HITACHI LTD
Form 20-F
June 24, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2011

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

OR

¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report ________________

Commission file number: 1-8320

KABUSHIKI KAISHA HITACHI SEISAKUSHO

(Exact name of Registrant as specified in its charter)

Hitachi, Ltd.

(Translation of Registrant s name into English)

Japan

(Jurisdiction of incorporation or organization)

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

Tokyo 100-8280, Japan

(Address of principal executive offices)

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

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

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

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

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

None

(Title of Class)

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

None

(Title of Class)

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

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

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

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

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

x Yes ¨ No

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

¨ Yes x No

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

x Yes ¨ No

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

x Yes ¨ No

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

Large Accelerated Filer x Accelerated Filer ¨ Non-Accelerated Filer ¨

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

x U.S. GAAP

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

¨ Other

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

¨ Item 17 ¨ Item 18

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

¨ Yes x No

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CAUTIONARY STATEMENT

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

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

- economic conditions, including consumer spending and plant and equipment investment in our major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors we serve, including, without limitation, the information, electronics, automotive, construction and financial sectors;

- exchange rate fluctuations of the yen against other currencies in which we make significant sales or in which our assets and liabilities are denominated, particularly against the U.S. dollar and the euro;

- uncertainty as to our ability to access, or access on favorable terms, liquidity or long-term financing;

- uncertainty as to general market price levels for equity securities in Japan, declines in which may require us to write down equity securities that we hold;

- the potential for significant losses on our investments in equity method affiliates;

- increased commoditization of information technology products and digital media-related products and intensifying price competition for such products, particularly in the Components & Devices and the Digital Media & Consumer Products segments;

- uncertainty as to our ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;

- rapid technological innovation;

- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which we use the percentage-of-completion method to recognize revenue from sales;

- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;

fluctuations in product demand and industry capacity;

uncertainty as to our ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;

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

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

general socioeconomic and political conditions and the regulatory and trade environment of countries where we conduct business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;

uncertainty as to the success of alliances upon which we depend, some of which we may not control, with other corporations in the design and development of certain key products;

uncertainty as to our access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;

uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which we, our subsidiaries or our equity method affiliates have become or may become parties;

the possibility of incurring expenses resulting from any defects in our products or services;

the possibility of disruption of our operations in Japan by earthquakes, tsunamis or other natural disasters, including the possibility of continuing adverse effects on our operations as a result of the earthquake and tsunami that struck northeastern Japan on March 11, 2011;

uncertainty as to our ability to maintain the integrity of our information systems, as well as our ability to protect our confidential information or that of our customers;

uncertainty as to the accuracy of key assumptions we use to evaluate our significant employee benefit-related costs; and

uncertainty as to our ability to attract and retain skilled personnel.

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

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CERTAIN DEFINED TERMS, CONVENTIONS AND

PRESENTATION OF FINANCIAL INFORMATION

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

Our fiscal year ends on March 31.

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

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

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

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

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

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

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

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

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

Notes:

(1) The March 31, 2011 figure for our non-recourse borrowings of consolidated securitization entities includes the current portion of non-recourse borrowings of consolidated securitization entities.

(2) See note 2(y) to our consolidated financial statements for information regarding accounting changes.

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

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

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

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

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

Risks Related to Economic Environment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Industrial Sectors and Business Lines

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

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

Rapid technological innovation defines the industries in which we participate.

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

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

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

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

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

The supply and demand balance for particular products affects us.

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

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Risks Related to Operations

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

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

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

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

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

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

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

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We may not successfully execute our overseas growth strategies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Risks Related to Our American Depositary Shares

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

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

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

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

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

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

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

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

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

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Item 4. Information on the Company
A. History and Development of the Company

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

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

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

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

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

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

Hitachi Information Systems, Ltd. Information processing and network services; system integration; software development; and equipment and supplies sales. We converted Hitachi Information Systems into a wholly owned subsidiary in February 2010 via the August 2009 cash tender offer at ¥2,900 per share for shares of Hitachi Information Systems and a subsequent acquisition measure.

