

HITACHI LTD  
Form 6-K  
September 01, 2011  
Table of Contents

## **FORM 6-K**

# **SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of September 2011**

**Commission File Number 1-8320**

## **Hitachi, Ltd.**

**(Translation of registrant's name into English)**

**6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8280, Japan**

**(Address of principal executive offices)**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

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Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If  is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

**Table of Contents**

This report on Form 6-K contains the following:

1. Translation of quarterly report filed with the Japanese government pursuant to the Financial Instruments and Exchange Act of Japan
2. Press release dated August 31, 2011 regarding memorandum of understanding regarding integration of small- and medium-sized display businesses among four companies

**Table of Contents**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Hitachi, Ltd.  
(Registrant)

Date September 1, 2011

By /s/ Toshiaki Kuzuoka  
Toshiaki Kuzuoka  
Senior Vice President and Executive Officer

**Table of Contents**

(English Summary)

Quarterly Report

pursuant to Article 24-4-7.1 of

the Financial Instruments and Exchange Act of Japan

For the First Quarter of 143rd Business Term

(from April 1, 2011 to June 30, 2011)

Hitachi, Ltd.

Tokyo, Japan

Notes:

1. This is an English summary of the Quarterly Report filed with the Director of the Kanto Local Finance Bureau of the Financial Services Agency on August 8, 2011 pursuant to the Financial Instruments and Exchange Act of Japan. Certain information which has been previously filed with the SEC in other reports or is not material is omitted from this English summary.
2. Unless the context indicates otherwise, the term "Company" refers to Hitachi, Ltd. and the term "Hitachi" refers to the Company and its consolidated subsidiaries.

**Table of Contents**

**CAUTIONARY STATEMENT**

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

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

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

exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi's assets and liabilities are denominated, particularly against the U.S. dollar and the euro;

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

uncertainty as to general market price levels for equity securities in Japan, declines in which may require Hitachi to write down equity securities that it holds;

the potential for significant losses on Hitachi's investments in equity method affiliates;

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

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

rapid technological innovation;

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

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

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fluctuations in product demand and industry capacity;

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

uncertainty as to Hitachi's ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;

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

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

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

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

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

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

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

**Table of Contents**

uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers;

uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its significant employee benefit-related costs; and

uncertainty as to Hitachi's ability to attract and retain skilled personnel.

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



**Table of Contents****Outline****1. Consolidated Financial Summary**

	(Millions of yen, except per share amounts)		
	Three months ended June 30, 2010	Three months ended June 30, 2011	Year ended March 31, 2011
Revenues	2,152,566	2,150,693	9,315,807
Income before income taxes	144,284	41,154	432,201
Net income attributable to Hitachi, Ltd.	86,058	2,931	238,869
Comprehensive income	92,068	24,433	228,459
Total Hitachi, Ltd. Stockholders' equity	1,354,119	1,440,280	1,439,865
Total equity	2,335,084	2,445,087	2,441,389
Total assets	9,458,768	9,433,634	9,185,629
Net income attributable to Hitachi, Ltd. stockholders per share, Basic (yen)	19.06	0.65	52.89
Net income attributable to Hitachi, Ltd. stockholders per share, Diluted (yen)	17.80	0.61	49.38
Total Hitachi, Ltd. stockholders' equity ratio (%)	14.3	15.3	15.7
Cash flows from operating activities	131,502	(228)	841,554
Cash flows from investing activities	(79,567)	(114,323)	(260,346)
Cash flows from financing activities	26,594	306,041	(584,176)
Cash and cash equivalents at end of period	655,769	744,946	554,810

Note: The consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States.

**2. Principal Businesses**

There was no material change in principal businesses of Hitachi during the three months ended June 30, 2011.

Changes of businesses in each segment and major consolidated subsidiaries during the three months ended June 30, 2011 were as follows.

Effective from April 1, 2011, the batteries business was reclassified from the Components & Devices segment to the Automotive Systems segment.

Hitachi Maxell Energy, Ltd., a wholly owned subsidiary of the Company in the Automotive Systems segment, was established through a separation of its batteries business from Hitachi Maxell, Ltd. on April 1, 2011.

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**Table of Contents**

**Business**

**1. Risk Factors**

There was no new risk factor recognized during the three months ended June 30, 2011.

Material changes in the risk factors stated in the annual report for the 142nd business term pursuant to the Financial Instruments and Exchange Act of Japan were as follows.

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

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

**2. Contracts**

No material contracts were entered into during the three months ended June 30, 2011.

**3. Financial Condition, Business Results and Cash Flows**

**(1) Outline of Business Results**

Effective from April 1, 2011, there was a change in segmentation between the Automotive Systems and the Components & Devices segments. Figures for each segment, including figures for the three months ended June 30, 2010 reflect the new segmentations.

**Business Results**

During the three months ended June 30, 2011, the Chinese economy and other emerging nations' economies continued to grow and the U.S. and European economies generally showed a moderate recovery trend.

The Japanese economy experienced the power supply restrictions, disruptions to supply chains for parts and components and other factors caused by the Great East Japan Earthquake of March 11.

Under these conditions, total revenues in the three months ended June 30, 2011 was ¥2,150.6 billion, which was the same level as in the three months ended June 30, 2010. This was attributable to higher revenues in the Others, Construction Machinery and Information & Telecommunication Systems segments, despite the effects of the Great East Japan Earthquake.

Cost of sales in the three months ended June 30, 2011 increased 2% compared with the three months ended June 30, 2010, to ¥1,626.0 billion, and the ratio of cost of sales to revenues accounted for 76% in the three months ended June 30, 2011, compared with 74% in the three months ended June 30, 2010.

Selling, general and administrative expenses in the three months ended June 30, 2011 increased 1% compared with the three months ended June 30, 2010, to ¥472.2 billion and their ratio to revenues was 22% in the three months ended June 30, 2011, which was the same level as in the three months ended June 30, 2010.

Other income in the three months ended June 30, 2011 was ¥6.0 billion, a ¥65.9 billion decrease compared with the three months ended June 30, 2010, due primarily to absence of large net gains from the sale of securities such as the sale of a substantial portion of shares of IPS Alpha Technology, Ltd. recorded in the three months ended June 30, 2010. Other deductions in the three months ended June 30, 2011 decreased ¥6.0 billion compared with the three months ended June 30, 2010, to ¥4.2 billion, due mainly to a decrease in exchange loss. Equity in net loss of affiliated companies in the three months ended June 30, 2011 increased ¥7.5 billion compared with the three months ended June 30, 2010, to

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¥12.3 billion, due mainly to recording losses at the Company's equity method affiliated company in the semiconductor industry.

## Table of Contents

As a result of the above, income before income taxes in the three months ended June 30, 2011 decreased 71% compared with the three months ended June 30, 2010, to ¥41.1 billion.

Income taxes amounted to ¥24.8 billion in the three months ended June 30, 2011, a decrease of ¥1.9 billion compared with the three months ended June 30, 2010.

As a result of the above, net income in the three months ended June 30, 2011 decreased 86% compared with the three months ended June 30, 2010, to ¥16.2 billion.

Net income attributable to noncontrolling interests amounted to ¥13.3 billion in the three months ended June 30, 2011, a decrease of ¥18.0 billion compared with the three months ended June 30, 2010.

As a result of the above, net income attributable to Hitachi, Ltd. in the three months ended June 30, 2011 decreased 97% compared with the three months ended June 30, 2010, to ¥2.9 billion.

## Business Results by Segment

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

### (Information & Telecommunication Systems)

The segment recorded revenues of ¥350.7 billion, an increase of 1% compared with the three months ended June 30, 2010, as a result of increased revenues from software and services business due to increased sales of consulting services and of software and services related to storage solutions business particularly in the overseas market, partially offset by lower hardware sales caused by the shortage of parts and components for some products in the wake of the Great East Japan Earthquake.

Segment profit increased ¥1.9 billion compared with the three months ended June 30, 2010, to ¥2.1 billion, due to higher earnings from hardware business, reflecting increased earnings from storage solutions stemming from growth in high-end models.

### (Power Systems)

Revenues decreased 6% compared with the three months ended June 30, 2010, to ¥166.3 billion due to lower sales of nuclear power systems in the aftermath of the Great East Japan Earthquake. These decreased revenues were also attributable to a decrease in revenues from coal-fired power systems in the overseas market.

Segment profit decreased ¥7.8 billion compared with the three months ended June 30, 2010, to loss of ¥3.2 billion.

### (Social Infrastructure & Industrial Systems)

The segment recorded revenues of ¥229.8 billion, a decrease of 1% compared with the three months ended June 30, 2010 due to lower sales of plant-related equipment and construction, partially offset by higher sales of railway systems mainly in the overseas market, and increased sales of elevators and escalators in the Chinese market.

Segment profit decreased 62% compared with the three months ended June 30, 2010, to ¥0.9 billion due primarily to lower sales and the impact of the Great East Japan Earthquake.

### (Electronic Systems & Equipment)

Revenues decreased 2% compared with the three months ended June 30, 2010, to ¥246.1 billion, due to lower sales in the semiconductor- and display-related products, parts and components sales business at Hitachi High-Technologies Corporation affected by the Great East Japan Earthquake. This decrease was partially offset by higher sales of Hitachi Medical Corporation resulting from consolidating Aloka Co., Ltd. (currently Hitachi Aloka Medical, Ltd.) in January 2011.

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Segment profit increased 33% compared with the three months ended June 30, 2010, to ¥7.1 billion, reflecting higher earnings at Hitachi Kokusai Electric Inc. and Hitachi Koki Co., Ltd. due mainly to efforts to reduce costs.

## Table of Contents

### (Construction Machinery)

Revenues increased 6% compared with the three months ended June 30, 2010, to ¥172.5 billion due primarily to strong demand for hydraulic excavators in the emerging markets, particularly in the Asian markets, as well as in the industrialized countries, mainly in the U.S. This increase was partially offset by the impact of the Great East Japan Earthquake and lower demand in China.

Segment profit increased 59% compared with the three months ended June 30, 2010, to ¥11.0 billion.

### (High Functional Materials & Components)

Revenues in the three months ended June 30, 2011 were ¥347.0 billion, which were the same level as in the three months ended June 30, 2010. Although Hitachi Cable, Ltd. and Hitachi Metals, Ltd. recorded higher sales, sales at Hitachi Chemical Co., Ltd. declined due to the suspension of operations at some factories within the exclusion zone created by the Japanese government after the accident at the Fukushima Daiichi Nuclear Power Station owned by The Tokyo Electric Power Company, Incorporated.

