

Hitachi Mobile Co Ltd
Form CB
February 03, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM CB

TENDER OFFER/RIGHTS OFFERING NOTIFICATION FORM

Please place an X in the box(es) to designate the appropriate rule provision(s) relied upon to file this Form:

| | |
|---|----|
| Securities Act Rule 801 (Rights Offering) | .. |
| Securities Act Rule 802 (Exchange Offer) | x |
| Exchange Act Rule 13e-4(h)(8) (Issuer Tender Offer) | .. |
| Exchange Act Rule 14d-1(c) (Third Party Tender Offer) | .. |
| Exchange Act Rule 14e-2(d) (Subject Company Response) | .. |
| Filed or submitted in paper if permitted by Regulation S-T Rule 101(b)(8) | .. |

Kabushiki Kaisha Hitachi Mobairu

(Name of Subject Company)

Hitachi Mobile Co., Ltd.

(Translation of Subject Company's Name into English (if applicable))

Japan

(Jurisdiction of Subject Company's Incorporation or Organization)

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Hitachi, Ltd.

(Name of Person(s) Furnishing Form)

Common Stock

(Title of Class of Subject Securities)

Not Applicable

(CUSIP Number of Class of Securities (if applicable))

Hitachi Mobile Co., Ltd.

5-8, Higashi-shinagawa 2-chome, Shinagawa-ku, Tokyo 140-0002, Japan

+81-3-3474-8131

(Name, Address (including zip code) and Telephone Number (including area code) of
Person(s) Authorized to Receive Notices and Communications on Behalf of Subject Company)

Copies to:

Legal Division

Hitachi, Ltd.

6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8280, Japan

+81-3-3258-1111

Theodore A. Paradise

Davis Polk & Wardwell

Izumi Garden Tower 33F

1-6-1 Roppongi, Minato-ku, Tokyo 106-6033, Japan

+81-3-5561-4421

February 2, 2006

(Date Tender Offer/Rights Offering Commenced)

PART I INFORMATION SENT TO SECURITY HOLDERS

Item 1. Home Jurisdiction Documents

(a) See Exhibit 1.

(b) Not applicable.

Item 2. Informational Legends

Not applicable.

PART II INFORMATION NOT REQUIRED TO BE SENT TO SECURITY HOLDERS

(1) Not applicable.

(2) Not applicable.

(3) Not applicable.

PART III CONSENT TO SERVICE OF PROCESS

A written irrevocable consent and power of attorney on Form F-X is filed concurrently with the Commission on February 3, 2006.

PART IV SIGNATURES

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

/s/ Takashi Hatchoji

(Signature)

Takashi Hatchoji

Senior Vice President and Executive Officer

(Name and Title)

February 3, 2006

(Date)

| <u>Exhibit</u> | <u>Description</u> |
|----------------|--|
| 1. | <u>English translation of Notice of Extraordinary General Meeting of Shareholders of Hitachi Mobile Co., Ltd. to be held on February 17, 2006.</u> |

Notice of Extraordinary General Meeting of Shareholders

HITACHI MOBILE CO., LTD.

February 2, 2006

Hitachi, Ltd. and Hitachi Mobile Co., Ltd. are Japanese companies. Information distributed in connection with the proposed share exchange and the related shareholder vote is subject to Japanese disclosure requirements that are different from those of the United States. Financial statements and financial information included herein are prepared in accordance with Japanese accounting standards that may not be comparable to the financial statements or financial information of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the U.S. federal securities laws in respect of the share exchange, since the companies are located in Japan, and all of their officers and directors are residents of Japan. You also may not be able to sue the companies or their officers or directors in a Japanese court for violations of the U.S. securities laws. Finally, it may be difficult to compel the companies and their affiliates to subject themselves to a U.S. court's judgment.

You should be aware that the companies may purchase shares of Hitachi Mobile Co., Ltd. otherwise than under the share exchange, such as in open market or privately negotiated purchase, at any time during the pendency of the proposed offer.

(Translation)

Hitachi Mobile Co., Ltd.

5-8, Higashi-shinagawa 2-chome

Shinagawa-ku, Tokyo

February 2, 2006

Notice of Extraordinary General Meeting of Shareholders

Dear Shareholders:

You are cordially invited to attend the Extraordinary General Meeting of Shareholders of Hitachi Mobile Co., Ltd. (the Company) to be held as follows:

- 1. Date** **Friday, February 17, 2006 at 10:00 a.m.**
- 2. Location** **Meeting room in the head office of Hitachi Mobile Co., Ltd.**
Tennozu Parkside Building 15th Floor
5-8, Higashi-shinagawa 2-chome, Shinagawa-ku, Tokyo

3. Agenda

Matters to Be Resolved

- Item No. 1** Approval of Entering into Share Exchange Agreement between the Company and Hitachi, Ltd. Please refer to pages 3 to 6 of the attached document.
- Item No. 2** Amendment to the Articles of Incorporation.
Please refer to page 6 of the attached document.

If you will be attending the meeting, kindly submit the enclosed "Exercise of Shareholder's Rights" form at the meeting reception after indicating thereon your approval or disapproval of each resolution. If you will not be present at the meeting, kindly read the attached documents and return a signed original of the enclosed "Exercise of Shareholder's Rights" form after indicating thereon your approval or disapproval of each resolution.

Very truly yours,

Kunihide Kaneko
President and Chief Executive Officer

Reference Materials for Exercise of Voting Rights

1. Number of Total Shareholder Voting Rights 219,997

2. Resolutions and Reference Materials

Item No. 1 Approval of Entering into Share Exchange Agreement between the Company and Hitachi, Ltd.

(1) Reasons for the Necessity of a Share Exchange

The Company boasts a nationwide sales and service network in Japan and engineering service capabilities in the maintenance and aftermarket fields for automotive equipment, including electrical components. It has played a vital role in the automotive systems business of Hitachi, Ltd. (hereinafter referred to as Hitachi). However, competition in this market sector is rapidly intensifying. Consequently, there is an increasing need to handle a broader array of products in line with Hitachi's automotive systems business strategy as well as to work more closely with Hitachi units involved in the development and manufacture of replacement parts, including rebuilt components. We have concluded that the best choice toward this end is to become a wholly owned subsidiary of Hitachi through share exchange and the Company and Hitachi entered into an agreement.

This share exchange will make possible an integrated value chain linking Hitachi's automotive systems business with the aftermarket operations of the Company, which include the sale of replacement parts to automakers and others and the provision of maintenance services. Moreover, the vertical integration of the operations of Hitachi and the Company will create a unified framework extending from development and manufacturing activities to engineering services. By facilitating quicker responses to customer and technological needs, this integration will position Hitachi to be the best solutions partner in the increasingly competitive automobile market.

