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Consolidated Balance Sheets

Hitachi, Ltd. and Subsidiaries
March 31, 2008 and 2007

Assets	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars (note 3) 2008
Current assets:			
Cash and cash equivalents	**¥ 560,960**	¥ 617,866	**$ 5,609,600**
Short-term investments (note 4)	**61,289**	33,986	**612,890**
Trade receivables, net of allowance for doubtful receivables of ¥40,847 million ($408,470 thousand) for 2008 and ¥42,959 million for 2007:			
Notes (notes 7 and 17)	**163,962**	154,406	**1,639,620**
Accounts (note 7)	**2,365,823**	2,341,609	**23,658,230**
Investments in leases (notes 6 and 7)	**136,119**	148,456	**1,361,190**
Inventories (note 5)	**1,441,024**	1,450,258	**14,410,240**
Prepaid expenses and other current assets (note 9)	**672,578**	687,554	**6,725,780**
Total current assets	**5,401,755**	5,434,135	**54,017,550**
Investments and advances, including affiliated companies (note 4)	**1,042,657**	1,049,724	**10,426,570**
Property, plant and equipment (note 6):			
Land	**478,620**	465,315	**4,786,200**
Buildings	**1,848,105**	1,842,904	**18,481,050**
Machinery and equipment	**5,770,457**	5,850,195	**57,704,570**
Construction in progress	**93,137**	96,008	**931,370**
	8,190,319	8,254,422	**81,903,190**
Less accumulated depreciation	**5,536,401**	5,565,445	**55,364,010**
Net property, plant and equipment	**2,653,918**	2,688,977	**26,539,180**
Other assets (notes 6, 8, 9 and 11)	**1,432,517**	1,471,423	**14,325,170**
Total assets	**¥10,530,847**	¥10,644,259	**$105,308,470**

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	Millions of yen 2008	2007	Thousands of U.S. dollars (note 3) 2008
Current liabilities:			
Short-term debt (note 10)	**¥ 723,020**	¥ 894,393	**$ 7,230,200**
Current portion of long-term debt (notes 6 and 10)	**386,879**	303,214	**3,868,790**
Trade payables:			
Notes	**66,265**	85,282	**662,650**
Accounts	**1,601,413**	1,584,959	**16,014,130**
Accrued expenses (notes 11 and 17)	**901,546**	902,164	**9,015,460**
Income taxes (note 9)	**101,599**	87,354	**1,015,990**
Advances received	**412,642**	284,704	**4,126,420**
Other current liabilities (note 9)	**559,535**	525,474	**5,595,350**
Total current liabilities	**4,752,899**	4,667,544	**47,528,990**
Long-term debt (notes 6 and 10)	**1,421,607**	1,489,843	**14,216,070**
Retirement and severance benefits (note 11)	**822,440**	818,457	**8,224,400**
Other liabilities (note 9)	**220,781**	151,869	**2,207,810**
Total liabilities	**7,217,727**	7,127,713	**72,177,270**
Minority interests	**1,142,508**	1,073,749	**11,425,080**
Stockholders' equity:			
Common stock			
3,368,126,056 shares issued for 2008 and 2007 (notes 10 and 12)	**282,033**	282,033	**2,820,330**
Capital surplus (note 12)	**555,410**	560,796	**5,554,100**
Legal reserve and retained earnings (note 13)	**1,626,497**	1,713,757	**16,264,970**
Accumulated other comprehensive loss (note 15)	**(267,198)**	(88,450)	**(2,671,980)**
Treasury stock, at cost (note 14)	**(26,130)**	(25,339)	**(261,300)**
Total stockholders' equity	**2,170,612**	2,442,797	**21,706,120**
Commitments and contingencies (note 17)			
Total liabilities and stockholders' equity	**¥10,530,847**	¥10,644,259	**$105,308,470**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Hitachi, Ltd. and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (note 3)
	2008	2007	2006	**2008**
Revenues:				
Product sales	**¥10,262,690**	¥ 9,271,456	¥8,486,190	**$102,626,900**
Financial and other services	**964,045**	976,447	978,611	**9,640,450**
Total revenues	**11,226,735**	10,247,903	9,464,801	**112,267,350**
Cost of sales:				
Product sales	**(8,080,728)**	(7,392,146)	(6,683,759)	**(80,807,280)**
Financial and other services	**(696,929)**	(696,225)	(703,985)	**(6,969,290)**
Total cost of sales	**(8,777,657)**	(8,088,371)	(7,387,744)	**(87,776,570)**
Selling, general and administrative expenses	**(2,103,562)**	(1,977,020)	(1,821,045)	**(21,035,620)**
Impairment losses for long-lived assets (note 18)	**(87,549)**	(9,918)	(27,408)	**(875,490)**
Restructuring charges (note 19)	**(18,110)**	(3,983)	(4,429)	**(181,100)**
Interest income	**31,501**	25,914	18,170	**315,010**
Dividends income	**6,031**	6,063	6,421	**60,310**
Gains on sales of stock by subsidiaries or affiliated companies (note 21)	**3,846**	12,034	393	**38,460**
Other income (note 20)	**123,755**	58,976	62,609	**1,237,550**
Interest charges	**(42,448)**	(37,794)	(33,265)	**(424,480)**
Other deductions (note 20)	**(37,760)**	(31,466)	(3,639)	**(377,600)**
Income before income taxes and minority interests	**324,782**	202,338	274,864	**3,247,820**
Income taxes (note 9)	**(272,163)**	(162,814)	(154,348)	**(2,721,630)**
Income before minority interests	**52,619**	39,524	120,516	**526,190**
Minority interests	**(110,744)**	(72,323)	(83,196)	**(1,107,440)**
Net income (loss)	**¥ (58,125)**	¥ (32,799)	¥ 37,320	**$ (581,250)**

Net income (loss) per share (note 22):	Yen			U.S. dollars (note 3)
Basic	**¥(17.48)**	¥(9.84)	¥11.20	**$(0.17)**
Diluted	**(17.77)**	(9.87)	10.84	**(0.18)**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Hitachi, Ltd. and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Millions of yen					
	2008					
	Common stock (notes 10 and 12)	Capital surplus (note 12)	Legal reserve and retained earnings (note 13)	Accumulated other comprehensive loss (note 15)	Treasury stock, at cost (note 14)	Total stockholders' equity
Balance at beginning of year	**¥282,033**	**¥560,796**	**¥1,713,757**	**¥ (88,450)**	**¥(25,339)**	**¥2,442,797**
Increase (decrease) arising from equity transaction, net transfer of minority interest, and other		**(5,457)**	**(9,186)**	**376**		**(14,267)**
Comprehensive loss (note 15):						
Net loss			**(58,125)**			**(58,125)**
Other comprehensive loss, net of reclassification adjustments				**(179,124)**		**(179,124)**
Comprehensive loss						**(237,249)**
Cash dividends (note 13)			**(19,949)**			**(19,949)**
Acquisition of treasury stock (note 14)					**(1,145)**	**(1,145)**
Sales of treasury stock (note 14)		**71**			**354**	**425**
Balance at end of year	**¥282,033**	**¥555,410**	**¥1,626,497**	**¥(267,198)**	**¥(26,130)**	**¥2,170,612**

Comprehensive loss (note 15):	
Net loss	**¥ (58,125)**
Other comprehensive loss arising during the year	**(195,775)**
Reclassification adjustments for realized net loss included in net loss	**16,651**
Comprehensive loss	**¥ (237,249)**

	Thousands of U.S. dollars (note 3)					
	2008					
	Common stock (notes 10 and 12)	Capital surplus (note 12)	Legal reserve and retained earnings (note 13)	Accumulated other comprehensive loss (note 15)	Treasury stock, at cost (note 14)	Total stockholders' equity
Balance at beginning of year	**$2,820,330**	**$5,607,960**	**$17,137,570**	**$ (884,500)**	**$(253,390)**	**$24,427,970**
Increase (decrease) arising from equity transaction, net transfer of minority interest, and other		**(54,570)**	**(91,860)**	**3,760**		**(142,670)**
Comprehensive loss (note 15):						
Net loss			**(581,250)**			**(581,250)**
Other comprehensive loss, net of reclassification adjustments				**(1,791,240)**		**(1,791,240)**
Comprehensive loss						**(2,372,490)**
Cash dividends (note 13)			**(199,490)**			**(199,490)**
Acquisition of treasury stock (note 14)					**(11,450)**	**(11,450)**
Sales of treasury stock (note 14)		**710**			**3,540**	**4,250**
Balance at end of year	**$2,820,330**	**$5,554,100**	**$16,264,970**	**$(2,671,980)**	**$(261,300)**	**$21,706,120**

Comprehensive loss (note 15):	
Net loss	**$ (581,250)**
Other comprehensive loss arising during the year	**(1,957,750)**
Reclassification adjustments for realized net loss included in net loss	**166,510**
Comprehensive loss	**$ (2,372,490)**

(Continued on following page.)

	Millions of yen					
	2007					
	Common stock (notes 10 and 12)	Capital surplus (note 12)	Legal reserve and retained earnings (note 13)	Accumulated other comprehensive loss (note 15)	Treasury stock, at cost (note 14)	Total stockholders' equity
Balance at beginning of year	¥282,033	¥561,484	¥1,778,203	¥(95,997)	¥(17,950)	¥2,507,773
Increase (decrease) arising from equity transaction, net transfer of minority interest, and other		(3,293)	(3,329)	720		(5,902)
Comprehensive loss (note 15):						
Net loss			(32,799)			(32,799)
Other comprehensive income, net of reclassification adjustments				29,246		29,246
Comprehensive loss						(3,553)
Adjustment to initially apply SFAS No. 158 (note 11)				(22,419)		(22,419)
Cash dividends (note 13)			(28,318)			(28,318)
Acquisition of treasury stock (note 14)					(12,000)	(12,000)
Sales of treasury stock (note 14)		153			748	901
Stock exchange for acquisition (note 14)		2,452			3,863	6,315
Balance at end of year	¥282,033	¥560,796	¥1,713,757	¥(88,450)	¥(25,339)	¥2,442,797

Comprehensive loss (note 15):	
Net loss	¥ (32,799)
Other comprehensive income arising during the year	48,517
Reclassification adjustments for realized net gain included in net loss	(19,271)
Comprehensive loss	¥ (3,553)

	Millions of yen					
	2006					
	Common stock (notes 10 and 12)	Capital surplus (note 12)	Legal reserve and retained earnings (note 13)	Accumulated other comprehensive loss (note 15)	Treasury stock, at cost (note 14)	Total stockholders' equity
Balance at beginning of year	¥282,033	¥565,360	¥1,779,198	¥(301,524)	¥(17,236)	¥2,307,831
Decrease arising from equity transaction, net transfer of minority interest, and other		(4,026)	(1,671)	(992)		(6,689)
Comprehensive income (note 15):						
Net income			37,320			37,320
Other comprehensive income, net of reclassification adjustments				206,519		206,519
Comprehensive income						243,839
Cash dividends (note 13)			(36,644)			(36,644)
Acquisition of treasury stock (note 14)					(1,058)	(1,058)
Sales of treasury stock (note 14)		150			344	494
Balance at end of year	¥282,033	¥561,484	¥1,778,203	¥ (95,997)	¥(17,950)	¥2,507,773

Comprehensive income (note 15):	
Net income	¥ 37,320
Other comprehensive income arising during the year	221,157
Reclassification adjustments for realized net gain included in net income	(14,638)
Comprehensive income	¥ 243,839

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Hitachi, Ltd. and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (note 3)
	2008	2007	2006	**2008**
Cash flows from operating activities (note 24):				
Net income (loss)	**¥ (58,125)**	¥ (32,799)	¥ 37,320	**$ (581,250)**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	**541,470**	472,175	451,170	**5,414,700**
Amortization	**146,136**	149,823	138,727	**1,461,360**
Impairment losses for long-lived assets	**87,549**	9,918	27,408	**875,490**
Deferred income taxes	**84,587**	20,514	33,815	**845,870**
Equity in earnings of affiliated companies, net	**(22,586)**	(11,289)	(8,688)	**(225,860)**
Gain on sale of investments and subsidiaries' common stock	**(94,798)**	(53,240)	(46,468)	**(947,980)**
Impairment of investments in securities	**14,411**	8,309	4,858	**144,110**
Loss on disposal of rental assets and other property	**13,424**	31,590	8,983	**134,240**
Income applicable to minority interests	**110,744**	72,323	83,196	**1,107,440**
(Increase) decrease in receivables	**47,843**	52,599	(94,078)	**478,430**
Increase in inventories	**(107,546)**	(212,028)	(107,069)	**(1,075,460)**
(Increase) decrease in prepaid expenses and other current assets	**(32,763)**	(80,172)	35,947	**(327,630)**
Increase in payables	**42,453**	104,987	107,271	**424,530**
Decrease in accrued expenses and retirement and severance benefits	**(38,303)**	(21,166)	(30,505)	**(383,030)**
Increase in accrued income taxes	**12,841**	18,623	2,047	**128,410**
Increase in other liabilities	**61,041**	38,470	44,060	**610,410**
Net change in inventory-related receivables from financial services	**(11,392)**	(9,819)	14,328	**(113,920)**
Other	**(5,149)**	56,224	(11,447)	**(51,490)**
Net cash provided by operating activities	**791,837**	615,042	690,875	**7,918,370**
Cash flows from investing activities (note 24):				
(Increase) decrease in short-term investments	**(25,437)**	25,054	1,104	**(254,370)**
Capital expenditures	**(474,344)**	(497,771)	(382,386)	**(4,743,440)**
Purchase of assets to be leased	**(365,989)**	(441,614)	(466,681)	**(3,659,890)**
Collection of investments in leases	**311,321**	318,063	419,956	**3,113,210**
Proceeds from disposal of rental assets and other property	**63,067**	43,982	80,718	**630,670**
Proceeds from sale of investments and subsidiaries' common stock	**161,442**	69,842	99,717	**1,614,420**
Purchase of investments and subsidiaries' common stock	**(254,569)**	(169,530)	(67,643)	**(2,545,690)**
Purchase of software	**(126,453)**	(123,876)	(121,983)	**(1,264,530)**
Other	**73,344**	(10,320)	(64,164)	**733,440**
Net cash used in investing activities	**(637,618)**	(786,170)	(501,362)	**(6,376,180)**
Cash flows from financing activities (note 24):				
Increase (decrease) in short-term debt, net	**(200,018)**	93,917	5,121	**(2,000,180)**
Proceeds from long-term debt	**404,190**	380,646	342,309	**4,041,900**
Payments on long-term debt	**(381,069)**	(309,204)	(551,265)	**(3,810,690)**
Proceeds from sale of common stock by subsidiaries	**42,307**	23,078	2,310	**423,070**
Dividends paid to stockholders	**(19,889)**	(28,243)	(36,509)	**(198,890)**
Dividends paid to minority stockholders of subsidiaries	**(25,787)**	(20,761)	(17,591)	**(257,870)**
Acquisition of subsidiaries' common stock for treasury	**(4,570)**	(7,075)	(5,449)	**(45,700)**
Acquisition of common stock for treasury	**(1,145)**	(12,000)	(1,058)	**(11,450)**
Proceeds from sales of treasury stock	**425**	901	494	**4,250**
Net cash provided by (used in) financing activities	**(185,556)**	121,259	(261,638)	**(1,855,560)**
Effect of exchange rate changes on cash and cash equivalents	**(25,569)**	9,480	21,665	**(255,690)**
Net decrease in cash and cash equivalents	**(56,906)**	(40,389)	(50,460)	**(569,060)**
Cash and cash equivalents at beginning of year	**617,866**	658,255	708,715	**6,178,660**
Cash and cash equivalents at end of year	**¥560,960**	¥617,866	¥658,255	**$5,609,600**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Hitachi, Ltd. and Subsidiaries

