HITACHI
Inspire the Next

Annual Securities Report

(The 152nd Business Term)
From April 1, 2020 to March 31, 2021

6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Hitachi, Ltd.

[Cover]

[Document Filed]	Annual Securities Report ("Yukashoken Hokokusho")
[Applicable Law]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	June 23, 2021
[Fiscal Year]	The 152nd Business Term (from April 1, 2020 to March 31, 2021)
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
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[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

This is an English translation of the Annual Securities Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan with some contents including cover page, table of contents and URL of the reference information.

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

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

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

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

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

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

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

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Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

(1) Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

Fiscal year	IFRS				
	148th business term	149th business term	150th business term	151st business term	152nd business term
Year end	March 2017	March 2018	March 2019	March 2020	March 2021
Revenues	9,162,264	9,368,614	9,480,619	8,767,263	8,729,196
Income from continuing operations, before income taxes	469,091	638,646	516,502	180,268	844,443
Net income attributable to Hitachi, Ltd. stockholders	231,261	362,988	222,546	87,596	501,613
Comprehensive income attributable to Hitachi, Ltd. stockholders	299,397	382,341	171,140	(8,465)	838,237
Total Hitachi, Ltd. stockholders' equity	2,967,085	3,278,024	3,262,603	3,159,986	3,525,502
Total equity	4,096,995	4,511,671	4,414,403	4,266,739	4,458,232
Total assets	9,663,917	10,106,603	9,626,592	9,930,081	11,852,853
Total Hitachi, Ltd. stockholders' equity per share (yen)	3,072.79	3,395.00	3,378.81	3,270.43	3,646.46
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	239.49	375.93	230.47	90.71	519.29
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	239.42	375.60	230.25	90.60	518.51
Total Hitachi, Ltd. stockholders' equity ratio (%)	30.7	32.4	33.9	31.8	29.7
Return on equity (%)	8.1	11.6	6.8	2.7	15.0
Price earnings ratio (times)	12.6	10.3	15.6	34.6	9.6
Net cash provided by operating activities	629,582	727,168	610,025	560,920	793,128
Net cash used in investing activities	(337,955)	(474,328)	(162,872)	(525,826)	(458,840)
Net cash provided by (used in) financing activities	(209,536)	(321,454)	(320,426)	2,837	(184,838)
Cash and cash equivalents at end of year	765,242	697,964	807,593	812,331	1,015,886
Number of employees	303,887	307,275	295,941	301,056	350,864

(Notes) 1. Our consolidated financial statements have been prepared in conformity with IFRS.
2. Revenues do not include the consumption tax, etc.
3. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The figures for total Hitachi, Ltd. stockholders' equity per share and earnings per share attributable to Hitachi, Ltd. stockholders, basic and diluted, are calculated on the assumption that the Company conducted this share consolidation at the beginning of the 148th business term.
4. Average numbers of part-time employees, etc. are not stated since those were less than 10% of the number of employees.

(2) Financial data etc. of the Company

(Millions of yen, unless otherwise stated)

Fiscal year	148th business term	149th business term	150th business term	151st business term	152nd business term
Year end	March 2017	March 2018	March 2019	March 2020	March 2021
Revenues	1,906,532	1,930,293	1,927,241	1,793,250	1,678,223
Ordinary income	71,599	131,294	304,069	355,490	305,461
Net income	97,724	136,117	174,062	119,409	705,511
Common stock	458,790	458,790	458,790	459,862	460,790
Number of issued shares (thousands of shares)	4,833,463	4,833,463	966,692	967,280	967,885
Total net assets	1,497,428	1,536,018	1,563,456	1,579,058	2,243,742
Total assets	4,070,247	4,017,373	3,934,118	4,004,408	4,982,609
Net assets per share (yen)	1,550.49	1,589.79	1,617.32	1,631.97	2,318.50
Dividends per share (yen) [Of the above, interim dividends per share (yen)]	13 [6]	15 [7]	58 [8]	95 [45]	105 [50]
Net income per share, basic (yen)	101.20	140.97	180.26	123.59	729.77
Net income per share, diluted (yen)	101.17	140.85	180.09	123.49	729.18
Stockholders' equity ratio (%)	36.8	38.2	39.7	39.4	45.0
Return on equity (%)	6.8	9.0	11.2	7.6	36.9
Price earnings ratio (times)	29.8	27.3	19.9	25.4	6.9
Dividend payout ratio (%)	64.2	53.2	50.0	76.9	14.4
Number of employees	35,631	34,925	33,490	31,442	29,850
Total shareholder return (%) [Comparative indicator : TOPIX] (%)	116.9 [112.3]	151.7 [127.4]	144.9 [118.1]	131.7 [104.1]	206.4 [145.0]
Highest share price (yen)	679.5	944.2	3,925.0 [873.7]	4,693.0	5,515.0
Lowest share price (yen)	400.0	566.3	2,767.5 [692.1]	2,524.0	2,855.0

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

2. Effective from the 150th business term, the Company adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) and the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28, February 16, 2018). The figures for total net assets, total assets, net assets per share, stockholders' equity ratio and return on equity for the 149th business term are restated as the standard and guidance are applied retroactively.
3. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The figures for net assets per share and net income per share, basic and diluted, are calculated on the assumption that the Company conducted this share consolidation at the beginning of the 148th business term.
4. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. 58 yen of dividends per share for the 150th business term is the sum of 8 yen of the interim dividend per share before the share consolidation and 50 yen of the year-end dividend per share after the share consolidation.
5. Average number of part-time employees, etc. is not stated since it was less than 10% of the number of employees.
6. The highest and lowest share prices are market prices on the first section of the Tokyo Stock Exchange. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. Regarding the 150th business term, the figures in the upper row are the highest and lowest prices after the share consolidation and the figures in brackets in the lower row are those before the share consolidation.

2. History

1910 – 1945
Founding period
Challenges faced by Hitachi's pioneers

	1910	Founded as a repair shop at Hitachi copper mine of Kuhara Mining Company
Feb.	1920	Incorporated as Hitachi, Ltd. with the Hitachi and Kameido Works
Feb.	1921	Acquired the Kasado shipyard from Nippon Kisen Co., Ltd. and established Kasado Works
May	1935	Equity participation in Kyousei Reiki Kogyo K.K. (later changed its name to Hitachi Plant Engineering & Construction Co., Ltd.)
May	1937	Merged Kokusan Industries, Ltd. and established 7 factories, including Totsuka Works
Apr.	1939	Established Taga Works, spun off Hitachi Research Laboratory from Hitachi Works
Sep.	1940	Established Mito Works
Apr.	1942	Established Central Research Laboratory
Sep.	1943	Merged Riken Vacuum Industry and established Mobara Works
Mar.	1944	Spun off Shimizu Works from Kameari Works
Dec.		Spun off Tochigi Works from Taga Works

1910
A five-horsepower induction motor, one of the products we offered during our founding period (motor)

1946 – 1960
Postwar reconstruction period
Path to reconstruction

Apr.	1947	Established Hinode Shokai Co., Ltd. (currently Hitachi High-Tech Corporation)
May	1949	Established Higashi-Nippon Senikikai KK (later changed its name to Hitachi Medical Corporation)
Feb.	1950	Established Nitto Transport KK. (currently Hitachi Transport System, Ltd.)
May	1955	Established Hitachi Sales Corporation
Oct.	1956	Spun off Hitachi Metals Industries, Ltd. (currently Hitachi Metals, Ltd.) and Hitachi Cable, Ltd.
Nov.		Established Hitachi Kiden Kogyo, Ltd.
Jun.	1957	Spun off Kokubu Works from Hitachi Works
Feb.	1959	Established Yokohama Works
Oct.		Established Hitachi New York, Ltd. (currently Hitachi America, Ltd.)
Sep.	1960	Equity participation in Nippon Business Consultant Co., Ltd. (later changed its name to Hitachi Information Systems, Ltd.)
Aug.		Established Hitachi Geppan Corp. (later changed its name to Hitachi Credit Corporation)

1956
Escalators that became vertical metropolitan pathways

1961 – 1970
Rapid growth period
Fostering comprehensive strength

Feb.	1961	Spun off Naka Works from Taga Works;
		Equity participation in Maxell Electric Industrial Co., Ltd. (currently Maxell Holdings, Ltd.)
Aug.		Established Katsuta Works
Aug.	1962	Established Kanagawa Works
Feb.	1963	Spun off Narashino Works from Kameido Works
Apr.		Spun off Hitachi Chemical Company, Ltd.
Feb.	1966	Established Mechanical Engineering Research Laboratory
Feb.	1968	Spun off Sawa Works from Taga Works, spun off Tokai Works from Yokohama Works, and spun off Odawara Works from Kanagawa Works

1964
The world's first Shinkansen (bullet train) cars to reach 200 km/h

Feb.	1969	Established Software Works
Apr.		Established Ome Works
Aug.		Established Omika Works
Dec.		Spun off Hitachi Construction Machinery Co., Ltd.
May	1970	Established Takasaki Works
Sep.		Established Hitachi Software Engineering Co., Ltd.

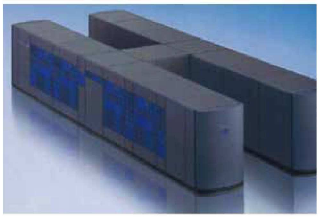
1971 – 1985
Transitional period
Focus on growth sectors

Apr.	1971	Acquired Asahi Works from Hitachi Denshi, Ltd.
Jun.		Established Production Engineering Research Laboratory
Feb.	1973	Established Systems Development Laboratory
Jun.	1974	Established Tsuchiura Works
Nov.		Relocated Kameido Works and renamed to Nakajo Works
Jun.	1982	Established Hitachi Europe Ltd.
May	1985	Established Advanced Research Laboratory


1972
COMTRAC, Computer Aided Traffic Control System for Shinkansen, operations launched

1986 – 2008
Reform period
Strengthening of Group management

Feb.	1989	Established Hitachi Asia Pte. Ltd. (currently Hitachi Asia Ltd.)
Feb.	1991	Integrated Sawa Works into Automotive Products Division
Aug.		Integrated Katsuta Works into Materials Process Technology Division; integrated Totsuka Works into Information & Telecommunication Division; integrated Naka Works into Instruments Division
Feb.	1992	Integrated Yokohama Works and Tokai Works into AV Products Division
Aug.		Changed operation unit of home appliances, computers and electronic devices businesses from factory to business division
Feb.	1993	Integrated Semiconductor Technology Development Center, Musashi Works and Takasaki Works into Semiconductor Division
Aug.		Integrated Shimizu Works into Air Conditioning Division, integrated Nakajo Works and Narashino Works into Industrial Equipment Division
Aug.	1994	Integrated Consumer Products Group and Image & Information Media Division and renamed to Consumer Products & Information Media Systems Group
Oct.		Established Hitachi (China), Ltd.
Feb.	1995	Reorganized business groups as Power & Industrial Systems Group, Consumer Products & Information Media Systems Group, Information Systems Group and Electronics Components Group; integrated a part of R&D division and sales division into the business groups
Apr.		Merged Hitachi Sales Corporation
Apr.	1999	Reorganized business groups into de facto companies to independently operate each business group
Oct.	2000	Merged Hitachi Credit Corporation with Hitachi Leasing Corp. and changed its name to Hitachi Capital Corporation


1999
Launch of super technical server (world's fastest at the time)

Oct.	2001	Split Instruments Group and Semiconductor Manufacturing Equipment Group via company split and reorganized as Hitachi High-Technologies Corporation (currently Hitachi High-Tech Corporation); Split Industrial Machinery Systems Division via company split and reorganized as Hitachi Industries Co., Ltd.
Apr.	2002	Split Home Appliance Group via company split and reorganized as Hitachi Home & Life Solutions, Inc.; Split Industrial Equipment Group via company split and reorganized as Hitachi Industrial Equipment Systems Co., Ltd.

2001
Proton therapy system
(University of Tsukuba Hospital)

Oct.		Split Display Group via company split and established Hitachi Displays, Ltd.; Split Telecommunication Equipment Division via company split and reorganized as Hitachi Communication Technologies, Ltd.; Turned Unisia Jecs Corporation (later changed its name to Hitachi Unisia Automotive, Ltd.) into a wholly owned subsidiary via share exchange
Jan.	2003	Acquired HDDs business from IBM Corp., and commenced operations as Hitachi Global Storage Technologies Netherlands B.V.
Apr.		Split semiconductor business, centering on system LSIs, via company split and established Renesas Technology Corp. (merged with NEC Electronics Corporation and changed its name to Renesas Electronics Corporation in April 2010, and ceased to be an affiliate of the Company due to a decrease in the Company's ownership percentage of voting rights in September 2013)
Jun.		Adopted committee system as the Company's corporate governance structure
Oct.	2004	Merged TOKICO, Ltd. and Hitachi Unisia Automotive, Ltd.; Split Mechatronics System Division, centering on ATMs, via company split and established Hitachi-Omron Terminal Solutions, Corp.
Apr.	2006	Split Social & industrial infrastructure business via company split and integrated with Hitachi Plant Engineering & Construction Co., Ltd., Hitachi Kiden Kogyo, Ltd. and Hitachi Industries Co., Ltd. and reorganized as Hitachi Plant Technologies, Ltd.; Merged Hitachi Home & Life Solutions, Inc. with Hitachi Air Conditioning Systems Co., Ltd. and changed its name to Hitachi Appliances, Inc.
Dec.		Turned Clarion Co., Ltd. into a consolidated subsidiary via tender offer
Jul.	2007	Split nuclear power systems business via company split and reorganized as Hitachi-GE Nuclear Energy, Ltd.

2009 –
Regeneration period
Toward a global Hitachi

Mar.	2009	Turned Hitachi Koki Co., Ltd. into a consolidated subsidiary via tender offer; Turned Hitachi Kokusai Electric Inc. into a consolidated subsidiary via tender offer
Jul.		Merged Hitachi Communication Technologies, Ltd.; Split Automotive Systems Group via company split and established Hitachi Automotive Systems, Ltd.; Split Consumer Business Group via company split and established Hitachi Consumer Electronics Co., Ltd.
Oct.		Reorganized business groups into in-house companies with independent accounting to promote quick business operation
Feb.	2010	Turned Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd. and Hitachi Systems & Services, Ltd. into wholly owned subsidiaries
Apr.		Turned Hitachi Plant Technologies, Ltd. and Hitachi Maxell, Ltd. (currently Maxell Holdings, Ltd.) into wholly owned subsidiaries via share exchanges (turned Hitachi Maxell, Ltd. into an equity-method associate of the Company via selling its shares in March 2014, and ceased to be an affiliate of the Company in March 2017 due to selling its shares)
Oct.		Merged Hitachi Software Engineering Co., Ltd. with Hitachi Systems & Services, Ltd. and changed its name to Hitachi Solutions, Ltd.
Oct.	2011	Merged Hitachi Electronics Services Co., Ltd. with Hitachi Information Systems, Ltd. and changed its name to Hitachi Systems, Ltd.

Mar.	2012	Transferred HDDs business to Western Digital Corporation via share sale of Viviti Technologies Ltd., a holding company for Hitachi Global Storage Technologies Inc., etc. Transferred small and medium-sized displays business via share sale of Hitachi Displays, Ltd.
Apr.	2013	Merged Hitachi Plant Technologies, Ltd.
Jul.		Merged Hitachi Metals, Ltd. with Hitachi Cable, Ltd.
Feb.	2014	Split thermal power generating systems business via company split and transferred to Mitsubishi Hitachi Power Systems, Ltd. (ceased to be an affiliate of the Company in September 2020 due to selling its shares)
Mar.		Turned Hitachi Medical Corporation into a wholly owned subsidiary via share exchange (changed its name to Hitachi Healthcare Manufacturing, Ltd. following the reorganization of Hitachi's healthcare business in April 2016)
Apr.	2015	Reorganized Central Research Laboratory, Hitachi Research Laboratory, Yokohama Research Laboratory, Design Division and overseas R&D facilities into Global Center for Social Innovation, Center for Technology Innovation and Center for Exploratory Research to establish global R&D structure from the customers' perspective
Oct.		Hitachi Appliances, Inc. transferred its air-conditioning systems business to a joint venture established with Johnson Controls Inc.
Apr.	2016	Reorganized in-house companies into business units as a market-specific business structure
May		Turned Hitachi Transport System, Ltd. into an equity-method associate of the Company via sale of a part of its shares
Oct.		Turned Hitachi Capital Corporation into an equity-method associate of the Company via sale of a part of its shares (ceased to be an affiliate of the Company as a result of the merger with Mitsubishi UFJ Lease & Finance Company Limited. in April 2021)
Mar.	2017	Transferred power tools business via share sale of Hitachi Koki, Co., Ltd.
Jun.	2018	Sold semiconductor manufacturing equipment business of Hitachi Kokusai Electric Inc. and also turned it into an equity-method associate of the Company
Mar.	2019	Transferred car information systems business via share sale of Clarion, Co., Ltd.
Apr.		Merged Hitachi Appliances, Inc. with Hitachi Consumer Marketing, Inc. and changed its name to Hitachi Global Life Solutions, Inc.
Apr.	2020	Transferred the business of Hitachi Chemical Company, Ltd. via share sale of the company
May		Turned Hitachi High-Tech Corporation into a wholly owned subsidiary
Jul.		Acquired the power grids business from ABB, Ltd, and commenced operations as Hitachi ABB Power Grids Ltd.
Jan.	2021	Merged Hitachi Automotive Systems, Ltd. with Keihin Corporation, Showa Corporation and Nissin Kogyo Co., Ltd. and changed its name to Hitachi Astemo, Ltd.
Mar.		Split the diagnostic imaging-related business via company split and transferred to FUJIFILM Healthcare Corporation and sold the business via share sale of the company

2017
Class 800 train for the Intercity Express Programme (IEP)

Please check out our YouTube channel.
https://www.youtube.com/watch?v=mclBcKeywTY&list=PLB8uh3iEDoy4sZ5TbV2bBRfTfu5TT0RKn&index=5

3. Description of Business

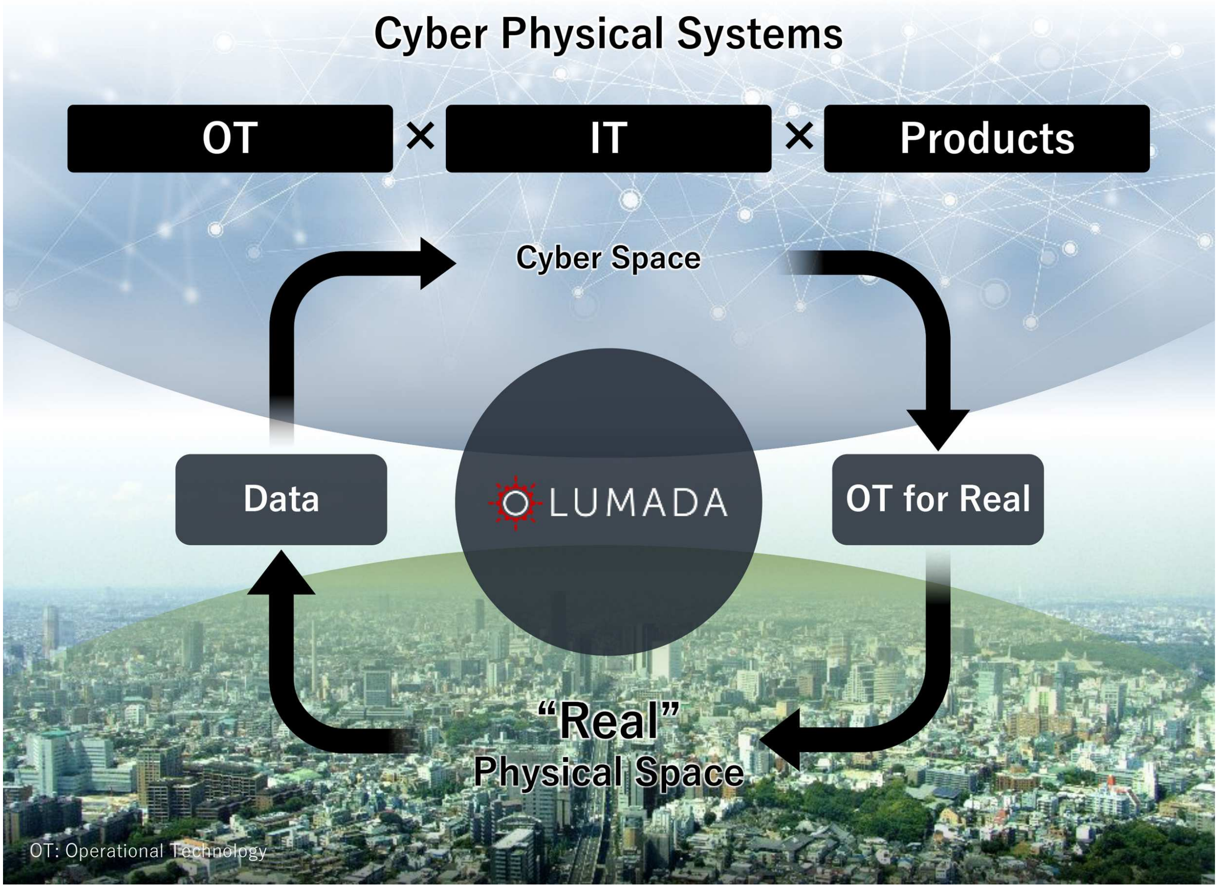
As of March 31, 2021, the Hitachi Group, which is comprised of the Company and 1,216 affiliates (871 consolidated subsidiaries and 345 equity-method associates and joint ventures.), positions five sectors: “IT,” “Energy,” “Industry,” “Mobility” and “Smart Life,” as growth areas and allocates related business units into each sector. Ranging over the eight segments from the five sectors to additional two listed subsidiary groups as Hitachi Construction Machinery and Hitachi Metals, and Others, the Hitachi Group engages in a broad range of business activities, from product development and manufacturing to sales and services.

(Note) From April 1, 2021, the Company newly positioned “Automotive System” as a business alongside the five sectors and the Hitachi Group has nine segments.

One of the Hitachi’s strengths is the ability to provide solutions that use digital technologies to resolve issues facing customers and society through our cutting-edge information technology (IT) and our operational technology (OT), which runs equipment and systems at production sites, and social infrastructure such as railways and power plants in addition to the high-quality and highly reliable products. By providing these solutions, we will simultaneously improve three areas of customer value, namely social value (solving social issues), environmental value (reducing the impact on the environment) and economic value (improving business performance), and raise peoples' Quality of Life (QoL) and customers' corporate value.

*QoL: Quality of Life

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



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

Please check out our YouTube channel.
https://www.youtube.com/watch?v=FYQbxo3n_x4&list
=PLB8uh3iEDoy6TPRqSqwgdpAr5J5rIxWQY&index=2

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

(As of March 31, 2021)

Main products and services	BU and principal affiliated companies	
	BU	Affiliated companies
<u>IT</u> Digital Solutions (Consulting, Software, Cloud Services, System Integration, Control Systems), IT Products (Storage, Servers), ATMs	Financial Institutions BU Social Infrastructure Systems BU Services & Platforms BU	[Consolidated subsidiaries] Hitachi Information & Telecommunication Engineering, Ltd. Hitachi-Omron Terminal Solutions, Corp. Hitachi Solutions, Ltd. Hitachi Systems, Ltd. Hitachi Computer Products (America), Inc. Hitachi Global Digital Holdings Corporation Hitachi Payment Services Private Limited Hitachi Vantara LLC
<u>Energy</u> Energy Solutions (Nuclear, Renewable Energy, Thermal, Power Grid)	Nuclear Energy BU Energy BU	[Consolidated subsidiaries] Hitachi-GE Nuclear Energy, Ltd. Hitachi Plant Construction, Ltd. Hitachi Power Semiconductor Device, Ltd. Hitachi Power Solutions Co., Ltd. Hitachi ABB Power Grids Ltd
<u>Industry</u> Industry & Distribution Solutions, Water & Environment Solutions, Industrial Machinery	Industry & Distribution BU Water & Environment BU	[Consolidated subsidiaries] Hitachi Industrial Equipment Systems Co., Ltd. Hitachi Industrial Products, Ltd. Hitachi Industry & Control Solutions, Ltd. Hitachi Plant Services Co., Ltd. Hitachi Industrial Holdings Americas, Inc. JR Technology Group, LLC Sullair, LLC [Equity-method associates] Hitachi Kokusai Electric Inc.
<u>Mobility</u> Building Systems (Elevators, Escalators), Railway Systems	Building Systems BU Railway Systems BU	[Consolidated subsidiaries] Hitachi Building Systems Co., Ltd. Hitachi Elevator (China) Co., Ltd. Hitachi Rail Ltd.
<u>Smart Life</u> Smart Life & Ecofriendly Systems (Home Appliances, Air Conditioners), Measurement and Analytical Systems (Medical and Bio, Semiconductor, Industry), Automotive Systems (Powertrain, Chassis, Advanced Driver Assistance, Motorcycle)	-	[Consolidated subsidiaries] Hitachi Astemo, Ltd. Hitachi Global Life Solutions, Inc. Hitachi High-Tech Corporation Hitachi Astemo Americas, Inc. Hitachi Consumer Products (Thailand), Ltd. [Equity-method associates] Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd
<u>Hitachi Construction Machinery</u> Hydraulic Excavators, Wheel Loaders, Mining Machinery, Maintenance and Services, Construction Solutions, Mine Management Systems	-	[Consolidated subsidiaries] Hitachi Construction Machinery Co., Ltd.
<u>Hitachi Metals</u> Specialty Steel Products, Functional Components and Equipment, Magnetic Materials and Power Electronics Materials, Wires, Cables and Related Products	-	[Consolidated subsidiaries] Hitachi Metals, Ltd.
<u>Others</u> Optical Disk Drives, Property Management	-	[Consolidated subsidiaries] Hitachi-LG Data Storage, Inc. Hitachi Real Estate Partners, Ltd. Hitachi America, Ltd. Hitachi Asia Ltd. Hitachi (China), Ltd. Hitachi Europe Ltd. Hitachi India Pvt. Ltd.

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

2. Hitachi Global Digital Holdings Corporation changed its name to Hitachi Global Digital Holdings LLC on April 1, 2021.

3. Hitachi Astemo, Ltd., Hitachi Astemo Americas, Inc. and their businesses are classified in the Automotive Systems segment, which was newly established on April 1, 2021.

4. In addition to the table above, the major equity-method associates are Hitachi Capital Corporation and Hitachi Transport System, Ltd. as of March 31, 2021. Hitachi Capital Corporation merged with Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.) and ceased to be an equity-method affiliate of the Company on April 1, 2021.

4. Information on Affiliates

(1) Consolidated subsidiaries

(As of March 31, 2021)

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

(As of March 31, 2021)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	(Thousands of US dollars) 14,000	IT	[100.0] 100.0	The Company supplies parts for computer peripherals. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Global Digital Holdings Corporation	California, U.S.A.	(Thousands of US dollars) 1,442,641	IT	100.0	Holding company for Hitachi Vantara LLC, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Payment Services Private Limited	Chennai, India	(Thousands of Indian rupee) 79,158	IT	[58.8] 100.0	Offering the Hitachi Group's payment services for financial institutions in India. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Vantara LLC	California, U.S.A.	(Thousands of US dollars) 925,000	IT	[100.0] 100.0	Sales company for the Company's storage, etc. The Company outsources consulting services. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	5,000	Energy	80.0	The Company delivers nuclear power generation equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	3,000	Energy	100.0	Construction of the Company's power and industrial plants, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2021)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Power Semiconductor Device, Ltd.	Hitachi, Ibaraki	450	Energy	100.0	The Company purchases semiconductor components. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	4,000	Energy	100.0	The Company purchases power plant parts, and outsources maintenance of power generation equipment and control equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi ABB Power Grids Ltd	Zurich, Switzerland	(Thousands of Swiss franc) 1,250	Energy	80.1	Holding company for power grids business companies from which the Company purchases power grids devices, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	10,000	Industry	100.0	The Company purchases industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Industrial Products, Ltd.	Chiyoda-ku, Tokyo	10,000	Industry	100.0	The Company purchases industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Industry & Control Solutions, Ltd.	Hitachi, Ibaraki	3,000	Industry	100.0	The Company outsources development of information control systems, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2021)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	3,000	Industry	100.0	Construction of the Company's industrial and public plants, etc. The Company outsources the services for them. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Industrial Holdings Americas, Inc.	Illinois, U.SA.	(Thousands of US dollars) 1,967,670	Industry	[100.0] 100.0	Holding company for JR Technology Group LLC and Sullair, LLC. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
JR Technology Group, LLC	Michigan, U.S.A.	-	Industry	[100.0] 100.0	Holding company for JR Automation Technology, LLC, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Sullair, LLC	Indiana, U.S.A.	-	Industry	[100.0] 100.0	The Company purchases industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	5,105	Mobility	100.0	Design, manufacturing, sales, installation and maintenance, etc. of the elevators and escalators the Company developed. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2021)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	(Thousands of Chinese yuan) 538,806	Mobility	[70.0] 70.0	Sales, installation and maintenance, etc. of the Hitachi Group's elevators and escalators in China. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Rail Ltd.	London, U.K.	(Thousands of Sterling pounds) 878,181	Mobility	100.0	Manufacturing, sales, engineering and maintenance of the Company's rail systems products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Astemo, Ltd.	Hitachinaka, Ibaraki	51,500	Smart Life	66.6	The Company purchases parts for railway vehicles, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Global Life Solutions, Inc.	Minato-ku, Tokyo	20,000	Smart Life	100.0	Manufacturing and sales of the Hitachi Group's home appliances, and sales, system installation and maintenance of the Group's air-conditioning and refrigerating products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi High-Tech Corporation	Minato-ku, Tokyo	7,938	Smart Life	100.0	The Company sells and purchases information equipment and power-related parts, etc. through this company.
Hitachi Astemo Americas, Inc.	Kentucky, U.S.A.	(Thousands of US dollars) 86,278	Smart Life	[100.0] 100.0	Manufacturing and sales company in North America for the Hitachi Group's automotive systems products.

(As of March 31, 2021)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Consumer Products (Thailand), Ltd.	Prachinburi, Thailand	(Thousands of Thai Baht) 2,472,000	Smart Life	[84.1] 84.1	Manufacturing and sales company for the Hitachi Group's refrigerators and washing machines, etc. in Thailand.
** *Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo	81,576	Hitachi Construction Machinery	51.5	The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Metals, Ltd.	Minato-ku, Tokyo	26,283	Hitachi Metals	53.4	The Company purchases specialty steel products, functional components and equipment, magnetic materials and power electronics materials and wires, cables, and related products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo	4,800	Others	51.0	Development, manufacturing and sales company for the Hitachi Group's optical disk drives. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Real Estate Partners, Ltd.	Chiyoda-ku, Tokyo	2,000	Others	100.0	The Company outsources management of welfare facilities, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2021)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
**Hitachi America, Ltd.	California, U.S.A.	(Thousands of US dollars) 5,531,947	Others	100.0	The Hitachi Group's regional supervising company in Americas, and sells the Hitachi Group's plant-, industrial machinery- and healthcare - related products, etc., as well as promotes R&D in Americas. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Asia Ltd.	Singapore	(Thousands of Singapore dollars) 127,649	Others	100.0	The Hitachi Group's regional supervising company for Asia, and sells the Hitachi Group's industrial machinery and train-, healthcare- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi (China), Ltd.	Beijing, China	(Thousands of US dollars) 226,380	Others	100.0	The Hitachi Group's regional supervising company for China, and sells the Hitachi Group's plant, industrial machinery and train-, healthcare- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Europe Ltd.	Maidenhead, U.K.	(Thousands of Sterling pounds) 253,049	Others	100.0	The Hitachi Group's regional supervising company for Europe, and sells the Hitachi Group's plants, industrial machinery and digital media- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2021)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi India Pvt. Ltd.	New Delhi, India	(Thousands of Indian rupee) 344,000	Others	[100.0] 100.0	The Hitachi Group's regional supervising company for India, and sells the Hitachi Group's plants, industrial machinery and digital media-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Others - 834 companies	-	-	-	-	-

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

2. The common stock of JR Technology Group, LLC and Sullair, LLC is not shown since they are limited liability companies under the U.S. law, and do not have the "common stock".
3. Companies with two asterisks (**) in the "Company name" column are specified subsidiaries.
4. Companies with one asterisk (*) in the "Company name" column submit Securities Registration Statement or Annual Securities Report.
5. The name of segment in which the companies classified is shown in the "Principal business" column.
6. The amounts in brackets in upper row of the "Ownership percentage of voting rights" column represent the percentage of voting rights owned indirectly by subsidiaries, of the total ownership percentage.
7. Companies with negative net worth are shown below, along with the amount of liabilities in excess of assets.

   Hitachi Power Europe GmbH 119,782 million yen

   Chassis Brakes International B.V. 11,874 million yen
8. Hitachi Global Digital Holdings Corporation changed its name to Hitachi IGlobal Digital Holdings LLC on April 1, 2021.
9. Hitachi Astemo, Ltd. and Hitachi Astemo Americas, Inc. are classified in the Automotive Systems segment, which was newly established on April 1, 2021.

(2) Equity-method associates and joint ventures

(As of March 31, 2021)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Kokusai Electric Inc.	Minato-ku, Tokyo	1,000	Industry	20.0	The Company purchases electronic equipment and parts, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd	Hampshire, U.K.	(Thousands of US dollars) 935,107	Smart Life	[40.0] 40.0	Holding company for air-conditioning systems business companies from which the Hitachi Group purchases air-conditioning systems devices.
*Hitachi Capital Corporation	Minato-ku, Tokyo	9,983	General leasing, installment sales, and other financial services	33.4	Leases manufacturing equipment, industrial equipment, office equipment, etc. to the Company, and engages in leasing and installment sales of the Company's business equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Transport System, Ltd.	Chuo-ku, Tokyo	16,802	Logistics services	39.9	The Company outsources transportation and storage of products.
Others - 341 companies	-	-	-	-	-

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

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

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

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

Agility Trains East (Holdings) Limited	67,522 million yen
Agility Trains West (Holdings) Limited	52,962 million yen
GE-Hitachi Nuclear Energy Holdings LLC	15,686 million yen

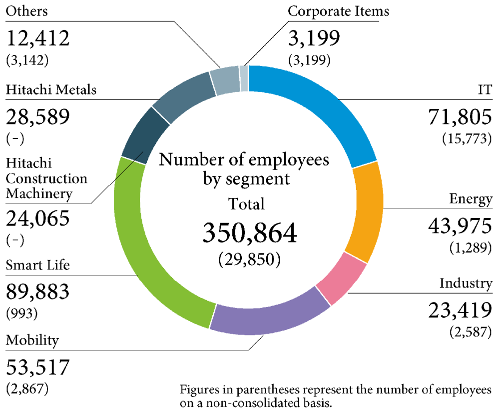
5. Hitachi Capital Corporation merged with Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.) and ceased to be an equity-method affiliate of the Company on April 1, 2021.

5. Employees

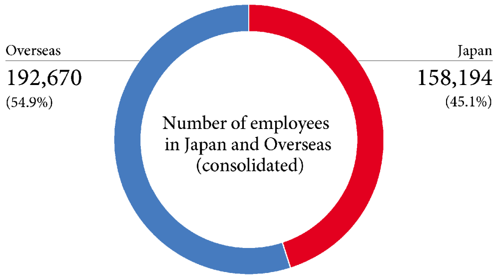
(1) Consolidated basis

(As of March 31, 2021)

Name of segment	Number of employees
IT	71,805 [15,773]
Energy	43,975 [1,289]
Industry	23,419 [2,587]
Mobility	53,517 [2,867]
Smart Life	89,883 [993]
Hitachi Construction Machinery	24,065 [-]
Hitachi Metals	28,589 [-]
Others	12,412 [3,142]
Corporate (Head Office and others)	3,199 [3,199]
Total	350,864 [29,850]



Figures in parentheses represent the number of employees on a non-consolidated basis.



(Note) 1. The number in brackets in the lower row of the "Number of Employees" column is the number of employees of the Company included in each of the numbers in the upper row.

2. The number of employees of Hitachi Group (the Company and its subsidiaries) increased by 49,808 persons during one year ended March 31, 2021, due mainly to the acquisition of the power grids business of ABB Ltd in the Energy segment and the management integration of Hitachi Astemo, Ltd. in the Smart Life segment.

(2) The Company

(As of March 31, 2021)

Number of employees	Average age	Average length of service	Average annual salary
29,850	42.6	19.2 years	8,902,877 yen

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

(3) Relationship with labor union

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

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

II. Business Overview

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

(1) Management Policy

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

(2) Economic Environment and Challenges Hitachi Group Faces

1) Hitachi Group

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

In this economic environment, Under the 2021 Mid-term Management Plan, Hitachi will improve three types of customer value: social value (solving social issues), environmental value (reducing the impact on the environment) and economic value (improving business performance), and contribute to the realization of a human-centered society.

We will focus on the following policies in particular.

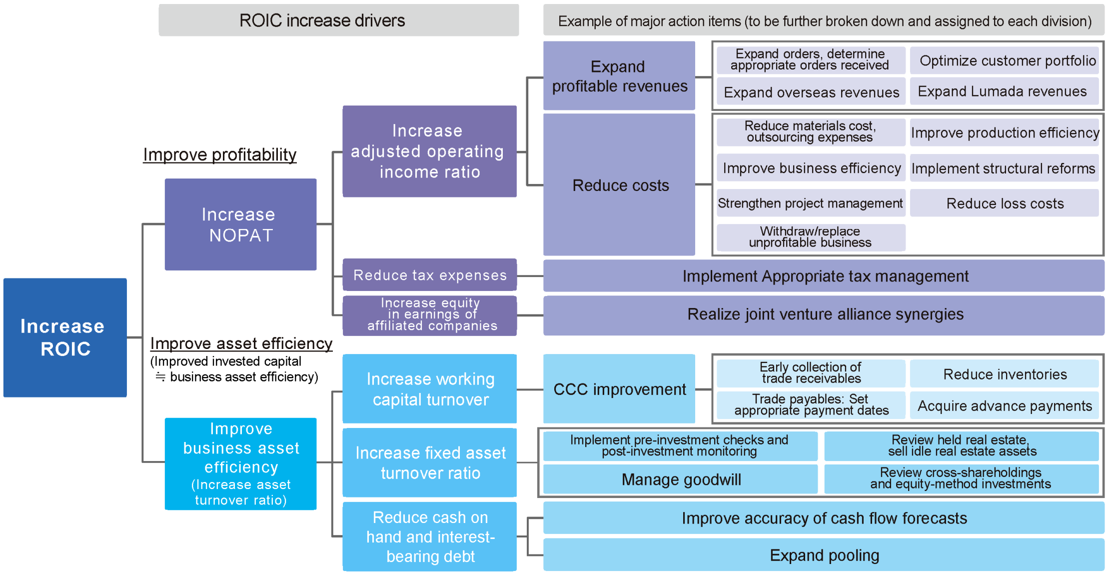
i) Further initiatives to enhance customer value

Hitachi will resolve social issues and improve people's QoL by focusing on Social Innovation Business in the three areas of the Environment, Resilience and Security & Safety. To achieve these objectives, Hitachi will work on evolution and global expansion of Lumada, leveraging the digital engineering capabilities and co-creation bases of the U.S. company, GlobalLogic Inc. (GlobalLogic) which Hitachi announced to acquire in March 2021 as growth engines, and strengthen our cyber-physical system using our expertise in "OT x IT x Products." Hitachi will also realize the creation of customer value oriented businesses through co-creation and alliances with partners.

ii) Continued efforts to strengthen the management foundation

To realize these strategies, Hitachi will establish a business structure with a view toward the next mid-term management plan by having building the business structure that can fully utilize GlobalLogic, the restructured Hitachi ABB Power Grids Ltd and Hitachi Astemo, Ltd. and deciding the sale of Hitachi Metals, Ltd. as the culmination of reforms of its business portfolio during the 2021 Mid-term Management Plan.

