

(Translation)

# Annual Securities Report

(The 145th Business Term)  
From April 1, 2013 to March 31, 2014

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

[Cover]

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

Certain information in “Part I. Information on the Company - II. Business Overview - 4. Risk Factors - Risks Related to Our American Depository Shares” is only included in this English translation of the Annual Securities Report for ADS holders and not included in the original report.

Certain information in “Part I. Information on the Company - V. Financial Information” in this document incorporates financial statements prepared in conformity with accounting principles generally accepted in the United States and independent auditor’s report instead of the English translation of the Annual Securities Report.

The translation of the Internal Control Report, the Independent Auditors’ Report and the Confirmation Letter for the original Annual Securities Report are included at the end of this document.

In this document, the terms “we,” “us,” “our” and “Hitachi” refer to Hitachi, Ltd. and our consolidated subsidiaries or, as the context may require, Hitachi, Ltd. on a non-consolidated basis and the term “the Company” refers to Hitachi, Ltd. on a non-consolidated basis.

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

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

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

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## Part I Information on the Company

### I. Overview of the Company

#### 1. Key Financial Data

##### (1) Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

Fiscal year	141st business term	142nd business term	143rd business term	144th business term	145th business term
Year end	March 2010	March 2011	March 2012	March 2013	March 2014
Revenues	8,968,546	9,315,807	9,665,883	9,041,071	9,616,202
Income before income taxes	63,580	432,201	557,730	344,537	568,182
Net income (loss) attributable to Hitachi, Ltd. stockholders	(106,961)	238,869	347,179	175,326	264,975
Comprehensive income	—	228,459	392,581	420,680	769,178
Total Hitachi, Ltd. stockholders' equity	1,284,658	1,439,865	1,771,782	2,082,560	2,651,241
Total equity	2,267,845	2,441,389	2,773,995	3,179,287	3,852,464
Total assets	8,964,464	9,185,629	9,418,526	9,809,230	11,016,899
Total Hitachi, Ltd. stockholders' equity per share (yen)	287.13	318.73	382.26	431.13	549.02
Net income (loss) attributable to Hitachi, Ltd. stockholders per share, basic (yen)	(29.20)	52.89	76.81	37.28	54.86
Net income (loss) attributable to Hitachi, Ltd. stockholders per share, diluted (yen)	(29.20)	49.38	71.86	36.29	54.85
Total Hitachi, Ltd. stockholders' equity ratio (%)	14.3	15.7	18.8	21.2	24.1
Return on equity (%)	—	17.5	21.6	9.1	11.2
Price earnings ratio (times)	—	8.2	6.9	14.6	13.9
Net cash provided by operating activities	798,299	841,554	447,155	583,508	439,406
Net cash used in investing activities	(530,595)	(260,346)	(195,584)	(553,457)	(491,363)
Net cash provided by (used in) financing activities	(502,344)	(584,176)	(167,838)	(180,445)	32,968
Cash and cash equivalents at end of year	577,584	554,810	619,577	527,632	558,217
Number of employees [Average number of part-time employees, etc.]	359,746 [39,562]	361,745 [44,353]	323,540 [46,182]	326,240 [48,535]	320,725 [48,391]

(Notes) 1. Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States.

2. Revenues do not include the consumption tax, etc.

3. The amount of "Total assets" for the 141st business term is restated in accordance with the provisions of the Accounting Standards Codification (hereinafter "ASC") 805 "Business Combinations" of the U.S. Financial Accounting Standards Board, since evaluation of fair values related to the business combinations implemented in March 2010 was completed during the 142nd business term. In line with this change, the amount of "Total Hitachi, Ltd. stockholders' equity ratio" is also restated.

4. Effective from the 142nd business term, the Company has adopted the provisions of ASC 860 "Transfers and Servicing" of the U.S. Financial Accounting Standards Board as amended by Accounting Standards Update 2009-16 "Accounting for Transfers of Financial Assets" and the provisions of ASC 810 "Consolidation," as amended by Accounting Standards Update 2009-17 "Improvements to Financial Reporting by Enterprises involved with Variable Interest Entities."

## (2) Financial data etc. of the Company

(Millions of yen, unless otherwise stated)

Fiscal year	141st business term	142nd business term	143rd business term	144th business term	145th business term
Year end	March 2010	March 2011	March 2012	March 2013	March 2014
Revenues	1,938,810	1,795,306	1,870,475	1,911,529	2,070,147
Ordinary income	59,204	127,564	48,923	76,050	17,887
Net income (loss)	(35,120)	64,276	254,549	57,681	57,856
Common stock	408,810	409,129	427,775	458,790	458,790
Number of issued shares (thousands of shares)	4,518,132	4,520,144	4,637,785	4,833,463	4,833,463
Total net assets	887,684	941,041	1,212,199	1,298,882	1,373,336
Total assets	3,327,698	3,146,337	3,331,589	3,423,417	3,570,087
Net assets per share (yen)	198.40	208.30	261.52	268.89	284.39
Dividends per share (yen) [Of the above, interim dividends per share (yen) ]	— [—]	8 [5]	8 [3]	10 [5]	10.5 [5]
Net income (loss) per share, basic (yen)	(9.59)	14.23	56.31	12.27	11.98
Net income per share, diluted (yen)	—	13.32	52.70	11.94	—
Stockholders' equity ratio (%)	26.7	29.9	36.4	37.9	38.5
Return on equity (%)	—	7.0	23.6	4.6	4.3
Price earnings ratio (times)	—	30.4	9.4	44.3	63.6
Dividend payout ratio (%)	—	56.2	14.2	81.5	87.6
Number of employees [Average number of part-time employees, etc.]	31,065 [3,162]	32,926	32,908	33,665	33,500

- (Notes)
1. Revenues do not include the consumption tax, etc.
  2. Interim dividends per share for the 142nd business term include a commemorative dividend of ¥2 for the Company's centennial anniversary.
  3. "Net income per share, diluted" is not stated for the 141st and 145th business terms since net loss per share is recorded and since there is no dilutive shares, respectively.
  4. Average number of part-time employees, etc. is not stated for the 142nd, 143rd, 144th and 145th business terms since it was less than 10% of the number of employees.

## 2. History

Month/Year	History
1910	Founded as a repair shop at Hitachi copper mine of Kuhara Mining Company
February, 1920	Incorporated as Hitachi, Ltd. with the Hitachi and Kameido Works
February, 1921	Acquired the Kasado shipyard from Nippon Kisen Co., Ltd. and established Kasado Works
May, 1935	Equity participation in Kyousei Reiki Kogyo K.K. (later changed its name to Hitachi Plant Engineering & Construction Co., Ltd.)
May, 1937	Merged Kokusan Industries, Ltd. and established 7 factories, including Totsuka Works
April, 1939	Established Taga Works, spun off Hitachi Research Laboratory from Hitachi Works
September, 1940	Established Mito Works
April, 1942	Established Central Research Laboratory
September, 1943	Merged Riken Vacuum Industry and established Mobara Works
March, 1944	Spun off Shimizu Works from Kameari Works
December, 1944	Spun off Tochigi Works from Taga Works
April, 1947	Established Hinode Shokai Co., Ltd. (currently Hitachi High-Technologies Corporation)
May, 1949	Established Higashi-Nippon Senikikai KK (currently Hitachi Medical Corporation)
February, 1950	Established Nitto Transport KK. (currently Hitachi Transport System, Ltd.)
May, 1955	Established Hitachi Sales Corporation
October, 1956	Spun off Hitachi Metals Industries, Ltd. (currently Hitachi Metals, Ltd.) and Hitachi Cable, Ltd.
November, 1956	Established Hitachi Kiden Kogyo, Ltd.
June, 1957	Spun off Kokubu Works from Hitachi Works
February, 1959	Established Yokohama Works
October, 1959	Established Hitachi New York, Ltd. (currently Hitachi America, Ltd.)
June, 1960	Equity participation in Nippon Business Consultant Co., Ltd. (later changed its name to Hitachi Information Systems, Ltd.)
August, 1960	Established Hitachi Geppan Corp. (later changed its name to Hitachi Credit Corporation)
February, 1961	Spun off Naka Works from Taga Works; Equity participation in Maxell Electric Industrial Co., Ltd. (currently Hitachi Maxell, Ltd.)
August, 1961	Established Katsuta Works
August, 1962	Established Kanagawa Works
February, 1963	Spun off Narashino Works from Kameido Works
April, 1963	Spun off Hitachi Chemical Company, Ltd.
February, 1966	Established Mechanical Engineering Research Laboratory
February, 1968	Spun off Sawa Works from Taga Works, spun off Tokai Works from Yokohama Works, and spun off Odawara Works from Kanagawa Works
February, 1969	Established Software Works
April, 1969	Established Ome Works
August, 1969	Established Omika Works
December, 1969	Spun off Hitachi Construction Machinery Co., Ltd.
May, 1970	Established Takasaki Works
September, 1970	Established Hitachi Software Engineering Co., Ltd.
April, 1971	Acquired Asahi Works from Hitachi Denshi, Ltd.
June, 1971	Established Production Engineering Research Laboratory
February, 1973	Established Systems Development Laboratory
June, 1974	Established Tsuchiura Works
November, 1974	Relocated Kameido Works and renamed to Nakajo Works

Month/Year	History
June, 1982	Established Hitachi Europe Ltd.
April, 1985	Established Advanced Research Laboratory
February, 1989	Established Hitachi Asia Pte. Ltd. (currently Hitachi Asia Ltd.)
February, 1991	Integrated Sawa Works into Automotive Products Division
August, 1991	Integrated Katsuta Works into Materials Process Technology Division; integrated Totsuka Works into Information & Telecommunication Division; integrated Naka Works into Instruments Division
February, 1992	Integrated Yokohama Works and Tokai Works into AV Products Division
August, 1992	Changed operation unit of home appliances, computers and electronic devices businesses from factory to business division
February, 1993	Integrated Semiconductor Technology Development Center, Musashi Works and Takasaki Works into Semiconductor Division
August, 1993	Integrated Shimizu Works into Air Conditioning Division, integrated Nakajo Works and Narashino Works into Industrial Equipment Division
August, 1994	Integrated Consumer Products Group and Image & Information Media Division and renamed to Consumer Products & Information Media Systems Group
October, 1994	Established Hitachi (China), Ltd.
February, 1995	Reorganized business groups as Power & Industrial Systems Group, Consumer Products & Information Media Systems Group, Information Systems Group and Electronics Components Group; integrated a part of R&D division and sales division into the business groups
April, 1995	Merged Hitachi Sales Corporation
April, 1999	Reorganized business groups into de facto companies to independently operate each business group
October, 2000	Merged Hitachi Credit Corporation with Hitachi Leasing Corp. and changed its name to Hitachi Capital Corporation
October, 2001	Split Instruments Group and Semiconductor Manufacturing Equipment Group via company split and reorganized as Hitachi High-Technologies Corporation; Split Industrial Machinery Systems Division via company split and reorganized as Hitachi Industries Co., Ltd.
April, 2002	Split Home Appliance Group via company split and reorganized as Hitachi Home & Life Solutions, Inc.; Split Industrial Equipment Group via company split and reorganized as Hitachi Industrial Equipment Systems Co., Ltd.
October, 2002	Split Display Group via company split and established Hitachi Displays, Ltd.; Split Telecommunication Equipment Division via company split and reorganized as Hitachi Communication Technologies, Ltd.; Turned Unisia Jecs Corporation (later changed its name to Hitachi Unisia Automotive, Ltd.) into a wholly owned subsidiary via share exchange
January, 2003	Acquired HDDs business from IBM Corp., and commenced operations as Hitachi Global Storage Technologies Netherlands B.V.
April, 2003	Split semiconductor business, centering on system LSIs, via company split and established Renesas Technology Corp. (later merged with NEC Electronics Corporation and changed its name to Renesas Electronics Corporation, and later ceased to be an equity-method affiliate of the Company due to a decrease in the Company's ownership percentage of voting rights)
June, 2003	Adopted committee system as the Company's corporate governance structure
October, 2004	Merged TOKICO, Ltd. and Hitachi Unisia Automotive, Ltd.; Split Mechatronics System Division, centering on ATMs, via company split and established Hitachi-Omron Terminal Solutions, Corp.

Month/Year	History
April, 2006	Split Social & industrial infrastructure business via company split and integrated with Hitachi Plant Engineering & Construction Co., Ltd., Hitachi Kiden Kogyo, Ltd. and Hitachi Industries Co., Ltd. and reorganized as Hitachi Plant Technologies, Ltd.;
December, 2006	Merged Hitachi Home & Life Solutions, Inc. with Hitachi Air Conditioning Systems Co., Ltd. and changed its name to Hitachi Appliances, Inc.
July, 2007	Turned Clarion Co., Ltd. into a consolidated subsidiary via tender offer
March, 2009	Split nuclear power systems business via company split and reorganized as Hitachi-GE Nuclear Energy, Ltd.
July, 2009	Turned Hitachi Koki Co., Ltd. into a consolidated subsidiary via tender offer; Turned Hitachi Kokusai Electric Inc. into a consolidated subsidiary via tender offer
October, 2009	Merged Hitachi Communication Technologies, Ltd.;
February, 2010	Split Automotive Systems Group via company split and established Hitachi Automotive Systems, Ltd.;
April, 2010	Split Consumer Business Group via company split and established Hitachi Consumer Electronics Co., Ltd.
October, 2010	Reorganized business groups into in-house companies with independent accounting to promote quick business operation
October, 2010	Turned Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd. and Hitachi Systems & Services, Ltd. into wholly owned subsidiaries
October, 2010	Turned Hitachi Plant Technologies, Ltd. and Hitachi Maxell, Ltd. into wholly owned subsidiaries via share exchanges (later turned Hitachi Maxell, Ltd. into an equity-method affiliate of the Company via selling its shares)
October, 2011	Merged Hitachi Software Engineering Co., Ltd. with Hitachi Systems & Services, Ltd. and changed its name to Hitachi Solutions, Ltd.
March, 2012	Merged Hitachi Electronics Services Co., Ltd. with Hitachi Information Systems, Ltd. and changed its name to Hitachi Systems, Ltd.
April, 2013	Transferred HDDs business to Western Digital Corporation via share sale of Viviti Technologies Ltd., a holding company for Hitachi Global Storage Technologies Inc., etc.
July, 2013	Transferred small and medium-sized displays business via share sale of Hitachi Displays, Ltd.
February, 2014	Merged Hitachi Plant Technologies, Ltd.
March, 2014	Merged Hitachi Metals, Ltd. with Hitachi Cable, Ltd.
	Split thermal power generating systems business via company split and transferred to MITSUBISHI HITACHI POWER SYSTEMS, LTD.
	Turned Hitachi Medical Corporation into a wholly owned subsidiary via share exchange

### 3. Description of Business

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

The Hitachi Group, which is comprised of the Company and 1,178 affiliates (947 consolidated subsidiaries and 231 equity-method affiliates. Although the consolidated subsidiaries include variable interest entities, there is no applicable variable interest entity as of March 31, 2014. Consolidated trust accounts are not included in the number of consolidated subsidiaries.), engages in a broad range of business activities, from product development and manufacturing to sales and services, in 10 segments of Information & Telecommunication Systems, Power Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Digital Media & Consumer Products, Others (Logistics and Other services) and Financial Services. Effective from April 1, 2013, the Company changed the name of the "Others" segment to the "Others (Logistics and Other services)" segment.

Major business outline for each segment and the positioning of principal affiliated companies are described as follows. The Company mainly engages in manufacturing and sales of products and providing services in the segments of Information & Telecommunication Systems, Power Systems, and Social Infrastructure & Industrial Systems.



(As of March 31, 2014)

Main products and services	Positioning of principal affiliated companies	
	Manufacturing	Sales and services
<u>Information &amp; Telecommunication Systems</u> Systems Integration, Outsourcing Services, Software, Disk Array Subsystems, Servers, Mainframes, Telecommunications Equipment, ATMs	[Consolidated subsidiaries] Hitachi Information & Telecommunication Engineering, Ltd. Hitachi-Omron Terminal Solutions, Corp. Hitachi Computer Products (America), Inc. Hitachi Computer Products (Europe) S.A.S.	[Consolidated subsidiaries] Hitachi Information & Control Solutions, Ltd. Hitachi Solutions, Ltd. Hitachi Systems, Ltd. Hitachi Consulting Corporation Hitachi Data Systems Corporation Hitachi Information & Telecommunication Systems Global Holding Corporation
<u>Power Systems</u> Thermal, Nuclear and Renewable Energy Power Generation Systems, Transmission & Distribution Systems	[Consolidated subsidiaries] Hitachi-GE Nuclear Energy, Ltd. [Equity-method affiliates] MITSUBISHI HITACHI POWER SYSTEMS, LTD.	[Consolidated subsidiaries] Hitachi Power Solutions Co., Ltd. Horizon Nuclear Power Limited
<u>Social Infrastructure &amp; Industrial Systems</u> Industrial Machinery and Plants, Elevators, Escalators, Railway Systems	[Consolidated subsidiaries] Hitachi Industrial Equipment Systems Co., Ltd. Hitachi Elevator (China) Co., Ltd.	[Consolidated subsidiaries] Hitachi Building Systems Co., Ltd. Hitachi Plant Construction, Ltd.
<u>Electronic Systems &amp; Equipment</u> Semiconductor and LCDs Manufacturing Equipment, Test and Measurement Equipment, Advanced Industrial Products, Medical Electronics Equipment, Power Tools	[Consolidated subsidiaries] Hitachi High-Technologies Corporation Hitachi Koki Co., Ltd. Hitachi Kokusai Electric Inc. Hitachi Medical Corporation	
<u>Construction Machinery</u> Hydraulic Excavators, Wheel Loaders, Mining Machinery	[Consolidated subsidiaries] Hitachi Construction Machinery Co., Ltd.	
<u>High Functional Materials &amp; Components</u> 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	[Consolidated subsidiaries] Hitachi Chemical Company, Ltd. Hitachi Metals, Ltd.	
<u>Automotive Systems</u> Engine Management Systems, Electric Powertrain Systems, Drive Control Systems, Car Information Systems	[Consolidated subsidiaries] Clarion Co., Ltd. Hitachi Automotive Systems, Ltd. Hitachi Automotive Systems Americas, Inc.	
<u>Digital Media &amp; Consumer Products</u> Air-Conditioning Equipment, Room Air Conditioners, Refrigerators, Washing Machines, Optical Disk Drives, Flat-Panel TVs	[Consolidated subsidiaries] Hitachi Appliances, Inc. Hitachi-LG Data Storage, Inc. Hitachi Consumer Products (Thailand), Ltd.	[Consolidated subsidiaries] Hitachi Consumer Marketing, Inc.
<u>Others (Logistics and Other services)</u> Logistics, Property Management		[Consolidated subsidiaries] Hitachi Life, Ltd. Hitachi Transport System, Ltd. Hitachi Urban Investment, Ltd. Hitachi America, Ltd. Hitachi Asia Ltd. Hitachi (China), Ltd. Hitachi Europe Ltd. Hitachi India Pvt. Ltd.
<u>Financial Services</u> Leasing, Loan Guarantees		[Consolidated subsidiaries] Hitachi Capital Corporation

- (Notes) 1. Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China), Ltd., Hitachi Europe Ltd. and Hitachi India Pvt. Ltd. are the Hitachi Group's regional supervising company for Americas, Asia, China, Europe and India, and they sell the Hitachi Group's products.
2. Hitachi Information & Control Solutions, Ltd. changed its name to Hitachi Industry & Control Solutions, Ltd. in association with the reorganization of the information and control solution business for industrial fields, the security system business and the printed-circuit board manufacturing business of the Group as of April 1, 2014.

4. Information on Affiliates  
 (1) Consolidated subsidiaries

(As of March 31, 2014)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Information & Telecommunication Engineering, Ltd.	Nishi-ku, Yokohama, Kanagawa	1,000	Information & Telecommunication Systems	100.0	The Company outsources design, development, manufacturing, evaluation and validation of servers and telecommunication networks equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Information & Control Solutions, Ltd.	Hitachi, Ibaraki	2,270	Information & Telecommunication Systems	100.0	The Company outsources development of information control systems, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi-Omron Terminal Solutions, Corp.	Shinagawa-ku, Tokyo	8,500	Information & Telecommunication Systems	55.0	The Company purchases ATMs and other information equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo	38,758	Information & Telecommunication Systems	100.0	The Company outsources development of information systems and software, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo	19,162	Information & Telecommunication Systems	100.0	The Company outsources calculation, development of software, installation and maintenance of telecommunication equipment and computers. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2014)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	(Thousands of US dollars) 14,000	Information & Telecommunication Systems	[100.0] 100.0	The Company supplies parts for computer peripherals. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Computer Products (Europe) S.A.S.	Ardon, France	(Thousands of Euro) 15,245	Information & Telecommunication Systems	100.0	The Company supplies parts for computer peripherals. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Consulting Corporation	Texas, U.S.A.	(Thousands of US dollars) 733,348	Information & Telecommunication Systems	[99.9] 99.9	The Company outsources consulting services. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Data Systems Corporation	California, U.S.A.	(Thousands of US dollars) 531,651	Information & Telecommunication Systems	[100.0] 100.0	Sales company for the Company's disk array subsystems, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Information & Telecommunication Systems Global Holding Corporation	California, U.S.A.	(Thousands of US dollars) 894,154	Information & Telecommunication Systems	100.0	Holding company for Hitachi Consulting Corporation and Hitachi Data Systems Corporation, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	5,000	Power Systems	80.0	The Company delivers nuclear power generation equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2014)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	4,000	Power Systems	[9.6] 100.0	The Company purchases power plant parts, and outsources maintenance of power generation equipment and control equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Horizon Nuclear Power Limited	Gloucester, U.K.	(Thousands of Sterling pounds) 615,000	Power Systems	[100.0] 100.0	Nuclear power production company in the U.K. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	5,105	Social Infrastructure & Industrial Systems	100.0	Sales, installation and maintenance of the Company's elevators and escalators. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	10,000	Social Infrastructure & Industrial Systems	100.0	The Company purchases motors, pumps and other industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	3,000	Social Infrastructure & Industrial Systems	100.0	Construction of the Company's power and industrial plants, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	(Thousands of US dollars) 64,880	Social Infrastructure & Industrial Systems	[70.0] 70.0	Manufacturing, sales, installation and maintenance of the Company's elevators and escalators in China. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2014)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
*Hitachi High-Technologies Corporation	Minato-ku, Tokyo	7,938	Electronic Systems & Equipment	51.8	The Company sells and purchases information equipment and power-related parts through this company. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Koki Co., Ltd.	Minato-ku, Tokyo	17,813	Electronic Systems & Equipment	[10.9] 51.2	The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Kokusai Electric Inc.	Chiyoda-ku, Tokyo	10,058	Electronic Systems & Equipment	[0.0] 52.3	The Company purchases electronic equipment and parts, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Medical Corporation	Chiyoda-ku, Tokyo	13,884	Electronic Systems & Equipment	100.0	The Company supplies parts for medical equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
** *Hitachi Construction Machinery Co., Ltd.	Bunkyo-ku, Tokyo	81,576	Construction Machinery	[0.6] 51.5	The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Chemical Company, Ltd.	Chiyoda-ku, Tokyo	15,454	High Functional Materials & Components	[0.1] 51.4	The Company purchases electronic materials, organic chemical materials, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Metals, Ltd.	Minato-ku, Tokyo	26,283	High Functional Materials & Components	[0.5] 54.1	The Company purchases specialty steels, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2014)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
*Clarion Co., Ltd.	Chuo-ku, Saitama, Saitama	26,100	Automotive Systems	64.0	The Company supplies parts for car navigation systems, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Automotive Systems, Ltd.	Hitachinaka, Ibaraki	15,000	Automotive Systems	100.0	The Company purchases parts for railway vehicles, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Automotive Systems Americas, Inc.	Kentucky, U.S.A.	(Thousands of US dollars) 86,278	Automotive Systems	[100.0] 100.0	Manufacturing and sales company in North America for the Hitachi Group's automotive systems products.
Hitachi Appliances, Inc.	Minato-ku, Tokyo	20,000	Digital Media & Consumer Products	100.0	The Company purchases electronic parts, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Consumer Marketing, Inc.	Minato-ku, Tokyo	3,000	Digital Media & Consumer Products	100.0	Sales company for the Hitachi Group's home appliances in Japan.
Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo	5,460	Digital Media & Consumer Products	51.0	Development, manufacturing and sales company for the Hitachi Group's optical disk drives. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Consumer Products (Thailand), Ltd.	Prachinburi, Thailand	(Thousands of Thai Baht) 2,472,000	Digital Media & Consumer Products	[80.1] 80.1	Manufacturing and sales company for the Hitachi Group's refrigerators and washing machines, etc. in Thailand.

(As of March 31, 2014)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Life, Ltd.	Hitachi, Ibaraki	1,000	Others (Logistics and Other services)	[21.8] 100.0	The Company outsources management of welfare facilities, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Transport System, Ltd.	Koto-ku, Tokyo	16,802	Others (Logistics and Other services)	[5.7] 59.0	The Company outsources transportation and storage of products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Urban Investment, Ltd.	Chiyoda-ku, Tokyo	2,000	Others (Logistics and Other services)	100.0	The Company outsources management of welfare facilities, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi America, Ltd.	New York, U.S.A.	(Thousands of US dollars) 2,278,396	Others (Logistics and Other services)	100.0	The Hitachi Group's regional supervising company in Americas, and sells the Hitachi Group's plant, industrial machinery, digital media-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Asia Ltd.	Singapore	(Thousands of Singapore dollars) 118,770	Others (Logistics and Other services)	100.0	The Hitachi Group's regional supervising company for Asia, and sells the Hitachi Group's plants, industrial machinery, air-conditioning equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2014)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi (China), Ltd.	Beijing, China	(Thousands of US dollars) 226,380	Others (Logistics and Other services)	100.0	The Hitachi Group's regional supervising company for China, and sells the Hitachi Group's plant, industrial machinery, digital media and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Europe Ltd.	Maidenhead, U.K.	(Thousands of Sterling pounds) 205,965	Others (Logistics and Other services)	100.0	The Hitachi Group's regional supervising company for Europe, and sells the Hitachi Group's plants, computer-related products, digital media-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi India Pvt. Ltd.	New Delhi, India	(Thousands of Indian rupee) 344,000	Others (Logistics and Other services)	[100.0] 100.0	The Hitachi Group's regional supervising company for India, and sells the Hitachi Group's digital media-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Capital Corporation	Minato-ku, Tokyo	9,983	Financial Services	[2.1] 60.6	Leases manufacturing equipment, industrial equipment, office equipment, etc. to the Company, and engages in leasing and credit sales of the Company's business equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Others - 907 companies	—	—	—	—	—



- (Notes) 1. The unit of amounts and currency shown in the “Common stock” column are in millions of yen, unless otherwise specified.
2. Companies with two asterisks (\*\*) in the “Company name” column are specified subsidiaries.
3. Companies with one asterisk (\*) in the “Company name” column submit Securities Registration Statement or Annual Securities Report.
4. The name of segment in which the companies classified is shown in the “Principal business” column.
5. The amounts in brackets in upper row of the “Ownership percentage of voting rights” column represent the percentage of voting rights owned indirectly by subsidiaries, of the total ownership percentage.
6. Companies with negative net worth are shown below, along with the amount of liabilities in excess of assets.
- Hitachi Vehicle Energy, Ltd. ¥42,871 million
- Hitachi Consumer Electronics Co., Ltd. ¥18,387 million
- Hitachi Media Electronics Co., Ltd. ¥10,348 million
7. Hitachi Information & Control Solutions, Ltd. changed its name to Hitachi Industry & Control Solutions, Ltd. in association with the reorganization of the information and control solution business for industrial fields, the security system business and the printed-circuit board manufacturing business of the Group as of April 1, 2014.

(2) Equity-method affiliates

(As of March 31, 2014)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
MITSUBISHI HITACHI POWER SYSTEMS, LTD.	Nishi-ku, Yokohama, Kanagawa	100,000	Power Systems	35.0	The Company supplies equipments for thermal power generation system. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.
Others - 230 companies	—	—	—	—	—

- (Notes) 1. The unit of amounts and currency shown in the “Common stock” column are in millions of yen.
2. The name of segment in which the companies classified is shown in the “Principal business” column.
3. Companies with negative net worth are shown below, along with the amount of liabilities in excess of assets.
- Agility Trains West (Holdings) Limited ¥11,263 million

## 5. Employees

### (1) Consolidated basis

(As of March 31, 2014)

Name of segment	Number of employees
Information & Telecommunication Systems	76,534 [14,768]
Power Systems	10,164 [2,998]
Social Infrastructure & Industrial Systems	48,779 [8,992]
Electronic Systems & Equipment	24,617 [—]
Construction Machinery	19,570 [—]
High Functional Materials & Components	43,059 [—]
Automotive Systems	30,594 [—]
Digital Media & Consumer Products	25,022 [4]
Others (Logistics and Other services)	34,700 [3,737]
Financial Services	4,685 [—]
Corporate (Head Office and others)	3,001 [3,001]
Total	320,725 [33,500]

(Notes) 1. In addition to those listed above, the average number of part-time employees for the fiscal year was 48,391.

2. The number in brackets in the lower row of the “Number of Employees” column is the number of employees of the Company included in each of the numbers in the upper row.

### (2) The Company

(As of March 31, 2014)

Number of employees	Average age	Average length of service	Average annual salary
33,500	40.7	18.3 years	¥8,275,105

(Note) Average annual salary includes bonuses and extra wages.

### (3) Relationship with labor union

The Company’s labor union, Hitachi Workers Union, is a member of the Japanese Electrical Electronic & Information Union.

The relationship between management and labor unions in the Hitachi Group is stable and smooth.

## II. Business Overview

### 1. Summary of Business Results

See “7. Analyses of Consolidated Financial Condition, Operating Results and Cash Flows.”

### 2. Production, Orders Received and Sales

The Hitachi Group does not present production and orders received in amount or volume terms for each segment since it produces and sells a wide variety of products, there are variety of specifications in same kinds of products and certain products are mass-produced.

Regarding sales, see “7. Analyses of Consolidated Financial Condition, Operating Results and Cash Flows.”

### 3. Challenges Facing Hitachi Group

#### (1) Business and Financial Condition

While the forecast of the world economy still remains uncertain, the Hitachi Group will promote the following measures in order to establish ourselves as a major global player through the development of our Social Innovation Business under the “2015 Mid-term Management Plan.”

- By having overseas business bases draft and promote strategies, we will accurately seize business opportunities, and establish a structure that can respond swiftly to customer and regional needs. In addition, we will support the expansion of our businesses around the world by achieving optimal placement of diverse human resources.
- Leveraging the Hitachi Group’s wide-ranging technologies and expertise related to IT and social infrastructure, we will promote the services business including operation and maintenance of products and systems, and provision of solutions that address the management challenges of our customers.
- We will work to further bolster profitability by reinforcing the technical and sales capabilities of highly competitive products such as escalators and elevators, storage, and railway vehicles.
- 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.
- While continuing to work on increasing profitability through cost structure reform, we will focus on improving cash flow by utilizing IT in an effort to increase the efficiency of funding throughout the entire business, from demand projections to provision of products and services.
- Through our R&D bases in Japan and overseas, we will promote research and development based on the challenges faced by customers and communities around the world. Furthermore, we will strengthen collaboration with external R&D institutions.
- 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.

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

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

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

There is no party that is currently attempting to acquire a large share of the Company’s stocks nor is there a specific threat, neither does the Company intend to implement specified so-called anti-takeover

measures in advance of the appearance of such a party, but the Company does understand that it is one of the natural duties bestowed upon it by the shareholders and investors to continuously monitor the state of trading of the Company's stock and then to immediately take what the Company deems to be the best action in the event of the appearance of a party attempting to purchase a large share of the Company's stock. In particular, together with outside experts, the Company will evaluate the buyout proposal of the party and hold negotiations with the buyer, and if the Company deems that said buyout will not maintain the Company's value and is not in the best interest of the shareholders, then the Company will quickly determine the necessity, content, etc., of specific countermeasures and prepare to implement them. The same response will also be taken in the event a party attempts to acquire a large percentage of the shares of a Group company.

#### 4. Risk Factors

We conduct business on a global scale across a broad range of business areas and utilize sophisticated, specialized technologies to carry out our operations. Therefore, we are exposed to risks attributable to the economic environment, risks inherent in individual industrial sectors and business lines and risks related to our operations. Investment in our securities also involves risks. The following risks are based on the assumption we consider reasonable as of the filing date of this report.

##### Risks Related to Operations

###### *Economic Trends*

Our business is influenced by conditions in the global and domestic economies. During the year ended March 31, 2014, the U.S. economy continued to recover at a moderate pace. However, the trend of recovery of the global economy continuously showed signs of slowing, such as decelerating economic growth in India and Brazil, since the weak European economy was prolonged and differences in the pace of growth of emerging economies have widened. The global economic recovery may also be harmed by sovereign debt crisis in Europe, which could cause instability of global capital markets, as well as the potential inability of emerging markets to maintain economic growth. The Japanese economy has improved due to increased exports spurred by the depreciation of yen resulting from monetary easing and increased consumer spending. However, there is no assurance that such recovery trend will continue. There is also no assurance that such trend of yen depreciation against foreign currency, such as the U.S. dollar and the euro, will continue. If Japanese yen begins to appreciate in the future, such strong yen may negatively affect corporate earnings and exports.

If the recent gradual recovery in the global and domestic economic conditions is halted or reversed, our revenues may decrease, with a resultant adverse impact on our profitability.

###### *Currency Exchange Rates Fluctuations*

Since we conduct business in many foreign countries, the portion of our assets and liabilities denominated in various currencies is exposed to risks from fluctuations in foreign currency exchange rates. In addition, we sell products, provide services and purchase raw materials and components in local currencies, principally the U.S. dollar and the euro. Therefore, fluctuations in foreign currency exchange rates may result in lower revenues or higher costs in yen to us and thus affect our financial results, which are reported in Japanese yen. Our price competitiveness, and thus our financial results, may be harmed if we seek to increase prices in local currencies to compensate for lower revenues or to increase prices in yen to absorb the higher cost. While we take measures to reduce the risks from fluctuations in foreign currency exchange rates, such measures may only delay or temporarily mitigate the adverse impact of such fluctuations and may not be effective.

###### *Access to Liquidity and Long-term Financing*

Our primary sources of funds are cash flows from operations, borrowings from banks and other institutional lenders, and funding from capital markets, such as offerings of commercial paper and other debt securities, as well as equity securities. We need liquid funds to pay our operating expenses, the principal of and interest on our debt and dividends on our capital stock. We also need long-term financing to fund, among other things, capital expenditures and research and development expenses. We currently believe our cash flows from operations, borrowings from banks and other institutional lenders and funding from the capital markets can provide sufficient funding for our operations and other liquidity needs. However, a global economic downturn could adversely affect our cash flows from operations, business results and financial condition and may adversely affect our credit ratings. If our ratings are downgraded, our ability to obtain additional financing on terms we consider favorable may be negatively affected.

Our reliance on banks and institutional lenders exposes us to risks related to rising interest rates, and we may need to increase our reliance on external sources of funding. An increased reliance on debt instruments may adversely affect our credit ratings, which might affect our ability to successfully obtain additional financing on terms we consider favorable. The inability to successfully obtain such financing may increase our financing costs, and therefore could adversely affect our financial condition and results of operations.

Furthermore, failure of one or more of our major lenders or a decision by one or more of them to change the terms and conditions of their loans or to stop lending to us could have an adverse effect on our access to funding.

#### *Marketable Securities Risks*

We invest in marketable securities to maintain or promote our business or other relationships with other companies. These marketable securities are exposed to the risk of declining stock market prices. Such declines may require that we write down equity securities that we hold. This may have an adverse effect on our financial condition and results of operations. Further, contractual and other obligations may require us to maintain our holdings of these securities despite declining share prices and this may lead to material losses.

#### *Rapid Technological Innovation*

New technologies are rapidly emerging in the segments in which we conduct business, with the pace of technological innovation. The development of new and advanced technologies, the continuous, timely and cost-effective incorporation of such technologies into products and services and the effective marketing of such products and services are indispensable to remaining competitive. While introducing such products and services requires a significant commitment to research and development, there can be no assurance that our research and development will be successful. Failure in our endeavors to develop and incorporate such advanced technologies into products and services in a timely manner, or to achieve market acceptance for such products and services, may negatively affect our business, financial condition and results of operations.

#### *Estimates, Fluctuations in Cost and Cancellation of Long-term Contracts*

We enter into a substantial number of long-term contracts, particularly in connection with the construction of power plants and infrastructure systems. We use the percentage-of-completion method to recognize revenue from sales of tangible products under these long-term contracts. Under the percentage-of-completion method, we recognize revenue from a sale in an amount equal to estimated total revenue from the arrangement multiplied by the percentage that costs incurred to date bear to estimated total costs at completion based upon the most recently available information. The use of the percentage-of-completion method requires us to make significant assumptions about estimates of total contract costs, remaining costs to completion, total contract revenues, contract risks and other factors. We charge any anticipated losses on fixed price contracts to operations when we are able to estimate such losses. While we employ our best judgment based on available information, there can be no assurance that these estimates will, ultimately, prove to be correct. We regularly review these estimates and adjust them as we deem necessary. Fluctuations in costs can occur for a variety of reasons, many of which are beyond our control. In addition, we or our counterparties may cancel these contracts. These factors would require us to revise our initial assumptions regarding a particular contract, and may adversely affect our business, financial condition and results of operations.

#### *Material and Component Procurement*

Our manufacturing operations rely on third parties for supplies of materials, parts, components and services of adequate quality and quantity, delivered in a timely manner at a reasonable price. External suppliers may have other customers and may not have sufficient capacity to meet all of our needs during periods of excess demand. Shortages of materials, parts, components and services may cause a sharp rise in their prices. Prices of certain raw materials, parts and components that we purchase, such as petroleum products, copper, aluminum and semiconductor memory chips, may be highly volatile. In addition, prices of certain raw materials, parts and components which we purchase in local currencies, principally the U.S. dollar and the euro, could be adversely affected by fluctuations in foreign currency exchange rates. Increases in the market price of petroleum and other materials, such as copper, steel, synthetic resins, rare metals and rare-earth minerals, can increase our production costs and may adversely affect our results of operations. Conversely, decreases in commodity prices, such as for raw materials, parts and components, can result in write-downs of inventory.