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, electronic devices, power and industrial systems, digital media and consumer products, high functional materials and components, and other services including financial services and logistics services.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The Company and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries in conformity 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 any of the Company and its consolidated entities is the primary beneficiary. A VIE is defined in Financial Accounting Standards Board (FASB) Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51." This interpretation 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 fiscal years differ from March 31 by 93 days or less, to either comply with local statutory requirements or facilitate timely reporting. There have been no significant transactions, which would materially affect the Company's financial position and results of operations, with such subsidiaries during the period from their fiscal year-end to March 31. Intercompany accounts and significant intercompany transactions have been eliminated in consolidation.

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

(c) Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value which have initial maturities of three months or less when purchased to be cash equivalents.

(d) Allowance for Doubtful Receivables

Allowance for doubtful receivables, including both trade receivables and investments in leases, is the Company's and subsidiaries' best estimate of the amount of probable credit losses in their existing receivables. The allowance is determined based on, but not limited to, historical collection experience adjusted for the effects of the current economic environment, assessment of inherent risks, aging and financial performance of debtors. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(e) Foreign Currency Translation

Foreign currency financial statements have been translated in accordance with Statement of Financial Accounting standards (SFAS) No. 52, "Foreign Currency Translation." Under this standard, the assets and liabilities of the Company's subsidiaries located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from foreign currency transactions are included in other income (deductions), and those resulting from translation of financial statements are excluded from the consolidated statements of operations and included in accumulated other comprehensive loss as part of stockholders' equity.

(f) Investments in Securities and Affiliated Companies

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

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

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

A decline in fair value of any available-for-sale security, held-to-maturity security or cost-method investment below the cost basis or the amortized cost basis that is deemed to be other-than-temporary results in a write-down of the cost basis or the amortized cost basis to fair value as a new cost basis and the amount of the write-down is included in earnings. On a continuous basis, but no less frequently than at the end of each semi-annual period, the Company evaluates an available-for-sale security, a held-to-maturity security and a cost-method investment for possible impairment. Fair value is determined based on quoted market prices, projected discounted cash flows or other valuation techniques as appropriate. For certain cost-method investments for which it is not practicable to estimate the fair value, if an event or change in circumstances has occurred that may have significant adverse effect on the fair value of the investment, the Company estimates the fair value of the investments. Factors considered in determining whether an impairment of available-for-sale security or cost-method investment is other-than-temporary include: the length of time and extent to which the fair value of the investment has been less than cost, the financial condition and near-term prospect of the issuer, and the intent and ability to retain the investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Factors considered in assessing whether an impairment of a held-to-maturity security is other-than-temporary include the financial condition, business prospects and credit worthiness of the issuer.

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

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

(g) Securitizations

The Company and certain subsidiaries have a number of securitization programs. Under those programs, certain financial assets such as lease receivables, trade receivables and others are sold to Special Purpose Entities (SPEs) which are mainly funded through the issuance of asset-backed securities to investors. When a transfer of financial assets is eligible to be accounted for as a sale under SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” the carrying amount of the financial assets is allocated based on relative fair values to the portions to be retained and sold. The Company and its subsidiaries recognize a gain or loss for the difference between the net proceeds received and the allocated carrying amount of the assets sold when the transaction is consummated. Initially recorded at allocated carrying amount in the period of securitizations, the amount of retained interests is subsequently recorded at fair value as of the balance sheet date in the same manner for the available-for-sale securities.

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

(h) Inventories

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

(i) Property, Plant and Equipment

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

Buildings	
Buildings and building equipment	3 to 50 years
Structures	7 to 60 years
Machinery and equipment	
Machinery	4 to 13 years
Vehicles	4 to 7 years
Tools, furniture and fixtures	2 to 20 years

Effective April 1, 2007, the Company and its domestic subsidiaries elected to change the fixed-percentage-on-declining base application to the 250% declining balance application primarily for machinery and equipment used for manufacturing. Under the fixed-percentage-on-declining base application, the fixed percentage was a function of the estimated useful life of the asset and the estimated salvage value. Estimated salvage values were also reduced in connection with this change. This change resulted from changes in the pattern of usage of long-lived depreciable assets concluded by a study about such usage. The Company and its domestic subsidiaries believe that the new method is preferable because it better reflects the pattern of consumption of the future benefits derived from those assets and makes a better cost allocation to match revenues generated by those assets during their estimated useful lives.

In accordance with the “Change in Accounting Estimate” provisions of SFAS No. 154, “Accounting Changes and Error Corrections, a replacement of Accounting Principles Board (APB) Opinion No. 20 and FASB Statement No. 3,” the change in depreciation method is accounted for on a prospective basis from the beginning of the period of change and results for prior periods have not been restated.

The effect of the change was to reduce income before income taxes and minority interests by ¥38,379 million ($383,790 thousand) and increase net loss by ¥20,316 million ($203,160 thousand), or ¥6.11 ($0.06) per share (basic) for the year ended March 31, 2008.

(j) Goodwill and Other Intangible Assets

The Company tests goodwill and indefinite-lived intangible assets for impairment at least annually. The Company performs its annual impairment test mainly during the fourth quarter after the annual forecasting process is completed. Furthermore, goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company has certain operating segments and, in identifying the reporting unit for the purpose of testing goodwill for impairment, considers disaggregating those operating segments into economically dissimilar components based on specific facts and circumstances, especially the level at which performance of the operating segments are reviewed, how many businesses are included in the operating segments, and the economic similarity of those businesses. In assigning goodwill to reporting units, the Company considers which reporting units are expected to benefit from the synergies of the combination in a manner similar to how the amount of goodwill is recognized in a business combination. Fair value is estimated mainly using the expected present value of future cash flows. Intangible assets with finite useful lives are amortized over their respective estimated useful lives on either a straight-line basis or the method that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise used up. The principal estimated useful lives are as follows:

Software	1 to 8 years
Software for internal use	2 to 10 years
Patents	4 to 8 years
Other	5 to 20 years

(k) Capitalized Software Costs

Costs incurred for computer software developed or obtained for internal use are capitalized and amortized on a straight-line basis over their estimated useful lives in accordance with Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." In addition, the Company and its subsidiaries develop certain computer software to be sold where related costs are capitalized after establishment of technological feasibility in accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." The annual amortization of such capitalized costs is the greater of the amount computed using the ratio of each software's current year gross revenues to the total of current and anticipated future gross revenues or the straight-line method over the remaining estimated economic life of each software.

(l) Impairment of Long-lived Assets

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

(m) Retirement and Severance Benefits

The Company accounts for retirement and severance benefits in accordance with SFAS No. 87, "Employers' Accounting for Pensions," and as described in note 11, on March 31, 2007, the Company adopted the recognition and disclosure provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)." Gains and losses included in accumulated other comprehensive loss are amortized using the straight-line method over the average remaining service period of active employees. Prior to the adoption of the recognition provisions of SFAS No. 158, unrecognized gains and losses were amortized using the straight-line method over the average remaining service period of active employees.

(n) Environmental Liabilities

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

(o) Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. SFAS No. 133 requires that all derivative financial instruments, such as forward exchange and interest rate swap contracts, be recognized in the financial statements as either assets or liabilities and measured at fair value regardless of the purpose or intent for holding them.

The Company designates and accounts for hedging derivatives as follows:

- "Fair value" hedge: a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the related derivatives are recorded in earnings if the hedge is considered highly effective.
- "Cash flow" hedge: a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability. The changes in the fair value of the derivatives designated as cash flow hedges are recorded as other comprehensive income if the hedge is considered highly effective. This treatment is continued until earnings are affected by the variability in cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative are recognized in income.
- "Foreign currency" hedge: a hedge of foreign-currency fair value or cash flow. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the derivatives are recorded as either earnings or other comprehensive income if the hedge is considered highly effective. Recognition as earnings or other comprehensive income is dependent on the treatment of foreign currency hedges as either fair value or cash flow hedges.

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

(p) Revenue Recognition

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

The Company offers multiple solutions to its customers' needs. Those solutions may involve the delivery or performance of multiple elements, such as products, services, or rights to use assets, and performance may occur at different points in time or over different periods of time. When one element is delivered prior to the other in an arrangement, revenue is deferred until the delivery of the last element, unless transactions are such that the delivered item has value to the customer on a standalone basis, there is objective and reliable evidence of the fair value of the undelivered item, and delivery or performance of the undelivered item is considered probable and substantially in the control of the Company if the arrangement includes a general right of return relative to the delivered item. If all conditions described above are met, each element in an arrangement is considered a separate unit of accounting, and the arrangement consideration is allocated to the separate units of accounting based on the relative fair values provided that there is objective and reliable evidence of the fair values of all units of accounting in the arrangement. The Company allocates revenue for software arrangements involving multiple elements to each element based on its relative fair value, as evidenced by vendor specific objective evidence (VSOE), or in the absence of VSOE of the delivered elements, the residual method. VSOE is the price charged by the Company to an external customer for the same element when such an element is sold separately.

Product Sales:

Revenue from sales of products is recognized when title and risk of loss have been transferred to the customer depending upon the terms of the contract or arrangement with the customer. The Company's policy is not to accept product returns unless the products are defective. The conditions of delivery are governed by the terms of the contract or customer arrangement and those not meeting the predetermined specification are not recorded as revenue. When the final payment is subject to customer acceptance, a portion of revenue for the amount of the final payment is deferred until an enforceable claim has become effective. Product warranties are offered on the Company's and certain subsidiaries' products (in certain cases separately priced) and a warranty accrual is established when sales are recognized based on estimated future costs of repair and replacement principally using historical experience of warranty claims.

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

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

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

The Company recognizes software revenue in accordance with the provisions of SOP 97-2, "Software Revenue Recognition," as amended. Revenue from software consists of software licensing, customized software development and post contract customer support. Revenues from software license arrangements are recognized upon delivery of the software if evidence of the arrangement exists, pricing is fixed or determinable and collectibility is reasonably assured. Revenue from a software arrangement that requires significant production, modification or customization of software is recognized using the percentage-of-completion method provided that reasonably dependable estimates related to contract revenue, cost and the extent of progress toward completion exist. Otherwise, the completed-contract method is applied. Customization of software is considered substantially completed when an acceptance by the customer occurs. Revenue from post contract customer support is amortized over the period of the post contract customer support. Consulting and training services revenues are recognized when the services are rendered.

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

(q) Shipping and Handling Costs

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

(r) Advertising

Advertising costs are expensed as incurred.

(s) Research and Development Costs

Research and development costs are expensed as incurred. Costs incurred in connection with the development of software products for sale or lease to others are accounted for in accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed." Development costs incurred in the research and development of new software products and enhancements to existing products are expensed as incurred until technological feasibility has been established.

(t) Income Taxes

The Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109," as of April 1, 2007, resulting in a cumulative effect of adoption of ¥3,667 million ($36,670 thousand) included in "Increase (decrease) arising from equity transaction, net transfer of minority interest, and other" in the consolidated statements of stockholders' equity as an adjustment to the opening balance of retained earnings.

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

Deferred income taxes are accounted for under the asset and liability method in accordance with SFAS No. 109, “Accounting for Income Taxes.” Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses and tax credit carryforwards. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established to reduce deferred tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

(u) Sales of Stock by Subsidiaries

The change in the Company’s proportionate share of a subsidiary’s equity resulting from issuance of stock by the subsidiary is recognized in the accompanying consolidated statements of operations.

(v) Consumption Tax

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

(w) Net Income Per Share

Net income per share is computed in accordance with SFAS No. 128, “Earnings per Share.” This standard requires a dual presentation of basic and diluted net income per share amounts on the face of the statements of operations. Under this standard, basic net income per share is computed based upon the weighted average number of shares of common stock outstanding during each year. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

(x) Stock-Based Compensation

The Company and certain subsidiaries have stock-based compensation plans. Effective April 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123 (revised 2004), “Share-Based Payment,” which is a revision of SFAS No. 123, “Accounting for Stock-Based Compensation.” This statement requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. In adopting this statement, the Company applied the modified-prospective-transition method, and accordingly, results for prior periods have not been restated. Adoption of this statement had no material effect on the consolidated results of operations of the Company and subsidiaries, and their cash flows for the year ended March 31, 2007.