Management sincerely hopes that the shareholders agree with our conclusion and approve this proposal.

(2) Content of the Share Exchange Agreement

A copy of the Share Exchange Agreement entered into between the Company and Hitachi on December 15, 2005 is set forth below:

Share Exchange Agreement (Copy)

Hitachi, Ltd. (hereinafter referred to as Hitachi) and Hitachi Mobile Co., Ltd. (hereinafter referred to as Hitachi Mobile) hereby agree to and enter into a share exchange agreement (hereinafter referred to as this Agreement) as follows.

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Article 1 (Share Exchange)

Hitachi and Hitachi Mobile shall implement the share exchange in accordance with the provisions of Articles 352 through 363 of Commercial Code of Japan, whereby Hitachi will become the 100% parent company of Hitachi Mobile, and Hitachi Mobile will become the wholly owned subsidiary of Hitachi.

Article 2 (Date of Share Exchange)

The share exchange shall become effective on April 1, 2006; provided, however, that the parties hereto may agree to change the date as necessary in consultation with one another.

Article 3 (Shares to be Issued and Allotted Upon Share Exchange)

Hitachi shall allocate 8,023,820 shares of common stock to the shareholders (which, for purposes of this Agreement, shall include beneficial shareholders) recorded on Hitachi Mobile's register of shareholders (which, for purposes of this Agreement, shall include its register of beneficial shareholders) at the close of business on the day immediately preceding the date of the share exchange at a rate of 1.036 shares of Hitachi for each share of Hitachi Mobile's common stock; provided, however, that Hitachi will not make any allocation with respect to the 14,255,000 shares of Hitachi Mobile that Hitachi already owns. Hitachi shall use treasury shares, instead of issuing new shares, for the share allocation it is required to make in connection with the share exchange.

Article 4 (Capital Stock and Capital Reserves to be Increased)

Upon the share exchange, Hitachi's capital stock and capital reserve shall increase as follows:

(1) Capital stock

Hitachi's capital stock will not increase upon the share exchange.

(2) Capital reserves

Hitachi's capital reserves will increase upon the share exchange in an amount equal to: [(Hitachi Mobile's stockholder's equity as of the date of the share exchange multiplied by the number of shares of Hitachi Mobile's common stock to be transferred to Hitachi divided by the number of issued shares of common stock of Hitachi Mobile) minus the book value of Hitachi's treasury stocks to be allotted to Hitachi Mobile's shareholders].

- Article 5 (Limitation on the Amount of the Dividends)
Hitachi Mobile may pay dividends to its shareholders or registered pledgees whose names appear as such on its register of shareholders as of the close of business on March 31, 2006, in an amount of up to JPY10 per share, or JPY220,000,000 in the aggregate.
- Article 6 (Date of Commencement for Accrual of Dividends)
In accordance with the provisions of Article 3, dividends (including interim dividends) on shares of common stock of Hitachi to be allotted to all shareholders shall begin to accrue from the date of the share exchange.
- Article 7 (Extraordinary General Meeting of Shareholders for Approval of Share Exchange Agreement)
1. Hitachi Mobile shall convene an Extraordinary General Meeting of Shareholders on February 17, 2006 (hereinafter referred to as the Extraordinary Meeting) and obtain shareholder approval for this Agreement and other matters necessary for the share exchange; provided, however, that Hitachi and Hitachi Mobile may agree to change the date as necessary in consultation with one another.
 2. Hitachi shall implement the share exchange without shareholder approval for this Agreement in accordance with the provision of Paragraph 1 of Article 358 of Commercial Code of Japan.
 3. At the Extraordinary Meeting, Hitachi Mobile shall submit a proposal to delete Article 11, which sets forth the record date to determine shareholders able to exercise voting rights at the ordinary general meeting of shareholders, from its Articles of Incorporation.
- Article 8 (Duty of Care)
Hitachi and Hitachi Mobile shall manage their respective businesses with the care of a good manager during the period between the date of this Agreement and the date of the share exchange. Should either of them intend to engage in an activity that might materially affect its assets, rights or obligations, such activity shall be undertaken after consultation between Hitachi and Hitachi Mobile.
- Article 9 (Change of Terms and Termination)
In the event of any material changes in the conditions of assets or business operations of Hitachi or Hitachi Mobile during the period between the date of execution hereof and the date of the share exchange, Hitachi and Hitachi Mobile may agree to change the terms and conditions of the share exchange and other terms of this Agreement or terminate this Agreement in consultation with one another.
- Article 10 (Validity of this Agreement)
This Agreement shall cease to have any effect and the parties' rights and responsibilities shall lapse if the share exchange is not approved at the Extraordinary Meeting as set forth in Paragraph 1 of Article 7 of this Agreement or if it becomes practically clear that the share exchange shall not be implemented.
- Article 11 (Matters for Negotiation)
In addition to the matters set forth in this Agreement, any matters necessary with respect to the share exchange shall be determined upon negotiation between each other in accordance with the purpose of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed in duplicate, signed and sealed, and each of the parties retains one (1) copy hereof.

December 15, 2005

Hitachi
6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Hitachi, Ltd.
Representative Executive Officer
President and Chief Executive Officer
Etsuhiko Shoyama (Seal)

Hitachi Mobile
5-8, Higashi-shinagawa 2-chome, Shinagawa-ku, Tokyo
Hitachi Mobile Co., Ltd.
Representative Executive Officer

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President and Chief Executive Officer
Kunihide Kaneko (Seal)

(3) Explanation of the Share Exchange Ratio

Explanation of the Share Exchange Ratio in accordance with Item 2, Paragraph 1, Article 354 of the Japanese Commercial Code The document describing reasons for the matters of allotment of shares to the shareholders of the Company that shall be a wholly owned subsidiary is shown as follows:

Reasons for Determining the Share Exchange Ratio

We (hereinafter referred to as the Company) are planning to have a share exchange transaction with Hitachi, Ltd. (hereinafter referred to as Hitachi) on April 1, 2006, and we have determined the share exchange ratio as follows:

