19,116	79,515	79,515
Other securities	3,621	2,410	8,229	14,260	14,260
Held-to-maturity securities	40	37	199	276	276

Foreign Currency Exchange Rate Risk and Interest Rate Risk

We have assets and liabilities which are exposed to foreign currency exchange rate risks and interest rate risks. We enter into forward exchange contracts, cross currency swap agreements and interest rate swaps for the purpose of hedging these risk exposures.

Foreign currency exchange rate risk

We mainly use forward exchange contracts to manage foreign currency exchange exposures, primarily in the exchange of U.S. dollars and Euros into Japanese yen. These contracts, which typically mature within one year, are used primarily to hedge foreign currency denominated future net cash flows from trade receivables and payables recognized, and from forecasted transactions. In accordance with our internal policy, we measure by currency each month the amount and due date of future net cash flows. Further in accordance with this policy, a portion of net cash flows measured is covered using forward exchange contracts.

We enter into cross currency swap agreements to manage currency exchange rate risk relating to long-term debt denominated in foreign currencies. These cross currency swap agreements typically have maturities that mirror the underlying debt, which allows us to predict cash flows from such long-term debt. We believe these derivative financial instruments can be highly effective in hedging foreign currency denominated long-term debt against changes in foreign exchange rates. In addition, we include escalation provisions in some of our long-term contracts for infrastructure contracts in order to allocate the risk of fluctuating currency to our customers.

The tables below provide information on our financial instruments that are sensitive to foreign currency exchange rates, including primary forward exchange contracts to sell U.S. dollars and Euros as of March 31, 2011 and 2010. The tables present the contract amounts in Japanese yen equivalents and weighted average contractual exchange rates by expected maturity dates. We do not include cross currency swap agreements and the corresponding foreign currency denominated debt instruments in the table below because all of our foreign currency exposure in our cash flows are eliminated.

Table of Contents

	Forward exchange contracts as of March 31, 2011			
	Expected maturity date			Estimated
	2012	2013	Total	fair value
	(Millions of yen)			
Forward exchange contracts				
(Pay US\$/receive ¥) contract amount	137,042	—	137,042	(394)
Average contractual exchange rate (¥/US\$)	85.11	—	85.11	
Forward exchange contracts				
(Pay Euro/receive ¥) contract amount	38,285	—	38,285	(1,570)
Average contractual exchange rate (¥/Euro)	112.48	—	112.48	
	Forward exchange contracts as of March 31, 2010			
	Expected maturity date			Estimated
	2011	2012	Total	fair value
	(Millions of yen)			
Forward exchange contracts				
(Pay US\$/receive ¥) contract amount	121,363	—	121,363	(2,576)
Average contractual exchange rate (¥/US\$)	91.51	—	91.51	
Forward exchange contracts				
(Pay Euro/receive ¥) contract amount	33,698	—	33,698	942
Average contractual exchange rate (¥/Euro)	128.32	—	128.32	

Interest rate risk

Our exposure to interest rate risk is related principally to our debt obligations and the risk of increases in market interest rates that increase future cash outflow of interest payments due on such debt. To manage this risk, we typically enter into interest rate swaps. We mainly use interest rate swaps in connection with long-term debt and medium-term notes. These interest rate swaps typically have the effect of converting variable interest rates on debt obligations to fixed-interest rates. Under these commonly referred to as “receive-variable, pay-fixed” interest rate swaps, we receive variable interest rate payments and make fixed interest rate payments, thereby creating, from our perspective, fixed-rate long-term debt.

We have long-term debt, including amounts due within one year, with fixed and floating interest rates. The tables below provide information on our financial instruments that are sensitive to changes in interest rates, including debt obligations. For debt obligations, the tables below present principal cash flows in Japanese yen equivalents and related weighted average interest rates by expected maturity dates. The tables do not include information on short-term borrowings because we believe that our risk exposure to changes in interest rates on short-term borrowings is not significant. For interest rate swaps, the table below presents primary notional amounts by currency and weighted average pay/receive interest rate by expected maturity date. We use notional amounts to calculate payments to be made and received under the contract. The tables present contract amounts in Japanese yen equivalents and weighted average contractual pay/receive rates by expected maturity dates.

Table of Contents

	Long-term debt as of March 31, 2011							
	Expected maturity date							
	2012	2013	2014	2015	2016	Thereafter	Total	Estimated fair value
	(Millions of yen, except rates)							
Fixed rate (notes and debentures):								
Yen debentures	30,210	84,060	105,010	100,000	50,000	35,000	404,280	410,254
Average interest rate	1.19%	1.17%	1.19%	1.39%	1.71%	1.92%	1.26%	
Yen convertible debentures	20,000	—	—	99,360	—	105	119,465	160,504
Average interest rate	0.08%	—	—	0.10%	—	—	0.10%	
Yen medium term notes	22,073	16,479	3,713	1,000	505	—	43,770	43,770
Average interest rate	1.07%	0.74%	0.72%	0.91%	0.84%	—	0.94%	
Floating rate (notes and debentures):								
Yen medium term notes	17,226	17,038	4,515	1,008	—	—	39,787	39,787
Average interest rate	0.72%	0.65%	0.91%	0.84%	—	—	0.72%	
US\$ medium term notes	2,841	1,254	—	—	—	—	4,095	4,095
Average interest rate	1.12%	1.29%	—	—	—	—	1.16%	
AU\$ medium term notes	—	—	1,290	—	—	—	1,290	1,290
Average interest rate	—	—	5.80%	—	—	—	5.80%	
Fixed and floating rate (loans):								
Loans, principally from Banks	234,786	237,522	141,460	176,499	44,743	154,514	989,524	1,000,754
Average interest rate	1.39%	1.46%	1.62%	1.40%	1.86%	1.91%	1.53%	

Weighted average floating rates are based on contractual interest rates as of March 31, 2011.

Table of Contents

	Long-term debt as of March 31, 2010							Estimated fair value
	Expected maturity date							
	2011	2012	2013	2014	2015	Thereafter	Total	
(Millions of yen, except rates)								
Fixed rate (notes and debentures):								
Yen debentures	116,410	60,210	84,060	105,010	70,000	85,000	520,690	525,921
Average interest rate	1.24%	1.22%	1.20%	1.23%	1.49%	1.71%	1.27%	
Yen convertible debentures	20,000	—	—	—	99,998	20,000	139,998	161,544
Average interest rate	0.07%	—	—	—	0.08%	—	0.08%	
Yen medium term notes	48,311	20,878	8,064	—	995	4,982	83,230	83,249
Average interest rate	1.21%	1.29%	1.07%	—	1.31%	1.38%	1.23%	
US\$ medium term notes	1,395	—	—	—	—	—	1,395	1,397
Average interest rate	1.69%	—	—	—	—	—	1.69%	
Floating rate (notes and debentures):								
Yen medium term notes	7,458	17,596	5,451	1,488	496	501	32,990	32,990
Average interest rate	0.54%	0.55%	0.37%	0.90%	1.35%	2.06%	0.56%	
US\$ medium term notes	930	2,913	463	—	—	—	4,306	4,306
Average interest rate	0.91%	0.84%	1.04%	—	—	—	0.89%	
Fixed and floating rate (loans):								
Loans, principally from Banks	98,672	291,940	246,565	115,461	153,575	192,951	1,099,164	1,111,387
Average interest rate	1.49%	1.44%	1.41%	1.39%	1.48%	1.86%	1.45%	

Weighted average floating rates are based on contractual interest rates as of March 31, 2010.

Table of Contents

Interest rate swaps as of March 31, 2011								
Expected maturity date								Estimated
	2012	2013	2014	2015	2016	Thereafter	Total	fair value
(Millions of yen, except rates)								
Notional amounts (Yen):								
Variable to fixed	11,800	70,011	31,000	35,000	1,500	—	149,311	(2,233)
Average pay rate	1.39%	1.38%	1.27%	1.16%	1.53%	—	1.34%	
Average receive rate	0.61%	0.61%	0.64%	0.60%	0.88%	—	0.61%	
Fixed to variable	—	—	—	—	10,000	—	10,000	519
Average pay rate	—	—	—	—	0.35%	—	0.35%	
Average receive rate	—	—	—	—	1.64%	—	1.64%	
Variable to variable	3,000	—	—	15,000	3,000	—	21,000	472
Average pay rate	0.21%	—	—	0.19%	0.21%	—	0.20%	
Average receive rate	1.01%	—	—	1.07%	0.90%	—	1.05%	
Notional amounts (US\$):								
Variable to fixed	2,025	10,036	11,788	—	8,699	—	32,548	(396)
Average pay rate	2.20%	2.17%	2.29%	—	1.98%	—	2.17%	
Average receive rate	0.84%	0.80%	0.99%	—	0.25%	—	0.76%	
Variable to variable	832	—	—	—	—	—	832	(4)
Average pay rate	0.10%	—	—	—	—	—	0.10%	
Average receive rate	0.42%	—	—	—	—	—	0.42%	
Notional amounts (ST £):								
Variable to fixed	11,537	21,835	8,461	—	—	—	41,833	(149)
Average pay rate	2.10%	1.59%	1.81%	—	—	—	1.88%	
Average receive rate	0.78%	0.75%	0.73%	—	—	—	0.76%	
Notional amounts (HK\$):								
Variable to fixed	5,059	10,255	2,424	527	—	—	18,265	(329)
Average pay rate	1.85%	2.06%	1.65%	1.50%	—	—	1.91%	
Average receive rate	0.28%	0.28%	0.28%	0.25%	—	—	0.28%	

Weighted average pay/receive rates are based on contractual interest rates as of March 31, 2011.

Table of Contents

	Interest rate swaps as of March 31, 2010							
	Expected maturity date							
	2011	2012	2013	2014	2015	Thereafter	Total	Estimated fair value
	(Millions of yen, except rates)							
Notional amounts (Yen):								
Variable to fixed	13,550	11,800	70,010	50,200	39,800	—	185,360	(2,839)
Average pay rate	1.37%	1.38%	1.36%	1.27%	1.14%	—	1.34%	
Average receive rate	0.74%	0.74%	0.74%	0.78%	0.73%	—	0.74%	
Fixed to variable	7,000	—	—	—	—	10,000	17,000	548
Average pay rate	0.38%	—	—	—	—	0.45%	0.43%	
Average receive rate	1.49%	—	—	—	—	1.64%	1.60%	
Variable to variable	—	3,000	—	—	15,000	3,000	21,000	460
Average pay rate	—	0.31%	—	—	0.30%	0.32%	0.30%	
Average receive rate	—	1.10%	—	—	1.16%	1.01%	1.13%	
Notional amounts (US\$):								
Variable to fixed	20,956	837	10,023	6,340	—	213	38,369	(403)
Average pay rate	2.19%	2.98%	2.95%	4.32%	—	5.20%	2.71%	
Average receive rate	1.35%	1.54%	1.49%	3.13%	—	0.32%	1.56%	
Fixed to variable	1,395	—	—	—	—	—	1,395	3
Average pay rate	0.64%	—	—	—	—	—	0.64%	
Average receive rate	0.86%	—	—	—	—	—	0.86%	
Variable to variable	—	930	—	18,608	—	—	19,538	(20)
Average pay rate	—	0.69%	—	0.72%	—	—	0.71%	
Average receive rate	—	0.64%	—	0.65%	—	—	0.64%	
Notional amounts (ST£):								
Variable to fixed	23,473	9,289	9,288	—	—	—	42,050	(873)
Average pay rate	3.96%	4.50%	4.84%	—	—	—	4.22%	
Average receive rate	0.66%	0.68%	0.61%	—	—	—	0.66%	
Notional amounts (HK\$):								
Variable to fixed	5,837	4,393	7,200	2,081	578	—	20,089	(581)
Average pay rate	2.83%	2.25%	2.60%	1.86%	1.50%	—	2.54%	
Average receive rate	0.13%	0.13%	0.13%	0.13%	0.13%	—	0.13%	

Weighted average pay/receive rates are based on contractual interest rates as of March 31, 2010.

Factors that could cause actual results to differ materially from those projected or implied in any forward-looking statements in this section include, but are not limited to, ability of counterparties to the financial instruments to perform contractual obligations, the general economic condition in the markets where financial assets we hold are traded, and the volatility of the market prices of securities, interest rates and foreign currency exchange rates. In addition, see “Item 3. Key Information — Risk Factors” for other examples of factors that could cause actual results to differ materially from those projected or implied.

Table of Contents

Item 12. Description of Securities Other Than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

(a) Depositing or substituting the underlying shares

Any person depositing shares of our common stock or to whom our ADSs are issued upon the deposit of such shares, is required to pay a fee not in excess of \$5 per 100 ADSs (or fraction thereof) to the depositary.

(b) Receiving or distributing dividends

A holder of our ADSs is required to pay a fee not in excess of \$5 for each 100 ADSs (or fraction thereof) to the depositary for the distribution of stock dividends or other free stock distributions or upon exercise of the rights to purchase additional ADSs.

(c) Selling or exercising rights

A holder of our ADSs is required to pay a fee not in excess of \$5 for each 100 ADSs (or fraction thereof) to the depositary upon the distribution or sale of such ADSs.

(d) Withdrawing an underlying security

A holder of our ADSs is required to pay a fee not in excess of \$5 for each 100 ADSs (or fraction thereof) to the depositary upon the withdrawal of securities deposited in our ADR facility.

(e) Transferring, splitting or grouping receipts

Not applicable.

(f) General depositary services, particularly those charged on an annual basis

A holder of our ADSs is required to pay a fee not in excess of \$5 for each 100 ADSs (or fraction thereof) to the depositary on the applicable record date established by the depositary.

(g) Expenses of the depositary

In addition to the above fees, a holder or beneficial owner of our ADSs, persons depositing shares of our common stock into our ADR facility and persons surrendering ADSs for cancellation and for the purpose of withdrawing shares of our common stock deposited into our ADR facility are responsible for the following charges:

- (i) taxes (including applicable interest and penalties) and other governmental charges;
- (ii) such registration fees as may from time to time be in effect for the registration of shares of our common stock or other securities deposited into our ADR facility on the share register and application to transfers of shares of our common stock or other securities deposited into our ADR facility to or from the name of the custodian, the depositary or any nominees upon the making of deposits and withdrawals, respectively;
- (iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in our deposit agreement with the depositary to be at the expense of the person depositing or withdrawing shares of our common stock or holders or beneficial owners of our ADSs;
- (iv) the expenses and charges incurred by the depositary in the conversion of foreign currency;
- (v) such fees and expenses as are incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to shares of our common stock, other securities deposited into our ADR facility, ADSs or ADRs; and
- (vi) the fees and expenses incurred by the depositary, the custodian, or any nominee in connection with the servicing or delivery of securities deposited into our ADR facility.

The depositary may remit to us all or a portion of the depositary fees charged for the reimbursement of, and/or reimburse us for, certain expenses incurred by us in respect of our ADR program established pursuant to the depositary agreement upon such terms and conditions as we and the depositary may agree from time to time. Furthermore, we shall pay to the depositary such fees and charges and reimburse the depositary for such out-of-pocket expenses as we and the depositary may agree from time to time.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We, under the supervision of and with the participation of our management, including our President, who is our principal executive officer, and our principal financial officer, performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of March 31, 2011. Our management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which by their nature can provide only reasonable assurance regarding management's control objectives. Based on this evaluation, our President and our principal financial officer concluded that our disclosure controls and procedures were designed to comply with all requirements provided for in Rule 13a-15(e) of the Securities Exchange Act of 1934 and to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms and to ensure that material information relating to us and our consolidated subsidiaries, is accumulated and communicated to our management, including our President and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Our management including our President and our principal financial officer concluded that the disclosure controls and procedures were effective at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transaction and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2011. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on its assessment, our management concluded that, as of March 31, 2011, our internal control over financial reporting was effective based on those criteria.

Our independent registered public accounting firm has issued an audit report on the effectiveness of our internal control over financial reporting, which is included in "Item 18. Financial Statements."

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the year ended March 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Item 16A. Audit Committee Financial Expert

Our Board of Directors has determined that Mr. Tadamichi Sakiyama qualifies as an “audit committee financial expert” within the meaning of the rules of the SEC. Mr. Sakiyama fulfills the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934, which are applicable to members of a non-U.S. listed company’s audit committee pursuant to Section 303A.06 of the NYSE Listed Company Manual.

Item 16B. Code of Ethics

We have a code of ethics which applies to our Directors, Executive Officers, corporate officers and other executives which include our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, or the Covered Individuals, although not within the strict meaning of the current rules of the SEC. We believe that our code of ethics consists of written standards that are reasonably designed to deter wrongdoing and to promote, among other things, (i) honest and ethical conduct of the Covered Individuals, including the ethical handling of conflicts of interest between personal and professional relationships, (ii) full compliance by the Covered Individuals with applicable laws, rules and regulations, including securities-related laws, (iii) the taking of remedial and preventative actions by the Covered Individuals with respect to occurrences or likely occurrences of violations of laws, rules or regulations of which the Covered Individuals become aware, and (iv) accountability for violations of such laws, rules and regulations, including for violations by the Covered Individuals. We believe that this code of ethics, in conjunction with our other bylaws and customary practice, performs a function similar to that of a code of ethics within the meaning of the rules of the SEC. We continue to seek ways in which we can further promote ethical conduct by our Covered Individuals, including by considering ways in which to improve our code of ethics for such individuals.

Item 16C. Principal Accountant Fees and Services

Principal Accountant Fees and Services

The following table shows fees for audit and other services rendered by our principal accountant for the years ended March 31, 2010 and 2011.

	Year ended March 31,	
	2010	2011
	(Millions of yen)	
Audit Fees	4,831	4,300
Audit-Related Fees	51	156
Tax Fees	199	207
All Other Fees	18	15
Total	5,099	4,678

Notes:

- (1) Audit Fees are fees for professional services for the audit of the annual financial statements or services that are normally provided by the principal accountant in connection with statutory and regulatory filings or engagements for those fiscal years. Audit-Related Fees are fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported as Audit Fees. Tax Fees are fees for professional services rendered for tax compliance, tax advice and tax planning. All Other Fees are fees for products and services not included in any of the other categories.
- (2) Ernst & Young ShinNihon LLC served as our principal accountant for the years ended March 31, 2010 and 2011.

Table of Contents

Audit Committee Pre-approval Policies and Procedures

In compliance with applicable U.S. law and regulations, our Audit Committee has established a policy and procedures regarding pre-approval of audit and permissible non-audit services provided by our independent registered public accounting firm to ensure that the auditors will be independent of management.

Under the policy and procedures, audit and permissible non-audit services to be provided to us and our subsidiaries by the independent registered public accounting firm are required to be pre-approved by either the Audit Committee or an Audit Committee member to whom it has delegated authority. Audit services provided to us are required to be pre-approved by the Audit Committee. The designated Audit Committee member must report the pre-approval decisions to the Audit Committee meeting held after the decisions.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets forth, for each of the months indicated, the total number of shares purchased by us, the average price paid per share, the number of shares purchased as part of a publicly announced repurchase plan or program, the maximum number of shares or the approximate yen value that may yet be purchased under the plans or programs.

We currently do not have any publicly announced repurchase plans or programs. The purchases shown below include the purchase of less-than-one unit shares from less-than-one unit shareholders pursuant to the Companies Act. In addition, they include the purchase of fractional shares arising in connection with the share exchanges to make Hitachi Plant Technologies and Hitachi Maxell our wholly owned subsidiaries pursuant to the Companies Act. The purchases shown below also include the purchase of shares pursuant to the Companies Act from shareholders who dissented from the share exchange with respect to Hitachi Plant Technologies.

Table of Contents

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased (Shares)	(b) Average Price Paid per Share (Yen)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (Shares)	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (Shares)
April 1, 2010 - April 30, 2010	39,490	376.53	—	—
May 1, 2010 - May 31, 2010	21,286	385.66	—	—
June 1, 2010 - June 30, 2010	14,442	358.29	—	—
July 1, 2010 - July 31, 2010	23,420	338.74	—	—
August 1, 2010 - August 31, 2010	24,957	357.88	—	—
September 1, 2010 - September 30, 2010	15,713	360.16	—	—
October 1, 2010 - October 31, 2010	21,870	352.95	—	—
November 1, 2010 - November 30, 2010	35,191	386.12	—	—
December 1, 2010 - December 31, 2010	178,955	410.83	—	—
January 1, 2011 - January 31, 2011	33,288	447.50	—	—
February 1, 2011 - February 28, 2011	26,960	483.67	—	—
March 1, 2011 - March 31, 2011	21,133	473.07	—	—
Total	456,705	401.87	—	—

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Our ADSs are listed on the NYSE. We are therefore required to comply with certain of the NYSE's corporate governance listing standards or the NYSE Standards, which were approved by the SEC in November 2003. As a foreign private issuer, we may follow our home country's corporate governance practices in lieu of most of the NYSE Standards. Our corporate governance practices differ in certain significant respects from those that U.S. companies must adopt in order to maintain NYSE listing and, in accordance with Section 303A.11 of NYSE's Listed Company Manual, a brief, general summary of those differences is provided as follows.

Director independence

The NYSE Standards require a majority of the membership of NYSE-listed company boards to be composed of independent directors. Our Board of Directors consists of thirteen members, four of whom are "outside directors," as defined under the Companies Act. The Companies Act defines an outside director as a director who is not and has not been an executive director (a representative director or a director who executes such company's business), executive officer, manager or any other employee of such company or its subsidiaries.

Non-management directors' executive sessions

The NYSE Standards require non-management directors of NYSE-listed companies to meet at regularly scheduled executive sessions without management. Neither the Companies Act nor our articles of incorporation require our non-management directors to hold such meetings.

Table of Contents

Committee member composition

The NYSE Standards require NYSE-listed companies to have a nominating/corporate governance committee, audit committee and compensation committee that are composed entirely of independent directors. Our nominating committee, audit committee and compensation committee are composed of a majority of outside directors in accordance with the Companies Act, while our audit committee complies with the NYSE Standards.

Miscellaneous

In addition to the above differences, we are not required to: make our nominating, audit and compensation committees prepare a written charter that addresses either purposes and responsibilities or performance evaluations in a manner that would satisfy the NYSE's requirements; acquire shareholder approval of equity compensation plans in certain cases, such as issuing stock acquisition rights as stock options without "specially favorable" conditions; make publicly available one or more documents which purport to summarize all aspects of our corporate governance guidelines; or adopt a code of business conduct and ethics for our directors, officers and employees that would comply fully with the NYSE's requirements.

PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

Refer to the consolidated financial statements contained in this annual report on Form 20-F.

Item 19. Exhibits

We have filed the following documents as exhibits to this annual report.

- 1.1 Articles of Incorporation of Hitachi, Ltd., as amended on June 23, 2009 (English Translation)
(incorporated by reference to Exhibit 1.1 of Hitachi, Ltd.'s annual report on Form 20-F filed with the SEC on July 27, 2009 (file no. 001-08320))
- 1.2 Regulations on Handling Shares, etc. of Hitachi, Ltd., as amended on May 18, 2009 (English Translation)
(incorporated by reference to Exhibit 1.2 of Hitachi, Ltd.'s annual report on Form 20-F filed with the SEC on July 27, 2009 (file no. 001-08320))
- 1.3 Board of Directors Regulations of Hitachi, Ltd., as amended on June 24, 2011 (English Translation)
- 8.1 List of subsidiaries
See "Item 4. Information on the Company — C. Organizational Structure."
- 11.1 Code of Ethics for Directors and Executive Officers of Hitachi, Ltd., as amended on September 30, 2007 (English Translation)
(incorporated by reference to Exhibit 11.1 of Hitachi, Ltd.'s annual report on Form 20-F filed with the SEC on June 20, 2008 (file no. 001-08320))
- 12.1 Certification of Chief Executive Officer or equivalent pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
- 12.2 Certification of Chief Financial Officer or equivalent pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
- 13.1 Certification of Chief Executive Officer or equivalent pursuant to Rule 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code
- 13.2 Certification of Chief Financial Officer or equivalent pursuant to Rule 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code

We have not included as exhibits certain instruments with respect to our long-term debt. The total amount of our long-term debt securities or that of our subsidiaries, authorized under any instrument does not exceed 10% of our total assets. We hereby agree to furnish to the SEC, upon its request, a copy of any instrument defining the rights of holders of our long-term debt or that of our subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Hitachi, Ltd.
(Registrant)

Date: June 24, 2011

By: /s/ Toshiaki Kuzuoka

Name: Toshiaki Kuzuoka

Title: Senior Vice President and Executive Officer

EXHIBIT INDEX

- 1.1 Articles of Incorporation of Hitachi, Ltd., as amended on June 23, 2009 (English Translation)
(incorporated by reference to Exhibit 1.1 of Hitachi, Ltd.’s annual report on Form 20-F filed with the SEC on July 27, 2009 (file no. 001-08320))
- 1.2 Regulations on Handling Shares, etc. of Hitachi, Ltd., as amended on May 18, 2009 (English Translation)
(incorporated by reference to Exhibit 1.2 of Hitachi, Ltd.’s annual report on Form 20-F filed with the SEC on July 27, 2009 (file no. 001-08320))
- 1.3 Board of Directors Regulations of Hitachi, Ltd., as amended on June 24, 2011 (English Translation)
- 8.1 List of subsidiaries
See “Item 4. Information on the Company — C. Organizational Structure.”
- 11.1 Code of Ethics for Directors and Executive Officers of Hitachi, Ltd., as amended on September 30, 2007 (English Translation)
(incorporated by reference to Exhibit 11.1 of Hitachi, Ltd.’s annual report on Form 20-F filed with the SEC on June 20, 2008 (file no. 001-08320))
- 12.1 Certification of Chief Executive Officer or equivalent pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
- 12.2 Certification of Chief Financial Officer or equivalent pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
- 13.1 Certification of Chief Executive Officer or equivalent pursuant to Rule 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code
- 13.2 Certification of Chief Financial Officer or equivalent pursuant to Rule 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code

Table of Contents

PART III

ITEM 18. FINANCIAL STATEMENTS

	<u>Page Number</u>
Reports of Independent Registered Public Accounting Firm	F-2
Consolidated Financial Statements of Hitachi, Ltd. and Subsidiaries:	
Consolidated Balance Sheets as of March 31, 2011 and 2010	F-4
Consolidated Statements of Operations for the years ended March 31, 2011, 2010 and 2009	F-6
Consolidated Statements of Equity for the years ended March 31, 2011, 2010 and 2009	F-7
Consolidated Statements of Cash Flows for the years ended March 31, 2011, 2010 and 2009	F-10
Notes to Consolidated Financial Statements	F-12
Schedule:	
Schedule II Valuation and Qualifying Accounts for the years ended March 31, 2011, 2010 and 2009	F-111
All other schedules are omitted as permitted by the rules and regulations of the SEC, as the required information is presented in the notes to consolidated financial statements, or the schedules are not applicable.	

	<u>Page Number</u>
Consolidated Financial Statements of Renesas Technology Corp. and Subsidiaries	A-1
Report of Independent Auditors	A-39

Pursuant to Regulation S-X, Rule 3-09, this annual report contains the consolidated financial statements of Renesas Technology Corp., a former equity method affiliate of the Company until March 31, 2010. The consolidated financial statements of Renesas Technology Corp. contained herein, which are as of March 31, 2010 and 2009 and for each of the three years in the period ended March 31, 2010, have been prepared in accordance with accounting principles generally accepted in Japan. Reconciliation to net income in accordance with accounting principles generally accepted in the United States is presented in Note 25 to the consolidated financial statements of Renesas Technology Corp. The Company's equity in the income (loss) before income taxes of Renesas Technology Corp. exceeded 30% of such income (loss) of the Company and its subsidiaries for the year ended March 31, 2010, while such percentages for the years ended March 31, 2009 and 2008 were between 20% and 30%, and less than 20%, respectively. The Company's investments in and advances to Renesas Technology Corp. did not exceed 20% of the total assets of the Company and its subsidiaries as of March 31, 2010, 2009 or 2008. Accordingly, pursuant to Regulation S-X, Rule 3-09 as well as Item 18 of Form 20-F, only the consolidated financial statements of Renesas Technology Corp. as of and for the years ended March 31, 2010 and 2009 have been audited in accordance with auditing standards generally accepted in the United States. As of April 1, 2010, Renesas Technology Corp. was merged into NEC Electronics Corporation. On the same day, NEC Electronics Corporation as the surviving entity changed its name to Renesas Electronics Corporation. For the year ended March 31, 2011, there are no consolidated financial statements for Renesas Technology Corp. nor such financial statements for the successor company, Renesas Electronics Corporation, required to be included herein because they did not meet the threshold tests of Rule 3-09 of Regulation S-X. Therefore, for the purposes of the current year filing, we have only included the consolidated financial statements which were included in the Form 20-F for the year ended March 31, 2010.

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Hitachi, Ltd.

We have audited the accompanying consolidated balance sheets of Hitachi, Ltd. and subsidiaries (the “Company”) as of March 31, 2011 and 2010, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended March 31, 2011. Our audits also included the financial statement schedule listed in the index of Item 18. These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi, Ltd. and subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 (y), the Company changed its method of accounting for transfers of financial assets and consolidation of variable interest entities as a result of the adoption of the amendments to the Accounting Standards Codification resulting from Accounting Standards Update (ASU) 2009-16, “Accounting for Transfers of Financial Assets” and ASU 2009-17, “Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities” effective April 1, 2010, and changed its method of accounting for noncontrolling interests in subsidiaries effective April 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Hitachi, Ltd. and subsidiaries’ internal control over financial reporting as of March 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 24, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan
June 24, 2011

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Hitachi, Ltd.

We have audited Hitachi, Ltd. and subsidiaries' internal control over financial reporting as of March 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Hitachi, Ltd. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Hitachi, Ltd. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of March 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of Hitachi, Ltd. and subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended March 31, 2011, and our report dated June 24, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan
June 24, 2011

Table of Contents

HITACHI, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2011 and 2010

	Yen (millions)	
	2011	2010
Assets		
Current assets:		
Cash and cash equivalents (note 6)	554,810	577,584
Short-term investments (note 3)	16,598	53,575
Trade receivables:		
Notes (notes 6, 17 and 28)	101,524	105,605
Accounts (notes 6 and 28)	2,026,158	2,180,357
Allowance for doubtful receivables (note 28)	(36,763)	(43,470)
Net trade receivables	2,090,919	2,242,492
Investments in leases (notes 5, 6 and 28)	228,346	194,108
Current portion of financial assets transferred to consolidated securitization entities (notes 6 and 28)	183,559	—
Inventories (note 4)	1,341,768	1,222,077
Prepaid expenses and other current assets (notes 6 and 8)	484,029	485,361
Total current assets	4,900,029	4,775,197
Investments and advances, including affiliated companies (notes 3 and 6)	614,145	712,993
Property, plant and equipment (note 5):		
Land	471,155	471,123
Buildings	1,909,825	1,931,104
Machinery and equipment	5,528,889	5,554,953
Construction in progress	53,558	62,717
	7,963,427	8,019,897
Less accumulated depreciation	5,852,157	5,800,093
Net property, plant and equipment	2,111,270	2,219,804
Intangible assets (note 7):		
Goodwill	171,500	165,586
Other intangible assets	356,518	352,464
Total intangible assets	528,018	518,050
Financial assets transferred to consolidated securitization entities (notes 6 and 28)	304,160	—
Other assets (notes 5, 6, 8, 10 and 28)	728,007	738,420
Total assets	9,185,629	8,964,464

See accompanying notes to consolidated financial statements.

**HITACHI, LTD.
AND SUBSIDIARIES**

Consolidated Balance Sheets (continued)

March 31, 2011 and 2010

	Yen (millions)	
	2011	2010
Liabilities and Equity		
Current liabilities:		
Short-term debt (note 9)	472,588	451,451
Current portion of long-term debt (notes 5, 6 and 9)	338,218	303,730
Current portion of non-recourse borrowings of consolidated securitization entities (note 6)	190,868	—
Trade payables:		
Notes	20,430	25,737
Accounts	1,236,758	1,229,546
Accrued expenses (notes 10 and 17)	933,918	919,849
Income taxes (note 8)	73,514	50,446
Advances received	395,605	385,199
Other current liabilities (notes 6 and 8)	426,925	565,245
Total current liabilities	<u>4,088,824</u>	<u>3,931,203</u>
Long-term debt (notes 5, 6 and 9)	1,300,311	1,611,962
Non-recourse borrowings of consolidated securitization entities (note 6)	219,566	—
Retirement and severance benefits (note 10)	891,815	905,183
Other liabilities (note 8)	243,724	248,271
Total liabilities	<u>6,744,240</u>	<u>6,696,619</u>
Commitments and contingencies (note 17)		
Equity:		
Common stock 4,520,144,964 and 4,518,132,365 shares issued as of March 31, 2011 and 2010, respectively (notes 9 and 11)	409,129	408,810
Capital surplus (notes 11 and 12)	603,133	620,577
Legal reserve and retained earnings (notes 6 and 13)	922,036	713,479
Accumulated other comprehensive loss (notes 6 and 15)	(493,062)	(432,057)
Treasury stock, at cost (note 14)	(1,371)	(26,151)
Total Hitachi, Ltd. stockholders' equity	<u>1,439,865</u>	<u>1,284,658</u>
Noncontrolling interests	<u>1,001,524</u>	<u>983,187</u>
Total equity	<u>2,441,389</u>	<u>2,267,845</u>
Total liabilities and equity	<u>9,185,629</u>	<u>8,964,464</u>

See accompanying notes to consolidated financial statements.

**HITACHI, LTD.
AND SUBSIDIARIES**

Consolidated Statements of Operations

Years ended March 31, 2011, 2010 and 2009

	Yen (millions)		
	2011	2010	2009
Revenues:			
Product sales	8,376,287	8,044,971	9,076,913
Financial and other services	939,520	923,575	923,456
Total revenues	9,315,807	8,968,546	10,000,369
Cost of sales:			
Product sales	(6,292,555)	(6,185,937)	(7,153,228)
Financial and other services	(674,878)	(663,318)	(662,952)
Total cost of sales	(6,967,433)	(6,849,255)	(7,816,180)
Selling, general and administrative expenses	(1,903,866)	(1,917,132)	(2,057,043)
Impairment losses for long-lived assets (note 18)	(35,170)	(25,196)	(128,400)
Restructuring charges (note 19)	(5,757)	(25,154)	(22,927)
Interest income	13,267	12,017	19,177
Dividend income	4,240	5,799	8,544
Gains on sales of stock by subsidiaries or affiliated companies	—	183	360
Other income (note 20)	69,730	186	5,203
Interest charges	(24,878)	(26,252)	(33,809)
Other deductions (note 20)	(13,597)	(21,976)	(102,960)
Equity in net loss of affiliated companies	(20,142)	(58,186)	(162,205)
Income (loss) before income taxes	432,201	63,580	(289,871)
Income taxes (note 8)	(129,075)	(147,971)	(505,249)
Net income (loss)	303,126	(84,391)	(795,120)
Less net income (loss) attributable to noncontrolling interests	64,257	22,570	(7,783)
Net income (loss) attributable to Hitachi, Ltd.	238,869	(106,961)	(787,337)

	Yen		
Net income (loss) attributable to Hitachi, Ltd. stockholders per share (note 21):			
Basic	52.89	(29.20)	(236.86)
Diluted	49.38	(29.20)	(236.87)

See accompanying notes to consolidated financial statements.

**HITACHI, LTD.
AND SUBSIDIARIES**

Consolidated Statements of Equity

Years ended March 31, 2011, 2010 and 2009

	Yen (millions)		
	2011	2010	2009
Common stock (notes 9 and 11):			
Balance at beginning of year	408,810	282,033	282,033
Change in common stock:			
Issuance of common stock	—	126,776	—
Conversion of convertible bonds	319	1	—
Total change in common stock	319	126,777	—
Balance at end of year	<u>409,129</u>	<u>408,810</u>	<u>282,033</u>
Capital surplus (notes 9, 11 and 12):			
Balance at beginning of year	620,577	560,066	555,410
Change in capital surplus:			
Issuance of common stock	—	125,644	—
Conversion of convertible bonds	319	1	—
Equity transactions and other	(8,229)	(64,998)	4,843
Sales of treasury stock	(9,534)	(136)	(187)
Total change in capital surplus	(17,444)	60,511	4,656
Balance at end of year	<u>603,133</u>	<u>620,577</u>	<u>560,066</u>
Legal reserve and retained earnings (notes 6 and 13):			
Balance at beginning of year	713,479	820,440	1,626,497
Change in legal reserve and retained earnings:			
Effect on retained earnings due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	(7,732)	—	—
Equity transactions and other	—	—	1,224
Net income (loss)	238,869	(106,961)	(787,337)
Dividends to Hitachi, Ltd. stockholders	(22,580)	—	(19,944)
Total change in legal reserve and retained earnings	208,557	(106,961)	(806,057)
Balance at end of year	<u>922,036</u>	<u>713,479</u>	<u>820,440</u>
Accumulated other comprehensive loss (notes 6 and 15):			
Balance at beginning of year	(432,057)	(586,351)	(267,198)
Change in accumulated other comprehensive loss:			
Effect on accumulated other comprehensive loss due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	(2,977)	—	—
Equity transactions and other	(191)	(14,132)	785
Other comprehensive income (loss), net of reclassification adjustments	(57,837)	168,426	(319,938)
Total change in accumulated other comprehensive loss	(61,005)	154,294	(319,153)
Balance at end of year	<u>(493,062)</u>	<u>(432,057)</u>	<u>(586,351)</u>
Treasury stock, at cost (note 14):			
Balance at beginning of year	(26,151)	(26,237)	(26,130)
Change in treasury stock, at cost:			
Acquisition of treasury stock	(183)	(115)	(858)
Sales of treasury stock	24,963	201	751
Total change in treasury stock, at cost	24,780	86	(107)
Balance at end of year	<u>(1,371)</u>	<u>(26,151)</u>	<u>(26,237)</u>

See accompanying notes to consolidated financial statements.

