

PERFORMANCE

48 Financial

- | | | | |
|----|--|----|--|
| 48 | Segment Information | 66 | Summarized Consolidated Statement of Financial Position by Manufacturing, Services and Others and Financial Services |
| 50 | Financial and Non-Financial Highlights | 67 | Summarized Consolidated Statement of Profit or Loss by Manufacturing, Services and Others and Financial Services |
| 52 | 10-Year Financial Data | 67 | Summarized Consolidated Statement of Cash Flows by Manufacturing, Services and Others and Financial Services |
| 54 | Operating and Financial Review | | |
| 60 | Consolidated Statement of Financial Position | | |
| 62 | Consolidated Statement of Profit or Loss | | |
| 63 | Consolidated Statement of Comprehensive Income | | |
| 64 | Consolidated Statement of Changes in Equity | | |
| 65 | Consolidated Statement of Cash Flows | | |

Segment Information

■ Revenues — Adjusted operating income ratio — EBIT ratio

Information & Telecommunication Systems

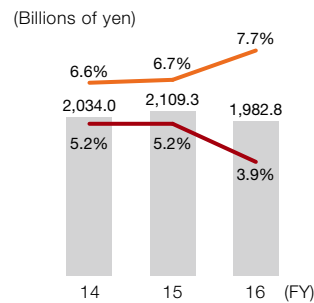


A storage system

Main Products and Services

Systems integration
Consulting
Cloud services
Servers
Storage
Software
Telecommunications & network
ATMs

Revenues and Profit



Share of Revenues

FY 2016

20%

Overseas Revenue Ratio

FY 2016

30%

Social Infrastructure & Industrial Systems

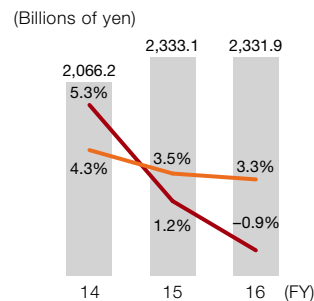


A Class 800 train for the UK Intercity Express Programme (IEP)

Main Products and Services

Industrial machinery and plants
Elevators
Escalators
Railway systems
Thermal, nuclear and renewable
energy power generation
systems
Transmission & distribution
systems

Revenues and Profit



Share of Revenues

FY 2016

23%

Overseas Revenue Ratio

FY 2016

39%

Electronic Systems & Equipment

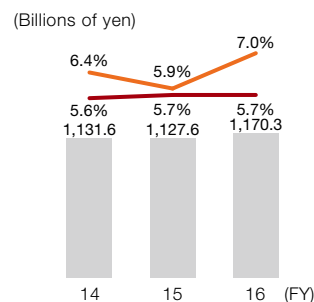


Hokkaido University Hospital's particle beam cancer therapy system

Main Products and Services

Semiconductor manufacturing
equipment
Measurement and analysis
equipment
Advanced industrial products
Medical equipment

Revenues and Profit



Share of Revenues

FY 2016

12%

Overseas Revenue Ratio

FY 2016

60%

Construction Machinery

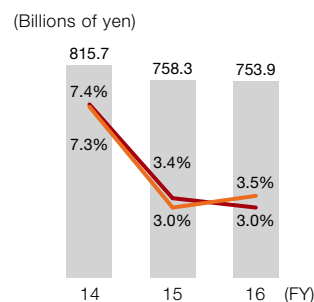


Hitachi Construction Machinery's ultralarge hydraulic excavator and mining dump truck

Main Products and Services

Hydraulic excavators
Wheel loaders
Mining machinery

Revenues and Profit



Share of Revenues

FY 2016

7%

Overseas Revenue Ratio

FY 2016

70%

■ Revenues — Adjusted operating income ratio — EBIT ratio

High Functional Materials & Components

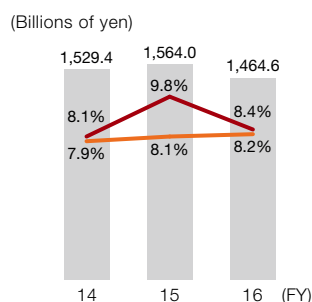


Hitachi Metals' Nd-Fe-B "NEOMAX" magnets

Main Products and Services

Semiconductor- and display-related materials
Printed wiring boards and related materials
Automotive parts (molded plastic products, etc.)
Energy storage devices
Specialty steels
Magnetic materials and components
High-grade casting components
Wires and cables

Revenues and Profit



Share of Revenues

FY 2016

14%

Overseas Revenue Ratio

FY 2016

57%

Automotive Systems

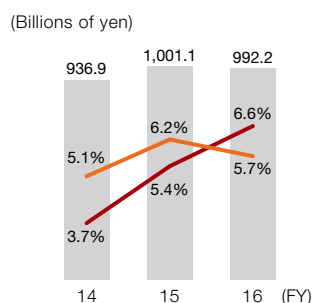


Hitachi Automotive Systems' motor for a hybrid vehicle

Main Products and Services

Engine management systems
Electric powertrain systems
Drive control systems
Car information systems

Revenues and Profit



Share of Revenues

FY 2016

10%

Overseas Revenue Ratio

FY 2016

57%

Smart Life & Ecofriendly Systems

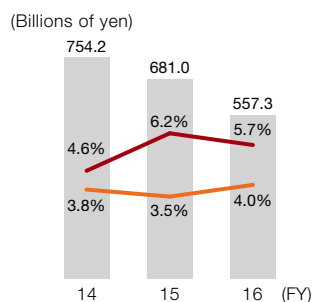


Hitachi Appliances' robot cleaner "minimaru"

Main Products and Services

Refrigerators
Washing machines
Vacuum cleaners
Room air conditioners
Air-conditioning equipment

Revenues and Profit



Share of Revenues

FY 2016

6%

Overseas Revenue Ratio

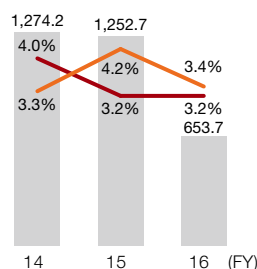
FY 2016

20%

Others*1

Revenues and Profit

(Billions of yen)



Share of Revenues

FY 2016

6%

Overseas Revenue Ratio

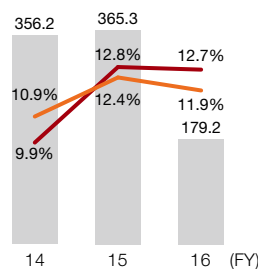
FY 2016

26%

Financial Services*2

Revenues and Profit

(Billions of yen)



Share of Revenues

FY 2016

2%

Overseas Revenue Ratio

FY 2016

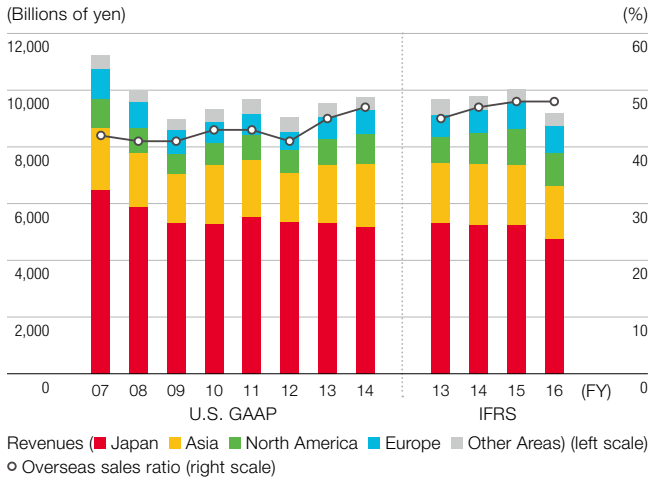
36%

*1 From fiscal 2016, the "Others (Logistics and Other Services)" has been renamed to the "Others" due to conversion of Hitachi Transport System, Ltd. into an equity-method associate on May 19, 2016.

