(Translation)

Annual Securities Report

(The 151st Business Term)

From April 1, 2019 to March 31, 2020

6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Hitachi, Ltd.

[Cover]

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[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & CEO
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Phone No.]	03-3258-1111
[Contact Person]	Masachika Sawada, Manager, Legal Division
[Contact Address]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Phone No.]	03-3258-1111
[Contact Person]	Masachika Sawada, Manager, Legal Division
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

This is an English translation of the Annual Securities Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan.

Certain information in "Part I. Information on the Company - II. Business Overview - 2. Risk Factors - Risks Related to Our American Depositary Shares" is only included in this English translation of the Annual Securities Report for ADSs holders and not included in the original report.

Certain information in "Part I. Information on the Company - V. Financial Information" in this document incorporates financial statements prepared in conformity with the International Financial Report Standards ("IFRS") as issued by the International Accounting Standards Board and independent auditor's report instead of the English translation of the Annual Securities Report.

The translation of the Internal Control Report, the Independent Auditors' Report and the Confirmation Letter for the original Annual Securities Report are included at the end of this document.

In this document, the terms "we," "us," "our" and "Hitachi" refer to Hitachi, Ltd. and consolidated subsidiaries or, as the context may require, Hitachi, Ltd. on a non-consolidated basis and the term "the Company" refers to Hitachi, Ltd. on a non-consolidated basis.

Unless otherwise stated, in this document, where we present information in millions or hundreds of millions of yen, we have truncated amounts of less than one million or one hundred million, as the case may be. Accordingly, the total of figures presented in columns or otherwise may not equal the total of the individual items. We have rounded all percentages to the nearest percent, one-tenth of one percent or one-hundredth of one percent, as the case may be.

References in this document to the "Financial Instruments and Exchange Act" are to the Financial Instruments and Exchange Act of Japan and other laws and regulations amending and/or supplementing the Financial Instruments and Exchange Act of Japan.

References in this document to the "Companies Act" are to the Companies Act of Japan and other laws and regulations amending and/or supplementing the Companies Act of Japan.

Contents

Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

(1) Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

Fiscal year	IFRS				
	147th business term	148th business term	149th business term	150th business term	151st business term
Year end	March 2016	March 2017	March 2018	March 2019	March 2020
Revenues	10,034,305	9,162,264	9,368,614	9,480,619	8,767,263
Income from continuing operations, before income taxes	517,040	469,091	638,646	516,502	180,268
Net income attributable to Hitachi, Ltd. stockholders	172,155	231,261	362,988	222,546	87,596
Comprehensive income attributable to Hitachi, Ltd. stockholders	(127,557)	299,397	382,341	171,140	(8,465)
Total Hitachi, Ltd. stockholders' equity	2,735,078	2,967,085	3,278,024	3,262,603	3,159,986
Total equity	4,125,570	4,096,995	4,511,671	4,414,403	4,266,739
Total assets	12,551,005	9,663,917	10,106,603	9,626,592	9,930,081
Total Hitachi, Ltd. stockholders' equity per share (yen)	2,832.39	3,072.79	3,395.00	3,378.81	3,270.43
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	178.27	239.49	375.93	230.47	90.71
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	178.08	239.42	375.60	230.25	90.60
Total Hitachi, Ltd. stockholders' equity ratio (%)	21.8	30.7	32.4	33.9	31.8
Return on equity (%)	6.1	8.1	11.6	6.8	2.7
Price earnings ratio (times)	14.8	12.6	10.3	15.6	34.6
Net cash provided by operating activities	812,226	629,582	727,168	610,025	560,920
Net cash used in investing activities	(730,799)	(337,955)	(474,328)	(162,872)	(525,826)
Net cash provided by (used in) financing activities	(26,467)	(209,536)	(321,454)	(320,426)	2,837
Cash and cash equivalents at end of year	699,315	765,242	697,964	807,593	812,331
Number of employees [Average number of part-time employees, etc.]	335,244 [45,111]	303,887	307,275	295,941	301,056

(Notes) 1. Our consolidated financial statements have been prepared in conformity with IFRS.

2. Revenues do not include the consumption tax, etc.

3. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The figures for total Hitachi, Ltd. stockholders' equity per share and earnings per share attributable to Hitachi, Ltd. stockholders, basic and diluted, are calculated on the assumption that the Company conducted this share consolidation at the beginning of the 147th business term.

4. Average numbers of part-time employees, etc. are not stated for the 148th, 149th, 150th and 151st business terms since those were less than 10% of the number of employees.

(2) Financial data etc. of the Company

(Millions of yen, unless otherwise stated)

Fiscal year	147th business term	148th business term	149th business term	150th business term	151st business term
Year end	March 2016	March 2017	March 2018	March 2019	March 2020
Revenues	1,859,605	1,906,532	1,930,293	1,927,241	1,793,250
Ordinary income (loss)	(20,944)	71,599	131,294	304,069	355,490
Net income	64,934	97,724	136,117	174,062	119,409
Common stock	458,790	458,790	458,790	458,790	459,862
Number of issued shares (thousands of shares)	4,833,463	4,833,463	4,833,463	966,692	967,280
Total net assets	1,378,441	1,497,428	1,536,018	1,563,456	1,579,058
Total assets	3,868,633	4,070,247	4,017,373	3,934,118	4,004,408
Net assets per share (yen)	1,427.49	1,550.49	1,589.79	1,617.32	1,631.97
Dividends per share (yen) [Of the above, interim dividends per share (yen)]	12 [6]	13 [6]	15 [7]	58 [8]	95 [45]
Net income per share, basic (yen)	67.24	101.20	140.97	180.26	123.59
Net income per share, diluted (yen)	-	101.17	140.85	180.09	123.49
Stockholders' equity ratio (%)	35.6	36.8	38.2	39.7	39.4
Return on equity (%)	4.7	6.8	9.0	11.2	7.6
Price earnings ratio (times)	39.2	29.8	27.3	19.9	25.4
Dividend payout ratio (%)	89.2	64.2	53.2	50.0	76.9
Number of employees	37,353	35,631	34,925	33,490	31,442
Total shareholder return (%) [Comparative indicator : TOPIX] (%)	65.4 [87.3]	76.2 [98.0]	98.5 [111.2]	94.1 [103.1]	85.7 [90.9]
Highest share price (yen)	858.0	679.5	944.2	3,925.0 [873.7]	4,693.0
Lowest share price (yen)	431.0	400.0	566.3	2,767.5 [692.1]	2,524.0

(Notes) 1. Revenues do not include the consumption tax, etc.

2. Effective from the 150th business term, the Company adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) and the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28, February 16, 2018). The figures for total net assets, total assets, net assets per share, stockholders' equity ratio and return on equity for the 149th business term are restated as the standard and guidance are applied retroactively.
3. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The figures for net assets per share and net income per share, basic and diluted, are calculated on the assumption that the Company conducted this share consolidation at the beginning of the 147th business term.
4. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. 58 yen of dividends per share for the 150th business term is the sum of 8 yen of the interim dividend per share before the share consolidation and 50 yen of the year-end dividend per share after the share consolidation.
5. "Net income per share, diluted" is not stated for the 147th business term since there is no dilutive shares.
6. Average number of part-time employees, etc. is not stated since it was less than 10% of the number of employees.
7. The highest and lowest share prices are market prices on the first section of the Tokyo Stock Exchange. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. Regarding the 150th business term, the figures in the upper row are the highest and lowest prices after the share consolidation and the figures in brackets in the lower row are those before the share consolidation.

2. History

Month/Year	History
1910	Founded as a repair shop at Hitachi copper mine of Kuhara Mining Company
February, 1920	Incorporated as Hitachi, Ltd. with the Hitachi and Kameido Works
February, 1921	Acquired the Kasado shipyard from Nippon Kisen Co., Ltd. and established Kasado Works
May, 1935	Equity participation in Kyousei Reiki Kogyo K.K. (later changed its name to Hitachi Plant Engineering & Construction Co., Ltd.)
May, 1937	Merged Kokusan Industries, Ltd. and established 7 factories, including Totsuka Works
April, 1939	Established Taga Works, spun off Hitachi Research Laboratory from Hitachi Works
September, 1940	Established Mito Works
April, 1942	Established Central Research Laboratory
September, 1943	Merged Riken Vacuum Industry and established Mobara Works
March, 1944	Spun off Shimizu Works from Kameari Works
December, 1944	Spun off Tochigi Works from Taga Works
April, 1947	Established Hinode Shokai Co., Ltd. (currently Hitachi High-Tech Corporation)
May, 1949	Established Higashi-Nippon Senikikai KK (later changed its name to Hitachi Medical Corporation)
February, 1950	Established Nitto Transport KK. (currently Hitachi Transport System, Ltd.)
May, 1955	Established Hitachi Sales Corporation
October, 1956	Spun off Hitachi Metals Industries, Ltd. (currently Hitachi Metals, Ltd.) and Hitachi Cable, Ltd.
November, 1956	Established Hitachi Kiden Kogyo, Ltd.
June, 1957	Spun off Kokubu Works from Hitachi Works
February, 1959	Established Yokohama Works
October, 1959	Established Hitachi New York, Ltd. (currently Hitachi America, Ltd.)
June, 1960	Equity participation in Nippon Business Consultant Co., Ltd. (later changed its name to Hitachi Information Systems, Ltd.)
August, 1960	Established Hitachi Geppan Corp. (later changed its name to Hitachi Credit Corporation)
February, 1961	Spun off Naka Works from Taga Works; Equity participation in Maxell Electric Industrial Co., Ltd. (currently Maxell Holdings, Ltd.)
August, 1961	Established Katsuta Works
August, 1962	Established Kanagawa Works
February, 1963	Spun off Narashino Works from Kameido Works
April, 1963	Spun off Hitachi Chemical Company, Ltd.
February, 1966	Established Mechanical Engineering Research Laboratory
February, 1968	Spun off Sawa Works from Taga Works, spun off Tokai Works from Yokohama Works, and spun off Odawara Works from Kanagawa Works
February, 1969	Established Software Works
April, 1969	Established Ome Works
August, 1969	Established Omika Works
December, 1969	Spun off Hitachi Construction Machinery Co., Ltd.
May, 1970	Established Takasaki Works
September, 1970	Established Hitachi Software Engineering Co., Ltd.
April, 1971	Acquired Asahi Works from Hitachi Denshi, Ltd.
June, 1971	Established Production Engineering Research Laboratory
February, 1973	Established Systems Development Laboratory
June, 1974	Established Tsuchiura Works
November, 1974	Relocated Kameido Works and renamed to Nakajo Works
June, 1982	Established Hitachi Europe Ltd.
April, 1985	Established Advanced Research Laboratory
February, 1989	Established Hitachi Asia Pte. Ltd. (currently Hitachi Asia Ltd.)
February, 1991	Integrated Sawa Works into Automotive Products Division
August, 1991	Integrated Katsuta Works into Materials Process Technology Division; integrated Totsuka Works into Information & Telecommunication Division; integrated Naka Works into Instruments Division

Month/Year	History
February, 1992	Integrated Yokohama Works and Tokai Works into AV Products Division
August, 1992	Changed operation unit of home appliances, computers and electronic devices businesses from factory to business division
February, 1993	Integrated Semiconductor Technology Development Center, Musashi Works and Takasaki Works into Semiconductor Division
August, 1993	Integrated Shimizu Works into Air Conditioning Division, integrated Nakajo Works and Narashino Works into Industrial Equipment Division
August, 1994	Integrated Consumer Products Group and Image & Information Media Division and renamed to Consumer Products & Information Media Systems Group
October, 1994	Established Hitachi (China), Ltd.
February, 1995	Reorganized business groups as Power & Industrial Systems Group, Consumer Products & Information Media Systems Group, Information Systems Group and Electronics Components Group; integrated a part of R&D division and sales division into the business groups
April, 1995	Merged Hitachi Sales Corporation
April, 1999	Reorganized business groups into de facto companies to independently operate each business group
October, 2000	Merged Hitachi Credit Corporation with Hitachi Leasing Corp. and changed its name to Hitachi Capital Corporation
October, 2001	Split Instruments Group and Semiconductor Manufacturing Equipment Group via company split and reorganized as Hitachi High-Technologies Corporation (currently Hitachi High-Tech Corporation); Split Industrial Machinery Systems Division via company split and reorganized as Hitachi Industries Co., Ltd.
April, 2002	Split Home Appliance Group via company split and reorganized as Hitachi Home & Life Solutions, Inc.; Split Industrial Equipment Group via company split and reorganized as Hitachi Industrial Equipment Systems Co., Ltd.
October, 2002	Split Display Group via company split and established Hitachi Displays, Ltd.; Split Telecommunication Equipment Division via company split and reorganized as Hitachi Communication Technologies, Ltd.; Turned Unisia Jecs Corporation (later changed its name to Hitachi Unisia Automotive, Ltd.) into a wholly owned subsidiary via share exchange
January, 2003	Acquired HDDs business from IBM Corp., and commenced operations as Hitachi Global Storage Technologies Netherlands B.V.
April, 2003	Split semiconductor business, centering on system LSIs, via company split and established Renesas Technology Corp. (merged with NEC Electronics Corporation and changed its name to Renesas Electronics Corporation in April 2010, and ceased to be an affiliate of the Company due to a decrease in the Company's ownership percentage of voting rights in September 2013)
June, 2003	Adopted committee system as the Company's corporate governance structure
October, 2004	Merged TOKICO, Ltd. and Hitachi Unisia Automotive, Ltd.; Split Mechatronics System Division, centering on ATMs, via company split and established Hitachi-Omron Terminal Solutions, Corp.
April, 2006	Split Social & industrial infrastructure business via company split and integrated with Hitachi Plant Engineering & Construction Co., Ltd., Hitachi Kiden Kogyo, Ltd. and Hitachi Industries Co., Ltd. and reorganized as Hitachi Plant Technologies, Ltd.; Merged Hitachi Home & Life Solutions, Inc. with Hitachi Air Conditioning Systems Co., Ltd. and changed its name to Hitachi Appliances, Inc.
December, 2006	Turned Clarion Co., Ltd. into a consolidated subsidiary via tender offer
July, 2007	Split nuclear power systems business via company split and reorganized as Hitachi-GE Nuclear Energy, Ltd.
March, 2009	Turned Hitachi Koki Co., Ltd. into a consolidated subsidiary via tender offer; Turned Hitachi Kokusai Electric Inc. into a consolidated subsidiary via tender offer

Month/Year	History
July, 2009	Merged Hitachi Communication Technologies, Ltd.; Split Automotive Systems Group via company split and established Hitachi Automotive Systems, Ltd.; Split Consumer Business Group via company split and established Hitachi Consumer Electronics Co., Ltd.
October, 2009	Reorganized business groups into in-house companies with independent accounting to promote quick business operation
February, 2010	Turned Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd. and Hitachi Systems & Services, Ltd. into wholly owned subsidiaries
April, 2010	Turned Hitachi Plant Technologies, Ltd. and Hitachi Maxell, Ltd. (currently Maxell Holdings, Ltd.) into wholly owned subsidiaries via share exchanges (turned Hitachi Maxell, Ltd. into an equity-method associate of the Company via selling its shares in March 2014, and ceased to be an affiliate of the Company in March 2017 due to selling its shares)
October, 2010	Merged Hitachi Software Engineering Co., Ltd. with Hitachi Systems & Services, Ltd. and changed its name to Hitachi Solutions, Ltd.
October, 2011	Merged Hitachi Electronics Services Co., Ltd. with Hitachi Information Systems, Ltd. and changed its name to Hitachi Systems, Ltd.
March, 2012	Transferred HDDs business to Western Digital Corporation via share sale of Viviti Technologies Ltd., a holding company for Hitachi Global Storage Technologies Inc., etc. Transferred small and medium-sized displays business via share sale of Hitachi Displays, Ltd.
April, 2013	Merged Hitachi Plant Technologies, Ltd.
July, 2013	Merged Hitachi Metals, Ltd. with Hitachi Cable, Ltd.
February, 2014	Split thermal power generating systems business via company split and transferred to Mitsubishi Hitachi Power Systems, Ltd.
March, 2014	Turned Hitachi Medical Corporation into a wholly owned subsidiary via share exchange (changed its name to Hitachi Healthcare Manufacturing, Ltd. following the reorganization of Hitachi's healthcare business in April 2016)
April, 2015	Reorganized Central Research Laboratory, Hitachi Research Laboratory, Yokohama Research Laboratory, Design Division and overseas R&D facilities into Global Center for Social Innovation, Center for Technology Innovation and Center for Exploratory Research to establish global R&D structure from the customers' perspective
October, 2015	Hitachi Appliances, Inc. transferred its air-conditioning systems business to a joint venture established with Johnson Controls Inc.
April, 2016	Reorganized in-house companies into business units as a market-specific business structure
May, 2016	Turned Hitachi Transport System, Ltd. into an equity-method associate of the Company via sale of a part of its shares
October, 2016	Turned Hitachi Capital Corporation into an equity-method associate of the Company via sale of a part of its shares
March, 2017	Transferred power tools business via share sale of Hitachi Koki, Co., Ltd.
June, 2018	Sold semiconductor manufacturing equipment business of Hitachi Kokusai Electric Inc. and also turned it into an equity-method associate of the Company
March, 2019	Transferred car information systems business via share sale of Clarion, Co., Ltd.
April, 2019	Merged Hitachi Appliances, Inc. with Hitachi Consumer Marketing, Inc. and changed its name to Hitachi Global Life Solutions, Inc.
April, 2020	Transferred the business of Hitachi Chemical Company, Ltd. via share sale of the company
May, 2020	Turned Hitachi High-Tech Corporation into a wholly owned subsidiary
July, 2020	Acquired the power grids business from ABB, Ltd, and commenced operations as Hitachi ABB Power Grids Ltd.

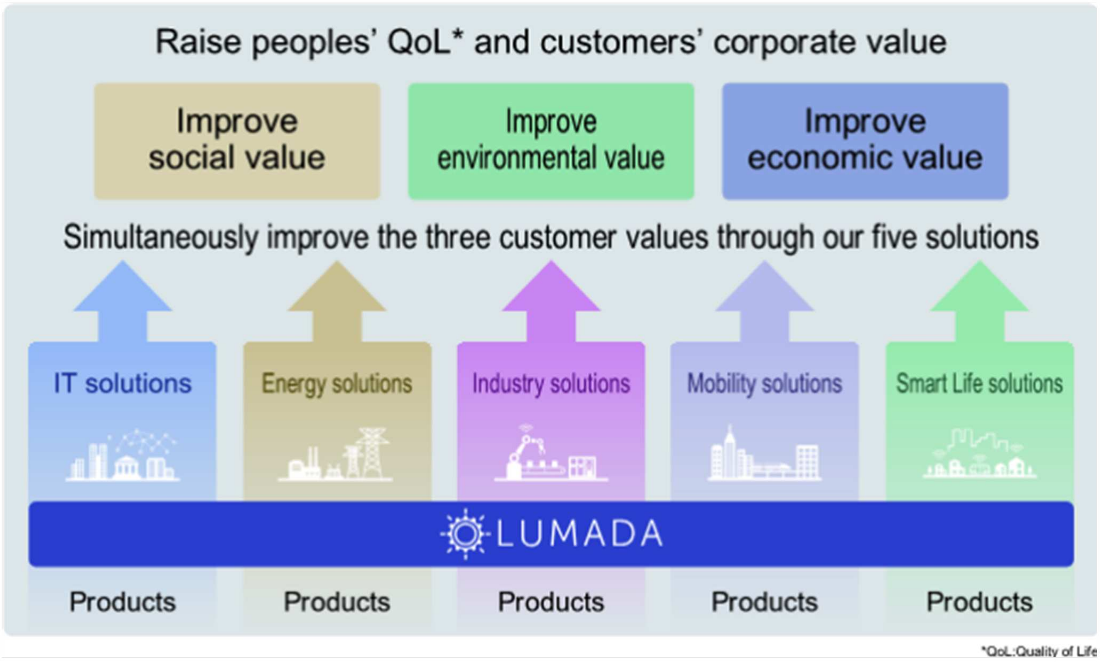
3. Description of Business

As of March 31, 2020, the Hitachi Group, which is comprised of the Company and 1,223 affiliates (814 consolidated subsidiaries and 409 equity-method associates and joint ventures.), positions five sectors: “IT,” “Energy,” “Industry,” “Mobility” and “Smart Life,” as growth areas and allocates related business units into each sector. Ranging over the ten segments from the five sectors to additional four listed subsidiary groups as Hitachi High-Tech (Note 1), Hitachi Construction Machinery, Hitachi Metals and Hitachi Chemical (Note 2), and Others, the Hitachi Group engages in a broad range of business activities, from product development and manufacturing to sales and services.

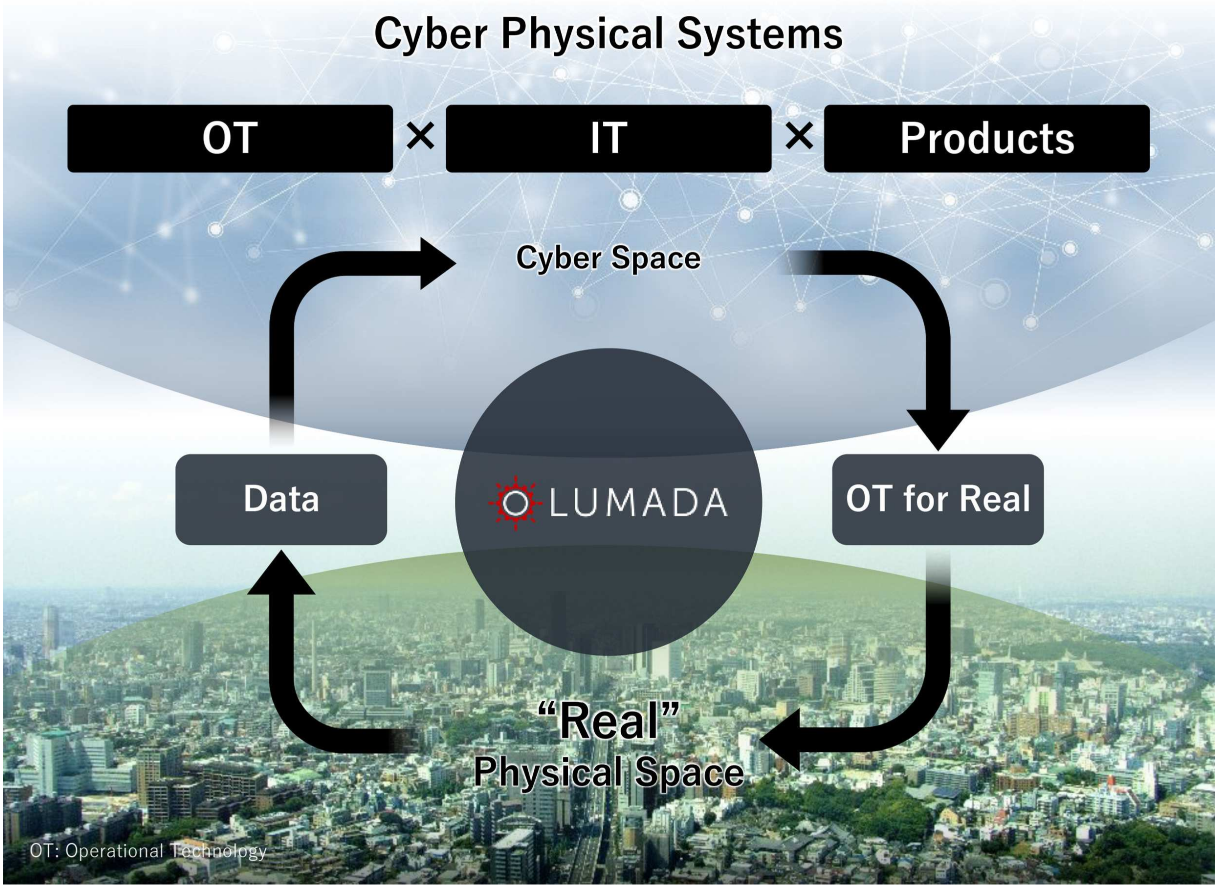
(Notes) 1. Hitachi High-Tech segment was unified to the Smart Life segment as Hitachi High-Tech Corporation became a wholly-owned subsidiary of the Company on May 20, 2020.

2. Hitachi Chemical segment was deconsolidated as Hitachi Chemical Company, Ltd. has ceased to be a consolidated subsidiary of the Company as a result of the share transfer on April 20, 2020.

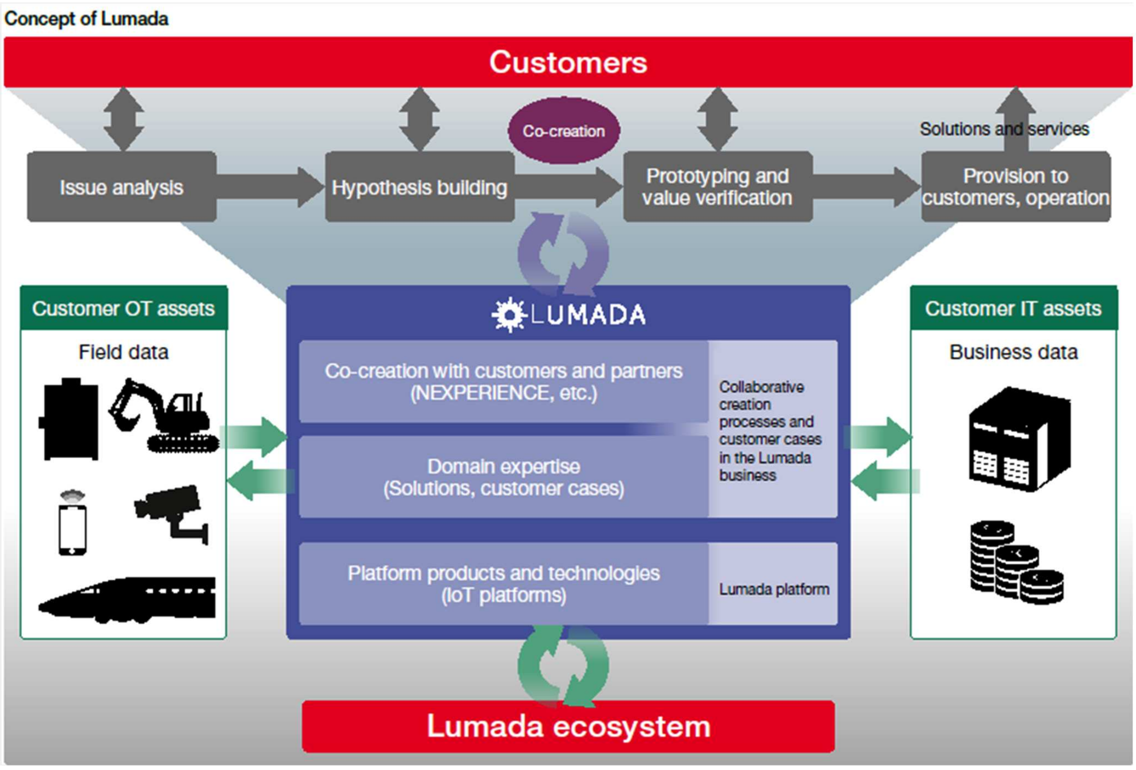
One of the Hitachi’s strengths is the ability to provide solutions that use digital technologies to resolve issues facing customers and society through our cutting-edge information technology (IT) and our operational technology (OT), which runs equipment and systems at production sites, and social infrastructure such as railways and power plants in addition to the high-quality and highly reliable products.



At the present time when society and business continue to generate more data, Hitachi’s Lumada acts as an engine that creates new value from these data and accelerates innovation. Lumada is a general term for the solutions, services and technologies that utilize Hitachi’s advanced digital technologies to create value from customers’ data and accelerate digital innovation. It is derived from the words “illuminate” and “data” and was created based on the idea of combining the strengths of OT, IT and products cultivated within Hitachi. Along with the development of IT and the Internet of things (IoT), social and business activities continue to generate data at an increasing speed. Hitachi has focused on these data as a new source of value in future society and launched the Lumada business in 2016 with the goal of using large volumes of data to create innovation for the world. With Lumada as a common platform, we will create new value and establish an advanced cyber-physical system that links cyber spaces (digital) and real spaces (physical items) sophisticatedly and in real time.



The Lumada business provides value by analyzing business issues and combining Hitachi's digital technologies to solve customer problems with the minimum customization. Rather than relying merely on product sales, we will strive to expand the Lumada business by leveraging our strengths in OT x IT x Products, commercializing our expertise in various industries and operations and shifting to digital solutions that can be provided to multiple customers in order to build a profit model based on value created through the provision of solutions, such as income from fees.



Major business outline for each segment and the positioning of Business Units (BU) of the Company and principal affiliated companies are described as follows.

(As of March 31, 2020)

Main products and services	BU and principal affiliated companies	
	BU	Affiliated companies
IT Systems Integration, Consulting, Control Systems, Cloud Services, Software, IT Products (Storage, Servers), ATMs	Financial Institutions BU Social Infrastructure Systems BU Services & Platforms BU Defense Systems BU	[Consolidated subsidiaries] Hitachi Information & Telecommunication Engineering, Ltd. Hitachi-Omron Terminal Solutions, Corp. Hitachi Solutions, Ltd. Hitachi Systems, Ltd. Hitachi Computer Products (America), Inc. Hitachi Global Digital Holdings Corporation Hitachi Payment Services Private Limited Hitachi Vantara LLC
Energy Energy Solutions (Nuclear, Renewable Energy, Thermal, Power Grids)	Nuclear Energy BU Energy BU	[Consolidated subsidiaries] Hitachi-GE Nuclear Energy, Ltd. Hitachi Plant Construction, Ltd. Hitachi Power Solutions Co., Ltd.
Industry Industry Systems, Water & Environment Systems, Industrial Machinery	Industry & Distribution BU Water & Environment BU	[Consolidated subsidiaries] Hitachi Industrial Equipment Systems Co., Ltd. Hitachi Industrial Products, Ltd. Hitachi Industry & Control Solutions, Ltd. Hitachi Plant Services Co., Ltd. JR Technology Group, LLC Sullair US Purchaser, Inc. [Equity-method associates] Hitachi Kokusai Electric Inc.
Mobility Building Systems (Elevators, Escalators), Railway Systems	Building Systems BU Railway Systems BU	[Consolidated subsidiaries] Hitachi Building Systems Co., Ltd. Hitachi Elevator (China) Co., Ltd. Hitachi Rail Ltd. (Note 5)
Smart Life Medical Electronics, Smart Life & Ecofriendly Systems (Refrigerators, Washing Machines, Room Air Conditioners, Air-Conditioning Equipment), Automotive Systems (Powertrain Systems, Chassis Systems, Advanced Driver Assistance Systems)	Healthcare BU	[Consolidated subsidiaries] Hitachi Automotive Systems, Ltd. Hitachi Global Life Solutions, Inc. Hitachi Automotive Systems Americas, Inc. Hitachi Consumer Products (Thailand), Ltd. [Equity-method associates] Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd
Hitachi High-Tech Medical and Life Science Products, Analytical Equipment, Semiconductor Processing Equipment, Manufacturing and Inspection Equipment, Advanced Industrial Products	-	[Consolidated subsidiaries] Hitachi High-Tech Corporation
Hitachi Construction Machinery Hydraulic Excavators, Wheel Loaders, Mining Machinery, Maintenance and Services, Construction Solutions, Mine Management Systems	-	[Consolidated subsidiaries] Hitachi Construction Machinery Co., Ltd.
Hitachi Metals Specialty Steel Products, Functional Components and Equipment, Magnetic Materials and Power Electronics Materials, Wires, Cables and Related Products	-	[Consolidated subsidiaries] Hitachi Metals, Ltd.

(As of March 31, 2020)

Main products and services	BU and principal affiliated companies	
	BU	Affiliated companies
Hitachi Chemical Functional Materials (Electronics Materials, Printed Wiring Boards Materials, Electronics Components), Advanced Components and Systems (Mobility Components, Energy Storage Devices, Life Science-related Products)	-	[Consolidated subsidiaries] Hitachi Chemical Company, Ltd.
Others Optical Disk Drives, Property Management	-	[Consolidated subsidiaries] Hitachi-LG Data Storage, Inc. Hitachi Life, Ltd. Hitachi Urban Investment, Ltd. Hitachi America, Ltd. Hitachi Asia Ltd. Hitachi (China), Ltd. Hitachi Europe Ltd. Hitachi India Pvt. Ltd.

(Notes) 1. Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China), Ltd., Hitachi Europe Ltd. and Hitachi India Pvt. Ltd. are the Hitachi Group's regional supervising company for Americas, Asia, China, Europe and India, and they sell the Hitachi Group's products.

2. Defense Systems BU merged with Social Infrastructure Systems BU on April 1, 2020.

3. Sullair US Purchaser, Inc. changed its name to Hitachi Industrial Holdings Americas, Inc. on April 1, 2020.

4. Hitachi High-Tech Corporation became a wholly-owned subsidiary of the Company on May 20, 2020. As a result, Hitachi High-Tech segment was abolished and merged into Smart Life segment.

5. Hitachi Chemical Company, Ltd. has ceased to be an affiliate of the Company through the share transfer on April 20, 2020. As a result, Hitachi Chemical segment was abolished.

6. Hitachi Urban Investment, Ltd. merged with Hitachi Life, Ltd. and changed its name to Hitachi Real Estate Partners, Ltd. on April 1, 2020.

7. In addition to the table above, the major equity-method associates are Hitachi Capital Corporation and Hitachi Transport System, Ltd.

4. Information on Affiliates

(1) Consolidated subsidiaries

(As of March 31, 2020)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Information & Telecommunication Engineering, Ltd.	Nishi-ku, Yokohama, Kanagawa	1,350	IT	100.0	The Company outsources design, development, manufacturing, evaluation and validation of storages, servers and telecommunication networks equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi-Omron Terminal Solutions, Corp.	Shinagawa-ku, Tokyo	8,500	IT	55.0	The Company purchases ATMs and other information equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo	20,000	IT	100.0	The Company outsources development of information systems and software, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo	19,162	IT	100.0	The Company outsources calculation, development of software, installation and maintenance of telecommunication equipment and computers. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2020)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	(Thousands of US dollars) 14,000	IT	[100.0] 100.0	The Company supplies parts for computer peripherals. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Global Digital Holdings Corporation	California, U.S.A.	(Thousands of US dollars) 1,442,641	IT	100.0	Holding company for Hitachi Vantara LLC, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Payment Services Private Limited	Chennai, India	(Thousands of Indian rupee) 79,158	IT	[58.8] 100.0	Offering the Hitachi Group's payment services for financial institutions in India. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Vantara LLC	California, U.S.A.	(Thousands of US dollars) 929,482	IT	[100.0] 100.0	Sales company for the Company's storage, etc. The Company outsources consulting services. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	5,000	Energy	80.0	The Company delivers nuclear power generation equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	3,000	Energy	100.0	Construction of the Company's power and industrial plants, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2020)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	4,000	Energy	100.0	The Company purchases power plant parts, and outsources maintenance of power generation equipment and control equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	10,000	Industry	100.0	The Company purchases industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Industrial Products, Ltd.	Chiyoda-ku, Tokyo	10,000	Industry	100.0	The Company purchases industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Industry & Control Solutions, Ltd.	Hitachi, Ibaraki	3,000	Industry	100.0	The Company outsources development of information control systems, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	3,000	Industry	100.0	Construction of the Company's industrial and public plants, etc. The Company outsources the services for them. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2020)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
JR Technology Group, LLC	Michigan, U.S.A.	-	Industry	[100.0] 100.0	Holding company for JR Automation Technology, LLC, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Sullair US Purchaser, Inc.	Indiana, U.S.A.	(Thousands of US dollars) 517,977	Industry	[100.0] 100.0	Holding company for Sullair LLC, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	5,105	Mobility	100.0	Design, manufacturing, sales, installation and maintenance, etc. of the elevators and escalators the Company developed. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	(Thousands of Chinese yuan) 538,806	Mobility	[70.0] 70.0	Sales, installation and maintenance, etc. of the Hitachi Group's elevators and escalators in China. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Rail Ltd.	London, U.K.	(Thousands of Sterling pounds) 878,181	Mobility	100.0	Manufacturing, sales, engineering and maintenance of the Company's rail systems products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Automotive Systems, Ltd	Hitachinaka, Ibaraki	15,000	Smart Life	100.0	The Company purchases parts for railway vehicles, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2020)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Global Life Solutions, Inc.	Minato-ku, Tokyo	20,000	Smart Life	100.0	Manufacturing and sales of the Hitachi Group's home appliances, and sales, system installation and maintenance of the Group's air-conditioning and refrigerating products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Automotive Systems Americas, Inc.	Kentucky, U.S.A.	(Thousands of US dollars) 86,278	Smart Life	[100.0] 100.0	Manufacturing and sales company in North America for the Hitachi Group's automotive systems products.
Hitachi Consumer Products (Thailand), Ltd.	Prachinburi, Thailand	(Thousands of Thai Baht) 2,472,000	Smart Life	[80.1] 80.1	Manufacturing and sales company for the Hitachi Group's refrigerators and washing machines, etc. in Thailand.
*Hitachi High-Tech Corporation	Minato-ku, Tokyo	7,938	Hitachi High-Tech	51.8	The Company sells and purchases information equipment and power-related parts, etc. through this company.
** *Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo	81,576	Hitachi Construction Machinery	[0.6] 51.5	The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Metals, Ltd.	Minato-ku, Tokyo	26,283	Hitachi Metals	[0.5] 53.5	The Company purchases specialty steel products, functional components and equipment, magnetic materials and power electronics materials and wires, cables, and related products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2020)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
*Hitachi Chemical Company, Ltd.	Chiyoda-ku, Tokyo	15,454	Hitachi Chemical	[0.1] 51.4	The Company purchases electronic parts, molding products and energy storage devices and systems, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo	4,800	Others	51.0	Development, manufacturing and sales company for the Hitachi Group's optical disk drives. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Life, Ltd.	Hitachi, Ibaraki	1,000	Others	100.0	The Company outsources management of welfare facilities, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Urban Investment, Ltd.	Chiyoda-ku, Tokyo	2,000	Others	100.0	The Company outsources management of welfare facilities, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi America, Ltd.	California, U.S.A.	(Thousands of US dollars) 3,245,764	Others	100.0	The Hitachi Group's regional supervising company in Americas, and sells the Hitachi Group's plant-, industrial machinery-, healthcare- and digital media-related products, etc., as well as promotes R&D in Americas. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2020)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Asia Ltd.	Singapore	(Thousands of Singapore dollars) 186,231	Others	100.0	The Hitachi Group's regional supervising company for Asia, and sells the Hitachi Group's industrial machinery and train-, healthcare- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi (China), Ltd.	Beijing, China	(Thousands of US dollars) 226,380	Others	100.0	The Hitachi Group's regional supervising company for China, and sells the Hitachi Group's plant, industrial machinery and train-, healthcare- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Europe Ltd.	Maidenhead, U.K.	(Thousands of Sterling pounds) 263,349	Others	100.0	The Hitachi Group's regional supervising company for Europe, and sells the Hitachi Group's plants, industrial machinery and digital media- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2020)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi India Pvt. Ltd.	New Delhi, India	(Thousands of Indian rupee) 344,000	Others	[100.0] 100.0	The Hitachi Group's regional supervising company for India, and sells the Hitachi Group's plants, industrial machinery and digital media-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Others - 778 companies	-	-	-	-	-

(Notes) 1. The unit of amounts and currency shown in the "Common stock" column are in millions of yen, unless otherwise specified.

2. The common stock of JR Technology Group, LLC is not shown since it is a limited liability company under the U.S. law, and does not have the "common stock".

3. Companies with two asterisks (**) in the "Company name" column are specified subsidiaries.

4. Companies with one asterisk (*) in the "Company name" column submit Securities Registration Statement or Annual Securities Report.

5. The name of segment in which the companies classified is shown in the "Principal business" column.

6. The amounts in brackets in upper row of the "Ownership percentage of voting rights" column represent the percentage of voting rights owned indirectly by subsidiaries, of the total ownership percentage.

7. Companies with negative net worth are shown below, along with the amount of liabilities in excess of assets.

Hitachi Power Europe GmbH 112,446 million yen

8. Sullair US Purchaser, Inc. changed its name to Hitachi Industrial Holdings Americas, Inc. on April 1, 2020.

9. Hitachi High-Tech Corporation became a wholly-owned subsidiary of the Company on May 20, 2020.

10. Hitachi Chemical Company, Ltd. has ceased to be a consolidated subsidiary of the Company as a result of the share transfer on April 20, 2020.

11. Hitachi Urban Investment, Ltd. merged with Hitachi Life, Ltd. and changed its name to Hitachi Real Estate Partners, Ltd. on April 1, 2020.

(2) Equity-method associates and joint ventures

(As of March 31, 2020)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Kokusai Electric Inc.	Minato-ku, Tokyo	1,000	Industry	20.0	The Company purchases electronic equipment and parts, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd	Hampshire, U.K.	(Thousands of US dollars) 935,107	Smart Life	[40.0] 40.0	Holding company for air-conditioning systems business companies from which the Hitachi Group purchases air-conditioning systems devices.
*Hitachi Capital Corporation	Minato-ku, Tokyo	9,983	General leasing, installment sales, and other financial services	33.4	Leases manufacturing equipment, industrial equipment, office equipment, etc. to the Company, and engages in leasing and installment sales of the Company's business equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Transport System, Ltd.	Chuo-ku, Tokyo	16,802	Logistics services	30.0	The Company outsources transportation and storage of products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Others - 405 companies	-	-	-	-	-

(Notes) 1. The unit of amounts and currency shown in the "Common stock" column are in millions of yen, unless otherwise specified.

2. Companies with one asterisk (*) in the "Company name" column submit Securities Registration Statement or Annual Securities Report.

3. The names of segment in which Hitachi Kokusai Electric Inc. and Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd are classified are shown in the "Principal business" column.

4. Companies with negative net worth are shown below, along with the amount of liabilities in excess of assets.

Agility Trains East (Holdings) Limited	82,965 million yen
Agility Trains West (Holdings) Limited	70,644 million yen
GE-Hitachi Nuclear Energy Holdings LLC	16,738 million yen

5. Employees

(1) Consolidated basis

(As of March 31, 2020)

Name of segment	Number of employees
IT	72,999 [15,839]
Energy	8,876 [1,468]
Industry	24,215 [2,773]
Mobility	46,847 [2,644]
Smart Life	45,371 [2,403]
Hitachi High-Tech	10,954 [-]
Hitachi Construction Machinery	24,274 [-]
Hitachi Metals	29,677 [-]
Hitachi Chemical	21,852 [-]
Others	12,890 [3,214]
Corporate (Head Office and others)	3,101 [3,101]
Total	301,056 [31,442]

(Note) The number in brackets in the lower row of the “Number of Employees” column is the number of employees of the Company included in each of the numbers in the upper row.

(2) The Company

(As of March 31, 2020)

Number of employees	Average age	Average length of service	Average annual salary
31,442	42.3	19.1 years	9,026,872 yen

(Note) Average annual salary includes bonuses and extra wages.

(3) Relationship with labor union

The Company’s labor union, Hitachi Workers Union, is a member of the Japanese Electrical Electronic & Information Union.

The relationship between management and labor unions in the Hitachi Group is stable and smooth.

II. Business Overview

1. Management Policy, Economic Environment and Challenges Hitachi Group Faces

(1) Management Policy

The Hitachi Group aims to achieve further development by delivering competitive products and services, thereby creating higher value for customers, following its Mission: to contribute to society through the development of superior, original technology and products. By taking full advantage of the diverse resources of the Hitachi Group, while at the same time reviewing and restructuring businesses, Hitachi aims to bolster its competitiveness and achieve growth in global markets. This process will be consistent with Hitachi's basic management policy, which is to increase shareholder value by meeting the expectations of customers, shareholders, employees and other stakeholders.

(2) Economic Environment and Challenges Hitachi Group Faces

1) Hitachi Group

In today's world, the future is increasingly difficult to foresee. Myriad changes are taking place, including climate change, resource shortages, aging populations and problems of urbanization. The spread of COVID-19 (the new coronavirus infection) is bringing dramatic changes to society and economies worldwide, with its profound, adverse economic repercussions. As these changes happen, innovations to solve social issues are emerging across the globe.

In this economic environment, under the 2021 Mid-term Management Plan announced in May 2019, we will continue to improve three areas of customer value, namely social value, environmental value and economic value, and contribute to the realization of a human-centric society by offering solutions to solve the various issues our society faces through the provision of the social innovation business.

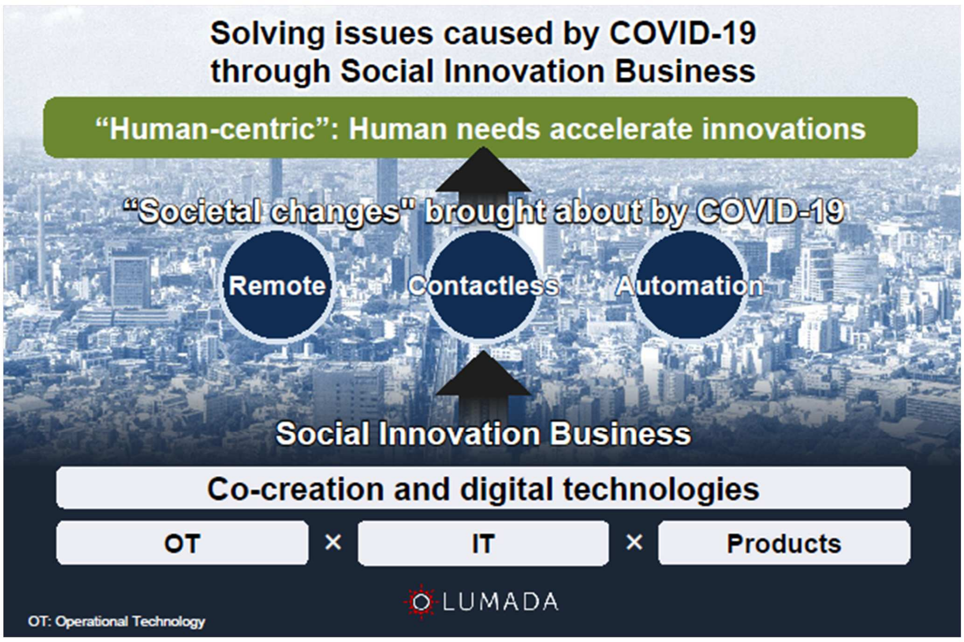
We will focus on the following policies in particular.

i) Contributing to society through business activities

We will accelerate value creation in the new society brought about by COVID-19 through the social innovation business utilizing digital technologies.

We will be among the first to respond to rapid changes and new challenges in society such as demands for remote solutions, non-contact applications and automation, and seek to develop and seize upon business opportunities by achieving the value society demands.

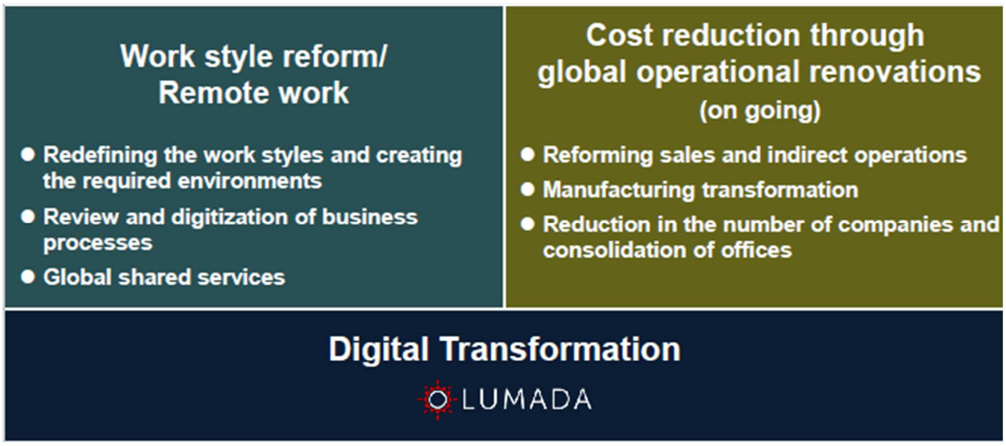
In particular, we will enhance the provision of solutions in areas where our strengths lie, such as manufacturing industry automation, supply chain optimization, data utilization in the field of government & public corporation, social infrastructure and healthcare, and support for workstyle reforms such as remote work utilizing IT. In catering to new needs, we will also seek to fully utilize Lumada, the core of our digital business, and strive to expand our business.

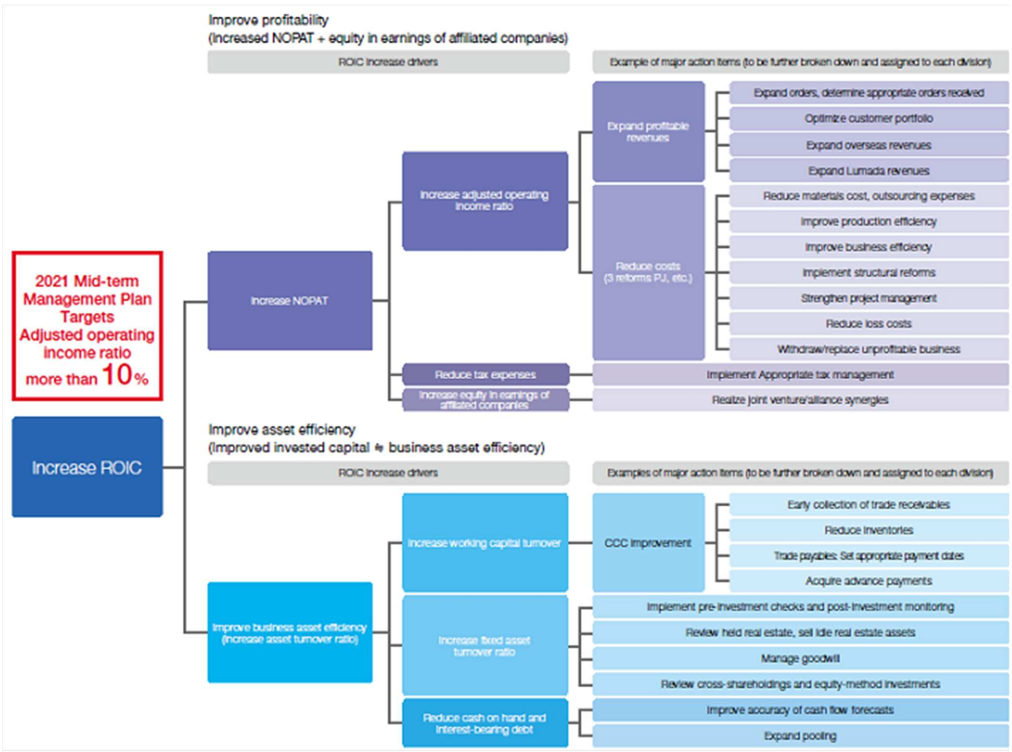


ii) Continued efforts to strengthen the management base

By utilizing the human capital, technologies and customer bases in the digital field acquired through investments focused on the IT and Industry sectors, as well as the acquisition and integration of ABB’s power grid business in the Energy sector, we will further promote the reform of our business portfolio.

We will also promote the streamlining and optimization of business operations at the company-wide level, by utilizing digital technologies such as by reviewing business processes adapted for remote work. At the same time, we will continue to promote investment yield management using return on investment capital (ROIC), inventory asset reduction and reduced working capital by each sector, in an effort to boost profitability and the ability to generate cash.

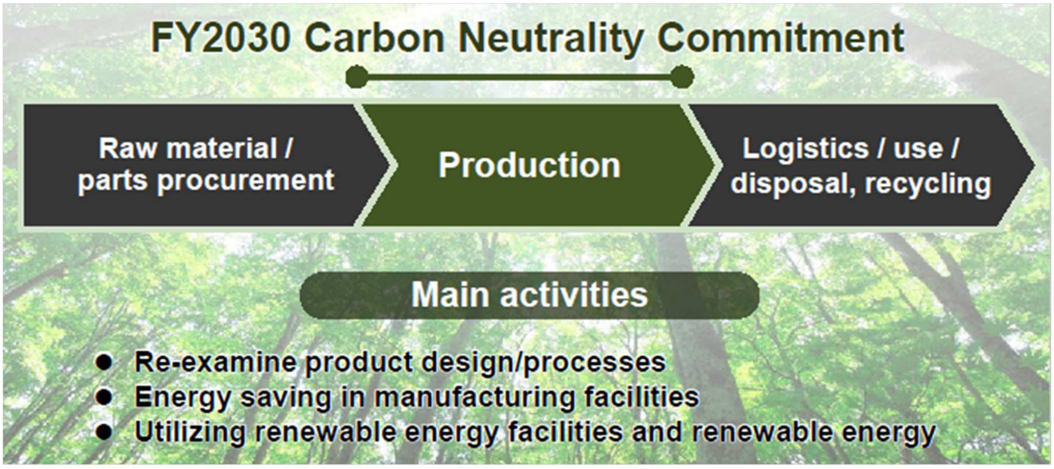




iii) Further initiatives to gain the trust of society

We reaffirm that gaining and maintaining the trust of society in quality, safety, and compliance is one of the top priorities. In addition, we will proactively and continuously make efforts to meet such needs of society or the times as promoting diversity in our workplace, speeding up work-style reforms, and contributing to the environment and local communities.

To contribute to the creation of a sustainable society, we will newly established the advanced goal of becoming “carbon neutral in in-house production by Fiscal 2030” in an effort to transform ourselves into a leading company in the creation of environmental value. In addition to internal efforts to reduce carbon dioxide emissions by reviewing product designs, adopting energy-efficient manufacturing equipment and other measures, we will also support customers and procurement partners in their environmental efforts and accelerate initiatives to realize environmental value through the entire corporate activities.



2) 5 focused sectors

Economic environment and challenges which five focused sectors as IT, Energy, Industry, Mobility and Smart Life face are as follows.

(IT)

A great deal of attention is focused on digital transformation (hereinafter "DX"), an initiative aimed at transformation of every corporate economic activity, business models that underpin these activities and their organizations, cultures and systems by leveraging digital technologies such as AI, IoT, robotics and next generation network standard, 5G, from the perspective of responding to market environment digitization. Due to the spread of the COVID-19 pandemic since the beginning of 2020, the concept and value of businesses, as they pertain to consumer activities and supply chains in particular, have hit a turning point globally, while lifestyles and workstyles have undergone significant changes from a personal perspective. In this new normal, DX is expected to be accelerated even further amid growing needs for remote solutions, non-contact applications, and automation such as the elimination or reduction of labor.

