1. Qualitative Information Concerning Consolidated Business Results

(1) Summary of Fiscal 2013 Consolidated Business Results

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. Dollars (millions)
Revenues	9,616.2	6%	93,361
Operating income	532.8	110.7	5,173
EBIT (Earnings before interest and taxes)	580.1	222.1	5,633
Income before income taxes	568.1	223.6	5,516
Net income	364.0	126.3	3,534
Net income attributable to Hitachi, Ltd. stockholders	264.9	89.6	2,573

During fiscal 2013, the year ended March 31, 2014, the U.S. continued to experience an economic recovery, as evidenced by improving employment and wage levels. However, Europe’s issues with governmental finances and employment challenges persisted. India, Brazil, Indonesia and other economies saw further slowdowns due to currency protection and tighter monetary policies to control inflation. These, along with the volatile political situation in Thailand, resulted in continued uncertainty surrounding the global economic outlook.

Meanwhile, the Japanese economy saw growth driven by the correction of the yen’s appreciation and higher share prices resulting from aggressive quantitative easing, as well as growth in personal consumption driven by improved consumer sentiment. Furthermore, the Japanese economy remained on a recovery track, supported mainly by last-minute demand in the latter half of the fiscal year ahead of the country’s scheduled consumption tax rate increase.

Within the overall business environment, the Hitachi Group worked to expand its businesses in global markets by leveraging its Social Innovation Business. At the same time, Hitachi worked to strengthen its management base through the Hitachi Smart Transformation Project.

Hitachi’s consolidated revenues for fiscal 2013 increased 6% year over year, to 9,616.2 billion yen. This increase resulted mainly from the higher year over year revenues from the services business and other businesses in the Information & Telecommunication Systems Segment, and a strong performance in China by the Social Infrastructure & Industrial Systems Segment’s elevator and escalator business. Conversely, revenues in the Power System Segment declined year over year due to the integration of the thermal power generation systems business into Mitsubishi Hitachi Power Systems, Ltd., the joint venture company with Mitsubishi Heavy Industries, Ltd., and other factors.

Hitachi posted operating income of 532.8 billion yen, up 110.7 billion yen year over year. This is largely due to higher year over year operating income in the High Functional Materials & Components, Electronic Systems & Equipment, Construction Machinery, Automotive Systems, and Digital Media & Consumer Products. However, operating income declined in the Power Systems Segment due to lower revenues and in the Social Infrastructure & Industrial Systems Segment due to lower project profitability.

EBIT increased 222.1 billion yen year over year, to 580.1 billion yen.

Hitachi posted net other income of 35.3 billion yen, a 112.8 billion yen improvement year over year. This was mainly the result of the gain associated with the integration of the thermal power generation systems business.

As a result, Hitachi recorded income before income taxes of 568.1 billion yen, up 223.6 billion yen year over year.

After deducting taxes of 204.1 billion yen, Hitachi posted net income of 364.0 billion yen, up 126.3 billion yen year over year. After deducting net income attributable to noncontrolling interests of 99.0 billion yen, Hitachi posted net income attributable to Hitachi, Ltd. stockholders of 264.9 billion yen, up 89.6 billion yen.

(2) Revenues, Operating Income and EBIT by Segment

Results by segment were as follows:

[Information & Telecommunication Systems]

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. Dollars (millions)
Revenues	1,954.9	9%	18,980
Operating income	110.0	5.3	1,068
EBIT	98.5	(5.6)	957

For fiscal 2013, the segment recorded revenues of 1,954.9 billion yen, an increase of 9% year over year. The higher overall revenues mainly resulted from increased sales from the services business and ATMs, as well as foreign currency fluctuations.

The segment recorded operating income of 110.0 billion yen, an increase of 5.3 billion yen year over year. This increase was mainly the result of higher revenues.

EBIT was 98.5 billion yen, a decrease of 5.6 billion yen year over year, mainly reflecting the recording of expenses related to business structure reforms.

[Power Systems]

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. Dollars (millions)
Revenues	777.3	(14%)	7,547
Operating income	16.7	(13.1)	162
EBIT	152.9	122.9	1,485

For fiscal 2013, segment revenues declined 14% year over year, to 777.3 billion yen, due mainly to a decline in the volume of work for nuclear power generation systems, and the integration of the thermal power generation systems business to Mitsubishi Hitachi Power Systems, Ltd., a joint venture with Mitsubishi Heavy Industries, Ltd. intended to bolster the international competitiveness of this business.