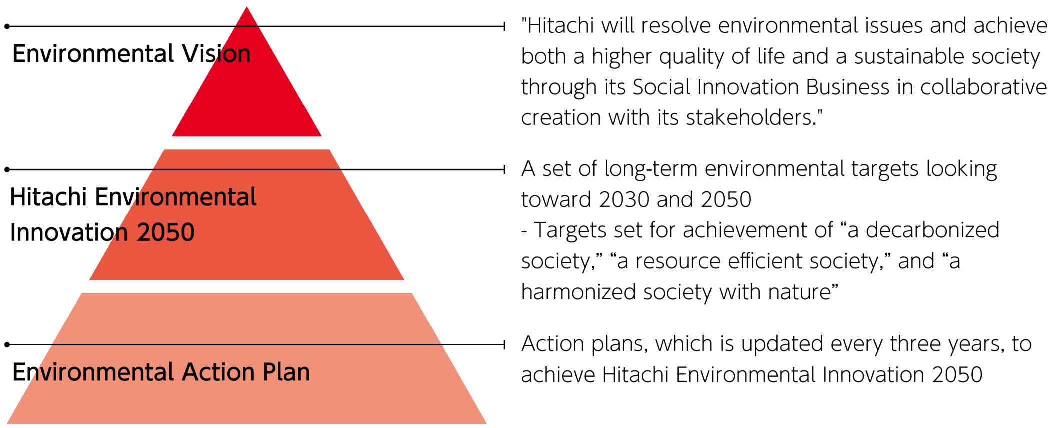
In addition, Hitachi will continue to strengthen its profitability and ability to generate cash by adding cost reduction measures that take into account our response to the new normal and by further promoting investment return management using return on invested capital (ROIC), under the cost structure reform through the development of operations utilizing digital technologies and data preparation and integration, which are being implemented across the Group.



iii) Measures for Improving Environmental Value

<u>"Environmental Vision" and "Hitachi Environmental Innovation 2050"</u>

Hitachi Group promotes its environmental strategy by establishing its goals and plans as follows.



From April 2021, we will adopt an assessment KPI that linked to environmental value into our executive remuneration.

Hitachi Carbon Neutrality 2030

Toward the goal of a decarbonized society in particular, we promote Hitachi Carbon Neutrality 2030 aiming for carbon neutrality at our business sites (factories and offices) by fiscal 2030.

- Hitachi Hitech Fine Systems
  Factory achieved carbon neutral by switching all electricity to renewable in 2020

Participation in COP26 (Principal Partner) and External Assessment

As a principal partner of COP26 (Note 1), which will be held in the UK in November 2021, we will further increase our commitment to decarbonization and contribution to the society.

Hitachi achieved SBT (Note 2) accreditation, one of the greenhouse gas reduction target indicators, in December 2020 and has received external recognition for these environmental actions.

(Notes) 1. COP26: The 26th United Nations Climate Change Conference
2. SBT: Science Based Targets

2) 6 focused business areas

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

(IT)

A great deal of attention is focused on digital transformation (DX), an initiative aimed at transformation of every corporate economic activity, business models that underpin these activities and their organizations, cultures and systems by leveraging digital technologies such as AI, IoT, robotics and next generation network standard, 5G, from the perspective of responding to market environment digitization. Following the onset of the COVID-19 pandemic in 2020, businesses concepts, including their ideas of value, particularly as they pertain to consumer activities and supply chains, have hit a critical turning point globally, while people's workstyles and lifestyles have undergone significant change. In this new normal era, DX has continued to accelerate amid growing needs for remote solutions, contactless solutions, and automation to achieve goals such as the elimination or reduction of labor.

In the IT sector, we will meet the expectations of our customers in Japan and overseas and work to realize a sustainable society by leveraging the power of digital technology, including Lumada, as we aim to become the world's premier solution provider. While companies may be cautious about investing in IT due to the COVID-19 pandemic, the DX of corporate management and business models is continuing to steadily progress in all industries globally, and in North

America and Europe in particular, even in this unstable economic environment. We will fulfil these needs, work to enhance social value through our business providing advanced digital solutions in the fields of finance and social infrastructure, and also create environmental value through our efforts to improve environmental efficiency throughout the entire life cycle of products and services.

The IT sector leads all of our business areas as the core of the Lumada business. During the period of the 2021 Mid-term Management Plan, Lumada solutions made progress in stages, advancing into wide-ranging markets and transforming the IT sector while aiming for growth. The Lumada business will accelerate its globalization through the acquisition of GlobalLogic scheduled to be completed until the end of July 2021, increase and develop our human capital for digital solutions, and develop advanced digital technologies to grow into a business entity supporting the DX of customers and society on a global scale.

(Energy)

Demand for energy is growing globally against the background of social innovation such as the increase of the size of data centers, industrial electrification, and the increase of applications for electric vehicles (EV), in addition to the increase of the population and economic growth. Given the need for measures to address climate change, the movement toward the reduction of CO2 emissions and de-carbonization is accelerating globally. Japan has declared a goal of achieving carbon neutrality by 2050, and the Act on Promotion of Global Warming Countermeasures and the Basic Energy Plan is currently being revised. The COVID-19 pandemic has triggered change (digitization) in the structure of industry due to the slowdown of the economy and decrease of capital expenditures, the promotion of economic recovery policies linked to environmental protection (Green Policy), the acceleration of reforms to address the new normal era and SDGs management. To address environmental issues and challenges related to energy, we seek to provide energy solutions that leverage our advantage, “OT x IT x Products,” in a range of business areas, including renewable energy and power grids.

In the Energy sector, we will provide energy solutions through Collaborative Creation with our customers and partners leveraging “OT x IT x Products” in areas such as power grids, renewable power generation systems, and nuclear power generation systems to contribute to the stable supply of energy, efficient facility management, the reduction of CO2 emissions, and the creation of a low-carbon society. The Energy sector plays a central role in our Social Innovation Business and it will continue to contribute to the achievement of the SDGs.

It will develop advanced energy management systems by developing more sophisticated management of and streamlining maintenance and inspection at energy-related facilities using Lumada and leveraging the expertise and digital technologies which we have accumulated. The Energy sector will also increase the presence of the Social Innovation Business globally through the development of new solutions combining the global competitiveness of Hitachi ABB Power Grids Ltd and Lumada-based digital technologies and contribute to the improved QoL including the establishment of a low-carbon society and the stable supply of energy as a leader in the energy industry.

(Industry)

Markets in industies have been changing more rapidly and complexly than ever due to a decrease in the working-age population, the intensification of global competition, climate change and resource shortages. Moreover, people’s lifestyles and corporate activities are changing significantly due to the COVID-19 pandemic, resulting in growing new demand for DX using technologies such as AI, IoT, and robotics in a variety of areas.

The Industry sector aims to be the best solution partner for its customers in industrial businesses by leveraging our unique “OT x IT x Products.” We will aid customers from the manufacturing and distribution industries to “implement production and provide services more efficiently” by offering solutions that contribute to the enhancement of productivity and quality, “create a secure and safe water environment” for 70 million people per day globally by improving the water supply and sewerage infrastructure and using seawater desalination technologies, and “reduce CO_2 emissions” by facilitating product energy-saving to create social value, environmental value and economic value.

To meet these goals, the Industry sector is enhancing and expanding its total seamless solutions that resolve the challenges that lie between management and workplaces and in supply chains and achieve total optimization by digitally connecting cyberspace and the physical world using Lumada. In addition, the sector is accelerating its global expansion by aiming to expand business with the fusion of robotics SI and digital technologies through the purchase of JR Technology Group, LLC. which operates a robotics SI business in the U.S. in 2019 and the reorganization of Hitachi Industrial Holdings Americas, Inc., the Industry business management company in North America, in 2020.

(Mobility)

In the building systems business, demand for maintenance and renovation services and expectations for new solutions that enhance buildings’ added value through the use of digital technologies are rising, in addition to demand for the installation of new elevators and escalators. In the railway systems business, long-term market growth is expected as a means of low-carbon mobility amid the increasing global population, urbanization, and climate change.

In the Mobility sector, we provide solutions that will be part of clean and highly efficient smart cities to people around the world, including faster, more ecofriendly movement between cities, reduction of the level of dependency on vehicles in cities and smart solutions to organize the flow of people in high-rise buildings. We provide social value through safe, secure, and comfortable mobility services and products and services that solve the issues that arise in urban areas, including buildings. In addition, we work to create environmental value, including the reduction of CO_2 emissions, by developing mobility services with low environmental load.

In particular, in the building systems business, the Mobility sector provides reliable elevators and escalators and high-quality services such as remote surveillance that support safe, secure, and comfortable urban living and Lumada-based solutions for buildings leveraging our strong digital technology resources including IoT and AI. Through this, the sector will meet consumers' needs in the new normal such as the increased efficiency of building management, increased convenience for building users, reduced risk of infection, and greater disaster resilience.

In the railway systems business, the Mobility sector will use Lumada to increase the value added by its maintenance services by analyzing the data collected from railway vehicles to provide safe, secure, and comfortable mobility services and contributing to total solutions such as the management of operations and unmanned autonomous driving. In addition, the sector will actively promote investment in the Americas as well as Japan and Europe, and accelerate growth by working to tap into large project business opportunities while utilizing its existing manufacturing bases and its presence in the maintenance and service markets.

The Mobility sector continues to grow despite the severe environment created by the COVID-19 pandemic and it will achieve the transformation of its business in anticipation of a post-pandemic world.

(Smart Life)

Expectations for “smart living” that improves consumers’ QoL by, for instance, extending people's healthy life expectancies and reducing the burdens of housework using digital technologies such as IoT and AI are on the rise. The Smart Life sector contributes to the establishment of smart living through its healthcare, semiconductor manufacturing and examination equipment, and life and ecosystem businesses as it creates social value, environmental value, and economic value.

There is significant unmet consumer need and rapid development in scientific fields in the biomedical and life science market in which the measurement and analysis system business led by Hitachi High-Tech Corporation operates. This suggests significant potential for growth in the market. Hitachi High-Tech’s semiconductor manufacturing and examination equipment business, which supports 5G and digitization, is continuously growing due to the growing demand for semiconductors. In the home appliance and air-conditioning market, in which the life and ecosystem business led by Hitachi Global Life Solutions, Inc. operates, demand for connected home appliances that support more comfortable living is growing amid an increase in consumers' time spent at home due to the COVID-19 pandemic.

In addition to these market changes and developments, the Smart Life sector aims to expand its businesses in the four growth areas of healthcare, semiconductors, home appliances, and EVs to improve its efforts to address environmental issues which are of increasing concern globally. More specifically, the sector will use digital technology to enhance its products that retain the largest market shares and expand its service businesses through Collaborative Creation with its customers. The Smart Life sector uses Lumada's data analysis technologies to create competitive solutions in growth markets, including contributing to the extension of a healthy life expectancy through the combination of innovative technologies for in-vitro diagnosis and AI, the acceleration of 5G and digitization by improving semiconductor performance, contributing to achieving fulfilling lives through the use of household AI and robots, and reducing the number of accidents through the application of self-driving technology and advanced driving support. The sector aims to continue to improve the quality of consumer life. The sector will also work to reduce environmental burdens by providing environmental solutions such as the optimization of EV operations management, EV battery management, and air-conditioner operation.

(Automotive Systems)

The automobile and motorcycle industries, in which Hitachi Astemo, Ltd. operates an automotive systems (AMS) business, is purportedly entering a once-in-a-century revolution due to the growing needs of society for things such as the reduction of environmental burdens, the increase of comfort, and the reduction of traffic accidents through the enhanced safety. Competition continues to intensify in electrification, internet connectivity, self-driving, and other technologies that are becoming the core of automobile development.

Against this background, the AMS business will contribute to a sustainable society and the improvement of QoL by meeting customer needs and providing advanced mobility solutions that lead the world based on its portfolio, which includes five businesses: powertrain and safety systems, chasses, motorcycles, software, and aftermarket services. More specifically, the sector will create environmental value that contributes to the improvement of the global environment using high-efficiency electrification products and technologies to reduce GHG emissions while creating social value by improving safety, comfort, and QoL through self-driving systems, advanced driver-assistance systems, and advanced chassis technologies. The sector will work to accelerate the creation of synergy among the four companies that were combined into Hitachi Astemo, Ltd. to strengthen its management base and corporate structure and increase revenue with an the goal of achieving the 2025 financial targets of creating economic value including sales revenue of approximately 2 trillion yen and an EBITDA ratio of approximately 15%.

The sector will leverage Lumada to provide cutting-edge digital solutions and meet increasingly sophisticated customer needs, and also improve its ability to develop software to respond to the future shift to software-defined vehicles whose functions will be operated through software applications.

(3) Targets under the mid-term management plan

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

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

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

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

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

2. Risk Factors

(1) About Risk Management

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

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

As a major, we have the following initiatives:

Risks related to investments, etc.

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

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

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

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

Risks related to sustainability

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

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

(2) Risk Factors

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

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

1) Risks Related to COVID-19

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

Effects on results of operations in the fiscal year ended March 31, 2021 are described in "3. Management's Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows." Accounting estimates policy is described in "Consolidated Financial Statements — Notes to Consolidated Financial Statements — (3) Summary of Significant Accounting Policies — (j) Impairment of Non-Financial Assets and (o) Income taxes."

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

2) Risks Related to Market

Economic Trends

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

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

Currency Exchange Rates Fluctuations

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

The table below shows the foreign exchange sensitivity for the fiscal year ending March 31, 2022 (impact of exchange rate fluctuation by one-yen fluctuation from the forecasted rate) estimated as of March 31, 2021.

Currency	Forecast	Foreign exchange sensitivity (Billions of yen)	
		Revenues	Adjusted Operating Income
U.S. dollar	105 yen / U.S. dollar	19.0	2.0
Euro	125 yen / Euro	7.0	1.0

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

Access to Liquidity and Long-term Financing

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

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

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

Marketable Securities Risks

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

The table below shows the number of stock names and balance sheet amount of the stocks the Company owned at the end of the fiscal year ended March 31, 2021.

	Number of stock names (stock names)	Total amount recorded in the balance sheet (millions of yen)
Unlisted stocks	167	24,534
Others	50	176,521

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

3) Risks Related to Business Environment

Material and Component Procurement

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

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

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

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

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

Intense Competition

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

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

Dependence on Specially Skilled Personnel

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

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

Rapid Technological Innovation

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

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

Supply and Demand Balance

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

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

Credit Risks Arising from Business Transactions

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

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

4) Risks Related to Management Policy and Strategy

Our Strategy to Strengthen Our Social Innovation Business

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

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

Acquisitions, Joint Ventures and Strategic Alliances

In every operating sector, we depend to some degree on acquisitions of other companies, joint ventures and strategic alliances with outside partners to design and develop key new technologies and products, to strengthen competitiveness by scaling up and to expand into new regions through acquiring local bases or distribution channels. The matters which may have adverse effects on our financial condition or profitability are described in "Consolidated Financial Statements - Notes to Consolidated Financial Statements - (5) Business Acquisitions and Divestitures." Such transactions are inherently risky because of the difficulties in integrating operations, technologies, products and personnel and achieving return of the investment. Integration issues are complex, time-consuming and expensive and, without proper planning and implementation, could adversely affect our business. Decisions made by or the performance of alliance partners that we cannot control or adverse business trends may also negatively affect the success of our alliances. We may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to integration or restructuring of acquired businesses. If it is expected that the amount invested is irrecoverable due to a decline in the profitability of an investee, we may incur significant losses, including impairment loss for goodwill. There can be no assurance that these transactions will be beneficial to our business or financial condition. We recorded goodwill of 480,006 million yen in the Energy segment, 214,280 million yen in the IT segment and 155,240 million yen in the Industry segment as of March 31, 2021. The amount of goodwill in each segment is described in "Consolidated Financial Statements - Notes to Consolidated Financial Statements - (4) Segment Information." Even assuming these transactions are beneficial, there can be no assurance that we will be able to successfully integrate acquired businesses or achieve all or any of the initial objectives of these transactions.

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

Restructuring of Our Business

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

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

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

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

Our Overseas Growth Strategies

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

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

Because of these factors, there can be no assurance that we will be able to achieve the aims of our overseas growth strategy. This may adversely affect our business growth prospects and results of operations.

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

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

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

The table below shows investments accounted for using the equity method as of March 31, 2021.

Millions of yen

Segment	March 31, 2021
IT	48,471
Energy	43,546
Industry	21,504
Mobility	24,899
Smart Life	86,617
Hitachi Construction Machinery	30,486
Hitachi Metals	11,494
Others	4,893
Subtotal	271,910
Corporate items and Eliminations	200,195
Total	472,105

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

Overhaul of Cost Structure

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

5) Other Risks Affecting the Overall Management

Significant Disasters, climate change and Similar Events

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

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

Litigation and Regulatory Investigations

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

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

In addition, our business activities are subject to various governmental regulations in countries where we operate, which include investments, exports, tariffs, antitrust, anti-bribery, consumer and business taxation, intellectual property, foreign trade and exchange controls, human rights, employment and labor, environmental and recycling requirements. These regulations limit, and other new or amended regulations may further limit, our business activities or increase operating costs. In addition, the enforcement of such regulations, including the imposition of fines or surcharges for violation of such regulations, may adversely affect our results of operations, financial condition, cash flows, reputation and credibility. For example, environmental regulations in response to climate change and tax related to carbon emissions for shifting to a no-carbon and low carbon society and energy consumption tax could adversely affect, our business and results of operations chiefly by increases in operating costs due to tax and emissions trading and losses of opportunities due to delays in technology development for environmentally friendly products and services. Regulations for protecting personal data also could adversely affect our business.

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

Product Quality and Liability

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

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

Dependence on Information Systems

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

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

Management of Confidential Information

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

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

Intellectual Property

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

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

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

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

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

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

Employee Retirement Benefits

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

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

6) Risks Related to Our American Depositary Shares

Rights of ADS holders

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

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

Unit Share System

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

Dilution of Your Shares by Issuances of Additional Shares

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

Foreign Exchange Fluctuations

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

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

(1) Progress of Management Plan

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

Under the "2021 Mid-term Management Plan," the key indicators to measure performances in terms of meeting our strategic and operational goals are as follows.

	Year ended March 31, 2021 (Fiscal 2020)	Fiscal 2021 Target
Annual growth rate for revenues	(0.4%)	Over 3%
Adjusted operating income margin	5.7%	Over 10%
Operating cash flow	(Cumulative for two years from Fiscal 2019 to Fiscal 2020) 1,354.0 billion yen	(Cumulative for three years from Fiscal 2019 to Fiscal 2021) Over 2.5 trillion yen
Return on invested capital (ROIC)	6.4%	Over 10%
Overseas revenue ratio	52%	Over 60%

The Hitachi Group maintained its profitability close to the level in the previous fiscal year, despite the severe business environment due to the COVID-19 pandemic. Regarding funds, cash flows from operating activities increased about 232.2 billion yen from the previous fiscal year, to 793.1 billion yen and reached 1,354.0 billion yen including the previous fiscal year due to strengthened cash management.

2) Global Business Expansion

– Evolution into a Social Innovation Company that leads the DX of social infrastructure

In March 2021, we decided to acquire GlobalLogic Inc. to facilitate the global DX of social infrastructure. Headquartered in Silicon Valley in the U.S., GlobalLogic is a leading company in the digital engineering market which continues to grow rapidly. We will be able to strengthen the following two points through synergy between GlobalLogic and our existing strengths in "OT x IT x Products."

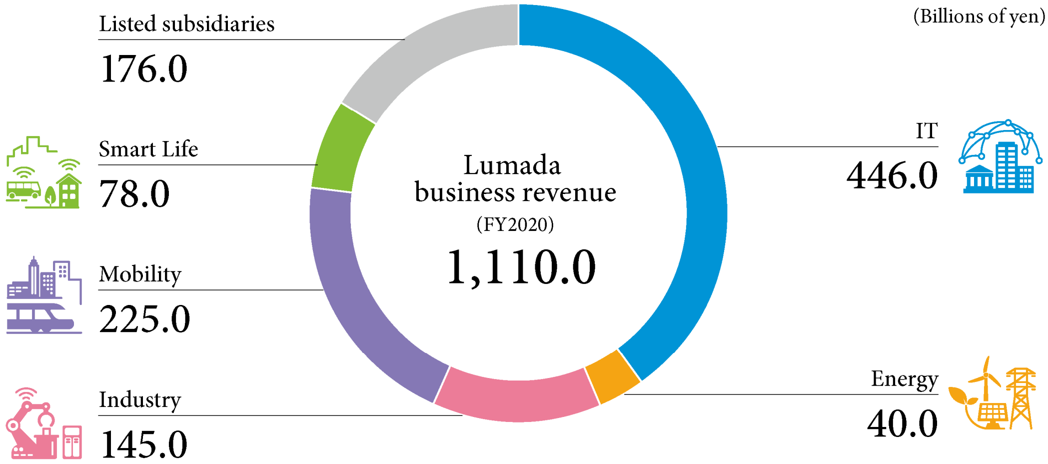
One is our ability of co-creation with customer. GlobalLogic owns design centers for co-creation all over the world and has achieved the fast development of applications and services through co-creation with customers in a wide range of areas including telecommunications, financial services, automobiles, healthcare and industry. Focusing on developing the core systems that are indispensable in its customers' businesses, we will leverage the resources of GlobalLogic to strengthen and expand its co-creation activities globally across a broader range of industries.

In addition, the acquisition of GlobalLogic's technical capabilities will secure the system for comprehensive digital engineering to address development at all levels from Chip-to-Cloud (from the on-site level to the cloud level). We will evolve into a company that can promptly and efficiently resolve the challenges faced by customers that emerge in the process of the co-creation with end-to-end solutions from sites to cloud.

Resolutely, we have made a crucial decision, and we will survive the competition in a rapidly changing world and become a global leader achieving digital transformation of social infrastructure by leveraging synergies with GlobalLogic.

– Progress in the Lumada business

In Fiscal 2020, the revenues from Lumada business were 1,100.0 billion yen, 12.7% of total revenues of the Hitachi Group.



We reorganized Hitachi Vantara LLC in the U.S., which globally leads Lumada and other digital solution businesses in January 2020, and globally launched the Lumada Alliance Program in November 2020 to accelerate open innovation for increasing the social value, environmental value, economic value, and QoL. Further, we will accelerate the DX of social infrastructure globally by connecting the services provided by GlobalLogic which in March 2021 we announced to acquire, and Lumada, as previously mentioned.

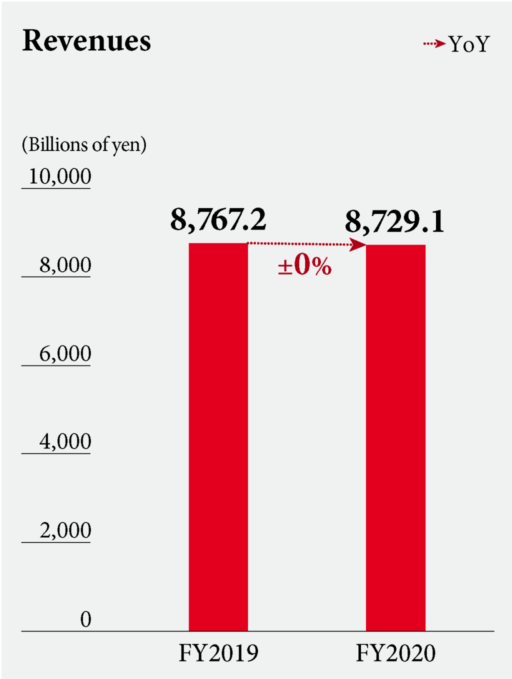
– Establishment of a business foundation for growth

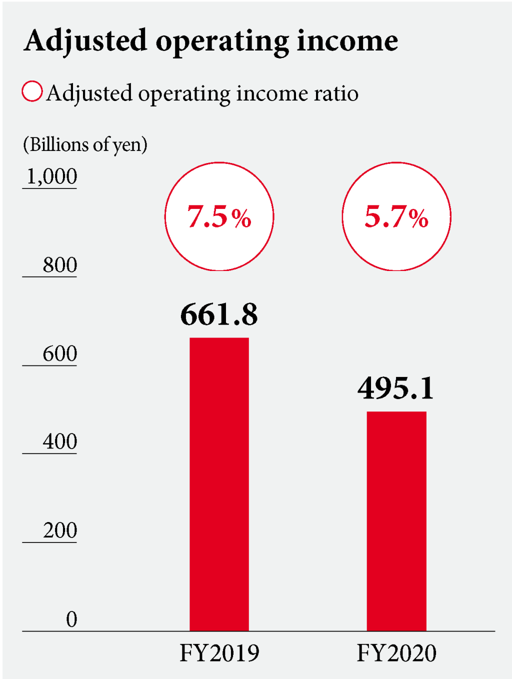
We have also worked to establish a business foundation to grow into a global leader. We have continued reforms of our business portfolio, including the sale of Hitachi Chemical Company, Ltd. and the diagnostic imaging-related business while launching Hitachi ABB Power Grids Ltd and Hitachi Astemo, Ltd. (former Hitachi Automotive Systems, Ltd) In addition, under the COVID-19 pandemic, we put the top priority on the health and safety of our employees, their families and our customers and took measures to maintain social infrastructure and secure a system to support customers and promoted new workstyles to make remote work as the standard.

Thus, we have established a system to achieve further growth even in the new normal.

(2) Analysis of Results of Operations

1) Analysis of Statement of Operations





Revenues came to 8,729.1 billion yen, which was the same level as for the year ended March 31, 2020 (Fiscal 2019). Revenues increased in the Energy sector, attributable to the acquisition of the Power Grid business of ABB Ltd, in the Mobility sector, reflecting solid Building Systems business in China, and in the Smart Life Sector, due to the impact of the management integration of Hitachi Astemo, Ltd. while revenues decreased due to the deconsolidation of Hitachi Chemical Company, Ltd. following the sale of its shares held by the Company. Revenues in Hitachi Metals and Hitachi Construction Machinery also declined due to a deterioration in market conditions reflecting the impact of COVID-19.

Cost of sales increased 2% to 6,533.8 billion yen, as compared with fiscal 2019, and the ratio of cost of sales to revenues was 75%, a rise of 2% from fiscal 2019. Gross profit decreased 7% to 2,195.3 billion yen, as compared with fiscal 2019.

Selling, general and administrative expenses came to 1,700.1 billion yen, which was the same level as for fiscal 2019, and the ratio of selling, general and administrative expenses to revenues was 19%, on par with the same level in fiscal 2019.

Adjusted operating income decreased 166.7 billion yen to 495.1 billion yen, as compared with fiscal 2019. The decrease was due mainly to lower profits in the Energy sector, Hitachi Construction Machinery and Hitachi Metals, in addition to the impact of decreased profits resulting from the sale of shares in Hitachi Chemical Company, Ltd. The decrease was partially offset by increased profits in the IT sector.

Other income increased 424.1 billion yen to 476.1 billion yen and other expenses decreased 398.2 billion yen to 172.4 billion yen, as compared with fiscal 2019, respectively. The main components are as follows;

- Net gain on sales and disposal of property, plant and equipment decreased 13.7 billion yen to 16.1 billion yen, as compared with fiscal 2019.
- Impairment losses decreased 27.9 billion yen to 109.0 billion yen, as compared with fiscal 2019. This mainly reflected a decrease in impairment loss that had been caused by the declining profitability of the Magnetic Materials business in Hitachi Metals. The decrease was partially offset by the posting of impairment losses on property, plant and equipment in the Automotive Systems business.
- Net gain on business reorganization and others increased 432.7 billion yen to 452.4 billion yen, as compared with fiscal 2019, due mainly to a net gain from the sale of shares in Hitachi

Chemical Company, Ltd., the diagnostic imaging-related business in the Smart Life sector, and the sale of part of the holding in Agility Trains East (Holding) Limited.

- Special termination benefits decreased 1.7 billion yen to 19.7 billion yen, as compared with fiscal 2019.
- In fiscal 2019, a loss of 375.9 billion yen was posted as a result of settlement of the South African project conducted by Mitsubishi Hitachi Power Systems, Ltd. (“MHPS”).

Financial income (excluding interest income) increased 8.2 billion yen to 13.9 billion yen and financial expenses (excluding interest charges) decreased 7.5 billion yen to 1.4 billion yen, as compared with fiscal 2019, respectively.

Share of gains (losses) of investments accounted for using the equity method declined 4.7 billion yen to the gains of 38.8 billion yen from fiscal 2019.

As a result of the foregoing, EBIT* increased 666.6 billion yen to 850.2 billion yen, as compared with fiscal 2019.

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

Interest income decreased 3.7 billion yen to 16.9 billion yen, as compared with fiscal 2019 and interest charges declined 1.2 billion yen to 22.7 billion yen, as compared with fiscal 2019.

Income from continuing operations, before income taxes, increased 664.1 billion yen to 844.4 billion yen, as compared with fiscal 2019.

Income taxes increased 274.0 billion yen to 325.2 billion yen, as compared with fiscal 2019.

Loss from discontinued operations decreased 1.0 billion yen to 0.6 billion yen, as compared with fiscal 2019.

Net income increased 391.2 billion yen to 518.5 billion yen, as compared with fiscal 2019.

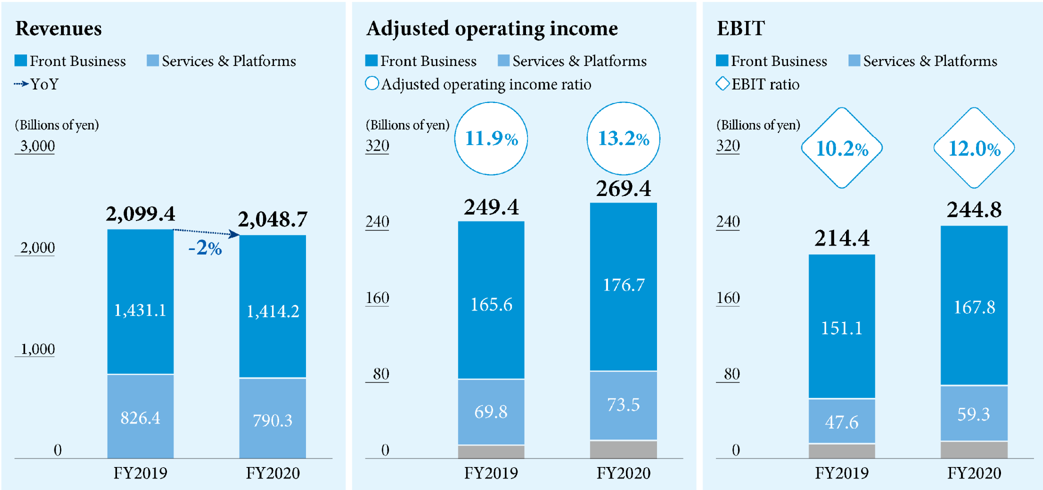
Net income attributable to non-controlling interests decreased 22.7 billion yen to 16.8 billion yen, as compared with fiscal 2019.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased 414.0 billion yen to 501.6 billion yen, as compared with fiscal 2019.

2) Operations by Segment

The following is an overview of results of operations by segment. Revenues for each segment include intersegment transactions. The numbers within each graph represent the results of the main businesses, etc. in each segment, and the sum of these numbers in some segments does not correspond to the total results in the segments.

(IT)

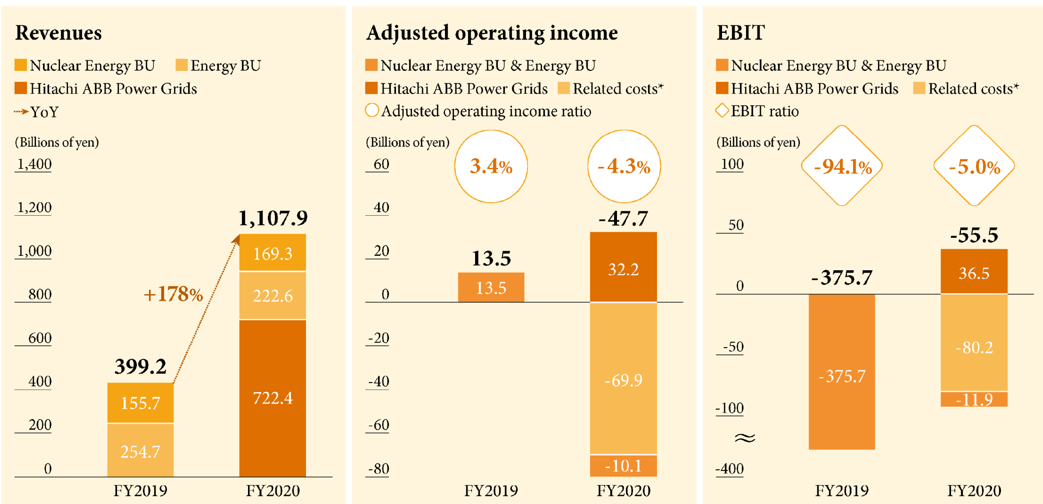


Revenues decreased from fiscal 2019, due mainly to the impact of COVID-19 mainly in overseas such as North America and India, in the front business and services & platforms business, and a reactionary decline from favorable revenues in fiscal 2019, which reflected one-time positive impact factors in the front business.

Adjusted operating income increased compared with fiscal 2019, reflecting improved profitability as a result of an improved cost structure, despite decreases in revenues both in the front business and the services & platforms business.

EBIT increased compared with fiscal 2019. This was attributable mainly to rises in adjusted operating income both in the front business and the services & platforms business and declines in expenses for business structure reform.

(Energy)



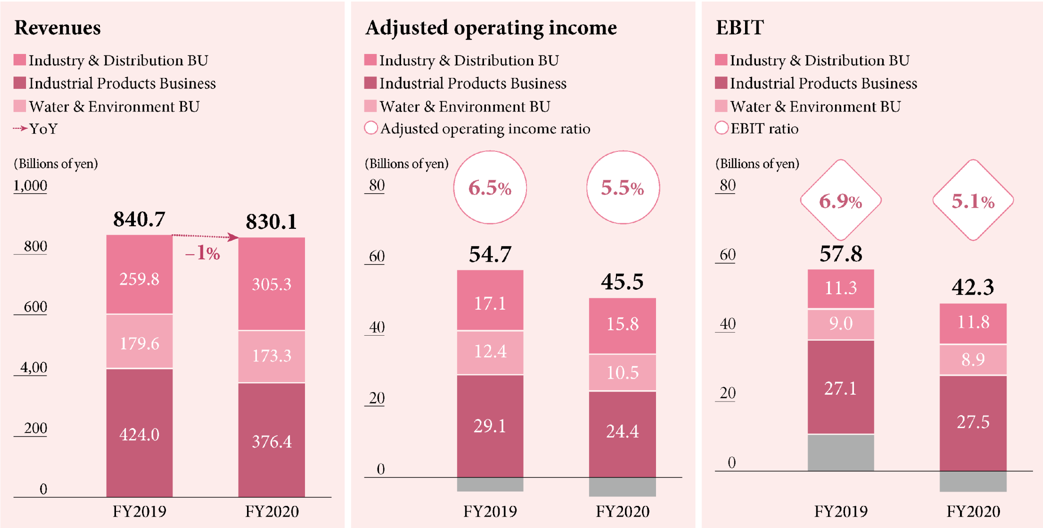
*Related costs include acquisition-related amortization for Hitachi ABB Power Grids and PMI related costs.

Revenues increased compared with fiscal 2019, owing mainly to the acquisition of the power grid business of ABB Ltd in the energy business and the solid performance of projects related to new regulations in the nuclear energy business, which offset declines in revenues caused by decreases in the number of projects in the service solution business and the power generation solution business in the energy business.

Adjusted operating loss was posted compared to income for fiscal 2019. The increase in revenues was offset mainly by the posting of amortization expenses for intangible assets associated with the acquisition of the power grid business of ABB Ltd and strengthening measures to for some projects in the renewable energy business.

EBIT recorded an improved loss compared with fiscal 2019, despite an adjusted operating loss. This improvement was due primarily to the absence of the loss from the settlement of the South African project conducted by MHPS posted in fiscal 2019.

(Industry)

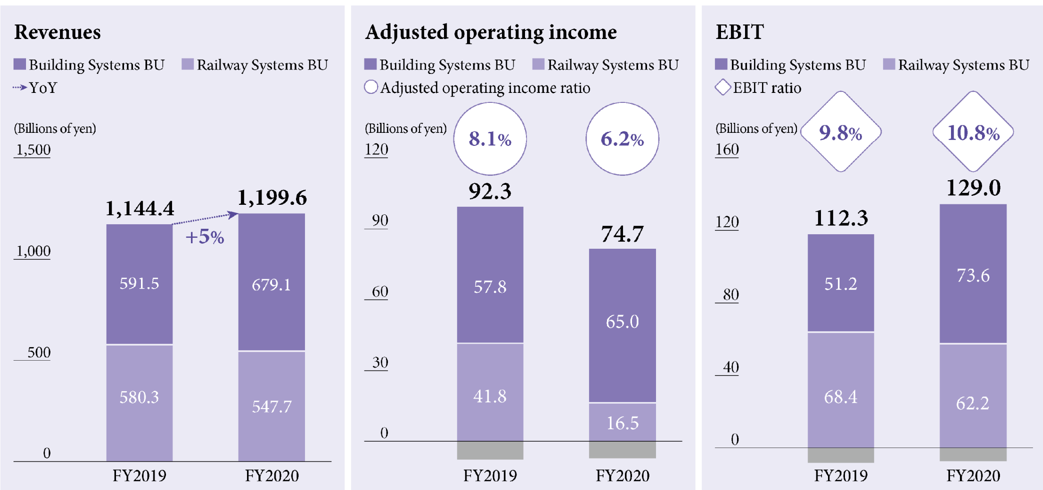


Revenues increased compared with fiscal 2019. Revenues in the industrial products business and the water & environment business declined due mainly to deterioration in market condition reflecting the impact of COVID-19. In contrast, revenues in the industry & distribution business rose, attributable primarily to the acquisition of JR Technology Group, LLC, which partly offset decreases in revenues caused by deterioration in market condition reflecting the impact of COVID-19.

Adjusted operating income decreased compared with fiscal 2019, due mainly to falling revenues, despite positive factors, including the acquisition of JR Technology Group, LLC.

EBIT decreased from fiscal 2019, due mainly to decline in adjusted operating income.

(Mobility)

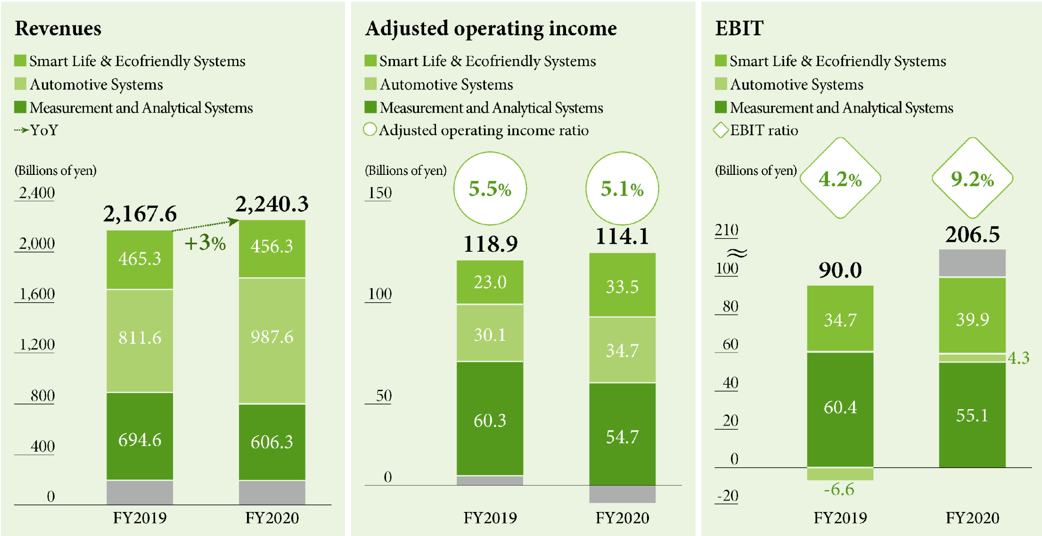


Revenues increased compared with fiscal 2019, due mainly to an increase in revenues in the building systems business, which was attributable primarily to business expansion in China and the impact of consolidation of Yungtay Engineering Co., Ltd. This was partially offset by the decrease in revenues in the railway systems business, which mainly reflected a fall in revenues in the U.K. and the impact of COVID-19.

