[Translation]

Annual Securities Report

(The 143rd Business Term)
From April 1, 2011 to March 31, 2012

6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Hitachi, Ltd.

[Cover]

[Document Filed]	Annual Securities Report ("Yukashoken Hokokusho")
[Applicable Law]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	June 22, 2012
[Fiscal Year]	The 143rd Business Term (from April 1, 2011 to March 31, 2012)
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
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[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Osaka Securities Exchange Co., Ltd. (8-16, Kitahama 1-chome, Chuo-ku, Osaka) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

This is an English translation of the Annual Securities Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan.

Certain information in "Part I. Information on the Company - II. Business Overview - 4. Risk Factors - Risks Related to Our American Depositary Shares" is only included in this English translation of the Annual Securities Report for ADSs holders and not included in the original report.

Certain information in "Part I. Information on the Company - V. Financial Information" in this document incorporates financial statements prepared in conformity with accounting principles generally accepted in the United States and independent auditor's report instead of the English translation of the Annual Securities Report.

The translation of the Internal Control Report and the Confirmation Letter for the original Annual Securities Report are included at the end of this document.

In this document, 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 and the term "the Company" refers to Hitachi, Ltd. on a non-consolidated basis.

Unless otherwise stated, in this document, 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 document to the "Financial Instruments and Exchange Act" are to the Financial Instruments and Exchange Act of Japan and other laws and regulations amending and/or supplementing the Financial Instruments and Exchange Act of Japan.

References in this document 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.

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Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

(1) Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

Fiscal year	139th business term	140th business term	141st business term	142nd business term	143rd business term
Year end	March 2008	March 2009	March 2010	March 2011	March 2012
Revenues	11,226,735	10,000,369	8,968,546	9,315,807	9,665,883
Income (loss) before income taxes	324,782	(289,871)	63,580	432,201	557,730
Net income (loss) attributable to Hitachi, Ltd.	(58,125)	(787,337)	(106,961)	238,869	347,179
Total comprehensive income	—	—	—	228,459	392,581
Total Hitachi, Ltd. stockholders' equity	2,170,612	1,049,951	1,284,658	1,439,865	1,771,782
Total equity	3,313,120	2,179,352	2,267,845	2,441,389	2,773,995
Total assets	10,530,847	9,403,709	8,964,464	9,185,629	9,418,526
Total Hitachi, Ltd. stockholders' equity per share (yen)	652.95	315.86	287.13	318.73	382.26
Net income (loss) attributable to Hitachi, Ltd. per share, basic (yen)	(17.48)	(236.86)	(29.20)	52.89	76.81
Net income (loss) attributable to Hitachi, Ltd. per share, diluted (yen)	(17.77)	(236.87)	(29.20)	49.38	71.86
Total Hitachi, Ltd. stockholders' equity ratio (%)	20.6	11.2	14.3	15.7	18.8
Return on equity (%)	—	—	—	17.5	21.6
Price earnings ratio (times)	—	—	—	8.2	6.9
Net cash provided by operating activities	791,837	558,947	798,299	841,554	447,155
Net cash used in investing activities	[(637,618)] (689,316)	(550,008)	(530,595)	(260,346)	(195,584)
Net cash provided by (used in) financing activities	[(185,556)] (133,858)	284,388	(502,344)	(584,176)	(167,838)
Cash and cash equivalents at end of year	560,960	807,926	577,584	554,810	619,577
Number of employees [Average number of part-time employees, etc.]	347,810 [40,692]	361,796 [42,097]	359,746 [39,562]	361,745 [44,353]	323,540 [46,182]

(Notes)
1. Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States.
2. Revenues do not include the consumption tax, etc.
3. Effective from the 141st business term, the Company has adopted the provisions of the Accounting Standards Codification (hereinafter "ASC") 810 "Consolidation" of the U.S. Financial Accounting Standards Board concerning noncontrolling interests of subsidiaries. As a result, minority interests previously presented separately from liabilities and equity on the consolidated balance sheets are included as noncontrolling interests in equity. In line with this change, in the table above, total equity including noncontrolling interests are presented as "Total equity," and the item presented as "Total equity" up to the Annual Securities Report for the 140th business term is presented as "Total Hitachi, Ltd. stockholders' equity."

4. Effective from the 141st business term, in line with the adoption of the provisions of ASC 810, the presentation of cash flows related to the acquisition and sale of shares in a subsidiary, which does not result in changes in the scope of consolidation of the Company or its consolidated subsidiaries, has been changed from “Cash flows from investing activities” to “Cash flows from financing activities,” and amounts from the preceding fiscal years have been restated. For the 139th business term, the amounts before the restatement are presented in brackets in the upper rows since we have not received the Auditor’s Report based on the Financial Instruments and Exchange Act of Japan.
5. The amount of “Total assets” for the 141st business term is restated in accordance with the provisions of ASC 805 “Business Combinations,” since evaluation of fair values related to the business combinations implemented in March 2010 was completed during the 142nd business term. In line with this change, the amount of “Total Hitachi, Ltd. stockholders’ equity ratio” is also restated.
6. Effective from the 142nd business term, the Company has adopted the provisions of ASC 860 “Transfers and Servicing” of the U.S. Financial Accounting Standards Board as amended by Accounting Standards Update 2009-16 “Accounting for Transfers of Financial Assets” and the provisions of ASC 810 “Consolidation,” as amended by Accounting Standards Update 2009-17 “Improvements to Financial Reporting by Enterprises involved with Variable Interest Entities.”

(2) Financial data etc. of the Company

(Millions of yen, unless otherwise stated)

Fiscal year	139th business term	140th business term	141st business term	142nd business term	143rd business term
Year end	March 2008	March 2009	March 2010	March 2011	March 2012
Revenues	2,807,269	2,610,055	1,938,810	1,795,306	1,870,475
Ordinary income (loss)	(45,987)	204,714	59,204	127,564	48,923
Net income (loss)	(127,863)	(294,584)	(35,120)	64,276	254,549
Common stock	282,033	282,033	408,810	409,129	427,775
Number of issued shares (thousands of shares)	3,368,126	3,368,126	4,518,132	4,520,144	4,637,785
Total net assets	997,066	664,526	887,684	941,041	1,212,199
Total assets	3,659,968	3,673,706	3,327,698	3,146,337	3,331,589
Net assets per share (yen)	299.92	199.90	198.40	208.30	261.52
Dividends per share (yen) [Of the above, interim dividends per share] (yen)	6 [3]	3 [3]	— [—]	8 [5]	8 [3]
Net income (loss) per share, basic (yen)	(38.46)	(88.62)	(9.59)	14.23	56.31
Net income per share, diluted (yen)	—	—	—	13.32	52.70
Stockholders' equity ratio (%)	27.2	18.1	26.7	29.9	36.4
Return on equity (%)	—	—	—	7.0	23.6
Price earnings ratio (times)	—	—	—	30.4	9.4
Dividend payout ratio (%)	—	—	—	56.2	14.2
Number of employees [Average number of part-time employees, etc.]	37,143	37,283	31,065 [3,162]	32,926	32,908

(Notes)
1. Revenues do not include the consumption tax, etc.
2. Interim dividends per share for the 142nd business term include a commemorative dividend of ¥2 for the Company's centennial anniversary.
3. "Net income per share, diluted" is not stated for the 139th, 140th and 141st business terms since net loss per share is recorded.
4. Average number of part-time employees, etc. is not stated for the 139th, 140th, 142nd and 143rd business terms since it was less than 10% of the number of employees.

2. History

Month/Year	History
1910	Founded as a repair shop at Hitachi copper mine of Kuhara Mining Company
February, 1920	Incorporated as Hitachi, Ltd. with the Hitachi and Kameido Works
February, 1921	Acquired the Kasado shipyard from Nippon Kisen Co., Ltd. and established Kasado Works
May, 1935	Equity participation in Kyousei Reiki Kogyo K.K. (later changed its name to Hitachi Plant Engineering & Construction Co., Ltd.)
May, 1937	Merged Kokusan Industries, Ltd. and established 7 factories, including Totsuka Works
April, 1939	Established Taga Works, spun off Hitachi Research Laboratory from Hitachi Works
September, 1940	Established Mito Works
April, 1942	Established Central Research Laboratory
September, 1943	Merged Riken Vacuum Industry and established Mobara Works
March, 1944	Spun off Shimizu Works from Kameari Works
December, 1944	Spun off Tochigi Works from Taga Works
April, 1947	Established Hinode Shokai Co., Ltd. (currently Hitachi High-Technologies Corporation)
May, 1949	Established Higashi-Nippon Senikikai KK (currently Hitachi Medical Corporation)
February, 1950	Established Nitto Transport KK. (currently Hitachi Transport System, Ltd.)
May, 1955	Established Hitachi Sales Corporation
October, 1956	Spun off Hitachi Metals Industries, Ltd. (currently Hitachi Metals, Ltd.) and Hitachi Cable, Ltd.
November, 1956	Established Hitachi Kiden Kogyo, Ltd.
June, 1957	Spun off Kokubu Works from Hitachi Works
February, 1959	Established Yokohama Works
October, 1959	Established Hitachi New York, Ltd. (currently Hitachi America, Ltd.)
June, 1960	Equity participation in Nippon Business Consultant Co., Ltd. (later changed its name to Hitachi Information Systems, Ltd.)
August, 1960	Established Hitachi Geppam Corp. (later changed its name to Hitachi Credit Corporation)
February, 1961	Spun off Naka Works from Taga Works; Equity participation in Maxell Electric Industrial Co., Ltd. (currently Hitachi Maxell, Ltd.)
August, 1961	Established Katsuta Works
August, 1962	Established Kanagawa Works
February, 1963	Spun off Narashino Works from Kameido Works
April, 1963	Spun off Hitachi Chemical Co., Ltd.
February, 1966	Established Mechanical Engineering Research Laboratory
February, 1968	Spun off Sawa Works from Taga Works, spun off Tokai Works from Yokohama Works, and spun off Odawara Works from Kanagawa Works
February, 1969	Established Software Works
April, 1969	Established Ome Works
August, 1969	Established Omika Works
December, 1969	Spun off Hitachi Construction Machinery Co., Ltd.
May, 1970	Established Takasaki Works
September, 1970	Established Hitachi Software Engineering Co., Ltd.
April, 1971	Acquired Asahi Works from Hitachi Denshi, Ltd.
June, 1971	Established Production Engineering Research Laboratory
February, 1973	Established Systems Development Laboratory
June, 1974	Established Tsuchiura Works
November, 1974	Relocated Kameido Works and renamed to Nakajo Works

Month/Year	History
June, 1982	Established Hitachi Europe Ltd.
April, 1985	Established Advanced Research Laboratory
February, 1989	Established Hitachi Asia Pte. Ltd. (currently Hitachi Asia Ltd.)
February, 1991	Integrated Sawa Works into Automotive Products Division
August, 1991	Integrated Katsuta Works into Materials Process Technology Division; integrated Totsuka Works into Information & Telecommunication Division; integrated Naka Works into Instruments Division
February, 1992	Integrated Yokohama Works and Tokai Works into AV Products Division
August, 1992	Changed operation unit of home appliances, computers and electronic devices businesses from factory to business division
February, 1993	Integrated Semiconductor Technology Development Center, Musashi Works and Takasaki Works into Semiconductor Division
August, 1993	Integrated Shimizu Works into Air Conditioning Division, integrated Nakajo Works and Narashino Works into Industrial Equipment Division
August, 1994	Integrated Consumer Products Group and Image & Information Media Division and renamed to Consumer Products & Information Media Systems Group
October, 1994	Established Hitachi (China), Ltd.
February, 1995	Reorganized business groups as Power & Industrial Systems Group, Consumer Products & Information Media Systems Group, Information Systems Group and Electronics Components Group; integrated a part of R&D division and sales division into the business groups
April, 1995	Merged Hitachi Sales Corporation
April, 1999	Reorganized business groups into de facto companies to independently operate each business group
October, 2000	Merged Hitachi Credit Corporation with Hitachi Leasing Corp. and changed its name to Hitachi Capital Corporation
October, 2001	Split Instruments Group and Semiconductor Manufacturing Equipment Group via company split and reorganized as Hitachi High-Technologies Corporation; Split Industrial Machinery Systems Division via company split and reorganized as Hitachi Industries Co., Ltd.
April, 2002	Split Home Appliance Group via company split and reorganized as Hitachi Home & Life Solutions, Inc.; Split Industrial Equipment Group via company split and reorganized as Hitachi Industrial Equipment Systems Co., Ltd.
October, 2002	Split Display Group via company split and established Hitachi Displays, Ltd.; Split Telecommunication Equipment Division via company split and reorganized as Hitachi Communication Technologies, Ltd.; Turned Unisia Jecs Corporation (later changed its name to Hitachi Unisia Automotive, Ltd.) into a wholly owned subsidiary via share exchange
January, 2003	Acquired HDDs business from IBM Corp., and commenced operations as Hitachi Global Storage Technologies Netherlands B.V.
April, 2003	Split semiconductor business, centering on system LSIs, via company split and established Renesas Technology Corp. (later merged with NEC Electronics Corporation and changed its name to Renesas Electronics Corporation)
June, 2003	Adopted committee system as the Company’s corporate governance structure
October, 2004	Merged TOKICO, Ltd. and Hitachi Unisia Automotive, Ltd.; Split Mechatronics System Division, centering on ATMs, via company split and established Hitachi-Omron Terminal Solutions, Corp.

Month/Year	History
April, 2006	Split Social & industrial infrastructure business via company split and integrated with Hitachi Plant Engineering & Construction Co., Ltd., Hitachi Kiden Kogyo, Ltd. and Hitachi Industries Co., Ltd. and reorganized as Hitachi Plant Technologies, Ltd.; Merged Hitachi Home & Life Solutions, Inc. with Hitachi Air Conditioning Systems Co., Ltd. and changed its name to Hitachi Appliances, Inc.
December, 2006	Turned Clarion Co., Ltd. into a consolidated subsidiary via tender offer
July, 2007	Split nuclear power systems business via company split and reorganized as Hitachi-GE Nuclear Energy, Ltd.
March, 2009	Turned Hitachi Koki Co., Ltd. into a consolidated subsidiary via tender offer; Turned Hitachi Kokusai Electric Inc. into a consolidated subsidiary via tender offer
July, 2009	Merged Hitachi Communication Technologies, Ltd.; Split Automotive Systems Group via company split and established Hitachi Automotive Systems, Ltd.; Split Consumer Business Group via company split and established Hitachi Consumer Electronics Co., Ltd.
October, 2009	Reorganized business groups into in-house companies with independent accounting to promote quick business operation
February, 2010	Turned Hitachi Information Systems, Ltd., Hitachi Software Engineering Co, Ltd. and Hitachi Systems & Services, Ltd. into wholly owned subsidiaries
April, 2010	Turned Hitachi Plant Technologies, Ltd. and Hitachi Maxell, Ltd. into wholly owned subsidiaries via share exchanges
October, 2010	Merged Hitachi Software Engineering Co., Ltd. with Hitachi Systems & Services, Ltd. and changed its name to Hitachi Solutions, Ltd.
November, 2011	Merged Hitachi Electronics Services Co., Ltd. with Hitachi Information Systems, Ltd. and changed its name to Hitachi Systems, Ltd.
March, 2012	Transferred HDDs business to Western Digital Corporation via share sale of Viviti Technologies Ltd., a holding company for Hitachi Global Storage Technologies Inc., etc. Transferred small and medium-sized displays business via share sale of Hitachi Displays, Ltd.

3. Description of Business

The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States, and affiliates are disclosed based on the definitions of those accounting principles. The same applies to "II. Business Overview" and "III. Equipment and Facilities."

The Hitachi Group, which is comprised of the Company and 1,122 affiliates (939 consolidated subsidiaries (including variable interest entities) and 183 equity-method affiliates, while consolidated trust accounts are not included in the number of consolidated subsidiaries), engages in a broad range of business activities, from product development and manufacturing to sales and services, in 11 segments of Information & Telecommunication Systems, Power Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Components & Devices, Digital Media & Consumer Products, Financial Services, and Others. Effective from April 1, 2011, the battery business for automotive applications, which was previously included in the Components & Devices segment, has been included in the Automotive Systems segment.

Major business outline for each segment and the positioning of principal affiliated companies are described as follows. The Company mainly engages in manufacturing and sales of products and providing services in the segments of Information & Telecommunication Systems, Power Systems, and Social Infrastructure & Industrial Systems.

(As of March 31, 2012)

Main products and services	Positioning of principal affiliated companies	
	Manufacturing	Sales and services
Information & Telecommunication Systems Systems Integration, Outsourcing Services, Software, Disk Array Subsystems, Servers, Mainframes, Telecommunications Equipment, ATMs	[Consolidated subsidiaries] Hitachi-Omron Terminal Solutions, Corp. Hitachi Computer Products (America), Inc. Hitachi Computer Products (Europe) S.A.S.	[Consolidated subsidiaries] Hitachi Information & Control Solutions, Ltd. Hitachi Solutions, Ltd. Hitachi Systems, Ltd. Hitachi Consulting Corporation Hitachi Data Systems Corporation Hitachi Information & Telecommunication Systems Global Holding Corporation
Power Systems Thermal, Nuclear, Hydroelectric and Wind Power Generation Systems	[Consolidated subsidiaries] Babcock-Hitachi Kabushiki Kaisha Hitachi-GE Nuclear Energy, Ltd. [Equity-method affiliates] Japan AE power Systems Corporation	[Consolidated subsidiaries] Hitachi Engineering & Services Co., Ltd. Hitachi Power Europe GmbH Hitachi Power Systems America, Ltd.
Social Infrastructure & Industrial Systems Industrial Machinery and Plants, Elevators, Escalators, Railway Systems	[Consolidated subsidiaries] Hitachi Industrial Equipment Systems Co., Ltd. Hitachi Elevator (China) Co., Ltd.	[Consolidated subsidiaries] Hitachi Building Systems Co., Ltd. Hitachi Plant Technologies, Ltd.
Electronic Systems & Equipment Semiconductor and LCDs Manufacturing Equipment, Test and Measurement Equipment, Medical Electronics Equipment, Power Tools, Electronic Parts Manufacturing Systems	[Consolidated subsidiaries] Hitachi High-Technologies Corporation Hitachi Koki Co., Ltd. Hitachi Kokusai Electric Inc. Hitachi Medical Corporation Hitachi Via Mechanics, Ltd.	
Construction Machinery Hydraulic Excavators, Wheel Loaders, Mining Dump Trucks	[Consolidated subsidiaries] Hitachi Construction Machinery Co., Ltd.	
High Functional Materials & Components Wires and Cables, Copper Products, Semiconductor and Display Related Materials, Circuit Boards and Materials, Specialty Steels, Magnetic Materials and Components, High Grade Casting Components and Materials	[Consolidated subsidiaries] Hitachi Cable, Ltd. Hitachi Chemical Co., Ltd. Hitachi Metals, Ltd.	
Automotive Systems Engine Management Systems, Electric Powertrain Systems, Drive Control Systems, Car Information Systems	[Consolidated subsidiaries] Clarion Co., Ltd. Hitachi Automotive Systems, Ltd. Hitachi Automotive Systems Americas, Inc.	
Components & Devices Information Storage Media, Batteries	[Consolidated subsidiaries] Hitachi Maxell, Ltd. Hitachi Maxell Energy, Ltd.	
Digital Media & Consumer Products Optical Disk Drives, Flat-Panel TVs, LCD Projectors, Room Air Conditioners, Refrigerators, Washing Machines, Air-Conditioning Equipment	[Consolidated subsidiaries] Hitachi Appliances, Inc. Hitachi Consumer Electronics Co., Ltd. Hitachi Media Electronics Co., Ltd. Hitachi Consumer Products (Thailand), Ltd.	[Consolidated subsidiaries] Hitachi-LG Data Storage, Inc.
Financial Services Leasing, Loan Guarantees		[Consolidated subsidiaries] Hitachi Capital Corporation
Others Logistics, Property Management		[Consolidated subsidiaries] Chuo Shoji, Ltd. Hitachi Life, Ltd. Hitachi Transport System, Ltd. Hitachi America, Ltd. Hitachi Asia Ltd. Hitachi (China), Ltd. Hitachi Europe Ltd. Hitachi India Pvt. Ltd.

(Notes) 1. Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China), Ltd., Hitachi Europe Ltd. and Hitachi India Pvt. Ltd. are the Hitachi Group's regional supervising company for the U.S., Asia, China, Europe and India, and they sell the Hitachi Group's products.

2. Hitachi Displays, Ltd., Hitachi Display Device (Suzhou) Co., Ltd., a consolidated subsidiary of Hitachi Displays, Ltd., and Viviti Technologies Ltd., which were classified in the Components & Devices segment, ceased to be consolidated subsidiaries of the Company in March 2012 due to selling their shares.

3. Chuo Shoji, Ltd. changed its name to Hitachi Urban Investment, Ltd. as of April 1, 2012.

4. Information on Affiliates

(1) Consolidated subsidiaries

(As of March 31, 2012)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Information & Control Solutions, Ltd.	Hitachi, Ibaraki	2,270	Information & Telecommunication Systems	100.0	The Company outsources development of information control systems, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi-Omron Terminal Solutions, Corp.	Shinagawa-ku, Tokyo	8,500	Information & Telecommunication Systems	55.0	The Company purchases ATMs and other information equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo	38,372	Information & Telecommunication Systems	100.0	The Company outsources development of information systems and software, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo	19,162	Information & Telecommunication Systems	100.0	The Company outsources calculation, development of software, installation and maintenance of telecommunication equipment and computers. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	(Thousands of US dollars) 14,000	Information & Telecommunication Systems	[100.0] 100.0	The Company supplies parts for computer peripherals. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2012)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Computer Products (Europe) S.A.S.	Ardon, France	(Thousands of Euro) 15,245	Information & Telecommunication Systems	100.0	The Company supplies parts for computer peripherals. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Consulting Corporation	Texas, U.S.A.	(Thousands of US dollars) 415,599	Information & Telecommunication Systems	[99.5] 99.5	The Company outsources consulting services. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Data Systems Corporation	California, U.S.A.	(Thousands of US dollars) 531,651	Information & Telecommunication Systems	[100.0] 100.0	Sales company for the Company's disk array subsystems, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Information & Telecommunication Systems Global Holding Corporation	California, U.S.A.	(Thousands of US dollars) 599,380	Information & Telecommunication Systems	100.0	Holding company for Hitachi Consulting Corporation and Hitachi Data Systems Corporation. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Babcock-Hitachi Kabushiki Kaisha	Chiyoda-ku, Tokyo	5,000	Power Systems	100.0	The Company purchases boilers, environment-related equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Engineering & Services Co., Ltd.	Hitachi, Ibaraki	1,950	Power Systems	100.0	The Company purchases power plant parts, and outsources maintenance of power generation equipment and control equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2012)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	5,000	Power Systems	80.0	The Company delivers nuclear power generation equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Power Europe GmbH	Duisburg, Germany	(Thousands of EURO) 182,000	Power Systems	[40.0] 100.0	The Company delivers thermal power generation equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Power Systems America, Ltd.	New Jersey, U.S.A.	(Thousands of US dollars) 10,000	Power Systems	[100.0] 100.0	The Company delivers thermal power generation equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	5,105	Social Infrastructure & Industrial Systems	100.0	Sales, installation and maintenance of the Company's elevators and escalators. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	10,000	Social Infrastructure & Industrial Systems	100.0	The Company purchases motors, pumps and other industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Plant Technologies, Ltd.	Toshima-ku, Tokyo	12,000	Social Infrastructure & Industrial Systems	100.0	The Company purchases pumps, cranes and other industrial equipment, and outsources plant construction. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2012)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	(Thousands of yuan) 538,806	Social Infrastructure & Industrial Systems	[70.0] 70.0	Manufacturing, sales, installation and maintenance of the Company's elevators and escalators in China. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi High-Technologies Corporation	Minato-ku, Tokyo	7,938	Electronic Systems & Equipment	51.8	The Company sells information equipment, etc. and purchases parts for information equipment and power-related parts through this company. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Koki Co., Ltd.	Minato-ku, Tokyo	17,813	Electronic Systems & Equipment	[10.9] 51.2	The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Kokusai Electric Inc.	Chiyoda-ku, Tokyo	10,058	Electronic Systems & Equipment	[0.0] 52.4	The Company purchases electronic equipment and parts, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Medical Corporation	Chiyoda-ku, Tokyo	13,884	Electronic Systems & Equipment	[0.0] 63.2	The Company supplies parts for medical equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Via Mechanics, Ltd.	Ebina, Kanagawa	2,900	Electronic Systems & Equipment	100.0	The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
** *Hitachi Construction Machinery Co., Ltd.	Bunkyo-ku, Tokyo	81,576	Construction Machinery	[0.6] 51.7	The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2012)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
*Hitachi Cable, Ltd.	Chiyoda-ku, Tokyo	25,948	High Functional Materials & Components	[0.1] 52.8	The Company purchases wires and cables, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Chemical Co., Ltd.	Shinjuku-ku, Tokyo	15,454	High Functional Materials & Components	[0.1] 51.4	The Company purchases electronic materials, organic chemical materials, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Metals, Ltd.	Minato-ku, Tokyo	26,283	High Functional Materials & Components	[0.6] 55.7	The Company purchases specialty steels, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Clarion Co., Ltd.	Chuo-ku, Saitama, Saitama	26,100	Automotive Systems	64.0	The Company supplies parts for car navigation systems, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Automotive Systems, Ltd.	Hitachinaka, Ibaraki	15,000	Automotive Systems	100.0	The Company purchases parts for railway vehicles, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Automotive Systems Americas, Inc.	Kentucky, U.S.A.	(Thousands of US dollars) 86,278	Automotive Systems	[100.0] 100.0	Manufacturing and sales company in North America for the Hitachi Group's automotive systems products.
Hitachi Maxell, Ltd.	Ibaraki, Osaka	12,202	Components & Devices	100.0	The Company purchases computer tapes and other information storage media, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2012)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Maxell Energy, Ltd.	Oyamazaki-cho, Kyoto	1,000	Components & Devices	100.0	The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Appliances, Inc.	Minato-ku, Tokyo	20,000	Digital Media & Consumer Products	100.0	The Company purchases electronic parts, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Consumer Electronics Co., Ltd.	Chiyoda-ku, Tokyo	1,000	Digital Media & Consumer Products	100.0	Development, manufacturing and sales company for the Hitachi Group's visual-related equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo	1,500	Digital Media & Consumer Products	51.0	Development and sales company for the Hitachi Group's optical disk drives. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Media Electronics Co., Ltd.	Oshu, Iwate	500	Digital Media & Consumer Products	100.0	Development, manufacturing and sales company for the Hitachi Group's optical disk drives equipment and TV parts, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Consumer Products (Thailand), Ltd.	Prachinburi, Thailand	(Thousands of Thai Baht) 2,472,000	Digital Media & Consumer Products	80.1	Manufacturing and sales company for the Hitachi Group's refrigerators and washing machines, etc. in Thailand.

(As of March 31, 2012)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
*Hitachi Capital Corporation	Minato-ku, Tokyo	9,983	Financial Services	[2.1] 60.7	Leases manufacturing equipment, industrial equipment, office equipment, etc. to the Company, and engages in leasing and credit sales of the Company's business equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Chuo Shoji, Ltd.	Chiyoda-ku, Tokyo	2,000	Others	100.0	The Company outsources management of welfare facilities, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Life, Ltd.	Hitachi, Ibaraki	1,000	Others	[21.8] 100.0	The Company outsources management of welfare facilities, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Transport System, Ltd.	Koto-ku, Tokyo	16,802	Others	[5.7] 59.0	The Company outsources transportation and storage of products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi America, Ltd.	New York, U.S.A.	(Thousands of US dollars) 2,328,558	Others	100.0	The Hitachi Group's regional supervising company in Americas, and sells the Hitachi Group's plant, industrial machinery, digital media-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2012)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Asia Ltd.	Singapore	(Thousands of Singapore dollars) 67,000	Others	100.0	The Hitachi Group's regional supervising company for Asia, and sells the Hitachi Group's plants, industrial machinery, digital media-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi (China), Ltd.	Beijing, China	(Thousands of yuan) 1,684,893	Others	100.0	The Hitachi Group's regional supervising company for China, and sells the Hitachi Group's plant, industrial machinery, digital media and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Europe Ltd.	Maidenhead, U.K.	(Thousands of Sterling pounds) 133,485	Others	100.0	The Hitachi Group's regional supervising company for Europe, and sells the Hitachi Group's plants, computer-related products, digital media-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi India Pvt. Ltd.	New Delhi, India	(Thousands of Indian rupee) 308,969	Others	[100.0] 100.0	The Hitachi Group's regional supervising company for India, and sells the Hitachi Group's digital media-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Others - 893 companies	—	—	—	—	—

(Notes) 1. The unit of amounts and currency shown in the “Common stock” column are in millions of yen, unless otherwise specified.
2. Companies with two asterisks (**) in the “Company name” column are specified subsidiaries.
3. Companies with one asterisk (*) in the “Company name” column submit Securities Registration Statement or Annual Securities Report.
4. The name of segment in which the companies classified is shown in the “Principal business” column.
5. The amounts in brackets in upper row of the “Ownership percentage of voting rights” column represent the percentage of voting rights owned indirectly by subsidiaries, of the total ownership percentage.
6. Companies with negative net worth are shown below, along with the amount of liabilities in excess of assets.

Hitachi Power Europe GmbH	¥32,568 million
Hitachi Vehicle Energy, Ltd.	¥21,943 million
Hitachi Plasma Display Limited	¥118,095 million

(2) Equity-method affiliates

(As of March 31, 2012)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Japan AE power Systems Corporation	Minato-ku, Tokyo	10	Power Systems	50.0	The Company purchases facilities and equipment for power transmission and distribution. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Renesas Electronics Corporation	Chiyoda-ku, Tokyo	153,255	Semiconductor development, design, manufacture, sales and services.	30.6	This company outsources R&D for semiconductors to the Company. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.
Others - 181 companies	—	—	—	—	—

(Notes) 1. The unit of amounts and currency shown in the “Common stock” column are in millions of yen.
2. Companies with an asterisk (*) in the “Company name” column submit Securities Registration Statement or Annual Securities Report.
3. The name of segment in which Japan AE Power Systems Corporation classified is shown in the “Principal business” column.
4. On April 1, 2012, the joint venture relationship in the power transmission and distribution business of Japan AE Power Systems Corporation has been dissolved and such business has been succeeded by the three companies, which were the parties in the joint venture agreement.

5. Employees

(1) Consolidated basis

(As of March 31, 2012)

Name of segment	Number of employees
Information & Telecommunication Systems	73,334 [15,015]
Power Systems	17,235 [4,710]
Social Infrastructure & Industrial Systems	41,136 [5,748]
Electronic Systems & Equipment	25,878 [−]
Construction Machinery	20,571 [−]
High Functional Materials & Components	47,468 [−]
Automotive Systems	28,125 [−]
Components & Devices	3,998 [−]
Digital Media & Consumer Products	25,042 [12]
Financial Services	4,060 [−]
Others	33,473 [4,203]
Corporate (Head Office and others)	3,220 [3,220]
Total	323,540 [32,908]

(Notes) 1. In addition to those listed above, the average number of part-time employees for the fiscal year was 46,182.

2. The number in brackets in the lower row of the "Number of Employees" column is the number of employees of the Company included in each of the numbers in the upper row.

3. The total number of employees decreased by 38,205 persons during the fiscal year ended March 31, 2012 due primarily to sales of HDDs business and small and medium-sized displays business.

(2) The Company

(As of March 31, 2012)

Number of employees	Average age	Average length of service	Average annual salary
32,908	40.0	17.9 years	¥8,002,940

(Note) Average annual salary includes bonuses and extra wages.

(3) Relationship with labor union

In the Hitachi Group, labor union is organized by each company. The Company's labor union, Hitachi Workers Union, is a member of the Japanese Electrical Electronic & Information Union.

The relationship between management and labor unions is stable and smooth.

II. Business Overview

1. Summary of Business Results

See “7. Analyses of Consolidated Financial Position, Operating Results and Cash Flows.”

2. Production, Orders Received and Sales

The Hitachi Group does not present production and orders received in amount or volume terms for each segment since it produces and sells a wide variety of products, there are variety of specifications in same kinds of products and certain products are mass-produced.

Regarding sales, see “7. Analyses of Consolidated Financial Position, Operating Results and Cash Flows.”

3. Challenges Facing Hitachi Group

(1) Business and Financial Position

In our future business environment, the recovery of global economy show signs of slowdown affected by sovereign debt crisis in some countries in Europe, and the capital investment and individual consumption doesn’t seem to rapidly recover. In addition, uncertainty of the market environment increases owing to the fluctuations of exchange rate and the price of oil and raw materials. On the other hand, the global demand for maintenance and update of social infrastructure and the reduction of environmental burdens is increasing, and its market is anticipated to continuously grow in the future.

In such situation, we aim to establish a stable and profitable business structure through the strengthening of the Social Innovation Business that provides highly sophisticated social infrastructure utilizing information and telecommunication systems technology, improving the management efficiency to stabilize profitability, and promoting global growth strategies. Furthermore, we will promote measures directed at recovering from the Great East Japan Earthquake. At the same time, we will utilize such experience to contribute to the development of social infrastructures worldwide.

Strengthening Our Social Innovation Business

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 information and communication technology 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, when necessary and appropriate, we believe we can leverage our ability to build environmental systems by drawing on our advanced environmental technologies and experience. For example, in order to react the market’s needs which is various and rapidly changing, we have restructured the Hitachi Group’s management organizations. In addition, we 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 by establishing Social Innovation Business Project Division, etc. Furthermore, we will focus our business resources, including capital expenditures and R&D investments, on our Social Innovation Business.

Improving the Management Efficiency to Stabilize Profitability

In order to stabilize profitability by improving the management efficiency, we continue to implement a variety of measures to reduce costs, including reorganizing our operation and production bases, reducing material procurement costs and centralize of indirect operations. For example, we are executing “the Hitachi Smart Transformation Project” promoting cost reductions by thoroughly overhauling our cost structure across the Group including procurement, production and administrative operations. In addition, we will continue to strengthen the financial position by implementing measures such as inventory management, reduction of working capital and reduction and efficiency of total assets.

Promotion of the Global Growth Strategies

In order to achieve global growth, we will develop a detailed strategy in each region via local leadership by strengthening our local corporate functions, including business planning and external relations. We will also work to cultivate and recruit human capital that can be utilized globally, throughout the Hitachi Group. In addition, we have established a position of Chief Executive Officer for Asia Pacific and will increase the investment in China and ASEAN countries, including Myanmar, Thailand, Indonesia and Vietnam, for which high levels of growth are expected.

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

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

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

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

4. Risk Factors

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

Risks Related to Operations

Economic Trends

Our business environment is influenced by conditions in the domestic and global economies. During the year ended March 31, 2012, the recovery of the global economy showed signs of slowing resulting from sovereign debt crisis in Greece and other parts of Europe. In Japan, the yen's persisted strength against currencies such as the U.S. dollar and the euro has negatively affected and may continue to negatively affect corporate earnings and exports. Unemployment in Japan has remained at a relatively high level since early 2009, and chronic unemployment could negatively affect consumer spending and economic activity. Although, in terms of real GDP, the Japanese economy grew by 1.2%, or an annualized 4.7%, in the quarter ended March 31, 2012, such factors could diminish economic growth or result in a return to the contractions of recent years. The global economic recovery may also be harmed by sovereign debt crisis in Greece and other parts of Europe, which could cause instability of global capital markets and a further weakening of the euro against the yen, as well as the potential inability of emerging markets, including China, to maintain economic growth.

If the recent gradual recovery in global economic conditions is halted or reversed, our revenues may decrease, with a resultant adverse impact on our profitability.

Currency Exchange Rates Fluctuations

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

Access to Liquidity and Long-term Financing

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

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 adversely affect our credit ratings, which might affect our ability to successfully obtain additional financing on terms we consider favorable. The inability to successfully obtain such financing may increase our financing costs, and therefore could adversely affect our financial condition and results of operations.

Furthermore, failure of one or more of our major lenders or a decision by one or more of them to change the terms and conditions of their loans or to stop lending to us could have an adverse effect on our access to funding.

Marketable Securities 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. Such declines may require that we write down equity securities that we hold. This may have an adverse effect on our financial condition and results of operations. Further, contractual and other obligations may require us to maintain our holdings of these securities despite declining share prices and this may lead to material losses.

Worsening of Business Performance of Equity Method Affiliates

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 year ended March 31, 2012, primarily owing to significant net losses recorded by Renesas Electronics Corporation, our equity method affiliate. In addition, a decline in the fair value of our investments in our equity method affiliates below the carrying amount of the investments that is deemed other than temporary could require us to record an impairment loss.

Intense Competition

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

The industrial sectors and business lines in which we are engaged are experiencing increasingly intense competition. We compete with diverse competitors ranging from huge global corporations to specialized companies. Competitors are increasingly manufacturing products, including sophisticated electronic products, in low-cost jurisdictions. Low-cost manufacturing and the globalization of world markets have accelerated the commoditization of certain products, which has resulted in increasingly intense price competition for many of our products. Products which are facing intense price competition or decreases in prices include computer-related products, such as disk array subsystems and optical disk drives, semiconductors, 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

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.

Estimates, Fluctuations in Cost and Cancellation of Long-term Contracts

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

Material and Component Procurement

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

Supply and Demand Balance

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, the imbalance between supply and demand in the semiconductor industry and the LCD industry and a resultant deterioration in market conditions could negatively affect the business results of our semiconductor and LCD manufacturing equipment business and our semiconductor and display-related product business.

Our Strategy to Strengthen Our Social Innovation Business

Our business strategy seeks to build our business portfolio and achieve a stable and profitable business structure mainly by strengthening our Social Innovation Business, which supplies advanced social infrastructure supported by information and communication technology. We plan to devote significant resources to strengthen our Social Innovation Business, which we believe will allow us to exploit synergies across our information and telecommunication systems and social infrastructure businesses. To implement this strategy, we have incurred and may continue to incur considerable expenses. Our strategy to strengthen our Social Innovation Business is predicated on our ability to coordinate our operations across group companies and segments, foster closer group ties and establish closer capital relationships among our group companies. Our efforts to implement this strategy may be unsuccessful or less successful than we currently anticipate. Even if these efforts are successful, there is no assurance that we will be able to increase profitability, and even if profitability is achieved, we may be unable to sustain or increase it on a quarterly or annual basis.

Restructuring of Our Business

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

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

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, company 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.

Cost Reduction Measures

We implemented "the Hitachi Smart Transformation Project", which promotes cost reductions by thoroughly overhauling our cost structure across the Group including procurement, production and administrative operations. We seek to improve our management efficiency and stabilize earnings through the Project. The Project may be unsuccessful or less successful than we currently anticipate. Even if the Project is successful, there is no assurance that we will be able to increase profitability, and even if profitability is achieved, we may be unable to sustain or increase it on a quarterly or annual basis.

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.

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, integration of our affiliate, Renesas Technology, with NEC Electronics to form Renesas Electronics, the acquisition of BlueArc Corporation, an American network storage business company, consolidation of Aloka Co., Ltd. (currently Hitachi Aloka Medical, Ltd.) by Hitachi Medical Corporation and consolidation of Vantec Corporation by Hitachi Transport System, Ltd. 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.

Intellectual Property

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.

