

[Translation]

# Quarterly Report

(The Second Quarter of 144th Business Term)  
From July 1, 2012 to September 30, 2012

6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo  
**Hitachi, Ltd.**

[Cover]

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This is an English translation of the Quarterly Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors’ NETwork (“EDINET”) pursuant to the Financial Instruments and Exchange Act of Japan.

The translation of the Confirmation Letter for the original Quarterly Report are included at the end of this document.

Unless the context indicates otherwise, the term “Company” refers to Hitachi, Ltd. and the term “Hitachi” refers to the Company and its consolidated subsidiaries.

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

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

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## Part I Information on the Company

### I. Overview of the Company

#### 1. Key Financial Data

Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

	Six months ended September 30, 2011	Six months ended September 30, 2012	Year ended March 31, 2012
Revenues	4,572,729 [2,422,036]	4,355,568 [2,234,853]	9,665,883
Income before income taxes	133,010	116,258	557,730
Net income attributable to Hitachi, Ltd. stockholders	50,949 [48,018]	30,125 [23,114]	347,179
Comprehensive income	27,529	42,184	392,581
Total Hitachi, Ltd. Stockholders' equity	1,450,558	1,788,051	1,771,782
Total equity	2,446,635	2,798,928	2,773,995
Total assets	9,199,139	9,159,801	9,418,526
Net income attributable to Hitachi, Ltd. stockholders per share, Basic (yen)	11.28 [10.63]	6.49 [4.98]	76.81
Net income attributable to Hitachi, Ltd. stockholders per share, Diluted (yen)	10.55	6.23	71.86
Total Hitachi, Ltd. stockholders' equity ratio (%)	15.8	19.5	18.8
Cash flows from operating activities	93,128	263,126	447,155
Cash flows from investing activities	(221,761)	(220,853)	(195,584)
Cash flows from financing activities	104,027	(55,937)	(167,838)
Cash and cash equivalents at end of period	510,643	592,055	619,577

- (Notes)
1. Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States.
  2. Revenues do not include the consumption tax, etc.
  3. The figures of "Revenues," "Net income attributable to Hitachi, Ltd. stockholders" and "Net income attributable to Hitachi, Ltd. stockholders per share, Basic" in square bracket are those in the three months ended September 30, 2011 and 2012, respectively.

#### 2. Description of Business

The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States, and affiliates are disclosed based on the definitions of those accounting principles. The same applies to "II. Business Overview".

There was no material change in principal businesses of Hitachi during the six months ended September 30, 2012. The Hitachi Group is comprised of the Company and 920 consolidated subsidiaries (including variable interest entities) and 219 equity-method affiliates. Consolidated trust accounts are not included in the number of consolidated subsidiaries.

Changes of businesses in each segment and major consolidated subsidiaries during the six months ended September 30, 2012 were as follows.

Segment	Positioning of principal affiliated companies	
	Manufacturing	Sales and services
Others (Reclassified) Information Storage Media, Batteries	[Consolidated subsidiaries] (Reclassified) Hitachi Maxell, Ltd., Hitachi Maxell Energy, Ltd.	

(Note) Effective from April 1, 2012, the Company eliminated the Components & Devices segment. The businesses, which were previously included in the Components & Devices segment, have been included in the Others segment.

## II. Business Overview

### 1. Risk Factors

There was no new risk factor recognized during the six months ended September 30, 2012.

Material changes in the risk factors stated in the Annual Securities Report for the 143rd business term pursuant to the Financial Instruments and Exchange Act of Japan were as follows.

#### Changes in “Litigation and Regulatory Investigations”

In July 2012, a Japanese subsidiary received a statement of objections from the European Commission in respect of alleged antitrust violations relating to optical disk drives.

In August 2012, a subsidiary of the Company in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of EUR 1,058 million (¥106.1 billion), additional costs and interest allegedly incurred by the delay in the construction process of a power plant against, jointly and severally, the Company, the subsidiary of the Company in Europe, a consortium including the Company and the subsidiary of the Company in Europe, and two other companies. Although the Company, the subsidiary of the Company in Europe and the consortium will vigorously defend themselves against this lawsuit, there can be no assurance that they will not be held liable for any amounts claimed.

### 2. Material Agreements, etc.

No material agreements were entered into during the three months ended September 30, 2012.

### 3. Analyses of Consolidated Financial Condition, Operating Results and Cash Flows

#### (1) Outline of Business Results

Effective from April 1, 2012, the Company eliminated the Components & Devices segment. The businesses, which were previously included in the Components & Devices segment, have been included in the Others segment. Figures for each segment, including figures for the six months ended September 30, 2012 and for the six months ended September 30, 2011 reflect the new segmentation.

#### Results of Operations

During the six months ended September 30, 2012, the U.S. economy continued to experience a moderate recovery. However, economic stagnant continued in Europe due to sovereign debt crisis in some countries and also the Chinese economy, the Indian economy, the Brazilian economy and other emerging nations' economies slowed further due to lower exports to Europe.

The Japanese economy saw solid growth, supported by higher public works spending to help the reconstruction after the Great East Japan Earthquake, and by higher capital investment accompanying on improvement of corporate earnings, though it continuously struggled due to the global economic slowdown and the appreciation of yen.

Under these circumstances, total revenues in the six months ended September 30, 2012 decreased 5% compared with the six months ended September 30, 2011, to ¥4,355.5 billion due mainly to the sale of the hard disk drive business in the year ended March 31, 2012. This decrease was partially offset by increased revenues in the Power Systems Segment due to higher sales in nuclear power generation systems, the Information & Telecommunication Systems and the Automotive Systems Segments.

Cost of sales in the six months ended September 30, 2012 decreased 5% compared with the six months ended September 30, 2011, to ¥3,272.4 billion, and the ratio of cost of sales to revenues accounted for 75% in the six months ended September 30, 2012, which was the same level as in the six months ended September 30, 2011.

Selling, general and administrative expenses in the six months ended September 30, 2012 decreased 5% compared with the six months ended September 30, 2011, to ¥919.4 billion and their ratio to revenues was 21% in the six months ended September 30, 2012, which was the same level as in the six months ended September 30, 2011.

Impairment losses for long-lived assets in the six months ended September 30, 2012 was ¥6.2 billion, almost the same as the six months ended September 30, 2011.

Restructuring charges in the six months ended September 30, 2012 increased ¥3.3 billion to ¥4.5 billion, as compared with the six months ended September 30, 2011.

Interest income in the six months ended September 30, 2012 decreased ¥1.3 billion to ¥5.9 billion, as compared with the six months ended September 30, 2011.

Dividends income in the six months ended September 30, 2012 decreased ¥0.8 billion to ¥3.1 billion, as compared with the six months ended September 30, 2011.

Other income in the six months ended September 30, 2012 was ¥7.9 billion, a ¥1.4 billion increase compared with the six months ended September 30, 2011, due mainly to the posting of net gain on securities. This increase was partially offset by the posting of net loss on sale and disposal of rental assets and other property in the six months ended September 30, 2012, as compared with net gain in the six months ended September 30, 2011.

Interest charges in the six month ended September 30, 2012 decreased ¥0.2 billion to ¥13.7 billion, as compared with the six months ended September 30, 2011.

Other deductions in the six months ended September 30, 2012 were ¥12.4 billion, a ¥6.8 billion decrease compared with the six months ended September 30, 2011 due mainly to the posting of net gain on securities in the six months ended September 30, 2012, as compared with net loss in the six months ended September 30, 2011, as well as a decrease of exchange loss as compared with the six months ended September 30, 2011.

Equity in net loss of affiliated companies in the six months ended September 30, 2012 increased ¥12.7 billion compared with the six months ended September 30, 2011, to ¥27.3 billion, due mainly to the restructuring charges at the Company's equity-method affiliated company in the semiconductor industry.

Income before income taxes in the six months ended September 30, 2012 decreased 13% compared with the six months ended September 30, 2011, to ¥116.2 billion.

Income taxes amounted to ¥50.7 billion in the six months ended September 30, 2012, a decrease of ¥4.5 billion compared with the six months ended September 30, 2011.

Net income in the six months ended September 30, 2012 decreased 16% compared with the six months ended September 30, 2011, to ¥65.5 billion.

Net income attributable to noncontrolling interests amounted to ¥35.3 billion in the six months ended September 30, 2012, an increase of ¥8.6 billion compared with the six months ended September 30, 2011.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders in the six months ended September 30, 2012 decreased 41% compared with the six months ended September 30, 2011, to ¥30.1 billion.

#### Operations by Segment

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

##### (Information & Telecommunication Systems)

Revenues increased 5% compared with the six months ended September 30, 2011, to ¥832.9 billion. While software business recorded lower sales, services business and hardware business such as ATMs recorded higher sales.

Segment profit decreased 12% compared with the six months ended September 30, 2011, to ¥27.2 billion, due to lower earnings in software and services business owing to lower projects profitability. This worsening is partially offset by improvement of profitability in hardware business.

##### (Power Systems)

Revenues increased 11% compared with the six months ended September 30, 2011, to ¥413.4 billion, due to the acquisition of part of the transmission and distribution business of Japan AE Power Systems Corporation in April 2012 and higher sales of nuclear power generation systems.

Segment profit increased ¥6.8 billion compared with the six months ended September 30, 2011, to ¥7.4 billion. This increase resulted from higher earnings due to increased revenues and the absence of additional costs related to coal-fired thermal power generation systems in the overseas market recorded in the six months ended September 30, 2011, as well as progress in cost reduction measures.

#### (Social Infrastructure & Industrial Systems)

Revenues increased 6% compared with the six months ended September 30, 2011, to ¥545.3 billion. This increase mainly reflected steady growth in the elevators and escalators business in China and a recovery in plant-related equipment and construction following the Great East Japan Earthquake.

Segment profit decreased 50% compared with the six months ended September 30, 2011, to ¥3.1 billion, due mainly to lower earnings in social infrastructure systems and plant-related equipment and construction. This decrease was partially offset by higher earnings in the elevators and escalators business owing to higher sales.

#### (Electronic Systems & Equipment)

Revenues decreased 4% compared with the six months ended September 30, 2011, to ¥510.5 billion. This decrease reflected lower revenues due to the impact of decreased demand for Hitachi High-Technologies Corporation's display-related products, Hitachi Via Mechanics, Ltd.'s electronic parts manufacturing systems and Hitachi Kokusai Electric Inc.'s semiconductor manufacturing equipment.

Segment profit decreased 7% compared with the six months ended September 30, 2011, to ¥19.7 billion, due mainly to lower earnings in line with decreased sales at Hitachi Kokusai Electric Inc. and Hitachi Via Mechanics, Ltd. This decrease was partially offset by higher earnings at Hitachi High-Technologies Corporation due to a strong performance of semiconductor-related products overseas.

#### (Construction Machinery)

Revenues increased 4% compared with the six months ended September 30, 2011, to ¥370.6 billion. This increase reflects strong sales to the rental industry in North America, despite lower sales of hydraulic excavators in China and India.

Segment profit decreased 12% compared with the six months ended September 30, 2011, to ¥22.8 billion, due to lower sales in some emerging countries.

#### (High Functional Materials & Components)

Revenues decreased 4% compared with the six months ended September 30, 2011, to ¥674.3 billion, due to lower sales at Hitachi Cable, Ltd. owing to downward pressure on sales prices resulting from a drop in the price of copper and the withdrawal from unprofitable businesses. This decrease was partially offset by strong sales of Hitachi Metals, Ltd.'s automotive-related products.

Segment profit increased 13% compared with the six months ended September 30, 2011, to ¥38.1 billion. This was mainly attributable to higher earnings at Hitachi Cable, Ltd. due to reduction in fixed costs generated by business structure reforms and a cost-reduction measures.

#### (Automotive Systems)

Revenues increased 10% compared with the six months ended September 30, 2011, to ¥401.8 billion, as a result of a recovery from the Great East Japan Earthquake and growing global automobile demand.

Segment profit increased 22% compared with the six months ended September 30, 2011, to ¥19.2 billion.

#### (Digital Media & Consumer Products)

Revenues decreased 9% compared with the six months ended September 30, 2011, to ¥428.7 billion, due mainly to lower demand for flat-panel TVs and lower sales of optical disk drive-related products owing to the impact of lower sales prices.

