(Translation)

Annual Securities Report

(The 150th Business Term)

From April 1, 2018 to March 31, 2019

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.
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[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.

This English translation of the Annual Securities Report reflected the amendment that was reported in the Amendment Report of the Annual Securities Report filed with the Director of the Kanto Local Finance Bureau via EDINET on August 7, 2019.

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.

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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				
	146th business term	147th business term	148th business term	149th business term	150th business term
Year end	March 2015	March 2016	March 2017	March 2018	March 2019
Revenues	9,774,930	10,034,305	9,162,264	9,368,614	9,480,619
Income from continuing operations, before income taxes	518,994	517,040	469,091	638,646	516,502
Net income attributable to Hitachi, Ltd. stockholders	217,482	172,155	231,261	362,988	222,546
Comprehensive income attributable to Hitachi, Ltd. stockholders	337,578	(127,557)	299,397	382,341	171,140
Total Hitachi, Ltd. stockholders' equity	2,942,281	2,735,078	2,967,085	3,278,024	3,262,603
Total equity	4,296,342	4,125,570	4,096,995	4,511,671	4,414,403
Total assets	12,433,727	12,551,005	9,663,917	10,106,603	9,626,592
Total Hitachi, Ltd. stockholders' equity per share (yen)	3,046.74	2,832.39	3,072.79	3,395.00	3,378.81
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	225.19	178.27	239.49	375.93	230.47
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	224.99	178.08	239.42	375.60	230.25
Total Hitachi, Ltd. stockholders' equity ratio (%)	23.7	21.8	30.7	32.4	33.9
Return on equity (%)	7.8	6.1	8.1	11.6	6.8
Price earnings ratio (times)	18.3	14.8	12.6	10.3	15.6
Net cash provided by operating activities	451,825	812,226	629,582	727,168	610,025
Net cash used in investing activities	(612,545)	(730,799)	(337,955)	(474,328)	(162,872)
Net cash provided by (used in) financing activities	233,206	(26,467)	(209,536)	(321,454)	(320,426)
Cash and cash equivalents at end of year	701,703	699,315	765,242	697,964	807,593
Number of employees [Average number of part-time employees, etc.]	336,670 [48,592]	335,244 [45,111]	303,887	307,275	295,941

(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 146 business term.

4. Average numbers of part-time employees, etc. are not stated for the 148th, 149th and 150th business term 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	146th business term	147th business term	148th business term	149th business term	150th business term
Year end	March 2015	March 2016	March 2017	March 2018	March 2019
Revenues	1,842,126	1,859,605	1,906,532	1,930,293	1,927,241
Ordinary income (loss)	(300)	(20,944)	71,599	131,294	304,069
Net income	85,262	64,934	97,724	136,117	174,062
Common stock	458,790	458,790	458,790	458,790	458,790
Number of issued shares (thousands of shares)	4,833,463	4,833,463	4,833,463	4,833,463	966,692
Total net assets	1,399,885	1,378,441	1,497,428	1,536,018	1,563,456
Total assets	3,749,326	3,868,633	4,070,247	4,017,373	3,934,118
Net assets per share (yen)	1,449.58	1,427.49	1,550.49	1,589.79	1,617.32
Dividends per share (yen) [Of the above, interim dividends per share (yen)]	12 [6]	12 [6]	13 [6]	15 [7]	58 [8]
Net income per share, basic (yen)	88.28	67.24	101.20	140.97	180.26
Net income per share, diluted (yen)	-	-	101.17	140.85	180.09
Stockholders’ equity ratio (%)	37.3	35.6	36.8	38.2	39.7
Return on equity (%)	6.1	4.7	6.8	9.0	11.2
Price earnings ratio (times)	46.6	39.2	29.8	27.3	19.9
Dividend payout ratio (%)	68.0	89.2	64.2	53.2	50.0
Number of employees	31,375	37,353	35,631	34,925	33,490
Total shareholder return (%) [Comparative indicater : TOPIX] (%)	109.6 [128.3]	72.3 [112.0]	83.9 [125.7]	108.0 [142.7]	103.3 [132.3]
Highest share price (yen)	939.9	858.0	679.5	944.2	3,925.0 [873.7]
Lowest share price (yen)	660	431.0	400.0	566.3	2,767.5 [692.1]

(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 146 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 of dividends per share for the 150th business term is the sum of ¥8 of interim dividend per share before the share conslidation and ¥50 of the year-end dividend per share after the share conslidation.
5. “Net income per share, diluted” is not stated for the 146th and 147th business terms since there are 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 highset 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 conslidation.

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-Technologies 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; 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.

3. Description of Business

The Hitachi Group, which is comprised of the Company and 1,221 affiliates (803 consolidated subsidiaries and 418 equity-method associates and joint ventures.), engages in a broad range of business activities, from product development and manufacturing to sales and services, in 8 segments of Information & Telecommunication Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Smart Life & Ecofriendly Systems and Others.

Major business outline for each segment and the positioning of principal affiliated companies are described as follows. The Company mainly engages in manufacturing and sales of products and providing services in the segments of Information & Telecommunication Systems, Social Infrastructure & Industrial Systems and Electronic Systems & Equipment.

(As of March 31, 2019)

Main products and services	Positioning of principal affiliated companies	
	Manufacturing	Sales and services
Information & Telecommunication Systems Systems Integration, Consulting, Cloud Services, Servers, Storage, Software, Telecommunications & Network, ATMs	[Consolidated subsidiaries] Hitachi Information & Telecommunication Engineering, Ltd. Hitachi-Omron Terminal Solutions, Corp. Hitachi Computer Products (America), Inc.	[Consolidated subsidiaries] Hitachi Solutions, Ltd. Hitachi Systems, Ltd. Hitachi Consulting Corporation Hitachi Global Digital Holdings Corporation Hitachi Payment Services Private Limited Hitachi Vantara Corporation
Social Infrastructure & Industrial Systems Industrial Machinery and Plants, Elevators, Escalators, Railway Systems, Thermal, Nuclear and Renewable Energy Power Generation Systems, Transmission & Distribution Systems	[Consolidated subsidiaries] Hitachi-GE Nuclear Energy, Ltd. Hitachi Industrial Equipment Systems Co., Ltd. Hitachi Elevator (China) Co., Ltd. [Equity-method associates] Hitachi Kokusai Electric Inc., MITSUBISHI HITACHI POWER SYSTEMS, LTD.	[Consolidated subsidiaries] Hitachi Building Systems Co., Ltd. Hitachi Industry & Control Solutions, Ltd. Hitachi Plant Construction, Ltd. Hitachi Plant Services Co., Ltd. Hitachi Power Solutions Co., Ltd. Hitachi Rail Europe Ltd. Sullair US Purchaser, Inc.
Electronic Systems & Equipment Semiconductor Processing Equipment, Test and Measurement Equipment, Advanced Industrial Products, Medical Electronics Equipment	[Consolidated subsidiaries] Hitachi High-Technologies Corporation	
Construction Machinery Hydraulic Excavators, Wheel Loaders, Mining Machinery	[Consolidated subsidiaries] Hitachi Construction Machinery Co., Ltd.	
High Functional Materials & Components Semiconductor and Display Related Materials, Circuit Boards and Materials, Automotive Parts , Energy Storage Devices, Specialty Steel Products, Magnetic Materials and Applications, Functional Components and Equipment, Wires, Cables and Related Products	[Consolidated subsidiaries] Hitachi Chemical Company, Ltd. Hitachi Metals, Ltd.	
Automotive Systems Engine Powertrain Systems, Electric Powertrain Systems, Integrated Vehicle Control Systems	[Consolidated subsidiaries] Hitachi Automotive Systems, Ltd. Hitachi Automotive Systems Americas, Inc.	
Smart Life & Ecofriendly Systems Air-Conditioning Equipment, Room Air Conditioners, Refrigerators, Washing Machines	[Consolidated subsidiaries] Hitachi Appliances, Inc. Hitachi Consumer Products (Thailand), Ltd.	[Consolidated subsidiaries] Hitachi Consumer Marketing, Inc. [Equity-method associates] Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd
Others Optical Disk Drives, Property Management	[Consolidated subsidiaries] Hitachi-LG Data Storage, Inc.	[Consolidated subsidiaries] 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. Hitachi Rail Europe Ltd. changed its company name to Hitachi Rail Ltd. on April 1, 2019.
3. Hitachi Appliances, Inc. merged with Hitachi Consumer Marketing, Inc. and changed its company name to Hitachi Global Life Solutions, Inc. on April 1, 2019.
4. 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, 2019)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Information & Telecommunication Engineering, Ltd.	Nishi-ku, Yokohama, Kanagawa	1,350	Information & Telecommunication Systems	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	Information & Telecommunication Systems	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	Information & Telecommunication Systems	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	Information & Telecommunication Systems	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, 2019)

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	Information & Telecommunication Systems	[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 Consulting Corporation	Texas, U.S.A.	(Thousands of US dollars) 855,417	Information & Telecommunication Systems	[100.0] 100.0	The Company outsources consulting services. 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	Information & Telecommunication Systems	100.0	Holding company for Hitachi Consulting Corporation and Hitachi Vantara Corporation, 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	Information & Telecommunication Systems	[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 Corporation	California, U.S.A.	(Thousands of US dollars) 932,018	Information & Telecommunication Systems	[100.0] 100.0	Sales company for the Company's storage, 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	Social Infrastructure & Industrial Systems	100.0	Design, manufacturing, sales, installation and maintenance of the elevators and escalators the Company developed. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2019)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	5,000	Social Infrastructure & Industrial Systems	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 Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	10,000	Social Infrastructure & Industrial Systems	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	Social Infrastructure & Industrial Systems	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 Construction, Ltd.	Toshima-ku, Tokyo	3,000	Social Infrastructure & Industrial Systems	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.
Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	3,000	Social Infrastructure & Industrial Systems	100.0	Construction of the Company's industrial plants, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2019)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	4,000	Social Infrastructure & Industrial Systems	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 Elevator (China) Co., Ltd.	Guangzhou, China	(Thousands of Chinese yuan) 538,806	Social Infrastructure & Industrial Systems	[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 Europe Ltd.	London, U.K.	(Thousands of Sterling pounds) 878,181	Social Infrastructure & Industrial Systems	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.
**Sullair US Purchaser, Inc.	Indiana, U.S.A.	(Thousands of US dollars) 517,977	Social Infrastructure & Industrial Systems	[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 High-Technologies Corporation	Minato-ku, Tokyo	7,938	Electronic Systems & Equipment	51.8	The Company sells and purchases information equipment and power-related parts through this company.
** *Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo	81,576	Construction Machinery	51.5	The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2019)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
*Hitachi Chemical Company, Ltd.	Chiyoda-ku, Tokyo	15,454	High Functional Materials & Components	[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 Metals, Ltd.	Minato-ku, Tokyo	26,283	High Functional Materials & Components	[0.5] 53.5	The Company purchases specialty steel products, magnetic materials and applications, functional components and equipment, and wires, cables, and related products. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Automotive Systems, Ltd.	Hitachinaka, Ibaraki	15,000	Automotive Systems	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.
Hitachi Automotive Systems Americas, Inc.	Kentucky, U.S.A.	(Thousands of US dollars) 86,278	Automotive Systems	[100.0] 100.0	Manufacturing and sales company in North America for the Hitachi Group’s automotive systems products.
Hitachi Appliances, Inc.	Minato-ku, Tokyo	20,000	Smart Life & Ecofriendly Systems	100.0	Manufacturing and sales of the Hitachi Group's home appliances, and sales, system installation and maintenance of the Group’s refrigerating and air-conditioning products. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2019)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Consumer Marketing, Inc.	Minato-ku, Tokyo	3,000	Smart Life & Ecofriendly Systems	100.0	Sales company for the Hitachi Group's home appliances in Japan.
Hitachi Consumer Products (Thailand), Ltd.	Prachinburi, Thailand	(Thousands of Thai Baht) 2,472,000	Smart Life & Ecofriendly Systems	[80.1] 80.1	Manufacturing and sales company for the Hitachi Group's refrigerators and washing machines, etc. in Thailand.
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	[21.8] 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, 2019)

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 digital media-, 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, 2019)

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 - 767 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 two asterisks (**) in the "Company name" column are specified subsidiaries.

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

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

5. 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.

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

Hitachi Power Europe GmbH ¥110,499 million

7. Hitachi Rail Europe Ltd. changed its company name to Hitachi Rail Ltd. on April 1, 2019.

8. Hitachi Appliances, Inc. merged with Hitachi Consumer Marketing, Inc. and changed its company name to Hitachi Global Life Solutions, Inc. on April 1, 2019.

(2) Equity-method associates and joint ventures

(As of March 31, 2019)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Kokusai Electric Inc.	Minato-ku, Tokyo	1,000	Social Infrastructure & Industrial Systems	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.
MITSUBISHI HITACHI POWER SYSTEMS, LTD.	Nishi-ku, Yokohama, Kanagawa	100,000	Social Infrastructure & Industrial Systems	35.0	The Company supplies equipments for thermal power generation system. 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 & Ecofriendly Systems	[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 - 413 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., MITSUBISHI HITACHI POWER SYSTEMS, LTD. 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	¥76,263 million
Agility Trains West (Holdings) Limited	¥65,407 million
GE-Hitachi Nuclear Energy Holdings LLC	¥23,012 million

5. Employees

(1) Consolidated basis

(As of March 31, 2019)

Name of segment	Number of employees
Information & Telecommunication Systems	73,086 [15,288]
Social Infrastructure & Industrial Systems	79,108 [9,859]
Electronic Systems & Equipment	15,959 [2,231]
Construction Machinery	24,091 [-]
High Functional Materials & Components	51,895 [-]
Automotive Systems	25,052 [-]
Smart Life & Ecofriendly Systems	11,279 [-]
Others	12,653 [3,294]
Corporate (Head Office and others)	2,818 [2,818]
Total	295,941 [33,490]

(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, 2019)

Number of employees	Average age	Average length of service	Average annual salary
33,490	42.1	19.0 years	¥8,943,244

(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

Amid intensifying competition in global markets, the Hitachi Group has been expanding its business through development of Hitachi and its related companies (subsidiaries and affiliated companies). Hitachi aims to achieve further development by delivering competitive products and services, thus creating higher value for customers. 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.

Under the "2021 Mid-term Management Plan" newly announced in May 2019, we will work on the realization of a sustainable society. Through our social innovation business, we will strive to improve three areas of customers' value, namely social value (solving social issues), environmental value (reducing greenhouse gasses, etc.) and economic value (improving business performance, etc.), leading to an improvement in people's quality of life. 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
Growth (Annual growth rate for revenues)	Over 3%
Profitability (Adjusted operating income margin) (Note)	Over 10%
Ability to generate cash (Operating cash flow: cumulative for 3 years)	Over 2.5 trillion yen
Return on invested capital (ROIC)	Over 10%
Globalization (Overseas revenue ratio)	Over 60%

(Note) 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) Economic Environment

We conduct business operations such as manufacturing, marketing, and research and development activities throughout the world. Therefore, the economic conditions in global markets where the Hitachi Group conducts business, in particular Japan, Asia, North America and Europe, affect its results of operations.

During the fiscal year ended March 31, 2019, the global economy continued to expand at a moderate pace as a whole despite some signs of a slowdown. The U.S. economy remained firm mainly in the areas of consumer spending and capital investment on the back of improved employment conditions. In Europe, the economy was sluggish mostly in Germany affected by a decline in exports to China and the U.K. In China, the economy was supported by a range of government measures such as easing the tax burden on corporations and consumer-spending stimulus programs in addition to infrastructure investment. The Japanese economy continued its moderate recovery reflecting increases in consumer spending and capital investment, although its exports and production were affected by the slowdown of overseas economies.

(3) Business and Financial Challenges Hitachi Group Faces

Under the "2021 Mid-term Management Plan," we will focus on the following policies with the aim of making a leap forward.

– Challenge ourselves to be a global leading company: Evolve business models using Lumada

We have identified the five key sectors of Mobility, Smart Life, Industry, Energy, and IT as areas in which we propose social value, environmental value and economic value together to customers. In order to realize further growth in these five sectors, we will further upgrade Lumada as common platform and support our customers' accelerating innovation, serving as a bridge between digital technologies and real world.

We implement optimal business strategies for each of five sectors. We aim for further growth through acquisition integration of ABB's power grid business scheduled for 2020 in Energy sector and make continuous investments necessary to our growth in Industry and IT sectors. We pursue becoming a global leading company of social innovation business.

– Construct resilient management base

We focus on the cost of capital for our business management newly adopting the return of invested capital (ROIC) as a key performance indicator. We will strive to improve capital efficiency of the Hitachi Group by optimizing our business portfolio, making concentrated investment in growth areas, reforming unprofitable businesses and reducing underperforming assets. Also, we will continuously promote cost reductions through streamlining of business operations with digital technologies including Lumada.

– Take further initiatives to gain the trust of society

The Hitachi Group reaffirms 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.

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

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

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

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

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 are based on the assumption we consider reasonable as of the filing date of this report.

Risks Related to Operations

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 the U.S., Europe, China, emerging countries and Japan. Such economic conditions could cause decline in consumer spending or capital investment and subsequently reduced demand for our products and services, which could adversely affect our business, financial condition, and results of operations.

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, and thus our results of operations, may be harmed 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. 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. While we take measures to reduce the risks from fluctuations in foreign currency exchange rates, such measures may not be effective.

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.

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 marketable securities to maintain or promote our business or other relationships with other companies. These marketable securities are exposed to the risk of declining stock market 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.

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. Although we generally maintain multiple sources of supply and work closely with our suppliers to avoid supply-related problems, such problems, including shortages and delays, may continue to occur, which could harm our business, financial condition and results of operations.

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

We enter into a substantial number of long-term contracts, 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, we recognize revenue in an amount equal to estimated total revenue from the arrangement multiplied by the percentage that costs incurred to date bear to estimated total costs at completion based upon the most recently available information. 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 contracts requires us to make significant assumptions about estimates of total contract costs, remaining costs to completion, total contract revenues, contract risks and other factors. 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, there can be no assurance that these estimates will, ultimately, prove to be correct. 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.

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. While 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, credit deterioration or failure of one or more of them could adversely affect our financial condition, results of operations and cash flows.

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 construction machinery and automotive equipment industries and a resultant deterioration in market conditions could negatively affect our businesses, financial condition and results of operations.

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 and services and the effective marketing of such products and services are indispensable to remaining competitive. While introducing such products and services 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 and services, may negatively affect our business, financial condition and results of operations.

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. 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.

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. The industrial sectors and business lines in which we are engaged are experiencing increasingly intense competition. We compete with diverse competitors ranging from huge global corporations to specialized companies. Competitors are increasingly manufacturing products, including sophisticated electronic products, and developing IT services in low-cost jurisdictions. Low-cost manufacturing and the globalization of world markets have accelerated the commoditization of certain products or services, which has resulted in increasingly intense price competition for many of our products. To succeed in this competitive environment, we believe that our products and services must be price competitive. The commoditization of such products affects our ability to set prices for our products. 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 and services 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 or services that we offer will be competitive. The failure of such products or services to be competitive may negatively affect our business, financial condition and results of operations.

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.

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. 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. 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.

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.

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.

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, environmental and recycling requirements;
- differences in commercial and business customs such as contract terms and conditions;
- labor relations;
- public sentiment against Japan and local residents' sentiment against 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.

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 the Group. We seek to stabilize earnings and generate 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.

Intellectual Property

We depend in part on proprietary technology and our ability to obtain patents, 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, 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, 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.

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.

From time to time, we are sued or receive notices regarding patent 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.

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 the past several years, 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 investment approvals, export regulations, tariffs, antitrust, anti-bribery, intellectual property, consumer and business taxation, foreign trade and exchange controls, and 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.

Product Quality and Liability

We increasingly provide products and services utilizing sophisticated technologies, including but not limited to components of power stations. 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.

Significant Disasters 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 affect 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. 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 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.

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.

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. Although we have implemented controls to protect the confidentiality of such information, there can be no assurance that such controls will be effective. 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.

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.

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, 2019 was the last year of "2018 Mid-term Management Plan." We achieved the improvement of profitability targeted under the mid-term management plan and built a foundation for the next stage of growth. The key indicators to measure performances in terms of meeting our strategic and operational goals are as follows.

	Year ended March 31, 2019 (Fiscal 2018)	
	Result	Target
Revenues	9,480.6 billion yen	10,000.0 billion yen
Adjusted operating income	754.9 billion yen	Over 800.0 billion yen
Adjusted operating income margin	8.0%	Over 8%
EBIT	513.9 billion yen	Over 800.0 billion yen
EBIT margin	5.4%	Over 8%
Net income attributable to Hitachi, Ltd. stockholders	222.5 billion yen	Over 400.0 billion yen
Overseas revenues ratio	51%	Over 55%
ROA	3.3%	Over 5.0%

2) Global Business Expansion

We have strived to expand our business globally by making main line of our businesses further grow with regional focus. The main results for the year ended March 31, 2019 are as follows.

Railway systems business

- Received orders for intercity express cars in Taiwan, operation and maintenance services for the Riyadh Metro in Saudi Arabia, and signal and traffic management systems for high-speed trains in Italy

Digital solution

- Established a joint venture with a local bank in India and built next-generation digital payment platform there

3) Business Reorganization

We continuously reorganize our business in order to further focus our business resources on the Social Innovation Business. The important business reorganizations conducted in the year ended March 31, 2019 are as follows:

In October 2018, the Company concluded an agreement to subscribe to a tender offer for the common shares of Clarion Co., Ltd. to be conducted by Hennape Six SAS, a subsidiary of Faurecia S.A. The Company transferred all of its shares in Clarion Co., Ltd. by subscribing to the tender offer in March 2019. As a result of the transfer of shares, Clarion Co., Ltd. ceased to be a subsidiary of the Company.

