HITACHI LTD
Form 20-F
June 29, 2010
Table of Contents

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

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2010

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, 2010, the number of outstanding shares of common stock was 4,474,118,114.**

* 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 its subsidiary.

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

x 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 x 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.

x 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).

x 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 x 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:

x 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 x No

Table of Contents

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 stater 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 investments in our major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors which we serve, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- exchange rate fluctuations for the yen and 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 technology 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 and synthetic resins;

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;

uncertainty as to our ability to achieve the anticipated benefits of our strategy to strengthen our Social Innovation Business;

uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness and other cost reduction measures;

Table of Contents

- general socio-economic and political conditions and the regulatory and trade environment of our major markets, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports, or differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to 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 or other natural disasters;
- uncertainty as to our ability to maintain the integrity of our information systems, as well as our ability to protect our confidential information and that of our customers;
- uncertainty as to the accuracy of key assumptions we use to valuate 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

	Page
Certain Defined Terms, Conventions and Presentation of Financial Information	2
PART I	3
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	12
Item 4A. Unresolved Staff Comments	28
Item 5. Operating and Financial Review and Prospects	28
Item 6. Directors, Senior Management and Employees	59
Item 7. Major Shareholders and Related Party Transactions	72
Item 8. Financial Information	73
Item 9. The Offer and Listing	75
Item 10. Additional Information	77
Item 11. Quantitative and Qualitative Disclosures About Market Risk	91
Item 12. Description of Securities Other Than Equity Securities	97
PART II	99
Item 13. Defaults, Dividend Arrearages and Delinquencies	99
Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds	99
Item 15. Controls and Procedures	99
Item 16A. Audit Committee Financial Expert	100
Item 16B. Code of Ethics	100
Item 16C. Principal Accountant Fees and Services	101
Item 16D. Exemptions from the Listing Standards for Audit Committees	101
Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	101
Item 16F. Change in Registrant s Certifying Accountant	102
Item 16G. Corporate Governance	102
PART III	104
Item 17. Financial Statements	104
Item 18. Financial Statements	104
Item 19. Exhibits	104
SIGNATURES	105
EXHIBIT INDEX	106

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 new 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 t 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 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 Law are to the Financial Instruments and Exchange Law of Japan and other laws and regulations amending and/or supplementing the Financial Instruments and Exchange Law 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.

Table of Contents

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,				
	2006	2007	2008	2009	2010
	(Millions of yen, except per share amounts and number of shares issued and outstanding)				
Total revenues	9,464,801	10,247,903	11,226,735	10,000,369	8,968,546
Income (loss) before income taxes	274,864	202,338	324,782	(289,871)	63,580
Net income (loss) attributable to Hitachi, Ltd.	37,320	(32,799)	(58,125)	(787,337)	(106,961)
Per common share:					
Net income (loss) attributable to Hitachi, Ltd.					
Basic	11.20	(9.84)	(17.48)	(236.86)	(29.20)
Diluted	10.84	(9.87)	(17.77)	(236.87)	(29.20)
Cash dividends declared	11.00	6.00	6.00	3.00	
	($0.094)	($0.051)	($0.057)	($0.031)	( )
Cash and cash equivalents	658,255	617,866	560,960	807,926	577,584
Short-term investments	162,756	33,986	61,289	8,654	53,575
Total assets	10,021,195	10,644,259	10,530,847	9,403,709	8,951,762
Short-term debt and current portion of long-term debt	1,000,555	1,197,607	1,109,899	1,530,457	755,181
Long-term debt	1,418,489	1,489,843	1,421,607	1,289,652	1,611,962
Noncontrolling interests	1,036,807	1,073,749	1,142,508	1,129,401	983,187
Total Hitachi, Ltd. stockholders equity	2,507,773	2,442,797	2,170,612	1,049,951	1,284,658
Common stock	282,033	282,033	282,033	282,033	408,810
Number of shares issued (thousand shares)	3,368,126	3,368,126	3,368,126	3,368,126	4,518,132
Number of shares outstanding (thousand shares)	3,330,845	3,325,160	3,324,398	3,324,152	4,474,118

Note: See note 2(ab) 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.

	Yen exchange rates per U.S. dollar		
Year ended March 31, except month data	**Average**	**High**	**Low**
2006	¥ 113.67	¥ 120.93	¥ 104.41
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
January 2010	91.10	93.31	89.41
February 2010	90.14	91.94	88.84
March 2010	90.72	93.40	88.43
April 2010	93.45	94.51	92.03
May 2010	91.97	94.68	89.89
June 2010 (through June 18)	91.52	92.33	90.79

On June 18, 2010, the yen exchange rate per U.S. dollar was 90.79 yen per $1.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

We operate in a broad range of business fields, conduct business on a global scale and utilize sophisticated, specialized technologies to carry on 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 operations. Investments in our securities also involve risks.

Although we have listed certain risks that may affect our businesses in this section, the list is not exhaustive. Other risks that are currently unknown or that are not currently considered as significant as those described in this section may also affect our businesses in the future. The items set forth in this section contain forward-looking statements as described in Cautionary Statement.

Risks Related to Economic Environment

The recent financial and credit crises and recessionary economies around the world adversely affected and may continue to adversely affect our businesses, financial condition and results of operations.

During the year ended March 31, 2010, the global economy emerged from the sharp deterioration triggered by the financial crisis and has shown continual signs of recovery since the latter half of the year. However, this recovery may 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 deflationary pressures and other negative factors may hamper economic recovery. In Japan, a persistently strong yen against currencies such as the U.S. dollar and the euro has begun to 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. Although, in terms of real GDP, the Japanese economy grew by 1.2%, or an annualized 5.0%, in the quarter ended March 31, 2010, such factors could stifle economic growth or result in a return to the negative growth of recent years. The global economic recovery may also be harmed by the fiscal crisis in Greece and other parts of Europe, which are contributing to unstable market conditions and a weakening of the euro against the yen, recent volatility in the global capital markets as well as the potential inability of emerging market economics to maintain economic growth.

Table of Contents

Although our revenues improved in the Power Systems, Electronic Systems & Equipment and Financial Services segments, they declined in the remainder of our segments over the year ended March 31, 2010. Although we saw gradual recovery in revenues in the latter half of the year ended March 31, 2010 and the economic outlook for the year ending March 31, 2011 is comparatively positive, worsening market conditions could cause declines in revenues to continue or worsen in the future.

Reduced product demand, lower average selling prices, manufacturing overcapacity and resulting impairment losses on long-lived assets characterized these downturns. If the recent gradual recovery in global economic conditions is halted or reversed, our revenues may decrease as mentioned above, 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 foreign currency exchange rate-related risks.

Since we conduct business in many foreign countries, the portion of our assets and liabilities that are 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 the global economic recession and the tightened credit market have affected 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 the capital markets, such as offerings of commercial paper and other debt securities as well as equity securities. We need liquid funds to pay operating expenses, 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 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, the global economic recession has adversely affected our cash flows from operations, business results and financial condition. Although our credit ratings have remained steady recently, the global economic recession has also had an adverse effect on our credit ratings. Moody s Investor Services, Inc. downgraded our long-term credit rating from A1 to A2 in February 2009 and, in May 2009, further downgraded our long-term credit rating from A2 to A3 and our short-term credit rating from P-1 to P-2. In June 2009, Standard and Poor s Rating Services, a division of the McGraw-Hill Companies, Inc., or S&P, downgraded our long-term credit rating from A- to BBB+. Also in June 2009, R&I downgraded our long-term credit rating from AA- to A+ and our short-term credit rating from a-1+ to a-1. Recent and potential future rating downgrades, in conjunction with uncertainty as to the stability of the financial markets, may adversely affect our ability to obtain additional financing on terms we consider favorable. Even if we are able to obtain financing, 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 further affect our ability to successfully obtain additional financing on terms we consider favorable. The inability to successfully obtain such financing may require us to reduce capital expenditures or spending on research and development, which could, in turn, impair our ability to remain competitive.

Table of Contents

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 impact on our access to funding. Additionally, unprecedented conditions in the financial and credit markets may adversely affect the availability of and cost of obtaining financing.

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 recession has exacerbated such declines and has required, and may continue to require, that we write down equity securities that we hold. This has, 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 and 2010 primarily attributable to significant net losses recorded in those years by Renesas Technology Corp., our equity method affiliate. 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 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 the 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 will 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 these materials may harm 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 extremely volatile. Increases in the price of petroleum and other materials, such as copper, steel and synthetic resins, 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. 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 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 has been volatile, and unexpected decline in demand and oversupply could result in a sharp decline in unit prices of HDDs. The semiconductor industry and the LCD industry, in particular, are highly cyclical, and cyclical downturns are characterized by sharp declines in prices and overcapacity. Oversupply in the global markets may negatively affect these businesses, which are conducted primarily by our subsidiaries and affiliates.

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 rebuild 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 return to 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.

7

Table of Contents

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

Our business strategy seeks to rebuild 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, and the closing of our plasma display panel manufacturing facilities. 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.

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.

Table of Contents

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 recently engaged in several transactions, including entering into a joint venture with General Electric Company, or GE, and integrating our affiliate, Renesas Technology, with NEC Electronics Corporation. 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.

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 very large, indeterminate amounts or 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 June 2007, we received requests for information from the European Commission in respect of alleged antitrust violations relating to dynamic random access memories. 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, 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., also 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 private parties may bring civil actions against us 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. See Item 8. Financial Information A. Consolidated Statements and Other Financial Information Legal Proceedings for additional information.

Table of Contents

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 do, 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 conditions, 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 and complicated 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 with the Tokyo District Court against us seeking compensation for the breakdown of the turbine vanes in the nuclear reactors at Hamaoka Nuclear Power Station in the amount of ¥41.8 billion plus interest. In May 2009, Hokuriku Electric Power Company filed a lawsuit with the Tokyo District Court against us seeking compensation for the breakdown of the turbine vanes in the nuclear reactors at Shika Nuclear Power Station in the amount of ¥20.2 billion plus interest. Although we are vigorously defending ourselves in these lawsuits, 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.

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 and typhoons. If such significant natural disasters were to directly damage or destroy our facilities, it 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. Even if such significant natural disasters did not directly impact our facilities, they could result in disruptions in distribution channels or supply chains. The spread of infectious diseases such as the new flu virus may also disrupt our operations, render our employees unable to work, reduce consumer demand for our products or disrupt our distribution and supply 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 may have a negative impact on our operating activities, results of operations and financial condition.

Table of Contents

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 information 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 keep and manage personal information obtained from our customers, as well as confidential information relating to our technology, 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.

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 (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.

Table of Contents

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 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.

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. 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 receivables.

We are also striving to enhance our corporate governance structure in order to greatly 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 November 2006, we entered into a letter of intent with General Electric Company, or GE, expressing both parties intent to create a global alliance for their nuclear businesses to improve and expand their boiling water reactor technology offerings, aiming at synergy in the areas of design, manufacture, construction, maintenance and engineering services. Based on this alliance, in June 2007, we and GE established companies in the U.S. and Canada. In addition, we transferred our nuclear power systems operations to a newly created Japanese company in July 2007 by way of corporate split under the Companies Act and GE invested in the Japanese company. We own 40% of the U.S. and Canadian companies, with GE owning the remaining 60%, and we own 80.01% of the Japanese company, which is a consolidated subsidiary, with GE owning the remaining 19.99%. See B. Business Overview Description of Segments Power Systems and Item 5. Operating and Financial Review and Prospects A. Operating Results Business Reorganization for more information.

In January 2009, we conducted a cash tender offer at ¥780 per share for shares of Hitachi Kokusai Electric Inc., an equity method affiliate that manufactures and sells wireless communications systems, broadcasting and video systems and semiconductor manufacturing equipment. Upon the completion of the tender offer in March 2009, Hitachi Kokusai Electric became our consolidated subsidiary. We plan to use Hitachi Kokusai Electric s expertise in order to strengthen our businesses in the areas of information networks, transportation systems, and urban development systems. See Item 5. Operating and Financial Review and Prospects A. Operating Results Business Reorganization for more information.

