

Hitachi Kokusai Electric

Annual Report 2009

For the fiscal year ended March 31, 2009

HITACHI

Hitachi Kokusai Electric is a provider of information communication systems that offer borderless capabilities through compatibility with global standards on which the next generation of mobile communication systems will be based. We offer total support of broadcasting and video systems that shape our image culture, and are moving forward with research and development on the provision of mobile multimedia products and systems. Next-generation advanced information and communication systems will be based on semiconductors. Hitachi Kokusai Electric is also moving forward with semiconductor manufacturing systems.

Hitachi Kokusai Electric is already a leading manufacturer of semiconductor manufacturing systems that are held in high regard by semiconductor manufacturers the world over. The Company is constantly utilizing its advanced research and development capabilities to provide new, next-generation products that incorporate the latest advances in semiconductor manufacturing technology.

Contents

Financial Highlights	1
To Our Shareholders	2
Results and Outlook by Segment	4-6
· Wireless Communications and Information Systems Segment	4
· Broadcasting and Video Systems Segment	5
· Semiconductor Manufacturing Systems Segment	6
Financial Section	7
Consolidated Five-Year Summary	8
Financial Review	9
Consolidated Balance Sheets	10
Consolidated Statements of Income	12
Consolidated Statements of Changes in Equity	13
Consolidated Statements of Cash Flows	14
Notes to Consolidated Financial Statements	15
Independent Auditors' Report	30
Directory	31
Corporate Data	32
Shareholder Information	33

Cautionary Statement With Respect to Forward-looking Statements:

Statements made in this annual report with respect to Hitachi Kokusai Electric's plans and projections as well as other statements that are not historical facts are forward-looking statements, which involve risks and uncertainties. Potential risks and uncertainties include, without limitation, general economic conditions in Hitachi Kokusai Electric's markets, exchange rates and Hitachi Kokusai Electric's ability to continue to win customers' acceptance of its products, which are offered in highly competitive markets characterized by continual new product introductions and rapid developments in technology.

Financial Highlights

Hitachi Kokusai Electric Inc. and Consolidated Subsidiaries

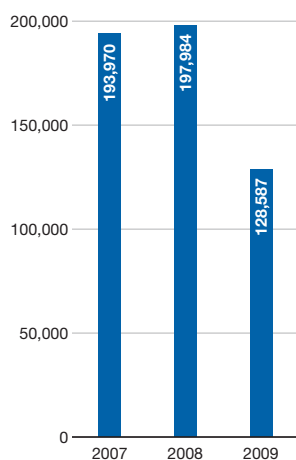
Years ended March 31

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
For the Year:			
Net sales	¥128,587	¥197,984	\$1,309,040
Operating income (loss)	(11,408)	16,933	(116,136)
Net income (loss)	(24,880)	11,805	(253,283)
At Year-End:			
Total assets	¥138,546	¥203,057	\$1,410,425
Total equity	81,317	109,971	827,822

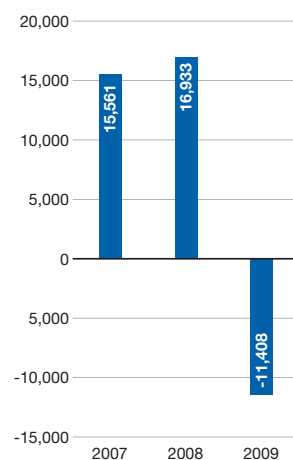
	Yen		U.S. Dollars
	2009	2008	2009
Per share of common stock (in Yen and U.S. Dollars):			
Net income (loss)	¥ (241.79)	¥ 113.72	\$ (2.46)
Cash dividends applicable to the year	18.00	18.00	0.18

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98.23 to \$1, the rate of exchange at March 31, 2009.

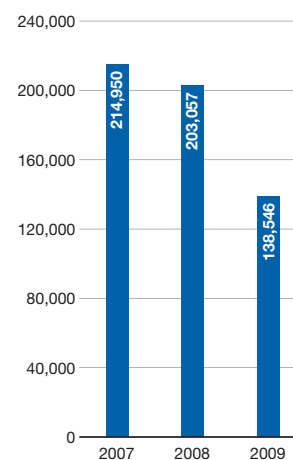
Net sales
(Millions of Yen)



Operating income (loss)
(Millions of Yen)



Total assets
(Millions of Yen)





Manabu Shinomoto
President, Chief Executive Officer and Director

Overview of Operations

In fiscal 2008, ended March 31, 2009, the market environment in which the Hitachi Kokusai Electric Group operates became more difficult than in the previous year, impacted by the sharp slowdown in the global economy that touched off major cutbacks in capital investments in Japan and overseas, and other factors such as the appreciation of the yen. In the wireless communications and information systems sector, there was a decline in investment in third-generation cellular telephone equipment and stepped-up competition in digital wireless systems for public utilities. In the broadcasting and video systems sector, demand for video monitoring systems remained solid, but there was a decline in investment in equipment for terrestrial digital broadcasting. In the semiconductor manufacturing systems sector there were major cutbacks in capital investments by semiconductor manufacturers.

Against this backdrop, the Hitachi Kokusai Electric

Group moved forward with business structural reforms and the strengthening of product competitiveness as part of activities related to the “HK2010 Vision” plan, and endeavored to improve earnings through emergency response measures that included reducing fixed and indirect costs, decreasing executive compensation and screening investment items. However, sales fell sharply and income also deteriorated. Moreover, with rapidly-changing market conditions leading to excess stocks, we wrote down inventories, conducted a careful review of which deferred tax assets could be recovered, and charged off the portion that could not be recovered.

Orders received came to ¥120,094 million, ¥68,696 million (36.4%) less than the preceding year, and consolidated net sales amounted to ¥128,587 million, a decrease of ¥69,397 million (35.1%). The Group posted an operating loss of ¥11,408 million (compared to an operating income of ¥16,933 million the preceding year), and a loss before income taxes and minority interests of ¥10,996 (compared to an income of ¥18,406 million the preceding year), for a net loss of ¥24,880 million (compared to a net income of ¥11,805 million the preceding year).

At a meeting held on May 26, 2009, the Board of Directors resolved to pay a cash dividend of ¥9 per share at the end of the term. An interim dividend of ¥9 per share was paid in December 2008, so for the year, the Company paid a cash dividend of ¥18 per share.

Topics to be addressed

With the difficult economic conditions likely to continue during the current fiscal year, any recovery is going to

need more time. Even when a recovery does take place, in Hitachi Kokusai Electric's business sectors there is expected to be a further increase in competition and major changes in product formats. In response, the Company will implement the following measures.

(1) Strengthening of the business structure

There will be a focus on strengthening of the liaison among the order-reception, production and purchasing systems in order to establish production and purchasing systems that can speedily respond to the market. Phased-gate management having checkpoints at each stage will be used to ensure design quality, and the business structure will be strengthened by implementing sustained reforms of production and operational processes, by promoting value engineering and by concentrating on core technologies to improve the competitiveness of products.

(2) Reducing fixed costs

Efforts to improve the Company's profit structure include, during times of emergency, implementing layoffs and lowering executive compensation and employee remuneration to reduce costs on an ongoing basis, the tight screening of investment and R&D items and the integration of business bases.

(3) Strengthening liaison with the Hitachi Group

The Company's superior technology in wireless communications and video systems will be utilized to strengthen liaison with the Hitachi Group as part of a focus on expanding sales in the areas of urban sys-

tems, railways, and information and communication systems. The corporate structure will also be reinforced by a further strengthening of liaison in such areas as design, production, purchasing, the environment, and *monozukuri* (creative manufacturing).

(4) Strengthening product development

Viewing markets from a worldwide perspective, in the wireless communications and information systems sector and the broadcasting and video systems sector, which are confronting a reorganization of frequencies, we will develop next-generation products and broadcasting and communication fusion products, and in the semiconductor manufacturing systems sector, we will utilize our core technologies to move into global markets.

Going forward, in line with the three basic principles of the Company's Code of Conduct, which are: to (a) manufacture products that contribute to a safe and affluent society; (b) looking to the future, never stop working for continuous improvement; and (c) observe fundamentals, do things the right way, and be fair and transparent in all aspects of corporate conduct, we will look to contribute to the social innovation business, as a member of the Hitachi Group.

