

Item 8. Selected Financial Data

	<u>Year ended March 31</u>				
	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
	(Billions of yen, except per share amounts and yen exchange rates)				
Net sales	¥ 7,592	8,124	8,523	8,417	7,977
Income (loss) before income taxes and minority interests	284	349	263	172	(223)
Net income (loss)	114	142	88	3	(339)
Per common share:					
Net income (loss)					
Basic	¥ 34.66	42.59	26.51	1.04	(101.50)
Diluted	33.02	40.09	25.55	1.00	(101.50)
Dividends	11.00	11.00	11.00	11.00	5.50
	(\$0.120)	(\$0.105)	(\$0.097)	(\$0.081)	(\$0.045)
Cash and cash equivalents	¥ 1,621	1,628	1,310	1,200	1,238
Short-term investments	583	593	763	714	557
Total assets	9,142	9,803	9,965	10,113	9,676
Short-term debt and Current installments of long-term debt	907	1,033	1,181	1,317	1,160
Long-term debt	1,012	1,203	1,245	1,288	1,478
Minority interests	675	696	744	769	758
Stockholders' equity	3,033	3,200	3,284	3,241	2,869
Yen exchange rates per U.S. dollar:					
Year-end	¥ 86.85	107.00	123.72	133.29	118.43
Average	98.45	97.09	113.21	123.57	128.10
High	86.85	81.12	104.49	111.42	108.83
Low	105.38	107.29	124.54	133.99	147.14

Notes:

- (a) The Company has not applied Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." See footnote (2) to the consolidated financial statements.
- (b) Yen exchange rates are the noon buying rates for yen in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York. Translation of dividend amounts into U.S. dollars is based on such rates at each respective payment date. The average rate means the average of the exchange rates on the last day of each month during a fiscal year.
- (c) Fiscal year 1998 includes a restructuring charge of ¥133 billion. Fiscal year 1997 includes a net gain of sale of securities of ¥111 billion and certain impairment and liquidation losses of ¥82 billion. See footnote (15) to the consolidated financial statements.

Item 9. Management's Discussion and Analysis of Financial Condition and Results of Operations

(a) Liquidity and Capital Resources

The analysis made in this Item covers the three-year period from fiscal 1996 to fiscal 1998. Management considers maintaining an appropriate level of liquidity and securing adequate funds for current and future business operations to be important financial objectives. Through efficient management of working capital and selective investment in new plant and equipment, Hitachi is working to optimize the efficiency of capital utilization throughout its business operations. Hitachi's internal sources of funds include cash flows generated by operating activities and cash on hand. In addition, Hitachi raises funds both directly from the capital markets and indirectly from Japanese and international commercial banks.

Net cash provided by operating activities was ¥389 billion in fiscal 1998, a decrease of ¥32 billion from the preceding year. Although net income decreased sharply from the preceding year, the effect of the decrease was partially offset by a reduction in inventory balances. Since Hitachi has a variety of businesses, the balance of inventory is likely to be affected by various aspects in each sector. Disposals of rental assets and other property also contributed to offset the negative effect of net loss on operating cash flow.

Net cash used for investing activities was ¥451 billion, ¥638 billion and ¥871 billion in fiscal 1998, 1997 and 1996, respectively. Cash flows for capital expenditures during the same years were ¥619 billion, ¥690 billion and ¥750 billion. Management's policy is to match capital expenditures to the amount of cash flows from operating activities. Management has implemented more selective capital expenditures for recent years in order to maintain the ability to grow in the competitive markets. As of March 31, 1999, Hitachi's capital commitments for the purchase of property, plant and equipment amounted to ¥39 billion.

Net cash provided by financing activities was ¥114 billion, ¥112 billion and ¥52 billion in fiscal 1998, 1997 and 1996. In fiscal 1998, funds generated by long-term borrowing rose ¥95 billion from fiscal 1997. The amount of dividends paid to shareholders decreased by half in fiscal 1998. In March, 1999, Standard & Poor's downgraded the long-term ratings of Hitachi to A+ from AA. In April, 1999, Moody's Investors Service also downgraded the long-term ratings of Hitachi to A2 from Aa 3. These downgrades are likely to increase the cost of debt finance by Hitachi.