In January 2009, we conducted a cash tender offer at ¥1,300 per share for shares of Hitachi Koki Co., Ltd., an equity method affiliate that manufactures and sells power tools. Upon the completion of the tender offer in March 2009, Hitachi Koki became our consolidated subsidiary. The conversion of Hitachi Koki into a consolidated subsidiary is intended to promote business expansion on a global scale and to foster collaboration in such areas as research and development for lithium-ion battery-operated products, a strategic product for Hitachi Koki. See Item 5. Operating and Financial Review and Prospects A. Operating Results Business Reorganization for more information.

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.

Hitachi Maxell, Ltd. Manufacturing and marketing of information storage media, batteries and material-device-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.

Our capital expenditures for fixed assets on an accrual basis were ¥546.3 billion, ¥788.4 billion and ¥969.0 billion in the years ended March 31, 2010, 2009 and 2008. 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 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. The decrease in the year ended March 31, 2009 was primarily due to a decrease in capital expenditures in HDDs, plasma display panels and operating lease assets in the financial services sector. In the year ending March 31, 2011, we expect to increase our capital expenditures on an accrual basis to approximately ¥630.0 billion due primarily to an increase in capital expenditures in high functional materials and components, HDDs and operating lease assets in the financial services sector. We expect capital expenditures in the year ending March 31, 2011 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. Effective from the year ended March 31, 2010, we adopted FASB Accounting Standards Codification (ASC) 280, Segment Reporting, and accordingly reclassified our business into eleven segments. We previously disclosed segment information in accordance with a ministerial ordinance under the Financial Instruments and Exchange Law of Japan. The segments and major categories of products and services offered in each segment as of March 31, 2010 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;

Table of Contents

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 TVs, LCD projectors, mobile phones, room air conditioners, refrigerators, washing machines and air-conditioning equipment;

Financial Services. Leasing and loan guarantees; and

Others. General trading, logistics and property management.

15

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 and unaffiliated distributors. 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 ¥3,654.7 billion in the year ended March 31, 2010, accounting for 41% 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

Effective from the year ended March 31, 2010, we adopted FASB Accounting Standards Codification (ASC) 280, Segment Reporting, and accordingly reclassified our business into eleven segments. The figures of revenues and profit by segment for the year ended March 31, 2009 and the year ended March 31, 2008 have been reclassified in conformity with the new segmentation. We previously disclosed segment information in accordance with a ministerial ordinance under the Financial Instruments and Exchange Law of Japan. See note (30) to our consolidated financial statements.

16

Table of Contents

Financial Data by Segment

	Year ended March 31,					
	2008 (note 1)		2009		2010	
	(Millions of yen, except percentage data)					
Revenues (note 2)						
Information & Telecommunication Systems	2,053,250	16%	1,945,351	17%	1,705,587	17%
Power Systems	793,346	6	862,389	7	882,135	9
Social Infrastructure & Industrial Systems	1,213,024	10	1,334,246	12	1,250,225	12
Electronic Systems & Equipment	1,124,885	9	983,821	9	998,632	10
Construction Machinery	931,007	7	724,689	6	583,636	6
High Functional Materials & Components	1,880,517	15	1,561,045	14	1,249,327	12
Automotive Systems	885,406	7	681,750	6	638,828	6
Components & Devices	1,143,595	9	978,297	9	754,889	7
Digital Media & Consumer Products	1,442,171	11	1,103,860	10	929,258	9
Financial Services	434,634	3	401,317	3	419,650	4
Others	899,877	7	830,834	7	763,665	8
Subtotal	12,801,712	100%	11,407,599	100%	10,175,832	100%
Eliminations and Corporate Items	(1,574,977)		(1,407,230)		(1,207,286)	
Total	11,226,735		10,000,369		8,968,546	
Segment Profit (Loss)						
Information & Telecommunication Systems	140,803	39%	138,452	96%	94,592	41%
Power Systems	(16,493)	(5)	3,485	2	22,075	9
Social Infrastructure & Industrial Systems	30,289	8	34,406	24	42,086	18
Electronic Systems & Equipment	55,855	15	25,755	18	(5,218)	(2)
Construction Machinery	106,979	30	51,337	35	17,649	8
High Functional Materials & Components	137,353	38	25,257	17	44,412	19
Automotive Systems	14,282	4	(60,507)	(42)	(5,486)	(2)
Components & Devices	(37,259)	(10)	5,799	4	1,149	0
Digital Media & Consumer Products	(118,599)	(33)	(110,548)	(76)	(7,206)	(3)
Financial Services	21,865	6	6,660	5	8,518	4
Others	27,870	8	24,515	17	19,423	8
Subtotal	362,945	100%	144,611	100%	231,994	100%
Eliminations and Corporate Items	(17,429)		(17,465)		(29,835)	
Total	345,516		127,146		202,159	

Revenues by Geographic Area (note 3)

	Year ended March 31,					
	2008 (note 1)		2009		2010	
	(Millions of yen, except percentage data)					
Japan	6,484,496	58%	5,861,448	59%	5,313,790	59%
Outside Japan						
Asia	2,167,171	19	1,911,290	19	1,699,071	19
North America	1,023,713	9	899,550	9	729,698	8

Europe	1,073,877	10	904,425	9	824,697	9
Other Areas	477,478	4	423,656	4	401,290	5
Subtotal	4,742,239	42	4,138,921	41	3,654,756	41
Total	11,226,735	100%	10,000,369	100%	8,968,546	100%

17

Table of Contents

Supplemental Geographic Information (note 4)

	Year ended March 31, 2008		2009		2010	
	(Millions of yen, except percentage data)					
Revenues						
Japan						
Outside customer sales	7,436,999	55%	6,683,143	55%	6,006,775	57%
Intersegment transactions	1,459,260	11	1,302,509	11	1,011,215	9
Total	8,896,259	66	7,985,652	66	7,017,990	66
Asia						
Outside customer sales	1,771,600	13	1,542,526	13	1,389,095	13
Intersegment transactions	637,719	5	591,611	5	499,947	5
Total	2,409,319	18	2,134,137	18	1,889,042	18
North America						
Outside customer sales	962,267	7	852,100	7	670,897	6
Intersegment transactions	123,841	1	121,325	1	104,698	1
Total	1,086,108	8	973,425	8	775,595	7
Europe						
Outside customer sales	826,188	6	738,662	6	717,300	7
Intersegment transactions	60,650	0	51,318	0	33,648	0
Total	886,838	6	789,980	6	750,948	7
Other Areas						
Outside customer sales	229,681	2	183,938	2	184,479	2
Intersegment transactions	39,841	0	8,367	0	3,090	0
Total	269,522	2	192,305	2	187,569	2
Subtotal	13,548,046	100%	12,075,499	100%	10,621,144	100%
Eliminations and Corporate Items	(2,321,311)		(2,075,130)		(1,652,598)	
Total	11,226,735		10,000,369		8,968,546	
Geographical Profit (Loss)						
Japan	299,632	77%	74,370	49%	149,429	57%
Asia	33,020	8	76,742	51	89,399	34
North America	23,087	6	7,182	5	4,835	2
Europe	21,575	6	(17,129)	(11)	11,784	5
Other Areas	13,394	3	9,434	6	6,273	2
Subtotal	390,708	100%	150,599	100%	261,720	100%
Eliminations and Corporate Items	(45,192)		(23,453)		(59,561)	
Total	345,516		127,146		202,159	

Notes:

(1) Figures for the year ended March 31, 2008 have not been audited.

(2) Revenues by segment include intersegment transactions.

(3) Revenues by geographic area are based on the locations of the customer to whom our products or services are sold.

(4) Supplemental geographic information is based on our location and the location of our subsidiaries, and is presented in accordance with a ministerial ordinance under the Financial Instruments and Exchange Law of Japan.

Table of Contents

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 we offer, disk array subsystems, servers and mainframes are more significant than other products. In order to meet market requirements, we need to 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.

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 such 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. We believe that environmentally friendly products are 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 plan to merge in October 2010. We expect them to, among other things, focus on developing our environmentally-friendly data center business and cloud computing business and strengthening our systems integration business. We also expect them to improve our readiness for large-scale projects and strengthen and expand our network service and outsourcing businesses.

In the year ended March 31, 2010, this segment accounted for 17% of total revenues before eliminations and recorded segment profit of ¥94.5 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 endeavor to expand our power systems business, particularly our nuclear power generation and 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 establishing a supervisory office for overseas plant construction and incorporating escalation provisions in contracts for long-term infrastructure projects in order to allocate exchange rate and commodity price risk to customers.

Table of Contents

We have constructed nuclear power stations in Japan for more than forty years and are currently constructing two new stations. We were invited to bid on all Advanced Boiling Water Reactor projects in Japan until now. We also plan to strengthen and expand our nuclear power systems business throughout the world, including the United States, by utilizing the alliance with GE to improve and expand boiling water reactor technology offerings, and to benefit from synergies in the areas of design, manufacturing, construction, maintenance and engineering services. Based on the alliance, in June 2007, we established companies in the United States and Canada with GE. In addition, we transferred our nuclear power systems operations to a newly created Japanese company in July 2007 by way of a corporate split under the Companies Act, and GE invested therein. We own 40% of the U.S. and Canadian companies, with GE owning the remaining 60%, and we own 80.01% of the Japanese company, which is a consolidated subsidiary, with GE owning the remaining 19.99%. These companies will construct and maintain nuclear power plants and provide related services. We expect that the nuclear power market will expand globally and believe that, by creating synergies with GE, this alliance will enable us to expand our nuclear power systems business throughout the world, utilizing GE s design engineering of an advanced economic and simplified boiling water reactor, and both companies accumulated know-how and experience in sales activities and the construction of nuclear power plants. See Our History and Development and Item 5. Operating and Financial Review and Prospects Operating Results Business Reorganization.

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, 2007 and 2008, we received large orders for thermal power plants in overseas markets, including Canada, Europe and South Africa. In September 2009, we received an order for two steam turbine generators for Egypt s first supercritical thermal power plant. We seek to increase our thermal power systems throughout Europe, North America and in developing countries such as South Africa, India and Egypt. 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.

On June 15, 2006, Hamaoka Nuclear Power Station No. 5 of Chubu Electric Power 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 Co., Inc. filed a lawsuit with the Tokyo District Court against us, seeking compensation for the breakdown of the turbine vanes in the nuclear reactors at Hamaoka Nuclear Power Station in the amount of ¥41.8 billion plus interest. In May 2009, Hokuriku Electric Power Company filed a lawsuit with the Tokyo District Court against us, seeking compensation for the breakdown of the turbine vanes in the nuclear reactors at Shika Nuclear Power Station in the amount of ¥20.2 billion plus interest. 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, 2010, this segment accounted for 9% of total revenues before eliminations and recorded segment profit of ¥22.0 billion.

Social Infrastructure & Industrial Systems

In this segment, we provide infrastructure products and services that form the underpinning of people s lives and 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 the environmental impact on society.

For railway vehicles and control systems, we provide comprehensive systems that include rail cars, electronic components and traffic control systems, and we believe we are the only company in Japan that can do so. In the past few years, we 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 that use our lithium-ion rechargeable batteries for power.

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 markets 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.

In August 2009, we conducted tender offers 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, 2010, this segment accounted for 12% of total revenues before eliminations and recorded segment profit of ¥42.0 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 aspects: (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. 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, though we saw a recent gradual recovery trend.

In the year ended March 31, 2010, this segment accounted for 10% of total revenues before eliminations and recorded a segment loss of ¥5.2 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.

In the year ended March 31, 2010, this segment accounted for 6% of total revenues before eliminations and recorded segment profit of ¥17.6 billion.

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 and sells magnetic and electronic materials and parts. They include specialty steels such as materials for mobile phones and gas turbines. Hitachi Cable, Ltd. manufactures and sells 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 hybrid vehicles.

As more products in this segment become more closely dependent upon and driven by electronics 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, mobile phones and other IT-related products has increased in recent years, the business climate of the IT industry has significantly affected business results in this segment.

In the year ended March 31, 2010, this segment accounted for 12% of total revenues before eliminations and recorded segment profit of ¥44.4 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.