If natural disasters disrupt the operations of our suppliers and damage supply chains, it may adversely affect our production. Although we generally maintain multiple sources of supply and work closely with our suppliers to avoid supply-related problems, such problems, including shortages and delays, may continue to occur, which could materially harm our business, financial condition and results of operations.

#### *Supply and Demand Balance*

Oversupply in the markets in which we compete may lead to declines in sales prices, revenues and profitability. In addition, adjustment to demand may force us to dispose of excess supply or obsolete equipment or reduce production, which can result in losses. For example, the imbalance between supply and demand in construction machinery, high functional materials & components, automotive equipment, semiconductor and LCD industries and a resultant deterioration in market conditions could negatively affect our businesses.

#### *Intense Competition*

We are subject to intense competition in many of the markets in which we operate, and this may adversely affect our results of operations. The industrial sectors and business lines in which we are engaged are experiencing increasingly intense competition. We compete with diverse competitors ranging from huge global corporations to specialized companies. Competitors are increasingly manufacturing products, including sophisticated electronic products, in low-cost jurisdictions. Low-cost manufacturing and the globalization of world markets have accelerated the commoditization of certain products, which has resulted in increasingly intense price competition for many of our products. Products which are facing intense price competition or decreases in prices include computer-related products and home appliances. To succeed in this competitive environment, we believe that our products and services must be price competitive. The commoditization of such products affects our ability to set prices for our products. If we are unable to charge comparable prices to those of our competitors, our competitiveness and overall profitability may be harmed. On the other hand, charging comparable prices to those of our competitors may require us to sell products at a loss. Our products must also be competitive in terms of engineering sophistication, quality and brand value. We must introduce our products and services to the markets in a timely manner. There can be no assurance that the products or services that we offer will be competitive. The failure of such products or services to be competitive may negatively affect our business results.

#### *Our Strategy to Strengthen Our Social Innovation Business*

Our business strategy seeks to build our business portfolio and achieve a stable and profitable business structure mainly by strengthening our Social Innovation Business, which supplies advanced social infrastructure supported by information and communication technology. We plan to devote significant resources including capital expenditures and R&Ds and are making investments in mergers and acquisitions and in new projects to strengthen our Social Innovation Business. To implement this strategy, we have incurred and may continue to incur considerable expenses. Our efforts to implement this strategy may be unsuccessful or less successful than we currently anticipate. Even if these efforts are successful, there is no assurance that we will be able to increase profitability, and even if profitability is achieved, we may be unable to sustain or increase it on a quarterly or annual basis.

#### *Acquisitions, Joint Ventures and Strategic Alliances*

In every operating sector, we depend to some degree on acquisitions of other companies, joint ventures and strategic alliances with outside partners to design and develop key new technologies and products and to strengthen competitiveness. Such transactions are inherently risky because of the difficulties in integrating operations, technologies, products and personnel and achieving return of the investment. Integration issues are complex, time-consuming and expensive and, without proper planning and implementation, could adversely affect our business. Decisions made by or the performance of alliance partners that we cannot control or adverse business trends may also negatively affect the success of our alliances. We may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to integration or restructuring of acquired businesses. There can be no assurance that these transactions will be beneficial to our business or financial condition. Even assuming these transactions are beneficial, there can be no assurance that we will be able to successfully integrate acquired businesses or achieve all or any of the initial objectives of these transactions.

### *Restructuring of Our Business*

Our business strategy seeks to build our business portfolio and achieve a stable and profitable business structure in part by:

- closing unprofitable operations;
- divesting our subsidiaries and affiliated companies;
- reorganizing production bases and sales networks; and
- selling select assets.

Our restructuring efforts may not be implemented in a timely manner or at all, including due to governmental regulations, employment issues or a lack of demand in the M&A market for businesses we may seek to sell. In addition, we have a number of listed subsidiaries and from time to time the interests of these listed subsidiaries' shareholders may conflict with our interests. Such conflicts of interest may result in difficulties in timely implementing group-wide policies, including mergers, company splits and other similar transactions to which the listed subsidiaries are parties. Restructuring efforts may also bring about unintended consequences, such as negative customer or employee perceptions, and have caused and may continue to cause us to incur significant expenses and other costs, including additional impairment losses on our long-lived assets and intangible assets, write-offs of inventory and losses on the disposal of fixed assets and losses related to the sale of securities.

Current and future restructuring efforts may be unsuccessful or less successful than we presently anticipate and may adversely affect our financial condition and results of operations.

### *Cost Reduction Measures*

We implemented "the Hitachi Smart Transformation Project," which promotes cost reductions by thoroughly overhauling our cost structure across the Group including procurement, production and administrative operations. We seek to improve our management efficiency and stabilize earnings through the Project. The Project may be less successful than we currently anticipate. Even if the Project is successful, there is no assurance that we will be able to increase profitability, and even if profitability is achieved, we may be unable to sustain or increase it on a quarterly or annual basis.

### *Our Overseas Growth Strategies*

We seek to expand our business, including our Social Innovation Business, in overseas markets as part of our business strategy. Through such overseas expansion, we aim to increase our revenues, reduce our costs and improve profitability. In many of these markets, we face barriers in the form of long-standing relationships between our potential customers and their local suppliers. In addition, various factors in foreign countries where we operate may adversely affect our overseas business activities. These factors include:

- changes in regulations relating to investments, exports, tariffs, antitrust, anti-bribery, consumer and business taxation, intellectual property, foreign trade and exchange controls, environmental and recycling requirements;
- differences in commercial and business customs such as contract terms and conditions;
- labor relations;
- public sentiment against Japan and local residents' sentiment against us; and
- other political and social factors as well as economic trends and currency exchange rate fluctuations.

Because of these factors, there can be no assurance that we will be able to achieve the aims of our overseas growth strategy. This may adversely affect our business growth prospects and results of operations.

## *Intellectual Property*

We depend in part on proprietary technology and our ability to obtain patents, licenses, trademarks and other forms of intellectual property rights covering our products, product design and manufacturing processes in Japan and other countries. The fact that we hold such intellectual property rights does not ensure that they will provide a competitive advantage to us. Various parties may challenge, invalidate or circumvent our patents, trademarks and other intellectual property rights. There can be no assurance that claims allowed on any future patents will be sufficiently broad to protect our technology. Effective patent, copyright and trade secret protection may be unavailable or limited in some of the markets in which we operate, and our trade secrets may be vulnerable to disclosure or misappropriation by employees, contractors and other persons.

We design many of our products to include software or other intellectual property licenses from third parties. Competitors may not make their protected technology available to us, or may make it available to us only on unfavorable terms and conditions. There can be no assurance that we will be able to maintain a license for such intellectual property if obtained, for economic or other reasons, or that such intellectual property will give us the commercial advantages that we desire.

From time to time, we are sued or receive notices regarding patent and other intellectual property claims. Whether or not these claims have merit, they may require significant resources to defend against and may divert management attention from our business and operations and result in harm to our reputation. In addition, a successful infringement claim and our inability to obtain the license for the infringed technology or substitute similar non-infringing technology may adversely affect our business.

## *Litigation and Regulatory Investigations*

We face risks of litigation and regulatory investigation and actions in connection with our operations. Lawsuits, including regulatory actions, may seek recovery of large, indeterminate amounts or otherwise limit our operations, and their existence and magnitude may remain unknown for substantial periods of time.

In the past several years, we have been the subject of several investigations of alleged antitrust violations in relation to certain product markets in Japan, Europe and North America, etc. which may have significant effects our financial condition or profitability. See “Consolidated Financial Statements—Notes to Consolidated Financial Statements—(18) Commitments and Contingencies.”

Relevant authorities in the above markets in which we operate continue to investigate us and may initiate similar investigations in the same or other markets in the future. These investigations may result in significant penalties in multiple jurisdictions, and we may become involved in disputes with private parties seeking compensation for damages resulting from the relevant violations. Such substantial legal liability or regulatory action could have a material adverse effect on our business, results of operations, financial condition, cash flows, reputation and credibility.

In addition, our business activities are subject to various governmental regulations in countries where we operate, which include investment approvals, export regulations, tariffs, antitrust, anti-bribery, intellectual property, consumer and business taxation, foreign trade and exchange controls, and environmental and recycling requirements. These regulations limit, and other new or amended regulations may further limit, our business activities or increase operating costs. In addition, the enforcement of such regulations, including the imposition of fines or surcharges for violation of such regulations, may adversely affect our results of operations, financial condition, cash flows, reputation and credibility.

## *Product Quality and Liability*

We increasingly provide products and services utilizing sophisticated technologies, including but not limited to components of power stations. Reliance on external suppliers reduces our control over quality assurance. The occurrence of defects in our products and services could negatively affect our reputation for quality of products and services, expose us to liability for damages caused by such defects and negatively affect our ability to sell certain products. A significant product defect could materially and adversely affect our results of operations, financial condition and future business prospects.

## *Worsening of Business Performance of Equity-Method Affiliates*

We have a number of equity-method affiliates. If one or more of these equity-method affiliates records a loss during a given period, we must record that loss in a manner proportionate to our ownership interest in our consolidated financial statements. In addition, a decline in the fair value of our investments in our equity-method affiliates below the carrying amount of the investments that is deemed other than temporary could require us to record an impairment loss.



### *Significant Disasters and Similar Events*

We have many facilities, including our research and development facilities, manufacturing facilities and our headquarters in Japan. Historically, Japan has experienced numerous natural disasters such as earthquakes, tsunamis and typhoons. Natural disasters in the future may have a significantly adverse affect on an array of our corporate activities, from production to sales. We also have overseas facilities in Asia, the U.S. and Europe, which are also subject to similar natural disasters. Natural disasters in each of the areas may cause damage on certain of our plants and offices and the operations of our suppliers and customers. Such significant natural disasters may directly damage or destroy our facilities, which could disrupt our operations, delay new production and shipments of existing inventory or result in costly repairs, replacements or other costs, all of which would result in significant losses. Furthermore, even if such significant natural disasters do not directly affect our facilities, they could result in disruptions in distribution channels or supply chains. The spread of infectious diseases, such as a new flu virus, and geopolitical and social instability, such as terrorism, crime, civil disturbance and conflict, etc., may also disrupt our operations, render our employees unable to work, reduce consumer demand for our products or disrupt our supply and distribution channels. In addition, we are not insured against all potential losses, and even losses that insurance covers may not be fully covered and may be subject to challenges of or delays in payment. Direct and indirect disruption of our operations as a result of natural disasters or other events could have a negative impact on our operating activities, results of operations and financial condition.

### *Dependence on Information Systems*

With the increased importance of information systems to our operating activities, disruptions in such systems due to computer viruses and other factors could have a negative impact on our operating activities, results of operations and financial condition.

### *Management of Confidential Information*

We maintain and manage personal information obtained from our customers, as well as confidential information relating to our technology, research and development, or R&D, production, marketing and business operations and those of our customers and clients, in various forms. Although we have implemented controls to protect the confidentiality of such information, there can be no assurance that such controls will be effective. Unauthorized disclosures of such information could subject us to complaints or lawsuits for damages or could otherwise have a negative impact on our business, financial condition, results of operations, reputation and credibility.

### *Employee Retirement Benefits*

We have a significant amount of employee retirement benefit costs that we derive from actuarial valuations based on a number of assumptions. Inherent in these valuations are key assumptions used in estimating pension costs including mortality, withdrawal and retirement rates, changes in wages, the discount rate and expected return on plan assets. We are required to make judgments regarding the key assumptions by taking into account various factors including personnel demographics, market conditions and expected trends in interest rates. Although management believes that its key assumptions are reasonable in light of the various underlying factors, there can be no assurance that the key assumptions will correspond to actual results. If our key assumptions differ from actual results, the consequent deviation of actual pension costs from estimated costs may have a material adverse effect on our financial condition and results of operations. A decrease in the discount rate may result in an increase in the amount of the actuarial loss which we amortize into income over the service lives of employees. In addition, we may change these key assumptions, such as the discount rate or the expected return on plan assets. Changes in key assumptions may also have a material adverse effect on our financial condition and results of operations.

### *Dependence on Specially Skilled Personnel*

We believe we can continue to remain competitive only if we can maintain and secure additional people who are highly skilled in the fields of management and technology. However, the number of skilled personnel is limited and the competition for attracting and maintaining such personnel is intense. We cannot ensure that we will be able to successfully attract new or maintain our current skilled personnel.

## Risks Related to Our American Depositary Shares

### *Rights of ADS holders*

The rights of shareholders under Japanese law to take actions, including voting their shares, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records and exercising appraisal rights are available only to shareholders of record. Because the depositary, through its custodian agents, is the record holder of the shares underlying the American Depositary Shares, or ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying ADSs in accordance with the instructions of ADS holders and will pay dividends and distributions collected from us as and to the extent provided in the deposit agreement. However, ADS holders will not be able to bring derivative actions, examine our accounting books and records, or exercise appraisal rights through the depositary.

We are incorporated in Japan with limited liability. A significant portion of our assets are located outside the United States. As a result, it may be more difficult for investors to enforce against us judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States or judgments obtained in other courts outside Japan. There is doubt as to the enforceability in Japanese courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

### *Unit Share System*

The Companies Act allows companies to establish a “unit” of shares for the purpose of exercising voting rights at the general meetings of shareholders. Under our articles of incorporation, one unit of our shares is composed of 1,000 shares, equivalent to 100 ADSs. Each unit of our shares has one vote. A holder who owns shares or ADSs in other than multiples of 1,000 or 100, respectively, will own less than a whole unit (i.e., for the portion constituting fewer than 1,000 shares, or fewer than 100 ADSs). Our articles of incorporation, in accordance with the Companies Act, impose significant restrictions on the rights of holders of shares constituting less than a whole unit, which include restrictions on the right to vote, to attend a shareholders meeting and to bring derivative actions. In addition, less than whole unit shares cannot be traded on Japanese stock markets. Under the unit share system, holders of our shares constituting less than one unit have the right to require us to purchase their shares and the right to require us to sell them additional shares to create a whole unit of 1,000 shares. However, holders of our ADSs are unable to withdraw underlying shares representing less than one unit and, as a practical matter, are unable to require us to purchase those underlying shares. The unit share system, however, does not affect the transferability of ADSs, which may be transferred in lots of any number of whole ADSs.

### *Dilution of Your Shares by Issuances of Additional Shares*

We may issue additional shares in the future within the unissued portion of our authorized share capital and sell shares held as treasury stock, generally without shareholder vote unless the subscription or sale price is significantly lower than the market price. Issuances and sales of our shares in the future may be at prices below the prevailing market prices and may be dilutive.

### *Foreign Exchange Fluctuations*

Market prices for our ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the amount of cash dividends or other cash payments made to holders of ADSs will decline if the value of the yen declines against the dollar.

## 5. Material Agreements, etc.

### (1) Business Integration

The Company and Mitsubishi Heavy Industries, Ltd. have respectively concluded absorption-type company split agreements (the “Absorption-type Company Split Agreements” (including subsequent amendments)) with MITSUBISHI HITACHI POWER SYSTEMS, LTD. (the “Integrated Company”) in order to integrate the business (the “Business Integration”) in fields centered on the thermal power generation systems by way of company split on July 31, 2013. The Business Integration became effective on February 1, 2014 in accordance with the Absorption-type Company Split Agreements.

The Company concluded an agreement where the Company guarantees collections of a part of the Company’s subsidiaries’ receivables transferred to the subsidiaries of the Integrated Company associated with the Business Integration.

## (2) Absorption-type Company Split

The Company and Hitachi Plant Engineering & Services, Ltd. (“Hitachi Plant Engineering & Services”) have concluded an absorption-type company split agreement in order to transfer the Company’s construction business for power plants, transportation systems and industrial plants (the “transferred businesses”) and integrate them in Hitachi Plant Engineering & Services (the “Absorption-type Company Split”) on August 6, 2013, which became effective on October 1, 2013. The Absorption-type Company Split is expected to strengthen Hitachi’s capabilities for providing solutions for large-scale infrastructure systems, such as power plants, transportation systems and smart cities. It is also aimed at winning more orders in Japan and overseas.

The outline of the Absorption-type Company Split is as follows.

### (i) Absorption-type Company Split Method and Allotment

This is an absorption-type company split in which the Company is the transferring company and Hitachi Plant Engineering & Services, a wholly owned subsidiary of the Company, is the successor company. Hitachi Plant Engineering & Services allotted one share of common stock to the Company on October 1, 2013.

### (ii) Transferred Business

Construction and construction engineering for power plants, transportation systems and industrial plants as well as design, manufacturing and construction for dust collection systems

### (iii) Rights and Obligations Transferred to the Successor Company

Hitachi Plant Engineering & Services succeeded to assets, claims and obligations, contractual status and intellectual property of the Company relating only to the transferred businesses.

Furthermore, the statuses under contract of labor agreements with employees of the Company engaging in the transferred businesses and the rights and obligations based on these agreements were not transferred to Hitachi Plant Engineering & Services in relation to the Absorption-type Company Split. The employees remain in the employment of the Company, and the Company loans them out to Hitachi Plant Engineering & Services, which engages the employees in the transferred businesses.

Accounts and amounts of assets and liabilities transferred are as follows.

(As of October 1, 2013)

Category	Details	Amount (million yen)
Assets	Accounts receivable, inventory, tangible and intangible fixed assets, etc.	31,283
Liabilities	Accounts payable, advances received, etc.	25,382

### (iv) Overview of the Successor Company (As of October 1, 2013)

Company Name	Hitachi Plant Construction, Ltd.
Head office	1-3, Higashi-Ikebukuro 3-Chome, Toshima-ku, Tokyo
Representative	Nobuho Goto President
Paid-in Capital	3,000 million yen
Description of Business	Construction, construction engineering and construction services for power plants, transportation systems and industrial plants as well as design, manufacturing and construction for dust collection systems

### (3) Share Exchange

The Company and Hitachi Medical Corporation (“Hitachi Medical”) concluded a share exchange agreement related to the share exchange through which the Company becomes the wholly-owning parent company and Hitachi Medical becomes the wholly-owned subsidiary (the “Share Exchange”) (the “Share Exchange Agreement”) on February 6, 2014. The Share Exchange became effective on March 1, 2014. The Share Exchange is expected to improve the corporate value of Hitachi Group by building a more stable capital relationship with Hitachi Medical and conducting business management in an integrated manner with the healthcare-related businesses of the Company’s in-house companies.

The outline of the Share Exchange is as follows.

#### (i) Share Exchange Method and Allotment

Upon the Share Exchange Agreement, the Company delivered to shareholders of Hitachi Medical (exclusive of the Company) as of the time immediately before the Company acquired all of the issued shares of Hitachi Medical (exclusive of Hitachi Medical shares owned by the Company) through the Share Exchange, the number of the Company shares calculated by multiplying the total number of Hitachi Medical shares owned by the relevant shareholders by 2.187, in exchange for Hitachi Medical shares owned by the shareholders. Because fractional shares arose in the number of shares to be delivered through the Share Exchange, the Company delivered an amount of money in proportion to the fractions attributed to each shareholder in accordance with Article 234 of the Companies Act and other applicable laws and regulations.

As a result, Hitachi Medical became a wholly-owned subsidiary of the Company.

#### (ii) Basis of calculation for the allotment related to the Share Exchange

The Company and Hitachi Medical deliberately considered on the share exchange ratio in the Share Exchange on the assumption that the estimated value of Hitachi Medical shares is equal to the purchase price of that in the tender offer that the Company conducted during the period from November 14 to December 19, 2013 (the “Tender Offer”), referring to the valuation of the share exchange ratio provided by their respective third party valuation institutions. The Company and Hitachi Medical also negotiated and discussed on the share exchange ratio taking into consideration the various conditions and results of the Tender Offer, the market price of the Company shares and various other factors.

As a result, the Company and Hitachi Medical determined that the share exchange ratio set out in “(i) Share Exchange Method and Allotment” above is appropriate and is not prejudicial to the shareholders of the Company and Hitachi Medical.

#### (iii) Overview of the wholly-owning parent company (As of March 1, 2014)

Company Name	Hitachi, Ltd.
Head Office	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Representative	Hiroaki Nakanishi, President
Paid-in Capital	¥458,790 million
Description of Businesses	Development, manufacturing and sales of products and provision of service across 10 segments: Information & Telecommunication Systems, Power Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Digital Media & Consumer Products, Others (Logistics and Other services) and Financial Services

(4) Cross License Agreement

Party	Party	Country	Item under contract	Contract description	Contract period
Hitachi, Ltd. (The Company)	International Business Machines Corp.	U.S.A.	Information handling systems	Cross license of patents	From January 1, 2008 to the expiration of the patent under contracts
Hitachi, Ltd. (The Company)	Hewlett-Packard Co.	U.S.A.	All products and services	Cross license of patents	From March 31, 2010 to the expiration of patents applied on or before December 31, 2014
Hitachi, Ltd. (The Company)	EMC Corporation	U.S.A.	Information handling systems	Cross license of patents	From January 1, 2003 to the expiration of patents applied on or before December 31, 2002
Hitachi-GE Nuclear Energy, Ltd. (Consolidated subsidiary)	GE-Hitachi Nuclear Energy Americas LLC	U.S.A.	Nuclear reactor systems	Cross license of patents and technology	From October 30, 1991 to June 30, 2023

(5) As Licensor

Licensor	Licensee	Country	Item under contract	Contract description	Contract period
Hitachi Metals, Ltd. (Consolidated subsidiary)	MCP Canada Limited Partnership	Canada	Rare earth magnets	License of patents (Note 1)	From August 10, 2007 to the expiration of the patents under contracts
Hitachi Metals, Ltd. (Consolidated subsidiary)	Beijing Zhong Ke San Huan High-Tech Co., Ltd.	China	Rare earth magnets	License of patents (Note 2)	From March 8, 2013 to the expiration of the patents under contracts
Hitachi Metals, Ltd. (Consolidated subsidiary)	Ningbo Yunsheng Co., Ltd.	China	Rare earth magnets	License of patents (Note 2)	From April 26, 2013 to the expiration of the patents under contracts

(Notes) 1. A lump-sum payment has been received, and royalties are received in installments until the end of the contract period.

2. A lump-sum payment has been received, and a certain percentage of sales of the item is received as royalties.

## 6. Research and Development

The Hitachi Group (the Company and consolidated subsidiaries) is conducting research and development activities in a broad range of fields, from information and telecommunications systems to financial services. The Hitachi Group places priority on allocating R&D resources on core businesses of the Hitachi Group and make efforts for selecting R&D themes carefully and commercializing them quickly. Currently, in order to strengthen the global competitiveness of the Social Innovation Business, the Hitachi Group works in R&D activities to identify, share and resolve the customers' problems, and is focusing on developing technologies combining social infrastructure with information and telecommunications systems, competitive products and services to lead globalization of operations. In addition, the Hitachi Group conducts advanced research to cultivate future core businesses.

The Hitachi Group also works to improve the efficiency of R&D through close coordination between the Company's corporate research laboratories, development divisions at in-house companies and factories, and research laboratories of group companies. Furthermore, the Hitachi Group is actively expanding collaborations with universities and other research institutions as well as with outside firms.

The Company has established a new R&D framework to accelerate global growth through the Social Innovation Business. In order to support the global growth, it aims to promote R&D that can meet local needs quickly by expanding R&D facilities and personnel in North America, Europe, China, Asia, India and South America and accelerating locally-led R&D. Three corporate research laboratories aim to promote integration of technologies from basic research to applied research, to create synergies by consolidating R&D in the social infrastructure field, and to combine enhanced efficiency in information technology research with manufacturing.

The Hitachi Group's R&D expenditures for the fiscal year ended March 31, 2014 were ¥351.4 billion, 3.7% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)	
Segment	Amount
Information & Telecommunication Systems	76.6
Power Systems	19.2
Social Infrastructure & Industrial Systems	27.2
Electronic Systems & Equipment	48.0
Construction Machinery	17.9
High Functional Materials & Components	44.1
Automotive Systems	59.7
Digital Media & Consumer Products	17.6
Others (Logistics and Other services)	11.3
Financial Services	0.6
Corporate Items	28.6
Total	351.4

Notable achievements of R&D activities in the fiscal year ended March 31, 2014 are as follows.

- Development of underwater and land robots capable of remotely exploring wide areas by modifying shape and posture (Power Systems segment)

In order to remotely explore wide areas by avoiding obstacles even in narrow spaces, such as reactor buildings and containment vessels at the Fukushima Daiichi Nuclear Power Station, we developed a submersible crawling and swimming robot which can freely change its posture to swim and crawl both horizontally and vertically against a wall in water, and a transformational land based robot which can travel within pipes with a diameter of 100 mm as well as stably traverse uneven surfaces.

- Development of remote work support system with 3D data processing and AR (Augmented Reality) image (Social Infrastructure & Industrial Systems segment)

In order to enable supervisors in remote locations to support on-site operators working, such as the construction sites of overseas plants, we developed technology to rapidly extract differences between the 3D data obtained from the actual work site view and the 3D data of completion generated from the design blueprint and work manual, thus enabling real time monitoring of the work progress. Additionally, by utilizing AR technology which can augment the environment perceived by human eyes as the real world through the addition of computer-generated information, this technology also

makes it possible for the operator and the supervisor to share in real-time AR images, in which the operator's field of view is overlaid with work instructions, manuals, specifications and other related information given by the supervisor.

- Development of safe and efficient autonomous movement technology of service robots (Corporate Items)

In order to ensure safe and efficient mobility of autonomous movement robots, which have been designed to serve as guides in offices and other public facilities, we developed technology that would enable the robot to store information on location and speed of pedestrians as database it encountered on its rounds. Based on such data, the robot can estimate whether any unexpected pedestrians may pop out of a blind corner, select the optimal speed and route to be taken depending on the degree of the estimated danger, and then take appropriate avoidance actions.

- Development of enhanced security technology without impairing convenience of users (Social Infrastructure & Industrial Systems segment)

We developed new enhanced security technology to be used in security systems of large-scale important facilities such as mega-event halls and airports, including personal authentication technology using a touch panel that allows light to pass through for finger vein authentication while the passcode is being entered; dangerous substance detection technology capable of simultaneously inspecting dangerous substance from multiple points within a facility using one mass spectrometer that collects air samples from multiple points; and suspect-tracking technology to identify suspects based on clothing, hand luggage and route taken by automatically extracting information on features of different body parts, linking such data to information on the route taken and storing such information in a database. By integrating these technologies with IT system, we have developed this new security technology that enables higher safety levels without impairing convenience of the facility-users.

- Development of adsorbent capable of simultaneously removing radioactive cesium and strontium at a high absorption rate (Power Systems segment)

By applying a special treatment to titanate compounds, we developed adsorbent that is capable of removing more than 99% of radioactive cesium and strontium from sea water whose volume is three thousands times larger than that of the adsorbent itself. This adsorbent maintains high adsorption performance even under sea water conditions because of its high selectivity for cesium and strontium without adsorbing sodium and calcium in sea water.

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

### (1) Summary of Business Results, etc.

#### Economic Environment

We conduct business operations such as manufacturing, marketing, and research and development activities throughout the world. Therefore, the economic conditions in global markets where the Hitachi Group conducts business, in particular Japan, Asia, North America and Europe, affect its results of operations. The U.S. economy continued to recover due primarily to improvements in employment and wage levels. However, the weak European economy continued since sovereign debt crisis and unstable employment situation were prolonged. Economic growth in India and Brazil continuously showed signs of slowing. The Japanese economy maintained its recovery due primarily to increased exports spurred by the depreciation of yen resulting from monetary easing, increased consumer spending and last-minute demand in the latter half of the year ended March 31, 2014 ahead of the scheduled consumption tax rate increase.

We conduct business in many foreign countries, and a portion of our assets and liabilities denominated in currencies other than the Japanese yen is exposed to risks from fluctuations in foreign currency exchange rates. In addition, we export products and import components and raw materials in local currencies, principally the U.S. dollar and the euro. Therefore, fluctuations in foreign currency exchange rates may affect our financial results, which are reported in Japanese yen. The Japanese yen on average weakened against the U.S. dollar and the euro in the year ended March 31, 2014. We employ forward exchange contracts and cross-currency swap agreements to reduce the impact of foreign currency exchange rate fluctuations. In addition, to alleviate the adverse effects of foreign currency exchange rate fluctuations, when we believe it is appropriate, we seek to manufacture outside Japan and procure materials and parts locally.

#### Business Strategy

We have formulated “2015 Mid-term management plan” to end in the year ending March 31, 2016, to achieve growth and promote transformation driven by Social Innovation Business. In this plan, we aim to expand the Social Innovation Business globally, realizing innovations by strengthening service businesses and to establish globally standardized operations and management bases which can quickly respond to changes.

In order to contribute to building a sustainable society, we will identify issues from perspectives of customers and societies and will globally provide solutions on combination of our products, services and information technologies, fostering close ties of the Hitachi Group. For example, we plan to expand our service businesses to provide solutions from equipment maintenance, operation and outsourcing to management support. Further, in order to support our service businesses, we will utilize our information technologies in collection, storage, analysis and evaluation of data and will provide products that meet regional needs.

Moreover, in order to support the global growth of our Social Innovation Business, we are engaged in strengthening regional functions as well as promoting R&D and global operations tailored to the needs of each region. We are also working to assign optimal placement of personnel on a global basis, utilizing personnel evaluation standards shared throughout the Hitachi Group. Furthermore, in order to establish globally standardized operations, we are promoting business structure reforms including the streamlining of the Group structure, the expansion of global usage of shared services, and the global standardization and integration of IT and operational systems, in addition to conventional cost structure reforms such as overhauling our cost structure including procurement costs and administrative operations.

#### Business Reorganization

We continuously reorganize our business in order to further focus our business resources on the Social Innovation Business. The important business reorganizations conducted in the year ended March 31, 2014 are as follows:

We entered into an agreement with Mitsubishi Heavy Industries, Ltd. to integrate and jointly operate both companies' businesses centered on the thermal power systems business in order to address strong global demand for thermal power generation systems with superior technologies, quality and reliability, and to prevail over intensifying global competition. We integrated the business into MITSUBISHI HITACHI POWER SYSTEMS, LTD. on February 1, 2014.

We made Hitachi Medical Corporation, which had been a listed subsidiary, into a wholly-owned subsidiary on March 1, 2014, in order to improve the corporate value through building a more stable capital relationship with the Company and conducting business management in an integrated manner with the healthcare-related business of our in-house companies.



## Results of Operations

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. The Company also changed the name of the “Others” segment to the “Others (Logistics and Other services)” segment.

### Summary

In the year ended March 31, 2014, total revenues increased 6% to ¥9,616.2 billion, as compared with the year ended March 31, 2013. 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. In the year ended March 31, 2014, net income attributable to Hitachi, Ltd. stockholders increased ¥89.6 billion to ¥264.9 billion, as compared with the year ended March 31, 2013.

### 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

The following is an overview of revenues attributed to geographic areas based on customer location.

#### (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.

(2) Summary of Financial Condition, etc.

#### 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

### (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.

### (3) Important Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current assumptions. Management considers the accounting estimates discussed in this section to be critical accounting estimates for two reasons. First, the estimates require us to make assumptions about matters that are highly uncertain at the time the accounting estimate is made. Second, different estimates that we reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. Management believes the following represent our critical accounting policies.

#### ***Revenue Recognition for Sales under Long-term Construction Arrangements***

We use the percentage-of-completion method to recognize revenue from sales of tangible products under long-term construction type arrangements, in connection with the construction of nuclear, thermal and hydroelectric power plants and customization of software. Under the percentage-of-completion method, we recognize revenue from a sale in an amount equal to estimated total revenue from the arrangement multiplied by the percentage that costs incurred to date bear to estimated total costs at completion based upon the most recently available information. The use of the percentage-of-completion method requires us to make significant assumptions about estimates of total contract costs, remaining costs to completion, total contract revenues, contract risks and other factors. We regularly review these estimates and adjust them as we deem necessary. We charge any anticipated losses on fixed price contracts to operations when we are able to estimate such losses. We make provisions for contingencies in the period in which they become known to us under the specific terms and conditions of the relevant contract and are estimable by us.

#### ***Impairment of Long-Lived Assets***

We review the carrying value of our long-lived assets held and used whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Such events or changes include, but are not limited to:

- changes in production due to trends of supply and demand in the markets;
- rapid changes in selling prices of products or purchasing prices of materials and components;
- unexpected technological innovation causing obsolescence of present products; and
- unpredictable changes in business assumptions, which cause revision of business plans that result in changes in the extent or manner in which we use long-lived assets.

We perform an initial impairment review using estimates of undiscounted future cash flows. If the carrying value of the asset is greater than our estimates of undiscounted cash flows, an impairment charge is recorded for the amount by which the carrying value of the asset exceeds its estimated fair value. In estimating, we use available quoted market prices and present value techniques, if appropriate, based on the estimated future cash flow expected to result from the use of the assets and their eventual disposition.

Although management believes that the estimates of future cash flows and fair value are reasonable, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuations of long-lived assets.

For the year ended March 31, 2014, we recognized ¥33.7 billion of impairment losses for long-lived assets, mainly relating to battery businesses for automobiles in the Automotive Systems segment, medical equipment business in the Electronic Systems & Equipment segment, high-grade metal products and materials business in the High Functional Materials & Components segment and a change of manner in use of its IT system for management purpose in the Construction Machinery segment.

### ***Goodwill and Intangible Assets***

We do not amortize goodwill and other intangible assets with indefinite useful lives but we test them for impairment in accordance with Accounting Standards Codification, or ASC 350, “Intangibles—Goodwill and Other,” on an annual basis, normally in the fourth quarter after our annual forecasts have been determined, or more frequently if events occur or circumstances change in a manner that would more likely than not reduce the fair value of these assets below their respective carrying values. Such an event might include the current global economic and financial market crisis. An impairment of these assets is recorded if their calculated fair values are less than their carrying amounts.

We determine the fair value of our reporting units mainly using an income approach (i.e., present value technique). When determining such fair value, we may, however, also use the fair value of that unit based on a comparison of comparable publicly traded companies or based on that unit’s stand-alone market capitalization. Depending on the complexity, we consult with external experts when appropriate.

The determination requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, requiring management to make subjective judgments and assumptions, including assumptions about future operating results for the relevant business unit and discount rates.

In estimating future cash flows, we base the forecasted operational results on currently available assumptions considered by management to be reasonable. However, actual results may differ materially from those projected, including due to:

- economic trends in Japan, North America, Asia and other major markets where we do business;
- supply in excess of demand leading to a decline in selling prices or production volumes;
- intense price competition or decreases in prices;
- a sharp rise in the purchasing prices of material and components; and
- currency exchange rate fluctuations.

We base our discount rate assumptions for purposes of estimating the fair value of our reporting units on our cost of capital and liabilities. Stock market trends and changes in interest rates affect these assumptions. Although management believes that the estimates of future cash flows and fair value are reasonable, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in the business environment could result in additional goodwill impairment charges.

While our businesses are diverse, the number of reporting units to which goodwill has been allocated is limited. Therefore, a decrease in our market capitalization will not necessarily have a proportional or direct effect on the carrying value of goodwill.

As of March 31, 2014, our carrying amount of goodwill was ¥339.1 billion. The majority of goodwill consists of the Information & Telecommunication Systems segment (¥151.6 billion) and the High Functional Materials & Components segment (¥59.4 billion).

The carrying amount of goodwill of the Information & Telecommunication Systems segment at March 31, 2014 mainly relates to our information and telecommunication business. Our information and telecommunication business is sensitive to customers’ motivation to invest in information-technology systems affected by macro-economic conditions. We may be required to record an impairment in goodwill in this segment if any economic downturn is expected to be prolonged beyond current estimates of our management.



The carrying amount of goodwill of the High Functional Materials & Components segment at March 31, 2014 mainly relates to our metals business. The metals business is sensitive to increases in materials prices and product demand. We may need to recognize an impairment loss for goodwill in this segment if there is a sustained increase in materials prices or an unforeseen decrease in demand.

In order to evaluate the sensitivity of the fair value calculations on the significant goodwill impairment analysis, we applied a hypothetical and approximate 10% decrease to the fair value of each reporting unit. As a result of our sensitivity analysis, as of March 31, 2014, we do not have any reporting units that are at risk that the carrying amount of the reporting unit would reasonably likely exceed its fair value.

### ***Deferred Tax Assets***

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that we will not realize a portion or all of our deferred tax assets. The ultimate realization of our deferred tax assets is dependent on whether we are able to generate sufficient future taxable income in specific tax jurisdictions during the periods in which temporary differences become deductible. Management has scheduled the expected future reversals of the temporary differences and projected future taxable income, including the execution of certain available tax strategies if appropriate, in making this assessment. Actual results may differ materially from forecasted operating results, which are the basis for projecting future taxable income, and may be subject to adjustment because of factors such as economic trends in major markets where we do business, trends of supply and demand in the markets, prices of products and services, purchasing prices of materials and components, currency exchange rate fluctuations and rapid technological innovation. As a result, the differences could negatively affect the amount of deferred tax assets and valuation allowances. The realizability of deferred tax assets is assessed for each taxable unit in each taxable jurisdiction, and the results of the assessment may differ from unit to unit due to different products or jurisdictions even if they operate the same kind of business. Based on these factors, management believes that it is more likely than not that we will realize the benefits of these temporary differences, net of the existing valuation allowance as of March 31, 2014. However, the amount of deferred tax assets may be different if we do not realize estimated future taxable income during the carry forward periods as originally expected.

### ***Retirement Benefits***

We have a significant amount of accrued employee retirement benefit costs that are developed from actuarial valuations. Inherent in these valuations are key assumptions in estimating pension costs including mortality, withdrawal, retirement, changes in compensation, discount rates and expected return on plan assets. We are required to make key assumptions by taking into account various factors including personnel demographics, current market conditions and expected trends in interest rates. We determine the discount rates by looking at available information about rates implicit in the return on high-quality fixed-income government and corporate bonds. Accordingly, the discount rate is likely to change from period to period based on these ratings. A decrease in the discount rate results in an increase in actuarial pension benefit obligations. Increases and decreases in the pension benefit obligation affect the amount of the actuarial gain or loss that is amortized into income over the service lives of employees. Changes in the key assumptions may have a material effect on our financial condition and results of operations. Management believes that estimation of the key assumptions is reasonable in light of the various underlying factors.

The table below shows the sensitivity to a change in discount rates and the expected rate of return on plan assets to pre-tax income and projected benefit obligation (PBO), holding all other assumptions constant.

