(15) Unconsolidated Statement of Changes in Net Assets (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Stockholders' equity								
		Capital surplus			Retained earnings				
					Others				
	Common stock	Capital reserve	Others	Total capital surplus	Reserve for advanced depreciation of fixed assets	Retained earnings carried forward	Total retained earnings	Treasury stock	Total stockholders' equity
Balance at beginning of year	461,731	179,697	272,775	452,473	1,026	1,642,808	1,643,835	(3,002)	2,555,037
Change during year									
Issuance of new shares	1,086	1,086		1,086					2,172
Reversal of reserve for advanced depreciation of fixed assets					(98)	98	-		-
Distribution of surplus						(129,148)	(129,148)		(129,148)
Net income						987,946	987,946		987,946
Acquisition of treasury stock								(200,212)	(200,212)
Disposition of treasury stock			(8)	(8)				258	249
Cancellation of treasury stock			(199,417)	(199,417)				199,417	-
(Net) Change in items other than stockholders' equity during year									
Total change during year	1,086	1,086	(199,426)	(198,339)	(98)	858,896	858,797	(537)	661,007
Balance at end of year	462,817	180,783	73,349	254,133	927	2,501,705	2,502,632	(3,539)	3,216,044

	Valuation and translation adjustments				
	Unrealized holding gains on securities	Deferred profit or loss on hedges	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at beginning of year	76,502	10,725	87,227	1,468	2,643,733
Change during year					
Issuance of new shares					2,172
Reversal of reserve for advanced depreciation of fixed assets					-
Distribution of surplus					(129,148)
Net income					987,946
Acquisition of treasury stock					(200,212)
Disposition of treasury stock					249
Cancellation of treasury stock					-
(Net) Change in items other than stockholders' equity during year	26,876	5,255	32,132	(235)	31,896
Total change during year	26,876	5,255	32,132	(235)	692,903
Balance at end of year	103,379	15,980	119,359	1,233	3,336,637

(16) Notes to Unconsolidated Financial Statements

(Notes on Important Accounting Policy)

1. Inventories
   Finished goods, semi-finished goods and work in process: Stated at cost. Cost is determined by the specific identification method or the moving average method. (The figures shown in the Balance Sheet have been calculated in accordance with the write-down approach based on decline in profitability.)
   Raw materials: Stated at cost. Cost is determined by the moving average method. (The figures shown in the Balance Sheet have been calculated in accordance with the write-down approach based on decline in profitability.)
2. Securities
   Affiliated companies' common stock and investments in affiliated companies are stated at cost. Cost is determined by the moving average method.
   Other securities except stock and investments without market value are stated at fair value. The difference between acquisition cost and carrying cost of other securities except stock and investments without market value is recognized in "Unrealized holding gains on securities."
   The cost of other securities except stock and investments without market value is computed based on the moving average method.
   Other stock and investments without market value are stated at cost determined by the moving average method.
3. Derivatives
   Derivatives are stated at fair value.
4. Depreciation of tangible fixed assets (excluding lease assets)
   Straight-line method.
5. Amortization of intangible fixed assets (excluding lease assets)
   Selling, leasing, or otherwise marketing software: Amortized based on expected gross revenues ratably.
   Other intangible fixed assets: Straight-line method.
6. Depreciation of lease assets
   Financial leases other than those that are deemed to transfer the ownership of the leased property to the lessee: Depreciation is calculated by the straight-line method with no residual value, using the lease term as useful life.
   Of the financial leases other than those that are deemed to transfer the ownership of the leased property to the lessee, leases commencing on or before March 31, 2008 are accounted for based on accounting methods applied to ordinary lease transactions.
7. Allowances and Provisions
   Allowance for doubtful receivables:
   - Estimated uncollectible amounts are accounted for based on loan loss ratios in the case of general receivables and based on case-by-case examination of collectability in the case of specific receivables including doubtful receivables.

   Provision for product warranties:
   - In order to prepare for expenditures related to after-sales product services, estimated in-warranty service costs are accounted for based on past records.

   Provision for loss on construction contracts:
   - In order to provide for losses relating to construction contracts and made-to-order software, an estimated loss for subsequent fiscal years is accounted for.

   Accrued pension liability:
   - Accrued pension liability is provided for employees' retirement and severance benefits. Such liability is determined based on projected benefit obligation and expected plan assets as of the end of this fiscal year. The projected benefit obligation is determined by attributing the expected retirement and severance benefits to each year by the benefit formula basis.
     Prior service cost is amortized by the straight-line method over the estimated average remaining service years of employees.
     Unrecognized actuarial gain or loss is amortized by the straight-line method mainly over the estimated average remaining service years of employees from the next fiscal year.

   Provision for loss on business of affiliated companies:
   - In order to provide for losses relating to the business of affiliated companies, the amount the Company is expected to bear in excess of the amounts invested in and loaned to for such companies is accounted for.

