HITACHI
Inspire the Next

Annual Report 2014
Year ended March 31, 2014

SOCIAL INNOVATION
IT'S OUR FUTURE

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Cautionary Statement

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

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

- economic conditions, including consumer spending and plant and equipment investment in Hitachi's major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi's assets and liabilities are denominated, particularly against the U.S. dollar and the euro;
- uncertainty as to Hitachi's ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- uncertainty as to Hitachi's ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- rapid technological innovation;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- increased commoditization of and intensifying price competition for products;
- uncertainty as to Hitachi's ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- uncertainty as to the success of cost reduction measures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to the success of alliances upon which Hitachi depends, some of which Hitachi may not control, with other corporations in the design and development of certain key products;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method affiliates have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the potential for significant losses on Hitachi's investments in equity-method affiliates;
- the possibility of disruption of Hitachi's operations by earthquakes, tsunamis or other natural disasters;
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers;
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its significant employee benefit-related costs; and
- uncertainty as to Hitachi's ability to attract and retain skilled personnel.

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

Hitachi's History of Transformation

(Fiscal 2004 – Fiscal 2013)

Recovery from management crisis and on to a new growth stage.
In fiscal 2013, Hitachi achieved new record highs in operating income and EBIT (earnings before interest and taxes).
However, for a company such as Hitachi that aims to be a leader in global markets, we are still just at the starting line.
Going forward, Hitachi will accurately track changes in society, accelerate the process of transformation to achieve new growth, and strive to increase corporate value.

Transformation of Business Portfolio

Fiscal 2004 – Fiscal 2005

Strengthening Initiatives

- Established joint venture with OMRON Corporation in the ATM business
- Merged with automotive systems equity method company TOKICO and subsidiary Hitachi Unisia Automotive through absorption-type mergers
- Established joint venture with NEC Corporation in backbone router/switch business
- Acquired plasma display business and related patents from Fujitsu Limited

Rebuilding Initiatives

- Established joint venture with Casio Computer Co., Ltd. in mobile phone business
- Transferred printer business to Ricoh Company, Ltd.

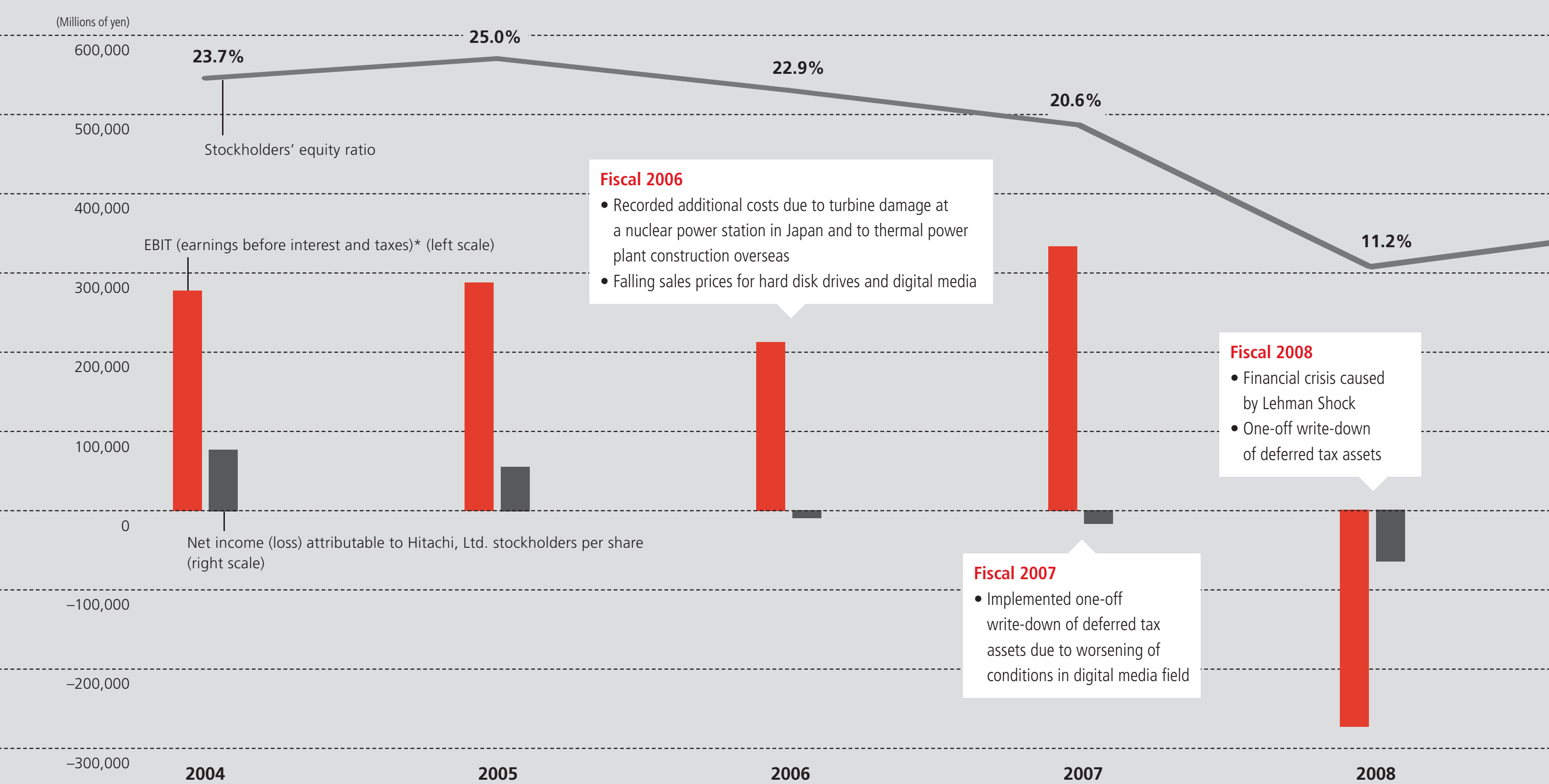
Fiscal 2006 – Fiscal 2008

Strengthening Initiatives

- Made Clarion a consolidated subsidiary
- Established joint venture with GE, of the United States, in nuclear power generation systems business
- Made Hitachi Kokusai Electric a consolidated subsidiary
- Made Hitachi Koki a consolidated subsidiary

Rebuilding Initiatives

- Sold precision small motor business to Nidec Corporation
- Withdrew from consumer PC business
- Transferred semiconductor manufacturing subsidiary in Singapore to a semiconductor foundry



* EBIT is presented as income before income taxes less interest income plus interest charges.

Fiscal 2009 – Fiscal 2012

Strengthening Initiatives

- Made five listed companies* wholly owned consolidated subsidiaries
  * Hitachi Information Systems; Hitachi Software Engineering; Hitachi Systems & Services; Hitachi Plant Technologies; and Hitachi Maxell
- Established joint venture in the hydroelectric power generation business with Mitsubishi Electric Corporation and Mitsubishi Heavy Industries, Ltd.
- Acquired BlueArc, a network storage solution business in the United States
- Dissolved joint venture in the transmission and distribution business
- Acquired a nuclear energy company in the United Kingdom

Rebuilding Initiatives

- Integrated Renesas Technology, an equity method company in the semiconductor business, with NEC Electronics
- Transferred business in large LCD panels for TVs to Panasonic Corporation
- Transferred plasma display panel plant to Solar Frontier K.K.
- Transferred hard disk drive business to Western Digital Corporation, of the United States
- Integrated small and medium-sized LCD business with Japan Display Inc.
- Stopped in-house production of flat-panel TVs

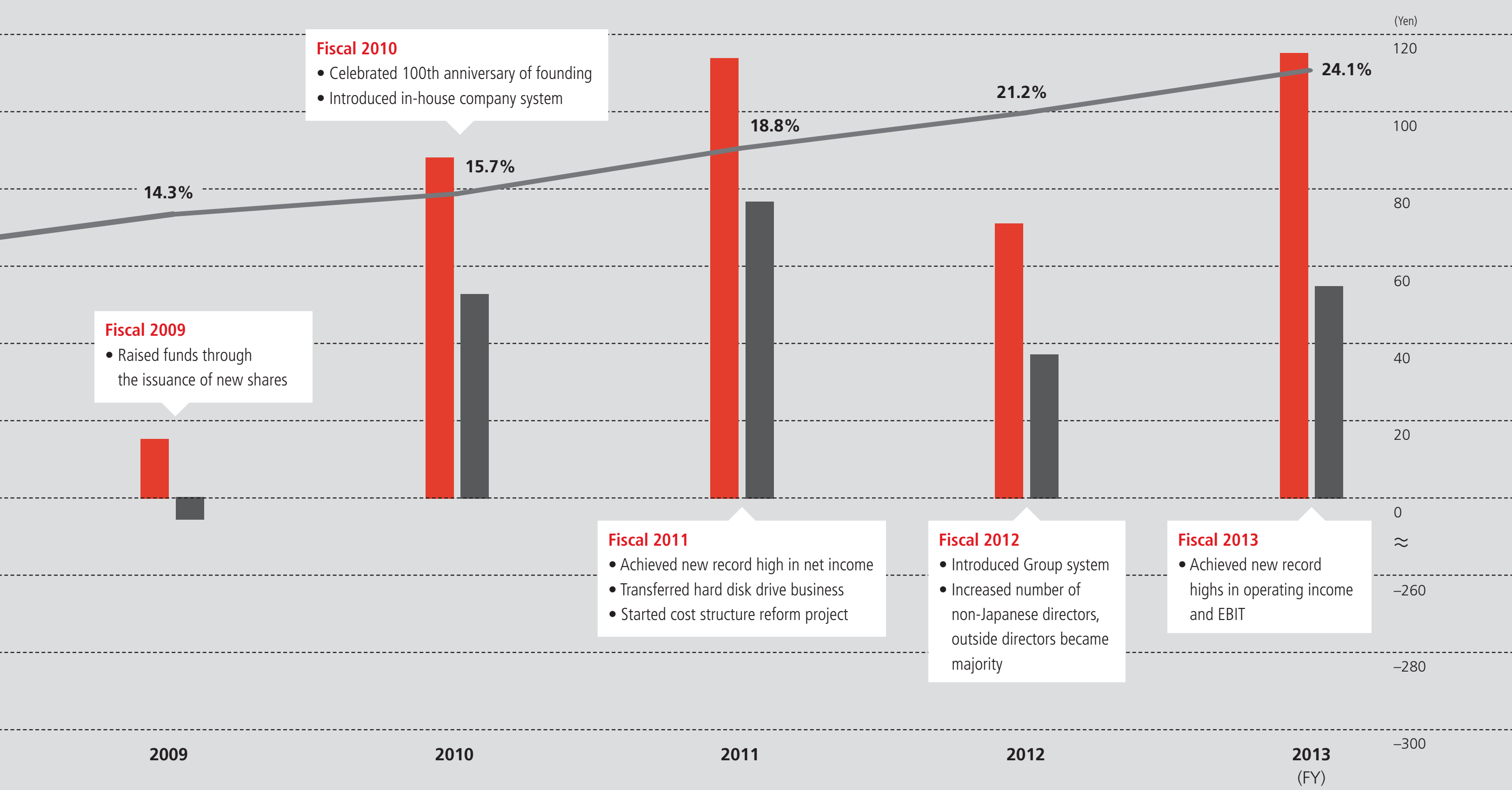
Fiscal 2013

Strengthening Initiatives

- Hitachi Metals and Hitachi Cable were merged
- Established joint venture with Mitsubishi Heavy Industries, Ltd. in thermal power generation systems business
- Made Hitachi Medical a wholly owned subsidiary
- Absorbed Hitachi Plant Technologies

Rebuilding Initiatives

- Transferred printed circuit board production equipment business to an investment fund
- Relisted Hitachi Maxell shares



2015 Mid-term Management Plan – Achieving Growth and Hitachi's Transformation

Recovering from the Management Crisis

Results under 2012 Mid-term Management Plan

(Fiscal 2010 – Fiscal 2012)

Revenues

3-year average

¥9,340.9 billion

EBIT ratio (operating income ratio)

3-year average

4.9% (4.6%)

Net income attributable to Hitachi, Ltd. stockholders

3-year average

¥253.7 billion

Net income attributable to Hitachi, Ltd. stockholders per share

3-year average

¥55

Total Hitachi, Ltd. stockholders' equity ratio (manufacturing, services & others)

Fiscal 2012

23.2%

Management Focus

INNOVATION

Strengthen service businesses that maximize the utilization of IT and bring about innovation

- Grow the Social Innovation Business by working with customers to identify their challenges and by providing innovative solutions
- Strengthen and expand services businesses by providing solutions for customers' issues and product services

GLOBAL

Deliver innovation to customers and society globally

- Enhance engineering teams to strengthen solutions-provision system and accelerate global business initiatives
- Sales growth in North America and China in addition to Asia
- Globalization of management and use of global resources in R&D

TRANSFORMATION

Transform to deliver innovation by standardized and speedy operation

- Advancing the Hitachi Smart Transformation Project, a cost structure reform project (reevaluating operations to strengthen competitiveness and generate cash)
- Leverage global talent to lead businesses

Hitachi's Vision

Hitachi delivers innovations that answer society's challenges. With our talented team and proven experience in global markets, we can inspire the world.

Society's Challenges

- Securing water resources, energy and food
- Replacement of aging infrastructure systems
- Reduction of CO_2 emissions
- Improving transportation systems
- Responding to lower birthrate and aging
- Promoting material recycling

Macro trends

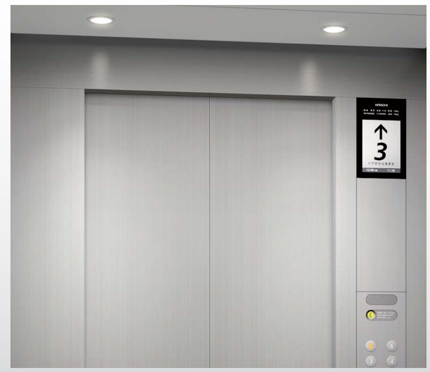
- The shale gas revolution is making the energy-supply portfolio change and oil and gas prices are fluctuating
- Japanese market:
  Finance sector: Increased IT investment
  Public sector: National resilience
  Power sector: Deregulation and separation of generation from transmission and distribution
- Conventional markets such as healthcare, agriculture, etc., are growing by employing innovation
- Shift from "concentration, ownership, and consumption" to "distribution, sharing, and recycling"–a trend that is accelerating

Cases of Service Business

Water business solutions
Addressing global demand for water through intelligent water systems using recycled water and IT

U.K. rail
Resolving issues by increasing rolling stock operating ratio and implementing measures for aging rail cars

Elevator and escalator business
Product services supporting the entire product life cycle, such as operation and maintenance.



Global Strategy

Hitachi has reconfirmed the position of China and North America as priority regions and is now aiming for further growth.

Europe
• Railways • Nuclear power • Healthcare

FY2013	FY2015
¥812.1 billion	¥860.0 billion [5.9%]

China
• Buildings • Governments
• Construction • Finance • Healthcare

FY2013	FY2015
¥1,073.6 billion	¥1,220.0 billion [13.6%]

Asia
• Energy • Water • Buildings • Railways
• Manufacturing • Automobiles

FY2013	FY2015
¥989.9 billion	¥1,290.0 billion [30.3%]

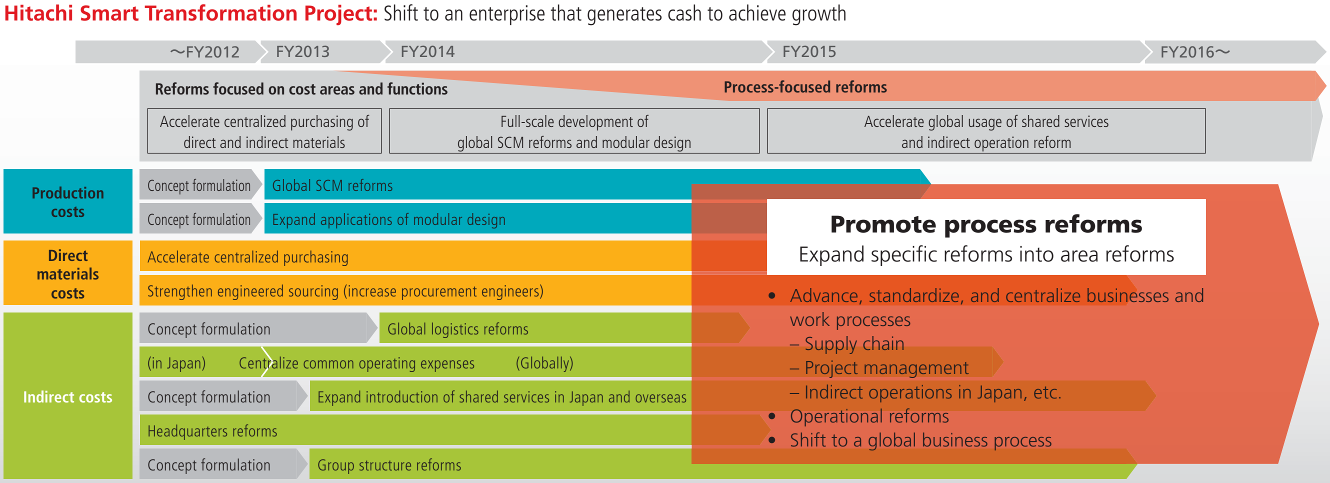
North America
• Automobiles • Finance • Oil and gas
• Power • Healthcare