**HITACHI, LTD.
AND SUBSIDIARIES**

Consolidated Statements of Equity (continued)

Years ended March 31, 2011, 2010 and 2009

	Yen (millions)		
	2011	2010	2009
Total Hitachi, Ltd. stockholders' equity:			
Balance at beginning of year	1,284,658	1,049,951	2,170,612
Change in total Hitachi, Ltd. stockholders' equity:			
Effect on retained earnings due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	(7,732)	—	—
Effect on accumulated other comprehensive loss due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	(2,977)	—	—
Issuance of common stock	—	252,420	—
Conversion of convertible bonds	638	2	—
Equity transactions and other	(8,420)	(79,130)	6,852
Net income (loss)	238,869	(106,961)	(787,337)
Other comprehensive income (loss), net of reclassification adjustments	(57,837)	168,426	(319,938)
Dividends to Hitachi, Ltd. stockholders	(22,580)	—	(19,944)
Acquisition of treasury stock	(183)	(115)	(858)
Sales of treasury stock	15,429	65	564
Total change in total Hitachi, Ltd. stockholders' equity	155,207	234,707	(1,120,661)
Balance at end of year	<u>1,439,865</u>	<u>1,284,658</u>	<u>1,049,951</u>
Noncontrolling interests (notes 6 and 12):			
Balance at beginning of year	983,187	1,129,401	1,142,508
Change in noncontrolling interests:			
Effect on retained earnings due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	(5,225)	—	—
Effect on accumulated other comprehensive loss due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	(1,985)	—	—
Equity transactions and other	(1,696)	(174,675)	90,750
Net income (loss)	64,257	22,570	(7,783)
Other comprehensive income (loss), net of reclassification adjustments	(16,830)	30,509	(67,668)
Dividends to noncontrolling interests	(20,184)	(24,618)	(28,406)
Total change in noncontrolling interests	18,337	(146,214)	(13,107)
Balance at end of year	<u>1,001,524</u>	<u>983,187</u>	<u>1,129,401</u>
Total equity:			
Balance at beginning of year	2,267,845	2,179,352	3,313,120
Change in total equity:			
Effect on retained earnings due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	(12,957)	—	—
Effect on accumulated other comprehensive loss due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	(4,962)	—	—
Issuance of common stock	—	252,420	—
Conversion of convertible bonds	638	2	—
Equity transactions and other	(10,116)	(253,805)	97,602
Net income (loss)	303,126	(84,391)	(795,120)
Other comprehensive income (loss), net of reclassification adjustments	(74,667)	198,935	(387,606)
Dividends to Hitachi, Ltd. stockholders	(22,580)	—	(19,944)
Dividends to noncontrolling interests	(20,184)	(24,618)	(28,406)
Acquisition of treasury stock	(183)	(115)	(858)
Sales of treasury stock	15,429	65	564
Total change in total equity	173,544	88,493	(1,133,768)
Balance at end of year	<u>2,441,389</u>	<u>2,267,845</u>	<u>2,179,352</u>

See accompanying notes to consolidated financial statements.

**HITACHI, LTD.
AND SUBSIDIARIES**

Consolidated Statements of Equity (continued)

Years ended March 31, 2011, 2010 and 2009

	Yen (millions)		
	2011	2010	2009
Comprehensive income (loss) attributable to Hitachi, Ltd. (note 15):			
Net income (loss) attributable to Hitachi, Ltd.	238,869	(106,961)	(787,337)
Other comprehensive income (loss) attributable to Hitachi, Ltd. arising during the year:			
Foreign currency translation adjustments	(69,194)	4,289	(110,899)
Pension liability adjustments	15,852	141,761	(184,153)
Net unrealized holding gain (loss) on available-for-sale securities	(5,728)	23,209	(22,855)
Cash flow hedges	1,233	(833)	(2,031)
Total other comprehensive income (loss) attributable to Hitachi, Ltd. arising during the year	(57,837)	168,426	(319,938)
Comprehensive income (loss) attributable to Hitachi, Ltd.	<u>181,032</u>	<u>61,465</u>	<u>(1,107,275)</u>
Comprehensive income (loss) attributable to noncontrolling interests (note 15):			
Net income (loss) attributable to noncontrolling interests	64,257	22,570	(7,783)
Other comprehensive income (loss) attributable to noncontrolling interests arising during the year:			
Foreign currency translation adjustments	(18,185)	2,618	(33,671)
Pension liability adjustments	224	22,262	(28,942)
Net unrealized holding gain (loss) on available-for-sale securities	376	5,467	(3,502)
Cash flow hedges	755	162	(1,553)
Total other comprehensive income (loss) attributable to noncontrolling interests arising during the year	(16,830)	30,509	(67,668)
Comprehensive income (loss) attributable to noncontrolling interests	<u>47,427</u>	<u>53,079</u>	<u>(75,451)</u>
Total comprehensive income (loss) (note 15):			
Net income (loss)	303,126	(84,391)	(795,120)
Other comprehensive income (loss) arising during the year:			
Foreign currency translation adjustments	(87,379)	6,907	(144,570)
Pension liability adjustments	16,076	164,023	(213,095)
Net unrealized holding gain (loss) on available-for-sale securities	(5,352)	28,676	(26,357)
Cash flow hedges	1,988	(671)	(3,584)
Total other comprehensive income (loss) arising during the year	(74,667)	198,935	(387,606)
Total comprehensive income (loss)	<u>228,459</u>	<u>114,544</u>	<u>(1,182,726)</u>

See accompanying notes to consolidated financial statements.

**HITACHI, LTD.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended March 31, 2011, 2010 and 2009

	Yen (millions)		
	2011	2010	2009
Cash flows from operating activities (note 23):			
Net income (loss)	303,126	(84,391)	(795,120)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	382,732	441,697	478,759
Amortization	115,037	116,065	178,164
Impairment losses for long-lived assets	35,170	25,196	128,400
Deferred income taxes	3,952	60,440	403,968
Equity in net loss of affiliated companies	20,142	58,186	162,205
Gain on sale of investments in securities and other	(72,987)	(6,061)	(1,353)
Impairment of investments in securities	11,407	9,585	45,016
Loss on disposal of rental assets and other property	4,387	22,670	24,483
(Increase) decrease in receivables	121,606	(138,785)	342,008
(Increase) decrease in inventories	(171,275)	205,848	(57,206)
Decrease in prepaid expenses and other current assets	1,964	8,687	12,772
Increase (decrease) in payables	47,512	62,295	(359,230)
Increase (decrease) in accrued expenses and retirement and severance benefits	22,871	69,724	(27,050)
Increase (decrease) in accrued income taxes	3,066	17,249	(76,343)
Increase (decrease) in other liabilities	(26,118)	(83,519)	39,711
Net change in inventory-related receivables from financial services	19,523	(17,935)	2,117
Other	19,439	31,348	57,646
Net cash provided by operating activities	841,554	798,299	558,947
Cash flows from investing activities (note 23):			
Capital expenditures	(254,460)	(286,259)	(422,109)
Purchase of intangible assets	(95,500)	(85,092)	(107,949)
Purchase of tangible assets and software to be leased	(268,446)	(271,341)	(357,079)
Proceeds from disposal of property, plant and equipment	27,427	20,821	13,110
Proceeds from disposal of tangible assets and software to be leased	19,866	22,672	33,401
Collection of investments in leases	286,356	172,327	234,984
Purchase of investments in securities and shares of newly consolidated subsidiaries	(122,555)	(156,989)	(60,337)
Proceeds from sale of investments in securities and shares of consolidated subsidiaries resulting in deconsolidation	147,941	27,410	112,771
Refund of deposit received for sale of investment in affiliated company	(43,550)	—	—
Other	42,575	25,856	3,200
Net cash used in investing activities	(260,346)	(530,595)	(550,008)

See accompanying notes to consolidated financial statements.

**HITACHI, LTD.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows (continued)

Years ended March 31, 2011, 2010 and 2009

	Yen (millions)		
	2011	2010	2009
Cash flows from financing activities (note 23):			
Increase (decrease) in short-term debt, net	75,535	(551,044)	314,899
Proceeds from long-term debt	179,324	656,768	467,341
Payments on long-term debt	(790,328)	(565,212)	(441,550)
Proceeds from issuance of common stock	—	252,420	—
Proceeds from sale of common stock by subsidiaries	415	504	900
Dividends paid to Hitachi, Ltd. stockholders	(22,466)	(134)	(19,826)
Dividends paid to noncontrolling interests	(19,575)	(24,852)	(28,406)
Acquisition of common stock for treasury	(183)	(115)	(841)
Proceeds from sales of treasury stock	52	65	564
Purchase of shares of consolidated subsidiaries from noncontrolling interest holders	(3,043)	(261,113)	—
Proceeds from sale of shares of consolidated subsidiaries to noncontrolling interest holders	229	1,886	—
Other	(4,136)	(11,517)	(8,693)
Net cash provided by (used in) financing activities	(584,176)	(502,344)	284,388
Effect of consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810 (note 6)	12,030	—	—
Effect of exchange rate changes on cash and cash equivalents	(31,836)	4,298	(46,361)
Net increase (decrease) in cash and cash equivalents	(22,774)	(230,342)	246,966
Cash and cash equivalents at beginning of year	577,584	807,926	560,960
Cash and cash equivalents at end of year	<u>554,810</u>	<u>577,584</u>	<u>807,926</u>

See accompanying notes to consolidated financial statements.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(1) Nature of Operations

Hitachi, Ltd. (the Company) is a Japanese corporation, whose principal office is located in Japan. The Company's and its subsidiaries' businesses are diverse, and include information and telecommunication systems, power systems, social infrastructure and industrial systems, electronic systems and equipment, construction machinery, high functional materials and components, automotive systems, components and devices, digital media and consumer products, financial services, and others including logistics services.

(2) Basis of Presentation and Summary of Significant Accounting Policies

(a) Basis of Presentation

The Company and its domestic subsidiaries keep their books of account in accordance with the financial accounting standards of Japan, and its foreign subsidiaries in accordance with those of the countries of their domicile.

The consolidated financial statements presented herein have been prepared to reflect the adjustments which are necessary to conform them with accounting principles generally accepted in the United States of America. Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements. Actual results could differ from those estimates.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries and all variable interest entities (VIEs) for which the Company or any of its consolidated entities is the primary beneficiary. The definition of a VIE is included in Accounting Standards Codification (ASC) 810, "Consolidation." This guidance addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. The consolidated financial statements include accounts of certain subsidiaries whose closing dates differ from March 31 by 93 days or less to either comply with local statutory requirements or facilitate timely reporting. There have been no significant transactions, which would materially affect the Company's financial position and results of operations, with such subsidiaries during the period from their closing dates to March 31. Intercompany accounts and significant intercompany transactions have been eliminated in consolidation.

Investments in corporate joint ventures and affiliated companies, where the Company has the ability to exercise significant influence over operational and financial policies generally by holding 20 - 50% ownership, are accounted for under the equity method. Investments where the Company does not have significant influence are accounted for under the cost method.

(c) Cash Equivalents

The Company considers all highly liquid investments with insignificant risk of changes in value which have original maturities of three months or less when purchased to be cash equivalents.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(d) Allowance for Doubtful Receivables

Allowance for doubtful receivables, including both trade receivables as well as investments in leases, is the Company's and subsidiaries' best estimate of the amount of our incurred losses (that is those amounts with regards to which collection is not probable based on current information). Assessing the ultimate realization of these receivables, based on historical experience and analyses, including the current creditworthiness of each customer, requires a considerable amount of judgment. Each company in our consolidated group considers factors which are relevant to its business and circumstances, including business practices that are unique to the respective country or region in which it operates within the context of our group policy. Such factors which have been present on a historical basis and have contributed to losses at our subsidiaries in the past include: historical credit loss experience; existence of overdue payments; extended payment terms; negative evaluation by third-party credit rating agencies; excessive debt; and evaluation of deteriorating financial position and operating results. Account balances are generally written off against the allowance only after all means of collection have been exhausted and the potential for recovery is considered remote. Write-offs generally occur only when a debtor enters bankruptcy or liquidation because at that time collection efforts will have been exhausted. This policy results in potentially long collection cycles.

(e) Foreign Currency Translation

Foreign currency financial statements have been translated in accordance with ASC 830, "Foreign Currency Matters." Under this guidance, the assets and liabilities of the Company's subsidiaries located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from foreign currency transactions are included in other income (deductions), and those resulting from translation of financial statements are excluded from the consolidated statements of operations and included in accumulated other comprehensive loss.

(f) Investments in Securities and Affiliated Companies

Equity securities that do not have readily determinable fair values, except for equity-method investments, are accounted for under the cost method. The Company classifies investments in equity securities that have readily determinable fair values and all investments in debt securities in three categories: held-to-maturity securities, trading securities and available-for-sale securities.

Held-to-maturity securities are debt securities that the Company has the positive intent and ability to hold to maturity. Trading securities are debt and equity securities that are bought and held principally for the purpose of selling them in the near term. Available-for-sale securities are debt and equity securities not classified as either held-to-maturity securities or trading securities.

Held-to-maturity securities are reported at amortized cost. Trading securities are reported at fair value, with unrealized gains and losses included in earnings. Available-for-sale securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive loss.

On a periodic basis, but no less frequently than at the end of each quarter period, the Company evaluates available-for-sale securities, held-to-maturity securities and cost-method investments for possible impairment. If the fair value of any available-for-sale security, held-to-maturity security or cost-method investment is less than the cost basis or the amortized cost basis, the Company assesses whether the impairment is temporary or other-than-temporary. Fair value is determined based on quoted market prices, projected discounted cash flows or other valuation techniques as appropriate. For certain cost-method investments for which it is not practicable to estimate the fair value, if an event or change in circumstances has occurred that may have a significant adverse effect on the fair value of the investment, the Company estimates the fair value of such investments.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Factors considered in determining whether an impairment of an equity security classified as available-for-sale or a cost-method investment is temporary or other-than-temporary include: the length of time and extent to which the fair value of the investment has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability to retain the investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. A decline in fair value of an equity security classified as an available-for-sale security or cost-method investment below its cost basis that is deemed to be other-than-temporary results in a write-down of the cost basis to fair value as a new cost basis and the amount of the write-down is included in earnings. The new cost basis of the investment is not adjusted for subsequent recoveries in fair value.

Factors considered in assessing whether an impairment of a debt security classified as either available-for-sale or held-to-maturity is temporary or other-than-temporary include: whether there is intent to sell the impaired debt security, it is more likely than not that the impaired debt security will be required to be sold before recovery, or the holder is not expected to recover the entire amortized cost basis of the security for any other reason. If the best estimate of the present value of cash flows expected to be collected is less than the amortized cost basis of the security, such a difference represents the credit loss component of the impairment. If an other-than-temporary impairment has occurred, the amount of the other-than-temporary impairment recognized in earnings depends on whether the Company intends to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss. If the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis less any current-period loss, the component of the other-than-temporary impairment related to the credit loss is recognized in earnings and the component of the other-than-temporary impairment related to other factors is recognized in accumulated other comprehensive loss. The previous amortized cost basis less the other-than-temporary impairment recognized in earnings becomes the new amortized cost basis of the investment. That new amortized cost basis is not adjusted for subsequent recoveries in fair value. However, the new amortized cost basis is adjusted for accretion and amortization as if the debt security had been purchased on the date of the other-than temporary impairment at an amortized cost basis equal to the previous amortized cost basis less the other-than-temporary impairment recognized in earnings .

On a periodic basis, but no less frequently than at the end of each quarter period, the Company evaluates the carrying amount of its ownership interests in equity-method investees for possible impairment. Factors considered in assessing whether an indication of other-than-temporary impairment exists include the achievement of business plan objectives and milestones including cash flow projections and the results of planned financing activities, the financial condition and prospects of each investee company, the fair value of the ownership interest relative to the carrying amount of the investment, the period of time during which the fair value of the ownership interest has been below the carrying amount of the investment and other relevant factors. Impairment to be recognized is measured based on the amount by which the carrying amount of the investment exceeds the fair value of the investment. Fair value is determined based on quoted market prices, projected discounted cash flows or other valuation techniques as appropriate.

The cost of a security sold or the amount reclassified out of accumulated other comprehensive loss into earnings is determined by the average cost method.

HITACHI, LTD.
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(g) *Securitizations*

The Company and certain subsidiaries have a number of securitization programs. Under those programs, certain financial assets such as lease receivables, trade receivables and others are sold to Special Purpose Entities (SPEs) which are mainly funded through the issuance of asset-backed securities to investors. When a transfer of financial assets is eligible to be accounted for as a sale under ASC 860, “Transfers and Servicing,” the transferred financial assets are derecognized. The Company and its subsidiaries recognize a gain or loss for the difference between the fair value of assets obtained and liabilities incurred in the sale and the carrying amount of the transferred financial assets when the transaction is consummated. Initially recorded at fair value in the period of securitizations, the amount of retained interests that can contractually be prepaid or otherwise settled in such a way that the holder would not recover all of its recorded interests is subsequently remeasured at fair value as of the balance sheet date in the same manner as available-for-sale securities.

Fair values are based on the present value of estimated future cash flows which take into consideration various factors such as expected credit loss and others.

(h) *Inventories*

Inventories are stated at the lower of cost or market. Cost is determined by the specific identification method for job order inventories and generally by the average cost method for raw materials and other inventories.

(i) *Property, Plant and Equipment*

Property, plant and equipment are stated at cost. Property, plant and equipment are principally depreciated using the declining-balance method, except for some assets which are depreciated using the straight-line method, mainly over the following estimated useful lives:

Buildings	
Buildings and building equipment	3 to 50 years
Structures	7 to 60 years
Machinery and equipment	
Machinery	4 to 15 years
Vehicles	4 to 7 years
Tools, furniture and fixtures	2 to 20 years

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(j) Goodwill and Other Intangible Assets

The Company tests goodwill and indefinite-lived intangible assets for impairment at least annually. The Company performs its annual impairment test mainly during the fourth quarter after the annual forecasting process is completed. Furthermore, goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The impairment test consists of two steps. In the first step, the Company compares the fair value of each reporting unit to its carrying value. The Company has certain operating segments and, in identifying the reporting unit for the purpose of testing goodwill for impairment, considers disaggregating those operating segments into economically dissimilar components based on specific facts and circumstances, especially the level at which performance of the operating segments are reviewed, how many businesses are included in the operating segments, and the economic similarity of those businesses. In assigning goodwill to reporting units, the Company considers which reporting units are expected to benefit from the synergies of the combination in a manner similar to how the amount of goodwill is recognized in a business combination. The Company determines the fair value of its reporting units mainly using an income approach (i.e., present value technique). When determining such fair value, the Company may, however, also use the fair value of that unit based on a comparison of comparable publicly traded companies or based on that unit's stand-alone market capitalization. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company performs the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, the Company records an impairment loss equal to the difference. Intangible assets with finite useful lives are amortized over their respective estimated useful lives on either a straight-line basis or the method that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise used up. The principal estimated useful lives are as follows:

Software	1 to 10 years
Software for internal use	3 to 10 years
Patents	4 to 8 years
Other	2 to 25 years

(k) Capitalized Software Costs

Costs incurred for computer software developed or obtained for internal use are capitalized and amortized on a straight-line basis over their estimated useful lives in accordance with ASC 350, "Intangibles – Goodwill and Other." In addition, the Company and its subsidiaries develop certain computer software to be sold where related costs are capitalized after establishment of technological feasibility in accordance with ASC 985, "Software." The annual amortization of such capitalized costs is the greater of the amount computed using the ratio of each software's current year gross revenues to the total of current and anticipated future gross revenues or the straight-line method over the remaining estimated economic life of each software product.

(l) Impairment of Long-lived Assets

The Company reviews the carrying value of long-lived assets or a related group of assets to be held and used, including intangible assets with finite useful lives, for impairment whenever events or circumstances occur that indicate that the carrying value of the assets may not be recoverable. The assets are considered to be impaired when estimated undiscounted cash flows expected to result from the use of the assets and their eventual disposition is less than their carrying values. The impairment losses are measured as the amount by which the carrying value of the asset or asset group exceeds the fair value. In determining the fair value, the Company uses available quoted market prices and present value techniques, if appropriate, based on the estimated future cash flows expected to result from the use of the assets and their eventual disposition.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(m) Retirement and Severance Benefits

The Company accounts for retirement and severance benefits in accordance with ASC 715, “Compensation – Retirement Benefits.” Actuarial gains and losses and prior service benefit and cost included in accumulated other comprehensive loss are amortized using the straight-line method over the average remaining service period of active employees.

(n) Environmental Liabilities

The cost for environmental remediation liabilities is accrued when it is probable that the Company will incur environmental assessments or cleanup costs and the amounts can be reasonably estimated. The cost for liabilities is estimated based on the circumstances, the available information and current law, and the liabilities are not discounted to their present values.

(o) Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with ASC 815, “Derivatives and Hedging.” This guidance requires that all derivative financial instruments, such as forward exchange and interest rate swap contracts, be recognized in the financial statements as either assets or liabilities and measured at fair value regardless of the purpose or intent for holding them.

The Company designates and accounts for hedging derivatives as follows:

- “Fair value” hedge: a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the related derivatives are both recorded in earnings if the hedge is considered highly effective.
- “Cash flow” hedge: a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability. The changes in the fair value of the derivatives designated as cash flow hedges are recorded as other comprehensive income (loss) if the hedge is considered highly effective. This treatment is continued until earnings are affected by the variability in cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative are recognized in income (loss).
- “Foreign currency” hedge: a hedge of foreign-currency fair value or cash flow. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the derivatives are recorded as either earnings or other comprehensive income (loss) if the hedge is considered highly effective. Recognition as earnings or other comprehensive income (loss) is dependent on the treatment of foreign currency hedges as either fair value or cash flow hedges.

The Company follows the documentation requirements as prescribed by the guidance, which includes risk management objective and strategy for undertaking various hedge transactions. In addition, a formal assessment is made at the hedge’s inception and periodically on an ongoing basis, as to whether the derivative used in hedging activities is highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge accounting is discontinued for ineffective hedges, if any. Subsequent changes in the fair value of derivatives related to discontinued hedges are recognized in earnings immediately.

The Company classifies cash flows from derivatives as cash flows from operating activities in the consolidated statements of cash flows.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(p) Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectibility is reasonably assured.

The Company offers multiple solutions to meet its customers' needs. Those solutions may involve the delivery or performance of multiple elements, such as products, services, or rights to use assets, and performance may occur at different points in time or over different periods of time. When one element is delivered prior to the other in an arrangement, revenue is deferred until the delivery of the last element, unless transactions are such that the delivered item has value to the customer on a standalone basis, there is objective and reliable evidence of the fair value of the undelivered item, and delivery or performance of the undelivered item is considered probable and substantially in the control of the Company if the arrangement includes a general right of return relative to the delivered item. If all conditions described above are met, each element in an arrangement is considered a separate unit of accounting, and the arrangement consideration is allocated to the separate units of accounting based on the relative fair values provided that there is objective and reliable evidence of the fair values of all units of accounting in the arrangement. The Company allocates revenue for software arrangements involving multiple elements to each element based on its relative fair value, as evidenced by vendor specific objective evidence (VSOE), or in the absence of VSOE of the delivered elements, the residual method. VSOE is the price charged by the Company to an external customer for the same element when such an element is sold separately.

Product Sales:

Revenue from sales of products is recognized when title and risk of loss have been transferred to the customer depending upon the terms of the contract or arrangement with the customer. The Company's policy is not to accept product returns unless the products are defective. The conditions of delivery are governed by the terms of the contract or customer arrangement and those not meeting the predetermined specification are not recorded as revenue. When the final payment is subject to customer acceptance, a portion of revenue for the amount of the final payment is deferred until an enforceable claim has become effective. Product warranties are offered on the Company's and certain subsidiaries' products and a warranty accrual is established when sales are recognized based on estimated future costs of repair and replacement principally using historical experience of warranty claims. Revenue from separately priced extended warranty and product maintenance contracts is deferred and recognized in income on a straight-line basis over the contract period except in those circumstances in which sufficient historical evidence indicates that the costs of performing services under the contract are incurred on other than a straight-line basis.

Price protection is provided to retailers of the Company's consumer products business and others to compensate the customer retailers for a decline in the product's value due mainly to competition. Price protection granted to the customers is classified as a reduction of revenue in the consolidated statements of operations. In addition, it is the Company's policy to accrue reasonably and reliably estimated price adjustments at the later of the date at which the related sales are recognized, or the date at which price protection is offered. The estimate is made based primarily upon historical experience or agreement on the adjustment rate and the number of units that are subject to such adjustment (e.g., units in distribution channels).

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Product revenues which are recognized upon delivery, installation or acceptance by the customer include information technology system products, construction equipment, displays, disk drives, televisions, air conditioners, batteries, magnetic tapes, high functional materials, cable products, automotive equipment, semiconductor manufacturing equipment, test and measurement equipment, railway vehicles, medical electronic devices, industrial machinery and equipment, elevators and escalators.

Revenue from sales of tangible products under long-term construction type arrangements, in connection with the construction of nuclear, thermal and hydroelectric power plants, are recognized under the percentage-of-completion method. Under the percentage-of-completion method, revenue is recognized as a percentage of estimated total revenue that incurred costs to date bear to estimated total costs after giving effect to estimates of costs to complete based upon the most recent information. Any anticipated losses on fixed price contracts are charged to operations when such losses can be estimated. Provisions are made for contingencies in the period in which they become known pursuant to specific contract terms and conditions and are estimable. When reasonably dependable estimates of contract revenues and costs and the extent of progress toward completion do not exist, the completed-contract method of accounting is applied. A contract is complete when either acceptance by the customer is given or compliance with performance specifications is achieved, whichever is appropriate under the relevant contractual terms.

The Company recognizes software revenue in accordance with the provisions of ASC 985, "Software." Revenue from software consists primarily of software licensing, customized software development and post contract customer support. Revenues from software license arrangements are recognized upon delivery of the software if evidence of the arrangement exists, pricing is fixed or determinable and collectibility is reasonably assured. Revenue from a software arrangement that requires significant production, modification or customization of software is recognized using the percentage-of-completion method provided that reasonably dependable estimates related to contract revenue, cost and the extent of progress toward completion exist. Otherwise, the completed-contract method is applied. Customization of software is considered substantially completed when an acceptance by the customer occurs. Revenue from post contract customer support is amortized over the period of the post contract customer support. Consulting and training services revenues are recognized when the services are rendered.

Service Revenues:

Service revenues from maintenance and distribution services are recognized upon completion of service delivery. Revenue from time-based service contracts is recognized as services are rendered. Revenue from long-term fixed price service contracts such as support or maintenance contracts is recognized ratably over the contractual period. If historical data shows that the accrual of service cost is not fixed and the service is rendered in proportion to the accrual of the cost for the service, revenue is recognized based on the pattern of the cost accrual. Finance lease income is recognized at level rates of return over the term of the leases. Operating lease income is recognized on a straight-line basis over the term of the lease.

(q) Shipping and Handling Costs

Shipping and handling costs are expensed as incurred and included in selling, general and administrative expenses.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(r) Advertising

Advertising costs are expensed as incurred.

(s) Research and Development Costs

Research and development costs are expensed as incurred. Costs incurred in connection with the development of software products for sale or lease to others are accounted for in accordance with ASC 985, "Software." Development costs incurred in the research and development of new software products and enhancements to existing products are expensed as incurred until technological feasibility has been established.

(t) Income Taxes

Deferred income taxes are accounted for under the asset and liability method in accordance with ASC 740, "Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses and tax credit carryforwards. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established to reduce deferred tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Tax positions that are more likely than not to be sustained upon examination by tax authorities are recognized in the financial statements in accordance with the provisions of ASC 740. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with tax authorities. Interest accrued related to unrecognized tax benefits and penalties are included in income taxes in the consolidated statements of operations.

(u) Sales of Stock by Subsidiaries

Prior to the adoption of the provisions regarding noncontrolling interests in a subsidiary of ASC 810, the Company elected to recognize the change in its proportionate share of a subsidiary's equity resulting from issuance of stock by the subsidiary in the consolidated statements of operations.

(v) Consumption Tax

Consumption tax collected and remitted to taxing authorities is excluded from revenues, cost of sales and expenses in the consolidated statements of operations.

(w) Net Income Attributable to Hitachi, Ltd. Stockholders Per Share

Net income attributable to Hitachi, Ltd. stockholders per share is computed in accordance with ASC 260, "Earnings Per Share." This guidance requires a dual presentation of basic and diluted net income attributable to Hitachi, Ltd. stockholders per share amounts on the face of the statements of operations. Under this guidance, basic net income attributable to Hitachi, Ltd. stockholders per share is computed based upon the weighted average number of shares of common stock outstanding during each year. Diluted net income attributable to Hitachi, Ltd. stockholders per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(x) *Guarantees*

The Company recognizes, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee in accordance with ASC 460, "Guarantees."

(y) *Accounting Changes*

The Company adopted the provisions of ASC 805, "Business Combinations," and the provisions of ASC 810 regarding noncontrolling interests in a subsidiary on April 1, 2009. These provisions improve and simplify the accounting for business combinations and the reporting of noncontrolling interests in consolidated financial statements. The provisions of ASC 805 require an acquiring entity in a business combination to recognize all the assets acquired, liabilities assumed and any noncontrolling interest in an acquiree at the full amount of their fair values as of the acquisition date. Also, the related provisions of ASC 810 clarify that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements and all the transactions resulting in changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions. The adoption of the provisions of ASC 805 did not have a material effect on the Company's consolidated financial statements upon adoption, however, the additional required disclosures are presented in note 29. The changes in equity resulting from accounting treatment in accordance with the provisions of ASC 810 are presented in note 12.

The Company adopted the provisions of ASC 860, "Transfers and Servicing" amended by Accounting Standards Update (ASU) 2009-16, "Accounting for Transfers of Financial Assets" on April 1, 2010. These provisions remove the concept of a qualifying special-purpose entity and remove the exception from the application of variable interest accounting to qualifying special-purpose entities. These provisions modify the financial-components approach used to account for transfers of financial assets, limit the circumstances in which a transferor derecognizes a portion or component of a financial asset when the transferor has not transferred the original financial asset to an entity and/or when the transferor has continuing involvement with the financial asset, and establishes the "participating interests" conditions for reporting a transfer. The provisions also require enhanced disclosures to provide financial statement users with greater transparency about transfers of financial assets and a transferor's continuing involvement.

The Company adopted the provisions of ASC 810, "Consolidation" amended by ASU 2009-17, "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" on April 1, 2010. These provisions establish how a company determines when an entity that is insufficiently capitalized or is not controlled through voting or similar rights should be consolidated. The determination of whether a company is required to consolidate an entity is based on qualitative information such as an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. The provisions also require enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise's involvement in a variable interest entity.

The effect of the adoption of the provisions amended by ASU 2009-16 and ASU 2009-17 is presented in note 6.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(z) *Revision to the Consolidated Balance Sheet*

The amounts of goodwill, other intangible assets and other liabilities in the consolidated balance sheet as of March 31, 2010 were revised to adjust the provisional amounts in accordance with the provisions of ASC 805, "Business Combinations." The evaluation of the fair values of the assets and liabilities related to the business combination achieved in March 2010 was completed during the year ended March 31, 2011. Consequently, total assets and total liabilities and equity in the consolidated balance sheet as of March 31, 2010 are also revised. The effects on the consolidated balance sheet as of March 31, 2010 are presented in note 29.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(3) Investments in Securities and Affiliated Companies

Short-term investments as of March 31, 2011 and 2010 are as follows:

	Yen (millions)	
	2011	2010
Investments in securities:		
Available-for-sale securities		
Government debt securities	2,907	43,840
Corporate debt securities	11,041	6,074
Other securities	2,610	3,621
Held-to-maturity securities	40	40
	<u>16,598</u>	<u>53,575</u>

Investments and advances, including affiliated companies as of March 31, 2011 and 2010 are as follows:

	Yen (millions)	
	2011	2010
Investments in securities:		
Available-for-sale securities		
Equity securities	145,816	159,850
Government debt securities	325	316
Corporate debt securities	27,039	29,285
Other securities	6,697	10,639
Held-to-maturity securities	355	236
Cost-method investments	48,144	48,222
Investments in affiliated companies	316,443	300,956
Advances and other	69,326	163,489
	<u>614,145</u>	<u>712,993</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following is a summary of the amortized cost basis, gross unrealized holding gains, gross unrealized holding losses and aggregate fair value of available-for-sale securities by the consolidated balance sheet classifications as of March 31, 2011 and 2010.

	Yen(millions)			
	2011			
	Amortized	Gross	Gross	Aggregate
	cost basis	gains	losses	fair value
Short-term investments:				
Government debt securities	2,907	—	—	2,907
Corporate debt securities	10,798	252	9	11,041
Other securities	2,608	2	—	2,610
	<u>16,313</u>	<u>254</u>	<u>9</u>	<u>16,558</u>
Investments and advances:				
Equity securities	84,856	63,390	2,430	145,816
Government debt securities	311	14	—	325
Corporate debt securities	25,818	1,640	419	27,039
Other securities	6,684	99	86	6,697
	<u>117,669</u>	<u>65,143</u>	<u>2,935</u>	<u>179,877</u>
	<u>133,982</u>	<u>65,397</u>	<u>2,944</u>	<u>196,435</u>
	Yen(millions)			
	2010			
	Amortized	Gross	Gross	Aggregate
	cost basis	gains	losses	fair value
Short-term investments:				
Government debt securities	43,839	1	—	43,840
Corporate debt securities	6,071	8	5	6,074
Other securities	3,619	2	—	3,621
	<u>53,529</u>	<u>11</u>	<u>5</u>	<u>53,535</u>
Investments and advances:				
Equity securities	90,339	70,998	1,487	159,850
Government debt securities	305	11	—	316
Corporate debt securities	26,419	3,032	166	29,285
Other securities	10,314	392	67	10,639
	<u>127,377</u>	<u>74,433</u>	<u>1,720</u>	<u>200,090</u>
	<u>180,906</u>	<u>74,444</u>	<u>1,725</u>	<u>253,625</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following is a summary of gross unrealized holding losses on available-for-sale securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of March 31, 2011 and 2010.

	Yen(millions)			
	2011			
	Less than 12 months		12 months or longer	
	Aggregate		Aggregate	
	fair value	Gross losses	fair value	Gross losses
Short-term investments:				
Corporate debt securities	5,691	9	—	—
Investments and advances:				
Equity securities	9,378	1,183	4,381	1,247
Corporate debt securities	8,355	306	4,933	113
Other securities	100	40	215	46
	<u>17,833</u>	<u>1,529</u>	<u>9,529</u>	<u>1,406</u>
	<u>23,524</u>	<u>1,538</u>	<u>9,529</u>	<u>1,406</u>
	Yen(millions)			
	2010			
	Less than 12 months		12 months or longer	
	Aggregate		Aggregate	
	fair value	Gross losses	fair value	Gross losses
Short-term investments:				
Corporate debt securities	1,498	2	697	3
Investments and advances:				
Equity securities	3,491	532	4,718	955
Corporate debt securities	2,646	44	5,669	122
Other securities	—	—	327	67
	<u>6,137</u>	<u>576</u>	<u>10,714</u>	<u>1,144</u>
	<u>7,635</u>	<u>578</u>	<u>11,411</u>	<u>1,147</u>

Equity securities consist primarily of stocks issued by Japanese listed companies. Government debt securities consist primarily of Japan treasury bonds. Corporate debt securities consist primarily of structured bonds. Other securities consist primarily of investments funds.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The purchases of available-for-sale securities for the years ended March 31, 2011, 2010 and 2009 were ¥26,490 million, ¥59,038 million and ¥24,729 million, respectively. The proceeds from the sale of available-for-sale securities for the years ended March 31, 2011, 2010 and 2009 were ¥11,646 million, ¥5,890 million and ¥60,063 million, respectively. The gross realized gains on the sale of those securities for the years ended March 31, 2011, 2010 and 2009 were ¥3,556 million, ¥1,124 million and ¥2,017 million, respectively, while the gross realized losses on the sale of those securities for the years ended March 31, 2011, 2010 and 2009 were ¥385 million, ¥56 million and ¥1,029 million, respectively.

The contractual maturities of debt securities and other securities classified as investments and advances in the consolidated balance sheet as of March 31, 2011 are as follows:

	Yen (millions)		Total
	Held-to-maturity	Available-for-sale	
Due within five years	355	13,711	14,066
Due after five years through ten years	—	5,979	5,979
Due after ten years	—	14,371	14,371
	<u>355</u>	<u>34,061</u>	<u>34,416</u>

Expected redemptions may differ from contractual maturities because some of these securities are redeemable at the option of the issuers.

The aggregate carrying amounts of cost-method investments which were not evaluated for impairment as of March 31, 2011 and 2010 were ¥43,797 million and ¥47,900 million, respectively, mainly because it is not practicable to estimate the fair value of the investments due to lack of a market price and difficulty in estimating fair value without incurring excessive cost and the Company did not identify any events or changes in circumstances that might have had a significant adverse effect on their fair value.

The aggregate fair values of investments in affiliated companies, for which a quoted market price was available, as of March 31, 2011 and 2010, were ¥104,427 million and ¥17,388 million, respectively. The aggregate carrying amounts of such investments as of March 31, 2011 and 2010 were ¥99,299 million and ¥13,962 million, respectively.