August 2009

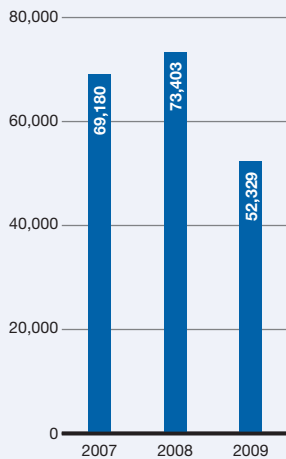


Manabu Shinomoto
President, Chief Executive Officer and Director

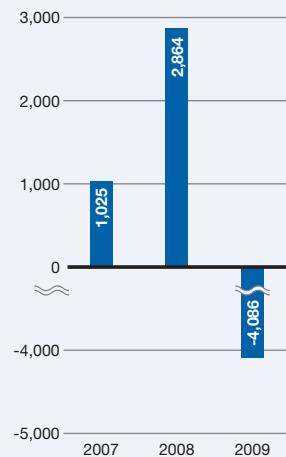
Results and Outlook by Segment

Wireless Communications and Information Systems Segment

Net sales
(Millions of Yen)



Operating income (loss)
(Millions of Yen)



In communication infrastructure operations, in Japan investment in third-generation cellular telephone equipment ran its course, and sales of amplifiers for overseas markets turned sluggish. In addition, demand for wireless packet modules declined, and prices for digital wireless systems for public utilities slumped, as the worsening economic climate led to the postponement of capital investments and market competition became more intense. As a result, orders received came to ¥49,764 million, ¥19,549 million (28.2%) less than the preceding year, while net sales decreased ¥21,074 million, to ¥52,329 million. The decrease in net sales was a major factor behind the segment's operating loss of ¥4,086 million, compared to the operating income of ¥2,864 million posted the preceding year.

Main Products

Station Equipment for Cellular Telephones, Wireless Broadband Systems, Radio Equipment for Packet Communication Systems, On-premises Digital Wireless Communication Systems, Aircraft Communication Systems, Digital Wireless Systems for Public Business, Train Communication Systems, Stock Price Display Systems, Assorted Display Boards and Display Devices, Multimedia Information Display Systems



High-speed Radio Repeater

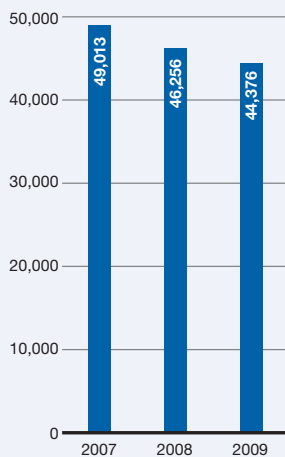


Train Radio Communication System

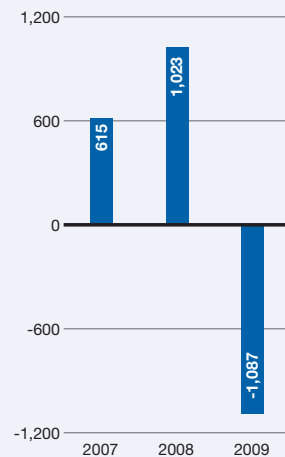


Broadcasting and Video Systems Segment

Net sales
(Millions of Yen)



Operating income (loss)
(Millions of Yen)



Although there was a major order for tapeless systems for broadcast media applications, there was a sharp drop in terrestrial digital broadcasting related capital investments by broadcasting stations. In addition, the weak economy reduced private-sector demand for video monitoring systems. Orders received came to ¥47,980 million, a decrease of ¥1,847 million (4.0%) compared to the preceding year, while net sales came to ¥44,376 million, ¥1,880 million (4.1%) less than the preceding year. The segment posted an operating loss of ¥1,087 million (compared to an operating income of ¥1,023 million the preceding year), attributable mainly to the decrease in net sales.

Main Products

Digital Microwave Relay Equipment, FPU and Portable Tracking Receivers, Digital TV Transmitters, Digital Relay Transmitters, Digital TV Cameras, Non-linear Digital Video Editing Systems/Transmission Systems, Wide Area Monitoring Systems (for Roads, Rivers and Railroad Networks), Security Surveillance System, Monitoring Systems for Plant (Environment, Electric power, Chemistry and Steel), LCD Automatic Line Width Measuring Equipment

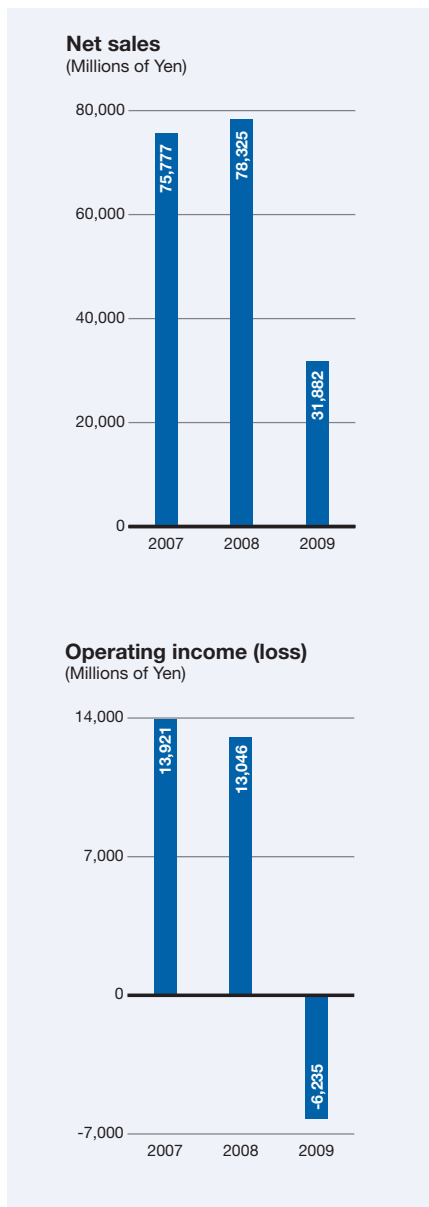


*Pan-tilt-head-integrated
Monitor Camera for Outdoor
Use*



Broadcasting Color Camera

Semiconductor Manufacturing Systems Segment



Under the effects of the worldwide slump in the market for semiconductors, the major semiconductor manufacturers cut back sharply on capital investments, creating a very severe situation. As a result, orders received came to ¥22,350 million, a decrease of ¥50,995 million (69.5%) from the preceding year, while net sales decreased ¥46,443 million (59.3%), to ¥31,882 million. The segment posted an operating loss of ¥6,235 million (compared to an operating income of ¥13,046 million the preceding year) attributable mainly to the decrease in net sales and write-offs of inventories.

Main Products

Vertical QTAT Systems, Thin Film Deposition Equipment for Next-generation Process, Vertical Diffusion and LPCVD Systems, Ashing Systems, Vertical High temperature Annealing Systems, Vertical Ultrahigh-temperature Annealing Systems, Single Wafer/LPCVD Systems, Single Wafer MMT Plasma Nitridation Systems, Vertical SiGe Epitaxial Systems



*Thin Film Deposition Equipment
for Next-generation Process*

Financial Section

Consolidated Five-Year Summary	8
Financial Review	9
Consolidated Balance Sheets	10
Consolidated Statements of Income	12
Consolidated Statements of Changes in Equity	13
Consolidated Statements of Cash Flows	14
Notes to Consolidated Financial Statements	15
Independent Auditors' Report	30

Consolidated Five-Year Summary

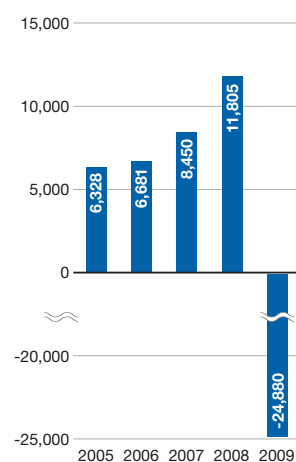
Hitachi Kokusai Electric Inc. and Consolidated Subsidiaries

