

Item 8. Selected Financial Data

		Year ended March 31				
		1996	1997	1998	1999	2000
(Billions of yen, except per share amounts and yen exchange rates)						
Net sales	¥	8,124	8,523	8,417	7,977	8,001
Income (loss) before income taxes and minority interests		350	265	173	(221)	79
Net income (loss)		143	90	5	(337)	17
Per common share:						
Net income (loss)						
Basic	¥	43.00	26.95	1.50	(100.94)	5.07
Diluted		40.48	25.97	1.45	(100.94)	4.99
Dividends		11.00	11.00	11.00	5.50	6.00
		(\$0.105)	(\$0.097)	(\$0.081)	(\$0.045)	(\$0.058)
Cash and cash equivalents	¥	1,628	1,310	1,200	1,238	1,357
Short-term investments		587	758	708	552	569
Total assets		9,838	10,001	10,151	9,716	9,837
Short-term debt and Current installments of long-term debt		1,033	1,181	1,317	1,160	1,306
Long-term debt		1,203	1,245	1,288	1,478	1,483
Minority interests		696	744	769	758	772
Stockholders' equity		3,235	3,320	3,278	2,908	2,876
Yen exchange rates per U.S. dollar:						
Year-end	¥	107.00	123.72	133.29	118.43	102.73
Average		97.09	113.21	123.57	128.10	110.02
High		81.12	104.49	111.42	108.83	101.53
Low		107.29	124.54	133.99	147.14	124.45

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 note (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 1999 includes a net gain on sale of securities of ¥30 billion and a restructuring charge of ¥66 billion. Fiscal year 1998 includes a restructuring charge of ¥133 billion. Fiscal year 1997 includes a net gain on sale of securities of ¥111 billion and certain impairment and liquidation losses of ¥82 billion. See note (14) to the consolidated financial statements.

- (d) In fiscal year 1999, the Company changed the method of carrying its investment in a certain affiliated company from cost to equity. In accordance with this change, figures for all prior periods presented above have been restated. See note (1) 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 1997 to fiscal 1999. 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 ¥451 billion in fiscal 1999, an increase of ¥63 billion from the preceding year. The increase produced chiefly by the improvement in net income.

Net cash used in investing activities was ¥436 billion, ¥451 billion and ¥638 billion in fiscal 1999, 1998 and 1997, respectively. Cash flows for capital expenditures during the same years were ¥577 billion, ¥619 billion and ¥690 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 conserve capital while maintaining the ability to grow in the competitive markets. As of March 31, 2000, Hitachi's capital commitments for the purchase of property, plant and equipment amounted to ¥54 billion.

Net cash provided by financing activities was ¥126 billion, ¥114 billion and ¥112 billion in fiscal 1999, 1998 and 1997, respectively. In fiscal 1999, funds generated by long-term borrowing decreased ¥60 billion from 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 1999, these activities and the effect of foreign exchange rate fluctuations increased cash and cash equivalents by ¥120 billion from fiscal 1998. Cash and cash equivalents at the end of fiscal 1999 amounted to ¥1,357 billion. Management also considers short-term investments, the change of which is classified as investing activities, as an immediately available source of funds. Total of cash and cash equivalents and short-term investments in fiscal 1999 was ¥1,926 billion, an increase of ¥137 billion from fiscal 1998. Net working capital, the difference between current assets and current liabilities, decreased ¥111 billion, to ¥1,988 billion, at the end of fiscal 1999.

Management believes that Hitachi's current financial position as indicated by these figures is 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

Japan's economy failed to make a solid rebound due to persistently sluggish consumer spending and low private-sector investment in new plant and equipment in all areas other than information technology. Annual growth in Japan's GDP was minus 0.1% in fiscal 1997, minus 1.9% in fiscal 1998 and 0.5% in fiscal 1999.

The U.S. economy remained vibrant, while the European economy was also robust and the economies of Asian countries gained some momentum.