FY2013	FY2015
¥910.2 billion	¥1,000.0 billion [9.9%]

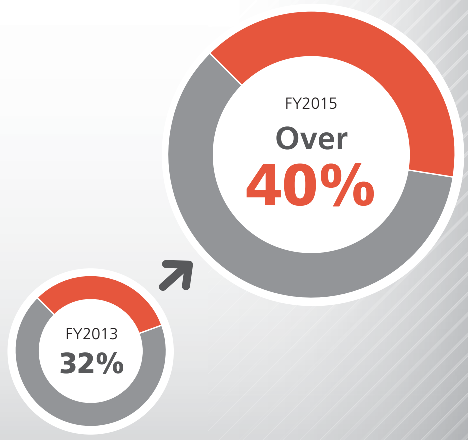
[growth rate]

Cost Structure Reform

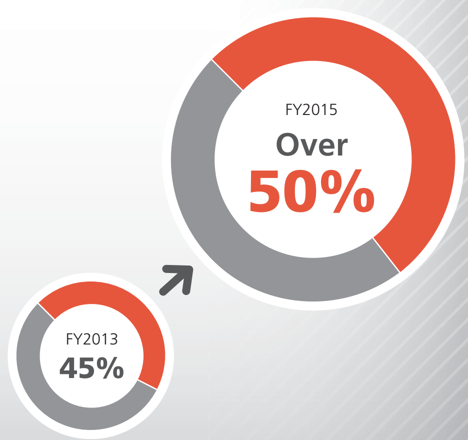
Hitachi Smart Transformation Project: Shift to an enterprise that generates cash to achieve growth



Service revenue ratio

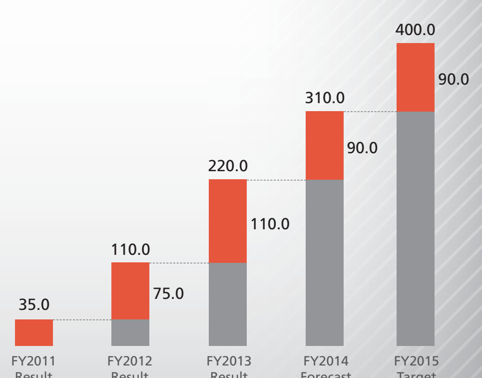


Overseas revenue ratio



Cost reduction benefits

■ Single year (Billions of yen) ■ Cumulative (Billions of yen)



Target Performance

Revenues

Fiscal 2015 Target

¥10 trillion

Fiscal 2013 Result

¥9,616.2 billion

EBIT ratio (operating income ratio)

Fiscal 2015 Target

Over 7% (Over 7%)

Fiscal 2013 Result

6.0% (5.5%)

Net income attributable to Hitachi, Ltd. stockholders

Fiscal 2015 Target

Over ¥350.0 billion

Fiscal 2013 Result

¥264.9 billion

Net income attributable to Hitachi, Ltd. stockholders per share

Fiscal 2015 Target

Over ¥70

Fiscal 2013 Result

¥54.86

Hitachi, Ltd. stockholders' equity ratio (manufacturing, services & others)

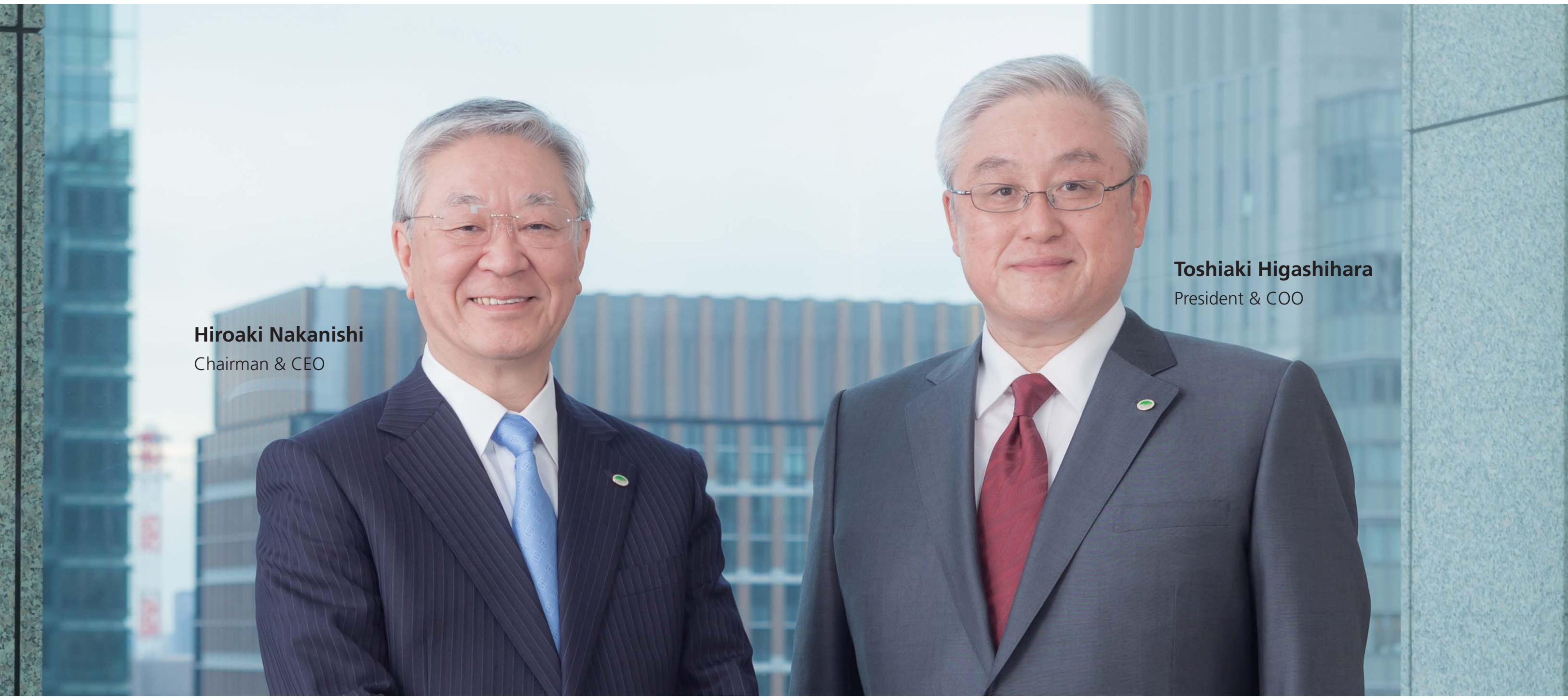
Fiscal 2015 Target

Over 30%

Fiscal 2013 Result

27.4%

To Our Shareholders



In markets around the world, economic conditions are ever-changing. The economies are slowing in certain emerging countries, while encouraging changes are being seen in others as governments focus on growth and greater prosperity. In India, for example, hopes for economic growth are rising since the new administration came to power, and in China, steps are being taken to stimulate internal demand as the country strives to sustain its economic expansion. In response to these types of changes, which affect societies, regions, and people, we will work together with our customers to identify their challenges and provide innovative solutions through Hitachi's Social Innovation Business. At the same time, we will continue to implement proactive management strategies that facilitate our transformation into a truly global company, while helping to drive the national growth strategy of the Japanese government.

In recent years, Hitachi has changed its basic management strategy from recovery to growth. Through our 2012 Mid-term Management Plan, launched in fiscal 2010, Hitachi successfully recovered from an operational crisis. In May 2013, in our path toward new growth, we launched our 2015 Mid-term Management Plan. In fiscal 2013, the first year of the current plan, Hitachi achieved record-high levels of operating income and EBIT, as well as year-on-year increases in revenues, net income attributable to Hitachi, Ltd. stockholders, and total Hitachi, Ltd. stockholders' equity ratio (manufacturing, services & others). We also achieved year-on-year increases in our service revenue ratio, which rose to 32%, and in our overseas revenue ratio, which reached 45%. As these figures illustrate, we have been making steady progress. Nevertheless, amid ever-accelerating globalization, we have also begun to identify a new series of challenges.

Fiscal 2014, the second year of the 2015 Mid-term Management Plan, will be critical in our continued efforts to promote further growth. Accordingly, we will promote measures to resolve the challenges we face and devise and implement specific growth strategies for each business division.

Specifically, to accelerate global initiatives in our Social Innovation Business, we will strengthen our engineering teams while allowing them to work more closely with sales teams in each country to formulate and propose solutions to our customer's business challenges. At the same time, we will strengthen our ability to fully support the business operations of our customers by offering consultations for the supply of products, systems, and services.

With regard to our products, we will strive to further enhance their competitiveness in global markets, in addition to offering "product services" that provide operation and maintenance support throughout the entire product lifecycle. Through these and other measures, we will work to provide solutions that fully resolve the challenges our customers face.

Regarding global business development, we have reaffirmed the importance of China and the United States as high-priority regions. China, along with Europe, India and Asia, had been designated a high-priority region, but the recent clarification of economic policies in the country has reaffirmed this status. The growing signs of economic growth potential in the United States also led us to reaffirm that country's status as a high-priority region. Accordingly, we have been stepping up our initiatives in these two countries. In June 2014, Hitachi Group senior executives convened in Beijing where they formulated a new growth strategy that we are now implementing. In April 2014, we assigned a vice president and executive officer to the United States to act as head of our global IT service business. We also established the position of global chief executive officer for our rail systems business in the United Kingdom. These executives have commenced autonomous decentralized operations. In these ways, we are aggressively promoting the globalization of our management.

To ensure the steady development of global business, it is essential that we increase our ability to generate cash. Towards that end, we will take steps to improve profitability and continue implementation of the Hitachi Smart Transformation Project, our cost structure reform project. Taking an end-to-end perspective, we will reevaluate business processes, from order receipt to design, manufacturing, sales, and service. In this way, we will enhance the efficiency of our entire operation, thereby achieving further cost reductions and generating cash in the process.

To effectively advance these measures, it is essential that we optimize and nurture our global talent. We are currently establishing a global, Group-wide human resources management platform that will help us place the right people in the right jobs and maximize the performance of our employees, wherever they may be.

We have also taken steps to strengthen our management system so that we can promote our growth strategies, which is a top priority. In October 2013, we appointed nine "C-suite" officers, including a CFO and a CMO, and we clarified the missions of our executive officers. Furthermore, in April 2014, we were appointed as Hitachi's Chairman & CEO and President & COO, respectively. In our new roles, we will continue to enhance Hitachi's management agility while steering the Group on a clear course towards solid and sustained growth. Furthermore, we will stimulate growth in profits by allocating this newly created cash to strategic investments, thereby ensuring a steady continuation of the current growth phase. Through these and other measures, we are confident that we can meet the expectations of our shareholders.

Working together under this new management system, each and every member of the Hitachi Group will strive to reach the targets of the 2015 Mid-term Management Plan and achieve further growth. Accordingly, as an important shareholder of Hitachi, Ltd., we would like to ask you for your continued understanding and support.

July 2014

Hiroaki Nakanishi	Toshiaki Higashihara
Chairman & CEO	President & COO

Hitachi Takes on Global Challenges

Targeting Global Growth

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Taking Aggressive Steps to Increase Management Efficiency and Achieve Business Growth through the Effective Use of IT

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Supporting the Globalization of Hitachi with World-class Governance and Compliance

SECTION 1

Message from the CFO

Implementing Financial Strategies to Succeed in Global Markets

Focusing on strategic investment to strengthen Hitachi's ability to generate cash and expand the Social Innovation Business.

Bolstering Cash Flow Management

In fiscal 2013, Hitachi achieved new record highs in operating income—¥532.8 billion—and in EBIT—¥580.1 billion. Nonetheless, we are aiming to reach the level of our overseas competitors in global markets, and accordingly we are not satisfied with this performance.

Hitachi currently faces a shortage of the funds needed to be highly competitive and record growth in global markets. The recent trend in large M&A transactions is toward cash deals instead of share exchanges, and Hitachi will need to secure sufficient cash to respond rapidly to these types of changes in the competitive environment. Accordingly, generating a high level of profits, building a stronger balance sheet, and strengthening cash generation capacity are urgent issues for Hitachi, and the Group has formulated measures to drive improvements in those areas.

Specifically, we are taking steps to improve the Cash Conversion Cycle, such as reducing the days working capital ratio. We are also striving to cut costs by shortening the lead time from order to delivery in order to reduce work in process and inventories. Moving forward, we will take further steps to increase cash. For example, by raising the precision of demand forecasting and responding in a timely manner to customer demand, we will shorten the accounts receivable collection period and reduce excess inventories. To steadily execute these types of measures, we are reforming the cost structure through the Hitachi Smart Transformation Project and boosting our cash generation capacity through the E2E (End-to-End) Supply Chain Project. These projects are being implemented on a Group-wide basis.

Strategic Investment to Expand the Social Innovation Business

Under the 2015 Mid-term Management Plan, we are conducting aggressive strategic investment to expand the Social Innovation Business. We are carefully considering investment effectiveness, including not only capital and R&D expenditures but also M&A transactions implemented to rapidly secure management resources, such as customer service platforms and solution development capabilities. At the same time, we are maintaining a focus on the balance between implementing these investments, strengthening our financial position, and providing a return to shareholders.

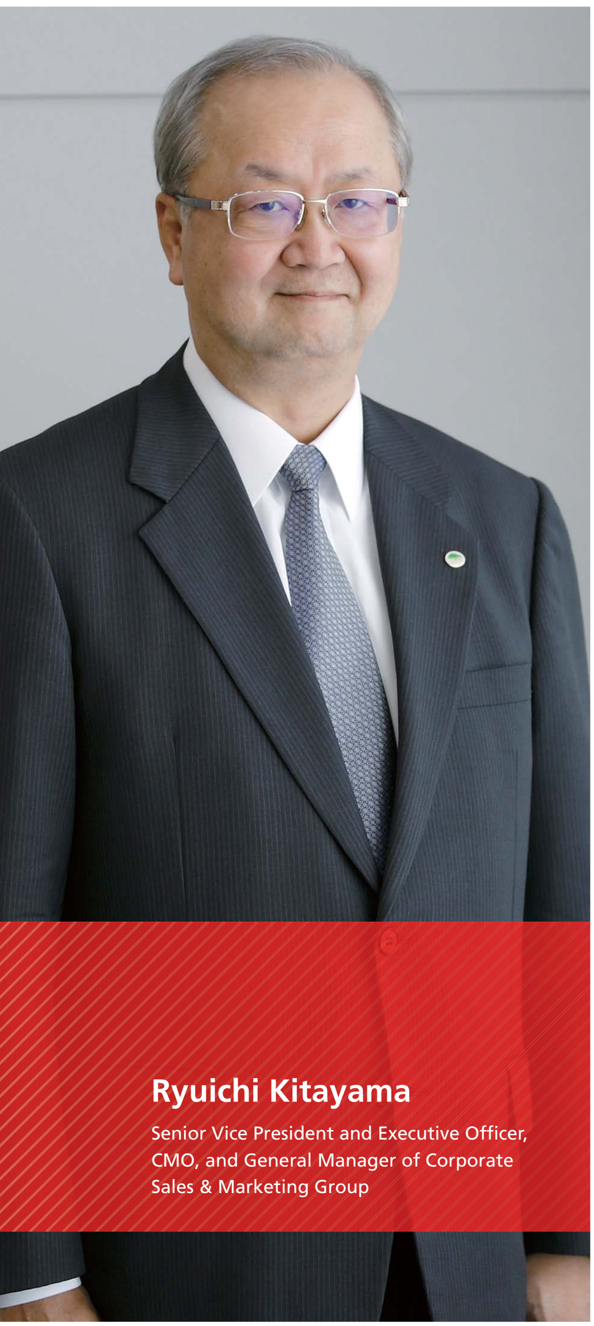
In the Social Innovation Business, there are projects for which the periods are long and considerable amounts of time are required to recover the upfront investments. Going forward, we will strive to bolster our risk management, enhance the precision of project earnings forecasting, and establish a favorable cycle of strategic investment and cash generation. In these ways, Hitachi will achieve further growth.

SECTION 2

Message from the CMO

Working with Customers to Identify Their Challenges and Provide Innovative Solutions

Strengthening our sales and engineering teams to accelerate global growth in the Social Innovation Business.



Ryuichi Kitayama

Senior Vice President and Executive Officer, CMO, and General Manager of Corporate Sales & Marketing Group

Driving Top-Line Growth

Hitachi's 2015 Mid-term Management Plan includes the target of ¥10 trillion in revenues for the Hitachi Group, and sales teams and front-end engineers are responsible for driving progress toward the achievement of that target as well as further growth in the years ahead. To realize global growth, we will strengthen our sales forces and expand our engineering teams, which will cooperate closely with sales teams in each country and work to solve the challenges of our customers. In this way, Hitachi will enhance and strengthen its system for the proposal of solutions.

Marketing and Sales Strategies Targeting Business Growth

Looking at specific regions, Hitachi has reaffirmed the position of China and North America as priority regions and will implement focused initiatives in these markets. China is an important region that accounts for about 10% of the revenues of the Hitachi Group. With ongoing urbanization and the development of the service industry, we expect the market in China to continue to record stable growth. Although some matters of concern exist in China, such as rising labor costs, we will take steps to strengthen our risk management system as we strive to contribute to the resolution of social challenges, including environmental problems and social infrastructure improvement.

