

Note of Transition to IFRS

Upon transition to IFRS, the Company's opening consolidated statement of financial position was prepared by IFRS 1 as of April 1, 2013, its transition date to IFRS, with required adjustments made to the consolidated balance sheet prepared in accordance with US GAAP. The effects of applying IFRS 1 are adjusted in retained earnings or accumulated other comprehensive income (AOCI) at the transition date. The Company has applied the following transition elections, and the effects of transition to IFRS are presented below.

(1) IFRS 1 Exemptions

IFRS 1 requires a retrospective application of IFRS for companies initially adopting IFRS, provided that certain exemptions are available. The Company has applied the following exemptions permitted by IFRS 1.

• Business Combinations

The Company has elected not to apply IFRS 3 "Business Combinations" retrospectively to business combinations occurred prior to March 30, 2010. Therefore, the carrying amounts of goodwill from acquisitions prior to March 30, 2010 are based on US GAAP.

• Foreign Currency Translation Adjustments

Cumulative foreign currency translation adjustments are deemed to be zero as at transition date.

• Designation of Financial Instruments Recognized prior to Transition Date

The Company has elected to use facts and circumstances existed as of the transition date in applying classification standard under IFRS 9 (issued in November 2009, amended in October 2010).

(2) IFRS 1 Mandatory Exceptions

IFRS 1 prohibits retroactive application of IFRS with respect to "accounting estimates," "derecognition of financial assets and liabilities," and "hedge accounting." The Company has applied relevant IFRSs on these transactions prospectively from the transition date.

(3) Reconciliation of IFRS and US GAAP and Related Notes

(a) Reconciliation of Equity as of Transition Date (April 1, 2013)

Millions of yen

	US GAAP	Effect of transition	IFRS	
Assets				Assets
Current assets				Current assets
Cash and cash equivalents	527,632	(4,275)	523,357	Cash and cash equivalents
Short-term investments	10,444	(10,444)	-	
Note receivables	110,316	(110,316)	-	
Trade receivables	2,311,460	(11,037)	2,300,423	Trade receivables
Investments in leases	270,899	10,814	281,713	Lease receivables
Current portion of financial assets transferred to consolidated securitization entities	23,365	(23,365)	-	
Inventories	1,437,399	(57,827)	1,379,572	Inventories
Prepaid expenses and other current assets	498,623	(134,601)	364,022	Other current assets
Total current assets	5,190,138	(341,051)	4,849,087	Total current assets
				Non-current assets
Investments and advances including affiliated companies	781,984	(781,984)	-	
	-	246,956	246,956	Investments accounted for using the equity method
	-	1,042,516	1,042,516	Investments in securities and other financial assets
	-	410,162	410,162	Lease receivables
Property, plant and equipment				
Land	518,313	(518,313)	-	
Buildings	1,942,634	(1,942,634)	-	
Machinery and equipment	5,207,010	(5,207,010)	-	
Construction in progress	115,340	(115,340)	-	
Less accumulated depreciation	(5,503,333)	5,503,333	-	
Net property, plant and equipment	2,279,964	(2,279,964)	-	
	-	2,196,176	2,196,176	Property, plant and equipment
Intangible assets				
Goodwill	290,387	(290,387)	-	
Other intangible assets	415,009	(415,009)	-	
Total intangible assets	705,396	(705,396)	-	
	-	685,166	685,166	Intangible assets
Non-current portion of financial assets transferred to consolidated securitization entities	131,379	(131,379)	-	
Other assets	720,369	(373,425)	346,944	Other non-current assets
	-	4,927,920	4,927,920	Total non-current assets
Total assets	9,809,230	(32,223)	9,777,007	Total assets

