[Translation]

Quarterly Report

(The Second Quarter of 145th Business Term)
From July 1, 2013 to September 30, 2013

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

[Cover]

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This is an English translation of the Quarterly 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.

The translation of the Confirmation Letter for the original Quarterly Report are included at the end of this document.

Unless the context indicates otherwise, the term "Company" refers to Hitachi, Ltd. and the term "Hitachi" refers to the Company and its consolidated subsidiaries.

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.

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Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

	Six months ended September 30, 2012	Six months ended September 30, 2013	Year ended March 31, 2013
Revenues	4,355,568 [2,234,853]	4,470,686 [2,387,748]	9,041,071
Income before income taxes	116,258	135,557	344,537
Net income attributable to Hitachi, Ltd. stockholders	30,125 [23,114]	32,766 [21,971]	175,326
Comprehensive income	42,184	254,073	420,680
Total Hitachi, Ltd. Stockholders' equity	1,788,051	2,250,268	2,082,560
Total equity	2,798,928	3,397,888	3,179,287
Total assets	9,159,801	10,467,271	9,809,230
Net income attributable to Hitachi, Ltd. stockholders per share, Basic (yen)	6.49 [4.98]	6.78 [4.55]	37.28
Net income attributable to Hitachi, Ltd. stockholders per share, Diluted (yen)	6.23	6.78	36.29
Total Hitachi, Ltd. stockholders' equity ratio (%)	19.5	21.5	21.2
Cash flows from operating activities	263,126	203,152	583,508
Cash flows from investing activities	(220,853)	(245,531)	(553,457)
Cash flows from financing activities	(55,937)	143,516	(180,445)
Cash and cash equivalents at end of period	592,055	648,860	527,632

(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 figures of "Revenues," "Net income attributable to Hitachi, Ltd. stockholders" and "Net income attributable to Hitachi, Ltd. stockholders per share, Basic" in square bracket are those in the three months ended September 30, 2012 and 2013, respectively.

2. 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 applies to "II. Business Overview".

There was no material change in principal businesses of Hitachi during the six months ended September 30, 2013. The Hitachi Group is comprised of the Company and 980 consolidated subsidiaries (including variable interest entities) and 160 equity-method affiliates. Although the consolidated subsidiaries include variable interest entities, there is no variable interest entity included into the figures of consolidated subsidiaries as of September 30, 2013. Also, consolidated trust accounts are not included into the figures of consolidated subsidiaries.

Changes of businesses in each segment and major consolidated subsidiaries during the six months ended September 30, 2013 were as follows. Effective April 1, 2013, the Company changed the name of the "Others" segment to the "Others (Logistics and Other services)" segment.

Segment	Positioning of principal affiliated companies	
	Manufacturing	Sales and services
Social Infrastructure & Industrial Systems		[Consolidated subsidiaries] (Dissolved by the merger) Hitachi Plant Technologies, Ltd. (Note 1)
High Functional Materials & Components	[Consolidated subsidiaries] (Dissolved by the merger) Hitachi Cable, Ltd. (Note 2)	
Others (Logistics and Other services) LCD Projectors (Note 3)		

(Notes) 1. Hitachi Plant Technologies, Ltd. merged with the Company as of April 1, 2013.
2. Hitachi Cable, Ltd. merged with Hitachi Metals, Ltd. as of July 1, 2013.
3. The LCD Projectors business was transferred from Hitachi Consumer Electronics Co., Ltd. to Hitachi Maxell, Ltd. by way of company split on July 1, 2013. Accordingly, the business was reclassified from the Digital Media & Consumer Products segment to the Others (Logistics and Other services) segment.
4. The Company no longer accounts for Renesas Electronics Corporation as an equity method affiliate on September 30, 2013.

II. Business Overview

1. Risk Factors

There was no new risk factor recognized during the six months ended September 30, 2013.

There were no material changes in the risk factors stated in the Annual Securities Report for the 144th business term pursuant to the Financial Instruments and Exchange Act of Japan.

2. Material Agreements, etc.

(1) Business Integration

The Company and Mitsubishi Heavy Industries, Ltd. ("MHI") have respectively signed absorption-type company split agreements (the "Absorption-type Company Split Agreements") with the new company established by MHI (the "Integrated Company") in order to integrate the business (the "Business Integration") in fields centered on the thermal power generation systems (the "Integrated Business") by way of company split (the "Company Split") on July 31, 2013.

The outline of the Business Integration is as follows.

(i) Purpose of the Business Integration

The global market has continued to expand, driven by the growth engines of China and other emerging countries, while environmental awareness around the world has increased. These trends have presented a major opportunity for the Company and MHI to expand thermal power generation systems businesses where they both excel businesses that solve global energy and environmental issues at the same time. In order to prevail against competition and respond to this buoyant demand, companies must respond in detail based on highly advanced technologies, quality and reliability, unfettered by the traditional frameworks of companies. In this regard, they must be able to harness engineering capabilities as well as sales and service capabilities closely tied to each region. The Company and MHI share the same corporate credo of contributing to society through the development of superior, original technologies and products. Over the years, the two companies have established partnerships harnessing their technical skills and expertise in a variety of fields. Examples include an alliance and subsequent establishment of a joint venture in the steel production machinery field; collaboration in the overseas railway systems business; and integration of the hydroelectric power generation system business. Another example has been joint support for the Fukushima Daiichi Nuclear Power Station of Tokyo Electric Power Company.

Based on these extensive partnerships, the two companies reached an agreement on the Business Integration to address buoyant global demand for thermal power generation systems by harnessing superior technical skills, quality and reliability, with the aim of prevailing against intensifying global competition.

In the thermal power generation field, the two companies both have expansive product lineups. For example, in gas turbines, MHI has focused on highly efficient large models in recent years. Meanwhile, the Company sees its mainstay products as small and medium-sized models. Regionally, MHI has strengths mainly in Southeast Asia and the Middle East, while the Company has harnessed its strengths in markets such as Europe and Africa. The two companies will respectively strive to leverage the complementary strengths of the other company. Moreover, the two companies will further enhance their ability to address customer needs and provide services by taking advantage of their respective strengths in providing total solutions across all aspects of thermal power plants.

Through this agreement, the Company and MHI will cooperate to develop a stable and efficient management base for the new company. The Integrated Company aims to be a global leading company in the thermal power generation systems field by accelerating global business development along with synergies of the integration and by maximizing integrated and complementary strengths in the technology and product aspects.

(ii) Schedule of the Business Integration

July 31, 2013 — Execution of the Absorption-type Company Split Agreement

January 1, 2014 (Tentative) — Effective date

The Company Split will be a simple absorption-type company split pursuant to Article 784, Paragraph 3 of the Companies Act of Japan. Therefore, the Company and MHI do not plan to convene shareholders' meetings to obtain approval for the company split agreement.

(iii) Business Integration Method and Equity Contribution

The Business Integration is executed according to the following scheme. The equity ownership percentage of the Company and MHI will be 35% and 65% respectively on the effective date of the company split.

(a) MHI establishes the Integrated Company.

(b) The Company and MHI will respectively transfer the Integrated Business to the Integrated Company by way of absorption-type company split and other method. As a result, the Company and MHI own shares of common stock of the Integrated Company 317 shares and 683 shares, respectively.

(c) MHI will sell 33 shares of common stock of the Integrated Company that it owns to the Company for 29.7 billion yen.

(iv) Scope of the Integrated Business

- Thermal power generation system businesses (gas turbines, steam turbines, coal gasification generating equipment, boilers, thermal power control systems, generators, etc.)
- Geothermal power system business
- Environmental equipment business
- Fuel cells business
- Electric power sales business (Only electric power sales in relation to demonstration facility for gas turbine combined cycle power generation plant at Takasago Machinery Works of MHI)
- Other related business

Certain subsidiaries and affiliates engaging in these businesses are included in the Business Integration.

(v) Rights and Obligations Transferred to the Integrated Company

The Integrated Company will succeed assets, liabilities, other rights and obligations and contractual status from the Company and MHI through the Company Split as provided in the Absorption-type Company Split Agreements. Stocks and interests of certain subsidiaries and affiliates which each company owns in relation to the Integrated Business will be included in the Business Integration.

Accounts and amounts of assets and liabilities to be transferred are as follows. The book value are estimated amounts based on the amounts as of March 31, 2013 and the actual amounts to be transferred may be different.

- Assets and liabilities to be transferred from the Company (Unconsolidated basis)

Assets		Liabilities	
Accounts	Book value (billion yen)	Accounts	Book value (billion yen)
Current assets	121.5	Current liabilities	108.4
Fixed assets	103.9	Noncurrent liabilities	5.1
Total	225.4	Total	113.5

- Assets and liabilities to be transferred from MHI (Unconsolidated basis)

Assets		Liabilities	
Accounts	Book value (billion yen)	Accounts	Book value (billion yen)
Current assets	428.0	Current liabilities	320.3
Fixed assets	162.4	Noncurrent liabilities	50.6
Total	590.4	Total	371.0

(vi) Calculation Basis, etc., Concerning Allotment under the Company Split

The Company and MHI, referencing the results of calculations by the each financial adviser and comprehensively considering factors including financial condition, condition of assets and business forecasts of each, discussed the number of shares of common stock of the Integrated Company to be allocated with due care, and concluded that the above number of shares of common stock to be allocated was appropriate.

(vii) Overview of the Integrated Company

Name	MH Power Systems, Ltd. (Name will be changed in conjunction with the Business Integration)
Head office	3-1, Minato Mirai 3-chome, Nishi-ku, Yokohama, Kanagawa
Representative	The Company will appoint Chairman of the Board (part-time) and MHI will appoint President and Director, respectively.
Capital	100.0 billion yen
Business	Businesses as stated in (iv) above

(2) Absorption-type Company Split

The Company and Hitachi Plant Engineering & Services, Ltd. (“Hitachi Plant Engineering & Services”), a wholly owned subsidiary of the Company, 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 Spilt Method and Allotment

This is an absorption-type company split in which the Company is the transferring company and Hitachi Plant Engineering & Services is the successor company. Hitachi Plant Engineering & Services will allot 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 due 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

Name	Hitachi Plant Construction, Ltd.
Head office	1-3, Higashi-Ikebukuro 3-Chome, Toshima-ku, Tokyo
Representative	Nobuho Goto President
Capital	3,000 million yen
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) Cross License Agreement

The material contract renewed during the three months ended September 30, 2013 is as follows.

Licensee	Licensor	Country	Item under contract	Contract description	Contract period
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

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

(1) Outline of Business Results

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

Results of Operations

During the six months ended September 30, 2013, the U.S. economy continued to experience a moderate recovery. However, economic stagnant continued in Europe and growth in the Indian, Brazilian and other economies also slowed.