1. When having a discussion with Hitachi on the share exchange ratio, the Company, for the purpose of assuring the fairness and appropriateness to determine the share exchange ratio, requested KPMG FAS Co., Ltd. (hereinafter referred to as KPMG) as the third party to calculate the share exchange ratio for discussion and consultation purpose between the Company and Hitachi.
2. Upon above request, KPMG, based on publicly available information on the Company and Hitachi, as well as various documents, etc. provided by both companies, used the average market value method and discounted cash flow method (DCF) to evaluate the Company and the average market value method to evaluate Hitachi. KPMG calculated a share exchange ratio based on a comprehensive analysis using these results.
3. Considering the exchange ratio proposed by KPMG, the Company and Hitachi negotiated and consulted each other. The Company and Hitachi, the board of directors of the Company and Hitachi's President and Chief Executive Officer, respectively, determined as of December 15, 2005 to enter into a share exchange agreement providing that 1.036 Hitachi shares of common stock would be allotted for every one share of common stock of the Company. The Company believes that this share exchange ratio is considered to be fair in light of the calculation result of the share exchange ratio proposed by KPMG.
4. Hitachi requested Nomura Securities Co., Ltd. (hereinafter referred to as Nomura Securities) to calculate the share exchange ratio and the above share exchange ratio is fair in light of the calculation result of the share exchange ratio proposed by Nomura Securities.

December 15, 2005

5-8, Higashi-shinagawa 2-chome, Shinagawa-ku, Tokyo
Hitachi Mobile Co., Ltd.
President and Chief Executive Officer
Kunihide Kaneko

- (4) Balance Sheets and Statements of Operations of the Parties of the Share Exchange according to Items 3 to 6, Paragraph 1, Article 354 of the Japanese Commercial Code
- (i) Please see pages 7 to 14 for Balance Sheets and Statements of Operations of the Company and Hitachi which is made within recent six-month period.
 - (ii) Please see pages 15 to 23 for Balance Sheets and Statements of Operations of the Company and Hitachi as of the end of recent fiscal year.

Item No. 2 Amendment to the Articles of Incorporation

1. Reasons for the amendment

- (1) Subject to the approval of the Item No. 1 Approval of Entering into Share Exchange Agreement between the Company and Hitachi, Ltd. , followed by the implementation of statutory procedure, the share exchange transaction will be implemented as of April 1, 2006, and the Company s shareholders (except Hitachi) will become Hitachi s shareholders. As a result, Hitachi will be the sole shareholder of the Company as of the date of the Company s 75th ordinary general meeting of shareholders to be held in June 2006.

Therefore, provided that the Item No. 1 Approval of Entering into Share Exchange Agreement between the Company and Hitachi, Ltd. is approved and such approval becomes effective, it is proposed that Article 11 of the articles of incorporation of the Company be deleted and that the Company treat shareholders as of the date of the Company s ordinary general meeting of shareholders as entitled to exercise their voting rights at the shareholders meeting.

- (2) Following the deletion of Article 11, the Company intends to revise article numbering from Article 12 through the end as appropriate.

2. Proposed amendment

The proposed amendment is as follows. Amendment part is underlined.

| Currently in Force | Proposed Amendment |
|---|---|
| <u>Article 11 (Record date)</u> | (to be deleted) |
| <u>The Company shall treat the shareholders as of the date of the closing of accounts for each business term as shareholders entitled to exercise the rights of shareholders at the ordinary General Meeting of Shareholders for such business term.</u> | |
| <u>In addition to the preceding paragraph, if it is deemed necessary, the Company may, by giving public notice in advance, by resolution of the Board of Directors, treat the shareholders or pledgees as of a certain date and hour as the shareholders or pledgees entitled to exercise their rights.</u> | |
| <u>Article 12 to Article 32</u> (omitted) | <u>Article 11 to Article 31</u> (same as present) |

Balance Sheets and Statements of Operations of the Parties of the Share Exchange according to Items 3 to 6, Paragraph 1, Article 354 of the Japanese Commercial Code

(1) Unconsolidated Balance Sheet and Statement of Operations of the Company which is made within recent six-month period

Unconsolidated Balance Sheet

(As of September 30, 2005)

| Accounts | Amounts | |
|--------------------------------------|-------------------|-------------------|
| (Assets) | (Millions of yen) | (Millions of yen) |
| I Current Assets | | |
| 1 Cash and deposits | | 457 |
| 2 Notes receivable | | 795 |
| 3 Receivables | | 5,660 |
| 4 Marketable securities | | 500 |
| 5 Commodities | | 1,773 |
| 6 Deposits to affiliated companies | | 4,182 |
| 7 Others | | 245 |
| Allowance for bad debts | | (5) |
| Total Current Assets | | 13,608 |
| II Fixed Assets | | |
| 1 Tangible fixed assets | | |
| (1) Buildings | 1,168 | |
| Accumulated depreciation | 495 | 673 |
| (2) Structures | 48 | |
| Accumulated depreciation | 28 | 20 |
| (3) Machinery and equipment | 34 | |
| Accumulated depreciation | 20 | 14 |
| (4) Tools, appliances and fixtures | 390 | |
| Accumulated depreciation | 252 | 137 |
| (5) Land | | 737 |
| Total tangible fixed assets | | 1,583 |
| 2 Intangible fixed assets | | |
| (1) Goodwill | | 305 |
| (2) Software | | 476 |
| (3) Utility rights | | 25 |
| Total intangible fixed assets | | 807 |
| 3 Investments, etc. | | |
| (1) Investment securities | | 1 |

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| | |
|--|--------|
| (2) Stocks of affiliated companies | 7 |
| (3) Investments in affiliated companies | 2 |
| (4) Long-term prepaid expenses | 56 |
| (5) Deferred tax assets | 107 |
| (6) Pledged security and guarantee money | 568 |
| (7) Others | 22 |
| Allowance for bad debts | (11) |
| | <hr/> |
| Total Investments, etc. | 755 |
| | <hr/> |
| Total fixed assets | 3,146 |
| | <hr/> |
| Total Assets | 16,755 |
| | <hr/> |

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| Accounts | Amounts | | |
|---|------------------------|-------------------|-------------------|
| | (Liabilities) | (Millions of yen) | (Millions of yen) |
| I Current Liabilities | | | |
| 1 Notes payable | | | 244 |
| 2 Payables | | | 5,141 |
| 3 Accounts payable | | | 79 |
| 4 Accrued expenses | | | 743 |
| 5 Accrued corporation tax, etc. | | | 363 |
| 6 Advance received | | | 9 |
| 7 Money deposited | | | 197 |
| 8 Others | | | 8 |
| Total current liabilities | | | 6,787 |
| II Noncurrent Liabilities | | | |
| 1 Reserve for pension and severance | | | 603 |
| 2 Reserve for directors' retirement allowances | | | 123 |
| 3 Guarantee deposits received | | | 129 |
| Total noncurrent liabilities | | | 856 |
| Total Liabilities | | | 7,643 |
| | (Shareholders' Equity) | | |
| I Capital Stock | | | 1,384 |
| II Capital Surplus | | | |
| 1 Capital reserve | | 473 | |
| Total capital surplus | | 473 | |
| III Retained Earnings | | | |
| 1 Profit reserve | | 250 | |
| 2 Voluntary reserve | | | |
| (1) Reserve for depreciation deduction | | 277 | |
| (2) Special reserve | | 5,100 | |
| 3 Unappropriated retained earnings | | 1,626 | |
| Total retained earnings | | 7,254 | |
| Total Shareholders' Equity | | | 9,111 |
| Total Liabilities and Shareholders' Equity | | | 16,755 |

Notes:

1. Figures were rounded down to the nearest one million yen.

2. Inventories

Commodities: Lower of cost or market. Cost is determined by the moving average method.

