

1. Qualitative Information Concerning Consolidated Business Results
(1) Summary of Fiscal 2014 Second Quarter (Three Months Ended September 30, 2014) and First Half (Six Months Ended September 30, 2014) Consolidated Business Results

	Three months ended September 30, 2014			Six months ended September 30, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)
Revenues	2,360.4	(1%)	21,655	4,496.7	1%	41,255
Operating income	133.8	15.8	1,228	214.0	40.5	1,964
EBIT (Earnings before interest and taxes)	132.1	48.7	1,213	217.3	75.3	1,994
Income before income taxes	128.1	47.9	1,176	209.5	73.9	1,922
Net income	92.7	46.0	851	144.8	75.4	1,329
Net income attributable to Hitachi, Ltd. stockholders	62.6	40.6	575	91.5	58.7	840

During the first half of fiscal 2014, there was increasing uncertainty about the outlook for the global economy as a whole, despite improving employment and income levels in the U.S., along with an ongoing recovery in consumer spending and the housing investment. Globally, there are persistent concerns about financial problems and economic slowdowns in Europe, and the appearance of signs of slowing economic growth in China. The Japanese economy saw business conditions gradually improve despite a reactionary downturn after the consumption tax hike and sluggish personal consumption due to the unseasonable weather. This improvement was mainly due to the government's implementation of national growth strategies, with other positive factors including improved employment conditions and a rebound in corporate capital expenditures.

Hitachi's consolidated revenues for the first half of fiscal 2014 increased 1% year over year, to 4,496.7 billion yen. This increase resulted mainly from higher year over year revenues in the following segments: the Information & Telecommunication Systems Segment, where system solutions performed solidly; the Social Infrastructure & Industrial Systems Segment, which had a strong performance by the elevator and escalator business in China; and the Electronic Systems & Equipment Segment, mainly attributable to higher revenues at Hitachi High-Technologies Corporation.

Hitachi posted operating income of 214.0 billion yen, up 40.5 billion yen year over year. This was largely due to higher year over year operating income mainly in the Electronic Systems & Equipment, Social Infrastructure & Industrial Systems, Smart Life & Ecofriendly Systems, Automotive Systems, and Information & Telecommunication Systems segments.

EBIT increased 75.3 billion yen year over year, to 217.3 billion yen, due mainly to higher operating income.

Hitachi recorded net other deductions of 4.5 billion yen, an improvement of 33.4 billion yen year on year.

As a result, Hitachi recorded income before income taxes of 209.5 billion yen, up 73.9 billion yen year over year. After deducting taxes of 64.6 billion yen, Hitachi posted net income of 144.8 billion yen, up 75.4 billion yen year over year. After deducting net income attributable to noncontrolling interests of 53.2 billion yen, Hitachi posted net income attributable to Hitachi, Ltd. stockholders of 91.5 billion yen, up 58.7 billion yen year over year.

For the second quarter of fiscal 2014, the three months ended September 30, 2014, consolidated revenues were down 1% year over year to 2,360.4 billion yen. Operating income increased 15.8 billion yen year over year to 133.8 billion yen with all segments recording higher profits than the same period, with the exception of the Power Systems and Construction Machinery segments. EBIT increased 48.7 billion yen year over year to 132.1 billion yen, mainly reflecting higher operating income. Hitachi posted net income attributable to Hitachi, Ltd. stockholders of 62.6 billion yen, a 40.6 billion yen increase year over year.

(2) Revenues, Operating Income and EBIT by Segment

Results by segment were as follows:

[Information & Telecommunication Systems]

	Three months ended September 30, 2014			Six months ended September 30, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)
Revenues	516.6	6%	4,740	934.9	7%	8,578
Operating income	32.8	2.1	301	36.8	6.0	338
EBIT	31.5	3.7	289	35.3	6.6	324

For the first half of fiscal 2014, the segment recorded revenues of 934.9 billion yen, an increase of 7% year over year, due mainly to solid performances by system solutions centered on public systems and financial systems, as well as storage solutions. Revenues were also supported by the positive impact of the consolidation in March 2014 of Prizm Payment Services Pvt Ltd. of India and Hitachi Systems Power Services, Ltd.

The segment recorded operating income of 36.8 billion yen, an increase of 6.0 billion yen year over year. This increase resulted mainly from the completion of unprofitable system solutions projects as well as higher revenues.

