

[Translation]

Quarterly Report

(The Third Quarter of 152nd Business Term)

From October 1, 2020 to December 31, 2020

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

Hitachi, Ltd.

[Cover]

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This is an English translation of the Quarterly 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.

The translation of the Confirmation Letter for the original Quarterly Report is included at the end of this document.

Unless the context indicates otherwise, the term “Company” refers to Hitachi, Ltd. and the term “Hitachi” refers to the Company and its consolidated subsidiaries.

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.

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Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020	Year ended March 31, 2020
Revenues	6,344,181 [2,122,854]	5,979,000 [2,218,943]	8,767,263
Income from continuing operations, before income taxes	52,121	498,959	180,268
Net income (loss) attributable to Hitachi, Ltd. stockholders	55,146 [(134,147)]	307,878 [57,123]	87,596
Comprehensive income attributable to Hitachi, Ltd. stockholders	65,516	359,131	(8,465)
Total Hitachi, Ltd. stockholders' equity	3,229,473	2,928,327	3,159,986
Total equity	4,362,253	3,646,915	4,266,739
Total assets	10,281,357	10,941,428	9,930,081
Earnings (loss) per share attributable to Hitachi, Ltd. stockholders, basic (yen)	57.10 [(138.91)]	318.73 [59.13]	90.71
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	57.03	318.33	90.60
Total Hitachi, Ltd. stockholders' equity ratio (%)	31.4	26.8	31.8
Net cash provided by operating activities	307,847	426,400	560,920
Net cash used in investing activities	(492,022)	(766,075)	(525,826)
Net cash provided by financing activities	86,883	435,173	2,837
Cash and cash equivalents at end of period	694,460	917,238	812,331

(Notes) 1. Hitachi's consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

3. The figures of "Revenues," "Net income (loss) attributable to Hitachi, Ltd. stockholders" and "Earnings (loss) per share attributable to Hitachi, Ltd. stockholders, basic" in square bracket are those for the three months ended December 31, 2019 and 2020, respectively.

2. Description of Business

There were no material changes in principal businesses of Hitachi during the nine months ended December 31, 2020. The Hitachi Group is comprised of the Company, 850 consolidated subsidiaries, and 347 equity-method associates and joint-ventures.

Changes in Business Unit (BU) of the Company and principal affiliated companies during the nine months ended December 31, 2020 were as follows.

(As of December 31, 2020)

Main products and services	BU and principal affiliated companies	
	BU	Affiliated companies
<u>IT</u>	(Change by organization merger) (Note 1) Defense Systems BU	
<u>Energy</u>		[Consolidated subsidiaries] (New) (Note 2) Hitachi ABB Power Grids Ltd
<u>Industry</u>		[Consolidated subsidiaries] (Change in company name) (Note 3) Hitachi Industrial Holdings Americas, Inc.
<u>Smart Life</u> (Reclassification of segment) (Note 4) Medical and Life Science Products, Analytical Equipment, Semiconductor Processing Equipment, Manufacturing and Inspection Equipment, Advanced Industrial Products		[Consolidated subsidiaries] (Reclassification of segment) (Note 4) Hitachi High-Tech Corporation
<u>Hitachi Chemical</u> (Excluded by the share transfer) (Note 5) Functional Materials (Electronics Materials, Printed Wiring Boards Materials, Electronics Components), Advanced Components and Systems (Mobility Components, Energy Storage Devices, Life Science-related Products)		[Consolidated subsidiaries] (Excluded by the share transfers) (Note 5) Hitachi Chemical Company, Ltd.
<u>Others</u>		[Consolidated subsidiaries] (Dissolved by the merger) (Note 6) Hitachi Life, Ltd. (Change in company name) (Note 6) Hitachi Real Estate Partners, Ltd.

- (Notes)
1. Defense Systems BU merged with Social Infrastructure Systems BU on April 1, 2020.
 2. Hitachi ABB Power Grids Ltd became a consolidated subsidiary of the Company on July 1, 2020 as the Company acquired a part of the stocks of Hitachi ABB Power Grids Ltd.
 3. Sullair US Purchaser, Inc. changed its name to Hitachi Industrial Holdings Americas, Inc. on April 1, 2020.
 4. Hitachi High-Tech Corporation became a wholly-owned subsidiary of the Company on May 20, 2020. As a result, Hitachi High-Tech segment was abolished and merged into Smart Life segment.
 5. Hitachi Chemical Company, Ltd. has ceased to be an affiliate of the Company through the share transfer on April 20, 2020. As a result, Hitachi Chemical segment was abolished.
 6. Hitachi Urban Investment, Ltd. merged with Hitachi Life, Ltd. and changed its name to Hitachi Real Estate Partners, Ltd. on April 1, 2020.

II. Business Overview

1. Risk Factors

There were no new risk factors recognized during the nine months ended December 31, 2020.

There were no material changes in the risk factors stated in the Annual Securities Report for the 151st business term pursuant to the Financial Instruments and Exchange Act of Japan.

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

(1) Analysis of Results of Operations

Results of Operations

The results of operations in the nine months ended December 31, 2020 were as follows.

Revenues decreased 6% to 5,979.0 billion yen, as compared with the nine months ended December 31, 2019, due mainly to decreased revenues owing to the sale of shares of Hitachi Chemical Company, Ltd. and lower revenues in the Smart Life sector, Hitachi Metals and Hitachi Construction Machinery due mainly to the impact of COVID-19 (the new coronavirus infection). This decrease was partially offset by increased revenues in the Energy sector due mainly to the acquisition of the power grid business from ABB Ltd.

Cost of sales decreased 4% to 4,452.1 billion yen and the ratio of cost of sales to revenues increased 1% to 74%, as compared with the nine months ended December 31, 2019, respectively. Gross profit decreased 11% to 1,526.8 billion yen, as compared with the nine months ended December 31, 2019.

Selling, general and administrative expenses ("SG&A") decreased 5% to 1,209.9 billion yen, as compared with the nine months ended December 31, 2019. The ratio of SG&A to revenues was 20%, the same level as the nine months ended December 31, 2019.

Adjusted operating income (presented as revenues less cost of sales as well as SG&A) decreased 128.7 billion yen to 316.9 billion yen, as compared with the nine months ended December 31, 2019, due mainly to lower profits in Hitachi Construction Machinery, the Smart Life sector and Hitachi Metals, despite increased revenues in the IT sector.

Other income increased 262.4 billion yen to 291.5 billion yen, as compared with the nine months ended December 31, 2019, due mainly to the gains on business reorganization and others by selling shares of Hitachi Chemical Company, Ltd. Other expenses decreased 357.0 billion yen to 111.3 billion yen, as compared with the nine months ended December 31, 2019, due mainly to the loss due to the settlement of the South African project conducted by Mitsubishi Hitachi Power Systems, Ltd. ("MHPS") posted in the nine months ended December 31, 2019.

Financial income (excluding interest income) decreased 8.8 billion yen to 3.3 billion yen and financial expenses (excluding interest charges) increased 3.3 billion yen to 4.2 billion yen, as compared with the nine months ended December 31, 2019, respectively.

Share of profits of investments accounted for using the equity method decreased 30.0 billion yen to profit of 7.4 billion yen, as compared with the nine months ended December 31, 2019.

EBIT (earnings before interest and taxes, which is presented as income from continuing operations, before income taxes less interest income plus interest charges) increased 448.5 billion yen to 503.5 billion yen, as compared with the nine months ended December 31, 2019.

Interest income decreased 2.9 billion yen to 12.4 billion yen and interest charges decreased 1.2 billion yen to 17.0 billion yen, as compared with the nine months ended December 31, 2019, respectively.

Income from continuing operations, before income taxes increased 446.8 billion yen to 498.9 billion yen, as compared with the nine months ended December 31, 2019.

Income taxes was expense of 184.2 billion yen, as compared with profit of 35.2 billion yen in the nine months ended December 31, 2019.

Loss from discontinued operations improved 0.5 billion yen to 0.6 billion yen as compared with the nine months ended December 31, 2019.

Net income increased 227.8 billion to 314.0 billion yen, as compared with the nine months ended December 31, 2019.

Net income attributable to non-controlling interests decreased 24.8 billion yen to 6.1 billion yen, as compared with the nine months ended December 31, 2019.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased 252.7 billion yen to 307.8 billion yen, as compared with the nine months ended December 31, 2019.

Operations by Segment

The following is an overview of results of operations by segment. Revenues for each segment include intersegment transactions. Effective from April 1, 2020, the Company reclassified Hitachi High-Tech segment in the Smart Life segment and abolished Hitachi Chemical segment. Accordingly, the amounts previously reported for the nine months ended December 31, 2019 have been restated in conformity with the new segments.

