1. Qualitative Information Concerning Consolidated Business Results

(1) Summary of Fiscal 2014 Consolidated Business Results

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Revenues	9,761.9	2%	81,350
Operating income	600.4	62.1	5,004
EBIT (Earnings before interest and taxes)	551.0	(34.6)	4,592
Income from continuing operations, before income taxes	535.6	(38.0)	4,463
Income from continuing operations	415.5	46.0	3,463
Loss from discontinued operations	(52.7)	(47.2)	(440)
Net income	362.7	(1.2)	3,023
Net income attributable to Hitachi, Ltd. stockholders	241.3	(23.6)	2,011

Note: A part of the thermal power generation systems business is classified as a discontinued operation in accordance with the provision of ASC 205-20, "Presentation of Financial Statements - Discontinued Operations," which was not transferred to Mitsubishi Hitachi Power Systems, Ltd for the business integration in the thermal power generation systems with Mitsubishi Heavy Industries, Ltd. The results of the discontinued operation are reported separately from continuing operations. In line with this classification, the results of the business for the year ended March 31, 2014 are reclassified as the discontinued operation.

During fiscal 2014, the year ended March 31, 2015, growth in the global economy was sluggish as a whole, despite continued economic recovery in the U.S. evidenced by improvements in the employment outlook and increased consumer spending. Global economic growth was weighed down by fiscal austerity in Europe and financial uncertainties among southern European countries in particular. It was also negatively impacted by the continued slowdown in the pace of economic growth in China, as well as lower oil and resource prices that blunted growth in emerging countries. By contrast, the Japanese economy began a recovery trend starting in the second half of fiscal 2014, underpinned primarily by a gradual recovery in capital expenditures accompanied by an upturn in corporate earnings. This recovery followed a decline in economic growth in the first half due to a decline in real incomes resulting from the increase in the consumption tax in April 2014.

Hitachi’s consolidated revenues for fiscal 2014 increased 2% year over year, to 9,761.9 billion yen. The increase resulted mainly from higher year over year revenues in the following segments: the Social Infrastructure & Industrial Systems Segment, which benefited from strong performances of the elevator and escalator business in China and the industrial equipment business; the High Functional Materials & Components Segment, which saw the acquisition of Waupaca Foundry

Holdings, Inc., a major U.S. iron casting company, by Hitachi Metals, Ltd., and solid performances in automotive- and electronics- related products; and the Information & Telecommunication Systems Segment, which had strong performance in the system solutions business. Conversely, revenues in the Power Systems Segment declined year over year, due mainly to the integration of the thermal power generation systems business into Mitsubishi Hitachi Power Systems, Ltd., a joint venture company with Mitsubishi Heavy Industries, Ltd.

Hitachi posted operating income of 600.4 billion yen, up 62.1 billion yen year over year. This was largely due to increases in operating income over the previous fiscal year's performance in 8 segments which included Social Infrastructure & Industrial Systems, High Functional Materials & Components, Electronic Systems & Equipment, Information & Telecommunication Systems, and Others (Logistics and Other Services).

EBIT declined 34.6 billion yen year over year to 551.0 billion yen. This was mainly attributable to the absence of appraisal gains recorded in the previous fiscal year following the integration of the thermal power generation systems business, which partially offset the increase in operating income.

As a result, Hitachi recorded income from continuing operations before income taxes of 535.6 billion yen, down 38.0 billion yen year over year.

After deducting taxes of 120.0 billion yen and loss from discontinued operations of 52.7 billion yen, Hitachi posted net income of 362.7 billion yen, down 1.2 billion yen year over year. After deducting net income attributable to noncontrolling interests of 121.4 billion yen, Hitachi posted net income attributable to Hitachi, Ltd. stockholders of 241.3 billion yen, down 23.6 billion yen.

(2) Revenues, Operating Income and EBIT by Segment

Results by segment were as follows:

[Information & Telecommunication Systems]

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Revenues	2,032.1	5%	16,395
Operating income	116.2	9.6	969
EBIT	93.6	(2.6)	781

For fiscal 2014, segment revenues increased 5% year over year to 2,032.1 billion yen, mainly reflecting strong performance in the system solutions business, which is centered on public systems and financial systems, the positive impact of the consolidation in March 2014 of Prizm Payment Services Pvt Ltd.* of India and Hitachi Systems Power Services, Ltd., and an increase in revenues in the storage solutions business due to foreign exchange movements. The increase was partially offset by a decline in revenues in the telecommunications & network business.