Segment profit worsened ¥7.6 billion, resulting in a loss of ¥2.4 billion, compared with the six months ended September 30, 2011, due mainly to the business restructuring costs in the flat-panel TV business, lower sales of optical disk drive-related products and falling in sales prices of room air conditioners and refrigerators, etc. mainly in the Japanese market.

#### (Financial Services)

Revenues decreased 1% compared with the six months ended September 30, 2011, to ¥179.6 billion, due mainly to lower revenues in the finance services business for corporate customers in Japan at Hitachi Capital Corporation. This decrease was partially offset by a strong performance in the overseas at Hitachi Capital Corporation, particularly in Asia.

Segment profit decreased 3% compared with the six months ended September 30, 2011, to ¥13.7 billion.

#### (Others)

Revenues decreased 35% compared with the six months ended September 30, 2011, to ¥556.6 billion, due mainly to the sale of hard disk drives business in the year ended March 31, 2012.

Segment profit decreased 25% compared with the six months ended September 30, 2011, to ¥20.8 billion.

## Revenues by Market

Revenues in Japan in the six months ended September 30, 2012 were ¥2,551.7 billion, a decrease of 1% compared with the six months ended September 30, 2011, due mainly to lower revenues in the Others Segment owing to the impact of selling the hard disk drives business, and in the Digital Media & Consumer Products Segment owing to the impact of lower demand for flat-panel TVs. This decrease was partially offset by higher revenues in the Information & Telecommunication Systems Segment owing to strong sales of services business in Japan, and the Power Systems Segment owing to recovery from the Great East Japan Earthquake.

Overseas revenues were ¥1,803.8 billion, a decrease of 10% compared with the six months ended September 30, 2011, due mainly to significant decrease in revenues in the Others Segment owing to the impact of selling the hard disk drives business. This decrease was partially offset by higher revenues in the Power Systems, the Social Infrastructure & Industrial Systems, the Automotive Systems and certain other segments.

As a result, the ratio of overseas revenues to total revenues was 41% in the six months ended September 30, 2012, compared with 44% in the six months ended September 30, 2011.

## (2) Summary of Financial Condition, etc.

### Liquidity and Capital Resources

During the six months ended September 30, 2012, there was no major changes in the Company's policies of maintaining liquidity and ensuring funds, efforts for improvement in fund management efficiency, and ideas regarding funding sources and fundraising.

### Cash Flows

(Cash flows from operating activities)

Net income in the six months ended September 30, 2012 decreased ¥12.2 billion compared with the six months ended September 30, 2011, to ¥65.5 billion, due primarily to decreased operating income. Decrease in receivables in the six months ended September 30, 2012 was ¥218.8 billion. This was an increase of ¥189.4 billion compared with the six months ended September 30, 2011, due mainly to influence of delay in shipment of products and customers' acceptance inspection caused by the Great East Japan Earthquake in the six months ended September 30, 2011 and proceed with collection of receivables recorded at the end of the fiscal year ended March 30, 2012 in the six months ended September 30, 2012. As a result of the foregoing, cash flows from operating activities recorded net cash inflow of ¥263.1 billion in the six months ended September 30, 2012, an increase of ¥169.9 billion compared with the six months ended September 30, 2011.

(Cash flows from investing activities)

A net sum of ¥240.8 billion in the six months ended September 30, 2012 was recorded as investments mainly related to property, plant and equipment, where the collection of investments in leases, the proceeds from disposal of property, plant and equipment and the proceeds from disposal of tangible assets and software to be leased were subtracted from the amount of the capital expenditures, the purchase of intangible assets and the purchase of tangible assets and software to be leased. This net sum increased by ¥90.7 billion compared with the six months ended September 30, 2011. Purchase of investments in securities and shares of newly consolidated subsidiaries in the six months ended September 30, 2012 decreased ¥52.7 billion compared with the six months ended September 30, 2011, to ¥48.4 billion, due primarily to absence of large purchase such as the purchase of shares of Vantec Corporation and a network storage business entity in the U.S. in the six months ended September 30, 2011. Proceeds from sale of investments in securities and shares of consolidated subsidiaries resulting in deconsolidation in the six months ended September 30, 2012 increased ¥27.4 billion compared with the six months ended September 30, 2011, to ¥54.0 billion, due mainly to selling shares of TCM Corporation in the six months ended September 30, 2012. As a result of the foregoing, cash flows from investing activities recorded net cash outflow of ¥220.8 billion in the six months ended September 30, 2012, a decrease of ¥0.9 billion compared with the six months ended September 30, 2011.

(Cash flows from financing activities)

Net increase in short-term debt was ¥98.8 billion due to an increase in working capital. This was a decrease of ¥222.4 billion compared with the six months ended September 30, 2011, due primarily to the issuance of commercial paper ready to cope with jittery credit markets after the Great East Japan Earthquake in the six months ended September 30, 2011. A net sum of ¥92.0 billion in the six months ended September 30, 2012 was recorded as payments related to long-term debt, where the payments on long-term debt were subtracted from the proceeds from long-term debt. This net outflow decreased by ¥98.6 billion compared with the six months ended September 30, 2011. As a result of the foregoing, cash flows from financing activities recorded net cash outflow

of ¥55.9 billion in the six months ended September 30, 2012, compared to the inflow of ¥104.0 billion in the six months ended September 30, 2011.

As a result of the foregoing, in the six months ended September 30, 2012, cash and cash equivalents was ¥592.0 billion as of September 30, 2012, a decrease of ¥27.5 billion from March 31, 2012. Free cash flows, the sum of cash flows from operating and investing activities, were an inflow of ¥42.2 billion in the six months ended September 30, 2012, an improvement of ¥170.9 billion compared with the six months ended September 30, 2011.

### Assets, Liabilities and Equity

Total assets as of September 30, 2012 were ¥9,159.8 billion, a decrease of ¥258.7 billion from March 31, 2012. This was due mainly to collection of receivables.

Total interest-bearing debt as of September 30, 2012, which is the sum of short-term debt, long-term debt and non-recourse borrowings of consolidated securitization entities, was ¥2,354.7 billion, a ¥41.7 billion decrease from March 31, 2012. This was due mainly to repayment of long-term debt and conversion of the Company's bonds with stock acquisition rights into stocks.

Total Hitachi, Ltd. stockholders' equity as of September 30, 2012 increased by ¥16.2 billion from March 31, 2012, to ¥1,788.0 billion, due mainly to recording of net income attributable to Hitachi, Ltd. stockholders and conversion of the Company's bonds with stock acquisition rights into stocks. As a result, the ratio of stockholders' equity to total assets was 19.5%, compared with 18.8% as of March 31, 2012.

Noncontrolling interests as of September 30, 2012 increased by ¥8.6 billion from March 31, 2012, to ¥1,010.8 billion.

The ratio of the interest-bearing debt to the total equity (the sum of total Hitachi, Ltd. stockholders' equity and noncontrolling interests) decreased to 0.84, compared with 0.86 as of March 31, 2012.

### (3) Challenges Facing Hitachi Group

#### 1) Business and Financial Condition

There was no material change in Hitachi's business strategy during the six months ended September 30, 2012.

#### 2) Fundamental Policy on the Conduct of Persons Influencing Decision on the Company's Financial and Business Policies

The Group invests a great deal of business resources in fundamental research and in the development of market-leading products and businesses that will bear fruit in the future, and realizing the benefits from these management policies requires that they be continued for a set period of time. For this purpose, the Company keeps its shareholders and investors well informed of not just the business results for each period but also of the Company's business policies for creating value in the future.

The Company does not deny the significance of the vitalization of business activities and performance that can be brought about through a change in management control, but it recognizes the necessity of determining the impact on company value and the interests of all shareholders of the buying activities and buyout proposals of parties attempting to acquire a large share of stock of the Company or a Group company by duly examining the business description, future business plans, past investment activities, and other necessary aspects of such a party.

There is no party that is currently attempting to acquire a large share of the Company's stocks nor is there a specific threat, neither does the Company intend to implement specified so-called anti-takeover measures in advance of the appearance of such a party, but the Company does understand that it is one of the natural duties bestowed upon it by the shareholders and investors to continuously monitor the state of trading of the Company's stock and then to immediately take what the Company deems to be the best action in the event of the appearance of a party attempting to purchase a large share of the Company's stock. In particular, together with outside experts, the Company will evaluate the buyout proposal of the party and hold negotiations with the buyer, and if the Company deems that said buyout will not maintain the Company's value and is not in the best interest of the shareholders, then the Company will quickly determine the necessity, content, etc., of specific countermeasures and prepare to implement them. The same response will also be taken in the event a party attempts to acquire a large percentage of the shares of a Group company.

#### (4) Research and Development

There was no material changes in the research and development of the Hitachi Group (the Company and consolidated subsidiaries) stated in the Annual Securities Report for the 143rd business term pursuant to the Financial Instruments and Exchange Act of Japan. The Hitachi Group's R&D expenditures in the six months ended September 30, 2012 were ¥165.7 billion, 3.8% of revenues. A breakdown of R&D expenditures by segment is shown below.

Segment	(Billions of yen)	
	Six months ended September 30, 2012	
Information & Telecommunication Systems	40.1	
Power Systems	9.2	
Social Infrastructure & Industrial Systems	11.5	
Electronic Systems & Equipment	21.5	
Construction Machinery	8.1	
High Functional Materials & Components	21.4	
Automotive Systems	27.0	
Digital Media & Consumer Products	10.6	
Financial Services	0.0	
Others	3.6	
Corporate	12.1	
Total	165.7	

#### (5) Plans for Capital Investment, Disposals of Property, Plants and Equipment, etc.

The Hitachi Group (the Company and consolidated subsidiaries) engages in diverse operations in Japan and overseas, and has not decided on specific plans to newly install or expand each of facilities as of the end of the consolidated fiscal year and each quarter of the consolidated fiscal year. For this reason, it discloses amounts of capital investment by segment.

The amount of capital investment for the fiscal year ending March 31, 2013 (new installation and expansions, based on the amount recorded as tangible fixed assets) which was planned as of March 31, 2012, was revised as of September 30, 2012 as follows.

Segment	(Billions of yen)	
	Year ending March 31, 2013 (Previous Forecast)	Year ending March 31, 2013 (Revised Forecast)
Information & Telecommunication Systems	49.0	52.0
Power Systems	26.0	27.0
Social Infrastructure & Industrial Systems	43.0	40.0
Electronic Systems & Equipment	31.0	20.0
Construction Machinery	93.0	77.0
High Functional Materials & Components	94.0	89.0
Automotive Systems	54.0	54.0
Digital Media & Consumer Products	20.0	21.0
Financial Services	315.0	362.0
Others	52.0	48.0
Subtotal	777.0	790.0
Eliminations & Corporate Items	(5.0)	0
Total	772.0	790.0

- (Notes) 1. The figures in the above table include ¥376.0 billion of planned investment in assets for leasing business.
2. The figures in the above table include the amount of the fixed assets leased under non-transferable finance lease transactions.
3. These planned investments are expected to be mostly financed with the Hitachi Group's own capital.
4. There are no plans to dispose or sell principal facilities, with the exception of disposing and selling facilities due to routine upgrading.

## (6) Forward-Looking Statements

Certain statements found in “3. Analyses of Consolidated Financial Position, Operating Results and Cash Flows” and other descriptions in this report may constitute “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such “forward-looking statements” reflect management’s current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as “anticipate,” “believe,” “expect,” “estimate,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “forward-looking statements.” Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the “forward-looking statements” and from historical trends. Certain “forward-looking statements” are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on “forward-looking statements,” as such statements speak only as of the date of this report.

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

- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated, particularly against the U.S. dollar and the euro;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, 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 Digital Media & Consumer Products segments;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- rapid technological innovation;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- 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;
- uncertainty as to the success of 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 by earthquakes, tsunamis or other natural disasters;
- uncertainty as to Hitachi’s ability to maintain the integrity of its information systems, as well as Hitachi’s ability to protect its confidential information or that of its customers;
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its significant employee benefit-related costs; and
- uncertainty as to Hitachi’s ability to attract and retain skilled personnel.