Adjusted operating income decreased compared with fiscal 2019, due mainly to a decline in income in the railway systems business reflecting a fall in revenues. This was partially offset by increased income in the building systems business, which was attributable primarily to the rise in revenues and cost reduction.

EBIT increased from fiscal 2019, attributable mainly to the posting of a gain on the sale of shares in Agility Trains East (Holdings) Limited in the railway systems business, despite the decrease in adjusted operating income.

(Smart Life)

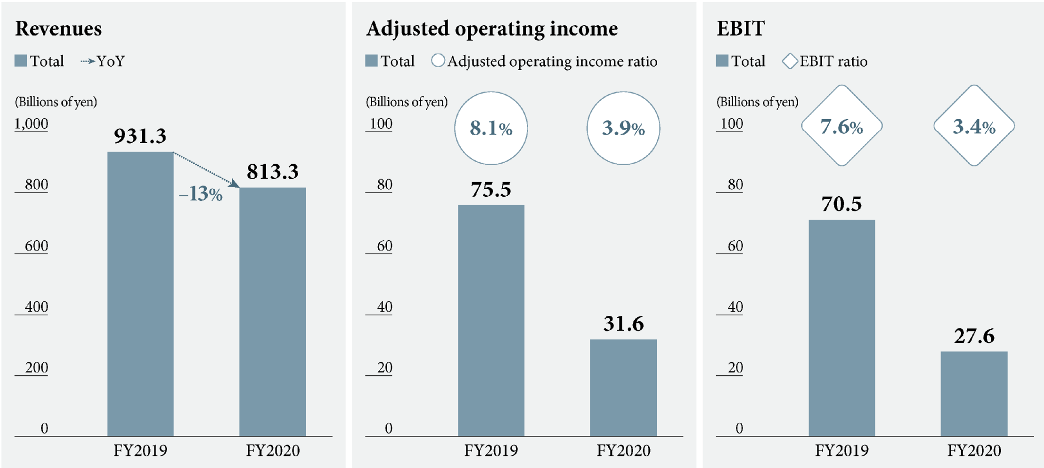


Revenues increased as compared with fiscal 2019, due to management integration related to Hitachi Astemo, Ltd. in the automotive systems business. Revenues in the measurement and analytical systems business (Hitachi Hi-Tech) decreased, mainly by the impact of COVID-19. Revenues in the smart life & ecofriendly systems business also decreased, owing to decreased revenues in the air-conditioning systems business which was caused by the impact of COVID-19 and a fall in overseas sales of home appliances.

Adjusted operating income decreased compared with fiscal 2019, due mainly to the decreased income in the measurement and analytical systems business as a result of decreased revenues, etc. Income in the automotive systems business increased, primarily reflected management integration related to Hitachi Astemo, Ltd. Income in the smart life & ecofriendly systems business also increased, as a result of improved profitability which was attributable mainly to increased domestic sales in the home appliances business and cost reduction.

EBIT increased from fiscal 2019, due mainly to the posting of profit from the sale of the diagnostic imaging-related business, despite the decrease in adjusted operating income.

(Hitachi Construction Machinery)

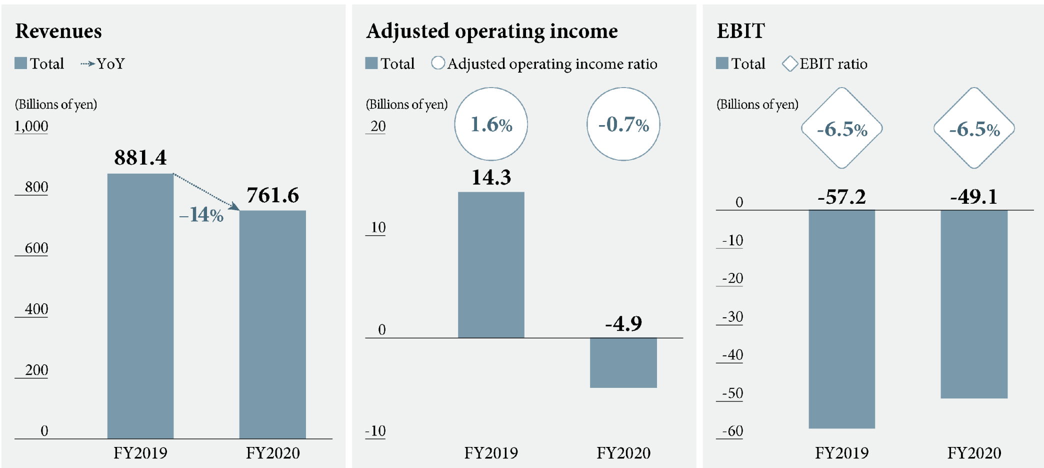


Revenues decreased from fiscal 2019, due mainly to the adverse impacts of COVID-19 and foreign currency translation.

Adjusted operating income decreased compared with fiscal 2019, due mainly to the decline in revenues and change in model mix of value chain business and other model mix, despite efforts to improve profitability through cost reduction, etc.

EBIT decreased compared with fiscal 2019, due mainly to the decreased adjusted operating income

(Hitachi Metals)



Revenues decreased as compared with fiscal 2019, due mainly to a decline in demand for products for automobiles caused by the COVID-19.

An adjusted operating loss was posted as compared to income for fiscal 2019, due mainly to the decreased revenues.

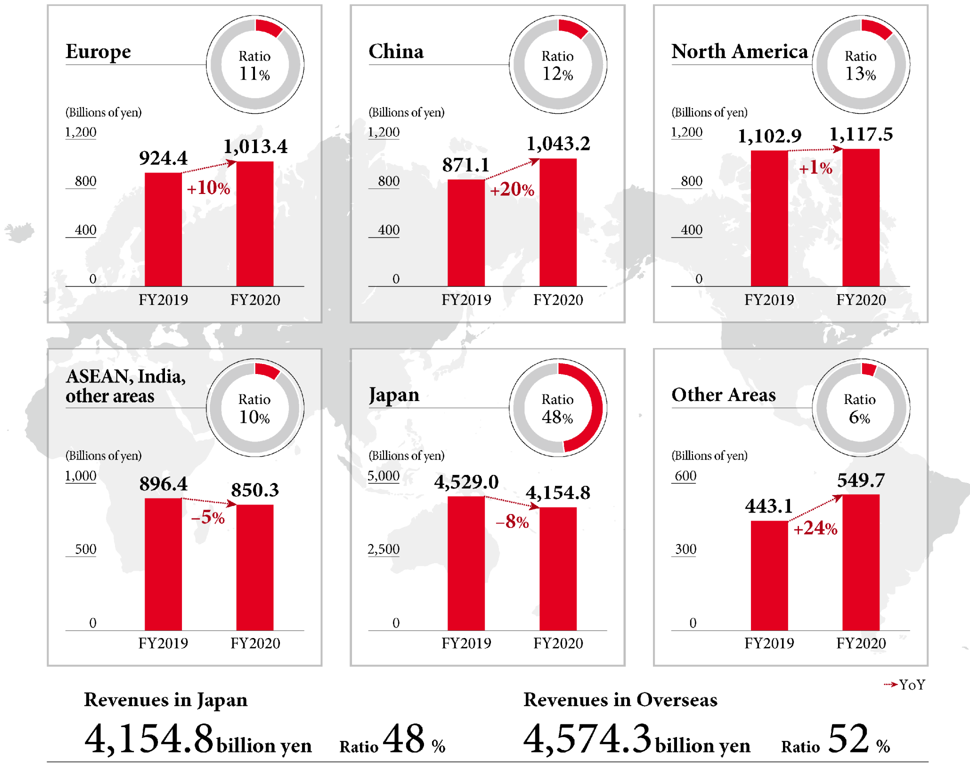
EBIT recorded an improvement in the loss compared with fiscal 2019, due primarily to a decrease in expenses for business structure reform, despite the decreased adjusted operating income.

(Others)

Revenues decreased 7% to 449.0 billion yen, adjusted operating income decreased 1.1 billion yen to 21.2 billion yen and EBIT decreased 5.9 billion yen to 25.3 billion yen, as compared with fiscal 2019, respectively.

3) Revenues by Geographic Area

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



Japan

Revenues in Japan decreased from fiscal 2019. This was due mainly to a decrease in revenues as a result of the sale of Hitachi Chemical Company, Ltd. and decreased revenues in Hitachi Metals.

Overseas

Revenues in Overseas increased compared with fiscal 2019, and the ratio to total revenues was 52%, a rise of 4% compared with fiscal 2019. Revenues in each area are as follows;

(North America)

Revenues in North America increased from fiscal 2019, attributable mainly to the higher revenues in the Energy and Industry sectors, despite decreased revenues both in Hitachi Construction Machinery and as a result of the sale of Hitachi Chemical Company, Ltd.

(Europe)

Revenues in Europe increased from fiscal 2019, due primarily to the increased revenues in the Smart Life sector, the Industry sector and the Energy sectors, which was partially offset by the decreased revenues as a result of the sale of Hitachi Chemical Company, Ltd. and decreased revenues in the Mobility sector.

(Asia)

Revenues in Asia composed of China and ASEAN, India and other areas increased compared with fiscal 2019. Revenues in China rose, attributable mainly to the increased revenues in the Energy sector, the Mobility sector and the Smart Life sector. In contrast, revenues in ASEAN, India and other areas decreased, due chiefly to reduced revenues as a result of the sale of Hitachi Chemical Company, Ltd. and decreased revenues in Hitachi Construction Machinery, despite higher revenues mainly in the Energy sector and the Smart Life sector.

(Other Areas)

Revenues in other areas increased compared with fiscal 2019, owing mainly to rising revenues in the Energy sector and the Smart Life sector, which was partially offset by decreased revenues mainly as a result of the sale of Hitachi Chemical Company, Ltd. and lower revenues in the Industry sector.

(3) Analysis of Financial Condition and Cash Flows

1) Liquidity and Capital Resources

Policies for Financing Activities

We consider maintaining an appropriate level of liquidity and securing adequate funds for current and future business operations to be important financial objectives. Through efficient management of working capital, we are working to optimize the efficiency of capital utilization throughout our business operations. We endeavor to improve our group cash management by centralizing such management among us and our overseas financial subsidiaries.

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

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

Trends in the Funding Demands

Our major uses of funds are M&A for growth, investment in human resources, capital investments, research and development (R&D) investments and shareholder returns. As a broad plan, we plan to use cash income from operating cash flows and the sale of assets in the future by splitting it into three portions, for investments in future growth, capital investment, and the repayment of borrowings and shareholder returns, and also plan to allocate a total of 1,500.0 billion yen to R&D expenses for the next three years.

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

Capital Resources

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

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

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

We maintain commitment line agreements with a number of domestic banks under which we may borrow in order to ensure efficient access to necessary funds. These commitment line agreements generally provide for a one-year term, renewable upon mutual agreement between us and each of the lending banks, as well as another commitment line agreement with a contract term of three years ending on July 29, 2022. As of March 31, 2021, our unused commitment lines totaled 600.1 billion yen, including those of 500.0 billion yen which the Company maintained.

We receive debt ratings from Moody's Japan K.K. (Moody's), S&P Global Rating Japan Inc. (S&P), as well as Rating and Investment Information, Inc. (R&I). Our debt ratings as of March 31, 2021 were as follows.

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

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

2) Cash Flows

(Cash Flows from Operating Activities)

Net cash inflow from a change in trade receivables and contract assets decreased by 96.2 billion yen, as compared with fiscal 2019. However, net cash outflow from a change in inventories and net cash outflow from a change in trade payables decreased by 95.1 billion yen and 83.2 billion yen, as compared with fiscal 2019. Furthermore, the Company paid the settlement money on the South African project conducted by MHPS in fiscal 2019.

As a result of the foregoing, net cash provided by operating activities was 793.1 billion yen in fiscal 2020, an increase of 232.2 billion yen compared with fiscal 2019.

(Cash Flows from Investing Activities)

Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in fiscal 2020 increased by 623.8 billion yen, as compared with fiscal 2019, due mainly to the purchase of shares of Hitachi ABB Power Grids Ltd. However, net amount of investments related to property, plant and equipment* was 289.4 billion yen in fiscal 2020. This net sum decreased by 49.2 billion yen compared with fiscal 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 fiscal 2020 increased by 624.7 billion yen, as compared with fiscal 2019, due mainly to the sale of shares of Hitachi Chemical Company, Ltd. and the diagnostic imaging-related business.

As a result of the foregoing, net cash used in investing activities was 458.8 billion yen in Fiscal 2020, a decrease of 66.9 billion yen compared with Fiscal 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 inflow from a change in short-term debt in fiscal 2020 increased by 118.8 billion yen, as compared with fiscal 2019. And, net cash inflow related to long-term debt** in fiscal 2020 increased by 237.5 billion yen, as compared with fiscal 2019. However, net cash outflow related to purchase of shares of consolidated subsidiaries from non-controlling interests increased by 543.4 billion yen, as compared with fiscal 2019, due mainly to the purchase of shares of Hitachi High-Tech Corporation.

As a result of the foregoing, net cash used in financing activities was 184.8 billion yen in fiscal 2020, as compared with 2.8 billion yen of net cash inflow in fiscal 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 March 31, 2021 were 1,015.8 billion yen, an increase of 203.5 billion yen from March 31, 2020. Free cash flows, the sum of cash flows from operating and investing activities, were an inflow of 334.2 billion yen in fiscal 2020, an increase of 299.1 billion yen compared with fiscal 2019.

3) Assets, Liabilities and Equity

As of March 31, 2021, total assets amounted to 11,852.8 billion yen, an increase of 1,922.7 billion yen from March 31, 2020. This was attributable to positive factors such as the acquisition of the power grids business of ABB Ltd. and the management integration of Keihin Corporation, Showa Corporation and Nissin Kogyo Co., Ltd. related to Hitachi Astemo, Ltd. which offset negative factors such as decreased assets due to an additional acquisition of shares in Hitachi High-Tech Corporation, the transfer of all shares in MHPS held by the Company, the sale of all shares in Hitachi Chemical Company, Ltd. held by the Company, and the sale of diagnostic imaging systems-related businesses. Cash and cash equivalents as of March 31, 2021 amounted to 1,015.8 billion yen, an increase of 203.5 billion yen from the amount as of March 31, 2020.

As of March 31, 2021, total interest-bearing debt, the sum of short-term debt and long-term debt, amounted to 2,397.3 billion yen, an increase of 912.3 billion yen from March 31, 2020, primarily as a result of increases in short-term debt and long-term debt (excluding current portion). As of March 31, 2021, short-term debt, consisting mainly of borrowings from banks and commercial paper, amounted to 416.6 billion yen, an increase of 233.3 billion yen from March 31, 2020. As of March 31, 2021, the current portion of long-term debt amounted to 274.3 billion yen, an increase of 43.1 million yen from March 31, 2020. As of March 31, 2021, long-term debt (excluding current portion), consisting mainly of debentures, and loans principally from banks and insurance companies, amounted to 1,706.3 billion yen, an increase of 635.8 billion yen from March 31, 2020, due mainly to an increase in borrowings for the acquisition of the power grids business of ABB Ltd.

As of March 31, 2021, total Hitachi, Ltd. stockholders' equity amounted to 3,525.5 billion yen, an increase of 365.5 billion yen from March 31, 2020. As a result, the ratio of total Hitachi, Ltd. stockholders' equity to total assets as of March 31, 2021 was 29.7%, compared with 31.8% as of March 31, 2020.

Non-controlling interests as of March 31, 2021 was 932.7 billion yen, a decrease of 174.0 billion yen from March 31, 2020.

Total equity as of March 31, 2021 was 4,458.2 billion yen, an increase of 191.4 billion yen from March 31, 2020. The ratio of interest-bearing debt to total equity was 0.54, an increase of 0.19 point from March 31, 2020.

(4) Production, Order Received and Sales

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

(5) Important Accounting Policies and Estimates

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

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

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

Business Combinations

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

Impairment of Assets

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

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

Goodwill is the source of excess earning power based on the market competitiveness acquired through business acquisition, and the difference between the net assets of the acquiree and the consideration for acquisition is recorded as goodwill except for the amount recorded as intangible assets, etc. Goodwill is not amortized in accordance with IFRS. Irrespective of any indicators of impairment, we tests assets for impairment annually, mainly in the fourth quarter, by estimating the recoverable amount of each CGU or a group of CGUs to which such assets are allocated. We continuously monitors the comparison between the initial estimate and the most recent estimate, and conduct impairment tests if there are signs that the value will fall below the original estimate and the carrying amount will not be recoverable, due to changes in events or circumstances such as in business strategies or in the market environment. Such changes in the events or circumstances include crises in the global economy and financial markets, and if the carrying amount of each CGU or a group of CGUs to which such assets are allocated exceeds the recoverable amount, the excess amount is recognized as an impairment loss.
The breakdowns of impairment and goodwill by segment are described in "Consolidated Financial Statements — Notes to Consolidated Financial Statements — (4) Segment Information." The main content is described in "Consolidated Financial Statements — Notes to Consolidated Financial Statements — (9) Property, Plant and Equipment and (10) Goodwill and Other Intangible Assets."
Details of the impact of COVID-19 in accounting estimates are described in "Consolidated Financial Statements — Notes to Consolidated Financial Statements — (3) Summary of Significant Accounting Policies (j) Impairment of Non-Financial Assets."

Deferred Tax Assets

Deferred tax assets are the amounts of taxes that will be recovered in future periods. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Although realization is not assured, we consider the scheduled reversals of deferred tax liabilities and projected future taxable income when assessing realizability. The outlook for future performance, which is the basis for estimating future taxable income, may differ from the actual one due to unforeseen events such as economic trends, supply and demand trends in markets, sales prices of products and services, procurement prices of raw materials and parts, fluctuations in exchange rates, and rapid technological innovations, and may be corrected in the future. As a result, the amounts of deferred tax assets that are determined to be recognizable may be adversely affected. The realizability of deferred tax assets is evaluated for each tax payment in each tax jurisdiction, and even if running similar businesses, the evaluations can differ depending on the product and the tax jurisdiction. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Based on these factors, we consider it is more likely than not it will realize the benefits of these deducible differences as of March 31, 2021. However, the actual times and amounts of taxable income occurrence may differ from the estimates.
Details of the impact of COVID-19 in accounting estimates are described in "Consolidated Financial Statements — Notes to Consolidated Financial Statements — (3) Summary of Significant Accounting Policies (o) Income Taxes."

Employee Retirement Benefits

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

(6) Forward-Looking Statements

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

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

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

- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- the potential for significant losses on Hitachi's investments in equity-method associates and joint ventures;
- uncertainty as to the success of cost structure overhaul;
- the possibility of disruption of Hitachi's operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

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

4. Material Agreements, etc.

(1) Absorption-type Company Split and Share Transfer

On December 18, 2019, the Company decided to execute an absorption-type split (the "Company Split") involving the diagnostic imaging-related business (the "Business"), currently undertaken by the Company and its consolidated subsidiaries and affiliate companies, through which the Business will be transferred to FUJIFILM Healthcare Corporation as a successor company (the "New Company"), and transfer all shares in the New Company to FUJIFILM Corporation (such share transfer, the "Share Transfer") after the Company Split in order to strengthen competitiveness of the healthcare business. the Company executed an absorption-type company split agreement with the New Company on February 18, 2021.

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

1) Company Split Method

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

2) Effective Date of the Company Split and Share Transfer

March 31, 2021

3) Assets and Liabilities Transferred to the Succeeding Company

Current Assets	61,077 million yen
Non-Current Assets	29,674 million yen
Total Assets	90,751 million yen
Current Liability	25,299 million yen
Non-Current Liability	3,680 million yen
Total Liability	28,980 million yen

4) Details of Allotments

The New Company would issue 99 common stocks accompanying the Company Split. All of the stocks would be allocated to the Company.

5) Basis of Calculation for Allotment

As the Company held all of issued shares of the New Company, it was considered appropriate that the New Company issues 99 shares of common stock and allots all the shares to the Company.

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

(As of February 18, 2021)

Name	FUJIFILM Healthcare Corporation
Head office	2-1 Shintoyofuta, Kashiwa, Chiba
Representative	President Akio Yamamoto
Capital	50 million yen
Business	Research and development, manufacturing, sales and maintenance service of diagnostics imaging systems (CT, MRI, X-ray systems, Ultrasound) and electronic health records

(2) Business Acquisition

On March 31, 2021, the Company decided to acquire GlobalLogic for the purpose of strengthening the digital portfolio of the Lumada business. Accordingly, Hitachi Global Digital Holdings Corporation ("HGDH"), a U.S. subsidiary of the Company, MergeCo H Global Inc. ("SPC") which was established by HGDH for the acquisition and GlobalLogic Worldwide Holdings, Inc., the parent company of GlobalLogic concluded an agreement regarding the acquisition.

The transaction is subject to customary conditions and regulatory approvals and expected to be completed by the end of July 2021. The total acquisition cost, including repayment of GlobalLogic's interest-bearing debt, is expected to be 9.6 billion U.S. dollars (approximately 1,047.0 billion yen). SPC will be merged with and into GlobalLogic Worldwide Holdings, which will be the surviving company. As a result, GlobalLogic Worldwide Holdings and GlobalLogic will become wholly owned subsidiaries of the Company.

(3) Cross License Agreement

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

5. Research and Development

(1) Research goals and major issues

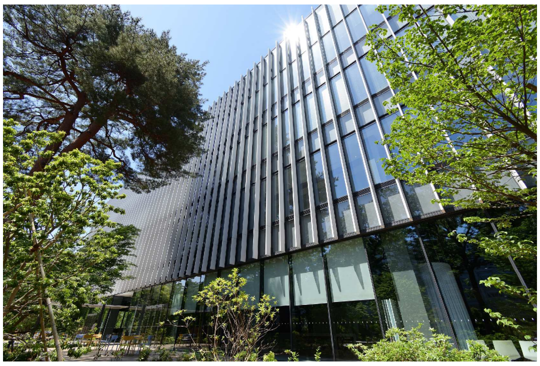
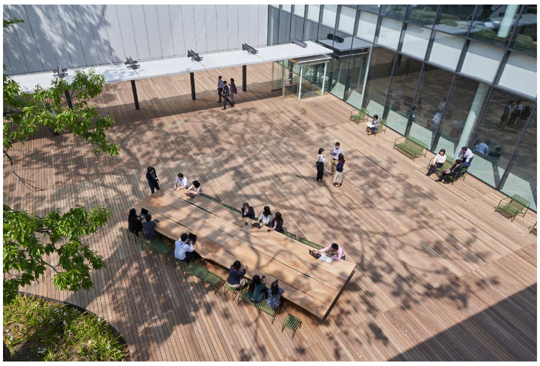
The Hitachi Group (the Company and its consolidated subsidiaries) has been working to create value in three business areas, the Environment, Resilience, and Security & safety, by prioritizing the allocation of R&D resources to the Social Innovation Business. Through these efforts, it seeks to ensure the continuity and future growth of its businesses and contribute to the improvement of its customers' social, environmental and economic value as well as the improvement of people's QoL.

To strengthen the global competitiveness of its businesses, the Hitachi Group facilitates value creation-oriented innovation involving the frontline staff that are its contact points with customers. With an eye toward contributing to the globalization of businesses and the expansion of the Lumada business, it also develops strong products and services supporting value creation, and the world's top technologies while also utilizing a range of resources including those of Hitachi ABB Power Grids Ltd and Hitachi Astemo, Ltd. In addition, it conducts advanced research to lay a foundation for future solutions to social issues. In February 2021, it established "Principles guiding the ethical use of AI" with a view toward the human-centered development of AI and its implementation in society via the Social Innovation Business, in which Lumada is a driving force. Through these efforts, the Hitachi Group seeks to move forward with R&D to help customers resolve a range of issues.

(2) Research and development scheme

The Hitachi Group is striving to improve the efficiency of R&D through close coordination between the R&D divisions of the Company and those of its group companies. It has been expanding collaboration with universities and other research institutions both in Japan and overseas. In addition, through a number of initiatives including the establishment of Corporate Venturing Office in April 2019, the Hitachi Group has been actively strengthening its collaboration with startup companies as well.

The Company seeks to accelerate growth globally through the expansion of its Social Innovation Business. With this in mind, it has been facilitating R&D to quickly meet local needs by enhancing and increasing the number of its R&D facilities and personnel in North America, Europe, China, Asia and India while simultaneously expanding localization-oriented R&D. In 2015, the Company reorganized its R&D facilities in Japan and overseas, establishing an R&D scheme in which the Global Center for Social Innovation seeks to identify customer issues and create new solutions in collaboration with customers, the Center for Technology Innovation works to create innovative products and services while also supporting the development of new solutions through the fusion and application of technology platforms in focused areas, and the Center for Exploratory Research focuses on the cultivation of new areas through creative and vision-based fundamental exploratory research. In 2019, the Company established "Kyōsō-no-Mori" research initiative to accelerate innovation through open collaborative creation with customers and partners, and opened the "Lumada Data Science Lab" in Kyōsō-no-Mori in April 2020, where top-class data scientists are encouraged to work together to achieve value creation through digital solutions.

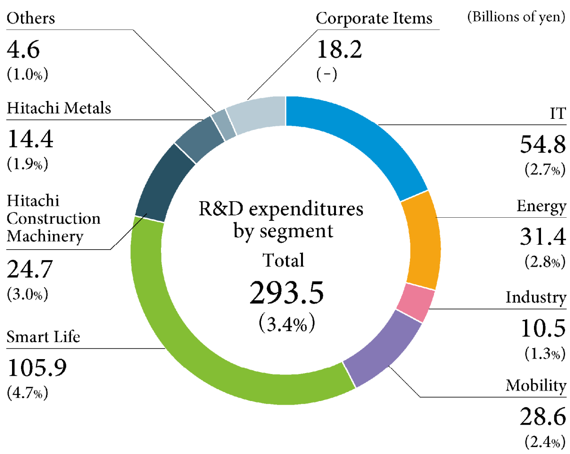
Kyōsō-no-Mori (Central Research Laboratory)

(3) R&D expenditures

The Hitachi Group's R&D expenditures for the fiscal year ended March 31, 2021 were 293.5 billion yen, 3.4% of revenues, that by segment is shown below.

(Billions of yen)

Segment	Fiscal Year ended March 31, 2021
IT	54.8
Energy	31.4
Industry	10.5
Mobility	28.6
Smart Life	105.9
Hitachi Construction Machinery	24.7
Hitachi Metals	14.4
Others	4.6
Corporate Items	18.2
Total	293.5



The figures in parentheses represent the ratio of R&D expenditures to segment revenue.

(4) R&D achievements

Notable R&D achievements in the fiscal year ended March 31, 2021 are as follows.

(i) Launch of a biometric authentication integrated infrastructure service that achieves safe biometric authentication (IT Segment)

Hitachi began providing a biometric authentication integrated infrastructure service, a cloud service featuring the additional inclusion of a feature linking to payment services and entrance management at commercial facilities using Hitachi's proprietary public biometric infrastructure (PBI) that safely and securely identifies the person to be authenticated by comparing people's finger veins, faces, irises and other details against encrypted biometrics stored in the system. The service provides the safe authentication of people and cashless payments through biometrics registered in an uncopiable PBI-powered format. The service was included in the 63rd (2020) Top 10 New Products Awards and received The Nikkan Kogyo Shimbun, Ltd.'s Masuda Award.

(ii) Launch of a solution creating optimized work shift programs for dozens of or hundreds of employees using Hitachi's original CMOS annealing calculation technology (IT Segment)

Hitachi began providing a work shift optimization solution which is able to prepare work shift schedules for dozens or hundreds of employees. The CMOS annealing technology, the core technology of the solution, is used to quickly solve extremely large and complicated issues for the calculation, called combinatorial optimization problems. In a society adapting to the new normal created by the COVID-19 pandemic, a shift to flexible workstyles is expected to occur to take advantage of both teleworking and working at the office. Therefore, this Lumada-engineered solution with the goal of accelerating digital innovation that Hitachi will apply is a solution for a wide range of businesses and operations, and support efforts to improve work-life balance and adopt diverse workstyles.

(iii) The commercialization of TED-MOS®, a SiC power device with a new structure that simultaneously achieves durability and low power consumption (Energy Segment)

In March 2021, Hitachi began shipping samples of TED-MOS®, which realizes improved electrical efficiency and energy conservation when used in many types of equipment and facilities that are components of key social infrastructure such as power systems, railway systems, electric vehicles and data centers. The power device uses next-generation silicon carbides (SiC). By providing TED-MOS® to its customers, Hitachi supports the efforts of social infrastructure facilities to reduce power consumption and CO2 emissions, and thereby contributes to the creation of a decarbonized society. (Achieved through collaboration with Hitachi Power Semiconductor Device, Ltd.)

(iv) Improvement of the 5G demonstration test environments at a Silicon Valley site in North America, and at Kyōsō-no-Mori to accelerate the development of 5G solutions (Industry Segment)

Hitachi improved its 5G demonstration test environments at a Silicon Valley site in North America and at Kyōsō-no-Mori with a view toward the acceleration of development of 5G/Lumada combination-based solutions that respond to customer needs in the social infrastructure business. In addition, it completed the development and demonstration test of a technology facilitating the introduction and operation of 5G solutions, key to making the most of 5G. Hitachi will leverage these environments and technologies to promote its collaborative creation initiatives in the industry area, such as its support of assembly and remote operations using a large-capacity image analysis method, as well as initiatives in the mobility and energy area.

(v) 2020 Good Design Award received for the new TX-3000 series train car for the Tsukuba Express (TX) (Mobility Segment)

The new TX-3000 series train used in service for the TX received a 2020 Good Design Award. The train features improved comfort provided by the Priority Seats and free spaces in all cars, the creation of light and open interior space with good visibility inside the train, as well as the adoption of universal design (UD)-based seats with an increased height and reduced depth that enable passengers sit or stand easily. This helped create a design that is a leap forward while still reflecting the current image of the TX service. (Award shared by Hitachi and the Metropolitan Intercity Railway Company)

TX-3000


Universal seat


Free space


Inside

(vi) Super Parts Manufacturing Awards grand prize received for the development of an image processing module achieving accurate, very sensitive blood testing (Smart Life segment)

Hitachi’s image processing module achieving accurate and very sensitive blood testing received the grand prize at the 2020 Super Parts Manufacturing Award. The module consists primarily of a CMOS camera, an LED lighting device and an image processing microcomputer and is installed in the specimen isolation area of blood testing equipment, where only the specimens for testing are inserted from the blood collection tub and assessed. The module garnered praise because it improved the efficiency of testing by using Hitachi’s original machine learning-applied AI technology to automate assessment, which was conventionally done by a clinical laboratory technician visually inspecting sample. (Joint development with Hitachi High-Tech Corporation.)

Blood testing equipment

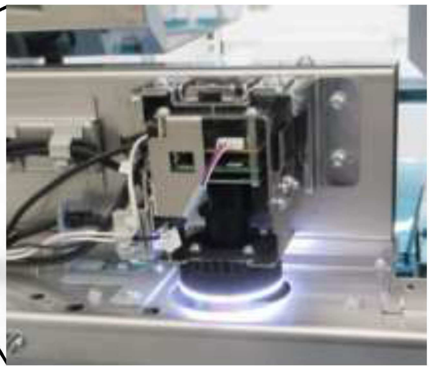
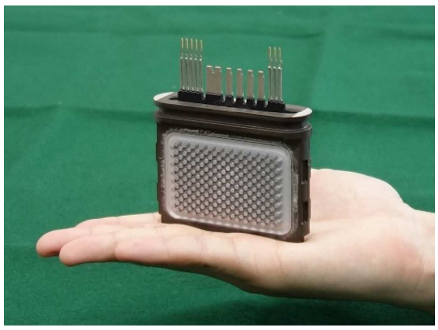


Image processing module achieving accurate, very sensitive blood testing

(vii) Ichimura Prize in Industry against Global Warming received for the development of an 800V high output compact inverter expected to accelerate the ubiquitization of EVs (Smart Life segment)

An 800V high output compact inverter developed to achieve both a 50% reduction of charging time and comfortable acceleration for electric vehicles, received the Ichimura Prize in Industry against Global Warming, reflecting the importance of the pressing issue of the ubiquitization of electric vehicles toward the realization of carbon neutrality. This was due to the creation of an inverter that features the simultaneous achievement of high voltage resistance, compactness and high output power, building on the development of a direct water-cooling type double-sided cooling power module that provides superb isolation voltage and heat dissipation to realize high-level pressure resistance while maintaining good cooling performance. This improved the system voltage of EVs from its conventional level of about 400V, to 800V. (Award received jointly with Hitachi Astemo, Ltd.)

800V high output compact inverter



Direct water-cooling type double-sided cooling power module

(viii) Development of a system visualizing the use of renewable energy by piece of equipment and by service base with an eye toward the creation of a decarbonized society. (Corporate Items)

Hitachi developed a system for visualizing renewable energy-based operations using digital technologies by building, by piece of equipment and by service bases. It introduced the system at the Hitachi Central Research Laboratory on February 1, 2021 and started to implement a system certifying that the Kyōsō-tō, one of the Laboratory's facilities, is "Powered by Renewable Energy" — that 100% of electricity used was generated from renewable energy sources. Going forward, Hitachi will explore the possibility of providing services that utilize this system and this concept for certification through collaboration with partner companies in diverse industries, and by doing so contribute to the realization of a decarbonized society.

III. Property, Plants and Equipment

1. Summary of Capital Investment, etc.

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

Capital investment (based on the amount recorded as tangible fixed assets and the investment property) in the fiscal year ended March 31, 2021 was 359.8 billion yen. A breakdown of capital investment by segment is as follows. From the beginning of the fiscal year ending March 31, 2021, the Hitachi High-Tech segment is abolished and reclassified in the Smart Life segment and the Hitachi Chemical segment is abolished. Figures of the preceding fiscal year, which is compared with the figures of the beginning of the fiscal year ended March 31, 2021, is similarly changed.

Segment	Capital investment (Billions of yen)	Change from preceding fiscal year (%)	Main purpose of investment
IT	78.1	122	Rent offices, Streamline development and production of products
Energy	35.8	533	Facility of production for power grid products, etc., Streamline development and production of other products
Industry	19.7	153	Acquisition of offices
Mobility	20.5	123	Increase production of railway systems
Smart Life	115.9	108	Increase production of automotive equipment, Streamline development and production of semiconductor processing and inspection equipment, and measurement and analytical systems
Hitachi Construction Machinery	34.7	74	Streamline production of construction machinery
Hitachi Metals	27.8	54	Streamline production of specialty steel products and functional components and equipment, Increase production of magnetic materials, power electronics materials and applications, wires, cables and related products, etc.,
Others	30.6	78	Rent offices, R&D facilities
Corporate Items & Eliminations	(3.5)	-	-
Total	359.8	90	-

(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 tangible fixed assets and other non-current assets, respectively.

2. These investments were mostly financed with the Hitachi Group's own capital.

2. Major Property, Plants and Equipment

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

The situation at the end of the fiscal year ended March 31, 2021 is as follows.

(1) Breakdown by Segment

(As of March 31, 2021)

Segment	Book value (Millions of yen)								Number of employees
	Land [Area in thousands of m^2]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
IT	22,981 [861]	74,006	22,791	43,469	81,503	10,408	1,643	256,801	71,805
Energy	28,965 [10,814]	75,975	102,831	14,681	44,180	143	20,521	287,296	43,975
Industry	12,623 [2,100]	28,736	16,030	4,683	18,351	-	5,623	86,046	23,419
Mobility	15,136 [2,213]	84,850	27,343	20,943	13,986	766	11,752	174,776	53,517
Smart Life	71,835 [13,230]	183,747	285,713	63,881	42,552	-	71,179	718,907	89,883
Hitachi Construction Machinery	57,180 [9,850]	97,617	58,066	9,697	59,410	109,892	13,395	405,257	24,065
Hitachi Metals	62,654 [12,836]	90,160	148,242	13,226	11,382	-	11,421	337,085	28,589
Others	25,656 [1,524]	61,701	2,913	13,364	44,669	-	287	148,590	12,412
Subtotal	297,030 [53,428]	696,792	663,929	183,944	316,033	121,209	135,821	2,414,758	347,665
Corporate Items & Eliminations	(18,916) [833]	21,389	244	3,515	(12,706)	343	260	(5,871)	3,199
Total	278,114 [54,261]	718,181	664,173	187,459	303,327	121,552	136,081	2,408,887	350,864

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

(2) The Company

(As of March 31, 2021)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m^2]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Financial Institutions Business Unit, Social Infrastructure Systems Business Unit and Systems & Services Business Division (Kawasaki, Kanagawa)	IT	System development facilities, manufacturing facilities for servers, mainframes, etc.	12,918 [122]	46,786	125	16,875	28,690	6,584	222	112,204	9,981
Head Office (Chiyoda-ku, Tokyo)	Corporate	Other facilities	4,923 [761]	8,463	218	1,843	23,841	-	255	39,546	1,230
Research & Development Group (Kokubunji, Tokyo)	Others	R&D facilities	6,063 [776]	19,918	810	3,276	2,280	-	62	32,411	2,410
Railway Systems Business Unit (Kudamatsu, Yamaguchi)	Mobility	Manufacturing facilities for railway vehicles, etc.	1,013 [666]	14,754	4,911	637	4,317	-	619	26,254	2,753
Nuclear Energy Business Unit and Energy Business Unit (Hitachi, Ibaraki)	Energy	Manufacturing facilities for power generating equipment, etc.	9,601 [3,305]	4,117	283	751	1,593	-	304	16,651	1,198
Corporate Hospital Group (Hitachi, Ibaraki)	Corporate	Medical facilities	63 [53]	12,251	19	1,523	20	-	4	13,883	1,829
Services & Platforms Business Unit (Hitachi, Ibaraki)	IT	Manufacturing facilities for industrial machinery and plants, switchboards and calculation control equipment, system development facilities	607 [203]	5,830	600	1,636	1,960	3	495	11,134	5,446
IT Strategy & Digital Integration Division (Chiyoda-ku, Tokyo)	Others	System development facilities	- [-]	1,524	-	7,338	16	-	162	9,041	510
Industry & Distribution Business Unit and Water & Environment Business Unit (Chiyoda-ku, Tokyo)	Industry	Manufacturing facilities for industrial solution and water solution equipment	165 [89]	752	796	1,046	566	-	1,430	4,758	2,117
Smart Life Business Management Division (Taito-ku, Tokyo)	Smart Life	Manufacturing facilities for medical equipment	1,143 [12]	524	208	325	1,923	-	254	4,378	990

(3) Domestic subsidiaries

(As of March 31, 2021)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Hitachi Astemo, Ltd. (Hitachinaka, Ibaraki)	Smart Life	Manufacturing facilities for automotive equipment	22,632 [3,422]	41,529	73,427	10,027	-	9,666	16,459	173,473	16,616
Hitachi Metals, Ltd., Yasugi Works (Yasugi, Shimane)	Hitachi Metals	Manufacturing facilities for specialty steel products	8,197 [1,101]	13,152	35,392	1,849	10	-	1,170	59,770	1,629
Hitachi High-Tech Corporation, Naka Area (Hitachinaka, Ibaraki)	Smart Life	Manufacturing facilities for semiconductor processing equipment and test and measurement equipment, etc.	2,116 [241]	30,041	9,059	10,815	951	-	1,167	54,148	2,799
Hitachi Metals Neomaterial, Ltd. (Suita, Osaka)	Hitachi Metals	Manufacturing facilities for specialty steel products	11,160 [121]	3,664	14,886	993	272	-	164	31,139	1,055
Hitachi Construction Machinery Co., Ltd., Tsuchiura Works (Tsuchiura, Ibaraki)	Hitachi Construction Machinery	Manufacturing facilities for construction machinery	5,902 [5,068]	6,476	5,713	1,721	6,050	-	5,068	30,930	2,943
Hitachi Construction Machinery Co., Ltd., Hitachinaka-Rinko Works (Hitachinaka, Ibaraki)	Hitachi Construction Machinery	Manufacturing facilities for construction machinery	12,334 [495]	12,766	4,727	259	-	-	168	30,253	484
Hitachi Metals, Ltd., Ibaraki Works (Hitachi, Ibaraki)	Hitachi Metals	Manufacturing facilities for wires and cables, etc.	4,643 [1,181]	7,099	3,210	346	905	-	46	16,249	1,345
Hitachi Construction Machinery Co., Ltd., Hitachinaka Works (Hitachinaka, Ibaraki)	Hitachi Construction Machinery	Manufacturing facilities for construction machinery	2,021 [214]	5,633	6,662	488	3	-	264	15,071	333
Hitachi Building Systems Co., Ltd., Head Office (Chiyoda-ku, Tokyo)	Mobility	Other facilities	4,047 [61]	6,397	403	1,107	-	-	907	12,863	1,633
Hitachi Real Estate Partners, Ltd., Hitachi Rectship Totsuka (Yokohama, Kanagawa)	Others	Rent office	- [-]	12,053	28	378	-	-	-	12,459	-

(4) Overseas subsidiaries

(As of March 31, 2021)

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.	14,883 [2,289]	62,658	99,643	12,691	40,501	-	19,893	250,269	35,510
Hitachi Vantara LLC (California, U.S.A.)	IT	Other facilities	- [-]	-	13,493	14,137	26,543	416	-	54,589	11,336
Waupaca Foundry, Inc. (Wisconsin, U.S.A.)	Hitachi Metals	Manufacturing facilities for automotive components	733 [5,085]	14,967	29,349	2,507	1,493	-	2,248	51,297	3,990
Hitachi Automotive Systems Mexico, S.A. de C.V. (Querétaro, Mexico)	Smart Life	Manufacturing facilities for automotive equipment	3,077 [426]	5,006	25,987	1,096	-	-	2,240	37,406	4,214
Chassis Brakes International B.V. (Eindhoven, Netherlands)	Smart Life	Manufacturing facilities for automotive equipment	- [-]	7,056	14,618	1,508	1,608	-	4,660	29,450	4,420

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

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

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

The amount of capital investment for the fiscal year ending March 31, 2022 will be 433.0 billion yen (new installation and expansions, based on the amount recorded as tangible fixed assets and the investment property), and a breakdown by segment is as follows. From the beginning of the fiscal year ending March 31, 2022, the automotive systems business, which is composed of Hitachi Astemo, Ltd. and its group companies, is spun off from the Smart Life segment as the Automotive Systems segment. Figures shown below are presented on the basis of the new segmentation.