The segment recorded operating income of 116.2 billion yen, an increase of 9.6 billion yen year over year. This was largely due to income from the system solutions business rising in line with increasing revenues, the impact of progress in cost structure reforms and the termination of loss projects in the system solutions business. The increase was partially offset by a decline in income in the telecommunications & network business.

EBIT was 93.6 billion yen, a decrease of 2.6 billion yen from the same period last year. The decrease mainly reflects structural reform expenses at the telecommunications & network business and the recording of an impairment loss on property, plant and equipment and other business structure improvement expenses associated with the reorganization of manufacturing bases.

*Prizm Payment Services Pvt. Ltd. was renamed Hitachi Payment Services Pvt. Ltd. on April 20, 2015.

[Power Systems]

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Revenues	472.6	(35%)	3,939
Operating income	(6.1)	(28.3)	(51)
EBIT	(2.8)	(161.3)	(23)

Note: As a part of the thermal power generation systems business is classified as a discontinued operation for the year ended March 31, 2015, the results related to the discontinued operation for the year ended March, 31, 2014 are reclassified. For more details, see the note in the "Summary" page.

For fiscal 2014, segment revenues declined 35% year over year to 472.6 billion yen, due mainly to the February 2014 integration of the thermal power generation systems business into Mitsubishi Hitachi Power Systems, Ltd., a joint venture with Mitsubishi Heavy Industries, Ltd.

The segment recorded an operating loss of 6.1 billion yen, 28.3 billion yen worse than the same period last year, due mainly to a loss incurred in the transmission & distribution business as the result of tough competition, as well as lower revenues due to the integration of the thermal power generation systems business into Mitsubishi Hitachi Power Systems, Ltd., a joint venture company with Mitsubishi Heavy Industries, Ltd.

EBIT was negative 2.8 billion yen, 161.3 billion yen worse than the same period last year, mainly reflecting the absence of appraisal gains recorded in the previous fiscal year following the integration of the thermal power generation systems business, as well as deterioration in operating income.

[Social Infrastructure & Industrial Systems]

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Revenues	1,646.8	10%	13,724
Operating income	84.7	25.6	706
EBIT	101.5	40.4	847

For fiscal 2014, segment revenues increased 10% year over year to 1,646.8 billion yen. This increase was due mainly to strong performance by the elevator and escalator business in China, growth in the industrial equipment business, and higher sales in the rail system business in the U.K.

The segment recorded operating income of 84.7 billion yen, up 25.6 billion yen year over year. The increase was mainly due to earnings in the elevators and escalators business and increases in the industrial equipment business in line with higher revenues, and progress made in cost structure reforms.

EBIT was 101.5 billion yen, a year over year increase of 40.4 billion yen, mainly reflecting improved operating income.

[Electronic Systems & Equipment]

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Revenues	1,132.3	1%	9,436
Operating income	69.4	10.3	578
EBIT	59.9	7.2	499

For fiscal 2014, segment revenues increased 1% year over year to 1,132.3 billion yen. This result mainly reflected higher sales of semiconductor manufacturing systems at Hitachi Kokusai Electric Inc. and of medical analysis systems at Hitachi High-Technologies Corporation. The increase was partially offset by the divestiture of the printed-circuit board business.

The segment recorded operation income of 69.4 billion yen, up 10.3 billion yen year over year, due mainly to higher revenues and progress made in cost structure reforms.

EBIT was 59.9 billion yen, a year over year increase of 7.2 billion yen, mainly reflecting improved operating income.

[Construction Machinery]

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Revenues	779.9	2%	6,499
Operating income	54.7	(19.1)	456
EBIT	55.6	(7.6)	464

For fiscal 2014, the segment recorded a 2% year over year increase in revenues to 779.9 billion yen. The higher revenues mainly reflected the positive impact of foreign exchange movements and strong sales of hydraulic excavators, primarily in North America and Europe. However, demand in China, Southeast Asia and other regions was sluggish.

