1. Qualitative Information Concerning Consolidated Business Results

1-1. Summary of Fiscal 2010 Consolidated Business Results

(1) Business Results

	Year ended March 31, 2011		
	Yen (billions)	Year-over-year change (% or billions yen)	U.S. dollars (millions)
Revenues	9,315.8	4%	112,239
Operating income	444.5	242.3	5,356
Income before income taxes	432.2	368.6	5,207
Net Income	303.1	387.5	3,652
Net Income attributable to Hitachi, Ltd.	238.8	345.8	2,878

In fiscal 2010, the year ended March 31, 2011, demand in the electronics- and automotive-related fields recovered globally. However, the Great East Japan Earthquake on March 11 caused catastrophic damage over a wide area of eastern Japan, and had a major impact on an array of corporate activities, from production to sales. Hitachi suffered damage to its buildings and production facilities, in-process products, and other assets. The Company also faced production adjustments, delays in contract forming, delivering, and customer's inspection / acceptance.

Hitachi's consolidated revenues for fiscal 2010 increased 4% year over year to 9,315.8 billion yen, despite the impact of the Great East Japan Earthquake on all segments. In addition to higher revenues in the Construction Machinery segment, centered on emerging countries, this overall increase was attributable to higher year over year revenues in the High Functional Materials & Components, Automotive Systems and Electronic Systems & Equipment segments and others in line with recovering demand in the electronics- and automotive-related fields.

Overseas revenues increased 11% year over year, to 4,046.5 billion yen, mainly due to a global recovery in demand in the electronics- and automotive-related fields.

Hitachi posted consolidated operating income of 444.5 billion yen, an improvement of 242.3 billion yen year over year, despite the impact of the Great East Japan Earthquake in all segments. This much improved result was attributable to increased revenues and improved year over year operating income in the Electronic Systems & Equipment, Components & Devices, High Functional Materials & Components, Construction Machinery, and Automotive Systems segments. These improvements reflected progress with business structure reform measures, procurement cost and fixed expenses reduction and project management. Especially, the Information & Telecommunication Systems segment improved even amid ongoing reduction in IT investment in Japan.

Hitachi posted net other deductions of 12.3 billion yen, an improvement of 126.2 billion yen year over year. Despite recording exchange losses resulting from the yen's appreciation, the overall improvement reflected the recording of a net gain on sales of marketable securities mainly due to the transfer of management rights relating to IPS Alpha Technology, Ltd. to Panasonic Corporation, as well as a decrease of business restructure expenses. As a result, Hitachi recorded income before income taxes of 432.2 billion yen, an improvement of 368.6 billion yen year over year. After income taxes of 129.0 billion yen, Hitachi posted net income of 303.1 billion yen, a year over year improvement of 387.5 billion yen. After deducting net income attributable to noncontrolling interests of 64.2 billion yen, Hitachi posted record-high net income attributable to Hitachi, Ltd. of 238.8 billion yen, a year over year improvement of 345.8 billion yen.

(2) Revenues and Operating Income by Segment

Results by segment were as follows.

[Information & Telecommunication Systems]

	Year ended March 31, 2011		
	Yen (billions)	Year-over-year change (% or billions yen)	U.S. dollars (millions)
Revenues	1,652.0	(3%)	19,904
Operating income	98.6	4.0	1,188

For fiscal 2010, the segment recorded revenues of 1,652.0 billion yen, a decrease of 3% year over year, with software and services, and hardware recording lower sales due to ongoing reductions in IT investment in Japan. This overall decrease came despite robust growth of storage solutions sales in overseas markets.

Segment operating income improved 4.0 billion yen to 98.6 billion yen, mainly the result of higher year over year operating income from software and services due primarily to improved project management and cost reductions even amid the negative impacts of lower revenues and the Great East Japan Earthquake.

[Power Systems]

	Year ended March 31, 2011		
	Yen (billions)	Year-over-year change (% or billions yen)	U.S. dollars (millions)
Revenues	813.2	(8%)	9,798
Operating income	22.0	0	265

For fiscal 2010, segment revenues decreased 8% year over year to 813.2 billion yen. The decrease was mainly attributable to the impact of the Great East Japan Earthquake, as well as lower year over year sales from thermal power generation systems due to some projects being pushed back, and lower sales recorded for preventative maintenance services for nuclear power generation systems.

Segment operating income was mostly the same as the previous year at 22.0 billion yen, as improved project management, progress with cost reductions and other factors offset the impact of lower revenues and the impact of the Great East Japan Earthquake.