The Japanese economy has improved, due to increased exports and consumer spending spurred by the depreciation of yen and higher stock market prices resulting from quantitative easing.

Under these circumstances, total revenues in the six months ended September 30, 2013 increased 3% compared with the six months ended September 30, 2012, to ¥4,470.6 billion due mainly to higher revenues in the Social Infrastructure & Industrial Systems segment, mainly resulting from strong sales of elevators and escalators in China, and in the Information & Telecommunication Systems segment, mainly resulting from higher revenues in services business, and in the Digital Media & Consumer Products segment, mainly resulting from higher sales of air-conditioning equipment and refrigerators, etc. primarily in overseas markets. This decrease was partially offset by lower revenues in the Power Systems segment, where sales of preventive maintenance services for nuclear power generation systems declined.

Cost of sales in the six months ended September 30, 2013 increased 1% compared with the six months ended September 30, 2012, to ¥3,302.3 billion, and the ratio of cost of sales to revenues accounted for 74% in the six months ended September 30, 2013, compared with 75% in the six months ended September 30, 2012.

Selling, general and administrative expenses in the six months ended September 30, 2013 increased 8% compared with the six months ended September 30, 2012, to ¥994.9 billion and their ratio to revenues was 22% in the six months ended September 30, 2013, compared with 21% in the six months ended September 30, 2012.

Expenses related to competition law was posted in the amount of ¥19.0 billion in the six months ended September 30, 2013 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.

Impairment losses for long-lived assets in the six months ended September 30, 2013 decreased ¥4.4 billion to ¥1.8 billion, as compared with the six months ended September 30, 2012.

Restructuring charges in the six months ended September 30, 2013 increased ¥6.6 billion to ¥11.1 billion, as compared with the six months ended September 30, 2012, due mainly to increases in the Digital Media & Consumer Products and the High Functional Materials & Components segments.

Interest income in the six months ended September 30, 2013 increased ¥0.4 billion to ¥6.3 billion, as compared with the six months ended September 30, 2012.

Dividends income in the six months ended September 30, 2013 increased ¥1.6 billion to ¥4.8 billion, as compared with the six months ended September 30, 2012.

Other income in the six months ended September 30, 2013 was ¥3.8 billion, a ¥4.1 billion decrease compared with the six months ended September 30, 2012, due mainly to the posting of net loss on securities, as compared with net gain in the six months ended September 30, 2012

Interest charges in the six month ended September 30, 2013 decreased ¥0.9 billion to ¥12.8 billion, as compared with the six months ended September 30, 2012.

Loss on sale of stock by affiliated companies was posted in the amount of ¥5.9 billion in the six months ended September 30, 2013, due to issuance of new shares by way of onerous third-party allotment by the Company's equity-method affiliated company in the semiconductor industry.

Other deductions in the six months ended September 30, 2013 were ¥3.6 billion, a ¥8.8 billion decrease compared with the six months ended September 30, 2012 due mainly to the posting of exchange gain in the six months ended September 30, 2013, as compared with exchange loss in the six months ended September 30, 2012.

Equity in net earning of affiliated companies in the six months ended September 30, 2013 was ¥1.5 billion compared with net loss of ¥27.3 billion in the six months ended September 30, 2012.

As a result of the foregoing, income before income taxes in the six months ended September 30, 2013 increased 17% compared with the six months ended September 30, 2012, to ¥135.5 billion. EBIT in six months ended September 30, 2013 increased 14% the six months ended September 30, 2012, to ¥142.0 billion.

Income taxes amounted to ¥66.1 billion in the six months ended September 30, 2013, an increase of ¥15.4 billion compared with the six months ended September 30, 2012.

Net income in the six months ended September 30, 2013 increased 6% compared with the six months ended September 30, 2012, to ¥69.3 billion.

Net income attributable to noncontrolling interests amounted to ¥36.5 billion in the six months ended September 30, 2013, an increase of ¥1.2 billion compared with the six months ended September 30, 2012.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders in the six months ended September 30, 2013 increased 9% compared with the six months ended September 30, 2012, to ¥32.7 billion.

Operations by Segment

The following is an overview of Hitachi's 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 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 six months ended September 30, 2012 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 increased 6% compared with the six months ended September 30, 2012, to ¥884.7 billion, due mainly to increased sales in services business and of ATMs, and the effects of foreign currency fluctuations.

Segment profit increased 29% compared with the six months ended September 30, 2012, to ¥28.9 billion, due mainly to improved operating income, mainly resulting from higher revenues and progress with cost-cutting programs and the posting of foreign exchange gain.

(Power Systems)

Revenues decreased 9% compared with the six months ended September 30, 2012, to ¥376.3 billion, due mainly to a significant decline in revenues from preventive maintenance services for nuclear power generation systems.

Segment profit decreased 41% compared with the six months ended September 30, 2012, to ¥3.4 billion, due to decreased operating income owing to decreased revenues, despite the posting of foreign exchange gain.

(Social Infrastructure & Industrial Systems)

Revenues increased 10% compared with the six months ended September 30, 2012, to ¥597.3 billion, due mainly to strong sales of elevators and escalators in China and other overseas markets, and solid sales in the railway systems business.

Segment profit increased 96% compared with the six months ended September 30, 2012, to ¥6.3 billion, due mainly to the posting of foreign exchange gain and gains on the sale of fixed assets. This increase was partially offset by decreased operating income owing to lower earnings in social infrastructure systems business in overseas projects, despite higher earnings in the elevators and escalators business resulting from higher sales.

(Electronic Systems & Equipment)

Revenues decreased 2% compared with the six months ended September 30, 2012, to ¥499.8 bullion, due mainly to lower sales of semiconductor manufacturing systems and medical analysis systems, etc. at Hitachi High-Technologies Corporation. This decrease was partially offset by higher sales of power tools for overseas market at Hitachi Koki Co., Ltd.

Segment profit decreased 46% compared with the six months ended September 30, 2012, to ¥9.3 billion, due mainly to decreased operating income at Hitachi High-Technologies Corporation, etc. owing to lower revenues and the posting of business structure reform-related expenses, etc., despite the posting of foreign exchange gain.

(Construction Machinery)

Revenues decreased 3% compared with the six months ended September 30, 2012, to ¥358.0 billion, due mainly to lower sales of mining machinery in Asia and Oceania, despite higher sales of hydraulic excavators in China and Japan.

Segment profit decreased 11% compared with the six months ended September 30, 2012, to ¥26.6 billion, due mainly to the posting of large gains on the sale of subsidiary shares due to business restructuring in the six months ended September 30, 2012 and increased foreign exchange losses in the six months ended September 30, 2013. This decrease was partially offset by increased operating income, due mainly to progress with cost-cutting programs.

(High Functional Materials & Components)

Revenues decreased 1% compared with the six months ended September 30, 2012, to ¥669.5 bullion, due mainly to the impact of the withdrawal from unprofitable businesses and sluggish hard disk drive-related demand. This decrease was partially offset by solid sales of automobile products and electronics-related materials.

Segment profit increased 31% compared with the six months ended September 30, 2012, to ¥49.2 billion, due mainly to increased operating income, mainly resulting from strong sales of automobile products and the benefits of business structure reforms and the posting of foreign exchange gain. This increase was partially offset by increased business structure reform-related expenses.

(Automotive Systems)

Revenues increased 6% compared with the six months ended September 30, 2012, to ¥426.7 billion, due mainly to solid demand in the automotive markets overseas, mainly North America and China.

Segment profit decreased 89% compared with the six months ended September 30, 2012, to ¥2.0 billion. This decrease was mainly the posting of expenses relating to competition law of ¥19.0 billion 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. This decrease was partially offset by increased operating income due mainly to higher revenues and associated improvement in capacity utilization and cost reductions.

(Digital Media & Consumer Products)

Revenues increased 7% compared with the six months ended September 30, 2012, to ¥459.1 billion, due mainly to higher sales of air-conditioning equipment and refrigerators, etc. primarily in overseas markets.

Segment loss improved ¥0.9 billion, resulting in ¥1.0 billion, compared with the six months ended September 30, 2012, due mainly to an improvement in operating income mainly resulting from higher revenues and the benefits of business structure reforms in the digital media business.

(Others (Logistics and Other services))

Revenues increased 3% compared with the six months ended September 30, 2012, to ¥574.9 billion, due mainly to higher revenues at Hitachi Transport System, Ltd.

Segment profit increased 5% compared with the six months ended September 30, 2012, to ¥22.5 billion, due mainly to increased dividend income and the posting of gains on the sale of fixed assets and foreign exchange gain. This increase was partially offset by decreased operating income owing to lower earnings due to a decline in freight volume for automotive-related customers in Japan and cost increases for new projects at Hitachi Transport System, Ltd.

(Financial Services)

Revenues decreased 9% compared with the six months ended September 30, 2012, to ¥163.6 billion, due mainly to the absence of recording revenues related to a large cancellation in the six months ended September 30, 2012, despite higher revenues in the overseas business.

Segment profit increased 12% compared with the six months ended September 30, 2012, to ¥17.4 billion, due to increased operating income, mainly resulting from the consolidation of NBL Co., Ltd. and higher revenues in the overseas business at Hitachi Capital Corporation.

Revenues by Market

Revenues in Japan in the six months ended September 30, 2013 were ¥2,413.0 billion, a decrease of 5% compared with the six months ended September 30, 2012, due mainly to lower revenues in the Power Systems segment owing to lower sales of nuclear power generation systems, and lower revenues in the High Functional Materials & Components and the Financial Services segments.

Overseas revenues were ¥2,057.6 billion, an increase of 14% compared with the six months ended September 30, 2012, due mainly to higher revenues in the Information & Telecommunication Systems segment mainly resulting from effects of foreign currency fluctuations, in the Social Infrastructure & Industrial Systems segment resulting from strong sales of elevators and escalators to China and higher revenues in the Digital Media & Consumer Products and the High Functional Materials & Components segments.

As a result, the ratio of overseas revenues to total revenues was 46% in the six months ended September 30, 2013, compared with 41% in the six months ended September 30, 2012.

(2) Summary of Financial Condition, etc.

Liquidity and Capital Resources

During the six months ended September 30, 2013, there was no major changes in the Company's policies of maintaining liquidity and ensuring funds, efforts for improvement in fund management efficiency, and ideas regarding funding sources and fundraising. Standard & Poor's Rating Japan changed the Company's long-term rating from BBB+ to A- on August 2, 2013.