EBIT was 35.3 billion yen, an increase of 6.6 billion yen over the same period last year, mainly reflecting higher operating income.

For the second quarter of fiscal 2014, the segment recorded revenues of 516.6 billion yen, up 6% year over year. Segment operating income increased 2.1 billion yen to 32.8 billion yen year over year. EBIT increased 3.7 billion yen year over year to 31.5 billion yen.

Note: Effective on April 1, 2014, Hitachi Information & Control Solutions and Ibaraki Hitachi Information Service (both companies merged and changed its corporate name to Hitachi Industry & Control Solutions on April 1, 2014), which were previously included in the "Information & Telecommunication Systems", have been included in the "Social Infrastructure & Industrial Systems." Figures for each segment, including figures for the previous fiscal year, reflect the changed segmentation.

[Power Systems]

	Three months ended September 30, 2014			Six months ended September 30, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)
Revenues	117.1	(47%)	1,075	205.1	(45%)	1,882
Operating income	(7.0)	(15.0)	(64)	(22.6)	(24.7)	(207)
EBIT	(7.8)	(15.4)	(72)	(23.9)	(27.4)	(220)

For the first half of fiscal 2014, segment revenues declined 45% year over year to 205.1 billion yen, due mainly to the February 2014 integration of the thermal power generation systems business into Mitsubishi Hitachi Power Systems, Ltd., a joint venture with Mitsubishi Heavy Industries, Ltd. This decrease was partly offset by higher year over year revenues in power transmission & distribution systems and other businesses.

The segment recorded an operating loss of 22.6 billion yen, 24.7 billion yen worse than the same period last year, due mainly to the additional costs in some projects, as well as lower revenues.

EBIT was negative 23.9 billion yen, 27.4 billion yen worse than the same period last year, due mainly to a decrease in operating profitability.

For the second quarter of fiscal 2014, the segment recorded revenues of 117.1 billion yen, down 47% year on year. The segment recorded an operating loss of 7.0 billion yen, a decrease of 15.0 billion yen from operating income in the same period last year. EBIT was negative 7.8 billion yen, 15.4 billion yen worse than the same period last year.

[Social Infrastructure & Industrial Systems]

	Three months ended September 30, 2014			Six months ended September 30, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)
Revenues	373.2	6%	3,424	659.7	6%	6,052
Operating income	16.0	12.1	147	18.2	14.9	167
EBIT	17.5	12.2	161	20.2	13.5	186

For the first half of fiscal 2014, segment revenues increased 6% year over year to 659.7 billion yen. This increase was due mainly to higher sales in the infrastructure systems business, railway system business in the U.K. and solid performance by the elevator and escalator business in China.

Segment operating income increased 14.9 billion yen to 18.2 billion yen, due mainly to the completion of unprofitable infrastructure projects as well as higher revenues.

EBIT was 20.2 billion yen, a year over year increase of 13.5 billion yen, mainly reflecting the improved operating income.

For the second quarter of fiscal 2014, the segment recorded revenues of 373.2 billion yen, up 6% year over year. Operating income rose 12.1 billion yen year over year to 16.0 billion yen. EBIT was 17.5 billion yen, up 12.2 billion yen year over year.

Note: Effective on April 1, 2014, Hitachi Information & Control Solutions and Ibaraki Hitachi Information Service (both companies merged and changed its corporate name to Hitachi Industry & Control Solutions on April 1, 2014), which were previously included in the "Information & Telecommunication Systems", have been included in the "Social Infrastructure & Industrial Systems." Figures for each segment, including figures for the previous fiscal year, reflect the changed segmentation.

[Electronic Systems & Equipment]

	Three months ended September 30, 2014			Six months ended September 30, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)
Revenues	276.2	1%	2,534	528.8	6%	4,852
Operating income	14.9	4.6	137	27.9	17.2	256
EBIT	14.1	6.0	129	26.0	16.7	239

For the first half of fiscal 2014, segment revenues increased 6% year over year to 528.8 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 17.2 billion yen to 27.9 billion yen due mainly to higher revenues.

EBIT was 26.0 billion yen, up 16.7 billion yen year over year due mainly to higher operating income.

For the second quarter of fiscal 2014, the segment recorded revenues of 276.2 billion yen, a 1% increase year over year. Operating income rose 4.6 billion yen year over year to 14.9 billion yen. EBIT increased 6.0 billion yen year over year to 14.1 billion yen.