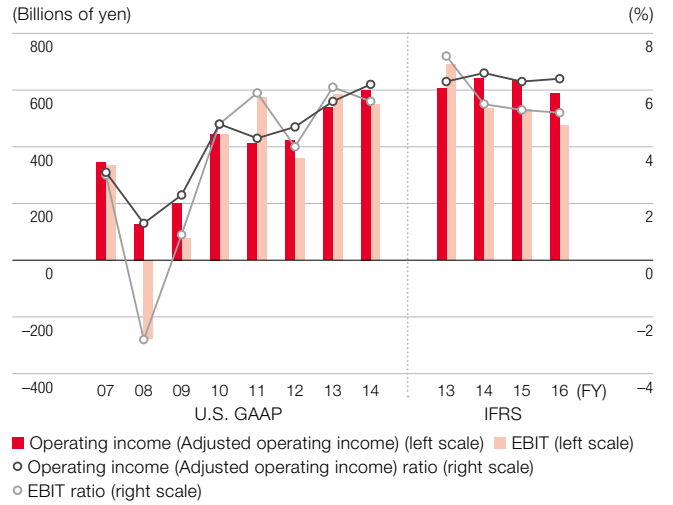
*2 As Hitachi Capital Corporation was converted into an equity-method associate as of October 3, 2016, there is no company which belongs to the Financial Services Segment. Accordingly, only the result for the first half of fiscal 2016 was recorded in this segment for fiscal 2016.

Financial and Non-Financial Highlights

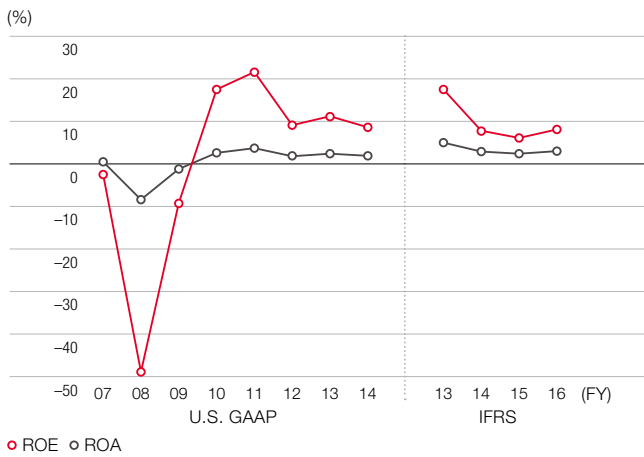
Revenues / Overseas sales ratio



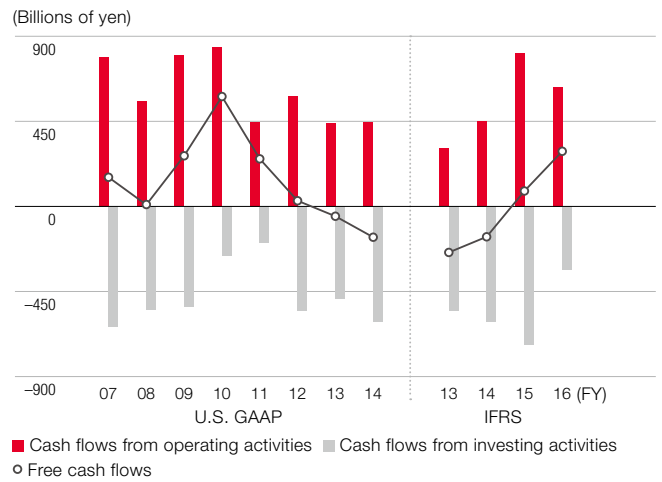
Operating income (Adjusted operating income) / Operating income (Adjusted operating income) ratio / EBIT / EBIT ratio



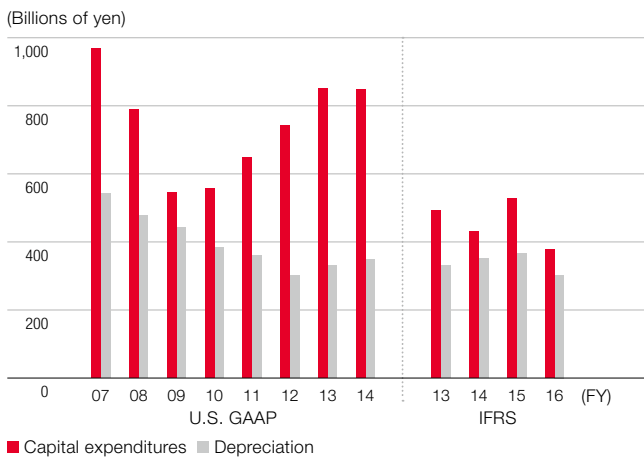
Return on equity (ROE) / Return on assets (ROA)



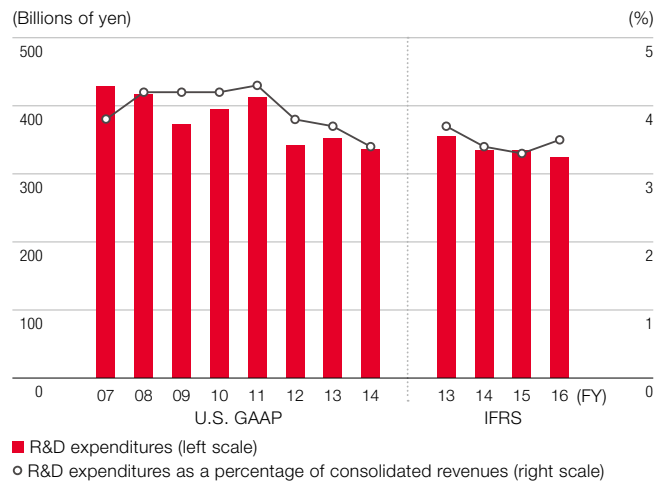
Cash flows



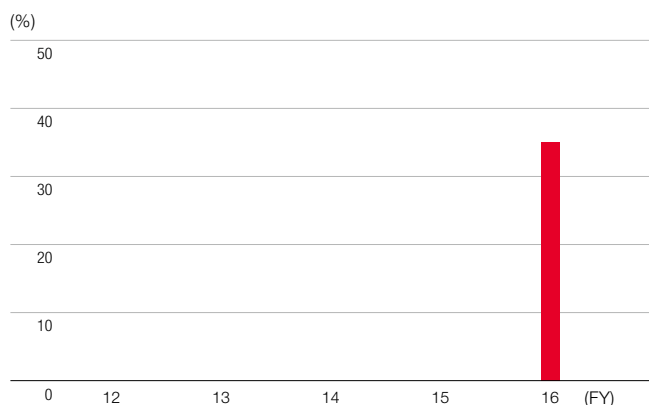
Capital expenditures*1 / Depreciation



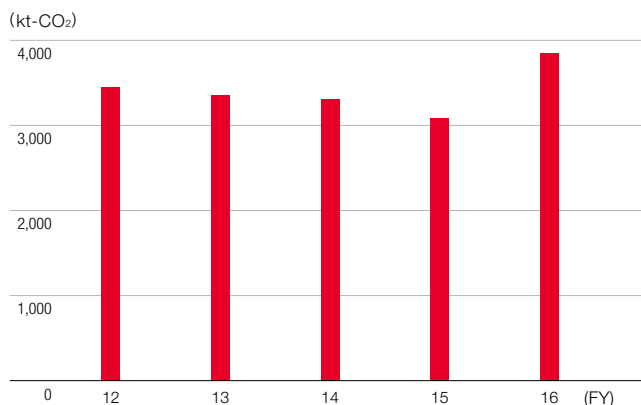
R&D expenditures / R&D expenditures as a percentage of consolidated revenues