Segment	Amount (Billions of yen)	Main purpose of investment
IT	55.0	Streamline development and production of products
Energy	40.0	Facility of production for power grid products, etc., Streamline development and production of other products
Industry	19.0	Manufacturing facilities for industrial products, Antiseismic reinforcement
Mobility	26.0	Facility of production for railway systems and building systems
Smart Life	38.0	Facility of production for healthcare-related products, ERP (Enterprise Resource Planning), Streamline development and production of other products
Automotive Systems	105.0	Increase production of automotive equipment
Hitachi Construction Machinery	60.0	Streamline of production for construction machinery
Hitachi Metals	40.0	Increase and streamline production of specialty steel products and functional components and equipment, Increase production of magnetic materials and power electronics materials and applications, wires, cables and related products, etc.
Others	26.0	Facility of system development
Corporate Items & Eliminations	24.0	-
Total	433.0	-

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

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

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

IV. Information on the Company

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

(1) Total number of shares, etc.

1) Total number of shares

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

2) Issued shares

Class	Number of shares issued as of the end of fiscal year (shares) (March 31, 2021)	Number of shares issued as of the filing date (shares) (Note) (June 23, 2021)	Stock exchange on which the Company is listed	Description
Common stock	967,885,277	968,234,877	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	967,885,277	968,234,877	–	–

(Note) The "Number of shares issued as of the filing date" does not include shares issued upon exercise of stock acquisition rights from June 1, 2021 to the filing date.

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

1) Details of stock option plans

Name	The First Stock Acquisition Rights of Hitachi, Ltd. (Note 1)	The Second Stock Acquisition Rights of Hitachi, Ltd. (Note 1)	The Third Stock Acquisition Rights of Hitachi, Ltd. (Note 1)
Date of resolution	June 29, 2016	April 6, 2017	April 11, 2018
Category and number of person to whom stock acquisition rights are granted	31 Executive Officers of the Company 42 Corporate Officers of the Company	33 Executive Officers of the Company 37 Corporate Officers of the Company	33 Executive Officers of the Company 35 Corporate Officers of the Company
Number of stock acquisition rights	11,717 [8,009]	12,766 [8,439]	12,094 [8,502]
Class, detail and number of shares to be issued upon exercise of stock acquisition rights	Common stock 234,340 shares [160,180 shares] (Note 2)	Common stock 255,320 shares [168,780 shares] (Note 2)	Common stock 241,880 shares [170,040 shares] (Note 2)
Amount to be paid in upon exercise of stock acquisition rights	¥1 per share	¥1 per share	¥1 per share
Exercise period of stock acquisition rights	From July 15, 2016 to July 14, 2046	From April 27, 2017 to April 26, 2047	From April 27, 2018 to April 26, 2048
Issue price for shares issued upon exercise of stock acquisition rights and amount of capitalization	Issue price: ¥1,345 (Note 3) Amount of capitalization: (Note 4)	Issue price: ¥1,843 (Note 3) Amount of capitalization: (Note 4)	Issue price: ¥2,431 (Note 3) Amount of capitalization: (Note 4)
Conditions for the exercise of stock acquisition rights	(Note 5, 6)	(Note 5, 6)	(Note 5, 6)
Matters regarding acquisition of stock acquisition rights through transfer	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.
Matters regarding substitute payment	—	—	—
Matters regarding grant of stock acquisition rights upon organizational restructuring	(Note 7)	(Note 7)	(Note 7)

(Notes) 1. The information is that as of the end of fiscal year (March 31, 2021). The number of stock acquisition rights and the number of shares to be issued upon exercise of stock acquisition rights in brackets in the lower row is information as of the end of the last month ended before the filing date (May 31, 2021). With regard to the other items, there is no change from the information as of the end of fiscal year.

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

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

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

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

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

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

2) Details of shareholder right plans

Not applicable.

3) Details of other stock acquisition rights, etc.

Not applicable.

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

Not applicable.

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

Date		Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From April 1, 2016 to March 31, 2017		-	4,833,463,387	-	458,790	-	176,757
From April 1, 2017 to March 31, 2018		-	4,833,463,387	-	458,790	-	176,757
October 1, 2018	(Note 1)	(3,866,770,710)	966,692,677	-	458,790	-	176,757
From April 1, 2018 to March 31, 2019		-	966,692,677	-	458,790	-	176,757
May 31, 2019	(Note 2)	587,800	967,280,477	1,072	459,862	1,072	177,828
From April 1, 2019 to March 31, 2020		-	967,280,477	-	459,862	-	177,828
May 27, 2020	(Note 3)	604,800	967,885,277	928	460,790	928	178,756
From April 1, 2020 to March 31, 2021		-	967,885,277	-	460,790	-	178,756

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

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

Issue price: 3,647 yen per share

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

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

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

Issue price: 3,067 yen per share

Amount by which stated capital is to be increased: 1,533.5 yen per share

Allottees: 31 Executive officers of the Company and 33 Corporate officers of the Company

4. The Company issued its new shares on June 15, 2021. The total number of issued shares, common stock and capital reserve increased 349,600 shares, 941 million yens and 941 million yens respectively.

(5) Shareholders composition

(As of March 31, 2021)

Class of shareholders	Status of shares (one unit of stock: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institution	Financial instruments business operator	Other institution	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	3	205	62	2,308	1,087	125	222,379	226,169	-
Share ownership (units)	95	3,200,291	434,021	144,379	4,298,023	763	1,577,468	9,655,040	2,381,277
Ownership percentage of shares (%)	0.00	33.15	4.50	1.50	44.52	0.01	16.34	100.00	-

(Notes) 1. Of 1,055,799 shares of treasury stock, 10,557 units are included in the “Individuals and others” column, while 99 shares are included in the “Number of shares less than one unit” column.

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

(6) Major shareholders

(As of March 31, 2021)

Name	Address	Share Ownership (shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	91,166,600	9.43
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	59,465,400	6.15
Hitachi Employees’ Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	20,606,840	2.13
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351, Boston, Massachusetts 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	20,578,060	2.13
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	20,000,099	2.07
NATS CUMCO (Standing proxy: Mizuho Bank, Ltd.)	C/O City Bank, New York 111 Wall Street, New York, NY, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	18,702,358	1.93
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	One Lincoln Street, Boston MA USA 02111 (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	16,715,255	1.73
State Street Bank and Trust Company 505001 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351, Boston, Massachusetts 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	16,698,514	1.73
JP Morgan Chase Bank 385632 (Standing proxy: Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (15-1, Konan 2-chome, Minato-ku, Tokyo)	16,563,302	1.71
State Street Bank West Client - Treaty 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	15,549,487	1.61
Total	-	296,045,915	30.62

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

2. Some reports on substantial shareholdings regarding the Company under the Financial Instruments and Exchange Act are available for public inspection. However, the information in the reports is not described in the above table since the Company does not confirm the actual status of shareholdings as of March 31, 2021. The major contents of the reports are as follows. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The reports whose date on which the duty to file report is prior to the effective date of the share consolidation show the number of shares before the share consolidation.

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

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

Holders	Asset Management One Co., Ltd.
Date on which the duty to file report	December 15, 2020
Number of shares	37,992,400 shares
Ownership percentage to the total number of issued shares	3.93%

(7) Information on voting rights

1) Issued shares

(As of March 31, 2021)

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	1,088,900	–	–
Shares with full voting right (others)	Common stock	964,415,100	9,644,151	–
Shares less than one unit	Common stock	2,381,277	–	–
Number of issued shares		967,885,277	–	–
Total number of voting rights		–	9,644,151	–

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

2) Treasury stock, etc.

(As of March 31, 2021)

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	1,055,700	–	1,055,700	0.11
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-chome, Chuo-ku, Tokyo	2,100	–	2,100	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	17,600	–	17,600	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	10,500	–	10,500	0.00
Mizuho Co., Inc.	4-1, Koishikawa 5-chome, Bunkyo-ku, Tokyo	3,000	–	3,000	0.00
Total	–	1,088,900	–	1,088,900	0.11

2. Information on Acquisition, etc. of Treasury Stock

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

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

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

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

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

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2021	39,523	159,134,164
Treasury stock acquired during the current period (Note 2)	5,432	28,137,879

(Notes) 1. Acquisition of stock less than one unit shares due to purchase requests from shareholders under Article 192, Paragraph 1 of the Companies Act.
2. The number of treasury stock acquired due to requests to purchase stock less than one unit shares from June 1, 2021 to the filing date is not included.

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

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2021	97,000	-
Treasury stock acquired during the current period	137,600	-

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

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

Classification	Fiscal year ended March 31, 2021		Current period (Note)	
	Number of shares (shares)	Total disposition amount (yen)	Number of shares (shares)	Total disposition amount (yen)
Acquired treasury stock which was offered to subscribers	-	-	-	-
Acquired treasury stock which was canceled	-	-	-	-
Acquired treasury stock which was transferred due to merger, share exchange, share delivery or company split	-	-	-	-
Others (Acquired treasury stock which was transferred upon exercise of stock acquisition rights, and which was sold due to requests from shareholders holding shares less than one unit shares to sell additional shares)	131,465	475,341,841	232,525	733,940,797
Total number of treasury stock held	1,055,799	-	966,306	-

(Note) The followings are not included: the number of treasury stock which was transferred upon exercise of stock acquisition rights from June 1, 2021 to the filing date; the number of treasury stock which was sold due to requests from shareholders holding less than one unit shares to sell additional shares from June 1, 2021 to the filing date; and the number of treasury stock acquired due to purchase requests from shareholders holding shares less than one unit shares from June 1, 2021 to the filing date.

3. Dividend Policy

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

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

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

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

Based on the above policy, annual dividends of 105.0 yen per share were paid for the fiscal year ended March 31, 2021. It was resolved to pay interim dividends of 50.0 yen per share at the Board of Directors meeting held on October 28, 2020, resulting in the total amount of interim dividends of 48,342 million yen. In addition, it was resolved to pay year-end dividends of 55.0 yen per share at the Board of Directors meeting held on May 12, 2021, resulting in the total amount of year-end dividends of 53,175 million yen.

4. Corporate Governance, etc.

(1) Corporate governance

1) Basic policy about corporate governance

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

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

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

2) Outline of corporate organizations

Board of Directors

The Board of Directors approves basic management policy for the Hitachi Group and supervises the execution of the duties of executive officers and directors in order to sustainably enhance corporate value and the shareholders' common interests. The basic management policy includes medium-term management plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation and Board of Directors Regulations. As of June 23, 2021, the Board of Directors was made up of 13 Directors, and 10 of whom are Independent Directors* and two concurrently serve as Executive Officers.

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

Within the Board of Directors, there are three statutory committees of the Nominating Committee, the Audit Committee and the Compensation Committee with Independent Directors accounting for the majority of members of each committee. The Board of Directors meetings were held 9 days during the fiscal year ended March 31, 2021, and the attendance rate of Directors at those meetings was 100%. The Nominating Committee meetings were held 8 days, the Audit Committee meetings were held 17 days, and the Compensation Committee meetings were held 4 days during the fiscal year ended March 31, 2021.

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

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

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

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

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

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

<u>Executive Officers</u>

Executive Officers decide on matters delegated to them by the Board of Directors and execute the Company's business affairs within the scope of assignments determined by the Board of Directors. As of June 23, 2021, the Company has 32 Executive Officers (See "(2) Directors and Senior Management - 1) Lists of directors and senior management - (b) Executive Officers.")

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

<u>Senior Executive Committee</u>

The Senior Executive Committee is a council to ensure that President deliberately decides on important managerial matters, which may affect the Company or the Hitachi Group business, through discussing from diverse viewpoints. It consists of 11 members as of June 23, 2021; Executive Chairman & CEO (Toshiaki Higashihara), President & COO (Keiji Kojima), five Executive Vice President and Executive Officers (Masakazu Aoki, Ryuichi Kitamura, Alistair Dormer, Toshiaki Tokunaga and Toshikazu Nishino), three Senior Vice President and Executive Officers (Yoshihiko Kawamura, Hidenobu Nakahata and Mamoru Morita) and one Vice President and Executive Officer (Kohei Kodama).

<u>Summary of the directors' and officers' liability insurance agreement</u>

The Company maintains a directors' and officers' liability insurance agreement stipulated in Article 430-3, Paragraph 1 of the Companies Act. The coverage of insured persons and outline of the insurance agreement are as follows.

i) Coverage of insured persons

The Company's Directors, Executive Officers and employees who work as officers at the company to which they are assigned and some domestic subsidiaries' directors, executive officers, corporate auditors and employees who work as officers at the company to which they are assigned.

ii) Outline of the insurance agreement

The agreement compensates damages, litigation costs, etc. incurred by an insured person as a result of a claim for damages due to an act or omission of the insured person as an executive of a company. However, the Company has taken measures to ensure that the appropriateness of the execution of duties by officers is not impaired by excluding compensation for intentional negligence of duties, illegal acquisition of private benefits, and damages resulting from criminal acts. The entire insurance costs are beard by the Company or its subsidiaries holding the insurance agreement.

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

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

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

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

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

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

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

5) Internal control system and risk management system

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Directors and Senior Management

1) Lists of directors and senior management

Men: 40 persons, Women: 3 persons

(Women's percentage to total number of Directors and Senior Management: 7%)

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

(a) Directors


Katsumi Ihara


Ravi Venkatesan


Cynthia Carroll


Joe Harlan


George Buckley


Louise Pentland


Harufumi Mochizuki


Takatoshi Yamamoto


Hiroaki Yoshihara


Helmuth Ludwig


Keiji Kojima


Hideaki Seki


Toshiaki Higashihara

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director Member of Audit Committee and Compensation Committee	Katsumi Ihara	Sept. 24, 1950	6/2005 4/2009 6/2009 6/2010 6/2011 4/2015 6/2016 6/2018	Executive Deputy President, Representative Corporate Executive Officer, Member of the Board, Sony Corporation Executive Deputy President, Corporate Executive, Sony Corporation Executive Vice President, Representative Director, Sony Financial Holdings Inc. President, Representative Director, Sony Financial Holdings Inc. President, Representative Director, Sony Life Insurance Co., Ltd. Chairman, Director, Sony Life Insurance Co., Ltd. (Retired in June 2017) Chairman, Director, Sony Financial Holdings Inc. (Retired in June 2017) Director, Hitachi, Ltd.	(Note 1)	900
Director	Ravi Venkatesan	Jan. 12, 1963	7/1999 1/2004 4/2011 4/2013 8/2015 9/2018 7/2020	Chairman of the Board of Directors, Cummins India Ltd. (Retired in March 2004) Chairman, Microsoft India Pvt. Ltd. (Retired in September 2011) Independent Director, Infosys Ltd. (Retired in May 2018, served as Co-Chairman from April 2017 to August 2017) Venture Partner, Unitus Ventures LLC. (Currently in office) Chairman (Non-Executive), Bank of Baroda (Retired in August 2018) Special Representative for Young People & Innovation, UNICEF (Currently in office) Director, Hitachi, Ltd.	(Note 1)	200

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director Member of Nominating Committee	Cynthia Carroll	Nov. 13, 1956	10/1991 1/1996 10/1998 1/2002 3/2007 6/2013	General Manager, Foil Products, Alcan Inc. Managing Director, Aughinish Alumina Ltd., Alcan Inc. President, Bauxite, Alumina and Specialty Chemicals, Alcan Inc. President & CEO, Primary Metal Group, Alcan Inc. CEO, Anglo American plc. (Retired in April 2013) Director, Hitachi, Ltd.	(Note 1)	1,400
Director Compensation Committee	Joe Harlan	May 5, 1959	9/1999 9/2001 11/2002 10/2004 10/2009 9/2011 9/2012 10/2014 10/2015 6/2018	Vice President and Chief Financial Officer, Lighting Business, General Electric Company Vice President, Corporate Financial Planning and Analysis, 3M Company President and Chief Executive Officer, Sumitomo 3M Ltd. Executive Vice President, Electro and Communications Business, 3M Company Executive Vice President, Consumer and Office Business, 3M Company Executive Vice President, Performance Materials, The Dow Chemical Company Executive Vice President, Chemicals, Energy and Performance Materials, The Dow Chemical Company Chief Commercial Officer and Vice Chairman, Market Business, The Dow Chemical Company Vice Chairman and Chief Commercial Officer, The Dow Chemical Company (Retired in August 2017) Director, Hitachi, Ltd.	(Note 1)	900
Director	George Buckley	Feb. 23, 1947	2/1993 9/1994 7/1997 4/2000 6/2000 12/2005 2/2012 6/2012	Chief Technology Officer, Motors, Drives and Appliances, Emerson Electric Company President, US Electrical Motors, Emerson Electric Company President, Mercury Marine Division and Corporate Vice President, Brunswick Corporation President and Chief Operating Officer, Brunswick Corporation Chairman and Chief Executive Officer, Brunswick Corporation Chairman of the Board, President and Chief Executive Officer, 3M Company Executive Chairman of the Board, 3M Company (Retired in May 2012) Chairman, Arle Capital Partners Limited (Retired in December 2015) Director, Hitachi, Ltd.	(Note 1)	6,700

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions	Term of office	Share ownership (shares)
Director	Louise Pentland	Apr. 11, 1972	8/1997 Admitted as a Solicitor (UK) 7/2001 Senior Legal Counsel, Nokia Networks, Nokia Corporation 9/2007 Vice President, Acting Chief Legal Officer and Head of IP Legal, Nokia Corporation 7/2008 Senior Vice President and Chief Legal Officer, Nokia Corporation 6/2009 Admitted to New York State Bar Association 2/2011 Executive Vice President and Chief Legal Officer, Nokia Corporation (Retired in May 2014) 4/2015 General Counsel, PayPal, eBay Inc. 6/2015 Director, Hitachi, Ltd. 7/2015 Senior Vice President and Chief Legal Officer, PayPal Holdings, Inc. 9/2016 Executive Vice President and Chief Business Affairs & Legal Officer, PayPal Holdings, Inc. (Currently in office)	(Note 1)	1,000
Chairman of the Board Nominating Committee (Chair), Member of Audit Committee and Compensation Committee (Chair)	Harufumi Mochizuki	Jul. 26, 1949	7/2002 Director-General for Commerce and Distribution Policy, Minister's Secretariat, Ministry of Economy, Trade and Industry of Japan ("METI") 7/2003 Director-General, Small and Medium Enterprise Agency, METI 7/2006 Director-General, Agency for Natural Resources and Energy, METI 7/2008 Vice-Minister of Economy, Trade and Industry of Japan 8/2010 Special Advisor to the Cabinet of Japan (Retired in September 2011) 10/2010 Senior Adviser to the Board, Nippon Life Insurance Company (Retired in April 2013) 6/2012 Director, Hitachi, Ltd. 6/2013 President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. (Currently in office)	(Note 1)	4,800
Director Member of Audit Committee and Compensation Committee	Takatoshi Yamamoto	Oct. 20, 1952	12/1995 Managing Director, Morgan Stanley Japan Limited 6/1999 Managing Director and Vice Chairman, Tokyo Branch, Morgan Stanley Japan Limited 7/2005 Managing Director and Vice Chairman, UBS Securities Japan Co., Ltd. 6/2009 Managing Director, CASIO COMPUTER CO., LTD. 6/2011 Advisor, CASIO COMPUTER CO., LTD. (Retired in June 2012) 6/2016 Director, Hitachi, Ltd.	(Note 1)	11,300
Director Member of Nominating Committee and Audit Committee (Chair)	Hiroaki Yoshihara	Feb. 9, 1957	11/1978 Joined Peat Marwick Mitchell & Co. 7/1996 National Managing Partner, the Pacific Rim Practice, KPMG LLP 10/1997 The Board Member, KPMG LLP 10/2003 Vice Chairman and Global Managing Partner, KPMG International (Retired in April 2007) 6/2014 Director, Hitachi, Ltd.	(Note 1)	2,600

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director Member of Audit Committee	Helmuth Ludwig	Sept. 19, 1962	6/2001 8/2002 8/2007 10/2010 10/2011 10/2014 10/2016 1/2020 7/2020	President, Software and System House Division, Siemens AG President, Systems Engineering Division, Automation and Drives Group, Siemens AG President, Siemens PLM Software, Inc. Global Head of Communications, Industry Automation, Siemens Corp. President and CEO, Industry Sector, North America, Siemens Industry, Inc. Executive Vice President and Chief Digital Officer, Digital Factory Division, Product Lifecycle Management, Siemens Corp. Chief Information Officer, Siemens AG (Retired in December 2019) Professor of Practice in Strategy and Entrepreneurship, Cox School of Business, Southern Methodist University (Currently in office) Director, Hitachi, Ltd.	(Note 1)	1,900
Director Member of Nominating Committee	Keiji Kojima	Oct. 9, 1956	4/1982 4/2011 4/2012 4/2016 4/2018 6/2021	Joined Hitachi, Ltd. General Manager, Hitachi Research Laboratory Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer President & COO and Director	(Note 1)	67,300
Director Member of Audit Committee (Standing)	Hideaki Seki	Mar. 10, 1957	4/1979 4/2011 4/2013 4/2014 4/2015 4/2016 4/2018 4/2020 7/2020	Joined Hitachi, Ltd. Board Director, Hitachi Automotive Systems, Ltd. Vice President, Board Director, Hitachi Automotive Systems, Ltd. Executive Vice President, Board Director, Hitachi Automotive Systems, Ltd. President & COO, Representative Director, Hitachi Automotive Systems, Ltd. President & CEO, Representative Director, Hitachi Automotive Systems, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. President, Representative Director, Hitachi Building Systems Co., Ltd. (Retired in March 2020) Associate, Hitachi, Ltd. Director, Hitachi, Ltd.	(Note 1)	11,500

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director Member of Nominating Committee	Toshiaki Higashihara	Feb. 16, 1955	4/1977 4/2006 4/2007 4/2008 4/2010 6/2010 4/2011 4/2013 4/2014 6/2014 4/2016 5/2021 6/2021	Joined Hitachi, Ltd. Chief Operating Officer, Information & Telecommunication Systems Vice President and Executive Officer (Retired in March 2008) President, Hitachi Power Europe GmbH President and Chief Executive Officer, Hitachi Plant Technologies, Ltd. President and Representative Director, Hitachi Plant Technologies, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. President & COO, Hitachi, Ltd. President & COO and Director, Hitachi, Ltd. President & CEO and Director, Hitachi, Ltd. Executive Chairman, President & CEO and Director, Hitachi, Ltd. Executive Chairman & CEO and Director, Hitachi, Ltd.	(Note 1)	175,300
Total						285,800

(Notes) 1. The term of office of the Directors starts upon the election at the Annual General Meeting of Shareholders on June 23, 2021 and expires at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2022.

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

(b) Executive Officers

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Representative Executive Officer, Executive Chairman & CEO General	Toshiaki Higashihara	Feb. 16, 1955	See "(a) Directors"		(Note 2)	175,300
Representative Executive Officer, President & COO Overall management, smart life & ecofriendly systems business, healthcare strategy	Keiji Kojima	Oct. 9, 1956	See "(a) Directors"		(Note 2)	67,300
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (business for industry & distribution sectors, water & environment business, and industrial products business)	Masakazu Aoki	Jun. 23, 1954	4/1977 4/2012 10/2014 4/2016 4/2017	Joined Hitachi, Ltd. President and Director, Hitachi Industrial Equipment Systems Co., Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd. Chairman of the Board, Hitachi Industrial Equipment Systems Co., Ltd.	(Note 2)	63,600
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (marketing & sales and regional strategies), marketing & sales and regional strategies	Ryuichi Kitayama	Feb. 4, 1952	4/1976 10/2009 4/2010 4/2014 4/2015 6/2017 6/2018 4/2020	Joined Hitachi, Ltd. Chief Marketing Officer, Information & Telecommunication Group, Information & Telecommunication Systems Company Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer (Retired in March 2018) Director, Hitachi High-Technologies Corporation Chairman of the Board, Hitachi High-Technologies Corporation Executive Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	64,760
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (building systems business, railway systems business and environmental strategy) and environmental strategy	Alistair Dormer	Aug. 29, 1963	2/2001 6/2003 10/2009 9/2012 4/2014 4/2015 4/2016 4/2019	Director of Business Development, Alstom Transport U.K. Ltd. Joined Hitachi Europe Ltd. Managing Director, Hitachi Rail Europe Ltd. Executive Chairman and CEO, Hitachi Rail Europe Ltd. Global CEO of Rail Systems business, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President and Executive Officer	(Note 2)	8,900

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions	Term of office	Share ownership (shares)
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (systems & services business and defense systems business), systems & services business, defense systems business and social innovation business promotion	Toshiaki Tokunaga	Mar. 15, 1967	4/1990 Joined Hitachi, Ltd. 4/2017 President, Hitachi Appliances, Inc. 4/2018 General Manager, Smart Life & Ecofriendly Systems Division, Hitachi, Ltd. 4/2019 Vice President and Executive Officer, Hitachi, Ltd. 4/2020 Senior Vice President and Executive Officer, Hitachi, Ltd. 4/2021 Executive Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	42,400
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (nuclear energy business, energy business and power grids business)	Toshikazu Nishino	Jan. 9, 1955	4/1980 Joined Hitachi, Ltd. 4/2010 Senior Manager, Strategy & Project Office, Supervisory Office for Management Reforms 4/2011 Vice President and Executive Officer 4/2013 Senior Vice President and Executive Officer 4/2015 Executive Vice President and Executive Officer	(Note 2)	63,400
Senior Vice President and Executive Officer Services & platforms business	Jun Abe	Jun. 14, 1961	4/1984 Joined Hitachi, Ltd. 4/2016 Senior General Manager, Control System Platform Division, Services & Platforms Business Unit 4/2018 Vice President and Executive Officer 4/2021 Senior Vice President and Executive Officer	(Note 2)	33,000
Representative Executive Officer, Senior Vice President and Executive Officer Finance, corporate pension system and investment strategies	Yoshihiko Kawamura	Aug. 20, 1956	4/1979 Joined Mitsubishi Corporation 4/2010 Senior Vice President, Division COO, IT Service Division, Mitsubishi Corporation 4/2015 Joined Hitachi, Ltd. Executive Strategist, Information & Telecommunication Systems Group 4/2016 Deputy General Manager of IoT Business Promotion Division and General Manager of Incubation Division, Hitachi, Ltd. 4/2017 Vice President and Executive Officer, Hitachi, Ltd. 4/2018 Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	43,800
Senior Vice President and Executive Officer Business for government, public corporation and social infrastructure systems, and defense systems business	Katsuya Nagano	Aug. 30, 1958	4/1983 Joined Hitachi, Ltd. 4/2016 General Manager of Social Infrastructure Information Systems Division, Information & Communication Technology Business Division 4/2017 Vice President and Executive Officer 4/2021 Senior Vice President and Executive Officer	(Note 2)	30,200

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Representative Executive Officer, Senior Vice President and Executive Officer Corporate communications, corporate auditing, corporate export regulation and human capital	Hidenobu Nakahata	Jan. 24, 1961	4/1983 10/2013 4/2014 4/2018	Joined Hitachi, Ltd. Deputy General Manager, Human Capital Group Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	47,400
Senior Vice President and Executive Officer Power grids business	Claudio Facchin	Jun. 26, 1965	1/2016 7/2020 4/2021	President, Power Grids business, ABB Ltd. CEO, Hitachi ABB Power Grids Ltd (Currently in office) Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	0
Senior Vice President and Executive Officer Management strategies and strategies for next generation business	Mamoru Morita	Apr. 12, 1959	4/1983 4/2015 4/2016 4/2020	Joined Hitachi, Ltd. General Manager of Strategy Planning Division Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	42,100
Vice President and Executive Officer Government & external relations and sustainability strategy	Hitoshi Ito	Feb. 19, 1959	4/1982 8/2011 1/2013 7/2014 10/2016 1/2018 4/2018	Joined Ministry of International Trade and Industry Councillor, Cabinet Secretariat Director-General, Reconstruction Agency Commissioner, Japan Patent Office Advisor, Tokio Marine & Nichido Fire Insurance Co., Ltd. Joined Hitachi, Ltd. Vice President and Executive Officer	(Note 2)	23,800
Vice President and Executive Officer Business for financial institutions	Tatsuro Ueda	Oct. 9, 1964	4/1987 4/2019 4/2021	Joined Hitachi, Ltd. COO, Financial Institutions Business Unit Vice President and Executive Officer	(Note 2)	13,000
Vice President and Executive Officer Energy business	Kenji Urase	Jun. 18, 1961	4/1986 3/2015 4/2017	Joined Hitachi, Ltd. President, Hitachi Power Solutions Co., Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	26,800
Vice President and Executive Officer Nuclear energy business	Tadashi Kume	Jan. 4, 1963	4/1986 4/2019 4/2020	Joined Hitachi, Ltd. COO, Nuclear Energy Business Unit Vice President and Executive Officer	(Note 2)	19,600
Vice President and Executive Officer Legal matters, risk management and corporate auditing	Kohei Kodama	May 24, 1961	4/1987 4/2017 4/2018	Joined Hitachi, Ltd. Chief Business Risk management Officer, Systems & Services Business Division Vice President and Executive Officer	(Note 2)	22,500

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer Research & development	Norihiro Suzuki	Dec. 5, 1961	4/1986 10/2014 4/2015 4/2016	Joined Hitachi, Ltd. General manager of Central Research Laboratory General Manager of Global Center for Social Innovation, Research & Development Group, and General Manager of Central Research Laboratory Group Vice President and Executive Officer	(Note 2)	24,000
Vice President and Executive Officer Marketing & sales (business for industry & distribution sectors, water & environment business, building systems business, railway systems business and smart life business)	Yoji Takeuchi	Jul. 1, 1958	4/1981 4/2018 4/2019	Joined Hitachi, Ltd. CMO of Building Systems Business Unit, General Manager of Global Business Strategy Planning Division, Building Systems Business Unit Vice President and Executive Officer	(Note 2)	24,000
Vice President and Executive Officer Diversity & inclusion strategy, government & external relations and environmental strategy	Lorena Dellagiovanna	Apr. 15, 1969	10/1988 4/2020 4/2021	Joined Hitachi Europe GmbH Chief Diversity & Inclusion Officer, Hitachi, Ltd. (Currently in office) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	800
Vice President and Executive Officer Regional strategies (APAC)	Kojin Nakakita	Sept. 28, 1963	10/1988 4/2017 6/2017 4/2019	Joined Hitachi, Ltd. Chairman of Hitachi Asia Ltd. (Currently in office) Chairman of Hitachi India Pvt. Ltd. (Currently in office) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	23,700
Vice President and Executive Officer Water & environment business	Hideshi Nakatsu	May. 10, 1967	10/1997 4/2016 4/2019 4/2021	Joined Hitachi Metals, Ltd. President and Representative Director, Hitachi Plant Services Co., Ltd. (Retired in March 2020) CEO, Water & Environment Business Unit, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	13,000
Vice President and Executive Officer Information technology strategies	Seiichiro Nukui	Jan. 3, 1965	4/1988 2/2010 4/2015 4/2017 4/2019	Joined Accenture, Ltd. (Japan) Vice President of Company Executive, and General Manger of Communication, Electric, Media and High-tech Industry, Power & Industrial Equipment Division, Accenture Ltd. (Japan) Joined Hitachi, Ltd. Executive IT Strategist, Hitachi, Ltd. Urban Mobility Project Leader, Future Investment Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	23,600

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer Railway systems business	Andrew Barr	Jan. 9, 1973	1/2002 1/2005 1/2014 5/2016 4/2019	Engineering Manager, Rolling Stock, UK Government Strategic Rail Authority Head of Maintenance Delivery [Rail Business], Hitachi Europe Ltd. COO, Hitachi Rail Europe Ltd. CEO, Ansaldo STS S.p.A. (Currently Hitachi Rail STS S.p.A.) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	3,500
Vice President and Executive Officer Marketing & sales and regional strategies (Japan)	Masahiko Hasegawa	Sept. 17, 1964	4/1987 4/2018 4/2020	Joined Hitachi, Ltd. General Manager of Kansai Area Operation Vice President and Executive Officer	(Note 2)	20,100
Vice President and Executive Officer Marketing & sales (business for financial institutions, government, public corporation and social infrastructure systems and defense systems business)	Tatsuro Hoshino	Feb. 5, 1962	4/1984 4/2018 4/2021	Joined Hitachi, Ltd. President and Chief Executive Officer, Hitachi Solutions, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	16,140
Vice President and Executive Officer Supply chain management (manufacturing strategy and quality assurance)	Kentaro Masai	May 22, 1959	4/1982 4/2014 4/2016	Joined Hitachi, Ltd. President & CEO of Rail Systems Company, Infrastructure Systems Group Vice President and Executive Officer	(Note 2)	26,600
Vice President and Executive Officer Building systems business	Shinya Mitsudomi	Jul. 5, 1958	4/1982 4/2017 4/2018	Joined Hitachi, Ltd. Group Head of Sales and Managing Director, Japan / Asia Pacific, Railway Systems Business Unit Vice President and Executive Officer	(Note 2)	24,300
Vice President and Executive Officer Cost structure reform and information security management	Masashi Murayama	Dec. 23, 1961	4/1985 4/2016 4/2019	Joined Hitachi, Ltd. CPO and General Manager, Value Chain Integration Division Vice President and Executive Officer	(Note 2)	25,600
Vice President and Executive Officer Business for industry & distribution sectors	Kazunobu Morita	May. 12, 1966	4/1991 3/2004 4/2019 4/2021	Joined Mitsubishi Petrochemical Co., Ltd. Joined Hitachi, Ltd. CSO, Industry Business Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	13,000
Vice President and Executive Officer Regional strategies (China)	Takashi Yoda	Aug. 22, 1966	4/1990 4/2018 4/2019	Joined Hitachi, Ltd. General Manager of Energy Business Co-Creation & Promotion Division, Power and Energy Business Administration Division Vice President and Executive Officer	(Note 2)	23,800
Total						1,050,000

(Notes) 1. The "Position and Responsibility" column describes positions and matters delegated to each of the Executive Officers by the Board of Directors.
2. The term of office of the Executive Officers expires on March 31, 2022.

2) Independent Directors

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

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

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

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

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

(b) Function of the Independent Directors

Following the policy stated in "(a) Qualification for Independent Directors and criteria for the independency," the Company has elected ten persons; Messrs. Katsumi Ihara, Ravi Venkatesan, Joe Harlan, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto, Hiroaki Yoshihara and Helmuth Ludwig and Mses. Cynthia Carroll and Louise Pentland, as outside Directors under Article 2, Item 15 of the Companies Act. The functions and roles expected to them are as follows:

Name	Function and Role
Katsumi Ihara	Mr. Ihara has rich experience and insight in the area of global corporate management gained through the involvement in management at major companies conducting diversified businesses globally. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company and supervising the execution of duties by Executive Officers and others from an independent perspective.
Ravi Venkatesan	Mr. Venkatesan has rich experience and insight in the area of global corporate management, digital business and emerging markets. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.

Name	Function and Role
Cynthia Carroll	Ms. Carroll has rich experience and insight as the top executive of major global companies in the mining industry. She is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.
Joe Harlan	Mr. Harlan has rich experience and insight in the area of global corporate management gained through the involvement in management at major companies conducting diversified businesses globally. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.
George Buckley	Mr. Buckley has rich experience and insight as the top executive of major global companies conducting diversified businesses globally. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.
Louise Pentland	Ms. Pentland has deep insight into corporate legal matters and corporate governance gained through her rich experience as the chief legal officer of major global companies. She is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting her global viewpoint.
Harufumi Mochizuki	Mr. Mochizuki has rich experience and insight in the area of public administration, etc. gained through leading positions at government agencies. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company and supervising the execution of duties by Executive Officers and others from an independent perspective.
Takatoshi Yamamoto	Mr. Yamamoto has broad range of insight in business and management gained through his experience in the area of corporate analysis and global corporate management. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company and supervising the execution of duties by Executive Officers and others from an independent perspective.

Name	Function and Role
Hiroaki Yoshihara	Mr. Yoshihara has rich experience and insight in the area of global corporate management and accounting. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.
Helmuth Ludwig	Mr. Ludwig has rich experience and insight in the area of global corporate management and digital business. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.

(c) Relationship between Independent Directors and the Company

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

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

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

(d) Supervising by the Independent Directors

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

(3) Audit

1) Audit by the Audit Committee

The Audit Committee consists of six Directors, including five Independent Directors and one standing Audit Committee member.

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

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

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

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

The attendance record of each member of the Audit Committee during the fiscal year ended March 31, 2021 is as follows.

Name	Attendance / Number of days held the Audit Committee (Note 1)	Attendance rate (Note 1)
Katsumi Ihara	17 days / 17 days	100%
Harufumi Mochizuki	17 days / 17 days	100%
Takatoshi Yamamoto	17 days / 17 days	100%
Hiroaki Yoshihara	17 days / 17 days	100%
Toyoaki Nakamura (Note 2)	6 days / 6 days	100%
Hideaki Seki (Note 3)	10 days / 10 days	100%

(Notes) 1. They are based on the days held the Audit Committee during each member's term of office.
2. Mr. Toyoaki Nakamura resigned on June 30, 2020.
3. Mr. Hideaki Seki was appointed on July, 30, 2020.