Like China, North America accounts for about 10% of our total revenues. In the United States, there is a full-scale trend toward bringing manufacturing back to the domestic market. Sales of automotive products are expected to increase, and new businesses are being created in the IT and other sectors. In this advanced market, the members of the Hitachi Group will work together to expand solutions-related businesses, principally in IT and infrastructure.

In Japan, strategic IT investment is rising, centered on the financial sector. We also anticipate increased investment in social infrastructure as a part of national resilience projects, as well as higher demand for transmission and distribution systems due to electric power system reform. Moving forward, we will propose solutions for these domestic infrastructure rebuilding initiatives and actively respond to demand related to the overseas advances of our customers.

Moreover, Hitachi will take steps to accelerate the growth of its global customer base as a true business partner that can contribute to solving the challenges of customers. To that end, we will aggressively implement initiatives to attain top sales for clients with strong growth potential in the energy, natural resources, and infrastructure fields.

Hitachi's sales and marketing divisions will propose solutions to achieve top-line growth and will take the lead in markets around the world as the Hitachi Group works to expand the Social Innovation Business.

SECTION 3

Message from the CTO

Fostering Innovation That Shapes the Future of Society through Customer-oriented R&D

We will push forward R&D to expand services and establish a global research network. In this way, we will use innovative technologies to address the challenges facing society.

Customer-Oriented R&D

The Hitachi Group has approximately 5,000 people working in R&D and invests about 4% of consolidated revenues in R&D activities on an ongoing basis. With these resources, we are embarking on the R&D of technologies that will foster innovation. Through such innovation, we will shape the future of society.

To resolve the challenges facing customers through the use of innovative technologies, the most important task is to first identify and understand those challenges. To that end, we emphasize a customer-oriented approach and conduct R&D in locations close to markets and customers.

The 2015 Mid-term Management Plan includes objectives of more than 40% for the service revenue ratio and more than 50% for the overseas revenue ratio. For these objectives, we are focusing on two initiatives in particular. The first is the implementation of R&D activities targeting the expansion of services. It will be extremely challenging to raise the service revenue ratio from 32% in fiscal 2013 to more than 40% in fiscal 2015. To achieve that objective, we are bolstering technical development related to product services, which entail the provision of support throughout the entire product lifecycle, such as operation and maintenance. These initiatives include the use of big data analysis for the infrastructure facility failure predictive diagnosis system. In addition, to strengthen solutions for customers' issues as a service, we are focusing on technology development through such means as an ethnography survey by which we closely observe customers' operations and identify substantial issues.

The second initiative is the establishment of a global research network targeting the expansion of overseas business. We are aiming to expand our global customer base and to increase the overseas revenue ratio to more than 50%. To meet those objectives, we will promote R&D that is in line with local needs. Accordingly, we are expanding our overseas bases, such as the Big Data Research Laboratory in the United States, the European Nuclear Research Centre in the United Kingdom, and the European Rail Research Centre, also in the United Kingdom. In addition, we will support the development of solutions through global sharing of the most advanced technology from each region.

Hitachi's Mission and R&D

The Mission of the Hitachi Group is to "contribute to society through the development of superior, original technology and products." Conducting R&D into innovative technologies and services—and providing the results to customers in the form of products and services—is the foundation of the value provided to society by Hitachi. It is also the source of our growth potential.

To foster innovation around the world, we will not limit ourselves to conventional technical development. Rather, we will accelerate customer-oriented activities targeting the resolution of the challenges facing society.

Keiji Kojima

Vice President and Executive Officer,
CTO, and General Manager of Research & Development Group

SECTION 4

Message from the CTrO

Establishing a Globally Competitive Cost Structure through the Hitachi Smart Transformation Project

Improving our earning power and cash generation capacity by reducing costs as well as drastically overhauling our business practices and organizational structure.

Tatsuro Ishizuka

Executive Vice President and Executive Officer, CTrO, and Deputy General Manager of Smart Transformation Project Initiatives Division

Transforming Hitachi through Cost Structure Reforms

To further enhance its position in global markets and keep pace with its competitors, Hitachi has been implementing the Hitachi Smart Transformation Project since 2011. This cost structure reform project is being implemented on a Group-wide basis. By drastically overhauling our previous business practices and organizational structure, we have been making steady progress toward our cost-reduction objective. In comparison with fiscal 2010, we aim to reduce costs by approximately ¥400.0 billion over the five years from fiscal 2011 to 2015.

This project extends beyond conventional cost reductions, which center on lowering costs in each division. It is also focused on improving earning power and cash generation capacity to advance Hitachi to the next stage of growth. To that end, we are overhauling business practices from the perspective of overall global optimization and implementing rigorous measures to increase the efficiency of operations and organizational structures.

Specifically, from the top down we are implementing shared initiatives that leverage the economies of scale of the Hitachi Group. These initiatives include IT platform consolidation, supply chain reforms, and global, centralized purchasing initiatives. From the bottom up, we are implementing advanced initiatives from the front lines, such as the use of modular design to reduce the numbers of parts and shorten production processes. These initiatives will be shared Group-wide.

In carrying out this project, the most important factor is transforming the mind-set of every Hitachi employee around the world. It is natural to have some hesitation about changing previous business practices, but for Hitachi to succeed in global competition, we must sweep away preconceived ideas and aggressively advance the Group's transformation.

Advancing to the Next Stage of Growth through Full-Scale Process Reforms

In the first stage of the project, we promoted measures to make reductions in the areas of production costs, direct materials costs, and indirect costs. Through fiscal 2013, we achieved a cumulative total reduction of about ¥220.0 billion. Moving forward, in the second stage, we will further deepen and enhance measures in each cost area and implement full-fledged process reforms through the reevaluation of business processes from end to end. To optimize the entire value chain, from demand forecasting to development, marketing, design, procurement, production, sales, installation, and service, we will standardize and consolidate business practices and frameworks for each process and will rigorously eliminate any redundancies. We will also enhance our organizational structure to ensure that the Hitachi Group can make full use of its capabilities.

Through these measures, we will strongly drive increases in our ability to generate the cash that is necessary for investment in growth, and we will accelerate initiatives so that Hitachi can realize sustained growth as a truly global company.

SECTION 5

Message from the CIO

Taking Aggressive Steps to Increase Management Efficiency and Achieve Business Growth through the Effective Use of IT

Hitachi will work to further enhance its management by effectively using IT, not only to implement back-office functions but also to improve management decision making and operations.

IT's Role in Management

In corporate management, IT is a platform for increasing management efficiency and achieving business growth. As CIO, it is my duty to achieve both of these objectives through strategic IT investment.

To increase management efficiency, we are accelerating the process of reviewing and improving operations by using IT to visualize activities throughout the operational value chain, including order receipt, parts procurement, and management accounting. The Hitachi Group's business operations are expanding globally, and to respond rapidly to changes in the management environment we have developed an IT platform that utilizes cloud computing. In addition, we have established a Global Human Capital Database for the purpose of nurturing and utilizing Hitachi Group employees worldwide, who have a diverse range of skills.

We are also actively using IT to advance business growth. In the past, the data handled by IT systems was principally generated by corporate activities, such as business transactions and management actions. The central role of IT in business was the efficient processing of this type of information. Hitachi uses IT at a more advanced level. Through the analysis and evaluation of big data gathered and stored from sensors that monitor the operations of equipment and systems, Hitachi is advancing initiatives to resolve its own management and operational issues. In this way, the IT division, which was previously treated as a single administrative division, is being repositioned as a frontline unit that provides support to Hitachi's management.

The fact that IT is one of Hitachi's businesses is itself a strength in the use of IT within the Group. Moving forward, we will strive to leverage the full capabilities of IT to further enhance Hitachi's management.

Boosting Cash Generation through the E2E Supply Chain Project

In fiscal 2013, we established the E2E (End-to-End) Supply Chain Project Division to boost cash generation. Through the E2E Supply Chain Project, the division will work to raise Hitachi's overall operational efficiency by reevaluating operational processes, such as demand forecasting and service provision, with an end-to-end perspective. In addition, the division will take steps to improve the Cash Conversion Cycle through the visualization of management information, such as cash receipts and disbursements. The cash generated by those improvements will then be used for growth investment.

We will aggressively implement initiatives to improve the Cash Conversion Cycle to the level of leading overseas companies by fiscal 2015. At the same time, we will coordinate these activities with the Hitachi Smart Transformation Project, a cost structure reform initiative.

Shinjiro Iwata

Executive Vice President and Executive Officer, CIO, and General Manager of End-to-End Supply Chain Project Division

SECTION 6

Message from the Head of MONOZUKURI & Quality Assurance

Reinforcing the Foundation for Quality and Cost Competitiveness through MONOZUKURI Capabilities

Achieving highly efficient operations by accelerating the overseas shift of the value chain.

Hiroshi Nakayama

Vice President and Executive Officer,
Head of MONOZUKURI & Quality Assurance

High-Quality Products at Low Cost

My mission is the prompt delivery of high-quality products that meet customer needs at low cost. From the viewpoint of MONOZUKURI (design, manufacture, or repair of products), Hitachi is advancing the shift of the value chain overseas bases—from demand forecasting, design, and procurement to manufacturing and service. We are taking steps to build the optimal design and production system and conduct manufacturing in the best location. In this way, we are enhancing the efficiency of our global operations.

In addition, the MONOZUKURI viewpoint is being used to bolster supply chain management through the E2E (End-to-End) Supply Chain Project. Hitachi is implementing this project on a Group-wide basis to strengthen cash generation. For example, we have introduced a cloud system that facilitates the optimization of product inventories based on demand forecasting data, and we have increased efficiency in logistics through the consolidation of warehouses. Through these efforts, we are improving cash flow by shortening lead times and reducing inventories.

Strengthening MONOZUKURI Capabilities Globally with Modular Design and Production in the Best Location

To increase design efficiency and enhance cost competitiveness, we are promoting standardization in design and manufacturing through the introduction of modular design. The modular design method reduces the number of different parts and shortens product lead times by modularizing and standardizing parts. First, we develop a thorough understanding of the specifications of the product needed by the customer. We then conduct basic design in Japan, where we have a high level of technical skills, and detailed design at local bases in line with regional needs. We have already completed the application of modular design to eight products, and we have started to apply it to an additional 14 products. Design determines about 80% of manufacturing costs, and accordingly the introduction of modular design will enable Hitachi to efficiently provide products that meet customer needs.

In addition, in order to globalize manufacturing in the best location, we are making advances in the nurturing of overseas engineers, and enhancing operational efficiency by delegating authority to local design departments and rapidly implementing design that meets detailed needs in the local market. In Japan, Hitachi will strengthen its manufacturing bases and utilize them as “mother factories” to establish the technologies that the Company will use to mass-produce new products.

Some of these initiatives will not generate results for a long period of time, perhaps five to 10 years. Nonetheless, by continually and steadily implementing initiatives Hitachi will build a design and manufacturing system that can rapidly respond to changes in markets and customer needs. We are committed to MONOZUKURI backed by leading-edge technologies. Moving forward, we will make continued progress with MONOZUKURI that offers superior quality and cost competitiveness.

SECTION 7

Message from the CPO

Strengthening Competitiveness across the Value Chain through Reforms Targeting Global Integrated Procurement Operations

Bolster its global competitiveness through Group-wide initiatives to accelerate reductions in direct materials costs.

To provide products that meet the needs of markets and customers in terms of quality, delivery and cost, Hitachi needs to strengthen competitiveness across the global value chain by optimizing processes ranging from demand forecasting to design, manufacturing and service delivery.

The Corporate Procurement Division is working to respond rapidly to changes in the needs of markets and customers. To that end, the division is advancing reforms to implement Global Integrated Procurement Operations, which leverage optimal combinations of three axes—regions, businesses and products. In addition, the division is accelerating collaboration with business partners. In these ways, the Corporate Procurement Division will strive to contribute to gains in profitability and cash flow by reducing costs, centered on direct materials costs, and to support the generation of new value in the development of products and services.

Specifically, we set targets for production costs from the product design, development, and pre-order stages. On that basis, we work to implement "cost planning," under which we develop specifications to achieve those targets and select products and business partners. We also take steps to expand and bolster "global procurement" and to augment "centralized purchasing." To advance these initiatives, we must build close relationships with competitive business partners around the world, as well as with design, manufacturing and other divisions throughout the Hitachi Group. To that end, the Corporate Procurement Division is providing a range of proposals and consultations from the perspective of procurement and taking steps to strengthen its capabilities in "Procurement Engineering," which will enhance the competitiveness of the Group's value chain.

These initiatives have been positioned as one part of the Hitachi Smart Transformation Project, a cost structure reform project that the Company is implementing on a Group-wide basis. Accordingly, the Corporate Procurement Division is working on joint initiatives in close cooperation with other internal divisions, such as design, R&D, MONOZUKURI and quality assurance, and with Group companies that have specialized functions related to procurement activities. I believe that this aggressive advancement of procurement reform on a Group-wide basis is a major strength of the Hitachi Group in comparison with its competitors.

In fiscal 2014, to reinforce Hitachi's progress toward the achievement of the 2015 Mid-term Management Plan, the Corporate Procurement Division will focus on implementing the planned initiatives and work to increase its overall competitiveness. As we strive to be a world-class procurement division, we will do our utmost to contribute to the overall growth of Hitachi's businesses.

Shinichiro Omori

Vice President and Executive Officer, CPO, and General Manager of Corporate Procurement Division

SECTION 8

Message from the CHRO

Achieving Worldwide Business Growth with Global Human Resources Management

Building a strong organization to lead the growth of the Hitachi Group by maximizing the performance of diversified employees.

Hidenobu Nakahata

Vice President and Executive Officer, CHRO, and General Manager of Human Capital Group

Globalization of the Management System and Human Resource Management

Human resource are the engine of Hitachi's growth, and under the 2015 Mid-term Management Plan, human resources play a central role in Hitachi's initiatives to advance the global development of the Social Innovation Business. Our most important challenge is the nurturing and utilization of human resources that are well versed in the frontline situation in each country and can provide solutions in local markets. To enable our highly skilled, diverse global talent around the world to work to their full potential, without regard to nationality, language or gender, we have commenced global human resource management. We are accelerating initiatives for leaders on a Group-wide, global basis, such as implementing standardized educational programs and rotations for candidates for Group management positions and aggressively advancing the appointment of non-Japanese executives.

Strengthening the Foundation for Leveraging Human Resources

These initiatives are supported by the Group-wide human resource management platform, and accordingly Hitachi has taken steps to strengthen this platform. First, in fiscal 2012, we completed a Global Human Capital Database, which contains information for about 250,000 Hitachi Group employees. In fiscal 2013, we completed Hitachi Global Grading, which ranks management positions on a common scale that applies to approximately 50,000 managers. As a result, we have established a platform that enables us to search among Group employees worldwide to find the people who are the best fit for a specific project and assign them to the optimal position. This framework enables Hitachi to respond rapidly to changes in the markets.

Also, in fiscal 2014 we are establishing Global Performance Management, which is a framework for goal management, evaluation, and coaching. We will strive to maximize the performance of employee and organizations by clearly linking the objectives of the Hitachi Group with those of individual employees and taking steps to reform work methods.

Going forward, we will endeavor to support Hitachi's business growth by using this platform to nurture and leverage human resources with diverse backgrounds and to establish strong organizations that can succeed in global competition.

SECTION 9

Message from the General Counsel

Supporting the Globalization of Hitachi with World-class Governance and Compliance

We strive to achieve highly transparent and trustworthy management through initiatives targeting a rigorous approach to corporate governance and compliance. These initiatives reflect an emphasis on diversity in governance and a global commitment to compliance.

Strengthening Corporate Governance to Address the Globalization of Management

In strengthening corporate governance, Hitachi is focusing on diversity. Hitachi has adopted the Committee System, which provides a clear separation of the management oversight and business execution functions. The Board of Directors, which is responsible for management oversight, includes the Nominating Committee, Audit Committee, and Compensation Committee, with outside directors accounting for the majority of members of each committee. With this governance structure, Hitachi increases management transparency and builds a decision-making framework that reflects a variety of viewpoints from inside and outside Hitachi. Since fiscal 2012, outside directors, including non-Japanese, have accounted for the majority of the members of the Board of Directors and brought global perspectives to the Board of Directors through active discussions based on diverse experience and expertise. We, Hitachi, held meetings of the Board of Directors in India in 2012 and in the United States in 2013 and discussed the business strategies for each region. Moving forward, the Board not only considers reports from the business execution side but also steps up its function as a venue for brainstorming about specific strategies. In these ways, the Board sets the course of Hitachi for increasing the corporate value of the Hitachi Group.

In advancing global business initiatives, the incorporation of diverse values has special meaning from a risk management perspective. Hitachi will continue working to reflect a wide variety of opinions in its management and striving to further enhance its corporate governance.

Thorough Compliance on a Group-wide Basis

As the Hitachi Group is advancing global initiatives for its Social Innovation Business, in these endeavors, it is extremely important for the Group to secure the trust of its stakeholders in each country. In addition, taking a rigorous approach to compliance overseas is more important than ever before.

In fiscal 2009, the Hitachi Group formulated the Hitachi Global Compliance Program (HGCP) and has implemented auditing and employee education based on this program. The HGCP is designed to prevent corruption, which is the focus of strengthened regulations worldwide. Under the HGCP, employees in each country follow unified rules to prevent the occurrence of corruption, a major compliance risk. In addition, in 2010, the Hitachi Group established the Hitachi Group Codes of Conduct, which internalize ISO26000 and other international rules. In this way, the entire Hitachi Group shares a more stringent level of ethical values than the laws of each country. The Hitachi Group will continue to strengthen its compliance system, centered on the HGCP, and will rigorously implement the Hitachi Group Codes of Conduct.