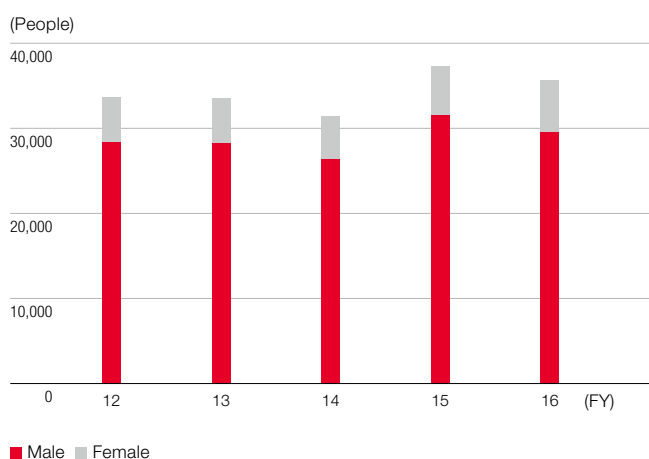
Rate of reduction in CO₂ emissions from use of products and services*²



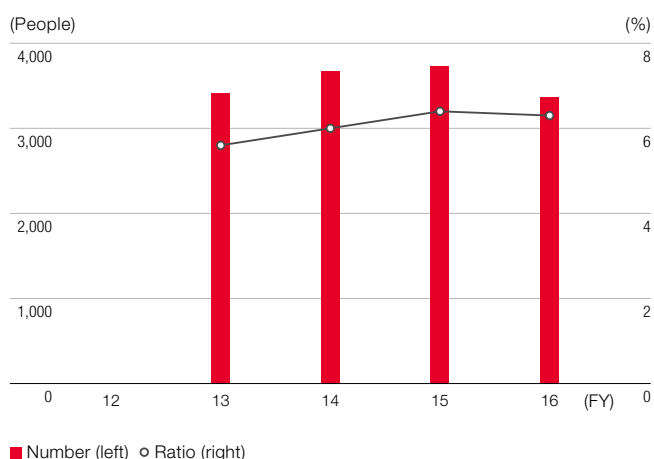
CO₂ emissions from factories and offices*³



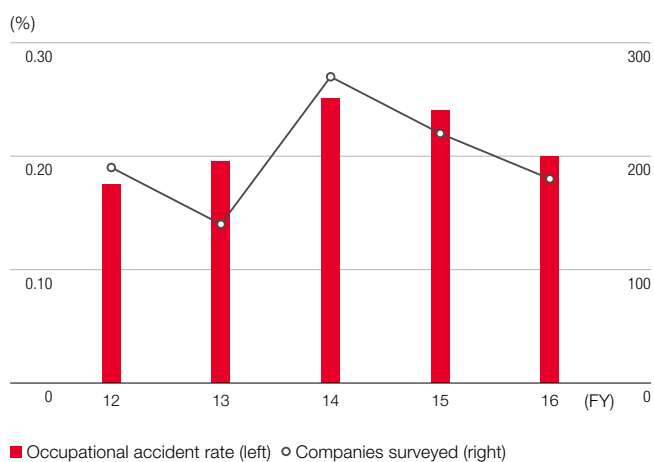
Number of employees*⁴*⁵



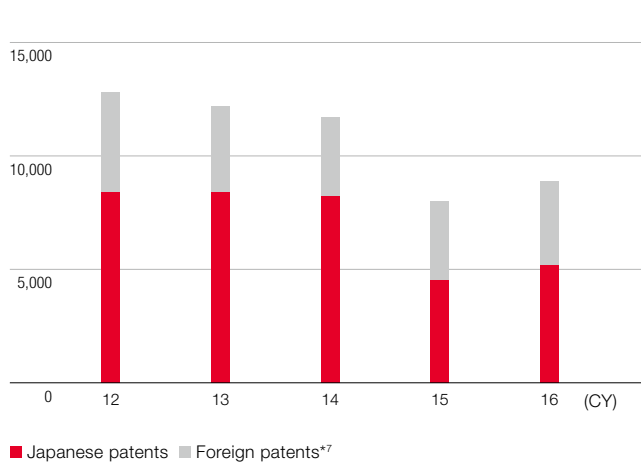
Global number and ratio of female managers*⁶



Occupational accident rate at companies surveyed in Japan



Number of registered patents



*1 In line with IFRS standards, capital investment is stated exclusive of investment in lease assets classified as finance leases.

*2 This new indicator is calculated from fiscal 2016 onward as a percentage of the fiscal 2010 amount.

*3 Fiscal 2016 figure includes a materials company that became a consolidated member of the Hitachi Group that year. *4 Number of full-time employees

*5 Hitachi, Ltd. *6 No data available for fiscal 2012. *7 Total number of patents registered in the United States, Europe, and China. The number of patents registered in Europe is based on European patent applications under European Patent Convention (EPC).

10-Year Financial Data

U.S. GAAP

For the year:	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	¥11,226,735	¥10,000,369	¥8,968,546	¥9,315,807	¥9,665,883	¥9,041,071	¥9,563,791
Operating income	345,516	127,146	202,159	444,508	412,280	422,028	538,288
EBIT (Earnings before interest and taxes)	335,729	(275,239)	77,815	443,812	573,218	358,015	585,662
Net income (loss) attributable to Hitachi, Ltd. stockholders	(58,125)	(787,337)	(106,961)	238,869	347,179	175,326	264,975
Cash flows from operating activities	791,837	558,947	798,299	841,554	447,155	583,508	439,406
Cash flows from investing activities	(637,618)	(550,008)	(530,595)	(260,346)	(195,584)	(553,457)	(491,363)
Free cash flows	154,219	8,939	267,704	581,208	251,571	30,051	(51,957)
Cash flows from financing activities	(185,556)	284,388	(502,344)	(584,176)	(167,838)	(180,445)	32,968
Cash dividends declared	19,947	9,971	-	36,133	36,727	47,690	50,711
Capital expenditures (Property, plant and equipment)	969,087	788,466	546,326	556,873	649,234	742,537	849,877
Depreciation (Property, plant and equipment)	541,470	478,759	441,697	382,732	360,358	300,664	329,833
R&D expenditures	428,171	416,517	372,470	395,180	412,514	341,310	351,426
At year-end:							
Total assets	10,530,847	9,403,709	8,964,464	9,185,629	9,418,526	9,809,230	11,016,899
Property, plant and equipment	2,653,918	2,393,946	2,219,804	2,111,270	2,025,538	2,279,964	2,342,091
Total Hitachi, Ltd. stockholders' equity	2,170,612	1,049,951	1,284,658	1,439,865	1,771,782	2,082,560	2,651,241
Interest-bearing debt	2,531,506	2,820,109	2,367,143	2,521,551	2,396,454	2,370,079	2,823,049
Number of employees	347,810	361,796	359,746	361,745	323,540	326,240	320,725
Per share data:							
Net income (loss) attributable to Hitachi, Ltd. stockholders:							
Basic	¥(17.48)	¥(236.86)	¥(29.20)	¥52.89	¥76.81	¥37.28	¥54.86
Diluted	(17.77)	(236.87)	(29.20)	49.38	71.86	36.29	54.85
Cash dividends declared	6.0	3.0	-	8.0	8.0	10.0	10.5
Total Hitachi, Ltd. stockholders' equity	652.95	315.86	287.13	318.73	382.26	431.13	549.02
Financial ratios:							
Operating income ratio	3.1	1.3	2.3	4.8	4.3	4.7	5.6
EBIT ratio	3.0	-2.8	0.9	4.8	5.9	4.0	6.1
Return on revenues	-0.5	-7.9	-1.2	2.6	3.6	1.9	2.8
Return on equity (ROE)	-2.5	-48.9	-9.2	17.5	21.6	9.1	11.2
Return on assets (ROA)	0.5	-8.0	-0.9	3.3	4.4	2.5	3.5
D/E ratio (Including non-controlling interests) (times)	0.76	1.29	1.04	1.03	0.86	0.75	0.73
Total Hitachi, Ltd. stockholders' equity ratio	20.6	11.2	14.3	15.7	18.8	21.2	24.1