In December 2018, the Company signed an agreement with ABB Ltd (ABB) regarding acquisition of the power grids business from ABB. The Company plans to acquire an 80.1% stake in the company operating the power grids business that will be divested by ABB in the first half of 2020 and make it a consolidated subsidiary of the Company from the fourth year on since the company being launched.

We also continuously promote business restructuring in order to address challenges we face such as improving profitability of unprofitable businesses and downsizing of or withdrawal from them, and redeploying employees.

(2) Analysis of Results of Operations

1) Analysis of Statement of Operations

Revenues increased 1% to ¥9,480.6 billion, as compared with the year ended March 31, 2018, despite the effect of conversion of Hitachi Kokusai Electric Inc. into an equity-method associate. This increase was due mainly to an increase in revenues in the Social Infrastructure & Industrial Systems segment owing to an increased revenues from the railway systems business for Europe, in the Construction Machinery segment where sales rose mainly in North America and Asia-Pacific, in the Information & Telecommunications Systems segment where the system integration business remained firm and in the High Functional Materials & Components segment owing to corporate acquisitions by Hitachi Chemical Company, Ltd. and Hitachi Metals, Ltd.

Cost of sales increased 1% to ¥6,964.6 billion, as compared with the year ended March 31, 2018, and the ratio of cost of sales to revenues was 73%, which was the same level as for the year ended March 31, 2018. Gross profit increased 1% to ¥2,515.9 billion, as compared with the year ended March 31, 2018.

Selling, general and administrative expenses decreased 1% to ¥1,761.0 billion, as compared with the year ended March 31, 2018, and the ratio of selling, general and administrative expenses to revenues was 19%, which was the same level as for the year ended March 31, 2018.

Adjusted operating income increased by ¥40.3 billion to ¥754.9 billion yen, as compared with the year ended March 31, 2018. The increase was due mainly to higher profits owing to increased revenues and profitability improvement in the Information & Telecommunication Systems segment, the Social Infrastructure & Industrial Systems segment and the Construction Machinery segment. The increase was partially offset by decreased profits in the High Functional Materials & Components segment and the Automotive Systems segment.

Other income increased ¥194.3 billion to ¥206.3 billion and other expenses increased ¥301.9 billion to ¥442.6 billion, as compared with the year ended March 31, 2018, respectively. The details are as follows. Net gain on sales and disposal of fixed assets was improved by ¥20.9 billion and turned to gain of ¥18.4 billion, as compared with the year ended March 31, 2018. Impairment losses increased ¥296.3 billion to ¥344.9 billion, as compared with the year ended March 31, 2018. This mainly reflected impairment losses recognized as the result of the suspension of the UK nuclear power stations construction project in power and energy business. Net gain on business reorganization and others increased ¥174.8 billion to ¥184.6 billion, as compared with the year ended March 31, 2018, due mainly to net gain by selling shares of Hitachi Kokusai Electric Inc. stock, shares of Clarion Co., Ltd. stock in the Automotive Systems segment and a part of shares of Agility Trains West (Holdings) Limited stock in the Social Infrastructure & Industrial Systems segment. Special termination benefits increased ¥6.6 billion to ¥22.3 billion, as compared with the year ended March 31, 2018. Expenses related to competition law and others decreased ¥12.5 billion to ¥1.7 billion, as compared with the year ended March 31, 2018.

Financial income (excluding interest income) increased by 6.6 billion to ¥13.6 billion and financial expenses (excluding interest charges) decreased ¥7.7 billion to ¥3.4 billion, as compared with the year ended March 31, 2018, respectively.

Share of loss of investments accounted for using the equity method was ¥15.0 billion, a deterioration of ¥77.4 billion from the year ended March 31, 2018, due to an exchange loss at a foreign equity-method associate and impairment losses for investment on equity-method associates.

As a result of the foregoing, EBIT decreased ¥130.3 billion to ¥513.9 billion, as compared with the year ended March 31, 2018.

Interest income increased ¥8.1 billion to ¥23.1 billion, as compared with the year ended March 31, 2018 and interest charges was ¥20.5 billion, which was the same level as for the year ended March 31, 2018.

Income from continuing operations, before income taxes decreased ¥122.1 billion to ¥516.5 billion, as compared with the year ended March 31, 2018.

Income taxes increased ¥54.6 billion to ¥186.3 billion, as compared with the year ended March 31, 2018, despite of decreased income from continuing operations, before income taxes owing mainly to impairment losses recognized as the result of the suspension of the UK nuclear power stations construction project. This increase was due mainly to increased taxable income due to such impairment losses being non-deductible.

Loss from discontinued operations decreased ¥6.8 billion to ¥9.1 billion, as compared with the year ended March 31, 2018.

Net income decreased ¥169.8 billion to ¥321.0 billion, as compared with the year ended March 31, 2018.

Net income attributable to non-controlling interests decreased ¥29.4 billion to ¥98.4 billion, as compared with the year ended March 31, 2018.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders decreased ¥140.4 billion to ¥222.5 billion, as compared with the year ended March 31, 2018.

2) Operations by Segment

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

(Information & Telecommunication Systems)

Revenues increased 3% to ¥2,065.9 billion, as compared with the year ended March 31, 2018, due mainly to higher revenues from system integration business, despite the effect of transfer of a subsidiary operating communication network equipment business.

Adjusted operating income increased ¥36.0 billion to ¥225.2 billion, as compared with the year ended March 31, 2018, due mainly to improved profitability in system integration business and IT platform & products business.

EBIT increased ¥71.6 billion to ¥210.9 billion, as compared with the year ended March 31, 2018, due mainly to the increased adjusted operating income and posting of gains on sales of land formerly used as production site for telecommunication network products.

(Social Infrastructure & Industrial Systems)

Revenues increased 7% to ¥2,539.8 billion, as compared with the year ended March 31, 2018, due mainly to revenue increase in railway systems business for Europe and revenues recognized for overseas EPC project for industry and distribution field.

Adjusted operating income increased ¥35.7 billion to ¥151.3 billion, as compared with the year ended March 31, 2018, due mainly to revenue increase in the railway systems business, and a higher revenue and an improvement in profitability of the industrial products business.

EBIT was worsened by ¥253.2 billion to the loss of ¥151.9 billion, as compared with the profit of ¥101.2 billion for the year ended March 31, 2018, despite posting of gains on business reorganization and others for partial sales of shares of Agility Trains West (Holdings) Limited stock. The decrease was due mainly to impairment losses recognized as the result of the suspension of the UK nuclear power stations construction project.

(Electronic Systems & Equipment)

Revenues decreased 12% to ¥951.2 billion, as compared with the year ended March 31, 2018, due mainly to the effect of reorganization of Hitachi Kokusai Electric Inc., despite increased revenues at Hitachi High-Technologies Corporation owing to higher sales of clinical analyzers and semi-conductor processing equipment and increased revenues in healthcare business owing to higher sales of radiation therapy systems.

Adjusted operating income decreased ¥11.3 billion to ¥75.6 billion, as compared with the year ended March 31, 2018, due mainly to the effect of reorganization of Hitachi Kokusai Electric Inc.

EBIT decreased ¥18.0 billion to ¥70.8 billion, as compared with the year ended March 31, 2018, due mainly to decreased adjusted operating income.

(Construction Machinery)

Revenues increased 8% to ¥1,033.7 billion, as compared with the year ended March 31, 2018, due mainly to increased sales in overseas countries mainly in North America and Asia-Pacific.

Adjusted operating income increased ¥23.2 billion to ¥115.7 billion, as compared with the year ended March 31, 2018, due mainly to the increased revenues.

EBIT increased ¥7.4 billion to ¥104.5 billion, as compared with the year ended March 31, 2018, due mainly to the increased adjusted operating income, despite of making a provision for concerns of collectability of VAT receivables which were overpaid by the subsidiary of Hitachi Construction Machinery Co., Ltd. in China in the year ended March 31, 2018 and the increased structural reform expenses.

(High Functional Materials & Components)

Revenues increased 3% to ¥1,704.4 billion, as compared with the year ended March 31, 2018, due mainly to the effect of corporate acquisition by Hitachi Chemical Company, Ltd. and Hitachi Metals, Ltd., and sales price rise linked to higher raw material costs at Hitachi Metals, Ltd.

Adjusted operating income decreased ¥21.8 billion to ¥99.9 billion, as compared with the year ended March 31, 2018, due mainly to decrease in demand for factory automation-related materials and materials for semiconductors and electronics products at Hitachi Metals, Ltd. and effects of changes in product mix at Hitachi Chemical Company, Ltd.

EBIT decreased ¥12.2 billion to ¥86.4 billion, as compared with the year ended March 31, 2018, due mainly to posting gain on business reorganization and others at Hitachi Metals, Ltd. and a decrease in expenses related to competition law and others at Hitachi Chemical Company, Ltd.

(Automotive Systems)

Revenues decreased 3% to ¥971.0 billion, as compared with the year ended March 31, 2018, due mainly to sales decrease in China and North America and lower revenues from car information systems business.

Adjusted operating income decreased ¥11.5 billion to ¥38.0 billion, due mainly to the decrease in revenues, changes in product mix and deteriorated operational productivity of the production bases in North America.

EBIT increased ¥42.9 billion to ¥85.3 billion, as compared with the year ended March 31, 2018, due mainly to posting gain on sales of the shares of Clarion Co., Ltd. and others.

(Smart Life & Ecofriendly Systems)

Revenues decreased 10% to ¥485.0 billion, as compared with the year ended March 31, 2018, due mainly to decreased revenues both in Japan and overseas market.

Adjusted operating income decreased ¥2.6 billion to ¥22.4 billion, due mainly to the decline in revenues.

EBIT decreased ¥3.7 billion to ¥29.5 billion, as compared with the year ended March 31, 2018, due mainly to the decrease in adjusted operating income.

(Others)

Revenues decreased 4% to ¥534.4 billion, adjusted operating income increased ¥5.4 billion to ¥26.8 billion and EBIT increased ¥3.8 billion to ¥25.6 billion, as compared with the year ended March 31, 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 was ¥4,664.5 billion, which was the same level as the year ended March 31, 2018. This was due mainly to increased revenues in the Information & Systems segment, the High Functional Materials & Components segment and the Construction Machinery segment, which offset decreased revenues in the Electronic Systems & Equipment owing to the effect of business reorganization of Hitachi Kokusai Electric Inc.

Overseas

(Asia)

Revenues in Asia decreased 3% to ¥2,019.5 billion, as compared with the year ended March 31, 2018. This was due mainly to reduced revenues in the Electronic Systems & Equipment segment owing to the effect of business reorganization of Hitachi Kokusai Electric Inc. and in the Automotive Systems segment, despite higher revenues in the Social Infrastructure & Industrial Systems segment owing to sales growth in the building systems business in China and in the Construction Machinery segment.

(North America)

Revenues in North America increased 2% to ¥1,205.6 billion, as compared with the year ended March 31, 2018. This was due mainly to the higher revenues in the Construction Machinery segment, the Social Infrastructure & Industrial Systems segment and the High Functional Materials & Components segment, despite reduced revenues in the Information & Systems segment and the Automotive Systems segment, etc.

(Europe)

Revenues in Europe increased 6% to ¥1,018.5 billion, as compared with the year ended March 31, 2018. This was due mainly to higher revenues in the Social Infrastructure & Industrial Systems segment, reflecting sales growth in the railway systems business, the Construction Machinery segment and the Information & Systems segment.

(Other Areas)

Revenues in other areas increased 14% to ¥572.3 billion, as compared with the year ended March 31, 2018. This was due mainly to higher revenues in the Social Infrastructure & Industrial Systems segment owing to revenues recognized for overseas EPC project for industry and distribution field.

As a result of the foregoing, overseas revenues increased 2% to ¥4,816.0 billion, as compared with the year ended March 31, 2018, and the ratio to total revenues was 51%, which was 1% increase as compared with the year ended March 31, 2018.

(3) Analysis of Financial Condition and Cash Flows

1) Liquidity and Capital Resources

Our management considers maintaining an appropriate level of liquidity and securing adequate funds for current and future business operations to be important financial objectives. Through efficient management of working capital and selective investment in new plants and equipment, 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. 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. In order to flexibly access funding, we maintain our shelf registration with the maximum outstanding balance of ¥300.0 billion.

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, 2019. As of March 31, 2019, our unused commitment lines totaled ¥465.0 billion, including those of ¥400.0 billion 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, 2019 were as follows.

Rating Company	Long-term	Short-term
Moody's	A3	P-2
S&P	A	A-1
R&I	A+	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 outflow from a change in trade payables increased by ¥114.0 billion, as compared with the year ended March 31, 2018. Net cash inflow from a change in trade receivables and contract assets* decreased by ¥45.4 billion, as compared with the year ended March 31, 2018. Net cash outflow from a change in inventories decreased by ¥31.7 billion, as compared with the year ended March 31, 2018.

As a result of the foregoing, net cash provided by operating activities was ¥610.0 billion in the year ended March 31, 2019, a decrease of ¥117.1 billion compared with the year ended March 31, 2018.

* Due to the implementation of IFRS 15, "change in trade receivables" is presented as "change in trade receivables and contract assets" from the year ended March 31, 2019.

(Cash Flows from Investing Activities)

Net amount of investments related to property, plant and equipment** was ¥410.6 billion in the year ended March 31, 2019.This net sum increased by ¥4.1 billion compared with the year ended March 31, 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 the year ended March 31, 2019 increased by ¥128.7 billion, as compared with the year ended March 31, 2018, due mainly to the sale of shares of Clarion Co., Ltd. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the year ended March 31, 2019 decreased by ¥170.7 billion, as compared with the year ended March 31, 2018, in which expenses related to acquiring Sullair business were paid.

As a result of the foregoing, net cash used in investing activities was ¥162.8 billion in the year ended March 31, 2019, a decrease of ¥311.4 billion compared with the year ended March 31, 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 increased by ¥155.7 billion, due mainly to the additional acquisition of shares of Ansaldo STS S.p.A. Proceeds related to short-term debt in the year ended March 31, 2019 were ¥3.7 billion, as compared with ¥104.8 billion of payments related to short-term debt in the year ended March 31, 2018. Net cash outflow related to long-term debt*** in the year ended March 31, 2019 decreased by ¥67.6 billion, as compared with the year ended March 31, 2018.

As a result of the foregoing, net cash used in financing activities was ¥320.4 billion in the year ended March 31, 2019, a decrease of ¥1.0 billion compared with the year ended March 31, 2019.

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

As a result of the foregoing, as of March 31, 2019, cash and cash equivalents were ¥807.5 billion, an increase of ¥109.6 billion from March 31, 2018. Free cash flows, the sum of cash flows from operating and investing activities, were an inflow of ¥447.1 billion in the year ended March 31, 2019, an increase of ¥194.3 billion from the year ended March 31, 2018.

3) Assets, Liabilities and Equity

As of March 31, 2019, total assets amounted to ¥9,626.5 billion, a decrease of ¥480.0 billion from March 31, 2018. This was due mainly to impairment losses recognized for the suspension of the UK nuclear power stations construction project, the conversion of Hitachi Kokusai Electric Inc. to an equity -method associate, and sales of shares of Clarion Co., Ltd. stock. Cash and cash equivalents as of March 31, 2019 amounted to ¥807.5 billion, an increase of ¥109.6 billion from the amount as of March 31, 2018.

As of March 31, 2019, total interest-bearing debt, the sum of short-term debt and long-term debt, amounted to ¥1,004.7 billion, a decrease of ¥45.5 billion from March 31, 2018 as a result of repayment of borrowings. As of March 31, 2019, short-term debt, consisting mainly of borrowings from banks and commercial paper, amounted to ¥111.0 billion, a decrease of ¥10.4 billion from March 31, 2018. As of March 31, 2019, current portion of long-term debt amounted to ¥185.2 billion, an increase of ¥68.0 billion from March 31, 2018. As of March 31, 2019, long-term debt (excluding current portion), consisting mainly of debentures, and loans principally from banks and insurance companies, amounted to ¥708.4 billion, a decrease of ¥103.1 billion from March 31, 2018.

As of March 31, 2019, total Hitachi, Ltd. stockholders' equity amounted to ¥3,262.6 billion, a decrease of ¥15.4 billion from March 31, 2018. As a result, the ratio of total Hitachi, Ltd. stockholders' equity to total assets as of March 31, 2019 was 33.9%, compared with 32.4% as of March 31, 2018.

Non-controlling interests as of March 31, 2019 was ¥1,151.8 billion, a decrease of ¥81.8 billion from March 31, 2018.

Total equity as of March 31, 2019 was ¥4,414.4 billion, a decrease of ¥97.2 billion from March 31, 2018. The ratio of interest-bearing debt to total equity was 0.23, which was the same level as that as of March 31, 2018.

(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 ― Notes to Consolidated Financial Statements ―(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. Details of important accounting policies and estimates are described in "Consolidated Financial Statements ― Notes to Consolidated Financial Statements ―(3) Summary of Significant Accounting Policies."

(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:

- economic conditions, including consumer spending and plant and equipment investment in Hitachi's major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves;
- 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;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- credit conditions of Hitachi's customers and suppliers;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to Hitachi's ability to 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;
- uncertainty as to Hitachi's ability to attract and retain skilled personnel;
- increased commoditization of and intensifying price competition for products;
- 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;
- the potential for significant losses on Hitachi's investments in equity-method associates and joint ventures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to the success of cost structure overhaul;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property;

- 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;
- 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 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; 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) Business Acquisition

On December 17, 2018, the Company decided to acquire the power grids business from ABB Ltd (ABB) in order to strengthen and expand energy solutions business globally and executed an agreement regarding the acquisition with ABB. The Company plans to acquire an 80.1% stake in the company operating the power grids business that will be divested by ABB and make it a consolidated subsidiary of the Company in the first half of 2020. The amount of consideration is expected to be approximately USD 6.4 billion (approximately ¥710.3 billion).

(2) Absorption-type Company Split

On October 25, 2018, the Company decided to transfer its electrical systems business and machinery systems business to Hitachi Industrial Products, Ltd. by way of an absorption-type company split (the "Company Split") in order to strengthen the product business and executed an absorption-type company split agreement with Hitachi Industrial Products, Ltd. on February 6, 2019.

The details of the Company Split are as follows.

1) Company Split Method

This is an absorption-type company split under which the Company is the transferring company and Hitachi Industrial Products, Ltd. is the successor company.

2) Effective Date of the Company Split

April 1, 2019

3) Assets and Liabilities Transferred to the Successor Company (As of April 1, 2019)

Assets: ¥52.6 billion, Liabilities: ¥36.5 billion

4) Details of Allotments

Hitachi Industrial Products, Ltd., the successor company, issued 199,200 shares of common stock on April 1, 2019 and allocated all the shares to the Company, the transferring company.

5) Basis of Calculation for Allotment

As the Company held all of issued shares of Hitachi Industrial Products, Ltd., it was considered appropriate that Hitachi Industrial Products, Ltd. issues 199,200 shares of common stock and allots all the shares to the Company.

6) Profile of the Successor Company after the Company Split

Name	Hitachi Industrial Products, Ltd.
Head office	3 Kanda Neribei-cho, Chiyoda-ku, Tokyo
Representative	President Keizo Kobayashi
Capital	¥10.0 billion
Business	Development, manufacture and sales of products and provision of services in the electrical system business and the machinery system business

(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.

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. 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 as well as with outside firms.

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, India and South America and accelerating locally-led R&D. 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. 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, 2019 were ¥323.1 billion, 3.4% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Amount
Information & Telecommunication Systems	46.9
Social Infrastructure & Industrial Systems	55.7
Electronic Systems & Equipment	46.1
Construction Machinery	24.7
High Functional Materials & Components	51.1
Automotive Systems	64.1
Smart Life & Ecofriendly Systems	7.9
Others	3.7
Corporate Items	22.5
Total	323.1

Notable achievements of R&D activities in the fiscal year ended March 31, 2019 are as follows.

- Development of a biometric authentication base technology that realizes safe and accurate identification through multi-purpose cameras (Information & Telecommunication Systems segment)

  We developed a biometric authentication base technology that realizes the authentication of public keys based on palm print information captured by multi-purpose cameras incorporated in smartphones and tablets. By combining the technology and face recognition techniques and conducting biometric information authentication several times with the same camera, we established a safe and accurate biometric authentication technology that does not require the use of any dedicated equipment. (Joint development with KDDI research, Inc.)

- Development of CMOS annealing machines whose performance can be enhanced according to the scale and complexity of problems (Information & Telecommunication Systems segment)

  To solve complex social problems such as traffic congestions at high speed, we developed a new type of computer (CMOS annealing machine) whose performance can be enhanced according to the scale and complexity of problems to be addressed. This was achieved by connecting several CMOS annealing chips that support the semiconductor circuit-based search of optimal solutions.

- Development of a technology that supports integrated management and cooperative control of several AI systems that control robot arms and transport carts (Social Infrastructure & Industrial Systems segment)

  To maximize improvements in the efficiency of order picking operations conducted in warehouses, we developed a technology that enables robots to take out products while simultaneously allowing transport carts to keep moving. This was achieved by leveraging artificial intelligence that decides optimal picking methods based on images captured by cameras and the collaboration of several AI systems that control picking robots and transport carts.

- Development of an AI technology that recognizes the operation status of plant facilities based on sounds (Social Infrastructure & Industrial Systems segment)

  We developed an AI technology that supports highly accurate status recognition without the effect of surrounding noises by decomposing sounds recorded by several microphones from perspectives such as the direction of sound sources and differences in tones, and then making a comprehensive judgement on such decomposed sounds by means of several neural networks (simulated mathematical model of neural circuits). The development was made for application for sound-based automatic diagnosis services of plant facilities, among other services.