In fiscal 1998, these activities and the effect of foreign exchange rate fluctuations produced a ¥38 billion increase from fiscal 1997 in cash and cash equivalents. Cash and cash equivalents at the end of fiscal 1998 amounted to ¥1,238 billion. Management also considers short-term investments, the change of which is classified in investing activities, as an immediately available source of funds. Total of cash and cash equivalents and short-term investments in fiscal 1998 was ¥1,795 billion, a decrease of ¥118 billion from fiscal 1997. Net working capital, the difference between current assets and current liabilities, decreased ¥91 billion, to ¥2,104 billion at the end of fiscal 1998. The current ratio rose from 154% in the preceding year to 156%.

Management believes that Hitachi's current financial positions as indicated by these figures are adequate for Hitachi's business operations, and is seeking to ensure that the level of liquidity and the access to capital resources be maintained in order to successfully conduct its future operations in highly competitive markets.

(b) Results of Operations

Overview

Despite the implementation of demand-side economy stimulating measures by the Government, Japan's economy remained sluggish owing to inactive consumer spending, the result of a worsening employment situation, and to a decline in private-sector investment in new plant and equipment attributable to declining corporate profits. Annual growth in Japan's real GDP, which was 4.4% in fiscal 1996 and minus 0.4% in 1997, was minus 2.0% in 1998.

The U.S. economy, supported by vigorous demand, continued to perform well, while the European economy also held steady. In Asia, the difficulties arising from last year's currency crises were overcome but the trend toward economic contraction persisted.

Hitachi's operations extend throughout the world and the Company's business results are affected by various aspects of the economic environment, particularly private-sector capital investment behavior and consumer spending behavior in the Company's main market sectors. Hitachi has therefore moved to make its production and marketing more responsive to the trends of the individual markets.

In fiscal 1998, overseas sales, a significant part of which is denominated in U.S. dollars, were 31% of net sales. During fiscal 1998, the Company and its domestic subsidiaries' receipt of U.S. dollars exceeded their payment in U.S. dollars by approximately \$4 billion. During fiscal 1998, the average exchange rate of U.S. dollars applied by the Company and its domestic subsidiaries in converting the U.S. dollars was ¥129 compared to ¥123 in fiscal 1997. See "Fiscal 1998 Compared with Fiscal 1997." Hitachi employs foreign exchange forward-contracts to reduce the impact of foreign currency exchange fluctuations. For additional information regarding foreign currency fluctuations, see "Item 1. Description of Business-Sales and Distribution."

In order to secure a sounder financial base of Employee Pension Fund, the Company has been expediting the amortization of Prior Service Costs in relation to the Fund in fiscal 1997 and 1998.

Hitachi is confronting several challenges. Some of its businesses are in stagnant industries. However, Hitachi's ability to close or sell unprofitable businesses is limited due to the underdeveloped M&A market in Japan and the importance of preserving customer goodwill. A high portion of manufacturing is done domestically, which means that the strengthening of the yen reduces Hitachi's cost competitiveness. Hitachi is responding to these circumstances by closing or downsizing unprofitable operations where feasible, seeking joint-ventures with competitors, reallocating employees from overstuffed businesses to growth businesses, and reorganizing its decision-making process.

Hitachi's sales registered year-on-year gains of 5% in fiscal 1996 but declined 1% in 1997 and 5% in 1998. During the same period, net income declined 38% and 96% in fiscal 1996 and 1997. In fiscal 1998, Hitachi posted a net loss of ¥339 billion. The analysis of sales by industry and geographic segment, which follows, is based on the information presented in "Item 1. Description of Business-Segment Information."

Fiscal 1997 Compared with Fiscal 1996

Hitachi's sales in fiscal 1997 amounted to ¥8,417 billion, a decrease of 1% from the preceding year. Overseas sales increased by 6%, to ¥2,612 billion. Breakdown of sales is discussed in the following.