Toshiaki Kuzuoka

Senior Vice President and Executive Officer,
General Counsel & Head of Corporate Communication, and
Head of Risk Management

Financial Highlights

Hitachi, Ltd. and subsidiaries

	FY2013	FY2012	FY2011	FY2010	FY2009	FY2008
For the year:						
Revenues	¥9,616,202	¥9,041,071	¥9,665,883	¥9,315,807	¥8,968,546	¥10,000,369
Operating income	532,811	422,028	412,280	444,508	202,159	127,146
EBIT (earnings before interest and taxes)	580,153	358,015	573,218	443,812	77,815	(275,239)
Net income (loss) attributable to Hitachi, Ltd. stockholders	264,975	175,326	347,179	238,869	(106,961)	(787,337)
Cash flows from operating activities	439,406	583,508	447,155	841,554	798,299	558,947
Cash flows from investing activities	(491,363)	(553,457)	(195,584)	(260,346)	(530,595)	(550,008)
Free cash flows	(51,957)	30,051	251,571	581,208	267,704	8,939
Cash flows from financing activities	32,968	(180,445)	(167,838)	(584,176)	(502,344)	284,388
Cash dividends declared	50,711	47,690	36,727	36,133	—	9,971
Capital investment (Property, plant and equipment)	849,877	742,537	649,234	556,873	546,326	788,466
Depreciation (Property, plant and equipment)	329,833	300,664	360,358	382,732	441,697	478,759
R&D expenditures	351,426	341,310	412,514	395,180	372,470	416,517
At year-end:						
Total assets	11,016,899	9,809,230	9,418,526	9,185,629	8,964,464	9,403,709
Property, plant and equipment	2,342,091	2,279,964	2,025,538	2,111,270	2,219,804	2,393,946
Total Hitachi, Ltd. stockholders' equity	2,651,241	2,082,560	1,771,782	1,439,865	1,284,658	1,049,951
Interest-bearing debt	2,823,049	2,370,079	2,396,454	2,521,551	2,367,143	2,820,109
Number of employees	320,725	326,240	323,540	361,745	359,746	361,796
Per share data:						
Net income (loss) attributable to Hitachi, Ltd. stockholders:						
Basic	¥54.86	¥37.28	¥76.81	¥52.89	¥(29.20)	¥(236.86)
Diluted	54.85	36.29	71.86	49.38	(29.20)	(236.87)
Cash dividends declared	10.5	10.0	8.0	8.0	—	3.0
Total Hitachi, Ltd. stockholders' equity	549.02	431.13	382.26	318.73	287.13	315.86
Financial ratios:						
Operating income ratio	5.5	4.7	4.3	4.8	2.3	1.3
EBIT ratio	6.0	4.0	5.9	4.8	0.9	–2.8
Return on revenues	2.8	1.9	3.6	2.6	–1.2	–7.9
Return on equity (ROE)	11.2	9.1	21.6	17.5	–9.2	–48.9
Return on assets (ROA)	2.4	1.8	3.7	2.6	–1.2	–8.4
D/E ratio (including noncontrolling interests) (times)	0.73	0.75	0.86	1.03	1.04	1.29
Total Hitachi, Ltd. stockholders' equity ratio	24.1	21.2	18.8	15.7	14.3	11.2

Notes:
1. In order to be consistent with financial reporting principles and practices generally accepted in Japan, operating income is presented as total revenues less cost of sales and selling, general administrative expenses. The Company believes that this is useful to investors in comparing the Company's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, restructuring charges, net gain or loss on sales and disposal of rental assets and other property and impairment losses for long-lived assets are included as part of operating income.
2. The restructuring charges mainly represent special termination benefits incurred with the reorganization of our business structures, and as the result of the Company and its subsidiaries reviewing and reshaping the business portfolio.
3. EBIT is presented as income before income taxes less interest income plus interest charges.
4. The Company has changed the number of employees to exclude temporary employees starting from the year ended March 31, 2010. The figure for the prior year has been restated to reflect the current year's presentation.

Millions of yen

FY2007	FY2006	FY2005	FY2004
¥11,226,735	¥10,247,903	¥9,464,801	¥9,027,043
345,516	182,512	256,012	279,055
335,729	214,218	289,959	280,150
(58,125)	(32,799)	37,320	51,496
791,837	615,042	690,875	565,356
(637,618)	(786,170)	(501,362)	(526,988)
154,219	(171,128)	189,513	38,368
(185,556)	121,259	(261,638)	(99,429)
19,947	19,974	36,641	36,462
969,087	1,048,572	954,706	959,593
541,470	472,175	451,170	425,080
428,171	412,534	405,079	388,634
10,530,847	10,644,259	10,021,195	9,736,247
2,653,918	2,688,977	2,460,186	2,357,931
2,170,612	2,442,797	2,507,773	2,307,831
2,531,506	2,687,450	2,419,044	2,502,506
347,810	349,996	327,324	323,072

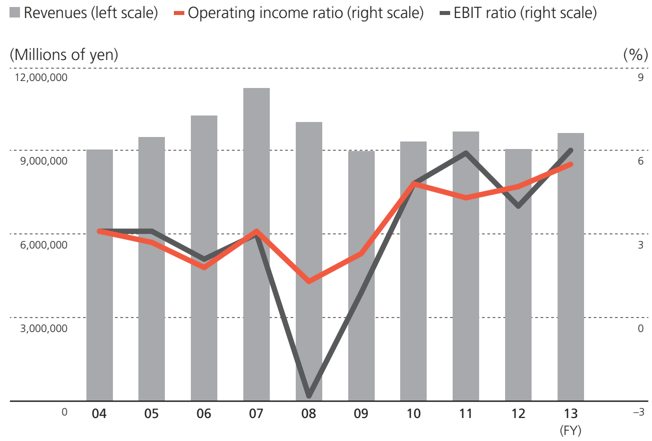
Yen

¥(17.48)	¥(9.84)	¥11.20	¥15.53
(17.77)	(9.87)	10.84	15.15
6.0	6.0	11.0	11.0
652.95	734.66	752.91	692.73

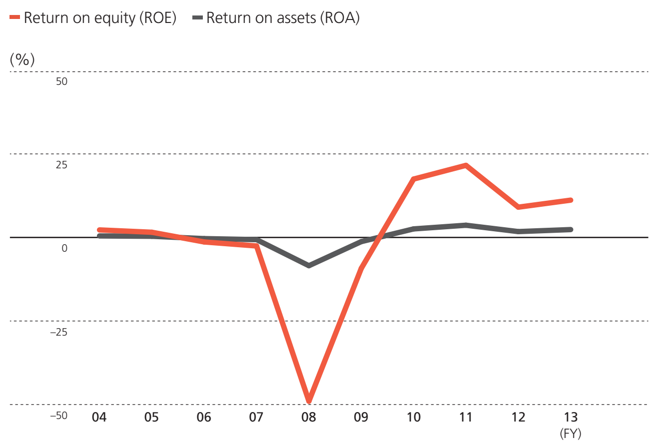
%

3.1	1.8	2.7	3.1
3.0	2.1	3.1	3.1
–0.5	–0.3	0.4	0.6
–2.5	–1.3	1.5	2.3
–0.6	–0.3	0.4	0.5
0.76	0.76	0.68	0.78
20.6	22.9	25.0	23.7

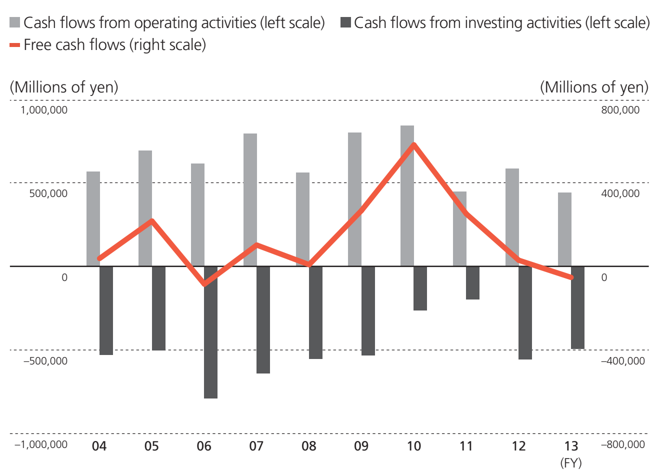
Revenues / Operating income ratio / EBIT ratio



Return on equity (ROE) / Return on assets (ROA)



Cash flows



Segment Information

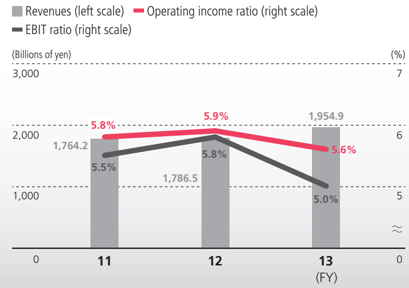
Information & Telecommunication Systems


Hitachi Virtual Storage Platform G1000

Main Products and Services

Systems Integration
Outsourcing
Services
Software
Disk Array Subsystems
Servers
Mainframes
Telecommunications Equipment
ATMs

Revenues and Profit



Share of Revenues

FY2013
18%

Overseas Revenue Ratio

FY2013
30%

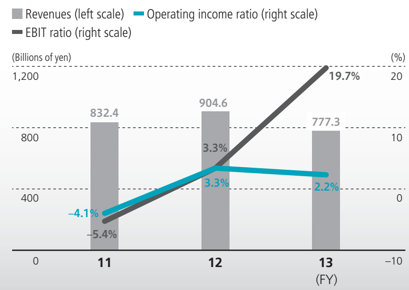
Power Systems


Wind Power Generation System
Wind Power Kamisu DAIICHI Offshore Wind Farm, Wind Power Ibaraki, Co., Ltd.

Main Products and Services

Thermal Power Generation Systems
Nuclear Power Generation Systems
Renewable Energy Power Generation Systems
Transmission & Distribution Systems

Revenues and Profit



Share of Revenues

FY2013
7%

Overseas Revenue Ratio

FY2013
40%

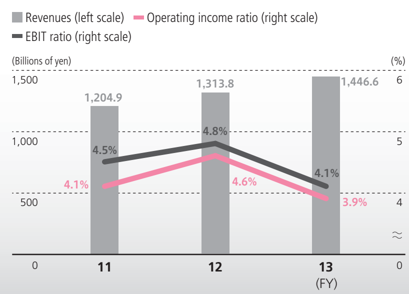
Social Infrastructure & Industrial Systems


Monorail System
Daegu Urban Railway Line 3 (Korea)

Main Products and Services

Industrial Machinery and Plants
Elevators
Escalators
Railway Systems

Revenues and Profit



Share of Revenues

FY2013
14%

Overseas Revenue Ratio

FY2013
36%

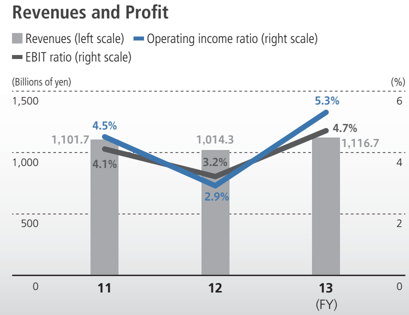
Electronic Systems & Equipment


Hitachi Medical's MRI System

Main Products and Services

Semiconductor and LCDs Manufacturing Equipment
Test and Measurement Equipment
Advanced Industrial Products
Medical Electronics Equipment
Power Tools

Revenues and Profit



Share of Revenues

FY2013
10%

Overseas Revenue Ratio

FY2013
55%

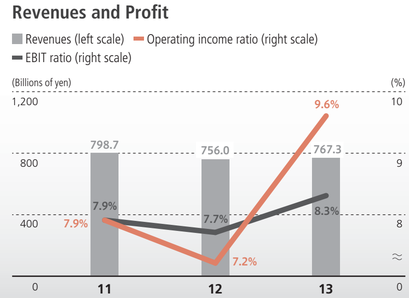
Construction Machinery


Hitachi Construction Machinery's Double-arm Working Machine

Main Products and Services

Hydraulic Excavators
Wheel Loaders
Mining Machinery

Revenues and Profit



Share of Revenues

FY2013
7%

Overseas Revenue Ratio

FY2013
73%

High Functional Materials & Components

Hitachi Chemical's Industrial Li-ion Batteries

Main Products and Services

Semiconductor and Display Related Materials

Circuit Boards and Materials

Automotive Parts (Molded Plastics, etc.)

Energy Storage Devices

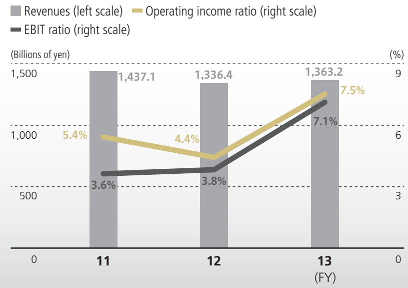
Specialty Steels

Magnetic Materials and Components

High Grade Casting Components and Materials

Wires and Cables

Revenues and Profit



Share of Revenues

FY2013

13%

Overseas Revenue Ratio

FY2013

43%

Automotive Systems

Hitachi Automotive Systems' Semi-Active Suspension System

Main Products and Services

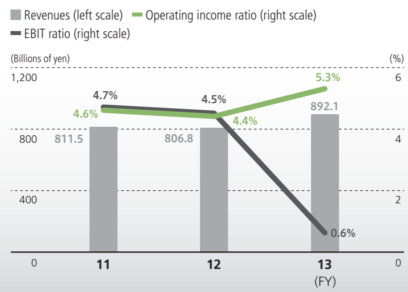
Engine Management Systems

Electric Powertrain Systems

Drive Control Systems

Car Information Systems

Revenues and Profit



Share of Revenues

FY2013

8%

Overseas Revenue Ratio

FY2013

49%

Digital Media & Consumer Products*

Hitachi Appliances' Multi-split Air Conditioner "FLEXMULTI" (High-efficiency Model)

Main Products and Services

Air-Conditioning Equipment

Room Air Conditioners

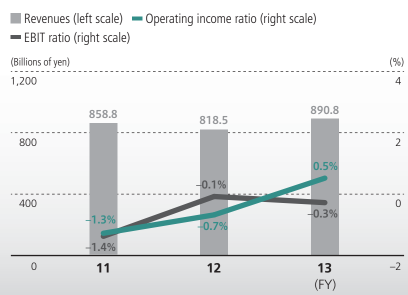
Refrigerators

Washing Machines

Optical Disk Drives

Flat-Panel TVs

Revenues and Profit



Share of Revenues

FY2013

8%

Overseas Revenue Ratio

FY2013

46%

Others (Logistics and Other services)

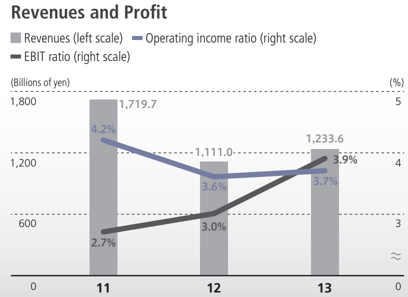
Hitachi Transport System's Truck and Metropolitan East Distribution Center

Main Products and Services

Logistics

Property Management

Revenues and Profit



Share of Revenues

FY2013

12%

Overseas Revenue Ratio

FY2013

25%

Financial Services

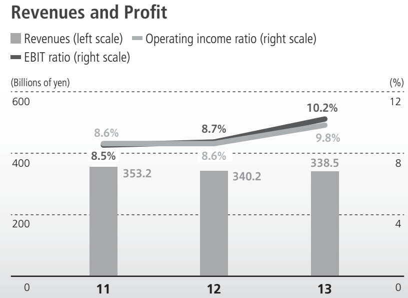
Hitachi Capital's Hitachi Corporate Card

Main Products and Services

Leasing

Loan Guarantees

Revenues and Profit



Share of Revenues

FY2013

3%

Overseas Revenue Ratio

FY2013

27%

* Effective on April 1, 2014, the former "Digital Media & Consumer Products" was renamed "Smart Life & Ecofriendly Systems."

CSR Management

As a global company, we share society's values and pursue sustainable growth by integrating management strategies and CSR. We align our CSR activities with our Mid-term Management Plan to realize the Hitachi Group Vision, creating both social and economic value.

Management Strategies and CSR

Hitachi's Vision

In conjunction with the start of the 2015 Mid-term Management Plan, which was announced in May 2013, the Hitachi Group Vision was created as a guide to what the Hitachi Group intends to become. The Vision embodies our firm commitment to help resolve the various challenges facing society as well as to contribute to the realization of a sustainable society.

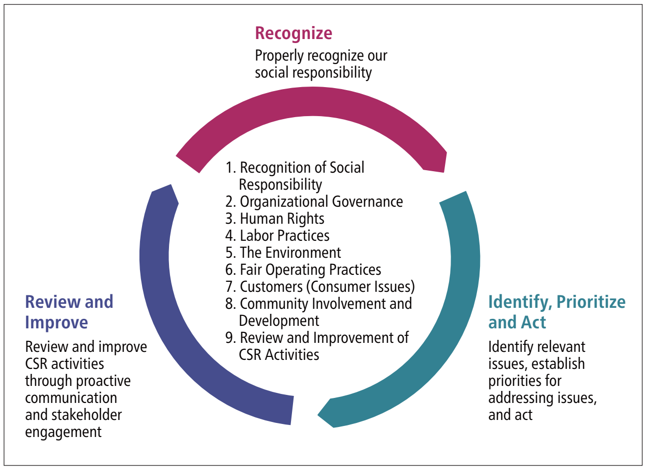
> *Hitachi delivers innovations that answer society's challenges. With our talented team and proven experience in global markets, we can inspire the world.*

For Hitachi, CSR is about realizing the world we envision in our Group Vision.