Segment profit decreased 26% compared with the three months ended June 30, 2010, to ¥19.3 billion due to a decrease in profits at Hitachi Chemical and Hitachi Metals, partially offset by an increase in profit at Hitachi Cable owing to higher sales and cost reduction.

### (Automotive Systems)

Revenues decreased 4% compared with the three months ended June 30, 2010, to ¥177.1 billion, due primarily to lower production of Japanese automakers as a result of the Great East Japan Earthquake.

The segment recorded profit of ¥2.0 billion, an increase of 6% compared with the three months ended June 30, 2010, mainly reflecting the benefits of cost reductions, despite the lower revenues.

### (Components & Devices)

Revenues were ¥177.7 billion, a decrease of 8% compared with the three months ended June 30, 2010, due primarily to decrease in revenues from hard disk drives affected by price declines and the yen's appreciation.

Segment profit decreased 74% compared with the three months ended June 30, 2010, to ¥4.9 billion, due mainly decline in profitability of the hard disk drives business.

### (Digital Media & Consumer Products)

Revenues decreased 9% compared with the three months ended June 30, 2010, to ¥233.1 billion. This decline in revenues reflected lower sales of optical disk drive-related products owing to shortages of parts and components caused by the Great East Japan Earthquake and to the yen's appreciation. Lower sales of flat-panel TVs due to lower sales prices also contributed to the decreased revenues. However, this decreased revenues were partially offset by higher sales of room air conditioners mainly in Japan, spurred by demand for upgrading to energy-saving models.

Segment profit decreased 54% compared with the three months ended June 30, 2010, to ¥3.2 billion, due primarily to lower revenues.

### (Financial Services)

Revenues decreased 2% compared with the three months ended June 30, 2010, to ¥92.4 billion, due to lower revenues in the finance services business at Hitachi Capital Corporation in the aftermath of the Great East Japan Earthquake. This decrease was partially offset by higher revenues from the overseas business and new business, including debt collection services.

Segment profit increased 34% compared with the three months ended June 30, 2010, to ¥6.9 billion, reflecting higher earnings at Hitachi Capital because of increased revenues from the overseas and new businesses and reduced credit costs.

### (Others)

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Revenues were ¥226.9 billion, an increase of 26% compared with the three months ended June 30, 2010 due to higher revenues at Hitachi Transport System, Ltd. owing to the effect of making Vantec Corporation a consolidated subsidiary in April 2011 and healthy growth in sales in third-party logistics solutions.

Segment profit decreased 3% compared with the three months ended June 30, 2010, to ¥5.7 billion, due mainly to the effect of the Great East Japan Earthquake, despite higher earnings at Hitachi Transport System in line with higher revenues.

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## Table of Contents

### Revenues by Market

Revenues in Japan in the three months ended June 30, 2011 were ¥1,177.1 billion, which were the same level as in the three months ended June 30, 2010. Although the Others segment posted higher revenues at Hitachi Transport System due mainly to the consolidation of Vantec and healthy growth in sales in third-party logistics solutions, this effect was offset by decline in revenues in the Components & Devices, Electronic Systems & Equipment, and Automotive Systems segments.

Overseas revenues decreased 1% compared with the three months ended June 30, 2010, to ¥973.5 billion. This result was attributable to declined revenues in the Digital Media & Consumer Products and Power Systems segments, partially offset by higher revenues in the Others segment due primarily to the consolidation of Vantec at Hitachi Transport System and higher revenues in the Electronic Systems & Equipment and Construction Machinery segments.

As a result, the ratio of overseas revenues to total revenues was 45%, which was the same level as in the three months ended June 30, 2010.

(2) Summary of Financial Position, etc.

### Liquidity and Capital Resources

During the three months ended June 30, 2011, the Company had no major changes in the policies of maintaining liquidity and ensuring funds, efforts for improvement in fund management efficiency, and ideas regarding funding sources and fundraising.

### Cash Flows

(Cash flows from operating activities)

Net income in the three months ended June 30, 2011 decreased ¥101.2 billion compared with the three months ended June 30, 2010, to ¥16.2 billion, due primarily to decreased operating income. Increase in inventories in the three months ended June 30, 2011 was ¥202.0 billion, a ¥58.1 billion increase compared with the three months ended June 30, 2010, due primarily to seasonal reasons and continuing influence of delay in shipment of products and customers' acceptance inspection caused by the Great East Japan Earthquake. As a result of the foregoing, operating activities used net cash of ¥0.2 billion in the three months ended June 30, 2011, in contrast to the net cash of ¥131.5 billion provided in operating activities in the three months ended June 30, 2010.

(Cash flows from investing activities)

A net sum of ¥66.5 billion in the three months ended June 30, 2011 was recorded as investments related to property, plant and equipment, where the collection of investments in leases, the proceeds from disposal of property, plant and equipment and the proceeds from disposal of tangible assets and software to be leased were subtracted from the amount of the capital expenditures, the purchase of intangible assets and the purchase of tangible assets and software to be leased. This net sum increased by ¥7.8 billion compared with the three months ended June 30, 2010. Proceeds from sale of investments in securities and shares of consolidated subsidiaries resulting in deconsolidation in the three months ended June 30, 2011 decreased ¥75.1 billion compared with the three months ended June 30, 2010, to ¥6.9 billion, due mainly to absence of large selling such as selling shares of IPS Alpha Technology in the three months ended June 30, 2010. Purchase of investments in securities and shares of newly consolidated subsidiaries in the three months ended June 30, 2011 decreased ¥11.0 billion compared with the three months ended June 30, 2010, to ¥53.1 billion, despite the purchase of shares of Vantec. As a result of the foregoing, investing activities used net cash of ¥114.3 billion in the three months ended June 30, 2011, an increase of ¥34.7 billion compared with the three months ended June 30, 2010.

(Cash flows from financing activities)

Net increase in short-term debt was ¥391.4 billion, an increase of ¥219.3 billion compared with the three months ended June 30, 2010, due primarily to seasonal factors and the issuance of commercial paper ready to cope with jittery credit markets after the Great East Japan Earthquake. Financing activities provided net cash of ¥306.0 billion in the three months ended June 30, 2011, an increase of ¥279.4 billion compared with the three months ended June 30, 2010.

As a result of the above items, in the three months ended June 30, 2011 cash and cash equivalents increased ¥190.1 billion, to ¥744.9 billion as of June 30, 2011. Free cash flows, the sum of cash flows from operating and investing activities, were an outflow of ¥114.5 billion in the three months ended June 30, 2011, compared with an inflow of ¥51.9 billion the three months ended June 30, 2010.





**Table of Contents****Assets, Liabilities, and Stockholders' Equity**

Total assets as of June 30, 2011 were ¥9,433.6 billion, an increase of ¥248.0 billion from March 31, 2011. This was due mainly to an increase in cash and cash equivalents to ensure the Company was ready to cope with jittery credit markets after the Great East Japan Earthquake and an increase in inventories owing to seasonal reasons and continuing influence of delay in shipment of products and customers' acceptance inspection caused by the Great East Japan Earthquake.

Total interest-bearing debt as of June 30, 2011, which is the sum of short-term debt, long-term debt and non-recourse borrowings of consolidated securitization entities, increased to ¥2,860.0 billion, a ¥338.5 billion increase from March 31, 2011. This was due mainly to an increase in working capital due to seasonal factors, as well as an increase in short-term debt, mainly owing to the issuance of commercial paper, to ensure the Company was ready to cope with jittery credit markets after the Great East Japan Earthquake.

Noncontrolling interests as of June 30, 2011 increased by ¥3.2 billion from March 31, 2011, to ¥1,004.8 billion.

Total Hitachi, Ltd. stockholders' equity as of June 30, 2011 increased by ¥0.4 billion from March 31, 2011, to ¥1,440.2 billion. As a result, the ratio of stockholders' equity to total assets was 15.3%, compared with 15.7% as of March 31, 2011. The ratio of the interest-bearing debt to the total equity (the sum of total Hitachi, Ltd. stockholders' equity and noncontrolling interests) increased to 1.17, compared with 1.03 as of March 31, 2011, due mainly to an increase in the short-term debt.

**(3) Business Strategy**

There was no material change in Hitachi's business strategy during the three months ended June 30, 2011.

**4. Research and Development Expense (Consolidated basis)**

	(Billions of yen)
	Three months ended June 30, 2011
<b>Segment</b>	
Information & Telecommunication Systems	18.7
Power Systems	3.6
Social Infrastructure & Industrial Systems	4.7
Electronic Systems & Equipment	10.7
Construction Machinery	3.9
High Functional Materials & Components	11.2
Automotive Systems	12.4
Components & Devices	16.9
Digital Media & Consumer Products	5.6
Financial Services	0.1
Others	0.5
Corporate	5.3
<b>Total</b>	<b>94.0</b>

**Table of Contents****Information on the Company**

<b>1. Capital as of June 30, 2011</b>	409,130 million yen
<b>2. Matters Concerning Shares</b>	

Authorized (Common Stock)	10,000,000,000 shares
Shares Issued (Common Stock)	
Number of shares issued as of June 30, 2011:	4,520,151,272 shares*
Number of shares issued as of August 8, 2011:	4,520,151,272 shares**

\* Number of shares issued increased 6,308 shares during the three months ended June 30, 2011, due to exercise of stock acquisition rights pertaining to the bonds.

\*\* This number does not include number of shares increased due to exercise of stock acquisition rights pertaining to the bonds from August 1, 2011 to August 8, 2011.

The common stock of the Company is listed on the Tokyo, Osaka, Nagoya, Fukuoka and Sapporo stock exchanges in Japan and on the New York Stock Exchange overseas.

**3. Total Number of Voting Rights Held by All the Shareholders**

4,488,835 voting rights (as of March 31, 2011)

**4. Change in Senior Management**

There was no change in senior management from the filing date of the annual report for the 142nd business term to June 30, 2011.