Hitachi's operations extend throughout the world and the Company's business results are affected by various aspects of the economic environment, particularly capital investment in the private sector and consumer spending 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 1999, overseas sales, a significant part of which is denominated in U.S. dollars, were 29% of net sales. During fiscal 1999, the Company and its domestic subsidiaries' receipt of U.S. dollars exceeded their payment in U.S. dollars by approximately \$4 billion. During fiscal 1999, the average exchange rate of U.S. dollars applied by the Company and its domestic subsidiaries in converting the U.S. dollars was ¥111 compared to ¥129 in fiscal 1998. See "Fiscal 1999 Compared with Fiscal 1998." 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."

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.

In November 1999, Hitachi launched a medium-term business plan ending in March 2003 to place more emphasis on providing services and systems for customers by using its wealth of knowledge and information technology. Among this plan are expansion of internet-based solutions businesses, prioritizing management resources in the solutions and leading-edge devices business sectors, and reorganization and consolidation of business operations to improve efficiency of Hitachi.

Hitachi's sales registered year-on-year decreases of 1% in fiscal 1997 and 5% in fiscal 1998, and didn't change substantially in fiscal 1999. During the same period, Hitachi posted net income of ¥5 billion in fiscal 1997, a net loss of ¥337 billion in fiscal 1998 and net income of ¥17 billion in fiscal 1999. 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 1998 Compared with Fiscal 1997

Hitachi's sales in fiscal 1998 were ¥7,977 billion, a decrease of 5% from fiscal 1997. Overseas sales declined 6%, to ¥2,444 billion.

Sales in Information Systems & Electronics declined 8% from the preceding year. The decrease resulted from a deteriorating memory market in the semiconductor sector and the poor performance of electronic devices, particularly display tubes, due to weakening demand and declining prices. In Power & Industrial Systems, sales declined 5% due to 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, sales fell 12% due to the sluggish semiconductor market.

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 sales performance 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 fiscal 1997.

The cost of sales during fiscal 1998 was ¥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 percent, 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 percent, to 24.6%.

Other deductions rose ¥38 billion to ¥177 billion in fiscal 1998, which included expenses related to the reorganization of overseas operations 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, 5,200 of which were 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 ¥8,247 billion, a decrease of 1.9% from fiscal 1997.

Loss before income taxes and minority interests amounted to ¥221 billion and net loss came to ¥337 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 note (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."

## Fiscal 1999 Compared with Fiscal 1998

Hitachi's sales in fiscal 1999 were ¥8,001 billion, approximately the same as fiscal 1998. Overseas sales declined by 4%, to ¥2,344 billion.

Sales in Information Systems & Electronics increased 1% from the preceding year. In this segment, semiconductor sales rose reflecting vigorous demand for personal computers and mobile communications equipment. TFT liquid crystal displays also turned in a marked advance in sales centering on products for personal computers. As for computer operations, despite a good showing by software products and systems integration and other services, mainframe computers in overseas markets experienced a sharp decline in sales caused by increased competition and deferred purchases due to Y2K concerns. In Power & Industrial Systems, sales declined by 1%. The decrease in sales was attributable to restrained investment by Japan's power companies and the continuing slow pace of domestic private-sector capital investment. Consumer Products sales increased by 1%. Although room air conditioner sales in Japan were mediocre, sales of refrigerators and washing machines increased and sales of computer tapes and other data storage media also rose. In Materials, sales increased by 1% owing to strong demand for materials and components for semiconductors, liquid crystal displays and mobile communications equipment. Sales in Services & Other showed an improvement of 1% due to the sound performances of financial services and overseas sales companies.

An analysis by geographic segment shows that sales of companies in Japan increased 2% due to steady growth of the domestic private-sector investment in information technology. Sales by overseas companies didn't change substantially from the preceding fiscal year.

Revenues other than net sales consist of interest income, dividends received and other income. Interest income decreased 12%, to ¥35 billion. Dividends received decreased 6%, to ¥7 billion. Other income amounted to ¥30 billion, which was due to gains on the sale of securities.

As a result of the foregoing, total revenues in fiscal 1999 amounted to ¥8,073 billion, an increase of 1% from the preceding year.