(IT)

Revenues decreased 4% to 1,433.8 billion yen, as compared with the nine months ended December 31, 2019, due mainly to decreased overseas revenues in North America and higher revenues by the transient services in the front business posted in the nine months ended December 31, 2019.

Adjusted operating income increased 8.2 billion yen to 173.9 billion yen, as compared with the nine months ended December 31, 2019, due mainly to improved profitability resulted from cost structure overhaul, despite decreased revenues.

EBIT increased 3.5 billion yen to 161.7 billion yen, as compared with the nine months ended December 31, 2019, due mainly to increased adjusted operating income, despite the decrease in gains from selling the land of former production basis posted in the nine months ended December 31, 2019.

(Energy)

Revenues increased 208% to 755.9 billion yen, as compared with the nine months ended December 31, 2019, due mainly to increased revenues by acquiring the power grid business from ABB Ltd and higher revenues in the nuclear energy business.

Adjusted operating income worsened 7.2 billion yen to loss of 8.7 billion yen, as compared with the nine months ended December 31, 2019, due mainly to posting amortization of intangible assets owing to acquiring the power grid business from ABB Ltd, despite increased revenues and improved profitability in the nuclear energy business.

EBIT improved 368.6 billion yen to net loss of 10.5 billion yen as compared with the nine months ended December 31, 2019, due mainly to the loss due to the settlement of the South African project conducted by MHPS posted in the nine months ended December 31, 2019, despite decreased adjusted operating income.

(Industry)

Revenues decreased 1% to 550.0 billion yen, as compared with the nine months ended December 31, 2019, due mainly to the deterioration of market conditions affected by the impact of COVID-19, despite increased revenues by acquiring JR Technology Group, LLC.

Adjusted operating income decreased 1.6 billion yen to 23.9 billion yen, as compared with the nine months ended December 31, 2019, due mainly to decreased revenues, despite improved profitability resulted from cost reduction, etc.

EBIT decreased 4.2 billion yen to 25.9 billion yen as compared with the nine months ended December 31, 2019, due mainly to the decrease in share of profits of investments accounted for using the equity method.

(Mobility)

Revenues increased 4% to 862.6 billion yen, as compared with the nine months ended December 31, 2019, due mainly to higher revenues in the building systems business in China, despite decreased revenues from the railway systems business.

Adjusted operating income decreased 1.9 billion yen to 59.3 billion yen, as compared with the nine months ended December 31, 2019, due mainly to decreased revenues in the railway systems business, despite increased revenues and the profitability improvement resulted from cost reduction, etc. in the building systems business.

EBIT decreased 21.4 billion yen to 70.1 billion yen, as compared with the nine months ended December 31, 2019, due mainly to the gains posted in the nine months ended December 31, 2019 by selling a part of shares of Agility Trains West (Holdings) Limited stock.

(Smart Life)

Revenues decreased 8% to 1,461.7 billion yen, as compared with the nine months ended December 31, 2019, due mainly to lower sales in the automotive systems business in North America and Japan as well as decreased demand in trading business, etc. in the measurement & analysis systems business.

Adjusted operating income decreased 29.4 billion yen to 62.7 billion yen, as compared with the nine months ended December 31, 2019, due mainly to decreased revenues.

EBIT decreased 61.5 billion yen to 23.4 billion yen, as compared with the nine months ended December 31, 2019, due mainly to decreased adjusted operating income and impairment losses on property, plant and equipment in the automotive systems business.

(Hitachi Construction Machinery)

Revenues decreased 19% to 558.7 billion yen, as compared with the nine months ended December 31, 2019, due mainly to the impact of COVID-19 and foreign currency translation.

Adjusted operating income decreased 40.4 billion yen to 17.4 billion yen, as compared with the nine months ended December 31, 2019, due mainly to decreased revenues, despite the cost reduction, etc.

EBIT decreased 44.8 billion yen to 13.6 billion yen, as compared with the nine months ended December 31, 2019, due mainly to decreased adjusted operating income.

(Hitachi Metals)

Revenues decreased 19% to 541.4 billion yen, as compared with the nine months ended December 31, 2019, due mainly to the decrease in demand for products for automobile owing to the impact of COVID-19.

Adjusted operating income worsened 20.4 billion yen to loss of 8.5 billion yen, as compared with the nine months ended December 31, 2019, due mainly to decreased revenues.

EBIT improved 14.5 billion yen to loss of 38.3 billion yen, as compared with the nine months ended December 31, 2019, due mainly to the impairment losses posted in the nine months ended December 31, 2019, owing to the lower than expected revenues for the magnetic material business, despite decreased adjusted operating income.

(Others)

Revenues decreased 10% to 316.1 billion yen, as compared with the nine months ended December 31, 2019.

Adjusted operating income decreased 4.1 billion to 12.6 billion yen, and EBIT decreased 10.6 billion yen to 16.0 billion yen, as compared with the nine months ended December 31, 2019, respectively.

Revenues by Market

Revenues in Japan decreased 11% to 2,811.0 billion yen, as compared with the nine months ended December 31, 2019, due mainly to the decrease in revenues resulting from the sale of shares of Hitachi Chemical Company, Ltd. and decreased revenues in the Smart Life sector.

Overseas revenues decreased 1% to 3,167.9 billion yen, as compared with the nine months ended December 31, 2019, due mainly to the decrease in revenues resulting from the sale of shares of Hitachi Chemical Company, Ltd., decreased revenues in Hitachi Construction Machinery, Hitachi Metals and the IT sector. This decrease was partially offset by increased revenues in the Energy sector resulting from acquiring the power grid business from ABB Ltd, in the Mobility sector due mainly to higher sales from the building systems business in China, and in the Industry sector resulting from acquiring JR Technology Group, LLC in North America.

As a result, the ratio of overseas revenues to total revenues increased 3% to 53%, as compared with the nine months ended December 31, 2019.

(2) Analysis of Financial Condition and Cash Flows

Liquidity and Capital Resources

During the nine months ended December 31, 2020, there were no major changes in the Company's policies of maintaining liquidity and ensuring funds, efforts for improvement in fund management efficiency, and ideas regarding funding sources and fundraising.

Cash Flows

(Cash Flows from Operating Activities)

Net income in the nine months ended December 31, 2020 increased by 227.8 billion yen, as compared with the nine months ended December 31, 2019. Net cash inflow from a change in trade receivables and contract assets decreased by 27.0 billion yen, as compared with the nine months ended December 31, 2019. However, net cash outflow from a change in inventories decreased by 122.9 billion yen, as compared with the nine months ended December 31, 2019. Net cash outflow from a change in trade payables decreased by 46.9 billion yen, as compared with the nine months ended December 31, 2019.

As a result of the foregoing, net cash provided by operating activities was 426.4 billion yen in the nine months ended December 31, 2020, an increase of 118.5 billion yen compared with the nine months ended December 31, 2019.

(Cash Flows from Investing Activities)

Net amount of investments related to property, plant and equipment* was 212.3 billion yen in the nine months ended December 31, 2020. This net sum decreased by 64.8 billion yen compared with the nine months ended December 31, 2019. 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 nine months ended December 31, 2020 increased by 387.3 billion yen, as compared with the nine months ended December 31, 2019, due mainly to the sale of shares of Hitachi Chemical Company, Ltd. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the nine months ended December 31, 2020 increased by 776.3 billion yen, as compared with the nine months ended December 31, 2019, due mainly to the purchase of shares of Hitachi ABB Power Grids Ltd.

As a result of the foregoing, net cash used in investing activities was 766.0 billion yen in the nine months ended December 31, 2020, an increase of 274.0 billion yen compared with the nine months ended December 31, 2019.

* 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 in the nine months ended December 31, 2020 increased by 531.6 billion yen, as compared with the nine months ended December 31, 2019, due mainly to the purchase of shares of Hitachi High-Tech Corporation. However, net cash inflow from a change in short-term debt in the nine months ended December 31, 2020 increased by 446.6 billion yen, as compared with the nine months ended December

31, 2019. And, net cash inflow related to long-term debt** in the nine months ended December 31, 2020 was 280.9 billion yen, as compared with 141.0 billion yen of net cash outflow related to long-term debt in the nine months ended December 31, 2019.

As a result of the foregoing, net cash flows provided by financing activities were 435.1 billion yen in the nine months ended December 31, 2020, an increase of 348.2 billion yen compared with the nine months ended December 31, 2019.

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

As a result of the foregoing, cash and cash equivalents as of December 31, 2020 were 917.2 billion yen, an increase of 104.9 billion yen from March 31, 2020. Free cash flows, the sum of cash flows from operating and investing activities worsened 155.5 billion yen compared with the nine months ended December 31, 2019 to an outflow of 339.6 billion yen in the nine months ended December 31, 2020.