Since 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 business, we separated our automotive systems business to form a new company in July 2009. We expect the new company, our wholly owned subsidiary, to make faster decisions, operate more efficiently, and innovate by combining automotive and electronics technologies. We have also taken steps to manage costs in the automotive business by closing several factories, effectively transferring employees internally and reducing our temporary workforce. See Item 5. Operating and Financial Review and Prospects A. Operating Results Business Reorganization and The Year Ended March 31, 2009 Compared with the Year Ended March 31, 2008 for more information.

In the year ended March 31, 2010, this segment accounted for 6% of total revenues before eliminations and recorded a segment loss of ¥5.4 billion.

Components & Devices

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

In the HDD business, we are trying to improve the profitability of Hitachi Global Storage Technologies, Inc., our wholly owned subsidiary. We expect that the HDD market will continue to expand due to a growing need for large volume information storage but also consider that the HDD industry is facing rapid technological changes, such as the development of high capacity HDDs and increasing commoditization of old models. 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, such as integration of several development and manufacturing facilities for magnetic heads and circular disks, closure of a manufacturing facility, a reduction in the size of our workforce and a reduction in plant and equipment investment. We have also made efforts to introduce new products in a timely manner, by, among other things, strengthening management of product development phases. In addition, we made efforts to strengthen our R&D capability for the purpose of developing and introducing cost-competitive products. As a result of these efforts, our HDD business has recently seen positive operating results.

Table of Contents

The display business is highly competitive and characterized by significant price fluctuations with changes in the supply-demand balance. Due to the unfavorable business environment such as severe price competition, we exited from the unprofitable large-size LCD business which Hitachi Displays, our consolidated subsidiary, conducted, in the first quarter of the year ended March 31, 2007. Currently an equity method affiliate called IPS Alpha Technology, Ltd. conducts the large-size LCD business for flat-panel TVs. Further, in December 2007, we entered into a comprehensive alliance with Panasonic Corporation and Canon, Inc., which anticipates the transfer of our LCD business to both Panasonic and Canon. We plan to continue to engage in research and development of LCD panels after the transfer of our LCD business.

In August 2009, we conducted tender offers to acquire the noncontrolling interests in Hitachi Maxell, a listed consolidated subsidiary, and converted it into a wholly owned subsidiary in April 2010. We expect the conversion of Hitachi Maxell 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, 2010, this segment accounted for 7% of total revenues before eliminations and recorded segment profit of ¥1.1 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 TVs, LCD projectors and mobile phones, 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.

Home electrical equipment manufacturers are responding to customer demand for low price and high added value by cutting costs and developing differentiated product lines. Success in this segment will also depend considerably on the development of products geared to advances in new multimedia-related markets.

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 TVs, price reductions have been significant because of domestic and overseas competitors and increasing commoditization of products. In an attempt to improve the profitability of our flat-panel TV business, we have taken restructuring measures, including streamlining our sales network in both domestic and overseas markets, limiting overseas sales units of flat-panel TVs and reducing production and fixed costs. In addition, we began sourcing all glass panels for plasma TVs, which Hitachi Plasma Display previously manufactured, from Panasonic. Subsequently, in September 2009, we announced an agreement to transfer the land and buildings belonging to Hitachi Plasma Display to Showa Shell Solar. Moreover, we separated our digital media products business, mainly consisting of flat-panel TVs and commercial-use LCD projectors, to form a new company in July 2009. We expect the new company, our wholly owned subsidiary, to respond more quickly to market needs through collaborations with our subsidiary in charge of sales and after-sales services and with other external partners for product development. See Item 5. Operating and Financial Review and Prospects A. Operating Results Business Reorganization and The Year Ended March 31, 2009 Compared with the Year Ended March 31, 2008 for more information.

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, and 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 will further decrease to 9.3% by the end of June 2010. We will no longer account for the joint venture as an equity method affiliate.

In the year ended March 31, 2010, this segment accounted for 9% of total revenues before eliminations and recorded a segment loss of ¥7.2 billion.

Table of Contents

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, 2010, this segment accounted for 4% of total revenues before eliminations and recorded segment profit of ¥8.5 billion.

Others

This segment includes various businesses not included in our other segments, primarily consisting of sales from general trading, 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.

In the year ended March 31, 2010, this segment accounted for 8% of total revenues before eliminations and recorded segment profit of ¥19.4 billion.

Competition

We are subject to intense competition in each of our businesses. 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 marks the 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 and synthetic resins, 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 license 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, 2010, 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, 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 operation, cash flows, reputation or credibility.

C. Organizational Structure

The table below shows our major subsidiaries as of March 31, 2010. 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 Software Engineering Co., Ltd.	Japan	100.0
Hitachi Systems & Services, 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 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. (note 1)	Japan	94.7
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 Auto Parts & Service Co., Ltd.	Japan	100.0
Hitachi Automotive Products (USA), Inc.	U.S.A.	100.0
Components & Devices		
Hitachi Displays, Ltd.	Japan	50.2%
Hitachi Maxell, Ltd. (note 2)	Japan	94.3
Hitachi Display Device (Suzhou) Co., Ltd.	China	100.0
Hitachi Global Storage Technologies Netherlands B.V.	Netherlands	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
Nikkyo Create, Ltd.	Japan	100.0
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

Notes:

(1) We converted Hitachi Plant Technologies into a wholly owned subsidiary on April 1, 2010.

(2) We converted Hitachi Maxell into a wholly owned subsidiary on April 1, 2010.

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 believe 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, 2010 was ¥68,841 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, 2010. 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:			
Thermal Power Systems Division, etc.	Ibaraki	3,789	Power generating equipment
Information & Telecommunication Systems Company	Kanagawa, etc.	799	Software, mainframes
Research & Development Group	Tokyo, etc.	825	
Urban Planning and Development Systems Company	Ibaraki	528	Elevators, escalators
Sales Offices	Osaka, etc.	102	
Head Office	Tokyo	1,084	
Information & Control Systems Company	Ibaraki	232	Switch boards, computer control systems
Transportation Systems Division	Yamaguchi	693	Railway vehicles
Consumer Business Division	Tokyo	89	
Subsidiaries:			
Hitachi Automotive Systems, Ltd.	Ibaraki	2,614	Automotive equipment
Tsuchiura Plant, Hitachi Construction Machinery Co., Ltd.	Ibaraki	5,534	Construction machinery
Yasugi Works, Hitachi Metals, Ltd.	Shimane	1,096	Special steels
Hitachi Displays, Ltd.	Chiba	457	Liquid crystal displays
Hitaka Works, Hitachi Cable, Ltd.	Ibaraki	961	Wires and cables
Head Office, Hitachi Building Systems Co., Ltd.	Tokyo	171	
Head Office, Hitachi Software Engineering Co., Ltd.	Tokyo	17	
Kyoto Works, Hitachi Maxell, Ltd.	Kyoto	302	Magnetic recording media, batteries
Hitachinaka-Rinko Works, Hitachi Construction Machinery Co., Ltd.	Ibaraki	181	Construction machinery
Yamazaki Works, Hitachi Chemical Co., Ltd.	Ibaraki	675	Semiconductor related materials
Outside of Japan			
Overseas subsidiaries:			
Hitachi Global Storage Technologies Netherlands B.V.	California, U.S.A., etc.	1,811	Hard disk drives
Hitachi Metals America, Ltd.	New York, U.S.A., etc.	2,561	Automotive components
Telco Construction Equipment Company Limited	Bangalore, India	1,141	Construction machinery

For information on our plan for capital investment for the year ended March 31, 2010, see A. History and Development of the Company in this Item.

Table of Contents

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, 2010, the world economy, which declined sharply beginning in September 2008, leveled out as a result of various governments economic stimulus packages. However, economic and market conditions were still marked by low levels of consumption and production. While the Chinese economy experienced rapid growth, spurred by government spending, U.S. and European economies remained weak as unemployment rates rose and personal incomes fell. The Japanese economy also leveled out as a result of government spending and resurgent exports to China and other emerging markets. However, the Japanese economy fell short of achieving a self-sustaining recovery due to sluggish private-sector capital investment and low levels of consumer spending affected by worsening employment conditions and personal incomes. Japan s real GDP declined by 2.0% in the year ended March 31, 2010 as compared to the previous year and declined by 3.7% in the year ended March 31, 2009 as compared to the previous year. It grew 1.8% in the year ended March 31, 2008 as compared to the previous year.

We conduct business in many foreign countries, and a portion of our assets and liabilities that are denominated in various currencies 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, 2008, 2009 and 2010. 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.

Table of Contents

Business Strategy

We aim to achieve sustainable growth and establish a stable and profitable business structure by enhancing our competitiveness as a global leader in the Social Innovation Business. This focus includes exiting underperforming businesses or businesses that share few synergies with our Social Innovation Business as well as combining technologies that share synergies in order to strengthen existing and develop new businesses. We are also implementing 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 by strengthening project control centers via local leadership. We believe this will enable us to develop a detailed strategy in each region through developing comprehensive understanding of local values, standards and risks. In addition, when necessary and appropriate, we will collaborate with local partners, including local governments, to expand business opportunities. Further, we will focus our business resources, including capital expenditures and R&D investments, on our Social Innovation Business.

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 are implementing 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, particularly in the digital media and automotive systems-related businesses;
- controlling costs, such as by reducing procurement costs and enhancing project management;
- promoting shared services over a wide range of areas such as procurement, logistics, document services, cafeteria operations, security, personnel management and financial management; and
- reducing or delaying capital expenditures.

For the year ending March 31, 2010, we made company-wide efforts to reduce fixed costs and procurement costs. In addition, we continued to make selective investments in new plants and equipment, resulting in a decrease of ¥242.1 billion in capital expenditures on an accrual basis.

Table of Contents

In December 2007, we entered into a comprehensive alliance with Panasonic and Canon to transfer our large-sized LCD business to Panasonic and our small- and medium-sized LCD businesses to Canon. Pursuant to the alliance, in February 2008, the parties entered into an agreement regarding the future transfer of these businesses to Panasonic and Canon.

During the year ended March 31, 2009, we made changes in our flat-panel TV business. We decided to shift 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 and NEC Electronics to form a new semiconductor company. The merger was completed on April 1, 2010. The combination of Renesas Technology and NEC Electronics is expected to result in substantial cost reduction and mitigate the negative impact of the global economic recession by combining research and development resources, consolidating manufacturing facilities and eliminating redundant operations. See Business Reorganization in this Item below for more detailed information.

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 more of those companies profits 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 more speedy and autonomous business management. Each virtual company has the same independence, responsibility and accountability for their earnings as group companies, aiming to accelerate decision-making and to facilitate the optimal allocation of business resources within Hitachi.

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.

Business Reorganization

Year Ended March 31, 2010 Business Reorganization

On October 8, 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.

Table of Contents

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 material-device-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 an aggregate amount of ¥255.6 billion. In addition, we engaged in certain measures to complete the acquisition of the shares of shareholders of the five subsidiaries who did not tender their shares 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.

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 30.62% ownership interest in Renesas Electronics, and continue to account for the company as an equity method affiliate. We, NEC and Mitsubishi Electric have agreed to hold the respective shares of Renesas Electronics each company acquired via the April 1, 2010 capital injection for at least two years. Renesas Electronics common stock is currently listed on the First Section of the TSE having replaced NEC Electronics listing following the merger.

The merger was part of our larger strategy to restructure our business portfolio, which is designed to greatly enhance resource allocation and profitability. We entered into the definitive agreement as an initial step to decrease our stake in Renesas Technology and 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 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 decrease in prices, 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 for us. 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 other 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. We plan to use this expertise in order to strengthen our businesses in such areas as information networks, transportation systems, and urban development systems.

Table of Contents

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 research and development for lithium-ion battery-operated products, a strategic product for Hitachi Koki.

During the year ended March 31, 2009, the Company decided to shift from producing glass panels for plasma TVs at our subsidiary to procuring such components from Panasonic. See The Year Ended March 31, 2009 Compared with The Year Ended March 31, 2008 in this Item for additional information.