Litigation and Regulatory Investigations

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

For example, in the past several years, we have been the subject of investigations of alleged antitrust violations in Japan, Europe and North America. In December 2006, we and one of our European subsidiaries received requests for information from the European Commission in respect of alleged antitrust violations relating to LCDs. In November 2007, one of our subsidiaries in the U.S. 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, subsidiaries of ours in Asia and Europe, received requests for information from the European Commission in respect of alleged antitrust violations relating to CRTs. Further, in November 2007, one of our Canadian subsidiaries received requests for information from the Canadian Competition Bureau in respect of alleged antitrust violations relating to CRTs. In July 2011, one of our Japanese subsidiaries and one of our Japanese affiliated companies received statements of objections from the European Commission in respect of alleged antitrust violations relating to high-voltage power cables. Also in July 2011, one of our Japanese subsidiaries was investigated by the Fair Trade Commission of Japan, one of our subsidiaries in the U.S. was investigated by and received a grand jury subpoena from the Antitrust Division of the U.S. Department of Justice, we and one of our European subsidiaries received requests for information from the European Commission, and one of our Canadian subsidiaries received requests for information from the Canadian Competition Bureau, all in respect of alleged antitrust violations relating to automotive equipment.

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

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

Product Quality and Liability

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

Risks of Natural Disasters and Similar Events

Portions of our facilities, including our research and development facilities, manufacturing facilities and our headquarters, are located in Japan. Historically, Japan has experienced numerous natural disasters such as earthquakes, tsunamis and typhoons. The Great East Japan Earthquake in March 2011 had a significantly adverse affect on an array of our corporate activities, from production to sales. We also have overseas facilities in Asia, the U.S. and Europe, which are also subject to similar events including the October 2011 flooding in Thailand. As a result of such flooding, we suffered damage to certain of our plants and offices in Thailand. The operations of our suppliers and customers were also adversely affected by the floods. Such significant natural disasters may directly damage or destroy our facilities, which could disrupt our operations, delay new production and shipments of existing inventory or result in costly repairs, replacements or other costs, all of which would result in significant losses. Furthermore, even if such significant natural disasters do not directly affect our facilities, they could result in disruptions in distribution channels or supply chains. The spread of infectious diseases, such as a new flu virus, may also disrupt our operations, render our employees unable to work, reduce consumer demand for our products or disrupt our supply and distribution channels. In addition, we are not insured against all potential losses, and even losses that insurance covers may not be fully covered and may be subject to challenges of or delays in payment. Direct and indirect disruption of our operations as a result of natural disasters or other events has had, and may continue to have, a negative impact on our operating activities, results of operations and financial condition.

Dependence on Information Systems

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

Management of Confidential Information

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

Employee Retirement Benefits

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.

Dependence on Specially Skilled 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 ADS holders

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

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

Unit Share System

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.

Dilution of Your Shares by Issuances of Additional 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.

Foreign Exchange Fluctuations

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

5. Material Agreements, etc.

(1) As Licensee

Licensee	Licensor	Country	Item under contract	Contract description	Contract period
Hitachi, Ltd. (The Company)	General Electric Company	U.S.A.	Gas turbines	License of technology (Note 1)	From March 31, 2006 to March 30, 2016
Babcock-Hitachi Kabushiki Kaisha (Consolidated subsidiary)	Siemens AG	Germany	Boilers	License of technology (Note 2)	From January 1, 1998 to December 31, 2013

(Notes) 1. A lump-sum payment has been made, and a certain percentage of sales of the item is paid as royalties.
2. A certain percentage based on the specifications of the item is paid as royalties.

(2) Cross License Agreement

Party	Party	Country	Item under contract	Contract description	Contract period
Hitachi, Ltd. (The Company)	International Business Machines Corp.	U.S.A.	Information handling systems	Cross license of patents	From January 1, 2008 to the expiration of the patent under contracts
Hitachi, Ltd. (The Company)	Hewlett-Packard Co.	U.S.A.	All products and services	Cross license of patents	From March 31, 2010 to the expiration of patents applied on or before December 31, 2014
Hitachi, Ltd. (The Company)	EMC Corporation	U.S.A.	Information handling systems	Cross license of patents	From January 1, 2003 to the expiration of patents applied on or before December 31, 2002
Hitachi-GE Nuclear Energy, Ltd. (Consolidated subsidiary)	GE-Hitachi Nuclear Energy Americas LLC	U.S.A.	Nuclear reactor systems	Cross license of patents and technology	From October 30, 1991 to April 30, 2016

(3) As Licensor

Licensor	Licensee	Country	Item under contract	Contract description	Contract period
Hitachi Metals, Ltd. (Consolidated subsidiary)	Magnequench Limited	Barbados	Rare earth magnets	License of patents (Note)	From August 10, 2007 to the expiration of the patents under contracts

(Note) A lump-sum payment has been received, and royalties are received in installments until the end of the contract period.

6. Research and Development

The Hitachi Group (the Company and consolidated subsidiaries) is conducting research and development activities in a broad range of fields, from information and telecommunications systems to financial services. The Hitachi Group places priority on allocating R&D resources on core businesses of the Group and make efforts for selecting R&D themes carefully and commercializing them quickly. Currently, in order to strengthen the global competitiveness of the Social Innovation Business, the Group is focusing on R&D activities to develop technologies combining social infrastructure with information and telecommunications systems, products and services to promote environmental operations and high functional materials. In addition, the Hitachi Group conducts advanced research to cultivate future core businesses.

The Hitachi Group also works to improve the efficiency of R&D through close coordination between the Company's corporate research laboratories, development divisions at business departments and factories, and research laboratories of group companies. Furthermore, the Hitachi Group is actively expanding collaborations with universities and other research institutions as well as with outside firms.

The Company has established a new R&D framework to accelerate global growth through the Social Innovation Business. In order to support the global growth, it aims to promote R&D that can meet local needs quickly by expanding R&D facilities and personnel in China, Europe, the Americas, Asia and India and accelerating locally-led R&D. Three corporate research laboratories aim to promote integration of technologies from basic research to applied research, to create synergies by consolidating R&D in the social infrastructure field, and to combine enhanced efficiency in information technology research with manufacturing.

The Hitachi Group's R&D expenditures for the fiscal year ended March 31, 2012 were ¥412.5 billion, 4.3% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Amount
Information & Telecommunication Systems	87.9
Power Systems	16.5
Social Infrastructure & Industrial Systems	22.5
Electronic Systems & Equipment	47.3
Construction Machinery	16.4
High Functional Materials & Components	46.1
Automotive Systems	52.8
Components & Devices	70.1
Digital Media & Consumer Products	23.6
Financial Services	0.3
Others	4.5
Corporate Items	24.0
Total	412.5

Notable achievements of R&D activities in the fiscal year ended March 31, 2012 are as follows.

- Heat radiation technology for power modules which can develop smaller inverters for electric and hybrid automobiles (Automotive Systems segment)

  Power modules are the key components to electric and hybrid automobiles. We developed new technologies adopting an original water cooled system, which directly sends heat radiated from inverters into coolant and change heat radiation structure of power semiconductor devices from one-side to both-sides of them. This technology is anticipated to improve a cooling performance of power modules and downsize inverters for automobiles.

- Technologies for eco-friendly combustion of the next-generation coal fired power generations (Power Systems segment)

  For Carbon Dioxide Capture and Storage and Integrated Coal Gasification Combined Cycle (CCS-ICGCC), we devised technologies that can reduce nitrogen oxide emissions without diluents regardless of the concentration of hydrogen, a main ingredient of fuel. Such achievement could be realized by a combination of a technology to safely and rapidly mix air and fuel and a technology to realize the stable combustion (This is an achievement of research and development activities entrusted by the New Energy and Industrial Technology Development Organization (NEDO)).

- Digital watermark technologies which can restrain pirated copies of animations (Information & Telecommunication Systems segment)

  We developed embedded digital watermark technologies for securing animation data. If someone plays pirated copies of the original animation, warning messages embedded in an original animation is displayed on the screen utilizing aliasing effects caused by illegally copying with the reduced data size.

- Ultrasonic flaw detection test system which can display three dimensional images of internal part of metals in short time (Power Systems segment)

  We succeeded to develop technologies for ultrasonic flaw detection test systems to search internal flaws of metals by using reflection of ultrasonic beam. This technology can dramatically shorten the time that takes to display internal part of metals in three dimensional images and make it possible to find more imperceptible flaws by using more microscopic and powerful ultrasonic beam.

- Integrated railway systems simulator to globally promote railway systems business (Social Infrastructure & Industrial Systems segment)

  We developed an integrated railway systems simulator, which can evaluate and analyze overall railway systems including energy supply measure for railway systems and services which could differ according to countries and lines, passing through electrified and non-electrified zones and interactions and coordinated control between multiple railway sub-systems such as rolling stock, signaling, traffic control and power-feed equipment. We anticipate that this integrated railway systems simulator enables to provide customers with optimal proposals which meet the needs of local railway operators and match construction and maintenance plans for railway networks in diverse countries.

7. Analyses of Consolidated Financial Position, Operating Results and Cash Flows
(1) Summary of Business Results, etc.

Economic Environment

We conduct business operations such as manufacturing, marketing, and research and development activities throughout the world. Therefore, the economic conditions in global markets where the Hitachi Group conducts business, in particular Japan, Asia, the Americas, and Europe, affect its results of operations. In the year ended March 31, 2012, the world economy showed slowed recovery due primarily to sovereign debt crises in some European countries and the impact of floods in Thailand which worsened in October 2011. Although the U.S. economy continued to moderately recover, the European economy was sluggish. The Chinese economy, which has developed at a higher rate of economic growth, experienced moderate domestic demand and decreased export due to monetary tightening policy of Chinese government. In addition, other emerging nations' economies were stagnant, due mainly to decreased export and rising inflation. The Japanese economy gradually recovered in the latter half of the year ended March 31, 2012 as a result of increases in public investment, capital investment in the private sector and housing investment for post-quake reconstruction.

We conduct business in many foreign countries, and a portion of our assets and liabilities denominated in currencies other than the Japanese yen is exposed to risks from fluctuations in foreign currency exchange rates. In addition, we export products and import components and raw materials in local currencies, principally the U.S. dollar and the euro. Therefore, fluctuations in foreign currency exchange rates may affect our financial results, which are reported in Japanese yen. The Japanese yen on average strengthened against the U.S. dollar and the euro during the years ended March 31, 2012. 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.

Business Strategy

We aim to achieve sustainable growth and establish a stable and profitable business structure by enhancing our competitiveness through promotion of our Social Innovation Business. 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 information and communication technology 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, when necessary and appropriate, we believe we can leverage our ability to build environmental systems by drawing on our advanced environmental technologies and experience. We aim to expand our Social Innovation Business globally, particularly in emerging countries and regions, by strengthening local leadership and by developing business strategy precisely responsive to local needs. Furthermore, we focus our business resources, including capital expenditures and R&D investments, on our Social Innovation Business. We also work to cultivate, recruit and promote human capital that can be utilized globally on a consolidated group-wide basis in order to facilitate the acceleration of our global business operations.

In order to enhance our competitiveness, we continue to strengthen our financial position, such as through optimization or integration of manufacturing bases throughout our consolidated group including a number of subsidiaries and affiliates, through highly effective asseting management and reduction of interest-bearing debt, and by thoroughly overhauling our cost structure including procurement costs and administrative operations.

In addition, in order to accelerate the promotion of our Social Innovation Business, we have restructured the Hitachi Group's management organizations and our headquarters will take the lead on consolidated group-wide matters and integration of highly related businesses that are conducted by diverse divisions or in-house companies.

Business Reorganization

We continuously reorganize our business in order to further focus our business resources on the Social Innovation Business. The important business reorganizations conducted in the year ended March 31, 2012 are as follows:

In March 2012, we sold all shares of Viviti Technologies Ltd., the holding company of Hitachi Global Storage Technologies, Inc., which manufactures and sells HDDs, to Western Digital Corporation. The sale resulted in Viviti Technologies ceasing to be our subsidiary.

In March 2012, we sold all shares of Hitachi Displays, Ltd., a subsidiary engaged in our small- and medium-sized LCD panel business. The sale resulted in Hitachi Displays ceasing to be our subsidiary.

Results of Operations

Effective from April 1, 2011, the battery business for automotive applications, which was previously included in the Components & Devices segment, has been included in the Automotive Systems segment. Figures for each segment, including figures for the year ended March 31, 2011, reflect the new segmentation.

Summary

In the year ended March 31, 2012, total revenues increased 4% compared with the year ended March 31, 2011. Income before income taxes for the year ended March 31, 2012 increased ¥125.5 billion to ¥557.7 billion, as compared with the year ended March 31, 2011. This increase was due primarily to recording a net gain on securities. In the year ended March 31, 2012, net income attributable to Hitachi, Ltd. was ¥347.1 billion, an increase of ¥108.3 billion compared with the year ended March 31, 2011.

Analysis of Statement of Operations

Our total revenues in the year ended March 31, 2012 increased 4% to ¥9,665.8 billion compared with the year ended March 31, 2011. This increase was due primarily to increases in revenues in the Information & Telecommunication Systems, Automotive Systems and Others segments. An increase in revenues in the Information & Telecommunication Systems segment was mainly due to increase in services business, and an increase in revenues in the Automotive Systems segment was due to worldwide recovery of demand for automobiles. An increase in revenues in the Others segment was mainly the result of higher revenues at Hitachi Transport System, Ltd. owing to the effect of making Vantec Corporation a consolidated subsidiary in April 2011. This increase was partially offset by decreases in revenues in the Components & Devices, Digital Media & Consumer Products and Financial Services segments due mainly to decreases in demand. Our overseas revenues increased 2% to ¥4,131.4 billion in the year ended March 31, 2012, compared with the year ended March 31, 2011. This increase was due primarily to increased revenues in the Information & Telecommunication Systems segment owing to higher revenue from our storage solutions business mainly in the U.S. market, and to increase in revenues in the Automotive Systems segment owing mainly to improved demand for automotive equipment in overseas markets, in particular in the United States and emerging economies.

Our cost of sales in the year ended March 31, 2012 was ¥7,278.9 billion, an increase of 4% compared with the year ended March 31, 2011. The ratio of cost of sales to total revenues was 75%, approximately the same as in the year ended March 31, 2011.

Our selling, general and administrative expenses in the year ended March 31, 2012 increased 4% to ¥1,974.6 billion compared with the year ended March 31, 2011. The ratio of selling, general and administrative expenses to total revenues was 20%, approximately the same as in the year ended March 31, 2011.

Impairment losses for long-lived assets decreased ¥3.3 billion to a total of ¥31.8 billion in the year ended March 31, 2012, as compared with the year ended March 31, 2011. The High Functional Materials & Components segment recorded an impairment loss of ¥19.4 billion due primarily to restructuring of its semiconductor packaging materials business suffered by a decrease in demand of the market and integrating manufacturing facilities for electronics and IT devices. In addition, the Information & Telecommunication Systems segment recorded an impairment loss of ¥4.5 billion due primarily to restructuring of micro devices business as a result of lower-than-expected future income. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

Restructuring charges in the year ended March 31, 2012 increased ¥17.3 billion to ¥23.0 billion, as compared with the year ended March 31, 2011. The increase was due primarily to increases in special and one-time termination benefits. In the year ended March 31, 2012, special and one-time termination benefits was ¥22.9 billion, which mainly consisted of special termination benefits expensed for restructuring in order to rationalize the workforce of LCDs business in the Components & Devices segment and to reorganize wires, cables and other relevant business, which has encountered severe deterioration in the business environment, in the High Functional Materials & Components segment.

Interest income decreased ¥0.6 billion to ¥12.6 billion, as compared with the year ended March 31, 2011.

Dividend income increased ¥1.3 billion to ¥5.5 billion, as compared with the year ended March 31, 2011.

Other income, including net gain on securities and net gain on sale and disposal of rental assets and other property, increased ¥159.1 billion to ¥228.9 billion, as compared with the year ended March 31, 2011. The increase was due primarily to an increase in a net gain on securities. In the year ended March 31, 2012, net gain on securities was ¥209.7 billion, an increase of ¥148.6 billion compared with the year ended March 31, 2011. This increase in net gain on securities consisted mainly of a gain from the sales of shares of Viviti Technologies Ltd. and Hitachi Displays, Ltd. Net gain on sale and disposal of rental assets and other property increased to ¥19.1 billion, compared with a net loss on sale and disposal of rental assets and other property of ¥3.1 billion in the year ended March 31, 2011.

Interest charges increased ¥3.2 billion to ¥28.1 billion, as compared with the year ended March 31, 2011.

Other deductions decreased ¥10.5 billion to ¥3.0 billion, as compared with the year ended March 31, 2011.

Equity in net loss of affiliated companies decreased ¥4.5 billion to ¥15.5 billion in the year ended March 31, 2012, as compared with the year ended March 31, 2011. This was due primarily to a decrease in the loss resulting from our interest in Renesas Electronics Corporation, our equity method affiliate in the semiconductor industry.

As a result of the foregoing, income before income taxes increased ¥125.5 billion to ¥557.7 billion, as compared with the year ended March 31, 2011.

Income taxes increased ¥15.8 billion to ¥144.9 billion, as compared with the year ended March 31, 2011. The increase was due primarily to revisions of Japanese taxation for corporations.

Net income increased ¥109.6 billion to ¥412.8 billion in the year ended March 31, 2012, as compared with the year ended March 31, 2011.

In the year ended March 31, 2012, net income attributable to noncontrolling interests was ¥65.6 billion, an increase of ¥1.3 billion compared with the year ended March 31, 2011.

As a result of foregoing, net income attributable to Hitachi, Ltd. increased ¥108.3 billion to ¥347.1 billion.

Operations by Segment

The following is an overview of results of operations by segment. Revenues for each segment include intersegment transactions.

(Information & Telecommunication Systems)

Revenues in the year ended March 31, 2012 were ¥1,764.2 billion, a 7% increase compared with the year ended March 31, 2011. The increase was due primarily to increased revenues from our domestic services business and increased revenues from software and services related to storage solutions and consulting business in the overseas market. Revenues from hardware business were approximately the same as the year ended March 31, 2011.

Segment profit increased 3% compared with the year ended March 31, 2011, to ¥101.7 billion. This increase was due primarily to improvement in profitability of our hardware business owing to an increase in the number of projects with higher profitability in our telecommunication networks business. By contrast, profits from our services business were approximately the same as in the year ended March 31, 2011 owing to deterioration in its profitability, despite higher sales.

(Power Systems)

Revenues in the year ended March 31, 2012 were ¥832.4 billion, a 2% increase compared with the year ended March 31, 2011. The increase was due primarily to higher sales of thermal power generation systems in the domestic market and increased revenues from preventative maintenance services. This increase was partially offset by lower sales of nuclear power generation systems in the aftermath of the Great East Japan Earthquake.

Segment loss was ¥33.9 billion in the year ended March 31, 2012, a decrease of ¥56.0 billion compared with the year ended March 31, 2011. This return to a segment loss was due primarily to additional costs owing to defects in boiler materials and delays in progress in an overseas project for coal-fired power systems and to the effects of the Great East Japan Earthquake.

(Social Infrastructure & Industrial Systems)

Revenues in the year ended March 31, 2012 were ¥1,204.9 billion, a 4% increase compared with the year ended March 31, 2011. The increase was due primarily to increased revenue from plant-related equipment and construction owing to alleviation of the effects of the Great East Japan Earthquake and an increase in air conditioning system projects. The increase was also attributable to higher revenue from elevators and escalators in the overseas markets, particularly in China.

Segment profit increased 23% compared with the year ended March 31, 2011, to ¥49.1 billion. The increase was due primarily to increased revenues from plant-related equipment and construction and elevators and escalators. This increase was also attributable to cost reduction.

(Electronic Systems & Equipment)

Revenues in the year ended March 31, 2012 were ¥1,101.7billion, a 2% increase compared with the year ended March 31, 2011. The increase was due primarily to higher sales at Hitachi Medical Corporation resulting from consolidating Aloka Co., Ltd. (currently Hitachi Aloka Medical, Ltd.) in January 2011. The increase was partially offset by declined revenues from electronic parts manufacturing equipment.

Segment profit increased 34% compared with the year ended March 31, 2011, to ¥49.9 billion. The increase was due primarily to higher earnings at Hitachi Kokusai Electric Inc. resulting from business restructuring and to higher earnings at Hitachi Koki Co., Ltd. and Hitachi Medical Corporation, despite a decrease in profit of electronic parts manufacturing equipment due to decreased revenues.

(Construction Machinery)

Revenues in the year ended March 31, 2012 were ¥798.7 billion, a 6% increase compared with the year ended March 31, 2011. The increase was due primarily to increased revenues in the domestic market owing to demand from post-quake reconstruction. The increase was also attributable to higher sales from mining machinery and services and parts in resource-rich nations, mainly in Australia, and to increased revenues in the U.S. market, mainly in the lease industries. This increase was partially offset by decreased revenues in China due to lower demand for hydraulic excavators.

Segment profit increased 28% compared with the year ended March 31, 2011, to ¥63.1 billion. The increase was due primarily to improvement in profitability owing to increased sales of highly profitable services and parts, revision of sales prices, and cost reduction.

(High Functional Materials & Components)

Revenues in the year ended March 31, 2012 were ¥1,437.1 billion, a 2% increase compared with the year ended March 31, 2011. The increase was due primarily to increased revenues at Hitachi Metals, Ltd. owing to higher sales of automotive-related materials. The increase was also attributable to higher revenues at Hitachi

Cable, Ltd. mainly resulting from a change of fiscal year-end for some of its overseas subsidiaries. This increase was partially offset by lower sales at Hitachi Chemical Co., Ltd. due to lower demand for semiconductor- and LCD-related products and the impact of the Great East Japan Earthquake and floods in Thailand.

Segment profit decreased 9% compared with the year ended March 31, 2011, to ¥77.0 billion. The decrease was due primarily to decrease in profit at Hitachi Chemical owing to the decreased revenues and the impact of the Great East Japan Earthquake and floods in Thailand. This decrease was partially offset by improvement in profitability at Hitachi Metals due to increased revenues and by higher earnings at Hitachi Cable due to increased revenues and its restructuring effort.

(Automotive Systems)

Revenues in the year ended March 31, 2012 were ¥811.5 billion, a 10% increase compared with the year ended March 31, 2011. The increase was due primarily to an upturn in demand for automotive equipment reflecting a recovery in automobile production in Japan and strong demand for automotive equipment in the U.S. and emerging economies, despite the lasting effects of the Great East Japan Earthquake felt at the beginning of the year.

Segment profit increased 56% compared with the year ended March 31, 2011, to ¥37.0 billion. The increase was due primarily to improvement in profitability owing to an increase in the level of production activity in response to rising demand for automotive equipment and cost reduction.

(Components & Devices)

Revenues in the year ended March 31, 2012 were ¥768.0 billion, a 5% decrease compared with the year ended March 31, 2011. The decrease was due primarily to lower revenues from HDDs owing to a decrease in shipment volume, resulting from difficulties with procurement of parts stemming from the floods in Thailand and the Great East Japan Earthquake, and to the effects of the appreciation of the Japanese yen. The decrease was also attributable to lower revenues from our LCDs business due mainly to the effects of the Great East Japan Earthquake and the floods in Thailand.

Segment profit decreased 20% compared with the year ended March 31, 2011, to ¥39.4 billion. The decrease was due primarily to deterioration in profitability of our HDDs business owing to lower sales.

(Digital Media & Consumer Products)

Revenues in the year ended March 31, 2012 were ¥858.8 billion, a 10% decrease compared with the year ended March 31, 2011. The decrease was due primarily to decreased revenues from our optical disk drives business owing mainly to the effect of floods in Thailand and declining sales price levels. The decrease was also attributable to decreased revenues from our flat-panel TVs business resulting from lower demand and declining sales price levels. This decrease was partially offset by increased revenues from air-conditioning equipment in the domestic market, owing to demand generated by capital investment and post-quake reconstruction, and those in overseas markets, mainly China and Taiwan.

Segment loss in the year ended March 31, 2012 was ¥10.9 billion, a decrease of ¥25.8 billion as compared with the year ended March 31, 2011. This return to a segment loss was due primarily to significant deterioration in profitability owing to lower sales from flat-panel TVs and optical disk drives. The return was also attributable to posting losses for refrigerators, due mainly to rising price levels for raw materials, lower sales prices and the effect of floods in Thailand, and losses for room air conditioners owing to rising price levels for raw materials.

(Financial Services)

Revenues in the year ended March 31, 2012 were ¥353.2 billion, a 5% decrease compared with the year ended March 31, 2011. The decrease was due primarily to lower revenues from finance services business for domestic corporations at Hitachi Capital Corporation. The decrease was partially offset by higher revenues from the overseas business, in particular in Asia except Japan, at Hitachi Capital.

Segment profit increased 112% compared with the year ended March 31, 2011, to ¥30.2 billion. The increase was due primarily to reduced financing and credit costs.

(Others)

Revenues in the year ended March 31, 2012 were ¥951.6 billion, a 24% increase compared with the year ended March 31, 2011. The increase was due primarily to higher revenues at Hitachi Transport System, Ltd. owing to the effect of making Vantec Corporation a consolidated subsidiary in April 2011 and healthy growth in sales in third-party logistics solutions. As a result, segment profit increased 15% compared with the year ended March 31, 2011, to ¥33.2 billion.

Revenues by Geographic Area

The following is an overview of revenues attributed to geographic areas based on customer location.

(Japan)

Revenues in Japan in the year ended March 31, 2012 were ¥5,534.4 billion, a 5% increase compared with the year ended March 31, 2011. The increase was due primarily to increased revenues in the Information & Telecommunication Systems, Power Systems and Construction Machinery segments. The increase was also attributable to increased revenues in the Others segment, resulting from higher revenues at Hitachi Transport System, Ltd. owing to the effect of making Vantec Corporation a consolidated subsidiary in April 2011 and to healthy growth in sales in third-party logistics solutions. The increase was partially offset by lower revenues in the Components & Devices segment due primarily to the effect of the Great East Japan Earthquake and floods in Thailand, and decreased revenues in the Digital Media & Consumer Products and Financial Services segments.

(Asia)

Revenues in Asia in the year ended March 31, 2012 were ¥2,000.9 billion, a 4% decrease compared with the year ended March 31, 2011. The decrease was due primarily to decreased revenues in the Construction Machinery, Components & Devices and Digital Media & Consumer Products segments. The decreased revenues in the Construction Machinery segment resulted from lower demand in China for hydraulic excavators. The decreased revenues in the Components & Devices segment mainly resulted from the effect of the floods in Thailand on our HDDs business. The decreased revenues in the Digital Media & Consumer Products segment resulted from lower sales of optical disk drive-related products. The decrease was partially offset by higher revenues mainly from elevators and escalators in the Social Infrastructure & Industrial Systems segment and increased revenues in the Automotive Systems segment.

(North America)

Revenues in North America in the year ended March 31, 2012 were ¥869.0 billion, an 11% increase compared with the year ended March 31, 2011. The increase was due primarily to increased revenues in the Information & Telecommunication Systems segment due primarily to higher sales for our storage solutions business. The increase was also attributable to increased revenues in the Electronic Systems & Equipment segment, in particular higher sales at Hitachi High-Technologies Corporation, and increased revenues in the Construction Machinery segment reflecting higher demand in the leasing industry.

(Europe)

Revenues in Europe in the year ended March 31, 2012 were ¥761.1 billion, which was almost the same level as in the year ended March 31, 2011. Revenues in the Electronic Systems & Equipment segment increased due primarily to the higher revenues at Hitachi High-Technologies Corporation and Hitachi Medical Corporation. Revenues in the Construction Machinery segment also increased, particularly in Russia. However, this increase was offset by lower sales from coal-fired power systems due primarily to delays in progress of a certain project.

(Other Areas)

Revenues in other areas in the year ended March 31, 2012 increased 16% to ¥500.2 billion due primarily to increased revenues in the Power Systems segment, in particular from coal-fired power generation systems in South Africa. The increase was also attributable to higher revenues in the Construction Machinery segment, mainly in Australia and Turkey.

(2) Summary of Financial Position, etc.

Liquidity and Capital Resources

Our management considers maintaining an appropriate level of liquidity and securing adequate funds for current and future business operations to be important financial objectives. Through efficient management of working capital and selective investment in new plants and equipment, we are working to optimize the efficiency of capital utilization throughout our business operations. We endeavor to improve our group cash management by centralizing such management among us and our overseas financial subsidiaries. Our internal sources of funds include cash flows generated by operating activities and cash on hand. Our management also considers short-term investments to be an immediately available source of funds. In addition, we raise funds both in 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. In order to flexibly access funding, we maintain our shelf registration with the maximum outstanding balance of ¥300.0 billion.

As of March 31, 2012, we maintained commitment line agreements with a number of domestic banks under which we may borrow in order to ensure efficient access to necessary funds. These commitment line agreements generally provide for a one-year term, renewable upon mutual agreement between us and each of the lending banks, although we also maintained another commitment line agreement that will end in May 2013. These committed credit arrangements are, in general, subject to financial and other covenants and conditions both prior to and after drawdown, the most restrictive of which require maintenance of minimum issuer rating or long-term debt ratings from R&I of BBB or BBB-. As of March 31, 2012, our unused commitment lines totaled ¥506.1 billion, including these of ¥106.1 billion which our certain subsidiaries maintained.

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. 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.

Cash Flows

(Cash Flows from Operating Activities)

Net income amounted to ¥412.8 billion in the year ended March 31, 2012, an increase of ¥109.6 billion compared to the year ended March 31, 2011, due mainly to an increase in net gain on securities. Trade receivables increased by ¥259.2 billion in the year ended March 31, 2012 as compared to a decrease of ¥121.6 billion in the year ended March 31, 2011, due in part to the effects of the Great East Japan Earthquake and collateral events which caused delays in product shipment and delivery. An increase in payables of ¥47.5 billion in the year ended March 31, 2011 changed to an increase of ¥119.1 billion in the year ended March 31, 2012. As a result, the net cash provided by operating activities in the year ended March 31, 2012 decreased by ¥394.3 billion to ¥447.1 billion.

(Cash Flows from Investing Activities)

A net sum of ¥403.3 billion in the year ended March 31, 2012 was recorded as investment related to property, plant and equipment, where the collection of investments in leases, the proceeds from disposal of property, plant and equipment and the proceeds from disposal of tangible assets and software to be leased were subtracted from the amount of the capital expenditures, the purchase of intangible assets and the purchase of tangible assets and software to be leased, an increase of ¥118.5 billion from the year ended March 31, 2011. In addition, purchase of investments in securities and shares of newly consolidated subsidiaries increased by ¥28.8 billion and amounted to ¥151.4 billion as a result of stock acquisition of Vantec Corporation and a network storage business entity in the U.S. Proceeds from sale of investments in securities and shares of consolidated subsidiaries resulting in deconsolidation increased by ¥183.0 billion and amounted to ¥331.0 billion owing to share transfer of Viviti Technologies Ltd. As a result, net cash used in investing activities in the year ended March 31, 2012 was ¥195.5 billion, a decrease of ¥64.7 billion from the year ended March 31, 2011.

(Cash Flows from Financing Activities)

Net increase in short-term debt in the year ended March 31, 2012 was ¥70.1 billion due in part to the issuance of commercial paper in response to increased working capital. A net sum of ¥155.8 billion was recorded as payments related to long-term debt, where the proceeds from long-term debt were subtracted from the payments on long-term debt, a decrease of ¥455.1 billion from the year ended March 31, 2011. As a result, net cash used in financing activities in the year ended March 31, 2012 was ¥167.8 billion, a decrease of ¥416.3 billion from the year ended March 31, 2011.

As a result of the above items, in the year ended March 31, 2012, cash and cash equivalents increased ¥64.7 billion, to ¥619.5 billion from the year ended March 31, 2011. Free cash flows, the sum of cash flows from operating and investing activities, represented an inflow of ¥251.5 billion in the year ended March 31, 2012, a decrease of ¥329.6 billion compared with the year ended March 31, 2011.

Assets, Liabilities and Equity

As of March 31, 2012, our total assets amounted to ¥9,418.5 billion, an increase of ¥232.8 billion from March 31, 2011. The increase was due primarily to an increase in trade accounts receivables as a result of increased revenues and an increase in investments and advances resulting from acquiring shares of Western Digital Corporation as part of the consideration for selling our HDDs business to Western Digital Corporation. The increase was also attributable to an increase in inventories in response to strong demand in construction machinery. Our total cash and cash equivalents and short-term investments as of March 31, 2012 amounted to ¥631.1 billion, an increase of ¥59.7 billion from the level as of March 31, 2011.

As of March 31, 2012, our total interest-bearing debt, which represents the sum of short-term debt, long-term debt and non-recourse borrowings of consolidated securitization entities, amounted to ¥2,396.4 billion, a decrease of ¥125.0 billion from March 31, 2011. This decrease was due primarily to the decrease of non-recourse borrowings of consolidated securitization entities. As of March 31, 2012, short-term debt, consisting mainly of borrowings from banks and commercial paper, amounted to ¥531.4 billion, an increase of ¥58.8 billion from March 31, 2011, due primarily to an increase of working capital, partially offset by repayment of short-term debt with the consideration received for the sale of our HDDs business. As of March 31, 2012, 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 ¥1,248.8 billion, a decrease of ¥51.4 billion from March 31, 2011, due primarily to a part of long-term debt becoming current liability and conversion of the Company’s bonds with stock acquisition rights into stocks.

As of March 31, 2012, noncontrolling interests amounted to ¥1,002.2 billion, an increase of ¥0.6 billion from March 31, 2011.

As of March 31, 2012, total Hitachi, Ltd. stockholders’ equity amounted to ¥1,771.7 billion, an increase of ¥331.9 billion from March 31, 2011. As a result, ratio of total Hitachi, Ltd. stockholders’ equity to total assets as of March 31, 2012 was 18.8%, compared with 15.7% as of March 31, 2011. Ratio of interest-bearing debt to total equity (the sum of total Hitachi, Ltd. stockholders’ equity and noncontrolling interests) decreased to 0.86, compared with 1.03 as of March 31, 2011.

(3) Important Accounting Policies and Estimates

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

Revenue Recognition for Sales under Long-term Construction Arrangements

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

Impairment of Long-Lived Assets

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

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

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

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

For the year ended March 31, 2012, we recognized ¥31.8 billion of impairment losses for long-lived assets, mainly relating to semiconductor package material businesses in the High Functional Materials & Components segment and a micro devices business in the Information & Telecommunication Systems segment.

Goodwill and Intangible Assets

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

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

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

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

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

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

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

As of March 31, 2012, our carrying amount of goodwill was ¥214.7 billion. The majority of goodwill consists of the Information & Telecommunication Systems segment (¥79.9 billion) and the High Functional Materials & Components segment (¥58.9 billion).

The carrying amount of goodwill of the Information & Telecommunication Systems segment at March 31, 2012 mainly relates to our information and telecommunication business. Our information and telecommunication business is sensitive to customers' motivation to invest in information-technology systems affected by macro-economic conditions. We may be required to record an impairment in goodwill in this segment if any economic downturn is expected to be prolonged beyond current estimates of our management.

The carrying amount of goodwill of the High Functional Materials & Components segment at March 31, 2012 mainly relates to our metals business. The metals business is sensitive to increases in materials prices and product demand. We may need to recognize an impairment loss for goodwill in this segment if there is a sustained increase in materials prices or an unforeseen decrease in demand.

In order to evaluate the sensitivity of the fair value calculations on the goodwill impairment analysis, we applied a hypothetical and approximate 10% decrease to the fair value of each reporting unit. As a result of our sensitivity analysis, as of March 31, 2012, we do not have any reporting units that are at risk that the carrying amount of the reporting unit would reasonably likely exceed its fair value.

Deferred Tax Assets

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that we will not realize a portion or all of our deferred tax assets. The ultimate realization of our deferred tax assets is dependent on whether we are able to generate sufficient future taxable income in specific tax jurisdictions during the periods in which temporary differences become deductible. Management has scheduled the expected future reversals of the temporary differences and projected future taxable income, including the execution of certain available tax strategies if appropriate, in making this assessment. Actual results may differ materially from forecasted operating results, which are the basis for projecting future taxable income, and may be subject to adjustment because of factors such as economic trends in major markets where we do business, trends of supply and demand in the markets, prices of products and services, purchasing prices of materials and components, currency exchange rate fluctuations and rapid technological innovation. As a result, the differences could negatively affect the amount of deferred tax assets and valuation allowances. The realizability of deferred tax assets is assessed for each taxable unit in each taxable jurisdiction, and the results of the assessment may differ from unit to unit due to different products or jurisdictions even if they operate the same kind of business. Based on these factors, management believes that it is more likely than not that we will realize the benefits of these temporary differences, net of the existing valuation allowance as of March 31, 2012. However, the amount of deferred tax assets may be different if we do not realize estimated future taxable income during the carry forward periods as originally expected.

Retirement Benefits

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

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

	Effect on pre-tax income for the year ending March 31, 2013	Effect on PBO as of March 31, 2012
	(Millions of yen)	
Discount rates:		
0.5% decrease	(8,013)	164,227
0.5% increase	8,064	(151,489)
Expected rate of return on plan asset:		
0.5% decrease	(6,486)	-
0.5% increase	6,486	-

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

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

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

Investments in Securities

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

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

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

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

(4) Forward-Looking Statements

Certain statements found in "4. Risks Factors" and "7. Analyses of Consolidated Financial Position, Operating Results and Cash Flows" and other descriptions in this report may constitute "forward-looking statements" as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such "forward-looking statements" reflect management's current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as "anticipate," "believe," "expect," "estimate," "forecast," "intend," "plan," "project" and similar expressions which indicate future events and trends may identify "forward-looking statements." Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the "forward-looking statements" and from historical trends. Certain "forward-looking statements" are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on "forward-looking statements," as such statements speak only as of the date of this report.

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

- economic conditions, including consumer spending and plant and equipment investment in Hitachi's major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi's assets and liabilities are denominated, particularly against the U.S. dollar and the euro;
- uncertainty as to Hitachi's ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- the potential for significant losses on Hitachi's investments in equity method affiliates;
- increased commoditization of information technology products and digital media-related products and intensifying price competition for such products, particularly in the Digital Media & Consumer Products segments;
- uncertainty as to Hitachi's ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- rapid technological innovation;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to Hitachi's ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- uncertainty as to the success of cost reduction measures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to the success of alliances upon which Hitachi depends, some of which Hitachi may not control, with other corporations in the design and development of certain key products;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity method affiliates have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the possibility of disruption of Hitachi's operations by earthquakes, tsunamis or other natural disasters;
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers;
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its significant employee benefit-related costs; and
- uncertainty as to Hitachi's ability to attract and retain skilled personnel.

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

III. Property, Plants and Equipment

1. Summary of Capital Investment, etc.

The Hitachi Group (the Company and consolidated subsidiaries) selectively invests in R&D and product fields expected to grow over the long term, and it also invests to streamline manufacturing process, etc. and to improve the reliability of its products.

Capital investment (based on the amount recorded as tangible fixed assets) in the fiscal year ended March 31, 2012 was ¥649.2 billion. A breakdown of capital investment by segment is as follows. Effective from April 1, 2011, the battery business for automotive applications, which was previously included in the Components & Devices segment, has been included in the Automotive Systems segment and figures for each segment and change from the preceding fiscal year are presented on the basis of the new segmentation.

Segment	Capital investment (Billions of yen)	Change from preceding fiscal year (%)	Main purpose of investment
Information & Telecommunication Systems	50.6	170.9	Correspondence to the Great East Japan Earthquake, expand data centers, streamline development and production of other products
Power Systems	27.3	258.8	Correspondence to the Great East Japan Earthquake, streamline development and production of products
Social Infrastructure & Industrial Systems	24.2	134.9	Increase production of elevators and escalators, streamline development and production of other products
Electronic Systems & Equipment	22.3	168.0	Streamline development and production of products
Construction Machinery	65.0	178.0	Increase and streamline production of construction machinery
High Functional Materials & Components	67.8	111.7	Increase and streamline production of high grade metal products, magnetic materials/components and automotive related materials/components, etc.
Automotive Systems	38.3	208.1	Increase production of automotive equipment, etc.
Components & Devices	44.7	80.6	HDDs manufacturing equipment, streamline production of small and medium-sized LCDs
Digital Media & Consumer Products	20.4	138.9	Increase production of air conditioning equipment, streamline development and production of other products
Financial Services	256.2	90.7	Assets for leasing business
Others	40.6	119.9	Real estate for renting, etc.
Subtotal	658.1	114.7	—
Eliminations & Corporate Items	(8.9)	—	—
Total	649.2	116.6	—

(Notes) 1. The above table includes ¥271.9 billion investment in lease assets. It is mainly for computers and other information-related equipment, industrial machinery and machine tools, vehicles and medical equipment related to lease agreements under the Financial Services segment.