Hitachi's CSR Activities

To realize the Hitachi Group Vision, we have shared the CSR Policy of the Hitachi Group with all Group members. This policy, which was formulated in fiscal 2005, is the basis for our CSR activities. Looking toward the next Mid-term Management Plan which will start from fiscal 2016, to further integrate management strategies and CSR, we are revising our CSR Policy to a new framework using ISO26000. From fiscal 2014, we will further improve communications with our stakeholders to recognize and fulfill our social responsibilities. We will also reinforce the PDCA cycle to ensure execution of our activities and to improve the quality of our management.

New CSR Management Framework



Material Issues for Hitachi

We use a materiality process based on dialogues with stakeholders to identify material issues. To integrate our management strategies and CSR, we reflect, in our activities, material issues related to the key management policies in our Mid-term Management Plan and we seek to materialize CSR in line with our management strategy.

Environmental Activities

Accompanying economic and social development around the world, a range of environmental problems, such as climate change, resource depletion, and ecosystem destruction, are becoming increasingly severe.

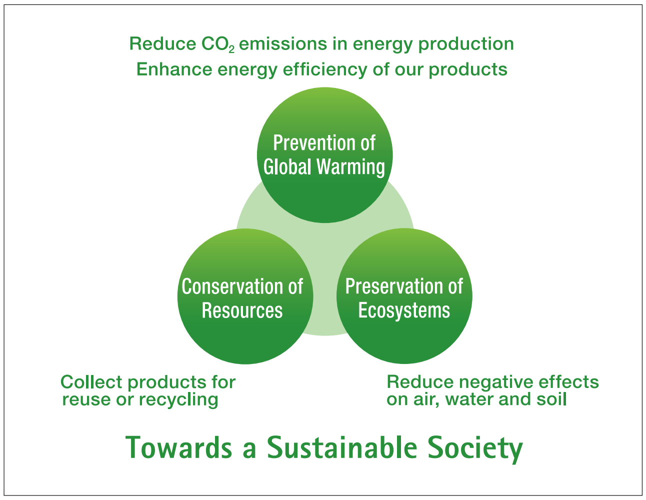
As a company engaged in the Social Innovation Business, we aim to achieve the environmental management described in our Environmental Vision or achieving a sustainable society by employing our company's resources to reduce the burden of human activities on the environment.

We are committed to global warming prevention, resource conservation, and ecosystems preservation as the three pillars of our vision. Our goal is to achieve a more sustainable society by promoting global production that reduces the environmental burden of a product throughout its lifecycle.

Environmentally Conscious Products and Services

We develop environmentally conscious products called Eco-Products as part of our efforts to make the burden on the environment of our products and services as small as possible. Eco-Products must meet specific environmentally conscious criteria for the design and development of products and services. These criteria are set in our Assessment for DfE (Design for Environment), which is used for the evaluation process. To advance the development of Eco-Products, we have set targets for raising the Eco-Product sales ratio, which is the ratio of Eco-Product sales to total product sales. In fiscal 2013, the Eco-Product sales ratio has reached 89%, surpassing our target of 84%.

The Hitachi Environmental Vision



Eco-Products that meet even more demanding requirements are designated as Eco-Products Select. In fiscal 2013, the number of products qualifying under the Eco-Products Select program increased to 210.

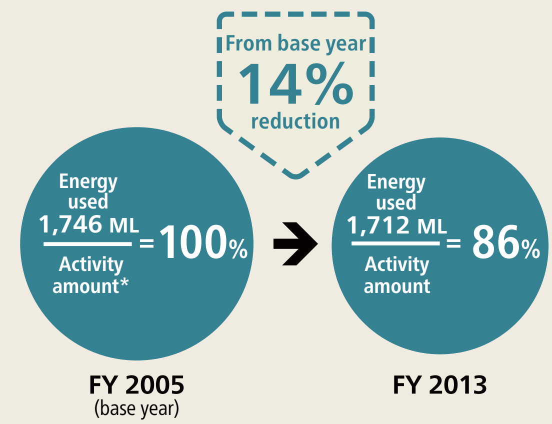
Environmentally Conscious Production

We have set targets for efficient energy use, waste amounts, chemical substance emissions, and water use to reduce the environmental burden of our business activities.

Creating Eco-Factories & Offices Select

The Eco-Factory & Office Select program certifies factories and offices that show a high level of environmental consciousness as well as outstanding results. In this way, the program promotes environmentally conscious production and encourages environmental action. Factories and offices certified under the Eco-Factory & Office Select program are reevaluated every fiscal year to confirm that their performance continues to meet the certification criteria. In fiscal 2013, 19 facilities obtained new certification and 36 facilities had their certifications renewed.

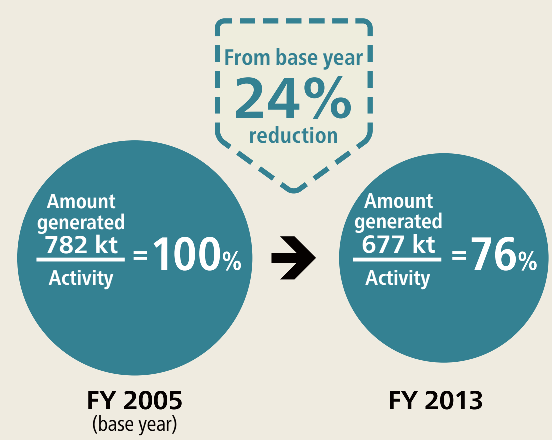
Reduction in Energy Use per Unit



* A value closely related to the emission factor numerators (environmental burden) of energy use from business activities, etc. (for example, production quantity, output, building floor space, and number of employees, etc.)

We reduce the energy use per unit as one way to use energy more efficiently. In fiscal 2013, we reduced this by 14 percent, surpassing the 11 percent target (from the base year fiscal 2005). For more reductions, we installed high-efficiency equipment, from LED lighting to inverter air conditioners, and are cutting energy by improving manufacturing processes.

Reduction in Waste and Valuables Generation per Unit



All factories and offices are recycling waste materials onsite and, with customers, are reducing transportation waste. Under the Zero Emission*1 initiative, which minimizes landfill disposal, 121 facilities achieved zero emission goal as of fiscal 2013.

*1 Zero emission: A final disposal rate (landfill disposal/waste) of less than 0.5 percent in any given year.

Corporate Governance

Hitachi, Ltd. and its seven listed subsidiaries have adopted the Committee System under the Companies Act of Japan (the "Companies Act"). By demarcating responsibilities for management oversight and those for the execution of business operations, Hitachi is working to create a framework for quick business operation, while making management highly transparent with outside Directors on the Board of Directors.

Some of Hitachi's Directors and Executive Officers serve concurrently as Directors and committee members at Group companies. In addition, Hitachi is strengthening its integrated management of the Group, improving management oversight of Group companies, and executing business strategies formulated to enable the Hitachi Group to demonstrate its collective strengths. The goal is higher corporate value.

Board of Directors

The Board of Directors approves basic management policy for the Hitachi Group and supervises the execution of the duties of Executive Officers and Directors to sustainably enhance corporate value and shareholders' common interests. The basic management policy includes the medium-term management plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation, and Board of Directors Regulations. As of June 20, 2014, the Board of Directors was made up of 12 Directors, and two of them concurrently serve as Executive Officers. Hitachi aims to reinforce the supervisory function of the Board of Directors, of which seven outside Directors, including non-Japanese, account for the majority, reflecting their global and diverse viewpoints. Furthermore, Hitachi formulated and published Corporate Governance Guidelines outlining the framework of corporate governance, such as the function and composition of the Board of Directors, qualifications for outside Directors, and criteria for assessing the independence of outside Directors.

Corporate Governance Guidelines of Hitachi, Ltd.
http://www.hitachi.com/IR-e/corporate/governance/guidelines.html

Within the Board of Directors, there are three statutory committees—the Nominating Committee, the Audit Committee, and the Compensation Committee—with outside Directors accounting for the majority of members of each committee. The Board of Directors meetings were held 10 days during the fiscal year ended March 31, 2014, and the attendance rate of Directors at these meetings was 99%. To assist with the duties of the Board of Directors and each committee, staffs who are not subject to orders and instructions of Executive Officers are assigned.

(1) Nominating Committee

The Nominating Committee has the authority to determine particular proposals submitted to the general meeting of shareholders for the election and dismissal of Directors. The Nominating Committee consists of four Directors, three of whom are outside Directors.

The Nominating Committee meetings were held five days during the fiscal year ended March 31, 2014.

(2) Audit Committee

The Audit Committee has the authority to audit the execution of duties of Directors and Executive Officers and to determine proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors. The Audit Committee consists of five Directors, including three outside Directors and two standing Audit Committee members.

The Audit Committee meetings were held 15 days during the fiscal year ended March 31, 2014.

(3) Compensation Committee

The Compensation Committee has the authority to determine remuneration policies for Directors and Executive Officers and remuneration for individuals based on these policies. The Compensation Committee consists of four Directors, three of whom are outside Directors.

The Compensation Committee meetings were held four days during the fiscal year ended March 31, 2014.

Executive Officers

Executive Officers decide on matters delegated to them by the Board of Directors and execute Hitachi's business affairs within the scope of assignments determined by the Board of Directors. As of June 20, 2014, Hitachi had 31 Executive Officers.

Senior Executive Committee

The Senior Executive Committee is a council to ensure that the President deliberately decides on important managerial matters, which may affect the business of Hitachi or the Hitachi Group, through discussing these matters from diverse viewpoints. This committee consists of 10 members as of June 20, 2014: the Chairman & CEO, the President and COO, five Executive Vice Presidents and Executive Officers, and three Senior Vice Presidents and Executive Officers.

Director and Executive Officer Compensation

Compensation for Directors and Executive Officers is commensurate with the ability required of them as well as their responsibilities, while compensation packages at other companies are also taken into consideration.

The compensation for Directors consists of a monthly salary and a year-end allowance. The monthly salary is decided by making adjustments to the basic salary that reflects full-time or part-time status, committee membership and position, and travel from place of residence, among other factors. The year-end allowance is a pre-determined amount equivalent to about 20% of the Director's annual income based on the monthly salary, although this amount may be reduced depending on Hitachi's performance. Directors concurrently serving as Executive Officers are not paid compensation as Directors.

The compensation for Executive Officers consists of a monthly salary and a performance-linked component. The monthly salary is decided by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment. The performance-linked component is set within a range equivalent to about 30% of the

Executive Officer's annual income and adjusted based on Hitachi and individual performance.

The compensation structure for Directors and Executive Officers was re-examined starting with compensation for the fiscal year ended March 31, 2009, and the retirement allowance was abolished.

Compensation for Directors and Executive Officers for the fiscal year ended March 31, 2014, is as follows:

Compensation for Directors and Executive Officers

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)		Number of persons
		Monthly salary	Year-end allowance and performance-linked component	
Directors (excluding outside Directors)	161	142	18	5
Outside Directors	215	201	13	9
Executive Officers	1,989	1,275	714	31
Total	2,366	1,619	746	45

Notes:
1. The number of Directors excludes one Director who concurrently serves as an Executive Officer.
2. The amount of compensation to outside Directors includes the monthly salary for one outside Director who retired due to the expiration of his term of office at the close of the 144th Ordinary General Meeting of Shareholders held on June 21, 2013.

In addition, Directors or Executive Officers for whom compensation from Hitachi and its subsidiaries is not less than ¥100 million and the amount of their compensation are as follows:

Name	Company	Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)	
				Monthly salary	Performance-linked component
Hiroaki Nakanishi	Hitachi, Ltd.	Executive Officer*	173	122	51

* Although concurrently serving as Director, Mr. Hiroaki Nakanishi does not receive compensation as Director.

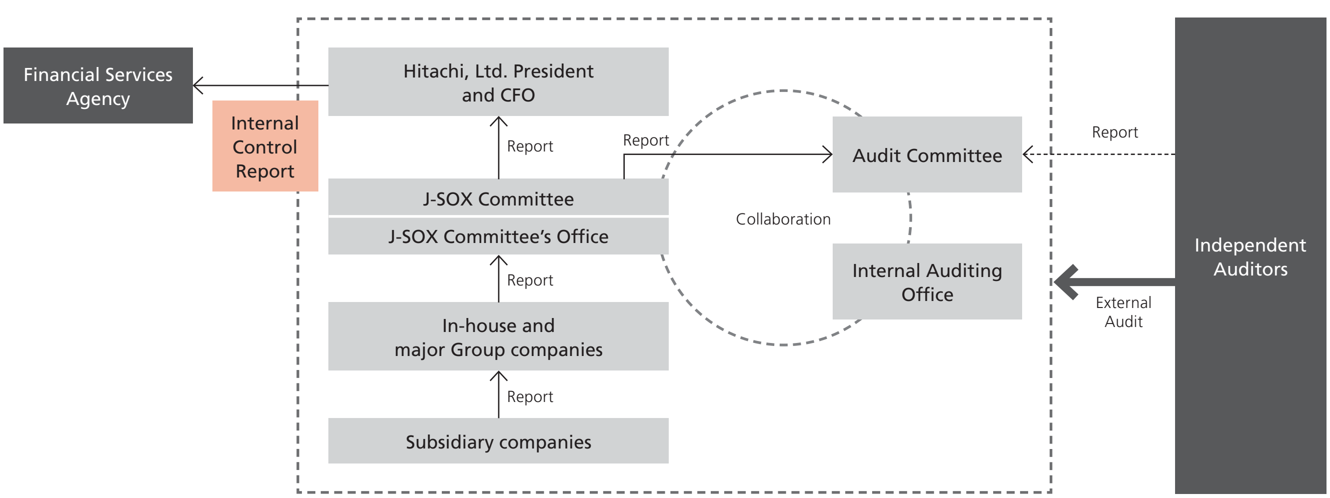
Internal Control over Financial Reporting

To ensure the reliability of the financial reporting for the Group as a whole, the Hitachi Group has documented control procedures, from company-level controls to process-level controls, in accordance with policies determined by the J-SOX Committee.

In regard to assessment of the internal control over the financial reporting, Hitachi is advancing the establishment of systems for objective assessment at each in-house company and major Group company. The J-SOX Committee's Office summarizes the assessment results of each company to confirm the effectiveness of internal control on a Group-wide, consolidated basis.

Hitachi Group Internal Control Assessment Framework

(As of March 31, 2014)



Risk Management

Hitachi conducts business activities in a wide range of fields in markets around the world. To prevent a variety of risk factors from having adverse effects on business continuity, the Hitachi Group is taking steps to strengthen risk management, such as utilizing a system with overall responsibility for compliance for the Hitachi Group.

Reinforcing the Risk Management System

The entire Hitachi Group is reinforcing management systems to address increasingly global and complex risks. In fiscal 2009, we formulated the Hitachi Global Compliance Program (HGCP), our basis for audits and educating employees. In fiscal 2013, we appointed a Hitachi Group Chief Compliance Officer (CCO), with overall responsibility for the Hitachi Group's compliance system, and CCOs in each business unit.

Moreover, in October 2013 we established the Risk Management Group, which consolidates a range of functions under the Head of Risk Management, such as internal audits, compliance, and crisis management (BCP),*1 that had previously been managed by separate departments. Moving forward, in addition to compliance, we will establish standards and systems for evaluating all risks related to our business activities, including business risks, and a comprehensive risk management system for final consideration of countermeasures at the management level.

*1 BCP: Business Continuity Plan: A plan for the rapid restoration and continued implementation of core operations in the event of an emergency.

Risk Management System

Risk Management Group
- Compliance
- Export Control
- Crisis Management (BCP / disaster response)
- Internal Audits, etc.

+

Standards and systems for evaluating business and other risks

↓

Comprehensive risk management system at the management level

Compliance Reporting System

We instituted a Group-wide whistle-blowing system to prevent illegal and unethical behavior, to promptly address infractions, and to enhance our ability to self-regulate. People can report directly to the Compliance Department at Hitachi or to an outside attorney. This system can be used not only by Hitachi employees but also by former employees, temporary staff, and business partners. Another system—the Channel to the Board of Directors—has been introduced to allow employees to report problems anonymously and directly to Hitachi's Board of Directors.

For all reports, an investigation is conducted and the facts are confirmed. If the report is an onymous, then the results of the investigation are communicated to the person who made the report. In addition, an appropriate response is implemented, such as corrective measures as needed.

Corruption Prevention Initiatives

To address the global risk of bribery, with reference to the U.S. Foreign Corrupt Practices Act (USFCPA)*2 Resource Guide and other laws and regulations, in fiscal 2013, we formulated possible bribery risk scenarios and conducted surveys related to bribery risk at Group companies outside Japan. Based on the responses to those surveys, we identified companies that had a specified risk corresponding to the risk scenarios. Moving forward, we will take steps to reduce compliance risk on a global basis through such means as auditing and education, centered on the companies that were identified.