Prior to April 1, 2006, the Company accounted for those plans under the recognition and measurement provisions of APB Opinion No. 25, “Accounting for Stock Issued to Employees,” and related interpretations. For the year ended March 31, 2006, the Company recognized no material stock-based compensation expense. SFAS No. 123 prescribed the recognition of compensation expense based on the fair value of options on the grant date and allowed continuous application of APB Opinion No. 25 if certain pro forma disclosures were made assuming hypothetical fair value method application. The Company elected to continue applying APB Opinion No. 25, however, the pro forma effect of applying SFAS No. 123 on net income and the per share information for the year ended March 31, 2006 is as follows:

	Millions of yen
	2006
Net income — as reported	¥37,320
Stock-based compensation expense included in reported net income	214
Stock-based compensation expense determined under SFAS No. 123	(440)
Net income — pro forma	¥37,094
Net income per share:	Yen
Basic — as reported	¥11.20
Basic — pro forma	11.14
Diluted — as reported	10.84
Diluted — pro forma	10.78

(y) Disclosures about Segments of an Enterprise and Related Information

SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information,” establishes standards for the manner in which a public business enterprise is required to report financial and descriptive information about its operating segments. This standard 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. A measure of profit or loss, total assets and other related information is required to be disclosed for each operating segment. Further, this standard 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. However, certain foreign issuers are presently exempted from the segment disclosure requirements of SFAS No. 131 in filings with the United States Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, and the Company has not presented the segment information required to be disclosed in the footnotes to the consolidated financial statements based on the provisions of SFAS No. 131.

(z) Guarantees

The Company recognizes, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee for guarantees issued or modified after December 31, 2002, in accordance with the FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of SFAS No. 5, 57, and 107 and rescission of FASB Interpretation No. 34.”

(aa) Sabbatical Leave and Other Similar Benefits

The Company adopted the provisions of Emerging Issues Task Force (EITF) Issue No. 06-2, “Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43” on April 1, 2007, with no material effect included in “Increase (decrease) arising from equity transaction, net transfer of minority interest, and other” in the consolidated statements of stockholders’ equity as a cumulative-effect adjustment to the opening balance of retained earnings.

(ab) New Accounting Standards

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” This statement defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-1, “Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13” (FSP 157-1) and FSP No. FAS 157-2, “Effective Date of FASB Statement No. 157” (FSP 157-2). FSP 157-1 amends SFAS No. 157 to remove certain leasing transactions from its scope. FSP 157-2 defers the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years.

The adoption of SFAS No. 157 for financial assets and financial liabilities and for non-financial assets and non-financial liabilities recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) will not have a material effect on the Company’s consolidated financial statements. The Company is currently evaluating the effect that SFAS No. 157 will have on the Company’s consolidated financial statements beginning in the first quarter of fiscal year ending March 31, 2010 when it is applied to non-financial assets and non-financial liabilities that are not measured at fair value on a recurring basis.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities.” This statement allows entities to voluntarily choose, at specified election dates, to measure many financial assets and financial liabilities at fair value. The election is made on an instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, the statement specifies that all subsequent changes in fair value for that instrument shall be reported in earnings. This Statement is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. Earlier adoption is permitted, however, an entity must also adopt all of the requirements of SFAS No. 157 as of the adoption date. The adoption of SFAS No. 159 is not expected to have a material effect on the Company’s consolidated financial statements.

In June 2007, the FASB ratified EITF Issue No. 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities." This Issue requires that nonrefundable advance payments for goods or services to be used or rendered in future research and development activities should be deferred and capitalized. Such amounts should be recognized as an expense as the related goods are delivered or the related services are performed. This Issue is effective for financial statements issued for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. EITF No. 07-3 is not expected to have a material effect on the consolidated financial position or results of operations of the Company and its subsidiaries.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations," and SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements." These statements will improve and simplify the accounting for business combinations and the reporting of noncontrolling interests in consolidated financial statements. SFAS No. 141 requires an acquiring entity in a business combination to recognize all the assets acquired, liabilities assumed and any noncontrolling interest in an acquiree at the full amount of their fair values as of the acquisition date. Also, SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements and all the transactions for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions. These statements are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008. The Company is currently evaluating the effect of adopting these statements on the consolidated financial position and results of operations.

In May 2008, the FASB issued FSP No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (including Partial Cash Settlement)." This FSP requires that issuers of convertible debt instruments that may be settled in cash or other assets upon conversion should separately account for the liability and equity components in a manner that reflects the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The requirements must be applied retrospectively to all periods presented. The Company is currently evaluating the effect of adopting these statements on the consolidated financial position and results of operations.

3. BASIS OF FINANCIAL STATEMENT TRANSLATION

The accompanying consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥100=U.S.$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2008. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars.

4. INVESTMENTS IN SECURITIES AND AFFILIATED COMPANIES

Short-term investments as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Investments in securities:			
Available-for-sale securities	**¥55,999**	¥13,279	**$559,990**
Held-to-maturity securities	**259**	43	**2,590**
Trading securities	**5,031**	20,664	**50,310**
	¥61,289	¥33,986	**$612,890**

Investments and advances, including affiliated companies as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Investments in securities:			
Available-for-sale securities	**¥ 269,268**	¥ 396,910	**$ 2,692,680**
Held-to-maturity securities	**230**	1,048	**2,300**
Cost-method investments	**54,898**	72,190	**548,980**
Investments in affiliated companies	**555,470**	406,324	**5,554,700**
Advances and other	**162,791**	173,252	**1,627,910**
	¥1,042,657	¥1,049,724	**$10,426,570**

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 March 31, 2008 and 2007.

	Millions of yen							
	Amortized cost basis	Gross gains	Gross losses	Aggregate fair value	Amortized cost basis	Gross gains	Gross losses	Aggregate fair value
				2008				2007
Short-term investments:								
Debt securities	**¥ 44,801**	**¥ 4**	**¥ 86**	**¥ 44,719**	¥ 11,260	¥ 3	¥ 32	¥ 11,231
Other securities	**11,289**	**6**	**15**	**11,280**	2,042	10	4	2,048
	56,090	**10**	**101**	**55,999**	13,302	13	36	13,279
Investments and advances:								
Equity securities	**105,857**	**79,830**	**5,804**	**179,883**	127,839	178,152	1,692	304,299
Debt securities	**41,357**	**1,377**	**664**	**42,070**	66,746	1,809	524	68,031
Other securities	**47,387**	**253**	**325**	**47,315**	24,103	649	172	24,580
	194,601	**81,460**	**6,793**	**269,268**	218,688	180,610	2,388	396,910
	¥250,691	**¥81,470**	**¥6,894**	**¥325,267**	¥231,990	¥180,623	¥2,424	¥410,189

	Thousands of U.S. dollars			
	Amortized cost basis	Gross gains	Gross losses	Aggregate fair value
				2008
Short-term investments:				
Debt securities	**$ 448,010**	**$ 40**	**$ 860**	**$ 447,190**
Other securities	**112,890**	**60**	**150**	**112,800**
	560,900	**100**	**1,010**	**559,990**
Investments and advances:				
Equity securities	**1,058,570**	**798,300**	**58,040**	**1,798,830**
Debt securities	**413,570**	**13,770**	**6,640**	**420,700**
Other securities	**473,870**	**2,530**	**3,250**	**473,150**
	1,946,010	**814,600**	**67,930**	**2,692,680**
	$2,506,910	**$814,700**	**$68,940**	**$3,252,670**

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 March 31, 2008 and 2007.

	Millions of yen							
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Aggregate fair value	Gross losses	Aggregate fair value	Gross losses	Aggregate fair value	Gross losses	Aggregate fair value	Gross losses
				2008				2007
Short-term investments:								
Debt securities	**¥ 8,170**	**¥ 17**	**¥10,231**	**¥ 69**	¥ –	¥ –	¥ 2,413	¥ 32
Other securities	**95**	**15**	**–**	**–**	96	4	–	–
	8,265	**32**	**10,231**	**69**	96	4	2,413	32
Investments and advances:								
Equity securities	**12,961**	**4,992**	**2,528**	**812**	9,052	1,261	1,565	431
Debt securities	**7,308**	**416**	**10,222**	**248**	4,069	23	25,504	501
Other securities	**3,330**	**223**	**1,001**	**102**	2,703	82	4,516	90
	23,599	**5,631**	**13,751**	**1,162**	15,824	1,366	31,585	1,022
	¥31,864	**¥5,663**	**¥23,982**	**¥1,231**	¥15,920	¥1,370	¥33,998	¥1,054

	Thousands of U.S. dollars			
	Less than 12 months		12 months or longer	
	Aggregate fair value	Gross losses	Aggregate fair value	Gross losses
				2008
Short-term investments:				
Debt securities	**$ 81,700**	**$ 170**	**$102,310**	**$ 690**
Other securities	**950**	**150**	**–**	**–**
	82,650	**320**	**102,310**	**690**
Investments and advances:				
Equity securities	**129,610**	**49,920**	**25,280**	**8,120**
Debt securities	**73,080**	**4,160**	**102,220**	**2,480**
Other securities	**33,300**	**2,230**	**10,010**	**1,020**
	235,990	**56,310**	**137,510**	**11,620**
	$318,640	**$56,630**	**$239,820**	**$12,310**

Debt securities consist primarily of national, local and foreign governmental bonds, debentures issued by banks and corporate bonds. Other securities consist primarily of investment trusts.

The proceeds from the sale of available-for-sale securities for the years ended March 31, 2008, 2007 and 2006 were ¥38,264 million ($382,640 thousand), ¥83,513 million and ¥60,969 million, respectively. The gross realized gains on the sale of those securities for the years ended March 31, 2008, 2007 and 2006 were ¥10,137 million ($101,370 thousand), ¥43,267 million and ¥22,480 million, respectively, while gross realized losses on the sale of those securities for the years ended March 31, 2008, 2007 and 2006 were ¥107 million ($1,070 thousand), ¥176 million and ¥482 million, respectively. In addition, during the year ended March 31, 2008, the Company contributed certain available-for-sale securities, with an aggregate fair value of ¥42,240 million ($422,400 thousand), to a pension fund trust. Gross realized gain on the contribution for the year ended March 31, 2008 was ¥21,040 million ($210,400 thousand), which has been included in other income in the accompanying consolidated statement of operations.

Trading securities consist mainly of investments in trust accounts. The portions of trading gains and losses for the years ended March 31, 2008, 2007 and 2006 that relate to trading securities still held at the balance sheet date were a loss of ¥144 million ($1,440 thousand) and gains of ¥2,684 million and ¥7,556 million, respectively, and were classified as other deductions for the year ended March 31, 2008 and other income for the years ended March 31, 2007 and 2006 in the consolidated statements of operations.

The contractual maturities of debt securities and other securities classified as investments and advances in the consolidated balance sheet as of March 31, 2008 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Held-to-maturity	Available-for-sale	Total	Held-to-maturity	Available-for-sale	Total
			2008			**2008**
Due within five years	**¥ 31**	**¥53,102**	**¥53,133**	**$ 310**	**$531,020**	**$531,330**
Due after five years through ten years	**199**	**6,925**	**7,124**	**1,990**	**69,250**	**71,240**
Due after ten years	**–**	**29,358**	**29,358**	**–**	**293,580**	**293,580**
	¥230	**¥89,385**	**¥89,615**	**$2,300**	**$893,850**	**$896,150**

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

The aggregate carrying amounts of cost-method investments which were not evaluated for impairment as of March 31, 2008 and 2007 were ¥51,131 million ($511,310 thousand) and ¥68,741 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.

The aggregate fair values of investments in affiliated companies, for which a quoted market price was available, as of March 31, 2008 and 2007, were ¥130,018 million ($1,300,180 thousand) and ¥190,632 million, respectively. The aggregate carrying amounts of such investments as of March 31, 2008 and 2007 were ¥94,971 million ($949,710 thousand) and ¥93,957 million, respectively.

As of March 31, 2008 and 2007, cumulative recognition of other-than-temporary declines in values of investments in certain affiliated companies resulted in the difference of ¥17,230 million ($172,300 thousand) and ¥15,190 million, respectively, between the carrying amount of the investment and the amount of underlying equity in net assets. In addition, as of March 31, 2008 and 2007, equity-method goodwill included in investments in certain affiliated companies aggregated ¥49,414 million ($494,140 thousand) and ¥5,062 million, respectively.

The major component of equity-method goodwill recorded during the year ended March 31, 2008 was related to the acquisition of the interests in GE-Hitachi Nuclear Energy Holdings, LLC.

Summarized combined financial information relating to affiliated companies accounted for by the equity method is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Current assets	**¥1,531,596**	¥1,402,438	**$15,315,960**
Non-current assets	**1,141,798**	1,012,226	**11,417,980**
Current liabilities	**1,217,092**	1,138,964	**12,170,920**
Non-current liabilities	**367,009**	338,384	**3,670,090**

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Revenues	**¥2,816,109**	¥2,574,034	¥2,302,913	**$28,161,090**
Gross profit	**478,634**	394,762	370,979	**4,786,340**
Net income	**49,659**	24,664	22,177	**496,590**

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Trade receivables	**¥137,345**	¥144,610	**$1,373,450**
Trade payables	**86,690**	85,517	**866,900**

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Revenues	**¥597,942**	¥589,103	¥535,084	**$5,979,420**
Purchases	**412,682**	379,772	315,356	**4,126,820**

5. INVENTORIES

Inventories as of March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Finished goods	**¥ 553,344**	¥ 578,060	**$ 5,533,440**
Work in process	**665,106**	637,536	**6,651,060**
Raw materials	**222,574**	234,662	**2,225,740**
	¥1,441,024	¥1,450,258	**$14,410,240**

6. LEASES

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

The amount of leased assets at cost under operating leases and accumulated depreciation as of March 31, 2008 amounted to ¥1,953,967 million ($19,539,670 thousand) and ¥1,526,354 million ($15,263,540 thousand), respectively. The leased assets are depreciated using the straight-line method over their estimated useful lives.