Year Ended March 31, 2008 Business Reorganization

In November 2006, we entered into a letter of intent with GE, which expressed the intent of both parties to create a global alliance for their nuclear businesses. This alliance was intended to improve and expand our and GE s boiling water reactor technology offerings, as well as to achieve synergy in the areas of design, manufacture, construction, maintenance and engineering services. Subsequently, in order to implement the alliance, we entered into an agreement with GE in May 2007 to form companies in each of the U.S., Canada and Japan. The U.S. and Canadian companies were established in June 2007. In July 2007, we transferred our nuclear power systems operations to a newly created Japanese company, by way of corporate split under the Companies Act, and GE invested in the Japanese company. We own 40% of the U.S. and Canadian companies, with GE owning the remaining 60%, and we own 80.01% of the Japanese company, which is a consolidated subsidiary, with GE owning the remaining 19.99%. We seek through these transactions to strengthen our competitiveness in the global market and to increase market share and profitability in the future through synergy with GE. We plan to strengthen and expand our nuclear power systems business throughout the world, including the U.S., through the alliance with GE. In particular, these plans include jointly designing both an advanced boiling water reactor and a next-generation, economic and simplified boiling water reactor. These plans also include leveraging both companies accumulated know-how and experience in the sales activities and the construction of nuclear power plants.

In December 2007, we entered into a comprehensive alliance with Panasonic and Canon. Pursuant to this alliance, our large-size LCD business and small- and medium-sized LCD business will be transferred to Panasonic and Canon, respectively. In February 2008, we entered into an agreement with Panasonic regarding the future transfer of our business, conducted by IPS Alpha, for manufacturing large-sized LCDs for flat-panel TVs to Panasonic. Also in February 2008, we entered into an agreement with Canon regarding the future transfer of Hitachi Displays business for manufacturing small- and medium-sized LCDs to Canon. We plan to complete the transfer of our large-size LCD business to Panasonic by the end of June 2010.

Note to Analysis of Revenues and Profit (Loss)

Effective from the year ended March 31, 2010, we adopted FASB Accounting Standards Codification (ASC) 280, Segment Reporting, and accordingly changed our segment reporting. The figures of revenues and profit (loss) by segment for the year ended March 31, 2009 and the year ended March 31, 2008 have been reclassified in conformity with the new segmentation. 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, 2010 Compared with The Year Ended March 31, 2009

Summary

	Year ended March 31, 2009	Year ended March 31, 2010	Percent change
	(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.

Table of Contents

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.

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	change	2009	2010	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.

Table of Contents

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.

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, 2009	2010	Percent change
	(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.

The Year Ended March 31, 2009 Compared with the Year Ended March 31, 2008

Summary

	Year ended March 31,		
	2008	2009	Percent change
	(Millions of yen, except percentage data)		
Total revenues	11,226,735	10,000,369	-11%
Income (loss) before income taxes	324,782	(289,871)	
Net income (loss)	52,619	(795,120)	
Net loss attributable to Hitachi, Ltd.	(58,125)	(787,337)	

Our total revenues decreased appreciably compared with the preceding fiscal year. We recorded a significant loss before income taxes due to the drastic decline in profit by business segments as a whole, as well as large losses due to impairment of long-lived assets, equity in net loss of affiliated companies, write-downs of securities, foreign exchange losses and restructuring charges. Net loss attributable to Hitachi, Ltd. significantly increased compared with the preceding fiscal year due to the loss before income taxes as well as a sizable increase in the valuation allowance for deferred tax assets.

Table of Contents

Analysis of Statement of Operations

Our total revenues in the year ended March 31, 2009 were ¥10,000.3 billion, a decrease of 11% from the preceding fiscal year due to decreases in revenues in most segments, but primarily in the Construction Machinery, High Functional Materials & Components, Automotive Systems and Digital Media & Consumer Products segments. Such revenue decreases were primarily associated with the plunge in demand for automobiles, semiconductors and industrial equipment caused by the worldwide economic deterioration during the second half of the year ended March 31, 2009. Overseas revenues declined 13% compared with the preceding fiscal year to ¥4,138.9 billion. This decline, due primarily to a decrease in revenues in automobile-related equipment, materials and components, as well as construction machinery, was caused by the worldwide economic deterioration during the second half of the year ended March 31, 2009. The strengthening of the yen also reduced revenues from overseas.

Our cost of sales decreased 11%, to ¥7,816.1 billion, in the year ended March 31, 2009 compared with the preceding fiscal year. The ratio of cost of sales to total revenues was 78%, which was flat with the preceding fiscal year. The stability of this ratio reflects the results of cost-reduction efforts, which offset the effect of increases in raw material prices.

Selling, general and administrative expenses decreased 2%, to ¥2,057.0 billion, in the year ended March 31, 2009 compared with the preceding fiscal year. The ratio of selling, general and administrative expenses to total revenues increased 2% to 21% mainly due to the significant decrease in revenues.

In the year ended March 31, 2009, we recorded impairment losses for long-lived assets in the amount of ¥128.4 billion, an increase of ¥40.8 billion from the preceding fiscal year.

The Digital Media & Consumer Products segment recorded an impairment loss of ¥51.6 billion mainly in connection with the impairment of plasma display panel production facilities, due to our decision to shift from producing glass panel components for plasma TVs at our subsidiaries to procuring such components from outside us, as well as impairment of the value of patents related to plasma display panel technology. The Automotive Systems segment recorded an impairment loss of ¥29.2 billion, mainly on production facilities for automotive equipment, due to decreased profitability in the automotive systems business, caused by a plunge in demand corresponding to sluggish automobile sales worldwide. The Information & Telecommunication Systems segment recorded an impairment loss of ¥15.7 billion, including impairment of production facilities for large-scale integrated circuits due to decreased profitability caused by low demand in the semiconductor-related industry. The impairment loss also includes software used in the outsourcing business for domestic local financial institutions due to decreased profitability mainly because of restrained IT investment by financial institutions. The High Functional Materials & Components segment recorded an impairment loss of ¥12.8 billion mainly in connection with the impairment of production facilities for semiconductor-related and automotive-related products due to decreased profitability in these products caused by a plunge in demand in the automobile and semiconductor industries. The Components & Devices segment recorded an impairment loss of ¥12.0 billion mainly in connection with the impairment of production facilities for electronic parts that were projected to have lower production because of smaller demand in the market. The impairment loss also includes impairment of real estate of our subsidiary in the United States due to a decline in the expected sales price of assets scheduled to be sold, caused by deterioration in the real estate market. We determined these losses by using fair value estimates primarily based on discounted future cash flows. We expect portions of the investments in the aforementioned segments to be irrecoverable.

Table of Contents

In the year ended March 31, 2009, we recorded restructuring charges of ¥22.9 billion, an increase of ¥4.8 billion from the preceding fiscal year, consisting primarily of restructuring charges in the Automotive Systems, High Functional Materials & Components and Components & Devices segments. See Restructuring below.

Interest income decreased ¥12.3 billion, to ¥19.1 billion, in the year ended March 31, 2009 compared with the preceding fiscal year mainly due to declines in interest rates. Dividends income increased ¥2.5 billion, to ¥8.5 billion, in the year ended March 31, 2009 compared with the preceding fiscal year. In the year ended March 31, 2009, gains on sales of stock by subsidiaries or affiliated companies amounted to ¥0.3 billion, and other income amounted to ¥5.2 billion, consisting mainly of a gain on the sale of our mobile communications equipment sales business.

Interest charges decreased ¥8.6 billion, to ¥33.8 billion, in the year ended March 31, 2009 compared with the preceding fiscal year, due primarily to the effect of lower interest rates.

In the year ended March 31, 2009, equity in net earnings of affiliated companies declined ¥184.7 billion compared with the preceding fiscal year, resulting in a loss of ¥162.2 billion, of which ¥120.3 billion is attributable to Renesas Technology. The loss at Renesas Technology was mainly due to a decrease in semiconductor demand as worldwide sales of automobiles and mobile phones declined due to the economic downturn. The decline also resulted from losses at affiliates engaged in the large-sized TV LCD business, which reflected a decline in unit prices.

Other deductions increased ¥65.2 billion, to ¥102.9 billion, in the year ended March 31, 2009 compared with the preceding fiscal year. Gains on securities declined ¥124.2 billion compared with the preceding fiscal year, resulting in a loss on securities of ¥44.0 billion. The decline was due to market price declines in the worldwide stock markets, mainly in Japan, resulting in write-downs of securities, as well as the absence of the substantial gain on sales of securities which had been recorded during the preceding fiscal year. Foreign exchange loss increased ¥8.8 billion, to ¥37.2 billion, in the year ended March 31, 2009 compared with the preceding fiscal year, due primarily to the strengthening of the yen against the U.S. dollar and the euro. Net loss on sale and disposal of rental assets and other property, plant and equipment increased ¥13.0 billion, to ¥21.2 billion, in the year ended March 31, 2009 compared with the preceding fiscal year.

As a result of the foregoing, income before income taxes decreased ¥614.6 billion, resulting in a loss before income taxes of ¥289.8 billion in the year ended March 31, 2009 compared with the preceding fiscal year.

Income taxes increased ¥233.0 billion, to ¥505.2 billion, in the year ended March 31, 2009 compared with the preceding fiscal year, due primarily to recognition of an additional valuation allowance for deferred tax assets following a reassessment of whether the deferred tax assets could be realized. We concluded that it was not more likely than not that we would realize the deferred tax assets upon a determination that a significant recovery of our profitability would be unlikely, given the seriousness of the worldwide economic deterioration and the unlikelihood that the operating environment for our major businesses, such as automobile and digital media equipment, would quickly recover, even after the year ended March 31, 2009.

As a result, net income decreased ¥847.7 billion compared with the preceding fiscal year, to a net loss of ¥795.1 billion in the year ended March 31, 2009.

In the year ended March 31, 2009, a net loss attributable to noncontrolling interests was ¥7.7 billion compared with net income of ¥110.7 billion for the preceding fiscal year, due primarily to the overall deterioration in business results at our listed subsidiaries such as Hitachi Cable and Hitachi Maxell, both of which recorded a net loss for the year ended March 31, 2009.

As a result of the foregoing, net loss attributable to Hitachi, Ltd. increased ¥729.2 billion, to ¥787.3 billion, in the year ended March 31, 2009 compared with the preceding fiscal year.

Table of Contents

Operations by Segment

	Revenues Year ended March 31,			Segment profit (loss) Year ended March 31,		
	2008	2009	Percent change	2008	2009	Percent change
	(Millions of yen, except percentage data)					
Information & Telecommunication Systems	2,053,250	1,945,351	-5%	140,803	138,452	-2%
Power Systems	793,346	862,389	+9%	(16,493)	3,485	
Social Infrastructure & Industrial Systems	1,213,024	1,334,246	+10%	30,289	34,406	+14%
Electronic Systems & Equipment	1,124,885	983,821	-13%	55,855	25,755	-54%
Construction Machinery	931,007	724,689	-22%	106,979	51,337	-52%
High Functional Materials & Components	1,880,517	1,561,045	-17%	137,353	25,257	-82%
Automotive Systems	885,406	681,750	-23%	14,282	(60,507)	
Components & Devices	1,143,595	978,297	-14%	(37,259)	5,799	
Digital Media & Consumer Products	1,442,171	1,103,860	-23%	(118,599)	(110,548)	
Financial Services	434,634	401,317	-8%	21,865	6,660	-70%
Others	899,877	830,834	-8%	27,870	24,515	-12%
Subtotal	12,801,712	11,407,599	-11%	362,945	144,611	-60%
Eliminations and Corporate Items	(1,574,977)	(1,407,230)		(17,429)	(17,465)	
Total	11,226,735	10,000,369	-11%	345,516	127,146	-63%

Note: Figures for the year ended March 31, 2008 have not been audited.

Total segment profit fell 63%, to ¥127.1 billion, in the year ended March 31, 2009 compared with the preceding fiscal year. Although segment profit increased in the Components & Devices segment, the effects of a sharp decline in profitability in the High Functional Materials & Components and Automotive Systems segments, brought about by significant decreases in revenues, overshadowed this increase.

Information & Telecommunication Systems

Revenues decreased 5% to ¥1,945.3 billion in the year ended March 31, 2009 compared with the preceding fiscal year due primarily to decreases in services business sales and in hardware sales.

Revenues in the services business decreased. Major factors included a halt to the increase in sales of system integration services, with domestic financial institutions mostly having finished their current IT upgrade cycle, and the impact of customers refraining from IT-related investments during the second half due to the worsening economy. Revenues from hardware also decreased due primarily to a decrease in sales of disk array subsystems as a result of yen appreciation.