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

### III. Information on the Company

#### 1. Information on the Company's Stock, etc.

##### (1) Total number of shares, etc.

###### 1) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	10,000,000,000
Total	10,000,000,000

###### 2) Issued shares

Class	Number of shares issued as of the end of second quarter of fiscal year (shares) (September 30, 2012)	Number of shares issued as of the filing date (shares) (November 13, 2012)	Stock exchange on which the Company is listed	Description
Common stock	4,710,258,483	4,710,343,655	Tokyo, Osaka, Nagoya	The number of shares per one unit of shares is 1,000 shares.
Total	4,710,258,483	4,710,343,655	—	—

(Note) The number of shares under the "Number of shares issued as of the filing date" column does not include shares issued through the exercise of stock acquisition rights from November 1, 2012 to the filing date.

##### (2) Information on the stock acquisition rights, etc.

Not applicable.

##### (3) Information on moving strike convertible bonds, etc.

Not applicable.

##### (4) Information on shareholder right plans

Not applicable.

##### (5) Changes in the total number of issued shares and the amount of common stock and other

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From July 1, 2012 to September 30, 2012 (Note)	72,444,777	4,710,258,483	11,482	439,262	11,482	157,229

(Note) Changes due to conversion of stock acquisition rights into stocks. As a result of conversion of stock acquisition rights into stocks during the period from October 1, 2012 to October 31, 2012, the number of issued shares, the amount of common stock and the amount of capital reserve increased 85,172 shares, ¥13.5 million and ¥13.5 million respectively.

## (6) Major shareholders

(As of September 30, 2012)

Name	Address	Share Ownership (shares)	Ownership percentage to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	322,934,000	6.86
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	302,259,000	6.42
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	338 Pitt Street Sydney Nsw 2000 Australia (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	130,656,288	2.77
Hitachi Employees' Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	124,093,384	2.63
State Street Bank and Trust Company 505224 (Standing proxy: Mizuho Corporate Bank, Ltd.)	P.O. Box 351 Boston, Massachusetts 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo)	115,055,000	2.44
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	98,173,195	2.08
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	93,392,000	1.98
State Street Bank and Trust Company 505225 (Standing proxy: Mizuho Corporate Bank, Ltd.)	P.O. Box 351 Boston, Massachusetts 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo)	78,067,901	1.66
The Dai-Ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	71,361,222	1.52
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension (Standing proxy: Mizuho Corporate Bank, Ltd.)	One Boston Place Boston, MA 02108 (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo)	66,709,998	1.42
Total	—	1,402,701,988	29.78

- (Notes) 1. The number of shares held by The Dai-Ichi Life Insurance Company, Limited includes its contribution of 6,560,000 shares to the retirement allowance trust (the holder of said shares, as listed in the Shareholders' Register, is "Dai-Ichi Life Insurance Account, Retirement Allowance Trust, Mizuho Trust & Banking Co., Ltd.").
2. The Company has received copies of reports on substantial shareholdings under the Financial Instruments and Exchange Act. However, the information in the reports is not described in the above table since the Company does not confirm the actual status of shareholdings as of the end of September 30, 2012. The major contents of the reports are as follows.

Name of owners	Sumitomo Mitsui Trust Bank, Limited and two other persons
Date of event which requires reporting	April 13, 2012
Amount of shares beneficially owned by the reporting person	272,215,611 shares
Percentage to total shares issued	6.02 %

Name of owners	Mitsubishi UFJ Trust and Banking Corporation and three other persons
Date of event which requires reporting	May 23, 2011
Amount of shares beneficially owned by the reporting person	237,294,613 shares
Percentage to total shares issued	5.24 %

## (7) Information on voting rights

## 1) Issued shares

(As of September 30, 2012)

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting right	—	—	—
Shares with restricted voting right (treasury stock, etc.)	—	—	—
Shares with restricted voting right (others)	—	—	—
Shares with full voting right (treasury stock, etc.)	Common stock 2,901,000	—	—
Shares with full voting right (others)	Common stock 4,679,914,000	4,679,914	—
Shares less than one unit	Common stock 27,443,483	—	—
Number of issued shares	4,710,258,483	—	—
Total number of voting rights	—	4,679,914	—

(Note) The “Shares with full voting right (others)” column includes 26,000 shares registered in the name of Japan Securities Depository Center, Incorporated (account for managing stocks whose shareholders have not transferred titles) and 26 voting rights for those shares.

## 2) Treasury stock, etc.

(As of September 30, 2012)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	2,730,000	—	2,730,000	0.06
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-chome, Chuo-ku, Tokyo	10,000	—	10,000	0.00
ISHII DENKOSHA Co., Ltd.	1-11, Oroshishinmachi 3-chome, Higashi-ku, Niigata-shi, Niigata	1,000	—	1,000	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	88,000	—	88,000	0.00
NIKKO SHOKAI CO., LTD.	9-5, Minami-Shinagawa 4-chome, Shinagawa-ku, Tokyo	5,000	—	5,000	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	52,000	—	52,000	0.00
Mizuho Co., Inc.	4-1, Koishikawa 5-chome, Bunkyo-ku, Tokyo	15,000	—	15,000	0.00
Total	—	2,901,000	—	2,901,000	0.06

## 2. Change in Senior Management

There has been no change in senior management from the filing date of the Annual Securities Report for the 143rd business term pursuant to the Financial Instruments and Exchange Act of Japan to September 30, 2012.

## IV. Financial Information

Refer to the consolidated financial statements incorporated in this Quarterly Report.

## Part II Information on Guarantors, etc. for the Company

Not applicable.

## CONSOLIDATED BALANCE SHEETS

Hitachi, Ltd. and Subsidiaries

September 30, 2012 and March 31, 2012

	Millions of yen	
	September 30, 2012	March 31, 2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 5)	592,055	619,577
Short-term investments (note 3)	10,610	11,562
Trade receivables, net of allowance for doubtful receivables of ¥29,655 million as of September 30, 2012 and ¥31,182 million as of March 31, 2012:		
Notes (notes 5, 12 and 20)	116,748	117,951
Accounts (notes 5 and 20)	2,011,612	2,225,519
Investments in leases (notes 5 and 20)	220,741	235,744
Current portion of financial assets transferred to consolidated securitization entities (notes 5 and 20)	66,875	86,071
Inventories (note 4)	1,491,034	1,413,252
Prepaid expenses and other current assets	455,300	452,510
Total current assets	<u>4,964,975</u>	<u>5,162,186</u>
Investments and advances, including affiliated companies (note 3)	689,797	744,493
Property, plant and equipment:		
Land	458,774	464,093
Buildings	1,858,260	1,847,292
Machinery and equipment	5,081,259	5,109,865
Construction in progress	102,999	90,687
	<u>7,501,292</u>	<u>7,511,937</u>
Less accumulated depreciation	5,433,616	5,486,399
Net property, plant and equipment	<u>2,067,676</u>	<u>2,025,538</u>
Intangible assets (note 6):		
Goodwill	209,178	214,707
Other intangible assets	391,976	395,255
Total intangible assets	<u>601,154</u>	<u>609,962</u>
Financial assets transferred to consolidated securitization entities (notes 5 and 20)	170,951	205,411
Other assets (note 20)	665,248	670,936
Total assets	<u><u>9,159,801</u></u>	<u><u>9,418,526</u></u>

See accompanying notes to consolidated financial statements.

<b>Liabilities and Equity</b>	Millions of yen	
	September 30, 2012	March 31, 2012
Current liabilities:		
Short-term debt	620,288	531,446
Current portion of long-term debt	367,348	384,110
Current portion of non-recourse borrowings of consolidated securitization entities (note 5)	54,939	97,004
Trade payables:		
Notes	14,849	24,025
Accounts	1,170,763	1,301,759
Accrued expenses (note 12)	872,030	896,096
Income taxes	25,496	75,217
Advances received	377,729	362,895
Other current liabilities	423,683	438,321
Total current liabilities	<u>3,927,125</u>	<u>4,110,873</u>
Long-term debt	1,194,935	1,248,851
Non-recourse borrowings of consolidated securitization entities (note 5)	117,225	135,043
Retirement and severance benefits	865,574	890,977
Other liabilities	256,014	258,787
Total liabilities	<u>6,360,873</u>	<u>6,644,531</u>
Commitments and contingencies (note 12)		
Equity (note 11):		
Common stock (note 8)	439,262	427,775
Capital surplus	607,124	600,243
Legal reserve and retained earnings (note 10)	1,249,059	1,242,110
Accumulated other comprehensive loss	(505,912)	(496,896)
Treasury stock, at cost (note 9)	(1,482)	(1,450)
Total Hitachi, Ltd. stockholders' equity	<u>1,788,051</u>	<u>1,771,782</u>
Noncontrolling interests (note 11)	<u>1,010,877</u>	<u>1,002,213</u>
Total equity	<u>2,798,928</u>	<u>2,773,995</u>
Total liabilities and equity	<u><u>9,159,801</u></u>	<u><u>9,418,526</u></u>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF OPERATIONS  
AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Hitachi, Ltd. and Subsidiaries

Six months ended September 30, 2012 and 2011

Consolidated Statements of Operations

	Millions of yen	
	2012	2011
Revenues	4,355,568	4,572,729
Cost of sales	(3,272,472)	(3,435,428)
Selling, general and administrative expenses	(919,492)	(966,687)
Impairment losses for long-lived assets (note 13)	(6,230)	(6,175)
Restructuring charges (note 14)	(4,524)	(1,170)
Interest income	5,914	7,282
Dividends income	3,161	3,992
Other income (note 15)	7,921	6,496
Interest charges	(13,729)	(14,008)
Other deductions (note 15)	(12,486)	(19,368)
Equity in net loss of affiliated companies	(27,373)	(14,653)
Income before income taxes	116,258	133,010
Income taxes	(50,745)	(55,287)
Net income	65,513	77,723
Less net income attributable to noncontrolling interests	35,388	26,774
Net income attributable to Hitachi, Ltd. stockholders	30,125	50,949
Net income attributable to Hitachi, Ltd. stockholders per share (note 16):		Yen
Basic	6.49	11.28
Diluted	6.23	10.55

Consolidated Statements of Comprehensive Income

	Millions of yen	
	2012	2011
Net income	65,513	77,723
Other comprehensive loss arising during the period		
Foreign currency translation adjustments	(41,062)	(64,359)
Pension liability adjustments	32,725	27,942
Net unrealized holding loss on available-for-sale securities	(16,023)	(13,785)
Cash flow hedges	1,031	8
Total other comprehensive loss arising during the period	(23,329)	(50,194)
Comprehensive income	42,184	27,529
Less comprehensive income attributable to noncontrolling interests	21,768	2,127
Comprehensive income attributable to Hitachi, Ltd. stockholders	20,416	25,402

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF OPERATIONS  
AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Hitachi, Ltd. and Subsidiaries

Three months ended September 30, 2012 and 2011

Consolidated Statements of Operations

	Millions of yen	
	2012	2011
Revenues	2,234,853	2,422,036
Cost of sales	(1,669,028)	(1,809,418)
Selling, general and administrative expenses	(465,795)	(494,407)
Impairment losses for long-lived assets (note 13)	(5,978)	(6,144)
Restructuring charges (note 14)	(3,557)	(608)
Interest income	2,234	3,432
Dividends income	537	934
Other income (note 15)	8,437	466
Interest charges	(6,678)	(6,975)
Other deductions (note 15)	(3,266)	(15,131)
Equity in net loss of affiliated companies	(24,367)	(2,329)
Income before income taxes	67,392	91,856
Income taxes	(22,259)	(30,398)
Net income	45,133	61,458
Less net income attributable to noncontrolling interests	22,019	13,440
Net income attributable to Hitachi, Ltd. stockholders	23,114	48,018
Net income attributable to Hitachi, Ltd. stockholders per share (note 16):		Yen
Basic	4.98	10.63
Diluted	4.78	9.94