As of March 31, 2011 and 2010, cumulative recognition of other-than-temporary declines in values of investments in certain affiliated companies resulted in the difference of ¥17,837 million and ¥32,621 million, respectively, between the carrying amount of the investment and the amount of underlying equity in net assets. In addition, as of March 31, 2011 and 2010, the carrying value of the investments in affiliated companies exceeded the Company's equity in the underlying net assets of such affiliated companies by ¥111,917 million and ¥105,278 million, respectively. The excess is attributed first to certain fair value adjustments on a net-of-tax basis at the time of the initial and subsequent investments in those companies with the remaining portion considered as equity-method goodwill.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

For the year ended March 31, 2011, there were no affiliated companies accounted for by the equity method which were material to be disclosed separately. Summarized combined financial information relating to affiliated companies accounted for by the equity method as of and for the year ended March 31, 2011 is as follows:

	<u>Yen (millions)</u> <u>2011</u>
Current assets	1,305,406
Non-current assets	835,964
Total assets	<u>2,141,370</u>
Current liabilities	1,145,724
Non-current liabilities	334,298
Total liabilities	<u>1,480,022</u>

	<u>Yen (millions)</u> <u>2011</u>
Revenues	2,208,543
Gross profit	588,095
Net loss attributable to affiliated companies	(69,878)

Summarized financial information relating to Renesas Technology Corp. (Renesas), Casio Hitachi Mobile Communications Co., Ltd. (CHMC) and other affiliated companies accounted for by the equity method as of March 31, 2010 and for the year ended March 31, 2010 and 2009 is as follows:

	<u>Yen (millions)</u> <u>2010</u>			
	<u>Renesas</u>	<u>CHMC</u>	<u>Others</u>	<u>Total</u>
Current assets	327,687	50,535	645,257	1,023,479
Non-current assets	294,192	9,521	465,209	768,922
Total assets	<u>621,879</u>	<u>60,056</u>	<u>1,110,466</u>	<u>1,792,401</u>
Current liabilities	342,680	41,546	617,825	1,002,051
Non-current liabilities	135,603	1,014	100,779	237,396
Total liabilities	<u>478,283</u>	<u>42,560</u>	<u>718,604</u>	<u>1,239,447</u>
Equity	<u>143,596</u>	<u>17,496</u>	<u>391,862</u>	<u>552,954</u>
Stockholders' equity	141,567	17,496		
Percentage of ownership in equity investees	55.0%	49.0%		
Equity investment and undistributed earnings of affiliated companies, before consolidating and reconciling adjustments	77,862	8,573		
Consolidation and reconciling adjustments:				
Impairment loss	(10,881)	(4,232)		
Other	2	(141)		
Investments in affiliated companies	<u>66,983</u>	<u>4,200</u>	<u>229,773</u>	<u>300,956</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

	Yen (millions)			
	2010			
	Renesas	CHMC	Others	Total
Revenues	599,791	99,623	1,170,893	1,870,307
Cost of sales	(555,990)	(110,381)	(1,007,203)	(1,673,574)
Gross profit (loss)	43,801	(10,758)	163,690	196,733
Selling, general and administrative expenses	(108,003)	(14,448)	(176,368)	(298,819)
Impairment losses for long-lived assets	(4,551)	—		
Restructuring charges	(202)	—		
Other deductions (net)	(12,603)	(12)		
Loss before income taxes	(81,558)	(25,218)		
Income taxes	(4,991)	(4,150)		
Net loss	(86,549)	(29,368)		
Less net loss attributable to noncontrolling interests	(183)	—		
Net loss attributable to affiliated companies	(86,366)	(29,368)	(51,729)	(167,463)
Percentage of ownership in equity investees	55.0%	49.0%		
Equity in net loss of affiliated companies, before consolidating and reconciling adjustments	(47,501)	(14,390)		
Consolidation and reconciling adjustments	(96)	(1)		
Equity in net earning (loss) of affiliated companies	<u>(47,597)</u>	<u>(14,391)</u>	<u>3,802</u>	<u>(58,186)</u>

	Yen (millions)			
	2009			
	Renesas	CHMC	Others	Total
Revenues	702,739	156,750	1,583,498	2,442,987
Cost of sales	(662,626)	(156,645)	(1,420,373)	(2,239,644)
Gross profit	40,113	105	163,125	203,343
Selling, general and administrative expenses	(134,302)	(10,363)	(187,693)	(332,358)
Impairment losses for long-lived assets	(9,627)	—		
Restructuring charges	(16,872)	—		
Other deductions (net)	(16,494)	(686)		
Loss before income taxes	(137,182)	(10,944)		
Income taxes	(82,666)	(1,517)		
Net loss	(219,848)	(12,461)		
Less net income attributable to noncontrolling Interests	(1,318)	—		
Net loss attributable to affiliated companies	(218,530)	(12,461)	(164,437)	(395,428)
Percentage of ownership in equity investees	55.0%	49.0%		
Equity in net loss of affiliated companies, before consolidating and reconciling adjustments	(120,192)	(6,106)		
Consolidation and reconciling adjustments	(196)	141		
Equity in net loss of affiliated companies	<u>(120,388)</u>	<u>(5,965)</u>	<u>(35,852)</u>	<u>(162,205)</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

On April 1, 2003, Renesas, which focused on system LSI (Large Scale Integration) operations, was incorporated through a corporate split procedure, where the semiconductor and integrated circuits operations of the Company and Mitsubishi Electric Corporation were spun-off and contributed to a new company. Although the Company had owned 55.0% of the voting stock of Renesas since its foundation, the Company accounted for the investment under the equity method of accounting as Mitsubishi Electric Corp. had substantive participating rights under the joint venture agreement. Renesas increased its capital by ¥54,000 million and ¥71,700 million during the years ended March 31, 2009 and 2010, respectively. Renesas Electronics Corporation was established on April 1, 2010 when Renesas was combined with NEC Electronics Corporation. As a result, the Company received a 30.6% interest in Renesas Electronics Corporation and accounts for the investment under the equity method of accounting.

On April 1, 2004, CHMC, which focused on mobile phone design, production and sales, was incorporated. The Company had owned 49.0% of the voting stock of CHMC since its foundation and accounted for the investment under the equity method of accounting. CHMC increased its capital by ¥44,000 million during the year ended March 31, 2010. On June 1, 2010, CHMC was merged into NEC CASIO Mobile Communications, Ltd. Consequently, the Company received a 16.7% interest in NEC CASIO Mobile Communications, Ltd. and accounts for the investment under the cost method of accounting. NEC CASIO Mobile Communications, Ltd. increased its capital by allocating new shares to shareholders other than the Company in June 2010, and as a result, the Company's interest in NEC CASIO Mobile Communications, Ltd. decreased to 9.3%.

The balances and transactions with affiliated companies accounted for by the equity method are as follows:

	Yen (millions)	
	2011	2010
Trade receivables	77,484	100,793
Investments in leases	12,158	16,595
Trade payables	21,543	43,248

	Yen (millions)		
	2011	2010	2009
Revenues	315,533	373,889	469,629
Purchases	131,686	226,012	356,400

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(4) Inventories

Inventories as of March 31, 2011 and 2010 are summarized as follows:

	Yen (millions)	
	2011	2010
Finished goods	533,724	505,918
Work in process	566,127	513,556
Raw materials	241,917	202,603
	<u>1,341,768</u>	<u>1,222,077</u>

(5) Leases

The Company and certain subsidiaries are lessors of certain assets such as manufacturing machinery and equipment under financing and operating lease arrangements with terms ranging from 3 to 6 years, some of which are transacted with affiliated companies.

The amount of leased assets at cost under operating leases and accumulated depreciation as of March 31, 2011 amounted to ¥1,999,056 million and ¥1,729,655 million, respectively. The leased assets are depreciated using the straight-line method over their estimated useful lives.

The following table shows the future minimum lease receivables of financing and non-cancelable operating leases as of March 31, 2011 and the future minimum lease receivables of financing leases as of March 31, 2010:

	Yen (millions)	
	2011	
	Financing leases	Operating leases
Years ending March 31		
2012	367,446	36,949
2013	250,130	22,256
2014	144,958	12,392
2015	66,795	6,391
2016	31,674	2,603
Thereafter	95,125	1,813
Total minimum payments to be received	956,128	<u>82,404</u>
Unguaranteed residual values	52,036	
Amount representing executory costs	(67,396)	
Unearned income	(67,631)	
Allowance for doubtful receivables	(6,136)	
Net investment in financing leases	867,001	
Less current portion of net investment in financing leases, included in investments in leases and current portion of financial assets transferred to consolidated securitization entities	<u>337,935</u>	
Long-term net investment in financing leases, included in other assets and financial assets transferred to consolidated securitization entities	<u>529,066</u>	

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

	Yen (millions)
	2010
	Financing Leases
Total minimum payments to be received	642,701
Unguaranteed residual values	66,289
Amount representing executory costs	(46,522)
Unearned income	(44,877)
Allowance for doubtful receivables	(4,825)
Net investment in financing leases	612,766
Less current portion of net investment in financing leases, included in investments in leases	194,108
Long-term net investment in financing leases, included in other assets	<u>418,658</u>

The Company and certain subsidiaries lease certain buildings, manufacturing machinery and equipment used in their operations. The amount of leased assets at cost under capital leases as of March 31, 2011 and 2010 amounted to ¥40,952 million and ¥39,398 million, respectively, and accumulated depreciation as of March 31, 2011 and 2010 amounted to ¥18,225 million and ¥19,440 million, respectively. Amortization of assets under capital leases is included in depreciation expense.

The following table shows the future minimum lease payments of capital and non-cancelable operating leases as of March 31, 2011:

	Yen (millions)	
	Capital leases	Operating leases
Years ending March 31		
2012	11,799	18,799
2013	9,474	14,771
2014	5,769	11,710
2015	3,923	9,769
2016	2,260	7,008
Thereafter	5,747	26,817
Total minimum lease payments	38,972	<u>88,874</u>
Amount representing executory costs	(210)	
Amount representing interest	(2,444)	
Present value of net minimum lease payments	36,318	
Less current portion of capital lease obligations	11,082	
Long-term capital lease obligations	<u>25,236</u>	

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(6) Securitizations

The Company and certain subsidiaries securitize certain financial assets, such as lease, trade and mortgage loans receivable, and arrange other forms of asset-backed financing for the purpose of providing diversified and stable fund raising as part of their ongoing securitization activities. Historically, they have used Hitachi-supported and third-party Special Purpose Entities (SPEs) to execute securitization transactions funded with commercial paper and other borrowings. These securitization transactions are similar to those used by many financial institutions.

Investors in these entities only have recourse to the assets owned by the entity and not to their general credit, unless noted below. The Company and certain subsidiaries do not provide non-contractual support to SPEs and do not have implicit support arrangements with any SPEs. The majority of their involvement with SPEs related to the securitization activities are assisting in the formation and financing of an entity, providing limited credit enhancements, servicing the assets and receiving fees for services provided.

A portion of these lease, trade and mortgage loans receivable is transferred to SPEs sponsored by financial institutions, which operate those SPEs as a part of their businesses. Accordingly, the amount of assets transferred by the Company and its subsidiaries is considerably small compared to the total assets of the SPEs sponsored by these financial institutions that purchase a large amount of assets from entities other than the Company and its subsidiaries. In certain transactions, investors have recourse with a scope that is considerably limited.

The transferred assets have similar risks and characteristics to the Company's and certain subsidiaries' receivables recorded on the consolidated balance sheets. Accordingly, the performance, such as collections or expected credit loss, of these transferred assets has been similar to the receivables recorded on the consolidated balance sheets for the Company and certain subsidiaries; however, the blended performance of the pools of transferred assets reflects the eligibility screening requirements that the Company and certain subsidiaries apply to determine which receivables are selected for transfer. Therefore, the blended performance may differ from receivables recorded on the consolidated balance sheets.

Most of the transactions transferring lease and mortgage loans receivable utilize securitization trusts. In those transactions, certain subsidiaries initially transfer the receivables to trusts that had satisfied the conditions of Qualifying SPEs (QSPEs), which under guidance in effect through March 31, 2010 were excluded from the scope of consolidation provisions, and receive the beneficial interests in trusts originated from the transferred assets. Subsequently, the subsidiaries transfer the interests to and receive cash as consideration from SPEs that are not former QSPEs, as a part of securitization arrangements.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The remaining financial assets, consisting mainly of trade receivables, were transferred to former QSPEs established by certain of the Company's subsidiaries in the Cayman Islands. In those transactions, the Company and certain subsidiaries received cash as consideration from the former QSPEs that were funded through the issuance of asset-backed securities or other borrowings from investors that were secured by the transferred assets. The Company and certain subsidiaries retained subordinated interests in the transferred assets relating to these transactions, or otherwise investors had recourse with considerably limited scope. Furthermore, the Company and certain subsidiaries retained servicing responsibility, and certain of the Company's subsidiaries provided credit facilities to the former QSPEs in accordance with the service agency business contracts from which temporary payments on behalf of the former QSPEs were made. As of March 31, 2010, the Company and its subsidiaries had three QSPEs with outstanding balances of transferred receivables and the total amount of their assets was ¥117,159 million. Since the Company and its subsidiaries terminated the transactions with the former QSPEs by March 31, 2011, there are no outstanding balances of transferred receivables to the former QSPEs as of March 31, 2011. The Company and its subsidiaries did not hold any of the voting shares issued by those former QSPEs, and none of the directors of those former QSPEs were executives or employees of the Company or its subsidiaries. Additionally, the former QSPEs also purchased receivables from third-party customers.

In accordance with the new consolidation provisions effective April 1, 2010, the Company and certain subsidiaries are deemed to have a controlling financial interest and are the primary beneficiary of an SPE if it has both the power to direct the activities of the SPE that most significantly impact the SPE's economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the SPE. As a result of adoption of these provisions, the Company consolidated former QSPEs that were unconsolidated prior to April 1, 2010 using the carrying amounts of the SPEs' assets and liabilities as of April 1, 2010.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The incremental impact of adoption of these provisions on the Company's consolidated balance sheet as of April 1, 2010 is set forth in the following table. A net reduction of total equity of ¥17,919 million was principally relating to the reversal of previously recognized gains on sales of financial assets as a cumulative effect adjustment.

	<u>Yen (millions)</u> Net increase (decrease)
Cash and cash equivalents	12,030
Current portion of financial assets transferred to consolidated securitization entities	339,875
Prepaid expenses and other current assets	(33,283)
Investments and advances, including affiliated companies	(117,370)
Financial assets transferred to consolidated securitization entities	457,104
Other assets	12,202
Total assets	<u>670,558</u>
Current portion of long-term debt	(4,898)
Current portion of non-recourse borrowings of consolidated securitization entities	347,367
Other current liabilities	(55,163)
Long-term debt	(2,081)
Non-recourse borrowings of consolidated securitization entities	403,252
Total liabilities	<u>688,477</u>
Legal reserve and retained earnings	(7,732)
Accumulated other comprehensive loss	(2,977)
Noncontrolling interests	(7,210)
Total equity	<u>(17,919)</u>

Consolidated SPEs

The Company consolidated SPEs mainly because the Company has both the power to direct the activities of the SPEs that most significantly impact the SPEs' economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the SPEs. The consolidated SPEs are mainly trusts for the securitizations of lease receivables and mortgage loans receivable.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The table below summarizes the assets and liabilities of the consolidated SPEs as of March 31, 2011 by type of transferred financial assets that those SPEs hold:

	Yen (millions)			
	2011			
	Lease receivables	Mortgage loans receivable	Others	Total
Cash and cash equivalents	4,091	3,263	1,059	8,413
Current portion of financial assets transferred to consolidated securitization entities	109,589	11,236	62,734	183,559
Financial assets transferred to consolidated securitization entities	123,970	175,506	4,684	304,160
Current portion of non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	75,539	—	16,512	92,051
Beneficial interests in trusts	55,396	34,178	9,243	98,817
	<u>130,935</u>	<u>34,178</u>	<u>25,755</u>	<u>190,868</u>
Non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	51,359	—	—	51,359
Beneficial interests in trusts	34,053	131,196	2,958	168,207
	<u>85,412</u>	<u>131,196</u>	<u>2,958</u>	<u>219,566</u>

The aggregate annual maturities of non-recourse borrowings of consolidated securitization entities after March 31, 2012 are as follows:

Years ending March 31	Yen (millions)
2013	96,379
2014	22,753
2015	14,724
2016	12,213
Thereafter	<u>73,497</u>
	<u>219,566</u>

The assets and liabilities of the consolidated SPEs on the table above exclude intercompany balances that are eliminated in consolidation. Substantially, all of the assets of the consolidated SPEs can only be used to settle obligations of those SPEs.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Transfers to unconsolidated entities

The following information is related to financial assets transferred to unconsolidated entities and accounted for as sales. Those financial assets are transferred mainly to SPEs sponsored by financial institutions.

Securitizations of lease receivables:

Hitachi Capital Corporation and certain other financing subsidiaries sold lease receivables to unconsolidated SPEs and other entities. Net gains recognized on the sale of these lease receivables for the years ended March 31, 2011, 2010 and 2009 were ¥8,500 million, ¥10,017 million and ¥13,975 million, respectively. The subsidiaries retained servicing responsibilities, but did not record a servicing asset or liability because the cost to service the receivables approximated the servicing income.

The table below summarizes cash flows received from and paid to the SPEs and other entities during the years ended March 31, 2011, 2010 and 2009:

	Yen (millions)		
	2011	2010	2009
Proceeds from transfer of lease receivables	120,197	167,483	254,211
Servicing fees received	—	72	78
Purchases of delinquent or ineligible assets	—	(60,983)	(46,760)

The amount of initial fair value of subordinated interests for the year ended March 31, 2011 was ¥18,403 million. The subordinated interests relating to securitizations of lease receivables are initially classified as Level 3 assets within the fair value hierarchy. The initial fair value of the subordinated interests is determined based on economic assumptions including weighted-average life, expected credit risks, and discount rates.

Key economic assumptions used in measuring the initial fair value of the subordinated interests resulting from securitizations of lease receivables completed during the year ended March 31, 2011 are as follows:

	2011
Weighted average life (in years)	4.2
Expected credit loss	0.03-0.05%
Discount rate	0.38-0.80%

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Quantitative information about delinquencies, net credit losses, and components of lease receivables subject to transfer and other assets managed together as of and for the years ended March 31, 2011 and 2010 is as follows:

	Yen (millions)		
	<u>2011</u>		
	Principal amount of receivables		
	Total principal amount of receivables	90 days or more past due	Net credit loss
Total assets managed or transferred:			
Lease receivables	1,025,462	140	1,128
Assets transferred	(158,461)		
Assets held in portfolio	<u>867,001</u>		

	Yen (millions)		
	<u>2010</u>		
	Principal amount of receivables		
	Total principal amount of receivables	90 days or more past due	Net credit loss
Total assets managed or transferred:			
Lease receivables	1,103,804	243	1,943
Assets transferred	(491,038)		
Assets held in portfolio	<u>612,766</u>		

As of March 31, 2011, the amount of the maximum exposure to loss was ¥32,194 million. It mainly consists of the subordinated interests and the obligations to purchase assets with a scope that is considerably limited relating to these securitizations of lease receivables. As of March 31, 2011 and 2010, the amounts of the subordinated interests measured at fair value relating to these securitizations of lease receivables were ¥ 18,941 million and ¥77,756 million, respectively.

Key economic assumptions used in measuring the fair value of the subordinated interests relating to securitizations of lease receivables as of March 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Weighted average life (in years)	3.5	2.9
Expected credit loss	0.03%	0.01-0.05%
Discount rate	0.70-0.80%	0.31-0.69%

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The sensitivity of the current fair value of the Company's interests to an immediate 10 and 20 percent adverse change in the assumptions as of March 31, 2011 and 2010 is as follows:

	Yen (millions)	
	2011	2010
Expected credit loss:		
Impact on fair value of 10% adverse change	(60)	(282)
Impact on fair value of 20% adverse change	(121)	(563)
Discount rate:		
Impact on fair value of 10% adverse change	(47)	(103)
Impact on fair value of 20% adverse change	(94)	(204)

These securitizations were designed to transfer the lease receivables through trusts that satisfied the conditions of former QSPEs. These trusts were not consolidated for the year ended March 31, 2010. Since almost all of those trusts were consolidated upon the adoption of the new consolidation provisions, the lease receivables transferred to the consolidated trusts were recognized on the Company's consolidated balance sheet and classified as financial assets transferred to consolidated securitization entities on April 1, 2010.

Securitizations of trade receivables excluding mortgage loans receivable:

The Company and certain subsidiaries sold trade receivables excluding mortgage loans receivable mainly to unconsolidated SPEs and other entities. During the years ended March 31, 2011, 2010 and 2009, proceeds from the transfer of trade receivables excluding mortgage loans receivable were ¥521,335 million, ¥737,820 million and ¥884,953 million, respectively, and net gains and losses recognized on those transfers were a net gain of ¥140 million and net losses of ¥1,853 million and ¥4,245 million, respectively. The Company and certain subsidiaries retained servicing responsibilities, but did not record a servicing asset or liability because the cost to service the receivables approximated the servicing income.

Quantitative information about delinquencies, net credit loss, and components of trade receivables excluding mortgage loans receivable subject to transfer and other assets managed together as of and for the years ended March 31, 2011 and 2010 is as follows:

	Yen (millions)		
	2011		
	Principal amount of receivables	90 days or more past due	Net credit loss
Total assets managed or transferred:			
Trade receivables excluding mortgage loans receivable	733,090	2,698	1,025
Assets transferred	(232,374)		
Assets held in portfolio	<u>500,716</u>		

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

	Yen (millions)		
		2010	
	Total principal amount of receivables	Principal amount of receivables	Net credit loss
		90 days or more past due	
Total assets managed or transferred:			
Trade receivables excluding mortgage loans receivable	979,148	5,414	2,809
Assets transferred	(279,245)		
Assets held in portfolio	<u>699,903</u>		

As of March 31, 2011, the amount of the maximum exposure to loss was ¥36,067 million. It mainly consists of the subordinated interests and obligations to purchase assets with a scope that is considerably limited relating to these securitizations of trade receivables excluding mortgage loans receivable. As of March 31, 2011 and 2010, the amounts of the subordinated interests relating to these securitizations of trade receivables excluding mortgage loans receivable were ¥16,337 million and ¥45,249 million, respectively.

A portion of these trade receivables excluding mortgage loans receivable was transferred to former QSPEs, which were established by certain of the Company's subsidiaries, through March 31, 2011. During the years ended March 31, 2011, proceeds from the transfer of trade receivables excluding mortgage loans receivable to the former QSPEs and net losses recognized on those transfers were immaterial and there is no outstanding balance of transferred receivables in these former QSPEs as of March 31, 2011. During the years ended March 31, 2010 and 2009, proceeds from the transfer of trade receivables excluding mortgage loans receivable to the former QSPEs were ¥362,147 million and ¥490,647 million, respectively, and net losses recognized on those transfers were ¥616 million and ¥993 million, respectively. As of March 31, 2010, the outstanding balance of transferred receivables in these former QSPEs was ¥75,654 million.

Securitizations of mortgage loans receivable:

Hitachi Capital Corporation sold mortgage loans receivable to unconsolidated SPEs. For the years ended March 31, 2010 and 2009, no proceeds from the transfer of mortgage loans receivable were recorded. The subsidiary retained servicing responsibilities but did not record a servicing asset or liability because the cost to service the receivables approximated the servicing income.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Quantitative information about delinquencies, net credit loss, and components of mortgage loans receivable subject to transfer and other assets managed together as of and for the year ended March 31, 2010 is as follows:

	Yen (millions)		
		2010	
	Total principal amount of receivables	Principal amount of receivables	Net credit loss
		90 days or more past due	
Total assets managed or transferred:			
Mortgage loans receivable	224,449	—	12
Assets transferred	(210,834)		
Assets held in portfolio	<u>13,615</u>		

As of March 31, 2010, the amount of the subordinated interests measured at fair value relating to securitizations of mortgage loans receivable was ¥37,661 million.

These securitizations were designed to transfer the mortgage loans receivable through trusts that satisfied the conditions of former QSPEs. These trusts were not consolidated for the year ended March 31, 2010. Since all of the trusts were consolidated upon the adoption of the new consolidation provisions, the mortgage loans receivable transferred to the consolidated trusts was recognized on the Company's consolidated balance sheet and classified as financial assets transferred to consolidated securitization entities on April 1, 2010.

Key economic assumptions used in measuring the fair value of the subordinated interests relating to securitizations of mortgage loans receivable as of March 31, 2010 are as follows:

	2010
Weighted average life (in years)	10.4
Expected credit loss	0.02%
Discount rate	1.89-3.41%
Prepayment rate	0.33%

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The sensitivity of the current fair value of the subordinated interests to an immediate 10 and 20 percent adverse change in the assumptions as of March 31, 2010 is as follows:

	<u>Yen (millions)</u> <u>2010</u>
Expected credit loss:	
Impact on fair value of 10% adverse change	(162)
Impact on fair value of 20% adverse change	(323)
Discount rate:	
Impact on fair value of 10% adverse change	(940)
Impact on fair value of 20% adverse change	(1,847)
Prepayment rate:	
Impact on fair value of 10% adverse change	(318)
Impact on fair value of 20% adverse change	(625)

The sensitivities presented in this note are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in the above tables, the effect of a variation in a particular assumption of the fair value of the interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(7) Goodwill and Other Intangible Assets

Intangible assets other than goodwill acquired during the years ended March 31, 2011, 2010 and 2009 amounted to ¥143,156 million, ¥177,585 million and ¥168,911 million, respectively, and related amortization expense during the years ended March 31, 2011, 2010 and 2009 amounted to ¥115,037 million, ¥116,065 million and ¥178,164 million, respectively.

The main component of intangible assets subject to amortization was capitalized software. Amortization of capitalized costs for software to be sold, leased or otherwise marketed is charged to cost of sales. The amounts charged during the years ended March 31, 2011, 2010 and 2009 were ¥38,899 million, ¥40,128 million and ¥85,841 million, respectively.

Intangible assets other than goodwill as of March 31, 2011 and 2010 are as follows:

	Yen (millions)					
	2011			2010		
	Gross carrying	Accumulated	Net carrying	Gross carrying	Accumulated	Net carrying
	amount	amortization	amount	amount	amortization	amount
Amortized intangible assets:						
Software	727,016	612,361	114,655	691,856	580,138	111,718
Software for internal use	512,515	377,550	134,965	473,621	343,733	129,888
Patents	100,080	84,459	15,621	106,815	87,526	19,289
Other	181,362	106,422	74,940	173,823	99,952	73,871
	<u>1,520,973</u>	<u>1,180,792</u>	<u>340,181</u>	<u>1,446,115</u>	<u>1,111,349</u>	<u>334,766</u>
Indefinite-lived intangible assets	16,337	—	16,337	17,698	—	17,698

The following table shows the estimated aggregate amortization expense of intangible assets for the next five years.

Years ending March 31	Yen (millions)
2012	82,896
2013	64,009
2014	45,010
2015	24,852
2016	13,427

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The changes in the carrying amount of goodwill by reportable segment for the years ended March 31, 2011 and 2010 are as follows:

	Yen (millions)					
	2011					
	Information & Tele- communication Systems	Construction Machinery	High Functional Materials & Components	Components & Devices	Other Reportable Segments	Total
Balance at beginning of year	37,443	37,967	56,675	10,294	23,207	165,586
Acquisition	9,211	—	1,849	—	9,931	20,991
Impairment loss	—	—	—	—	(4,833)	(4,833)
Translation adjustment and other	(4,236)	(3,820)	(4)	(1,195)	(989)	(10,244)
Balance at end of year	<u>42,418</u>	<u>34,147</u>	<u>58,520</u>	<u>9,099</u>	<u>27,316</u>	<u>171,500</u>

	Yen (millions)					
	2010					
	Information & Tele- communication Systems	Construction Machinery	High Functional Materials & Components	Components & Devices	Other Reportable Segments	Total
Balance at beginning of year	35,708	4,987	56,675	9,995	27,065	134,430
Acquisition	2,938	32,981	—	182	6,210	42,311
Impairment loss	—	—	—	—	(7,285)	(7,285)
Translation adjustment and other	(1,203)	(1)	—	117	(2,783)	(3,870)
Balance at end of year	<u>37,443</u>	<u>37,967</u>	<u>56,675</u>	<u>10,294</u>	<u>23,207</u>	<u>165,586</u>

The Company does not have any accumulated impairment losses related to the goodwill balances as of March 31, 2011 and 2010 as the Company considers goodwill that has been fully impaired to be written-off.

The main component of goodwill acquired during the year ended March 31, 2010 was related to the additional acquisition of the ownership interests in a former affiliated company, Telco Construction Equipment Co., Ltd. to make it a subsidiary.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(8) Income Taxes

Components of income (loss) before income taxes and income taxes attributable to continuing operations are as follows:

	Yen (millions)		
	2011		
	Domestic	Foreign	Total
Income before income taxes	270,001	162,200	432,201
Income taxes:			
Current tax expense	75,979	49,144	125,123
Deferred tax expense (benefit)	14,511	(10,559)	3,952
	<u>90,490</u>	<u>38,585</u>	<u>129,075</u>
	Yen (millions)		
	2010		
	Domestic	Foreign	Total
Income (loss) before income taxes	(16,083)	79,663	63,580
Income taxes:			
Current tax expense	60,428	27,103	87,531
Deferred tax expense (benefit)	63,493	(3,053)	60,440
	<u>123,921</u>	<u>24,050</u>	<u>147,971</u>
	Yen (millions)		
	2009		
	Domestic	Foreign	Total
Income (loss) before income taxes	(315,032)	25,161	(289,871)
Income taxes:			
Current tax expense	75,612	25,669	101,281
Deferred tax expense	401,928	2,040	403,968
	<u>477,540</u>	<u>27,709</u>	<u>505,249</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Significant components of income tax expense (benefit) attributable to continuing operations and other comprehensive income (loss), net of reclassification adjustments, for the years ended March 31, 2011, 2010 and 2009 are as follows:

	Yen (millions)		
	2011	2010	2009
Continuing operations:			
Current tax expense	125,123	87,531	101,281
Deferred tax expense (benefit) (exclusive of the effects of other components listed below)	(4,653)	(19,350)	(187,751)
Change in valuation allowance	8,605	79,790	591,719
	<u>129,075</u>	<u>147,971</u>	<u>505,249</u>
Other comprehensive income (loss), net of reclassification adjustments:			
Pension liability adjustments	16,119	25,738	(53,171)
Net unrealized holding gain on available-for-sale securities	(4,740)	11,692	(14,915)
Cash flow hedges	647	720	(2,323)
	<u>12,026</u>	<u>38,150</u>	<u>(70,409)</u>
	<u>141,101</u>	<u>186,121</u>	<u>434,840</u>

The Company and its domestic subsidiaries are subject to a national corporate tax of 30%, an inhabitant tax of between 17.3% and 20.7% of the national corporate tax and a combined deductible business tax and special local corporation tax between 3.8% and 10.1%, which in the aggregate resulted in a combined statutory income tax rate of approximately 40.6% for the years ended March 31, 2011 and 2010.

The Company and its domestic subsidiaries were subject to a national corporate tax of 30%, an inhabitant tax of between 17.3% and 20.7% of the national corporate tax and a deductible business tax between 3.8% and 10.1%, which in the aggregate resulted in a combined statutory income tax rate of approximately 40.6% for the year ended March 31, 2009.

The Company and certain subsidiaries have adopted the consolidated taxation systems. Under the consolidated taxation system in Japan, the Company and certain Japanese subsidiaries consolidated, for Japanese tax purpose, all wholly owned domestic subsidiaries.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Reconciliations between the combined statutory income tax rate and the effective income tax rate as a percentage of income (loss) before income taxes are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Combined statutory income tax rate	40.6%	40.6%	(40.6)%
Equity in net loss of affiliated companies	1.9	37.1	22.7
Impairment of investments in affiliated companies	0.0	9.7	1.6
Change in excess amounts over the tax basis of investments in subsidiaries and affiliated companies	(4.2)	(0.9)	(18.3)
Adjustment on sale of investments in subsidiaries and affiliated companies	(5.6)	(0.0)	0.5
Expenses not deductible for tax purposes	3.3	35.6	5.4
Impairment of goodwill	0.4	4.6	3.4
Change in valuation allowance	2.0	125.5	204.1
Difference in statutory tax rates of foreign subsidiaries	(8.8)	(20.8)	(4.0)
Other, net	0.3	1.3	(0.5)
Effective income tax rate	<u>29.9%</u>	<u>232.7%</u>	<u>174.3%</u>

The Company and subsidiaries operate in numerous tax jurisdictions around the world, many of which have statutory tax rates lower than Japan. The favorable differences in tax rates of foreign subsidiaries primarily occur in Asia, including China, Taiwan and Singapore. In particular, a certain subsidiary conducting business in Singapore made a relatively large profit for the year ended March 31, 2011, resulted in the significant impact on the Company's effective tax rate.

An increase in valuation allowance for the year ended March 31, 2010 related primarily to the addition of certain previously consolidated domestic subsidiaries to the Company's consolidated taxation group when they became wholly-owned during the year ended March 31, 2010. A valuation allowance was recorded for these subsidiaries' deferred tax assets as the Company concluded that it was not more-likely-than-not that these deferred tax assets would be realized within the consolidated taxation group.

The Company recognized an additional valuation allowance during the year ended March 31, 2009 resulting from the reassessment of the realizability of the beginning of the year deferred tax assets mainly related to the deductible temporary differences associated with retirement benefits and net operating loss carryforwards. The Company concluded that the generation of significant taxable income of the Company and certain subsidiaries was not expected in the near future and therefore increased the valuation allowance related to the deferred tax assets associated with those entities.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The tax effects of temporary differences and carryforwards that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2011 and 2010 are presented below:

	Yen (millions)	
	2011	2010
Total gross deferred tax assets:		
Retirement and severance benefits	399,611	406,838
Accrued expenses	301,603	292,644
Property, plant and equipment, due to differences in depreciation	62,030	63,534
Investment in securities	49,556	68,158
Net operating loss carryforwards	295,487	273,549
Other	218,621	226,134
	1,326,908	1,330,857
Valuation allowance	(1,050,979)	(1,076,848)
	275,929	254,009
Total gross deferred tax liabilities:		
Deferred profit on sale of properties	(25,547)	(27,955)
Tax purpose reserves regulated by Japanese tax laws	(6,588)	(6,961)
Other	(92,595)	(79,329)
	(124,730)	(114,245)
Net deferred tax asset	151,199	139,764

Components of deferred tax assets as of March 31, 2011 and 2010 are reflected in the accompanying consolidated balance sheets under the following captions:

	Yen (millions)	
	2011	2010
Prepaid expenses and other current assets	130,733	130,071
Other assets	130,862	114,113
Other current liabilities	(8,526)	(7,317)
Other liabilities	(101,870)	(97,103)
Net deferred tax asset	151,199	139,764

A valuation allowance was recorded against deferred tax assets for deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, taking into account the tax laws of various jurisdictions in which the Company and its subsidiaries operate. The net changes in the total valuation allowance for the years ended March 31, 2011 and 2010 were a decrease of ¥25,869 million and an increase of ¥9,703 million, respectively.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

In assessing the realizability of deferred tax assets, management of the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Although realization is not assured, management considered the scheduled reversals of deferred tax liabilities and projected future taxable income, including the execution of certain available tax strategies if needed, in making this assessment. Based on these factors, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowance as of March 31, 2011.

As of March 31, 2011, the Company and various subsidiaries have operating loss carryforwards of ¥758,294 million which are available to offset future taxable income, if any. Operating loss carryforwards of ¥428,230 million expire by March 31, 2016, ¥275,864 million expire by March 31, 2021, and ¥54,200 million expire in various years thereafter or do not expire.

Deferred tax liabilities have not been recognized for excess amounts over the tax basis of investments in foreign subsidiaries that are considered to be reinvested indefinitely, because such differences will not reverse in the foreseeable future and those undistributed earnings, if remitted, generally would not result in material additional Japanese income taxes because of non-taxable dividends from foreign subsidiaries. Determination of such liabilities is not practicable.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(9) Short-term and Long-term Debt

The components of short-term debt as of March 31, 2011 and 2010 are summarized as follows:

	Yen (millions)	
	2011	2010
Borrowings, mainly from banks	395,856	388,809
Commercial paper	66,105	46,377
Borrowings from affiliates	10,627	16,265
	<u>472,588</u>	<u>451,451</u>

The weighted average interest rate on short-term debt outstanding as of March 31, 2011 and 2010 was 0.3% and 0.4%, respectively.

The components of long-term debt as of March 31, 2011 and 2010 are summarized as follows:

	Yen (millions)	
	2011	2010
Unsecured notes and debentures:		
Due 2013, interest 0.72% debenture	80,000	80,000
Due 2010, interest 0.7% debenture	—	49,898
Due 2015, interest 1.56% debenture	49,989	49,987
Due 2010, interest 0.74% debenture	—	5,000
Due 2011–2017, interest 0.55–2.17%, issued by subsidiaries	363,233	457,726
Unsecured convertible debentures:		
Due 2014, interest 0.1% debenture	99,360	99,998
Due 2016 and 2019, zero coupon, issued by a subsidiary	20,105	40,000
Loans, principally from banks and insurance companies:		
Secured by various assets and mortgages on property, plant and equipment, maturing 2011–2015, interest 1.89–5.4%	19,041	68,841
Unsecured, maturing 2011–2026, interest 0.25–6.97%	970,483	1,030,323
Capital lease obligations	36,318	33,919
	<u>1,638,529</u>	<u>1,915,692</u>
Less current portion	<u>338,218</u>	<u>303,730</u>
	<u>1,300,311</u>	<u>1,611,962</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The aggregate annual maturities of long-term debt after March 31, 2012 are as follows:

Years ending March 31	Yen (millions)
2013	365,195
2014	261,268
2015	381,389
2016	97,180
Thereafter	195,279
	<u>1,300,311</u>

Short-term and long-term debt above include secured borrowings resulting mainly from the transfers of trade receivables that do not meet the criteria for a sale pursuant to ASC 860 and are accounted for as secured borrowings with pledge of collateral. The transferred assets are restricted solely to satisfy the obligation, and the pledged assets approximate the amount of such borrowings. Short-term debt above as of March 31, 2011 and 2010 includes such borrowings of ¥2,390 million and ¥2,449 million, respectively, and long-term debt above as of March 31, 2010 includes such borrowings of ¥52,650 million.

As is customary in Japan, both short-term and long-term bank loans are made under general agreements that provide that securities and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due, or in the event of their default, to offset cash deposits against such obligations.

Generally, the mortgage debenture trust agreements and certain secured and unsecured loan agreements provide, among other things, that the lenders or trustees shall have the right to have any distribution of earnings, including the payment of dividends and the issuance of additional capital stock, submitted to them for prior approval and also grant them the right to request additional securities or mortgages on property, plant and equipment.

In December 2009, the Company issued ¥100,000 million convertible bonds due 2014. The bondholders are entitled to stock acquisition rights effective from January 4, 2010 to December 10, 2014. The initial conversion price is ¥317 per share. Aside from the standard antidilution provisions, the conversion price shall be reduced for a certain period before the early redemption triggered upon the occurrence of a corporate event or delisting event. The reduction of the conversion price will be based on the premium which is based on the Company's common stock price and the effective date of the reduction. The reduced price will range from ¥238 to ¥317. When each of the closing prices of the shares of the Company's common stock at the Tokyo Stock Exchange on 20 continuous trading days are 130% or more of the conversion price of the bonds applicable on those trading days, the Company has the option to redeem all the remaining bonds on a specified redemption date after January 3, 2013 at a rate of ¥100 per ¥100 of each bond. The Company was not required to bifurcate any of the embedded features contained in these bonds for accounting purposes.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

In September 2007, Hitachi Metals Ltd. (the issuer), a subsidiary of the Company, issued ¥20,000 million Euroyen zero coupon convertible bonds due 2016 (the 2016 bonds) and ¥20,000 million Euroyen zero coupon convertible bonds due 2019 (the 2019 bonds) (together, “the Bonds”). In the case of the 2016 bonds, the bondholders are entitled to stock acquisition rights effective from September 27, 2007 to August 30, 2016 and the initial conversion price is ¥2,056 per share. In the case of the 2019 bonds, the bondholders are entitled to stock acquisition rights effective from September 27, 2007 to August 30, 2019 and the initial conversion price is ¥2,042 per share. The closing price of the shares on August 28, 2007, as reported by Tokyo Stock Exchange, was ¥1,344 per share. The stock acquisition rights may be exercised by the holder of the bonds during any particular calendar quarter only if the closing price of the shares for any 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 120% of the conversion price. The Bonds also contain other embedded features, none of which were required to be bifurcated, such as the issuer’s call option, the issuer’s cash-settlement option, and the investors’ put option. By giving notice to the bondholders on or after September 13, 2012 (in the case of the 2016 bonds), or on or after September 13, 2014 (in the case of the 2019 bonds), the issuer may acquire from all bondholders all of the relevant bonds under the cash-settlement option, and upon reacquiring the Bonds, the issuer is required to pay the bondholders cash equal to 100% of the principal amount and deliver common shares of the issuer with a fair value equivalent to the fair value of the stock acquisition rights. As for the put option, the bondholders are entitled, at their option, to require the issuer to redeem the Bonds at a redemption price of 100% of the principal amount on September 13, 2010 and September 13, 2013 (with respect to the 2016 bonds) and on September 13, 2011 and September 11, 2015 (with respect to the 2019 bonds).

