

HITACHI LTD  
Form 6-K  
August 31, 2010  
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## **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 August 2010

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)

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

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-

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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 Law of Japan

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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 August 31, 2010

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

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(English Summary)

Quarterly Report

pursuant to Article 24-4-7.1 of

the Financial Instruments and Exchange Law of Japan

For the First Quarter of 142nd Business Term

(from April 1, 2010 to June 30, 2010)

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 11, 2010 pursuant to the Financial Instruments and Exchange Law 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.

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**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 investments in Hitachi's major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors which Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;

exchange rate fluctuations for the yen and 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 Information & Telecommunication Systems, 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 technology on a timely and cost-effective basis and to achieve market acceptance for such products;

rapid technological innovation;

the possibility of cost fluctuations during the lifetime of or cancellation of long-term contracts, for which 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 and synthetic resins and shortage 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 and shortage 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 socio-economic and political conditions and the regulatory and trade environment of Hitachi's major markets, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports, or differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;

uncertainty as to the success of alliances upon which 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 or other natural disasters;

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

uncertainty as to the accuracy of key assumptions Hitachi uses to value 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 and number of employees)		
	Three months ended June	Three months Ended June	Year ended March 31, 2010
	30, 2009	30, 2010	
Revenues	1,892,901	2,152,566	8,968,546
Income (loss) before income taxes	(80,828)	144,284	63,580
Net income (loss) attributable to Hitachi, Ltd.	(82,665)	86,058	(106,961)
Total Hitachi, Ltd. stockholders' equity	1,017,499	1,354,119	1,284,658
Total equity	2,142,694	2,335,084	2,267,845
			[8,951,762]
Total assets	9,008,746	9,458,768	
			8,964,464
Hitachi, Ltd. stockholders' equity per share (yen)	306.09	299.86	287.13
Net income (loss) attributable to Hitachi, Ltd. per share, Basic (yen)	(24.87)	19.06	(29.20)
Net income (loss) attributable to Hitachi, Ltd. per share, Diluted (yen)	(24.87)	17.80	(29.20)
			[14.4]
Total Hitachi, Ltd. stockholders' equity ratio (%)	11.3	14.3	
			14.3
Cash flows from operating activities	(12,794)	131,502	798,299
Cash flows from investing activities	(151,444)	(79,567)	(530,595)
Cash flows from financing activities	(80,809)	26,594	(502,344)
Cash and cash equivalents at end of period	567,918	655,769	577,584
Number of employees	359,643	359,184	359,746

- Notes:
- The consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States.
  - Total assets as of March 31, 2010 were revised to adjust the provisional amounts in accordance with the provisions of Accounting Standards of Codification (ASC) 805, Business Combinations, issued by Financial Accounting Standards Board. The evaluation of the fair values of the assets and liabilities related to the business combination achieved in March 2010 was completed during the three months ended June 30, 2010. The revised amount is unaudited under the Financial Instruments and Exchange Law of Japan. The amount of Total assets prior to the revision is presented in [ ]. Accordingly, Total Hitachi, Ltd. stockholders' equity ratio as of March 31, 2010 was also revised. The ratio prior to the revision is in [ ].
  - 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 and ASC 810, Consolidation amended by ASU 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities on April 1, 2010. See notes (2) (e) and (5) to the Consolidated Financial Statements for more information.

**2. Principal Businesses**

There was no material change in principal businesses of Hitachi during the three months ended June 30, 2010.

**3. Major Consolidated Subsidiaries**

Casio Hitachi Mobile Communications Co., Ltd. merged with NEC CASIO Mobile Communications, Ltd. as NEC CASIO Mobile Communications to be a surviving company on June 1, 2010. Accordingly, the Company no longer accounts for NEC CASIO Mobile Communications as an equity method affiliate.





**Table of Contents****4. Number of Employees by Segment (Consolidated basis)**

	<b>(As of June 30, 2010)</b>
Information & Telecommunication Systems	68,972
Power Systems	16,218
Social Infrastructure & Industrial Systems	43,516
Electronic Systems & Equipment	24,899
Construction Machinery	19,088
High Functional Materials & Components	47,903
Automotive Systems	25,128
Components & Devices	54,200
Digital Media & Consumer Products	26,412
Financial Services	3,455
Others	26,287
Corporate	3,106
<b>Total</b>	<b>359,184</b>

Note: In addition to the employees shown above, the average number of temporary employees during the first quarter was 41,930. The number of employees of Hitachi, Ltd. was 31,889 as of June 30, 2010.

**Business****1. Risk Factors**

There was no material changes in the risk factors stated in the annual report for the 141st business term pursuant to the Financial Instruments and Exchange Law of Japan.

**2. Contracts**

No material contracts were entered into during the three months ended June 30, 2010.

**3. Financial Condition, Business Results and Cash Flows****(1) Outline of Business Results**

Effective from the year ended March 31, 2010, Hitachi adopted ASC 280, Segment Reporting, and changed its segment reporting. The figures of revenues and profit (loss) by segment for the three months ended June 30, 2009 have been reclassified in conformity with the new segmentation.

**Business Results**

During the three months ended June 30, 2010, the global economy generally showed a moderate recovery trend, driven by growth in China and other emerging nations, in addition to economic recovery in the U.S.

In Japan, in addition to external demand underpinned by strong Asian economies, the economy showed some encouraging signs in internal demand, as government measures drove improved personal consumption and the fall in capital expenditures tapered off.

Under these conditions, total revenues in the three months ended June 30, 2010 increased 14% compared with the three months ended June 30, 2009, to ¥2,152.5 billion, due to increased revenues, in particular, in the High Functional Materials & Components, Automotive Systems and Electronic Systems & Equipment segments.

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Cost of sales in the three months ended June 30, 2010 increased 9% compared with the three months ended June 30, 2009, to ¥1,594.4 billion, and the ratio of cost of sales to revenues accounted for 74% in the three months ended June 30, 2010, compared with 77% in the three months ended June 30, 2009.

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Selling, general and administrative expenses in the three months ended June 30, 2010 decreased 3% compared with the three months ended June 30, 2009, to ¥469.6 billion, and their ratio to revenues was 22% in the three months ended June 30, 2010, compared with 26% in the three months ended June 30, 2009.

Operating income of ¥88.4 billion was posted in the three months ended June 30, 2010, as higher revenues etc. led to profitability improvement particularly in the High Functional Materials & Components, Components & Devices and Digital Media & Consumer Products segments. The result was an improvement of ¥139.0 billion compared with the three months ended June 30, 2009.

Other income in the three months ended June 30, 2010 increased ¥70.2 billion compared with the three months ended June 30, 2009, to ¥71.9 billion, mainly due to the posting of gain on securities resulting from a sale of shares of IPS Alpha Technology, Ltd.

Restructuring charges decreased ¥9.1 billion compared with the three months ended June 30, 2009, to ¥0.1 billion. Equity in net loss of affiliated companies decreased ¥11.6 billion compared with the three months ended June 30, 2009, to ¥4.7 billion. Other deductions in the three months ended June 30, 2010 increased ¥5.7 billion compared with the three months ended June 30, 2009, to ¥10.2 billion, mainly due to the recording of exchange loss resulting from the yen appreciation.

As a result of the above, Hitachi recorded income before income taxes of ¥144.2 billion in the three months ended June 30, 2010, an improvement of ¥225.1 billion compared with the three months ended June 30, 2009.

Income taxes totaled ¥26.8 billion in the three months ended June 30, 2010, an increase of ¥16.8 billion compared with the three months ended June 30, 2009.

As a result of the above, Hitachi posted net income of ¥117.4 billion in the three months ended June 30, 2010, an improvement of ¥208.2 billion compared with the three months ended June 30, 2009.

In contrast to a net loss attributable to noncontrolling interests of ¥8.1 billion recorded for the three months ended June 30, 2009, overall improvement in business results of the Company's publicly-held subsidiaries resulted in net income attributable to noncontrolling interests of ¥31.4 billion in the three months ended June 30, 2010.