**Table of Contents****Financial Statements****CONSOLIDATED BALANCE SHEETS**

Hitachi, Ltd. and Subsidiaries

June 30, 2011 and March 31, 2011

	Millions of yen	
	June 30, 2011	March 31, 2011
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents (note 5)	744,946	554,810
Short-term investments (note 3)	26,464	16,598
Trade receivables, net of allowance for doubtful receivables of ¥36,252 million as of June 30, 2011 and ¥36,763 million as of March 31, 2011:		
Notes (notes 5, 12 and 19)	106,598	100,694
Accounts (notes 5 and 19)	1,823,032	1,990,225
Investments in leases (notes 5 and 19)	232,974	228,346
Current portion of financial assets transferred to consolidated securitization entities (notes 5 and 19)	163,597	183,559
Inventories (note 4)	1,536,752	1,341,768
Prepaid expenses and other current assets (note 5)	529,293	484,029
<b>Total current assets</b>	<b>5,163,656</b>	<b>4,900,029</b>
Investments and advances, including affiliated companies (notes 3 and 5)	599,140	614,145
<b>Property, plant and equipment:</b>		
Land	483,758	471,155
Buildings	1,934,260	1,909,825
Machinery and equipment	5,552,612	5,528,889
Construction in progress	61,455	53,558
	8,032,085	7,963,427
Less accumulated depreciation	5,907,513	5,852,157
<b>Net property, plant and equipment</b>	<b>2,124,572</b>	<b>2,111,270</b>
<b>Intangible assets (note 6):</b>		
Goodwill	203,167	171,500
Other intangible assets	353,843	356,518
<b>Total intangible assets</b>	<b>557,010</b>	<b>528,018</b>
Financial assets transferred to consolidated securitization entities (notes 5 and 19)	274,520	304,160
Other assets (notes 5 and 19)	714,736	728,007
<b>Total assets</b>	<b>9,433,634</b>	<b>9,185,629</b>

See accompanying notes to consolidated financial statements.



**Table of Contents**

	Millions of yen	
	June 30, 2011	March 31, 2011
<b>Liabilities and Equity</b>		
<b>Current liabilities:</b>		
Short-term debt	870,133	472,588
Current portion of long-term debt	354,766	338,218
Current portion of non-recourse borrowings of consolidated securitization entities (note 5)	171,119	190,868
<b>Trade payables:</b>		
Notes	22,130	20,430
Accounts	1,213,205	1,236,758
Accrued expenses (note 12)	842,295	933,918
Income taxes	29,101	73,514
Advances received	432,173	395,605
Other current liabilities	479,254	426,925
<b>Total current liabilities</b>	<b>4,414,176</b>	<b>4,088,824</b>
<b>Long-term debt</b>	<b>1,271,193</b>	<b>1,300,311</b>
Non-recourse borrowings of consolidated securitization entities (note 5)	192,852	219,566
Retirement and severance benefits	869,559	891,815
Other liabilities	240,767	243,724
<b>Total liabilities</b>	<b>6,988,547</b>	<b>6,744,240</b>
Commitments and contingencies (note 12)		
<b>Equity (note 11):</b>		
Common stock (note 8)	409,130	409,129
Capital surplus	602,247	603,133
Legal reserve and retained earnings (note 10)	911,414	922,036
Accumulated other comprehensive loss	(481,119)	(493,062)
Treasury stock, at cost (note 9)	(1,392)	(1,371)
<b>Total Hitachi, Ltd. stockholders equity</b>	<b>1,440,280</b>	<b>1,439,865</b>
Noncontrolling interests (note 11)	1,004,807	1,001,524
<b>Total equity</b>	<b>2,445,087</b>	<b>2,441,389</b>
<b>Total liabilities and equity</b>	<b>9,433,634</b>	<b>9,185,629</b>

See accompanying notes to consolidated financial statements.

**Table of Contents****CONSOLIDATED STATEMENTS OF OPERATIONS**

Hitachi, Ltd. and Subsidiaries

Three months ended June 30, 2011 and 2010

	<b>Millions of yen</b>	
	<b>2011</b>	<b>2010</b>
Revenues	2,150,693	2,152,566
Cost of sales	(1,626,010)	(1,594,464)
Selling, general and administrative expenses	(472,280)	(469,627)
Impairment losses for long-lived assets	(31)	(102)
Restructuring charges (note 13)	(562)	(131)
Interest income	3,850	3,171
Dividends income	3,058	2,210
Other income (note 14)	6,030	71,956
Interest charges	(7,033)	(6,306)
Other deductions (note 14)	(4,237)	(10,237)
Equity in net loss of affiliated companies	(12,324)	(4,752)
Income before income taxes	41,154	144,284
Income taxes	(24,889)	(26,816)
Net income	16,265	117,468
Less net income attributable to noncontrolling interests	13,334	31,410
Net income attributable to Hitachi, Ltd.	2,931	86,058
	<b>Yen</b>	
Net income attributable to Hitachi, Ltd. stockholders per share (note 15):		
Basic	0.65	19.06
Diluted	0.61	17.80

See accompanying notes to consolidated financial statements.

**Table of Contents****CONSOLIDATED STATEMENTS OF CASH FLOWS**

Hitachi, Ltd. and Subsidiaries

Three months ended June 30, 2011 and 2010

	Millions of yen	
	2011	2010
Cash flows from operating activities:		
Net income	16,265	117,468
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	87,297	95,097
Amortization	27,866	27,556
Impairment losses for long-lived assets	31	102
Equity in net loss of affiliated companies	12,324	4,752
Gain on sale of investments in securities and other	(605)	(70,486)
Impairment of investments in securities	657	232
Gain on disposal of rental assets and other property	(5,784)	(1,106)
Decrease in receivables	221,642	283,584
Increase in inventories	(202,088)	(143,976)
(Increase) decrease in prepaid expenses and other current assets	(31,853)	11,763
Decrease in payables	(42,592)	(38,822)
Decrease in accrued expenses and retirement and severance benefits	(111,920)	(115,567)
Decrease in accrued income taxes	(26,451)	(19,484)
Increase (decrease) in other current liabilities	40,843	(17,766)
Net change in lease receivables related to the Company's and its subsidiaries' products	12,377	7,854
Other	1,763	(9,699)
Net cash provided by (used in) operating activities	(228)	131,502
Cash flows from investing activities:		
Capital expenditures	(62,458)	(51,412)
Purchase of intangible assets	(21,153)	(21,418)
Purchase of tangible assets and software to be leased	(64,596)	(68,824)
Proceeds from disposal of property, plant and equipment	9,064	5,690
Proceeds from disposal of tangible assets and software to be leased	5,021	6,430
Collection of investments in leases	67,563	70,861
Purchase of investments in securities and shares of newly consolidated subsidiaries	(53,193)	(64,248)
Proceeds from sale of investments in securities and shares of consolidated subsidiaries resulting in deconsolidation	6,996	82,125
Refund of deposit received for sale of investment in affiliated company		(43,550)
Other	(1,567)	4,779
Net cash used in investing activities	(114,323)	(79,567)
Cash flows from financing activities:		
Increase in short-term debt, net	391,415	172,029
Proceeds from long-term debt	54,700	80,879
Payments on long-term debt	(118,842)	(214,810)
Proceeds from sale of common stock by subsidiaries	170	113
Dividends paid to Hitachi, Ltd. stockholders	(13,590)	(6)
Dividends paid to noncontrolling interests	(6,496)	(7,825)
Acquisition of common stock for treasury	(25)	(28)
Proceeds from sales of treasury stock	4	12
Purchase of shares of consolidated subsidiaries from noncontrolling interest holders	(1,236)	(246)
Proceeds from sale of shares of consolidated subsidiaries from noncontrolling interest holders		9
Other	(59)	(3,533)



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Net cash provided by financing activities	306,041	26,594
Effect of consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810		12,030
Effect of exchange rate changes on cash and cash equivalents	(1,354)	(12,374)
Net increase in cash and cash equivalents	190,136	78,185
Cash and cash equivalents at beginning of period	554,810	577,584
Cash and cash equivalents at end of period	744,946	655,769

See accompanying notes to consolidated financial statements.

**Table of Contents**

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2011**

(1) Nature of Operations

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

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

(a) Basis of Presentation

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

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

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries and all variable interest entities (VIEs) for which the Company or any of its consolidated entities is the primary beneficiary. The definition of a VIE is included in Accounting Standards Codification (ASC) 810, Consolidation. This guidance addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. The consolidated financial statements include accounts of certain subsidiaries whose closing dates differ from June 30 by 93 days or less to either comply with local statutory requirements or facilitate timely reporting. There have been no significant transactions, which would materially affect the Company's financial position and results of operations, with such subsidiaries during the period from their closing dates to June 30. Intercompany accounts and significant intercompany transactions have been eliminated in consolidation.

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

(c) Income Taxes

The Company computes interim income tax provisions by applying an estimated annual effective tax rate, which is reasonably determined considering the factors that will affect the tax rate including non-taxable transactions, tax credits and valuation allowances, to income before income taxes in accordance with the provisions for interim reporting included in ASC 740, Income Taxes. The effect of a change in judgment about the realization of deferred tax assets is recognized in the interim period in which the change occurs.



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**Table of Contents**

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2011**

(d) Accounting Changes

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

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

The effect of the adoption of the provisions amended by ASU 2009-16 and ASU 2009-17 is presented in note 5.

The Company adopted the provisions of ASC 605-25, Revenue Recognition - Multiple Element Arrangements, amended by Accounting Standards Update (ASU) 2009-13, Multiple-Deliverable Revenue Arrangements on April 1, 2011. The provisions supersede certain provisions regarding multiple element arrangements in ASC 605-25. The provisions require an entity to allocate arrangement consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices (the relative selling price method) following an established selling price hierarchy for determining the selling price of a deliverable, and eliminating the use of the residual method for multiple element arrangements subject to ASC 605-25. The provisions require both ongoing disclosures regarding an entity's multiple-deliverable revenue arrangements as well as certain transitional disclosures during periods after adoption. Entities may elect to adopt the provisions through either prospective application for revenue arrangements entered into, or materially modified, after the effective date or through retrospective application to all revenue arrangements for all periods presented.

The Company adopted the provisions of ASC 985, Software, amended by ASU 2009-14, Certain Revenue Arrangements That Include Software Elements on April 1, 2011. The provisions affect how entities account for revenue arrangements that contain both tangible products and software elements. Previously, arrangements containing both tangible products and software were accounted for based on the provisions regarding revenue recognition included in ASC 985, Software, if the software is considered more than incidental to the product or service. The provisions change revenue recognition for tangible products containing software elements and non-software elements that function together to deliver the tangible product's essential functionality by eliminating them from the scope of ASC 985. An entity must select the same transition method and same period for the adoption for both this guidance and the revisions to the multiple-deliverable revenue arrangements guidance required by ASU 2009-13.