[Social Infrastructure & Industrial Systems]

	Year ended March 31, 2011		
	Yen (billions)	Year-over-year change (% or billions yen)	U.S. dollars (millions)
Revenues	1,156.9	(7%)	13,939
Operating income	39.9	(2.1)	481

For fiscal 2010, segment revenues decreased 7% year over year, to 1,156.9 billion yen, despite strong growth in sales of elevators and escalators in China. The overall decrease was mainly due to the impact of the Great East Japan Earthquake, in addition to lower sales resulting from a transactional method change in some products of a manufacturing subsidiary are distributed.

Segment operating income decreased 2.1 billion year over year, to 39.9 billion yen, mainly due to the decrease in revenues, and the impact of the Great East Japan Earthquake.

[Electronic Systems & Equipment]

	Year ended March 31, 2011		
	Yen (billions)	Year-over-year change (% or billions yen)	U.S. dollars (millions)
Revenues	1,079.3	8%	13,004
Operating income	37.2	42.5	449

For fiscal 2010, the segment recorded an 8% year over year increase in revenues, to 1,079.3 billion yen, despite the impact of the Great East Japan Earthquake. The increase in revenues mainly reflected higher sales of semiconductor-related manufacturing equipment, electronic component processing equipment and others, in line with rebounding capital expenditures in the electronics field.

Despite the impact of the Great East Japan Earthquake, segment operating income improved 42.5 billion yen year over year, to 37.2 billion yen due to higher sales of semiconductor-related manufacturing equipment, electronic component processing equipment and other products.

[Construction Machinery]

	Year ended March 31, 2011		
	Yen (billions)	Year-over-year change (% or billions yen)	U.S. dollars (millions)
Revenues	751.3	29%	9,053
Operating income	49.1	31.5	593

For fiscal 2010 segment revenues increased 29% year over year, to 751.3 billion yen, despite the impact of the Great East Japan Earthquake. This increase reflected the effect of making Indian company Telco Construction Equipment Co., Ltd. a consolidated subsidiary in March 2010. Another contributing factor was growth in sales of hydraulic excavators and other products, especially in China and other emerging economies such as Asia, and to resource-rich nations such as Australia.

Despite the impact of the Great East Japan Earthquake, segment operating income improved 31.5 billion yen year over year, to 49.1 billion yen due to higher revenues.

[High Functional Materials & Components]

	Year ended March 31, 2011		
	Yen (billions)	Year-over-year change (% or billions yen)	U.S. dollars (millions)
Revenues	1,408.1	13%	16,966
Operating income	84.5	40.0	1,018

For fiscal 2010, segment revenues increased 13% year over year, to 1,408.1 billion yen. This result reflects year over year growth at Hitachi Metals, Ltd., Hitachi Cable, Ltd. and Hitachi Chemical Co., Ltd. due to healthy demand for automotive-related components and other products.

Despite the impact of the Great East Japan Earthquake, segment operating income improved 40.0 billion yen to 84.5 billion yen due to higher revenues.

[Automotive Systems]

	Year ended March 31, 2011		
	Yen (billions)	Year-over-year change (% or billions yen)	U.S. dollars (millions)
Revenues	737.9	16%	8,890
Operating income	23.7	29.2	287

For fiscal 2010, segment revenues increased 16% year over year, to 737.9 billion yen, despite the impact of the Great East Japan Earthquake. This increase reflected healthy growth in sales before the earthquake, supported by a global recovery in demand, particularly in emerging countries, as well as a government program in Japan to spur vehicle sales.

Despite the impact of the Great East Japan Earthquake, segment operating income improved 29.2 billion yen year over year, to 23.7 billion yen on account of improved capacity utilization in line with recovering demand, and the benefits of business structure reforms.

[Components & Devices]

	Year ended March 31, 2011		
	Yen (billions)	Year-over-year change (% or billions yen)	U.S. dollars (millions)
Revenues	809.8	7%	9,757
Operating income	43.6	42.5	526

For fiscal 2010, segment revenues increased 7% year over year, to 809.8 billion yen, mainly due to higher sales of HDDs, reflecting robust demand for use in PCs and servers.

Despite the impact of the Great East Japan Earthquake, segment operating income improved 42.5 billion yen year over year, to 43.6 billion yen. This improvement was due to higher earnings in HDD operations on increased sales, the contribution from new products, cost reduction and others.

Note: HDD operations are conducted by Hitachi Global Storage Technologies (Hitachi GST), which has a December 31 fiscal year-end, different from Hitachi's March 31 year-end. Hitachi's results for the year ended March 31, 2011 include operating results of Hitachi GST for the period from January through December 2010.