Years ended March 31

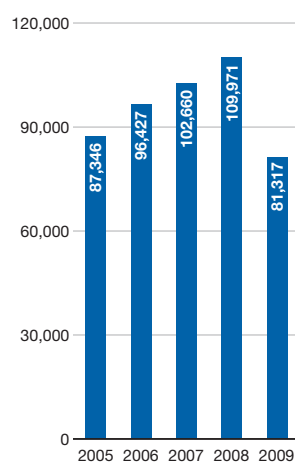
	Millions of Yen				
	2009	2008	2007	2006	2005
For the year:					
Net sales	¥128,587	¥197,984	¥193,970	¥159,065	¥159,259
Cost of sales	109,700	147,084	142,898	117,162	116,086
Gross profit	18,887	50,900	51,072	41,903	43,173
Operating income (loss)	(11,408)	16,933	15,561	11,433	13,373
Income (loss) before income taxes and minority interests	(10,996)	18,406	15,062	8,937	10,778
Net income (loss)	(24,880)	11,805	8,450	6,681	6,328
At year-end:					
Total assets	138,546	203,057	214,950	192,583	176,667
Current assets	102,621	156,404	165,492	144,313	129,841
Net property, plant and equipment	25,565	27,291	26,814	25,342	26,763
Current liabilities	30,589	66,468	78,863	61,759	52,123
Long-term liabilities	26,640	26,618	33,427	34,205	37,049
Total equity*	81,317	109,971	102,660	96,427	87,346
Amounts per share (yen):					
Net income (loss)	(241.79)	113.72	81.20	63.32	59.96
Cash dividends	18.00	18.00	14.00	12.00	8.00
Equity*	789.31	1,067.66	986.79	922.89	832.44
Other data:					
Number of employees	4,894	4,895	4,789	4,657	4,684
Number of shares issued (millions)	105	105	105	105	105

* Figures represent total shareholders' equity and total shareholders' equity per share prior to 2006.

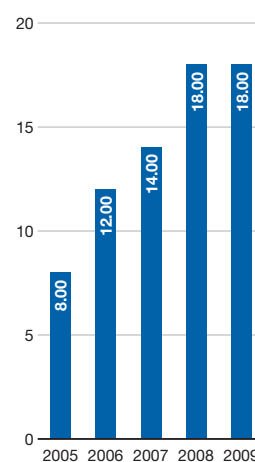
Net income (loss)
(Millions of Yen)



Total equity
(Millions of Yen)



Cash dividends per share
(Yen)



Financial Position

Total assets at the end of fiscal 2008 stood at ¥138,546 million, a decrease of ¥64,511 million compared to the preceding year. Current assets at the end of the year decreased ¥53,783 million, to ¥102,621 million. The decrease is mainly attributable to a decrease of ¥21,134 million in trade notes and accounts receivable and a decrease of ¥13,484 million in inventories.

Total non-current assets decreased ¥10,727 million, to ¥35,925 million. This is mainly attributable to a decrease of ¥8,524 million in deferred tax assets incurred by

charging off the portion of those assets in respect of which the potential for recovery was considered remote.

Total liabilities were ¥57,229 million, a decrease of ¥35,857 million due mainly to a decrease of ¥20,307 million in trade notes and accounts payable, redemption of bonds with stock acquisition rights amounting to ¥6,000 million, and a decrease of ¥4,926 million in accrued expenses.

Total equity came to ¥81,317 million, ¥28,654 million less than the preceding year.

Cash Flows

Consolidated cash and cash equivalents (hereinafter "cash") at the end of the year stood at ¥36,064 million, a decrease of ¥15,144 million (29.6%). The main factors involved in the cash flows in the fiscal year under review were as follows.

Net cash provided by operating activities decreased ¥1,167 million (compared to an increase of ¥7,658 million the preceding year). The main items were a net loss before income taxes and minority interests of ¥10,996, a decrease of ¥20,162 million in notes and accounts payable, and a decrease of ¥6,949 million in current liabilities, which exceeded increase components such as ¥5,331 million in depreciation and a decrease of ¥20,983 million in notes and trade receivables, which are non-cash items, and a decrease of ¥13,386 million in

inventories.

Net cash used in investing activities amounted to ¥5,525 million, ¥595 million (12.1%) more than the preceding year. This was mainly the result of a decrease of ¥2,296 million in expenditures to purchases of property, plant and equipment, an expenditure of ¥2,000 million for investing in long-term deposits, and a decrease of ¥1,000 million in revenue from the repayment of long-term deposits.

Net cash used in financing activities amounted to ¥7,993 million, ¥4,964 million (163.9%) more than the preceding year. The main component was an expenditure of ¥6,000 million to redeem bonds with stock acquisition rights.

Consolidated Balance Sheets

Hitachi Kokusai Electric Inc. and Consolidated Subsidiaries

March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
ASSETS			
CURRENT ASSETS:			
Cash and time deposits (Note 3)	¥ 36,162	¥ 25,905	\$ 368,136
Deposits with Hitachi, Ltd. (Notes 3 and 17)	13	25,613	132
Receivables:			
Trade notes	2,510	3,555	25,552
Trade accounts	32,892	51,224	334,847
Unconsolidated subsidiaries and associated companies	400	2,158	4,072
Other	346	333	3,522
Allowance for doubtful receivables	(186)	(55)	(1,894)
Inventories (Note 5).....	26,503	39,987	269,806
Deferred tax assets (Note 9)	2,650	6,769	26,978
Prepaid expenses and other current assets	1,331	915	13,550
Total current assets	<u>102,621</u>	<u>156,404</u>	<u>1,044,701</u>
PROPERTY, PLANT AND EQUIPMENT:			
Land	5,508	5,551	56,072
Buildings and structures	43,085	42,721	438,613
Machinery and equipment	17,051	17,156	173,582
Furniture and fixtures	24,563	25,024	250,056
Construction in progress	296	431	3,015
Total	<u>90,503</u>	<u>90,883</u>	<u>921,338</u>
Accumulated depreciation	<u>(64,938)</u>	<u>(63,592)</u>	<u>(661,081)</u>
Net property, plant and equipment	<u>25,565</u>	<u>27,291</u>	<u>260,257</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	2,395	3,410	24,382
Investments in unconsolidated subsidiaries and associated companies.....	1,002	1,875	10,201
Long-term loans receivable	36	39	366
Deferred tax assets (Note 9)	2,331	10,855	23,730
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,101	88	11,208
Allowance for doubtful receivables.....	(942)	(199)	(9,590)
Other assets	4,437	3,294	45,170
Total investments and other assets	<u>10,360</u>	<u>19,362</u>	<u>105,467</u>
TOTAL	<u>¥ 138,546</u>	<u>¥ 203,057</u>	<u>\$1,410,425</u>

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 1,417	¥ 1,417	\$ 14,425
Current portion of long-term debt (Note 6)		6,000	
Payables (Note 17):			
Trade notes	809	1,845	8,236
Trade accounts	14,207	33,359	144,630
Unconsolidated subsidiaries and associated companies	224	334	2,280
Other	1,609	3,520	16,380
Income taxes payable	207	1,454	2,107
Accrued expenses	7,494	12,421	76,290
Provision for product warranties	926	1,489	9,427
Other current liabilities	3,696	4,629	37,627
Total current liabilities	<u>30,589</u>	<u>66,468</u>	<u>311,402</u>
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 7):			
Employees	25,529	25,686	259,890
Directors and executive officers	344	440	3,502
Other long-term liabilities (Note 9)	767	492	7,809
Total long-term liabilities	<u>26,640</u>	<u>26,618</u>	<u>271,201</u>
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11, 12 and 13)			
EQUITY (Notes 8 and 15):			
Common stock—authorized, 400,000,000 shares; issued, 105,221,259 shares in 2009 and 2008	10,058	10,058	102,392
Capital surplus	26,204	26,222	266,762
Retained earnings	48,427	75,221	492,996
Unrealized gain on available-for-sale securities	330	978	3,359
Foreign currency translation adjustments	(1,258)	(55)	(12,807)
Treasury stock—at cost, 2,337,139 shares in 2009 and 2,301,147 shares in 2008..	(2,554)	(2,541)	(26,000)
Total	81,207	109,883	826,702
Minority interests	110	88	1,120
Total equity	81,317	109,971	827,822
TOTAL	<u>¥138,546</u>	<u>¥203,057</u>	<u>\$1,410,425</u>