Millions of yen

	US GAAP	Effect of transition	IFRS	
Liabilities				Liabilities
Current liabilities				Current liabilities
Short-term debt	673,850	11,466	685,316	Short-term debt
Current portion of long-term debt	260,185	26,245	286,430	Current portion of long-term debt
Current portion of non-recourse borrowings of consolidated securitization entities	26,399	(26,399)	-	
	-	285,168	285,168	Other financial liabilities
Note payables	15,462	(15,462)	-	
Trade payables	1,219,402	21,634	1,241,036	Trade payables
Accrued expenses	924,591	(195,510)	729,081	Accrued expenses
Income taxes	56,278	(56,278)	-	
Advances received	359,795	(40)	359,755	Advances received
Other current liabilities	428,179	(127,638)	300,541	Other current liabilities
Total current liabilities	3,964,141	(76,814)	3,887,327	Total current liabilities
Long-term debt	1,306,747	116,941	1,423,688	Non-current liabilities
	-	63,699	63,699	Long-term debt
Non-current portion of non-recourse borrowings of consolidated securitization entities	102,898	(102,898)	-	Other financial liabilities
Retirement and severance benefits	913,211	24,642	937,853	Retirement and severance benefits
Other liabilities	342,946	(36,073)	306,873	Other non-current liabilities
	-	2,732,113	2,732,113	Total non-current liabilities
Total liabilities	6,629,943	(10,503)	6,619,440	Total liabilities
Equity				Equity
Hitachi, Ltd. stockholders' equity				Hitachi, Ltd. stockholders' equity
Common stock	458,790	-	458,790	Common stock
Capital surplus	622,946	-	622,946	Capital surplus
Retained earnings	1,370,723	(462,753)	907,970	Retained earnings
Accumulate other comprehensive loss	(368,334)	438,901	70,567	Accumulate other comprehensive income
Treasury stock, at cost	(1,565)	-	(1,565)	Treasury stock, at cost
Total Hitachi, Ltd. stockholders' equity	2,082,560	(23,852)	2,058,708	Total Hitachi, Ltd. stockholders' equity
Noncontrolling interests	1,096,727	2,132	1,098,859	Noncontrolling interests
Total equity	3,179,287	(21,720)	3,157,567	Total equity
Total liabilities and equity	9,809,230	(32,223)	9,777,007	Total liabilities and equity

(b) Reconciliation of Equity as of March 31, 2014

Millions of yen

	US GAAP	Effect of transition	IFRS	
Assets				Assets
Current assets				Current assets
Cash and cash equivalents	558,217	2,440	560,567	Cash and cash equivalents
Short-term investments	9,172	(9,172)	-	
Note receivables	143,675	(143,675)	-	
Trade receivables	2,654,260	(80,874)	2,573,386	Trade receivables
Investments in leases	262,953	58,485	321,438	Lease receivables
Current portion of financial assets transferred to consolidated securitization entities	52,212	(52,212)	-	
Inventories	1,407,055	(68,054)	1,339,001	Inventories
Prepaid expenses and other current assets	616,326	(148,725)	467,601	Other current assets
Total current assets	5,703,870	(441,787)	5,262,083	Total current assets
Investments and advances including affiliated companies	1,220,800	(1,220,800)	-	Non-current assets
	-	599,490	599,490	Investments accounted for using the equity method
	-	1,291,000	1,291,000	Investments in securities and other financial assets
	-	610,830	610,830	Lease receivables
Property, plant and equipment				
Land	492,383	(492,383)	-	
Buildings	1,900,779	(1,900,779)	-	
Machinery and equipment	4,901,505	(4,901,505)	-	
Construction in progress	94,972	(94,972)	-	
Less accumulated depreciation	(5,047,548)	5,047,548	-	
Net property, plant and equipment	2,342,091	(2,342,091)	-	
	-	2,258,933	2,258,933	Property, plant and equipment
Intangible assets				
Goodwill	339,148	(339,148)	-	
Other intangible assets	422,333	(422,333)	-	
Total intangible assets	761,481	(761,481)	-	
	-	732,238	732,238	Intangible assets
Non-current portion of financial assets transferred to consolidated securitization entities	185,818	(185,818)	-	
Other assets	802,839	(459,222)	343,617	Other non-current assets
	-	5,836,108	5,836,108	Total non-current assets
Total assets	11,016,899	81,292	11,098,191	Total assets