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(10) Retirement and Severance Benefits

(a) Defined benefit plans

The Company and its subsidiaries have a number of contributory funded defined benefit pension plans and unfunded lump-sum payment plans to provide retirement and severance benefits to substantially all employees. The Company and certain subsidiaries adopted cash balance plans, and certain subsidiaries amended certain of their defined benefit plans to cash balance plans during the years ended March 31, 2011, 2010 and 2009.

Under the cash balance plans, each employee has a notional account which represents pension benefits. The balance in the notional account is based on principal credits, which are accumulated as employees render services, and interest credits, which are determined based on the market interest rates.

Under unfunded lump-sum payment plans, employees are entitled to lump-sum payments based on their earnings and the length of service at retirement or termination of employment for reasons other than dismissal for cause.

Net periodic benefit cost for the funded benefit pension plans and the unfunded lump-sum payment plans for the years ended March 31, 2011, 2010 and 2009 consists of the following components:

	Yen (millions)		
	2011	2010	2009
Service cost	71,881	71,777	72,064
Interest cost	54,036	55,352	54,701
Expected return on plan assets for the period	(35,741)	(33,564)	(45,804)
Amortization of prior service benefit	(23,614)	(22,005)	(21,103)
Amortization of actuarial loss	89,549	96,399	71,857
Transfer to defined contribution pension plan	1,806	39	(1,289)
Curtailments (gain) loss	1,082	(227)	—
Settlements loss	—	603	—
Employees' contributions	(162)	(164)	(489)
Net periodic benefit cost	<u>158,837</u>	<u>168,210</u>	<u>129,937</u>

The estimated prior service cost and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost during the year ending March 31, 2012 are as follows:

	Yen (millions)
Prior service benefit	(22,964)
Actuarial loss	94,364

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Reconciliations of beginning and ending balances of the benefit obligation and the fair value of plan assets of the contributory funded defined benefit pension plans and the benefit obligation of unfunded lump-sum payment plans are as follows:

	Yen (millions)	
	2011	2010
Change in benefit obligation:		
Benefit obligation at beginning of year	2,193,449	2,205,459
Service cost	71,881	71,777
Interest cost	54,036	55,352
Plan amendments	993	275
Actuarial loss	24,422	26,734
Benefits paid	(144,528)	(160,046)
Acquisitions and divestitures	3,329	396
Transfer to defined contribution pension plan	(9,355)	(996)
Curtailments	644	129
Settlements	—	(3,956)
Foreign currency exchange rate changes	(6,386)	(1,675)
Benefit obligation at end of year	<u>2,188,485</u>	<u>2,193,449</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	1,269,133	1,123,646
Actual return on plan assets	3,539	169,004
Employers' contributions	110,439	100,299
Employees' cash contributions	162	164
Benefits paid	(106,084)	(117,835)
Acquisitions and divestitures	4,944	270
Transfer to defined contribution pension plan	(1,547)	(954)
Settlements	—	(3,956)
Foreign currency exchange rate changes	(4,861)	(1,505)
Fair value of plan assets at end of year	<u>1,275,725</u>	<u>1,269,133</u>
Funded status	(912,760)	(924,316)

Amounts recognized in the consolidated balance sheets as of March 31, 2011 and 2010 are as follows:

	Yen (millions)	
	2011	2010
Other assets	9,785	11,409
Accrued expenses	(30,730)	(30,542)
Retirement and severance benefits	<u>(891,815)</u>	<u>(905,183)</u>
	<u>(912,760)</u>	<u>(924,316)</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Amounts recognized in accumulated other comprehensive loss as of March 31, 2011 and 2010 consist of:

	Yen (millions)	
	2011	2010
Prior service benefit	(129,918)	(153,502)
Actuarial loss	618,905	655,669
	<u>488,987</u>	<u>502,167</u>

The Company and all subsidiaries use their year-end as a measurement date. Weighted-average assumptions used to determine the year-end benefit obligations are as follows:

	2011	2010
Discount rate	2.4%	2.5%
Rate of compensation increase	2.6%	2.6%

Weighted-average assumptions used to determine the net periodic pension cost for the years ended March 31, 2011, 2010 and 2009 are as follows:

	2011	2010	2009
Discount rate	2.5%	2.6%	2.5%
Expected long-term return on plan assets	2.9%	3.0%	3.4%
Rate of compensation increase	2.6%	2.7%	2.7%

The expected long-term rate of return on plan assets is developed for each asset class, and is determined primarily on historical returns on the plan assets and other factors.

The accumulated benefit obligation was ¥2,102,801 million as of March 31, 2011 and ¥2,107,093 million as of March 31, 2010.

Information for pension plans with accumulated benefit obligations in excess of plan assets and pension plans with projected benefit obligations in excess of plan assets is as follows:

	Yen (millions)	
	2011	2010
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	1,874,847	1,917,053
Plan assets	1,028,469	1,058,941
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	2,004,552	2,061,648
Plan assets	1,082,007	1,125,923

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The objective of the Company's investment policy is to ensure a stable return from the plans' investments over the long term, which allows the Company's and certain subsidiaries' pension funds to meet their future obligations, and the Company and certain subsidiaries attempt to maintain the pension funds in sound condition. In order to achieve the above objective, a target rate of return is established, taking into consideration the composition of participants, level of funded status, the Company's and certain subsidiaries' capacity to absorb risks and the current economic environment. Also, a target asset allocation is established to achieve a target rate of return, based on the expected rate of return by each asset class, the standard deviation of the rate of return and the correlation coefficient among the assets. The investments are diversified. Under the current target asset allocation, approximately 30 percent of plan assets are invested in equity securities and approximately 45 percent are invested in domestic and foreign government bonds and corporate bonds. The remaining 25 percent are invested in other assets, such as hedge funds, private equity funds and life insurance company general accounts. The Company and certain subsidiaries reduced the ratio of equity securities during the year ended March 31, 2011 in order to reduce the risks resulting from volatility in the equity markets. Rebalancing will occur if markets fluctuate in excess of certain levels. The Company and certain subsidiaries periodically review actual returns on assets, economic environments and their capacity to absorb risk and realign the target asset allocation if necessary.

The Company and certain subsidiaries prioritize the use of observable inputs in markets over the use of unobservable inputs when measuring fair value as follows:

Level 1

Quoted prices for identical assets in active markets.

Level 2

Quoted prices for similar assets in active markets; quoted prices associated with transactions that are not distressed for identical or similar assets in markets that are not active; or, valuations whose significant inputs are derived from or corroborated by observable market data.

Level 3

Valuations using inputs that are not observable.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following table presents the plan assets that are measured at fair value as of March 31, 2011 and 2010.

	Yen (millions)			
	2011			
	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
Equity securities (a)	112,808	108,888	3,920	—
Government and municipal debt securities (b)	118,165	113,182	4,983	—
Corporate and other debt securities (c)	62,148	—	31,048	31,100
Hedge funds (d)	55,359	—	13,014	42,345
Securitization products (e)	34,087	—	—	34,087
Cash and cash equivalents	25,457	25,457	—	—
Life insurance company general accounts (f)	116,558	—	116,558	—
Commingled funds (g)	703,279	—	666,127	37,152
Other	47,864	37,240	6,974	3,650
	<u>1,275,725</u>	<u>284,767</u>	<u>842,624</u>	<u>148,334</u>

	Yen (millions)			
	2010			
	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
Equity securities (a)	132,255	131,264	991	—
Government and municipal debt securities (b)	190,906	183,077	7,829	—
Corporate and other debt securities (c)	50,770	—	31,277	19,493
Hedge funds (d)	57,642	—	8,256	49,386
Securitization products (e)	29,262	—	—	29,262
Cash and cash equivalents	20,038	20,038	—	—
Life insurance company general accounts (f)	85,298	—	85,298	—
Commingled funds (g)	661,672	—	624,190	37,482
Other	41,290	26,857	9,511	4,922
	<u>1,269,133</u>	<u>361,236</u>	<u>767,352</u>	<u>140,545</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

- (a) Approximately 75 percent and 85 percent of equity securities are invested in Japan-listed stocks as of March 31, 2011 and 2010, respectively. Approximately 25 percent and 15 percent of equity securities are invested in stocks listed overseas as of March 31, 2011 and 2010, respectively. Equity securities are primarily valued at quoted market prices.
- (b) Approximately 80 percent of government and municipal debt securities are invested in bonds issued in Japan and primarily consist of Japanese government bonds as of March 31, 2011 and 2010. Approximately 20 percent of government and municipal debt securities are invested in bonds issued in overseas markets and primarily consist of foreign government bonds as of March 31, 2011 and 2010. Government and municipal debt securities are primarily valued at prices provided by the securities industry, the industrial associations in each country, or prices which are calculated on the basis of market interest rates.
- (c) Approximately 25 percent and 30 percent of corporate and other debt securities are invested in bonds issued in Japan as of March 31, 2011 and 2010, respectively. Approximately 75 percent and 70 percent of corporate and other debt securities are invested in bonds issued in overseas markets as of March 31, 2011 and 2010, respectively. Corporate and other debt securities are mainly valued at prices provided by the securities industry, the industrial associations in each country, or prices which are calculated on the basis of market interest rates. If these values are not available, corporate and other debt securities are valued at theoretical prices, taking into consideration the interest rates of government bonds of the related countries, swap interest rates and credit risks.
- (d) Hedge funds are invested primarily in relative value strategy funds, event driven funds, equity long/short funds, and macroeconomic and Commodity Trading Advisor (CTA) funds. Hedge funds are valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding.
- (e) Securitization products are invested primarily in collateralized loan obligations. These investments are valued at prices provided by financial institutions. The Company corroborates the prices, taking into consideration primarily the market values of the underlying loans, the market values of similar debt securities, and the future expected default rates and recovery rates of the collateralized loans.
- (f) Life insurance company general accounts are valued at conversion value at the end of the period.
- (g) Commingled funds represent pooled institutional investments. Approximately 35 percent of commingled funds are invested in listed stocks as of March 31, 2011 and 2010, 40 percent and 35 percent in government and municipal debt securities as of March 31, 2011 and 2010, respectively, 10 percent in corporate and other debt securities as of March 31, 2011 and 2010, and 15 percent and 20 percent in other assets as of March 31, 2011 and 2010, respectively. Commingled funds are valued at their NAV provided by the administrators of the funds, which are based on the value of the underlying assets owned by the funds, divided by the number of units outstanding.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following table presents the reconciliation of the beginning and ending balances of Level 3 assets for the year ended March 31, 2011 and 2010.

	Yen (millions)						
	2011						
	Beginning balance at March 31, 2010	Actual return on plan assets still held at the reporting date	Realized gain or loss on plan assets sold during the period	Purchases, sales, and settlements, net	Transfers in and/or out of Level 3	Foreign currency exchange	Ending balance at March 31, 2011
Corporate and other debt securities	19,493	197	12	11,434	133	(169)	31,100
Hedge funds	49,386	2,082	(370)	(8,723)	—	(30)	42,345
Securitization products	29,262	7,283	1,090	(3,452)	(71)	(25)	34,087
Commingled funds	37,482	(3,485)	(375)	3,660	32	(162)	37,152
Other	4,922	(463)	537	(1,339)	—	(7)	3,650
	<u>140,545</u>	<u>5,614</u>	<u>894</u>	<u>1,580</u>	<u>94</u>	<u>(393)</u>	<u>148,334</u>
	Yen (millions)						
	2010						
	Beginning balance at March 31, 2009	Actual return on plan assets still held at the reporting date	Realized gain or loss on plan assets sold during the period	Purchases, sales, and settlements, net	Transfers in and/or out of Level 3	Foreign currency exchange	Ending balance at March 31, 2010
Corporate and other debt securities	5,952	123	87	13,446	—	(115)	19,493
Hedge funds	82,161	8,574	227	(41,583)	—	7	49,386
Securitization products	16,097	14,496	342	(1,677)	—	4	29,262
Commingled funds	44,063	(6,193)	(1,056)	665	—	3	37,482
Other	5,987	(529)	(91)	(447)	—	2	4,922
	<u>154,260</u>	<u>16,471</u>	<u>(491)</u>	<u>(29,596)</u>	<u>—</u>	<u>(99)</u>	<u>140,545</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The Company and its subsidiaries expect to contribute ¥116,985 million to their defined benefit plans for the year ending March 31, 2012.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid.

Years ending March 31	Yen (millions)
2012	138,777
2013	133,341
2014	119,437
2015	124,694
2016	124,962
2017-2021	620,220

(b) Defined contribution plans

The Company and certain subsidiaries have a number of defined contribution plans. The amount of cost recognized for the Company's and certain subsidiaries' contributions to the plans for the years ended March 31, 2011, 2010 and 2009 were ¥18,593 million, ¥18,758 million and ¥18,059 million, respectively.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(11) Common Stock

The Company has authorized issuance of 10 billion shares of common stock.

The number of issued shares and the amount of common stock for the years ended March 31, 2011, 2010 and 2009 are as follows:

	<u>Issued shares</u>	<u>Yen (millions)</u> <u>Amount</u>
Balance as of March 31, 2009 and 2008	3,368,126,056	282,033
Issuance of common stock	1,150,000,000	126,776
Conversion of convertible bonds	6,309	1
Balance as of March 31, 2010	4,518,132,365	408,810
Conversion of convertible bonds	2,012,599	319
Balance as of March 31, 2011	<u>4,520,144,964</u>	<u>409,129</u>

The issuance of common stock for the year ended March 31, 2010 and the conversion of convertible bonds into common stock for the years ended March 31, 2011 and 2010 were accounted for in accordance with the provisions of the Japanese Company Law by crediting one-half of the issue price or the conversion price to each of the common stock accounts and the capital surplus accounts.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(12) Capital Surplus

The changes in capital surplus include the effect of changes in the Company's ownership interest in its consolidated subsidiaries. The net income (loss) attributable to Hitachi, Ltd. and transfers from (to) noncontrolling interests for the years ended March 31, 2011 and 2010 are as follows:

	<u>Yen(millions)</u>	
	<u>2011</u>	<u>2010</u>
Net income (loss) attributable to Hitachi, Ltd.	238,869	(106,961)
Transfers from (to) the noncontrolling interests		
Decrease in capital surplus for purchase of five listed subsidiaries' ownership interests to convert them into wholly owned subsidiaries	(6,713)	(58,175)
Other	(1,516)	(6,823)
Net transfers from (to) noncontrolling interests	(8,229)	(64,998)
Change from net income (loss) attributable to Hitachi, Ltd. and transfers from (to) noncontrolling interests	<u>230,640</u>	<u>(171,959)</u>

The purchase of five listed subsidiaries' ownership interests is related to the purchase of the noncontrolling interests of Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd., Hitachi Systems & Services, Ltd., Hitachi Plant Technologies, Ltd. and Hitachi Maxell, Ltd. for the purpose of converting them into wholly owned subsidiaries. As a result, Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd. and Hitachi Systems & Services, Ltd. had been converted into wholly owned subsidiaries during the year ended March 31, 2010, and Hitachi Plant Technologies, Ltd. and Hitachi Maxell, Ltd. had been converted into wholly owned subsidiaries during the year ended March 31, 2011. On October 1, 2010 when Hitachi Systems & Services, Ltd., was merged into Hitachi Software Engineering Co., Ltd., Hitachi Solutions, Ltd. was established. The total decreases in noncontrolling interests during the years ended March 31, 2011 and 2010 resulting from these equity transactions were ¥8,667 million and ¥193,880 million, respectively.

(13) Legal Reserve and Retained Earnings, and Dividends

The Japanese Company Law (JCL) provides that earnings in an amount equal to 10 percent of appropriations of retained earnings to be paid as dividends should be appropriated as a capital surplus or a legal reserve until the total of capital surplus and legal reserve equals 25 percent of stated common stock. In addition to transfer from capital surplus to stated common stock, either capital surplus or legal reserve may be available for dividends by resolution of the shareholders' meeting.

Dividends during the years ended March 31, 2011 and 2009 represent dividends declared during those years. For the year ended March 31, 2010, the Company did not pay any dividends. On May 11, 2011, the Board of Directors approved a cash dividend for the second half of the year ended March 31, 2011 of ¥3.0 per share, aggregating ¥13,553 million. No provision has been made in the accompanying consolidated financial statements for this cash dividend.

Cash dividends per share for the years ended March 31, 2011 and 2009 were ¥8.0 and ¥3.0, respectively, based on dividends declared with respect to earnings for the periods.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(14) Treasury Stock

The JCL allows a company to acquire treasury stock upon shareholders' approval to the extent that sufficient distributable funds are available. If the Board of Directors' authority is stated in the articles of incorporation, a company is allowed to acquire treasury stock not upon shareholders' approval but Board of Directors' approval. Acquisition of treasury stock is allowed under the Company's articles of incorporation.

Pursuant to the provisions of the JCL, shareholders may request the company to acquire their shares representing less than a minimum trading lot as shares less than a minimum trading lot cannot be publicly traded and such a shareholder holding less than a minimum trading lot cannot exercise a voting right and other shareholder's rights except as provided in the JCL or the articles of incorporation. The JCL also states that a shareholder holding shares less than a minimum trading lot may request the company to sell its treasury stock, if any, to the shareholder up to a minimum trading lot if entitled under the articles of incorporation. Sale of treasury stock is allowed under the Company's articles of incorporation.

The changes in treasury stock for the years ended March 31, 2011, 2010 and 2009 are summarized as follows:

	<u>Shares</u>	<u>Yen (millions) Amount</u>
Balance as of March 31, 2008	43,727,729	26,130
Acquisition for treasury	1,500,226	858
Sales of treasury stock	(1,253,991)	(751)
Balance as of March 31, 2009	43,973,964	26,237
Acquisition for treasury	376,025	115
Sales of treasury stock	(335,738)	(201)
Balance as of March 31, 2010	44,014,251	26,151
Acquisition for treasury	456,705	183
Sales of treasury stock	(41,926,879)	(24,963)
Balance as of March 31, 2011	<u>2,544,077</u>	<u>1,371</u>

Sales of treasury stock for the year ended March 31, 2011 includes exchange of treasury stock to noncontrolling interest holders in order to convert Hitachi Plant Technologies, Ltd. and Hitachi Maxell, Ltd. to wholly owned subsidiaries.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(15) Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, net of related tax effects, displayed in the consolidated statements of equity is classified as follows:

	Yen (millions)		
	2011	2010	2009
Foreign currency translation adjustments:			
Balance at beginning of year	(182,783)	(179,737)	(69,222)
Other comprehensive income (loss), net of reclassification adjustments	(69,194)	4,289	(110,899)
Net transfer from (to) noncontrolling interests	(229)	(7,335)	384
Balance at end of year	<u>(252,206)</u>	<u>(182,783)</u>	<u>(179,737)</u>
Pension liability adjustments:			
Balance at beginning of year	(272,410)	(405,082)	(221,007)
Other comprehensive income (loss), net of reclassification adjustments	15,852	141,761	(184,153)
Net transfer from (to) noncontrolling interests	(8)	(9,089)	78
Balance at end of year	<u>(256,566)</u>	<u>(272,410)</u>	<u>(405,082)</u>
Net unrealized holding gain on available-for-sale securities:			
Balance at beginning of year	25,564	12	22,581
Effect of consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	(2,977)	—	—
Other comprehensive income (loss), net of reclassification adjustments	(5,728)	23,209	(22,855)
Net transfer from (to) noncontrolling interests	46	2,343	286
Balance at end of year	<u>16,905</u>	<u>25,564</u>	<u>12</u>
Cash flow hedges:			
Balance at beginning of year	(2,428)	(1,544)	450
Other comprehensive income (loss), net of reclassification adjustments	1,233	(833)	(2,031)
Net transfer from (to) noncontrolling interests	—	(51)	37
Balance at end of year	<u>(1,195)</u>	<u>(2,428)</u>	<u>(1,544)</u>
Total accumulated other comprehensive loss:			
Balance at beginning of year	(432,057)	(586,351)	(267,198)
Effect of consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	(2,977)	—	—
Other comprehensive income (loss), net of reclassification adjustments	(57,837)	168,426	(319,938)
Net transfer from (to) noncontrolling interests	(191)	(14,132)	785
Balance at end of year	<u>(493,062)</u>	<u>(432,057)</u>	<u>(586,351)</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following is a summary of reclassification adjustments by each classification of other comprehensive income (loss) arising during the years ended March 31, 2011, 2010 and 2009 and the amounts of income tax expense or benefit allocated to each component of other comprehensive income (loss), including reclassification adjustments. The amounts include amounts attributable to noncontrolling interests.

	Yen (millions)		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive loss arising during the year:			
Foreign currency translation adjustments	(90,643)	—	(90,643)
Pension liability adjustments	(55,048)	26,580	(28,468)
Net unrealized holding gain on available-for-sale securities	(10,045)	4,833	(5,212)
Cash flow hedges	74	(177)	(103)
	(155,662)	31,236	(124,426)
Reclassification adjustments for realized net loss included in net income:			
Foreign currency translation adjustments	3,264	—	3,264
Pension liability adjustments	78,505	(33,961)	44,544
Net unrealized holding gain on available-for-sale securities	(244)	104	(140)
Cash flow hedges	2,550	(459)	2,091
	84,075	(34,316)	49,759
Other comprehensive loss, net of reclassification adjustments:			
Foreign currency translation adjustments	(87,379)	—	(87,379)
Pension liability adjustments	23,457	(7,381)	16,076
Net unrealized holding gain on available-for-sale securities	(10,289)	4,937	(5,352)
Cash flow hedges	2,624	(636)	1,988
	(71,587)	(3,080)	(74,667)

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

	Yen (millions)		
	2010		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments	8,487	—	8,487
Pension liability adjustments	116,184	3,979	120,163
Net unrealized holding gain on available-for-sale securities	40,295	(11,758)	28,537
Cash flow hedges	(308)	(1,173)	(1,481)
	164,658	(8,952)	155,706
Reclassification adjustments for realized net loss included in net loss:			
Foreign currency translation adjustments	(1,580)	—	(1,580)
Pension liability adjustments	73,776	(29,916)	43,860
Net unrealized holding gain on available-for-sale securities	236	(97)	139
Cash flow hedges	258	552	810
	72,690	(29,461)	43,229
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments	6,907	—	6,907
Pension liability adjustments	189,960	(25,937)	164,023
Net unrealized holding gain on available-for-sale securities	40,531	(11,855)	28,676
Cash flow hedges	(50)	(621)	(671)
	<u>237,348</u>	<u>(38,413)</u>	<u>198,935</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

	Yen (millions)		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive loss arising during the year:			
Foreign currency translation adjustments	(144,317)	—	(144,317)
Pension liability adjustments	(318,557)	73,589	(244,968)
Net unrealized holding gain on available-for-sale securities	(68,652)	26,158	(42,494)
Cash flow hedges	(6,854)	2,446	(4,408)
	(538,380)	102,193	(436,187)
Reclassification adjustments for realized net loss included in net loss:			
Foreign currency translation adjustments	(253)	—	(253)
Pension liability adjustments	53,186	(21,313)	31,873
Net unrealized holding gain on available-for-sale securities	27,134	(10,997)	16,137
Cash flow hedges	900	(76)	824
	80,967	(32,386)	48,581
Other comprehensive loss, net of reclassification adjustments:			
Foreign currency translation adjustments	(144,570)	—	(144,570)
Pension liability adjustments	(265,371)	52,276	(213,095)
Net unrealized holding gain on available-for-sale securities	(41,518)	15,161	(26,357)
Cash flow hedges	(5,954)	2,370	(3,584)
	<u>(457,413)</u>	<u>69,807</u>	<u>(387,606)</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(16) Pledged Assets

As of March 31, 2011, the Company and certain subsidiaries pledged a portion of their assets as collateral primarily for bank loans as follows:

	<u>Yen (millions)</u>
Cash and cash equivalents	1,425
Other current assets	896
Investments and advances	562
Land	1,684
Buildings	4,664
Machinery and equipment	14,940
Other assets	12
	<u>24,183</u>

In addition to the above, prepaid expenses and other current assets as of March 31, 2011 and 2010 include restricted cash of ¥2,661 million and ¥4,168 million, respectively, as a compensating balance for short-term borrowing arrangements.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(17) Commitments and Contingencies

The Company and its operating subsidiaries are contingently liable for loan guarantees to its affiliates and others in the amount of approximately ¥50,592 million as of March 31, 2011.

Hitachi Capital Corporation (HCC) and certain other financial subsidiaries provide guarantees to financial institutions for extending loans to customers of the subsidiaries. As of March 31, 2011, the undiscounted maximum potential future payments under such guarantees amounted to ¥393,729 million. For providing these guarantees, the subsidiaries obtain collateral appropriate for the amounts of the guarantees, and therefore, the Company considers the risk to be low. The Company accrued ¥13,226 million as an obligation to stand ready to perform over the term of the guarantees in the event the customer cannot make scheduled payments.

The subsidiaries provide certain revolving lines of credit to their credit card holders in accordance with the terms of the credit card business customer service contracts. In addition, the Company and HCC provide loan commitments to affiliates and others.

The outstanding balance of these revolving lines of credit, credit facilities and loan commitments as of March 31, 2011 is as follows:

	<u>Yen (millions)</u>
Total commitment available	11,289
Less amount utilized	<u>1,087</u>
Balance available	<u><u>10,202</u></u>

A portion of these revolving lines of credit is pending credit approval and cannot be utilized.

The Company and certain subsidiaries have line of credit arrangements with banks in order to secure a financing source for business operations. The unused lines of credit as of March 31, 2011 amounted to ¥400,078 million, primarily related to unused lines of credit belonging to the Company. The Company maintains commitment line agreements with a number of banks and pays commissions as consideration. These commitment agreements generally provide a one-year term, and are subject to renewal at the end of the term. The unused availability under these agreements as of March 31, 2011 amounted to ¥200,000 million. The Company also maintains another commitment line agreement, whose three years and two months term ends in May 2013, with financing companies. The unused availability under this agreement as of March 31, 2011 amounted to ¥100,000 million.

As of March 31, 2011, outstanding commitments for the purchase of property, plant and equipment were approximately ¥38,819 million.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

It is a common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in the settlement of trade accounts receivable and to subsequently discount such notes to banks or to transfer them by endorsement to suppliers in the settlement of accounts payable. As of March 31, 2011 and 2010, the Company and subsidiaries were contingently liable for trade notes discounted and endorsed in the following amounts:

	Yen (millions)	
	2011	2010
Notes discounted	3,593	3,497
Notes endorsed	1,851	2,538
	<u>5,444</u>	<u>6,035</u>

A certain subsidiary is contingently liable for the transfer of export receivables with recourse. As of March 31, 2011, the amount of transfer of export receivables with recourse was ¥7,382 million.

The Company and its subsidiaries provide warranties for certain of their products. The accrued product warranty costs are based primarily on historical experience of actual warranty claims. The changes in accrued product warranty costs for the years ended March 31, 2011, 2010 and 2009 are summarized as follows:

	Yen (millions)		
	2011	2010	2009
Balance at beginning of year	56,957	60,449	73,715
Expense recognized upon issuance of warranties	20,755	20,806	34,990
Usage	(19,219)	(21,696)	(43,369)
Other, including effect of foreign currency translation	(3,164)	(2,602)	(4,887)
Balance at end of year	<u>55,329</u>	<u>56,957</u>	<u>60,449</u>

On June 15, 2006, Hamaoka Nuclear Power Station No. 5 of Chubu Electric Power Co., Inc. shut down due to turbine damage. As a precautionary measure, on July 5, 2006, Shika Nuclear Power Station No. 2 of Hokuriku Electric Power Company, which uses the same type of turbines, was shut down for an examination of the turbines and the examination revealed damage to the turbine vanes. The Company accrued a provision for the repair costs.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

In September 2008, Chubu Electric Power Co., Inc. filed a lawsuit against the Company. Chubu Electric Power Co., Inc. seeks compensation for consequential losses of ¥41,800 million mostly composed of the additional costs to switch to thermal power arising from the shutdown at Hamaoka Nuclear Power Station No.5. In May 2009, Hokuriku Electric Power Company filed a lawsuit against the Company. Hokuriku Electric Power Company seeks compensation for consequential losses of ¥33,701 million mostly composed of the additional costs to switch to thermal power arising from the shutdown at Shika Nuclear Power Station No.2. The Company is vigorously defending itself in these lawsuits. The Company has not accrued for consequential losses related to these lawsuits. However, there can be no assurance that the Company will not be liable for any amount claimed.

In January 2007, the European Commission ordered the Company and one of its affiliated companies to pay a fine for infringement of EC antitrust rules regarding alleged antitrust violations for the gas insulated switchgear equipment used at substations. In April 2007, the Company lodged an appeal with the Court of First Instance of the European Communities requesting the court to annul the decision of the European Commission. The determination has not been rendered at present, but the Company accrued the reasonably estimated amount for the fine.

In December 2006, the Company and a subsidiary in Europe received requests for information from the European Commission, and a subsidiary in Japan received a grand jury subpoena in connection with the investigation conducted by the Antitrust Division of the U.S. Department of Justice, all in respect of alleged antitrust violations relating to liquid crystal displays. The Japanese subsidiary paid the fine in relation to the investigation by the Antitrust Division of the U.S. Department of Justice in June 2009.

In June 2007, the Company received requests for information from the European Commission in respect of alleged antitrust violations relating to dynamic random access memories. In May 2010, the European Commission ordered the Company to pay a fine for infringement of EC antitrust rules. The Company paid that fine in August 2010.

In November 2007, a subsidiary of the Company in the U.S. received a grand jury subpoena in connection with the investigation conducted by the Antitrust Division of the U.S. Department of Justice in respect of alleged antitrust violations relating to cathode ray tubes. In addition, in November 2007, two subsidiaries in Asia and in Europe received requests for information from the European Commission. Furthermore, in November 2007, a subsidiary in Canada received requests for information from the Canadian Competition Bureau.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

In June 2009, a subsidiary of the Company in Japan received a grand jury subpoena in connection with the investigation conducted by the Antitrust Division of the U.S. Department of Justice and received requests for information from the European Commission, and a subsidiary of the Company in Korea was investigated in Singapore by the Competition Commission of Singapore, all in respect of alleged antitrust violations relating to optical disk drives. Those subsidiaries accrued the reasonably estimated amount for the loss in relation to the investigation.

The Company and these companies have cooperated with the competent authorities in connection with the above matters. Depending upon the outcome of these matters, fines or surcharge payments, the amount of which is uncertain, may be imposed on them. In addition, subsequent to these actions by the competent authorities, civil disputes, including class action lawsuits, involving the Company and some of these companies have arisen in a number of countries, including in the U.S. and Canada. A reasonably estimated amount was accrued for the potential losses in relation to certain of these civil lawsuits.

Depending upon the outcome of the above legal proceedings, there may be an adverse effect on the consolidated financial position or results of operations. Currently the Company is unable to estimate the adverse effect, if any, of many of these proceedings. Accordingly, except as otherwise stated, no accrual for potential loss has been made. The actual amount of fines, surcharge payments or any other payments resulting from these legal proceedings may be different from the accrued amounts.

In addition to the above, the Company and certain subsidiaries are subject to several legal proceedings and claims which have arisen in the ordinary course of business and have not been finally adjudicated. These actions when ultimately concluded and determined will not, in the opinion of management, have a material adverse effect on the consolidated financial position or results of operations of the Company and subsidiaries.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(18) Impairment Losses for Long-Lived Assets

For the year ended March 31, 2011, the majority of the impairment losses were recorded on long-lived property, plant and equipment located in Japan. The Components & Devices segment recognized a loss of ¥16,561 million, primarily due to its business manufacturing batteries for electronic products for which the Company has recognized losses for consecutive periods and projected lower-than-expected future income because of a reduction of production, and its liquid crystal display components business which was projected to have lower production because of smaller demand in the market. The High Functional Materials & Components segment recognized a loss of ¥10,956 million primarily due to its automotive related materials businesses whose profitabilities deteriorated because of the Great East Japan Earthquake on March 11, 2011. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

For the year ended March 31, 2010, the majority of the impairment losses were recorded on long-lived property, plant and equipment located in Japan. The Components & Devices segment recognized a loss of ¥18,611 million, primarily due to 1) its battery business for which the Company has recognized losses for consecutive periods and lower-than-expected future income because of a reduction of production, 2) its liquid crystal display panel business which was projected to have lower production because of smaller demand in the market, and 3) a part of its record media products business whose profitability has deteriorated because of severe market conditions accompanied by falling prices. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

For the year ended March 31, 2009, the majority of the impairment losses were recorded on long-lived property, plant and equipment located in Japan. The Digital Media & Consumer Products segment recognized a loss of ¥51,695 million primarily in its plasma TV business due to the decision to reorganize sourcing for glass panel components from in-house manufacturing to an outside supplier and patents with lower-than-expected future license income. The Automotive Systems segment recognized a loss of ¥29,240 million primarily in its automotive products businesses whose profitability deteriorated because of a significant deterioration of the automotive market. The Information & Telecommunication Systems segment recognized a loss of ¥15,752 million primarily due to its semiconductor and financial institution-related businesses whose profitability deteriorated because of smaller demand in the markets. The High Functional Materials & Components segment recognized a loss of ¥12,888 million primarily in its semiconductor-related and automotive-related products businesses whose profitabilities deteriorated because of a significant deterioration in these markets. The Components & Devices segment recognized a loss of ¥12,022 million primarily due to a specific type of electronic parts that were projected to have lower production because of smaller demand in the market and a decline in the expected selling price of certain assets held for sale caused by a deterioration of the real estate market. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(19) Restructuring Charges

Certain losses incurred in the reorganization of the Company's operations are considered restructuring charges. Components and related amounts of the restructuring charges, before the related tax effects, for the years ended March 31, 2011, 2010 and 2009 are as follows:

	Yen (millions)		
	2011	2010	2009
Special and one-time termination benefits	5,653	24,191	21,517
Loss on fixed assets	104	963	1,410
	<u>5,757</u>	<u>25,154</u>	<u>22,927</u>

The Company and certain subsidiaries provided special termination benefits to those employees voluntarily leaving the companies, and certain subsidiaries provided one-time termination benefits due to the subsidiaries' liquidations. The accrued special termination benefits were recognized at the time voluntary termination was offered and benefits were accepted by the employees. The accrued one-time termination benefits were recognized at the time the subsidiaries communicated the plan to their employees. An analysis of the accrued special and one-time termination benefits for the years ended March 31, 2011, 2010 and 2009 is as follows:

	Yen (millions)		
	2011	2010	2009
Balance at beginning of the year	8,170	7,543	8,952
New charges	5,653	24,191	21,517
Cash payments	(10,374)	(23,548)	(22,449)
Foreign currency exchange rate changes	(91)	(16)	(477)
Balance at end of the year	<u>3,358</u>	<u>8,170</u>	<u>7,543</u>

The restructuring charges for the year ended March 31, 2011 mainly consist of special termination benefits for the early-terminated employees of subsidiaries for the purpose of reducing costs and improving profitability in the Components & Devices segment.

The following represents the significant restructuring activities for the year ended March 31, 2010 by reportable segment:

1. The Automotive Systems segment restructured in order to reorganize the automotive products business, which encountered severe deterioration in the market. The accrued special termination benefits expensed and paid during the year ended March 31, 2010 amounted to ¥7,731 million. Total restructuring charges during the year ended March 31, 2010 consisted only of special termination benefits.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

2. The High Functional Materials & Components segment restructured in order to reorganize its high-grade metal products and materials business to reduce costs and improve profitability. The accrued special termination benefits expensed during the year ended March 31, 2010 amounted to ¥4,010 million. The liabilities for special termination benefits amounting to ¥787 million as of March 31, 2010 were paid by March 31, 2011. Total restructuring charges during the year ended March 31, 2010 amounted to ¥4,426 million.
3. The Components & Devices segment restructured in order to reorganize the liquid crystal display business, which included several subsidiaries' liquidations. The accrued special and one-time termination benefits expensed during the year ended March 31, 2010 amounted to ¥4,144 million. The liabilities for special and one-time termination benefits amounting to ¥3,054 million as of March 31, 2010 were paid by March 31, 2011. Total restructuring charges during the year ended March 31, 2010 amounted to ¥4,182 million.

The following represents the significant restructuring activities for the year ended March 31, 2009 by reportable segment:

1. The Automotive Systems segment restructured in order to reorganize the automotive products business, which encountered severe deterioration in the market. The accrued special termination benefits expensed during the year ended March 31, 2009 amounted to ¥5,717 million. The liabilities for special termination benefits amounting to ¥3,164 million as of March 31, 2009 were paid by March 31, 2010. Total restructuring charges during the year ended March 31, 2009 consisted only of special termination benefits.
2. The High Functional Materials & Components segment restructured in order to reorganize its high-grade metal products and materials business to reduce costs and improve profitability. The accrued special termination benefits expensed during the year ended March 31, 2009 amounted to ¥4,069 million. The liabilities for special termination benefits amounting to ¥1,050 million as of March 31, 2009 were paid by March 31, 2010. Total restructuring charges during the year ended March 31, 2009 amounted to ¥4,252 million.
3. The Components & Devices segment restructured mainly in order to strengthen its storage business on a global basis. The accrued special termination benefits expensed during the year ended March 31, 2009 amounted to ¥2,230 million. The liabilities for special termination benefits amounting to ¥937 million as of March 31, 2009 were paid by March 31, 2010. Total restructuring charges during the year ended March 31, 2009 amounted to ¥3,286 million.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(20) Other Income and Other Deductions

The following items are included in other income or other deductions for the years ended March 31, 2011, 2010 and 2009.