The segment recorded operating income of 16.7 billion yen, down 13.1 billion yen year over year in line with the lower revenues.

EBIT increased 122.9 billion yen year over year to 152.9 billion yen. The increase was mainly due to the gain associated with the integration of the thermal power generation systems business.

[Social Infrastructure & Industrial Systems]

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. Dollars (millions)
Revenues	1,446.6	10%	14,045
Operating income	56.7	(3.4)	551
EBIT	59.1	(4.1)	574

For fiscal 2013, segment revenues were 1,446.6 billion yen, up 10% year over year. This increase was mainly due to higher sales in the infrastructure systems business and in the overseas rail systems business, as well as in the elevators and escalators business in China.

The segment recorded operating income of 56.7 billion yen, down 3.4 billion yen year over year. Although the segment recorded higher earnings in the elevators and escalators business and the rail systems business on increased revenues, earnings declined mainly due to the lower profitability of overseas projects in the infrastructure systems business.

EBIT was 59.1 billion yen, a decline of 4.1 billion yen year over year, primarily due to lower operating income.

[Electronic Systems & Equipment]

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. Dollars (millions)
Revenues	1,116.7	10%	10,842
Operating income	59.1	29.7	574
EBIT	52.6	20.2	511

For fiscal 2013, segment revenues increased 10% year over year, to 1,116.7 billion yen. This result reflected higher sales of semiconductor manufacturing systems and medical analysis systems at Hitachi High-Technologies Corporation and higher sales of semiconductor manufacturing systems at Hitachi Kokusai Electric Inc.

Segment operating income increased 29.7 billion yen year over year to 59.1 billion yen, mainly due to the benefits of business structure reforms, in addition to higher revenues.

EBIT was 52.6 billion yen, a year over year increase of 20.2 billion yen, mainly reflecting the higher operating income.

[Construction Machinery]

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. Dollars (millions)
Revenues	767.3	1%	7,450
Operating income	73.9	19.3	718
EBIT	63.3	5.1	615

For fiscal 2013, the segment recorded revenues of 767.3 billion yen, an increase of 1% year over year. The higher revenues mainly reflected increased sales of hydraulic excavators in Japan and China, despite a decrease in sales of mining machinery.

Segment operating income increased 19.3 billion yen year over year to 73.9 billion yen, mainly due to the impact of foreign currency fluctuations, as well as progress with cost reductions.

EBIT was 63.3 billion yen, an increase of 5.1 billion yen year over year. The increase was due to higher operating income, despite the absence of the gains on the sale of subsidiary shares associated with business restructuring that were recorded during the previous fiscal year.

[High Functional Materials & Components]

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. Dollars (millions)
Revenues	1,363.2	2%	13,236
Operating income	101.7	43.3	988
EBIT	96.5	45.8	937

For fiscal 2013, segment revenues increased 2% year over year to 1,363.2 billion yen, despite lackluster sales of hard disk drive-related materials. This result mainly reflected healthy demand for automobile products and certain electronics-related materials.

Segment operating income increased 43.3 billion yen year over year to 101.7 billion yen. In addition to the higher revenues, this was mainly attributable to the benefits of business structure reforms, and the near absence of the impact associated with a drop in raw materials prices in the previous fiscal year.

EBIT was 96.5 billion yen, up 45.8 billion yen year over year. In addition to the higher operating income, this result mainly reflected lower expenses related to business structure reforms.

[Automotive Systems]

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. Dollars (millions)
Revenues	892.1	11%	8,661
Operating income	47.3	11.9	460
EBIT	4.9	(31.4)	48

For fiscal 2013, the segment recorded revenues of 892.1 billion yen, up 11% year over year. In addition to robust demand in overseas automobile markets, this was attributable to last-minute demand ahead of the scheduled consumption tax rate increase in Japan.

Operating income increased 11.9 billion yen year over year to 47.3 billion yen, mainly due to higher revenues and improvement associated with capacity utilization.

EBIT was 4.9 billion yen, down 31.4 billion yen year over year, despite the increase in operating income. The decrease mainly reflected the U.S. $195 million (19.0 billion yen) fine levied by the United States Department of Justice for violating U.S. antitrust laws that was recorded in the second quarter and the recording of impairment losses in the vehicle battery business.