Assets, Liabilities and Equity

The following is an overview of Hitachi's assets, liabilities and equity as of December 31, 2020.

Total assets were 10,941.4 billion yen, an increase of 1,011.3 billion yen from March 31, 2020, due mainly to increased assets resulting from acquiring the power grid business from ABB Ltd. This increase was partially offset by decreased assets due mainly to the purchase of shares of Hitachi High-Tech Corporation, the delivering shares of MHPS and the sale of shares of Hitachi Chemical Company, Ltd.

Total interest-bearing debt, the sum of short-term debt and long-term debt, was 2,600.4 billion yen, an increase of 1,115.3 billion yen from March 31, 2020.

Total Hitachi, Ltd. stockholders' equity decreased by 231.6 billion yen from March 31, 2020, to 2,928.3 billion yen. The ratio of total Hitachi, Ltd. stockholders' equity to total assets was 26.8%, as compared with 31.8% as of March 31, 2020.

Non-controlling interests were 718.5 billion yen, a decrease of 388.1 billion yen from March 31, 2020.

Total equity was 3,646.9 billion yen, a decrease of 619.8 billion yen from March 31, 2020. The ratio of interest-bearing debt to total equity was 0.71, as compared with 0.35 as of March 31, 2020.

(3) Management Policy

There were no material changes in Hitachi's management policy during the nine months ended December 31, 2020.

(4) Challenges Hitachi Group Faces

1) Business and Financial Challenges Hitachi Group Faces

There were no material changes in Hitachi's business and financial challenges during the nine months ended December 31, 2020.

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

There were no material changes in Hitachi's fundamental policy during the nine months ended December 31, 2020.

(5) Research and Development

There were no material changes in the research and development of the Hitachi Group (the Company and consolidated subsidiaries) stated in the Annual Securities Report for the 151st business term. The Hitachi Group's R&D expenditures in the nine months ended December 31, 2020 were 202.7 billion yen, 3.4% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Nine months ended December 31, 2020
IT	40.0
Energy	20.5
Industry	7.7
Mobility	20.3
Smart Life	71.0
Hitachi Construction Machinery	17.8
Hitachi Metals	10.8
Others	1.8
Corporate Items	12.3
Total	202.7

(6) Property, Plant and Equipment

The major property, plants and equipment materially changed during the nine months ended December 31, 2020 are as follows.

Breakdown by Segment

(As of December 31, 2020)

Segment	Book value (Millions of yen)								Number of employees
	Land [Area in thousands of m ²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Energy (Note 1)	28,191 [10,751]	74,194	102,071	14,678	40,898	155	20,491	280,678	44,017
Smart Life (Note 2)	54,550 [7,889]	129,181	158,986	46,881	30,933	-	35,763	456,294	55,881
Hitachi High-Tech (Note 2)	- [-]	-	-	-	-	-	-	-	-
Hitachi Chemical (Note 3)	- [-]	-	-	-	-	-	-	-	-

- (Notes) 1. The book value of the facilities in the Energy segment materially increased due mainly to the fact that Hitachi ABB Power Grids Ltd became a consolidated subsidiary of the Company on July 1, 2020.
2. The book value of the facilities in the Smart Life segment materially increased due mainly to the fact that Hitachi High-Tech Corporation became a wholly-owned subsidiary of the Company on May 20, 2020, and the Hitachi High-Tech segment was abolished and reclassified in the Smart Life segment.
3. Hitachi Chemical Company, Ltd. has ceased to be a consolidated subsidiary of the Company due to the share transfer on April 20, 2020. As a result, there are not the property, plants and equipment in the Hitachi Chemical segment.

Domestic subsidiaries

The Yamazaki Works and Shimodate Works of Hitachi Chemical Company, Ltd. are no longer the facilities of the Company's domestic subsidiaries due to the fact that Hitachi Chemical Company, Ltd. has ceased to be a consolidated subsidiary of the Company as a result of the share transfer on April 20, 2020.

Overseas subsidiaries

Hitachi ABB Power Grids Ltd became a consolidated subsidiary of the Company on July 1, 2020. The property, plants and equipment of the company are as follows.

(As of December 31, 2020)

Subsidiary (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m ²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of- use Assets	Other	Construction in progress	Total	
Hitachi ABB Power Grids Ltd (Zurich, Switzerland)	Energy	Manufacturing facilities for power grid products, etc.	14,321 [2,222]	62,763	98,193	11,809	37,142	-	19,951	244,179	35,304

(Note) The figures are presented in consolidated basis of Hitachi ABB Power Grids Ltd.

(7) 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 consolidated fiscal year and each quarter of the consolidated 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, 2021 is updated as follows (new installation and expansions, based on the amount recorded as tangible fixed assets and the investment property). The amount of capital investment which is shown in the Initial Plan is the amount planned as of the filing date of the Annual Securities Report for the 151st business term.

Segment	The amount of capital investment for the fiscal year ending March 31, 2021 (Billions of yen)	
	Initial Plan	Updated Plan
IT	90.0	85.0
Energy	25.0	33.0
Industry	23.0	22.0
Mobility	25.0	23.0
Smart Life	110.0	129.0
Hitachi Construction Machinery	65.0	53.0
Hitachi Metals	33.0	32.0
Others	12.0	31.0
Corporate Items & Elimination	3.0	3.0
Total	386.0	411.0

- (Notes)
1. The figures in the above table include the amount of the right-of-use assets and the investment property, each of which is recorded as property, plant and equipment and other non-current assets, respectively.
 2. These planned investments are expected to be mostly financed with the Hitachi Group's own capital.
 3. There are no plans to dispose or sell principal facilities, with the exception of disposing and selling facilities due to routine upgrading.

(8) Forward-Looking Statements

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

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

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

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

3. Material Agreements, etc.

No material agreements were entered into during the nine months ended December 31, 2020.

III. 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 third quarter (shares) (December 31, 2020)	Number of shares issued as of the filing date (shares) (Note) (February 10, 2021)	Stock exchange on which the Company is listed	Description
Common stock	967,885,277	967,885,277	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	967,885,277	967,885,277	—	—

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

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

1) Details of stock option plans

Not applicable.

2) 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 October 1, 2020 to December 31, 2020	—	967,885,277	—	460,790	—	178,756

(5) Major shareholders

Not applicable.

(6) Information on voting rights

Information on voting rights as of September 30, 2020 is stated in this item because the Company does not identify the number of voting rights as of December 31, 2020 due to the lack of information on the number of the Company's shares held by the entity which the Company holds one quarter or more of total number of voting rights of such entity as of December 31, 2020.

1) Issued shares

(As of September 30, 2020)

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting right	—	—	—
Shares with restricted voting right (treasury stock, etc.)	—	—	—
Shares with restricted voting right (others)	—	—	—
Shares with full voting right (treasury stock, etc.)	Common stock 1,065,500	—	—
Shares with full voting right (others)	Common stock 964,367,100	9,643,671	—
Shares less than one unit	Common stock 2,452,677	—	—
Number of issued shares	967,885,277	—	—
Total number of voting rights	—	9,643,671	—

(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 September 30, 2020)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	1,032,300	—	1,032,300	0.11
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-chome, Chuo-ku, Tokyo	2,100	—	2,100	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	17,600	—	17,600	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	10,500	—	10,500	0.00
Mizuho Co., Inc.	4-1, Koishikawa 5-chome, Bunkyo-ku, Tokyo	3,000	—	3,000	0.00
Total	—	1,065,500	—	1,065,500	0.11

2. Changes in Senior Management

Changes in senior managements from the filing date of the Annual Securities Report for the 151st business term to December 31, 2020 were as follows.

Changes in Responsibility [Effective November 1, 2020]

Former Position and Responsibility		New Position and Responsibility		Name
Position	Responsibility	Position	Responsibility	
Representative Executive Officer Executive Vice President and Executive Officer	Assistant to the President (building systems business and railway systems business)	Representative Executive Officer Executive Vice President and Executive Officer	Assistant to the President (building systems business, railway systems business and environmental strategy)	Alistair Dormer

(Note) Matters delegated to the Executive Officer by the Board of Directors are described in “Responsibility” column.

IV. Financial Information

Refer to the condensed quarterly consolidated financial statements incorporated in this Quarterly Report.

Part II Information on Guarantors, etc. for the Company

Not applicable.