Segment operating income decreased 19.1 billion yen to 54.7 billion yen, despite continuing progress with cost reductions, due mainly to substantially lower sales in China.

EBIT was 55.6 billion yen, a decrease of 7.6 billion yen from the same period last fiscal year, due mainly to lower operating income. The decrease was partially offset by an improvement in exchange loss.

[High Functional Materials & Components]

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Revenues	1,504.5	10%	12,538
Operating income	123.0	21.2	1,026
EBIT	129.2	32.7	1,077

For fiscal 2014, segment revenues increased 10% year over year to 1,504.5 billion yen. This result mainly reflected the acquisition of Waupaca Foundry Holdings, Inc., a major U.S. iron casting company, by Hitachi Metals, Ltd. in November 2014, and solid performances, primarily overseas, in automotive- and electronics- related products.

Segment operating income increased 21.2 billion yen year over year to 123.0 billion yen, due mainly to higher revenues, cost reductions, and progress in business structure reforms.

EBIT was 129.2 billion yen, up 32.7 billion yen year over year. This result mainly reflected an increase in segment operating income and exchange gain, despite the posting of business structure improvement expenses associated with the implementation of a voluntary retirement program at Hitachi Chemical Company, Ltd.

[Automotive Systems]

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Revenues	936.9	5%	7,808
Operating income	56.1	8.7	468
EBIT	34.9	30.0	291

For fiscal 2014, the segment recorded revenues of 936.9 billion yen, up 5% year over year, due mainly to robust demand for automobiles overseas, particularly in North America.

Segment operating income was 56.1 billion yen, a year over year increase of 8.7 billion yen, mainly reflecting higher sales.

EBIT was 34.9 billion yen, up 30.0 billion yen year over year. This increase was mainly attributable to the conclusion of fines paid to the United States Department of Justice for violating U.S. antitrust laws recorded in previous fiscal year, as well as higher operating income.

[Smart Life & Ecofriendly Systems]

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Revenues	780.1	5%	6,501
Operating income	27.9	8.1	233
EBIT	32.1	6.6	268

For fiscal 2014, segment revenues increased 5% year over year to 780.1 billion yen. This result mainly reflected higher overseas revenues centered on the air-conditioning business and the home appliance business. The increase was partially offset by a drop in earnings in Japan that resulted from the consumption tax rate being raised.

Segment operating income increased 8.1 billion yen year over year to 27.9 billion yen. This was mainly the result of earnings on overseas operations rising in line with higher revenues.

EBIT was 32.1 billion yen, a year over year increase of 6.6 billion yen, mainly reflecting improved operating income.

[Others (Logistics and Other services)]

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Revenues	1,210.7	(13%)	10,090
Operating income	40.4	9.6	337
EBIT	51.3	31.5	428

For fiscal 2014, the segment reported a 13% year over year decline in revenues to 1,210.7 billion yen. This result mainly reflected the conversion of Hitachi Maxell, Ltd. into an equity-method affiliate, despite higher revenues at Hitachi Transport System, Ltd.

The segment recorded operating income of 40.4 billion yen, up 9.6 billion yen year over year despite lower revenues. This result was mainly attributable to a decrease in expenses related to business structure reforms.

EBIT increased 31.5 billion yen year over year to 51.3 billion yen, due mainly to a decrease in expenses related to business structure reforms as well as higher operating income.

Note: The optical disk drive operations are conducted by Hitachi-LG Data Storage, Inc. (HLDS), which has a December 31 fiscal year-end, different from Hitachi's March 31 year-end. Hitachi's results for the fiscal year ended March 31, 2015 include operating results for HLDS for the fiscal year ended December 31, 2014.

[Financial Services]

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Revenues	355.5	5%	2,963
Operating income	38.0	4.9	317
EBIT	36.2	1.5	302

For fiscal 2014, segment revenues increased 5% year over year to 355.5 billion yen. This result reflected a strong performance in the overseas business, particularly in Europe.

Segment operating income increased 4.9 billion yen year over year to 38.0 billion yen, due mainly to higher revenues.

EBIT increased 1.5 billion yen year over year to 36.2 billion yen, mainly reflecting higher operating income.