Consolidated Statements of Income

Hitachi Kokusai Electric Inc. and Consolidated Subsidiaries

Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
NET SALES	¥128,587	¥197,984	\$1,309,040
COST OF SALES (Note 10)	109,700	147,084	1,116,767
Gross profit	18,887	50,900	192,273
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10).....	30,295	33,967	308,409
Operating income (loss).....	(11,408)	16,933	(116,136)
OTHER INCOME (EXPENSES):			
Interest income	401	462	4,082
Dividend income	243	193	2,474
Interest expense	(21)	(26)	(214)
Equity in earnings of associated company	51	317	519
Foreign exchange gain	121	1,325	1,232
Gain on sales of property, plant and equipment	19	4	193
Loss on disposals of property, plant and equipment	(149)	(528)	(1,517)
Loss from revaluation of securities	(27)	(312)	(275)
Loss on cancellation of distributor contracts	(300)		(3,054)
Maintenance cost for idle assets	(78)		(794)
Other—net	152	38	1,549
Other expenses—net.....	412	1,473	4,195
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	(10,996)	18,406	(111,941)
INCOME TAXES (Note 9):			
Current	413	4,898	4,204
Deferred	13,440	1,656	136,822
Total income taxes	13,853	6,554	141,026
MINORITY INTERESTS IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	31	47	316
NET INCOME (LOSS)	¥ (24,880)	¥ 11,805	\$ (253,283)
PER SHARE OF COMMON STOCK (Notes 2.s. and 14):			
Net income (loss)	¥ (241.79)	¥ 113.72	\$ (2.46)
Diluted net income		108.62	
Cash dividends applicable to the year	18.00	18.00	0.18

Diluted net income per share is not disclosed because it is net loss and anti-dilutive for the year ended March 31, 2009.

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Hitachi Kokusai Electric Inc. and Consolidated Subsidiaries

Years Ended March 31, 2009 and 2008

	Thousands Issued Number of Shares of Common Stock	Millions of Yen								
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for- sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2007	105,221	¥10,058	¥26,222	¥65,199	¥1,944	¥ 511	¥(1,322)	¥102,612	¥ 48	¥ 102,660
Paid in capital from treasury stock transaction (3,254 shares)							4	4	40	44
Net income				11,805				11,805		11,805
Bonuses to directors				(0)				(0)		(0)
Cash dividends, ¥16 per share				(1,663)				(1,663)		(1,663)
Decrease due to adoption of new foreign accounting policy (FIN 48)				(123)				(123)		(123)
Increase due to adjustment in prior year on consolidated subsidiaries				3				3		3
Increase in treasury stock (1,069,284 shares) ..							(1,223)	(1,223)		(1,223)
Net decrease in unrealized gain on available-for-sale securities					(966)			(966)		(966)
Net change in foreign currency translation adjustments						(566)		(566)		(566)
BALANCE, MARCH 31, 2008	105,221	¥10,058	¥26,222	¥75,221	¥ 978	¥ (55)	¥(2,541)	¥109,883	¥ 88	¥ 109,971
Effect of changes in accounting policies applied to Foreign subsidiaries				41				41		41
Paid in capital from treasury stock transaction (31,923 shares)			(18)				35	17	22	39
Net loss				(24,880)				(24,880)		(24,880)
Cash dividends, ¥19 per share				(1,955)				(1,955)		(1,955)
Increase in treasury stock (67,915 shares)							(48)	(48)		(48)
Net decrease in unrealized gain on available-for-sale securities					(648)			(648)		(648)
Net change in foreign currency translation adjustments						(1,203)		(1,203)		(1,203)
BALANCE, MARCH 31, 2009	105,221	¥10,058	¥26,204	¥48,427	¥ 330	¥(1,258)	¥(2,554)	¥ 81,207	¥110	¥ 81,317

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for- sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2008	\$102,392	\$266,945	\$765,765	\$9,956	\$ (560)	\$(25,868)	\$1,118,630	\$ 896	\$1,119,526
Effect of changes in accounting policies applied to Foreign subsidiaries			416				416		416
Paid in capital from treasury stock transaction (31,923 shares)		(183)				356	173	224	397
Net loss			(253,283)				(253,283)		(253,283)
Cash dividends, \$0.19 per share			(19,902)				(19,902)		(19,902)
Increase in treasury stock (67,915 shares)						(488)	(488)		(488)
Net decrease in unrealized gain on available-for-sale securities				(6,597)			(6,597)		(6,597)
Net change in foreign currency translation adjustments					(12,247)		(12,247)		(12,247)
BALANCE, MARCH 31, 2009	\$102,392	\$266,762	\$492,996	\$3,359	\$(12,807)	\$(26,000)	\$ 826,702	\$1,120	\$ 827,822

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Hitachi Kokusai Electric Inc. and Consolidated Subsidiaries

Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
OPERATING ACTIVITIES:			
Income before income taxes and minority interests.....	¥ (10,996)	¥ 18,406	\$ (111,941)
Adjustments for:			
Income taxes—paid	(1,792)	(9,747)	(18,243)
Income taxes—refunded	239	9	2,433
Depreciation and amortization	5,331	4,889	54,271
Loss on disposals of property, plant and equipment	94	391	957
Gain on sales of property, plant and equipment.....	(17)	(4)	(173)
Increase in allowance for doubtful accounts.....	876		8,918
Decrease in liability for employees' retirement benefits	(155)	(872)	(1,578)
Increase (decrease) in liability for directors' and executive officers' retirement benefits.....	(97)	114	(987)
Decrease in provision for product warranties	(563)	(624)	(5,731)
Changes in assets and liabilities:			
Decrease in notes and accounts receivables	20,983	5,088	213,611
Decrease in inventories	13,386	1,324	136,272
Increase in other current assets.....	(761)	(142)	(7,747)
Increase in claims provable in bankruptcy, claims provable in rehabilitation	(1,012)		(10,302)
Decrease in notes and accounts payables	(20,162)	(10,552)	(205,253)
Decrease in other current liabilities	(6,949)	(921)	(70,742)
Other—net.....	428	299	4,355
Total adjustments	9,829	(10,748)	100,061
Net cash provided by operating activities	(1,167)	7,658	(11,880)
INVESTING ACTIVITIES:			
Payments for time deposits	(200)	(83)	(2,036)
Maturities of time deposits	359	41	3,655
Purchases of investment securities	(16)	(35)	(163)
Proceeds from sales of investment securities	0	31	0
Purchases of property, plant and equipment	(3,994)	(6,291)	(40,660)
Proceeds from sales of property, plant and equipment	86	14	875
Decrease in short-term loans receivable	9	3	92
Investment in long-term deposit.....	(2,000)		(20,360)
Decrease in investment in long-term deposit.....	1,000	2,000	10,180
Increase in other assets	(769)	(610)	(7,829)
Net cash used in investing activities	(5,525)	(4,930)	(56,246)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans—net		(150)	
Redemption of bonds with subscription rights to shares.....	(6,000)		(61,081)
Dividends paid	(1,960)	(1,660)	(19,953)
Increase in treasury stock—net	(30)	(1,219)	(305)
Other—net	(3)		(31)
Net cash used in financing activities	(7,993)	(3,029)	(81,370)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS			
ON CASH AND CASH EQUIVALENTS	(459)	(533)	(4,673)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,144)	(834)	(154,169)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	51,208	52,042	521,307
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	¥ 36,064	¥ 51,208	\$ 367,138

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Hitachi Kokusai Electric Inc. and Consolidated Subsidiaries

Years Ended March 31, 2009 and 2008

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications

have been made in the 2008 financial statements to conform to the classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Hitachi Kokusai Electric Inc. (the “Company”) is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98.23 to \$1, the rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2009 include the accounts of the Company and its 15 significant (16 in 2008) subsidiaries (together, the “Group”).

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 1 (1 in 2008) associated company are accounted for by the equity method. Investments in the remaining 3 unconsolidated subsidiaries and 1 associated company are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the respective dates of acquisition is being amortized over its estimated useful lives, or 5 years in circumstances in which the useful lives cannot be estimated.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—On May 17, 2006, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Practical Issues Task Force (PITF) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements.” PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2)

financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

- 1) Amortization of goodwill
- 2) Scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity
- 3) Expensing capitalized development costs of R&D
- 4) Cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting
- 5) Recording the prior years’ effects of changes in accounting policies in the income statement where retrospective adjustment to financial statements have been incorporated
- 6) Exclusion of minority interests from net income, if contained.

PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company adopted this accounting standard effective April 1, 2008. The effect of adoption of this accounting standard was immaterial.

c. Cash Equivalents—Cash equivalents deposits are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits and mutual funds investing in bonds, all of which mature or become due within three month of the date of acquisition.

d. Inventories—Finished products and work in process are

stated at the lower of cost, determined by substantially on a specific identification method, or net selling value. Certain mass-produced finished products and work in process are stated at lower of cost, determined by the moving-average method or average method, or net selling value.

Raw materials are substantially stated at lower of cost, determined by the average method, or net selling value. Certain raw materials are stated at the lower of cost, determined by specific identification method or the moving-average method, or net selling value.

- e. Marketable and Investment Securities**—Investments in unconsolidated subsidiaries and the associated company are stated at cost determined by the moving-average method.

Available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

- f. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed by the declining-balance method, while the straight-line method is applied to buildings of the Company and its consolidated domestic subsidiaries acquired after April 1, 1998. The range of useful lives is from 3 to 50 years for buildings and structures, from 2 to 17 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

- g. Long-lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

- h. Other Assets**—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line-method. Software which is internally used by

the Group is amortized by the straight-line method over 5 years.

- i. Allowance for Doubtful Accounts**—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

- j. Retirement Benefit Plans**—The Company and certain consolidated subsidiaries have non-contributory and contributory trustee pension plans covering a certain portion of employees' retirement benefits. Benefits paid to some employees upon retirement or termination of employment may exceed the amount of benefits computed based on years of service. Benefits paid to such persons are not computed as a retirement benefit liability. The liability for employees' retirement benefits is stated at amounts based on projected benefit obligations and plan assets at the balance sheet date.

The liability for directors' and executive officers' retirement benefits for the Company is provided at the amount which would be required if all directors and executive officers retired at the balance sheet date. The above liability includes a liability for directors' retirement benefits for certain of the Company's consolidated subsidiaries.

Decisions were made at the Compensation Committee meetings held April 24, 2008, to abolish the retirement benefit plans for all directors and executive officers and to pay the retirement benefits for the applicable period to directors and executive officers at the time of their retirement, subject to resolutions of the Compensation Committee following decisions on their retirement.

- k. Provision for Product Warranties**—The provision for product warranties is estimated and recorded at the time of sale to provide for future potential costs, such as costs related to after-sales services, in amounts considered to be appropriate based on the Group's past experience.

- l. Research and Development Costs**—Research and development costs are charged to income as incurred.

- m. Revenue Recognition**—The Company applies the percentage-of-completion method to some contracts contracted by construction agreements.

Effective April 1, 2007, the Group changed the method for revenue recognition for semiconductor manufacturing systems for export from the point of shipment to the time of the confirmation of set-up and testing of products. The reason for this change is that prior to April 1, 2007, the Group performed the inspection at the factory before shipping, however customers are more likely requesting the Group to perform the final inspection at the customer's facility.

The effect of this change was to decrease net sales by

¥2,856 million (\$28,506 thousand) and operating income and income before income taxes and minority interests by ¥1,402 million (\$13,993 thousand) for the year ended March 31, 2008 as compared with the corresponding amounts which would have been recorded if the previous method had been followed.

n. Leases—On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized, however, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the note to the lessee’s financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized recognizing lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. The effect of adoption of this accounting standard was immaterial.

All other leases are accounted for as operating leases.

o. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

p. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

q. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translations were shown as “Foreign currency translation adjustments” in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

Effective April 1, 2008, the Group changed the method of translation of the revenue and expense accounts of its overseas consolidated subsidiaries into yen from using the current exchange rate as of the balance sheet date to using the average exchange rate. The reason for this change is to properly present overseas subsidiaries’ performance by excluding effects of temporary fluctuations of exchange rates.

The effect of this change was to increase net sales by ¥698 million (\$7,106 thousand) and decrease operating loss by ¥91 million (\$926 thousand) and loss before income taxes and minority interest by ¥114 (\$1,161 thousand) million for the year ended March 31, 2009 as compared with the corresponding amounts which would have been recorded if the previous method had been followed.

r. Derivatives and Hedging Activities—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statements of income and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign currency exposures in sales of products to overseas customers. Trade receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

s. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share

of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

t. New Accounting Pronouncements

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method—The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies. On December 26, 2008, the ASBJ issued ASBJ Statement No. 16 (Revised 2008), “Revised Accounting Standard for Equity Method of Accounting for Investments”. The new standard requires adjustments to be made to conform the associate’s accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate’s financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actual gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment property and incorporation of the cost model accounting; 5) recording the prior years’ effects of changes in accounting policies in the income statement where retrospective adjustment to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Construction Contracts—Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. On December 27, 2007, the ASBJ

published a new accounting standard for construction contracts. Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No.21 “Guidance on Accounting Standard for Asset Retirement Obligations”. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, cash and cash equivalents at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Cash and time deposits	¥36,162	¥25,905	\$368,136
Deposits with Hitachi, Ltd.	13	25,613	132
Less—time deposits with maturities over three months	(111)	(310)	(1,130)
Total	¥36,064	¥51,208	\$367,138

Deposits with Hitachi, Ltd. represent a deposit to Hitachi, Ltd. under the Hitachi Pooling System for concentration of surplus deposits of Hitachi group companies.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Non-current:			
Marketable equity securities	¥2,046	¥3,060	\$20,829
Other	349	350	3,553
Total	¥2,395	¥3,410	\$24,382

The carrying amounts and aggregate fair values of investment securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen			
	2009			
	Cost	Unrealized Gains	Unrealized Loss	Fair Value
Securities classified as available-for-sale equity securities	¥1,424	¥741	¥119	¥2,046
	Millions of Yen			
	2008			
	Cost	Unrealized Gains	Unrealized Loss	Fair Value
Securities classified as available-for-sale equity securities	¥1,435	¥1,663	¥38	¥3,060
	Thousands of U.S. Dollars			
	2009			
	Cost	Unrealized Gains	Unrealized Loss	Fair Value
Securities classified as available-for-sale equity securities	\$14,496	\$7,544	\$1,211	\$20,829

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2009 and 2008 were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen		
	2009	2008	2009
Available-for-sale:			
Equity securities	¥349	¥350	\$3,553
Total	¥349	¥350	\$3,553

Proceeds from sales of available-for-sale securities for the years ended March 31, 2009 and 2008 were ¥0 million (\$0 thousand) and ¥31 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost method, were ¥0 million (\$0 thousand) and nil, respectively, for the year ended March 31, 2009 and ¥22 million and nil, respec-

tively, for the year ended March 31, 2008.

For other than temporary declines in fair value, marketable and investment securities which are reduced to net realizable value by a charge to income for the years ended March 31, 2009 and 2008 were ¥27 million (\$275 thousand) and ¥312 million, respectively.

5. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following.

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Finished products	¥ 7,754	¥11,053	\$ 78,937
Work in process	12,881	21,637	131,131
Raw materials and supplies	5,868	7,297	59,738
Total	¥26,503	¥39,987	\$269,806

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans were made under general agreements with banks.

The annual interest rates applicable to the short-term bank loans were 1.04% and 1.25% at March 31, 2009 and 2008, respectively.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Zero coupon convertible notes with stock acquisition rights, convertible into common stock at ¥1,232 per share, due 2008		¥6,000	
Total.....		6,000	
Less current portion		6,000	
Long-term debt, less current portion			

The stock acquisition rights are able to be convertible into common stock since December 19, 2003 until November 21, 2008 and were not converted during the fiscal year ended March 31, 2008. The conversion prices are subject to adjustments in certain circumstances.