**Table of Contents**

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2011**

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

The accounting policy that the Company applies is as follows.

***Revenue Recognition***

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

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

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

**Table of Contents**

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2011**

**Product Sales:**

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

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

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

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

**Table of Contents**

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2011**

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

**Service Revenues:**

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

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011****(3) Investments in Securities and Affiliated Companies**

Short-term investments as of June 30, 2011 and March 31, 2011 are as follows:

	Millions of yen	
	June 30, 2011	March 31, 2011
Investments in securities:		
Available-for-sale securities		
Government debt securities	14,156	2,907
Corporate debt securities	10,339	11,041
Other securities	1,429	2,610
Held-to-maturity securities	540	40
	26,464	16,598

Investments and advances, including affiliated companies as of June 30, 2011 and March 31, 2011 are as follows:

	Millions of yen	
	June 30, 2011	March 31, 2011
Investments in securities:		
Available-for-sale securities		
Equity securities	141,516	145,816
Government debt securities	325	325
Corporate debt securities	24,538	27,039
Other securities	7,023	6,697
Held-to-maturity securities	355	355
Cost-method investments	47,421	48,144
Investments in affiliated companies	306,339	316,443
Advances and other	71,623	69,326
	599,140	614,145



**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

The following tables are summaries of the amortized cost basis, gross unrealized holding gains, gross unrealized holding losses and aggregate fair value of available-for-sale securities by the consolidated balance sheet classifications as of June 30, 2011 and March 31, 2011.

	Millions of yen June 30, 2011			
	Amortized cost basis	Gross gains	Gross losses	Aggregate fair value
<b>Short-term investments:</b>				
Government debt securities	14,157		1	14,156
Corporate debt securities	9,916	489	66	10,339
Other securities	1,427	2		1,429
	25,500	491	67	25,924

<b>Investments and advances:</b>				
Equity securities	84,859	60,825	4,168	141,516
Government debt securities	309	16		325
Corporate debt securities	23,337	1,468	267	24,538
Other securities	7,018	97	92	7,023
	115,523	62,406	4,527	173,402
	141,023	62,897	4,594	199,326

	Millions of yen March 31, 2011			
	Amortized cost basis	Gross gains	Gross losses	Aggregate fair value
<b>Short-term investments:</b>				
Government debt securities	2,907			2,907
Corporate debt securities	10,798	252	9	11,041
Other securities	2,608	2		2,610
	16,313	254	9	16,558

<b>Investments and advances:</b>				
Equity securities	84,856	63,390	2,430	145,816
Government debt securities	311	14		325
Corporate debt securities	25,818	1,640	419	27,039
Other securities	6,684	99	86	6,697
	117,669	65,143	2,935	179,877

133,982 65,397 2,944 196,435

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

The following tables are summaries of gross unrealized holding losses on available-for-sale securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of June 30, 2011 and March 31, 2011.

	Millions of yen June 30, 2011			
	Less than 12 months		12 months or longer	
	Aggregate fair value	Gross losses	Aggregate fair value	Gross losses
Short-term investments:				
Corporate debt securities	14,442	67		
Investments and advances:				
Equity securities	16,557	2,572	5,313	1,596
Corporate debt securities	6,633	122	4,787	145
Other securities	36	1	270	91
	23,226	2,695	10,370	1,832
	37,668	2,762	10,370	1,832

	Millions of yen March 31, 2011			
	Less than 12 months		12 months or longer	
	Aggregate fair value	Gross losses	Aggregate fair value	Gross losses
Short-term investments:				
Corporate debt securities	5,691	9		
Investments and advances:				
Equity securities	9,378	1,183	4,381	1,247
Corporate debt securities	8,355	306	4,933	113
Other securities	100	40	215	46
	17,833	1,529	9,529	1,406
	23,524	1,538	9,529	1,406

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

The purchases of available-for-sale securities for the three months ended June 30, 2011 and 2010 were ¥13,167 million and ¥12,020 million respectively. The proceeds from the sale of available-for-sale securities for the three months ended June 30, 2011 and 2010 were ¥13 million and ¥4,426 million, respectively. The gross realized gains on the sale of those securities for the three months ended June 30, 2011 and 2010 were

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¥5 million and ¥1,393 million, respectively. There was no gross realized loss on the sale of those securities for the three months ended June 30, 2011. The gross realized loss on the sale of those securities for the three months ended June 30, 2010 was ¥154 million.

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

The contractual maturities of debt securities and other securities classified as investments and advances in the consolidated balance sheet as of June 30, 2011 are as follows:

	<b>Held-to- Maturity</b>	<b>Millions of yen Available- for-sale</b>	<b>Total</b>
Due within five years	355	12,156	12,511
Due after five years through ten years		5,207	5,207
Due after ten years		14,523	14,523
	355	31,886	32,241

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

The aggregate carrying amounts of cost-method investments which were not evaluated for impairment as of June 30, 2011 and March 31, 2011 were ¥46,782 million and ¥43,797 million, respectively, mainly because it is not practicable to estimate the fair value of the investments due to lack of a market price and difficulty in estimating fair value without incurring excessive cost and the Company did not identify any events or changes in circumstances that might have had a significant adverse effect on their fair value.

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011****(4) Inventories**

Inventories as of June 30, 2011 and March 31, 2011 are summarized as follows:

	Millions of yen	
	June 30, 2011	March 31, 2011
Finished goods	568,536	533,724
Work in process	698,917	566,127
Raw materials	269,299	241,917
	1,536,752	1,341,768

**(5) Securitizations**

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

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

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

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

Most of the transactions transferring lease and mortgage loans receivable utilized securitization trusts prior to April 1, 2010. In those transactions, certain subsidiaries initially transferred the receivables to trusts that had satisfied the conditions of Qualifying SPEs (QSPEs), and received the beneficial interests in trusts originated from the transferred assets. Subsequently, the subsidiaries transferred the interests to and received cash as consideration from SPEs that were not former QSPEs, as a part of securitization arrangements.



**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

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

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

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

**Consolidated SPEs**

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





**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

The tables below summarize the assets and liabilities of the consolidated SPEs as of June 30, 2011 and March 31, 2011 by type of transferred financial assets that those SPEs hold:

	Millions of yen June 30, 2011			
	Lease receivables	Mortgage loans receivable	Others	Total
Cash and cash equivalents	4,252	2,939	1,120	8,311
Current portion of financial assets transferred to consolidated securitization entities	95,418	11,033	57,146	163,597
Financial assets transferred to consolidated securitization entities	99,754	170,660	4,106	274,520
Current portion of non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	66,690		16,846	83,536
Beneficial interests in trusts	50,725	28,145	8,713	87,583
	117,415	28,145	25,559	171,119
Non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	35,831			35,831
Beneficial interests in trusts	24,011	130,485	2,525	157,021
	59,842	130,485	2,525	192,852

	Millions of yen March 31, 2011			
	Lease receivables	Mortgage loans receivable	Others	Total
Cash and cash equivalents	4,091	3,263	1,059	8,413
Current portion of financial assets transferred to consolidated securitization entities	109,589	11,236	62,734	183,559
Financial assets transferred to consolidated securitization entities	123,970	175,506	4,684	304,160
Current portion of non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	75,539		16,512	92,051
Beneficial interests in trusts	55,396	34,178	9,243	98,817
	130,935	34,178	25,755	190,868
Non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	51,359			51,359
Beneficial interests in trusts	34,053	131,196	2,958	168,207

85,412	131,196	2,958	219,566
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**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

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

**Transfers to unconsolidated entities**

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

Securitizations of lease receivables:

Hitachi Capital Corporation and certain other financing subsidiaries sold lease receivables to unconsolidated SPEs and other entities. Net gains recognized on the sale of these lease receivables for the three months ended June 30, 2011 and 2010 were ¥1,908 million and ¥1,728 million, respectively. The subsidiaries retained servicing responsibilities, but did not record a servicing asset or liability because the cost to service the receivables approximated the servicing income.

The table below summarizes cash flows received from and paid to the SPEs and other entities during the three months ended June 30, 2011 and 2010:

	Millions of yen	
	Three months ended June 30, 2011	Three months ended June 30, 2010
Proceeds from transfer of lease receivables	24,645	28,910

The amounts of initial fair value of subordinated interests for the three months ended June 30, 2011 and 2010 were ¥4,763 million and ¥4,694 million, respectively. The subordinated interests relating to securitizations of lease receivables are initially classified as Level 3 assets within the fair value hierarchy. The initial fair value of the subordinated interests is determined based on economic assumptions including weighted-average life, expected credit risks, and discount rates.

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

Quantitative information about delinquencies, net credit losses, and components of lease receivables subject to transfer and other assets managed together as of and for the three months ended June 30, 2011 and as of and for the year ended March 31, 2011 is as follows:

	Total principal amount of receivables	Millions of yen June 30, 2011 Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Lease receivables	988,187	789	105
Assets transferred	(169,540)		
Assets held in portfolio	818,647		

	Total principal amount of receivables	Millions of yen March 31, 2011 Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Lease receivables	1,025,462	140	1,128
Assets transferred	(158,461)		
Assets held in portfolio	867,001		

As of June 30, 2011 and March 31, 2011, the amounts of the maximum exposure to loss were ¥39,984 million and ¥32,194 million, respectively. It mainly consists of the subordinated interests and the obligations to purchase assets with a scope that is considerably limited relating to these securitizations of lease receivables. As of June 30, 2011 and March 31, 2011, the amounts of the subordinated interests measured at fair value relating to these securitizations of lease receivables were ¥23,501 million and ¥18,941 million, respectively.

Securitizations of trade receivables excluding mortgage loans receivable:

The Company and certain subsidiaries sold trade receivables excluding mortgage loans receivable mainly to unconsolidated SPEs and other entities. During the three months ended June 30, 2011 and 2010, proceeds from the transfer of trade receivables excluding mortgage loans receivable were ¥124,080 million and ¥93,625 million, respectively, and net losses recognized on those transfers were ¥67 million and ¥83 million, respectively. The Company and certain subsidiaries retained servicing responsibilities, but did not record a servicing asset or liability because the cost to service the receivables approximated the servicing income.