- Notes: 1 In order to be consistent with financial reporting principles and practices generally accepted in Japan, operating income is presented as total revenues less cost of sales and selling, general and administrative expenses. The Company believes that this is useful to investors in comparing the Company's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, restructuring charges, net gain or loss on sales and disposal of rental assets and other property and impairment losses for long-lived assets are included as part of operating income.
- 2 The restructuring charges mainly represent special termination benefits incurred with the reorganization of our business structures and as the result of the Company and its subsidiaries reviewing and reshaping the business portfolio.
- 3 EBIT is presented as income before income taxes less interest income plus interest charges.
- 4 The Company has changed the number of employees to exclude temporary employees starting from the year ended March 31, 2010. The figures for the prior years have been restated to reflect the current year's presentation.
- 5 Effective from fiscal 2014, a part of the thermal power generation systems business is classified as a discontinued operation in accordance with the provision of ASC 205-20, "Presentation of Financial Statements - Discontinued Operations," which was not transferred to MITSUBISHI HITACHI POWER SYSTEMS, LTD. for the business integration in the thermal power generation systems with Mitsubishi Heavy Industries, Ltd. The results of the discontinued operation are reported separately from continuing operations. In line with this classification, "Revenues" and "Operating income" for fiscal 2013 are reclassified.
- 6 ROA (Return on Assets) = Net income / Total Assets (Average between the end of current fiscal year and the end of previous fiscal year) x 100

Millions of yen	IFRS				Millions of yen
FY 2014	For the year:	FY 2013	FY 2014	FY 2015	FY 2016
¥9,761,970	Revenues	¥9,666,446	¥9,774,930	¥10,034,305	¥9,162,264
600,479	Adjusted operating income	604,798	641,325	634,869	587,309
551,018	EBIT	691,230	534,059	531,003	475,182
241,301	Net income attributable to Hitachi, Ltd. stockholders	413,877	217,482	172,155	231,261
447,348	Net cash provided by operating activities	306,777	451,825	812,226	629,582
(610,255)	Net cash used in investing activities	(550,179)	(612,545)	(730,799)	(337,955)
(162,907)	Free cash flows	(243,402)	(160,720)	81,427	291,627
250,335	Net cash provided by (used in) financing activities	228,840	233,206	(26,467)	(209,536)
57,944	Cash dividends declared	50,711	57,944	57,939	62,764
848,716	Capital expenditures (Property, plant and equipment)	491,170	431,201	528,551	377,545
349,614	Depreciation (Property, plant and equipment)	331,228	350,783	366,547	302,757
335,515	R&D expenditures	354,487	334,814	333,730	323,963
12,395,379	At year-end: Total assets	11,098,191	12,433,727	12,551,005	9,663,917
2,564,105	Property, plant and equipment	2,258,933	2,472,497	2,500,226	1,998,411
2,930,309	Total Hitachi, Ltd. stockholders' equity	2,668,657	2,942,281	2,735,078	2,967,085
3,354,616	Interest-bearing debt	3,033,985	3,557,356	3,604,455	1,176,603
333,150	Number of employees	323,919	336,670	335,244	303,887
Yen					Yen
	Per share data:				
	Earnings per share attributable to Hitachi, Ltd. stockholders:				
¥49.97	Basic	¥85.69	¥45.04	¥35.65	¥47.90
49.93	Diluted	85.66	45.00	35.62	47.88
12.0	Cash dividends declared	10.5	12.0	12.0	13.0
606.87	Total Hitachi, Ltd. stockholders' equity	552.62	609.35	566.48	614.56
%					%
	Financial ratios:				
6.2	Adjusted operating income ratio	6.3	6.6	6.3	6.4
5.6	EBIT ratio	7.2	5.5	5.3	5.2
2.5	Return on revenues	4.3	2.2	1.7	2.5
8.6	Return on equity (ROE)	17.5	7.8	6.1	8.1
3.1	Return on assets (ROA)	5.0	2.9	2.4	3.0
0.78	D/E ratio (Including non-controlling interests) (times)	0.78	0.83	0.87	0.29
23.6	Total Hitachi, Ltd. stockholders' equity ratio	24.0	23.7	21.8	30.7
	Notes:				
	1 In order to be consistent with financial reporting principles and practices generally accepted in Japan, adjusted operating income is presented as total revenues less cost of sales and selling, general administrative expenses. The Company believes that this is useful to investors in comparing the Company's financial results with those of other Japanese companies.				
	2 A part of the thermal power generation systems business is classified as a discontinued operation in accordance with the provision of IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations," which was not transferred to MITSUBISHI HITACHI POWER SYSTEMS, LTD. for the business integration in the thermal power generation systems with Mitsubishi Heavy Industries, Ltd. The results of the discontinued operation are reported separately from continuing operations.				
	3 From fiscal 2013, capital investment is stated exclusive of investment in lease assets classified as finance leases.				
	4 ROA (Return on Assets) = Net income / Total Assets (Average between the end of current fiscal year and the end of previous fiscal year) x 100				

Operating and Financial Review

Operating Results

Effective from April 1, 2016, the Company changed the name of the “Others (Logistics and Other services)” segment to the “Others” segment.

Summary

Years ended March 31:	Billions of yen		Percent change
	2016	2017	
Revenues	¥10,034.3	¥9,162.2	-9%
EBIT	531.0	475.1	-11%
Income from continuing operations, before income taxes	517.0	469.0	-9%
Net income attributable to Hitachi, Ltd. stockholders	172.1	231.2	34%

Analysis of Statement of Operations

Revenues decreased 9% to ¥9,162.2 billion, as compared with the year ended March 31, 2016. This was due mainly to lower revenues in the Information & Telecommunication Systems, High Functional Materials & Components, Smart Life & Ecofriendly Systems, Others and Financial Services segments. This decrease was partially offset by higher revenues in the Electronic Systems & Equipment segment.

Cost of sales decreased 9% to ¥6,782.6 billion, as compared with the year ended March 31, 2016, and the ratio of cost of sales to revenues was 74%, which was the same level as the year ended March 31, 2016. Gross profit decreased 8% to ¥2,379.5 billion, as compared with the year ended March 31, 2016.

Selling, general and administrative expenses decreased ¥148.0 billion to ¥1,792.2 billion, as compared with the year ended March 31, 2016, and the ratio of selling, general and administrative expenses to revenues was 20%, as compared with 19% for the year ended March 31, 2016.

Other income increased ¥43.2 billion to ¥100.7 billion and other expenses increased ¥4.6 billion to ¥146.5 billion, as compared with the year ended March 31, 2016. The details are as follows.

Net gain on sales and disposal of fixed assets improved by ¥19.5 billion, as compared with the year ended March 31, 2016, to a gain of ¥15.0 billion.