Cash Flows

(Cash flows from operating activities)

Net income in the six months ended September 30, 2013 increased ¥3.8 billion compared with the six months ended September 30, 2012, to ¥69.3 billion. Depreciation in the six months ended September 30, 2013 increased ¥18.0 billion compared with the six months ended September 30, 2012, to ¥161.6 billion. Increase in inventories in the six months ended September 30, 2013 increased ¥20.6 billion compared with the six months ended September 30, 2012, to ¥142.5 billion. Decrease in payables in the six months ended September 30, 2013 decreased ¥33.0 billion compared with the six months ended September 30, 2012, to ¥73.3 billion. Decrease in receivables in the six months ended September 30, 2013 was ¥171.5 billion, a ¥47.3 billion decrease compared with the six months ended September 30, 2012. This is because collection of receivables recorded at the end of the fiscal year ended March 31, 2013 proceeded in the six months ended September 30, 2013. Decrease in accrued expenses and retirement and severance benefits in the six months ended September 30, 2013 increased ¥33.3 billion compared with the six months ended September 30, 2012, to ¥34.6 billion. As a result of the foregoing, cash flows from operating activities recorded net cash inflow of ¥203.1 billion in the six months ended September 30, 2013, a decrease of ¥59.9 billion compared with the six months ended September 30, 2012.

(Cash flows from investing activities)

A net sum of ¥275.1 billion in the six months ended September 30, 2013 was recorded as investments mainly 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. This net sum increased by ¥34.2 billion compared with the six months ended September 30, 2012 due mainly to the purchase of tangible assets in the Financial Services segment. As a result of the foregoing, cash flows from investing activities recorded net cash outflow of ¥245.5 billion in the six months ended September 30, 2013, an increase of ¥24.6 billion compared with the six months ended September 30, 2012.

(Cash flows from financing activities)

Net increase in short-term debt was ¥14.6 billion. This was a decrease of ¥84.1 billion compared with the six months ended September 30, 2012. A net sum of ¥162.6 billion in the six months ended September 30, 2013 was recorded as proceeds related to long-term debt, where the proceeds from long-term debt were subtracted from the payments on long-term debt. This net inflow increased by ¥254.7 billion compared with the six months ended September 30, 2012, due mainly to an increase in the proceeds from long-term debt. As a result of the foregoing, cash flows from financing activities recorded net cash inflow of ¥143.5 billion in the six months ended September 30, 2013, an increase of ¥199.4 billion compared with the six months ended September 30, 2012.

As a result of the foregoing, cash and cash equivalents as of September 30, 2013 was ¥648.8 billion, an increase of ¥121.2 billion from March 31, 2013. Free cash flows, the sum of cash flows from operating and investing activities, were an outflow of ¥42.3 billion in the six months ended September 30, 2013, compared with inflow of ¥42.2 billion in the six months ended September 30, 2012.

Assets, Liabilities and Equity

Total assets as of September 30, 2013 were ¥10,467.2 billion, an increase of ¥658.0 billion from March 31, 2013. This was due mainly to an increase in property, plant and equipment resulting from capital expenditures for global business expansion in the Social Innovation Business, and an increase of the value of foreign currency-denominated assets resulting from the translation due to the depreciation of yen, and an increase of the value of marketable securities in line with higher stock market prices, and the impact of the consolidation of NBL Co., Ltd. for strengthening the financial services business.

Total interest-bearing debt as of September 30, 2013, which is the sum of short-term debt, long-term debt and non-recourse borrowings of consolidated securitization entities, was ¥2,792.3 billion, a ¥422.2 billion increase from March 31, 2013. This was due mainly to an increased in short-term debt and the procurement of new long-term debt to meet demand for growth of the Social Innovation Business and the impact of the consolidation of NBL Co., Ltd.

Total Hitachi, Ltd. stockholders' equity as of September 30, 2013 increased by ¥166.7 billion from March 31, 2013, to ¥2,250.2 billion, due mainly to a decrease in the accumulated other comprehensive loss owing to the depreciation of yen and higher stock market prices. As a result, the ratio of stockholders' equity to total assets was 21.5%, compared with 21.2% as of March 31, 2013.

Noncontrolling interests as of September 30, 2013 increased by ¥50.8 billion from March 31, 2013, to ¥1,147.6 billion.

The ratio of the interest-bearing debt to the total equity (the sum of total Hitachi, Ltd. stockholders' equity and noncontrolling interests) increased to 0.82, compared with 0.75 as of March 31, 2013.

(3) Challenges Facing Hitachi Group

1) Business and Financial Condition

There was no material change in Hitachi's business strategy during the six months ended September 30, 2013.

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) Research and Development

There was no material changes in the research and development of the Hitachi Group (the Company and consolidated subsidiaries) stated in the Annual Securities Report for the 144th business term pursuant to the Financial Instruments and Exchange Act of Japan. The Hitachi Group's R&D expenditures in the six months ended September 30, 2013 were ¥175.1 billion, 3.9% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Six months ended September 30, 2013
Information & Telecommunication Systems	40.4
Power Systems	10.2
Social Infrastructure & Industrial Systems	12.9
Electronic Systems & Equipment	22.7
Construction Machinery	9.1
High Functional Materials & Components	21.9
Automotive Systems	29.6
Digital Media & Consumer Products	9.2
Others (Logistics and Other services)	5.2
Financial Services	0.2
Corporate	13.3
Total	175.1

(5) Employees

The number of employees of the Company increased by 3,969 persons during the six months ended September 30, 2013, to 37,634 persons. This increase was due mainly to increase in the Social Infrastructure & Industrial Systems segment resulting from the merger in which the Company merged Hitachi Plant Technologies, Ltd. There was no material changes in the number of employees of the Hitachi Group (the Company and consolidated subsidiaries).

(6) Property, Plants and Equipment

The major property, plants and equipment materially changed during the six months ended September 30, 2013 are as follows. This was due mainly to the merger in which the Company merged Hitachi Plant Technologies, Ltd.

The Company

(As of September 30, 2013)

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^2]	Lease assets	Others	Total	
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	12,201	11,461	4,506 [879]	2,916	620	31,706	7,070

(7) 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 consolidated fiscal year and each quarter of the consolidated 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, 2014 (new installation and expansions, based on the amount recorded as tangible fixed assets) which was planned as of March 31, 2013, was revised as of September 30, 2013 as follows.

(Billions of yen)

Segment	Year ending March 31, 2014 (Previous Forecast)	Year ending March 31, 2014 (Revised Forecast)
Information & Telecommunication Systems	44.0	49.0
Power Systems	22.0	21.0
Social Infrastructure & Industrial Systems	44.0	43.0
Electronic Systems & Equipment	37.0	31.0
Construction Machinery	46.0	45.0
High Functional Materials & Components	79.0	73.0
Automotive Systems	67.0	71.0
Digital Media & Consumer Products	22.0	23.0
Others (Logistics and Other services)	65.0	66.0
Financial Services	417.0	443.0
Subtotal	843.0	865.0
Eliminations & Corporate Items	(1.0)	(1.0)
Total	842.0	864.0

(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.

(6) Forward-Looking Statements

Certain statements found in “3. 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;
- the potential for significant losses on Hitachi’s investments in equity method affiliates;
- increased commoditization of information technology products and digital media-related products and intensifying price competition for such products, particularly in the Digital Media & Consumer Products segment;
- 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;
- 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 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. 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 second quarter of fiscal year (shares) (September 30, 2013)	Number of shares issued as of the filing date (shares) (November 12, 2013)	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 July 1, 2013 to September 30, 2013	—	4,833,463,387	—	458,790	—	176,757

(6) Major shareholders

(As of September 30, 2013)

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	307,053,000	6.35
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	255,617,800	5.29
Hitachi Employees' Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	115,383,384	2.39
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	105,879,000	2.19
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	95,719,195	1.98
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account (Standing proxy: Mizuho Bank, Ltd.)	Woolgate House, Coleman Street London EC2P 2HD, England (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo)	87,888,778	1.82
The Bank of New York, Treaty Jasdec Account (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	Avenue Des Arts, 35 Kunstlaan, 1040 Brussels, Belgium (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	79,625,791	1.65
The Dai-Ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	71,361,222	1.48
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)	65,876,701	1.36
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	338 Pitt Street Sydney Nsw 2000 Australia (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	59,039,288	1.22
Total	—	1,243,444,159	25.73

(Notes)

1. 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.").
2. The Company has received a copy of report on substantial shareholdings under the Financial Instruments and Exchange Act. However, the information in the report is not described in the above table since the Company does not confirm the actual status of shareholdings as of the end of September 30, 2013. The major contents of the report are as follows.

Name of owners	Mitsubishi UFJ Trust and Banking Corporation and three other persons
Date of event which requires reporting	May 23, 2011
Amount of shares beneficially owned by the reporting person	237,294,613 shares
Percentage to total shares issued	5.24 %

(7) Information on voting rights

1) Issued shares

(As of September 30, 2013)

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 3,296,000	—	—
Shares with full voting right (others)	Common stock 4,805,034,000	4,805,034	—
Shares less than one unit	Common stock 25,133,387	—	—
Number of issued shares	4,833,463,387	—	—
Total number of voting rights	—	4,805,034	—

(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 September 30, 2013)

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	3,125,000	—	3,125,000	0.06
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	—	3,296,000	—	3,296,000	0.07

2. Change in Senior Management

There has been no change in senior management from the filing date of the Annual Securities Report for the 144th business term pursuant to the Financial Instruments and Exchange Act of Japan to September 30, 2013.

IV. Financial Information

Refer to the consolidated financial statements incorporated in this Quarterly Report.

Part II Information on Guarantors, etc. for the Company

Not applicable.

CONSOLIDATED BALANCE SHEETS

Hitachi, Ltd. and Subsidiaries

September 30, 2013 and March 31, 2013

	Millions of yen	
Assets	September 30, 2013	March 31, 2013
Current assets:		
Cash and cash equivalents (note 6)	648,860	527,632
Short-term investments (note 3)	8,955	10,444
Trade receivables:		
Notes (notes 4, 6, 13 and 22)	119,493	110,316
Accounts (notes 4, 6 and 22)	2,258,519	2,311,460
Investments in leases (notes 6 and 22)	278,676	270,899
Current portion of financial assets transferred to consolidated securitization entities (notes 6 and 22)	60,273	23,365
Inventories (note 5)	1,564,844	1,437,399
Prepaid expenses and other current assets	559,958	498,623
Total current assets	5,499,578	5,190,138
Investments and advances, including affiliated companies (note 3)	908,776	781,984
Property, plant and equipment:		
Land	524,431	518,313
Buildings	1,965,053	1,942,634
Machinery and equipment	5,147,527	5,207,010
Construction in progress	127,615	115,340
	7,764,626	7,783,297
Less accumulated depreciation	5,391,241	5,503,333
Net property, plant and equipment	2,373,385	2,279,964
Intangible assets (note 7):		
Goodwill	299,192	290,387
Other intangible assets	424,689	415,009
Total intangible assets	723,881	705,396
Financial assets transferred to consolidated securitization entities (notes 6 and 22)	193,315	131,379
Other assets (note 22)	768,336	720,369
Total assets	10,467,271	9,809,230

See accompanying notes to consolidated financial statements.