8. Accounting standard for income and expenses
   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 sells goods and services such as system integration, cloud services, control systems, software, IT products, industry & distribution systems, energy solutions, and railway systems. Long-term projects provide goods and services and control over the goods is transferred to customers over a specified period of time. Thus, revenue is recognized over the specified period of time. Further to other goods and services, revenue is recognized when control over the goods is transferred to customers as performance obligations are satisfied at delivery of the goods.
   In addition, multiple solutions are offered 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 goods or services 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 situation 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 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 based on the costs incurred or the period of services being provided 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.
   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 vary due to a variety of reasons beyond our control. The Company reviews these estimates on an ongoing basis and reflects them in accounting practices.
9. Hedge accounting
   Deferral hedge accounting is employed.
10. Accounting for income taxes and related tax effect accounting
   From fiscal 2022, the Company adopted the group tax sharing system. In addition, in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No.42, August 12, 2021), the Company performs the accounting for income taxes, and accounting and disclosure of related tax effect accounting.

(Notes on Accounting Estimates)

1. Valuation of affiliated companies' common stock and investments in affiliated companies
    (1) Amounts recorded in the financial statements of this fiscal year
    The ending balance of Affiliated companies' common stock and investments in affiliated companies, without market value: 3,851,309 million yen
    (2) Information that contributes to understanding of accounting estimates
    Affiliated companies' common stock without market value is evaluated by considering possibility of recovery based on the performance according to the business plan of those companies if the real value of the stock has declined significantly as compared to the purchase price. A part of affiliated companies' common stock is evaluated based on the real value which includes the excess earning power calculated by enterprise value measurement at the time of the acquisition of the Company concerned. Necessity of impairing the excess earning power is determined by the possibility of achieving the future business plan.
    Business plans are estimated based on revenue growth rate and gross margin ratio, and other factors. In addition, although a certain amount of negative impact caused by soaring material prices and a shortage of semiconductor is included in current business plans, these plans may be affected by risks related to market or economic environment, and actual result may differ from the estimates.
    Significant changes in primary assumptions of the business plan could result in the real value being less than the purchase price.
2. Loss on impairment of Fixed Assets
    (1) Amounts recorded in the financial statements of this fiscal year
    The ending balance of Tangible fixed assets: 192,605 million yen
    The ending balance of Intangible fixed assets (excluding selling, leasing, or otherwise marketing software): 78,036 million yen
    (2) Information that contributes to understanding of accounting estimates
    This note is omitted as the same content is stated in '6. Property, plant and equipment, Goodwill and Other intangible assets' under 'Notes on Important Matters for Basis of Presentation of Consolidated Financial Statements' in the Notes to Consolidated Financial Statements.
3. Provision for loss on business of affiliated companies
    (1) Amounts recorded in the financial statements of this fiscal year
    The ending balance of Provision for loss on business of affiliated companies: 139,422 million yen
    (2) Information that contributes to understanding of accounting estimates
    This note is omitted as the same content is stated in '7. Allowances and Provisions' under 'Notes on Important Accounting Policy' in the Notes to Unconsolidated Financial Statements.
4. Accrued pension liability
    (1) Amounts recorded in the financial statements of this fiscal year
    The ending balance of Accrued pension liability: 75,212 million yen
    (2) Information that contributes to understanding of accounting estimates
    This note is omitted as the same content is stated in '7. Allowances and Provisions' under 'Notes on Important Accounting Policy' in the Notes to Unconsolidated Financial Statements and '2. Employee Retirement Benefits' under 'Notes on Accounting Estimates' in the Notes to Consolidated Financial Statements.
5. Provision for loss on construction contracts
    (1) Amounts recorded in the financial statements of this fiscal year
    The ending balance of Provision for loss on construction contracts: 37,272 million yen
    (2) Information that contributes to understanding of accounting estimates
    This note is omitted as the same content is stated in '7. Allowances and Provisions' under 'Notes on Important Accounting Policy' in the Notes to Unconsolidated Financial Statements and '3. Long-term projects' under 'Notes on Accounting Estimates' in the Notes to Consolidated Financial Statements.
6. Deferred tax assets
    (1) Amounts recorded in the financial statements of this fiscal year
    The ending balance of Deferred tax assets: 58,624 million yen
    (2) Information that contributes to understanding of accounting estimates
    This note is omitted as the same content is stated in '4. Deferred tax assets' under 'Notes on Accounting Estimates' in the Notes to Consolidated Financial Statements.

(Notes to Unconsolidated Balance Sheet)

1. Collateralized assets

(Millions of yen)

Type of asset	Year-end book value	Description
Affiliated companies’ common stock	46	Collaterals for borrowings by affiliated companies
Investments in securities	8	Collaterals for borrowings by investees
Long-term loan receivables	37	Collaterals for borrowings by affiliated companies and investees
Total	91	

2. Accumulated depreciation of tangible fixed assets

Buildings	136,017	million yen
Structures	23,622	million yen
Machinery	82,408	million yen
Vehicles	933	million yen
Tools and equipment	144,138	million yen
Lease assets	7,583	million yen

3. Guarantees

The Company guarantees financial guarantees from financial institutions concerning subsidiaries' order received, subsidiaries' borrowings from financial institutions, etc. as follows.