Consolidated Statements of Comprehensive Income

	Millions of yen	
	2012	2011
Net income	45,133	61,458
Other comprehensive income (loss) arising during the period		
Foreign currency translation adjustments	(2,393)	(60,889)
Pension liability adjustments	17,187	14,181
Net unrealized holding gain (loss) on available-for-sale securities	11,234	(10,856)
Cash flow hedges	(1,991)	(798)
Total other comprehensive income (loss) arising during the period	24,037	(58,362)
Comprehensive income	69,170	3,096
Less comprehensive income (loss) attributable to noncontrolling interests	21,867	(7,295)
Comprehensive income attributable to Hitachi, Ltd. stockholders	47,303	10,391

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Hitachi, Ltd. and Subsidiaries

Six months ended September 30, 2012 and 2011

	Millions of yen	
	2012	2011
Cash flows from operating activities:		
Net income	65,513	77,723
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	143,629	172,221
Amortization	57,396	56,841
Impairment losses for long-lived assets	6,230	6,175
Equity in net loss of affiliated companies	27,373	14,653
Gain on sale of investments in securities and other	(12,508)	(740)
Impairment of investments in securities	3,395	3,108
(Gain) loss on disposal of rental assets and other property	730	(6,355)
Decrease in receivables	218,852	29,398
Increase in inventories	(121,832)	(227,670)
(Increase) decrease in prepaid expenses and other current assets	9,907	(17,272)
Increase (decrease) in payables	(106,329)	32,719
Decrease in accrued expenses and retirement and severance benefits	(1,224)	(32,117)
Decrease in accrued income taxes	(16,619)	(6,498)
Decrease in other current liabilities	(11,556)	(26,878)
Net change in lease receivables related to the Company's and its subsidiaries' products	10,235	18,291
Other	(10,066)	(471)
Net cash provided by operating activities	263,126	93,128
Cash flows from investing activities:		
Capital expenditures	(186,468)	(138,284)
Purchase of intangible assets	(48,053)	(48,531)
Purchase of tangible assets and software to be leased	(171,285)	(126,813)
Proceeds from disposal of property, plant and equipment	12,290	13,794
Proceeds from disposal of tangible assets and software to be leased	6,694	9,988
Collection of investments in leases	145,966	139,704
Purchase of investments in securities and shares of newly consolidated subsidiaries	(48,481)	(101,249)
Proceeds from sale of investments in securities and shares of consolidated subsidiaries resulting in deconsolidation	54,011	26,525
Other	14,473	3,105
Net cash used in investing activities	(220,853)	(221,761)
Cash flows from financing activities:		
Increase in short-term debt, net	98,808	321,302
Proceeds from long-term debt	155,301	192,168
Payments on long-term debt	(247,333)	(382,875)
Proceeds from sale of common stock by subsidiaries	1,619	187
Dividends paid to Hitachi, Ltd. stockholders	(23,085)	(13,505)
Dividends paid to noncontrolling interests	(13,495)	(11,688)
Acquisition of common stock for treasury	(66)	(64)
Proceeds from sales of treasury stock	13	19
Purchase of shares of consolidated subsidiaries from noncontrolling interest holders	(27,706)	(1,278)
Proceeds from sale of shares of consolidated subsidiaries from noncontrolling interest holders	83	4
Other	(76)	(243)
Net cash provided by (used in) financing activities	(55,937)	104,027
Effect of exchange rate changes on cash and cash equivalents	(13,858)	(19,561)
Net decrease in cash and cash equivalents	(27,522)	(44,167)
Cash and cash equivalents at beginning of period	619,577	554,810
Cash and cash equivalents at end of period	592,055	510,643

See accompanying notes to consolidated financial statements.

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

September 30, 2012

(1) Nature of Operations

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

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

(a) Basis of Presentation

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

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

(b) Principles of Consolidation

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

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

(c) Income Taxes

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

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

(d) Subsequent Events

The Company has evaluated up to November 13, 2012, the date on which its consolidated financial statements were available to be issued in accordance with the provisions of ASC855, "Subsequent Events."

(e) A Change in Accounting Estimate Effected by a Change in Accounting Principle

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost. Property, plant and equipment are principally depreciated using 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 15 years
Vehicles	4 to 7 years
Tools, furniture and fixtures	2 to 20 years

Effective April 1, 2012, the Company and its domestic subsidiaries changed their depreciation method from the declining-balance method to the straight-line method.

Based on the 2012 Mid-term Management Plan which covers a three year period ending March 31, 2013, the Company and its domestic subsidiaries have been making revisions to their business portfolio to move away from high volatility businesses, strengthen and focus on the Social Innovation businesses which aim to produce stable operating results over a long period of time. In developing their global business strategies, the Company and its domestic subsidiaries are accelerating construction of their global production systems to capture the expanding demand for the Social Innovation businesses. Accordingly, domestic property, plant and equipment will be operated consistently and utilization of the domestic property, plant and equipment will be also more consistent than before.

The Company and its domestic subsidiaries believe that the new method is preferable as it better reflects the pattern of consumption of the 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 ASC 250, "Accounting Changes and Error Corrections," 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 increase income before income taxes for the six months and three months ended September 30, 2012 by ¥4,576 million and ¥2,991 million, respectively and net income attributable to Hitachi, Ltd. stockholders for the six months and three months ended September 30, 2012 by ¥3,884 million and ¥2,807 million, respectively, or per share (basic) for the six months and three months ended September 30, 2012 by ¥0.84 and ¥0.60, respectively and per share (diluted) for the six months and three months ended September 30, 2012 by ¥0.80 and ¥0.58, respectively.

The effect on segment information is stated in note 22.

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

**September 30, 2012**

(3) Investments in Securities and Affiliated Companies

Short-term investments as of September 30, 2012 and March 31, 2012 are as follows:

	Millions of yen	
	September 30, 2012	March 31, 2012
Investments in securities:		
Available-for-sale securities		
Government debt securities	6,701	4,452
Corporate debt securities	3,704	6,954
Other securities	133	84
Held-to-maturity securities	72	72
	10,610	11,562

Investments and advances, including affiliated companies as of September 30, 2012 and March 31, 2012 are as follows:

	Millions of yen	
	September 30, 2012	March 31, 2012
Investments in securities:		
Available-for-sale securities		
Equity securities	195,006	220,491
Government debt securities	332	329
Corporate debt securities	19,806	24,732
Other securities	7,509	7,467
Held-to-maturity securities	320	321
Cost-method investments	55,030	56,174
Investments in affiliated companies	276,291	309,733
Advances and other	135,503	125,246
	689,797	744,493

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

The following tables are summaries of the amortized cost basis, gross unrealized holding gains, gross unrealized holding losses and aggregate fair value of available-for-sale securities by the consolidated balance sheet classifications as of September 30, 2012 and March 31, 2012.

	Millions of yen			
	September 30, 2012			
	Amortized cost basis	Gross gains	Gross losses	Aggregate fair value
Short-term investments:				
Government debt securities	6,701	-	-	6,701
Corporate debt securities	3,602	104	2	3,704
Other securities	132	1	-	133
	<u>10,435</u>	<u>105</u>	<u>2</u>	<u>10,538</u>
Investments and advances:				
Equity securities	155,380	45,745	6,119	195,006
Government debt securities	311	21	-	332
Corporate debt securities	18,420	1,501	115	19,806
Other securities	7,484	87	62	7,509
	<u>181,595</u>	<u>47,354</u>	<u>6,296</u>	<u>222,653</u>
	<u>192,030</u>	<u>47,459</u>	<u>6,298</u>	<u>233,191</u>

	Millions of yen			
	March 31, 2012			
	Amortized cost basis	Gross gains	Gross losses	Aggregate fair value
Short-term investments:				
Government debt securities	4,452	-	-	4,452
Corporate debt securities	6,481	490	17	6,954
Other securities	83	1	-	84
	<u>11,016</u>	<u>491</u>	<u>17</u>	<u>11,490</u>
Investments and advances:				
Equity securities	155,908	65,899	1,316	220,491
Government debt securities	311	18	-	329
Corporate debt securities	23,201	1,679	148	24,732
Other securities	7,379	133	45	7,467
	<u>186,799</u>	<u>67,729</u>	<u>1,509</u>	<u>253,019</u>
	<u>197,815</u>	<u>68,220</u>	<u>1,526</u>	<u>264,509</u>

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

**September 30, 2012**

The following tables are summaries of gross unrealized holding losses on available-for-sale securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of September 30, 2012 and March 31, 2012.

	Millions of yen			
	September 30, 2012			
	Less than 12 months		12 months or longer	
	Aggregate fair value	Gross losses	Aggregate fair value	Gross losses
Short-term investments:				
Corporate debt securities	999	1	600	1
Investments and advances:				
Equity securities	88,959	5,078	3,045	1,041
Corporate debt securities	1,003	6	4,806	109
Other securities	206	12	191	50
	90,168	5,096	8,042	1,200
	91,167	5,097	8,642	1,201

	Millions of yen			
	March 31, 2012			
	Less than 12 months		12 months or longer	
	Aggregate fair value	Gross losses	Aggregate fair value	Gross losses
Short-term investments:				
Corporate debt securities	2,847	9	1,691	8
Investments and advances:				
Equity securities	5,509	535	3,832	781
Corporate debt securities	7,227	118	2,770	30
Other securities	-	-	202	45
	12,736	653	6,804	856
	15,583	662	8,495	864

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

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

**September 30, 2012**

The following table represents the purchases, proceeds from the sale, gross realized gains on the sale, and gross realized losses on the sale of available-for-sale securities for the six months ended September 30, 2012 and 2011.

	Millions of yen	
	Six months ended September 30, 2012	Six months ended September 30, 2011
Purchases	6,446	14,674
Proceeds from the sale	3,291	967
Gross realized gains on the sale	1,180	389
Gross realized losses on the sale	6	-

The following table represents the purchases, proceeds from the sale, gross realized gains on the sale, and gross realized losses on the sale of available-for-sale securities for the three months ended September 30, 2012 and 2011.

	Millions of yen	
	Three months ended September 30, 2012	Three months ended September 30, 2011
Purchases	4,926	1,507
Proceeds from the sale	2,565	954
Gross realized gains on the sale	659	384
Gross realized losses on the sale	6	-

The contractual maturities of debt securities and other securities classified as investments and advances in the consolidated balance sheet as of September 30, 2012 are as follows:

	Millions of yen		
	Held-to- maturity	Available- for-sale	Total
Due within five years	320	12,520	12,840
Due after five years through ten years	-	1,963	1,963
Due after ten years	-	13,164	13,164
	320	27,647	27,967

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 September 30, 2012 and March 31, 2012 were ¥55,018 million and ¥56,166 million, respectively, mainly because it was 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.

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

September 30, 2012

(4) Inventories

Inventories as of September 30, 2012 and March 31, 2012 are summarized as follows:

	Millions of yen	
	September 30, 2012	March 31, 2012
Finished goods	538,697	538,634
Work in process	693,936	606,228
Raw materials	258,401	268,390
	<u>1,491,034</u>	<u>1,413,252</u>

(5) Securitizations

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

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

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

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

Consolidated SPEs

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

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

The tables below summarize the assets and liabilities of the consolidated SPEs as of September 30, 2012 and March 31, 2012 by type of transferred financial assets that those SPEs hold:

	Millions of yen			
	September 30, 2012			
	Lease receivables	Mortgage loans receivable	Others	Total
Cash and cash equivalents	5,566	2,646	948	9,160
Current portion of financial assets transferred to consolidated securitization entities	49,456	9,959	7,460	66,875
Financial assets transferred to consolidated securitization entities	29,100	140,368	1,483	170,951
Current portion of non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	19,522	-	-	19,522
Beneficial interests in trusts	14,903	13,490	7,024	35,417
	<u>34,425</u>	<u>13,490</u>	<u>7,024</u>	<u>54,939</u>
Non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	849	-	-	849
Beneficial interests in trusts	1,675	114,080	621	116,376
	<u>2,524</u>	<u>114,080</u>	<u>621</u>	<u>117,225</u>
	Millions of yen			
	March 31, 2012			
	Lease receivables	Mortgage loans receivable	Others	Total
Cash and cash equivalents	4,760	2,837	1,087	8,684
Current portion of financial assets transferred to consolidated securitization entities	67,026	10,401	8,644	86,071
Financial assets transferred to consolidated securitization entities	51,570	151,826	2,015	205,411
Current portion of non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	42,207	-	-	42,207
Beneficial interests in trusts	32,672	13,928	8,197	54,797
	<u>74,879</u>	<u>13,928</u>	<u>8,197</u>	<u>97,004</u>
Non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	3,943	-	-	3,943
Beneficial interests in trusts	4,117	126,008	975	131,100
	<u>8,060</u>	<u>126,008</u>	<u>975</u>	<u>135,043</u>

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

September 30, 2012

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

#### Transfers to unconsolidated entities

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

#### Securitizations of lease receivables:

Hitachi Capital Corporation and certain other subsidiaries sold lease receivables to unconsolidated SPEs and other entities. During the six months ended September 30, 2012 and 2011, proceeds from the transfer of lease receivables were ¥61,963 million and ¥57,167 million, respectively, and net gains recognized on those transfers were ¥3,109 million and ¥3,890 million, respectively. During the three months ended September 30, 2012 and 2011, proceeds from the transfer of lease receivables were ¥29,545 million and ¥32,522 million, respectively, and net gains recognized on those transfers were ¥1,455 million and ¥1,982 million, respectively. The subsidiaries retained servicing responsibilities, but did not record a servicing asset or liability because the cost to service the receivables approximated the servicing income.