Liabilities and Equity	September 30, 2013	March 31, 2013
	Millions of yen	
Current liabilities:		
Short-term debt	839,145	673,850
Current portion of long-term debt	347,429	260,185
Current portion of non-recourse borrowings of consolidated securitization entities (note 6)	57,262	26,399
Trade payables:		
Notes	10,266	15,462
Accounts	1,198,863	1,219,402
Accrued expenses (note 13)	905,917	924,591
Income taxes	30,811	56,278
Advances received	405,612	359,795
Other current liabilities	455,510	428,179
Total current liabilities	4,250,815	3,964,141
Long-term debt	1,394,312	1,306,747
Non-recourse borrowings of consolidated securitization entities (note 6)	154,191	102,898
Retirement and severance benefits	881,925	913,211
Other liabilities	388,140	342,946
Total liabilities	7,069,383	6,629,943
Commitments and contingencies (note 13)		
Equity:		
Common stock (note 9)	458,790	458,790
Capital surplus	616,828	622,946
Retained earnings (note 11)	1,379,337	1,370,723
Accumulated other comprehensive loss	(202,972)	(368,334)
Treasury stock, at cost (note 10)	(1,715)	(1,565)
Total Hitachi, Ltd. stockholders' equity (note 12)	2,250,268	2,082,560
Noncontrolling interests (note 12)	1,147,620	1,096,727
Total equity	3,397,888	3,179,287
Total liabilities and equity	10,467,271	9,809,230

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Hitachi, Ltd. and Subsidiaries
Six months ended September 30, 2013 and 2012

Consolidated Statements of Operations

	Millions of yen	
	2013	2012
Revenues	4,470,686	4,355,568
Cost of sales	(3,302,303)	(3,272,472)
Selling, general and administrative expenses	(994,902)	(919,492)
Expenses related to competition law (note 14)	(19,061)	-
Impairment losses for long-lived assets (note 15)	(1,819)	(6,230)
Restructuring charges (note 16)	(11,176)	(4,524)
Interest income	6,359	5,914
Dividend income	4,837	3,161
Other income (note 17)	3,814	7,921
Interest charges	(12,816)	(13,729)
Loss on sale of stock by affiliated company	(5,915)	-
Other deductions (note 17)	(3,684)	(12,486)
Equity in net earning (loss) of affiliated companies	1,537	(27,373)
Income before income taxes	135,557	116,258
Income taxes	(66,192)	(50,745)
Net income	69,365	65,513
Less net income attributable to noncontrolling interests	36,599	35,388
Net income attributable to Hitachi, Ltd. stockholders	32,766	30,125
Net income attributable to Hitachi, Ltd. stockholders per share (note 18):		Yen
Basic	6.78	6.49
Diluted	6.78	6.23

Consolidated Statements of Comprehensive Income

	Millions of yen	
	2013	2012
Net income	69,365	65,513
Other comprehensive income (loss) arising during the period		
Foreign currency translation adjustments	68,949	(41,062)
Pension liability adjustments	31,699	32,725
Net unrealized holding gain (loss) on available-for-sale securities	83,731	(16,023)
Cash flow hedges	329	1,031
Total other comprehensive income (loss) arising during the period	184,708	(23,329)
Comprehensive income	254,073	42,184
Less comprehensive income attributable to noncontrolling interests	55,331	21,768
Comprehensive income attributable to Hitachi, Ltd. stockholders	198,742	20,416

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Hitachi, Ltd. and Subsidiaries
Three months ended September 30, 2013 and 2012

Consolidated Statements of Operations

	Millions of yen	
	2013	2012
Revenues	2,387,748	2,234,853
Cost of sales	(1,765,229)	(1,669,028)
Selling, general and administrative expenses	(504,523)	(465,795)
Expenses related to competition law (note 14)	(19,061)	-
Impairment losses for long-lived assets (note 15)	(1,571)	(5,978)
Restructuring charges (note 16)	(8,116)	(3,557)
Interest income	3,186	2,234
Dividend income	1,080	537
Other income (note 17)	-	8,437
Interest charges	(6,497)	(6,678)
Loss on sale of stock by affiliated company	(5,915)	-
Other deductions (note 17)	(2,513)	(3,266)
Equity in net earning (loss) of affiliated companies	1,569	(24,367)
Income before income taxes	80,158	67,392
Income taxes	(33,426)	(22,259)
Net income	46,732	45,133
Less net income attributable to noncontrolling interests	24,761	22,019
Net income attributable to Hitachi, Ltd. stockholders	21,971	23,114
Net income attributable to Hitachi, Ltd. stockholders per share (note 18):		Yen
Basic	4.55	4.98
Diluted	4.54	4.78

Consolidated Statements of Comprehensive Income

	Millions of yen	
	2013	2012
Net income	46,732	45,133
Other comprehensive income arising during the period		
Foreign currency translation adjustments	9,273	(2,393)
Pension liability adjustments	17,700	17,187
Net unrealized holding gain on available-for-sale securities	49,166	11,234
Cash flow hedges	(5,513)	(1,991)
Total other comprehensive income arising during the period	70,626	24,037
Comprehensive income	117,358	69,170
Less comprehensive income attributable to noncontrolling interests	28,507	21,867
Comprehensive income attributable to Hitachi, Ltd. stockholders	88,851	47,303

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Hitachi, Ltd. and Subsidiaries

Six months ended September 30, 2013 and 2012

	Millions of yen	
	2013	2012
Cash flows from operating activities:		
Net income	69,365	65,513
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	161,641	143,629
Amortization	58,268	57,396
Impairment losses for long-lived assets	1,819	6,230
Equity in net (earning) loss of affiliated companies	(1,537)	27,373
Gain on sale of investments in securities and other	(528)	(12,508)
Impairment of investments in securities	1,449	3,395
(Gain) loss on disposal of rental assets and other property	(223)	730
Decrease in receivables	171,551	218,852
Increase in inventories	(142,510)	(121,832)
(Increase) decrease in prepaid expenses and other current assets	(23,197)	9,907
Decrease in payables	(73,324)	(106,329)
Decrease in accrued expenses and retirement and severance benefits	(34,600)	(1,224)
Increase (decrease) in accrued income taxes	3,726	(16,619)
Decrease in other current liabilities	(2,853)	(11,556)
Net change in lease receivables related to the Company’s and its subsidiaries’ products	3,960	10,235
Other	10,145	(10,066)
Net cash provided by operating activities	203,152	263,126
Cash flows from investing activities:		
Capital expenditures	(188,587)	(186,468)
Purchase of intangible assets	(58,466)	(48,053)
Purchase of tangible assets and software to be leased	(211,110)	(171,285)
Proceeds from disposal of property, plant and equipment	12,894	12,290
Proceeds from disposal of tangible assets and software to be leased	13,457	6,694
Collection of investments in leases	156,675	145,966
Purchase of investments in securities and shares of newly consolidated subsidiaries	(8,651)	(48,481)
Proceeds from sale of investments in securities and shares of consolidated subsidiaries resulting in deconsolidation	9,340	54,011
Other	28,917	14,473
Net cash used in investing activities	(245,531)	(220,853)
Cash flows from financing activities:		
Increase in short-term debt, net	14,677	98,808
Proceeds from long-term debt	390,419	155,301
Payments on long-term debt	(227,748)	(247,333)
Proceeds from sale of common stock by subsidiaries	5,241	1,619
Dividends paid to Hitachi, Ltd. stockholders	(24,086)	(23,085)
Dividends paid to noncontrolling interests	(13,103)	(13,495)
Acquisition of common stock for treasury	(161)	(66)
Proceeds from sales of treasury stock	12	13
Purchase of shares of consolidated subsidiaries from noncontrolling interest holders	(1,617)	(27,706)
Proceeds from sale of shares of consolidated subsidiaries from noncontrolling interest holders	-	83
Other	(118)	(76)
Net cash provided by (used in) financing activities	143,516	(55,937)
Effect of exchange rate changes on cash and cash equivalents	20,091	(13,858)
Net increase (decrease) in cash and cash equivalents	121,228	(27,522)
Cash and cash equivalents at beginning of period	527,632	619,577
Cash and cash equivalents at end of period	648,860	592,055

See accompanying notes to consolidated financial statements.

HITACHI, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2013

(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 keep 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 September 30 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 September 30. 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) Income Taxes

The Company 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 in accordance with the provisions for interim reporting included in ASC 740, "Income Taxes." The effect of a change in judgment about the realization of deferred tax assets in future years is recognized in the interim period in which the change occurs.

(d) Subsequent Events

The Company has evaluated up to November 12, 2013, the date on which its consolidated financial statements were available to be issued in accordance with the provisions of ASC 855, "Subsequent Events."

(3) Investments in Securities and Affiliated Companies

Short-term investments as of September 30, 2013 and March 31, 2013 are as follows:

	Millions of yen	
	September 30, 2013	March 31, 2013
Investments in securities:		
Available-for-sale securities		
Government debt securities	6,202	6,502
Corporate debt securities	2,212	3,725
Other securities	521	197
Held-to-maturity securities	20	20
	8,955	10,444

Investments and advances, including affiliated companies as of September 30, 2013 and March 31, 2013 are as follows:

	Millions of yen	
	September 30, 2013	March 31, 2013
Investments in securities:		
Available-for-sale securities		
Equity securities	402,356	280,491
Government debt securities	1,253	956
Corporate debt securities	13,985	15,066
Other securities	11,073	9,618
Held-to-maturity securities	357	356
Cost-method investments	54,760	53,990
Investments in affiliated companies	270,755	259,967
Advances and other	154,237	161,540
	908,776	781,984

The following tables are summaries of the amortized cost basis, gross unrealized holding gains, gross unrealized holding losses and aggregate fair value of available-for-sale securities by the consolidated balance sheet classifications as of September 30, 2013 and March 31, 2013.