In Information Systems & Electronics, semiconductor sales were adversely affected by sharp declines in 64-megabit DRAM and other memory prices, but mainframe computers performed well in overseas markets. Sales for the segment as a whole increased by 3% from the preceding fiscal year. In Power & Industrial Systems, sales declined by 6% principally due to restrained plant and equipment investment by domestic power companies and a decrease in nuclear power plant deliveries. Consumer Products sales declined by 6% due principally to the impact of the cool summer in Japan on sales of room air conditioners and generally constrained consumer expenditures, reflecting adverse general economic conditions. In Materials, sales increased by 4%, reflecting increased sales of metal materials, wire and cable, and chemical materials. Sales in Services & Other were relatively stable, while revenues from transportation service companies and financial service companies increased.

An analysis by geographic segment shows that sales of companies in Japan declined by 2% mainly due to the stagnant economy, while overseas companies achieved an increase in sales of 12%, reflecting strong results from U.S. computer sales companies benefiting from the vigorous U.S. economy.

Other income amounted to ¥111 billion, an increase of ¥70 billion from the previous year. This is attributable principally to a ¥111 billion net gain on the sale of securities, effected in order to recognize previously unrealized gains. Since most of the equity securities are held to maintain business relationships with investee companies, management decided to purchase majority of the equity securities sold after gains were recognized. Such transactions have the effects of reducing the amount of accumulated unrealized gains and of increasing the book values of equity securities held by Hitachi. As a result, declines in market prices for Japanese stocks increase the potential for losses on such equity securities.

As a result of the foregoing, total revenues in fiscal 1997 amounted to ¥8,579 billion, a decrease of 0.4% from the preceding year.

The cost of sales during fiscal 1997 amounted to ¥6,230 billion, a decrease of 0.3% from the preceding year, while as a percentage of net sales the cost of sales increased by 0.7 percentage point, to 74.0%. Selling, general and administrative expenses rose 0.1%, to ¥1,978 billion, and as a percentage of net sales increased by 0.3 percentage point, to 23.5%.

Other deductions amounted to ¥139 billion, an increase of ¥78 billion due mainly to losses related to semiconductor memory operations. Included in this total are an impairment loss of ¥36 billion for the machinery and equipment to manufacture mainly 64-megabit DRAMs, a special charge of ¥14 billion in relation to a one-time recognition of unrecoverable future lease payments under the noncancelable agreements, and a liquidation loss of ¥32 billion in connection with the Company's discontinuance of its DRAM manufacturing joint-venture with Texas Instruments Inc. in the United States.

As a result of the foregoing, total costs and expenses amounted to ¥8,407 billion, an increase of 0.7% from the preceding year.

Income before income taxes and minority interests amounted to ¥172 billion, a decrease of 35% from the preceding fiscal year. Net income declined by 96%, to ¥3 billion. A reduction in income tax rates in Japan had a negative effect of ¥27 billion on net income. Without such effect, net income for fiscal 1997 would have decreased by 65% instead of 96%. See footnote (5) to the consolidated financial statements.

Assuming no change in sales volume or other conditions, Hitachi estimates that foreign exchange rate fluctuations increased Hitachi's fiscal 1997 income by ¥29 billion. Based on the same assumption, Hitachi estimates that the growth in overseas sales was 1% rather than 6%. Regarding the effect of foreign exchange rate fluctuations on Hitachi's results, see "Item 1. Description of Business-Sales and Distribution."

Fiscal 1998 Compared with Fiscal 1997

Hitachi's sales in fiscal 1998 were ¥7,977 billion, a decrease of 5% from the preceding year. Overseas sales declined 6%, to ¥2,444 billion.

Sales in Information Systems & Electronics declined 8% from the preceding year. The decrease was produced by the impact of a deteriorating memory market on the semiconductor sector and the poor performance of electronic devices, particularly display tubes, due to weakening demand and falling prices. In Power & Industrial Systems, sales declined 5%. The decrease of sales was attributable to the sluggish demand caused by weakening capital investment in the domestic private sector and price competition among vendors. Consumer Products sales declined 3% primarily because of a reduction of consumer spending in Japan. Materials experienced a 9% drop in sales owing to poor results across all of the metals, wire and cable, and chemical products sectors. In Services & Other, the adverse effect of the sluggish semiconductor market on overseas sales companies reduced sales by 12%.

An analysis by geographic segment shows that sales of companies in Japan declined by 6%. The main cause for the decrease was the stagnant domestic economy, particularly the slow pace of investment in new plant and equipment by Japanese companies. Overseas companies incurred a 7% setback in sales, the result of dull performance by sales companies in most regions.