2. The figures in the above table include the amount of the tangible fixed assets leased under non-transferable finance lease transactions.

3. These investments were mostly financed with the Hitachi Group's own capital.

2. Major Property, Plants and Equipment

The Hitachi Group (the Company and consolidated subsidiaries) engages in diverse business operations in Japan and overseas. It discloses information on major property, plants and equipment.

The situation at the end of the fiscal year under review is as follows.

(1) Breakdown by Segment

(As of March 31, 2012)

Segment	Book value (Millions of yen)						Number of employees
	Buildings	Machinery and equipment	Land [Area in thousands of m^2]	Lease assets	Others	Total	
Information & Telecommunication Systems	66,185	48,139	33,944 [1,832]	8,571	15,357	172,196	73,334
Power Systems	40,834	33,125	15,012 [4,724]	13,257	11,179	113,407	17,235
Social Infrastructure & Industrial Systems	68,833	43,504	29,871 [3,612]	10,927	6,679	159,814	41,136
Electronic Systems & Equipment	53,828	25,257	46,700 [2,288]	879	2,428	129,092	25,878
Construction Machinery	67,374	98,724	67,016 [10,519]	3,076	15,852	252,042	20,571
High Functional Materials & Components	123,344	149,501	93,606 [13,340]	2,219	19,635	388,305	47,468
Automotive Systems	38,065	52,186	47,914 [5,381]	545	11,672	150,382	28,125
Components & Devices	10,927	8,512	40,007 [1,074]	33	661	60,140	3,998
Digital Media & Consumer Products	28,566	47,164	18,719 [4,091]	1,041	3,367	98,857	25,042
Financial Services	666	188,362	121 [12]	9,079	229	198,457	4,060
Others	143,724	29,844	110,463 [4,128]	17,944	11,642	313,617	33,473
Subtotal	642,346	724,318	503,373 [51,002]	67,571	98,701	2,036,309	320,320
Eliminations & Corporate Items	26,717	2,714	(39,280) [1,187]	(1,960)	1,038	(10,771)	3,220
Total	669,063	727,032	464,093 [52,188]	65,611	99,739	2,025,538	323,540

(Notes) 1. The "Others" column represents the total amount of vehicles and construction in progress.

2. The figures in the above table include ¥242,222 million of operating lease assets for leasing business, mainly owned by Hitachi Capital Corporation.

3. The figures in the above table include ¥52,619 million of lease assets concerning non-transfer ownership finance lease transactions leased from within the Hitachi Group, mainly from Hitachi Capital Corporation.

4. Except for the figures in the above table, there are operating lease assets leased, mainly machinery, etc. The annual lease fee for such assets was ¥136,219 million.

(2) The Company

(As of March 31, 2012)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)						Number of employees
			Buildings	Machinery and equipment	Land [Area in thousands of m²]	Lease assets	Others	Total	
Information & Telecommunication Systems Company (Shinagawa-ku, Tokyo)	Information & Telecommunication Systems	System development facilities, manufacturing facilities for servers, mainframes, etc.	31,853	18,487	2,006 [746]	3,084	12,807	68,238	13,421
Power Systems Company (Hitachi, Ibaraki)	Power Systems	Manufacturing facilities for power generating equipment, etc.	15,933	18,872	3,473 [3,629]	952	5,292	44,524	3,993
Research & Development Group (Kokubunji, Tokyo)	Others	R&D facilities	15,900	5,218	6,089 [815]	520	2,824	30,552	3,295
Area Operations (Osaka, Osaka)	Corporate	Other facilities	8,146	478	8,423 [87]	16	—	17,065	1,497
Urban Planning and Development Systems Company (Hitachinaka, Ibaraki)	Social Infrastructure & Industrial Systems	Manufacturing facilities for elevators and escalators	9,573	5,747	89 [528]	1,327	293	17,031	1,491
Head Office (Chiyoda-ku, Tokyo)	Corporate	Other facilities	6,944	2,110	5,549 [1,051]	174	235	15,014	1,674
Information Technology Division (Chiyoda-ku, Tokyo)	Others	System development facilities	3,598	10,143	— [—]	—	849	14,591	713
Ibaraki Hospital Center (Hitachi, Ibaraki)	Corporate	Medical facilities	10,431	1,029	10 [49]	1,366	802	13,641	1,325
Information & Control Systems Company (Hitachi, Ibaraki)	Information & Telecommunication Systems, Power Systems and Social Infrastructure & Industrial Systems	Manufacturing facilities for switchboards and calculation control equipment, system development facilities	6,814	2,909	635 [206]	2,398	464	13,222	2,679
Transportation Systems Company (Kudamatsu, Yamaguchi)	Social Infrastructure & Industrial Systems	Manufacturing facilities for railway vehicles, etc.	7,186	3,997	862 [693]	32	383	12,462	1,774

(3) Domestic subsidiaries

(As of March 31, 2012)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)						Number of employees
			Buildings	Machinery and equipment	Land [Area in thousands of m²]	Lease assets	Others	Total	
Hitachi Automotive Systems, Ltd. (Hitachinaka, Ibaraki)	Automotive Systems	Manufacturing facilities for automotive equipment	16,632	21,766	7,492 [2,528]	3	1,413	47,309	6,052
Hitachi Construction Machinery Co., Ltd., Tsuchiura Works (Tsuchiura, Ibaraki)	Construction Machinery	Manufacturing facilities for construction machinery	9,251	16,806	7,562 [5,534]	—	3,387	37,007	2,514
Hitachi Metals, Ltd., Yasugi Works (Yasugi, Shimane)	High Functional Materials & Components	Manufacturing facilities for high grade steel	7,891	14,972	8,162 [1,109]	—	654	31,679	1,574
Hitachi Construction Machinery Co., Ltd., Hitachinaka-Rinko Works (Hitachinaka, Ibaraki)	Construction Machinery	Manufacturing facilities for construction machinery	11,441	3,823	11,042 [483]	—	803	27,111	301
Hitachi Solutions, Ltd., Head Office (Shinagawa-ku, Tokyo)	Information & Telecommunication Systems	Other facilities	10,140	627	12,602 [17]	1,038	312	24,719	2,465
Hitachi Building Systems Co., Ltd., Head Office (Chiyoda-ku, Tokyo)	Social Infrastructure & Industrial Systems	Other facilities	10,354	1,819	10,959 [170]	—	392	23,524	1,439
Hitachi Cable, Ltd., Hitaka Works (Hitachi, Ibaraki)	High Functional Materials & Components	Manufacturing facilities for wires, cables	11,598	3,793	4,809 [1,056]	—	380	20,582	1,712
Hitachi Chemical Co., Ltd., Shimodate Works (Chikusei, Ibaraki)	High Functional Materials & Components	Manufacturing facilities for circuit board materials, etc.	8,318	6,496	4,392 [743]	19	323	19,550	1,589
Hitachi High-Technologies Corporation Naka Area (Hitachinaka, Ibaraki)	Electronic Systems & Equipment	Manufacturing facilities for semiconductor manufacturing equipment and test and measurement equipment, etc.	13,036	4,729	619 [121]	—	145	18,530	2,206
Hitachi Chemical Co., Ltd., Yamazaki Works (Hitachi, Ibaraki)	High Functional Materials & Components	Manufacturing facilities for semiconductor materials	6,726	6,371	788 [485]	11	1,299	15,196	1,086

(Note) Except for the figures in the above table, there are ¥180,018 million of operating lease assets for leasing business, mainly owned by Hitachi Capital Corporation.

(4) Overseas subsidiaries

(As of March 31, 2012)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)						Number of employees
			Buildings	Machinery and equipment	Land [Area in thousands of m^2]	Lease assets	Others	Total	
Telco Construction Equipment Company Limited (Bangalore, India)	Construction Machinery	Manufacturing facilities for construction machinery	5,703	6,548	558 [1,141]	—	2,128	14,937	1,877
Hitachi Data Systems Corporation (California, U.S.A.)	Information & Telecommunication Systems	Other facilities	—	14,260	— [—]	—	—	14,260	5,324
Hitachi Metals America, Ltd. (New York, U.S.A.)	High Functional Materials & Components	Manufacturing facilities for automobile components, etc.	3,117	9,323	377 [2,561]	—	1,192	14,009	2,075
Hitachi Automotive Systems Americas, Inc. (Kentucky, U.S.A.)	Automotive Systems	Manufacturing facilities for automotive equipment	3,434	6,046	280 [1,231]	—	3,811	13,571	2,170
Hitachi Construction Machinery (China) Co., Ltd. (Hefei, China)	Construction Machinery	Manufacturing facilities for construction machinery	4,737	5,428	— [—]	—	1,308	11,473	2,200

(Notes) 1. The figures for Hitachi Data Systems Corporation and Hitachi Metals America, Ltd. are presented in consolidated basis of each company.

2. Except for the figures in the above table, there are ¥56,741 million of operating lease assets for leasing business.

3. Plans for Capital Investment, Disposals of Property, Plants and Equipment, etc.

The Hitachi Group (the Company and consolidated subsidiaries) engages in diverse operations in Japan and overseas, and has not decided on specific plans to newly install or expand each of facilities as of the end of the fiscal year. For this reason, it discloses amounts of capital investment by segment.

The amount of capital investment for the fiscal year ending March 31, 2013 will be ¥772.0 billion (new installation and expansions, based on the amount recorded as tangible fixed assets), and a breakdown by segment is as follows. Effective from April 1, 2012, the Components & Devices segment is abolished and businesses which were classified in the segment are reclassified in the Others segment. Figures shown below is presented on the basis of the new segmentation.

Segment	Amount (Billions of yen)	Main purpose of investment
Information & Telecommunication Systems	49.0	Antiseismic reinforcement, expand data centers, streamline development and production of other products
Power Systems	26.0	Antiseismic reinforcement, streamline development and production of products
Social Infrastructure & Industrial Systems	43.0	Antiseismic reinforcement, increase production of elevators and escalators, streamline development and production of other products
Electronic Systems & Equipment	31.0	Streamline development and production of products
Construction Machinery	93.0	Increase and streamline production of construction machinery
High Functional Materials & Components	94.0	Increase production of high grade metal products, magnetic materials/components, resins and circuit board materials, etc.
Automotive Systems	54.0	Increase production of automotive equipment, etc.
Digital Media & Consumer Products	20.0	Corresponding to the floods in Thailand, streamline development and production of products
Financial Services	315.0	Assets for leasing business
Others	52.0	Antiseismic reinforcement of welfare facilities
Subtotal	777.0	—
Eliminations & Corporate Items	(5.0)	—
Total	772.0	—

(Notes)
1. The figures in the above table include ¥330.0 billion of planned investment in assets for leasing business.
2. The figures in the above table include the amount of the fixed assets leased under non-transferable finance lease transactions.
3. These planned investments are expected to be mostly financed with the Hitachi Group's own capital.
4. There are no plans to dispose or sell principal facilities, with the exception of disposing and selling facilities due to routine upgrading.

IV. Information on the Company

1. Information on the Company's Stock, etc.

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	10,000,000,000
Total	10,000,000,000

2) Issued shares

Class	Number of shares issued as of the end of fiscal year (shares) (March 31, 2012)	Number of shares issued as of the filing date (shares) (June 22, 2012)	Stock exchange on which the Company is listed	Description
Common stock	4,637,785,317	4,637,807,397	Tokyo, Osaka, Nagoya	The number of shares per one unit of shares is 1,000 shares.
Total	4,637,785,317	4,637,807,397	—	—

(Note) 1. The number of shares under the "Number of shares issued as of the filing date" column does not include shares issued through the exercise of stock acquisition rights from June 1, 2012 to the filing date.

2. The Company delisted its American Depositary Shares from the New York Stock Exchange on April 27, 2012 and its common stock from the Fukuoka Stock Exchange and Sapporo Securities Exchange on May 18, 2012, respectively.

(2) Information on the stock acquisition rights, etc.

The Company issues bonds with stock acquisition rights in accordance with the Companies Act.

Name of bonds with stock acquisition rights		As of the end of fiscal year (March 31, 2012)	As of the end of month preceding the filing date (May 31, 2012)
Hitachi, Ltd. 130% call option attached unsecured convertible bond type-bonds with stock acquisition rights (8th series) (with inter-bond pari passu clause) (Note 1)	Balance of the bonds with stock acquisition rights	¥62,068 million	¥62,061 million
	Number of the stock acquisition rights	62,068	62,061
	Number of the stock acquisition rights held by the Company	—	—
	Class of shares subject to the stock acquisition rights	Common stock	Common stock
	Number of shares subject to the stock acquisition rights (Note 2)	195,798,107 shares	195,776,025 shares
	Amount to be paid upon exercise of the stock acquisition rights (Notes 3, 4)	¥317 per share	¥317 per share
	Exercise period of the stock acquisition rights (Note 5)	From January 4, 2010 to December 10, 2014	From January 4, 2010 to December 10, 2014
	Issue price for shares issued through the exercise of the stock acquisition rights and the amount capitalized as common stock (Notes 4, 6)	Issue price: ¥317 Amount capitalized as common stock: ¥159	Issue price: ¥317 Amount capitalized as common stock: ¥159
	Terms and conditions for exercising the stock acquisition rights	(Note 7)	(Note 7)
	Matters related to transfer of the stock acquisition rights	(Note 8)	(Note 8)
	Matters related to contributions of bonds upon exercise of the stock acquisition rights in lieu of cash payment	(Note 9)	(Note 9)
	Matters related to the grant of stock acquisition rights accompanying reorganization acts	(Note 10)	(Note 10)

(Note) 1. Referred to as the "Bonds with Stock Acquisition Rights," of which the bonds are referred to as the "Bonds" and of which the stock acquisition rights are referred to as the "Stock Acquisition Rights."

2. The number of the shares of the Company's common stock to be delivered by the Company upon request to exercise the Stock Acquisition Rights shall be the number of which the aggregate amount of the Bonds to which the Stock Acquisition Rights relating to the exercise request are attached divided by the applicable conversion price as of the date of such exercise request (the price to be used in calculating the number of shares of the Company's common stock to be delivered upon the exercise of each Stock Acquisition Right; provided, however, in case of note 10, the "conversion price" shall mean the price used in calculating the number of shares of the common stock of the succeeding company, etc. to be delivered upon the exercise of the Succeeded Stock Acquisition Rights as defined below 10 (1)), with any fraction less than one share resulting from such calculation, if any, being rounded down, and no cash adjustment will be made in respect thereof.

3. Upon the exercise of each Stock Acquisition Right, the Bond to which such Stock Acquisition Right is attached shall be contributed and the value of such Bond shall be an amount equal to the amount to be paid for such Bond.

4. The conversion price relating to the Bonds with Stock Acquisition Rights shall be initially 317 yen; provided, however, that the Conversion Price may be adjusted or reduced as below.

(1) (i) If there is or might be a change in the number of the shares of the Company's common stock due to any of the events set forth in (ii) below after the issue of the Bonds with Stock Acquisition Rights, the Company shall adjust the Conversion Price using the following formula (the "Conversion Price Adjustment Formula").

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of existing issued shares} + \dfrac{\text{Number of Shares to be delivered} \times \text{Amount to be paid per share}}{\text{Current market price}}}{\text{Number of existing issued shares} + \text{Number of shares to be delivered}}$$

(ii) If any of the following events occur, the Conversion Price shall be adjusted in accordance with the Conversion Price Adjustment Formula and such adjusted conversion price will be applied to respective event as provided in the following each provision:

(a) In the event of an offer to subscribe for shares of the Company's common stock with an amount to be paid that is less than the current market price (as defined in (2)(iii) below; the same applies hereinafter) (excluding offers for up to 1,090,000,000 shares of new shares to be issued by way of a public offer for subscription and up to 60,000,000 shares of new shares to be issued by way of a third-party allotment, each pursuant to a decision by the President and Chief Executive Officer of the Company made on 16 November 2009 pursuant to authority granted to him by a resolution of the Board of Directors of the Company at its meeting held on 29 October 2009):

The Conversion Price after adjustment will apply on and after the day immediately following the payment date (or, if there is a payment period for the offer for subscription, the last day of such payment period; the same applies hereinafter); provided, however, that if a record date for granting the right to receive allotment of shares to the shareholders of the Company's common stock has been established, the Conversion Price after adjustment will apply on and after the day immediately following such record date.

(b) In the event of a stock split or a gratis allotment of shares of the Company's common stock:

The Conversion Price after adjustment will apply, in the case of a stock split, on and after the day immediately following the record date for such stock split or, in the case of a gratis allotment, the day immediately following the effective date thereof; provided, however, that if, for the gratis allotment of shares of the Company's common stock, a record date for granting the right to receive allotment of shares to the shareholders of the Company's common stock has been established, the Conversion Price after adjustment will apply on and after the day immediately following such record date.

(c) In the case of an issuance of shares with put option, callable shares or callable stock acquisition rights (including those attached to bonds with stock acquisition rights) with provisions for delivery of shares of the Company's common stock at a price less than the current market price, or stock acquisition rights (including those attached to bonds with stock acquisition rights) upon the exercise of which shares of the Company's common stock will be delivered to the holders thereof at a price less than the current market price (collectively, the "Shares with Put Option, etc."):

The Conversion Price after adjustment will be calculated by regarding all of the put options, the call provisions or the stock acquisition rights (including those attached to bonds with stock acquisition rights) as having been exercised or applied under the initial terms and conditions thereof, and will be applied on and after the day immediately following the payment date (or, in the case of the stock acquisition rights or bonds with stock acquisition rights, the allotment date); provided, however, that if a record date for granting the right to receive allotment of shares to the shareholders of the Company's common stock has been established, the Conversion Price after adjustment will apply on and after the day immediately following such record date.

(d) Notwithstanding the provisions set forth in (ii)(a) to (c) above, if shares of the Company's common stock or the Shares with Put Option, etc. are to be allotted to the shareholders of the Company's common stock and the record date for the allotment is a day preceding the day on which the allotment is approved at a meeting of shareholders, the board of directors meeting or by any other organ of the Company or on which the allotment is determined by the Executive Officer, then the Conversion Price after adjustment will apply on and after the day immediately following the date of such approval or determination; provided, however, that in such case, shares of the Company's common stock will be delivered on or after the date of such approval or determination to the holders of the Bonds with Stock Acquisition Rights who have made a request to exercise the Stock Acquisition Rights during the period from the day immediately following the record date to the date of the approval or determination (the "Holders of Stock Acquisition Rights") by means of the calculation described below. In such case, shares will be delivered to the Holders of Stock Acquisition Rights who made the exercise request by crediting the proprietary column of the transfer account book of a book-entry transfer institution or account management institution designated by the Holder of Stock Acquisition Rights with the increase of the number of the book-entry shares after such request comes into effect.

$$\text{Number of shares} = \frac{\left(\begin{array}{c}\text{Conversion price before adjustment} - \\ \text{Conversion price after adjustment}\end{array}\right) \times \begin{array}{c}\text{Number of the shares delivered at} \\ \text{the conversion price before} \\ \text{adjustment during such period}\end{array}}{\text{Conversion price after adjustment}}$$

Any fraction less than one share resulting from such calculation will be rounded down and no cash adjustment will be made in respect thereof.

(2) The Conversion Price shall be adjusted pursuant to the following provisions.

(i) To the extent that the difference between the Conversion Price after adjustment calculated by using the Conversion Price Adjustment Formula and the Conversion Price before adjustment is less than one yen, the Conversion Price shall not be adjusted; provided, however, that if any event subsequently occurs that requires another adjustment of the Conversion Price and the Conversion Price is calculated, in lieu of the Conversion Price before adjustment indicated in the Conversion Price Adjustment Formula, the Conversion Price before adjustment minus such difference shall be used.

(ii) In the calculation using the Conversion Price Adjustment Formula, figures in yen shall be calculated to the nearest second decimal place and rounded to the nearest first decimal place.

(iii) The "current market price" used in the Conversion Price Adjustment Formula shall be the average price (not counting days on which there is no closing price) of the daily closing prices (including quotation prices) of the shares of the Company's common stock in regular trading on the Tokyo Stock Exchange, Inc. during 30 trading days commencing on the 45th trading day preceding the day on which the Conversion Price after adjustment is applied (in the case of (1)(ii)(d) above, the relevant record date). In calculating such average, figures in yen shall be calculated to the nearest second decimal place and rounded to the nearest first decimal place.

(iv) The "number of already issued shares" used in the Conversion Price Adjustment Formula shall be the number of the issued shares of the Company's common stock as of the record date if a record date for granting the right to receive allotment of shares to the shareholders of the Company's common stock has been established, or if there is no such record date, the corresponding day one month prior to the relevant day on which the Conversion Price after adjustment is applied, minus the number of the shares of the Company's common stock held by the Company as of such date, plus the number of shares of the Company's common stock that have not yet been delivered from among the shares of the Company's common stock deemed as the number of shares to be delivered pursuant to (3) above or (5) below before adjustment of the Conversion Price. If shares of the Company's common stock are to be split, the number of shares to be delivered to be used in the Conversion Price Adjustment Formula will not include the number of shares of the Company's common stock to be allotted to the shares of the Company's common stock held by the Company as of the relevant record date.

(3) In addition to the provisions of (1) or (2), if the adjustment of the Conversion Price is required in the following cases, the Company will, after consultation with a bond administrator, make necessary adjustment to the Conversion Price:
   (i) where carrying out consolidations of shares, decreases in the amount of stated capital or reserves, mergers (excluding a merger whereby the Company is extinguished), share exchanges or corporate splits;
   (ii) in addition to (i) of this item, where an event occurs that will lead to or might lead to a change in number of the issued shares of the Company's common stock;
   (iii) where carrying out a gratis allotment of other classes of shares to the shareholders of the Company's common stock; or
   (iv) where two or more events requiring the adjustment of the Conversion Price occur consecutively and, in identifying the current market price used to calculate the Conversion Price after adjustment pursuant to one of the events, it is necessary to consider the effect of the other reason.

(4) In certain cases provided for in the Terms and Conditions for Bonds with Stock Acquisition Rights such as reorganization acts, the Conversion Price will be reduced, during the Conversion Price reduction period (as defined in the Terms and Conditions of Bonds with Stock Acquisition Rights), to the Conversion Price determined in accordance with the provisions of the Terms and Conditions for Bonds with Stock Acquisition Rights (in which case, the maximum deducted Conversion Price will be ¥238).

5. Holders of Stock Acquisition Rights may not exercise the Stock Acquisition Rights and request the Company to deliver the shares of the Company's common stock during the following periods:
   (i) on a record date of the shares of the Company's common stock or its immediately preceding business day (meaning any day other than any day on which the book-entry transfer institution is closed; the same applies hereinafter),
   (ii) on a business day immediately preceding the date of interest payment for the Bonds,
   (iii) on days the book-entry transfer institution deems necessary,
   (iv) if the Bonds are redeemed on or before December 10, 2014 pursuant to the provisions of the Terms and Conditions for Bonds with Stock Acquisition Rights, on or after a business day immediately preceding the date of principal payment for such redemption,
   (v) if the Bonds lose the benefit of term, on or after the date the Bonds lose the benefit of term, or
   (vi) if stock acquisition rights of a succeeding company, etc. are granted during reorganization acts and it is necessary to suspend requests to exercise the Stock Acquisition Rights, the period for which the Company suspends request to exercise the Stock Acquisition Rights (such period will not exceed one month) or any other period for which necessary information has been notified in advance in writing to the bond administrator and for which public notice of necessary information has been given one month before the commencement of such period.
6. The increases in common stock for shares issued by the Company upon request to exercise the Stock Acquisition Rights shall be the limit for increase in common stock, etc. calculated pursuant to Article 17 of the Regulations of Companies' Financial Statement multiplied by 0.5, with any fraction less than ¥1 resulting from such calculation, if any, being rounded up. The increases in capital reserve for shares issued by the Company upon such request shall be the amount that is subtracted the increases in common stock from the limit for increase in common stock, etc.
7. Requests for any Stock Acquisition Right may not be partially exercised.
8. For the Bonds with the Stock Acquisition Rights, neither the Stock Acquisition Rights nor the Bonds may not be separately transferred pursuant to Article 254, Paragraphs 2 and 3 of the Companies Act.
9. Upon the exercise of each Stock Acquisition Right, the Bond to which such Stock Acquisition Right is attached shall be contributed and the value of such Bond shall be an amount equal to the amount to be paid for such Bond.
10. Succession of the Bonds with Stock Acquisition Rights by a succeeding company, etc. in case of the Company's reorganization acts
   (1) In case of its business restructuring, provided, however, that the common stock of a succeeding company, etc. is delivered to its shareholders and redemption before maturity date takes place, the Company shall deliver Stock Acquisition Rights of the succeeding company, etc. (the "Succeeded Stock Acquisition Rights") described in (2) below to Holders of unexercised Stock Acquisition Rights immediately prior to the

effective date of reorganization acts. In this case, the Stock Acquisition Rights shall lapse and obligation related to Bonds shall be taken over the succeeding company, etc., (the "Succeeded Bonds") on the effective date of reorganization acts. At the same time, the Succeeded Stock Acquisition Rights shall become effective as stock acquisition rights attached to Succeeded Bonds and Holders of Stock Acquisition Rights shall become holders of the Succeeded Stock Acquisition Rights. In addition, provisions related to Stock Acquisition Rights in the guidance of the Stock Acquisition Rights shall mutatis mutandis apply to the Succeeded Stock Acquisition Rights.

(2) Matters of the Succeeded Stock Acquisition Rights are as follows.

(i) Number of the Succeeded Stock Acquisition Rights

The number of the Succeeded Stock Acquisition Rights shall be equal to that of the unexercised Stock Acquisition Rights immediately prior to the effective date of reorganization acts.

(ii) Class of shares subject to the Succeeded Stock Acquisition Rights

Common stock of a succeeding company, etc.

(iii) Method of calculation of the number of shares subject to the Succeeded Stock Acquisition Rights

The number of the shares of the Company's common stock to be delivered by the Company upon request to exercise the Stock Acquisition Rights shall be the number of which the aggregate amount of the bonds to which the Succeeded Stock Acquisition Rights relating to the exercise request are attached divided by the conversion price defined in (iv), with any fraction less than one share resulting from such calculation, if any, being rounded down, and no cash adjustment will be made in respect thereof.

(iv) Conversion price relating to the bonds with the Succeeded Stock Acquisition Rights

The conversion price relating to the bonds with the Succeeded Stock Acquisition Rights is provided as the economic value gained by the Holders of Stock Acquisition Rights through the exercise of the Succeeded Stock Acquisition Rights immediately after the effective date of reorganization acts, which is equal to that gained by the Holders of Stock Acquisition Rights through the exercise of the Stock Acquisition Rights immediately prior to the effective date of reorganization acts, provided, however, that the conversion price relating to the bonds with the Succeeded Stock Acquisition Rights may be adjusted or reduced as provided in Note 4.

(v) The property to be contributed upon the exercise of the Succeeded Stock Acquisition Rights and its value

Upon the exercise of each Succeeded Stock Acquisition Right, the Succeeded Bond to which such Succeeded Stock Acquisition Right is attached shall be contributed and the value of such Succeeded Bond shall be an amount equal to the amount to be paid for such Bond.

(vi) Exercise period of the Succeeded Stock Acquisition Rights

From the effective date of reorganization acts (if the Company suspends request to exercise the Stock Acquisition Rights in accordance with Note 5 (vi), the later day either the effective date of reorganization acts or the following bank business day of the end of the period for which the Company suspends such request) to the end of the Exercise period of the Stock Acquisition Rights

(vii) The increase in common stock and capital reserve in case of issuance of shares through the exercise of the Succeeded Stock Acquisition Rights

The increases in common stock for shares issued by the Company upon request to exercise the Succeeded Stock Acquisition Rights shall be the limit for increase in common stock, etc. calculated pursuant to Article 17 of the Regulations of Companies' Financial Statement multiplied by 0.5, with any fraction less than ¥1 resulting from such calculation, if any, being rounded up. The increases in capital reserve for shares issued by the Company upon such request shall be the amount that is subtracted the increases in common stock from the limit for increase in common stock, etc.

(viii) Other terms and conditions for exercising the Succeeded Stock Acquisition Rights

Requests for any Succeeded Stock Acquisition Right may not be partially exercised.

(ix) Call attached to the Succeeded Stock Acquisition Rights

The Succeeded Stock Acquisition Rights shall not be subject to Call.

(3) Information on moving strike convertible bonds, etc.

Not applicable.

(4) Information on shareholder right plans

Not applicable.

(5) Changes in the total number of issued shares and the amount of common stock and other

Date		Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From April 1, 2007 to March 31, 2008		—	3,368,126,056	—	282,033	—	270,763
From April 1, 2008 to March 31, 2009		—	3,368,126,056	—	282,033	—	270,763
July 31, 2009	(Note 1)	—	3,368,126,056	—	282,033	(270,763)	—
December 14, 2009	(Note 2)	1,090,000,000	4,458,126,056	120,161	402,195	120,161	120,161
December 25, 2009	(Note 3)	60,000,000	4,518,126,056	6,614	408,809	6,614	126,776
From April 1, 2009 to March 31, 2010	(Note 4)	6,309	4,518,132,365	1	408,810	1	126,777
From April 1, 2010 to March 31, 2011	(Note 4)	2,012,599	4,520,144,964	319	409,129	319	127,096
From April 1, 2011 to March 31, 2012	(Note 4)	117,640,353	4,637,785,317	18,646	427,775	18,646	145,742

(Notes)
1. The capital reserve was reduced to zero and the reduced amount was transferred to "Others" under "Capital surplus," pursuant to Article 448, Paragraph 1 of the Companies Act.
2. Changes due to issuance of new shares by way of onerous offering (a public offering conducted in Japan and an offering conducted overseas).
   Offer price: ¥230 per share
   Issue price: ¥220.48 per share
   Amount capitalized as common stock: ¥110.24 per share
3. Changes due to issuance of new shares by way of onerous third-party allotment (an issuance of new shares by way of third-party allotment related to secondary offering by way of over-allotment).
   Issue price: ¥220.48 per share
   Amount capitalized as common stock: ¥110.24 per share
   Shares allocated to: Nomura Securities Co., Ltd.
4. Changes due to conversion of stock acquisition rights into stocks.
5. As a result of conversion of stock acquisition rights into stocks during the period from April 1, 2012 to May 31, 2012, the number of issued shares, the mount of common stock and the amount of capital reserve increased 22,080 shares, ¥3.5 million and ¥3.5 million respectively.

(6) Shareholders composition

(As of March 31, 2012)

Class of shareholders	Status of shares (one unit of stock: 1,000 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institution	Financial instruments business operator	Other institution	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	2	188	85	2,870	777	125	322,657	326,704	—
Share ownership (units)	46	1,452,630	79,754	95,773	1,752,149	510	1,229,141	4,610,003	27,782,317
Ownership percentage of shares (%)	0.00	31.51	1.73	2.08	38.01	0.01	26.66	100.00	—

(Notes)
1. Of 2,620,165 shares of treasury stock, 2,620 units are included in the "Individuals and others" column, while 165 shares are included in the "Number of shares less than one unit" column.
2. Of the shares registered in the name of Japan Securities Depository Center, Incorporated (account for managing stocks whose shareholders have not transferred titles), 26 units are included in the "Other institution" column and 827 shares are included in the "Number of shares less than one unit" column.

(7) Major shareholders

(As of March 31, 2012)

Name	Address	Share Ownership (shares)	Ownership percentage to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	323,956,000	6.99
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	305,019,000	6.58
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	338 Pitt Street Sydney Nsw 2000 Australia (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	132,503,040	2.86
Hitachi Employees' Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	128,736,384	2.78
State Street Bank and Trust Company 505224 (Standing proxy: Mizuho Corporate Bank, Ltd.)	P.O. Box 351 Boston, Massachusetts 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo)	127,684,667	2.75
NATS CUMCO (Standing proxy: Mizuho Corporate Bank, Ltd.)	C/O Citibank New York, 111 Wall Street, New York NY, U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo)	118,573,210	2.56
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	98,173,195	2.12
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	96,838,000	2.09
State Street Bank and Trust Company 505225 (Standing proxy: Mizuho Corporate Bank, Ltd.)	P.O. Box 351 Boston, Massachusetts 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo)	81,076,611	1.75
The Dai-Ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	71,361,222	1.54
Total	—	1,483,921,329	32.00

(Notes)
1. NATS CUMCO is the nominee name of the depositary bank, Citibank, N.A., for the aggregate of the Company's American Depositary Receipts (ADRs) holders.
2. The number of shares held by The Dai-Ichi Life Insurance Company, Limited includes its contribution of 6,560,000 shares to the retirement allowance trust (the holder of said shares, as listed in the Shareholders' Register, is "Dai-Ichi Life Insurance Account, Retirement Allowance Trust, Mizuho Trust & Banking Co., Ltd.").
3. The Company has received copies of reports on substantial shareholdings under the Financial Instruments and Exchange Act. However, the information in the reports is not described in the above table since the Company does not confirm the actual status of shareholdings as of the end of fiscal year. The major contents of the reports are as follows.

Holders	The Sumitomo Trust and Banking Co., Ltd and three other persons
Date on which the duty to file report	May 13, 2011
Number of shares	233,881,697 shares
Ownership percentage to the total number of issued shares	5.17%

(Note) The Company received from Sumitomo Mitsui Trust Bank, Limited (to which The Sumitomo Trust and Banking Co., Ltd changed its name according to a merger) and two other persons a copy of the amendment reporting that the number of shares and the ownership percentage to total number of issued shares increased to 272,215,611 shares and 6.02% respectively. The date on which the duty to file the amendment is April 13, 2012.

Holders	Mitsubishi UFJ Trust and Banking Corporation, and three other persons
Date on which the duty to file report	May 23, 2011
Number of shares	237,294,613 shares
Ownership percentage to the total number of issued shares	5.24%

(8) Information on voting rights

1) Issued shares

(As of March 31, 2012)

Classification	Number of shares (shares)		Number of voting rights	Description
Shares without voting right	—		—	—
Shares with restricted voting right (treasury stock, etc.)	—		—	—
Shares with restricted voting right (others)	—		—	—
Shares with full voting right (treasury stock, etc.)	Common stock	2,914,000	—	—
Shares with full voting right (others)	Common stock	4,607,089,000	4,607,089	—
Shares less than one unit	Common stock	27,782,317	—	—
Number of issued shares		4,637,785,317	—	—
Total number of voting rights	—		4,607,089	—

(Note) The "Shares with full voting right (others)" column includes 26,000 shares registered in the name of Japan Securities Depository Center, Incorporated (account for managing stocks whose shareholders have not transferred titles) and 26 voting rights for those shares.

2) Treasury stock, etc.

(As of March 31, 2012)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	2,620,000	—	2,620,000	0.06
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-chome, Chuo-ku, Tokyo	10,000	—	10,000	0.00
ISHII DENKOSHA Co., Ltd.	1-11, Oroshishinmachi 3-chome, Higashi-ku, Niigata-shi, Niigata	1,000	—	1,000	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	88,000	—	88,000	0.00
NIKKO SHOKAI CO., LTD.	9-5, Minami-Shinagawa 4-chome, Shinagawa-ku, Tokyo	5,000	—	5,000	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	52,000	—	52,000	0.00
Hitachi Koki Co., Ltd.	15-1, Konan 2-chome, Minato-ku, Tokyo	123,000	—	123,000	0.00
Mizuho Co., Inc.	4-1, Koishikawa 5-chome, Bunkyo-ku, Tokyo	15,000	—	15,000	0.00
Total	—	2,914,000	—	2,914,000	0.06

(9) Details of stock option plans

Not applicable.

2. Information on Acquisition, etc. of Treasury Stock

Class of shares

Acquisition of common stock less than one unit shares due to purchase requests from shareholders under Article 155, Item 7 of the Companies Act and acquisition of common stock under Article 155, Item 13 of the Companies Act

(1) Acquisition of treasury stock resolved at the general meeting of shareholders

Not applicable.

(2) Acquisition of treasury stock resolved at the Board of Directors meetings

Not applicable.

(3) Details of acquisition of treasury stock not based on the resolutions of the general meeting of shareholders or the Board of Directors meetings

Acquisition of stock less than one unit shares due to purchase requests from shareholders under Article 192, Paragraph 1 of the Companies Act

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2012	281,695	125,685,180
Treasury stock acquired during the current period (Note)	32,691	16,927,074

(Note) The number of treasury stock acquired due to requests to purchase stock less than one unit shares from June 1, 2012 to filing date is not included.

Acquisition of treasury stock due to purchase requests from shareholders dissenting from the merger with Hitachi T&D, Ltd. under Article 797, Paragraph 1 of the Companies Act

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2012	—	—
Treasury stock acquired during the current period (Note)	4,141	1,681,246

(4) Status of the disposition and holding of acquired treasury stock

Classification	Fiscal year ended March 31, 2012		Current period (Note)	
	Number of shares (shares)	Total disposition amount (yen)	Number of shares (shares)	Total disposition amount (yen)
Acquired treasury stock which was offered to subscribers	—	—	—	—
Acquired treasury stock which was canceled	—	—	—	—
Acquired treasury stock which was transferred due to merger, share exchange or company split	—	—	—	—
Others (Acquired treasury stock which was sold due to requests from shareholders holding shares less than one unit shares to sell additional shares)	82,533	47,742,638	1,664	949,199
Total number of treasury stock held	2,620,165	—	2,655,333	—

(Note) The number of treasury stock which was sold due to requests from shareholders holding less than one unit shares to sell additional shares from June 1, 2012 to the filing date and that of treasury stock acquired due to purchase requests from shareholders holding shares less than one unit shares from June 1, 2012 to the filing date are not included. .

3. Dividend Policy

The Company views enhancement of the long-term and overall interests of shareholders as an important management objective.

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

The Company provides in its Articles of Incorporation that distribution of surplus will be made to shareholders of record as of March 31 and September 30 of each year and that the company may make further distribution of surplus to shareholders of record as of another record date for the purpose of distributing surplus. The company also provides in its Articles of Incorporation that the Company may make distribution of surplus by resolution of its Board of Directors, without resolution at the General Meeting of Shareholders.

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

Based on the above policy, annual dividends of ¥8 per share were paid for the fiscal year ended March 31, 2012. At the Board of Directors meeting held on November 1, 2011, it was resolved to pay interim dividends of ¥3 per share, resulting in the total amount of interim dividends of ¥13,553 million. In addition, at the Board of Directors meeting held on May 10, 2012, it was resolved to pay year-end dividends of ¥5 per share, resulting in the total amount of year-end dividends of ¥23,175 million.

4. Changes in Share Prices

(1) Highest and lowest share prices in each of the recent five fiscal years

Fiscal year	139th business term	140th business term	141st business term	142nd business term	143rd business term
Year end	March 2008	March 2009	March 2010	March 2011	March 2012
Highest (yen)	947	843	404	523	547
Lowest (yen)	569	230	227	313	360

(2) Highest and lowest share prices in each of the recent six months

Month	October 2011	November 2011	December 2011	January 2012	February 2012	March 2012
Highest (yen)	442	435	438	441	479	547
Lowest (yen)	360	392	400	406	398	454

(Note) The share prices are market prices on the first section of the Tokyo Stock Exchange.

5. Directors and Senior Management

The Company has adopted the Committee System pursuant to the Companies Act. Information on its Directors and Executive Officers is as follows.