	<b>Effect on pre-tax income for the year ending March 31, 2015</b>	<b>Effect on PBO as of March 31, 2014</b>
	<b>(Millions of yen)</b>	
Discount rates:		
0.5% decrease .....	(8,308)	179,584
0.5% increase .....	8,405	(165,111)
Expected rate of return on plan asset:		
0.5% decrease .....	(7,531)	-
0.5% increase .....	7,531	-

The objective of our investment policy is to ensure a stable return from the plans' investments over the long term, which allows our and our subsidiaries' pension funds to meet their future obligations, and we and certain of our subsidiaries attempt to maintain the pension funds in sound condition.

### ***Allowance for Doubtful Accounts***

We estimate the collectability of our trade receivables as well as of our investments in leases to measure our incurred losses (that is those amounts with regard to which collection is not probable based on current information). Assessing the ultimate realization of these receivables, based on historical experience and analyses, including the current creditworthiness of each customer, requires a considerable amount of judgment. Each company in our consolidated group considers factors which are relevant to its business and circumstances, including business practices that are unique to the respective country or region in which it operates. Such factors which have been present on a historical basis and have contributed to losses at our subsidiaries in the past include: historical credit loss experience; existence of overdue payments; extended payment terms; negative evaluation by third-party credit rating agencies; excessive debt; and evaluation of deteriorating financial condition and operating results. Specifically, we consider probability of credit losses if overdue payments exist or if extended payment terms are subsequently granted. However, we also consider the other factors noted above in determining probability of credit losses when outstanding balances are current but other factors indicate significant doubt about customers' ability to make future payments in full. In addition, we perform a retrospective review of the assumptions relied upon in establishing allowances for doubtful receivables, including comparisons of such assumptions to actual collections experience in order to adjust our loss estimation methods to reduce the difference between estimated losses and actual subsequent charge-offs.

Our policies require that we refrain from writing off overdue receivables until after exhaustive collection efforts have been undertaken. Account balances are generally written off against the allowance only after all means of collection have been exhausted and the potential for recovery is considered remote. Write-offs generally occur only when a debtor enters bankruptcy or liquidation because collection efforts normally continue until that point. In addition, in Japan and certain other countries where we operate, tax deductions for uncollectible receivables are only allowed upon the debtor's bankruptcy, liquidation or when legal proceedings are concluded. This policy, which is driven by business practices and income tax regulations, results in potentially long collection and write-off cycles.

We have recorded changes in required reserves in recent periods and may record them in the future due to the market environment and financial condition of customers. Any deterioration in customers' financial conditions or in their credit ratings, or increases in levels or amounts of delinquency may adversely affect net income.

### ***Investments in Securities***

We hold various investments in securities and equity-method investments.

A decline in the fair value of equity securities classified as available-for-sale, cost-method or equity-method investments below their carrying value that is deemed other than temporary results in a write-down of the carrying value to the fair value as a new cost basis. The amount of the write-down is included in earnings. Fair value is determined based on quoted market prices, projected discounted cash flows or other valuation techniques as appropriate and maximizing the use of observable inputs. Management periodically reviews each equity security classified as an available-for-sale, cost-method and equity-method investment for possible impairment based on criteria such as the extent to which the carrying value exceeds fair value, the length of time the fair value has been below the carrying value and the financial condition and near-term specific prospects of the issuer.

Whether a decline in fair value of debt securities classified as available-for-sale or held-to-maturity below carrying value that is deemed other than temporary is recognized in earnings depends on whether we intend to sell the impaired debt security or it is more likely than not that we will be required to sell the security before recovery. If we do not intend to sell the security and it is not more likely than not that we will be required to sell the security before recovery, the component of the other-than-temporary impairment related to the credit loss is recognized in earnings and the component of the other-than-temporary impairment related to other factors is recognized in other comprehensive income (loss). Management periodically reviews each debt security classified as available-for-sale or held-to-maturity for the existence of impairment that is other than temporary based on criteria such as whether there is intent to sell the impaired debt security, it is more likely than not that the impaired debt security will be required to be sold before recovery, or the holder is not expected to recover the entire amortized cost basis of the security for any other reason.

A decline in market prices or a change in the financial condition of an issuer could negatively affect the fair value of an investment in a security.

## ***Recently Issued Accounting Guidance***

In May 2014, FASB issued Accounting Standards Updates 2014-09, “Revenue from Contracts with Customers,” which supersedes all existing revenue guidance. The guidance establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. All entities must adopt the guidance no later than the beginning of their first fiscal year beginning after December 15, 2016, including interim periods within that reporting period. We are currently evaluating the effect of adopting the guidance on our consolidated financial position and results of operations.

### **(4) Forward-Looking Statements**

Certain statements found in “3. Challenges Facing Hitachi Group,” “4. Risks Factors” and “7. Analyses of Consolidated Financial Condition, Operating Results and Cash Flows” and other descriptions in this report may constitute “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such “forward-looking statements” reflect management’s current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as “anticipate,” “believe,” “expect,” “estimate,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “forward-looking statements.” Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the “forward-looking statements” and from historical trends. Certain “forward-looking statements” are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on “forward-looking statements,” as such statements speak only as of the date of this report.

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

- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated, particularly against the U.S. dollar and the euro;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- 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 elsewhere in this report and in other materials published by Hitachi.

### III. Property, Plants and Equipment

#### 1. Summary of Capital Investment, etc.

The Hitachi Group (the Company and consolidated subsidiaries) selectively invests in R&D and product fields expected to grow over the long term, and it also invests to streamline manufacturing process, etc. and to improve the reliability of its products.

Capital investment (based on the amount recorded as tangible fixed assets) in the fiscal year ended March 31, 2014 was ¥849.8 billion. A breakdown of capital investment by segment is as follows. Effective from April 1, 2013, the Company changed the name of the “Others” segment to the “Others (Logistics and Other services)” segment.

Segment	Capital investment (Billions of yen)	Change from preceding fiscal year (%)	Main purpose of investment
Information & Telecommunication Systems	40.2	76.3	Expand data centers, streamline development and production of other products
Power Systems	20.2	81.1	Streamline development and production of products
Social Infrastructure & Industrial Systems	35.2	107.8	Increase production of elevators and escalators, streamline development and production of other products, antiseismic reinforcement
Electronic Systems & Equipment	28.2	142.7	Antiseismic reinforcement, streamline development and production of products
Construction Machinery	37.1	54.9	Increase and streamline production of construction machinery, antiseismic reinforcement
High Functional Materials & Components	63.9	77.8	Increase and streamline production of high grade metal products, magnetic materials, high-grade functional components, wires and cables, powder metal products, display related materials, etc.
Automotive Systems	75.1	145.2	Increase production of automotive equipment, etc., antiseismic reinforcement
Digital Media & Consumer Products	22.2	101.5	Increase production of air-conditioning equipment, streamline development and production of other products
Others (Logistics and Other services)	63.6	138.3	Transportation facilities, increase production of batteries
Financial Services	478.5	138.7	Assets for leasing business (computers and other information-related equipment, industrial machinery and machine tools, vehicles and medical equipment related to lease agreements)
Subtotal	864.6	116.1	—
Corporate Items & Eliminations	(14.7)	—	—
Total	849.8	114.5	—

(Notes) 1. The figures in the above table include the amount of the tangible fixed assets leased under non-transferable finance lease transactions.

2. These investments were mostly financed with the Hitachi Group’s own capital.

## 2. Major Property, Plants and Equipment

The Hitachi Group (the Company and consolidated subsidiaries) engages in diverse business operations in Japan and overseas. It discloses information on major property, plants and equipment represented in breakdown by segment and major facilities of the Company and consolidated subsidiaries.

The situation at the end of the fiscal year under review is as follows.

### (1) Breakdown by Segment

(As of March 31, 2014)

Segment	Book value (Millions of yen)						Number of employees
	Buildings	Machinery and equipment	Land [Area in thousands of m <sup>2</sup> ]	Lease assets	Others	Total	
Information & Telecommunication Systems	86,975	70,265	32,050 [1,686]	16,751	3,951	209,992	76,534
Power Systems	24,701	14,795	84,814 [8,468]	7,419	14,105	145,834	10,164
Social Infrastructure & Industrial Systems	97,340	58,002	30,259 [3,739]	9,512	8,274	203,387	48,779
Electronic Systems & Equipment	62,131	35,556	41,975 [2,093]	597	2,673	142,932	24,617
Construction Machinery	95,331	122,966	59,537 [9,497]	3,137	14,586	295,557	19,570
High Functional Materials & Components	132,260	173,340	93,394 [13,288]	2,437	17,860	419,291	43,059
Automotive Systems	59,043	98,509	48,602 [5,583]	1,520	24,396	232,070	30,594
Digital Media & Consumer Products	29,119	58,946	17,159 [3,659]	896	2,851	108,971	25,022
Others (Logistics and Other services)	148,933	39,672	109,082 [4,884]	16,180	19,945	333,812	34,700
Financial Services	1,921	225,586	129 [13]	10,472	4,270	242,378	4,685
Subtotal	737,754	897,637	517,001 [52,910]	68,921	112,911	2,334,224	317,724
Corporate Items & Eliminations	28,982	3,986	(24,618) [1,167]	(789)	306	7,867	3,001
Total	766,736	901,623	492,383 [54,078]	68,132	113,217	2,342,091	320,725

(Notes) 1. The “Book value - Others” column represents the total amount of vehicles and construction in progress.

2. The figures in the above table include ¥288,178 million of operating lease assets for leasing business, mainly owned by Hitachi Capital Corporation.

3. The figures in the above table include ¥47,258 million of lease assets concerning non-transfer ownership finance lease transactions leased from within the Hitachi Group, mainly from Hitachi Capital Corporation.

4. Except for the figures in the above table, there are operating lease assets leased, mainly machinery, etc. The annual lease fee for such assets was ¥141,662 million.

## (2) The Company

(As of March 31, 2014)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)						Number of employees
			Buildings	Machinery and equipment	Land [Area in thousands of m <sup>2</sup> ]	Lease assets	Others	Total	
Information & Telecommunication Systems Company (Shinagawa-ku, Tokyo)	Information & Telecommunication Systems	System development facilities, manufacturing facilities for servers, mainframes, etc.	52,916	26,907	1,905 [673]	1,869	1,656	85,256	13,306
Research & Development Group (Kokubunji, Tokyo)	Others (Logistics and Other services)	R&D facilities	15,198	8,078	6,044 [805]	95	3,424	32,840	3,009
Power Systems Company (Hitachi, Ibaraki)	Power Systems	Manufacturing facilities for power generating equipment, etc.	11,614	6,419	10,630 [3,455]	843	931	30,440	2,313
Infrastructure Systems Company (Hitachi, Ibaraki)	Information & Telecommunication Systems, Power Systems and Social Infrastructure & Industrial Systems	Manufacturing facilities for industrial machinery and plants, switchboards and calculation control equipment, system development facilities	11,492	11,346	3,955 [831]	2,161	359	29,314	6,406
IT Services Division (Chiyoda-ku, Tokyo)	Others (Logistics and Other services)	System development facilities	1,488	17,125	— [—]	—	487	19,100	466
Head Office (Chiyoda-ku, Tokyo)	Corporate	Other facilities	7,925	2,911	5,511 [1,055]	0	131	16,480	1,386
Area Operations (Osaka, Osaka)	Corporate	Other facilities	6,995	355	8,346 [59]	9	0	15,707	1,529
Ibaraki Hospital Center (Hitachi, Ibaraki)	Corporate	Medical facilities	12,088	1,340	63 [53]	1,516	173	15,181	1,374
Rail Systems Company (Kudamatsu, Yamaguchi)	Social Infrastructure & Industrial Systems	Manufacturing facilities for railway vehicles, etc.	8,584	5,052	855 [679]	5	299	14,796	1,783
Urban Planning and Development Systems Company (Hitachinaka, Ibaraki)	Social Infrastructure & Industrial Systems	Manufacturing facilities for elevators and escalators	10,738	3,099	60 [499]	29	362	14,290	1,218

## (3) Domestic subsidiaries

(As of March 31, 2014)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)						Number of employees
			Buildings	Machinery and equipment	Land [Area in thousands of m <sup>2</sup> ]	Lease assets	Others	Total	
Hitachi Automotive Systems, Ltd. (Hitachinaka, Ibaraki)	Automotive Systems	Manufacturing facilities for automotive equipment	21,759	29,987	7,492 [2,528]	—	1,826	61,066	6,474
Hitachi Construction Machinery Co., Ltd., Hitachinaka- Rinko Works (Hitachinaka, Ibaraki)	Construction Machinery	Manufacturing facilities for construction machinery	18,490	5,578	12,245 [495]	—	722	37,036	281
Hitachi Construction Machinery Co., Ltd., Tsuchiura Works (Tsuchiura, Ibaraki)	Construction Machinery	Manufacturing facilities for construction machinery	9,025	17,509	6,936 [5,137]	—	1,294	34,765	3,066
Hitachi Metals, Ltd., Yasugi Works (Yasugi, Shimane)	High Functional Materials & Components	Manufacturing facilities for high grade steel	6,713	15,386	8,180 [1,110]	—	3,734	34,013	1,488
Hitachi High- Technologies Corporation Naka Area (Hitachinaka, Ibaraki)	Electronic Systems & Equipment	Manufacturing facilities for semiconductor manufacturing equipment and test and measurement equipment, etc.	16,714	6,880	622 [125]	—	735	24,952	2,227
Hitachi Building Systems Co., Ltd., Head Office (Chiyoda-ku, Tokyo)	Social Infrastructure & Industrial Systems	Other facilities	12,038	1,701	10,131 [165]	—	754	24,626	1,454
Hitachi Solutions, Ltd., Head Office (Shinagawa-ku, Tokyo)	Information & Telecommuni- cation Systems	Other facilities	9,004	467	12,393 [17]	1,011	—	22,878	2,277
Hitachi Construction Machinery Co., Ltd., Hitachinaka Works (Hitachinaka, Ibaraki)	Construction Machinery	Manufacturing facilities for construction machinery	9,145	9,951	1,980 [214]	—	33	21,111	251
Hitachi Chemical Company, Ltd., Yamazaki Works (Hitachi, Ibaraki)	High Functional Materials & Components	Manufacturing facilities for semiconductor materials, etc.	8,570	8,493	788 [485]	40	1,197	19,089	1,094
Hitachi Chemical Company, Ltd., Shimodate Works (Chikusei, Ibaraki)	High Functional Materials & Components	Manufacturing facilities for circuit board materials, etc.	7,459	6,144	4,391 [743]	39	274	18,309	1,603

(Note) Except for the figures in the above table, there are ¥186,205 million of operating lease assets for leasing business, mainly owned by Hitachi Capital Corporation.



## (4) Overseas subsidiaries

(As of March 31, 2014)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)						Number of employees
			Buildings	Machinery and equipment	Land [Area in thousands of m <sup>2</sup> ]	Lease assets	Others	Total	
Horizon Nuclear Power Limited (Gloucester, U.K.)	Power Systems	Land for nuclear power plant	92	281	66,857 [4,418]	—	12,386	79,616	131
Hitachi Automotive Systems Americas, Inc. (Kentucky, U.S.A.)	Automotive Systems	Manufacturing facilities for automotive equipment	4,662	14,428	351 [1,231]	—	7,740	27,181	2,782
Hitachi Data Systems Corporation (California, U.S.A.)	Information & Telecommuni- cation Systems	Other facilities	—	21,504	— [—]	—	—	21,504	5,811
Hitachi Construction Machinery (China) Co., Ltd. (Hefei, China)	Construction Machinery	Manufacturing facilities for construction machinery	5,918	6,270	— [—]	—	7,317	19,505	2,213
Tata Hitachi Construction Machinery Company Limited (Bangalore, India)	Construction Machinery	Manufacturing facilities for construction machinery	6,491	9,065	609 [1,141]	—	534	16,699	1,995

- (Notes) 1. The figures for Horizon Nuclear Power Limited and Hitachi Data Systems Corporation are presented in consolidated basis of each company.
2. Except for the figures in the above table, there are ¥95,194 million of operating lease assets for leasing business.

### 3. Plans for Capital Investment, Disposals of Property, Plants and Equipment, etc.

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

The amount of capital investment for the fiscal year ending March 31, 2015 will be ¥870.0 billion (new installation and expansions, based on the amount recorded as tangible fixed assets), and a breakdown by segment is as follows. Effective from April 1, 2014, a company, which was previously included in the Information & Telecommunication Systems segment, has been included in the Social Infrastructure & Industrial Systems segment, and some companies, which were previously included in the Digital Media & Consumer Products segment, have been included in the Others (Logistics and Other services) segment. As a result, the Company changed the name of the “Digital Media & Consumer Products” segment to the “Smart Life & Ecofriendly Systems” segment. Figures shown in the table below are presented on the basis of the new segmentation.

Segment	Amount (Billions of yen)	Main purpose of investment
Information & Telecommunication Systems	50.0	Replacement of data centers, streamline development and production of other products
Power Systems	27.0	Facility for nuclear power generation system, streamline development and production of other products
Social Infrastructure & Industrial Systems	44.0	Increase production of elevators and escalators, manufacturing facilities for railway systems, streamline development and production of other products, antiseismic reinforcement
Electronic Systems & Equipment	26.0	Streamline development and production of products
Construction Machinery	35.0	Increase and streamline production of construction machinery, antiseismic reinforcement
High Functional Materials & Components	86.0	Streamline production of high grade metal products, increase production of magnetic materials, high-grade functional components, wires and cables, streamline development and production of other products
Automotive Systems	68.0	Increase production of automotive equipment, etc.
Smart Life & Ecofriendly Systems	19.0	Streamline development and production of products
Others (Logistics and Other services)	60.0	Transportation facilities
Financial Services	470.0	Assets for leasing business
Subtotal	885.0	—
Corporate Items & Eliminations	(15.0)	—
Total	870.0	—

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

#### IV. Information on the Company

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

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

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

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

###### 2) Issued shares

Class	Number of shares issued as of the end of fiscal year (shares) (March 31, 2014)	Number of shares issued as of the filing date (shares) (June 20, 2014)	Stock exchange on which the Company is listed	Description
Common stock	4,833,463,387	4,833,463,387	Tokyo, Nagoya	The number of shares per one unit of shares is 1,000 shares.
Total	4,833,463,387	4,833,463,387	—	—

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From April 1, 2009 to March 31, 2010 (Note)	6,309	4,518,132,365	1	408,810	1	126,777
From April 1, 2010 to March 31, 2011 (Note)	2,012,599	4,520,144,964	319	409,129	319	127,096
From April 1, 2011 to March 31, 2012 (Note)	117,640,353	4,637,785,317	18,646	427,775	18,646	145,742
From April 1, 2012 to March 31, 2013 (Note)	195,678,070	4,833,463,387	31,015	458,790	31,015	176,757
From April 1, 2013 to March 31, 2014	—	4,833,463,387	—	458,790	—	176,757

(Note) Changes due to conversion of stock acquisition rights into stocks.

## (6) Shareholders composition

(As of March 31, 2014)

Class of shareholders	Status of shares (one unit of stock: 1,000 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institution	Financial instruments business operator	Other institution	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	2	244	92	2,869	882	103	291,511	295,703	—
Share ownership (units)	46	1,362,518	100,294	87,580	2,195,888	443	1,062,301	4,809,070	24,393,387
Ownership percentage of shares (%)	0.00	28.33	2.09	1.82	45.66	0.01	22.09	100.00	—

- (Notes)
1. Of 4,407,424 shares of treasury stock, 4,407 units are included in the “Individuals and others” column, while 424 shares are included in the “Number of shares less than one unit” column.
  2. Of the shares registered in the name of Japan Securities Depository Center, Incorporated (account for managing stocks whose shareholders have not transferred titles), 26 units are included in the “Other institution” column and 827 shares are included in the “Number of shares less than one unit” column.

## (7) Major shareholders

(As of March 31, 2014)

Name	Address	Share Ownership (shares)	Ownership percentage to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	330,607,000	6.84
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	246,969,800	5.11
Hitachi Employees' Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	106,072,384	2.19
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	95,817,610	1.98
NATS CUMCO (Standing proxy: Mizuho Bank, Ltd.)	C/O Citibank New York, 111 Wall Street, New York NY, U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo)	82,935,280	1.72
State Street Bank and Trust Company 505225 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351 Boston, Massachusetts 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo)	75,526,617	1.56
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	71,361,222	1.48
THE BANK OF NEW YORK MELLON SA/NV 10 (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	Rue Montoyerstraat 46, 1000 Brussels, Belgium (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	70,329,859	1.46
State Street Bank West Client-Treaty (Standing proxy: Mizuho Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo)	58,866,327	1.22
Japan Trustee Services Bank, Ltd. (Trust Account 1)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	57,777,000	1.20
Total	—	1,196,263,099	24.75

- (Notes)
1. NATS CUMCO is the nominee name of the depository bank, Citibank, N.A., for the aggregate of the Company's American Depositary Receipts (ADRs) holders.
  2. The number of shares held by The Dai-ichi Life Insurance Company, Limited includes its contribution of 6,560,000 shares to the retirement allowance trust (the holder of said shares, as listed in the Shareholders' Register, is “Dai-ichi Life Insurance Account, Retirement Allowance Trust, Mizuho Trust & Banking Co., Ltd.”).

3. The Company has received copies of reports on substantial shareholdings under the Financial Instruments and Exchange Act. However, the information in the reports is not described in the above table since the Company does not confirm the actual status of shareholdings as of the end of fiscal year. The major contents of the reports are as follows.

Holders	Mitsubishi UFJ Trust and Banking Corporation and three other persons
Date on which the duty to file report	May 23, 2011
Number of shares	237,294,613 shares
Ownership percentage to the total number of issued shares	5.24%

Holders	BlackRock Japan Co. Ltd and nine other persons
Date on which the duty to file report	March 31, 2014
Number of shares	255,857,172 shares
Ownership percentage to the total number of issued shares	5.29%

(8) Information on voting rights

1) Issued shares

(As of March 31, 2014)

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting right	—	—	—
Shares with restricted voting right (treasury stock, etc.)	—	—	—
Shares with restricted voting right (others)	—	—	—
Shares with full voting right (treasury stock, etc.)	Common stock 4,578,000	—	—
Shares with full voting right (others)	Common stock 4,804,492,000	4,804,492	—
Shares less than one unit	Common stock 24,393,387	—	—
Number of issued shares	4,833,463,387	—	—
Total number of voting rights	—	4,804,492	—

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

## 2) Treasury stock, etc.

(As of March 31, 2014)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	4,407,000	—	4,407,000	0.09
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-chome, Chuo-ku, Tokyo	10,000	—	10,000	0.00
ISHII DENKOSHA Co., Ltd.	1-11, Oroshishinmachi 3-chome, Higashi-ku, Niigata-shi, Niigata	1,000	—	1,000	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	88,000	—	88,000	0.00
NIKKO SHOKAI CO., LTD.	9-5, Minami-Shinagawa 4-chome, Shinagawa-ku, Tokyo	5,000	—	5,000	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	52,000	—	52,000	0.00
Mizuho Co., Inc.	4-1, Koishikawa 5-chome, Bunkyo-ku, Tokyo	15,000	—	15,000	0.00
Total	—	4,578,000	—	4,578,000	0.09

## (9) Details of stock option plans

Not applicable.

## 2. Information on Acquisition, etc. of Treasury Stock

### Class of shares

Acquisition of common stock under Article 155, Item 3 of the Companies Act, acquisition of common stock under Article 155, Item 7 of the Companies Act, acquisition of common stock under Article 155, Item 9 of the Companies Act and acquisition of common stock under Article 155, Item 13 of the Companies Act

#### (1) Acquisition of treasury stock resolved at the general meeting of shareholders

Not applicable.

#### (2) Acquisition of treasury stock resolved at the Board of Directors meetings

Acquisition of stock resolved at the Board of Directors meetings pursuant to the Articles of Incorporation of the Company in order to Article 459, Paragraph 1 of the Companies Act

Classification	Number of shares (shares)	Total amount (yen)
The resolution of the Board of Directors on February 4, 2014 (Acquisition period : From February 5, 2014 to March 31, 2014)	5,000,000	5,000,000,000
Treasury stock acquired prior to the fiscal year ended March 31, 2014	—	—
Treasury stock acquired during the fiscal year ended March 31, 2014	5,000,000	4,002,977,000
Total number and amount of shares to be acquired	—	997,023,000
Ratio of the shares yet to be acquired as of the end of fiscal year (%)	—	19.9
Treasury stock acquired during the current period	—	—
Ratio of the shares yet to be acquired as of the filing date (%)	—	19.9

#### (3) Details of acquisition of treasury stock not based on the resolutions of the general meeting of shareholders or the Board of Directors meetings

Acquisition of stock less than one unit shares due to purchase requests from shareholders under Article 192, Paragraph 1 of the Companies Act

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2014	598,679	428,388,039
Treasury stock acquired during the current period (Note)	47,558	35,072,141

(Note) The number of treasury stock acquired due to requests to purchase stock less than one unit shares from June 1, 2014 to filing date is not included.

Acquisition of treasury stock due to purchase requests from shareholders dissenting the absorption-type corporate split that the Company succeeded the car information systems business of Hitachi Automotive Systems, Ltd. under Article 797, Paragraph 1 of the Companies Act

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2014	200	93,600
Treasury stock acquired during the current period	—	—

Acquisition of fractional shares arising from the share exchange with Hitachi Medical Corporation under Article 234 of the Companies Act

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2014	392	295,960
Treasury stock acquired during the current period	—	—

Acquisition of treasury stock due to purchase requests from shareholders dissenting the share exchange with Hitachi Medical Corporation under Article 797, Paragraph 1 of the Companies Act

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2014	—	—
Treasury stock acquired during the current period	1,000	688,000

(4) Status of the disposition and holding of acquired treasury stock

Classification	Fiscal year ended March 31, 2014		Current period (Note)	
	Number of shares (shares)	Total disposition amount (yen)	Number of shares (shares)	Total disposition amount (yen)
Acquired treasury stock which was offered to subscribers	—	—	—	—
Acquired treasury stock which was canceled	—	—	—	—
Acquired treasury stock which was transferred due to merger, share exchange or company split	4,055,445	2,892,140,602	—	—
Others (Acquired treasury stock which was sold due to requests from shareholders holding shares less than one unit shares to sell additional shares)	35,553	20,555,839	4,393	3,136,621
Total number of treasury stock held	4,407,424	—	4,451,589	—

(Note) The number of treasury stock which was sold due to requests from shareholders holding less than one unit shares to sell additional shares from June 1, 2014 to the filing date and that of treasury stock acquired due to purchase requests from shareholders holding shares less than one unit shares from June 1, 2014 to the filing date are not included.



### 3. Dividend Policy

The Company 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 the Company 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 the Company's financial condition, results of operations and dividend payout ratio.

The Company provides in its Articles of Incorporation that distribution of surplus will be made to shareholders of record as of March 31 and September 30 of each year and that the company may make further distribution of surplus to shareholders of record as of another record date for the purpose of distributing surplus. The company also provides in its Articles of Incorporation that the Company may make distribution of surplus by resolution of its Board of Directors, without resolution at the General Meeting of Shareholders.

The Company 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, the Company 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 the Company after considering its future capital requirement under its business plans, market conditions and other relevant factors.

Based on the above policy, annual dividends of ¥10.5 per share were paid for the fiscal year ended March 31, 2014. At the Board of Directors meeting held on October 29, 2013, it was resolved to pay interim dividends of ¥5 per share, resulting in the total amount of interim dividends of ¥24,151 million. In addition, at the Board of Directors meeting held on May 12, 2014, it was resolved to pay year-end dividends of ¥5.5 per share, resulting in the total amount of year-end dividends of ¥26,559 million.

### 4. Changes in Share Prices

#### (1) Highest and lowest share prices in each of the recent five fiscal years

Fiscal year	141st business term	142nd business term	143rd business term	144th business term	145th business term
Year end	March 2010	March 2011	March 2012	March 2013	March 2014
Highest (yen)	404	523	547	578	877
Lowest (yen)	227	313	360	401	508

#### (2) Highest and lowest share prices in each of the recent six months

Month	October 2013	November 2013	December 2013	January 2014	February 2014	March 2014
Highest (yen)	696	780	798	877	825	832
Lowest (yen)	606	672	730	766	746	698

(Note) The share prices are market prices on the first section of the Tokyo Stock Exchange.

## 5. Directors and Senior Management

The Company has adopted the Committee System pursuant to the Companies Act. Information on its Directors and Executive Officers is as follows.

### (1) Directors

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions	Term of office	Share ownership (shares)
Director	Nominating Committee (Chair), Member of Audit Committee and Compensation Committee	Nobuo Katsumata	Dec. 5, 1942	4/2003 Representative Director, President and CEO, Member of the Board, Marubeni Corporation 4/2008 Chairman, Member of the Board, Marubeni Corporation 6/2011 Director, Hitachi, Ltd. 4/2013 Senior Corporate Advisor, Member of the Board, Marubeni Corporation 6/2013 Senior Corporate Advisor, Marubeni Corporation (Currently in office)	(Note 1)	33,000
Director		Cynthia Carroll	Nov. 13, 1956	10/1991 General Manager, Foil Products, Alcan Inc. 1/1996 Managing Director, Aughinish Alumina Ltd., Alcan Inc. 10/1998 President, Bauxite, Alumina and Speciality Chemicals, Alcan Inc. 1/2002 President & CEO, Primary Metal Group, Alcan Inc. 3/2007 CEO, Anglo American plc. (Retired in April 2013) 6/2013 Director, Hitachi, Ltd.	(Note 1)	0
Director	Member of Nominating Committee and Compensation Committee	Sadayuki Sakakibara	Mar. 22, 1943	6/2002 President and Representative Member of the Board, Toray Industries, Inc. 6/2010 Chairman of the Board and Representative Member of the Board, Toray Industries, Inc. (Currently in office) 6/2013 Director, Hitachi, Ltd.	(Note 1)	19,000
Director		George Buckley	Feb. 23, 1947	2/1993 Chief Technology Officer, Motors, Drives and Appliances, Emerson Electric Company 9/1994 President, US Electrical Motors, Emerson Electric Company 7/1997 President, Mercury Marine Division and Corporate Vice President, Brunswick Corporation 4/2000 President and Chief Operating Officer, Brunswick Corporation 6/2000 Chairman and Chief Executive Officer, Brunswick Corporation 12/2005 Chairman of the Board, President and Chief Executive Officer, 3M Company 2/2012 Executive Chairman of the Board, 3M Company (Retired in May 2012) 6/2012 Chairman, Arle Capital Partners Limited (Currently in office) Director, Hitachi, Ltd.	(Note 1)	7,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions	Term of office	Share ownership (shares)
Director	Member of Nominating Committee and Audit Committee, Compensation Committee (Chair)	Harufumi Mochizuki	Jul. 26, 1949	<p>7/2002 Director-General for Commerce and Distribution Policy, Minister's Secretariat, Ministry of Economy, Trade and Industry of Japan ("METI")</p> <p>7/2003 Director-General, Small and Medium Enterprise Agency, METI</p> <p>7/2006 Director-General, Agency for Natural Resources and Energy, METI</p> <p>7/2008 Vice-Minister of Economy, Trade and Industry of Japan</p> <p>8/2010 Special Advisor to the Cabinet of Japan (Retired in September 2011)</p> <p>10/2010 Senior Adviser to the Board, Nippon Life Insurance Company (Retired in April 2013)</p> <p>6/2012 Director, Hitachi, Ltd.</p> <p>6/2013 President and Representative Director, Tokyo Small and Medium Business Investment &amp; Consultation Co., Ltd. (Currently in office)</p>	(Note 1)	3,000
Director		Philip Yeo	Oct. 29, 1946	<p>6/1970 Joined Ministry of Defense of Singapore</p> <p>9/1979 Permanent Secretary, Ministry of Defense of Singapore</p> <p>1/1986 Chairman, Economic Development Board of Singapore</p> <p>2/2001 Chairman, Agency for Science, Technology and Research of Singapore</p> <p>4/2007 Senior Advisor for Science and Technology to the Ministry of Trade &amp; Industry, Singapore (Retired in September 2008)</p> <p>Special Advisor in Economic Development, Prime Minister's Office, Government of Singapore (Retired in August 2011)</p> <p>Chairman, SPRING Singapore (Currently in office)</p> <p>6/2012 Director, Hitachi, Ltd.</p>	(Note 1)	18,000
Director	Member of Audit Committee	Hiroaki Yoshihara	Feb. 9, 1957	<p>11/1978 Joined Peat Marwick Mitchell &amp; Co.</p> <p>7/1996 National Managing Partner, the Pacific Rim Practice, KPMG LLP</p> <p>10/1997 The Board Member, KPMG LLP</p> <p>10/2003 Vice Chairman and Global Managing Partner, KPMG International (Retired in April 2007)</p> <p>6/2014 Director, Hitachi, Ltd.</p>	(Note 1)	0

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions	Term of office	Share ownership (shares)
Director	Member of Nominating Committee	Hiroaki Nakanishi	Mar. 14, 1946	4/1970 Joined Hitachi, Ltd. 4/2003 General Manager, Global Business 6/2003 Vice President and Executive Officer 4/2004 Senior Vice President and Executive Officer 6/2005 Senior Vice President and Executive Officer, Hitachi, Ltd. Chairman and Chief Executive Officer, Hitachi Global Storage Technologies, Inc. 4/2006 Executive Vice President and Executive Officer, Hitachi, Ltd. (Retired in December 2006) 4/2009 Executive Vice President and Executive Officer, Hitachi, Ltd. 4/2010 President, Hitachi, Ltd. 6/2010 President and Director, Hitachi, Ltd. 4/2014 Chairman & CEO and Director, Hitachi, Ltd.	(Note 1)	109,000
Director		Takashi Hachoji	Jan. 27, 1947	4/1970 Joined Hitachi, Ltd. 4/2003 General Manager, Legal and Corporate Communications and General Manager, Corporate Auditing 6/2003 Vice President and Executive Officer 4/2004 Senior Vice President and Executive Officer 4/2006 Executive Vice President and Executive Officer (Retired in March 2007) 6/2007 President and Director, Hitachi Research Institute, Ltd. 4/2009 Executive Vice President and Executive Officer, Hitachi, Ltd. (Retired in March 2011) 4/2011 Chairman of the Board, Hitachi America, Ltd. (Currently in office) 6/2011 Director, Hitachi, Ltd.	(Note 1)	75,000
Director	Member of Compensation Committee	Toshiaki Higashihara	Feb. 16, 1955	4/1977 Joined Hitachi, Ltd. 4/2006 Chief Operating Officer, Information & Telecommunication Systems 4/2007 Vice President and Executive Officer (Retired in March 2008) 4/2008 President, Hitachi Power Europe GmbH 4/2010 President and Chief Executive Officer, Hitachi Plant Technologies, Ltd. 6/2010 President and Representative Director, Hitachi Plant Technologies, Ltd. 4/2011 Vice President and Executive Officer, Hitachi, Ltd. 4/2013 Senior Vice President and Executive Officer, Hitachi, Ltd. 4/2014 President & COO, Hitachi, Ltd. 6/2014 President & COO and Director, Hitachi, Ltd.	(Note 1)	50,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions	Term of office	Share ownership (shares)
Director	Audit Committee (Chair) (Standing)	Takashi Miyoshi	Sep. 25, 1947	4/1970 Joined Hitachi, Ltd. 4/2003 General Manager, Finance 6/2003 Executive Officer 4/2004 Senior Vice President and Executive Officer 6/2004 Senior Vice President, Executive Officer and Director 4/2006 Executive Vice President, Executive Officer and Director 4/2007 Director (Retired in June 2007) 6/2007 Chairman of the Board, Hitachi Global Storage Technologies, Inc. 4/2008 Executive Vice President and Executive Officer, Hitachi Systems & Services, Ltd. (Currently Hitachi Solutions, Ltd.) 6/2008 President, Chief Executive Officer and Director, Hitachi Systems & Services, Ltd. 4/2009 Executive Vice President and Executive Officer, Hitachi, Ltd. 6/2009 Executive Vice President, Executive Officer and Director, Hitachi, Ltd. 4/2012 Director, Hitachi, Ltd.	(Note 1)	77,000
Director	Member of Audit Committee (Standing)	Nobuo Mochida	Apr. 1, 1947	4/1970 Joined Hitachi Metals, Ltd. 6/2006 President and Chief Executive Officer and Director, Hitachi Metals, Ltd. 4/2010 Executive Vice President and Executive Officer, Hitachi, Ltd. (Retired in March 2014) Chairman of the Board, Hitachi Metals, Ltd. 4/2013 Director, Hitachi Metals, Ltd. (Currently in office) 6/2014 Director, Hitachi, Ltd.	(Note 1)	30,000
Total						421,000

- (Notes) 1. The term of office of the Directors starts upon the election at the Ordinary General Meeting of Shareholders on June 20, 2014 and expires at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2015.
2. Mr. Nobuo Katsumata, Ms. Cynthia Carroll, and Messrs. Sadayuki Sakakibara, George Buckley, Harufumi Mochizuki, Philip Yeo and Hiroaki Yoshihara are directors who fulfill the qualification requirements to be outside directors as provided for in Article 2, Item 15 of the Companies Act.