(3) Revenues by Market

	Year ended March 31, 2015		
	Yen (billions)	Year over year change	U.S. Dollars (millions)
Japan	5,172.4	(2%)	43,104
Outside Japan	4,589.5	8%	38,246
Asia	2,216.6	7%	18,472
North America	1,060.4	17%	8,837
Europe	844.7	11%	7,040
Other Areas	467.5	(11%)	3,896

Note: As a part of the thermal power generation systems business is classified as a discontinued operation for the year ended March 31, 2015, the results related to the discontinued operation for the year ended March, 31, 2014 are reclassified. For more details, see the note in the "Summary" page.

For fiscal 2014, revenues in Japan were 5,172.4 billion yen, down 2% year over year. This result mainly reflected a decline in revenues in the Power Systems Segment due to the integration of the thermal power generation systems business into Mitsubishi Hitachi Power Systems, Ltd., the joint venture with Mitsubishi Heavy Industries, Ltd., and in the Others (Logistics and Other Services) Segment due to the conversion of Hitachi Maxell, Ltd. into an equity-method affiliate. The decline was partially offset by higher revenues in the Information & Telecommunication Systems Segment.

Overseas revenues increased 8% year over year to 4,589.5 billion yen. The increase mainly reflected higher revenues in the Social Infrastructure & Industrial Systems Segment, which benefited from a strong performance in the elevator and escalator business in China and in the High Functional Materials & Components Segment due to the acquisition of Waupaca Foundry Holdings, Inc., a major U.S. iron casting company, as well as revenue increases in the Information & Telecommunication Systems, the Smart Life & Ecofriendly Systems and the Automotive Systems segments, and impact of the yen’s depreciation.

As a result, the ratio of overseas revenues to consolidated revenues was 47%, 2 points higher year over year.

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

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Capital expenditures [Manufacturing, Services and Others]	374.3	(15.2)	3,120
Depreciation [Manufacturing, Services and Others]	275.0	13.7	2,292
R&D expenditures	335.5	(15.9)	2,796

For fiscal 2014, capital expenditures in Manufacturing, Services and Others were 374.3 billion yen, down 4% year over year, despite continued investments aimed at strengthening the expansion of the Social Innovation Business globally. The decline primarily reflected the integration of the thermal power generation systems business into Mitsubishi Hitachi Power Systems, Ltd., the joint venture with Mitsubishi Heavy Industries, Ltd., and the conversion of Hitachi Maxell, Ltd. into an equity-method affiliate.

Depreciation in Manufacturing, Services and Others was 275.0 billion yen, up 5% year over year. The increase was due mainly to investments made to strengthen the expansion of the Social Innovation Business globally.

Including Financial Services, capital expenditures were 848.7 billion yen, while depreciation was 349.6 billion yen.

R&D expenditures decreased 5% year over year to 335.5 billion yen due to reorganization of the business portfolio, despite the execution of investments in research and development to strengthen the Social Innovation Business. R&D expenditures comprised 3.4% of consolidated revenues.

(5) Outlook for Fiscal 2015

	Year ending March 31, 2016	
	Yen (billions)	U.S. Dollars (millions)
Revenues	9,950.0	86,522
Adjusted operating income	680.0	5,913
EBIT	620.0	5,391
Income before income taxes	600.0	5,217
Income from continuing operations	454.0	3,948
Loss from discontinued operations	(4.0)	(35)
Net income	450.0	3,913
Net income attributable to Hitachi, Ltd. stockholders	310.0	2,696

Note: All fiscal 2015 outlook figures were converted using 115 yen to the U.S. dollar.

Disclosing FY2015 forecasts with International Financial Reporting Standards (IFRS) as it is planning to voluntarily apply IFRS, starting with the consolidated financial statements in its annual securities report for fiscal 2014.

An "Adjusted Operating Income" presented as revenues less cost of sales as well as selling, general and administrative expenses.

Regarding the business environment surrounding Hitachi, the outlook for the global economy overall remains cloudy. Despite the U.S. economy continuing to recover on the back of improving employment and income levels, Europe is implementing fiscal austerity measures and the southern European countries, in particular, remain faced with financial uncertainties. Economic growth is continuing to slow in China, while lower oil and resource prices are projected to impact certain emerging countries and dampen their growth. Meanwhile, the Japanese economy is forecast to grow gradually, underpinned for the most part by improvement in the job market and a measured improvement in capital expenditures accompanying a recovery in corporate earnings.