[Digital Media & Consumer Products]

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. Dollars (millions)
Revenues	890.8	9%	8,649
Operating income	4.6	10.0	45
EBIT	(2.9)	(2.0)	(29)

For fiscal 2013, segment revenues increased 9% year over year, to 890.8 billion yen. This result is attributable to increased sales of home appliances due to last-minute demand ahead of the scheduled consumption tax rate increase in Japan, and of air-conditioning equipment, both in Japan and overseas.

The segment recorded operating income of 4.6 billion yen, an improvement of 10.0 billion yen from the previous fiscal year. In addition to the higher revenues, this result was mainly attributable to progress with cost reductions.

EBIT was a loss of 2.9 billion yen, down 2.0 billion yen year over year. This was due to an increase in expenses related to business structure reforms and other factors, despite the higher operating income.

Note: The optical disc drive operations are conducted by Hitachi-LG Data Storage, Inc. (HLDS), which has a December 31 fiscal year-end, different from Hitachi's March 31 year-end. Hitachi's results for the fiscal year ended March 31, 2014 include operating results of HLDS for the fiscal year ended December 31, 2013.

[Others (Logistics and Other services)]

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. Dollars (millions)
Revenues	1,233.6	11%	11,977
Operating income	45.9	5.8	446
EBIT	48.1	14.6	468

For fiscal 2013, segment revenues increased 11% year over year, to 1,233.6 billion yen. Hitachi Transport System, Ltd. saw higher revenues, due mainly to business expansion through M&A. Revenues also increased at Hitachi Maxell, Ltd., primarily due to the benefits of integration in the projector business.

The segment recorded operating income of 45.9 billion yen, up 5.8 billion yen year over year. In addition to higher revenues, this result was attributable to progress with cost reductions.

EBIT rose 14.6 billion yen year over year to 48.1 billion yen. This was due mainly to lower expenses related to business structure reforms and the recording of gains on sales of marketable securities and others, in addition to higher operating income.

Note: On April 1, 2013, the former “Others” was renamed “Others (Logistics and Other Services)”. Hitachi Maxell, Ltd., which was included in “Others (Logistics and Other Services),” was recognized as an equity-method affiliate as of March 31, 2014, following its listing on the Tokyo Stock Exchange, Inc.

[Financial Services]

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. Dollars (millions)
Revenues	338.5	(1%)	3,287
Operating income	33.1	3.8	322
EBIT	34.6	5.2	337

For fiscal 2013, segment revenues decreased 1% year over year, to 338.5 billion yen. Despite a strong performance in the overseas business, the decrease mainly reflected the recognition of revenue from a large cancellation in the previous fiscal year.

Segment operating income increased 3.8 billion yen year over year to 33.1 billion yen. This result mainly reflected the absence of recording sales related to a large cancellation in the previous fiscal year.

EBIT was 34.6 billion yen, a year over year increase of 5.2 billion yen, mainly due to lower expenses related to business structure reforms, in addition to higher operating income.

(3) Revenues by Market

	Year ended March 31, 2014		
	Yen (billions)	Year over year % change	U.S. Dollars (millions)
Japan	5,303.4	(1%)	51,490
Outside Japan	4,312.7	17%	41,871
Asia	2,063.5	21%	20,035
North America	910.2	13%	8,838
Europe	812.1	28%	7,885
Other Areas	526.7	(1%)	5,114

For fiscal 2013, revenues in Japan were 5,303.4 billion yen, down 1% year over year. This was mainly due to lower revenues in the Power Systems Segment, attributable to the integration of the thermal power generation systems business to Mitsubishi Hitachi Power Systems, Ltd., a joint venture with Mitsubishi Heavy Industries, Ltd., and in the High Functional Materials & Components Segment. However, higher revenues were recorded in the Information & Telecommunications Systems, Construction Machinery and other segments.

Overseas revenues increased 17% year over year, to 4,312.7 billion yen. This was primarily attributable to higher revenues in the Social Infrastructure & Industrial Systems Segment that resulted from strong sales in the elevator and escalator business to China, and in the Information & Telecommunication Systems Segment.

As a result, the ratio of overseas revenues to consolidated revenues was 45%, 4 points higher year over year.

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

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Capital expenditures [Manufacturing, Services and Others]	389.6	(16.5)	3,782
Depreciation [Manufacturing, Services and Others]	261.2	18.4	2,536
R&D expenditures	351.4	10.1	3,411

For fiscal 2013, capital expenditures in Manufacturing, Services and Others were 389.6 billion yen, down 4% year over year, despite making investments in global business expansion for the Social Innovation Business, as had also been done in the previous fiscal year. The decline reflected the peak-out of investments in enhancing earthquake-resistance and other areas.