As a result of the foregoing, total revenues in fiscal 1998 amounted to ¥8,026 billion, a decrease of 6.4% from the preceding year.

The cost of sales during fiscal 1998 amounted to ¥6,052 billion, down 2.9% from the preceding year, while as a percentage of net sales, the cost of sales increased by 1.9 percentage point, to 75.9%. Selling, general and administrative expenses decreased 0.9%, to ¥1,959 billion, and as a percentage of net sales increased by 1.1 percentage point, to 24.6%.

Other deductions rose ¥40 billion, to ¥179 billion, which included expenses related to the reorganization of overseas operation in such areas as semiconductor and personal computer, and streamlining of domestic semiconductor operations. Included in the restructuring charge of ¥133 billion are special termination benefits of ¥72 billion related to the voluntary termination of approximately 9,700 employees, of which 5,200 have been terminated or reallocated as of March 31, 1999, and losses of ¥42 billion on the sale or disposal of assets.

As a result of the foregoing, total costs and expenses in fiscal 1998 amounted to ¥8,250 billion, a decrease of 1.9% from the preceding year.

Loss before income taxes and minority interests amounted to ¥223 billion and net loss came to ¥339 billion. This was Hitachi's first net loss since it started reporting consolidated financial results. A reduction in income tax rates in Japan had a negative effect of ¥54 billion on net income. See footnote (5) to the consolidated financial statements.

Assuming no change in sales volume or other conditions, foreign exchange rate fluctuations are estimated to have increased Hitachi's fiscal 1998 income by ¥6 billion. Regarding the effect of foreign exchange rate fluctuations on Hitachi's results, see "Item 1. Description of Business - Sales and Distribution."

(c) New Accounting Rules

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued in June 1998 and requires that all derivatives be measured at fair value and recognized as either assets or liabilities in the statement of financial position. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and its resulting hedge designation. This standard is effective for fiscal years beginning after June 15, 2000 as amended by SFAS No.137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB statement No.133" issued in June 1999 and shall not be applied retroactively to the financial statements of prior periods. The Company is currently assessing the impact of implementing this statement. However, based on its limited use of derivative financial instruments, management does not anticipate that the adoption of this statement will have a material effect on the Company's financial position or results of operations.

In March 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants (AcSEC) issued Statement of Position (SOP) 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use," which requires that computer software costs for internal use be capitalized if certain criteria are met. This SOP is effective for fiscal years beginning after December 15, 1998, and is to be applied on a prospective basis to costs incurred on or after the date of adoption. Management does not anticipate that the adoption of this SOP will have a material effect on the Company's financial position or results of operations.

In April 1998, the AcSEC also issued SOP 98-5, "Reporting on the Cost of Start-Up Activities," which requires costs of start-up activities and organization costs to be expensed as incurred. This SOP is effective for fiscal years beginning after December 15, 1998, and the initial application of this SOP is to be reported as a cumulative effect of a change in accounting principle, if material. The Company's current accounting policies are consistent with this SOP, and therefore management does not believe that the effect of implementing this SOP will be material to the Company's financial position or results of operations.

(d) Accounting for Investments in Securities

SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which was effective from fiscal year ended March 31, 1995, was issued in May 1993. Regarding the method of implementing the Statement, the Company requested the United States' Securities and Exchange Commission (SEC) for special treatment, which allows the Company to provide the required SFAS No. 115 disclosure in a footnote to its financial statements, instead of implementing it in the body of its consolidated financial statements.

This request was based upon the following reasons:

Most marketable equity securities in Hitachi's portfolio are semi-permanent investments for maintaining business relationships with investee companies, and management generally has no current plans to sell such securities. The Company files its consolidated financial statements with both the SEC and the Ministry of Finance in Japan utilizing accounting principles generally accepted in the United States. If SFAS No. 115 were implemented, the comparability among Japanese companies' financial statements would be considerably reduced. Many Japanese companies prepare their consolidated financial statements utilizing accounting practices generally accepted in Japan which generally reflect historical cost accounting. The SEC Division of Corporation Finance approved the Company's request in a letter dated August 16, 1993. Consequently, the Company decided to disclose the effect of its departure from the Statement in an audited footnote to its consolidated financial statements and not to implement the Statement in the body of its consolidated financial statements.