## (2) Executive Officers

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions	Term of office	Share ownership (shares)
Representative Executive Officer Chairman & CEO	General management	Hiroaki Nakanishi	See “(1) Directors”	See “(1) Directors”	(Note 2)	109,000
Representative Executive Officer President & COO	Overall operations	Toshiaki Higashihara	See “(1) Directors”	See “(1) Directors”	(Note 2)	50,000
Representative Executive Officer Executive Vice President and Executive Officer	Cost structure reform, power systems business and infrastructure systems business	Tatsuro Ishizuka	Dec. 23, 1955	4/1978 10/2009 4/2011 4/2013 4/2014 Joined Hitachi, Ltd. General Manager, Hitachi Works, Power Systems Company Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	36,000
Representative Executive Officer Executive Vice President and Executive Officer	Information technology strategies	Shinjiro Iwata	Jun. 6, 1948	4/1972 10/2007 4/2009 4/2011 4/2013 Joined Hitachi, Ltd. Executive Vice President, Hitachi Global Storage Technologies, Inc. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	36,000
Representative Executive Officer Executive Vice President and Executive Officer	Information & telecommunication systems business	Yutaka Saito	Dec. 11, 1954	4/1979 10/2009 4/2010 4/2012 4/2014 Joined Hitachi, Ltd. President & CEO, Information & Control Systems Company Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	22,000
Representative Executive Officer Executive Vice President and Executive Officer	Strengthening of products	Koji Tanaka	Jan. 22, 1952	4/1974 5/2006 4/2007 4/2011 Joined Hitachi, Ltd. General Manager, Hitachi Works, Power Systems Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	40,000
Executive Vice President and Executive Officer	Regional strategies (Asia Pacific)	Junzo Nakajima	Feb. 8, 1949	5/1972 4/2005 4/2006 4/2009 4/2011 Joined Hitachi, Ltd. Chief Operating Officer, Information & Telecommunication Systems Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	41,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Representative Executive Officer Executive Vice President and Executive Officer	Finance and corporate pension system	Toyoaki Nakamura	Aug. 3, 1952	4/1975 1/2006 4/2007 6/2007 6/2009 4/2012	Joined Hitachi, Ltd. General Manager, Finance Department I Senior Vice President and Executive Officer Senior Vice President, Executive Officer and Director Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	51,000
Senior Vice President and Executive Officer	Healthcare business	Masahiro Kitano	Nov. 23, 1955	4/1980 4/2007 4/2009 4/2012 6/2012 4/2014	Joined Hitachi, Ltd. Chief Strategy Officer and General Manager, Strategy Planning & Development Office, Information & Telecommunication Systems Vice President and Executive Officer President and CEO, Hitachi Medical Corporation President and CEO, and Director, Hitachi Medical Corporation Senior Vice President and Executive Officer, Hitachi, Ltd. Director, Hitachi Medical Corporation	(Note 2)	23,050
Representative Executive Officer Senior Vice President and Executive Officer	Marketing and sales	Ryuichi Kitayama	Feb. 4, 1952	4/1976 10/2009 4/2010 4/2014	Joined Hitachi, Ltd. Chief Marketing Officer, Information & Telecommunication Group, Information & Telecommunication Systems Company Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	25,000
Representative Executive Officer Senior Vice President and Executive Officer	Corporate communications and CSR, legal matters, government & external relations, risk management and corporate auditing	Toshiaki Kuzuoka	Nov. 3, 1954	4/1978 4/2001 4/2007 4/2011	Joined Hitachi, Ltd. General Manager, Legal Division Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	207,000
Senior Vice President and Executive Officer	Management strategies	Toshikazu Nishino	Jan. 9, 1955	4/1980 4/2010 4/2011 4/2013	Joined Hitachi, Ltd. Senior Manager, Strategy & Project Office, Supervisory Office for Management Reforms Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	10,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer	Infrastructure systems business (urban planning and development systems business)	Toshio Ikemura	Dec. 2, 1953	4/1978 4/2007 4/2011	Joined Hitachi, Ltd. President and Representative Director, Hitachi Building Systems Co., Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	9,000
Vice President and Executive Officer	Power systems business (nuclear power systems business)	Hiroto Uozumi	Mar. 10, 1953	4/1975 4/2011 4/2013	Joined Hitachi, Ltd. President and Representative Director, Hitachi-GE Nuclear Energy, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	83,860
Vice President and Executive Officer	Supply chain management (procurement)	Shinichiro Omori	Feb. 6, 1956	4/1978 9/2008 4/2012	Joined Hitachi, Ltd. General Manager, Corporate Procurement Division Vice President and Executive Officer	(Note 2)	21,000
Vice President and Executive Officer	Infrastructure systems business (sales operations)	Kaoru Kawano	Jun. 25, 1952	4/1977 4/2011 4/2012	Joined Hitachi, Ltd. General Manager, Kansai Area Operation Vice President and Executive Officer	(Note 2)	22,050
Vice President and Executive Officer	Marketing and sales, and power systems business (sales operations)	Yoshifumi Kanda	Mar. 10, 1952	4/1974 12/2008 4/2011	Joined Hitachi, Ltd. General Manager, Chugoku Area Operation Vice President and Executive Officer	(Note 2)	23,000
Vice President and Executive Officer	Finance and corporate pension system	Yoshihito Kitamatsu	Oct. 8, 1956	4/1980 4/2011 4/2013	Joined Hitachi, Ltd. General Manager, Finance & Accounting Department, Finance Group Vice President and Executive Officer	(Note 2)	38,511
Vice President and Executive Officer	Marketing and sales	Kazuhiro Kurihara	Dec. 6, 1952	4/1976 4/2010 4/2011	Joined Hitachi, Ltd. General Manager, Chubu Area Operation Vice President and Executive Officer	(Note 2)	29,350
Vice President and Executive Officer	Regional strategies (China)	Kenichi Kokubo	Nov. 25, 1955	4/1979 4/2011 4/2014	Joined Hitachi, Ltd. President, Hitachi (China) Ltd. Vice President and Executive Officer	(Note 2)	1,000
Vice President and Executive Officer	Research & development	Keiji Kojima	Oct. 9, 1956	4/1982 4/2011 4/2012	Joined Hitachi, Ltd. General Manager, Hitachi Research Laboratory Vice President and Executive Officer	(Note 2)	11,000
Vice President and Executive Officer	Infrastructure systems business	Kunizo Sakai	Dec. 23, 1952	4/1975 10/2009 4/2013	Joined Hitachi, Ltd. President & CEO, Defense Systems Company Vice President and Executive Officer	(Note 2)	15,000



Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions	Term of office	Share ownership (shares)
Vice President and Executive Officer	Information & telecommunication systems business	Kaichiro Sakuma	Jan. 29, 1954	4/1979 Joined Hitachi, Ltd. 4/2008 President & Chief Executive Officer, Hitachi Information & Telecommunication Systems Global Holding Corporation 4/2009 Vice President and Executive Officer, Hitachi, Ltd. 4/2013 President and Director, Hitachi Solutions, Ltd. (Currently in office) 4/2014 Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	39,000
Vice President and Executive Officer	Information & telecommunication systems business (system solutions and services business)	Keiichi Shiotsuka	May. 8, 1954	4/1977 Joined Hitachi, Ltd. 4/2012 Chief Operating Officer, System Solutions Business, Information & Telecommunication Systems Company, Information & Telecommunication Systems Group 4/2013 Vice President and Executive Officer	(Note 2)	17,000
Vice President and Executive Officer	Marketing and sales	Akira Shimizu	Nov. 3, 1954	4/1979 Joined Hitachi, Ltd. 10/2012 General Manager, International Strategy Division 4/2013 Vice President and Executive Officer	(Note 2)	4,000
Vice President and Executive Officer	Government & external relations	Yasuo Tanabe	Oct. 5, 1954	4/1978 Joined Ministry of International Trade and Industry 8/2006 Deputy Director-General, Economic Affairs Bureau, Ministry of Foreign Affairs (Retired in March 2010) 6/2010 Joined Hitachi, Ltd. 4/2011 Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	9,000
Vice President and Executive Officer	Information & telecommunication systems business (sales operations)	Yoshitaka Tsuda	Jul. 3, 1955	4/1979 Joined Hitachi, Ltd. 4/2012 Chief Marketing Officer, Information & Telecommunication Systems Company 4/2014 Vice President and Executive Officer	(Note 2)	38,000
Vice President and Executive Officer	Human capital	Hidenobu Nakahata	Jan. 24, 1961	4/1983 Joined Hitachi, Ltd. 10/2013 Deputy General Manager, Human Capital Group 4/2014 Vice President and Executive Officer	(Note 2)	7,000
Vice President and Executive Officer	Supply chain management (MONOZUKURI and quality assurance)	Hiroshi Nakayama	Dec. 15, 1953	4/1977 Joined Hitachi, Ltd. 4/2011 President & CEO, Rail Systems Company 4/2012 Vice President and Executive Officer	(Note 2)	37,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions	Term of office	Share ownership (shares)
Vice President and Executive Officer	Power systems business	Katsumi Nagasawa	Oct. 18, 1956	4/1980 4/2012 4/2014 Joined Hitachi, Ltd. General Manager, Hitachi Works, Power Systems Company Vice President and Executive Officer	(Note 2)	25,000
Vice President and Executive Officer	Information & telecommunication systems business (global service business promotion)	Masaya Watanabe	Jan. 31, 1958	4/1982 4/2011 4/2012 Joined Hitachi, Ltd. Chief Strategy Officer, Information & Telecommunication Systems Company Vice President and Executive Officer	(Note 2)	26,000
Total						1,105,821

- (Notes)
1. The “Responsibility” column describes matters delegated to each of the Executive Officers by the Board of Directors.
  2. The term of office of the Executive Officers expires on March 31, 2015.

## 6. Corporate Governance, etc.

### (1) Corporate governance

#### 1) Outline of corporate organizations

The Company has adopted the Committee System under the Companies Act, aiming to establish a framework for quick business operation and to realize highly transparent management by separating responsibilities for management oversight and those for execution of business operations.

#### 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 in order to sustainably enhance corporate value and the shareholders' common interests. The basic management policy includes 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 seven of whom are outside Directors and two concurrently serve as Executive Officers. Within the Board of Directors, there are three statutory committees of 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 those meetings was 99%. The Nominating Committee meetings were held 5 days, the Audit Committee meetings were held 15 days, and the Compensation Committee meetings were held 4 days during the fiscal year ended March 31, 2014.

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

The Audit Committee has the authority to audit the execution of duties of Directors and Executive Officers and to determine on proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors, and consists of five Directors, including three outside Directors and two standing Audit Committee members. Mr. Takashi Miyoshi, the Chair of the Audit Committee, has considerable knowledge of finance and accounting due to his long experience as the General Manager of accounting and finance of the Company as well as Executive Officer responsible for accounting and finance for many years.

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

With regard to the number of Directors and their election, the Company stipulates in its Articles of Incorporation that the Company shall have not more than twenty (20) Directors. With regard to the adoption of resolution for the election of Directors, the Company stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting, that resolutions for the election of Directors shall be approved by attending shareholders possessing one-third or more of all voting rights of the shareholders who are entitled to exercise their votes, and that the resolution shall not be made by cumulative voting.

#### Executive Officers

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

The Company stipulates in its Articles of Incorporation that the Company shall have not more than forty (40) Executive Officers.

### Senior Executive Committee

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

#### 2) Matters determined by resolution of the Board of Directors without resolution at the general meeting of shareholders pursuant to the provisions of the Articles of Incorporation

The Company stipulates in the Articles of Incorporation that it may, unless otherwise provided in the applicable laws, determine on matters specified in each item of Article 459, Paragraph 1 of the Companies Act by the resolution of the Board of Directors, without resolution at the general meeting of shareholders.

For the repurchase of the company's own its shares (Article 459, Paragraph 1, Item 1 of the Companies Act), the Board of Directors shall determine on the matter in order to enable timely implementation of capital strategies.

Regarding reduction of capital reserve or earned surplus reserve (Article 459, Paragraph 1, Item 2 of the Companies Act), appropriation of surplus (excluding dividends of surplus and disposal of the property of the Company) (Article 459, Paragraph 1, Item 3 of the Companies Act) and dividends of surplus (Article 459, Paragraph 1, Item 4 of the Companies Act), since the Company was a company with committees as of the date of enforcement of the Companies Act, it was deemed that its Articles of Incorporation had stipulations that the Board of Directors was able to decide the above matters without resolution at the general meeting of shareholders and that it should not stipulate that such matters shall be resolved at the resolution of the general meeting of shareholders, in accordance with Article 57 of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Companies Act (July 26, 2005, Act No. 87). Even after the enforcement of the Companies Act, the Company has made it a rule to timely decide on these important business judgments by the Board of Directors to enhance the shareholders' common interests.

The Company has stipulated in its Articles of Incorporation that it may, by resolution of the Board of Directors, exempt any Director (including former Director) and Executive Officer (including former Executive Officer) from liabilities as provided Article 423, Paragraph 1 of the Companies Act to the extent as provided in laws or regulations.

#### 3) Requirement for special resolution of the general meeting of shareholders

To enable to securely meet the quorum of the general meeting of shareholders under Article 309, Paragraph 2 of the Companies Act, the Company stipulates in its Articles of Incorporation that any resolution as provided in Article 309, Paragraph 2 of the Companies Act shall be adopted at a general meeting of shareholders where shareholders representing one-third or more of the voting rights of all the shareholders shall be present, by a majority of two-thirds or more of the voting rights of the shareholders who are present in such meeting and are entitled to vote.

#### 4) Internal control system and risk management system

Outlines of the internal control system and the risk management system of the Company are as follows. In addition, these systems were resolved by the Board of Directors as the basic policy for internal control system under the Companies Act.

- (a) When necessary, the Board of Directors may appoint one or more director(s), who does not serve concurrently as an executive officer, as a director responsible for assisting with the duties of the Audit Committee. In addition, the Board of Directors Office (the "Office") shall be established specifically to assist with the duties of each Committee and the Board of Directors and staffed with personnel who are not subject to orders and instructions of Executive Officers.
- (b) In order to ensure the independence of the Office personnel from Executive Officers, the Audit Committee shall be informed in advance of planned transfers of the Office personnel.
- (c) Executive Officers and employees shall report without delay to the members of the Audit

Committee significant matters affecting the whole Company, results of internal audits, and the implementation status of reporting under the internal reporting system.

- (d) In order to ensure the effectiveness of audits by the Audit Committee, standing Committee member(s) shall be appointed to the Audit Committee, and activity plans of the Audit Committee shall be prepared in coordination with the audit plans of Internal Auditing Office.
- (e) A reporting system to Directors shall be established to ensure that the execution of duties by Executive Officers is in compliance with laws, regulations, and the Articles of Incorporation.
- (f) Information pertaining to the execution of duties by Executive Officers shall be prepared and maintained in accordance with internal rules.
- (g) A structure shall be established in which each relevant department shall establish regulations and guidelines, conduct training, prepare and distribute manuals, and carry out other such measures with respect to various risks. Efforts shall be made to identify possible new risks through such things as progress reports on business operations and, should it become necessary to respond to a new risk, an Executive Officer responsible for responding thereto shall be appointed promptly.
- (h) Efficient performance of duties shall be ensured through the following business management systems.
  - The Senior Executive Committee shall be established in order to deliberate on and facilitate the formulation of decisions based on due consideration of diverse factors regarding important issues that affect the Company and/or the Hitachi Group.
  - Based on the management policy, medium-term business plans and annual budgets, on which performance management is based, shall be prepared in order to operate business in a planned and efficient manner.
  - Internal audits shall be conducted by Internal Auditing Office to monitor and identify the status of business operations and to facilitate improvements.
  - The Audit Committee shall receive the audit plans of the accounting auditors in advance, and the prior approval of the Audit Committee shall be required with respect to the fees to be paid to the accounting auditors.
  - Documented business processes shall be executed, and internal and external auditors shall examine said processes in order to ensure the reliability of financial reports.
- (i) Continuous maintenance of a legal and regulatory compliance structure shall be ensured through the following business management systems.
  - Internal audits shall be conducted, and various committees shall be established for legal and regulatory compliance activities. Furthermore, an internal reporting system shall be established and education on legal and regulatory compliance shall be provided.
  - Various corporate rules and regulations shall be established, and efforts shall be made to ensure that the employees are aware of the internal control systems overall and that the systems are effective.
- (j) The following measures shall be effective to ensure the adequacy of business operations within the Hitachi Group.
  - Such fundamental policies as the emphasis of the social responsibilities of business enterprises shall be shared with the Group companies.
  - A group-wide policy for compliance with applicable laws and regulations shall be established as necessary.
  - Internal audits of Company departments and Group companies shall be conducted periodically, and Directors and Corporate Auditors shall be sent from the Company to Group companies. Each company shall execute documented business processes on matters that should be reflected in financial reports, and Corporate Auditors and others shall examine said processes.
  - A structure for the adequate and efficient conduct of business operations common to Group companies shall be established.
  - The policy on transactions within the Hitachi Group is to trade fairly based on market prices.

## 5) Internal audit and audit by the Audit Committee

### (a) Internal audit

The Internal Auditing Office is in charge of internal audit within Hitachi Group and audits in-house companies, corporate divisions of headquarters and subsidiaries and affiliates. The number of staff of the Internal Auditing Office is 39 as of March 31, 2014.

The Internal Auditing Office monitors and assesses whether overall business operations, including marketing, personnel management, labor management, procurement transactions, production, information system, accounting and financing activities, and property management of Hitachi Group are properly carried out pursuant to audit standards established by the Company, and points out items required to be improved based on the results of auditing and follows up their improvements. The Internal Auditing Office reports in advance its internal audit plan to the Audit Committee, and reports results of auditing to the President & COO and the Audit Committee. Furthermore, relating to the internal control over financial reporting, the internal control division in the Internal Audit Office promotes to establish and maintain the internal control systems pursuant to the Company's guideline, assesses its effectiveness, and reports the results to the President & COO and the Audit Committee.

In addition, each division in charge of compliance, information security, environment and export regulations investigates and evaluates compliance with related laws and regulations, and instructs improvements if necessary.

### (b) Audit by the Audit Committee

The Audit Committee conducts audits for whether corporate administration by Directors and Executive Officers are properly carried out under appropriate internal control systems.

The Audit Committee develops the audit policy and the audit plan, and periodically receives reports or conducts hearing for execution of duties from Directors and Executive Officers. In addition, the members of the Audit Committee, who are in charge of internal investigation, investigate in-house companies of the Company and receive reports from subsidiaries in order to check whether business transaction and property management are properly carried out, and then report the results to the Audit Committee. Furthermore, such members of the Audit Committee attend the important meetings including the budget meeting and the Senior Executive Committee, inspect audit reports from internal audit divisions, and provide internal audit divisions with instructions about divisions to be subject to auditing and items to be focused, if necessary.

The Audit Committee receives reports and explanations about the audit plan and results of the audit from the accounting auditor, and based on the reports, verifies results of financial audits and internal control audits. In addition, the Audit Committee receives reports and explanations of quality control systems of the accounting auditor. Furthermore, the Company makes it a rule to obtain the prior approval of the Audit Committee for remuneration to the accounting auditor.

## 6) Outside Directors

### (a) Qualification for the outside Directors and criteria for the independency

For electing an outside Director, the Nominating Committee of the Company considers, in addition to the following criteria for the independency, whether the outside Director has the highest personal and professional ethics, integrity and insight, and distinguished records of leadership or experience at policy making levels in business, law, administration, accounting or education, etc.

For the independency of an outside Director, the Company considers the outside director to be independent unless:

- his or her immediate family member\* is, or has been within the last three years, an executive director or an executive officer, of the Company or any of its subsidiaries;
- he or she is currently an executive director, an executive officer or an employee of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies' consolidated gross revenues;
- he or she has received during any of the last three fiscal years more than ¥10 million

- in direct compensation for his or her service as a specialist in law, accounting or tax, or as a consultant from the Company, other than director compensations; or
- he or she serves as an executive officer or director of a not-for-profit organization, and the Company's discretionary charitable contributions to the organization in any of the last three fiscal years are more than ¥10 million and 2% of that organization's annual gross revenues.

\* An "immediate family member" includes a person's spouse, parents, children, siblings, grand-parents, grand-children, mothers and fathers-in-law, sons and daughters-in-law, spouses of siblings, grand-children-in-law, and brothers and sisters-in-law.

(b) Function of the outside Directors

Following the policy stated in "(a) Qualification for outside Directors and criteria for the independency," the Company has elected seven persons; Mr. Nobuo Katsumata, Ms. Cynthia Carroll, and Messrs. Sadayuki Sakakibara, George Buckley, Harufumi Mochizuki, Philip Yeo and Hiroaki Yoshihara, as outside Directors under Article 2, Item 15 of the Companies Act. Each outside Director is expected to enhance functions of the Company's Board of Directors through supervising execution of duties of Executive Officers and others from an independent perspective, based on diverse experiences and insights in such areas as public administration in the cases of Messrs. Harufumi Mochizuki and Philip Yeo, based on rich experiences and insights as top executive of major global companies in the cases of Ms. Cynthia Carroll and Messrs. Nobuo Katsumata, Sadayuki Sakakibara and George Buckley, and based on rich experiences and insights in the area of global corporate management and accounting in the case of Mr. Hiroaki Yoshihara.

(c) Supervising by the outside Directors

Outside Directors, comprising of majority of Directors, supervise execution of duties of Executive Officers from an independent perspective. As described in the item "5) Internal audit and audit by the Audit Committee" above, the Audit Committee, of which majority members are outside Directors, receives reports and explanations about results of internal audits, accounting audit and internal control audit, and verifies the matters reported or explained. In addition, the Audit Committee reports the results of its verification to the Board of Directors.

(d) Relationship between outside Directors and the Company

Each of outside Directors has no relationship with the Company regarding his or her independency as described in "(a) Qualification for the outside Directors and criteria for the independency." In addition, there is no particular conflict of interest between each of outside Directors and the Company.

The Company considers that all outside Directors are independent, and therefore has notified all seven outside Directors as independent directors to each of the Company's listing stock exchanges in Japan.

The Company maintains a limited liability agreement (hereinafter referred to as "Agreement") stipulated in Article 427, Paragraph 1 of the Companies Act with Mr. Nobuo Katsumata, Ms. Cynthia Carroll, and Messrs. Sadayuki Sakakibara, George Buckley, Harufumi Mochizuki, Philip Yeo and Hiroaki Yoshihara. The general intent of the Agreement is to limit the liability of outside Directors to the aggregate amount of the sums stipulated in each item under Article 425, Paragraph 1 of the Companies Act.

In addition, the number of shares of the Company owned by each outside Director is described in "5. Directors and Senior Management."

7) Status of accounting audit

Certified public accountants (CPAs) who executed accounting audit of the Company are as follows. In addition, other CPAs and staff belonging to Ernst & Young ShinNihon LLC assisted execution of accounting audit works as instructed by the three CPAs.

CPA having executed accounting audit works	Audit corporation to which CPA belongs
Koichi Tsuji	Ernst & Young ShinNihon LLC
Takashi Ouchida	Ernst & Young ShinNihon LLC
Takahiro Saga	Ernst & Young ShinNihon LLC

8) Compensation to Directors and Executive Officers

(a) Policy on the determination of Compensation of Directors and Executive Officers

[Method of Determination of Policy]

The Company's Compensation Committee sets forth the policy on the determination of the amount of compensation, etc. of each Director and Executive Officer pursuant to applicable provisions of the Companies Act concerning companies with the Committee System.

[Summary of Policy]

(i) Matters relating to both Directors and Executive Officers

Compensation will be commensurate with the ability required of, and the responsibilities to be borne by, the Company's Directors and Executive Officers, taking into consideration compensation packages at other companies.

(ii) Matters relating to Directors

Compensation for Directors will consist of a monthly salary and a year-end allowance.

- Monthly salary will be decided by making adjustments to basic salary that reflect full-time or part-time status, committee membership and position, travel from place of residence, etc.

- Year-end allowance will be a pre-determined amount equivalent to about twenty percent of the Director's annual income based on monthly salary, although this amount may be reduced depending on Company performance.

A Director concurrently serving as an Executive Officer will not be paid compensation as a Director.

(iii) Matters relating to Executive Officers

Compensation for Executive Officers will consist of a monthly salary and a performance-linked component.

- Monthly salary will be decided by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment.

- The performance-linked component will be set within a range equivalent to about thirty percent of the Executive Officer's annual income, adjusted based on Company and individual performance.

(iv) Miscellaneous

It was decided at the Compensation Committee meetings held on December 18, 2007 and March 26, 2008 that the compensation structure for Directors and Executive Officers will be re-examined starting with the compensation for fiscal 2008 and that the retirement allowance will be abolished. The payment of retirement allowance to Directors and Executive Officers due to the abolition of the retirement allowance system will be in an amount determined by the Compensation Committee at the time of the retirement of a relevant Director or Executive Officer.



## (b) Amount of compensation

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 indicated 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 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 whose compensation from the Company 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. (The Company)	Executive Officer (Note)	173	122	51

(Note) Although concurrently serving as Director, Mr. Hiroaki Nakanishi does not receive compensation as Director.

9) Information on shareholdings

(a) Equity securities held for purposes other than pure investment

Number of stock names: 401 stock names

Total amount recorded in the balance sheet: ¥353,957 million

(b) Stock name, number of shares, amount recorded in the balance sheet, and purpose of holding regarding equity securities held for purposes other than pure investment

(Fiscal year ended March 31, 2013)

Specified investment securities

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
Western Digital Corporation	25,000,000	118,244	Maintaining and enhancing business relationship
Central Japan Railway Company	900,000	8,928	Maintaining and enhancing business transactions
East Japan Railway Company	790,000	6,098	Maintaining and enhancing business transactions
Yungtay Engineering Co., Ltd.	31,817,168	6,013	Maintaining and enhancing business relationship
Silver Spring Networks, Inc.	2,082,265	3,393	Maintaining and enhancing business relationship
Electric Power Development Co., Ltd.	1,307,580	3,238	Maintaining and enhancing business transactions
ShinMaywa Industries, Ltd.	4,000,337	2,952	Maintaining and enhancing business transactions
Shin-Etsu Chemical Co., Ltd.	471,000	2,943	Maintaining and enhancing business transactions
JX Holdings, Inc.	4,888,149	2,546	Maintaining and enhancing business transactions
The Japan Steel Works, LTD.	5,050,000	2,530	Maintaining and enhancing business transactions
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	612,000	2,512	Maintaining and enhancing business transactions
The Chugoku Electric Power Co., Inc.	1,812,622	2,274	Maintaining and enhancing business transactions
The Chiba Bank, Ltd.	3,269,000	2,206	Maintaining and enhancing business transactions
JOYO BANK, Ltd.	2,956,000	1,557	Maintaining and enhancing business transactions
The Dai-ichi Life Insurance Company, Limited	12,100	1,530	Maintaining and enhancing business transactions
Oclaro, Inc.	11,900,000	1,410	Received as consideration for the reorganization of Oclaro, Inc. and Opnext, Inc. which was an affiliate of the Company
Chubu Electric Power Co., Inc.	1,200,254	1,383	Maintaining and enhancing business transactions
WOWOW INC.	5,260	1,301	Maintaining and enhancing business transactions
Kintetsu Corporation	2,842,913	1,239	Maintaining and enhancing business transactions
Sapporo Holdings Limited	2,988,000	1,180	Maintaining and enhancing business transactions

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
NIPPON EXPRESS CO., LTD.	2,541,000	1,166	Maintaining and enhancing business transactions
IBJ Leasing Company, Limited	360,000	1,040	Maintaining and enhancing business transactions
NKSJ Holdings, Inc.	500,000	982	Maintaining and enhancing business transactions
West Japan Railway Company	215,000	970	Maintaining and enhancing business transactions
TOHO GAS CO., LTD.	1,524,471	934	Maintaining and enhancing business transactions
Showa Denko K.K.	6,593,332	929	Maintaining and enhancing business transactions
Hitachi Zosen Corporation	5,900,000	908	Maintaining and enhancing business transactions
Tokyo Gas Co., Ltd.	1,638,000	841	Maintaining and enhancing business transactions
Keio Corporation	1,032,873	835	Maintaining and enhancing business transactions
NOF Corporation	1,700,000	782	Maintaining and enhancing business transactions

(Note) Since the number of stock of which balance sheet amount exceeds 1% of the amount of the Company's common stock on the balance sheet is less than 30, the top 30 stocks in balance sheet amount are listed.

(Fiscal year ended March 31, 2014)  
Specified investment securities

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
Western Digital Corporation	12,500,000	118,126	Maintaining and enhancing business relationship
Renesas Electronics Corporation	127,725,748	100,520	Received in relation to the reorganization, etc. of Renesas Technology Corp. which was an affiliate of the Company
Central Japan Railway Company	900,000	10,854	Maintaining and enhancing business transactions
Yungtay Engineering Co., Ltd.	31,817,168	9,371	Maintaining and enhancing business relationship
Japan Display Inc.	10,700,000	7,714	Received in relation to the reorganization of Hitachi Displays, Ltd. which was a subsidiary of the Company
East Japan Railway Company	812,400	6,179	Maintaining and enhancing business transactions
Electric Power Development Co., Ltd.	1,307,580	3,811	Maintaining and enhancing business transactions
Oclaro, Inc.	11,900,000	3,796	Received as consideration for the reorganization of Oclaro, Inc. and Opnext, Inc. which was an affiliate of the Company
ShinMaywa Industries, Ltd.	4,000,337	3,768	Maintaining and enhancing business transactions

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	612,000	3,438	Maintaining and enhancing business transactions
Shin-Etsu Chemical Co., Ltd.	521,000	3,072	Maintaining and enhancing business transactions
The Chugoku Electric Power Co., Inc.	1,812,622	2,608	Maintaining and enhancing business transactions
JX Holdings, Inc.	4,888,149	2,429	Maintaining and enhancing business transactions
The Japan Steel Works, LTD.	5,050,000	2,338	Maintaining and enhancing business transactions
The Chiba Bank, Ltd.	3,269,000	2,079	Maintaining and enhancing business transactions
The Dai-ichi Life Insurance Company, Limited	1,210,000	1,815	Maintaining and enhancing business transactions
JOYO BANK, Ltd.	2,956,000	1,522	Maintaining and enhancing business transactions
Chubu Electric Power Co., Inc.	1,200,254	1,458	Maintaining and enhancing business transactions
NKSJ Holdings, Inc.	500,000	1,326	Maintaining and enhancing business transactions
NGK INSULATORS, LTD.	607,000	1,305	Maintaining and enhancing business transactions
NIPPON EXPRESS CO., LTD.	2,541,000	1,283	Maintaining and enhancing business transactions
NOF Corporation	1,700,000	1,269	Maintaining and enhancing business transactions
Sapporo Holdings Limited	2,988,000	1,213	Maintaining and enhancing business transactions
Tokyo Tatemono Co., Ltd.	1,286,712	1,138	Maintaining and enhancing business transactions
Tohoku Electric Power Co., Inc.	1,010,000	1,074	Maintaining and enhancing business transactions
Ono Pharmaceutical Co., Ltd.	120,000	1,072	Maintaining and enhancing business transactions
Kintetsu Corporation	2,842,913	1,043	Maintaining and enhancing business transactions
Toyo Machinery & Metal Co., Ltd.	1,810,331	1,037	Maintaining business relationship
Kyushu Electric Power Co. Inc.	790,000	996	Maintaining and enhancing business transactions
Showa Denko K.K.	6,593,332	962	Maintaining and enhancing business transactions

(Note) Since the number of stock of which balance sheet amount exceeds 1% of the amount of the Company's common stock on the balance sheet is less than 30, the top 30 stocks in balance sheet amount are listed.

(c) Equity securities held for pure investment  
None.

## (2) Audit Fees

### 1) Fees to Certified Public Accountants

Category	Fiscal year ended March 31, 2013		Fiscal year ended March 31, 2014	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	564	104	629	25
Consolidated subsidiaries	1,458	138	1,653	28
Total	2,022	242	2,282	53

### 2) Other fees

Audit fees paid by the Company and its consolidated subsidiaries to the Company's accounting auditor, Ernst & Young ShinNihon LLC Group (including Ernst & Young and its group firms which belong to the same network as Ernst & Young ShinNihon LLC), were ¥2,928 million for the fiscal year ended March 31, 2013, and ¥3,456 million for the fiscal year ended March 31, 2014, respectively. These fees are mainly paid for audit services to its overseas consolidated subsidiaries.

### 3) Descriptions of non-audit services to the Company

Non-audit services to the Company in the fiscal year ended March 31, 2013 and the fiscal year ended March 31, 2014 were various advisory services and various consulting services, respectively.

### 4) Policy on determination of audit fees

For determining the amount of audit fees, the Company conducts hearing of the audit plan and verify efficiency of audit services, including the number of days, hours for auditing, the number of subjects to be audited and the scope of audit, etc., and appropriateness of the estimate. The Company also discusses with the accounting auditor taking into consideration the formation of auditors and audit fees for the preceding fiscal year. In addition, the Audit Committee receives the audit plans of the accounting auditors and the results of discussion between the auditors and Executive Officers of the Company and approves the amount of the fees in advance of the Company's decision.

## V. Financial Information

Refer to the consolidated financial statements incorporated in this Annual Securities Report.

## VI. Stock-Related Administration for the Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	To be held within three months from the following day of the end of every fiscal year
Record date	End of every fiscal year
Record date for distribution of surplus	End of March and end of September
Number of shares constituting one unit	1,000 shares
Purchase and sale of shares less than one unit	
Handling office	(Special account) Nippon Building 4th Floor, 6-2, Otemachi 2-chome, Chiyoda-ku, Tokyo Main Office, Tokyo Securities Transfer Agent Co., Ltd.
Transfer agent	(Special account) Tokyo Securities Transfer Agent Co., Ltd.
Forward office	-
Purchasing and selling fee	Free of charge
Method of public notice	The Company's method of public notice is through electronic public notice. However, if the Company cannot use the above-mentioned method of public notice due to an accident or other inevitable reasons, Nihon Keizai Shimbun will be adopted as its medium.
Special benefit for Shareholders	None

- (Notes)
1. Under the Company's articles of incorporation, distribution of surplus through dividend payment, if any, will be made to shareholders of record as of March 31 and September 30 of each year. In addition, the Company may make further distributions of surplus to shareholders of record as of another record date.
  2. The Company's articles of incorporation provide that a holder of shares representing less than one unit does not have any other rights of a shareholder in respect of those shares, other than those specified in the articles of incorporation. This includes:
    - (1) Rights under each item of Article 189, Paragraph 2 of the Companies Act;
    - (2) Rights to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders; or
    - (3) Rights stipulated in the Company's Articles of Incorporation

## VII. Reference Information on the Company

### 1. Information on a Parent Company, etc. of the Company

The Company has no parent company.

### 2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the fiscal year ended March 31, 2014 to the filing date of the Annual Securities Report.

- |      |   |   |
|------|---|---|
| (1)  | Annual Securities Report and documents attached, and Confirmation Letter<br>(The 144th business term (from April 1, 2012 to March 31, 2013))                              | Filed with the Director of the Kanto Local Finance Bureau on June 21, 2013      |
| (2)  | Internal Control Report   | Filed with the Director of the Kanto Local Finance Bureau on June 21, 2013      |
| (3)  | Extraordinary Report<br>(pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)                  | Filed with the Director of the Kanto Local Finance Bureau on June 24, 2013      |
| (4)  | Extraordinary Report<br>(pursuant to Article 19, Paragraph 2, Item 7 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)                    | Filed with the Director of the Kanto Local Finance Bureau on June 28, 2013      |
| (5)  | Shelf Registration Statement (Debentures) and Documents Attached  | Filed with the Director of the Kanto Local Finance Bureau on June 28, 2013      |
| (6)  | Amendment to Extraordinary Report<br>(Amendment to Extraordinary Report (4) above)  | Filed with the Director of the Kanto Local Finance Bureau on August 6, 2013     |
| (7)  | Amendment to Annual Securities Report and Confirmation Letter<br>(Amendment to Annual Securities Report (The 140th business term (from April 1, 2008 to March 31, 2009))) | Filed with the Director of the Kanto Local Finance Bureau on August 9, 2013     |
| (8)  | Amendment to Annual Securities Report and Confirmation Letter<br>(Amendment to Annual Securities Report (The 141st business term (from April 1, 2009 to March 31, 2010))) | Filed with the Director of the Kanto Local Finance Bureau on August 9, 2013     |
| (9)  | Amendment to Annual Securities Report and Confirmation Letter<br>(Amendment to Annual Securities Report (The 142nd business term (from April 1, 2010 to March 31, 2011))) | Filed with the Director of the Kanto Local Finance Bureau on August 9, 2013     |
| (10) | Amendment to Annual Securities Report and Confirmation Letter<br>(Amendment to Annual Securities Report (The 143rd business term (from April 1, 2011 to March 31, 2012))) | Filed with the Director of the Kanto Local Finance Bureau on August 9, 2013     |
| (11) | Amendment to Annual Securities Report and Confirmation Letter<br>(Amendment to Annual Securities Report (1) above)  | Filed with the Director of the Kanto Local Finance Bureau on August 9, 2013     |
| (12) | Quarterly Report and Confirmation Letter<br>(The First Quarter of the 145th business term (from April 1, 2013 to June 30, 2013))  | Filed with the Director of the Kanto Local Finance Bureau on August 9, 2013     |
| (13) | Extraordinary Report<br>(pursuant to Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)                    | Filed with the Director of the Kanto Local Finance Bureau on September 19, 2013 |
| (14) | Extraordinary Report<br>(pursuant to Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)                   | Filed with the Director of the Kanto Local Finance Bureau on October 29, 2013   |
| (15) | Extraordinary Report<br>(pursuant to Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)                   | Filed with the Director of the Kanto Local Finance Bureau on November 7, 2013   |

- |   |   |
|---|---|
| (16) Quarterly Report and Confirmation Letter<br>(The Second Quarter of the 145th business term (from July 1, 2013 to September 30, 2013))                    | Filed with the Director of the Kanto Local Finance Bureau on November 12, 2013  |
| (17) Shelf Registration Supplements and Documents Attached  | Filed with the Director of the Kanto Local Finance Bureau on December 6, 2013   |
| (18) Extraordinary Report<br>(pursuant to Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)   | Filed with the Director of the Kanto Local Finance Bureau on January 8, 2014  |
| (19) Extraordinary Report<br>(pursuant to Article 19, Paragraph 2, Item 6-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.) | Filed with the Director of the Kanto Local Finance Bureau on January 30, 2014   |
| (20) Extraordinary Report<br>(pursuant to Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)   | Filed with the Director of the Kanto Local Finance Bureau on February 4, 2014   |
| (21) Amendment to Extraordinary Report<br>(Amendment to Extraordinary Report (19) above)  | Filed with the Director of the Kanto Local Finance Bureau on February 6, 2014   |
| (22) Quarterly Report and Confirmation Letter<br>(The Third Quarter of the 145th business term (from October 1, 2013 to December 31, 2013))                   | Filed with the Director of the Kanto Local Finance Bureau on February 12, 2014  |
| (23) Amendment to Quarterly Report and Confirmation Letter<br>(Amendment to Quarterly Report (22) above)  | Filed with the Director of the Kanto Local Finance Bureau on February 25, 2014  |
| (24) Report for Share Repurchase  | Filed with the Director of the Kanto Local Finance Bureau on March 12, 2014 and April 11, 2014  |
| (25) Extraordinary Report<br>(pursuant to Article 19, Paragraph 2, Item 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)  | Filed with the Director of the Kanto Local Finance Bureau on May 12, 2014   |
| (26) Amended Shelf Registration Statement<br>(Amended Shelf Registration Statement concerning the Shelf Registration Statement (5) above)                     | Filed with the Director of the Kanto Local Finance Bureau on August 1, 2013<br>August 6, 2013<br>August 9, 2013<br>September 19, 2013<br>October 29, 2013<br>November 7, 2013<br>November 12, 2013<br>January 8, 2014<br>January 30, 2014<br>February 4, 2014<br>February 6, 2014<br>February 12, 2014<br>February 25, 2014 and<br>May 12, 2014 |



Part II Information on Guarantors, etc. for the Company

Not applicable.