Impairment losses increased ¥23.8 billion to ¥68.5 billion, as compared with the year ended March 31, 2016. This mainly reflected impairment losses on software for sale and other intangible assets in the Information & Telecommunication Systems segment.

Net gain on business reorganization and others increased ¥26.1 billion to ¥81.3 billion, as compared with the year ended March 31, 2016, reflecting the partial sale of the shares of Hitachi Transport System, Ltd. in the Others segment and the sale of Hitachi Koki Co., Ltd. shares in the Electronic Systems & Equipment segment.

Special termination benefits decreased ¥20.8 billion to ¥24.6 billion, as compared with the year ended March 31, 2016.

Expenses related to competition law and others decreased ¥15.5 billion to ¥6.7 billion, as compared with the year ended March 31, 2016.

Financial income (excluding interest income) decreased ¥3.5 billion to ¥7.0 billion and financial expenses (excluding interest charges) decreased ¥4.0 billion to ¥26.2 billion, as compared with the year ended March 31, 2016.

Share of loss of investments accounted for using the equity method was ¥47.1 billion, a deterioration of ¥47.3 billion as compared with the year ended March 31, 2016, mainly reflecting the posting of an impairment loss in connection with the uranium enrichment business at an U.S. equity-method associate in the Social Infrastructure & Industrial Systems segment.

EBIT decreased ¥55.8 billion to ¥475.1 billion, as compared with the year ended March 31, 2016.

Interest income increased ¥0.8 billion to ¥12.9 billion and interest charges decreased ¥6.9 billion to ¥19.0 billion, as compared with the year ended March 31, 2016.

Income from continuing operations, before income taxes decreased ¥47.9 billion to ¥469.0 billion, as compared with the year ended March 31, 2016.

Income taxes decreased ¥40.0 billion to ¥125.1 billion, as compared with the year ended March 31, 2016, due mainly to recording tax expenses in the year ended March 31, 2016 in connection with the partial transfer of shares of Hitachi Transport System, Ltd. and Hitachi Capital Corporation.

Loss from discontinued operations decreased ¥51.1 billion to ¥5.9 billion, as compared with the year ended March 31, 2016.

Net income increased ¥43.2 billion to ¥338.0 billion, as compared with the year ended March 31, 2016.

Net income attributable to non-controlling interests decreased ¥15.8 billion to ¥106.7 billion, as compared with the year ended March 31, 2016.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased ¥59.1 billion to ¥231.2 billion, as compared with the year ended March 31, 2016.

Operations by Segment

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

(Information & Telecommunication Systems)

Revenues decreased 6% to ¥1,982.8 billion, as compared with the year ended March 31, 2016, due mainly to the negative impact of foreign currency translation causing lower sales from overseas subsidiaries and to lower sales from ATMs for overseas markets.

Segment profit decreased ¥32.6 billion to ¥76.4 billion, as compared with the year ended March 31, 2016, due mainly to the posting of business structural reform expenses, despite the effect of business structural reform centered on the telecommunications & network business, improvement in profitability of the social infrastructure-related information systems, among other positives.

(Social Infrastructure & Industrial Systems)

Revenues were ¥2,331.9 billion, which was the same level as the year ended March 31, 2016. This mainly reflected decreases in revenues in the elevators and escalators business due to the negative impact of foreign currency translation, and in the power and energy business because of the absence of a large project posted for the year ended March 31, 2016, despite substantial revenue growth in the railway systems business due to the acquisition of the businesses of AnsaldoBreda S.p.A. (excluding a part of its operations), the acquisition of Ansaldo STS S.p.A. (both of which are in Italy), and an increase in revenues for the U.K.

Segment loss was ¥19.9 billion, a deterioration of ¥49.1 billion from the year ended March 31, 2016, due mainly to the posting of an impairment loss regarding the uranium enrichment business of an equity-method associate in the U.S. and lower earnings in the elevators and escalators business because of the negative impact of foreign currency translation.

(Electronic Systems & Equipment)

Revenues increased 4% to ¥1,170.3 billion, as compared with the year ended March 31, 2016, due mainly to increased revenues at Hitachi Koki Co., Ltd. because of the acquisition of Germany-based metabo Aktiengesellschaft, despite a decrease in revenues at Hitachi Kokusai Electric Inc. mainly owing to lower sales of telecommunication equipment and video surveillance systems in Japan.

Segment profit increased ¥2.4 billion to ¥66.7 billion, as compared with the year ended March 31, 2016, due mainly to higher earnings at Hitachi High-Technologies Corporation due to firm sales of semiconductor production equipment and higher earnings at Hitachi Koki Co., Ltd. because of the increased revenues, despite a decrease in earnings at Hitachi Kokusai Electric Inc. mainly because of a decline in revenues and the posting of business structural reform expenses.

(Construction Machinery)

Revenues decreased 1% to ¥753.9 billion, as compared with the year ended March 31, 2016, due mainly to the negative impact of foreign currency translation caused by appreciation of the yen, despite the recovery of demand for hydraulic excavators in China and India.

Segment profit decreased ¥3.1 billion to ¥22.7 billion, as compared with the year ended March 31, 2016, due mainly to the absence of a gain on business reorganization and others related to the sale of shares of UniCarriers Holdings Corporation recorded for the year ended March 31, 2016, despite the effect of business structural reforms, decreases in business structural reform expenses and an improvement in exchange gain or loss.

(High Functional Materials & Components)

Revenues decreased 6% to ¥1,464.6 billion, as compared with the year ended March 31, 2016, due mainly to a fall in revenues at Hitachi Metals, Ltd. due to the negative impact of foreign currency translation causing a fall in sales from overseas subsidiaries and a decline in demand associated with the slower economies in China and emerging countries in Asia.

Segment profit decreased ¥30.2 billion to ¥123.3 billion, as compared with the year ended March 31, 2016, due mainly to the decrease in revenues and the absence of gains on business reorganization and others related to the sales of equity interest in Hitachi Tool Engineering, Ltd. by Hitachi Metals, Ltd. in the year ended March 31, 2016.

(Automotive Systems)

Revenues decreased 1% to ¥992.2 billion, as compared with the year ended March 31, 2016, due mainly to negative impact of foreign currency translation, despite sales growth particularly in North America and China, where demand for automobiles was firm.

Segment profit increased ¥11.8 billion to ¥65.8 billion, as compared with the year ended March 31, 2016, due mainly to posting of gain on sales and disposals of fixed assets despite the decline in revenues.

(Smart Life & Ecofriendly Systems)

Revenues decreased 18% to ¥557.3 billion, as compared with the year ended March 31, 2016, due mainly to the effect of reorganization of the air-conditioning systems business with an equity-method associate that is a joint venture with Johnson Controls Inc.

Segment profit decreased ¥10.1 billion to ¥31.8 billion, as compared with the year ended March 31, 2016, due mainly to the effect of a decline in revenues from the reorganization of the air-conditioning systems business and the absence of a gain on business reorganization and others in association with the reorganization of the air-conditioning systems business recorded in the year ended March 31, 2016.

(Others)

Revenues decreased 48% to ¥653.7 billion, and segment profit decreased ¥19.9 billion to ¥20.6 billion, as compared with the year ended March 31, 2016, respectively. This was due mainly to the conversion of Hitachi Transport System, Ltd. to an equity-method associate.

(Financial Services)

As Hitachi Capital Corporation was converted to an equity-method associate as of October 2016, there is no company which belongs to the Financial Services segment. Accordingly, only the results for the period in which said company was a consolidated subsidiary are recorded. As a result, revenues decreased 51% to ¥179.2 billion, and segment profit decreased ¥23.8 billion to ¥22.8 billion, as compared with the year ended March 31, 2016, respectively.