- Development of a system that facilitates the creation of innovative ideas through AI (Information & Telecommunication Systems segment)

  We developed a system that facilitates the creation of innovative ideas transcending business fields through workshops for creating ideas for services and businesses. This was achieved by AI automatically picking up key words from what is discussed by participants through voice recognition technology and recommending knowledge based on examples of problem solving in a range of business areas accumulated in Lumada.

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.

Capital investment (based on the amount recorded as tangible fixed assets and the investment property) in the fiscal year ended March 31, 2019 was ¥414.7 billion. A breakdown of capital investment by segment is as follows.

Segment	Capital investment (Billions of yen)	Change from preceding fiscal year (%)	Main purpose of investment
Information & Telecommunication Systems	34.2	96	Renewal of data center equipment, streamline development and production of other products
Social Infrastructure & Industrial Systems	73.4	92	Facility for wind power generation system, manufacturing facilities for railway systems, streamline development and production of other products
Electronic Systems & Equipment	21.5	110	Streamline development and production of products
Construction Machinery	30.3	164	Streamline production of construction machinery, relocation of offices
High Functional Materials & Components	143.3	109	Increase and streamline production of specialty steel products, magnetic materials and applications, wires, cables and related products, etc. Increase production of materials for lithium-ion batteries and polishing materials Streamline production of functional components and equipment
Automotive Systems	73.5	111	Increase production of automotive equipment, etc.
Smart Life & Ecofriendly Systems	12.1	143	Streamline development and production of products, delivery center
Others	24.7	189	R&D facilities
Subtotal	413.4	111	-
Corporate Items & Eliminations	1.3	60	-
Total	414.7	111	-

(Notes) 1. The figures in the above table include the amount of the tangible fixed assets leased under finance lease transactions and the investment property, each of which is recorded as property, plant and equipment and other non-current assets, respectively.

2. 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, 2019 is as follows.

(1) Breakdown by Segment

(As of March 31, 2019)

Segment	Book value (Millions of yen)							Number of employees
	Land [Area in thousands of m²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Other	Construction in progress	Total	
Information & Telecommunication Systems	26,593 [747]	67,570	22,554	47,886	21,694	1,649	187,946	73,086
Social Infrastructure & Industrial Systems	39,467 [12,992]	130,199	44,279	24,583	9,011	12,072	259,611	79,108
Electronic Systems & Equipment	22,058 [580]	33,716	16,854	16,815	3,689	2,328	95,460	15,959
Construction Machinery	56,143 [10,211]	98,832	53,219	8,519	79,846	14,686	311,245	24,091
High Functional Materials & Components	89,263 [17,019]	171,106	266,665	33,958	5,814	61,075	627,881	51,895
Automotive Systems	39,645 [5,280]	70,924	127,885	18,189	954	44,066	301,663	25,052
Smart Life & Ecofriendly Systems	8,632 [2,248]	20,295	15,448	10,231	148	791	55,545	11,279
Others	37,551 [1,858]	62,986	3,843	10,768	486	4,262	119,896	12,653
Subtotal	319,352 [50,934]	655,628	550,747	170,949	121,642	140,929	1,959,247	293,123
Corporate Items & Eliminations	(28,478) [882]	24,259	370	3,524	(2,237)	-	(2,562)	2,818
Total	290,874 [51,817]	679,887	551,117	174,473	119,405	140,929	1,956,685	295,941

(Notes) 1. The “Book value - Other” column includes the amount of finance lease assets, etc.
2. The figures in the above table include ¥87,944 million of operating lease assets for leasing business.
3. The figures in the above table include ¥27,575 million of finance lease assets leased externally.
4. Except for the figures in the above table, there are operating lease assets leased, mainly machinery, etc. The annual lease fee for such assets was ¥133,333 million.

(2) The Company

(As of March 31, 2019)

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	Other	Construction in progress	Total	
Financial Institutions Business Unit, Social Infrastructure Systems Business Unit and Systems & Services Business Division (Kawasaki, Kanagawa)	Information & Telecommunication Systems	System development facilities, manufacturing facilities for servers, mainframes, etc.	13,562 [210]	45,853	166	26,913	1,051	1,097	88,645	9,490
Research & Development Group (Kokubunji, Tokyo)	Others	R&D facilities	6,017 [776]	21,626	1,628	4,060	-	143	33,476	2,566
Railway Systems Business Unit (Kudamatsu, Yamaguchi)	Social Infrastructure & Industrial Systems	Manufacturing facilities for railway vehicles, etc.	846 [666]	14,971	5,463	1,002	4	629	22,917	2,355
Nuclear Energy Business Unit and Power Business Unit (Hitachi, Ibaraki)	Social Infrastructure & Industrial Systems	Manufacturing facilities for power generating equipment, etc.	9,755 [3,312]	2,884	1,056	747	492	1,005	15,942	1,524
Corporate Hospital Group (Hitachi, Ibaraki)	Corporate	Medical facilities	63 [53]	13,916	31	1,571	66	-	15,648	1,535
Head Office (Chiyoda-ku, Tokyo)	Corporate	Other facilities	5,177 [790]	7,844	329	1,724	-	-	15,075	1,524
Healthcare Business Unit (Taito-ku, Tokyo)	Electronic Systems & Equipment	Manufacturing facilities for medical equipments	5,467 [84]	3,507	1,244	1,329	1,457	476	13,483	2,227
Services & Platforms Business Unit (Hitachi, Ibaraki)	Social Infrastructure & Industrial Systems	Manufacturing facilities for industrial machinery and plants, switchboards and calculation control equipment, system development facilities	635 [206]	5,651	924	418	208	157	7,996	5,875
Defense Systems Business Unit (Yokohama, Kanagawa)	Social Infrastructure & Industrial Systems	System development facilities	107 [7]	5,513	142	730	481	-	6,975	452
Industry & Distribution Business Unit and Water Business Unit (Toshima-ku, Tokyo)	Social Infrastructure & Industrial Systems	Manufacturing facilities for industrial solution and water solution equipments	559 [125]	2,981	174	207	1,034	1,232	6,189	670

(3) Domestic subsidiaries

(As of March 31, 2019)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)							Number of employees
			Land [Area in thousands of m²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Other	Construction in progress	Total	
Hitachi Automotive Systems, Ltd. (Hitachinaka, Ibaraki)	Automotive Systems	Manufacturing facilities for automotive equipment	6,724 [2,493]	31,806	48,239	7,162	948	14,793	109,674	8,727
Hitachi Metals, Ltd., Yasugi Works (Yasugi, Shimane)	High Functional Materials & Components	Manufacturing facilities for specialty steel products	8,584 [1,108]	12,886	35,834	2,095	-	2,017	61,416	1,663
Hitachi Construction Machinery Co., Ltd., Hitachinaka-Rinko Works (Hitachinaka, Ibaraki)	Construction Machinery	Manufacturing facilities for construction machinery	12,330 [495]	14,306	3,832	233	-	1,997	32,700	418
Hitachi Metals Neomaterial, Ltd. (Suita, Osaka)	High Functional Materials & Components	Manufacturing facilities for specialty steel products	11,150 [121]	3,338	5,672	800	-	9,546	30,506	1,057
Hitachi High-Technologies Corporation, Naka Area (Hitachinaka, Ibaraki)	Electronic Systems & Equipment	Manufacturing facilities for semiconductor processing equipment and test and measurement equipment, etc.	82 [115]	14,572	3,246	8,082	-	240	26,223	2,492
Hitachi Metals, Ltd., Kumagaya Works (Kumagaya, Saitama)	High Functional Materials & Components	Manufacturing facilities for magnets	1,194 [259]	9,585	9,085	448	-	4,382	24,694	360
Hitachi Construction Machinery Co., Ltd., Tsuchiura Works (Tsuchiura, Ibaraki)	Construction Machinery	Manufacturing facilities for construction machinery	5,840 [5,068]	10,412	5,663	1,651	-	842	24,410	3,092
Hitachi Chemical Company, Ltd., Yamazaki Works (Hitachi, Ibaraki)	High Functional Materials & Components	Manufacturing facilities for semiconductor materials, etc.	892 [453]	11,086	9,821	837	26	1,074	23,736	1,001
Hitachi Chemical Company, Ltd., Shimodate Works (Chikusei, Ibaraki)	High Functional Materials & Components	Manufacturing facilities for circuit board materials, etc.	4,535 [677]	7,590	9,345	719	56	270	22,515	1,633
Hitachi Metals, Ltd., Ibaraki Works (Hitachi, Ibaraki)	High Functional Materials & Components	Manufacturing facilities for wires and cables and rubber product, etc.	4,637 [1,195]	7,658	5,670	885	65	985	19,900	1,416

(4) Overseas subsidiaries

(As of March 31, 2019)

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	Other	Construction in progress	Total	
Waupaca Foundry, Inc. (Wisconsin, U.S.A.)	High Functional Materials & Components	Manufacturing facilities for automotive components	780 [5,754]	17,028	35,731	3,080	1,508	5,455	63,582	4,426
Hitachi Automotive Systems Mexico, S.A. de C.V. (Querétaro, Mexico)	Automotive Systems	Manufacturing facilities for automotive equipment	3,151 [488]	5,905	25,763	2,137	-	6,578	43,534	4,031
Hitachi Vantara Corporation (California, U.S.A.)	Information & Telecommunication Systems	Other facilities	- [-]	-	16,000	14,750	5,386	-	36,136	8,716
Hitachi Automotive Systems Americas, Inc. (Kentucky, U.S.A.)	Automotive Systems	Manufacturing facilities for automotive equipment	378 [1,242]	8,517	13,640	991	-	11,155	34,681	3,024
Hitachi Rail Italy S.p.A. (Naples, Italy)	Social Infrastructure & Industrial Systems	Manufacturing facilities for trains vehicles, etc.	1,070 [684]	9,388	4,932	3,177	-	2,071	20,638	2,370

(Note) The figures for Hitachi Vantara Corporation and Hitachi Italy, S.p.A. 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 ¥400.0 billion (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. The Company changed its reporting segments on the beginning of the fiscal year ending March 31, 2020.

Segment	Amount (Billions of yen)	Main purpose of investment
IT	39.0	Expansion and renewal of data center equipment
Energy	6.0	Facility for wind power generation systems
Industry	17.0	Manufacturing facilities for industrial products
Mobility	20.0	Manufacturing facilities for railway systems
Smart Life	77.0	Increase production of automotive equipment, manufacturing facilities for healthcare equipment
Hitachi High-technologies	29.0	Streamline development and production of products
Hitachi Construction Merchinery	70.0	Streamline production of construction machinery, relocation of offices
Hitachi Metals	60.0	Increase and streamline production of specialty steel products, magnetic materials and applications, power electronics materials, functional components and equipment, wires, cables and related products, etc.
Hitachi Chemical	46.0	Streamline development and production of products
Others	26.0	R&D facilities
Subtotal	390.0	-
Corporate Items & Eliminations	10.0	-
Total	400.0	-

(Notes) 1. The figures in the above table include the amount of the tangible fixed assets leased under finance lease transactions 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, 2019)	Number of shares issued as of the filing date (shares) (Note) (June 19, 2019)	Stock exchange on which the Company is listed	Description
Common stock	966,692,677	967,280,477	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	966,692,677	967,280,477	–	–

(Note) The "Number of shares issued as of the filing date" does not include shares issued upon exercise of stock acquisition rights from June 1, 2019 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	15,750 [13,794]	17,090 [15,062]	17,399 [15,692]
Class, detail and number of shares to be issued upon exercise of stock acquisition rights	Common stock 315,000 shares [275,880 shares] (Note 2)	Common stock 341,800 shares [301,240 shares] (Note 2)	Common stock 347,980 shares [313,840 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, 2019). 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 (May 31, 2019). 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, 2014 to March 31, 2015	-	4,833,463,387	-	458,790	-	176,757
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

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

2. The Company issued its new shares on May 31, 2019. The total number of issued shares, common stock and capital reserve increased 587,800 shares, 1,071 million yens and 1,071 million yens respectively.

(5) Shareholders composition

(As of March 31, 2019)

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	3	232	73	2,544	1,050	148	263,261	267,311	-
Share ownership (units)	152	3,121,158	275,417	152,649	4,178,075	1,025	1,912,566	9,641,042	2,588,477
Ownership percentage of shares (%)	0.00	32.37	2.86	1.58	43.34	0.01	19.84	100.00	-

(Notes) 1. Of 1,086,667 shares of treasury stock, 10,866 units are included in the “Individuals and others” column, while 67 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 March 31, 2019)

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	71,017,400	7.35
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	61,402,500	6.36
Hitachi Employees' Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	20,694,676	2.14
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	20,016,500	2.07
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	18,652,999	1.93
Japan Trustee Services Bank, Ltd. (Trust Account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	17,676,200	1.83
State Street Bank West Client-Treaty 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	16,620,287	1.72
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)	15,466,269	1.60
JP Morgan Chase Bank 385151 (Standing proxy: Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (15-1, Konan 2-chome, Minato-ku, Tokyo)	15,016,920	1.56
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)	14,728,535	1.53
Total	-	271,292,286	28.10

(Note) 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 June 19, 2019. 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	Mitsubishi UFJ Trust and Banking Corporation and two other persons
Date on which the duty to file report	November 13, 2017
Number of shares	266,423,703 shares
Ownership percentage to the total number of issued shares	5.51%

(Note) The amendment to the report shown in the table above was filed by Mitsubishi UFJ Trust and Banking Corporation and two other persons, and is available for public inspection. The amendment states that the number of shares and the ownership percentage to total number of issued shares decreased to 45,175,020 shares and 4.67% respectively. The date on which the duty to file the amendment is June 10, 2019.

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	March 29, 2019
Number of shares	53,271,076 shares
Ownership percentage to the total number of issued shares	5.51%

(Note) The amendment to the report shown in the table above was filed by Asset Management One Co., Ltd. and four other persons, and is available for public inspection. The amendment states that the number of shares and the ownership percentage to total number of issued shares decreased to 45,826,600 shares and 4.74% respectively. The date on which the duty to file the amendment is April 30, 2019.

(7) Information on voting rights

1) Issued shares

(As of March 31, 2019)

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 1,120,000	－	－
Shares with full voting right (others)	Common stock 962,984,200	9,629,842	－
Shares less than one unit	Common stock 2,588,477	－	－
Number of issued shares	966,692,677	－	－
Total number of voting rights	－	9,629,842	－

(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 March 31, 2019)

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	1,086,600	－	1,086,600	0.11
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-chome, Chuo-ku, Tokyo	2,100	－	2,100	0.00
ISHII DENKOSHA Co., Ltd.	1-11, Oroshishinmachi 3-chome, Higashi-ku, Niigata-shi, Niigata	200	－	200	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	－	1,120,000	－	1,120,000	0.12

2. Information on Acquisition, etc. of Treasury Stock

Class of shares

Acquisition of common stock under Article 155, Item 7 and 9 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 stock less than one share under Article 235, Paragraph 2 and Article 234, Paragraph 4 of the Companies Act

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2019	12,095	41,219,760
Treasury stock acquired during the current period	-	-

Acquisition of stock less than one unit shares due to purchase requests from shareholders under Article 192, Paragraph 1 of the Companies Act

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2019 (Note 1)	166,425	189,552,851
Treasury stock acquired during the current period (Note 2)	4,055	15,014,713

(Notes) 1. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The treasury stock acquired during the fiscal year ended March 31, 2019 of 166,425 shares is the sum of the shares acquired before the share consolidation of 143,468 shares and those acquired after the share consolidation of 22,957 shares.

2. The number of treasury stock acquired due to requests to purchase stock less than one unit shares from June 1, 2019 to the filing date is not included.

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

Classification	Fiscal year ended March 31, 2019 (Note 1)		Current period (Note 2)	
	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)	603,660	448,234,994	74,330	268,139,547
Total number of treasury stock held	1,086,667	-	1,016,392	-

(Notes) 1. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The treasury stock disposed during the fiscal year ended March 31, 2019 of 603,660 shares is the sum of the shares acquired before the share consolidation of 599,240 shares and those acquired after the share consolidation of 4,420 shares.

2. The followings are not included: the number of treasury stock which was transferred upon exercise of stock acquisition rights from June 1, 2019 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 June 1, 2019 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 June 1, 2019 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 ¥58.0 per share were paid for the fiscal year ended March 31, 2019. It was resolved to pay interim dividends of ¥8.0 per share at the Board of Directors meeting held on October 26, 2018, resulting in the total amount of interim dividends of ¥38,625 million. In addition, it was resolved to pay year-end dividends of ¥50.0 per share (the sum of an ordinary dividend of ¥45 and a special dividend of ¥5 in consideration of the level of achievement of targets set out in the 2018 Mid-Term Management Plan.) at the Board of Directors meeting held on May 10, 2019, resulting in the total amount of year-end dividends of ¥48,280 million. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The above mentioned dividends per share are the actually paid amount. The annual dividends per share factoring in the impact of the share consolidation is ¥90.0.

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 befaviour desciplines 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 June 19, 2019, the Board of Directors was made up of 11 Directors, and eight of whom are outside Directors and two concurrently serve as Executive Officers. Within the Board of Directors, there are three statutory committees of the Nominating Committee, the Audit Committee and the Compensation Committee with outside Directors accounting for the majority of members of each committee. The Board of Directors meetings were held 12 days during the fiscal year ended March 31, 2019, and the attendance rate of Directors at those meetings was 96%. The Nominating Committee meetings were held 9 days, the Audit Committee meetings were held 17 days, and the Compensation Committee meetings were held 6 days during the fiscal year ended March 31, 2019.

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 outside 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 outside 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 outside 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.

Executive Officers

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 June 19, 2019, the Company has 39 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.

Senior Executive Committee

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 12 members as of June 19, 2019; President & CEO (Toshiaki Higashihara), six Executive Vice President and Executive Officers (Masakazu Aoki, Keiji Kojima, Keiichi Shiotsuka, Hideaki Takahashi, Alistair Dormer and Toshikazu Nishino), four Senior Vice President and Executive Officers (Yoshihiko Kawamura, Yoshitaka Tsuda, Hidenobu Nakahata and Mitsuaki Nishiyama) and one Vice President and Executive Officer (Osamu Naito).

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.

(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: 4%)

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)	300
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)	1,000
Director	Joe Harlan	May 5, 1959	9/1999 9/2001 11/2002 10/2004 10/2009 9/2011 9/2012 10/2014 10/2015 6/2018	Vice President and Chief Financial Officer, Lighting Business, General Electric Company (USA) Vice President, Corporate Financial Planning and Analysis, 3M Company (USA) President and Chief Executive Officer, Sumitomo 3M Ltd. Executive Vice President, Electro and Communications Business, 3M Company (USA) Executive Vice President, Consumer and Office Business, 3M Company (USA) Executive Vice President, Performance Materials, The Dow Chemical Company (USA) Executive Vice President, Chemicals, Energy and Performance Materials, The Dow Chemical Company (USA) Chief Commercial Officer and Vice Chairman, Market Business, The Dow Chemical Company (USA) Vice Chairman and Chief Commercial Officer, The Dow Chemical Company (USA) (Retired in August 2017) Director, Hitachi, Ltd.	(Note 1)	300

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director	George Buckley	Feb. 23, 1947	2/1993	Chief Technology Officer, Motors, Drives and Appliances, Emerson Electric Company	(Note 1)	5,300
			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.		
Director	Louise Pentland	Apr. 11, 1972	8/1997	Admitted as a Solicitor (UK)	(Note 1)	700
			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)		
Chairman of the Board Member of Audit Committee, Nominating Committee (Chair) and Compensation Committee (Chair)	Harufumi Mochizuki	Jul. 26, 1949	7/2002	Director-General for Commerce and Distribution Policy, Minister's Secretariat, Ministry of Economy, Trade and Industry of Japan ("METI")	(Note 1)	2,900
			7/2003	Director-General, Small and Medium Enterprise Agency, METI		
			7/2006	Director-General, Agency for Natural Resources and Energy, METI		
			7/2008	Vice-Minister of Economy, Trade and Industry of Japan		
			8/2010	Special Advisor to the Cabinet of Japan (Retired in September 2011)		
			10/2010	Senior Adviser to the Board, Nippon Life Insurance Company (Retired in April 2013)		
			6/2012	Director, Hitachi, Ltd.		
			6/2013	President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. (Currently in office)		

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	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)	7,700
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)	1,800
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)	70,600
Director Member of Audit Committee (Standing)	Toyoaki Nakamura	Aug. 3, 1952	4/1975 1/2006 4/2007 6/2007 6/2009 4/2012 6/2016	Joined Hitachi, Ltd. General Manager, Finance Department I Senior Vice President and Executive Officer Senior Vice President, Executive Officer and Director Senior Vice President and Executive Officer Executive Vice President and Executive Officer (Retired in March 2016) Director	(Note 1)	16,200

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
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)	69,900
Total						176,700

(Notes) 1. The term of office of the Directors starts upon the election at the Annual General Meeting of Shareholders on June 19, 2019 and expires at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2020.