During the fiscal year ended March 31, 2021, the Audit Committee engaged in a variety of activities as a whole Hitachi Group and by each business segment to study priority matters such as strengthening of collaboration and the facilitation of information sharing under a “tripartite audit” (audit by the Audit Committee, internal audit and audit by accounting auditors), and auditing of the establishment and operation of internal control systems from the perspective of risk management and validity of execution of duties. In addition, a standing committee member worked to obtain information as needed in a timely and accurate manner, mainly by collaborating with the Internal Auditing Office, among other departments, and attending important internal meetings such as the Senior Executive Committee, and facilitated information sharing with other committee members.

2) Internal audit

The Internal Auditing Office is in charge of internal audit within Hitachi Group and audits business units, corporate divisions of headquarters and subsidiaries and affiliates. The number of staff of the Internal Auditing Office is 43 as of March 31, 2021.

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

From the perspective of preventing infection of the COVID-19, the Company has been using IT technologies, including online meetings, and, especially to carry out audits overseas, has been commissioning audit divisions of Group companies and auditing firms in each country.

3) Accounting audit

(a) Name of accounting auditor

Ernst & Young ShinNihon LLC

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

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

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

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

Takashi Ouchida, Koji Fujima, Takuya Tanaka, Shinya Yoshida

(d) Assistants for audit works

48 CPAs and 84 staffs belonging to Ernst & Young ShinNihon LLC assist execution of accounting audit works as instructed by the three CPAs mentioned in (b).

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

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

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

- In the event the Audit Committee determines that the causes provided for in each item of Paragraph 1 of Article 340 of the Companies Act apply to an accounting auditor and the accounting auditor needs to be removed immediately, the Audit Committee shall remove the accounting auditor by unanimity. Should this occur, the Audit Committee member selected by the Audit Committee shall give a report on the removal of the accounting auditor and the reason therefor at the first general meeting of shareholders to be convened after the said removal.
- Besides the case above, it is determined that an accounting auditor should be replaced for such reason as the difficulty of ensuring an adequate performance of duties by the accounting

auditor, the Audit Committee shall determine the contents of the agenda item on the non-retention of the accounting auditor to be submitted to the general meeting of shareholders.

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

(f) Evaluation for accounting auditor by the Audit Committee

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

4) Audit Fees

(a) Fees to Certified Public Accountants

Category	Fiscal year ended March 31, 2021			Fiscal year ended March 31, 2020		
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)		Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	
The Company	525	(Note 1)	101	515	(Note 1)	71
Consolidated subsidiaries	959	(Note 1)	17	939	(Note 2)	28
Total	1,484		118	1,454		99

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

2. The non-audit services were basically various consulting services.

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

Category	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2020	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	-	(Note 1) 37	-	(Note 1) 6
Consolidated subsidiaries	4,290	(Note 2) 515	2,723	(Note 1) 596
Total	4,290	552	2,723	602

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

(c) Policy on determination of audit fees

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

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

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

(4) Compensation to Directors and Executive Officers

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

[Method of Determination of Policy]

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

[Basic Policy]

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

[Compensation Structure]

(i) Matters relating to Directors

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

(ii)Matters relating to Executive Officers

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

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

<u>Basic remuneration</u>

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

<u>Short-term incentive compensation</u>

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

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

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

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

Medium- and Long-term incentive compensation

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

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

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

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

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

(iii) Miscellaneous

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

2) Amount of compensation

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)				Number of persons
		Fixed pay	Variable pay		Others	
			Short-term incentive compensation	Medium- and long-term incentive compensation		
Directors (excluding Independent Directors)	53	53	–	–	–	2
Independent Directors	356	356	–	–	–	10
Executive Officers	4,059	1,545	1,218	1,295	0	32
Total	4,468	1,954	1,218	1,295	0	44

(Notes) 1. The number of Directors indicated excludes two Directors who concurrently serve as Executive Officers.
2. The amount of compensation, etc. for directors includes the compensation from April to resignation for the director who resigned as of June 30, 2020.
3. Fixed pay and short-term incentive compensation consist of monetary compensation, and medium- and long-term incentive compensation consist of monetary and non-monetary compensation.
4. The "Others" column shows the awards for employee inventions.

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

(Unit: billions of yen)

Indicators	Fiscal year ended March 31, 2021	
	Target	Results
Revenues	7,080.0	8,729.1
Adjusted Operating Income	372.0	495.1
EBIT	614.0	850.2
Net income attributable to Hitachi, Ltd. stockholders	335.0	501.6

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

Name	Term	Total shareholder return / TOPIX Growth Rate Ratio
The First Stock Acquisition Rights of Hitachi, Ltd.	From April 1, 2016 to March 29, 2019	125.8%
The Second Stock Acquisition Rights of Hitachi, Ltd.	From March 31, 2017 to March 31, 2020	121.6%
The Third Stock Acquisition Rights of Hitachi, Ltd.	From March 30, 2018 to March 31, 2021	120.5%
Restricted Stocks issued in May 2019	From April 1, 2019 to March 31, 2021 (Note)	117.2%
Restricted Stocks issued in May 2020	From April 1, 2020 to March 31, 2021 (Note)	114.8%

(Note) The ratios are calculated to determine the number of stock acquisition rights that can be exercised by persons who retire from Executive Officers, Directors or Corporate Officers on March 31, 2021.

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

<table>
<tr><th rowspan="3">Name</th><th rowspan="3">Company</th><th rowspan="3">Category</th><th colspan="4">Total amount of each type (Millions of yen)</th><th rowspan="3">Total amount of compensation, etc. (Millions of yen)</th></tr>
<tr><th rowspan="2">Fixed pay</th><th colspan="2">Variable pay</th><th rowspan="2">Others (Note 3)</th></tr>
<tr><th>Short-term incentive compensation (Note 1)</th><th>Medium and Long-term incentive compensation (Note 2)</th></tr>
<tr><td>Toshiaki Higashihara</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer (Note 4)</td><td>148</td><td>126</td><td>199</td><td>-</td><td>474</td></tr>
<tr><td>Masakazu Aoki</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>60</td><td>62</td><td>66</td><td>0</td><td>189</td></tr>
<tr><td rowspan="2">Kitayama Ryuichi</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>57</td><td>50</td><td>24</td><td>-</td><td rowspan="2">135</td></tr>
<tr><td>Hitachi High-Tech Corporation (Consolidated subsidiary)</td><td>Chairman</td><td>2</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="4">Keiji Kojima</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>47</td><td>53</td><td>66</td><td>-</td><td rowspan="4">180</td></tr>
<tr><td>Hitachi Global Life Solutions, Inc. (Consolidated subsidiary)</td><td>Director</td><td>4</td><td>3</td><td>-</td><td>-</td></tr>
<tr><td>Hitachi Astemo, Ltd. (Consolidated subsidiary)</td><td>Chairman</td><td>4</td><td>3</td><td>-</td><td>-</td></tr>
<tr><td>Hitachi High-Tech Corporation (Consolidated subsidiary)</td><td>Director</td><td>3</td><td>2</td><td>-</td><td>-</td></tr>
<tr><td>Keiichi Shiotsuka</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>60</td><td>80</td><td>66</td><td>-</td><td>207</td></tr>
<tr><td>Alistair Dormer</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>234</td><td>105</td><td>115</td><td>-</td><td>455</td></tr>
<tr><td>Toshikazu Nishino</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>60</td><td>50</td><td>66</td><td>-</td><td>177</td></tr>
<tr><td>Atsushi Oda</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>48</td><td>37</td><td>37</td><td>-</td><td>122</td></tr>
<tr><td rowspan="2">Yoshihiko Kawamura</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>47</td><td>43</td><td>39</td><td>-</td><td rowspan="2">131</td></tr>
<tr><td>Hitachi Astemo, Ltd. (Consolidated subsidiary)</td><td>Director</td><td>0</td><td>0</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Toshiaki Tokunaga</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>-</td><td>23</td><td>-</td><td>-</td><td rowspan="2">165</td></tr>
<tr><td>Hitachi Global Digital Holdings Corporation (Consolidated subsidiary) (Note 5)</td><td>Chairman of the Board & CEO</td><td>58</td><td>36</td><td>47</td><td>-</td></tr>
</table>

<table>
<tr><th rowspan="3">Name</th><th rowspan="3">Company</th><th rowspan="3">Category</th><th colspan="4">Total amount of each type (Millions of yen)</th><th rowspan="3">Total amount of compensation, etc. (Millions of yen)</th></tr>
<tr><th rowspan="2">Fixed pay</th><th colspan="2">Variable pay</th><th rowspan="2">Others (Note 3)</th></tr>
<tr><th>Short-term incentive compensation (Note 1)</th><th>Medium and Long-term incentive compensation (Note 2)</th></tr>
<tr><td rowspan="2">Hidenobu Nakahata</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>45</td><td>42</td><td>39</td><td>-</td><td rowspan="2">131</td></tr>
<tr><td>Hitachi High-Tech Corporation (Consolidated subsidiary)</td><td>Director</td><td>2</td><td>1</td><td>-</td><td>-</td></tr>
<tr><td rowspan="5">Mamoru Morita</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>37</td><td>35</td><td>30</td><td>-</td><td rowspan="5">118</td></tr>
<tr><td>Hitachi Industrial Equipment Systems Co., Ltd. (Consolidated subsidiary)</td><td>Director</td><td>3</td><td>2</td><td>-</td><td>-</td></tr>
<tr><td>Hitachi Global Life Solutions, Inc. (Consolidated subsidiary)</td><td>Director</td><td>3</td><td>2</td><td>-</td><td>-</td></tr>
<tr><td>Hitachi Metals, Ltd. (Consolidated subsidiary)</td><td>Director</td><td>2</td><td>0</td><td>-</td><td>-</td></tr>
<tr><td>Hitachi Chemical Company, Ltd. (Consolidated subsidiary)</td><td>Director</td><td>0</td><td>0</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Koji Nakakita</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>-</td><td>-</td><td>5</td><td>-</td><td rowspan="2">124</td></tr>
<tr><td>Hitachi Asia Ltd. (Consolidated subsidiary) (Note 5)</td><td>Chairman of the Board</td><td>48</td><td>22</td><td>26</td><td>20</td></tr>
<tr><td>Andrew Barr</td><td>Hitachi Rail Ltd. (Consolidated subsidiary) (Note 5)</td><td>Director</td><td>69</td><td>41</td><td>50</td><td>6</td><td>167</td></tr>
<tr><td>Hiroaki Nakanishi</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer (Note 4)</td><td>104</td><td>87</td><td>132</td><td>-</td><td>324</td></tr>
</table>

(Notes) 1. Compensations from the Company and consolidated subsidiaries paid depending on financial results and individual performances in the short term are collectively called.
2. Medium and long-term incentive compensation is stock options as stock-based compensation, restricted stock compensation, restricted stock units or cash award based on the value of the Company's share price.
3. The "Others" column shows the awards for employee inventions and the fringe benefit equivalent, etc.
4. Although concurrently serving as Director for the fiscal year ended March 31, 2021, Messrs. Toshiaki Higashihara and Hiroaki Nakanishi did not receive compensation as Director.
5. The amount of the remuneration, etc. from foreign subsidiaries shows yen equivalent.

3) Authorities, roles and activities of the Compensation Committee

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

For the fiscal year ended March 31, 2021, based on policies for determining compensation for Directors and Executive Officers, the Compensation Committee determined amounts of remuneration for Directors and Executive Officers individually including short-term incentive compensation of Executive Officers in conjunction with which the Compensation Committee confirmed and reviewed the process and details of performance and individual target evaluations. Furthermore, the Compensation Committee re-examined the executive compensation system from the viewpoint of remuneration for top management at global enterprises and sharing of values with shareholders, and decided on policies for determining remuneration for Directors and Executive Officers that is applied in the fiscal year ending in March 2022, including the expansion of the restricted stock units compensation to non-Japanese officers of some of the Company's group companies.

(5) Information on shareholdings

(a) Criteria for classification of investment securities

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

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

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

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

The Board of Directors verifies whether it is appropriate to hold shares for all stock the Company owns ever year. In such verification, each individual stock was re-examined as to the purpose of holding the shares and whether benefits from holding shares are in line with target level of capital efficiency. As the result of verification, the Company promotes the sales of shares for which significance of holding shares and economic rationale are not confirmed. Details of shares sold in the fiscal year ended March 31, 2021, are presented in (ii) below.

(ii) Number of stock names and balance sheet amount

	Number of stock names (stock names)	Total amount recorded in the balance sheet (millions of yen)
Unlisted stocks	167	24,534
Others	50	176,521

<Stocks increased in the fiscal year ended March 31, 2021> (Note)

	Number of stock names (stock names)	Total purchase price for the shares increased (millions of yen)	Reasons of increase
Unlisted stocks	-	-	-
Others	-	-	-

(Note) The Company holds one unlisted stock whose classification in accounting was changed from affiliated company's common stocks to investment securities due to decreased ownership percentages.

<Stocks decreased in the fiscal year ended March 31, 2021>

	Number of stock names (stock names)	Total selling price for the shares decreased (millions of yen)
Unlisted stocks	12	15,851
Others	18	1,085

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

Specified investment securities

Stock name	Fiscal year ended March 31, 2021 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Fiscal year ended March 31, 2020 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Purpose of holdings and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
Renesas Electronics Corporation	61,990,548	61,990,548	Received in relation to the reorganization, etc. of Renesas Technology Corp. which was an affiliate of the Company	No
	74,388	24,114		
Western Digital Corporation	6,250,000	6,250,000	Maintaining and enhancing business relationship	No
	46,186	28,309		
Central Japan Railway Company	900,000	900,000	Maintaining and enhancing business transactions of selling products and providing services	No
	14,895	15,588		
Shin-Etsu Chemical Co., Ltd.	521,000	521,000	Maintaining and enhancing business transactions of selling products and providing services	Yes
	9,695	5,590		
East Japan Railway Company	812,400	812,400	Maintaining and enhancing business transactions of selling products and providing services	Yes
	6,368	6,642		
DAIICHI SANKYO COMPANY, LIMITED	900,000	300,000	Maintaining and enhancing business transactions of selling products and providing services (Note 4)	No
	2,902	2,230		
The Chiba Bank, Ltd.	3,269,000	3,269,000	Maintaining and enhancing business transactions of selling products and providing services	Yes
	2,370	1,546		
Maxell Holdings, Ltd.	1,603,000	1,603,000	Maintaining and enhancing business relationship	No
	2,242	1,705		
Ono Pharmaceutical Co., Ltd.	600,000	600,000	Maintaining and enhancing business transactions of selling products and providing services	Yes
	1,734	1,491		
Seiko Electric Co., Ltd.	830,320	830,320	Maintaining and enhancing business transactions of purchasing raw materials and components, etc.	Yes
	1,642	767		
Seibu Holdings Inc.	1,286,900	1,286,900	Maintaining and enhancing business transactions of selling products and providing services	No
	1,570	1,528		
Keio Corporation	206,574	206,574	Maintaining and enhancing business transactions of selling products and providing services	Yes
	1,536	1,320		
Sapporo Holdings Limited	597,600	597,600	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 3)
	1,370	1,191		

Stock name	Fiscal year ended March 31, 2021 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Fiscal year ended March 31, 2020 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Purpose of holdings and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
West Japan Railway Company	215,000 1,319	215,000 1,590	Maintaining and enhancing business transactions of selling products and providing services	No
Showa Denko K.K.	400,000 1,260	400,000 894	Maintaining and enhancing business transactions of selling products and providing services	Yes
Electric Power Development Co., Ltd.	523,280 1,012	523,280 1,139	Maintaining and enhancing business transactions of selling products and providing services	Yes
Tosoh Corporation	328,500 695	328,500 404	Maintaining and enhancing business transactions of selling products and providing services	No
The Bank of Kyoto, Ltd.	100,000 681	100,000 344	Maintaining and enhancing business transactions of selling products and providing services	No
TOKYU CORPORATION	394,016 580	394,016 669	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 3)
Keihan Holdings Co., Ltd.	121,927 560	121,927 585	Maintaining and enhancing business transactions of selling products and providing services	No
Kintetsu Group Holdings Co., Ltd	104,291 440	104,291 521	Maintaining and enhancing business transactions of selling products and providing services	No
euglena Co., Ltd.	375,000 397	375,000 259	Maintaining and enhancing cooperative relationship in the area of R&D	No
Kyushu Electric Power Company Inc.	237,000 258	474,000 411	Maintaining and enhancing business transactions of selling products and providing services	No
The Keiyo Bank, Ltd.	550,275 252	550,275 293	Maintaining and enhancing business transactions of selling products and providing services	Yes
TOMONY Holdings, Inc.	679,200 220	679,200 243	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 3)
Daido Signal Co., Ltd.	300,000 181	300,000 133	Maintaining and enhancing business transactions of purchasing raw materials and components, etc.	Yes
Taragaon Regency Hotel	508,030 153	508,030 94	Received as a result of substitute performance for accounting receivables	No
Kita-Nippon Bank, Ltd.	73,500 147	73,500 144	Maintaining and enhancing business transactions of selling products and providing services	Yes

Stock name	Fiscal year ended March 31, 2021 (Note 1)	Fiscal year ended March 31, 2020 (Note 1)	Purpose of holdings and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
THE TAIKO BANK, LTD.	88,000	88,000	Maintaining and enhancing business transactions of selling products and providing services	No
	132	127		
ANA HOLDINGS INC.	50,000	50,000	Maintaining and enhancing business transactions of selling products and providing services	No
	128	131		
Taiwan High Speed Rail Corporation	957,361	957,361	Maintaining and enhancing business transactions of selling products and providing services	No
	116	98		
San ju San Financial Group, Inc.	73,623	73,623	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 3)
	102	109		
Tochigi Bank, Ltd.	513,150	513,150	Maintaining and enhancing business transactions of selling products and providing services	Yes
	97	79		
THE SHIGA BANK, LTD.	40,000	40,000	Maintaining and enhancing business transactions of selling products and providing services	No
	95	102		
Hokuriku Electric Power Company	116,600	233,300	Maintaining and enhancing business transactions of selling products and providing services	No
	88	176		
Nippon Yakin Kogyo Co., Ltd.	40,425	40,425	Maintaining and enhancing business transactions of selling products and providing services	No
	83	68		
THE DAITO BANK, LTD.	110,000	110,000	Maintaining and enhancing business transactions of selling products and providing services	No
	77	62		
Tokyo Electric Power Company Holdings, Inc.	187,500	187,500	Maintaining and enhancing business transactions of selling products and providing services	No
	69	70		
Zeon Corporation	38,000	38,000	Maintaining and enhancing business transactions of selling products and providing services	No
	67	30		
Nankai Electric Railway Co., Ltd.	23,831	71,494	Maintaining and enhancing business transactions of selling products and providing services	No
	60	175		
THE BANK OF KOCHI, LTD.	69,900	69,900	Maintaining and enhancing business transactions of selling products and providing services	No
	59	44		
Senshu Ikeda Holdings, Inc.	315,327	315,327	Maintaining and enhancing business transactions of selling products and providing services	No
	56	51		
The Aichi Bank, Ltd.	16,250	16,250	Maintaining and enhancing business transactions of selling products and providing services	No
	49	51		

Stock name	Fiscal year ended March 31, 2021 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Fiscal year ended March 31, 2020 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Purpose of holdings and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
Tokyo Kiraboshi Financial Group, Inc.	30,000	30,000	Maintaining and enhancing business transactions of selling products and providing services	No
	42	34		
THE CHUKYO BANK, Ltd.	20,000	20,000	Maintaining and enhancing business transactions of selling products and providing services	No
	35	43		
Tomato bank, Ltd.	30,000	30,000	Maintaining and enhancing business transactions of selling products and providing services	No
	34	31		
Jimoto Holdings, Inc.	30,000	300,000	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 3)
	23	27		
Nishi-Nippon Railroad Co., Ltd.	6,000	6,000	Maintaining and enhancing business transactions of selling products and providing services	No
	17	15		
The Michinoku Bank, Ltd.	11,330	11,330	Maintaining and enhancing business transactions of selling products and providing services	No
	12	13		
THE NAGANO BANK, LTD.	6,900	6,900	Maintaining and enhancing business transactions of selling products and providing services	Yes
	9	7		
Yamaguchi Financial Group, Inc.	-	484,310	Held for maintaining and enhancing business transactions of selling products and providing services	No
	-	296		
Glosel Co., Ltd.	-	358,220	Held for maintaining and enhancing business transactions of purchasing raw materials and components, etc.	Yes
	-	137		
TOYO ELECTRIC MFG. CO., LTD.	-	100,000	Held for maintaining and enhancing business relationship	Yes
	-	112		
Ricoh Company, Ltd.	-	50,000	Held for maintaining and enhancing business transactions of selling products and providing services	No
	-	39		
ISEKI&CO., LTD.	-	32,000	Held for maintaining and enhancing business transactions of selling products and providing services	No
	-	36		

(Notes) 1. Since the number of stock which the Company owned as of March 31, 2020 and March 31, 2021 is less than 60, all of the stocks are listed.
2. Since it is hard to state quantitative effects of holding the investment securities, such effects are not described. Regarding the way to verify significance and relations of holding shares are described in "(i) Policy for shareholding and examination of the reasonableness of holding."
3. Shareholding by major subsidiaries of the issuers of each stock is counted.
4. The number of shares held by the Company increased due to the stock split.

(c) Equity securities held for pure investment

None.

V. Financial Information

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

VI. Stock-Related Administration for the Company

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

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

VII. Reference Information on the Company

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

The Company has no parent company.

2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the fiscal year ended March 31, 2021 to the filing date of this Annual Securities Report.

(1) Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 8-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on July 2, 2020
(2) Amended Extraordinary Report (Amendment to Extraordinary Report (1) above)	Filed with the Director of the Kanto Local Finance Bureau on July 2, 2020
(3) Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on July 31, 2020
(4) Annual Securities Report and documents attached, and Confirmation Letter (The 151st business term (from April 1, 2019 to March 31, 2020))	Filed with the Director of the Kanto Local Finance Bureau on August 31, 2020
(5) Internal Control Report	Filed with the Director of the Kanto Local Finance Bureau on August 31, 2020
(6) Quarterly Report and Confirmation Letter (The First Quarter of the 152nd business term (from April 1, 2020 to June 30, 2020))	Filed with the Director of the Kanto Local Finance Bureau on August 31, 2020
(7) Amended Extraordinary Report (Amendment to Extraordinary Report (3) above)	Filed with the Director of the Kanto Local Finance Bureau on October 16, 2020
(8) Quarterly Report and Confirmation Letter (The Second Quarter of the 152nd business term (from July 1, 2020 to September 30, 2020))	Filed with the Director of the Kanto Local Finance Bureau on November 12, 2020
(9) Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on February 3, 2021
(10) Quarterly Report and Confirmation Letter (The Third Quarter of the 152nd business term (from October 1, 2020 to December 31, 2020))	Filed with the Director of the Kanto Local Finance Bureau on February 10, 2021
(11) Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 7 and 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on February 18, 2021
(12) Amended Extraordinary Report (Amendment to Extraordinary Report (11) above)	Filed with the Director of the Kanto Local Finance Bureau on February 18, 2021
(13) Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 3 and 16-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on March 31, 2021
(14) Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on April 1, 2021
(15) Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 3 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on April 22, 2021

(16)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on April 28, 2021
(17)	Securities Registration Statement	Filed with the Director of the Kanto Local Finance Bureau on May 18, 2021
(18)	Amended Securities Registration Statement (Amendment to Securities Registration Statement (17) above)	Filed with the Director of the Kanto Local Finance Bureau on May 25, 2021
(19)	Amended Shelf Registration Statement (Amended Shelf Registration Statement concerning the Shelf Registration Statement filed on June 20, 2019)	Filed with the Director of the Kanto Local Finance Bureau on May 28, 2020 July 2, 2020 July 31, 2020 October 16, 2020 February 3, 2021 February 18, 2021 March 31, 2021 April 1, 2021 April 22, 2021 and April 28, 2021

Part II Information on Guarantors, etc. for the Company

Not applicable.

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Statement of Financial Position

Millions of yen

	Note	March 31, 2021	March 31, 2020
Assets			
Current assets			
Cash and cash equivalents	26	1,015,886	812,331
Trade receivables and contract assets	6,20,26	2,734,476	2,260,205
Inventories	7	1,653,395	1,408,937
Investments in securities and other financial assets	11,26	328,153	279,951
Other current assets	5	211,390	456,165
Total current assets		5,943,300	5,217,589
Non-current assets			
Investments accounted for using the equity method	5,8	472,105	480,375
Investments in securities and other financial assets	5,11,26	534,324	440,514
Property, plant and equipment	9	2,408,887	2,165,311
Goodwill	5,10	1,161,210	635,927
Other intangible assets	5,10	964,830	479,794
Other non-current assets	12	368,197	510,571
Total non-current assets		5,909,553	4,712,492
Total assets		11,852,853	9,930,081
Liabilities			
Current liabilities			
Short-term debt	26	416,635	183,303
Current portion of long-term debt	11,26	274,392	231,237
Other financial liabilities	26	288,973	252,403
Trade payables	13	1,515,954	1,270,668
Accrued expenses		698,553	604,415
Contract liabilities	20	933,844	615,096
Other current liabilities	5,14	468,579	576,056
Total current liabilities		4,596,930	3,733,178
Non-current liabilities			
Long-term debt	11,26	1,706,329	1,070,502
Retirement and severance benefits	15	433,954	514,375
Other non-current liabilities	8,12,14,26	657,408	345,287
Total non-current liabilities		2,797,691	1,930,164
Total liabilities		7,394,621	5,663,342
Equity			
Hitachi, Ltd. stockholders’ equity			
Common stock	16	460,790	459,862
Capital surplus	5,16,19	84,040	464,795
Retained earnings	16,18	2,710,604	2,296,208
Accumulated other comprehensive income	17	273,561	(57,070)
Treasury stock, at cost	16	(3,493)	(3,809)
Total Hitachi, Ltd. stockholders’ equity		3,525,502	3,159,986
Non-controlling interests	5	932,730	1,106,753
Total equity		4,458,232	4,266,739
Total liabilities and equity		11,852,853	9,930,081

See accompanying notes to consolidated financial statements.

Consolidated Statement of Profit or Loss

Years ended March 31, 2021 and 2020 Millions of yen

	Note	2021	2020
Revenues	20	8,729,196	8,767,263
Cost of sales		(6,533,890)	(6,396,895)
Gross profit		2,195,306	2,370,368
Selling, general and administrative expenses		(1,700,126)	(1,708,485)
Other income	5,15,21	476,137	51,992
Other expenses	5,21	(172,407)	(570,635)
Financial income	22	13,969	5,768
Financial expenses	22	(1,456)	(9,033)
Share of profits (losses) of investments accounted for using the equity method	8	38,864	43,639
EBIT (Earnings before interest and taxes)		850,287	183,614
Interest income		16,934	20,638
Interest charges		(22,778)	(23,984)
Income from continuing operations, before income taxes		844,443	180,268
Income taxes	12	(325,247)	(51,246)
Income from continuing operations		519,196	129,022
Loss from discontinued operations	14,23	(686)	(1,776)
Net income		518,510	127,246
Net income attributable to:			
Hitachi, Ltd. stockholders		501,613	87,596
Non-controlling interests		16,897	39,650
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders	24	Yen	Yen
Basic		520.00	92.55
Diluted		519.22	92.43
Earnings per share attributable to Hitachi, Ltd. stockholders	24		
Basic		519.29	90.71
Diluted		518.51	90.60

Consolidated Statement of Comprehensive Income

Years ended March 31, 2021 and 2020 Millions of yen

	Note	2021	2020
Net income		518,510	127,246
Other comprehensive income (OCI)	17		
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		69,362	(17,207)
Remeasurements of defined benefit plans		88,736	(8,396)
Share of OCI of investments accounted for using the equity method		2,151	(963)
Total items not to be reclassified into net income		160,249	(26,566)
Items that can be reclassified into net income			
Foreign currency translation adjustments		191,821	(111,323)
Net changes in cash flow hedges		5,346	13,173
Share of OCI of investments accounted for using the equity method		58,755	(13,609)
Total items that can be reclassified into net income		255,922	(111,759)
Other comprehensive income (OCI)		416,171	(138,325)
Comprehensive income		934,681	(11,079)
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		838,237	(8,465)
Non-controlling interests		96,444	(2,614)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended March 31, 2021 | Millions of yen

	2021							
	Common stock (note 16)	Capital surplus (notes 5, 16 and 26)	Retained earnings (notes 16 and 18)	Accumulated other comprehensive income (note 17)	Treasury stock, at cost (note 16)	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (notes 5 and 26)	Total equity
Balance at beginning of year	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	-	-	9,436	(9,436)	-	-	-	-
Net income	-	-	501,613	-	-	501,613	16,897	518,510
Other comprehensive income	-	-	-	336,624	-	336,624	79,547	416,171
Dividends to Hitachi, Ltd. stockholders	-	-	(96,653)	-	-	(96,653)	-	(96,653)
Dividends to non-controlling interests	-	-	-	-	-	-	(41,076)	(41,076)
Acquisition of treasury stock	-	-	-	-	(159)	(159)	-	(159)
Sales of treasury stock	-	108	-	-	475	583	-	583
Issuance of new shares (note 19)	928	928	-	-	-	1,856	-	1,856
Changes in non-controlling interests	-	(381,791)	-	3,443	-	(378,348)	(229,391)	(607,739)
Total changes in equity	928	(380,755)	414,396	330,631	316	365,516	(174,023)	191,493
Balance at end of year	460,790	84,040	2,710,604	273,561	(3,493)	3,525,502	932,730	4,458,232

Year ended March 31, 2020 | Millions of yen

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

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2021 and 2020			Millions of yen
	Note	2021	2020
Cash flows from operating activities:			
Net income		518,510	127,246
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	3	491,663	433,158
Impairment losses		109,009	136,993
Income taxes		325,247	51,244
Share of (profits) losses of investments accounted for using the equity method		(38,864)	(43,639)
Financial income and expenses		1,337	870
Net (gain) loss on business reorganization and others		(452,422)	(19,650)
(Gain) loss on sale of property, plant and equipment		(16,976)	(30,370)
Change in trade receivables and contract assets		89,722	185,935
Change in inventories		(47,937)	(143,072)
Change in trade payables		(31,811)	(115,086)
Change in accrued expenses		32,693	(47,575)
Change in retirement and severance benefits		(29,239)	(22,483)
Other	5	11,322	224,378
Subtotal		962,254	737,949
Interest received		21,648	23,607
Dividends received		20,560	13,362
Interest paid		(22,368)	(24,885)
Income taxes paid		(188,966)	(189,113)
Net cash provided by (used in) operating activities		793,128	560,920
Cash flows from investing activities:			
Purchase of property, plant and equipment		(254,750)	(322,894)
Purchase of intangible assets		(118,195)	(98,382)
Proceeds from sale of property, plant and equipment, and intangible assets		83,483	82,539
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	5	(861,035)	(237,172)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		682,408	57,624
Other		9,249	(7,541)
Net cash provided by (used in) investing activities		(458,840)	(525,826)
Cash flows from financing activities:	25		
Change in short-term debt, net		199,679	80,849
Proceeds from long-term debt		523,467	334,919
Payments on long-term debt	3	(230,488)	(279,446)
Proceeds from payments from non-controlling interests		5,190	5,004
Dividends paid to Hitachi, Ltd. stockholders		(96,611)	(91,699)
Dividends paid to non-controlling interests		(40,687)	(43,926)
Acquisition of common stock for treasury		(159)	(166)
Proceeds from sales of treasury stock		583	139
Purchase of shares of consolidated subsidiaries from non-controlling interests		(545,790)	(2,345)
Other		(22)	(492)
Net cash provided by (used in) financing activities		(184,838)	2,837
Effect of exchange rate changes on cash and cash equivalents		54,105	(33,193)
Change in cash and cash equivalents		203,555	4,738
Cash and cash equivalents at beginning of year		812,331	807,593
Cash and cash equivalents at end of year		1,015,886	812,331

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) Nature of Operations

Hitachi, Ltd. (the Company) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The accompanying consolidated financial statements comprise the Company, its subsidiaries and the Company's interests in associates and joint ventures. The Company's and its subsidiaries' businesses are global and diverse, and include manufacturing and services in eight segments consisting of 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 Consolidated Financial Statements (Ordinance of the Ministry of Finance of Japan No. 28 of 1976), the consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as permitted by the provision of Article 93 of the Ordinance. The Company's fiscal year begins on April 1 and ends on March 31 of the following calendar year.

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

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

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

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

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

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

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

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

(3) Summary of Significant Accounting Policies

(a) Basis of Consolidation

(i) Subsidiaries

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

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

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

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

(ii) Associates and Joint Ventures

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

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

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

(iii) Structured Entities

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

(b) Cash Equivalents

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

(c) Foreign Currency Translation

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

(i) Foreign Currency Transactions

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

(ii) Foreign Operations

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

(d) Financial Instruments

(i) Non-derivative Financial Assets

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

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

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

Financial Assets Measured at Amortized Cost

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

- The financial asset is held within a business model with the objective of collecting contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

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

FVTOCI Financial Assets

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

FVTPL Financial Assets

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

Impairment of Financial Assets

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

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

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

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

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

(ii) Non-derivative Financial Liabilities

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

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

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

(iii) Derivatives and Hedge Accounting

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

The Company accounts for hedging derivatives as follows:

・Fair value hedge: a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the related derivatives are both recorded in profit or loss if the hedge is considered effective.

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

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

(iv) Offsetting Financial Assets and Liabilities

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

(e) Put Options of Non-controlling Interests

The Company and its subsidiaries recognize put options on shares of subsidiaries held by non-controlling interests as financial liabilities at the present value of the exercise price. The Company derecognizes the non-controlling interests and recognizes the difference between the present value and non-controlling interests in capital surplus.

(f) Inventories

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

(g) Property, Plant and Equipment

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

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

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

(h) Goodwill and Other Intangible Assets

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

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

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

(i) Leases

(i) Lessee

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

Right-of-use asset

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

Lease liability

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

(ii) Lessor

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

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

(j) Impairment of Non-Financial Assets

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

The Company measures the recoverable amount of an asset or a CGU (or a group of CGUs) as the higher of fair value less costs of disposal and value in use. In measuring fair values, the Company and its subsidiaries primarily use the income approach (present value technique) based on the estimated future cash flows expected to result from the use of the asset and its eventual disposal or the market approach to derive reasonable estimates of values in orderly market transactions, such as comparisons of similar public companies and the current gross value of the asset. The Company consults with outside specialists, as appropriate, depending on the complexity of estimating fair values. Value in use is calculated by the estimated future cash flows based on business plans approved by management, discounted at the discount rate which is derived from the weighted average cost of capital. The business plan used is based on external information, reflects historical experiences, and generally has a maximum of five years. Since the Company and its subsidiaries are engaged in a wide range of business activities from development, production and sales of diverse products and the provision of various services, appropriate external information for each business activity is used for evaluating value in use for each business. Estimated cash flows beyond the period covered by the business plan are calculated using the estimated growth rate not exceeding the long-term average growth rate of the market to which the asset belongs. The business plan reflects the decrease in demand in certain businesses in the short term due to the impact of the slowdown in the global economy caused by the spread of COVID-19. It may be affected by risks related to market or economic environment, and actual result may differ from the estimates. In addition, the discount rate used to calculate the value in use is affected by stock market trends and fluctuations in interest rates.

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

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

(k) Retirement and Severance Benefits

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

(i) Defined Benefit Plans

Defined benefit pension plans include defined benefit pension plans and severance lump-sum payment plans. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method. The present value of defined benefit obligations and the fair value of plan assets are remeasured as of the end of reporting period. Actuarial differences arising during the year and changes in fair value of plan assets (excluding interest income) are recognized in OCI and are not subsequently reclassified into profit or loss. Any prior service cost, which arises at the time of a plan amendment, is recognized immediately in profit or loss when such an amendment occurs. The present value of defined benefit obligations less the fair value of plan assets is presented as the net amount of defined benefit liability or asset in non-current liabilities or assets. The measurement of a significant amount of employee retirement benefit costs is derived from actuarial valuations containing a number of actuarial assumptions including mortality, withdrawal and retirement rates, changes in wages and the discount rate. The Company and its subsidiaries make judgements regarding the actuarial assumptions used by taking into account various factors including personnel demographics, market conditions and expected trends in interest rates. Actuarial assumptions are determined based on the best estimates and judgments, but may be affected by variance of uncertain economic conditions in the future or by amendments or issuance of related laws.

(ii) Defined Contribution Plans

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

(l) Provisions

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

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

(m) Contingencies

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

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

(n) Revenue Recognition

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

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

The Company offers multiple solutions to meet its customers' needs which may involve the delivery or performance of multiple elements, such as goods or services. When the Company enters into multiple contracts for providing the goods or services, related contracts are combined based on interdependencies between each contract's consideration and the time the Company entered into such contracts, and the transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service for the purpose of recognizing revenue.

In estimating the stand-alone selling price, the Company considers various factors such as market conditions, entity-specific factors and information about the customer or class of customer.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Variable consideration, such as discounts and rebates, is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The promised amount of consideration does not include a significant financing component.

For a performance obligation satisfied over time, the Company measures its progress towards complete satisfaction of that performance obligation on the basis of output or input methods in consideration of the nature of the goods and services for the purpose of recognizing revenue. When the Company cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred.

The Company recognizes the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract as an asset if those costs are expected to be recovered, and those assets are amortized based on the methods used to recognize revenue of the goods or services to which the assets relate. The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is less than one year.

Revenue recognition under long-term projects requires significant assumptions about the estimated total cost, estimated total selling price, risk associated with the contract, and other factors. These estimates are subject to variance of uncertain economic conditions in the future and may variance for a variety of reasons beyond our control. The Company reviews these estimates on an ongoing basis and reflects them in accounting practices.

(o) Income Taxes

Deferred tax assets and liabilities resulting from temporary differences and others are accounted for based on a liability method. Deferred tax liabilities are not recognized for temporary differences arising from goodwill, temporary differences arising from an asset or liability in a transaction other than a business combination, which at the time of transaction affects neither accounting nor taxable income and future taxable difference arising from investments in subsidiaries, associates and joint ventures where that the Company is able to control the timing of reversal of the temporary difference while it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which unused tax loss carryforwards, unused tax credits and future deductible temporary differences can be utilized. Future taxable income reflects the decrease in demand in the short term in part of the business due to the impact of the slowdown in the global economy caused by the spread of COVID-19. The times and amounts of taxable income occurrence may be affected by variance of uncertain economic conditions in the future, and the actual times and amounts may differ from the estimates. Current tax and deferred tax on items recognized in OCI are also recognized in OCI.

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

(p) Consumption Tax

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

(q) Earnings per Share

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

(r) Business Combinations

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

(s) Changes in Accounting Policies

Adoption of IFRS 16 "Leases"

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

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

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

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

・A lessee accounts for the leases for which the lease term ends within 12 months of the date of initial application, in the same way as short-term leases.

・A lessee uses hindsight, in determining the lease term if the contract contains options to extend or terminate the lease.

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

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

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

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

(4) Segment Information

Business Segments

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

The Company discloses its business in 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:

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

Energy:

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

Industry:

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

Mobility:

Building systems (Elevators, Escalators) and Railway systems

Smart Life:

Smart life & ecofriendly systems (Home appliances, Air conditioners), Measurement and analytical systems (Medical and Bio, Semiconductor, Industry) and Automotive systems (Powertrain, Chassis, Advanced driver assistance, Motorcycle)

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, the Hitachi High-Tech segment was incorporated with the Smart Life segment. Figures for the year ended March 31, 2020 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, the Hitachi Chemical segment ceased to be a business segment, but the segment figures for the years ended March 31, 2021 and 2020 are disclosed individually to enhance fair disclosure.