[Construction Machinery]

	Three months ended September 30, 2014			Six months ended September 30, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)
Revenues	190.9	6%	1,752	373.2	4%	3,424
Operating income	13.7	(3.9)	126	25.0	(4.4)	230
EBIT	14.0	(6.4)	129	25.9	(0.7)	238

For the first half of fiscal 2014, the segment recorded a 4% year over year increase in revenues to 373.2 billion yen. The higher revenues mainly reflected the positive impact of foreign exchange movements and strong sales of hydraulic excavators and other items, primarily in Europe, North America, Oceania and Africa. However, demand in Asia, including China, was sluggish.

Segment operating income decreased 4.4 billion yen to 25.0 billion yen, despite progress with cost reductions, due mainly to lower sales in China.

EBIT was 25.9 billion yen, a decrease of 0.7 billion yen from the same period last year. The decrease was due mainly to lower operating income, despite a smaller impact from the foreign exchange loss recorded in the same period last year.

For the second quarter of fiscal 2014, segment revenues increased 6% year over year to 190.9 billion yen. Operating income decreased 3.9 billion yen year over year to 13.7 billion yen. EBIT was 14.0 billion yen, down 6.4 billion yen from the same period last year.

[High Functional Materials & Components]

	Three months ended September 30, 2014			Six months ended September 30, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)
Revenues	348.6	5%	3,199	688.6	3%	6,318
Operating income	26.6	3.3	244	52.9	3.7	486
EBIT	33.0	9.1	304	62.6	13.3	575

For the first half of fiscal 2014, segment revenues increased 3% year over year to 688.6 billion yen. This result mainly reflected solid performances in the automobile products segment primarily in North America and China, and certain electronics-related materials.

Segment operating income increased 3.7 billion yen year over year to 52.9 billion yen, mainly due to higher revenues.

EBIT was 62.6 billion yen, up 13.3 billion yen year over year. This result mainly reflected a recorded gain on securities sales and the improved exchange rate as well as higher operating income.

For the second quarter of fiscal 2014, segment revenues increased 5% year over year to 348.6 billion yen. Operating income increased 3.3 billion yen year over year to 26.6 billion yen. EBIT rose 9.1 billion yen year over year to 33.0 billion yen. This result mainly reflected the improved exchange rate as well as higher operating income.

[Automotive Systems]

	Three months ended September 30, 2014			Six months ended September 30, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)
Revenues	226.6	4%	2,079	446.2	5%	4,094
Operating income	16.3	5.2	150	28.1	7.3	259
EBIT	8.0	15.8	73	19.6	17.6	180

For the first half of fiscal 2014, the segment recorded revenues of 446.2 billion yen, up 5% year over year, due mainly to robust demand in the overseas automobile markets, particularly in North America and China.

Operating income increased 7.3 billion yen year over year to 28.1 billion yen, due mainly to higher revenues and improved capacity utilization.

EBIT was 19.6 billion yen, up 17.6 billion yen year over year. This was mainly attributable to the absence of the impact of the fine levied by the United States Department of Justice for violating U.S. antitrust laws, which was recorded in the same period last year, as well as higher operating income.

For the second quarter of fiscal 2014, segment revenues increased 4% year over year to 226.6 billion yen. Operating income increased 5.2 billion yen year over year to 16.3 billion yen. EBIT was 8.0 billion yen, up 15.8 billion yen year over year, due mainly to the absence of the impact of the fine levied by the United States Department of Justice for violating U.S. antitrust laws, which was recorded in the same period last year, as well as higher operating income.

[Smart Life & Ecofriendly Systems]

	Three months ended September 30, 2014			Six months ended September 30, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)
Revenues	187.6	2%	1,721	388.3	4%	3,563
Operating income	5.7	2.7	53	14.3	8.4	131
EBIT	8.3	3.7	76	17.8	8.9	164

For the first half of fiscal 2014, segment revenues increased 4% year over year to 388.3 billion yen. This result mainly reflected higher overseas sales centered on the air-conditioning business.

The segment recorded operating income of 14.3 billion yen, an improvement of 8.4 billion yen year over year. This result was mainly attributable to higher revenues and a new product launch.

EBIT increased 8.9 billion yen year over year to 17.8 billion yen, mainly in line with higher operating income.