## Consolidated Financial Statements

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**HITACHI, LTD.  
AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**March 31, 2014 and 2013**

Assets	Millions of yen	
	March 31, 2014	March 31, 2013
Current assets:		
Cash and cash equivalents (note 7)	558,217	527,632
Short-term investments (note 3)	9,172	10,444
Trade receivables:		
Notes (notes 4, 7, 18 and 30)	143,675	110,316
Accounts (notes 4, 7 and 30)	2,654,260	2,311,460
Investments in leases (notes 6, 7 and 30)	262,953	270,899
Current portion of financial assets transferred to consolidated securitization entities (notes 6, 7 and 30)	52,212	23,365
Inventories (note 5)	1,407,055	1,437,399
Prepaid expenses and other current assets (note 9)	<u>616,326</u>	<u>498,623</u>
Total current assets	<u>5,703,870</u>	<u>5,190,138</u>
Investments and advances, including affiliated companies (note 3)	1,220,800	781,984
Property, plant and equipment (note 6):		
Land	492,383	518,313
Buildings	1,900,779	1,942,634
Machinery and equipment	4,901,505	5,207,010
Construction in progress	<u>94,972</u>	<u>115,340</u>
	7,389,639	7,783,297
Less accumulated depreciation	<u>5,047,548</u>	<u>5,503,333</u>
Net property, plant and equipment	<u>2,342,091</u>	<u>2,279,964</u>
Intangible assets (note 8):		
Goodwill	339,148	290,387
Other intangible assets	<u>422,333</u>	<u>415,009</u>
Total intangible assets	<u>761,481</u>	<u>705,396</u>
Financial assets transferred to consolidated securitization entities (notes 6, 7 and 30)	185,818	131,379
Other assets (notes 6, 7, 9, 11 and 30)	<u>802,839</u>	<u>720,369</u>
Total assets	<u>11,016,899</u>	<u>9,809,230</u>

See accompanying notes to consolidated financial statements.

**HITACHI, LTD.  
AND SUBSIDIARIES**

**Consolidated Balance Sheets (continued)**

**March 31, 2014 and 2013**

<b>Liabilities and Equity</b>	Millions of yen	
	March 31, 2014	March 31, 2013
Current liabilities:		
Short-term debt (note 10)	647,269	673,850
Current portion of long-term debt (notes 6 and 10)	464,234	260,185
Current portion of non-recourse borrowings of consolidated securitization entities (note 7)	49,895	26,399
Trade payables:		
Notes	18,926	15,462
Accounts	1,331,288	1,219,402
Accrued expenses (notes 11 and 18)	937,401	924,591
Income taxes (note 9)	72,839	56,278
Advances received	298,483	359,795
Other current liabilities (note 9)	<u>470,430</u>	<u>428,179</u>
Total current liabilities	<u>4,290,765</u>	<u>3,964,141</u>
Long-term debt (notes 6 and 10)	1,512,720	1,306,747
Non-recourse borrowings of consolidated securitization entities (note 7)	148,931	102,898
Retirement and severance benefits (note 11)	749,913	913,211
Other liabilities (note 9)	<u>462,106</u>	<u>342,946</u>
Total liabilities	<u>7,164,435</u>	<u>6,629,943</u>
Commitments and contingencies (note 18)		
Equity:		
Common stock		
4,833,463,387 shares issued as of		
March 31, 2014 and 2013 (notes 10 and 12)	458,790	458,790
Capital surplus (notes 10, 12 and 13)	617,468	622,946
Retained earnings (note 14)	1,587,394	1,370,723
Accumulated other comprehensive loss (note 16)	(9,265)	(368,334)
Treasury stock, at cost (note 15)	<u>(3,146)</u>	<u>(1,565)</u>
Total Hitachi, Ltd. stockholders' equity	<u>2,651,241</u>	<u>2,082,560</u>
Noncontrolling interests (note 13)	<u>1,201,223</u>	<u>1,096,727</u>
Total equity	<u>3,852,464</u>	<u>3,179,287</u>
Total liabilities and equity	<u>11,016,899</u>	<u>9,809,230</u>

See accompanying notes to consolidated financial statements.

**HITACHI, LTD.  
AND SUBSIDIARIES**

**Consolidated Statements of Operations and  
Consolidated Statements of Comprehensive Income**

**Years ended March 31, 2014, 2013 and 2012**

Consolidated Statements of Operations

	Millions of yen		
	2014	2013	2012
Revenues:			
Product sales	8,330,966	7,829,413	8,528,292
Financial and other services	<u>1,285,236</u>	<u>1,211,658</u>	<u>1,137,591</u>
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	<u>(928,459)</u>	<u>(884,079)</u>	<u>(831,962)</u>
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 (note 19)	(76,858)	-	-
Impairment losses for long-lived assets (note 20)	(33,796)	(23,209)	(31,841)
Restructuring charges (note 21)	(28,284)	(30,498)	(23,097)
Interest income	14,136	13,229	12,653
Dividend income	8,154	6,415	5,551
Other income (note 22)	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 (note 22)	(7,755)	(2,494)	(3,010)
Equity in net earning (loss) of affiliated companies	<u>8,686</u>	<u>(40,447)</u>	<u>(15,571)</u>
Income before income taxes	568,182	344,537	557,730
Income taxes (note 9)	<u>(204,152)</u>	<u>(106,816)</u>	<u>(144,922)</u>
Net income	364,030	237,721	412,808
Less net income attributable to noncontrolling interests	<u>99,055</u>	<u>62,395</u>	<u>65,629</u>
Net income attributable to Hitachi, Ltd. stockholders	<u>264,975</u>	<u>175,326</u>	<u>347,179</u>
Net income attributable to Hitachi, Ltd. stockholders per share (note 23):			Yen
Basic	54.86	37.28	76.81
Diluted	54.85	36.29	71.86

Consolidated Statements of Comprehensive Income

	Millions of yen		
	2014	2013	2012
Net income	364,030	237,721	412,808
Other comprehensive income (loss) arising during the year (note 16)			
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	<u>(11,301)</u>	<u>(28,201)</u>	<u>(2,502)</u>
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	<u>143,791</u>	<u>117,490</u>	<u>49,446</u>
Comprehensive income attributable to Hitachi, Ltd. stockholders	<u>625,387</u>	<u>303,190</u>	<u>343,135</u>

See accompanying notes to consolidated financial statements.

**HITACHI, LTD.  
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**Consolidated Statements of Equity**

**Years ended March 31, 2014, 2013 and 2012**

	Millions of yen							
	2014							
	Common stock (notes 10 and 12)	Capital surplus (notes 10, 12 and 13)	Retained earnings (note 14)	Accumulated other comprehensive loss (note 16)	Treasury stock, at cost (note 15)	Total Hitachi, Ltd. stockholders' equity	Non- controlling interests (note 13)	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 (notes 10 and 12)	Capital surplus (notes 10, 12 and 13)	Retained earnings (note 14)	Accumulated other comprehensive loss (note 16)	Treasury stock, at cost (note 15)	Total Hitachi, Ltd. stockholders' equity	Non- controlling interests (note 13)	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

See accompanying notes to consolidated financial statements.

**HITACHI, LTD.  
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**Consolidated Statements of Equity**  
**Years ended March 31, 2014, 2013 and 2012**

	Millions of yen							
	2012							
	Common stock (notes 10 and 12)	Capital surplus (notes 10, 12 and 13)	Retained earnings (note 14)	Accumulated other comprehensive loss (note 16)	Treasury stock, at cost (note 15)	Total Hitachi, Ltd. stockholders' equity	Non- controlling interests (note 13)	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

See accompanying notes to consolidated financial statements.

**HITACHI, LTD.  
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**Consolidated Statements of Cash Flows**

**Years ended March 31, 2014, 2013 and 2012**

	<u>Millions of yen</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash flows from operating activities (note 25):			
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 (note 31)	(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	<u>(5,129)</u>	<u>17,024</u>	<u>17,174</u>
Net cash provided by operating activities	439,406	583,508	447,155
Cash flows from investing activities (note 25):			
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	<u>34,411</u>	<u>25,968</u>	<u>28,126</u>
Net cash used in investing activities	(491,363)	(553,457)	(195,584)

See accompanying notes to consolidated financial statements.



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**Consolidated Statements of Cash Flows (continued)**

**Years ended March 31, 2014, 2013 and 2012**

	<u>Millions of yen</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash flows from financing activities (note 25):			
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

See accompanying notes to consolidated financial statements.

**HITACHI, LTD.  
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**Notes to Consolidated Financial Statements**

**(1) Nature of Operations**

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

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

**(a) Basis of Presentation**

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

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

**(b) Principles of Consolidation**

The consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries and all variable interest entities (VIEs) for which the Company or any of its consolidated entities is the primary beneficiary. The definition of a VIE is included in Accounting Standards Codification (ASC) 810, "Consolidation." This guidance addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. The consolidated financial statements include accounts of certain subsidiaries whose closing dates differ from March 31 by 93 days or less to either comply with local statutory requirements or facilitate timely reporting. There have been no significant transactions, which would materially affect the Company's financial position and results of operations, with such subsidiaries during the period from their closing dates to March 31. Intercompany accounts and significant intercompany transactions have been eliminated in consolidation.

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

**(c) Cash Equivalents**

The Company considers all highly liquid investments with insignificant risk of changes in value which have original maturities of three months or less when purchased to be cash equivalents.

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**(d) Allowance for Doubtful Receivables**

Allowance for doubtful receivables, including both trade receivables as well as investments in leases, is the Company's and subsidiaries' best estimate of the amount of our incurred losses (that is those amounts with regards to which collection is not probable based on current information). Assessing the ultimate realization of these receivables, based on historical experience and analyses, including the current creditworthiness of each customer, requires a considerable amount of judgment. Each company in our consolidated group considers factors which are relevant to its business and circumstances, including business practices that are unique to the respective country or region in which it operates within the context of our group policy. Such factors which have been present on a historical basis and have contributed to losses at our subsidiaries in the past include: historical credit loss experience; existence of overdue payments; extended payment terms; negative evaluation by third-party credit rating agencies; excessive debt; and evaluation of deteriorating financial position and operating results. Account balances are generally written off against the allowance only after all means of collection have been exhausted and the potential for recovery is considered remote. Write-offs generally occur only when a debtor enters bankruptcy or liquidation because at that time collection efforts will have been exhausted. This policy results in potentially long collection cycles.

**(e) Foreign Currency Translation**

Foreign currency financial statements have been translated in accordance with ASC 830, "Foreign Currency Matters." Under this guidance, the assets and liabilities of the Company's subsidiaries located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from foreign currency transactions are included in other income (deductions), and those resulting from translation of financial statements are excluded from the consolidated statements of operations and included in accumulated other comprehensive loss.

**(f) Investments in Securities and Affiliated Companies**

Equity securities that do not have readily determinable fair values, except for equity-method investments, are accounted for under the cost method. The Company classifies investments in equity securities that have readily determinable fair values and all investments in debt securities in three categories: held-to-maturity securities, trading securities and available-for-sale securities.

Held-to-maturity securities are debt securities that the Company has the positive intent and ability to hold to maturity. Trading securities are debt and equity securities that are bought and held principally for the purpose of selling them in the near term. Available-for-sale securities are debt and equity securities not classified as either held-to-maturity securities or trading securities.

Held-to-maturity securities are reported at amortized cost. Trading securities are reported at fair value, with unrealized gains and losses included in earnings. Available-for-sale securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive loss.

On a periodic basis, but no less frequently than at the end of each quarter period, the Company evaluates available-for-sale securities, held-to-maturity securities and cost-method investments for possible impairment. If the fair value of any available-for-sale security, held-to-maturity security or cost-method

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investment is less than the cost basis or the amortized cost basis, the Company assesses whether the impairment is temporary or other-than-temporary. Fair value is determined based on quoted market prices, projected discounted cash flows or other valuation techniques as appropriate. For certain cost-method investments for which it is not practicable to estimate the fair value, if an event or change in circumstances has occurred that may have a significant adverse effect on the fair value of the investment, the Company estimates the fair value of such investments.

Factors considered in determining whether an impairment of an equity security classified as available-for-sale or a cost-method investment is temporary or other-than-temporary include: the length of time and extent to which the fair value of the investment has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability to retain the investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. A decline in fair value of an equity security classified as an available-for-sale security or cost-method investment below its cost basis that is deemed to be other-than-temporary results in a write-down of the cost basis to fair value as a new cost basis and the amount of the write-down is included in earnings. The new cost basis of the investment is not adjusted for subsequent recoveries in fair value.

Factors considered in assessing whether an impairment of a debt security classified as either available-for-sale or held-to-maturity is temporary or other-than-temporary include: whether there is intent to sell the impaired debt security, it is more likely than not that the impaired debt security will be required to be sold before recovery, or the holder is not expected to recover the entire amortized cost basis of the security for any other reason. If the best estimate of the present value of cash flows expected to be collected is less than the amortized cost basis of the security, such a difference represents the credit loss component of the impairment. If an other-than-temporary impairment has occurred, the amount of the other-than-temporary impairment recognized in earnings depends on whether the Company intends to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss. If the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis less any current-period loss, the component of the other-than-temporary impairment related to the credit loss is recognized in earnings and the component of the other-than-temporary impairment related to other factors is recognized in accumulated other comprehensive loss. The previous amortized cost basis less the other-than-temporary impairment recognized in earnings becomes the new amortized cost basis of the investment. That new amortized cost basis is not adjusted for subsequent recoveries in fair value. However, the new amortized cost basis is adjusted for accretion and amortization as if the debt security had been purchased on the date of the other-than temporary impairment at an amortized cost basis equal to the previous amortized cost basis less the other-than-temporary impairment recognized in earnings.

On a periodic basis, but no less frequently than at the end of each quarter period, the Company evaluates the carrying amount of its ownership interests in equity-method investees for possible impairment. Factors considered in assessing whether an indication of other-than-temporary impairment exists include the achievement of business plan objectives and milestones including cash flow projections and the results of planned financing activities, the financial condition and prospects of each investee company, the fair value of the ownership interest relative to the carrying amount of the investment, the period of time during which the fair value of the ownership interest has been below the carrying amount of the investment and other relevant factors. Impairment to be recognized is measured based on the amount by which the

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carrying amount of the investment exceeds the fair value of the investment. Fair value is determined based on quoted market prices, projected discounted cash flows or other valuation techniques as appropriate.

The cost of a security sold or the amount reclassified out of accumulated other comprehensive loss into earnings is determined by the average cost method.

**(g) *Securitizations***

The Company and certain subsidiaries have a number of securitization programs. Under those programs, certain financial assets such as lease receivables, trade receivables and others are sold to Special Purpose Entities (SPEs) which are mainly funded through the issuance of asset-backed securities to investors. When a transfer of financial assets is eligible to be accounted for as a sale under ASC 860, "Transfers and Servicing," the transferred financial assets are derecognized. The Company and its subsidiaries recognize a gain or loss for the difference between the fair value of assets obtained and liabilities incurred in the sale and the carrying amount of the transferred financial assets when the transaction is consummated. Initially recorded at fair value in the period of securitizations, the amount of retained interests that can contractually be prepaid or otherwise settled in such a way that the holder would not recover all of its recorded interests is subsequently remeasured at fair value as of the balance sheet date in the same manner as available-for-sale securities.

Fair values are based on the present value of estimated future cash flows which take into consideration various factors such as expected credit loss and others.

**(h) *Inventories***

Inventories are stated at the lower of cost or market. Cost is determined by the specific identification method for job order or project inventories and generally by the average cost method for raw materials and other inventories.

**(i) *Property, Plant and Equipment***

Property, plant and equipment are stated at cost. Property, plant and equipment are principally depreciated using the straight-line method, mainly over the following estimated useful lives:

**Buildings**

Buildings and building equipment 2 to 50 years

Structures 2 to 60 years

**Machinery and equipment**

Machinery 2 to 20 years

Vehicles 2 to 10 years

Tools, furniture and fixtures 2 to 20 years

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

Based on the 2012 Mid-term Management Plan which covered a three year period ended March 31, 2013, the Company and its domestic subsidiaries made revisions to their business portfolio to move away from high volatility businesses, strengthen and focus on the Social Innovation businesses which aim to produce stable operating results over a long period of time. In developing their global business strategies, the Company and its domestic subsidiaries are accelerating construction of their global production systems to

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capture the expanding demand for the Social Innovation businesses. Accordingly, domestic property, plant and equipment will be operated consistently and utilization of the domestic property, plant and equipment will be also more consistent than before.

The Company and its domestic subsidiaries believe that the new method is preferable as it better reflects the pattern of consumption of the benefits derived from those assets and makes a better cost allocation to match revenues generated by those assets during their estimated useful lives. In accordance with the “Change in Accounting Estimate” provisions of ASC 250, “Accounting Changes and Error Corrections,” the change in depreciation method is accounted for on a prospective basis from the beginning of the period of change and results for prior periods have not been restated.

The effect of the change was to increase income before income taxes by ¥13,114 million and net income attributable to Hitachi, Ltd. stockholders by ¥10,431 million, or ¥2.22 per share (basic) and ¥2.16 per share (diluted) for the year ended March 31, 2013.

The effect on segment information is stated in note 32.

**(j) Goodwill and Other Intangible Assets**

The Company tests goodwill and indefinite-lived intangible assets for impairment at least annually. The Company performs its annual impairment test mainly during the fourth quarter after the annual forecasting process is completed. Furthermore, goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The impairment test consists of two steps. In the first step, the Company compares the fair value of each reporting unit to its carrying value. The Company has certain operating segments and, in identifying the reporting unit for the purpose of testing goodwill for impairment, considers disaggregating those operating segments into economically dissimilar components based on specific facts and circumstances, especially the level at which performance of the operating segments are reviewed, how many businesses are included in the operating segments, and the economic similarity of those businesses. In assigning goodwill to reporting units, the Company considers which reporting units are expected to benefit from the synergies of the combination in a manner similar to how the amount of goodwill is recognized in a business combination. The Company determines the fair value of its reporting units mainly using an income approach (i.e., present value technique). When determining such fair value, the Company may, however, also use the fair value of that unit based on a comparison of comparable publicly traded companies or based on that unit’s stand-alone market capitalization. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company performs the second step of the impairment test in order to determine the implied fair value of the reporting unit’s goodwill. If the carrying value of a reporting unit’s goodwill exceeds its implied fair value, the Company records an impairment loss equal to the difference.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives on either a straight-line basis or the method that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise used up. The principal estimated useful lives are as follows:

Software	2 to 10 years
Software for internal use	2 to 10 years
Patents	2 to 10 years
Other	2 to 30 years

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**(k) Capitalized Software Costs**

Costs incurred for computer software developed or obtained for internal use are capitalized and amortized on a straight-line basis over their estimated useful lives in accordance with ASC 350, “Intangibles – Goodwill and Other.” In addition, the Company and its subsidiaries develop certain computer software to be sold where related costs are capitalized after establishment of technological feasibility in accordance with ASC 985, “Software.” The annual amortization of such capitalized costs is the greater of the amount computed using the ratio of each software’s current year gross revenues to the total of current and anticipated future gross revenues or the straight-line method over the remaining estimated economic life of each software product.

**(l) Impairment of Long-Lived Assets**

The Company reviews the carrying value of long-lived assets or a related group of assets to be held and used, including intangible assets with finite useful lives, for impairment whenever events or circumstances occur that indicate that the carrying value of the assets may not be recoverable. The assets are considered to be impaired when estimated undiscounted cash flows expected to result from the use of the assets and their eventual disposition are less than their carrying values. The impairment losses are measured as the amount by which the carrying value of the asset or asset group exceeds the fair value. In determining the fair value, the Company uses available quoted market prices and present value techniques, if appropriate, based on the estimated future cash flows expected to result from the use of the assets and their eventual disposition.

**(m) Retirement and Severance Benefits**

The Company accounts for retirement and severance benefits in accordance with ASC 715, “Compensation – Retirement Benefits.” Actuarial gains and losses and prior service benefit and cost included in accumulated other comprehensive loss are amortized using the straight-line method over the average remaining service period of active employees.

**(n) Environmental Liabilities**

The cost for environmental remediation liabilities is accrued when it is probable that the Company will incur environmental assessments or cleanup costs and the amounts can be reasonably estimated. The cost for liabilities is estimated based on the circumstances, the available information and current law, and the liabilities are not discounted to their present values.

**(o) Derivative Financial Instruments**

The Company accounts for derivative financial instruments in accordance with ASC 815, “Derivatives and Hedging.” This guidance requires that all derivative financial instruments, such as forward exchange and interest rate swap contracts, be recognized in the financial statements as either assets or liabilities and measured at fair value regardless of the purpose or intent for holding them.

The Company designates and accounts for hedging derivatives as follows:

- “Fair value” hedge: a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the related derivatives are both recorded in earnings if the hedge is considered highly effective.

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- “Cash flow” hedge: a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability. The changes in the fair value of the derivatives designated as cash flow hedges are recorded as other comprehensive income (loss) if the hedge is considered highly effective. This treatment is continued until earnings are affected by the variability in cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative are recognized in income (loss).
- “Foreign currency” hedge: a hedge of foreign-currency fair value or cash flow. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the derivatives are recorded as either earnings or other comprehensive income (loss) if the hedge is considered highly effective. Recognition as earnings or other comprehensive income (loss) is dependent on the treatment of foreign currency hedges as either fair value or cash flow hedges.

The Company follows the documentation requirements as prescribed by the guidance, which includes risk management objective and strategy for undertaking various hedge transactions. In addition, a formal assessment is made at the hedge’s inception and periodically on an ongoing basis, as to whether the derivative used in hedging activities is highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge accounting is discontinued for ineffective hedges, if any. Subsequent changes in the fair value of derivatives related to discontinued hedges are recognized in earnings immediately.

The Company classifies cash flows from derivatives as cash flows from operating activities in the consolidated statements of cash flows.

**(p) Revenue Recognition**

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectibility is reasonably assured.

The Company offers multiple solutions to meet its customers’ needs. Those solutions may involve the delivery or performance of multiple elements, such as products, services, or rights to use assets, and performance may occur at different points in time or over different periods of time. When one element is delivered prior to the other in an arrangement, revenue is deferred until the delivery of the last element, unless transactions are such that the delivered item has value to the customer on a standalone basis, delivery or performance of the undelivered item is considered probable and substantially in the control of the Company if the arrangement includes a general right of return relative to the delivered item. If both conditions described above are met, each element in an arrangement is considered a separate unit of accounting, and the arrangement consideration is allocated to the separate units of accounting based on the relative selling price method. Under the relative selling price method, vender specific objective evidence (VSOE) is used if it exists. However, when VSOE does not exist, third-party evidence (TPE) is used. If neither VSOE nor TPE exists for all elements in a multiple element arrangement, the arrangement consideration is allocated to the separate units of accounting based on the best estimate of selling price. The Company determines the best estimate of selling price for multiple elements by considering various factors including, but not limited to, overall market conditions, including geographic or regional specific market factors, competitor prices for similar items, profit objective and pricing practices.



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In multiple element arrangements that include software that is more than incidental to the products or services as a whole and does not function together to deliver the tangible product's essential functionality, the Company allocates revenue for each element based on its relative fair value, as evidenced by VSOE. When VSOE of the delivered elements are unable to be established, the Company uses the residual method.

**Product Sales:**

Revenue from sales of products is recognized when title and risk of loss have been transferred to the customer depending upon the terms of the contract or arrangement with the customer. The Company's policy is not to accept product returns unless the products are defective. The conditions of delivery are governed by the terms of the contract or customer arrangement and those not meeting the predetermined specification are not recorded as revenue. When the final payment is subject to customer acceptance, a portion of revenue for the amount of the final payment is deferred until an enforceable claim has become effective. Product warranties are offered on the Company's and certain subsidiaries' products and a warranty accrual is established when sales are recognized based on estimated future costs of repair and replacement principally using historical experience of warranty claims. Revenue from separately priced extended warranty and product maintenance contracts is deferred and recognized in income on a straight-line basis over the contract period except in those circumstances in which sufficient historical evidence indicates that the costs of performing services under the contract are incurred on other than a straight-line basis.

Price protection is provided to retailers of the Company's consumer products business and others to compensate the customer retailers for a decline in the product's value due mainly to competition. Price protection granted to the customers is classified as a reduction of revenue in the consolidated statements of operations. In addition, it is the Company's policy to accrue reasonably and reliably estimated price adjustments at the later of the date at which the related sales are recognized, or the date at which price protection is offered. The estimate is made based primarily upon historical experience or agreement on the adjustment rate and the number of units that are subject to such adjustment (e.g., units in distribution channels).

Product revenues which are recognized upon delivery, installation or acceptance by the customer include information technology system products, construction equipment, disk drives, televisions, air conditioners, high functional materials, cable products, automotive equipment, semiconductor manufacturing equipment, test and measurement equipment, railway vehicles, medical electronic devices, industrial machinery and equipment, elevators and escalators.

Revenue from sales of tangible products under long-term construction type arrangements, in connection with the construction of nuclear, thermal and hydroelectric power plants, are recognized under the percentage-of-completion method. The operating cycles of these types of businesses are generally greater than one year. Under the percentage-of-completion method, revenue is recognized as a percentage of estimated total revenue that incurred costs to date bear to estimated total costs after giving effect to estimates of costs to complete based upon the most recent information. Any anticipated losses on fixed price contracts are charged to operations when such losses can be estimated. Provisions are made for contingencies in the period in which they become known pursuant to specific contract terms and conditions and are estimable. When reasonably dependable estimates of contract revenues and costs and the extent of progress toward completion do not exist, the completed-contract method of accounting is applied. A contract is complete when either acceptance by the customer is given or compliance with performance

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specifications is achieved, whichever is appropriate under the relevant contractual terms.

The Company recognizes software revenue in accordance with the provisions of ASC 985, "Software." Revenue from software consists primarily of software licensing, customized software development and post contract customer support. Revenues from software license arrangements are recognized upon delivery of the software if evidence of the arrangement exists, pricing is fixed or determinable and collectibility is reasonably assured. Revenue from a software arrangement that requires significant production, modification or customization of software is recognized using the percentage-of-completion method provided that reasonably dependable estimates related to contract revenue, cost and the extent of progress toward completion exist. Otherwise, the completed-contract method is applied. Customization of software is considered substantially completed when an acceptance by the customer occurs. Revenue from post contract customer support is amortized over the period of the post contract customer support. Consulting and training services revenues are recognized when the services are rendered.

**Service Revenues:**

Service revenues from maintenance and distribution services are recognized upon completion of service delivery. Revenue from time-based service contracts is recognized as services are rendered. Revenue from long-term fixed price service contracts such as support or maintenance contracts is recognized ratably over the contractual period. If historical data shows that the accrual of service cost is not fixed and the service is rendered in proportion to the accrual of the cost for the service, revenue is recognized based on the pattern of the cost accrual. Finance lease income is recognized at level rates of return over the term of the leases. Operating lease income is recognized on a straight-line basis over the term of the lease.

**(q) Shipping and Handling Costs**

Shipping and handling costs are expensed as incurred and included in selling, general and administrative expenses.

**(r) Advertising**

Advertising costs are expensed as incurred.

**(s) Research and Development Costs**

Research and development costs are expensed as incurred. Costs incurred in connection with the development of software products for sale or lease to others are accounted for in accordance with ASC 985, "Software." Development costs incurred in the research and development of new software products and enhancements to existing products are expensed as incurred until technological feasibility has been established.

**(t) Income Taxes**

Deferred income taxes are accounted for under the asset and liability method in accordance with ASC 740, "Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses and tax credit carryforwards. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established to reduce

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deferred tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Tax positions that are more likely than not to be sustained upon examination by tax authorities are recognized in the financial statements in accordance with the provisions of ASC 740. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with tax authorities. Interest accrued related to unrecognized tax benefits and penalties are included in income taxes in the consolidated statements of operations.

**(u) Consumption Tax**

Consumption tax collected and remitted to taxing authorities is excluded from revenues, cost of sales and expenses in the consolidated statements of operations.

**(v) Net Income Attributable to Hitachi, Ltd. Stockholders Per Share**

Net income attributable to Hitachi, Ltd. stockholders per share is computed in accordance with ASC 260, "Earnings Per Share." This guidance requires a dual presentation of basic and diluted net income attributable to Hitachi, Ltd. stockholders per share amounts on the face of the statements of operations. Under this guidance, basic net income attributable to Hitachi, Ltd. stockholders per share is computed based upon the weighted average number of shares of common stock outstanding during each year. Diluted net income attributable to Hitachi, Ltd. stockholders per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

**(w) Guarantees**

The Company recognizes, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee in accordance with ASC 460, "Guarantees."

**(x) Subsequent Events**

The Company has evaluated up to June 20, 2014, the date on which its consolidated financial statements were available to be issued in accordance with the provisions of ASC 855, "Subsequent Events."

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**(3) Investments in Securities and Affiliated Companies**

Short-term investments as of March 31, 2014 and 2013 are as follows:

	<u>Millions of yen</u>	
	<u>March 31,</u> <u>2014</u>	<u>March 31,</u> <u>2013</u>
Investments in securities:		
Available-for-sale securities		
Government debt securities	5,701	6,502
Corporate debt securities	3,300	3,725
Other securities	171	197
Held-to-maturity securities	-	20
	<u>9,172</u>	<u>10,444</u>

Investments and advances, including affiliated companies as of March 31, 2014 and 2013 are as follows:

	<u>Millions of yen</u>	
	<u>March 31,</u> <u>2014</u>	<u>March 31,</u> <u>2013</u>
Investments in securities:		
Available-for-sale securities		
Equity securities	405,214	280,491
Government debt securities	1,555	956
Corporate debt securities	5,839	15,066
Other securities	11,247	9,618
Held-to-maturity securities	359	356
Cost-method investments	44,461	53,990
Investments in affiliated companies	608,687	259,967
Advances and other	143,438	161,540
	<u>1,220,800</u>	<u>781,984</u>



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The following tables are summaries of gross unrealized holding losses on available-for-sale securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of March 31, 2014 and 2013.

		Millions of yen			
		March 31, 2014			
		Less than 12 months		12 months or longer	
		Aggregate fair value	Gross losses	Aggregate fair value	Gross losses
Short-term investments:					
Corporate debt securities		1,593	7	-	-
Investments and advances:					
Equity securities		2,265	424	1,912	323
		<u>3,858</u>	<u>431</u>	<u>1,912</u>	<u>323</u>
		Millions of yen			
		March 31, 2013			
		Less than 12 months		12 months or longer	
		Aggregate fair value	Gross losses	Aggregate fair value	Gross losses
Short-term investments:					
Corporate debt securities		-	-	994	6
Investments and advances:					
Equity securities		4,904	601	1,219	308
Corporate debt securities		39	11	987	13
		<u>4,943</u>	<u>612</u>	<u>2,206</u>	<u>321</u>
		<u>4,943</u>	<u>612</u>	<u>3,200</u>	<u>327</u>

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

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The following table represents the purchases, proceeds from the sale, gross realized gains on the sale, and gross realized losses on the sale of available-for-sale securities for the years ended March 31, 2014, 2013 and 2012.

	Millions of yen		
	2014	2013	2012
Purchases	5,078	7,915	24,641
Proceeds from the sale	96,322	14,763	5,288
Gross realized gains on the sale	49,282	7,985	2,224
Gross realized losses on the sale	26	48	280

The contractual maturities of debt securities and other securities classified as investments and advances in the consolidated balance sheet as of March 31, 2014 are as follows:

	Millions of yen		
	Held-to- maturity	Available- for-sale	Total
Due within five years	359	5,530	5,889
Due after five years through ten years	-	1,990	1,990
Due after ten years	-	11,121	11,121
	359	18,641	19,000

Expected redemptions may differ from contractual maturities because some of these securities are redeemable at the option of the issuers.

The aggregate carrying amounts of cost-method investments which were not evaluated for impairment as of March 31, 2014 and 2013 were ¥44,412 million and ¥53,953 million, respectively, mainly because it was not practicable to estimate the fair value of the investments due to lack of a market price and difficulty in estimating fair value without incurring excessive cost and the Company did not identify any events or changes in circumstances that might have had a significant adverse effect on their fair value.

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The aggregate fair values of investments in affiliated companies, for which quoted market prices were available, as of March 31, 2014 and 2013, were ¥30,615 million and ¥33,562 million, respectively. The aggregate carrying amounts of such investments as of March 31, 2014 and 2013 were ¥32,410 million and ¥28,088 million, respectively.

As of March 31, 2014 and 2013, cumulative recognition of other-than-temporary declines in values of investments in certain affiliated companies resulted in the difference of ¥99 million and ¥1,694 million, respectively, between the carrying amount of the investment and the amount of underlying equity in net assets. In addition, as of March 31, 2014 and 2013, the carrying value of the investments in affiliated companies exceeded the Company's equity in the underlying net assets of such affiliated companies by ¥218,619 million and ¥101,831 million, respectively. The excess is attributed first to certain fair value adjustments on a net-of-tax basis at the time of the initial and subsequent investments in those companies with the remaining portion considered as equity-method goodwill.

For the year ended March 31, 2014, there were no affiliated companies accounted for by the equity method which were material to be disclosed separately. Summarized combined financial information relating to affiliated companies accounted for by the equity method as of and for the year ended March 31, 2014 is as follows:

	Millions of yen
	March 31, 2014
Current assets	2,121,163
Non-current assets	1,195,837
Total assets	3,317,000
Current liabilities	1,520,759
Non-current liabilities	596,352
Total liabilities	2,117,111

	Millions of yen
	2014
Revenues	1,993,840
Gross profit	396,006
Net income attributable to affiliated companies	44,230



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Summarized financial information relating to Renesas Electronics Corporation (Renesas) and other affiliated companies accounted for by the equity method as of March 31, 2013 and for the years ended March 31, 2013 and 2012 is as follows:

	Millions of yen		
	March 31, 2013		
	Renesas	Others	Total
Current assets	323,805	1,176,256	1,500,061
Non-current assets	335,114	650,360	985,474
Total assets	<u>658,919</u>	<u>1,826,616</u>	<u>2,485,535</u>
Current liabilities	235,237	969,485	1,204,722
Non-current liabilities	388,425	390,518	778,943
Total liabilities	<u>623,662</u>	<u>1,360,003</u>	<u>1,983,665</u>

  

	Millions of yen		
	2013		
	Renesas	Others	Total
Revenues	785,764	1,475,475	2,261,239
Gross profit	252,053	233,162	485,215
Net income (loss) attributable to affiliated companies	(156,004)	19,198	(136,806)

  

	Millions of yen		
	2012		
	Renesas	Others	Total
Revenues	883,112	1,178,032	2,061,144
Gross profit	283,362	179,774	463,136
Net loss attributable to affiliated companies	(64,413)	(8,791)	(73,204)

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The balances and transactions with affiliated companies accounted for by the equity method are as follows:

	<u>Millions of yen</u>	
	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Trade receivables	111,370	100,495
Accounts receivable-other (a)	25,798	8,428
Short-term loans receivable	21,235	5,100
Long-term loans receivable	13,002	26,764
Trade payables	35,769	21,252
Accounts payable-other (b)	16,002	151

(a) Accounts receivable-other is included in Prepaid expenses and other current assets.

(b) Accounts payable-other is included in Other current liabilities.

	<u>Millions of yen</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues	260,045	296,967	338,814
Purchases	102,383	99,308	128,675

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**(4) Allowances for doubtful receivables**

Allowances for doubtful receivables as of March 31, 2014 and 2013 are as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Allowances for doubtful receivables	31,270	31,134

**(5) Inventories**

Inventories as of March 31, 2014 and 2013 are summarized as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Finished goods	564,700	584,435
Work in process	596,523	601,305
Raw materials	245,832	251,659
	1,407,055	1,437,399

**(6) Leases**

The Company and certain subsidiaries are lessors of certain assets such as manufacturing machinery and equipment under financing and operating lease arrangements with terms ranging mainly from 3 to 6 years, some of which are transacted with affiliated companies.

The amount of leased assets at cost under operating leases and accumulated depreciation as of March 31, 2014 amounted to ¥1,867,293 million and ¥1,538,190 million, respectively. The leased assets are depreciated using the straight-line method over their estimated useful lives.

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The following table shows the future minimum lease receivables of financing and non-cancelable operating leases as of March 31, 2014 and the future minimum lease receivables of financing leases as of March 31, 2013:

	Millions of yen	
	Financing leases	Operating Leases
Years ending March 31		
2015	335,178	48,607
2016	221,002	29,731
2017	155,126	18,242
2018	98,724	8,311
2019	51,496	3,166
Thereafter	118,731	1,708
Total minimum payments to be received	980,257	109,765
Unguaranteed residual values	37,848	
Amount representing executory costs	(77,288)	
Unearned income	(64,138)	
Allowance for doubtful receivables	(13,475)	
Net investment in financing leases	863,204	
Less current portion of net investment in financing leases, included in investments in leases and current portion of financial assets transferred to consolidated securitization entities	300,032	
Long-term net investment in financing leases, included in other assets and financial assets transferred to consolidated securitization entities	563,172	

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	Millions of yen
	March 31, 2013
	Financing leases
Total minimum payments to be received	787,571
Unguaranteed residual values	33,148
Amount representing executory costs	(74,989)
Unearned income	(47,276)
Allowance for doubtful receivables	(9,946)
Net investment in financing leases	688,508
Less current portion of net investment in financing leases, included in investments in leases and current portion of financial assets transferred to consolidated securitization entities	276,375
Long-term net investment in financing leases, included in other assets and financial assets transferred to consolidated securitization entities	412,133

The Company and certain subsidiaries lease certain buildings, manufacturing machinery and equipment used in their operations. The amount of leased assets at cost under capital leases as of March 31, 2014 and 2013 amounted to ¥35,727 million and ¥26,669 million, respectively, and accumulated depreciation as of March 31, 2014 and 2013 amounted to ¥13,284 million and ¥12,226 million, respectively. Amortization of assets under capital leases is included in depreciation expense.