The following tables show business segment information for the years ended March 31, 2021 and 2020.

Revenues from External Customers

Millions of yen

	2021	2020
IT	1,892,355	1,945,282
Energy	1,054,555	334,220
Industry	669,956	663,912
Mobility	1,191,702	1,132,944
Smart Life	2,138,667	2,037,269
Hitachi Construction Machinery	812,341	930,966
Hitachi Metals	735,728	851,224
Hitachi Chemical	-	612,061
Others	221,422	247,997
Subtotal	8,716,726	8,755,875
Corporate items	12,470	11,388
Total	8,729,196	8,767,263

Revenues from Intersegment Transactions

Millions of yen

	2021	2020
IT	156,401	154,144
Energy	53,431	65,034
Industry	160,206	176,837
Mobility	7,930	11,503
Smart Life	101,667	130,347
Hitachi Construction Machinery	990	381
Hitachi Metals	25,887	30,178
Hitachi Chemical	-	19,372
Others	227,586	236,833
Subtotal	734,098	824,629
Corporate items and Eliminations	(734,098)	(824,629)
Total	-	-

Total Revenues

Millions of yen

	2021	2020
IT	2,048,756	2,099,426
Energy	1,107,986	399,254
Industry	830,162	840,749
Mobility	1,199,632	1,144,447
Smart Life	2,240,334	2,167,616
Hitachi Construction Machinery	813,331	931,347
Hitachi Metals	761,615	881,402
Hitachi Chemical	-	631,433
Others	449,008	484,830
Subtotal	9,450,824	9,580,504
Corporate items and Eliminations	(721,628)	(813,241)
Total	8,729,196	8,767,263

Segment Profit (Loss)

Millions of yen

	2021	2020
IT	244,860	214,449
Energy	(55,567)	(375,781)
Industry	42,366	57,858
Mobility	129,036	112,349
Smart Life	206,527	90,016
Hitachi Construction Machinery	27,678	70,551
Hitachi Metals	(49,155)	(57,274)
Hitachi Chemical	-	24,806
Others	25,319	31,294
Subtotal	571,064	168,268
Corporate items and Eliminations	279,223	15,346
Total	850,287	183,614
Interest income	16,934	20,638
Interest charges	(22,778)	(23,984)
Income from continuing operations, before income taxes	844,443	180,268

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

Total Assets

Millions of yen

	March 31, 2021	March 31, 2020
IT	2,060,781	1,988,750
Energy	2,277,117	686,524
Industry	986,314	972,119
Mobility	1,887,517	1,557,964
Smart Life	2,800,365	2,012,796
Hitachi Construction Machinery	1,252,172	1,199,917
Hitachi Metals	976,773	988,209
Hitachi Chemical	-	706,638
Others	2,110,609	1,915,616
Subtotal	14,351,648	12,028,533
Corporate assets and Eliminations	(2,498,795)	(2,098,452)
Total	11,852,853	9,930,081

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

Investments Accounted for Using the Equity Method

Millions of yen

	March 31, 2021	March 31, 2020
IT	48,471	46,430
Energy	43,546	22,819
Industry	21,504	20,835
Mobility	24,899	56,782
Smart Life	86,617	68,593
Hitachi Construction Machinery	30,486	32,866
Hitachi Metals	11,494	29,076
Hitachi Chemical	-	8,922
Others	4,893	6,025
Subtotal	271,910	292,348
Corporate items and Eliminations	200,195	188,027
Total	472,105	480,375

Goodwill

Millions of yen

	March 31, 2021	March 31, 2020
IT	214,280	204,243
Energy	480,006	-
Industry	155,240	158,010
Mobility	76,051	52,565
Smart Life	98,032	50,359
Hitachi Construction Machinery	50,955	45,707
Hitachi Metals	86,646	90,534
Hitachi Chemical	-	34,509
Others	-	-
Subtotal	1,161,210	635,927
Corporate items	-	-
Total	1,161,210	635,927

Depreciation and Amortization

Millions of yen

	2021	2020
IT	107,649	112,485
Energy	86,726	4,870
Industry	24,578	22,259
Mobility	30,957	28,473
Smart Life	97,277	80,827
Hitachi Construction Machinery	51,246	47,124
Hitachi Metals	50,407	55,180
Hitachi Chemical	-	43,968
Others	33,887	29,471
Subtotal	482,727	424,657
Corporate items and Eliminations	8,936	8,501
Total	491,663	433,158

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

Impairment Losses

Millions of yen

	2021	2020
IT	17,112	18,838
Energy	2,692	2,827
Industry	11,358	5,409
Mobility	816	3,238
Smart Life	39,934	24,055
Hitachi Construction Machinery	1,391	6,002
Hitachi Metals	35,857	70,198
Hitachi Chemical	-	6,022
Others	469	404
Subtotal	109,629	136,993
Corporate items and Eliminations	(620)	-
Total	109,009	136,993

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

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

Millions of yen

	2021	2020
IT	1,732	1,648
Energy	4,545	(9,204)
Industry	2,462	8,353
Mobility	6,966	3,029
Smart Life	12,915	10,490
Hitachi Construction Machinery	1,428	2,682
Hitachi Metals	77	1,667
Hitachi Chemical	-	4,541
Others	541	337
Subtotal	30,666	23,543
Corporate items and Eliminations	8,198	20,096
Total	38,864	43,639

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

Capital Expenditures

Millions of yen

	2021	2020
IT	127,277	104,406
Energy	49,162	8,222
Industry	22,260	15,314
Mobility	36,642	28,121
Smart Life	139,659	129,635
Hitachi Construction Machinery	39,640	54,508
Hitachi Metals	28,806	53,019
Hitachi Chemical	-	49,641
Others	37,379	46,957
Subtotal	480,825	489,823
Corporate items and Eliminations	(2,677)	8,473
Total	478,148	498,296

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

Geographic Information

The following table shows revenues attributed to geographic areas based on the location of the customers for the years ended March 31, 2021 and 2020.

Millions of yen

	2021	2020
Japan	4,154,818	4,529,095
Asia	1,893,620	1,767,537
North America	1,117,554	1,102,987
Europe	1,013,487	924,499
Other Areas	549,717	443,145
Overseas Revenues Subtotal	4,574,378	4,238,168
Total Revenues	8,729,196	8,767,263

Revenues in China for the years ended March 31, 2021 and 2020 were 1,043,279 million yen and 871,125 million yen, respectively. Revenues in the U.S.A. for the years ended March 31, 2021 and 2020 were 1,012,134 million yen and 1,017,351 million yen, respectively. Revenues from external customers attributable to any individual country and region other than Japan, China and the U.S.A. were not material for the years ended March 31, 2021 and 2020.

The following table shows the balances of property, plant and equipment, investment properties, goodwill and other intangible assets for each geographic area as of March 31, 2021 and 2020.

Millions of yen

	March 31, 2021	March 31, 2020
Japan	1,767,672	1,733,369
Asia	543,842	391,393
North America	677,996	664,242
Europe	1,322,323	324,088
Other Areas	263,152	178,139
Subtotal	4,574,985	3,291,231
Corporate items and Eliminations	5,325	36,602
Total	4,580,310	3,327,833

The balances of property, plant and equipment, investment properties, goodwill and other intangible assets in the U.S.A. as of March 31, 2021 and 2020 were 657,570 million yen and 651,290 million yen, respectively. The balances of property, plant and equipment, investment properties, goodwill and other intangible assets in the Swiss Confederation as of March 31, 2021 and 2020 were 1,065,360 million yen and 716 million yen, respectively. The balances of property, plant and equipment, investment properties, goodwill and other intangible assets in any individual country and region other than Japan, the U.S.A. and the Swiss Confederation were not material as of March 31, 2021 and 2020.

Significant Customer Information

There was no concentration of revenues from a specific customer for the years ended March 31, 2021 and 2020.

(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures and other related transactions for the year ended March 31, 2021, including the period up to the approval date of the consolidated financial statements.

(a) Sale of all shares of Hitachi Metals, Ltd. (Hitachi Metals)

On April 28, 2021, the Company entered into an agreement regarding the following four points for the common stocks of Hitachi Metals (Hitachi Metals Shares), a consolidated subsidiary of the Company in the Hitachi Metals segment, with K. K. BCJ-52 (Tender Offeror), a wholly owned company of G.K. BCJ-51, the outstanding shares of which are indirectly owned by investment funds which Bain Capital Private Equity, LP and its group provide with investment advice.

(i)Tender Offeror will launch a tender offer (Tender Offer) for Hitachi Metals Shares, when conditions for the commencement of Tender Offer are satisfied, and the Company will not apply for Tender Offer with regard to all of the Hitachi Metals Shares held by the Company (Shares to Be Sold by the Company).

(ii)In the event Tender Offer is enacted and Tender Offeror is unable to acquire all of the Hitachi Metals Shares (excluding treasury stock held by Hitachi Metals and Shares to Be Sold by the Company) in Tender Offer, Tender Offeror and the Company will request convening of a general meeting of shareholders on the matter of items required for implementation of share consolidation (Share Consolidation) on Hitachi Metals and exercise approval right for the proposal.

(iii)As promptly as practically possible after Tender Offeror and the Company become holders of all shares of Hitachi Metals (excluding treasury stock held by Hitachi Metals) as a result of Share Consolidation, capital reduction and other measures (Capital Reduction) will be performed for Hitachi Metals in order to secure distributable amount required for acquisition of treasury stock by Hitachi Metals (Share Repurchase).

(iv)Immediately after Capital Reduction takes effect, Shares to Be Sold by the Company will be transferred to Hitachi Metals as a result of Share Repurchase.

The consideration is expected to be approximately 382.0 billion yen.

Assuming the transaction is settled, it is expected that the Company will transfer Shares to Be Sold by the Company. As a result, the Company’s ownership ratio of Hitachi Metals Shares will decrease from 53.4% to 0%, and Hitachi Metals will be deconsolidated. An expected gain on the sale of Hitachi Metals Shares in the amount of approximately 114.0 billion yen will be recognized in Other income in the consolidated statement of profit or loss. Furthermore, non-controlling interest in Hitachi Metals will decrease approximately 230.0 billion yen in the consolidated statement of changes in equity as a result of its deconsolidation.

(b) Acquisition of GlobalLogic Inc.

On March 31, 2021, the Company decided to acquire GlobalLogic Inc. (GlobalLogic), a leading U.S.-headquartered digital engineering service company, in order to strengthen the digital portfolio of “Lumada.”

The acquisition is based on the definitive agreement among Hitachi Global Digital Holdings LLC (HGDH) which is a subsidiary located in the U.S., MergeCo H Global Inc. (SPC) which was established by HGDH for the acquisition and GlobalLogic Worldwide Holdings, Inc. (GlobalLogic Worldwide Holdings) which is the parent company of GlobalLogic. The transaction is subject to customary conditions and regulatory approvals and expected to be completed by the end of July 2021.

The total acquisition cost, including repayment of GlobalLogic’s interest-bearing debt, is expected to be 9.6 billion U.S. dollars (approximately 1,047.0 billion yen). SPC will be merged with and into GlobalLogic Worldwide Holdings, which will be the surviving company. As a result, GlobalLogic Worldwide Holdings and GlobalLogic will become wholly owned subsidiaries of the Company.

(c) 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 plans to transfer its global home appliances business outside of Japan into the new company by July 1, 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.

(d) 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 transferred all shares of common stock of FUJIFILM Healthcare Corporation (Fujifilm Healthcare) established by the Company to Fujifilm after the Diagnostic Imaging-related Business is succeeded to Fujifilm Healthcare from the Company through an absorption-type company split. The consideration to be received by the Company was 185,349 million yen.
As a result, the Company's ownership ratio of shares of Fujifilm Healthcare decreased from 100% to 0%, and Fujifilm Healthcare was deconsolidated. A gain on the sale of shares of Fujifilm Healthcare in the amount of 118,320 million yen was recognized in Other income in the consolidated statement of profit or loss.

(e) 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 turned into a subsidiary of the Company.
The consideration was the common shares of HiAMS. The fair value of the consideration was 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 recognized increases in capital surplus and non-controlling interests in the amounts of 117,865 million yen and 81,242 million yen, respectively, for the year ending March 31, 2021.

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

	Millions of yen
Cash and cash equivalents	158,503
Trade receivables and contract assets	115,185
Inventories	113,033
Other current assets	67,656
Property, plant and equipment	231,139
Intangible assets	
Goodwill (not deductible for tax purposes)	44,698
Other intangible assets	64,216
Other non-current assets	51,661
Total	846,091
Contract liabilities	229,550
Long-term debt	273,791
Other non-current liabilities	42,872
Total	546,213
Cash paid for the acquisition	196,058
Non-controlling interests	103,820
Total	299,878

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 the Associates of Honda.

Acquisition related costs of 2,948 million yen have been posted up to the year ended March 31, 2020. Acquisition related costs included in Other expenses in the consolidated statement of profit or loss for the years ended March 31, 2021 and 2020 were 2,298 million yen and 2,946 million yen, respectively.
The operating results of the Associates of Honda for the period from the acquisition date to March 31, 2021 were not material.

Assuming that such acquisition occurred as of April 1, 2020, the results of operations of the Company for the year ended March 31, 2021 (pro forma information not subject to the audit) are as follows:

	Millions of yen
Revenues	9,225,776
EBIT	830,340
Net income	458,931

(f) Settlement regarding the South African project

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

(g) 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 amounts of the assets acquired, liabilities assumed, goodwill and non-controlling interests recognized as of the acquisition date.

	Millions of yen
Cash and cash equivalents	65,466
Trade receivables and contract assets	372,999
Inventories	174,198
Other current assets	63,883
Property, plant and equipment	239,287
Intangible assets	
Goodwill (not deductible for tax purposes)	448,977
Other intangible assets	444,501
Other non-current assets	16,910
Total	1,826,221
Trade payables	199,789
Contract liabilities	140,005
Other current liabilities	215,595
Long-term debt	349,189
Other non-current liabilities	120,332
Total	1,024,910
Cash paid for the acquisition	722,062
Non-controlling interests	79,249
Total	801,311

The goodwill mainly comprises excess earning power and expected synergies arising from the acquisition.
Other intangible assets include material intangible assets in the amount of 414,544 million yen (customer relationships of 233,989 million yen, technology of 95,987 million yen, order backlog of 53,542 million yen, and brand license agreement of 31,026 million yen). These intangible assets are measured based on assumptions such as revenue growth rates, gross profit ratios, attrition rates of existing customers, royalty rates and discount rates.
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 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. Acquisition related costs included in Other expenses in the consolidated statement of profit or loss for the year ended March 31, 2021 and 2020 were 2,909 million yen and 2,358 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 consolidated statement of cash flows for the year ended March 31, 2021.

The results of operations of Hitachi ABB Power Grid from the date of acquisition to March 31, 2021 (prior to elimination of intercompany transactions) included in the consolidated statement of profit or loss are Revenues of 722,351 million yen, EBIT of (32,233) million yen, and Net income of (27,507) million yen. EBIT and Net income include depreciation and amortization of 52,459 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 year ended March 31, 2021 (pro forma information not subject to the audit) are as follows:

	Millions of yen
Revenues	8,951,675
EBIT	842,077
Net income	508,595

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 65,926 million yen on Other intangible assets and PP&E that were recognized as a result of this acquisition.

(h) 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 year ended March 31, 2021.

(i) 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 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 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.

The following are the main Business Acquisitions and Divestitures for the year ended March 31, 2020.

(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.

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

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

(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.

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

The goodwill mainly comprises excess earning power and expected synergies arising from the acquisition.
The operating results of Chassis Brakes for the period from the acquisition date to March 31, 2020 were not material.
On a pro forma basis, revenues and net income using an assumed acquisition date for Chassis Brakes of April 1, 2019 would not differ materially from the amounts reported in the consolidated financial statements for the year ended March 31, 2020.
On January 1, 2021, HiAMS changed its name to Hitachi Astemo, Ltd.

(6) Trade Receivables and Contract Assets

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

Millions of yen

	March 31, 2021	March 31, 2020
Accounts receivable	1,948,569	1,684,225
Contract assets	634,318	429,117
Others	151,589	146,863
Total	2,734,476	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) Inventories

The components of inventories are as follows:

Millions of yen

	March 31, 2021	March 31, 2020
Finished goods	656,527	606,158
Semi-finished goods and work in process	628,039	539,634
Raw materials	368,829	263,145
Total	1,653,395	1,408,937

For the years ended March 31, 2021 and 2020, the amounts of inventories expensed and included as cost of sales were 5,339,244 million yen and 5,367,710 million yen, respectively, and the write-downs of inventories were 64,351 million yen and 52,054 million yen, respectively.

(8) Investments Accounted for Using the Equity Method

The aggregated carrying amounts of investments accounted for using the equity method as of March 31, 2021 and 2020, and the Company and certain subsidiaries' share of total comprehensive income of equity-method associates and joint ventures for the years ended March 31, 2021 and 2020 are as follows:

Millions of yen

	Associates		Joint ventures	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Carrying amount of investments	409,779	428,067	62,326	52,308

As of March 31, 2021 and 2020, the Company and certain subsidiaries' interests in certain joint ventures operating at a loss have the cumulative loss exceeding the Company and certain subsidiaries' investments, and thus the negative amounts of 41,258 million yen and 76,745 million yen, respectively, were recognized in other non-current liabilities.

Millions of yen

	Associates		Joint ventures	
	2021	2020	2021	2020
Net income from continuing operations	30,337	34,811	8,527	8,828
Other comprehensive income	27,259	(14,177)	33,647	(395)
Total comprehensive income	57,596	20,634	42,174	8,433

In addition to the share of Net income from continuing operations of equity method associates and joint ventures, impairment losses and reversal of impairment losses on investments accounted for using the equity method were recognized in Share of profit (loss) of investments accounted for using the equity method. The amounts of impairment losses recognized in the consolidated statement of profit or loss for the years ended March 31, 2021 and 2020 were 12,104 million yen and 4,442 million yen, respectively. The impairment losses previously recognized on investments accounted for using the equity method were reversed by 17,217 million yen in the year ended March 31, 2021.

(9) Property, Plant and Equipment

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

Millions of yen

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Other	Construction in progress	Total
Net carrying amount								
March 31, 2019 (Before restatement)	290,874	679,887	551,117	174,473	-	119,405	140,929	1,956,685
Cumulative effects of changes in accounting policies	-	-	-	-	259,992	(39,083)	-	220,909
April 1, 2019 (After restatement)	290,874	679,887	551,117	174,473	259,992	80,322	140,929	2,177,594
Additions	1,278	8,162	29,884	23,685	87,445	-	244,986	395,440
Transfers between accounts	3,540	59,562	146,169	44,599	3,862	1,861	(259,593)	-
Sales and disposals	(14,114)	(5,913)	(5,947)	(4,004)	(3,779)	(4,769)	(1,999)	(40,525)
Depreciation	-	(54,043)	(125,980)	(67,857)	(76,825)	(16,144)	-	(340,849)
Impairment losses	(4,255)	(12,287)	(41,511)	(3,297)	(3,029)	-	(2,525)	(66,904)
Acquisitions and divestitures	153	7,380	11,242	2,150	6,286	88	4,708	32,007
Currency translation effect	(2,910)	(12,436)	(12,727)	(3,868)	(7,177)	(942)	(4,085)	(44,145)
Other	(460)	5,240	901	10,867	504	41,713	(6,072)	52,693
March 31, 2020	274,106	675,552	553,148	176,748	267,279	102,129	116,349	2,165,311
Additions	61	5,362	25,937	21,845	107,742	-	198,615	359,562
Transfers between accounts	(439)	56,067	90,838	54,870	(558)	1,567	(202,345)	-
Sales and disposals	(3,175)	(17,707)	(9,600)	(5,194)	(4,298)	(9,646)	(2,086)	(51,706)
Depreciation	-	(51,134)	(117,123)	(64,127)	(92,743)	(18,198)	-	(343,325)
Impairment losses	(4,655)	(11,611)	(46,680)	(4,374)	(6,259)	(71)	(2,619)	(76,269)
Acquisitions and divestitures	11,931	39,388	144,224	(5,766)	18,092	(63)	23,699	231,505
Currency translation effect	4,269	18,573	23,255	4,218	10,064	2,919	4,800	68,098
Other	(3,984)	3,691	174	9,239	4,008	42,915	(332)	55,711
March 31, 2021	278,114	718,181	664,173	187,459	303,327	121,552	136,081	2,408,887

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

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

Millions of yen

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Other	Construction in progress	Total
Gross carrying amount								
March 31, 2019	366,350	1,747,110	2,475,446	937,581	-	249,976	300,007	6,076,470
March 31, 2020	346,566	1,767,093	2,525,387	938,059	535,682	187,168	264,293	6,564,248
March 31, 2021	359,702	1,822,715	2,861,627	996,172	615,323	207,058	305,835	7,168,432
Accumulated depreciation and impairment losses								
March 31, 2019	(75,476)	(1,067,223)	(1,924,329)	(763,108)	-	(130,571)	(159,078)	(4,119,785)
March 31, 2020	(72,460)	(1,091,541)	(1,972,239)	(761,311)	(268,403)	(85,039)	(147,944)	(4,398,937)
March 31, 2021	(81,588)	(1,104,534)	(2,197,454)	(808,713)	(311,996)	(85,506)	(169,754)	(4,759,545)

Impairment Losses Recognized for the Year Ended March 31, 2021:
The Smart Life segment recognized impairment losses of 35,461 million yen, mainly attributable to the lower than expected productivity at some domestic factories in the Automotive Systems business consisting of impairment losses on property, plant and equipment of 26,351 million yen relating to business assets of machinery and on other 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.

The Hitachi Metals segment recognized impairment losses of 30,469 million yen, mainly attributable to the lower than expected future revenue projected for the magnetic materials business consisting of impairment losses on property, plant and equipment of 10,356 million yen relating to business assets of machinery and on goodwill and other 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. In addition, mainly attributable to the lower than expected future revenue projected for the aircraft & energy materials business consisting of impairment losses on property, plant and equipment of 12,027 million yen relating to business assets of machinery and on goodwill and other intangible assets of 75 million yen. The recoverable amount was determined on the basis of value in use, which was measured at 16,491 million yen as of March 31, 2021, the date on which impairment losses were recognized. The value in use was discounted at 7.3% (before tax), which was derived from the weighted average cost of capital.

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

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

(10) Goodwill and Other Intangible Assets

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

Millions of yen

	Goodwill	Other intangible assets			
		Software for internal use	Software for sale	Other	Total
Net carrying amount					
March 31, 2019 (Before restatement)	561,936	94,738	35,498	267,844	398,080
Cumulative effects of changes in accounting policies	-	-	-	103	103
April 1, 2019 (After restatement)	561,936	94,738	35,498	267,947	398,183
Internal developments	-	805	1,891	56,626	59,322
Purchases	-	11,212	410	27,701	39,323
Transfers between accounts	-	34,432	22,270	(56,702)	-
Amortization	-	(38,749)	(21,877)	(30,082)	(90,708)
Impairment losses	(51,861)	(1,094)	(4,122)	(11,451)	(16,667)
Disposals	-	(2,147)	(65)	(886)	(3,098)
Acquisitions and divestitures	140,590	984	2	100,593	101,579
Currency translation effect	(14,606)	(764)	(80)	(7,250)	(8,094)
Other	(132)	(498)	(67)	519	(46)
March 31, 2020	635,927	98,919	33,860	347,015	479,794
Internal developments	-	7,334	4,123	64,541	75,998
Purchases	-	10,274	132	31,847	42,253
Transfers between accounts	-	63,678	24,029	(87,707)	-
Amortization	-	(43,768)	(21,320)	(81,374)	(146,462)
Impairment losses	(14,293)	(7,611)	(3,463)	(7,820)	(18,894)
Disposals	-	(1,885)	(14)	(1,012)	(2,911)
Acquisitions and divestitures	486,110	6,888	6,873	497,926	511,687
Currency translation effect	53,466	1,053	498	22,254	23,805
Other	-	(112)	101	(429)	(440)
March 31, 2021	1,161,210	134,770	44,819	785,241	964,830

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

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

Millions of yen

	Goodwill	Other intangible assets			
		Software for internal use	Software for sale	Other	Total
Gross carrying amount					
March 31, 2019	568,643	590,831	544,840	590,367	1,726,038
March 31, 2020	689,504	602,425	565,416	707,031	1,874,872
March 31, 2021	1,218,173	650,657	569,118	1,218,584	2,438,359
Accumulated amortization and impairment losses					
March 31, 2019	(6,707)	(496,093)	(509,342)	(322,523)	(1,327,958)
March 31, 2020	(53,577)	(503,506)	(531,556)	(360,016)	(1,395,078)
March 31, 2021	(56,963)	(515,887)	(524,299)	(433,343)	(1,473,529)

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

Impairment Losses Recognized for the Year Ended March 31, 2021:
The IT segment recognized impairment losses of 12,953 million yen, mainly due to the lower than expected future revenue on software for sale and other intangible assets as a result of changes in market trends.

The Industry segment recognized impairment losses of 10,663 million yen, mainly due to the lower than expected future revenue on goodwill and other intangible assets as a result of changes in market trends.

Impairment Losses Recognized for the Year Ended March 31, 2020:
The IT segment recognized impairment losses of 16,751 million yen, mainly due to the lower than expected future revenue on software for sale and other intangible assets as a result of changes in market trends.

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

The carrying amounts of other intangible assets with indefinite useful lives as of March 31, 2021 and 2020 amounted to 17,513 million yen and 6,757 million yen, respectively. The main components of such assets are acquired brands. They are assessed to have indefinite useful lives because there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the entity.

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

The carrying amounts of internally generated other intangible assets (at cost less accumulated amortization and impairment losses) as of March 31, 2021 and 2020 amounted to 208,857 million yen and 142,845 million yen, respectively. These assets are mainly included in software for internal use or software for sale.

Research and development expenditures recognized as an expense for the years ended March 31, 2021 and 2020 were 293,571 million yen and 293,799 million yen, respectively, and they are included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss.

The Company tests goodwill acquired through business combinations for impairment by comparing the carrying amount and the recoverable amount per CGU (or group of CGUs).

The following are the group of CGUs with a significant proportion of goodwill allocated for the year ended March 31, 2021.
As of March 31, 2021, the group of CGUs with a significant proportion of goodwill allocated was the power grid business in the Energy segment, and the carrying amount of goodwill allocated to the power grids business was 480,006 million yen. The recoverable amount used for the impairment test of goodwill of the power grid business for the year ended March 31, 2021 was calculated based on the value in use. The value in use was determined using discounted future cash flows based on the business plans and are estimated using significant assumptions including revenue growth rates and gross profit ratios which require management judgements. The business plan reflected past experience based on external information. For the year ended March 31, 2021, cash flows were projected over five years, the discount rates (before tax) used was 10.6%, and the growth rate used was 2.1%.

As of March 31, 2021, the group of CGUs with a significant proportion of goodwill allocated was the System & Service Business Division in the IT segment, and the carrying amounts of goodwill allocated to the System & Service Business Division was 201,001 million yen. The recoverable amount used for the impairment test of goodwill of the System & Service Business Division for the years ended March 31, 2021 was calculated based on the fair value less costs of disposal. The fair value less costs of disposal was calculated by the market approach based on EV/EBITDA valuation multiples of similar companies that were comparable to the System & Service Business Division. The fair value hierarchy classification was level 3 measured by unobservable inputs.

The following is the group of CGUs with a significant proportion of goodwill allocated for the year ended March 31, 2020.
As of March 31, 2020, the group of CGUs with a significant proportion of goodwill allocated was the System & Service Business Division in the IT segment, and the carrying amounts of goodwill allocated to the System & Service Business Division was 190,978 million yen. The recoverable amount used for the impairment test of goodwill of the System & Service Business Division for the years ended March 31, 2020 was calculated based on the fair value less costs of disposal. The fair value less costs of disposal was calculated by the market approach based on EV/EBITDA valuation multiples of similar companies that were comparable to the System & Service Business Division. The fair value hierarchy classification was level 3 measured by unobservable inputs.

For goodwill allocated to each CGU (or group of CGUs), the Company considers the recoverable amount may be less than the carrying amount if the primary assumptions used in the impairment test of goodwill change significantly.

(11) Leases

(a) Lessee

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

The following table shows the carrying amount of right-of-use assets at the end of March 31, 2021 and 2020 by class of underlying asset.

Millions of yen

	Class of underlying asset					Total
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Other	
March 31, 2020	179,476	34,699	23,625	29,322	608	267,730
March 31, 2021	205,797	37,992	23,274	35,426	1,139	303,628

The following table shows the expense relating to leases and cash outflow for the years ended March 31, 2021 and 2020.

Millions of yen

	2021	2020
Depreciation for right-of-use assets		
Buildings and structures	69,406	53,866
Machinery and vehicles	12,558	12,322
Tools, furniture and fixtures	7,866	7,601
Land	2,442	2,895
Other	702	503
Total	92,974	77,187
Interest charges on lease liabilities	4,339	3,675
Expense relating to short-term leases, etc.	21,639	32,787
Expenses relating to leases	118,952	113,649

Millions of yen

	2021	2020
Total cash outflow for leases	123,622	115,315

Additions of right-of-use assets for the years ended March 31, 2021 and 2020 are disclosed in note 9.
Maturity analysis of lease liabilities at the end of March 31, 2021 and 2020 are disclosed in note 26.

(b) Lessor

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

The following table shows lease income for the years ended March 31, 2021 and 2020.

Millions of yen

	2021	2020
Lease income from finance leases	3,058	4,879
Lease income from operating leases	53,046	52,059
Total lease income	56,104	56,938

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

(i) Finance leases

The following table shows the maturity analysis of the finance lease payments receivable as of March 31, 2021 and 2020.

Millions of yen

	March 31, 2021	March 31, 2020
Undiscounted lease payments to be received		
Within 1 year	51,367	46,166
After 1 year but not more than 5 years	43,361	43,157
More than 5 years	5,798	2,610
Total	100,526	91,933
Unearned finance income relating to the lease payments receivable	(7,396)	(5,907)
Discounted unguaranteed residual value	139	436
Net investment in finance leases	93,269	86,462

(ii) Operating leases

The following table shows the maturity analysis of the undiscounted operating lease payments to be received as of March 31, 2021 and 2020.

Millions of yen

	March 31, 2021	March 31, 2020
Within 1 year	4,646	4,836
After 1 year but not more than 5 years	3,597	3,341
More than 5 years	606	962
Total	8,849	9,139

(12) Deferred Taxes and Income Taxes

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

Millions of yen

	2021	2020
Income taxes		
Current tax expense	220,305	175,072
Deferred tax expense		
Temporary differences originated and reversed	53,825	(69,717)
Changes in realizability of deferred tax assets	51,117	(54,109)
Total	325,247	51,246
Deferred taxes recognized in OCI		
Net changes in financial assets measured at fair value through OCI	20,382	(8,019)
Remeasurements of defined benefit plans	27,509	(937)
Net changes in cash flow hedges	1,376	5,752
Foreign currency translation adjustments	2,958	(1,009)
Total	52,225	(4,213)

The Company and its Japanese subsidiaries were subject to a national corporate tax, an inhabitant tax and business tax, for the years ended March 31, 2021 and 2020, which in the aggregate resulted in a combined statutory income tax rates of approximately 30.5%.

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

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

	2021	2020
Combined statutory income tax rate	30.5%	30.5%
Share of (profits) losses of investments accounted for using the equity method	(1.4)	(7.4)
Change in excess amounts over the tax basis of investments in subsidiaries and investments accounted for using the equity method	(4.8)	33.1
Gain or loss on sale of investments in subsidiaries and investments accounted for using the equity method	7.4	(4.3)
Expenses not deductible for tax purposes	0.6	3.3
Impairment of goodwill	0.5	8.8
Change in realizability of deferred tax assets	6.1	(30.0)
Difference in statutory tax rates of foreign subsidiaries	(1.3)	(6.5)
Other, net	0.9	0.9
Effective income tax rate	38.5%	28.4%

Changes in deferred tax assets and liabilities are as follows:

Millions of yen

	March 31, 2021	March 31, 2020
Deferred tax assets, net at beginning of year	282,998	161,691
Recognized in profit or loss	(104,942)	123,826
Recognized in OCI	(52,225)	4,213
Acquisitions, divestitures and others	(114,952)	(6,732)
Deferred tax assets, net at end of year	10,879	282,998

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

Millions of yen

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	March 31, 2021	March 31, 2020	2021	2020
Deferred tax assets				
Retirement and severance benefits	44,384	75,974	(5,844)	(214)
Accrued expenses	109,697	255,711	(146,585)	157,157
Depreciation of property, plant and equipment	6,476	8,343	85	(3,201)
Net operating loss carryforwards	33,845	17,603	14,614	7,641
Net intercompany profits on inventories, P.P.E. and others	27,090	28,141	(4,563)	(2,453)
Deferred revenues	11,982	21,454	(9,361)	(1,486)
Other	96,326	49,182	(1,206)	6,505
Total deferred tax assets	329,800	456,408	(152,860)	163,949
Deferred tax liabilities				
Deferred profit on sale of properties	(7,420)	(8,014)	263	206
Investments in securities	(115,173)	(102,280)	27,427	(38,928)
Intangible assets	(152,682)	(34,864)	14,417	3,948
Other	(43,646)	(28,252)	5,811	(5,349)
Total deferred tax liabilities	(318,921)	(173,410)	47,918	(40,123)
Net deferred tax assets	10,879	282,998	(104,942)	123,826

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

Millions of yen

	March 31, 2021	March 31, 2020
Other non-current assets	143,126	330,680
Other non-current liabilities	(132,247)	(47,682)
Total	10,879	282,998

Deferred tax liabilities are not recognized for excess amounts over the tax basis of investments in subsidiaries and investments accounted for using the equity method that are considered to be reinvested indefinitely, for such differences will unlikely reverse in the foreseeable future. The temporary differences related to undistributed earnings of subsidiaries for which deferred tax liabilities are not recognized were 774,353 million yen and 660,886 million yen, respectively, as of March 31, 2021 and 2020.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Although realization is not assured, the Company carries out an assessment of the scheduled reversals of deferred tax liabilities and projected future taxable income, including the execution of certain available tax strategies if needed. Based on these factors, the Company considers it is more likely than not it will realize the benefits of these deductible differences as of March 31, 2021.

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

Millions of yen

	March 31, 2021	March 31, 2020
Deductible temporary differences	1,634,738	1,243,180
Net operating loss carryforwards	675,461	484,130
Total	2,310,199	1,727,310

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

Millions of yen

	March 31, 2021	March 31, 2020
Within 5 years	193,286	164,465
After 5 years but not more than 10 years	211,753	119,047
More than 10 years	270,422	200,618
Total	675,461	484,130

(13) Trade Payables

The components of trade payables are as follows:

Millions of yen

	March 31, 2021	March 31, 2020
Accounts payable	1,383,702	1,118,467
Others	132,252	152,201
Total	1,515,954	1,270,668

Others include electronically recorded monetary claims and notes payable.

(14) Provisions

Changes in the balance and components of provisions for the year ended March 31, 2021 are as follows:

Millions of yen

	Asset retirement obligations	Provisions related to restructuring (structural reform)	Product warranty provisions	Provisions for expected losses on construction contracts	Other provisions
March 31, 2020	30,970	10,198	27,043	94,475	325,786
Additions	2,838	19,706	13,252	52,949	30,550
Utilized (a)	(3,597)	(21,533)	(12,220)	(51,636)	(294,184)
Acquisitions and divestitures	(229)	10,374	35,143	6,921	58,886
Currency translation effects, and others	(594)	805	2,577	1,566	5,675
March 31, 2021	29,388	19,550	65,795	104,275	126,713
Current	1,484	19,177	57,851	99,350	106,498
Non-current	27,904	373	7,944	4,925	20,215

(a) Utilized of other provisions include reversal of other provision of 273,272 million yen related to the transfer of shares of MHPS, which had been recorded by the settlement regarding the South African project.

Asset Retirement Obligations

The Company and its subsidiaries recognize asset retirement obligations principally based on the estimated future expenditures using historical experience when the Company and its subsidiaries have a legal or contractual obligation associated with the retirement of tangible fixed assets used in normal operations, such as lease dilapidations of factory facilities and premises.

Provisions Related to Restructuring (Structural Reform)

Provision related to restructuring (structural reform) is recognized when the Company and its subsidiaries have a detailed formal plan for the restructuring of the business or a part of business and have raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected. The provision is recognized based on the estimated amount of direct expenditures attributable to restructuring.

Provisions related to restructuring (structural reform) mainly include special termination benefits for restructuring (structural reform).

Product Warranty Provisions

The Company and its subsidiaries provide warranties for certain products and services. Product warranty provisions are recognized by estimating future expenditures based principally on historical experience of warranty claims.

Provisions for Expected Losses on Construction Contracts

Provisions for expected losses on construction contracts are recognized based on future estimated losses as the Company and its subsidiaries fulfill long-term project requirements.

(15) Employee Benefits

(a) Retirement and Severance Benefits

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

The principal defined benefit pension plan is a corporate pension plan based on the Japanese Defined Benefit Corporate Pension Plan Act (the Act). Additionally, certain corporate pension plans adopt cash balance plans. Benefits under cash balance plans are calculated per each plan participant with a notional account balance, based on the contribution credits per salary level and interest credits based on market interest rate trends.

Pursuant to the Act, the Company has an obligation to make contributions to the Hitachi Pension Fund (the Fund) that manages the corporate pension plans. The directors of the Fund are responsible for faithfully executing operations in compliance with laws and regulations, and any orders issued by the Minister of Health, Labor and Welfare, and the director-generals of Regional Bureaus of Health and Welfare based on laws and regulations, as well as the rules of the Fund and the resolution of the Board of Representatives. The Fund prohibits the directors from acts that constitute conflicts of interests in the management and operation of the funds contributed for benefit payments (the contributions). If breached, the board members are jointly and severally held responsible.

The Fund is legally independent from the Company. The Board of Representatives comprises an equal number of representatives selected by the company and certain subsidiaries and representatives from the employee side. The proceedings of a Board of Representatives are decided by a majority vote of the members attending. In case of a tied vote, the chairman has the power to decide, except for exceptionally significant matters.

The actual management of the contributions is conducted by trustees in accordance with rules approved by the Board of Representatives. The Fund is responsible for managing the contributions to safely and efficiently manage the contributions by establishing the basic management policy of the contributions and preparing the management guidance in line with the policy submitted to the trustees.

The Company has future obligations to make contributions as defined by the Fund. The amount of contribution is periodically reviewed to the extent allowed by law.

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

The risk-sharing corporate pension plan introduced by the Company and Hitachi Industrial Products, Ltd., is a mechanism in which management and labor unions share risks. At the time of the transfer to this system, the employer bears certain risks by making fixed contributions, including contributions to the risk-sharing corporate pension plan, in accordance with agreements between management and labor unions. In the event of a financial imbalance, the plan participants also bear certain risks by adjusting benefits. Under the previous defined benefit pension plan, employers were required to make additional contributions in the event of a funding shortfall. The risk-sharing corporate pension plan, however, measures the risks that may arise in the future, and sets contributions to the risk-sharing corporate pension plan within the scope of the agreement between management and labor unions in advance to balance contributions. The amount equivalent to the contributions made to risk-sharing corporate pension plan determined based on the level of the fiscal deterioration risk, which is calculated at the time of transfer, shall be contributed to the plan on a straight-line basis over five years from the date of transfer, and no additional contributions are required.