As a result of the above, Hitachi posted net income attributable to Hitachi, Ltd. of ¥86.0 billion in the three months ended June 30, 2010, an improvement of ¥168.7 billion compared with the three months ended June 30, 2009.

**Business Results by Segment**

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

**(Information & Telecommunication Systems)**

The segment recorded revenues of ¥348.9 billion, a decrease of 3% compared with the three months ended June 30, 2009, as a result of lower revenues in both software and services, and hardware due to ongoing reduction for IT investment in Japan, despite higher revenues in storage solutions including disk array subsystems, particularly for overseas markets.

Segment profit dropped 97% compared with the three months ended June 30, 2009, to ¥0.1 billion. This was the result of lower earnings in both software and services, and hardware because of declines in revenues.

**(Power Systems)**

Revenues rose 5% compared with the three months ended June 30, 2009, to ¥177.8 billion. One reason was higher revenues of nuclear power generation systems due to the construction of new plants and preventative maintenance in Japan. Another factor was firm performance of coal-fired thermal power generation systems overseas.

Segment profit increased 213% compared with the three months ended June 30, 2009, to ¥4.6 billion in line with higher revenues.

**(Social Infrastructure & Industrial Systems)**

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The segment recorded revenues of ¥231.6 billion, a decrease of 6% compared with the three months ended June 30, 2009, reflecting lower sales of plant-related equipment and construction, and elevators and escalators. The decrease was partially offset by solid performance of control systems for the industrial field and certain other products and services.

Segment profit improved ¥6.4 billion compared with the three months ended June 30, 2009, to ¥2.5 billion, despite the impact of lower revenues. The improved earnings were attributable to higher earnings on elevators and escalators resulting from cost-cutting and other measures.

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### (Electronic Systems & Equipment)

Revenues rose 23% compared with the three months ended June 30, 2009, to ¥250.2 billion, due mainly to increased sales of semiconductor-related manufacturing equipment on the back of rebounding capital expenditures in the electronics field, coupled with increased sales of medical electronics equipment.

Segment profit improved ¥17.2 billion to ¥5.3 billion due mainly to an improvement in profitability of semiconductor-related manufacturing equipment in line with higher sales.

### (Construction Machinery)

Revenues rose 27% compared with the three months ended June 30, 2009, to ¥162.0 billion. In addition to growth in overseas sales of hydraulic excavators and other products, especially in China, the higher revenues reflected the impact of making Indian company Telco Construction Equipment Co., Ltd. a consolidated subsidiary in March 2010.

Segment profit improved ¥8.5 billion compared with the three months ended June 30, 2009, to ¥6.9 billion due to the higher revenues.

### (High Functional Materials & Components)

Revenues rose 26% compared with the three months ended June 30, 2009, to ¥345.5 billion, as a result of higher revenues at Hitachi Metals, Ltd., Hitachi Chemical Co., Ltd. and Hitachi Cable, Ltd. due to a global recovery in demand for automotive components and electronics-related products.

Segment profit improved ¥29.4 billion compared with the three months ended June 30, 2009, to ¥26.2 billion, due to higher revenues and the benefits of business structural reform measures implemented in the year ended March 31, 2010.

### (Automotive Systems)

Revenues increased 38% compared with the three months ended June 30, 2009, to ¥175.7 billion on the strength of a global recovery in demand brought about by government programs in certain countries to support vehicle sales.

The segment recorded profit of ¥4.2 billion, an improvement of ¥17.3 billion compared with the three months ended June 30, 2009, due to higher revenues and the benefits of business structural reforms.

### (Components & Devices)

Revenues rose 21% compared with the three months ended June 30, 2009, to ¥201.9 billion, due to higher revenues of hard disk drives, reflecting robust demand for use in PCs and servers.

Segment profit improved ¥27.0 billion compared with the three months ended June 30, 2009, to ¥16.7 billion, due to improved profitability in hard disk drives in line with increased revenues.

### (Digital Media & Consumer Products)

The segment recorded a 21% increase in revenues compared with the three months ended June 30, 2009, to ¥256.6 billion. Optical disk drive-related products recorded higher revenues largely due to increasing PC demand. Higher revenues of flat-panel TVs and higher revenues of air conditioners, particularly overseas such as China, also contributed to the increase in revenues in this segment.

The segment recorded profit of ¥7.1 billion, an improvement of ¥20.6 billion from the three months ended June 30, 2009. In addition to benefits from business structural reforms in flat-panel TVs and other areas, higher revenues led to increased profit in optical disk drive-related products, air conditioners and other businesses.

### (Financial Services)

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The segment reported a 5% increase in revenues compared with the three months ended June 30, 2009, to ¥94.2 billion, largely due to higher revenues at Hitachi Capital Corporation due to factors such as increased transaction volumes and the sale of assets with expired lease terms.

Segment profit improved 146% compared with the three months ended June 30, 2009, to ¥5.1 billion, in line with higher revenues and the benefits of cost-cutting and other measures.

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(Others)

The segment recorded a 2% increase in revenues compared with the three months ended June 30, 2009, to ¥179.9 billion, as a result of growth in revenues at Hitachi Transport System, Ltd. due to increased revenues from third-party logistics solutions.

Segment profit improved 212% compared with the three months ended June 30, 2009, to ¥6.0 billion, mainly resulting from improved profitability at Hitachi Transport System due to higher revenues.

**Revenues by Market**

Revenues in Japan increased 7% compared with the three months ended June 30, 2009, to ¥1,173.2 billion. This increase reflected mainly higher revenues in the High Functional Materials & Components, Automotive Systems, and Digital Media & Consumer Products segments in line with recovering demand in the automotive and electronics-related fields.

Overseas revenues increased 24% compared with the three months ended June 30, 2009, to ¥979.3 billion. In addition to higher revenues in the Construction Machinery Segment, mainly in China, the Electronic Systems & Equipment, Components & Devices, High Functional Materials & Components and Automotive Systems segments posted higher revenues.

As a result, the ratio of overseas revenues to total revenues was 45%, compared with 42% in the three months ended June 30, 2009.

**(2) Summary of Financial Position, etc.**

**Liquidity and Capital Resources**

During the three months ended June 30, 2010, 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)

Increase in inventories in the three months ended June 30, 2010 was ¥143.9 billion, a ¥133.7 billion increase compared with the three months ended June 30, 2009, primarily due to seasonal reasons and increasing revenues. Net income in the three months ended June 30, 2010 grew to ¥117.4 billion, an improvement of ¥208.2 billion compared with the three months ended June 30, 2009, mainly due to improved operating income. As a result of the foregoing, operating activities provided net cash of ¥131.5 billion in the three months ended June 30, 2010, in contrast to the net cash of ¥12.7 billion used in operating activities in the three months ended June 30, 2009.

(Cash flows from investing activities)

A net sum of ¥58.6 billion in the three months ended June 30, 2010 was recorded as investments related to property, plant and equipment, where the collection of investments in leases and the proceeds from disposal of capital expenditures and the proceeds from disposal of tangible and intangible assets to be leased were subtracted from the amount of the capital expenditures and the purchase of tangible and intangible assets to be leased. This net sum decreased by ¥80.0 billion compared with the three months ended June 30, 2009, due to a stricter selection of investments. As a result of the foregoing, investing activities used net cash of ¥79.5 billion in the three months ended June 30, 2010, a decrease of ¥71.8 billion compared with the three months ended June 30, 2009.

(Cash flows from financing activities)

Financing activities provided net cash of ¥26.5 billion in the three months ended June 30, 2010, in contrast to the net cash of ¥80.8 billion used in financing activities in the three months ended June 30, 2009. This was mainly due to a ¥172.0 billion increase in short-term debt as a result of the issuance of commercial papers by a subsidiary.