*2 U.S. Foreign Corrupt Practices Act (USFCPA) has two main provisions. One prohibits the bribery of foreign government officials, and the other requires accounting transparency in accordance with the Securities Exchange Act. The anti-bribery provision prohibits bribery of foreign government officials and is under the jurisdiction of the U.S. Department of Justice. The accounting provision requires that accounting records accurately and fairly reflect transactions and that an appropriate system of internal accounting controls is maintained. This provision is under the jurisdiction of the U.S. Securities and Exchange Commission.

Preventing Violations of the Antimonopoly Law

The Hitachi Group operates on the principles of "conformance with the law and business ethics" and "fair and disciplined competition." However, Hitachi, Ltd. was penalized for impairing the fairness of a public bid in fiscal 2002, and we received administrative orders in September 2006, October 2008, and March 2009 for violating Japan's Antimonopoly Law.

In November 2012, a subsidiary dealing in automotive components received administrative orders from the Japan Fair Trade Commission for violating the Antimonopoly Law. In September 2013, the same company was prosecuted by the U.S. Department of Justice for violating U.S. antitrust laws, resulting in a plea bargain. The company concluded a plea agreement and paid a fine of 195 million U.S. dollars (¥19.0 billion) in November 2013.

As part of measures to prevent recurrence, we are publicizing messages from top executives, developing internal regulations, conducting regular audits, and providing education and training to employees based on a compliance manual.

Export Control

Hitachi's basic policy for export control is a provision of the Hitachi Standards of Corporate Conduct,*3 which states that we "shall help maintain international peace and security through compliance with trade laws and regulations." We adopted rules for controlling security exports based on this policy in 1987. For all goods and technologies intended for export, we screen for destination countries and regions, end users, and end uses, and we conduct strict export control in accordance with laws and regulations. We provide guidance to promote the implementation of export controls by Hitachi Group companies in Japan and overseas in accordance with this policy. We also implement training support and other measures. In fiscal 2013, we held workshops in the United States and implemented working-level training for Hitachi Group companies in the United States. In addition, we continue to implement e-learning related to export controls for all employees. In fiscal 2013, this e-learning was provided for about 20,000 people at 111 Group companies in Japan and overseas.

*3 Hitachi Standards of Corporate Conduct: Created by Hitachi, Ltd. to ensure full awareness of Hitachi's mission and role and to enable Hitachi to continue to grow as a truly global enterprise.

BCP Formulation

Being deeply committed to the social infrastructure, we are enhancing our BCPs to guard against risks that could cause disruption to business operations that severely impact society. In December 2006, we created the Hitachi Group Guidelines for Developing Business Continuity Plans, and in fiscal 2010 we translated them into English and Chinese for distribution to all Hitachi Group companies worldwide to prepare for large-scale disasters and other risks.

When the Great East Japan Earthquake hit Japan in March 2011, our BCP helped us to make immediate response and decision . On the other hand, a number of problems became clear, such as tracking secondary suppliers and beyond, using the cloud and redundant systems for production information, and securing alternative means of transportation and stock of fuel. Based on the lessons that we learned from the disaster, in October 2011, we issued new Hitachi Group BCP guidelines for departmental implementation to further enhance our business continuity planning. By the end of fiscal 2011, 49 business divisions of Hitachi, Ltd. and 96 Hitachi Group companies in Japan completed developing and revising BCPs for earthquakes and new strains of influenza. Overseas, 303 companies took steps on to formulate BCPs, with the objective of completing the BCPs by the end of fiscal 2013. In this way, Hitachi Group is strengthening its ability to respond to business risks, such as large-scale disasters, new strains of influenza, political disturbances, rioting, and terrorism.

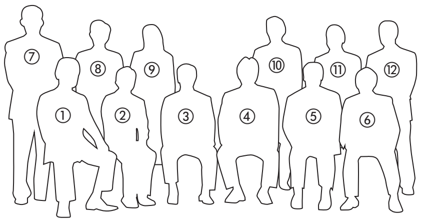
Strengthening Safety Measures for Employees Working in Dangerous Regions

Following the hostage incident in Algeria*4 in January 2013, the President instituted a policy in February 2013 for ensuring the safety of employees dispatched to regions with high risks of war, conflicts and terrorism. Under this policy, security assessment is conducted by in-house and outside experts before employees are dispatched to a high-risk region. In addition, after deployment, additional surveys are conducted every half year to confirm effectiveness of safety measures. In fiscal 2013, we made such an assessment in several countries in the Middle East and Africa and secured the safety of employees who work all around the world.

*4 Algerian hostage crisis: Incident in January 2013 in which an armed terrorist group attacked a natural gas refining plant in Algeria. There were more than 30 victims, including 10 Japanese.

Board of Directors

As of June 30, 2014



① Sadayuki Sakakibara ② Philip Yeo ③ Hiroaki Nakanishi ④ Toshiaki Higashihara
⑤ George Buckley ⑥ Nobuo Katsumata ⑦ Takashi Miyoshi ⑧ Harufumi Mochizuki
⑨ Cynthia Carroll ⑩ Hiroaki Yoshihara ⑪ Takashi Hatchoji ⑫ Nobuo Mochida

Outside Directors

Nobuo Katsumata	Senior Corporate Advisor, Marubeni Corporation
Cynthia Carroll	Non-Executive Director, BP plc. (UK)
Sadayuki Sakakibara	Chairman of the Board, Toray Industries, Inc.
George Buckley	Chairman, Arle Capital Partners Limited (UK)
Harufumi Mochizuki	President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd.
Philip Yeo	Chairman, SPRING Singapore
Hiroaki Yoshihara	Outside Director, Murata Manufacturing Co., Ltd.

Directors

Hiroaki Nakanishi*	Chairman & CEO
Takashi Hatchoji	Chairman of the Board, Hitachi America, Ltd.
Toshiaki Higashihara*	President & COO
Takashi Miyoshi	
Nobuo Mochida	

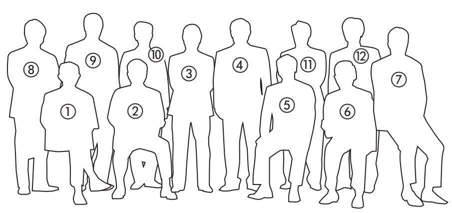
(Notes)
Directors are listed by position and in Japanese alphabetical order within each grouping.
* Denotes directors who serve concurrently as executive officers.

Each committee is composed of the following members (Chair underlined):

Nominating Committee:	Nobuo Katsumata, Sadayuki Sakakibara, Harufumi Mochizuki, Hiroaki Nakanishi
Audit Committee:	Takashi Miyoshi, Nobuo Katsumata, Harufumi Mochizuki, Hiroaki Yoshihara, Nobuo Mochida
Compensation Committee:	Harufumi Mochizuki, Nobuo Katsumata, Sadayuki Sakakibara, Toshiaki Higashihara

Executive Officers

As of June 30, 2014



① Koji Tanaka ② Toyoaki Nakamura ③ Hiroaki Nakanishi ④ Toshiaki Higashihara ⑤ Tatsuro Ishizuka
⑥ Toshiaki Kuzuoka ⑦ Shinjiro Iwata ⑧ Toshikazu Nishino ⑨ Ryuichi Kitayama ⑩ Yutaka Saito
⑪ Junzo Nakajima ⑫ Masahiro Kitano

Chairman & CEO

Hiroaki Nakanishi*	General management

President & COO

Toshiaki Higashihara*	Overall operations

Executive Vice Presidents and Executive Officers

Tatsuro Ishizuka*	Cost structure reform, power systems business and infrastructure systems business
Shinjiro Iwata*	Information technology strategies
Yutaka Saito*	Information & telecommunication systems business
Koji Tanaka*	Strengthening of products
Junzo Nakajima	Regional strategies (Asia Pacific)
Toyoaki Nakamura*	Finance and corporate pension system

Senior Vice Presidents and Executive Officers

Masahiro Kitano	Healthcare business
Ryuichi Kitayama*	Marketing and sales
Toshiaki Kuzuoka*	Corporate communications and CSR, legal matters, government & external relations, risk management and corporate auditing
Toshikazu Nishino	Management strategies

Vice Presidents and Executive Officers

Toshio Ikemura	Infrastructure systems business (urban planning and development systems business)
Hiroto Uozumi	Power systems business (nuclear power systems business)
Shinichiro Omori	Supply chain management (procurement)
Kaoru Kawano	Infrastructure systems business (sales operations)
Yoshifumi Kanda	Marketing and sales, and power systems business (sales operations)
Yoshihito Kitamatsu	Finance and corporate pension system
Kazuhiro Kurihara	Marketing and sales
Kenichi Kokubo	Regional strategies (China)
Keiji Kojima	Research & development
Kunizo Sakai	Infrastructure systems business
Kaichiro Sakuma	Information & telecommunication systems business
Keiichi Shiotsuka	Information & telecommunication systems business (system solutions and services business)
Akira Shimizu	Marketing and sales
Yasuo Tanabe	Government & external relations
Yoshitaka Tsuda	Information & telecommunication systems business (sales operations)
Hidenobu Nakahata	Human capital
Hiroshi Nakayama	Supply chain management (MONOZUKURI and quality assurance)
Katsumi Nagasawa	Power systems business
Masaya Watanabe	Information & telecommunication systems business (global service business promotion)

(Notes)
Executives are listed by position and in Japanese alphabetical order within each grouping.
* Denotes executive officers who are representative executive officers.

Operating and Financial Review

Operating Results

Effective from April 1, 2013, the Company adopted earnings before interest and taxes ("EBIT"), which is presented as income before income taxes less interest income plus interest charges, as the measurement for the consolidated operating results.

Summary

Years ended March 31:	Millions of yen 2014	2013	Percent change
Total revenues	¥9,616,202	¥9,041,071	6%
EBIT	580,153	358,015	62%
Income before income taxes	568,182	344,537	65%
Net income	364,030	237,721	53%
Net income attributable to Hitachi, Ltd. stockholders	264,975	175,326	51%

Analysis of Statement of Operations

Total revenues increased 6% to ¥9,616.2 billion compared with the year ended March 31, 2013. This was due primarily to higher revenues in the Information & Telecommunication Systems segment mainly resulting from increased revenues from services business, and in the Social Infrastructure & Industrial Systems segment mainly resulting from strong performance of elevators and escalators in China. The increase in total revenues was also attributable to increased revenues in the Electronic Systems & Equipment, Automotive Systems, Digital Media & Consumer Products and Others (Logistics and Other services) segments. However, this increase was partially offset by decreased revenues in the Power Systems segment owing to the effects of the integration of the thermal power generation systems business into MITSUBISHI HITACHI POWER SYSTEMS, LTD., an equity-method affiliate. Our overseas revenues increased 17% to ¥4,312.7 billion compared with the year ended March 31, 2013, due primarily to higher revenues in Asia, North America and Europe.

Cost of sales increased 5% to ¥7,083.3 billion compared with the year ended March 31, 2013. The ratio of cost of sales to total revenues was 74%, a decrease of 1% compared with the year ended March 31, 2013.

Selling, general and administrative expenses increased 7% to ¥2,000.0 billion compared with the year ended March 31, 2013. The ratio of selling, general and administrative expenses to total revenues was 21%, which was approximately the same as in the year ended March 31, 2013.

Expenses related to competition law and others were posted in the amount of ¥76.8 billion in the year ended March 31, 2014. A breakdown of these expenses is as follows. We posted expenses of ¥19.0 billion in the Automotive Systems segment owing to the fact that Hitachi Automotive Systems, Ltd. has agreed with the United States Department of Justice to conclude a plea agreement regarding alleged violations of U.S. antitrust laws. In other cases, we posted expenses in relation to investigation in respect of alleged antitrust violations in Europe, certain civil disputes, occurring in connection with investigations and alleged antitrust violations in the U.S., and settlements of certain consequential losses involving dispute with customers.

Impairment losses for long-lived assets increased ¥10.5 billion to ¥33.7 billion, as compared with the year ended March 31, 2013. The Automotive Systems segment recognized impairment losses of ¥8.9 billion, due primarily to the battery businesses for automobiles projected lower-than-expected future income because of changes in market conditions. The Electronic Systems & Equipment segment recognized impairment losses of ¥6.4 billion, primarily due to the medical equipment business projected lower-than-expected future income because of severe market competition. The High Functional Materials & Components segment recognized impairment losses of ¥5.1 billion, due primarily to the deterioration of the profitability of the high-grade metal products and materials business because of decreased demand. The above impairment losses were determined on the basis of fair value estimates based primarily on discounted future cash flows.

Restructuring charges decreased ¥2.2 billion to ¥28.2 billion, as compared with the year ended March 31, 2013. In the year ended March 31, 2014, special termination benefits were ¥28.1 billion. This mainly consisted of special termination benefits expensed for rationalizing the workforce in the Information & Telecommunication Systems segment, for withdrawal from TV parts and other business in the Digital Media & Consumer Products segment, and for restructuring wires, cables and other relevant products business, which was undertaken to address the deterioration of the business environment, in the High Functional Materials & Components segment.

Interest income increased ¥0.9 billion to ¥14.1 billion, as compared with the year ended March 31, 2013.

Dividend income increased ¥1.7 billion to ¥8.1 billion, as compared with the year ended March 31, 2013.

Other income increased ¥156.8 billion to ¥183.1 billion, as compared with the year ended March 31, 2013. This increase was due primarily to an increase in the net gain on securities, which increased ¥155.8 billion to ¥173.1 billion, as compared with the year ended March 31, 2013. The net gain on securities mainly consisted of a gain associated with the transfer of the thermal power generation systems business.

Interest charges decreased ¥0.6 billion to ¥26.1 billion, as compared with the year ended March 31, 2013.

Loss on sale of stock of an affiliated company was posted in the amount of ¥5.9 billion in the year ended March 31, 2014.

Other deductions increased ¥5.2 billion to ¥7.7 billion, as compared with the year ended March 31, 2013.

Equity in net earning of affiliated companies in the year ended March 31, 2014 was ¥8.6 billion, as compared with net loss of ¥40.4 billion in the year ended March 31, 2013. This was due primarily to the fact that Renesas Electronics Corporation, which had reported losses in the year ended March 31, 2013, ceased to be our equity-method affiliate.

Income before income taxes increased ¥223.6 billion to ¥568.1 billion, and EBIT increased ¥222.1 billion to ¥580.1 billion, as compared with the year ended March 31, 2013.

Income taxes increased ¥97.3 billion to ¥204.1 billion due primarily to the increase in income before income taxes, as compared with the year ended March 31, 2013.

Net income increased ¥126.3 billion to ¥364.0 billion, as compared with the year ended March 31, 2013.

Net income attributable to noncontrolling interests increased ¥36.6 billion to ¥99.0 billion, as compared with the year ended March 31, 2013.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased ¥89.6 billion to ¥264.9 billion, as compared with the year ended March 31, 2013.

Operations by Segment

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

Effective April 1, 2013, the Company changed its measurement of segment profitability from operating income, which is presented as total revenues less total cost of sales and selling, general and administrative expenses in order to be consistent with financial reporting principles and practices generally accepted in Japan, to EBIT. Accordingly, the amounts previously reported for the year ended March 31, 2013 have been restated in conformity with the new measure of segment profit or loss.

Effective April 1, 2013, the Company changed the name of "Others" to "Others (Logistics and Other services)."

(Information & Telecommunication Systems)

Revenues were ¥1,954.9 billion, an increase of 9% compared with the year ended March 31, 2013. This increase was due primarily to increased sales in the services business and of ATMs for the overseas market, as well as increased revenues from the storage solution business due to the effects of foreign exchange rate fluctuations.

Segment profit decreased 5% to ¥98.5 billion, as compared with the year ended March 31, 2013. This decrease was due primarily to increased restructuring charges, partially offset by the increase in profits from the services business due mainly to higher revenues.

(Power Systems)

Revenues were ¥777.3 billion, a decrease of 14% compared with the year ended March 31, 2013. This decrease was due primarily to the effect of the transfer of the thermal power generation systems business and a significant decline in revenues from preventive maintenance services for nuclear power generation systems.

Segment profit increased 409% to ¥152.9 billion, as compared with the year ended March 31, 2013. This increase was due primarily to posting a gain associated with the transfer of the thermal power generation systems business, partially offset by the decrease in operating income owing to lower revenues.

(Social Infrastructure & Industrial Systems)

Revenues were ¥1,446.6 billion, an increase of 10% compared with the year ended March 31, 2013. The increase was due primarily to higher sales of elevators and escalators in China and other markets, and higher revenues from the railway systems business for overseas markets.

Segment profit decreased 7% to ¥59.1 billion, as compared with the year ended March 31, 2013. This decrease was due primarily to the decrease in operating income owing to lower earnings from overseas projects in social infrastructure systems business, partially offset by the higher profits from elevators and escalators and in the railway systems business resulting from increased revenues.

(Electronic Systems & Equipment)

Revenues were ¥1,116.7 billion, an increase of 10% compared with the year ended March 31, 2013. This increase was due primarily to increased sales of semiconductor manufacturing equipments and medical analysis systems at Hitachi High-Technologies Corporation and increased sales of semiconductor manufacturing equipments at Hitachi Kokusai Electric Inc., as well as increased revenues at Hitachi Koki Co., Ltd. and Hitachi Medical Corporation.

Segment profit increased 62% to ¥52.6 billion, as compared with the year ended March 31, 2013. This increase was due primarily to the increase in operating income resulting from higher revenues and the effect of business restructuring.

(Construction Machinery)

Revenues were ¥767.3 billion, an increase of 1% compared with the year ended March 31, 2013. This increase was due primarily to higher sales of hydraulic excavators in Japan and China, partially offset by lower sales of mining machinery in North America, Asia and Oceania.