	Millions of yen			
	September 30, 2013			
	Amortized cost basis	Gross gains	Gross losses	Aggregate fair value
Short-term investments:				
Government debt securities	6,201	1	-	6,202
Corporate debt securities	2,137	75	-	2,212
Other securities	520	1	-	521
	8,858	77	-	8,935
Investments and advances:				
Equity securities	170,668	232,177	489	402,356
Government debt securities	1,231	22	-	1,253
Corporate debt securities	11,618	2,388	21	13,985
Other securities	10,701	372	-	11,073
	194,218	234,959	510	428,667
	203,076	235,036	510	437,602

	Millions of yen			
	March 31, 2013			
	Amortized cost basis	Gross gains	Gross losses	Aggregate fair value
Short-term investments:				
Government debt securities	6,501	1	-	6,502
Corporate debt securities	3,387	344	6	3,725
Other securities	196	1	-	197
	10,084	346	6	10,424
Investments and advances:				
Equity securities	155,625	125,775	909	280,491
Government debt securities	931	25	-	956
Corporate debt securities	12,997	2,093	24	15,066
Other securities	9,285	333	-	9,618
	178,838	128,226	933	306,131
	188,922	128,572	939	316,555

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 September 30, 2013 and March 31, 2013.

	Millions of yen			
	September 30, 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	-	-	-	-
Investments and advances:				
Equity securities	1,330	137	1,576	352
Government debt securities	300	-	-	-
Corporate debt securities	39	11	990	10
	1,669	148	2,566	362
	1,669	148	2,566	362

	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
	4,943	612	2,206	321
	4,943	612	3,200	327

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.

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 six months ended September 30, 2013 and 2012.

	Millions of yen	
	Six months ended September 30, 2013	Six months ended September 30, 2012
Purchases	2,886	6,446
Proceeds from the sale	5,251	3,291
Gross realized gains on the sale	1,103	1,180
Gross realized losses on the sale	2	6

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 three months ended September 30, 2013 and 2012.

	Millions of yen	
	Three months ended September 30, 2013	Three months ended September 30, 2012
Purchases	1,267	4,926
Proceeds from the sale	4,092	2,565
Gross realized gains on the sale	738	659
Gross realized losses on the sale	2	6

The contractual maturities of debt securities and other securities classified as investments and advances in the consolidated balance sheet as of September 30, 2013 are as follows:

	Millions of yen		
	Held-to-maturity	Available-for-sale	Total
Due within five years	356	8,127	8,483
Due after five years through ten years	1	1,984	1,985
Due after ten years	-	16,200	16,200
	357	26,311	26,668

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 September 30, 2013 and March 31, 2013 were ¥54,704 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.

(4) Allowances for doubtful receivables

Allowances for doubtful receivables as of September 30,2013 and March 31,2013 are as follows:

	Millions of yen	
	September 30, 2013	March 31, 2013
Allowances for doubtful receivables	33,347	31,134

(5) Inventories

Inventories as of September 30, 2013 and March 31, 2013 are summarized as follows:

	Millions of yen	
	September 30, 2013	March 31, 2013
Finished goods	627,989	584,435
Work in process	678,859	601,305
Raw materials	257,996	251,659
	1,564,844	1,437,399

(6) 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 assisting in the formation and 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.

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 September 30, 2013 and March 31, 2013 by type of transferred financial assets that those SPEs hold:

	Millions of yen			
	September 30, 2013			
	Lease receivables	Mortgage loans receivable	Others	Total
Cash and cash equivalents	10,907	2,253	2,065	15,225
Current portion of financial assets transferred to consolidated securitization entities	39,523	10,098	10,652	60,273
Financial assets transferred to consolidated securitization entities	67,144	115,549	10,622	193,315
Current portion of non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	16,973	-	2,566	19,539
Beneficial interests in trusts	18,398	12,162	7,163	37,723
	35,371	12,162	9,729	57,262
Non-recourse borrowings of consolidated securitization entities:				
Loans, mainly from banks	23,282	-	3,646	26,928
Beneficial interests in trusts	32,388	89,790	5,085	127,263
	55,670	89,790	8,731	154,191

	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 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.

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 six months ended September 30, 2013 and 2012, proceeds from the transfer of lease receivables were ¥50,820 million and ¥61,963 million, respectively, and net gains recognized on those transfers were ¥1,749 million and ¥3,109 million, respectively. During the three months ended September 30, 2013 and 2012, proceeds from the transfer of lease receivables were ¥44,980 million and ¥29,545 million, respectively, and net gains recognized on those transfers were ¥1,751 million and ¥1,455 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 initial fair value of the subordinated interests for the six months ended September 30, 2013 and 2012 were ¥6,103 million and ¥8,458 million, respectively. The amounts of initial fair value of the subordinated interests for the three months ended September 30, 2013 and 2012 were ¥5,713 million and ¥3,295 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.

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 six months ended September 30, 2013 and as of and for the year ended March 31, 2013 is as follows:

	Millions of yen		
	September 30, 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	1,118,542	294	246
Assets transferred	(270,650)		
Assets held in portfolio	847,892		

	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	(264,864)		
Assets held in portfolio	688,508		

As of September 30, 2013 and March 31, 2013, the amounts of the maximum exposures to losses were ¥97,690 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 September 30, 2013 and March 31, 2013, the amounts of the subordinated interests measured at fair value relating to these securitizations of lease receivables were ¥58,329 million and ¥53,081 million, respectively.

Securitizations of trade receivables:
The Company and certain subsidiaries sold trade receivables to unconsolidated SPEs and other entities. During the six months ended September 30, 2013 and 2012, proceeds from the transfer of trade receivables were ¥319,621 million and ¥279,683 million, respectively, and net losses recognized on those transfers were ¥810 million and ¥692 million, respectively. During the three months ended September 30, 2013 and 2012, proceeds from the transfer of trade receivables were ¥174,177 million and ¥146,387 million, respectively, and net losses recognized on those transfers were ¥713 million and ¥309 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 initial fair value of the subordinated interests for the six months ended September 30, 2013 and 2012 were ¥2,550 million and ¥11,923 million, respectively. The amounts of initial fair value of the subordinated interests for the three months ended September 30, 2013 and 2012 were ¥2,440 million and ¥5,838 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.

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 six months ended September 30, 2013 and as of and for the year ended March 31, 2013 is as follows:

	Millions of yen		
	September 30, 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	1,027,412	2,577	683
Assets transferred	(275,382)		
Assets held in portfolio	752,030		

	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	(290,172)		
Assets held in portfolio	752,630		

As of September 30, 2013 and March 31, 2013, the amounts of the maximum exposures to losses were ¥40,469 million and ¥62,586 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 trade receivables. As of September 30, 2013 and March 31, 2013, the amounts of the subordinated interests relating to these securitizations of trade receivables were ¥25,426 million and ¥33,325 million, respectively.

(7) Goodwill and Other Intangible Assets

Goodwill and other intangible assets included in other assets as of September 30, 2013 and March 31, 2013 are as follows:

	Millions of yen					
	September 30, 2013			March 31, 2013		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Goodwill	299,192	-	299,192	290,387	-	290,387
Amortized intangible assets:						
Software	793,139	649,729	143,410	784,570	646,331	138,239
Software for internal use	577,951	439,140	138,811	568,637	434,299	134,338
Patents	80,770	75,954	4,816	80,401	75,190	5,211
Other	242,120	118,181	123,939	232,941	110,117	122,824
	1,693,980	1,283,004	410,976	1,666,549	1,265,937	400,612
Indefinite-lived intangible assets	13,713	-	13,713	14,397	-	14,397

(8) Retirement and Severance Benefits

Net periodic benefit cost for the contributory funded benefit pension plans and the unfunded lump-sum payment plans for the six months ended September 30, 2013 and 2012 consists of the following components:

	Millions of yen	
	Six months ended September 30, 2013	Six months ended September 30, 2012
Service cost	44,699	35,229
Interest cost	12,998	22,333
Expected return on plan assets for the period	(17,716)	(17,805)
Amortization of prior service benefit	(8,066)	(11,209)
Amortization of actuarial loss	44,567	48,565
Transfer to defined contribution pension plan	1,249	(104)
Settlements loss	496	-
Employees' contributions	(79)	(32)
	78,148	76,977

Net periodic benefit cost for the contributory funded benefit pension plans and the unfunded lump-sum payment plans for the three months ended September 30, 2013 and 2012 consists of the following components:

	Millions of yen	
	Three months ended September 30, 2013	Three months ended September 30, 2012
Service cost	22,356	17,327
Interest cost	6,371	11,122
Expected return on plan assets for the period	(8,839)	(8,762)
Amortization of prior service benefit	(4,052)	(5,562)
Amortization of actuarial loss	22,341	24,306
Transfer to defined contribution pension plan	1,269	-
Settlements loss	496	-
Employees' contributions	(37)	(15)
	39,905	38,416

(9) Common Stock

Issued shares of common stock as of September 30, 2013 and March 31, 2013 are as follows:

	Issued shares	
	September 30, 2013	March 31, 2013
Issued shares of common stock	4,833,463,387	4,833,463,387

(10) Treasury Stock

Shares of treasury stock as of September 30, 2013 and March 31, 2013 are as follows:

	Shares	
	September 30, 2013	March 31, 2013
Shares of treasury stock	3,125,938	2,899,151

(11) Dividends

Decision	Class of Shares	Cash dividends (Millions of yen)	Appropriation from	Cash dividends per share (Yen)	Record date	Effective Date
The Board of Directors on May 10, 2013	Common stock	24,152	Retained earnings	5.0	March 31, 2013	May 28, 2013
The Board of Directors on October 29, 2013	Common stock	24,151	Retained earnings	5.0	September 30, 2013	November 26, 2013

(12) Equity

The changes in the equity for the six months ended September 30, 2013 and 2012 are summarized as follows:

	Millions of yen		
	Six months ended September 30, 2013		
	Total Hitachi, Ltd. stockholders' equity	Noncontrolling interests	Total equity
Balance at beginning of period	2,082,560	1,096,727	3,179,287
Dividends to Hitachi, Ltd. stockholders	(24,152)	-	(24,152)
Dividends to noncontrolling interests	-	(13,513)	(13,513)
Equity transactions and other	(6,882)	9,075	2,193
Comprehensive income			
Net income	32,766	36,599	69,365
Other comprehensive income, net of income taxes and reclassification adjustments:			
Foreign currency translation adjustments	55,650	13,299	68,949
Pension liability adjustments	29,810	1,889	31,699
Net unrealized holding gain on available-for-sale securities	81,576	2,155	83,731
Cash flow hedges	(1,060)	1,389	329
Comprehensive income	198,742	55,331	254,073
Balance at end of period	2,250,268	1,147,620	3,397,888

	Millions of yen		
	Six months ended September 30, 2012		
	Total Hitachi, Ltd. stockholders' equity	Noncontrolling interests	Total equity
Balance at beginning of period	1,771,782	1,002,213	2,773,995
Dividends to Hitachi, Ltd. stockholders	(23,175)	-	(23,175)
Dividends to noncontrolling interests	-	(12,853)	(12,853)
Equity transactions and other	19,028	(251)	18,777
Comprehensive income			
Net income	30,125	35,388	65,513
Other comprehensive income (loss), net of income taxes and reclassification adjustments:			
Foreign currency translation adjustments	(25,934)	(15,128)	(41,062)
Pension liability adjustments	29,997	2,728	32,725
Net unrealized holding gain on available-for-sale securities	(13,003)	(3,020)	(16,023)
Cash flow hedges	(769)	1,800	1,031
Comprehensive income	20,416	21,768	42,184
Balance at end of period	1,788,051	1,010,877	2,798,928

The changes in accumulated other comprehensive loss, net of income taxes, for the six months ended September 30, 2013 are as follows:

	Millions of yen				
	Six months ended September 30, 2013				
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized holding gain on available-for-sale securities	Cash flow hedges	Total
Balance at beginning of period	(91,314)	(308,724)	61,482	(29,778)	(368,334)
Equity transactions and other	(679)	99	(36)	2	(614)
Other comprehensive income, net of reclassification adjustment					
Other comprehensive income arising during the period	58,045	834	82,242	(843)	140,278
Reclassification adjustments for realized net loss included in net income	(2,395)	28,976	(666)	(217)	25,698
Other comprehensive income, net of reclassification adjustment	55,650	29,810	81,576	(1,060)	165,976
Balance at end of period	(36,343)	(278,815)	143,022	(30,836)	(202,972)

The following table represents the reclassification adjustments for realized net loss included in net income by each classification of other comprehensive income for the six months and three months ended September 30, 2013 with location in consolidated statements of operations.