Continuous efforts to reduce manufacturing costs resulted in the decline in cost of sales and selling, general and administrative expenses. The cost of sales during fiscal 1999 amounted to ¥5,899 billion, down 3% from the preceding year. As a percentage of net sales, the cost of sales declined by 2%, to 74%. Selling, general and administrative expenses decreased 2%, to ¥1,928 billion, which was 24% of net sales.

Other deductions amounted to ¥115 billion, which included a restructuring charge of ¥66 billion related to the integration, reorganization and streamlining of domestic and overseas operations in such areas as Information Systems & Electronics and Materials. The restructuring charge includes special termination benefits of ¥23 billion related to the voluntary termination of approximately 6,100 employees, losses of ¥18 billion on the sale or disposal of assets and impairment losses on machinery and equipment of ¥9 billion.

As a result of the foregoing, total costs and expenses in fiscal 1999 amounted to ¥7,994 billion, a decrease of 3% from fiscal 1998.

Income before income taxes and minority interests amounted to ¥79 billion and net income came to ¥17 billion.

Assuming no change in sales volume or other conditions, foreign exchange rate fluctuations are estimated to have decreased Hitachi's fiscal 1999 income by ¥110 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," (amended by SFAS No. 137 issued in June 1999 and SFAS No. 138 issued in June 2000) 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 shall not be applied retroactively to the financial statements of prior periods. SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133," defers the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and certain hedging activities. 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.

(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. 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, 2000 and 1999.

	(Millions of yen)				
	<u>Carrying Amount (year ended March 31, 2000)</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	¥ 179,098	105,207	95,399	379,704	380,493
Equity securities				243,148	461,492

	(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				239,017	430,455

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. 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\$), Euro (EUR), Deutsche mark (DM) and pound sterling (ST£) as of March 31, 2000 and 1999. 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, 2000) (Millions of yen)

	Expected maturity date			Estimated fair value
	2001	2002	Total	
Forward exchange contracts				
(Pay US\$/Receive JP¥) contract amount	¥ 125,227	-	125,227	1,943
Average contractual exchange rate (JP¥/US\$)	105.47	-	105.47	
Forward exchange contracts				
(Pay EUR/Receive JP¥) contract amount	35,974	-	35,974	1,512
Average contractual exchange rate (JP¥/EUR)	103.93	-	103.93	
Forward exchange contracts				
(Pay ST £/Receive US\$) contract amount	10,678	-	10,678	(68)
Average contractual exchange rate (US\$/ ST £)	1.59	-	1.59	

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	

(2) Interest rate risk

Hitachi fixes the future cash outflows of interest expense derived principally from 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, 2000)

(Millions of yen)

	Expected maturity date							Total	Estimated Fair Value
	2001	2002	2003	2004	2005	Thereafter			
<b>Fixed rate (notes and debentures);</b>									
JP¥ debentures	¥	69,700	45,000	32,100	82,300	23,000	377,000	629,100	645,431
Average interest rate		2.69%	2.69%	2.74%	2.79%	2.79%	2.83%	2.75%	
US\$ debentures	¥	21,430	21,430	21,430	-	-	-	64,290	68,779
Average interest rate		6.38%	6.63%	6.63%	-	-	-	6.50%	
JP¥ convertible debentures	¥	4,289	74,168	23,117	94,291	232,251	-	428,116	512,859
Average interest rate		1.49%	1.47%	1.40%	1.38%	1.42%	-	1.44%	
US\$ convertible debenture	¥	-	-	30	-	-	-	30	30
Average interest rate		-	-	1.75%	-	-	-	1.75%	
JP¥ medium term notes	¥	29,999	21,921	30,676	11,771	10,210	28,899	133,476	132,768
Average interest rate		1.85%	1.77%	1.80%	2.14%	2.33%	2.52%	1.94%	
US\$ medium term notes	¥	15,922	5,308	-	-	-	1,062	22,292	22,924
Average interest rate		6.52%	6.25%	-	-	-	7.00%	6.53%	
<b>Floating rate (notes and debenture);</b>									
JP¥ debenture	¥	-	-	-	-	-	3,000	3,000	3,239
Average interest rate		-	-	-	-	-	3.20%	3.20%	
JP¥ medium term notes	¥	37,327	17,066	5,616	38,893	8,539	27,112	134,553	134,554
Average interest rate		0.54%	0.70%	0.78%	0.79%	1.12%	1.27%	0.75%	
US\$ medium term notes	¥	25,908	4,989	4,139	-	-	2,045	37,081	37,080
Average interest rate		4.60%	5.74%	5.18%	-	-	4.25%	4.83%	
ST£ medium term notes	¥	-	-	-	-	858	-	858	858
Average interest rate		-	-	-	-	0.42%	-	0.42%	
Other currency medium term notes	¥	-	1,903	-	-	-	-	1,903	1,903
Average interest rate		-	3.43%	-	-	-	-	3.43%	
<b>Fixed and floating rate (loans);</b>									
Loans, principally from banks	¥	70,407	66,499	73,117	47,068	13,041	17,078	287,210	283,277
Average interest rate		2.83%	4.03%	3.69%	3.85%	3.00%	2.77%	3.80%	