In the IT sector, we will aim to become one of the top-tier solution providers in the world while simultaneously seeking to meet the expectations of domestic and overseas customers and create a sustainable society by leveraging digital technologies. There is concern about sluggish demand for IT going forward due to the spread of COVID-19. However, momentum for investments is growing as DX is being accelerated on a global basis, facilitating the transformation of corporate management and business models through digital technologies. We will respond to these needs and enhance social value by promoting the digital solution business in the areas of advanced financial institutions and social infrastructure while simultaneously seeking to improve environmental efficiency throughout the life cycle of products and services, and create environmental value.

The IT sector drives all of our business areas as the core of the Lumada business. During the term of the 2021 Mid-term Management Plan, the IT sector continues to pursue essential investments for growth while seeking M&A and strategic partnering opportunities to acquire business resources such as human capital and business bases and striving for the promotion of digital talents training and expansion, development of progressive digital technologies among other things as a reinforcement of organization for global expansion of Lumada business.

(Energy)

Energy demand is growing globally against the background of social innovations, such as a rise in the size of data centers, industrial electrification and the introduction of EV for more applications, in addition to an increase in population and economic growth. Given the need for measures against climate change, there is global acceleration in the movement toward the reduction of CO2 emissions and de-carbonization. On the other hand, more than one billion people are forced to live without electricity due to a serious shortage of electric power in developing countries. To address these challenges, Hitachi seeks to offer energy solutions by taking advantage of the combination of OT, IT and products in a range of business areas, including those of renewable energy and power grids.

In the Energy sector, we will provide energy solutions, such as nuclear power generation systems, renewable power generation systems, power grid systems, and predictive diagnosis and remote monitoring services for plants by taking advantage of a combination of OT, IT and products to help customers provide energy stably and reduce CO2 emissions, and contribute to the creation of a low carbon/decarbonized society. The sector that plays a central role in Hitachi's Social Innovation business will continue to contribute to the creation of environmental value.

The Energy sector will develop sophisticated energy management systems such as enhancement of management and optimization of maintenance and inspection at energy-related facilities with Lumada, leveraging expertise and digital technologies which Hitachi has been cultivating. The Energy sector will also strengthen the Lumada-based grid solutions and services business through the integration of the ABB's power grid business with the global top technology and a track record, while accelerating the expansion of the global business by leveraging its expertise and resources.

(Industry)

Markets have been changing more rapidly and complexly than ever in many industries due to a decrease in the working-age population, the intensification of global competition, climate change and resource shortages. In this situation, significant changes are occurring in people's lifestyles and corporate activities due to the impact of COVID-19, resulting in an unprecedented increase in expectations for the creation of new services and innovations that use advanced digital technologies, such as AI, IoT and robotics, in a variety of areas.

In the Industry sector, we will seek to become the best solution partner for industrial sector customers by taking advantage of a combination of OT, IT and products, namely, a unique strength that the Hitachi Group offers. We will aid customers from the manufacturing and distribution industries to "implement production and provide services more efficiently" by offering solutions that contribute to the enhancement of productivity and quality, "create a secure and safe water environment" for 70 million people per day globally by improving the water supply and sewerage infrastructure and using seawater desalination technologies, and "reduce CO2 emissions" by facilitating product energy-saving to create social value, environmental value and economic value.

To meet these goals, the Industry sector, utilizing Lumada, will globally provide total seamless solutions that resolve and optimize the challenges underlying the value chain from management to field operations, and from procurement to manufacturing, distribution, sales, services and maintenance with digital technologies.

(Mobility)

In the building systems business, demand for maintenance and renovation services and expectations for new solutions that enhance buildings' added value through the use of digital technologies are rising, in addition to demand for the installation of new elevators and escalators. The railway system business is expected to grow in the long term against the background of an increase in the global population, urbanization and climate change.

In the Mobility sector, we provide solutions that will be part of clean and highly efficient smart cities to people around the world, including smart solutions to facilitate faster, more eco-friendly movement between cities, to reduce the level of dependency on vehicles in cities and to organize the flow of people in high-rise buildings. We will provide social value through safe, secure and comfortable mobility services, and products/services that solve issues which arise in urban space including buildings. In addition, we will reduce CO2 emissions by realizing services that facilitate movements with a low level of environmental loads, and in so doing, strive to create environmental value.

In particular, in the building systems business, the Mobility sector will upgrade and exchange solutions utilizing Lumada by taking advantage of the Hitachi Group's strong resources for digital technologies such as IoT and AI in addition to offering products such as elevators and services boasting excellent technical capabilities and competitiveness. In the railway systems business, the Mobility sector will enhance added value of maintenance services by analyzing the data collected from railway vehicles, as well as providing safe, secure and comfortable mobility services through contributing to total solutions such as operational management and unmanned autonomous driving.

(Smart Life)

The automotive industry, to which the automotive systems business provides products and services, is bracing for an era of revolution reputedly for the first time in the last one hundred years against the background of growing social needs for a reduction in the environmental load, further improvement in comfort, and curbing of traffic accidents through safety enhancements , and consequently, competition is intensifying in areas related to core automotive technologies, such as those associated with electrification, internet connectivity and self-driving. With respect to the life science area, for which the healthcare business is responsible, strong growth is expected to continue because there are many unmet potential needs.

In the Smart Life sector, under the key concepts of health, safety and comfort, we will create social value, environmental value and economic value by forming livable communities for all and contributing to the improvement of the quality of people's lives. Through the provision of the particle beam cancer therapy system, we will ensure that people can undergo cancer treatment while living ordinary lives; through the provision of connected home appliances, we will help people around the world enjoy rich lives; through auto driving technologies, we will contribute to the elimination of traffic accidents; and through electrification and IoT technologies, we will reduce CO2 emissions from products and contribute to the prevention of global warming. In addition, we will improve profitability by replacing businesses and implementing operational reforms, and move forward with business structural reforms.

As described above, the Smart Life sector will contribute to more convenient and enriched lives through connecting automobiles, home appliances, healthcare devices and other equipment that supports people's daily lives to the Internet and utilizing data analysis technology of Lumada for remote operation and management and the automation while striving to expand the Lumada business mainly in the smart city market in Asia amid growing urbanization. The Smart Life sector leads itself to the next growth of digital services business expansion through establishing such Lumada business models.

(3) Targets under the mid-term management plan

Under the "2021 Mid-term Management Plan," the Hitachi Group utilizes the following targets to measure performance in terms of meeting its strategic and operational goals:

	Fiscal 2021 Target	Reason for selection as indicators
Annual growth rate for revenues	Over 3%	Indicator to measure growth
Adjusted operating income margin (Note 1)	Over 10%	Indicator to measure profitability
Operating cash flow: cumulative for 3 years	Over 2.5 trillion yen	Indicator to measure ability to generate cash
Return on invested capital (ROIC) (Note 2)	Over 10%	Indicator to measure investment efficiency
Overseas revenue ratio	Over 60%	Indicator to measure globalization

(Notes) 1. Adjusted operating income is presented as revenues less cost of sales as well as selling, general and administrative expenses. Adjusted operating income margin is the ratio calculated by dividing adjusted operating income by revenues.

2. ROIC (Return on Invested Capital) = ("NOPAT" + Share of profits (losses) of investments accounted for using the equity method) / “Invested Capital” x 100
NOPAT (Net Operating Profit after Tax) = Adjusted Operating Income x (1 – Tax burden rate)
Invested Capital = Interest-bearing debt + Total equity

In addition to providing the economic value described above, under its Mid-Term Management Plan the Group aims to provide social value, including safe and comfortable mobile services, a safe and secure water environment and support for accelerating innovation, as well as environmental value, including a reduction in CO_2 emissions in the value chain, an improvement in water-use efficiency and an improvement in resource-use efficiency.

2. Risk Factors

(1) About Risk Management

We aims to understand and analyze the changing business environment every day, and to create new revenue opportunities while controlling risk. To do this, we maintain a clear understanding and analysis of the operating environment, taking into account social issues as well as our competitive advantages and management resources, and conduct risk management with an eye toward the many risks the Company should be prepared for as well as opportunities for growth..

With respect to such various risks, each department strives to appropriately grasp and respond to risks and opportunities, and reflects them in reporting to management executives and management strategies.

As a major, we have the following initiatives:

Risks related to investments, etc.

In order to accelerate the global social innovation business under the situation of structural changes and uncertainties in the global economy, it is increasingly important to understand the risks and opportunities of investments, etc such as M&A and large-volume project orders and to respond appropriately.

While we make flexible decision-making by transferring authority according to the importance such as the scale of the project, we deliberate and make decisions about the risks and opportunities for investments, etc. in the Senior Executive Committee and Board of Directors, based on the report of Investment Strategy Committee.

After the execution of investments, etc., we monitor the situation such as achievement of the purpose, business growth, improvement of asset efficiency, etc. In addition, we have established "EXIT rules" to determine business investment destinations that may have an important impact on management due to the expression of risk events, and to improve capital efficiency by managing business continuity including withdrawal.

Through the above process, we are striving to further strengthen asset profitability and risk tolerance, while grasping the risks before and after execution of investments.

Risks related to sustainability

Social and environmental issues, including climate change, resource depletion, the curtailment of business activity due to significant disasters, and social instability due to growing inequality, are having a substantial impact on corporate value creation and business models. And such a drastic change in the business environment, companies must have a clear understanding of opportunities and risks and take appropriate measures if they are to achieve sustainable growth over the long term.

The company is able to gain a clear understanding of sustainability-related risks, and accordingly take appropriate action, thanks to the efforts of the Executive Sustainability Committee and other related committees. We remain actively engaged in promoting our own sustainable growth while contributing to the realization of a sustainable society by seeking out business opportunities contributing to the resolution of important domestic and overseas issues, including those relevant to the UN Sustainable Development Goals (SDGs) and Society 5.0., which is a human-centered society that balances economic advancement with the resolution of social problems by a system that highly integrates cyberspace and physical space.

(2) Risk Factors

We conduct business on a global scale across a broad range of business areas and utilize sophisticated, specialized technologies to carry out our operations. Therefore, we are exposed to risks attributable to the economic environment, risks inherent in individual industrial sectors and business lines and risks related to our operations. Investment in our securities also involves risks.

The following risks and countermeasures are based on assumptions we consider reasonable as of the date of submission of this report. The countermeasures below will not necessarily eliminate the effects of the risks and may not effectively mitigate the effects.

1) Risks Related to COVID-19

The spread of COVID-19 has caused restrictions on movement, including lockdowns on cities and stay-at-home orders and requests, closures of business establishments, restrictions on production activities, decreases in consumer spending and capital expenditure, supply chain disruptions, sporadic violent fluctuations on capital markets worldwide and deterioration in the financing environment. As a consequence, it has caused economic deterioration of the world and had adverse effects on the Group's businesses, financial position and operating results. The coronavirus may have additional adverse effects depending on its future course.

The effects that the COVID-19 is expected to have on our business in each segment are as follows.

IT	• Front Business: assuming the impact on new orders due to customer's IT investment restraint • Services & Platforms: assuming downturn of the North American storage market
Energy	• Nuclear Energy BU: assuming delays in order contracts and impacts on on-site work • Energy BU: assuming decrease in maintenance sales for domestic and overseas customers due to movement restriction, and demand decrease in power semiconductors for automotive and other equipment
Industry	• Industry & Distribution BU: assuming decrease in demand from customers related to aviation, automotive, and steel • Water & Environment BU: assuming demand decrease mainly in Japan • Industrial Products Business: assuming decrease in demand by products and regions, mainly for equipment for North America and Europe
Mobility	• Building Systems BU: assuming sales decrease of new installation and modernization businesses, mainly in Japan. China market is expected to normalize • Railway Systems BU: assuming stagnation of work progress due to the halt of factory operation, movement restriction, etc. European and US factories are recovering in the first half and are expected to normalize in the second half of FY20
Smart Life	• Smart Life & Ecofriendly Systems Business: assuming sales decrease of air conditioners and home appliances in Japan and overseas • Automotive Systems Business: assuming downturn in the automotive market, mainly in the Americas, Europe and Japan • Measurement & Analysis Systems Business: assuming demand decrease due to stagnation of customer's production activity and capital investment
Hitachi Construction Machinery	• Assuming demand decrease for hydraulic excavators
Hitachi Metals	• Assuming decrease in demand in automotive, electronics, and industrial infrastructure areas, mainly in Japan, China and North America

Effects on results of operations in the fiscal year ended March 31, 2020 are described in "3. Management's Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows." Accounting estimates policy is described in "Consolidated Financial Statements — Notes to Consolidated Financial Statements — (2) Basis of Presentation." and "Basis of Presentation and Financial Statements."

In response to those risks, we are continuing manufacturing activities as far as safety is ensured, making preparations to resume manufacturing activities promptly after COVID-19 subsides, bringing in diverse ways of working, including remote work, while enhancing the digital environment, strengthening cash management, and cutting cost by changing the business structure.

2) Risks Related to Market

Economic Trends

Our business is influenced by the global economy and economic conditions in certain regions or countries. We are affected by downward economic trends in regions, countries and Japan. Such economic conditions could cause decline in consumer spending or capital investment and subsequently reduced demand for our products, systems and services, which could adversely affect our business, financial condition, and results of operations.

In response to this risk, we combine the many different aspects of the Social Innovation Business in a range of business fields and regions.

Currency Exchange Rates Fluctuations

Since we conduct business in many foreign countries, our business activities are exposed to risks from fluctuations in foreign currency exchange rates. We sell products, provide services and purchase raw materials and components in local currencies. Therefore, fluctuations in foreign currency exchange rates may result in lower revenues or higher costs in yen to us and thus affect our results of operations, which are reported in Japanese yen. Our price competitiveness may decline if we seek to increase prices in local currencies to compensate for lower revenues or to increase prices in yen to absorb the higher cost, and thus our results of precautions may be harmed. In addition, since we hold assets and liabilities denominated in foreign currencies, fluctuations in foreign currency exchange rates may adversely affect our financial condition presented in Japanese yen through foreign currency translation.

The table below shows the foreign exchange sensitivity for the fiscal year ending March 31, 2021 (impact of exchange rate fluctuation by one-yen fluctuation from the forecasted rate) estimated as of June 30, 2020.

Currency	Forecast	Foreign exchange sensitivity (Billions of yen)	
		Revenues	Adjusted Operating Income
U.S. dollar	105 yen / U.S. dollar	17.0	1.5
Euro	120 yen / Euro	4.0	1.0

To mitigate the risk, we hedge the foreign exchange risks using forward exchange contracts and currency swap agreements and promotes our strategy of selling locally produced goods and services.

Access to Liquidity and Long-term Financing

Our primary sources of funds are cash flows from operations, borrowings from banks and other institutional lenders, and funding from capital markets, such as offerings of commercial paper and other debt securities, as well as equity securities. We need liquid funds to pay our operating expenses, the principal of and interest on our debt and dividends on our capital stock. We also need long-term financing to fund, among other things, capital expenditures and research and development expenses. We currently believe our cash flows from operations, borrowings from banks and other institutional lenders and funding from the capital markets can provide sufficient funding for our operations and other liquidity needs. However, a global economic downturn could adversely affect our cash flows from operations, business results and financial condition and may adversely affect our credit ratings. If our ratings are downgraded, our ability to obtain additional financing on terms we consider favorable may be negatively affected.

Our reliance on banks and institutional lenders exposes us to risks related to rising interest rates, and we may need to increase our reliance on external sources of funding. An increased reliance on debt instruments may adversely affect our credit ratings, which might affect our ability to successfully obtain additional financing on terms we consider favorable. The inability to successfully obtain such financing may increase our financing costs, and therefore could adversely affect our financial condition and results of operations. To reduce risks related to rising interest rates, we enter into interest rate swap agreements

Furthermore, failure of one or more of our major lenders or a decision by one or more of them to change the terms and conditions of their loans or to stop lending to us could have an adverse effect on our access to funding.

Marketable Securities Risks

We invest in securities to maintain or promote our business or other relationships with other companies. These securities are exposed to the risk of declining stock prices. Such declines may require that we write down equity securities that we hold. Further, contractual and other obligations may require us to maintain our holdings of these securities despite declining share prices and this may lead to material losses.

The table below shows the number of stock names and balance sheet amount of the stocks the Company owned at the end of the fiscal year ended March 31, 2020.

	Number of stock names (stock names)	Total amount recorded in the balance sheet (millions of yen)
Unlisted stocks	178	39,925
Others	55	101,934

To deal with those risks, we, under the basic policy, will not acquire and hold other companies' shares except for cases where acquiring or holding such shares is necessary in terms of transactions or business relationship. The Company also promotes reducing shares that it already owns unless significance of holding shares and economic rationales of holding are confirmed. Policy for shareholding and examination of the reasonableness of holding Equity securities held for purposes other than pure investment are described in "Ⅳ. Information on the Company - 4. Corporate Governance, etc. - (5) Information on shareholdings."

3) Risks Related to Business Environment

Material and Component Procurement

Our manufacturing operations rely on external suppliers for supplies of materials, parts, components and services of adequate quality and quantity, delivered in a timely manner at a reasonable price. External suppliers may not have sufficient capacity to meet all of our needs during periods of excess demand. Shortages of materials, parts, components and services may cause a sharp rise in their prices. In addition, prices of certain raw materials, parts and components which we purchase in local currencies, principally the U.S. dollar and the euro, could be adversely affected by fluctuations in foreign currency exchange rates. Increases in the market price of petroleum and other materials, such as copper, steel, synthetic resins, rare metals and rare-earth minerals, can increase our production costs and may adversely affect our results of operations. Conversely, decreases in commodity prices, such as for raw materials, parts and components, can result in write-downs of inventory. If natural disasters disrupt the operations of our suppliers and damage supply chains, it may adversely affect our production. If there are violations of laws or regulations at suppliers, including infringements of rights of workers such as child labor and forced labor, our reputation as an entity that places orders may decline and the stable procurement of raw materials or parts from the suppliers may be hindered, which may adversely affect our business, financial condition and results of operations.

To deal with those risks, we establish close relationships with suppliers, appropriately react to changes in demand in different regions, promoting a strategy of selling locally produced goods and services, formulates a business continuity plan (BCP) at domestic bases and major bases overseas to strengthen the abilities to deal with business interruption risk and use and strengthen the procurement function of our entire group. To prevent violations of laws and regulations at suppliers, we carry out inspections and audits using questionnaires and initiatives to promote their understanding.

Estimates, Fluctuations in Cost and Cancellation of Long-term Projects

We enter into a substantial number of long-term projects, particularly in connection with the construction of infrastructure systems. When the outcome of a construction can be estimated reliably, we recognize revenue and expenses by reference to the stage of completion of the contract activity. In this case, revenue is recognized mainly based on the progress of the project mostly based on the cost incurred relative to the estimated total cost. When the outcome of a construction cannot be estimated reliably, we recognize revenue only to the extent of contract costs incurred that it is probable will be recoverable, and recognize contract costs as expenses in the period in which such costs are incurred. The revenue recognition for such long-term projects requires us to make significant assumptions about the estimated total cost, estimated total selling price, contract risks and other factors. However, these estimates are subject to change. We regularly review these estimates and adjust them as we deem necessary. We charge any anticipated losses on fixed price contracts to operations when we are able to estimate such losses. While we employ our best judgment based on available information, these estimates are subject to change. Fluctuations in costs can occur for a variety of reasons, many of which are beyond our control. In addition, we or our counterparties may cancel these contracts. These factors would require us to revise our initial assumptions regarding a particular contract, and may adversely affect our business, financial condition and results of operations.

To deal with those risks, we aim to identify and manage risks before the execution of contracts, and our operating division and finance division continue to manage and share identified risks after the execution of contracts for accurate estimates in a timely manner.

Intense Competition

We are subject to intense competition in many of the markets in which we operate, and this may adversely affect our results of operations. We compete with diverse competitors ranging from huge global corporations to specialized companies. Advanced products, systems and services are becoming general use products. The production and development of them and the provision of services in low-cost regions, and use of the cloud and automation are expanding. As a result, price competition is intensifying. To succeed in this competitive environment, we believe that our products, etc. must be price competitive. The commoditization of such products, etc. affects our ability to set prices for our products, etc. If we are unable to charge comparable prices to those of our competitors, our competitiveness and overall profitability may be harmed. On the other hand, charging comparable prices to those of our competitors may require us to sell products and services at a loss. Our products, etc. must also be competitive in terms of engineering sophistication, quality and brand value. We must introduce our products and services to the markets in a timely manner. There can be no assurance that the products, etc. that we offer will be competitive. The failure of such products, etc. to be competitive may negatively affect our business, financial condition and results of operations.

To deal with those risks, we promote enhancing innovation through research and development, expansion of digital solutions with Lumada, collaborative creation with customers and strives to produce high value-added products.

Dependence on Specially Skilled Personnel

We believe recruiting and retaining additional people who are highly skilled in connection with our operations is indispensable to remaining competitive. We look particularly for human resources who can work globally, those who can identify customer needs, working near them, and provide optimal solutions and services and those who can take the lead in digital transformation. However, the number of skilled personnel is limited and the competition for attracting and maintaining such personnel is intense. We cannot ensure that we will be able to successfully attract new or maintain our current skilled personnel.

To deal with the risk, we expand overseas direct recruitment of digitally savvy human resources to hire human resources needed in Japan and overseas in a timely manner. We create employee-friendly workplaces where diverse human resources work and employs excellent global human resources in a globally common personnel system. Using a group-wide, globally common learning management system and an in-house education program, we aim to maintain and cultivate excellent human resources.

Rapid Technological Innovation

New technologies are rapidly emerging in the segments in which we conduct business, with the pace of technological innovation. The development of new and advanced technologies, the continuous, timely and cost-effective incorporation of such technologies into products, systems and services and the effective marketing of such products, etc. are indispensable to remaining competitive. It is important to respond to technological innovations, including 5G (fifth-generation mobile communications system), automation and electrification using the technologies such as AI, the IoT and robots, remote and non-contact technologies and environmentally friendly technologies. While introducing such products, etc. requires significant resource commitment to research and development, there can be no assurance that our research and development will be successful. Failure in our endeavors to develop and incorporate such advanced technologies into products and services in a timely manner, or to achieve market acceptance for such products, etc., may negatively affect our business, financial condition and results of operations.

To mitigate those risks, we promote open innovation involving industry, government and academia, recruit and cultivate digitally savvy human resources and strengthens Lumada. Through those activities, we work to create an innovation ecosystem.

Supply and Demand Balance

Oversupply in the markets in which we compete may lead to declines in sales prices, revenues and profitability. In addition, adjustment to demand may force us to dispose of excess supply or obsolete equipment or reduce production, which can result in losses. For example, the imbalance between supply and demand in information systems, construction machinery and automotive equipment industries and a resultant deterioration in market conditions could negatively affect our businesses, financial condition and results of operations.

To deal with those risks, we work to strengthen the competitiveness of our products, etc. and control the supply and inventory of products, etc. based on demand forecasts.

Credit Risks Arising from Business Transactions

We make transactions with diverse customers and suppliers in Japan and other countries. We sell our products to certain customers on credit and pay in advance for products or services provided by certain suppliers. Credit deterioration or failure of one or more of them could adversely affect our financial condition, results of operations and cash flows.

To deal with those risks, we take measures to manage counterparty credit risk, such as regularly monitoring credit conditions of such customers or suppliers and setting a limit on transaction amount according to their credit conditions.

4) Risks Related to Management Policy and Strategy

Our Strategy to Strengthen Our Social Innovation Business

Our business strategy seeks to build our business portfolio and achieve a stable and profitable business structure mainly by strengthening our Social Innovation Business, which supplies advanced social infrastructure supported by information and communication technology. We plan to devote significant resources including capital expenditures and R&Ds and are making investments in mergers and acquisitions and in new projects to strengthen our Social Innovation Business. In addition, we attempt to design suitable organizational structure for promoting our Social Innovation Business more effectively in response to market changes. To implement this strategy, we have incurred and may continue to incur considerable expenses. Our efforts to implement this strategy may be unsuccessful or less successful than we currently anticipate. Even if these efforts are successful, there is no assurance that we will be able to sustain or increase profitability.

To deal with those risks, we work to manage implementation in a phase gate process in each business unit (BU) and analyze and discuss market trends, trends at competitors, technological trends and potential risks, among other issues, from a range of perspectives, in the Investment Strategy Committee, Business Strategy Committee, Senior Executive Committee, the Board of Directors and Audit Committee.

Acquisitions, Joint Ventures and Strategic Alliances

In every operating sector, we depend to some degree on acquisitions of other companies, joint ventures and strategic alliances with outside partners to design and develop key new technologies and products, to strengthen competitiveness by scaling up and to expand into new regions through acquiring local bases or distribution channels. The matters which may have adverse effects on our financial condition or profitability are described in "Consolidated Financial Statements - Notes to Consolidated Financial Statements - (5) Business Acquisitions and Divestitures." Such transactions are inherently risky because of the difficulties in integrating operations, technologies, products and personnel and achieving return of the investment. Integration issues are complex, time-consuming and expensive and, without proper planning and implementation, could adversely affect our business. Decisions made by or the performance of alliance partners that we cannot control or adverse business trends may also negatively affect the success of our alliances. We may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to integration or restructuring of acquired businesses. If it is expected that the amount invested is irrecoverable due to a decline in the profitability of an investee, we may incur significant losses, including impairment loss for goodwill. There can be no assurance that these transactions will be beneficial to our business or financial condition. We recorded goodwill of 204,243 millions of yen in the IT segment and 158,010 millions of yen in the Industry segment as of March 31, 2020. The amount of goodwill in each segment is described in "Consolidated Financial Statements - Notes to Consolidated Financial Statements - (4) Segment Information." Even assuming these transactions are beneficial, there can be no assurance that we will be able to successfully integrate acquired businesses or achieve all or any of the initial objectives of these transactions.

To deal with those risks, we work to manage implementation in a phase gate process in each business unit (BU) and analyze and discuss market trends, strategies, purchase prices, PMI (post-merger integration) processes and potential risks, among other issues, from a range of perspectives, in the Investment Strategy Committee, Senior Executive Committee, the Board of Directors and Audit Committee.

Restructuring of Our Business

Our business strategy seeks to build our business portfolio and achieve a stable and profitable business structure in part by:

- closing unprofitable operations;
- divesting our subsidiaries and affiliated companies;
- reorganizing production bases and sales networks; and
- selling select assets.

Our restructuring efforts may not be implemented in a timely manner or at all, including due to governmental regulations, employment issues or a lack of demand in the M&A market for businesses we may seek to sell. In addition, we have listed subsidiaries and from time to time the interests of these listed subsidiaries' shareholders may conflict with our interests. Such conflicts of interest may result in difficulties in timely implementing group-wide policies, including mergers, company splits and other similar transactions to which the listed subsidiaries are parties. Restructuring efforts may also bring about unintended consequences, such as negative customer or employee perceptions, and have caused and may continue to cause us to incur significant expenses and other costs, including additional impairment losses on our fixed assets and intangible assets, write-offs of inventory and losses on the disposal of fixed assets and losses related to the sale of securities. Current and future restructuring efforts may be unsuccessful or less successful than we presently anticipate and may adversely affect our business, financial condition and results of operations.

To deal with those risks, we analyze and discuss market trends, strategies, sale prices, processes and potential risks, among other issues, from a range of perspectives, in the Investment Strategy Committee, Senior Executive Committee, the Board of Directors and Audit Committee.

Our Overseas Growth Strategies

We seek to expand our business, including our Social Innovation Business, in overseas markets as part of our business strategy. Through such overseas expansion, we aim to increase our revenues, reduce our costs and improve profitability. In many of these markets, we face barriers in the form of long-standing relationships between our potential customers and their local suppliers. In addition, various factors in foreign countries where we operate may adversely affect our overseas business activities. These factors include:

- changes in regulations relating to investments, exports, tariffs, antitrust, anti-bribery, consumer and business taxation, intellectual property, foreign trade and exchange controls, human rights, employment and labor, environmental and recycling requirements;
- differences in commercial and business customs such as contract terms and conditions;
- changes in labor relations and practices;
- public sentiment against Japan and local residents' sentiment against us, various groups' criticism of us; and
- other political and social factors as well as economic trends and currency exchange rate fluctuations.

Because of these factors, there can be no assurance that we will be able to achieve the aims of our overseas growth strategy. This may adversely affect our business growth prospects and results of operations. For example, the discussion about the future relations after Brexit in the UK could have significant adverse effects on our railway system business, which operates there.

To deal with those risks, we constantly determine global political and economic conditions and analyze their effects on our businesses. Based on the analysis, we take group-wide steps.

Worsening of Business Performance of Equity-Method Associates and Joint Ventures

We use the equity-method to account for a number of associates and joint ventures. If one or more of such associates or joint ventures, accounted for using the equity-method, records a loss during a given period, we must record that loss in a manner proportionate to our ownership interest in our consolidated financial statements. In addition, if the carrying amount of our equity-method investments in associates or joint ventures is below the recoverable amount of the investments, we could be required to record an impairment loss.

The table below shows investments accounted for using the equity method as of March 31, 2020.

Millions of yen

Segment	March 31, 2020
IT	46,430
Energy	22,819
Industry	20,835
Mobility	56,782
Smart Life	66,801
Hitachi High-Tech	1,792
Hitachi Construction Machinery	32,866
Hitachi Metals	29,076
Hitachi Chemical	8,922
Others	6,025
Subtotal	292,348
Corporate items and Eliminations	188,027
Total	480,375

To deal with those risks, we promote investment income management using return on invested capital (ROIC) and concentrate investment in fields where profitability and growth are high. We monitor achievement of business plans and financial position at equity method affiliates in which we invest and sell businesses with low profitability and investee companies whose competitiveness we are concerned about.

Overhaul of Cost Structure

We implement “the Hitachi Smart Transformation Project,” which promotes cost reductions in all activities of our value chain by thoroughly overhauling our cost structure across our group. We seek to stabilize earnings and generate strengthen cash flows by improving our management efficiency through the Project. The Project may be less successful than we currently anticipate. Even if the Project is successful, there is no assurance that we will be able to sustain or increase profitability.

5) Other Risks Affecting the Overall Management

Significant Disasters, climate change and Similar Events

We have many facilities, including our R&D facilities, manufacturing facilities and our headquarters in Japan. Historically, Japan has experienced numerous natural disasters such as earthquakes, tsunamis and typhoons. Natural disasters in the future may have a significantly adverse effect on an array of our corporate activities, from production to sales. We also have overseas facilities in Asia, the U.S. and Europe, which are also subject to similar natural disasters. Natural disasters in each of the areas may cause damage on certain of our plants and offices and the operations of our suppliers and customers. Due to climate change, large-scale natural disasters, including drought, rising sea levels, long heat waves and floods, may become more serious. Such significant natural disasters may directly damage or destroy our facilities, which could disrupt our operations, delay new production and shipments of existing inventory or result in costly repairs, replacements or other costs, all of which would result in significant losses. Furthermore, even if such significant natural disasters do not directly affect our facilities, they could result in disruptions in distribution channels or supply chains. The spread of infectious diseases (see “1) Risks Related to COVID-19”) and geopolitical and social instability, such as terrorism, crime, civil disturbance and conflict, etc., may also disrupt our operations, render our employees unable to work, reduce consumer demand for our products or disrupt our supply and distribution channels. In addition, we are not insured against all potential losses, and even losses that insurance covers may not be fully covered and may be subject to challenges of or delays in payment. Direct and indirect disruption of our operations as a result of natural disasters or other events could have a negative impact on our operating activities, results of operations and financial condition.

To deal with those risks, we work to strengthen its ability to deal with business interruption risk by formulating BCPs. When we build a new plant, we determine the layout, taking into consideration possible floods.

Litigation and Regulatory Investigations

We face risks of being involved in litigation and alternative dispute resolution and regulatory investigation and actions in connection with our operations. Lawsuits or any other legal procedures for resolving disputes and regulatory actions may seek payment of large, indeterminate amounts or otherwise limit our operations, and their existence and magnitude may remain unknown for substantial periods of time.

In past, we have been the subject of several investigations of alleged antitrust violations in relation to certain product markets in Japan, Europe and North America, etc. and received claims for damages from our customers, etc., which may have adverse effects on our financial condition or profitability. See "Consolidated Financial Statements - Notes to Consolidated Financial Statements - (30) Commitments and Contingencies." These investigations or disputes may result in significant penalties or compensation for damages, etc. Such substantial legal liability or regulatory action could have an adverse effect on our business, results of operations, financial condition, cash flows, reputation and credibility.

In addition, our business activities are subject to various governmental regulations in countries where we operate, which include investments, exports, tariffs, antitrust, anti-bribery, consumer and business taxation, intellectual property, foreign trade and exchange controls, human rights, employment and labor, environmental and recycling requirements. These regulations limit, and other new or amended regulations may further limit, our business activities or increase operating costs. In addition, the enforcement of such regulations, including the imposition of fines or surcharges for violation of such regulations, may adversely affect our results of operations, financial condition, cash flows, reputation and credibility. For example, environmental regulations in response to climate change and tax related to carbon emissions for shifting to a low carbon society and energy consumption tax could adversely affect, our business and results of operations chiefly by increases in operating costs due to tax and emissions trading and losses of opportunities due to delays in technology development for environmentally friendly products and services. Regulations for protecting personal data also could adversely affect our business.

To deal with those risks, we work to identify operations where regulations are applied, assess risks, take steps in response to risks and provide education to employees. Responding to environmental regulations, we work to improve efficiency in production and promotes use of no-carbon and low-carbon energy and strive to develop and expand sales of innovative products and services that will reduce CO2 emissions.

Product Quality and Liability

We increasingly provide products and services utilizing sophisticated technologies. Reliance on external suppliers reduces our control over quality assurance. The occurrence of defects in our products and services could negatively affect our reputation for quality of products and services, expose us to liability for damages caused by such defects and negatively affect our ability to sell certain products. A significant product defect could adversely affect our results of operations, financial condition and future business prospects.

To deal with those risks, in addition to strengthening our quality assurance system, we conduct activities to prevent accidents and comply with technical laws and regulations. We provide education on thorough risk assessment, quality, reliability and reactions when product accidents occur.

Dependence on Information Systems

With the increased importance of information systems to our operating activities, disruptions in such systems due to computer viruses and other factors could have a negative impact on our operating activities, results of operations and financial condition. The expansion of remote work is at risk of generating new security risks, including information leakage.

To deal with those risks, we continuously promote cybersecurity measures and strictly prescribe and implement rules, products and procedures that apply to remote work. However, they may not be effective if unprecedented cyberattacks occur, such as cyberattacks targeting the Tokyo Olympic and Paralympic Games planned in 2021, or there are any vulnerabilities in systems that are not managed by us.

Management of Confidential Information

We maintain and manage personal information obtained from our customers, as well as confidential information relating to our technology, research and development, or R&D, production, marketing and business operations and those of our customers and clients, in various forms. Unauthorized disclosures of such information could subject us to complaints or lawsuits for damages or could otherwise have a negative impact on our business, financial condition, results of operations, reputation and credibility.

To deal with those risks, we establish and implement rules on the management of confidential information and implement identity management and access control through encryption and the building of authentication infrastructure. We also examine information security at suppliers.

Intellectual Property

We depend in part on proprietary technology and our ability to obtain patents, design right, trademarks and other forms of intellectual property rights covering our products, product design, manufacturing processes and software-based services in Japan and other countries. The fact that we hold such intellectual property rights does not ensure that they will provide a competitive advantage to us. Various parties may challenge, invalidate or circumvent our patents, design right, trademarks and other intellectual property rights. There can be no assurance that claims allowed on any future patents will be sufficiently broad to protect our technology. Effective patent, design right, copyright and trade secret protection may be unavailable or limited in some of the markets in which we operate, and our trade secrets may be vulnerable to disclosure or misappropriation by employees, contractors and other persons.

To deal with those risks, we search known examples before applying for intellectual property rights to increase the probability of obtaining rights and to obtain rights suitable for business. In countries where intellectual property protection is unavailable or limited, we strive to curb unauthorized use of intellectual property primarily through contracts with employees and contractors.

We design many of our products to include software or other intellectual property licenses from third parties. Competitors may not make their protected technology available to us, or may make it available to us only on unfavorable terms and conditions. There can be no assurance that we will be able to maintain a license for such intellectual property if obtained, for economic or other reasons, or that such intellectual property will give us the commercial advantages that we desire.

To deal with those risks, we endeavor to maintain good relations with the third parties through contracts and negotiations to exercise intellectual property rights.

From time to time, we are sued or receive notices regarding patent, design right and other intellectual property claims. Whether or not these claims have merit, they may require significant resources to defend against and may divert management attention from our business and operations and result in harm to our reputation. In addition, a successful infringement claim and our inability to obtain the license for the infringed technology or substitute similar non-infringing technology may adversely affect our business.

To deal with those risks, we work to avoid disputes with other companies chiefly by conducting a patent clearance study before selling a new product or providing a new service and by changing the design of products or services if necessary.

Employee Retirement Benefits

We have a significant amount of employee retirement benefit costs that we derive from actuarial valuations based on a number of assumptions. Inherent in these valuations are key assumptions used in estimating pension costs including mortality, withdrawal and retirement rates, changes in wages and the discount rate. We are required to make judgments regarding the key assumptions by taking into account various factors including personnel demographics, market conditions and expected trends in interest rates. Although management believes that its key assumptions are reasonable in light of the various underlying factors, there can be no assurance that the key assumptions will correspond to actual results. If our key assumptions differ from actual results, the consequent deviation of actual pension costs from estimated costs may have an adverse effect on our financial condition and results of operations. A decrease in the discount rate may result in an increase in the amount of projected benefit obligations. In addition, we may change these key assumptions, such as the discount rate. Changes in key assumptions may also have an adverse effect on our financial condition and results of operations.

To mitigate the risk, on April 1, 2019, we changed the corporate pension plan for employees of the Company from a defined contribution plan to a risk-sharing corporate pension plan to fix the Company's premium payments and reduce investment risks.

6) Risks Related to Our American Depositary Shares

Rights of ADS holders

The rights of shareholders under Japanese law to take actions, including voting their shares, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records and exercising appraisal rights are available only to shareholders of record. Because the depositary, through its custodian agents, is the record holder of the shares underlying the American Depositary Shares, or ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying ADSs in accordance with the instructions of ADS holders and will pay dividends and distributions collected from us as and to the extent provided in the deposit agreement. However, ADS holders will not be able to bring derivative actions, examine our accounting books and records, or exercise appraisal rights through the depositary.

We are incorporated in Japan with limited liability. A significant portion of our assets are located outside the United States. As a result, it may be more difficult for investors to enforce against us judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States or judgments obtained in other courts outside Japan. There is doubt as to the enforceability in Japanese courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

Unit Share System

The Companies Act allows companies to establish a "unit" of shares for the purpose of exercising voting rights at the general meetings of shareholders. Under our articles of incorporation, one unit of our shares is composed of 100 shares, equivalent to 50 ADSs. Each unit of our shares has one vote. A holder who owns shares or ADSs in other than multiples of 100 or 50, respectively, will own less than a whole unit (i.e., for the portion constituting fewer than 100 shares, or fewer than 50 ADSs). Our articles of incorporation, in accordance with the Companies Act, impose significant restrictions on the rights of holders of shares constituting less than a whole unit, which include restrictions on the right to vote, to attend a shareholders meeting and to bring derivative actions. In addition, less than whole unit shares cannot be traded on Japanese stock markets. Under the unit share system, holders of our shares constituting less than one unit have the right to require us to purchase their shares and the right to require us to sell them additional shares to create a whole unit of 100 shares. However, holders of our ADSs are unable to withdraw underlying shares representing less than one unit and, as a practical matter, are unable to require us to purchase those underlying shares. The unit share system, however, does not affect the transferability of ADSs, which may be transferred in lots of any number of whole ADSs.

Dilution of Your Shares by Issuances of Additional Shares

We may issue additional shares in the future within the unissued portion of our authorized share capital and sell shares held as treasury stock, generally without shareholder vote unless the subscription or sale price is significantly lower than the market price. Issuances and sales of our shares in the future may be at prices below the prevailing market prices and may be dilutive.

Foreign Exchange Fluctuations

Market prices for our ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the amount of cash dividends or other cash payments made to holders of ADSs will decline if the value of the yen declines against the dollar.

3. Management's Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows

(1) Progress of Management Plan

1) Status of Key Indicators laid out as Strategic and Operational Targets

The year ended March 31, 2020 was the first year of "2021 Mid-term Management Plan". While the business environment deteriorates due to the spread of COVID-19, the Hitachi Group maintained its profitability (adjusted operating income ratio of 7.5%) close to the level in the previous fiscal year and cash flows from operating activities reached a little more than 560.0 billion yen. It progressed the enhancement of our profitability and the ability to generate cash, as a result of strengthening the business foundation by focusing on the Social Innovation Business since the global financial crisis of 2007 to 2008 and promoting business portfolio reforms. The key indicators to measure performances in terms of meeting our strategic and operational goals are as follows.

	Year ended March 31, 2020 (Fiscal 2019)	Fiscal 2021 Target
Annual growth rate for revenues	(7.5%)	Over 3%
Adjusted operating income margin	7.5%	Over 10%
Operating cash flow	(Fiscal 2019) 560.9 billion yen	(Cumulative for three years from Fiscal 2019 to Fiscal 2021) Over 2.5 trillion yen
Return on invested capital (ROIC)	9.4%	Over 10%
Overseas revenue ratio	48%	Over 60%

2) Global Business Expansion

– Acceleration of the reorganization to become a global leader

In the Energy sector, we acquired the power grid business from ABB, Ltd in Switzerland and commenced its operation as Hitachi ABB Power Grids Ltd with the aim of global expansion and strengthening of the energy solution business.

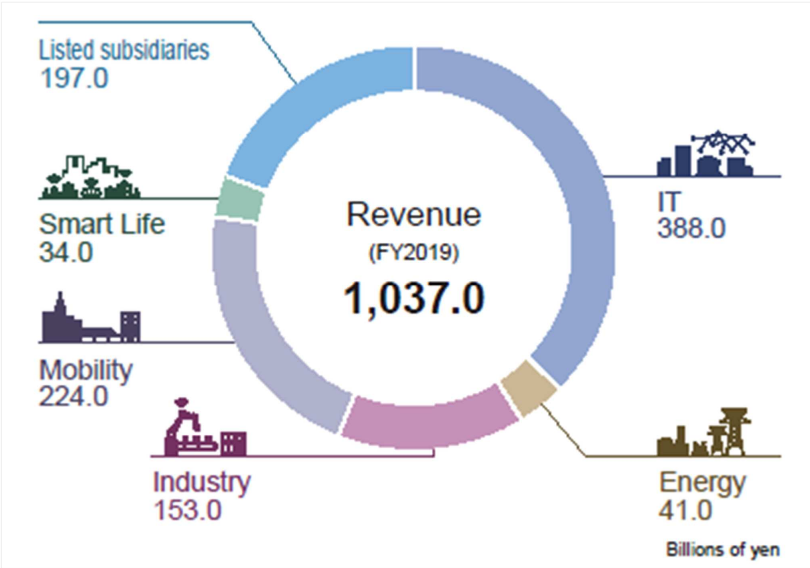
In the Industry sector, we acquired JR Automation Technologies, LLC in the United States that builds production lines and logistics systems by utilizing industrial robots. We will strengthen the robot systems integration business in North America, for which high growth can be expected.

In the automotive systems business, we acquired Chassis Brakes International B.V. in the Netherlands and made a decision on management integration among three affiliates of Honda Motor Co., Ltd. and Hitachi Automotive Systems, Ltd. We will strengthen our competitiveness in the industry where competition will be intensified toward next-generation technologies such as autonomous driving and electrification.

We also promoted selection and concentration to build an optimum business portfolio, which Hitachi aims for, including the sale of diagnostic imaging systems-related businesses in the healthcare business, in addition to the reorganization of listed subsidiaries including the conversion of Hitachi High-Tech Corporation with strengths in measurement and analysis technologies into a wholly-owned subsidiary and the sale of Hitachi Chemical Company, Ltd.

– Progress in the Lumada business

In the Lumada business that analyzes issues of customers from their data and provides solutions by using advanced digital technologies of the Hitachi Group, we steadily expanded the areas of provision from the manufacturing industry to financial services, building systems and the entertainment industry. In Fiscal 2019, the Lumada business grew to make up 12%, or 1,037.0 billion yen, of total revenues of the Hitachi Group.



In January 2020, our two subsidiaries in the United States were integrated to a new company, "Hitachi Vantara." The new company will drive the Lumada business by playing a central role in providing sales, consulting and services globally as a one-stop company.

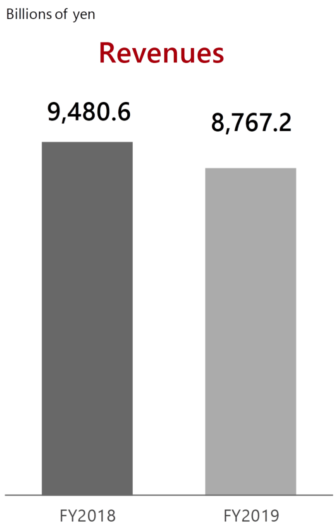
– Strengthening of the business foundation and response to management issues

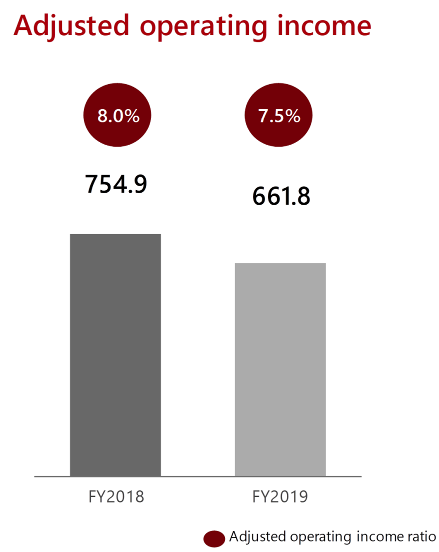
We have been promoting the focus on the Social Innovation Business and the business portfolio reforms for the last 10 years and built a strong business structure that is able to make a profit and generate cash even under the effects of COVID-19.

In Fiscal 2019, we strengthened our ability to generate cash and the earnings structure by promoting the sophistication of our business processes and production systems and cost structural reforms, including the streamlining of sales and indirect operations. In addition, we also reached a settlement with Mitsubishi Heavy Industries, Ltd. regarding the dispute over the South African projects conducted by Mitsubishi Hitachi Power Systems, Ltd. ("MHPS") which had been one of our major management issues.

(2) Analysis of Results of Operations

1) Analysis of Statement of Operations





Revenues decreased 8% to 8,767.2 billion yen, as compared with the year ended March 31, 2019 (Fiscal 2018). Revenues in all segments were adversely affected by the COVID-19. Revenues fell particularly in Hitachi Metals, where demand declined in the automobile, semiconductor and factory automation, in the Other segment where Hitachi Kokusai Electric Inc. became an equity-method associate in June 2018, in the Energy sector, where projects related to new regulations in nuclear power generation systems business declined and in the Smart Life sector, where business sell-off of car information systems, etc. in automotive systems business.

Cost of sales decreased 8% to 6,396.8 billion yen, as compared with Fiscal 2018, and the ratio of cost of sales to revenues was 73%, which was the same level as for Fiscal 2018. Gross profit decreased 6% to 2,370.3 billion yen, as compared with Fiscal 2018.

Selling, general and administrative expenses decreased 3% to 1,708.4 billion yen, as compared with Fiscal 2018, and the ratio of selling, general and administrative expenses to revenues was 19%, which was the same level as for Fiscal 2018.

Adjusted operating income decreased by 93.0 billion yen to 661.8 billion yen, as compared with Fiscal 2018. The decrease was due mainly to the lower profits in Hitachi Construction Machinery and Hitachi Metals. The decrease was partially offset by increased profits in the Industry sector and the IT sector.

Other income decreased 154.3 billion yen to 51.9 billion yen and other expenses increased 127.9 billion yen to 570.6 billion yen, as compared with Fiscal 2018, respectively. The main components are as follows;

- Net gain on sales and disposal of fixed assets was increased by 11.4 billion yen to 29.9 billion yen, as compared with Fiscal 2018.
- Impairment losses decreased 208.0 billion yen to 136.9 billion yen, as compared with Fiscal 2018. This mainly reflected impairment losses recognized as the result of the suspension of the UK nuclear power stations construction project posted in Fiscal 2018. The decrease was partially offset by impairment losses owing to the lower than expected revenues for the magnetic material business in Hitachi Metals.
- Net gain on business reorganization and others decreased 164.9 billion yen to 19.6 billion yen, as compared with Fiscal 2018, due mainly to net gain by selling shares of Hitachi Kokusai Electric Inc. stock, shares of Clarion Co., Ltd. stock posted in Fiscal 2018 and decreased gains by selling a part of shares of Agility Trains West (Holdings) Limited stock.
- Special termination benefits decreased 0.9 billion yen to 21.4 billion yen, as compared with Fiscal 2018.
- The loss due to the settlement of the South African project conducted by MHPS was 375.9 billion yen
- The settlement gain recognized at the time of the shift to a risk-sharing corporate pension plan was 21.2 billion yen

Financial income (excluding interest income) decreased 7.9 billion yen to 5.7 billion yen and financial expenses (excluding interest charges) increased 5.5 billion yen to 9.0 billion yen, as compared with Fiscal 2018, respectively.

Share of gains (losses) of investments accounted for using the equity method improved 58.6 billion yen to the gains of 43.6 billion yen from Fiscal 2018.

As a result of the foregoing, EBIT* decreased 330.2 billion yen to 183.6 billion yen, as compared with Fiscal 2018.

*EBIT (Earnings before interest and taxes) are the earnings before interest and taxes, which is presented as income from continuing operations, before income taxes less interest income plus interest charges.

Interest income decreased 2.4 billion yen to 20.6 billion yen, as compared with Fiscal 2018 and interest charges increased 3.4 billion yen to 23.9 billion yen, as compared with Fiscal 2018.

Income from continuing operations, before income taxes decreased 336.2 billion yen to 180.2 billion yen, as compared with Fiscal 2018.

Income taxes decreased 135.0 billion yen to 51.2 billion yen, as compared with Fiscal 2018.

Loss from discontinued operations decreased 7.3 billion yen to 1.7 billion yen, as compared with Fiscal 2018.

Net income decreased 193.7 billion yen to 127.2 billion yen, as compared with Fiscal 2018.

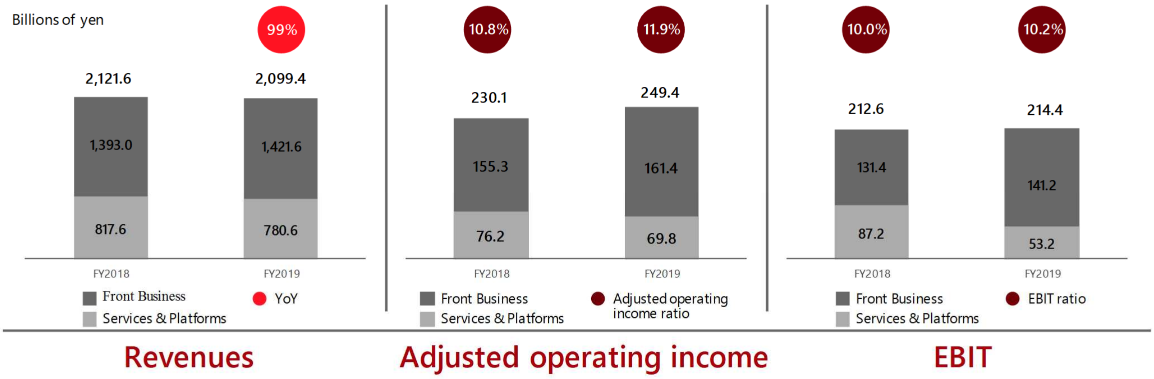
Net income attributable to non-controlling interests decreased 58.8 billion yen to 39.6 billion yen, as compared with Fiscal 2018.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders decreased 134.9 billion yen to 87.5 billion yen, as compared with Fiscal 2018.

2) Operations by Segment

The following is an overview of results of operations by segment. Revenues for each segment include intersegment transactions.

(IT)

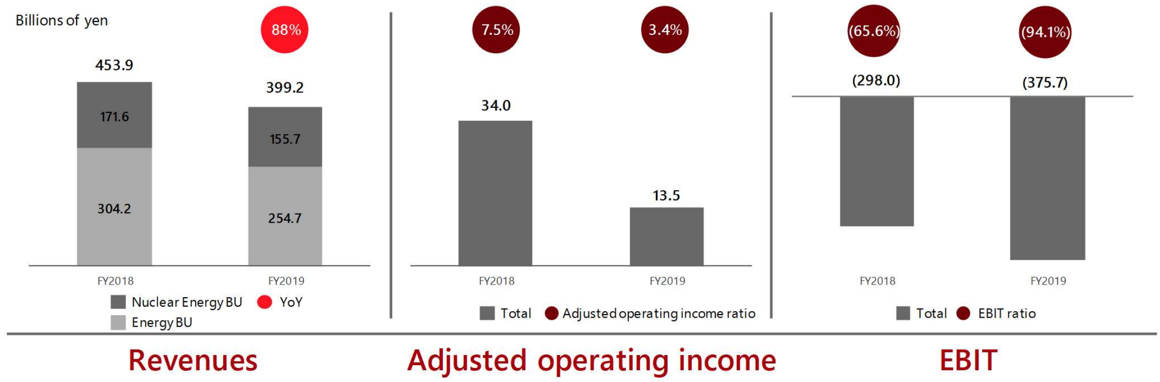


Revenues decreased as compared with Fiscal 2018, due mainly to the lower sales of storage systems for overseas market in the services & platforms business, despite higher revenues due mainly to the increase in the domestic IT service in the front business.

Adjusted operating income increased as compared with Fiscal 2018, due mainly to the increase in operating income in the front business, reflecting an improvement in profitability mainly through cost cutting, despite the decrease in operating income in the services & platforms business due mainly to an increase in strategic investment for expanding the digital solution business.

EBIT increased as compared with Fiscal 2018. EBIT in the services & platforms business decreased due mainly to the decrease in adjusted operating income, the recording of expenses for business structure reform and the gain from selling the land of former production basis posted in the year ended March 31, 2018. EBIT in the front business increased due mainly to the increase in adjusted operating income.