(1) Directors

Position	Responsibility	Name	Date of birth		Business experience, including experience in Hitachi, and functions	Term of office	Share ownership (shares)
Chairman of the Board	Nominating Committee (Chair)	Takashi Kawamura	Dec. 19, 1939	4/1962 6/1992 6/1995 6/1997 4/1999 4/2003 6/2003 6/2005 6/2006 6/2007 4/2009 6/2009 4/2010 4/2011	Joined Hitachi, Ltd. General Manager, Hitachi Works Director Executive Managing Director Executive Vice President and Representative Director Director (Retired in June 2007) Chairman of the Board and Representative Executive Officer, Hitachi Software Engineering Co., Ltd. (Currently Hitachi Solutions, Ltd.) Chairman of the Board, Hitachi Plant Engineering & Construction Co., Ltd. (Currently Hitachi Plant Technologies, Ltd.) Chairman of the Board, Hitachi Software Engineering Co., Ltd. Chairman of the Board, Hitachi Maxell, Ltd. Chairman, President and Chief Executive Officer, Hitachi, Ltd. Chairman, President, Chief Executive Officer and Director, Hitachi, Ltd. Chairman and Director, Hitachi, Ltd. Chairman of the Board, Hitachi, Ltd.	(Note 1)	183,720
Director	Member of Nominating Committee and Audit Committee	Yoshie Ota	Sep. 1, 1942	12/1991 7/1994 6/1995 7/1998 7/2005 6/2007	Vice Governor of Ishikawa Prefecture Director-General, Minister's Secretariat, Ministry of Labour Director-General, Women's Bureau, Ministry of Labour Chairman, Japan Institute of Workers' Evolution Advisor, Japan Institute of Workers' Evolution (Retired in March 2010) Director, Hitachi, Ltd.	(Note 1)	28,000
Director	Member of Nominating Committee and Compensation Committee	Mitsuo Ohashi	Jan. 18, 1936	3/1997 1/2005 3/2007 6/2007 3/2010	President (CEO) and Representative Director, Showa Denko K.K. Chairman of the Board and Representative Director, Showa Denko K.K. Chairman of the Board, Showa Denko K.K. Director, Hitachi, Ltd. Advisor, Showa Denko K.K. (Currently in office)	(Note 1)	38,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director	Member of Compensation Committee	Nobuo Katsumata	Dec. 5, 1942	4/2003 4/2008 6/2011	Representative Director, President and CEO, Member of the Board, Marubeni Corporation Chairman, Member of the Board, Marubeni Corporation (Currently in office) Director, Hitachi, Ltd.	(Note 1)	12,000
Director		George Buckley	Feb. 23, 1947	2/1993 9/1994 7/1997 4/2000 6/2000 12/2005 2/2012 6/2012	Chief Technology Officer, Motors, Drives and Appliances, Emerson Electric Company President, US Electrical Motors, Emerson Electric Company President, Mercury Marine Division and Corporate Vice President, Brunswick Corporation President and Chief Operating Officer, Brunswick Corporation Chairman and Chief Executive Officer, Brunswick Corporation Chairman of the Board, President and Chief Executive Officer, 3M Company Executive Chairman of the Board, 3M Company (Retired in May 2012) Director, Hitachi, Ltd.	(Note 1)	0
Director	Member of Nominating Committee and Audit Committee	Harufumi Mochizuki	Jul. 26, 1949	7/2002 7/2003 7/2006 7/2008 8/2010 10/2010 6/2012	Director-General for Commerce and Distribution Policy, Minister’s Secretariat, Ministry of Economy, Trade and Industry of Japan (“METI”) Director-General, Small and Medium Enterprise Agency, METI Director-General, Agency for Natural Resources and Energy, METI Vice-Minister of Economy, Trade and Industry of Japan Special Advisor to the Cabinet of Japan (Retired in September 2011) Senior Adviser to the Board, Nippon Life Insurance Company (currently in office) Director, Hitachi, Ltd.	(Note 1)	0
Director	Member of Audit Committee and Compensation Committee	Tohru Motobayashi	Jan. 5, 1938	4/1963 7/1971 4/2002 6/2006 4/2008	Member of the Tokyo Bar Association Partner, Mori Sogo Law Offices President of the Japan Federation of Bar Associations (Retired in March 2004) Director, Hitachi, Ltd. Partner, Ihara and Motobayashi (Currently in office)	(Note 1)	46,750

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director		Philip Yeo	Oct. 29, 1946	6/1970 9/1979 1/1986 2/2001 4/2007 9/2011 6/2012	Joined Ministry of Defense of Singapore Permanent Secretary, Ministry of Defense of Singapore Chairman, Economic Development Board of Singapore Chairman, Agency for Science, Technology and Research of Singapore Senior Advisor for Science and Technology to the Ministry of Trade & Industry, Singapore (Retired in September 2008) Special Advisor in Economic Development, Prime Minister's Office, Government of Singapore (Retired in August 2011) Chairman, SPRING Singapore (currently in office) Chairman, Singbridge International Pte Ltd (currently in office) Director, Hitachi, Ltd.	(Note 1)	0
Director	Member of Audit Committee	Michijiro Kikawa	Aug. 2, 1947	4/2006 4/2012 6/2012	Representative Executive Officer, President, Chief Executive Officer and Director, Hitachi Construction Machinery Co., Ltd. Director, Hitachi Construction Machinery Co., Ltd. (currently in office) Director, Hitachi, Ltd.	(Note 1)	0
Director		Stephen Gomersall	Jan. 17, 1948	9/1970 7/1999 10/2004 11/2005 10/2006 6/2011	Joined U.K. Foreign and Commonwealth Office British Ambassador to Japan (Retired in July 2004) Joined Hitachi, Ltd. Chairman of the Board, Hitachi Europe Ltd. (Currently in office) Senior Vice President and Executive Officer, Hitachi, Ltd. (Retired in March 2011) Director, Hitachi, Ltd.	(Note 1)	9,000
Director	Compensation Committee (Chair)	Hiroaki Nakanishi	Mar. 14, 1946	4/1970 4/2003 6/2003 4/2004 6/2005 4/2006 4/2009 4/2010 6/2010	Joined Hitachi, Ltd. General Manager, Global Business Vice President and Executive Officer Senior Vice President and Executive Officer Senior Vice President and Executive Officer, Hitachi, Ltd. Chairman and Chief Executive Officer, Hitachi Global Storage Technologies, Inc. Executive Vice President and Executive Officer, Hitachi, Ltd. (Retired in December 2006) Executive Vice President and Executive Officer, Hitachi, Ltd. President, Hitachi, Ltd. President and Director, Hitachi, Ltd.	(Note 1)	88,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director		Takashi Hatchoji	Jan. 27, 1947	4/1970 4/2003 6/2003 4/2004 4/2006 6/2007 4/2009 4/2011 6/2011	Joined Hitachi, Ltd. General Manager, Legal and Corporate Communications and General Manager, Corporate Auditing Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer (Retired in March 2007) President and Director, Hitachi Research Institute, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd. (Retired in March 2011) Chairman of the Board, Hitachi America, Ltd. (Currently in office) Director, Hitachi, Ltd.	(Note 1)	70,000
Director	Audit Committee (Chair) (Standing)	Takashi Miyoshi	Sep. 25, 1947	4/1970 4/2003 6/2003 4/2004 6/2004 4/2006 4/2007 6/2007 4/2008 6/2008 4/2009 6/2009 4/2012	Joined Hitachi, Ltd. General Manager, Finance Executive Officer Senior Vice President and Executive Officer Senior Vice President, Executive Officer and Director Executive Vice President, Executive Officer and Director Director (Retired in June 2007) Chairman of the Board, Hitachi Global Storage Technologies, Inc. Executive Vice President and Executive Officer, Hitachi Systems & Services, Ltd. (Currently Hitachi Solutions, Ltd.) President, Chief Executive Officer and Director, Hitachi Systems & Services, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President, Executive Officer and Director, Hitachi, Ltd. Director, Hitachi, Ltd.	(Note 1)	70,000
Total							545,470

(Notes) 1. The term of office of the Directors starts upon the election at the Ordinary General Meeting of Shareholders on June 22, 2012 and expires at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2013.

2. Ms. Yoshie Ota, Messrs. Mitsuo Ohashi, Nobuo Katsumata, George Buckley, Harufumi Mochizuki, Tohru Motobayashi and Philip Yeo are directors who fulfill the qualification requirements to be outside directors as provided for in Article 2, Item 15 of the Companies Act.

(2) Executive Officers

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Representative Executive Officer President	Overall management	Hiroaki Nakanishi	See "(1) Directors"	See "(1) Directors"		(Note 2)	88,000
Representative Executive Officer Executive Vice President and Executive Officer	Research & development, environmental strategies and medical systems business	Shigeru Azuhata	Nov. 21, 1949	4/1975 4/2005 1/2008 4/2009 4/2011 4/2012	Joined Hitachi, Ltd. General Manager, Hitachi Research Laboratory General Manager, Environmental Strategy Office Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	49,000
Representative Executive Officer Executive Vice President and Executive Officer	Power systems business and infrastructure systems business	Koji Tanaka	Jan. 22, 1952	4/1974 5/2006 4/2007 4/2011	Joined Hitachi, Ltd. General Manager, Hitachi Works, Power Systems Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	35,000
Representative Executive Officer Executive Vice President and Executive Officer	Information & telecommunication systems business and information technology	Junzo Nakajima	Feb. 8, 1949	5/1972 4/2005 4/2006 4/2009 4/2011	Joined Hitachi, Ltd. Chief Operating Officer, Information & Telecommunication Systems Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	36,000
Representative Executive Officer Executive Vice President and Executive Officer	Management Strategies, finance and corporate pension system	Toyoaki Nakamura	Aug. 3, 1952	4/1975 1/2006 4/2007 6/2007 6/2009 4/2012	Joined Hitachi, Ltd. General Manager, Finance Department I Senior Vice President and Executive Officer Senior Vice President, Executive Officer and Director Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	38,000
Representative Executive Officer Executive Vice President and Executive Officer	High functional materials & components, quality assurance, production engineering, battery systems business and automotive systems business	Nobuo Mochida	Apr. 1, 1947	4/1970 6/2006 4/2010	Joined Hitachi Metals, Ltd. President and Chief Executive Officer and Director, Hitachi Metals, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd. Chairman of the Board, Hitachi Metals, Ltd. (Currently in office)	(Note 2)	21,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Executive Vice President and Executive Officer	Hitachi group global business (Asia Pacific)	Kazuhiro Mori	Oct. 7, 1946	4/1969 2/1999 6/2003 4/2004 4/2006 1/2007	Joined Hitachi, Ltd. General Manager, Chubu Area Operation Executive Officer Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	54,000
Senior Vice President and Executive Officer	Information & telecommunication systems business	Shinjiro Iwata	Jun. 6, 1948	4/1972 10/2007 4/2009 4/2011	Joined Hitachi, Ltd. Executive Vice President, Hitachi Global Storage Technologies, Inc. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	31,000
Senior Vice President and Executive Officer	Cost structure reform and consumer business	Makoto Ebata	Feb. 23, 1947	4/1970 4/2000 2/2002 6/2003 4/2004 4/2008 7/2009 4/2011	Joined Hitachi, Ltd. General Manager, Procurement Division General Manager, Group Management Office Executive Officer Vice President and Executive Officer (Retired in March 2008) Deputy Chairman, Hitachi Europe Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	44,000
Senior Vice President and Executive Officer	Human capital, legal and corporate communications, government & external relations, corporate brand and corporate auditing	Toshiaki Kuzuoka	Nov. 3, 1954	4/1978 4/2001 4/2007 4/2011	Joined Hitachi, Ltd. General Manager, Legal Division Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	170,000
Senior Vice President and Executive Officer	Infrastructure systems business and medical systems business	Yutaka Saito	Dec. 11, 1954	4/1979 10/2009 4/2010 4/2012	Joined Hitachi, Ltd. President & CEO, Information & Control Systems Company Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	18,000
Representative Executive Officer Senior Vice President and Executive Officer	Sales operations, Hitachi group global business and corporate export regulation	Masahide Tanigaki	Jan. 11, 1951	4/1975 10/2009 4/2010 4/2012	Joined Hitachi, Ltd. Deputy General Manager, Power Systems Sales Management Division, Power Systems Company Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	26,400

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer	Infrastructure systems business (urban planning and development systems business)	Toshio Ikemura	Dec. 2, 1953	4/1978 4/2007 4/2011	Joined Hitachi, Ltd. President and Representative Director, Hitachi Building Systems Co., Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	7,000
Vice President and Executive Officer	Power systems business and business incubation	Tatsuro Ishizuka	Dec. 23, 1955	4/1978 10/2009 4/2011	Joined Hitachi, Ltd. General Manager, Hitachi Works, Power Systems Company Vice President and Executive Officer	(Note 2)	20,000
Vice President and Executive Officer	Procurement	Shinichiro Omori	Feb. 6, 1956	4/1978 9/2008 4/2012	Joined Hitachi, Ltd. General Manager, Corporate Procurement Division Vice President and Executive Officer	(Note 2)	17,000
Vice President and Executive Officer	Sales operations (Kansai Area)	Kaoru Kawano	Jun. 25, 1952	4/1977 4/2011 4/2012	Joined Hitachi, Ltd. General Manager, Kansai Area Operation Vice President and Executive Officer	(Note 2)	18,050
Vice President and Executive Officer	Sales operations and power systems business (sales operations)	Yoshifumi Kanda	Mar. 10, 1952	4/1974 12/2008 4/2011	Joined Hitachi, Ltd. General Manager, Chugoku Area Operation Vice President and Executive Officer	(Note 2)	18,000
Vice President and Executive Officer	Hitachi group global business (China)	Ryuichi Kitayama	Feb. 4, 1952	4/1976 10/2009 4/2010	Joined Hitachi, Ltd. Chief Marketing Officer, Information & Telecommunication Group, Information & Telecommunication Systems Company Vice President and Executive Officer	(Note 2)	21,000
Vice President and Executive Officer	Sales operations (market strategies) and medical systems business	Kazuhiro Kurihara	Dec. 6, 1952	4/1976 4/2010 4/2011	Joined Hitachi, Ltd. General Manager, Chubu Area Operation Vice President and Executive Officer	(Note 2)	25,350
Vice President and Executive Officer	Research & development	Keiji Kojima	Oct. 9, 1956	4/1982 4/2011 4/2012	Joined Hitachi, Ltd. General Manager, Hitachi Research Laboratory Vice President and Executive Officer	(Note 2)	3,000
Vice President and Executive Officer	Information & telecommunication systems business (platform systems business)	Kaichiro Sakuma	Jan. 29, 1954	4/1979 4/2008 4/2009	Joined Hitachi, Ltd. President & Chief Executive Officer, Hitachi Information & Telecommunication Systems Global Holding Corporation Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	31,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer	Government & external relations	Yasuo Tanabe	Oct. 5, 1954	4/1978 8/2006 6/2010 4/2011	Joined Ministry of International Trade and Industry Deputy Director-General, Economic Affairs Bureau, Ministry of Foreign Affairs (Retired in March 2010) Joined Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	5,000
Vice President and Executive Officer	Infrastructure systems business (transportation systems business)	Hiroshi Nakayama	Dec. 15, 1953	4/1977 4/2011 4/2012	Joined Hitachi, Ltd. President & CEO, Rail Systems Company Vice President and Executive Officer	(Note 2)	25,000
Vice President and Executive Officer	Management strategies	Toshikazu Nishino	Jan. 9, 1955	4/1980 4/2010 4/2011	Joined Hitachi, Ltd. Senior Manager, Strategy & Project Office, Supervisory Office for Management Reforms Vice President and Executive Officer	(Note 2)	8,000
Vice President and Executive Officer	Power systems business (nuclear power systems business promotion)	Masaharu Hanyu	Feb. 20, 1951	4/1975 7/2007 4/2011	Joined Hitachi, Ltd. President and Representative Director, Hitachi-GE Nuclear Energy, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	29,000
Vice President and Executive Officer	Infrastructure systems business	Toshiaki Higashihara	Feb. 16, 1955	4/1977 4/2006 4/2007 4/2008 4/2010 6/2010 4/2011	Joined Hitachi, Ltd. Chief Operating Officer, Information & Telecommunication Systems Vice President and Executive Officer (Retired in March 2008) President, Hitachi Power Europe GmbH President and Chief Executive Officer, Hitachi Plant Technologies, Ltd. President and Representative Director, Hitachi Plant Technologies, Ltd. (Currently in office) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	30,000
Vice President and Executive Officer	Human capital	Naoki Mitarai	Oct. 30, 1952	4/1976 4/2010 4/2011	Joined Hitachi, Ltd. General Manager, Corporate Administration Division, Human Capital Group Vice President and Executive Officer	(Note 2)	23,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer	Information & telecommunication systems business (system solutions business)	Yoshihiko Mogami	Aug. 1, 1953	4/1976 10/2009 4/2010	Joined Hitachi, Ltd. Chief Operating Officer, System Solutions Business, Information & Telecommunication Group, Information & Telecommunication Systems Company Vice President and Executive Officer	(Note 2)	16,000
Vice President and Executive Officer	Information & telecommunication systems business	Masaya Watanabe	Jan. 31, 1958	4/1982 4/2011 4/2012	Joined Hitachi, Ltd. Chief Strategy Officer, Information & Telecommunication Systems Company Vice President and Executive Officer	(Note 2)	10,000
Total							916,800

(Notes) 1. The “Responsibility” column describes matters delegated to each of the Executive Officers by the Board of Directors.

2. The term of office of the Executive Officers expires on March 31, 2013.

6. Corporate Governance, etc.

(1) Corporate governance

1) Outline of corporate organizations

The Company has adopted the Committee System under the Companies Act, aiming to establish a framework for quick business operation and to realize highly transparent management by separating responsibilities for management oversight and those for execution of business operations.

Board of Directors

The Board of Directors approves basic management policy for the Hitachi Group and supervise the execution of the duties of executive officers and directors in order to sustainably enhance corporate value and the shareholders' common interests. The basic management policy includes medium-term management plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation and Board of Directors Regulations. As of June 22, 2012, the Board of Directors was made up of 13 Directors, and seven of whom are outside Directors and one concurrently serves as an Executive Officer. The Chairman of the Board does not concurrently serve as an Executive Officer. Within the Board of Directors, there are three statutory committees of the Nominating Committee, the Audit Committee and the Compensation Committee with outside Directors accounting for the majority of members of each committee. The Board of Directors meetings were held 9 days during the fiscal year ended March 31, 2012, and the attendance rate of Directors at those meetings was 98%. The Nominating Committee was held 5 days, the Audit Committee was held 12 days, and the Compensation Committee was held 5 days during the fiscal year ended March 31, 2012.

The Nominating Committee has the authority to determine particular proposals submitted to the general meeting of shareholders for the election and dismissal of Directors, and consists of four Directors, three of whom are outside Directors.

The Audit Committee has the authority to audit the execution of duties of Directors and Executive Officers and to determine on proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors, and consists of five Directors, including three outside Directors and one standing Audit Committee member. Mr. Takashi Miyoshi, the Chair of the Audit Committee, has considerable knowledge of finance and accounting due to his long experience as the General Manager of the Finance Department I of the Company and the Executive Officer in charge of accounting and financing of the Company for many years.

The Compensation Committee has the authority to determine remuneration policies for Directors and Executive Officers and remuneration for individuals based on them. The Compensation Committee consists of four Directors, three of whom are outside Directors.

With regard to the number of Directors and their election, the Company stipulates in its Articles of Incorporation that the Company shall have not more than twenty (20) Directors. With regard to the adoption of resolution for the election of Directors, the Company stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting, that resolutions for the election of Directors shall be approved by attending shareholders possessing one-third or more of all voting rights of the shareholders who are entitled to exercise their votes, and that the resolution shall not be made by cumulative voting.

Executive Officers

Executive Officers decide on matters delegated to them by the Board of Directors and execute the Company's business affairs within the scope of assignments determined by the Board of Directors. As of June 22, 2012, the Company has 29 Executive Officers.

The Company stipulates in its Articles of Incorporation that the Company shall have not more than forty (40) Executive Officers.

Senior Executive Committee

The Senior Executive Committee is a council to ensure that President deliberately decides on important managerial matters, which may affect the Company or the Hitachi Group business, through discussing from diverse viewpoints. It consists of 9 members as of June 22, 2012; President, five Executive Vice President and Executive Officers and three Senior Vice President and Executive Officers.

2) Matters determined by resolution of the Board of Directors without resolution at the general meeting of shareholders pursuant to the provisions of the Articles of Incorporation

The Company stipulates in the Articles of Incorporation that it may, unless otherwise provided in the applicable laws, determine on matters specified in each item of Article 459, Paragraph 1 of the Companies Act by the resolution of the Board of Directors, without resolution at the general meeting of shareholders.

For the repurchase of the company's own its shares (Article 459, Paragraph 1, Item 1 of the Companies Act), the Board of Directors shall determine on the matter in order to enable timely implementation of capital strategies.

Regarding reduction of capital reserve or earned surplus reserve (Article 459, Paragraph 1, Item 2 of the Companies Act), appropriation of surplus (excluding dividends of surplus and disposal of the property of the Company) (Article 459, Paragraph 1, Item 3 of the Companies Act) and dividends of surplus (Article 459, Paragraph 1, Item 4 of the Companies Act), since the Company was a company with committees as of the date of enforcement of the Companies Act, it was deemed that its Articles of Incorporation had stipulations that the Board of Directors was able to decide the above matters without resolution at the general meeting of shareholders and that it should not stipulate that such matters shall be resolved at the resolution of the general meeting of shareholders, in accordance with Article 57 of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Companies Act (July 26, 2005, Act No. 87). Even after the enforcement of the Companies Act, the Company has made it a rule to timely decide on these important business judgments by the Board of Directors to enhance the shareholders' common interests.

The Company has stipulated in its Articles of Incorporation that it may, by resolution of the Board of Directors, exempt any Director (including former Director) and Executive Officer (including former Executive Officer) from liabilities as provided Article 423, Paragraph 1 of the Companies Act to the extent as provided in laws or regulations.

3) Requirement for special resolution of the general meeting of shareholders

To enable to securely meet the quorum of the general meeting of shareholders under Article 309, Paragraph 2 of the Companies Act, the Company stipulates in its Articles of Incorporation that any resolution as provided in Article 309, Paragraph 2 of the Companies Act shall be adopted at a General Meeting of Shareholders where shareholders representing one-third or more of the voting rights of all the shareholders shall be present, by a majority of two-thirds or more of the voting rights of the shareholders who are present in such meeting and are entitled to vote.

4) Internal control system and risk management system

Outlines of the internal control system and the risk management system of the Company are as follows. In addition, these systems were resolved by the Board of Directors as the basic policy for internal control system under the Companies Act.

(a) When necessary, the Board of Directors may appoint one or more director(s), who does not serve concurrently as an executive officer, as a director responsible for assisting with the duties of the Audit Committee. In addition, the Board of Directors Office (the "Office") shall be established specifically to assist with the duties of each Committee and the Board of Directors and staffed with personnel who are not subject to orders and instructions of Executive Officers.

(b) In order to ensure the independence of the Office personnel from Executive Officers, the Audit Committee shall be informed in advance of planned transfers of the Office personnel.

(c) Executive Officers and employees shall report without delay to the members of the Audit

Committee significant matters affecting the whole Company, results of internal audits, and the implementation status of reporting under the internal reporting system.

(d) In order to ensure the effectiveness of audits by the Audit Committee, standing Committee member(s) shall be appointed to the Audit Committee, and activity plans of the Audit Committee shall be prepared in coordination with the audit plans of Internal Auditing Office.

(e) A reporting system to Directors shall be established to ensure that the execution of duties by Executive Officers is in compliance with laws, regulations, and the Articles of Incorporation.

(f) Information pertaining to the execution of duties by Executive Officers shall be prepared and maintained in accordance with internal rules.

(g) A structure shall be established in which each relevant department shall establish regulations and guidelines, conduct training, prepare and distribute manuals, and carry out other such measures with respect to various risks. Efforts shall be made to identify possible new risks through such things as progress reports on business operations and, should it become necessary to respond to a new risk, an Executive Officer responsible for responding thereto shall be appointed promptly.

(h) Efficient performance of duties shall be ensured through the following business management systems.

- The Senior Executive Committee shall be established in order to deliberate on and facilitate the formulation of decisions based on due consideration of diverse factors regarding important issues that affect the Company and/or the Hitachi Group.
- Based on the management policy, medium-term business plans and annual budgets, on which performance management is based, shall be prepared in order to operate business in a planned and efficient manner.
- Internal audits shall be conducted by Internal Auditing Office to monitor and identify the status of business operations and to facilitate improvements.
- The Audit Committee shall receive the audit plans of the accounting auditors in advance, and the prior approval of the Audit Committee shall be required with respect to the fees to be paid to and non-audit services to be requested of the accounting auditors.
- Documented business processes shall be executed, and internal and external auditors shall examine said processes in order to ensure the reliability of financial reports.

(i) Continuous maintenance of a legal and regulatory compliance structure shall be ensured through the following business management systems.

- Internal audits shall be conducted, and various committees shall be established for legal and regulatory compliance activities. Furthermore, an internal reporting system shall be established and education on legal and regulatory compliance shall be provided.
- Various corporate rules and regulations shall be established, and efforts shall be made to ensure that the employees are aware of the internal control systems overall and that the systems are effective.

(j) The following measures shall be effective to ensure the adequacy of business operations within the Hitachi Group.

- Such fundamental policies as the emphasis of the social responsibilities of business enterprises shall be shared with the Group companies.
- A group-wide policy for compliance with applicable laws and regulations shall be established as necessary.
- Internal audits of Company departments and Group companies shall be conducted periodically, and Directors and Corporate Auditors shall be sent from the Company to Group companies. Each company shall execute documented business processes on matters that should be reflected in financial reports, and Corporate Auditors and others shall examine said processes.
- A structure for the adequate and efficient conduct of business operations common to Group companies shall be established.
- The policy on transactions within the Hitachi Group is to trade fairly based on market prices.

5) Internal audit and audit by the Audit Committee

(a) Internal audit

The Internal Auditing Office is in charge of internal audit within Hitachi Group and audits in-house companies, corporate divisions of headquarters and subsidiaries and affiliates. The number of staff of the Internal Auditing Office is 36 as of March 31, 2012.

The Internal Auditing Office monitors and assesses whether overall business operations, including marketing, personnel management, labor management, procurement transactions, production, information system, accounting and financing activities, and property management of Hitachi Group are properly carried out pursuant to audit standards established by the Company, and points out items required to be improved based on the results of auditing and follows up their improvements. The Internal Auditing Office reports in advance its internal audit plan to the Audit Committee, and reports results of auditing to the President and the Audit Committee. Furthermore, relating to the internal control over financial reporting, the internal control division in the Internal Audit Office promotes to establish and maintain the internal control systems pursuant to the Company's guideline, assesses its effectiveness, and reports the results to the President and the Audit Committee.

In addition, each division in charge of compliance, information security, environment and export regulations investigates and evaluates compliance with related laws and regulations, and instructs improvements if necessary.

(b) Audit by the Audit Committee

The Audit Committee conducts audits for whether corporate administration by Directors and Executive Officers are properly carried out under appropriate internal control systems.

The Audit Committee develops the audit policy and the audit plan, and periodically receives reports or conducts hearing for execution of duties from Directors and Executive Officers. In addition, the standing members of the Audit Committee investigate major facilities and receive reports from subsidiaries in order to check whether business transaction and property management are properly carried out, and then report the results to the Audit Committee. Furthermore, the standing members of the Audit Committee attend the important meetings including the budget meeting, inspect documents submitted to the Senior Executive Committee and audit reports from internal audit divisions, and provide internal audit divisions with instructions about divisions to be subject to auditing and items to be focused, if necessary.

The Audit Committee receives reports and explanations about the audit plan and results of the audit from the accounting auditor, and based on the reports, verifies results of financial audits and internal control audits. In addition, the Audit Committee receives reports and explanations of quality control systems of the accounting auditor. Furthermore, the Company makes it a rule to obtain the prior approval of the Audit Committee for remuneration to the accounting auditor and non-audit services to be provided by the accounting auditor.

6) Outside Directors

(a) Qualification for the outside Directors and criteria for the independency

For electing an outside Director, the Nominating Committee of the Company considers, in addition to the following criteria for the independency, whether the outside Director has the highest personal and professional ethics, integrity and insight, and distinguished records of leadership or experience at policy making levels in business, law, administration, accounting or education, etc.

For the independency of an outside Director, the Company considers the outside director to be independent unless:

- his or her immediate family member* is, or has been within the last three years, an executive director or an executive officer, of the Company or any of its subsidiaries;
- he or she is currently an executive director, an executive officer or an employee of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies' consolidated gross revenues;

- he or she has received during any of the last three fiscal years more than ¥10 million in direct compensation for his or her service as a specialist in law, accounting or tax, or as a consultant from the Company, other than director compensations; or
- he or she serves as an executive officer or director of a not-for-profit organization, and the Company's discretionary charitable contributions to the organization in any of the last three fiscal years are more than ¥10 million and 2% of that organization's annual gross revenues.

  * An "immediate family member" includes a person's spouse, parents, children, siblings, grand-parents, grand-children, mothers and fathers-in-law, sons and daughters-in-law, spouses of siblings, grand-children-in-law, and brothers and sisters-in-law.

(b) Function of the outside Directors

Following the policy stated in "(a) Qualification for outside Directors and criteria for the independency," the Company has elected seven persons; Ms. Yoshie Ota and Messrs. Mitsuo Ohashi, Nobuo Katsumata, George Buckley, Harufumi Mochizuki, Tohru Motobayashi and Philip Yeo, as outside Directors under Article 2, Item 15 of the Companies Act. Each outside Director is enhancing functions of the Company's Board of Directors through supervising execution of duties of Executive Officers and others from an independent perspective, based on diverse experiences and insights in such areas as public administration in the cases of Ms. Yoshie Ota and Messrs. Harufumi Mochizuki and Philip Yeo, based on rich experiences and insights as top executive of major global companies in the cases of Messrs. Mitsuo Ohashi, Nobuo Katsumata and George Buckley, and based on rich experiences and insights as a legal expert in the case of Mr. Tohru Motobayashi.

(c) Supervising by the outside Directors

Outside Directors, comprising of majority of Directors, supervise execution of duties of Executive Officers from an independent perspective. As described in the item "5) Internal audit and audit by the Audit Committee" above, the Audit Committee, of which majority members are outside Directors, receives reports and explanations about results of internal audits, accounting audit and internal control audit, and verifies the matters reported or explained. In addition, the Audit Committee reports the results of its verification to the Board of Directors.

(d) Relationship between outside Directors and the Company

Each of outside Directors has no relationship with the Company regarding his or her independency as described in "(a) Qualification for the outside Directors and criteria for the independency." In addition, there is no particular conflict of interest between each of outside Directors and the Company. Furthermore, Ihara and Motobayashi Law Office, of which Mr. Tohru Motobayashi is a partner, is not a legal counsel to the Company, and there is no contractual relationship between Mr. Tohru Motobayashi and the Company in relation to legal services.

The Company considers that all outside Directors are independent, and therefore has notified all seven outside Directors as independent directors to each of the Company's listing stock exchanges in Japan.

The Company maintains a limited liability agreement (hereinafter referred to as "Agreement") stipulated in Article 427, Paragraph 1 of the Companies Act with Ms. Yoshie Ota and Messrs. Mitsuo Ohashi, Nobuo Katsumata, George Buckley, Harufumi Mochizuki, Tohru Motobayashi and Philip Yeo. The general intent of the Agreement is to limit the liability of outside Directors to the aggregate amount of the sums stipulated in each item under Article 425, Paragraph 1 of the Companies Act.

In addition, the number of shares of the Company owned by each outside Director is described in "5. Directors and Senior Management."

7) Status of accounting audit

Certified public accountants (CPAs) who executed accounting audit of the Company are as follows. In addition, other CPAs and staff belonging to Ernst & Young ShinNihon LLC assisted execution of accounting audit works as instructed by the three CPAs.

CPA having executed accounting audit woks	Audit corporation to which CPA belongs
Koichi Tsuji	Ernst & Young ShinNihon LLC
Takashi Ouchida	Ernst & Young ShinNihon LLC
Takahiro Saga	Ernst & Young ShinNihon LLC

8) Compensation to Directors and Executive Officers

(a) Policy on the determination of Compensation of Directors and Executive Officers

[Method of Determination of Policy]

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

[Summary of Policy]

(i) Matters relating to both Directors and Executive Officers

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

(ii) Matters relating to Directors

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

- Monthly salary will be decided by making adjustments to basic salary that reflect full-time or part-time status, committee membership and position, travel from place of residence, etc.
- Year-end allowance will be a pre-determined amount equivalent to about twenty percent of the Director's annual income based on monthly salary, although this amount may be reduced depending on Company performance.

A Director concurrently serving as an Executive Officer will not be paid compensation as a Director.

(iii) Matters relating to Executive Officers

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

- Monthly salary will be decided by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment.
- The performance-linked component will be set within a range equivalent to about thirty percent of the Executive Officer's annual income, adjusted based on Company and individual performance.

(iv) Miscellaneous

It was decided at the Compensation Committee meetings held on December 18, 2007 and March 26, 2008 that the compensation structure for Directors and Executive Officers will be re-examined starting with the compensation for fiscal 2008 and that the retirement allowance will be abolished. The payment of retirement allowance to Directors and Executive Officers due to the abolition of the retirement allowance system will be in an amount determined by the Compensation Committee at the time of the retirement of a relevant Director or Executive Officer.

(b) Amount of compensation

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)		Number of persons
		Monthly salary	Year-end allowance and performance-linked component	
Directors (excluding outside Directors)	232	203	28	7
Outside Directors	85	78	6	6
Executive Officers	1,740	1,174	566	29
Total	2,058	1,456	601	42

(Notes) 1. The number of Directors indicated excludes the two Directors who concurrently serve as Executive Officers.
2. The amount of compensation to Directors includes the monthly salary of the two Directors, who retired due to expiration of their term of office at the close of the 142nd Ordinary General Meeting of Shareholders held on June 24, 2011, and one Director, who retired as of September 30, 2011, for their term of office of the fiscal year ended March 31, 2012.

In addition, Directors or Executive Officers whose compensation from the Company and its subsidiaries is not less than ¥100 million and the amount of their compensation are as follows:

Name	Company	Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)	
				Monthly salary	Year-end allowance and performance-linked component
Hiroaki Nakanishi	Hitachi, Ltd. (The Company)	Executive Officer (Note)	173	122	51

(Note) Although concurrently serving as Director, Mr. Hiroaki Nakanishi does not receive compensation as Director.

9) Information on shareholdings

(a) Equity securities held for purposes other than pure investment

Number of stock names: 412 stock names

Total amount recorded in the balance sheet: ¥195,450 million

(b) Stock name, number of shares, amount recorded in the balance sheet, and purpose of holding regarding equity securities held for purposes other than pure investment

(Fiscal year ended March 31, 2011)

Specified investment securities

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
Central Japan Railway Company	9,000	5,931	Maintaining and enhancing business transactions
Yungtay Engineering Co., Ltd.	31,817,168	4,154	Maintaining and enhancing business relationship
East Japan Railway Company	790,000	3,653	Maintaining and enhancing business transactions
Electric Power Development Co., Ltd.	1,307,580	3,350	Maintaining and enhancing business transactions
The Japan Steel Works, LTD.	5,050,000	3,287	Maintaining and enhancing business transactions
JX Holdings, Inc.	4,888,149	2,737	Maintaining and enhancing business transactions
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	612,000	2,285	Maintaining and enhancing business transactions
Chubu Electric Power Co., Inc.	1,200,254	2,220	Maintaining and enhancing business transactions
The Chugoku Electric Power Co., Inc.	1,312,622	2,018	Maintaining and enhancing business transactions
Shin-Etsu Chemical Co., Ltd.	471,000	1,947	Maintaining and enhancing business transactions
NGK INSULATORS, LTD.	1,214,483	1,805	Maintaining and enhancing business transactions
The Chiba Bank, Ltd.	3,269,000	1,523	Maintaining and enhancing business transactions
The Dai-ichi Life Insurance Company, Limited	12,100	1,518	Maintaining and enhancing business transactions
Tohoku Electric Power Co., Inc.	1,010,000	1,419	Maintaining and enhancing business transactions
ShinMaywa Industries, Ltd.	4,000,337	1,404	Maintaining and enhancing business transactions
Kyushu Electric Power Co. Inc.	790,000	1,283	Maintaining and enhancing business transactions
Showa Denko K.K.	6,593,332	1,101	Maintaining and enhancing business transactions

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
NKSJ Holdings, Inc.	2,000,000	1,086	Maintaining and enhancing business transactions
Hokuriku Electric Power Company	576,000	1,085	Maintaining and enhancing business transactions
JOYO BANK, Ltd.	2,956,000	966	Maintaining and enhancing business transactions
Sapporo Holdings Limited	2,988,000	926	Maintaining and enhancing business transactions
NIPPON CHEMI-CON CORPORATION	2,000,000	832	Maintaining and enhancing business transactions
TOYO ELECTRIC MFG. CO. LTD.	2,100,000	829	Maintaining and enhancing business relationship
Panasonic Corporation	770,000	814	Maintaining and enhancing business transactions
Kintetsu Corporation	2,842,913	759	Maintaining and enhancing business transactions
WOWOW INC.	5,260	729	Maintaining and enhancing business transactions
Seiko Electric Company, Ltd.	1,630,320	725	Maintaining and enhancing business transactions
IBJ Leasing Company, Limited	360,000	720	Maintaining and enhancing business transactions
The Kansai Electric Power Co., Inc.	390,000	706	Maintaining and enhancing business transactions
TDK Corporation	143,000	702	Maintaining and enhancing business transactions

(Note) Since the number of stock of which balance sheet amount exceeds 1% of the amount of the Company’s common stock on the balance sheet is less than 30, the top 30 stocks in balance sheet amount are listed.

(Fiscal year ended March 31, 2012)

Specified investment securities

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
Western Digital Corporation	25,000,000	85,046	Maintaining and enhancing business relationship
Central Japan Railway Company	9,000	6,138	Maintaining and enhancing business transactions
Yungtay Engineering Co., Ltd.	31,817,168	4,179	Maintaining and enhancing business relationship
East Japan Railway Company	790,000	4,115	Maintaining and enhancing business transactions
Electric Power Development Co., Ltd.	1,307,580	2,934	Maintaining and enhancing business transactions
The Japan Steel Works, LTD.	5,050,000	2,863	Maintaining and enhancing business transactions
The Chugoku Electric Power Co., Inc.	1,812,622	2,786	Maintaining and enhancing business transactions
JX Holdings, Inc.	4,888,149	2,507	Maintaining and enhancing business transactions
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	612,000	2,298	Maintaining and enhancing business transactions
Shin-Etsu Chemical Co., Ltd.	471,000	2,251	Maintaining and enhancing business transactions
Chubu Electric Power Co., Inc.	1,200,254	1,793	Maintaining and enhancing business transactions
The Chiba Bank, Ltd.	3,269,000	1,726	Maintaining and enhancing business transactions
ShinMaywa Industries, Ltd.	4,000,337	1,648	Maintaining and enhancing business transactions
NGK INSULATORS, LTD.	1,214,483	1,434	Maintaining and enhancing business transactions
The Dai-ichi Life Insurance Company, Limited	12,100	1,383	Maintaining and enhancing business transactions
Showa Denko K.K.	6,593,332	1,239	Maintaining and enhancing business transactions
JOYO BANK, Ltd.	2,956,000	1,120	Maintaining and enhancing business transactions
Tohoku Electric Power Co., Inc.	1,010,000	953	Maintaining and enhancing business transactions
WOWOW INC.	5,260	944	Maintaining and enhancing business transactions
Kyushu Electric Power Co. Inc.	790,000	931	Maintaining and enhancing business transactions

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
NKSJ Holdings, Inc.	500,000	925	Maintaining and enhancing business transactions
Sapporo Holdings Limited	2,988,000	914	Maintaining and enhancing business transactions
Kintetsu Corporation	2,842,913	895	Maintaining and enhancing business transactions
Hokuriku Electric Power Company	576,000	861	Maintaining and enhancing business transactions
Seiko Electric Company, Ltd.	1,630,320	831	Maintaining and enhancing business transactions
IBJ Leasing Company, Limited	360,000	771	Maintaining and enhancing business transactions
TOHO GAS CO., LTD.	1,524,471	743	Maintaining and enhancing business transactions
West Japan Railway Company	215,000	714	Maintaining and enhancing business transactions
TOYO ELECTRIC MFG. CO. LTD.	2,100,000	686	Maintaining and enhancing business relationship
NOF Corporation	1,700,000	685	Maintaining and enhancing business transactions

(Note) Since the number of stock of which balance sheet amount exceeds 1% of the amount of the Company's common stock on the balance sheet is less than 30, the top 30 stocks in balance sheet amount are listed.