The net result of the above items in the three months ended June 30, 2010 increased ¥78.1 billion in cash and cash equivalents, to ¥655.7 billion compared with the three months ended March 31, 2010. Free cash flows, the sum of cash flows from operating and investing activities, were an inflow of ¥51.9 billion in the three months ended June 30, 2010. The inflow increased by ¥216.1 billion compared with the three months ended



June 30, 2009.

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

Total assets as of June 30, 2010 were ¥9,458.7 billion, an increase of ¥494.3 billion from March 31, 2010. This was mainly due to the recording of financial assets transferred to consolidated securitization entities on the consolidated balance sheet in accordance with the revision of provisions of ASC 860 Transfers and Servicing and ASC 810 Consolidation, and an increase in inventories due to seasonal reasons, and others.

Total interest-bearing debt as of June 30, 2010, which is the sum of short-term debt, long-term debt and non-recourse borrowings of consolidated securitization entities, increased to ¥3,092.2 billion, a ¥725.1 billion increase from March 31, 2010. This is mainly due to the recording of liabilities associated with the consolidation of securitization entities as a result of the abovementioned changes in accounting standards.

Noncontrolling interests as of June 30, 2010 decreased by ¥2.2 billion from March 31, 2010, to ¥980.9 billion.

Total Hitachi, Ltd. stockholders' equity as of June 30, 2010 increased by ¥69.4 billion from March 31, 2010, to ¥1,354.1 billion, mainly due to the posting of quarterly net income attributable to Hitachi, Ltd. As a result, the ratio of stockholders' equity to total assets remained at 14.3%, a level equivalent as of March 31, 2010. The ratio of the interest-bearing debt to the total equity (the sum of total Hitachi, Ltd. stockholders' equity and noncontrolling interests) increased to 1.32, compared with 1.04 as of March 31, 2010, mainly due to recording non-recourse borrowings of consolidated securitization entities as a result of the abovementioned changes in accounting standards.

**(3) Business Strategy**

There was no material change in Hitachi's business strategy during the three months ended June 30, 2010.

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

	(Billions of yen)
	Three months ended
Segment	June 30, 2010
Information & Telecommunication Systems	19.7
Power Systems	3.9
Social Infrastructure & Industrial Systems	4.4
Electronic Systems & Equipment	9.9
Construction Machinery	3.9
High Functional Materials & Components	11.3
Automotive Systems	10.4
Components & Devices	17.7
Digital Media & Consumer Products	5.9
Financial Services	0.0
Others	0.7
Corporate	4.2
<b>Total</b>	<b>92.5</b>

**Capital Expenditures (Accrual basis)**

	(Billions of yen)
	Three months ended
Segment	June 30, 2010
Information & Telecommunication Systems	5.4
Power Systems	2.8
Social Infrastructure & Industrial Systems	3.0
Electronic Systems & Equipment	3.1

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Construction Machinery	5.7
High Functional Materials & Components	11.4
Automotive Systems	2.5
Components & Devices	8.3
Digital Media & Consumer Products	2.5
Financial Services	65.6
Others	5.0
Eliminations & Corporate items	(1.5)
<b>Total</b>	<b>114.2</b>

Note: The amount shown in the table above includes investment in leasing assets.

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**1. Capital as of June 30, 2010** 408,813 million yen

**2. Matters Concerning Shares**

Authorized (Common Stock)	10,000,000,000 shares
Shares Issued (Common Stock)	
Number of shares issued as of June 30, 2010:	4,518,151,290 shares
Number of shares issued as of August 11, 2010:	4,518,151,290 shares

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. Matters Concerning Stock Acquisition Rights, etc. (As of June 30, 2010)****Bond with Stock Acquisition Rights**

Name of Stock Acquisition Rights	130% Call Option Attached Unsecured Convertible Bond Type Bonds with Stock Acquisition Rights (8th Series) (with inter-bond <i>pari passu</i> clause) Common Stock
Class and Number of Shares to Be Issued upon Exercise of Stock Acquisition Rights	315,432,176 shares
Amount to Be Paid upon Exercise of Stock Acquisition Rights	¥317 per share
Period during Which Stock Acquisition Rights May Be Exercised	From January 4, 2010 to December 10, 2014

**4. Major Shareholders**

		(As of June 30, 2010)
	Number of Shares Owned (Shares)	Percentage to Total Shares Issued (%)
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	330,274,000 7.31
2	Japan Trustee Services Bank, Ltd. (Trust Account)	283,535,000 6.28
3	State Street Bank and Trust Company 505224	131,153,500 2.90
4	Hitachi Employees Shareholding Association	115,433,384 2.55
5	Nippon Life Insurance Company	98,173,195 2.17
6	SSBT OD05 Omnibus Account China Treaty Clients 808150	84,082,031 1.86
7	The Dai-Ichi Life Insurance Company, Limited	71,361,222 1.58
8	Japan Trustee Services Bank, Ltd. (Trust Account 9)	62,376,000 1.38
9	State Street Bank and Trust Company 505225	53,528,156 1.18
10	Mellon Bank N.A. as Agent for its Client Mellon Omnibus US Pension	43,986,811 0.97

Notes: 1.

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The number of shares held by The Dai-Ichi Life Insurance Company includes its contribution of 6,560,000 shares to the retirement allowance trust (the holder of said shares, as listed in the Shareholders Register, is Dai-Ichi Life Insurance Account, Retirement Allowance Trust, Mizuho Trust & Banking Co., Ltd. )

2. NATS CUMCO and Meiji Yasuda Life Insurance Company, which were within top ten shareholders as of March 31, 2010, were not in top ten as of June 30, 2010. Japan Trustee Services Bank, Ltd. (Trust Account 9) and Mellon Bank N.A. as Agent for its Client Mellon Omnibus US Pension came into top ten shareholders as of June 30, 2010.
3. The Company received a copy of filing made to the Kanto Local Finance Bureau. This filing represents report on beneficial ownership of more than 5% of total issued voting shares under the Financial Instruments and Exchange Law of Japan. The summary of the copy is as follows.

Name of owners	Mitsubishi UFJ Trust and Banking Corporation etc.
Date of event which requires reporting	December 28, 2009
Amount of shares beneficially owned by the reporting person	270,491,767 shares
Percentage to total shares issued	5.97 %

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

4,446,209 voting rights (as of March 31, 2010)

**6. Share Price**

The following table sets forth the reported high and low prices of the Company's common stock on the first section of the Tokyo Stock Exchange.

	Price Per Share of Common Stock (Yen)	
	High	Low
<u>Monthly Information</u>		
April 2010	424	353
May 2010	415	345
June 2010	374	317

**7. Change in Senior Management**

There have been no change in senior management since the filing date of the annual report for the 141st business term pursuant to the Financial Instruments and Exchange Law of Japan.

**Table of Contents****CONSOLIDATED BALANCE SHEETS**

Hitachi, Ltd. and Subsidiaries

June 30, 2010 and March 31, 2010

	<b>Millions of yen</b>	
	<b>June 30, 2010</b>	<b>March 31, 2010</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents (note 5)	655,769	577,584
Short-term investments (note 3)	52,578	53,575
Trade receivables, net of allowance for doubtful receivables of ¥42,744 million as of June 30, 2010 and ¥43,470 million as of March 31, 2010:		
Notes (notes 5 and 12)	121,327	104,353
Accounts (note 5)	1,868,528	2,138,139
Investments in leases (note 5)	201,049	194,108
Current portion of financial assets transferred to consolidated securitization entities (note 5)	244,852	
Inventories (note 4)	1,339,885	1,222,077
Prepaid expenses and other current assets (note 5)	494,365	485,361
<b>Total current assets</b>	<b>4,978,353</b>	<b>4,775,197</b>
Investments and advances, including affiliated companies (notes 3 and 5)	629,205	712,993
<b>Property, plant and equipment:</b>		
Land	467,562	471,123
Buildings	1,911,073	1,931,104
Machinery and equipment	5,530,233	5,554,953
Construction in progress	62,710	62,717
	7,971,578	8,019,897
Less accumulated depreciation	5,802,497	5,800,093
Net property, plant and equipment	2,169,081	2,219,804
<b>Intangible assets (note 6):</b>		
Goodwill	170,372	165,586
Other intangible assets	348,594	352,464
<b>Total intangible assets</b>	<b>518,966</b>	<b>518,050</b>
Financial assets transferred to consolidated securitization entities (note 5)	413,749	
Other assets (note 5)	749,414	738,420
<b>Total assets</b>	<b>9,458,768</b>	<b>8,964,464</b>

See accompanying notes to consolidated financial statements.