3. Securities

Stocks of subsidiaries and affiliated companies are stated at cost. Cost is determined by the moving average method. Other securities which had readily determinable fair values are stated at fair value. The difference between acquisition cost and carrying cost of other securities is recognized in shareholders' equity. The cost of other securities sold is computed based on a moving average method. Other securities which did not have readily determinable fair values are stated at cost determined by the moving average method.

4. Depreciation of tangible fixed assets

Depreciation of tangible fixed assets is based on a declining-balance method; provided, however, depreciation of buildings (except attached equipments on buildings) acquired after April 1, 1998 is computed based on a straight-line method.

5. Depreciation of intangible fixed assets

Depreciation of intangible fixed assets is based on a straight-line method; provided, however, that depreciation of software for internal use is based on a straight-line method over the expected usable period (5 years).

6. Allowances and reserves

(1) Allowance for bad debts

In order to allow for losses on unrecoverable debts, the estimated amount of unrecoverable debt is accounted for: based on the actual rate of unrecovered debt for general debts and based on the specific recoverability of each debt for specific doubtful debts.

(2) Reserve for pension and severance

A reserve for pension and severance is established for pension and severance benefits. Such liability is determined based on the projected benefit obligations and the expected plan assets as of September 30, 2005.

Prior service obligations are amortized by the straight-line method over the average number of years of service estimated to be remaining for the employee at the time incurred.

Actuarial differences are amortized by the straight-line method over the average number of years of service estimated to be remaining for the employee, in each case, from the beginning of the fiscal year following each occurrence.

(3) Reserve for directors' retirement allowances

In order to allow for director retirement expenses, the Company reserved an amount needed to cover such expenses as of September 30, 2005 in accordance with the Company's directors' retirement allowances regulations. Such reserve is in accordance with Article 43 of the Enforcement Regulations of the Commercial Code of Japan.

7. Lease arrangements

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Finance lease arrangements are accounted for in the same manner as standard lease arrangements, except when it is deemed that ownership has been transferred to the lessee.

8. Consumption tax is accounted for based on the tax segregated method, under which consumption tax is excluded from presentation of sales, cost of sales and expenses.

9.

| | |
|--|------------------|
| Short-term receivables from affiliated companies | JPY4,413 million |
| Long-term receivables from affiliated companies | JPY 0 million |
| Short-term payables to affiliated companies | JPY2,271 million |

10. In addition to the capitalized fixed assets, as significant equipment, the Company utilizes computers under the lease arrangements.

Unconsolidated Statement of Operations

(From April 1, 2005 to September 30, 2005)

| Accounts | Amounts | |
|---|-------------------|-------------------|
| | (Millions of yen) | (Millions of yen) |
| I Net sales | | 24,235 |
| II Sales costs | | 19,308 |
| Gross profit | | 4,926 |
| III Selling, general and administrative expenses | | 4,632 |
| Operating income | | 294 |
| IV Nonoperating income | | 50 |
| V Nonoperating expenses | | 41 |
| Ordinary income | | 303 |
| VI Extraordinary profits | | 599 |
| VII Extraordinary losses | | 1 |
| Pretax net income | | 901 |
| Corporation, inhabitant and business taxes | 361 | |
| Adjusted amounts of corporation and other taxes | 73 | 434 |
| Net income | | 466 |
| Unappropriated retained earnings at the beginning of the period | | 1,159 |
| Unappropriated retained earnings at the end of the period | | 1,626 |

Notes:

1. Figures were rounded down to the nearest one million yen.
2. Sales to affiliated companies JPY 653 million
Purchases from affiliated companies JPY4,506 million
Non-operating transactions with affiliated companies JPY 69 million
3. Net income per share JPY21.22

(2) Unconsolidated Balance Sheet and Statement of Operations of Hitachi which is made within recent six-month period

Unconsolidated Balance Sheet

(As of September 30, 2005)

| Accounts | Amounts |
|---|-------------------|
| (ASSETS) | (Millions of yen) |
| CURRENT ASSETS | 1,851,903 |
| Cash | 176,929 |
| Notes receivable | 6,873 |
| Accounts receivable | 573,929 |
| Marketable securities | 15,922 |
| Money held in trust | 86,851 |
| Finished goods | 46,187 |
| Semi-finished goods | 63,021 |
| Raw materials | 40,642 |
| Work in process | 181,251 |
| Advances paid | 32,211 |
| Short-term loan receivables | 400,713 |
| Deferred tax assets | 100,574 |
| Others | 132,078 |
| Allowance for doubtful receivables | (5,284) |
| FIXED ASSETS | 1,922,466 |
| Tangible fixed assets | 333,533 |
| Buildings | 119,317 |
| Structures | 12,937 |
| Machinery | 98,560 |
| Vehicles | 273 |
| Tools and equipment | 56,077 |
| Land | 40,154 |
| Construction in progress | 6,212 |
| Intangible fixed assets | 178,697 |
| Software | 96,926 |
| Railway and public utility installation | 690 |
| Others | 81,079 |
| Investments and others | 1,410,236 |
| Investments in affiliated companies | 1,027,495 |
| Other marketable securities of affiliated companies | 431 |
| Investments in securities | 251,201 |
| Long-term loan receivables | 11,523 |
| Deferred tax assets | 88,861 |
| Others | 30,734 |
| Allowance for doubtful receivables | (12) |
| TOTAL ASSETS | 3,774,370 |