	Yen (millions)		
	2011	2010	2009
Net gain (loss) on securities	61,046	(1,220)	(44,077)
Net loss on sale and disposal of rental assets and other property	(3,161)	(20,202)	(21,292)
Exchange gain (loss)	(9,508)	186	(37,259)

The major component of net gain on securities for the year ended March 31, 2011 was related to a sale of shares of IPS Alpha Technology, Ltd., a former affiliated company accounted for by the equity method.

Other income for the year ended March 31, 2011 includes a gain of ¥8,684 million on a bargain purchase related to the acquisition of Aloka Co., Ltd. (Aloka), subsequently renamed Hitachi Aloka Medical, Ltd. Refer to note 29 for the nature and financial effect of the acquisition of Aloka.

Other income for the year ended March 31, 2009 represents a gain of ¥5,203 million on the sale of a subsidiary's mobile communication business.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(21) Net Income Per Share Information

The reconciliations of the numbers and the amounts used in the basic and diluted net income (loss) attributable to Hitachi, Ltd. stockholders per share computations are as follows:

	Number of shares		
	2011	2010	2009
Weighted average number of shares on which basic net income (loss) per share is calculated	4,515,932,415	3,662,578,076	3,323,996,973
Effect of dilutive securities:			
Unsecured convertible bonds (due 2014)	315,249,850	—	—
Number of shares on which diluted net income (loss) per share is calculated	<u>4,831,182,265</u>	<u>3,662,578,076</u>	<u>3,323,996,973</u>
	Yen (millions)		
	2011	2010	2009
Net income (loss) attributable to Hitachi, Ltd. stockholders	238,869	(106,961)	(787,337)
Effect of dilutive securities:			
Unsecured convertible bonds (due 2014)	72	—	—
Other	(368)	(0)	(8)
Net income (loss) attributable to Hitachi, Ltd. stockholders on which diluted net income (loss) per share is calculated	<u>238,573</u>	<u>(106,961)</u>	<u>(787,345)</u>
	Yen		
	2011	2010	2009
Net income (loss) attributable to Hitachi, Ltd. stockholders per share:			
Basic	52.89	(29.20)	(236.86)
Diluted	49.38	(29.20)	(236.87)

The net loss attributable to Hitachi, Ltd. stockholders per share computations for the years ended March 31, 2010 and 2009 exclude all convertible bonds because their effect would have been antidilutive.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(22) Supplementary Income and Expense Information

	Yen (millions)		
	2011	2010	2009
Shipping and handling costs	140,240	124,019	148,145
Advertising expense	31,170	28,877	38,598
Maintenance and repairs	80,878	72,065	78,242
Rent	131,533	142,077	148,401
Research and development expense	395,180	372,470	416,517

(23) Supplementary Cash Flow Information

	Yen (millions)		
	2011	2010	2009
Cash paid during the year for:			
Interest	25,457	26,706	34,443
Income taxes	122,057	61,155	177,624
Noncash investing and financial activities:			
Capitalized lease assets	13,807	5,956	10,299
Conversion of convertible bonds issued by the Company	638	2	—

The payments for the purchase and the proceeds from the sale of securities classified as available-for-sale disclosed in note 3 are included in purchase of investments in securities and shares of newly consolidated subsidiaries and proceeds from sale of investments in securities and shares of consolidated subsidiaries resulting in deconsolidation on the consolidated statements of cash flows.

(24) Concentrations of Credit Risk

The Company and its subsidiaries generally do not have significant concentrations of credit risk to any counterparties nor any regions because they are diversified and spread globally.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(25) Derivative Instruments and Hedging Activities

Overall risk profile

The major manufacturing bases of the Company and its subsidiaries are located in Japan and Asia. The selling bases are located globally, and the Company and its subsidiaries generated approximately 45% of their sales from overseas for the year ended March 31, 2011. These overseas sales are mainly denominated in the U.S. dollar or Euro. As a result, the Company and its subsidiaries are exposed to market risks from changes in foreign currency exchange rates.

The Company's financing subsidiaries in the U.K., the U.S. and Singapore issue variable rate medium-term notes mainly through the Euro markets to finance their overseas long-term operating capital. As a result, the Company and its subsidiaries are exposed to market risks from changes in foreign currency exchange rates and interest rates.

The Company and its subsidiaries are also exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations because most of the counterparties are internationally recognized financial institutions that are rated A or higher and contracts are diversified into a number of major financial institutions.

The Company and its subsidiaries have an insignificant amount of derivative instruments containing credit-risk-related contingent features, such as provisions that require the Company's debt to maintain an investment grade credit rating from each of the major credit rating agencies.

Risk management policy

The Company and its subsidiaries assess foreign currency exchange rate risk and interest rate risk by continually monitoring changes in these exposures and by evaluating hedging opportunities. It is the Company's principal policy that the Company and its subsidiaries do not enter into derivative financial instruments for speculation purposes.

Foreign currency exchange rate risk management

The Company and its subsidiaries have assets and liabilities which are exposed to foreign currency exchange rate risk and, as a result, they enter into forward exchange contracts and cross currency swap agreements for the purpose of hedging these risk exposures.

In order to fix the future net cash flows principally from trade receivables and payables recognized, which are denominated in foreign currencies, the Company and its subsidiaries on a monthly basis measure the volume and due date of future net cash flows by currency. In accordance with the Company's policy, a certain portion of measured net cash flows is covered using forward exchange contracts, which principally mature within one year.

The Company and its subsidiaries enter into cross currency swap agreements with the same maturities as underlying debt to fix cash flows from long-term debt denominated in foreign currencies. The hedging relationship between the derivative financial instrument and its hedged item is highly effective in achieving offsetting changes in foreign currency exchange rates.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Interest rate risk management

The Company's and certain subsidiaries' exposure to interest rate risk is related principally to long-term debt obligations. Management believes it is prudent to minimize the variability caused by interest rate risk.

To meet this objective, the Company and certain subsidiaries principally enter into interest rate swaps to manage fluctuations in cash flows. The interest rate swaps entered into are receive-variable, pay-fixed interest rate swaps. Under the interest rate swaps, the Company and certain subsidiaries receive variable interest rate payments on long-term debt associated with medium-term notes and make fixed interest rate payments, thereby creating fixed interest rate long-term debt.

Certain financing subsidiaries mainly finance a portion of their operations using long-term debt with a fixed interest rate and lend funds at variable interest rates. Therefore, such companies are exposed to interest rate risk. Management believes it is prudent to minimize the variability caused by interest rate risk. To meet this objective, certain financing subsidiaries principally enter into interest rate swaps converting the fixed rate to a variable rate to manage fluctuations in fair value resulting from interest rate risk. Under the interest rate swaps, certain financing subsidiaries receive fixed interest rate payments associated with long-term debt, including medium-term notes, and make variable interest rate payments, thereby creating variable-rate long-term debt.

The hedging relationship between the interest rate swaps and its hedged item is highly effective in achieving offsetting changes in cash flows and fair value resulting from interest rate risk.

Fair value hedge

Changes in the fair value of both recognized assets and liabilities, and derivative financial instruments designated as fair value hedges of these assets and liabilities are recognized in other income (deductions). Derivative financial instruments designated as fair value hedges include forward exchange contracts associated with operating transactions, cross currency swap agreements and interest rate swaps associated with financing transactions.

Exchange loss for the year ended March 31, 2009 includes net gains of ¥169 million, which represent the component of hedging instruments excluded from the assessment of hedge effectiveness. Net gain or loss related to the ineffective portion of hedging instruments is not material for the year ended March 31, 2009.

Interest charges for the year ended March 31, 2009 include net losses of ¥466 million, which represent the component of hedging instruments excluded from the assessment of hedge effectiveness. Net gain or loss related to the ineffective portion of hedging instruments is not material for the year ended March 31, 2009.

Cash flow hedge

Foreign currency exposure:

Changes in the fair value of forward exchange contracts designated and qualifying as cash flow hedges of forecasted transactions are reported in accumulated other comprehensive income (AOCI). These amounts are reclassified into earnings in the same period as the hedged items affect earnings.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Exchange gain for the year ended March 31, 2009 includes net gains of ¥2,229 million, which represent the component of hedging instruments excluded from the assessment of hedge effectiveness. Net gain or loss related to the ineffective portion of hedging instruments is not material for the year ended March 31, 2009.

It is expected that a net gain of approximately ¥3,675 million recorded in AOCI relating to existing forward exchange contracts will be reclassified into other income or other deductions during the year ending March 31, 2012.

As of March 31, 2011, the maximum length of time over which the Company and its subsidiaries are hedging their exposure to the variability in future cash flows associated with foreign currency forecasted transactions is approximately 44 months.

Interest rate exposure:

Changes in fair values of interest rate swaps designated as hedging instruments for the variability of cash flows associated with long-term debt obligations are reported in AOCI. These amounts subsequently are reclassified into interest charges as a yield adjustment in the same period in which the hedged debt obligations affect earnings.

Interest charges for the year ended March 31, 2009 include net losses of ¥347 million, which represent the component of hedging instruments excluded from the assessment of hedge effectiveness. Interest charges for the year ended March 31, 2009 include a net gain of ¥553 million, which represents the component of hedge ineffectiveness.

It is expected that a net loss of approximately ¥101 million recorded in AOCI related to interest rate swaps will be reclassified into interest charges as a yield adjustment of the hedged debt obligations during the year ending March 31, 2012.

The contract or notional amounts of derivative financial instruments held as of March 31, 2011 and 2010 are summarized as follows:

	Yen (millions)	
	2011	2010
Forward exchange contracts:		
To sell foreign currencies	228,088	204,084
To buy foreign currencies	122,653	93,659
Cross currency swap agreements:		
To sell foreign currencies	96,712	78,381
To buy foreign currencies	100,586	107,778
Interest rate swaps	280,951	354,492
Option contracts	7,221	935

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following tables, “Effective portion of derivatives designated as hedging instruments and related hedged items” and “Ineffective portion and amount excluded from effectiveness test,” show the effects of derivative instruments for fair value hedges on the consolidated statement of operations for the year ended March 31, 2011:

Effective portion of derivatives designated as hedging instruments and related hedged items					
Hedging instruments			Related hedged items		
Derivatives	Location	Yen (millions)	Items	Location	Yen (millions)
Forward exchange contracts	Other income	8,955	Accounts receivable and accounts payable	Other income	(8,576)
Cross currency swap agreements	Interest charges	2,693	Long-term debt	Interest charges	(3,010)
		<u>11,648</u>			<u>(11,586)</u>

Ineffective portion and amount excluded from effectiveness test		
Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	(682)
Cross currency swap agreements	Other income	1,412
Interest rate swaps	Interest charges	54
		<u>784</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following tables, “Effective portion of derivatives designated as hedging instruments and related hedged items” and “Ineffective portion and amount excluded from effectiveness test,” show the effects of derivative instruments for fair value hedges on the consolidated statement of operations for the year ended March 31, 2010:

Effective portion of derivatives designated as hedging instruments and related hedged items					
Hedging instruments			Related hedged items		
Derivatives	Location	Yen (millions)	Items	Location	Yen (millions)
Forward exchange contracts	Other income	5,871	Accounts receivable and accounts payable	Other income	(5,877)
Cross currency swap agreements	Interest charges	(6,368)	Long-term debt	Interest charges	6,514
		<u>(497)</u>			<u>637</u>

Ineffective portion and amount excluded from effectiveness test		
Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	(175)
Cross currency swap agreements	Other income	3,206
Interest rate swaps	Interest charges	580
		<u>3,611</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following tables, “Effective portion of derivatives designated as hedging instruments and related hedged items” and “Ineffective portion and amount excluded from effectiveness test,” show the effects of derivative instruments for fair value hedges on the consolidated statement of operations for the quarter ended March 31, 2009:

Effective portion of derivatives designated as hedging instruments and related hedged items					
Hedging instruments			Related hedged items		
Derivatives	Location	Yen (millions)	Items	Location	Yen (millions)
Forward exchange contracts	Other deductions	(6,814)	Accounts receivable and accounts payable	Other deductions	5,832
	Other deductions	(590)	Short-term investments and short-term debt	Other deductions	614
Cross currency swap agreements	Other deductions	(3,036)	Investments and advances	Other deductions	3,053
	Interest charges	(3,115)	Long-term debt	Interest charges	2,900
		<u>(13,555)</u>			<u>12,399</u>

Ineffective portion and amount excluded from effectiveness test		
Derivatives	Location	Yen (millions)
Forward exchange contracts	Other deductions	227
Cross currency swap agreements	Other deductions	(2,065)
Interest rate swaps	Interest charges	(58)
		<u>(1,896)</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following tables, “Gain (loss) recognized in OCI, Effective portion of derivatives designated as hedging instruments,” “Gain (loss) reclassified from AOCI into consolidated statement of operations, Effective portion of derivatives designated as hedging instruments” and “Gain on derivatives designated as cash flow hedging instruments, Ineffective portion and amount excluded from effectiveness test” show the effect of derivative instruments for cash flow hedges on the consolidated statement of operations for the year ended March 31, 2011:

Gain (loss) recognized in OCI		
Effective portion of derivatives designated as hedging instruments		
Derivatives		Yen (millions)
Forward exchange contracts		(220)
Cross currency swap agreements		(153)
Interest rate swaps		1,879
Option contracts		781
		<u>2,287</u>

Gain (loss) reclassified from AOCI into consolidated statement of operations		
Effective portion of derivatives designated as hedging instruments		
Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	166
Cross currency swap agreements	Other income	(4,174)
Interest rate swaps	Interest charges	(173)
Option contracts	Other income	(701)
		<u>(4,882)</u>

Gain on derivatives designated as cash flow hedging instruments		
Ineffective portion and amount excluded from effectiveness test		
Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	269
Cross currency swap agreements	Other income	66
Interest rate swaps	Interest charges	67
		<u>402</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following tables, “Gain (loss) recognized in OCI, Effective portion of derivatives designated as hedging instruments,” “Gain (loss) reclassified from AOCI into consolidated statement of operations, Effective portion of derivatives designated as hedging instruments” and “Gain (loss) on derivatives designated as cash flow hedging instruments, Ineffective portion and amount excluded from effectiveness test” show the effect of derivative instruments for cash flow hedges on the consolidated statement of operations for the year ended March 31, 2010:

Gain (loss) recognized in OCI	
Effective portion of derivatives designated as hedging instruments	
Derivatives	Yen (millions)
Forward exchange contracts	1,323
Cross currency swap agreements	2,435
Interest rate swaps	(2,469)
Option contracts	639
	<u>1,928</u>

Gain (loss) reclassified from AOCI into consolidated statement of operations		
Effective portion of derivatives designated as hedging instruments		
Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	(1,007)
Cross currency swap agreements	Other income	(7,536)
Interest rate swaps	Interest charges	1,756
Option contracts	Other income	(634)
		<u>(7,421)</u>

Gain (loss) on derivatives designated as cash flow hedging instruments		
Ineffective portion and amount excluded from effectiveness test		
Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	245
Cross currency swap agreements	Other income	(3,378)
Interest rate swaps	Interest charges	589
		<u>(2,544)</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following tables, “Gain (loss) recognized in OCI, Effective portion of derivatives designated as hedging instruments,” “Gain (loss) reclassified from AOCI into consolidated statement of operations, Effective portion of derivatives designated as hedging instruments” and “Gain (loss) on derivatives designated as cash flow hedging instruments, Ineffective portion and amount excluded from effectiveness test” show the effect of derivative instruments for cash flow hedges on the consolidated statement of operations for the quarter ended March 31, 2009:

Gain (loss) recognized in OCI	
Effective portion of derivatives designated as hedging instruments	
Derivatives	Yen (millions)
Forward exchange contracts	638
Cross currency swap agreements	(1,685)
Interest rate swaps	(1,025)
Option contracts	8
	<u>(2,064)</u>

Gain (loss) reclassified from AOCI into consolidated statement of operations		
Effective portion of derivatives designated as hedging instruments		
Derivatives	Location	Yen (millions)
Forward exchange contracts	Other deductions	(1,623)
Cross currency swap agreements	Other deductions	(1,080)
Interest rate swaps	Interest income	830
Option contracts	Other deductions	(1,492)
		<u>(3,365)</u>

Gain (loss) on derivatives designated as cash flow hedging instruments		
Ineffective portion and amount excluded from effectiveness test		
Derivatives	Location	Yen (millions)
Forward exchange contracts	Other deductions	(1,598)
Cross currency swap agreements	Other deductions	(358)
Interest rate swaps	Interest income	120
		<u>(1,836)</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(26) Fair Value of Financial Instruments

The following methods and assumptions are used to estimate the fair values of financial instruments:

Long-term debt and Non-recourse borrowings of consolidated securitization entities

The fair value of long-term debt and non-recourse borrowings of consolidated securitization entities are estimated based on quoted market prices or the present value of future cash flows using the Company's and its subsidiaries' market interest rates for the same contractual terms.

Cash and cash equivalents, Trade receivables, Short-term debt and Trade payables

The carrying amount approximates the fair value because of the short maturity of these instruments.

Financial assets transferred to consolidated securitization entities

For the portion related to transferred mortgage loans receivables, the fair value is estimated based on the present value of future cash flows.

Investments in securities, Subordinated interests resulting from securitization and Derivatives

Refer to note 27 for the methods and assumptions used to estimate the fair values.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The carrying amounts and estimated fair values of the financial instruments as of March 31, 2011 and 2010 are as follows:

	Yen (millions)			
	2011		2010	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Investments in securities:				
Short-term investments	16,598	16,598	53,575	53,575
Investments and advances	180,232	180,232	200,326	200,326
Financial assets transferred to consolidated securitization entities:	186,742	196,543	—	—
Derivatives				
(Effective Portion in Other Current Assets):				
Forward exchange contracts	1,508	1,508	2,624	2,624
Cross currency swap agreements	10,363	10,363	5,357	5,357
Interest rate swaps	—	—	3	3
Option contracts	28	28	1	1
Derivatives				
(Ineffective Portion in Other Current Assets):				
Forward exchange contracts	563	563	407	407
Cross currency swap agreements	1,084	1,084	3,268	3,268
Interest rate swaps	—	—	—	—
Option contracts	—	—	—	—
Derivatives				
(Effective Portion in Other Assets):				
Forward exchange contracts	111	111	27	27
Cross currency swap agreements	5,805	5,805	12,070	12,070
Interest rate swaps	1,092	1,092	999	999
Option contracts	66	66	—	—
Derivatives				
(Ineffective Portion in Other Assets):				
Forward exchange contracts	—	—	22	22
Cross currency swap agreements	1,437	1,437	2,091	2,091
Interest rate swaps	—	—	11	11
Option contracts	—	—	—	—
Subordinated interests resulting from securitization:				
Other current assets	255	255	4,114	4,114
Advances and other	33,811	33,811	111,303	111,303

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

	Yen (millions)			
	2011		2010	
	Carrying Amounts	Estimated fair values	Carrying amounts	Estimated fair values
Long-term debt	(1,638,529)	(1,696,722)	(1,915,692)	(1,954,713)
Non-recourse borrowings of consolidated securitization entities:	(410,434)	(413,519)	—	—
Derivatives				
(Effective Portion in Other Current Liabilities):				
Forward exchange contracts	(3,813)	(3,813)	(3,480)	(3,480)
Cross currency swap agreements	(268)	(268)	(488)	(488)
Interest rate swaps	(323)	(323)	(701)	(701)
Option contracts	(5)	(5)	(6)	(6)
Derivatives				
(Ineffective Portion in Other Current Liabilities):				
Forward exchange contracts	(547)	(547)	(721)	(721)
Cross currency swap agreements	(8)	(8)	—	—
Interest rate swaps	(13)	(13)	(142)	(142)
Option contracts	—	—	—	—
Derivatives				
(Effective Portion in Other Liabilities):				
Forward exchange contracts	(86)	(86)	(103)	(103)
Cross currency swap agreements	(305)	(305)	(228)	(228)
Interest rate swaps	(2,915)	(2,915)	(4,076)	(4,076)
Option contracts	—	—	—	—
Derivatives				
(Ineffective Portion in Other Liabilities):				
Forward exchange contracts	—	—	—	—
Cross currency swap agreements	(2,625)	(2,625)	(5,148)	(5,148)
Interest rate swaps	(80)	(80)	(42)	(42)
Option contracts	—	—	—	—

It is not practicable to estimate the fair value of investments in unlisted stock because of the lack of a market price and difficulty in estimating fair value without incurring excessive cost. The carrying amounts of these investments as of March 31, 2011 and 2010 totaled ¥48,144 million and ¥48,222 million, respectively.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(27) Fair Value

ASC 820 establishes a fair value hierarchy that prioritizes the use of observable inputs in markets over the use of unobservable inputs when measuring fair value as follows:

Level 1

Quoted prices for identical assets or liabilities in active markets.

Level 2

Quoted prices for similar assets or liabilities in active markets; quoted prices associated with transactions that are not distressed for identical or similar assets or liabilities in markets that are not active; or valuations whose significant inputs are derived from or corroborated by observable market data.

Level 3

Valuations using inputs that are not observable.

Investments in debt and equity securities

Investment securities of which quoted market prices are available to determine their fair value are included in Level 1. Level 1 securities include available-for-sale securities such as listed stocks on exchange markets, debt securities such as Japan treasury bonds and U.S. treasury bonds and exchange traded funds.

In the absence of an active market for investment securities, quoted prices for similar investment securities, quoted prices associated with transactions that are not distressed for identical or similar investment securities or other relevant information including market interest rate curves, referenced credit spreads or default rates, are used to determine fair value. These investments are included in Level 2. Level 2 securities include short-term investments and available-for-sale securities such as listed stocks traded over-the-counter, investment funds and debt securities traded over-the-counter.

In infrequent circumstances, the significant inputs of fair value for investment securities are unobservable and the Company mainly uses an income or market approach to corroborate relevant information provided by financial institutions. These investments are included in Level 3. Level 3 securities include available-for-sale securities such as subordinated debentures and structured bonds with little market activity.

Derivatives

Closing prices are used for derivatives included in Level 1, which are traded on active markets. The majority of derivatives are traded on over-the-counter markets, which the Company does not deem to represent active markets. Derivative assets and liabilities for which fair value is based on quoted prices associated with transactions that are not distressed, in markets that are not active, or based on models using interest rate curves and forward and spot prices for currencies and commodities are included in Level 2. Derivatives included in Level 2 primarily consist of interest rate swaps, cross-currency swaps and foreign currency and commodity forward and option contracts. In infrequent circumstances, the significant inputs of fair value are unobservable and the Company mainly uses an income or market approach to corroborate relevant information provided by financial institutions. These derivatives are included in Level 3.

Subordinated interests resulting from securitization

When fair value is determined using observable inputs, including prices of recent transactions in markets that are not distressed, subordinated interests are included in Level 2. When significant inputs are not observable, fair value is determined based on economic assumptions used in measuring the fair value of the subordinated interests, including weighted-average life, expected credit risks, and discount rates, and the subordinated interests are included in Level 3.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following tables present the assets and liabilities that are measured at fair value on a recurring basis and the fair value hierarchy classification as of March 31, 2011 and 2010. The carrying value on the consolidated balance sheets are recorded by the fair value of these assets and liabilities.

	Yen (millions)			
	2011			
	Total Balance	Fair value hierarchy classification		
		Level 1	Level 2	Level 3
Assets:				
Investments in securities				
Equity securities	145,816	145,069	747	—
Government debt securities	3,232	3,219	13	—
Corporate debt securities	38,080	—	5,154	32,926
Other	9,307	6,434	2,873	—
Derivatives	22,057	—	22,057	—
Subordinated interests resulting from securitization	34,066	—	—	34,066
	<u>252,558</u>	<u>154,722</u>	<u>30,844</u>	<u>66,992</u>
Liabilities:				
Derivatives	(10,988)	—	(10,988)	—

	Yen (millions)			
	2010			
	Total Balance	Fair value hierarchy classification		
		Level 1	Level 2	Level 3
Assets:				
Investments in securities				
Equity securities	159,850	156,879	2,971	—
Government debt securities	44,156	43,989	167	—
Corporate debt securities	35,359	—	6,426	28,933
Other	14,260	5,903	8,357	—
Derivatives	26,880	—	26,880	—
Subordinated interests resulting from securitization	115,417	—	—	115,417
	<u>395,922</u>	<u>206,771</u>	<u>44,801</u>	<u>144,350</u>
Liabilities:				
Derivatives	(15,135)	—	(15,135)	—

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following table presents the changes in Level 3 instruments measured on a recurring basis for the year ended March 31, 2011.

	Yen (millions)		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of year	28,933	115,417	144,350
Effect of consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810 (a)	—	(113,651)	(113,651)
Purchases, sales, issuances and settlements, net	2,046	32,300	34,346
Total gains or losses (realized/unrealized)			
Included in earnings (b)	546	—	546
Included in other comprehensive loss	1,401	—	1,401
Balance at end of year	<u>32,926</u>	<u>34,066</u>	<u>66,992</u>
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	<u>—</u>	<u>—</u>	<u>—</u>

- (a) A portion of subordinated interests resulting from securitization was eliminated because of the consolidation of securitization entities.
- (b) Level 3 gains and losses (realized and unrealized) included in earnings for the year ended March 31, 2011 are reported in other income (deductions) for corporate debt securities and are reported in revenue for subordinated interests resulting from securitization.

The following table presents the changes in Level 3 instruments measured on a recurring basis for the year ended March 31, 2010.

	Yen(millions)		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of year	26,532	123,465	149,997
Purchases, sales, issuances and settlements, net	(271)	(11,275)	(11,546)
Total gains or losses (realized/unrealized)			
Included in earnings (a)	(15)	3,588	3,573
Included in other comprehensive loss	2,687	(361)	2,326
Balance at end of year	<u>28,933</u>	<u>115,417</u>	<u>144,350</u>
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	<u>(14)</u>	<u>3,534</u>	<u>3,520</u>

- (a) Level 3 gains and losses (realized and unrealized) included in earnings for the year ended March 31, 2010 are reported in other income (deductions) for corporate debt securities and are reported in revenue for subordinated interests resulting from securitization.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Assets that are measured at fair value during the period on a non-recurring basis because they are deemed to be impaired are not included in the above tables.

The Company has written down the carrying amount of certain equity-method and cost-method investments on the consolidated balance sheets because the Company deems the decline of fair value to be other-than-temporary.

The fair value of the equity-method investments which are listed on an active market is included in Level 1. The fair value of equity-method investments determined using an income approach, based on discounted cash flows using unobservable inputs are included in Level 3. Also, a weighted-average fair value determined using both a market approach and an income approach, which incorporate both observable inputs, such as quoted market prices of comparable companies, and discounted cash flow using unobservable inputs, is included in Level 3. The Company has calculated discounted cash flows of these equity-method investments based on business forecasts, market trends, and assumptions of projected business plans. The Company uses both a market approach and an income approach to determine the fair value of the cost-method investments. The fair value based on observable inputs such as quoted market prices of similar investments is included in Level 2. The fair value primarily based on discounted cash flows using unobservable inputs based on business forecasts, market trends, and assumptions of projected business plans is included in Level 3.

The Company has also written down the carrying amount of long-lived assets on the consolidated balance sheets mainly because the Company deems the carrying amount of certain long-lived assets is not recoverable and exceeds its fair value. The Company mainly uses an income approach or a market approach to calculate the fair value of long-lived assets. These measurements are included in Level 3 since they are based primarily on discounted cash flows using unobservable inputs based on business forecasts, market trends, and assumptions of projected business plans.

The following table presents the assets measured at fair value on a non-recurring basis and the gains or losses recognized for the year ended March 31, 2011.

	Yen (millions)			
	2011			
	Fair value hierarchy classification			Total
	Level 1	Level 2	Level 3	gains (losses)
Equity-method investments (a)	1,712	—	—	(4,741)
Cost-method investments	—	—	8,066	(3,180)
Long-lived assets (b)				
High Functional Materials & Components segment	—	—	7,755	(10,956)
Components & Devices segment	—	—	18,046	(16,561)
Other	—	—	1,716	(7,653)
Total	1,712	—	35,583	(43,091)

- (a) The carrying value as of March 31, 2011 is not equal to the fair value at the time of impairment because of equity method adjustments subsequent to impairment.
- (b) The carrying value as of March 31, 2011 is not equal to the fair value at the time of impairment because of depreciation expense subsequent to impairment.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following table presents the financial assets measured at fair value on a non-recurring basis and the gains or losses recognized for the year ended March 31, 2010.

	Yen (millions)		
	2010		
	Fair value hierarchy classification		
	Level 1	Level 2	Level 3
			Total gains (losses)
Equity-method investments (a)	511	—	86,100
Cost-method investments	—	—	1,273
Long-lived assets (b)			
Components & Devices segment	—	—	47,976
Other	—	—	5,856
Total	511	—	141,205

- (a) The carrying value as of March 31, 2010 is not equal to the fair value at the time of impairment because of equity method adjustments subsequent to impairment.
- (b) The carrying value as of March 31, 2010 is not equal to the fair value at the time of impairment because of depreciation expense subsequent to impairment.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(28) Financing Receivables and Allowance for Doubtful Receivables

Financing receivables from equipment leases, installment arrangements, mortgage loans, and other receivables with a contractual maturity of one year or more are subject to disclosure as reported in this note. Trade receivables from sale of products or services that have a contractual maturity of one year or less are excluded from financing receivables. Finance lease receivables are recorded based on the total minimum payments to be received and unguaranteed residual values less executory costs and unearned income. Installment loans, mortgage loans and other long-term receivables are reported on the amortized cost basis.

The Company classifies financing receivables aggregated and categorized as finance leases, installment loans, mortgage loans, and other, based on the nature of risks and characteristics as described below.

Finance leases are receivables from lease arrangements, including products manufactured by the Company and certain of its subsidiaries, such as information technology equipment, manufacturing machinery and equipment and construction machinery, typically secured by underlying assets. The primary locations of finance leases are Japan, United States, United Kingdom and China mainland. The lease term ranges from three to six years. The non-specific allowance for doubtful receivables is collectively determined on the basis of past collection experience, consideration of current economic conditions and changes in our customer collection trends as well as other factors that may affect the customers' ability to pay.

Installment loans represent receivables from arrangements with customers and dealers to provide financing primarily for products manufactured by the Company and certain of its subsidiaries, such as manufacturing machinery. Installment loans are typically secured by underlying assets. The primary locations of installment loans are Japan, United States and United Kingdom. The loan term is generally less than three years. The non-specific allowance is collectively determined on the basis of past collection experience, consideration of current economic conditions and changes in our customer collection trends as well as other factors that may affect the customers' ability to pay.

Mortgage loans are financing receivables from residential loan arrangements for individuals. Mortgage loans are usually arranged with collateral. The primary location of mortgage loans is Japan; more than fifty percent of mortgage loans are arranged for employees of the Company and its domestic subsidiaries. The term of mortgage loans is usually less than 30 years. The non-specific allowance is collectively determined on the basis of past collection experience, consideration of current economic conditions and changes in our customer collection trends as well as other factors that may affect the customers' ability to pay.

The subsidiaries in the financial services segment also provide services such as factoring, loan servicing, and other forms of commercial financing. Financing receivables resulting from those services are classified into "other" category. The contractual maturities associated with those services generally range over one to three years. The non-specific allowance is collectively determined on the basis of past collection experience, consideration of current economic conditions and changes in our customer collection trends as well as other factors that may affect the customers' ability to pay.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Also, common to all financing receivables, the Company and its subsidiaries individually evaluate collectability of financing receivables either by discounted cash flow analyses when they determine principal and interest of a financing receivable cannot be collected or by estimating the fair value of related collateral when applicable and further estimating the allowance for doubtful receivables. The Company and its subsidiaries have proprietary credit quality indicators appropriate to the unique characteristics of their operations and the nature of their financing receivable portfolios. Based on such indicators as the duration of overdue payments, the unpaid amounts, the existence of extended payment terms, evaluation by third-party credit agencies, and the degree of debtors' excessive debt, the Company and its subsidiaries classify and monitor their financial receivables into two categories: the individually evaluated receivables, and the collectively evaluated receivables.

Interest income for long-term financing receivables is recognized on the accrual basis.

As of March 31, 2011, financing receivables include past due receivables in the amount of ¥9,714 million. Of this amount, financing receivables past due 90 days or more and still accruing interest amounted to ¥2,846 million.

The following table presents allowance for doubtful receivables and recorded investment in financing receivables as of March 31, 2011, and changes in the allowance for the three months ended March 31, 2011.

	Yen (millions)				
	Finance leases	Installment loans	Mortgage loans	Other	Total
Allowance for doubtful receivables					
Balance, January 1, 2011	5,156	2,426	176	5,940	13,698
Provision	1,531	293	102	3,709	5,635
Recovery and other	(340)	(70)	(47)	(1,073)	(1,530)
Write off	(211)	(229)	—	(734)	(1,174)
Balance, March 31, 2011	<u>6,136</u>	<u>2,420</u>	<u>231</u>	<u>7,842</u>	<u>16,629</u>
Applicable to amounts; Individually evaluated for impairment	<u>1,620</u>	<u>906</u>	<u>88</u>	<u>5,082</u>	<u>7,696</u>
Applicable to amounts; Collectively evaluated for impairment	<u>4,516</u>	<u>1,514</u>	<u>143</u>	<u>2,760</u>	<u>8,933</u>
Financing receivables					
Balance, March 31, 2011	<u>873,137</u>	<u>126,957</u>	<u>218,222</u>	<u>217,515</u>	<u>1,435,831</u>
Applicable to amounts; Individually evaluated for impairment	<u>4,515</u>	<u>1,252</u>	<u>1,113</u>	<u>9,718</u>	<u>16,598</u>
Applicable to amounts; Collectively evaluated for impairment	<u>868,622</u>	<u>125,705</u>	<u>217,109</u>	<u>207,797</u>	<u>1,419,233</u>

In addition, as of March 31, 2011, the amount of impaired loans relating to receivables which arose from sales of product or services and have contractual maturity of one year or less is ¥43,628 million.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(29) Acquisitions and Divestitures

On March 9, 2011, Hitachi Transport System, Ltd. (Hitachi Transport System), a subsidiary of the Company included in the Others category of segment information, announced its decision to purchase shares of Vantec Corporation (Vantec), through a tender offer to make Vantec its subsidiary. The tender offer price was ¥233,500 per share, which was determined by comprehensively taking into consideration the market price of Vantec's common stock, Vantec's financial condition, future earnings prospects and a valuation of Vantec stock conducted by a third party appraiser. The price included a premium of approximately 93% over the average share price of Vantec's common stock traded on the First Section of the Tokyo Stock Exchange for the three month period ended March 8, 2011. As a result, Hitachi Transport System purchased 209,550 shares in the tender offer, for ¥48,930 million in the period from March 10, 2011 through April 19, 2011, resulting in an acquisition of 90.12% of the voting rights. Accordingly, Hitachi Transport System obtained control of Vantec and it became a consolidated subsidiary effective April 26, 2011, the settlement date of the tender offer (the acquisition date).

Vantec operates warehousing and transportation related business. Hitachi Transport System made the acquisition to realize synergy in the system logistics and global business and improve the enterprise value of Hitachi Transport System and Vantec.

The following table presents the consideration paid for Vantec and the fair value as of the acquisition date of the noncontrolling interest in Vantec. Due to the limited period of time since the acquisition date, the initial accounting for the business combination is incomplete at this time. As a result, the Company is unable to provide the disclosures related to the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed, and the amount of goodwill.

	<u>Yen (millions)</u>
Cash paid for acquisition	48,930
Fair value of noncontrolling interests	<u>3,622</u>
	<u>52,552</u>

The fair value of the noncontrolling interest in Vantec, a listed entity, is determined by quoted market price and included in Level 1.

On a pro forma basis, the effect on revenue, net income and the per share information of the Company for the year ended March 31, 2011 with assumed acquisition dates for Vantec of April 1, 2010 would not be material.

On November 8, 2010, Hitachi Medical Corporation (Hitachi Medical), a subsidiary of the Company in the Electronic Systems & Equipment segment, announced its decision to purchase additional shares of Aloka Co., Ltd. (Aloka), through a tender offer to make Aloka its subsidiary. The tender offer price was ¥1,075 per share, which was determined by comprehensively taking into consideration the market price of Aloka's common stock, Aloka's financial condition, future earnings prospects and a valuation of Aloka stock conducted by a third party appraiser.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

As a result, Hitachi Medical purchased 23,157,518 shares in the tender offer, for ¥24,894 million in the period from November 9, 2010 through December 27, 2010, resulting in a 84.65% increase of Hitachi Medical's ownership from 12.79% to 97.45%. Accordingly, Hitachi Medical obtained control of Aloka and it became a consolidated subsidiary effective January 5, 2011, the settlement date of the tender offer (the acquisition date). Further, Hitachi Medical converted Aloka into its wholly owned subsidiary through a share exchange effective March 3, 2011, and Aloka was subsequently renamed Hitachi Aloka Medical, Ltd. effective April 1, 2011.

Aloka manufactures and sells medical instruments, general-purpose analysis devices and medical analysis devices. Hitachi Medical made the acquisition to strengthen its diagnostic ultrasound device businesses and increase its corporate value.

This business combination was accounted for as a bargain purchase because the consideration paid for was less than the fair value of Aloka's net assets.

The following table summarizes the consideration paid for Aloka, the assets acquired and liabilities assumed and recognized as of the acquisition, as well as the fair value as of the acquisition date of the noncontrolling interest in Aloka.

	<u>Yen (millions)</u>
Current assets	43,346
Non-current assets (excluding intangible assets)	9,585
Intangible assets	1,811
	<u>54,742</u>
Current liabilities	(13,740)
Non-current liabilities	(2,987)
	<u>(16,727)</u>
Gain on the bargain purchase	<u>(8,684)</u>
Previously acquired equity interest measured at fair value	(3,699)
Cash paid for acquisition	(24,894)
Fair value of noncontrolling interests	(738)
	<u>(29,331)</u>

The acquired intangible assets include patents and brands.

The Company recognized a gain of ¥1,224 million as a result of remeasuring its equity interest in Aloka held before the business combination at the acquisition date fair value. The gain is included in other income in the Company's consolidated statement of operations for the year ended March 31, 2011.

The fair value of both the equity interest held in Aloka before the business combination and the fair value of the noncontrolling interest in Aloka, a listed entity, are determined by quoted market price and included in Level 1.