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	Millions of yen	
	June 30, 2010	March 31, 2010
<b>Liabilities and Equity</b>		
<b>Current liabilities:</b>		
Short-term debt	576,242	451,451
Current portion of long-term debt (note 5)	311,809	303,730
Current portion of non-recourse borrowings of consolidated securitization entities (note 5)	249,210	
<b>Trade payables:</b>		
Notes	24,073	25,737
Accounts	1,170,991	1,229,546
Accrued expenses (note 12)	805,255	919,849
Income taxes	23,481	50,446
Advances received	446,380	385,199
Other current liabilities (note 5)	440,871	565,245
<b>Total current liabilities</b>	<b>4,048,312</b>	<b>3,931,203</b>
<b>Long-term debt (note 5)</b>	<b>1,598,012</b>	<b>1,611,962</b>
Non-recourse borrowings of consolidated securitization entities (note 5)	357,012	
Retirement and severance benefits	890,167	905,183
Other liabilities	230,181	248,271
<b>Total liabilities</b>	<b>7,123,684</b>	<b>6,696,619</b>
<b>Equity (note 11):</b>		
Common stock (note 9)	408,813	408,810
Capital surplus	603,744	620,577
Legal reserve and retained earnings (note 5)	791,805	713,479
Accumulated other comprehensive loss (note 5)	(448,968)	(432,057)
Treasury stock, at cost (note 10)	(1,275)	(26,151)
<b>Total Hitachi, Ltd. Stockholders' equity</b>	<b>1,354,119</b>	<b>1,284,658</b>
<b>Noncontrolling interests (notes 5 and 11)</b>	<b>980,965</b>	<b>983,187</b>
<b>Total equity</b>	<b>2,335,084</b>	<b>2,267,845</b>
<b>Commitments and contingencies (note 12)</b>		
<b>Total liabilities and equity</b>	<b>9,458,768</b>	<b>8,964,464</b>

See accompanying notes to consolidated financial statements.

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

Hitachi, Ltd. and Subsidiaries

Three months ended June 30, 2010 and 2009

	Millions of yen	
	2010	2009
Revenues	2,152,566	1,892,901
Cost of sales	(1,594,464)	(1,460,255)
Selling, general and administrative expenses	(469,627)	(483,242)
Impairment losses for long-lived assets	(102)	(470)
Restructuring charges (note 13)	(131)	(9,233)
Interest income	3,171	2,694
Dividends income	2,210	2,858
Gains on sales of stock by subsidiaries or affiliated companies		183
Other income (note 14)	71,956	1,717
Interest charges	(6,306)	(7,034)
Other deductions (note 14)	(10,237)	(4,505)
Equity in net loss of affiliated companies	(4,752)	(16,442)
Income (loss) before income taxes	144,284	(80,828)
Income taxes (note 7)	(26,816)	(9,939)
Net income (loss)	117,468	(90,767)
Less net income (loss) attributable to noncontrolling interests	31,410	(8,102)
Net income (loss) attributable to Hitachi, Ltd.	86,058	(82,665)
		<b>Yen</b>
Net income (loss) attributable to Hitachi, Ltd. stockholders per share (note 15):		
Basic	19.06	(24.87)
Diluted	17.80	(24.87)
See accompanying notes to consolidated financial statements.		

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

Hitachi, Ltd. and Subsidiaries

Three months ended June 30, 2010 and 2009

	Millions of yen	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	117,468	(90,767)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	95,097	109,286
Amortization	27,556	27,147
Impairment losses for long-lived assets	102	470
Equity in net loss of affiliated companies	4,752	16,442
Gain on sale of investments in securities and other	(70,486)	(1,214)
Impairment of investments in securities	232	1,201
Gain (loss) on disposal of rental assets and other property	(1,106)	4,854
Decrease in receivables	283,584	316,041
Increase in inventories	(143,976)	(10,204)
(Increase) decrease in prepaid expenses and other current assets	11,763	(32,685)
Decrease in payables	(38,822)	(211,477)
Decrease in accrued expenses and retirement and severance benefits	(115,567)	(87,885)
Decrease in accrued income taxes	(19,484)	(14,533)
Decrease in other current liabilities	(17,766)	(42,674)
Net change in inventory-related receivables from financial services	7,854	(823)
Other	(9,699)	4,027
Net cash provided by (used in) operating activities	131,502	(12,794)
Cash flows from investing activities:		
Capital expenditures	(51,412)	(84,464)
Purchase of intangible assets	(21,418)	(17,253)
Purchase of tangible assets and software to be leased	(68,824)	(76,808)
Proceeds from disposal of property, plant and equipment	5,690	971
Proceeds from disposal of tangible assets and software to be leased	6,430	4,961
Collection of investments in leases	70,861	33,868
Purchase of investments in securities and shares of newly consolidated subsidiaries	(64,248)	(13,469)
Proceeds from sale of investments in securities and shares of consolidated subsidiaries resulting in deconsolidation	82,125	5,604
Refund of deposit received for sale of investment in affiliated company	(43,550)	
Other	4,779	(4,854)
Net cash used in investing activities	(79,567)	(151,444)
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	172,029	(82,434)
Proceeds from long-term debt	80,879	152,617
Payments on long-term debt	(214,810)	(137,789)
Proceeds from sale of common stock by subsidiaries	113	69
Dividends paid to Hitachi, Ltd. stockholders	(6)	(124)
Dividends paid to noncontrolling interests	(7,825)	(12,640)
Acquisition of common stock for treasury	(28)	(46)
Proceeds from sales of treasury stock	12	53
Purchase of shares of consolidated subsidiaries from noncontrolling interest holders	(246)	(456)
Proceeds from sale of shares of consolidated subsidiaries from noncontrolling interest holders	9	56
Other	(3,533)	(115)

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Net cash provided by (used in) financing activities	26,594	(80,809)
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	(12,374)	5,039
Net increase (decrease) in cash and cash equivalents	78,185	(240,008)
Cash and cash equivalents at beginning of period	577,584	807,926
Cash and cash equivalents at end of period	655,769	567,918

See accompanying notes to consolidated financial statements.

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**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2010**

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

(b) **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries and all variable interest entities (VIEs) for which the Company or any of its consolidated entities is the primary beneficiary. The definition of a VIE is included in Accounting Standards Codification (ASC) 810, Consolidation. This guidance addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. The consolidated financial statements include accounts of certain subsidiaries whose closing dates differ from 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 events that do not have tax consequences, 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 as a result of a change in judgement about the realizability of the related deferred tax asset is recognized in the interim period in which the change occurs.



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**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2010**

(d) **Disclosures about Segments of an Enterprise and Related Information**

ASC 280, *Segment Reporting*, establishes guidance about how a public business enterprise is required to report financial and descriptive information about its operating segments. This guidance defines operating segments as components of an enterprise for which separate financial information is available and evaluated regularly as a means for assessing segment performance and allocating resources to segments. Measures of profit or loss, total assets and other related information are required to be disclosed for each operating segment. Furthermore, this guidance requires the disclosure of information concerning revenues derived from the enterprise's products or services, countries in which it earns revenue or holds assets and major customers. Certain foreign private issuers (FPIs) were exempted from the segment disclosure requirements of ASC 280 in filings with the United States Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, and the Company had not previously presented the segment information required to be disclosed in the footnotes to the consolidated financial statements based on ASC 280. However, in September 2008, the SEC issued its *Foreign Issuer Reporting Enhancements (FIRE) rule*. The FIRE rule eliminated an instruction to the Form 20-F that is filed under the Securities Exchange Act of 1934 that permitted certain FPIs to omit segment disclosures required by ASC 280, as well as other enhancements. This aspect of the FIRE rule regarding elimination of the ability to omit segment disclosures was effective for fiscal years ended on or after December 15, 2009. As a result, the Company retrospectively adopted ASC 280 beginning April 1, 2008.