For the second quarter of fiscal 2014, segment revenues increased 2% year over year to 187.6 billion yen. The segment recorded operating income of 5.7 billion yen, an improvement of 2.7 billion yen year over year. EBIT improved 3.7 billion yen from the same period last year to 8.3 billion yen.

Note: Effective on April 1, 2014, the former "Digital Media & Consumer Products" was renamed "Smart Life & Ecofriendly Systems." Hitachi Appliances and Hitachi Consumer Marketing have been included in the "Smart Life & Ecofriendly Systems" and Hitachi-LG Data Storage, Hitachi Consumer Electronics and Hitachi Media Electronics, which were previously included in the "Digital Media & Consumer Products", have been included in the "Others (Logistics and Other services)."
Figures for each segment, including figures for the previous fiscal year, reflect the changed segmentation.

[Others (Logistics and Other services)]

	Three months ended September 30, 2014			Six months ended September 30, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)
Revenues	303.8	(16%)	2,788	593.8	(11%)	5,448
Operating income	9.4	2.4	86	15.2	3.3	140
EBIT	8.0	3.3	74	14.8	2.3	136

For the first half of fiscal 2014, the segment reported an 11% year over year decline in revenues to 593.8 billion yen. This result mainly reflected the conversion of Hitachi Maxell, Ltd. into an equity-method affiliate, despite higher revenues at Hitachi Transport System, Ltd.

The segment recorded operating income of 15.2 billion yen, up 3.3 billion yen year over year. This result was mainly attributable to a decrease in expenses related to business structure reforms, despite lower revenues.

EBIT increased 2.3 billion yen year over year to 14.8 billion yen, due mainly to higher operating income.

For the second quarter of fiscal 2014, the segment recorded revenues of 303.8 billion yen, down 16% year over year. Operating income rose 2.4 billion yen year over year to 9.4 billion yen. EBIT increased 3.3 billion yen year over year to 8.0 billion yen.

Note: Effective on April 1, 2014, Hitachi-LG Data Storage, Hitachi Consumer Electronics and Hitachi Media Electronics, which were previously included in the "Digital Media & Consumer Products", have been included in "Others (Logistics and Other services)."
 Figures for each segment, including figures for the previous fiscal year, reflect the changed segmentation.
 The optical disk drive operations are conducted by Hitachi-LG Data Storage, Inc. (HLDS), which has a December 31 fiscal year-end, different from Hitachi's March 31 year-end. Hitachi's results for the three months ended September 30, 2014 include operating results of HLDS for the three months ended June 30, 2014.

[Financial Services]

	Three months ended September 30, 2014			Six months ended September 30, 2014		
	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)
Revenues	84.3	3%	774	181.8	11%	1,668
Operating income	9.3	1.5	86	18.5	2.4	170
EBIT	9.6	1.6	88	20.0	2.6	184

For the first half of fiscal 2014, segment revenues increased 11% year over year to 181.8 billion yen. This result reflected a strong performance by Hitachi Capital Corporation's overseas business, particularly in Europe.

Segment operating income increased 2.4 billion yen year over year to 18.5 billion yen. This was due mainly to higher revenues in the overseas business and lower credit costs.

EBIT increased 2.6 billion yen year over year to 20.0 billion yen, mainly reflecting higher operating income.

For the second quarter of fiscal 2014, segment revenues were 84.3 billion yen, up 3% year over year. Operating income rose 1.5 billion yen year over year to 9.3 billion yen. EBIT increased 1.6 billion yen year over year to 9.6 billion yen.

(3) Revenues by Market

	Three months ended September 30, 2014			Six months ended September 30, 2014		
	Yen (billions)	Year over year % change	U.S. dollars (millions)	Yen (billions)	Year over year % change	U.S. dollars (millions)
Japan	1,295.1	(2%)	11,882	2,401.8	0%	22,035
Outside Japan	1,065.2	0%	9,773	2,094.9	2%	19,220
Asia	508.4	(1%)	4,665	992.1	0%	9,103
North America	232.1	2%	2,130	454.4	2%	4,170
Europe	208.2	11%	1,911	419.4	18%	3,848
Other Areas	116.3	(14%)	1,067	228.8	(14%)	2,100

For the first half of fiscal 2014, revenues in Japan were 2,401.8 billion yen, mostly unchanged from the same period last year. This result was due mainly to higher revenues in the Information & Telecommunication Systems and the Electronic Systems & Equipment segments. These higher revenues offset a decline in revenues in the Power Systems Segment due to the integration of the thermal power generation systems business into Mitsubishi Hitachi Power Systems, Ltd., the joint venture with Mitsubishi Heavy Industries, Ltd.