The following table shows the future minimum lease payments of capital and non-cancelable operating leases as of March 31, 2014:

	Millions of yen	
	Capital leases	Operating leases
Years ending March 31		
2015	11,956	37,819
2016	10,053	27,567
2017	8,632	22,588
2018	7,125	17,688
2019	5,610	12,904
Thereafter	9,007	50,050
Total minimum lease payments	52,383	168,616
Amount representing executory costs	(579)	
Amount representing interest	(6,871)	
Present value of net minimum lease payments	44,933	
Less current portion of capital lease obligations	9,911	
Long-term capital lease obligations	35,022	

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**(7) Securitizations**

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

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

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

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

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Consolidated SPEs

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

The tables below summarize the assets and liabilities of the consolidated SPEs as of March 31, 2014 and 2013 by type of transferred financial assets that those SPEs hold:

	Millions of yen			
	March 31, 2014			
	Lease Receivables	Mortgage loans receivable	Others	Total
Cash and cash equivalents	8,965	2,101	1,264	12,330
Current portion of financial assets transferred to consolidated securitization entities	37,079	9,552	5,581	52,212
Financial assets transferred to consolidated securitization entities	69,406	105,839	10,573	185,818
Current portion of non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	12,843	-	1,975	14,818
Beneficial interests in trusts	20,528	11,459	3,090	35,077
	<u>33,371</u>	<u>11,459</u>	<u>5,065</u>	<u>49,895</u>
Non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	17,598	-	2,706	20,304
Beneficial interests in trusts	41,906	80,277	6,444	128,627
	<u>59,504</u>	<u>80,277</u>	<u>9,150</u>	<u>148,931</u>

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	Millions of yen March 31, 2013			
	Lease receivables	Mortgage loans receivable	Others	Total
Cash and cash equivalents	3,617	2,458	961	7,036
Current portion of financial assets transferred to consolidated securitization entities	5,476	10,944	6,945	23,365
Financial assets transferred to consolidated securitization entities	3,411	127,380	588	131,379
Current portion of non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	2,360	-	-	2,360
Beneficial interests in trusts	4,371	13,196	6,472	24,039
	6,731	13,196	6,472	26,399
Non-recourse borrowings of consolidated securitization entities:				
Beneficial interests in trusts	205	102,580	113	102,898

The aggregate annual maturities of non-recourse borrowings of consolidated securitization entities after March 31, 2015 are as follows:

Years ending March 31	Millions of yen
2016	37,142
2017	31,332
2018	22,085
2019	9,466
Thereafter	48,906
	148,931

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



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Transfers to unconsolidated entities

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

Securitizations of lease receivables:

Hitachi Capital Corporation and certain other subsidiaries sold lease receivables to unconsolidated SPEs and other entities. During the years ended March 31, 2014, 2013 and 2012, proceeds from the transfer of lease receivables were ¥109,037 million, ¥118,519 million and ¥116,507 million, respectively, and net gains recognized on those transfers were ¥3,671 million, ¥5,620 million and ¥6,853 million, respectively. The subsidiaries retained servicing responsibilities, but did not record a servicing asset or liability because the cost to service the receivables approximated the servicing income.

The amounts of the initial fair value of the subordinated interests for the years ended March 31, 2014, 2013 and 2012 were ¥13,357 million, ¥18,024 million and ¥18,061 million, respectively. The subordinated interests relating to securitizations of lease receivables are initially classified as Level 3 assets within the fair value hierarchy. The initial fair value of the subordinated interests is determined based on economic assumptions including weighted-average life, expected credit risks, and discount rates.

Key economic assumptions used in measuring the initial fair value of the subordinated interests resulting from securitizations of lease receivables completed during the years ended March 31, 2014, 2013 and 2012 are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Weighted average life (in years)	4.3	4.1	4.1
Expected credit loss	0.02-0.03%	0.02-0.03%	0.02-0.03%
Discount rate	0.18-0.39%	0.31-0.49%	0.50-0.70%

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Quantitative information about delinquencies, net credit losses, and components of lease receivables subject to transfer and other assets managed together as of and for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen March 31, 2014		
	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Lease receivables	1,147,759	170	367
Assets transferred	<u>(284,555)</u>		
Assets held in portfolio	<u>863,204</u>		

	Millions of yen March 31, 2013		
	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Lease receivables	953,372	195	433
Assets transferred	<u>(264,864)</u>		
Assets held in portfolio	<u>688,508</u>		

As of March 31, 2014 and 2013, the amounts of the maximum exposures to losses were ¥108,487 million and ¥88,490 million, respectively. They mainly consist of the subordinated interests and the obligations to purchase assets with a scope that is considerably limited relating to these securitizations of lease receivables. As of March 31, 2014 and 2013, the amounts of the subordinated interests measured at fair value relating to these securitizations of lease receivables were ¥64,671 million and ¥53,081 million, respectively.

Key economic assumptions used in measuring the fair value of the subordinated interests relating to securitizations of lease receivables as of March 31, 2014 and 2013 are as follows:

	March 31, 2014	March 31, 2013
Weighted average life (in years)	3.9	2.7
Expected credit loss	0.03%	0.03%
Discount rate	0.18-0.30%	0.26-0.35%

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The sensitivities of the current fair value of the Company's interests to an immediate 10 and 20 percent adverse change in the assumptions as of March 31, 2014 and 2013 are as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Expected credit loss:		
Impact on fair value of 10% adverse change	(94)	(81)
Impact on fair value of 20% adverse change	(187)	(163)
Discount rate:		
Impact on fair value of 10% adverse change	(28)	(40)
Impact on fair value of 20% adverse change	(56)	(81)

Securitizations of trade receivables:

The Company and certain subsidiaries sold trade receivables mainly to unconsolidated SPEs and other entities. During the years ended March 31, 2014, 2013 and 2012, proceeds from the transfer of trade receivables were ¥669,535 million, ¥623,655 million and ¥593,001 million, respectively, and net losses recognized on those transfers were ¥2,509 million, ¥1,968 million and ¥158 million, respectively. The Company and certain subsidiaries retained servicing responsibilities, but did not record a servicing asset or liability because the cost to service the receivables approximated the servicing income.

The amounts of the initial fair value of the subordinated interests for the years ended March 31, 2014, 2013 and 2012 were ¥11,656 million, ¥21,186 million and ¥29,095 million, respectively. The subordinated interests relating to securitizations of trade receivables are initially classified as Level 3 assets within the fair value hierarchy. The initial fair value of the subordinated interests is determined based on economic assumptions including weighted-average life, expected credit risks, discount rates, and prepayment rates.

Key economic assumptions used in measuring the initial fair value of the subordinated interests resulting from securitizations of trade receivables completed during the years ended March 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Weighted average life (in years)	4.5	5.3	5.6
Expected credit loss	0.15-0.36%	0.15 -0.38%	0.15 -0.48%
Discount rate	0.77-1.08%	0.62 -1.48%	1.40 -1.57%
Prepayment rate	5.04-19.44%	4.75 -18.54%	4.98 -12.24%

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Quantitative information about delinquencies, net credit loss, and components of trade receivables subject to transfer and other assets managed together as of and for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen March 31, 2014		
	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Trade receivables	1,016,943	3,092	1,279
Assets transferred	<u>(273,946)</u>		
Assets held in portfolio	<u>742,997</u>		

	Millions of yen March 31, 2013		
	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit loss
Total assets managed or transferred:			
Trade receivables	1,042,802	1,957	2,095
Assets transferred	<u>(290,172)</u>		
Assets held in portfolio	<u>752,630</u>		

As of March 31, 2014 and 2013, the amounts of the maximum exposures to losses were ¥43,549 million and ¥62,586 million, respectively. They mainly consist of the subordinated interests and obligations to purchase assets with a scope that is considerably limited relating to these securitizations of trade receivables. As of March 31, 2014 and 2013, the amounts of the subordinated interests relating to these securitizations of trade receivables were ¥26,024 million and ¥33,325 million, respectively.

Key economic assumptions used in measuring the fair value of the subordinated interests relating to securitizations of trade receivables as of March 31, 2014 and 2013 are as follows:

	March 31, 2014	March 31, 2013
Weighted average life (in years)	5.2	5.8
Expected credit loss	0.15-0.36%	0.15-0.36%
Discount rate	1.04%	0.67%
Prepayment rate	6.24-18.87%	6.12-17.62%

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The sensitivity of the current fair value of the Company's interests to an immediate 10 and 20 percent adverse change in the assumptions as of March 31, 2014 and 2013 is as follows:

	Millions of yen	
	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Expected credit loss:		
Impact on fair value of 10% adverse change	(226)	(276)
Impact on fair value of 20% adverse change	(452)	(552)
Discount rate:		
Impact on fair value of 10% adverse change	(26)	(22)
Impact on fair value of 20% adverse change	(53)	(44)
Prepayment rate:		
Impact on fair value of 10% adverse change	(606)	(790)
Impact on fair value of 20% adverse change	(1,213)	(1,580)

The sensitivities presented in this note are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in the above tables, the effect of a variation in a particular assumption of the fair value of the interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

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**(8) Goodwill and Other Intangible Assets**

Intangible assets other than goodwill acquired during the years ended March 31, 2014, 2013 and 2012 amounted to ¥180,664 million, ¥147,190 million and ¥152,076 million, respectively, and related amortization expense during the years ended March 31, 2014, 2013 and 2012 amounted to ¥125,552 million, ¥117,355 million and ¥119,308 million, respectively.

The main component of intangible assets subject to amortization was capitalized software. Amortization of capitalized costs for software to be sold, leased or otherwise marketed is charged to cost of sales. The amounts charged during the years ended March 31, 2014, 2013 and 2012 were ¥51,495 million, ¥43,388 million and ¥43,935 million, respectively.

Intangible assets other than goodwill as of March 31, 2014 and 2013 are as follows:

	March 31, 2014			March 31, 2013		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:						
Software	752,413	659,299	93,114	784,570	646,331	138,239
Software for internal use	577,168	439,688	137,480	568,637	434,299	134,338
Patents	50,586	47,856	2,730	80,401	75,190	5,211
Other	301,917	124,034	177,883	232,941	110,117	122,824
	1,682,084	1,270,877	411,207	1,666,549	1,265,937	400,612
Indefinite-lived intangible assets	11,126	-	11,126	14,397	-	14,397

The following table shows the estimated aggregate amortization expense of intangible assets for the next five years.

<u>Years ending March 31</u>	<u>Millions of yen</u>
2015	98,718
2016	77,657
2017	56,492
2018	35,663
2019	22,164

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The changes in the carrying amount of goodwill by reportable segment for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen					
	2014					
	Information & Tele- communication Systems	Power Systems	Construction Machinery	High Functional Materials & Components	Other Reportable Segments	Total
Balance at beginning of year	104,050	45,759	32,074	59,591	48,913	290,387
Acquisition	37,051	-	-	64	7,592	44,707
Divestiture	-	(9,026)	-	-	-	(9,026)
Impairment loss	-	-	-	-	(6,129)	(6,129)
Translation adjustment and other	<u>10,512</u>	<u>7,776</u>	<u>185</u>	<u>(246)</u>	<u>982</u>	<u>19,209</u>
Balance at end of year	<u>151,613</u>	<u>44,509</u>	<u>32,259</u>	<u>59,409</u>	<u>51,358</u>	<u>339,148</u>

	Millions of yen					
	2013					
	Information & Tele- communication Systems	Power Systems	Construction Machinery	High Functional Materials & Components	Other Reportable Segments	Total
Balance at beginning of year	79,923	4,785	29,896	58,907	41,196	214,707
Acquisition	13,450	35,241	-	697	6,913	56,301
Translation adjustment and other	<u>10,677</u>	<u>5,733</u>	<u>2,178</u>	<u>(13)</u>	<u>804</u>	<u>19,379</u>
Balance at end of year	<u>104,050</u>	<u>45,759</u>	<u>32,074</u>	<u>59,591</u>	<u>48,913</u>	<u>290,387</u>

The Company considers goodwill that has been fully impaired to be written-off. The Company had accumulated impairment loss of ¥2,506 million and ¥540 million related to the goodwill balances in the Other Reportable Segments as of March 31, 2014 and 2013.

The main components of goodwill acquired during the year ended March 31, 2014 were related to the acquisition of Prizm Payment Services Private Limited and Hitachi Systems Power Services, Ltd. in the Information & Telecommunication Systems segment.

The main component of goodwill acquired during the year ended March 31, 2013 was related to the acquisition of Horizon Nuclear Power Limited in the Power Systems segment.

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**(9) Income Taxes**

Components of income before income taxes and income taxes attributable to continuing operations are as follows:

	Millions of yen		
	2014		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Income before income taxes	403,834	164,348	568,182
Income taxes:			
Current tax expense	85,901	58,383	144,284
Deferred tax expense	<u>50,977</u>	<u>8,891</u>	<u>59,868</u>
	<u>136,878</u>	<u>67,274</u>	<u>204,152</u>
	Millions of yen		
	2013		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Income before income taxes	210,973	133,564	344,537
Income taxes:			
Current tax expense	62,629	41,793	104,422
Deferred tax expense (benefit)	<u>6,673</u>	<u>(4,279)</u>	<u>2,394</u>
	<u>69,302</u>	<u>37,514</u>	<u>106,816</u>
	Millions of yen		
	2012		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Income before income taxes	448,626	109,104	557,730
Income taxes:			
Current tax expense	77,743	45,670	123,413
Deferred tax expense (benefit)	<u>22,263</u>	<u>(754)</u>	<u>21,509</u>
	<u>100,006</u>	<u>44,916</u>	<u>144,922</u>



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Significant components of income tax expense (benefit) attributable to continuing operations and other comprehensive income (loss), net of reclassification adjustments, for the years ended March 31, 2014, 2013 and 2012 are as follows:

	Millions of yen		
	2014	2013	2012
Continuing operations:			
Current tax expense	144,284	104,422	123,413
Deferred tax expense (exclusive of the effects of other components listed below)	47,260	31,691	40,846
Adjustments of deferred tax assets and liabilities for enacted changes in tax laws and rates in Japan	4,589	1,160	7,695
Change in valuation allowance	<u>8,019</u>	<u>(30,457)</u>	<u>(27,032)</u>
	204,152	106,816	144,922
Other comprehensive income (loss), net of reclassification adjustments:			
Pension liability adjustments	27,705	4,910	(10,079)
Net unrealized holding gain on available-for-sale securities	17,277	20,273	1,018
Cash flow hedges	<u>1,977</u>	<u>(155)</u>	<u>(1,372)</u>
	<u>46,959</u>	<u>25,028</u>	<u>(10,433)</u>
	<u>251,111</u>	<u>131,844</u>	<u>134,489</u>

The Company and its domestic subsidiaries are subject to a national corporate tax of 28.1% for the year ended March 31, 2014 and 2013 and 30% for the years ended March 31, 2012, an inhabitant tax of between 17.3% and 20.7% of the national corporate tax and a combined deductible business tax and special local corporation tax between 3.8% and 10.1%, which in the aggregate resulted in a combined statutory income tax rate of approximately 37.9% for the years ended March 31, 2014 and 2013 and 40.6% for the year ended March 31, 2012.

The Company and certain subsidiaries have adopted the consolidated taxation systems. Under the consolidated taxation system in Japan, the Company and certain Japanese subsidiaries consolidated, for Japanese tax purpose, all wholly owned domestic subsidiaries.

On December 2, 2011, amendments to corporation tax law and the special taxation measures law for Great East Japan Earthquake disaster reconstruction were enacted in Japan, resulting in the lower corporate tax rates. Those changes became effective on April 1, 2012. As a result, the aggregated statutory income tax rate for domestic companies were determined at approximately 37.9% for the period between April 1, 2012 through March 31, 2015 and approximately 35.5% for the years beginning on or after April 1, 2015. On March 31, 2014, amendments to corporation tax law were enacted in Japan, resulting in the lower corporate tax rate. Those changes became effective on April 1, 2014. As a result, the aggregated statutory income tax rate for domestic companies will be approximately 35.5% for the years beginning on or after April 1, 2014. The effect of those changes on the Company's deferred tax balances amounted to ¥4,589 million, ¥1,160 million and ¥7,695 million of additional expense recognized in the Consolidated Statements of Operations for the years ended March 31, 2014, 2013 and 2012.

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Reconciliations between the combined statutory income tax rate and the effective income tax rate as a percentage of income before income taxes are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Combined statutory income tax rate	37.9%	37.9%	40.6%
Equity in net (earning) loss of affiliated companies	(0.6)	4.4	1.1
Change in excess amounts over the tax basis of investments in subsidiaries and affiliated companies	8.8	(1.2)	2.1
Tax expenses (benefits) on sale of investments in subsidiaries and affiliated companies	(13.4)	(1.6)	(14.8)
Expenses not deductible for tax purposes	4.4	4.5	4.7
Enacted changes in tax laws and rates in Japan	0.8	0.3	1.4
Impairment of goodwill	0.4	-	0.1
Change in valuation allowance	1.4	(8.8)	(4.8)
Difference in statutory tax rates of foreign subsidiaries	(4.4)	(4.9)	(5.2)
Other, net	<u>0.6</u>	<u>0.4</u>	<u>0.8</u>
Effective income tax rate	<u>35.9%</u>	<u>31.0%</u>	<u>26.0%</u>

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The tax effects of temporary differences and carryforwards that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2014 and 2013 are presented below:

	Millions of yen	
	March 31, 2014	March 31, 2013
Total gross deferred tax assets:		
Retirement and severance benefits	273,407	351,100
Accrued expenses	267,501	265,771
Property, plant and equipment, due to differences in depreciation	55,634	55,002
Investment in securities	5,441	8,235
Investment in affiliates	-	9,906
Net operating loss carryforwards	278,144	242,808
Other	<u>174,477</u>	<u>156,293</u>
	1,054,604	1,089,115
Valuation allowance	<u>(810,658)</u>	<u>(851,575)</u>
	243,946	237,540
Total gross deferred tax liabilities:		
Deferred profit on sale of properties	(19,053)	(23,788)
Tax purpose reserves regulated by Japanese tax laws	(8,953)	(6,930)
Investment in affiliates	(73,999)	-
Intangible assets	(31,686)	(30,795)
Other	<u>(92,127)</u>	<u>(81,472)</u>
	<u>(225,818)</u>	<u>(142,985)</u>
Net deferred tax asset	<u><u>18,128</u></u>	<u><u>94,555</u></u>

Components of deferred tax assets as of March 31, 2014 and 2013 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen	
	March 31, 2014	March 31, 2013
Prepaid expenses and other current assets	135,972	119,054
Other assets	98,002	103,879
Other current liabilities	(13,423)	(3,703)
Other liabilities	<u>(202,423)</u>	<u>(124,675)</u>
Net deferred tax asset	<u><u>18,128</u></u>	<u><u>94,555</u></u>

A valuation allowance was recorded against deferred tax assets for deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, taking into account the tax laws of various jurisdictions in which the Company and its subsidiaries operate. The net changes in the total valuation allowance for the years ended March 31, 2014 and 2013 were a decrease of ¥40,917 million and ¥29,453 million, respectively.

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In assessing the realizability of deferred tax assets, management of the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Although realization is not assured, management considered the scheduled reversals of deferred tax liabilities and projected future taxable income, including the execution of certain available tax strategies if needed, in making this assessment. Based on these factors, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowance as of March 31, 2014.

As of March 31, 2014, the Company and various subsidiaries have operating loss carryforwards of ¥760,049 million which are available to offset future taxable income, if any. Operating loss carryforwards of ¥411,303 million expire by March 31, 2019, ¥267,083 million expire by March 31, 2024, and ¥81,663 million expire in various years thereafter or do not expire.

Deferred tax liabilities have not been recognized for excess amounts over the tax basis of investments in foreign subsidiaries that are considered to be reinvested indefinitely, because such differences will not reverse in the foreseeable future and those undistributed earnings, if remitted, generally would not result in material additional Japanese income taxes because of non-taxable dividends from foreign subsidiaries. Determination of such liabilities is not practicable.

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**(10) Short-term and Long-term Debt**

The components of short-term debt as of March 31, 2014 and 2013 are summarized as follows:

	<u>Millions of yen</u>	
	<u>March 31,</u> <u>2014</u>	<u>March 31,</u> <u>2013</u>
Borrowings, mainly from banks	394,405	387,549
Commercial paper	237,530	273,491
Borrowings from affiliates	<u>15,334</u>	<u>12,810</u>
	<u>647,269</u>	<u>673,850</u>

The weighted average interest rates on short-term debt outstanding as of March 31, 2014 and 2013 were 0.3% and 0.2%, respectively.

The components of long-term debt as of March 31, 2014 and 2013 are summarized as follows:

	<u>Millions of yen</u>	
	<u>March 31,</u> <u>2014</u>	<u>March 31,</u> <u>2013</u>
Unsecured notes and debentures:		
Due 2013, interest 0.72% debenture	-	80,000
Due 2015, interest 1.56% debenture	49,997	49,994
Due 2018, interest 0.29% debenture	10,000	-
Due 2023, interest 0.81% debenture	30,000	-
Due 2028, interest 1.37% debenture	20,000	-
Due 2014–2024, interest 0.29–3.75%, issued by subsidiaries	526,481	399,307
Unsecured convertible debentures:		
Due 2019, zero coupon, issued by a subsidiary	4,495	4,495
Loans, principally from banks and insurance companies:		
Secured by various assets and mortgages on property, plant and equipment, maturing 2014–2020, interest 2.75–12.00%	30,792	16,638
Unsecured, maturing 2014–2028, interest 0.25–12.50%	1,260,256	987,097
Capital lease obligations	<u>44,933</u>	<u>29,401</u>
	1,976,954	1,566,932
Less current portion	<u>464,234</u>	<u>260,185</u>
	<u>1,512,720</u>	<u>1,306,747</u>

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The aggregate annual maturities of long-term debt after March 31, 2015 are as follows:

<u>Years ending March 31</u>	<u>Millions of yen</u>
2016	313,324
2017	385,564
2018	275,012
2019	182,768
Thereafter	<u>356,052</u>
	<u>1,512,720</u>

As is customary in Japan, both short-term and long-term bank loans are made under general agreements that provide that securities and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due, or in the event of their default, to offset cash deposits against such obligations.

Generally, the mortgage debenture trust agreements and certain secured and unsecured loan agreements provide, among other things, that the lenders or trustees shall have the right to have any distribution of earnings, including the payment of dividends and the issuance of additional capital stock, submitted to them for prior approval and also grant them the right to request additional securities or mortgages on property, plant and equipment.

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**(11) Retirement and Severance Benefits**

**(a) Defined benefit plans**

The Company and its subsidiaries have a number of contributory funded defined benefit pension plans and unfunded lump-sum payment plans to provide retirement and severance benefits to substantially all employees. The Company and certain subsidiaries adopted cash balance plans.

Under the cash balance plans, each employee has a notional account which represents pension benefits. The balance in the notional account is based on principal credits, which are accumulated as employees render services, and interest credits, which are determined based on the market interest rates.

Under unfunded lump-sum payment plans, employees are entitled to lump-sum payments based on their earnings and the length of service at retirement or termination of employment for reasons other than dismissal for cause.

Net periodic benefit cost for the funded benefit pension plans and the unfunded lump-sum payment plans for the years ended March 31, 2014, 2013 and 2012 consists of the following components:

	<u>Millions of yen</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Service cost	86,236	71,192	72,219
Interest cost	26,678	45,384	51,812
Expected return on plan assets for the period	(38,514)	(37,020)	(36,353)
Amortization of prior service benefit	(16,637)	(22,659)	(23,759)
Amortization of actuarial loss	89,020	96,915	93,033
Transfer to defined contribution pension plan	1,252	(188)	(250)
Curtailments gain	-	-	(53)
Settlements loss	372	307	48
Employees' contributions	<u>(271)</u>	<u>(167)</u>	<u>(159)</u>
Net periodic benefit cost	<u>148,136</u>	<u>153,764</u>	<u>156,538</u>

The estimated prior service cost and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost during the year ending March 31, 2015 are as follows:

	<u>Millions of yen</u>
Prior service benefit	(13,248)
Actuarial loss	78,519

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Reconciliations of beginning and ending balances of the benefit obligation and the fair value of plan assets of the contributory funded defined benefit pension plans and the benefit obligation of unfunded lump-sum payment plans are as follows:

	Millions of yen	
	2014	2013
Change in benefit obligation:		
Benefit obligation at beginning of year	2,341,419	2,210,342
Service cost	86,236	71,192
Interest cost	26,678	45,384
Plan amendments	(583)	(4,029)
Actuarial loss	23,981	168,805
Benefits paid	(132,233)	(157,637)
Acquisitions and divestitures	(96,567)	10,412
Transfer to defined contribution pension plan	(3,037)	(14,878)
Settlements	(3,695)	307
Foreign currency exchange rate changes	<u>15,294</u>	<u>11,521</u>
Benefit obligation at end of year	<u>2,257,493</u>	<u>2,341,419</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	1,417,760	1,297,208
Actual return on plan assets	122,478	115,460
Employers' contributions	111,766	85,988
Employees' cash contributions	271	167
Benefits paid	(99,062)	(111,689)
Acquisitions and divestitures	(56,633)	21,014
Transfer to defined contribution pension plan	(40)	-
Settlements	(2,978)	-
Foreign currency exchange rate changes	<u>13,396</u>	<u>9,612</u>
Fair value of plan assets at end of year	<u>1,506,958</u>	<u>1,417,760</u>
Funded status	(750,535)	(923,659)

Amounts recognized in the consolidated balance sheets as of March 31, 2014 and 2013 are as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Other assets	23,006	10,910
Accrued expenses	(23,628)	(21,358)
Retirement and severance benefits	<u>(749,913)</u>	<u>(913,211)</u>
	<u>(750,535)</u>	<u>(923,659)</u>



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Amounts recognized in accumulated other comprehensive loss as of March 31, 2014 and 2013 consist of:

	Millions of yen	
	March 31, 2014	March 31, 2013
Prior service benefit	(62,718)	(79,545)
Actuarial loss	<u>456,798</u>	<u>630,693</u>
	<u>394,080</u>	<u>551,148</u>

The Company and all subsidiaries use their year-end as a measurement date. Weighted-average assumptions used to determine the year-end benefit obligations are as follows:

	2014	2013
Discount rate	1.2%	1.6%
Rate of compensation increase	2.4%	2.4%

Weighted-average assumptions used to determine the net periodic pension cost for the years ended March 31, 2014, 2013 and 2012 are as follows:

	2014	2013	2012
Discount rate	1.6%	2.1%	2.4%
Expected long-term return on plan assets	2.6%	2.9%	2.9%
Rate of compensation increase	2.4%	2.4%	2.6%

The expected long-term rate of return on plan assets is developed for each asset class, and is determined primarily on historical returns on the plan assets and other factors.

The accumulated benefit obligation was ¥2,229,026 million as of March 31, 2014 and ¥2,237,187 million as of March 31, 2013.

Information for pension plans with accumulated benefit obligations in excess of plan assets and pension plans with projected benefit obligations in excess of plan assets is as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	1,962,733	2,047,228
Plan assets	1,212,547	1,206,003
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	2,013,794	2,234,286
Plan assets	1,240,253	1,299,716

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The objective of the Company's investment policy is to ensure a stable return from the plans' investments over the long term, which allows the Company's and certain subsidiaries' pension funds to meet their future obligations, and the Company and certain subsidiaries attempt to maintain the pension funds in sound condition. In order to achieve the above objective, a target rate of return is established, taking into consideration the composition of participants, level of funded status, the Company's and certain subsidiaries' capacity to absorb risks and the current economic environment. Also, a target asset allocation is established to achieve a target rate of return, based on the expected rate of return by each asset class, the standard deviation of the rate of return and the correlation coefficient among the assets. The investments are diversified. Under the current target asset allocation, approximately 25 percent of plan assets are invested in equity securities and approximately 50 percent are invested in domestic and foreign government bonds and corporate bonds. The remaining 25 percent are invested in other assets, such as hedge funds, private equity funds and life insurance company general accounts. Rebalancing will occur if markets fluctuate in excess of certain levels. The Company and certain subsidiaries periodically review actual returns on assets, economic environments and their capacity to absorb risk and realign the target asset allocation if necessary.

The Company and certain subsidiaries prioritize the use of observable inputs in markets over the use of unobservable inputs when measuring fair value as follows:

Level 1

Quoted prices for identical assets in active markets.

Level 2

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

Level 3

Valuations using inputs that are not observable.

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The following table presents the plan assets that are measured at fair value as of March 31, 2014 and 2013.

	Millions of yen			
	March 31, 2014			
	Fair Value Measurements			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities (a)	37,737	37,219	518	-
Government and municipal debt securities (b)	212,443	199,999	12,444	-
Corporate and other debt securities (c)	70,662	-	34,875	35,787
Hedge funds (d)	42,828	-	8,540	34,288
Securitization products (e)	55,144	-	-	55,144
Cash and cash equivalents	25,453	25,364	89	-
Life insurance company general accounts (f)	134,664	-	134,664	-
Commingled funds (g)	890,593	-	855,603	34,990
Other	<u>37,434</u>	<u>21,000</u>	<u>2,172</u>	<u>14,262</u>
	<u>1,506,958</u>	<u>283,582</u>	<u>1,048,905</u>	<u>174,471</u>

  

	Millions of yen			
	March 31, 2013			
	Fair Value Measurements			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities (a)	39,977	33,985	5,992	-
Government and municipal debt securities (b)	202,695	185,038	17,657	-
Corporate and other debt securities (c)	64,452	-	27,971	36,481
Hedge funds (d)	41,925	-	4,164	37,761
Securitization products (e)	43,590	-	-	43,590
Cash and cash equivalents	36,808	36,734	74	-
Life insurance company general accounts (f)	125,123	-	125,123	-
Commingled funds (g)	825,326	-	787,756	37,570
Other	<u>37,864</u>	<u>22,333</u>	<u>4,736</u>	<u>10,795</u>
	<u>1,417,760</u>	<u>278,090</u>	<u>973,473</u>	<u>166,197</u>

- (a) Approximately 25 percent of equity securities are invested in Japan-listed stocks as of March 31, 2014 and 2013, respectively. Approximately 75 percent of equity securities are invested in stocks listed overseas as of March 31, 2014 and 2013, respectively. Equity securities are primarily valued at quoted market prices.
- (b) Approximately 65 percent of government and municipal debt securities are invested in bonds issued in Japan and primarily consist of Japanese government bonds as of March 31, 2014 and 2013. Approximately 35 percent of government and municipal debt securities are invested in bonds issued in overseas markets and primarily consist of foreign government bonds as of March 31, 2014 and 2013. Government and municipal debt securities are primarily valued at prices provided by the securities industry, the industrial associations in each country, or prices which are calculated on the basis of market interest rates.

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- (c) Approximately 15 percent and 20 percent of corporate and other debt securities are invested in bonds issued in Japan as of March 31, 2014 and 2013, respectively. Approximately 85 percent and 80 percent of corporate and other debt securities are invested in bonds issued in overseas markets as of March 31, 2014 and 2013, respectively. Corporate and other debt securities are mainly valued at prices provided by the securities industry, the industrial associations in each country, or prices which are calculated on the basis of market interest rates. If these values are not available, corporate and other debt securities are valued at theoretical prices, taking into consideration the interest rates of government bonds of the related countries, swap interest rates and credit risks.
- (d) Hedge funds are invested primarily in relative value strategy funds, event driven funds, equity long/short funds, and macroeconomic and Commodity Trading Advisor (CTA) funds. Hedge funds are valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding.
- (e) Securitization products are invested primarily in collateralized loan obligations. These investments are valued at prices provided by financial institutions. The Company corroborates the prices, taking into consideration primarily the market values of the underlying loans, the market values of similar debt securities, and the future expected default rates and recovery rates of the collateralized loans.
- (f) Life insurance company general accounts are valued at conversion value at the end of the period.
- (g) Commingled funds represent pooled institutional investments. Approximately 35 percent of commingled funds are invested in listed stocks as of March 31, 2014 and 2013, respectively, 45 percent and 40 percent in government and municipal debt securities as of March 31, 2014 and 2013, 10 percent in corporate and other debt securities as of March 31, 2014 and 2013, and 10 percent and 15 percent in other assets as of March 31, 2014 and 2013, respectively. Commingled funds are valued at their NAV provided by the administrators of the funds, which are based on the value of the underlying assets owned by the funds, divided by the number of units outstanding.

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The following table presents the reconciliation of the beginning and ending balances of Level 3 assets for the year ended March 31, 2014 and 2013.

	Millions of yen						
	2014						
	Beginning balance at March 31, <u>2013</u>	Actual return on plan assets still held at the reporting <u>date</u>	Realized gain or loss on plan assets sold during <u>the period</u>	Purchases, sales, and settlements, <u>net</u>	Transfers in and/or out of <u>Level 3</u>	Foreign currency <u>exchange</u>	Ending balance at March 31, <u>2014</u>
Corporate and other debt securities	36,481	1,169	477	(2,340)	-	-	35,787
Hedge funds	37,761	1,563	976	(6,012)	-	-	34,288
Securitization products	43,590	3,246	(1,037)	9,344	-	1	55,144
Commingled funds	37,570	3,600	(472)	(5,782)	(145)	219	34,990
Other	<u>10,795</u>	<u>383</u>	<u>607</u>	<u>(151)</u>	<u>1,800</u>	<u>828</u>	<u>14,262</u>
	<u>166,197</u>	<u>9,961</u>	<u>551</u>	<u>(4,941)</u>	<u>1,655</u>	<u>1,048</u>	<u>174,471</u>

	Millions of yen						
	2013						
	Beginning balance at March 31, <u>2012</u>	Actual return on plan assets still held at the reporting <u>date</u>	Realized gain or loss on plan assets sold during <u>the period</u>	Purchases, sales, and settlements, <u>net</u>	Transfers in and/or out of <u>Level 3</u>	Foreign currency <u>exchange</u>	Ending balance at March 31, <u>2013</u>
Corporate and other debt securities	31,223	3,743	(12)	1,782	(285)	30	36,481
Hedge funds	42,459	2,535	(141)	(7,091)	-	(1)	37,761
Securitization products	37,798	5,985	1,943	(2,136)	-	-	43,590
Commingled funds	36,454	4,597	(1,147)	(2,559)	222	3	37,570
Other	<u>3,003</u>	<u>39</u>	<u>240</u>	<u>(358)</u>	<u>6,954</u>	<u>917</u>	<u>10,795</u>
	<u>150,937</u>	<u>16,899</u>	<u>883</u>	<u>(10,362)</u>	<u>6,891</u>	<u>949</u>	<u>166,197</u>

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The Company and its subsidiaries expect to contribute ¥107,763 million to their defined benefit plans for the year ending March 31, 2015.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid.

<u>Years ending March 31</u>	<u>Millions of yen</u>
2015	120,236
2016	115,974
2017	115,988
2018	115,164
2019	124,198
2020-2024	624,899

***(b) Defined contribution plans***

The Company and certain subsidiaries have a number of defined contribution plans. The amounts of cost recognized for the Company's and certain subsidiaries' contributions to the plans for the years ended March 31, 2014, 2013 and 2012 were ¥24,314 million, ¥21,983 million and ¥20,188 million, respectively.

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**(12) Common Stock**

The Company has authorized issuance of 10 billion shares of common stock.

The number of issued shares and the amount of common stock for the years ended March 31, 2014, 2013 and 2012 are as follows:

	<u>Issued shares</u>	<u>Millions of yen Amount</u>
Balance as of March 31, 2011	4,520,144,964	409,129
Conversion of convertible bonds	<u>117,640,353</u>	<u>18,646</u>
Balance as of March 31, 2012	4,637,785,317	427,775
Conversion of convertible bonds	<u>195,678,070</u>	<u>31,015</u>
Balance as of March 31, 2013 and 2014	<u><u>4,833,463,387</u></u>	<u><u>458,790</u></u>

The conversion of convertible bonds into common stock for the years ended March 31, 2013 and 2012 was accounted for in accordance with the provisions of the Japanese Company Law (JCL) by crediting one-half of the conversion price to each of the common stock accounts and the capital surplus accounts.

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**(13) Capital Surplus**

The changes in capital surplus include the effect of changes in the Company's ownership interest in its consolidated subsidiaries. The net income attributable to Hitachi, Ltd. stockholders and transfers from (to) noncontrolling interests for the years ended March 31, 2014, 2013 and 2012 are as follows:

	Millions of yen		
	2014	2013	2012
Net income attributable to Hitachi, Ltd. stockholders	264,975	175,326	347,179
Transfers from (to) the noncontrolling interests			
Increase (decrease) in capital surplus for purchase of listed subsidiaries' ownership interests to convert them into wholly owned subsidiaries	826	(2,927)	(18,822)
Decrease in capital surplus for purchase of ownership interests of Hitachi Vehicle Energy, Ltd. to convert it into a wholly owned subsidiary	(6,068)	-	-
Other	<u>(665)</u>	<u>(5,380)</u>	<u>(2,705)</u>
Net transfers from (to) noncontrolling interests	<u>(5,907)</u>	<u>(8,307)</u>	<u>(21,527)</u>
 Change from net income attributable to Hitachi, Ltd. stockholders and transfers from (to) noncontrolling interests	 <u>259,068</u>	 <u>167,019</u>	 <u>325,652</u>

For the year ended March 31, 2014, the increase in capital surplus for the purchase of listed subsidiaries' ownership interests amounting to ¥826 million is related to the purchase of the noncontrolling interests of Hitachi Medical Corporation for the purpose of converting it into a wholly owned subsidiary. As a result, Hitachi Medical Corporation had been converted into a wholly owned subsidiary during the year ended March 31, 2014.

For the year ended March 31, 2013, the decrease in capital surplus for the purchase of listed subsidiaries' ownership interests amounting to ¥2,927 million is mainly related to the purchase of the noncontrolling interests of Vantec Corporation by Hitachi Transport System, Ltd. for the purpose of converting it into a wholly owned subsidiary. As a result, Vantec Corporation had been converted into a wholly owned subsidiary during the year ended March 31, 2013.

For the year ended March 31, 2012, the decrease in capital surplus for the purchase of listed subsidiaries' ownership interests amounting to ¥18,822 million is related to the purchase of the noncontrolling interests of Shin-Kobe Electric Machinery Co., Ltd. by Hitachi Chemical Co., Ltd. and Hitachi Business Solution Co., Ltd. by Hitachi Solutions, Ltd. for the purpose of converting them into wholly owned subsidiaries. As a result, Shin-Kobe Electric Machinery Co., Ltd. and Hitachi Business Solution Co., Ltd. had been converted into wholly owned subsidiaries during the year ended March 31, 2012. Hitachi Business Solution Co., Ltd. was subsequently renamed Hitachi Solutions Business, Ltd. effective January 1, 2013.

The total decreases in noncontrolling interests during the years ended March 31, 2014, 2013 and 2012 resulting from these equity transactions were ¥26,432 million, ¥3,985 million and ¥21,232million, respectively.