Hitachi Software Engineering Co., Ltd. Development and sales of computer software and sales of information processing equipment. We converted Hitachi Software Engineering into a wholly owned subsidiary in February 2010 via the August 2009 cash tender offer at ¥2,650 per share for shares of Hitachi Software Engineering and a subsequent acquisition measure.

Hitachi Systems & Services, Ltd. System integration and system services; software packages; and sales of information processing equipment. We converted Hitachi Systems & Services into a wholly owned subsidiary in February 2010 via the August 2009 cash tender offer at ¥2,150 per share for shares of Hitachi Systems & Services and a subsequent acquisition measure.

Hitachi Plant Technologies, Ltd. Development, design, production, sale, service and construction of social infrastructure, air conditioning, energy and other industrial systems. We converted Hitachi Plant Technologies into a wholly owned subsidiary in April

2010 via the August 2009 cash tender offer at ¥610 per share for shares of Hitachi Plant Technologies and a subsequent acquisition measure.

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

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

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

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

B. Business Overview

Main Categories of Products and Services

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

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

Information & Telecommunication Systems. Systems integration, outsourcing services, software, disk array subsystems, servers, mainframes, telecommunications equipment and ATMs;

Power Systems. Thermal, nuclear, hydroelectric and wind power generation systems;

Social Infrastructure & Industrial Systems. Industrial machinery and plants, elevators, escalators and railway vehicles and systems;

Electronic Systems & Equipment. Semiconductor and LCD manufacturing equipment, test and measurement equipment, medical electronics equipment, power tools and electronic parts manufacturing systems;

Construction Machinery. Hydraulic excavators, wheel loaders and mining dump trucks;

High Functional Materials & Components. Wires and cables, copper products, semiconductor and display-related materials, circuit boards and materials, specialty steels, magnetic materials and components and high grade casting components and materials;

Automotive Systems. Engine management systems, electric powertrain systems, drive control systems and car information systems;

Components & Devices. HDDs, LCDs, information storage media and batteries;

Digital Media & Consumer Products. Optical disk drives, flat-panel television sets, LCD projectors, room air conditioners, refrigerators, washing machines and air-conditioning equipment;

Financial Services. Leasing and loan guarantees; and

Others. Logistics and property management.

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Sales and Distribution

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

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

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

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

Segment Information

Financial Data by Segment

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

Financial Services	6,660	5	8,518	4	14,255	3
Others	24,515	17	19,423	8	28,930	6
Subtotal	144,611	100%	231,994	100%	457,174	100%
Eliminations and Corporate Items	(17,465)		(29,835)		(12,666)	
Total	127,146		202,159		444,508	

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Revenues by Geographic Area (note 2)

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

Notes:

(1) Revenues by segment include intersegment transactions.

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

Description of Segments

Information & Telecommunication Systems

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

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

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

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

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

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

Power Systems

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

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

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

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

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

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

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

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

Social Infrastructure & Industrial Systems

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

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

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

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

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

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

Electronic Systems & Equipment

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

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

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

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

Construction Machinery

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

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

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

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

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

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

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High Functional Materials & Components

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

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

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

Automotive Systems

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

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

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

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

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

Components & Devices

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

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

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

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

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

Digital Media & Consumer Products

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

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

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

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

Financial Services

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

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

Others

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

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

Competition

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

Seasonality

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

Sources of Supply

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

Intellectual Property and Licenses

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

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

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Government Regulations

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

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

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

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

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

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

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C. Organizational Structure

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

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

Hitachi Consumer Products (Thailand), Ltd.	Thailand	80.1
Financial Services		
Hitachi Capital Corporation	Japan	60.7%
Others		
Chuo Shoji, Ltd.	Japan	100.0%