Overseas revenues increased 2% year over year, to 2,094.9 billion yen. This result mainly reflected increased revenues in the Social Infrastructure & Industrial Systems, the Information & Telecommunication Systems, and the Automotive Systems segments.

As a result, the ratio of overseas revenues to consolidated revenues was 47%, 1 point higher year over year.

For the second quarter of fiscal 2014, revenues in Japan declined 2% year over year to 1,295.1 billion yen. Overseas revenues were 1,065.2 billion yen, mostly unchanged from the same period last year.

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

	Three months ended September 30, 2014			Six months ended September 30, 2014		
	Yen (billions)	Year over year change (billion yen)	U.S. dollars (millions)	Yen (billions)	Year over year change (billion yen)	U.S. dollars (millions)
Capital expenditures [Manufacturing, Services and Others]	89.6	(16.1)	822	168.2	(29.8)	1,544
Depreciation [Manufacturing, Services and Others]	64.2	(1.1)	589	128.4	(0.6)	1,179
R&D expenditures	85.1	(8.1)	781	164.9	(10.1)	1,514

For the first half of fiscal 2014, capital expenditures in Manufacturing, Services and Others were 162.8 billion yen, down 15% year over year, despite continued investments in global business expansion for the Social Innovation Business. The decline primarily reflected the reviewing of appropriate investment timing. Also this result reflected the integration of the thermal power generation systems business into Mitsubishi Hitachi Power Systems, Ltd., the joint venture with Mitsubishi Heavy Industries, Ltd. and the conversion of Hitachi Maxell, Ltd. into an equity-method affiliate.

Depreciation in Manufacturing, Services and Others was 128.4 billion yen, mostly unchanged from the same period last year.

Including Financial Services, capital expenditures were 392.4 billion yen, while depreciation was 163.5 billion yen.

R&D expenditures decreased 6% year over year to 164.9 billion yen due to reorganization of the business portfolio, despite the execution of investments in research and development to strengthen the Social Innovation Business. R&D expenditures corresponded to 3.7% of consolidated revenues.

For the second quarter of fiscal 2014, capital expenditures in Manufacturing, Services and Others were 89.6 billion yen, down 15% year over year. Depreciation in Manufacturing, Services and Others decreased 2% year over year to 64.2 billion yen. R&D expenditures decreased 9% year over year to 85.1 billion yen. R&D expenditures corresponded to 3.6% of consolidated revenues.

2. Financial Position

(1) Financial Position

	As of September 30, 2014		
	Yen (billions)	Change from March 31, 2014	U.S. dollars (millions)
Total assets	11,375.1	358.2	104,360
Total liabilities	7,350.1	185.7	67,433
Interest-bearing debt	3,108.1	285.0	28,515
Total Hitachi, Ltd. stockholders' equity	2,759.7	108.5	25,319
Noncontrolling interests	1,265.2	64.0	11,608
Total Hitachi, Ltd. stockholders' equity ratio	24.3%	0.2 point increase	-
D/E ratio (including noncontrolling interests)	0.77 times	0.04 point increase	-

[Manufacturing, Services and Others]

	As of September 30, 2014		
	Yen (billions)	Change from March 31, 2014	U.S. dollars (millions)
Total assets	9,213.8	145.9	84,531
Total liabilities	5,502.7	(9.2)	50,484
Interest-bearing debt	1,511.0	92.7	13,863
Total Hitachi, Ltd. stockholders' equity	2,581.8	98.0	23,687
Noncontrolling interests	1,129.1	57.1	10,359
Cash Conversion Cycle	79.0 days	(2.3) days	-
Total Hitachi, Ltd. stockholders' equity ratio	28.0%	0.6 point increase	-
D/E ratio (including noncontrolling interests)	0.41 times	0.01 point increase	-

Total assets in Manufacturing, Services and Others as of September 30, 2014, increased 145.9 billion yen from March 31, 2014 to 9,213.8 billion yen. This mainly reflected increases in the assets of overseas subsidiaries following the conversion of the yen and increases in the market value of marketable securities due to rising share prices. Total liabilities in Manufacturing, Services and Others increased 92.7 billion yen from March 31, 2014 to 1,511.0 billion yen, due mainly to an increase in long-term debt to meet funding demand for growth in the Social Innovation Business. Stockholders' equity in Manufacturing, Services and Others increased 98.0 billion yen from March 31, 2014 to 2,581.8 billion yen, due mainly to the recording of net income attributable to Hitachi, Ltd. stockholders. As a result, the total Hitachi, Ltd. stockholders' equity ratio in Manufacturing, Services and Others was 28.0%, 0.6 points higher than March 31, 2014. The debt-to-equity ratio, including non-controlling interests, was 0.41 times, 0.01 points higher than March 31, 2014. Cash conversion cycle in Manufacturing, Services and Others was 79.0 days, 2.3 days improved than March 31, 2014.