	Millions of yen	
	Six months ended September 30, 2013	
	Reclassification adjustments for realized net loss included in net income	Location
Foreign currency translation adjustments:		
	(2,395)	Other income
Before-tax amount	(2,395)	Income before income taxes
Tax benefit (expense)	-	Income taxes
Net-of-tax amount	(2,395)	Net income attributable to Hitachi, Ltd. stockholders
Pension liability adjustment:		
Prior service benefit	(6,529)	(a)
Actuarial loss	40,749	(a)
Before-tax amount	34,220	Income before income taxes
Tax benefit (expense)	(5,244)	Income taxes
Net-of-tax amount	28,976	Net income attributable to Hitachi, Ltd. stockholders
Net unrealized holding gain on available-for-sale securities:		
	(1,011)	Other deductions
Before-tax amount	(1,011)	Income before income taxes
Tax benefit (expense)	345	Income taxes
Net-of-tax amount	(666)	Net income attributable to Hitachi, Ltd. stockholders
Cash flow hedges:		
Forward exchange contracts	(745)	Other income
Cross currency swap agreements	(23)	Other income
Interest rate swaps	288	Interest charges
Before-tax amount	(480)	Income before income taxes
Tax benefit (expense)	263	Income taxes
Net-of-tax amount	(217)	Net income attributable to Hitachi, Ltd. stockholders
Reclassification adjustments for realized net loss included in net income	25,698	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 8).

	Millions of yen	
	Three months ended September 30, 2013	
	Reclassification adjustments for realized net loss included in net income	Location
Foreign currency translation adjustments:		
	(2,394)	Other deductions
Before-tax amount	(2,394)	Income before income taxes
Tax benefit (expense)	-	Income taxes
Net-of-tax amount	(2,394)	Net income attributable to Hitachi, Ltd. stockholders
Pension liability adjustment:		
Prior service benefit	(2,996)	(a)
Actuarial loss	20,531	(a)
Before-tax amount	17,535	Income before income taxes
Tax benefit (expense)	(2,500)	Income taxes
Net-of-tax amount	15,035	Net income attributable to Hitachi, Ltd. stockholders
Net unrealized holding gain on available-for-sale securities:		
	(701)	Other deductions
Before-tax amount	(701)	Income before income taxes
Tax benefit (expense)	240	Income taxes
Net-of-tax amount	(461)	Net income attributable to Hitachi, Ltd. stockholders
Cash flow hedges:		
Forward exchange contracts	(822)	Other deductions
Cross currency swap agreements	(79)	Other deductions
Interest rate swaps	220	Interest charges
Before-tax amount	(681)	Income before income taxes
Tax benefit (expense)	255	Income taxes
Net-of-tax amount	(426)	Net income attributable to Hitachi, Ltd. stockholders
Reclassification adjustments for realized net loss included in net income	11,754	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 8).

(13) Commitments and Contingencies

The Company and its subsidiaries are contingently liable for loan guarantees to its affiliates and others in the amount of approximately ¥78,968 million as of September 30, 2013.

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 September 30, 2013, the undiscounted maximum potential future payments under such guarantees amounted to ¥295,198 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 ¥10,311 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 September 30, 2013 is as follows:

	Millions of yen
Total commitment available	40,620
Less amount utilized	5,316
Balance available	35,304

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 certain subsidiaries have line of credit arrangements with banks in order to secure a financing source for business operations. The unused lines of credit as of September 30, 2013 amounted to ¥501,621 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 September 30, 2013 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 September 30, 2013 amounted to ¥200,000 million.

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 September 30, 2013 and March 31, 2013, the Company and subsidiaries were contingently liable for trade notes discounted and endorsed in the following amounts:

	Millions of yen	
	September 30, 2013	March 31, 2013
Notes discounted	2,726	2,149
Notes endorsed	2,476	2,707
	5,202	4,856

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 six months ended September 30, 2013 and 2012 are summarized as follows:

	Millions of yen	
	Six months ended September 30, 2013	Six months ended September 30, 2012
Balance at beginning of period	40,114	41,356
Expense recognized upon issuance of warranties	5,768	4,258
Usage	(5,988)	(6,002)
Acquisitions and divestitures	-	81
Other, including effect of foreign currency translation	(75)	(984)
Balance at end of period	39,819	38,709

The changes in accrued product warranty costs for the three months ended September 30, 2013 and 2012 are summarized as follows:

	Millions of yen	
	Three months ended September 30, 2013	Three months ended September 30, 2012
Balance at beginning of period	40,742	39,788
Expense recognized upon issuance of warranties	2,153	2,297
Usage	(2,947)	(3,070)
Other, including effect of foreign currency translation	(129)	(306)
Balance at end of period	39,819	38,709

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.

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 October 2011, the Japanese subsidiary agreed to pay a fine in relation to the investigation from the Antitrust Division of the U.S. Department of Justice and in November 2011, it paid that fine. In July 2012, the Japanese subsidiary received a statement of objections from the European Commission in respect of alleged antitrust violations.

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. These companies accrued the reasonably estimated amount for the loss.

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 September 2013, the subsidiary in the U.S.A. agreed to pay a fine in relation to the investigation from the Antitrust Division of the U.S. Department of Justice.

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 (¥139,596 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 (¥31,581 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.

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 several 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.

(14) Expenses Related to Competition Law

For the six months and three months ended September 30, 2013, a subsidiary in the Automotive Systems segment agreed with the United States Department of Justice to conclude a plea agreement paying a fine in the amount of US$195 million (¥19,061 million), regarding violations of U.S. antitrust laws occurring in connection with the sales of certain automotive parts to certain OEM customers. As such, the Automotive Systems segment recognized it as expenses related to competition law.

(15) Impairment Losses for Long-Lived Assets

For the six months and three months ended September 30, 2012, the majority of the impairment losses were recorded on property, plant and equipment located in Japan. For the six months and three months ended September 30, 2012, the Information & Telecommunication Systems segment recognized impairment losses of ¥2,591 million and ¥2,590 million, respectively, primarily due to reduced cash flows generated from certain assets associated with customers in the financial service businesses. For the six months and three months ended September 30, 2012, the Electronic Systems & Equipment segment recognized impairment losses of ¥1,411 million, primarily due to reorganization of production bases for video and wireless network businesses. The fair value estimates used to determine these losses were based primarily on discounted future cash flows.

(16) 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 six months ended September 30, 2013 and 2012 are as follows:

	Millions of yen	
	Six months ended September 30, 2013	Six months ended September 30, 2012
Special termination benefits	11,176	4,520
Loss on fixed assets	-	4
	11,176	4,524

Components and related amounts of the restructuring charges, before the related tax effects, for the three months ended September 30, 2013 and 2012 are as follows:

	Millions of yen	
	Three months ended September 30, 2013	Three months ended September 30, 2012
Special termination benefits	8,116	3,554
Loss on fixed assets	-	3
	8,116	3,557

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 six months ended September 30, 2013 and 2012 is as follows:

	Millions of yen	
	Six months ended September 30, 2013	Six months ended September 30, 2012
Balance at beginning of the period	15,293	7,487
New charges	11,176	4,520
Cash payments	(19,074)	(8,703)
Foreign currency exchange rate changes	32	(39)
Balance at end of the period	7,427	3,265

An analysis of the accrued special termination benefits for the three months ended September 30, 2013 and 2012 is as follows:

	Millions of yen	
	Three months ended September 30, 2013	Three months ended September 30, 2012
Balance at beginning of the period	3,416	1,420
New charges	8,116	3,554
Cash payments	(4,110)	(1,699)
Foreign currency exchange rate changes	5	(10)
Balance at end of the period	7,427	3,265

The following represents the significant restructuring activities for the six months ended September 30, 2013 by reportable segment:

1. The Digital Media & Consumer Products segment restructured due to withdrawal from the TV parts business. The accrued special termination benefits expensed during the six months ended September 30, 2013 amounted to ¥3,963 million. The liabilities for special termination benefits amounting to ¥3,239 million as of September 30, 2013 will be paid by March 31, 2014. Total restructuring charges during the six months ended September 30, 2013 consisted only of special termination benefits.

2. 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 six months ended September 30, 2013 amounted to ¥2,677 million. The liabilities for special termination benefits amounting to ¥1,892 million as of September 30, 2013 will be paid by March 31, 2014. Total restructuring charges during the six months ended September 30, 2013 consisted only of special termination benefits.

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 six months ended September 30, 2013 amounted to ¥2,628 million. The liabilities for special termination benefits amounting to ¥444 million as of September 30, 2013 will be paid by March 31, 2014. Total restructuring charges during the six months ended September 30, 2013 consisted only of special termination benefits.

The restructuring charges for the six months ended September 30, 2012 mainly consist of special termination benefits for the early-terminated employees of subsidiaries for the purpose of improving profitability in the Information & Telecommunication Systems segment by rationalizing its workforce.

The following represents the significant restructuring activities for the three months ended September 30, 2013 by reportable segment:

1. The Digital Media & Consumer Products segment restructured due to withdrawal from the TV parts business. The accrued special termination benefits expensed during the three months ended September 30, 2013 amounted to ¥3,720 million. The liabilities for special termination benefits amounting to ¥3,239 million as of September 30, 2013 will be paid by March 31, 2014. Total restructuring charges during the three months ended September 30, 2013 consisted only of special termination benefits.