In terms of the corresponding accounting treatment for retirement benefits, risk-sharing corporate pension plans, for which an entity accepts contribution obligations to the extent stipulated in the rules but has no further obligations to make any additional contributions, are classified as defined contribution plans. Since this risk-sharing corporate pension plan imposes no additional contribution obligations, at the time of the shift to the revised plan, the difference between the defined benefit obligations related to the portion transferred to the revised plan and the amount of assets transferred to the revised plan corresponding to the decrease in defined benefit obligations, 21,206 million yen, was recognized as a settlement gain in Other income in the consolidated statement of profit or loss for the year ended March 31, 2020, and Retirement and severance benefits in the consolidated statement of financial position decreased by 21,206 million yen as of April 1, 2019

The severance lump-sum payment plans provide a lump-sum payment at the time of retirement, and the benefit is calculated based on factors such as the salary level at retirement and the years of service. The Company and certain subsidiaries have an obligation to pay benefits directly to beneficiaries.

Defined contribution plans require companies to make contributions over a participation period, and plan participants themselves are responsible for the management of plan assets. Benefits are paid by the trustee, and the Company and certain subsidiaries' responsibility is limited to making contributions.

Changes in the present value of defined benefit obligations and the fair value of plan assets for the years ended March 31, 2021 and 2020 are as follows:

Millions of yen

	March 31, 2021	March 31, 2020
Defined benefit obligations		
At beginning of year	1,836,601	2,160,054
Service cost	62,903	63,795
Interest cost	11,004	9,562
Plan amendments	(250)	2,310
Actuarial losses	41,512	(13,877)
Benefits paid	(104,472)	(106,972)
Acquisitions and divestitures	78,781	(1,049)
Transfer to defined contribution pension plan	41	(11,672)
Settlements/curtailments	(662)	(312)
Effect of shift to risk-sharing corporate pension plan	(4,713)	(260,900)
Currency translation effect	13,459	(4,338)
At end of year	1,934,204	1,836,601
Fair value of plan assets		
At beginning of year	1,367,906	1,671,976
Interest income	9,320	9,840
Return on plan assets (excluding interest income)	145,282	(18,579)
Employers’ contributions	64,869	44,058
Employees’ contributions	1,439	470
Benefits paid	(80,427)	(82,766)
Acquisitions and divestitures	69,617	(1,834)
Transfer to defined contribution pension plan	(6)	(11,577)
Settlements/curtailments	(365)	(1,176)
Effect of shift to risk-sharing corporate pension plan	(4,039)	(239,694)
Currency translation effect	11,203	(2,812)
At end of year	1,584,799	1,367,906
Effect of asset ceiling	2,113	12,107
Net liability amount recognized in the consolidated statement of financial position	351,518	480,802

The components of actuarial gain or loss are as follows:

Millions of yen

	March 31, 2021	March 31, 2020
Arising from changes in financial assumptions	(10,548)	11,566
Arising from changes in demographic assumptions	(15,414)	(83)
Other	(15,550)	2,394

The Company and certain subsidiaries remeasure the defined benefit obligations and plan assets at the end of the fiscal year. The discount rates used in actuarial calculation of defined benefit obligations are as follows:

Percentage

	March 31, 2021	March 31, 2020
Discount rate	0.6	0.6

If, at March 31, 2021, the discount rate rose by 0.5%, the defined benefit obligations would decrease by 100,416 million yen, and if the discount rate decreased by 0.5%, the defined benefit obligations would increase by 108,187 million yen.

The sensitivity analysis is based on an assumption that all other variables other than the one analyzed are held constant; in reality, changes in other assumptions may impact the outcome of the analysis.

The Fund's plan asset management is based on the safe and efficient management of the contributions, diversified investments and determination of the investment ratio that should be sustained over the long term. The Fund seeks to maintain current value of assets sufficient for future obligations. A target rate of return is established to ensure a stable long term rate of return on assets. A diversified investment strategy is carried out while a target asset allocation is established to achieve the target rate of return. The target asset allocation is based on the expected rate of return by each class of asset, the standard deviation of the rate of return and the correlation coefficient among the assets. It is currently approximately 20% in equity, 50% in public and corporate bonds, and 30% in hedge funds, securitization products, life insurance general accounts and other assets. If market values fluctuate exceeding certain levels, the investment ratio is adjusted to the target allocation ratio in order to control risks.

In selecting trustees or asset management companies, the Fund takes into account appropriate quantitative and qualitative evaluations. The Fund also presents its management policies to the trustees or asset management companies, and periodically receives asset management reports.

The fair values of plan assets invested as of March 31, 2021 and 2020 are as follows:

Millions of yen

	March 31, 2021		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity	9,715	320	10,035
Government bonds and municipal debt securities	112,970	1,019	113,989
Corporate bonds and other debt securities	-	14,726	14,726
Hedge funds	-	49,368	49,368
Securitization products	-	46,477	46,477
Cash and cash equivalents	36,378	-	36,378
Life insurance general accounts	-	161,064	161,064
Commingled funds	-	1,102,778	1,102,778
Other	3,890	46,094	49,984
Total	162,953	1,421,846	1,584,799

Millions of yen

	March 31, 2020		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity	8,241	2,122	10,363
Government bonds and municipal debt securities	112,158	850	113,008
Corporate bonds and other debt securities	-	39,589	39,589
Hedge funds	-	46,634	46,634
Securitization products	-	42,283	42,283
Cash and cash equivalents	46,887	-	46,887
Life insurance general accounts	-	134,909	134,909
Commingled funds	-	903,713	903,713
Other	2,312	28,208	30,520
Total	169,598	1,198,308	1,367,906

As of March 31, 2021 and 2020, investments in equity were allocated to approximately 40% in stocks listed in Japan and 60% in stocks listed in foreign markets.

As of March 31, 2021 and 2020, Japanese government bonds were allocated to approximately 95% of the government bonds and municipal debt securities, the majority of which were Japanese national bonds. Foreign public bonds, as of March 31, 2021 and 2020, were allocated to approximately 5%, the majority of which were foreign national bonds.

As of March 31, 2021, investments in corporate bonds and other debt securities were allocated to approximately 10% in Japanese corporate bonds and debt instruments, and 90% in foreign corporate bonds and debt instruments. As of March 31, 2020, investments in corporate bonds and other debt securities were allocated to approximately 20% in Japanese corporate bonds and debt instruments, and 80% in foreign corporate bonds and debt instruments.

Hedge funds primarily consist of investments in relative value strategy funds, event driven funds, equity long or short funds, and macroeconomic and Commodity Trading Advisor (CTA) funds.

Securitization products primarily consist of investments in equity of Japanese real estate funds, and debt and equity of collateralized loan obligations (CLO).

Commingled funds represent pooled institutional investments. As of March 31, 2021 and 2020, commingled funds were allocated to 30% in listed stocks, 40% in government bonds, 10% in corporate bonds and other debt securities, 10% in cash and cash equivalents and 10% in other assets.

Funding by the Fund is conducted by taking into account various factors such as funded status and actuarial calculations. For the purpose of maintaining balanced finance into the future, the bylaws of the Fund require recalculation of the contribution amounts at the end of fiscal year every five years. Basic assumptions (expected interest rates, mortality rates, withdrawal rate, etc.) are reviewed to recalculate the appropriate level of contribution.

The amount of contributions expected to be paid by the Company and its subsidiaries to the plan assets for the year ending March 31, 2022 is 62,995 million yen.

The weighted average duration (expected average maturity) of defined benefit obligations as of March 31, 2021 and 2020 were 12.2 years and 12.1 years, respectively.

Contributions made to defined contribution plans and expensed in profit or loss in the years ended March 31, 2021 and 2020 were 36,949 million yen and 28,505 million yen, respectively.

In addition, contributions made to the risk-sharing corporate pension plan and expensed in profit or loss in the year ended March 31, 2021 and 2020 were 18,056 million yen and 16,324 million yen, respectively. The amount of the contributions to the risk-sharing corporate pension plan expected to be paid by the Company and its subsidiaries from the year ending March 31, 2022 is 20,760 million yen.

(b) Employee Benefit Expenses

The aggregated amounts of employee benefit expenses including salary recognized in the consolidated statement of profit or loss for the years ended March 31, 2021 and 2020 were 2,425,658 million yen and 2,282,736 million yen, respectively.

(16) Equity

(a) Common Stock

Number of shares

	March 31, 2021	March 31, 2020
Total number of authorized shares	2,000,000,000	2,000,000,000

	Issued shares outstanding (Number of shares)	Capital amount (Millions of yen)
March 31, 2019	966,692,677	458,790
March 31, 2020	967,280,477	459,862
March 31, 2021	967,885,277	460,790

Note: The Company issued new shares as restricted stock compensation, the total number of issued shares increased 587,800 shares on May 31, 2019, and increased 604,800 shares on May 27, 2020, and became 967,885,277 shares.

Shares issued by the Company are non-par value common stock. The issued shares above include treasury stock. The changes in treasury stock for the years ended March 31, 2021 and 2020 are as follows:

	Treasury stock	
	(Number of shares)	(Millions of yen)
March 31, 2019	1,086,667	3,920
Acquisition of treasury stock	41,098	166
Sales of treasury stock	(77,024)	(277)
March 31, 2020	1,050,741	3,809
Acquisition of treasury stock	136,523	159
Sales of treasury stock	(131,465)	(475)
March 31, 2021	1,055,799	3,493

The number of shares of the Company held by the Company's associates as of March 31, 2021 and 2020 were 33,200 shares and 33,400 shares, respectively.

(b) Surplus

(i) Capital Surplus

The Companies Act of Japan mandates that at least half of paid-in capital be appropriated as common stock and the rest be appropriated as legal reserve within capital surplus.

The changes in capital surplus include the effect of changes in the Company's ownership interest in its consolidated subsidiaries. For the year ended March 31, 2021, the changes in capital surplus were mainly due to the decrease of 321,627 million yen in additional acquisition of shares of Hitachi High-Tech by the Company, the increase of 117,865 million yen due to the decrease of the Company's ownership interest in the former HiAMS from 100% to 66.6% and the decrease of 176,044 million yen due to a put option on non-controlling interests of Hitachi ABB Power Grid.

(ii) Retained Earnings

The Companies Act of Japan requires that ten percent of retained earnings appropriated for dividends be retained until the total amount of earned reserves included in capital reserve and retained earnings reaches a quarter of the nominal value of common stock. Earned reserves may be available for dividends by resolution at the shareholders' meeting.

(17) Accumulated Other Comprehensive Income (AOCI) and Other Comprehensive Income (OCI)

Components of AOCI, net of related tax effects, presented in the consolidated statement of changes in equity, and changes in each component for the years ended March 31, 2021 and 2020 are as follows:

Millions of yen

	2021	2020
Foreign currency translation adjustments		
Balance at beginning of year	(30,686)	52,166
OCI, net of reclassification	133,106	(82,819)
Net transfer of non-controlling interests	8,307	(33)
Balance at end of year	110,727	(30,686)
Remeasurements of defined benefit plans		
Balance at beginning of year	1,958	10,312
OCI	80,413	(6,101)
Net transfer of non-controlling interests	3,066	-
Reclassified into retained earnings	(5,137)	(2,253)
Balance at end of year	80,300	1,958
Net changes in financial assets measured at FVTOCI		
Balance at beginning of year	66,373	95,725
OCI	69,721	(16,225)
Net transfer of non-controlling interests	3,227	2
Reclassified into retained earnings	(4,299)	(13,129)
Balance at end of year	135,022	66,373
Net changes in cash flow hedges		
Balance at beginning of year	(94,715)	(101,843)
OCI, net of reclassification	53,384	9,084
Net transfer of non-controlling interests	(71)	-
Others	(11,086)	(1,956)
Balance at end of year	(52,488)	(94,715)
Total AOCI		
Balance at beginning of year	(57,070)	56,360
OCI, net of reclassification	336,624	(96,061)
Net transfer of non-controlling interests	14,529	(31)
Reclassified into retained earnings	(9,436)	(15,382)
Others	(11,086)	(1,956)
Balance at end of year	273,561	(57,070)

The following shows a reconciliation of OCI, including non-controlling interests, to profit or loss items and deferred income tax effect per components of OCI during the years ended March 31, 2021 and 2020.

Millions of yen

	2021		
	Before tax	Tax effect	After tax
OCI arising during the year:			
Foreign currency translation adjustments	194,482	(2,937)	191,545
Remeasurements of defined benefit plans	116,245	(27,509)	88,736
Net changes in financial assets measured at FVTOCI	89,744	(20,382)	69,362
Net changes in cash flow hedges	4,635	(755)	3,880
Share of OCI of investments accounted for using the equity method	28,359	(4,815)	23,544
Total	433,465	(56,398)	377,067
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	297	(21)	276
Net changes in cash flow hedges	2,087	(621)	1,466
Share of OCI of investments accounted for using the equity method	45,110	(7,748)	37,362
Total	47,494	(8,390)	39,104
OCI, net of reclassification adjustments:			
Foreign currency translation adjustments	194,779	(2,958)	191,821
Remeasurements of defined benefit plans	116,245	(27,509)	88,736
Net changes in financial assets measured at FVTOCI	89,744	(20,382)	69,362
Net changes in cash flow hedges	6,722	(1,376)	5,346
Share of OCI of investments accounted for using the equity method	73,469	(12,563)	60,906
Total	480,959	(64,788)	416,171
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Foreign currency translation adjustments			69,439
Remeasurements of defined benefit plans			9,039
Net changes in financial assets measured at FVTOCI			1,076
Net changes in cash flow hedges			(7)
Total			79,547
OCI, net of reclassification adjustments, attributable to Hitachi, Ltd. stockholders:			
Foreign currency translation adjustments			122,382
Remeasurements of defined benefit plans			79,697
Net changes in financial assets measured at FVTOCI			68,286
Net changes in cash flow hedges			5,353
Share of OCI of investments accounted for using the equity method			60,906
Total			336,624

Millions of yen

	2020		
	Before tax	Tax effect	After tax
OCI arising during the year:			
Foreign currency translation adjustments	(112,823)	1,009	(111,814)
Remeasurements of defined benefit plans	(9,333)	937	(8,396)
Net changes in financial assets measured at FVTOCI	(25,226)	8,019	(17,207)
Net changes in cash flow hedges	15,021	(4,665)	10,356
Share of OCI of investments accounted for using the equity method	(20,202)	3,861	(16,341)
Total	(152,563)	9,161	(143,402)
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	491	-	491
Net changes in cash flow hedges	3,904	(1,087)	2,817
Share of OCI of investments accounted for using the equity method	1,772	(3)	1,769
Total	6,167	(1,090)	5,077
OCI, net of reclassification adjustments:			
Foreign currency translation adjustments	(112,332)	1,009	(111,323)
Remeasurements of defined benefit plans	(9,333)	937	(8,396)
Net changes in financial assets measured at FVTOCI	(25,226)	8,019	(17,207)
Net changes in cash flow hedges	18,925	(5,752)	13,173
Share of OCI of investments accounted for using the equity method	(18,430)	3,858	(14,572)
Total	(146,396)	8,071	(138,325)
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Foreign currency translation adjustments			(37,815)
Remeasurements of defined benefit plans			(2,802)
Net changes in financial assets measured at FVTOCI			(1,438)
Net changes in cash flow hedges			(209)
Total			(42,264)
OCI, net of reclassification adjustments, attributable to Hitachi, Ltd. stockholders:			
Foreign currency translation adjustments			(73,508)
Remeasurements of defined benefit plans			(5,594)
Net changes in financial assets measured at FVTOCI			(15,769)
Net changes in cash flow hedges			13,382
Share of OCI of investments accounted for using the equity method			(14,572)
Total			(96,061)

(18) Dividends

Dividends paid on the Company's common stock for the years ended March 31, 2021 and 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 October 28, 2020	48,342	Retained earnings	50.0	September 30, 2020	November 30, 2020
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 30, 2019	43,481	Retained earnings	45.0	September 30, 2019	November 29, 2019
The Board of Directors on May 10, 2019	48,280	Retained earnings	50.0	March 31, 2019	May 31, 2019

The dividends on the Company's common stock whose record date falls in the year ended March 31, 2021 and the effective date falls in the next fiscal year is as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 12, 2021	53,175	Retained earnings	55.0	March 31, 2021	June 2, 2021

(19) Stock-based Compensation

The Company introduced a restricted stock compensation plan as stock-based compensation in place of the stock option plan and grants shares of restricted stock in place of the existing stock options as stock-based compensation from the year ended March 31, 2020. In addition, the Company introduced a restricted stock unit plan and grants restricted stock units from the year ended March 31, 2021.

Stock-based compensation expenses recognized for the years ended March 31, 2021 and 2020 were 1,031 million yen and 724 million yen, respectively.

(a) Restricted stock compensation plan

In accordance with the restricted stock compensation plan (hereinafter the "Plan") to be introduced by the Company, Executive Officers and Corporate Officers (hereinafter the "Eligible Persons") will receive shares of common stock to be newly issued or disposed by the Company by making contributions in kind of the monetary compensation claims which are granted in order to allot the shares of restricted stock to the Eligible Persons. In addition, with respect to the issuance or disposition of shares of common stock of the Company under the Plan, the Company and each Eligible Person executes an agreement on allotment of restricted stock (hereinafter the "Allotment Agreement").

Outline of the Allotment Agreement

(1) Transfer restriction period

From the payment date relating to the issuance or disposition of the shares of restricted stock to the date on which the Eligible Person ceases to be an Executive Officer, Director or Corporate Officer of the Company.

(2) Acquisition by the Company without consideration

If certain events set out in the Allotment Agreement occur, the Company will acquire the shares without any consideration promptly on or after a date notified to Eligible Persons. The Company will also acquire the shares for which the transfer restrictions are definitely not lifted at the time of such determination, without any consideration.

The outlines of issuance for the years ended March 31, 2021 and 2020 are as follows.

	March 31, 2021	March 31, 2020
Issuance date	May 27, 2020	May 31, 2019
Number of shares	604,800 shares	587,800 shares
Issue price per share [1] [2]	3,067 yen	3,647 yen

[1] The issue price for the year ended March 31, 2021 is the closing price per share for the Company's common stock on April 20, 2020 (preceding business day of the date upon the decision by the President regarding the issuance of new shares) in the first section of the Tokyo Stock Exchange, Inc.

[2] The issue price for the year ended March 31, 2020 is the closing price per share for the Company's common stock on April 22, 2019 (preceding business day of the date upon the decision by the President regarding the issuance of new shares) in the first section of the Tokyo Stock Exchange, Inc.

(b) Restricted stock unit (hereinafter the "RSU") plan

In accordance with the RSU plan to be introduced by the Company, the Company's non-Japanese Executive Officers and Corporate Officers (hereinafter the "Eligible Persons") will be granted restricted stock units (hereinafter the "RSUs") corresponding to the number of shares of the Company's common stock (hereinafter the "Shares to be Delivered") set in advance for each eligible person and, over three fiscal years after granting, one-third of the RSUs will become vested after the end of each fiscal year and the Shares to be Delivered and cash for the vested RSUs will be delivered.

The eligible persons will receive shares of common stock to be newly issued or disposed by the Company by making contributions in kind of the monetary compensation claims which are granted after the end of each fiscal year in order to allot the Shares to be Delivered to the eligible persons.

If the eligible persons retire due to expiration of their term of office, death or other legitimate reasons recognized by the Company's Compensation Committee, they will receive the Shares to be Delivered and cash corresponding to the portion of RSUs granted reflecting the period from the granting date until such retirement.

(c) Stock option plan

Under the Company's stock option plan, Executive Officers and Corporate Officers are granted the right to purchase shares of common stock of the Company (stock acquisition rights).

Details of the Company's stock option plan for the years ended March 31, 2021 and 2020 are as follows.

Fiscal Year of Issuance and Name	Grant Date	Exercise period
Year ended March 31, 2019		
The Third Stock Acquisition Rights of Hitachi, Ltd.	April 11, 2018	From April 27, 2018 to April 26, 2048
Year ended March 31, 2018		
The Second Stock Acquisition Rights of Hitachi, Ltd.	April 6, 2017	From April 27, 2017 to April 26, 2047
Year ended March 31, 2017		
The First Stock Acquisition Rights of Hitachi, Ltd.	June 29, 2016	From July 15, 2016 to July 14, 2046

Conditions for the exercise of stock acquisition rights

(1) During the above exercise period, a holder of stock acquisition rights may exercise all the stock acquisition rights determined in accordance with the provisions of paragraph (2) or (3) below in a lump sum only within ten days (in case the last day is not a business day, the following business day) from the day immediately following the date on which he/she ceases to be an Executive Officer, a Director or a Corporate Officer of the Company.

(2) The number of stock acquisition rights that a holder of stock acquisition rights may exercise, shall be determined based on the ratio of (i) the total shareholder return (TSR) for shares of the Company for three years from the beginning of the fiscal year in which the date of allotment of the stock acquisition rights falls (Waiting Period) to (ii) the growth rate of TOPIX (Tokyo Stock Price Index) for the same period (TSR/TOPIX Growth Rate Ratio): market condition.

(3) The number of stock acquisition rights, that a holder of stock acquisition rights who has left his/her position in the Company before the end of the Waiting Period (Resignee) may exercise, shall be determined by reducing the number of stock acquisition rights allotted to him/her in proportion to the term of office of the Resignee in the Waiting Period, and applying the TSR/TOPIX Growth Rate Ratio for the period from the beginning of the fiscal year in which the date of allotment of the stock acquisition rights falls to the time of resignation in accordance with the provision of paragraph (2) above.

A summary of stock option activity for the years ended March 31, 2021 and 2020 is as follows. The number of stock options is translated into their equivalent number of shares (20 shares per stock option).

	2021		2020	
	Number of shares (shares)	Weighted average exercise price (yen)	Number of shares (shares)	Weighted average exercise price (yen)
Outstanding at beginning of year	890,960	1	1,004,780	1
Granted	-	-	-	-
Forfeited [1]	(32,860)	1	(39,580)	1
Exercised	(126,560)	1	(74,240)	1
Expired	-	-	-	-
Outstanding at end of year	731,540	1	890,960	1
Exercisable at end of year	2,060	1	-	-

[1] Including the stock acquisition rights which became non-exercisable because of the market condition.

The weighted average share prices at the date of exercise for the years ended March 31, 2021 and 2020 were 3,128.0 yen and 3,677.0 yen.

The range of exercise price as of March 31, 2021 and 2020 was 1 yen. The weighted average remaining contractual lives of stock options outstanding as of March 31, 2021 and 2020 were 26.2 years and 27.2 years, respectively.

(20) Revenues

(a) Disaggregation of revenue

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

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

Millions of yen

2021							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
IT	1,537,450	167,762	165,763	139,978	37,803	511,306	2,048,756
Energy	338,422	231,266	183,481	227,612	127,205	769,564	1,107,986
Industry	626,743	73,803	98,964	15,294	15,358	203,419	830,162
Mobility	367,158	465,398	50,326	264,786	51,964	832,474	1,199,632
Smart Life	1,026,149	593,333	303,771	216,555	100,526	1,214,185	2,240,334
Hitachi Construction Machinery	203,337	191,801	107,175	110,542	200,476	609,994	813,331
Hitachi Metals	342,847	160,875	207,085	35,434	15,374	418,768	761,615
Hitachi Chemical	-	-	-	-	-	-	-
Others	384,071	44,819	8,550	7,852	3,716	64,937	449,008
Subtotal	4,826,177	1,929,057	1,125,115	1,018,053	552,422	4,624,647	9,450,824
Corporate items and Eliminations	(671,359)	(35,437)	(7,561)	(4,566)	(2,705)	(50,269)	(721,628)
Total	4,154,818	1,893,620	1,117,554	1,013,487	549,717	4,574,378	8,729,196

Millions of yen

2020							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
IT	1,546,432	176,337	182,999	154,751	38,907	552,994	2,099,426
Energy	350,361	33,575	8,257	4,369	2,692	48,893	399,254
Industry	662,086	84,729	59,631	13,275	21,028	178,663	840,749
Mobility	384,628	368,985	44,518	299,543	46,773	759,819	1,144,447
Smart Life	1,079,787	455,057	335,407	206,993	90,372	1,087,829	2,167,616
Hitachi Construction Machinery	205,604	211,663	173,426	136,197	204,457	725,743	931,347
Hitachi Metals	405,410	166,137	245,349	44,542	19,964	475,992	881,402
Hitachi Chemical	229,823	272,241	48,021	63,113	18,235	401,610	631,433
Others	408,869	49,097	13,405	7,247	6,212	75,961	484,830
Subtotal	5,273,000	1,817,821	1,111,013	930,030	448,640	4,307,504	9,580,504
Corporate items and Eliminations	(743,905)	(50,284)	(8,026)	(5,531)	(5,495)	(69,336)	(813,241)
Total	4,529,095	1,767,537	1,102,987	924,499	443,145	4,238,168	8,767,263

The IT segment consists of Front Business and Services & Platforms, for which revenue amounted to 1,414,239 million yen and 790,258 million yen for the year ended March 31, 2021 and 1,431,130 million yen and 826,362 million yen for the year ended March 31, 2020, 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 year ended March 31, 2020 have been restated on the basis of the reclassification.

The Company's revenues include revenue recognized based on the pattern of the cost accrual arising from long-term projects. Of the revenue recognized during the fiscal years ended March 31, 2021 and 2020, the amount of revenue recognized based on the pattern of the cost accrual arising from long-term projects were 1,389,409 million yen and 1,139,859 million yen, respectively.

(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.

(c) Information about contract balances

The following table shows the beginning and ending balances of Trade receivables, Contract assets and Contract liabilities from contracts with customers for the fiscal years ended March 31, 2021 and 2020.

Millions of yen

	2021		2020	
	March 31, 2021	April 1, 2020	March 31, 2020	April 1, 2019
Trade receivables	2,115,973	1,846,078	1,846,078	1,980,165
Contract assets	676,524	484,999	484,999	484,120
Contract liabilities	1,016,207	707,352	707,352	654,536

Of the revenue recognized during the fiscal years ended March 31, 2021 and 2020, the amount included in Contract liabilities at the beginning of the fiscal years were 352,608 million yen and 292,613 million yen, respectively. And the amount related to performance obligations satisfied in the past periods were not material.

(d) Transaction price allocated to remaining performance obligations

The following table shows the balance of unsatisfied performance obligations by reportable segment for the fiscal years ended March31, 2021 and 2020.

Millions of yen

	March 31, 2021		March 31, 2020	
	Intersegment transactions	Balance of unsatisfied performance obligations	Intersegment transactions	Balance of unsatisfied performance obligations
IT	50,181	1,080,587	53,577	1,068,472
Energy	29,288	1,884,151	27,348	625,730
Industry	89,043	476,109	86,941	441,956
Mobility	3,905	4,247,366	5,713	3,692,326

Segments of the Company and its subsidiaries that have contracts under which revenue is recognized over a long period of time are primarily the IT segments, Energy segments, Industry segments and Mobility segments.

The estimated timing of unsatisfied performance obligations at the fiscal year ended March 31, 2021 are as follows.
Approximately 90% of the balance of unsatisfied performance obligations of the IT segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.
Approximately 80% of the balance of unsatisfied performance obligations of the Energy segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.
Approximately 90% of the balance of unsatisfied performance obligations of the Industry segment was expected to be satisfied within three years.
Approximately 50% of the balance of unsatisfied performance obligations of the Mobility segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.

The estimated timing of unsatisfied performance obligations at the fiscal year ended March 31, 2020 are as follows.
Approximately 90% of the balance of unsatisfied performance obligations of the IT segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.
Approximately 60% of the balance of unsatisfied performance obligations of the Energy segment was expected to be satisfied within three years and approximately 20% after three years but no more than five years.
Approximately 90% of the balance of unsatisfied performance obligations of the Industry segment was expected to be satisfied within three years.
Approximately 50% of the balance of unsatisfied performance obligations of the Mobility segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.

The remaining segments have contracts whose initial expected terms are generally one year or less. Accordingly, related information is excluded from this disclosure in accordance with the practical expedient.

(e) Assets recognized from the costs incurred for obtaining or fulfilling contracts with customers

The Company and its subsidiaries recognize the costs incurred for obtaining or fulfilling contracts with customers as an asset to the extent those costs are expected to be recovered. Such costs recognized as an asset as of March 31, 2021 and 2020 were not material.

(21) Other Income and Expenses

The main components of other income and expenses for the years ended March 31, 2021 and 2020 are as follows:

Millions of yen

	2021	2020
Net gain (loss) on sales and disposals of fixed assets	16,126	29,920
Impairment losses	(109,009)	(136,993)
Net gain (loss) on business reorganization and others	452,422	19,650
Special termination benefits	(19,706)	(21,422)
Loss due to the settlement of the South African project	-	(375,967)

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

Restructuring charges (structural reform expenses) included in other expenses for the years ended March 31, 2021 and 2020 were 128,715 million yen and 159,086 million yen, respectively. Restructuring charges (structural reform expenses) mainly include impairment losses and special termination benefits.

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

(22) Financial Income and Expenses

The main components of financial income and expenses for the years ended March 31, 2021 and 2020 are as follows:

Millions of yen

	2021	2020
Dividends received	3,445	5,531
Exchange gain (loss)	9,193	(4,493)

Dividends received for the years ended March 31, 2021 and 2020 are from FVTOCI financial assets.

(23) Discontinued Operations

In the Energy segment, the Company classified the part of thermal power generation systems business which was not transferred to Mitsubishi Hitachi Power Systems, Ltd. (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 consolidated statement of profit or loss since the projects were completed in the year ended March 31, 2015.

Profit or loss and cash flows from the discontinued operations for the years ended March 31, 2021 and 2020 are as follows:

Millions of yen

	2021	2020
Profit or loss from discontinued operations		
Revenues	7	48
Cost of sales and expenses	(693)	(1,826)
Loss from discontinued operations, before income taxes	(686)	(1,778)
Income taxes	-	2
Loss from discontinued operations	(686)	(1,776)

Millions of yen

	2021	2020
Cash flows from discontinued operations		
Cash flows from operating activities	(611)	(2,981)
Cash flows from investing activities	-	-
Cash flows from financing activities	736	2,745

(24) Earnings Per Share (EPS) Information

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

Number of shares

	2021	2020
Weighted average number of shares on which basic EPS is calculated	965,965,329	965,708,920
Effect of dilutive securities		
Stock options	731,540	832,420
Restricted stock	684,997	339,060
Restricted stock units	24,533	-
Number of shares on which diluted EPS is calculated	967,406,399	966,880,400

Millions of yen

	2021	2020
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	502,299	89,372
Effect of dilutive securities	-	-
Diluted	502,299	89,372
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(686)	(1,776)
Effect of dilutive securities	-	-
Diluted	(686)	(1,776)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	501,613	87,596
Effect of dilutive securities	-	-
Diluted	501,613	87,596

Yen

	2021	2020
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	520.00	92.55
Diluted	519.22	92.43
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(0.71)	(1.84)
Diluted	(0.71)	(1.84)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	519.29	90.71
Diluted	518.51	90.60

(25) Supplementary Cash Flow Information

Changes in liabilities from financing activities for the years ended March 31, 2021 and 2020 are as follows:

Millions of yen

	Short-term debt	Bonds	Long-term borrowings	Lease liability	Total
March 31, 2019 (Before restatement)	111,031	170,498	674,043	49,199	1,004,771
Cumulative effects of changes in accounting policies	-	-	-	224,613	224,613
April 1, 2019 (After restatement)	111,031	170,498	674,043	273,812	1,229,384
Cash flows	80,849	215,205	(77,369)	(82,363)	136,322
Non-cash changes					
Finance lease liability incurred	-	-	-	87,715	87,715
Acquisitions and divestitures	5,793	-	48,530	6,583	60,906
Currency translation effect and others	(14,370)	(410)	(7,556)	(6,949)	(29,285)
March 31, 2020	183,303	385,293	637,648	278,798	1,485,042
Cash flows	199,679	9,991	383,334	(100,346)	492,658
Non-cash changes					
Finance lease liability incurred	-	-	-	111,505	111,505
Acquisitions and divestitures	15,864	(29,878)	250,837	19,386	256,209
Currency translation effect and others	17,789	553	23,790	9,810	51,942
March 31, 2021	416,635	365,959	1,295,609	319,153	2,397,356

(26) Financial Instruments and Related Disclosures

(a) Capital Management

The Company manages its capital under the policy of maintaining appropriate level of assets, liabilities and capital for current and future business operations, as well as optimizing the efficiency of capital utilization throughout the business operations.

The Company uses the total Hitachi, Ltd. stockholders' equity ratio as an important indicator in capital management and it is regularly monitored. The total Hitachi, Ltd. stockholders' equity ratio as of March 31, 2021 and 2020 were 29.7% and 31.8%, respectively.

The Company is not subject to any capital requirements except for the general rules such as the Japanese Company Law.

(b) Financial Risks

The Company is engaged in business activities world-wide, and constantly exposed to various risks such as market risks (mainly currency exchange risk and interest rate risk), credit risk and liquidity risk. The Company implements risk management policies to avoid or mitigate these financial risks.

(i) Currency Exchange Risk

The Company and its subsidiaries hold assets and liabilities exposed to currency exchange risk. In order to hedge this risk, the management uses forward exchange contracts or cross currency swaps.

For trade receivables and payables denominated in foreign currencies, the Company and its subsidiaries measure the future cash flows per currency on a monthly basis, and enter into forward exchange contracts using a constant ratio with the purpose of fixing the future cash flows arising from receivables and payables and forecasted transactions denominated in foreign currencies. The terms of forward exchange contracts are largely within one year. If necessary, the Company and its subsidiaries establish a risk control policy and a risk management approach specific to each transaction by reviewing the business characteristics, the structure of income and expenditure, and conditions of the contract. The Company and its subsidiaries hedge the risk exposure arising from specific transactions based on the risk control policy and the risk management approach.

To fix cash flows from long-term debt denominated in foreign currencies, the Company and its subsidiaries enter into cross currency swap agreements with the same maturities as the underlying debt. The hedging relationship between the forward exchange contracts or cross currency swaps and the underlying hedged items is highly effective in offsetting the impact from changes in foreign currency exchange rates.

The sensitivity analysis for currency exchange rates shown below indicates the impact on income from continuing operations, before income taxes, in the Company's consolidated statement of profit or loss, if the Japanese yen depreciated by 1% on the foreign-currency-denominated financial instruments held by the Company and its subsidiaries as of March 31, 2021 and 2020, while all other variables are held constant.

Millions of yen

	Currency	2021	2020
Impact on income from continuing operations, before income taxes	US Dollar	2,559	330
	Euro	101	156

(ii) Interest Rate Risk

The Company and its subsidiaries are exposed to interest rate risk related principally to long-term debt obligations. In order to minimize this risk, the Company and its subsidiaries enter into interest rate swap agreements to control fluctuation risk of cash flows. The interest rate swaps entered into are mainly receive-variable, pay-fixed interest rate swaps. Under the interest rate swaps, the Company and its subsidiaries receive variable interest rate payments on long-term debt and make fixed interest rate payments, thereby creating fixed interest rate long-term debt.

Certain financing subsidiaries raise funds by issuing long-term debt with a fixed interest rate and lending it at variable interest rates, creating interest rate risk. In order to minimize this risk, interest rate swaps are used to convert, in effect, the fixed rate to a variable rate to manage fluctuations in fair value resulting from interest rate risk. The hedging relationship between the interest rate swaps and the underlying hedged items is highly effective in offsetting the impact from changes in cash flows and fair value resulting from interest rate risk.

The sensitivity analysis for interest rate shown below indicates the impact on income from continuing operations, before income taxes, in the consolidated statement of profit or loss, if interest rates increased by 1% on the financial instruments (floating-interest financial assets and liabilities measured at amortized cost, FVTPL financial assets and liabilities and derivatives) held by the Company and its subsidiaries as of March 31, 2021 and 2020, while all other variables are held constant.

Millions of yen

	2021	2020
Impact on income from continuing operations, before income taxes	(6,394)	(2,421)

(iii) Credit Risk

Trade receivables and contract assets, and other receivables resulting from operating activities of the Company and its subsidiaries are exposed to credit risk of the customers. Investments in debt securities held for managing cash surplus and equity instruments held for strategic purposes are exposed to credit risk of the issuers. Derivative transactions entered into in order to lower market risks are exposed to credit risk of the counter-party financial institutions.

For credit risk of customers, the Company conducts periodic credit checks as appropriate for the products sold and the customers' financial conditions and credit ratings. A credit limit is set according to the credit risk. For cash surplus, investment is restricted to low risk debt securities, and derivative transactions are entered into with financial institutions with high credit rating only.

No significant concentration of credit risk is present in a particular region or a customer, as the Company and its subsidiaries are engaged in diverse industries worldwide.

The changes in the balance of allowance for doubtful receivables for trade receivables, contract assets and other receivables, and the changes in the gross carrying amounts of trade receivables and contract assets, and other receivables corresponding to the allowance for doubtful receivables for the years ended March 31, 2021 and 2020 are as follows. Other receivables mainly consist of lease receivables and financial assets measured at amortized cost such as short-term loans receivable, other accounts receivable, debt securities measured at amortized cost and long-term loans receivable.

Millions of yen

Trade receivables and contract assets	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2019	18,620	13,902	32,522	2,391,639	105,168	2,496,807
Change, net	3,332	5,825	9,157	(77,943)	(38,890)	(116,833)
Credit-impairment [1]	(21)	21	-	(1,443)	1,443	-
Write-off [2]	(635)	(343)	(978)	(2,599)	(752)	(3,351)
Other [3]	(472)	(578)	(1,050)	(1,619)	(4,276)	(5,895)
March 31, 2020	20,824	18,827	39,651	2,308,035	62,693	2,370,728
Change, net	701	6,245	6,946	(335,456)	(6,714)	(342,170)
Credit-impairment [1]	(27)	27	-	14,778	(14,778)	-
Write-off [2]	(834)	(3,025)	(3,859)	(22,078)	(3,391)	(25,469)
Other [3]	12,569	7,379	19,948	748,100	103,994	852,094
March 31, 2021	33,233	29,453	62,686	2,713,379	141,804	2,855,183

Millions of yen

Other receivables	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2019	385	1,887	2,272	503,986	15,413	519,399
Change, net	71	2,458	2,529	(115,816)	1,404	(114,412)
Credit-impairment [1]	-	-	-	(26)	26	-
Write-off [2]	(176)	(195)	(371)	(1,097)	(195)	(1,292)
Other [3]	(8)	(38)	(46)	(1,239)	(441)	(1,680)
March 31, 2020	272	4,112	4,384	385,808	16,207	402,015
Change, net	27	1,057	1,084	(155,203)	305	(154,898)
Credit-impairment [1]	-	-	-	(44)	44	-
Write-off [2]	(1)	(1,275)	(1,276)	(1,526)	(1,495)	(3,021)
Other [3]	3	136	139	176,433	20,762	197,195
March 31, 2021	301	4,030	4,331	405,468	35,823	441,291

[1] The Company measures the allowance for doubtful receivables relating to credit-impaired financial assets based on individual assessment and, therefore, transfers them from collective assessment.

[2] The Company generally writes off and derecognizes the corresponding carrying amount when it has no reasonable expectations of recovering the financial asset in its entirety or a portion.

[3] Other mainly includes the impact of acquisitions and divestitures and currency translation effect.

The maximum exposure to the credit risk equals the financial assets' carrying amount, net of allowance for doubtful receivables, in the consolidated statement of financial position, if collateral held is not included. The maximum exposure to the credit risk from loan commitments is disclosed in note 30. The maximum exposure to the credit risk from guarantee obligations is disclosed in note 30.

(iv) Liquidity Risk

Trade payables and financial liabilities, such as long-term debts, held by the Company and its subsidiaries are exposed to liquidity risk. With respect to this risk, the Company and its subsidiaries try to optimize capital efficiency through efficient management of working capital, and maintain cash control through a centralized cash management system. They are also able to raise funds, as necessary, from capital markets through the issuance of debt and equity securities, and from commercial banks through borrowings and commitment lines. The total unused commitment lines as of March 31, 2021 are disclosed in note 30.

The following tables present the maturities of non-derivative financial liabilities. Trade payables are not included in the tables since the carrying amounts agree with the contractual cash flows and they all mature in less than one year.