Depreciation in Manufacturing, Services and Others increased 8% year over year, to 261.2 billion. This was mainly due to continued investments in the global business expansion of the Social Innovation Business.

Including Financial Services, capital expenditures were 849.8 billion yen, while depreciation was 329.8 billion yen.

R&D expenditures increased 3% year over year, to 351.4 billion yen, reflecting continued investments in research and development to strengthen the Social Innovation Business. R&D expenditures accounted for 3.7% of consolidated revenues.

(5) Outlook for Fiscal 2014

	Year ending March 31, 2015		
	Yen (billions)	Year over year change (% or billion yen)	U.S. Dollars (millions)
Revenues	9,400.0	(2%)	95,918
Operating income	560.0	27.1	5,714
EBIT	520.0	(60.1)	5,306
Income before income taxes	510.0	(58.1)	5,204
Net income	340.0	(24.0)	3,469
Net income attributable to Hitachi, Ltd. stockholders	230.0	(34.9)	2,346

Note: All fiscal 2014 outlook figures were converted using 98 yen to the U.S. dollar.

In terms of the overall global business environment going forward, the U.S. is expected to see a continuing economic recovery underpinned by improving employment and wage levels. Meanwhile, emerging economies should face sluggish economic conditions due to the impact of weakening currencies and high inflation. In addition, Europe is expected to experience a protracted economic slowdown centered on southern Europe due to persistent issues with governmental finances and employment challenges. The impact of conditions in the Ukraine on the euro zone economy is another concern. The Japanese economy is forecast to undergo moderate growth supported mainly by improving employment levels and a rebound in capital expenditures.

In this environment, the Hitachi Group is globally expanding the Social Innovation Business, a business that will “identify issues from customer perspectives and work on solutions together with customers, as ‘One Hitachi,’” and “Realize innovations by providing solutions that combine products, services and highly sophisticated IT (Cloud).” While channeling business resources into the Social Innovation Business, Hitachi will also rigorously manage cash flows, accelerate far-reaching cost structure reforms through the Hitachi Smart Transformation Project and take other steps, as it works to achieve sustained growth and establish a stable earnings base in global markets.

Hitachi is forecasting the results shown above for fiscal 2014, the year ending March 31, 2015.

Projections for fiscal 2014 assume an exchange rate of 98 yen to the U.S. dollar and 130 yen to the euro.

2. Financial Position

(1) Financial Position

	As of March 31, 2014		
	Yen (billions)	Change from March 31, 2013 (billion yen or point)	U.S. Dollars (millions)
Total assets	11,016.8	1,207.6	106,960
Total liabilities	7,164.4	534.4	69,557
Interest-bearing debt	2,823.0	452.9	27,408
Total Hitachi, Ltd. stockholders' equity	2,651.2	568.6	25,740
Noncontrolling interests	1,201.2	104.4	11,662
Total Hitachi, Ltd. stockholders' equity ratio	24.1%	2.9 point increase	-
D/E ratio (including noncontrolling interests)	0.73 times	0.02 point decrease	-

[Manufacturing, Services and Others]

	As of March 31, 2014		
	Yen (billions)	Change from March 31, 2013 (billion yen or point)	U.S. dollars (millions)
Total assets	9,067.9	743.4	88,037
Total liabilities	5,512.0	97.2	53,514
Interest-bearing debt	1,418.2	49.4	13,769
Total Hitachi, Ltd. stockholders' equity	2,483.8	551.4	24,114
Noncontrolling interests	1,072.0	94.7	10,408
Total Hitachi, Ltd. stockholders' equity ratio	27.4%	4.2 point increase	-
D/E ratio (including noncontrolling interests)	0.40 times	0.07 point decrease	-

Total assets in Manufacturing, Services and Others as of March 31, 2014 increased 743.4 billion yen from March 31, 2013 to 9,067.9 billion yen. The main contributing factors included an increase from the valuation of foreign subsidiaries assets due to the correction of the yen's appreciation, and an increase in securities fair value in line with rising share prices. Interest-bearing debt in Manufacturing, Services and Others increased 49.4 billion yen to 1,418.2 billion yen, mainly reflecting the issue of straight bonds and the procurement of new long-term debt, both undertaken to meet demand for funds for growth of the Social Innovation Business. Stockholders' equity in Manufacturing, Services and Others increased 551.4 billion yen from March 31, 2013 to 2,483.8 billion yen, mainly reflecting a decrease in accumulated other comprehensive loss due to the correction of the yen's appreciation and rising share prices, in addition to the net income attributable to Hitachi, Ltd. stockholders. As a result, the total Hitachi, Ltd. stockholders' equity ratio in Manufacturing, Services and Other was 27.4%. The debt-to-equity ratio, including noncontrolling interests, was 0.40 times.