Condensed Quarterly Consolidated Financial Statements

Condensed Quarterly Consolidated Statement of Financial Position

Millions of yen

	Note	December 31, 2020	March 31, 2020
Assets			
Current assets			
Cash and cash equivalents		917,238	812,331
Trade receivables and contract assets	6	2,362,274	2,260,205
Inventories		1,668,315	1,408,937
Investments in securities and other financial assets	7	305,366	279,951
Other current assets	5	229,350	456,165
Total current assets		5,482,543	5,217,589
Non-current assets			
Investments accounted for using the equity method	5	432,998	480,375
Investments in securities and other financial assets	5,7	476,622	440,514
Property, plant and equipment		2,139,425	2,165,311
Goodwill	5	1,058,894	635,927
Other intangible assets	5	877,276	479,794
Other non-current assets		473,670	510,571
Total non-current assets		5,458,885	4,712,492
Total assets		10,941,428	9,930,081
Liabilities			
Current liabilities			
Short-term debt		976,562	183,303
Current portion of long-term debt	7	261,807	231,237
Other financial liabilities	7	286,785	252,403
Trade payables		1,338,323	1,270,668
Accrued expenses		562,355	604,415
Contract liabilities		889,461	615,096
Other current liabilities	5	438,297	576,056
Total current liabilities		4,753,590	3,733,178
Non-current liabilities			
Long-term debt	7	1,362,044	1,070,502
Retirement and severance benefits		500,629	514,375
Other non-current liabilities	7	678,250	345,287
Total non-current liabilities		2,540,923	1,930,164
Total liabilities		7,294,513	5,663,342
Equity			
Hitachi, Ltd. stockholders' equity			
Common stock		460,790	459,862
Capital surplus	5,7	-	464,795
Retained earnings	8	2,491,792	2,296,208
Accumulated other comprehensive income		(20,825)	(57,070)
Treasury stock, at cost		(3,430)	(3,809)
Total Hitachi, Ltd. stockholders' equity		2,928,327	3,159,986
Non-controlling interests	5,7	718,588	1,106,753
Total equity		3,646,915	4,266,739
Total liabilities and equity		10,941,428	9,930,081

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Nine months ended December 31, 2020 and 2019

Millions of yen

	Note	2020	2019
Revenues	9	5,979,000	6,344,181
Cost of sales		(4,452,102)	(4,631,184)
Gross profit		1,526,898	1,712,997
Selling, general and administrative expenses		(1,209,986)	(1,267,363)
Other income	5,10	291,504	29,006
Other expenses	5,10	(111,374)	(468,413)
Financial income	11	3,338	12,183
Financial expenses	11	(4,257)	(880)
Share of profits (losses) of investments accounted for using the equity method		7,413	37,420
EBIT (Earnings before interest and taxes)		503,536	54,950
Interest income		12,426	15,413
Interest charges		(17,003)	(18,242)
Income from continuing operations, before income taxes		498,959	52,121
Income taxes		(184,204)	35,266
Income from continuing operations		314,755	87,387
Loss from discontinued operations	12	(686)	(1,187)
Net income		314,069	86,200
Net income attributable to:			
Hitachi, Ltd. stockholders		307,878	55,146
Non-controlling interests		6,191	31,054
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders	13		Yen
Basic		319.44	58.33
Diluted		319.04	58.26
Earnings per share attributable to Hitachi, Ltd. stockholders	13		
Basic		318.73	57.10
Diluted		318.33	57.03

Condensed Quarterly Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2020 and 2019

Millions of yen

	Note	2020	2019
Net income		314,069	86,200
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		49,568	28,368
Remeasurements of defined benefit plans		-	-
Share of OCI of investments accounted for using the equity method		364	787
Total items not to be reclassified into net income		49,932	29,155
Items that can be reclassified into net income			
Foreign currency translation adjustments		1,095	(44,168)
Net changes in cash flow hedges		3,690	14,179
Share of OCI of investments accounted for using the equity method		10,112	(1,296)
Total items that can be reclassified into net income		14,897	(31,285)
Other comprehensive income (OCI)		64,829	(2,130)
Comprehensive income		378,898	84,070
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		359,131	65,516
Non-controlling interests		19,767	18,554

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Three months ended December 31, 2020 and 2019

Millions of yen

	Note	2020	2019
Revenues		2,218,943	2,122,854
Cost of sales		(1,650,693)	(1,556,393)
Gross profit		568,250	566,461
Selling, general and administrative expenses		(432,126)	(418,030)
Other income		9,086	236
Other expenses	5	(42,263)	(401,895)
Financial income		2,899	7,747
Financial expenses		(917)	-
Share of profits (losses) of investments accounted for using the equity method		12,401	9,914
EBIT (Earnings before interest and taxes)		117,330	(235,567)
Interest income		4,223	5,016
Interest charges		(6,848)	(6,304)
Income (loss) from continuing operations, before income taxes		114,705	(236,855)
Income taxes		(47,349)	125,912
Income (loss) from continuing operations		67,356	(110,943)
Income (loss) from discontinued operations		0	(391)
Net income (loss)		67,356	(111,334)
Net income (loss) attributable to:			
Hitachi, Ltd. stockholders		57,123	(134,147)
Non-controlling interests		10,233	22,813
Earnings (loss) per share from continuing operations, attributable to Hitachi, Ltd. stockholders	13		Yen
Basic		59.13	(138.50)
Diluted		59.06	(138.50)
Earnings (loss) per share attributable to Hitachi, Ltd. stockholders	13		
Basic		59.13	(138.91)
Diluted		59.06	(138.91)

Condensed Quarterly Consolidated Statement of Comprehensive Income

Three months ended December 31, 2020 and 2019

Millions of yen

	Note	2020	2019
Net income (loss)		67,356	(111,334)
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		25,326	8,319
Remeasurements of defined benefit plans		-	-
Share of OCI of investments accounted for using the equity method		(164)	654
Total items not to be reclassified into net income		25,162	8,973
Items that can be reclassified into net income			
Foreign currency translation adjustments		(6,248)	52,004
Net changes in cash flow hedges		559	9,534
Share of OCI of investments accounted for using the equity method		2,471	15,676
Total items that can be reclassified into net income		(3,218)	77,214
Other comprehensive income (OCI)		21,944	86,187
Comprehensive income		89,300	(25,147)
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		73,276	(65,755)
Non-controlling interests		16,024	40,608

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Changes in Equity

Nine months ended December 31, 2020

Millions of yen

	2020							
	Common stock	Capital surplus (notes 5 and 7)	Retained earnings (note 8)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (notes 5 and 7)	Total equity
Balance at beginning of period	459,862	464,795	2,296,208	(57,070)	(3,809)	3,159,986	1,106,753	4,266,739
Changes in equity								
Reclassified into retained earnings	-	-	9,593	(9,593)	-	-	-	-
Net income	-	-	307,878	-	-	307,878	6,191	314,069
Other comprehensive income	-	-	-	51,253	-	51,253	13,576	64,829
Dividends to Hitachi, Ltd. stockholders	-	-	(96,653)	-	-	(96,653)	-	(96,653)
Dividends to non-controlling interests	-	-	-	-	-	-	(21,526)	(21,526)
Acquisition of treasury stock	-	-	-	-	(94)	(94)	-	(94)
Sales of treasury stock	-	107	-	-	473	580	-	580
Issuance of new shares	928	928	-	-	-	1,856	-	1,856
Changes in non-controlling interests	-	(465,830)	(25,234)	(5,415)	-	(496,479)	(386,406)	(882,885)
Total changes in equity	928	(464,795)	195,584	36,245	379	(231,659)	(388,165)	(619,824)
Balance at end of period	460,790	-	2,491,792	(20,825)	(3,430)	2,928,327	718,588	3,646,915

Nine months ended December 31, 2019

Millions of yen

	2019							
	Common stock	Capital surplus	Retained earnings (note 8)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of period	458,790	463,786	2,287,587	56,360	(3,920)	3,262,603	1,151,800	4,414,403
Cumulative effects of changes in accounting policies	-	-	(2,596)	-	-	(2,596)	(1,075)	(3,671)
Restated balance	458,790	463,786	2,284,991	56,360	(3,920)	3,260,007	1,150,725	4,410,732
Changes in equity								
Reclassified into retained earnings	-	-	15,210	(15,210)	-	-	-	-
Net income	-	-	55,146	-	-	55,146	31,054	86,200
Other comprehensive income	-	-	-	10,370	-	10,370	(12,500)	(2,130)
Dividends to Hitachi, Ltd. stockholders	-	-	(91,761)	-	-	(91,761)	-	(91,761)
Dividends to non-controlling interests	-	-	-	-	-	-	(40,266)	(40,266)
Acquisition of treasury stock	-	-	-	-	(129)	(129)	-	(129)
Sales of treasury stock	-	(138)	-	-	274	136	-	136
Issuance of new shares	1,072	1,072	-	-	-	2,144	-	2,144
Changes in non-controlling interests	-	(4,425)	-	(2,015)	-	(6,440)	3,767	(2,673)
Total changes in equity	1,072	(3,491)	(21,405)	(6,855)	145	(30,534)	(17,945)	(48,479)
Balance at end of period	459,862	460,295	2,263,586	49,505	(3,775)	3,229,473	1,132,780	4,362,253