The amounts of initial fair value of the subordinated interests for the six months ended September 30, 2012 and 2011 were ¥8,458 million and ¥8,447 million, respectively. The amounts of initial fair value of the subordinated interests for the three months ended September 30, 2012 and 2011 were ¥3,295 million and ¥3,684 million, respectively. The subordinated interests relating to securitizations of lease receivables are initially classified as Level 3 assets within the fair value hierarchy. The initial fair value of the subordinated interests is determined based on economic assumptions including weighted-average life, expected credit risks, and discount rates.

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

September 30, 2012

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 six months ended September 30, 2012 and as of and for the year ended March 31, 2012 is as follows:

	Millions of yen		
	September 30, 2012		
	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Lease receivables	921,709	328	220
Assets transferred	<u>(245,984)</u>		
Assets held in portfolio	<u>675,725</u>		
	Millions of yen		
	March 31, 2012		
	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Lease receivables	955,565	412	588
Assets transferred	<u>(219,914)</u>		
Assets held in portfolio	<u>735,651</u>		

As of September 30, 2012 and March 31, 2012, the amounts of the maximum exposures to losses were ¥74,211 million and ¥60,723 million, respectively. They mainly consist of the subordinated interests and the obligations to purchase assets with a scope that is considerably limited relating to these securitizations of lease receivables. As of September 30, 2012 and March 31, 2012, the amounts of the subordinated interests measured at fair value relating to these securitizations of lease receivables were ¥43,947 million and ¥36,329 million, respectively.

#### Securitizations of trade receivables:

The Company and certain subsidiaries sold trade receivables mainly to unconsolidated SPEs and other entities. During the six months ended September 30, 2012 and 2011, proceeds from the transfer of trade receivables were ¥279,683 million and ¥269,726 million, respectively, and net losses recognized on those transfers were ¥692 million and ¥92 million, respectively. During the three months ended September 30, 2012 and 2011, proceeds from the transfer of trade receivables were ¥146,387 million and ¥145,646 million, respectively, and net losses recognized on those transfers were ¥309 million and ¥25 million, respectively. The Company and certain subsidiaries retained servicing responsibilities, but did not record a servicing asset or liability because the cost to service the receivables approximated the servicing income.

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

September 30, 2012

The amount of initial fair value of the subordinated interests for the six months ended September 30, 2012 and for the three months ended September 30, 2012 were ¥11,923 million and ¥5,838 million, respectively. The subordinated interests relating to securitizations of trade receivables are initially classified as Level 3 assets within the fair value hierarchy. The initial fair value of the subordinated interests is determined based on economic assumptions including weighted-average life, expected credit risks, discount rates, and prepayment rates.

Quantitative information about delinquencies, net credit loss, and components of trade receivables subject to transfer and other assets managed together as of and for the six months ended September 30, 2012 and as of and for the year ended March 31, 2012 is as follows:

	Millions of yen		
	September 30, 2012		
	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Trade receivables	869,103	2,808	718
Assets transferred	<u>(233,077)</u>		
Assets held in portfolio	<u>636,026</u>		

	Millions of yen		
	March 31, 2012		
	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Trade receivables	844,698	2,450	965
Assets transferred	<u>(233,881)</u>		
Assets held in portfolio	<u>610,817</u>		

As of September 30, 2012 and March 31, 2012, the amounts of the maximum exposures to losses were ¥42,352 million and ¥45,797 million, respectively. They mainly consist of the subordinated interests and obligations to purchase assets with a scope that is considerably limited relating to these securitizations of trade receivables. As of September 30, 2012 and March 31, 2012, the amounts of the subordinated interests relating to these securitizations of trade receivables were ¥29,378 million and ¥31,295 million, respectively.

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2012**

(6) Goodwill and Other Intangible Assets

Goodwill and other intangible assets included in other assets as of September 30, 2012 and March 31, 2012 are as follows:

	September 30, 2012			March 31, 2012		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Goodwill	209,178	-	209,178	214,707	-	214,707
Amortized intangible assets:						
Software	780,315	644,358	135,957	774,641	637,462	137,179
Software for internal use	542,655	416,513	126,142	520,971	397,742	123,229
Patents	79,252	73,111	6,141	79,108	70,670	8,438
Other	214,836	104,084	110,752	213,866	101,407	112,459
	<u>1,617,058</u>	<u>1,238,066</u>	<u>378,992</u>	<u>1,588,586</u>	<u>1,207,281</u>	<u>381,305</u>
Indefinite-lived intangible assets	12,984	-	12,984	13,950	-	13,950

(7) Retirement and Severance Benefits

Net periodic benefit cost for the contributory funded benefit pension plans and the unfunded lump-sum payment plans for the six months ended September 30, 2012 and 2011 consists of the following components:

	Millions of yen	
	Six months ended September 30, 2012	Six months ended September 30, 2011
Service cost	35,229	36,134
Interest cost	22,333	25,872
Expected return on plan assets for the period	(17,805)	(17,204)
Amortization of prior service benefit	(11,209)	(11,584)
Amortization of actuarial loss	48,565	43,921
Transfer to defined contribution pension plan	(104)	(514)
Settlements loss	-	395
Employees' contributions	(32)	(73)
	<u>76,977</u>	<u>76,947</u>

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

Net periodic benefit cost for the contributory funded benefit pension plans and the unfunded lump-sum payment plans for the three months ended September 30, 2012 and 2011 consists of the following components:

	Millions of yen	
	Three months ended September 30, 2012	Three months ended September 30, 2011
Service cost	17,327	18,920
Interest cost	11,122	12,856
Expected return on plan assets for the period	(8,762)	(8,574)
Amortization of prior service benefit	(5,562)	(5,912)
Amortization of actuarial loss	24,306	21,684
Transfer to defined contribution pension plan	-	(15)
Settlements loss	-	395
Employees' contributions	(15)	(35)
	38,416	39,319

(8) Common Stock

Issued shares of common stock as of September 30, 2012 and March 31, 2012 are as follows:

	Issued shares	
	September 30, 2012	March 31, 2012
Issued shares of common stock	4,710,258,483	4,637,785,317

(9) Treasury Stock

Shares of treasury stock as of September 30, 2012 and March 31, 2012 are as follows:

	Shares	
	September 30, 2012	March 31, 2012
Shares of treasury stock	2,730,483	2,743,239

(10) Dividends

Decision	Class of Shares	Cash dividends (Millions of yen)	Appropriation from	Cash dividends per share (Yen)	Record date	Effective Date
The Board of Directors on May 10, 2012	Common stock	23,175	Retained earnings	5.0	March 31, 2012	May 29, 2012
The Board of Directors on October 30, 2012	Common stock	23,537	Retained earnings	5.0	September 30, 2012	November 27, 2012

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

(11) Equity

The changes in the equity for the six months ended September 30, 2012 and 2011 are summarized as follows:

	Millions of yen		
	Six months ended September 30, 2012		
	Total Hitachi, Ltd. stockholders' equity	Noncontrolling interests	Total equity
Balance at beginning of period	1,771,782	1,002,213	2,773,995
Dividends to Hitachi, Ltd. stockholders	(23,175)	-	(23,175)
Dividends to noncontrolling interests	-	(12,853)	(12,853)
Equity transactions and other	19,028	(251)	18,777
Comprehensive income			
Net income	30,125	35,388	65,513
Other comprehensive income (loss), net of income taxes and reclassification adjustments:			
Foreign currency translation adjustments	(25,934)	(15,128)	(41,062)
Pension liability adjustments	29,997	2,728	32,725
Net unrealized holding gain on available-for-sale securities	(13,003)	(3,020)	(16,023)
Cash flow hedges	(769)	1,800	1,031
Comprehensive income	20,416	21,768	42,184
Balance at end of period	1,788,051	1,010,877	2,798,928

	Millions of yen		
	Six months ended September 30, 2011		
	Total Hitachi, Ltd. stockholders' equity	Noncontrolling interests	Total equity
Balance at beginning of period	1,439,865	1,001,524	2,441,389
Dividends to Hitachi, Ltd. stockholders	(13,553)	-	(13,553)
Dividends to noncontrolling interests	-	(11,209)	(11,209)
Equity transactions and other	(1,156)	3,635	2,479
Comprehensive income			
Net income	50,949	26,774	77,723
Other comprehensive income (loss), net of income taxes and reclassification adjustments:			
Foreign currency translation adjustments	(39,811)	(24,548)	(64,359)
Pension liability adjustments	26,136	1,806	27,942
Net unrealized holding gain on available-for-sale securities	(11,923)	(1,862)	(13,785)
Cash flow hedges	51	(43)	8
Comprehensive income	25,402	2,127	27,529
Balance at end of period	1,450,558	996,077	2,446,635

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

For the three months ended September 30, 2012, total comprehensive income was ¥69,170 million, and for the three months ended September 30, 2011, total comprehensive income was ¥3,096 million.

Accumulated other comprehensive loss, net of income taxes, as of September 30, 2012 and March 31, 2012 consists of the following:

	Millions of yen	
	September 30, 2012	March 31, 2012
Foreign currency translation adjustments	(246,149)	(220,615)
Pension liability adjustments	(263,990)	(294,252)
Net unrealized holding gain on available-for-sale securities	7,516	20,491
Cash flow hedges	(3,289)	(2,520)
Accumulated other comprehensive loss	(505,912)	(496,896)

### (12) Commitments and Contingencies

The Company and its operating subsidiaries are contingently liable for loan guarantees to its affiliates and others in the amount of approximately ¥65,998 million as of September 30, 2012.

Hitachi Capital Corporation (HCC) and certain other financial subsidiaries provide guarantees to financial institutions for extending loans to customers of the subsidiaries. As of September 30, 2012, the undiscounted maximum potential future payments under such guarantees amounted to ¥334,133 million. For providing these guarantees, the subsidiaries obtain collateral appropriate for the amount of the guarantees, and therefore, the Company considers the risk to be low. The Company accrued ¥11,972 million as an obligation to stand ready to perform over the term of the guarantees in the event the customer cannot make scheduled payments.

The Company and HCC provide loan commitments to affiliates and others.

The outstanding balance of loan commitments as of September 30, 2012 is as follows:

	Millions of yen
Total commitment available	40,760
Less amount utilized	5,498
Balance available	35,262

The amount of total commitment available in the table above includes lines of credits which require an additional credit approval prior to funding, and it may not be fully utilized.

The Company and certain subsidiaries have line of credit arrangements with banks in order to secure a financing source for business operations. The unused lines of credit as of September 30, 2012 amounted to ¥501,881 million, primarily related to unused lines of credit belonging to the Company. The Company maintains commitment line agreements with a number of banks and pays commitment fees as consideration. These commitment agreements generally provide a one-year term, and are subject to renewal at the end of the term. The unused availability under these agreements as of September 30, 2012 amounted to ¥200,000 million. The Company also maintains another commitment line agreement, whose three years and two months term ends in May 2013, with financing companies. The unused availability under this agreement as of September 30, 2012 amounted to ¥200,000 million.