Millions of yen

	US GAAP	Effect of transition	IFRS	
Liabilities				Liabilities
Current liabilities				Current liabilities
Short-term debt	647,269	128,247	775,516	Short-term debt
Current portion of long-term debt	464,234	77,215	541,449	Current portion of long-term debt
Current portion of non-recourse borrowings of consolidated securitization entities	49,895	(49,895)	-	
	-	269,501	269,501	Other financial liabilities
Note payables	18,926	(18,926)	-	
Trade payables	1,331,288	15,896	1,347,184	Trade payables
Accrued expenses	937,401	(227,730)	709,671	Accrued expenses
Income taxes	72,839	(72,839)	-	
Advances received	298,483	(2,218)	296,265	Advances received
Other current liabilities	470,430	(109,572)	360,858	Other current liabilities
Total current liabilities	4,290,765	9,679	4,300,444	Total current liabilities
Long-term debt	1,512,720	204,300	1,717,020	Non-current liabilities
	-	99,742	99,742	Long-term debt
Non-current portion of non-recourse borrowings of consolidated securitization entities	148,931	(148,931)	-	Other financial liabilities
Retirement and severance benefits	749,913	29,963	779,876	Retirement and severance benefits
Other liabilities	462,106	(129,828)	332,278	Other non-current liabilities
	-	2,928,916	2,928,916	Total non-current liabilities
Total liabilities	7,164,435	64,925	7,229,360	Total liabilities
Equity				Equity
Hitachi, Ltd. stockholders' equity				Hitachi, Ltd. stockholders' equity
Common stock	458,790	-	458,790	Common stock
Capital surplus	617,468	28	617,496	Capital surplus
Retained earnings	1,587,394	(309,424)	1,277,970	Retained earnings
Accumulate other comprehensive loss	(9,265)	326,812	317,547	Accumulate other comprehensive income
Treasury stock, at cost	(3,146)	-	(3,146)	Treasury stock, at cost
Total Hitachi, Ltd. stockholders' equity	2,651,241	17,416	2,668,657	Total Hitachi, Ltd. stockholders' equity
Noncontrolling interests	1,201,223	(1,049)	1,200,174	Noncontrolling interests
Total equity	3,852,464	16,367	3,868,831	Total equity
Total liabilities and equity	11,016,899	81,292	11,098,191	Total liabilities and equity

(c) Reconciliation of Profit or Loss and Comprehensive Income for the Year Ended March 31, 2014
Consolidated Statement of Profit or Loss

Millions of yen

	US GAAP	Effect of transition	IFRS	
Revenues	9,616,202	50,244	9,666,446	Revenues
Cost of sales	(7,083,363)	(90,384)	(7,173,747)	Cost of sales
Gross profit	2,532,839	(40,140)	2,492,699	Gross profit
Selling, general and administrative expenses	(2,000,028)	112,127	(1,887,901)	Selling, general and administrative expenses
Operating profit	532,811	(532,811)	-	
	-	208,531	208,531	Other income
	-	(164,537)	(164,537)	Other expenses
Dividend income	8,154	(8,154)	-	
Equity in net earnings of affiliated companies	8,686	(8,686)	-	
Other income	183,110	(183,110)	-	
	-	33,446	33,446	Financial income
	-	(1,931)	(1,931)	Financial expenses
Loss on sale of stock of an affiliated company	(5,915)	5,915	-	
Expenses related to competition law and others	(76,858)	76,858	-	
Impairment losses for long-lived assets	(33,796)	33,796	-	
Restructuring charges	(28,284)	28,284	-	
Other deductions	(7,755)	7,755	-	
	-	10,923	10,923	Share of profits of investments accounted for using the equity method
	-	691,230	691,230	EBIT
Interest income	14,136	45	14,181	Interest income
Interest charges	(26,107)	(806)	(26,913)	Interest charges
Income before income taxes	568,182	110,316	678,498	Income from continuing operations, before income taxes
Income taxes	(204,152)	57,612	(146,540)	Income taxes
	-	531,958	531,958	Income from continuing operations
	-	(6,955)	(6,955)	Loss from discontinued operations
Net income	364,030	160,973	525,003	Net income
Net income attributable to Hitachi, Ltd. stockholders	264,975	148,902	413,877	Net income attributable to Hitachi, Ltd. stockholders
Net income attributable to noncontrolling interests	99,055	12,071	111,126	Net income attributable to non-controlling interests

Millions of yen

	US GAAP	Effect of transition	IFRS	
				EPS from continuing operations, attributable to Hitachi, Ltd.
				Yen stockholders
	-	87.13	87.13	Basic
	-	87.10	87.10	Diluted
Net income attributable to Hitachi, Ltd.				EPS attributable to Hitachi, Ltd.
stockholders per share				Yen stockholders
Basic	54.86	30.83	85.69	Basic
Diluted	54.85	30.81	85.66	Diluted

“Effect of transition” in the table includes the effect of discontinued operation.