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Cash Flows

Nine months ended December 31, 2020 and 2019

Millions of yen

	Note	2020	2019
Cash flows from operating activities:			
Net income		314,069	86,200
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization		351,115	316,482
Impairment losses		74,403	76,933
Income taxes		184,204	(35,267)
Share of (profits) losses of investments accounted for using the equity method		(7,413)	(37,420)
Financial income and expenses		1,464	(1,117)
Net (gain) loss on business reorganization and others		(287,604)	(27,508)
(Gain) loss on sale of property, plant and equipment		(3,753)	1,642
Change in trade receivables and contract assets		289,687	316,753
Change in inventories		(177,631)	(300,531)
Change in trade payables		(83,317)	(130,254)
Change in accrued expenses	2	(70,293)	(147,730)
Change in retirement and severance benefits		(12,497)	(16,318)
Other	2	(3,708)	359,480
Subtotal		568,726	461,345
Interest received		16,855	18,600
Dividends received		13,426	12,983
Interest paid		(16,508)	(18,849)
Income taxes paid		(156,099)	(166,232)
Net cash provided by (used in) operating activities		426,400	307,847
Cash flows from investing activities:			
Purchase of property, plant and equipment		(166,130)	(232,758)
Purchase of intangible assets		(78,335)	(64,939)
Proceeds from sale of property, plant and equipment, and intangible assets		32,115	20,502
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	5	(1,010,889)	(234,499)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		440,490	53,170
Other		16,674	(33,498)
Net cash provided by (used in) investing activities		(766,075)	(492,022)
Cash flows from financing activities:			
Change in short-term debt, net		803,683	357,022
Proceeds from long-term debt		465,316	88,484
Payments on long-term debt		(184,323)	(229,559)
Proceeds from payments from non-controlling interests		5,190	5,004
Dividends paid to Hitachi, Ltd. stockholders		(96,691)	(91,766)
Dividends paid to non-controlling interests		(25,511)	(40,509)
Acquisition of common stock for treasury		(94)	(129)
Proceeds from sales of treasury stock		580	136
Purchase of shares of consolidated subsidiaries from non-controlling interests		(532,955)	(1,340)
Other		(22)	(460)
Net cash provided by (used in) financing activities		435,173	86,883
Effect of exchange rate changes on cash and cash equivalents		9,409	(15,841)
Change in cash and cash equivalents		104,907	(113,133)
Cash and cash equivalents at beginning of period		812,331	807,593
Cash and cash equivalents at end of period		917,238	694,460

See accompanying notes to condensed quarterly consolidated financial statements.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2020

(1) Nature of Operations

Hitachi, Ltd. (the Company) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The condensed quarterly consolidated financial statements of the Company as of and for the nine months ended December 31, 2020 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 IT, Energy, Industry, Mobility, Smart Life, Hitachi Construction Machinery, Hitachi Metals 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 Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), the condensed quarterly consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting," as permitted by the provision of Article 93 of the Ordinance. They do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the financial statements and notes included in the Company's annual consolidated financial statements for the year ended March 31, 2020.

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 condensed quarterly 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.

Judgments, estimates and assumptions that could have a material effect on these condensed quarterly consolidated financial statements are basically the same as those disclosed in the Company's annual consolidated financial statements for the year ended March 31, 2020.

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

Regarding the condensed quarterly consolidated statement of cash flows, changes in presentation have been made effective from April 1, 2020 for improved clarity. "Change in accrued expenses", which was previously included in "Change in other liabilities", has been reclassified and separately presented. "Change in other assets" and "Change in other liabilities", which were separately presented, have been included in "Other" under cash flows from operating activities. The condensed quarterly consolidated statement of cash flows for the nine months ended December 31, 2019 has been reclassified in order to reflect these changes in presentation.

As a result, regarding the condensed quarterly consolidated statement of cash flows for the nine months ended December 31, 2019, "Change in other liabilities" of (147,730) million yen has been reclassified as "Change in accrued expenses". In addition, "Change in other assets" of (2,543) million yen and "Change in other liabilities" of 357,101 million yen, which were separately presented, have been reclassified as "Other" under cash flows from operating activities.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2020

(3) Significant Accounting Policies

Significant accounting policies adopted in preparation of the condensed quarterly consolidated financial statements are consistent with those used in the preparation of the Company's annual consolidated financial statements for the year ended March 31, 2020.

Income taxes for the nine months ended December 31, 2020 are computed using the estimated annual effective tax rate.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2020

(4) Segment Information

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 Energy, Industry, Mobility and Smart Life for financial reporting purposes so that users of the financial statements better understand the Company's financial position and business performance. The Company aggregates operating segments based on the similarities of economic characteristics mainly using gross profit margin ratios of operating segments. The primary products and services included in each segment are as follows:

IT:

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

Energy:

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

Industry:

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

Mobility:

Building systems (Elevators, Escalators) and Railway systems

Smart Life:

Smart life & ecofriendly systems (Refrigerators, Washing machines, Room air conditioners, Air-conditioning equipment), Automotive systems (Powertrain systems, Chassis systems, Advanced driver assistance systems), Medical and life science products, Analytical equipment, Semiconductor processing equipment, Manufacturing and inspection equipment, and Advanced industrial products

Hitachi Construction Machinery:

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

Hitachi Metals:

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

Others:

Optical disk drives, Property management and others

Effective from April 1, 2020, due to making Hitachi High-Tech Corporation a wholly-owned subsidiary of the Company during the three months ended June 30, 2020, Hitachi High-Tech segment was unified to Smart Life segment. Figures for the nine months ended December 31, 2019 have been restated on the basis of the reclassification.

In April 2020, the Company sold all shares of Hitachi Chemical Company, Ltd. (currently Showa Denko Materials Co., Ltd.). As a result, Hitachi Chemical Company, Ltd. was deconsolidated. Accordingly, Hitachi Chemical segment ceased to be a business segment, but the segment figures for the nine months ended December 31, 2020 and 2019 are disclosed individually to enhance fair disclosure.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2020

The following tables show business segment information for the nine months ended December 31, 2020 and 2019.

Revenues from External Customers

	Millions of yen	
	2020	2019
IT	1,324,577	1,385,112
Energy	722,031	203,155
Industry	441,094	442,631
Mobility	856,760	825,288
Smart Life	1,389,820	1,498,148
Hitachi Construction Machinery	558,280	686,906
Hitachi Metals	522,933	648,394
Hitachi Chemical	-	465,070
Others	154,627	181,851
Subtotal	5,970,122	6,336,555
Corporate items	8,878	7,626
Total	5,979,000	6,344,181

Revenues from Intersegment Transactions

	Millions of yen	
	2020	2019
IT	109,238	109,154
Energy	33,952	42,577
Industry	109,001	112,349
Mobility	5,927	7,383
Smart Life	71,965	95,645
Hitachi Construction Machinery	447	282
Hitachi Metals	18,470	22,569
Hitachi Chemical	-	14,628
Others	161,564	169,839
Subtotal	510,564	574,426
Corporate items and Eliminations	(510,564)	(574,426)
Total	-	-

Total Revenues

	Millions of yen	
	2020	2019
IT	1,433,815	1,494,266
Energy	755,983	245,732
Industry	550,095	554,980
Mobility	862,687	832,671
Smart Life	1,461,785	1,593,793
Hitachi Construction Machinery	558,727	687,188
Hitachi Metals	541,403	670,963
Hitachi Chemical	-	479,698
Others	316,191	351,690
Subtotal	6,480,686	6,910,981
Corporate items and Eliminations	(501,686)	(566,800)
Total	5,979,000	6,344,181

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Segment Profit (Loss)

Millions of yen

	2020	2019
IT	161,741	158,184
Energy	(10,536)	(379,214)
Industry	25,936	30,200
Mobility	70,152	91,608
Smart Life	23,444	84,985
Hitachi Construction Machinery	13,633	58,459
Hitachi Metals	(38,313)	(52,864)
Hitachi Chemical	-	24,085
Others	16,067	26,734
Subtotal	262,124	42,177
Corporate items and Eliminations	241,412	12,773
Total	503,536	54,950
Interest income	12,426	15,413
Interest charges	(17,003)	(18,242)
Income from continuing operations, before income taxes	498,959	52,121

Segment profit (loss) is measured by EBIT.

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

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(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures for the nine months ended December 31, 2020, including the period up to the approval date of the condensed quarterly consolidated financial statements.