[Digital Media & Consumer Products]

	Year ended March 31, 2011		
	Yen (billions)	Year-over-year change (% or billions yen)	U.S. dollars (millions)
Revenues	951.5	2%	11,465
Operating income	14.9	22.1	180

For fiscal 2010, the segment recorded a 2% increase in revenues year over year, to 951.5 billion yen, despite optical disk drive-related products recording lower sales due to lackluster demand. The segment revenue growth reflected higher year over year sales of commercially packaged air conditioners, as well as growth in sales of flat-panel TVs, room air-conditioners, refrigerators and other products eligible for the eco-points program in Japan.

Segment operating income improved 22.1 billion yen year over year, to 14.9 billion yen. This result was mainly due to strong performances by commercially packaged and room air-conditioners, in addition to the benefits of business structure reforms in flat-panel TV and other operations. This improvement was despite lower earnings from optical disk drive-related products in line with lower sales, as well as the impact of the Great East Japan Earthquake.

Note: The optical disk drive operations are conducted by Hitachi-LG Data Storage, Inc (HLDS), which has a December 31 fiscal year-end, different from Hitachi's March 31 year-end. Hitachi's results for the year ended March 31, 2011 include the operating results of HLDS for the period from January through December 2010.

[Financial Services]

	Year ended March 31, 2011		
	Yen (billions)	Year-over-year change (% or billions yen)	U.S. dollars (millions)
Revenues	372.9	(11%)	4,494
Operating income	14.2	5.7	172

For fiscal 2010, the segment reported an 11% year over year decrease in revenues, to 372.9 billion yen, due to the recording of large cancellation penalty payment receipts in the previous fiscal year. This was despite healthy growth in outsourcing and other businesses that generate revenues from commission services at Hitachi Capital Corporation.

Despite the impact of the Great East Japan Earthquake, segment operating income improved 5.7 billion yen to 14.2 billion yen. This was due to recording earnings related to receivables that were recorded as gains on sale up through March 31, 2010 in line with the consolidation of securitization entities from April 1, 2010, based on new U.S. GAAP accounting standards. The improvement also reflected reduced financing costs at Hitachi Capital Corporation in the U.S. and Europe.

[Others]

	Year ended March 31, 2011		
	Yen (billions)	Year-over-year change (% or billions yen)	U.S. dollars (millions)
Revenues	767.4	0%	9,247
Operating income	28.9	9.5	349

For fiscal 2010, segment revenues were mostly unchanged from the previous year, at 767.4 billion yen, as higher revenues at Hitachi Transport System, Ltd. on healthy growth in third-party logistics solutions were mainly offset by the impact of the transfer in June 2010 of Hitachi group's internal food service business to Nissin Healthcare Food Service Co., Ltd.

Despite the impact of the Great East Japan Earthquake, segment operating income improved 9.5 billion yen to 28.9 billion yen, mainly due to higher earnings in line with increased revenues at Hitachi Transport System, Ltd.

(3) Revenues by Market

	Year ended March 31, 2011		
	Yen (billions)	Year-over-year % change	U.S. dollars (millions)
Japan	5,269.2	(1%)	63,485
Outside Japan	4,046.5	11%	48,754
Asia	2,073.7	22%	24,985
North America	781.1	7%	9,411
Europe	760.0	(8%)	9,157
Other Areas	431.6	8%	5,201

Revenues in Japan were 5,269.2 billion yen, down 1% year over year. This decrease was mainly due to delays in contract forming, delivering, and customer's inspection / acceptance, in regard to certain products due to the impact of the Great East Japan Earthquake. This was despite higher revenues mainly in the High Functional Materials & Components, Automotive Systems and Digital Media & Consumer Products segments in line with recovering demand in the electronics- and automotive-related fields, and the positive impact of the eco-points program in Japan.

Outside Japan revenues increased 11% to 4,046.5 billion yen. In addition to higher sales in the Construction Machinery Segment, mainly to emerging countries, the Electronic Systems & Equipment, High Functional Materials & Components, Components & Devices and Automotive Systems segments posted strong revenue growth due to recovering demand in the electronics- and automotive-related fields.

As a result, the ratio of overseas revenues to consolidated revenues increased 2 points year over year to 43%.

(4) Capital Investment, Depreciation and R&D Expenditures

Capital investment on a completion basis, excluding leasing assets, increased 10% year over year, to 273.1 billion yen, primarily due to investments for boosting production to meet recovering demand.

Depreciation, excluding leasing assets, decreased 15% year over year, to 303.6 billion yen, primarily due to the strict selection of capital investments throughout the previous year.