Weighted average floating rates are based on forward interest rates as of March 31, 2000.

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

(Millions of yen)

		Expected maturity date						Total	Estimated Fair Value
		2000	2001	2002	2003	2004	Thereafter		
<b>Fixed rate (notes and debentures);</b>									
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%	
<b>Floating rate (notes and debenture);</b>									
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%	
<b>Fixed and floating rate (loans);</b>									
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.

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

Recognizing the material effect that the Year 2000 problem could have had on its business management, results of operations and financial position, Hitachi established a special management team to address Year 2000 issues. As a result of actions Hitachi took to examine and prepare for possible problems, conditions and scenarios, Hitachi did not experience any material adverse effect on its business management, results of operations or financial position.

As of March 31, 2000, the total cumulative costs incurred to address the Year 2000 problem amounted to approximately ¥55 billion on a consolidated basis. This figure includes non-incremental labor costs paid to employees for remedial process performed internally, and amounts paid by customers in cases when Hitachi offered remedial products or services for a fee. Management believes that the above costs are not material to Hitachi's results of operations or financial position.

Hitachi does not expect that the Year 2000 problem will have a material impact on Hitachi's future business management, results of operations and financial position.

(g) Merger of Hitachi Credit Corporation and Hitachi Leasing, Ltd.

In April 2000, the Company announced that Hitachi Credit Corporation, its 52.9% owned subsidiary, would merge with Hitachi Leasing, Ltd. (HLL), 50.0% owned affiliated company on October 1, 2000. Regarding this merger, the Company intends HLL, an investment in which had been carried on the equity method until the year ended March 31, 2000, and HLL's subsidiaries to be consolidated as subsidiaries from the beginning of fiscal year 2000. The Company does not expect that this merger will have a material impact on Hitachi's net sales and net income.

Detailed discussions pertaining to this merger are described in the audited note (21) to the consolidated financial statements.

Item 10. Directors and Officers of Registrant

- (a) The Company's Articles of Incorporation provide for a Board of Directors of not more than 40 members and for a maximum of seven Corporate Auditors. All Directors and Corporate Auditors are elected at a general meeting of shareholders. The term of office of Directors is for two years and that of Corporate Auditors is for three years. Directors and Corporate Auditors may serve any number of consecutive terms.

The Board of Directors has ultimate responsibility for administration of the Company's affairs. From among its members, the Board of Directors must appoint a President, who shall also be a Representative Director, and may appoint a Chairman of the Board, a Vice Chairman of the Board, Executive Vice Presidents, Senior Vice Presidents and Executive Managing Directors. The Board of Directors may also appoint one or more additional Representative Directors. A Representative Director has authority to represent the Company generally in the conduct of its affairs. The Chairman of the Board, the Vice Chairman of the Board, the President and all the Executive Vice Presidents are currently Representative Directors of the Company.

The Corporate Auditors of the Company are not required to be and are not certified public accountants. Each Corporate Auditor has the statutory duty to examine the financial statements and business reports to be submitted by the Board of Directors at the general meeting of shareholders and also to supervise the administration by the Directors of the Company's affairs. They are entitled to participate in meetings of the Board of Directors but are not entitled to vote.