(a) Reorganization of automotive systems business

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

On January 1, 2021, HiAMS and the Associates of Honda conducted an absorption-type merger in which HiAMS is the surviving company and each of the Associates of Honda are the disappearing companies, and established Hitachi Astemo, Ltd. (Astemo). As a result, the Company’s ownership ratio of shares of Astemo became 66.6% and Astemo became a consolidated subsidiary of the Company.

The consideration is the common shares of HiAMS. The fair value of the consideration is allocated as follows: 88,747 million yen for Keihin, 59,062 million yen for Showa, and 48,242 million yen for Nissin Kogyo. The fair value of the consideration was based on the valuation of HiAMS and the Associates of Honda agreed by the Company and Honda. For the agreement, the Company verified the validity of the valuation by taking into account the results of fair value measurements conducted by third-party valuation specialists and other factors.

In addition to this acquisition, the Company’s ownership interest in the former HiAMS decreased from 100% prior to the execution of this acquisition to 66.6%, and the Company will recognize increases in capital surplus and non-controlling interests in the amounts of approximately 120 billion yen and 80 billion yen, respectively, for the year ending March 31, 2021. Acquisition related costs of 2,948 million yen have been posted up to the year ended March 31, 2020, and approximately 2,000 million yen is expected to be recorded in the year ending March 31, 2021. Acquisition related costs included in Other expenses in the condensed quarterly consolidated statement of profit or loss for the nine months ended December 31, 2020 and 2019 were 453 million yen and 2,579 million yen, respectively.

Due to a time constraint between the acquisition date and the filing date of the quarterly report, the initial accounting treatment for the reorganization of the automotive systems business has not been completed. Accordingly, no disclosure has been made to the amounts of assets acquired and liabilities assumed that were recognized at the date of acquisition, the amounts of non-controlling interests, or the balance of goodwill.

Furthermore, due to the time constraint for preparing pro forma data, the impact on revenues and net income for the nine months ended December 31, 2020 assuming that such acquisition was made as of April 1, 2020 has also not been disclosed.

(b) Settlement regarding the South African project

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

Furthermore, on March 30, 2020, the Company transferred to MHI, the loans receivable to MHPS Africa, and paid 130,000 million yen to MHI comprising the settlement payment offset by the consideration in loans receivable. On September 1, 2020, all shares of MHPS held by the Company, 263,614 million yen, which had been classified as held-for-sale assets, were transferred to MHI, and MHPS ceased to be an associate. Accordingly, the Company reversed other provision of 273,272 million yen related to the transfer of shares of MHPS, which had been included in Other current liabilities in the condensed

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quarterly consolidated statement of financial position. On September 14, 2020, the Company and MHI received a notice from the Japan Commercial Arbitration Association stating that the arbitration was closed.

On September 1, 2020, MHPS changed its name to Mitsubishi Power, Ltd.

(c) Acquisition of ABB's power grids business

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

The following table summarizes the fair value of the consideration paid for Hitachi ABB Power Grid and the provisional amounts of the assets acquired, liabilities assumed, goodwill and non-controlling interests recognized as of the acquisition date.

	<u>Millions of yen</u>
Cash and cash equivalents	65,466
Trade receivables and contract assets	378,063
Inventories	174,198
Other current assets	63,883
Property, plant and equipment	239,287
Intangible assets	
Goodwill	444,144
Other intangible assets	444,501
Other non-current assets	19,216
Total	<u>1,828,758</u>
Trade payables	199,789
Contract liabilities	143,466
Other current liabilities	213,191
Long-term debt	349,189
Other non-current liabilities	119,894
Total	<u>1,025,529</u>
Cash paid for the acquisition	722,062
Non-controlling interests	81,167
Total	<u>803,229</u>

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

Non-controlling interests are measured based on the proportionate share of the fair value of the identifiable net assets of Hitachi ABB Power Grid.

The Company is currently evaluating the fair values to be assigned to assets and liabilities of Hitachi ABB Power Grid at the acquisition date and therefore the above amounts are subject to change. In addition, the Cash paid for the acquisition may vary due to transaction price adjustment.

Acquisition related costs of 5,391 million yen have been posted up to the year ended March 31, 2020, and approximately 3,000 million yen is expected to be recorded in the year ending March 31, 2021. Acquisition related costs included in Other expenses in the condensed quarterly consolidated statement of profit or loss for the nine months ended December 31, 2020 and 2019 were 2,686 million yen and 1,388 million yen, respectively.

In addition to this acquisition, the Company repaid 3,000 million U.S. dollars (323,190 million yen) of certain loans owed by Hitachi ABB Power Grid from ABB's subsidiary, ABB Capital B.V., and the repayment is included in Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) under Cash flows from investing activities in the condensed quarterly consolidated statement of cash flows for the nine months ended December 31, 2020.

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The results of operations of Hitachi ABB Power Grid from the date of acquisition to December 31, 2020 (prior to elimination of intercompany transactions) included in the condensed quarterly consolidated statement of profit or loss are Revenues of 507,047 million yen, EBIT of (8,431) million yen, and Net income of (8,739) million yen. EBIT and Net income include depreciation and amortization of 37,328 million yen on Other intangible assets and PP&E that were recognized as a result of this acquisition.

Assuming that such acquisition occurred as of April 1, 2020, the results of operations of the Company for the nine months ended December 31, 2020 (pro forma information not subject to quarterly review) are as follows:

	<u>Millions of yen</u>
Revenues	6,201,479
EBIT	493,327
Net income	302,684

Hitachi ABB Power Grid's historical financial information has been adjusted from U.S. GAAP to IFRS to generate pro forma information. EBIT and Net income include depreciation and amortization of 52,795 million yen on Other intangible assets and PP&E that were recognized as a result of this acquisition.

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

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

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

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

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

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

On October 1, 2020, Hitachi Chemical changed its name to Showa Denko Materials Co., Ltd.

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The following are the main Business Acquisitions and Divestitures for the nine months ended December 31, 2019.

(a) Acquisition of robotic systems integration business

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

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

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

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

The operating results of JR Technology for the period from the acquisition date to December 31, 2019 were not material.

On a pro forma basis, revenues and net income using an assumed acquisition date for JR Technology of April 1, 2019 would not differ materially from the amounts reported in the consolidated financial statements for the nine months ended December 31, 2019.

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

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

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

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

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

The operating results of Chassis Brakes for the period from the acquisition date to December 31, 2019 were not material.

On a pro forma basis, revenues and net income using an assumed acquisition date for Chassis Brakes of April 1, 2019 would not differ materially from the amounts reported in the consolidated financial statements for the nine months ended December 31, 2019.

On January 1, 2021, HiAMS changed its name to Hitachi Astemo, Ltd.

The following are the material Business Acquisitions and Divestitures other than the above.

(a) Reorganization of the Global Home Appliances Business (excluding Japan)

On December 16, 2020, Hitachi Global Life Solutions, Inc. (Hitachi GLS), a consolidated subsidiary of the Company in the Smart Life segment, and Arçelik A.S. (Arçelik) signed a share purchase agreement to establish a new joint venture company. Based on the agreement, Hitachi GLS plans to establish a new company and aims to transfer its global home appliances business outside of Japan into the new company in the spring of 2021, and Hitachi GLS plans to transfer 60% of the shares of common stock of the new company to Arçelik. The consideration is expected to be approximately 0.3 billion U.S. dollars (approximately 31.5 billion yen). Assuming the transaction is settled, it is expected that Hitachi GLS's ownership ratio of shares of the new company will decrease from 100% to 40%, and the new company will turn into an equity-method associate of the Company.

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(b) Sale of Diagnostic Imaging-related Business

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

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

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

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(6) Trade Receivables and Contract Assets

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

	Millions of yen	
	December 31, 2020	March 31, 2020
Accounts receivable	1,556,090	1,684,225
Contract assets	657,657	429,117
Others	148,527	146,863
Total	2,362,274	2,260,205

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) Fair Value of Financial Instruments

(a) 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.

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(b) Financial Instruments Measured at Amortized Cost

The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of December 31 and March 31, 2020 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

	December 31, 2020		March 31, 2020	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
<u>Assets</u>				
Investments in securities and other financial assets				
Lease receivables	84,694	86,056	83,553	84,834
Debt securities	72,049	72,051	73,048	73,051
Long-term loans receivable	18,560	20,445	26,642	28,576
<u>Liabilities</u>				
Long-term debt [1]				
Bonds	354,964	356,934	385,293	386,082
Long-term borrowings	967,588	970,664	637,648	640,929

[1] Long-term debt is included in Current portion of long-term debt and Long-term debt in the condensed quarterly consolidated statement of financial position.

(c) 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.

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The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of December 31 and March 31, 2020.