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**(14) Legal Reserve and Retained Earnings, and Dividends**

The JCL provides that earnings in an amount equal to 10 percent of appropriations of retained earnings to be paid as dividends should be appropriated as a capital surplus or a legal reserve until the total of capital surplus and legal reserve equals 25 percent of stated common stock. In addition to transfer from capital surplus to stated common stock, either capital surplus or legal reserve may be available for dividends by resolution of the shareholders' meeting.

Dividends during the years ended March 31, 2014, 2013 and 2012 represent dividends declared during those years. On May 12, 2014, the Board of Directors approved a cash dividend for the second half of the year ended March 31, 2014 of ¥5.5 per share, aggregating ¥26,559 million. No provision has been made in the accompanying consolidated financial statements for this cash dividend.

Cash dividends per share for the years ended March 31, 2014, 2013 and 2012 were ¥10.5, ¥10.0 and ¥8.0, respectively, based on dividends declared with respect to earnings for the periods.

**(15) Treasury Stock**

The JCL allows a company to acquire treasury stock upon shareholders' approval to the extent that sufficient distributable funds are available. If the Board of Directors' authority is stated in the articles of incorporation, a company is allowed to acquire treasury stock not upon shareholders' approval but Board of Directors' approval. Acquisition of treasury stock is allowed under the Company's articles of incorporation.

Pursuant to the provisions of the JCL, shareholders may request the company to acquire their shares representing less than a minimum trading lot as shares less than a minimum trading lot cannot be publicly traded and such a shareholder holding less than a minimum trading lot cannot exercise a voting right and other shareholder's rights except as provided in the JCL or the articles of incorporation. The JCL also states that a shareholder holding shares less than a minimum trading lot may request the company to sell its treasury stock, if any, to the shareholder up to a minimum trading lot if entitled under the articles of incorporation. Sale of treasury stock is allowed under the Company's articles of incorporation.

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The changes in treasury stock for the years ended March 31, 2014, 2013 and 2012 are summarized as follows:

	<u>Millions of yen</u>	
	<u>Shares</u>	<u>Amount</u>
Balance as of March 31, 2011	2,544,077	1,371
Acquisition for treasury	281,695	126
Sales of treasury stock	<u>(82,533)</u>	<u>(47)</u>
Balance as of March 31, 2012	2,743,239	1,450
Acquisition for treasury	331,866	162
Sales of treasury stock	<u>(175,954)</u>	<u>(47)</u>
Balance as of March 31, 2013	2,899,151	1,565
Acquisition for treasury	5,599,271	4,431
Sales of treasury stock	<u>(4,090,998)</u>	<u>(2,850)</u>
Balance as of March 31, 2014	<u><u>4,407,424</u></u>	<u><u>3,146</u></u>

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**(16) Accumulated Other Comprehensive Loss**

Accumulated other comprehensive loss, net of related tax effects, displayed in the consolidated statements of equity is classified as follows:

	<u>Millions of yen</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Foreign currency translation adjustments:			
Balance at beginning of year	(91,314)	(220,615)	(252,206)
Other comprehensive income, net of reclassification adjustments	125,932	128,731	31,603
Net transfer from (to) noncontrolling interests	<u>(569)</u>	<u>570</u>	<u>(12)</u>
Balance at end of year	<u>34,049</u>	<u>(91,314)</u>	<u>(220,615)</u>
Pension liability adjustments:			
Balance at beginning of year	(308,724)	(294,252)	(256,566)
Other comprehensive income (loss), net of reclassification adjustments	122,743	(14,575)	(37,895)
Net transfer from (to) noncontrolling interests	<u>(614)</u>	<u>103</u>	<u>209</u>
Balance at end of year	<u>(186,595)</u>	<u>(308,724)</u>	<u>(294,252)</u>
Net unrealized holding gain on available-for-sale securities:			
Balance at beginning of year	61,482	20,491	16,905
Other comprehensive income, net of reclassification adjustments	124,844	40,945	3,574
Net transfer from (to) noncontrolling interests	<u>(164)</u>	<u>46</u>	<u>12</u>
Balance at end of year	<u>186,162</u>	<u>61,482</u>	<u>20,491</u>
Cash flow hedges:			
Balance at beginning of year	(29,778)	(2,520)	(1,195)
Other comprehensive loss, net of reclassification adjustments	(13,107)	(27,237)	(1,326)
Net transfer from (to) noncontrolling interests	<u>4</u>	<u>(21)</u>	<u>1</u>
Balance at end of year	<u>(42,881)</u>	<u>(29,778)</u>	<u>(2,520)</u>
Total accumulated other comprehensive loss:			
Balance at beginning of year	(368,334)	(496,896)	(493,062)
Other comprehensive income (loss), net of reclassification adjustments	360,412	127,864	(4,044)
Net transfer from (to) noncontrolling interests	<u>(1,343)</u>	<u>698</u>	<u>210</u>
Balance at end of year	<u>(9,265)</u>	<u>(368,334)</u>	<u>(496,896)</u>

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The following table represents the reclassification adjustments for realized net (gain) loss included in net income by each classification of other comprehensive income for the year ended March 31, 2014 with location in consolidated statements of operations.

	Millions of yen	
	2014	
	Reclassification adjustments for realized net loss included in net income	Location
Foreign currency translation adjustments:		
	4,023	Other income
Before-tax amount	4,023	Income before income taxes
Tax benefit (expense)	-	Income taxes
Net-of-tax amount	4,023	Net income attributable to Hitachi, Ltd. stockholders
Pension liability adjustment:		
Prior service benefit	(14,910)	(a)
Actuarial loss	103,301	(a)
Before-tax amount	88,391	Income before income taxes
Tax benefit (expense)	(12,990)	Income taxes
Net-of-tax amount	75,401	Net income attributable to Hitachi, Ltd. stockholders
Net unrealized holding gain on available-for-sale securities:		
	(50,539)	Other income
Before-tax amount	(50,539)	Income before income taxes
Tax benefit (expense)	19,045	Income taxes
Net-of-tax amount	(31,494)	Net income attributable to Hitachi, Ltd. stockholders
Cash flow hedges:		
Forward exchange contracts	(471)	Other income
Cross currency swap agreements	(2,379)	Other income
Interest rate swaps	769	Interest charges
Option contracts	(675)	Other income
Before-tax amount	(2,756)	Income before income taxes
Tax benefit (expense)	779	Income taxes
Net-of-tax amount	(1,977)	Net income attributable to Hitachi, Ltd. stockholders
Reclassification adjustments for realized net loss included in net income	<u>45,953</u>	Net income attributable to Hitachi, Ltd. stockholders

(a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic benefit cost (see note 11).

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The following is a summary of reclassification adjustments by each classification of other comprehensive income (loss) arising during the years ended March 31, 2014, 2013 and 2012 and the amounts of income tax expense or benefit allocated to each component of other comprehensive income (loss), including reclassification adjustments.

	Millions of yen		
	2014		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments	157,848	-	157,848
Pension liability adjustments	64,048	(12,758)	51,290
Net unrealized holding gain on available-for-sale securities	193,961	(35,943)	158,018
Cash flow hedges	(3,463)	(3,803)	(7,266)
	412,394	(52,504)	359,890
Reclassification adjustments for realized net loss included in net income:			
Foreign currency translation adjustments	1,790	-	1,790
Pension liability adjustments	92,650	(14,441)	78,209
Net unrealized holding gain on available-for-sale securities	(49,362)	18,656	(30,706)
Cash flow hedges	(5,785)	1,750	(4,035)
	39,293	5,965	45,258
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments	159,638	-	159,638
Pension liability adjustments	156,698	(27,199)	129,499
Net unrealized holding gain on available-for-sale securities	144,599	(17,287)	127,312
Cash flow hedges	(9,248)	(2,053)	(11,301)
	451,687	(46,539)	405,148
Less other comprehensive income, net of reclassification adjustments attributable to noncontrolling interests:			
Foreign currency translation adjustments			33,706
Pension liability adjustments			6,756
Net unrealized holding gain on available-for-sale securities			2,468
Cash flow hedges			1,806
			44,736
Other comprehensive income, net of reclassification adjustments attributable to Hitachi, Ltd. stockholders:			
Foreign currency translation adjustments			125,932
Pension liability adjustments			122,743
Net unrealized holding gain on available-for-sale securities			124,844
Cash flow hedges			(13,107)
			360,412

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	Millions of yen		
	2013		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments	177,317	-	177,317
Pension liability adjustments	(83,400)	23,707	(59,693)
Net unrealized holding gain on available-for-sale securities	65,748	(21,773)	43,975
Cash flow hedges	<u>(31,573)</u>	<u>1,280</u>	<u>(30,293)</u>
	128,092	3,214	131,306
Reclassification adjustments for realized net loss included in net income:			
Foreign currency translation adjustments	4,497	-	4,497
Pension liability adjustments	76,442	(28,789)	47,653
Net unrealized holding gain on available-for-sale securities	(4,452)	1,863	(2,589)
Cash flow hedges	<u>2,975</u>	<u>(883)</u>	<u>2,092</u>
	79,462	(27,809)	51,653
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments	181,814	-	181,814
Pension liability adjustments	(6,958)	(5,082)	(12,040)
Net unrealized holding gain on available-for-sale securities	61,296	(19,910)	41,386
Cash flow hedges	<u>(28,598)</u>	<u>397</u>	<u>(28,201)</u>
	<u>207,554</u>	<u>(24,595)</u>	<u>182,959</u>
Less other comprehensive income, net of reclassification adjustments attributable to noncontrolling interests:			
Foreign currency translation adjustments			53,083
Pension liability adjustments			2,535
Net unrealized holding gain on available-for-sale securities			441
Cash flow hedges			<u>(964)</u>
			<u>55,095</u>
Other comprehensive income, net of reclassification adjustments attributable to Hitachi, Ltd. stockholders:			
Foreign currency translation adjustments			128,731
Pension liability adjustments			(14,575)
Net unrealized holding gain on available-for-sale securities			40,945
Cash flow hedges			<u>(27,237)</u>
			<u>127,864</u>

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	Millions of yen		
	2012		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive loss arising during the year:			
Foreign currency translation adjustments	(20,065)	-	(20,065)
Pension liability adjustments	(129,071)	38,520	(90,551)
Net unrealized holding gain on available-for-sale securities	(996)	963	(33)
Cash flow hedges	<u>(3,039)</u>	<u>734</u>	<u>(2,305)</u>
	(153,171)	40,217	(112,954)
Reclassification adjustments for realized net loss included in net income:			
Foreign currency translation adjustments	43,527	-	43,527
Pension liability adjustments	76,099	(29,697)	46,402
Net unrealized holding gain on available-for-sale securities	4,980	(1,985)	2,995
Cash flow hedges	<u>(999)</u>	<u>802</u>	<u>(197)</u>
	123,607	(30,880)	92,727
Other comprehensive loss, net of reclassification adjustments:			
Foreign currency translation adjustments	23,462	-	23,462
Pension liability adjustments	(52,972)	8,823	(44,149)
Net unrealized holding gain on available-for-sale securities	3,984	(1,022)	2,962
Cash flow hedges	<u>(4,038)</u>	<u>1,536</u>	<u>(2,502)</u>
	<u>(29,564)</u>	<u>9,337</u>	<u>(20,227)</u>
Less other comprehensive loss, net of reclassification adjustments attributable to noncontrolling interests:			
Foreign currency translation adjustments			(8,141)
Pension liability adjustments			(6,254)
Net unrealized holding gain on available-for-sale securities			(612)
Cash flow hedges			<u>(1,176)</u>
			<u>(16,183)</u>
Other comprehensive loss, net of reclassification adjustments attributable to Hitachi, Ltd. stockholders:			
Foreign currency translation adjustments			31,603
Pension liability adjustments			(37,895)
Net unrealized holding gain on available-for-sale securities			3,574
Cash flow hedges			<u>(1,326)</u>
			<u>(4,044)</u>

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**(17) Pledged Assets**

As of March 31, 2014, the Company and its subsidiaries pledged a portion of their assets as collateral primarily for bank loans as follows:

	<u>Millions of yen</u>
Accounts receivables	8,324
Inventories	10,300
Investments and advances	555
Land	2,521
Buildings	8,465
Machinery and equipment	<u>11,073</u>
	<u><u>41,238</u></u>



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**(18) Commitments and Contingencies**

The Company and its subsidiaries are contingently liable for loan guarantees and other guarantees to its affiliates and others in the amount of approximately ¥175,478 million as of March 31, 2014. This includes credit guarantees of ¥84,461 million for collections of receivables associated with the integration of its thermal power systems business.

Hitachi Capital Corporation (HCC) and subsidiaries in financial services segment provide guarantees to financial institutions for extending loans to customers of the subsidiaries. As of March 31, 2014, the undiscounted maximum potential future payments under such guarantees amounted to ¥259,265 million. For providing these guarantees, the subsidiaries obtain collateral appropriate for the amount of the guarantees, and therefore, the Company considers the risk to be low. The Company accrued ¥8,827 million as an obligation to stand ready to perform over the term of the guarantees in the event the customer cannot make scheduled payments.

The Company and HCC provide loan commitments to affiliates and others.  
The outstanding balance of loan commitments as of March 31, 2014 is as follows:

	<u>Millions of yen</u>
Total commitment available	110,540
Less amount utilized	<u>20,252</u>
Balance available	<u><u>90,288</u></u>

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

The Company and its subsidiaries have line of credit arrangements with banks in order to secure a financing source for business operations. The total unused lines of credit as of March 31, 2014 amounted to ¥515,193 million, primarily related to unused lines of credit belonging to the Company. The Company maintains commitment line agreements with a number of banks and pays commitment fees as consideration. These commitment agreements generally provide a one-year term, and are subject to renewal at the end of the term. The unused availability under these agreements as of March 31, 2014 amounted to ¥200,000 million. The Company also maintains another commitment line agreement, whose three years and two months term ends in July 2016, with financing companies. The unused availability under this agreement as of March 31, 2014 amounted to ¥200,000 million.

As of March 31, 2014, outstanding commitments for the purchase of property, plant and equipment were approximately ¥34,414 million.

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It is a common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in the settlement of trade accounts receivable and to subsequently discount such notes to banks or to transfer them by endorsement to suppliers in the settlement of accounts payable. As of March 31, 2014 and 2013, the Company and subsidiaries were contingently liable for trade notes discounted and endorsed in the following amounts:

	Millions of yen	
	March 31, 2014	March 31, 2013
Notes discounted	1,158	2,149
Notes endorsed	1,128	2,707
	<u>2,286</u>	<u>4,856</u>

The Company and its subsidiaries provide warranties for certain of their products. The accrued product warranty costs are based primarily on historical experience of actual warranty claims. The changes in accrued product warranty costs for the years ended March 31, 2014, 2013 and 2012 are summarized as follows:

	Millions of yen		
	2014	2013	2012
Balance at beginning of year	40,114	41,356	55,329
Expense recognized upon issuance of warranties	12,174	8,852	16,281
Usage	(12,940)	(12,880)	(18,792)
Acquisitions and divestitures	781	81	(10,007)
Other, including effect of foreign currency translation	1,136	2,705	(1,455)
Balance at end of year	<u>41,265</u>	<u>40,114</u>	<u>41,356</u>

In December 2006, the Company and a subsidiary in Europe received requests for information from the European Commission in respect of alleged antitrust violations relating to liquid crystal displays.

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

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

In July 2011, a subsidiary and an affiliated company in Japan received a statement of objections from the European Commission in respect of alleged antitrust violations relating to high-voltage power cables. In April 2014, the European Commission ordered these companies to pay fines for infringement of EU antitrust rules. These companies accrued the amount for the fines.

In July 2011, a subsidiary in the U.S.A. was investigated by and received a grand jury subpoena from the Antitrust Division of the U.S. Department of Justice, the Company and a subsidiary in Europe received requests for information from the European Commission, and a subsidiary in Canada received requests for information from the Canadian Competition Bureau, all in respect of alleged antitrust violations relating to automotive equipment. In November 2013, a subsidiary in Japan, which had been also primarily responsible for responding to the investigation from the Antitrust Division of the U.S. Department of Justice, paid a fine.

The Company and its subsidiaries and affiliated companies have cooperated with the competent authorities. Depending upon the outcome of these matters, fines or surcharge payments, the amount of which is uncertain, may be imposed on them. Also, in connection with pending and settled antitrust violations, civil disputes, including class action lawsuits, involving the Company and some of these companies have arisen in a number of countries, including in the U.S.A. and Canada. A reasonably estimated amount was accrued for the potential losses in relation to certain of these civil disputes.

In August 2012, a subsidiary in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of EUR 1,058 million (¥149,949 million), additional costs and interest allegedly incurred by the delay in the construction process of a power plant against, jointly and severally, the Company, the subsidiary in Europe, a consortium including the Company and the subsidiary in Europe, and two other companies. In addition, in October 2013, the subsidiary in Europe received an additional complaint requesting compensation for consequential losses of EUR 239 million (¥33,924 million). Although the Company, the subsidiary in Europe and the consortium will vigorously defend themselves against this lawsuit, there can be no assurance that they will not be held liable for any amounts claimed.

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In December 2013, the Company, a subsidiary in Europe, and a consortium consisting of the Company and the subsidiary in Europe, jointly and severally received a request from a customer in Europe to refer a dispute to arbitration seeking compensation for EUR 606 million (¥85,952 million) including consequential losses allegedly incurred by the delay in the construction process of a power plant. Although the Company, the subsidiary in Europe, and the consortium consisting of the Company and the subsidiary in Europe, will vigorously defend themselves against this claim, there can be no assurance that they will not be held liable for any amounts claimed.

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

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

**(19) Expenses Related to Competition Law and Others**

During the year ended March 31, 2014, a subsidiary in the Automotive Systems segment agreed with the U.S. Department of Justice to conclude a plea agreement paying a fine in the amount of US\$195 million (¥19,061 million) regarding antitrust violations occurring in connection with the sales of certain automotive parts to certain OEM customers, and paid the fine in November 2013. In other cases, the Company and certain subsidiaries accrued the reasonably estimated amounts for potential losses in relation to investigation in respect of alleged antitrust violations in Europe, certain civil disputes, including class action lawsuits, occurring in connection with investigations and alleged antitrust violations in the U.S.A, and settlements of consequential losses involving disputes with certain customers.

**(20) Impairment Losses for Long-Lived Assets**

For the year ended March 31, 2014, the majority of the impairment losses were recorded on property, plant and equipment located in Japan and China. The Automotive Systems segment recognized impairment losses of ¥8,950 million, primarily due to its battery businesses for automobiles projected lower-than-expected future income because of changing market trend. The Electronic Systems & Equipment segment recognized impairment losses of ¥6,401 million, primarily due to its medical equipment business projected lower-than-expected future income because of severe market competition. The High Functional Materials & Components segment recognized impairment losses of ¥5,122 million, primarily due to the deterioration of the profitability of its high-grade metal products and materials business because of smaller demand in the market. The Construction Machinery segment recognized impairment losses of ¥4,425 million, primarily due to a change of manner in use of its IT system for management purpose. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

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For the year ended March 31, 2013, the majority of the impairment losses were recorded on property, plant and equipment located in Japan. The Information & Telecommunication Systems segment recognized impairment losses of ¥8,428 million, primarily due to reduced cash flows generated from certain assets associated with customers in the financial service businesses. The High Functional Materials & Components segment recognized impairment losses of ¥5,941 million, primarily due to structural reforms of its wires, cables and other relevant products business, which was undertaken to address the deterioration of the business environment. The Social Infrastructure & Industrial Systems segment recognized impairment losses of ¥2,206 million, primarily due to its liquid crystal display manufacturing equipment business projected lower-than-expected future income because of a recent decrease in demand. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

For the year ended March 31, 2012, the majority of the impairment losses were recorded on property, plant and equipment located in Japan. The High Functional Materials & Components segment recognized impairment losses of ¥19,483 million, primarily due to restructuring of its semiconductor package material businesses as a result of a recent decrease in demand of the market and integrating manufacturing facilities for electronics and IT devices business. The Information & Telecommunication Systems segment recognized impairment losses of ¥4,596 million primarily due to restructuring of its micro devices business as a result of lower-than-expected future income. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

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**(21) Restructuring Charges**

Certain losses incurred in the reorganization of the Company's operations are considered restructuring charges. Components and related amounts of the restructuring charges, before the related tax effects, for the years ended March 31, 2014, 2013 and 2012 are as follows:

	Millions of yen		
	2014	2013	2012
Special termination benefits	28,174	30,345	22,999
Loss on fixed assets	110	153	98
	<u>28,284</u>	<u>30,498</u>	<u>23,097</u>

The Company and certain subsidiaries provided special termination benefits to those employees voluntarily leaving the companies. The accrued special termination benefits were recognized at the time voluntary termination was offered and benefits were accepted by the employees. An analysis of the accrued special termination benefits for the years ended March 31, 2014, 2013 and 2012 is as follows:

	Millions of yen		
	2014	2013	2012
Balance at beginning of the year	15,293	7,487	3,358
New charges	28,174	30,345	22,999
Cash payments	(29,631)	(22,601)	(12,690)
Divestitures	(1,707)	-	(6,233)
Foreign currency exchange rate changes	42	62	53
Balance at end of the year	<u>12,171</u>	<u>15,293</u>	<u>7,487</u>

The following represents the significant restructuring activities for the year ended March 31, 2014 by reportable segment:

1. The Information & Telecommunication Systems segment restructured in order to rationalize the workforce mainly in Japan. The accrued special termination benefits expensed during the year ended March 31, 2014 amounted to ¥11,826 million. The liabilities for special termination benefits amounting to ¥7,103 million as of March 31, 2014 will be paid by March 31, 2015. Total restructuring charges during the year ended March 31, 2014 consisted of special termination benefits.
2. The Digital Media & Consumer Products segment restructured due to withdrawal from the TV parts and other business. The accrued special termination benefits expensed during the year ended March 31, 2014 amounted to ¥6,640 million. The liabilities for special termination benefits amounting to ¥48 million as of March 31, 2014 will be paid by March 31, 2015. Total restructuring charges during the year ended March 31, 2014 consisted of special termination benefits.

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3. The High Functional Materials & Components segment restructured in order to reorganize its wires, cables and other relevant products business, which was undertaken to address the deterioration of the business environment. The accrued special termination benefits expensed during the year ended March 31, 2014 amounted to ¥5,053 million. The liabilities for special termination benefits amounting to ¥2,566 million as of March 31, 2014 will be paid by March 31, 2015. Total restructuring charges during the year ended March 31, 2014 amounted to ¥5,136 million.

The following represents the significant restructuring activities for the year ended March 31, 2013 by reportable segment:

1. The High Functional Materials & Components segment restructured in order to reorganize its wires, cables and other relevant products business, which was undertaken to address the deterioration of the business environment. The accrued special termination benefits expensed during the year ended March 31, 2013 amounted to ¥11,798 million. The liabilities for special termination benefits amounting to ¥1,067 million as of March 31, 2013 were paid by March 31, 2014. Total restructuring charges during the year ended March 31, 2013 amounted to ¥11,952 million.
2. The Others (Logistics and Other services) restructured in order to rationalize the workforce of its semiconductor device business. The accrued special termination benefits expensed during the year ended March 31, 2013 amounted to ¥7,049 million. The liabilities for special termination benefits amounting to ¥6,284 million as of March 31, 2013 were paid by March 31, 2014. Total restructuring charges during the year ended March 31, 2013 amounted to ¥7,052 million.
3. The Electronic Systems & Equipment segment restructured in order to reorganize its LCDs manufacturing equipment business and video & wireless network businesses to reduce costs and improve profitability. The accrued special termination benefits expensed during the year ended March 31, 2013 amounted to ¥4,514 million. The liabilities for special termination benefits amounting to ¥4,218 million as of March 31, 2013 were paid by March 31, 2014. Total restructuring charges during the year ended March 31, 2013 amounted to ¥4,515 million.
4. The Information & Telecommunication Systems segment restructured in order to rationalize the workforce of its software service business. The accrued special termination benefits expensed during the year ended March 31, 2013 amounted to ¥2,314 million. The liabilities for special termination benefits amounting to ¥485 million as of March 31, 2013 were paid by March 31, 2014. Total restructuring charges during the year ended March 31, 2013 consisted of special termination benefits.

The following represents the significant restructuring activities for the year ended March 31, 2012 by reportable segment:

1. The Others (Logistics and Other services) restructured in order to rationalize the workforce of its liquid crystal display business. The accrued special termination benefits expensed during the year ended March 31, 2012 amounted to ¥7,410 million. The liabilities for special termination benefits amounting to ¥353 million as of March 31, 2012 were paid by March 31, 2013. Total restructuring charges during the year ended March 31, 2012 consisted of special termination benefits.
2. The High Functional Materials & Components segment restructured in order to reorganize its wires, cables and other relevant products business, which has encountered severe deterioration in the

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business environment. The accrued special termination benefits expensed during the year ended March 31, 2012 amounted to ¥6,665 million. The liabilities for special termination benefits amounting to ¥372 million as of March 31, 2012 were paid by March 31, 2013. Total restructuring charges during the year ended March 31, 2012 amounted to ¥6,706 million.

3. The Electronic Systems & Equipment segment restructured in order to reorganize its LCDs manufacturing equipment and electronic parts manufacturing system businesses to reduce costs and improve profitability. The accrued special termination benefits expensed during the year ended March 31, 2012 amounted to ¥4,892 million. The liabilities for special termination benefits amounting to ¥3,958 million as of March 31, 2012 were paid by March 31, 2013. Total restructuring charges during the year ended March 31, 2012 amounted to ¥4,912 million.
4. The Digital Media & Consumer Products segment restructured in order to reorganize its TV business, which has encountered severe deterioration in the business environment. The accrued special termination benefits expensed during the year ended March 31, 2012 amounted to ¥3,085 million. The liabilities for special termination benefits amounting to ¥2,005 million as of March 31, 2012 were paid by March 31, 2013. Total restructuring charges during the year ended March 31, 2012 consisted of special termination benefits.

**(22) Other Income and Other Deductions**

The following items are included in other income or other deductions for the years ended March 31, 2014, 2013 and 2012.

	Millions of yen		
	2014	2013	2012
Net gain on securities	173,139	17,295	209,725
Net gain (loss) on sale and disposal of rental assets and other property	(6,446)	(1,819)	19,181
Exchange gain (loss)	7,293	8,465	(2,360)

The net gain on securities for the year ended March 31, 2014 includes a gain of ¥131,738 million associated with the integration of the thermal power generation systems business with Mitsubishi Heavy Industries, Ltd. Refer to note 31 for the nature and financial effect of the business integration.

The major component of net gain on securities for the year ended March 31, 2013 is related to a sale of shares of TCM Corporation, a former subsidiary.

The net gain on securities for the year ended March 31, 2012 includes gains of ¥223,143 million on deconsolidation of certain subsidiaries.

The net gain on sale and disposal of rental assets and other property for the year ended March 31, 2012 includes the impact of gains on insurance claims related to property, plant and equipment damaged due to the Great East Japan Earthquake.



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**(23) Net Income Per Share Information**

The reconciliations of the numbers and the amounts used in the basic and diluted net income attributable to Hitachi, Ltd. stockholders per share computations are as follows:

	Number of shares		
	2014	2013	2012
Weighted average number of shares on which basic net income per share is calculated	4,829,774,208	4,702,790,707	4,520,117,309
Effect of dilutive securities:			
Unsecured convertible bonds (8th series)	-	127,952,024	310,772,267
Number of shares on which diluted net income per share is calculated	<u>4,829,774,208</u>	<u>4,830,742,731</u>	<u>4,830,889,576</u>
	Millions of yen		
	2014	2013	2012
Net income attributable to Hitachi, Ltd. stockholders	264,975	175,326	347,179
Effect of dilutive securities:			
Unsecured convertible bonds (8th series)	-	21	62
Other	(84)	(33)	(74)
Net income attributable to Hitachi, Ltd. stockholders on which diluted net income per share is calculated	<u>264,891</u>	<u>175,314</u>	<u>347,167</u>
	Yen		
	2014	2013	2012
Net income attributable to Hitachi, Ltd. stockholders per share:			
Basic	54.86	37.28	76.81
Diluted	54.85	36.29	71.86

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**(24) Supplementary Income and Expense Information**

	Millions of yen		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Shipping and handling costs	142,915	135,888	147,551
Advertising expense	35,582	31,286	30,210
Maintenance and repairs	73,744	72,778	82,838
Rent	141,662	137,685	136,219
Research and development expense	351,426	341,310	412,514

**(25) Supplementary Cash Flow Information**

	Millions of yen		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash paid during the year for:			
Interest	25,438	26,283	28,129
Income taxes	110,824	130,119	116,310
Noncash investing and financial activities:			
Capitalized lease assets	4,918	5,598	5,783
Conversion of convertible bonds issued by the Company	-	62,030	37,292

The payments for the purchase and the proceeds from the sale of securities classified as available-for-sale disclosed in note 3 are included in purchase of investments in securities and shares of newly consolidated subsidiaries and proceeds from sale of investments in securities and shares of consolidated subsidiaries resulting in deconsolidation on the consolidated statements of cash flows.

**(26) Concentrations of Credit Risk**

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

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**(27) Derivative Instruments and Hedging Activities**

***Overall risk profile***

The major manufacturing bases of the Company and its subsidiaries are located in Japan and Asia. The selling bases are located globally, and the Company and its subsidiaries generated approximately 45% of their sales from overseas for the year ended March 31, 2014. These overseas sales are mainly denominated in the U.S. dollar or Euro. As a result, the Company and its subsidiaries are exposed to market risks from changes in foreign currency exchange rates.

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

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

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

***Risk management policy***

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

***Foreign currency exchange rate risk management***

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

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

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The Company and its subsidiaries enter into cross currency swap agreements with the same maturities as underlying debt to fix cash flows from long-term debt denominated in foreign currencies. The hedging relationship between the derivative financial instrument and its hedged item is highly effective in achieving offsetting changes in foreign currency exchange rates.

***Interest rate risk management***

The Company's and its subsidiaries' exposure to interest rate risk is related principally to long-term debt obligations. Management believes it is prudent to minimize the variability caused by interest rate risk.

To meet this objective, the Company and its subsidiaries principally enter into interest rate swaps to manage fluctuations in cash flows. The interest rate swaps entered into are receive-variable, pay-fixed interest rate swaps. Under the interest rate swaps, the Company and its subsidiaries receive variable interest rate payments on long-term debt associated with medium-term notes and make fixed interest rate payments, thereby creating fixed interest rate long-term debt.

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

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

***Fair value hedge***

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

***Cash flow hedge***

Foreign currency exposure:

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

It is expected that a net loss of approximately ¥968 million recorded in AOCI relating to existing forward exchange contracts will be reclassified into other income or other deductions during the year ending March 31, 2015.

As of March 31, 2014, the maximum length of time over which the Company and its subsidiaries are hedging their exposure to the variability in future cash flows associated with foreign currency forecasted transactions is approximately 83 months.

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Interest rate exposure:

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

It is expected that a net gain of approximately ¥30 million recorded in AOCI related to interest rate swaps will be reclassified into interest charges as a yield adjustment of the hedged debt obligations during the year ending March 31, 2015.

The contract or notional amounts of derivative financial instruments held as of March 31, 2014 and 2013 are summarized as follows:

	<u>Millions of yen</u>	
	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Forward exchange contracts:		
To sell foreign currencies	322,061	376,711
To buy foreign currencies	118,019	101,951
Cross currency swap agreements:		
To sell foreign currencies	45,611	116,482
To buy foreign currencies	255,963	149,088
Interest rate swaps	421,274	317,548
Option contracts	1,236	846

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The following tables, “Effective portion of derivatives designated as hedging instruments and related hedged items” and “Ineffective portion and amount excluded from effectiveness test,” show the effects of derivative instruments for fair value hedges on the consolidated statement of operations for the year ended March 31, 2014:

Effective portion of derivatives designated as hedging instruments and related hedged items

<u>Hedging instruments</u>		<u>Related hedged items</u>			
<u>Derivatives</u>	<u>Location</u>	<u>Millions of yen</u>	<u>Items</u>	<u>Location</u>	<u>Millions of yen</u>
Forward exchange contracts	Other income	(18,978)	Accounts receivable and accounts payable	Other income	22,898
Cross currency swap agreements	Other income	(1,051)	Long-term debt	Other income	1,139
		<u>(20,029)</u>			<u>24,037</u>

Ineffective portion and amount excluded from effectiveness test

<u>Derivatives</u>	<u>Location</u>	<u>Millions of yen</u>
Forward exchange contracts	Other income	(3,916)
Cross currency swap agreements	Other income	(5,287)
		<u>(9,203)</u>

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The following tables, “Effective portion of derivatives designated as hedging instruments and related hedged items” and “Ineffective portion and amount excluded from effectiveness test,” show the effects of derivative instruments for fair value hedges on the consolidated statement of operations for the year ended March 31, 2013:

Effective portion of derivatives designated as hedging instruments and related hedged items

<u>Hedging instruments</u>		<u>Related hedged items</u>			
<u>Derivatives</u>	<u>Location</u>	<u>Millions of yen</u>	<u>Items</u>	<u>Location</u>	<u>Millions of yen</u>
Forward exchange contracts	Other income	(16,007)	Accounts receivable and accounts payable	Other income	19,144
Cross currency swap agreements	Other income	(2,787)	Long-term debt	Other income	2,305
		<u>(18,794)</u>			<u>21,449</u>

Ineffective portion and amount excluded from effectiveness test

<u>Derivatives</u>	<u>Location</u>	<u>Millions of yen</u>
Forward exchange contracts	Other income	(1,623)
Cross currency swap agreements	Other income	(3,431)
		<u>(5,054)</u>

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The following tables, “Effective portion of derivatives designated as hedging instruments and related hedged items” and “Ineffective portion and amount excluded from effectiveness test,” show the effects of derivative instruments for fair value hedges on the consolidated statement of operations for the year ended March 31, 2012:

Effective portion of derivatives designated as hedging instruments and related hedged items

<u>Hedging instruments</u>		<u>Related hedged items</u>			
<u>Derivatives</u>	<u>Location</u>	<u>Millions of yen</u>	<u>Items</u>	<u>Location</u>	<u>Millions of yen</u>
Forward exchange contracts	Other deductions	(302)	Accounts receivable and accounts payable	Other deductions	249
Cross currency swap agreements	Interest charges	(2,556)	Long-term debt	Interest charges	2,531
		<u>(2,858)</u>			<u>2,780</u>

Ineffective portion and amount excluded from effectiveness test

<u>Derivatives</u>	<u>Location</u>	<u>Millions of yen</u>
Forward exchange contracts	Other deductions	1,150
Cross currency swap agreements	Other deductions	(20)
Interest rate swaps	Interest charges	36
		<u>1,166</u>



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The following tables, “Gain (loss) recognized in OCI, Effective portion of derivatives designated as hedging instruments”, “Gain (loss) reclassified from AOCI into consolidated statement of operations, Effective portion of derivatives designated as hedging instruments” and “Gain (loss) on derivatives designated as cash flow hedging instruments, Ineffective portion and amount excluded from effectiveness test” show the effects of derivative instruments for cash flow hedges on the consolidated statement of operations for the year ended March 31, 2014:

Gain (loss) recognized in OCI

Effective portion of derivatives designated as hedging instruments

<u>Derivatives</u>	<u>Millions of yen</u>
Forward exchange contracts	(20,130)
Cross currency swap agreements	(17,031)
Interest rate swaps	2,935
Option contracts	(1,311)
	<u>(35,537)</u>

Gain (loss) reclassified from AOCI into consolidated statement of operations

Effective portion of derivatives designated as hedging instruments

<u>Derivatives</u>	<u>Location</u>	<u>Millions of yen</u>
Forward exchange contracts	Other income	1,782
Cross currency swap agreements	Other income	3,898
Interest rate swaps	Interest charges	(1,257)
Option contracts	Other income	1,311
		<u>5,734</u>

Gain (loss) on derivatives designated as cash flow hedging instruments

Ineffective portion and amount excluded from effectiveness test

<u>Derivatives</u>	<u>Location</u>	<u>Millions of yen</u>
Forward exchange contracts	Other income	4,000
Cross currency swap agreements	Other income	(326)
Interest rate swaps	Interest charges	36
		<u>3,710</u>

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The following tables, “Gain (loss) recognized in OCI, Effective portion of derivatives designated as hedging instruments”, “Gain (loss) reclassified from AOCI into consolidated statement of operations, Effective portion of derivatives designated as hedging instruments” and “Gain(loss) on derivatives designated as cash flow hedging instruments, Ineffective portion and amount excluded from effectiveness test” show the effects of derivative instruments for cash flow hedges on the consolidated statement of operations for the year ended March 31, 2013:

Gain (loss) recognized in OCI

Effective portion of derivatives designated as hedging instruments

<u>Derivatives</u>	<u>Millions of yen</u>
Forward exchange contracts	(14,961)
Cross currency swap agreements	(609)
Interest rate swaps	99
Option contracts	(758)
	<u>(16,229)</u>

Gain (loss) reclassified from AOCI into consolidated statement of operations

Effective portion of derivatives designated as hedging instruments

<u>Derivatives</u>	<u>Location</u>	<u>Millions of yen</u>
Forward exchange contracts	Other income	(1,173)
Cross currency swap agreements	Other income	(1,654)
Interest rate swaps	Interest charges	(823)
Option contracts	Other income	737
		<u>(2,913)</u>

Gain(loss) on derivatives designated as cash flow hedging instruments

Ineffective portion and amount excluded from effectiveness test

<u>Derivatives</u>	<u>Location</u>	<u>Millions of yen</u>
Forward exchange contracts	Other income	(2,934)
Cross currency swap agreements	Other income	(10)
Interest rate swaps	Interest charges	130
		<u>(2,814)</u>

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The following tables, “Gain (loss) recognized in OCI, Effective portion of derivatives designated as hedging instruments”, “Gain (loss) reclassified from AOCI into consolidated statement of operations, Effective portion of derivatives designated as hedging instruments” and “Loss on derivatives designated as cash flow hedging instruments, Ineffective portion and amount excluded from effectiveness test” show the effects of derivative instruments for cash flow hedges on the consolidated statement of operations for the year ended March 31, 2012:

Gain (loss) recognized in OCI

Effective portion of derivatives designated as hedging instruments

<u>Derivatives</u>	<u>Millions of yen</u>
Forward exchange contracts	(2,531)
Cross currency swap agreements	105
Interest rate swaps	948
Option contracts	819
	<u>(659)</u>

Gain (loss) reclassified from AOCI into consolidated statement of operations

Effective portion of derivatives designated as hedging instruments

<u>Derivatives</u>	<u>Location</u>	<u>Millions of yen</u>
Forward exchange contracts	Other deductions	122
Cross currency swap agreements	Other deductions	(9,506)
Interest rate swaps	Interest charges	(535)
Option contracts	Other deductions	(878)
		<u>(10,797)</u>

Loss on derivatives designated as cash flow hedging instruments

Ineffective portion and amount excluded from effectiveness test

<u>Derivatives</u>	<u>Location</u>	<u>Millions of yen</u>
Forward exchange contracts	Other deductions	(113)
Cross currency swap agreements	Other deductions	(43)
Interest rate swaps	Interest charges	(120)
		<u>(276)</u>

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**(28) Fair Value of Financial Instruments**

The following methods and assumptions are used to estimate the fair values of financial instruments:

***Cash and cash equivalents, Trade receivables, Short-term debt and Trade payables***

The carrying amount approximates the fair value because of the short maturity of these instruments.