The Company disclosed the effect and SFAS No. 115 disclosure for both current and previous year in the audited footnote (2) to its consolidated financial statements.

(e) Item 9A Quantitative and Qualitative Disclosures About Market Risk

i) Primary market risk exposure

Hitachi operates globally and is exposed to market risks from changes in foreign currency exchange rates, interest rates and equity security prices. Hitachi uses certain derivative financial instruments in order to reduce these market risks, and does not hold or issue derivative financial instruments for trading purpose. Further, Hitachi is also exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments and derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are authentic financial institutions.

ii) Equity price risk

Hitachi has marketable securities which are subject to price risk arising from changes in their market prices. Marketable securities classified as current assets which are considered to be highly liquid and low risk in the investment portfolio are not held for trading purpose, and marketable securities classified as noncurrent assets are held as long-term investments.

Most marketable equity securities are semi-permanent investments for maintaining business relationships with investee companies and management generally has no current plans to sell such securities.

The tables below provide information about the contractual maturities of bonds and debentures and fair value of the market risk sensitive securities as of March 31, 1999 and 1998.

	(Millions of yen)				
	<u>Carrying Amount (year ended March 31, 1999)</u>				<u>Fair Value</u>
	<u>Contractual maturity date</u>				
	<u>Due within one year</u>	<u>Due after one year through five years</u>	<u>Due after five years</u>	<u>Total</u>	
Bonds and debentures and other securities	¥ 168,478	132,030	87,760	388,268	389,991
Equity securities				244,537	522,123

	(Millions of yen)				
	<u>Carrying Amount (year ended March 31, 1998)</u>				<u>Fair Value</u>
	<u>Contractual maturity date</u>				
	<u>Due within one year</u>	<u>Due after one year through five years</u>	<u>Due after five years</u>	<u>Total</u>	
Bonds and debentures and other securities	¥ 293,896	146,434	94,096	534,426	537,649
Equity securities				264,489	565,393

iii) Foreign currency exchange rate risk and interest rate risk

Hitachi has assets and liabilities which are exposed to foreign currency exchange rate risks and interest rate risks. Hitachi enters into forward exchange contracts and cross currency swap agreements for the purpose of hedging these risk exposures.

(1) Foreign currency exchange rate risk

Hitachi principally uses forward exchange contracts to manage certain foreign currency exchange exposures. These contracts, which principally mature within 1 year, are primarily used to fix the future net cash flows derived from sales and purchases which are denominated in foreign currencies. The Company principally enters into forward exchange contracts in accordance with the Company's policy to cover approximately 50% of anticipated net cash inflows derived from sales and purchases in next 6 months which are denominated in foreign currencies.

Hitachi principally enters into cross currency swap agreements with the same maturities as underlying debts to fix cash flows from long-term debts denominated in foreign currencies. And the hedging relationship between these derivative financial instruments and hedged items is highly effective in achieving offsetting changes in foreign exchange rates.

The tables below provide information about Hitachi's financial instruments that are sensitive to foreign currency exchange rates, including forward exchange contracts to sell U.S. dollars (US\$), Deutsche mark (DM) and pound sterling (ST£) as of March 31, 1999 and 1998. The tables present the contract amounts in Japanese yen (JP¥) equivalents and weighted average contractual exchange rates by expected maturity dates. However, the tables do not include cross currency swap agreements that eliminate all foreign currency exposures in the cash flows of certain foreign currency debt instruments, and the corresponding foreign currency denominated debt instruments.