R&D expenditures increased 6% year over year to 395.1 billion yen, which corresponded to 4.2% of consolidated revenues. The increase was due mainly to further R&D investment to strengthen the Social Innovation Business.

(5) Outlook for Fiscal 2011

At this time, Hitachi has not issued consolidated business forecasts for fiscal 2011 because it is difficult to rationally estimate the impact of the Great East Japan Earthquake. Hitachi plans to announce these forecasts when disclosure becomes possible.

1-2. Financial Position

(1) Financial Position

	As of March 31, 2011		
	Yen (billions)	Change from March 31, 2010	U.S. dollars (millions)
Total assets	9,185.6	221.1	110,670
Total liabilities	6,744.2	47.6	81,256
Interest-bearing debt	2,521.5	154.4	30,380
Total Hitachi, Ltd. stockholders' equity	1,439.8	155.2	17,348
Noncontrolling interests	1,001.5	18.3	12,067
Total Hitachi, Ltd. stockholders' equity ratio	15.7%	1.4 point improvement	-
D/E ratio (including noncontrolling interests)*1	1.03times	0.35 point improvement	-
D/E ratio (including noncontrolling interests)*2	0.86times	0.18 point improvement	-

*1: Including liabilities (current and noncurrent) associated with the consolidation of securitization entities in accordance with the application of new accounting standards.
*2: Excluding liabilities (current and noncurrent) associated with the consolidation of securitization entities in accordance with the application of new accounting standards.

Total assets as of March 31, 2011 increased 221.1 billion yen from March 31, 2010 to 9,185.6 billion yen. This mainly resulted from the recording of financial assets that had been transferred off the balance sheet to securitization entities, principally in the Financial Services Segment, in accordance with the application of new U.S. GAAP accounting standards effective April 1, 2010. Similarly, interest-bearing liabilities increased by 154.4 billion yen, to 2,521.5 billion yen due to the recording of liabilities associated with the consolidation of securitization entities. Stockholders' equity increased 155.2 billion yen from March 31, 2010, to 1,439.8 billion yen due mainly to the improvement in net income attributable to Hitachi, Ltd. As a result, the total Hitachi, Ltd. stockholders' equity ratio was 15.7%. The debt-to-equity ratio, including noncontrolling interests, was 1.03. Excluding the impact of adopting new accounting standards, the debt-to-equity ratio, including noncontrolling interests, improved 0.18 point from March 31, 2010 to 0.86.

(2) Cash Flows

	Year ended March 31, 2011		
	Yen (billions)	Year-over-year change	U.S. dollars (millions)
Cash flows from operating activities	841.5	43.2	10,139
Cash flows from investing activities	(260.3)	270.2	(3,137)
Free cash flows	581.2	313.5	7,003
Cash flows from financing activities	(584.1)	(81.8)	(7,038)

Operating activities provided net cash of 841.5 billion yen, a year over year increase of 43.2 billion yen. This increase primarily reflected a major improvement in net income.

Investing activities used net cash of 260.3 billion yen, 270.2 billion yen less than in the previous year, mainly due to proceeds from the sale of shareholdings, and the strict selection of investments in property, plant and equipment.

Free cash flows, the sum of cash flows from operating and investing activities, stood at a positive 581.2 billion yen, a 313.5 billion yen improvement year over year.

Financing activities used net cash of 584.1 billion yen, primarily for debt repayment and dividend payments.

The net result of the above items was a decrease of 22.7 billion yen in cash and cash equivalents, to 554.8 billion yen.

Free cash flows increased due to the consolidation of securitization entities in accordance with the application of new U.S. GAAP accounting standards effective from April 1, 2010. However, the application of these standards had almost the same effect on cash outflows in financing activities.

(3) Trends in Cash Flow Indexes

	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011
Hitachi, Ltd. stockholders' equity ratio (%)	11.2	14.3	15.7
Equity ratio based on market value (%)	9.4	17.4	21.3
Cash flow to interest-bearing debt ratio	5.0	3.0	3.0
Interest coverage ratio (times)	16.5	30.4	33.8

(a) Hitachi, Ltd. stockholder's equity ratio: Total Hitachi, Ltd. shareholders' equity / Total assets
(b) Equity ratio based on market value: Market capitalization / Total assets
(c) Cash flow to interest-bearing debt ratio: Interest-bearing debt / Cash flows from operating activities
(d) Interest coverage ratio: Cash flows from operating activities / Interest charges

Note: Market capitalization is computed based on the number of issued shares, excluding treasury stock.