**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

Quantitative information about delinquencies, net credit loss, and components of trade receivables excluding mortgage loans receivable subject to transfer and other assets managed together as of and for the three months ended June 30, 2011 and as of and for the year ended March 31, 2011 is as follows:

	<b>Total principal amount of receivables</b>	<b>Millions of yen June 30, 2011 Principal amount of receivables 90 days or more past due</b>	<b>Net credit loss</b>
<b>Total assets managed or transferred:</b>			
Trade receivables excluding mortgage loans receivable	691,312	2,447	623
Assets transferred	(203,766)		
Assets held in portfolio	487,546		

	<b>Total principal amount of receivables</b>	<b>Millions of yen March 31, 2011 Principal amount of receivables 90 days or more past due</b>	<b>Net credit loss</b>
<b>Total assets managed or transferred:</b>			
Trade receivables excluding mortgage loans receivable	733,090	2,698	1,025
Assets transferred	(232,374)		
Assets held in portfolio	500,716		

As of June 30, 2011 and March 31, 2011, the amounts of the maximum exposure to loss were ¥32,508 million and ¥36,067 million, respectively. It mainly consists of the subordinated interests and obligations to purchase assets with a scope that is considerably limited relating to these securitizations of trade receivables excluding mortgage loans receivable. As of June 30, 2011 and March 31, 2011, the amounts of the subordinated interests relating to these securitizations of trade receivables excluding mortgage loans receivable were ¥14,986 million and ¥16,337 million, respectively.

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011****(6) Goodwill and Other Intangible Assets**

Goodwill and other intangible assets included in other assets as of June 30, 2011 and March 31, 2011 are as follows:

	Millions of yen					
	June 30, 2011			March 31, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Goodwill	203,167		203,167	171,500		171,500
Amortized intangible assets:						
Software	730,443	614,074	116,369	727,016	612,361	114,655
Software for internal use	522,077	388,235	133,842	512,515	377,550	134,965
Patents	100,410	86,218	14,192	100,080	84,459	15,621
Other	181,916	109,094	72,822	181,362	106,422	74,940
	1,534,846	1,197,621	337,225	1,520,973	1,180,792	340,181
Indefinite-lived intangible assets	16,618		16,618	16,337		16,337

**(7) Retirement and Severance Benefits**

Net periodic benefit cost for the contributory funded benefit pension plans and the unfunded lump-sum payment plans for the three months ended June 30, 2011 and 2010 consists of the following components:

	Millions of yen	
	Three months ended June 30, 2011	Three months ended June 30, 2010
Service cost	17,214	18,092
Interest cost	13,016	13,352
Expected return on plan assets for the period	(8,630)	(8,426)
Amortization of prior service benefit	(5,672)	(6,087)
Recognized actuarial loss	22,237	22,123
Transfer to defined contribution pension plan	(499)	(121)
Employees contributions	(38)	(39)
	37,628	38,894



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(8) Common Stock

Issued shares of common stock as of June 30, 2011 and March 31, 2011 are as follows:

	Issued shares	
	June 30, 2011	March 31, 2011
Issued shares of common stock	4,520,151,272	4,520,144,964

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011****(9) Treasury Stock**

Shares of treasury stock as of June 30, 2011 and March 31, 2011 are as follows:

	Shares	
	June 30, 2011	March 31, 2011
Shares of treasury stock	2,592,921	2,544,077

**(10) Dividends**

Decision	Class of Shares	Cash dividends (Millions of yen)	Appropriation from	Cash dividends per share (Yen)	Record date	Effective Date
The Board of Directors on May 11, 2011	Common stock	13,553	Retained earnings	3.0	March 31, 2011	May 31, 2011

**(11) Equity**

The changes in the equity for the three months ended June 30, 2011 and 2010 are summarized as follows:

	Millions of yen Three months ended June 30, 2011		
	Total Hitachi, Ltd. stockholders equity	Noncontrolling interests	Total equity
Balance at beginning of period	1,439,865	1,001,524	2,441,389
Dividends to Hitachi, Ltd. stockholders	(13,553)		(13,553)
Dividends to noncontrolling interests		(9,352)	(9,352)
Equity transactions and other	(1,043)	3,213	2,170
Comprehensive income			
Net income	2,931	13,334	16,265
Other comprehensive income (loss), net of income taxes and reclassification adjustments:			
Foreign currency translation adjustments	1,477	(4,947)	(3,470)
Pension liability adjustments	12,873	888	13,761
Net unrealized holding gain on available-for-sale securities	(2,692)	(237)	(2,929)

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Cash flow hedges	422	384	806
Comprehensive income	15,011	9,422	24,433
Balance at end of period	1,440,280	1,004,807	2,445,087

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

	Millions of yen		
	Three months ended June 30, 2010		
	Total Hitachi, Ltd. stockholders equity	Noncontrolling interests	Total equity
Balance at beginning of period	1,284,658	983,187	2,267,845
Effect on retained earnings due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	(7,732)	(5,225)	(12,957)
Effect on accumulated other comprehensive loss due to consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810	(2,977)	(1,985)	(4,962)
Dividends to noncontrolling interests		(8,266)	(8,266)
Equity transactions and other	7,842	(6,486)	1,356
Comprehensive income			
Net income	86,058	31,410	117,468
Other comprehensive income (loss), net of income taxes and reclassification adjustments:			
Foreign currency translation adjustments	(18,196)	(11,423)	(29,619)
Pension liability adjustments	16,622	1,098	17,720
Net unrealized holding gain on available-for-sale securities	(12,468)	(1,822)	(14,290)
Cash flow hedges	312	477	789
<b>Comprehensive income</b>	<b>72,328</b>	<b>19,740</b>	<b>92,068</b>
Balance at end of period	1,354,119	980,965	2,335,084

Accumulated other comprehensive loss, net of income taxes, as of June 30, 2011 and March 31, 2011 consists of the following:

	Millions of yen	
	June 30, 2011	March 31, 2011
Foreign currency translation adjustments	(250,866)	(252,206)
Pension liability adjustments	(243,692)	(256,566)
Net unrealized holding gain on available-for-sale securities	14,212	16,905
Cash flow hedges	(773)	(1,195)
<b>Accumulated other comprehensive loss</b>	<b>(481,119)</b>	<b>(493,062)</b>

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011****(12) Commitments and Contingencies**

The Company and its operating subsidiaries are contingently liable for loan guarantees to its affiliates and others in the amount of approximately ¥52,314 million as of June 30, 2011.

Hitachi Capital Corporation (HCC) and certain other financial subsidiaries provide guarantees to financial institutions for extending loans to customers of the subsidiaries. As of June 30, 2011, the undiscounted maximum potential future payments under such guarantees amounted to ¥352,684 million. For providing these guarantees, the subsidiaries obtain collateral appropriate for the amount of the guarantees, and therefore, the Company considers the risk to be low. The Company accrued ¥12,773 million as an obligation to stand ready to perform over the term of the guarantees in the event the customer cannot make scheduled payments.

The subsidiaries provide certain revolving lines of credit to their credit card holders in accordance with the terms of the credit card business customer service contracts. In addition, the Company and HCC provide loan commitments to affiliates and others.

The outstanding balance of these revolving lines of credit, credit facilities and loan commitments as of June 30, 2011 is as follows:

	Millions of yen
Total commitment available	11,174
Less amount utilized	959
<b>Balance available</b>	<b>10,215</b>

A portion of these revolving lines of credit is pending credit approval and cannot be utilized.

The Company and certain subsidiaries have line of credit arrangements with banks in order to secure a financing source for business operations. The unused lines of credit as of June 30, 2011 amounted to ¥509,822 million, primarily related to unused lines of credit belonging to the Company. The Company maintains commitment line agreements with a number of banks and pays commissions as consideration. These commitment agreements generally provide a one-year term, and are subject to renewal at the end of the term. The unused availability under these agreements as of June 30, 2011 amounted to ¥200,000 million. The Company also maintains another commitment line agreement, whose three years and two months term ends in May 2013, with financing companies. The unused availability under this agreement as of June 30, 2011 amounted to ¥200,000 million.

It is a common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in the settlement of trade accounts receivable and to subsequently discount such notes to banks or to transfer them by endorsement to suppliers in the settlement of accounts payable. As of June 30, 2011 and March 31, 2011, the Company and subsidiaries were contingently liable for trade notes discounted and endorsed in the following amounts:

	Millions of yen	
	June 30, 2011	March 31, 2011
Notes discounted	2,674	3,593

Notes endorsed	1,980	1,851
	4,654	5,444

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

A certain subsidiary is contingently liable for the transfer of export receivables with recourse. As of June 30, 2011, the amount of transfer of export receivables with recourse was ¥10,826 million.

The Company and its subsidiaries provide warranties for certain of their products. The accrued product warranty costs are based primarily on historical experience of actual warranty claims. The changes in accrued product warranty costs for the three months ended June 30, 2011 and 2010 are summarized as follows:

	Millions of yen	
	Three months ended June 30, 2011	Three months ended June 30, 2010
Balance at beginning of period	55,329	56,957
Expense recognized upon issuance of warranties	4,176	3,240
Usage	(4,788)	(4,724)
Other, including effect of foreign currency translation	(3)	(538)
Balance at end of period	54,714	54,935

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

In September 2008, Chubu Electric Power Co., Inc. filed a lawsuit against the Company. Chubu Electric Power Co., Inc. seeks compensation for consequential losses of ¥41,800 million mostly composed of the additional costs to switch to thermal power arising from the shutdown at Hamaoka Nuclear Power Station No.5. In May 2009, Hokuriku Electric Power Company filed a lawsuit against the Company. Hokuriku Electric Power Company seeks compensation for consequential losses of ¥33,701 million mostly composed of the additional costs to switch to thermal power arising from the shutdown at Shika Nuclear Power Station No.2. The Company is vigorously defending itself in these lawsuits. The Company has not accrued for consequential losses related to these lawsuits. However, there can be no assurance that the Company will not be liable for any amount claimed.

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

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

**Table of Contents**

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2011**

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

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

In June 2009, a subsidiary of the Company in Japan received a grand jury subpoena in connection with the investigation conducted by the Antitrust Division of the U.S. Department of Justice and received requests for information from the European Commission, and a subsidiary of the Company in Korea was investigated in Singapore by the Competition Commission of Singapore, all in respect of alleged antitrust violations relating to optical disk drives. Those subsidiaries accrued the reasonably estimated amount for the loss in relation to the investigation.