It is a common practice in Japan for companies, in the ordinary course of business, to receive promissory

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

**September 30, 2012**

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 September 30, 2012 and March 31, 2012, the Company and subsidiaries were contingently liable for trade notes discounted and endorsed in the following amounts:

	Millions of yen	
	September 30, 2012	March 31, 2012
Notes discounted	1,124	3,937
Notes endorsed	2,898	2,800
	4,022	6,737

A certain subsidiary is contingently liable for the transfer of export receivables with recourse. As of September 30, 2012, the amount of transfer of export receivables with recourse was ¥5,258 million.

The Company and its subsidiaries provide warranties for certain of their products. The accrued product warranty costs are based primarily on historical experience of actual warranty claims. The changes in accrued product warranty costs for the six months ended September 30, 2012 and 2011 are summarized as follows:

	Millions of yen	
	Six months ended September 30, 2012	Six months ended September 30, 2011
Balance at beginning of period	41,356	55,329
Expense recognized upon issuance of warranties	4,258	6,555
Usage	(6,002)	(9,459)
Acquisitions and divestitures	81	29
Other, including effect of foreign currency translation	(984)	(1,314)
Balance at end of period	38,709	51,140

The changes in accrued product warranty costs for the three months ended September 30, 2012 and 2011 are summarized as follows:

	Millions of yen	
	Three months ended September 30, 2012	Three months ended September 30, 2011
Balance at beginning of period	39,788	54,714
Expense recognized upon issuance of warranties	2,297	2,379
Usage	(3,070)	(4,671)
Other, including effect of foreign currency translation	(306)	(1,282)
Balance at end of period	38,709	51,140

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

September 30, 2012

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

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

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

In June 2009, a subsidiary of the Company in Japan received a grand jury subpoena in connection with the investigation conducted by the Antitrust Division of the U.S. Department of Justice and received requests for information from the European Commission, and a subsidiary of the Company in Korea was investigated in Singapore by the Competition Commission of Singapore, all in respect of alleged antitrust violations relating to optical disk drives. In September 2011, the Korean subsidiary received a notice of discontinuation of the investigation from the Competition Commission of Singapore. In October 2011, the Japanese subsidiary agreed to pay a fine in relation to the investigation from the Antitrust Division of the U.S. Department of Justice and in November 2011, it paid that fine. In July 2012, the Japanese subsidiary received a statement of objections from the European Commission in respect of alleged antitrust violations.

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

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

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

In August 2012, a subsidiary of the Company in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of EUR 1,058 million (¥106,113 million), additional costs

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

September 30, 2012

and interest allegedly incurred by the delay in the construction process of a power plant against, jointly and severally, the Company, the subsidiary of the Company in Europe, a consortium including the Company and the subsidiary of the Company in Europe, and two other companies. Although the Company, the subsidiary of the Company in Europe and the consortium will vigorously defend themselves against this lawsuit, there can be no assurance that they will not be held liable for any amounts claimed.

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

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

#### (13) Impairment Losses for Long-Lived Assets

For the six months and three months ended September 30, 2012, the majority of the impairment losses were recorded on property, plant and equipment located in Japan. For the six months and three months ended September 30, 2012, the Information & Telecommunication Systems segment recognized impairment losses of ¥2,591 million and ¥2,590 million, respectively, primarily due to reduced cash flows generated from certain assets associated with customers in the financial service businesses. For the six months and three months ended September 30, 2012, the Electronic Systems & Equipment segment recognized impairment losses of ¥1,411 million, primarily due to reorganization of production bases for video and wireless network businesses. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

For the six months and three months ended September 30, 2011, the majority of the impairment losses were recorded on property, plant and equipment located in Japan. For the six months and three months ended September 30, 2011, the High Functional Materials & Components segment recognized impairment losses of ¥6,021 million and ¥5,991 million, respectively, primarily due to restructuring of its semiconductor package material businesses as a result of a recent decrease in demand of the market. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

(14) 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 six months ended September 30, 2012 and 2011 are as follows:

	Millions of yen	
	Six months ended September 30, 2012	Six months ended September 30, 2011
Special termination benefits	4,520	1,120
Loss on fixed assets	4	50
	4,524	1,170

Components and related amounts of the restructuring charges, before the related tax effects, for the three months ended September 30, 2012 and 2011 are as follows:

	Millions of yen	
	Three months ended September 30, 2012	Three months ended September 30, 2011
Special termination benefits	3,554	582
Loss on fixed assets	3	26
	3,557	608

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 six months ended September 30, 2012 and 2011 is as follows:

	Millions of yen	
	Six months ended September 30, 2012	Six months ended September 30, 2011
Balance at beginning of the period	7,487	3,358
New charges	4,520	1,120
Cash payments	(8,703)	(3,584)
Foreign currency exchange rate changes	(39)	(13)
Balance at end of the period	3,265	881

An analysis of the accrued special termination benefits for the three months ended September 30, 2012 and 2011 is as follows:

	Millions of yen	
	Three months ended September 30, 2012	Three months ended September 30, 2011
Balance at beginning of the period	1,420	1,872
New charges	3,554	582
Cash payments	(1,699)	(1,557)
Foreign currency exchange rate changes	(10)	(16)
Balance at end of the period	3,265	881

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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The restructuring charges for the six months and three months ended September 30, 2012 mainly consist of special termination benefits for the early-terminated employees of subsidiaries for the purpose of improving profitability in the Information & Telecommunication Systems segment by rationalizing its workforce.

(15) Other Income and Other Deductions

The following items are included in other income or other deductions for the six months ended September 30, 2012 and 2011.

	Millions of yen	
	Six months ended September 30, 2012	Six months ended September 30, 2011
Net gain (loss) on securities	7,461	(4,112)
Net gain (loss) on sale and disposal of rental assets and other property	(33)	6,496
Exchange loss	(12,116)	(14,940)

The following items are included in other income or other deductions for the three months ended September 30, 2012 and 2011.

	Millions of yen	
	Three months ended September 30, 2012	Three months ended September 30, 2011
Net gain (loss) on securities	8,437	(3,136)
Net gain (loss) on sale and disposal of rental assets and other property	(2,726)	466
Exchange loss	(373)	(11,822)

The major component of net gain on securities for the six months and three months ended September 30, 2012 was related to a sale of shares of TCM Corporation, a former subsidiary.

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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(16) Net Income Per Share Information

The reconciliations of the numbers and the amounts used in the basic and diluted net income attributable to Hitachi, Ltd. stockholders per share computations for the six months ended September 30, 2012 and 2011 are as follows :

	Number of shares	
	Six months ended September 30, 2012	Six months ended September 30, 2011
Weighted average number of shares on which basic net income per share is calculated	4,638,837,550	4,517,498,130
Effect of dilutive securities:		
Unsecured convertible bonds (due 2014)	191,982,917	313,433,487
Number of shares on which diluted net income per share is calculated	4,830,820,467	4,830,931,617

	Millions of yen	
	Six months ended September 30, 2012	Six months ended September 30, 2011
Net income attributable to Hitachi, Ltd. stockholders	30,125	50,949
Effect of dilutive securities:		
Unsecured convertible bonds (due 2014)	17	35
Other	(25)	(12)
Net income attributable to Hitachi, Ltd. stockholders on which diluted net income per share is calculated	30,117	50,972

	Yen	
Net income attributable to Hitachi, Ltd. stockholders per share:		
Basic	6.49	11.28
Diluted	6.23	10.55

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### Notes to Consolidated Financial Statements

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The reconciliations of the numbers and the amounts used in the basic and diluted net income attributable to Hitachi, Ltd. stockholders per share computations for the three months ended September 30, 2012 and 2011 are as follows:

	Number of shares	
	Three months ended September 30, 2012	Three months ended September 30, 2011
Weighted average number of shares on which basic net income per share is calculated	4,642,600,478	4,517,470,449
Effect of dilutive securities:		
Unsecured convertible bonds (due 2014)	188,223,460	313,429,502
Number of shares on which diluted net income per share is calculated	4,830,823,938	4,830,899,951

	Millions of yen	
	Three months ended September 30, 2012	Three months ended September 30, 2011
Net income attributable to Hitachi, Ltd. stockholders	23,114	48,018
Effect of dilutive securities:		
Unsecured convertible bonds (due 2014)	5	18
Other	(15)	(0)
Net income attributable to Hitachi, Ltd. stockholders on which diluted net income per share is calculated	23,104	48,036

	Yen	
Net income attributable to Hitachi, Ltd. stockholders per share:		
Basic	4.98	10.63
Diluted	4.78	9.94

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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(17) Concentrations of Credit Risk

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

(18) 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 generated approximately 40% of their sales from overseas for the six months ended September 30, 2012. These overseas sales are mainly denominated in the U.S. dollar or Euro. As a result, the Company and its subsidiaries are exposed to market risks from changes in foreign currency exchange rates.

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

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

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

Risk management policy

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

Foreign currency exchange rate risk management

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

In order to fix the future net cash flows principally from trade receivables and payables recognized, which are denominated in foreign currencies, the Company and its subsidiaries on a monthly basis measure the volume and due date of future net cash flows by currency. In accordance with the Company's policy, a certain portion of measured net cash flows is covered using comprehensive forward exchange contracts, which principally mature within one year. If necessary, the Company and its subsidiaries establish the risk control policy and the risk management approach specific to each transaction by reviewing the business characteristics, the structure of income and expenditure, and conditions of the contract. The Company and its subsidiaries hedge the risk exposure arising from specific transactions based on the risk control policy and the risk management approach.

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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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.

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

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

#### Fair value hedge

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

#### Cash flow hedge

Foreign currency exposure:

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

Interest rate exposure:

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

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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(19) Fair Value

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

Level 1

Quoted prices for identical assets or liabilities in active markets.

Level 2

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

Level 3

Valuations using inputs that are not observable.

Investments in debt and equity securities

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

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

In infrequent circumstances, the significant inputs of fair value for investment securities are unobservable and such investment are included in Level 3. The Company uses price information provided by financial institutions to evaluate these investments while corroborating the information mainly with prices estimated using an income approach based on its own valuation models or a market approach such as comparison with prices of similar securities. Level 3 securities include available-for-sale securities such as subordinated debentures and structured bonds with little market activity.

Derivatives

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

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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#### Subordinated interests resulting from securitization

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

The Company uses its own valuation models to evaluate these investments categorized within Level 3 and periodically reviews the appropriateness of consistent application of the models as well as updating of the inputs in consideration of recent changes in economic conditions. The Company also analyses that the sensitivity in the valuation of these investments does not have material adverse effects on the consolidated financial statements.

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

The following tables present the assets and liabilities that are measured at fair value on a recurring basis and the fair value hierarchy classification as of September 30, 2012 and March 31, 2012. The carrying values on the consolidated balance sheets are recorded by the fair value of these assets and liabilities.

	Millions of yen			
	September 30, 2012			
	Fair value hierarchy classification			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments in securities				
Equity securities	195,006	194,279	727	-
Government debt securities	7,033	7,028	5	-
Corporate debt securities	23,510	-	5,458	18,052
Other	7,642	7,266	376	-
Derivatives	12,973	-	12,973	-
Subordinated interests resulting from securitization	71,910	-	-	71,910
	<u>318,074</u>	<u>208,573</u>	<u>19,539</u>	<u>89,962</u>
Liabilities:				
Derivatives	(12,204)	-	(12,204)	-

	Millions of yen			
	March 31, 2012			
	Fair value hierarchy classification			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments in securities				
Equity securities	220,491	219,748	743	-
Government debt securities	4,781	4,776	5	-
Corporate debt securities	31,686	-	7,422	24,264
Other	7,551	7,192	359	-
Derivatives	10,891	-	10,891	-
Subordinated interests resulting from securitization	66,313	-	-	66,313
	<u>341,713</u>	<u>231,716</u>	<u>19,420</u>	<u>90,577</u>
Liabilities:				
Derivatives	(21,978)	-	(21,978)	-

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

The following tables present the changes in Level 3 instruments measured on a recurring basis for the six months ended September 30, 2012 and 2011.