(c) Equity securities held for pure investment

None.

(2) Audit Fees

1) Fees to Certified Public Accountants

Category	Fiscal year ended March 31, 2011		Fiscal year ended March 31, 2012	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	485	35	500	126
Consolidated subsidiaries	1,448	37	1,525	33
Total	1,933	72	2,025	159

2) Other fees

Audit fees paid by the Company and its consolidated subsidiaries to the Company's accounting auditor, Ernst & Young ShinNihon LLC Group (including Ernst & Young and its group firms which belong to the same network as Ernst & Young ShinNihon LLC), were ¥2,673 million for the fiscal year ended March 31, 2011, and ¥2,956 million for the fiscal year ended March 31, 2012, respectively. These fees are mainly paid for audit services to its overseas consolidated subsidiaries.

3) Descriptions of non-audit services to the Company

Non-audit services to the Company in the fiscal year ended March 31, 2011 and the fiscal year ended March 31, 2012 were various advisory services.

4) Policy on determination of audit fees

For determining the amount of audit fees, the Company conducts hearing of the audit plan and verify efficiency of audit services, including the number of days, hours for auditing, the number of subjects to be audited and the scope of audit, etc., and appropriateness of the estimate. The Company also discusses with the accounting auditor taking into consideration the formation of auditors and audit fees for the preceding fiscal year. In addition, the Audit Committee receives the audit plans of the accounting auditors and the results of discussion between the auditors and Executive Officers of the Company and approves the amount of the fees in advance of the Company's decision.

V. Financial Information

Refer to the consolidated financial statements incorporated in this Annual Securities Report.

VI. Stock-Related Administration for the Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	To be held within three months from the following day of the end of every fiscal year
Record date	End of every fiscal year
Record date for distribution of surplus	End of March and end of September
Number of shares constituting one unit	1,000 shares
Purchase and sale of shares less than one unit	
Handling office	(Special account) Nippon Building 4th Floor, 6-2, Otemachi 2-chome, Chiyoda-ku, Tokyo Main Office, Tokyo Securities Transfer Agent Co., Ltd.
Transfer agent	(Special account) Tokyo Securities Transfer Agent Co., Ltd.
Forward office	-
Purchasing and selling fee	Free of charge
Method of public notice	The Company's method of public notice is through electronic public notice. However, if the Company cannot use the above-mentioned method of public notice due to an accident or other inevitable reasons, Nihon Keizai Shimbun will be adopted as its medium.
Special benefit for Shareholders	None

(Notes)

1. Under the Company's articles of incorporation, distribution of surplus through dividend payment, if any, will be made to shareholders of record as of March 31 and September 30 of each year. In addition, the Company may make further distributions of surplus to shareholders of record as of another record date.
2. The Company's articles of incorporation provide that a holder of shares representing less than one unit does not have any other rights of a shareholder in respect of those shares, other than those specified in the articles of incorporation. This includes:
   (1) Rights under each item of Article 189, Paragraph 2 of the Companies Act;
   (2) Rights to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders; or
   (3) Rights stipulated in the Company's Articles of Incorporation

VII. Reference Information on the Company

1. Information on a Parent Company, etc. of the Company

The Company has no parent company.

2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the fiscal year ended March 31, 2012 to the filing date of the Annual Securities Report.

(1)	Annual Securities Report and documents attached, and Confirmation Letter (The 142nd business term (from April 1, 2010 to March 31, 2011))	Filed with the Director of the Kanto Local Finance Bureau on June 24, 2011
(2)	Internal Control Report	Filed with the Director of the Kanto Local Finance Bureau on June 24, 2011
(3)	Amendment to Annual Securities Report and Confirmation Letter (Amendment to Annual Securities Report (The 141st business term (from April 1, 2009 to March 31, 2010)))	Filed with the Director of the Kanto Local Finance Bureau on June 24, 2011
(4)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on June 27, 2011
(5)	Shelf Registration Statement (Debentures) and Documents Attached	Filed with the Director of the Kanto Local Finance Bureau on July 15, 2011
(6)	Quarterly Report and Confirmation Letter (The First Quarter of the 143rd business term (from April 1, 2011 to June 30, 2011))	Filed with the Director of the Kanto Local Finance Bureau on August 8, 2011
(7)	Quarterly Report and Confirmation Letter (The Second Quarter of the 143rd business term (from July 1, 2011 to September 30, 2011))	Filed with the Director of the Kanto Local Finance Bureau on November 14, 2011
(8)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on January 17, 2012
(9)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on February 3, 2012
(10)	Quarterly Report and Confirmation Letter (The Third Quarter of the 143rd business term (from October 1, 2011 to December 31, 2011))	Filed with the Director of the Kanto Local Finance Bureau on February 13, 2012
(11)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Items 3, 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on March 9, 2012
(12)	Amended Shelf Registration Statement (Amended Shelf Registration Statement concerning the Shelf Registration Statement (5) above)	Filed with the Director of the Kanto Local Finance Bureau on August 8, 2011 November 14, 2011 January 17, 2012 February 3, 2012 February 13, 2012 March 9, 2012

Part II Information on Guarantors, etc. for the Company

Not applicable.

Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
Hitachi, Ltd.:

We have audited the accompanying consolidated balance sheets of Hitachi, Ltd. and subsidiaries (the “Company”) as of March 31, 2012 and 2011, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended March 31, 2012. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi, Ltd. and subsidiaries at March 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2012, in conformity with U.S. generally accepted accounting principles.

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Hitachi, Ltd. and subsidiaries’ internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 22, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan
June 22, 2012

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
Hitachi, Ltd.:

We have audited Hitachi, Ltd. and subsidiaries' internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Hitachi, Ltd. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Hitachi, Ltd. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of March 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of Hitachi, Ltd. and subsidiaries as of March 31, 2012 and 2011, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended March 31, 2012, and our report dated June 22, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan
June 22, 2012

HITACHI, LTD.
AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2012 and 2011

Assets	Yen (millions) 2012	2011
Current assets:		
Cash and cash equivalents (note 6)	619,577	554,810
Short-term investments (note 3)	11,562	16,598
Trade receivables:		
Notes (notes 6, 17 and 28)	119,162	101,524
Accounts (notes 6 and 28)	2,255,490	2,026,158
Allowance for doubtful receivables (note 28)	(31,182)	(36,763)
Net trade receivables	2,343,470	2,090,919
Investments in leases (notes 5, 6 and 28)	235,744	228,346
Current portion of financial assets transferred to consolidated securitization entities (notes 6 and 28)	86,071	183,559
Inventories (note 4)	1,413,252	1,341,768
Prepaid expenses and other current assets (notes 6 and 8)	452,510	484,029
Total current assets	5,162,186	4,900,029
Investments and advances, including affiliated companies (notes 3 and 6)	744,493	614,145
Property, plant and equipment (note 5):		
Land	464,093	471,155
Buildings	1,847,292	1,909,825
Machinery and equipment	5,109,865	5,528,889
Construction in progress	90,687	53,558
	7,511,937	7,963,427
Less accumulated depreciation	5,486,399	5,852,157
Net property, plant and equipment	2,025,538	2,111,270
Intangible assets (note 7):		
Goodwill	214,707	171,500
Other intangible assets	395,255	356,518
Total intangible assets	609,962	528,018
Financial assets transferred to consolidated securitization entities (notes 6 and 28)	205,411	304,160
Other assets (notes 5, 6, 8, 10 and 28)	670,936	728,007
Total assets	9,418,526	9,185,629

See accompanying notes to consolidated financial statements.

HITACHI, LTD.
AND SUBSIDIARIES

Consolidated Balance Sheets (continued)

March 31, 2012 and 2011

Liabilities and Equity	Yen (millions) 2012	2011
Current liabilities:		
Short-term debt (note 9)	531,446	472,588
Current portion of long-term debt (notes 5, 6 and 9)	384,110	338,218
Current portion of non-recourse borrowings of consolidated securitization entities (note 6)	97,004	190,868
Trade payables:		
Notes	24,025	20,430
Accounts	1,301,759	1,236,758
Accrued expenses (notes 10 and 17)	896,096	933,918
Income taxes (note 8)	75,217	73,514
Advances received	362,895	395,605
Other current liabilities (notes 6 and 8)	438,321	426,925
Total current liabilities	4,110,873	4,088,824
Long-term debt (notes 5, 6 and 9)	1,248,851	1,300,311
Non-recourse borrowings of consolidated securitization entities (note 6)	135,043	219,566
Retirement and severance benefits (note 10)	890,977	891,815
Other liabilities (note 8)	258,787	243,724
Total liabilities	6,644,531	6,744,240
Commitments and contingencies (note 17)		
Equity:		
Common stock 4,637,785,317 and 4,520,144,964 shares issued as of March 31, 2012 and 2011, respectively (notes 9 and 11)	427,775	409,129
Capital surplus (notes 9, 11 and 12)	600,243	603,133
Legal reserve and retained earnings (notes 6 and 13)	1,242,110	922,036
Accumulated other comprehensive loss (notes 6 and 15)	(496,896)	(493,062)
Treasury stock, at cost (note 14)	(1,450)	(1,371)
Total Hitachi, Ltd. stockholders' equity	1,771,782	1,439,865
Noncontrolling interests	1,002,213	1,001,524
Total equity	2,773,995	2,441,389
Total liabilities and equity	9,418,526	9,185,629

See accompanying notes to consolidated financial statements.

HITACHI, LTD.
AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended March 31, 2012, 2011 and 2010

	Yen (millions)		
	2012	2011	2010
Revenues:			
Product sales	8,528,292	8,376,287	8,044,971
Financial and other services	1,137,591	939,520	923,575
Total revenues	9,665,883	9,315,807	8,968,546
Cost of sales:			
Product sales	(6,447,009)	(6,292,555)	(6,185,937)
Financial and other services	(831,962)	(674,878)	(663,318)
Total cost of sales	(7,278,971)	(6,967,433)	(6,849,255)
Selling, general and administrative expenses	(1,974,632)	(1,903,866)	(1,917,132)
Impairment losses for long-lived assets (note 18)	(31,841)	(35,170)	(25,196)
Restructuring charges (note 19)	(23,097)	(5,757)	(25,154)
Interest income	12,653	13,267	12,017
Dividend income	5,551	4,240	5,799
Gains on sales of stock by affiliated companies	-	-	183
Other income (note 20)	228,906	69,730	186
Interest charges	(28,141)	(24,878)	(26,252)
Other deductions (note 20)	(3,010)	(13,597)	(21,976)
Equity in net loss of affiliated companies	(15,571)	(20,142)	(58,186)
Income before income taxes	557,730	432,201	63,580
Income taxes (note 8)	(144,922)	(129,075)	(147,971)
Net income (loss)	412,808	303,126	(84,391)
Less net income attributable to noncontrolling interests	65,629	64,257	22,570
Net income (loss) attributable to Hitachi, Ltd.	347,179	238,869	(106,961)

	Yen		
Net income (loss) attributable to Hitachi, Ltd. stockholders per share (note 21):			
Basic	76.81	52.89	(29.20)
Diluted	71.86	49.38	(29.20)

See accompanying notes to consolidated financial statements.

HITACHI, LTD.
AND SUBSIDIARIES

Consolidated Statements of Equity

Years ended March 31, 2012, 2011 and 2010

	Yen (millions)		
	2012	2011	2010
Common stock (notes 9 and 11):			
Balance at beginning of year	409,129	408,810	282,033
Change in common stock:			
Issuance of common stock	-	-	126,776
Conversion of convertible bonds	18,646	319	1
Total change in common stock	18,646	319	126,777
Balance at end of year	427,775	409,129	408,810
Capital surplus (notes 9, 11 and 12):			
Balance at beginning of year	603,133	620,577	560,066
Change in capital surplus:			
Issuance of common stock	-	-	125,644
Conversion of convertible bonds	18,646	319	1
Equity transactions and other	(21,527)	(8,229)	(64,998)
Sales of treasury stock	(9)	(9,534)	(136)
Total change in capital surplus	(2,890)	(17,444)	60,511
Balance at end of year	600,243	603,133	620,577
Legal reserve and retained earnings (notes 6 and 13):			
Balance at beginning of year	922,036	713,479	820,440
Change in legal reserve and retained earnings:			
Effect on retained earnings due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	-	(7,732)	-
Net income (loss)	347,179	238,869	(106,961)
Dividends to Hitachi, Ltd. stockholders	(27,105)	(22,580)	-
Total change in legal reserve and retained earnings	320,074	208,557	(106,961)
Balance at end of year	1,242,110	922,036	713,479
Accumulated other comprehensive loss (notes 6 and 15):			
Balance at beginning of year	(493,062)	(432,057)	(586,351)
Change in accumulated other comprehensive loss:			
Effect on accumulated other comprehensive loss due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	-	(2,977)	-
Equity transactions and other	210	(191)	(14,132)
Other comprehensive income (loss), net of reclassification adjustments	(4,044)	(57,837)	168,426
Total change in accumulated other comprehensive loss	(3,834)	(61,005)	154,294
Balance at end of year	(496,896)	(493,062)	(432,057)
Treasury stock, at cost (note 14):			
Balance at beginning of year	(1,371)	(26,151)	(26,237)
Change in treasury stock, at cost:			
Acquisition of treasury stock	(126)	(183)	(115)
Sales of treasury stock	47	24,963	201
Total change in treasury stock, at cost	(79)	24,780	86
Balance at end of year	(1,450)	(1,371)	(26,151)

See accompanying notes to consolidated financial statements.

HITACHI, LTD.
AND SUBSIDIARIES

Consolidated Statements of Equity (continued)

Years ended March 31, 2012, 2011 and 2010

	Yen (millions)		
	2012	2011	2010
Total Hitachi, Ltd. stockholders' equity:			
Balance at beginning of year	1,439,865	1,284,658	1,049,951
Change in total Hitachi, Ltd. stockholders' equity:			
Effect on retained earnings due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	-	(7,732)	-
Effect on accumulated other comprehensive loss due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	-	(2,977)	-
Issuance of common stock	-	-	252,420
Conversion of convertible bonds	37,292	638	2
Equity transactions and other	(21,317)	(8,420)	(79,130)
Net income (loss)	347,179	238,869	(106,961)
Other comprehensive income (loss), net of reclassification adjustments	(4,044)	(57,837)	168,426
Dividends to Hitachi, Ltd. stockholders	(27,105)	(22,580)	-
Acquisition of treasury stock	(126)	(183)	(115)
Sales of treasury stock	38	15,429	65
Total change in total Hitachi, Ltd. stockholders' equity	331,917	155,207	234,707
Balance at end of year	1,771,782	1,439,865	1,284,658
Noncontrolling interests (notes 6 and 12):			
Balance at beginning of year	1,001,524	983,187	1,129,401
Change in noncontrolling interests:			
Effect on retained earnings due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	-	(5,225)	-
Effect on accumulated other comprehensive loss due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	-	(1,985)	-
Equity transactions and other	(26,464)	(1,696)	(174,675)
Net income	65,629	64,257	22,570
Other comprehensive income (loss), net of reclassification adjustments	(16,183)	(16,830)	30,509
Dividends to noncontrolling interests	(22,293)	(20,184)	(24,618)
Total change in noncontrolling interests	689	18,337	(146,214)
Balance at end of year	1,002,213	1,001,524	983,187
Total equity:			
Balance at beginning of year	2,441,389	2,267,845	2,179,352
Change in total equity:			
Effect on retained earnings due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	-	(12,957)	-
Effect on accumulated other comprehensive loss due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	-	(4,962)	-
Issuance of common stock	-	-	252,420
Conversion of convertible bonds	37,292	638	2
Equity transactions and other	(47,781)	(10,116)	(253,805)
Net income (loss)	412,808	303,126	(84,391)
Other comprehensive income (loss), net of reclassification adjustments	(20,227)	(74,667)	198,935
Dividends to Hitachi, Ltd. stockholders	(27,105)	(22,580)	-
Dividends to noncontrolling interests	(22,293)	(20,184)	(24,618)
Acquisition of treasury stock	(126)	(183)	(115)
Sales of treasury stock	38	15,429	65
Total change in total equity	332,606	173,544	88,493
Balance at end of year	2,773,995	2,441,389	2,267,845

See accompanying notes to consolidated financial statements.

HITACHI, LTD.
AND SUBSIDIARIES

Consolidated Statements of Equity (continued)

Years ended March 31, 2012, 2011 and 2010

	Yen (millions)		
	2012	2011	2010
Comprehensive income attributable to Hitachi, Ltd. (note 15):			
Net income (loss) attributable to Hitachi, Ltd.	347,179	238,869	(106,961)
Other comprehensive income (loss) attributable to Hitachi, Ltd. arising during the year:			
Foreign currency translation adjustments	31,603	(69,194)	4,289
Pension liability adjustments	(37,895)	15,852	141,761
Net unrealized holding gain (loss) on available-for-sale securities	3,574	(5,728)	23,209
Cash flow hedges	(1,326)	1,233	(833)
Total other comprehensive income (loss) attributable to Hitachi, Ltd. arising during the year	(4,044)	(57,837)	168,426
Comprehensive income attributable to Hitachi, Ltd.	343,135	181,032	61,465
Comprehensive income attributable to noncontrolling interests (note 15):			
Net income attributable to noncontrolling interests	65,629	64,257	22,570
Other comprehensive income (loss) attributable to noncontrolling interests arising during the year:			
Foreign currency translation adjustments	(8,141)	(18,185)	2,618
Pension liability adjustments	(6,254)	224	22,262
Net unrealized holding gain (loss) on available-for-sale securities	(612)	376	5,467
Cash flow hedges	(1,176)	755	162
Total other comprehensive income (loss) attributable to noncontrolling interests arising during the year	(16,183)	(16,830)	30,509
Comprehensive income attributable to noncontrolling interests	49,446	47,427	53,079
Total comprehensive income (note 15):			
Net income (loss)	412,808	303,126	(84,391)
Other comprehensive income (loss) arising during the year:			
Foreign currency translation adjustments	23,462	(87,379)	6,907
Pension liability adjustments	(44,149)	16,076	164,023
Net unrealized holding gain (loss) on available-for-sale securities	2,962	(5,352)	28,676
Cash flow hedges	(2,502)	1,988	(671)
Total other comprehensive income (loss) arising during the year	(20,227)	(74,667)	198,935
Total comprehensive income	392,581	228,459	114,544

See accompanying notes to consolidated financial statements.

HITACHI, LTD.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended March 31, 2012, 2011 and 2010

	Yen (millions)		
	2012	2011	2010
Cash flows from operating activities (note 23):			
Net income (loss)	412,808	303,126	(84,391)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	360,358	382,732	441,697
Amortization	119,308	115,037	116,065
Impairment losses for long-lived assets	31,841	35,170	25,196
Deferred income taxes	21,509	3,952	60,440
Equity in net loss of affiliated companies	15,571	20,142	58,186
Gain on sale of investments in securities and other	(228,115)	(72,987)	(6,061)
Impairment of investments in securities	15,096	11,407	9,585
(Gain) loss on disposal of rental assets and other property	(18,627)	4,387	22,670
(Increase) decrease in receivables	(259,211)	121,606	(138,785)
(Increase) decrease in inventories	(162,594)	(171,275)	205,848
Decrease in prepaid expenses and other current assets	987	1,964	8,687
Increase in payables	119,177	47,512	62,295
Increase (decrease) in accrued expenses and retirement and severance benefits	(18,430)	22,871	69,724
Increase in accrued income taxes	7,103	3,066	17,249
Decrease in other liabilities	(13,812)	(26,118)	(83,519)
Net change in lease receivables related to the Company's and its subsidiaries' products	27,012	19,523	(17,935)
Other	17,174	19,439	31,348
Net cash provided by operating activities	447,155	841,554	798,299
Cash flows from investing activities (note 23):			
Capital expenditures	(337,502)	(254,460)	(286,259)
Purchase of intangible assets	(106,042)	(95,500)	(85,092)
Purchase of tangible assets and software to be leased	(269,350)	(268,446)	(271,341)
Proceeds from disposal of property, plant and equipment	47,697	27,427	20,821
Proceeds from disposal of tangible assets and software to be leased	17,447	19,866	22,672
Collection of investments in leases	244,446	286,356	172,327
Purchase of investments in securities and shares of newly consolidated subsidiaries	(151,413)	(122,555)	(156,989)
Proceeds from sale of investments in securities and shares of consolidated subsidiaries resulting in deconsolidation	331,007	147,941	27,410
Refund of deposit received for sale of investment in affiliated company	-	(43,550)	-
Other	28,126	42,575	25,856
Net cash used in investing activities	(195,584)	(260,346)	(530,595)

See accompanying notes to consolidated financial statements.

HITACHI, LTD.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued)

Years ended March 31, 2012, 2011 and 2010

	Yen (millions)		
	2012	2011	2010
Cash flows from financing activities (note 23):			
Increase (decrease) in short-term debt, net	70,105	75,535	(551,044)
Proceeds from long-term debt	388,991	179,324	656,768
Payments on long-term debt	(544,841)	(790,328)	(565,212)
Proceeds from issuance of common stock	-	-	252,420
Proceeds from sale of common stock by subsidiaries	736	415	504
Dividends paid to Hitachi, Ltd. stockholders	(27,018)	(22,466)	(134)
Dividends paid to noncontrolling interests	(22,206)	(19,575)	(24,852)
Acquisition of common stock for treasury	(126)	(183)	(115)
Proceeds from sales of treasury stock	38	52	65
Purchase of shares of consolidated subsidiaries from noncontrolling interest holders	(39,230)	(3,043)	(261,113)
Proceeds from sale of shares of consolidated subsidiaries to noncontrolling interest holders	6,188	229	1,886
Other	(475)	(4,136)	(11,517)
Net cash used in financing activities	(167,838)	(584,176)	(502,344)
Effect of consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810 (note 6)	-	12,030	-
Effect of exchange rate changes on cash and cash equivalents	(18,966)	(31,836)	4,298
Net increase (decrease) in cash and cash equivalents	64,767	(22,774)	(230,342)
Cash and cash equivalents at beginning of year	554,810	577,584	807,926
Cash and cash equivalents at end of year	619,577	554,810	577,584

See accompanying notes to consolidated financial statements.

(1) Nature of Operations

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

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

(a) Basis of Presentation

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

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

(b) Principles of Consolidation

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

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

(c) Cash Equivalents

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

(d) Allowance for Doubtful Receivables

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

(e) Foreign Currency Translation

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

(f) Investments in Securities and Affiliated Companies

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

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

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

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

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

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

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

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

(g) Securitizations

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

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

(h) Inventories

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

(i) Property, Plant and Equipment

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

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

(j) Goodwill and Other Intangible Assets

The Company tests goodwill and indefinite-lived intangible assets for impairment at least annually. The Company performs its annual impairment test mainly during the fourth quarter after the annual forecasting process is completed. Furthermore, goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The impairment test consists of two steps. In the first step, the Company compares the fair value of each reporting unit to its carrying value. The

Company has certain operating segments and, in identifying the reporting unit for the purpose of testing goodwill for impairment, considers disaggregating those operating segments into economically dissimilar components based on specific facts and circumstances, especially the level at which performance of the operating segments are reviewed, how many businesses are included in the operating segments, and the economic similarity of those businesses. In assigning goodwill to reporting units, the Company considers which reporting units are expected to benefit from the synergies of the combination in a manner similar to how the amount of goodwill is recognized in a business combination. The Company determines the fair value of its reporting units mainly using an income approach (i.e., present value technique). When determining such fair value, the Company may, however, also use the fair value of that unit based on a comparison of comparable publicly traded companies or based on that unit's stand-alone market capitalization. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company performs the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, the Company records an impairment loss equal to the difference. Intangible assets with finite useful lives are amortized over their respective estimated useful lives on either a straight-line basis or the method that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise used up. The principal estimated useful lives are as follows:

Software	2 to 9 years
Software for internal use	3 to 10 years
Patents	4 to 8 years
Other	3 to 25 years

(k) Capitalized Software Costs

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

(l) Impairment of Long-Lived Assets

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

(m) Retirement and Severance Benefits

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

(n) Environmental Liabilities

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

(o) Derivative Financial Instruments

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

The Company designates and accounts for hedging derivatives as follows:

- "Fair value" hedge: a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the related derivatives are both recorded in earnings if the hedge is considered highly effective.

- "Cash flow" hedge: a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability. The changes in the fair value of the derivatives designated as cash flow hedges are recorded as other comprehensive income (loss) if the hedge is considered highly effective. This treatment is continued until earnings are affected by the variability in cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative are recognized in income (loss).

- "Foreign currency" hedge: a hedge of foreign-currency fair value or cash flow. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the derivatives are recorded as either earnings or other comprehensive income (loss) if the hedge is considered highly effective. Recognition as earnings or other comprehensive income (loss) is dependent on the treatment of foreign currency hedges as either fair value or cash flow hedges.

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

(Continued)

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

(p) Revenue Recognition

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

The Company offers multiple solutions to meet its customers' needs. Those solutions may involve the delivery or performance of multiple elements, such as products, services, or rights to use assets, and performance may occur at different points in time or over different periods of time. When one element is delivered prior to the other in an arrangement, revenue is deferred until the delivery of the last element, unless transactions are such that the delivered item has value to the customer on a standalone basis, delivery or performance of the undelivered item is considered probable and substantially in the control of the Company if the arrangement includes a general right of return relative to the delivered item. If both conditions described above are met, each element in an arrangement is considered a separate unit of accounting, and the arrangement consideration is allocated to the separate units of accounting based on the relative selling price method. Under the relative selling price method, vender specific objective evidence (VSOE) should be used if it exists. However, when VSOE does not exist, third-party evidence (TPE) should be used. If neither VSOE nor TPE exists for all elements in a multiple element arrangement, the arrangement consideration is allocated to the separate units of accounting based on the best estimate of selling price. The Company determines the best estimate of selling price for multiple elements by considering various factors including, but not limited to, overall market conditions, including geographic or regional specific market factors, competitor prices for similar items, profit objective and pricing practices.

In multiple element arrangements that include software that is more than incidental to the products or services as a whole and does not function together to deliver the tangible product's essential functionality, the Company allocates revenue for each element based on its relative fair value, as evidenced by VSOE. When VSOE of the delivered elements are unable to be established, the Company uses the residual method.

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

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

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

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

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

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

(q) Shipping and Handling Costs

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

(r) Advertising

Advertising costs are expensed as incurred.

(s) Research and Development Costs

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

(t) Income Taxes

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

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

(u) Consumption Tax

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

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

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

(w) Guarantees

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

(x) Subsequent Events

The Company has evaluated up to June 22, 2012, the date on which its consolidated financial statements were available to be issued in accordance with the provisions of ASC855, "Subsequent Events."

(y) Accounting Changes

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

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

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

The Company adopted the provisions of ASC 605-25, "Revenue Recognition – Multiple Element Arrangements," amended by Accounting Standards Update (ASU) 2009-13, "Multiple-Deliverable Revenue Arrangements." on April 1, 2011. The provisions supersede certain provisions regarding multiple element arrangements in ASC 605-25. The provisions require 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 element arrangements subject to ASC 605-25. The provisions require both ongoing disclosures regarding an entity's multiple-deliverable revenue arrangements as well as certain transitional disclosures during periods after adoption. Entities may elect to adopt the provisions 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.

(Continued)

The Company adopted the provisions of ASC 985, “Software,” amended by ASU 2009-14, “Certain Revenue Arrangements That Include Software Elements.” on April 1, 2011. The provisions affect how entities account for revenue arrangements that contain both tangible products and software elements. Previously, arrangements containing both tangible products and software were 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 provisions change 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. 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.

For revenue arrangements entered into or materially modified after April 1, 2011, the Company recognizes revenue based on the new provisions. Most of the Company’s multiple element arrangements comprise a deliverable such as information technology system products, machinery and equipment, installation of software, service including maintenance and others. The Company had recognized revenue for each element when VSOE or TPE was established. If VSOE or TPE of any undelivered item was not established, revenue from the entire arrangements was deferred until the delivery of the last element. Under the new provisions, for non-software elements such as machinery or equipment, if VSOE or TPE is not established, arrangement consideration is allocated to each separate element based on the best estimate of the selling price and the Company recognizes revenue for each separate element. The effect of the adoption of these provisions is not material to our financial statements.

(Continued)

(3) Investments in Securities and Affiliated Companies

Short-term investments as of March 31, 2012 and 2011 are as follows:

	Yen (millions)	
	2012	2011
Investments in securities:		
Available-for-sale securities		
Government debt securities	4,452	2,907
Corporate debt securities	6,954	11,041
Other securities	84	2,610
Held-to-maturity securities	72	40
	11,562	16,598

Investments and advances, including affiliated companies as of March 31, 2012 and 2011 are as follows:

	Yen (millions)	
	2012	2011
Investments in securities:		
Available-for-sale securities		
Equity securities	220,491	145,816
Government debt securities	329	325
Corporate debt securities	24,732	27,039
Other securities	7,467	6,697
Held-to-maturity securities	321	355
Cost-method investments	56,174	48,144
Investments in affiliated companies	309,733	316,443
Advances and other	125,246	69,326
	744,493	614,145

(Continued)

The following tables are summaries of the amortized cost basis, gross unrealized holding gains, gross unrealized holding losses and aggregate fair value of available-for-sale securities by the consolidated balance sheet classifications as of March 31, 2012 and 2011.

	Yen (millions)			
	2012			
	Amortized cost basis	Gross gains	Gross losses	Aggregate fair value
Short-term investments:				
Government debt securities	4,452	-	-	4,452
Corporate debt securities	6,481	490	17	6,954
Other securities	83	1	-	84
	11,016	491	17	11,490
Investments and advances:				
Equity securities	155,908	65,899	1,316	220,491
Government debt securities	311	18	-	329
Corporate debt securities	23,201	1,679	148	24,732
Other securities	7,379	133	45	7,467
	186,799	67,729	1,509	253,019
	197,815	68,220	1,526	264,509

	Yen (millions)			
	2011			
	Amortized cost basis	Gross gains	Gross losses	Aggregate fair value
Short-term investments:				
Government debt securities	2,907	-	-	2,907
Corporate debt securities	10,798	252	9	11,041
Other securities	2,608	2	-	2,610
	16,313	254	9	16,558
Investments and advances:				
Equity securities	84,856	63,390	2,430	145,816
Government debt securities	311	14	-	325
Corporate debt securities	25,818	1,640	419	27,039
Other securities	6,684	99	86	6,697
	117,669	65,143	2,935	179,877
	133,982	65,397	2,944	196,435

(Continued)

The following tables are summaries of gross unrealized holding losses on available-for-sale securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of March 31, 2012 and 2011.

	Yen (millions)			
	2012			
	Less than 12 months		12 months or longer	
	Aggregate fair value	Gross losses	Aggregate fair value	Gross losses
Short-term investments:				
Corporate debt securities	2,847	9	1,691	8
Investments and advances:				
Equity securities	5,509	535	3,832	781
Corporate debt securities	7,227	118	2,770	30
Other securities	-	-	202	45
	12,736	653	6,804	856
	15,583	662	8,495	864

	Yen (millions)			
	2011			
	Less than 12 months		12 months or longer	
	Aggregate fair value	Gross losses	Aggregate fair value	Gross losses
Short-term investments:				
Corporate debt securities	5,691	9	-	-
Investments and advances:				
Equity securities	9,378	1,183	4,381	1,247
Corporate debt securities	8,355	306	4,933	113
Other securities	100	40	215	46
	17,833	1,529	9,529	1,406
	23,524	1,538	9,529	1,406

Equity securities consist primarily of stocks issued by Japanese and the U.S. listed companies. Government debt securities consist primarily of Japan treasury bonds. Corporate debt securities consist primarily of structured bonds. Other securities consist primarily of investment funds.

(Continued)

The following table represents the purchases, proceeds from the sale, gross realized gains on the sale, and gross realized losses on the sale of available-for-sale securities for the years ended March 31, 2012, 2011 and 2010.

	Yen (millions)		
	2012	2011	2010
Purchases	24,641	26,490	59,038
Proceeds from the sale	5,288	11,646	5,890
Gross realized gains on the sale	2,224	3,556	1,124
Gross realized losses on the sale	280	385	56

The contractual maturities of debt securities and other securities classified as investments and advances in the consolidated balance sheet as of March 31, 2012 are as follows:

	Yen (millions)		
	Held-to-maturity	Available-for-sale	Total
Due within five years	321	16,026	16,347
Due after five years through ten years	-	2,716	2,716
Due after ten years	-	13,786	13,786
	321	32,528	32,849

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

The aggregate carrying amounts of cost-method investments which were not evaluated for impairment as of March 31, 2012 and 2011 were ¥56,166 million and ¥43,797 million, respectively, mainly because it was not practicable to estimate the fair value of the investments due to lack of a market price and difficulty in estimating fair value without incurring excessive cost and the Company did not identify any events or changes in circumstances that might have had a significant adverse effect on their fair value.

The aggregate fair values of investments in affiliated companies, for which quoted market prices were available, as of March 31, 2012 and 2011, were ¥88,532 million and ¥104,427 million, respectively. The aggregate carrying amounts of such investments as of March 31, 2012 and 2011 were ¥79,939 million and ¥99,299 million, respectively.

As of March 31, 2012 and 2011, cumulative recognition of other-than-temporary declines in values of investments in certain affiliated companies resulted in the difference of ¥18,280 million and ¥17,837 million, respectively, between the carrying amount of the investment and the amount of underlying equity in net assets. In addition, as of March 31, 2012 and 2011, the carrying value of the investments in affiliated companies exceeded the Company's equity in the underlying net assets of such affiliated companies by ¥101,565 million and ¥111,917 million, respectively. The excess is attributed first to certain fair value adjustments on a net-of-tax basis at the time of the initial and subsequent investments in those companies with the remaining portion considered as equity-method goodwill.

(Continued)

For the year ended March 31, 2012 and 2011, there were no affiliated companies accounted for by the equity method which were material to be disclosed separately. Summarized combined financial information relating to affiliated companies accounted for by the equity method as of and for the year ended March 31, 2012 and 2011 is as follows:

	Yen (millions)	
	2012	2011
Current assets	1,512,351	1,305,406
Non-current assets	1,021,152	835,964
Total assets	2,533,503	2,141,370
Current liabilities	1,380,640	1,145,724
Non-current liabilities	470,953	334,298
Total liabilities	1,851,593	1,480,022

	Yen (millions)	
	2012	2011
Revenues	2,061,144	2,208,543
Gross profit	463,136	588,095
Net loss attributable to affiliated companies	(73,204)	(69,878)

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

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

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

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

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

	Yen (millions)	
	2012	2011
Trade receivables	107,844	77,484
Investments in leases	6,295	12,158
Trade payables	27,960	21,543

	Yen (millions)		
	2012	2011	2010
Revenues	338,814	315,533	373,889
Purchases	128,675	131,686	226,012

(4) Inventories

Inventories as of March 31, 2012 and 2011 are summarized as follows:

	Yen (millions)	
	2012	2011
Finished goods	538,634	533,724
Work in process	606,228	566,127
Raw materials	268,390	241,917
	1,413,252	1,341,768

(5) Leases

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

The amount of leased assets at cost under operating leases and accumulated depreciation as of March 31, 2012 amounted to ¥2,014,463 million and ¥1,730,312 million, respectively. The leased assets are depreciated using the straight-line method over their estimated useful lives.

The following table shows the future minimum lease receivables of financing and non-cancelable operating leases as of March 31, 2012 and the future minimum lease receivables of financing leases as of March 31, 2011:

	Yen (millions)	
	2012	
Years ending March 31	Financing leases	Operating leases
2013	333,750	37,534
2014	204,969	22,051
2015	112,217	13,561
2016	61,656	7,252
2017	32,420	3,190
Thereafter	93,623	1,495
Total minimum payments to be received	838,635	85,083
Unguaranteed residual values	40,612	
Amount representing executory costs	(78,372)	
Unearned income	(57,544)	
Allowance for doubtful receivables	(7,680)	
Net investment in financing leases	735,651	
Less current portion of net investment in financing leases, included in investments in leases and current portion of financial assets transferred to consolidated securitization entities	302,770	
Long-term net investment in financing leases, included in other assets and financial assets transferred to consolidated securitization entities	432,881	

	Yen (millions) 2011 Financing leases
Total minimum payments to be received	956,128
Unguaranteed residual values	52,036
Amount representing executory costs	(67,396)
Unearned income	(67,631)
Allowance for doubtful receivables	(6,136)
Net investment in financing leases	867,001
Less current portion of net investment in financing leases, included in investments in leases and current portion of financial assets transferred to consolidated securitization entities	337,935
Long-term net investment in financing leases, included in other assets and financial assets transferred to consolidated securitization entities	529,066

The Company and certain subsidiaries lease certain buildings, manufacturing machinery and equipment used in their operations. The amount of leased assets at cost under capital leases as of March 31, 2012 and 2011 amounted to ¥25,641 million and ¥40,952 million, respectively, and accumulated depreciation as of March 31, 2012 and 2011 amounted to ¥11,995 million and ¥18,225 million, respectively. Amortization of assets under capital leases is included in depreciation expense.

The following table shows the future minimum lease payments of capital and non-cancelable operating leases as of March 31, 2012:

	Yen (millions)	
Years ending March 31	Capital leases	Operating leases
2013	8,472	17,430
2014	6,627	13,638
2015	4,262	11,762
2016	2,816	7,934
2017	2,103	5,962
Thereafter	4,247	25,158
Total minimum lease payments	28,527	81,884
Amount representing executory costs	(45)	
Amount representing interest	(2,197)	
Present value of net minimum lease payments	26,285	
Less current portion of capital lease obligations	7,930	
Long-term capital lease obligations	18,355	

(6) Securitizations

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

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

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

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

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

(Continued)

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

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

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

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

Consolidated SPEs

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

(Continued)

The tables below summarize the assets and liabilities of the consolidated SPEs as of March 31, 2012 and 2011 by type of transferred financial assets that those SPEs hold:

	Yen (millions)			
	2012			
	Lease receivables	Mortgage loans receivable	Others	Total
Cash and cash equivalents	4,760	2,837	1,087	8,684
Current portion of financial assets transferred to consolidated securitization entities	67,026	10,401	8,644	86,071
Financial assets transferred to consolidated securitization entities	51,570	151,826	2,015	205,411
Current portion of non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	42,207	-	-	42,207
Beneficial interests in trusts	32,672	13,928	8,197	54,797
	74,879	13,928	8,197	97,004
Non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	3,943	-	-	3,943
Beneficial interests in trusts	4,117	126,008	975	131,100
	8,060	126,008	975	135,043

(Continued)

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

The aggregate annual maturities of non-recourse borrowings of consolidated securitization entities after March 31, 2013 are as follows:

Years ending March 31	Yen (millions)
2014	26,358
2015	16,810
2016	14,005
2017	11,848
Thereafter	66,022
	135,043

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

Transfers to unconsolidated entities

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

Securitizations of lease receivables:

Hitachi Capital Corporation and certain other subsidiaries sold lease receivables to unconsolidated SPEs and other entities. Net gains recognized on the sale of these lease receivables for the years ended March 31, 2012, 2011 and 2010 were ¥6,853 million, ¥8,500 million and ¥10,017 million, respectively. The subsidiaries retained servicing responsibilities, but did not record a servicing asset or liability because the cost to service the receivables approximated the servicing income.