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

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

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

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

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



**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011****(13) Restructuring Charges**

Certain losses incurred in the reorganization of the Company's operations are considered restructuring charges. Components and related amounts of the restructuring charges, before the related tax effects, for the three months ended June 30, 2011 and 2010 are as follows:

	Millions of yen	
	Three months ended	
	June 30, 2011	Three months ended June 30, 2010
Special termination benefits	538	131
Loss on fixed assets	24	0
	562	131

The Company and certain subsidiaries provided special termination benefits to those employees voluntarily leaving the companies. The accrued special termination benefits were recognized at the time voluntary termination was offered and benefits were accepted by the employees. An analysis of the accrued special termination benefits and one-time termination benefits, which certain subsidiaries provided due to the subsidiaries liquidations, for the three months ended June 30, 2011 and 2010 is as follows:

	Millions of yen	
	Three months ended	
	June 30, 2011	Three months ended June 30, 2010
Balance at beginning of the period	3,358	8,170
New charges	538	131
Cash payments	(2,027)	(3,480)
Foreign currency exchange rate changes	3	(86)
Balance at end of the period	1,872	4,735

**(14) Other Income and Other Deductions**

The following items are included in other income or other deductions for the three months ended June 30, 2011 and 2010.

	Millions of yen	
	Three months ended	Three months ended
	June 30,	June 30, 2010

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	<b>2011</b>	
Net gain (loss) on securities	(976)	70,325
Net gain on sale and disposal of rental assets and other property	6,030	1,631
Exchange loss	(3,118)	(9,996)

The major component of net gain on securities for the three months ended June 30, 2010 was related to a sale of shares of IPS Alpha Technology, Ltd., a former affiliated company accounted for by the equity method.

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011****(15) Net Income Per Share Information**

The reconciliations of the numbers and the amounts used in the basic and diluted net income attributable to Hitachi, Ltd. stockholders per share computations for the three months ended June 30, 2011 and 2010 are as follows:

	Number of shares	
	Three months ended June 30, 2011	Three months ended June 30, 2010
Weighted average number of shares on which basic net income per share is calculated	4,517,526,115	4,515,831,654
Effect of dilutive securities:		
Unsecured convertible bonds (due 2014)	313,437,515	315,436,544
Number of shares on which diluted net income per share is calculated	4,830,963,630	4,831,268,198
	Millions of yen	
	Three months ended June 30, 2011	Three months ended June 30, 2010
Net income attributable to Hitachi, Ltd. stockholders	2,931	86,058
Effect of dilutive securities:		
Unsecured convertible bonds (due 2014)	17	17
Other	(1)	(98)
Net income attributable to Hitachi, Ltd. stockholders on which diluted net income per share is calculated	2,947	85,977
	Yen	
Net income attributable to Hitachi, Ltd. stockholders per share:		
Basic	0.65	19.06
Diluted	0.61	17.80

**Table of Contents**

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2011**

(16) Concentrations of Credit Risk

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

(17) Derivative Instruments and Hedging Activities

Overall risk profile

The major manufacturing bases of the Company and its subsidiaries are located in Japan and Asia. The selling bases are located globally, and the Company and its subsidiaries generate approximately 45% of their sales from overseas for the three months ended June 30, 2011. These overseas sales are mainly denominated in the U.S. dollar or Euro. As a result, the Company and its subsidiaries are exposed to market risks from changes in foreign currency exchange rates.

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

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

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

Risk management policy

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

Foreign currency exchange rate risk management

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

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

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

highly effective in achieving offsetting changes in foreign currency exchange rates.

**Table of Contents**

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2011**

**Interest rate risk management**

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

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

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

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

**Fair value hedge**

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

**Cash flow hedge**

Foreign currency exposure:

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

Interest rate exposure:

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

**Table of Contents**

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2011**

(18) Fair Value

ASC 820 establishes a fair value hierarchy that prioritizes the use of observable inputs in markets over the use of unobservable inputs when measuring fair value as follows:

Level 1

Quoted prices for identical assets or liabilities in active markets.

Level 2

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

Level 3

Valuations using inputs that are not observable.

Investments in debt and equity securities

Investment securities of which quoted market prices are available to determine their fair value are included in Level 1. Level 1 securities include available-for-sale securities such as listed stocks on exchange markets, debt securities such as Japan treasury bonds and U.S. treasury bonds and exchange traded funds.

In the absence of an active market for investment securities, quoted prices for similar investment securities, quoted prices associated with transactions that are not distressed for identical or similar investment securities or other relevant information including market interest rate curves, referenced credit spreads or default rates, are used to determine fair value. These investments are included in Level 2. Level 2 securities include short-term investments and available-for-sale securities such as listed stocks traded over-the-counter, investment funds and debt securities traded over-the-counter.

In infrequent circumstances, the significant inputs of fair value for investment securities are unobservable and the Company mainly uses an income or market approach to corroborate relevant information provided by financial institutions. These investments are included in Level 3. Level 3 securities include available-for-sale securities such as subordinated debentures and structured bonds with little market activity.

Derivatives

Closing prices are used for derivatives included in Level 1, which are traded on active markets. The majority of derivatives are traded on over-the-counter markets, which the Company does not deem to represent active markets. Derivative assets and liabilities for which fair value is based on quoted prices associated with transactions that are not distressed, in markets that are not active, or based on models using interest rate curves and forward and spot prices for currencies and commodities are included in Level 2. Derivatives included in Level 2 primarily consist of interest rate swaps, cross-currency swaps and foreign currency and commodity forward and option contracts. In infrequent circumstances, the significant inputs of fair value are unobservable and the Company mainly uses an income or market approach to corroborate relevant information provided by financial institutions. These derivatives are included in Level 3.





**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011****Subordinated interests resulting from securitization**

When fair value is determined using observable inputs, including prices of recent transactions in markets that are not distressed, subordinated interests are included in Level 2. When significant inputs are not observable, fair value is determined based on economic assumptions used in measuring the fair value of the subordinated interests, including weighted-average life, expected credit risks, and discount rates, and the subordinated interests are included in Level 3.

The following tables present the assets and liabilities that are measured at fair value on a recurring basis and the fair value hierarchy classification as of June 30, 2011 and March 31, 2011. The carrying values on the consolidated balance sheets are recorded by the fair value of these assets and liabilities.

	Millions of yen June 30, 2011			
	Total Balance	Fair value hierarchy classification		
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Investments in securities				
Equity securities	141,516	140,754	762	
Government debt securities	14,481	14,468	13	
Corporate debt securities	34,877		4,855	30,022
Other	8,452	6,761	1,691	
Derivatives	21,980		21,980	
Subordinated interests resulting from securitization	37,508			37,508
	258,814	161,983	29,301	67,530

<b>Liabilities:</b>				
Derivatives	(9,546)		(9,546)	

	Millions of yen March 31, 2011			
	Total Balance	Fair value hierarchy classification		
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Investments in securities				
Equity securities	145,816	145,069	747	
Government debt securities	3,232	3,219	13	
Corporate debt securities	38,080		5,154	32,926
Other	9,307	6,434	2,873	
Derivatives	22,057		22,057	
Subordinated interests resulting from securitization	34,066			34,066
	252,558	154,722	30,844	66,992

<b>Liabilities:</b>				
Derivatives	(10,988)		(10,988)	



**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

The following tables present the changes in Level 3 instruments measured on a recurring basis for the three months ended June 30, 2011 and 2010.

	Millions of yen Three months ended June 30, 2011		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of period	32,926	34,066	66,992
Purchases	1,818	6,757	8,575
Sales	(800)		(800)
Settlements	(3,800)	(2,887)	(6,687)
Total gains or losses (realized/unrealized)			
Included in earnings (a)	(304)	54	(250)
Included in other comprehensive income	182	(482)	(300)
Balance at end of period	30,022	37,508	67,530
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2011	(300)		(300)

- (a) Level 3 gains and losses (realized and unrealized) included in earnings for the three months ended June 30, 2011 are reported in other income (deductions) for corporate debt securities and are reported in revenue for subordinated interests resulting from securitization.

Table of Contents**HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

	Millions of yen Three months ended June 30, 2010		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of period	28,933	115,417	144,350
Effect of consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810 (a)		(113,651)	(113,651)
Purchases, sales, issuances and settlements	2,593	3,887	6,480
Total gains or losses (realized/unrealized)			
Included in earnings (b)	328		328
Included in other comprehensive income	1,360		1,360
<b>Balance at end of period</b>	<b>33,214</b>	<b>5,653</b>	<b>38,867</b>

The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2010

- (a) A portion of subordinated interests resulting from securitization was eliminated because of the consolidation of securitization entities.
- (b) Level 3 gains and losses (realized and unrealized) included in earnings for the three months ended June 30, 2010 are reported in other income (deductions) for corporate debt securities and are reported in revenue for subordinated interests resulting from securitization.

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**Table of Contents**

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2011**

(19) Financing Receivables and Allowance for Doubtful Receivables

Financing receivables from equipment leases, installment arrangements, mortgage loans, and other receivables with a contractual maturity of one year or more are subject to disclosure as reported in this note. Trade receivables from sales of products or services that have contractual maturities of one year or less are excluded from financing receivables. Finance lease receivables are recorded based on the total minimum payments to be received and unguaranteed residual values less executory costs and unearned income. Installment loans, mortgage loans and other long-term receivables are reported on the amortized cost basis.

The Company classifies financing receivables aggregated and categorized as finance leases, installment loans, mortgage loans, and other, based on the nature of risks and characteristics as described below.

Finance leases are receivables from lease arrangements, including products manufactured by the Company and certain of its subsidiaries, such as information technology equipment, manufacturing machinery and equipment and construction machinery, typically secured by underlying assets. The primary locations of finance leases are Japan, United States, United Kingdom and China mainland. The lease term ranges from three to six years. The non-specific allowance for doubtful receivables is collectively determined on the basis of past collection experience, consideration of current economic conditions and changes in our customer collection trends as well as other factors that may affect the customers' ability to pay.

Installment loans represent receivables from arrangements with customers and dealers to provide financing primarily for products manufactured by the Company and certain of its subsidiaries, such as manufacturing machinery. Installment loans are typically secured by underlying assets. The primary locations of installment loans are Japan, United States and United Kingdom. The loan term is generally less than three years. The non-specific allowance is collectively determined on the basis of past collection experience, consideration of current economic conditions and changes in our customer collection trends as well as other factors that may affect the customers' ability to pay.