(Energy)

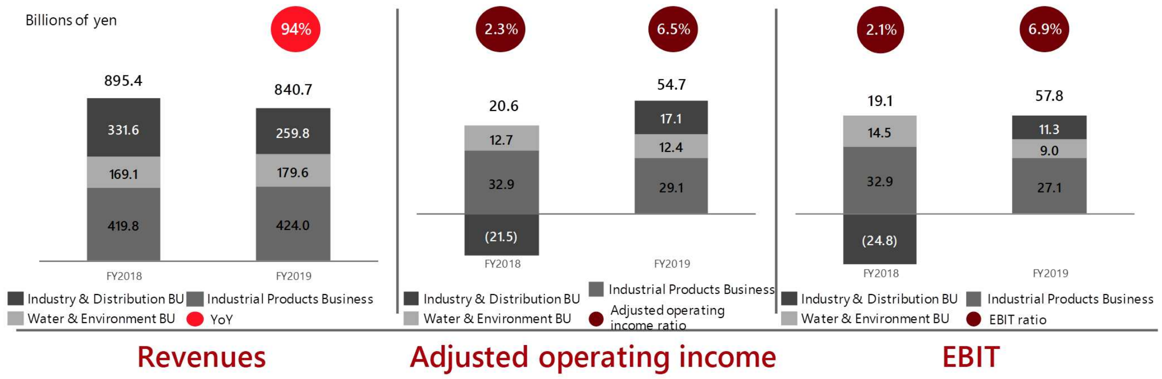


Revenues decreased as compared with Fiscal 2018, due mainly to the effect of business transfer of power receiving and transforming facilities business for industry field in the energy business as well as the impact of COVID-19 and decrease of projects related to new regulations in nuclear energy business.

Adjusted operating income decreased as compared with Fiscal 2018, due mainly to the decreased revenues and decline in profitability of some projects in the energy business.

EBIT worsened as compared with Fiscal 2018, due mainly to the loss due to the settlement of the South African project conducted by MHPS, despite the absence of impairment losses recognized as the result of the suspension of the UK nuclear power stations construction project posted in Fiscal 2018.

(Industry)

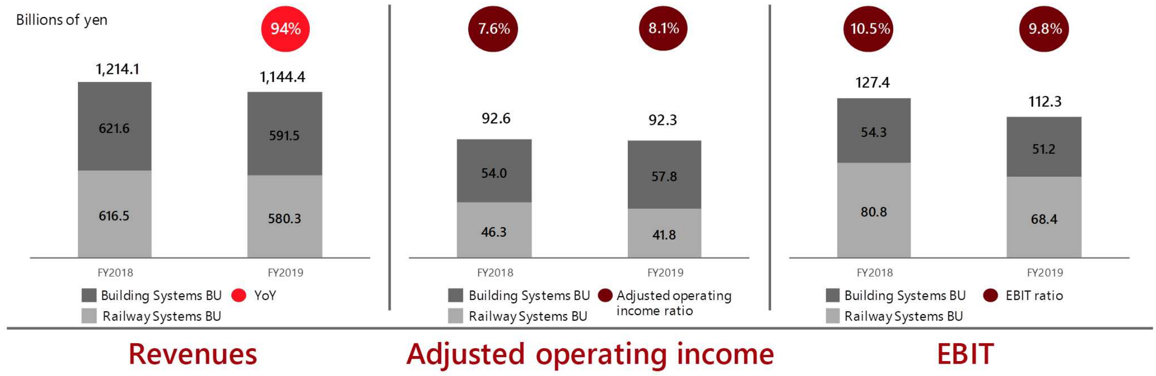


Revenues decreased from as compared with Fiscal 2018. Revenues in the industrial products business increased due mainly to a result of the business transfer of power receiving and transforming facilities business from the Energy sector. Revenues increased also in the water & environment business. Revenues decreased in the industry & distribution business due mainly to the impact of COVID-19 and sales from an overseas EPC project posted in Fiscal 2018, despite increased revenues by the acquisition of JR Technology Group, LLC.

Adjusted operating income increased as compared with Fiscal 2018, due mainly to an improvement in income in the industry & distribution business, where provision for risk related to the overseas EPC project was posted in Fiscal 2018.

EBIT increased as compared with Fiscal 2018, due mainly to the increased adjusted operating income.

(Mobility)

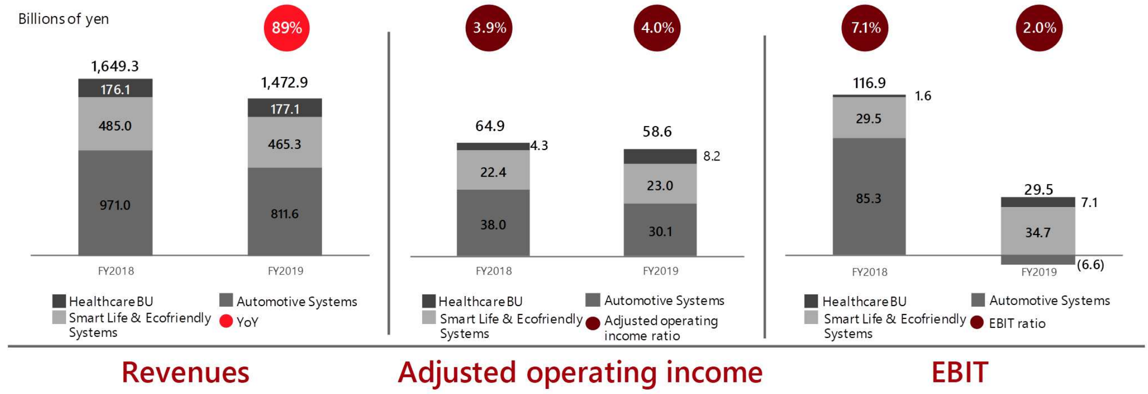


Revenues decreased as compared with Fiscal 2018. Revenues in the railway systems business decreased, due mainly to the decreased revenues in the U.K. and the impact of foreign currency translation. Revenues in the building systems business decreased, due mainly to the impact of foreign currency translation. In addition to the above, revenues were adversely affected by the COVID-19.

Adjusted operating income decreased as compared with Fiscal 2018, due mainly to the decreased income in the railway systems business mainly due to a fall in revenues, despite increased income in the building systems business due mainly to profitability improvement resulted from cost reduction, etc.

EBIT decreased as compared with Fiscal 2018, due mainly to the decreased gains by selling a part of shares of Agility Trains West (Holdings) Limited stock in the railway systems business.

(Smart Life)

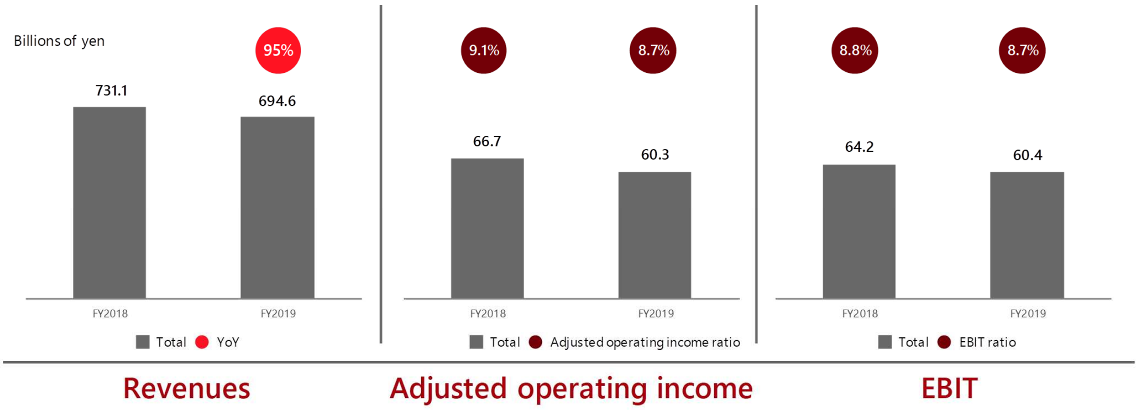


Revenues decreased as compared with Fiscal 2018, despite increased revenues in the healthcare business. This decrease due mainly to the lower revenues in the automotive systems business owing to the impact of COVID-19 and business sell-off of car information systems, etc. and in the smart life & ecofriendly systems business owing to the impact of COVID-19, respectively.

Adjusted operating income decreased as compared with Fiscal 2018, due mainly to the decreased income in the automotive systems business owing to the decreased revenues, etc., despite increased income in the healthcare business and the smart life & ecofriendly systems business.

EBIT decreased as compared with Fiscal 2018, due mainly to the business sell-off of car information systems, etc. in the automotive systems business posted in Fiscal 2018 as well as the decreased adjusted operating income.

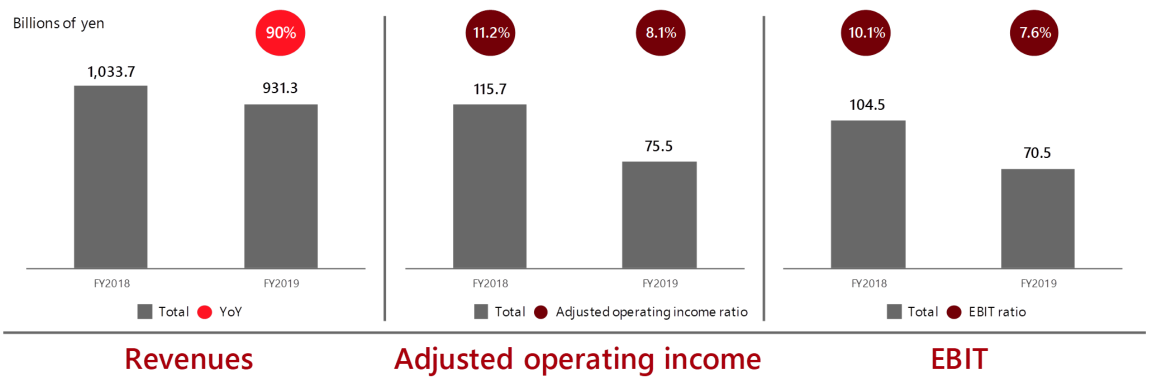
(Hitachi High-Tech)



Revenues decreased as compared with Fiscal 2018, due mainly to a decrease in demand for industrial materials, etc. and lower sales of liquid crystal display exposure systems as well as the adverse impact of COVID-19, despite higher sales of semiconductor processing equipment.

Adjusted operating income and EBIT respectively decreased as compared with Fiscal 2018, due mainly to the decreased revenues.

(Hitachi Construction Machinery)

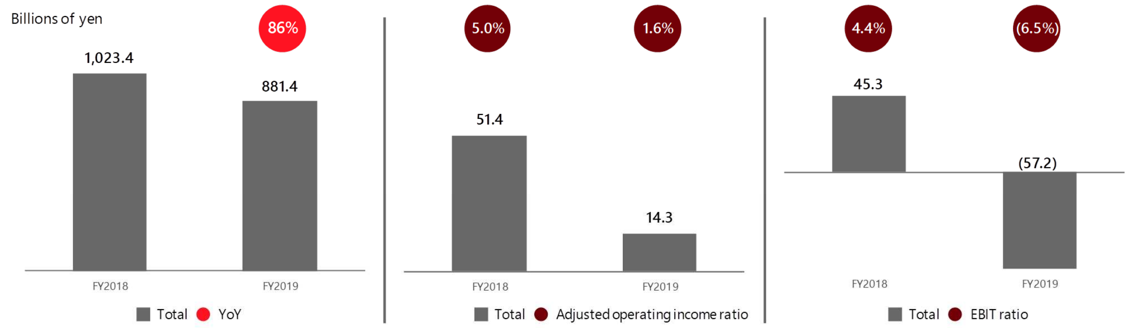


Revenues decreased as compared with Fiscal 2018, due mainly to the lower sales mainly in China and India as well as the adverse impact of COVID-19 and foreign currency translation.

Adjusted operating income decreased as compared with Fiscal 2018, due mainly to the impact of foreign currency translation and increased indirect expenses as well as decreased revenues.

EBIT decreased as compared with Fiscal 2018, due mainly to the decreased adjusted operating income and posting of business reorganization expenses, despite posting of gain on business reorganization and others.

(Hitachi Metals)



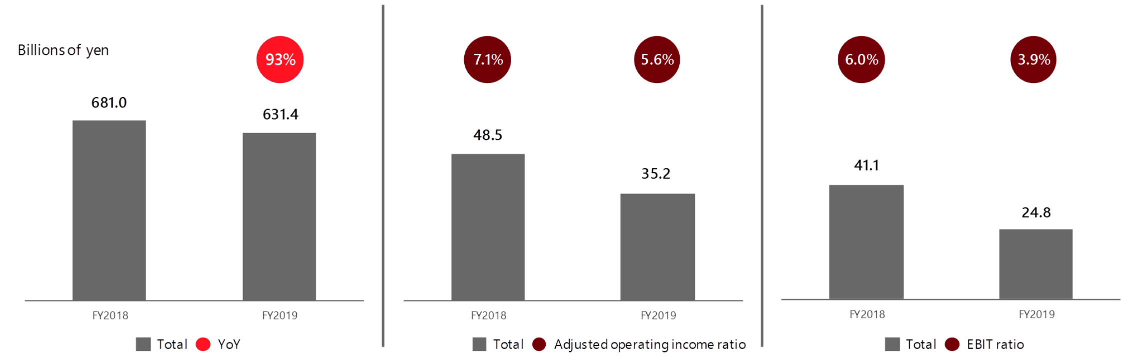
Revenues Adjusted operating income EBIT

Revenues decreased as compared with Fiscal 2018, due mainly to the adverse impact of COVID-19 and a decrease in demand for products for automobile, semiconductor and factory automation as well as the effect of business transfer of aluminum wheel business.

Adjusted operating income decreased as compared with Fiscal 2018, due mainly to the decreased revenues as well as posting revaluation losses on inventories.

EBIT decreased as compared with Fiscal 2018, due mainly to the decreased adjusted operating income as well as posting of impairment losses in the magnetic material business.

(Hitachi Chemical)



Revenues Adjusted operating income EBIT

Revenues decreased as compared with Fiscal 2018, due mainly to the adverse impact of COVID-19 and the foreign currency translation as well as a decrease in demand for products for semiconductor and automobile.

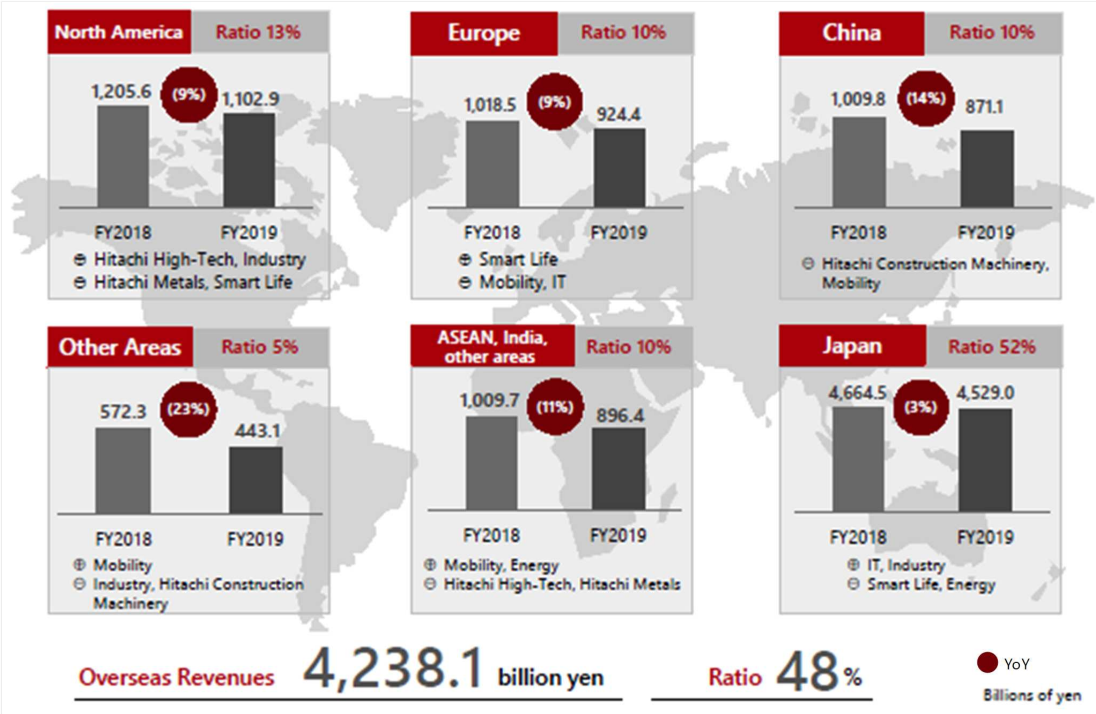
Adjusted operating income and EBIT decreased as compared with Fiscal 2018 due mainly to the decreased revenues.

(Others)

Revenues decreased 14% to 484.8 billion yen, adjusted operating income decreased 8.9 billion yen to 23.3 billion yen and EBIT increased 1.0 billion yen to 31.2 billion yen, as compared with Fiscal 2018, respectively.

3) Revenues by Geographic Area

The following is an overview of revenues attributed to geographic areas based on customer location.



Japan

Revenues in Japan decreased as compared with Fiscal 2018. This was due mainly to the decreased revenues in the Smart Life sector, where the automotive systems business recorded lower revenues owing to business sell-off, a decrease in demand for products for the domestic market, and a decline in operating rate, and in the Energy sector mainly due to a decline in projects in response to new regulatory standards in the nuclear energy business, despite increased revenues in the IT sector and the Industry sector.

Overseas

Revenues in Overseas decreased as compared with Fiscal 2018, and the ratio to total revenues was 48%, which was 3% decrease as compared with Fiscal 2018. Revenues in each area are as follows;

(North America)

Revenues in North America decreased as compared with Fiscal 2018, due to the decreased revenues in Hitachi Metals and the Smart Life sector, etc., despite increased revenues in Hitachi High-Tech and the Industry sector, etc.

(Europe)

Revenues in Europe decreased as compared with Fiscal 2018, due to the decreased revenues in the Mobility sector and the IT sector, etc., despite increased revenues in the Smart Life sector.

(Asia)

Revenues in Asia composed of “China” and “ASEAN, India and other areas” decreased as compared with Fiscal 2018. Revenues in China decreased due to the decreased revenues in the Mobility sector and Hitachi Construction Machinery, etc. Revenues in ASEAN, India and other areas also decreased due to the decreased revenues in Hitachi High-Tech and Hitachi Metals, etc., despite increased revenues in the Energy sector and the Mobility sector, etc.

(Other Areas)

Revenues in other areas decreased as compared with Fiscal 2018, due mainly to the decreased revenues in the Mobility sector and Hitachi Construction Machinery, etc., despite increased revenues in the Mobility sector, etc.

(3) Analysis of Financial Condition and Cash Flows

1) Liquidity and Capital Resources

Policies for Financing Activities

We consider 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, we are working to optimize the efficiency of capital utilization throughout our business operations. We endeavor to improve our group cash management by centralizing such management among us and our overseas financial subsidiaries.

Under the "2021 Mid-term Management Plan", we will introduce ROIC as a management indicator and promote the improvement of capital efficiency and the growth of highly profitable businesses through our management. ROIC is an indicator that evaluates returns generated by invested capital calculated by dividing business profit after taxes by invested capital. To increase returns, ROIC needs to exceed the weighted average cost of capital (WACC), which is the cost of raising invested capital.

Going forward, aiming for ROIC above 10%, we will strive to increase shareholder value by strengthening profitability and reducing WACC through the use of financial leverage. To achieve this, we will improve adjusted operating income, while at the same time continuing to promote the disposition and sales of owing shares as well as real estate and other idle assets aimed at improving business asset efficiency with the aim of appropriately structural reforms of unprofitable businesses and countermeasures to businesses with challenges.

Trends in the Funding Demands

Our major uses of funds are M&A for growth, investment in human resources, capital investment and research and development investment, and shareholder return, etc. In the "2021 Mid-term Management Plan," investment for further growth, capital investment and shareholder return, etc., and research and development investment are planned to be 2 - 2.5 trillion yen, 1.8 trillion yen, and 1.2 trillion yen, respectively.

The major transactions of M&As, etc. are described in "Consolidated Financial Statements ー Notes to Consolidated Financial Statements ー (5) Business Acquisitions and Divestitures." The results and plan of the capital investments are described in "III. Property, Plants and Equipment." The policy and results of shareholder return are described in " IV. Information on the Company - 3. Dividend Policy."

Capital Resources

Our internal sources of funds include cash flows generated by operating activities and cash on hand. Our management also considers short-term investments to be an immediately available source of funds. In addition, we raise funds both in the capital markets and from Japanese and international commercial banks in response to our capital requirements. Our management's policy is to finance capital expenditures primarily by internally generated funds and to a lesser extent by funds raised through the issuance of debt and equity securities in domestic and foreign capital markets.

When procuring funds through borrowing, our financial discipline policy is to maintain the appropriate financial condition by considering the financial indicators such as a D/E ratio and an interest bearing debt/EBITDA ratio.

In order to flexibly access funding, we registered our shelf registration with the maximum outstanding balance of 300.0 billion yen, and issued the unsecured straight bond of 200.0 billion yen in March, 2020 in order to raise the finance to be used for the investment.

We maintain commitment line agreements with a number of domestic banks under which we may borrow in order to ensure efficient access to necessary funds. These commitment line agreements generally provide for a one-year term, renewable upon mutual agreement between us and each of the lending banks, as well as another commitment line agreement with a contract term of three years ending on July 29, 2022. As of March 31, 2020, our unused commitment lines totaled 569.7 billion yen, including those of 500.0 billion yen which the Company maintained.

We receive debt ratings from Moody's Japan K.K. (Moody's), S&P Global Rating Japan Inc. (S&P), as well as Rating and Investment Information, Inc. (R&I). Our debt ratings as of March 31, 2020 were as follows.

Rating Company	Long-term	Short-term
Moody's	A3	P-2
S&P	A	A-1
R&I	AA-	a-1+

With our current ratings, we believe that our access to the global capital markets will remain sufficient for our financing needs. We seek to improve our credit ratings in order to ensure financial flexibility for liquidity and capital management, and to continue to maintain access to sufficient funding resources through the capital markets.

2) Cash Flows

(Cash Flows from Operating Activities)

Net cash inflow from a change in trade receivables and contract assets increased by 184.1 billion yen, as compared with Fiscal 2018. Net cash outflow from a change in inventories decreased by 6.4 billion yen, as compared with Fiscal 2018. However, net cash outflow from a change in trade payables and a change in accrued expenses increased by 98.9 billion yen and 32.8 billion yen, respectively, as compared with Fiscal 2018. Furthermore, the Company paid the settlement money on the South Africa projects conducted by Mitsubishi Hitachi Power Systems, Ltd. As a result of the foregoing, net cash provided by operating activities was 560.9 billion yen in Fiscal 2019, a decrease of 49.1 billion yen compared with Fiscal 2018.

(Cash Flows from Investing Activities)

Net amount of investments related to property, plant and equipment* was 338.7 billion yen in Fiscal 2019. This net sum decreased by 71.8 billion yen compared with Fiscal 2018. Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in Fiscal 2019 decreased by 249.3 billion yen, as compared with Fiscal 2018, in which the sale of shares of Clarion Co., Ltd. was proceeded. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in Fiscal 2019 increased by 164.7 billion yen, as compared with Fiscal 2018, due mainly to the purchase of interest of JR Technology Group, LLC. As a result of the foregoing, net cash used in investing activities was 525.8 billion yen in Fiscal 2019, an increase of 362.9 billion yen compared with Fiscal 2018.

* The sum of the purchase of property, plant and equipment and the purchase of intangible assets, less the proceeds from sale of property, plant and equipment, and intangible assets.

(Cash Flows from Financing Activities)

Net cash outflow related to purchase of shares of consolidated subsidiaries from non-controlling interests decreased by 160.3 billion yen, as compared with Fiscal 2018, in which expenses related to the additional acquisition of shares of Hitachi Rail STS S.p.A. were paid. Proceeds related to short-term debt in Fiscal 2019 increased by 77.1 billion yen, as compared with Fiscal 2018. Net cash inflow related to long-term debt** in Fiscal 2019 was 55.4 billion yen, as compared with 45.9 billion yen of net cash outflow related to long-term debt in Fiscal 2018, due mainly to an issuance of the unsecured straight bonds. As a result of the foregoing, net cash provided by financing activities was 2.8 billion yen in Fiscal 2019, as compared with 320.4 billion yen of net cash outflow in Fiscal 2018.

** The proceeds from long-term debt, less the payments on long-term debt.

As a result of the foregoing, cash and cash equivalents as of March 31, 2020 were 812.3 billion yen, an increase of 4.7 billion yen from March 31, 2019. Free cash flows, the sum of cash flows from operating and investing activities, were an inflow of 35.0 billion yen in Fiscal 2018, a decrease of 412.0 billion yen compared with Fiscal 2018.

3) Assets, Liabilities and Equity

As of March 31, 2020, total assets amounted to 9,930.0 billion yen, an increase of 303.4 billion yen from March 31, 2019. This was due mainly to impairment gains recognized for the impact of adopting IFRS 16 "Leases" and an acquisition of JR Technology Group, LLC, etc. Cash and cash equivalents as of March 31, 2020 amounted to 812.3 billion yen, an increase of 4.7 billion yen from the amount as of March 31, 2019.

As of March 31, 2020, total interest-bearing debt, the sum of short-term debt and long-term debt, amounted to 1,485.0 billion yen, an increase of 480.2 billion yen from March 31, 2019 as a result of an issuance of the unsecured straight bonds and the impact of adopting IFRS 16. As of March 31, 2019, short-term debt, consisting mainly of borrowings from banks and commercial paper, amounted to 183.3 billion yen, an increase of 72.2 billion yen from March 31, 2019. As of March 31, 2020, current portion of long-term debt amounted to 231.2 billion yen, an increase of 45.9 billion yen from March 31, 2019. As of March 31, 2020, long-term debt (excluding current portion), consisting mainly of debentures, and loans principally from banks and insurance companies, amounted to 1,070.5 billion yen, an increase of 362.0 billion yen from March 31, 2019, due mainly to an issuance of the unsecured straight bonds.

As of March 31, 2020, total Hitachi, Ltd. stockholders' equity amounted to 3,159.9 billion yen, a decrease of 102.6 billion yen from March 31, 2019. As a result, the ratio of total Hitachi, Ltd. stockholders' equity to total assets as of March 31, 2020 was 31.8%, compared with 33.9% as of March 31, 2019.

Non-controlling interests as of March 31, 2020 was 1,106.7 billion yen, a decrease of 45.0 billion yen from March 31, 2019.

Total equity as of March 31, 2020 was 4,266.7 billion yen, a decrease of 147.6 billion yen from March 31, 2019. The ratio of interest-bearing debt to total equity was 0.35, an increase of 0.12 point from March 31, 2019.

(4) Production, Order Received and Sales

The Hitachi Group does not present production and orders received in amount or volume terms for each segment since it produces and sells a wide variety of products, there are variety of specifications in same kinds of products and certain products are mass-produced. The balance of unsatisfied performance obligations for the segments that have contracts under which revenues are recognized over a long period of time is described in "Consolidated Financial Statements ー Notes to Consolidated Financial Statements ー (20) Revenues." Regarding sales, see "(2) Analysis of Results of Operations."

(5) Important Accounting Policies and Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management considers that certain accounting estimates to be critical, and that their significance to the financial statements and the possibility that future events affecting the estimate may differ significantly from management's current assumptions could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. First, the estimates require us to make assumptions about matters that are highly uncertain at the time the accounting estimates are made. Second, there could be different estimates that we reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur as time proceeds. Important accounting policies that require management to make estimates and assumptions are as follows.

Estimates, Fluctuations in Cost and Cancellation of Long-term Projects

We enter into a substantial number of long-term projects, particularly in connection with the construction of infrastructure systems. For a performance obligation satisfied over time, we measure its progress towards complete satisfaction of that performance obligation on the basis of output or input methods in consideration of the nature of the goods and services for the purpose of recognizing revenue. When we cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred. The revenue recognition for such long-term projects requires us to make significant assumptions about the estimated total cost, estimated total selling price, contract risks and other factors. However, these estimates are subject to change. We charge any anticipated losses on fixed price contracts to operations when we are able to estimate such losses. While we employ our best judgment based on available information, these estimates are subject to change. We regularly review these estimates and adjust them as we deem necessary. Fluctuations in costs can occur for a variety of reasons, many of which are beyond our control. In addition, we or our counterparties may cancel these contracts. These factors would require us to revise our initial assumptions regarding a particular contract, and may adversely affect our business, financial condition and results of operations.

Business Combinations

Business combinations are accounted for using the acquisition method. Consideration is measured as the sum of the fair value of the consideration transferred on the acquisition date and the non-controlling interests in the acquiree. In addition to tangible assets of the acquiree, intangible assets such as technologies, brands, and customer lists are valuated at fair value. In these valuations, estimates are made based on appropriate assumptions and future projections according to each case. Independent external experts are usually involved in the valuation process, but significant estimates and assumptions in the valuation include inherent uncertainty. We considers the estimates of the key assumptions to be reasonable, but actual results may differ.

Impairment of Assets

We review the carrying amounts of assets that it owns and uses whenever events or changes in circumstances indicate that the carrying amounts may be unrecoverable, to determine whether there is any indication of impairment. If the carrying amount of an asset is judged to be impaired, the amount that exceeds the recoverable amount is recognized as an impairment loss. We measures the recoverable amount of an asset or a CGU (or a group of CGUs) as the higher of fair value less costs of disposal and value in use.

In measuring fair values, we primarily use the income approach (present value technique) based on the estimated future cash flows expected to result from the use of the asset and its eventual disposal or the market approach to derive reasonable estimates of values in orderly market transactions, such as comparisons of similar public companies and the current gross value of the asset. Value in use is calculated using the estimated future cash flows based on business plans approved by management, discounted at the discount rate, which is derived from the weighted average cost of capital. It is based on certain assumptions that it is considered reasonable as of the filing date of this report, but actual results may differ significantly depending on market risks, business environment risks, and so forth. The discount rate used to calculate the value in use is affected by stock market trends and interest rate fluctuations. We believes that the estimates of future cash flows and value in use are reasonable, but changes in estimates resulting from unpredictable changes in the business environment that lead to decreases in future cash flows or value in use can adversely affect the valuation of assets. We appropriately employs external experts depending on the complexity of calculating fair value and value in use.

Goodwill is the source of excess earning power based on the market competitiveness acquired through business acquisition, and the difference between the net assets of the acquiree and the consideration for acquisition is recorded as goodwill except for the amount recorded as intangible assets. Goodwill is not amortized in accordance with IFRS. Irrespective of any indicators of impairment, we tests assets for impairment annually, mainly in the fourth quarter, by estimating the recoverable amount of each CGU or a group of CGUs to which such assets are allocated. We continuously monitors the comparison between the initial estimate and the most recent estimate, and conduct impairment tests if there are signs that the value will fall below the original estimate and the carrying amount will not be recoverable, due to changes in events or circumstances such as in business strategies or in the market environment. Such changes in the events or circumstances include crises in the global economy and financial markets, and if the carrying amount of each CGU or a group of CGUs to which such assets are allocated exceeds the recoverable amount, the excess amount is recognized as an impairment loss.
The breakdowns of impairment and goodwill by segment are described in "Consolidated Financial Statements — Notes to Consolidated Financial Statements — (4) Segment Information." The main content is described in "Consolidated Financial Statements — Notes to Consolidated Financial Statements — (9) Property, Plant and Equipment and (10) Goodwill and Other Intangible Assets."

Deferred Tax Assets

Deferred tax assets are the amounts of taxes that will be recovered in future periods. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Although realization is not assured, we consider the scheduled reversals of deferred tax liabilities and projected future taxable income when assessing realizability. The outlook for future performance, which is the basis for estimating future taxable income, may differ from the actual one due to unforeseen events such as economic trends, supply and demand trends in markets, sales prices of products and services, procurement prices of raw materials and parts, fluctuations in exchange rates, and rapid technological innovations, and may be corrected in the future. As a result, the amounts of deferred tax assets that are determined to be recognizable may be adversely affected. The realizability of deferred tax assets is evaluated for each tax payment in each tax jurisdiction, and even if running similar businesses, the evaluations can differ depending on the product and the tax jurisdiction. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Based on these factors, we believe it is more likely than not it will realize the benefits of these deducible differences as of March 31, 2020. However, the amounts of deferred tax assets may vary if we fail to record future taxable income as expected.

Employee Retirement Benefits

We have a significant amount of employee retirement benefit costs that we derive from actuarial valuations based on a number of assumptions. Inherent in these valuations are key assumptions used in estimating pension costs including mortality, withdrawal and retirement rates, changes in wages and the discount rate. We are required to make judgments regarding the key assumptions by taking into account various factors including personnel demographics, market conditions and expected trends in interest rates. Although management believes that its key assumptions are reasonable in light of the various underlying factors, there can be no assurance that the key assumptions will correspond to actual results. If our key assumptions differ from actual results, the consequent deviation of actual pension costs from estimated costs may have an adverse effect on our financial condition and results of operations. A decrease in the discount rate may result in an increase in the amount of projected benefit obligations. In addition, we may change these key assumptions, such as the discount rate. Changes in key assumptions may also have an adverse effect on our financial condition and results of operations. Details of the evaluation of employee retirement benefits are described in "Consolidated Financial Statements — Notes to Consolidated Financial Statements — (3) Summary of Significant Accounting Policies — (j) Retirement and Severance Benefits."

The impact of COVID-19 in accounting estimates

Details of the impact of COVID-19 in accounting estimates are described in "Consolidated Financial Statements — Notes to Consolidated Financial Statements — (2) Basis of Presentation."

(6) Forward-Looking Statements

Certain statements found in "1. Management Policy, Economic Environment and Challenges Hitachi Group Faces," "2. Risks Factors" and "3. Management's Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows" and other descriptions in this report may constitute "forward-looking statements" as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such "forward-looking statements" reflect management's current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as "anticipate," "believe," "expect," "estimate," "forecast," "intend," "plan," "project" and similar expressions which indicate future events and trends may identify "forward-looking statements." Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the "forward-looking statements" and from historical trends. Certain "forward-looking statements" are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on "forward-looking statements," as such statements speak only as of the date of this report.

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

- exacerbation of social and economic impacts of the spread of COVID-19;
- economic conditions, including consumer spending and plant and equipment investment in Hitachi's major markets, as well as levels of demand in the major industrial sectors Hitachi serves;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi's assets and liabilities are denominated;
- uncertainty as to Hitachi's ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- estimates, fluctuations in cost and cancellation of long-term projects for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- increased commoditization of and intensifying price competition for products;
- uncertainty as to Hitachi's ability to attract and retain skilled personnel;
- uncertainty as to Hitachi's ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- fluctuations in demand of products, etc. and industry capacity;
- uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in demand of products, etc., exchange rates and/or price of raw materials or shortages of materials, parts and components;
- credit conditions of Hitachi's customers and suppliers;
- uncertainty as to Hitachi's ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- the potential for significant losses on Hitachi's investments in equity-method associates and joint ventures;

- uncertainty as to the success of cost structure overhaul;
- the possibility of disruption of Hitachi's operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

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

4. Material Agreements, etc.

(1) Absorption-type Company Split and Share Transfer

On December 18, 2019, the Company decided to execute an absorption-type split (the "Company Split") involving the diagnostic imaging-related business (the "Business"), currently undertaken by the Company and its consolidated subsidiaries and affiliate companies, through which the Business will be transferred to FUJIFILM Healthcare Corporation as a successor company (the "New Company"), and transfer all shares in the New Company to FUJIFILM Corporation (such share transfer, the "Share Transfer") after the Company Split in order to strengthen competitiveness of the healthcare business.

The overview of the Company Split and Share Transfer is as follows.

1) Company Split Method

An absorption-type split under which the Company will be the splitting company and the New Company will be the succeeding company.

2) Effective Date of the Company Split and Share Transfer

To be determined

3) Assets and Liabilities Transferred to the Succeeding Company

To be determined

4) Details of Allotments

To be determined

5) Basis of Calculation for Allotment

To be determined

6) Profile of the Successor Company after the Company Split and Share Transfer

Name	FUJIFILM Healthcare Corporation
Head office	2-1 Shintoyofuta, Kashiwa, Chiba
Representative	To be determined
Capital	To be determined
Business	Research and development, manufacturing, sales and maintenance service of diagnostics imaging systems (CT, MRI, X-ray systems, Ultrasound) and electronic health records

(2)Settlement

On December 18, 2019, the Company and Mitsubishi Heavy Industries, Ltd. ("MHI") reached a settlement relating to a transfer of the boiler construction projects in the Republic of South Africa conducted by Mitsubishi Hitachi Power Systems, Ltd. ("MHPS"), the joint venture company that integrated the respective thermal power generation systems businesses of MHI and the Company.

The overview of the settlement is as follows.

・The Company will transfer all of its shares of MHPS (share-holding ratio of 35%) to MHI. In addition, the Company will recognize settlement money of 200.0 billion yen as a debt for MHI, offset the amount by transferring its credit for a subsidiary of MHPS to MHI at 70.0 billion yen and make a payment of 130.0 billion yen to MHI in March, 2020.

・The Company and MHI will promptly request Japan Commercial Arbitration Association (the "JCAA") to stop the progress of the arbitration. MHI will withdraw the request for arbitration in JCAA after the completion of the payment and the transfer of shares mentioned above.

(3) Cross License Agreement

Party	Party	Country	Item under contract	Contract description	Contract period
Hitachi, Ltd. (The Company)	International Business Machines Corp.	U.S.A.	Information handling systems	Cross license of patents	From January 1, 2008 to the expiration of patents applied on or before January 1, 2023
Hitachi, Ltd. (The Company)	HP Inc. Hewlett Packard Enterprise Company	U.S.A.	All products and services	Cross license of patents	From March 31, 2010 to the expiration of patents applied on or before December 31, 2014
Hitachi, Ltd. (The Company)	EMC Corporation	U.S.A.	Information handling systems	Cross license of patents	From January 1, 2003 to the expiration of patents applied on or before December 31, 2002
Hitachi-GE Nuclear Energy, Ltd. (Consolidated subsidiary)	GE-Hitachi Nuclear Energy Americas LLC	U.S.A.	Nuclear reactor systems	Cross license of patents and technology	From October 30, 1991 to June 30, 2023

5. Research and Development

The Hitachi Group (the Company and consolidated subsidiaries) is conducting business in a broad range of fields, from information and telecommunications systems to automotive systems. The Hitachi Group places priority on allocating R&D resources on the Social Innovation Business, a core business of the Hitachi Group, and makes efforts for continuing and developing business, improving social value, environmental value and economic value.

In order to strengthen the global competitiveness of the business, the Hitachi Group works in R&D activities to identify, share and resolve the customers' problems, and is focusing on developing competitive products and services to lead globalization of operations and strengthening its core technologies for the expansion of the Lumada business. In addition, the Hitachi Group conducts advanced research to cultivate future core businesses.

The Hitachi Group also works to improve the efficiency of R&D through close coordination between the R&D divisions of the Company and group companies. Furthermore, the Hitachi Group is actively expanding collaborations with universities and other research institutions and also actively working to collaborate with startup companies, such as the establishment of Corporate Venturing Office in April 2019.

The Company has established an R&D framework to accelerate global growth through the Social Innovation Business. In order to support the global growth, it aims to promote R&D that can meet local needs quickly by expanding R&D facilities and personnel in North America, Europe, China, Asia and India and accelerating locally-led R&D. In 2015, The Company reorganized its R&D facilities in Japan and overseas to establish an R&D structure comprising the "Global Center for Social Innovation," which discovers customers' issues and creates new solutions in collaboration with customers, the "Center for Technology Innovation," which creates innovative products and services and supports development of new solutions by applying and integrating technology platforms in focused areas, and the "Center for Exploratory Research," which cultivates new areas through exploratory basic research based on our creative vision in the form of open innovation. Furthermore, the Company has launched "Kyōsō-no-Mori," as a new research initiative to accelerate innovation through open collaborative creation with customers and partners in April, 2019. With this R&D structure, the Company aims to further promote R&D that will contribute to solving customers' issues.

The Hitachi Group's R&D expenditures for the fiscal year ended March 31, 2020 were 293.7 billion yen, 3.4% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Fiscal Year ended March 31, 2020
IT	53.2
Energy	7.7
Industry	11.6
Mobility	29.4
Smart Life	61.8
Hitachi High-Tech	32.9
Hitachi Construction Machinery	23.7
Hitachi Metals	15.9
Hitachi Chemical	32.2
Others	3.8
Corporate Items	21.3
Total	293.7

Notable achievements of R&D activities in the fiscal year ended March 31, 2020 are as follows.

- Use of artificial intelligence for credit analysis for consumer loans, which has improved the precision of the analysis (IT segment)

  We developed Hitachi AI Technology/Prediction Rare Case, artificial intelligence, for precise screening of loans using internal data (data on credit card loans and housing loans, etc.) possessed by financial institutions and external data (economic indicators and GIS information, etc.) and accumulated business know-how as Lumada use cases. Hitachi will promptly provide digital solutions that will create solid value, using Lumada and use cases suitable for customers' issues.

- Demonstration of detection of signs of cyberattacks using Darknet communications analysis technology (IT segment and Energy segment)

  To prevent block sophisticated cyberattacks, we developed a technology to analyze Darknet communications (communications to addresses to which no specific computers are allocated), which are not carried in the network for general communications, of suspicious communications observed by multiple organizations. Using this technology, we demonstrated that signs of cyberattacks, which have been difficult to detect, can be detected. (Joint research with Keio University and Chubu Electric Power Co., Inc.)

- Commencement of a demonstration experiment for optimization of non-life insurance portfolios using a new type of computer (IT segment)

  To meet the need for optimization of large, complicated non-life insurance portfolios against the backdrop of frequent occurrences of large natural disasters and increasing numbers of insurance schemes, we commenced a demonstration experiment using s new type of computer (CMOS annealing) that can solve combinatorial optimization problems at a higher speed than conventional computers. We aim for sophistication of risk control by combining insurance and IT (joint experiment with Sompo Japan Nipponkoa Insurance Inc. (currently Sompo Japan Insurance Inc.) and Sompo Risk Management Inc.).

- Winning the Ichimura Prize in Industry against Global Warming for Excellent Achievement for the development and practical use of an energy-saving industrial motor(Industry segments)

  The development and practical use of an energy-saving industrial motor using amorphous magnetic alloy foil won the Ichimura Prize in Industry against Global Warming for Excellent Achievement. The motor has achieved the highest level of international efficiency standards, IE5 class. By reducing energy consumption, we contribute to the realization of SDGs by contributing to the reduction of significant CO_2 emissions.

- Winning the Imperial Invention Prize of the National Invention Awards for its design of UK high-speed rolling stock (Class 800) (Mobility segment)

  We won the Imperial Invention Prize of the National Invention Awards for its design of UK high-speed rolling stock (Class 800). We overcame the difference in specifications between Japan and the UK due to a difference in running environment and designed the cars, taking into comprehensive consideration usability for the operating company and the visual appeal and comfort of cars that are suitable for the life and culture of local users. The Imperial Invention Prize is awarded to the best invention or design.

- Development of 3D cell culture automation technology to promote regenerative medicine (Smart Life segment)

  Using Hitachi's large-scale automated iPS cell culture equipment, we developed 3D cell culture automation technology that can solve existing issues. We have automated both 2D culture and 3D culture methods and can automatically produce large numbers of different types of cells, including cardiac muscle cells, to meet different needs. (Joint research with Myoridge Co. Ltd.)

III. Property, Plants and Equipment

1. Summary of Capital Investment, etc.

The Hitachi Group (the Company and consolidated subsidiaries) selectively invests in R&D and product fields expected to grow over the long term, and it also invests to streamline manufacturing process, etc. and to improve the reliability of its products and services.

Capital investment (based on the amount recorded as tangible fixed assets and the investment property) in the fiscal year ended March 31, 2020 was 399.6 billion yen. A breakdown of capital investment by segment is as follows. Effective from April 1, 2019, the Company reclassified its reportable segments. Accordingly, the amounts previously reported for the fiscal year ended March 31, 2019 have been restated in conformity with the new segments.

Segment	Capital investment (Billions of yen)	Change from preceding fiscal year (%)	Main purpose of investment
IT	63.8	180	Assets for leasing business, Streamline development and production of products
Energy	6.7	15	Facility of production for nuclear power and wind power generation system
Industry	12.8	145	Streamline development and production of products
Mobility	16.7	96	Facility of production for railway systems, Antiseismic reinforcement
Smart Life	79.8	89	Increase production of automotive equipment, Streamline development and production of other products
Hitachi High-Tech	28.0	156	Relocation of offices, Increase production of semiconductor processing equipment, etc.
Hitachi Construction Machinery	47.1	155	Streamline production of construction machinery, relocation of offices
Hitachi Metals	51.6	55	Increase production of specialty steel products, magnetic materials, power electronics materials and applications, wires, cables and related products, etc., Streamline production of functional components and equipment
Hitachi Chemical	45.3	92	Streamline development and production of products
Others	39.1	158	Rent offices, R&D facilities
Corporate Items & Eliminations	8.2	597	-
Total	399.6	96	-

(Notes) 1. From the beginning of the fiscal year ended March 31, 2020, the Company has adopted IFRS 16 “Leases,” and the capital investment in the fiscal year ended March 31, 2020 includes 87.4 billion yen of the investment in the right-of-use assets.

2. The figures in the above table include the amount of the investment property which is recorded as other non-current assets.

3. These investments were mostly financed with the Hitachi Group’s own capital.

2. Major Property, Plants and Equipment

The Hitachi Group (the Company and consolidated subsidiaries) engages in diverse business operations in Japan and overseas. It discloses information on major property, plants and equipment represented in breakdown by segment and major facilities of the Company and consolidated subsidiaries.

The situation at the end of the fiscal year ended March 31, 2020 is as follows.

(1) Breakdown by Segment

(As of March 31, 2020)

Segment	Book value (Millions of yen)								Number of employees
	Land [Area in thousands of m^2]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
IT	25,461 [861]	76,610	23,326	46,515	76,841	8,907	3,146	260,806	72,999
Energy	13,749 [8,532]	11,119	3,573	2,365	3,174	198	881	35,059	8,876
Industry	9,444 [2,024]	26,491	14,817	4,721	18,484	-	2,745	76,702	24,215
Mobility	13,304 [2,159]	76,733	24,253	17,010	13,710	794	7,692	153,496	46,847
Smart Life	51,035 [7,394]	105,989	161,218	31,454	16,331	-	39,990	406,017	45,371
Hitachi High-Tech	8,047 [608]	29,479	13,906	16,977	13,968	-	2,797	85,174	10,954
Hitachi Construction Machinery	56,516 [10,177]	90,612	52,488	8,868	57,853	91,824	15,157	373,318	24,274
Hitachi Metals	63,428 [13,535]	97,312	170,248	15,578	16,719	-	21,447	384,732	29,677
Hitachi Chemical	24,806 [3,391]	66,727	85,588	19,376	23,474	63	20,298	240,332	21,852
Others	37,236 [1,858]	72,636	3,428	10,315	35,803	-	1,948	161,366	12,890
Subtotal	303,026 [50,539]	653,708	552,845	173,179	276,357	101,786	116,101	2,177,002	297,955
Corporate Items & Eliminations	(28,920) [854]	21,844	303	3,569	(9,078)	343	248	(11,691)	3,101
Total	274,106 [51,393]	675,552	553,148	176,748	267,279	102,129	116,349	2,165,311	301,056

(Note) The “Book value - Other” column includes the amount of operating lease assets for leasing business.

(2) The Company

(As of March 31, 2020)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen) Land [Area in thousands of m²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	Number of employees
Financial Institutions Business Unit, Social Infrastructure Systems Business Unit and Systems & Services Business Division (Kawasaki, Kanagawa)	IT	System development facilities, manufacturing facilities for servers, mainframes, etc.	12,810 [115]	43,152	102	22,008	23,887	5,057	622	107,641	9,507
Head Office (Chiyoda-ku, Tokyo)	Corporate	Other facilities	4,930 [782]	6,485	269	1,678	25,005	-	248	38,617	1,591
Research & Development Group (Kokubunji, Tokyo)	Others	R&D facilities	6,063 [776]	20,918	1,196	4,160	2,188	-	94	34,623	2,532
Railway Systems Business Unit (Kudamatsu, Yamaguchi)	Mobility	Manufacturing facilities for railway vehicles, etc.	1,013 [666]	14,725	5,120	613	4,677	-	486	26,638	2,546
Nuclear Energy Business Unit and Energy Business Unit (Hitachi, Ibaraki)	Energy	Manufacturing facilities for power generating equipment, etc.	9,603 [3,309]	3,722	720	945	1,818	-	752	17,562	1,266
Healthcare Business Unit (Taito-ku, Tokyo)	Smart Life	Manufacturing facilities for medical equipment	4,489 [84]	3,545	1,269	1,629	4,117	-	304	15,356	2,018
Corporate Hospital Group (Hitachi, Ibaraki)	Corporate	Medical facilities	63 [53]	12,955	26	1,701	38	-	-	14,785	1,804
Services & Platforms Business Unit (Hitachi, Ibaraki)	IT	Manufacturing facilities for industrial machinery and plants, switchboards and calculation control equipment, system development facilities	607 [203]	5,774	847	1,393	2,133	11	146	10,914	5,432
Defense Systems Business Unit (Yokohama, Kanagawa)	IT	System development facilities	107 [7]	5,224	77	744	1,987	62	2	8,206	483
Industry & Distribution Business Unit and Water & Environment Business Unit (Toshima-ku, Tokyo)	Industry	Manufacturing facilities for industrial solution and water solution equipment	165 [89]	1,018	738	929	1,844	-	931	5,629	640

(3) Domestic subsidiaries

(As of March 31, 2020)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m^2]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Hitachi Automotive Systems, Ltd. (Hitachinaka, Ibaraki)	Smart Life	Manufacturing facilities for automotive equipment	7,077 [2,494]	37,390	59,246	6,650	-	4,177	11,857	126,399	9,534
Hitachi Metals, Ltd., Yasugi Works (Yasugi, Shimane)	Hitachi Metals	Manufacturing facilities for specialty steel products	8,340 [1,108]	13,516	34,917	1,941	18	-	2,650	61,382	1,662
Hitachi Metals Neomaterial, Ltd. (Suita, Osaka)	Hitachi Metals	Manufacturing facilities for specialty steel products	11,160 [121]	3,807	15,538	1,056	297	-	203	32,061	1,047
Hitachi Construction Machinery Co., Ltd., Hitachinaka-Rinko Works (Hitachinaka, Ibaraki)	Hitachi Construction Machinery	Manufacturing facilities for construction machinery	12,334 [495]	13,771	4,397	321	-	-	363	31,186	558
Hitachi Construction Machinery Co., Ltd., Tsuchiura Works (Tsuchiura, Ibaraki)	Hitachi Construction Machinery	Manufacturing facilities for construction machinery	5,902 [5,068]	7,188	7,144	1,927	6,339	-	2,444	30,944	3,049
Hitachi High-Tech Corporation, Naka Area (Hitachinaka, Ibaraki)	Hitachi High-Tech	Manufacturing facilities for semiconductor processing equipment and test and measurement equipment, etc.	2,116 [241]	13,787	3,155	8,648	1,056	-	1,345	30,107	2,539
Hitachi Chemical Company, Ltd., Yamazaki Works (Hitachi, Ibaraki)	Hitachi Chemical	Manufacturing facilities for semiconductor materials, etc.	890 [448]	10,608	9,326	949	2,582	-	494	24,849	1,040
Hitachi Chemical Company, Ltd., Shimodate Works (Chikusei, Ibaraki)	Hitachi Chemical	Manufacturing facilities for circuit board materials, etc.	4,535 [677]	7,137	8,611	811	78	-	286	21,458	1,645
Hitachi Metals, Ltd., Ibaraki Works (Hitachi, Ibaraki)	Hitachi Metals	Manufacturing facilities for wires and cables and rubber product, etc.	4,643 [1,181]	7,701	5,730	751	1,028	-	271	20,124	1,410
Hitachi Building Systems Co., Ltd., Head Office (Chiyoda-ku, Tokyo)	Mobility	Other facilities	6,843 [108]	8,248	432	818	-	-	719	17,060	1,502

(4) Overseas subsidiaries

(As of March 31, 2020)

Subsidiary (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m^2]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Waupaca Foundry, Inc. (Wisconsin, U.S.A.)	Hitachi Metals	Manufacturing facilities for automotive components	758 [5,754]	17,430	34,372	2,850	1,568	-	3,475	60,453	4,400
Hitachi Vantara LLC (California, U.S.A.)	IT	Other facilities	- [-]	1,957	13,678	13,872	30,159	251	128	60,045	13,103
Hitachi Automotive Systems Mexico, S.A. de C.V. (Querétaro, Mexico)	Smart Life	Manufacturing facilities for automotive equipment	3,025 [426]	4,938	26,785	1,680	-	-	2,799	39,227	4,365
Hitachi Automotive Systems Americas, Inc. (Kentucky, U.S.A.)	Smart Life	Manufacturing facilities for automotive equipment	371 [1,242]	7,873	9,960	888	462	-	7,541	27,095	3,017
Chassis Brakes International B.V. (Eindhoven, Netherlands)	Smart Life	Manufacturing facilities for automotive equipment	- [-]	6,683	11,508	1,054	1,697	-	5,977	26,919	4,368

(Note) The figures for Hitachi Vantara LLC and Chassis Brakes International B.V. are presented in consolidated basis of each company.

3. Plans for Capital Investment, Disposals of Property, Plants and Equipment, etc.

The Hitachi Group (the Company and consolidated subsidiaries) engages in diverse operations in Japan and overseas, and has not decided on specific plans to newly install or expand each of facilities as of the end of the fiscal year. For this reason, it discloses amounts of capital investment by segment.

The amount of capital investment for the fiscal year ending March 31, 2020 will be 386.0 billion yen (new installation and expansions, based on the amount recorded as tangible fixed assets and the investment property), and a breakdown by segment is as follows. From the beginning of the fiscal year ending March 31, 2021, the Hitachi High-Tech segment is abolished and reclassified in the Smart Life segment and the Hitachi Chemical segment is abolished. Figures shown below is presented on the basis of the new segmentation.

Segment	Amount (Billions of yen)	Main purpose of investment
IT	90.0	Assets for leasing business, Streamline development and production of products
Energy	25.0	Facility of production for nuclear power generation system
Industry	23.0	Manufacturing facilities for industrial products, Antiseismic reinforcement
Mobility	25.0	Facility of production for railway systems
Smart Life	110.0	Increase production of automotive equipment and production of Semiconductor Processing Equipment, Streamline development and production of other products
Hitachi Construction Machinery	65.0	Facility of production for construction machinery
Hitachi Metals	33.0	Increase and streamline production of specialty steel products, magnetic materials and applications, functional components and equipment, Streamline production of magnetic materials and power electronics materials
Others	12.0	Rent offices, R&D facilities
Corporate Items & Eliminations	3.0	-
Total	386.0	-

(Notes) 1. The figures in the above table include the amount of the right-of-use assets and the investment property, each of which is recorded as property, plant and equipment and other non-current assets, respectively.