The table below summarizes cash flows received from and paid to the SPEs and other entities during the years ended March 31, 2012, 2011 and 2010:

	Yen (millions)		
	2012	2011	2010
Proceeds from transfer of lease receivables	116,507	120,197	167,483
Servicing fees received	-	-	72
Purchases of delinquent or ineligible assets	-	-	(60,983)

The amounts of the initial fair value of the subordinated interests for the years ended March 31, 2012 and 2011 were ¥18,061 million and ¥18,403 million, respectively. The subordinated interests relating to securitizations of lease receivables are initially classified as Level 3 assets within the fair value hierarchy. The initial fair value of the subordinated interests is determined based on economic assumptions including weighted-average life, expected credit risks, and discount rates.

Key economic assumptions used in measuring the initial fair value of the subordinated interests resulting from securitizations of lease receivables completed during the years ended March 31, 2012 and 2011 are as follows:

	2012	2011
Weighted average life (in years)	4.1	4.2
Expected credit loss	0.02-0.03%	0.03-0.05%
Discount rate	0.50-0.70%	0.38-0.80%

Quantitative information about delinquencies, net credit losses, and components of lease receivables subject to transfer and other assets managed together as of and for the years ended March 31, 2012 and 2011 is as follows:

	Yen (millions) 2012		
	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Lease receivables	955,565	412	588
Assets transferred	(219,914)		
Assets held in portfolio	735,651		

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

As of March 31, 2012 and 2011, the amounts of the maximum exposures to losses were ¥60,723 million and ¥32,194 million, respectively. They mainly consist of the subordinated interests and the obligations to purchase assets with a scope that is considerably limited relating to these securitizations of lease receivables. As of March 31, 2012 and 2011, the amounts of the subordinated interests measured at fair value relating to these securitizations of lease receivables were ¥36,329 million and ¥18,941 million, respectively.

Key economic assumptions used in measuring the fair value of the subordinated interests relating to securitizations of lease receivables as of March 31, 2012 and 2011 are as follows:

	2012	2011
Weighted average life (in years)	3.7	3.5
Expected credit loss	0.02%	0.03%
Discount rate	0.50-0.59%	0.70-0.80%

The sensitivities of the current fair value of the Company's interests to an immediate 10 and 20 percent adverse change in the assumptions as of March 31, 2012 and 2011 are as follows:

	Yen (millions)	
	2012	2011
Expected credit loss:		
Impact on fair value of 10% adverse change	(62)	(60)
Impact on fair value of 20% adverse change	(125)	(121)
Discount rate:		
Impact on fair value of 10% adverse change	(53)	(47)
Impact on fair value of 20% adverse change	(106)	(94)

These securitizations were designed to transfer the lease receivables through trusts that satisfied the conditions of former QSPEs. These trusts were not consolidated for the year ended March 31, 2010. Since almost all of those trusts were consolidated upon the adoption of the new consolidation provisions, the lease receivables transferred to the consolidated trusts were recognized on the Company's consolidated balance sheet and classified as financial assets transferred to consolidated securitization entities on April 1, 2010.

Securitizations of trade receivables:
The Company and certain subsidiaries sold trade receivables mainly to unconsolidated SPEs and other entities. During the years ended March 31, 2012, 2011 and 2010, proceeds from the transfer of trade receivables were ¥593,001 million, ¥521,335 million and ¥737,820 million, respectively, and net gains and losses recognized on those transfers were a net loss of ¥158 million, a net gain of ¥140 million and a net loss of ¥1,853 million, respectively. The Company and certain subsidiaries retained servicing responsibilities, but did not record a servicing asset or liability because the cost to service the receivables approximated the servicing income.

The amount of the initial fair value of the subordinated interests for the year ended March 31, 2012 was ¥29,095 million. The subordinated interests relating to securitizations of trade receivables are initially classified as Level 3 assets within the fair value hierarchy. The initial fair value of the subordinated interests is determined based on economic assumptions including weighted-average life, expected credit risks, discount rates, and prepayment rates.

Key economic assumptions used in measuring the initial fair value of the subordinated interests resulting from securitizations of trade receivables completed during the year ended March 31, 2012 are as follows:

	2012
Weighted average life (in years)	5.6
Expected credit loss	0.15-0.48%
Discount rate	1.40-1.57%
Prepayment rate	4.98-12.24%

Quantitative information about delinquencies, net credit loss, and components of trade receivables subject to transfer and other assets managed together as of and for the years ended March 31, 2012 and 2011 is as follows:

	Yen (millions)		
	2012		
	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Trade receivables	844,698	2,450	965
Assets transferred	(233,881)		
Assets held in portfolio	610,817		

	Yen (millions)		
	2011		
	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Trade receivables	733,090	2,698	1,025
Assets transferred	(232,374)		
Assets held in portfolio	500,716		

As of March 31, 2012 and 2011, the amounts of the maximum exposures to losses were ¥45,797 million and ¥36,067 million, respectively. They mainly consist of the subordinated interests and obligations to purchase assets with a scope that is considerably limited relating to these securitizations of trade receivables. As of March 31, 2012 and 2011, the amounts of the subordinated interests relating to these securitizations of trade receivables were ¥31,295 million and ¥16,337 million, respectively.

Key economic assumptions used in measuring the fair value of the subordinated interests relating to securitizations of trade receivables as of March 31, 2012 are as follows:

	2012
Weighted average life (in years)	6.0
Expected credit loss	0.15-0.40%
Discount rate	1.43%
Prepayment rate	6.52-12.38%

The sensitivity of the current fair value of the Company's interests to an immediate 10 and 20 percent adverse change in the assumptions as of March 31, 2012 is as follows:

	Yen (millions)
	2012
Expected credit loss:	
Impact on fair value of 10% adverse change	(321)
Impact on fair value of 20% adverse change	(643)
Discount rate:	
Impact on fair value of 10% adverse change	(47)
Impact on fair value of 20% adverse change	(95)
Prepayment rate:	
Impact on fair value of 10% adverse change	(649)
Impact on fair value of 20% adverse change	(1,298)

The sensitivities presented in this note are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in the above tables, the effect of a variation in a particular assumption of the fair value of the interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

A portion of these trade receivables was transferred to former QSPEs, which were established by certain of the Company's subsidiaries, through March 31, 2011. During the years ended March 31, 2011, proceeds from the transfer of trade receivables to the former QSPEs and net losses recognized on those transfers were immaterial and there is no outstanding balance of transferred receivables in these former QSPEs as of March 31, 2011. During the year ended March 31, 2010, the proceed from the transfer of trade receivables to the former QSPEs was ¥362,147 million, and the net loss recognized on that transfer was ¥616 million.

(Continued)

(7) Goodwill and Other Intangible Assets

Intangible assets other than goodwill acquired during the years ended March 31, 2012, 2011 and 2010 amounted to ¥152,076 million, ¥143,156 million and ¥177,585 million, respectively, and related amortization expense during the years ended March 31, 2012, 2011 and 2010 amounted to ¥119,308 million, ¥115,037 million and ¥116,065 million, respectively.

The main component of intangible assets subject to amortization was capitalized software. Amortization of capitalized costs for software to be sold, leased or otherwise marketed is charged to cost of sales. The amounts charged during the years ended March 31, 2012, 2011 and 2010 were ¥43,935 million, ¥38,899 million and ¥40,128 million, respectively.

Intangible assets other than goodwill as of March 31, 2012 and 2011 are as follows:

	Yen (millions)					
	2012			2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:						
Software	774,641	637,462	137,179	727,016	612,361	114,655
Software for internal use	520,971	397,742	123,229	512,515	377,550	134,965
Patents	79,108	70,670	8,438	100,080	84,459	15,621
Other	213,866	101,407	112,459	181,362	106,422	74,940
	1,588,586	1,207,281	381,305	1,520,973	1,180,792	340,181
Indefinite-lived intangible assets	13,950	-	13,950	16,337	-	16,337

The following table shows the estimated aggregate amortization expense of intangible assets for the next five years.

Years ending March 31	Yen (millions)
2013	88,301
2014	68,377
2015	46,638
2016	27,312
2017	14,422

The changes in the carrying amount of goodwill by reportable segment for the years ended March 31, 2012 and 2011 are as follows:

	Yen (millions)					
	2012					
	Information & Tele-communication Systems	Construction Machinery	High Functional Materials & Components	Components & Devices	Other Reportable Segments	Total
Balance at beginning of year	42,418	34,147	58,520	9,099	27,316	171,500
Acquisition	35,872	-	1,913	-	20,921	58,706
Divestiture	-	-	-	(8,559)	-	(8,559)
Impairment loss	-	-	(1,316)	-	(540)	(1,856)
Translation adjustment and other	1,633	(4,251)	(210)	(540)	(1,716)	(5,084)
Balance at end of year	79,923	29,896	58,907	-	45,981	214,707

	Yen (millions)					
	2011					
	Information & Tele-communication Systems	Construction Machinery	High Functional Materials & Components	Components & Devices	Other Reportable Segments	Total
Balance at beginning of year	37,443	37,967	56,675	10,294	23,207	165,586
Acquisition	9,211	-	1,849	-	9,931	20,991
Impairment loss	-	-	-	-	(4,833)	(4,833)
Translation adjustment and other	(4,236)	(3,820)	(4)	(1,195)	(989)	(10,244)
Balance at end of year	42,418	34,147	58,520	9,099	27,316	171,500

The Company considers goodwill that has been fully impaired to be written-off. The company had accumulated impairment loss of ¥540 million related to the goodwill balances in the Other Reportable Segments as of March 31, 2012, and did not have any accumulated impairment losses related to the goodwill balances as of March 31, 2011.

The main components of goodwill acquired during the year ended March 31, 2012 were related to the acquisition of BlueArc Corporation in the Information & Tele-communication Systems segment and the acquisition of Vantec Corporation in the Other Reportable Segments to make them subsidiaries.

(8) Income Taxes

Components of income (loss) before income taxes and income taxes attributable to continuing operations are as follows:

	Yen (millions)		
	2012		
	Domestic	Foreign	Total
Income before income taxes	448,626	109,104	557,730
Income taxes:			
Current tax expense	77,743	45,670	123,413
Deferred tax expense (benefit)	22,263	(754)	21,509
	100,006	44,916	144,922

	Yen (millions)		
	2011		
	Domestic	Foreign	Total
Income before income taxes	270,001	162,200	432,201
Income taxes:			
Current tax expense	75,979	49,144	125,123
Deferred tax expense (benefit)	14,511	(10,559)	3,952
	90,490	38,585	129,075

	Yen (millions)		
	2010		
	Domestic	Foreign	Total
Income (loss) before income taxes	(16,083)	79,663	63,580
Income taxes:			
Current tax expense	60,428	27,103	87,531
Deferred tax expense (benefit)	63,493	(3,053)	60,440
	123,921	24,050	147,971

Significant components of income tax expense (benefit) attributable to continuing operations and other comprehensive income (loss), net of reclassification adjustments, for the years ended March 31, 2012, 2011 and 2010 are as follows:

	Yen (millions)		
	2012	2011	2010
Continuing operations:			
Current tax expense	123,413	125,123	87,531
Deferred tax expense (benefit) (exclusive of the effects of other components listed below)	40,846	(4,653)	(19,350)
Adjustments of deferred tax assets and liabilities for enacted changes in tax laws and rates in Japan	7,695	-	-
Change in valuation allowance	(27,032)	8,605	79,790
	144,922	129,075	147,971
Other comprehensive income (loss), net of reclassification adjustments:			
Pension liability adjustments	(10,079)	16,119	25,738
Net unrealized holding gain on available-for-sale securities	1,018	(4,740)	11,692
Cash flow hedges	(1,372)	647	720
	(10,433)	12,026	38,150
	134,489	141,101	186,121

The Company and its domestic subsidiaries are subject to a national corporate tax of 30%, an inhabitant tax of between 17.3% and 20.7% of the national corporate tax and a combined deductible business tax and special local corporation tax between 3.8% and 10.1%, which in the aggregate resulted in a combined statutory income tax rate of approximately 40.6% for the years ended March 31, 2012, 2011 and 2010.

The Company and certain subsidiaries have adopted the consolidated taxation systems. Under the consolidated taxation system in Japan, the Company and certain Japanese subsidiaries consolidated, for Japanese tax purpose, all wholly owned domestic subsidiaries.

On December 2, 2011, amendments to corporation tax law and the special taxation measures law for Great East Japan Earthquake disaster reconstruction were enacted in Japan, resulting in the lower corporate tax rates. Those changes become effective on April 1, 2012. As a result, the aggregated statutory income tax rate for domestic companies will be approximately 37.9% for the period between April 1, 2012 through March 31, 2015 and approximately 35.5% for the years beginning on or after April 1, 2015. The effect of those changes on the Company’s deferred tax balances amounted to ¥7,695 million of additional expense recognized in the Consolidated Statements of Operations for the year ended March 31, 2012.

Reconciliations between the combined statutory income tax rate and the effective income tax rate as a percentage of income (loss) before income taxes are as follows:

	2012	2011	2010
Combined statutory income tax rate	40.6%	40.6%	40.6%
Equity in net loss of affiliated companies	1.1	1.9	37.1
Impairment of investments in affiliated companies	0.0	0.0	9.7
Change in excess amounts over the tax basis of investments in subsidiaries and affiliated companies	2.1	(4.2)	(0.9)
Tax expenses (benefits) on sale of investments in subsidiaries and affiliated companies	(14.8)	(5.6)	(0.0)
Expenses not deductible for tax purposes	4.7	3.3	35.6
Enacted changes in tax laws and rates in Japan	1.4	-	-
Impairment of goodwill	0.1	0.4	4.6
Change in valuation allowance	(4.8)	2.0	125.5
Difference in statutory tax rates of foreign subsidiaries	(5.2)	(8.8)	(20.8)
Other, net	0.8	0.3	1.3
Effective income tax rate	26.0%	29.9%	232.7%

(Continued)

The tax effects of temporary differences and carryforwards that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2012 and 2011 are presented below:

	Yen (millions)	
	2012	2011
Total gross deferred tax assets:		
Retirement and severance benefits	374,981	399,611
Accrued expenses	260,777	301,603
Property, plant and equipment, due to differences in depreciation	49,299	62,030
Investment in securities	30,607	49,556
Net operating loss carryforwards	251,356	295,487
Other	162,448	218,621
	1,129,468	1,326,908
Valuation allowance	(881,028)	(1,050,979)
	248,440	275,929
Total gross deferred tax liabilities:		
Deferred profit on sale of properties	(23,689)	(25,547)
Tax purpose reserves regulated by Japanese tax laws	(7,011)	(6,588)
Other	(100,230)	(92,595)
	(130,930)	(124,730)
Net deferred tax asset	117,510	151,199

Components of deferred tax assets as of March 31, 2012 and 2011 are reflected in the accompanying consolidated balance sheets under the following captions:

	Yen (millions)	
	2012	2011
Prepaid expenses and other current assets	123,475	130,733
Other assets	104,303	130,862
Other current liabilities	(8,671)	(8,526)
Other liabilities	(101,597)	(101,870)
Net deferred tax asset	117,510	151,199

A valuation allowance was recorded against deferred tax assets for deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, taking into account the tax laws of various jurisdictions in which the Company and its subsidiaries operate. The net changes in the total valuation allowance for the years ended March 31, 2012 and 2011 were a decrease of ¥169,951 million and ¥25,869 million, respectively.

In assessing the realizability of deferred tax assets, management of the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Although realization is not assured, management considered the scheduled reversals of deferred tax liabilities and projected future taxable income, including the execution of certain available tax strategies if needed, in making this assessment. Based on these factors, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowance as of March 31, 2012.

As of March 31, 2012, the Company and various subsidiaries have operating loss carryforwards of ¥690,317 million which are available to offset future taxable income, if any. Operating loss carryforwards of ¥430,017 million expire by March 31, 2017, ¥183,140 million expire by March 31, 2022, and ¥77,160 million expire in various years thereafter or do not expire.

Deferred tax liabilities have not been recognized for excess amounts over the tax basis of investments in foreign subsidiaries that are considered to be reinvested indefinitely, because such differences will not reverse in the foreseeable future and those undistributed earnings, if remitted, generally would not result in material additional Japanese income taxes because of non-taxable dividends from foreign subsidiaries. Determination of such liabilities is not practicable.

(Continued)

(9) Short-term and Long-term Debt

The components of short-term debt as of March 31, 2012 and 2011 are summarized as follows:

	Yen (millions)	
	2012	2011
Borrowings, mainly from banks	404,846	395,856
Commercial paper	116,534	66,105
Borrowings from affiliates	10,066	10,627
	531,446	472,588

The weighted average interest rates on short-term debt outstanding as of March 31, 2012 and 2011 were 0.4% and 0.3%, respectively.

The components of long-term debt as of March 31, 2012 and 2011 are summarized as follows:

	Yen (millions)	
	2012	2011
Unsecured notes and debentures:		
Due 2013, interest 0.72% debenture	80,000	80,000
Due 2015, interest 1.56% debenture	49,989	49,989
Due 2012–2022, interest 0.38–3.75%, issued by subsidiaries	385,506	363,233
Unsecured convertible debentures:		
Due 2014, interest 0.1% debenture	62,068	99,360
Due 2019, zero coupon, issued by a subsidiary	4,495	20,105
Loans, principally from banks and insurance companies:		
Secured by various assets and mortgages on property, plant and equipment, maturing 2012–2016, interest 2.59–7.20%	18,667	19,041
Unsecured, maturing 2012–2028, interest 0.25–7.00%	1,005,951	970,483
Capital lease obligations	26,285	36,318
	1,632,961	1,638,529
Less current portion	384,110	338,218
	1,248,851	1,300,311

The aggregate annual maturities of long-term debt after March 31, 2013 are as follows:

Years ending March 31	Yen (millions)
2014	261,264
2015	474,584
2016	149,706
2017	206,968
Thereafter	156,329
	1,248,851

As is customary in Japan, both short-term and long-term bank loans are made under general agreements that provide that securities and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due, or in the event of their default, to offset cash deposits against such obligations.

Generally, the mortgage debenture trust agreements and certain secured and unsecured loan agreements provide, among other things, that the lenders or trustees shall have the right to have any distribution of earnings, including the payment of dividends and the issuance of additional capital stock, submitted to them for prior approval and also grant them the right to request additional securities or mortgages on property, plant and equipment.

In December 2009, the Company issued ¥100,000 million convertible bonds due 2014. The bondholders are entitled to stock acquisition rights effective from January 4, 2010 to December 10, 2014. The initial conversion price is ¥317 per share. Aside from the standard antidilution provisions, the conversion price shall be reduced for a certain period before the early redemption triggered upon the occurrence of a corporate event or delisting event. The reduction of the conversion price will be based on the premium which is based on the Company’s common stock price and the effective date of the reduction. The reduced price will range from ¥238 to ¥317. When each of the closing prices of the shares of the Company’s common stock at the Tokyo Stock Exchange on 20 continuous trading days are 130% or more of the conversion price of the bonds applicable on those trading days, the Company has the option to redeem all the remaining bonds on a specified redemption date after January 3, 2013 at a rate of ¥100 per ¥100 of each bond. The Company was not required to bifurcate any of the embedded features contained in these bonds for accounting purposes.

In September 2007, Hitachi Metals Ltd. (the issuer), a subsidiary of the Company, issued ¥20,000 million Euroyen zero coupon convertible bonds due 2019 (“the Bonds”). The bondholders are entitled to stock acquisition rights effective from September 27, 2007 to August 30, 2019 and the initial conversion price is ¥2,042 per share. The closing price of the shares on August 28, 2007, as reported by Tokyo Stock Exchange, was ¥1,344 per share. The stock acquisition rights may be exercised by the holder of the Bonds during any particular calendar quarter only if the closing price of the shares for any 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 120% of the conversion price. The Bonds also contain other embedded features, none of which were required to be bifurcated, such as the issuer’s call option, the issuer’s cash-settlement option, and the investors’ put option. By giving notice to the bondholders on or after September 13, 2014, the issuer may acquire from all bondholders all of the relevant bonds under the cash-settlement option, and upon reacquiring the Bonds, the issuer is required to pay the bondholders cash equal to 100% of the principal amount and deliver common shares of the issuer with a fair value equivalent to the fair value of the stock acquisition rights. As for the put option, the bondholders are entitled, at their option, to require the issuer to redeem the Bonds at a redemption price of 100% of the principal amount on September 13, 2011 and September 11, 2015.

(10) Retirement and Severance Benefits

(a) Defined benefit plans

The Company and its subsidiaries have a number of contributory funded defined benefit pension plans and unfunded lump-sum payment plans to provide retirement and severance benefits to substantially all employees. The Company and certain subsidiaries adopted cash balance plans, and certain subsidiaries amended certain of their defined benefit plans to cash balance plans during the years ended March 31, 2012, 2011 and 2010.

Under the cash balance plans, each employee has a notional account which represents pension benefits. The balance in the notional account is based on principal credits, which are accumulated as employees render services, and interest credits, which are determined based on the market interest rates.

Under unfunded lump-sum payment plans, employees are entitled to lump-sum payments based on their earnings and the length of service at retirement or termination of employment for reasons other than dismissal for cause.

Net periodic benefit cost for the funded benefit pension plans and the unfunded lump-sum payment plans for the years ended March 31, 2012, 2011 and 2010 consists of the following components:

	Yen (millions)		
	2012	2011	2010
Service cost	72,219	71,881	71,777
Interest cost	51,812	54,036	55,352
Expected return on plan assets for the period	(36,353)	(35,741)	(33,564)
Amortization of prior service benefit	(23,759)	(23,614)	(22,005)
Amortization of actuarial loss	93,033	89,549	96,399
Transfer to defined contribution pension plan	(250)	1,806	39
Curtailments (gain) loss	(53)	1,082	(227)
Settlements loss	48	-	603
Employees' contributions	(159)	(162)	(164)
Net periodic benefit cost	156,538	158,837	168,210

The estimated prior service cost and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost during the year ending March 31, 2013 are as follows:

	Yen (millions)
Prior service benefit	(22,090)
Actuarial loss	94,810

Reconciliations of beginning and ending balances of the benefit obligation and the fair value of plan assets of the contributory funded defined benefit pension plans and the benefit obligation of unfunded lump-sum payment plans are as follows:

	Yen (millions)	
	2012	2011
Change in benefit obligation:		
Benefit obligation at beginning of year	2,188,485	2,193,449
Service cost	72,219	71,881
Interest cost	51,812	54,036
Plan amendments	3,799	993
Actuarial loss	98,796	24,422
Benefits paid	(146,576)	(144,528)
Acquisitions and divestitures	(39,303)	3,329
Transfer to defined contribution pension plan	(16,815)	(9,355)
Curtailments	(410)	644
Settlements	(159)	-
Foreign currency exchange rate changes	(1,506)	(6,386)
Benefit obligation at end of year	2,210,342	2,188,485
Change in plan assets:		
Fair value of plan assets at beginning of year	1,275,725	1,269,133
Actual return on plan assets	6,534	3,539
Employers’ contributions	149,727	110,439
Employees’ cash contributions	155	162
Benefits paid	(104,967)	(106,084)
Acquisitions and divestitures	(27,864)	4,944
Transfer to defined contribution pension plan	(1,120)	(1,547)
Settlements	(204)	-
Foreign currency exchange rate changes	(778)	(4,861)
Fair value of plan assets at end of year	1,297,208	1,275,725
Funded status	(913,134)	(912,760)

Amounts recognized in the consolidated balance sheets as of March 31, 2012 and 2011 are as follows:

	Yen (millions)	
	2012	2011
Other assets	7,708	9,785
Accrued expenses	(29,865)	(30,730)
Retirement and severance benefits	(890,977)	(891,815)
	(913,134)	(912,760)

Amounts recognized in accumulated other comprehensive loss as of March 31, 2012 and 2011 consist of:

	Yen (millions)	
	2012	2011
Prior service benefit	(97,660)	(129,918)
Actuarial loss	639,436	618,905
	541,776	488,987

The Company and all subsidiaries use their year-end as a measurement date. Weighted-average assumptions used to determine the year-end benefit obligations are as follows:

	2012	2011
Discount rate	2.1%	2.4%
Rate of compensation increase	2.4%	2.6%

Weighted-average assumptions used to determine the net periodic pension cost for the years ended March 31, 2012, 2011 and 2010 are as follows:

	2012	2011	2010
Discount rate	2.4%	2.5%	2.6%
Expected long-term return on plan assets	2.9%	2.9%	3.0%
Rate of compensation increase	2.6%	2.6%	2.7%

The expected long-term rate of return on plan assets is developed for each asset class, and is determined primarily on historical returns on the plan assets and other factors.

The accumulated benefit obligation was ¥2,125,048 million as of March 31, 2012 and ¥2,102,801 million as of March 31, 2011.

Information for pension plans with accumulated benefit obligations in excess of plan assets and pension plans with projected benefit obligations in excess of plan assets is as follows:

	Yen (millions)	
	2012	2011
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	1,998,786	1,874,847
Plan assets	1,153,159	1,028,469
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	2,170,296	2,004,552
Plan assets	1,249,454	1,082,007

(Continued)

The objective of the Company's investment policy is to ensure a stable return from the plans' investments over the long term, which allows the Company's and certain subsidiaries' pension funds to meet their future obligations, and the Company and certain subsidiaries attempt to maintain the pension funds in sound condition. In order to achieve the above objective, a target rate of return is established, taking into consideration the composition of participants, level of funded status, the Company's and certain subsidiaries' capacity to absorb risks and the current economic environment. Also, a target asset allocation is established to achieve a target rate of return, based on the expected rate of return by each asset class, the standard deviation of the rate of return and the correlation coefficient among the assets. The investments are diversified. Under the current target asset allocation, approximately 25 percent of plan assets are invested in equity securities and approximately 45 percent are invested in domestic and foreign government bonds and corporate bonds. The remaining 30 percent are invested in other assets, such as hedge funds, private equity funds and life insurance company general accounts. The Company and certain subsidiaries reduced the ratio of equity securities during the year ended March 31, 2012 in order to reduce the risks resulting from volatility in the equity markets. Rebalancing will occur if markets fluctuate in excess of certain levels. The Company and certain subsidiaries periodically review actual returns on assets, economic environments and their capacity to absorb risk and realign the target asset allocation if necessary.

The Company and certain subsidiaries prioritize the use of observable inputs in markets over the use of unobservable inputs when measuring fair value as follows:

Level 1
Quoted prices for identical assets in active markets.

Level 2
Quoted prices for similar assets in active markets; quoted prices associated with transactions that are not distressed for identical or similar assets in markets that are not active; or, valuations whose significant inputs are derived from or corroborated by observable market data.

Level 3
Valuations using inputs that are not observable.

The following table presents the plan assets that are measured at fair value as of March 31, 2012 and 2011.

	Yen (millions)			
	2012			
		Fair Value Measurements		
	Total	Level 1	Level 2	Level 3
Equity securities (a)	86,248	84,229	2,019	-
Government and municipal debt securities (b)	161,360	149,770	11,590	-
Corporate and other debt securities (c)	69,705	-	38,482	31,223
Hedge funds (d)	53,871	-	11,412	42,459
Securitization products (e)	37,798	-	-	37,798
Cash and cash equivalents	25,048	25,048	-	-
Life insurance company general accounts (f)	119,771	-	119,771	-
Commingled funds (g)	702,652	-	666,198	36,454
Other	40,755	32,901	4,851	3,003
	1,297,208	291,948	854,323	150,937

	Yen (millions)			
	2011			
		Fair Value Measurements		
	Total	Level 1	Level 2	Level 3
Equity securities (a)	112,808	108,888	3,920	-
Government and municipal debt securities (b)	118,165	113,182	4,983	-
Corporate and other debt securities (c)	62,148	-	31,048	31,100
Hedge funds (d)	55,359	-	13,014	42,345
Securitization products (e)	34,087	-	-	34,087
Cash and cash equivalents	25,457	25,457	-	-
Life insurance company general accounts (f)	116,558	-	116,558	-
Commingled funds (g)	703,279	-	666,127	37,152
Other	47,864	37,240	6,974	3,650
	1,275,725	284,767	842,624	148,334

(a) Approximately 75 percent of equity securities are invested in Japan-listed stocks as of March 31, 2012 and 2011, respectively. Approximately 25 percent of equity securities are invested in stocks listed overseas as of March 31, 2012 and 2011, respectively. Equity securities are primarily valued at quoted market prices.

(b) Approximately 70 percent and 80 percent of government and municipal debt securities are invested in bonds issued in Japan and primarily consist of Japanese government bonds as of March 31, 2012 and 2011. Approximately 30 percent and 20 percent of government and municipal debt securities are invested in bonds issued in overseas markets and primarily consist of foreign government bonds as of March 31, 2012 and 2011. Government and municipal debt securities are primarily valued at prices provided by the securities industry, the industrial associations in each country, or prices which are calculated on the basis of market interest rates.

(c) Approximately 20 percent and 25 percent of corporate and other debt securities are invested in bonds issued in Japan as of March 31, 2012 and 2011, respectively. Approximately 80 percent and 75 percent of corporate and other debt securities are invested in bonds issued in overseas markets as of March 31, 2012 and 2011, respectively. Corporate and other debt securities are mainly valued at prices provided by the securities industry, the industrial associations in each country, or prices which are calculated on the basis of market interest rates. If these values are not available, corporate and other debt securities are valued at theoretical prices, taking into consideration the interest rates of government bonds of the related countries, swap interest rates and credit risks.

(d) Hedge funds are invested primarily in relative value strategy funds, event driven funds, equity long/short funds, and macroeconomic and Commodity Trading Advisor (CTA) funds. Hedge funds are valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding.

(e) Securitization products are invested primarily in collateralized loan obligations. These investments are valued at prices provided by financial institutions. The Company corroborates the prices, taking into consideration primarily the market values of the underlying loans, the market values of similar debt securities, and the future expected default rates and recovery rates of the collateralized loans.

(f) Life insurance company general accounts are valued at conversion value at the end of the period.

(g) Commingled funds represent pooled institutional investments. Approximately 30 percent and 35 percent of commingled funds are invested in listed stocks as of March 31, 2012 and 2011, respectively, 40 percent in government and municipal debt securities as of March 31, 2012 and 2011, 10 percent in corporate and other debt securities as of March 31, 2012 and 2011, and 20 percent and 15 percent in other assets as of March 31, 2012 and 2011, respectively. Commingled funds are valued at their NAV provided by the administrators of the funds, which are based on the value of the underlying assets owned by the funds, divided by the number of units outstanding.

The following table presents the reconciliation of the beginning and ending balances of Level 3 assets for the year ended March 31, 2012 and 2011.

	Yen (millions)						
	2012						
	Beginning balance at March 31, 2011	Actual return on plan assets still held at the reporting date	Realized gain or loss on plan assets sold during the period	Purchases, sales, and settlements, net	Transfers in and/or out of Level 3	Foreign currency exchange	Ending balance at March 31, 2012
Corporate and other debt securities	31,100	(163)	24	675	-	(413)	31,223
Hedge funds	42,345	(937)	(353)	1,647	-	(243)	42,459
Securitization products	34,087	(1,742)	39	5,608	-	(194)	37,798
Commingled funds	37,152	(1,810)	(295)	1,717	-	(310)	36,454
Other	3,650	(29)	364	(950)	-	(32)	3,003
	148,334	(4,681)	(221)	8,697	-	(1,192)	150,937

	Yen (millions)						
	2011						
	Beginning balance at March 31, 2010	Actual return on plan assets still held at the reporting date	Realized gain or loss on plan assets sold during the period	Purchases, sales, and settlements, net	Transfers in and/or out of Level 3	Foreign currency exchange	Ending balance at March 31, 2011
Corporate and other debt securities	19,493	197	12	11,434	133	(169)	31,100
Hedge funds	49,386	2,082	(370)	(8,723)	-	(30)	42,345
Securitization products	29,262	7,283	1,090	(3,452)	(71)	(25)	34,087
Commingled funds	37,482	(3,485)	(375)	3,660	32	(162)	37,152
Other	4,922	(463)	537	(1,339)	-	(7)	3,650
	140,545	5,614	894	1,580	94	(393)	148,334

The Company and its subsidiaries expect to contribute ¥82,441 million to their defined benefit plans for the year ending March 31, 2013.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid.

Years ending March 31	Yen (millions)
2013	137,558
2014	113,933
2015	119,100
2016	120,884
2017	121,193
2018-2022	613,703

(b) Defined contribution plans

The Company and certain subsidiaries have a number of defined contribution plans. The amounts of cost recognized for the Company's and certain subsidiaries' contributions to the plans for the years ended March 31, 2012, 2011 and 2010 were ¥20,188 million, ¥18,593 million and ¥18,758 million, respectively.

(11) Common Stock

The Company has authorized issuance of 10 billion shares of common stock.

The number of issued shares and the amount of common stock for the years ended March 31, 2012, 2011 and 2010 are as follows:

	Issued shares	Yen(millions) Amount
Balance as of March 31, 2009	3,368,126,056	282,033
Issuance of common stock	1,150,000,000	126,776
Conversion of convertible bonds	6,309	1
Balance as of March 31, 2010	4,518,132,365	408,810
Conversion of convertible bonds	2,012,599	319
Balance as of March 31, 2011	4,520,144,964	409,129
Conversion of convertible bonds	117,640,353	18,646
Balance as of March 31, 2012	4,637,785,317	427,775

The issuance of common stock for the year ended March 31, 2010 and the conversion of convertible bonds into common stock for the years ended March 31, 2012, 2011 and 2010 were accounted for in accordance with the provisions of the Japanese Company Law by crediting one-half of the issue price or the conversion price to each of the common stock accounts and the capital surplus accounts.

(12) Capital Surplus

The changes in capital surplus include the effect of changes in the Company's ownership interest in its consolidated subsidiaries. The net income (loss) attributable to Hitachi, Ltd. and transfers from (to) noncontrolling interests for the years ended March 31, 2012, 2011 and 2010 are as follows:

	Yen(millions)		
	2012	2011	2010
Net income (loss) attributable to Hitachi, Ltd.	347,179	238,869	(106,961)
Transfers from (to) the noncontrolling interests			
Decrease in capital surplus for purchase of listed subsidiaries' ownership interests to convert them into wholly owned subsidiaries	(18,822)	(6,713)	(58,175)
Other	(2,705)	(1,516)	(6,823)
Net transfers from (to) noncontrolling interests	(21,527)	(8,229)	(64,998)
Change from net income (loss) attributable to Hitachi, Ltd. and transfers from (to) noncontrolling interests	325,652	230,640	(171,959)

For the year ended March 31, 2012, the purchase of listed subsidiaries' ownership interests is related to the purchase of the noncontrolling interests of Shin-Kobe Electric Machinery Co., Ltd. by Hitachi Chemical Co., Ltd. and Hitachi Business Solution Co., Ltd. by Hitachi Solutions, Ltd. for the purpose of converting them into wholly owned subsidiaries.

For the years ended March 31, 2011 and 2010, the purchase of listed subsidiaries' ownership interests is related to the purchase of the noncontrolling interests of Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd., Hitachi Systems & Services, Ltd., Hitachi Plant Technologies, Ltd. and Hitachi Maxell, Ltd. for the purpose of converting them into wholly owned subsidiaries. As a result, Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd. and Hitachi Systems & Services, Ltd. had been converted into wholly owned subsidiaries during the year ended March 31, 2010, and Hitachi Plant Technologies, Ltd. and Hitachi Maxell, Ltd. had been converted into wholly owned subsidiaries during the year ended March 31, 2011. On October 1, 2011 when Hitachi Information Systems, Ltd. was merged into Hitachi Electronics Services Co., Ltd., Hitachi Systems, Ltd. was established. On October 1, 2010 when Hitachi Systems & Services, Ltd., was merged into Hitachi Software Engineering Co., Ltd., Hitachi Solutions, Ltd. was established.

The total decreases in noncontrolling interests during the years ended March 31, 2012, 2011 and 2010 resulting from these equity transactions were ¥21,232 million, ¥8,667 million and ¥193,880 million, respectively.

(13) Legal Reserve and Retained Earnings, and Dividends

The Japanese Company Law (JCL) provides that earnings in an amount equal to 10 percent of appropriations of retained earnings to be paid as dividends should be appropriated as a capital surplus or a legal reserve until the total of capital surplus and legal reserve equals 25 percent of stated common stock. In addition to transfer from capital surplus to stated common stock, either capital surplus or legal reserve may be available for dividends by resolution of the shareholders' meeting.

Dividends during the years ended March 31, 2012 and 2011 represent dividends declared during those years. For the year ended March 31, 2010, the Company did not pay any dividends. On May 10, 2012, the Board of Directors approved a cash dividend for the second half of the year ended March 31, 2012 of ¥5.0 per share, aggregating ¥23,175 million. No provision has been made in the accompanying consolidated financial statements for this cash dividend.

Cash dividends per share for the years ended March 31, 2012 and 2011 were ¥8.0 based on dividends declared with respect to earnings for the periods.

(14) Treasury Stock

The JCL allows a company to acquire treasury stock upon shareholders' approval to the extent that sufficient distributable funds are available. If the Board of Directors' authority is stated in the articles of incorporation, a company is allowed to acquire treasury stock not upon shareholders' approval but Board of Directors' approval. Acquisition of treasury stock is allowed under the Company's articles of incorporation.

Pursuant to the provisions of the JCL, shareholders may request the company to acquire their shares representing less than a minimum trading lot as shares less than a minimum trading lot cannot be publicly traded and such a shareholder holding less than a minimum trading lot cannot exercise a voting right and other shareholder's rights except as provided in the JCL or the articles of incorporation. The JCL also states that a shareholder holding shares less than a minimum trading lot may request the company to sell its treasury stock, if any, to the shareholder up to a minimum trading lot if entitled under the articles of incorporation. Sale of treasury stock is allowed under the Company's articles of incorporation.

(Continued)

The changes in treasury stock for the years ended March 31, 2012, 2011 and 2010 are summarized as follows:

	Shares	Yen (millions) Amount
Balance as of March 31, 2009	43,973,964	26,237
Acquisition for treasury	376,025	115
Sales of treasury stock	(335,738)	(201)
Balance as of March 31, 2010	44,014,251	26,151
Acquisition for treasury	456,705	183
Sales of treasury stock	(41,926,879)	(24,963)
Balance as of March 31, 2011	2,544,077	1,371
Acquisition for treasury	281,695	126
Sales of treasury stock	(82,533)	(47)
Balance as of March 31, 2012	2,743,239	1,450

Sales of treasury stock for the year ended March 31, 2011 includes exchange of treasury stock to noncontrolling interest holders in order to convert Hitachi Plant Technologies, Ltd. and Hitachi Maxell, Ltd. to wholly owned subsidiaries.