Millions of yen

	March 31, 2021				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Short-term debt	416,635	417,993	417,993	-	-
Long-term debt					
Lease liabilities	319,153	335,421	93,270	174,920	67,231
Bonds	365,959	373,650	11,508	179,797	182,345
Long-term borrowings	1,295,609	1,314,067	179,905	825,661	308,501
Other non-current liabilities					
Put options of non-controlling interests	237,805	243,894	-	243,894	-

Millions of yen

	March 31, 2020				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Short-term debt	183,303	184,667	184,667	-	-
Long-term debt					
Lease liabilities	278,798	290,826	83,918	144,837	62,071
Bonds	385,293	395,427	1,721	185,624	208,082
Long-term borrowings	637,648	647,959	153,052	373,149	121,758

The weighted average interest rate for short-term debt is 0.6%, and the weighted average interest rate for long-term borrowings is 0.5% with maturities ranging from 2021 to 2039.

The details on each bond issued are provided below.

Millions of yen

Issuer	Name of bond	Issued	March 31, 2021	March 31, 2020	Security	Interest rates (%)	Mature in
The Company	Unsecured debenture #16	2013	30,000	30,000	Unsecured	0.8	2023
The Company	Unsecured debenture #17	2013	20,000	20,000	Unsecured	1.4	2028
The Company	Unsecured debenture #18	2020	90,000	90,000	Unsecured	0.1	2023
The Company	Unsecured debenture #19	2020	20,000	20,000	Unsecured	0.2	2027
The Company	Unsecured debenture #20	2020	90,000	90,000	Unsecured	0.3	2030
Subsidiaries	Unsecured debentures	2012 - 2021	115,959	135,293	Unsecured	0.1 - 2.8	2021 - 2031
Total			365,959	385,293			

The following table shows the maturities of the main types of derivatives, expressed in gross amounts, even though they are net settlement derivatives.

Millions of yen

		March 31, 2021			
		Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Forward exchange contracts	In	8,644	3,743	1	12,388
	Out	16,694	3,104	-	19,798
Cross currency swaps	In	6,128	9,375	-	15,503
	Out	2,898	2,330	-	5,228
Interest rate swaps	In	29	276	3,746	4,051
	Out	316	1,140	-	1,456
Option contracts	In	22	87	-	109
	Out	88	-	-	88

Millions of yen

		March 31, 2020			
		Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Forward exchange contracts	In	36,128	321	1	36,450
	Out	13,664	749	-	14,413
Cross currency swaps	In	1,253	6,296	-	7,549
	Out	4,398	1,599	-	5,997
Interest rate swaps	In	-	390	-	390
	Out	252	2,594	-	2,846
Option contracts	In	6,081	86	-	6,167
	Out	197	10	-	207

(c) Fair Value of Financial Instruments

(i) Fair Value Measurements

The following methods and assumptions are used to measure the fair value of financial assets and liabilities.

Cash and cash equivalents, Trade receivables, Short-term loans receivable, Other accounts receivable, Short-term debt, Other accounts payable and Trade payables

The carrying amount approximates the fair value because of the short maturity of these instruments.

Investments in securities and other financial assets

The fair value of lease receivables is based on the present value of lease payments receivable calculated for each group of years to maturity using discount rates that reflect the time to maturity and credit risk.

Investment securities with quoted market prices are estimated using the quoted share prices. In the absence of an active market for investment securities, quoted prices for similar investment securities, quoted prices associated with transactions that are not distressed for identical or similar investment securities or other relevant information including market interest rate curves, referenced credit spreads or default rates, are used to determine fair value. If significant inputs of fair value measurement are unobservable, the Company uses price information provided by financial institutions to evaluate such investments. The information provided is corroborated by the income approach using its own valuation model, or the market approach using comparisons with prices of similar securities.

The fair value of long-term loans receivable is estimated based on the present value of future cash flows using the interest rate applicable to an additional loan of the same type.

Derivative assets are measured at fair value based on quoted prices associated with transactions that are not distressed, prices in inactive markets, or based on models using interest rate curves and forward and spot prices for currencies and commodities. If significant inputs are unobservable, the Company mainly uses the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.

Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using the market interest rates applicable to the same contractual terms.

Other financial liabilities

Derivative liabilities are measured at fair value based on quoted prices associated with transactions that are not distressed, prices in inactive markets, or based on models using interest rate curves and forward and spot prices for currencies and commodities. If significant inputs are unobservable, the Company uses mainly the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.

(ii) Financial Instruments Measured at Amortized Cost

The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of March 31, 2021 and 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

	March 31, 2021		March 31, 2020	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Assets				
Investments in securities and other financial assets				
Lease receivables	90,044	91,483	83,553	84,834
Debt securities	55,714	55,716	73,048	73,051
Long-term loans receivable	21,103	22,409	26,642	28,576
Liabilities				
Long-term debt [1]				
Bonds	365,959	367,537	385,293	386,082
Long-term borrowings	1,295,609	1,296,373	637,648	640,929

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

(iii) Financial Instruments Measured at Fair Value

Financial instruments measured at fair value on a recurring basis after the initial recognition are classified into three levels of the fair value hierarchy based on the measurement inputs' observability as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets
Level 2: Valuations measured by direct or indirect observable inputs other than Level 1
Level 3: Valuations measured by significant unobservable inputs

When several inputs are used for a fair value measurement, the level is determined based on the input that is significant with the lowest level in the fair value measurement as a whole.

Transfers between levels are deemed at the beginning of each quarter period.

The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2021 and 2020.

March 31, 2021 — 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	131	-	9,865	9,996
Debt securities	12,749	4,548	6,054	23,351
Derivatives	-	34,981	87	35,068
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	235,278	977	110,853	347,108
Total financial assets at fair value	248,158	40,506	126,859	415,523
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	26,739	-	26,739
Total financial liabilities at fair value	-	26,739	-	26,739

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

The following tables present the changes in Level 3 instruments measured on a recurring basis for the years ended March 31, 2021 and 2020.

2021 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of year	112,885	8,617	6,147	127,649
Gain (loss) in profit or loss [1]	541	(415)	1	127
Gain in OCI [2]	2,534	-	-	2,534
Purchases	7,689	450	-	8,139
Sales and redemption	(1,985)	(2,055)	(6,061)	(10,101)
Acquisitions and divestitures	(1,115)	(61)	-	(1,176)
Other	169	(482)	-	(313)
Balance at end of year	120,718	6,054	87	126,859
Unrealized gain (loss) relating to financial assets held at end of year [3]	493	(415)	1	79

2020 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of year	105,077	9,344	7,059	121,480
Loss in profit or loss [1]	(124)	(54)	(912)	(1,090)
Gain in OCI [2]	1,871	-	-	1,871
Purchases	3,839	455	-	4,294
Sales and redemption	(2,393)	(1,032)	-	(3,425)
Acquisitions and divestitures	(505)	(46)	-	(551)
Other	5,120	(50)	-	5,070
Balance at end of year	112,885	8,617	6,147	127,649
Unrealized loss relating to financial assets held at end of year [3]	(124)	(31)	(912)	(1,067)

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

[2] Gain in OCI related to FVTOCI financial assets is included in Net changes in financial assets measured at fair value through OCI in the consolidated statement of comprehensive income.

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

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.

(ⅳ) Other

The Company and its subsidiaries recognize put options on shares of subsidiaries held by non-controlling interests as financial liabilities at the present value of the exercise price. The Company derecognizes the non-controlling interests and recognizes the difference between the present value and non-controlling interests in 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 237,805 million yen as of March 31, 2021 included in Other non-current liabilities in the consolidated statement of financial position.

Equity instruments held with the objective of maintaining and strengthening business relations with the issuers are classified as FVTOCI financial assets. The following is a list of principal equity instruments designated as FVTOCI and their fair values.

March 31, 2021 Millions of yen

Principal FVTOCI financial assets	Fair value
Renesas Electronics Corporation	74,389
Western Digital Corporation	46,187
Honda Motor Co., Ltd.	24,914
JECC Corporation	21,591
Central Japan Railway Company	14,895
Shin-Etsu Chemical Co., Ltd.	12,285
Nippon Steel Kowa Real Estate Co., Ltd.	8,794
East Japan Railway Company	6,368
Dalian Hi-Think Computer Technology Corporation	5,543
Nippon Tochi-Tatemono Co., Ltd.	5,484

March 31, 2020 Millions of yen

Principal FVTOCI financial assets	Fair value
Western Digital Corporation	28,309
Renesas Electronics Corporation	24,114
JECC Corporation	21,591
Central Japan Railway Company	15,588
Nippon Steel Kowa Real Estate Co., Ltd.	9,012
Shin-Etsu Chemical Co., Ltd.	7,083
East Japan Railway Company	6,642
Nippon Tochi-Tatemono Co., Ltd.	4,899
Honda Motor Co., Ltd.	4,860
Dalian Hi-Think Computer Technology Corporation	4,644

See note 22 for dividends received from investment securities classified as FVTOCI financial assets.

Accumulated gains and losses on valuation of FVTOCI financial assets are reclassified into retained earnings when derecognized during the fiscal year. The net gains reclassified, net of taxes, for the years ended March 31, 2021 and 2020 were 4,299 million yen and 13,129 million yen, respectively. These financial assets were derecognized upon disposal of shares after reviewing particular business relations, or acquisitions and divestitures.

The information on FVTOCI financial assets that were derecognized for the years ended March 31, 2021 and 2020 is as follows:

Millions of yen

	2021	2020
Fair value at the time of derecognition	13,550	24,302
Accumulated gains at the time of derecognition	4,464	16,221

(d) Derivatives and Hedging Activities

(i) Fair Value Hedge

Changes in the fair value of recognized assets and liabilities, and of derivatives designated as a fair value hedge of these assets and liabilities are recognized in profit or loss for the period in which the changes occur. Derivatives designated as a fair value hedge include forward exchange contracts associated with operating transactions, cross currency swaps agreements and interest rate swaps associated with financing transactions.

(ii) Cash Flow Hedge

Foreign Currency Risk

A portion determined as an effective hedge with respect to changes in the fair value of forward exchange contracts designated as an effective cash flow hedge of forecasted foreign-currency-denominated transactions are recognized in OCI. AOCI is subsequently reclassified into profit or loss when the hedged items affect profit or loss for the period. If a non-financial asset or a non-financial liability is recognized due to a hedged forecast transaction, the changes in the fair value of the derivative recognized in OCI are included directly in the acquisition cost or other carrying amount of the asset or liability at which point the asset or liability is recognized.

Interest Rate Risk

A portion determined as an effective hedge with respect to changes in the fair value of interest rate swaps designated as a hedge of the variability of cash flows associated with long-term debt are recognized in OCI. AOCI is subsequently reclassified to interest charges over the period in which the interest on the debt affects profit or loss.

When applying hedge accounting, the Company assesses hedge effectiveness through a qualitative assessment of whether the critical terms of the hedged item and the hedging instrument match or are closely aligned and whether changes in the fair value or cash flows of the hedging instrument offset changes in the fair value or cash flows of the hedged item in order to confirm that an economic relationship exists between the hedged item and the hedging instrument. The Company also sets appropriate hedge ratios based on the economic relationship between the hedged item and the hedging instrument and the Company's risk management policies. For the years ended March 31, 2021 and 2020, hedge ineffectiveness recognized in profit or loss were not material.

The notional amounts and carrying amounts of hedging instruments as of March 31, 2021 and 2020 are as follows. The carrying amount of hedging instruments is included in Investments in securities and other financial assets and Other financial liabilities or Other non-current liabilities in the consolidated statement of financial position.

March 31, 2021 — Millions of yen

Hedging instruments	Notional amount		Carrying amount	
		More than 1 year	Assets	Liabilities
Fair value hedge				
Foreign currency risk	299,371	93,418	8,625	6,926
Interest rate risk	47,854	41,201	276	1,063
Cash flow hedge				
Foreign currency risk	313,298	106,964	3,632	4,691
Interest rate risk	249,488	163,923	3,775	393
Total	910,011	405,506	16,308	13,073

March 31, 2020 — Millions of yen

Hedging instruments	Notional amount		Carrying amount	
		More than 1 year	Assets	Liabilities
Fair value hedge				
Foreign currency risk	533,740	75,431	11,941	5,715
Interest rate risk	57,300	47,657	390	1,712
Cash flow hedge				
Foreign currency risk	887,165	24,023	28,561	8,477
Interest rate risk	175,663	116,325	-	1,134
Total	1,653,868	263,436	40,892	17,038

The carrying amounts of hedged items related to fair value hedges as of March 31, 2021 and 2020 are as follows.

March 31, 2021 Millions of yen

Hedged items related to fair value hedges	Recognized in statement of financial position	Carrying amount	
		Assets	Liabilities
Foreign currency risk	Trade receivables and contract assets, Investments in securities and other financial assets, Short-term debt and Long-term debt	167,779	131,592
Interest rate risk	Investments in securities and other financial assets	31,801	16,053
Total		199,580	147,645

March 31, 2020 Millions of yen

Hedged items related to fair value hedges	Recognized in statement of financial position	Carrying amount	
		Assets	Liabilities
Foreign currency risk	Trade receivables and contract assets, Investments in securities and other financial assets, Short-term debt and Long-term debt	375,960	157,780
Interest rate risk	Investments in securities and other financial assets	41,520	15,780
Total		417,480	173,560

For the years ended March 31, 2021 and 2020, changes in the fair value of hedging instruments and hedged items related to fair value hedges and the accumulated amount of fair value hedge adjustments on hedged items included in the carrying amount of the hedged items were not material.

For the years ended March 31, 2021 and 2020, changes in the fair value of hedging instruments related to cash flow hedges recorded in Accumulated other comprehensive income are as follows.

Millions of yen

	April 1, 2020	Changes in fair value of hedging instruments recognized in other comprehensive income	Amount directly included in carrying amount of hedged assets or liabilities	Amount reclassified to profit or loss [1]	March 31, 2021
Price risk	(572)	-	-	572	-
Foreign currency risk	12,078	208	(15,957)	1,462	(2,209)
Interest rate risk	(1,144)	4,427	-	53	3,336
Total	10,362	4,635	(15,957)	2,087	1,127

Millions of yen

	April 1, 2019	Changes in fair value of hedging instruments recognized in other comprehensive income	Amount directly included in carrying amount of hedged assets or liabilities	Amount reclassified to profit or loss [1]	March 31, 2020
Price risk	(36)	(698)	162	-	(572)
Foreign currency risk	(4,204)	15,303	(2,902)	3,881	12,078
Interest rate risk	(1,583)	416	-	23	(1,144)
Total	(5,823)	15,021	(2,740)	3,904	10,362

[1] In the consolidated statement of profit or loss, the amount reclassified to profit or loss is included mainly in Revenues and Financial expenses for hedges of foreign currency risk and mainly in Interest charges for hedges of interest rate risk.

(e) Securitization of Financial Assets

For the purpose of providing diversified and stable financing, the Company and certain subsidiaries securitize certain financial assets, and transfer trade and lease receivables through certain third-party financial institutions or structured entities formed by these financial institutions. The Company does not consolidate such structured entities used for securitization purposes since it has been determined that they are not controlled by the Company.

These unconsolidated structured entities used for securitization purposes are operated in the ordinary course of business of the financial institutions, and they procure funds by issuing commercial paper and other borrowings. Basically, investors in these structured entities only have recourse to the assets owned by the entity itself, but not to any other assets held by the Company or its subsidiaries. The amount of assets transferred by the Company and certain subsidiaries is considerably small compared to the total assets of the structured entities sponsored by the financial institutions that purchase a large amount of assets from entities other than the Company and certain subsidiaries. The Company and certain subsidiaries have only limited exposure to the risks borne by these structured entities. The majority of the involvement with these structured entities used for securitization purposes by the Company and certain subsidiaries concerns the servicing of assets. The Company and certain subsidiaries do not provide any non-contractual support to the structured entities and have not made any implicit support arrangements with them.

For the securitizations of financial assets by the Company and certain subsidiaries, which resulted in derecognizing the financial assets in their entirety, the Company and certain subsidiaries retain no significant continuing involvement. For other securitizations of financial assets, the Company and certain subsidiaries do not derecognize the financial assets in their entirety when they retain substantially all credit risks and economic value related to the transferred financial assets through holding subordinated interests, and the carrying amounts of these financial assets are not material.

(27) Pledged Assets

As a general contractual term for long-term and short-term debt, banks may demand collateral and guarantees for present and future obligations, and retain rights to offset the liabilities with bank deposits when repayment is overdue or any breach of contract occurs.

Per trustee agreements of secured bonds and particular secured or unsecured loan agreements, trustees or lenders generally have the right to pre-approve profit distributions including dividend payments and new stock issues, as well as the right to demand additional collateral or mortgage.

The Company and its subsidiaries pledged a portion of their assets as collateral primarily for bank loans as follows:

Millions of yen

	March 31, 2021	March 31, 2020
Trade receivables and contract assets	4,990	9,958
Inventories	9,103	16,671
Investments in securities and other financial assets	333	340
Land	1,777	-
Buildings and structures	50	1,111
Machinery and other property, plant and equipment	59,272	50,125
Total	75,525	78,205

Notes to Consolidated Financial Statements

(28) Principal Subsidiaries

The Company's consolidated financial statements include the following subsidiaries listed below.

Reporting segment	Name of subsidiary	Business location	Ownership percentage of voting rights (%)
IT	Hitachi Information & Telecommunication Engineering, Ltd.	Yokohama, Kanagawa	100.0
IT	Hitachi-Omron Terminal Solutions, Corp.	Shinagawa-ku, Tokyo	100.0
IT	Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo	100.0
IT	Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo	100.0
IT	Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	100.0
IT	Hitachi Global Digital Holdings Corporation	California, U.S.A.	100.0
IT	Hitachi Payment Services Private Limited	Chennai, India	100.0
IT	Hitachi Vantara LLC	California, U.S.A.	100.0
Energy	Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	80.0
Energy	Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	100.0
Energy	Hitachi Power Semiconductor Device, Ltd.	Hitachi, Ibaraki	100.0
Energy	Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	100.0
Energy	Hitachi ABB Power Grids Ltd	Zurich, Switzerland	80.1
Industry	Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Industry	Hitachi Industrial Products, Ltd.	Chiyoda-ku, Tokyo	100.0
Industry	Hitachi Industry & Control Solutions, Ltd.	Hitachi, Ibaraki	100.0
Industry	Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	100.0
Industry	Hitachi Industrial Holdings Americas, Inc.	Illinois, U.S.A.	100.0
Industry	JR Technology Group, LLC	Michigan, U.S.A.	100.0
Industry	Sullair, LLC	Indiana, U.S.A.	100.0
Mobility	Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Mobility	Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	70.0
Mobility	Hitachi Rail Ltd.	London, U.K.	100.0

Reporting segment	Name of subsidiary	Business location	Ownership percentage of voting rights (%)
Smart Life	Hitachi Astemo, Ltd.	Hitachinaka, Ibaraki	66.6
Smart Life	Hitachi Global Life Solutions, Inc.	Minato-ku, Tokyo	100.0
Smart Life	Hitachi High-Tech Corporation	Minato-ku, Tokyo	100.0
Smart Life	Hitachi Astemo Americas, Inc.	Kentucky, U.S.A.	100.0
Smart Life	Hitachi Consumer Products (Thailand), Ltd.	Prachinburi, Thailand	84.1
Hitachi Construction Machinery	Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo	51.5
Hitachi Metals	Hitachi Metals, Ltd.	Minato-ku, Tokyo	53.4
Others	Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo	51.0
Others	Hitachi Real Estate Partners, Ltd.	Chiyoda-ku, Tokyo	100.0
Others	Hitachi America, Ltd.	California, U.S.A.	100.0
Others	Hitachi Asia Ltd.	Singapore	100.0
Others	Hitachi (China), Ltd.	Beijing, China	100.0
Others	Hitachi Europe Ltd.	Maidenhead, U.K.	100.0
Others	Hitachi India Pvt. Ltd.	New Delhi, India	100.0
-	Other 834 companies	-	-

(29) Related Party Transactions

(a) Related Party Transactions

The Company's and its subsidiaries' receivable and payable balances with associates and joint ventures are as follows:

Millions of yen

With associates	March 31, 2021	March 31, 2020
Trade receivables and contract assets	82,866	104,011
Trade payables	60,305	74,578
Lease obligations [1]	33,431	34,827

Millions of yen

With joint ventures	March 31, 2021	March 31, 2020
Trade receivables and contract assets	26,089	42,435
Long-term loans receivable [2]	14,765	21,920
Trade payables	7,905	10,757

[1] Included in Current portion of long-term debt and Long-term debt in the consolidated statement of financial position.
[2] Included in Investments in securities and other financial assets in the consolidated statement of financial position.

Revenue and purchase transactions of the Company and its subsidiaries with associates and joint ventures are as follows:

Millions of yen

With associates	2021	2020
Revenues	346,630	452,098
Purchases	276,551	308,101

Millions of yen

With joint ventures	2021	2020
Revenues	49,911	90,287
Purchases	9,482	20,259

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

Millions of yen

	2021	2020
Basic remuneration, year-end allowance and performance-linked compensation	3,481	3,651
Medium and long-term incentive compensation (Stock options as stock-based compensation, etc.)	871	676
Total	4,353	4,327

(30) Commitments and Contingencies

(a) Loan Commitments

(i) Loan Commitments to Associates and Others

The Company provides loan commitments to associates and others. The outstanding balance of loan commitments as of March 31, 2021 is as follows:

Millions of yen

	March 31, 2021
Total commitments available	130
Less amount utilized	-
Balance available	130

Since some loan commitments require credit approval before execution, the amount of total commitments available may not be necessarily utilized in full.

(ii) Commitments with Financial Institutions

The Company and certain subsidiaries have line of credit arrangements with banks in order to secure efficient financing for business operations. The total unused line of credit as of March 31, 2021 amounted to 600,165 million yen, primarily belonging to the Company. The Company has commitment line agreements with a number of banks and pays commitment fees as consideration. These commitment agreements generally provide a one year term with renewal at the end of the term. The unused line of credit under these arrangements as of March 31, 2021 amounted to 300,000 million yen. The Company also maintains other commitment line agreements with several financial institutions, with terms of three years ending in July 2022. The unused line of credit under these arrangements as of March 31, 2021 amounted to 200,000 million yen.

(b) Commitments for Acquisition of Assets

As of March 31, 2021, outstanding commitments made to purchase property, plant and equipment were 51,742 million yen.

(c) Guarantee Obligations

The Company and certain subsidiaries provide debt guarantees to their associates, joint ventures and third parties. As of March 31, 2021, the balance of the guarantee obligations was 69,005 million yen. It consisted of guarantees to associates of 54,529 million yen, to joint ventures of 2,205 million yen and to third parties of 12,271 million yen.

(d) Litigation

In November 2017, a subsidiary in Japan received a complaint that was filed against three companies, namely a construction company of a condominium complex, the subsidiary and a secondary subcontractor, by a contractee in Japan seeking approximately 45.9 billion yen in compensation for expenses allegedly incurred arising from concerns over partial deficiencies of piling work during the construction phases of the condominium complex, which the subsidiary contracted as the primary subcontractor. In July 2018, the compensation claim against these three companies was amended to approximately 51.0 billion yen by the contractee.
In relation to the aforementioned lawsuit, in April 2018, the subsidiary in Japan received a complaint that was filed against the subsidiary and the secondary subcontractor, by the construction company of the condominium complex seeking approximately 49.6 billion yen in compensation for expenses allegedly incurred arising from the aforementioned lawsuit. In July 2018, the compensation claim against these two companies was amended to approximately 54.8 billion yen by the construction company of the condominium complex. Although the subsidiary in Japan will address these claims and explain its position, there can be no assurance that it will not be held liable for any amounts claimed.

In December 2017, a subsidiary in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of 263 million euro (34,143 million yen) and interest allegedly incurred by performance defects of a power plant. As of March 31, 2021, the amount of compensation claimed by the customer was changed to 270 million euro (35,050 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 consolidated financial statements of the Company and subsidiaries.

(31) Approval of Consolidated Financial Statements

The consolidated financial statements were approved on June 23, 2021 by Keiji Kojima, President and COO of the Company.

Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Hitachi, Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of March 31, 2021, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of intangible assets recognized in the acquisition of the power grid business

Description of Key Audit Matter

The Company invested 80.1% in Hitachi ABB Power Grids Ltd, which was spun off from ABB Ltd, and the acquisition was completed on July 1, 2020.

The Company recognized related intangible assets in the amount of 414,544 million yen (customer relationships of 233,989 million yen, technology of 95,987 million yen, order backlog of 53,542 million yen, and brand license agreement of 31,026 million yen) as a result of the measurement of the identifiable assets acquired and liabilities assumed (See Note (5) Business Acquisitions and Divestitures, (g) Acquisition of ABB's power grids business).

The measurement of intangible assets is determined using discounted future cash flows expected to be generated by the assets and is affected by estimates of future cash flows and the discount rates. Future cash flows are estimated using significant assumptions including revenue growth rates, gross profit ratios, attrition rates of existing customers, and royalty rates, which require management judgements.

We determined that the measurement of intangible assets is a key audit matter because of the significance of the balance of intangible assets and the significant impact on the consolidated financial statements from the management judgements related to the significant assumptions.

Auditor's Response
We primarily performed the following procedures regarding the measurement of intangible assets.

- We obtained an understanding of the details and objectives of the transaction by examining related materials such as the acquisition agreement and making inquiries of management.
- We involved valuation specialists from a network firm in assessing the valuation methods of intangible assets, significant assumptions used in the estimation of future cash flows, and the discount rates.
- We performed following procedures related to significant assumptions used in the estimation of future cash flows.
  - We made inquiries of management about revenue growth rates and gross profit ratios, comparing with operating results and available external data such as market growth rates.
  - We made inquiries of management about the attrition rates of existing customers, analyzing customer sales trends over the past five years.
  - We made inquiries of management about royalty rates, analyzing rate levels.
- We also made inquiries of management about the risks reflected in the discount rates, evaluating the consistency with the risks reflected in future cash flows.

Measurement of recoverable amount of group of cash-generating units containing goodwill related to the power grid business

Description of Key Audit Matter
The Company recognized goodwill in the amount of 480,006 million yen related to the power grid business (See Note (10) Goodwill and Other Intangible Assets). The goodwill represents 41% of goodwill and 4% of total assets of the Group.
The Company measured the recoverable amount based on value in use in the impairment test of the group of cash-generating units containing the goodwill. The measurement of value in use is determined using discounted future cash flows and is affected by estimates of future cash flows and the discount rate. Future cash flows are based on the business plan and are estimated using significant assumptions including revenue growth rates and gross profit ratios which require management judgements.
We determined that the measurement of the recoverable amount is a key audit matter because of the significance of the balance of goodwill and the significant impact on the consolidated financial statements from the management judgements related to the significant assumptions.

Auditor's Response
We primarily performed the following procedures regarding the measurement of the recoverable amount of the group of cash-generating units containing the goodwill.

- We obtained an understanding of the business plan by examining related business planning materials.
- We assessed the effectiveness of the business planning process by comparing the business plan at the time of acquisition of the power grid business with the post-acquisition operating results and the business plan at the time of the impairment test.
- We involved valuation specialists from a network firm in assessing the valuation method of value in use, significant assumptions used in the estimation of future cash flows, and the discount rate.
- We made inquiries of management about revenue growth rates and gross profit ratios, comparing with actual operating results and available external data such as market growth rates.
- We made inquiries of management about the risks reflected in the discount rate, evaluating the consistency with the risks reflected in future cash flows.
- We performed sensitivity analyses assuming reasonably possible changes in significant assumptions, assessing the effect on the recoverable amount.

Estimation of total cost of long-term projects

Description of Key Audit Matter

The Group has long-term projects involving the manufacture and provision of goods in accordance with customer specifications that are completed over specified periods of time to customers in a broad range of business areas across the world.

The Group recognizes revenues from long-term projects by measuring the progress of the project mostly based on the cost incurred relative to the estimated total cost to satisfy the performance obligations (See Note (20) Revenues, (a) Disaggregation of revenue, (b) Information about satisfaction of performance obligations). Furthermore, the Group recognizes provisions for expected losses on construction contracts based on the estimated amount of losses associated with fulfilling the project requirements (See Note (14) Provisions).

Estimations of total cost of long-term projects affect the corresponding amounts of revenues and provisions. Each of the Group's long-term projects is distinct in terms of customer requirements, such as detailed specifications and scheduling, and therefore estimations of total cost depend on management judgements. Estimations of total cost are particularly complex in relation to large-scale projects.

We determined that the estimation of total cost of long-term projects is a key audit matter because auditing estimations of total costs of long-term projects requires consideration of various factors affecting such estimations corresponding to each project as a result of the nature of the Group's long-term projects.

Auditor's Response

We obtained an understanding of the project management systems utilized by the Group as well as its processes for estimating total costs, and tested the relevant internal controls, including the approval of initial and revised operating budgets that serve as the basis of estimating total cost.

We selected samples of long-term projects, such as those projects whose total contract value exceeded certain materiality thresholds and projects involving qualitative risks, including delays in the progress of the project, and, on a quarterly basis, performed selected procedures from the following considering the status of each project:

- We identified the significant factors influencing the estimates, including those related to customer specifications on goods and the timing of delivery, by examining contracts and project management materials and making inquiries of management, and assessed the effects of estimation uncertainty inherent in those significant factors influencing the estimates. In addition, we compared specific line items in the estimated total cost with corresponding quotations from suppliers.
- We assessed necessity of revising estimates of total cost considering the status of each project based on inquiries of management and by examining project management materials.
- We assessed the effectiveness of the processes for estimating total costs by comparing initial and previous period estimates with actual total costs for completed projects and previous period estimates with the latest estimates for projects in progress.
- We additionally made separate inquiries to project managers for projects that were considered particularly significant to corroborate management explanations of their status.

Responsibilities of Management and Audit Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

Audit Committee is responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 23, 2021

/s/ Takashi Ouchida

Takashi Ouchida
Designated Engagement Partner
Certified Public Accountant

/s/ Koji Fujima

Koji Fujima
Designated Engagement Partner
Certified Public Accountant

/s/ Takuya Tanaka

Takuya Tanaka
Designated Engagement Partner
Certified Public Accountant

/s/ Shinya Yoshida

Shinya Yoshida
Designated Engagement Partner
Certified Public Accountant

(Translation)

Following is an English translation of the Internal Control Report filed under the Financial Instruments and Exchange Act of Japan. We have made the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

[Cover]

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	June 23, 2021
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Name and title of Representative]	Keiji Kojima, President & COO
[Name and title of CFO]	Yoshihiko Kawamura, Senior Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Basic Framework of Internal Control over Financial Reporting

Mr. Keiji Kojima, President & COO, and Mr. Yoshihiko Kawamura, Senior Vice President and Executive Officer, are responsible for establishing and maintaining internal control over financial reporting of Hitachi, Ltd. (the "Company") and have established and maintained internal control over financial reporting in accordance with the basic framework for internal control set forth in the "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control over financial reporting is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements.

2. Matters Related to Scope of Assessment, Record Date, and Assessment Procedure

We assessed the effectiveness of our internal control over financial reporting on the record date as of March 31, 2021. We made this assessment in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In making this assessment, we evaluated internal control which may have a material effect on the entire financial reporting on a consolidated basis ("company-level controls") and based on the result of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of our internal controls.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries, equity-method associates and joint ventures, from the perspective of the materiality that may affect the reliability of our financial reporting. The materiality that may affect the reliability of our financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company, its consolidated subsidiaries, equity-method associates and joint ventures. We did not include a part of consolidated subsidiaries, equity-method associates and joint ventures which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated business units in descending order of total revenues (after elimination of intercompany transactions) for the previous fiscal year, and those business units whose combined amount of revenues reaches approximately 80% of total revenues on a consolidated basis were selected as "significant business units." In addition, some of our equity-method associates and joint ventures which have a significant effect to our consolidated financial statements were selected as "significant business units." At the selected significant business units, we included, in the scope of assessment, those business processes leading to revenues, accounts receivables and inventories and those business processes relating to greater likelihood of material misstatements and significant account involving estimates or forecasts as significant accounts that may have a material impact on our business objectives. Further, not only at selected significant business units, but also at other business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting, those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Related to Results of Assessment

As a result of the assessment above, we concluded that our internal control over financial reporting was effective as of March 31, 2021.

4. Supplementary Matters

None.

5. Special Notes

None.

TRANSLATION

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting under the Financial Instruments and Exchange Act and an audit of internal control over financial reporting under the attestation standards established by the American Institute of Certified Public Accountants.
In an audit of internal control over financial reporting under the Financial Instruments and Exchange Act, the auditors express an opinion on management's report on internal control over financial reporting, and do not express an opinion on the Company's internal control over financial reporting taken as a whole.

Independent Auditors' Report
(filed under the Financial Instruments and Exchange Act of Japan)

June 23, 2021

Mr. Keiji Kojima, President
Hitachi, Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office, Japan

Designated Engagement Partner, Certified Public Accountant:	Takashi Ouchida
Designated Engagement Partner, Certified Public Accountant:	Koji Fujima
Designated Engagement Partner, Certified Public Accountant:	Takuya Tanaka
Designated Engagement Partner, Certified Public Accountant:	Shinya Yoshida

[Audit of Financial Statements]

Opinion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Hitachi, Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of March 31, 2021, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) prescribed in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of intangible assets recognized in the acquisition of the power grid business

Description of Key Audit Matter
The Company invested 80.1% in Hitachi ABB Power Grids Ltd, which was spun off from ABB Ltd, and the acquisition was completed on July 1, 2020.
The Company recognized related intangible assets in the amount of 414,544 million yen (customer relationships of 233,989 million yen, technology of 95,987 million yen, order backlog of 53,542 million yen, and brand license agreement of 31,026 million yen) as a result of the measurement of the identifiable assets acquired and liabilities assumed (See Note (5) Business Acquisitions and Divestitures, (g) Acquisition of ABB's power grids business).
The measurement of intangible assets is determined using discounted future cash flows expected to be generated by the assets and is affected by estimates of future cash flows and the discount rates. Future cash flows are estimated using significant assumptions including revenue growth rates, gross profit ratios, attrition rates of existing customers, and royalty rates, which require management judgements.
We determined that the measurement of intangible assets is a key audit matter because of the significance of the balance of intangible assets and the significant impact on the consolidated financial statements from the management judgements related to the significant assumptions.

Auditor's Response
We primarily performed the following procedures regarding the measurement of intangible assets.

- We obtained an understanding of the details and objectives of the transaction by examining related materials such as the acquisition agreement and making inquiries of management.
- We involved valuation specialists from a network firm in assessing the valuation methods of intangible assets, significant assumptions used in the estimation of future cash flows, and the discount rates.
- We performed following procedures related to significant assumptions used in the estimation of future cash flows.
  - We made inquiries of management about revenue growth rates and gross profit ratios, comparing with operating results and available external data such as market growth rates.
  - We made inquiries of management about the attrition rates of existing customers, analyzing customer sales trends over the past five years.
  - We made inquiries of management about royalty rates, analyzing rate levels.
- We also made inquiries of management about the risks reflected in the discount rates, evaluating the consistency with the risks reflected in future cash flows.

Measurement of recoverable amount of group of cash-generating units containing goodwill related to the power grid business

Description of Key Audit Matter

The Company recognized goodwill in the amount of 480,006 million yen related to the power grid business (See Note (10) Goodwill and Other Intangible Assets). The goodwill represents 41% of goodwill and 4% of total assets of the Group.

The Company measured the recoverable amount based on value in use in the impairment test of the group of cash-generating units containing the goodwill. The measurement of value in use is determined using discounted future cash flows and is affected by estimates of future cash flows and the discount rate. Future cash flows are based on the business plan and are estimated using significant assumptions including revenue growth rates and gross profit ratios which require management judgements.

We determined that the measurement of the recoverable amount is a key audit matter because of the significance of the balance of goodwill and the significant impact on the consolidated financial statements from the management judgements related to the significant assumptions.

Auditor's Response

We primarily performed the following procedures regarding the measurement of the recoverable amount of the group of cash-generating units containing the goodwill.

- We obtained an understanding of the business plan by examining related business planning materials.
- We assessed the effectiveness of the business planning process by comparing the business plan at the time of acquisition of the power grid business with the post-acquisition operating results and the business plan at the time of the impairment test.
- We involved valuation specialists from a network firm in assessing the valuation method of value in use, significant assumptions used in the estimation of future cash flows, and the discount rate.
- We made inquiries of management about revenue growth rates and gross profit ratios, comparing with actual operating results and available external data such as market growth rates.
- We made inquiries of management about the risks reflected in the discount rate, evaluating the consistency with the risks reflected in future cash flows.
- We performed sensitivity analyses assuming reasonably possible changes in significant assumptions, assessing the effect on the recoverable amount.

Estimation of total cost of long-term projects

Description of Key Audit Matter

The Group has long-term projects involving the manufacture and provision of goods in accordance with customer specifications that are completed over specified periods of time to customers in a broad range of business areas across the world.

The Group recognizes revenues from long-term projects by measuring the progress of the project mostly based on the cost incurred relative to the estimated total cost to satisfy the performance obligations (See Note (20) Revenues, (a) Disaggregation of revenue, (b) Information about satisfaction of performance obligations). Furthermore, the Group recognizes provisions for expected losses on construction contracts based on the estimated amount of losses associated with fulfilling the project requirements (See Note (14) Provisions).

Estimations of total cost of long-term projects affect the corresponding amounts of revenues and provisions. Each of the Group's long-term projects is distinct in terms of customer requirements, such as detailed specifications and scheduling, and therefore estimations of total cost depend on management judgements. Estimations of total cost are particularly complex in relation to large-scale projects.

We determined that the estimation of total cost of long-term projects is a key audit matter because auditing estimations of total costs of long-term projects requires consideration of various factors affecting such estimations corresponding to each project as a result of the nature of the Group's long-term projects.

Auditor's Response

We obtained an understanding of the project management systems utilized by the Group as well as its processes for estimating total costs, and tested the relevant internal controls, including the approval of initial and revised operating budgets that serve as the basis of estimating total cost.

We selected samples of long-term projects, such as those projects whose total contract value exceeded certain materiality thresholds and projects involving qualitative risks, including delays in the progress of the project, and, on a quarterly basis, performed selected procedures from the following considering the status of each project:

- We identified the significant factors influencing the estimates, including those related to customer specifications on goods and the timing of delivery, by examining contracts and project management materials and making inquiries of management, and assessed the effects of estimation uncertainty inherent in those significant factors influencing the estimates. In addition, we compared specific line items in the estimated total cost with corresponding quotations from suppliers.
- We assessed necessity of revising estimates of total cost considering the status of each project based on inquiries of management and by examining project management materials.
- We assessed the effectiveness of the processes for estimating total costs by comparing initial and previous period estimates with actual total costs for completed projects and previous period estimates with the latest estimates for projects in progress.
- We additionally made separate inquiries to project managers for projects that were considered particularly significant to corroborate management explanations of their status.

Responsibilities of Management and Audit Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

Audit Committee is responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

[Audit of Internal Control]

Opinion

Pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the internal control report of Hitachi Ltd. and its subsidiaries (the Group) as of March 31, 2021.

In our opinion, the internal control report, which states that the internal control over financial reporting was effective as of March 31, 2021, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit Committee for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Audit Committee is responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence regarding the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence regarding the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence that are relevant to our audit of the internal control report in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(The above represents a translation, for convenience only, of the original report issued in the Japanese language.)

(Translation)

Following is an English translation of the Confirmation Letter filed under the Financial Instruments and Exchange Act of Japan.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	June 23, 2021
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Name and title of Representative]	Keiji Kojima, President & COO
[Name and title of CFO]	Yoshihiko Kawamura, Senior Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report
   Mr. Keiji Kojima, President & COO, and Mr. Yoshihiko Kawamura, Senior Vice President and Executive Officer, confirmed that statements contained in the Annual Securities Report for the 152nd fiscal year (from April 1, 2020 to March 31, 2021) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes
   None.