The following table shows the future minimum lease receivables of financing and non-cancelable operating leases as of March 31, 2008 and the future minimum lease receivables of financing leases as of March 31, 2007:

	Millions of yen		Thousands of U.S. dollars	
	Financing leases	Operating leases	Financing leases	Operating leases
Years ending March 31		**2008**		**2008**
2009	**¥152,222**	**¥ 71,528**	**$1,522,220**	**$ 715,280**
2010	**123,173**	**54,858**	**1,231,730**	**548,580**
2011	**91,933**	**36,752**	**919,330**	**367,520**
2012	**60,287**	**18,338**	**602,870**	**183,380**
2013	**35,326**	**7,932**	**353,260**	**79,320**
Thereafter	**63,849**	**13,422**	**638,490**	**134,220**
Total minimum payments to be received	**526,790**	**¥202,830**	**5,267,900**	**$2,028,300**
Amount representing executory costs	**(24,467)**		**(244,670)**	
Unearned income	**(35,172)**		**(351,720)**	
Allowance for doubtful receivables	**(3,765)**		**(37,650)**	
Net investment in financing leases	**463,386**		**4,633,860**	
Less current portion of net investment in financing leases, included in investments in leases	**136,119**		**1,361,190**	
Long-term net investment in financing leases, included in other assets	**¥327,267**		**$3,272,670**	

	Millions of yen
	Financing leases
	2007
Total minimum payments to be received	¥570,342
Amount representing executory costs	(27,188)
Unearned income	(38,357)
Allowance for doubtful receivables	(4,289)
Net investment in financing leases	500,508
Less current portion of net investment in financing leases, included in investments in leases	148,456
Long-term net investment in financing leases, included in other assets	¥352,052

The Company and certain subsidiaries lease certain buildings, manufacturing machinery and equipment used in their operations. The amount of leased assets at cost under capital leases as of March 31, 2008 and 2007 amounted to ¥41,017 million ($410,170 thousand) and ¥43,406 million, respectively, and accumulated depreciation as of March 31, 2008 and 2007 amounted to ¥22,151 million ($221,510 thousand) and ¥26,070 million, respectively. Amortization of assets under capital leases is included in depreciation expense.

In March 2006, a certain subsidiary sold its land for proceeds of ¥10,560 million, and entered into a lease back agreement for a portion of the land. The lease back is classified as an operating lease with a term of 25 years. The gain on the leased back portion in the amount of ¥2,736 million has been deferred and is being recognized over the lease term.

The following table shows the future minimum lease payments of capital and non-cancelable operating leases as of March 31, 2008:

	Millions of yen		Thousands of U.S. dollars	
	Capital leases	Operating leases	Capital leases	Operating leases
Years ending March 31		2008		2008
2009	**¥ 7,838**	**¥16,455**	**$ 78,380**	**$164,550**
2010	**6,516**	**12,549**	**65,160**	**125,490**
2011	**3,079**	**7,598**	**30,790**	**75,980**
2012	**2,053**	**6,345**	**20,530**	**63,450**
2013	**976**	**5,699**	**9,760**	**56,990**
Thereafter	**428**	**26,053**	**4,280**	**260,530**
Total minimum lease payments	**20,890**	**¥74,699**	**208,900**	**$746,990**
Amount representing executory costs	**(519)**		**(5,190)**	
Amount representing interest	**(1,105)**		**(11,050)**	
Present value of net minimum lease payments	**19,266**		**192,660**	
Less current portion of capital lease obligations	**7,395**		**73,950**	
Long-term capital lease obligations	**¥11,871**		**$118,710**	

7. SECURITIZATIONS

For the years ended March 31, 2008, 2007 and 2006, Hitachi Capital Corporation and certain other financing subsidiaries sold primarily lease receivables to Special Purpose Entities (SPEs) and the SPEs issued asset-backed commercial paper to investors. The investors and the SPEs have no recourse to the subsidiaries' other assets for failure of debtors to pay when due. The subsidiaries retained servicing responsibilities and subordinated interests, but have not recorded a servicing asset or liability because the cost to service the receivables approximates the servicing income. The retained interests are subordinate to investors' interests. For the years ended March 31, 2008, 2007 and 2006, gains recognized on the sale of lease receivables amounted to ¥17,440 million ($174,400 thousand), ¥17,475 million and ¥21,619 million, respectively.

The table below summarizes certain cash flows received from and paid to the SPEs during the years ended March 31, 2008, 2007 and 2006:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Proceeds from transfer of lease receivables	**¥310,898**	¥327,741	¥436,919	**$3,108,980**
Servicing fees received	**78**	60	43	**780**
Purchases of delinquent or ineligible assets	**(26,610)**	(32,299)	(28,074)	**(266,100)**

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 year ended March 31, 2008 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit losses	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit losses
			2008			**2008**
Total assets managed or transferred:						
Lease receivables	**¥1,140,244**	**¥183**	**¥957**	**$11,402,440**	**$1,830**	**$9,570**
Assets transferred	**(676,858)**			**(6,768,580)**		
Assets held in portfolio	**¥ 463,386**			**$ 4,633,860**		

As of March 31, 2008, the amount of the subordinated interests retained relating to these securitizations was ¥96,616 million ($966,160 thousand).

Key economic assumptions used in measuring the fair value of the subordinated interests resulting from securitizations completed during the years ended March 31, 2008 and 2007 are as follows:

	2008	2007
Weighted average life (in years)	**3.6**	5.1
Expected credit loss	**0.00–0.03%**	0.00–0.03%
Discount rate	**0.94–1.00%**	1.28–1.41%

Key economic assumptions used in measuring the fair value of the subordinated interests as of March 31, 2008 are as follows:

	2008
Weighted average life (in years)	**3.4**
Expected credit loss	**0.00–0.03%**
Discount rate	**0.80–1.00%**

The sensitivity of the current fair value of the subordinated interests to an immediate 10 and 20 percent adverse change in the assumptions are as follows:

	Millions of yen	Thousands of U.S. dollars
	2008	2008
Expected credit loss:		
Impact on fair value of 10% adverse change	**¥(219)**	**$(2,190)**
Impact on fair value of 20% adverse change	**(439)**	**(4,390)**
Discount rate:		
Impact on fair value of 10% adverse change	**(200)**	**(2,000)**
Impact on fair value of 20% adverse change	**(402)**	**(4,020)**

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

For the years ended March 31, 2008, 2007 and 2006, the Company and certain subsidiaries sold trade receivables mainly to SPEs which securitized these receivables. In these securitizations, the Company and certain subsidiaries retained servicing responsibility. No servicing asset or liability has been recorded because the fees for servicing the receivables approximate the related costs. In addition, the Company and certain subsidiaries retained subordinated interests which were not material.

During the years ended March 31, 2008, 2007 and 2006, proceeds from the transfer of trade receivables were ¥1,097,778 million ($10,977,780 thousand), ¥1,534,508 million and ¥1,361,784 million, respectively, and net losses recognized on those transfers were ¥5,913 million ($59,130 thousand), ¥7,030 million and ¥2,445 million, respectively.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets other than goodwill acquired during the years ended March 31, 2008, 2007 and 2006 amounted to ¥167,397 million ($1,673,970 thousand), ¥181,226 million and ¥190,207 million, respectively, and related amortization expense during the years ended March 31, 2008, 2007 and 2006 amounted to ¥146,136 million ($1,461,360 thousand), ¥149,823 million and ¥138,727 million, respectively.

The main component of intangible assets subject to amortization was capitalized software. Amortization of capitalized costs for software to be sold, leased or otherwise marketed is charged to cost of sales. The amounts charged during the years ended March 31, 2008, 2007 and 2006 were ¥49,180 million ($491,800 thousand), ¥58,043 million and ¥52,705 million, respectively.

Intangible assets other than goodwill included in other assets as of March 31, 2008 and 2007 are as follows:

	Millions of yen					
			2008			2007
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:						
Software	**¥ 511,091**	**¥402,858**	**¥108,233**	¥ 467,829	¥363,280	¥104,549
Software for internal use	**537,258**	**346,812**	**190,446**	495,571	295,443	200,128
Patents	**120,429**	**70,990**	**49,439**	133,650	55,683	77,967
Other	**120,168**	**83,951**	**36,217**	119,446	75,466	43,980
	¥1,288,946	**¥904,611**	**¥384,335**	¥1,216,496	¥789,872	¥426,624
Indefinite-lived intangible assets	**¥ 8,428**	**¥ –**	**¥ 8,428**	¥ 8,369	¥ –	¥ 8,369

	Thousands of U.S. dollars		
			2008
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	**$ 5,110,910**	**$4,028,580**	**$1,082,330**
Software for internal use	**5,372,580**	**3,468,120**	**1,904,460**
Patents	**1,204,290**	**709,900**	**494,390**
Other	**1,201,680**	**839,510**	**362,170**
	$12,889,460	**$9,046,110**	**$3,843,350**
Indefinite-lived intangible assets	**$ 84,280**	**$ –**	**$ 84,280**

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

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥112,701	$1,127,010
2010	89,694	896,940
2011	65,450	654,500
2012	42,586	425,860
2013	23,077	230,770

The changes in the carrying amount of goodwill, which is included in other assets, for the years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Balance at beginning of the year	**¥148,431**	¥ 64,210	**$1,484,310**
Acquired during the year	**26,154**	85,250	**261,540**
Impairment loss	**(7,448)**	(1,743)	**(74,480)**
Translation adjustment and other	**(8,098)**	714	**(80,980)**
Balance at end of the year	**¥159,039**	¥148,431	**$1,590,390**

The major components of goodwill recorded during the year ended March 31, 2007 were related to the acquisition of the noncontrolling interests in a subsidiary, NEOMAX Co., Ltd. and the interests in Clarion Co., Ltd.

Impairment losses are included in selling, general and administrative expenses in the consolidated statements of operations.

9. INCOME TAXES

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

	Millions of yen		
			2008
	Domestic	Foreign	Total
Income before income taxes and minority interests	**¥257,084**	**¥67,698**	**¥324,782**
Income taxes:			
Current tax expense	**140,262**	**47,314**	**187,576**
Deferred tax expense (benefit)	**88,720**	**(4,133)**	**84,587**
	¥228,982	**¥43,181**	**¥272,163**

	Thousands of U.S. dollars		
			2008
	Domestic	Foreign	Total
Income before income taxes and minority interests	**$2,570,840**	**$676,980**	**$3,247,820**
Income taxes:			
Current tax expense	**1,402,620**	**473,140**	**1,875,760**
Deferred tax expense (benefit)	**887,200**	**(41,330)**	**845,870**
	$2,289,820	**$431,810**	**$2,721,630**

	Millions of yen		
			2007
	Domestic	Foreign	Total
Income (loss) before income taxes and minority interests	¥218,136	¥(15,798)	¥202,338
Income taxes:			
Current tax expense	108,962	33,338	142,300
Deferred tax expense (benefit)	28,735	(8,221)	20,514
	¥137,697	¥ 25,117	¥162,814

	Millions of yen		
			2006
	Domestic	Foreign	Total
Income before income taxes and minority interests	¥242,786	¥32,078	¥274,864
Income taxes:			
Current tax expense	99,753	20,780	120,533
Deferred tax expense	21,915	11,900	33,815
	¥121,668	¥32,680	¥154,348

Significant components of income tax expense (benefit) attributable to continuing operations and other comprehensive income (loss), net of reclassification adjustments, for the years ended March 31, 2008, 2007 and 2006 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Continuing operations:				
Current tax expense	**¥187,576**	¥142,300	¥120,533	**$1,875,760**
Deferred tax benefit (exclusive of the effects of other components listed below)	**(64,422)**	(25,298)	(5,716)	**(644,220)**
Change in valuation allowance	**149,009**	45,812	39,531	**1,490,090**
	272,163	162,814	154,348	**2,721,630**
Other comprehensive income (loss), net of reclassification adjustments:				
Minimum pension liability adjustments	**–**	15,540	75,306	**–**
Pension liability adjustments	**(61,538)**	–	–	**(615,380)**
Net unrealized holding gain on available-for-sale securities	**(39,318)**	(7,204)	39,562	**(393,180)**
Cash flow hedges	**205**	474	985	**2,050**
	(100,651)	8,810	115,853	**(1,006,510)**
Adjustment to initially apply SFAS No. 158	**–**	(16,847)	–	**–**
	¥171,512	¥154,777	¥270,201	**$1,715,120**

The Company and its domestic subsidiaries are subject to a national corporate tax of 30%, an inhabitant tax of between 17.3% and 20.7% and a deductible business tax between 3.8% and 10.1%, which in the aggregate resulted in a combined statutory income tax rate of approximately 40.6% for the years ended March 31, 2008, 2007 and 2006.

The Company adopted the consolidated taxation system in Japan effective from the year ended March 31, 2003. Under the consolidated taxation system, the Company consolidates, for Japanese tax purposes, all wholly-owned domestic subsidiaries.

Reconciliations between the combined statutory income tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests are as follows:

	2008	2007	2006
Combined statutory income tax rate	**40.6%**	40.6%	40.6%
Equity in earnings of affiliated companies	**(2.8)**	(2.3)	(1.3)
Change in excess amounts over the tax basis of investments in subsidiaries and affiliated companies	**1.7**	7.6	0.2
Adjustment of net gain on sale of investments in subsidiaries and affiliated companies	**(7.9)**	(0.4)	1.1
Expenses not deductible for tax purposes	**4.0**	9.0	5.4
Change in valuation allowance	**45.9**	22.6	14.4
Difference in statutory tax rates of foreign subsidiaries	**2.2**	2.8	(4.0)
Other	**0.1**	0.6	(0.2)
Effective income tax rate	**83.8%**	80.5%	56.2%

An increase in valuation allowance for the year ended March 31, 2008 resulted mainly from a decline in profitability in the plasma TV business. An increase in valuation allowance for the year ended March 31, 2007 resulted mainly from provisions recorded for anticipated losses on certain long-term contracts.