Segment profit decreased 2% to ¥138.4 billion in the year ended March 31, 2009 compared with the preceding fiscal year. In the services business, profit increased as a result of efforts to control order receipts that emphasize profitability and to achieve profitability via thorough follow-up and cost management during the design and development processes in system integration. However, this positive contribution was overshadowed by profit decreases in software due to the decreased sales and in disk array subsystems due to yen appreciation.

Power Systems

Revenues increased 9%, to ¥862.3 billion, in the year ended March 31, 2009 compared with the preceding fiscal year, due primarily to an increase in revenues from nuclear power systems resulting from posting sales of nuclear power plants in Japan and an increase in revenues from thermal power systems resulting from posting sales of coal-fired thermal power plants in Germany and Canada.

Segment profit amounted to ¥3.4 billion in the year ended March 31, 2009, an improvement of ¥19.9 billion compared with the preceding fiscal year, due primarily to improved profitability resulting from an increase in revenues.

Table of Contents

Social Infrastructure & Industrial Systems

Revenues increased 10%, to ¥1,334.2 billion, in the year ended March 31, 2009 compared with the preceding fiscal year, due primarily to an increase in sales of elevators and escalators particularly in China owing to increased demand and an increase in sales of railway vehicles and systems in overseas markets such as the United Kingdom. The increased revenues were partially offset by a decrease in sales of industrial equipment primarily due to a decline in private-sector capital investments against the backdrop of the economic downturn.

Segment profit increased 14%, to ¥34.4 billion, in the year ended March 31, 2009 compared with the preceding fiscal year, due primarily to an increase in profit from sales of elevators and escalators as a result of the increased revenues and to cost reduction efforts.

Electronic Systems & Equipment

Revenues decreased 13%, to ¥983.8 billion, in the year ended March 31, 2009 compared with the preceding fiscal year. At Hitachi High-Technologies, revenues in the year ended March 31, 2009 decreased compared with the preceding fiscal year. In the U.S. and European markets, supported by solid demand for integrated clinical biochemistry and immunochemistry analyzers, products for highly efficient and high-quality tests progressed favorably, resulting in an increase in revenues from clinical analyzers. However, revenues from semiconductor manufacturing equipment and LCD-related manufacturing equipment decreased, as semiconductor manufacturers and LCD manufacturers reduced capital investments due to deterioration in these markets.

Segment profit decreased 54%, to ¥25.7 billion, in the year ended March 31, 2009 compared with the preceding fiscal year, due primarily to a decrease in profit at Hitachi High-Technologies mainly as a result of the decrease in sales of semiconductor manufacturing equipment.

Construction Machinery

Revenues decreased 22%, to ¥724.6 billion, in the year ended March 31, 2009 compared with the preceding fiscal year, due to a decrease in sales of hydraulic excavators and wheel loaders as a result of decreased worldwide demand, primarily in Europe, the United States and Japan, for construction machinery, mainly due to reduced housing investment as credit tightened and reduced capital investments in the private sector.

Segment profit decreased 52%, to ¥51.3 billion, in the year ended March 31, 2009 compared with the preceding fiscal year, due primarily to a significant decrease in sales.

High Functional Materials & Components

Revenues decreased 17%, to ¥1,561.0 billion, in the year ended March 31, 2009 compared with the preceding fiscal year. This decline was due primarily to decreases in sales of semiconductor- and automotive-related materials and components. These sales decreased following a sharp decline in demand for automobiles and semiconductors as the global recession deepened in the second half of the year ended March 31, 2009.

Revenues from Hitachi Chemical declined compared with the preceding fiscal year due primarily to a decrease in sales of semiconductor- and automotive-related materials and products. Additionally, sales decreased because the household and environmental equipment business was sold to a third party in January 2008. Revenues from Hitachi Metals declined due primarily to decreases in sales of metallic products and magnetic materials for automobiles and IT-related electronics components. Revenues from Hitachi Cable declined due primarily to decreases in sales of wires and cables, as sale prices followed declining copper prices, and decreases in sales of automotive-related components and compound semiconductors resulting from decreased demand for automobiles and semiconductors. However, these decreases were partially offset by an increase in sales of fiber-optic submarine cables for telecommunication lines due to rising demand for data communication worldwide.

Segment profit decreased 82%, to ¥25.2 billion, in the year ended March 31, 2009 compared with the preceding fiscal year, due primarily to significant decreases in sales of automotive-related materials and components and semiconductor-related materials, as well as a valuation loss at Hitachi Cable for inventories owing to a decline in copper prices.

Automotive Systems

Revenues decreased 23%, to ¥681.7 billion, in the year ended March 31, 2009 compared with the preceding fiscal year, due primarily to the sharp reduction in demand for automotive equipment as automobile manufacturers drastically decreased production against the backdrop of sluggish global automobile sales, particularly in the second half of the year ended March 31, 2009.

A segment profit decline of ¥74.7 billion, compared with the preceding fiscal year, led to a segment loss of ¥60.5 billion due to the deteriorated profitability mainly resulting from a significant decrease in sales.

As discussed above, the profitability of the automotive systems business worsened due to a significant decline in sales. To cope with the harsh business environment, we separated our automotive systems business to form a new company on July 1, 2009. We expect the new company, our wholly owned subsidiary, to facilitate business restructuring to improve profitability, with measures such as faster decision making, improvement of operating efficiency (through reorganization and consolidation of production bases, as well as appropriate reduction in the size of the workforce) and further concentration of management resources on priority businesses such as environmental and safety-conscious systems for installation in automobiles.

Components & Devices

Revenues decreased 14%, to ¥978.2 billion, in the year ended March 31, 2009 compared with the preceding fiscal year, due primarily to decreases in revenues from HDDs and LCDs. Although HDD shipment volume increased 2% to approximately 91.2 million units, revenues decreased due primarily to yen appreciation. U.S. dollar-denominated revenues in the HDD business were almost the same year on year. Although the shipment volume of 3.5-inch HDD models for desktop PCs decreased because of sluggish demand, demand for laptop computers progressed favorably during the first half, resulting in an increase in the shipment volume of the mainstay 2.5-inch models. Revenues declined in the display business that mainly produces small- and medium-sized LCDs. Sales of small- and medium-sized LCDs progressed during the first half to meet demand for the use of high-definition LCD panels in devices such as mobile phones and digital still cameras. However, demand for LCDs as a whole plunged in the second half as the economic downturn caused a sudden decrease in consumer demand, and overall sales decreased.

Segment profit amounted to ¥5.7 billion in the year ended March 31, 2009, an improvement of ¥43.0 billion compared with the preceding fiscal year, due primarily to a significant improvement in the profitability of the HDD business as a result of restructuring measures, partially offset by a deterioration in the profitability of the LCD business resulting from a decrease in sales. The loss for HDDs of ¥34.1 billion in the preceding fiscal year improved to profit of ¥21.4 billion in the year ended March 31, 2009 due to an increase in sales of new high-capacity products with higher profitability and the effects of shortening the time between development and mass production and cost-reduction measures, such as integration of the production facilities, reduction in fixed costs and the purchase costs of raw materials.

Digital Media & Consumer Products

Revenues decreased 23%, to ¥1,103.8 billion, in the year ended March 31, 2009. Revenues of flat-panel TVs declined mainly due to the decreased sales volume of plasma TVs to 650 thousand units in the year ended March 31, 2009 compared with 850 thousand units in the preceding fiscal year, owing to the reduction of overseas sales channels for consumers, and price reductions. Sales of digital media-related products for PCs, such as optical disc drives, decreased, affected by the rapid decline in demand for PCs due to the economic downturn since the second half of the year ended March 31, 2009. Sales of room air conditioners decreased due to a decrease in sales in Europe and China owing to the adverse effect of the recession, despite an increase in sales in Japan due to favorable sales of high-end models.

Table of Contents

The segment posted a segment loss of ¥110.5 billion in the year ended March 31, 2009, though the segment loss improved ¥8.0 billion from the preceding fiscal year. This loss was mainly attributable to the posting of a loss in the flat-panel TV business, due to such factors as the continued price reductions in the mainstay market of Japan, the lower-than-projected sales volume of high-end models and the recording of expenses related to the write-off of inventories in connection with restructuring measures in Japan, partially offset by the effects of the reduction of overseas sales channels.

The flat-panel TV business experienced intensified price competition and the growth in demand slowed due to the global economic deterioration during the year ended March 31, 2009. In such a harsh business environment, we have sought to improve profitability for flat-panel TVs by switching to external procurement sources for the glass panels for plasma TVs, by reducing fixed costs through a reduction in the size of the workforce and other production costs, and by reducing domestic and overseas sales channels for consumers. In addition, we separated our digital media products business, including flat-panel TVs, to form a new company on July 1, 2009. We expect the new company, our wholly owned subsidiary, to strengthen its marketing capability, allowing it to flexibly provide products that meet market needs through collaborations with our consolidated subsidiary in charge of sales and after-sales services.

Financial Services

Revenues decreased 8% to ¥401.3 billion and segment profit fell 70% to ¥6.6 billion in the year ended March 31, 2009 compared with the preceding fiscal year, due primarily to a decline in transaction volume in the leasing of industrial equipment, as private-sector capital investments decreased due to the economic downturn, and the recording of a loss in connection with the sale of our gift card business.

Others

Revenues decreased 8%, to ¥830.8 billion, and segment profit decreased 12%, to ¥24.5 billion, in the year ended March 31, 2009 compared with the year ended March 31, 2008 despite solid revenues from logistics services, due primarily to lower revenues at various services businesses as a whole resulting from overall reduced level of economic activity.

Revenues by Geographic Area

	Revenues		
	Year ended March 31,		
	2008	2009	Percent change
	(Millions of yen, except percentage data)		
Japan	6,484,496	5,861,448	-10%
Outside Japan			
Asia	2,167,171	1,911,290	-12%
North America	1,023,713	899,550	-12%
Europe	1,073,877	904,425	-16%
Other Areas	477,478	423,656	-11%
Subtotal	4,742,239	4,138,921	-13%
Total	11,226,735	10,000,369	-11%

Note: Figures for the year ended March 31, 2008 have not been audited.

Japan

Revenues in Japan in the year ended March 31, 2009 were ¥5,861.4 billion, a 10% decrease compared with the year ended March 31, 2008. This decrease was due primarily to lower revenues from automotive-related equipment, materials and components, construction machinery and products in the IT field, such as semiconductor manufacturing equipment. These sales decreased as a result of the rapid decline in demand for automobiles, semiconductors and industrial machinery and equipment, due to the effect of rapid economic deterioration in the second half of the year ended March 31, 2009.

Asia

Revenues in Asia in the year ended March 31, 2009 were ¥1,911.2 billion, a 12% decrease compared with the year ended March 31, 2008. This decrease was caused by decreased demand for digital media-related products, such as optical disk drives, construction machinery, and high functional materials and components.

North America

Revenues in North America in the year ended March 31, 2009 were ¥899.5 billion, a 12% decrease compared with the year ended March 31, 2008. This decline was primarily attributable to: decreased sales of construction machinery caused by the effect of decreased housing construction in the United States; decreased sales of automotive-related equipment, materials and components caused by decreased production by automobile manufacturers; and decreased sales of flat-panel TVs caused by the reduction of sales channels.

Europe

Revenues in Europe in the year ended March 31, 2009 were ¥904.4 billion, a 16% decrease compared with the year ended March 31, 2008, due primarily to lower revenues decreases in sales of construction machinery and automotive equipment owing to decreased demand resulting from the economic setback, despite an increase in revenues of the coal-fired thermal power plant business primarily in Germany.

Other Areas

Revenues in other areas decreased 11%, to ¥423.6 billion, due primarily to a decrease in sales of mineral mining machinery in Australia and South Africa, as demand decreased for the development of natural resources.

Restructuring

Restructuring charges amounted to ¥25.1 billion in the year ended March 31, 2010, ¥22.9 billion in the year ended March 31, 2009 and ¥18.1 billion in the year ended March 31, 2008. Details of the most significant restructuring charges by segment are shown below.

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 expect the accrued amount to be paid in the year ending 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.

Table of Contents

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.