7. RETIREMENT BENEFIT PLANS

The Company has severance payment plans for employees, directors and executive officers. Moreover, the Company's certain consolidated subsidiaries have severance payment plans for employees and directors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger

payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

Liability for directors' and executive officers' retirement benefits of the Company is paid subject to the approval of the compensation committee of the Company. On the other hand, liability for directors' retirement benefits of the Company's certain consolidated subsidiaries is paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligation	¥55,360	¥55,712	\$563,575
Fair value of plan assets.....	(22,350)	(28,733)	(227,527)
Unrecognized prior service cost	5,773	6,457	58,770
Unrecognized actuarial loss	(13,254)	(7,750)	(134,928)
Net liability	¥25,529	¥25,686	\$259,890

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost	¥1,552	¥1,531	\$15,800
Interest cost	1,328	1,330	13,519
Expected return on plan assets	(718)	(853)	(7,309)
Amortization of prior service cost	(684)	(684)	(6,963)
Recognized actuarial loss	1,078	601	10,974
Net periodic benefit costs	¥2,556	¥1,925	\$26,021

Assumptions used for the years ended March 31, 2009 and 2008 are set forth as follows:

	2009	2008
Discount rate		
Contributory	2.5%	2.5%
Non-contributory	2.0%	2.0%
Expected rate of return on plan assets	2.5%	2.5%
Amortization period of prior service cost.....	13 years	13 years
Recognition period of actuarial loss	13 years	13 years

8. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The company meets all the above criteria. The Board of Directors of companies with board committees (an appointment committee, compensation committee and audit committee) can also do so because such companies with board committees already, by nature, meet the above criteria under the Companies Act, even though such companies have an audit committee instead of the Board of Corporate Auditors. The company is organized as a company with board committees.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The

limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% and 39.7% for the years ended March 31, 2009 and 2008.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets (current):			
Inventories	¥ 3,825	¥ 2,076	\$ 38,939
Accrued bonuses	1,348	2,001	13,723
Provision for product warranties.....	297	346	3,024
Other	1,456	2,730	14,822
Less valuation allowance	(4,276)	(384)	(43,530)
Total (current)	2,650	6,769	26,978
Net deferred tax assets (current)	2,650	6,769	26,978
Deferred tax assets (non-current):			
Employees' retirement benefits	10,372	10,233	105,589
Depreciation	1,372	1,832	13,967
Directors' and executive officers' retirement benefits	139	176	1,415
Tax loss carryforwards	6,278	1,067	63,911
Devaluation of investments in subsidiaries and associated companies	186	181	1,894
Other	2,627	1,625	26,743
Less valuation allowance	(18,643)	(3,442)	(189,789)
Total (non-current).....	2,331	11,672	23,730
Deferred tax liabilities (non-current):			
Special depreciation reserve		(225)	
Unrealized gain on available for sale securities	0	(592)	0
Total (non-current).....	0	(817)	0
Net deferred tax assets (non-current).....	2,331	10,855	23,730
Net deferred tax assets	¥ 4,981	¥17,624	\$ 50,708
Deferred tax liabilities (current):			
Other	¥ 0	¥ 0	\$ 0
Total (current)	¥ 0	¥ 0	\$ 0
Deferred tax liabilities (non-current):			
Special depreciation reserve	¥ 159		\$ 1,619
Unrealized gain on available for sale securities	292	¥ 54	2,973
Other	18	86	183
Total (non-current)	¥ 469	¥ 140	\$ 4,775

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2009 and 2008 is as follows:

	2009	2008
Normal effective statutory tax rate	40.7%	39.7%
Dividend income eliminated in consolidation	(13.6)	4.5
Expenses permanently not deductible for income tax purposes	(1.4)	0.6
Income not taxable for income tax purposes	9.9	(3.3)
Valuation allowance	(165.3)	(1.9)
Inhabitants taxes—per capita.....	(0.8)	0.5
Difference incurred by preceding fiscal year's tax payment.....	0.6	(1.1)
Tax credit		(2.7)
Other—net	3.9	(0.7)
Actual effective tax rate	<u>(126.0)%</u>	<u>35.6%</u>

Effective April 1, 2008 the Company and its domestic subsidiaries have changed the normal effective statutory tax rate from 39.7% to 40.7%. The effect on the consolidated statement of income was immaterial.

At March 31, 2009, the Company and certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥14,982 million (\$152,520 thousand) which are available to be offset against taxable income of such the Companies in future years. These tax loss carryforwards, if not utilized, will expire as follows :

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010		
2011		
2012		
2013	¥ 870	\$ 8,857
2014	340	3,461
2015 and thereafter	13,772	140,202
Total	<u>14,982</u>	<u>152,520</u>

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥17,067 million (\$173,745 thousand) and ¥17,819 million for the years ended March 31, 2009 and 2008, respectively.

11. LEASES

As discussed in Note 2.n, the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transaction.

The Group leases certain machinery, computer equipment, furniture and fixtures and other assets.

Total rental expenses including lease payments under finance leases that do not transfer ownership of the leased property to the lessee included in cost of sales and selling and administrative expenses for the years ended March 31, 2009 and 2008 were ¥312 million (\$3,176 thousand) and ¥349 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2009 and 2008 was as follows:

	Millions of Yen							
	2009				2008			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost.....	¥77	¥795	¥34	¥906	¥111	¥1,213	¥35	¥1,359
Accumulated depreciation	55	480	18	553	76	612	18	706
Net leased property.....	¥22	¥315	¥16	¥353	¥ 35	¥ 601	¥17	¥ 653

	Thousands of U.S. Dollars			
	2009			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost.....	\$784	\$8,093	\$346	\$9,223
Accumulated depreciation	560	4,886	183	5,629
Net leased property.....	\$224	\$3,207	\$163	\$3,594

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
	Due within one year	¥214	¥306
Due after one year	144	353	1,466
Total	¥358	¥659	\$3,645

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
	Depreciation expense	¥290	¥342
Interest expense.....	8	10	81

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
	Due within one year	¥ 41	¥ 44
Due after one year	24	63	244
Total	¥ 65	¥107	\$662

12. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk for export transactions in the normal course of business as of March 31, 2009 and 2008.

The Group enters into foreign currency forward contracts associated with trade receivables, and signing agreements denominated in foreign currencies; and therefore, the Group does not hold or issue derivatives for trading purposes.

Foreign currency forward contracts are subject to foreign exchange risk. Because the counterparties to these derivatives are limited to major international banks, the Group does

not anticipate any losses arising from credit risk.

Foreign currency forward contracts entered into by the Group have been in accordance with internal rules and each foreign currency forward contracts transaction is periodically reported to and approved by the executive officer in charge.

All the amounts of foreign currency forward contracts entered into by the Group are assigned to associated assets and are reflected on the balance sheet at year end; and therefore, they are not subject to the disclosure of market value information at March 31, 2009 and 2008.

13. CONTINGENT LIABILITIES

At March 31, 2009, the Group did not have any contingent liabilities.

14. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2009 and 2008 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2009		Weighted-average Shares	EPS	
	Net Income			
Basic EPS—Net income available to common shareholders.....	¥(24,880)	102,901	¥(241.79)	\$(2.46)
Year Ended March 31, 2008				
Basic EPS—Net income available to common shareholders.....	¥11,805	103,806	¥ 113.72	
Effect of dilutive securities—Stock acquisition rights	—	4,870		
Diluted EPS—Net income for computation	<u>¥11,805</u>	<u>108,676</u>	<u>¥ 108.62</u>	

Diluted net income per share is not disclosed because it is net loss and anti-dilutive for the year ended March 31, 2009.

15. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2009 was approved at the Company's Board of Directors meeting held on May 26, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥9 (\$0.09) per share	¥926	\$9,427

16. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2009 and 2008 is as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen				
	2009				
	Wireless Communications and Information Systems	Broadcast and Video Systems	Semiconductor Manufacturing Systems	Eliminations/Corporate	Consolidated
Sales to customers	¥52,329	¥44,376	¥31,882		¥128,587
Intersegment sales	190	513	29	¥(732)	
Total sales	52,519	44,889	31,911	(732)	128,587
Operating expenses	56,605	45,976	38,146	(732)	139,995
Operating income	¥ (4,086)	¥ (1,087)	¥ (6,235)		¥ (11,408)