In this environment, the Hitachi Group is working to achieve growth in the global market centered on the Social Innovation Business. At the same time, the Hitachi Group will promote reforms to strengthen its management base through the Hitachi Smart Transformation Project. In so doing, the Hitachi Group aims to transform itself to achieve further growth.

Hitachi is forecasting the results shown above for fiscal 2015, the year ending March 31, 2016.

Projections for fiscal 2015 assume an exchange rate of 115 yen to the U.S. dollar and 120 yen to the euro.

2. Financial Position

(1) Financial Position

	As of March 31, 2015		
	Yen (billions)	Change from March 31, 2014 (billion yen)	U.S. Dollars (millions)
Total assets	12,395.3	1,378.4	103,295
Total liabilities	8,121.0	956.6	67,676
Interest-bearing debt	3,354.6	531.5	27,955
Total Hitachi, Ltd. stockholders’ equity	2,930.3	279.0	24,419
Noncontrolling interests	1,344.0	142.7	11,200
Total Hitachi, Ltd. stockholders’ equity ratio	23.6%	0.5 point decrease	-
D/E ratio (including noncontrolling interests)	0.78 times	0.05 point increase	-

[Manufacturing, Services and Others]

	As of March 31, 2015		
	Yen (billions)	Change from March 31, 2014 (billion yen)	U.S. dollars (millions)
Total assets	10,080.7	1,012.8	84,007
Total liabilities	6,128.8	616.8	51,074
Interest-bearing debt	1,589.2	171.0	13,244
Total Hitachi, Ltd. stockholders’ equity	2,747.8	263.9	22,898
Noncontrolling interests	1,204.1	132.0	10,034
Cash Conversion Cycle	81.5 days	0.2 days increase	-
Total Hitachi, Ltd. stockholders’ equity ratio	27.3%	0.1 point decrease	-
D/E ratio (including noncontrolling interests)	0.40 times	±0.00 point	-

Total assets in Manufacturing, Services and Others increased from 1,012.8 billion yen on March 31, 2014 to 10,080.7 billion yen as of March 31, 2015. This mainly reflected the acquisition of Waupaca Foundry Holdings, Inc., a major U.S. iron casting company, as well as increases in the valuation of the assets of overseas subsidiaries in conjunction with the yen’s depreciation and higher trade receivables and inventories with increased sales. For the same period, interest-bearing debt in Manufacturing, Services and Others increased from 171.0 billion yen to 1589.2 billion yen, due mainly to the procurement of funds for the acquisition of Waupaca Foundry Holdings Inc. As of March 31, 2015, stockholders’ equity in Manufacturing, Services and Others increased

263.9 billion yen to 2,747.8 billion yen, due mainly to the recording of net income attributable to Hitachi, Ltd. stockholders. As a result, the total Hitachi, Ltd. stockholders' equity ratio in Manufacturing, Services and Others was 27.3%.The debt-to-equity ratio, including non-controlling interests, was 0.40 times, and the cash conversion cycle in Manufacturing, Services and Others was 81.5 days, an increase of 0.2 days from March 31, 2014.

[Financial Services]

	As of March 31, 2015		
	Yen (billions)	Change from March 31, 2014 (billion yen)	U.S. dollars (millions)
Total assets	2,810.3	364.2	23,419
Total liabilities	2,475.9	337.8	20,633
Interest-bearing debt	1,973.6	326.5	16,447
Total Hitachi, Ltd. stockholders' equity	193.6	15.2	1,614
Noncontrolling interests	140.6	11.1	1,172
Total Hitachi, Ltd. stockholders' equity ratio	6.9%	0.4 point decrease	-
D/E ratio (including noncontrolling interests)	5.90 times	0.55 point increase	-

Total assets in Financial Services as of March 31, 2015 increased 364.2 billion yen from March 31, 2014 to 2,810.3 billion yen. This mainly reflected increases in trade receivables and lease receivables in line with business expansion, primarily overseas. Interest-bearing debt in Financial Services increased 326.5 billion yen from March 31, 2014 to 1,973.6 billion yen, due mainly to an increase in demand for funds in line with business expansion. Stockholders' equity in Financial Services increased 15.2 billion yen from March 31, 2014 to 193.6 billion yen, due mainly to the recording of net income attributable to Hitachi, Ltd. stockholders. As a result, the total Hitachi, Ltd. stockholders' equity ratio in Financial Services was 6.9% and the debt-to-equity ratio, including non-controlling interests, was 5.90 times.