2. These planned investments are expected to be mostly financed with the Hitachi Group's own capital.

3. There are no plans to dispose or sell principal facilities, with the exception of disposing and selling facilities due to routine upgrading.

IV. Information on the Company

1. Information on the Company’s Stock, etc.

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	2,000,000,000
Total	2,000,000,000

2) Issued shares

Class	Number of shares issued as of the end of fiscal year (shares) (March 31, 2020)	Number of shares issued as of the filing date (shares) (Note) (August 31, 2020)	Stock exchange on which the Company is listed	Description
Common stock	967,280,477	967,885,277	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	967,280,477	967,885,277	–	–

(Note) The "Number of shares issued as of the filing date" does not include shares issued upon exercise of stock acquisition rights from August 1, 2020 to the filing date.

(2) Information on the stock acquisition rights, etc.

1) Details of stock option plans

Name	The First Stock Acquisition Rights of Hitachi, Ltd. (Note 1)	The Second Stock Acquisition Rights of Hitachi, Ltd. (Note 1)	The Third Stock Acquisition Rights of Hitachi, Ltd. (Note 1)
Date of resolution	June 29, 2016	April 6, 2017	April 11, 2018
Category and number of person to whom stock acquisition rights are granted	31 Executive Officers of the Company 42 Corporate Officers of the Company	33 Executive Officers of the Company 37 Corporate Officers of the Company	33 Executive Officers of the Company 35 Corporate Officers of the Company
Number of stock acquisition rights	13,794 [11,717]	15,062 [12,766]	15,692 [12,094]
Class, detail and number of shares to be issued upon exercise of stock acquisition rights	Common stock 275,880 shares [234,340 shares] (Note 2)	Common stock 301,240 shares [255,320 shares] (Note 2)	Common stock 313,840 shares [241,880 shares] (Note 2)
Amount to be paid in upon exercise of stock acquisition rights	¥1 per share	¥1 per share	¥1 per share
Exercise period of stock acquisition rights	From July 15, 2016 to July 14, 2046	From April 27, 2017 to April 26, 2047	From April 27, 2018 to April 26, 2048
Issue price for shares issued upon exercise of stock acquisition rights and amount of capitalization	Issue price: ¥1,345 (Note 3) Amount of capitalization: (Note 4)	Issue price: ¥1,843 (Note 3) Amount of capitalization: (Note 4)	Issue price: ¥2,431 (Note 3) Amount of capitalization: (Note 4)
Conditions for the exercise of stock acquisition rights	(Note 5, 6)	(Note 5, 6)	(Note 5, 6)
Matters regarding acquisition of stock acquisition rights through transfer	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.
Matters regarding substitute payment	—	—	—
Matters regarding grant of stock acquisition rights upon organizational restructuring	(Note 7)	(Note 7)	(Note 7)

(Notes) 1. The information is that as of the end of fiscal year (March 31, 2020). The number of stock acquisition rights and the number of shares to be issued upon exercise of stock acquisition rights in brackets in the lower row is information as of the end of the last month ended before the filing date (July 31, 2020). With regard to the other items, there is no change from the information as of the end of fiscal year.

2. If the Company implements a stock split (including gratis allotment of shares of common stock; the same shall apply to references to a stock split hereinafter) or a reverse stock split with respect to common stock of the Company after the date of allotment of the stock acquisition rights, the Number of Shares to be Issued with respect to the stock acquisition rights not exercised at that time will be adjusted in accordance with following formula:

$$\text{Number of Shares to be Issued after adjustment} = \text{Number of Shares to be Issued before adjustment} \times \text{Ratio of stock split or reverse stock split}$$

In addition, if there is an unavoidable ground requiring an adjustment of the Number of Shares to be Issued, the Number of Shares to be Issued may be adjusted to the extent necessary by a resolution of the Board of Directors.
Any fractions of less than one share resulting from the adjustment will be rounded down.

3. Issue price for shares issued upon exercise of stock acquisition rights is the sum of the amount to be paid in upon exercise of each of the stock acquisition rights (¥1 per share) and the fair value of each of the stock acquisition right as calculated at the date of allotment.
4. The amount of common stock to be increased upon issuing shares through the exercise of stock acquisition rights shall be one half of the maximum amount of common stock, etc. to be increased calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Company Accounting. Any fractions of less than one yen resulting from the calculation shall be rounded up to the nearest yen.
5. A holder of stock acquisition rights may exercise all the stock acquisition rights together only within 10 days (in case the last day is not a business day, the following business day) from the day immediately following the date on which he/she ceases to be an Executive Officer, a Director or a Corporate Officer of the Company.
6. The number of stock acquisition rights which a holder of stock acquisition rights may exercise shall be determined based on the ratio of (i) the total shareholder return for shares of Hitachi for three years from the beginning of the fiscal year in which the date of allotment of the stock acquisition rights falls to (ii) the growth rate of TOPIX (Tokyo Stock Price Index) for the same period (the "TSR/TOPIX Growth Rate Ratio"), in accordance with the stock price conditions:
   a. In case the TSR/TOPIX Growth Rate Ratio is 120% or more
      All the stock acquisition rights allotted (the "Allotted Rights") may be exercised.
   b. In case the TSR/TOPIX Growth Rate Ratio is 80% or more but less than 120%
      Only a part of the Allotted Rights may be exercised according to the degree of the TSR/TOPIX Growth Rate Ratio (*).

$$\text{*Number of stock acquisition rights exercisable} = \text{Number of Allotted Rights} \times \{(\text{TSR/TOPIX Growth Rate Ratio} \times 1.25) - 0.5\}$$

      Any fraction less than one stock acquisition right will be rounded down.
   c. In case the TSR/TOPIX Growth Rate Ratio is less than 80%
      No Allotted Rights may be exercised.
7. In the event that the Company engages in a merger (only if the Company is to be dissolved as a result of the merger), an absorption-type company split or incorporation-type company split (in each case, only if the Company is to be a split company), or share exchange or share transfer (in each case, only if the Company is to be a wholly-owned subsidiary) (hereafter all of which are collectively referred to as "Corporate Reorganization"), then stock acquisition rights for the entities specified under Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (such entity hereinafter referred to as the "Reorganized Company") shall be issued to the Stock Acquisition Right Holders holding stock acquisition rights remaining in effect (the "Remaining Stock Acquisition Rights") immediately prior to the effective date of the Corporate Reorganization (hereinafter respectively referring to an effective date of absorption-type merger in case of an absorption-type merger, a date of incorporation of a company incorporated through a consolidation-type merger in case of a consolidation-type merger, an effective date of absorption-type company split in case of an absorption-type company split, a date of incorporation of a company incorporated through an incorporation-type company split in case of an incorporation-type company split, an effective date of a share exchange in case of a share exchange, or a date of incorporation of a wholly owning parent company incorporated through share transfer). However, these stock acquisition rights shall be granted only if provisions for issuing the stock acquisition rights of the Reorganized Company in accordance with the following conditions are included in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement, or a share transfer plan.
   (1) The number of stock acquisition rights of the Reorganized Company to be issued
      The number of stock acquisition rights equal to the number of Remaining Stock Acquisition Rights held by respective Stock Acquisition Right Holders shall be issued.
   (2) The class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
      Common shares of the Reorganized Company shall be issued.
   (3) The number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
      The number shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights, taking into account the conditions and other factors concerning Corporate Reorganization.
   (4) Amount of assets to be contributed upon the exercise of stock acquisition rights
      The amount of assets contributed upon the exercise of stock acquisition rights to be issued shall be amount derived by multiplying the amount to be paid in per share to be delivered upon exercise of stock acquisition rights of the Reorganized Company (the "Post-reorganization Exercise Price") prescribed below by the number of shares of the Reorganized Company to be issued determined in accordance with paragraph (3) of this section. The Post-Reorganization exercise price shall be one yen.
   (5) Exercise period of stock acquisition rights
      The exercise period of stock acquisition rights shall be from the later of the first day of the exercise period of stock acquisition rights or the effective date of the Corporate Reorganization to the expiration date of the exercise period of stock acquisition rights.
   (6) Matters concerning common stock and capital reserve to be increased due to the issuance of shares upon the exercise of stock acquisition rights
      The matters shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights.
   (7) Restrictions on acquisition of stock acquisition rights through transfer
      The acquisition of stock acquisition rights through transfer shall be subject to the approval of the Reorganized Company.
   (8) Conditions for the exercise of stock acquisition rights
      The matters shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights.
   (9) Matters concerning the acquisition of stock acquisition rights
      The matters shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights.

2) Details of shareholder right plans

Not applicable.

3) Details of other stock acquisition rights, etc.

Not applicable.

(3) Information on moving strike convertible bonds, etc.

Not applicable.

(4) Changes in the total number of issued shares and the amount of common stock and other

Date		Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From April 1, 2015 to March 31, 2016		-	4,833,463,387	-	458,790	-	176,757
From April 1, 2016 to March 31, 2017		-	4,833,463,387	-	458,790	-	176,757
From April 1, 2017 to March 31, 2018		-	4,833,463,387	-	458,790	-	176,757
October 1, 2018	(Note 1)	(3,866,770,710)	966,692,677	-	458,790	-	176,757
From April 1, 2018 to March 31, 2019		-	966,692,677	-	458,790	-	176,757
May 31, 2019	(Note 2)	587,800	967,280,477	1,072	459,862	1,072	177,828
From April 1, 2019 to March 31, 2020		-	967,280,477	-	459,862	-	177,828

(Notes) 1. The Company completed the share consolidation of every five shares into one share for its common stock.

2. This increase is due to the issuance of new shares as restricted stock compensation.

Issue price: 3,647 yen per share

Amount by which stated capital is to be increased: 1,823.5 yen per share

Allottees: 37 Executive officers of the Company and 34 Corporate officers of the Company

3. The Company issued its new shares on May 27, 2020. The total number of issued shares, common stock and capital reserve increased 604,800 shares, 928 million yens and 928 million yens respectively.

(5) Shareholders composition

(As of May 28, 2020)

Class of shareholders	Status of shares (one unit of stock: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institution	Financial instruments business operator	Other institution	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	2	213	74	2,345	1,078	127	244,688	248,527	-
Share ownership (units)	92	2,977,508	62,020	140,344	4,695,954	1,909	1,776,259	9,654,086	2,476,677
Ownership percentage of shares (%)	0.00	30.84	0.64	1.45	48.64	0.02	18.40	100.00	-

(Notes) 1. Of 1,021,739 shares of treasury stock, 10,217 units are included in the "Individuals and others" column, while 39 shares are included in the "Number of shares less than one unit" column.

2. Of the shares registered in the name of Japan Securities Depository Center, Incorporated (account for managing stocks whose shareholders have not transferred titles), 53 units are included in the "Other institution" column and 65 shares are included in the "Number of shares less than one unit" column.

(6) Major shareholders

(As of May 28, 2020)

Name	Address	Share Ownership (shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	80,038,600	8.28
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	50,707,500	5.24
State Street Bank and Trust Company 505001 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351 Boston, Massachusetts 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	21,410,695	2.21
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351 Boston, Massachusetts 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	20,467,984	2.12
Hitachi Employees' Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	20,372,176	2.11
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	20,000,099	2.07
Japan Trustee Services Bank, Ltd. (Trust Account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	19,644,000	2.03
NATS CUMCO (Standing proxy: Mizuho Bank, Ltd.)	C/O City Bank, New York 111 Wall Street, New York, NY, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	19,068,454	1.97
JP Morgan Chase Bank 385781 (Standing proxy: Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (15-1, Konan 2-chome, Minato-ku, Tokyo)	16,119,812	1.67
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	15,169,300	1.57
Total	-	282,998,620	29.27

(Notes) 1. NATS CUMCO is the nominee name of the depositary bank, Citibank, N.A., for the aggregate of the Company's American Depositary Receipts (ADRs) holders.

2. Some reports on substantial shareholdings regarding the Company under the Financial Instruments and Exchange Act are available for public inspection. However, the information in the reports is not described in the above table since the Company does not confirm the actual status of shareholdings as of the record date for the annual general meeting of shareholders held on July 30, 2020. The major contents of the reports are as follows. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The reports whose date on which the duty to file report is prior to the effective date of the share consolidation show the number of shares before the share consolidation.

Holders	BlackRock Japan Co. Ltd and seven other persons
Date on which the duty to file report	April 14, 2017
Number of shares	304,755,969 shares
Ownership percentage to the total number of issued shares	6.31%

Holders	Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other person
Date on which the duty to file report	February 15, 2019
Number of shares	48,728,827 shares
Ownership percentage to the total number of issued shares	5.04%

Holders	Asset Management One Co., Ltd. and four other persons
Date on which the duty to file report	September 13, 2019
Number of shares	49,553,000 shares
Ownership percentage to the total number of issued shares	5.12%

(7) Information on voting rights

1) Issued shares

(As of May 28, 2020)

Classification	Number of shares (shares)		Number of voting rights	Description
Shares without voting right		－	－	－
Shares with restricted voting right (treasury stock, etc.)		－	－	－
Shares with restricted voting right (others)		－	－	－
Shares with full voting right (treasury stock, etc.)	Common stock	1,054,900	－	－
Shares with full voting right (others)	Common stock	964,353,700	9,643,537	－
Shares less than one unit	Common stock	2,476,677	－	－
Number of issued shares		967,885,277	－	－
Total number of voting rights		－	9,643,537	－

(Note) The "Shares with full voting right (others)" column includes 5,300 shares registered in the name of Japan Securities Depository Center, Incorporated (account for managing stocks whose shareholders have not transferred titles) and 53 voting rights for those shares.

2) Treasury stock, etc.

(As of May 28, 2020)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	1,021,700	－	1,021,700	0.11
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-chome, Chuo-ku, Tokyo	2,100	－	2,100	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	17,600	－	17,600	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	10,500	－	10,500	0.00
Mizuho Co., Inc.	4-1, Koishikawa 5-chome, Bunkyo-ku, Tokyo	3,000	－	3,000	0.00
Total	－	1,054,900	－	1,054,900	0.11

2. Information on Acquisition, etc. of Treasury Stock

Class of shares
Acquisition of common stock under Article 155, Item 7 and 13 of the Companies Act

(1) Acquisition of treasury stock resolved at the general meeting of shareholders
Not applicable.

(2) Acquisition of treasury stock resolved at the Board of Directors meetings
Not applicable.

(3) Details of acquisition of treasury stock not based on the resolutions of the general meeting of shareholders or the Board of Directors meetings

Acquisition of common stock under Article 155, Item 7 (Note 1)

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2020	41,098	166,997,643
Treasury stock acquired during the current period (Note)	8,321	28,127,793

(Notes) 1. Acquisition of stock less than one unit shares due to purchase requests from shareholders under Article 192, Paragraph 1 of the Companies Act.
2. The number of treasury stock acquired due to requests to purchase stock less than one unit shares from August 1, 2020 to the filing date is not included.

Acquisition of common stock under Article 155, Item 13 (Note)

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2020	-	-
Treasury stock acquired during the current period	97,000	-

(Note) Acquisition without consideration of a part of common stock allotted to the Company’s Executive Officers and Corporate Officers as restricted stock compensation (Article 27, Paragraph 1 of the Order for Enforcement of the Companies Act).

(4) Status of the disposition and holding of acquired treasury stock

Classification	Fiscal year ended March 31, 2020		Current period (Note)	
	Number of shares (shares)	Total disposition amount (yen)	Number of shares (shares)	Total disposition amount (yen)
Acquired treasury stock which was offered to subscribers	-	-	-	-
Acquired treasury stock which was canceled	-	-	-	-
Acquired treasury stock which was transferred due to merger, share exchange or company split	-	-	-	-
Others (Acquired treasury stock which was transferred upon exercise of stock acquisition rights, and which was sold due to requests from shareholders holding shares less than one unit shares to sell additional shares)	77,024	277,878,794	129,478	468,812,953
Total number of treasury stock held	1,050,741	-	1,026,584	-

(Note) The followings are not included: the number of treasury stock which was transferred upon exercise of stock acquisition rights from August 1, 2020 to the filing date; the number of treasury stock which was sold due to requests from shareholders holding less than one unit shares to sell additional shares from August 1, 2020 to the filing date; and the number of treasury stock acquired due to purchase requests from shareholders holding shares less than one unit shares from August 1, 2020 to the filing date.

3. Dividend Policy

The Company views the return of profits to shareholders through enhancing corporate value from mid- to long-term perspective and paying dividends continuously as an important managerial issue.

The policy of the Company regarding dividends is to aim for stable growth of dividends while also securing funds necessary for investment, and the dividends are determined by comprehensively taking into account factors such as financial performance trends, the financial situation, and the dividend payout ratio.

To complement its dividends, the Company flexibly conducts repurchase of its shares depending on factors such as capital needs and the business environment.

In accordance with mid- to long-term management strategy, the Company utilize undistributed profits in areas such as M&A, research and development, and capital expenditure, in order to secure competitiveness and aim for growth of the business as global enterprise.

Based on the above policy, annual dividends of 95.0 yen per share were paid for the fiscal year ended March 31, 2020. It was resolved to pay interim dividends of 45.0 yen per share at the Board of Directors meeting held on October 30, 2019, resulting in the total amount of interim dividends of 43,481 million yen. In addition, it was resolved to pay year-end dividends of 50.0 yen per share at the Board of Directors meeting held on May 13, 2020, resulting in the total amount of year-end dividends of ¥48,311 million.

4. Corporate Governance, etc.

(1) Corporate governance

1) Basic policy about corporate governance

The Company considers growth of profits for shareholders and investors from long-term perspective as one of its important managerial objectives. As there are wide range of stakeholders for the Company and Hitachi group from shareholders and investors to customers and clients, the Company realizes that building good relationships with such stakeholders forms an important part of its corporate value.

The Company is a company with Nominating Committee, etc. under the Companies Act, aiming to establish a framework for quick business operation and to realize highly transparent management by separating responsibilities for management oversight and those for execution of business operations. The Company attempts to have appropriate composition of the Board of Directors aiming to ensure the effectiveness of management function in addition to reflect global and various perspective to the management. The Company set the Corporate Governance Guidelines as basic framework of its corporate governance including functions of the Board of Directors.

In addition, the Company set Hitachi Group Codes of Conduct as behavior disciplines to be shared among Hitachi group to generate common values for the Hitachi group and promote understanding of social responsibilities to be fulfilled by the Company.

2) Outline of corporate organizations

Board of Directors

The Board of Directors approves basic management policy for the Hitachi Group and supervises the execution of the duties of executive officers and directors in order to sustainably enhance corporate value and the shareholders' common interests. The basic management policy includes medium-term management plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation and Board of Directors Regulations. As of August 31, 2020, the Board of Directors was made up of 13 Directors, and 10 of whom are Independent Directors* and two concurrently serve as Executive Officers.

* The "Independent Directors" in this report are the directors who fulfill the qualification requirements to be outside directors as provided by the Companies Act of Japan and also meet the independence criteria defined by the Company and those as provided by Japanese stock exchanges where the Company is listed, unless otherwise stated.

Within the Board of Directors, there are three statutory committees of the Nominating Committee, the Audit Committee and the Compensation Committee with Independent Directors accounting for the majority of members of each committee. The Board of Directors meetings were held 9 days during the fiscal year ended March 31, 2020, and the attendance rate of Directors at those meetings was 98%. The Nominating Committee meetings were held 8 days, the Audit Committee meetings were held 15 days, and the Compensation Committee meetings were held 4 days during the fiscal year ended March 31, 2020.

The Nominating Committee has the authority to determine particular proposals submitted to the general meeting of shareholders for the election and dismissal of Directors, and consists of four Directors, three of whom are Independent Directors.

The Audit Committee has the authority to audit the execution of duties of Directors and Executive Officers and to determine on proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors, and consists of five Directors, including four Independent Directors and one standing Audit Committee member.

The Compensation Committee has the authority to determine remuneration policies for Directors and Executive Officers and remuneration for individuals based on them. The Compensation Committee consists of four Directors, three of whom are Independent Directors.

The members of the board of directors and each committee are described in "(2) Directors and Senior Management - 1) Lists of directors and senior management - (a) Directors."

With regard to the number of Directors and their election, the Company stipulates in its Articles of Incorporation that the Company shall have no more than 20 Directors. With regard to the adoption of resolution for the election of Directors, the Company stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting, that resolutions for the election of Directors shall be approved by attending shareholders possessing one-third or more of all voting rights of the shareholders who are entitled to exercise their votes, and that the resolution shall not be made by cumulative voting.

The Company maintains a limited liability agreement (hereinafter referred to as “Agreement”) stipulated in Article 427, Paragraph 1 of the Companies Act with each director (excluding Executive Director, etc.) The general intent of the Agreement is to limit the liability of Directors to the aggregate amount stipulated in each item under Article 425, Paragraph 1 of the Companies Act.

<u>Executive Officers</u>

Executive Officers decide on matters delegated to them by the Board of Directors and execute the Company’s business affairs within the scope of assignments determined by the Board of Directors. As of August 31, 2020, the Company has 33 Executive Officers (See "(2) Directors and Senior Management - 1) Lists of directors and senior management - (b) Executive Officers.")

The Company stipulates in its Articles of Incorporation that the Company shall have no more than 40 Executive Officers.

<u>Senior Executive Committee</u>

The Senior Executive Committee is a council to ensure that President deliberately decides on important managerial matters, which may affect the Company or the Hitachi Group business, through discussing from diverse viewpoints. It consists of 11 members as of August 31, 2020; President & CEO (Toshiaki Higashihara), six Executive Vice President and Executive Officers (Masakazu Aoki, Ryuichi Kitamura, Keiji Kojima, Keiichi Shiotsuka, Alistair Dormer and Toshikazu Nishino), three Senior Vice President and Executive Officers (Yoshihiko Kawamura, Hidenobu Nakahata and Mamoru Morita) and one Vice President and Executive Officer (Kohei Kodama).

3) Matters determined by resolution of the Board of Directors without resolution at the general meeting of shareholders pursuant to the provisions of the Articles of Incorporation

The Company stipulates in the Articles of Incorporation that it may, unless otherwise provided in the applicable laws, determine on matters specified in each item of Article 459, Paragraph 1 of the Companies Act by the resolution of the Board of Directors, without resolution at the general meeting of shareholders.

For the repurchase of the company’s own shares (Article 459, Paragraph 1, Item 1 of the Companies Act), the Board of Directors shall determine on the matter in order to enable timely implementation of capital strategies.

Regarding reduction of capital reserve or earned surplus reserve (Article 459, Paragraph 1, Item 2 of the Companies Act), appropriation of surplus (excluding dividends of surplus and disposal of the property of the Company) (Article 459, Paragraph 1, Item 3 of the Companies Act) and dividends of surplus (Article 459, Paragraph 1, Item 4 of the Companies Act), since the Company was a company with committees as of the date of enforcement of the Companies Act, it was deemed that its Articles of Incorporation had stipulations that the Board of Directors was able to decide the above matters without resolution at the general meeting of shareholders and that it should not stipulate that such matters shall be resolved at the resolution of the general meeting of shareholders, in accordance with Article 57 of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Companies Act (July 26, 2005, Act No. 87). Even after the enforcement of the Companies Act, the Company has made it a rule to timely decide on these important business judgments by the Board of Directors to enhance the shareholders’ common interests.

The Company has stipulated in its Articles of Incorporation that it may, by resolution of the Board of Directors, exempt any Director (including former Director) and Executive Officer (including former Executive Officer) from liabilities as provided Article 423, Paragraph 1 of the Companies Act to the extent as provided in laws or regulations.

4) Requirement for special resolution of the general meeting of shareholders

To enable to securely meet the quorum of the general meeting of shareholders under Article 309, Paragraph 2 of the Companies Act, the Company stipulates in its Articles of Incorporation that any resolution as provided in Article 309, Paragraph 2 of the Companies Act shall be adopted at a general meeting of shareholders where shareholders representing one-third or more of the voting rights of all the shareholders shall be present, by a majority of two-thirds or more of the voting rights of the shareholders who are present in such meeting and are entitled to vote.

5) Internal control system and risk management system

Outlines of the internal control system and the risk management system of the Company are as follows. In addition, these systems were resolved by the Board of Directors as the basic policy for internal control system under the Companies Act.

i) The following measures shall be taken to ensure the effectiveness of audits by the Audit Committee.

(a) When necessary, the Board of Directors may appoint one or more director(s), who does not serve concurrently as an executive officer, as a director responsible for assisting with the duties of the Audit Committee. In addition, the Board of Directors' Office (the "Office") shall be established specifically to assist with the duties of each Committee and the Board of Directors.

(b) In order to ensure the independence of the Office personnel from Executive Officers and the effect of instructions by the Audit Committee, the Office is staffed with personnel who work only for the Office and are not subject to orders and instructions of Executive Officers, and the Audit Committee shall be informed in advance of planned transfers of the Office personnel.

(c) Executive Officers and employees shall report without delay to the members of the Audit Committee significant matters affecting the Company and its subsidiaries, results of internal audits, and the implementation status of reporting under the internal reporting system. It shall be provided for in the company regulation that reporters using the internal reporting system, which applies to the employees of the Company and its subsidiaries, shall not receive disadvantageous treatment for reason of having made a report, and the secretariat of the system shall thoroughly administer this provision.

(d) The Office shall be in charge of payment for the expenses incurred in connection with the execution of the duties of the Audit Committee members and other administrative duties, and shall promptly process the payment for the expense or debt except in the case where the expense or debt of the claim is clearly found to be unnecessary to the execution of the duties of them.

(e) Standing Committee member(s) shall be appointed to the Audit Committee, and activity plans of the Audit Committee shall be prepared in coordination with the audit plans of Internal Auditing Office.

ii) The following measures shall be effective to ensure the adequacy of business operations within the Company and the Hitachi Group.

(a) Such fundamental policies as the emphasis of the social responsibilities of business enterprises shall be shared with the subsidiaries of the Company.

(b) Each subsidiary of the Company shall develop systems to ensure the appropriateness of operations corresponding to its size and other characteristics, basic framework of which is similar to ones employed in the Company. In order to ensure development of such systems in each subsidiary, directors and auditors shall be sent from the Company to its subsidiary, and regular audits shall be conducted for the subsidiary.

(c) A reporting system to Directors shall be established to ensure that the execution of duties by Executive Officers of the Company is in compliance with laws, regulations, and the Articles of Incorporation.

(d) Information pertaining to the execution of duties by Executive Officers of the Company shall be prepared and maintained in accordance with internal rules.

(e) A structure shall be established in which each relevant department shall establish regulations and guidelines, conduct training, prepare and distribute manuals, and carry out other such measures with respect to various risks. Efforts shall be made to identify possible new risks through such things as progress reports on business operations and, should it become necessary to respond to a new risk, an Executive Officer responsible for responding thereto shall be appointed promptly.

(f) Efficient performance of duties of the Executive Officers of the Company, and Directors and Executive Officers of the subsidiaries shall be ensured through the following business management systems.

- The Senior Executive Committee shall be established in order to deliberate on and facilitate the formulation of decisions based on due consideration of diverse factors regarding important issues that affect the Company and/or the Hitachi Group.
- Based on the management policy, medium-term business plans and annual budgets, on which performance management is based, shall be prepared in order to operate business in a planned and efficient manner.
- Internal audits of the Company and its subsidiaries shall be conducted to monitor and identify the status of their business operations and to facilitate improvements.
- The Audit Committee shall receive the audit plans of the accounting auditors in advance, and the prior approval of the Audit Committee shall be required with respect to the fees to be paid to the accounting auditors.
- Documented business processes for matters to be reflected in financial reports shall be executed at the Company and its subsidiaries, and internal and external auditors shall examine said processes in order to ensure the reliability of financial reports.
- A structure for the adequate and efficient conduct of business operations common to the Hitachi Group companies shall be established.

(g) Continuous maintenance of a legal and regulatory compliance structure shall be ensured through the following business management systems.

- Internal audits shall be conducted, and various committees shall be established for legal and regulatory compliance activities. Furthermore, an internal reporting system for employees of the Company and its subsidiaries shall be established and education on legal and regulatory compliance shall be provided.
- Various policies and rules on compliance with laws shall be established, aiming to ensure that the employees are aware of the internal control systems overall and that the systems are effective.

(h) A system shall be established, in which the subsidiaries report on important issues and the progress in measures for operations to the Company through the Company’s Senior Executive Committee, medium-term business plans and the budget system.

(i) The policy on transactions within the Hitachi Group is to trade fairly based on market prices.

6) Fundamental Policy on the Conduct of Persons Influencing Decision on the Company's Financial and Business Policies

We invest a great deal of business resources in fundamental research and in the development of market-leading products and businesses that will bear fruit in the future, and realizing the benefits from these management policies requires that they be continued for a set period of time. For this purpose, the Company keeps its shareholders and investors well informed of not just the business results for each period but also of the Company's business policies for creating value in the future.

The Company does not deny the significance of the vitalization of business activities and performance that can be brought about through a change in management control, but it recognizes the necessity of determining the impact on company value and the interests of all shareholders of the buying activities and buyout proposals of parties attempting to acquire a large share of stock of the Company or a Group company by duly examining the business description, future business plans, past investment activities, and other necessary aspects of such a party.

There is no party that is currently attempting to acquire a large share of the Company's stocks nor is there a specific threat, neither does the Company intend to implement specified so-called anti-takeover measures in advance of the appearance of such a party, but the Company does understand that it is one of the natural duties bestowed upon it by the shareholders and investors to continuously monitor the state of trading of the Company's stock and then to immediately take what the Company deems to be the best action in the event of the appearance of a party attempting to purchase a large share of the Company's stock. In particular, together with outside experts, the Company will evaluate the buyout proposal of the party and hold negotiations with the buyer, and if the Company deems that said buyout will not maintain the Company's value and is not in the best interest of the shareholders, then the Company will quickly determine the necessity, content, etc., of specific countermeasures and prepare to implement them. The same response will also be taken in the event a party attempts to acquire a large percentage of the shares of a Group company.

(2) Directors and Senior Management

1) Lists of directors and senior management

Men: 46 persons, Women: 2 persons

(Women's percentage to total number of Directors and Senior Management: 5%)

The Company is a company with Nominating Committee, etc. pursuant to the Companies Act. The information on its Directors and Executive Officers is as follows.

(a) Directors

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director Member of Audit Committee and Compensation Committee	Katsumi Ihara	Sept. 24, 1950	6/2005 4/2009 6/2009 6/2010 6/2011 4/2015 6/2016 6/2018	Executive Deputy President, Representative Corporate Executive Officer, Member of the Board, Sony Corporation Executive Deputy President, Corporate Executive, Sony Corporation Executive Vice President, Representative Director, Sony Financial Holdings Inc. President, Representative Director, Sony Financial Holdings Inc. President, Representative Director, Sony Life Insurance Co., Ltd. Chairman, Director, Sony Life Insurance Co., Ltd. (Retired in June 2017) Chairman, Director, Sony Financial Holdings Inc. (Retired in June 2017) Director, Hitachi, Ltd.	(Note 1)	600
Director	Ravi Venkatesan	Jan. 12, 1963	7/1999 1/2004 4/2011 4/2013 8/2015 9/2018 7/2020	Chairman of the Board of Directors, Cummins India Ltd. (Retired in March 2004) Chairman, Microsoft India Pvt. Ltd. (Retired in September 2011) Independent Director, Infosys Ltd. (Retired in May 2018, served as Co-Chairman from April 2017 to August 2017) Venture Partner, Unitus Ventures LLC. (Currently in office) Chairman (Non-Executive), Bank of Baroda (Retired in August 2018) Special Representative for Young People & Innovation, UNICEF (Currently in office) Director, Hitachi, Ltd.	(Note 1)	0
Director Member of Nominating Committee	Cynthia Carroll	Nov. 13, 1956	10/1991 1/1996 10/1998 1/2002 3/2007 6/2013	General Manager, Foil Products, Alcan Inc. Managing Director, Aughinish Alumina Ltd., Alcan Inc. President, Bauxite, Alumina and Specialty Chemicals, Alcan Inc. President & CEO, Primary Metal Group, Alcan Inc. CEO, Anglo American plc. (Retired in April 2013) Director, Hitachi, Ltd.	(Note 1)	1,200

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions	Term of office	Share ownership (shares)
Director	Joe Harlan	May 5, 1959	9/1999 Vice President and Chief Financial Officer, Lighting Business, General Electric Company 9/2001 Vice President, Corporate Financial Planning and Analysis, 3M Company 11/2002 President and Chief Executive Officer, Sumitomo 3M Ltd. 10/2004 Executive Vice President, Electro and Communications Business, 3M Company 10/2009 Executive Vice President, Consumer and Office Business, 3M Company 9/2011 Executive Vice President, Performance Materials, The Dow Chemical Company 9/2012 Executive Vice President, Chemicals, Energy and Performance Materials, The Dow Chemical Company 10/2014 Chief Commercial Officer and Vice Chairman, Market Business, The Dow Chemical Company 10/2015 Vice Chairman and Chief Commercial Officer, The Dow Chemical Company (Retired in August 2017) 6/2018 Director, Hitachi, Ltd.	(Note 1)	600
Director	George Buckley	Feb. 23, 1947	2/1993 Chief Technology Officer, Motors, Drives and Appliances, Emerson Electric Company 9/1994 President, US Electrical Motors, Emerson Electric Company 7/1997 President, Mercury Marine Division and Corporate Vice President, Brunswick Corporation 4/2000 President and Chief Operating Officer, Brunswick Corporation 6/2000 Chairman and Chief Executive Officer, Brunswick Corporation 12/2005 Chairman of the Board, President and Chief Executive Officer, 3M Company 2/2012 Executive Chairman of the Board, 3M Company (Retired in May 2012) 6/2012 Chairman, Arle Capital Partners Limited (Retired in December 2015) Director, Hitachi, Ltd.	(Note 1)	6,200
Director	Louise Pentland	Apr. 11, 1972	8/1997 Admitted as a Solicitor (UK) 7/2001 Senior Legal Counsel, Nokia Networks, Nokia Corporation 9/2007 Vice President, Acting Chief Legal Officer and Head of IP Legal, Nokia Corporation 7/2008 Senior Vice President and Chief Legal Officer, Nokia Corporation 6/2009 Admitted to New York State Bar Association 2/2011 Executive Vice President and Chief Legal Officer, Nokia Corporation (Retired in May 2014) 4/2015 General Counsel, PayPal, eBay Inc. 6/2015 Director, Hitachi, Ltd. 7/2015 Senior Vice President and Chief Legal Officer, PayPal Holdings, Inc. 9/2016 Executive Vice President and Chief Business Affairs & Legal Officer, PayPal Holdings, Inc. (Currently in office)	(Note 1)	900

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Chairman of the Board Nominating Committee (Chair), Member of Audit Committee and Compensation Committee (Chair)	Harufumi Mochizuki	Jul. 26, 1949	7/2002 7/2003 7/2006 7/2008 8/2010 10/2010 6/2012 6/2013	Director-General for Commerce and Distribution Policy, Minister's Secretariat, Ministry of Economy, Trade and Industry of Japan ("METI") Director-General, Small and Medium Enterprise Agency, METI Director-General, Agency for Natural Resources and Energy, METI Vice-Minister of Economy, Trade and Industry of Japan Special Advisor to the Cabinet of Japan (Retired in September 2011) Senior Adviser to the Board, Nippon Life Insurance Company (Retired in April 2013) Director, Hitachi, Ltd. President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. (Currently in office)	(Note 1)	3,800
Director Member of Audit Committee and Compensation Committee	Takatoshi Yamamoto	Oct. 20, 1952	12/1995 6/1999 7/2005 6/2009 6/2011 6/2016	Managing Director, Morgan Stanley Japan Limited Managing Director and Vice Chairman, Tokyo Branch, Morgan Stanley Japan Limited Managing Director and Vice Chairman, UBS Securities Japan Co., Ltd. Managing Director, CASIO COMPUTER CO., LTD. Advisor, CASIO COMPUTER CO., LTD. (Retired in June 2012) Director, Hitachi, Ltd.	(Note 1)	9,700
Director Member of Nominating Committee and Audit Committee (Chair)	Hiroaki Yoshihara	Feb. 9, 1957	11/1978 7/1996 10/1997 10/2003 6/2014	Joined Peat Marwick Mitchell & Co. National Managing Partner, the Pacific Rim Practice, KPMG LLP The Board Member, KPMG LLP Vice Chairman and Global Managing Partner, KPMG International (Retired in April 2007) Director, Hitachi, Ltd.	(Note 1)	2,200
Director	Helmuth Ludwig	Sept. 19, 1962	6/2001 8/2002 8/2007 10/2010 10/2011 10/2014 10/2016 1/2020 7/2020	President, Software and System House Division, Siemens AG President, Systems Engineering Division, Automation and Drives Group, Siemens AG President, Siemens PLM Software, Inc. Global Head of Communications, Industry Automation, Siemens Corp. President and CEO, Industry Sector, North America, Siemens Industry, Inc. Executive Vice President and Chief Digital Officer, Digital Factory Division, Product Lifecycle Management, Siemens Corp. Chief Information Officer, Siemens AG (Retired in December 2019) Professor of Practice in Strategy and Entrepreneurship, Cox School of Business, Southern Methodist University (Currently in office) Director, Hitachi, Ltd.	(Note 1)	1,500

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director Member of Audit Committee (Standing)	Hideaki Seki	Mar. 10, 1957	4/1979 4/2011 4/2013 4/2014 4/2015 4/2016 4/2018 4/2020 7/2020	Joined Hitachi, Ltd. Board Director, Hitachi Automotive Systems, Ltd. Vice President, Board Director, Hitachi Automotive Systems, Ltd. Executive Vice President, Board Director, Hitachi Automotive Systems, Ltd. President & COO, Representative Director, Hitachi Automotive Systems, Ltd. President & CEO, Representative Director, Hitachi Automotive Systems, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. President, Representative Director, Hitachi Building Systems Co., Ltd. (Retired in March 2020) Associate, Hitachi, Ltd. Director, Hitachi, Ltd.	(Note 1)	11,200
Executive Chairman Member of Nominating Committee	Hiroaki Nakanishi	Mar. 14, 1946	4/1970 4/2003 6/2003 4/2004 6/2005 4/2006 4/2009 4/2010 6/2010 4/2014 4/2016 4/2018	Joined Hitachi, Ltd. General Manager, Global Business Vice President and Executive Officer Senior Vice President and Executive Officer Senior Vice President and Executive Officer, Hitachi, Ltd. Chairman and Chief Executive Officer, Hitachi Global Storage Technologies, Inc. Executive Vice President and Executive Officer, Hitachi, Ltd. (Retired in December 2006) Executive Vice President and Executive Officer, Hitachi, Ltd. President, Hitachi, Ltd. President and Director, Hitachi, Ltd. Chairman & CEO and Director, Hitachi, Ltd. Executive Chairman and Representative Executive Officer, Hitachi, Ltd. Executive Chairman and Executive Officer, Hitachi, Ltd.	(Note 1)	117,900
Director Member of Compensation Committee	Toshiaki Higashihara	Feb. 16, 1955	4/1977 4/2006 4/2007 4/2008 4/2010 6/2010 4/2011 4/2013 4/2014 6/2014 4/2016	Joined Hitachi, Ltd. Chief Operating Officer, Information & Telecommunication Systems Vice President and Executive Officer (Retired in March 2008) President, Hitachi Power Europe GmbH President and Chief Executive Officer, Hitachi Plant Technologies, Ltd. President and Representative Director, Hitachi Plant Technologies, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. President & COO, Hitachi, Ltd. President & COO and Director, Hitachi, Ltd. President & CEO and Director, Hitachi, Ltd.	(Note 1)	135,400
Total						291,200

(Notes) 1. The term of office of the Directors starts upon the election at the Annual General Meeting of Shareholders on July 30, 2020 and expires at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2021.

2. Messrs. Katsumi Ihara, Ravi Venkatesan, Joe Harlan, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto, Hiroaki Yoshihara and Helmuth Ludwig and Mses. Cynthia Carroll and Louise Pentland are directors who fulfill the qualification requirements to be outside directors as provided for in Article 2, Item 15 of the Companies Act.

(b) Executive Officers

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Representative Executive Officer, President & CEO Overall management	Toshiaki Higashihara	Feb. 16, 1955	See "(a) Directors"		(Note 2)	135,400
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (business for industry & distribution sectors, water & environment business, and industrial products business)	Masakazu Aoki	Jun. 23, 1954	4/1977 4/2012 10/2014 4/2016 4/2017	Joined Hitachi, Ltd. President and Director, Hitachi Industrial Equipment Systems Co., Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd. Chairman of the Board, Hitachi Industrial Equipment Systems Co., Ltd.	(Note 2)	48,800
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (marketing & sales and regional strategies), marketing & sales and regional strategies	Ryuichi Kitayama	Feb. 4, 1952	4/1976 10/2009 4/2010 4/2014 4/2015 6/2017 6/2018 4/2020	Joined Hitachi, Ltd. Chief Marketing Officer, Information & Telecommunication Group, Information & Telecommunication Systems Company Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer (Retired in March 2018) Director, Hitachi High-Technologies Corporation Chairman of the Board, Hitachi High-Technologies Corporation Executive Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	49,660
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (smart life & ecofriendly systems business, automotive systems business and healthcare business) and smart life & ecofriendly systems business	Keiji Kojima	Oct. 9, 1956	4/1982 4/2011 4/2012 4/2016 4/2018	Joined Hitachi, Ltd. General Manager, Hitachi Research Laboratory Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	51,900
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (systems & services business and defense systems business), systems & services business, defense systems business and social innovation business promotion	Keiichi Shiotsuka	May 8, 1954	4/1977 4/2012 4/2013 4/2015 4/2017	Joined Hitachi, Ltd. Chief Operating Officer, System Solutions Business, Information & Telecommunication Systems Company, Information & Telecommunication Systems Group Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	50,800

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (building systems business and railway systems business)	Alistair Dormer	Aug. 29, 1963	2/2001 6/2003 10/2009 9/2012 4/2014 4/2015 4/2016 4/2019	Director of Business Development, Alstom Transport U.K. Ltd. Joined Hitachi Europe Ltd. Managing Director, Hitachi Rail Europe Ltd. Executive Chairman and CEO, Hitachi Rail Europe Ltd. Global CEO of Rail Systems business, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President and Executive Officer	(Note 2)	1,900
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (nuclear energy business and energy business)	Toshikazu Nishino	Jan. 9, 1955	4/1980 4/2010 4/2011 4/2013 4/2015	Joined Hitachi, Ltd. Senior Manager, Strategy & Project Office, Supervisory Office for Management Reforms Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	48,500
Senior Vice President and Executive Officer Nuclear energy business and energy business	Atsushi Oda	Feb. 19, 1958	4/1980 4/2015 4/2016 4/2019	Joined Hitachi, Ltd. General Manager of Transmission & Distribution Systems Division, Energy Solutions Company and Chief Operating Officer of Power Systems Company, Power & Infrastructure Systems Group Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	35,400
Representative Executive Officer, Senior Vice President and Executive Officer Finance, corporate pension system and investment strategies	Yoshihiko Kawamura	Aug. 20, 1956	4/1979 4/2010 4/2015 4/2016 4/2017 4/2018	Joined Mitsubishi Corporation Senior Vice President, Division COO, IT Service Division, Mitsubishi Corporation Joined Hitachi, Ltd. Executive Strategist, Information & Telecommunication Systems Group Deputy General Manager of IoT Business Promotion Division and General Manager of Incubation Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	33,700

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Senior Vice President and Executive Officer Services & platforms business	Toshiaki Tokunaga	Mar. 15, 1967	4/1990 4/2017 4/2018 4/2019 4/2020	Joined Hitachi, Ltd. President, Hitachi Appliances, Inc. General Manager, Smart Life & Ecofriendly Systems Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	26,900
Representative Executive Officer, Senior Vice President and Executive Officer Corporate communications, corporate auditing, corporate export regulation and human capital	Hidenobu Nakahata	Jan. 24, 1961	4/1983 10/2013 4/2014 4/2018	Joined Hitachi, Ltd. Deputy General Manager, Human Capital Group Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	37,300
Senior Vice President and Executive Officer Management strategies and strategies for next generation business	Mamoru Morita	Apr. 12, 1959	4/1983 4/2015 4/2016 4/2020	Joined Hitachi, Ltd. General Manager of Strategy Planning Division Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	32,500
Vice President and Executive Officer Marketing & sales (business for financial institutions, government, public corporation and social infrastructure systems and defense systems business)	Keiichi Akino	Oct.13, 1958	4/1981 4/2016 4/2018	Joined Hitachi, Ltd. General Manager, Kansai Area Operation Vice President and Executive Officer	(Note 2)	20,700
Vice President and Executive Officer Business for industry & distribution sectors	Jun Abe	Jun. 14, 1961	4/1984 4/2016 4/2018	Joined Hitachi, Ltd. Senior General Manager, Control System Platform Division, Services & Platforms Business Unit Vice President and Executive Officer	(Note 2)	22,800
Vice President and Executive Officer Government & external relations and CSR & environmental strategies	Hitoshi Ito	Feb. 19, 1959	4/1982 8/2011 1/2013 7/2014 10/2016 1/2018 4/2018	Joined Ministry of International Trade and Industry Councillor, Cabinet Secretariat Director-General, Reconstruction Agency Commissioner, Japan Patent Office Advisor, Tokio Marine & Nichido Fire Insurance Co., Ltd. Joined Hitachi, Ltd. Vice President and Executive Officer	(Note 2)	17,900
Vice President and Executive Officer Energy business	Kenji Urase	Jun. 18, 1961	4/1986 3/2015 4/2017	Joined Hitachi, Ltd. President, Hitachi Power Solutions Co., Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	20,900

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer Investment strategies	Ryuichi Otsuki	Mar. 15, 1958	4/1981 4/2014 4/2015	Joined Hitachi, Ltd. Chief Strategy Officer and General Manager of Group Business Development Division, Information & Telecommunication Systems Company, Information & Telecommunication Systems Group Vice President and Executive Officer	(Note 2)	25,800
Vice President and Executive Officer Nuclear energy business	Tadashi Kume	Jan. 4, 1963	4/1986 4/2019 4/2020	Joined Hitachi, Ltd. COO, Nuclear Energy Business Unit Vice President and Executive Officer	(Note 2)	14,000
Vice President and Executive Officer Legal matters, risk management and corporate auditing	Kohei Kodama	May 24, 1961	4/1987 4/2017 4/2018	Joined Hitachi, Ltd. Chief Business Risk management Officer, Systems & Services Business Division Vice President and Executive Officer	(Note 2)	17,100
Vice President and Executive Officer Research & development	Norihiro Suzuki	Dec. 5, 1961	4/1986 10/2014 4/2015 4/2016	Joined Hitachi, Ltd. General manager of Central Research Laboratory General Manager of Global Center for Social Innovation, Research & Development Group, and General Manager of Central Research Laboratory Group Vice President and Executive Officer	(Note 2)	18,300
Vice President and Executive Officer Marketing & sales (business for industry & distribution sectors, water & environment business, building systems business, railway systems business and healthcare business)	Yoji Takeuchi	Jul. 1, 1958	4/1981 4/2018 4/2019	Joined Hitachi, Ltd. CMO of Building Systems Business Unit, General Manager of Global Business Strategy Planning Division, Building Systems Business Unit Vice President and Executive Officer	(Note 2)	18,300
Vice President and Executive Officer Regional strategies (APAC)	Kojin Nakakita	Sept. 28, 1963	10/1988 4/2017 6/2017 4/2019	Joined Hitachi, Ltd. Chairman of Hitachi Asia Ltd. (Currently in office) Chairman of Hitachi India Pvt. Ltd. (Currently in office) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	17,800
Vice President and Executive Officer Business for government, public corporation and social infrastructure systems and defense systems business	Katsuya Nagano	Aug. 30, 1958	4/1983 4/2016 4/2017	Joined Hitachi, Ltd. General Manager of Social Infrastructure Information Systems Division, Information & Communication Technology Business Division Vice President and Executive Officer	(Note 2)	20,500

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer One Hitachi actions promotion	Seiichiro Nukui	Jan. 3, 1965	4/1988 2/2010 4/2015 4/2017 4/2019	Joined Accenture, Ltd. (Japan) Vice President of Company Executive, and General Manger of Communication, Electric, Media and High-tech Industry, Power & Industrial Equipment Division, Accenture Ltd. (Japan) Joined Hitachi, Ltd. Executive IT Strategist, Hitachi, Ltd. Urban Mobility Project Leader, Future Investment Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	17,900
Vice President and Executive Officer Information technology strategies	Yasushi Nomura	Aug. 21, 1957	4/1980 4/2018 4/2019	Joined Hitachi, Ltd. General Manager of IT Strategy Division Vice President and Executive Officer	(Note 2)	21,100
Vice President and Executive Officer Railway systems business	Andrew Barr	Jan. 9, 1973	1/2002 1/2005 1/2014 5/2016 4/2019	Engineering Manager, Rolling Stock, UK Government Strategic Rail Authority Head of Maintenance Delivery [Rail Business], Hitachi Europe Ltd. COO, Hitachi Rail Europe Ltd. CEO, Ansaldo STS S.p.A. (Currently Hitachi Rail STS S.p.A.) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	300
Vice President and Executive Officer Marketing & sales and regional strategies (Japan)	Masahiko Hasegawa	Sept. 17, 1964	4/1987 4/2018 4/2020	Joined Hitachi, Ltd. General Manager of Kansai Area Operation Vice President and Executive Officer	(Note 2)	14,300
Vice President and Executive Officer Supply chain management (MONOZUKURI and quality assurance)	Kentaro Masai	May 22, 1959	4/1982 4/2014 4/2016	Joined Hitachi, Ltd. President & CEO of Rail Systems Company, Infrastructure Systems Group Vice President and Executive Officer	(Note 2)	21,100
Vice President and Executive Officer Building systems business	Shinya Mitsudomi	Jul. 5, 1958	4/1982 4/2017 4/2018	Joined Hitachi, Ltd. Group Head of Sales and Managing Director, Japan / Asia Pacific, Railway Systems Business Unit Vice President and Executive Officer	(Note 2)	18,700
Vice President and Executive Officer Cost structure reform and information security management	Masashi Murayama	Dec. 23, 1961	4/1985 4/2016 4/2019	Joined Hitachi, Ltd. CPO and General Manager, Value Chain Integration Division Vice President and Executive Officer	(Note 2)	19,900
Vice President and Executive Officer Business for financial institutions	Tsugio Yamamoto	Aug. 27, 1959	3/1978 4/2016 4/2017	Joined Hitachi, Ltd. CEO of Financial Institutions Business Unit and CEO of Government & Public Corporation Business Unit Vice President and Executive Officer	(Note 2)	18,700

<table>
<tr><th>Position and Responsibility</th><th>Name</th><th>Date of birth</th><th colspan="2">Business experience, including experience in Hitachi, and functions</th><th>Term of office</th><th>Share ownership (shares)</th></tr>
<tr><td rowspan="3">Vice President and
Executive Officer
Regional strategies (China)</td><td rowspan="3">Takashi Yoda</td><td rowspan="3">Aug. 22, 1966</td><td>4/1990</td><td>Joined Hitachi, Ltd.</td><td rowspan="3">(Note 2)</td><td rowspan="3">18,200</td></tr>
<tr><td>4/2018</td><td>General Manager of Energy Business Co-Creation & Promotion Division, Power and Energy Business Administration Division</td></tr>
<tr><td>4/2019</td><td>Vice President and Executive Officer</td></tr>
<tr><td>Executive Officer
General</td><td>Hiroaki Nakanishi</td><td>Mar. 14, 1946</td><td colspan="2">See “(a) Directors”</td><td>(Note 2)</td><td>117,900</td></tr>
<tr><td colspan="6">Total</td><td>1,034,960</td></tr>
</table>

(Notes) 1. The “Position and Responsibility” column describes positions and matters delegated to each of the Executive Officers by the Board of Directors.
2. The term of office of the Executive Officers expires on March 31, 2021.

2) Independent Directors

(a) Qualification for the Independent Directors and criteria for the independency

For electing an Independent Director, the Nominating Committee of the Company considers, in addition to the following criteria for the independency, whether the Independent Director has the highest personal and professional ethics, integrity and insight, and distinguished records of leadership or experience at policy making levels in business, law, administration, accounting or education, etc.

For the independency of an Independent Director, the Company considers the Independent director to be independent unless:

- his or her immediate family member* is, or has been within the last three years, a director or an executive officer, of the Company or any of its subsidiaries;
- he or she is currently an executive director, an executive officer or an employee of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies’ consolidated gross revenues;
- he or she has received during any of the last three fiscal years more than 10 million yen in direct compensation for his or her service as a specialist in law, accounting or tax, or as a consultant from the Company, other than director compensations; or
- he or she serves as an executive officer or director of a not-for-profit organization, and the Company’s discretionary charitable contributions to the organization in any of the last three fiscal years are more than 10 million yen and 2% of that organization’s annual gross revenues.

* An “immediate family member” includes a person’s spouse, parents, children, siblings, grand-parents, grand-children, mothers and fathers-in-law, sons and daughters-in-law, spouses of siblings, grand-children-in-law, and brothers and sisters-in-law.

(b) Function of the Independent Directors

Following the policy stated in “(a) Qualification for Independent Directors and criteria for the independency,” the Company has elected ten persons; Messrs. Katsumi Ihara, Ravi Venkatesan, Joe Harlan, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto, Hiroaki Yoshihara and Helmuth Ludwig and Mses. Cynthia Carroll and Louise Pentland, as outside Directors under Article 2, Item 15 of the Companies Act. They are expected to enhance functions of the Company’s Board of Directors through supervising execution of duties of Executive Officers and others from an independent perspective, based on rich experiences and insights in the area of global corporate management in the cases of Messrs. Katsumi Ihara and Joe Harlan, based on rich experiences and insights in the area of global corporate management, digital business and emerging markets in the case of Mr. Ravi Venkatesan, based on rich experiences and insights as top executive of major global companies in the cases of Ms. Cynthia Carroll and Mr. George Buckley, based on deep insight into corporate legal matters and corporate governance gained through her rich experience as the chief legal officer of major global companies in the case of Ms. Louise Pentland, based on diverse experiences and insights in such areas as public administration in the case of Mr. Harufumi Mochizuki, based on a broad range of insight in business and management gained through his experience in the area of corporate analysis and global corporate management in the case of Mr. Takatoshi Yamamoto, based on rich experiences and insights in the area of global corporate management and accounting in the case of Mr. Hiroaki Yoshihara and based on rich experiences and insights in the area of global corporate management and digital business in the case of Mr. Helmuth Ludwig.

(c) Relationship between Independent Directors and the Company

Each of Independent Directors has no relationship with the Company regarding his or her independency as described in "(a) Qualification for the Independent Directors and criteria for the independency." In addition, there is no particular conflict of interest between each of Independent Directors and the Company.

The Company considers that all Independent Directors are independent, and therefore has notified them as independent directors to each of the Company's listing stock exchanges in Japan.