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2009				
	Wireless Communications and Information Systems	Broadcast and Video Systems	Semiconductor Manufacturing Systems	Eliminations/Corporate	Consolidated
Total assets	¥40,783	¥32,301	¥24,368	¥41,095	¥138,547
Depreciation	2,034	1,325	1,972		5,331
Capital expenditures	1,638	797	1,494		3,929

a. Sales and Operating Income

	Thousands of U.S. Dollars				
	2009				
	Wireless Communications and Information Systems	Broadcast and Video Systems	Semiconductor Manufacturing Systems	Eliminations/Corporate	Consolidated
Sales to customers	\$532,719	\$451,756	\$324,565		\$1,309,040
Intersegment sales	1,935	5,222	295	\$(7,452)	
Total sales	534,654	456,978	324,860	(7,452)	1,309,040
Operating expenses	576,250	468,044	388,334	(7,452)	1,425,176
Operating income	\$ (41,596)	\$ (11,066)	\$(63,474)		\$ (116,136)

b. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars				
	2009				
	Wireless Communications and Information Systems	Broadcast and Video Systems	Semiconductor Manufacturing Systems	Eliminations/Corporate	Consolidated
Total assets	\$415,179	\$328,830	\$248,071	\$418,355	\$1,410,435
Depreciation	20,707	13,489	20,075		54,271
Capital expenditures	16,675	8,114	15,209		39,998

a. Sales and Operating Income

	Millions of Yen				
	2008				
	Wireless Communications and Information Systems	Broadcast and Video Systems	Semiconductor Manufacturing Systems	Eliminations/Corporate	Consolidated
Sales to customers	¥73,403	¥46,256	¥78,325		¥197,984
Intersegment sales		616		¥(616)	0
Total sales	73,403	46,872	78,325	(616)	197,984
Operating expenses	70,539	45,849	65,279	(616)	181,051
Operating income	¥ 2,864	¥ 1,023	¥13,046		¥ 16,933

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2008				
	Wireless Communications and Information Systems	Broadcast and Video Systems	Semiconductor Manufacturing Systems	Eliminations/Corporate	Consolidated
Total assets.....	¥60,800	¥42,306	¥42,063	¥57,888	¥203,057
Depreciation	1,889	1,082	1,918		4,889
Capital expenditures.....	2,120	2,094	1,751		5,965

Notes:

Wireless Communications and Information Systems consist of Station Equipment for Cellular Telephones, Radio Equipment for Packet Communication Systems, Assorted Equipment for Governmental and Public Communications, Digital Wireless Systems for Public Business, Disaster Management Wireless Systems, Train Communication Systems, Airport MCA Wireless Systems, GPS/AVM Wireless Systems, Wireless Broadband Systems, Telemetry Systems, Radio Communication Systems for Fire Station, On premises Digital Wireless Communication Systems, Assorted Wireless Equipment, Wireless Telephone Systems for Air Traffic Control, Aircraft Communication Systems, Shipboard Communication Systems, Education & Training Systems, Short Wave Digital Radio Broadcasting Systems, Stock Price Display Systems, Assorted Display Boards and Display Devices, Multimedia Information Display Systems, Information Communication Network Systems for Securities and Financial, Package Software for Securities and Financial Applications, Dealing Systems, RFID(Radio Frequency Identification) Shelf Antenna Systems, Data Warehouse Systems, Computer Telephony Integration Systems, Stock price notification system Operation, Maintenance & Operation Service, Network Construction.

Broadcasting and Video Systems consist of Digital Microwave Link (Portable and Fixed), FPU and Portable Tracking Receivers, Digital Terrestrial Television Transmitter, Digital Terrestrial Television Transposer, Digital TV Cameras, Cameras and Monitors for Broadcasting, Non linear Digital Video Editing Systems/Transmission Systems, FM Broadcasting Transmitter/Sound Broadcasting Transmitter, Antenna Systems for Terrestrial Digital Broadcasting, Amplifiers/Splitters and Other TV Receiving Equipment, Satellite Broadcasting and Receiving Equipment, TV/FM Broadcasting Antennas, Community Receiving Facilities, CATV Equipment, Digital-analog Converter, Interference and Bad Reception Safeguard Equipment, Wide Area Monitoring

Systems (for Roads, Rivers and Railroads Networks), Security Surveillance Systems, Monitoring Systems for Plant (Environment, Electric power, Chemistry and Steel), Intelligent Video Analytics(intrusion detection), Cameras and Monitors for Industrial Applications, Wireless Communication Antennas, ITS (Intelligent Transport Systems), RFID (Radio Frequency Identification) Reader/Writers.

Semiconductor Manufacturing Systems consist of Batch Type QTAT System, Batch Type ALD System, Vertical Diffusion and LPCVD System, Batch Type High temperature System, Batch Type Ultrahigh temperature System, Single Wafer/LPCVD System, Single Wafer MMT Plasma Nitridation System, Plasma Dry Strip System, Silicon Epitaxial Growth System, Batch Type SiGe Epitaxial Growth System.

Eliminations/corporate consist of cash and time deposits, investment securities and assets at headquarters.

As discussed in Note 2.m., effective April 1, 2007, the Group changed the method for revenue recognition for semiconductor manufacturing systems for export from the point of shipment to the time of the confirmation of set-up and testing of products. The effect of this change on segment of Semiconductor Manufacturing Systems was to decrease sales by ¥2,856 million and operating income by ¥1,402 million.

As discussed in Note 2.q., effective April 1, 2008, the Group changed the method of translation of the revenue and expense accounts of its overseas consolidated subsidiaries into yen from using the current exchange rate as of the balance sheet date to using the average exchange rate. The reason for this change is to properly present overseas subsidiaries' performance by excluding effects of temporary fluctuations of exchange rates. The effect of this change on segment of Broadcasting and Video Systems was to increase sales by ¥165 and decrease operating loss by ¥3 million and on segment of Semiconductor Manufacturing Systems was to increase sales by ¥531 million and decrease operating loss by ¥87 million.

(2) Geographical Segments

The geographical segments of the Company and its subsidiaries for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of Yen				
	2009				
	Japan	U.S.A.	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥114,810	¥10,923	¥2,854		¥128,587
Interarea transfers.....	9,079	623	863	¥(10,565)	
Total sales	123,889	11,546	3,717	(10,565)	128,587
Operating expenses	136,648	10,707	3,486	(10,846)	139,995
Operating income	¥ (12,759)	¥ 839	¥ 231	¥ 281	¥ (11,408)
Total assets.....	¥102,595	¥ 5,783	¥3,032	¥ 27,137	¥138,547

	Thousands of U.S. Dollars				
	2009				
	Japan	U.S.A.	Other	Eliminations/ Corporate	Consolidated
Sales to customers	\$1,168,788	\$111,198	\$29,054		\$1,309,040
Interarea transfers.....	92,426	6,342	8,786	\$(107,554)	
Total sales	1,261,214	117,540	37,840	(107,554)	1,309,040
Operating expenses	1,391,103	108,999	35,488	(110,414)	1,425,176
Operating income	\$ (129,889)	\$ 8,541	\$ 2,352	\$ 2,860	\$ (116,136)
Total assets.....	\$1,044,437	\$ 58,872	\$ 30,866	\$ 276,260	\$1,410,435

	Millions of Yen				
	2008				
	Japan	U.S.A.	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥182,249	¥12,586	¥3,149		¥197,984
Interarea transfers.....	12,464	405	847	¥(13,716)	
Total sales	194,713	12,991	3,996	(13,716)	197,984
Operating expenses	178,161	13,257	3,286	(13,653)	181,051
Operating income	¥ 16,552	¥ (266)	¥ 710	¥ (63)	¥ 16,933
Total assets.....	¥138,454	¥ 5,163	¥3,436	¥ 56,004	¥203,057

Note:

“Other” includes Taiwan, Singapore, Great Britain and Germany.

As discussed in Note 2.m., effective April 1, 2007, the Group changed the method for revenue recognition for semiconductor manufacturing systems for export from the point of shipment to the time of the confirmation of set-up and testing of products. The effect of this change was to decrease sales in “Japan” by ¥2,568 million including sales of ¥625 million to outside the Group and sales in “U.S.A.” by ¥2,231 million and decrease operating income in “Japan” by ¥1,195 million and increase operating loss in “U.S.A.” by ¥207 million.

As discussed in Note 2.q., effective April 1, 2008, the Group changed the method of translation of the revenue and expense accounts of its overseas consolidated subsidiaries into yen from using the current exchange rate as of the balance sheet date to using the average exchange rate. The reason for this change is to properly present overseas subsidiaries’ performance by excluding effects of temporary fluctuations of exchange rates. The effect of this change was to increase sales in “U.S.A.” by ¥430 million and sales in “Other” by ¥395 million and decrease operating loss in “U.S.A.” by ¥49 million and operating loss in “Other” by ¥41 million.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2009 and 2008 amounted to ¥31,387 million (\$319,526 thousand) and ¥66,487 million, respectively.