***Investments in securities, Subordinated interests resulting from securitization and Derivatives***

Refer to note 29 for the methods and assumptions used to estimate the fair values.

***Financial assets transferred to consolidated securitization entities***

For the portion related to transferred mortgage loans receivable, the fair value is estimated based on the present value of future cash flows.

***Long-term loans receivable***

The fair value of long-term loans receivable is estimated based on the present value of future cash flows using the interest rate applicable to an additional loan of the same form.

***Long-term debt and Non-recourse borrowings of consolidated securitization entities***

The fair value of long-term debt and non-recourse borrowings of consolidated securitization entities are estimated based on quoted market prices or the present value of future cash flows using the Company's and its subsidiaries' market interest rates for the same contractual terms.

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The carrying amounts and estimated fair values of the financial instruments as of March 31, 2014 and 2013 are as follows:

	March 31, 2014		Millions of yen March 31, 2013	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Investments in securities:				
Short-term investments	9,172	9,172	10,444	10,444
Investments and advances	424,214	424,214	306,487	306,487
Financial assets transferred to consolidated securitization entities	115,391	121,744	138,324	148,552
Subordinated interests resulting from securitization:				
Other current assets	17,291	17,291	1,877	1,877
Investments and advances	73,404	73,404	82,811	82,811
Long-term loans receivable:				
Investments and advances	52,409	53,369	55,577	56,986
Derivatives				
(Effective portion in other current assets):				
Forward exchange contracts	3,025	3,025	6,330	6,330
Cross currency swap agreements	53	53	1,129	1,129
Interest rate swaps	121	121	-	-
Option contracts	6	6	36	36
Derivatives				
(Ineffective portion in other current assets):				
Forward exchange contracts	320	320	310	310
Cross currency swap agreements	6	6	114	114
Derivatives				
(Effective portion in other assets):				
Forward exchange contracts	1,729	1,729	1,045	1,045
Cross currency swap agreements	752	752	2,899	2,899
Interest rate swaps	1,069	1,069	3	3
Derivatives				
(Ineffective portion in other assets):				
Forward exchange contracts	1,158	1,158	16	16
Cross currency swap agreements	-	-	135	135

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	Millions of yen			
	March 31, 2014		March 31, 2013	
	<u>Carrying amounts</u>	<u>Estimated fair values</u>	<u>Carrying amounts</u>	<u>Estimated fair values</u>
Long-term debt	(1,976,954)	(1,990,706)	(1,566,932)	(1,582,719)
Non-recourse borrowings of consolidated securitization entities	(198,826)	(201,824)	(129,297)	(132,451)
Derivatives				
(Effective portion in other current liabilities):				
Forward exchange contracts	(3,693)	(3,693)	(16,923)	(16,923)
Cross currency swap agreements	(2,438)	(2,438)	(5,546)	(5,546)
Interest rate swaps	(143)	(143)	(135)	(135)
Option contracts	(2)	(2)	-	-
Derivatives				
(Ineffective portion in other current liabilities):				
Forward exchange contracts	(355)	(355)	(869)	(869)
Cross currency swap agreements	(821)	(821)	(7,292)	(7,292)
Interest rate swaps	-	-	(30)	(30)
Derivatives				
(Effective portion in other liabilities):				
Forward exchange contracts	(42,891)	(42,891)	(18,556)	(18,556)
Cross currency swap agreements	(19,464)	(19,464)	(6,110)	(6,110)
Interest rate swaps	(1,848)	(1,848)	(2,676)	(2,676)
Derivatives				
(Ineffective portion in other liabilities):				
Forward exchange contracts	(1)	(1)	(2,660)	(2,660)
Cross currency swap agreements	(121)	(121)	(139)	(139)
Interest rate swaps	-	-	(17)	(17)

It is not practicable to estimate the fair value of investments in unlisted stock because of the lack of a market price and difficulty in estimating fair value without incurring excessive cost. The carrying amounts of these investments as of March 31, 2014 and 2013 totaled ¥44,461 million and ¥53,990 million, respectively.

The estimated fair values of the financial assets transferred to consolidated securitization entities and the non-recourse borrowings of consolidated securitization entities are included in Level 3 of the fair value hierarchy and the estimated fair values of the long-term loans receivable and the long-term debts are included in Level 2 of the fair value hierarchy.

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**(29) Fair Value**

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

***Level 1***

Quoted prices for identical assets or liabilities in active markets.

***Level 2***

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

***Level 3***

Valuations using inputs that are not observable.

***Investments in debt and equity securities***

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

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

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

***Derivatives***

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

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***Subordinated interests resulting from securitization***

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

The Company uses its own valuation models to evaluate these investments categorized within Level 3 and periodically reviews the appropriateness of consistent application of the models as well as updating of the inputs in consideration of recent changes in economic conditions. The Company also analyses whether the sensitivity in the valuation of these investments has any material adverse effects on the consolidated financial statements.



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The following tables present the assets and liabilities that are measured at fair value on a recurring basis and the fair value hierarchy classification as of March 31, 2014 and 2013. The carrying values on the consolidated balance sheets are recorded by the fair value of these assets and liabilities.

		Millions of yen			
		March 31, 2014			
		Fair value hierarchy classification			
	Total	Level 1	Level 2	Level 3	
<b>Assets:</b>					
Investments in securities					
Equity securities	405,214	404,339	875		-
Government debt securities	7,256	6,937	319		-
Corporate debt securities	9,139	-	4,747	4,392	
Other	11,418	10,786	632		-
Derivatives	8,239	-	8,239		-
Subordinated interests resulting from securitization	90,695	-	-		90,695
	<u>531,961</u>	<u>422,062</u>	<u>14,812</u>		<u>95,087</u>
<b>Liabilities:</b>					
Derivatives	(71,777)	-	(71,777)		-
		Millions of yen			
		March 31, 2013			
		Fair value hierarchy classification			
	Total	Level 1	Level 2	Level 3	
<b>Assets:</b>					
Investments in securities					
Equity securities	280,491	279,727	764		-
Government debt securities	7,458	7,132	326		-
Corporate debt securities	18,791	-	5,154	13,637	
Other	9,815	9,246	569		-
Derivatives	12,017	-	12,017		-
Subordinated interests resulting from securitization	84,688	-	-		84,688
	<u>413,260</u>	<u>296,105</u>	<u>18,830</u>		<u>98,325</u>
<b>Liabilities:</b>					
Derivatives	(60,953)	-	(60,953)		-

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The following tables present the changes in Level 3 instruments measured on a recurring basis for the year ended March 31, 2014 and 2013.

	Millions of yen		
	2014		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of year	13,637	84,688	98,325
Purchases	-	25,015	25,015
Sales	(1,937)	-	(1,937)
Settlements	(3,736)	(23,699)	(27,435)
Total gains or losses (realized/unrealized)			
Included in earnings (a)	(3)	191	188
Included in other comprehensive income	239	4,500	4,739
Acquisitions and divestitures	(3,808)	-	(3,808)
Balance at end of year	<u>4,392</u>	<u>90,695</u>	<u>95,087</u>
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2014	<u>-</u>	<u>-</u>	<u>-</u>

- (a) Level 3 gains or losses included in earnings for the year ended March 31, 2014 are reported in other income (deductions) for corporate debt securities and are reported in revenue for subordinated interests resulting from securitization.

	Millions of yen		
	2013		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of year	24,264	66,313	90,577
Purchases	-	38,504	38,504
Sales	(1,077)	-	(1,077)
Settlements	(10,710)	(22,119)	(32,829)
Total gains or losses (realized/unrealized)			
Included in earnings (a)	-	276	276
Included in other comprehensive income	1,160	1,714	2,874
Balance at end of year	<u>13,637</u>	<u>84,688</u>	<u>98,325</u>
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2013	<u>-</u>	<u>-</u>	<u>-</u>

- (a) Level 3 gains or losses included in earnings for the year ended March 31, 2013 are reported in revenue.

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

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

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

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The following tables present the assets measured at fair value on a non-recurring basis and the gains or losses recognized for the year ended March 31, 2014 and 2013.

	Millions of yen			
	Fair value hierarchy classification			Total gains
	Level 1	Level 2	Level 3	(losses)
Cost-method investments	-	-	1,234	(225)
Long-lived assets (a)				
Information & Telecommunication				
Systems segment	-	-	5,289	(2,954)
Electronic Systems & Equipment segment	-	-	9,107	(6,401)
Construction Machinery segment	-	-	6,811	(4,425)
High Functional Materials & Components segment	-	-	5,141	(5,122)
Automotive Systems segment	-	-	4,271	(8,950)
Other	-	-	491	(5,944)
Total	-	-	32,344	(34,021)

(a) The carrying value as of March 31, 2014 is not equal to the fair value at the time of impairment because of depreciation expense subsequent to impairment.

	Millions of yen			
	Fair value hierarchy classification			Total gains
	Level 1	Level 2	Level 3	(losses)
Cost-method investments	-	-	1,059	(952)
Long-lived assets (a)				
Information & Telecommunication				
Systems segment	-	-	4,293	(8,428)
Social Infrastructure & Industrial Systems segment	-	-	889	(2,206)
Electronic Systems & Equipment segment	-	-	1,416	(1,974)
High Functional Materials & Components segment	-	-	4,033	(5,941)
Automotive Systems segment	-	-	365	(1,001)
Other	-	-	3,728	(3,659)
Total	-	-	15,783	(24,161)

(a) The carrying value as of March 31, 2013 is not equal to the fair value at the time of impairment because of depreciation expense subsequent to impairment.

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The following table presents the significant unobservable inputs used in the fair value measurements on a non-recurring basis categorized within Level 3 for the year ended March 31, 2014. These inputs are shown in a form of ranges of rates in the table.

	Fair value (Millions of yen)	Valuation technique	Unobservable input	Range (Weighted average)	2014
Long-lived assets					
Information & Telecommunication Systems segment	4,207	Income approach	Discount rate	6.0%	(6.0%)
Electronic Systems & Equipment segment	7,980	Market approach	Adjustment rate (a)	94.5%	(94.5%)
High Functional Materials & Components segment	5,008	Income approach	Discount rate	6.0% - 11.0%	(8.9%)
Automotive Systems segment	3,914	Income approach	Discount rate	9.2%	(9.2%)

- (a) The Company and its domestic subsidiaries measure the fair value of land based on appraised value which includes adjustments to prices of land in comparable transactions, or published market prices to reflect specific factors inherent in the land subject to the appraisal. These adjustments are referred to as adjustment rates.

Level 3 non-recurring fair value measurement of long-lived assets for the year ended March 31, 2014 in the amount of ¥2,386 million consists of individually insignificant items which utilize a number of different unobservable inputs not subject to meaningful aggregation. Therefore, such amount is not presented in the table above.

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The following table presents the significant unobservable inputs used in the fair value measurements on a non-recurring basis categorized within Level 3 for the year ended March 31, 2013. These inputs are shown in a form of ranges of rates in the table.

	Fair value (Millions of yen)	Valuation technique	Unobservable input	Range (Weighted average)	2013
Long-lived assets					
Information & Telecommunication Systems segment	4,283	Income approach	Discount rate	3.0% - 6.0%	(5.3%)
Social Infrastructure & Industrial Systems segment	93	Income approach	Discount rate	1.8% - 6.0%	(4.0%)
Electronic Systems & Equipment segment	1,006	Market approach	Adjustment rate (a)	68.0% - 102.0%	(86.6%)
High Functional Materials & Components segment	2,378	Income approach	Discount rate	5.0%	(5.0%)
	100	Market approach	Adjustment rate (a)	90.0%	(90.0%)
Other	185	Income approach	Discount rate	2.0%	(2.0%)
	578	Market approach	Adjustment rate (a)	48.8% - 83.0%	(74.2%)

- (a) The Company and its domestic subsidiaries measure the fair value of land based on appraised value which includes adjustments to prices of land in comparable transactions, or published market prices to reflect specific factors inherent in the land subject to the appraisal. These adjustments are referred to as adjustment rates.

Level 3 non-recurring fair value measurement of long-lived assets for the year ended March 31, 2013 in the amount of ¥6,101 million consists of individually insignificant items which utilize a number of different unobservable inputs not subject to meaningful aggregation. Therefore, such amount is not presented in the table above.

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**(30) Financing Receivables and Allowance for Doubtful Receivables**

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

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

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

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

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

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

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

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

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

As of March 31, 2014 and 2013, financing receivables include past due receivables in the amount of ¥36,990 million and ¥28,055 million, respectively. Of these amounts, financing receivables past due 90 days or more and still accruing interest amounted to ¥13,049 million and ¥7,802 million, respectively.

The following tables present allowance for doubtful receivables and recorded investment in financing receivables as of March 31, 2014 and 2013, and changes in the allowance for the years ended March 31, 2014 and 2013.

	Millions of yen				
	2014				
	Finance leases	Installment loans	Mortgage loans	Other financing receivables	Total
<b>Allowance for doubtful receivables</b>					
Balance, March 31, 2013	9,946	2,209	153	5,082	17,390
Provision	6,192	2,911	65	3,496	12,664
Recovery	(4,061)	(1,102)	(74)	(3,819)	(9,056)
Write off	(422)	(1,440)	-	(1,381)	(3,243)
Acquisitions and divestitures	1,820	73	-	165	2,058
Balance, March 31, 2014	<u>13,475</u>	<u>2,651</u>	<u>144</u>	<u>3,543</u>	<u>19,813</u>
Applicable to amounts; Individually evaluated for impairment	<u>8,450</u>	<u>996</u>	<u>52</u>	<u>2,519</u>	<u>12,017</u>
Applicable to amounts; Collectively evaluated for impairment	<u>5,025</u>	<u>1,655</u>	<u>92</u>	<u>1,024</u>	<u>7,796</u>
<b>Financing receivables</b>					
Balance, March 31, 2014	<u>876,679</u>	<u>310,017</u>	<u>150,785</u>	<u>363,718</u>	<u>1,701,199</u>
Applicable to amounts; Individually evaluated for impairment	<u>21,240</u>	<u>1,679</u>	<u>197</u>	<u>5,944</u>	<u>29,060</u>
Applicable to amounts; Collectively evaluated for impairment	<u>855,439</u>	<u>308,338</u>	<u>150,588</u>	<u>357,774</u>	<u>1,672,139</u>



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	Millions of yen				
	2013				
	Finance leases	Installment loans	Mortgage loans	Other financing receivables	Total
<b>Allowance for doubtful receivables</b>					
Balance, March 31, 2012	7,680	1,912	210	6,509	16,311
Provision	7,064	2,497	69	2,687	12,317
Recovery	(4,237)	(383)	(106)	(1,979)	(6,705)
Write off	(561)	(1,817)	(20)	(2,135)	(4,533)
Balance, March 31, 2013	9,946	2,209	153	5,082	17,390
Applicable to amounts; Individually evaluated for impairment	6,471	568	43	2,768	9,850
Applicable to amounts; Collectively evaluated for impairment	3,475	1,641	110	2,314	7,540
<b>Financing receivables</b>					
Balance, March 31, 2013	698,454	202,850	176,383	222,274	1,299,961
Applicable to amounts; Individually evaluated for impairment	22,097	725	129	8,001	30,952
Applicable to amounts; Collectively evaluated for impairment	676,357	202,125	176,254	214,273	1,269,009

In addition, as of March 31, 2014 and 2013, the amounts of impaired loans relating to receivables which arose from sales of products or services were ¥37,383 million and ¥44,558 million, respectively.

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**(31) Acquisitions and Divestitures**

On November 23, 2012, the Company purchased all of the outstanding 54,000,000,200 shares of Horizon Nuclear Power Limited (Horizon) from RWE npower plc and E.ON UK plc for ¥88,886 million in the Power Systems segment. Accordingly, the Company obtained control of Horizon and it became a wholly owned subsidiary effective November 23, 2012 (the acquisition date).

Horizon operates a nuclear power development business in the U.K. The Company made the acquisition to lead a program of building new nuclear power plants in the U.K.

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

	Millions of yen
Current assets	2,873
Non-current assets (excluding intangible assets)	51,195
Intangible assets	
Goodwill (not deductible for tax purposes)	31,945
Other intangible assets	3,931
	89,944
Current liabilities	(927)
Non-current liabilities	(131)
	(1,058)
Cash paid for acquisition	(88,886)

The acquired intangible assets are related to the activities to obtain the necessary site licenses and consents to build and subsequently operate nuclear power stations.

The results of operations of Horizon for the period from the acquisition date to March 31, 2013 were not material.

On a pro forma basis, revenue, net income attributable to Hitachi, Ltd. stockholders and the per share information of the Company with assumed acquisition date for Horizon of April 1, 2011 would not differ materially from the amounts reported in the accompanying consolidated financial statements as of and for the years ended March 31, 2013 and 2012.

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

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

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

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

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

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

The Company recognized a gain of ¥747 million as a result of remeasuring its equity interest in BlueArc held before the business combination at the acquisition date fair value. The gain is included in other income in the Company's consolidated statement of operations for the year ended March 31, 2012.

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

The results of operations of BlueArc for the period from the acquisition date to March 31, 2012 were not material.

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On a pro forma basis, revenue, net income attributable to Hitachi, Ltd. stockholders and the per share information of the Company with assumed acquisition date for BlueArc of April 1, 2010 would not differ materially from the amounts reported in the accompanying consolidated financial statements as of and for the years ended March 31, 2012 and 2011.

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

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

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

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

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

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

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

The results of operations of Vantec for the period from the acquisition date to March 31, 2012 were not material.

On a pro forma basis, revenue, net income attributable to Hitachi, Ltd. stockholders and the per share information of the Company with assumed acquisition date for Vantec of April 1, 2010 would not differ materially from the amounts reported in the accompanying consolidated financial statements as of and for the years ended March 31, 2012 and 2011.

On February 1, 2014, the effective date of the Company split for the business integration of its thermal power generation systems business with Mitsubishi Heavy Industries, Ltd. (MHI), the Company transferred its business to the integrated company which was established by MHI and renamed Mitsubishi Hitachi Power Systems, Ltd. (MHPS) in accordance with the absorption-type company split agreement, which was executed on July 31, 2013 and subsequently amended on December 18, 2013. The Company applied the provisions of deconsolidation and initial measurements of an equity method investee to this transaction since the Company has 35% ownership interests of MHPS and subsequently accounts for the interests using equity method. Accordingly, the Company recognized a gain of ¥131,738 million, measured as the difference between the carrying amount of transferred assets and liabilities and the fair value of its shares of MHPS. The fair value of MHPS was determined using both a market approach and an income approach, which incorporate both observable inputs, such as quoted market prices of comparable companies, and discounted cash flow using unobservable inputs, and thus represents Level 3 measurement. The gain is included in other income in the Company's consolidated statement of operations for the year ended March 31, 2014.

The Company completed the sale of its LCDs business in the Others category of segment information on March 30, 2012 by transferring all of its shares in Hitachi Displays, Ltd. (Hitachi Displays) to Japan Display Inc. in a cash and stock transaction. The Company also completed the sale of its hard disk drives business in the Others category of segment information on March 8, 2012 by transferring all of its shares in Viviti Technologies, Ltd. (Viviti), a holding company of Hitachi Global Storage Technologies (subsequently renamed HGST) to Western Digital Corporation in a cash and stock transaction. As a result, the Company deconsolidated both Hitachi Displays and Viviti during the year ended March 31, 2012.

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**(32) Segment Information**

**Business Segments**

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

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

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

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

**Information & Telecommunication Systems:**

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

**Power Systems:**

Thermal, Nuclear and Renewable energy power generation systems and Transmission & distribution systems

**Social Infrastructure & Industrial Systems:**

Industrial machinery and plants, Elevators, Escalators and Railway systems

**Electronic Systems & Equipment:**

Semiconductor and LCDs manufacturing equipment, Test and measurement equipment, Advanced industrial products, Medical electronics equipment and Power tools

**Construction Machinery:**

Hydraulic excavators, Wheel loaders and Mining machinery

**High Functional Materials & Components:**

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 and Wires and cables

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**Automotive Systems:**

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

**Digital Media & Consumer Products:**

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

**Others (Logistics and Other services):**

Logistics, Property management and others

**Financial Services:**

Leasing and Loan guarantees

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

Effective April 1, 2013, the Company changed its measurement of segment profitability from operating income to earnings before interest and taxes (EBIT). Accordingly, the amounts previously reported for the years ended March 31, 2013 and 2012 have been restated in conformity with the new measure of segment profit or loss.

The following tables show business segment information for the years ended March 31, 2014, 2013 and 2012, and as of March 31, 2014, 2013 and 2012.

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**Revenues from Outside Customers**

	Millions of yen		
	2014	2013	2012
Information & Telecommunication Systems	1,745,519	1,589,017	1,573,961
Power Systems	693,340	815,000	753,023
Social Infrastructure & Industrial Systems	1,259,651	1,112,429	991,839
Electronic Systems & Equipment	987,484	894,408	973,383
Construction Machinery	765,172	752,159	794,841
High Functional Materials & Components	1,292,489	1,264,905	1,353,781
Automotive Systems	889,789	803,424	808,031
Digital Media & Consumer Products	807,458	746,445	787,305
Others (Logistics and Other services)	859,850	756,981	1,318,413
Financial Services	314,712	305,503	309,972
Subtotal	9,615,464	9,040,271	9,664,549
Corporate items	738	800	1,334
Total	<u>9,616,202</u>	<u>9,041,071</u>	<u>9,665,883</u>

**Revenues from Intersegment Transactions**

	Millions of yen		
	2014	2013	2012
Information & Telecommunication Systems	209,382	197,570	190,286
Power Systems	84,051	89,696	79,385
Social Infrastructure & Industrial Systems	187,015	201,418	213,136
Electronic Systems & Equipment	129,285	119,904	128,401
Construction Machinery	2,139	3,908	3,944
High Functional Materials & Components	70,802	71,536	83,405
Automotive Systems	2,330	3,423	3,552
Digital Media & Consumer Products	83,395	72,077	71,540
Others (Logistics and Other services)	373,799	354,041	401,340
Financial Services	23,819	34,791	43,232
Subtotal	1,166,017	1,148,364	1,218,221
Corporate items and Eliminations	<u>(1,166,017)</u>	<u>(1,148,364)</u>	<u>(1,218,221)</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>



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**Total Revenues**

	Millions of yen		
	2014	2013	2012
Information & Telecommunication Systems	1,954,901	1,786,587	1,764,247
Power Systems	777,391	904,696	832,408
Social Infrastructure & Industrial Systems	1,446,666	1,313,847	1,204,975
Electronic Systems & Equipment	1,116,769	1,014,312	1,101,784
Construction Machinery	767,311	756,067	798,785
High Functional Materials & Components	1,363,291	1,336,441	1,437,186
Automotive Systems	892,119	806,847	811,583
Digital Media & Consumer Products	890,853	818,522	858,845
Others (Logistics and Other services)	1,233,649	1,111,022	1,719,753
Financial Services	338,531	340,294	353,204
Subtotal	10,781,481	10,188,635	10,882,770
Corporate items and Eliminations	(1,165,279)	(1,147,564)	(1,216,887)
Total	<u>9,616,202</u>	<u>9,041,071</u>	<u>9,665,883</u>

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**Segment Profit (Loss)**

	Millions of yen		
	2014	2013	2012
Information & Telecommunication Systems	98,551	104,212	96,262
Power Systems	152,984	30,027	(45,094)
Social Infrastructure & Industrial Systems	59,169	63,316	54,380
Electronic Systems & Equipment	52,646	32,430	44,815
Construction Machinery	63,320	58,121	62,990
High Functional Materials & Components	96,554	50,749	51,153
Automotive Systems	4,930	36,406	37,997
Digital Media & Consumer Products	(2,979)	(925)	(11,853)
Others (Logistics and Other services)	48,188	33,545	47,009
Financial Services	34,699	29,466	30,009
Subtotal	608,062	437,347	367,668
Corporate items and Eliminations	(27,909)	(79,332)	205,550
Total Segment profit	580,153	358,015	573,218
Interest income	14,136	13,229	12,653
Interest charges	(26,107)	(26,707)	(28,141)
Income before income taxes	568,182	344,537	557,730

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

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**Operating Income**

	Millions of yen		
	2014	2013	2012
Information & Telecommunication Systems	110,030	104,689	101,732
Power Systems	16,721	29,911	(33,986)
Social Infrastructure & Industrial Systems	56,719	60,203	49,181
Electronic Systems & Equipment	59,114	29,382	49,995
Construction Machinery	73,932	54,627	63,129
High Functional Materials & Components	101,784	58,418	77,007
Automotive Systems	47,370	35,423	37,049
Digital Media & Consumer Products	4,684	(5,355)	(10,947)
Others (Logistics and Other services)	45,963	40,162	72,721
Financial Services	33,157	29,290	30,222
Subtotal	549,474	436,750	436,103
Corporate items and Eliminations	(16,663)	(14,722)	(23,823)
Total	<u>532,811</u>	<u>422,028</u>	<u>412,280</u>

Operating income is presented as total revenues less total cost of sales and selling, general administrative expenses in order to be consistent with financial reporting principles and practices generally accepted in Japan.

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**Total Assets**

	Millions of yen		
	March 31, 2014	March 31, 2013	March 31, 2012
Information & Telecommunication Systems	1,538,300	1,420,971	1,345,392
Power Systems	1,200,702	1,055,688	955,809
Social Infrastructure & Industrial Systems	1,349,382	1,180,267	1,091,740
Electronic Systems & Equipment	989,082	903,399	903,283
Construction Machinery	1,144,725	1,154,275	1,140,332
High Functional Materials & Components	1,369,986	1,286,077	1,285,970
Automotive Systems	624,758	540,080	516,123
Digital Media & Consumer Products	477,999	470,924	444,931
Others (Logistics and Other services)	1,637,894	1,705,152	1,671,850
Financial Services	2,446,121	1,960,979	1,950,672
Subtotal	12,778,949	11,677,812	11,306,102
Corporate assets and Eliminations	(1,762,050)	(1,868,582)	(1,887,576)
Total	<u>11,016,899</u>	<u>9,809,230</u>	<u>9,418,526</u>

Corporate assets consist of cash and cash equivalents and investments and advances.

**Investments in Affiliated Companies**

	Millions of yen		
	March 31, 2014	March 31, 2013	March 31, 2012
Information & Telecommunication Systems	10,435	9,218	14,406
Power Systems	427,195	96,754	106,720
Social Infrastructure & Industrial Systems	18,185	9,308	17,793
Electronic Systems & Equipment	404	286	335
Construction Machinery	28,593	27,480	17,313
High Functional Materials & Components	42,444	35,356	32,340
Automotive Systems	5,506	6,341	6,359
Digital Media & Consumer Products	19,058	13,714	11,181
Others (Logistics and Other services)	5,915	7,768	7,396
Financial Services	17,704	20,860	18,829
Subtotal	575,439	227,085	232,672
Corporate items and Eliminations	33,248	32,882	77,061
Total	<u>608,687</u>	<u>259,967</u>	<u>309,733</u>

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**Depreciation & Amortization**

	Millions of yen		
	2014	2013	2012
Information & Telecommunication Systems	93,351	77,589	79,379
Power Systems	17,992	19,671	19,492
Social Infrastructure & Industrial Systems	29,359	26,865	27,454
Electronic Systems & Equipment	18,500	18,707	17,898
Construction Machinery	39,979	38,941	42,562
High Functional Materials & Components	62,066	62,363	69,096
Automotive Systems	33,393	26,368	31,067
Digital Media & Consumer Products	22,580	23,855	25,839
Others (Logistics and Other services)	47,421	44,340	88,764
Financial Services	86,750	75,507	74,972
Subtotal	451,391	414,206	476,523
Corporate items and Eliminations	3,994	3,813	3,143
Total	<u>455,385</u>	<u>418,019</u>	<u>479,666</u>

**Impairment Losses for Long-Lived Assets**

	Millions of yen		
	2014	2013	2012
Information & Telecommunication Systems	2,954	8,428	4,596
Power Systems	-	-	35
Social Infrastructure & Industrial Systems	1,575	2,206	994
Electronic Systems & Equipment	6,401	1,974	2,651
Construction Machinery	4,425	975	1,625
High Functional Materials & Components	5,122	5,941	19,483
Automotive Systems	8,950	1,001	1,042
Digital Media & Consumer Products	2,270	558	668
Others (Logistics and Other services)	2,099	2,122	747
Financial Services	-	4	-
Total	<u>33,796</u>	<u>23,209</u>	<u>31,841</u>

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**Equity in Net Earning (Loss) of Affiliated Companies**

	Millions of yen		
	2014	2013	2012
Information & Telecommunication Systems	1,018	1,135	1,298
Power Systems	230	(3,786)	(4,158)
Social Infrastructure & Industrial Systems	(653)	2,509	3,347
Electronic Systems & Equipment	203	89	28
Construction Machinery	647	(147)	316
High Functional Materials & Components	2,713	3,138	679
Automotive Systems	1,357	1,163	881
Digital Media & Consumer Products	4,595	2,604	1,752
Others (Logistics and Other services)	253	363	76
Financial Services	1,088	2,144	(313)
Subtotal	11,451	9,212	3,906
Corporate items and Eliminations	(2,765)	(49,659)	(19,477)
Total	<u>8,686</u>	<u>(40,447)</u>	<u>(15,571)</u>

**Capital Investment for Long-Lived Assets**

	Millions of yen		
	2014	2013	2012
Information & Telecommunication Systems	109,624	106,759	104,673
Power Systems	25,502	28,787	29,229
Social Infrastructure & Industrial Systems	42,968	42,630	32,665
Electronic Systems & Equipment	34,096	25,409	29,705
Construction Machinery	39,615	68,939	71,391
High Functional Materials & Components	68,846	87,295	71,520
Automotive Systems	83,373	58,684	46,116
Digital Media & Consumer Products	25,183	25,270	23,868
Others (Logistics and Other services)	74,993	60,037	98,409
Financial Services	542,031	388,966	303,565
Subtotal	1,046,231	892,776	811,141
Corporate items and Eliminations	(15,690)	(3,049)	(9,831)
Total	<u>1,030,541</u>	<u>889,727</u>	<u>801,310</u>

Capital investment represents the additions to property, plant and equipment and other intangible assets including tangible assets and software to be leased on an accrual basis.

**HITACHI, LTD.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**Geographic Information**

**Revenues**

The following table shows revenues which are attributed to geographic areas based on the location of the customers for the years ended March 31, 2014, 2013 and 2012.

	Millions of yen		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Japan	5,303,474	5,355,119	5,534,462
Outside Japan			
Asia	2,063,567	1,711,141	2,000,989
North America	910,274	804,057	869,014
Europe	812,120	636,840	761,125
Other Areas	<u>526,767</u>	<u>533,914</u>	<u>500,293</u>
Subtotal	<u>4,312,728</u>	<u>3,685,952</u>	<u>4,131,421</u>
Total	<u><u>9,616,202</u></u>	<u><u>9,041,071</u></u>	<u><u>9,665,883</u></u>

Revenues from outside customers attributed to any individual country and region other than Japan and China are not material for the years ended March 31, 2014, 2013 and 2012. Revenues in China for the years ended March 31, 2014, 2013 and 2012 were ¥1,073,659 million, ¥816,363 million and ¥1,073,487 million, respectively.

**Long-Lived Assets including Goodwill**

The following table shows long-lived assets such as property, plant and equipment and intangible assets including goodwill for each geographic area as of March 31, 2014, 2013 and 2012.

	Millions of yen		
	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Japan	1,991,792	2,046,367	2,001,531
Asia	474,568	410,486	303,430
North America	229,539	203,015	170,793
Europe	301,465	254,798	106,524
Other Areas	<u>70,419</u>	<u>38,238</u>	<u>25,442</u>
Subtotal	<u>3,067,783</u>	<u>2,952,904</u>	<u>2,607,720</u>
Corporate items and Eliminations	<u>35,789</u>	<u>32,456</u>	<u>27,780</u>
Total	<u><u>3,103,572</u></u>	<u><u>2,985,360</u></u>	<u><u>2,635,500</u></u>

Long-lived assets in any individual country and region other than Japan are not material as of March 31, 2014, 2013 and 2012.

There are no revenues to a single major outside customer for the years ended March 31, 2014, 2013 and 2012.

**HITACHI, LTD.  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

As discussed in note 2(i), effective April 1, 2012, the Company and its domestic subsidiaries changed their depreciation method. As a result of this change, compared to the previous method, segment profit for the year ended March 31, 2013, was increased by ¥3,361 million in the Information & Telecommunication Systems segment, ¥2,935 million in the Power Systems segment, ¥827 million in the Social Infrastructure & Industrial Systems segment, ¥546 million in the Electronic Systems & Equipment segment, ¥1,085 million in the Construction Machinery segment, ¥977 million in the High Functional Materials & Components segment, ¥1,416 million in the Automotive Systems segment, ¥141 million in the Digital Media & Consumer Products segment, ¥1,920 million in the Others (Logistics and Other services) and ¥40 million in the Financial Services segment, and decreased by ¥134 million in the Corporate items and Eliminations.



## Report of Independent Auditors

To the Stockholders and Board of Directors of  
Hitachi, Ltd.:

We have audited the accompanying consolidated financial statements of Hitachi, Ltd. and subsidiaries (the “Company”), which comprise the consolidated balance sheets as of March 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three years in the period ended March 31, 2014, and the related notes to the consolidated financial statements.

### **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion in accordance with attestation standards established by the American Institute of Certified Public Accountants on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi, Ltd. and subsidiaries at March 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan  
June 20, 2014

(Translation)

Following is an English translation of the Internal Control Report filed under the Financial Instruments and Exchange Act of Japan. We have made the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

[Cover]

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	June 20, 2014
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & COO
[Name and title of CFO]	Toyoaki Nakamura, Executive Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Basic Framework of Internal Control over Financial Reporting

Mr. Toshiaki Higashihara, President & COO, and Mr. Toyooki Nakamura, Executive Vice President and Executive Officer, are responsible for establishing and maintaining internal control over financial reporting of Hitachi, Ltd. (the “Company”) and have established and maintained internal control over financial reporting in accordance with the basic framework for internal control set forth in the “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

The internal control over financial reporting is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements.

2. Matters Related to Scope of Assessment, Record Date, and Assessment Procedure

We assessed the effectiveness of our internal control over financial reporting on the record date as of March 31, 2014. We made this assessment in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In making this assessment, we evaluated internal control which may have a material effect on the entire financial reporting on a consolidated basis (“company-level controls”) and based on the result of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of our internal controls.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliates, from the perspective of the materiality that may affect the reliability of our financial reporting. The materiality that may affect the reliability of our financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company and its consolidated subsidiaries. We did not include a part of consolidated subsidiaries and equity-method affiliates which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated business units in descending order of total revenues (after elimination of intercompany transactions) for the previous fiscal year, and those business units whose combined amount of revenues reaches approximately 80% of total revenues on a consolidated basis were selected as “significant business units.”

At the selected significant business units, we included, in the scope of assessment, those business processes leading to revenues, accounts receivables and inventories and those business processes relating to greater likelihood of material misstatements and significant account involving estimates or forecasts as significant accounts that may have a material impact on our business objectives. Further, not only at selected significant business units, but also at other business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting, those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Related to Results of Assessment

As a result of the assessment above, we concluded that our internal control over financial reporting was effective as of March 31, 2014.

4. Supplementary Matters

None.

5. Special Notes

None.

# TRANSLATION

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting under the Financial Instruments and Exchange Act and an audit of internal control over financial reporting conducted under the attestation standards established by the American Institute of Certified Public Accountants.

In an audit of internal control over financial reporting under the Financial Instruments and Exchange Act, the auditors express an opinion on management's report on internal control over financial reporting, and do not express an opinion on the Company's internal control over financial reporting taken as a whole.

## **Independent Auditors' Report (filed under the Financial Instruments and Exchange Act of Japan)**

June 20, 2014

Mr. Toshiaki Higashihara, President & COO  
Hitachi, Ltd.

### **Ernst & Young ShinNihon LLC**

Designated and Engagement Partner,  
Certified Public Accountant: Koichi Tsuji

Designated and Engagement Partner,  
Certified Public Accountant: Takashi Ouchida

Designated and Engagement Partner,  
Certified Public Accountant: Takahiro Saga

#### **[Audit of Financial Statements]**

Pursuant to the Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2014 of Hitachi, Ltd. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of operations, comprehensive income, equity and cash flows for the fiscal year from April 1, 2013 to March 31, 2014, including notes to the consolidated financial statements and consolidated supplementary schedules.

#### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America pursuant to the Paragraph 3 of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No.11 of the Cabinet Office Ordinance in 2002), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We

conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2014, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **[Audit of Internal Control]**

Pursuant to the Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of the Company and its consolidated subsidiaries as of March 31, 2014.

### **Management's Responsibility for the Report on Internal Control**

The Company's management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit as independent position. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditors' judgment, including the significance of effects on reliability of

financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of the Company and its consolidated subsidiaries as of March 31, 2014 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

(The above represents a translation, for convenience only, of the original report issued in the Japanese language.)

(Translation)

Following is an English translation of the Confirmation Letter filed under the Financial Instruments and Exchange Act of Japan.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	June 20, 2014
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & COO
[Name and title of CFO]	Toyoaki Nakamura, Executive Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

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

Mr. Toshiaki Higashihara, President & COO, and Mr. Toyooki Nakamura, Executive Vice President and Executive Officer, confirmed that statements contained in the Annual Securities Report for the 145th fiscal year (from April 1, 2013 to March 31, 2014) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.