In addition, the number of shares of the Company owned by each Independent Director is described in "1) Lists of directors and senior management."

(d) Supervising by the Independent Directors

Independent Directors, comprising of majority of Directors, supervise execution of duties of Executive Officers from an independent perspective. As described in the item "(3) Audit," the Audit Committee, of which majority members are Independent Directors, receives reports and explanations about results of internal audits, accounting audit and internal control audit, and verifies the matters reported or explained. In addition, the Audit Committee reports the results of its verification to the Board of Directors.

(3) Audit

1) Audit by the Audit Committee

The Audit Committee consists of five Directors, including four outside Directors and one standing Audit Committee member.

Mr. Hiroaki Yoshihara, the Chair of the Audit Committee, has considerable knowledge of finance and accounting based on his long experience at KPMG Group with businesses related to accounting, etc.

The Audit Committee conducts audits for whether corporate administration by Directors and Executive Officers are properly carried out under appropriate internal control systems.

The Audit Committee develops the audit policy and the audit plan, and periodically receives reports or conducts hearing for execution of duties from Directors and Executive Officers. In addition, the members of the Audit Committee, who are in charge of internal inspection, examine business units of the Company and receive reports from subsidiaries in order to check whether business transaction and property management are properly carried out, and then report the results to the Audit Committee. Furthermore, such members of the Audit Committee attend the important meetings including the budget meeting, the Senior Executive Committee and the Disclosure Committee, inspect audit reports from internal audit division, and provide internal audit division with instructions about divisions to be subject to auditing and items to be focused, if necessary.

The Audit Committee receives reports and explanations about the audit plan and results of the audit from the accounting auditor, and based on the reports, verifies results of financial audits and internal control audits. In addition, the Audit Committee receives reports and explanations of quality control systems of the accounting auditor. Furthermore, the Company makes it a rule to obtain the prior approval of the Audit Committee for remuneration to the accounting auditor.

The attendance record of each member of the Audit Committee during the fiscal year ended March 31, 2020 is as follows.

Name	Attendance / Number of days held the Audit Committee (Note)	Attendance rate (Note)
Katsumi Ihara	15 days / 15 days	100%
Harufumi Mochizuki	15 days / 15 days	100%
Takatoshi Yamamoto	15 days / 15 days	100%
Hiroaki Yoshihara	15 days / 15 days	100%
Toyoaki Nakamura	15 days / 15 days	100%

(Note) They are based on the days held the Audit Committee during each member's term of office.

During the fiscal year ended March 31, 2020, the Audit Committee engaged in a variety of activities as a whole Hitachi Group and by each business segment to study priority matters such as strengthening of collaboration and the facilitation of information sharing under a “tripartite audit” (audit by the Audit Committee, internal audit and audit by accounting auditors), and auditing of the establishment and operation of internal control systems from the perspective of risk management and validity of execution of duties. In addition, a standing committee member worked to obtain information as needed in a timely and accurate manner, mainly by collaborating with the Internal Auditing Office, among other departments, and attending important internal meetings such as the Senior Executive Committee, and facilitated information sharing with other committee members.

The spread of the COVID-19 brought an impact on the schedule for the settlement of accounts and audits including the change of the date for audits and visit for audits around the end of the fiscal year ended March 31, 2020.

2) Internal audit

The Internal Auditing Office is in charge of internal audit within Hitachi Group and audits business units, corporate divisions of headquarters and subsidiaries and affiliates. The number of staff of the Internal Auditing Office is 44 as of March 31, 2020.

The Internal Auditing Office monitors and assesses whether overall business operations, including marketing, personnel management, labor management, compliance, procurement transactions, production, environment, disaster prevention, export regulations, information system, accounting and financing activities, and property management of Hitachi Group are properly carried out pursuant to audit standards established by the Company, and points out items required to be improved based on the results of auditing and follows up their improvements. The Internal Auditing Office reports in advance its internal audit plan to the Audit Committee, and reports results of auditing to the President & CEO and the Audit Committee. Furthermore, relating to the internal control over financial reporting, the internal control division in the Internal Audit Office promotes to establish and maintain the internal control systems pursuant to the Company's guideline, assesses its effectiveness, and reports the results to the President & CEO and the Audit Committee.

Due to the spread of the COVID-19, it has become impossible to visit locations that are subject to internal audits and it has become difficult to check physical assets and original documented evidence, and thus the Company has been using IT technologies, including online meetings, and, especially to carry out audits overseas, has been commissioning audit divisions of Group companies and auditing firms.

3) Accounting audit

(a) Name of accounting auditor

Ernst & Young ShinNihon LLC

(b) Consecutive term of service of the certified public accountants

The Fukase accounting firm of certified public accountants carried out an accounting audit of the Company in 1970 and, subsequently, accounting audits were conducted by Musashi Audit Corporation, which was established by Fukase certified public accountant etc., from 1971, Century Audit Corporation, into which Musashi Audit Corporation was merged, from 1986 and Ota Showa Century Audit Corporation, into which Century Audit Corporation was merged, from 2000, and currently Ernst & Young ShinNihon LLC, which was renamed from Ota Showa Century Audit Corporation, conducts the accounting audits of the Company. Since 2003 when Ernst & Young ("EY") has become the network firm partnering with the accounting auditor, Hitachi Group companies, including overseas companies, have selected EY as the accounting auditor uniformly on a global basis and the Company has been striving to ensure that the accounting auditor performs its duties properly from an independent standpoint, maintaining a proper degree of tension with the Company through mutual assessment between the Company's finance division and internal audit division and the accounting auditor and the Audit Committee's strong cooperation with the accounting auditor and examination of selection of an accounting auditor and reappointment of the accounting auditor.

At Ernst & Young ShinNihon LLC, certified public accountants are rotated and no certified public accountants are involved in accounting audits of the same company for more than seven consecutive fiscal years. No lead certified public accountants are involved in accounting audits of the same company for more than five consecutive fiscal years. If a certified public accountant is involved in accounting audits of the same company for seven consecutive years, he or she will be involved in accounting audits of that company only after an interval of five fiscal years. No lead certified public accountants who are involved in accounting audits of the same company for five consecutive fiscal years will be involved in accounting audits of that company again.

(c) Certified public accountants (CPAs) who executed accounting audit

Takashi Ouchida, Takuya Tanaka, Yoshitomo Matsuura

(d) Assistants for audit works

41 CPAs and 76 staffs belonging to Ernst & Young ShinNihon LLC assist execution of accounting audit works as instructed by the three CPAs mentioned in (b).

(e) Policy and reason for the selection of accounting auditors

With a view to ensuring the appropriate execution of duties by accounting auditors, the Audit Committee selects accounting auditors by considering such factors as quality control systems for accounting auditors, implementation systems for auditing and the level of audit fees.

In addition, the Audit Committee has prepared the following policies with respect to "policies for determination of removal and non-reappointment of accounting auditors" set forth in Item 4 of Article 126 of the Ordinance for Enforcement of the Companies Act.

- In the event the Audit Committee determines that the causes provided for in each item of Paragraph 1 of Article 340 of the Companies Act apply to an accounting auditor and the accounting auditor needs to be removed immediately, the Audit Committee shall remove the accounting auditor by unanimity. Should this occur, the Audit Committee member selected by the Audit Committee shall give a report on the removal of the accounting auditor and the reason therefor at the first general meeting of shareholders to be convened after the said removal.

- Besides the case above, it is determined that an accounting auditor should be replaced for such reason as the difficulty of ensuring an adequate performance of duties by the accounting auditor, the Audit Committee shall determine the contents of the agenda item on the non-retention of the accounting auditor to be submitted to the general meeting of shareholders.

The Audit Committee comprehensively evaluated and studied Ernst & Young ShinNihon LLC from the perspectives of its history, business size, past performance of auditing and efforts to facilitate communication with the Audit Committee and other internal divisions, among other factors. As a result, the Audit Committee decided to select Ernst & Young ShinNihon LLC as the accounting auditor since the Audit Committee judged that none of the abovementioned policies applies to Ernst & Young ShinNihon LLC and therefore adequate performance of duties by Ernst & Young ShinNihon LLC is continuously secured.

(f) Evaluation for accounting auditor by the Audit Committee

The Audit Committee evaluated the appropriateness and relevance of auditing conducted by accounting auditor from the perspectives of the effectiveness of initiatives to facilitate communication with the Audit Committee and the top management in particular, the details and implementation of audit systems and auditing manuals and remuneration for auditing in accordance with evaluation criteria the Audit Committee formulated in advance. For evaluating the accounting auditor, the Audit Committee gathered information on matters such as the independence of the accounting auditor, audit systems and the implementation of audits and audit quality thereof from the Accounting Control Department and the Internal Auditing Office. The Audit Committee also received reports from the accounting auditor regarding compliance with laws and regulations, including the accounting auditor's independence, methods for evaluating risks with respect to the acceptance and continuation of audit services, audit and inspection systems and quality control systems, and detailed audit plans based on the accounting auditor's evaluations for risks pertaining to the Company, as well as results of audits and details of and progress on plans for improving business operations and auditing efficiency at the time of the completion of quarterly reviews and annual audits. Based on such reports, the Audit Committee concluded that the accounting auditor conducted highly transparent audits and its activities were appropriate and relevant.

4) Audit Fees

(a) Fees to Certified Public Accountants

Category	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2019	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	515	(Note 1) 71	497	(Note 1) 80
Consolidated subsidiaries	939	(Note 2) 28	888	(Note 2) 85
Total	1,454	99	1,385	165

(Notes) 1. The non-audit services were basically assurance engagements and various consulting services.
2. The non-audit services were basically various consulting services.

(b) Audit fees (excluding the amount mentioned in (a)) to the Company's accounting auditor, Ernst & Young ShinNihon LLC Group (including Ernst & Young and its group firms which belong to the same network as Ernst & Young ShinNihon LLC)

Category	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2019	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	-	(Note 1) 6	-	(Note 1) 6
Consolidated subsidiaries	2,723	(Note 2) 596	2,800	(Note 2) 489
Total	2,723	602	2,800	495

(Notes) 1. The non-audit services were basically various consulting services.
2. The non-audit services were basically assurance engagements and various consulting services.

(c) Policy on determination of audit fees

For determining the amount of audit fees, the Company conducts hearing of the audit plan and verify efficiency of audit services, including the number of days, hours for auditing, the number of subjects to be audited and the scope of audit, etc., and appropriateness of the estimate. The Company also discusses with the accounting auditor taking into consideration the formation of auditors and audit fees for the preceding fiscal year. In addition, the Audit Committee receives the audit plans of the accounting auditors and the results of discussion between the auditors and Executive Officers of the Company and approves the amount of the fees in advance of the Company's decision.

(d) Reasons why the Audit Committee accepted the audit fees

The Audit Committee has obtained necessary information and examined the status of the execution of duties by the accounting auditor, content of the audit plan, and grounds for calculating the estimated amount of fees, etc. and concluded that these are reasonable. Therefore, the Audit Committee has given the consent with regard to the fees etc. to accounting auditor, in accordance with Article 399, Paragraph 1 of the Companies Act.

(4) Compensation to Directors and Executive Officers

1) Policy on the determination of Compensation of Directors and Executive Officers

[Method of Determination of Policy]

The Company's Compensation Committee sets forth the policy on the determination of the amount of compensation, etc. of each Director and Executive Officer pursuant to applicable provisions of the Companies Act.

[Basic Policy]

- Compensation shall be such that it enables the company to attract necessary personnel to achieve an improvement in corporate value through global business growth.
- Compensation shall be commensurate with roles and responsibilities of each Directors and Executive Officers.
- Compensation for Directors shall be such that it enables them to exercise functions of supervision of management effectively.
- Compensation for Executive Officers shall be such that it enables them to contribute to sustained improvement in corporate value through the execution of business and employs an appropriate balance between short-term performance and medium- and long-term performance.
- The level of compensation shall be determined taking into account compensation levels at other companies as well as economic and market trends.
- The Compensation Committee utilizes external experts to gain expert advice and an objective viewpoint, if necessary, for considering the details and amounts of compensation.

[Compensation Structure]

(i) Matters relating to Directors

Compensation for Directors is basic remuneration as fixed pay. The amount of basic remuneration is decided by adjusting a basic amount to reflect full-time or part-time status, committee membership and position, and travel from place of residence, etc. A Director concurrently serving as an Executive Officer is not be paid compensation as a Director.

(ii)Matters relating to Executive Officers

Compensation for Executive Officers consists of basic remuneration as fixed pay, and short-term incentive compensation and medium- and long-term incentive compensation as variable pay. The basic amount of basic remuneration, short-term incentive compensation, and medium- and long-term incentive compensation is set based on the ratio of 1:1:1 as the standard, taking into account the composition of executive compensation for major global companies, in order to improve corporate value through the growth of global businesses. The higher position Executive Officers holds, the higher proportion of variable pay is set to the total annual compensation.

The method of determination of each type of compensation is as follows.

Basic remuneration

- The amount of basic remuneration is decided by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment.

Short-term incentive compensation

- The amount of short-term incentive compensation is decided within the range of 0 to 200% of a basic amount set according to the relevant position by adjusting that amount to reflect financial results and individual performance. Evaluation items and proportion of evaluation item are as shown in the following table.

Evaluation items		Proportion of evaluation item	
		Executive Officers that constitute the Senior Executive Committee (Note)	Other Executive Officers
Performance-linked component	Company performance	80%	30%
	Division performance	-	50%
Individual target-linked component		20%	20%

(Note) In case that an "Executive Officers that constitute the Senior Executive Committee" is in charge of business units or businesses, the same proportion of evaluation item as for "Other Executive Officers" is used.

- The amount of the performance-linked component varies according to the evaluation of company performance and division performance.
- Company performance is evaluated referring to consolidated revenues, adjusted operating income, EBIT, and net income attributable to Hitachi, Ltd. stockholders in order to measure the level of achievement of consolidated financial forecasts disclosed to stakeholders, including shareholders and investors.
- Division performance is evaluated referring to adjusted operating income and operating cash flows for each division, among other indicators, to measure the level of achievement of targets under the Mid-term Management Plan and the annual budgets for divisions.
- The amount of the individual target-linked component varies according to the evaluation of the level of achievement of individual target for each Executive Officer determined based on his/her responsibility.

<u>Medium- and Long-term incentive compensation</u>

- The shares of restricted stock are granted in order to propel management from a medium- and long-term perspective and to provide incentives to bring about a sustainable increase in enterprise value by further promoting senior management’s shared values with shareholders through the holding of shares during their term of office.
- The restriction on transfer shall be lifted if executive officers resign from all of the positions of the Company’s executive officer, director, and corporate officer.
- With regard to one-half of granted shares of restricted stock, the number of shares whose transfer restriction is lifted shall be determined after ex-post evaluation. In the ex-post evaluation, the total shareholder return of Hitachi stock over the three years from the beginning of the fiscal year when the medium- and long-term incentive compensation is granted is compared with growth rate of TOPIX over the same period.
  - Lifting of transfer restrictions shall apply to all granted shares if the TSR/TOPIX Growth Rate Ratio is 120% or more.
  - Lifting of transfer restrictions shall apply to part of granted shares if the TSR/TOPIX Growth Rate Ratio is between 80% or more but less than 120% (*).
  - Transfer restrictions shall not be lifted for any shares if the TSR/TOPIX Growth Rate Ratio is less than 80%.

  * Number of shares whose transfer restrictions are lifted
  = Number of granted shares × {(TSR/TOPIX Growth Rate Ratio × 1.25) − 0.5}

  Shares whose transfer restrictions are not lifted shall be acquired by the Company without consideration.
- If it is deemed to be inappropriate to grant shares of restricted stock due to laws and regulations in the country of residence, etc., cash award based on the value of the Company’s share price shall be substituted for restricted stock.
- From the fiscal year that commenced in April 2019, shares of restricted stock are granted in place of the stock options as stock-based compensation the Company has granted previously.

If it is found that an executive officer has been engaged in misconduct during his/her term of office, compensation for Executive Officers that has been already paid shall be returned to the Company.

With regard to persons who are hired externally such as foreign persons, a compensation package could be individually determined based on the level of compensation in a job market which is considered for compensation benchmarking while referring the above policy. From Fiscal 2020, the Company has granted restricted stock units to non-Japanese Executive Officers as medium- and long-term incentive compensation. One third of vested restricted stock units are delivered in the form of shares of common stock of the Company and cash each fiscal year over three years from the beginning of the fiscal year containing the day on which restricted stock units are granted.

(iii) Miscellaneous

- It was decided at the Compensation Committee meetings held on December 18, 2007 and March 26, 2008 that the compensation structure for Directors and Executive Officers will be re-examined starting with the compensation for fiscal 2008 and that the retirement allowance will be abolished. The payment of retirement allowance to Directors and Executive Officers due to the abolition of the retirement allowance system will be in an amount determined by the Compensation Committee at the time of the retirement of a relevant Director or Executive Officer.

2) Amount of compensation

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)				Number of persons
		Fixed pay	Variable pay		Other	
			Short-term incentive compensation	Medium- and long-term incentive compensation		
Directors (excluding outside Directors)	54	54	—	—	—	1
Outside Directors	310	310	—	—	—	8
Executive Officers	4,592	1,738	1,682	1,166	4	37
Total	4,957	2,103	1,682	1,166	4	46

(Notes) 1. The number of Directors indicated excludes two Directors who concurrently serve as Executive Officers.
2. The "Others" column shows the fringe benefit equivalent.

Performance indicators referred to in company performance evaluations for short-term incentive compensation are as follows.

(Unit: billions of yen)

Indicators	Fiscal year ended March 31, 2020	
	Target	Results
Revenues	9,400.0	8,767.2
Adjusted Operating Income	750.0	661.8
EBIT	750.0	183.6
Net income attributable to Hitachi, Ltd. stockholders	400.0	87.5

The TSR/TOPIX Growth Rate Ratios defined in conditions for exercising stock option as stock -based compensation (stock acquisition rights) and in conditions for lifting transfer restrictions of restricted stock issued as medium- and long-term incentive compensation are as follows.

Name	Term	Total shareholder return / TOPIX Growth Rate Ratio
The First Stock Acquisition Rights of Hitachi, Ltd.	From April 1, 2016 to March 29, 2019	125.8%
The Second Stock Acquisition Rights of Hitachi, Ltd.	From March 31, 2017 to March 31, 2020	112.8%
The Third Stock Acquisition Rights of Hitachi, Ltd.	From March 30, 2018 to March 31, 2020 (Note 1)	86.2%
Restricted Stocks issued in May 2019	From April 1, 2019 to March 31, 2020 (Note 2)	86.8%

(Notes) 1. The ratios are calculated to determine the number of stock acquisition rights that can be exercised by persons who retire from Executive Officers, Directors or Corporate Officers before the expiration of the waiting period (three years from the beginning of the fiscal year in which the allocation date of stock acquisition rights falls).
2. The ratios are calculated to determine the number of stock acquisition rights that can be exercised by persons who retire from Executive Officers, Directors or Corporate Officers no later than March 31, 2020.

In addition, Directors or Executive Officers whose compensation from the Company and its subsidiaries is not less than ¥100 million and the amount of their compensation are as follows:

Name	Company	Category	Total amount of each type (Millions of yen)				Total amount of compensation, etc. (Millions of yen)
			Fixed pay	Variable pay		Others (Note 3)	
				Short-term incentive compensation (Note 1)	Medium and Long-term incentive compensation (Note 2)		
Toshiaki Higashihara	Hitachi, Ltd. (The Company)	Executive Officer (Note 4)	148	150	197	-	495
Masakazu Aoki	Hitachi, Ltd. (The Company)	Executive Officer	30	39	58	-	197
	Hitachi Industrial Equipment Systems Co., Ltd. (Consolidated subsidiary)	Chairman of the Board	30	39	-	-	
Keiji Kojima	Hitachi, Ltd. (The Company)	Executive Officer	50	57	49	-	172
	Hitachi Global Life Solutions, Inc. (Consolidated subsidiary)	Director	4	3	-	-	
	Hitachi Automotive Systems, Ltd. (Consolidated subsidiary)	Chairman	4	3	-	-	
Keiichi Shiotsuka	Hitachi, Ltd. (The Company)	Executive Officer	60	96	58	-	214
Hideaki Takahashi	Hitachi, Ltd. (The Company)	Executive Officer	54	55	42	-	159
	Hitachi Construction Machinery Co., Ltd. (Consolidated subsidiary)	Chairman of the Board	5	1	-	-	
Alistair Dormer	Hitachi, Ltd. (The Company)	Executive Officer	228	124	31	4	389
Toshikazu Nishino	Hitachi, Ltd. (The Company)	Executive Officer	58	63	58	-	181
	Hitachi Metals, Ltd. (Consolidated subsidiary)	Chairman of the Board	1	-	-	-	
Atsushi Oda	Hitachi, Ltd. (The Company)	Executive Officer	47	47	26	-	121
Yoshihiko Kawamura	Hitachi, Ltd. (The Company)	Executive Officer	48	48	28	-	124

Name	Company	Category	Total amount of each type (Millions of yen)				Total amount of compensation, etc. (Millions of yen)
			Fixed pay	Variable pay		Others (Note 3)	
				Short-term incentive compensation (Note 1)	Medium and Long-term incentive compensation (Note 2)		
Kenichi Kokubo	Hitachi, Ltd. (The Company)	Executive Officer	-	-	8	-	169
	Hitachi (China), Ltd. (Consolidated subsidiary) (Note 5)	Chairman	59	48	48	-	
Setsuo Shibahara	Hitachi, Ltd. (The Company)	Executive Officer	48	74	28	-	151
Hideaki Seki	Hitachi, Ltd. (The Company)	Executive Officer	24	37	23	-	146
	Hitachi Building Systems Co., Ltd. (Consolidated subsidiary)	President and Director	24	37	-	-	
Yoshitaka Tsuda	Hitachi, Ltd. (The Company)	Executive Officer	44	49	31	-	125
Hidenobu Nakahata	Hitachi, Ltd. (The Company)	Executive Officer	48	48	28	-	124
Mitsuaki Nishiyama	Hitachi, Ltd. (The Company)	Executive Officer	48	48	31	-	127
Toshiaki Tokunaga	Hitachi Global Digital Holdings Corporation (Consolidated subsidiary) (Note 5)	Chairman of the Board & CEO	53	43	27	-	125
Andrew Barr	Hitachi Rail Ltd. (Consolidated subsidiary) (Note 5)	Director	65	48	13	5	133
Hiroaki Nakanishi	Hitachi, Ltd. (The Company)	Executive Officer (Note 4)	104	104	124	-	332

(Notes)
1. Compensations from the Company and consolidated subsidiaries paid depending on financial results and individual performances in the short term are collectively called.
2. Medium and long-term incentive compensation is stock options as stock-based compensation, restricted stock compensation or cash award based on the value of the Company's share price.
3. The "Others" column shows the fringe benefit equivalent.
4. Although concurrently serving as Director for the fiscal year ended March 31, 2020, Messrs. Toshiaki Higashihara and Hiroaki Nakanishi did not receive compensation as Director.
5. The amount of the remuneration, etc. from foreign subsidiaries shows yen equivalent.

3) Authorities, roles and activities of the Compensation Committee

The Compensation Committee, which was established under the Companies Act, includes independent outside directors that have majority in the number of committee members, holds the legal authority to determine remuneration for Directors and Executive Officers, and strives to ensure the objectivity, transparency and fairness of the remuneration determination processes. The Compensation Committee has the authority to determine remuneration policies and the details of remuneration (amount of compensation, etc.) of Directors and Executive Officers individually based on the policies. To determine the details of remuneration individually, the Committee confirms and reviews processes and details with respect to the assessment of basic remuneration amounts, evaluation of performance and individual targets related to short-term incentive compensation.

For the fiscal year ended March 31, 2020, based on policies for determining compensation for Directors and Executive Officers, the Compensation Committee determined amounts of remuneration for Directors and Executive Officers individually including short-term incentive compensation of Executive Officers in conjunction with which the Compensation Committee confirmed and reviewed the process and details of performance and individual target evaluations. Furthermore, the Compensation Committee re-examined the executive compensation system from the viewpoint of remuneration for top management at global enterprises and sharing of values with shareholders, and decided on policies for determining remuneration for Directors and Executive Officers that is applied in the fiscal year ending in March 2021, including the introduction of the restricted stock units compensation to non-Japanese Executive Officers.

(5) Information on shareholdings

(a) Criteria for classification of investment securities

The Company classifies investment securities that it holds into two types. If investment securities are held for the purpose of receiving benefits exclusively through stock price fluctuations and dividends, those are classified as investment securities for pure investment and the rest of investment securities are classified as investment securities owned for other purposes than pure investment.

(b) Equity securities held for purposes other than pure investment

(i) Policy for shareholding and examination of the reasonableness of holding

Under the basic policy, the Company will not acquire and hold other companies' shares except for cases where acquiring or holding such shares is necessary in terms of transactions or business relationship. The Company will promote reducing shares that it already owns unless significance of holding shares and economic rationales of holding are confirmed.

The Board of Directors verifies whether it is appropriate to hold shares for all stock the Company owns ever year. In such verification, each individual stock was re-examined as to the purpose of holding the shares and whether benefits from holding shares are in line with target level of capital efficiency. As the result of verification, the Company promotes the sales of shares for which significance of holding shares and economic rationale are not confirmed. Details of shares sold in the fiscal year ended March 31, 2020, are presented in (ii) below.

(ii) Number of stock names and balance sheet amount

	Number of stock names (stock names)	Total amount recorded in the balance sheet (millions of yen)
Unlisted stocks	178	39,925
Others	55	101,934

<Stocks increased in the fiscal year ended March 31, 2020> (Note)

	Number of stock names (stock names)	Total purchase price for the shares increased (millions of yen)	Reasons of increase
Unlisted stocks	1	450	Purchasing for strengthening the relationship for business
Others	-	-	-

(Note) In addition to the stocks in the above tables, the Company holds three unlisted stocks whose classifications in accounting were changed from affiliated company's common stocks to investment securities due to sales of a part of the shares or decreased ownership percentages.

<Stocks decreased in the fiscal year ended March 31, 2020> (Note)

	Number of stock names (stock names)	Total selling price for the shares decreased (millions of yen)
Unlisted stocks	25	1,753
Others	15	5,635

(Note) In addition to the stocks in the above table, there are one listed stock whose classification in accounting was changed from investment securities to affiliated company's common stock due to increased ownership percentage and three unlisted stocks which were succeeded by the Company's consolidated subsidiary through the company split.

(iii) The number and the amount recorded in the balance sheet, etc. of specified investment securities

Specified investment securities

Stock name	Fiscal year ended March 31, 2020 (Note 1)	Fiscal year ended March 31, 2019 (Note 2)	Purpose of holdings and reasons for increases (Note 3)	Holding shares of Hitachi, Ltd.
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
Western Digital Corporation	6,250,000	6,250,000	Maintaining and enhancing business relationship	No
	28,309	33,338		
Renesas Electronics Corporation	61,990,548	61,990,548	Received in relation to the reorganization, etc. of Renesas Technology Corp. which was an affiliate of the Company	No
	24,114	31,739		
Central Japan Railway Company	900,000	900,000	Maintaining and enhancing business transactions of selling products and providing services	No
	15,588	23,139		
East Japan Railway Company	812,400	812,400	Maintaining and enhancing business transactions of selling products and providing services	Yes
	6,642	8,676		
Shin-Etsu Chemical Co., Ltd.	521,000	521,000	Maintaining and enhancing business transactions of selling products and providing services	Yes
	5,590	4,834		
DAIICHI SANKYO COMPANY, LIMITED	300,000	300,000	Maintaining and enhancing business transactions of selling products and providing services	No
	2,230	1,530		
Maxell Holdings, Ltd.	1,603,000	1,603,000	Maintaining and enhancing business relationship	No
	1,705	2,516		
West Japan Railway Company	215,000	215,000	Maintaining and enhancing business transactions of selling products and providing services	No
	1,590	1,792		
The Chiba Bank, Ltd.	3,269,000	3,269,000	Maintaining and enhancing business transactions of selling products and providing services	Yes
	1,546	1,964		
Seibu Holdings Inc.	1,286,900	1,286,900	Maintaining and enhancing business transactions of selling products and providing services	No
	1,528	2,492		
Ono Pharmaceutical Co., Ltd.	600,000	600,000	Maintaining and enhancing business transactions of selling products and providing services	Yes
	1,491	1,301		
Keio Corporation	206,574	206,574	Maintaining and enhancing business transactions of selling products and providing services	Yes
	1,320	1,477		

Stock name	Fiscal year ended March 31, 2020 (Note 1)	Fiscal year ended March 31, 2019 (Note 2)	Purpose of holdings and reasons for increases (Note 3)	Holding shares of Hitachi, Ltd.
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
Sapporo Holdings Limited	597,600	597,600	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 4)
	1,191	1,444		
Electric Power Development Co., Ltd.	523,280	653,980	Maintaining and enhancing business transactions of selling products and providing services	Yes
	1,139	1,763		
Showa Denko K.K.	400,000	400,000	Maintaining and enhancing business transactions of selling products and providing services	Yes
	894	1,556		
Seiko Electric Co., Ltd.	830,320	830,320	Maintaining and enhancing business transactions of purchasing raw materials and components, etc.	Yes
	767	645		
TOKYU CORPORATION	394,016	394,016	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 4)
	669	761		
Keihan Holdings Co., Ltd.	121,927	121,927	Maintaining and enhancing business transactions of selling products and providing services	No
	585	567		
Kintetsu Group Holdings Co., Ltd	104,291	104,291	Maintaining and enhancing business transactions of selling products and providing services	No
	521	538		
Kyushu Electric Power Company Inc.	474,000	474,000	Maintaining and enhancing business transactions of selling products and providing services	No
	411	619		
Tosoh Corporation	328,500	328,500	Maintaining and enhancing business transactions of selling products and providing services	No
	404	565		
The Bank of Kyoto, Ltd.	100,000	100,000	Maintaining and enhancing business transactions of selling products and providing services	No
	344	463		
Yamaguchi Financial Group, Inc.	484,310	484,310	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 4)
	296	454		
The Keiyo Bank, Ltd.	550,275	550,275	Maintaining and enhancing business transactions of selling products and providing services	Yes
	293	355		
euglena Co., Ltd.	375,000	375,000	Maintaining and enhancing cooperative relationship in the area of R&D	No
	259	257		
TOMONY Holdings, Inc.	679,200	679,200	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 4)
	243	285		
Hokuriku Electric Power Company	233,300	466,560	Maintaining and enhancing business transactions of selling products and providing services	No
	176	404		

Stock name	Fiscal year ended March 31, 2020 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Fiscal year ended March 31, 2019 (Note 2) Number of shares (shares) Balance sheet amount (Millions of yen)	Purpose of holdings and reasons for increases (Note 3)	Holding shares of Hitachi, Ltd.
Nankai Electric Railway Co., Ltd.	71,494	71,494	Maintaining and enhancing business transactions of selling products and providing services	No
	175	218		
Kita-Nippon Bank, Ltd.	73,500	73,500	Maintaining and enhancing business transactions of selling products and providing services	Yes
	144	144		
Glosel Co., Ltd.	358,220	612,520	Maintaining and enhancing business transactions of purchasing raw materials and components, etc.	Yes
	137	249		
Daido Signal Co., Ltd.	300,000	300,000	Maintaining and enhancing business transactions of purchasing raw materials and components, etc.	Yes
	133	153		
ANA HOLDINGS INC.	50,000	100,000	Maintaining and enhancing business transactions of selling products and providing services	No
	131	405		
THE TAIKO BANK, LTD.	88,000	88,000	Maintaining and enhancing business transactions of selling products and providing services	No
	127	143		
TOYO ELECTRIC MFG. CO., LTD.	100,000	100,000	Maintaining and enhancing business relationship	Yes
	112	121		
San ju San Financial Group, Inc.	73,623	73,623	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 4)
	109	113		
THE SHIGA BANK, LTD.	40,000	40,000	Maintaining and enhancing business transactions of selling products and providing services	No
	102	105		
Taiwan High Speed Rail Corporation	957,361	957,361	Maintaining and enhancing business transactions of selling products and providing services	No
	98	123		
Taragaon Regency Hotel	508,030	508,030	Received as a result of substitute performance for accounting receivables	No
	94	121		
Tochigi Bank, Ltd.	513,150	513,150	Maintaining and enhancing business transactions of selling products and providing services	Yes
	79	120		
Tokyo Electric Power Company Holdings, Inc.	187,500	187,500	Maintaining and enhancing business transactions of selling products and providing services	No
	70	131		
Nippon Yakin Kogyo Co., Ltd.	40,425	404,250	Maintaining and enhancing business transactions of selling products and providing services	No
	68	101		
THE DAITO BANK, LTD.	110,000	110,000	Maintaining and enhancing business transactions of selling products and providing services	No
	62	70		

Stock name	Fiscal year ended March 31, 2020 (Note 1)	Fiscal year ended March 31, 2019 (Note 2)	Purpose of holdings and reasons for increases (Note 3)	Holding shares of Hitachi, Ltd.
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
The Aichi Bank, Ltd.	16,250	16,250	Maintaining and enhancing business transactions of selling products and providing services	No
	51	55		
Senshu Ikeda Holdings, Inc.	315,327	315,327	Maintaining and enhancing business transactions of selling products and providing services	No
	51	89		
THE BANK OF KOCHI, LTD.	69,900	69,900	Maintaining and enhancing business transactions of selling products and providing services	No
	44	56		
THE CHUKYO BANK, Ltd.	20,000	20,000	Maintaining and enhancing business transactions of selling products and providing services	No
	43	45		
Ricoh Company, Ltd.	50,000	50,000	Maintaining and enhancing business transactions of selling products and providing services	No
	39	57		
ISEKI&CO., LTD.	32,000	32,000	Maintaining and enhancing business transactions of selling products and providing services	No
	36	52		
Tokyo Kiraboshi Financial Group, Inc.	30,000	30,000	Maintaining and enhancing business transactions of selling products and providing services	No
	34	46		
Tomato bank, Ltd.	30,000	30,000	Maintaining and enhancing business transactions of selling products and providing services	No
	31	31		
Zeon Corporation	38,000	38,000	Maintaining and enhancing business transactions of selling products and providing services	No
	30	42		
Jimoto Holdings, Inc.	300,000	300,000	Maintaining and enhancing business transactions of selling products and providing services	No
	27	34		
Nishi-Nippon Railroad Co., Ltd.	6,000	6,000	Maintaining and enhancing business transactions of selling products and providing services	No
	15	16		
The Michinoku Bank, Ltd.	11,330	11,330	Maintaining and enhancing business transactions of selling products and providing services	No
	13	18		
THE NAGANOBANK, LTD.	6,900	6,900	Maintaining and enhancing business transactions of selling products and providing services	Yes
	7	11		
Yungtay Engineering Co., Ltd.	–	31,817,168	Held for maintaining and enhancing business relationship The issuer has turned it into an equity-method associate of the Company as of March 31, 2020.	No
	–	7,313		

Stock name	Fiscal year ended March 31, 2020 (Note 1)	Fiscal year ended March 31, 2019 (Note 2)	Purpose of holdings and reasons for increases (Note 3)	Holding shares of Hitachi, Ltd.
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
Benefit One Inc.	–	800,000	Held for maintaining and enhancing business transactions of selling products and providing services	No
	–	1,737		
Chubu Electric Power Co., Inc.	–	600,254	Held for maintaining and enhancing business transactions of selling products and providing services	No
	–	1,037		
NGK INSULATORS, LTD.	–	607,000	Held for maintaining and enhancing business transactions of selling products and providing services	No
	–	976		
Japan Tobacco Inc.	–	225,000	Held for maintaining and enhancing business transactions of selling products and providing services	No
	–	617		
Sotetsu Holdings, Inc.	–	114,103	Held for maintaining and enhancing business transactions of selling products and providing services	No
	–	388		
BANDAI NAMCO Holdings Inc.	–	37,000	Held for maintaining and enhancing business transactions of selling products and providing services	No
	–	192		
Nippon Shinyaku Co., Ltd.	–	12,000	Held for maintaining and enhancing business transactions of selling products and providing services	No
	–	96		
Yashima Denki Co., Ltd.	–	100,000	Held for maintaining and enhancing business transactions of selling products and providing services This stock has been succeeded by a consolidated subsidiary of the Company as of March 31, 2020.	Yes
	–	82		
Yodogawa Steel Works, Ltd.	–	34,040	Held for maintaining and enhancing business transactions of selling products and providing services	Yes
	–	69		

(Notes) 1. Since the number of stock which the Company owned as of March 30, 2020 is less than 60, all of the stocks are listed.
2. Since the number of stock of which balance sheet amount as of March 31, 2019 exceeds 1% of the amount of the Company's common stock on the balance sheet is less than 60, the top 60 stocks in balance sheet amount are listed.
3. Since it is hard to state quantitative effects of holding the investment securities, such effects are not described. Regarding the way to verify significance and relations of holding shares are described in "(i) Policy for shareholding and examination of the reasonableness of holding."
4. Shareholding by major subsidiaries of the issuers of each stock is counted.

(c) Equity securities held for pure investment

None.

V. Financial Information

Refer to the consolidated financial statements incorporated in this Annual Securities Report.

VI. Stock-Related Administration for the Company

Fiscal year	From April 1 to March 31
Annual General Meeting of Shareholders	To be held within three months from the following day of the end of every fiscal year (Note 1)
Record date	End of every fiscal year (Note 1)
Record date for distribution of surplus	End of March and end of September (Note 2)
Number of shares constituting one unit	100 shares
Purchase and sale of shares less than one unit	
Handling office	(Special account) 11, Kanda Nishikicho 3-chome, Chiyoda-ku, Tokyo Main Office, Tokyo Securities Transfer Agent Co., Ltd.
Transfer agent	(Special account) Tokyo Securities Transfer Agent Co., Ltd.
Forward office	-
Purchasing and selling fee	Free of charge
Method of public notice	The Company's method of public notice is through electronic public notice. However, if the Company cannot use the above-mentioned method of public notice due to an accident or other inevitable reasons, Nihon Keizai Shimbun will be adopted as its medium.
Special benefit for Shareholders	None

(Notes)
1. Regarding to the annual meeting of share holders for the fiscal year ended March 31, 2020, the Company established the record date as May 28, 2020 and held it on July 31, 2020.
2. Under the Articles of Incorporation, distribution of surplus through dividend payment, if any, will be made to shareholders of record as of March 31 and September 30 of each year. In addition, the Company may make further distributions of surplus to shareholders of record as of another record date.
3. The Articles of Incorporation provide that a holder of shares representing less than one unit does not have any other rights of a shareholder in respect of those shares, other than those specified in the Articles of Incorporation. This includes:
   (1) Rights under each item of Article 189, Paragraph 2 of the Companies Act;
   (2) Rights to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders; or
   (3) Rights stipulated in the Articles of Incorporation

VII. Reference Information on the Company

1. Information on a Parent Company, etc. of the Company

The Company has no parent company.

2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the fiscal year ended March 31, 2020 to the filing date of this Annual Securities Report.

(1) Annual Securities Report and documents attached, and Confirmation Letter (The 150th business term (from April 1, 2018 to March 31, 2019))	Filed with the Director of the Kanto Local Finance Bureau on June 19, 2019
(2) Internal Control Report	Filed with the Director of the Kanto Local Finance Bureau on June 19, 2019
(3) Amended Annual Securities Report and Confirmation Letter (Amendment to Annual Securities Report filed on June 21, 2017)	Filed with the Director of the Kanto Local Finance Bureau on June 19, 2019
(4) Amended Annual Securities Report and Confirmation Letter (Amendment to Annual Securities Report filed on June 29, 2018)	Filed with the Director of the Kanto Local Finance Bureau on June 19, 2019
(5) Shelf Registration Statement and documents attached	Filed with the Director of the Kanto Local Finance Bureau on June 20, 2019
(6) Quarterly Report and Confirmation Letter (The First Quarter of the 151st business term (from April 1, 2019 to June 30, 2019))	Filed with the Director of the Kanto Local Finance Bureau on August 7, 2019
(7) Amended Annual Securities Report and Confirmation Letter (Amendment to Annual Securities Report (1) above)	Filed with the Director of the Kanto Local Finance Bureau on August 7, 2019
(8) Quarterly Report and Confirmation Letter (The Second Quarter of the 151st business term (from July 1, 2019 to September 30, 2019))	Filed with the Director of the Kanto Local Finance Bureau on November 12, 2019
(9) Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on December 18, 2019
(10) Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 7 and 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on December 18, 2019
(11) Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 3 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on December 18, 2019
(12) Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 6, 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on December 19, 2019
(13) Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on January 31, 2020
(14) Quarterly Report and Confirmation Letter (The Third Quarter of the 151st business term (from October 1, 2019 to December 31, 2019))	Filed with the Director of the Kanto Local Finance Bureau on February 10, 2020
(15) Amended Extraordinary Report (Amendment to Extraordinary Report (9) above)	Filed with the Director of the Kanto Local Finance Bureau on February 28, 2020

(16) Shelf Registration Supplements and documents attached	Filed with the Director of the Kanto Local Finance Bureau on March 5, 2020
(17) Securities Registration Statement	Filed with the Director of the Kanto Local Finance Bureau on April 21, 2020
(18) Amended Securities Registration Statement (Amendment to Securities Registration Statement (17) above)	Filed with the Director of the Kanto Local Finance Bureau on April 24, 2020
(19) Amended Extraordinary Report (Amendment to Extraordinary Report (10) above)	Filed with the Director of the Kanto Local Finance Bureau on May 28, 2020
(20) Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 8-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on July 2, 2020
(21) Amended Extraordinary Report (Amendment to Extraordinary Report (20) above)	Filed with the Director of the Kanto Local Finance Bureau on July 2, 2020
(22) Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on July 31, 2020
(23) Amended Shelf Registration Statement (Amended Shelf Registration Statement concerning the Shelf Registration Statement filed on June 20, 2019)	Filed with the Director of the Kanto Local Finance Bureau on August 7, 2019 December 18, 2019 December 19, 2019 January 31, 2020 February 28, 2020 May 28, 2020 and July 2, 2020 July 31, 2020

Part II Information on Guarantors, etc. for the Company

Not applicable.

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Statement of Financial Position

Millions of yen

	Note	March 31, 2020	March 31, 2019
Assets			
Current assets			
Cash and cash equivalents	26	812,331	807,593
Trade receivables and contract assets	6,20,26	2,260,205	2,399,933
Inventories	7	1,408,937	1,356,762
Investments in securities and other financial assets	11,26	279,951	284,267
Other current assets	5	456,165	187,238
Total current assets		5,217,589	5,035,793
Non-current assets			
Investments accounted for using the equity method	5,8	480,375	724,461
Investments in securities and other financial assets	5,11,26	440,514	568,349
Property, plant and equipment	3,9	2,165,311	1,956,685
Goodwill	2,5,10	635,927	561,936
Other intangible assets	2,3,5,10	479,794	398,080
Other non-current assets	12	510,571	381,288
Total non-current assets		4,712,492	4,590,799
Total assets		9,930,081	9,626,592
Liabilities			
Current liabilities			
Short-term debt	26	183,303	111,031
Current portion of long-term debt	3,11,26	231,237	185,250
Other financial liabilities	26	252,403	257,792
Trade payables	13	1,270,668	1,406,012
Accrued expenses		604,415	653,676
Contract liabilities	20	615,096	553,510
Other current liabilities	5,14	576,056	438,289
Total current liabilities		3,733,178	3,605,560
Non-current liabilities			
Long-term debt	3,11,26	1,070,502	708,490
Retirement and severance benefits	15	514,375	526,688
Other non-current liabilities	8,12,14,26	345,287	371,451
Total non-current liabilities		1,930,164	1,606,629
Total liabilities		5,663,342	5,212,189
Equity			
Hitachi, Ltd. stockholders’ equity			
Common stock	16	459,862	458,790
Capital surplus	16,19	464,795	463,786
Retained earnings	16,18	2,296,208	2,287,587
Accumulated other comprehensive income	17	(57,070)	56,360
Treasury stock, at cost	16	(3,809)	(3,920)
Total Hitachi, Ltd. stockholders’ equity		3,159,986	3,262,603
Non-controlling interests		1,106,753	1,151,800
Total equity		4,266,739	4,414,403
Total liabilities and equity		9,930,081	9,626,592

See accompanying notes to consolidated financial statements.

Consolidated Statement of Profit or Loss

Years ended March 31, 2020 and 2019 — Millions of yen

	Note	2020	2019
Revenues	20	8,767,263	9,480,619
Cost of sales		(6,396,895)	(6,964,635)
Gross profit		2,370,368	2,515,984
Selling, general and administrative expenses		(1,708,485)	(1,761,008)
Other income	5,15,21	51,992	206,371
Other expenses	5,21	(570,635)	(442,659)
Financial income	22	5,768	13,693
Financial expenses	22	(9,033)	(3,459)
Share of profits (losses) of investments accounted for using the equity method	8	43,639	(15,016)
EBIT (Earnings before interest and taxes)		183,614	513,906
Interest income		20,638	23,122
Interest charges		(23,984)	(20,526)
Income from continuing operations, before income taxes		180,268	516,502
Income taxes	12	(51,246)	(186,344)
Income from continuing operations		129,022	330,158
Loss from discontinued operations	14,23	(1,776)	(9,136)
Net income		127,246	321,022
Net income attributable to:			
Hitachi, Ltd. stockholders		87,596	222,546
Non-controlling interests		39,650	98,476
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders	24		Yen
Basic		92.55	239.93
Diluted		92.43	239.70
Earnings per share attributable to Hitachi, Ltd. stockholders	24		
Basic		90.71	230.47
Diluted		90.60	230.25

Consolidated Statement of Comprehensive Income

Years ended March 31, 2020 and 2019 — Millions of yen

	Note	2020	2019
Net income		127,246	321,022
Other comprehensive income (OCI)	17		
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		(17,207)	(45,356)
Remeasurements of defined benefit plans		(8,396)	(11,881)
Share of OCI of investments accounted for using the equity method		(963)	(1,964)
Total items not to be reclassified into net income		(26,566)	(59,201)
Items that can be reclassified into net income			
Foreign currency translation adjustments		(111,323)	(4,175)
Net changes in cash flow hedges		13,173	(6,274)
Share of OCI of investments accounted for using the equity method		(13,609)	12,009
Total items that can be reclassified into net income		(111,759)	1,560
Other comprehensive income (OCI)		(138,325)	(57,641)
Comprehensive income		(11,079)	263,381
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		(8,465)	171,140
Non-controlling interests		(2,614)	92,241

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended March 31, 2020 Millions of yen

2020	Common stock (note 16)	Capital surplus (note 16)	Retained earnings (notes 16 and 18)	Accumulated other comprehensive income (note 17)	Treasury stock, at cost (note 16)	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of year	458,790	463,786	2,287,587	56,360	(3,920)	3,262,603	1,151,800	4,414,403
Cumulative effects of changes in accounting policies (note 3)	-	-	(2,596)	-	-	(2,596)	(1,075)	(3,671)
Restated balance	458,790	463,786	2,284,991	56,360	(3,920)	3,260,007	1,150,725	4,410,732
Changes in equity								
Reclassified into retained earnings	-	-	15,382	(15,382)	-	-	-	-
Net income	-	-	87,596	-	-	87,596	39,650	127,246
Other comprehensive income	-	-	-	(96,061)	-	(96,061)	(42,264)	(138,325)
Dividends to Hitachi, Ltd. stockholders	-	-	(91,761)	-	-	(91,761)	-	(91,761)
Dividends to non-controlling interests	-	-	-	-	-	-	(47,361)	(47,361)
Acquisition of treasury stock	-	-	-	-	(166)	(166)	-	(166)
Sales of treasury stock	-	(138)	-	-	277	139	-	139
Issuance of new shares (note 19)	1,072	1,072	-	-	-	2,144	-	2,144
Changes in non-controlling interests	-	75	-	(1,987)	-	(1,912)	6,003	4,091
Total changes in equity	1,072	1,009	11,217	(113,430)	111	(100,021)	(43,972)	(143,993)
Balance at end of year	459,862	464,795	2,296,208	(57,070)	(3,809)	3,159,986	1,106,753	4,266,739

Year ended March 31, 2019 Millions of yen

2019	Common stock (note 16)	Capital surplus (notes 5 and 16)	Retained earnings (notes 16 and 18)	Accumulated other comprehensive income (note 17)	Treasury stock, at cost (note 16)	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 5)	Total equity
Balance at beginning of year	458,790	575,809	2,105,395	142,167	(4,137)	3,278,024	1,233,647	4,511,671
Cumulative effects of changes in accounting policies (note 3)	-	-	3,209	-	-	3,209	(1,406)	1,803
Restated balance	458,790	575,809	2,108,604	142,167	(4,137)	3,281,233	1,232,241	4,513,474
Changes in equity								
Reclassified into retained earnings	-	-	33,683	(33,683)	-	-	-	-
Net income	-	-	222,546	-	-	222,546	98,476	321,022
Other comprehensive income	-	-	-	(51,406)	-	(51,406)	(6,235)	(57,641)
Dividends to Hitachi, Ltd. stockholders	-	-	(77,246)	-	-	(77,246)	-	(77,246)
Dividends to non-controlling interests	-	-	-	-	-	-	(42,968)	(42,968)
Acquisition of treasury stock	-	-	-	-	(231)	(231)	-	(231)
Sales of treasury stock	-	(237)	-	-	448	211	-	211
Changes in non-controlling interests	-	(111,786)	-	(718)	-	(112,504)	(129,714)	(242,218)
Total changes in equity	-	(112,023)	178,983	(85,807)	217	(18,630)	(80,441)	(99,071)
Balance at end of year	458,790	463,786	2,287,587	56,360	(3,920)	3,262,603	1,151,800	4,414,403

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2020 and 2019			Millions of yen
	Note	2020	2019
Cash flows from operating activities:			
Net income		127,246	321,022
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	3	433,158	368,044
Impairment losses		136,993	344,997
Income taxes		51,244	183,699
Share of (profits) losses of investments accounted for using the equity method		(43,639)	15,016
Financial income and expenses		870	(6,387)
Net (gain) loss on business reorganization and others		(19,650)	(184,630)
(Gain) loss on sale of property, plant and equipment		(30,370)	(18,966)
Change in trade receivables and contract assets		185,935	1,793
Change in inventories		(143,072)	(149,500)
Change in trade payables		(115,086)	(16,107)
Change in accrued expenses	2	(47,575)	(14,769)
Change in retirement and severance benefits		(22,483)	(38,461)
Other	2,5	224,378	(29,982)
Subtotal		737,949	775,769
Interest received		23,607	22,343
Dividends received		13,362	22,710
Interest paid		(24,885)	(22,530)
Income taxes paid		(189,113)	(188,267)
Net cash provided by (used in) operating activities		560,920	610,025
Cash flows from investing activities:			
Purchase of property, plant and equipment		(322,894)	(382,351)
Purchase of intangible assets		(98,382)	(89,898)
Proceeds from sale of property, plant and equipment, and intangible assets		82,539	61,623
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		(237,172)	(72,422)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		57,624	306,971
Other		(7,541)	13,205
Net cash provided by (used in) investing activities		(525,826)	(162,872)
Cash flows from financing activities:	25		
Change in short-term debt, net		80,849	3,706
Proceeds from long-term debt		334,919	87,636
Payments on long-term debt	3	(279,446)	(133,581)
Proceeds from payments from non-controlling interests		5,004	5,149
Dividends paid to Hitachi, Ltd. stockholders		(91,699)	(77,194)
Dividends paid to non-controlling interests		(43,926)	(43,375)
Acquisition of common stock for treasury		(166)	(231)
Proceeds from sales of treasury stock		139	211
Purchase of shares of consolidated subsidiaries from non-controlling interests		(2,345)	(162,692)
Other		(492)	(55)
Net cash provided by (used in) financing activities		2,837	(320,426)
Effect of exchange rate changes on cash and cash equivalents		(33,193)	(17,098)
Change in cash and cash equivalents		4,738	109,629
Cash and cash equivalents at beginning of year		807,593	697,964
Cash and cash equivalents at end of year		812,331	807,593

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) Nature of Operations

Hitachi, Ltd. (the Company) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The accompanying consolidated financial statements comprise the Company, its subsidiaries and the Company's interests in associates and joint ventures. The Company's and its subsidiaries' businesses are global and diverse, and include manufacturing and services in ten segments consisting of IT, Energy, Industry, Mobility, Smart Life, Hitachi High-Tech, Hitachi Construction Machinery, Hitachi Metals, Hitachi Chemical and Others.

(2) Basis of Presentation

As the Company meets the requirements of a "Specified Company applying Designated International Financial Reporting Standards" pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance of Japan No. 28 of 1976), the consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as permitted by the provision of Article 93 of the Ordinance. The Company's fiscal year begins on April 1 and ends on March 31 of the following calendar year.

The Company's consolidated financial statements have been prepared on a historical cost basis, except for derivative assets and liabilities, financial assets and liabilities measured at fair value through profit or loss (FVTPL), financial assets measured at fair value through other comprehensive income (FVTOCI) and assets and liabilities associated with defined benefit plans.

The consolidated financial statements are presented in millions of Japanese yen, the functional currency of the Company.

Management of the Company has made a number of judgments, estimates and assumptions relating to the application of accounting policies, reporting of revenues and expenses and assets and liabilities in the preparation of these consolidated financial statements. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated. The effect of a change in accounting estimates, if any, is recognized in the reporting period in which the change was made and in future periods.

The information regarding judgments used in applying accounting policies that could have a material effect on the Company's consolidated financial statements is included in the following notes:

- note 3. *(a) Basis of Consolidation*
- note 3. *(d) Financial Instruments* and note 26. Financial Instruments and Related Disclosures

The information regarding uncertainties arising from assumptions and estimates that could result in material adjustments in the subsequent consolidated financial statements is included in the following notes:

- note 3. *(i) Impairment of Non-financial Assets,* note 9. Property, Plant and Equipment and note 10. Goodwill and Other Intangible Assets
- note 3. *(j) Retirement and Severance Benefits* and note 15. Employee Benefits
- note 3. *(k) Provisions,* note 3. *(l) Contingencies,* note 14. Provisions and note 30. Commitments and Contingencies
- note 3. *(m) Revenue Recognition* and note 20. Revenues
- note 3. *(n) Income Taxes* and note 12. Deferred Taxes and Income Taxes

For the fiscal year ended March 31, 2020, the Company tested fixed assets, such as goodwill, for impairment and assessed the realizability of deferred tax assets, etc., which require management to make estimates of future cash flows or future taxable income, based on the assumption that most of the impact of the slowdown in the global economy caused by the spread of COVID-19 would occur in the first half of the fiscal year ending March 31, 2021, with the decrease in demand to continue in the second half of the fiscal year in part of the business, but would not be material in the longer term, although the situation varies from one segment or region to another since the Company is engaged in a wide range of business activities around the globe. The Company judged that this is the best assumption as of March 31, 2020. However, if the impact lasts longer or is wider than the assumption described above, it could affect significant accounting estimates or judgements regarding impairment of fixed assets, such as goodwill, and assessments of the realizability of deferred tax assets, etc.