[Financial Services]

	As of March 31, 2014		
	Yen (billions)	Change from March 31, 2013 (billion yen or point)	U.S. dollars (millions)
Total assets	2,446.1	485.1	23,748
Total liabilities	2,138.1	457.8	20,758
Interest-bearing debt	1,647.1	422.1	15,991
Total Hitachi, Ltd. stockholders' equity	178.4	17.3	1,732
Noncontrolling interests	129.5	9.9	1,257
Total Hitachi, Ltd. stockholders' equity ratio	7.3%	0.9 point decrease	-
D/E ratio (including noncontrolling interests)	5.35 times	0.99 point increase	-

Total assets in Financial Services as of March 31, 2014 increased 485.1 billion yen from March 31, 2013 to 2,446.1 billion yen. This mainly reflected the impact of making NBL CO., LTD. a subsidiary, which was implemented to strengthen the financial services business, and an increase in accounts receivable due to business expansion, mainly overseas, as well as an increase from the revaluation of foreign subsidiaries assets due to the correction of the yen's appreciation. Interest-bearing debt in Financial Services increased 422.1 billion yen to 1,647.1 billion yen, attributable to an increase due to the consolidation of NBL CO., LTD. and an increase in demand for funds in line with an increase in the scale of assets. Stockholders' equity in Financial Services increased 17.3 billion yen from March 31, 2013 to 178.4 billion yen, mainly reflecting net income attributable to Hitachi, Ltd. stockholders. As a result, the total Hitachi, Ltd. stockholders' equity ratio in Financial Services was 7.3%. The debt-to-equity ratio, including noncontrolling interests, was 5.35 times.

Accordingly, consolidated total assets as of March 31, 2014 increased 1,207.6 billion yen from March 31, 2013 to 11,016.8 billion yen. Interest-bearing debt increased 452.9 billion yen from March 31, 2013 to 2,823.0 billion yen, and stockholders' equity increased 568.6 billion yen to 2,651.2 billion yen. As a result, the total Hitachi, Ltd. stockholders' equity ratio was 24.1%, and the debt-to-equity ratio, including noncontrolling interests, was 0.73 times.

(2) Cash Flows

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Cash flows from operating activities	439.4	(144.1)	4,266
Cash flows from investing activities	(491.3)	62.0	(4,771)
Free cash flows	(51.9)	(82.0)	(504)
Core free cash flows	(186.0)	(231.7)	(1,806)
Cash flows from financing activities	32.9	213.4	320

Cash Flows [Manufacturing, Services and Others]

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Cash flows from operating activities	498.6	(4.8)	4,840
Cash flows from investing activities	(393.6)	84.7	(3,822)
Free cash flows	104.9	79.8	1,018
Core free cash flows	22.4	3.0	(218)
Cash flows from financing activities	(134.6)	35.4	(1,307)

Note: "Core free cash flows" are operating cash flows plus collection of investments in leases less cash outflows for the purchase of property, plant and equipment, intangible assets, software and the assets to be leased.

For fiscal 2013, operating activities in Manufacturing, Services and Others provided net cash of 498.6 billion yen, down 4.8 billion yen year over year. The decrease mainly reflected the impact of an increase in accounts receivable tracking revenue growth at the fiscal year-end, despite an increase in net income. Investing activities in Manufacturing, Services and Others used net cash of 393.6 billion yen, 84.7 billion yen less than in the previous fiscal year. The decrease was primarily due to acquisitions in the power systems and other fields in the previous fiscal year, and the recording of large proceeds from the sale of securities in fiscal 2013 to secure funds for investment in growth. Free cash flows in Manufacturing, Services and Others, the sum of cash flows from operating and investing activities, were positive 104.9 billion yen, 79.8 billion yen more year over year. Core free cash flows in Manufacturing, Services and Others were positive 22.4 billion yen, 3.0 billion yen more year over year. Financing activities in Manufacturing, Services and Others used net cash of 134.6 billion yen, a 35.4 billion yen year over year decrease, mainly reflecting the issue of straight bonds and the procurement of new long-term debt to meet demand for funds for growth in the Social Innovation Business.