Forward exchange contracts (year ended March 31, 1999) (Millions of yen)

	Expected maturity date			Estimated fair value
	2000	2001	Total	
Forward exchange contracts				
(Pay US\$/Receive JP¥) contract amount	¥ 167,392	-	167,392	250
Average contractual exchange rate (JP¥/US\$)	120.56	-	120.56	
Forward exchange contracts				
(Pay DM/Receive JP¥) contract amount	16,338	-	16,338	689
Average contractual exchange rate (JP¥/DM)	68.00	-	68.00	
Forward exchange contracts				
(Pay ST £/Receive US\$) contract amount	7,158	-	7,158	63
Average contractual exchange rate (US\$/ST £)	1.63	-	1.63	
Forward exchange contracts				
(Pay ST £/Receive JP¥) contract amount	6,429	-	6,429	193
Average contractual exchange rate (JP¥/ST £)	194.15	-	194.15	

Forward exchange contracts (year ended March 31, 1998) (Millions of yen)

	Expected maturity date			Estimated fair value
	1999	2000	Total	
Forward exchange contracts				
(Pay US\$/Receive JP¥) contract amount	¥ 226,190	343	226,533	(7,029)
Average contractual exchange rate (JP¥/US\$)	125.62	119.12	125.61	
Forward exchange contracts				
(Pay DM/Receive JP¥) contract amount	13,525	-	13,525	(44)
Average contractual exchange rate (JP¥/DM)	70.37	-	70.37	
Forward exchange contracts				
(Pay ST £/Receive JP¥) contract amount	9,157	-	9,157	(406)
Average contractual exchange rate (JP¥/ST £)	205.47	-	205.47	

(2) Interest rate risk

Hitachi fixes the future cash outflows of interest expense derived from principally long-term debt in order to reduce interest rate risk. Hitachi's exposure to interest rate risk is related mainly to debt obligations. Hitachi has long-term debt including amounts due within one year with fixed and floating interest rates. The tables below provide information about Hitachi's financial instruments that are sensitive to changes in interest rates, including debt obligations. For debt obligations, the tables below present principal cash flows in Japanese yen equivalents and related weighted average interest rates by expected maturity dates. However, the tables do not include information in relation to short-term borrowings because the Company believes that their risk exposures are insignificant.

Long-term debt (year ended March 31, 1999)

(Millions of yen)

		Expected maturity date						Total	Estimated Fair Value
		2000	2001	2002	2003	2004	Thereafter		
Fixed rate (notes and debentures);									
JP¥ debentures	¥	19,900	40,200	45,000	32,100	82,300	300,000	519,500	547,212
Average interest rate		2.87%	2.88%	2.85%	2.93%	3.01%	3.08%	2.92%	
US\$ debentures	¥	-	24,310	24,310	24,310	-	-	72,930	79,922
Average interest rate		-	6.38%	6.63%	6.63%	-	-	6.46%	
JP¥ convertible debentures	¥	6,161	4,297	71,163	23,607	94,292	234,005	433,525	446,376
Average interest rate		1.47%	1.49%	1.46%	1.39%	1.38%	1.42%	1.44%	
US\$ convertible debenture	¥	-	-	-	34	-	-	34	42
Average interest rate		-	-	-	1.75%	-	-	1.75%	
JP¥ medium term notes	¥	22,239	22,030	22,488	33,897	13,036	46,091	159,781	154,925
Average interest rate		1.61%	1.68%	1.75%	1.75%	2.02%	2.16%	1.75%	
US\$ medium term notes	¥	1,809	18,080	6,028	844	-	1,206	27,967	29,714
Average interest rate		6.30%	6.32%	5.65%	4.32%	-	7.00%	6.20%	
Other currency medium term notes	¥	4,316	-	-	-	-	-	4,316	4,347
Average interest rate		3.30%	-	-	-	-	-	3.30%	
Floating rate (notes and debenture);									
JP¥ debenture	¥	-	-	-	-	-	3,000	3,000	3,000
Average interest rate		-	-	-	-	-	2.03%	2.03%	
JP¥ medium term notes	¥	10,822	6,300	19,645	-	35,114	1,503	73,384	73,384
Average interest rate		1.77%	1.81%	1.38%	-	0.68%	3.30%	1.41%	
US\$ medium term notes	¥	23,505	16,276	5,667	3,858	-	-	49,306	49,306
Average interest rate		5.04%	5.18%	5.13%	5.11%	-	-	4.98%	
Other currency medium term notes	¥	-	-	2,187	-	-	-	2,187	2,187
Average interest rate		-	-	4.86%	-	-	-	4.86%	
Fixed and floating rate (loans);									
Loans, principally from banks	¥	47,019	75,022	48,278	24,153	22,153	29,881	246,506	246,289
Average interest rate		3.53%	2.71%	2.56%	2.14%	2.01%	1.86%	2.57%	

Weighted average floating rates are based on forward interest rates as of March 31, 1999.