	Millions of yen		
	Six months ended September 30, 2012		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of period	24,264	66,313	90,577
Purchases	-	19,006	19,006
Settlements	(6,499)	(11,406)	(17,905)
Total gains or losses (realized/unrealized)			
Included in earnings (a)	-	170	170
Included in other comprehensive income (loss)	287	(2,173)	(1,886)
Balance at end of period	<u>18,052</u>	<u>71,910</u>	<u>89,962</u>
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2012	<u>-</u>	<u>-</u>	<u>-</u>

(a) Level 3 gains and losses (realized and unrealized) included in earnings for the six months ended September 30, 2012 are reported in revenue.

	Millions of yen		
	Six months ended September 30, 2011		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of period	32,926	34,066	66,992
Purchases	3,418	18,322	21,740
Sales	(1,492)	-	(1,492)
Settlements	(8,900)	(5,600)	(14,500)
Total gains or losses (realized/unrealized)			
Included in earnings (a)	(1,093)	97	(996)
Included in other comprehensive income (loss)	158	(1,528)	(1,370)
Balance at end of period	<u>25,017</u>	<u>45,357</u>	<u>70,374</u>
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2011	<u>(1,085)</u>	<u>-</u>	<u>(1,085)</u>

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

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

The following tables present the changes in Level 3 instruments measured on a recurring basis for the three months ended September 30, 2012 and 2011.

	Millions of yen		
	Three months ended September 30, 2012		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of period	22,742	68,136	90,878
Purchases	-	8,477	8,477
Settlements	(5,109)	(5,408)	(10,517)
Total gains or losses (realized/unrealized)			
Included in earnings (a)	-	76	76
Included in other comprehensive income	419	629	1,048
Balance at end of period	<u>18,052</u>	<u>71,910</u>	<u>89,962</u>
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2012	<u>-</u>	<u>-</u>	<u>-</u>

(a) Level 3 gains and losses (realized and unrealized) included in earnings for the three months ended September 30, 2012 are reported in revenue.

	Millions of yen		
	Three months ended September 30, 2011		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of period	30,022	37,508	67,530
Purchases	1,600	11,565	13,165
Sales	(692)	-	(692)
Settlements	(5,100)	(2,713)	(7,813)
Total gains or losses (realized/unrealized)			
Included in earnings (a)	(789)	43	(746)
Included in other comprehensive loss	(24)	(1,046)	(1,070)
Balance at end of period	<u>25,017</u>	<u>45,357</u>	<u>70,374</u>
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2011	<u>(785)</u>	<u>-</u>	<u>(785)</u>

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

Assets that are measured at fair value during the period on a non-recurring basis because they are deemed to be impaired are not included in the above tables.

## **HITACHI, LTD. AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements**

**September 30, 2012**

The Company writes down the carrying amount of equity-method and cost-method investments on the consolidated balance sheets when the Company deems the decline of fair value to be other-than-temporary. The fair value of the equity-method investments which are listed on an active market is included in Level 1. The fair value of equity-method investments determined using an income approach, based on discounted cash flows using unobservable inputs is included in Level 3. Also, a weighted-average fair value determined using both a market approach and an income approach, which incorporate both observable inputs, such as quoted market prices of comparable companies, and discounted cash flow using unobservable inputs, is included in Level 3. The Company calculates discounted cash flows of these equity-method investments based on business forecasts, market trends, and assumptions of projected business plans. The Company uses both a market approach and an income approach to determine the fair value of the cost-method investments. The fair value based on observable inputs such as quoted market prices of similar investments is included in Level 2. The fair value primarily based on discounted cash flows using unobservable inputs based on business forecasts, market trends, and assumptions of projected business plans is included in Level 3.

The Company also writes down the carrying amount of long-lived assets on the consolidated balance sheets mainly when the Company deems the carrying amount of certain long-lived assets is not recoverable and exceeds its fair value. The Company mainly uses an income approach or a market approach to calculate the fair value of long-lived assets. These measurements are included in Level 3 since they are based primarily on discounted cash flows using unobservable inputs based on business forecasts, market trends, and assumptions of projected business plans.

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### Notes to Consolidated Financial Statements

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The following tables present the assets measured at fair value on a non-recurring basis and the gains or losses recognized for the six months ended September 30, 2012 and 2011.

	Millions of yen			
	Six months ended September 30, 2012			
	Fair value hierarchy classification			Total gains
	Level 1	Level 2	Level 3	(losses)
Long-lived assets (a)				
Information & Telecommunication				
Systems segment	-	-	7	(2,591)
Electronic Systems & Equipment				
segment	-	-	195	(1,411)
Other	-	-	1,614	(2,228)
Total	-	-	1,816	(6,230)

(a) The carrying value as of September 30, 2012 is not equal to the fair value at the time of impairment because of depreciation expense subsequent to impairment.

	Millions of yen			
	Six months ended September 30, 2011			
	Fair value hierarchy classification			Total gains
	Level 1	Level 2	Level 3	(losses)
Long-lived assets (a)				
High Functional Materials &				
Components segment	-	-	357	(6,021)
Other	-	-	0	(154)
Total	-	-	357	(6,175)

(a) The carrying value as of September 30, 2011 is not equal to the fair value at the time of impairment because of depreciation expense subsequent to impairment.

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2012**

The following tables present the assets measured at fair value on a non-recurring basis and the gains or losses recognized for the three months ended September 30, 2012 and 2011.

	Millions of yen			
	Three months ended September 30, 2012			
	Fair value hierarchy classification			Total gains
	Level 1	Level 2	Level 3	(losses)
Long-lived assets				
Information & Telecommunication				
Systems segment	-	-	7	(2,590)
Electronic Systems & Equipment				
segment	-	-	195	(1,411)
Other	-	-	1,335	(1,977)
Total	-	-	1,537	(5,978)

	Millions of yen			
	Three months ended September 30, 2011			
	Fair value hierarchy classification			Total gains
	Level 1	Level 2	Level 3	(losses)
Long-lived assets				
High Functional Materials &				
Components segment	-	-	348	(5,991)
Other	-	-	0	(153)
Total	-	-	348	(6,144)

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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(20) Financing Receivables and Allowance for Doubtful Receivables

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

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

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

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

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

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

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

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

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

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

As of September 30, 2012 and March 31, 2012, financing receivables include past due receivables in the amount of ¥18,794 million and ¥14,426 million, respectively. Of these amounts, financing receivables past due 90 days or more and still accruing interest amounted to ¥3,684 million and ¥2,918 million, respectively.

The following tables present the allowance for doubtful receivables and recorded investment in financing receivables as of September 30, 2012 and 2011, and changes in the allowance for the six months ended September 30, 2012 and 2011.

	Millions of yen				
	September 30, 2012				
	Finance leases	Installment loans	Mortgage loans	Other financing receivables	Total
<b>Allowance for doubtful receivables</b>					
Balance, March 31, 2012	7,680	1,912	210	6,509	16,311
Provision	2,775	794	43	1,289	4,901
Recovery and other	(1,709)	(254)	(64)	(476)	(2,503)
Write off	(249)	(570)	(1)	(1,375)	(2,195)
Balance, September 30, 2012	<u>8,497</u>	<u>1,882</u>	<u>188</u>	<u>5,947</u>	<u>16,514</u>
Applicable to amounts; Individually evaluated for impairment	<u>3,849</u>	<u>629</u>	<u>66</u>	<u>3,549</u>	<u>8,093</u>
Applicable to amounts; Collectively evaluated for impairment	<u>4,648</u>	<u>1,253</u>	<u>122</u>	<u>2,398</u>	<u>8,421</u>
<b>Financing receivables</b>					
Balance, September 30, 2012	<u>684,222</u>	<u>156,987</u>	<u>184,008</u>	<u>242,220</u>	<u>1,267,437</u>
Applicable to amounts; Individually evaluated for impairment	<u>13,173</u>	<u>949</u>	<u>153</u>	<u>7,574</u>	<u>21,849</u>
Applicable to amounts; Collectively evaluated for impairment	<u>671,049</u>	<u>156,038</u>	<u>183,855</u>	<u>234,646</u>	<u>1,245,588</u>

HITACHI, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2012

	Millions of yen				
	September 30, 2011				
	Finance leases	Installment loans	Mortgage loans	Other financing receivables	Total
<b>Allowance for doubtful receivables</b>					
Balance, March 31, 2011	6,136	2,420	231	7,842	16,629
Provision	2,341	760	117	1,656	4,874
Recovery and other	(2,047)	(616)	(134)	(1,063)	(3,860)
Write off	(345)	(355)	-	(1,193)	(1,893)
Balance, September 30, 2011	<u>6,085</u>	<u>2,209</u>	<u>214</u>	<u>7,242</u>	<u>15,750</u>
Applicable to amounts; Individually evaluated for impairment	<u>2,475</u>	<u>926</u>	<u>98</u>	<u>4,354</u>	<u>7,853</u>
Applicable to amounts; Collectively evaluated for impairment	<u>3,610</u>	<u>1,283</u>	<u>116</u>	<u>2,888</u>	<u>7,897</u>
<b>Financing receivables</b>					
Balance, September 30, 2011	<u>770,413</u>	<u>124,069</u>	<u>207,435</u>	<u>206,772</u>	<u>1,308,689</u>
Applicable to amounts; Individually evaluated for impairment	<u>8,436</u>	<u>1,815</u>	<u>1,188</u>	<u>8,802</u>	<u>20,241</u>
Applicable to amounts; Collectively evaluated for impairment	<u>761,977</u>	<u>122,254</u>	<u>206,247</u>	<u>197,970</u>	<u>1,288,448</u>

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2012**

The following tables present the changes in the allowance for the three months ended September 30, 2012 and 2011.

	Millions of yen				
	September 30, 2012				
	Finance leases	Installment loans	Mortgage loans	Other financing receivables	Total
<b>Allowance for doubtful receivables</b>					
Balance, June 30, 2012	8,453	1,957	211	6,419	17,040
Provision	1,416	344	7	670	2,437
Recovery and other	(1,214)	(49)	(30)	(43)	(1,336)
Write off	(158)	(370)	-	(1,099)	(1,627)
Balance, September 30, 2012	<u>8,497</u>	<u>1,882</u>	<u>188</u>	<u>5,947</u>	<u>16,514</u>

	Millions of yen				
	September 30, 2011				
	Finance leases	Installment loans	Mortgage loans	Other financing receivables	Total
<b>Allowance for doubtful receivables</b>					
Balance, June 30, 2011	6,009	2,342	179	8,074	16,604
Provision	1,165	190	43	404	1,802
Recovery and other	(883)	(170)	(8)	(548)	(1,609)
Write off	(206)	(153)	-	(688)	(1,047)
Balance, September 30, 2011	<u>6,085</u>	<u>2,209</u>	<u>214</u>	<u>7,242</u>	<u>15,750</u>

In addition, as of September 30, 2012 and March 31, 2012, the amounts of impaired loans relating to receivables which arose from sales of products or services are ¥41,331 million and ¥42,729 million, respectively.

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

September 30, 2012

(21) Acquisitions and Divestitures

On October 30, 2012, the Company announced that it had entered into a definitive agreement to acquire Horizon Nuclear Power Ltd. (Horizon) for the purpose of building new nuclear power plants in the United Kingdom. The Company will purchase all outstanding shares of Horizon from RWE npower plc and E.ON UK plc for GBP 696 million (¥87,714 million) in November, 2012. Net cash used in investing activities for the acquisition of Horizon after subtracting its cash and cash equivalents will be GBP 670 million (¥84,406 million).

On September 2, 2011 Hitachi Data Systems Corporation (HDS), a subsidiary of the Company in the Information & Telecommunication Systems segment, purchased additional shares of BlueArc Corporation (BlueArc) for ¥42,923 million, resulting in a 97.8% increase of HDS ownership from 2.2% to 100%. Accordingly, HDS obtained control of BlueArc and it became a wholly owned subsidiary effective September 2, 2011 (the acquisition date).

BlueArc operates a network storage business. HDS made the acquisition to increase its competitiveness in the storage solution business through creating synergy in a field of file storage.