[Financial Services]

	Year ended March 31, 2014		
	Yen (billions)	Year over year change (billion yen)	U.S. Dollars (millions)
Cash flows from operating activities	(25.9)	(131.1)	(251)
Cash flows from investing activities	(124.1)	(61.1)	(1,205)
Free cash flows	(150.0)	(192.2)	(1,457)
Core free cash flows	(202.5)	(249.5)	(1,966)
Cash flows from financing activities	163.7	208.2	1,590

Note: "Core free cash flows" are operating cash flows plus collection of investments in leases less cash outflows for the purchase of property, plant and equipment, intangible assets, software, and the assets to be leased.

For fiscal 2013, operating activities in Financial Services used net cash of 25.9 billion yen, a change of 131.1 billion yen compared with the previous fiscal year. This chiefly reflects an increase in accounts receivable, mainly overseas, for strengthening the financial services business. Investing activities in Financial Services used net cash of 124.1 billion yen, 61.1 billion yen more year over year. This mainly reflected an increase in purchase of tangible assets and software to be leased, chiefly due to the consolidation of NBL CO., LTD. Free cash flows in Financial Services, the sum of cash flows from operating activities and investing activities, were negative 150.0 billion yen, a change of 192.2 billion yen from the previous fiscal year. Core free cash flows in Financial Services were negative 202.5 billion yen, a change of 249.5 billion yen from the previous fiscal year. Financing activities in Financial Services provided net cash of 163.7 billion yen, a change of 208.2 billion yen from the previous fiscal year, mainly reflecting fund procurement to meet demand for funds to strengthen the financial services business.

As a result, consolidated cash flows provided from operating activities for fiscal 2013 were 439.4 billion yen, a 144.1 billion yen decrease year over year, and cash flows used in investing activities were 491.3 billion yen, 62.0 billion yen less year over year. Free cash flows, the sum of cash flows from operating and investing activities, were negative 51.9 billion yen, a change of 82.0 billion yen from the previous fiscal year. Consolidated core free cash flows were negative 186.0 billion yen, a change of 231.7 billion yen from the previous fiscal year. Financing activities provided consolidated net cash of 32.9 billion yen, a change of 213.4 billion yen from the previous fiscal year.

After adjusting for the effect of exchange rate changes on cash and cash equivalents, the net result was an increase of 30.5 billion yen in cash and cash equivalents to 558.2 billion yen as of March 31, 2014.

(3) Trends in Cash Flow Indexes

	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014
Hitachi, Ltd. stockholders' equity ratio (%)	18.8	21.2	24.1
Equity ratio based on market value (%)	26.1	26.7	33.4
Cash flow to interest-bearing debt ratio	5.4	4.1	6.4
Interest coverage ratio (times)	15.9	21.8	16.8

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

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

3. Basic Policy on the Distribution of Earnings and Fiscal 2013 and 2014 Dividends

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

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

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

Based on the above policies, Hitachi plans to pay an annual dividend of 10.5 yen per share for fiscal 2013, while the dividend in fiscal 2012 was 10.0 yen per share. Dividends for fiscal 2014 have yet to be determined.

Cautionary Statement

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

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

- economic conditions, including consumer spending and plant and equipment investment in Hitachi's major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi's assets and liabilities are denominated, particularly against the U.S. dollar and the euro;
- uncertainty as to Hitachi's ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- uncertainty as to Hitachi's ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- rapid technological innovation;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- increased commoditization of information technology products and digital media-related products and intensifying price competition for such products;
- uncertainty as to Hitachi's ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- uncertainty as to the success of cost reduction measures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;

- uncertainty as to the success of alliances upon which Hitachi depends, some of which Hitachi may not control, with other corporations in the design and development of certain key products;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity method affiliates have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the potential for significant losses on Hitachi's investments in equity method affiliates;
- the possibility of disruption of Hitachi's operations by earthquakes, tsunamis or other natural disasters;
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers;
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its significant employee benefit-related costs; and
- uncertainty as to Hitachi's ability to attract and retain skilled personnel.

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

4. Management Policy

(1) Basic Management Policy

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

(2) Medium- and Long-term Management Strategy

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

(3) Challenges Facing Hitachi Group

While the forecast of the world economy still remains uncertain, the Hitachi Group will promote the following measures in order to 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.