Long-term debt (year ended March 31, 1998)

(Millions of yen)

		Expected maturity date						Total	Estimated Fair Value
		1999	2000	2001	2002	2003	Thereafter		
Fixed rate (notes and debentures):									
JP¥ debentures	¥	35,000	200	59,900	35,000	30,100	297,300	457,500	482,648
Average interest rate		3.32%	3.07%	3.07%	3.09%	3.19%	3.31%	3.17%	
US\$ debentures	¥	13,310	-	26,620	26,620	26,620	-	93,170	103,745
Average interest rate		6.25%	-	6.38%	6.63%	6.63%	-	6.40%	
JP¥ convertible debentures	¥	57,323	6,680	4,297	73,450	25,933	331,355	499,038	503,146
Average interest rate		1.48%	1.47%	1.49%	1.46%	1.40%	1.39%	1.45%	
US\$ convertible debenture	¥	-	-	-	-	369	-	369	332
Average interest rate		-	-	-	-	1.53%	-	1.53%	
JP¥ medium term notes	¥	23,091	2,526	25,612	22,667	22,298	15,572	111,766	108,617
Average interest rate		1.72%	1.62%	1.63%	1.78%	1.60%	2.08%	1.69%	
US\$ medium term notes	¥	8,891	1,978	19,814	-	925	-	31,608	33,266
Average interest rate		5.04%	6.32%	6.35%	-	0.50%	-	5.66%	
Floating rate (notes):									
JP¥ medium term notes	¥	1,285	6,625	6,905	7,405	-	-	22,220	19,787
Average interest rate		4.03%	4.22%	4.87%	5.80%	-	-	4.47%	
US\$ medium term notes	¥	-	7,002	-	6,209	4,228	-	17,439	17,439
Average interest rate		-	5.83%	-	5.84%	5.82%	-	5.84%	
Other currency medium term notes	¥	1,064	-	-	2,493	-	-	3,557	3,558
Average interest rate		5.73%	-	-	6.37%	-	-	6.17%	
Fixed and floating rate (loans):									
Loans, principally from banks	¥	74,100	55,280	43,552	38,487	23,358	30,152	264,929	266,560
Average interest rate		4.52%	3.44%	3.52%	3.27%	2.78%	2.86%	3.44%	

Weighted average floating rates are based on forward interest rates as of March 31, 1998.

Factors that could cause actual results to differ materially from those projected or implied in any forward-looking statements in this section include, but are not limited to, ability of counterparties to the financial instruments to perform contractual obligations; the general economic condition in the markets where financial assets Hitachi holds are traded; and the volatility of the market prices of securities, interest rates and foreign currency exchange rates. In addition, see “[Item 1. Description of Business - Cautionary Statement](#)” for other examples of factors that could cause actual results to differ materially from those projected.

(f) Year 2000 Problem

The following information supplements disclosure included in Hitachi's Annual Report on Form 20-F for the year ended March 31, 1998 filed with the U.S. Securities and Exchange Commission (SEC) on September 25, 1998, Form 6-K for the month of April 1999 filed with the SEC on April 26, 1999, and Form 6-K for the month of May 1999 filed with the SEC on June 9, 1999.

Using only two digits to define the applicable year in computer hardware and software causes what is widely known as the "Year 2000 problem." This problem poses challenges to both Hitachi's product and service offerings, including computer hardware and software, and its internal systems.

In general, Hitachi's efforts to deal with the Year 2000 problem are undertaken by each division or entity affected. Hitachi believes that a decentralized approach is best suited to resolve the Year 2000 problem it faces in a limited time horizon in light of the fact that Hitachi is comprised of more than 1,000 entities with a highly diversified group of products and global operations.

In November 1998, Hitachi reinforced its commitment to address Year 2000 issues by engaging more managerial resources and establishing a separate management team to address Year 2000 issues. The Year 2000 team has been given the responsibility by top management to (i) conduct a quarterly survey on Hitachi's readiness for Year 2000 problems and (ii) monitor the Company's progress in addressing Year 2000 problem in connection with its important systems (including internal information technology (IT) systems and non-IT systems such as control systems and manufacturing systems), and major facilities. The Year 2000 team also provides monthly reports to management of the Company.