December 31, 2020				Millions of yen
Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	118	-	5,236	5,354
Debt securities	13,231	5,076	6,406	24,713
Derivatives	-	25,054	82	25,136
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	189,583	-	108,327	297,910
Total financial assets at fair value	202,932	30,130	120,051	353,113
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	39,394	-	39,394
Total financial liabilities at fair value	-	39,394	-	39,394

March 31, 2020				Millions of yen
Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	-	-	4,001	4,001
Debt securities	8,638	4,550	8,617	21,805
Derivatives	-	44,409	6,147	50,556
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	135,452	-	108,884	244,336
Total financial assets at fair value	144,090	48,959	127,649	320,698
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	24,021	-	24,021
Total financial liabilities at fair value	-	24,021	-	24,021

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The following tables present the changes in Level 3 instruments measured on a recurring basis for the nine months ended December 31, 2020 and 2019.

December 31, 2020	Millions of yen			
Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	112,885	8,617	6,147	127,649
Gain (loss) in profit or loss [1]	(223)	57	(4)	(170)
Gain in OCI [2]	2,099	-	-	2,099
Purchases	3,645	364	-	4,009
Sales and redemption	(1,340)	(1,973)	(6,061)	(9,374)
Acquisitions and divestitures	(3,584)	(656)	-	(4,240)
Other	81	(3)	-	78
Balance at end of period	113,563	6,406	82	120,051
Unrealized gain (loss) relating to financial assets held at end of period [3]	(236)	57	(4)	(183)

December 31, 2019	Millions of yen			
Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	105,077	9,344	7,059	121,480
Loss in profit or loss [1]	(92)	(18)	(184)	(294)
Gain in OCI [2]	1,845	-	-	1,845
Purchases	2,848	384	-	3,232
Sales and redemption	(1,658)	(1,005)	-	(2,663)
Acquisitions and divestitures	(505)	(46)	-	(551)
Other	(3,662)	(38)	-	(3,700)
Balance at end of period	103,853	8,621	6,875	119,349
Unrealized gain (loss) relating to financial assets held at end of period [3]	(92)	4	(184)	(272)

[1] Gain (loss) in profit or loss related to FVTPL financial assets is included in Financial income and Financial expenses in the condensed quarterly 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 condensed quarterly consolidated statement of comprehensive income.

[3] Unrealized gain (loss) relating to FVTPL financial assets held at the end of period is included in Financial income and Financial expenses in the condensed quarterly consolidated statement of profit or loss.

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.

(d) Other

In the Company and subsidiaries, put options on shares of subsidiaries of non-controlling interests are recognized as financial liabilities at the present value of the exercise price. The Company derecognizes non-controlling interests and recognizes the difference between the present value and non-controlling interests as capital surplus.

Put options on non-controlling interests of Hitachi ABB Power Grids Ltd are measured at the present value of the exercise price and the carrying amount of the put options was 228,218 million yen as of December 31, 2020 included in Other non-current liabilities in the condensed quarterly consolidated statement of financial position.

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(8) Dividends

Dividends paid on the Company's common stock for the nine months ended December 31, 2020 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 May 13, 2020	48,311	Retained earnings	50.0	March 31, 2020	June 8, 2020
The Board of Directors on October 28, 2020	48,342	Retained earnings	50.0	September 30, 2020	November 30, 2020

Dividends paid on the Company's common stock for the nine months ended December 31, 2019 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 10, 2019	48,280	Retained earnings	50.0	March 31, 2019	May 31, 2019
The Board of Directors on October 30, 2019	43,481	Retained earnings	45.0	September 30, 2019	November 29, 2019

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(9) Revenues

(a) Disaggregation of revenue

The Company derives revenues primarily from contracts with customers. The following table shows the disaggregation of revenue attributable to each reportable segment and geographic area.

Effective from April 1, 2020, the Company reclassified its reportable segments. Accordingly, figures for the nine months ended December 31, 2019 have been restated on the basis of the reclassification. Details of the reclassification are described in note 4.

(Millions of yen)

December 31, 2020								
	Japan						Overseas Revenues Subtotal	Total Revenues
		Asia	North America	Europe	Other Areas			
IT	1,054,703	128,866	119,038	104,216	26,992	379,112	1,433,815	
Energy	216,690	164,975	123,940	158,061	92,317	539,293	755,983	
Industry	404,689	53,822	70,346	11,517	9,721	145,406	550,095	
Mobility	247,298	362,988	36,609	182,581	33,211	615,389	862,687	
Smart Life	696,532	354,098	195,736	149,634	65,785	765,253	1,461,785	
Hitachi Construction Machinery	142,647	128,388	71,353	71,919	144,420	416,080	558,727	
Hitachi Metals	248,788	115,200	142,088	24,960	10,367	292,615	541,403	
Hitachi Chemical	-	-	-	-	-	-	-	
Others	267,105	33,735	6,905	5,784	2,662	49,086	316,191	
Subtotal	3,278,452	1,342,072	766,015	708,672	385,475	3,202,234	6,480,686	
Corporate items and Eliminations	(467,381)	(25,731)	(4,050)	(2,678)	(1,846)	(34,305)	(501,686)	
Total	2,811,071	1,316,341	761,965	705,994	383,629	3,167,929	5,979,000	

(Millions of yen)

December 31, 2019								
	Japan						Overseas Revenues Subtotal	Total Revenues
		Asia	North America	Europe	Other Areas			
IT	1,067,980	140,494	139,975	116,056	29,761	426,286	1,494,266	
Energy	213,244	21,323	5,852	3,086	2,227	32,488	245,732	
Industry	426,867	66,529	37,039	8,467	16,078	128,113	554,980	
Mobility	250,006	300,342	32,805	219,541	29,977	582,665	832,671	
Smart Life	789,747	344,539	252,948	143,940	62,619	804,046	1,593,793	
Hitachi Construction Machinery	145,410	161,321	130,043	98,628	151,786	541,778	687,188	
Hitachi Metals	309,153	128,268	185,811	32,662	15,069	361,810	670,963	
Hitachi Chemical	171,997	209,896	36,266	47,968	13,571	307,701	479,698	
Others	291,875	39,255	10,901	5,166	4,493	59,815	351,690	
Subtotal	3,666,279	1,411,967	831,640	675,514	325,581	3,244,702	6,910,981	
Corporate items and Eliminations	(512,864)	(39,270)	(6,551)	(4,267)	(3,848)	(53,936)	(566,800)	
Total	3,153,415	1,372,697	825,089	671,247	321,733	3,190,766	6,344,181	

Notes to Condensed Quarterly Consolidated Financial Statements

December 31, 2020

The IT segment consists of Front Business and Services & Platforms, for which revenue amounted to 984,571 million yen and 561,970 million yen for the nine months ended December 31, 2020 and 1,001,008 million yen and 606,621 million yen for the nine months ended December 31, 2019, respectively (including intersegment transactions). Front Business is operated mainly in Japan, and Services & Platforms is operated mainly in Japan, North America and Europe.

Effective from April 1, 2020, the IT segment changed its scope of business field. Figures for the nine months ended December 31, 2019 have been restated on the basis of the reclassification.

(b) Information about satisfaction of performance obligations

The following is information about satisfaction of performance obligations related to major goods and services of each reportable segment.

(IT)

Front Business primarily provides goods and services such as system integration, consulting and cloud services. These long-term projects provide goods and services according to customers' specifications over a specified period of time, and revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost) or the passage of time as performance obligations are satisfied over time.

Many of the contracts require payments based on milestones, and in some cases, payments are made before performance obligations are satisfied.

Services & Platforms primarily sells control systems, software and IT products. Revenue is recognized when control over the goods is transferred to customers as performance obligations are satisfied at the point in time upon the completion or upon delivery of the goods. The Company's general terms and conditions apply, and there are no significant transactions in which payment terms include deferred payments, etc.

(Energy, Industry and Mobility)

The Energy segment includes revenue from businesses such as energy solutions, which are operated mainly in Japan, Asia, Europe, and North America. The Industry segment includes revenue from businesses such as industry & distribution systems, which are operated mainly in Japan. The Mobility segment includes revenue from building systems and railway systems businesses. The building systems business is operated mainly in China and the railway systems business is operated mainly in Europe.

Long-term projects related to contracts such as construction in these segments involve manufacturing and providing goods based on customers' specifications over a specified period of time. As performance obligations are satisfied over time, revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost). In addition, these segments provide certain services promised in the contracts such as maintenance throughout the duration of the contract, and recognize revenue over time based on the passage of time. Many of the contracts require payments based on milestones, and, in some cases, payments are made before performance obligations are satisfied.

Further, in the sale of industrial equipment, etc. included in the Industry segment, and in the sale of elevators, etc. included in the Mobility segment, revenue is recognized when control over the goods is transferred to customers as performance obligations are satisfied at the point in time upon the completion or upon delivery of the goods. The Company's general terms and conditions apply, and there are no significant transactions in which payment terms include deferred payments, etc.