| Accounts | Amounts |
|--|------------------|
| (LIABILITIES) | |
| CURRENT LIABILITIES | 1,672,065 |
| Trade accounts payable | 533,675 |
| Short-term debt | 26,546 |
| Current installments of debentures | 200,000 |
| Other accounts payable | 46,457 |
| Accrued expenses | 176,789 |
| Advances received from customers | 168,540 |
| Deposits received | 489,762 |
| Warranty reserve | 16,719 |
| Others | 13,573 |
| NONCURRENT LIABILITIES | 712,689 |
| Debentures | 290,000 |
| Long-term debt | 224,248 |
| Accrued pension liability | 161,645 |
| Reserve for loss on repurchasing computers | 13,364 |
| Others | 23,431 |
| TOTAL LIABILITIES | 2,384,754 |
| (STOCKHOLDERS EQUITY) | |
| CAPITAL STOCK | 282,033 |
| CAPITAL SURPLUS | 281,684 |
| Capital reserve | 268,709 |
| Others | 12,974 |
| Gain on disposition of treasury stock | 12,974 |
| RETAINED EARNINGS | 786,185 |
| Earned surplus reserve | 70,438 |
| Voluntary reserve | 658,500 |
| Reserve for software program development | 20,281 |
| Reserve for special depreciation | 534 |
| Special reserve | 637,685 |
| Unappropriated retained earnings | 57,246 |
| UNREALIZED HOLDING GAINS ON SECURITIES | 59,097 |
| TREASURY STOCK | (19,384) |
| TOTAL STOCKHOLDERS EQUITY | 1,389,616 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | 3,774,370 |

Notes:

1. Inventories

Finished goods, semi-finished goods and work in process: Lower of cost or market. Cost is determined by the specific identification method or the moving average method.

Raw materials: Lower of cost or market. Cost is determined by the moving average method.

2. Securities and money held in trust

Investments in affiliated companies are stated at cost. Cost is determined by the moving average method. Other securities which had readily determinable fair values are stated at fair value. The difference between acquisition cost and carrying cost of other securities is recognized in Unrealized Holding Gains On Securities. The cost of other securities sold is computed based on a moving average method. Other securities which did not have readily determinable fair values are stated at cost determined by the moving average method.

Money held in trust is stated at fair value.

3. Depreciation of tangible fixed assets

Buildings: Straight-line method.

Other tangible fixed assets: Declining-balance method.

Accumulated depreciation of tangible fixed assets: JPY961,626 million

4. Depreciation of intangible fixed assets

Selling, leasing, or otherwise marketing software: Depreciated based on expected gross revenues ratably.

Other intangible fixed assets: Straight-line method.

5.

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Accrued pension liability is provided for employees' retirement and severance benefits. Such liability is determined based on projected benefit obligation and expected plan assets as of September 30, 2005.

Unrecognized net assets at transition transferred on October 1, 2004, when the Company merged Hitachi Unisia Automotive, Ltd., are amortized by straight-line method over 15 years.

Prior service cost is amortized by the straight-line method over the estimated average remaining service years of employees. Unrecognized actuarial gain or loss is amortized by the straight-line method over the estimated average remaining service years of employees from the next fiscal year.

6. Consumption tax is accounted for based on the tax segregated method, under which consumption tax is excluded from presentation of sales, cost of sales and expenses.

| | |
|---|--------------------|
| 7. Short-term receivables from affiliated companies | JPY738,766 million |
| Long-term receivables from affiliated companies | JPY 13,193 million |
| Short-term payables to affiliated companies | JPY894,805 million |
| Long-term payables to affiliated companies | JPY 2,300 million |

8. Rights to subscribe for new shares of the Company under Article 280-19.1 of the former Commercial Code of Japan

| Class | Number of shares to be issued | Issue price per share | Issue period |
|--------------|-------------------------------|-----------------------|---------------------|
| Common Stock | 534,000 shares | JPY1,270 | 8/4/2002 - 8/3/2006 |

9. In addition to the capitalized fixed assets, as significant equipment, the Company utilizes application software and computer manufacturing equipment under the lease arrangements.

10. Pledged Assets Stocks in affiliated companies JPY27 million

11. Guarantees JPY49,639 million

Unconsolidated Statements of Operations

(From April 1, 2005 to September 30, 2005)

| Accounts | Amounts | |
|--|-------------------|-------------------|
| | (Millions of yen) | (Millions of yen) |
| Revenues | | 1,210,717 |
| Cost of sales | | 969,798 |
| Gross profit on sales | | 240,918 |
| Selling, general and administrative expenses | | 260,211 |
| Operating loss | | 19,293 |
| Non-operating income | | |
| Interest and dividends | 42,587 | |
| Others | 7,947 | 50,535 |
| Non-operating expenses | | |
| Interest | 5,358 | |
| Others | 16,939 | 22,297 |
| Ordinary income | | 8,944 |
| Extraordinary gain | | |
| Gain on sale of real properties | 4,181 | |
| Gain on sale of affiliated companies common stock | 3,400 | |
| Gain on sale of investments in securities | 922 | 8,503 |
| Extraordinary loss | | |
| Extraordinary loss on restructuring charges | 3,267 | |
| Impairment loss on affiliated companies common stock | 1,020 | 4,288 |
| Net income before income taxes | | 13,159 |
| Income taxes | | |
| Current | (8,669) | |
| Deferred | 1,805 | (6,864) |
| Net income | | 20,024 |
| Unappropriated retained earnings at the beginning of the period | | 37,221 |
| Unappropriated retained earnings at the end of the period | | 57,246 |

Notes:

1. Extraordinary loss on restructuring charges of JPY3,267 million relates mainly to expenses associated with the restructuring measures in affiliated companies.
2. Sales to affiliated companies JPY409,933 million

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| | | |
|----|--|--------------------|
| | Purchases from affiliated companies | JPY757,835 million |
| | Non-operating transactions with affiliated companies | JPY 46,360 million |
| 3. | Net income per share | JPY6.01 |

(3) Unconsolidated Balance Sheet and Statement of Operations of the Company as of the end of recent fiscal year