Year Ended March 31, 2008 Restructuring

For the year ended March 31, 2008, we recorded restructuring charges of ¥18.1 billion. The restructuring charges included special termination benefits of ¥15.6 billion for 7,801 employees. We made payments of ¥6.3 billion in the year ended March 31, 2008, and we accrued special termination benefits of ¥8.9 billion as of March 31, 2008. We paid the accrued amount in the year ended March 31, 2009.

Components & Devices recorded restructuring charges of ¥5.5 billion, consisting primarily of special termination benefits for employees in the overseas subsidiaries engaged in our HDD business due to integration and closures of production facilities.

Digital Media & Consumer Products recorded restructuring charges of ¥3.3 billion, consisting primarily of special termination benefits for employees in the overseas subsidiaries engaging in the flat-panel TVs business due to reorganization of sales operations.

Social Infrastructure & Industrial Systems recorded restructuring charges of ¥2.8 billion, consisting of special termination benefits for employees in the plant construction business in Japan in order to reduce costs and improve profitability of the business.

B. Liquidity and Capital Resources

The analysis made in this Item covers the three-year period ended March 31, 2010. 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 plant 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.

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. While we maintain backup lines of credit to cover maturing commercial paper in the U.S. market, the aggregate amount of credit available under these credit lines is limited. Our committed credit arrangements and those of our subsidiaries are, in general, subject to financial and other covenants and conditions prior to and after drawdown and require the borrower to represent, in connection with any borrowing under the agreement, that no material adverse change has occurred since certain dates.

Table of Contents

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. As of March 31, 2010, 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. 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, 2010. Certain of our subsidiaries also maintain commitment line arrangements. Our unused commitment lines and those of our subsidiaries totaled ¥395.7 billion as of March 31, 2010.

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 further 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.

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, 2008, 2009 and 2010 are shown below. As a result of adopting the provisions of ASC 810 in the year ended March 31, 2010, purchases and proceeds from sales of shares of subsidiaries that do not result in a change in the scope of consolidation, which were previously included in cash flows from investing activities, are included in cash flows from financing activities in our consolidated statements of cash flows. Accordingly, the reclassification was also applied to the cash flows for the years ended March 31, 2008 and 2009 presented in the following table. See note 2(ac) to the consolidated financial statements.

	Year ended March 31,		
	2008	**2009**	**2010**
	(Millions of yen)		
Net cash provided by operating activities	791,837	558,947	798,299
Net cash used in investing activities	(689,316)	(550,008)	(530,595)
Net cash provided by (used in) financing activities	(133,858)	284,388	(502,344)
Effect of exchange rate changes on cash and cash equivalents	(25,569)	(46,361)	4,298
Net increase (decrease) in cash and cash equivalents	(56,906)	246,966	(230,342)

Net cash provided by operating activities was ¥798.2 billion in the year ended March 31, 2010, ¥558.9 billion in the year ended March 31, 2009 and ¥791.8 billion in the year ended March 31, 2008. 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. 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.

Table of Contents

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. The decrease in the year ended March 31, 2009 was due primarily to the decrease in payables of ¥359.2 billion for the year ended March 31, 2009, compared with the increase in payables of ¥42.4 billion in the preceding fiscal year, as Hitachi s purchasing decreased as a result of lower sales. This decrease was partially offset by a decrease in receivables of ¥342.0 billion, an increase of ¥294.1 billion from the preceding fiscal year, mainly reflecting lower sales.

Net cash used in investing activities was ¥530.5 billion in the year ended March 31, 2010, ¥550.0 billion in the year ended March 31, 2009 and ¥689.3 billion in the year ended March 31, 2008. 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 strictly 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. The decrease of ¥139.3 billion in the year ended March 31, 2009 was due primarily to a decrease of ¥52.2 billion in capital expenditures due to decreasing investments in manufacturing equipment for HDDs and plasma display panels owing to our decision to switch to external procurement sources for the glass panels as well as selective investments. It was also due to a decrease of ¥214.8 billion in investments in securities and shares of newly consolidated subsidiaries due primarily to the absence of large investments, such as the investment in companies established with GE in North America in the preceding fiscal year. As of March 31, 2010, our capital commitments for the purchase of property, plant and equipment amounted to ¥35.9 billion, which is expected to be funded primarily through internal sources of financing.

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, including issuance of our commercial paper of ¥100.0 billion, to increase the level of cash on hand in response to uncertain credit markets. Net cash used in financing activities was ¥133.8 billion in the year ended March 31, 2008. The outflows in the year ended March 31, 2008 were due primarily to our efforts to reduce interest-bearing debt, including repayment of commercial paper, partially offset by an increase in proceeds from debentures and long-term borrowings due to issuance of convertible bonds in a subsidiary and an increase in proceeds from a public offering by a subsidiary that raised funds for capital expenditures.

In the year ended March 31, 2010, the above activities decreased cash and cash equivalents by ¥230.3 billion from the year ended March 31, 2009. Cash and cash equivalents as of March 31, 2010 amounted to ¥577.5 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, 2010 amounted to ¥53.5 billion, an increase of ¥44.9 billion from March 31, 2009 due primarily to an increase 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, 2010 was ¥631.1 billion, a decrease of ¥185.4 billion from March 31, 2009.

Assets, Liabilities and Equity

As of March 31, 2010, total assets amounted to ¥8,951.7 billion, a decrease of ¥451.9 billion from March 31, 2009, due primarily to a decrease in cash and cash equivalents as a result of the repayment of short-term debt, a decrease in inventories as a result of our efforts to improve our cash flows and a decrease in property, plant and equipment reflecting our selective attitude toward capital investment. Total amount of cash and cash equivalents and short-term investments as of March 31, 2010 amounted to ¥631.1 billion, a decrease of ¥185.4 billion from March 31, 2009.

Table of Contents

As of March 31, 2010, the total of our short-term debt, current portion of long-term debt and long-term debt amounted to ¥2,367.1 billion, a decrease of ¥452.9 billion from March 31, 2009. The decrease was due primarily to our repayment of short-term debt, which had increased as of March 31, 2009 to secure cash on hand, and redemption of the Euro Yen bonds with stock acquisition rights in a principal amount of ¥100.0 billion in October 2009, partially offset by our issuance of the 8th series of bonds with stock acquisition rights in a principal amount of ¥100.0 billion in December 2009. As of March 31, 2010, short-term debt, consisting mainly of borrowings from banks and commercial paper, amounted to ¥451.4 billion, a decrease of ¥547.3 billion from March 31, 2009. As of March 31, 2010, 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 ¥1,611.9 billion, an increase of ¥322.3 billion from March 31, 2009, due primarily to our issuance of the 8th series of bonds with stock acquisition rights for ¥100.0 billion. As of March 31, 2010, current portion of long-term debt amounted to ¥303.7 billion, a decrease of ¥227.9 billion from March 31, 2009. 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, 2010, noncontrolling interests amounted to ¥983.1 billion, a decrease of ¥146.2 billion from March 31, 2009, due primarily to the purchase of the shares of five listed consolidated subsidiaries through tender offers.

As of March 31, 2010, total Hitachi, Ltd. stockholders equity amounted to ¥1,284.6 billion, an increase of ¥234.7 billion from March 31, 2009. The increase primarily reflects our issuance of shares by public offering in Japan and private placements to institutional investors in other jurisdictions in December 2009 as well as a decrease in pension liability adjustments and an increase in net unrealized holding gain on available-for-sale securities due to a rise in stock market prices, though this increase was partially offset by the recognition of a net loss attributable to Hitachi, Ltd. As a result, the ratio of total Hitachi, Ltd. stockholders equity to total assets was 14.4%, compared with 11.2% as of March 31, 2009. The ratio of the total of short-term debt and long-term debt to total equity was 1.04, compared with 1.29 as of March 31, 2009.

We and our subsidiaries assess foreign currency exchange rate risk and interest rate risk by continually monitoring changes in these exposures 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, 27 and 28 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 ¥428.1 billion in the year ended March 31, 2008, ¥416.5 billion in the year ended March 31, 2009 and ¥372.4 billion in the year ended March 31, 2010. 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 nuclear and coal-fired thermal power plants, new energy, green mobility (railway, construction machinery and automotive systems), environmentally-friendly data centers, security products and solutions, as well as key devices supporting these businesses, such as high-performance motors and inverters, lithium-ion batteries, and environment and energy conscious materials.

To achieve higher efficiency, we have reinforced the link between R&D activities and marketing activities under the control of each business operation while maintaining our focus on long-term research at independent corporate laboratories. Our global R&D activities include cooperation with universities and companies in the United States and Europe. We will 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.

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

Table of Contents

D. Trend Information

In September 2008, Chubu Electric Power Co., Inc. filed a lawsuit with the Tokyo District Court against us, seeking compensation for the breakdown of the turbine vanes in the nuclear reactors at Hamaoka Nuclear Power Station in the amount of ¥41.8 billion plus interest. In May 2009, Hokuriku Electric Power Company filed a lawsuit with the Tokyo District Court against us, seeking compensation for the breakdown of the turbine vanes in the nuclear reactors at Shika Nuclear Power Station in the amount of ¥20.2 billion plus interest. 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 a tender offer for shares of Hitachi Kokusai Electric and acquired a controlling interest. Subsequently, Hitachi Kokusai Electric became our consolidated subsidiary in March 2009. As a result, the revenues of Hitachi Kokusai Electric from April 2009 are included in our consolidated statement of operations for the year ended March 31, 2010.

In January 2009, we conducted a tender offer for shares of Hitachi Koki and acquired a controlling interest. Subsequently, Hitachi Koki became our consolidated subsidiary in March 2009. As a result, the revenues of 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 the tender offers in October 2009. The five subsidiaries are 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 result, the net income or loss attributable to noncontrolling interests in the five listed consolidated subsidiaries will be fully reflected as net income or loss attributable to Hitachi, Ltd.

Global Economic Recession

The global economic recession, triggered by the collapse of a major U.S. investment bank in September 2008, resulted in a sudden and substantial decline in sales volumes in the global automotive industry, as well as in the semiconductor, industrial equipment and certain other industries. Our total revenues decreased appreciably in the year ended March 31, 2009. Segment profit as a whole declined significantly due to considerable decreases in profit in the High Functional Materials & Components and Automotive Systems segments. We recorded a significant loss before income taxes due to a significant decline in segment profit as a whole, as well as large losses due to impairment of long-lived assets, equity in net loss of affiliated companies, write-downs of securities, foreign exchange losses and restructuring charges. Net loss attributable to Hitachi, Ltd. significantly increased compared with the preceding fiscal year due to the loss before income taxes as well as a sizable increase in the valuation allowance for deferred tax assets.

During the year ended March 31, 2010, the global economy emerged from the sharp deterioration triggered by the financial crisis and has shown continual signs of recovery since the latter half of the year. However, this recovery may 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 deflationary pressures and other negative factors may hamper economic recovery. In industrialized countries, including Japan, the United States and several in Europe, severe unemployment has continued and could also negatively affect consumer spending and economic activity. The global economic recovery may also be harmed by the fiscal crises in Greece and other parts of Europe, which are contributing to unstable market conditions and a weakening of the euro against the yen, recent volatility in the global capital markets as well as the potential inability of emerging market countries to maintain economic growth. These economic trends may continue or worsen, and could adversely affect our business.

Table of Contents

Trends in Operating Results

Although our revenues improved in the Power Systems, Electronic Systems & Equipment and Financial Services segments, they declined in the remainder of our segments during the year ended March 31, 2010. Although we saw gradual recovery in revenues in the latter half of the year ended March 31, 2010 and the economic outlook for the year ending March 31, 2011 is comparatively positive, worsening market conditions could cause declines in revenues to continue or worsen in the future. On a segment-by-segment basis, we have felt and may continue to feel the following effects:

Information & Telecommunication Systems. The sluggish economy led to constrained IT investment in services and hardware by domestic enterprises, and fluctuations in foreign currency exchange rates and lackluster demand adversely affected hardware overseas revenues.

Power Systems. Strong sales of coal-fired thermal power generation systems overseas and higher sales of nuclear power generation systems in Japan contributed to revenue growth. However, this may merely reflect the fact that sales of power generation systems may be less sensitive to economic trends than sales in other business sectors because the business cycles for power generation systems tend to be longer than such cycles for other products. If the sluggish economy continues or even worsens, power companies may reduce capital investments, which could adversely affect sales of power systems.