Revenues by Geographic Area

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

Years ended March 31:	Billions of yen		Percent change
	2016	2017	
Japan	¥ 5,231.5	¥4,757.6	-9%
Overseas Revenues Subtotal	4,802.7	4,404.5	-8%
Asia	2,112.3	1,860.7	-12%
North America	1,280.3	1,144.0	-11%
Europe	951.1	972.6	2%
Other Areas	459.0	427.1	-7%
Total Revenues	¥10,034.3	¥9,162.2	-9%

Japan

Revenues in Japan decreased 9% to ¥4,757.6 billion, as compared with the year ended March 31, 2016. This was due to lower revenues across all segments, particularly in the Others segment, reflecting the conversion of Hitachi Transport System, Ltd. to an equity-method associate and in the Financial Services segment in which Hitachi Capital Corporation was converted to an equity-method associate.

Overseas

Overseas revenues decreased 8% to ¥4,404.5 billion, as compared with the year ended March 31, 2016, and the ratio to total revenues was 48%, which was the same level as the year ended March 31, 2016.

(Asia)

Revenues in Asia decreased 12% to ¥1,860.7 billion, as compared with the year ended March 31, 2016. This was due mainly to lower revenues in the Social Infrastructure & Industrial Systems segment, reflecting reduced revenues in the elevators and escalators business, particularly in China, the Others segment in which Hitachi Transport System, Ltd. was converted to an equity-method associate, and the Smart Life & Ecofriendly Systems segment due to the reorganization of the air-conditioning systems business, despite higher revenues in the Electronic Systems & Equipment and the Construction Machinery segments.

(North America)

Revenues in North America decreased 11% to ¥1,144.0 billion, as compared with the year ended March 31, 2016. This was due mainly to lower revenues in the Information & Telecommunication Systems, High Functional Materials & Components and Others segments, despite higher revenues in the Social Infrastructure & Industrial Systems segment.

(Europe)

Revenues in Europe increased 2% to ¥972.6 billion, as compared with the year ended March 31, 2016. This was due mainly to higher revenues in the Social Infrastructure & Industrial Systems segment, reflecting substantial growth in the railway systems business, and the Electronic Systems & Equipment segment, in which Hitachi Koki Co., Ltd. recorded increased revenues due to the acquisition of metabo Aktiengesellschaft, despite lower revenues in the Others and the Financial Services segments, etc.

(Other Areas)

Revenues in other areas decreased 7% to ¥427.1 billion, as compared with the year ended March 31, 2016. This was due mainly to lower revenues in the Smart Life & Ecofriendly Systems and the Others segments, despite higher revenues in the Social Infrastructure & Industrial Systems segment, reflecting increased revenues in the railway systems business, and the Electronic Systems & Equipment segment, reflecting increased revenues by Hitachi High-Technologies Corporation.

Summary of Financial Condition, etc.

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, 2017, our unused commitment lines totaled ¥599.0 billion, including these of ¥400.0 billion which the Company maintained.

We receive debt ratings from Moody's Japan K.K. (Moody's), Standard & Poor's Rating Japan (S&P), as well as Rating and Investment Information, Inc. (R&I). Our debt ratings as of March 31, 2017 were as follows.

Rating Company	Long-term	Short-term
Moody's	A3	P-2
S&P	A-	A-2
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.

Cash Flows

Years ended March 31:	Billions of yen	
	2016	2017
Net cash provided by operating activities	¥ 812.2	¥ 629.5
Net cash used in investing activities	(730.7)	(337.9)
Net cash used in financing activities	(26.4)	(209.5)
Effect of exchange rate changes on cash and cash equivalents	(57.3)	(16.1)
Change in cash and cash equivalents	(2.3)	65.9
Cash and cash equivalents at beginning of year	701.7	699.3
Cash and cash equivalents at end of year	¥ 699.3	¥ 765.2

(Cash Flows from Operating Activities)

Net income in the year ended March 31, 2017 increased by ¥43.2 billion, as compared with the year ended March 31, 2016. Trade payables increased by ¥111.5 billion in the year ended March 31, 2017, as compared with the decrease of ¥1.6 billion in the year ended March 31, 2016. However, change in trade receivables and change in inventories decreased net cash flow by ¥143.7 billion and ¥67.0 billion, respectively. As a result of the foregoing, net cash provided by operating activities was ¥629.5 billion in the year ended March 31, 2017, a decrease of ¥182.6 billion compared with the year ended March 31, 2016.

(Cash Flows from Investing Activities)

Net amount of investments related to property, plant and equipment*¹ was ¥462.6 billion, a decrease of ¥189.7 billion as compared with the year ended March 31, 2016.

Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) increased by ¥111.1 billion compared with the year ended March 31, 2016, reflecting partial sales of the shares of Hitachi Transport System, Ltd. and Hitachi Capital Corporation, and the sale of all shares of Hitachi Koki Co., Ltd. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) was ¥177.3 billion, a decrease of ¥19.3 billion compared with the year ended March 31, 2016, in which the acquisition of the businesses of AnsaldoBreda S.p.A. (excluding a part of its operations), the acquisition of Ansaldo STS S.p.A., and the acquisition of Pentaho Corporation were conducted. As a result of the foregoing, net cash used in investing activities was ¥337.9 billion in the year ended March 31, 2017, a decrease of ¥392.8 billion compared with the year ended March 31, 2016.

*1 The sum of the purchase of property, plant and equipment, the purchase of intangible assets and the purchase of leased assets, less the proceeds from sale of property, plant, equipment and intangible assets, the proceeds from sale of leased assets and the collection of lease receivables

(Cash Flows from Financing Activities)

The net cash outflow from a change in short-term debt increased by ¥164.0 billion compared with the year ended March 31, 2016. Proceeds related to long-term debt*² were ¥115.5 billion, a decrease of ¥65.1 billion compared with the year ended March 31, 2016. As a result of the foregoing, net cash used in financing activities was ¥209.5 billion in the year ended March 31, 2017, an increase in net cash outflow of ¥183.0 billion compared with the year ended March 31, 2016.

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

As a result of the above items, as of March 31, 2017, cash and cash equivalents amounted to ¥765.2 billion, net increase of ¥65.9 billion from March 31, 2016. Free cash flows, the sum of cash flows from operating and investing activities, represented an inflow of ¥291.6 billion in the year ended March 31, 2017, an increase in net cash inflow of ¥210.2 billion from the year ended March 31, 2016.

Assets, Liabilities and Equity

As of March 31, 2017, total assets amounted to ¥9,663.9 billion, a decrease of ¥2,887.0 billion from March 31, 2016. This was due mainly to the conversion of Hitachi Capital Corporation and Hitachi Transport System, Ltd. into equity-method associates and the sale of Hitachi Koki Co., Ltd. Cash and cash equivalents as of March 31, 2017 amounted to ¥765.2 billion, an increase of ¥65.9 billion from the amount as of March 31, 2016.

As of March 31, 2017, total interest-bearing debt, the sum of short-term debt and long-term debt, amounted to ¥1,176.6 billion, a decrease of ¥2,427.8 billion from March 31, 2016. As of March 31, 2017, short-term debt, consisting mainly of borrowings from banks and commercial paper, amounted to ¥196.3 billion, a decrease of ¥675.0 billion from March 31, 2016. As of March 31, 2017, current portion of long-term debt amounted to ¥190.2 billion, a decrease of ¥461.2 billion from March 31, 2016. As of March 31, 2017, long-term debt (excluding current portion), consisting mainly of debentures, and loans principally from banks and insurance companies, amounted to ¥790.0 billion, a decrease of ¥1,291.5 billion from March 31, 2016.