The tax effects of temporary differences and carryforwards that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2008 and 2007 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Total gross deferred tax assets:			
Retirement and severance benefits	**¥ 352,826**	¥ 303,134	**$ 3,528,260**
Accrued expenses	**251,898**	243,383	**2,518,980**
Property, plant and equipment, due to differences in depreciation	**41,974**	34,335	**419,740**
Net operating loss carryforwards	**157,346**	136,497	**1,573,460**
Other	**326,047**	304,970	**3,260,470**
	1,130,091	1,022,319	**11,300,910**
Valuation allowance	**(449,237)**	(313,078)	**(4,492,370)**
	680,854	709,241	**6,808,540**
Total gross deferred tax liabilities:			
Deferred profit on sale of properties	**(31,230)**	(31,196)	**(312,300)**
Tax purpose reserves regulated by Japanese tax laws	**(12,091)**	(15,905)	**(120,910)**
Net unrealized gain on securities	**(27,808)**	(74,580)	**(278,080)**
Other	**(42,362)**	(30,621)	**(423,620)**
	(113,491)	(152,302)	**(1,134,910)**
Net deferred tax asset	**¥ 567,363**	¥ 556,939	**$ 5,673,630**

In addition to the above, income taxes paid on net intercompany profit on assets remaining within the group, which had been deferred in accordance with Accounting Research Bulletin No. 51, “Consolidated Financial Statements,” as of March 31, 2008 and 2007 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Prepaid expenses and other current assets	**¥25,771**	¥23,550	**$257,710**
Other assets	**55,486**	55,133	**554,860**
	¥81,257	¥78,683	**$812,570**

Net deferred tax assets as of March 31, 2008 and 2007 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Prepaid expenses and other current assets	**¥279,378**	¥328,099	**$2,793,780**
Other assets	**335,153**	277,232	**3,351,530**
Other current liabilities	**(1,774)**	(1,214)	**(17,740)**
Other liabilities	**(45,394)**	(47,178)	**(453,940)**
Net deferred tax asset	**¥567,363**	¥556,939	**$5,673,630**

A valuation allowance was recorded against deferred tax assets for deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, taking into account the tax laws of various jurisdictions in which the Company and its subsidiaries operate. The net changes in the total valuation allowance for the years ended March 31, 2008 and 2007 were an increase of ¥136,159 million ($1,361,590 thousand) and ¥30,783 million, respectively.

In assessing the realizability of deferred tax assets, management of the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Although realization is not assured, management considered the scheduled reversals of deferred tax liabilities and projected future taxable income, including the execution of certain available tax strategies if needed, in making this assessment. Based on these factors, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowance as of March 31, 2008.

As of March 31, 2008, the Company and various subsidiaries have operating loss carryforwards of ¥426,997 million ($4,269,970 thousand) which are available to offset future taxable income, if any. Operating loss carryforwards of ¥274,307 million ($2,743,070 thousand) expire by March 31, 2013, ¥121,891 million ($1,218,910 thousand) expire by March 31, 2018, and ¥30,799 million ($307,990 thousand) expire in various years thereafter or do not expire.

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

10. SHORT-TERM AND LONG-TERM DEBT

The components of short-term debt as of March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Borrowings, mainly from banks	**¥522,947**	¥424,936	**$5,229,470**
Commercial paper	**149,461**	414,010	**1,494,610**
Borrowings from affiliates	**50,612**	55,447	**506,120**
	¥723,020	¥894,393	**$7,230,200**

The weighted average interest rate on short-term debt outstanding as of March 31, 2008 and 2007 was 0.8% and 0.6%, respectively.

The components of long-term debt as of March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Unsecured notes and debentures:			
Due 2013, interest 0.72% debenture	**¥ 80,000**	¥ 80,000	**$ 800,000**
Due 2010, interest 0.7% debenture	**49,890**	49,888	**498,900**
Due 2015, interest 1.56% debenture	**49,982**	49,979	**499,820**
Due 2008, interest 0.52% debenture	**5,000**	5,000	**50,000**
Due 2010, interest 0.74% debenture	**5,000**	5,000	**50,000**
Due 2008–2018, interest 0.32–2.78%, issued by subsidiaries	**537,117**	560,581	**5,371,170**
Unsecured convertible debentures:			
Series A, due 2009, zero coupon	**50,000**	50,000	**500,000**
Series B, due 2009, zero coupon	**50,000**	50,000	**500,000**
Due 2016 and 2019, zero coupon, issued by a subsidiary	**40,000**	–	**400,000**
Loans, principally from banks and insurance companies:			
Secured by various assets and mortgages on property, plant and equipment, maturing 2008–2017, interest 1.85–5.4%	**43,004**	43,755	**430,040**
Unsecured, maturing 2008–2026, interest 0.6–5.74%	**879,227**	882,734	**8,792,270**
Capital lease obligations	**19,266**	16,120	**192,660**
	1,808,486	1,793,057	**18,084,860**
Less current portion	**386,879**	303,214	**3,868,790**
	¥1,421,607	¥1,489,843	**$14,216,070**

The aggregate annual maturities of long-term debt after March 31, 2009 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 536,068	$ 5,360,680
2011	203,571	2,035,710
2012	161,658	1,616,580
2013	171,974	1,719,740
Thereafter	348,336	3,483,360
	¥1,421,607	$14,216,070

Short-term and long-term debt above as of March 31, 2008 include secured borrowings of ¥61,778 million ($617,780 thousand) and ¥38,029 million ($380,290 thousand), respectively, resulting from the transfer of financial assets which does not meet the criteria for a sale pursuant to SFAS No. 140 and is accounted for as secured borrowings with pledge of collateral.

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

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

In October, 2004, the Company issued Euroyen zero coupon convertible bonds. The bonds consist of ¥50,000 million series A zero coupon convertible bonds due 2009 and ¥50,000 million series B zero coupon convertible bonds due 2009. The bondholders are entitled to stock acquisition rights effective from November 2, 2004 to October 5, 2009. The initial conversion price was ¥1,009 per share for both bonds at which time the fair value of the Company's common stock was ¥686. In accordance with the terms of the debenture, the conversion price was adjusted to ¥822 ($8.22) on October 19, 2005 and on October 19, 2007 for series A zero coupon convertible bonds and on April 19, 2006 and on April 19, 2008 for series B zero coupon convertible bonds. During the conversion period, the bondholders may exercise the stock acquisition rights anytime after the closing price of the Company's shares at the Tokyo Stock Exchange on at least one trading day is 115 percent or more of the then applicable conversion price rounded down to the nearest yen. In addition, the bondholders are entitled, at their option, to require the Company to redeem the bonds at a redemption price of 100 percent of the principal amount on October 17, 2008. As of March 31, 2008, the Company maintained ¥690,000 million ($6,900,000 thousand) of unused commitment line with a number of domestic banks, which will be available for the Company to borrow any amount in order to obtain necessary funds to refinance the bonds if redeemed.

In September, 2007, Hitachi Metals Ltd. (the issuer), a subsidiary of the Company, issued ¥20,000 million ($200,000 thousand) Euroyen zero coupon convertible bonds due 2016 (the 2016 bonds) and ¥20,000 million ($200,000 thousand) Euroyen zero coupon convertible bonds due 2019 (the 2019 bonds) (together, "the Bonds"). In the case of the 2016 bonds, the bondholders are entitled to stock acquisition rights effective from September 27, 2007 to August 30, 2016 and the initial conversion price is ¥2,056 ($20.56) per share. In the case of the 2019 bonds, the bondholders are entitled to stock acquisition rights effective from September 27, 2007 to August 30, 2019 and the initial conversion price is ¥2,042 ($20.42) per share. The closing price of the shares on August 28, 2007, as reported by Tokyo Stock Exchange, was ¥1,344 ($13.44) per share. The stock acquisition rights may be exercised by the holder of the bonds during any particular calendar quarter only if the closing price of the shares for any 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 120% of the conversion price. The Bonds also contain other embedded features, none of which were required to be bifurcated, such as the issuer's call option, the issuer's cash-settlement option, and the investors' put option. By giving notice to the bondholders on or after September 13, 2012 (in the case of the 2016 bonds), or on or after September 13, 2014 (in the case of the 2019 bonds), the issuer may acquire from all bondholders all of the relevant bonds under the cash-settlement option, and upon reacquiring the Bonds, the issuer is required to pay the bondholders cash equal to 100% of the principal amount and deliver common shares of the issuer with a fair value equivalent to the fair value of the stock acquisition rights. As for the put option, the bondholders are entitled, at their option, to require the issuer to redeem the Bonds at a redemption price of 100% of the principal amount on September 13, 2010 and September 13, 2013 (with respect to the 2016 bonds) and on September 13, 2011 and September 11, 2015 (with respect to the 2019 bonds).

11. RETIREMENT AND SEVERANCE BENEFITS

(a) Defined benefit plans

The Company and its subsidiaries have a number of contributory and noncontributory pension plans to provide retirement and severance benefits to substantially all employees.

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

In addition to unfunded defined benefit pension plans, the Company and certain subsidiaries make contributions to a number of defined benefit pension plans. The Company and certain subsidiaries adopted cash balance plans, and certain subsidiaries amended certain of their defined benefit plans to cash balance plans during the years ended March 31, 2008, 2007 and 2006.

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

On March 31, 2007, the Company adopted the recognition and disclosure provisions of SFAS No. 158. SFAS No. 158 requires the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income (loss), net of tax. The adjustment to accumulated other comprehensive income (loss) represents the net unrecognized actuarial losses and unrecognized prior service costs. Prior to March 31, 2007, these amounts were netted against the plan's funded status in the consolidated balance sheet pursuant to the provisions of SFAS No. 87. These amounts are subsequently recognized as net periodic benefit cost pursuant to the Company's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that are not recognized as net periodic benefit cost in the same periods are recognized as a component of other comprehensive income (loss). Those amounts are subsequently recognized as a component of net periodic benefit cost on the same basis.

The incremental effects of adopting the provisions of SFAS No. 158 on the Company's consolidated balance sheet as of March 31, 2007 are presented in the following table. The adoption of SFAS No. 158 had no effect on the Company's consolidated statement of operations for the year ended March 31, 2007 or for any prior period presented, and it will not effect the Company's operating results in future periods. Had the Company not been required to adopt SFAS No. 158 as of March 31, 2007, it would have recognized an additional minimum liability pursuant to the provisions of SFAS No. 87. The effect of recognizing the additional minimum liability is included in the table below in the column labeled "Before Application of SFAS No. 158."

	Millions of yen		
	Before application of SFAS No. 158	Adjustment	After application of SFAS No. 158
			2007
Prepaid expenses and other current assets	¥ 676,287	¥11,267	¥ 687,554
Investments and advances, including affiliated companies	1,052,979	(3,255)	1,049,724
Other assets	1,418,075	53,348	1,471,423
Accrued expenses	870,107	32,057	902,164
Retirement and severance benefits	760,199	58,258	818,457
Minority interests	1,080,285	(6,536)	1,073,749
Accumulated other comprehensive loss	(66,031)	(22,419)	(88,450)

Net periodic benefit cost for the funded benefit pension plans and the unfunded lump-sum payment plans for the years ended March 31, 2008, 2007 and 2006 consists of the following components:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Service cost	**¥ 71,577**	¥ 72,648	¥ 74,131	**$ 715,770**
Interest cost	**56,079**	55,888	56,166	**560,790**
Expected return on plan assets for the period	**(44,911)**	(40,253)	(34,045)	**(449,110)**
Amortization of prior service benefit	**(23,627)**	(18,571)	(17,381)	**(236,270)**
Recognized actuarial loss	**58,326**	56,388	67,678	**583,260**
Transfer to defined contribution pension plan	**(1,611)**	1,039	(87)	**(16,110)**
Derecognition of previously accrued salary progression due to transfer of substitutional portion	**–**	–	(5,956)	**–**
Recognition of deferred actuarial losses due to transfer of substitutional portion	**–**	–	26,193	**–**
Curtailment gain	**(388)**	–	–	**(3,880)**
Employees' contributions	**(346)**	(362)	(731)	**(3,460)**
Net periodic benefit cost	**115,099**	126,777	165,968	**1,150,990**
Difference between the obligations settled and the assets transferred due to transfer of substitutional portion	**–**	–	(30,593)	**–**
	¥115,099	¥126,777	¥135,375	**$1,150,990**

Prior to the adoption of the recognition provisions of SFAS No. 158, unrecognized prior service benefit and cost and unrecognized actuarial gain and loss were amortized using the straight-line method over the average remaining service period of active employees.

The estimated prior service cost and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost during the year ending March 31, 2009 are as follows:

	Millions of yen	Thousands of U.S. dollars
Prior service benefit	**¥(13,972)**	**$(139,720)**
Actuarial loss	**70,532**	**705,320**

The Employees Pension Fund (EPF) stipulated by the Japanese Pension Insurance Law is one of the defined benefit pension plans to which the Company and certain domestic subsidiaries had contributed. The pension plans under the EPF are composed of the substitutional portion of Japanese Welfare Pension Insurance and the corporate portion which is the contributory defined benefit pension plan covering substantially all of their employees and provides benefits in addition to the substitutional portion. The Company, certain subsidiaries and their employees had contributed the pension premiums for the substitutional portion and the corporate portion to each EPF. The plan assets of each EPF cannot be specifically allocated to the individual participants nor to the substitutional and corporate portions.