Notes to Consolidated Financial Statements

Regarding the consolidated statement of financial position, changes in presentation have been made effective the fiscal year beginning April 1, 2019 due to materiality of an account balance as a result of business reorganization and others. “Goodwill,” which was included in “Intangible assets” as of March 31, 2019, has been reclassified and separately presented and “Intangible assets” has been renamed to “Other intangible assets.” The consolidated statement of financial position as of March 31, 2019 has been reclassified in order to reflect these changes in presentation, and “Other intangible assets” of 561,936 million yen has been reclassified as “Goodwill.”

Regarding the consolidated statement of cash flows, changes in presentation have been made effective the fiscal year beginning April 1, 2019 for improved clarity. “Change in accrued expenses,” which was previously included in “Change in other liabilities,” has been reclassified and separately presented. “Change in other assets” and “Change in other liabilities,” which were separately presented, have been included in “Other” under cash flows from operating activities. The consolidated statement of cash flows for the year ended March 31, 2019 has been reclassified in order to reflect these changes in presentation.
As a result, regarding the consolidated statement of cash flows for the year ended March 31, 2019, “Change in other liabilities” of (14,769) million yen has been reclassified as “Change in accrued expenses.” In addition, “Change in other assets” of (13,419) million yen and “Change in other liabilities” of (20,488) million yen, which were separately presented, have been reclassified as “Other” under cash flows from operating activities.

(3) Summary of Significant Accounting Policies

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control is obtained when the Company has risks or rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the variable returns.

The Company consolidates all subsidiaries from the date on which the Company acquires control until the date on which the Company loses control.

Subsidiaries' financial statements are adjusted as necessary if their accounting policies differ from those of the Company.

Changes in ownership interests in subsidiaries without a loss of control are accounted for as equity transactions. Changes in ownership interests in subsidiaries with a loss of control are accounted for by derecognizing assets and liabilities, non-controlling interests, equity and accumulated other comprehensive income (AOCI) attributable to the subsidiaries.

(ii) Associates and Joint Ventures

Associates are entities over whose operational and financial policies the Company has the ability to exercise significant influence but which are not controlled by the Company.

Joint ventures are jointly controlled by more than one party, including the Company, and require unanimous agreement of all parties in deciding operational and financial policies of the entity.

Investments in associates and joint ventures are accounted for using the equity method. The consolidated financial statements of the Company include changes in profit or loss and other comprehensive income (OCI) of these associates and joint ventures from the date on which the Company obtains significant influence or joint control to the date on which it loses significant influence or joint control. The financial statements of the associates and joint ventures are adjusted as necessary if their accounting policies differ from those of the Company.

(iii) Structured Entities

The Company consolidates structured entities in case it is exposed or has rights to variable returns from its involvement with such entities and has the ability to affect those returns through its power over the entities.

(b) Cash Equivalents

Cash equivalents are highly liquid investments with insignificant risk of changes in value, with original maturities of three months or less from the date of acquisition.

(c) Foreign Currency Translation

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency.

(i) Foreign Currency Transactions

Foreign currency transactions are converted into the functional currency of each company using the exchange rate prevailing at the transaction date or a rate that approximates such rate. Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from the currency conversion and settlement are recognized in profit or loss, except where gains and losses on assets or liabilities are recognized in OCI, foreign exchange effects relating to such assets or liabilities are also recognized in OCI, and presented in AOCI.

(ii) Foreign Operations

Assets and liabilities of foreign entities are translated into Japanese yen using the exchange rate at the end of the reporting period, and revenue and expense items are translated using the average exchange rates during the period. Gains or losses derived from translating foreign entities' financial statements are recognized in OCI, and presented in AOCI.

(d) Financial Instruments

(i) Non-derivative Financial Assets

The Company initially recognizes trade and other receivables on the date such receivables arise. All other financial assets are initially recognized at the transaction date, on which the Company becomes a party to the agreement.

The Company derecognizes financial assets when contractual rights to cash flows from the financial assets expire or when the contractual rights to receive cash flows from the financial assets are transferred in transactions where the risks and economic rewards of owning the financial assets are substantially transferred. In transactions where the risks and economic rewards of owning the financial assets are neither substantially transferred nor retained, the Company continues to recognize the financial assets to the extent of its continuing involvement and derecognizes such financial assets only if its control is transferred.

The classification and measurement model of non-derivative financial assets is summarized as follows:

Financial Assets Measured at Amortized Cost

Financial assets are subsequently measured at amortized cost in case they meet the following requirements:

・The financial asset is held within a business model with the objective of collecting contractual cash flows.

・The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (including direct transaction costs). The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method. Interest accrued on financial assets measured at amortized cost is included in Interest income in the consolidated statement of profit or loss.

FVTOCI Financial Assets

The Company holds certain equity instruments with the purpose of expanding its revenue base by maintaining and strengthening business relations with the investees. These equity instruments are classified as FVTOCI financial assets by designation. They are initially and subsequently measured at fair value, and the changes in fair value are recognized in OCI. The cumulative amount of OCI is recognized in equity as AOCI. Dividends on equity instruments designated as FVTOCI are recognized in profit or loss, except where they are considered to be a return of the investment.

FVTPL Financial Assets

Equity instruments not designated as FVTOCI financial assets and debt instruments not classified as financial assets measured at amortized cost are classified as FVTPL financial assets. These instruments are subsequently measured at fair value and the changes in fair value are recognized in profit or loss.

Impairment of Financial Assets

On a regular basis, but no less frequently than at the end of each quarterly reporting period, the Company evaluates the allowance for doubtful receivables based on expected credit losses on trade receivables, contract assets, and other receivables depending on whether the credit risk has increased significantly since initial recognition.

If the credit risk has increased significantly since initial recognition, the allowance for doubtful receivables is measured at the amount equal to the lifetime expected credit losses on the financial assets. If the credit risk has not increased significantly since initial recognition, the allowance for doubtful receivables is measured at the amount equal to 12-month expected credit losses. However, for trade receivables, contract assets, and lease receivables, allowance for doubtful receivables is always measured at the amount equal to the lifetime expected credit losses.

Whether credit risk has increased significantly is determined based on changes in the risk of default. Default is defined as the state in which a critical problem with debtor’s payment of contractual cash flows has been identified and there are no reasonable expectations of recovering the financial asset in its entirety or a portion. To determine whether there have been any changes in the risk of default, external credit ratings, past due information and other factors are mainly taken into consideration.

Expected credit losses are measured by taking the probability weighted average of the discounted present values of differences between the total amount of the contractual cash flows and the total amount of cash flows expected to be received in the future from the financial assets. If one or more events occur, such as overdue payments, extended payment terms, negative evaluation by third party credit rating agencies, and/or a deterioration in financial position and operating results, including capital deficit, the financial assets are individually assessed as credit-impaired financial assets and expected credit losses are measured based mainly on historical credit loss experience, future collectible amounts and other factors. The expected credit losses on the financial assets that are not credit-impaired are measured through collective assessment based mainly on provision rates depending on historical credit loss experience adjusted by the current and future economic situation and other factors, if necessary.

For the expected credit losses on trade receivables, contract assets, and other receivables, the allowances for doubtful receivables are recorded instead of directly reducing the carrying amounts. Changes in expected credit losses are recognized in profit or loss as impairment losses and are included in Selling, general and administrative expenses in the consolidated statement of profit or loss. For financial assets, after all means of collection have been exhausted and the potential for recovery is considered remote, it is determined that there are no longer any reasonable expectations of recovering the financial assets in their entirety or a portion and the carrying amounts are generally written off.

(ii) Non-derivative Financial Liabilities

The Company initially recognizes debt instruments on the date of issuance. All other financial liabilities are initially recognized at the transaction date, on which the Company becomes a party to the agreement.

The Company derecognizes financial liabilities if extinguished, or if the obligation in the contract is redeemed or the liability is discharged, cancelled or expires.

Non-derivative financial liabilities the Company holds include bonds, debts, trade payables and other financial liabilities. They are initially measured at fair value (less direct transaction costs), and bonds and long-term debt are subsequently measured at amortized cost using the effective interest method. Interest accrued on these financial liabilities is included in Interest charges in the consolidated statement of profit or loss.

(iii) Derivatives and Hedge Accounting

The Company uses derivative instruments including forward exchange contracts, cross currency swaps and interest rate swaps in order to hedge foreign currency exchange risks and interest rate risks. All derivatives are measured at fair value irrespective of the objective and intent of holding them.

The Company accounts for hedging derivatives as follows:

- Fair value hedge: a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the related derivatives are both recorded in profit or loss if the hedge is considered effective.
- Cash flow hedge: a hedge of a forecast transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability. The changes in fair value of the derivatives designated as cash flow hedges are recorded in other comprehensive income (OCI) if the hedge is considered effective. This treatment continues until profit or loss is affected by the variability of cash flows or the unrecognized firm commitment of the designated hedged item, when changes in fair value of the derivative are recognized in profit or loss. If a non-financial asset or a non-financial liability is recognized due to a hedged forecast transaction, the changes in the fair value of the derivative recognized in OCI are included directly in the acquisition cost or other carrying amount of the asset or liability when the asset or liability is recognized.

The Company follows the documentation requirements as prescribed by IFRS 9 “Financial Instruments” (amended in October 2017), which includes the risk management objective and strategy for undertaking various hedge transactions. In addition, a formal assessment is made at the hedge’s inception and subsequently on a periodic basis, as to whether the derivative used in hedging activities is effective in offsetting changes in fair values or cash flows of the hedged items. Hedge accounting is discontinued if a hedge becomes ineffective.

(iv) Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset and reported as net amounts in the consolidated statement of financial position, only if the Company currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

(e) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the specific identification method or by the moving average method for finished goods, semi-finished goods and work in process, and generally by the moving average method for raw materials. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to sell.

(f) Property, Plant and Equipment

Property, plant and equipment are measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses. Acquisition cost includes direct costs of acquisition, costs of dismantling, removing and restoration of the assets. Each asset is depreciated mainly using the straight-line method over the following estimated useful lives for major classes of assets:

Buildings and structures	2 to 60 years
Machinery, equipment and vehicles	2 to 17 years
Tools, furniture and fixtures	2 to 20 years
Right-of-use assets	2 to 40 years

Estimated useful lives and the method of depreciation are reviewed at the fiscal year end. Changes in estimated useful lives or depreciation method are accounted for on a prospective basis as a change in accounting estimate.

(g) Goodwill and Other Intangible Assets

Other intangible assets with finite useful lives are measured using the cost model and stated at cost less accumulated amortization and impairment losses. Each asset is amortized mainly using the straight-line method over the following estimated useful lives for major classes of assets:

Software for internal use	2 to 10 years
Software for sale	2 to 10 years
Other	2 to 20 years

Goodwill and Other intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses.

(h) Leases

(i) Lessee

The Company and certain subsidiaries lease facilities, mainly buildings, machines, and vehicles, and recognize a right-of-use asset, a right to use the underlying asset, and a lease liability, an obligation to make lease payments, and recognize lease costs as depreciation charges for right-of-use assets and interest expenses on lease liabilities. Lease payments for short-term leases with a lease term of 12 months or less are recognized in profit or loss on a straight-line basis.

Right-of-use asset

A lessee shall apply a cost model to measure the right-of-use asset, and shall present the corresponding amount in Property, Plant and Equipment or Other intangible assets as the amount of the right-of-use asset at cost at the commencement date of the lease less any accumulated depreciation and any accumulated impairment losses. The right-of-use asset at cost includes the amount of the initial measurement of the lease liability and the initial direct cost incurred by the lessee. The lessee shall depreciate the right-of-use asset from the commencement date of the lease to the earlier of the end of the useful life of the underlying asset or the end of the lease term on a straight-line basis. Changes in the useful life or the lease term are accounted for on a prospective basis as a change in accounting estimate.

Lease liability

The lease liability is measured at the present value of lease payments that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate, and is included in the Current portion of long-term debt or Long-term debt. Interest expense on the lease liability in each period during the lease term that produce a constant periodic rate of interest on the remaining balance of the lease liability is recognized in profit or loss over the lease term and is included in Interest charges in the consolidated statement of profit or loss.

(ii) Lessor

The Company and certain subsidiaries, as lessors, lease facilities, mainly buildings, machines, and equipment, whereby substantially all the risks and rewards incidental to the ownership of items of property, plant and equipment are transferred to the lessee. Therefore, such leases are classified as finance leases with the recognition of the underlying asset discontinued and the present value of the total amount of lease payments is used to recognize and measure the net investment in the lease.

If substantially all the risks and rewards incidental to the ownership remain with the lessor in a lease, it is classified as an operating lease, and the underlying asset is continuously recognized, and lease income is recognized over the lease term on a straight-line basis.

(i) Impairment of Non-Financial Assets

For each non-financial asset, the Company reviews the carrying amount and tests for impairment if there are events or circumstances indicating an asset's carrying amount may not be recoverable. For an asset that does not generate cash flows that are largely independent of the cash flows from other assets, the Company considers indicators of impairment based on a cash generating unit (CGU) or a group of CGUs. Irrespective of any indicators of impairment, the Company tests intangible assets with indefinite useful lives and goodwill for impairment annually, mainly in the fourth quarter, by estimating the recoverable amount of each CGU (or group of CGUs) to which such assets are allocated.

The Company measures the recoverable amount of an asset or a CGU (or a group of CGUs) as the higher of fair value less costs of disposal and value in use. In measuring fair values, the Company and its subsidiaries primarily use the income approach (present value technique) based on the estimated future cash flows expected to result from the use of the asset and its eventual disposal or the market approach to derive reasonable estimates of values in orderly market transactions, such as comparisons of similar public companies and the current gross value of the asset. The Company consults with outside specialists, as appropriate, depending on the complexity of estimating fair values. Value in use is calculated by the estimated future cash flows based on business plans approved by management, discounted at the discount rate which is derived from the weighted average cost of capital. The business plan used is based on external information, reflects historical experiences, and generally has a maximum of five years. Since the Company and its subsidiaries are engaged in a wide range of business activities from development, production and sales of diverse products and the provision of various services, appropriate external information for each business activity is used for evaluating value in use for each business. Estimated cash flows beyond the period covered by the business plan are calculated using the estimated growth rate not exceeding the long-term average growth rate of the market to which the asset belongs. The business plan may be affected by risks related to market or economic environment, and actual result may differ from the estimates. In addition, the discount rate used to calculate the value in use is affected by stock market trends and fluctuations in interest rates.

If the carrying amount of the asset or the CGU (or the group of CGUs) exceeds its recoverable amount, an impairment loss is recognized at the excess amount.

For an asset or a CGU (or a group of CGUs) other than goodwill, its recoverable amount is subsequently estimated if there is a significant change in facts and circumstances and there is an indication that an impairment loss previously recognized on the asset may no longer exist or has decreased. If the estimated recoverable amount exceeds the carrying amount, the impairment loss recognized previously is reversed to the extent of the carrying amount that would have been recorded, net of depreciation or amortization, if impairment had not been recognized previously.

(j) Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans, severance lump-sum payment plans and defined contribution plans to provide retirement and severance benefits to employees.

(i) Defined Benefit Plans

Defined benefit pension plans include defined benefit pension plans and severance lump-sum payment plans. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method. The present value of defined benefit obligations and the fair value of plan assets are remeasured as of the end of reporting period. Actuarial differences arising during the year and changes in fair value of plan assets (excluding interest income) are recognized in OCI and are not subsequently reclassified into profit or loss. Any prior service cost, which arises at the time of a plan amendment, is recognized immediately in profit or loss when such an amendment occurs. The present value of defined benefit obligations less the fair value of plan assets is presented as the net amount of defined benefit liability or asset in non-current liabilities or assets. Actuarial assumptions are determined based on the best estimates and judgments, but may be affected by variance of uncertain economic conditions in the future or by amendments or issuance of related laws.

(ii) Defined Contribution Plans

Defined contribution pension plans are post-employment benefit plans in which the employer pays a certain amount of premiums to the third-party asset manager but has no legal or constructive obligation to pay in excess of such contributions. Contributions to the defined contribution plans are recognized in profit or loss in the period when the service is provided by the employees.

(k) Provisions

The Company recognizes provisions if it has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of obligation can be reliably estimated. Provisions may be affected by unexpected events or changes in circumstances, and actual payments may differ from the estimates.

In case that the time to settle an obligation is expected to be long, and thus the time value of money is material, the amount of a provision is measured at the present value of the amount of expenditures expected to be required to settle the obligation.

(l) Contingencies

The Company discloses contingent liabilities in accordance with International Accounting Standards (IAS) 37 "Provisions, Contingent Liabilities and Contingent Assets" if an obligation does not meet the recognition criteria of provisions prescribed above in *(k) Provisions*, excluding those where the possibility of an outflow of resources is remote.

The Company and its subsidiaries have financial guarantee contracts that require them to make payments to compensate the holder for a loss it incurs if a specified debtor defaults on payment based on the terms of a debt instrument.

(m) Revenue Recognition

The Company recognizes revenue in accordance with the following five-step approach.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the Company satisfies a performance obligation

The Company offers multiple solutions to meet its customers' needs which may involve the delivery or performance of multiple elements, such as goods or services. When the Company enters into multiple contracts for providing the goods or services, related contracts are combined based on interdependencies between each contract's consideration and the time the Company entered into such contracts, and the transaction price is allocated to each performance obligation on the basis of the relative stand -alone selling prices of each distinct good or service for the purpose of recognizing revenue.
In estimating the stand-alone selling price, the Company considers various factors such as market conditions, entity-specific factors and information about the customer or class of customer.
The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Variable consideration, such as discounts and rebates, is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The promised amount of consideration does not include a significant financing component.
For a performance obligation satisfied over time, the Company measures its progress towards complete satisfaction of that performance obligation on the basis of output or input methods in consideration of the nature of the goods and services for the purpose of recognizing revenue. When the Company cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred.
The Company recognizes the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract as an asset if those costs are expected to be recovered, and those assets are amortized based on the methods used to recognize revenue of the goods or services to which the assets relate. The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is less than one year.
Revenue recognition under long-term projects, etc. requires significant assumptions about the estimated total cost, estimated total selling price, risk associated with the contract, and other factors. These estimates are subject to variance of uncertain economic conditions in the future and may variance for a variety of reasons beyond our control. The Company reviews these estimates on an ongoing basis and reflects them in accounting practices.

(n) Income Taxes

Deferred tax assets and liabilities resulting from temporary differences and others are accounted for based on a liability method. A deferred tax liability is not recognized for temporary differences arising from goodwill, temporary differences arising from an asset or liability in a transaction other than a business combination, which at the time of transaction affects neither accounting nor taxable income and future taxable difference arising from investments in subsidiaries, associates and joint ventures where that the Company is able to control the timing of reversal of the temporary difference while it is probable that the temporary difference will not reverse in the foreseeable future. A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which unused tax loss carryforwards, unused tax credits and future deductible temporary differences can be utilized. The times and amounts of taxable income occurrence may be affected by variance of uncertain economic conditions in the future, and the actual times and amounts may differ from the estimates. Current tax and deferred tax on items recognized in OCI are also recognized in OCI.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss and OCI in the period that includes the enactment date.

(o) Consumption Tax

Consumption tax collected and remitted to taxing authorities is excluded from revenues, cost of sales and expenses in the consolidated statement of profit or loss.

(p) Earnings per Share

Basic earnings per share (EPS) for net income attributable to Hitachi, Ltd. stockholders is calculated based on the weighted average number of ordinary shares outstanding during the period. Diluted EPS for net income attributable to Hitachi, Ltd. stockholders is calculated based on the sum of weighted average number of ordinary shares outstanding during the period and the conversion of securities with dilutive effects or the number of authorized shares.

(q) Business Combinations

Business combinations are accounted for using the acquisition method. Consideration is measured as the sum of the fair value of the consideration transferred at acquisition date and the non-controlling interests in the acquiree. The Company determines, on a transaction by transaction basis, whether to measure non-controlling interests at fair value or by the appropriate share in the fair value of identifiable net assets of the acquiree. Acquisition related costs are expensed in the period in which the costs are incurred.

(r) Changes in Accounting Policies

(i) Adoption of IFRS 9 "Financial Instruments" (amended in July 2014)

While the Company had historically adopted IFRS 9 (issued in November 2009, amended in October 2010), it has adopted IFRS 9 (amended in July 2014) from the beginning of the fiscal year ended March 31, 2019. IFRS 9 (amended in July 2014) amends guidance for hedge accounting and classification and measurement of financial instruments and introduces impairment guidance based on expected credit losses on financial assets. As a transitional measure upon the adoption of IFRS 9 (amended in July 2014), the Company applied this standard and recognized the cumulative effect of the initial application as an adjustment to the beginning balance of retained earnings for the fiscal year ended March 31, 2019. The effect of adopting this standard on the Company's financial position and operating results was not material.

(ii) Adoption of IFRS 15 "Revenue from Contracts with Customers"

From the beginning of the fiscal year ended March 31, 2019, the Company has adopted IFRS 15 "Revenue from Contracts with Customers." IFRS 15 provides a comprehensive framework for recognizing revenue. In accordance with the five-step approach, revenue is measured based on changes in assets and liabilities arising from contracts with customers and recognized when control over goods or services is transferred to the customer.

As a transitional measure upon the adoption of IFRS 15, the Company applied this standard retrospectively and recognized the cumulative effect of the initial application as an adjustment to the beginning balance of retained earnings for the fiscal year ended March 31, 2019.

Primarily in a transaction whereby the Company provides a customer with a combination of multiple elements such as goods, services or right to use assets, the transaction price is allocated to each performance obligation based on the stand-alone selling price then revenue is recognized in accordance with the five-step approach even if no fair value is available. However, the effect of adopting this standard on the Company's financial position and operating results was not material, compared with the application of the previous accounting standard.

(iii) Adoption of IFRS 16 "Leases"

From the beginning of the fiscal year ended March 31, 2020, the Company has adopted IFRS 16 "Leases". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, and lessees are required to account for all leases under a single on-balance sheet model.

As a transitional measure upon the adoption of IFRS 16, the Company applies this standard and the method of recognizing the cumulative effect of the initial application as an adjustment to the beginning balance of retained earnings at the date of initial application.

The Company's leases consist mainly of the leasing of real estate, and the impact of adopting IFRS 16 on the consolidated statement of financial position at the beginning of the fiscal year ended March 31, 2020 includes an increase in assets of 218,161 million yen associated with the recognition of right-of-use assets, an increase in liabilities of 221,832 million yen associated with the recognition of lease liabilities, and a decrease in equity of 3,671 million yen associated with the recognition of an adjustment to the beginning balance of retained earnings, etc. at the date of initial application. The impact on the consolidated statement of profit or loss was not material. In addition, with respect to the consolidated statement of cash flows, while lease payments for operating leases were previously included in cash flows from operating activities, adjustments for depreciation charges for right-of-use assets are included in cash flows from operating activities and payments of lease liabilities are included in cash flows from financing activities as a result of adopting IFRS 16; therefore, compared with the previous accounting standard, cash flows from operating activities increased while cash flows from financing activities decreased.

The Company elects to use the practical expedient under which it is not required to perform a review for the existence of a lease in a contract judged under IAS 17 “Lease” and IFRIC 4 “Determining whether an Arrangement contains a Lease” in prior periods at the commencement date of IFRS 16. In addition, when IFRS 16 is applied to a lease that is classified as an operating lease under IAS 17, the following practical expedients are mainly elected to use.

- A lessee accounts for the leases for which the lease term ends within 12 months of the date of initial application, in the same way as short-term leases.
- A lessee uses hindsight, in determining the lease term if the contract contains options to extend or terminate the lease.

The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognized in the consolidated statement of financial position at the beginning of the fiscal year ended March 31, 2020 is 1.46%.

The difference between the future minimum lease payments of 135,963 million yen under non-cancelable operating leases as of March 31, 2019 disclosed in accordance with IAS 17 and the lease liabilities of 273,812 million yen recognized in the consolidated statement of financial position at the beginning of the fiscal year ended March 31, 2020 is 137,849 million yen. The main factors for the reconciliation from the future minimum lease payments based on non-cancelable operating leases as of March 31, 2019 to lease liabilities recognized in the consolidated statement of financial position at the beginning of the fiscal year ended March 31, 2020 include decreases of 32,940 million yen due to the application of the practical expedient related to short-term leases, 17,980 million yen due to the separation of non-lease components of the contract and 9,456 million yen due to the measurement of the discounted present value of lease liabilities, and increases of 149,026 million yen due to the impact of periods covered by extension options and termination options included in the lease term and 49,199 million yen due to the inclusion of lease liabilities classified as finance leases under IAS 17.

(s) New Accounting Standards not yet Adopted by the Company

The impact of adopting the principal new accounting standards and interpretations issued or amended prior to the approval date of the consolidated financial statements that is not yet adopted by the Company as of the reporting date on the Company’s financial position and business performance will not be material.

(4) Segment Information

Business Segments

The operating segments of the Company are the components for which separate financial information is available and which is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company discloses its business in ten reportable segments, corresponding to categories of activities classified primarily by the similarities for the nature of markets, products and services, and economic characteristics. Several operating segments are aggregated into IT, Industry, Mobility and Smart Life for financial reporting purposes so that users of the financial statements better understand the Company's financial position and business performance. The Company aggregates operating segments based on the similarities of economic characteristics mainly using gross profit margin ratios of operating segments. The primary products and services included in each segment are as follows:

IT:
Systems integration, Consulting, Control systems, Cloud services, Software, IT products (Storage, Servers) and ATMs

Energy:
Energy solutions (Nuclear, Renewable energy, Thermal, Power grid)

Industry:
Industry & distribution systems, Water & environment systems and Industrial machinery

Mobility:
Building systems (Elevators, Escalators) and Railway systems

Smart Life:
Medical electronics, Smart life & ecofriendly systems (Refrigerators, Washing machines, Room air conditioners, Air-conditioning equipment) and Automotive systems (Powertrain systems, Chassis systems, Advanced driver assistance systems)

Hitachi High-Tech:
Medical and life science products, Analytical equipment, Semiconductor processing equipment, Manufacturing and inspection equipment, and Advanced industrial products

Hitachi Construction Machinery:
Hydraulic excavators, Wheel loaders, Mining machinery, Maintenance and services, Construction solutions and Mine management systems

Hitachi Metals:
Specialty steel products, Functional components and equipment, Magnetic materials and power electronics materials, and Wires, cables and related products

Hitachi Chemical:
Functional materials (Electronics materials, Printed wiring boards materials, Electronics components) and Advanced components and systems (Mobility components, Energy storage devices, Life science-related products)

Others:
Optical disk drives, Property management and others

Effective from April 1, 2019, the Company changed its business structure in order to increase customer's social, environmental and economic values by accelerating the Social Innovation Business. Accordingly, the Company reclassified its reportable segments in ten segments which include five focused areas as IT, Energy, Industry, Mobility and Smart Life, four listed subsidiary groups as Hitachi High-Tech, Hitachi Construction Machinery, Hitachi Metals and Hitachi Chemical, and Others. Figures for the year ended March 31, 2019 have been restated on the basis of the reclassification.
The Company has changed its segment name from High-Technologies segment to High-Tech segment effective from February 2020. This change in segment name does not affect segment information.

The following tables show business segment information for the years ended March 31, 2020 and 2019.

Revenues from External Customers

Millions of yen

	2020	2019
IT	1,945,282	1,951,433
Energy	334,220	377,855
Industry	663,912	720,955
Mobility	1,132,944	1,199,737
Smart Life	1,432,624	1,607,599
Hitachi High-Tech	604,645	629,088
Hitachi Construction Machinery	930,966	1,033,342
Hitachi Metals	851,224	989,515
Hitachi Chemical	612,061	659,968
Others	247,997	298,489
Subtotal	8,755,875	9,467,981
Corporate items	11,388	12,638
Total	8,767,263	9,480,619

Revenues from Intersegment Transactions

Millions of yen

	2020	2019
IT	154,144	170,252
Energy	65,034	76,142
Industry	176,837	174,451
Mobility	11,503	14,420
Smart Life	40,368	41,758
Hitachi High-Tech	89,979	102,015
Hitachi Construction Machinery	381	361
Hitachi Metals	30,178	33,906
Hitachi Chemical	19,372	21,057
Others	236,833	262,825
Subtotal	824,629	897,187
Corporate items and Eliminations	(824,629)	(897,187)
Total	-	-

Total Revenues

Millions of yen

	2020	2019
IT	2,099,426	2,121,685
Energy	399,254	453,997
Industry	840,749	895,406
Mobility	1,144,447	1,214,157
Smart Life	1,472,992	1,649,357
Hitachi High-Tech	694,624	731,103
Hitachi Construction Machinery	931,347	1,033,703
Hitachi Metals	881,402	1,023,421
Hitachi Chemical	631,433	681,025
Others	484,830	561,314
Subtotal	9,580,504	10,365,168
Corporate items and Eliminations	(813,241)	(884,549)
Total	8,767,263	9,480,619

Segment Profit (Loss)

Millions of yen

	2020	2019
IT	214,449	212,607
Energy	(375,781)	(298,041)
Industry	57,858	19,112
Mobility	112,349	127,455
Smart Life	29,548	116,981
Hitachi High-Tech	60,468	64,223
Hitachi Construction Machinery	70,551	104,515
Hitachi Metals	(57,274)	45,343
Hitachi Chemical	24,806	41,109
Others	31,294	30,253
Subtotal	168,268	463,557
Corporate items and Eliminations	15,346	50,349
Total	183,614	513,906
Interest income	20,638	23,122
Interest charges	(23,984)	(20,526)
Income from continuing operations, before income taxes	180,268	516,502

Segment profit (loss) is measured by EBIT.
Intersegment transactions are generally recorded at the same prices used in arm’s length transactions. Corporate items include corporate expenses not allocated to individual business segments, such as expenditures for advanced R&D, a part of net gain (loss) on business reorganization and share of profits (losses) of investments accounted for using the equity method, and others.

Total Assets

Millions of yen

	March 31, 2020	March 31, 2019
IT	1,988,750	1,881,233
Energy	686,524	796,692
Industry	972,119	765,139
Mobility	1,557,964	1,521,735
Smart Life	1,300,787	1,180,962
Hitachi High-Tech	712,009	667,574
Hitachi Construction Machinery	1,199,917	1,219,806
Hitachi Metals	988,209	1,123,105
Hitachi Chemical	706,638	710,508
Others	1,915,616	1,653,523
Subtotal	12,028,533	11,520,277
Corporate assets and Eliminations	(2,098,452)	(1,893,685)
Total	9,930,081	9,626,592

Corporate assets mainly consist of cash and cash equivalents, investments in securities and other financial assets, and investments accounted for using the equity method.

Investments Accounted for Using the Equity Method

Millions of yen

	March 31, 2020	March 31, 2019
IT	46,430	45,850
Energy	22,819	307,057
Industry	20,835	32,613
Mobility	56,782	19,064
Smart Life	66,801	63,832
Hitachi High-Tech	1,792	1,060
Hitachi Construction Machinery	32,866	32,317
Hitachi Metals	29,076	29,285
Hitachi Chemical	8,922	8,046
Others	6,025	5,740
Subtotal	292,348	544,864
Corporate items and Eliminations	188,027	179,597
Total	480,375	724,461

Goodwill

Millions of yen

	March 31, 2020	March 31, 2019
IT	204,243	214,855
Energy	-	-
Industry	158,010	70,627
Mobility	52,565	54,714
Smart Life	49,047	1,041
Hitachi High-Tech	1,312	6,023
Hitachi Construction Machinery	45,707	50,791
Hitachi Metals	90,534	131,727
Hitachi Chemical	34,509	32,158
Others	-	-
Subtotal	635,927	561,936
Corporate items	-	-
Total	635,927	561,936

Depreciation and Amortization

Millions of yen

	2020	2019
IT	112,485	89,030
Energy	4,870	5,416
Industry	22,259	17,483
Mobility	28,473	24,204
Smart Life	64,459	68,336
Hitachi High-Tech	16,368	13,155
Hitachi Construction Machinery	47,124	37,987
Hitachi Metals	55,180	50,900
Hitachi Chemical	43,968	37,400
Others	29,471	20,057
Subtotal	424,657	363,968
Corporate items and Eliminations	8,501	4,076
Total	433,158	368,044

Depreciation consists of that of property, plant and equipment and investment properties.

Impairment Losses

Millions of yen

	2020	2019
IT	18,838	14,676
Energy	2,827	279,619
Industry	5,409	1,128
Mobility	3,238	1,315
Smart Life	18,034	27,799
Hitachi High-Tech	6,021	357
Hitachi Construction Machinery	6,002	2,143
Hitachi Metals	70,198	9,700
Hitachi Chemical	6,022	5,266
Others	404	2,994
Subtotal	136,993	344,997
Corporate items and Eliminations	-	-
Total	136,993	344,997

Impairment losses mainly consist of those recognized on property, plant and equipment, investment properties, goodwill and other intangible assets.

Share of Profits (Losses) of Investments Accounted for Using the Equity Method

Millions of yen

	2020	2019
IT	1,648	2,019
Energy	(9,204)	(45,096)
Industry	8,353	(3,470)
Mobility	3,029	3,716
Smart Life	10,351	11,561
Hitachi High-Tech	139	143
Hitachi Construction Machinery	2,682	4,716
Hitachi Metals	1,667	2,063
Hitachi Chemical	4,541	3,690
Others	337	143
Subtotal	23,543	(20,515)
Corporate items and Eliminations	20,096	5,499
Total	43,639	(15,016)

Share of profits (losses) of investments accounted for using the equity method include impairment losses on investments accounted for using the equity method.

Capital Expenditures

Millions of yen

	2020	2019
IT	104,406	77,856
Energy	8,222	48,934
Industry	15,314	10,363
Mobility	28,121	25,696
Smart Life	94,737	102,688
Hitachi High-Tech	34,898	21,404
Hitachi Construction Machinery	54,508	37,857
Hitachi Metals	53,019	95,389
Hitachi Chemical	49,641	52,819
Others	46,957	30,077
Subtotal	489,823	503,083
Corporate items and Eliminations	8,473	2,117
Total	498,296	505,200

Capital expenditures represent additions to property, plant and equipment, investment properties and other intangible assets.

Notes to Consolidated Financial Statements

Geographic Information

The following table shows revenues attributed to geographic areas based on the location of the customers for the years ended March 31, 2020 and 2019.

Millions of yen

	2020	2019
Japan	4,529,095	4,664,535
Asia	1,767,537	2,019,598
North America	1,102,987	1,205,628
Europe	924,499	1,018,542
Other Areas	443,145	572,316
Overseas Revenues Subtotal	4,238,168	4,816,084
Total Revenues	8,767,263	9,480,619

Revenues in China for the years ended March 31, 2020 and 2019 were 871,125 million yen and 1,009,855 million yen, respectively. Revenues in the U.S.A. for the years ended March 31, 2020 and 2019 were 1,017,351 million yen and 1,095,428 million yen, respectively. Revenues from external customers attributable to any individual country and region other than Japan, China and the U.S.A. were not material for the years ended March 31, 2020 and 2019.

The following table shows the balances of property, plant and equipment, investment properties, goodwill and other intangible assets for each geographic area as of March 31, 2020 and 2019.

Millions of yen

	March 31, 2020	March 31, 2019
Japan	1,733,369	1,638,996
Asia	391,393	374,490
North America	664,242	565,961
Europe	324,088	227,402
Other Areas	178,139	130,869
Subtotal	3,291,231	2,937,718
Corporate items and Eliminations	36,602	23,217
Total	3,327,833	2,960,935

The balances of property, plant and equipment, investment properties, goodwill and other intangible assets in the U.S.A. as of March 31, 2020 and 2019 were 651,290 million yen and 553,796 million yen, respectively. The balances of property, plant and equipment, investment properties, goodwill and other intangible assets in any individual country and region other than Japan and the U.S.A. were not material as of March 31, 2020 and 2019.

Significant Customer Information

There was no concentration of revenues from a specific customer for the years ended March 31, 2020 and 2019.

(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures and other related transactions for the year ended March 31, 2020, including the period up to the approval date of the consolidated financial statements.

(a) Sale of Diagnostic Imaging-related Business

On December 18, 2019, the Company signed an agreement with FUJIFILM Corporation (Fujifilm) regarding the transfer of the Diagnostic Imaging-related Business included in the Company, the Company's subsidiaries and associates in the Smart Life segment to Fujifilm.

The Company plans to transfer all shares of common stock of a new company established by the Company to Fujifilm after the Diagnostic Imaging-related Business is succeeded to the new company from the Company through an absorption-type company split. The consideration is expected to be approximately 179 billion yen.

Assuming the transaction is settled, it is expected that the Company's ownership ratio of shares of the new company will decrease from 100% to 0%, and the new company will be deconsolidated. An expected gain on the sale of shares of the new company in the amount of approximately 111 billion yen will be recognized in Other income in the consolidated statement of profit or loss.

(b) Reorganization of automotive systems business

On October 30, 2019, the Company and Hitachi Automotive Systems, Ltd. (HiAMS), a consolidated subsidiary of the Company in the Smart Life segment, signed an agreement with Honda Motor Co., Ltd. (Honda), and Keihin Corporation, Showa Corporation, and Nissin Kogyo Co., Ltd. (together, "the Associates of Honda"), to integrate management of HiAMS and the Associates of Honda, in order to strengthen development and distribution of global and competitive solutions in the CASE area.

HiAMS and the Associates of Honda plan to conduct an absorption-type merger in which HiAMS will be the surviving company (the Integrated Company) and each of the Associates of Honda will be the disappearing companies after they become wholly-owned subsidiaries of Honda through tender offers to be conducted by Honda for the common shares of the Associates of Honda. The consideration will be the common shares of the Integrated Company. After the merger, the Company's ownership ratio of shares of the Integrated Company will become 66.6% and the Integrated Company will become a consolidated subsidiary of the Company. The effects of this transaction on the Company's consolidated financial statements are currently being evaluated.

(c) Acquisition of ABB's power grids business

On December 17, 2018, the Company decided to acquire the power grid business of ABB Ltd (ABB) and signed an acquisition agreement with ABB in order to strengthen and expand energy solution business globally. Pursuant to this agreement, the Company invested 80.1% in Hitachi ABB Power Grids Ltd (Hitachi ABB Power Grid), which was spun off from ABB, and the acquisition was completed on July 1, 2020. As a result, Hitachi ABB Power Grid became a subsidiary of the Company. The Company has a call option to purchase 19.9% of the shares of Hitachi ABB Power Grid held by ABB, and ABB has a put option to sell 19.9% of the shares of Hitachi ABB Power Grid held by ABB to the Company exercisable after 2023.

The consideration for the acquisition of Hitachi ABB Power Grid was 6,850 million U.S. dollars (722,062 million yen). Acquisition related costs included in other expenses in the consolidated statement of profit or loss for the years ended March 31, 2020 and 2019 were 2,358 million yen and 3,032 million yen, respectively. Furthermore, approximately 3,000 million yen is expected to be recorded as acquisition related costs in the year ending March 31, 2021. In addition to this acquisition, the Company repaid 3,000 million U.S. dollars (323,190 million yen) of certain loans owed by Hitachi ABB Power Grid from ABB's subsidiary, ABB Capital B.V.

Due to a time constraint between the acquisition date and the filing date of the annual securities report, the initial accounting treatment for the acquisition of Hitachi ABB Power Grid has not been completed. Accordingly, no disclosure has been made to the amounts of assets acquired and liabilities assumed that were recognized at the date of acquisition, the amounts of non-controlling interests, or the balances of goodwill. The consideration may vary due to transaction price adjustment.

(d) Additional acquisition of shares of Hitachi High-Tech Corporation (Hitachi High-Tech)

On January 31, 2020, the Company decided to conduct a tender offer to acquire all issued shares of Hitachi High-Tech, a consolidated subsidiary of the Company in the Hitachi High-Tech segment, to establish the measurement and analysis platform to strengthen Lumada. The Company commenced the tender offer on February 17, 2020, and the tender offer was completed on April 6, 2020.

Furthermore, the Company conducted a series of procedures to make Hitachi High-Tech a wholly-owned subsidiary of the Company. As a result, the Company's ownership ratio of shares of Hitachi High-Tech increased to 100% on May 20, 2020. The total consideration paid was 531,084 million yen, and the Company will recognize decreases in capital surplus of 321,627 million yen and non-controlling interest of 209,457 million yen, respectively, for the year ending March 31, 2021.

(e) Sale of all shares of Hitachi Chemical Company, Ltd. (Hitachi Chemical)

On December 18, 2019, the Company signed a tender offer agreement with Showa Denko K.K. (Showa Denko) and HC Holdings K.K. (HC Holdings), a wholly-owned subsidiary of Showa Denko, under which the Company agrees to tender all shares of common stock in Hitachi Chemical held by the Company, in response to a tender offer to be carried out by HC Holdings for the shares of common stock of Hitachi Chemical, a consolidated subsidiary of the Company in the Hitachi Chemical segment. HC Holdings commenced the tender offer on March 24, 2020, and the tender offer was completed on April 20, 2020. The consideration to be received by the Company was 495,145 million yen.

As a result, the Company's ownership ratio of shares of Hitachi Chemical decreased from 51.4% to 0%, and Hitachi Chemical was deconsolidated. A gain on the sale of shares of Hitachi Chemical in the amount of 278,839 million yen will be recognized in Other income in the consolidated statement of profit or loss for the year ending March 31, 2021. Furthermore, non-controlling interest in Hitachi Chemical will decrease 220,402 million yen in the consolidated statement of changes in equity for the year ending March 31, 2021 as a result of its deconsolidation.

(f) Settlement regarding the South African project

At the meeting of the Board of Directors held on December 18, 2019, the Company approved a settlement with Mitsubishi Heavy Industries, Ltd. (MHI) regarding the transfer price adjustment, etc. for the South African project previously in the process of arbitration based on economic rationality and business strategy, etc., and reached a settlement agreement with MHI on the same day. As a result of the conclusion of this settlement, it was agreed that all common shares of Mitsubishi Hitachi Power Systems, Ltd. (MHPS) held by the Company would be transferred to MHI, and the Company would pay 130,000 million yen to MHI comprising a settlement payment of 200,000 million yen offset by a consideration of 70,000 million yen in loans receivable to Mitsubishi Hitachi Power Systems Africa Proprietary Limited (MHPS Africa) to be transferred to MHI. Accordingly, the Company recorded other accounts payable of 200,000 million yen related to the settlement payment to MHI and other provision of 273,272 million yen related to the transfer of shares of MHPS. The Company also reversed the provision of 105,041 million yen related to the transfer price adjustment, etc. of the South African project, which had been recorded prior to the conclusion of this agreement. As a result of the above, the Energy segment recorded a loss of 375,967 million yen due to the settlement, which is included in Other expenses in the consolidated statement of profit or loss for the year ended March 31, 2020. Other provision related to this agreement is included in Other current liabilities in the consolidated statement of financial position as of March 31, 2020, and the change in the provisions, including the reversal of the provision related to the transfer price adjustment, etc. of the South African project, which had been recorded prior to the conclusion of this agreement, is included in Other under cash flows from operating activities in the consolidated statement of cash flows for the year ended March 31, 2020. Regarding the assets to be transferred to MHI under this agreement, the shares of MHPS previously included in Investments accounted for using the equity method and the loans receivable to MHPS Africa previously included in Investments in securities and other financial assets classified as non-current assets in the consolidated statement of financial position, the total of which was 333,614 million yen, were reclassified to Other current assets in the consolidated statement of financial position since they met the criteria as held-for-sale assets in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations." Furthermore, on March 30, 2020, the Company transferred to MHI, the loans receivable to MHPS Africa, and paid 130,000 million yen to MHI comprising the settlement payment offset by the consideration in loans receivable. As of March 31, 2020, the corresponding amount of assets meeting the criteria as held-for-sale assets included in Other current assets is 263,614 million yen. The shares of MHPS will be delivered to MHI on September 1, 2020, as the procedures required for the transfer were completed.

(g) Acquisition of robotic systems integration business

On April 23, 2019, the Company signed an agreement with JR Intermediate Holdings, LLC (JR Intermediate) to acquire all interests of JR Technology Group, LLC (JR Technology), a subsidiary of JR Intermediate, in order to expand the robotic systems integration business globally. On December 27, 2019, Hitachi America, Ltd., a consolidated subsidiary of the Company, executed the acquisition. As a result, the Company's ownership ratio of interests of JR Technology became 100% and JR Technology turned into a subsidiary of the Company. Furthermore, Hitachi America, Ltd. repaid 231 million U.S. dollars (25,304 million yen) of certain loans owed by JR Technology, in addition to the acquisition cost.

The following table summarizes the fair value of the consideration paid for JR Technology and the amounts of the assets acquired and liabilities assumed recognized as of the acquisition date.

	Millions of yen
Cash and cash equivalents	3,056
Trade receivables and contract assets	26,315
Inventories	433
Other current assets	871
Non-current assets (excluding intangible assets)	9,352
Intangible assets	
Goodwill (deductible for tax purposes)	84,334
Other intangible assets	56,008
Total	180,369
Current liabilities	18,382
Non-current liabilities	31,883
Total	50,265
Cash paid for the acquisition	130,104

The goodwill mainly comprises excess earning power and expected synergies arising from the acquisition.
The operating results of JR Technology for the period from the acquisition date to March 31, 2020 were not material.
On a pro forma basis, revenues and net income using an assumed acquisition date for JR Technology of April 1, 2019 would not differ materially from the amounts reported in the consolidated financial statements for the year ended March 31, 2020.

(h) Acquisition of Chassis Brakes International B.V. (Chassis Brakes)

On July 24, 2019, the Company and HiAMS, a consolidated subsidiary of the Company in the Smart Life segment, signed an agreement with Caliper Acquisition International S.à r.l. (Caliper), a special purpose vehicle of KPS Capital Partners, for HiAMS to acquire all shares of Chassis Brakes in order to further strengthen core businesses and build HiAMS's global presence. On October 11, 2019, the acquisition was executed. As a result, the Company's ownership ratio of shares of Chassis Brakes became 100% and Chassis Brakes turned into a subsidiary of the Company. Furthermore, Hitachi International (Holland) B.V., a consolidated subsidiary of the Company, repaid 194 million euro (23,066 million yen) of certain loans owed by Chassis Brakes, in addition to the acquisition cost.

The following table summarizes the fair value of the consideration paid for Chassis Brakes and the amounts of the assets acquired and liabilities assumed recognized as of the acquisition date.

	Millions of yen
Cash and cash equivalents	3,666
Trade receivables and contract assets	13,815
Inventories	10,894
Other current assets	5,940
Non-current assets (excluding intangible assets)	28,548
Intangible assets	
Goodwill (not deductible for tax purposes)	47,663
Other intangible assets	34,139
Total	144,665
Current liabilities	50,074
Non-current liabilities	34,513
Total	84,587
Cash paid for the acquisition	60,078

The goodwill mainly comprises excess earning power and expected synergies arising from the acquisition.
The operating results of Chassis Brakes for the period from the acquisition date to March 31, 2020 were not material.
On a pro forma basis, revenues and net income using an assumed acquisition date for Chassis Brakes of April 1, 2019 would not differ materially from the amounts reported in the consolidated financial statements for the year ended March 31, 2020.

(i) Other

To implement the growth investments necessary to strengthen and expand the Social Innovation Business globally, the Company entered into loan agreements totaling 439,878 million yen with several financial institutions and borrowed money in June 2020. Also, Commercial paper was issued from June 4, 2020 to August 26, 2020 at a total issue price of 500,000 million yen. All interest rates reflect market interest rates and maturities are within one year. There are no collateral or other important riders.

The following are the main Business Acquisitions and Divestitures for the year ended March 31, 2019.

(a) Sale of all shares of Clarion Co., Ltd. (Clarion)

On October 26, 2018, the Company signed a tender offer agreement with Hennape Six SAS (Hennape), a subsidiary of Faurecia S.A. (Faurecia), and Faurecia under which the Company agrees to tender all shares of common stock in Clarion held by the Company, in response to a tender offer to be carried out by Hennape for the shares of common stock of Clarion, a consolidated subsidiary of the Company in the Smart Life segment. Hennape commenced the tender offer on January 30, 2019, and the tender offer was completed on February 28, 2019. The consideration to be received by the Company was 89,908 million yen.
As a result, the Company's ownership ratio of shares of Clarion decreased from 63.8% to 0%, and Clarion was deconsolidated. A gain on the sale of shares of Clarion in the amount of 67,918 million yen was recognized in Other income in the consolidated statement of profit or loss. Changes in non-controlling interests in the consolidated statement of changes in equity include derecognition of non-controlling interest in Clarion as a result of its deconsolidation.
On December 26, 2018, Faurecia S.A. changed its name to Faurecia S.E..

(b) Additional acquisition of shares of Ansaldo STS S.p.A. (STS)

On October 29, 2018, the Company and Hitachi Rail Italy Investments S.r.l. (HRII), a consolidated subsidiary of the Company in the Mobility segment, signed an agreement with Elliott International, L.P., Elliott Associates, L.P. and The Liverpool Limited Partnership (together, "Elliott Selling Entities"), and Elliott Management Corporation for HRII to acquire the 31.8% stake in STS, a consolidated subsidiary of the Company in the Mobility segment, owned by Elliott Selling Entities. On November 2, 2018, the transaction was settled. Furthermore, HRII later acquired additional outstanding issued shares of STS. As a result, the Company's ownership ratio of shares of STS increased to 100% on January 30, 2019. The total consideration paid was 1,250 million euro (159,031 million yen), and the Company recognized a decrease in the total of capital surplus and non-controlling interest by the same amount for the year ended March 31, 2019.

On April 1, 2019, STS changed its name to Hitachi Rail STS S.p.A.. Additionally, on October 31, 2019, STS and HRII conducted an absorption-type merger in which STS was the surviving company and HRII was the disappearing company.

(c) Sale of shares and business reorganization of Hitachi Kokusai Electric Inc. (Hitachi Kokusai)

On April 26, 2017, the Company signed a basic agreement with HKE Holdings K.K. (HKE), which is indirectly held and operated by a related investment fund whose equity interests are wholly owned by Kohlberg Kravis Roberts & Co. L.P. and with HVJ Holdings Inc. (HVJ), in which is invested by funds which are managed, operated, provided with information and the like by Japan Industrial Partners, Inc., regarding (i) a tender offer to be conducted by HKE for the common shares of Hitachi Kokusai, which was a consolidated subsidiary of the Company included in Others under segment information and a share consolidation of the share of Hitachi Kokusai, and the acquisition of treasury shares by Hitachi Kokusai, through which Hitachi Kokusai becomes a wholly-owned subsidiary of HKE, (ii) an absorption-type company split of the thin-film process solutions business of Hitachi Kokusai, whereby HKE is the company succeeding in the absorption-type split, to be conducted by HKE and Hitachi Kokusai after Hitachi Kokusai becomes a wholly-owned subsidiary of HKE, and (iii) the transfer by HKE of 20% of the share of Hitachi Kokusai to the Company and 20% of the share of Hitachi Kokusai to HVJ to take place after the absorption-type company split, and other transactions that are incidental or related to those transactions. Furthermore, on October 11, 2017, on November 24, 2017 and on March 30, 2018, the Company signed a memorandum of understanding to amend the basic agreement (the Amendment Memorandum) with HKE and HVJ.

HKE commenced the tender offer on October 12, 2017 pursuant to the Amendment Memorandum, and the tender offer was completed on December 8, 2017. Following the completion of the tender offer, the above related transactions, such as the share consolidation of Hitachi Kokusai shares, took place and the all related transactions were completed on June 4, 2018. As a result, the Company's ownership ratio of shares of Hitachi Kokusai decreased from 51.7% to 20.0% and Hitachi Kokusai turned into an equity-method associate of the Company. A gain on the sale of shares of Hitachi Kokusai in the amount of 32,049 million yen was recognized in Other income in the consolidated statement of profit or loss. Changes in non-controlling interests in the consolidated statement of changes in equity include derecognition of non-controlling interest in Hitachi Kokusai as a result of its deconsolidation.

On June 1, 2018, HKE changed its name to Kokusai Electric Corporation.

(6) Trade Receivables and Contract Assets

The components of trade receivables and contract assets are as follows:

Millions of yen

	March 31, 2020	March 31, 2019
Accounts receivable	1,684,225	1,790,520
Contract assets	429,117	432,881
Others	146,863	176,532
Total	2,260,205	2,399,933

Trade receivables and contract assets are stated as net of the allowance for doubtful receivables.

Others include notes receivable and electronically recorded monetary claims.

(7) Inventories

The components of inventories are as follows:

Millions of yen

	March 31, 2020	March 31, 2019
Finished goods	606,158	567,454
Semi-finished goods and work in process	539,634	522,308
Raw materials	263,145	267,000
Total	1,408,937	1,356,762

For the years ended March 31, 2020 and 2019, the amounts of inventories expensed and included as cost of sales were 5,367,710 million yen and 5,749,913 million yen, respectively, and the write-downs of inventories were 52,054 million yen and 35,542 million yen, respectively.

(8) Investments Accounted for Using the Equity Method

The aggregated carrying amounts of investments accounted for using the equity method as of March 31, 2020 and 2019, and the Company and certain subsidiaries' share of total comprehensive income of equity-method associates and joint ventures for the years ended March 31, 2020 and 2019 are as follows:

Millions of yen

	Associates		Joint ventures	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Carrying amount of investments	428,067	669,349	52,308	55,112

As of March 31, 2020 and 2019, the Company and certain subsidiaries' interests in certain joint ventures operating at a loss have the cumulative loss exceeding the Company and certain subsidiaries' investments, and thus the negative amounts of 76,745 million yen and 79,747 million yen, respectively, were recognized in other non-current liabilities.

Millions of yen

	Associates		Joint ventures	
	2020	2019	2020	2019
Net income (loss) from continuing operations	34,811	(23,644)	8,828	8,628
Other comprehensive income	(14,177)	11,098	(395)	(1,053)
Total comprehensive income	20,634	(12,546)	8,433	7,575

In addition to the share of Net income (loss) from continuing operations of equity method associates and joint ventures, impairment losses on investments accounted for using the equity method were recognized in Share of profit (loss) of investments accounted for using the equity method. The amount of impairment losses recognized in the consolidated statement of profit or loss for the year ended March 31, 2020 and 2019 were 4,442 million yen and 20,274 million yen.

(9) Property, Plant and Equipment

The following table shows the changes in the net carrying amounts of property, plant and equipment.