(Other)

In the Smart Life, Hitachi Construction Machinery, and Hitachi Metals segments, performance obligations are generally satisfied at a point in time upon completion or upon delivery of the goods, and revenue is recognized when control over goods is transferred to customers. The Company's general terms and conditions apply, and there are no significant transactions in which payment terms include deferred payments, etc.

These segments provide certain services promised in the contracts such as maintenance throughout the duration of the contract, and they recognize revenue over time based on the passage of time. The Company's general terms and conditions apply, and there are no significant transactions in which payment terms include deferred payments, etc.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2020

(10) Other Income and Expenses

The main components of other income and expenses for the nine months ended December 31, 2020 and 2019 are as follows:

	Millions of yen	
	2020	2019
Net gain (loss) on sales and disposals of fixed assets	2,911	(1,651)
Impairment losses	(74,403)	(76,933)
Net gain (loss) on business reorganization and others	287,604	27,508
Special termination benefits	(9,873)	(8,062)
Loss due to the settlement of the South African project	-	(375,967)

Impairment losses are mainly recognized on property, plant and equipment, investment properties, goodwill and other intangible assets. Net gain (loss) on business reorganization and others include gains and losses related to obtaining and losing control of investees and gains and losses related to obtaining and losing significant influence over investees.

Restructuring charges (structural reform expenses) included in other expenses for the nine months ended December 31, 2020 and 2019 were 84,276 million yen and 86,358 million yen, respectively. Restructuring charges (structural reform expenses) mainly include impairment losses and special termination benefits.

The impairment loss recognized for the nine months ended December 31, 2020 mainly consists of the following:

Impairment losses include 37,781 million yen in the Smart Life segment, mainly consisting of 27,639 million yen in impairment losses due to the decrease in productivity at some domestic factories in the Automotive Systems business, representing impairment losses on property, plant and equipment of 26,351 million yen and on intangible assets of 1,288 million yen. The recoverable amount was determined on the basis of fair value less costs of disposal, which was measured at 10,615 million yen as of December 31, 2020, 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 include 24,589 million yen in the Hitachi Metals segment, mainly consisting of 15,657 million yen in impairment losses due to the lower than expected future revenue projected for the magnetic materials business, representing impairment losses on property, plant and equipment of 10,356 million yen and on intangible assets of 5,301 million yen. The recoverable amount was determined on the basis of value in use, which was measured at 74,875 million yen as of September 30, 2020, the date on which impairment losses were recognized. The value in use was discounted at 10.1% (before tax), which was derived from the weighted average cost of capital.

The impairment loss recognized for the nine months ended December 31, 2019 mainly consists of the following:

Impairment losses include 61,431 million yen due to the lower than expected future revenue projected for the magnetic materials business in the Hitachi Metals segment consisting of impairment losses on property, plant and equipment of 22,479 million yen and on intangible assets of 38,952 million yen. The recoverable amount was determined on the basis of value in use, which was measured at 106,313 million yen as of September 30, 2019, the date on which impairment losses were recognized. The value in use was discounted at 9.6% (before tax), which was derived from the weighted average cost of capital.

The detail of loss due to the settlement of the South African project is disclosed in note 5.

(11) Financial Income and Expenses

The main components of financial income and expenses for the nine months ended December 31, 2020 and 2019 are as follows:

	Millions of yen	
	2020	2019
Dividends received	2,677	4,628
Exchange gain (loss)	(2,340)	7,542

Dividends received for the nine months ended December 31, 2020 and 2019 are from FVTOCI financial assets.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2020

(12) Discontinued Operations

In the Energy segment, the Company classified the part of thermal power generation systems business which was not transferred to Mitsubishi Hitachi Power Systems, Ltd. (currently Mitsubishi Power, 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 condensed quarterly 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 nine months ended December 31, 2020 and 2019 are as follows:

	Millions of yen	
	2020	2019
Profit or loss from discontinued operations		
Revenues	7	24
Cost of sales and expenses	(693)	(1,212)
Loss from discontinued operations, before income taxes	(686)	(1,188)
Income taxes	-	1
Loss from discontinued operations	(686)	(1,187)

	Millions of yen	
	2020	2019
Cash flows from discontinued operations		
Cash flows from operating activities	(611)	(2,181)
Cash flows from investing activities	-	-
Cash flows from financing activities	736	2,247

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2020

(13) Earnings Per Share (EPS) Information

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the nine months ended December 31, 2020 and 2019 are as follows:

Nine months ended December 31

	Number of shares	
	2020	2019
Weighted average number of shares on which basic EPS is calculated	965,946,407	965,702,013
Effect of dilutive securities		
Stock options	691,800	890,960
Restricted stock	523,601	361,911
Restricted stock units	11,836	-
Number of shares on which diluted EPS is calculated	967,173,644	966,954,884

	Millions of yen	
	2020	2019
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	308,564	56,333
Effect of dilutive securities	-	-
Diluted	308,564	56,333
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(686)	(1,187)
Effect of dilutive securities	-	-
Diluted	(686)	(1,187)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	307,878	55,146
Effect of dilutive securities	-	-
Diluted	307,878	55,146

	Yen	
	2020	2019
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	319.44	58.33
Diluted	319.04	58.26
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(0.71)	(1.23)
Diluted	(0.71)	(1.23)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	318.73	57.10
Diluted	318.33	57.03

Notes to Condensed Quarterly Consolidated Financial Statements

December 31, 2020

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the three months ended December 31, 2020 and 2019 are as follows:

Three months ended December 31

	Number of shares	
	2020	2019
Weighted average number of shares on which basic EPS is calculated	965,986,653	965,716,582
Effect of dilutive securities		
Stock options	691,800	-
Restricted stock	499,486	-
Restricted stock units	10,196	-
Number of shares on which diluted EPS is calculated	967,188,135	965,716,582

	Millions of yen	
	2020	2019
Net income (loss) from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	57,123	(133,756)
Effect of dilutive securities	-	-
Diluted	57,123	(133,756)
Net income (loss) from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	0	(391)
Effect of dilutive securities	-	-
Diluted	0	(391)
Net income (loss) attributable to Hitachi, Ltd. stockholders		
Basic	57,123	(134,147)
Effect of dilutive securities	-	-
Diluted	57,123	(134,147)

	Yen	
	2020	2019
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	59.13	(138.50)
Diluted	59.06	(138.50)
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	0.00	(0.40)
Diluted	0.00	(0.40)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	59.13	(138.91)
Diluted	59.06	(138.91)

Note: Stock options and restricted stock are excluded from the calculations of diluted EPS attributable to Hitachi, Ltd. stockholders for the three months ended December 31, 2019 because they are antidilutive.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2020

(14) Contingencies

Litigation

In November 2017, a subsidiary in Japan received a complaint that was filed against three companies, namely a construction company of a condominium complex, the subsidiary and a secondary subcontractor, by a contractee in Japan seeking approximately 45.9 billion yen in compensation for expenses allegedly incurred arising from concerns over partial deficiencies of piling work during the construction phases of the condominium complex, which the subsidiary contracted as the primary subcontractor. In July 2018, the compensation claim against these three companies was amended to approximately 51.0 billion yen by the contractee.

In relation to the aforementioned lawsuit, in April 2018, the subsidiary in Japan received a complaint that was filed against the subsidiary and the secondary subcontractor, by the construction company of the condominium complex seeking approximately 49.6 billion yen in compensation for expenses allegedly incurred arising from the aforementioned lawsuit. In July 2018, the compensation claim against these two companies was amended to approximately 54.8 billion yen by the construction company of the condominium complex. Although the subsidiary in Japan will address these claims and explain its position, there can be no assurance that it will not be held liable for any amounts claimed.

In December 2017, a subsidiary in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of 263 million euro (33,394 million yen) and interest allegedly incurred by performance defects of a power plant. As of December 31, 2020, the amount of compensation claimed by the customer was changed to 270 million euro (34,281 million yen). Although the subsidiary in Europe will vigorously defend itself against this lawsuit, there can be no assurance that it 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 condensed quarterly consolidated financial statements of the Company and subsidiaries.

(15) Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements were approved on February 10, 2021 by Toshiaki Higashihara, President and CEO of the Company.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	February 10, 2021
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & CEO
[Title and Name of CFO]	Yoshihiko Kawamura, Senior Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Adequacy of Statements Contained in the Quarterly Report

Mr. Toshiaki Higashihara, President & CEO, and Mr. Yoshihiko Kawamura, Senior Vice President and Executive Officer, confirmed that statements contained in the Quarterly Report for the third quarter of the 152nd fiscal year (from October 1, 2020 to December 31, 2020) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.