[Financial Services]

	As of September 30, 2014		
	Yen (billions)	Change from March 31, 2014	U.S. dollars (millions)
Total assets	2,658.0	211.9	24,386
Total liabilities	2,333.6	195.4	21,409
Interest-bearing debt	1,850.4	203.3	16,977
Total Hitachi, Ltd. stockholders' equity	187.4	9.0	1,720
Noncontrolling interests	136.9	7.4	1,257
Total Hitachi, Ltd. stockholders' equity ratio	7.1%	0.2 point decrease	-
D/E ratio (including noncontrolling interests)	5.70 times	0.35 point increase	-

Total assets in Financial Services as of September 30, 2014 increased 211.9 billion yen from March 31, 2014 to 2,658.0 billion yen. This mainly reflected increases in trade receivables and lease receivables in line with business expansion primarily overseas. Interest-bearing debt in Financial Services increased 203.3 billion yen from March 31, 2014 to 1,850.4 billion yen, mainly attributable to an increase in demand for funds in line with business expansion. Stockholders' equity in Financial Services increased 9.0 billion yen from March 31, 2014 to 187.4 billion yen, due mainly to the recording of net income attributable to Hitachi, Ltd. stockholders. As a result, the total Hitachi, Ltd. stockholders' equity ratio in Financial Services was 7.1%, down 0.2 points from March 31, 2014. The debt-to-equity ratio, including non-controlling interests, was 5.70 times, up 0.35 points from March 31, 2014.

Accordingly, consolidated total assets as of September 30, 2014 increased 358.2 billion yen from March 31, 2014 to 11,375.1 billion yen. Interest-bearing debt increased 285.0 billion yen to 3,108.1 billion yen, and stockholders' equity increased 108.5 billion yen to 2,759.7 billion yen. As a result, the total Hitachi, Ltd. stockholders' equity ratio was 24.3%, up 0.2 points from March 31, 2014. The debt-to-equity ratio, including non-controlling interests, increased 0.04 points from March 31, 2014 to 0.77 times.

(2) Cash Flows

	Six months ended September 30, 2014		
	Yen (billions)	Year over year change (billion yen)	U.S. dollars (millions)
Cash flows from operating activities	167.1	(36.0)	1,533
Cash flows from investing activities	(264.3)	(18.8)	(2,425)
Free cash flows	(97.2)	(54.8)	(892)
Core free cash flows	(115.8)	(17.5)	(1,063)
Cash flows from financing activities	164.6	21.0	1,510

Cash Flows [Manufacturing, Services and Others]

	Six months ended September 30, 2014		
	Yen (billions)	Year over year change (billion yen)	U.S. dollars (millions)
Cash flows from operating activities	245.8	7.7	2,255
Cash flows from investing activities	(194.6)	13.7	(1,786)
Free cash flows	51.1	21.4	470
Core free cash flows	37.5	31.1	345
Cash flows from financing activities	4.6	(59.6)	42

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.

In the first half of fiscal 2014, operating activities in Manufacturing, Services and Others provided net cash of 245.8 billion yen, up 7.7 billion yen year over year. This increase mainly reflected an increase in net income. Investing activities in Manufacturing, Services and Others used net cash of 194.6 billion yen, 13.7 billion yen less than in the same period last year. The decline primarily reflected the reviewing of appropriate investment timing. Also this result reflected the integration of the thermal power generation systems business into Mitsubishi Hitachi Power Systems, Ltd., the joint venture with Mitsubishi Heavy Industries, Ltd. and the conversion of Hitachi Maxell, Ltd. into an equity-method affiliate. Free cash flow in Manufacturing, Services and Others, the sum of cash flows from operating and investing activities, was positive 51.1 billion yen, an increase of 21.4 billion yen year over year. Core free cash flow in Manufacturing, Services and Others was positive 37.5 billion yen, 31.1 billion yen more than in the same period last fiscal year. Financing activities in Manufacturing, Services and Others provided net cash of 4.6 billion yen, 59.6 billion yen less than in the same period last year.