On June 15, 2001, the Japanese government issued a new law concerning defined benefit plans. This law allows a company, at its own discretion, to apply for an exemption from the future benefit obligation and return the past benefit obligation of the substitutional portion of the EPF to the government. In accordance with the new law, the Company and all the subsidiaries obtained approvals from the government for the exemption from the future benefit obligation and for the return of the past benefit obligation through March 31, 2006. Consequently, the Company and all the subsidiaries transferred the substitutional portion of each of their benefit obligations related to past service and the related portion of the plan assets of the EPF to the government by March 31, 2006.

The Company and certain subsidiaries accounted for the entire separation process as a single settlement transaction upon the completion of the transfer to the government in accordance with EITF Issue No. 03-2, “Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities.”

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥2,262,258**	¥2,230,300	**$22,622,580**
Service cost	**71,577**	72,648	**715,770**
Interest cost	**56,079**	55,888	**560,790**
Plan amendments	**(7,864)**	(1,486)	**(78,640)**
Actuarial loss	**11,192**	15,038	**111,920**
Benefits paid	**(128,182)**	(125,370)	**(1,281,820)**
Acquisitions and divestitures	**(10,587)**	22,184	**(105,870)**
Transfer to defined contribution pension plan	**(22,631)**	(10,713)	**(226,310)**
Curtailment	**(736)**	–	**(7,360)**
Foreign currency exchange rate changes	**(11,529)**	3,769	**(115,290)**
Benefit obligation at end of year	**2,219,577**	2,262,258	**22,195,770**
Change in plan assets:			
Fair value of plan assets at beginning of year	**1,468,924**	1,354,723	**14,689,240**
Actual return on plan assets	**(142,979)**	67,017	**(1,429,790)**
Employers' contributions:			
Cash	**125,876**	130,904	**1,258,760**
Available-for-sale securities	**42,240**	–	**422,400**
Employees' cash contributions	**346**	1,211	**3,460**
Benefits paid	**(93,236)**	(88,857)	**(932,360)**
Acquisitions and divestitures	**(5,385)**	4,351	**(53,850)**
Transfer to defined contribution pension plan	**(5,068)**	(3,612)	**(50,680)**
Foreign currency exchange rate changes	**(9,669)**	3,187	**(96,690)**
Fair value of plan assets at end of year	**1,381,049**	1,468,924	**13,810,490**
Funded status	**(838,528)**	(793,334)	**(8,385,280)**

Amounts recognized in the consolidated balance sheets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Other assets	**¥ 20,277**	¥ 57,180	**$ 202,770**
Accrued expenses	**(36,365)**	(32,057)	**(363,650)**
Retirement and severance benefit	**(822,440)**	(818,457)	**(8,224,400)**
	¥(838,528)	¥(793,334)	**$(8,385,280)**

Amounts recognized in accumulated other comprehensive loss as of March 31, 2008 and 2007 consist of:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Prior service benefit	**¥(194,027)**	¥(210,853)	**$(1,940,270)**
Actuarial loss	**611,645**	473,548	**6,116,450**
	¥ 417,618	¥ 262,695	**$ 4,176,180**

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

	2008	2007
Discount rate	**2.5%**	2.5%
Rate of compensation increase	**2.7%**	2.7%

Weighted-average assumptions used to determine the net periodic pension cost for the years ended March 31, 2008, 2007 and 2006 are as follows:

	2008	2007	2006
Discount rate	**2.5%**	2.5%	2.5%
Expected long-term return on plan assets	**3.1%**	3.0%	3.0%
Rate of compensation increase	**2.7%**	2.5%	2.9%

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

The accumulated benefit obligation was ¥2,116,141 million ($21,161,410 thousand) as of March 31, 2008 and ¥2,146,366 million as of March 31, 2007.

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	**¥1,725,275**	¥1,661,271	**$17,252,750**
Plan assets	**950,101**	897,158	**9,501,010**
Plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	**¥1,915,720**	¥1,868,066	**$19,157,200**
Plan assets	**1,056,915**	1,017,552	**10,569,150**

Asset allocations for the pension plans as of March 31, 2008 and 2007 and target asset allocation by asset category are as follows:

	2008	2007	Target allocation
Equity securities	**34.1%**	39.1%	**34.5%**
Debt securities	**31.3**	31.3	**34.7**
Investment trusts	**12.6**	14.0	**13.2**
Cash	**13.8**	7.1	**8.7**
Life insurance company general accounts	**4.7**	5.5	**4.6**
Other	**3.5**	3.0	**4.3**
	100.0%	100.0%	**100.0%**

The objective of the Company's investment policy is to ensure a stable return from the plans' investments over the long term, which allows the Company's and certain subsidiaries' pension funds to meet their future obligations. In order to achieve the above objective, a target rate of return is established, taking into consideration composition of participants, level of funded status, the Company's and certain subsidiaries' capacity to absorb risks and the current economic environment. Also, a target asset allocation is established to achieve the target rate of return, based on expected rate of return by each asset class, standard deviation of rate of return and correlation coefficient among the assets. The investments are diversified primarily into domestic and foreign equity and debt securities according to the target asset allocation. Rebalancing will occur if markets fluctuate in excess of certain levels. The Company and certain subsidiaries periodically review actual returns on assets, economic environments and their capacity to absorb risk and realign the target asset allocation if necessary.

The Company and its subsidiaries expect to contribute ¥107,565 million ($1,075,650 thousand) to their defined benefit plans for the year ending March 31, 2009.

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

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥129,433	$1,294,330
2010	128,820	1,288,200
2011	128,128	1,281,280
2012	132,444	1,324,440
2013	134,215	1,342,150
2014–2018	596,538	5,965,380

(b) Defined contribution plans

The Company and certain subsidiaries have a number of defined contribution plans. The amount of cost recognized for the Company's and certain subsidiaries' contributions to the plans for the years ended March 31, 2008, 2007 and 2006 were ¥15,749 million ($157,490 thousand), ¥11,971 million and ¥11,776 million, respectively.

12. COMMON STOCK

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

The number of issued shares and the amount of common stock for the years ended March 31, 2008, 2007 and 2006 are as follows:

		Millions of yen	Thousands of U.S. dollars
	Issued shares	Amount	Amount
Balance as of March 31, 2005, 2006, 2007 and 2008	**3,368,126,056**	**¥282,033**	**$2,820,330**

Conversions of convertible debt issued subsequent to October 1, 1982 into common stock were accounted for in accordance with the provisions of the Japanese Commercial Code, the former Japanese Company Law, by crediting one-half of the conversion price to each of the common stock accounts and the capital surplus accounts.

13. LEGAL RESERVE AND RETAINED EARNINGS, AND DIVIDENDS

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

Dividends during the years ended March 31, 2008, 2007 and 2006 represent dividends declared during those years. On May 13, 2008, the Board of Directors approved a cash dividend for the second half of the year ended March 31, 2008 of ¥3.0 ($0.03) per share, aggregating ¥9,973 million ($99,730 thousand). No provision has been made in the accompanying consolidated financial statements for this cash dividend.

Cash dividends per share for the years ended March 31, 2008, 2007 and 2006 were ¥6.0 ($0.06), ¥6.0 and ¥11.0, respectively, based on dividends declared with respect to earnings for the periods.

14. TREASURY STOCK

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

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

The changes in treasury stock for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

		Millions of yen	Thousands of U.S. dollars
	Shares	Amount	Amount
Balance as of March 31, 2005	36,549,222	¥17,236	
Acquisition for treasury	1,440,676	1,058	
Sales of treasury stock	(708,603)	(344)	
Balance as of March 31, 2006	37,281,295	17,950	
Acquisition for treasury	14,974,117	12,000	
Sales of treasury stock	(1,265,158)	(748)	
Stock exchange for acquisition	(8,023,820)	(3,863)	
Balance as of March 31, 2007	**42,966,434**	**25,339**	**$253,390**
Acquisition for treasury	**1,358,519**	**1,145**	**11,450**
Sales of treasury stock	**(597,224)**	**(354)**	**(3,540)**
Balance as of March 31, 2008	**43,727,729**	**¥26,130**	**$261,300**

In April 2006, the Board of Directors approved the acquisition of treasury stock up to 6,500,000 shares of the Company's common stock for an aggregate acquisition amount not exceeding ¥5,000 million during May 2006. The Company acquired a total of 6,210,000 shares for ¥4,996 million during the period.

In December 2006, the Board of Directors approved the acquisition of treasury stock up to 30,000,000 shares of the Company's common stock for an aggregate acquisition amount not exceeding ¥20,000 million by the end of March 2007. The Company acquired a total of 7,200,000 shares for ¥5,817 million during the period.

15. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Foreign currency translation adjustments:				
Balance at beginning of year	**¥ (20,906)**	¥ (43,426)	¥ (90,904)	**$ (209,060)**
Other comprehensive income (loss), net of reclassification adjustments	**(48,605)**	21,764	48,435	**(486,050)**
Net transfer from (to) minority interests	**289**	756	(957)	**2,890**
Balance at end of year	**¥ (69,222)**	¥ (20,906)	¥ (43,426)	**$ (692,220)**
Minimum pension liability adjustments:				
Balance at beginning of year		¥(145,903)	¥(242,672)	
Other comprehensive income		22,030	96,808	
Net transfer to minority interests		(37)	(39)	
Transfer to pension liability adjustments		123,910	–	
Balance at end of year		¥ –	¥(145,903)	
Pension liability adjustments:				
Balance at beginning of year	**¥(146,329)**	¥ –		**$(1,463,290)**
Other comprehensive loss, net of reclassification adjustments	**(74,758)**	–		**(747,580)**
Net transfer from minority interests	**80**	–		**800**
Transfer from minimum pension liability adjustments	**–**	(123,910)		**–**
Adjustment to initially apply SFAS No. 158 (note 11)	**–**	(22,419)		**–**
Balance at end of year	**¥(221,007)**	¥(146,329)		**$(2,210,070)**
Net unrealized holding gain on available-for-sale securities:				
Balance at beginning of year	**¥ 77,883**	¥ 92,626	¥ 32,996	**$ 778,830**
Other comprehensive income (loss), net of reclassification adjustments	**(55,310)**	(14,744)	59,624	**(553,100)**
Net transfer from minority interests	**8**	1	6	**80**
Balance at end of year	**¥ 22,581**	¥ 77,883	¥ 92,626	**$ 225,810**
Cash flow hedges:				
Balance at beginning of year	**¥ 902**	¥ 706	¥ (944)	**$ 9,020**
Other comprehensive income (loss), net of reclassification adjustments	**(451)**	196	1,652	**(4,510)**
Net transfer to minority interests	**(1)**	0	(2)	**(10)**
Balance at end of year	**¥ 450**	¥ 902	¥ 706	**$ 4,500**
Total accumulated other comprehensive loss:				
Balance at beginning of year	**¥ (88,450)**	¥ (95,997)	¥(301,524)	**$ (884,500)**
Other comprehensive income (loss), net of reclassification adjustments	**(179,124)**	29,246	206,519	**(1,791,240)**
Net transfer from (to) minority interests	**376**	720	(992)	**3,760**
Adjustment to initially apply SFAS No. 158 (note 11)	**–**	(22,419)	–	**–**
Balance at end of year	**¥(267,198)**	¥ (88,450)	¥ (95,997)	**$(2,671,980)**

The following is a summary of reclassification adjustments by each classification of other comprehensive income (loss) arising during the years ended March 31, 2008, 2007 and 2006 and the amounts of income tax expense or benefit allocated to each component of other comprehensive income (loss), including reclassification adjustments.

	Millions of yen		
	2008		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive loss arising during the year:			
Foreign currency translation adjustments	¥ (49,452)	¥ –	¥ (49,452)
Pension liability adjustments	(159,751)	65,529	(94,222)
Net unrealized holding gain on available-for-sale securities	(87,015)	35,113	(51,902)
Cash flow hedges	31	(230)	(199)
	(296,187)	100,412	(195,775)
Reclassification adjustments for realized net loss included in net loss:			
Foreign currency translation adjustments	847	–	847
Pension liability adjustments	32,516	(13,052)	19,464
Net unrealized holding gain on available-for-sale securities	(7,023)	3,615	(3,408)
Cash flow hedges	(372)	120	(252)
	25,968	(9,317)	16,651
Other comprehensive loss, net of reclassification adjustments:			
Foreign currency translation adjustments	(48,605)	–	(48,605)
Pension liability adjustments	(127,235)	52,477	(74,758)
Net unrealized holding gain on available-for-sale securities	(94,038)	38,728	(55,310)
Cash flow hedges	(341)	(110)	(451)
	¥(270,219)	¥ 91,095	¥(179,124)

	Thousands of U.S. dollars		
	2008		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive loss arising during the year:			
Foreign currency translation adjustments	$ (494,520)	$ –	$ (494,520)
Pension liability adjustments	(1,597,510)	655,290	(942,220)
Net unrealized holding gain on available-for-sale securities	(870,150)	351,130	(519,020)
Cash flow hedges	310	(2,300)	(1,990)
	(2,961,870)	1,004,120	(1,957,750)
Reclassification adjustments for realized net loss included in net loss:			
Foreign currency translation adjustments	8,470	–	8,470
Pension liability adjustments	325,160	(130,520)	194,640
Net unrealized holding gain on available-for-sale securities	(70,230)	36,150	(34,080)
Cash flow hedges	(3,720)	1,200	(2,520)
	259,680	(93,170)	166,510
Other comprehensive loss, net of reclassification adjustments:			
Foreign currency translation adjustments	(486,050)	–	(486,050)
Pension liability adjustments	(1,272,350)	524,770	(747,580)
Net unrealized holding gain on available-for-sale securities	(940,380)	387,280	(553,100)
Cash flow hedges	(3,410)	(1,100)	(4,510)
	$(2,702,190)	$ 910,950	$(1,791,240)