Social Infrastructure & Industrial Systems. Reduced private-sector investment due to the economic recession resulted in lower sales of elevators and escalators as well as industrial equipment for the manufacturing industry.

Electronic Systems & Equipment. Sales of semiconductor- and LCD-related manufacturing equipment were adversely affected by constrained capital expenditures in the electronics industry.

Construction Machinery. Overall soft global demand for construction machinery resulted in a sharp decline in revenues, although this decline was partially offset by increased sales of hydraulic excavators in China.

High Functional Materials & Components. Although there were signs of recovery in the latter half of the year ended March 31, 2010 in automotive components and LCD- and semiconductor-related products, sales of these products are subject to fluctuations in demand from the automobile and IT-related industries.

Automotive Systems. Revenues declined due to sluggish demand in the worldwide automobile industry, although recovering global demand due in part to various government stimulus measures resulted in improvement in the latter half of the year ended March 31, 2010. The recovery in automobile demand may not continue after cessation of such government stimulus measures, which could adversely affect automotive equipment revenues.

Components & Devices. Constrained IT investment caused price declines for HDDs and sales of displays for mobile phones and game consoles also dropped due to sluggish demand.

Digital Media & Consumer Products. Revenues declined due to lower sales of flat-panel TVs resulting from price declines as well as a large reduction in overseas sales channels and lower sales of air- conditioning equipment due to constrained capital investments.

Financial Services. Reduced levels of private-sector capital investments adversely affected the leasing business for industrial equipment.

Others. An overall reduced level of economic activity resulted in depressed sales in the logistics business and various services businesses.

For the year ending March 31, 2010, we reduced fixed costs and procurement costs in response to the worsening business conditions. We aim to continue to reduce fixed costs and procurement costs in the year ending March 31, 2011.

Trends in Capital Resources and Liquidity

Overall, the recent adverse market and economic conditions may limit our access to capital required to operate, maintain and expand our business and our ability to replace, in a timely manner, maturing liabilities. We need liquidity to pay operating expenses, interest on our debt and dividends on our capital stock. Insufficient liquidity would force us to curtail our operations, and our business would suffer. 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. However, the global recession has been adversely affecting our cash flows from operations. Net cash provided by operating activities for the year ended March 31, 2009 was ¥558.9 billion as compared to ¥791.8 billion for the year ended March 31, 2008, though net cash provided by operating activities for the year ended March 31, 2010 increased to ¥798.2 billion. In addition, although our credit ratings have been stable recently, deteriorated business results, prospects and financial conditions have had an adverse effect on them. Between February and June 2009, Moody s, S&P and R&I each downgraded our long- and short-term credit ratings. 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. These occurrences, in conjunction with uncertainty as to the stability of the financial markets, may adversely affect our ability to obtain additional financing on favorable terms.

In response to the decrease in cash from operating activities, we strategically limited our capital expenditures in the year ended March 31, 2010. Our capital expenditures for fixed assets on a completion basis were ¥546.3 billion for the year ended March 31, 2010 as compared to ¥788.4 billion for the year ended March 31, 2009. 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. Although we plan to increase capital expenditures for the year ending March 31, 2011, potential future deterioration in our business results may force us to cancel or defer investment to reduce capital expenditures.

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

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, trade and mortgage loan receivables. The purpose of such securitization transactions is to enable us to access the capital markets for liquidity.

In these securitizations, lease, trade and mortgage loans receivable 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. In these cases, our contingent liability exposure is limited to the retained subordinated residual interests. In other cases, SPEs and investors have recourse with considerably limited scope.

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, 2010 is as follows:

	March 31, 2010 (Millions of yen)
Securitized lease receivables	491,038
Securitized trade receivables, excluding mortgage loans receivable	279,245
Securitized mortgage loans receivable	210,834
Total	981,117

See notes 2(h) 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, 2010.

		Payments due by period			
Contractual obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**After 5 years**
		(Millions of yen)			
Long-term debt obligations	1,881,773	293,176	738,140	547,023	303,434
Capital lease obligations	33,919	10,554	14,923	4,786	3,656
Operating lease obligations	79,416	16,286	25,283	16,756	21,091
Purchase of property, plant and equipment	35,906	35,761	145		
Interest commitments	88,513	22,650	34,949	17,725	13,189
Total	2,119,527	378,427	813,440	586,290	341,370

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

Other commercial commitments	**As of March 31, 2010 (Millions of yen)**
Lines of credit	354,178
Trade notes discounted and endorsed	6,035
Export receivables transferred with recourse	11,322
Guarantees	463,527

See note 17 to our consolidated financial statements.

In October 2009, we borrowed ¥180.0 billion under a commitment agreement with several commercial banks for settlement of the tender offers for shares of five listed subsidiaries.

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.

Table of Contents

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 (e.g., performance penalty and benchmarking) 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.

For the year ended March 31, 2010, we recognized ¥25.1 billion of impairment losses for long-lived assets, mainly relating to a battery business, a liquid crystal display business and a part of a record media products business in the Components & Devices 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.

Table of Contents

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, 2010, our carrying amount of goodwill was ¥190.2 billion. The majority of goodwill consists of the Construction Machinery segment (¥62.6 billion) and the High Functional Materials & Components segment (¥56.6 billion).

The carrying amount of goodwill of the Construction Machinery segment as of March 31, 2010 mainly relates to our construction machinery business. The construction machinery business is sensitive to increases in materials prices and the demand situation for infrastructure investments around the world. We may be required to record an impairment in goodwill in this segment if there is a sustained increase in materials prices and an unforeseen decrease in infrastructure investments.

The carrying amount of goodwill of the High Functional Materials & Components segment as of March 31, 2010 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.

As of March 31, 2010, 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. In order to evaluate the sensitivity of the fair value calculations on the goodwill impairment analysis, we applied a hypothetical 10% decrease to the fair value of each reporting unit. As of March 31, 2010, such a hypothetical 10% decrease would have resulted in no need to record any additional impairment in goodwill for any of our reporting units.

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, 2010. 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.

Table of Contents

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, 2011	Effect on PBO as of March 31, 2010
	(Millions of yen)	
Discount rates:		
0.5% decrease	(8,719)	161,086
0.5% increase	8,759	(149,173)
Expected rate of return on plan asset:		
0.5% decrease	(6,346)	
0.5% increase	6,346	

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.

Allowance for Doubtful Accounts

We are required to estimate the collectability of our trade receivables and investments in leases. Assessing the ultimate realization of these receivables, including the current creditworthiness of each customer, requires a considerable amount of judgment. Such assessment includes an examination of factors such as business conditions, turnover of receivables and financial positions for significant customers. We have recorded significant changes in required reserves in recent periods and may record them in the future due to the current market environment. Any deterioration in customers credit ratings 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 regularly 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 regularly 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.

Recently Issued Accounting Guidance

In December 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2009-16, Accounting for Transfers of Financial Assets. As a result, the provisions of SFAS No. 166, Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140, issued in June 2009, have been included in ASC 860, Transfers and Servicing. 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. This guidance modifies the financial-components approach used to account for transfers of financial assets, limits 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 provisions are effective for financial statements issued for fiscal years beginning after November 15, 2009, and interim periods within those fiscal years.

In December 2009, the FASB issued ASU 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. As a result, the provisions of FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R), issued in June 2009, have been included in ASC 810, Consolidations. 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 provisions are effective for financial statements issued for fiscal years beginning after November 15, 2009, and interim periods within those fiscal years.

The adoption of the guidance in ASU 2009-16 and 17 will result in additional consolidation of almost all special purpose entities and trusts that are considered Qualifying Special-Purpose Entities, which are used to execute our or our subsidiaries securitization transactions of certain financial assets, such as lease, trade and mortgage loans receivable. Accordingly, assets and liabilities are expected to increase and there will also be a net reduction of equity as a cumulative effect adjustment to retained earnings. We are currently evaluating the effect of adopting the guidance in ASU 2009-16 and 17 on our consolidated financial position and results of operations. See note 6 to our consolidated financial statements for more information about our or our subsidiaries securitization transactions.

Table of Contents

In October 2009, the FASB issued 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. We will adopt the guidance on April 1, 2011 and are currently evaluating the effect of adopting the guidance on our consolidated financial position and results of operations.

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. We will adopt the guidance on April 1, 2011 and are currently evaluating the effect of adopting the guidance on our consolidated financial position and results of operations.

Table of Contents

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

We have adopted the Committee System permitted as a form of corporate organization pursuant to the Companies Act. Each company adopting the Committee System, including us, 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 29, 2010. All Directors were elected at our general meeting of shareholders held on June 29, 2010 for a term of one year. While the Board Director (Chair), Mr. Tadamichi Sakiyama, does not concurrently serve as an Executive Officer, three Directors, Mr. Takashi Kawamura, Mr. Hiroaki Nakanishi and Mr. Takashi Miyoshi, do concurrently serve as Executive Officers. Five Directors, Ms. Yoshie Ota, Messrs. Mitsuo Ohashi, Akihiko Nomiyama, Kenji Miyahara 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 from April 1, 2010 and will expire on March 31, 2011.

Directors

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)	Board Director (Chair)	6/2009	Board Director (Chair), Hitachi, Ltd.
		6/2006	Director, Hitachi, Ltd.
		4/2006	Director, Hitachi Construction Machinery, Co., Ltd.
		6/2003	Executive Vice President, Executive Officer and Director, Hitachi Construction Machinery, Co., Ltd.
		4/2003	Executive Vice President and Representative Director, Hitachi Construction Machinery, Co., Ltd.
		6/2001	Board Director, Senior Vice President, Hitachi Construction Machinery, Co., Ltd.
		4/1999	General Manager, Internal Auditing Office
		4/1964	Joined Hitachi, Ltd.
Yoshie Ota (Sep. 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	3/2010	Advisor, Showa Denko K.K. (Currently in office)
	(Advisor, Showa Denko K.K.)	6/2007	Director, Hitachi, Ltd.
		3/2007	Chairman of the Board, Showa Denko K.K.
		1/2005	Chairman of the Board and Representative Director, Showa Denko K.K.
		3/1997	President (CEO) and Representative Director, Showa Denko K.K.
Akihiko Nomiyama (Jun. 15, 1934)	Director	6/2007	Director, Hitachi, Ltd.
	(Special Advisor, NIPPON MINING HOLDINGS, INC.)	6/2006	Special Advisor, NIPPON MINING HOLDINGS, INC. (Currently in office)
		6/2003	Chairman of the Board and Representative Director, NIPPON MINING HOLDINGS, INC.
		9/2002	President and CEO and Representative Director, NIPPON MINING HOLDINGS, INC.
Kenji Miyahara (Nov. 5, 1935)	Director	6/2010	Honorary Adviser, Sumitomo Corporation (Currently in office)
	(Honorary Adviser, Sumitomo Corporation)	6/2007	Director, Hitachi, Ltd.
			Senior Adviser, Sumitomo Corporation
		6/2001	Chairman of the Board and Representative Director, Sumitomo Corporation
		6/1996	President and Chief Executive Officer and Representative Director, Sumitomo Corporation
Tohru Motobayashi (Jan. 5, 1938)	Director	4/2008	Partner, Ihara and Motobayashi (Currently in office)
	(Attorney at law)	6/2006	Director, Hitachi, Ltd.
		4/2002	President of the Japan Federation of Bar Associations (Retired in March 2004)
		7/1971	Partner, Mori Sogo Law Offices
		4/1963	Member of the Tokyo Bar Association
Isao Ono (May 23, 1944)	Director	6/2010	Director, Hitachi, Ltd.
	(Chairman of the Board, Hitachi Software Engineering Co., Ltd.)	4/2010	Chairman of the Board, Hitachi Software Engineering Co., Ltd. (Currently in office)
		6/2006	President, Chief Executive Officer and Director, Hitachi Software Engineering Co., Ltd.
		4/2004	Executive Vice President and Executive Officer (Retired in March 2006)
		6/2003	Senior Vice President and Executive Officer
		6/2002	Senior Vice President and Director
		4/2002	General Manager, Information Business Group and President & CEO, Information & Telecommunication Systems