Segment profit increased 9% to ¥63.3 billion, as compared with the year ended March 31, 2013. This increase was due primarily to the increase in operating income resulting from the effect of foreign exchange rate fluctuations and progress with cost-cutting programs, partially offset by the absence of large gains on the sale of subsidiary shares due to business restructuring that were recorded in the year ended March 31, 2013.

(High Functional Materials & Components)

Revenues were ¥1,363.2 billion, an increase of 2% compared with the year ended March 31, 2013. This increase was due primarily to the higher sales of automotive- and electronics-related products, partially offset by lower demand for HDD-related products and the effect of the withdrawal from unprofitable businesses.

Segment profit increased 90% to ¥96.5 billion, as compared with the year ended March 31, 2013. This increase was due primarily to the increase in operating income resulting from higher revenues, the effect of cost-cutting programs and business restructuring for the wires and cables business, and the absence of write-offs of inventories associated with a decrease in raw material prices that were recorded at Hitachi Metals, Ltd. in the year ended March 31, 2013. This increased segment profit was also attributable to the decrease in restructuring charges for the wires and cables business, etc.

(Automotive Systems)

Revenues were ¥892.1 billion, an increase of 11% compared with the year ended March 31, 2013. This increase was due primarily to higher demand for automobile in overseas markets and the last-minute demand ahead of the scheduled consumption tax rate increase in Japan.

Segment profit decreased 86% to ¥4.9 billion compared with the year ended March 31, 2013. This decrease was due primarily to posting expenses related to competition law and others owing to the fact that Hitachi Automotive Systems, Ltd. has agreed with the United States Department of Justice to conclude a plea agreement regarding alleged violations of U.S. antitrust laws, and posting impairment losses for the battery businesses for automobiles, partially offset by the increase in operating income resulting from higher revenues and associated improvement in capacity utilization.

(Digital Media & Consumer Products)

Revenues were ¥890.8 billion, an increase of 9% compared with the year ended March 31, 2013. This increase was due primarily to the last-minute demand ahead of the scheduled consumption tax rate increase in Japan and higher sales of air-conditioning equipments both in Japan and overseas.

Segment loss worsened ¥2.0 billion to ¥2.9 billion, as compared with the year ended March 31, 2013. This was due primarily to the increase in restructuring charges, partially offset by increased operating income resulting from higher revenues.

(Others (Logistics and Other services))

Revenues were ¥1,233.6 billion, an increase of 11% compared with the year ended March 31, 2013. This increase was due primarily to increased revenues at Hitachi Transport System, Ltd. resulting from business expansion through the consolidation of Japanese and overseas companies, and increased revenues at Hitachi Maxell, Ltd. owing to the succession of the LCD projectors business.

Segment profit increased 44% to ¥48.1 billion, as compared with the year ended March 31, 2013. This increase was due primarily to the increase in operating income resulting from higher revenues and the effects of promoting cost-cutting programs, as well as decreased restructuring charges.

(Financial Services)

Revenues were ¥338.5 billion, a decrease of 1% compared with the year ended March 31, 2013. This decrease was due primarily to the absence of recording revenues related to a large cancellation in the year ended March 31, 2013, partially offset by higher revenues from the overseas business.

Segment profit increased 18% to ¥34.6 billion, as compared with the year ended March 31, 2013. This increase was due primarily to the increase in operating income resulting from higher earnings from the overseas business and higher earnings as a result of the decrease in credit costs in Japan, as well as decreased restructuring charges.

Revenues by Geographic Area

	Millions of yen		
Years ended March 31:	**2014**	2013	Percent change
Japan	¥5,303,474	¥5,355,119	−1%
Outside Japan	4,312,728	3,685,952	17%
Asia	2,063,567	1,711,141	21%
North America	910,274	804,057	13%
Europe	812,120	636,840	28%
Other Areas	526,767	533,914	−1%
Total	¥9,616,202	¥9,041,071	6%

(Japan)

Revenues in Japan were ¥5,303.4 billion, a decrease of 1% compared with the year ended March 31, 2013. This decrease was due primarily to the significant decrease in revenues in the Power Systems segment owing to the effects of the transfer of the thermal power generation systems business, and the decrease in revenues in the High Functional Materials & Components segment owing to the withdrawal from unprofitable businesses, partially offset by the increases in revenues in the Information & Telecommunications Systems, Electronic Systems & Equipment, Construction Machinery and Digital Media & Consumer Products segments, etc.

(Asia)

Revenues in Asia were ¥2,063.5 billion, an increase of 21% compared with the year ended March 31, 2013. This increase was due to the increases in revenues in all segments, including the Information & Telecommunication Systems segment, which reported higher sales of ATMs in China, the Social Infrastructure & Industrial Systems segment, which reported higher sales of elevators and escalators mainly resulting from the effects of foreign exchange rates fluctuations, and the Digital Media & Consumer Products segment, which reported higher revenues resulting from higher sales of air-conditioning equipments and the effects of the foreign exchange rates fluctuations.

(North America)

Revenues in North America were ¥910.2 billion, an increase of 13% compared with the year ended March 31, 2013. This increase was due primarily to the increase in revenues in the Information & Telecommunication Systems segment, resulting from the effects of the foreign exchange rates fluctuations, the Electronic Systems & Equipment, High Functional Materials & Components, Automotive Systems and Others (Logistics and Other services) segments, partially offset by the decrease in revenues in the Construction Machinery segment owing to the lower sales of mining machinery.

(Europe)

Revenues in Europe were ¥812.1 billion, an increase of 28% compared with the year ended March 31, 2013. This increase was due to the increases in revenues in all segments, including the Information & Telecommunication Systems segment, which reported increased revenues resulting from the effects of the foreign exchange rates fluctuations, the Social Infrastructure & Industrial Systems segment, which reported increased revenues from the railway systems business and the Construction Machinery segment, which reported increased revenues in the U.K.

(Other Areas)

Revenues in other areas were ¥526.7 billion, a decrease of 1% compared with the year ended March 31, 2013. This decrease was due primarily to the decrease in revenues in the Power Systems segment owing to the effects of the transfer of the thermal power generation systems business, and in the Construction Machinery segment owing to decreased sales of mining machinery in Australia, etc. However, this decrease was partially offset by the increased revenues in the Others (Logistics and Other services) segment due to the consolidation of a Turkish company by Hitachi Transport System, Ltd.

Liquidity and Capital Resources

Our management considers maintaining an appropriate level of liquidity and securing adequate funds for current and future business operations to be important financial objectives. Through efficient management of working capital and selective investment in new plants and equipment, we are working to optimize the efficiency of capital utilization throughout our business operations. We endeavor to improve our group cash management by centralizing such management among us and our overseas financial subsidiaries. Our internal sources of funds include cash flows generated by operating activities and cash on hand. Our management also considers short-term investments to be an immediately available source of funds. In addition, we raise funds both in the capital markets and from Japanese and international commercial banks in response to our capital requirements. Our management's policy is to finance capital expenditures primarily by internally generated funds and to a lesser extent by funds raised through the issuance of debt and equity securities in domestic and foreign capital markets. In order to flexibly access funding, we maintain our shelf registration with the maximum outstanding balance of ¥300.0 billion and issued the straight bonds of ¥60.0 billion on December 13, 2013 for the purpose of repaying short-term debts (commercial paper) and meeting demand for funds for growth of the Social Innovation Business.

We maintain commitment line agreements with a number of domestic banks under which we may borrow in order to ensure efficient access to necessary funds. These commitment line agreements generally provide for a one-year term, renewable upon mutual agreement between us and each of the lending banks, as well as another commitment line agreement with a contract term of three years and two months ending in July 2016. These committed credit arrangements are, in general, subject to financial and other covenants and conditions both prior to and after drawdown, the most restrictive of which require maintenance of minimum issuer rating or long-term debt ratings from Rating and Investment Information, Inc. (R&I) of BBB-. As of March 31, 2014, our unused commitment lines totaled ¥515.1 billion, including these of ¥400.0 billion which the Company maintained.

We receive debt ratings from Moody's Japan K.K. (Moody's), Standard & Poor's Rating Japan (S&P), as well as R&I. Our debt ratings as of March 31, 2014 were as follows.

Rating Company	Long-term	Short-term
Moody's	A3	P-2
S&P	A–	A-2
R&I	A+	a-1

With our current ratings, we believe that our access to the global capital markets will remain sufficient for our financing needs. We seek to improve our credit ratings in order to ensure financial flexibility for liquidity and capital management, and to continue to maintain access to sufficient funding resources through the capital markets.

Cash Flows

Years ended March 31:	2014	2013
	Millions of yen	
Net cash provided by operating activities	¥439,406	¥583,508
Net cash used in investing activities	(491,363)	(553,457)
Net cash provided by (used in) financing activities	32,968	(180,445)
Effect of exchange rate changes on cash and cash equivalents	49,574	58,449
Net increase (decrease) in cash and cash equivalents	30,585	(91,945)
Cash and cash equivalents at beginning of year	527,632	619,577
Cash and cash equivalents at end of year	¥558,217	¥527,632

(Cash Flows from Operating Activities)

Net income amounted to ¥364.0 billion in the year ended March 31, 2014, an increase of ¥126.3 billion compared to the year ended March 31, 2013, due primarily to increases in operating income and net gain on securities. In the year ended March 31, 2014, trade receivables increased by ¥308.4 billion due primarily to the increase in revenues, whereas in the year ended March 31, 2013, a decrease in trade receivables of ¥71.7 billion was recorded. Inventories increased by ¥70.7 billion in the year ended March 31, 2014, whereas a decrease in inventories of ¥7.8 billion was recorded in the year ended March 31, 2013. Compared with the decrease in payables of ¥187.6 billion in the year ended March 31, 2013, payables increased by ¥54.3 billion in the year ended March 31, 2014. As a result of the foregoing, the net cash provided by operating activities was ¥439.4 billion in the year ended March 31, 2014, a decrease of ¥144.1 billion compared with the year ended March 31, 2013.

(Cash Flows from Investing Activities)

A net sum of ¥561.0 billion in the year ended March 31, 2014 was recorded as investments related to property, plant and equipment, where the collection of investments in leases, the proceeds from disposal of property, plant and equipment and the proceeds from disposal of tangible assets and software to be leased were subtracted from the amount of the capital expenditures, the purchase of intangible assets and the purchase of tangible assets and software to be leased, an increase of ¥72.7 billion from the year ended March 31, 2013. In addition, purchase of investments in securities and shares of newly consolidated subsidiaries decreased by ¥84.1 billion and amounted to ¥87.5 billion, due mainly to the absence of stock acquisitions related to the acquisition of Horizon Nuclear Power Limited in the year ended March 31, 2013. Proceeds from sale of investments in securities and shares of consolidated subsidiaries resulting in deconsolidation increased by ¥42.1 billion and amounted to ¥122.8 billion in the year ended March 31, 2014, due mainly to selling a part of shares of Western Digital Corporation. As a result of the foregoing, the net cash used in investing activities was ¥491.3 billion in the year ended March 31, 2014, a decrease of ¥62.0 billion compared with the year ended March 31, 2013.

(Cash Flows from Financing Activities)

Net decrease in short-term debt in the year ended March 31, 2014 was ¥203.8 billion, whereas net increase of ¥74.6 billion was recorded in the year ended March 31, 2013. A net sum of ¥338.8 billion was recorded as proceeds related to long-term debt, where the payments on long-term debts were subtracted from the proceeds from long-term debt, an increase of ¥495.4 billion from the year ended March 31, 2013. As a result of the foregoing, the net cash provided by financing activities was ¥32.9 billion in the year ended March 31, 2014, whereas the net cash of ¥180.4 billion was used in financing activities in the year ended March 31, 2013.

As a result of the above items, as of March 31, 2014, cash and cash equivalents amounted to ¥558.2 billion, net increase of ¥30.5 billion from March 31, 2013. Free cash flows, the sum of cash flows from operating and investing activities, represented an outflow of ¥51.9 billion in the year ended March 31, 2014, whereas an inflow of ¥30.0 billion was recorded in the year ended March 31, 2013.

Assets, Liabilities and Equity

As of March 31, 2014, total assets amounted to ¥11,016.8 billion, an increase of ¥1,207.6 billion from March 31, 2013. This increase was due primarily to an increase in accounts receivables mainly resulting from increased revenues, an increase in the value of foreign currency-denominated assets resulting from the translation due to the depreciation of yen, an increase in the value of marketable securities in line with higher stock market prices, and the effects of the consolidation of NBL Co., Ltd. at Hitachi Capital Corporation for strengthening the financial services business. Total cash and cash equivalents and short-term investments as of March 31, 2014 amounted to ¥567.3 billion, an increase of ¥29.3 billion from the amount as of March 31, 2013.

As of March 31, 2014, total interest-bearing debt, which represents the sum of short-term debt, long-term debt and non-recourse borrowings of consolidated securitization entities, amounted to ¥2,823.0 billion, an increase of ¥452.9 billion from March 31, 2013. This increase was due primarily to the issuance of straight bonds, the procurement of new long-term debt by the Company, and the effects of the consolidation of NBL Co., Ltd. at Hitachi Capital Corporation. As of March 31, 2014, short-term debt, consisting mainly of borrowings from banks and commercial paper, amounted to ¥647.2 billion, a decrease of ¥26.5 billion from March 31, 2013, due primarily to the repayment of commercial paper by the Company. As of March 31, 2014, long-term debt (excluding current portion), consisting mainly of debentures, debentures with stock acquisition rights, medium-term notes and loans principally from banks and insurance companies, amounted to ¥1,512.7 billion, an increase of ¥205.9 billion from March 31, 2013, due primarily to the issuance of straight bonds and the procurement of new long-term debt by the Company.

As of March 31, 2014, total Hitachi, Ltd. stockholders' equity amounted to ¥2,651.2 billion, an increase of ¥568.6 billion from March 31, 2013, due primarily to posting of net income attributable to Hitachi, Ltd. stockholders and a decrease in the accumulated other comprehensive loss resulting from the depreciation of yen and higher stock market prices. As a result, the ratio of total Hitachi, Ltd. stockholders' equity to total assets as of March 31, 2014 was 24.1%, compared with 21.2% as of March 31, 2013.

Noncontrolling interests as of March 31, 2014 was ¥1,201.2 billion, an increase of ¥104.4 billion from March 31, 2013.

The ratio of interest-bearing debt to total equity (the sum of total Hitachi, Ltd. stockholders' equity and noncontrolling interests) decreased to 0.73, compared with 0.75 as of March 31, 2013.

Consolidated Balance Sheets

Hitachi, Ltd. and Subsidiaries
March 31, 2014 and 2013

	Millions of yen	
Assets	**2014**	2013
Current assets:		
Cash and cash equivalents	¥ 558,217	¥ 527,632
Short-term investments	9,172	10,444
Trade receivables:		
Notes	143,675	110,316
Accounts	2,654,260	2,311,460
Net trade receivables	2,797,935	2,421,776
Investments in leases	262,953	270,899
Current portion of financial assets transferred to consolidated securitization entities	52,212	23,365
Inventories	1,407,055	1,437,399
Prepaid expenses and other current assets	616,326	498,623
Total current assets	5,703,870	5,190,138
Investments and advances, including affiliated companies	1,220,800	781,984
Property, plant and equipment:		
Land	492,383	518,313
Buildings	1,900,779	1,942,634
Machinery and equipment	4,901,505	5,207,010
Construction in progress	94,972	115,340
	7,389,639	7,783,297
Less accumulated depreciation	5,047,548	5,503,333
Net property, plant and equipment	2,342,091	2,279,964
Intangible assets:		
Goodwill	339,148	290,387
Other intangible assets	422,333	415,009
Total intangible assets	761,481	705,396
Financial assets transferred to consolidated securitization entities	185,818	131,379
Other assets	802,839	720,369
Total assets	¥11,016,899	¥9,809,230

Liabilities and Equity	2014	2013
	Millions of yen	
Current liabilities:		
Short-term debt	¥ 647,269	¥ 673,850
Current portion of long-term debt	464,234	260,185
Current portion of non-recourse borrowings of consolidated securitization entities	49,895	26,399
Trade payables:		
Notes	18,926	15,462
Accounts	1,331,288	1,219,402
Accrued expenses	937,401	924,591
Income taxes	72,839	56,278
Advances received	298,483	359,795
Other current liabilities	470,430	428,179
Total current liabilities	4,290,765	3,964,141
Long-term debt	1,512,720	1,306,747
Non-recourse borrowings of consolidated securitization entities	148,931	102,898
Retirement and severance benefits	749,913	913,211
Other liabilities	462,106	342,946
Total liabilities	7,164,435	6,629,943
Commitments and contingencies		
Equity:		
Common stock		
4,833,463,387 shares issued as of March 31, 2014 and 2013	458,790	458,790
Capital surplus	617,468	622,946
Retained earnings	1,587,394	1,370,723
Accumulated other comprehensive loss	(9,265)	(368,334)
Treasury stock, at cost	(3,146)	(1,565)
Total Hitachi, Ltd. stockholders' equity	2,651,241	2,082,560
Noncontrolling interests	1,201,223	1,096,727
Total equity	3,852,464	3,179,287
Total liabilities and equity	¥11,016,899	¥9,809,230