Unconsolidated Balance Sheet

(As of March 31, 2005)

| Accounts | Amounts | |
|---|-------------------|-------------------|
| (Assets) | (Millions of yen) | (Millions of yen) |
| I Current Assets | | |
| 1 Cash and deposits | | 515 |
| 2 Notes receivable | | 785 |
| 3 Receivables | | 6,410 |
| 4 Commodities | | 1,620 |
| 5 Prepaid expenses | | 3 |
| 6 Deferred tax assets | | 203 |
| 7 Deposits to affiliated companies | | 3,761 |
| 8 Others | | 8 |
| Allowance for bad debts | | (7) |
| Total Current Assets | | 13,302 |
| II Fixed Assets | | |
| 1 Tangible fixed assets | | |
| (1) Buildings | 1,118 | |
| Accumulated depreciation | 480 | 638 |
| (2) Structures | 49 | |
| Accumulated depreciation | 29 | 20 |
| (3) Machinery and equipment | 34 | |
| Accumulated depreciation | 18 | 16 |
| (4) Tools, appliances and fixtures | 346 | |
| Accumulated depreciation | 241 | 105 |
| (5) Land | | 752 |
| Total tangible fixed assets | | 1,533 |
| 2 Intangible fixed assets | | |
| (1) Goodwill | | 82 |
| (2) Software | | 509 |
| (3) Utility rights | | 25 |
| (4) Others | | 0 |
| Total intangible fixed assets | | 616 |
| 3 Investments, etc. | | |
| (1) Investment securities | | 101 |
| (2) Stocks of affiliated companies | | 7 |
| (3) Investments in affiliated companies | | 2 |
| (4) Long-term prepaid expenses | | 55 |
| (5) Deferred tax assets | | 200 |

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| | |
|--|--------|
| (6) Pledged security and guarantee money | 578 |
| (7) Others | 29 |
| Allowance for bad debts | (11) |
| | <hr/> |
| Total Investments, etc. | 964 |
| | <hr/> |
| Total fixed assets | 3,114 |
| | <hr/> |
| Total Assets | 16,417 |
| | <hr/> |

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| Accounts | Amounts | |
|---|------------------------|-------------------|
| (Liabilities) | (Millions of yen) | (Millions of yen) |
| I Current Liabilities | | |
| 1 Notes payable | | 367 |
| 2 Payables | | 4,976 |
| 3 Accounts payable | | 116 |
| 4 Accrued expenses | | 740 |
| 5 Accrued corporation tax, etc. | | 116 |
| 6 Advance received | | 0 |
| 7 Money deposited | | 194 |
| 8 Others | | 19 |
| | | <hr/> |
| Total current liabilities | | 6,532 |
| II Noncurrent Liabilities | | |
| 1 Reserve for pension and severance | | 659 |
| 2 Reserve for directors' retirement allowances | | 233 |
| 3 Guarantee deposits received | | 127 |
| | | <hr/> |
| Total noncurrent liabilities | | 1,020 |
| | | <hr/> |
| Total Liabilities | | 7,552 |
| | | <hr/> |
| | (Shareholders' Equity) | |
| I Capital Stock | | 1,384 |
| II Capital Surplus | | |
| 1 Capital reserve | 473 | |
| | <hr/> | |
| Total capital surplus | | 473 |
| III Retained earnings | | |
| 1 Profit reserve | 250 | |
| 2 Voluntary reserve | | |
| (1) Reserve for depreciation deduction | 282 | |
| (2) Special reserve | 5,100 | |
| 3 Unappropriated retained earnings | 1,375 | |
| | <hr/> | <hr/> |
| Total retained earnings | | 7,007 |
| | | <hr/> |
| Total Shareholders' Equity | | 8,864 |
| | | <hr/> |
| Total Liabilities and Shareholders' Equity | | 16,417 |
| | | <hr/> |

Notes:

1. Although figures were rounded down to the nearest one thousand yen in the notice of the general meeting of shareholders held in June 2005, in order to permit comparisons with the balance sheet of the Company as of September 30, 2005, figures of one million yen or more have been rounded down to the nearest one million yen, and figures less than a million yen have been truncated.

2. Inventories

Commodities: Lower of cost or market. Cost is determined by the moving average method.

3. Securities

Stocks of subsidiaries and affiliated companies are stated at cost. Cost is determined by the moving average method. Other securities which had readily determinable fair values are stated at fair value. The difference between acquisition cost and carrying cost of other securities is recognized in shareholders' equity. The cost of other securities sold is computed based on a moving average method. Other securities which did not have readily determinable fair values are stated at cost determined by the moving average method.

4. Depreciation of tangible fixed assets

Depreciation of tangible fixed assets is based on a declining-balance method; provided, however, depreciation of buildings (except attached equipments on buildings) acquired after April 1, 1998 is computed based on a straight-line method.

5. Depreciation of intangible fixed assets

Depreciation of intangible fixed assets is based on a straight-line method; provided, however, that depreciation of software for internal use is based on a straight-line method over the expected usable period (5 years).

6. Allowances and reserves

- (1) Allowance for bad debts

In order to allow for losses on unrecoverable debts, the estimated amount of unrecoverable debt is accounted for: based on the actual rate of unrecovered debt for general debts and based on the specific recoverability of each debt for specific doubtful debts.

- (2) Reserve for pension and severance

A reserve for pension and severance is established for pension and severance benefits. Such liability is determined based on the projected benefit obligations and the expected plan assets as of March 31, 2005.

Prior service obligations are amortized by the straight-line method over the average number of years of service estimated to be remaining for the employee at the time incurred.

Actuarial differences are amortized by the straight-line method over the average number of years of service estimated to be remaining for the employee, in each case, from the beginning of the fiscal year following each occurrence.

- (3) Reserve for directors' retirement allowances

In order to allow for director retirement expenses, the Company reserved an amount needed to cover such expenses as of March 31, 2005 in accordance with the Company's directors' retirement allowances regulations. Such reserve is in accordance with Article 43 of the Enforcement

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Regulations of the Commercial Code of Japan.

7. Lease arrangements

Finance lease arrangements are accounted for in the same manner as standard lease arrangements, except when it is deemed that ownership has been transferred to the lessee.

8. Consumption tax is accounted for based on the tax segregated method, under which consumption tax is excluded from presentation of sales, cost of sales and expenses.

| | |
|---|-------------------|
| 9. Short-term receivables from affiliated companies | JPY 3,884 million |
| Long-term receivables from affiliated companies | JPY 0 million |
| Short-term payables to affiliated companies | JPY 1,660 million |

10. Reserve for pension and severance

| | (Millions of yen) |
|---|-------------------|
| (a) Retirement and severance benefits | (2,879) |
| (b) Pension plan assets | 1,747 |
| | _____ |
| (c) Unfunded retirement and severance benefits ((a)+(b)) | (1,131) |
| (d) Unrecognized actuarial loss | 605 |
| (e) Unrecognized prior service benefit (decrease in obligation) | (132) |
| | _____ |
| (f) Net amount accounted in the balance sheet ((c)+(d)+(e)) | (659) |
| (g) Prepaid pension cost | _____ |
| | _____ |
| (h) Reserve for pension and severance ((f)-(g)) | (659) |
| | _____ |

11. In addition to the capitalized fixed assets, as significant equipment, the Company utilizes computers under the lease arrangements.