Consolidated Statement of Comprehensive Income

Millions of yen

	US GAAP	Effect of transition	IFRS	
Net income	364,030	160,973	525,003	Net income
OCI arising during the year				OCI
				Items not to be reclassified into net income
Net unrealized holding gain on available-for-sale securities	127,312	(24,580)	102,732	Net changes in financial assets measured at fair value through OCI
Pension liability adjustments	129,499	(65,293)	64,206	Remeasurements of defined benefit plans
	-	280	280	Share of OCI of investments accounted for using the equity method
	-	167,218	167,218	Total items not to be reclassified into net income
				Items that can be reclassified into net income
Foreign currency translation adjustments	159,638	(37,524)	122,114	Foreign currency translation adjustments
Cash flow hedges	(11,301)	(8,713)	(20,014)	Net changes in Cash flow hedges
	-	26,093	26,093	Share of OCI of investments accounted for using the equity method
	-	128,193	128,193	Total items that can be reclassified into net income
Total OCI arising during the year	405,148	(109,737)	295,411	OCI
Comprehensive income	769,178	51,236	820,414	Comprehensive income

Millions of yen

	US GAAP	Effect of transition	IFRS	
Comprehensive income attributable to Hitachi, Ltd. stockholders	625,387	39,985	665,372	Comprehensive income attributable to Hitachi, Ltd. stockholders
Comprehensive income attributable to noncontrolling interests	143,791	11,251	155,042	Comprehensive income attributable to non-controlling interests

(d) Notes to Reconciliations of Equity and Profit or Loss

• **Equity Instruments**

IFRS requires all equity instruments to be measured at fair value whether they have active market or not. Since changes in the fair value of equity instruments are allowed to be recognized in OCI, the Company elected an irrevocable option to account for substantially all equity instruments as fair value through other comprehensive income (FVTOCI) financial assets. Subsequent gain or loss from disposal of these financial assets is also recognized in OCI.

Under US GAAP, equity instruments with no active market are measured at cost. Impairment loss is recognized for financial assets with other-than-temporary fall in fair value for the excess of the cost over fair value. Subsequent gain or loss from disposal of these financial assets is recognized in profit or loss.

As of March 31, 2014 and April 1, 2013, adjustments made to investments in securities and other financial assets were ¥58,335 million and ¥58,191 million, respectively, and the net of tax adjustments after deferred tax liabilities in the amount of ¥20,859 million and ¥21,976 million, respectively were mainly included in OCI. "Financial income" in the consolidated statement of profit or loss for the year ended March 31, 2014 decreased by ¥28,040 million.

• **Employee Benefits**

IFRS requires actuarial differences from remeasurement defined benefit corporate pension plans and severance pay plan and changes in fair value of plan assets (excluding interest income) related to defined benefit corporate pension plans and severance pay plan to be recognized in OCI. Prior service cost arising from plan amendment is recognized immediately in profit or loss. Current service cost is recognized as incurred in profit or loss, and the net interest cost, measured by multiplying the discount rate on the net defined benefit obligation or asset, is recognized in profit or loss.

US GAAP requires actuarial differences and prior service costs to be deferred in AOCI, and subsequently amortized into profit or loss. Current service cost, interest cost and expected return on plan assets are recognized in profit or loss.

"Cost of sales" and "selling general and administrative expenses" in the consolidated statement of profit or loss for the year ended March 31, 2014 decreased by ¥31,838 million and ¥24,839 million, respectively.

The amount of actuarial differences in AOCI under US GAAP as of the transition date has been all reclassified into retained earnings.