2. 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 three months ended September 30, 2013 amounted to ¥2,573 million. The liabilities for special termination benefits amounting to ¥1,892 million as of September 30, 2013 will be paid by March 31, 2014. Total restructuring charges during the three months ended September 30, 2013 consisted only of special termination benefits.

The restructuring charges for the three months ended September 30, 2012 mainly consist of special termination benefits for the early-terminated employees of subsidiaries for the purpose of improving profitability in the Information & Telecommunication Systems segment by rationalizing its workforce.

(17) Other Income and Other Deductions

The following items are included in other income or other deductions for the six months ended September 30, 2013 and 2012.

	Millions of yen	
	Six months ended September 30, 2013	Six months ended September 30, 2012
Net gain (loss) on securities	(2,155)	7,461
Net loss on sale and disposal of rental assets and other property	(577)	(33)
Exchange gain (loss)	2,043	(12,116)

The following items are included in other income or other deductions for the three months ended September 30, 2013 and 2012.

	Millions of yen	
	Three months ended September 30, 2013	Three months ended September 30, 2012
Net gain (loss) on securities	(825)	8,437
Net loss on sale and disposal of rental assets and other property	(47)	(2,726)
Exchange loss	(852)	(373)

The major component of net gain on securities for the six months and three months ended September 30, 2012 is related to a sale of shares of TCM Corporation, a former subsidiary.

(18) 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 for the six months ended September 30, 2013 and 2012 are as follows :

	Number of shares	
	Six months ended September 30, 2013	Six months ended September 30, 2012
Weighted average number of shares on which basic net income per share is calculated	4,830,383,326	4,638,837,550
Effect of dilutive securities:		
Unsecured convertible bonds (8th series)	-	191,982,917
Number of shares on which diluted net income per share is calculated	4,830,383,326	4,830,820,467

	Millions of yen	
	Six months ended September 30, 2013	Six months ended September 30, 2012
Net income attributable to Hitachi, Ltd. stockholders	32,766	30,125
Effect of dilutive securities:		
Unsecured convertible bonds (8th series)	-	17
Other	(35)	(25)
Net income attributable to Hitachi, Ltd. stockholders on which diluted net income per share is calculated	32,731	30,117

	Yen	
Net income attributable to Hitachi, Ltd. stockholders per share:		
Basic	6.78	6.49
Diluted	6.78	6.23

The reconciliations of the numbers and the amounts used in the basic and diluted net income attributable to Hitachi, Ltd. stockholders per share computations for the three months ended September 30, 2013 and 2012 are as follows:

	Number of shares	
	Three months ended September 30, 2013	Three months ended September 30, 2012
Weighted average number of shares on which basic net income per share is calculated	4,830,316,604	4,642,600,478
Effect of dilutive securities:		
Unsecured convertible bonds (8th series)	-	188,223,460
Number of shares on which diluted net income per share is calculated	4,830,316,604	4,830,823,938

	Millions of yen	
	Three months ended September 30, 2013	Three months ended September 30, 2012
Net income attributable to Hitachi, Ltd. stockholders	21,971	23,114
Effect of dilutive securities:		
Unsecured convertible bonds (8th series)	-	5
Other	(20)	(15)
Net income attributable to Hitachi, Ltd. stockholders on which diluted net income per share is calculated	21,951	23,104

	Yen	
Net income attributable to Hitachi, Ltd. stockholders per share:		
Basic	4.55	4.98
Diluted	4.54	4.78

(19) 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.

(20) 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 50% of their sales from overseas for the six months ended September 30, 2013. 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 the 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.

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 certain 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.

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.

(21) 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.

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.

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 September 30, 2013 and March 31, 2013. The carrying values on the consolidated balance sheets are recorded by the fair value of these assets and liabilities:

	Millions of yen			
	September 30, 2013			
		Fair value hierarchy classification		
	Total	Level 1	Level 2	Level 3
Assets:				
Investments in securities				
Equity securities	402,356	401,487	869	-
Government debt securities	7,455	7,131	324	-
Corporate debt securities	16,197	-	5,634	10,563
Other	11,594	10,627	646	321
Derivatives	10,028	-	10,028	-
Subordinated interests resulting from securitization	83,755	-	-	83,755
	531,385	419,245	17,501	94,639
Liabilities:				
Derivatives	(74,743)	-	(74,743)	-

	Millions of yen			
	March 31, 2013			
		Fair value hierarchy classification		
	Total	Level 1	Level 2	Level 3
Assets:				
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
	413,260	296,105	18,830	98,325
Liabilities:				
Derivatives	(60,953)	-	(60,953)	-

The following tables present the changes in Level 3 instruments measured on a recurring basis for the six months ended September 30, 2013 and 2012.

	Millions of yen		
	Six months ended September 30, 2013		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of period	13,637	84,688	98,325
Purchases	-	8,653	8,653
Settlements	(3,097)	(12,732)	(15,829)
Total gains or losses (realized/unrealized)			
Included in earnings (a)	(2)	98	96
Included in other comprehensive income	25	3,048	3,073
Balance at end of period	10,563	83,755	94,318
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 September 30, 2013	-	-	-

(a) Level 3 gains or losses included in earnings for the six months ended September 30, 2013 are reported in other income (deductions) for corporate debt securities and are reported in revenue for subordinated interests resulting from securitization.

	Millions of yen		
	Six months ended September 30, 2012		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of period	24,264	66,313	90,577
Purchases	-	19,006	19,006
Settlements	(6,499)	(11,406)	(17,905)
Total gains or losses (realized/unrealized)			
Included in earnings (a)	-	170	170
Included in other comprehensive income (loss)	287	(2,173)	(1,886)
Balance at end of period	18,052	71,910	89,962
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 September 30, 2012	-	-	-

(a) Level 3 gains or losses included in earnings for the six months ended September 30, 2012 are reported in revenue.

The following tables present the changes in Level 3 instruments measured on a recurring basis for the three months ended September 30, 2013 and 2012.

	Millions of yen		
	Three months ended September 30, 2013		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of period	12,015	79,818	91,833
Purchases	-	8,153	8,153
Settlements	(1,697)	(5,509)	(7,206)
Total gains or losses (realized/unrealized)			
Included in earnings (a)	(1)	48	47
Included in other comprehensive income	246	1,245	1,491
Balance at end of period	10,563	83,755	94,318
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 September 30, 2013	-	-	-

(a) Level 3 gains or losses included in earnings for the three months ended September 30, 2013 are reported in other income (deductions) for corporate debt securities and are reported in revenue for subordinated interests resulting from securitization.

	Millions of yen		
	Three months ended September 30, 2012		
	Corporate debt securities	Subordinated interests resulting from securitization	Total
Balance at beginning of period	22,742	68,136	90,878
Purchases	-	8,477	8,477
Settlements	(5,109)	(5,408)	(10,517)
Total gains or losses (realized/unrealized)			
Included in earnings (a)	-	76	76
Included in other comprehensive income	419	629	1,048
Balance at end of period	18,052	71,910	89,962
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 September 30, 2012	-	-	-

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 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.

The following tables present the assets measured at fair value on a non-recurring basis and the gains or losses recognized for the six months ended September 30, 2013 and 2012.

	Millions of yen			
	Six months ended September 30, 2013			
	Fair value hierarchy classification			Total gains
	Level 1	Level 2	Level 3	(losses)
Long-lived assets (a)				
Digital Media & Consumer Products segment	-	-	19	(1,297)
Other	-	-	124	(521)
Total	-	-	143	(1,818)

(a) The carrying value as of September 30, 2013 is not equal to the fair value at the time of impairment because of depreciation expense subsequent to impairment.

	Millions of yen			
	Six months ended September 30, 2012			
	Fair value hierarchy classification			Total gains
	Level 1	Level 2	Level 3	(losses)
Long-lived assets (a)				
Information & Telecommunication Systems segment	-	-	7	(2,591)
Electronic Systems & Equipment segment	-	-	195	(1,411)
Other	-	-	1,614	(2,228)
Total	-	-	1,816	(6,230)

(a) The carrying value as of September 30, 2012 is not equal to the fair value at the time of impairment because of depreciation expense subsequent to impairment.

The following tables present the assets measured at fair value on a non-recurring basis and the gains or losses recognized for the three months ended September 30, 2013 and 2012.

	Millions of yen			
	Three months ended September 30, 2013			
	Fair value hierarchy classification			Total gains
	Level 1	Level 2	Level 3	(losses)
Long-lived assets				
Digital Media & Consumer Products segment	-	-	19	(1,297)
Other	-	-	-	(274)
Total	-	-	19	(1,571)

	Millions of yen			
	Three months ended September 30, 2012			
	Fair value hierarchy classification			Total gains
	Level 1	Level 2	Level 3	(losses)
Long-lived assets				
Information & Telecommunication Systems segment	-	-	7	(2,590)
Electronic Systems & Equipment segment	-	-	195	(1,411)
Other	-	-	1,335	(1,977)
Total	-	-	1,537	(5,978)

(22) 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 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 September 30, 2013 and March 31, 2013, financing receivables include past due receivables in the amount of ¥32,897 million and ¥28,055 million, respectively. Of these amounts, financing receivables past due 90 days or more and still accruing interest amounted to ¥11,224 million and ¥7,802 million, respectively.

The following tables present the allowance for doubtful receivables and recorded investment in financing receivables as of September 30, 2013 and 2012, and changes in the allowance for the six months ended September 30, 2013 and 2012.

	Millions of yen				
	September 30, 2013				
	Finance leases	Installment loans	Mortgage loans	Other financing receivables	Total
Allowance for doubtful receivables					
Balance, March 31, 2013	9,946	2,209	153	5,082	17,390
Provision	3,060	1,661	34	2,507	7,262
Recovery	(2,203)	(539)	(34)	(1,285)	(4,061)
Write off	(216)	(893)	-	(702)	(1,811)
Acquisitions and divestitures	1,820	73	-	165	2,058
Balance, September 30, 2013	12,407	2,511	153	5,767	20,838
Applicable to amounts; Individually evaluated for impairment	7,250	715	53	3,214	11,232
Applicable to amounts; Collectively evaluated for impairment	5,157	1,796	100	2,553	9,606
Financing receivables					
Balance, September 30, 2013	860,305	260,399	162,796	309,084	1,592,584
Applicable to amounts; Individually evaluated for impairment	20,338	831	197	8,110	29,476
Applicable to amounts; Collectively evaluated for impairment	839,967	259,568	162,599	300,974	1,563,108

	Finance leases	Installment loans	Mortgage loans	Other financing receivables	Total
	Millions of yen				
	September 30, 2012				
Allowance for doubtful receivables					
Balance, March 31, 2012	7,680	1,912	210	6,509	16,311
Provision	2,775	794	43	1,289	4,901
Recovery	(1,709)	(254)	(64)	(476)	(2,503)
Write off	(249)	(570)	(1)	(1,375)	(2,195)
Balance, September 30, 2012	8,497	1,882	188	5,947	16,514
Applicable to amounts; Individually evaluated for impairment	3,849	629	66	3,549	8,093
Applicable to amounts; Collectively evaluated for impairment	4,648	1,253	122	2,398	8,421
Financing receivables					
Balance, September 30, 2012	684,222	156,987	184,008	242,220	1,267,437
Applicable to amounts; Individually evaluated for impairment	13,173	949	153	7,574	21,849
Applicable to amounts; Collectively evaluated for impairment	671,049	156,038	183,855	234,646	1,245,588

The following tables present the changes in the allowance for the three months ended September 30, 2013 and 2012.