[Financial Services]

	Six months ended September 30, 2014		
	Yen (billions)	Year over year change (billion yen)	U.S. dollars (millions)
Cash flows from operating activities	(57.7)	(35.8)	(529)
Cash flows from investing activities	(77.0)	(24.0)	(707)
Free cash flows	(134.7)	(59.8)	(1,236)
Core free cash flows	(140.2)	(40.5)	(1,286)
Cash flows from financing activities	151.6	69.7	1.391

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 the first half of fiscal 2014, operating activities in Financial Services used net cash of 57.7 billion yen, 35.8 billion yen more than in the same period last year, mainly due to an increase in accounts receivable, primarily overseas. Investing activities in Financial Services used net cash of 77.0 billion yen, 24.0 billion yen more than in the same period last year. Free cash flow in Financial Services, the sum of cash flows from operating activities and investing activities, was negative 134.7 billion yen, a spending increase of 59.8 billion yen year over year. Core free cash flow in Financial Services was negative 140.2 billion yen, a spending increase of 40.5 billion yen year over year. Financing activities in Financial Services provided net cash of 151.6 billion yen, 69.7 billion yen more than in the same period last year, mainly reflecting fund procurement to meet demand for capital to strengthen the financial services business.

As a result, consolidated cash flow provided from operating activities for the first half of fiscal 2014 was 167.1 billion yen, a 36.0 billion yen decrease year over year, and cash flow used in investing activities was 264.3 billion yen, 18.8 billion yen more than in the same period last year. Free cash flow was negative 97.2 billion yen, a decrease of 54.8 billion yen from the same period last year. Consolidated core free cash flow was negative 115.8 billion yen, a decrease of 17.5 billion yen over the same period last year. Financing activities provided consolidated net cash of 164.6 billion yen, 21.0 billion yen more than in the same period last year.

The net result was an increase of 82.1 billion yen in cash and cash equivalents to 640.3 billion yen as of September 30, 2014.

3. Outlook for Fiscal 2014

	Year ending March 31, 2015		
	Yen (billions)	Year over year change (% or billion yen)	U.S. dollars (millions)
Revenues	9,500.0	(1%)	87,156
Operating income	580.0	47.1	5,321
EBIT	540.0	(40.1)	4,954
Income before income taxes	530.0	(38.1)	4,862
Net income	360.0	(4.0)	3,303
Net income attributable to Hitachi, Ltd. stockholders	250.0	(14.9)	2,294

In terms of the overall economic environment surrounding the Hitachi Group going forward, we expect the outlook for the global economy to remain uncertain. Although the U.S. will likely continue to progress toward economic recovery, there are risks facing the global economy, including financial instability centered on the southern European countries, the Ukraine crisis, sluggish economic growth in China and geopolitical risk in the Middle East.

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

Projections for the third and fourth quarters of fiscal 2014 assume an exchange rate of 100 yen to the U.S. dollar and 130 yen to the euro.

Other

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries causing changes in scope of consolidation)

None

(2) Application of simple accounting treatment and/or specific accounting treatment in preparing the quarterly consolidated financial statements

Yes

Hitachi computes interim income tax provisions by applying an estimated annual effective tax rate, which is reasonably determined considering the factors that will affect the tax rate including non-taxable transactions, tax credits and valuation allowances, to income before income taxes.

(3) Changes in accounting principles, procedures and presentation methods for preparing quarterly consolidated financial statements.

None

Cautionary Statement

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

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

- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated, particularly against the U.S. dollar and the euro;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- rapid technological innovation;

- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- increased commoditization of and intensifying price competition for products;
- uncertainty as to Hitachi's ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- uncertainty as to the success of cost reduction measures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to the success of alliances upon which Hitachi depends, some of which Hitachi may not control, with other corporations in the design and development of certain key products;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method affiliates have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the potential for significant losses on Hitachi's investments in equity-method affiliates;
- the possibility of disruption of Hitachi's operations by earthquakes, tsunamis or other natural disasters;
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers;
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its significant employee benefit-related costs; and
- uncertainty as to Hitachi's ability to attract and retain skilled personnel.

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