2. Messrs. Katsumi Ihara, Joe Harlan, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto and Hiroaki Yoshihara 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)	69,900
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)	24,000
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)	26,800

<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>Representative Executive Officer, Executive Vice President and Executive Officer
Assistant to the President (systems & services business and defense systems business), systems & services business and social innovation business promotion</td><td>Keiichi Shiotsuka</td><td>May 8, 1954</td><td>4/1977
4/2012

4/2013

4/2015

4/2017</td><td>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</td><td>(Note 2)</td><td>26,200</td></tr>
<tr><td>Representative Executive Officer, Executive Vice President and Executive Officer
Assistant to the President (cost structure reform and supply chain management), cost structure reform and supply chain management (MONOZUKURI and quality assurance)</td><td>Hideaki Takahashi</td><td>Aug. 20, 1952</td><td>4/1978
4/2005

4/2007

4/2011

6/2011

6/2013
7/2013

4/2014

4/2017

4/2018</td><td>Joined Hitachi, Ltd.
President, Hitachi Building Systems Co., Ltd.
Vice President and Executive Officer, Hitachi, Ltd.
President and Chief Executive Officer, Hitachi Cable, Ltd.
President and Chief Executive Officer, Director, Hitachi Cable, Ltd.
Director, Hitachi Metals, Ltd.
Executive Vice President and Executive Officer, Director, Hitachi Metals, Ltd.
President and Chief Executive Officer, Director, Hitachi Metals, Ltd.
Chairperson of the Board, Hitachi Metals, Ltd.
Executive Vice President and Executive Officer</td><td>(Note 2)</td><td>26,100</td></tr>
<tr><td>Representative Executive Officer, Executive Vice President and Executive Officer
Assistant to the President (building systems business and railway systems business)</td><td>Alistair Dormer</td><td>Aug. 29, 1963</td><td>2/2001

6/2003
10/2009

9/2012

4/2014

4/2015

4/2016

4/2019</td><td>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</td><td>(Note 2)</td><td>1,100</td></tr>
</table>

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 (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)	24,000
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)	19,400
Senior Vice President and Executive Officer Management strategies, investment strategies and strategies for next generation business	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)	16,900
Senior Vice President and Executive Officer Regional strategies (China)	Kenichi Kokubo	Nov. 25, 1955	4/1979 4/2011 4/2014 4/2018	Joined Hitachi, Ltd. President, Hitachi (China) Ltd. Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	17,800

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	Setsuo Shibahara	Feb. 3, 1958	4/1982 4/2014 4/2015 4/2016 4/2018	Joined Hitachi, Ltd. Chief Operating Officer of Systems & Solutions Business, and General Manager of Service Division Group, Information & Telecommunication Systems Company, Information & Telecommunication Systems Group Chief Strategy Officer of Information & Telecommunication Systems Company, and Chief Operating Officer of Systems & Services Business, Information & Telecommunication Systems Company, Information & Telecommunication Systems Group Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	20,800
Senior Vice President and Executive Officer Building systems business	Hideaki Seki	Mar. 10, 1957	4/1979 4/2011 4/2013 4/2014 4/2015 4/2016 4/2018	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, Director, Hitachi Automotive Systems, Ltd. President & CEO, Representative Director, Hitachi Automotive Systems, Ltd. Senior Vice President and Executive Officer	(Note 2)	17,200
Representative Executive Officer, Senior Vice President and Executive Officer Marketing & sales, regional strategies and social innovation business promotion	Yoshitaka Tsuda	Jul. 3, 1955	4/1979 4/2012 4/2014 4/2017 4/2018	Joined Hitachi, Ltd. Chief Marketing Officer, Information & Telecommunication Systems Company Vice President and Executive Officer Senior Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	26,900
Representative Executive Officer, Senior Vice President and Executive Officer Corporate communications, legal matters, risk management, corporate auditing 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)	20,400

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Representative Executive Officer, Senior Vice President and Executive Officer Finance and corporate pension system	Mitsuaki Nishiyama	Sep. 25, 1956	4/1979 4/2008 4/2011 6/2012 4/2013 7/2013 4/2014 4/2015 4/2016	Joined Hitachi, Ltd. General Manager, Finance Department I Executive Officer, Hitachi Cable, Ltd. Executive Officer, Board Director, Hitachi Cable, Ltd. Vice President and Executive Officer, Board Director, Hitachi Cable, Ltd. Vice President and Managing Officer, Hitachi Metals, Ltd. Vice President and Executive Officer, Hitachi Metals, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	17,200
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)	11,200
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)	12,900
Vice President and Executive Officer Governments & external relations	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)	8,300
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)	11,300

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)	15,400
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)	7,900
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)	9,100
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)	9,100
Vice President and Executive Officer Nuclear energy business	Hidetoshi Takehara	Jun. 25, 1957	4/1981 4/2013 4/2017 4/2018	Joined Hitachi, Ltd. President, Hitachi-GE Nuclear Energy, Ltd. Chief Operating Officer of Nuclear Power Business Unit, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	12,700
Vice President and Executive Officer Services & platforms business	Toshiaki Tokunaga	Mar. 15, 1967	4/1990 4/2017 4/2018 4/2019	Joined Hitachi, Ltd. President, Hitachi Appliances, Inc. General Manager, Smart Life & Ecofriendly Systems Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	10,200
Vice President and Executive Officer Governments & external relations, CSR & environmental strategy and executive support	Osamu Naito	Feb. 6, 1959	4/1983 4/2016 4/2018	Joined Hitachi, Ltd. General Manager of Board of Directors Office Vice President and Executive Officer	(Note 2)	12,000

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 Regional strategies (APAC)	Kojin Nakakita	Sep. 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)	8,300
Vice President and Executive Officer Business for government, public corporation and social infrastructure systems	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)	11,300
Vice President and Executive Officer Business for industry & distribution sectors	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)	8,700
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)	12,100
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.) (Currently in office) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	0
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)	12,000
Vice President and Executive Officer Railway 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)	9,400

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 Supply chain management (procurement)	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)	10,700
Vice President and Executive Officer Management strategies	Mamoru Morita	Apr. 12, 1959	4/1983 4/2015 4/2016	Joined Hitachi, Ltd. General Manager of Strategy Planning Division Vice President and Executive Officer	(Note 2)	16,400
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)	9,500
Vice President and Executive Officer Marketing & sales (nuclear energy business and energy business)	Takashi Yoda	Aug. 22, 1966	4/1990 4/2018 4/2019	Joined Hitachi, Ltd. General Manager of Energy Business Co-Creation & Promotion Division, Power and Energy Business Administration Division Vice President and Executive Officer	(Note 2)	9,000
Vice President and Executive Officer Information security management and cost syructure reform	Masaya Watanabe	Jan. 31, 1958	4/1982 4/2011 4/2012	Joined Hitachi, Ltd. Chief Strategy Officer, Information & Telecommunication Systems Company Vice President and Executive Officer	(Note 2)	20,400
Executive Officer General	Hiroaki Nakanishi	Mar. 14, 1946	See “(a) Directors”		(Note 2)	70,600
Total						673,200

(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, 2020.

2) Outside Directors

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

For electing an outside Director, the Nominating Committee of the Company considers, in addition to the following criteria for the independency, whether the outside 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 outside Director, the Company considers the outside 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 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 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 outside Directors

Following the policy stated in "(a) Qualification for outside Directors and criteria for the independency," the Company has elected eight persons; Messrs. Katsumi Ihara, Joe Harlan, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto and Hiroaki Yoshihara and Mses. Cynthia Carroll and Louise Pentland, as outside Directors under Article 2, Item 15 of the Companies Act. Each outside Director is 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 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 cases 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 and based on rich experiences and insights in the area of global corporate management and accounting in the case of Mr. Hiroaki Yoshihara.

(c) Relationship between outside Directors and the Company

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

The Company considers that all outside 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 outside Director is described in "1) Lists of directors and senior management."

(d) Supervising by the outside Directors

Outside 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 outside 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. Mr. Toyoaki Nakamura, the member of the Audit Committee, has considerable knowledge of finance and accounting due to his long experience as the General Manager of accounting and finance of the Company as well as Executive Officer responsible for accounting and finance for many years.

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.

Name	Attendance / Number of days held the Audit Committee (Note 1)	Attendance rate (Note 1)
Katsumi Ihara (Note 2)	11 days / 11 days	100%
Harufumi Mochizuki	17 days / 17 days	100%
Takatoshi Yamamoto	17 days / 17 days	100%
Hiroaki Yoshihara	17 days / 17 days	100%
Toyoaki Nakamura	17 days / 17 days	100%
Kazuyuki Tanaka (Note 3)	11 days / 12 days	92%

(Notes) 1. They are based on the days held the Audit Committee during each member's term of office.
2. Mr. Katsumi Ihara was appointed on June 20, 2018.
3. Mr. Kazuyuki Tanaka resigned on November 22, 2018.

During the fiscal year ended March 31, 2019, the Audit Committee engaged in a variety of activities 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.

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 47 as of March 31, 2019.

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.

3) Accounting audit

(a) Name of accounting auditor

Ernst & Young ShinNihon LLC

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

Takashi Ouchida, Takuya Tanaka, Ken Sudo

(c) Assistants for audit works

42 CPAs and 73 staffs belonging to Ernst & Young ShinNihon LLC assiste execution of accounting audit works as instructed by the three CPAs mentioned in (b).

(d) 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.

(e) 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, 2018		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	502	(Note 1) 58	497	(Note 1) 80
Consolidated subsidiaries	914	(Note 2) 61	888	(Note 2) 85
Total	1,416	119	1,385	165

(Notes) 1. The non-audit services were basically assurance engagements and various consulting services.
2. The non-audit services were bascally 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, 2018		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) 14	-	(Note 1) 6
Consolidated subsidiaries	2,691	(Note 2) 461	2,800	(Note 2) 489
Total	2,691	475	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 for Directors and Executive Officers shall be determined in accordance with the following 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.

It was decided that the year-end allowance that has been paid in the past will be integrated into basic remuneration from compensation for Directors to be elected at the annual general meeting of shareholders on June 19, 2019.

(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.

With regard to compensation for fiscal 2018, the basic amount of short-term incentive compensation and that of medium- and long-term incentive compensation were set within the range of about 25 to 35% of the total annual compensation and within the range of about 10 to 40% of the total annual compensation in accordance with the relevant position, respectively.

The basic amount of each type of compensation is set based on the ratio of 1:1:1 as the standard from compensation for the fiscal year that commenced in April 2019, 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.

<u>Basic remuneration</u>

- 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.

<table>
<tr><th colspan="2" rowspan="2">Evaluation items</th><th colspan="2">Proportion of evaluation item</th></tr>
<tr><th>Executive Officers that constitute the Senior Executive Committee (Note)</th><th>Other Executive Officers</th></tr>
<tr><td rowspan="2">Performance-linked component</td><td>Company performance</td><td>80%</td><td>30%</td></tr>
<tr><td>Division performance</td><td>-</td><td>50%</td></tr>
<tr><td colspan="2">Individual target-linked component</td><td>20%</td><td>20%</td></tr>
</table>

(Note) In case that an “Executive Officers that constitute the Senior Executive Committee” is in charge of business units or businesses, the same proporation 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.

Medium- and Long-term incentive compensation

- 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 which the total shareholder return of Hitachi stock is compared with growth rate of TOPIX. 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%. Shares whose transfer restrictions are not lifted shall be acquired by the Company without consideration.
  * Number of shares whose transfer restrictions are lifted
    = Number of granted shares × {(TSR/TOPIX Growth Rate Ratio × 1.25) − 0.5}
- 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.

(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		
			Short-term incentive compensation	Medium- and long-term incentive compensation	
Directors (excluding outside Directors)	64	64	-	-	2
Outside Directors	348	348	-	-	11
Executive Officers	3,517	1,467	1,247	801	34
Total	3,930	1,880	1,247	801	47

(Notes) 1. The number of Directors indicated excludes two Directors who concurrently serve as Executive Officers.
2. Fixed pay includes a year-end allowance to Directors.
3. Compensation, etc. to Directors (excluding Outside Directors) includes compensation to one Director for his service period, who resigned as of November 22, 2018.
4. Compensation, etc. to Outside Directors includes compensation to three Outside Directors for their service period, who retired due to expiration of their terms of office at the close of the 149th Annual General Meeting of Shareholders held on June 20, 2018.

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, 2019	
	Target	Results
Revenues	9,400.0	9,480.6
Adjusted Operating Income	750.0	754.9
EBIT	750.0	513.9
Net income attributable to Hitachi, Ltd. stockholders	400.0	222.5

The TSR/TOPIX Growth Rate Ratios defined in conditions for exercising stock option as stock -based compensation (stock acquisition rights) 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 29, 2019 (Note)	118.0%
The Third Stock Acquisition Rights of Hitachi, Ltd.	From March 30, 2018 to March 29, 2019 (Note)	102.5%

(Note) The ratios are calculated to determine the number of stock acquisition rights that can be exercised by persons who retires from executive 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).

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)	106	83	179	-	369
Masakazu Aoki	Hitachi, Ltd. (The Company)	Executive Officer	30	30	38	-	158
	Hitachi Industrial Equipment Systems Co., Ltd. (Consolidated subsidiary)	Chairman of the Board	30	27	-	-	
Keiji Kojima	Hitachi, Ltd. (The Company)	Executive Officer	52	43	29	-	140
	Hitachi Appliances, Inc. (Consolidated subsidiary)	Chairman	4	3	-	-	
	Hitachi Automotive Systems, Ltd. (Consolidated subsidiary)	Chairman	4	3	-	-	
Keiichi Shiotsuka	Hitachi, Ltd. (The Company)	Executive Officer	61	69	38	-	169
Hideaki Takahashi	Hitachi, Ltd. (The Company)	Executive Officer	60	46	16	-	125
	Hitachi Metals, Ltd. (Consolidated subsidiary)	Chairman of the Board	1	-	-	-	
Toshikazu Nishino	Hitachi, Ltd. (The Company)	Executive Officer	56	48	46	-	158
	Hitachi Metals, Ltd. (Consolidated subsidiary)	Chairman of the Board	5	1	-	-	
Shinichiro Omori	Hitachi, Ltd. (The Company)	Executive Officer	47	38	20	-	107
	Hitachi Chemical Company, Ltd. (Consolidated subsidiary)	Director	0	-	-	-	
Yoshihiko Kawamura	Hitachi, Ltd. (The Company)	Executive Officer	51	42	14	-	109

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	-	123
	Hitachi (China), Ltd. (Consolidated subsidiary) (Note 5)	Chairman	57	43	14	-	
Setsuo Shibahara	Hitachi, Ltd. (The Company)	Executive Officer	49	55	16	-	124
	Hitachi Solutions, Ltd. (Consolidated subsidiary)	Director	2	1	-	-	
Hideaki Seki	Hitachi, Ltd. (The Company)	Executive Officer	26	24	7	-	108
	Hitachi Building Systems Co., Ltd. (Consolidated subsidiary)	President and Director	24	24	-	-	
Yoshitaka Tsuda	Hitachi, Ltd. (The Company)	Executive Officer	48	48	19	-	116
Alistair Dormer	Hitachi Rail Europe Ltd. (Consolidated subsidiary) (Note 5)	CEO	81	70	171	10	333
Hidenobu Nakahata	Hitachi, Ltd. (The Company)	Executive Officer	51	39	16	-	107
Mitsuaki Nishiyama	Hitachi, Ltd. (The Company)	Executive Officer	51	42	20	-	114
Ryuichi Otsuki	Hitachi, Ltd. (The Company)	Executive Officer	0	-	8	-	112
	Hitachi Global Digital Holdings Corporation (Consolidated subsidiary) (Note 5)	Chairman of the Board	69	30	2	0	
Hiroaki Nakanishi	Hitachi, Ltd. (The Company)	Executive Officer (Note 4)	97	75	110	-	282

(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 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, 2019, 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, 2019, based on policies for determining compensation for Directors and Executive Officers, the Compensation Committee confirmed and reviewed the process and details of performance and individual target evaluations in conjunction with short-term incentive compensation, and determined amounts of remuneration for Directors and Executive Officers individually. 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 commenced in April 2019, including the review of the composition of each compensation component and introduction of restricted stock compensation.

(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, 2019, 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	204	38,742
Others	68	140,926

<Stocks increased in the fiscal year ended March 31, 2019> (Note 1)

	Number of stock names (stock names)	Total purchase price for the shares increased (millions of yen)	Reasons of increase
Unlisted stocks	5	10,565	Purchasing related to business reorganization (Note 2) Purchasing for strengthening and keeping the relationship for business or transactions
Others	-	-	-

<Stocks decreased in the fiscal year ended March 31, 2019> (Note 1)

	Number of stock names (stock names)	Total selling price for the shares decreased (millions of yen)
Unlisted stocks	8	14,201
Others	21	39,977

(Notes) 1. In addition to the stocks in the above tables, the Company holds a compnay's stocks whose classification in accounting was changed from affiliated company's common stock to investment securities.

2. This includes investments of ¥10,000 million in HKE Holdings, K.K. (currently Kokusai Electric Corporation) in relation to the business reorganization of Hitachi Kokusai Electric, Inc.

(iii) Stock name, number of shares, amount recorded in the balance sheet, and purpose of holding regarding equity securities held for purposes other than pure investment

Specified investment securities

Stock name	Fiscal year ended March 31, 2019 Number of shares (shares) Balance sheet amount (Millions of yen)	Fiscal year ended March 31, 2018 Number of shares (shares) Balance sheet amount (Millions of yen)	Purpose of holdings and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
Western Digital Corporation	6,250,000	6,250,000	Maintaining and enhancing business relationship	No
	33,338	61,267		
Renesas Electronics Corporation	61,990,548	92,530,648	Received in relation to the reorganization, etc. of Renesas Technology Corp. which was an affiliate of the Company	No
	31,739	99,007		
Central Japan Railway Company	900,000	900,000	Maintaining and enhancing business transactions of selling products and providing services	No
	23,139	18,117		
East Japan Railway Company	812,400	812,400	Maintaining and enhancing business transactions of selling products and providing services	Yes
	8,676	8,011		
Yungtay Engineering Co., Ltd.	31,817,168	31,817,168	Maintaining and enhancing business relationship The issuer has turned it into an equity-method associate of the Company as of the filing date of this report.	No
	7,313	6,543		
Shin-Etsu Chemical Co., Ltd.	521,000	521,000	Maintaining and enhancing business transactions of selling products and providing services	Yes
	4,834	5,733		
Maxell Holdings, Ltd.	1,603,000	1,603,000	Maintaining and enhancing business relationship	No
	2,516	3,321		
Seibu Holdings Inc.	1,286,900	1,286,900	Maintaining and enhancing business transactions of selling products and providing services	No
	2,492	2,383		
The Chiba Bank, Ltd.	3,269,000	3,269,000	Maintaining and enhancing business transactions of selling products and providing services	Yes
	1,964	2,794		
West Japan Railway Company	215,000	215,000	Maintaining and enhancing business transactions of selling products and providing services	No
	1,792	1,597		
Electric Power Development Co., Ltd.	653,980	653,980	Maintaining and enhancing business transactions of selling products and providing services	Yes
	1,763	1,753		
Benefit One Inc.	800,000	800,000	Maintaining and enhancing business transactions of selling products and providing services	No
	1,737	2,354		

Stock name	Fiscal year ended March 31, 2019 Number of shares (shares) Balance sheet amount (Millions of yen)	Fiscal year ended March 31, 2018 Number of shares (shares) Balance sheet amount (Millions of yen)	Purpose of holdings and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
Showa Denko K.K.	400,000	400,000	Maintaining and enhancing business transactions of selling products and providing services	Yes
	1,556	1,800		
DAIICHI SANKYO COMPANY, LIMITED	300,000	300,000	Maintaining and enhancing business transactions of selling products and providing services	No
	1,530	1,057		
Keio Corporation	206,574	206,574	Maintaining and enhancing business transactions of selling products and providing services	Yes
	1,477	938		
Sapporo Holdings Limited	597,600	597,600	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 3)
	1,444	1,852		
Ono Pharmaceutical Co., Ltd.	600,000	600,000	Maintaining and enhancing business transactions of selling products and providing services	Yes
	1,301	1,976		
Chubu Electric Power Co., Inc.	600,254	600,254	Maintaining and enhancing business transactions of selling products and providing services	No
	1,037	902		
NGK INSULATORS, LTD.	607,000	607,000	Maintaining and enhancing business transactions of selling products and providing services	No
	976	1,113		
TOKYU CORPORATION	394,016	394,016	Maintaining and enhancing business transactions of selling products and providing services	No
	761	653		
Seiko Electric Co., Ltd.	830,320	1,030,320	Maintaining and enhancing business transactions of purchasing raw materials and components, etc.	Yes
	645	971		
Kyushu Electric Power Company Inc.	474,000	592,500	Maintaining and enhancing business transactions of selling products and providing services	No
	619	751		
Japan Tobacco Inc.	225,000	225,000	Maintaining and enhancing business transactions of selling products and providing services	No
	617	689		
Keihan Holdings Co.,Ltd.	121,927	121,927	Maintaining and enhancing business transactions of selling products and providing services	No
	567	399		
Tosoh Corporation	328,500	328,500	Maintaining and enhancing business transactions of selling products and providing services	No
	565	685		
Kintetsu Group Holdings Co.,Ltd	104,291	164,291	Maintaining and enhancing business transactions of selling products and providing services	No
	538	680		
The Bank of Kyoto, Ltd.	100,000	100,000	Maintaining and enhancing business transactions of selling products and providing services	No
	463	594		