The following table summarizes the consideration paid for BlueArc, the assets acquired and liabilities assumed and recognized as of the acquisition date.

	Millions of yen
Current assets	1,499
Non-current assets (excluding intangible assets)	4,749
Intangible assets	
Goodwill (not deductible for tax purposes)	33,002
Other intangible assets	11,014
	50,264
Current liabilities	(1,400)
Non-current liabilities	(5,059)
	(6,459)
Previously acquired equity interest measured at fair value	(882)
Cash paid for acquisition	(42,923)
	(43,805)

The following table shows the acquired intangible assets subject to amortization.

	Millions of yen	Weighted average amortization period (year)
The acquired intangible assets subject to amortization		
Existing technology	7,166	5
Customer relationships	2,874	5
In-process research and development	771	2
Trade name	203	2
	11,014	

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

September 30, 2012

The Company recognized a gain of ¥747 million as a result of remeasuring its equity interest in BlueArc held before the business combination at the acquisition date fair value. The gain is included in other deductions in the Company's consolidated statement of operations for the six months and three months ended September 30, 2011.

The fair value of the equity interest held before the business combination in BlueArc, a private entity, was estimated by applying the income approach. This fair value measurement is based on significant inputs that are not observable in the market and thus this fair value is included in Level 3. Key inputs include business forecasts, market trends, assumptions of projected business plans and adjustments because of the lack of control that market participants would consider when estimating the fair value of BlueArc.

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

On a pro forma basis, revenue, net income attributable to Hitachi, Ltd. stockholders and the per share information of the Company with assumed acquisition date for BlueArc of April 1, 2010 would not differ materially from the amounts reported in the accompanying consolidated financial statements as of and for the six months and three months ended September 30, 2011.

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

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

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

September 30, 2012

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

	Millions of yen
Current assets	35,551
Non-current assets (excluding intangible assets)	28,090
Intangible assets	
Goodwill (not deductible for tax purposes)	14,837
Other intangible assets	29,197
	107,675
Current liabilities	(31,493)
Non-current liabilities	(23,630)
	(55,123)
Cash paid for acquisition	(48,930)
Fair value of noncontrolling interests	(3,622)
	(52,552)

The following table shows the acquired intangible assets subject to amortization.

	Millions of yen	Weighted average amortization period (year)
The acquired intangible assets subject to amortization		
Customer relationships	29,197	17

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

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

On a pro forma basis, revenue, net income attributable to Hitachi, Ltd. stockholders and the per share information of the Company with assumed acquisition date for Vantec of April 1, 2010 would not differ materially from the amounts reported in the accompanying consolidated financial statements as of and for the six months and three months ended September 30, 2011.

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

September 30, 2012

(22) Segment Information

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

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

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

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

**Information & Telecommunication Systems:**

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

**Power Systems:**

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

**Social Infrastructure & Industrial Systems:**

Industrial machinery and plants, Elevators, Escalators and Railway systems

**Electronic Systems & Equipment:**

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

**Construction Machinery:**

Hydraulic excavators, Wheel loaders and Mining dump trucks

**High Functional Materials & Components:**

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

**Automotive Systems:**

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

**Digital Media & Consumer Products:**

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

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

### Financial Services:

Leasing and Loan guarantees

### Others:

Logistics, Information storage media, Batteries, Property management and others

Effective April 1, 2012, due to the sale of Hard disk drives and LCDs businesses, the Company eliminated the Components & Devices segment. The businesses, which were previously included in the Components & Devices segment, have been included in the Others. The corresponding data for the six months and three months ended September 30, 2011 have been restated to conform with the change.

The following tables show segment information for the six months ended September 30, 2012 and 2011.

### Revenues from Outside Customers

	Millions of yen	
	Six months ended September 30, 2012	Six months ended September 30, 2011
Information & Telecommunication Systems	741,447	713,957
Power Systems	371,730	339,464
Social Infrastructure & Industrial Systems	455,364	422,036
Electronic Systems & Equipment	452,067	469,699
Construction Machinery	368,300	353,460
High Functional Materials & Components	639,263	660,415
Automotive Systems	400,561	363,974
Digital Media & Consumer Products	390,599	432,985
Financial Services	156,907	158,851
Others	378,669	657,080
Subtotal	4,354,907	4,571,921
Corporate items	661	808
Total	4,355,568	4,572,729

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

### Revenues from Intersegment Transactions

	Millions of yen	
	Six months ended September 30, 2012	Six months ended September 30, 2011
Information & Telecommunication Systems	91,513	83,089
Power Systems	41,766	32,990
Social Infrastructure & Industrial Systems	89,976	91,495
Electronic Systems & Equipment	58,521	63,891
Construction Machinery	2,302	2,430
High Functional Materials & Components	35,094	40,229
Automotive Systems	1,338	1,656
Digital Media & Consumer Products	38,198	38,358
Financial Services	22,702	22,560
Others	178,025	200,655
Subtotal	<u>559,435</u>	<u>577,353</u>
Eliminations and Corporate items	<u>(559,435)</u>	<u>(577,353)</u>
Total	<u>-</u>	<u>-</u>

### Total Revenues

	Millions of yen	
	Six months ended September 30, 2012	Six months ended September 30, 2011
Information & Telecommunication Systems	832,960	797,046
Power Systems	413,496	372,454
Social Infrastructure & Industrial Systems	545,340	513,531
Electronic Systems & Equipment	510,588	533,590
Construction Machinery	370,602	355,890
High Functional Materials & Components	674,357	700,644
Automotive Systems	401,899	365,630
Digital Media & Consumer Products	428,797	471,343
Financial Services	179,609	181,411
Others	556,694	857,735
Subtotal	<u>4,914,342</u>	<u>5,149,274</u>
Eliminations and Corporate items	<u>(558,774)</u>	<u>(576,545)</u>
Total	<u><u>4,355,568</u></u>	<u><u>4,572,729</u></u>

**HITACHI, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**September 30, 2012**

**Segment Profit (Loss)**

	Millions of yen	
	Six months ended September 30, 2012	Six months ended September 30, 2011
Information & Telecommunication Systems	27,210	31,047
Power Systems	7,467	605
Social Infrastructure & Industrial Systems	3,190	6,322
Electronic Systems & Equipment	19,790	21,342
Construction Machinery	22,800	25,841
High Functional Materials & Components	38,196	33,814
Automotive Systems	19,273	15,845
Digital Media & Consumer Products	(2,435)	5,201
Financial Services	13,771	14,172
Others	20,852	27,829
Subtotal	170,114	182,018
Eliminations and Corporate items	(6,510)	(11,404)
Total Segment profit	163,604	170,614
Impairment losses for long-lived assets	(6,230)	(6,175)
Restructuring charges	(4,524)	(1,170)
Interest income	5,914	7,282
Dividends income	3,161	3,992
Other income	7,921	6,496
Interest charges	(13,729)	(14,008)
Other deductions	(12,486)	(19,368)
Equity in net loss of affiliated companies	(27,373)	(14,653)
Income before income taxes	116,258	133,010

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

September 30, 2012

The following tables show segment information for the three months ended September 30, 2012 and 2011.

#### Revenues from Outside Customers

	Millions of yen	
	Three months ended September 30, 2012	Three months ended September 30, 2011
Information & Telecommunication Systems	410,282	401,675
Power Systems	201,680	187,874
Social Infrastructure & Industrial Systems	254,687	230,114
Electronic Systems & Equipment	234,773	254,156
Construction Machinery	170,338	181,808
High Functional Materials & Components	313,489	332,963
Automotive Systems	196,227	197,866
Digital Media & Consumer Products	190,968	218,541
Financial Services	73,447	76,244
Others	188,437	340,681
Subtotal	2,234,328	2,421,922
Corporate items	525	114
Total	2,234,853	2,422,036

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

### Revenues from Intersegment Transactions

	Millions of yen	
	Three months ended September 30, 2012	Three months ended September 30, 2011
Information & Telecommunication Systems	51,042	44,575
Power Systems	21,242	18,231
Social Infrastructure & Industrial Systems	52,580	53,587
Electronic Systems & Equipment	30,556	33,306
Construction Machinery	1,222	1,567
High Functional Materials & Components	17,709	20,606
Automotive Systems	670	694
Digital Media & Consumer Products	19,277	19,667
Financial Services	11,532	12,691
Others	89,692	102,207
Subtotal	295,522	307,131
Eliminations and Corporate items	(295,522)	(307,131)
Total	-	-

### Total Revenues

	Millions of yen	
	Three months ended September 30, 2012	Three months ended September 30, 2011
Information & Telecommunication Systems	461,324	446,250
Power Systems	222,922	206,105
Social Infrastructure & Industrial Systems	307,267	283,701
Electronic Systems & Equipment	265,329	287,462
Construction Machinery	171,560	183,375
High Functional Materials & Components	331,198	353,569
Automotive Systems	196,897	198,560
Digital Media & Consumer Products	210,245	238,208
Financial Services	84,979	88,935
Others	278,129	442,888
Subtotal	2,529,850	2,729,053
Eliminations and Corporate items	(294,997)	(307,017)
Total	2,234,853	2,422,036

# HITACHI, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2012

### Segment Profit (Loss)

	Millions of yen	
	Three months ended September 30, 2012	Three months ended September 30, 2011
Information & Telecommunication Systems	28,618	28,945
Power Systems	4,982	3,830
Social Infrastructure & Industrial Systems	5,224	5,353
Electronic Systems & Equipment	10,252	14,146
Construction Machinery	8,692	14,804
High Functional Materials & Components	18,185	14,456
Automotive Systems	9,946	12,926
Digital Media & Consumer Products	(2,452)	1,913
Financial Services	6,521	7,270
Others	11,904	17,916
Subtotal	<u>101,872</u>	<u>121,559</u>
Eliminations and Corporate items	<u>(1,842)</u>	<u>(3,348)</u>
Total Segment profit	100,030	118,211
Impairment losses for long-lived assets	(5,978)	(6,144)
Restructuring charges	(3,557)	(608)
Interest income	2,234	3,432
Dividends income	537	934
Other income	8,437	466
Interest charges	(6,678)	(6,975)
Other deductions	(3,266)	(15,131)
Equity in net loss of affiliated companies	<u>(24,367)</u>	<u>(2,329)</u>
Income before income taxes	<u>67,392</u>	<u>91,856</u>

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

## HITACHI, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

September 30, 2012

As discussed in note 2(e), effective April 1, 2012, the Company and its domestic subsidiaries changed their depreciation method. As a result of this change, compared to the previous method, segment profit for the six months ended September 30, 2012, was increased by ¥1,098 million in the Information & Telecommunication Systems segment, ¥1,271 million in the Power Systems segment, ¥238 million in the Social Infrastructure & Industrial Systems segment, ¥387 million in the Electronic Systems & Equipment segment, ¥302 million in the Construction Machinery segment, ¥60 million in the High Functional Materials & Components segment, ¥616 million in the Automotive Systems segment, ¥58 million in the Digital Media & Consumer Products segment, ¥6 million in Financial Services segment and ¥630 million in the Others, and decreased by ¥90 million in the Eliminations and Corporate items.

Segment profit for the three months ended September 30, 2012, was increased by ¥996 million in the Information & Telecommunication Systems segment, ¥810 million in the Power Systems segment, ¥251 million in the Social Infrastructure & Industrial Systems segment, ¥309 million in the Electronic Systems & Equipment segment, ¥8 million in the Construction Machinery segment, ¥401 million in the Automotive Systems segment, ¥32 million in the Digital Media & Consumer Products segment, ¥4 million in Financial Services segment and ¥521 million in the Others, and decreased by ¥330 million in the High Functional Materials & Components segment, and ¥11 million in the Eliminations and Corporate items.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	November 13, 2012
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Hiroaki Nakanishi, President
[Name and title of CFO]	Toyoaki Nakamura, Executive Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Osaka Securities Exchange Co., Ltd. (8-16, Kitahama 1-chome, Chuo-ku, Osaka) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report

Mr. Hiroaki Nakanishi, President, and Mr. Toyooki Nakamura, Executive Vice President and Executive Officer, confirmed that statements contained in the Quarterly Report for the second quarter of 144th fiscal year (from July 1, 2012 to September 30, 2012) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.