The Corporate Auditors may not at the same time be Directors, managers or employees of the Company or of any of its subsidiaries. Pursuant to the Japanese Commercial Code, the Company is required to have not less than three Corporate Auditors, at least one of which shall be an "outside auditor." An outside auditor must be a person who has not been a director, manager or employee of the company or any of its subsidiaries for the past five years.

Set forth below are the names of the Company's Directors and Corporate Auditors as of September 1, 2000. All Directors were elected at the Company's general meeting of shareholders held on June 29, 1999. Two Corporate Auditors, Mr. Makoto Murata and Mr. Michio Mizoguchi, both qualified to be an outside auditor, were elected at the Company's general meeting of shareholders held on June 28, 2000. The other Corporate Auditors were elected at the Company's general meeting of shareholders held on June 26, 1998.

The Company introduced a new company officer system from April 1, 1999. Under the new system, the Company delegated extensive authority to its individual operational entities and reduced the number of Directors in charge of companywide decision-making and supervision in order to achieve speedier and more effective decisions.

<u>Name and Position with Registrant</u>	<u>Other Position with Registrant</u>	<u>Director/Corporate Auditor since</u>
Chairman of the Board and Representative Director Tsutomu Kanai		June 1985
Vice Chairman of the Board and Representative Director Hiroshi Kuwahara		June 1989
President and Representative Director Etsuhiko Shoyama		June 1991
Executive Vice President and Representative Director Yoshiki Yagi	General Manager, Management Innovation Division	June 1991
Shigemichi Matsuka	General Manager, Corporate Venture Capital Office	June 1991
Yoshiro Kuwata	General Manager, Corporate Export Regulation Division	June 1993
Yuushi Samuro		June 1993
Takashi Kawamura	General Manager, Quality Assurance Division	June 1995
Senior Vice President and Director Kazuo Kumagai		June 1993
Tadashi Ishibashi	President & CEO, Semiconductor & Integrated Circuits	June 1995
Kaichi Murata		June 1997
Katsukuni Hisano	President & CEO, Power & Industrial Systems	June 1997
Kotaro Muneoka		June 1997
Toshihiko Odaka	General Manager, Information & Telecommunication Systems Group	June 1997
Corporate Auditor Nobuji Kamachi		June 1995
Iwao Matsuoka		June 1998
Takashi Kashiwagi		June 1998
Kazuo Morita		June 1998
Makoto Murata		June 2000
Michio Mizoguchi		June 2000

- (b) There are no family relationships between any Director or Corporate Auditor and any other Director or Corporate Auditor of the Company.

Item 11. Compensation of Directors and Officers

- (a) The aggregate amount of compensation, including bonuses but excluding retirement allowances, paid by Hitachi during the year ended March 31, 2000 to all Directors and Corporate Auditors of the Company who served during that year was ¥756 million.
- (b) In accordance with customary Japanese business practice, when a Director or Corporate Auditor retires, a proposal to pay a lump-sum retirement allowance is submitted at a general meeting of shareholders for approval. After the shareholders' approval is obtained, the amount of the retirement allowance for a Director or Corporate Auditor is fixed by the Board of Directors and the Board of Corporate Auditors and generally reflects his position at the time of retirement, the length of his service as a Director or Corporate Auditor and the retiring member's contribution to the Company's performance. The Company does not set aside reserves for such retirement payments.

Item 12. Options to Purchase Securities from Registrant or Subsidiaries

In June 2000, the ordinary general meeting of shareholders of the Company approved a stock option plan under which rights to subscribe for 527,000 shares were granted to 14 Directors and 57 employees including Senior Corporate Officers, Corporate Officers, and Managing Officers. The exercise price of the rights is 1,451 yen per share and the rights are exercisable from July 27, 2001 until July 26, 2005.

Item 13. Interest of Management in Certain Transactions

None

PART III

Item 15. Defaults upon Senior Securities

None

Item 16. Changes in Securities, Changes in Security for Registered Securities and Use of Proceeds

None