Stock name	Fiscal year ended March 31, 2019 Number of shares (shares) Balance sheet amount (Millions of yen)	Fiscal year ended March 31, 2018 Number of shares (shares) Balance sheet amount (Millions of yen)	Purpose of holdings and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
Yamaguchi Financial Group, Inc.	484,310	484,310	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 3)
	454	623		
ANA HOLDINGS INC.	100,000	100,000	Maintaining and enhancing business transactions of selling products and providing services	No
	405	411		
Hokuriku Electric Power Company	466,560	466,560	Maintaining and enhancing business transactions of selling products and providing services	No
	404	421		
Sotetsu Holdings, Inc.	114,103	214,103	Maintaining and enhancing business transactions of selling products and providing services	No
	388	605		
The Keiyo Bank, Ltd.	550,275	1,100,550	Maintaining and enhancing business transactions of selling products and providing services	Yes
	355	522		
TOMONY Holdings, Inc.	679,200	679,200	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 3)
	285	321		
euglena Co.,Ltd.	375,000	375,000	Maintaining and enhancing cooperative relationship in the area of R&D	No
	257	384		
RENESAS EASTON Co., Ltd.	612,520	612,520	Maintaining and enhancing business transactions of purchasing raw materials and components, etc.	Yes
	249	425		
Nankai Electric Railway Co., Ltd.	71,494	71,494	Maintaining and enhancing business transactions of selling products and providing services	No
	218	190		
BANDAI NAMCO Holdings Inc.	37,000	74,100	Maintaining and enhancing business transactions of selling products and providing services	Yes
	192	258		
Daido Signal Co., Ltd.	300,000	300,000	Maintaining and enhancing business transactions of purchasing raw materials and components, etc.	Yes
	153	171		
Kita-Nippon Bank, Ltd.	73,500	100,000	Maintaining and enhancing business transactions of selling products and providing services	Yes
	144	297		
THE TAIKO BANK, LTD.	88,000	88,000	Maintaining and enhancing business transactions of selling products and providing services	No
	143	198		
Tokyo Electric Power Company Holdings, Inc.	187,500	375,000	Maintaining and enhancing business transactions of selling products and providing services	No
	131	153		
Taiwan High Speed Rail Corporation	957,361	957,361	Maintaining and enhancing business transactions of selling products and providing services	No
	123	78		

Stock name	Fiscal year ended March 31, 2019 Number of shares (shares) Balance sheet amount (Millions of yen)	Fiscal year ended March 31, 2018 Number of shares (shares) Balance sheet amount (Millions of yen)	Purpose of holdings and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
TOYO ELECTRIC MFG. CO., LTD.	100,000	220,000	Maintaining and enhancing business relationship	Yes
	121	394		
Taragaon Regency Hotel	508,030	508,030	Received as a result of substitute performance for accounting receivables	No
	121	134		
Tochigi Bank, Ltd.	513,150	513,150	Maintaining and enhancing business transactions of selling products and providing services	No
	120	210		
San ju San Financial Group, Inc.	73,623	–	Maintaining and enhancing business transactions of selling products and providing services (Note 4)	Yes (Note 3)
	113	–		
THE SHIGA BANK, LTD.	40,000	200,000	Maintaining and enhancing business transactions of selling products and providing services	No
	105	107		
Nippon Yakin Kogyo Co., Ltd.	404,250	404,250	Maintaining and enhancing business transactions of selling products and providing services	No
	101	117		
Nippon Shinyaku Co., Ltd.	12,000	12,000	Maintaining and enhancing business transactions of selling products and providing services	No
	96	85		
Senshu Ikeda Holdings, Inc.	315,327	315,327	Maintaining and enhancing business transactions of selling products and providing services	No
	89	126		
Yashima Denki Co., Ltd.	100,000	400,000	Maintaining and enhancing business transactions of selling products and providing services	Yes
	82	345		
THE DAITO BANK, LTD.	110,000	110,000	Maintaining and enhancing business transactions of selling products and providing services	No
	70	137		
Yodogawa Steel Works, Ltd.	34,040	34,040	Maintaining and enhancing business transactions of selling products and providing services	Yes
	69	97		
Ricoh Company, Ltd.	50,000	50,000	Maintaining and enhancing business transactions of selling products and providing services	Yes
	57	52		
THE BANK OF KOCHI, LTD.	69,900	69,900	Maintaining and enhancing business transactions of selling products and providing services	No
	56	91		
The Aichi Bank, Ltd.	16,250	16,250	Maintaining and enhancing business transactions of selling products and providing services	No
	55	87		
ISEKI&CO,. LTD.	32,000	32,000	Maintaining and enhancing business transactions of selling products and providing services	No
	52	67		

Stock name	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Purpose of holdings and reasons for increases (Note 2)	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)		
Tokyo Kiraboshi Financial Group, Inc.	30,000	30,000	Maintaining and enhancing business transactions of selling products and providing services	No
	46	75		
THE CHUKYO BANK, Ltd.	20,000	20,000	Maintaining and enhancing business transactions of selling products and providing services	No
	45	46		
Zeon Corporation	38,000	38,000	Maintaining and enhancing business transactions of selling products and providing services	No
	42	58		
The Japan Steel Works, LTD.	—	505,000	Held for maintaining and enhancing business transactions of purchasing raw materials and components, etc.	No
	—	1,714		
Tohoku Electric Power Co., Inc.	—	505,000	Held for maintaining and enhancing business transactions of selling products and providing services	No
	—	717		
eREX Co., Ltd.	—	750,000	Held for maintaining and enhancing business relationship	No
	—	621		
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	—	122,400	Held for maintaining and enhancing business transactions of selling products and providing services	No
	—	599		
Aeon Co., Ltd.	—	209,652	Held for maintaining and enhancing business transactions of selling products and providing services	No
	—	398		
TOHO GAS Co., Ltd.	—	88,894	Held for maintaining and enhancing business transactions of selling products and providing services	Yes
	—	290		
The Kansai Electric Power Company, Incorporated	—	195,000	Held for maintaining and enhancing business transactions of selling products and providing services	No
	—	266		
The Daisan Bank, Ltd.	—	105,177	Held for maintaining and enhancing business transactions of selling products and providing services (Note 4)	Yes
	—	183		

(Notes) 1. Since the number of stock of which balance sheet amount 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.
2. 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."
3. Shareholding by major subsidiaries of the issuers of each stock is counted.
4. San ju San Financial Group stock was alloted in return for the Daisan Bank stock through share transfer.

(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
Record date	End of every fiscal year
Record date for distribution of surplus	End of March and end of September
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. 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.

2. 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, 2019 to the filing date of this Annual Securities Report.

(1)	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 June 21, 2018
(2)	Annual Securities Report and documents attached, and Confirmation Letter (The 149th business term (from April 1, 2017 to March 31, 2018))	Filed with the Director of the Kanto Local Finance Bureau on June 29, 2018
(3)	Internal Control Report	Filed with the Director of the Kanto Local Finance Bureau on June 29, 2018
(4)	Quarterly Report and Confirmation Letter (The First Quarter of the 150th business term (from April 1, 2018 to June 30, 2018))	Filed with the Director of the Kanto Local Finance Bureau on August 7, 2018
(5)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 7 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on October 26, 2018
(6)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on October 26, 2018
(7)	Quarterly Report and Confirmation Letter (The Second Quarter of the 150th business term (from July 1, 2018 to September 30, 2018))	Filed with the Director of the Kanto Local Finance Bureau on November 12, 2018
(8)	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 December 19, 2018
(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 January 18, 2019
(10)	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 February 1, 2019
(11)	Amended Extraordinary Report (Amendment to Extraordinary Report (5) above)	Filed with the Director of the Kanto Local Finance Bureau on February 6, 2019
(12)	Quarterly Report and Confirmation Letter (The Third Quarter of the 150th business term (from October 1, 2018 to December 31, 2018))	Filed with the Director of the Kanto Local Finance Bureau on February 13, 2019
(13)	Securities Registration Statement	Filed with the Director of the Kanto Local Finance Bureau on April 23, 2019
(14)	Amended Securities Registration Statement (Amendment to Securities Registration Statement (13) above)	Filed with the Director of the Kanto Local Finance Bureau on April 26, 2019
(15)	Amended Securities Registration Statement (Amendment to Securities Registration Statement (13) above)	Filed with the Director of the Kanto Local Finance Bureau on May 10, 2019

(16) 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
(17) 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
(18) Amended Shelf Registration Statement (Amended Shelf Registration Statement concerning the Shelf Registration Statement filed on June 22, 2017)	Filed with the Director of the Kanto Local Finance Bureau on April 11, 2018 April 27, 2018 June 21, 2018 October 26, 2018 December 19, 2018 January 18, 2019 February 1, 2019 February 6, 2019 and June 19, 2019

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, 2019	March 31, 2018
Assets			
Current assets			
Cash and cash equivalents	26	807,593	697,964
Trade receivables	3,6,26	-	2,501,414
Trade receivables and contract assets	3,6,20,26	2,399,933	-
Inventories	7	1,356,762	1,375,232
Investments in securities and other financial assets	8,26	284,267	373,324
Other current assets		187,238	203,866
Total current assets		5,035,793	5,151,800
Non-current assets			
Investments accounted for using the equity method	9	724,461	743,407
Investments in securities and other financial assets	8,26	568,349	716,431
Property, plant and equipment	10	1,956,685	2,124,827
Intangible assets	11	960,016	1,054,370
Other non-current assets	12	381,288	315,768
Total non-current assets		4,590,799	4,954,803
Total assets		9,626,592	10,106,603
Liabilities			
Current liabilities			
Short-term debt	26	111,031	121,439
Current portion of long-term debt	8,26	185,250	117,191
Other financial liabilities	26	257,792	254,735
Trade payables	13	1,406,012	1,536,983
Accrued expenses		653,676	697,185
Advances received	3	-	551,182
Contract liabilities	3,20	553,510	-
Other current liabilities	14,30	438,289	516,679
Total current liabilities		3,605,560	3,795,394
Non-current liabilities			
Long-term debt	8,26	708,490	811,664
Retirement and severance benefits	15	526,688	575,156
Other non-current liabilities	12,14,26	371,451	412,718
Total non-current liabilities		1,606,629	1,799,538
Total liabilities		5,212,189	5,594,932
Equity			
Hitachi, Ltd. stockholders' equity			
Common stock	16	458,790	458,790
Capital surplus	16,19	463,786	575,809
Retained earnings	16,18	2,287,587	2,105,395
Accumulated other comprehensive income	17	56,360	142,167
Treasury stock, at cost	16	(3,920)	(4,137)
Total Hitachi, Ltd. stockholders' equity		3,262,603	3,278,024
Non-controlling interests		1,151,800	1,233,647
Total equity		4,414,403	4,511,671
Total liabilities and equity		9,626,592	10,106,603

See accompanying notes to consolidated financial statements.

Consolidated Statement of Profit or Loss

Years ended March 31, 2019 and 2018 — Millions of yen

	Note	2019	2018
Revenues	20	9,480,619	9,368,614
Cost of sales		(6,964,635)	(6,866,522)
Gross profit		2,515,984	2,502,092
Selling, general and administrative expenses		(1,761,008)	(1,787,462)
Other income	21	206,371	12,068
Other expenses	21	(442,659)	(140,686)
Financial income	22	13,693	7,005
Financial expenses	22	(3,459)	(11,243)
Share of profits (losses) of investments accounted for using the equity method	9	(15,016)	62,483
EBIT (Earnings before interest and taxes)		513,906	644,257
Interest income		23,122	14,928
Interest charges		(20,526)	(20,539)
Income from continuing operations, before income taxes		516,502	638,646
Income taxes	12	(186,344)	(131,708)
Income from continuing operations		330,158	506,938
Loss from discontinued operations	14,23	(9,136)	(16,020)
Net income		321,022	490,918
Net income attributable to:			
Hitachi, Ltd. stockholders		222,546	362,988
Non-controlling interests		98,476	127,930
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders	24		Yen
Basic		239.93	392.52
Diluted		239.70	392.17
Earnings per share attributable to Hitachi, Ltd. stockholders	24		
Basic		230.47	375.93
Diluted		230.25	375.60

Consolidated Statement of Comprehensive Income

Years ended March 31, 2019 and 2018 — Millions of yen

	Note	2019	2018
Net income		321,022	490,918
Other comprehensive income (OCI)	17		
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		(45,356)	1,530
Remeasurements of defined benefit plans		(11,881)	22,753
Share of OCI of investments accounted for using the equity method		(1,964)	3,302
Total items not to be reclassified into net income		(59,201)	27,585
Items that can be reclassified into net income			
Foreign currency translation adjustments		(4,175)	(8,042)
Net changes in cash flow hedges		(6,274)	5,703
Share of OCI of investments accounted for using the equity method		12,009	(45)
Total items that can be reclassified into net income		1,560	(2,384)
Other comprehensive income (OCI)		(57,641)	25,201
Comprehensive income		263,381	516,119
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		171,140	382,341
Non-controlling interests		92,241	133,778

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

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 loss	-	-	-	(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

Year ended March 31, 2018 — Millions of yen

	2018							
	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	577,573	1,793,570	141,068	(3,916)	2,967,085	1,129,910	4,096,995
Changes in equity								
Reclassified into retained earnings	-	-	16,428	(16,428)	-	-	-	-
Net income	-	-	362,988	-	-	362,988	127,930	490,918
Other comprehensive income	-	-	-	19,353	-	19,353	5,848	25,201
Dividends to Hitachi, Ltd. stockholders	-	-	(67,591)	-	-	(67,591)	-	(67,591)
Dividends to non-controlling interests	-	-	-	-	-	-	(34,395)	(34,395)
Acquisition of treasury stock	-	-	-	-	(292)	(292)	-	(292)
Sales of treasury stock	-	(27)	-	-	71	44	-	44
Changes in non-controlling interests	-	(1,737)	-	(1,826)	-	(3,563)	4,354	791
Total changes in equity	-	(1,764)	311,825	1,099	(221)	310,939	103,737	414,676
Balance at end of year	458,790	575,809	2,105,395	142,167	(4,137)	3,278,024	1,233,647	4,511,671

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2019 and 2018 — Millions of yen

	Note	2019	2018
Cash flows from operating activities:			
Net income		321,022	490,918
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization		368,044	364,432
Impairment losses		344,997	48,656
Income taxes		183,699	131,659
Share of (profits) losses of investments accounted for using the equity method		15,016	(62,483)
Financial income and expenses		(6,387)	(862)
Net (gain) loss on business reorganization and others		(184,630)	(9,774)
(Gain) loss on sale of property, plant and equipment		(18,966)	2,395
Change in trade receivables		-	47,216
Change in trade receivables and contract assets		1,793	-
Change in inventories		(149,500)	(181,207)
Change in other assets		(13,419)	(17,321)
Change in trade payables		(16,107)	97,923
Change in retirement and severance benefits		(38,461)	(40,137)
Change in other liabilities		(35,257)	44,320
Other		3,925	(7,743)
Subtotal		775,769	907,992
Interest received		22,343	9,767
Dividends received		22,710	17,902
Interest paid		(22,530)	(21,582)
Income taxes paid		(188,267)	(186,911)
Net cash provided by (used in) operating activities		610,025	727,168
Cash flows from investing activities:			
Purchase of property, plant and equipment	2	(382,351)	(352,047)
Purchase of intangible assets	2	(89,898)	(91,528)
Proceeds from sale of property, plant and equipment, and intangible assets	2	61,623	37,076
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		(72,422)	(243,124)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		306,971	178,188
Other		13,205	(2,893)
Net cash provided by (used in) investing activities		(162,872)	(474,328)
Cash flows from financing activities:	25		
Change in short-term debt, net		3,706	(104,819)
Proceeds from long-term debt		87,636	143,354
Payments on long-term debt		(133,581)	(256,944)
Proceeds from payments from non-controlling interests		5,149	3,953
Dividends paid to Hitachi, Ltd. stockholders		(77,194)	(67,568)
Dividends paid to non-controlling interests		(43,375)	(32,066)
Acquisition of common stock for treasury		(231)	(292)
Proceeds from sales of treasury stock		211	49
Purchase of shares of consolidated subsidiaries from non-controlling interests		(162,692)	(6,982)
Proceeds from partial sales of shares of consolidated subsidiaries to non-controlling interests		-	205
Other		(55)	(344)
Net cash provided by (used in) financing activities		(320,426)	(321,454)
Effect of exchange rate changes on cash and cash equivalents		(17,098)	1,336
Change in cash and cash equivalents		109,629	(67,278)
Cash and cash equivalents at beginning of year		697,964	765,242
Cash and cash equivalents at end of year		807,593	697,964

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 eight segments consisting of information and telecommunication systems, social infrastructure and industrial systems, electronic systems and equipment, construction machinery, high functional materials and components, automotive systems, smart life and ecofriendly systems 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. *(h) Impairment of Non-financial Assets*
- note 3. *(i) Retirement and Severance Benefits* and note 15. Employee Benefits
- note 3. *(j) Provisions,* note 3. *(k) Contingencies,* note 14. Provisions and note 30. Commitments and Contingencies
- note 3. *(l) Revenue Recognition*
- note 3. *(m) Income Taxes* and note 12. Deferred Taxes and Income Taxes

Regarding the consolidated statement of cash flows, changes in presentation have been made effective the fiscal year beginning April 1, 2018 due to materiality of some cash-flow items as a result of business reorganization and others. "Purchase of leased assets", which was separately presented, has been included in "Purchase of property, plant and equipment" or "Purchase of intangible assets". "Proceeds from sale of leased assets", which were separately presented, have been included in "Proceeds from sale of property, plant and equipment, and intangible assets". The consolidated statement of cash flows for the year ended March 31, 2018 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, 2018, "Purchase of leased assets" of ¥2,659 million and ¥604 million has been reclassified as "Purchase of property, plant and equipment" and "Purchase of intangible assets" respectively. In addition, "Proceeds from sale of leased assets" of ¥9,628 million have been reclassified as "Proceeds from sale of property, plant and equipment, and intangible assets".

(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 July 2014), 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

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) Intangible Assets

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

Intangible assets with indefinite useful lives and goodwill are stated at cost less accumulated impairment losses.

(h) 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.

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.

(i) Retirement and Severance Benefits

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

(j) 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.

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.

(k) Contingencies

The Company discloses contingent liabilities in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” if an obligation does not meet the recognition criteria of provisions prescribed above in *(j) 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.

(l) 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.

(m) 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. 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

In addition, due to the application of IFRS 15, unbilled receivables, which were previously included in Trade receivables, have been reclassified as contract assets, and billed receivables have been classified as trade receivables and presented as Trade receivables and contract assets. Advances received from customers, which were previously presented as Advances received, are presented as Contract liabilities.

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

IFRS 16 "Leases" (IFRS 16) is 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.

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. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and the Company will adopt IFRS 16 on April 1, 2019. As a transitional measure upon the adoption of IFRS 16, the Company will apply this standard and a 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 will 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 subsequent consolidated fiscal year will include an increase in assets of approximately ¥222 billion associated with the recognition of right-of-use assets, an increase in liabilities of approximately ¥226 billion associated with the recognition of lease liabilities, and a decrease in equity of approximately ¥4 billion associated with the recognition of an adjustment to the beginning balance of retained earnings at the date of initial application.

The impact on the consolidated statement of profit or loss will not be 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 expense for right-of-use assets will be included in cash flows from operating activities and payments of lease liabilities will be 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 will increase while cash flows from financing activities will decrease.

(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 eight 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 Social Infrastructure & Industrial Systems, Electronic Systems & Equipment and High Functional Materials & Components 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 profit margin ratios of operating segments. The primary products and services included in each segment are as follows:

Information & Telecommunication Systems:
Systems integration, Consulting, Cloud services, Servers, Storage, Software, Telecommunications & network and ATMs

Social Infrastructure & Industrial Systems:
Industrial machinery and plants, Elevators, Escalators, Railway systems, Thermal, Nuclear and Renewable energy power generation systems and Transmission & distribution systems

Electronic Systems & Equipment:
Semiconductor processing equipment, Test and measurement equipment, Advanced industrial products and Medical electronics equipment

Construction Machinery:
Hydraulic excavators, Wheel loaders and Mining machinery

High Functional Materials & Components:
Semiconductor and display related materials, Circuit boards and materials, Automotive parts, Energy storage devices, Specialty steel products, Magnetic materials and applications, Functional components and equipment and Wires, cables and related products

Automotive Systems:
Engine powertrain systems, Electric powertrain systems and Integrated vehicle control systems

Smart Life & Ecofriendly Systems:
Air-conditioning equipment, Room air conditioners, Refrigerators and Washing machines

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 will reclassify 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-Technologies, Hitachi Construction Machinery, Hitachi Metals and Hitachi Chemical, and Others.

Notes to Consolidated Financial Statements

The following tables show business segment information for the years ended March 31, 2019 and 2018.