17. RELATED PARTY DISCLOSURES

Transactions of the Group with Hitachi, Ltd. (owning 52.5% and 39.6% of the voting stock in 2009 and 2008) and its subsidiaries for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2007	2009
Factoring of payables to Hitachi Capital Corporation	¥34,039	¥66,125	\$346,523

The balances due to or from Hitachi, Ltd. and its subsidiaries at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deposits with Hitachi, Ltd.	¥ 13	¥25,613	\$ 132
Accounts payable.....	6,783	20,041	69,052
Other payables.....	196	381	1,995

**To the Board of Directors of
Hitachi Kokusai Electric Inc.:**

We have audited the accompanying consolidated balance sheets of Hitachi Kokusai Electric Inc. (the "Company") and consolidated subsidiaries (together, the "Group") as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi Kokusai Electric Inc. and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.



June 29, 2009

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- **Hitachi Kokusai Electric Canada, Ltd.**

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Facsimile: 1-416-299-0450

- **Kokusai Semiconductor Equipment Corporation
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Facsimile: 1-408-456-2760

Vancouver Office

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- **Hitachi Kokusai Electric Europe GmbH
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Frankfurt Office

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- **Hitachi Kokusai Electric U.K. Ltd.**

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- **Kokusai Electric Korea Co., Ltd.**

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Korea 330-200
Phone: 82-41-559-1705
Facsimile: 82-41-621-3279

Trading Name:	Hitachi Kokusai Electric Inc.
Established:	November 17, 1949
Paid-in Capital:	¥10,058 million
Net Sales:	¥128,587 million (consolidated)
Stock Listings:	Tokyo Stock Exchange (1st Section) Osaka Securities Exchange (1st Section)
Number of Common Shares:	105,221,259 shares
Employees:	4,894 (consolidated)
Fiscal Year-end:	March 31
Number of Shareholders:	11,468
Number of Shares Per Unit:	1,000
Independent Auditors:	Deloitte Touche Tohmatsu
Transfer Agent for the Shares:	Tokyo Securities Transfer Agent Co., Ltd. 6-2, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan Phone: +81-3-5355-7621
URL:	http://www.hitachi-kokusai.co.jp

Directors and Executive Officers (As of June 30, 2009):

Directors Kunio Hasegawa^{(1) (2)}, Chairman of the Board
 Manabu Shinomoto^{** (1) (2)}
 Shungo Dazai^{* (1) (2)}
 Kenshiro Koto^{* (1) (2) (3)}
 Takeo Ueno^{* (1) (2)}
 Mitsuaki Aso⁽³⁾

Executive Officers **President and Chief Executive Officer**
 Manabu Shinomoto^{**}

Vice Presidents and Executive Officers
 Ryota Suzuki

Kazuo Kera
 Kiichiro Mukai
 Masahiro Fukatani
 Tetsuo Tanabe
 Yoshifumi Nomura
 Masuo Suzuki

Executive Officers
 Hideyuki Hagiwara
 Tatsuo Yoshioka
 Isoo Fujita
 Nobuo Owada
 Shoichiro Izumi

* outside director

** Manabu Shinomoto holds concurrently the positions of director and executive officer.

Numbers in parentheses beside names of the directors show committee membership: ⁽¹⁾ Nominating Committee, ⁽²⁾ Compensation Committee, and ⁽³⁾ Audit Committee.

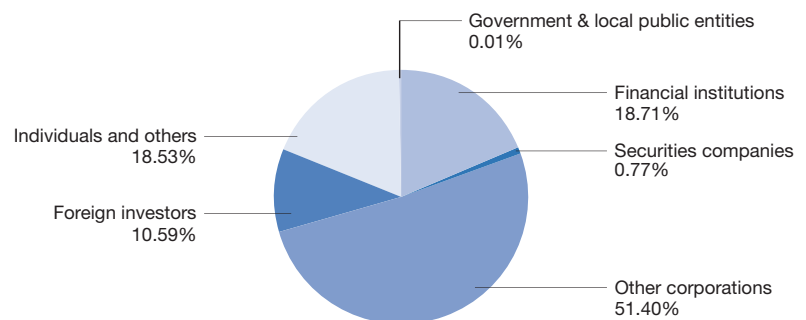
Shareholder Information

As of March 31, 2009

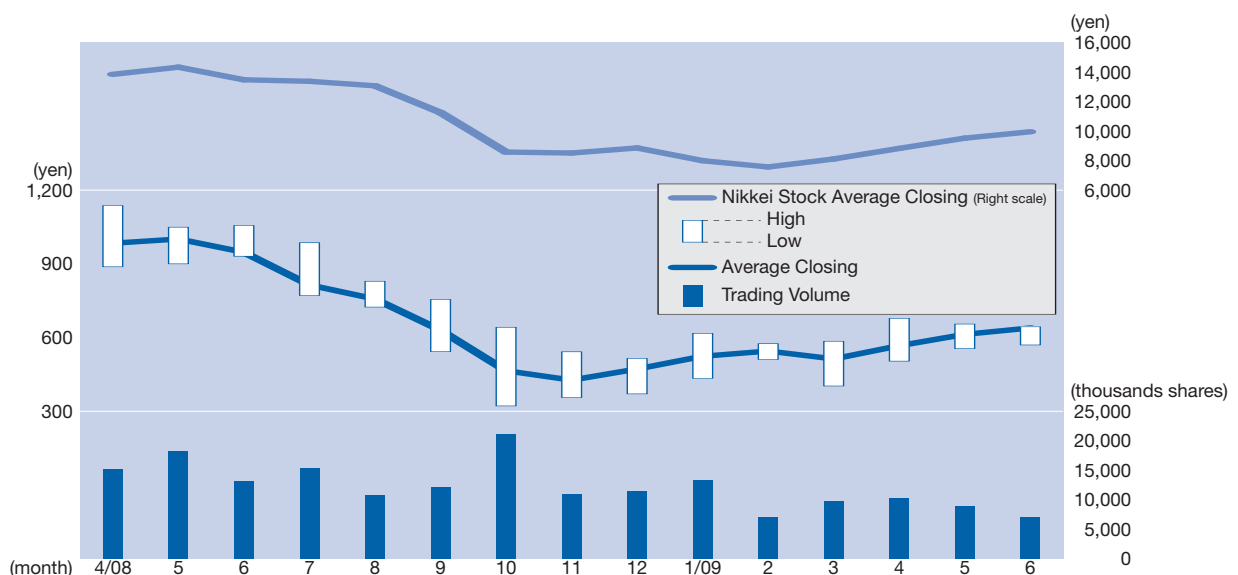
Ten Largest Shareholders:

Name of Shareholder	Number of Shares Held (thousands)	Percentage of Total (%)
Hitachi, Ltd.	52,462	49.86
Japan Trustee Services Bank, Ltd. (Trustee Account)	5,864	5.57
The Master Trust Bank of Japan, Ltd. (Trustee Account)	4,580	4.35
Japan Trustee Services Bank, Ltd. (Trustee Account 4G)	4,147	3.94
Treasury Stock	2,337	2.22
BNY GCM Client Account JPRD AC ISG (FE-AC)	1,605	1.53
TAM TWO	1,273	1.21
Trust & Custody Services Bank, Ltd. (pension specified money trust account)	783	0.74
State Street Bank and Trust Company 505227	757	0.72
Nippon Vest	740	0.70

Shareholders by Number of Shares Held:



Monthly Stock Price Data (on Tokyo Stock Exchange):



Month/Year	4/08	5/08	6/08	7/08	8/08	9/08	10/08	11/08	12/08	1/09	2/09	3/09	4/09	5/09	6/09	
Stock Price (yen)	High	1,137	1,049	1,056	986	829	755	642	542	515	617	575	585	678	655	644
	Low	888	900	931	771	724	543	322	356	371	434	511	403	504	555	570
	Average Closing	984	1,001	947	814	757	630	465	427	472	524	545	513	567	613	639
Trading Volume (Right scale, thousands)	15,225	18,150	13,105	15,328	10,731	12,052	21,175	10,863	11,425	13,245	7,008	9,720	10,330	8,970	6,965	

 Hitachi Kokusai Electric Inc.

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This Annual Report is only issued as a pdf.file and is not available as a printed booklet.

<http://www.hitachi-kokusai.co.jp>