Millions of yen

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Other	Construction in progress	Total
Net carrying amount								
March 31, 2018	361,758	686,556	557,576	172,949	-	102,684	243,304	2,124,827
Additions	1,755	8,169	27,866	23,550	-	12,476	339,246	413,062
Transfers between accounts	855	78,592	140,258	46,776	-	2,809	(269,290)	-
Sales and disposals	(1,169)	(3,242)	(8,579)	(4,791)	-	(3,673)	(4,530)	(25,984)
Depreciation	-	(54,567)	(124,182)	(66,822)	-	(24,470)	-	(270,041)
Impairment losses	(54,208)	(9,103)	(29,470)	(5,729)	-	(4)	(155,439)	(253,953)
Acquisitions and divestitures	(10,100)	(25,823)	(13,518)	(5,177)	-	(761)	(545)	(55,924)
Currency translation effect	(3,644)	(1,431)	3,030	4,404	-	(340)	(8,561)	(6,542)
Other	(4,373)	736	(1,864)	9,313	-	30,684	(3,256)	31,240
March 31, 2019 (Before restatement)	290,874	679,887	551,117	174,473	-	119,405	140,929	1,956,685
Cumulative effects of changes in accounting policies	-	-	-	-	259,992	(39,083)	-	220,909
April 1, 2019 (After restatement)	290,874	679,887	551,117	174,473	259,992	80,322	140,929	2,177,594
Additions	1,278	8,162	29,884	23,685	87,445	-	244,986	395,440
Transfers between accounts	3,540	59,562	146,169	44,599	3,862	1,861	(259,593)	-
Sales and disposals	(14,114)	(5,913)	(5,947)	(4,004)	(3,779)	(4,769)	(1,999)	(40,525)
Depreciation	-	(54,043)	(125,980)	(67,857)	(76,825)	(16,144)	-	(340,849)
Impairment losses	(4,255)	(12,287)	(41,511)	(3,297)	(3,029)	-	(2,525)	(66,904)
Acquisitions and divestitures	153	7,380	11,242	2,150	6,286	88	4,708	32,007
Currency translation effect	(2,910)	(12,436)	(12,727)	(3,868)	(7,177)	(942)	(4,085)	(44,145)
Other	(460)	5,240	901	10,867	504	41,713	(6,072)	52,693
March 31, 2020	274,106	675,552	553,148	176,748	267,279	102,129	116,349	2,165,311

The amount of depreciation recognized is included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss. Impairment losses are included in Other expenses in the consolidated statement of profit or loss.

The Company had applied IAS 17 in the fiscal year ended March 31, 2019. Finance lease assets are included in Other in the table above, and their carrying amount as of March 31, 2019 was 31,461 million yen.

The following table shows the gross carrying amounts and accumulated depreciation and impairment losses of property, plant and equipment.

Millions of yen

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Other	Construction in progress	Total
Gross carrying amount								
March 31, 2018	383,862	1,760,206	2,475,707	961,975	-	230,553	245,630	6,057,933
March 31, 2019	366,350	1,747,110	2,475,446	937,581	-	249,976	300,007	6,076,470
March 31, 2020	346,566	1,767,093	2,525,387	938,059	535,682	187,168	264,293	6,564,248
Accumulated depreciation and impairment losses								
March 31, 2018	(22,104)	(1,073,650)	(1,918,131)	(789,026)	-	(127,869)	(2,326)	(3,933,106)
March 31, 2019	(75,476)	(1,067,223)	(1,924,329)	(763,108)	-	(130,571)	(159,078)	(4,119,785)
March 31, 2020	(72,460)	(1,091,541)	(1,972,239)	(761,311)	(268,403)	(85,039)	(147,944)	(4,398,937)

Impairment Losses Recognized for the Year Ended March 31, 2020:
The Hitachi Metals segment recognized impairment losses of 31,188 million yen, mainly attributable to the lower than expected future revenue projected for the magnetic materials business consisting of impairment losses on property, plant and equipment of 22,479 million yen relating to business assets of machinery and on goodwill and other intangible assets of 38,952 million yen. The recoverable amount was determined on the basis of value in use, which was measured at 106,313 million yen as of September 30, 2019, the date on which impairment losses were recognized. The value in use was discounted at 9.6% (before tax), which was derived from the weighted average cost of capital.

The Smart Life segment recognized impairment losses of 17,480 million yen, of which 7,743 million yen was attributable to the lower than expected future revenue at one of factories of a subsidiary in the U.S.A. relating to business assets of machinery in the Automotive Systems business. The recoverable amount was determined on the basis of fair value less costs of disposal. The costs of disposal exceeded the fair value thus the recoverable amount was recorded at nominal value as of March 31, 2020. A market approach was used in measuring the fair value of the relevant assets. These fair value measurements were based on observable market transactions, and thus classified as Level 2 of fair value hierarchy.

Impairment Losses Recognized for the Year Ended March 31, 2019:
The Energy segment recognized impairment losses of 209,145 million yen, of which 206,799 million yen was attributable to the suspension of the UK nuclear power stations construction project (the project) relating to construction in progress and land etc. The recoverable amount was determined on the basis of fair value less costs of disposal, which was measured at 2,494 million yen as of December 31, 2018, the date on which impairment losses were recognized. A market approach was used in measuring the fair value of the relevant assets. These fair value measurements were based on real estate appraisal value, and thus classified as Level 3 of fair value hierarchy. Details of the project are described in note 21.

The Smart Life segment recognized impairment losses of 25,120 million yen, of which 10,590 million yen was attributable to the decrease in productivity at one of factories of a subsidiary in Mexico relating to business assets of buildings and machinery in the Automotive Systems business. The recoverable amount was determined on the basis of value in use, which was measured at 10,812 million yen as of September 30, 2018, the date on which impairment losses were recognized. The value in use was discounted at 13.5% (before tax), which was derived from the weighted average cost of capital.

The Hitachi Metals segment recognized impairment losses of 12,569 million yen, of which 6,975 million yen was attributable to the lower than expected future revenue projected for its heat-resistant exhaust casting components business relating to business assets of buildings and machinery. The recoverable amount was determined on the basis of fair value less costs of disposal, which was measured at 7,394 million yen as of December 31, 2018, the date on which impairment losses were recognized. A market approach was used in measuring the fair value of the relevant assets. These fair value measurements were based on real estate appraisal value, and thus classified as Level 3 of fair value hierarchy.

(10) Goodwill and Other Intangible Assets

The following table shows the changes in the net carrying amounts of Goodwill and Other intangible assets.

Millions of yen

	Goodwill	Other intangible assets			
		Software for internal use	Software for sale	Other	Total
Net carrying amount					
March 31, 2018	588,165	108,325	41,038	316,842	466,205
Internal developments	-	886	1,852	47,012	49,750
Purchases	-	9,851	1,045	29,806	40,702
Transfers between accounts	-	30,339	22,331	(52,670)	-
Amortization	-	(42,925)	(23,253)	(30,184)	(96,362)
Impairment losses	(43,853)	(1,093)	(6,888)	(38,610)	(46,591)
Disposals	-	(1,980)	(66)	(672)	(2,718)
Acquisitions and divestitures	11,425	(9,041)	(31)	(4,684)	(13,756)
Currency translation effect	5,823	152	(167)	1,912	1,897
Other	376	224	(363)	(908)	(1,047)
March 31, 2019 (Before restatement)	561,936	94,738	35,498	267,844	398,080
Cumulative effects of changes in accounting policies	-	-	-	103	103
April 1, 2019 (After restatement)	561,936	94,738	35,498	267,947	398,183
Internal developments	-	805	1,891	56,626	59,322
Purchases	-	11,212	410	27,701	39,323
Transfers between accounts	-	34,432	22,270	(56,702)	-
Amortization	-	(38,749)	(21,877)	(30,082)	(90,708)
Impairment losses	(51,861)	(1,094)	(4,122)	(11,451)	(16,667)
Disposals	-	(2,147)	(65)	(886)	(3,098)
Acquisitions and divestitures	140,590	984	2	100,593	101,579
Currency translation effect	(14,606)	(764)	(80)	(7,250)	(8,094)
Other	(132)	(498)	(67)	519	(46)
March 31, 2020	635,927	98,919	33,860	347,015	479,794

The amount of amortization recognized is included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss. Impairment losses are included in Other expenses in the consolidated statement of profit or loss.

The following table shows the gross carrying amount and accumulated amortization and impairment losses of goodwill and other intangible assets.

Millions of yen

	Goodwill	Other intangible assets			
		Software for internal use	Software for sale	Other	Total
Gross carrying amount					
March 31, 2018	592,870	617,264	530,778	606,406	1,754,448
March 31, 2019	568,643	590,831	544,840	590,367	1,726,038
March 31, 2020	689,504	602,425	565,416	707,031	1,874,872
Accumulated amortization and impairment losses					
March 31, 2018	(4,705)	(508,939)	(489,740)	(289,564)	(1,288,243)
March 31, 2019	(6,707)	(496,093)	(509,342)	(322,523)	(1,327,958)
March 31, 2020	(53,577)	(503,506)	(531,556)	(360,016)	(1,395,078)

The Company writes off goodwill if it has been fully impaired.

Impairment Losses Recognized for the Year Ended March 31, 2020:
The Hitachi Metals segment recognized impairment losses of 39,011 million yen, of which 38,952 million yen was attributable to the lower than expected future revenue projected for the magnetic materials business. Details of these impairment losses are described in note 9.

The IT segment recognized impairment losses of 16,751 million yen, mainly due to the lower than expected future revenue on software for sale and other intangible assets as a result of changes in market trends.

Impairment Losses Recognized for the Year Ended March 31, 2019:
The Energy segment recognized impairment losses of 72,912 million yen, of which 70,409 million yen was attributable to the suspension of the UK nuclear power stations construction project (the project). The amount of goodwill and other intangible assets related to the project was fully written off. Details of the project are described in note 21.

The carrying amounts of other intangible assets with indefinite useful lives as of March 31, 2020 and 2019 amounted to 6,757 million yen and 6,265 million yen, respectively. The main components of such assets are acquired brands. They are assessed to have indefinite useful lives because there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the entity.

Expenditures on research activities aimed at obtaining new scientific or technical knowledge or understanding are expensed when incurred. Expenditures on development activities for a new or major improvement of production plan or design prior to the beginning of commercial production or use are capitalized as an internally generated intangible asset only when such expenditures attributable to the intangible asset can be reliably measured, it is feasible for the Company to complete the development, and it is highly probable that the Company will obtain the future economic benefit. Otherwise, the expenditures are recognized as an expense when incurred.

The carrying amounts of internally generated other intangible assets (at cost less accumulated amortization and impairment losses) as of March 31, 2020 and 2019 amounted to 142,845 million yen and 122,238 million yen, respectively. These assets are mainly included in software for internal use or software for sale.

Research and development expenditures recognized as an expense for the years ended March 31, 2020 and 2019 were 293,799 million yen and 323,145 million yen, respectively, and they are included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss.

The Company tests goodwill acquired through business combinations for impairment by comparing the carrying amount and the recoverable amount per CGU (or group of CGUs).
As of March 31, 2020 and 2019, the group of CGUs with a significant proportion of goodwill allocated was the System & Service Business Division, which belongs to the IT segment, and the carrying amounts of goodwill allocated to the System & Service Business Division were 190,978 million yen and 200,282 million yen, respectively. The recoverable amount used for the impairment test of goodwill of the System & Service Business Division for the years ended March 31, 2020 and 2019 were calculated based on the fair value less costs of disposal and the value in use, respectively. The value in use was calculated by the estimated future cash flows based on the business plans approved by the management, discounted at the discount rate which was derived from the weighted average cost of capital. The business plan reflected past experience based on external information. For the year ended March 31, 2019, cash flows were projected over three years, the discount rates (before tax) used was 7.69%, and the growth rate used was 1.0%. The fair value less costs of disposal was calculated by the market approach based on EV/EBITDA valuation multiples of similar companies that were comparable to the System & Service Business Division. The fair value hierarchy classification was level 3 measured by unobservable inputs.

The Company considers it unlikely for the carrying amount of each CGU (or group of CGUs), together with allocated goodwill, would exceed the respective recoverable amounts of the CGU (or group of CGUs) even if the primary assumptions used for the impairment test changed within a reasonable range.

(11) Leases

(a) Lessee

The Company and certain subsidiaries use leased facilities and equipment, including buildings, machinery and equipment and vehicles.

The Company had applied IAS 17 in the fiscal year ended March 31, 2019. The following table shows the undiscounted amounts and present value of minimum lease payments under finance leases as of March 31, 2019.

Millions of yen

	March 31, 2019	
	Minimum lease payments	Present value of minimum lease payments
Within 1 year	19,290	17,933
After 1 year but not more than 5 years	30,873	28,322
More than 5 years	3,541	2,944
Total	53,704	49,199
Finance charges	(4,505)	
Present value of minimum lease payments, total	49,199	

The following table shows the future minimum lease payments under non-cancelable operating leases as of March 31, 2019.

Millions of yen

	March 31, 2019
Within 1 year	36,879
After 1 year but not more than 5 years	70,083
More than 5 years	29,001
Total	135,963

Total operating lease expenses for the year ended March 31, 2019 is as follows:

Millions of yen

	2019
Operating lease expenses	132,336

From the beginning of the fiscal year ended March 31, 2020, the Company has adopted IFRS 16. The following table shows the carrying amount of right-of-use assets at the end of March 31, 2020 by class of underlying asset.

Millions of yen

	Class of underlying asset					Total
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Other	
March 31, 2020	179,476	34,699	23,625	29,322	608	267,730

The following table shows the expense relating to leases and cash outflow for the fiscal year ended March 31, 2020.

Millions of yen

	2020
Depreciation for right-of-use assets	
Buildings and structures	53,866
Machinery and vehicles	12,322
Tools, furniture and fixtures	7,601
Land	2,895
Other	503
Total	77,187
Interest charges on lease liabilities	3,675
Expense relating to short-term leases, etc.	32,787
Expenses relating to leases	113,649

Millions of yen

	2020
Total cash outflow for leases	115,315

Additions of right-of-use assets for the fiscal year ended March 31, 2020 is disclosed in note 9.
Maturity analysis of lease liabilities at the end of March 31, 2020 is disclosed in note 26.

(b) Lessor

The Company and certain subsidiaries lease certain assets such as manufacturing machinery and equipment under finance and operating lease arrangements.

The Company had applied IAS 17 in the fiscal year ended March 31, 2019. The following table shows the undiscounted amounts and present value of minimum lease payments receivable under finance leases as of March 31, 2019.

Millions of yen

	March 31, 2019	
	Gross investment in lease	Present value of minimum lease payments receivable
Within 1 year	54,705	51,033
After 1 year but not more than 5 years	46,351	43,519
More than 5 years	1,528	1,317
Total	102,584	95,869
Unearned income	(6,157)	
Net investment in the lease	96,427	
Unguaranteed residual value	(558)	
Present value of minimum lease payments receivable, total	95,869	

The amounts of the allowance for uncollectable minimum lease payments receivable as of March 31, 2019 was 1,354 million yen.

The following table shows the future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2019.

Millions of yen

	March 31, 2019
Within 1 year	4,137
After 1 year but not more than 5 years	6,545
More than 5 years	5,245
Total	15,927

From the beginning of the fiscal year ended March 31, 2020, the Company has adopted IFRS 16. The following table shows lease income for the year ended March 31, 2020.

Millions of yen

	2020
Lease income from finance leases	4,879
Lease income from operating leases	52,059
Total lease income	56,938

A significant component of lease income from finance leases represents finance income on the net investment in the lease.

(i) Finance leases

The following table shows the maturity analysis of the finance lease payments receivable as of March 31, 2020.

Millions of yen

	March 31, 2020
Undiscounted lease payments to be received	
Within 1 year	46,166
After 1 year but not more than 5 years	43,157
More than 5 years	2,610
Total	91,933
Unearned finance income relating to the lease payments receivable	(5,907)
Discounted unguaranteed residual value	436
Net investment in finance leases	86,462

(ii) Operating leases

The following table shows the maturity analysis of the undiscounted operating lease payments to be received as of March 31, 2020.

Millions of yen

	March 31, 2020
Within 1 year	4,836
After 1 year but not more than 5 years	3,341
More than 5 years	962
Total	9,139

(12) Deferred Taxes and Income Taxes

The components of income taxes recognized in the consolidated statement of profit or loss and deferred taxes recognized in the consolidated statement of comprehensive income are as follows:

Millions of yen

	2020	2019
Income taxes		
Current tax expense	175,072	201,204
Deferred tax expense		
Temporary differences originated and reversed	(69,717)	(91,528)
Changes in realizability of deferred tax assets	(54,109)	76,668
Total	51,246	186,344
Deferred taxes recognized in OCI		
Net changes in financial assets measured at fair value through OCI	(8,019)	(13,928)
Remeasurements of defined benefit plans	(937)	(44)
Net changes in cash flow hedges	5,752	(2,549)
Foreign currency translation adjustments	(1,009)	-
Total	(4,213)	(16,521)

The Company and its Japanese subsidiaries were subject to a national corporate tax, an inhabitant tax and business tax, for the years ended March 31, 2020 and 2019, which in the aggregate resulted in a combined statutory income tax rates of approximately 30.5%.

The Company and certain subsidiaries file consolidated income tax returns in certain jurisdictions.

Reconciliations between the combined statutory income tax rate and the effective income tax rate are as follows:

	2020	2019
Combined statutory income tax rate	30.5%	30.5%
Share of (profits) losses of investments accounted for using the equity method	(7.4)	0.9
Change in excess amounts over the tax basis of investments in subsidiaries and investments accounted for using the equity method	33.1	0.1
Gain or loss on sale of investments in subsidiaries and investments accounted for using the equity method	(4.3)	(10.6)
Expenses not deductible for tax purposes	3.3	1.1
Impairment of goodwill	8.8	2.6
Change in realizability of deferred tax assets	(30.0)	14.8
Difference in statutory tax rates of foreign subsidiaries	(6.5)	(3.5)
Other, net	0.9	0.2
Effective income tax rate	28.4%	36.1%

Changes in deferred tax assets and liabilities are as follows:

Millions of yen

	March 31, 2020	March 31, 2019
Deferred tax assets, net at beginning of year	161,691	129,105
Recognized in profit or loss	123,826	14,860
Recognized in OCI	4,213	16,521
Acquisitions, divestitures and others	(6,732)	(1,351)
Discontinued operations	-	2,556
Deferred tax assets, net at end of year	282,998	161,691

Significant components of the deferred tax assets and liabilities are as follows:

Millions of yen

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	March 31, 2020	March 31, 2019	2020	2019
Deferred tax assets				
Retirement and severance benefits	75,974	74,693	(214)	(2,482)
Accrued expenses	255,711	103,685	157,157	685
Depreciation of property, plant and equipment	8,343	12,565	(3,201)	1,911
Net operating loss carryforwards	17,603	10,156	7,641	491
Net intercompany profits on inventories, P.P.E. and others	28,141	31,018	(2,453)	(2,442)
Deferred revenues	21,454	20,814	(1,486)	(425)
Other	49,182	40,327	6,505	(2,349)
Total deferred tax assets	456,408	293,258	163,949	(4,611)
Deferred tax liabilities				
Deferred profit on sale of properties	(8,014)	(8,506)	206	124
Investments in securities	(102,280)	(66,953)	(38,928)	(614)
Tax purpose reserves regulated by Japanese tax laws	-	-	-	13,468
Intangible assets	(34,864)	(32,619)	3,948	5,418
Other	(28,252)	(23,489)	(5,349)	1,075
Total deferred tax liabilities	(173,410)	(131,567)	(40,123)	19,471
Net deferred tax assets	282,998	161,691	123,826	14,860

Net deferred tax assets are included in the following accounts in the consolidated statement of financial position.

Millions of yen

	March 31, 2020	March 31, 2019
Other non-current assets	330,680	205,809
Other non-current liabilities	(47,682)	(44,118)
Total	282,998	161,691

Deferred tax liabilities are not recognized for excess amounts over the tax basis of investments in subsidiaries and investments accounted for using the equity method that are considered to be reinvested indefinitely, for such differences will unlikely reverse in the foreseeable future. The temporary differences related to undistributed earnings of subsidiaries for which deferred tax liabilities are not recognized were 660,886 million yen and 794,022 million yen, respectively, as of March 31, 2020 and 2019.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Although realization is not assured, the Company carries out an assessment of the scheduled reversals of deferred tax liabilities and projected future taxable income, including the execution of certain available tax strategies if needed. Based on these factors, the Company believes it is more likely than not it will realize the benefits of these deductible differences as of March 31, 2020.

Deductible temporary differences and net operating loss carryforwards for unrecognized deferred tax assets are as follows:

Millions of yen

	March 31, 2020	March 31, 2019
Deductible temporary differences	1,243,180	1,447,286
Net operating loss carryforwards	484,130	505,514
Total	1,727,310	1,952,800

Net operating loss carryforwards for unrecognized deferred tax assets will expire as follows:

Millions of yen

	March 31, 2020	March 31, 2019
Within 5 years	164,465	160,567
After 5 years but not more than 10 years	119,047	111,682
More than 10 years	200,618	233,265
Total	484,130	505,514

(13) Trade Payables

The components of trade payables are as follows:

Millions of yen

	March 31, 2020	March 31, 2019
Accounts payable	1,118,467	1,224,454
Others	152,201	181,558
Total	1,270,668	1,406,012

Others include electronically recorded monetary claims and notes payable.

(14) Provisions

Changes in the balance and components of provisions for the year ended March 31, 2020 are as follows:

Millions of yen

	Asset retirement obligations	Provisions related to restructuring (structural reform)	Product warranty provisions	Provisions for expected losses on construction contracts	Other provisions
March 31, 2019	25,758	11,453	32,668	102,985	160,034
Additions (a)	6,407	21,422	5,209	48,680	282,030
Utilized	(866)	(22,449)	(9,578)	(59,840)	(11,314)
Acquisitions and divestitures	(146)	265	330	3,154	9,726
Currency translation effects, and others (a)	(183)	(493)	(1,586)	(504)	(114,690)
March 31, 2020	30,970	10,198	27,043	94,475	325,786
Current	3,316	10,197	18,596	91,442	314,361
Non-current	27,654	1	8,447	3,033	11,425

(a) Additions of other provisions include recording the provision of 273,272 million yen regarding the settlement of the South African project, and Currency translation effects, and others include reversal of the provision of 105,041 million yen related to the transfer price adjustment, etc. of the South African project, which had been recorded prior to the conclusion of the settlement agreement.

Asset Retirement Obligations

The Company and its subsidiaries recognize asset retirement obligations principally based on the estimated future expenditures using historical experience when the Company and its subsidiaries have a legal or contractual obligation associated with the retirement of tangible fixed assets used in normal operations, such as lease dilapidations of factory facilities and premises.

Provisions Related to Restructuring (Structural Reform)

Provision related to restructuring (structural reform) is recognized when the Company and its subsidiaries have a detailed formal plan for the restructuring of the business or a part of business and have raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected. The provision is recognized based on the estimated amount of direct expenditures attributable to restructuring.

Provisions related to restructuring (structural reform) mainly include special termination benefits for restructuring (structural reform).

Product Warranty Provisions

The Company and its subsidiaries provide warranties for certain products and services. Product warranty provisions are recognized by estimating future expenditures based principally on historical experience of warranty claims.

Provisions for Expected Losses on Construction Contracts

Provisions for expected losses on construction contracts are recognized based on future estimated losses as the Company and its subsidiaries fulfill long-term project requirements.

(15) Employee Benefits

(a) Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans and severance lump-sum payment plans, as well as defined contribution pension plans to provide retirement and severance benefits to substantially all employees.

The principal defined benefit pension plan is a corporate pension plan based on the Japanese Defined Benefit Corporate Pension Plan Act (the Act). Additionally, certain corporate pension plans adopt cash balance plans. Benefits under cash balance plans are calculated per each plan participant with a notional account balance, based on the contribution credits per salary level and interest credits based on market interest rate trends.

Pursuant to the Act, the Company has an obligation to make contributions to the Hitachi Pension Fund (the Fund) that manages the corporate pension plans. The directors of the Fund are responsible for faithfully executing operations in compliance with laws and regulations, and any orders issued by the Minister of Health, Labor and Welfare, and the director-generals of Regional Bureaus of Health and Welfare based on laws and regulations, as well as the rules of the Fund and the resolution of the Board of Representatives. The Fund prohibits the directors from acts that constitute conflicts of interests in the management and operation of the funds contributed for benefit payments (the contributions). If breached, the board members are jointly and severally held responsible.

The Fund is legally independent from the Company. The Board of Representatives comprises an equal number of representatives selected by the company and certain subsidiaries and representatives from the employee side. The proceedings of a Board of Representatives are decided by a majority vote of the members attending. In case of a tied vote, the chairman has the power to decide, except for exceptionally significant matters.

The actual management of the contributions is conducted by trustees in accordance with rules approved by the Board of Representatives. The Fund is responsible for managing the contributions to safely and efficiently manage the contributions by establishing the basic management policy of the contributions and preparing the management guidance in line with the policy submitted to the trustees.

The Company has future obligations to make contributions as defined by the Fund. The amount of contribution is periodically reviewed to the extent allowed by law.

On April 1, 2019, for current employees participating in the defined benefit pension plan managed by the Hitachi Pension Fund, the Company and Hitachi Industrial Products, Ltd., a consolidated subsidiary of the Company in the Industry segment, introduced a risk-sharing corporate pension plan. Under this plan, contributions to the risk-sharing corporate pension plan are determined in advance in accordance with the rules governing the plan, and pension benefits are adjusted annually based on the financial position of the plan to maintain balanced finance.

The risk-sharing corporate pension plan introduced by the Company and Hitachi Industrial Products, Ltd., is a mechanism in which management and labor unions share risks. At the time of the transfer to this system, the employer bears certain risks by making fixed contributions, including contributions to the risk-sharing corporate pension plan, in accordance with agreements between management and labor unions. In the event of a financial imbalance, the plan participants also bear certain risks by adjusting benefits. Under the previous defined benefit pension plan, employers were required to make additional contributions in the event of a funding shortfall. The risk-sharing corporate pension plan, however, measures the risks that may arise in the future, and sets contributions to the risk-sharing corporate pension plan within the scope of the agreement between management and labor unions in advance to balance contributions. The amount equivalent to the contributions made to risk-sharing corporate pension plan determined based on the level of the fiscal deterioration risk, which is calculated at the time of transfer, shall be contributed to the plan on a straight-line basis over five years from the date of transfer, and no additional contributions are required.

In terms of the corresponding accounting treatment for retirement benefits, risk-sharing corporate pension plans, for which an entity accepts contribution obligations to the extent stipulated in the rules but has no further obligations to make any additional contributions, are classified as defined contribution plans. Since this risk-sharing corporate pension plan imposes no additional contribution obligations, at the time of the shift to the revised plan, the difference between the defined benefit obligations related to the portion transferred to the revised plan and the amount of assets transferred to the revised plan corresponding to the decrease in defined benefit obligations, 21,206 million yen, was recognized as a settlement gain in Other income in the consolidated statement of profit or loss for the year ended March 31, 2020, and Retirement and severance benefits in the consolidated statement of financial position decreased by 21,206 million yen as of April 1, 2019.

The severance lump-sum payment plans provide a lump-sum payment at the time of retirement, and the benefit is calculated based on factors such as the salary level at retirement and the years of service. The Company and certain subsidiaries have an obligation to pay benefits directly to beneficiaries.

Defined contribution plans require companies to make contributions over a participation period, and plan participants themselves are responsible for the management of plan assets. Benefits are paid by the trustee, and the Company and certain subsidiaries' responsibility is limited to making contributions.

Changes in the present value of defined benefit obligations and the fair value of plan assets for the years ended March 31, 2020 and 2019 are as follows:

Millions of yen

	March 31, 2020	March 31, 2019
Defined benefit obligations		
At beginning of year	2,160,054	2,246,857
Service cost	63,795	78,260
Interest cost	9,562	12,311
Plan amendments	2,310	32
Actuarial losses	(13,877)	24,523
Benefits paid	(106,972)	(117,277)
Acquisitions and divestitures	(1,049)	(78,868)
Transfer to defined contribution pension plan	(11,672)	(633)
Settlements/curtailments	(312)	(6,146)
Effect of shift to risk-sharing corporate pension plan	(260,900)	-
Currency translation effect	(4,338)	995
At end of year	1,836,601	2,160,054
Fair value of plan assets		
At beginning of year	1,671,976	1,711,076
Interest income	9,840	10,255
Return on plan assets (excluding interest income)	(18,579)	13,312
Employers’ contributions	44,058	90,427
Employees’ contributions	470	281
Benefits paid	(82,766)	(87,550)
Acquisitions and divestitures	(1,834)	(57,375)
Transfer to defined contribution pension plan	(11,577)	(84)
Settlements/curtailments	(1,176)	(7,089)
Effect of shift to risk-sharing corporate pension plan	(239,694)	-
Currency translation effect	(2,812)	(1,277)
At end of year	1,367,906	1,671,976
Effect of asset ceiling	12,107	7,476
Net liability amount recognized in the consolidated statement of financial position	480,802	495,554

The components of actuarial gain or loss are as follows:

Millions of yen

	March 31, 2020	March 31, 2019
Arising from changes in financial assumptions	11,566	(22,225)
Arising from changes in demographic assumptions	(83)	6,748
Other	2,394	(9,046)

The Company and certain subsidiaries remeasure the defined benefit obligations and plan assets at the end of the fiscal year. The discount rates used in actuarial calculation of defined benefit obligations are as follows:

Percentage

	March 31, 2020	March 31, 2019
Discount rate	0.6	0.5

If, at March 31, 2020, the discount rate rose by 0.5%, the defined benefit obligations would decrease by 100,911 million yen, and if the discount rate decreased by 0.5%, the defined benefit obligations would increase by 109,930 million yen.

The sensitivity analysis is based on an assumption that all other variables other than the one analyzed are held constant; in reality, changes in other assumptions may impact the outcome of the analysis.

The Fund's plan asset management is based on the safe and efficient management of the contributions, diversified investments and determination of the investment ratio that should be sustained over the long term. The Fund seeks to maintain current value of assets sufficient for future obligations. A target rate of return is established to ensure a stable long term rate of return on assets. A diversified investment strategy is carried out while a target asset allocation is established to achieve the target rate of return. The target asset allocation is based on the expected rate of return by each class of asset, the standard deviation of the rate of return and the correlation coefficient among the assets. It is currently approximately 20% in equity, 50% in public and corporate bonds, and 30% in hedge funds, securitization products, life insurance general accounts and other assets. If market values fluctuate exceeding certain levels, the investment ratio is adjusted to the target allocation ratio in order to control risks.

In selecting trustees or asset management companies, the Fund takes into account appropriate quantitative and qualitative evaluations. The Fund also presents its management policies to the trustees or asset management companies, and periodically receives asset management reports.

The fair values of plan assets invested as of March 31, 2020 and 2019 are as follows:

Millions of yen

	March 31, 2020		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity	8,241	2,122	10,363
Government bonds and municipal debt securities	112,158	850	113,008
Corporate bonds and other debt securities	-	39,589	39,589
Hedge funds	-	46,634	46,634
Securitization products	-	42,283	42,283
Cash and cash equivalents	46,887	-	46,887
Life insurance general accounts	-	134,909	134,909
Commingled funds	-	903,713	903,713
Other	2,312	28,208	30,520
Total	169,598	1,198,308	1,367,906

Millions of yen

	March 31, 2019		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity	12,552	2,233	14,785
Government bonds and municipal debt securities	118,714	1,031	119,745
Corporate bonds and other debt securities	-	52,767	52,767
Hedge funds	-	55,217	55,217
Securitization products	-	59,326	59,326
Cash and cash equivalents	51,023	-	51,023
Life insurance general accounts	-	170,974	170,974
Commingled funds	-	1,118,967	1,118,967
Other	2,091	27,081	29,172
Total	184,380	1,487,596	1,671,976

As of March 31, 2020, investments in equity were allocated to approximately 40% in stocks listed in Japan and 60% in stocks listed in foreign markets. As of March 31, 2019, investments in equity were allocated to approximately 50% in stocks listed in Japan and 50% in stocks listed in foreign markets.

As of March 31, 2020 and 2019, Japanese government bonds made up approximately 95% of the government bonds and municipal debt securities, the majority of which were Japanese national bonds. Foreign public bonds, as of March 31, 2020 and 2019, took approximately 5%, the majority of which were foreign national bonds.

As of March 31, 2020, investments in corporate bonds and other debt securities were allocated to approximately 20% in Japanese corporate bonds and debt instruments, and 80% in foreign corporate bonds and debt instruments. As of March 31, 2019, investments in corporate bonds and other debt securities were allocated to approximately 5% in Japanese corporate bonds and debt instruments, and 95% in foreign corporate bonds and debt instruments.

Hedge funds primarily consist of investments in relative value strategy funds, event driven funds, equity long or short funds, and macroeconomic and Commodity Trading Advisor (CTA) funds.

Securitization products primarily consist of investments in equity of Japanese real estate funds, and debt and equity of collateralized loan obligations (CLO).

Commingled funds represent pooled institutional investments. As of March 31, 2020, commingled funds were allocated to 30% in listed stocks, 40% in government bonds, 10% in corporate bonds and other debt securities, 10% in cash and cash equivalents and 10% in other assets. As of March 31, 2019, commingled funds were allocated to 30% in listed stocks, 45% in government bonds, 10% in corporate bonds and other debt securities, 10% in cash and cash equivalents and 5% in other assets.

Funding by the Fund is conducted by taking into account various factors such as funded status, the limit of tax deductions, and actuarial calculations. For the purpose of maintaining balanced finance into the future, the bylaws of the Fund require recalculation of the contribution amounts at the end of fiscal year every five years. Basic assumptions (expected interest rates, mortality rates, withdrawal rate, etc.) are reviewed to recalculate the appropriate level of contribution.

The amount of contributions expected to be paid by the Company and its subsidiaries to the plan assets for the year ending March 31, 2021 is 56,830 million yen.

The weighted average duration (expected average maturity) of defined benefit obligations as of March 31, 2020 and 2019 were 12.1 years and 12.6 years, respectively.

Contributions made to defined contribution plans and expensed in profit or loss in the years ended March 31, 2020 and 2019 were 28,505 million yen and 27,601 million yen, respectively.

In addition, contributions made to the risk-sharing corporate pension plan and expensed in profit or loss in the year ended March 31, 2020 were 16,324 million yen. The amount of the contributions to the risk-sharing corporate pension plan expected to be paid by the Company and its subsidiaries from the year ending March 31, 2021 is 26,686 million yen.

(b) Employee Benefit Expenses

The aggregated amounts of employee benefit expenses including salary recognized in the consolidated statement of profit or loss for the years ended March 31, 2020 and 2019 were 2,282,736 million yen and 2,336,033 million yen, respectively.

(16) Equity

(a) Common Stock

Number of shares

	March 31, 2020	March 31, 2019
Total number of authorized shares	2,000,000,000	2,000,000,000

Note: Since the item of share consolidation (to consolidate every five the Company's shares into one share and to change the total shares authorized to be issued by the Company from 10 billion shares to 2 billion shares) was approved at the general meeting of shareholders held on June 20, 2018, the total shares authorized to be issued by the Company decreased 8,000,000,000 shares and became 2,000,000,000 shares on October 1, 2018.

	Issued shares outstanding (Number of shares)	Capital amount (Millions of yen)
March 31, 2018	4,833,463,387	458,790
March 31, 2019	966,692,677	458,790
March 31, 2020	967,280,477	459,862

Note: As a result of the share consolidation on October 1, 2018, the total number of issued shares decreased 3,866,770,710 shares and became 966,692,677 shares. Also, on May 31, 2019, the Company issued new shares as restricted stock compensation, the total number of issued shares increased 587,800 shares and became 967,280,477 shares.

Shares issued by the Company are non-par value common stock. The issued shares above include treasury stock. The changes in treasury stock for the years ended March 31, 2020 and 2019 are as follows:

	Treasury stock	
	(Number of shares)	(Millions of yen)
March 31, 2018	5,735,947	4,137
Acquisition of treasury stock	178,520	231
Sales of treasury stock	(4,827,800)	(448)
March 31, 2019	1,086,667	3,920
Acquisition of treasury stock	41,098	166
Sales of treasury stock	(77,024)	(277)
March 31, 2020	1,050,741	3,809

Note: Sales of treasury stock for the year ended March 31, 2019 include the decrease in treasury stock of 4,224,140 shares as a result of the share consolidation on October 1, 2018.

The number of shares of the Company held by the Company’s associates as of March 31, 2020 and 2019 were 33,400 shares.

(b) Surplus

(i) Capital Surplus

The Companies Act of Japan mandates that at least half of paid-in capital be appropriated as common stock and the rest be appropriated as legal reserve within capital surplus.

The changes in capital surplus include the effect of changes in the Company’s ownership interest in its consolidated subsidiaries. For the year ended March 31, 2019, the changes in capital surplus were due mainly to the decrease of 104,507 million yen in capital surplus in additional acquisition of shares of STS by HRII.

(ii) Retained Earnings

The Companies Act of Japan requires that ten percent of retained earnings appropriated for dividends be retained until the total amount of earned reserves included in capital reserve and retained earnings reaches a quarter of the nominal value of common stock. Earned reserves may be available for dividends by resolution at the shareholders’ meeting.

(17) Accumulated Other Comprehensive Income (AOCI) and Other Comprehensive Income (OCI)

Components of AOCI, net of related tax effects, presented in the consolidated statement of changes in equity, and changes in each component for the years ended March 31, 2020 and 2019 are as follows:

Millions of yen

	2020	2019
Foreign currency translation adjustments		
Balance at beginning of year	52,166	60,807
OCI, net of reclassification	(82,819)	(7,836)
Net transfer of non-controlling interests	(33)	(805)
Balance at end of year	(30,686)	52,166
Remeasurements of defined benefit plans		
Balance at beginning of year	10,312	22,675
OCI	(6,101)	(12,887)
Net transfer of non-controlling interests	-	(401)
Reclassified into retained earnings	(2,253)	925
Balance at end of year	1,958	10,312
Net changes in financial assets measured at FVTOCI		
Balance at beginning of year	95,725	174,588
OCI	(16,225)	(44,255)
Net transfer of non-controlling interests	2	-
Reclassified into retained earnings	(13,129)	(34,608)
Balance at end of year	66,373	95,725
Net changes in cash flow hedges		
Balance at beginning of year	(101,843)	(115,903)
OCI, net of reclassification	9,084	13,572
Net transfer of non-controlling interests	-	(664)
Others	(1,956)	1,152
Balance at end of year	(94,715)	(101,843)
Total AOCI		
Balance at beginning of year	56,360	142,167
OCI, net of reclassification	(96,061)	(51,406)
Net transfer of non-controlling interests	(31)	(1,870)
Reclassified into retained earnings	(15,382)	(33,683)
Others	(1,956)	1,152
Balance at end of year	(57,070)	56,360

The following shows a reconciliation of OCI, including non-controlling interests, to profit or loss items and deferred income tax effect per components of OCI during the years ended March 31, 2020 and 2019.

Millions of yen

	2020		
	Before tax	Tax effect	After tax
OCI arising during the year:			
Foreign currency translation adjustments	(112,823)	1,009	(111,814)
Remeasurements of defined benefit plans	(9,333)	937	(8,396)
Net changes in financial assets measured at FVTOCI	(25,226)	8,019	(17,207)
Net changes in cash flow hedges	15,021	(4,665)	10,356
Share of OCI of investments accounted for using the equity method	(20,202)	3,861	(16,341)
Total	(152,563)	9,161	(143,402)
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	491	-	491
Net changes in cash flow hedges	3,904	(1,087)	2,817
Share of OCI of investments accounted for using the equity method	1,772	(3)	1,769
Total	6,167	(1,090)	5,077
OCI, net of reclassification adjustments:			
Foreign currency translation adjustments	(112,332)	1,009	(111,323)
Remeasurements of defined benefit plans	(9,333)	937	(8,396)
Net changes in financial assets measured at FVTOCI	(25,226)	8,019	(17,207)
Net changes in cash flow hedges	18,925	(5,752)	13,173
Share of OCI of investments accounted for using the equity method	(18,430)	3,858	(14,572)
Total	(146,396)	8,071	(138,325)
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Foreign currency translation adjustments			(37,815)
Remeasurements of defined benefit plans			(2,802)
Net changes in financial assets measured at FVTOCI			(1,438)
Net changes in cash flow hedges			(209)
Total			(42,264)
OCI, net of reclassification adjustments, attributable to Hitachi, Ltd. stockholders:			
Foreign currency translation adjustments			(73,508)
Remeasurements of defined benefit plans			(5,594)
Net changes in financial assets measured at FVTOCI			(15,769)
Net changes in cash flow hedges			13,382
Share of OCI of investments accounted for using the equity method			(14,572)
Total			(96,061)

Millions of yen

	2019		
	Before tax	Tax effect	After tax
OCI arising during the year:			
Foreign currency translation adjustments	(5,979)	-	(5,979)
Remeasurements of defined benefit plans	(11,925)	44	(11,881)
Net changes in financial assets measured at FVTOCI	(59,284)	13,928	(45,356)
Net changes in cash flow hedges	(9,449)	2,874	(6,575)
Share of OCI of investments accounted for using the equity method	(10,211)	1,502	(8,709)
Total	(96,848)	18,348	(78,500)
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	1,804	-	1,804
Net changes in cash flow hedges	626	(325)	301
Share of OCI of investments accounted for using the equity method	23,699	(4,945)	18,754
Total	26,129	(5,270)	20,859
OCI, net of reclassification adjustments:			
Foreign currency translation adjustments	(4,175)	-	(4,175)
Remeasurements of defined benefit plans	(11,925)	44	(11,881)
Net changes in financial assets measured at FVTOCI	(59,284)	13,928	(45,356)
Net changes in cash flow hedges	(8,823)	2,549	(6,274)
Share of OCI of investments accounted for using the equity method	13,488	(3,443)	10,045
Total	(70,719)	13,078	(57,641)
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Foreign currency translation adjustments			(3,286)
Remeasurements of defined benefit plans			162
Net changes in financial assets measured at FVTOCI			(2,221)
Net changes in cash flow hedges			(890)
Total			(6,235)
OCI, net of reclassification adjustments, attributable to Hitachi, Ltd. stockholders:			
Foreign currency translation adjustments			(889)
Remeasurements of defined benefit plans			(12,043)
Net changes in financial assets measured at FVTOCI			(43,135)
Net changes in cash flow hedges			(5,384)
Share of OCI of investments accounted for using the equity method			10,045
Total			(51,406)

(18) Dividends

Dividends paid on the Company's common stock for the years ended March 31, 2020 and 2019 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on October 30, 2019	43,481	Retained earnings	45.0	September 30, 2019	November 29, 2019
The Board of Directors on May 10, 2019	48,280	Retained earnings	50.0	March 31, 2019	May 31, 2019
The Board of Directors on October 26, 2018	38,625	Retained earnings	8.0	September 30, 2018	November 27, 2018
The Board of Directors on May 10, 2018	38,621	Retained earnings	8.0	March 31, 2018	May 29, 2018

Note: Dividends per share for the year ended March 31, 2019 do not reflect the share consolidation effective on October 1, 2018.

The dividends on the Company's common stock whose record date falls in the year ended March 31, 2020 and the effective date falls in the next fiscal year is as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 13, 2020	48,311	Retained earnings	50.0	March 31, 2020	June 8, 2020

(19) Stock-based Compensation

The Company introduced a restricted stock compensation plan as stock-based compensation in place of the stock option plan and grants shares of restricted stock in place of the existing stock options as stock-based compensation from the year ended March 31, 2020.

Stock-based compensation expenses recognized for the years ended March 31, 2020 and 2019 were 724 million yen and 684 million yen, respectively.

(a) Restricted stock compensation plan

In accordance with the restricted stock compensation plan (hereinafter the "Plan") to be introduced by the Company, Executive Officers and Corporate Officers (hereinafter the "Eligible Persons") will receive shares of common stock to be newly issued or disposed by the Company by making contributions in kind of the monetary compensation claims which are granted in order to allot the shares of restricted stock to the Eligible Persons. In addition, with respect to the issuance or disposition of shares of common stock of the Company under the Plan, the Company and each Eligible Person executes an agreement on allotment of restricted stock (hereinafter the "Allotment Agreement").

Outline of the Allotment Agreement

(1) Transfer restriction period

From the payment date relating to the issuance or disposition of the shares of restricted stock to the date on which the Eligible Person ceases to be an Executive Officer, Director or Corporate Officer of the Company.

(2) Acquisition by the Company without consideration

If certain events set out in the Allotment Agreement occur, the Company will acquire the shares without any consideration promptly on or after a date notified to Eligible Persons. The Company will also acquire the shares for which the transfer restrictions are definitely not lifted at the time of such determination, without any consideration.

The outline of issuance for the year ended March 31, 2020 is as follows.

	March 31, 2020
Payment date	May 31, 2019
Class and number of shares to be issued	587,800 shares
Issue price per share [1]	3,647 yen

[1] The issue price for the year ended March 31, 2020 is the closing price per share for the Company's common stock on April 22, 2019 (preceding business day of the date upon the decision by the President regarding the issuance of new shares) in the first section of the Tokyo Stock Exchange, Inc.

(b) Stock option plan

Under the Company's stock option plan, Executive Officers and Corporate Officers are granted the right to purchase shares of common stock of the Company (stock acquisition rights).

Details of the Company's stock option plan for the years ended March 31, 2020 and 2019 are as follows.

Fiscal Year of Issuance and Name	Grant Date	Exercise period
Year ended March 31, 2019		
The Third Stock Acquisition Rights of Hitachi, Ltd.	April 11, 2018	From April 27, 2018 to April 26, 2048
Year ended March 31, 2018		
The Second Stock Acquisition Rights of Hitachi, Ltd.	April 6, 2017	From April 27, 2017 to April 26, 2047
Year ended March 31, 2017		
The First Stock Acquisition Rights of Hitachi, Ltd.	June 29, 2016	From July 15, 2016 to July 14, 2046

Conditions for the exercise of stock acquisition rights

(1) During the above exercise period, a holder of stock acquisition rights may exercise all the stock acquisition rights determined in accordance with the provisions of paragraph (2) or (3) below in a lump sum only within ten days (in case the last day is not a business day, the following business day) from the day immediately following the date on which he/she ceases to be an Executive Officer, a Director or a Corporate Officer of the Company.

(2) The number of stock acquisition rights that a holder of stock acquisition rights may exercise, shall be determined based on the ratio of (i) the total shareholder return (TSR) for shares of the Company for three years from the beginning of the fiscal year in which the date of allotment of the stock acquisition rights falls (Waiting Period) to (ii) the growth rate of TOPIX (Tokyo Stock Price Index) for the same period (TSR/TOPIX Growth Rate Ratio): market condition.

(3) The number of stock acquisition rights, that a holder of stock acquisition rights who has left his/her position in the Company before the end of the Waiting Period (Resignee) may exercise, shall be determined by reducing the number of stock acquisition rights allotted to him/her in proportion to the term of office of the Resignee in the Waiting Period, and applying the TSR/TOPIX Growth Rate Ratio for the period from the beginning of the fiscal year in which the date of allotment of the stock acquisition rights falls to the time of resignation in accordance with the provision of paragraph (2) above.

A summary of stock option activity for the years ended March 31, 2020 and 2019 is as follows. The number of stock options is translated into their equivalent number of shares (20 shares per stock option).

	2020		2019	
	Number of shares (shares)	Weighted average exercise price (yen)	Number of shares (shares)	Weighted average exercise price (yen)
Outstanding at beginning of year	1,004,780	1	889,780	1
Granted	-	-	347,980	1
Forfeited [1]	(39,580)	1	(118,240)	1
Exercised	(74,240)	1	(114,740)	1
Expired	-	-	-	-
Outstanding at end of year	890,960	1	1,004,780	1
Exercisable at end of year	-	-	-	-

[1] Including the stock acquisition rights which became non-exercisable because of the market condition.

The weighted average share prices at the date of exercise for the years ended March 31, 2020 and 2019 were 3,677.0 yen and 3,871.0 yen.

The range of exercise price as of March 31, 2020 and 2019 was 1 yen. The weighted average remaining contractual lives of stock options outstanding as of March 31, 2020 and 2019 were 27.2 years and 28.2 years, respectively.

The weighted average fair value (per share) at the measurement date of stock options issued under the Company’s stock option plan for the years ended March 31, 2019 was 2,426.0 yen.

Fair value of stock options is estimated using Monte Carlo simulation based on the following assumptions.

	March 31, 2019
Exercise price	1 yen
Expected life [1]	3.2 years
Stock price at the measurement date [2]	4,044.5 yen
Expected volatility [3]	29.582%
Expected dividends [4]	65 yen
Risk-free rate [5]	(0.121%)
Average value of the normal distribution of TSR/TOPIX Growth Rate Ratio [6]	103.8%
Standard deviation of the normal distribution of TSR/TOPIX Growth Rate Ratio [6]	39.6%

[1] Based on the expected term of office of each grantee.
[2] Based on the closing prices of the Company's stocks on the Tokyo Stock Exchange at the measurement date.
[3] Based on historical volatility of weekly stock price fluctuations during a directly preceding period that is equal to the expected life of the stock options.
[4] Based on actual annual dividends in the fiscal year preceding that of the measurement date.
[5] Calculated based on the yield of a Japanese government bond with a term to maturity that is equal to the expected life of the stock options.
[6] Calculated based on historical data in fiscal years preceding that of the measurement date.

(20) Revenues

(a) Disaggregation of revenue

The Company derives revenues primarily from contracts with customers. The following table shows the disaggregation of revenue attributable to each reportable segment and geographic area.

Effective from April 1, 2019, the Company reclassified its reportable segments. Accordingly, figures for the year ended March 31, 2019 have been restated on the basis of the reclassification. Details of the reclassification are described in note 4.

Millions of yen

2020							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
IT	1,546,432	176,337	182,999	154,751	38,907	552,994	2,099,426
Energy	350,361	33,575	8,257	4,369	2,692	48,893	399,254
Industry	662,086	84,729	59,631	13,275	21,028	178,663	840,749
Mobility	384,628	368,985	44,518	299,543	46,773	759,819	1,144,447
Smart Life	826,159	239,053	224,743	112,558	70,479	646,833	1,472,992
Hitachi High-Tech	253,628	216,004	110,664	94,435	19,893	440,996	694,624
Hitachi Construction Machinery	205,604	211,663	173,426	136,197	204,457	725,743	931,347
Hitachi Metals	405,410	166,137	245,349	44,542	19,964	475,992	881,402
Hitachi Chemical	229,823	272,241	48,021	63,113	18,235	401,610	631,433
Others	408,869	49,097	13,405	7,247	6,212	75,961	484,830
Subtotal	5,273,000	1,817,821	1,111,013	930,030	448,640	4,307,504	9,580,504
Corporate items and Eliminations	(743,905)	(50,284)	(8,026)	(5,531)	(5,495)	(69,336)	(813,241)
Total	4,529,095	1,767,537	1,102,987	924,499	443,145	4,238,168	8,767,263

Millions of yen

2019							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
IT	1,514,694	181,737	205,569	173,991	45,694	606,991	2,121,685
Energy	406,232	29,533	8,816	6,148	3,268	47,765	453,997
Industry	633,153	89,890	53,371	14,717	104,275	262,253	895,406
Mobility	357,058	393,131	51,641	368,734	43,593	857,099	1,214,157
Smart Life	921,253	273,890	285,148	92,180	76,886	728,104	1,649,357
Hitachi High-Tech	283,026	256,833	62,017	98,812	30,415	448,077	731,103
Hitachi Construction Machinery	206,075	276,356	168,668	146,034	236,570	827,628	1,033,703
Hitachi Metals	448,986	200,703	310,875	50,408	12,449	574,435	1,023,421
Hitachi Chemical	251,636	293,546	48,879	70,491	16,473	429,389	681,025
Others	440,544	80,728	22,457	10,273	7,312	120,770	561,314
Subtotal	5,462,657	2,076,347	1,217,441	1,031,788	576,935	4,902,511	10,365,168
Corporate items and Eliminations	(798,122)	(56,749)	(11,813)	(13,246)	(4,619)	(86,427)	(884,549)
Total	4,664,535	2,019,598	1,205,628	1,018,542	572,316	4,816,084	9,480,619

The IT segment consists of Front Business and Services & Platforms, for which revenue amounted to 1,421,595 million yen and 780,599 million yen for the year ended March 31, 2020 and 1,393,019 million yen and 817,630 million yen for the year ended March 31, 2019, respectively (including intersegment transactions). Front Business is operated mainly in Japan, and Services & Platforms is operated mainly in Japan, North America and Europe.

(b) Information about satisfaction of performance obligations

The following is information about satisfaction of performance obligations related to major goods and services of each reportable segment.

(IT)

Front Business primarily provides goods and services such as system integration, consulting and cloud services. These long-term projects provide goods and services according to customers' specifications over a specified period of time, and revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost) or the passage of time as performance obligations are satisfied over time.

Many of the contracts require payments based on milestones, and in some cases, payments are made before performance obligations are satisfied.

Services & Platforms primarily sells control systems, software and IT products. Revenue is recognized when control over the goods is transferred to customers as performance obligations are satisfied at the point in time upon the completion or upon delivery of the goods. The Company's general terms and conditions apply, and there are no significant transactions in which payment terms include deferred payments, etc.

(Energy, Industry and Mobility)

The Energy segment includes revenue from businesses such as energy solutions, and the Industry segment includes revenue from businesses such as industry & distribution systems. These segments are operated mainly in Japan. The Mobility segment includes revenue from building systems and railway systems businesses. The building systems business is operated mainly in China and the railway systems business is operated mainly in Europe.

Long-term projects related to contracts such as construction in these segments involve manufacturing and providing goods based on customers' specifications over a specified period of time. As performance obligations are satisfied over time, revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost). In addition, these segments provide certain services promised in the contracts such as maintenance throughout the duration of the contract, and recognize revenue over time based on the passage of time.

Many of the contracts require payments based on milestones, and, in some cases, payments are made before performance obligations are satisfied.

Further, in the sale of industrial equipment, etc. included in the Industry segment, and in the sale of elevators, etc. included in the Mobility segment, revenue is recognized when control over the goods is transferred to customers as performance obligations are satisfied at the point in time upon the completion or upon delivery of the goods. The Company's general terms and conditions apply, and there are no significant transactions in which payment terms include deferred payments, etc.

(Other)

In the Smart Life, Hitachi High-Tech, Hitachi Construction Machinery, Hitachi Metals, and Hitachi Chemical segments, performance obligations are generally satisfied at a point in time upon completion or upon delivery of the goods, and revenue is recognized when control over goods is transferred to customers. The Company's general terms and conditions apply, and there are no significant transactions in which payment terms include deferred payments, etc.