Unconsolidated Statement of Operations

(From April 1, 2004 to March 31, 2005)

| Accounts | Amounts | |
|---|-------------------|-------------------|
| | (Millions of yen) | (Millions of yen) |
| I Net sales | | 51,304 |
| II Sales costs | | 41,036 |
| Gross profit | | 10,268 |
| III Selling, general and administrative expenses | | 9,132 |
| Operating income | | 1,135 |
| IV Nonoperating income | | |
| 1 Interest and dividends received | 4 | |
| 2 Network fee | 10 | |
| 3 Others | 23 | 38 |
| V Nonoperating expenses | | |
| 1 Interest paid | 1 | |
| 2 Awards for money received | 9 | |
| 3 Loss on disposal of inventories | 16 | |
| 4 Office moving expenses | 10 | |
| 5 Loss on disposal of fixed assets | 14 | |
| 6 Loss on evaluation of golf-club membership | 15 | |
| 7 Others | 2 | 69 |
| Ordinary income | | 1,103 |
| VI Extraordinary profits | | |
| VII Extraordinary losses | | |
| Pretax net income | | 1,103 |
| Corporation, inhabitant and business taxes | 483 | |
| Adjusted amounts of corporation and other taxes | 45 | 528 |
| Net income | | 575 |
| Unappropriated retained earnings at the beginning of the period | | 1,019 |
| Interim dividends paid | | 220 |
| Unappropriated retained earnings at the end of the period | | 1,375 |

Notes:

- Although figures were rounded down to the nearest one thousand yen in the notice of the general meeting of shareholders held in June 2005, in order to permit comparisons with the statement of operations of the Company from April 1, 2005 to September 30, 2005, figures of one million yen or more have been rounded down to the nearest one million yen.
- | | |
|-------------------------------------|------------------|
| Sales to affiliated companies | JPY1,092 million |
| Purchases from affiliated companies | JPY6,239 million |

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| | | |
|----|--|-----------------|
| | Non-operating transactions with affiliated companies | JPY 171 million |
| 3. | Net income per share | JPY26.15 |

(4) Unconsolidated Balance Sheet and Statement of Operations of Hitachi as of the end of recent fiscal year

Unconsolidated Balance Sheet

(As of March 31, 2005)

| Accounts | Amounts |
|---|-------------------|
| (ASSETS) | (Millions of yen) |
| CURRENT ASSETS | 1,860,523 |
| Cash | 195,463 |
| Notes receivable | 8,500 |
| Accounts receivable | 654,044 |
| Marketable securities | 6,218 |
| Money held in trust | 64,592 |
| Finished goods | 41,035 |
| Semi-finished goods | 52,387 |
| Raw materials | 34,766 |
| Work in process | 154,685 |
| Advances paid | 36,121 |
| Short-term loan receivables | 356,508 |
| Deferred tax assets | 109,698 |
| Others | 154,268 |
| Allowance for doubtful receivables | (7,768) |
| FIXED ASSETS | 1,891,998 |
| Tangible fixed assets | 333,804 |
| Buildings | 124,920 |
| Structures | 13,129 |
| Machinery | 95,377 |
| Vehicles | 244 |
| Tools and equipment | 55,791 |
| Land | 41,232 |
| Construction in progress | 3,107 |
| Intangible fixed assets | 185,575 |
| Software | 101,523 |
| Railway and public utility installation | 705 |
| Others | 83,346 |
| Investments and others | 1,372,618 |
| Investments in affiliated companies | 1,072,717 |
| Other marketable securities of affiliated companies | 287 |
| Investments in securities | 162,794 |
| Long-term loan receivables | 7,551 |
| Deferred tax assets | 96,883 |
| Others | 32,393 |
| Allowance for doubtful receivables | (10) |
| TOTAL ASSETS | 3,752,522 |

| Accounts | Amounts |
|---|------------------|
| (LIABILITIES) | |
| CURRENT LIABILITIES | 1,776,593 |
| Trade accounts payable | 619,376 |
| Short-term debt | 26,331 |
| Commercial paper | 30,000 |
| Current installments of debentures | 200,000 |
| Other accounts payable | 58,971 |
| Accrued expenses | 191,164 |
| Advances received from customers | 143,222 |
| Deposits received | 473,112 |
| Warranty reserve | 17,392 |
| Reserve for exhibition at The 2005 World Exposition, Aichi, Japan | 2,685 |
| Others | 14,338 |
| NONCURRENET LIABILITIES | 610,272 |
| Debentures | 190,000 |
| Long-term debt | 224,533 |
| Accrued pension liability | 158,539 |
| Reserve for loss on repurchasing computers | 12,949 |
| Others | 24,250 |
| TOTAL LIABILITIES | 2,386,866 |
| (STOCKHOLDERS EQUITY) | |
| CAPITAL STOCK | 282,033 |
| CAPITAL SURPLUS | 281,644 |
| Capital reserve | 268,709 |
| Others | 12,934 |
| Gain on disposition of treasury stock | 12,934 |
| RETAINED EARNINGS | 784,484 |
| Earned surplus reserve | 70,438 |
| Voluntary reserve | 684,491 |
| Reserve for software program development | 25,708 |
| Reserve for special depreciation | 792 |
| Reserve for advanced depreciation of fixed assets | 304 |
| Special reserve | 657,685 |
| Unappropriated retained earnings | 29,554 |
| UNREALIZED HOLDING GAINS ON SECURITIES | 36,607 |
| TREASURY STOCK | (19,114) |
| TOTAL STOCKHOLDERS EQUITY | 1,365,655 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | 3,752,522 |

Notes:

1. Inventories

Finished goods, semi-finished goods and work in process: Lower of cost or market. Cost is determined by the specific identification method or the moving average method.

Raw materials: Lower of cost or market. Cost is determined by the moving average method.

2. Securities and money held in trust

Investments in affiliated companies are stated at cost. Cost is determined by the moving average method. Other securities which had readily determinable fair values are stated at fair value. The difference between acquisition cost and carrying cost of other securities is recognized in

Unrealized Holding Gains On Securities. The cost of other securities sold is computed based on a moving average method. Other securities which did not have readily determinable fair values are stated at cost determined by the moving average method. Money held in trust is stated at fair value.

3. Depreciation of tangible fixed assets

Buildings: Straight-line method.

Other tangible fixed assets: Declining-balance method.

Accumulated depreciation of tangible fixed assets: JPY976,082 million

4. Depreciation of intangible fixed assets Selling, leasing, or otherwise marketing software: Depreciated based on expected gross revenues ratably.