(15) Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, net of related tax effects, displayed in the consolidated statements of equity is classified as follows:

	Yen (millions)		
	2012	2011	2010
Foreign currency translation adjustments:			
Balance at beginning of year	(252,206)	(182,783)	(179,737)
Other comprehensive income (loss), net of reclassification adjustments	31,603	(69,194)	4,289
Net transfer from (to) noncontrolling interests	(12)	(229)	(7,335)
Balance at end of year	(220,615)	(252,206)	(182,783)
Pension liability adjustments:			
Balance at beginning of year	(256,566)	(272,410)	(405,082)
Other comprehensive income (loss), net of reclassification adjustments	(37,895)	15,852	141,761
Net transfer from (to) noncontrolling interests	209	(8)	(9,089)
Balance at end of year	(294,252)	(256,566)	(272,410)
Net unrealized holding gain on available-for-sale securities:			
Balance at beginning of year	16,905	25,564	12
Effect of consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	-	(2,977)	-
Other comprehensive income (loss), net of reclassification adjustments	3,574	(5,728)	23,209
Net transfer from (to) noncontrolling interests	12	46	2,343
Balance at end of year	20,491	16,905	25,564
Cash flow hedges:			
Balance at beginning of year	(1,195)	(2,428)	(1,544)
Other comprehensive income (loss), net of reclassification adjustments	(1,326)	1,233	(833)
Net transfer from (to) noncontrolling interests	1	-	(51)
Balance at end of year	(2,520)	(1,195)	(2,428)
Total accumulated other comprehensive loss:			
Balance at beginning of year	(493,062)	(432,057)	(586,351)
Effect of consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	-	(2,977)	-
Other comprehensive income (loss), net of reclassification adjustments	(4,044)	(57,837)	168,426
Net transfer from (to) noncontrolling interests	210	(191)	(14,132)
Balance at end of year	(496,896)	(493,062)	(432,057)

The following is a summary of reclassification adjustments by each classification of other comprehensive income (loss) arising during the years ended March 31, 2012, 2011 and 2010 and the amounts of income tax expense or benefit allocated to each component of other comprehensive income (loss), including reclassification adjustments. The amounts include amounts attributable to noncontrolling interests.

	Yen (millions)		
	2012		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive loss arising during the year:			
Foreign currency translation adjustments	(20,065)	-	(20,065)
Pension liability adjustments	(129,071)	38,520	(90,551)
Net unrealized holding gain on available-for-sale securities	(996)	963	(33)
Cash flow hedges	(3,039)	734	(2,305)
	(153,171)	40,217	(112,954)
Reclassification adjustments for realized net loss included in net income:			
Foreign currency translation adjustments	43,527	-	43,527
Pension liability adjustments	76,099	(29,697)	46,402
Net unrealized holding gain on available-for-sale securities	4,980	(1,985)	2,995
Cash flow hedges	(999)	802	(197)
	123,607	(30,880)	92,727
Other comprehensive loss, net of reclassification adjustments:			
Foreign currency translation adjustments	23,462	-	23,462
Pension liability adjustments	(52,972)	8,823	(44,149)
Net unrealized holding gain on available-for-sale securities	3,984	(1,022)	2,962
Cash flow hedges	(4,038)	1,536	(2,502)
	(29,564)	9,337	(20,227)

(Continued)

	Yen (millions)		
	2011		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive loss arising during the year:			
Foreign currency translation adjustments	(90,643)	-	(90,643)
Pension liability adjustments	(55,048)	26,580	(28,468)
Net unrealized holding gain on available-for-sale securities	(10,045)	4,833	(5,212)
Cash flow hedges	74	(177)	(103)
	(155,662)	31,236	(124,426)
Reclassification adjustments for realized net loss included in net income:			
Foreign currency translation adjustments	3,264	-	3,264
Pension liability adjustments	78,505	(33,961)	44,544
Net unrealized holding gain on available-for-sale securities	(244)	104	(140)
Cash flow hedges	2,550	(459)	2,091
	84,075	(34,316)	49,759
Other comprehensive loss, net of reclassification adjustments:			
Foreign currency translation adjustments	(87,379)	-	(87,379)
Pension liability adjustments	23,457	(7,381)	16,076
Net unrealized holding gain on available-for-sale securities	(10,289)	4,937	(5,352)
Cash flow hedges	2,624	(636)	1,988
	(71,587)	(3,080)	(74,667)

(Continued)

	Yen (millions)		
	2010		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments	8,487	-	8,487
Pension liability adjustments	116,184	3,979	120,163
Net unrealized holding gain on available-for-sale securities	40,295	(11,758)	28,537
Cash flow hedges	(308)	(1,173)	(1,481)
	164,658	(8,952)	155,706
Reclassification adjustments for realized net loss included in net loss:			
Foreign currency translation adjustments	(1,580)	-	(1,580)
Pension liability adjustments	73,776	(29,916)	43,860
Net unrealized holding gain on available-for-sale securities	236	(97)	139
Cash flow hedges	258	552	810
	72,690	(29,461)	43,229
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments	6,907	-	6,907
Pension liability adjustments	189,960	(25,937)	164,023
Net unrealized holding gain on available-for-sale securities	40,531	(11,855)	28,676
Cash flow hedges	(50)	(621)	(671)
	237,348	(38,413)	198,935

(Continued)

(16) Pledged Assets

As of March 31, 2012, the Company and certain subsidiaries pledged a portion of their assets as collateral primarily for bank loans as follows:

	Yen (millions)
Cash and cash equivalents	969
Short-term investments	32
Accounts receivables	6,948
Inventories	14,126
Investments and advances	470
Land	1,736
Buildings	3,770
Machinery and equipment	7,914
Other assets	11
	35,976

In addition to the above, prepaid expenses and other current assets as of March 31, 2012 and 2011 include restricted cash of ¥2,630 million and ¥2,661 million, respectively, as a compensating balance for short-term borrowing arrangements.

(17) Commitments and Contingencies

The Company and its operating subsidiaries are contingently liable for loan guarantees to its affiliates and others in the amount of approximately ¥46,547 million as of March 31, 2012.

Hitachi Capital Corporation (HCC) and certain other financial subsidiaries provide guarantees to financial institutions for extending loans to customers of the subsidiaries. As of March 31, 2012, the undiscounted maximum potential future payments under such guarantees amounted to ¥340,793 million. For providing these guarantees, the subsidiaries obtain collateral appropriate for the amount of the guarantees, and therefore, the Company considers the risk to be low. The Company accrued ¥12,398 million as an obligation to stand ready to perform over the term of the guarantees in the event the customer cannot make scheduled payments.

The Company and HCC provide loan commitments to affiliates and others.
The outstanding balance of loan commitments as of March 31, 2012 is as follows:

	Yen (millions)
Total commitment available	10,969
Less amount utilized	724
Balance available	10,245

The amount of total commitment available in the table above includes lines of credits which require an additional credit approval prior to funding, and it may not be fully utilized.

The Company and certain subsidiaries have line of credit arrangements with banks in order to secure a financing source for business operations. The unused lines of credit as of March 31, 2012 amounted to ¥506,162 million, primarily related to unused lines of credit belonging to the Company. The Company maintains commitment line agreements with a number of banks and pays commitment fees as consideration. These commitment agreements generally provide a one-year term, and are subject to renewal at the end of the term. The unused availability under these agreements as of March 31, 2012 amounted to ¥200,000 million. The Company also maintains another commitment line agreement, whose three years and two months term ends in May 2013, with financing companies. The unused availability under this agreement as of March 31, 2012 amounted to ¥200,000 million.

As of March 31, 2012, outstanding commitments for the purchase of property, plant and equipment were approximately ¥32,466 million.

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It is a common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in the settlement of trade accounts receivable and to subsequently discount such notes to banks or to transfer them by endorsement to suppliers in the settlement of accounts payable. As of March 31, 2012 and 2011, the Company and subsidiaries were contingently liable for trade notes discounted and endorsed in the following amounts:

	Yen (millions)	
	2012	2011
Notes discounted	3,937	3,593
Notes endorsed	2,800	1,851
	6,737	5,444

A certain subsidiary is contingently liable for the transfer of export receivables with recourse. As of March 31, 2012, the amount of transfer of export receivables with recourse was ¥5,566 million.

The Company and its subsidiaries provide warranties for certain of their products. The accrued product warranty costs are based primarily on historical experience of actual warranty claims. The changes in accrued product warranty costs for the years ended March 31, 2012, 2011 and 2010 are summarized as follows:

	Yen (millions)		
	2012	2011	2010
Balance at beginning of year	55,329	56,957	60,449
Expense recognized upon issuance of warranties	16,281	20,755	20,806
Usage	(18,792)	(19,219)	(21,696)
Acquisitions and divestitures	(10,007)	410	0
Other, including effect of foreign currency translation	(1,455)	(3,574)	(2,602)
Balance at end of year	41,356	55,329	56,957

On June 15, 2006, Hamaoka Nuclear Power Station No. 5 of Chubu Electric Power Co., Inc. shut down due to turbine damage. As a precautionary measure, on July 5, 2006, Shika Nuclear Power Station No. 2 of Hokuriku Electric Power Company, which uses the same type of turbines, was shut down for an examination of the turbines and the examination revealed damage to the turbine vanes. The Company accrued a provision for the repair costs.

In September 2008, Chubu Electric Power Co., Inc. filed a lawsuit against the Company. Chubu Electric Power Co., Inc. sought compensation for consequential losses of ¥41,800 million mostly composed of the additional costs to switch to thermal power arising from the shutdown at Hamaoka Nuclear Power Station No.5. The lawsuit was settled in October 2011, and the Company paid a settlement in November 2011. The Company recognized a loss relating to such settlement for the year ended March 31, 2012. However, such loss has no material effect on the Company’s results of operations.

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In May 2009, Hokuriku Electric Power Company filed a lawsuit against the Company. Hokuriku Electric Power Company seeks compensation for consequential losses of ¥33,701 million mostly composed of the additional costs to switch to thermal power arising from the shutdown at Shika Nuclear Power Station No.2. The lawsuit was settled in February 2012, and the Company paid a settlement in March 2012. The Company recognized a loss relating to such settlement for the year ended March 31, 2012. However, such loss has no material effect on the Company's results of operations.

In January 2007, the European Commission ordered the Company and one of its affiliated companies to pay a fine for infringement of EC antitrust rules regarding alleged antitrust violations for the gas insulated switchgear equipment used at substations. In April 2007, the Company lodged an appeal with the Court of First Instance of the European Communities (currently the General Court of the European Union) requesting the court to annul the decision of the European Commission. In July 2011, the Court rejected the appeal. The Company and the affiliated company paid that fine in September 2011.

In December 2006, the Company and a subsidiary in Europe received requests for information from the European Commission, and a former subsidiary in Japan received a grand jury subpoena in connection with the investigation conducted by the Antitrust Division of the U.S. Department of Justice, all in respect of alleged antitrust violations relating to liquid crystal displays. The former Japanese subsidiary paid the fine in relation to the investigation by the Antitrust Division of the U.S. Department of Justice in June 2009.

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

In November 2007, a subsidiary of the Company in the U.S. received a grand jury subpoena in connection with the investigation conducted by the Antitrust Division of the U.S. Department of Justice in respect of alleged antitrust violations relating to cathode ray tubes. In addition, in November 2007, two subsidiaries in Asia and in Europe received requests for information from the European Commission. Furthermore, in November 2007, a subsidiary in Canada received requests for information from the Canadian Competition Bureau.

In June 2009, a subsidiary of the Company in Japan received a grand jury subpoena in connection with the investigation conducted by the Antitrust Division of the U.S. Department of Justice and received requests for information from the European Commission, and a subsidiary of the Company in Korea was investigated in Singapore by the Competition Commission of Singapore, all in respect of alleged antitrust violations relating to optical disk drives. In September 2011, the Korean subsidiary received a notice of discontinuation of the investigation from the Competition Commission of Singapore. In October 2011, the Japanese subsidiary agreed to pay a fine in relation to the investigation from the Antitrust Division of the U.S. Department of Justice and in November 2011, it paid that fine.

In July 2011, a subsidiary and an affiliated company of the Company in Japan received a statement of objections from the European Commission in respect of alleged antitrust violations relating to high-voltage power cables. These companies accrued the reasonably estimated amount for the loss.

In July 2011, a subsidiary of the Company in Japan was investigated by the Fair Trade Commission of Japan, a subsidiary in the U.S. was investigated by and received a grand jury subpoena from the Antitrust Division of the U.S. Department of Justice, the Company and a subsidiary in Europe received requests for information from the European Commission, and a subsidiary in Canada received requests for information from the Canadian Competition Bureau, all in respect of alleged antitrust violations relating to automotive equipment.

The Company and these companies (including a former subsidiary) have cooperated with the competent authorities in connection with the above matters. Depending upon the outcome of these matters, fines or surcharge payments, the amount of which is uncertain, may be imposed on them. In addition, subsequent to these actions by the competent authorities, civil disputes, including class action lawsuits, involving the Company and some of these companies (including a former subsidiary) have arisen in a number of countries, including in the U.S. and Canada. A reasonably estimated amount was accrued for the potential losses in relation to certain of these civil disputes.

Depending upon the outcome of the above legal proceedings, there may be an adverse effect on the consolidated financial position or results of operations. Currently the Company is unable to estimate the adverse effect, if any, of many of these proceedings. Accordingly, except as otherwise stated, no accrual for potential loss has been made. The actual amount of fines, surcharge payments or any other payments resulting from these legal proceedings may be different from the accrued amounts.

In addition to the above, the Company and certain subsidiaries are subject to several legal proceedings and claims which have arisen in the ordinary course of business and have not been finally adjudicated. These actions when ultimately concluded and determined will not, in the opinion of management, have a material adverse effect on the consolidated financial position or results of operations of the Company and subsidiaries.

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(18) Impairment Losses for Long-Lived Assets

For the year ended March 31, 2012, the majority of the impairment losses were recorded on property, plant and equipment located in Japan. The High Functional Materials & Components segment recognized a loss of ¥19,483 million, primarily due to restructuring of its semiconductor package material businesses as a result of a recent decrease in demand of the market and integrating manufacturing facilities for electronics and IT devices business. The Information & Telecommunication Systems segment recognized a loss of ¥4,596 million primarily due to restructuring of its micro devices business as a result of lower-than-expected future income. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

For the year ended March 31, 2011, the majority of the impairment losses were recorded on property, plant and equipment located in Japan. The Components & Devices segment recognized a loss of ¥16,561 million, primarily due to its business manufacturing batteries for electronic products for which the Company has recognized losses for consecutive periods and projected lower-than-expected future income because of a reduction of production, and its liquid crystal display components business which was projected to have lower production as a result of a recent decrease in demand of the market. The High Functional Materials & Components segment recognized a loss of ¥10,956 million primarily due to its automotive related materials businesses whose profitabilities deteriorated because of the Great East Japan Earthquake on March 11, 2011. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

For the year ended March 31, 2010, the majority of the impairment losses were recorded on property, plant and equipment located in Japan. The Components & Devices segment recognized a loss of ¥18,611 million, primarily due to 1) its battery business for which the Company has recognized losses for consecutive periods and lower-than-expected future income because of a reduction of production, 2) its liquid crystal display panel business which was projected to have lower production as a result of a recent decrease in demand of the market, and 3) a part of its record media products business whose profitability has deteriorated because of severe market conditions accompanied by falling prices. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

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(19) Restructuring Charges

Certain losses incurred in the reorganization of the Company's operations are considered restructuring charges. Components and related amounts of the restructuring charges, before the related tax effects, for the years ended March 31, 2012, 2011 and 2010 are as follows:

	Yen (millions)		
	2012	2011	2010
Special and one-time termination benefits	22,999	5,653	24,191
Loss on fixed assets	98	104	963
	23,097	5,757	25,154

The Company and certain subsidiaries provided special termination benefits to those employees voluntarily leaving the companies, and certain subsidiaries provided one-time termination benefits due to the subsidiaries' liquidations. The accrued special termination benefits were recognized at the time voluntary termination was offered and benefits were accepted by the employees. The accrued one-time termination benefits were recognized at the time the subsidiaries communicated the plan to their employees. An analysis of the accrued special and one-time termination benefits for the years ended March 31, 2012, 2011 and 2010 is as follows:

	Yen (millions)		
	2012	2011	2010
Balance at beginning of the year	3,358	8,170	7,543
New charges	22,999	5,653	24,191
Cash payments	(12,690)	(10,374)	(23,548)
Divestitures	(6,233)	-	-
Foreign currency exchange rate changes	53	(91)	(16)
Balance at end of the year	7,487	3,358	8,170

The following represents the significant restructuring activities for the year ended March 31, 2012 by reportable segment:

1. The Components & Devices segment restructured in order to rationalize the workforce of its liquid crystal display business. The accrued special termination benefits expensed during the year ended March 31, 2012 amounted to ¥7,094 million. The liabilities for special termination benefits amounting to ¥92 million as of March 31, 2012 will be paid by March 31, 2013. Total restructuring charges during the year ended March 31, 2012 consisted only of special termination benefits.

2. The High Functional Materials & Components segment restructured in order to reorganize its wires, cables and other relevant products business, which has encountered severe deterioration in the business environment. The accrued special termination benefits expensed during the year ended March 31, 2012 amounted to ¥6,665 million. The liabilities for special termination benefits amounting to ¥372 million as of March 31, 2012 will be paid by March 31, 2013. Total restructuring charges during the year ended March 31, 2012 amounted to ¥6,706 million.

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3. The Electronic Systems & Equipment segment restructured in order to reorganize its LCDs manufacturing equipment and electronic parts manufacturing system businesses to reduce costs and improve profitability. The accrued special termination benefits expensed during the year ended March 31, 2012 amounted to ¥4,892 million. The liabilities for special termination benefits amounting to ¥3,958 million as of March 31, 2012 will be paid by March 31, 2013. Total restructuring charges during the year ended March 31, 2012 amounted to ¥4,912 million.

4. The Digital Media & Consumer Products segment restructured in order to reorganize its TV business, which has encountered severe deterioration in the business environment. The accrued special termination benefits expensed during the year ended March 31, 2012 amounted to ¥3,085 million. The liabilities for special termination benefits amounting to ¥2,005 million as of March 31, 2012 will be paid by March 31, 2013. Total restructuring charges during the year ended March 31, 2012 consisted only of special termination benefits.

The restructuring charges for the year ended March 31, 2011 mainly consist of special termination benefits for the early-terminated employees of subsidiaries for the purpose of reducing costs and improving profitability in the Components & Devices segment.

The following represents the significant restructuring activities for the year ended March 31, 2010 by reportable segment:

1. The Automotive Systems segment restructured in order to reorganize the automotive products business, which encountered severe deterioration in the market. The accrued special termination benefits expensed and paid during the year ended March 31, 2010 amounted to ¥7,731 million. Total restructuring charges during the year ended March 31, 2010 consisted only of special termination benefits.

2. The High Functional Materials & Components segment restructured in order to reorganize its high-grade metal products and materials business to reduce costs and improve profitability. The accrued special termination benefits expensed during the year ended March 31, 2010 amounted to ¥4,010 million. The liabilities for special termination benefits amounting to ¥787 million as of March 31, 2010 were paid by March 31, 2011. Total restructuring charges during the year ended March 31, 2010 amounted to ¥4,426 million.

3. The Components & Devices segment restructured in order to reorganize the liquid crystal display business, which included several subsidiaries' liquidations. The accrued special and one-time termination benefits expensed during the year ended March 31, 2010 amounted to ¥4,144 million. The liabilities for special and one-time termination benefits amounting to ¥3,054 million as of March 31, 2010 were paid by March 31, 2011. Total restructuring charges during the year ended March 31, 2010 amounted to ¥4,182 million.

(Continued)

(20) Other Income and Other Deductions

The following items are included in other income or other deductions for the years ended March 31, 2012, 2011 and 2010.

	Yen (millions)		
	2012	2011	2010
Net gain (loss) on securities	209,725	61,046	(1,220)
Net gain (loss) on sale and disposal of rental assets and other property	19,181	(3,161)	(20,202)
Exchange gain (loss)	(2,360)	(9,508)	186

The net gain on securities for the year ended March 31, 2012 includes gains of ¥223,143 million on deconsolidation of certain subsidiaries.

The net gain on sale and disposal of rental assets and other property for the year ended March 31, 2012 includes the impact of gains on insurance claims related to property, plant and equipment damaged due to the Great East Japan Earthquake.

The major component of net gain on securities for the year ended March 31, 2011 was related to a sale of shares of IPS Alpha Technology, Ltd., a former affiliated company accounted for by the equity method.

Other income for the year ended March 31, 2011 includes a gain of ¥8,684 million on a bargain purchase related to the acquisition of Aloka Co., Ltd. (Aloka), subsequently renamed Hitachi Aloka Medical, Ltd. Refer to note 29 for the nature and financial effect of the acquisition of Aloka.

(21) Net Income Per Share Information

The reconciliations of the numbers and the amounts used in the basic and diluted net income (loss) attributable to Hitachi, Ltd. stockholders per share computations are as follows:

	Number of shares		
	2012	2011	2010
Weighted average number of shares on which basic net income (loss) per share is calculated	4,520,117,309	4,515,932,415	3,662,578,076
Effect of dilutive securities:			
Unsecured convertible bonds (due 2014)	310,772,267	315,249,850	-
Number of shares on which diluted net income (loss) per share is calculated	4,830,889,576	4,831,182,265	3,662,578,076

	Yen (millions)		
	2012	2011	2010
Net income (loss) attributable to Hitachi, Ltd. stockholders	347,179	238,869	(106,961)
Effect of dilutive securities:			
Unsecured convertible bonds (due 2014)	62	72	-
Other	(74)	(368)	(0)
Net income (loss) attributable to Hitachi, Ltd. stockholders on which diluted net income (loss) per share is calculated	347,167	238,573	(106,961)

	Yen		
Net income (loss) attributable to Hitachi, Ltd. stockholders per share:			
Basic	76.81	52.89	(29.20)
Diluted	71.86	49.38	(29.20)

The net loss attributable to Hitachi, Ltd. stockholders per share computations for the year ended March 31, 2010 exclude all convertible bonds because their effect would have been antidilutive.

(22) Supplementary Income and Expense Information

	Yen (millions)		
	2012	2011	2010
Shipping and handling costs	147,551	140,240	124,019
Advertising expense	30,210	31,170	28,877
Maintenance and repairs	82,838	80,878	72,065
Rent	136,219	131,533	142,077
Research and development expense	412,514	395,180	372,470

(23) Supplementary Cash Flow Information

	Yen (millions)		
	2012	2011	2010
Cash paid during the year for:			
Interest	28,129	25,457	26,706
Income taxes	116,310	122,057	61,155
Noncash investing and financial activities:			
Capitalized lease assets	5,783	13,807	5,956
Conversion of convertible bonds issued by the Company	37,292	638	2

The payments for the purchase and the proceeds from the sale of securities classified as available-for-sale disclosed in note 3 are included in purchase of investments in securities and shares of newly consolidated subsidiaries and proceeds from sale of investments in securities and shares of consolidated subsidiaries resulting in deconsolidation on the consolidated statements of cash flows.

(24) Concentrations of Credit Risk

The Company and its subsidiaries generally do not have significant concentrations of credit risk to any counterparties nor any regions because they are diversified and spread globally.

(25) Derivative Instruments and Hedging Activities

Overall risk profile

The major manufacturing bases of the Company and its subsidiaries are located in Japan and Asia. The selling bases are located globally, and the Company and its subsidiaries generated approximately 45% of their sales from overseas for the year ended March 31, 2012. These overseas sales are mainly denominated in the U.S. dollar or Euro. As a result, the Company and its subsidiaries are exposed to market risks from changes in foreign currency exchange rates.

The Company's financing subsidiaries in the U.K., the U.S. and Singapore issue variable rate medium-term notes mainly through the Euro markets to finance their overseas long-term operating capital. As a result, the Company and its subsidiaries are exposed to market risks from changes in foreign currency exchange rates and interest rates.

The Company and its subsidiaries are also exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations because most of the counterparties are internationally recognized financial institutions that are rated A or higher and contracts are diversified into a number of major financial institutions.

The Company and its subsidiaries have an insignificant amount of derivative instruments containing credit-risk-related contingent features, such as provisions that require the Company's debt to maintain an investment grade credit rating from each of the major credit rating agencies.

Risk management policy

The Company and its subsidiaries assess foreign currency exchange rate risk and interest rate risk by continually monitoring changes in these exposures and by evaluating hedging opportunities. It is the Company's principal policy that the Company and its subsidiaries do not enter into derivative financial instruments for speculation purposes.

Foreign currency exchange rate risk management

The Company and its subsidiaries have assets and liabilities which are exposed to foreign currency exchange rate risk and, as a result, they enter into forward exchange contracts and cross currency swap agreements for the purpose of hedging these risk exposures.

In order to fix the future net cash flows principally from trade receivables and payables recognized, which are denominated in foreign currencies, the Company and its subsidiaries on a monthly basis measure the volume and due date of future net cash flows by currency. In accordance with the Company's policy, a certain portion of measured net cash flows is covered using forward exchange contracts, which principally mature within one year.

The Company and its subsidiaries enter into cross currency swap agreements with the same maturities as underlying debt to fix cash flows from long-term debt denominated in foreign currencies. The hedging relationship between the derivative financial instrument and its hedged item is highly effective in achieving offsetting changes in foreign currency exchange rates.

(Continued)

Interest rate risk management
The Company's and certain subsidiaries' exposure to interest rate risk is related principally to long-term debt obligations. Management believes it is prudent to minimize the variability caused by interest rate risk.

To meet this objective, the Company and certain subsidiaries principally enter into interest rate swaps to manage fluctuations in cash flows. The interest rate swaps entered into are receive-variable, pay-fixed interest rate swaps. Under the interest rate swaps, the Company and certain subsidiaries receive variable interest rate payments on long-term debt associated with medium-term notes and make fixed interest rate payments, thereby creating fixed interest rate long-term debt.

Certain financing subsidiaries mainly finance a portion of their operations using long-term debt with a fixed interest rate and lend funds at variable interest rates. Therefore, such companies are exposed to interest rate risk. Management believes it is prudent to minimize the variability caused by interest rate risk. To meet this objective, certain financing subsidiaries principally enter into interest rate swaps converting the fixed rate to a variable rate to manage fluctuations in fair value resulting from interest rate risk. Under the interest rate swaps, certain financing subsidiaries receive fixed interest rate payments associated with long-term debt, including medium-term notes, and make variable interest rate payments, thereby creating variable-rate long-term debt.

The hedging relationship between the interest rate swaps and its hedged item is highly effective in achieving offsetting changes in cash flows and fair value resulting from interest rate risk.

Fair value hedge
Changes in the fair value of both recognized assets and liabilities, and derivative financial instruments designated as fair value hedges of these assets and liabilities are recognized in other income (deductions). Derivative financial instruments designated as fair value hedges include forward exchange contracts associated with operating transactions, cross currency swap agreements and interest rate swaps associated with financing transactions.

Cash flow hedge
Foreign currency exposure:
Changes in the fair value of forward exchange contracts designated and qualifying as cash flow hedges of forecasted transactions are reported in accumulated other comprehensive income (AOCI). These amounts are reclassified into earnings in the same period as the hedged items affect earnings.

It is expected that a net loss of approximately ¥515 million recorded in AOCI relating to existing forward exchange contracts will be reclassified into other income or other deductions during the year ending March 31, 2013.

As of March 31, 2012, the maximum length of time over which the Company and its subsidiaries are hedging their exposure to the variability in future cash flows associated with foreign currency forecasted transactions is approximately 60 months.

Interest rate exposure:
Changes in fair values of interest rate swaps designated as hedging instruments for the variability of cash flows associated with long-term debt obligations are reported in AOCI. These amounts subsequently are reclassified into interest charges as a yield adjustment in the same period in which the hedged debt obligations affect earnings.

It is expected that a net loss of approximately ¥303 million recorded in AOCI related to interest rate swaps will be reclassified into interest charges as a yield adjustment of the hedged debt obligations during the year ending March 31, 2013.

The contract or notional amounts of derivative financial instruments held as of March 31, 2012 and 2011 are summarized as follows:

	Yen (millions)	
	2012	2011
Forward exchange contracts:		
To sell foreign currencies	175,505	228,088
To buy foreign currencies	102,684	122,653
Cross currency swap agreements:		
To sell foreign currencies	109,794	96,712
To buy foreign currencies	135,345	100,586
Interest rate swaps	345,143	280,951
Option contracts	3,205	7,221

The following tables, "Effective portion of derivatives designated as hedging instruments and related hedged items" and "Ineffective portion and amount excluded from effectiveness test," show the effects of derivative instruments for fair value hedges on the consolidated statement of operations for the year ended March 31, 2012:

Effective portion of derivatives designated as hedging instruments and related hedged items

Hedging instruments			Related hedged items		
Derivatives	Location	Yen (millions)	Items	Location	Yen (millions)
Forward exchange contracts	Other income	(302)	Accounts receivable and accounts payable	Other income	249
Cross currency swap agreements	Interest charges	(2,556)	Long-term debt	Interest charges	2,531
		(2,858)			2,780

Ineffective portion and amount excluded from effectiveness test

Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	1,150
Cross currency swap agreements	Other income	(20)
Interest rate swaps	Interest charges	36
		1,166

The following tables, “Effective portion of derivatives designated as hedging instruments and related hedged items” and “Ineffective portion and amount excluded from effectiveness test,” show the effects of derivative instruments for fair value hedges on the consolidated statement of operations for the year ended March 31, 2011:

Effective portion of derivatives designated as hedging instruments and related hedged items

Hedging instruments			Related hedged items		
Derivatives	Location	Yen (millions)	Items	Location	Yen (millions)
Forward exchange contracts	Other income	8,955	Accounts receivable and accounts payable	Other income	(8,576)
Cross currency swap agreements	Interest charges	2,693	Long-term debt	Interest charges	(3,010)
		11,648			(11,586)

Ineffective portion and amount excluded from effectiveness test

Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	(682)
Cross currency swap agreements	Other income	1,412
Interest rate swaps	Interest charges	54
		784

The following tables, "Effective portion of derivatives designated as hedging instruments and related hedged items" and "Ineffective portion and amount excluded from effectiveness test," show the effects of derivative instruments for fair value hedges on the consolidated statement of operations for the year ended March 31, 2010:

Effective portion of derivatives designated as hedging instruments and related hedged items

Hedging instruments			Related hedged items		
Derivatives	Location	Yen (millions)	Items	Location	Yen (millions)
Forward exchange contracts	Other income	5,871	Accounts receivable and accounts payable	Other income	(5,877)
Cross currency swap agreements	Interest charges	(6,368)	Long-term debt	Interest charges	6,514
		(497)			637

Ineffective portion and amount excluded from effectiveness test

Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	(175)
Cross currency swap agreements	Other income	3,206
Interest rate swaps	Interest charges	580
		3,611

(Continued)

The following tables, “Gain (loss) recognized in OCI, Effective portion of derivatives designated as hedging instruments,” “Gain (loss) reclassified from AOCI into consolidated statement of operations, Effective portion of derivatives designated as hedging instruments” and “Loss on derivatives designated as cash flow hedging instruments, Ineffective portion and amount excluded from effectiveness test” show the effect of derivative instruments for cash flow hedges on the consolidated statement of operations for the year ended March 31, 2012:

Gain (loss) recognized in OCI

Effective portion of derivatives designated as hedging instruments

Derivatives	Yen (millions)
Forward exchange contracts	(2,531)
Cross currency swap agreements	105
Interest rate swaps	948
Option contracts	819
	(659)

Gain (loss) reclassified from AOCI into consolidated statement of operations

Effective portion of derivatives designated as hedging instruments

Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	122
Cross currency swap agreements	Other income	(9,506)
Interest rate swaps	Interest charges	(535)
Option contracts	Other income	(878)
		(10,797)

Loss on derivatives designated as cash flow hedging instruments

Ineffective portion and amount excluded from effectiveness test

Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	(113)
Cross currency swap agreements	Other income	(43)
Interest rate swaps	Interest charges	(120)
		(276)

The following tables, "Gain (loss) recognized in OCI, Effective portion of derivatives designated as hedging instruments," "Gain (loss) reclassified from AOCI into consolidated statement of operations, Effective portion of derivatives designated as hedging instruments" and "Gain on derivatives designated as cash flow hedging instruments, Ineffective portion and amount excluded from effectiveness test" show the effect of derivative instruments for cash flow hedges on the consolidated statement of operations for the year ended March 31, 2011:

Gain (loss) recognized in OCI

Effective portion of derivatives designated as hedging instruments

Derivatives	Yen (millions)
Forward exchange contracts	(220)
Cross currency swap agreements	(153)
Interest rate swaps	1,879
Option contracts	781
	2,287

Gain (loss) reclassified from AOCI into consolidated statement of operations

Effective portion of derivatives designated as hedging instruments

Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	166
Cross currency swap agreements	Other income	(4,174)
Interest rate swaps	Interest charges	(173)
Option contracts	Other income	(701)
		(4,882)

Gain on derivatives designated as cash flow hedging instruments

Ineffective portion and amount excluded from effectiveness test

Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	269
Cross currency swap agreements	Other income	66
Interest rate swaps	Interest charges	67
		402

 (Continued)

The following tables, "Gain (loss) recognized in OCI, Effective portion of derivatives designated as hedging instruments," "Gain (loss) reclassified from AOCI into consolidated statement of operations, Effective portion of derivatives designated as hedging instruments" and "Gain (loss) on derivatives designated as cash flow hedging instruments, Ineffective portion and amount excluded from effectiveness test" show the effect of derivative instruments for cash flow hedges on the consolidated statement of operations for the year ended March 31, 2010:

Gain (loss) recognized in OCI

Effective portion of derivatives designated as hedging instruments

Derivatives	Yen (millions)
Forward exchange contracts	1,323
Cross currency swap agreements	2,435
Interest rate swaps	(2,469)
Option contracts	639
	1,928

Gain (loss) reclassified from AOCI into consolidated statement of operations

Effective portion of derivatives designated as hedging instruments

Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	(1,007)
Cross currency swap agreements	Other income	(7,536)
Interest rate swaps	Interest charges	1,756
Option contracts	Other income	(634)
		(7,421)

Gain (loss) on derivatives designated as cash flow hedging instruments

Ineffective portion and amount excluded from effectiveness test

Derivatives	Location	Yen (millions)
Forward exchange contracts	Other income	245
Cross currency swap agreements	Other income	(3,378)
Interest rate swaps	Interest charges	589
		(2,544)

(Continued)

(26) Fair Value of Financial Instruments

The following methods and assumptions are used to estimate the fair values of financial instruments:

Long-term debt and Non-recourse borrowings of consolidated securitization entities

The fair value of long-term debt and non-recourse borrowings of consolidated securitization entities are estimated based on quoted market prices or the present value of future cash flows using the Company's and its subsidiaries' market interest rates for the same contractual terms.

Cash and cash equivalents, Trade receivables, Short-term debt and Trade payables

The carrying amount approximates the fair value because of the short maturity of these instruments.

Financial assets transferred to consolidated securitization entities

For the portion related to transferred mortgage loans receivable, the fair value is estimated based on the present value of future cash flows.

Investments in securities, Subordinated interests resulting from securitization and Derivatives

Refer to note 27 for the methods and assumptions used to estimate the fair values.

The carrying amounts and estimated fair values of the financial instruments as of March 31, 2012 and 2011 are as follows:

	Yen (millions)			
	2012		2011	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Investments in securities:				
Short-term investments	11,562	11,562	16,598	16,598
Investments and advances	253,340	253,340	180,232	180,232
Financial assets transferred to consolidated securitization entities:	162,227	172,041	186,742	196,543
Derivatives (Effective portion in other current assets):				
Forward exchange contracts	1,849	1,849	1,508	1,508
Cross currency swap agreements	5,271	5,271	10,363	10,363
Interest rate swaps	12	12	-	-
Option contracts	6	6	28	28
Derivatives (Ineffective portion in other current assets):				
Forward exchange contracts	232	232	563	563
Cross currency swap agreements	479	479	1,084	1,084
Interest rate swaps	-	-	-	-
Option contracts	-	-	-	-
Derivatives (Effective portion in other assets):				
Forward exchange contracts	16	16	111	111
Cross currency swap agreements	1,421	1,421	5,805	5,805
Interest rate swaps	864	864	1,092	1,092
Option contracts	15	15	66	66
Derivatives (Ineffective portion in other assets):				
Forward exchange contracts	13	13	-	-
Cross currency swap agreements	713	713	1,437	1,437
Interest rate swaps	-	-	-	-
Option contracts	-	-	-	-
Subordinated interests resulting from securitization:				
Other current assets	1,253	1,253	255	255
Advances and other	65,060	65,060	33,811	33,811

(Continued)

	Yen (millions)			
	2012		2011	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Long-term debt	(1,632,961)	(1,691,886)	(1,638,529)	(1,696,722)
Non-recourse borrowings of consolidated securitization entities:	(232,047)	(234,851)	(410,434)	(413,519)
Derivatives (Effective portion in other current liabilities):				
Forward exchange contracts	(11,090)	(11,090)	(3,813)	(3,813)
Cross currency swap agreements	(2,512)	(2,512)	(268)	(268)
Interest rate swaps	(650)	(650)	(323)	(323)
Option contracts	(34)	(34)	(5)	(5)
Derivatives (Ineffective portion in other current liabilities):				
Forward exchange contracts	(990)	(990)	(547)	(547)
Cross currency swap agreements	(34)	(34)	(8)	(8)
Interest rate swaps	(54)	(54)	(13)	(13)
Option contracts	-	-	-	-
Derivatives (Effective portion in other liabilities):				
Forward exchange contracts	(72)	(72)	(86)	(86)
Cross currency swap agreements	(1,568)	(1,568)	(305)	(305)
Interest rate swaps	(2,261)	(2,261)	(2,915)	(2,915)
Option contracts	-	-	-	-
Derivatives (Ineffective portion in other liabilities):				
Forward exchange contracts	(12)	(12)	-	-
Cross currency swap agreements	(2,578)	(2,578)	(2,625)	(2,625)
Interest rate swaps	(123)	(123)	(80)	(80)
Option contracts	-	-	-	-

It is not practicable to estimate the fair value of investments in unlisted stock because of the lack of a market price and difficulty in estimating fair value without incurring excessive cost. The carrying amounts of these investments as of March 31, 2012 and 2011 totaled ¥56,174 million and ¥48,144 million, respectively.

As of March 31, 2012, the estimated fair values of the financial assets transferred to consolidated securitization entities and the non-recourse borrowings of consolidated securitization entities are included in Level 3 of the fair value hierarchy and the estimated fair values of the long-term debts are included in Level 2 of the fair value hierarchy.

(27) Fair Value

ASC 820 establishes a fair value hierarchy that prioritizes the use of observable inputs in markets over the use of unobservable inputs when measuring fair value as follows:

Level 1

Quoted prices for identical assets or liabilities in active markets.

Level 2

Quoted prices for similar assets or liabilities in active markets; quoted prices associated with transactions that are not distressed for identical or similar assets or liabilities in markets that are not active; or valuations whose significant inputs are derived from or corroborated by observable market data.

Level 3

Valuations using inputs that are not observable.

Investments in debt and equity securities

Investment securities of which quoted market prices are available to determine their fair value are included in Level 1. Level 1 securities include available-for-sale securities such as listed stocks on exchange markets, debt securities such as Japan treasury bonds and U.S. treasury bonds and exchange traded funds.

In the absence of an active market for investment securities, quoted prices for similar investment securities, quoted prices associated with transactions that are not distressed for identical or similar investment securities or other relevant information including market interest rate curves, referenced credit spreads or default rates, are used to determine fair value. These investments are included in Level 2. Level 2 securities include short-term investments and available-for-sale securities such as listed stocks traded over-the-counter, investment funds and debt securities traded over-the-counter.

In infrequent circumstances, the significant inputs of fair value for investment securities are unobservable and such investment are included in Level 3. The Company uses price information provided by financial institutions to evaluate these investments while corroborating the information mainly with prices estimated using an income approach based on its own valuation models or a market approach such as comparison with prices of similar securities. Level 3 securities include available-for-sale securities such as subordinated debentures and structured bonds with little market activity.