The results of operations of Aloka for the period from the acquisition date to March 31, 2011 were not material.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

On a pro forma basis, revenue, net income (loss) and the per share information of the Company with assumed acquisition dates for Aloka of April 1, 2010 and 2009 would not differ materially from the amounts reported in the accompanying consolidated financial statements as of and for the years ended March 31, 2011 and 2010.

On March 7, 2011, the Company announced that it had entered into a definitive agreement to transfer its Hard Disc Drive business, in the Components & Devices segment, to Western Digital Corporation (WD). The Company will sell all shares of Hitachi Global Storage Technologies' holding company, Viviti Technologies Ltd. to WD in a cash and stock transaction valued at approximately US\$4.3 billion. Under the terms, the Company will own approximately 10 percent of WD shares and hold two seats on WD's board of directors. The transaction is expected to close during the year ending March 31, 2012. The closing of the transaction is dependent upon progress of various multi jurisdictional regulatory reviews over this business combination.

On March 30, 2010, Hitachi Construction Machinery Co., Ltd. (Hitachi Construction Machinery), a subsidiary of the Company in the Construction Machinery segment, agreed with Tata Motors Limited to purchase an additional 20% interest in Telco Construction Equipment Co., Ltd. (Telcon). As a result, Hitachi Construction Machinery purchased a total of 20,000,000 shares for ¥23,704 million on March 30, 2010, resulting in the percentage of Hitachi Construction Machinery's ownership interests in Telcon increasing from 40.0% to 60.0%. Accordingly, Hitachi Construction Machinery obtained control over Telcon and it became a consolidated subsidiary effective March 30, 2010 (the acquisition date).

Telcon manufactures and sells major construction machinery including hydraulic excavators, backhoe loaders and wheel loaders. Hitachi Construction Machinery decided to purchase an additional 20% interest to obtain a strong lead in the India market, which is expected to grow significantly.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The following table summarizes the consideration paid for Telcon, the assets acquired and liabilities assumed and recognized as of the acquisition, as well as the fair value as of the acquisition date of the noncontrolling interest in Telcon.

	<u>Yen (millions)</u> <u>(As adjusted)</u>
Current assets	29,741
Non-current assets (excluding intangible assets)	16,912
Intangible assets (excluding goodwill)	37,370
Goodwill (not deductible for tax purposes)	32,981
	<u>117,004</u>
Current liabilities	(35,105)
Non-current liabilities	(14,095)
	<u>(49,200)</u>
Previously acquired equity interest measured at fair value	(22,050)
Cash paid for acquisition	(23,704)
Fair value of noncontrolling interests	(22,050)
	<u>(67,804)</u>

The following table shows the acquired intangible assets subject to amortization and not subject to amortization.

	<u>Yen (millions)</u>	<u>Weighted average amortization Period (year)</u>
The acquired intangible assets subject to amortization		
Customer contracts and relationships	19,509	25
Dealer network	4,339	15
Technical know-how	3,056	6
Favorable lease agreements	1,027	5
	<u>27,931</u>	
The acquired intangible assets not subject to amortization		
Brands	9,439	—
	<u>37,370</u>	

Since the evaluation of the fair values of the assets and liabilities was completed during the year ended March 31, 2011, the Company retrospectively adjusted the provisional amounts as of the acquisition date. As a result, the amounts of other intangible assets and related deferred tax liability, which is included in other liabilities, increased by ¥37,370 million and ¥12,702 million, respectively, whereas goodwill decreased by ¥24,668 million in the consolidated balance sheet as of March 31, 2010.

The Company recognized a gain of ¥14,923 million as a result of remeasuring to fair value its 40% equity interest in Telcon held before the business combination. The gain is included in other deductions in the Company's consolidated statement of operations for the year ended March 31, 2010.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The fair value of both the equity interest held before the business combination and the noncontrolling interest in Telcon, a private entity, were estimated by applying the income approach. These fair value measurements are based on significant inputs that are not observable in the market and thus represent Level 3 measurements. Key inputs include business forecasts, market trends, assumptions of projected business plans and adjustments because of the lack of control that market participants would consider when estimating the fair value of the noncontrolling interest in Telcon.

The results of operations of Telcon for the period from the acquisition date to March 31, 2010 were not material.

On a pro forma basis, revenue, net loss and the per share information of the Company with assumed acquisition dates for Telcon of April 1, 2009 and 2008 would not differ materially from the amounts reported in the accompanying consolidated financial statements as of and for the years ended March 31, 2010 and 2009.

On January 14, 2009, the Company announced its decision to purchase additional shares of Hitachi Kokusai Electric Inc. (Hitachi Kokusai Electric), an equity method affiliate, through a tender offer to make Hitachi Kokusai Electric its subsidiary for the purpose of establishing a stable equity-based relationship and strengthening the cooperative relationship in the fields of communications and video, and broadcasting systems businesses. Hitachi Kokusai Electric's Board of Directors resolved to approve the tender offer at the meeting held on the same day. The price of the tender offer was ¥780 per share, which was determined by comprehensively taking into consideration the market price of Hitachi Kokusai Electric's common stock, Hitachi Kokusai Electric's financial condition, future earnings prospects and a valuation of Hitachi Kokusai Electric stock conducted by a third party appraiser. The price included a premium of approximately 77% over the average share price of Hitachi Kokusai Electric's common stock traded on the First Section of the Tokyo Stock Exchange for the three month period ended January 13, 2009. As a result, the Company purchased 13,406,000 shares, the upper limit for the number of shares in the tender offer, for ¥10,456 million in the period from January 26, 2009 through March 11, 2009, resulting in the Company's ownership increasing from 38.8% to 51.6%. Accordingly, the Company obtained control over Hitachi Kokusai Electric and it became a consolidated subsidiary of the Company. Therefore, the Company has consolidated Hitachi Kokusai Electric as of March 31, 2009 in the consolidated balance sheet. The results of operations of Hitachi Kokusai Electric for the period from the acquisition date to March 31, 2009 were not material.

Accordingly, the results of operations of Hitachi Kokusai Electric have been consolidated since the year beginning April 1, 2009.

As a result of the purchase price allocation, the Company did not recognize any goodwill.

On a pro forma basis, revenue, net loss and the per share information of the Company with assumed acquisition date for Hitachi Kokusai Electric of April 1, 2008 would not differ materially from the amounts reported in the accompanying consolidated financial statements as of and for the year ended March 31, 2009.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

On January 14, 2009, the Company also announced its decision to purchase additional shares of Hitachi Koki Co., Ltd. (Hitachi Koki), an equity method affiliate, through a tender offer to make Hitachi Koki its subsidiary for the purpose of establishing a stable equity-based relationship and strengthening the cooperative relationship in business expansion on a global scale and research and development into lithium-ion battery-operated products. Hitachi Koki's Board of Directors resolved to approve the tender offer at the meeting held on the same day. The price of the tender offer was ¥1,300 per share, which was determined by comprehensively taking into consideration the market price of Hitachi Koki's common stock, Hitachi Koki's financial condition, future earnings prospects and a valuation of Hitachi Koki stock conducted by a third party appraiser. The price included a premium of approximately 77% over the average share price of Hitachi Koki's common stock traded on the First Section of the Tokyo Stock Exchange for the three month period ended January 13, 2009. As a result, the Company purchased 12,473,000 shares, the upper limit for the number of shares in the tender offer, for ¥16,214 million in the period from January 26, 2009 through March 9, 2009, resulting in the Company's ownership increasing from 38.9% to 51.2%. Accordingly, the Company obtained control over Hitachi Koki and it became a consolidated subsidiary of the Company. Therefore, the Company has consolidated Hitachi Koki as of March 31, 2009 in the consolidated balance sheet. The results of operations of Hitachi Koki for the period from the acquisition date to March 31, 2009 were not material. Accordingly, the results of operations of Hitachi Koki have been consolidated since the year beginning April 1, 2009.

As a result of the purchase price allocation, the Company did not recognize any goodwill.

On a pro forma basis, revenue, net loss and the per share information of the Company with assumed acquisition date for Hitachi Koki of April 1, 2008 would not differ materially from the amounts reported in the accompanying consolidated financial statements as of and for the year ended March 31, 2009.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(30) Segment Information

Business Segments

The operating segments of the Company are the components for which separate financial information is available and for which segment profit or loss amounts are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has aggregated certain operating segments into reportable segments for reporting purpose, since such aggregation helps financial statement users better understand the Company's performance.

The reportable segments correspond to categories of activities classified primarily by markets, products and services.

The Company discloses its business in eleven reportable segments: Information & Telecommunication Systems, Power Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Components & Devices, Digital Media & Consumer Products, Financial Services, and Others.

The primary products and services included in each segment are as follows:

Information & Telecommunication Systems:

Systems integration, Outsourcing services, Software, Disk array subsystems, Servers, Mainframes, Telecommunication equipment and ATMs

Power Systems:

Thermal power generation systems, Nuclear power generation systems, Hydroelectric power generation systems and Wind power generation systems

Social Infrastructure & Industrial Systems:

Industrial machinery and plants, Elevators, Escalators and Railway vehicles and systems

Electronic Systems & Equipment:

Semiconductor and LCDs manufacturing equipment, Test and measurement equipment, Medical electronics equipment, Power tools and Electronic parts manufacturing system

Construction Machinery:

Hydraulic excavators, Wheel loaders and Mining dump trucks

High Functional Materials & Components:

Wires and cables, Copper products, Semiconductor and display related materials, Circuit boards and materials, Specialty steels, Magnetic materials and components and High grade casting components and materials

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Automotive Systems:

Engine management systems, Electric powertrain systems, Drive control systems and Car information systems

Components & Devices:

Hard disk drives, LCDs, Information storage media and Batteries

Digital Media & Consumer Products:

Optical disk drives, Flat-panel TVs, LCD projectors, Room air conditioners, Refrigerators, Washing machines and Air-conditioning equipment

Financial Services:

Leasing and Loan guarantees

Others:

Logistics, Property management and others

The following tables show business segment information for the years ended March 31, 2011, 2010 and 2009, and as of March 31, 2011, 2010 and 2009.

Revenues from Outside Customers

	Yen (millions)		
	2011	2010	2009
Information & Telecommunication Systems	1,475,588	1,522,457	1,730,818
Power Systems	737,560	805,007	777,833
Social Infrastructure & Industrial Systems	932,299	1,044,208	1,077,548
Electronic Systems & Equipment	942,305	868,449	830,080
Construction Machinery	746,166	578,129	717,251
High Functional Materials & Components	1,329,234	1,176,292	1,467,934
Automotive Systems	733,910	633,399	667,094
Components & Devices	743,980	690,062	904,944
Digital Media & Consumer Products	882,834	863,091	1,006,017
Financial Services	325,341	327,072	324,540
Others	465,871	457,315	491,642
Subtotal	9,315,088	8,965,481	9,995,701
Corporate items	719	3,065	4,668
Total	<u>9,315,807</u>	<u>8,968,546</u>	<u>10,000,369</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Revenues from Intersegment Transactions

	Yen (millions)		
	2011	2010	2009
Information & Telecommunication Systems	176,452	183,130	214,533
Power Systems	75,647	77,128	84,556
Social Infrastructure & Industrial Systems	224,637	206,017	256,698
Electronic Systems & Equipment	137,050	130,183	153,741
Construction Machinery	5,221	5,507	7,438
High Functional Materials & Components	78,919	73,035	93,111
Automotive Systems	3,991	5,429	14,656
Components & Devices	65,872	64,827	73,353
Digital Media & Consumer Products	68,762	66,167	97,843
Financial Services	47,640	92,578	76,777
Others	301,592	306,350	339,192
Subtotal	1,185,783	1,210,351	1,411,898
Eliminations and Corporate items	(1,185,783)	(1,210,351)	(1,411,898)
Total	—	—	—

Total Revenues

	Yen (millions)		
	2011	2010	2009
Information & Telecommunication Systems	1,652,040	1,705,587	1,945,351
Power Systems	813,207	882,135	862,389
Social Infrastructure & Industrial Systems	1,156,936	1,250,225	1,334,246
Electronic Systems & Equipment	1,079,355	998,632	983,821
Construction Machinery	751,387	583,636	724,689
High Functional Materials & Components	1,408,153	1,249,327	1,561,045
Automotive Systems	737,901	638,828	681,750
Components & Devices	809,852	754,889	978,297
Digital Media & Consumer Products	951,596	929,258	1,103,860
Financial Services	372,981	419,650	401,317
Others	767,463	763,665	830,834
Subtotal	10,500,871	10,175,832	11,407,599
Eliminations and Corporate items	(1,185,064)	(1,207,286)	(1,407,230)
Total	9,315,807	8,968,546	10,000,369

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Segment Profit (Loss)

	Yen (millions)		
	2011	2010	2009
Information & Telecommunication Systems	98,641	94,592	138,452
Power Systems	22,022	22,075	3,485
Social Infrastructure & Industrial Systems	39,952	42,086	34,406
Electronic Systems & Equipment	37,284	(5,218)	25,755
Construction Machinery	49,192	17,649	51,337
High Functional Materials & Components	84,506	44,412	25,257
Automotive Systems	23,791	(5,486)	(60,507)
Components & Devices	43,652	1,149	5,799
Digital Media & Consumer Products	14,949	(7,206)	(110,548)
Financial Services	14,255	8,518	6,660
Others	28,930	19,423	24,515
Subtotal	457,174	231,994	144,611
Eliminations and Corporate items	(12,666)	(29,835)	(17,465)
Total Segment profit	444,508	202,159	127,146
Impairment losses for long-lived assets	(35,170)	(25,196)	(128,400)
Restructuring charges	(5,757)	(25,154)	(22,927)
Interest income	13,267	12,017	19,177
Dividends income	4,240	5,799	8,544
Gains on sales of stock by subsidiaries or affiliated companies	—	183	360
Other income	69,730	186	5,203
Interest charges	(24,878)	(26,252)	(33,809)
Other deductions	(13,597)	(21,976)	(102,960)
Equity in net loss of affiliated companies	(20,142)	(58,186)	(162,205)
Income (loss) before income taxes	<u>432,201</u>	<u>63,580</u>	<u>(289,871)</u>

Intersegment transactions are recorded at the same prices used in transactions with third parties. Corporate items include unallocated corporate expenses, such as leading edge R&D expenditures, and others.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Total Assets

	Yen (millions)		
	2011	2010	2009
Information & Telecommunication Systems	1,289,099	1,261,016	1,468,481
Power Systems	919,676	1,067,072	1,026,637
Social Infrastructure & Industrial Systems	1,033,110	971,743	1,098,712
Electronic Systems & Equipment	867,741	820,700	829,126
Construction Machinery	1,000,793	927,482	840,693
High Functional Materials & Components	1,267,001	1,264,372	1,232,271
Automotive Systems	451,382	459,183	450,966
Components & Devices	592,992	585,999	640,824
Digital Media & Consumer Products	434,397	521,591	570,935
Financial Services	1,937,643	1,789,409	1,914,863
Others	1,344,356	1,374,882	1,612,556
Subtotal	11,138,190	11,043,449	11,686,064
Eliminations and Corporate assets	(1,952,561)	(2,078,985)	(2,282,355)
Total	<u>9,185,629</u>	<u>8,964,464</u>	<u>9,403,709</u>

Corporate assets consist of cash and cash equivalents and investments and advances.

Depreciation & Amortization

	Yen (millions)		
	2011	2010	2009
Information & Telecommunication Systems	76,082	80,589	113,780
Power Systems	20,239	24,386	23,032
Social Infrastructure & Industrial Systems	27,941	32,383	31,806
Electronic Systems & Equipment	19,154	21,598	15,827
Construction Machinery	42,606	41,807	38,534
High Functional Materials & Components	75,371	85,092	88,280
Automotive Systems	32,768	41,137	43,853
Components & Devices	55,984	65,730	85,760
Digital Media & Consumer Products	27,149	34,567	45,632
Financial Services	75,076	81,049	118,642
Others	37,590	42,954	45,012
Subtotal	489,960	551,292	650,158
Eliminations and Corporate items	7,809	6,470	6,765
Total	<u>497,769</u>	<u>557,762</u>	<u>656,923</u>

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Impairment Losses for Long-Lived Assets

	Yen (millions)		
	2011	2010	2009
Information & Telecommunication Systems	473	353	15,752
Power Systems	—	136	82
Social Infrastructure & Industrial Systems	767	715	3,609
Electronic Systems & Equipment	4,605	624	961
Construction Machinery	3	119	—
High Functional Materials & Components	10,956	2,117	12,888
Automotive Systems	191	175	29,240
Components & Devices	16,561	18,611	12,022
Digital Media & Consumer Products	951	845	51,695
Financial Services	368	—	1,499
Others	295	1,501	652
Subtotal	35,170	25,196	128,400
Eliminations and Corporate items	—	—	—
Total	<u>35,170</u>	<u>25,196</u>	<u>128,400</u>

Capital Investment for Long-Lived Assets

	Yen (millions)		
	2011	2010	2009
Information & Telecommunication Systems	79,907	65,976	91,665
Power Systems	12,163	34,704	31,155
Social Infrastructure & Industrial Systems	24,729	32,005	46,716
Electronic Systems & Equipment	20,874	15,728	17,894
Construction Machinery	40,689	73,874	76,651
High Functional Materials & Components	66,795	55,038	112,595
Automotive Systems	21,612	19,261	47,442
Components & Devices	60,150	41,240	63,582
Digital Media & Consumer Products	19,487	20,399	31,446
Financial Services	330,292	351,298	422,805
Others	43,952	34,768	46,027
Subtotal	720,650	744,291	987,978
Eliminations and Corporate items	(20,621)	(20,380)	(23,557)
Total	<u>700,029</u>	<u>723,911</u>	<u>964,421</u>

Capital investment represents the additions to property, plant and equipment and other intangible assets including tangible assets and software to be leased on an accrual basis.

**HITACHI, LTD.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Geographic Information

Revenues

The following table shows revenues which are attributed to geographic areas based on the location of the customers for the years ended March 31, 2011, 2010 and 2009.

	Yen (millions)		
	2011	2010	2009
Japan	5,269,259	5,313,790	5,861,448
Outside Japan			
Asia	2,073,756	1,699,071	1,911,290
North America	781,139	729,698	899,550
Europe	760,011	824,697	904,425
Other Areas	431,642	401,290	423,656
Subtotal	4,046,548	3,654,756	4,138,921
Total	9,315,807	8,968,546	10,000,369

Other than in Japan and China mainland, the Company does not conduct business in any individual country and region in which its revenues in that country exceed 10% of the consolidated total revenues. Revenues in China mainland for the years ended March 31, 2011, 2010 and 2009 were ¥1,188,555 million, ¥991,653 million and ¥1,078,582 million, respectively.

Table of Contents

Long-lived Assets including Goodwill

The following table shows long-lived assets such as property, plant and equipment and intangible assets including goodwill for each geographic area as of March 31, 2011, 2010 and 2009.

	Yen (millions)		
	2011	2010	2009
Japan	1,979,405	2,088,846	2,271,389
Asia	341,884	343,493	267,628
North America	158,684	157,113	163,630
Europe	112,350	111,105	107,478
Other Areas	16,651	15,717	12,280
Subtotal	2,608,974	2,716,274	2,822,405
Eliminations and Corporate items	30,314	21,580	26,636
Total	<u>2,639,288</u>	<u>2,737,854</u>	<u>2,849,041</u>

Other than in Japan, the Company does not conduct business in any individual country and region in which its long-lived assets in that country exceed 10% of the consolidated balance of long-lived assets.

There are no revenues to a single major outside customer for the years ended March 31, 2011, 2010 and 2009.

**HITACHI, LTD.
AND SUBSIDIARIES**

Valuation and Qualifying Accounts

Years ended March 31, 2011, 2010 and 2009

(In millions of yen)

	Balance at beginning of period	Charged to income	Bad debts written off	Balance at end of period
Year ended March 31, 2011				
Allowance for doubtful receivables	43,923	998	(7,881)	37,040
Year ended March 31, 2010				
Allowance for doubtful receivables	46,916	8,791	(11,784)	43,923
Year ended March 31, 2009				
Allowance for doubtful receivables	40,903	10,900	(4,887)	46,916

Note:

The Company has amended the activity columns of Schedule II to correct an immaterial classification error from the prior year. The amounts in the “Charged to income” and “Bad debts written off” columns for the year ended March 31, 2010 have been increased by ¥8,676 million. This amendment did not impact the beginning or ending allowance for doubtful receivables balance and did not impact the amounts recorded in the consolidated financial statements of the Company.

Table of Contents

RENESAS TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2010 and 2009

	Yen (millions)	
	2010	2009
<u>Assets</u>		
Current assets:		
Cash and deposits in banks (Notes 4 and 6)	53,867	56,597
Notes and accounts receivable (Note 6)	121,833	112,426
Short-term investments (Notes 4 and 7)	57,000	50,000
Merchandise and finished goods	31,478	51,010
Work-in-process	41,531	45,441
Raw materials and supplies	7,109	8,858
Deferred tax assets (Note 13)	1,610	1,612
Other (Note 8)	15,113	24,650
Allowance for doubtful receivables	(248)	(291)
Total current assets	<u>329,293</u>	<u>350,303</u>
Non-current assets:		
Property, plant and equipment (Notes 9, 10 and 11):		
Land	8,915	9,204
Building and structures	172,833	174,202
Machinery, equipment and vehicles	1,079,850	1,112,028
Furniture and fixtures	144,779	150,561
Leased assets	12,546	4,527
Construction in progress	7,264	17,683
	<u>1,426,187</u>	<u>1,468,205</u>
Less accumulated depreciation	<u>(1,212,587)</u>	<u>(1,219,151)</u>
Net property, plant and equipment	<u>213,600</u>	<u>249,054</u>
Investments and other assets:		
Investment securities (Notes 6 and 7)	10,852	6,192
Goodwill	662	1,130
Intangible assets	41,237	58,645
Long-term loan receivable	151	185
Deferred tax assets (Note 13)	1,399	2,503
Other (Note 15)	13,755	14,949
Allowance for doubtful receivables	(22)	(24)
Total investments and other assets	<u>68,034</u>	<u>83,580</u>
Total non-current assets	<u>281,634</u>	<u>332,634</u>
Total assets	<u><u>610,927</u></u>	<u><u>682,937</u></u>

See accompanying notes to consolidated financial statements.

RENESAS TECHNOLOGY CORP.
AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2010 and 2009
(continued)

	Yen (millions)	
	2010	2009
Liabilities and Equity		
Current liabilities:		
Short-term borrowings (Notes 6 and 14)	113,685	124,999
Current portion of long-term borrowings (Notes 6 and 14)	50,479	53,909
Notes and accounts payable (Note 6):		
Trade	105,123	93,163
Other (Notes 14 and 15)	32,584	37,780
Accrued expenses	28,469	35,304
Income tax payable (Note 6)	2,427	186
Provision for product warranties	37	48
Provision for loss on order received	1,821	4,841
Provision for loss on business liquidation	—	3,920
Provision for legal settlement	2,214	—
Provision for loss on guarantee	533	—
Other current liabilities (Notes 6, 8 13 and 14)	2,866	4,061
Total current liabilities	340,238	358,211
Non-current liabilities:		
Long-term borrowings (Notes 6 and 14)	52,229	100,580
Deferred tax liabilities (Note 13)	3,693	2,702
Retirement and severance benefits (Note 15)	27,286	27,152
Accrued retirement benefits for directors	488	662
Non-current portion of provision for loss on business liquidation	1,374	2,041
Other non-current liabilities (Notes 6, 8, 14 and 15)	18,818	14,701
Total non-current liabilities	103,888	147,838
Total liabilities	444,126	506,049
Equity (Note 20):		
Stockholders' equity (Note 16):		
Common stock	112,850	77,000
7,163,000 shares issued in 2010		
5,540,000 shares issued in 2009		
Capital surplus	306,353	270,503
Retained deficit	(248,776)	(167,432)
Total stockholders' equity	170,427	180,071
Valuation and translation adjustments		
Unrealized gain on available-for-sale securities	557	28
Foreign currency translation adjustments	(6,212)	(5,601)
Total valuation and translation adjustments	(5,655)	(5,573)
Noncontrolling interests	2,029	2,390
Total equity	166,801	176,888
Commitments and contingencies (Note 21)		
Total liabilities and equity	610,927	682,937

See accompanying notes to consolidated financial statements.

**RENESAS TECHNOLOGY CORP.
AND SUBSIDIARIES**

Consolidated Statements of Operations

Years ended March 31, 2010, 2009 and 2008

	Yen (millions)		
	2010	2009	2008 (Unaudited)
Net sales	599,790	702,739	950,519
Cost of sales (Notes 5 and 18)	(555,830)	(664,153)	(753,067)
Gross profit	43,960	38,586	197,452
Selling, general and administrative expenses (Notes 17 and 18)	(107,976)	(135,159)	(153,972)
Operating income (loss)	(64,016)	(96,573)	43,480
Other income (expenses)			
Interest income	280	898	2,274
Interest expense	(3,838)	(3,414)	(3,027)
Dividend income	74	140	194
Gain on disposal of scrap	341	644	590
Losses on disposal of inventories	—	—	(2,728)
Losses on write-down of obsolete inventories	—	—	(4,758)
Equity in earnings (losses) of affiliates	(1,753)	40	336
Foreign currency exchange loss	(402)	(1,384)	(9,824)
Losses on retirement of non-current assets	(1,658)	(3,830)	(2,954)
Gain on sales of non-current assets	—	3,105	3,563
Gain on liquidation of subsidiaries and affiliates	6	402	—
Loss on liquidation of subsidiaries and affiliates	(140)	—	—
Business structure improvement expenses (Note 19)	(202)	(16,872)	(4,208)
Losses on sales of subsidiary's stock	—	(8,437)	—
Impairment losses for long-lived assets (Note 9)	(4,551)	(9,627)	(2,864)
Gain on sales of investment securities	—	—	479
Unrealized gain on derivatives	442	—	—
Losses on valuation of investment securities	—	(1,572)	—
Loss on transfer to defined contribution pension plan (Note 15)	(393)	(343)	—
Compensation income	182	932	770
Insurance income	96	688	4,507
Gain on one-time amortization of negative goodwill (Note 22)	3,478	—	—
Loss on disposition of subsidiary (Note 22)	(1,757)	—	—
Gain on reversal of provision for legal settlement	—	—	2,114
Provision for legal settlement	(3,445)	—	—
Other, net	(722)	(1,453)	226
Income (loss) before income taxes	(77,978)	(136,656)	28,170
Benefit (provision) for income taxes (Note 13)			
Current	(2,415)	575	(5,961)
Deferred	(1,134)	(68,494)	(12,718)
Total income taxes	(3,549)	(67,919)	(18,679)
Net income (loss)	(81,527)	(204,575)	9,491
Net loss (income) attributable to noncontrolling interests	183	1,318	(23)
Net income (loss) attributable to Renesas Technology	(81,344)	(203,257)	9,468
	Yen		
Net income (loss) per share attributable to Renesas Technology (Note 20):			
Basic	(13,962.13)	(40,627.31)	1,893.64

See accompanying notes to consolidated financial statements.

**RENESAS TECHNOLOGY CORP.
AND SUBSIDIARIES**

Consolidated Statements of Change in Equity

**For the years ended March 31, 2010 and 2009
and the year ended March 31, 2008 (unaudited)**

	Yen (millions)								
	Stockholders' equity				Valuation and translation adjustments				
	Common Stock	Capital surplus	Retained earnings (Retained deficit)	Total stockholders' equity	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total valuation and translation adjustments	Non-controlling interests	Total equity
Balance at March 31, 2007	50,000	243,503	28,705	322,208	1,027	5,442	6,469	1,846	330,523
Net income attributable to Renesas Technology			9,468	9,468					9,468
Other			(40)	(40)					(40)
Net changes in items other than stockholders' equity					(926)	(4,060)	(4,986)	693	(4,293)
Balance at March 31, 2008	50,000	243,503	38,133	331,636	101	1,382	1,483	2,539	335,658
Issuance of new shares (Note 16)	27,000	27,000		54,000					54,000
Net loss attributable to Renesas Technology			(203,257)	(203,257)					(203,257)
Decrease in retained earnings resulting from disposition of subsidiaries			(180)	(180)					(180)
Decrease in retained earnings resulting from change of accounting standards at foreign subsidiaries			(2,128)	(2,128)					(2,128)
Net changes in items other than stockholders' equity					(73)	(6,983)	(7,056)	(149)	(7,205)
Balance at March 31, 2009	77,000	270,503	(167,432)	180,071	28	(5,601)	(5,573)	2,390	176,888
Issuance of new shares (Note 16)	35,850	35,850		71,700					71,700
Net loss attributable to Renesas Technology			(81,344)	(81,344)					(81,344)
Net changes in items other than stockholders' equity					529	(611)	(82)	(361)	(443)
Balance at March 31, 2010	112,850	306,353	(248,776)	170,427	557	(6,212)	(5,655)	2,029	166,801

See accompanying notes to consolidated financial statements.

Table of Contents

RENESAS TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended March 31, 2010, 2009 and 2008

	Yen (millions)		
	2010	2009	2008
			(Unaudited)
Cash flows from operating activities:			
Income (loss) before income taxes	(77,978)	(136,656)	28,170
Adjustments to reconcile income (loss) before income taxes to net cash provided by (used in) operating activities:			
Depreciation	82,077	86,620	72,689
Impairment losses for long-lived assets	4,551	9,627	2,864
Amortization of goodwill	447	464	547
One-time amortization of negative goodwill	(3,478)	—	—
Increase (decrease) in allowance for doubtful receivables	29	(214)	(460)
Increase (decrease) in retirement and severance benefits	809	(6,949)	(1,767)
Increase (decrease) in provision for loss on business liquidation	(4,587)	5,961	—
Interest and dividends income	(354)	(1,078)	(2,520)
Interest expense	3,838	3,414	3,027
Equity in losses (earnings) of affiliates	1,753	(40)	(336)
Loss on changes in interest in subsidiaries	1,757	—	—
Gain on sales of non-current assets	(306)	(3,308)	(3,901)
Loss on retirement of non-current assets	1,658	3,830	2,954
Loss on valuation of investment securities	17	1,654	27
Loss on sales of subsidiary's stock	—	8,437	—
Decrease (increase) in notes and accounts receivable -trade	(17,364)	61,164	(3,004)
Decrease in inventories	22,765	19,058	1,071
Increase (decrease) in notes and accounts payable -trade	21,563	(58,219)	(7,837)
Other	(16,921)	(5,241)	2,721
Subtotal	20,276	(11,476)	94,245
Interest and dividends income received	426	1,277	2,813
Interest expense paid	(4,067)	(3,276)	(2,990)
Refund of legal deposits	—	11,707	—
Income tax refunded (paid)	1,656	(4,536)	(8,579)
Net cash provided (used in) by operating activities	18,291	(6,304)	85,489
Cash flows from investing activities:			
Purchase of property, plant and equipment	(30,944)	(85,916)	(91,382)
Proceeds from sales of property, plant and equipment	1,167	12,874	754
Purchase of intangible assets	(4,416)	(13,169)	(27,835)
Proceeds from sales of intangible assets	25	—	—
Purchase of additional shares in subsidiaries	—	(121)	—
Disbursement from sale of investments in subsidiaries resulting in change in scope of consolidation (Note 4)	(224)	(2,991)	—
Other	(197)	134	(1,635)
Net cash used in investing activities	(34,589)	(89,189)	(120,098)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	(10,028)	48,115	(759)
Proceeds from long-term borrowings	1,396	17,453	19,400
Payments on long-term borrowings	(53,074)	(6,198)	(14,089)
Repayments of installment payables	(19)	(419)	(3,296)
Payments on finance lease obligations	(6,582)	(69)	—
Proceeds from sale-lease back transactions	17,139	18,589	16,743
Proceeds from issuance of common stock	71,700	54,000	—
Proceeds from stock issuance to noncontrolling stockholders	—	1,250	1,000
Cash dividends paid to noncontrolling stockholders	(136)	—	(250)
Other	—	0	(22)
Net cash provided by financing activities	20,396	132,721	18,727
Effect of exchange rate changes on cash and cash equivalents	(238)	(2,814)	(3,487)
Net increase (decrease) in cash and cash equivalents	3,860	34,414	(19,369)
Cash and cash equivalents at beginning of year	105,916	71,502	90,871
Decrease in cash and cash equivalents due to deconsolidation of subsidiary	(171)	—	—
Cash and cash equivalents at end of year (Note 4)	109,605	105,916	71,502

See accompanying notes to consolidated financial statements.

**RENESAS TECHNOLOGY CORP.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

**For the years ended March 31, 2010 and 2009
and the year ended March 31, 2008 (unaudited)**

1. Basis of presentation and summary of significant accounting policies

(a) Basis of presentation

The accompanying consolidated financial statements of RENESAS TECHNOLOGY CORP. (“the Company”) and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of accounting principles generally accepted in the United States of America (“US GAAP”), and are compiled from the consolidated financial statements (the “MOF” report) prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. See Note 25 for the reconciliation to US GAAP.

The Company and its domestic subsidiaries maintain their books of account in conformity with the accounting principles generally accepted in Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile. The consolidated financial statements presented herein have been prepared in a manner that reflects the adjustments which are necessary to conform with accounting principles generally accepted in Japan.

In addition, for the convenience of readers outside Japan, the consolidated financial statements, including the notes to the consolidated financial statements, include certain reclassifications and additional information which are not required under accounting principles generally accepted in Japan.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and those of its wholly-owned and majority-owned subsidiaries, whether directly or indirectly controlled. All significant intercompany accounts and transactions have been eliminated.

Investments in affiliates are stated at their underlying equity value, and the appropriate portion of the earnings of such companies is included in Equity in earnings (losses) of affiliates in the Consolidated Statements of Operations.

The cost in excess of net assets or excess of net assets over cost, based on the fair value, acquired by the Company is amortized on a straight-line basis over a reasonable period within 20 years, depending on circumstances.

(c) Use of estimates

The preparation of financial statements requires management of the Company to make estimates and assumptions that affect the amount of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(d) Cash and cash equivalents

For the purpose of the Consolidated Statements of Cash Flows, the cash and cash equivalents line item consists of cash on hand, demand deposits with banks on demand, and short-term investments which are readily convertible to cash and subject to an insignificant risk of any change in their value, and which were purchased with an original maturity of three months or less (Note 4).

(e) Allowance for doubtful receivables

A general provision for doubtful receivables is provided by applying a certain reserve percentage of the receivables based on experience from past transactions. A specific reserve is provided for the estimated amounts to be uncollectible based on the customers’ financial condition or other pertinent factors.

Table of Contents

(f) *Inventories*

Inventories held by the Company are stated at lower of cost or market, which is mainly determined by the gross average method with necessary write down based on the decrease in their profitability for the years ended March 31, 2010 and 2009. Until the year ended March 31, 2008, the Company generally stated the inventories at cost which was mainly determined by the gross average method, and recognized the write-down of inventories for excess, slow-moving and obsolete items. This change was due to application of the “Accounting Standard for Measurement of Inventories” described in Note 2 (c).

(g) *Investment securities*

Available-for-sale securities are stated as follows:

(a) Available-for-sale securities with market value

In accordance with the Japanese Accounting Standards for Financial Instruments, available-for-sale securities for which market quotations are available are stated at market value at the balance sheet date. Net unrealized gains or losses on these securities are reported as a separate item in equity at an amount net of applicable income taxes. The cost of sales of such securities is determined mainly by the moving-average method.

(b) Available-for-sale securities without market value

Available-for-sale securities for which market quotations are not available are mainly stated at moving-average cost.

All investment securities above are subject to write down whenever the fair value at the end of the year has declined by more than 50% of the acquisition cost. Investment values that declined at a rate of less than 50 % are assessed and written down when it is determined that the amount is not recoverable.

(h) *Derivative financial instruments*

Derivative financial instruments are stated at fair value.

(i) *Property, plant and equipment*

Property, plant and equipment are stated at acquisition cost. Depreciation is computed by the straight-line method. Estimated useful lives of assets are principally as follows:

Building and structures:	7 to 60 years
Machinery, equipment and vehicles:	4 to 17 years
Furniture and fixtures:	2 to 15 years

(j) *Intangible assets*

The amortization of intangible assets other than software is computed on a straight-line basis over their remaining useful lives.

Cost incurred for software for internal use is capitalized and amortized on a straight-line basis over the estimated useful life of five years.

The amortization costs of software for external sales are computed as the higher of: (a) the amount based on sales in the year, as a proportion of total estimated sales, or (b) the amount computed on a straight-line basis over the remaining sales period not exceeding three years, in which the software can be sold by the Company.

Table of Contents

(k) Leases

The depreciation of leased assets is accounted for using the straight-line method over the lease term. It is assumed that the residual value of the relevant asset is nil at the end of the lease term. Any finance lease transactions executed prior to the beginning of the year ended March 31, 2009, the first year of application of “Accounting Standard for Lease Transactions” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 13), where ownership of the leased asset is not transferred to the lessee are accounted for as operating lease transactions.

(l) Impairment of long-lived assets

Accounting Standards for Impairment of Long-lived Assets require that Long-lived Assets be reviewed for impairment whenever events or changes in circumstances indicate that the book value of an asset or asset group may not be recoverable. The impairment losses are recognized when the book value of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continuing use and eventual disposition of the asset or asset group. The impairment losses are measured as the amount by which the book value of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continuing use and eventual disposition of the asset or the net selling price.

Restoration of previously recognized impairment losses is prohibited. Cumulative impairment losses are deducted directly from the respective asset amounts based on the revised regulation on the consolidated financial statements.

(m) Provision for product warranties

The provision for product warranty expenses is estimated and recorded at the time of sales to provide for future potential costs, such as costs related to after-sales services, at amounts considered to be appropriate based on the Company’s past experience.

(n) Provision for loss on order received

The provision for loss on order received is estimated and recorded as of the end of the year to provide for the future estimated loss which is probable to occur in connection with development order.

(o) Provision for loss on business liquidation

The provision for loss on business liquidation is estimated and recorded to provide for the future estimated loss in connection with business restructuring and liquidation.

(p) Provision for legal settlement

The provision for legal settlement is estimated and recorded to provide for the future estimated loss in connection with legal settlement.

(q) Provision for loss on guarantees

The provision for loss on guarantees is estimated and recorded to provide for the future estimated loss relating to the financial condition of guarantees.

Table of Contents

(r) ***Retirement and severance benefits***

Allowance for retirement and severance benefits for employees is provided based on the estimated retirement benefit obligation and the fair value of plan assets.

The net retirement benefit obligation at transition is being amortized principally over a ten-year period.

Prior service cost is amortized commencing the year in which cost is recognized by the straight-line method, principally for the average remaining years of service of the eligible employees. Actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method, principally for the average remaining years of service of the eligible employees.