(e) **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.

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**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2010**

(f) **Revision to the Consolidated Balance Sheet**

The amounts of goodwill, other intangible assets and other liabilities in the consolidated balance sheet as of March 31, 2010 were revised to adjust the provisional amounts in accordance with the provisions of ASC 805, Business Combinations. The evaluation of the fair values of the assets and liabilities related to the business combination achieved in March 2010 was completed during the three months ended June 30, 2010. Consequently, total assets and total liabilities and equity in the consolidated balance sheet as of March 31, 2010 are also revised. The effects on the consolidated balance sheet as of March 31, 2010 are presented in note 19.

(g) **Reclassifications**

The Company has reclassified certain amounts on the consolidated statements of cash flows for the three months ended June 30, 2009 to conform to the June 30, 2010 presentation. Cash flows related to tangible and intangible assets have been separated into tangible assets, intangible assets and tangible assets and software to be leased. Increase (decrease) in short-term investments, which was previously presented separately, is included in investments in securities. Additionally, as a result of adopting the provisions of ASC 810, purchases and proceeds from sales of shares of subsidiaries that do not result in a change in the scope of consolidation, which were previously included in cash flows from investing activities, are included in cash flows from financing activities.



**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2010****(3) Investments in Securities and Affiliated Companies**

Short-term investments as of June 30, 2010 and March 31, 2010 are as follows:

	Millions of yen	
	June 30, 2010	March 31, 2010
Investments in securities:		
Available-for-sale securities		
Governmental debt securities	42,906	43,840
Corporate debt securities	4,899	6,074
Other securities	4,733	3,621
Held-to-maturity securities	40	40
	52,578	53,575

Investments and advances, including affiliated companies as of June 30, 2010 and March 31, 2010 are as follows:

	Millions of yen	
	June 30, 2010	March 31, 2010
Investments in securities:		
Available-for-sale securities		
Equity securities	140,755	159,850
Governmental debt securities	322	316
Corporate debt securities	34,972	29,285
Other securities	10,353	10,639
Held-to-maturity securities	236	236
Cost-method investments	49,927	48,222
Investments in affiliated companies	346,818	300,956
Advances and other	45,822	163,489
	629,205	712,993

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2010**

The following is a summary of the amortized cost basis, gross unrealized holding gains, gross unrealized holding losses and aggregate fair value of available-for-sale securities by the consolidated balance sheets classification as of June 30, 2010 and March 31, 2010.

	Millions of yen June 30, 2010			
	Amortized cost basis	Gross gains	Gross losses	Aggregate fair value
<b>Short-term investments:</b>				
Governmental debt securities	42,894	12		42,906
Corporate debt securities	4,904	3	8	4,899
Other securities	4,729	4		4,733
	52,527	19	8	52,538
<b>Investments and advances:</b>				
Equity securities	90,998	52,719	2,962	140,755
Governmental debt securities	305	17		322
Corporate debt securities	33,239	1,980	247	34,972
Other securities	10,154	299	100	10,353
	134,696	55,015	3,309	186,402
	187,223	55,034	3,317	238,940
	Millions of yen March 31, 2010			
	Amortized cost basis	Gross gains	Gross losses	Aggregate fair value
<b>Short-term investments:</b>				
Governmental debt securities	43,839	1		43,840
Corporate debt securities	6,071	8	5	6,074
Other securities	3,619	2		3,621
	53,529	11	5	53,535
<b>Investments and advances:</b>				
Equity securities	90,339	70,998	1,487	159,850
Governmental debt securities	305	11		316
Corporate debt securities	26,419	3,032	166	29,285
Other securities	10,314	392	67	10,639
	127,377	74,433	1,720	200,090
	180,906	74,444	1,725	253,625



**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2010**

The following is a summary of gross unrealized holding losses on available-for-sale securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of June 30, 2010 and March 31, 2010.

	Millions of yen June 30, 2010			
	Less than 12 months		12 months or longer	
	Aggregate fair value	Gross losses	Aggregate fair value	Gross losses
<b>Short-term investments:</b>				
Corporate debt securities	1,493	7	699	1
<b>Investments and advances:</b>				
Equity securities	17,641	1,801	11,695	1,161
Corporate debt securities	8,863	141	5,687	106
Other securities			285	100
	26,504	1,942	17,667	1,367
	27,997	1,949	18,366	1,368

	Millions of yen March 31, 2010			
	Less than 12 months		12 months or longer	
	Aggregate fair value	Gross losses	Aggregate fair value	Gross losses
<b>Short-term investments:</b>				
Corporate debt securities	1,498	2	697	3
<b>Investments and advances:</b>				
Equity securities	3,491	532	4,718	955
Corporate debt securities	2,646	44	5,669	122
Other securities			327	67
	6,137	576	10,714	1,144
	7,635	578	11,411	1,147

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

The proceeds from the sale of available-for-sale securities for the three months ended June 30, 2010 and 2009 were ¥4,426 million and ¥557 million, respectively. The gross realized gain on the sale of those securities for the three months ended June 30, 2010 and 2009 were ¥1,393 million and ¥152 million, respectively. The gross realized loss on the sale of those securities for the three months ended June 30, 2010 was ¥154 million. There was no gross realized loss on the sale of those securities for the three months ended June 30, 2009.



**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2010**

The contractual maturities of debt securities and other securities classified as investments and advances in the consolidated balance sheet as of June 30, 2010 are as follows:

	Millions of yen		
	Held-to- Maturity	Available- for-sale	Total
Due within five years	37	21,463	21,500
Due after five years through ten years	199	6,683	6,882
Due after ten years		17,501	17,501
	236	45,647	45,883

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, 2010 and March 31, 2010 were ¥48,681 million and ¥47,900 million, respectively, mainly because it is not practicable to estimate the fair value of the investments due to lack of a market price and difficulty in estimating fair value without incurring excessive cost and the Company did not identify any events or changes in circumstances that might have had a significant adverse effect on their fair value.

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2010****(4) Inventories**

Inventories as of June 30, 2010 and March 31, 2010 are summarized as follows:

	Millions of yen	
	June 30, 2010	March 31, 2010
Finished goods	514,733	505,918
Work in process	604,260	513,556
Raw materials	220,892	202,603
	1,339,885	1,222,077

**(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.

The transferred assets have similar risks and characteristics to the Company's and 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; however, the blended performance of the pools of transferred assets reflects the eligibility screening requirements that the Company and subsidiaries apply to determine which receivables are selected for transfer. Therefore, the blended performance may differ from receivables recorded on the consolidated balance sheets.

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.

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

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**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2010**

The remaining financial assets, consisting mainly of trade receivables, were transferred to former QSPEs established by certain of the Company's subsidiaries in the Cayman Island. In those transactions, the Company and certain subsidiaries received cash as consideration from the former QSPEs that were funded through the issuance of asset-backed securities or other borrowings from investors that were secured by the transferred assets. The Company and certain subsidiaries retained subordinated interests in the transferred assets relating to these transactions, or otherwise investors had recourse with considerably limited scope. Furthermore, the Company and certain subsidiaries retained servicing responsibility, and certain of the Company's subsidiaries provided credit facilities to the former QSPEs in accordance with the service agency business contracts from which temporary payments on behalf of the former QSPEs were made.

As of March 31, 2010, the Company and its subsidiaries have three QSPEs with outstanding balances of transferred receivables and the total amount of their assets was ¥117,159 million. Since the Company and its subsidiaries terminated the transactions with the former QSPEs by June 30, 2010, there are no outstanding balances of transferred receivables to the former QSPEs as of June 30, 2010. The Company and its subsidiaries did not hold any of the voting shares issued by those former QSPEs, and none of the directors of those former QSPEs were executives or employees of the Company or its subsidiaries. Additionally, the former QSPEs also purchased receivables from third-party customers.