Derivatives

Closing prices are used for derivatives included in Level 1, which are traded on active markets. The majority of derivatives are traded on over-the-counter markets, which the Company does not deem to represent active markets. Derivative assets and liabilities for which fair value is based on quoted prices associated with transactions that are not distressed, in markets that are not active, or based on models using interest rate curves and forward and spot prices for currencies and commodities are included in Level 2. Derivatives included in Level 2 primarily consist of interest rate swaps, cross-currency swaps and foreign currency and commodity forward and option contracts. In infrequent circumstances, the significant inputs of fair value are unobservable and the Company mainly uses an income or market approach to corroborate relevant information provided by financial institutions. These derivatives are included in Level 3.

(Continued)

Subordinated interests resulting from securitization

When fair value is determined using observable inputs, including prices of recent transactions in markets that are not distressed, subordinated interests are included in Level 2. When significant inputs are not observable, fair value is determined based on economic assumptions used in measuring the fair value of the subordinated interests, including weighted-average life, expected credit risks, and discount rates, and the subordinated interests are included in Level 3.

The Company uses its own valuation models to evaluate these investments categorized within Level 3 and periodically reviews the appropriateness of consistent application of the models as well as updating of the inputs in consideration of recent changes in economic conditons. The Company also analyses that the sensitivity in the valuation of these investments does not have material adverse effects on the consolidated financial statements.

The following tables present the assets and liabilities that are measured at fair value on a recurring basis and the fair value hierarchy classification as of March 31, 2012 and 2011. The carrying values on the consolidated balance sheets are recorded by the fair value of these assets and liabilities.

	Yen (millions)			
	2012			
		Fair value hierarchy classification		
	Total	Level 1	Level 2	Level 3
Assets:				
Investments in securities				
Equity securities	220,491	219,748	743	-
Government debt securities	4,781	4,776	5	-
Corporate debt securities	31,686	-	7,422	24,264
Other	7,551	7,192	359	-
Derivatives	10,891	-	10,891	-
Subordinated interests resulting from securitization	66,313	-	-	66,313
	341,713	231,716	19,420	90,577
Liabilities:				
Derivatives	(21,978)	-	(21,978)	-

	Yen (millions)			
	2011			
		Fair value hierarchy classification		
	Total	Level 1	Level 2	Level 3
Assets:				
Investments in securities				
Equity securities	145,816	145,069	747	-
Government debt securities	3,232	3,219	13	-
Corporate debt securities	38,080	-	5,154	32,926
Other	9,307	6,434	2,873	-
Derivatives	22,057	-	22,057	-
Subordinated interests resulting from securitization	34,066	-	-	34,066
	252,558	154,722	30,844	66,992
Liabilities:				
Derivatives	(10,988)	-	(10,988)	-

(Continued)

The following table presents the changes in Level 3 instruments measured on a recurring basis for the year ended March 31, 2012.

	Yen (millons)		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of year	32,926	34,066	66,992
Purchases	6,829	44,759	51,588
Sales	(1,492)	-	(1,492)
Settlements	(13,859)	(13,111)	(26,970)
Total gains or losses (realized/unrealized)			
Included in earnings (a)	(1,127)	220	(907)
Included in other comprehensive loss	987	379	1,366
Balance at end of year	24,264	66,313	90,577
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	(1,089)	-	(1,089)

(a) Level 3 gains and losses (realized and unrealized) included in earnings for the year ended March 31, 2012 are reported in other income (deductions) for corporate debt securities and are reported in revenue for subordinated interests resulting from securitization.

The following table presents the changes in Level 3 instruments measured on a recurring basis for the year ended March 31, 2011.

	Yen (millons)		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of year	28,933	115,417	144,350
Effect of consolidation of securitization entities upon initial adoption of the amended provisions of ASC810 (a)	-	(113,651)	(113,651)
Purchases, sales, issuances and settlements, net	2,046	32,300	34,346
Total gains or losses (realized/unrealized)			
Included in earnings (b)	546	-	546
Included in other comprehensive loss	1,401	-	1,401
Balance at end of year	32,926	34,066	66,992
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	-	-	-

(a) A portion of subordinated interests resulting from securitization was eliminated because of the consolidation of securitization entities.
(b) Level 3 gains and losses (realized and unrealized) included in earnings for the year ended March 31, 2011 are reported in other income (deductions) for corporate debt securities and are reported in revenue for subordinated interests resulting from securitization.

Assets that are measured at fair value during the period on a non-recurring basis because they are deemed to be impaired are not included in the above tables.

The Company writes down the carrying amount of equity-method and cost-method investments on the consolidated balance sheets when the Company deems the decline of fair value to be other-than-temporary. The fair value of the equity-method investments which are listed on an active market is included in Level 1. The fair value of equity-method investments determined using an income approach, based on discounted cash flows using unobservable inputs is included in Level 3. Also, a weighted-average fair value determined using both a market approach and an income approach, which incorporate both observable inputs, such as quoted market prices of comparable companies, and discounted cash flow using unobservable inputs, is included in Level 3. The Company calculates discounted cash flows of these equity-method investments based on business forecasts, market trends, and assumptions of projected business plans. The Company uses both a market approach and an income approach to determine the fair value of the cost-method investments. The fair value based on observable inputs such as quoted market prices of similar investments is included in Level 2. The fair value primarily based on discounted cash flows using unobservable inputs based on business forecasts, market trends, and assumptions of projected business plans is included in Level 3.

The Company also writes down the carrying amount of long-lived assets on the consolidated balance sheets mainly when the Company deems the carrying amount of certain long-lived assets is not recoverable and exceeds its fair value. The Company mainly uses an income approach or a market approach to calculate the fair value of long-lived assets. These measurements are included in Level 3 since they are based primarily on discounted cash flows using unobservable inputs based on business forecasts, market trends, and assumptions of projected business plans.

(Continued)

The following table presents the assets measured at fair value on a non-recurring basis and the gains or losses recognized for the year ended March 31, 2012.

	Yen (millions)			
	2012			
	Fair value hierarchy classification			Total gains
	Level 1	Level 2	Level 3	(losses)
Equity-method investments (a)	5,752	-	19,345	(7,504)
Cost-method investments	-	-	2,474	(2,138)
Long-lived assets (b)				
Information & Telecommunication Systems segment	-	-	2,465	(4,596)
Electronic Systems & Equipment Segment	-	-	1,022	(2,651)
Construction Machinery segment	-	-	8,126	(1,625)
High Functional Materials & Components segment	-	-	4,241	(19,483)
Other	-	-	2,343	(3,486)
Total	5,752	-	40,016	(41,483)

(a) The carrying value as of March 31, 2012 is not equal to the fair value at the time of impairment because of equity method adjustments subsequent to impairment.
(b) The carrying value as of March 31, 2012 is not equal to the fair value at the time of impairment because of depreciation expense subsequent to impairment.

The following table presents the significant unobservable inputs used in the fair value measurements on a non-recurring basis categorized within Level 3 for the three months ended March 31, 2012. These inputs are shown in a form of ranges of rates in the table.

	2012			
	Yen (millions) Fair value	Valuation technique	Unobservable input	Range (Weighted average)
Long-lived assets				
Information & Telecommunication Systems segment	2,446	Market approach	Adjustment rate (a)	77.0% (77.0%)
Electronic Systems & Equipment Segment	175	Income approach	Discount rate	10.0% (10.0%)
	216	Market approach	Adjustment rate (a)	71.0% (71.0%)
Construction Machinery segment	6,397	Income approach	Discount rate Growth rate	13.3% (13.3%) 4.5% (4.5%)
High Functional Materials & Components segment	1,492	Income approach	Discount rate	4.5% (4.5%)
Other	650	Income approach	Discount rate	2.0% (2.0%)
	804	Market approach	Adjustment rate (a)	60.0% - 88.0% (71.7%)

(a) The Company and its domestic subsidiaries measure the fair value of land based on appraised value which includes adjustments to prices of land in comparable transactions, or published market prices to reflect specific factors inherent in the land subject to the appraisal. These adjustments are referred to as adjustment rates.

Level 3 non-recurring fair value measurement of long-lived assets for the three months ended March 31, 2012 in the amount of ¥5,226 million consists of individually insignificant items which utilize a number of different unobservable inputs not subject to meaningful aggregation.Therefore, such amount is not presented in the table above.

The following table presents the assets measured at fair value on a non-recurring basis and the gains or losses recognized for the year ended March 31, 2011.

	Yen (millions)			
	2011			
	Fair value hierarchy classification			Total gains
	Level 1	Level 2	Level 3	(losses)
Equity-method investments (a)	1,712	-	-	(4,741)
Cost-method investments	-	-	8,066	(3,180)
Long-lived assets (b)				
High Functional Materials & Components segment	-	-	7,755	(10,956)
Components & Devices segment	-	-	18,046	(16,561)
Other	-	-	1,716	(7,653)
Total	1,712	-	35,583	(43,091)

(a) The carrying value as of March 31, 2011 is not equal to the fair value at the time of impairment because of equity method adjustments subsequent to impairment.
(b) The carrying value as of March 31, 2011 is not equal to the fair value at the time of impairment because of depreciation expense subsequent to impairment.

(28) Financing Receivables and Allowance for Doubtful Receivables

The Company classifies financing receivables aggregated and categorized as finance leases, installment loans, mortgage loans, and other, based on the nature of risks and characteristics as described below.

Financing receivables from equipment leases, installment arrangements, mortgage loans, and other receivables with a contractual maturity of one year or more are subject to disclosure as reported in this note. Trade receivables from sale of products or services that have contractual maturities of one year or less are excluded from this note. Finance lease receivables are recorded based on the total minimum payments to be received and unguaranteed residual values less executory costs and unearned income. Installment loans, mortgage loans and other financing receivables are reported on the amortized cost basis.

Finance leases are receivables from lease arrangements, including products manufactured by the Company and certain of its subsidiaries, such as information technology equipment, manufacturing machinery and equipment and construction machinery, typically secured by underlying assets. The primary locations of finance leases are Japan, United States, United Kingdom and China mainland. The lease term ranges mainly from three to six years. The non-specific allowance for doubtful receivables is collectively determined on the basis of past collection experience, consideration of current economic conditions and changes in our customer collection trends as well as other factors that may affect the customers' ability to pay.

Installment loans represent receivables from arrangements with customers and dealers to provide financing primarily for products manufactured by the Company and certain of its subsidiaries, such as manufacturing machinery. Installment loans are typically secured by underlying assets. The primary locations of installment loans are Japan, United States, United Kingdom and China mainland. The loan term is generally less than three years. The non-specific allowance is collectively determined on the basis of past collection experience, consideration of current economic conditions and changes in our customer collection trends as well as other factors that may affect the customers' ability to pay.

Mortgage loans are financing receivables from residential loan arrangements for individuals. Mortgage loans are usually arranged with collateral. The location of mortgage loans is Japan; more than fifty percent of mortgage loans are arranged for employees of the Company and its domestic subsidiaries. The term of mortgage loans is usually less than 30 years. The non-specific allowance is collectively determined on the basis of past collection experience, consideration of current economic conditions and changes in our customer collection trends as well as other factors that may affect the customers' ability to pay.

Other financing receivables are the financing service receivables provided by the subsidiaries in the financial services segment such as factoring, loan servicing, and other forms of commercial financing. The contractual maturities associated with those services generally range over one to three years. The non-specific allowance is collectively determined on the basis of past collection experience, consideration of current economic conditions and changes in our customer collection trends as well as other factors that may affect the customers' ability to pay.

In addition, common to all financing receivables, the Company and its subsidiaries individually evaluate collectability of financing receivables either by discounted cash flow analyses when they determine principal and interest of a financing receivable cannot be collected or by estimating the fair value of related collateral when applicable and further estimating the allowance for doubtful receivables. The Company and its subsidiaries have proprietary credit quality indicators appropriate to the unique characteristics of their operations and the nature of

(Continued)

their financing receivable portfolios. Based on such indicators as the duration of overdue payments, the unpaid amounts, the existence of extended payment terms, evaluation by third-party credit agencies, and the degree of debtors' excessive debt, the Company and its subsidiaries classify and monitor their financial receivables into two categories: the individually evaluated receivables, and the collectively evaluated receivables.

Interest income for long-term financing receivables is recognized on the accrual basis.

As of March 31, 2012 and March 31, 2011, financing receivables include past due receivables in the amount of ¥14,426 million and ¥9,714 million, respectively. Of these amounts, financing receivables past due 90 days or more and still accruing interest amounted to ¥2,918 million and ¥2,846 million, respectively.

The following table presents allowance for doubtful receivables and recorded investment in financing receivables as of March 31, 2012, and changes in the allowance for the year ended March 31, 2012.

	Yen (millions)				
	Finance leases	Installment loans	Mortgage loans	Other	Total
Allowance for doubtful receivables					
Balance, March 31, 2011	6,136	2,420	231	7,842	16,629
Provision	5,633	1,511	157	3,443	10,744
Recovery and other	(3,381)	(881)	(178)	(2,443)	(6,883)
Write off	(708)	(1,138)	-	(2,333)	(4,179)
Balance, March 31, 2012	7,680	1,912	210	6,509	16,311
Applicable to amounts; Individually evaluated for impairment	2,942	603	78	4,498	8,121
Applicable to amounts; Collectively evaluated for impairment	4,738	1,309	132	2,011	8,190
Financing receivables					
Balance, March 31, 2012	743,331	154,794	192,143	217,376	1,307,644
Applicable to amounts; Individually evaluated for impairment	7,861	957	185	8,702	17,705
Applicable to amounts; Collectively evaluated for impairment	735,470	153,837	191,958	208,674	1,289,939

The following table presents allowance for doubtful receivables and recorded investment in financing receivables as of March 31, 2011, and changes in the allowance for the three months ended March 31, 2011.

	Yen (millions)				
	Finance leases	Installment loans	Mortgage loans	Other	Total
Allowance for doubtful receivables					
Balance, January 1, 2011	5,156	2,426	176	5,940	13,698
Provision	1,531	293	102	3,709	5,635
Recovery and other	(340)	(70)	(47)	(1,073)	(1,530)
Write off	(211)	(229)	-	(734)	(1,174)
Balance, March 31, 2011	6,136	2,420	231	7,842	16,629
Applicable to amounts; Individually evaluated for impairment	1,620	906	88	5,082	7,696
Applicable to amounts; Collectively evaluated for impairment	4,516	1,514	143	2,760	8,933
Financing receivables					
Balance, March 31, 2011	873,137	126,957	218,222	217,515	1,435,831
Applicable to amounts; Individually evaluated for impairment	4,515	1,252	1,113	9,718	16,598
Applicable to amounts; Collectively evaluated for impairment	868,622	125,705	217,109	207,797	1,419,233

In addition, as of March 31, 2012 and March 31, 2011, the amount of impaired loans relating to receivables which arose from sales of products or services are ¥42,729 million and ¥43,628 million, respectively.

(29) Acquisitions and Divestitures

On September 2, 2011 Hitachi Data Systems Corporation (HDS), a subsidiary of the Company in the Information & Telecommunication Systems segment, purchased additional shares of BlueArc Corporation (BlueArc) for ¥42,923 million, resulting in a 97.8% increase of HDS ownership from 2.2% to 100%. Accordingly, HDS obtained control of BlueArc and it became a wholly owned subsidiary effective September 2, 2011 (the acquisition date).

BlueArc operates a network storage business. HDS made the acquisition to increase its competitiveness in the storage solution business through creating synergy in a field of file storage.

The following table summarizes the consideration paid for BlueArc, the assets acquired and liabilities assumed and recognized as of the acquisition date.

	Yen (millions)
Current assets	1,499
Non-current assets (excluding intangible assets)	4,749
Intangible assets	
Goodwill (not deductible for tax purposes)	33,002
Other intangible assets	11,014
	50,264
Current liabilities	(1,400)
Non-current liabilities	(5,059)
	(6,459)
Previously acquired equity interest measured at fair value	(882)
Cash paid for acquisition	(42,923)
	(43,805)

The following table shows the acquired intangible assets subject to amortization.

	Yen (millions)	Weighted average amortization period (year)
The acquired intangible assets subject to amortization		
Existing technology	7,166	5
Customer relationships	2,874	5
In-process research and development	771	2
Trade name	203	2
	11,014	

The Company recognized a gain of ¥747 million as a result of remeasuring its equity interest in BlueArc held before the business combination at the acquisition date fair value. The gain is included in other income in the Company's consolidated statement of operations for the year ended March 31, 2012.

The fair value of the equity interest held before the business combination in BlueArc, a private entity, was estimated by applying the income approach. This fair value measurement is based on significant inputs that are not observable in the market and thus this fair value is included in Level 3. Key inputs include business forecasts, market trends, assumptions of projected business plans and adjustments because of the lack of control that market participants would consider when estimating the fair value of BlueArc.

The results of operations of BlueArc for the period from the acquisition date to March 31, 2012 were not material.

On a pro forma basis, revenue, net income attributable to Hitachi, Ltd. and the per share information of the Company with assumed acquisition date for BlueArc of April 1, 2010 would not differ materially from the amounts reported in the accompanying consolidated financial statements as of and for the years ended March 31, 2012 and 2011.

On March 9, 2011, Hitachi Transport System, Ltd. (Hitachi Transport System), a subsidiary of the Company included in the Others category of segment information, announced its decision to purchase shares of Vantec Corporation (Vantec), through a tender offer to make Vantec its subsidiary. The tender offer price was ¥233,500 per share, which was determined by taking into consideration the market price of Vantec's common stock, Vantec's financial condition, future earnings prospects and a valuation of Vantec stock conducted by a third party appraiser. The price included a premium of approximately 93% over the average share price of Vantec's common stock traded on the First Section of the Tokyo Stock Exchange for the three month period ended March 8, 2011. As a result, Hitachi Transport System purchased 209,550 shares in the tender offer, for ¥48,930 million in the period from March 10, 2011 through April 19, 2011, resulting in an acquisition of 90.12% of the voting rights. Accordingly, Hitachi Transport System obtained control of Vantec and it became a consolidated subsidiary effective April 26, 2011, the settlement date of the tender offer (the acquisition date).

Vantec operates warehousing and transportation related business. Hitachi Transport System made the acquisition to realize synergy in the system logistics and global business and improve the enterprise value of Hitachi Transport System and Vantec.

The following table summarizes the consideration paid for Vantec, the assets acquired and liabilities assumed and recognized as of the acquisition, as well as the fair value as of the acquisition date of the noncontrolling interest in Vantec.

	Yen (millions)
Current assets	35,551
Non-current assets (excluding intangible assets)	28,090
Intangible assets	
Goodwill (not deductible for tax purposes)	14,837
Other intangible assets	29,197
	107,675
Current liabilities	(31,493)
Non-current liabilities	(23,630)
	(55,123)
Cash paid for acquisition	(48,930)
Fair value of noncontrolling interests	(3,622)
	(52,552)

The following table shows the acquired intangible assets subject to amortization.

	Yen (millions)	Weighted average amortization period (year)
The acquired intangible assets subject to amortization		
Customer relationships	29,197	17

The fair value of the noncontrolling interest in Vantec, a listed entity, was determined by quoted market price and included in Level 1.

The results of operations of Vantec for the period from the acquisition date to March 31, 2012 were not material.

On a pro forma basis, revenue, net income attributable to Hitachi, Ltd. and the per share information of the Company with assumed acquisition date for Vantec of April 1, 2010 would not differ materially from the amounts reported in the accompanying consolidated financial statements as of and for the years ended March 31, 2012 and 2011.

On November 8, 2010, Hitachi Medical Corporation (Hitachi Medical), a subsidiary of the Company in the Electronic Systems & Equipment segment, announced its decision to purchase additional shares of Aloka Co., Ltd. (Aloka), through a tender offer to make Aloka its subsidiary. The tender offer price was ¥1,075 per share, which was determined by comprehensively taking into consideration the market price of Aloka's common stock, Aloka's financial condition, future earnings prospects and a valuation of Aloka stock conducted by a third party appraiser.

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As a result, Hitachi Medical purchased 23,157,518 shares in the tender offer, for ¥24,894 million in the period from November 9, 2010 through December 27, 2010, resulting in a 84.65% increase of Hitachi Medical's ownership from 12.79% to 97.45%. Accordingly, Hitachi Medical obtained control of Aloka and it became a consolidated subsidiary effective January 5, 2011, the settlement date of the tender offer (the acquisition date). Further, Hitachi Medical converted Aloka into its wholly owned subsidiary through a share exchange effective March 3, 2011, and Aloka was subsequently renamed Hitachi Aloka Medical, Ltd. effective April 1, 2011.

Aloka manufactures and sells medical instruments, general-purpose analysis devices and medical analysis devices. Hitachi Medical made the acquisition to strengthen its diagnostic ultrasound device businesses and increase its corporate value.

This business combination was accounted for as a bargain purchase because the consideration paid for Aloka was less than the fair value of Aloka's net assets.

The following table summarizes the consideration paid for Aloka, the assets acquired and liabilities assumed and recognized as of the acquisition, as well as the fair value as of the acquisition date of the noncontrolling interest in Aloka.

	Yen (millions)
Current assets	43,346
Non-current assets (excluding intangible assets)	9,585
Intangible assets	1,811
	54,742
Current liabilities	(13,740)
Non-current liabilities	(2,987)
	(16,727)
Gain on the bargain purchase	(8,684)
Previously acquired equity interest measured at fair value	(3,699)
Cash paid for acquisition	(24,894)
Fair value of noncontrolling interests	(738)
	(29,331)

The acquired intangible assets include patents and brands.

The Company recognized a gain of ¥1,224 million as a result of remeasuring its equity interest in Aloka held before the business combination at the acquisition date fair value. The gain is included in other income in the Company's consolidated statement of operations for the year ended March 31, 2011.

The fair value of both the equity interest held before the business combination and the fair value of the noncontrolling interest in Aloka, a listed entity, were determined by quoted market price and included in Level 1.

The results of operations of Aloka for the period from the acquisition date to March 31, 2011 were not material.

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On a pro forma basis, revenue, net income (loss) attributable to Hitachi, Ltd. and the per share information of the Company with assumed acquisition dates for Aloka of April 1, 2010 and 2009 would not differ materially from the amounts reported in the accompanying consolidated financial statements as of and for the years ended March 31, 2011 and 2010.

On March 30, 2010, Hitachi Construction Machinery Co., Ltd. (Hitachi Construction Machinery), a subsidiary of the Company in the Construction Machinery segment, agreed with Tata Motors Limited to purchase an additional 20% interest in Telco Construction Equipment Co., Ltd. (Telcon). As a result, Hitachi Construction Machinery purchased a total of 20,000,000 shares for ¥23,704 million on March 30, 2010, resulting in the percentage of Hitachi Construction Machinery's ownership interests in Telcon increasing from 40.0% to 60.0%. Accordingly, Hitachi Construction Machinery obtained control over Telcon and it became a consolidated subsidiary effective March 30, 2010 (the acquisition date).

Telcon manufactures and sells major construction machinery including hydraulic excavators, backhoe loaders and wheel loaders. Hitachi Construction Machinery decided to purchase an additional 20% interest to obtain a strong lead in the India market, which is expected to grow significantly.

The following table summarizes the consideration paid for Telcon, the assets acquired and liabilities assumed and recognized as of the acquisition, as well as the fair value as of the acquisition date of the noncontrolling interest in Telcon.

	Yen (millions)
Current assets	29,741
Non-current assets (excluding intangible assets)	16,912
Intangible assets	
Goodwill (not deductible for tax purposes)	32,981
Other intangible assets	37,370
	117,004
Current liabilities	(35,105)
Non-current liabilities	(14,095)
	(49,200)
Previously acquired equity interest measured at fair value	(22,050)
Cash paid for acquisition	(23,704)
Fair value of noncontrolling interests	(22,050)
	(67,804)

(Continued)

The following table shows the acquired intangible assets subject to amortization and not subject to amortization.

	Yen (millions)	Weighted average amortization period (year)
The acquired intangible assets subject to amortization		
Customer contracts and relationships	19,509	25
Dealer network	4,339	15
Technical know-how	3,056	6
Favorable lease agreements	1,027	5
	27,931	
The acquired intangible assets not subject to amortization		
Brands	9,439	-
	37,370	

The Company recognized a gain of ¥14,923 million as a result of remeasuring to fair value its 40% equity interest in Telcon held before the business combination. The gain is included in other deductions in the Company's consolidated statement of operations for the year ended March 31, 2010.

The fair value of both the equity interest held before the business combination and the noncontrolling interest in Telcon, a private entity, were estimated by applying the income approach. These fair value measurements are based on significant inputs that are not observable in the market and thus represent Level 3 measurements. Key inputs include business forecasts, market trends, assumptions of projected business plans and adjustments because of the lack of control that market participants would consider when estimating the fair value of the noncontrolling interest in Telcon.

The results of operations of Telcon for the period from the acquisition date to March 31, 2010 were not material.

On a pro forma basis, revenue, net loss attributable to Hitachi, Ltd and the per share information of the Company with assumed acquisition date for Telcon of April 1, 2009 would not differ materially from the amounts reported in the accompanying consolidated financial statement as of and for the year ended March 31, 2010.

The Company completed the sale of its LCDs business in the Components & Devices segment on March 30, 2012 by transferring all of its shares in Hitachi Displays, Ltd. (Hitachi Displays) to Japan Display Inc. in a cash and stock transaction. The Company also completed the sale of its hard disk drives business in the Components & Devices segment on March 8, 2012 by transferring all of its shares in Viviti Technologies, Ltd. (Viviti), a holding company of Hitachi Global Storage Technologies (subsequently renamed HGST) to Western Digital Corporation in a cash and stock transaction. As a result, the Company deconsolidated both Hitachi Displays and Viviti during the year ended March 31, 2012.

(30) Segment Information

Business Segments

The operating segments of the Company are the components for which separate financial information is available and for which segment profit or loss amounts are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has aggregated certain operating segments into reportable segments for reporting purpose, since such aggregation helps financial statement users better understand the Company's performance.

The reportable segments correspond to categories of activities classified primarily by markets, products and services.

The Company discloses its business in eleven reportable segments: Information & Telecommunication Systems, Power Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Components & Devices, Digital Media & Consumer Products, Financial Services, and Others.

The primary products and services included in each segment are as follows:

Information & Telecommunication Systems:
Systems integration, Outsourcing services, Software, Disk array subsystems, Servers, Mainframes, Telecommunication equipment and ATMs

Power Systems:
Thermal power generation systems, Nuclear power generation systems, Hydroelectric power generation systems and Wind power generation systems

Social Infrastructure & Industrial Systems:
Industrial machinery and plants, Elevators, Escalators and Railway systems

Electronic Systems & Equipment:
Semiconductor and LCDs manufacturing equipment, Test and measurement equipment, Medical electronics equipment, Power tools and Electronic parts manufacturing system

Construction Machinery:
Hydraulic excavators, Wheel loaders and Mining dump trucks

High Functional Materials & Components:
Wires and cables, Copper products, Semiconductor and display related materials, Circuit boards and materials, Specialty steels, Magnetic materials and components and High grade casting components and materials

(Continued)

Automotive Systems:
Engine management systems, Electric powertrain systems, Drive control systems and Car information systems

Components & Devices:
Hard disk drives, LCDs, Information storage media and Batteries

Digital Media & Consumer Products:
Optical disk drives, Flat-panel TVs, LCD projectors, Room air conditioners, Refrigerators, Washing machines and Air-conditioning equipment

Financial Services:
Leasing and Loan guarantees

Others:
Logistics, Property management and others

In March 2012, Hard disk drives and LCDs businesses in the Components & Devices segment were deconsolidated due to the sale of all shares of Viviti Technologies Ltd. and Hitachi Displays, Ltd. Accordingly, the assets of Hard disk drives and LCDs businesses are excluded from the Components & Devices segment assets as of March 31, 2012.

Effective April 1, 2011, due to a change in management reporting, the Battery business for automotive applications, which was previously included in the Components & Devices segment, has been included in the Automotive Systems segment. The corresponding data for the years ended March 31, 2011 and 2010 have been restated to conform with the change.

The following tables show business segment information for the years ended March 31, 2012, 2011 and 2010, and as of March 31, 2012, 2011 and 2010.

(Continued)

Revenues from Outside Customers

	Yen (millions)		
	2012	2011	2010
Information & Telecommunication Systems	1,573,961	1,475,588	1,522,457
Power Systems	753,023	737,560	805,007
Social Infrastructure & Industrial Systems	991,839	932,299	1,044,208
Electronic Systems & Equipment	973,383	942,305	868,449
Construction Machinery	794,841	746,166	578,129
High Functional Materials & Components	1,353,781	1,329,234	1,176,292
Automotive Systems	808,031	733,910	633,399
Components & Devices	677,941	743,980	690,062
Digital Media & Consumer Products	787,305	882,834	863,091
Financial Services	309,972	325,341	327,072
Others	640,472	465,871	457,315
Subtotal	9,664,549	9,315,088	8,965,481
Corporate items	1,334	719	3,065
Total	9,665,883	9,315,807	8,968,546

Revenues from Intersegment Transactions

	Yen (millions)		
	2012	2011	2010
Information & Telecommunication Systems	190,286	176,452	183,130
Power Systems	79,385	75,647	77,128
Social Infrastructure & Industrial Systems	213,136	224,637	206,017
Electronic Systems & Equipment	128,401	137,050	130,183
Construction Machinery	3,944	5,221	5,507
High Functional Materials & Components	83,405	78,919	73,035
Automotive Systems	3,552	3,991	5,429
Components & Devices	90,124	64,255	62,554
Digital Media & Consumer Products	71,540	68,762	66,167
Financial Services	43,232	47,640	92,578
Others	311,216	301,592	306,350
Subtotal	1,218,221	1,184,166	1,208,078
Eliminations and Corporate items	(1,218,221)	(1,184,166)	(1,208,078)
Total	-	-	-

(Continued)

Total Revenues

	Yen (millions)		
	2012	2011	2010
Information & Telecommunication Systems	1,764,247	1,652,040	1,705,587
Power Systems	832,408	813,207	882,135
Social Infrastructure & Industrial Systems	1,204,975	1,156,936	1,250,225
Electronic Systems & Equipment	1,101,784	1,079,355	998,632
Construction Machinery	798,785	751,387	583,636
High Functional Materials & Components	1,437,186	1,408,153	1,249,327
Automotive Systems	811,583	737,901	638,828
Components & Devices	768,065	808,235	752,616
Digital Media & Consumer Products	858,845	951,596	929,258
Financial Services	353,204	372,981	419,650
Others	951,688	767,463	763,665
Subtotal	10,882,770	10,499,254	10,173,559
Eliminations and Corporate items	(1,216,887)	(1,183,447)	(1,205,013)
Total	9,665,883	9,315,807	8,968,546

(Continued)

Segment Profit (Loss)

	Yen (millions)		
	2012	2011	2010
Information & Telecommunication Systems	101,732	98,641	94,592
Power Systems	(33,986)	22,022	22,075
Social Infrastructure & Industrial Systems	49,181	39,952	42,086
Electronic Systems & Equipment	49,995	37,284	(5,218)
Construction Machinery	63,129	49,192	17,649
High Functional Materials & Components	77,007	84,506	44,412
Automotive Systems	37,049	23,791	(10,994)
Components & Devices	39,481	49,435	6,657
Digital Media & Consumer Products	(10,947)	14,949	(7,206)
Financial Services	30,222	14,255	8,518
Others	33,240	28,930	19,423
Subtotal	436,103	462,957	231,994
Eliminations and Corporate items	(23,823)	(18,449)	(29,835)
Total Segment profit	412,280	444,508	202,159
Impairment losses for long-lived assets	(31,841)	(35,170)	(25,196)
Restructuring charges	(23,097)	(5,757)	(25,154)
Interest income	12,653	13,267	12,017
Dividends income	5,551	4,240	5,799
Gains on sales of stock by subsidiaries or affiliated companies	-	-	183
Other income	228,906	69,730	186
Interest charges	(28,141)	(24,878)	(26,252)
Other deductions	(3,010)	(13,597)	(21,976)
Equity in net loss of affiliated companies	(15,571)	(20,142)	(58,186)
Income before income taxes	557,730	432,201	63,580

Intersegment transactions are recorded at the same prices used in transactions with third parties. Corporate items include unallocated corporate expenses, such as leading edge R&D expenditures, and others.

Total Assets

	Yen (millions)		
	2012	2011	2010
Information & Telecommunication Systems	1,345,392	1,289,099	1,261,016
Power Systems	955,809	919,676	1,067,072
Social Infrastructure & Industrial Systems	1,091,740	1,033,110	971,743
Electronic Systems & Equipment	903,283	867,741	820,700
Construction Machinery	1,140,332	1,000,793	927,482
High Functional Materials & Components	1,285,970	1,267,001	1,264,372
Automotive Systems	516,123	452,359	460,063
Components & Devices	162,924	591,621	584,218
Digital Media & Consumer Products	444,931	434,397	521,591
Financial Services	1,950,672	1,937,643	1,789,409
Others	1,508,926	1,344,356	1,374,882
Subtotal	11,306,102	11,137,796	11,042,548
Eliminations and Corporate assets	(1,887,576)	(1,952,167)	(2,078,084)
Total	9,418,526	9,185,629	8,964,464

Corporate assets consist of cash and cash equivalents and investments and advances.

Depreciation & Amortization

	Yen (millions)		
	2012	2011	2010
Information & Telecommunication Systems	79,379	76,082	80,589
Power Systems	19,492	20,239	24,386
Social Infrastructure & Industrial Systems	27,454	27,941	32,383
Electronic Systems & Equipment	17,898	19,154	21,598
Construction Machinery	42,562	42,606	41,807
High Functional Materials & Components	69,096	75,371	85,092
Automotive Systems	31,067	32,825	41,915
Components & Devices	46,427	55,927	64,952
Digital Media & Consumer Products	25,839	27,149	34,567
Financial Services	74,972	75,076	81,049
Others	42,337	37,590	42,954
Subtotal	476,523	489,960	551,292
Eliminations and Corporate items	3,143	7,809	6,470
Total	479,666	497,769	557,762

(Continued)

Impairment Losses for Long-Lived Assets

	Yen (millions)		
	2012	2011	2010
Information & Telecommunication Systems	4,596	473	353
Power Systems	35	-	136
Social Infrastructure & Industrial Systems	994	767	715
Electronic Systems & Equipment	2,651	4,605	624
Construction Machinery	1,625	3	119
High Functional Materials & Components	19,483	10,956	2,117
Automotive Systems	1,042	1,270	6,581
Components & Devices	161	15,482	12,205
Digital Media & Consumer Products	668	951	845
Financial Services	-	368	-
Others	586	295	1,501
Subtotal	31,841	35,170	25,196
Eliminations and Corporate items	-	-	-
Total	31,841	35,170	25,196

Capital Investment for Long-Lived Assets

	Yen (millions)		
	2012	2011	2010
Information & Telecommunication Systems	104,673	79,907	65,976
Power Systems	29,229	12,163	34,704
Social Infrastructure & Industrial Systems	32,665	24,729	32,005
Electronic Systems & Equipment	29,705	20,874	15,728
Construction Machinery	71,391	40,689	73,874
High Functional Materials & Components	71,520	66,795	55,038
Automotive Systems	46,116	22,740	20,074
Components & Devices	45,799	59,022	40,427
Digital Media & Consumer Products	23,868	19,487	20,399
Financial Services	303,565	330,292	351,298
Others	52,610	43,952	34,768
Subtotal	811,141	720,650	744,291
Eliminations and Corporate items	(9,831)	(20,621)	(20,380)
Total	801,310	700,029	723,911

Capital investment represents the additions to property, plant and equipment and other intangible assets including tangible assets and software to be leased on an accrual basis.

(Continued)

Geographic Information

Revenues

The following table shows revenues which are attributed to geographic areas based on the location of the customers for the years ended March 31, 2012, 2011 and 2010.

	Yen (millions)		
	2012	2011	2010
Japan	5,534,462	5,269,259	5,313,790
Outside Japan			
Asia	2,000,989	2,073,756	1,699,071
North America	869,014	781,139	729,698
Europe	761,125	760,011	824,697
Other Areas	500,293	431,642	401,290
Subtotal	4,131,421	4,046,548	3,654,756
Total	9,665,883	9,315,807	8,968,546

Other than in Japan and China mainland, the Company does not conduct business in any individual country and region in which its revenues in that country exceed 10% of the consolidated total revenues. Revenues in China mainland for the years ended March 31, 2012, 2011 and 2010 were ¥1,073,487 million, ¥1,188,555 million and ¥991,653 million, respectively.

Long-Lived Assets including Goodwill

The following table shows long-lived assets such as property, plant and equipment and intangible assets including goodwill for each geographic area as of March 31, 2012, 2011 and 2010.

	Yen (millions)		
	2012	2011	2010
Japan	2,001,531	1,979,405	2,088,846
Asia	303,430	341,884	343,493
North America	170,793	158,684	157,113
Europe	106,524	112,350	111,105
Other Areas	25,442	16,651	15,717
Subtotal	2,607,720	2,608,974	2,716,274
Eliminations and Corporate items	27,780	30,314	21,580
Total	2,635,500	2,639,288	2,737,854

Other than in Japan, the Company does not conduct business in any individual country and region in which its long-lived assets in that country exceed 10% of the consolidated balance of long-lived assets.

There are no revenues to a single major outside customer for the years ended March 31, 2012, 2011 and 2010.

[Cover]

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	June 22, 2012
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Position and Name of Representative]	Hiroaki Nakanishi, President
[Name and title of CFO]	Toyoaki Nakamura, Executive Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Osaka Securities Exchange Co., Ltd. (8-16, Kitahama 1-chome, Chuo-ku, Osaka) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Basic Framework of Internal Control over Financial Reporting

We prepared this Internal Control Report in accordance with the terms, form and procedures required in the management's report on internal control over financial reporting in the United States pursuant to Section 18 of the Cabinet Office Ordinance on the system for ensuring adequacy of the financial reporting and other information (the "Cabinet Office Ordinance on the Internal Control").

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

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

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

2. Matters Related to Scope of Assessment, Record Date, and Assessment Procedure

Our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2012. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework.

3. Matters Related to Results of Assessment

Based on its assessment, our management concluded that, as of March 31, 2012, our internal control over financial reporting was effective based on those criteria.

4. Supplementary Matters

Following is significant differences in case Section 18 of the Cabinet Office Ordinance on the Internal Control is not applied when preparing the Internal Control Report.

(1) In case we do not apply Section 18 of the Cabinet Office Ordinance on the Internal Control, the scope of assessment includes financial statements and disclosures which materially affects on the reliability of financial statements. In the management's report on internal control over financial reporting required in the U.S., the scope of assessment of internal control is only the consolidated financial statements as stated in the "Part I Information on the Company - V. Financial Information" of the Annual Securities Report.

(2) In case we do not apply Section 18 of the Cabinet Office Ordinance on the Internal Control, the scope of assessment includes the equity-method affiliates. The management's report on internal control over financial reporting required in the U.S. does not include the equity-method affiliates in the scope of assessment of internal control.

5. Special Notes

We prepared this Internal Control Report in accordance with the terms, form and procedures required in the management's report on internal control over financial reporting in the U.S. since we register our American Depositary Shares ("ADSs") to the U.S. Securities and Exchange Commission ("SEC"). On April 27, 2012, we applied to the SEC for termination of registration of our ADSs. We anticipate that the registration will be terminated on July 26, 2012.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	June 22, 2012
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Position and Name of Representative]	Hiroaki Nakanishi, President
[Name and title of CFO]	Toyoaki Nakamura, Executive Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Osaka Securities Exchange Co., Ltd. (8-16, Kitahama 1-chome, Chuo-ku, Osaka) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report

   Mr. Hiroaki Nakanishi, President, and Mr. Toyoaki Nakamura, Executive Vice President and Executive Officer, confirmed that statements contained in the Annual Securities Report for the 143rd fiscal year (from April 1, 2011 to March 31, 2012) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

   None.