(Additional information)

In connection with the enforcement of the Defined Contribution Pension Law, some domestic subsidiaries made a transition to a defined contribution pension plan for a portion of their termination allowance plan in October 2009 and October 2008, and applied “Accounting for Transfer between Retirement Benefit Plans” (ASBJ Implementation Guidance No. 1). The effects in connection with this transition are recorded as other expenses of ¥393 million and ¥343 million for the years ended March 31, 2010 and 2009, respectively.

(s) ***Accrued retirement benefits for directors***

In order to provide for the payment of retirement benefits to directors and statutory auditors, an allowance is recorded for the estimated payment required at the end of the year in accordance with internal rules.

(t) ***Revenue recognition***

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured.

(u) ***Research and development costs***

Research and development costs are expensed when incurred.

(v) ***Foreign currency translations***

Foreign currency transactions are translated into Yen on the basis of the exchange rates in effect at the transaction date. At the end of the year, monetary assets and liabilities denominated in foreign currencies are translated into Yen at the exchange rates in effect at the balance sheet date. Gains or losses resulting from the translation of foreign currencies, including gains and losses on settlement, are credited or charged to earnings as incurred. The financial statements of the foreign subsidiaries are translated into the reporting currency of Yen. All assets and liabilities of such subsidiaries are translated at the exchange rates in effect at the balance sheet date. Stockholders' equity accounts are translated at historical rates. Income and expenses are translated at an average of the exchange rates in effect during the year. Foreign currency translation adjustments resulting from the translation of assets, liabilities and stockholders' equity are included in valuation and translation adjustments and noncontrolling interests as a separate component of equity.

(w) ***Income taxes***

Deferred income taxes are accounted for under the asset and liability method, and deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided for the amount that is not considered to be realizable.

(x) ***Consumption tax***

Consumption tax collected and remitted to taxing authorities is excluded from revenues, cost of sales and expenses in the Consolidated Statements of Operations.

Table of Contents

(y) ***Net income (loss) per share attributable to Renesas Technology***

Basic net income (loss) per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during each year.

(z) ***Reclassifications***

Certain reclassifications have been made in the prior year's consolidated financial statements to conform to the current year presentation.

2. Changes in significant accounting policies and disclosures

(a) ***Application of the "Accounting Standard for Retirement and severance benefits (Partial amendment No.3)"***

For the year ended March 31, 2010, the Company has applied the "Accounting Standard for Retirement and severance benefits (Partial amendment No.3)" (ASBJ Statement No.19 issued on July 31, 2008). This application did not affect the Company's operating loss and loss before income taxes.

(b) ***Application of the "Accounting Standard for Business Combination"***

For the year ended March 31, 2010, the Company has applied the "Accounting Standard for Business Combination" (ASBJ Statement No.21 issued on December 26, 2008), "Accounting Standard for Consolidate Financial Statement" (ASBJ Statement No.22 issued on December 26, 2008), "Accounting Standard for Research and Development Costs (Partial amendment)" (ASBJ Statement No.23 issued on December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on December 26, 2008), "Accounting Standard for Equity Method" (ASBJ Statement No.16 issued on December 26, 2008) and "Implementation Guidance on Accounting Standard for Business Combination and Business Divestitures" (ASBJ Implementation Guidance No.10 issued on December 26, 2008).

These standards can be early applied to business combination and business divestiture transactions during the fiscal year beginning on or after April 1, 2009.

(c) ***Application of the "Accounting Standard for Measurement of Inventories"***

For the year ended March 31, 2009, the Company has applied the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9 issued on July 5, 2006). The write down of inventories that are out of the ordinary course of business, which were historically included in other expenses, are now recorded within the cost of sales line items. Accordingly, the operating loss increased by ¥4,719 million compared with the amount that would have been reported if the previous method had been applied. This application does not impact loss before income taxes. The impact on segment information is described in Note 23.

(d) ***Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign subsidiaries for Consolidated Financial Statements"***

From the year ended March 31, 2009, the Company has applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No.18 issued on May 17, 2006), making the necessary adjustment to consolidated financial statements. The impact of this application on operating loss and loss before income taxes was immaterial.

(e) *Application of the “Accounting Standard for Lease Transactions”*

The finance lease transactions where ownership of the leased asset is not transferred to the lessee were historically accounted for as operating lease transactions. However, from the year ended March 31, 2009, such transactions are accounted for as ordinary sale and purchase transactions, in accordance with newly adopted “Accounting Standard for Lease Transactions” (ASBJ Statement No.13 issued on June 17, 1993 (Business Accounting Council Working Group No.1), as amended on March 30, 2007) and “Implementation Guidance on Accounting Standard for Lease Transactions” (ASBJ Implementation Guidance No. 16 issued on January 18, 1994 (Accounting System Committee of JICPA) and amended on March 30, 2007). However, finance lease transactions executed before April 1, 2008 where ownership of the leased asset is not transferred to the lessee, continue to be accounted for as operating lease transactions. The impact of this application on operating loss and loss before income taxes was immaterial.

(f) *Change in depreciation method for property, plant, and equipment*

The Company and its domestic subsidiaries previously accounted for buildings acquired on or after April 1, 1998 using the straight-line method, and property, plant and equipment besides those buildings using the declining balance method. Most foreign subsidiaries previously accounted for them using the straight-line method. From the year ended March 31, 2008, all property, plant, and equipment have been accounted for using the straight-line method.

The Group historically considered the memory business, the system solution and microcomputer businesses as its core operations. The memory business was characterized as requiring continued up-front high-risk investments. In contrast, the system solution and microcomputer businesses are characterized as having long and stable relationships with their customers and therefore a reduced level of up-front high-risk investment is required.

The Company’s production equipment, which is considered common and used in all business areas, had been depreciated using the declining balance method in view of the nature of the memory business. Specifically, the cost associated with the equipment needed to be recovered in a short period of time due to severe price and demand fluctuations in the market. In December 2005 management discontinued novel development of AND flash memory. For the year ended March 31, 2008, the Company has fully exited the existing memory products market.

The Group’s current business strategy is to specialize in the system solution and microcomputer businesses. Therefore, the Group has adopted the straight-line depreciation method which they believe better matches to its stable revenue and presents its business substance.

Table of Contents

3. Unaudited financial information

The accompanying consolidated statements of operations, change in equity and cash flows for the year ended March 31, 2008 are not audited by the independent auditor.

4. Supplemental cash flow information

(a) *Reconciliation of cash and cash equivalents*

A reconciliation between “cash and deposits in banks” in the consolidated balance sheets and “cash and cash equivalents” in the consolidated statements of cash flows as of March 31, 2010 and 2009 is as follows:

	Yen (Millions)	
	2010	2009
Cash and deposits in banks on the consolidated balance sheets	53,867	56,597
Time deposits with maturity of more than three months	(1,262)	(681)
Short-term investments with original maturity of three months or less	57,000	50,000
Cash and cash equivalents	<u>109,605</u>	<u>105,916</u>

(b) *Disbursement from sale of investments in consolidated subsidiaries resulting in change in scope of consolidation*

The following table shows the details of assets and liabilities of Renacentis IT Service Co, Ltd., which were excluded from consolidation as a result of sale of shares in the year ended March 31, 2010, and the relationship between selling price and net disbursement due to sales.

	Yen (Millions)
Current assets	1,032
Non-current assets	3
Current liabilities	(837)
Noncontrolling interests	(97)
Investment equity after selling	(40)
Selling price	61
Cash and cash equivalents	(285)
Net disbursement due to sales	<u>(224)</u>

Table of Contents

The following table shows the details of assets and liabilities of Renesas Semiconductor Europe (Landshut) GmbH, which were excluded from consolidation as a result of sale of shares in the year ended March 31, 2009, and the relationship between selling price and net disbursement due to sales.

	Yen (Millions)
Current assets	9,359
Non-current assets	2,751
Current liabilities	(1,634)
Non-current liabilities	(8)
Foreign currency translation adjustment	(181)
Loss on sales of subsidiaries and affiliates' stocks	(8,437)
Selling price	1,850
Other receivable	(539)
Cash and cash equivalents	(4,302)
Net disbursement due to sales	(2,991)

5. Inventories

The lower of cost or market adjustments, including inventory reserve adjustment, charged (credited) to cost of sales for the years ended March 31, 2010 and 2009 were ¥(1,260) million and ¥34,428 million, respectively.

6. Financial instruments

(a) Description of financial instruments

i) Policy on financial instruments

In principle, the Company has a policy for cash management and financing primarily to invest in short-term instruments such as deposits in banks and to borrow from financial institutions including banks. The Company enters into derivative transactions for the purposes of hedging the foreign exchange risk associated with trade receivables/payables and the interest rate risk associated with borrowings, and does not engage in such transactions for speculative purposes.

ii) Nature and risk of financial instruments

Notes and accounts receivable, which represent trade receivables, are exposed to counterparty credit risk. While foreign currency denominated trade receivables are exposed to the risk of foreign currency fluctuations; the Company manages to reduce the risk by using forward exchange contracts against, in principle, the net position after offsetting foreign currency denominated receivables with foreign currency denominated payables.

Investment securities mainly consist of marketable securities of the companies with which the Company's customers have a business relationship. As such marketable securities are exposed to market volatility risk, the Company keeps track of the fair value on a quarterly basis.

Notes and accounts payable, which represent trade payables, are mostly due within one year. Some of those transactions are settled in foreign currency, giving rise to foreign currency exposure which can be covered by the outstanding foreign currency denominated receivables.

With regard to borrowings and finance lease obligations, short-term borrowings are intended for operating capital whereas long-term borrowings and lease obligations are intended mainly for capital investments with a maximum maturity of nine years after March 31, 2010. Among them, the floating rate instruments are exposed to interest rate risk which is hedged through interest rate swap agreements on a contract-by-contract basis, thereby fixing the amount of interest payments.

The Company's derivative instruments include forward exchange contracts entered into for the purpose of reducing the exposure to fluctuations in foreign currency exchange rates associated with trade receivables/payables, and interest rate swap agreements entered into for the purpose of reducing the interest rate risk associated with borrowings.

Table of Contents

iii) Risk management of financial instruments

1. Credit risk management

In accordance with the Detailed Regulations on Customer's Credit Management, the sales department regularly monitors the trade receivables from major customers; whereby their collectibility and aging are managed on a customer-by-customer basis to detect and address concerns for collectibility caused by a deterioration in a customer's financial position or other factors in an early stage. The Company's consolidated subsidiaries have the same policy for credit risk management pursuant to the Company's Credit Management Regulations.

In executing and monitoring derivative transactions, the Company abides by the internal rules with provisions for authorization, and enters into derivative transactions only with highly-rated financial institutions to minimize credit risk.

2. Market risk management

In principle, the Company monitors and identifies the risk of foreign exchange fluctuations associated with foreign currency denominated trade receivables/payables on a monthly basis for each currency and uses forward exchange contracts to hedge the risk. In addition, interest rate swaps are used to hedge changes in interest rates on borrowings.

The Company continuously monitors the short-term investment and investment securities regarding the fair value or the financial position of their issuers (i.e. customers) on a regular basis, taking into account the relationships with the customers.

The Finance Department executes derivative transactions in compliance with the policy approved by the Managing Director while the Accounting Department records such transactions and performs the position reconciliation with counterparties. The monthly performance and results are reported to the Managing Director and the General Manager of the Finance & Accounting Control Division; and to the management committee, as needed.

The Company's consolidated subsidiaries have the same policy for market risk management.

3. Liquidity risk management in respect of fund raising

The Finance Department develops and updates the funding strategies in a timely manner as well as manages liquidity risks by maintaining short-term liquidity.

The Company's consolidated subsidiaries have the same policy for liquidity risk management.

iv) Supplemental information on Fair Value and Other Information Related to Financial Instruments

The contract amount and other amounts provided in the following section (b) "Fair Value and Other Information Related to Financial Instruments" do not represent the market risk associated with derivatives.

Table of Contents

(b) Fair value and other information related to financial instruments

The following table provides the carrying amount on the consolidated balance sheet, the fair value and the difference between them as of March 31, 2010. Note that the items whose fair value is deemed to be significantly difficult to determine are not presented in the following table.

	Yen (Millions)		
	Carrying Amount	Fair Value	Difference
(i) Cash and deposits in banks	53,867	53,867	—
(ii) Notes and accounts receivable	121,833	121,833	—
(iii) Short-term investments:			
Certificate of deposits	57,000	57,000	—
(iv) Investment securities:			
Available-for-sale securities	4,518	4,518	—
Total assets	237,218	237,218	—
(i) Notes and accounts payable:			
1. Trade	105,123	105,123	—
2. Other	32,584	32,584	—
(ii) Short-term borrowings	113,685	113,685	—
(iii) Current portion of long-term borrowings	50,479	50,479	—
(iv) Income tax payable	2,427	2,427	—
(v) Short-term lease obligations	4,532	4,782	250
(vi) Long-term borrowings	52,229	51,848	(381)
(vii) Long-term lease obligations	10,306	9,966	(340)
Total liabilities	371,365	370,894	(471)
Derivatives (*)	(1,103)	(1,103)	—

(*) Derivative assets/liabilities are reported net with those resulting in net liabilities in total presented in parentheses.

Notes:

- (1) Fair value measurement of financial instruments and information for investment securities and derivatives

Asset

- (i) Cash and deposits in banks, (ii) Notes and accounts receivable, (iii) Short-term investments: Certificate of deposits
These items are carried at cost taking into consideration that their fair value approximates the book value as they are short-term financial instruments.
- (iv) Investment securities: Available-for-sale securities
Quoted market prices are used to measure the fair value of investment securities. See “Note 7 Investment securities” for additional information on investment securities.

Table of Contents

Liability

- (i) Notes and accounts payable, (ii) Short-term borrowings, (iii) Current portion of long-term borrowings, (iv) Income tax payable

These items are carried at cost taking into consideration that their fair value approximates the book value as they are settled in a short-term period.

- (v) Short-term lease obligations, (vi) Long-term borrowings, (vii) Long-term lease obligations

The fair value of these items is estimated by discounting the aggregated amount of principal and interest at the interest rate that would be applied to additional loan or lease agreements as of March 31, 2010.

Derivative

See “Note 8 Derivatives instruments” for the relevant information.

- (2) Financial instruments whose fair value is deemed to be significantly difficult to determine

Classification	Yen (Millions)
Non-marketable securities	788

The above non-marketable securities are not quoted and are likely to require excessive costs to estimate their future cash flows. Therefore, they can be deemed as financial instruments whose fair value is significantly difficult to determine, and are excluded from (iv) Investment securities: Available-for-sale securities.

- (3) Expected redeemable amount after the reporting date for monetary claims and securities with maturity

	Yen (Millions)			
	2010			
	Within 1 year	Over 1 year through 5 years	Over 5 years through 10 years	More than 10 years
Cash and deposits in bank	53,867	—	—	—
Notes and accounts receivable	121,833	—	—	—
Short-term investments	57,000	—	—	—
Total	232,700	—	—	—

- (4) Expected repayments on consolidated bases for long-term borrowings and lease obligations

See “Note 14 Short-term and long-term borrowings” for the relevant information.

(Additional information)

From the year ended March 31, 2010, the Company has applied the “Accounting Standard for Financial Instruments” (ASBJ Statement No10 issued on March 10, 2008) and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Implementation Guidance No19 issued on March 10, 2008).

Table of Contents

7. Investment securities

Investment securities as of March 31, 2010 and 2009 are classified as available-for-sale securities.

A summary of acquisition cost, gross unrealized gains, gross unrealized losses and aggregate fair value by major type of marketable securities are as follows:

	Yen (Millions)			
	2010			
	Acquisition	Gross unrealized		Aggregate
		Gains	(Losses)	
	cost			fair value
Available-for-sale securities:				
Equity securities	1,250	1,032	(55)	2,227
Other	2,291	—	—	2,291
Total	<u>3,541</u>	<u>1,032</u>	<u>(55)</u>	<u>4,518</u>
	Yen (Millions)			
	2009			
	Acquisition	Gross unrealized		Aggregate
		Gains	(Losses)	
	cost			fair value
Available-for-sale securities:				
Equity securities	1,498	332	(210)	1,620
Other	1,777	—	—	1,777
Total	<u>3,275</u>	<u>332</u>	<u>(210)</u>	<u>3,397</u>

It is not practicable to estimate the fair value of investments in non-marketable securities due to the lack of market prices and difficulty in estimating fair value without incurring excessive cost. The carrying amount of these investments classified as available-for-sale securities as of March 31, 2010 and 2009 totaled ¥788 million and ¥735 million, respectively.

The aggregate carrying amount of investments in affiliates as of March 31, 2010 and 2009 were ¥5,546 million and ¥2,060 million, respectively.

Table of Contents

The following represents the maturities of available-for-sale securities with contractual maturities as of March 31, 2010 and 2009.

Yen (Millions)				
2010				
	Within 1 year	Over 1 year through 5 years	Over 5 years through 10 years	More than 10 years
Bonds;				
Corporate bonds	—	—	—	—
Other	57,000	—	—	—
Total	<u>57,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Yen (Millions)				
2009				
	Within 1 year	Over 1 year through 5 years	Over 5 years through 10 years	More than 10 years
Bonds;				
Corporate bonds	—	—	—	—
Other	50,000	—	—	—
Total	<u>50,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

The proceeds from sales of available-for-sale securities for the year ended March 31, 2010 amounted to ¥128 million and the gross realized gains on the sales of those securities for the year ended March 31, 2010 amounted to ¥11 million.

In the year ended March 31, 2010, available-for-sale securities for which market quotations were available were written down by ¥17 million. In the year ended March 31, 2009, available-for-sale securities for which market quotations were available and those for which market quotations were unavailable were written down by ¥1,544 million and ¥28 million, respectively.

8. Derivative instruments

The Company enters into forward exchange contracts, currency swaps and interest rate swaps. Forward exchange contracts and currency swaps are utilized to hedge currency risk exposure. Interest rate swaps are utilized to hedge against possible future changes in interest rates on borrowings. The Company uses derivative instruments only for hedging purposes and not for purposes of trading or speculation. The Company's management believes that market risk and credit risk relating to derivative instruments used by the Company is relatively low since the Company does not enter into derivative instruments arrangements which increase the market risk and all the counterparties relating to the derivative instruments are creditworthy financial institutions. Derivative transactions are executed in accordance with internal rules and policies approved by Managing Director. In accordance with the policies approved by Managing Director, the Finance Department conducts transactions, and Accounting Department records them to the general ledger, reconciles the balance with the counterparty, and reports the description and balance of the transaction conducted to the Managing Director and the General Manager of the Finance & Accounting Control Division.

Table of Contents

The contract or notional amount, estimated fair value and unrealized gain (loss) of derivative instruments as of March 31, 2010 and 2009 are as follows:

	Yen (Millions)		
	2010		
	Contract or		Unrealized
	Notional	Fair value	gain/(loss)
	amount		
Forward exchange contracts:			
To sell U.S. dollars	24,887	(581)	(581)
To sell Euros	1,930	55	55
Total	26,817	(526)	(526)

	Yen (Millions)		
	2009		
	Contract or		Unrealized
	Notional	Fair value	gain/(loss)
	amount		
Forward exchange contracts:			
To sell U.S. dollars	20,386	(903)	(903)
To sell Euros	623	(28)	(28)
Total	21,009	(931)	(931)

Note: Fair value represents the amounts derived using the foreign exchange rates prevailing as of March 31, 2010 and 2009, respectively.

	Yen (Millions)		
	2010		
	Contract or		Unrealized
	Notional	Fair value	gain/(loss)
	amount		
Interest rate swaps:			
Pay fixed Receive floating	30,000	(577)	(577)
Total	30,000	(577)	(577)

	Yen (Millions)		
	2009		
	Contract or		Unrealized
	Notional	Fair value	gain/(loss)
	amount		
Interest rate swaps:			
Pay fixed Receive floating	45,000	(610)	(610)
Total	45,000	(610)	(610)

Note: Fair value is provided by financial institutions with which the Company entered into the interest rate swap contracts.

Table of Contents

9. Impairment of long-lived assets

The Company recognized impairment losses for the year ended March 31, 2010 as summarized below:

Intended use	Location	Description
Semiconductor equipment	Ome city, Tokyo	Machinery, equipment
Idle assets	Itami city, Hyogo prefecture, and others.	Leased assets, Construction in progress, Furniture and fixtures, and others

The Company and its subsidiaries group its operating assets by individual wafer-processing plant which is identified as a minimum cash generating unit, and group its idle assets as a separate asset group. The carrying amounts of operating assets were reduced to their recoverable amounts in connection with the reduction in production volume due to deteriorated economic conditions. The carrying amounts of idle assets that were not planned for specific future use were reduced to their recoverable amount. The reduction of ¥4,551 million was recorded to other expenses as impairment losses for long-lived assets for the year ended March 31, 2010. The charge was comprised of building and structures (¥1 million), machinery, equipment and vehicles (¥1,818 million), furniture and fixtures (¥641 million), construction in progress (¥1,969 million), leased assets (¥36 million), and intangible assets (¥86 million). The recoverable amounts of idle assets are measured at their estimated net selling price, which are valued at their memorandum value. The recoverable amounts of operating assets were measured at their estimated net selling prices that were reasonably determined, or the value in use. The discount rate used in the determination of value in use was 5%.

The Company recognized impairment losses for the year ended March 31, 2009 as summarized below:

Intended use	Location	Description
Semiconductor equipment	Takasaki city, Gunma prefecture	Machinery, equipment and vehicles, and others
Idle assets	Hitachinaka city, Ibaraki prefecture, and others	Leased assets, Construction in progress, Furniture and fixtures, and others

The Company and its subsidiaries group its operating assets by individual wafer-processing plant which is identified as a minimum cash generating unit, and group its idle assets as a separate asset group. The carrying amounts of operating assets were reduced to their recoverable amounts in connection with the reduction in production volume due to deteriorated economic conditions. The carrying amounts of idle assets that were not planned for specific future use were reduced to their recoverable amount. The reduction of ¥9,627 million was recorded to other expenses as impairment losses for long-lived assets for the year ended March 31, 2009. The charge was comprised of building and structures (¥13 million), machinery, equipment and vehicles (¥6,100 million), furniture and fixtures (¥1,155 million), construction in progress (¥1,024 million), leased assets (¥852 million), goodwill (¥202 million), intangible assets (¥188 million), and investment and other assets- other (¥93 million). The recoverable amounts of idle assets are measured at their estimated net selling price, which are valued at their memorandum value. The recoverable amounts of operating assets were measured at their estimated net selling prices that were reasonably determined, or the value in use. The discount rate used in the determination of value in use was 5%.

Table of Contents

The Company recognized impairment losses for the year ended March 31, 2008 as summarized below:

Intended use	Location	Description
Semiconductor equipment	Nagano city, Nagano prefecture	Building and structures, Furniture and fixtures
Idle assets	Chitose city, Hokkaido. Kodaira city, Tokyo, and others	Land, and others Furniture and fixtures, Construction in progress, and others

The Company and its subsidiaries group its operating assets by individual wafer-processing plant which is identified as a minimum cash generating unit, and group its idle assets as a separate asset group. The carrying amounts of operating assets were reduced to their recoverable amounts in connection with the reduction in production volume due to deteriorated economic conditions. The carrying amounts of idle assets that were not planned for specific future use were reduced to their recoverable amount. The reduction of ¥2,864 million was recorded to other expenses as impairment losses for long-lived assets for the year ended March 31, 2008. The charge was comprised of building and structures (¥724 million), machinery, equipment and vehicles (¥54 million), furniture and fixtures (¥1,053 million), construction in progress (¥550 million), land (¥23 million), goodwill (¥440 million), intangible assets (¥10 million), and investment and other assets- other (¥10 million). The recoverable amounts of idle assets are measured at their estimated net selling price, which are valued at appraisal value for land and their memorandum value for other than land. The recoverable amounts of operating assets were measured at their estimated net selling prices that were reasonably determined and valued at the amounts expected to be realized from their disposal, or the value in use. The discount rate used in the determination of value in use was 5%.

10. Deferred gains on sale of asset qualified under Japanese Corporate Tax Law

For the qualified transactions of sale of asset with purchase of alternative asset under Japanese Corporate Tax Law, certain gains on sale of assets have been deferred by offsetting the gains against the cost of alternatively acquired assets. The cumulative amount offset as of March 31, 2010 and 2009 was ¥5,511 million and ¥5,579 million, respectively as follows:

	Yen (Millions)	
	2010	2009
Land	3,278	3,318
Building and structures	1,955	1,955
Machinery, equipment and vehicles	278	304
Furniture and fixtures	—	2
Total	5,511	5,579

11. Leases

As of March 31, 2010 and 2009, finance leases mainly comprised of LSI manufacturing equipment and CAD software for designing LSI manufacturing equipment.

The calculation method for depreciation of leased assets is described in Note 1 (k). Finance lease transactions executed on or before March 31, 2008, where ownership of the leased asset is not transferred to the lessee, continue to be accounted for as operating lease transactions.

Table of Contents

The following pro forma amounts represent the acquisition cost, accumulated depreciation, accumulated loss on impairment and net book value of the leased assets as of March 31, 2010 and 2009, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Yen (Millions)	
	2010	2009
Acquisition cost:		
Machinery, equipment and vehicles	20,855	36,810
Other	14	15
	<u>20,869</u>	<u>36,825</u>
Less:		
Accumulated depreciation	(14,007)	(24,585)
Accumulated loss on impairment	(448)	(828)
Net book value	<u>6,414</u>	<u>11,412</u>

The future lease payments under finance leases at March 31, 2010 and 2009 for lease transactions executed on or before March 31, 2008 are as follows:

	Yen (Millions)	
	2010	2009
Future lease payments:		
Due within one year	3,670	6,029
Due over one year	3,986	7,779
	<u>7,656</u>	<u>13,808</u>

Impairment losses amounting to ¥448 million were recorded for the year ended March 31, 2010 relating to the finance leases in the table above.

Total lease payments, the amounts corresponding to pro forma depreciation and pro forma interest expense and actual impairment losses on the finance leases for the years ended March 31, 2010, 2009 and 2008 are as follows:

	Yen (Millions)		
	2010	2009	2008
Lease payments	6,012	12,114	16,939
Depreciation	5,160	10,636	15,347
Interest expense	245	404	510
Impairment losses	36	828	—

Amounts corresponding to pro forma depreciation under finance leases were computed by the straight-line method in which the lease period is used as the useful lives and it is assumed that the residual value of the relevant asset falls to nil at the end of the lease period.

Differences between total lease payments and the amounts corresponding to acquisition cost of the leased properties are considered interest expense equivalents. Amounts corresponding to interest expense are allocated using the interest method over the lease terms.

Future lease payments for non-cancelable operating leases as a lessee as of March 31, 2010 and 2009 are as follows:

	Yen (Millions)	
	2010	2009
Future lease payments:		
Due within one year	6,212	7,207
Due over one year	7,420	13,968
	<u>13,632</u>	<u>21,175</u>

Table of Contents

12. Related party transactions

Related party transactions for the years ended March 31, 2010, 2009 and 2008 are as follows:

Yen (Millions)										
2010										
Type	Name of related party	Address	Common stock	Type of business	Equity ownership percentage (%)	Relationship with related party	Nature of transaction	Transaction amount	Account	Balance at end of year
Other affiliates	Hitachi, Ltd	Chiyoda-ku, Tokyo	408,810	Manufacturing and sales of electrical machinery and apparatuses	(Owned) Direct 55.0	Contract manufacturing and sales of semiconductor products Two interlocking directorate	Allocation of new shares to stockholders	39,435 (892,650 shares)	—	—
Other affiliates	Mitsubishi Electric Corporation	Chiyoda-ku, Tokyo	175,820	Manufacturing and sales of heavy electric machinery system, industrial mechatronics system, electronic devices, home appliance, and others	(Owned) Direct 45.0	Contract manufacturing and sales of semiconductor products Two interlocking directorate	Allocation of new shares to stockholders	32,265 (730,350 shares)	—	—
Affiliated company	Renesas Easton Co.,Ltd.	Chiyoda-ku, Tokyo	3,433	Sales of integrated circuit, semiconductor device, display device and others	Direct 30.01	Sales of integrated circuit, semiconductor device, display device and others	Sales of integrated circuit, semiconductor device, display device and others	36,967	Accounts receivable	11,598
Other affiliates	Hitachi Capital Corporation	Minato-ku, Tokyo	9,983	Finance service and others	Direct — Indirect —	Lease of manufacturing facility and business equipment	Factoring and others	Transfer of payable 19,597 Payment 16,738	Accounts payable	8,275
Other affiliates	Hitachi High-Technologies Corporation	Minato-ku, Tokyo	7,938	Manufacturing, sales and service of physics and chemistry device, electronic device, metal material and others	(Owned) Direct — Indirect —	Purchase of electro device manufacturing equipment, material and others	Purchase of material and others	18,193	Accounts payable	7,070

Table of Contents

Yen (Millions)										
2009										
Equity ownership										
Type	Name of related party	Address	Common stock	Type of business	percentage (%)	Relationship with related party	Nature of transaction	Transaction amount	Account	Balance at end of year
Other affiliates	Hitachi, Ltd.	Chiyoda-ku, Tokyo	282,033	Contract manufacturing	(Owned) Direct 55.0	and sales of semiconductor products	Allocation of new shares to stockholders	29,700 (297,000 shares)	—	—
				Manufacturing and sales of electrical machinery and apparatuses		Two interlocking directorate				
Other affiliates	Mitsubishi Electric Corporation	Chiyoda-ku, Tokyo	175,820	Contract manufacturing and sales of semiconductor products	(Owned) Direct 45.0	Allocation of new shares to stockholders	Sales of assets	24,300 (243,000 shares)	—	—
				Manufacturing and sales of heavy electric machinery system, industrial mechatronics system, electronic devices, home appliance, and others.		Two interlocking directorate	10,675	—	—	
Yen (Millions)										
2008										
Equity ownership										
Type	Name of related party	Address	Common stock	Type of business	percentage (%)	Relationship with related party	Nature of transaction	Transaction amount	Account	Balance at end of year
Other affiliates	Hitachi, Capital Corporation	Minato-ku, Tokyo	9,983	Leasing manufacturing facility and office equipment, and others.	Direct — Indirect —	Sales of assets		8,026	Other receivable	7,997
				Financial service						

Notes: Consumption taxes are not included in the transaction amount but in the amount of year end balance.

- (1) Price and condition of transactions are determined by negotiating the price suggested by the Company with consideration given to the prevailing market price.
- (2) The transaction captured under “Allocation of new shares to stockholders” was approved by the special meeting of the Board of Directors. “Transaction amount” shows the number of shares allotted and the amount multiplied by the issue price per one share allotted.

Table of Contents

13. Income taxes

The tax effects of temporary differences and net operating loss carry forwards that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2010 and 2009 are presented below:

	Yen (Millions)	
	2010	2009
Deferred tax assets:		
Accrued bonus	6,984	5,651
Allowance for doubtful receivable	97	317
Losses on valuation of inventories	11,309	14,542
Losses on valuation of securities	5,301	5,800
Excess depreciation	9,407	11,473
Impairment losses for long-lived assets	1,451	2,091
Provision for loss on order received	742	1,970
Provision for loss on business liquidation	559	2,425
Retirement and severance benefits	11,418	12,850
Net operating loss carry forwards	119,109	77,082
Other	7,485	8,956
	173,862	143,157
Less amounts offset against deferred tax liability	(1,378)	(1,696)
Less valuation allowance	(169,475)	(137,346)
Total deferred tax assets	3,009	4,115
Deferred tax liabilities:		
Reserve for special depreciation	36	39
Unrealized gain on available-for-sale securities	391	45
Undistributed earnings of foreign subsidiaries	2,027	2,060
Accumulated depreciation	1,749	1,504
Prepaid pension cost	660	584
Other	247	166
	5,110	4,398
Less amounts offset against deferred tax assets	(1,378)	(1,696)
Total deferred tax liabilities	3,732	2,702
Net deferred tax assets (liabilities)	(723)	1,413

Net deferred tax assets (liabilities) as of March 31, 2010 and 2009 are included in the following line items in the consolidated balance sheet.

	Yen (Millions)	
	2010	2009
Deferred tax assets – current	1,610	1,612
Deferred tax assets – non-current	1,399	2,503
Other current liabilities (Deferred tax liabilities – current)	39	—
Deferred tax liabilities – non-current	3,693	2,702

Table of Contents

The reconciliation between the applicable statutory income tax rate and the effective income tax rate for the year ended March 31, 2008 is as follows:

	2008
Statutory income tax rate	40.77%
Expense not deductible for tax purpose	1.88
Income not recognizable for tax purpose	(0.76)
Per capita portion of inhabitant tax	0.40
Difference in statutory tax rates of foreign subsidiaries	(8.67)
Undistributed earnings of foreign subsidiaries	22.65
Dividends from foreign subsidiaries eliminated for consolidation purposes	8.88
Changes in valuation allowance	4.90
Other	(3.74)
Effective income tax rate	<u>66.31%</u>

Note: Figures for the years ended March 31, 2010 and 2009 are not presented in the table above, as losses before income taxes are recorded for these years.

14. Short-term and long-term borrowings

	Yen (Millions)		2010		2009	
			Average		Average	
	2010	2009	interest rate (%)	Maturities	interest rate (%)	Maturities
Short-term borrowings	113,685	124,999	0.98	—	1.15	—
Current portion of long-term borrowings	50,479	53,909	0.93	—	1.17	—
Current portion of Lease obligation	4,532	919	2.89	—	2.46	—
Long-term borrowings	52,229	100,580	1.59	2011-2012	1.43	2010-2012
Lease obligations	10,306	3,357	2.76	2011-2019	2.49	2010-2019
Other interest bearing liabilities						
Accounts payable – Other (installment payables)	9	14	—	—	—	—
Other non-current liabilities (installment payables – non current)	15	—	—	—	—	—
Total	<u>231,255</u>	<u>283,778</u>				

a) Average interest rate is a weighted average interest rate of the ending balance of borrowings.

b) The aggregate annual maturities of long-term borrowings and lease obligations subsequent to March 31, 2010 and 2009 are summarized as follows:

	Yen (Millions)			
	2010			
	Due over	Due over	Due over	Due over
	1 year to	2 years to	3 years to	4 years to
	2 years	3 years	4 years	5 years
Long-term borrowings	37,005	15,224	—	—
Lease obligations	4,547	3,489	2,065	73
Other non-current liabilities (installment payables- non current)	9	6	—	—

	Yen (Millions)			
	2009			
	Due over	Due over	Due over	Due over
	1 year to	2 years to	3 years to	4 years to
	2 years	3 years	4 years	5 years
Long-term borrowings	48,084	37,496	15,000	—
Lease obligations	941	859	765	603

Table of Contents

15. Retirement and severance benefits

The Company and its domestic subsidiaries have various defined benefit plans such as defined benefit corporate pension plan, qualified retirement pension plan and termination allowance plan, as well as a defined contribution pension plan. In addition, in certain cases, the Company and its domestic subsidiaries may make premium severance payments for employee retirement. Certain foreign subsidiaries have defined benefit pension plans and defined contribution pension plans. Some domestic subsidiaries made transition to defined contribution pension plans for a certain portion of termination allowance plan in October 2009 and October 2008.

Funded status of the Company's and subsidiaries' plans as of March 31, 2010 and 2009 are summarized as follows:

	Yen (Millions)	
	2010	2009
Projected benefit obligations	(136,381)	(136,986)
Plan assets at fair value	82,961	71,740
Funded status	(53,420)	(65,246)
Unrecognized transitional obligation	176	598
Unrecognized actuarial loss	42,778	55,661
Unrecognized prior service benefit	(15,060)	(16,487)
Net amount recognized in the consolidated balance sheets	<u>(25,526)</u>	<u>(25,474)</u>
Amounts recognized in the consolidated balance sheet consist of:		
Retirement and severance benefits	(27,286)	(27,152)
Investments and other assets – Other	1,760	1,678
	<u>(25,526)</u>	<u>(25,474)</u>

Notes:

- Certain subsidiaries apply the simplified method in the determination of retirement benefit obligations.
Simplified method can be applied to the defined benefit plans with less than 300 eligible employees, and unrealized gains and losses are recognized in the statements of operations, instead of other comprehensive income.
- Certain domestic subsidiaries made the transition to defined contribution pension plans for a certain part of termination allowance plan.
The following table sets forth the impact of partial transition from termination allowance plan to defined contribution pension plan for the years ended March 31, 2010 and 2009.

	Yen (Millions)	
	2010	2009
Decrease in retirement benefit obligation	973	5,164
Decrease in plan asset	(152)	—
Unrecognized transitional obligation	(3)	53
Unrecognized actuarial gains and losses	(161)	(770)
Unrecognized prior service cost	(353)	(142)
Decrease in provision for retirement benefit	<u>304</u>	<u>4,305</u>

Table of Contents

Due to the transition, plan assets to be transferred to the defined contribution pension plan amounted to ¥697 million for the year ended March 31, 2010, which will be completed over four years. As of March 31, 2010, the amount to be transferred in subsequent years was ¥432 million, which was recorded in Notes and accounts payable - other and Other non-current liabilities.

Due to the transition, plan assets to be transferred to the defined contribution pension plan amounted to ¥4,650 million for the year ended March 31, 2009, which will be completed over four years. As of March 31, 2009, the amount to be transferred in the subsequent years was ¥2,915 million, which was recorded in Notes and accounts payable - other and Other non-current liabilities.

Net periodic benefit costs for the Company's and subsidiaries' plans for the years ended March 31, 2010, 2009 and 2008 consisted of the following components:

	Yen (Millions)		
	2010	2009	2008
Service cost	5,819	6,158	6,633
Interest cost	3,263	3,509	3,581
Expected return on plan assets	(2,322)	(2,297)	(2,312)
Amortization of transitional obligation	419	415	410
Amortization of unrecognized actuarial loss	5,667	5,327	4,565
Amortization of prior service benefit	(1,539)	(1,345)	(1,122)
Net periodic benefit cost	<u>11,307</u>	<u>11,767</u>	<u>11,755</u>
Costs associated with mass retirements	—	1,088	—
Loss on transfer to defined contribution pension plan	393	343	—
Other	<u>1,185</u>	<u>1,123</u>	<u>1,084</u>
Total	<u>12,885</u>	<u>14,321</u>	<u>12,839</u>

Notes:

- (1) Retirement benefit costs incurred by the subsidiaries applying the simplified method are recorded in "Service cost."
- (2) "Other" represents the contribution payment for the defined contribution pension plan.
- (3) Costs associated with mass retirement are included in "Business structure improvement expenses" in other expenses for the year ended March 31, 2009.
- (4) Losses on transfer to defined contribution pension plan are included in other expenses for the years ended March 31, 2010 and 2009.
- (5) In addition to the retirement benefit costs listed above, severance benefits paid due to the special early retirement benefits program of Renesas group of ¥8,163 million are recorded as "Business structure improvement expenses" in other expenses for the year ended March 31, 2009.
- (6) In addition to the retirement benefit costs listed above, severance benefits paid due to business structure improvement of subsidiaries of ¥3,227 million for the year ended March 31, 2008 are included in "Expenses for restructuring assembly and packaging system" (¥ 3,004 million), "Expenses for restructuring distribution companies" (¥ 215 million) and "Expenses for restructuring circuit design companies" (¥ 8 million) in the table presented in Note 19 "Business structure improvement expenses".