In accordance with the new consolidation provisions effective April 1, 2010, the Company and certain subsidiaries are deemed to have a controlling financial interest and are the primary beneficiary of a 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 this change in accounting, the Company consolidated former QSPEs that were unconsolidated prior to April 1, 2010 using the carrying amounts of the SPE's assets and liabilities as of April 1, 2010.

The incremental impact of these entities on the Company's total assets and liabilities, net of our investment in them, was an increase of ¥670,558 million and ¥688,477 million, respectively. There also was a net reduction of total equity of ¥17,919 million, principally related to the reversal of previously recognized gains on sales of financial assets as a cumulative effect adjustment to retained earnings.



**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2010**

The incremental impact of this accounting change on the Company's consolidated balance sheet as of April 1, 2010 is set forth in the following table:

	<b>Millions of yen 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 SPE's 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, 2010**

The table below summarizes the assets and liabilities of the consolidated SPEs as of June 30, 2010 by type of transferred financial assets that those SPEs hold:

	<b>Millions of yen June 30, 2010</b>			
	<b>Mortgage</b>			
	<b>Lease receivables</b>	<b>loans receivable</b>	<b>Others</b>	<b>Total</b>
Cash and cash equivalents	5,421	3,033	2,661	11,115
Current portion of financial assets transferred to consolidated securitization entities	147,663	11,717	85,472	244,852
Financial assets transferred to consolidated securitization entities	210,166	194,341	9,242	413,749
Current portion of non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	101,842		39,517	141,359
Beneficial interests in trusts	74,592	15,137	18,122	107,851
	176,434	15,137	57,639	249,210
Non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	109,628		845	110,473
Beneficial interests in trusts	73,590	167,713	5,236	246,539
	183,218	167,713	6,081	357,012

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, 2010 and 2009 were ¥1,728 million and ¥1,962 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.

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The table below summarizes cash flows received from and paid to the SPEs and other entities during the three months ended June 30, 2010 and 2009:

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Proceeds from transfer of lease receivables	28,910	33,261
Servicing fees received		19
Purchases of delinquent or ineligible assets		(34,837)

The amount of initial fair value of subordinated interests was ¥4,694 million for the three months ended June 30, 2010. 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.

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, 2010 and as of and for the year ended March 31, 2010 is as follows:

	Total principal amount of receivables	Millions of yen June 30, 2010 Principal amount of receivables 90 days or more past due	Net credit loss
<b>Total assets managed or transferred:</b>			
Lease receivables	1,077,383	291	157
Assets transferred	(100,070)		
Assets held in portfolio	977,313		

	Total principal amount of receivables	Millions of yen March 31, 2010 Principal amount of receivables 90 days or more past due	Net credit loss
<b>Total assets managed or transferred:</b>			
Lease receivables	1,103,804	243	1,943
Assets transferred	(491,038)		
Assets held in portfolio	612,766		



**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2010**

As of June 30, 2010, the amount of the maximum exposure to loss which mainly consists of the subordinated interests measured at fair value relating to these securitizations of lease receivables was ¥5,653 million. As of March 31, 2010, the amount of the subordinated interests measured at fair value relating to these securitizations of lease receivables was ¥77,756 million.

These securitizations were designed to transfer the lease receivables through trusts that satisfied the conditions of former QSPEs. Since almost all of those trusts were consolidated upon the adoption of the new consolidation provisions, the lease receivables transferred to the consolidated trusts were recognized on the Company's consolidated balance sheet and classified as financial assets transferred to consolidated securitization entities on April 1, 2010.

Securitizations of trade receivables excluding mortgage loans receivable:

The Company and certain subsidiaries sold trade receivables excluding mortgage loans receivable mainly to unconsolidated SPEs and other entities. During the three months ended June 30, 2010 and 2009, proceeds from the transfer of trade receivables excluding mortgage loans receivable were ¥93,625 million and ¥173,291 million, respectively, and net losses recognized on those transfers were ¥83 million and ¥444 million, respectively. The Company and certain subsidiaries retained servicing responsibilities, but did not record a servicing asset or liability because the cost to service the receivables approximated the servicing income.

Quantitative information about delinquencies, net credit loss, and components of trade receivables excluding mortgage loans receivable subject to transfer and other assets managed together as of and for the three months ended June 30, 2010 and as of and for the year ended March 31, 2010 is as follows:

	Total principal amount of receivables	Millions of yen June 30, 2010 Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Trade receivables excluding mortgage loans receivable	505,505	120	113
Assets transferred	(127,652)		
Assets held in portfolio	377,853		

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2010**

	<b>Total principal amount of receivables</b>	<b>Millions of yen March 31, 2010 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	979,148	5,414	2,809
Assets transferred	(279,245)		
Assets held in portfolio	699,903		

As of March 31, 2010, the amount of the subordinated interests relating to these securitizations of trade receivables excluding mortgage loans receivable was ¥45,249 million.

A portion of these trade receivables excluding mortgage loans receivable was transferred to former QSPEs, which were established by certain of the Company's subsidiaries, through June 30, 2010. During the three months ended June 30, 2010, proceeds from the transfer of trade receivables excluding mortgage loans receivable to the former QSPEs and net losses recognized on those transfers were immaterial and there is no outstanding balance of transferred receivables in these former QSPEs as of June 30, 2010. During the three months ended June 30, 2009, proceeds from the transfer of trade receivables excluding mortgage loans receivable to the former QSPEs were ¥108,450 million, and net losses recognized on those transfers were ¥191 million. As of March 31, 2010, outstanding balance of transferred receivables in these former QSPEs was ¥75,654 million.

**Securitizations of mortgage loans receivable:**

Hitachi Capital Corporation sold mortgage loans receivable to unconsolidated SPEs. For the three months ended June 30, 2009, no proceeds from the transfer of mortgage loans receivable were recorded. The subsidiary retained servicing responsibilities but did not record a servicing asset or liability because the cost to service the receivables approximated the servicing income.

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Quantitative information about delinquencies, net credit loss, and components of mortgage loans receivable subject to transfer and other assets managed together as of and for the year ended March 31, 2010 is as follows:

	Total principal amount of receivables	Millions of yen March 31, 2010 Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Mortgage loans receivable	224,449		12
Assets transferred	(210,834)		
Assets held in portfolio	13,615		

As of March 31, 2010, the amount of the subordinated interests measured at fair value relating to securitizations of mortgage loans receivable was ¥37,661 million.

These securitizations were designed to transfer the mortgage loans receivable through trusts that satisfied the conditions of former QSPEs. Since all of the trusts were consolidated upon the adoption of the new consolidation provisions, the mortgage loans receivable transferred to the consolidated trusts was recognized on the Company's consolidated balance sheet and classified as financial assets transferred to consolidated securitization entities on April 1, 2010.

**(6) Goodwill and Other Intangible Assets**

Goodwill and other intangible assets included in other assets as of June 30, 2010 and March 31, 2010 are as follows:

	June 30, 2010		Millions of yen		March 31, 2010	
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Goodwill	170,372		170,372	165,586		165,586
Amortized intangible assets:						
Software	683,429	582,586	100,843	691,856	580,138	111,718
Software for internal use	490,649	352,470	138,179	473,621	343,733	129,888
Patents	112,933	91,526	21,407	106,815	87,526	19,289
Other	172,680	101,617	71,063	173,823	99,952	73,871
	1,459,691	1,128,199	331,492	1,446,115	1,111,349	334,766

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Indefinite-lived intangible assets	17,102	17,102	17,698	17,698
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**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2010****(7) Income Taxes**

The Company's combined statutory income tax rate for the year ended March 31, 2010 was approximately 40.6%. However, the estimated annual effective tax rate applied to income (loss) before income taxes was different from the statutory rate for the year ended March 31, 2010, because the estimated annual effective tax rates of the consolidated tax group including the Company and certain subsidiaries were computed including the effect of a valuation allowance that was necessary to reduce the carrying value of deferred tax assets related to deductible temporary differences and carryforwards originating during the year.