	Millions of yen		
	2007		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments	¥19,532	¥ –	¥19,532
Minimum pension liability adjustments	39,469	(17,439)	22,030
Net unrealized holding gain on available-for-sale securities	14,230	(7,098)	7,132
Cash flow hedges	(173)	(4)	(177)
	73,058	(24,541)	48,517
Reclassification adjustments for realized net gain included in net loss:			
Foreign currency translation adjustments	2,232	–	2,232
Net unrealized holding gain on available-for-sale securities	(37,126)	15,250	(21,876)
Cash flow hedges	552	(179)	373
	(34,342)	15,071	(19,271)
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments	21,764	–	21,764
Minimum pension liability adjustments	39,469	(17,439)	22,030
Net unrealized holding gain on available-for-sale securities	(22,896)	8,152	(14,744)
Cash flow hedges	379	(183)	196
	¥38,716	¥ (9,470)	¥29,246

	Millions of yen		
	2006		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments	¥ 51,492	¥ –	¥ 51,492
Minimum pension liability adjustments	160,654	(63,846)	96,808
Net unrealized holding gain on available-for-sale securities	120,305	(48,742)	71,563
Cash flow hedges	2,385	(1,091)	1,294
	334,836	(113,679)	221,157
Reclassification adjustments for realized net gain included in net income:			
Foreign currency translation adjustments	(3,057)	–	(3,057)
Net unrealized holding gain on available-for-sale securities	(20,096)	8,157	(11,939)
Cash flow hedges	239	119	358
	(22,914)	8,276	(14,638)
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments	48,435	–	48,435
Minimum pension liability adjustments	160,654	(63,846)	96,808
Net unrealized holding gain on available-for-sale securities	100,209	(40,585)	59,624
Cash flow hedges	2,624	(972)	1,652
	¥311,922	¥(105,403)	¥206,519

16. PLEDGED ASSETS

As of March 31, 2008, the Company and certain subsidiaries pledged a portion of their assets as collateral primarily for bank loans as follows:

	Millions of yen	Thousands of U.S. dollars
	2008	**2008**
Cash and cash equivalents	**¥ 55**	**$ 550**
Short-term investments	**19**	**190**
Other current assets	**3,633**	**36,330**
Investments and advances	**556**	**5,560**
Land	**5,261**	**52,610**
Buildings	**6,867**	**68,670**
Machinery and equipment	**8,131**	**81,310**
Other assets	**93**	**930**
	¥24,615	**$246,150**

In addition to the above, prepaid expenses and other current assets as of March 31, 2008 and 2007 include restricted cash of ¥7,043 million ($70,430 thousand) and ¥10,388 million, respectively, as a compensating balance for short-term borrowing arrangements.

17. COMMITMENTS AND CONTINGENCIES

The Company and its operating subsidiaries are contingently liable for loan guarantees to its affiliates and others in the amount of approximately ¥37,264 million ($372,640 thousand) as of March 31, 2008.

Hitachi Capital Corporation (HCC) and certain other financial subsidiaries provide guarantees to financial institutions for extending loans to customers of the subsidiaries. As of March 31, 2008, the undiscounted maximum potential future payments under such guarantees amounted to ¥451,895 million ($4,518,950 thousand). The Company has accrued ¥7,966 million ($79,660 thousand) 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. Furthermore, the subsidiaries provide credit facilities to parties in accordance with the service agency business contracts from which temporary payments on behalf of such parties are made. In addition, the Company and HCC provide loan commitments mainly to affiliates.

The outstanding balance of these revolving lines of credit, credit facilities and loan commitments as of March 31, 2008 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2008	**2008**
Total commitment available	**¥599,533**	**$5,995,330**
Less amount utilized	**6,418**	**64,180**
Balance available	**¥593,115**	**$5,931,150**

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 line of credit as of March 31, 2008 amounted to ¥742,522 million ($7,425,220 thousand).

As of March 31, 2008, outstanding commitments for the purchase of property, plant and equipment were approximately ¥75,478 million ($754,780 thousand).

It is a common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in the settlement of trade accounts receivable and to subsequently discount such notes to banks or to transfer them by endorsement to suppliers in the settlement of accounts payable. As of March 31, 2008 and 2007, the Company and subsidiaries were contingently liable for trade notes discounted and endorsed in the following amounts:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Notes discounted	**¥4,063**	¥4,405	**$40,630**
Notes endorsed	**4,706**	4,945	**47,060**
	¥8,769	¥9,350	**$87,690**

A certain subsidiary is contingently liable for the transfer of export receivables with recourse. As of March 31, 2008, the amount of transfer of export receivables with recourse was ¥23,769 million ($237,690 thousand).

The Company and its subsidiaries provide warranties for certain of their products. The accrued product warranty costs are based primarily on historical experience of actual warranty claims. The changes in accrued product warranty costs for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Balance at beginning of year	**¥82,316**	¥81,450	¥74,046	**$823,160**
Expense recognized upon issuance of warranties	**38,420**	53,994	59,550	**384,200**
Usage	**(43,675)**	(53,646)	(56,177)	**(436,750)**
Other, including effect of foreign currency translation	**(3,346)**	518	4,031	**(33,460)**
Balance at end of year	**¥73,715**	¥82,316	¥81,450	**$737,150**

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 for the year ended March 31, 2007 and was recorded as part of cost of sales. Although the Company cannot estimate specified damages at the present time, there can be no assurance that the Company could not be liable for repair costs or other damages incurred by Chubu Electric Power Co., Inc. and Hokuriku Electric Power Company.

The Company and its subsidiaries make provisions for anticipated losses on long-term contracts, including changes in the estimates for such provisions, in the period in which they become evident. The effect of a change in the estimated provision for anticipated losses on certain long-term contracts was to increase consolidated net loss for the year ended March 31, 2007 by ¥70,915 million, or ¥21.28 per share (basic).

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 the year ended March 31,2007.

In October 2006, a subsidiary and an affiliate of the Company in the U.S. received requests for information from the Antitrust Division of the U.S. Department of Justice in respect of alleged antitrust violations relating to static random access memories.

In December 2006, the Company and a subsidiary in Europe received requests for information from the European Commission, a subsidiary in Japan received requests for information from the Antitrust Division of the U.S. Department of Justice and the Fair Trade Commission of Japan and an affiliate in Japan received a request for information from the Fair Trade Commission of Japan in respect of alleged antitrust violations relating to the liquid crystal displays.

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 September 2007, a subsidiary and an affiliate of the Company in the U.S. received requests for information from the Antitrust Division of the U.S. Department of Justice in respect of alleged antitrust violations relating to flash memories.

In November 2007, a subsidiary of the Company in the U.S. received requests for information from 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. Further, in November 2007, a subsidiary in Canada received requests for information from the Canadian Competition Bureau.

The Company and these companies do not concede the alleged antitrust violations, but depending upon the outcome of these investigations, 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 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. Accordingly, no accrual for potential loss has been made.

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.

18. IMPAIRMENT LOSSES FOR LONG-LIVED ASSETS

For the year ended March 31, 2008, the majority of the impairment losses were recorded on long-lived property, plant and equipment located in Japan. The Digital Media & Consumer Products division recognized a loss of ¥68,791 million ($687,910 thousand) primarily due to its plasma TV business for which the Company and certain subsidiaries have recognized losses for consecutive periods because of severe market competition accompanied by falling prices. These impairment losses included patents with lower-than-expected future license income. The Power & Industrial Systems division recognized a loss of ¥9,298 million ($92,980 thousand) primarily due to its electric power selling business whose profitability has deteriorated due to rising fuel prices. The High Functional Materials & Components division recognized a loss of ¥7,172 million ($71,720 thousand) primarily due to rapid falling prices of LCD drivers for which a subsidiary supplies material for the related semiconductors. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

For the year ended March 31, 2007, the majority of the impairment losses were recorded on long-lived property, plant and equipment located in Japan. The High Functional Materials & Components division recognized a loss of ¥4,351 million primarily due to a specific type of material for semiconductors that was projected to have lower production because of smaller demand in the market. The Digital Media & Consumer Products division recognized a loss of ¥1,305 million primarily due to a specific type of electronic parts that was projected to have lower production because of smaller demand in the market. The Electronic Devices division recognized a loss of ¥1,294 million primarily due to projection television tubes that were scheduled to reduce their production. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

For the year ended March 31, 2006, the majority of the impairment losses were recorded on long-lived property, plant and equipment located in the U.S. and Japan, which primarily consisted of ¥11,631 million in the Information & Telecommunication Systems division, ¥7,265 million in the Electronic Devices division and ¥4,120 million in the High Functional Materials & Components division. These losses were mainly the result of changes in the extent or manner the assets were used. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

19. RESTRUCTURING CHARGES

Certain losses incurred in the reorganization of the Company's operations are considered restructuring charges. Components and related amounts of the restructuring charges, before the related tax effects, for the years ended March 31, 2008, 2007 and 2006 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Special termination benefits	**¥15,676**	¥3,868	¥2,786	**$156,760**
Loss on fixed assets	**2,434**	115	1,643	**24,340**
	¥18,110	¥3,983	¥4,429	**$181,100**

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 for the years ended March 31, 2008, 2007 and 2006 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Balance at beginning of the year	**¥ 44**	¥1,106	¥14,389	**$ 440**
New charges	**15,676**	3,868	2,786	**156,760**
Cash payments	**(6,348)**	(4,931)	(16,158)	**(63,480)**
Foreign currency exchange rate changes	**(420)**	1	89	**(4,200)**
Balance at end of the year	**¥ 8,952**	¥ 44	¥ 1,106	**$ 89,520**

The following represent significant restructuring activities for the year ended March 31, 2008 by business line:

1. Information & Telecommunication Systems division restructured in order to strengthen its storage business on a global basis. The accrued special termination benefits expensed during the year ended March 31, 2008 amounted to ¥5,916 million ($59,160 thousand). The liabilities for special termination benefits amounting to ¥2,304 million ($23,040 thousand) as of March 31, 2008 will be paid by March 2009. Total restructuring charges during the year ended March 31, 2008 amounted to ¥7,260 million ($72,600 thousand).

2. Digital Media & Consumer Products division restructured in order to reorganize the flat-panel TV business which is subject to severe market competition accompanied with falling prices. The accrued special termination benefits expensed during the year ended March 31, 2008 amounted to ¥3,903 million ($39,030 thousand). The liabilities for special termination benefits amounting to ¥2,571 million ($25,710 thousand) as of March 31, 2008 will be paid by March 2009. Total restructuring charges during the year ended March 31, 2008 amounted to ¥4,095 million ($40,950 thousand).

3. The Power & Industrial Systems division restructured in order to reorganize its plant construction business for reducing costs and improving profitability primarily in Japan. The accrued special termination benefits expensed during the year ended March 31, 2008 amounted to ¥2,836 million ($28,360 thousand). The liabilities for special termination benefits amounting to ¥2,836 million ($28,360 thousand) as of March 31, 2008 will be paid by March 2009. Total restructuring charges during the year ended March 31, 2008 consisted only of special termination benefits.

The restructuring charges for the year ended March 31, 2007 mainly consist of special termination benefits for the early terminated employees of subsidiaries in the High Functional Materials & Components division and Information & Telecommunication Systems division.

The restructuring charges for the year ended March 31, 2006 mainly consist of special termination benefits for the early terminated employees of subsidiaries in the Electronic Devices division and loss on fixed assets in the High Functional Materials & Components division.

20. OTHER INCOME AND OTHER DEDUCTIONS

The following items are included in other income or other deductions for the years ended March 31, 2008, 2007 and 2006.

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Net gain on securities	**¥80,129**	¥47,687	¥46,402	**$801,290**
Equity in earnings of affiliated companies	**22,586**	11,289	8,688	**225,860**
Net loss on sale and disposal of rental assets and other property	**(8,246)**	(24,611)	(3,107)	**(82,460)**
Exchange gain (loss)	**(28,414)**	(3,029)	4,000	**(284,140)**

The major components of net gain on securities for the year ended March 31, 2008 were related to sales of a part of shares of Hitachi Displays, Ltd. and Hitachi-GE Nuclear Energy, Ltd. and of all shares of Hitachi Semiconductor Singapore Pte. Ltd.

Other income for the year ended March 31, 2008 also includes a realized gain of ¥21,040 million ($210,400 thousand) on a contribution of available-for-sale securities to a pension fund trust.

21. SALES OF STOCK BY SUBSIDIARIES OR AFFILIATED COMPANIES

In April 2007, Hitachi Metals, Ltd., a subsidiary which manufactures and sells high-grade metal products, and NEOMAX Co., Ltd., a subsidiary which manufactures and sells magnets and ceramics, conducted a merger in which Hitachi Metals, Ltd. was the surviving entity and NEOMAX Co., Ltd. was the acquired entity. Prior to the merger, Hitachi Metals, Ltd. opened its tender offer to acquire common shares of NEOMAX Co., Ltd. for the period from November 7, 2006 to December 11, 2006 for ¥2,500 ($25.00) per share. In April 2007, Hitachi Metals, Ltd. allocated 2 of its shares to 1 share of NEOMAX Co., Ltd. to acquire the shares of NEOMAX Co., Ltd. held by third parties in accordance with the terms and conditions of the tender offer. As a result, Hitachi Metals, Ltd. issued 9,389,202 shares of common stock to the shareholders of NEOMAX Co., Ltd. Since all the shares of Hitachi Metals, Ltd. were issued to third parties, the Company's ownership interest of common stock decreased from 56.6% to 55.1%. The Company did not recognize a deferred tax liability on this transaction.

In February 2007, Opnext, Inc., a subsidiary which designs and manufactures optical modules and components, issued 12,536,406 shares of common stock at $15 per share to third parties in an initial public offering and the Company sold a portion of its investment in Opnext, Inc. As a result of the issuance of new shares and sale of the investment, the Company's ownership interest of common stock decreased from 67.3% to 43.9% at March 31, 2007 and the remaining investment is accounted for using the equity method. The Company provided a deferred tax liability on this gain.