Consolidated Statements of Operations

Hitachi, Ltd. and Subsidiaries
Years ended March 31, 2014, 2013 and 2012

	2014	2013	2012
			Millions of yen
Revenues:			
Product sales	¥8,330,966	¥7,829,413	¥8,528,292
Financial and other services	1,285,236	1,211,658	1,137,591
Total revenues	9,616,202	9,041,071	9,665,883
Cost of sales:			
Product sales	(6,154,904)	(5,859,912)	(6,447,009)
Financial and other services	(928,459)	(884,079)	(831,962)
Total cost of sales	(7,083,363)	(6,743,991)	(7,278,971)
Selling, general and administrative expenses	(2,000,028)	(1,875,052)	(1,974,632)
Expenses related to competition law and others	(76,858)	–	–
Impairment losses for long-lived assets	(33,796)	(23,209)	(31,841)
Restructuring charges	(28,284)	(30,498)	(23,097)
Interest income	14,136	13,229	12,653
Dividend income	8,154	6,415	5,551
Other income	183,110	26,220	228,906
Interest charges	(26,107)	(26,707)	(28,141)
Loss on sale of stock of an affiliated company	(5,915)	–	–
Other deductions	(7,755)	(2,494)	(3,010)
Equity in net earning (loss) of affiliated companies	8,686	(40,447)	(15,571)
Income before income taxes	568,182	344,537	557,730
Income taxes	(204,152)	(106,816)	(144,922)
Net income	364,030	237,721	412,808
Less net income attributable to noncontrolling interests	99,055	62,395	65,629
Net income attributable to Hitachi, Ltd. stockholders	¥ 264,975	¥ 175,326	¥ 347,179

			Yen
Net income attributable to Hitachi, Ltd. stockholders per share:			
Basic	¥54.86	¥37.28	¥76.81
Diluted	54.85	36.29	71.86

Consolidated Statements of Comprehensive Income

Hitachi, Ltd. and Subsidiaries
Years ended March 31, 2014, 2013 and 2012

	2014	2013	2012
			Millions of yen
Net income	¥364,030	¥237,721	¥412,808
Other comprehensive income (loss) arising during the year			
Foreign currency translation adjustments	159,638	181,814	23,462
Pension liability adjustments	129,499	(12,040)	(44,149)
Net unrealized holding gain on available-for-sale securities	127,312	41,386	2,962
Cash flow hedges	(11,301)	(28,201)	(2,502)
Total other comprehensive income (loss) arising during the year	405,148	182,959	(20,227)
Comprehensive income	769,178	420,680	392,581
Less comprehensive income attributable to noncontrolling interests	143,791	117,490	49,446
Comprehensive income attributable to Hitachi, Ltd. stockholders	¥625,387	¥303,190	¥343,135

Consolidated Statements of Equity

Hitachi, Ltd. and Subsidiaries
Years ended March 31, 2014, 2013 and 2012

Millions of yen

2014

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive loss	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Noncontrolling interests	Total equity
Balance at beginning of year	¥458,790	¥622,946	¥1,370,723	¥(368,334)	¥(1,565)	¥2,082,560	¥1,096,727	¥3,179,287
Change in equity								
Conversion of convertible bonds	–	–	–	–	–	–	–	–
Equity transactions and other	–	(5,907)	–	(1,343)	–	(7,250)	(13,081)	(20,331)
Net income	–	–	264,975	–	–	264,975	99,055	364,030
Other comprehensive income, net of reclassification adjustments	–	–	–	360,412	–	360,412	44,736	405,148
Dividends to Hitachi, Ltd. stockholders	–	–	(48,304)	–	–	(48,304)	–	(48,304)
Dividends to noncontrolling interests	–	–	–	–	–	–	(26,214)	(26,214)
Acquisition of treasury stock	–	–	–	–	(4,431)	(4,431)	–	(4,431)
Sales of treasury stock	–	429	–	–	2,850	3,279	–	3,279
Total change in equity	–	(5,478)	216,671	359,069	(1,581)	568,681	104,496	673,177
Balance at end of year	¥458,790	¥617,468	¥1,587,394	¥ (9,265)	¥(3,146)	¥2,651,241	¥1,201,223	¥3,852,464

Millions of yen

2013

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive loss	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Noncontrolling interests	Total equity
Balance at beginning of year	¥427,775	¥600,243	¥1,242,110	¥(496,896)	¥(1,450)	¥1,771,782	¥1,002,213	¥2,773,995
Change in equity								
Conversion of convertible bonds	31,015	31,015	–	–	–	62,030	–	62,030
Equity transactions and other	–	(8,307)	–	698	–	(7,609)	1,186	(6,423)
Net income	–	–	175,326	–	–	175,326	62,395	237,721
Other comprehensive income, net of reclassification adjustments	–	–	–	127,864	–	127,864	55,095	182,959
Dividends to Hitachi, Ltd. stockholders	–	–	(46,713)	–	–	(46,713)	–	(46,713)
Dividends to noncontrolling interests	–	–	–	–	–	–	(24,162)	(24,162)
Acquisition of treasury stock	–	–	–	–	(162)	(162)	–	(162)
Sales of treasury stock	–	(5)	–	–	47	42	–	42
Total change in equity	31,015	22,703	128,613	128,562	(115)	310,778	94,514	405,292
Balance at end of year	¥458,790	¥622,946	¥1,370,723	¥(368,334)	¥(1,565)	¥2,082,560	¥1,096,727	¥3,179,287

Millions of yen

2012

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive loss	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Noncontrolling interests	Total equity
Balance at beginning of year	¥409,129	¥603,133	¥ 922,036	¥(493,062)	¥(1,371)	¥1,439,865	¥1,001,524	¥2,441,389
Change in equity								
Conversion of convertible bonds	18,646	18,646	–	–	–	37,292	–	37,292
Equity transactions and other	–	(21,527)	–	210	–	(21,317)	(26,464)	(47,781)
Net income	–	–	347,179	–	–	347,179	65,629	412,808
Other comprehensive loss, net of reclassification adjustments	–	–	–	(4,044)	–	(4,044)	(16,183)	(20,227)
Dividends to Hitachi, Ltd. stockholders	–	–	(27,105)	–	–	(27,105)	–	(27,105)
Dividends to noncontrolling interests	–	–	–	–	–	–	(22,293)	(22,293)
Acquisition of treasury stock	–	–	–	–	(126)	(126)	–	(126)
Sales of treasury stock	–	(9)	–	–	47	38	–	38
Total change in equity	18,646	(2,890)	320,074	(3,834)	(79)	331,917	689	332,606
Balance at end of year	¥427,775	¥600,243	¥1,242,110	¥(496,896)	¥(1,450)	¥1,771,782	¥1,002,213	¥2,773,995

Consolidated Statements of Cash Flows

Hitachi, Ltd. and Subsidiaries
Years ended March 31, 2014, 2013 and 2012

			Millions of yen
	2014	2013	2012
Cash flows from operating activities:			
Net income	¥ 364,030	¥ 237,721	¥ 412,808
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	329,833	300,664	360,358
Amortization	125,552	117,355	119,308
Impairment losses for long-lived assets	33,796	23,209	31,841
Deferred income taxes	59,868	2,394	21,509
Equity in net (earning) loss of affiliated companies	(8,686)	40,447	15,571
Gain on sale of investments in securities and other	(45,412)	(24,047)	(228,115)
Impairment of investments in securities	74	4,762	15,096
Gain associated with the thermal power generation systems business	(131,738)	–	–
(Gain) loss on disposal of rental assets and other property	223	3,119	(18,627)
(Increase) decrease in receivables	(308,492)	71,777	(259,211)
(Increase) decrease in inventories	(70,700)	7,860	(162,594)
(Increase) decrease in prepaid expenses and other current assets	(90,692)	(3,442)	987
Increase (decrease) in payables	54,327	(187,651)	119,177
Increase (decrease) in accrued expenses and retirement and severance benefits	51,946	8,177	(18,430)
Increase (decrease) in accrued income taxes	33,460	(25,697)	7,103
Increase (decrease) in other liabilities	46,125	(22,215)	(13,812)
Net change in lease receivables related to the Company's and its subsidiaries' products	1,021	12,051	27,012
Other	(5,129)	17,024	17,174
Net cash provided by operating activities	439,406	583,508	447,155
Cash flows from investing activities:			
Capital expenditures	(385,000)	(381,731)	(337,502)
Purchase of intangible assets	(118,870)	(105,842)	(106,042)
Purchase of tangible assets and software to be leased	(436,499)	(335,640)	(269,350)
Proceeds from disposal of property, plant and equipment	33,109	28,556	47,697
Proceeds from disposal of tangible assets and software to be leased	31,306	20,944	17,447
Collection of investments in leases	314,921	285,407	244,446
Purchase of investments in securities and shares of newly consolidated subsidiaries	(87,542)	(171,721)	(151,413)
Proceeds from sale of investments in securities and shares of consolidated subsidiaries resulting in deconsolidation	122,801	80,602	331,007
Other	34,411	25,968	28,126
Net cash used in investing activities	¥(491,363)	¥(553,457)	¥(195,584)

	Millions of yen		
	2014	2013	2012
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	¥(203,885)	¥ 74,630	¥ 70,105
Proceeds from long-term debt	704,457	352,840	388,991
Payments on long-term debt	(365,566)	(509,356)	(544,841)
Proceeds from sale of common stock by subsidiaries	5,886	2,523	736
Dividends paid to Hitachi, Ltd. stockholders	(48,194)	(46,564)	(27,018)
Dividends paid to noncontrolling interests	(25,535)	(25,827)	(22,206)
Acquisition of common stock for treasury	(4,431)	(162)	(126)
Proceeds from sales of treasury stock	16	25	38
Purchase of shares of consolidated subsidiaries from noncontrolling interest holders	(28,901)	(28,191)	(39,230)
Proceeds from sale of shares of consolidated subsidiaries to noncontrolling interest holders	–	102	6,188
Other	(879)	(465)	(475)
Net cash provided by (used in) financing activities	32,968	(180,445)	(167,838)
Effect of exchange rate changes on cash and cash equivalents	49,574	58,449	(18,966)
Net increase (decrease) in cash and cash equivalents	30,585	(91,945)	64,767
Cash and cash equivalents at beginning of year	527,632	619,577	554,810
Cash and cash equivalents at end of year	¥ 558,217	¥ 527,632	¥ 619,577

Consolidated Balance Sheets
by Manufacturing, Services & Others and Financial Services

Hitachi, Ltd. and Subsidiaries
March 31, 2014 and 2013

Billions of yen

	As of March 31, 2014			As of March 31, 2013		
	Manufacturing, Services & Others	Financial Services	Total*	Manufacturing, Services & Others	Financial Services	Total*
Assets						
Current assets:						
Cash and cash equivalents	¥ 519.0	¥ 156.7	¥ 558.2	¥ 500.7	¥ 141.7	¥ 527.6
Trade receivables	2,152.4	878.2	2,797.9	2,007.2	642.3	2,421.7
Investments in leases	70.8	207.5	262.9	84.4	203.0	270.8
Current portion of financial assets transferred to consolidated securitization entities	–	52.2	52.2	5.1	18.1	23.3
Inventories	1,405.9	0.0	1,407.0	1,437.4	0.0	1,437.3
Others	597.5	76.0	625.4	499.7	50.7	509.0
Total current assets	4,745.9	1,370.8	5,703.8	4,534.7	1,056.0	5,190.1
Investments and advances	1,175.8	102.2	1,220.8	720.6	112.3	781.9
Property, plant and equipment	2,100.9	242.3	2,342.0	2,074.7	206.3	2,279.9
Financial assets transferred to consolidated securitization entities	–	185.8	185.8	–	131.3	131.3
Other assets	1,045.1	544.7	1,564.3	994.2	454.8	1,425.7
Total assets	¥9,067.9	¥2,446.1	¥11,016.8	¥8,324.4	¥1,960.9	¥9,809.2
Liabilities and Equity						
Current liabilities:						
Short-term debt and current portion of long-term debt	¥ 686.7	¥ 598.8	¥ 1,111.5	¥ 690.9	¥ 407.9	¥ 934.0
Current portion of non-recourse borrowings of consolidated securitization entities	–	49.8	49.8	5.1	21.2	26.3
Trade payables	1,278.3	276.3	1,350.2	1,181.6	256.2	1,234.8
Others	1,658.6	154.9	1,779.1	1,659.8	142.1	1,768.8
Total current liabilities	3,623.7	1,080.0	4,290.7	3,537.6	827.5	3,964.1
Long-term debt	731.5	849.4	1,512.7	672.7	692.8	1,306.7
Non-recourse borrowings of consolidated securitization entities	–	148.9	148.9	–	102.8	102.8
Other noncurrent liabilities	1,156.7	59.6	1,212.0	1,204.3	56.9	1,256.1
Total liabilities	5,512.0	2,138.1	7,164.4	5,414.7	1,680.2	6,629.9
Total Hitachi, Ltd. stockholders' equity	2,483.8	178.4	2,651.2	1,932.3	161.1	2,082.5
Noncontrolling interests	1,072.0	129.5	1,201.2	977.3	119.6	1,096.7
Total equity	3,555.8	307.9	3,852.4	2,909.7	280.7	3,179.2
Total liabilities and equity	¥9,067.9	¥2,446.1	¥11,016.8	¥8,324.4	¥1,960.9	¥9,809.2
Interest-bearing debt	¥1,418.2	¥1,647.1	¥ 2,823.0	¥1,368.8	¥1,224.9	¥2,370.0
D/E ratio (including noncontrolling interests) (times)	0.40	5.35	0.73	0.47	4.36	0.75
Total Hitachi, Ltd. stockholders' equity ratio (%)	27.4	7.3	24.1	23.2	8.2	21.2

* Total figures exclude inter-segment transactions.

Consolidated Statements of Operations by Manufacturing, Services & Others and Financial Services

Hitachi, Ltd. and Subsidiaries
March 31, 2014 and 2013

Billions of yen

	As of March 31, 2014			As of March 31, 2013		
	Manufacturing, Services & Others	Financial Service	Total*	Manufacturing, Services & Others	Financial Service	Total*
Revenues	¥9,416.4	¥338.5	¥9,616.2	¥8,839.6	¥340.2	¥9,041.0
Operating income	500.7	33.1	532.8	393.9	29.2	422.0
EBIT (earnings before interest and taxes)	549.5	34.6	580.1	332.1	29.4	358.0
Income before income taxes	537.8	33.2	568.1	317.9	28.7	344.5
Net income attributable to Hitachi, Ltd. stockholders	253.5	14.3	264.9	164.9	12.7	175.3

* Total figures exclude inter-segment transactions.

Consolidated Statements of Cash Flows by Manufacturing, Services & Others and Financial Services

Hitachi, Ltd. and Subsidiaries
March 31, 2014 and 2013

Billions of yen

	As of March 31, 2014			As of March 31, 2013		
	Manufacturing, Services & Others	Financial Services	Total*1	Manufacturing, Services & Others	Financial Services	Total*1
Cash flows from operating activities	¥ 498.6	¥ (25.9)	¥ 439.4	¥ 503.4	¥105.2	¥ 583.5
Cash flows from investing activities	(393.6)	(124.1)	(491.3)	(478.4)	(63.0)	(553.4)
Free cash flows	104.9	(150.0)	(51.9)	25.0	42.1	30.0
Cash flows from financing activities	(134.6)	163.7	32.9	(170.1)	(44.4)	(180.4)
Effect of exchange rate changes on cash and cash equivalents	48.0	1.3	49.5	56.7	1.8	58.4
Net increase (decrease) in cash and cash equivalents	18.3	15.1	30.5	(88.3)	(0.3)	(91.9)
Cash and cash equivalents at beginning of year	¥ 500.7	¥141.7	¥ 527.6	¥ 589.0	¥142.0	¥ 619.5
Cash and cash equivalents at end of year	519.0	156.7	558.2	500.7	141.7	527.6
Core free cash flows*2	22.4	(202.5)	(186.0)	19.4	46.9	45.7

*1 Total figures exclude inter-segment transactions.
*2 Operating cash flows plus collection of investments in leases less cash outflows for the purchase of property, plant and equipment, intangible assets, software, and the assets to be leased.

Note: Consolidated Financial Statements by Manufacturing, Services & Others and Financial Services represent unaudited financial information prepared by the Company for the purpose of this supplementary information.

Role of the Financial Services Segment

Hitachi's Manufacturing, Services & Others segments and its Financial Services segment are each clearly positioned and managed as distinct businesses with different characteristics. The Manufacturing, Services & Others segments work in coordination with the Financial Services segment to expand the Social Innovation Business.

Increasing the financing receivables owned by Hitachi Capital Corporation, which constitutes the Financial Services segment, is the basis for growth in the financing business and regarded as investment to generate higher returns on equity. Credit rating agencies typically permit a higher level of interest-bearing debt and D/E ratio for financial services companies than for manufacturing and services companies. The credit ratings of Hitachi, Ltd. are assigned by credit rating agencies on the basis of key financial indicators that exclude Hitachi's financial services business.

Corporate Data

As of March 31, 2014

Corporate Name
Hitachi, Ltd. (Kabushiki Kaisha Hitachi Seisakusho)

URL
http://www.hitachi.com/

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

Founded
1910 (Incorporated in 1920)

Number of Employees
320,725

Number of Shares Issued
Common Stock: 4,833,463,387 shares

Number of Shareholders
372,894

Administrator of Shareholders' Register
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Nippon Building 4th Floor, 6-2, Otemachi 2-chome,
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Stock Exchange Listings
Tokyo, Nagoya

Accounting Auditor
Ernst & Young ShinNihon LLC

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