Actuarial assumptions used in the accounting for the Company's and subsidiaries' plans are principally as follows:

	2010	2009	2008
Allocation method for the projected benefit obligation	Straight-line method	Straight-line method	Straight-line method
Discount rate	2.0% - 2.5%	2.0% - 2.5%	2.0% - 2.5%
Expected rate of return on plan assets	2.0% - 3.5%	2.0% - 3.5%	2.0% - 3.5%

Table of Contents

16. Stockholders' equity

As a result of the issuance of shares through the allocation of new shares to stockholders for the year ended March 31, 2010, the number of common shares outstanding as of March 31, 2010 has increased to 7,163,000 shares. The Company's common stock has no par value in accordance with the Japanese Corporate Law (JCL). Under JCL, at least 50% of the amount actually paid in consideration for newly issued stock is designated as stated common stock and proceeds in excess to the amount designated as stated common stock are credited as capital surplus.

17. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2010, 2009 and 2008 comprised the following:

	Yen (Millions)		
	2010	2009	2008
Research and development expenses	17,961	29,402	31,772
Employees' salaries and bonuses	28,297	33,322	37,949
Fee for patent and other	11,305	13,376	15,740
Provision of allowance for doubtful receivables	70	15	—
Other	50,343	59,044	68,511
Total	<u>107,976</u>	<u>135,159</u>	<u>153,972</u>

18. Research and development

Research and development expenses, which are included in the manufacturing cost and selling, general and administrative expenses, totaled ¥118,415 million, ¥148,671 million and ¥167,218 million for the years ended March 31, 2010, 2009 and 2008, respectively.

19. Business structure improvement expenses

The business structure improvement expenses for the years ended March 31, 2010, 2009 and 2008 are mainly comprised the following:

	Yen (Millions)		
	2010	2009	2008
Premium severance payment due to early retirement	—	8,163	—
Expenses for restructuring wafer-processing fab	—	3,532	—
Expenses for restructuring assembly and packaging fab	202	3,779	3,965
Expenses for restructuring distribution companies	—	1,398	215
Expenses for restructuring design companies	—	—	28
Total	<u>202</u>	<u>16,872</u>	<u>4,208</u>

Table of Contents

20. Per share data

(a) *Net income (loss) per share:*

Calculation of net income (loss) per share attributable to the Company for the years ended March 31, 2010, 2009 and 2008 is as follows:

	Yen (Millions)		
	2010	2009	2008
Net income (loss) attributable to the Company	(81,344)	(203,257)	9,468

	Shares		
	2010	2009	2008
Weighted-average number of common shares outstanding	5,826,079	5,002,959	5,000,000

	Yen		
	2010	2009	2008
Net income (loss) attributable to the Company per share	(13,962.13)	(40,627.31)	1,893.64

Diluted net income (loss) per share is not calculated herein since the Company has no dilutive potential common shares outstanding during the years ended March 31, 2010, 2009 and 2008.

(b) *Net assets per share:*

Calculation of net assets per share for the years ended March 31, 2010 and 2009 is as follows:

	Yen (Millions)	
	2010	2009
Net assets on the consolidated balance sheets	166,801	176,888
Less noncontrolling interests	2,029	2,390
Net assets attributable to the Company	164,772	174,498

	Shares	
	2010	2009
Number of common shares outstanding	7,163,000	5,540,000

	Yen	
	2010	2009
Net assets per share attributable to the Company	23,003.07	31,497.69

Table of Contents

21. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks and other at March 31, 2010 and 2009 are ¥1,113 million and ¥1,367 million, respectively.

22. Business combinations

Business divestiture

(a) The name of the transferee, nature of the transferred business, main reason for separating the businesses, date of the separation and overview of the business separation including the legal form of the separation

i) Name of the transferee

Easton Electronics Co., Ltd.

ii) Nature of the transferred businesses

Sale of semiconductor devices, integrated circuits, display devices, other electronic parts and electronic instruments including equipment for development; development of software; offering of support; designing; consulting and others.

iii) Main reason for separating the businesses

Renesas Devices Sales Co., Ltd. (a wholly-owned subsidiary of Renesas Technology Corp.) has been successful especially in the industrial machinery and entertainment fields whereas Easton Electronics Co., Ltd., the transferee, has been competitive in markets such as automobile electrical equipment and digital consumer products. Upon completion of this business divestiture, the newly-formed company (Renesas Easton Co., Ltd.) aims to expand its business by investing its operating resources into developing new customers or launching new businesses particularly in the areas including automobile electrical equipment, industrial machinery, digital consumer products and amusement products.

iv) Date of the separation

April 1, 2009

v) Overview of the business separation including the legal form of the separation

This business divestiture takes the form of a merger by absorption where Easton Electronics Co., Ltd. (the surviving company) merges with Renesas Devices Sales Co. The consideration is received only in the form of stocks of the newly-formed company (Renesas Easton Co., Ltd.).

(b) Overview of accounting procedure

i) Gains and losses on the transferred businesses

- ¥3,478 million of negative goodwill (which is amortized in the current period in full) is recognized as Gain on one-time amortization of negative goodwill in other income.
- ¥1,757 million arising from changes in interest is recognized as Loss on disposition of subsidiary in other expenses.

ii) Appropriate book value of assets and liabilities associated with the transferred businesses and their breakdown

	<u>Yen (Millions)</u>
Current assets	11,072
Non-current assets	876
Total assets	11,948
Current liabilities	8,169
Non-current liabilities	244
Total liabilities	8,413

23. Segment information

(a) *Business segment information:*

The business of the Company and its subsidiaries is solely to develop, design, manufacture and sell semiconductor products for the years ended March 31, 2010, 2009 and 2008. Therefore, no business segment information is provided.

(b) *Geographic segment information:*

	Yen (Millions)						
	2010						
	Elimination/						
	Japan	Asia	North America	Europe	Total	Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	421,197	111,574	31,984	35,035	599,790	—	599,790
(2) Inter-segment sales	157,192	88,752	2,776	4,612	253,332	(253,332)	—
Total	578,389	200,326	34,760	39,647	853,122	(253,332)	599,790
Operating expenses	647,894	194,908	34,096	38,784	915,682	(251,876)	663,806
Operating income (loss)	(69,505)	5,418	664	863	(62,560)	(1,456)	(64,016)
Assets	584,027	88,545	16,167	17,961	706,700	(95,773)	610,927

	Yen (Millions)						
	2009						
	Elimination/						
	Japan	Asia	North America	Europe	Total	Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	508,307	113,107	37,369	43,956	702,739	—	702,739
(2) Inter-segment sales	165,132	107,724	2,670	11,579	287,105	(287,105)	—
Total	673,439	220,831	40,039	55,535	989,844	(287,105)	702,739
Operating expenses	779,550	215,751	39,320	54,481	1,089,102	(289,790)	799,312
Operating income (loss)	(106,111)	5,080	719	1,054	(99,258)	2,685	(96,573)
Assets	643,429	73,753	12,691	17,125	746,998	(64,061)	682,937

Table of Contents

Yen (Millions)

	2008						Elimination/
	Japan	Asia	North America	Europe	Total	Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	689,771	144,356	49,572	66,820	950,519	—	950,519
(2) Inter-segment sales	224,796	98,839	3,767	22,934	350,336	(350,336)	—
Total	914,567	243,195	53,339	89,754	1,300,855	(350,336)	950,519
Operating expenses	878,612	237,363	52,468	87,742	1,256,185	(349,146)	907,039
Operating income	35,955	5,832	871	2,012	44,670	(1,190)	43,480
Assets	918,235	99,881	20,493	38,462	1,077,071	(200,594)	876,477

Notes:

- Segment information by geographic area is determined by taking into account the geographic area where the Company or its subsidiaries are located.
- The countries and regions in each geographic segment excluding Japan:
 - Asia: China, Korea, Malaysia, Singapore, Vietnam, Taiwan
 - North America: U.S.A, Canada
 - Europe: England, France, Germany
- As described in Note 2 (c), write down of inventories that are not held in the ordinary course of business, which were historically included in other expenses, are now recorded as a part of cost of sales from the year ended March 31, 2009. Accordingly, the operating expenses increased by ¥4,716 million and ¥3 million in “Japan” and “Asia,” respectively, with operating income for the year ended March 31, 2009 decreased by the corresponding amounts, compared with the amounts that would have been reported if the previous method had been applied.
- As described in Note 2 (f), the Company and consolidated domestic subsidiaries previously accounted for buildings acquired on after April 1, 1998 using the straight-line method, and property, plant and equipment besides those buildings using the declining balance method. Most consolidated foreign subsidiaries previously accounted for them using the straight-line method. From the year ended March 31, 2008, all property, plant, and equipment have been accounted for using the straight-line method.
- Overseas sales:**

The following information comprises sales and percentages of sales attributed to geographical regions based on customers’ location for the years ended March 31, 2010, 2009 and 2008.

	Yen (Millions)					
	2010		2009		2008	
Overseas sales:						
Asia	118,500	19.7%	134,562	19.2%	159,038	16.7%
Europe	34,115	5.7%	42,505	6.0%	64,157	6.8%
North America	27,946	4.7%	27,977	4.0%	44,253	4.7%
Other areas	2,418	0.4%	6,332	0.9%	5,892	0.6%
Total	182,979	30.5%	211,376	30.1%	273,340	28.8%
Consolidated sales	599,790	—	702,739	—	950,519	—

Notes:

- Segment information by geographic area is determined by taking into account the geographic area where the Company or its subsidiaries are located.
- The countries and regions in each geographic segment excluding Japan:
 - Asia: China, Korea, Taiwan, Malaysia, Singapore, India and other
 - North America: U.S.A, Canada
 - Europe: Germany, France, Italia, England, Hungary and other
 - Other areas: Latin America, Middle and Near East
- Overseas sales comprise the sales of the Company and its foreign subsidiaries.

24. Subsequent events

Having been approved by the extraordinary general meeting of shareholders on February 24, 2010, the Company merged with NEC Electronics on April 1, 2010. NEC Electronics was identified as the surviving entity, and the Company as the dissolving entity.

Summary of business combination is as follows.

- (1) Name of surviving entity: NEC Electronics Corporation
- (2) Major operations of acquirer: R&D, manufacturing, sale, and servicing of semiconductor devices mainly on system LSIs.
- (3) Major reasons for the business combination:

Both as leading semiconductor companies, NEC Electronics and the Company provide a wide variety of semiconductor solutions, primarily specializing in microcontroller units (MCUs). In light of fierce global competition and structural changes triggered by the rapid expansion of emerging markets in the semiconductor market, NEC Electronics and the Company have merged, in order to further strengthen their business foundations and technological assets, while increasing corporate value through enhanced customer satisfaction.
- (4) Date of business combination: April 1, 2010
- (5) Legal form of the combination:

It was absorption-type merger with NEC Electronics as the surviving entity and the Company as the dissolving entity.
- (6) Company name after business combination: Renesas Electronics Corporation

Table of Contents

25. Reconciliation to generally accepted accounting principles in United States (“US GAAP”)

The Company is incorporated in Japan and prepares its consolidated financial statements in accordance with generally accepted accounting principles in Japan (“J GAAP”). J GAAP varies in certain significant respects from US GAAP. The differences between J GAAP and US GAAP and the effect on the consolidated net loss attributable to the Company, comprehensive loss and consolidated equity for the years ended March 31, 2010 and 2009 are presented below, with an explanation of the adjustments. There are no material effects on the statements of cash flows under J GAAP for the purposes of reconciliation to US GAAP.

(a) Reconciliation of net loss

	Yen (Millions)	
	2010	2009
Net loss attributable to Renesas Technology under J GAAP	(81,344)	(203,257)
Inventory valuation (i)	—	8,710
Goodwill (ii)	(12,653)	499
Impairment loss on investments in affiliates (iii)	(3,667)	—
Accrued vacation (iv)	(362)	402
Deferred gains on sales of assets (v)	(96)	(98)
Other (vii)	408	(433)
US GAAP adjustments total	(16,370)	9,080
Tax effect on reconciling items (viii)	1,316	(4,335)
Adjustment for valuation allowance on deferred tax assets (ix)	(87)	(18,384)
Net loss attributable to Renesas Technology in accordance with US GAAP	<u>(96,485)</u>	<u>(216,896)</u>

(b) Comprehensive loss

	Yen (Millions)	
	2010	2009
Net loss attributable to Renesas Technology in accordance with US GAAP	(96,485)	(216,896)
Other comprehensive income (loss), net of taxes:		
Unrealized gain (loss) on available-for-sale securities	529	(73)
Pension liability adjustment	11,150	2,569
Foreign currency translation adjustment	(703)	(7,190)
Total other comprehensive income (loss)	10,976	(4,694)
Comprehensive loss attributable to Renesas Technology in accordance with US GAAP	<u>(85,509)</u>	<u>(221,590)</u>

Table of Contents

(c) Reconciliation of equity

	Yen (Millions)	
	2010	2009
Total equity under J GAAP	166,801	176,888
Goodwill (ii)	(1,127)	11,617
Impairment loss on investments in affiliates (iii)	(3,667)	—
Accrued vacation (iv)	(3,774)	(3,407)
Deferred gains on sales of assets (v)	4,108	4,205
Pension liability adjustment (vi)	(27,894)	(39,772)
Other (vii)	(1,216)	(1,118)
US GAAP adjustments total	(33,570)	(28,475)
Tax effect on reconciling items (viii)	11,175	14,447
Adjustment for valuation allowance on deferred tax assets (ix)	(13,496)	(17,775)
Equity in accordance with US GAAP	<u>130,910</u>	<u>145,085</u>

Following table shows the differences of significant balance sheet captions under J GAAP and US GAAP for the years ended March 31, 2010 and 2009.

(d) Balance sheet items according to J GAAP and US GAAP

	Yen (Millions)			
	J GAAP		US GAAP	
	2010	2009	2010	2009
Current assets	329,293	350,303	332,884	350,477
Non-current assets	281,634	332,634	287,742	361,202
Total Assets	<u>610,927</u>	<u>682,937</u>	<u>620,626</u>	<u>711,679</u>
Current liabilities	340,238	358,211	350,734	368,263
Non-current liabilities	103,888	147,838	138,982	198,331
Total equity	<u>166,801</u>	<u>176,888</u>	<u>130,910</u>	<u>145,085</u>
Total liabilities and equity	<u>610,927</u>	<u>682,937</u>	<u>620,626</u>	<u>711,679</u>

Table of Contents

(e) *Summary of reconciling items to US GAAP*

(i) *Inventory valuation*

Under J GAAP, inventory was historically stated at cost. In July 2006, the Accounting Standards Board of Japan (“ASBJ”) issued ASBJ Statement No. 9, “Accounting Standard for Measuring of Inventories”, which was effective for the years beginning on or after April 1, 2008. This standard requires that inventories be measured at the lower of cost or net realizable value, which is defined as the selling price less estimated additional manufacturing costs and estimated direct selling expenses. The Company applied this new accounting standard starting the year ended March 31, 2009 (as described in Note 2). US GAAP historically required that inventories be stated at the lower of cost or market. Accordingly, the Company adjusted for the effects of differences in beginning inventory values.

(ii) *Goodwill*

Under J GAAP, goodwill is capitalized and amortized over a period up to 20 years, depending on circumstances. When an indicator of impairment is identified, an impairment test shall be performed. However, no annual impairment testing is required. Under US GAAP, goodwill is capitalized and should not be amortized. Goodwill is reviewed for impairment annually and when indicators of impairment arise. As such under US GAAP, for the year ended March 31, 2010, the Company identified goodwill impairment and recognized an impairment loss.

(iii) *Impairment loss on investments in affiliates*

Under J GAAP, investments in affiliated companies that the Company does not control but has an ability to exercise significant influence are accounted for by the equity method. Significant influence is generally deemed to exist if the Company and its subsidiaries directly or indirectly have an ownership interest in the voting rights in investee of 20% or more but less than or equal to 50%. In addition, under J GAAP investments in affiliates are not subject to impairment testing. Under US GAAP, for other than temporary declines in the value, investments are measured at fair value and an impairment loss is recognized for the difference between the book value and fair value. As such under US GAAP, for the year ended March 31, 2010, the Company concluded that the decline in the fair value of certain investments in affiliates was other than temporary and recognized an impairment loss.

(iv) *Accrued vacation*

Under US GAAP, an employer shall accrue a liability for employees’ compensation for future absences, such as vacations, if certain conditions are met. Such liabilities are accrued in the periods in which the benefits are earned. J GAAP does not specifically require a company to accrue a liability for future compensated absence.

(v) *Deferred gains on sales of assets*

For the qualified transactions of sale of asset with purchase of alternative asset under the Japanese Corporate Tax Law, certain gains on sale of assets have been deferred by offsetting the gains against the cost of alternatively acquired assets under J GAAP. Under US GAAP, such treatment is not acceptable. The adjustment to US GAAP affects the carrying amount of the acquired asset and its depreciation.

Table of Contents

(vi) ***Pension liability adjustment***

Under US GAAP, actuarial gains and losses and prior service costs, after tax effects, that arise during the period but are not recognized as components of net periodic benefit or cost of the period are recognized in accumulated other comprehensive income. Under J GAAP, such gains and losses are not recognized in the balance sheet.

(vii) ***Other***

Other adjustments include the financial statement impacts primarily for asset retirement obligations and capital leases which are not recognized for J GAAP purposes.

(viii) ***Tax effect on reconciling items***

This adjustment mainly relates to the tax effects of the adjustments for US GAAP purposes prior to consideration of valuation allowance for deferred tax assets.

(ix) ***Adjustment for valuation allowance on deferred tax assets***

The adjustment mainly relates to the changes in the valuation allowance on deferred tax assets determined under US GAAP. For the year ended March 31, 2009, the valuation allowance was increased due to the change in judgment about the realizability of the deferred tax assets, mainly related to the pension liability adjustment originally charged to other comprehensive income as describe above (vi).

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders of Renesas Electronics Corporation

We have audited the accompanying consolidated balance sheets of Renesas Technology Corp. and subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, change in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Renesas Technology Corp. and subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan, which differ in certain respects from U.S. generally accepted accounting principles (see Note 25 to the consolidated financial statements).

The accompanying consolidated statements of operations, change in equity and cash flows of Renesas Technology Corp. and subsidiaries for the year ended March 31, 2008 were not audited by us in accordance with auditing standards generally accepted in the United States and, accordingly, we do not express an opinion on them in accordance with auditing standards generally accepted in the United States.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

June 29, 2010

(Translation)

Board of Directors Regulations of Hitachi, Ltd.

Establishment:	June 25, 2003		
Amendment:	June 24, 2004	March 30, 2005	June 24, 2005
	June 27, 2006	April 1, 2007	October 30, 2008
	April 1, 2009	June 24, 2011	

Article 1. (Purpose)

In addition to what is provided in laws, regulations, the Articles of Incorporation and the regulations of the Committees, matters relating to the Board of Directors and the Committees of the Company shall be governed by these Regulations.

Article 2. (Powers of the Board of Directors)

The Board of Directors shall determine the execution of business affairs of the Company as provided for in the Article 9, paragraphs 1 and 2 of these regulations and supervise the execution of the duties of the Executive Officers and Directors.

Article 3. (Place of holding of meetings)

Meetings of the Board of Directors shall be held at the head office of the Company or any other place appointed by a person who convenes meetings as provided for in the Article 4 and Article 5, paragraph 2 (hereinafter referred to as the “convener”); provided, however, that, if inevitable, the meetings may be held via television conference or other means by decision of the convener.

Article 4. (Person having power to convene meetings and chairmanship)

The Board of Directors shall select a Director who convenes and presides over meetings of the Board of Directors.

If the Director as set forth in the preceding paragraph is prevented from discharging his duties, such meeting shall be convened by one of the other Directors in the order previously fixed by resolution of the Board of Directors.

Notwithstanding the preceding two paragraphs, a member of a Committee who has been appointed by its members may convene a meeting of the Board of Directors.

Article 5. (Request to convene meeting)

A Director and an Executive Officer may request to convene a meeting of the Board of Directors by submitting to the Director as set forth in the paragraph 1 of the preceding Article a written statement addressing the matters to be discussed at such meeting.

In the case of the preceding paragraph, if notice to convene a meeting of the Board of Directors is not dispatched without delay, the Director or the Executive Officer who has made such request may convene a meeting of the Board of Directors.

Article 6. (Convocation notice)

Notice of a meeting of the Board of Directors shall be dispatched to each Director at least one week prior to the date of the meeting of the Board of Directors; provided, however, in urgent cases such period may be shortened and such notice may be dispatched one day prior to the date of the meeting.

Notwithstanding the preceding paragraph, with the consent of all Directors, a meeting of the Board of Directors may be held without conforming to the procedure of convening.

Article 7. (Method of resolution)

Resolutions of the Board of Directors shall be adopted by a majority vote of the Directors present at a meeting of the Board of Directors attended by more than one-half of the Directors who are entitled to vote for the resolution.

A Director who has a special interest in a resolution under the preceding paragraph shall not take part in the voting.

Article 8. (Resolution without holding a meeting)

As to the proposal of matters as provided for in Article 9, paragraphs 1 and 2 of these Regulations, resolutions may be reached without holding a meeting if all Directors who are entitled to vote for such resolutions express unanimously in writing or in electromagnetic recording media their consent or approval on such matters; such unanimous consent or approval shall be treated as if resolutions were effectively adopted in a meeting of the Board of Directors.

Article 9. (Matters requiring resolution)

The Board of Directors shall determine the following matters:

1. Basic management policy such as management concept, medium-term management plan and management policy on a consolidated basis.
2. Matters relating to internal controls necessary for the execution of the duties of the Audit Committee as set out under laws and regulations, the business management system to be used to ensure that the execution of business affairs by Executive Officers complies with laws and regulations and the development of a business system as set out under laws and regulations to ensure the appropriateness of the Company's business affairs.
3. Matters relating to assignment of duties of Executive Officers and relationships between or among Executive Officers such as relationships of directions and orders.
4. Selection of a President.
5. Decisions on titles of Executive Officers in addition to that mentioned in the preceding item.
6. Selection of a Director who shall receive the request for convening a meeting of the Board of Directors from Executive Officers and be a chairperson of the Board of Directors.
7. Matters entrusted to the decision of the Board of Directors at a General Meeting of Shareholders.

Resolution of the Board of Directors shall be required for the following matters:

1. Decisions on repurchase and matters relating to the repurchase of the Company's own shares in the market or other method.
2. Approval to transfer stock acquisition rights on which transfer restrictions are imposed.
3. Decisions on convening and matters related to the convening of a General Meeting of Shareholders.
4. Decisions on proposals to be submitted to the General Meeting of Shareholders (excluding proposals concerning election and removal of Directors and the Accounting Auditor, and non-retention of the Accounting Auditor).
5. Approval of transactions relating to the Company's business conducted by Directors or Executive Officers for the benefit of themselves or third parties.
6. Approval of transactions between the Company and Directors or Executive Officers conducted for the benefit of themselves or third parties.
7. Approval of loan guarantees for Directors or Executive Officers by the Company and approval of transactions by the Company which might result in a conflict of interest between Directors or Executive Officers and the Company.
8. Selection of a Director to convene and to be a chairperson of meetings of the Board of Directors.

-
9. Selection and removal of members of the Nominating Committee, the Audit Committee and the Compensation Committee.
 10. Selection and removal of Executive Officers.
 11. Selection of a person who shall represent the Company in respect of an action to which the Company sues members (including former members) of the Audit Committee or members of the Audit Committee sue the Company (unless such person who represents the Company in respect of such action was selected at a General Meeting of Shareholders).
 12. Selection and removal of Representative Executive Officers.
 13. Exemption of Directors and Executive Officers from liabilities for damages to the Company.
 14. Approval of financial statements (the balance sheet, statement of operations, statement of stockholders' equity and notes to the financial statements), business reports and detailed statements attached thereto.
 15. Approval of the ad-hoc financial statements (the balance sheet as of the ad-hoc record date and statement of operations for the period from the first day of the business year that includes the ad-hoc record date to the ad-hoc record date).
 16. Approval of the consolidated financial statements (the consolidated balance sheet, consolidated statement of operations, consolidated statement of stockholders' equity and notes to the consolidated financial statements).
 17. Decisions on terms and conditions relating to an agreement to transfer the entire business of the Company.
 18. Decisions on terms and conditions relating to an agreement to transfer an important part of the Company's business which is subject to approval at a General Meeting of Shareholders.
 19. Decisions on terms and conditions relating to an agreement to acquire the entire business of any other company which is subject to approval at a General Meeting of Shareholders.
 20. Decisions on conclusion, amendment and cancellation of terms and conditions relating to an agreement to lease the entire business of the Company, an agreement to entrust the management of the Company's entire business, an agreement to share the entire profit and loss with third parties or an agreement comparable to those mentioned above which is subject to approval at a General Meeting of Shareholders.
 21. Decisions on terms and conditions relating to a merger agreement which is subject to approval at a General Meeting of Shareholders.
 22. Decisions on terms and conditions relating to a corporate acquisition and split agreement which is subject to approval at a General Meeting of Shareholders.
 23. Decisions on terms and conditions relating to a plan of corporate establishment and split which is subject to approval at a General Meeting of Shareholders.
 24. Decisions on terms and conditions relating to an exchange of shares agreement which is subject to approval at a General Meeting of Shareholders.
 25. Decisions on terms and conditions relating to a plan for a stock-for-stock exchange.
 26. Decisions on matters relating to distributions of surplus (unless distributions of surplus are made from assets other than cash and distributions in which shareholders are not granted a right to claim a distribution of cash).
 27. Consolidated and unconsolidated financial results.
 28. Commissioning and removal of Chairmen Emeritus.
 29. Conclusion of contracts with outside Directors to limit liabilities of such Directors.
 30. In addition to the foregoing items, matters provided in laws, regulations or the Articles of Incorporation.
 31. Other matters the Board of Directors may deem necessary, such as important matters comparable to those mentioned in the foregoing items.

Decision on any affairs other than those mentioned in paragraphs 1 and 2 shall be entrusted to each Executive Officer in accordance with the assignment of duties provided in item 3 of paragraph 1.

Article 10. (Matters to be reported)

A Director shall report to the Board of Directors on the following matters without delay:

1. Important matters relating to transactions relating to the Company's business conducted by a Director for the benefit of the Director or third parties.
2. Important matters relating to transactions between the Company and a Director conducted for the benefit of the Director or third parties.
3. Important matters relating to loan guarantees for a Director by the Company and transactions conducted between a Director and parties other than Directors which resulted in a conflict of interest between the Company and the Director.
4. Other matters the Board of Directors may deem necessary.

A member of a Committee and appointed by such Committee shall report to the Board of Directors on the progress in the execution of the duties of such Committee without delay.

Executive Officers shall report to the Board of Directors on the following matters without delay:

1. Quarterly financial results.
2. Matters determined by an Executive Officer relating to the repurchase of the Company's own shares and cancellation of treasury stock.
3. Matters relating to a stock split and an amendment of the Articles of Incorporation relating to an increase in the total shares authorized to be issued by the Company with regard to the stock split.
4. Matters relating to allotment of shares without consideration.
5. Matters relating to reduction in the number of shares which constitute one unit or the abolishment of the unit share system and an amendment of the Articles of Incorporation thereof.
6. Matters relating to the determination of the terms and conditions of an offering of shares.
7. Matters relating to the determination of the terms and conditions of an offering of stock acquisition rights.
8. Matters relating to the terms and conditions of an offering or acquisition of stock acquisition rights with acquiring conditions.
9. Matters relating to allotment of stock acquisition rights without consideration or cancellation of stock acquisition rights.
10. Important matters relating to transactions relating to the Company's business conducted by an Executive Officer for the benefit of an Executive Officer or third parties.
11. Important matters relating to transactions between the Company and an Executive Officer conducted for the benefit of an Executive officer or third parties.
12. Important matters relating to loan guarantees for a Executive Officer by the Company and transactions conducted between an Executive Officer and parties other than Executive Officers which resulted in a conflict of interest between the Company and the Executive Officer.
13. Matters relating to an offering of debentures.

-
14. Matters relating to important amendments to the Regulations on the Handling of Shares, etc. of the Company.
 15. In addition to the forgoing items, matters relating to the execution of the Company's business affairs by Executive Officers.
 16. Other matters provided in laws, regulations and matters the Board of Directors may deem necessary.

Article 11. (Omission of report to the Board of Directors)

In the case Directors, Accounting Auditors or Executive Officers give notification to all Directors of matters required to be reported to the Board of Directors such required report is not necessary. However, a report on the quarterly financial results by an Executive Officer must be reported to the Board of Directors.

In the case of the preceding paragraph, Directors, Accounting Auditors or Executive Officers shall give notification of such matters to the office in charge of affairs relating to the Board of Directors.

Article 12. (Presence of Executive Officers)

Executive Officers shall be present at meetings of the Board of Directors upon request by the Board of Directors, and shall explain matters demanded by the Board of Directors.

Article 13. (Minutes)

With respect to the proceedings at a meeting of the Board of Directors, in accordance with laws and regulations, minutes shall be prepared and shall include the names and seals or electronic signatures of the Directors present.

Article 14. (Constitution of the Committees)

Each Committee shall consist of three or more members who are selected from among the Directors and appointed by a resolution of the Board of Directors.

The majority of the members of each Committee shall be outside Directors.

Members of the Audit Committee (hereinafter referred to as the "Audit Committee Member") shall not assume positions as Executive Officers or Directors executing business affairs of the Company or its subsidiaries, or be employees of the Company's subsidiaries.

Article 15. (Convocation of meetings of the Committees)

Notice of a meeting of the Committees shall be dispatched to each member at least one week prior to the date of meeting; provided, however, that in urgent cases such period may be shortened and such notice may be dispatched one day prior to the date of the meeting.

Notwithstanding the preceding paragraph, with the consent of all members of the Committee, a meeting of the Committees may be held without conforming to the procedure of convening.

Article 16. (Powers of the Nominating Committee)

The Nominating Committee shall decide the matters relating to a proposal concerning election and removal of Directors to be submitted to the General Meeting of Shareholders.

In addition to what is provided in the preceding paragraph, the Nominating Committee shall have powers for the following matters:

1. Selection of a member who may convene a meeting of the Board of Directors from among the members of the Nominating Committee.
2. Selection of a member from among the members of the Nominating Committee who shall report to the Board of Directors on the progress in the execution of the duties of the Nominating Committee.
3. Reception of the report relating to candidates for Executive Officers.
4. In addition to the foregoing items, matters provided in laws or regulations.

Article 17. (Powers of the Audit Committee)

The Audit Committee shall audit the execution of the duties of the Executive Officers and Directors and prepare an audit report.

In addition to what is provided in the preceding paragraph, the Audit Committee shall have powers for the following matters:

1. Decisions on matters relating to a proposal concerning the election, removal and non-retention of the Accounting Auditors to be submitted to the General Meeting of Shareholders.
2. Decisions on matters relating to auditing policy, plan and standards, and internal control of the Company, method of investigating the activities and the state of property and other matters relating to the execution of the duties of the Audit Committee.
3. Selection of an Audit Committee Member who may request Executive Officers, Directors, or employees reports to such member regarding the execution of their duties or may investigate the activities of the Company and the state of its property (hereinafter referred to as the "Audit Committee Member in charge of the investigation").
4. Selection of an Audit Committee Member who may request the subsidiaries to report on the business or investigate the activities of the subsidiaries and the state of their property (hereinafter referred to as the "Audit Committee Member in charge of the investigation of the subsidiaries").
5. Request to the Audit Committee Member in charge of the investigation or the Audit Committee Member in charge of the investigation of the subsidiaries for the report on the execution of their duties.
6. Selection of an Audit Committee Member who shall represent the Company in respect of an action to which the Company sues Executive Officers (including former Executive Officers) or Directors (including former Directors), or Executive Officers or Directors sue the Company.
7. Selection of an Audit Committee Member who receives financial statements, etc. (financial statements and detailed statements attached thereto, ad-hoc financial statements and consolidated financial statements) from Executive Officers who prepared them.
8. Reception of financial statements, etc.
9. Selection of an Audit Committee Member who receives the notice of an accounting audit report.
10. Selection of an Audit Committee Member who may request the Accounting Auditor a report on the audit.
11. Reception of a report of the Accounting Auditor.
12. Reception of the report which shall be made if the Accounting Auditor has, in performing the duties, found any misconduct or material fact of violation of laws, regulations or the Articles of Incorporation relating to the execution of the duties of the Executive Officers.

-
13. Selection of an Audit Committee Member who shall give notification of audit report to Executive Officers who executed the business relating to the Company's business reports and detailed statements attached thereto.
 14. Pre-approval of the amount of fees payable to the Accounting Auditor.
 15. Pre-approval of non-audit services provided by the Accounting Auditor to the Company and its affiliated companies.
 16. Selection of an Audit Committee Member who may convene a meeting of the Board of Directors.
 17. Selection of an Audit Committee Member who shall report to the Board of Directors on the progress in the execution of the duties of the Audit Committee.
 18. Reception of a report on the internal control from the Executive Officers and employees and directions relating to an audit.
 19. Reception of an explanation prior to a personnel change in the Board of Directors Office.
 20. Pre-approval of disciplinary action against an employee of the Board of Directors Office.
 21. In addition to the foregoing items, matters provided in laws or regulations.

Article 18. (Powers of each Audit Committee Member)

Each Audit Committee Member shall have powers for the following matters:

1. Reception of a report from an Executive Officer on any fact which could cause significant damages to the Company.
2. Request to an Executive Officer or a Director to refrain from an act which could cause significant damages to the Company in the case where the Executive Officer or Director has done such act as is not within the scope of the corporate purpose of the Company or is violation of laws, regulations or the Articles of Incorporation, or the Executive Officer or Director is likely to do such act.
3. Consent to submission by a Director of a proposal concerning exemption of Directors (excluding Audit Committee Members) or Executive Officers from liabilities to the Company to the General Meeting of Shareholders.
4. Consent to submission by a Director or an Executive Officer of a proposal concerning exemption of Directors (excluding Audit Committee Members) or Executive Officers from liabilities based on the provision of the Articles of Incorporation to the Board of Directors.
5. Consent to the Company's offer to participate in an action to defend against the liabilities of Directors or Executive Officers for the purpose of assisting such Directors (excluding Audit Committee Members) or Executive Officers and those who had held these positions.
6. Preparation of Audit Committee Members' supplemental opinions relating to the matters provided in laws or regulations in the audit report if statements of such audit report differ from their opinions.
7. In addition to the foregoing items, matters provided in laws or regulations.

Article 19. (Powers of the Compensation Committee)

The Compensation Committee shall decide the matters relating to the compensation, etc. of each Executive Officer and Director.

In addition to what is provided in the preceding paragraph, the Compensation Committee shall have powers for the following matters:

1. Decision on the policy relating to the decision on the compensation, etc. of each Executive Officer and Director.
2. Selection of a member who may convene a meeting of the Board of Directors from among the members of the Compensation Committee.
3. Selection of a member from among the members of the Compensation Committee who shall report to the Board of Directors on the progress in the execution of the duties of the Compensation Committee.
4. Reception of the report on the matters relating to the compensation to be paid to Corporate Officers, Fellows, Senior Advisers and Associates.
5. Decision on the matters entrusted to the Compensation Committee at a General Meeting of Shareholders.
6. In addition to the foregoing items, matters provided in laws or regulations.

Article 20. (Method of resolution of the Committees)

Resolutions of each Committee shall be adopted by a majority vote of the members present at a meeting of the Committee attended by more than one-half of the members who are entitled to vote for the resolution.

A member who has a special interest in a resolution under the preceding paragraph shall not take part in the voting.

Article 21. (Minutes of the Committees)

With respect to the proceedings at a meeting of each Committee, in accordance with laws and regulations, minutes shall be prepared and shall include the names and seals or electronic signatures of the members present.

Article 22. (Confidentiality)

Directors shall maintain the confidentiality of information obtained in performing their duties.

Article 23. (Office in charge of affairs relating to the Board of Directors)

The Board of Directors Office shall take charge of affairs relating to the Board of Directors.

Article 24. (Amendment)

Resolution of the Board of Directors shall be required for any amendment of these Regulations; provided, however, that in the case of amending the Regulations to respond to amendment of laws or regulations or change in the Company's organization, such amendment may be made by decision of the Executive Officer in charge of legal matters.

CERTIFICATIONS

I, Hiroaki Nakanishi, certify that:

1. I have reviewed this annual report on Form 20-F of Hitachi, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 24, 2011

By: /s/ Hiroaki Nakanishi

Name: Hiroaki Nakanishi

Title: President

CERTIFICATIONS

I, Takashi Miyoshi, certify that:

1. I have reviewed this annual report on Form 20-F of Hitachi, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 24, 2011

By: /s/ Takashi Miyoshi

Name: Takashi Miyoshi

Title: Executive Vice President and Executive Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER OR EQUIVALENT
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report of Hitachi, Ltd. on Form 20-F for the fiscal year ended March 31, 2011 (the "Report") pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Hiroaki Nakanishi, President of Hitachi, Ltd., certifies that, to the best of his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Hitachi, Ltd.

Date: June 24, 2011

By: /s/ Hiroaki Nakanishi

Name: Hiroaki Nakanishi
Title: President

**CERTIFICATION OF CHIEF FINANCIAL OFFICER OR EQUIVALENT
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report of Hitachi, Ltd. on Form 20-F for the fiscal year ended March 31, 2011 (the "Report") pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Takashi Miyoshi, Executive Vice President and Executive Officer of Hitachi, Ltd., certifies that, to the best of his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Hitachi, Ltd.

Date: June 24, 2011

By: /s/ Takashi Miyoshi

Name: Takashi Miyoshi

Title: Executive Vice President and Executive Officer