**(8) 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, 2010 and 2009 consists of the following components:

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Service cost	18,092	17,990
Interest cost	13,352	13,546
Expected return on plan assets for the period	(8,426)	(8,060)
Amortization of prior service benefit	(6,087)	(5,635)
Recognized actuarial loss	22,123	24,658
Transfer to defined contribution pension plan	(121)	40
Employees' contributions	(39)	(25)
	38,894	42,514

**(9) Common Stock**

Issued shares of common stock as of June 30, 2010 and March 31, 2010 are as follows:

	Issued shares	
	June 30, 2010	March 31, 2010
Issued shares of common stock	4,518,151,290	4,518,132,365

**(10) Treasury Stock**

Shares of treasury stock as of June 30, 2010 and March 31, 2010 are as follows:

	Shares	
	June 30, 2010	March 31, 2010
Shares of treasury stock	2,267,020	44,014,251

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2010****(11) Equity**

The changes in the equity for the three months ended June 30, 2010 and 2009 are summarized as follows:

	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
Comprehensive income	72,328	19,740	92,068
Balance at end of period	1,354,119	980,965	2,335,084

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	Millions of yen		
	Three months ended June 30, 2009		
	Total Hitachi, Ltd. stockholders equity	Noncontrolling interests	Total equity
Balance at beginning of period	1,049,951	1,129,401	2,179,352
Dividends to noncontrolling interests		(12,640)	(12,640)
Equity transactions and other	204	1,607	1,811
Comprehensive income (loss)			
Net loss	(82,665)	(8,102)	(90,767)
Other comprehensive income (loss), net of income taxes and reclassification adjustments:			
Foreign currency translation adjustments	25,219	5,869	31,088
Pension liability adjustments	9,314	3,066	12,380
Net unrealized holding gain on available-for-sale securities	15,941	5,250	21,191
Cash flow hedges	(465)	744	279
Comprehensive income (loss)	(32,656)	6,827	(25,829)
Balance at end of period	1,017,499	1,125,195	2,142,694

Accumulated other comprehensive loss, net of income taxes, as of June 30, 2010 and March 31, 2010 consists of the following:

	Millions of yen	
	June 30, 2010	March 31, 2010
Foreign currency translation adjustments	(201,222)	(182,783)
Pension liability adjustments	(255,795)	(272,410)
Net unrealized holding gain on available-for-sale securities	10,165	25,564
Cash flow hedges	(2,116)	(2,428)
Accumulated other comprehensive loss	(448,968)	(432,057)

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2010****(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 ¥50,830 million as of June 30, 2010.

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, 2010, the undiscounted maximum potential future payments under such guarantees amounted to ¥432,435 million. For providing these guarantees, the subsidiaries obtain collateral equal to the amount of the guarantees, and therefore, the Company considers the risk to be low. The Company accrued ¥13,148 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 its 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 and loan commitments as of June 30, 2010 is as follows:

	Millions of yen
Total commitment available	12,965
Less amount utilized	5,053
<b>Balance available</b>	<b>7,912</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, 2010 amounted to ¥406,196 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, 2010 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, 2010 amounted to ¥100,000 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, 2010 and March 31, 2010, the Company and subsidiaries were contingently liable for trade notes discounted and endorsed in the following amounts:

	Millions of yen	
	June 30, 2010	March 31, 2010
Notes discounted	2,836	3,497
Notes endorsed	2,724	2,538



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A certain subsidiary is contingently liable for the transfer of export receivables with recourse. As of June 30, 2010, the amount of transfer of export receivables with recourse was ¥8,226 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, 2010 and 2009 are summarized as follows:

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Balance at beginning of period	56,957	60,449
Expense recognized upon issuance of warranties	3,240	3,692
Usage	(4,724)	(5,957)
Other, including effect of foreign currency translation	(538)	1,163
<b>Balance at end of period</b>	<b>54,935</b>	<b>59,347</b>

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. A provision for the repair costs was accrued.

In September 2008, Chubu Electric Power Co., Inc. filed suit against the Company to claim for compensation for consequential losses of ¥41,800 million mostly composed of the additional costs to switch to thermal power arising from shutdown at Hamaoka Nuclear Power Station No.5. In May 2009, Hokuriku Electric Power Company filed suit against the Company to claim for compensation for consequential losses of ¥20,200 million mostly composed of the additional costs to switch to thermal power arising from shutdown at Shika Nuclear Power Station No.2. The Company is vigorously defending itself in these lawsuits. The Company has not accrued for consequential losses related to these lawsuits. However, there can be no assurance that the Company will not be liable for any amount claimed.

In January 2007, the European Commission ordered the Company and one of its affiliated companies to pay a fine for infringement of EC antitrust rules regarding alleged antitrust violations for the gas insulated switchgear equipment used at substations. In April 2007, the Company lodged an appeal with the Court of First Instance of the European Communities requesting the court to annul the decision of the European Commission. The determination has not been rendered at present, but the Company accrued the reasonably estimated amount for the fine.

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

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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 has accrued the reasonably estimated amount for the fine.

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.

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, a number of civil lawsuits including class action lawsuits have been filed against the Company and some of these companies in the U.S. and Canada.

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.

**(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, 2010 and 2009 are as follows:

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Special termination benefits	131	9,223
Loss on fixed assets	0	10
	131	9,233





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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, 2010 and 2009 is as follows:

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Balance at beginning of the period	8,170	7,543
New charges	131	9,223
Cash payments	(3,480)	(5,343)
Foreign currency exchange rate changes	(86)	47
Balance at end of the period	4,735	11,470

The restructuring charges for the three months ended June 30, 2009 mainly consist of special termination benefits for the early-terminated employees of subsidiaries for the purpose of reorganizing the automotive products business, which encountered severe deterioration, in the Automotive Systems segment and strengthening its storage business on a global basis in the Components & Devices segment.

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

The following items are included in other income or other deductions for the three months ended June 30, 2010 and 2009.

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Net gain on securities	70,325	128
Net gain (loss) on sale and disposal of rental assets and other property	1,631	(4,417)
Exchange gain (loss)	(9,996)	1,589

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.

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The reconciliations of the numbers and the amounts used in the basic and diluted net income (loss) attributable to Hitachi, Ltd. stockholders per share computations for the three months ended June 30, 2010 and 2009 are as follows:

	Number of shares	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Weighted average number of shares on which basic net income (loss) per share is calculated	4,515,831,654	3,324,116,570
Effect of dilutive securities:		
130% call option attached unsecured convertible bonds (8th series)	315,436,544	
Number of shares on which diluted net income (loss) per share is calculated	4,831,268,198	3,324,116,570

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Net income (loss) attributable to Hitachi, Ltd. stockholders	86,058	(82,665)
Effect of dilutive securities:		
130% call option attached unsecured convertible bonds (8th series)	17	
Other	(98)	
Net income (loss) attributable to Hitachi, Ltd. stockholders on which diluted net income (loss) per share is calculated	85,977	(82,665)

	Yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Net income (loss) attributable to Hitachi, Ltd. stockholders per share:		
Basic	19.06	(24.87)
Diluted	17.80	(24.87)

The net loss attributable to Hitachi, Ltd. stockholders per share computation for the three months ended June 30, 2009 excludes all convertible bonds because their effect would have been antidilutive.

In addition, the net income attributable to Hitachi, Ltd. stockholders per share computation for the three months ended June 30, 2010 excludes some stock options and the net loss attributable to Hitachi, Ltd. stockholders per share computation for the three months ended June 30, 2009 excludes all stock options because their effect would have been antidilutive.

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**HITACHI, LTD. AND SUBSIDIARIES**

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(16) 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. 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 its 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.