Management believes that substantially all of Hitachi's current hardware and software offerings are Year 2000 compliant. Hitachi's approach regarding the Year 2000 problem to customers who possess old models varies depending on the category of products and services. In such areas as computer systems, power plants, industrial plants and semiconductors where Hitachi generally maintains records of the purchasers of its products, the Company has been notifying its customers of the Year 2000 problem and suggesting that they adopt Hitachi-supplied products and services to help resolve Year 2000 problems they may face. The Company's experience with these customers to date suggests that a majority of them have taken action to address their Year 2000 problems, whether through the purchase of Hitachi-supplied products and services or otherwise. In other areas such as consumer products where Hitachi products are marketed to general consumers, Hitachi is posting information regarding Year 2000 compatibility of its product models on the web sites of the Company and its subsidiaries.

With respect to internal IT systems of the Company and its major subsidiaries, Hitachi estimates that, as of the end of June 1999, approximately 90% of the systems and programs that it has identified as needing modification to attain Year 2000 readiness have been modified with appropriate changes and tested. For the remaining identified systems and programs, substantially all of them will be Year 2000 ready by the end of September 1999. Hitachi is also taking remedial actions on its non-IT systems such as manufacturing and control systems, and currently estimates that substantially all of the identified non-IT systems that are essential to its operations have attained Year 2000 readiness by the end of June 1999.

Hitachi is monitoring the Year 2000 compliance of third parties on which it depends, such as suppliers, subcontractors and business partners in order to avoid potential negative consequences from their failure to adequately address their Year 2000 problems. Hitachi mailed a survey to its approximately 5,000 third party suppliers, subcontractors and business partners in November 1998 to assess their state of readiness with respect to their products, services, internal systems and contractors. Approximately 15% of this group failed to respond to the survey or indicated a possibility of insufficient planning for Year 2000 problems. Hitachi has followed up with a second survey addressed to such third parties in April. Based on the responses to those surveys, Hitachi identified a small group of third party suppliers that necessitate respective countermeasures including termination, and is reacting accordingly.

It is estimated that the total costs to address the Year 2000 problem will be approximately ¥53 billion on a consolidated basis, of which approximately 70% were incurred and paid by March 1999. These figures generally are financed with internally generated funds. They include non-incremental labor cost paid to employees for remedial process performed internally, and amounts paid by the customers in cases when Hitachi offered the remedial products or services for a fee. Management believes that the above costs will not have a material impact on Hitachi's results of operations or financial position.

Hitachi modeled various "worst-case" scenarios relating to its operations that could result from the Year 2000 problem in order to develop contingency plans. Since Hitachi engages in broad range of business, the scenarios vary by respective circumstances, but they typically include unexpected reaction from customers and/or mass media concerning Hitachi's response to the Year 2000 problem, litigation, and disruption in infrastructure such as supply of electricity and/or transportation on which Hitachi depends. Contingency plans are being formulated by each division or business under the guideline established by Year 2000 team. They include rescheduling, building-up of inventories, substituting suppliers, and deploying personnel to establish 24-hour customer support.

Hitachi does not make assurance that its products and services will not present Year 2000 issues. In the event of product failure, these issues could expose Hitachi to product liability or other types of claims. It is difficult to predict the extent of potential liability.

The foregoing description of Hitachi's plans, expectations, assessments and estimated costs with respect to Year 2000 problem and its potential impact on Hitachi and its activities, represent forward-looking statements subject to various risks and uncertainties. These statements were not intended to extend any of Hitachi's guarantees or warranties with respect to any of its products or services. Factors that could cause actual results to differ materially from those projected or implied in any of such forward-looking statements include, but are not limited to, Hitachi's ability to complete necessary modifications to products and internal information and other systems in time; discrepancy in anticipated expenses to complete such modifications; errors in the implementation of such modification that create data, system or other problems for Hitachi or third parties; the ability of third parties upon whom Hitachi is dependent (suppliers, infrastructure providers, financial institutions, etc.) to timely implement necessary modifications; and possible claims by third parties against Hitachi relating to current or old products that are not Year 2000 compliant.