Mortgage loans are financing receivables from residential loan arrangements for individuals. Mortgage loans are usually arranged with collateral. The primary location of mortgage loans is Japan; more than fifty percent of mortgage loans are arranged for employees of the Company and its domestic subsidiaries. The term of mortgage loans is usually less than 30 years. The non-specific allowance is collectively determined on the basis of past collection experience, consideration of current economic conditions and changes in our customer collection trends as well as other factors that may affect the customers' ability to pay.

The subsidiaries in the financial services segment also provide services such as factoring, loan servicing, and other forms of commercial financing. Financing receivables resulting from those services are classified into other category. The contractual maturities associated with those services generally range over one to three years. The non-specific allowance is collectively determined on the basis of past collection experience, consideration of current economic conditions and changes in our customer collection trends as well as other factors that may affect the customers' ability to pay.

Also, common to all financing receivables, the Company and its subsidiaries individually evaluate collectability of financing receivables either by discounted cash flow analyses when they determine principal and interest of a financing receivable cannot be collected or by estimating the fair value of related collateral when applicable and further estimating the allowance for doubtful receivables. The Company and its subsidiaries have proprietary credit quality indicators appropriate to the unique

characteristics of their operations and the nature of their financing receivable portfolios. Based on such indicators as the duration of overdue payments, the unpaid amounts, the existence of extended payment terms, evaluation by third-party credit agencies, and the degree of debtors excessive debt, the Company and its subsidiaries classify and monitor their financial receivables into two categories: the individually evaluated receivables, and the collectively evaluated receivables.



**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

Interest income for long-term financing receivables is recognized on the accrual basis.

As of June 30, 2011 and March 31, 2011, financing receivables include past due receivables in the amount of ¥10,142 million and ¥9,714 million, respectively. Of these amounts, financing receivables past due 90 days or more and still accruing interest amounted to ¥2,358 million and ¥2,846 million, respectively.

The following tables present the allowance for doubtful receivables and recorded investment in financing receivables as of June 30, 2011 and March 31, 2011, and changes in the allowance for the three months ended June 30, 2011.

	Millions of yen June 30, 2011				
	Finance leases	Installment loans	Mortgage loans	Other	Total
<b>Allowance for doubtful receivables</b>					
Balance, March 31, 2011	6,136	2,420	231	7,842	16,629
Provision	1,176	570	74	1,252	3,072
Recovery and other	(1,164)	(446)	(126)	(515)	(2,251)
Write off	(139)	(202)		(505)	(846)
Balance, June 30, 2011	6,009	2,342	179	8,074	16,604
Applicable to amounts; Individually evaluated for impairment	1,845	992	94	4,734	7,665
Applicable to amounts; Collectively evaluated for impairment	4,164	1,350	85	3,340	8,939
<b>Financing receivables</b>					
Balance, June 30, 2011	824,656	123,699	211,843	215,384	1,375,582
Applicable to amounts; Individually evaluated for impairment	7,223	2,088	1,178	9,566	20,055
Applicable to amounts; Collectively evaluated for impairment	817,433	121,611	210,665	205,818	1,355,527

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

	Millions of yen March 31, 2011				
	Finance leases	Installment loans	Mortgage loans	Other	Total
<b>Allowance for doubtful receivables</b>					
Balance, March 31, 2011	6,136	2,420	231	7,842	16,629
Applicable to amounts; Individually evaluated for impairment	1,620	906	88	5,082	7,696
Applicable to amounts; Collectively evaluated for impairment	4,516	1,514	143	2,760	8,933
<b>Financing receivables</b>					
Balance, March 31, 2011	873,137	126,957	218,222	217,515	1,435,831
Applicable to amounts; Individually evaluated for impairment	4,515	1,252	1,113	9,718	16,598
Applicable to amounts; Collectively evaluated for impairment	868,622	125,705	217,109	207,797	1,419,233

In addition, as of June 30, 2011 and March 31, 2011, the amounts of impaired loans relating to receivables which arose from sales of products or services and have contractual maturities of one year or less are ¥48,006 million and ¥43,628 million, respectively.



**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011****(20) Acquisitions and Divestitures**

On March 9, 2011, Hitachi Transport System, Ltd. (Hitachi Transport System), a subsidiary of the Company included in the Others category of segment information, announced its decision to purchase shares of Vantec Corporation (Vantec), through a tender offer to make Vantec its subsidiary. The tender offer price was ¥233,500 per share, which was determined by taking into consideration the market price of Vantec's common stock, Vantec's financial condition, future earnings prospects and a valuation of Vantec stock conducted by a third party appraiser. The price included a premium of approximately 93% over the average share price of Vantec's common stock traded on the First Section of the Tokyo Stock Exchange for the three month period ended March 8, 2011. As a result, Hitachi Transport System purchased 209,550 shares in the tender offer, for ¥48,930 million in the period from March 10, 2011 through April 19, 2011, resulting in an acquisition of 90.12% of the voting rights. Accordingly, Hitachi Transport System obtained control of Vantec and it became a consolidated subsidiary effective April 26, 2011, the settlement date of the tender offer (the acquisition date).

Vantec operates warehousing and transportation related business. Hitachi Transport System made the acquisition to realize synergy in the system logistics and global business and improve the enterprise value of Hitachi Transport System and Vantec.

The following table summarizes the consideration paid for Vantec, the provisional amounts of the assets acquired and liabilities assumed and recognized as of the acquisition date, as well as the fair value as of the acquisition date of the noncontrolling interest in Vantec.

	<b>Millions of yen</b>
Current assets	35,551
Non-current assets	28,090
Goodwill (not deductible for tax purposes)	32,180
	95,821
Current liabilities	(31,493)
Non-current liabilities	(11,776)
	(43,269)
Cash paid for acquisition	(48,930)
Fair value of noncontrolling interests	(3,622)
	(52,552)

The fair value of the noncontrolling interest in Vantec, a listed entity, is determined by quoted market price and included in Level 1.

The results of operations of Vantec for the period from the acquisition date to June 30, 2011 were not material.

The Company is currently evaluating the fair values to be assigned to assets and liabilities of Vantec at the acquisition date, and therefore the above amounts are subject to change.

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On a pro forma basis, the effect on revenue, net income and the per share information of the Company for the three months ended June 30, 2010 with assumed acquisition date for Vantec of April 1, 2010 would not be material.

**Table of Contents**

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2011**

On March 7, 2011, the Company announced that it had entered into a definitive agreement to transfer its Hard Disc Drive business, in the Components & Devices segment, to Western Digital Corporation (WD). The Company will sell all shares of Hitachi Global Storage Technologies holding company, Viviti Technologies Ltd. to WD in a cash and stock transaction valued at approximately US\$4.3 billion. Under the terms, the Company will own approximately 10 percent of WD shares and hold two seats on WD's board of directors. The transaction is expected to close during the year ending March 31, 2012. The closing of the transaction is dependent upon progress of various multi jurisdictional regulatory reviews over this business combination.

(21) **Segment Information**

The operating segments of the Company are the components for which separate financial information is available and for which segment profit or loss amounts are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has aggregated certain operating segments into reportable segments for reporting purpose, since such aggregation helps financial statement users better understand the Company's performance.

The reportable segments correspond to categories of activities classified primarily by markets, products and services.

The Company discloses its business in eleven reportable segments: Information & Telecommunication Systems, Power Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Components & Devices, Digital Media & Consumer Products, Financial Services, and Others.

The primary products and services included in each segment are as follows:

**Information & Telecommunication Systems:**

Systems integration, Outsourcing services, Software, Disk array subsystems, Servers, Mainframes, Telecommunication equipment and ATMs

**Power Systems:**

Thermal power generation systems, Nuclear power generation systems, Hydroelectric power generation systems and Wind power generation systems

**Social Infrastructure & Industrial Systems:**

Industrial machinery and plants, Elevators, Escalators and Railway vehicles and systems

**Electronic Systems & Equipment:**

Semiconductor and LCDs manufacturing equipment, Test and measurement equipment, Medical electronics equipment, Power tools and Electronic parts manufacturing system

**Construction Machinery:**

Hydraulic excavators, Wheel loaders and Mining dump trucks

**High Functional Materials & Components:**

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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

**Table of Contents**

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2011**

**Automotive Systems:**

Engine management systems, Electric powertrain systems, Drive control systems, Car information systems and Batteries

**Components & Devices:**

Hard disk drives, LCDs and Information storage media

**Digital Media & Consumer Products:**

Optical disk drives, Flat-panel TVs, LCD projectors, Room air conditioners, Refrigerators, Washing machines and Air-conditioning equipment

**Financial Services:**

Leasing and Loan guarantees

**Others:**

Logistics, Property management and others

Effective April 1, 2011, due to a change in management reporting, the Battery business, which was previously included in the Components & Devices segment, has been included in the Automotive Systems segment. The corresponding data for the three months ended June 30, 2010 have been restated to conform with the change.

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011**

The following tables show segment information for the three months ended June 30, 2011 and 2010.

**Revenues from Outside Customers**

	Millions of yen	
	Three months ended June 30, 2011	Three months ended June 30, 2010
Information & Telecommunication Systems	312,282	309,290
Power Systems	151,590	162,994
Social Infrastructure & Industrial Systems	191,922	183,586
Electronic Systems & Equipment	215,543	217,779
Construction Machinery	171,652	161,179
High Functional Materials & Components	327,452	326,802
Automotive Systems	167,113	181,598
Components & Devices	163,138	178,655
Digital Media & Consumer Products	214,444	240,510
Financial Services	82,607	82,293
Others	152,256	107,661
Subtotal	2,149,999	2,152,347
Corporate items	694	219
Total	2,150,693	2,152,566

**Revenues from Intersegment Transactions**

	Millions of yen	
	Three months ended June 30, 2011	Three months ended June 30, 2010
Information & Telecommunication Systems	38,514	39,686
Power Systems	14,759	14,824
Social Infrastructure & Industrial Systems	37,908	48,020
Electronic Systems & Equipment	30,585	32,491
Construction Machinery	863	847
High Functional Materials & Components	19,623	18,719
Automotive Systems	10,085	2,216
Components & Devices	14,627	14,688
Digital Media & Consumer Products	18,691	16,183
Financial Services	9,869	11,942
Others	74,698	72,260
Subtotal	270,222	271,876
Eliminations and Corporate items	(270,222)	(271,876)