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.

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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.

(17) **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.

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**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2010**

(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

When available, quoted market prices are used to determine the fair value of investment securities 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.

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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, 2010 and March 31, 2010. The carrying value on the consolidated balance sheet is equal to the fair value.

	Total Balance	Millions of yen June 30, 2010 Fair value hierarchy classification		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Investments in securities				
Equity securities	140,755	138,164	2,591	
Governmental debt securities	43,228	43,207	21	
Corporate debt securities	39,871		6,657	33,214
Other	15,086	5,940	9,146	
Derivatives	39,355		39,355	
Subordinated interests resulting from securitization	5,653			5,653
	283,948	187,311	57,770	38,867

<b>Liabilities:</b>				
Derivatives	(8,131)		(8,131)	

	Total Balance	Millions of yen March 31, 2010 Fair value hierarchy classification		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Investments in securities				
Equity securities	159,850	156,879	2,971	
Governmental debt securities	44,156	43,989	167	
Corporate debt securities	35,359		6,426	28,933
Other	14,260	5,903	8,357	
Derivatives	26,880		26,880	
Subordinated interests resulting from securitization	115,417			115,417
	395,922	206,771	44,801	144,350

Liabilities:

Derivatives	(15,135)	(15,135)
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The following table presents the changes in Level 3 instruments measured on a recurring basis for the three months ended June 30, 2010.

	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
Balance at end of period	33,214	5,653	38,867

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.

The following table presents the changes in Level 3 instruments measured on a recurring basis for the three months ended June 30, 2009.

	Millions of yen Three months ended June 30, 2009		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of period	26,532	123,465	149,997
Purchases, sales, issuances and settlements	192	(782)	(590)
Total gains or losses (realized/unrealized)			
Included in earnings (a)		1,311	1,311
Included in other comprehensive income (loss)	1,001	(766)	235

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Balance at end of period	27,725	123,228	150,953
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, 2009		1,282	1,282

- (a) Level 3 gains and losses (realized and unrealized) included in earnings for the three months ended June 30, 2009 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, 2010****(19) Merger and Acquisition**

On March 30, 2010, Hitachi Construction Machinery Co., Ltd. (Hitachi Construction Machinery), a subsidiary of the Company in the Construction Machinery segment, agreed with Tata Motors Limited to purchase an additional 20% interest in Telco Construction Equipment Co., Ltd. (Telcon). As a result, Hitachi Construction Machinery purchased a total of 20,000,000 shares for ¥23,704 million on March 30, 2010, resulting in the percentage of Hitachi Construction Machinery's ownership interests in Telcon increasing from 40.0% to 60.0%. Accordingly, Hitachi Construction Machinery obtained control over Telcon and it became a consolidated subsidiary effective March 30, 2010 (the acquisition date).

Telcon manufactures and sells major construction machinery including hydraulic excavators, backhoe loaders and wheel loaders. Hitachi Construction Machinery decided to purchase an additional 20% interest to obtain a strong lead in the India market, which is expected to grow significantly.

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

	Millions of yen (As adjusted)
Current assets	29,741
Non-current assets (excluding intangible assets)	16,912
Intangible assets (excluding goodwill)	37,370
Goodwill (not deductible for tax purposes)	32,981
	117,004
Current liabilities	(35,105)
Non-current liabilities	(14,095)
	(49,200)
Previously acquired equity interest measured at fair value	(22,050)
Cash paid for acquisition	(23,704)
Fair value of noncontrolling interests	(22,050)
	(67,804)

The acquired intangible assets subject to amortization amounted to ¥27,931 million including mainly customer contracts and relationships.

The acquired intangible assets not subject to amortization amounted to ¥9,439 million of brands.

Since the evaluation of the fair values of the assets and liabilities was completed during the three months ended June 30, 2010, the Company retrospectively adjusted the provisional amounts as of the acquisition date. As a result, the amounts of other intangible assets and related deferred tax liability, which is included in other liabilities, increased by ¥37,370 million and ¥12,702 million, respectively, whereas goodwill decreased by ¥24,668 million in the consolidated balance sheet as of March 31, 2010.



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**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2010**

(20) **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:**

Wires and cables, Copper products, Semiconductor and display related materials, Circuit boards and materials, Specialty steels, Magnetic materials and components and High grade casting components and materials

**Automotive Systems:**

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

**Components & Devices:**

Hard disk drives, LCDs, Information storage media and Batteries

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

**Financial Services:**

Leasing and Loan guarantees

**Others:**

Logistics, Property management, Insurance agent and others

The following tables show segment information for the three months ended June 30, 2010 and 2009.

**Revenues from Outside Customers**

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Information & Telecommunication Systems	309,290	320,083
Power Systems	162,994	155,027
Social Infrastructure & Industrial Systems	183,586	200,581
Electronic Systems & Equipment	217,779	174,305
Construction Machinery	161,179	126,947
High Functional Materials & Components	326,802	256,507
Automotive Systems	174,876	126,553
Components & Devices	185,377	154,379
Digital Media & Consumer Products	240,510	196,367
Financial Services	82,293	78,245
Others	107,661	101,936
Subtotal	2,152,347	1,890,930
Corporate items	219	1,971
Total	2,152,566	1,892,901

**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2010****Revenues from Intersegment Transactions**

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Information & Telecommunication Systems	39,686	39,557
Power Systems	14,824	14,322
Social Infrastructure & Industrial Systems	48,020	46,241
Electronic Systems & Equipment	32,491	29,954
Construction Machinery	847	985
High Functional Materials & Components	18,719	16,882
Automotive Systems	902	1,020
Components & Devices	16,573	13,039
Digital Media & Consumer Products	16,183	15,809
Financial Services	11,942	11,864
Others	72,260	74,596
Subtotal	272,447	264,269
Eliminations and Corporate items	(272,447)	(264,269)

Total

**Total Revenues**

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Information & Telecommunication Systems	348,976	359,640
Power Systems	177,818	169,349
Social Infrastructure & Industrial Systems	231,606	246,822
Electronic Systems & Equipment	250,270	204,259
Construction Machinery	162,026	127,932
High Functional Materials & Components	345,521	273,389
Automotive Systems	175,778	127,573
Components & Devices	201,950	167,418
Digital Media & Consumer Products	256,693	212,176
Financial Services	94,235	90,109
Others	179,921	176,532
Subtotal	2,424,794	2,155,199
Eliminations and Corporate items	(272,228)	(262,298)
Total	2,152,566	1,892,901





**Table of Contents****HITACHI, LTD. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2010****Segment Profit (Loss)**

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Information & Telecommunication Systems	184	5,297
Power Systems	4,639	1,480
Social Infrastructure & Industrial Systems	2,528	(3,875)
Electronic Systems & Equipment	5,391	(11,810)
Construction Machinery	6,940	(1,652)
High Functional Materials & Components	26,208	(3,245)
Automotive Systems	4,257	(13,082)
Components & Devices	16,799	(10,219)
Digital Media & Consumer Products	7,114	(13,533)
Financial Services	5,153	2,095
Others	6,002	1,922
Subtotal	85,215	(46,622)
Eliminations and Corporate items	3,260	(3,974)
Total Segment profit (loss)	88,475	(50,596)
Impairment losses for long-lived assets	(102)	(470)
Restructuring charges	(131)	(9,233)
Interest income	3,171	2,694
Dividends income	2,210	2,858
Gains on sales of stock by subsidiaries or affiliated companies		183
Other income	71,956	1,717
Interest charges	(6,306)	(7,034)
Other deductions	(10,237)	(4,505)
Equity in net loss of affiliated companies	(4,752)	(16,442)
Income (loss) before income taxes	144,284	(80,828)

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.

As of June 30, 2010 and March 31, 2010, total assets of the Financial Services segment were ¥2,313,982 million and ¥1,789,409 million, respectively. Total assets of the Financial Services segment increased because of consolidation of securitization entities upon initial adoption of the amended provisions of ASC 810.