4/1968	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 Kawamura (Dec. 19, 1939)	Director*	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.
		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.
Masaharu Sumikawa (Jul. 2, 1943)	Director	6/2010	Director, Hitachi, Ltd.
	(Chairman of the Board, Hitachi Plant Technologies, Ltd.)		Chairman of the Board, Hitachi Plant Technologies, Ltd. (Currently in office)
		4/2010	Chairman of the Board and Representative Executive Officer, Hitachi Plant Technologies, Ltd.
		4/2006	President and Chief Executive Officer and Director, Hitachi Plant Technologies, Ltd.
		10/2004	Executive Vice President and Executive Officer (Retired in March 2006)
		2/2004	Executive Officer
		6/2003	Senior Vice President and Executive Officer
		6/2002	Senior Vice President and Director
		2/2002	President, Power & Industrial Systems and CEO, power systems operation
		4/1972	Joined Hitachi, Ltd.
Hiroaki Nakanishi (Mar. 14, 1946)	Director*	6/2010	President and Director
		4/2010	President
		4/2009	Executive Vice President and Executive Officer
		4/2006	Executive Vice President and Executive Officer (Retired in December 2006)
		6/2005	Senior Vice President and Executive Officer
			Chairman and Chief Executive Officer, Hitachi Global Storage Technologies, Inc.
		4/2004	Senior Vice President and Executive Officer
		6/2003	Vice President and Executive Officer
		4/2003	General Manager, Global Business

4/1970 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
Michiharu Nakamura (Sep. 9, 1942)	Director	6/2008	Director
		4/2007	Fellow
		4/2004	Executive Vice President and Executive Officer
		6/2003	Senior Vice President and Executive Officer
		4/2001	General Manager, Research & Development Group
		4/1967	Joined Hitachi, Ltd.
Takashi Miyoshi (Sep. 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.
		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, Akihiko Nomiyama, Kenji Miyahara, Michiharu Nakamura; and

Compensation Committee. Hiroaki Nakanishi (Chair), Akihiko Nomiyama, Kenji Miyahara, Tohru Motobayashi.

62

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
Takashi Kawamura (Dec. 19, 1939)	Representative Executive Officer Chairman (Management in general)	See	Directors above
Hiroaki Nakanishi (Mar. 14, 1946)	Representative Executive Officer President (Overall management, power systems business, industrial & social infrastructure systems business and automotive systems business)	See	Directors above
Naoya Takahashi (Oct. 17, 1948)	Representative Executive Officer Executive Vice President and Executive Officer (Information & telecommunications systems business, information & control systems business, research & development and information technology)	4/2009	Executive Vice President and Executive Officer
		4/2007	Senior Vice President and Executive Officer
		4/2006	Vice President and Executive Officer
		4/2003	COO, Information & Telecommunication Systems
		4/1973	Joined Hitachi, Ltd.
Takashi Hatchoji (Jan. 27, 1947)	Representative Executive Officer Executive Vice President and Executive Officer (Urban planning and development systems business, defense systems business, corporate planning, environmental strategies, human capital, legal and corporate communications, corporate brand and corporate auditing)	4/2009	Executive Vice President and Executive Officer, Hitachi, Ltd.
		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.

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
Takashi Miyoshi (Sep. 25, 1947)	Representative Executive Officer Executive Vice President and Executive Officer (Management reform, finance, corporate pension system, business development and consumer business)	See	Directors above
Nobuo Mochida (Apr. 1, 1947)	Representative Executive Officer Executive Vice President and Executive Officer (Corporate planning, high functional materials & components, quality assurance and production engineering)	4/2010	Chairman of the Board, Hitachi Metals, Ltd. (Currently in office) Executive Vice President and Executive Officer, Hitachi, Ltd.
		6/2006	President and Chief Executive Officer and Director, Hitachi Metals, Ltd.
		4/1970	Joined Hitachi Metals, Ltd.
Kazuhiro Mori (Oct. 7, 1946)	Representative Executive Officer Executive Vice President and Executive Officer (Motor power systems, battery systems business, sales operations, Hitachi group global business, procurement, corporate export regulation, medical systems business and business incubation)	1/2007	Executive Vice President and Executive Officer
		4/2006	Senior Vice President and Executive Officer
		4/2004	Vice President and Executive Officer
		6/2003	Executive Officer
		2/1999	General Manager, Chubu Area Operation
		4/1969	Joined Hitachi, Ltd.

64

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
Tadahiko Ishigaki (Jan. 14, 1946)	Senior Vice President and Executive Officer	4/2006	Senior Vice President and Executive Officer, Hitachi, Ltd.
	(Hitachi group global business (Americas))	2/2004	President and Representative Director, Hitachi Home & Life Solutions, Inc. (currently Hitachi Appliances, Inc.)
		6/2003	Vice President and Executive Officer (Retired in February 2004)
		4/2003	General Manager, Corporate Marketing
		4/1968	Joined Hitachi, Ltd.
Stephen Gomersall (Jan. 17, 1948)	Senior Vice President and Executive Officer	10/2006	Senior Vice President and Executive Officer, Hitachi, Ltd.
	(Hitachi group global business (Europe))	10/2004	Chief Executive for Europe, Hitachi, Ltd.
		7/1999	British Ambassador to Japan (Retired in July 2004)
		9/1970	Joined U.K. Foreign and Commonwealth Office
Yoshito Tsunoda (Sep. 20, 1944)	Senior Vice President and Executive Officer	6/2010	President and Representative Director, Hitachi Maxell, Ltd. (Currently in office)
	(Motor power systems and battery systems business)	4/2010	Senior Vice President and Executive Officer, Hitachi, Ltd.
		4/2006	President, Chief Executive Officer and Director, Hitachi Maxell, Ltd.
		6/2005	Senior Vice President, Executive Officer and Director, Hitachi Maxell, Ltd.
		4/2005	Senior Vice President and Executive Officer, Hitachi Maxell, Ltd.
		6/2003	Vice President and Executive Officer (Retired in March 2005)
		4/2003	President & CEO, Urban Planning and Development Systems
		4/1971	Joined Hitachi, Ltd.
Junzo Nakajima (Feb. 8, 1949)	Senior Vice President and Executive Officer	4/2009	Senior Vice President and Executive Officer
	(Information & telecommunication systems business)	4/2006	Vice President and Executive Officer
		4/2005	Chief Operating Officer, Information & Telecommunication Systems
		5/1972	Joined Hitachi, Ltd.
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.

65

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)	Vice President and Executive Officer	4/2009	Vice President and Executive Officer
	(Research & development, environmental strategies and medical systems business)	1/2008	General Manager, Environmental Strategy Office
		4/1975	Joined Hitachi, Ltd.
Hitoshi Isa (Feb. 19, 1950)	Vice President and Executive Officer	4/2008	Vice President and Executive Officer
	(Power systems business (thermal power systems business promotion))	1/2007	Executive Vice President, Power Systems
		4/1974	Joined Hitachi, Ltd.
Shinjiro Iwata (Jun. 6, 1948)	Vice President and Executive Officer	4/2009	Vice President and Executive Officer, Hitachi, Ltd.
	(Information & telecommunication systems business (services business (global)))	10/2007	Executive Vice President, Hitachi Global Storage Technologies, Inc.
		4/1972	Joined Hitachi, Ltd.
Makoto Ebata (Feb. 23, 1947)	Vice President and Executive Officer	7/2009	Vice President and Executive Officer, Hitachi, Ltd.
	(Procurement)	4/2008	Deputy Chairman, Hitachi Europe Ltd.
		4/2004	Vice President and Executive Officer (Retired in March 2008)
		6/2003	Executive Officer
		2/2002	General Manager, Group Management Office
		4/1970	Joined Hitachi, Ltd.
Osamu Ohno (Aug. 6, 1948)	Vice President and Executive Officer	4/2009	Vice President and Executive Officer
	(Information technology)	4/2005	General Manager, Information Technology Division
		4/1969	Joined Hitachi, Ltd.
Kenji Ohno (Jan. 3, 1951)	Vice President and Executive Officer	4/2007	Vice President and Executive Officer, Hitachi, Ltd.
	(Human capital)	6/2005	President and Representative Director, Hitachi Dentetsu Co., Ltd.
		4/1974	Joined Hitachi, Ltd.
Nobuyuki Ohno (Feb. 24, 1949)	Vice President and Executive Officer	4/2009	Vice President and Executive Officer
	(Hitachi group global business (China))	4/2007	Chief Marketing Officer, Information & Telecommunication Systems and Deputy General Manager, Corporate Marketing Group
		4/1971	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
Masahiro Kitano (Nov. 23, 1955)	Vice President and Executive Officer	4/2009	Vice President and Executive Officer
	(Environmental strategies, quality assurance and production engineering)	4/2007	Chief Strategy Officer and General Manager, Strategy Planning & Development Office, Information & Telecommunication Systems
		4/1980	Joined Hitachi, Ltd.
Ryuichi Kitayama (Feb. 4, 1952)	Vice President and Executive Officer	4/2010	Vice President and Executive Officer
	(Sales operations)	10/2009	Chief Marketing Officer, Information & Telecommunication Group, Information & Telecommunication Systems Company
		4/1976	Joined Hitachi, Ltd.
Toshiaki Kuzuoka (Nov. 3, 1954)	Vice President and Executive Officer	4/2007	Vice President and Executive Officer
	(Legal and corporate communications, corporate brand and corporate auditing)	4/2001	General Manager, Legal Division
		4/1978	Joined Hitachi, Ltd.
Takao Koyama (Dec. 11, 1948)	Vice President and Executive Officer	4/2007	Vice President and Executive Officer
	(Sales operations (Kansai Area))	4/2004	General Manager, Kanto Area Operation
		4/1971	Joined Hitachi, Ltd.
Yutaka Saito (Dec. 11, 1954)	Vice President and Executive Officer	4/2010	Vice President and Executive Officer
	(Information & control systems business)	10/2009	President & CEO, Information & Control Systems Company
		4/1979	Joined Hitachi, Ltd.
Kaichiro Sakuma (Jan. 29, 1954)	Vice President and Executive Officer	4/2009	Vice President and Executive Officer, Hitachi, Ltd.
	(Information & telecommunication systems business (platform systems business))	4/2008	President & Chief Executive Officer, Hitachi Information & Telecomunication Systems Global Holding Corporation
		4/1979	Joined Hitachi, Ltd.
Gaku Suzuki (May 12, 1947)	Vice President and Executive Officer	8/2005	Vice President and Executive Officer
	(Industrial & social infrastructure systems business)	4/2004	General Manager, Transportation Systems Division, Industrial Systems
		4/1972	Joined Hitachi, Ltd.

67

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
Hideaki Takahashi (Aug. 20, 1952)	Vice President and Executive Officer (Urban planning and development systems business)	4/2007	Vice President and Executive Officer, Hitachi, Ltd.
		4/2005	President and Representative Director, Hitachi Building Systems Co., Ltd.
		4/1978	Joined Hitachi, Ltd.
Koji Tanaka (Jan. 22, 1952)	Vice President and Executive Officer (Power systems business)	4/2007	Vice President and Executive Officer
		5/2006	General Manager, Hitachi Works, Power Systems
		4/1974	Joined Hitachi, Ltd.
Masahide Tanigaki (Jan. 11, 1951)	Vice President and Executive Officer (Sales operations, Hitachi group global business and corporate export regulation)	4/2010	Vice President and Executive Officer
		10/2009	Deputy General Manager, Power Systems Sales Management Division, Power Systems Company
		4/1975	Joined Hitachi, Ltd.
Akira Maru (Nov. 8, 1948)	Vice President and Executive Officer (Power systems business (nuclear power systems business promotion))	5/2006	Vice President and Executive Officer
		4/2005	General Manager, Hitachi Works and Executive Vice President, Power Systems
		4/1971	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, 2010 to all our Directors and Executive Officers who served during that year was ¥2,779 million. The amount of compensation for our Representative Executive Officer, Chairman and Director Takashi Kawamura was ¥134 million, representing his total annual salary.

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.

Table of Contents

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 of up 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

We have adopted the committee-based corporate governance system, or Committee System, permitted as a form of corporate organization pursuant to the Companies Act. The Companies Act requires each company adopting the Committee System, including us, 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.

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 June 29, 2010. 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, 2011.