Revenues from Outside Customers

Millions of yen

	2019	2018
Information & Telecommunication Systems	1,939,536	1,888,394
Social Infrastructure & Industrial Systems	2,311,314	2,136,313
Electronic Systems & Equipment	846,920	976,252
Construction Machinery	1,033,342	958,630
High Functional Materials & Components	1,649,483	1,603,582
Automotive Systems	963,131	996,202
Smart Life & Ecofriendly Systems	453,485	509,442
Others	270,770	292,402
Subtotal	9,467,981	9,361,217
Corporate items	12,638	7,397
Total	9,480,619	9,368,614

Revenues from Intersegment Transactions

Millions of yen

	2019	2018
Information & Telecommunication Systems	126,377	120,513
Social Infrastructure & Industrial Systems	228,498	238,699
Electronic Systems & Equipment	104,293	110,299
Construction Machinery	361	523
High Functional Materials & Components	54,963	53,955
Automotive Systems	7,876	4,834
Smart Life & Ecofriendly Systems	31,604	30,710
Others	263,695	265,374
Subtotal	817,667	824,907
Corporate items and Eliminations	(817,667)	(824,907)
Total	-	-

Total Revenues

Millions of yen

	2019	2018
Information & Telecommunication Systems	2,065,913	2,008,907
Social Infrastructure & Industrial Systems	2,539,812	2,375,012
Electronic Systems & Equipment	951,213	1,086,551
Construction Machinery	1,033,703	959,153
High Functional Materials & Components	1,704,446	1,657,537
Automotive Systems	971,007	1,001,036
Smart Life & Ecofriendly Systems	485,089	540,152
Others	534,465	557,776
Subtotal	10,285,648	10,186,124
Corporate items and Eliminations	(805,029)	(817,510)
Total	9,480,619	9,368,614

Segment Profit (Loss)

Millions of yen

	2019	2018
Information & Telecommunication Systems	210,917	139,279
Social Infrastructure & Industrial Systems	(151,984)	101,257
Electronic Systems & Equipment	70,841	88,852
Construction Machinery	104,515	97,095
High Functional Materials & Components	86,452	98,672
Automotive Systems	85,361	42,429
Smart Life & Ecofriendly Systems	29,560	33,352
Others	25,695	21,874
Subtotal	461,357	622,810
Corporate items and Eliminations	52,549	21,447
Total	513,906	644,257
Interest income	23,122	14,928
Interest charges	(20,526)	(20,539)
Income from continuing operations, before income taxes	516,502	638,646

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 leading-edge 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, 2019	March 31, 2018
Information & Telecommunication Systems	1,793,458	1,729,842
Social Infrastructure & Industrial Systems	3,126,462	3,430,705
Electronic Systems & Equipment	839,126	1,050,025
Construction Machinery	1,219,806	1,125,791
High Functional Materials & Components	1,833,613	1,787,348
Automotive Systems	661,845	797,101
Smart Life & Ecofriendly Systems	347,522	331,810
Others	1,653,523	1,581,745
Subtotal	11,475,355	11,834,367
Corporate assets and Eliminations	(1,848,763)	(1,727,764)
Total	9,626,592	10,106,603

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, 2019	March 31, 2018
Information & Telecommunication Systems	45,772	15,414
Social Infrastructure & Industrial Systems	358,812	407,923
Electronic Systems & Equipment	1,101	1,221
Construction Machinery	32,317	29,238
High Functional Materials & Components	37,331	36,136
Automotive Systems	4,283	5,217
Smart Life & Ecofriendly Systems	59,508	58,877
Others	5,740	6,126
Subtotal	544,864	560,152
Corporate items and Eliminations	179,597	183,255
Total	724,461	743,407

Depreciation and Amortization

Millions of yen

	2019	2018
Information & Telecommunication Systems	86,699	87,493
Social Infrastructure & Industrial Systems	49,434	47,583
Electronic Systems & Equipment	17,832	20,046
Construction Machinery	37,987	38,833
High Functional Materials & Components	88,300	81,105
Automotive Systems	53,301	53,524
Smart Life & Ecofriendly Systems	10,338	10,122
Others	20,077	21,580
Subtotal	363,968	360,286
Corporate items and Eliminations	4,076	4,146
Total	368,044	364,432

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

Impairment Losses

Millions of yen

	2019	2018
Information & Telecommunication Systems	14,680	22,370
Social Infrastructure & Industrial Systems	282,058	3,073
Electronic Systems & Equipment	940	2,579
Construction Machinery	2,143	549
High Functional Materials & Components	14,966	11,088
Automotive Systems	25,422	613
Smart Life & Ecofriendly Systems	1,794	6
Others	2,994	467
Subtotal	344,997	40,745
Corporate items and Eliminations	-	7,911
Total	344,997	48,656

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

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

Millions of yen

	2019	2018
Information & Telecommunication Systems	2,131	1,252
Social Infrastructure & Industrial Systems	(44,965)	18,844
Electronic Systems & Equipment	144	220
Construction Machinery	4,716	4,355
High Functional Materials & Components	5,753	6,654
Automotive Systems	55	100
Smart Life & Ecofriendly Systems	11,505	10,798
Others	143	167
Subtotal	(20,518)	42,390
Corporate items and Eliminations	5,502	20,093
Total	(15,016)	62,483

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

	2019	2018
Information & Telecommunication Systems	74,679	81,346
Social Infrastructure & Industrial Systems	88,170	98,629
Electronic Systems & Equipment	27,177	23,939
Construction Machinery	37,857	23,933
High Functional Materials & Components	148,208	135,385
Automotive Systems	83,606	72,434
Smart Life & Ecofriendly Systems	13,309	9,173
Others	30,077	18,984
Subtotal	503,083	463,823
Corporate items and Eliminations	2,117	2,792
Total	505,200	466,615

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

Geographic Information

The following table shows revenues attributed to geographic areas based on the location of the customers for the years ended March 31, 2019 and 2018.

Millions of yen

	2019	2018
Japan	4,664,535	4,643,080
Asia	2,019,598	2,081,150
North America	1,205,628	1,177,581
Europe	1,018,542	964,474
Other Areas	572,316	502,329
Overseas Revenues Subtotal	4,816,084	4,725,534
Total Revenues	9,480,619	9,368,614

Revenues in China for the years ended March 31, 2019 and 2018 were ¥1,009,855 million and ¥1,041,046 million, respectively. Revenues in the U.S.A. for the years ended March 31, 2019 and 2018 were ¥1,095,428 million and ¥1,082,593 million, respectively. Revenues from outside 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, 2019 and 2018.

The following table shows the balances of property, plant and equipment, investment properties and intangible assets for each geographic area as of March 31, 2019 and 2018.

Millions of yen

	March 31, 2019	March 31, 2018
Japan	1,638,996	1,684,732
Asia	374,490	383,729
North America	565,961	531,270
Europe	227,402	459,968
Other Areas	130,869	142,922
Subtotal	2,937,718	3,202,621
Corporate items and Eliminations	23,217	22,798
Total	2,960,935	3,225,419

The balances of property, plant and equipment, investment properties and intangible assets in the U.S.A. as of March 31, 2019 and 2018 were ¥553,796 million and ¥519,432 million, respectively. The balances of property, plant and equipment, investment properties and intangible assets in any individual country and region other than Japan and the U.S.A. were not material as of March 31, 2019 and 2018.

Significant Customer Information

There was no concentration of revenues from a specific customer for the years ended March 31, 2019 and 2018.

(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures for the year ended March 31, 2019, including the period up to the approval date of the consolidated financial statements.

(a) Acquisition of ABB's power grids business

On December 17, 2018, the Company decided to acquire the power grids business from ABB Ltd (ABB) and signed an agreement with ABB in order to strengthen and expand energy solutions business globally. The Company plans to acquire an 80.1% stake in the company operating the power grids business that will be divested by ABB in the first half of 2020 and make it a consolidated subsidiary of the Company. The consideration is expected to be approximately USD 6.4 billion (approximately ¥710.3 billion). The effects of this transaction on the Company’s consolidated financial statements are currently being evaluated.

(b) Acquisition of JR Automation’s robotic systems integration business

On April 23, 2019, the Company signed an agreement with JR Intermediate Holdings, LLC (JR Intermediate) to acquire robotic systems integration business mainly operated by JR Automation Technologies, LLC, an American subsidiary of JR Intermediate, in order to expand global business of robotic systems integration business. The acquisition is expected to be executed by the end of 2019. The consideration is expected to be USD 1,425 million (¥158,161 million). The effects of this transaction on the Company’s consolidated financial statements are currently being evaluated.

(c) Acquisition of Yungtay Engineering Co., Ltd. (Yungtay)

On October 26, 2018, the Company decided to conduct a tender offer to acquire all issued shares of Yungtay, an elevator and escalator company in Taiwan to enrich its product lineup and expand its new installation business with improved cost competitiveness in China and Asia and improve its profitability through increasing the number of maintenance units, and submitted a binding letter to Yungtay. Additionally, the Company signed a contract with Yungtay’s Honorary Chairman who is a member of its founding family, whereby he will tender his 4.3% of shares in Yungtay, in the case of the tender offer by the Company. On January 17, 2019, the Company commenced the tender offer, through Hitachi Elevator Taiwan Co., Ltd., a consolidated subsidiary of the Company in the Social Infrastructure & Industrial Systems segment; and the tender offer was completed on April 22, 2019.

As a result, the Company's ownership ratio of shares of Yungtay increased to 39.7% and Yungtay turned into an equity-method associate of the Company. The consideration paid for the tender offer was TWD 7,437 million (¥26,846 million).

(d) 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 Automotive Systems 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.

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 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..

(e) 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 Social Infrastructure & Industrial Systems 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 Social Infrastructure & Industrial Systems 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 EUR 1,250 million (¥159,031 million), 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..

(f) 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 in the Electronic Systems & Equipment segment 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 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.

The following are the main Business Acquisitions and Divestitures for the year ended March 31, 2018.

(a) Acquisition of "Sullair" business

On April 25, 2017, the Company signed an agreement with Accudyne Industries Borrower, S.C.A. (Accudyne) to acquire Accudyne's subsidiaries and certain related assets that manufacture and sell air compressors under the "Sullair" brand mainly in North America, in order to expand global business of industrial equipment business. In accordance with the agreement, on July 12, 2017 (the acquisition date), the Company and Hitachi America, Ltd., a subsidiary of the Company, acquired the Sullair business by acquiring all the shares of holding companies of the Sullair business.

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

	Millions of yen
Cash and cash equivalents	9,341
Trade receivables	9,351
Inventories	7,409
Other current assets	790
Non-current assets (excluding intangible assets)	10,102
Intangible assets	
Goodwill (deductible for tax purposes)	16,294
Goodwill (not deductible for tax purposes)	55,361
Other intangible assets	52,709
Total	161,357
Current liabilities	66,805
Non-current liabilities	1,264
Total	68,069
Cash paid for the acquisition	93,288

The goodwill mainly comprises excess earning power and expected synergies arising from the acquisition.

Hitachi America, Ltd. repaid USD 517 million (¥57,502 million) of loans which were included in the Sullair business, in addition to the acquisition.

The operating results of the Sullair business for the period from the acquisition date to March 31, 2018 were not material.

On a pro forma basis, revenues and net income attributable to Hitachi, Ltd. stockholders using an assumed acquisition date for the Sullair business of April 1, 2017 would not differ materially from the amounts reported in the consolidated financial statements for the year ended March 31, 2018.

(6) Trade Receivables, Trade Receivables and Contract Assets

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

Millions of yen

	March 31, 2019	March 31, 2018
Accounts receivable	1,790,520	2,322,554
Contract assets	432,881	-
Others	176,532	178,860
Total trade receivables	-	2,501,414
Total trade receivables and contract assets	2,399,933	-

Trade receivables, 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, 2019	March 31, 2018
Finished goods	567,454	561,548
Semi-finished goods and work in process	522,308	554,354
Raw materials	267,000	259,330
Total	1,356,762	1,375,232

For the years ended March 31, 2019 and 2018, the amounts of inventories expensed and included as cost of sales were ¥5,749,913 million and ¥5,821,340 million, respectively, and the write-downs of inventories were ¥35,542 million and ¥52,407 million, respectively.

(8) Leases

(a) Lessee

The Company and certain subsidiaries use leased facilities and equipment, including buildings, machinery and equipment and vehicles under finance leases or operating leases.

The following table shows the undiscounted amounts and present value of minimum lease payments under finance leases as of March 31, 2019 and 2018.

Millions of yen

	March 31, 2019		March 31, 2018	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within 1 year	19,290	17,933	16,988	15,537
After 1 year but not more than 5 years	30,873	28,322	33,817	30,840
More than 5 years	3,541	2,944	4,254	3,101
Total	53,704	49,199	55,059	49,478
Finance charges	(4,505)		(5,581)	
Present value of minimum lease payments, total	49,199		49,478	

The following table shows the future minimum lease payments under non-cancelable operating leases as of March 31, 2019 and 2018.

Millions of yen

	March 31, 2019	March 31, 2018
Within 1 year	36,879	30,098
After 1 year but not more than 5 years	70,083	61,777
More than 5 years	29,001	33,458
Total	135,963	125,333

Total operating lease expenses for the years ended March 31, 2019 and 2018 are as follows:

Millions of yen

	2019	2018
Operating lease expenses	132,336	125,000

(b) Lessor

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

The following table shows the undiscounted amounts and present value of minimum lease payments receivable under finance leases as of March 31, 2019 and 2018.

Millions of yen

	March 31, 2019		March 31, 2018	
	Gross investment in lease	Present value of minimum lease payments receivable	Gross investment in lease	Present value of minimum lease payments receivable
Within 1 year	54,705	51,033	51,467	47,903
After 1 year but not more than 5 years	46,351	43,519	46,488	43,908
More than 5 years	1,528	1,317	1,532	1,301
Total	102,584	95,869	99,487	93,112
Unearned income	(6,157)		(5,518)	
Net investment in the lease	96,427		93,969	
Unguaranteed residual value	(558)		(857)	
Present value of minimum lease payments receivable, total	95,869		93,112	

The amounts of the allowance for uncollectable minimum lease payments receivable as of March 31, 2019 and 2018 were ¥1,354 million and ¥1,771 million, respectively.

The following table shows the future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2019 and 2018.

Millions of yen

	March 31, 2019	March 31, 2018
Within 1 year	4,137	5,361
After 1 year but not more than 5 years	6,545	5,938
More than 5 years	5,245	4,280
Total	15,927	15,579

(9) Investments Accounted for Using the Equity Method

The aggregated carrying amounts of investments accounted for using the equity method as of March 31, 2019 and 2018, and the Company and certain subsidiaries' share of total comprehensive income (loss) of equity-method associates and joint ventures for the years ended March 31, 2019 and 2018 are as follows:

Millions of yen

	Associates		Joint ventures	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Carrying amount of investments	669,349	712,406	55,112	31,001

As of March 31, 2019 and 2018, 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 ¥79,747 million and ¥99,276 million, respectively, were recognized in other non-current liabilities.

Millions of yen

	Associates		Joint ventures	
	2019	2018	2019	2018
Net income (loss) from continuing operations	(23,644)	51,890	8,628	10,593
Other comprehensive income (loss)	11,098	330	(1,053)	2,927
Total comprehensive income (loss)	(12,546)	52,220	7,575	13,520

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, 2019 was ¥20,274 million.

(10) 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	Other	Construction in progress	Total
Net carrying amount							
March 31, 2017	360,330	687,242	533,522	171,673	93,028	152,616	1,998,411
Additions	1,192	5,919	25,049	25,781	10,926	303,375	372,242
Transfers between accounts	1,990	42,024	130,842	35,776	216	(210,848)	-
Sales and disposals	(3,882)	(6,178)	(4,913)	(3,598)	(4,059)	(3,557)	(26,187)
Depreciation	-	(52,859)	(118,324)	(69,027)	(23,899)	-	(264,109)
Impairment losses	(5,658)	(6,077)	(8,286)	(1,133)	(1,238)	(2,313)	(24,705)
Acquisitions and divestitures	1,720	5,525	4,438	1,662	1,784	1,330	16,459
Currency translation effect	3,596	1,944	(5,526)	(24)	(559)	4,133	3,564
Other	2,470	9,016	774	11,839	26,485	(1,432)	49,152
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	290,874	679,887	551,117	174,473	119,405	140,929	1,956,685

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.

Finance lease assets are included in Other in the table above, and their carrying amounts as of March 31, 2019 and 2018 were ¥31,461 million and ¥29,269 million, respectively.

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	Other	Construction in progress	Total
Gross carrying amount							
March 31, 2017	377,817	1,723,950	2,391,448	937,139	216,120	153,007	5,799,481
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
Accumulated depreciation and impairment losses							
March 31, 2017	(17,487)	(1,036,708)	(1,857,926)	(765,466)	(123,092)	(391)	(3,801,070)
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)

Impairment Losses Recognized for the Year Ended March 31, 2019:

The Social Infrastructure & Industrial Systems segment recognized impairment losses of ¥209,145 million, of which ¥206,799 million 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 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 Automotive Systems segment recognized impairment losses of ¥25,120 million, of which ¥10,590 million was attributable to the decrease in productivity at one of factories of a subsidiary in Mexico relating to business assets of buildings and machinery. The recoverable amount was determined on the basis of value in use, which was measured at ¥10,812 million 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 High Functional Materials & Components segment recognized impairment losses of ¥12,569 million, of which ¥6,975 million 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 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.

Impairment Losses Recognized for the Year Ended March 31, 2018:

The High Functional Materials & Components segment recognized impairment losses of ¥11,012 million, of which ¥8,011 million was attributable to the lower than expected future revenue projected for its aluminum wheel 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 ¥3,514 million as of March 31, 2018. 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.

Impairment losses of ¥7,910 million were recognized on corporate assets, of which ¥7,717 million was attributable to the lower than expected future revenue projected for the office leasing business, due to a decrease in the number of occupants of a part of rental assets. The recoverable amount of the CGU was largely determined on the basis of fair value less costs of disposal. The costs of disposal exceeded the fair value thus the recoverable amount of the CGU was recorded at nominal value as of March 31, 2018. 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 corresponding to the selling prices of comparable properties, or published market prices, and thus classified as Level 2 of fair value hierarchy.

(11) Intangible Assets

The following table shows the changes in the net carrying amounts of goodwill and other intangible assets.

Millions of yen

	Goodwill	Software for internal use	Software for sale	Other	Total
Net carrying amount					
March 31, 2017	527,247	114,868	45,205	231,881	919,201
Internal developments	-	2,032	1,632	53,141	56,805
Purchases	-	7,170	1,595	25,158	33,923
Transfers between accounts	-	34,118	20,218	(54,336)	-
Amortization	-	(46,704)	(22,629)	(29,686)	(99,019)
Impairment losses	(922)	(2,367)	(3,981)	(16,209)	(23,479)
Disposals	-	(1,233)	(150)	(1,752)	(3,135)
Acquisitions and divestitures	100,125	406	(978)	90,833	190,386
Currency translation effect	(10,066)	297	145	(4,953)	(14,577)
Other	(28,219)	(262)	(19)	22,765	(5,735)
March 31, 2018	588,165	108,325	41,038	316,842	1,054,370
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)	(90,444)
Disposals	-	(1,980)	(66)	(672)	(2,718)
Acquisitions and divestitures	11,425	(9,041)	(31)	(4,684)	(2,331)
Currency translation effect	5,823	152	(167)	1,912	7,720
Other	376	224	(363)	(908)	(671)
March 31, 2019	561,936	94,738	35,498	267,844	960,016

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.

“Intangible lease assets”, which had previously been separately presented, have been included in “Other” due to a change in materiality.

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

Millions of yen

	Goodwill	Software for internal use	Software for sale	Other	Total
Gross carrying amount					
March 31, 2017	536,277	593,412	552,868	487,930	2,170,487
March 31, 2018	592,870	617,264	530,778	606,406	2,347,318
March 31, 2019	568,643	590,831	544,840	590,367	2,294,681
Accumulated amortization and impairment losses					
March 31, 2017	(9,030)	(478,544)	(507,663)	(256,049)	(1,251,286)
March 31, 2018	(4,705)	(508,939)	(489,740)	(289,564)	(1,292,948)
March 31, 2019	(6,707)	(496,093)	(509,342)	(322,523)	(1,334,665)

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

“Intangible lease assets”, which had previously been separately presented, have been included in “Other” due to a change in materiality.

Impairment Losses Recognized for the Year Ended March 31, 2019:
The Social Infrastructure & Industrial Systems segment recognized impairment losses of ¥72,912 million, of which ¥70,409 million 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.

Impairment Losses Recognized for the Year Ended March 31, 2018:
The Information & Telecommunication Systems segment recognized impairment losses of ¥22,007 million, of which ¥6,425 million was attributable to the lower than expected future revenue projected for its ATM service business in India as a result of changes in market trends relating to other intangible assets. The recoverable amount of the CGU was determined on the basis of value in use, which was measured at ¥4,050 million as of March 31, 2018. The value in use was discounted at 22.1% (before tax), which was derived from the weighted average cost of capital.

The carrying amounts of intangible assets with indefinite useful lives as of March 31, 2019 and 2018 amounted to ¥6,265 million and ¥9,952 million, 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 intangible assets (at cost less accumulated amortization and impairment losses) as of March 31, 2019 and 2018 amounted to ¥122,238 million and ¥173,267 million, 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, 2019 and 2018 were ¥323,145 million and ¥332,920 million, 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, 2019 and 2018, the group of CGUs with a significant proportion of goodwill allocated was the System & Service Business Division, which belongs to the Information & Telecommunication Systems segment, and the carrying amounts of goodwill allocated to the System & Service Business Division were ¥200,282 million and ¥184,530 million, respectively. The recoverable amount used for the impairment test of goodwill of the System & Service Business Division for the years ended March 31, 2019 and 2018 was calculated based on the value in use. 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 years ended March 31, 2019 and 2018, cash flows were projected over three years, the discount rates (before tax) used were 7.69% and 6.90%, respectively, and the growth rate used was 1.0% for both years.

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.

(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

	2019	2018
Income taxes		
Current tax expense	201,204	160,514
Deferred tax expense		
Temporary differences originated and reversed	(91,528)	10,110
Changes in realizability of deferred tax assets	76,668	(38,916)
Total	186,344	131,708
Deferred taxes recognized in OCI		
Net changes in financial assets measured at fair value through OCI	(13,928)	368
Remeasurements of defined benefit plans	(44)	4,766
Net changes in cash flow hedges	(2,549)	1,222
Foreign currency translation adjustments	-	-
Total	(16,521)	6,356

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, 2019 and 2018, which in the aggregate resulted in a combined statutory income tax rates of approximately 30.5% and 30.8%, respectively.