1-3. Basic Policy on the Distribution of Earnings and Fiscal 2010 and 2011 Dividends

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

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

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

Based on the above policies, Hitachi plans to pay an annual dividend of 8 yen per share for fiscal 2010, which includes a commemorative dividend of 2 yen per share for Hitachi's centennial anniversary. Dividends for fiscal 2011 have yet to be determined.

- uncertainty as to general market price levels for equity securities in Japan, declines in which may require Hitachi to write down equity securities that it holds;
- the potential for significant losses on Hitachi's investments in equity method affiliates;
- increased commoditization of information technology products and digital media-related products and intensifying price competition for such products, particularly in the Components & Devices and the Digital Media & Consumer Products segments;
- uncertainty as to Hitachi's ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- rapid technological innovation;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum and synthetic resins or shortages of materials, parts and components;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to Hitachi's ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness and other cost reduction measures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to the success of alliances upon which Hitachi depends, some of which Hitachi may not control, with other corporations in the design and development of certain key products;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity method affiliates have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the possibility of disruption of Hitachi's operations in Japan by earthquakes, tsunamis or other natural disasters, including the possibility of continuing adverse effects on Hitachi's operations as a result of the earthquake and tsunami that struck northeastern Japan on March 11, 2011;
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers;
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its significant employee benefit related costs; and
- uncertainty as to Hitachi's ability to attract and retain skilled personnel.

The factors listed above are not all-inclusive and are in addition to other factors contained in Hitachi's periodic filings with the U.S. Securities and Exchange Commission and in other materials published by Hitachi.

2. Management Policy

(1) Basic Management Policy

Amid intensifying competition in world markets, the Hitachi Group has been expanding its business through development of Hitachi and its related companies (subsidiaries and affiliated companies). Hitachi aims to improve its development by delivering competitive products and services imbuing higher value for customers. By taking full advantage of the diverse resources of the Hitachi Group while at the same time reviewing and restructuring businesses, Hitachi will bolster its competitiveness. This process will be consistent with Hitachi's basic management policy, which is to increase shareholder value by meeting the expectations of customers, shareholders, employees and other stakeholders.

(2) Medium- and Long-term Management Strategy

The Hitachi Group will work to drive growth through the Social Innovation Business and establish an even more solid financial base. This will involve capitalizing fully on the Hitachi Group's business base built up over the years to promote three themes---transforming into a truly global company; expanding environmental businesses; and fusing social infrastructure and IT. The Social Innovation Business includes information and telecommunication systems, power systems, industrial and transportation systems, and social and urban systems, as well as the sophisticated materials and key devices that support them.

(3) Issues Facing Hitachi Group

Japan's economy and society was significantly impacted by the Great East Japan Earthquake. As a corporate group responsible for social infrastructure, the Hitachi Group is making a concerted effort to implement the following measures:

・ Hitachi is making efforts to help with Japan's recovery, including cooperating to alleviate power shortages, and providing relief assistance to disaster-stricken areas.

・ Hitachi will draw upon the Hitachi Group's outstanding environmental technologies to provide products and services with a lower environmental impact and thereby help protect the natural environment. In regard to the Fukushima Nuclear Power Station, Hitachi will offer its full cooperation to the government of Japan and Tokyo Electric Power Company on short-term countermeasures, as well as on medium- and long-term measures designed to improve and resolve the situation.

Although the global economic outlook remains uncertain, the Hitachi Group is determined to continue growing and to become a truly preeminent global company. Specifically, Hitachi will continue working to achieve the Fiscal 2012 Mid-term Management Plan drafted in the previous year. To engineer the revival of a strong Hitachi, the Company will implement the following measures:

- Hitachi will accurately grasp new business opportunities from a global standpoint, and enhance its local sales structures and R&D and production systems overseas to ensure that it addresses customer needs properly in each region. The Company will train and fully utilize the human resources needed to achieve this goal.
- Hitachi will focus on the Social Innovation Business, which supplies advanced social infrastructure utilizing information and telecommunication systems technology. The goal is to achieve highly profitable and stable growth going forward.
- Hitachi will promote cost structure reform activities throughout the Group, to complete the shift to a globally competitive cost structure. Examples of such activities include global procurement and expanded bulk and centralized purchasing.
- Hitachi will continue working to bolster its financial position by improving cash flows through inventory reductions and other actions.
- Hitachi will further cement society's trust in the Hitachi Group by continuing to provide products and services of the highest quality to customers.
- Hitachi has worked to eliminate misconduct within the Hitachi Group, but regrets that isolated incidents of misconduct have still occurred. Taking this situation seriously, Hitachi will reaffirm its commitment to remaining steadfast and compliant in order to eradicate misconduct.