22. NET INCOME (LOSS) PER SHARE INFORMATION

The reconciliations of the numbers and the amounts used in the basic and diluted net income (loss) per share computations are as follows:

	Number of shares		
	2008	2007	2006
Weighted average number of shares on which basic net income (loss) per share is calculated	**3,324,562,767**	3,331,918,803	3,331,116,787
Effect of dilutive securities:			
Series A zero coupon convertible bonds	**–**	–	54,619,248
Series B zero coupon convertible bonds	**–**	–	49,554,013
Stock options	**122,257**	158,778	143,341
Number of shares on which diluted net income (loss) per share is calculated	**3,324,685,024**	3,332,077,581	3,435,433,389

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Net income (loss) applicable to common stockholders	**¥(58,125)**	¥(32,799)	¥37,320	**$(581,250)**
Effect of dilutive securities:				
Series A zero coupon convertible bonds	**–**	–	2	**–**
Series B zero coupon convertible bonds	**–**	–	2	**–**
Other	**(948)**	(92)	(77)	**(9,480)**
Net income (loss) on which diluted net income (loss) per share is calculated	**¥(59,073)**	¥(32,891)	¥37,247	**$(590,730)**

	Yen			U.S. dollars
Net income (loss) per share:				
Basic	**¥(17.48)**	¥(9.84)	¥11.20	**$(0.17)**
Diluted	**(17.77)**	(9.87)	10.84	**(0.18)**

The net loss per share computations for the years ended March 31, 2008 and 2007 exclude all the convertible bonds because their effect would have been antidilutive. In addition, the net income (loss) per share computation excludes some stock options because their effect would have been antidilutive.

23. SUPPLEMENTARY INCOME AND EXPENSE INFORMATION

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Shipping and handling costs	**¥162,526**	¥155,535	¥147,940	**$1,625,260**
Advertising expense	**45,823**	53,577	52,175	**458,230**
Maintenance and repairs	**84,122**	82,902	82,786	**841,220**
Rent	**143,369**	146,139	149,241	**1,433,690**
Research and development expense	**428,171**	412,534	405,079	**4,281,710**

24. SUPPLEMENTARY CASH FLOW INFORMATION

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Cash paid during the year for:				
Interest	**¥ 42,468**	¥ 38,712	¥ 31,584	**$ 424,680**
Income taxes	**174,735**	123,677	118,486	**1,747,350**
Noncash investing and financial activities:				
Capitalized lease assets	**¥ 5,488**	¥ 6,056	¥ 5,206	**$ 54,880**

The proceeds from the sale of securities classified as available-for-sale discussed in note 4 are included in both (increase) decrease in short-term investments and proceeds from sale of investments and subsidiaries' common stock on the consolidated statements of cash flows.

25. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Overall risk profile

The major manufacturing bases of the Company and its subsidiaries are located in Japan and Asia. The selling bases are located globally, and the Company and its subsidiaries generate approximately 40% 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 and contracts are diversified into a number of major financial institutions.

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.

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.

The Company and certain financing subsidiaries mainly finance a portion of their operations by 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, the Company and certain financing subsidiaries principally enter into interest rate swaps converting the fixed rate to the variable rate to manage fluctuations in fair value resulting from interest rate risk. Under the interest rate swaps, the Company and certain financing subsidiaries receive fixed interest rate payments associated with 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 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.

Exchange gain for the years ended March 31, 2008 and 2006 includes a net gain of ¥4,142 million ($41,420 thousand) and a net loss of ¥2,373 million, respectively, which represent the component excluded from the assessment of hedge effectiveness. Net gain or loss excluded from the assessment of hedge effectiveness is not material for the year ended March 31, 2007. The sum of the amount of hedge ineffectiveness is not material for the years ended March 31, 2008, 2007 and 2006.

Interest charges for the years ended March 31, 2008, 2007 and 2006 include a net loss of ¥586 million ($5,860 thousand) and net gains of ¥601 million and ¥1,192 million, respectively, which represent the component excluded from the assessment of hedge effectiveness. The sum of the amount of hedge ineffectiveness is not material for the years ended March 31, 2008, 2007 and 2006.

Cash flow hedge

Foreign currency exposure:

Changes in 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.

Exchange gain for the years ended March 31, 2008 and 2006 includes net gains of ¥1,591 million ($15,910 thousand) and ¥165 million, respectively, which represent the component excluded from the assessment of hedge effectiveness. Net gain or loss excluded from the assessment of hedge effectiveness is not material for the year ended March 31, 2007. Exchange gain for the year ended March 31, 2006 includes a net loss of ¥119 million which represents the component of hedge ineffectiveness. The sum of the amount of the hedge ineffectiveness is not material for the years ended March 31, 2008 and 2007.

It is expected that a net gain of approximately ¥2,239 million ($22,390 thousand) recorded in AOCI relating to existing forward exchange contracts will be reclassified into other income or other deductions during the year ending March 31, 2009.

As of March 31, 2008, the maximum length of time over which the Company and its subsidiaries are hedging their exposure to the variability in future cash flows associated with foreign currency forecasted transactions is approximately 59 months.

Interest rate exposure:

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

Interest charges for the years ended March 31, 2008, 2007 and 2006 include a net loss of ¥194 million ($1,940 thousand) and net gains of ¥99 million and ¥143 million, respectively, which represent the component excluded from the assessment of hedge effectiveness. Interest charges for the year ended March 31, 2008 include a net loss of ¥730 million ($7,300 thousand) which represents the component of hedge ineffectiveness. The sum of the amount of hedge ineffectiveness is not material for the years ended March 31, 2007 and 2006.

It is expected that a net loss of approximately ¥180 million ($1,800 thousand) recorded in AOCI related to the interest rate swaps will be reclassified into interest charges as a yield adjustment of the hedged debt obligations during the year ending March 31, 2009.

The contract or notional amounts of derivative financial instruments held as of March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Forward exchange contracts:			
To sell foreign currencies	**¥277,379**	¥290,177	**$2,773,790**
To buy foreign currencies	**109,840**	94,540	**1,098,400**
Cross currency swap agreements:			
To sell foreign currencies	**48,736**	110,815	**487,360**
To buy foreign currencies	**206,392**	138,888	**2,063,920**
Interest rate swaps	**443,426**	454,939	**4,434,260**
Option contracts	**13,269**	13,251	**132,690**

26. 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.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Investments in securities

The fair value of investments in securities is estimated based on quoted market prices for these or similar securities.

Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using the Company's and its subsidiaries' incremental borrowing rates for similar borrowing arrangements.

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

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

Derivative financial instruments

The fair values of forward exchange contracts, cross currency swap agreements, interest rate swaps and option contracts are estimated on the basis of the market prices of derivative financial instruments with similar contract conditions.

The carrying amounts and estimated fair values of the financial instruments as of March 31, 2008 and 2007 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Investments in securities:						
Short-term investments	**¥ 61,289**	**¥ 61,289**	¥ 33,986	¥ 33,986	**$ 612,890**	**$ 612,890**
Investments and advances	**269,498**	**269,498**	397,958	397,957	**2,694,980**	**2,694,980**
Derivatives (Assets):						
Forward exchange contracts	**12,325**	**12,325**	1,077	1,077	**123,250**	**123,250**
Cross currency swap agreements	**13,840**	**13,840**	62	62	**138,400**	**138,400**
Interest rate swaps	**636**	**636**	1,660	1,660	**6,360**	**6,360**
Option contracts	**70**	**70**	10	10	**700**	**700**
Long-term debt	**(1,808,486)**	**(1,793,317)**	(1,793,057)	(1,770,776)	**(18,084,860)**	**(17,933,170)**
Derivatives (Liabilities):						
Forward exchange contracts	**(977)**	**(977)**	(1,606)	(1,606)	**(9,770)**	**(9,770)**
Cross currency swap agreements	**(1,289)**	**(1,289)**	(15,294)	(15,294)	**(12,890)**	**(12,890)**
Interest rate swaps	**(3,520)**	**(3,520)**	(1,186)	(1,186)	**(35,200)**	**(35,200)**
Option contracts	**(25)**	**(25)**	(591)	(591)	**(250)**	**(250)**

It is not practicable to estimate the fair value of investments in unlisted stock because of the lack of a market price and difficulty in estimating fair value without incurring excessive cost. The carrying amounts of these investments at March 31, 2008 and 2007 totaled ¥54,898 million ($548,980 thousand) and ¥72,190 million, respectively.

28. MERGER AND ACQUISITION

On October 11, 2006, the Company signed a basic agreement with Clarion Co., Ltd. (Clarion) and decided to purchase additional shares of Clarion through a tender offer at ¥230 per share. The purchase price of ¥230 per share was determined by comprehensively taking into consideration the market price of Clarion common stock, Clarion's financial condition, future earnings prospects and a third party evaluation of the estimated value of Clarion stock, and included a premium of approximately 33% over average share price of Clarion common stock traded on the First Section of the Tokyo Stock Exchange for the three month period immediately preceding October 10, 2006. As a result, the Company purchased a total of 139,108,174 shares for ¥31,994 million tendered in the period from October 25, 2006 through November 30, 2006, resulting in the Company's ownership increasing from 14.4% to 63.7%. Accordingly, the Company obtained control over Clarion and it became a consolidated subsidiary of the Company effective December 7, 2006.

Clarion manufactures and sells in-vehicle equipment such as car audio and car navigation systems. The Company has strategically targeted the automotive systems business and the purpose of the tender offer was to further expand its car information system business.

The amount assigned to each major asset and liability caption of Clarion at the acquisition date is as follows:

	Millions of yen
Current assets	¥83,414
Non-current assets	50,558
Goodwill (not deductible for tax purposes)	22,620
Current liabilities	(61,063)
Non-current liabilities	(38,568)
Minority interests	(11,997)
Net assets previously acquired	(12,444)
Acquisition cost (including direct acquisition costs)	(32,520)

The results of operations of Clarion for the period from December 7, 2006 to March 31, 2007 are included in the accompanying consolidated statements of operations. On a pro forma basis, revenue, net income and the per share information of the Company with assumed acquisition dates for Clarion of April 1, 2006 and 2005 would not differ materially from the amounts reported in the accompanying consolidated financial statements as of and for the years ended March 31, 2007 and 2006.

29. STOCK OPTION PLANS

The Company and certain subsidiaries have stock option plans. Under the Company's stock option plans, non-employee directors, executive officers and certain employees have been granted stock options to purchase the Company's common stock. Under these stock option plans, options were granted at prices not less than market value at the date of grant and are exercisable from one year after the date of grant and expire four years after the date of grant. The Company and certain subsidiaries recognized no material stock-based compensation expense for the years ended March 31, 2008, 2007 and 2006.

The fair value of the Company's stock options is estimated using the Black-Sholes option pricing model under the following assumptions:

	2006
Expected volatility	37%
Expected dividends	1.6%
Expected term	4 years
Risk-free rate	1.26%
Grant-date fair value	¥172

During the years ended March 31, 2008 and 2007, the Company granted no stock option.

A summary of the Company's stock option plans' activity for the year ended March 31, 2008 is as follows:

	Stock options (shares)	Weighted-average exercise price (yen)	Weighted-average Remaining contractual term (year)	Aggregate intrinsic value (millions of yen)
Outstanding at beginning of year	**1,828,000**	**¥721**		
Exercised	**(362,000)**	**659**		
Forfeited	**(280,000)**	**757**		
Expired	**(97,000)**	**561**		
Outstanding at end of year	**1,089,000**	**¥747**	**0.9**	**¥–**
Exercisable at end of year	**1,089,000**	**¥747**	**0.9**	**¥–**

	Weighted-average exercise price (U.S. dollars)	Aggregate intrinsic value (thousands of U.S. dollars)
Outstanding at beginning of year	**$7.21**	
Exercised	**6.59**	
Forfeited	**7.57**	
Expired	**5.61**	
Outstanding at end of year	**$7.47**	**$–**
Exercisable at end of year	**$7.47**	**$–**

The exercise prices of the stock options outstanding as of March 31, 2008 are ¥782 ($7.82), ¥705 ($7.05) and ¥719 ($7.19).

The total intrinsic value of options exercised during the years ended March 31, 2008, 2007 and 2006 was ¥74 million ($740 thousand), ¥45 million, ¥31 million, respectively. The total cash received as a result of stock option exercises for the years ended March 31, 2008, 2007 and 2006 was ¥238 million ($2,380 thousand), ¥170 million and ¥130 million, respectively.

The Compensation Committee decided to cease granting stock options as part of the Company's compensation policy at the meeting held on March 30, 2006.

Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transaction and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2008. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on its assessment, the Company's management concluded that, as of March 31, 2008, the Company's internal control over financial reporting was effective based on those criteria.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page 84.

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Hitachi, Ltd. and subsidiaries (the "Company") as of March 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2008, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

The Company's consolidated financial statements do not disclose segment information required by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." Disclosure of segment information is required by U.S. generally accepted accounting principles.

In our opinion, except for the omission of segment information discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi, Ltd. and subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 (i), "Property, Plant and Equipment," effective April 1, 2007, the Company elected to change to the 250% declining balance depreciation method.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Hitachi, Ltd.'s internal control over financial reporting as of March 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 20, 2008 expressed an unqualified opinion thereon.

We have also recomputed the translation of the consolidated financial statements as of and for the year ended March 31, 2008 into United States dollars. In our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note 3.

Ernst & Young ShinNihon

Tokyo, Japan
June 20, 2008

Report of Independent Registered Public Accounting Firm

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

We have audited Hitachi Ltd.'s internal control over financial reporting as of March 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Hitachi Ltd.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Hitachi, Ltd. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of Hitachi, Ltd. and subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2008, all expressed in Japanese yen, and our report thereon dated June 20, 2008 stated that, except for the omission of segment information required by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi, Ltd. and subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with U.S. generally accepted accounting principles.

Ernst & Young ShinNihon

Tokyo, Japan
June 20, 2008