• **Income Taxes**

Under IFRS, with respect to unrealized gains and losses from intercompany transactions, the difference between the carrying amount of asset sold and the selling price is recognized as a future deductible temporary difference, based on the asset and liability approach, and after reviewing its realizability, a deferred tax asset is recognized by the effective tax rate of the buyer.

Under US GAAP, the tax expense of the seller is deferred based on the deferral method.

IFRS requires subsequent changes to deferred tax assets and liabilities recognized on items previously recognized in OCI to be recognized in OCI.

US GAAP requires subsequent changes, such as changes in tax rate and changes in realizability of deferred tax assets, to be recognized in profit or loss, even for items previously recognized in OCI.

With respect to temporary differences on investments accounted for using the equity method, IFRS requires the recognition of deferred tax liabilities using the tax rates in effect at the time of reversal of temporary difference, such as at the time of dividends or disposal, for all future taxable temporary differences.

US GAAP requires the recognition of deferred tax liabilities using the tax rate applicable based on an assumption that temporary difference is reversed by disposal, even if the Company intends to hold the investments on an ongoing basis.

Transition adjustments related to income taxes at March 31, 2014 and April 1, 2013 are included in retained earnings.

• **Scope of Consolidation**

Under IFRS, entities controlled by the parent company are consolidated. Control exists when a parent company has the power to direct financial and operational policies of an entity with an objective of receiving benefits from the entity's results of operation.

Under US GAAP, entities are consolidated when apparent parent control over an entity, evidenced by voting rights, is present. All variable interest entities for which the Company or any of its consolidated entities is the primary beneficiary are consolidated as well.

• **Derecognition of Investments Accounted for Using the Equity Method**

For the year ended March 31, 2014, an investee of the Company had increased its capital by third-party allotment, thereby decreased the Company's ratio of ownership interest in the investee. The Company treated it as a sale of investment as the investee no longer met the requirements for investments accounted for using the equity method.

In case where the investment is no longer accounted for using the equity method and the investor still holds some shares of the investment, IFRS requires the remaining portion to be measured at fair value. The difference between the selling amount and the fair value of the remaining portion and the carrying amount of the investment at the time of derecognition of investments under equity method is recognized in profit or loss.

Under US GAAP, the difference between the selling amount and the carrying amount of the shares sold is recognized in profit or loss when derecognized as equity method. If the investor still holds some shares of the investment, the gain or loss previously recognized on the investment is carried over to the carrying amount of the remaining interests.

"Other income" in the consolidated statements of profit or loss for the year ended March 31, 2014 increased by ¥41,467 million.

• **Government Grants**

IFRS requires government grants received on acquisition of assets to be recognized either as reducing the carrying amount of the asset by the government grants received or as deferred revenues.

US GAAP has no specific requirement on recognition of government grants received on acquisition

of assets, and therefore government grants are not reflected in the carrying amount of the asset.

· **Transition Effect on Retained Earnings**

	Millions of yen	
	April 1, 2013	March 31, 2014
Employee benefits	(491,426)	(417,631)
Foreign currency translation adjustments	(91,314)	(79,795)
Income taxes	155,633	192,904
Derecognition of investments accounted for using the equity method	-	41,467
Government grants	(38,204)	(32,037)
Other	2,558	(14,332)
Total	(462,753)	(309,424)

Reconciling items below result from changes in presentation in the consolidated statements of financial position and have no impact on the consolidated statements of profit or loss and retained earnings.

Under US GAAP, deferred tax assets and liabilities are presented separately according to their current or non-current attributes in assets and liabilities. IFRS requires deferred tax assets and liabilities to be presented as non-current items, and all current deferred tax assets and liabilities are reclassified into non-current assets and liabilities, accordingly.

Accounts receivable, accrued expenses, other non-current liabilities and other accounts are partially reclassified based on the IFRS definition and recognition criteria.

(e) Notes to Reconciliations of Consolidated Statement of Cash Flows

The differences between consolidated statements of cash flows based on IFRS and US GAAP are mainly caused by the difference in closing dates of some subsidiaries and receivables transferred but did not meet the requirements of derecognition of financial assets.