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

Notes to Consolidated Financial Statements

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

	2019	2018
Combined statutory income tax rate	30.5%	30.8%
Share of (profits) losses of investments accounted for using the equity method	0.9	(3.0)
Change in excess amounts over the tax basis of investments in subsidiaries and investments accounted for using the equity method	0.1	0.2
Gain or loss on sale of investments in subsidiaries and investments accounted for using the equity method	(10.6)	(0.1)
Expenses not deductible for tax purposes	1.1	0.9
Impairment of goodwill	2.6	0.1
Change in realizability of deferred tax assets	14.8	(6.1)
Difference in statutory tax rates of foreign subsidiaries	(3.5)	(2.5)
Other, net	0.2	0.3
Effective income tax rate	36.1%	20.6%

Changes in deferred tax assets and liabilities are as follows:

Millions of yen

	March 31, 2019	March 31, 2018
Deferred tax assets, net at beginning of year	129,105	114,811
Recognized in profit or loss	14,860	28,806
Recognized in OCI	16,521	(6,356)
Acquisitions, divestitures and others	(1,351)	(8,193)
Discontinued operations	2,556	37
Deferred tax assets, net at end of year	161,691	129,105

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, 2019	March 31, 2018	2019	2018
Deferred tax assets				
Retirement and severance benefits	74,693	75,553	(2,482)	(1,198)
Accrued expenses	103,685	107,954	685	11,630
Depreciation of property, plant and equipment	12,565	11,384	1,911	7,280
Net operating loss carryforwards	10,156	9,665	491	(4,618)
Net intercompany profits on inventories, P.P.E. and others	31,018	35,361	(2,442)	2,984
Deferred revenues	20,814	20,659	(425)	(632)
Other	40,327	38,895	(2,349)	(22,459)
Total deferred tax assets	293,258	299,471	(4,611)	(7,013)
Deferred tax liabilities				
Deferred profit on sale of properties	(8,506)	(8,837)	124	(1,126)
Investments in securities	(66,953)	(92,258)	(614)	1,735
Tax purpose reserves regulated by Japanese tax laws	-	(13,468)	13,468	13,579
Intangible assets	(32,619)	(38,494)	5,418	13,405
Other	(23,489)	(17,309)	1,075	8,226
Total deferred tax liabilities	(131,567)	(170,366)	19,471	35,819
Net deferred tax assets	161,691	129,105	14,860	28,806

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

Millions of yen

	March 31, 2019	March 31, 2018
Other non-current assets	205,809	180,781
Other non-current liabilities	(44,118)	(51,676)
Total	161,691	129,105

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 ¥794,022 million and ¥700,901 million, respectively, as of March 31, 2019 and 2018.

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, 2019.

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

Millions of yen

	March 31, 2019	March 31, 2018
Deductible temporary differences	1,447,286	1,191,495
Net operating loss carryforwards	505,514	568,783
Total	1,952,800	1,760,278

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

Millions of yen

	March 31, 2019	March 31, 2018
Within 5 years	160,567	190,765
After 5 years but not more than 10 years	111,682	133,072
More than 10 years	233,265	244,946
Total	505,514	568,783

(13) Trade Payables

The components of trade payables are as follows:

Millions of yen

	March 31, 2019	March 31, 2018
Accounts payable	1,224,454	1,267,047
Others	181,558	269,936
Total	1,406,012	1,536,983

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, 2019 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, 2018	26,139	9,146	38,163	75,571	215,298
Additions	1,813	35,293	8,414	73,437	7,878
Utilized	(2,078)	(32,890)	(10,939)	(45,909)	(37,049)
Acquisitions and divestitures	-	(211)	(2,398)	(390)	(3,563)
Currency translation effects, and others	(116)	115	(572)	276	(22,530)
March 31, 2019	25,758	11,453	32,668	102,985	160,034
Current	1,014	11,453	21,341	102,213	148,906
Non-current	24,744	-	11,327	772	11,128

Other provisions include provisions made for expenses including competition law and others. As information required by IAS 37 could adversely affect the outcome of litigations and other disputes, the details of these provisions are not disclosed.

Due to the application of IFRS 15, provisions for expected losses on construction contracts are newly disclosed as a provision under IAS 37.

The provisions, which were previously deducted from Trade receivables, are presented on a gross basis, and the corresponding balance as of March 31, 2018 disclosed in the above table has been restated.

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 contracts.

(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.

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, 2019 and 2018 are as follows:

Millions of yen

	March 31, 2019	March 31, 2018
Defined benefit obligations		
At beginning of year	2,246,857	2,247,924
Service cost	78,260	79,410
Interest cost	12,311	13,917
Plan amendments	32	449
Actuarial losses	24,523	25,055
Benefits paid	(117,277)	(121,751)
Acquisitions and divestitures	(78,868)	2,364
Transfer to defined contribution pension plan	(633)	(203)
Settlements/curtailments	(6,146)	(3,388)
Currency translation effect	995	3,080
At end of year	2,160,054	2,246,857
Fair value of plan assets		
At beginning of year	1,711,076	1,643,638
Interest income	10,255	12,397
Return on plan assets (excluding interest income)	13,312	53,521
Employers’ contributions	90,427	99,204
Employees’ contributions	281	609
Benefits paid	(87,550)	(96,942)
Acquisitions and divestitures	(57,375)	928
Transfer to defined contribution pension plan	(84)	-
Settlements/curtailments	(7,089)	(4,331)
Currency translation effect	(1,277)	2,052
At end of year	1,671,976	1,711,076
Effect of asset ceiling	7,476	6,762
Net liability amount recognized in the consolidated statement of financial position	495,554	542,543

The components of actuarial gain or loss are as follows:

Millions of yen

	March 31, 2019	March 31, 2018
Arising from changes in financial assumptions	(22,225)	(11,551)
Arising from changes in demographic assumptions	6,748	(5,995)
Other	(9,046)	(7,509)

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, 2019	March 31, 2018
Discount rate	0.5	0.6

If, at March 31, 2019, the discount rate rose by 0.5%, the defined benefit obligations would decrease by ¥128,306 million, and if the discount rate decreased by 0.5%, the defined benefit obligations would increase by ¥140,653 million.

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, 2019 and 2018 are as follows:

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

Millions of yen

	March 31, 2018		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity	18,748	2,613	21,361
Government bonds and municipal debt securities	148,356	2,028	150,384
Corporate bonds and other debt securities	-	31,595	31,595
Hedge funds	-	50,350	50,350
Securitization products	-	71,281	71,281
Cash and cash equivalents	55,093	-	55,093
Life insurance general accounts	-	160,733	160,733
Commingled funds	-	1,142,694	1,142,694
Other	2,468	25,117	27,585
Total	224,665	1,486,411	1,711,076

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, 2018, investments in equity were allocated to approximately 35% in stocks listed in Japan and 65% in stocks listed in foreign markets.

As of March 31, 2019, Japanese government bonds made up approximately 95% of the government bonds and municipal debt securities, the majority of which were Japanese national bonds. As of March 31, 2018, Japanese government bonds made up approximately 75% of the government bonds and municipal debt securities, the majority of which were Japanese national bonds. Foreign public bonds, as of March 31, 2019, took approximately 5%, the majority of which were foreign national bonds, and as of March 31, 2018, foreign public bonds took approximately 25%, the majority of which were foreign national bonds.

As of March 31, 2019 and 2018, 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, 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. As of March 31, 2018, commingled funds were allocated to 30% in listed stocks, 45% in government bonds, 5% in corporate bonds and other debt securities, 10% in cash and cash equivalents and 10% 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, 2020 is ¥43,886 million.

The weighted average duration (expected average maturity) of defined benefit obligations as of March 31, 2019 and 2018 were 12.6 years and 12.7 years, respectively.

Contributions made to defined contribution plans and expensed in profit or loss in the years ended March 31, 2019 and 2018 were ¥27,601 million and ¥28,212 million, respectively.

(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, 2019 and 2018 were ¥2,336,033 million and ¥2,323,429 million, respectively.

(16) Equity

(a) Common Stock

Number of shares

	March 31, 2019	March 31, 2018
Total number of authorized shares	2,000,000,000	10,000,000,000

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, 2017	4,833,463,387	458,790
March 31, 2018	4,833,463,387	458,790
March 31, 2019	966,692,677	458,790

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.

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, 2019 and 2018 are as follows:

	Treasury stock	
	(Number of shares)	(Millions of yen)
March 31, 2017	5,460,572	3,916
Acquisition of treasury stock	375,918	292
Sales of treasury stock	(100,543)	(71)
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

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, 2019 and 2018 were 33,400 shares and 167,000 shares, respectively.

(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 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, 2019 and 2018 are as follows:

Millions of yen

	2019	2018
Foreign currency translation adjustments		
Balance at beginning of year	60,807	78,987
OCI, net of reclassification	(7,836)	(18,032)
Net transfer of non-controlling interests	(805)	(148)
Balance at end of year	52,166	60,807
Remeasurements of defined benefit plans		
Balance at beginning of year	22,675	(847)
OCI	(12,887)	22,059
Net transfer of non-controlling interests	(401)	-
Reclassified into retained earnings	925	1,463
Balance at end of year	10,312	22,675
Net changes in financial assets measured at FVTOCI		
Balance at beginning of year	174,588	192,110
OCI	(44,255)	369
Reclassified into retained earnings	(34,608)	(17,891)
Balance at end of year	95,725	174,588
Net changes in cash flow hedges		
Balance at beginning of year	(115,903)	(129,182)
OCI, net of reclassification	13,572	14,957
Net transfer of non-controlling interests	(664)	-
Others	1,152	(1,678)
Balance at end of year	(101,843)	(115,903)
Total AOCI		
Balance at beginning of year	142,167	141,068
OCI, net of reclassification	(51,406)	19,353
Net transfer of non-controlling interests	(1,870)	(148)
Reclassified into retained earnings	(33,683)	(16,428)
Others	1,152	(1,678)
Balance at end of year	56,360	142,167

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, 2019 and 2018.

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)

Millions of yen

	2018		
	Before tax	Tax effect	After tax
OCI arising during the year:			
Foreign currency translation adjustments	(5,671)	-	(5,671)
Remeasurements of defined benefit plans	27,519	(4,766)	22,753
Net changes in financial assets measured at FVTOCI	1,898	(368)	1,530
Net changes in cash flow hedges	14,530	(3,686)	10,844
Share of OCI of investments accounted for using the equity method	6,922	(3,632)	3,290
Total	45,198	(12,452)	32,746
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	(2,371)	-	(2,371)
Net changes in cash flow hedges	(7,605)	2,464	(5,141)
Share of OCI of investments accounted for using the equity method	(33)	-	(33)
Total	(10,009)	2,464	(7,545)
OCI, net of reclassification adjustments:			
Foreign currency translation adjustments	(8,042)	-	(8,042)
Remeasurements of defined benefit plans	27,519	(4,766)	22,753
Net changes in financial assets measured at FVTOCI	1,898	(368)	1,530
Net changes in cash flow hedges	6,925	(1,222)	5,703
Share of OCI of investments accounted for using the equity method	6,889	(3,632)	3,257
Total	35,189	(9,988)	25,201
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Foreign currency translation adjustments			435
Remeasurements of defined benefit plans			2,819
Net changes in financial assets measured at FVTOCI			2,338
Net changes in cash flow hedges			256
Total			5,848
OCI, net of reclassification adjustments, attributable to Hitachi, Ltd. stockholders:			
Foreign currency translation adjustments			(8,477)
Remeasurements of defined benefit plans			19,934
Net changes in financial assets measured at FVTOCI			(808)
Net changes in cash flow hedges			5,447
Share of OCI of investments accounted for using the equity method			3,257
Total			19,353

(18) Dividends

Dividends paid on the Company's common stock for the years ended March 31, 2019 and 2018 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 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
The Board of Directors on October 26, 2017	33,795	Retained earnings	7.0	September 30, 2017	November 28, 2017
The Board of Directors on May 12, 2017	33,796	Retained earnings	7.0	March 31, 2017	May 29, 2017

Note: Dividends per share do not reflect the share consolidation effective on October 1, 2018, since the record date was September 30, 2018.

The dividend on the Company's common stock whose record date falls in the year ended March 31, 2019 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 10, 2019	48,280	Retained earnings	50.0	March 31, 2019	May 31, 2019

(19) Stock-based Compensation

The Company introduced a stock option plan as stock-based compensation. 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).

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.
The figures are translated into on the assumption that the Company conducted this share consolidation at the beginning of the fiscal year ended March 31, 2018.

Details of the Company's stock option plan for the years ended March 31, 2019 and 2018 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.

Stock-based compensation expenses recognized for the years ended March 31, 2019 and 2018 were ¥684 million and ¥625 million, respectively.

A summary of stock option activity for the years ended March 31, 2019 and 2018 is as follows. The number of stock options is translated into their equivalent number of shares (20 shares per stock option).

	2019		2018	
	Number of shares (shares)	Weighted average exercise price (yen)	Number of shares (shares)	Weighted average exercise price (yen)
Outstanding at beginning of year	889,780	1	484,380	1
Granted	347,980	1	458,120	1
Forfeited (a)	(118,240)	1	(36,900)	1
Exercised	(114,740)	1	(15,820)	1
Expired	-	-	-	-
Outstanding at end of year	1,004,780	1	889,780	1
Exercisable at end of year	-	-	-	-

(a) 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, 2019 and 2018 were ¥3,871.0 and ¥3,166.0.

The range of exercise price as of March 31, 2019 and 2018 was ¥1. The weighted average remaining contractual lives of stock options outstanding as of March 31, 2019 and 2018 were 28.2 years and 28.7 years, respectively.

The weighted average fair values (per share) at the measurement date of stock options issued under the Company's stock option plan for the years ended March 31, 2019 and 2018 were ¥2,426.0 and ¥1,838.0, respectively.

Fair value of stock options is estimated using Monte Carlo simulation based on the following assumptions.

	March 31, 2019	March 31, 2018
Exercise price	1 yen	1 yen
Expected life (a)	3.2 years	3.2 years
Stock price at the measurement date (b)	4,044.5 yen	3,092.5 yen
Expected volatility (c)	29.582%	31.528%
Expected dividends (d)	65 yen	60 yen
Risk-free rate (e)	(0.121%)	(0.184%)
Average value of the normal distribution of TSR/TOPIX Growth Rate Ratio (f)	103.8%	104.1%
Standard deviation of the normal distribution of TSR/TOPIX Growth Rate Ratio (f)	39.6%	39.5%

(a) Based on the expected term of office of each grantee.
(b) Based on the closing prices of the Company's stocks on the Tokyo Stock Exchange at the measurement date.
(c) 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.
(d) Based on actual annual dividends in the fiscal year preceding that of the measurement date.
(e) 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.
(f) 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.

(Millions of yen)

2019							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
Information & Telecommunication Systems	1,472,132	176,580	204,866	167,599	44,736	593,781	2,065,913
Social Infrastructure & Industrial Systems	1,364,745	514,659	114,531	394,162	151,715	1,175,067	2,539,812
Electronic Systems & Equipment	391,383	305,384	91,272	127,700	35,474	559,830	951,213
Construction Machinery	206,075	276,356	168,668	146,034	236,570	827,628	1,033,703
High Functional Material & Components	700,622	494,249	359,754	120,899	28,922	1,003,824	1,704,446
Automotive Systems	428,217	170,080	257,428	60,165	55,117	542,790	971,007
Smarts Life & Ecofriendly Systems	389,930	73,621	1,449	3,367	16,722	95,159	485,089
Others	435,293	62,366	19,473	10,033	7,300	99,172	534,465
Subtotal	5,388,397	2,073,295	1,217,441	1,029,959	576,556	4,897,251	10,285,648
Corporate items and Eliminations	(723,862)	(53,697)	(11,813)	(11,417)	(4,240)	(81,167)	(805,029)
Total	4,664,535	2,019,598	1,205,628	1,018,542	572,316	4,816,084	9,480,619

The Information & Telecommunication Systems segment consists of Front Business and IT Platform & Products, for which revenue amounted to ¥1,475,715 million and ¥742,271 million, respectively (including intersegment transactions). Front Business is operated mainly in Japan, and IT Platform & Products 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.

(Information & Telecommunication Systems)

Front Business primarily provides services such as system integration, consulting and cloud services. The business provides goods and services according to customers' specifications over a specified period of time, and revenue is recognized based on the pattern of the cost accrual 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.

IT Platform & Products primarily sells server, storage, telecommunication network equipment and related software. 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.

(Social Infrastructure & Industrial Systems)

This segment includes revenue from businesses such as building systems, railway systems, and power and energy. The building system business is operated mainly in China, the railway system business is operated mainly in Europe, and the power and energy business is operated mainly in Japan.

Contracts such as construction in this segment involve manufacturing and providing goods based on customers' specifications over a long period of time. As performance obligations are satisfied over time, revenue is recognized based on the pattern of the cost accrual. In addition, the segment provides certain services promised in the contracts such as maintenance throughout the duration of the contract, and recognizes 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., 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 Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, and Smart Life & Ecofriendly Systems segments, performance obligations are generally satisfied at a point in time upon completion of the sale and customers' acceptance and inspection 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 year ended March 31, 2019:

Millions of yen

	March 31, 2019	April 1, 2018
Trade receivables	1,980,165	2,139,961
Contract assets	484,120	443,031
Contract liabilities	654,536	712,354

Of the revenue recognized during the fiscal year ended March 31, 2019, the amount included in Contract liabilities at the beginning of the fiscal year was ¥399,256 million, and the amount related to performance obligations satisfied during the fiscal year ended March 31, 2018 was not material.

(d) Transaction price allocated to remaining performance obligations

Segments of the Company and its subsidiaries that have contracts under which revenue is recognized over a long period of time are primarily the Information & Telecommunication Systems segment and the Social Infrastructure & Industrial Systems segment. The balance of unsatisfied performance obligations of the Information & Telecommunication Systems segment was ¥943,153 million (including intersegment transactions of ¥37,174 million), of which approximately 90% was expected to be satisfied within three years and approximately 10% after three years but no more than five years. The balance of unsatisfied performance obligations of the Social Infrastructure & Industrial Systems segment was ¥4,514,796 million (including intersegment transactions of ¥100,901 million), of which approximately 60% was expected to be satisfied within three years and approximately 10% after three years but no more than five years.

Segments other than the Information & Telecommunication Systems segment and the Social Infrastructure & Industrial Systems segment have contracts whose initial expected terms are generally one year or less. Accordingly, they are excluded from this disclosure in accordance with a 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, 2019 were not material.

(21) Other Income and Expenses

The main components of other income and expenses for the years ended March 31, 2019 and 2018 are as follows:

Millions of yen

	2019	2018
Net gain (loss) on sales and disposals of fixed assets	18,460	(2,535)
Impairment losses	(344,997)	(48,656)
Net gain (loss) on business reorganization and others	184,630	9,774
Special termination benefits	(22,376)	(15,728)
Expenses related to competition law and others	(1,730)	(14,280)

Impairment losses are mainly recognized on property, plant and equipment, investment properties and 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, 2019 and 2018 were ¥380,846 million and ¥64,384 million, 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 Social Infrastructure & Industrial System segment recognized restructuring charges (structural reform expenses) of ¥294,613 million including impairment losses of ¥277,208 million on the related assets of the project.

(22) Financial Income and Expenses

The main components of financial income and expenses for the years ended March 31, 2019 and 2018 are as follows:

Millions of yen

	2019	2018
Dividends received	6,054	6,227
Exchange gain (loss)	7,640	(10,587)

Dividends received for the years ended March 31, 2019 and 2018 are from FVTOCI financial assets.

(23) Discontinued Operations

In the Social Infrastructure & Industrial Systems 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, 2019 and 2018 are as follows:

Millions of yen

	2019	2018
Profit or loss from discontinued operations		
Revenues	(10,123)	1,077
Cost of sales and expenses	(1,658)	(17,146)
Loss from discontinued operations, before income taxes	(11,781)	(16,069)
Income taxes	2,645	49
Loss from discontinued operations	(9,136)	(16,020)

Millions of yen

	2019	2018
Cash flows from discontinued operations		
Cash flows from operating activities	(18,074)	2,000
Cash flows from investing activities	-	(5)
Cash flows from financing activities	17,671	(1,299)

(24) Earnings Per Share (EPS) Information

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders are as follows:

Number of shares

	2019	2018
Weighted average number of shares on which basic EPS is calculated	965,630,489	965,574,865
Effect of dilutive securities		
Stock options	911,653	857,637
Number of shares on which diluted EPS is calculated	966,542,142	966,432,502

Millions of yen

	2019	2018
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	231,682	379,008
Effect of dilutive securities	-	-
Diluted	231,682	379,008
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(9,136)	(16,020)
Effect of dilutive securities	-	-
Diluted	(9,136)	(16,020)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	222,546	362,988
Effect of dilutive securities	-	-
Diluted	222,546	362,988

Yen

	2019	2018
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	239.93	392.52
Diluted	239.70	392.17
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(9.46)	(16.59)
Diluted	(9.45)	(16.58)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	230.47	375.93
Diluted	230.25	375.60

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, 2018.

(25) Supplementary Cash Flow Information

Changes in liabilities from financing activities for the years ended March 31, 2019 and 2018 are as follows:

Millions of yen

	Short-term debt	Bonds	Long-term borrowings	Lease payables	Total
March 31, 2017	196,357	159,820	770,723	49,703	1,176,603
Cash flows	(104,819)	(9,649)	(89,957)	(13,984)	(218,409)
Non-cash changes					
Finance lease payables incurred	-	-	-	13,469	13,469
Acquisitions and divestitures	13,297	-	59,779	1,787	74,863
Currency translation effect and others	16,604	(334)	(11,005)	(1,497)	3,768
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 payables 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	111,031	170,498	674,043	49,199	1,004,771

(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, 2019 and 2018 were 33.9% and 32.4%, 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 underling 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, 2019 and 2018, while all other variables are held constant.

Millions of yen

	Currency	2019	2018
Impact on income from continuing operations, before income taxes	US Dollar	307	696
	Euro	172	139
	British Pound	52	340

(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, 2019 and 2018, while all other variables are held constant.

Millions of yen

	2019	2018
Impact on income from continuing operations, before income taxes	(584)	(684)

(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 following table presents the aging of trade receivables and other receivables past due but not impaired as of March 31, 2018. The Company considers that trade receivables and other receivables neither past due nor impaired are all collectible.