These segments provide certain services promised in the contracts such as maintenance throughout the duration of the contract, and they recognize revenue over time based on the passage of time. The Company's general terms and conditions apply, and there are no significant transactions in which payment terms include deferred payments, etc.

(c) Information about contract balances

The following table shows the beginning and ending balances of Trade receivables, Contract assets and Contract liabilities from contracts with customers for the fiscal years ended March 31, 2020 and 2019.

Millions of yen

	2020		2019	
	March 31, 2020	April 1, 2019	March 31, 2019	April 1, 2018
Trade receivables	1,846,078	1,980,165	1,980,165	2,139,961
Contract assets	484,999	484,120	484,120	443,031
Contract liabilities	707,352	654,536	654,536	712,354

Of the revenue recognized during the fiscal years ended March 31, 2020 and 2019, the amount included in Contract liabilities at the beginning of the fiscal years were 292,613 million yen and 399,256 million yen, respectively. And the amount related to performance obligations satisfied in the past periods were not material.

(d) Transaction price allocated to remaining performance obligations

The following table shows the balance of unsatisfied performance obligations by reportable segment for the fiscal years ended March31, 2020 and 2019.

Millions of yen

	March 31, 2020		March 31, 2019	
	Intersegment transactions	Balance of unsatisfied performance obligations	Intersegment transactions	Balance of unsatisfied performance obligations
IT	53,577	1,068,472	59,708	1,017,357
Energy	27,348	625,730	39,172	681,234
Industry	86,941	441,956	50,182	374,667
Mobility	5,713	3,692,326	9,790	3,410,275

Segments of the Company and its subsidiaries that have contracts under which revenue is recognized over a long period of time are primarily the IT segments, Energy segments, Industry segments and Mobility segments.

Approximately 90% of the balance of unsatisfied performance obligations of the IT segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.

Approximately 60% of the balance of unsatisfied performance obligations of the Energy segment was expected to be satisfied within three years and approximately 20% after three years but no more than five years.

Approximately 90% of the balance of unsatisfied performance obligations of the Industry segment was expected to be satisfied within three years.

Approximately 50% of the balance of unsatisfied performance obligations of the Mobility segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.

The remaining segments have contracts whose initial expected terms are generally one year or less. Accordingly, related information is excluded from this disclosure in accordance with the practical expedient.

(e) Assets recognized from the costs incurred for obtaining or fulfilling contracts with customers

The Company and its subsidiaries recognize the costs incurred for obtaining or fulfilling contracts with customers as an asset to the extent those costs are expected to be recovered. Such costs recognized as an asset as of March 31, 2020 and 2019 were not material.

(21) Other Income and Expenses

The main components of other income and expenses for the years ended March 31, 2020 and 2019 are as follows:

Millions of yen

	2020	2019
Net gain (loss) on sales and disposals of fixed assets	29,920	18,460
Impairment losses	(136,993)	(344,997)
Net gain (loss) on business reorganization and others	19,650	184,630
Special termination benefits	(21,422)	(22,376)
Loss due to the settlement of the South African project	(375,967)	-

Impairment losses are mainly recognized on property, plant and equipment, investment properties, goodwill and other intangible assets. Net gain (loss) on business reorganization and others include gains and losses related to obtaining and losing control of investees and gains and losses related to obtaining and losing significant influence over investees.

Restructuring charges (structural reform expenses) included in other expenses for the years ended March 31, 2020 and 2019 were 159,086 million yen and 380,846 million yen, respectively. Restructuring charges (structural reform expenses) mainly include impairment losses and special termination benefits.

Restructuring charges (structural reform expenses) for the year ended March 31, 2019 include expenses due to the suspension of the UK nuclear power stations construction project (the project). The Company decided to suspend the project from the view point of its economic rationality as a private enterprise at the Board of Directors meeting held on January 17, 2019, as it is clear that further time is needed to develop a financial structure for the project and conditions for building and operating the nuclear power stations to secure its business continuation. Consequently, the Energy segment recognized restructuring charges (structural reform expenses) of 294,613 million yen including impairment losses of 277,208 million yen on the related assets of the project.

The detail of loss due to the settlement of the South African project is disclosed in note 5.

(22) Financial Income and Expenses

The main components of financial income and expenses for the years ended March 31, 2020 and 2019 are as follows:

Millions of yen

	2020	2019
Dividends received	5,531	6,054
Exchange gain (loss)	(4,493)	7,640

Dividends received for the years ended March 31, 2020 and 2019 are from FVTOCI financial assets.

(23) Discontinued Operations

In the Energy segment, the Company classified the part of thermal power generation systems business which was not transferred to Mitsubishi Hitachi Power Systems, Ltd. for business integration in the thermal power generation systems business with Mitsubishi Heavy Industries, Ltd. but was operated by the Company and certain subsidiaries as discontinued operations in the consolidated statement of profit or loss since the projects were completed in the year ended March 31, 2015.

Profit or loss and cash flows from the discontinued operations for the years ended March 31, 2020 and 2019 are as follows:

Millions of yen

	2020	2019
Profit or loss from discontinued operations		
Revenues	48	(10,123)
Cost of sales and expenses	(1,826)	(1,658)
Loss from discontinued operations, before income taxes	(1,778)	(11,781)
Income taxes	2	2,645
Loss from discontinued operations	(1,776)	(9,136)

Millions of yen

	2020	2019
Cash flows from discontinued operations		
Cash flows from operating activities	(2,981)	(18,074)
Cash flows from investing activities	-	-
Cash flows from financing activities	2,745	17,671

(24) Earnings Per Share (EPS) Information

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders are as follows:

Number of shares

	2020	2019
Weighted average number of shares on which basic EPS is calculated	965,708,920	965,630,489
Effect of dilutive securities		
Stock options	832,420	911,653
Restricted stock	339,060	-
Number of shares on which diluted EPS is calculated	966,880,400	966,542,142

Millions of yen

	2020	2019
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	89,372	231,682
Effect of dilutive securities	-	-
Diluted	89,372	231,682
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(1,776)	(9,136)
Effect of dilutive securities	-	-
Diluted	(1,776)	(9,136)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	87,596	222,546
Effect of dilutive securities	-	-
Diluted	87,596	222,546

Yen

	2020	2019
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	92.55	239.93
Diluted	92.43	239.70
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(1.84)	(9.46)
Diluted	(1.84)	(9.45)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	90.71	230.47
Diluted	90.60	230.25

Note : On October 1, 2018, the Company completed the share consolidation of every five (5) shares of common stock into one (1) share. The figures for basic and diluted EPS attributable to Hitachi, Ltd. stockholders are calculated on the assumption that the Company conducted this share consolidation at the beginning of the fiscal year ended March 31, 2019.

(25) Supplementary Cash Flow Information

Changes in liabilities from financing activities for the years ended March 31, 2020 and 2019 are as follows:

Millions of yen

	Short-term debt	Bonds	Long-term borrowings	Lease liability	Total
March 31, 2018	121,439	149,837	729,540	49,478	1,050,294
Cash flows	3,706	20,032	(49,326)	(16,651)	(42,239)
Non-cash changes					
Finance lease liability incurred	-	-	-	13,522	13,522
Acquisitions and divestitures	(4,156)	1,010	(11,758)	(1,419)	(16,323)
Currency translation effect and others	(9,958)	(381)	5,587	4,269	(483)
March 31, 2019 (Before restatement)	111,031	170,498	674,043	49,199	1,004,771
Cumulative effects of changes in accounting policies	-	-	-	224,613	224,613
April 1, 2019 (After restatement)	111,031	170,498	674,043	273,812	1,229,384
Cash flows	80,849	215,205	(77,369)	(82,363)	136,322
Non-cash changes					
Finance lease liability incurred	-	-	-	87,715	87,715
Acquisitions and divestitures	5,793	-	48,530	6,583	60,906
Currency translation effect and others	(14,370)	(410)	(7,556)	(6,949)	(29,285)
March 31, 2020	183,303	385,293	637,648	278,798	1,485,042

(26) Financial Instruments and Related Disclosures

(a) Capital Management

The Company manages its capital under the policy of maintaining appropriate level of assets, liabilities and capital for current and future business operations, as well as optimizing the efficiency of capital utilization throughout the business operations.

The Company uses the total Hitachi, Ltd. stockholders' equity ratio as an important indicator in capital management and it is regularly monitored. The total Hitachi, Ltd. stockholders' equity ratio as of March 31, 2020 and 2019 were 31.8% and 33.9%, respectively.

The Company is not subject to any capital requirements except for the general rules such as the Japanese Company Law.

(b) Financial Risks

The Company is engaged in business activities world-wide, and constantly exposed to various risks such as market risks (mainly currency exchange risk and interest rate risk), credit risk and liquidity risk. The Company implements risk management policies to avoid or mitigate these financial risks.

(i) Currency Exchange Risk

The Company and its subsidiaries hold assets and liabilities exposed to currency exchange risk. In order to hedge this risk, the management uses forward exchange contracts or cross currency swaps.

For trade receivables and payables denominated in foreign currencies, the Company and its subsidiaries measure the future cash flows per currency on a monthly basis, and enter into forward exchange contracts using a constant ratio with the purpose of fixing the future cash flows arising from receivables and payables and forecasted transactions denominated in foreign currencies. The terms of forward exchange contracts are largely within one year. If necessary, the Company and its subsidiaries establish a risk control policy and a risk management approach specific to each transaction by reviewing the business characteristics, the structure of income and expenditure, and conditions of the contract. The Company and its subsidiaries hedge the risk exposure arising from specific transactions based on the risk control policy and the risk management approach.

To fix cash flows from long-term debt denominated in foreign currencies, the Company and its subsidiaries enter into cross currency swap agreements with the same maturities as the underlying debt. The hedging relationship between the forward exchange contracts or cross currency swaps and the underlying hedged items is highly effective in offsetting the impact from changes in foreign currency exchange rates.

The sensitivity analysis for currency exchange rates shown below indicates the impact on income from continuing operations, before income taxes, in the Company's consolidated statement of profit or loss, if the Japanese yen depreciated by 1% on the foreign-currency-denominated financial instruments held by the Company and its subsidiaries as of March 31, 2020 and 2019, while all other variables are held constant.

Millions of yen

	Currency	2020	2019
Impact on income from continuing operations, before income taxes	US Dollar	330	307
	Euro	156	172

(ii) Interest Rate Risk

The Company and its subsidiaries are exposed to interest rate risk related principally to long-term debt obligations. In order to minimize this risk, the Company and its subsidiaries enter into interest rate swap agreements to control fluctuation risk of cash flows. The interest rate swaps entered into are mainly receive-variable, pay-fixed interest rate swaps. Under the interest rate swaps, the Company and its subsidiaries receive variable interest rate payments on long-term debt and make fixed interest rate payments, thereby creating fixed interest rate long-term debt.

Certain financing subsidiaries raise funds by issuing long-term debt with a fixed interest rate and lending it at variable interest rates, creating interest rate risk. In order to minimize this risk, interest rate swaps are used to convert, in effect, the fixed rate to a variable rate to manage fluctuations in fair value resulting from interest rate risk. The hedging relationship between the interest rate swaps and the underlying hedged items is highly effective in offsetting the impact from changes in cash flows and fair value resulting from interest rate risk.

The sensitivity analysis for interest rate shown below indicates the impact on income from continuing operations, before income taxes, in the consolidated statement of profit or loss, if interest rates increased by 1% on the financial instruments (floating-interest financial assets and liabilities measured at amortized cost, FVTPL financial assets and liabilities and derivatives) held by the Company and its subsidiaries as of March 31, 2020 and 2019, while all other variables are held constant.

Millions of yen

	2020	2019
Impact on income from continuing operations, before income taxes	(2,421)	(584)

(iii) Credit Risk

Trade receivables and contract assets, and other receivables resulting from operating activities of the Company and its subsidiaries are exposed to credit risk of the customers. Investments in debt securities held for managing cash surplus and equity instruments held for strategic purposes are exposed to credit risk of the issuers. Derivative transactions entered into in order to lower market risks are exposed to credit risk of the counter-party financial institutions.

For credit risk of customers, the Company conducts periodic credit checks as appropriate for the products sold and the customers' financial conditions and credit ratings. A credit limit is set according to the credit risk. For cash surplus, investment is restricted to low risk debt securities, and derivative transactions are entered into with financial institutions with high credit rating only.

No significant concentration of credit risk is present in a particular region or a customer, as the Company and its subsidiaries are engaged in diverse industries worldwide.

The changes in the balance of allowance for doubtful receivables for trade receivables, contract assets and other receivables, and the changes in the gross carrying amounts of trade receivables and contract assets, and other receivables corresponding to the allowance for doubtful receivables for the years ended March 31, 2020 and 2019 are as follows. Other receivables mainly consist of lease receivables and financial assets measured at amortized cost such as short-term loans receivable, other accounts receivable, debt securities measured at amortized cost and long-term loans receivable.

Millions of yen

Trade receivables and contract assets	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2018 (Before restatement)	11,271	16,369	27,640	2,518,227	63,066	2,581,293
Cumulative effects of changes in accounting policies	14	-	14	-	-	-
April 1, 2018 (After restatement)	11,285	16,369	27,654	2,518,227	63,066	2,581,293
Change, net	4,694	(1,263)	3,431	(121,272)	42,951	(78,321)
Credit-impairment [1]	(765)	765	-	(2,266)	2,266	-
Write-off [2]	(511)	(1,530)	(2,041)	(853)	(1,531)	(2,384)
Other [3]	3,917	(439)	3,478	(2,197)	(1,584)	(3,781)
March 31, 2019	18,620	13,902	32,522	2,391,639	105,168	2,496,807
Change, net	3,332	5,825	9,157	(77,943)	(38,890)	(116,833)
Credit-impairment [1]	(21)	21	-	(1,443)	1,443	-
Write-off [2]	(635)	(343)	(978)	(2,599)	(752)	(3,351)
Other [3]	(472)	(578)	(1,050)	(1,619)	(4,276)	(5,895)
March 31, 2020	20,824	18,827	39,651	2,308,035	62,693	2,370,728

Millions of yen

Other receivables	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2018 (Before restatement)	456	2,582	3,038	519,135	8,255	527,390
Cumulative effects of changes in accounting policies	-	-	-	-	-	-
April 1, 2018 (After restatement)	456	2,582	3,038	519,135	8,255	527,390
Change, net	(63)	202	139	(15,987)	8,232	(7,755)
Credit-impairment [1]	-	-	-	-	-	-
Write-off [2]	(6)	(727)	(733)	(299)	(727)	(1,026)
Other [3]	(2)	(170)	(172)	1,137	(347)	790
March 31, 2019	385	1,887	2,272	503,986	15,413	519,399
Change, net	71	2,458	2,529	(115,816)	1,404	(114,412)
Credit-impairment [1]	-	-	-	(26)	26	-
Write-off [2]	(176)	(195)	(371)	(1,097)	(195)	(1,292)
Other [3]	(8)	(38)	(46)	(1,239)	(441)	(1,680)
March 31, 2020	272	4,112	4,384	385,808	16,207	402,015

[1] The Company measures the allowance for doubtful receivables relating to credit-impaired financial assets based on individual assessment and, therefore, transfers them from collective assessment.

[2] The Company generally writes off and derecognizes the corresponding carrying amount when it has no reasonable expectations of recovering the financial asset in its entirety or a portion.

[3] Other mainly includes the impact of acquisitions and divestitures and currency translation effect.

The maximum exposure to the credit risk equals the financial assets' carrying amount, net of allowance for doubtful receivables, in the consolidated statement of financial position, if collateral held is not included. The maximum exposure to the credit risk from loan commitments is disclosed in note 30. The maximum exposure to the credit risk from guarantee obligations is disclosed in note 30.

(iv) Liquidity Risk

Trade payables and financial liabilities, such as long-term debts, held by the Company and its subsidiaries are exposed to liquidity risk. With respect to this risk, the Company and its subsidiaries try to optimize capital efficiency through efficient management of working capital, and maintain cash control through a centralized cash management system. They are also able to raise funds, as necessary, from capital markets through the issuance of debt and equity securities, and from commercial banks through borrowings and commitment lines. The total unused commitment lines as of March 31, 2020 are disclosed in note 30.

The following tables present the maturities of non-derivative financial liabilities. Trade payables are not included in the tables since the carrying amounts agree with the contractual cash flows and they all mature in less than one year.

Millions of yen

	March 31, 2020				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Short-term debt	183,303	184,667	184,667	-	-
Long-term debt					
Lease liabilities	278,798	290,826	83,918	144,837	62,071
Bonds	385,293	395,427	1,721	185,624	208,082
Long-term borrowings	637,648	647,959	153,052	373,149	121,758

Millions of yen

	March 31, 2019				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Short-term debt	111,031	112,072	112,072	-	-
Long-term debt					
Lease liabilities	49,199	53,704	19,290	30,873	3,541
Bonds	170,498	176,594	31,664	78,071	66,859
Long-term borrowings	674,043	685,412	144,386	346,677	194,349

The weighted average interest rate for short-term debt is 1.9%, and the weighted average interest rate for long-term borrowings is 0.5% with maturities ranging from 2020 to 2039.

The details on each bond issued are provided below.

Millions of yen

Issuer	Name of bond	Issued	March 31, 2020	March 31, 2019	Security	Interest rates (%)	Mature in
The Company	Unsecured debenture #16	2013	30,000	30,000	Unsecured	0.8	2023
The Company	Unsecured debenture #17	2013	20,000	20,000	Unsecured	1.4	2028
The Company	Unsecured debenture #18	2020	90,000	-	Unsecured	0.1	2023
The Company	Unsecured debenture #19	2020	20,000	-	Unsecured	0.2	2027
The Company	Unsecured debenture #20	2020	90,000	-	Unsecured	0.3	2030
Subsidiaries	Unsecured debentures	2012 - 2020	135,293	120,498	Unsecured	0.1 - 2.8	2021 - 2030
Total			385,293	170,498			

The following table shows the maturities of the main types of derivatives, expressed in gross amounts, even though they are net settlement derivatives.

Millions of yen

		March 31, 2020			
		Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Forward exchange contracts	In	36,128	321	1	36,450
	Out	13,664	749	-	14,413
Cross currency swaps	In	1,253	6,296	-	7,549
	Out	4,398	1,599	-	5,997
Interest rate swaps	In	-	390	-	390
	Out	252	2,594	-	2,846
Option contracts	In	6,081	86	-	6,167
	Out	197	10	-	207

Millions of yen

		March 31, 2019			
		Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Forward exchange contracts	In	14,928	1,606	1	16,535
	Out	13,824	3,200	-	17,024
Cross currency swaps	In	57	432	7,448	7,937
	Out	36	3,185	699	3,920
Interest rate swaps	In	272	468	-	740
	Out	149	1,899	7	2,055
Option contracts	In	387	6,707	-	7,094
	Out	29	-	-	29

(c) Fair Value of Financial Instruments

(i) Fair Value Measurements

The following methods and assumptions are used to measure the fair value of financial assets and liabilities.

Cash and cash equivalents, Trade receivables, Short-term loans receivable, Other accounts receivable, Short-term debt, Other accounts payable and Trade payables

The carrying amount approximates the fair value because of the short maturity of these instruments.

Investments in securities and other financial assets

The fair value of lease receivables is based on the present value of lease payments receivable calculated for each group of years to maturity using discount rates that reflect the time to maturity and credit risk.

Investment securities with quoted market prices are estimated using the quoted share prices. In the absence of an active market for investment securities, quoted prices for similar investment securities, quoted prices associated with transactions that are not distressed for identical or similar investment securities or other relevant information including market interest rate curves, referenced credit spreads or default rates, are used to determine fair value. If significant inputs of fair value measurement are unobservable, the Company uses price information provided by financial institutions to evaluate such investments. The information provided is corroborated by the income approach using its own valuation model, or the market approach using comparisons with prices of similar securities.

The fair value of long-term loans receivable is estimated based on the present value of future cash flows using the interest rate applicable to an additional loan of the same type.

Derivative assets are measured at fair value based on quoted prices associated with transactions that are not distressed, prices in inactive markets, or based on models using interest rate curves and forward and spot prices for currencies and commodities. If significant inputs are unobservable, the Company mainly uses the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.

Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using the market interest rates applicable to the same contractual terms.

Other financial liabilities

Derivative liabilities are measured at fair value based on quoted prices associated with transactions that are not distressed, prices in inactive markets, or based on models using interest rate curves and forward and spot prices for currencies and commodities. If significant inputs are unobservable, the Company uses mainly the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.

(ii) Financial Instruments Measured at Amortized Cost

The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of March 31, 2020 and 2019 are as follows.

The fair value estimated for financial assets and liabilities measured at amortized cost is classified in Level 2 of the fair value hierarchy.

Millions of yen

	March 31, 2020		March 31, 2019	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Assets				
Investments in securities and other financial assets				
Lease receivables	83,553	84,834	95,073	96,377
Debt securities	73,048	73,051	72,418	72,422
Long-term loans receivable	26,642	28,576	105,061	106,390
Liabilities				
Long-term debt [1]				
Bonds	385,293	386,082	170,498	174,747
Long-term borrowings	637,648	640,929	674,043	678,481

[1] Long-term debt is included in Current portion of long-term debt and Long-term debt in the consolidated statement of financial position.

(iii) Financial Instruments Measured at Fair Value

Financial instruments measured at fair value on a recurring basis after the initial recognition are classified into three levels of the fair value hierarchy based on the measurement inputs' observability as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets
Level 2: Valuations measured by direct or indirect observable inputs other than Level 1
Level 3: Valuations measured by significant unobservable inputs

When several inputs are used for a fair value measurement, the level is determined based on the input that is significant with the lowest level in the fair value measurement as a whole.

Transfers between levels are deemed at the beginning of each quarter period.

The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2020 and 2019.

March 31, 2020 Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	-	-	4,001	4,001
Debt securities	8,638	4,550	8,617	21,805
Derivatives	-	44,409	6,147	50,556
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	135,452	-	108,884	244,336
Total financial assets at fair value	144,090	48,959	127,649	320,698
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	24,021	-	24,021
Total financial liabilities at fair value	-	24,021	-	24,021

March 31, 2019 Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	-	-	2,743	2,743
Debt securities	10,127	4,895	9,344	24,366
Derivatives	-	25,269	7,059	32,328
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	183,585	-	102,334	285,919
Total financial assets at fair value	193,712	30,164	121,480	345,356
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	23,078	-	23,078
Total financial liabilities at fair value	-	23,078	-	23,078

The following tables present the changes in Level 3 instruments measured on a recurring basis for the years ended March 31, 2020 and 2019.

2020 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of year	105,077	9,344	7,059	121,480
Loss in profit or loss [1]	(124)	(54)	(912)	(1,090)
Gain in OCI [2]	1,871	-	-	1,871
Purchases	3,839	455	-	4,294
Sales and redemption	(2,393)	(1,032)	-	(3,425)
Acquisitions and divestitures	(505)	(46)	-	(551)
Other	5,120	(50)	-	5,070
Balance at end of year	112,885	8,617	6,147	127,649
Unrealized loss relating to financial assets held at end of year [4]	(124)	(31)	(912)	(1,067)

2019 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of year	114,734	9,590	7,760	132,084
Gain (loss) in profit or loss [1]	(58)	55	(1,053)	(1,056)
Gain in OCI [2]	6,241	-	-	6,241
Purchases	5,301	3,040	-	8,341
Sales and redemption	(14,961)	(3,251)	-	(18,212)
Acquisitions and divestitures	(5,405)	(78)	-	(5,483)
Transfer from Level 3 [3]	(378)	-	-	(378)
Other	(397)	(12)	352	(57)
Balance at end of year	105,077	9,344	7,059	121,480
Unrealized gain (loss) relating to financial assets held at end of year [4]	(58)	59	(1,053)	(1,052)

[1] Gain (loss) in profit or loss related to FVTPL financial assets is included in Financial income and Financial expenses in the consolidated statement of profit or loss.

[2] Gain in OCI related to FVTOCI financial assets is included in Net changes in financial assets measured at fair value through OCI in the consolidated statement of comprehensive income.

[3] Transfer from Level 3 is mainly the result of an investee being listed on the stock market.

[4] Unrealized gain (loss) relating to FVTPL financial assets held at the end of year is included in Financial income and Financial expenses in the consolidated statement of profit or loss.

Written put options on non-controlling interests of subsidiaries are not included in the above table. Such put options are classified as Level 3 financial liabilities measured on a recurring basis, and changes in fair value are recognized in Capital surplus. The fair value of the put options above as of March 31, 2019 was 17,678 million yen included in Other financial liabilities in the consolidated statement of financial position.

Fair values are measured by the finance departments in accordance with the Company's policies and procedures. Valuation models are determined so that they reflect each financial instrument's nature, characteristics and risks most appropriately. The finance departments continually examine changes in important inputs that could affect the fair value. In case the fair value of a financial instrument was significantly impaired, administrators review and approve the impairment loss.

Equity instruments held with the objective of maintaining and strengthening business relations with the issuers are classified as FVTOCI financial assets. The following is a list of principal equity instruments designated as FVTOCI and their fair values.

March 31, 2020 Millions of yen

Principal FVTOCI financial assets	Fair value
Western Digital Corporation	28,309
Renesas Electronics Corporation	24,114
JECC Corporation	21,591
Central Japan Railway Company	15,588
Nippon Steel Kowa Real Estate Co., Ltd.	9,012
Shin-Etsu Chemical Co., Ltd.	7,083
East Japan Railway Company	6,642
Nippon Tochi-Tatemono Co., Ltd.	4,899
Honda Motor Co., Ltd.	4,860
Dalian Hi-Think Computer Technology Corporation	4,644

March 31, 2019 Millions of yen

Principal FVTOCI financial assets	Fair value
Western Digital Corporation	33,338
Renesas Electronics Corporation	31,739
Central Japan Railway Company	23,139
JECC Corporation	20,942
Yungtay Engineering Co., Ltd.	10,978
East Japan Railway Company	8,676
Nippon Steel Kowa Real Estate Co., Ltd.	7,909
Shin-Etsu Chemical Co., Ltd.	6,126
Honda Motor Co., Ltd.	5,990
Nippon Tochi-Tatemono Co., Ltd.	4,945

See note 22 for dividends received from investment securities classified as FVTOCI financial assets.

Accumulated gains and losses on valuation of FVTOCI financial assets are reclassified into retained earnings when derecognized during the fiscal year. The net gains reclassified, net of taxes, for the years ended March 31, 2020 and 2019 were 13,129 million yen and 34,608 million yen, respectively. These financial assets were derecognized upon disposal of shares after reviewing particular business relations, or acquisitions and divestitures.

The information on FVTOCI financial assets that were derecognized for the years ended March 31, 2020 and 2019 is as follows:

Millions of yen

	2020	2019
Fair value at the time of derecognition	24,302	69,821
Accumulated gains at the time of derecognition	16,221	46,677

(d) Derivatives and Hedging Activities

(i) Fair Value Hedge

Changes in the fair value of recognized assets and liabilities, and of derivatives designated as a fair value hedge of these assets and liabilities are recognized in profit or loss for the period in which the changes occur. Derivatives designated as a fair value hedge include forward exchange contracts associated with operating transactions, cross currency swaps agreements and interest rate swaps associated with financing transactions.

(ii) Cash Flow Hedge

Foreign Currency Risk

A portion determined as an effective hedge with respect to changes in the fair value of forward exchange contracts designated as an effective cash flow hedge of forecasted foreign-currency-denominated transactions are recognized in OCI. AOCI is subsequently reclassified into profit or loss when the hedged items affect profit or loss for the period. If a non-financial asset or a non-financial liability is recognized due to a hedged forecast transaction, the changes in the fair value of the derivative recognized in OCI are included directly in the acquisition cost or other carrying amount of the asset or liability at which point the asset or liability is recognized.

Interest Rate Risk

A portion determined as an effective hedge with respect to changes in the fair value of interest rate swaps designated as a hedge of the variability of cash flows associated with long-term debt are recognized in OCI. AOCI is subsequently reclassified to interest charges over the period in which the interest on the debt affects profit or loss.

When applying hedge accounting, the Company assesses hedge effectiveness through a qualitative assessment of whether the critical terms of the hedged item and the hedging instrument match or are closely aligned and whether changes in the fair value or cash flows of the hedging instrument offset changes in the fair value or cash flows of the hedged item in order to confirm that an economic relationship exists between the hedged item and the hedging instrument. The Company also sets appropriate hedge ratios based on the economic relationship between the hedged item and the hedging instrument and the Company's risk management policies. For the year ended March 31, 2020 and 2019, hedge ineffectiveness recognized in profit or loss were not material.

The notional amounts and carrying amounts of hedging instruments as of March 31, 2020 and 2019 are as follows. The carrying amount of hedging instruments is included in Investments in securities and other financial assets and Other financial liabilities or Other non-current liabilities in the consolidated statement of financial position.

March 31, 2020 Millions of yen

Hedging instruments	Notional amount		Carrying amount	
		More than 1 year	Assets	Liabilities
Fair value hedge				
Foreign currency risk	533,740	75,431	11,941	5,715
Interest rate risk	57,300	47,657	390	1,712
Cash flow hedge				
Foreign currency risk	887,165	24,023	28,561	8,477
Interest rate risk	175,663	116,325	-	1,134
Total	1,653,868	263,436	40,892	17,038

March 31, 2019 Millions of yen

Hedging instruments	Notional amount		Carrying amount	
		More than 1 year	Assets	Liabilities
Fair value hedge				
Foreign currency risk	621,771	109,001	9,120	6,273
Interest rate risk	55,672	26,138	382	120
Cash flow hedge				
Foreign currency risk	328,148	64,960	13,049	5,489
Interest rate risk	209,317	188,357	358	1,935
Total	1,214,908	388,456	22,909	13,817

The carrying amounts of hedged items related to fair value hedges as of March 31, 2020 and 2019 are as follows.

March 31, 2020 — Millions of yen

Hedged items related to fair value hedges	Recognized in statement of financial position	Carrying amount	
		Assets	Liabilities
Foreign currency risk	Trade receivables and contract assets, Investments in securities and other financial assets, Short-term debt and Long-term debt	375,960	157,780
Interest rate risk	Investments in securities and other financial assets	41,520	15,780
Total		417,480	173,560

March 31, 2019 — Millions of yen

Hedged items related to fair value hedges	Recognized in statement of financial position	Carrying amount	
		Assets	Liabilities
Foreign currency risk	Trade receivables and contract assets, Investments in securities and other financial assets, Trade payables and Long-term debt	468,967	152,804
Interest rate risk	Investments in securities and other financial assets	55,672	-
Total		524,639	152,804

For the years ended March 31, 2020 and 2019, changes in the fair value of hedging instruments and hedged items related to fair value hedges and the accumulated amount of fair value hedge adjustments on hedged items included in the carrying amount of the hedged items were not material.

For the years ended March 31, 2020 and 2019, changes in the fair value of hedging instruments related to cash flow hedges recorded in Accumulated other comprehensive income are as follows.

Millions of yen

	April 1, 2019	Changes in fair value of hedging instruments recognized in other comprehensive income	Amount directly included in carrying amount of hedged assets or liabilities	Amount reclassified to profit or loss [1]	March 31, 2020
Price risk	(36)	(698)	162	-	(572)
Foreign currency risk	(4,204)	15,303	(2,902)	3,881	12,078
Interest rate risk	(1,583)	416	-	23	(1,144)
Total	(5,823)	15,021	(2,740)	3,904	10,362

Millions of yen

	April 1, 2018	Changes in fair value of hedging instruments recognized in other comprehensive income	Amount directly included in carrying amount of hedged assets or liabilities	Amount reclassified to profit or loss [1]	March 31, 2019
Price risk	(111)	(462)	539	(2)	(36)
Foreign currency risk	2,943	(8,976)	1,252	577	(4,204)
Interest rate risk	(1,623)	(11)	-	51	(1,583)
Total	1,209	(9,449)	1,791	626	(5,823)

[1] In the consolidated statement of profit or loss, the amount reclassified to profit or loss is included mainly in Revenues and Financial expenses for hedges of foreign currency risk and mainly in Interest charges for hedges of interest rate risk.

(e) Securitization of Financial Assets

For the purpose of providing diversified and stable financing, the Company and certain subsidiaries securitize certain financial assets, and transfer trade and lease receivables through certain third-party financial institutions or structured entities formed by these financial institutions. The Company does not consolidate such structured entities used for securitization purposes since it has been determined that they are not controlled by the Company.

These unconsolidated structured entities used for securitization purposes are operated in the ordinary course of business of the financial institutions, and they procure funds by issuing commercial paper and other borrowings. Basically, investors in these structured entities only have recourse to the assets owned by the entity itself, but not to any other assets held by the Company or its subsidiaries. The amount of assets transferred by the Company and certain subsidiaries is considerably small compared to the total assets of the structured entities sponsored by the financial institutions that purchase a large amount of assets from entities other than the Company and certain subsidiaries. The Company and certain subsidiaries have only limited exposure to the risks borne by these structured entities. The majority of the involvement with these structured entities used for securitization purposes by the Company and certain subsidiaries concerns the servicing of assets. The Company and certain subsidiaries do not provide any non-contractual support to the structured entities and have not made any implicit support arrangements with them.

For the securitizations of financial assets by the Company and certain subsidiaries, which resulted in derecognizing the financial assets in their entirety, the Company and certain subsidiaries retain no significant continuing involvement. For other securitizations of financial assets, the Company and certain subsidiaries do not derecognize the financial assets in their entirety when they retain substantially all credit risks and economic value related to the transferred financial assets through holding subordinated interests, and the carrying amounts of these financial assets are not material.

(27) Pledged Assets

As a general contractual term for long-term and short-term debt, banks may demand collateral and guarantees for present and future obligations, and retain rights to offset the liabilities with bank deposits when repayment is overdue or any breach of contract occurs.

Per trustee agreements of secured bonds and particular secured or unsecured loan agreements, trustees or lenders generally have the right to pre-approve profit distributions including dividend payments and new stock issues, as well as the right to demand additional collateral or mortgage.

The Company and its subsidiaries pledged a portion of their assets as collateral primarily for bank loans as follows:

Millions of yen

	March 31, 2020	March 31, 2019
Trade receivables and contract assets	9,958	6,057
Inventories	16,671	16,535
Investments in securities and other financial assets	340	681
Land	-	177
Buildings and structures	1,111	1,327
Machinery and other property, plant and equipment	50,125	43,738
Total	78,205	68,515

Notes to Consolidated Financial Statements

(28) Principal Subsidiaries

The Company's consolidated financial statements include the following subsidiaries listed below.

Reporting segment	Name of subsidiary	Business location	Ownership percentage of voting rights (%)
IT	Hitachi Information & Telecommunication Engineering, Ltd.	Yokohama, Kanagawa	100.0
IT	Hitachi-Omron Terminal Solutions, Corp.	Shinagawa-ku, Tokyo	55.0
IT	Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo	100.0
IT	Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo	100.0
IT	Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	100.0
IT	Hitachi Global Digital Holdings Corporation	California, U.S.A.	100.0
IT	Hitachi Payment Services Private Limited	Chennai, India	100.0
IT	Hitachi Vantara LLC	California, U.S.A.	100.0
Energy	Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	80.0
Energy	Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	100.0
Energy	Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	100.0
Industry	Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Industry	Hitachi Industrial Products, Ltd.	Chiyoda-ku, Tokyo	100.0
Industry	Hitachi Industry & Control Solutions, Ltd.	Hitachi, Ibaraki	100.0
Industry	Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	100.0
Industry	JR Technology Group, LLC.	Michigan, U.S.A	100.0
Industry	Sullair US Purchaser, Inc.	Indiana, U.S.A.	100.0
Mobility	Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Mobility	Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	70.0
Mobility	Hitachi Rail Ltd.	London, U.K.	100.0
Smart Life	Hitachi Automotive Systems, Ltd.	Hitachinaka, Ibaraki	100.0
Smart Life	Hitachi Global Life Solutions, Inc.	Minato-ku, Tokyo	100.0
Smart Life	Hitachi Automotive Systems Americas, Inc.	Kentucky, U.S.A.	100.0

Reporting segment	Name of subsidiary	Business location	Ownership percentage of voting rights (%)
Smart Life	Hitachi Consumer Products (Thailand), Ltd.	Prachinburi, Thailand	80.1
Hitachi High-Tech	Hitachi High-Tech Corporation	Minato-ku, Tokyo	51.8
Hitachi Construction Machinery	Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo	51.5
Hitachi Metals	Hitachi Metals, Ltd.	Minato-ku, Tokyo	53.5
Hitachi Chemical	Hitachi Chemical Company, Ltd.	Chiyoda-ku, Tokyo	51.4
Others	Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo	51.0
Others	Hitachi Life, Ltd.	Hitachi, Ibaraki	100.0
Others	Hitachi Urban Investment, Ltd.	Chiyoda-ku, Tokyo	100.0
Others	Hitachi America, Ltd.	California, U.S.A.	100.0
Others	Hitachi Asia Ltd.	Singapore	100.0
Others	Hitachi (China), Ltd.	Beijing, China	100.0
Others	Hitachi Europe Ltd.	Maidenhead, U.K.	100.0
Others	Hitachi India Pvt. Ltd.	New Delhi, India	100.0
-	Other 778 companies	-	-

(29) Related Party Transactions

(a) Related Party Transactions

The Company's and its subsidiaries' receivable and payable balances with associates and joint ventures are as follows:

Millions of yen

With associates	March 31, 2020	March 31, 2019
Trade receivables and contract assets	104,011	119,236
Long-term loans receivable [1]	544	70,558
Trade payables	74,578	102,256
Other accounts payable [2]	5,694	16,397
Lease obligations [3]	34,827	19,177

Millions of yen

With joint ventures	March 31, 2020	March 31, 2019
Trade receivables and contract assets	42,435	88,294
Long-term loans receivable [1]	21,920	30,696
Trade payables	10,757	10,771

[1] Included in Investments in securities and other financial assets in the consolidated statement of financial position.
[2] Included in Other financial liabilities in the consolidated statement of financial position.
[3] Included in Current portion of long-term debt and Long-term debt in the consolidated statement of financial position.

Revenue and purchase transactions of the Company and its subsidiaries with associates and joint ventures are as follows:

Millions of yen

With associates	2020	2019
Revenues	452,098	444,744
Purchases	308,101	357,317

Millions of yen

With joint ventures	2020	2019
Revenues	90,287	160,777
Purchases	20,259	17,058

(b) Compensation for Directors and Executive Officers of the Company

Millions of yen

	2020	2019
Basic remuneration, year-end allowance and performance-linked compensation	3,651	3,251
Medium and long-term incentive compensation (Stock options as stock-based compensation, etc.)	676	574
Total	4,327	3,825

(30) Commitments and Contingencies

(a) Loan Commitments

(i) Loan Commitments to Associates and Others

The Company provides loan commitments to associates and others. The outstanding balance of loan commitments as of March 31, 2020 is as follows:

Millions of yen

	March 31, 2020
Total commitments available	3,072
Less amount utilized	49
Balance available	3,022

Since some loan commitments require credit approval before execution, the amount of total commitments available may not be necessarily utilized in full.

(ii) Commitments with Financial Institutions

The Company and certain subsidiaries have line of credit arrangements with banks in order to secure efficient financing for business operations. The total unused line of credit as of March 31, 2020 amounted to 569,735 million yen, primarily belonging to the Company. The Company has commitment line agreements with a number of banks and pays commitment fees as consideration. These commitment agreements generally provide a one year term with renewal at the end of the term. The unused line of credit under these arrangements as of March 31, 2020 amounted to 300,000 million yen. The Company also maintains other commitment line agreements with several financial institutions, with terms of three years ending in July 2022. The unused line of credit under these arrangements as of March 31, 2020 amounted to 200,000 million yen.

(b) Commitments for Acquisition of Assets

As of March 31, 2020, outstanding commitments made to purchase property, plant and equipment were 75,214 million yen.

(c) Guarantee Obligations

The Company and certain subsidiaries provide debt guarantees to their associates, joint ventures and third parties. As of March 31, 2020, the balance of the guarantee obligations was 63,108 million yen. It consisted of guarantees to associates of 48,966 million yen, to joint ventures of 2,646 million yen and to third parties of 11,496 million yen.

(d) Litigation

In November 2017, a subsidiary in Japan received a complaint that was filed against three companies, namely a construction company of a condominium complex, the subsidiary and a secondary subcontractor, by a contractee in Japan seeking approximately 45.9 billion yen in compensation for expenses allegedly incurred arising from concerns over partial deficiencies of piling work during the construction phases of the condominium complex, which the subsidiary contracted as the primary subcontractor. In July 2018, the compensation claim against these three companies was amended to approximately 51.0 billion yen by the contractee.

In relation to the aforementioned lawsuit, in April 2018, the subsidiary in Japan received a complaint that was filed against the subsidiary and the secondary subcontractor, by the construction company of the condominium complex seeking approximately 49.6 billion yen in compensation for expenses allegedly incurred arising from the aforementioned lawsuit. In July 2018, the compensation claim against these two companies was amended to approximately 54.8 billion yen by the construction company of the condominium complex. Although the subsidiary in Japan will address these claims and explain its position, there can be no assurance that it will not be held liable for any amounts claimed.

In December 2017, a subsidiary and an associate in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of 263 million euro (31,447 million yen) and interest allegedly incurred by performance defects of a power plant. As of March 31, 2020, the amount of compensation claimed by the customer was changed to 270 million euro (32,281 million yen). Although the subsidiary and the associate in Europe will vigorously defend themselves against this lawsuit, there can be no assurance that they will not be held liable for any amounts claimed.

The Company and its subsidiaries execute a number of business reorganizations, including mergers, acquisitions and divestitures. Contracts for these reorganizations include clauses for transaction price adjustments subsequent to the reorganizations. There is a possibility products or services provided by the Company and its subsidiaries contain defects. As the result of price adjustments, or in compensation for defects in products or services etc. there is a possibility that the Company pays for any amounts.

Depending upon the outcome of the above legal proceedings, there may be an adverse effect on the consolidated financial position or results of operations. Currently, the Company is unable to estimate the adverse effect, if any, of many of these proceedings. The actual amount of fines, surcharge payments or any other payments resulting from these legal proceedings may be different from the accrued amounts.

In addition to the above, the Company and its subsidiaries are subject to legal proceedings and claims which have arisen in the ordinary course of business and have not been finally adjudicated. These actions when ultimately concluded and determined will not, in the opinion of management, have a material adverse effect on the consolidated financial statements of the Company and subsidiaries.

(31) Approval of Consolidated Financial Statements

The consolidated financial statements were approved on August 31, 2020 by Toshiaki Higashihara, President and CEO of the Company.

<u>Independent Auditor's Report</u>

To the Stockholders and Board of Directors of
Hitachi, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Hitachi, Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of March 31, 2020, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Accounting treatment of settlement regarding South African project

Description of Key Audit Matter

The Company reached a settlement agreement with Mitsubishi Heavy Industries, Ltd. (hereinafter referred to as "MHI") on December 18, 2019, regarding the transfer price adjustment, etc. for the South African project, which was in the process of arbitration. The Company recorded a loss in the amount of 375,967 million yen as a result of the settlement (See Note (5) Business Acquisitions and Divestitures, (f) Settlement regarding the South African project).

Under the settlement, the Company agreed to transfer all common shares of Mitsubishi Hitachi Power Systems, Ltd. (hereinafter referred to as 'MHPS') held by the Company upon completion of certain required procedures, as well as make a settlement payment and transfer related loans receivable to MHI. In determining the accounting treatment of the settlement, additional considerations were given to the application and interpretation of relevant accounting standards on the amounts of the shares of MHPS and related liabilities.

We determined that the accounting treatment of the settlement is a key audit matter because of the significance of the related loss on settlement and the additional considerations required in applying and interpreting the accounting standards.

Auditor's Response

We primarily performed the following procedures to address the matter:

- We examined the settlement agreement between the Company and MHI.
- We examined related minutes from the meeting of the board of directors in which the settlement was approved.
- We made inquiries of management and obtained an understanding of the terms and conditions of the settlement and the circumstances under which the Company and MHI reached to the settlement.
- We obtained an understanding from management of the underlying economic rationality and the business strategy behind the settlement and assessed whether the accounting treatment was consistent with these facts.
- We examined the Company's position paper about the corresponding accounting treatment, inquired of management about their considerations, and evaluated their application and interpretation of the accounting standards related to the amounts recognized for the shares of MHPS and related liabilities.
- We performed independent assessments of the application and interpretation of the accounting standards considering the possibility of alternative accounting treatments.

Estimation of total cost of long-term projects

Description of Key Audit Matter

The Group has long-term projects involving the manufacture and provision of goods in accordance with customer specifications that are completed over specified periods of time to customers in a broad range of business areas across the world.

The Group recognizes revenues from long-term projects by measuring the progress of the project mostly based on the cost incurred relative to the estimated total cost to satisfy the performance obligations (See Note (20) Revenues, (b) Information about satisfaction of performance obligations). Furthermore, the Group recognizes provisions for expected losses on construction contracts based on the estimated amount of losses associated with fulfilling the project requirements (See Note (14) Provisions).

Estimations of total cost of long-term projects affect the corresponding amounts of revenues and provisions. Each of the Group's long-term projects is distinct in terms of customer requirements, such as detailed specifications and scheduling, and therefore estimations of total cost depend on management judgements. Estimations of total cost are particularly complex in relation to large-scale projects.

We determined that the estimation of total cost of long-term projects is a key audit matter because auditing estimations of total costs of long-term projects requires consideration of various factors affecting such estimations corresponding to each project as a result of the nature of the Group's long-term projects.

Auditor's Response

We obtained an understanding of the project management systems utilized by the Group as well as its processes for estimating total costs, and tested the relevant internal controls, including the approval of initial and revised operating budgets that serve as the basis of estimating total cost.

We selected samples of long-term projects, such as those projects whose total contract value exceeded certain materiality thresholds and projects involving qualitative risks, including delays in the progress of the project, and, on a quarterly basis, performed selected procedures from the following considering the status of each project:

- We identified the significant factors influencing the estimates, including those related to customer specifications on goods and the timing of delivery, by examining contracts and project management materials and making inquiries of management, and evaluated management judgement on the effects of estimation uncertainty inherent in those significant factors influencing the estimates. In addition, we compared specific line items in the estimated total cost with corresponding quotations from suppliers.
- We evaluated management judgement on whether to revise estimates of total cost considering the status of each project based on inquiries of management and by examining project management materials.
- We assessed the accuracy of total cost estimates by comparing initial and previous period estimates with actual total cost for completed projects and with the latest estimates for projects in progress.
- We additionally made separate inquiries to project managers for projects that were considered particularly significant to corroborate management explanations of their status.

Responsibilities of Management and Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

Audit Committee is responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan
August 31, 2020

Takashi Ouchida
Designated Engagement Partner
Certified Public Accountant

Takuya Tanaka
Designated Engagement Partner
Certified Public Accountant

Yoshitomo Matsuura
Designated Engagement Partner
Certified Public Accountant

(Translation)

Following is an English translation of the Internal Control Report filed under the Financial Instruments and Exchange Act of Japan. We have made the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

[Cover]

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	August 31, 2020
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & CEO
[Name and title of CFO]	Yoshihiko Kawamura, Senior Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Basic Framework of Internal Control over Financial Reporting

Mr. Toshiaki Higashihara, President & CEO, and Mr. Yoshihiko Kawamura, Senior Vice President and Executive Officer, are responsible for establishing and maintaining internal control over financial reporting of Hitachi, Ltd. (the "Company") and have established and maintained internal control over financial reporting in accordance with the basic framework for internal control set forth in the "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control over financial reporting is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements.

2. Matters Related to Scope of Assessment, Record Date, and Assessment Procedure

We assessed the effectiveness of our internal control over financial reporting on the record date as of March 31, 2020. We made this assessment in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In making this assessment, we evaluated internal control which may have a material effect on the entire financial reporting on a consolidated basis ("company-level controls") and based on the result of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of our internal controls.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries, equity-method associates and joint ventures, from the perspective of the materiality that may affect the reliability of our financial reporting. The materiality that may affect the reliability of our financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company, its consolidated subsidiaries, equity-method associates and joint ventures. We did not include a part of consolidated subsidiaries, equity-method associates and joint ventures which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated business units in descending order of total revenues (after elimination of intercompany transactions) for the previous fiscal year, and those business units whose combined amount of revenues reaches approximately 80% of total revenues on a consolidated basis were selected as "significant business units." In addition, some of our equity-method associates and joint ventures which have a significant effect to our consolidated financial statements were selected as "significant business units." At the selected significant business units, we included, in the scope of assessment, those business processes leading to revenues, accounts receivables and inventories and those business processes relating to greater likelihood of material misstatements and significant account involving estimates or forecasts as significant accounts that may have a material impact on our business objectives. Further, not only at selected significant business units, but also at other business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting, those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Related to Results of Assessment

As a result of the assessment above, we concluded that our internal control over financial reporting was effective as of March 31, 2020.

4. Supplementary Matters

None.

5. Special Notes

None.

TRANSLATION

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting under the Financial Instruments and Exchange Act and an audit of internal control over financial reporting under the attestation standards established by the American Institute of Certified Public Accountants.
In an audit of internal control over financial reporting under the Financial Instruments and Exchange Act, the auditors express an opinion on management's report on internal control over financial reporting, and do not express an opinion on the Company's internal control over financial reporting taken as a whole.

Independent Auditors' Report
(filed under the Financial Instruments and Exchange Act of Japan)

August 31, 2020

Mr. Toshiaki Higashihara, President & CEO
Hitachi, Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office, Japan

Designated Engagement Partner, Certified Public Accountant:	Takashi Ouchida
Designated Engagement Partner, Certified Public Accountant:	Takuya Tanaka
Designated Engagement Partner, Certified Public Accountant:	Yoshitomo Matsuura

[Audit of Financial Statements]

Opinion
Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Hitachi, Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of March 31, 2020, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) prescribed in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Accounting treatment of settlement regarding South African project

Description of Key Audit Matter
The Company reached a settlement agreement with Mitsubishi Heavy Industries, Ltd. (hereinafter referred to as "MHI") on December 18, 2019, regarding the transfer price adjustment, etc. for the South African project, which was in the process of arbitration. The Company recorded a loss in the amount of 375,967 million yen as a result of the settlement (See Note (5) Business Acquisitions and Divestitures, (f) Settlement regarding the South African project).
Under the settlement, the Company agreed to transfer all common shares of Mitsubishi Hitachi Power Systems, Ltd. (hereinafter referred to as 'MHPS') held by the Company upon completion of certain required procedures, as well as make a settlement payment and transfer related loans receivable to MHI. In determining the accounting treatment of the settlement, additional considerations were given to the application and interpretation of relevant accounting standards on the amounts of the shares of MHPS and related liabilities.
We determined that the accounting treatment of the settlement is a key audit matter because of the significance of the related loss on settlement and the additional considerations required in applying and interpreting the accounting standards.

Auditor's Response
We primarily performed the following procedures to address the matter:
- We examined the settlement agreement between the Company and MHI.
- We examined related minutes from the meeting of the board of directors in which the settlement was approved.
- We made inquiries of management and obtained an understanding of the terms and conditions of the settlement and the circumstances under which the Company and MHI reached to the settlement.
- We obtained an understanding from management of the underlying economic rationality and the business strategy behind the settlement and assessed whether the accounting treatment was consistent with these facts.
- We examined the Company's position paper about the corresponding accounting treatment, inquired of management about their considerations, and evaluated their application and interpretation of the accounting standards related to the amounts recognized for the shares of MHPS and related liabilities.
- We performed independent assessments of the application and interpretation of the accounting standards considering the possibility of alternative accounting treatments.

Estimation of total cost of long-term projects

Description of Key Audit Matter
The Group has long-term projects involving the manufacture and provision of goods in accordance with customer specifications that are completed over specified periods of time to customers in a broad range of business areas across the world.
The Group recognizes revenues from long-term projects by measuring the progress of the project mostly based on the cost incurred relative to the estimated total cost to satisfy the performance obligations (See Note (20) Revenues, (b) Information about satisfaction of performance obligations). Furthermore, the Group recognizes provisions for expected losses on construction contracts based on the estimated amount of losses associated with fulfilling the project requirements (See Note (14) Provisions).
Estimations of total cost of long-term projects affect the corresponding amounts of revenues and provisions. Each of the Group's long-term projects is distinct in terms of customer requirements, such as detailed specifications and scheduling, and therefore estimations of total cost depend on management judgements. Estimations of total cost are particularly complex in relation to large-scale projects.
We determined that the estimation of total cost of long-term projects is a key audit matter because auditing estimations of total costs of long-term projects requires consideration of various factors affecting such estimations corresponding to each project as a result of the nature of the Group's long-term projects.

Auditor's Response

We obtained an understanding of the project management systems utilized by the Group as well as its processes for estimating total costs, and tested the relevant internal controls, including the approval of initial and revised operating budgets that serve as the basis of estimating total cost.

We selected samples of long-term projects, such as those projects whose total contract value exceeded certain materiality thresholds and projects involving qualitative risks, including delays in the progress of the project, and, on a quarterly basis, performed selected procedures from the following considering the status of each project:

- We identified the significant factors influencing the estimates, including those related to customer specifications on goods and the timing of delivery, by examining contracts and project management materials and making inquiries of management, and evaluated management judgement on the effects of estimation uncertainty inherent in those significant factors influencing the estimates. In addition, we compared specific line items in the estimated total cost with corresponding quotations from suppliers.
- We evaluated management judgement on whether to revise estimates of total cost considering the status of each project based on inquiries of management and by examining project management materials.
- We assessed the accuracy of total cost estimates by comparing initial and previous period estimates with actual total cost for completed projects and with the latest estimates for projects in progress.
- We additionally made separate inquiries to project managers for projects that were considered particularly significant to corroborate management explanations of their status.

Responsibilities of Management and Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

[Audit of Internal Control]

Opinion

Pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the internal control report of Hitachi Ltd. and its subsidiaries (the Group) as of March 31, 2020.

In our opinion, the internal control report, which states that the internal control over financial reporting was effective as of March 31, 2020, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit Committee for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Audit Committee is responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence regarding the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence regarding the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence that are relevant to our audit of the internal control report in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(The above represents a translation, for convenience only, of the original report issued in the Japanese language.)

(Translation)

Following is an English translation of the Confirmation Letter filed under the Financial Instruments and Exchange Act of Japan.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	August 31, 2020
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & CEO
[Name and title of CFO]	Yoshihiko Kawamura, Senior Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report

Mr. Toshiaki Higashihara, President & CEO, and Mr. Yoshihiko Kawamura, Senior Vice President and Executive Officer, confirmed that statements contained in the Annual Securities Report for the 151st fiscal year (from April 1, 2019 to March 31, 2020) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.