Accordingly, consolidated total assets as of March 31, 2015 increased 1,378.4 billion yen from March 31, 2014 to 12,395.3 billion yen. Interest-bearing debt increased 531.5 billion yen to 3,354.6 billion yen, and stockholders' equity increased 279.0 billion yen to 2,930.3 billion yen. As a result, the total Hitachi, Ltd. stockholders' equity ratio was 23.6%, and the debt-to-equity ratio, including non-controlling interests, was 0.78 times.

(2) Cash Flows

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Cash flows from operating activities	447.3	7.9	3,728
Cash flows from investing activities	(610.2)	(118.8)	(5,085)
Free cash flows	(162.9)	(110.9)	(1,358)
Core free cash flows	(175.0)	11.0	(1,459)
Cash flows from financing activities	250.3	217.3	2,086

Trends in Cash Flow Indexes

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015
Hitachi, Ltd. stockholders' equity ratio (%)	21.2	24.1	23.6
Equity ratio based on market value (%)	26.7	33.4	32.1
Cash flow to interest-bearing debt ratio (times)	4.1	6.4	7.5
Interest coverage ratio (times)	21.8	16.8	16.7

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

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

Cash Flows [Manufacturing, Services and Others]

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Cash flows from operating activities	591.9	93.3	4,933
Cash flows from investing activities	(459.1)	(65.4)	(3,826)
Free cash flows	132.7	27.8	1,107
Core free cash flows	137.2	114.7	1,144
Cash flows from financing activities	(49.7)	84.9	(414)

Note: "Core free cash flows" are 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.

For fiscal 2014, operating activities in Manufacturing, Services and Others provided net cash of 591.9 billion yen, up 93.3 billion yen year over year. Investing activities in Manufacturing, Services and Others used net cash of 459.1 billion yen, 65.4 billion yen more than in the previous fiscal year. The increase was primarily due to the acquisition of Waupaca Foundry Holdings, Inc., a major U.S. iron casting company, by Hitachi Metals, Ltd. in November 2014. Free cash flow in Manufacturing, Services and Others, the sum of cash flow from operating and investing activities, was 132.7 billion yen, an increase of 27.8 billion yen year over year. Core free cash flow in Manufacturing, Services and Others increased to 137.2 billion yen, 114.7 billion yen more year over year. Financing activities in Manufacturing, Services and Others used net cash of 49.7 billion yen, a 84.9 billion yen year over year decrease, due mainly to the procurement of funds for the acquisition of Waupaca Foundry Holdings Inc.

Trends in Cash Flow Indexes [Manufacturing, Services and Others]

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015
Hitachi, Ltd. stockholders' equity ratio (%)	23.2	27.4	27.3
Cash flow to interest-bearing debt ratio (times)	2.7	2.8	2.7
Interest coverage ratio (times)	17.6	18.0	20.4

(a) Hitachi, Ltd. stockholders' equity ratio: Total Hitachi, Ltd. shareholders' equity / total assets
(b) Cash flow to interest-bearing debt ratio: Interest-bearing debt / cash flows from operating activities
(c) Interest coverage ratio: Cash flows from operating activities /interest charges

[Financial Services]

	Year ended March 31, 2015		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Cash flows from operating activities	(101.5)	(75.5)	(846)
Cash flows from investing activities	(173.5)	(49.3)	(1,446)
Free cash flows	(275.0)	(124.9)	(2,292)
Core free cash flows	(289.8)	(87.2)	(2,415)
Cash flows from financing activities	234.5	70.7	1,954

Note: "Core free cash flows" are 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.