Millions of yen

	March 31, 2018
Past due within 30 days	39,386
Past due between 31 and 90 days	31,165
Past due between 91 days and 1 year	23,214
Past due over 1 year	10,847
Total	104,612

The changes in the balance of allowance for doubtful receivables are as follows:

Millions of yen

	Trade receivables	Other receivables	Total
March 31, 2017	29,223	3,466	32,689
Impairment loss provision or reversals	(873)	(178)	(1,051)
Amounts written off	(1,489)	(357)	(1,846)
Other	779	107	886
March 31, 2018	27,640	3,038	30,678

Other includes the impact of acquisitions and divestitures and currency translation effect.

As of March 31, 2018, the total balances of trade receivables and other receivables individually determined to be impaired were ¥71,321 million, respectively, and the allowance for doubtful receivables corresponding to such receivables was recorded in the amounts of ¥18,951 million, respectively.

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 year ended March 31, 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

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

[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, 2019 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, 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 payables	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

Millions of yen

	March 31, 2018				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Short-term debt	121,439	122,436	122,436	-	-
Long-term debt					
Lease payables	49,478	55,059	16,988	33,817	4,254
Bonds	149,837	156,168	20,979	62,951	72,238
Long-term borrowings	729,540	746,161	95,227	436,967	213,967

The weighted average interest rate for short-term debt is 2.7%, and the weighted average interest rate for long-term borrowings is 0.8% with maturities ranging from 2019 to 2031.

The details on each bond issued are provided below.

Millions of yen

Issuer	Name of bond	Issued	March 31, 2019	March 31, 2018	Security	Interest rates (%)	Mature in
The Company	Unsecured debenture #15	2013	-	10,000	Unsecured	0.3	2018
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
Subsidiaries	Unsecured debentures	2012 - 2018	120,498	89,837	Unsecured	0.1 - 1.2	2019 - 2028
Total			170,498	149,837			

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, 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

Millions of yen

		March 31, 2018			
		Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Forward exchange contracts	In	11,891	9,421	-	21,312
	Out	19,868	7,489	-	27,357
Cross currency swaps	In	164	30	4,648	4,842
	Out	98	5,234	746	6,078
Interest rate swaps	In	13	1,403	-	1,416
	Out	86	2,091	1	2,178
Option contracts	In	75	7,760	-	7,835
	Out	10	-	-	10

(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, 2019 and 2018 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, 2019		March 31, 2018	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Assets				
Investments in securities and other financial assets				
Lease receivables	95,073	96,377	92,198	93,165
Debt securities	72,418	72,422	120,915	120,920
Long-term loans receivable	105,061	106,390	95,373	96,859
Liabilities				
Long-term debt [1]				
Lease obligations	49,199	49,595	49,478	49,723
Bonds	170,498	174,747	149,837	153,614
Long-term borrowings	674,043	678,481	729,540	734,912

[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, 2019 and 2018.

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

March 31, 2018 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	-	-	1,114	1,114
Debt securities	10,749	6,535	9,590	26,874
Derivatives	-	27,669	7,760	35,429
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	298,307	669	113,620	412,596
Total financial assets at fair value	309,056	34,873	132,084	476,013
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	35,791	-	35,791
Total financial liabilities at fair value	-	35,791	-	35,791

The following tables present the changes in Level 3 instruments measured on a recurring basis for the years ended March 31, 2019 and 2018.

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)

2018 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of year	110,470	8,991	6,061	125,522
Gain (loss) in profit or loss [1]	66	(62)	(7)	(3)
Gain in OCI [2]	5,329	-	-	5,329
Purchases	3,876	1,350	1,706	6,932
Sales and redemption	(5,349)	(652)	-	(6,001)
Acquisitions and divestitures	254	(190)	-	64
Other	88	153	-	241
Balance at end of year	114,734	9,590	7,760	132,084
Unrealized gain (loss) relating to financial assets held at end of year [4]	66	5	(7)	64

[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 values of the put options above as of March 31, 2019 and 2018 were ¥17,678 million and ¥17,098 million, respectively, 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, 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

March 31, 2018 — Millions of yen

Principal FVTOCI financial assets	Fair value
Renesas Electronics Corporation	99,007
Western Digital Corporation	61,267
JECC Corporation	20,139
Central Japan Railway Company	18,117
Yungtay Engineering Co., Ltd.	9,823
World Trade Center Building, Inc.	9,214
East Japan Railway Company	8,011
Honda Motor Co., Ltd.	7,468
Shin-Etsu Chemical Co., Ltd.	7,265
Nippon Steel Kowa Real Estate Co., Ltd.	7,214

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, 2019 and 2018 were ¥34,608 million and ¥17,891 million, 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, 2019 and 2018 is as follows:

Millions of yen

	2019	2018
Fair value at the time of derecognition	69,821	60,044
Accumulated gains at the time of derecognition	46,677	23,449

(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

Changes in the fair value of forward exchange contracts designated as an effective cash flow hedge of forecasted transactions are recognized in OCI. AOCI is subsequently reclassified into profit or loss when the hedged items affect profit or loss for the period.

Interest Rate Risk

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.

As of March 31, 2018, the period in which the cash flows from the hedged items are expected to occur and in which they are expected to affect profit or loss is between April 2018 and March 2025.

The fair values of the main types of derivatives designated as hedging instruments are as follows:

Millions of yen

	March 31, 2018	
	Asset	Liability
Fair value hedge		
Forward exchange contracts	3,610	1,175
Cross currency swaps	4,119	4,671
Interest rate swaps	798	42
Total	8,527	5,888
Cash flow hedge		
Forward exchange contracts	16,046	13,755
Cross currency swaps	718	602
Interest rate swaps	618	2,136
Total	17,382	16,493

The fair values of derivative assets and liabilities for which hedge accounting was not applied as of March 31, 2018 were ¥9,507 million for derivative assets, and ¥13,245 million for derivative liabilities, respectively.

The contract amounts and notional amounts of the main types of derivatives are as follows:

Millions of yen

	March 31, 2018
Forward exchange contracts	
To sell foreign currencies	716,035
To buy foreign currencies	188,085
Cross currency swaps	
To sell foreign currencies	17,786
To buy foreign currencies	108,760
Interest rate swaps	274,490

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, 2019, hedge ineffectiveness recognized in profit or loss was not material.

The notional amount and carrying amount of hedging instruments as of March 31, 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.

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 amount of hedged items related to fair value hedges as of March 31, 2019 is as follows.

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, and Trade payables, 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 year ended March 31, 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 year ended March 31, 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, 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 in Cost of sales and Interest charges for hedges of interest rate risk.

The following table, "Effective portion of derivatives designated as hedging instruments and related hedged items" shows the effects of derivative instruments for fair value hedges in the consolidated statement of profit or loss for the year ended March 31, 2018.

Effective Portion of Derivatives Designated as Hedging Instruments and Related Hedged Items

Hedging instruments — Millions of yen

Derivatives	Recognized in profit or loss	Amount recognized
Forward exchange contracts	Financial expenses	(13,136)
Cross currency swaps	Financial expenses	(5,515)
Total		(18,651)

Hedged items — Millions of yen

Recognized in statement of financial position	Recognized in profit or loss	Amount recognized
Trade receivables, other current assets and trade payables	Financial expenses	12,493
Long-term debt	Financial expenses	5,580
Total		18,073

The amounts recognized in the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended March 31, 2018, related to cash flow hedges are detailed in the following tables:
"Gain (loss) recognized in OCI, Effective portion of derivatives designated as hedging instruments,"
"Gain (loss) reclassified from OCI into profit or loss, Effective portion of derivatives designated as hedging instruments," and
"Gain (loss) on derivatives designated as cash flow hedging instruments, ineffective portion."

Gain (Loss) Recognized in OCI, Effective Portion of Derivatives Designated as Hedging Instruments

Millions of yen

Derivatives	Amount recognized
Forward exchange contracts	(6,464)
Cross currency swaps	837
Interest rate swaps	2,184
Total	(3,443)

Gain (Loss) Reclassified from OCI into Profit or Loss, Effective Portion of Derivatives Designated as Hedging Instruments

Millions of yen

Derivatives	Recognized in profit or loss	Amount recognized
Forward exchange contracts	Cost of sales and Financial expenses	9,429
Interest rate swaps	Cost of sales and Interest charges	(1,075)
Total		8,354

Gain (Loss) on Derivatives Designated as Cash Flow Hedging Instruments, Ineffective Portion

Millions of yen

Derivatives	Recognized in profit or loss	Amount recognized
Forward exchange contracts	Financial expenses	4,085
Total		4,085

(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, 2019	March 31, 2018
Trade receivables	-	9,349
Trade receivables and contract assets	6,057	-
Inventories	16,535	10,292
Other current assets	-	37
Investments in securities and other financial assets	681	890
Land	177	185
Buildings and structures	1,327	1,592
Machinery and other property, plant and equipment	43,738	37,161
Total	68,515	59,506

(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 (%)
Information & Telecommunication Systems	Hitachi Information & Telecommunication Engineering, Ltd.	Yokohama, Kanagawa	100.0
Information & Telecommunication Systems	Hitachi-Omron Terminal Solutions, Corp.	Shinagawa-ku, Tokyo	55.0
Information & Telecommunication Systems	Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo	100.0
Information & Telecommunication Systems	Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo	100.0
Information & Telecommunication Systems	Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	100.0
Information & Telecommunication Systems	Hitachi Consulting Corporation	Texas, U.S.A.	100.0
Information & Telecommunication Systems	Hitachi Global Digital Holdings Corporation	California, U.S.A.	100.0
Information & Telecommunication Systems	Hitachi Payment Services Private Limited	Chennai, India	100.0
Information & Telecommunication Systems	Hitachi Vantara Corporation	California, U.S.A.	100.0
Social Infrastructure & Industrial Systems	Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Social Infrastructure & Industrial Systems	Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	80.0
Social Infrastructure & Industrial Systems	Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Social Infrastructure & Industrial Systems	Hitachi Industry & Control Solutions, Ltd.	Hitachi, Ibaraki	100.0
Social Infrastructure & Industrial Systems	Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	100.0
Social Infrastructure & Industrial Systems	Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	100.0
Social Infrastructure & Industrial Systems	Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	100.0
Social Infrastructure & Industrial Systems	Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	70.0
Social Infrastructure & Industrial Systems	Hitachi Rail Europe Ltd.	London, U.K.	100.0
Social Infrastructure & Industrial Systems	Sullair US Purchaser, Inc.	Indiana, U.S.A.	100.0
Electronic Systems & Equipment	Hitachi High-Technologies Corporation	Minato-ku, Tokyo	51.8
Construction Machinery	Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo	51.5
High Functional Materials & Components	Hitachi Chemical Company, Ltd.	Chiyoda-ku, Tokyo	51.4

Reporting segment	Name of subsidiary	Business location	Ownership percentage of voting rights (%)
High Functional Materials & Components	Hitachi Metals, Ltd.	Minato-ku, Tokyo	53.5
Automotive Systems	Hitachi Automotive Systems, Ltd.	Hitachinaka, Ibaraki	100.0
Automotive Systems	Hitachi Automotive Systems Americas, Inc.	Kentucky, U.S.A.	100.0
Smart Life & Ecofriendly Systems	Hitachi Appliances, Inc.	Minato-ku, Tokyo	100.0
Smart Life & Ecofriendly Systems	Hitachi Consumer Marketing, Inc.	Minato-ku, Tokyo	100.0
Smart Life & Ecofriendly Systems	Hitachi Consumer Products (Thailand), Ltd.	Prachinburi, Thailand	80.1
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 767 companies	-	-

Notes: 1. Hitachi Rail Europe Ltd. changed its company name to Hitachi Rail Ltd. on April 1, 2019.

2. Hitachi Appliances, Inc. merged with Hitachi Consumer Marketing, Inc. and changed its name to Hitachi Global Life Solutions, Inc on April 1, 2019.

(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, 2019	March 31, 2018
Trade receivables	-	121,759
Trade receivables and contract assets	119,236	-
Short-term loans receivable [1]	7,789	10,015
Long-term loans receivable [2]	70,558	73,951
Trade payables	102,256	103,553
Other accounts payable [3]	16,397	12,563
Lease obligations [4]	19,177	17,592

Millions of yen

With joint ventures	March 31, 2019	March 31, 2018
Trade receivables	-	101,388
Trade receivables and contract assets	88,294	-
Long-term loans receivable [2]	30,696	18,079
Trade payables	10,771	14,341

[1] Included in Investments in securities and other financial assets in the consolidated statement of financial position.
[2] Included in Investments in securities and other financial assets in the consolidated statement of financial position.
[3] Included in Other financial liabilities in the consolidated statement of financial position.
[4] 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	2019	2018
Revenues	444,744	409,826
Purchases	357,317	364,490

Millions of yen

With joint ventures	2019	2018
Revenues	160,777	150,675
Purchases	17,058	15,684

(b) Compensation for Directors and Executive Officers of the Company

Millions of yen

	2019	2018
Basic remuneration, year-end allowance and performance-linked compensation	3,251	3,054
Medium and long-term incentive compensation (Stock options as stock-based compensation, etc.)	574	490
Total	3,825	3,544

(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, 2019 is as follows:

Millions of yen

	March 31, 2019
Total commitments available	73,131
Less amount utilized	70,039
Balance available	3,092

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, 2019 amounted to ¥465,009 million, 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, 2019 amounted to ¥200,000 million. The Company also maintains other commitment line agreements with several financial institutions, with terms of three years ending in July 2019. The unused line of credit under these arrangements as of March 31, 2019 amounted to ¥200,000 million.

(b) Commitments for Acquisition of Assets

As of March 31, 2019, outstanding commitments made to purchase property, plant and equipment were ¥77,906 million.

(c) Guarantee Obligations

The Company and certain subsidiaries provide debt guarantees to their associates, joint ventures and third parties. As of March 31, 2019, the balance of the guarantee obligations was ¥56,630 million. It consisted of guarantees to associates of ¥37,845 million, to joint ventures of ¥3,087 million and to third parties of ¥15,698 million.

(d) Litigation

In July 2011, a subsidiary in the U.S.A. received a grand jury subpoena from the Antitrust Division of the U.S. Department of Justice, the Company and a subsidiary in Europe received requests for information from the European Commission, and a subsidiary in Canada received requests for information from the Canadian Competition Bureau, all in respect of alleged antitrust violations relating to automotive equipment. In November 2013, a subsidiary in Japan, which had been also primarily responsible for responding to the investigation from the Antitrust Division of the U.S. Department of Justice, paid fines. In January 2016, the Company and the subsidiary in Japan which had been also primarily responsible for responding to the investigation from the European Commission reached a settlement with the European Commission, and paid fines in April 2016.

In April 2014, a subsidiary in the U.S.A. received a grand jury subpoena in connection with the investigation conducted by the Antitrust Division of the U.S. Department of Justice in respect of alleged antitrust violations relating to automotive equipment. In August 2016, a subsidiary in Japan, which had been also primarily responsible for responding to the investigation, concluded an agreement in which the subsidiary will pay fines, and paid fines in March 2017.

In addition to the above, the Company, its subsidiaries and associates have cooperated with the competent authorities. Depending upon the outcome of these matters, fines or surcharge payments, the amount of which is uncertain, may be imposed on them. Also, in connection with pending and settled antitrust violations, civil disputes, including class action lawsuits, involving the Company and some of these companies have arisen in a number of countries, including in the U.S.A. and Canada. An amount, which was considered to be a reasonable estimate in respect of these claims, was accrued for the potential losses in relation to certain of these civil disputes.

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 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 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 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 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 EUR 263 million (¥32,765 million) and interest allegedly incurred by performance defects of a power plant. As of March 31, 2019, the amount of compensation claimed by the customer was changed to EUR 270 million (¥33,634 million). 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.

(e) Other

On February 1, 2014 (hereinafter the “effective date of company split”), the Company and Mitsubishi Heavy Industries, Ltd. (hereinafter “MHI”) integrated their thermal power generation systems businesses into MHI’s consolidated subsidiary, MITSUBISHI HITACHI POWER SYSTEMS, LTD. (hereinafter “MHPS”), through a spin-off in the form of an absorption-type company-split. As part of this business integration, assets and liabilities associated with boiler construction projects for Medupi and Kusile Power Stations for which the Company’s consolidated subsidiaries in the Republic of South Africa, Hitachi Power Africa Proprietary Limited (hereinafter “HPA”) and other companies received orders in 2007, as well as their contractual status in relation to customers, and rights and obligations thereof were transferred from HPA to MHI’s consolidated subsidiary, Mitsubishi Hitachi Power Systems Africa Proprietary Limited (hereinafter “MHPS Africa”) (hereinafter, the “Transfer of South African Business”).

Under the agreement executed between the Company and MHI regarding the Transfer of South African Business, the Company and HPA shall be liable for contingent liabilities resulting from events that occurred before the effective date of company split as well as claims that had already been made as of the said date, while MHPS and MHPS Africa shall be held responsible for the execution of business on and after the effective date of company split. Given these conditions, it has been agreed upon to determine the final transfer price upon agreement on future construction schedule as of the effective date of company split and confirmation of estimated project cash flows based on such schedule between the parties, and settle the difference with the provisional price.

On March 31, 2016, MHI requested the Company to pay ZAR 48,200 million (approximately ¥379.0 billion when ZAR 1 = ¥7.87) to MHPS Africa as a portion of transfer price adjustment, etc. The Company replied to MHI on April 6, 2016 that the details of the demand letter lacked legal grounds under any agreement and thus the Company cannot accept it.

On January 31, 2017, MHI extended the amount above and requested the Company to pay ZAR 89,700 million (approximately ¥763.4 billion when ZAR 1 = ¥8.51). The Company again replied to MHI that the Company cannot accept the request since it lacks legal grounds under any agreement as does the request of March 2016. On August 21, 2017, the Company received a notice from the Japan Commercial Arbitration Association (hereinafter, the "JCAA") stating that MHI had filed a request for arbitration with the JCAA on July 31, 2017 in order to claim for payment of ZAR 90,779 million (approximately ¥774.3 billion when ZAR 1 = ¥8.53) as the said transfer price adjustment, etc. against the Company. The Company will address this claim and explain its position in the arbitration proceedings.

The Company has recorded provisions based on reasonable estimates for the aforementioned agreement related to the South African Business. The amount of the said transfer price adjustment, etc. to be determined under the agreement may be different from the accrued amount.

(31) Subsequent Events

(a) Revision of defined benefit pension plan

On April 1, 2019, for current employees participating in the defined benefit pension plan managed by the Hitachi Pension Fund, the Company introduced a risk-sharing corporate pension plan. Under this plan, a risk reserve contribution is determined in advance in accordance with the rules governing the plan, and the pension benefits are adjusted annually based on the financial position of the plan to maintain balanced finance.

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, approximately ¥20.0 billion, will be recognized as a settlement gain.

Furthermore, the shift to the risk-sharing corporate pension plan is only applicable to the Company at present, but will be expanded to other subsidiaries participating in the Hitachi Pension Fund.

(b) Issuance of New Shares as Restricted Stock Compensation

On April 23, 2019, pursuant to the decision made by the President in accordance with the authority delegated by the resolution of the Board of Directors, the Company decided to issue new shares as restricted stock compensation to Executive Officers and Corporate Officers (hereinafter the "Eligible Persons"), 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.

On May 31, 2019, the Eligible Persons made an in-kind contribution of monetary compensation receivables granted under the restricted stock compensation plan in order to purchase of shares of common stock of the Company to be issued.

The outline of issuance is as follows.

Payment date	May 31, 2019
Class and number of shares to be issued	587,800 shares of Hitachi's common stock
Issue price	¥ 3,647 per share
Total amount of issuance	¥ 2,143,706,600
Allottees, number of Allottees and number of shares to be allotted	37 Executive Officers: 472,600 shares 34 Corporate Officers: 115,200 shares

(32) Approval of Consolidated Financial Statements

The consolidated financial statements were approved on June 19, 2019 by Toshiaki Higashihara, President and CEO of the Company.

Independent Auditor's Report

To the Stockholders and Board of Directors of
Hitachi, Ltd.

We have audited the accompanying consolidated financial statements of Hitachi, Ltd. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2019, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi, Ltd. and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

/s/ Ernst & Young ShinNihon LLC

June 19, 2019
Tokyo, Japan

(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]	June 19, 2019
[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]	Mitsuaki Nishiyama, 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. Mitsuaki Nishiyama, 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, 2019. 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, 2019.

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)

June 19, 2019

Mr. Toshiaki Higashihara, President & CEO
Hitachi, Ltd.

Ernst & Young ShinNihon LLC

Designated and Engagement Partner, Certified Public Accountant:	Takashi Ouchida
Designated and Engagement Partner, Certified Public Accountant:	Takuya Tanaka
Designated and Engagement Partner, Certified Public Accountant:	Ken Sudo

[Audit of Financial Statements]

Pursuant to the Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated statement of financial position as at March 31, 2019 of Hitachi, Ltd. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, including notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards pursuant to the provision of Article 93 of the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient an appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as at March 31, 2019, and the results of their operations and their cash flows for the year then ended in conformity with International Financial Reporting Standards.

[Audit of Internal Control]

Pursuant to the Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of the Company and its consolidated subsidiaries as of March 31, 2019.

Management's Responsibility for the Report on Internal Control

The Company's management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditors' Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit as independent position. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditors' judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of the Company and its consolidated subsidiaries as of March 31, 2019 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

(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]	June 19, 2019
[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]	Mitsuaki Nishiyama, 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. Mitsuaki Nishiyama, Senior Vice President and Executive Officer, confirmed that statements contained in the Annual Securities Report for the 150th fiscal year (from April 1, 2018 to March 31, 2019) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

   None.