Total

49

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011****Total Revenues**

	Millions of yen	
	Three months ended	Three months ended
	June 30, 2011	June 30, 2010
Information & Telecommunication Systems	350,796	348,976
Power Systems	166,349	177,818
Social Infrastructure & Industrial Systems	229,830	231,606
Electronic Systems & Equipment	246,128	250,270
Construction Machinery	172,515	162,026
High Functional Materials & Components	347,075	345,521
Automotive Systems	177,198	183,814
Components & Devices	177,765	193,343
Digital Media & Consumer Products	233,135	256,693
Financial Services	92,476	94,235
Others	226,954	179,921
Subtotal	2,420,221	2,424,223
Eliminations and Corporate items	(269,528)	(271,657)
Total	2,150,693	2,152,566



**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2011****Segment Profit (Loss)**

	Millions of yen	
	Three months ended June 30, 2011	Three months ended June 30, 2010
Information & Telecommunication Systems	2,102	184
Power Systems	(3,225)	4,639
Social Infrastructure & Industrial Systems	969	2,528
Electronic Systems & Equipment	7,196	5,391
Construction Machinery	11,037	6,940
High Functional Materials & Components	19,358	26,208
Automotive Systems	2,067	1,953
Components & Devices	4,973	19,103
Digital Media & Consumer Products	3,288	7,114
Financial Services	6,902	5,153
Others	5,792	6,002
Subtotal	60,459	85,215
Eliminations and Corporate items	(8,056)	3,260
Total Segment profit	52,403	88,475
Impairment losses for long-lived assets	(31)	(102)
Restructuring charges	(562)	(131)
Interest income	3,850	3,171
Dividends income	3,058	2,210
Other income	6,030	71,956
Interest charges	(7,033)	(6,306)
Other deductions	(4,237)	(10,237)
Equity in net loss of affiliated companies	(12,324)	(4,752)
Income before income taxes	41,154	144,284

Intersegment transactions are recorded at the same prices used in transactions with third parties. Corporate items include unallocated corporate expenses, such as leading edge R&D expenditures, and others.

**Table of Contents**

**FOR IMMEDIATE RELEASE**

**Four Companies Sign Memorandum of  
Understanding Regarding Integration of Small- and  
Medium-Sized Display Businesses**

**Tokyo, August 31, 2011** Innovation Network Corporation of Japan ( INCJ ), Hitachi, Ltd. ( Hitachi ), Sony Corporation ( Sony ) and Toshiba Corporation ( Toshiba ) announced today that they have signed a non-binding Memorandum of Understanding to integrate their small- and medium-sized display businesses, which are operated by subsidiaries of Hitachi, Sony and Toshiba, in a new company to be established and operated by INCJ ( NewCo ) as attached.

**About Hitachi, Ltd.**

Hitachi, Ltd., (NYSE: HIT / TSE: 6501), headquartered in Tokyo, Japan, is a leading global electronics company with approximately 360,000 employees worldwide. Fiscal 2010 (ended March 31, 2011) consolidated revenues totaled 9,315 billion yen (\$112.2 billion). Hitachi will focus more than ever on the Social Innovation Business, which includes information and telecommunication systems, power systems, environmental, industrial and transportation systems, and social and urban systems, as well as the sophisticated materials and key devices that support them. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

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**Table of Contents**

Attached  
NEWS RELEASE

**Innovation Network Corporation of Japan**

**Hitachi, Ltd.**

**Sony Corporation**

**Toshiba Corporation**

**Four Companies Sign Memorandum of  
Understanding Regarding Integration of Small- and  
Medium-Sized Display Businesses**

*- To establish a leading global company by integrating three companies' businesses -*

**TOKYO, August 31, 2011** Innovation Network Corporation of Japan ( INCJ ), Hitachi, Ltd. ( Hitachi ), Sony Corporation ( Sony ) and Toshiba Corporation ( Toshiba ) announced today that they have signed a non-binding Memorandum of Understanding to integrate their small- and medium-sized display businesses, which are operated by subsidiaries of Hitachi, Sony and Toshiba, in a new company to be established and operated by INCJ ( NewCo ). INCJ, Hitachi, Sony and Toshiba are aiming to sign definitive and legally-binding agreements in the Autumn of 2011 and to complete the business integration in the Spring of 2012, subject to the receipt of any necessary government approvals.

All of the issued shares of subsidiaries of Hitachi, Sony and Toshiba engaged in the small- and medium-sized display business (i.e., Hitachi Displays, Ltd., Sony Mobile Display Corporation and Toshiba Mobile Display Co., Ltd., collectively referred to as the Subject Subsidiaries ) and other assets are planned to be transferred to NewCo, and INCJ, as a public-private partnership that provides financial, technological and management support for next-generation businesses, plans to invest a total of 200 billion yen in NewCo in exchange for shares to be newly issued to INCJ by NewCo as a third-party allotment. Eventually, INCJ expects to hold 70% of the shares with voting rights of NewCo, while Hitachi, Sony and Toshiba each expect to hold 10% of such shares.

The global market of small- and medium-sized displays is expected to grow rapidly due to anticipated strong demand for high resolution, high value-added products, particularly for smartphones and tablet computers, and superior high resolution display technology, in which Japanese companies are world leaders, is key to competitiveness. Other small- and medium-sized display manufacturers have announced significant investment plans to try to capture this market, and appropriate measures are required in order to enhance competitiveness.

**Table of Contents**

NewCo is expected to utilize the world's best high value-added technologies of the Subject Subsidiaries and establish new production lines by utilizing capital, which will be provided by INCJ, in order to meet the market demand for high value-added products. In addition, by efficient use of existing production capabilities of the Subject Subsidiaries, NewCo aims to improve its cost competitiveness to solidify its position as a global leading company in the small- and medium-sized display market.

In order to maintain and enhance the world's best technologies, NewCo is also expected to invest in the world's most advanced research and development. This investment will focus on the development of high-potential next-generation technologies, including higher resolution and thinner Organic light-emitting diode ( OLED ) displays, in an effort to drive forward the market as a whole.

NewCo's management will be newly hired, and INCJ is leading the selection process. Each of INCJ, Hitachi, Sony and Toshiba plans to appoint the outside directors of NewCo. Also, INCJ, Hitachi, Sony and Toshiba intend to provide NewCo with technical support, and NewCo will establish a strong governance framework and business infrastructure.

This is a landmark project for INCJ in our mission to make impactful, long-term and hands-on investments to grow next-generation businesses worldwide in the spirit of open innovation, said Kimikazu Noumi, President and CEO of INCJ. The new company will become a leading small- and medium-sized display manufacturer, and by pooling compelling technological know-how, will be positioned to win in a competitive and lucrative global growth market that has a real impact on the quality of people's everyday lives.

By integrating each partner company's wealth of display expertise and know-how, I am confident the new company will become a driving force for technological innovation and new growth in the rapidly expanding small- and medium- sized display market. I believe it will perform a vital role in ensuring the stable supply of high quality display devices that further enhance the user experience in the growing field of smartphones and tablet computers, said Howard Stringer, Chairman, CEO and President, Representative Corporate Executive Officer of Sony Corporation.

I have every confidence that this integration of three highly capable manufacturers of small- and medium-sized displays and their leading-edge technologies, along with the infusion of capital from INCJ, will create a highly competitive company. Toshiba will provide full support for the new company as it seeks to win leadership in the global market, said Norio Sasaki, Director, Representative Executive Officer, President and Chief Executive Officer of Toshiba Corporation.

**Table of Contents**

The new company, which integrates the three companies' technology, experience and resource, possess the necessary capabilities to offer high value-added products to meet customer needs, through the development of cutting-edge display technologies. I believe the new company will fully satisfy customers to succeed and to become a leading company in the global market. concluded Hiroaki Nakanishi, President of Hitachi, Ltd.

**Outline of the NewCo (Planned):**

Name: Japan Display K.K.  
 Shares with voting rights: INCJ 70%, Hitachi 10%, Sony 10%, Toshiba 10%

**About Innovation Network Corporation of Japan (INCJ)**

INCJ was established in July 2009 as a public-private partnership that provides financial, technological and management support for next-generation businesses. INCJ specifically supports those projects that combine technologies and varied know-how across industries and materialize open innovation. INCJ has the capacity to invest up to 900 billion yen (approx US\$ 12 billion).

To date, INCJ has invested approximately 120 billion yen. INCJ is actively reviewing various investment opportunities in areas of environment, energy, electronics, IT, bio-technology and infrastructure such as water supply.

**About the Subject Subsidiaries**

**About Hitachi Displays, Ltd.**

Founded:	October 1, 2002
Address of Head Office:	Chiyoda-ku, Tokyo
Sales:	150.8 Billion Yen (in the fiscal year ended March 31, 2011)
Capital:	35.2 Billion Yen (as of the end of March 2011)
Major Shareholders and Shareholding Ratio:	Hitachi 75% (as of the end of March 2011)
Representatives:	Yoshiyuki Imoto
Employees:	Approximately 2,600 (as of the end of March 2011)
Business:	Development, design, production and sales of Small/mid-sized TFT LCDs and related products
Production base:	Mobara-shi, Chiba

**Table of Contents**

**About Sony Mobile Display Corporation**

Founded:	October 22, 1997
Address of Head Office:	Higashiura, Chita-gun, Aichi
Sales:	141.2 Billion Yen (in the fiscal year ended March 31,2011)
Capital:	23.1 Billion Yen (as of the end of March 2011)
Major Shareholders and Shareholding Ratio:	Sony 100% (as of the end of March 2011)
Representatives:	Shuji Aruga
Employees:	Approximately 2,200 (as of the end of June 2011)
Business:	Development, design, production and sales of  small/mid-sized LCD devices and OLED display  devices
Production base:	Higashiura TEC (Head office) - Higashiura, Chita-gun,  Aichi Tottori TEC Tottori-shi, Tottori

**About Toshiba Mobile Display Co., Ltd.**

Founded:	April 1, 2002
Address of Head Office	Fukaya-shi, Saitama
Sales:	209.6 Billion Yen (in the fiscal year ended March 31,2011)
Capital:	10 Billion Yen
Major Shareholders and Shareholding Ratio:	Toshiba Group 100% (as of the end of March 2011)
Representatives:	Masahiko Fukakushi
Employees:	Approximately 2,200 (as of the end of March 2011)
Business:	Development, production & sales of low temperature  poly-silicon TFT LCDs and amorphous poly-silicon TFT  LCDs
Production base:	Headquarters Office Fukaya-shi, Saitama Ishikawa Works - Kawakita-cho, Nomi-gun, Ishikawa