	Millions of yen				
	September 30, 2013				
	Finance leases	Installment loans	Mortgage loans	Other financing receivables	Total
Allowance for doubtful receivables					
Balance, June 30, 2013	12,469	2,086	149	6,106	20,810
Provision	1,171	713	32	740	2,656
Recovery	(1,100)	(35)	(28)	(673)	(1,836)
Write off	(133)	(253)	-	(406)	(792)
Balance, September 30, 2013	12,407	2,511	153	5,767	20,838

	Millions of yen				
	September 30, 2012				
	Finance leases	Installment loans	Mortgage loans	Other financing receivables	Total
Allowance for doubtful receivables					
Balance, June 30, 2012	8,453	1,957	211	6,419	17,040
Provision	1,416	344	7	670	2,437
Recovery	(1,214)	(49)	(30)	(43)	(1,336)
Write off	(158)	(370)	-	(1,099)	(1,627)
Balance, September 30, 2012	8,497	1,882	188	5,947	16,514

In addition, as of September 30, 2013 and March 31, 2013, the amounts of impaired loans relating to receivables which arose from sales of products or services were ¥34,949 million and ¥44,558 million, respectively.

(23) Segment Information

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 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, Medical electronics equipment, Power tools and Electronic parts manufacturing systems

Construction Machinery:
Hydraulic excavators, Wheel loaders and Mining machinery

High Functional Materials & Components:
Semiconductor and display related materials, Circuit boards and materials, Specialty steels, Magnetic materials and components, High grade casting components and materials, Wires and cables and Copper products

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, Batteries, LCD projectors, Information storage media, 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 six months ended September 30, 2012 and the three months ended September 30, 2012 have been restated in conformity with the new measure of segment profit or loss.

The following tables show segment information for the six months ended September 30, 2013 and 2012.

Revenues from Outside Customers

	Millions of yen	
	Six months ended September 30, 2013	Six months ended September 30, 2012
Information & Telecommunication Systems	790,169	741,447
Power Systems	340,094	371,730
Social Infrastructure & Industrial Systems	517,423	455,364
Electronic Systems & Equipment	441,210	452,067
Construction Machinery	356,934	368,300
High Functional Materials & Components	635,747	639,263
Automotive Systems	425,539	400,561
Digital Media & Consumer Products	414,743	390,599
Others (Logistics and Other services)	396,928	378,669
Financial Services	151,758	156,907
Subtotal	4,470,545	4,354,907
Corporate items	141	661
Total	4,470,686	4,355,568

Revenues from Intersegment Transactions

	Millions of yen	
	Six months ended September 30, 2013	Six months ended September 30, 2012
Information & Telecommunication Systems	94,601	91,513
Power Systems	36,209	41,766
Social Infrastructure & Industrial Systems	79,901	89,976
Electronic Systems & Equipment	58,671	58,521
Construction Machinery	1,126	2,302
High Functional Materials & Components	33,846	35,094
Automotive Systems	1,246	1,338
Digital Media & Consumer Products	44,381	38,198
Others (Logistics and Other services)	178,050	178,025
Financial Services	11,924	22,702
Subtotal	539,955	559,435
Corporate items and Eliminations	(539,955)	(559,435)
Total	-	-

Total Revenues

	Millions of yen	
	Six months ended September 30, 2013	Six months ended September 30, 2012
Information & Telecommunication Systems	884,770	832,960
Power Systems	376,303	413,496
Social Infrastructure & Industrial Systems	597,324	545,340
Electronic Systems & Equipment	499,881	510,588
Construction Machinery	358,060	370,602
High Functional Materials & Components	669,593	674,357
Automotive Systems	426,785	401,899
Digital Media & Consumer Products	459,124	428,797
Others (Logistics and Other services)	574,978	556,694
Financial Services	163,682	179,609
Subtotal	5,010,500	4,914,342
Corporate items and Eliminations	(539,814)	(558,774)
Total	4,470,686	4,355,568

Segment Profit (Loss)

	Millions of yen	
	Six months ended September 30, 2013	Six months ended September 30, 2012
Information & Telecommunication Systems	28,976	22,453
Power Systems	3,477	5,928
Social Infrastructure & Industrial Systems	6,389	3,252
Electronic Systems & Equipment	9,302	17,103
Construction Machinery	26,673	29,833
High Functional Materials & Components	49,239	37,589
Automotive Systems	2,010	18,243
Digital Media & Consumer Products	(1,051)	(2,032)
Others (Logistics and Other services)	22,522	21,450
Financial Services	17,420	15,554
Subtotal	164,957	169,373
Corporate items and Eliminations	(22,943)	(45,300)
Total Segment profit	142,014	124,073
Interest income	6,359	5,914
Interest charges	(12,816)	(13,729)
Income before income taxes	135,557	116,258

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.

Operating Income

	Millions of yen	
	Six months ended September 30, 2013	Six months ended September 30, 2012
Information & Telecommunication Systems	31,391	27,210
Power Systems	2,175	7,467
Social Infrastructure & Industrial Systems	2,632	3,190
Electronic Systems & Equipment	10,636	19,790
Construction Machinery	29,447	22,800
High Functional Materials & Components	49,279	38,196
Automotive Systems	20,834	19,273
Digital Media & Consumer Products	(892)	(2,435)
Others (Logistics and Other services)	18,599	20,852
Financial Services	16,077	13,771
Subtotal	180,178	170,114
Corporate items and Eliminations	(6,697)	(6,510)
Total	173,481	163,604

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.

The following tables show segment information for the three months ended September 30, 2013 and 2012.

Revenues from Outside Customers

	Millions of yen	
	Three months ended September 30, 2013	Three months ended September 30, 2012
Information & Telecommunication Systems	441,905	410,282
Power Systems	201,640	201,680
Social Infrastructure & Industrial Systems	292,263	254,687
Electronic Systems & Equipment	243,175	234,773
Construction Machinery	178,811	170,338
High Functional Materials & Components	314,055	313,489
Automotive Systems	218,266	196,227
Digital Media & Consumer Products	205,286	190,968
Others (Logistics and Other services)	216,385	188,437
Financial Services	75,909	73,447
Subtotal	2,387,695	2,234,328
Corporate items	53	525
Total	2,387,748	2,234,853

Revenues from Intersegment Transactions

	Millions of yen	
	Three months ended September 30, 2013	Three months ended September 30, 2012
Information & Telecommunication Systems	51,772	51,042
Power Systems	19,113	21,242
Social Infrastructure & Industrial Systems	47,489	52,580
Electronic Systems & Equipment	31,028	30,556
Construction Machinery	658	1,222
High Functional Materials & Components	17,403	17,709
Automotive Systems	654	670
Digital Media & Consumer Products	26,238	19,277
Others (Logistics and Other services)	95,545	89,692
Financial Services	6,060	11,532
Subtotal	295,960	295,522
Corporate items and Eliminations	(295,960)	(295,522)
Total	-	-

Total Revenues

	Millions of yen	
	Three months ended September 30, 2013	Three months ended September 30, 2012
Information & Telecommunication Systems	493,677	461,324
Power Systems	220,753	222,922
Social Infrastructure & Industrial Systems	339,752	307,267
Electronic Systems & Equipment	274,203	265,329
Construction Machinery	179,469	171,560
High Functional Materials & Components	331,458	331,198
Automotive Systems	218,920	196,897
Digital Media & Consumer Products	231,524	210,245
Others (Logistics and Other services)	311,930	278,129
Financial Services	81,969	84,979
Subtotal	2,683,655	2,529,850
Corporate items and Eliminations	(295,907)	(294,997)
Total	2,387,748	2,234,853

Segment Profit (Loss)

	Millions of yen	
	Three months ended September 30, 2013	Three months ended September 30, 2012
Information & Telecommunication Systems	28,367	23,425
Power Systems	7,649	3,979
Social Infrastructure & Industrial Systems	4,501	5,308
Electronic Systems & Equipment	8,050	8,745
Construction Machinery	20,536	19,093
High Functional Materials & Components	23,982	17,193
Automotive Systems	(7,873)	10,005
Digital Media & Consumer Products	(2,829)	(2,074)
Others (Logistics and Other services)	12,236	12,363
Financial Services	7,927	7,787
Subtotal	102,546	105,824
Corporate items and Eliminations	(19,077)	(33,988)
Total Segment profit	83,469	71,836
Interest income	3,186	2,234
Interest charges	(6,497)	(6,678)
Income before income taxes	80,158	67,392

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.

Operating Income

	Millions of yen	
	Three months ended September 30, 2013	Three months ended September 30, 2012
Information & Telecommunication Systems	31,319	28,618
Power Systems	8,052	4,982
Social Infrastructure & Industrial Systems	3,076	5,224
Electronic Systems & Equipment	10,307	10,252
Construction Machinery	17,675	8,692
High Functional Materials & Components	23,232	18,185
Automotive Systems	11,120	9,946
Digital Media & Consumer Products	(1,499)	(2,452)
Others (Logistics and Other services)	11,508	11,904
Financial Services	7,796	6,521
Subtotal	122,586	101,872
Corporate items and Eliminations	(4,590)	(1,842)
Total	117,996	100,030

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.

(24) Subsequent Events

On November 6, 2013, the Company sold a portion of Western Digital Corporation’s common stock classified as available-for-sale securities. As a result, the Company recognizes ¥41,165 million of gain on securities as other income for the nine months and three months ending December 31, 2013.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	November 12, 2013
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Hiroaki Nakanishi, President
[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. Hiroaki Nakanishi, President, and Mr. Toyoaki Nakamura, Executive Vice President and Executive Officer, confirmed that statements contained in the Quarterly Report for the second quarter of 145th fiscal year (from July 1, 2013 to September 30, 2013) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

   None.