For fiscal 2014, operating activities in Financial Services used net cash of 101.5 billion yen, 75.5 billion yen more than in the previous fiscal year. This chiefly reflects an increase in accounts receivable, mainly overseas, for strengthening the financial services business. Investing activities in Financial Services used net cash of 173.5 billion yen, 49.3 billion yen more than in the previous fiscal year. This mainly reflected the acquisition of lease assets. Free cash flow in Financial Services, the sum of cash flow from operating and investing activities was negative 275.0 billion yen, a spending increase of 124.9 billion yen year over year. Core free cash flow in Financial Services was negative 289.8 billion yen, a spending increase of 87.2 billion yen year over year. Financing activities in Financial Services provided net cash of 234.5 billion yen, 70.7 billion yen more than in the previous fiscal year, mainly reflecting fund procurement to meet demand for capital to strengthen the financial services business.

As a result, consolidated operating activities for fiscal 2014 provided net cash of 447.3 billion yen, 7.9 billion yen more year over year, and investing activities used net cash of 610.2 billion yen, 118.8 billion yen more than in the previous fiscal year. Free cash flow was negative 162.9 billion yen, a spending increase of 110.9 billion yen from the previous fiscal year. Consolidated core free cash flow was negative 175.0 billion yen, a spending decrease of 11.0 billion yen from the previous fiscal year. Financing activities provided consolidated net cash of 250.3 billion yen, 217.3 billion yen more than in the same period last year.

After adjusting for the effect of exchange rates on cash and cash equivalents, the net result was an increase of 151.3 billion yen in cash and cash equivalents to 709.5 billion yen as of March 31, 2015.

3. Basic Policy on the Distribution of Earnings and Fiscal 2014 and 2015 Dividends

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

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

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

Based on the above policies, Hitachi plans to pay an annual dividend of 12.0 yen per share for fiscal 2014, while the dividend in fiscal 2013 was 10.5 yen per share. Dividends for fiscal 2015 have yet to be determined.

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 acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- 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 natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- 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.

4. Management Policy

(1) Basic Management Policy

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

(2) Medium- and Long-term Management Strategy

The Hitachi Group will work to drive global growth through the Social Innovation Business by fully capitalizing on the Hitachi Group's business base it has built upon over the years. The Social Innovation Business includes infrastructure systems, information and telecommunication systems, power systems, construction machinery, high functional materials & components, automotive systems and healthcare and others. At the same time, the Hitachi Group will work to establish an even more solid management base by pushing ahead with ongoing business reforms and cost structure reforms.

(3) Challenges Facing Hitachi Group

While the forecast of the world economy still remains uncertain, the Hitachi Group will promote the following measures in order to realize growth as a major global player by expanding our Social Innovation Business under the "2015 Mid-term Management Plan."

- In order to accelerate the global development of our social innovation business by accurately seizing business opportunities in growth sectors and customer needs by region, we will establish a structure under which overseas regional bases proactively conduct business operations.
- We will establish a system for providing optimal solutions in a timely manner from the Hitachi Group's wide range of products and services in response to challenges faced by customers by strengthening our sales, planning and engineering functions for customers.
- We will continuously strive to optimize our business portfolio from the perspective of the growth potential and competitiveness of businesses, by carrying out reorganization as necessary, including partnerships with other companies, withdrawals and disposal by sale.
- We will secure funds for the growth of the Hitachi Group and establish a robust management base while continuing to work on increasing profitability through cost structure reform and strengthening our cash-generating capabilities.
- By strengthening research and development that realizes solutions based on the challenges faced by customers at R&D bases in Japan and overseas, we will further reinforce the role of R&D in bolstering the Hitachi Group's profitability.
- We will improve the environment where the diverse human resources, including female and foreign employees, demonstrate their utmost performance, as well as foster a corporate culture that encourages our employees to act independently and continue growing.
- By providing our customers with high-quality and safe products and services, we will further gain the reliability in the Hitachi Group from society, and increase the value of the Hitachi brand.
- We will intensify our focus on "Basics and Ethics" worldwide based on a firm commitment to eliminate misconduct within the Hitachi Group, and continuously strive to contribute to the environment and the communities.

5. Basic Stance on Accounting Standard Selection

Hitachi Ltd. is planning to voluntarily apply International Financial Reporting Standards (IFRS), starting with the consolidated financial statements in its annual securities report for fiscal 2014, the year ended March 31, 2015. IFRS will be applied in response to globalization, with the primary goal of building a uniform standard for evaluating operating results, standardizing operations, and improving management efficiency of the Hitachi Group.