As of March 31, 2017, total Hitachi, Ltd. stockholders' equity amounted to ¥2,967.0 billion, an increase of ¥232.0 billion from March 31, 2016. This is due mainly to the posting of net income attributable to Hitachi, Ltd. stockholders, despite the impact of converting Hitachi Capital Corporation into an equity-method associate. As a result, the ratio of total Hitachi, Ltd. stockholders' equity to total assets as of March 31, 2017 was 30.7%, compared with 21.8% as of March 31, 2016.

Non-controlling interests as of March 31, 2017 was ¥1,129.9 billion, a decrease of ¥260.5 billion from March 31, 2016.

Total equity as of March 31, 2017 was ¥4,096.9 billion, a decrease of ¥28.5 billion from March 31, 2016. The ratio of interest-bearing debt to total equity was 0.29, compared with 0.87 as of March 31, 2016.

Consolidated Statement of Financial Position

March 31, 2017 and 2016

Assets	Millions of yen	
	2016	2017
Current assets		
Cash and cash equivalents	¥ 699,315	¥ 765,242
Trade receivables	2,992,770	2,433,149
Lease receivables	338,758	42,365
Inventories	1,299,855	1,225,907
Other current assets	541,857	535,943
Total current assets	5,872,555	5,002,606
Non-current assets		
Investments accounted for using the equity method	676,960	691,251
Investments in securities and other financial assets	1,329,974	719,704
Lease receivables	727,485	38,646
Property, plant and equipment	2,500,226	1,998,411
Intangible assets	1,070,403	919,201
Other non-current assets	373,402	294,098
Total non-current assets	6,678,450	4,661,311
Total Assets	¥12,551,005	¥9,663,917

Liabilities	Millions of yen	
	2016	2017
Current liabilities		
Short-term debt	¥ 871,417	¥ 196,357
Current portion of long-term debt	651,518	190,233
Other financial liabilities	280,048	274,270
Trade payables	1,451,918	1,402,233
Other current liabilities	1,739,315	1,657,766
Total current liabilities	4,994,216	3,720,859
Non-current liabilities		
Long-term debt	2,081,520	790,013
Other financial liabilities	115,155	53,422
Retirement and severance benefits	783,670	635,684
Other non-current liabilities	450,874	366,944
Total non-current liabilities	3,431,219	1,846,063
Total Liabilities	8,425,435	5,566,922
Equity		
Hitachi, Ltd. stockholders' equity		
Common stock	458,790	458,790
Capital surplus	586,790	577,573
Retained earnings	1,609,761	1,793,570
Accumulated other comprehensive income	83,543	141,068
Treasury stock, at cost	(3,806)	(3,916)
Total Hitachi, Ltd. stockholders' equity	2,735,078	2,967,085
Non-controlling interests	1,390,492	1,129,910
Total Equity	4,125,570	4,096,995
Total Liabilities and Equity	¥12,551,005	¥9,663,917

Consolidated Statement of Profit or Loss

Years ended March 31, 2017 and 2016

	Millions of yen	
	2016	2017
Revenues	¥10,034,305	¥ 9,162,264
Cost of sales	(7,459,073)	(6,782,677)
Gross profit	2,575,232	2,379,587
Selling, general and administrative expenses	(1,940,363)	(1,792,278)
Adjusted operating income	634,869	587,309
Other income	57,539	100,742
Other expenses	(141,881)	(146,568)
Financial income	10,615	7,091
Financial expenses	(30,295)	(26,206)
Share of profits (losses) of investments accounted for using the equity method	156	(47,186)
EBIT (Earnings before interest and taxes)	531,003	475,182
Interest income	12,028	12,923
Interest charges	(25,991)	(19,014)
Income from continuing operations, before income taxes	517,040	469,091
Income taxes	(165,206)	(125,112)
Income from continuing operations	351,834	343,979
Loss from discontinued operations	(57,081)	(5,950)
Net income	¥ 294,753	¥ 338,029
Net income attributable to:		
Hitachi, Ltd. stockholders	172,155	231,261
Non-controlling interests	122,598	106,768

Consolidated Statement of Comprehensive Income

Years ended March 31, 2017 and 2016

	Millions of yen	
	2016	2017
Net income	¥ 294,753	¥338,029
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(50,323)	59,934
Remeasurements of defined benefit plans	(140,844)	46,086
Share of OCI of investments accounted for using the equity method	(4,275)	(1,887)
Total items not to be reclassified into net income	(195,442)	104,133
Items that can be reclassified into net income		
Foreign currency translation adjustments	(190,099)	(64,761)
Net changes in cash flow hedges	32,785	21,303
Share of OCI of investments accounted for using the equity method	(26,239)	1,166
Total items that can be reclassified into net income	(183,553)	(42,292)
Other comprehensive income (OCI)	(378,995)	61,841
Comprehensive income (loss)	¥ (84,242)	¥399,870
Comprehensive income (loss) attributable to:		
Hitachi, Ltd. stockholders	(127,557)	299,397
Non-controlling interests	43,315	100,473

Consolidated Statement of Changes in Equity

Years ended March 31, 2017 and 2016

Millions of yen

2016

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
As of March 31, 2015	¥458,790	¥608,416	¥1,477,517	¥ 401,100	¥(3,542)	¥2,942,281	¥1,354,061	¥4,296,342
Reclassified into retained earnings	-	-	18,030	(18,030)	-	-	-	-
Net income	-	-	172,155	-	-	172,155	122,598	294,753
Other comprehensive loss	-	-	-	(299,712)	-	(299,712)	(79,283)	(378,995)
Cash dividends	-	-	(57,941)	-	-	(57,941)	(39,502)	(97,443)
Changes in treasury stock	-	(4)	-	-	(264)	(268)	-	(268)
Equity transactions and other	-	(21,622)	-	185	-	(21,437)	32,618	11,181
Total changes in equity	-	(21,626)	132,244	(317,557)	(264)	(207,203)	36,431	(170,772)
As of March 31, 2016	¥458,790	¥586,790	¥1,609,761	¥ 83,543	¥(3,806)	¥2,735,078	¥1,390,492	¥4,125,570

Millions of yen

2017

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
As of March 31, 2016	¥458,790	¥586,790	¥1,609,761	¥ 83,543	¥(3,806)	¥2,735,078	¥1,390,492	¥4,125,570
Reclassified into retained earnings	-	-	10,486	(10,486)	-	-	-	-
Net income	-	-	231,261	-	-	231,261	106,768	338,029
Other comprehensive income (loss)	-	-	-	68,136	-	68,136	(6,295)	61,841
Cash dividends	-	-	(57,938)	-	-	(57,938)	(38,283)	(96,221)
Changes in treasury stock	-	(15)	-	-	(110)	(125)	-	(125)
Equity transactions and other	-	(9,202)	-	(125)	-	(9,327)	(322,772)	(332,099)
Total changes in equity	-	(9,217)	183,809	57,525	(110)	232,007	(260,582)	(28,575)
As of March 31, 2017	¥458,790	¥577,573	¥1,793,570	¥141,068	¥(3,916)	¥2,967,085	¥1,129,910	¥4,096,995