Other intangible fixed assets: Straight-line method.

5. Accrued pension liability is provided for employees retirement and severance benefits. Such liability is determined based on projected benefit obligation and expected plan assets as of March 31, 2005.

Unrecognized net asset of JPY34,771 million at transition is amortized by the straight-line method over 5 years.

Unrecognized net assets at transition transferred on October 1, 2004, when the Company merged Hitachi Unisia Automotive, Ltd., are amortized by straight-line method over 15 years.

Prior service cost is amortized by the straight-line method over the estimated average remaining service years of employees.

Unrecognized actuarial gain or loss is amortized by the straight-line method over the estimated average remaining service years of employees from the next fiscal year.

6. Reserve for exhibition at The 2005 World Exposition, Aichi, Japan is based on Article 43 of the Enforcement Regulations of the Commercial Code of Japan.

7. Consumption tax is accounted for based on the tax segregated method, under which consumption tax is excluded from presentation of sales, cost of sales and expenses.

| | |
|---|--------------------|
| 8. Short-term receivables from affiliated companies | JPY730,422 million |
| Long-term receivables from affiliated companies | JPY 9,127 million |
| Short-term payables to affiliated companies | JPY952,619 million |
| Long-term payables to affiliated companies | JPY 2,300 million |

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9. The difference between acquisition cost and carrying cost of other securities in Total Stockholders Equity, under Article 124.3 of the Enforcement Regulations of the Commercial Code of Japan, amounted to JPY38,723 million.
10. Rights to subscribe for new shares of the Company under Article 280-19.1 of the former Commercial Code of Japan

| Class | Number of shares to be issued | Issue price per share | Issue period | |
|--------------|-------------------------------|-----------------------|--------------|-----------|
| Common Stock | 184,000 shares | JPY1,451 | 7/27/2001 | 7/26/2005 |
| Common Stock | 544,000 shares | JPY1,270 | 8/4/2002 | 8/3/2006 |

11. In addition to the capitalized fixed assets, as significant equipment, the Company utilizes application software and computer manufacturing equipment under the lease arrangements.
12. Guarantees JPY49,115 million
13. The Company adopted the Accounting Standard on Impairment of Fixed Assets (Business Accounting Council, August 9, 2002) and the Guideline for Applying the Accounting Standard No. 6, Guideline for Applying Accounting Standard on Impairment of Fixed Assets (Accounting Standards Board of Japan, October 31, 2003) in fiscal 2004. Consequently, net income before income taxes for fiscal 2004 decreased by JPY19,882 million.

Unconsolidated Statements of Operations

(From April 1, 2004 to March 31, 2005)

| Accounts | Amounts | |
|--|-------------------|-------------------|
| | (Millions of yen) | (Millions of yen) |
| Revenues | | 2,597,496 |
| Cost of sales | | 2,096,204 |
| Gross profit on sales | | 501,292 |
| Selling, general and administrative expenses | | 506,986 |
| Operating loss | | 5,694 |
| Non-operating income | | |
| Interest and dividends | 77,422 | |
| Others | 10,441 | 87,863 |
| Non-operating expenses | | |
| Interest | 11,007 | |
| Others | 48,878 | 59,886 |
| Ordinary income | | 22,282 |
| Extraordinary gain | | |
| Gain on sale of affiliated companies - common stock | 41,874 | |
| Gain on sale of investments in securities | 11,895 | |
| Gain on sale of land | 9,369 | 63,140 |
| Extraordinary loss | | |
| Extraordinary loss on restructuring charges | 46,258 | |
| Loss on impairment of assets | 19,882 | 66,140 |
| Net income before income taxes | | 19,281 |
| Income taxes | | |
| Current | (6,961) | |
| Deferred | 15,898 | 8,936 |
| Net income | | 10,344 |
| Unappropriated retained earnings at the beginning of the period | | 37,348 |
| Interim dividends paid | | 18,138 |
| Unappropriated retained earnings at the end of the period | | 29,554 |

Notes:

1. Extraordinary loss on restructuring charges of JPY46,258 million relates mainly to an impairment loss on shares held in Fujitsu Hitachi Plasma Display Limited, an affiliated company engaging in plasma display panel operations, and expenses associated with the implementation of measures such as business reorganization, realignment and streamlining to restructure digital media operations in Japan. The figure consists of JPY36,856 million of loss on restructuring of affiliated companies and JPY7,564 million of special termination benefits, etc.

2. Loss on impairment of assets

- (i) Summary of long-lived assets or group of long-lived assets which recognized impairment loss

| Use | Category | Location |
|---------------------------------------|--|----------------------|
| Long-lived assets to be held and used | Land, buildings, software, etc. | Suminoe-ku, Osaka |
| | | Ebina, Kanagawa |
| | | Other |
| Long-lived assets to be sold | Land, building, machinery, tools and equipment | Tsuzuki-ku, Yokohama |
| | | Iwaki, Fukushima |
| | | Suminoe-ku, Osaka |
| Long-lived assets to be abandoned | Land, building, machinery, tools and equipment | Totsuka-ku, Yokohama |
| | | Kokubu, Kagoshima |

- (ii) Reason to recognize loss on impairment of assets

The Company recognized the impairment loss because: irrecoverable amounts for entity-wide long-lived assets that are now designated for leasing are estimated; market price of long-lived assets to be abandoned and long-lived assets to be sold declines; irrecoverable amounts for investments in some long-lived assets to be held and used are estimated due to declining of profitability.

- (iii) Amount of impairment loss

| | |
|---------------------|-------------------|
| Buildings | JPY 6,535 million |
| Machinery | JPY 191 million |
| Tools and equipment | JPY 616 million |
| Land | JPY11,740 million |
| Software | JPY 703 million |
| Other | JPY 94 million |
| Total | JPY19,882 million |

- (iv) Method of grouping long-lived assets

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Grouping of assets are principally based on either division or place of business.

(v) Calculation method of recoverable amounts

Calculation of recoverable amounts for long-lived assets to be held and used is based on net sales price or value in use, whichever higher, and the discount rate for calculating value in use ranges from 3.5% to 6.5%. Calculation of recoverable amounts for long-lived assets to be abandoned and long-lived assets to be sold is based on net sales price.

| | | |
|----|--|----------------------|
| 3. | Sales to affiliated companies | JPY 881,688 million |
| | Purchases from affiliated companies | JPY1,590,920 million |
| | Non-operating transactions with affiliated companies | JPY 117,222 million |
| 4. | Net income per share | JPY3.12 |