Consolidated Statement of Cash Flows

Years ended March 31, 2017 and 2016

	Millions of yen	
	2016	2017
Cash flows from operating activities		
Net income	¥ 294,753	¥ 338,029
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	507,790	415,183
Change in trade receivables	(53,092)	(196,824)
Change in inventories	44,342	(22,731)
Change in trade payables	(1,602)	111,589
Other	20,035	(15,664)
Net cash provided by (used in) operating activities	812,226	629,582
Cash flows from investing activities		
Purchase of property, plant and equipment	(369,494)	(316,116)
Purchase of intangible assets	(116,438)	(101,034)
Purchase of leased assets	(539,420)	(292,943)
Proceeds from sale of property, plant and equipment, and intangible assets	22,632	52,208
Proceeds from sale of leased assets	23,834	14,539
Collection of lease receivables	326,497	180,726
Proceeds from sale (purchase) of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method), net	(58,756)	71,653
Other	(19,654)	53,012
Net cash provided by (used in) investing activities	(730,799)	(337,955)
Free cash flows	81,427	291,627
Cash flows from financing activities		
Change in interest-bearing debt	110,821	(118,314)
Dividends paid to stockholders	(57,907)	(57,935)
Dividends paid to non-controlling interests	(41,671)	(36,508)
Other	(37,710)	3,221
Net cash provided by (used in) financing activities	(26,467)	(209,536)
Effect of exchange rate changes on cash and cash equivalents	(57,348)	(16,164)
Change in cash and cash equivalents	(2,388)	65,927
Cash and cash equivalents at beginning of year	701,703	699,315
Cash and cash equivalents at end of year	¥ 699,315	¥ 765,242

Summarized Consolidated Statement of Financial Position by Manufacturing, Services and Others and Financial Services

Years ended March 31, 2017 and 2016

Billions of yen

	2016			2017		
	Manufacturing, Services and Others	Financial Services	Total	Manufacturing, Services and Others	Financial Services	Total
Assets						
Current assets	¥4,995.6	¥1,256.8	¥ 5,872.5	¥5,002.6	-	¥5,002.6
Cash and cash equivalents	660.9	157.0	699.3	765.2	-	765.2
Trade receivables	2,472.0	710.7	2,992.7	2,433.1	-	2,433.1
Lease receivables	45.6	311.9	338.7	42.3	-	42.3
Inventories	1,291.5	3.7	1,299.8	1,225.9	-	1,225.9
Other current assets	525.3	73.3	541.8	535.9	-	535.9
Non-current assets	4,922.3	1,834.6	6,678.4	4,661.3	-	4,661.3
Investments accounted for using the equity method	676.3	20.4	676.9	691.2	-	691.2
Investments in securities and other financial assets	681.6	675.9	1,329.9	719.7	-	719.7
Lease receivables	38.2	729.8	727.4	38.6	-	38.6
Property, plant and equipment	2,193.6	307.5	2,500.2	1,998.4	-	1,998.4
Intangible assets	1,007.7	62.6	1,070.4	919.2	-	919.2
Other non-current assets	324.6	38.1	373.4	294.0	-	294.0
Total Assets	¥9,917.9	¥3,091.4	¥12,551.0	¥9,663.9	-	¥9,663.9
Liabilities and Equity						
Current liabilities	¥4,095.5	¥1,323.2	¥ 4,994.2	¥3,720.8	-	¥3,720.8
Short-term debt	529.8	497.6	871.4	196.3	-	196.3
Current portion of long-term debt	234.9	485.6	651.5	190.2	-	190.2
Other financial liabilities	265.5	40.1	280.0	274.2	-	274.2
Trade payables	1,379.0	228.9	1,451.9	1,402.2	-	1,402.2
Other current liabilities	1,686.1	70.8	1,739.3	1,657.7	-	1,657.7
Non-current liabilities	2,038.0	1,421.1	3,431.2	1,846.0	-	1,846.0
Long-term debt	750.3	1,356.2	2,081.5	790.0	-	790.0
Other financial liabilities	85.0	28.7	115.1	53.4	-	53.4
Retirement and severance benefits	774.1	9.5	783.6	635.6	-	635.6
Other non-current liabilities	428.5	26.6	450.8	366.9	-	366.9
Total Liabilities	6,133.5	2,744.4	8,425.4	5,566.9	-	5,566.9
Hitachi, Ltd. stockholders' equity	2,540.8	201.3	2,735.0	2,967.0	-	2,967.0
Non-controlling interests	1,243.5	145.7	1,390.4	1,129.9	-	1,129.9
Total Equity	3,784.3	347.0	4,125.5	4,096.9	-	4,096.9
Total Liabilities and Equity	¥9,917.9	¥3,091.4	¥12,551.0	¥9,663.9	-	¥9,663.9
Interest-bearing debt	¥1,515.0	¥2,339.5	¥3,604.4	¥1,176.6	-	¥1,176.6
Total Hitachi, Ltd. stockholders' equity ratio	25.6%	6.5%	21.8%	30.7%	-	30.7%
D/E ratio (including non-controlling interests) (times)	0.40	6.74	0.87	0.29	-	0.29

Summarized Consolidated Statement of Profit or Loss by Manufacturing, Services and Others and Financial Services

March 31, 2017 and 2016

	Billions of yen					
	2016			2017		
	Manufacturing, Services and Others	Financial Services	Total	Manufacturing, Services and Others	Financial Services	Total
Revenues	¥9,833.9	¥365.3	¥10,034.3	¥9,053.3	¥179.2	¥9,162.2
Adjusted operating income	586.8	45.2	634.8	566.8	21.3	587.3
EBIT	490.2	46.6	531.0	458.1	22.8	475.1
Income from continuing operations, before income taxes	476.9	46.6	517.0	452.4	22.8	469.0
Net income attributable to Hitachi, Ltd. stockholders	152.1	19.7	172.1	227.8	9.7	231.2

Summarized Consolidated Statement of Cash Flows by Manufacturing, Services and Others and Financial Services

March 31, 2017 and 2016

	Billions of yen					
	2016			2017		
	Manufacturing, Services and Others	Financial Services	Total	Manufacturing, Services and Others	Financial Services	Total
Cash flows from operating activities	¥ 843.1	¥ (7.4)	¥ 812.2	¥ 638.7	¥ 2.2	¥ 629.5
Cash flows from investing activities	(518.7)	(218.8)	(730.7)	(153.2)	(274.6)	(337.9)
Free cash flows	324.4	(226.2)	81.4	485.5	(272.4)	291.6
Cash flows from financing activities	(262.7)	265.4	(26.4)	(367.1)	117.5	(209.5)
Effect of exchange rate changes on cash and cash equivalents	(55.5)	(1.8)	(57.3)	(14.0)	(2.1)	(16.1)
Change in cash and cash equivalents	6.1	37.3	(2.3)	104.3	(157.0)	65.9
Cash and cash equivalents at beginning of year	654.7	119.7	701.7	660.9	157.0	699.3
Cash and cash equivalents at end of year	¥ 660.9	¥ 157.0	¥ 699.3	¥ 765.2	-	¥ 765.2
Core free cash flows	363.5	(264.8)	113.3	213.8	(109.2)	100.2

Notes: 1 The consolidated financial statements by Manufacturing, Services and Others and Financial Services represent unaudited financial information prepared by the Company for the purpose of this supplementary information.

2 Total figures exclude inter-segment transactions.

3 As Hitachi Capital was converted into an equity-method associate as of October 3, 2016, there is no company that belongs to Financial Services. Accordingly, there is no balance of total assets, total liabilities and total equity in the summarized consolidated statement of financial position for Financial Services as of March 31, 2017. In addition, only the results for the first half of fiscal 2016 were recorded in the summarized consolidated statement of profit or loss for Financial Services and only the cash flows for the first half of fiscal 2016 and the decrease in cash and cash equivalents owned by Hitachi Capital as of the date were recorded in the summarized consolidated statement of cash flows for Financial Services.

4. Core free cash flows are operating cash flows plus collection of investments in leases less cash outflows for the purchase of property, plant and equipment, intangible assets, software, and assets to be leased.