(Millions of yen)

Guarantee	Year-end balance
Hitachi Energy Ltd	528,104
Hitachi Rail STS S.p.A.	271,048
Hitachi America Capital, Ltd.	93,471
Hitachi International (Holland) B.V.	39,781
Hitachi Rail Ltd.	35,234
Hitachi Energy Switzerland Ltd	6,013
Hitachi Energy Canada Inc.	5,219
Kawasaki Railcar Manufacturing Co., Ltd.	1,600
Others	3,039
Total	983,513

In addition to the foregoing, the Company has entered into an agreement with each of the following overseas affiliated companies on maintaining their finances in a sound condition, etc., mainly to enhance their credit in order to support their financing activities:
Hitachi America Capital, Ltd., Hitachi International (Holland) B.V., Hitachi International Treasury Ltd., Hitachi (China) Finance Co., Ltd. and Hitachi Power Europe GmbH

4.

Short-term receivables from affiliated companies	311,266	million yen
Long-term receivables from affiliated companies	372,441	million yen
Short-term payables to affiliated companies	755,838	million yen
Long-term payables to affiliated companies	6,308	million yen

(Notes to Unconsolidated Statement of Operations)

1. Loss on impairment of assets

(1) Summary of the major assets or asset groups for which impairment loss was recognized

Classification	Description	Category	Location
Assets to be held and used	Software relating to service business for financial institutions	Software	-
Assets to be held and used	Software relating to accounting and tax return	Software	-

(2) Reason to recognize impairment loss

The Company recognized the impairment loss for assets to be held and used since amounts invested in the above assets are expected to be irrecoverable due to decline in their profitability.

(3) Amounts of impairment loss

Buildings	116	million yen
Structures	10	million yen
Machinery	396	million yen
Vehicles	10	million yen
Tools and equipment	147	million yen
Land	133	million yen
Lease assets	8	million yen
Software	10,447	million yen
Others	819	million yen
Total	12,091	million yen

(4) Method of grouping assets

Although the grouping of assets is principally based on business divisions or places of business, some assets and asset groups are grouped as a separate unit that generates cash flows independently of other asset groups.

(5) Calculation of recoverable amounts

For assets to be held and used, calculation is based on the higher of net sales price and value in use, and net sales price is calculated by deducting the estimated cost of disposal from real estate appraisal value.

2.

Revenues from affiliated companies	393,722	million yen
Purchases from affiliated companies	759,478	million yen
Non-operating transactions with affiliated companies	687,298	million yen

(Note to Unconsolidated Statement of Changes in Net Assets)

Matters related to Class and Number of Treasury Stock

(Shares)

Class	Number of shares			
	At beginning of year	Increase during year	Decrease during year	At end of year
Common stock	998,721	30,084,761	30,572,652	510,830

Summary of Reason for Change

The increase during this fiscal year by 30,084,761 shares is due to the repurchase of 29,983,800 shares of its own common stock pursuant to Article 459, Paragraph 1 of the Companies Act of Japan and Article 32 of Hitachi's Articles of Incorporation, which was approved at the Board of Directors meeting held on April 28, 2022, and the acquisition of 69,200 shares without consideration in accordance with the restricted stock compensation plan, and the purchase of 31,761 shares from less-than-one unit shareholders at their request. The decrease during this fiscal year by 30,572,652 shares is due to the cancellation of 30,488,800 shares of its treasury shares pursuant to Article 178 of the Companies Act of Japan, and the disposition of 81,660 shares as a result of the exercise of stock acquisition rights, and the sale of 2,192 shares to less-than-one unit shareholders at their request.

(Note on Revenue Recognition)

Information about the basis to understand revenue is omitted as the same content is stated in ‘8. Accounting standard for income and expenses’ under ‘Notes on Important Accounting Policy’ in the Notes on Unconsolidated Financial Statements and ‘3. Accounting standard for income and expenses’ under ‘Notes on Important Matters for Basis of Presentation of Consolidated Financial Statements’ in the Notes to Consolidated Financial Statements.

Information about disaggregation of revenue and to understand the amount of revenue in the current and the following fiscal years are omitted as the same content is stated in ‘Note on Revenue Recognition’ in the Notes to Consolidated Financial Statements. Of the revenue recognized during the fiscal year ended on March 31, 2023, the amount of revenue recognized based on the pattern of the cost accrual arising from long-term project was 390,496 million yen.

(Note on Accounting for Deferred Taxes)

The major causes of deferred tax assets are accrued pension liability and accrued bonuses to employees.

(Note on Leased Fixed Assets)

In addition to the capitalized fixed assets, as significant equipment, the Company utilizes cogeneration facilities under lease arrangements.

(Note on Transactions with Related Parties)

(Millions of yen)

Attribute	Name of company etc.	% of voting rights held	Relationship with the related parties	Description of transaction	Transaction amount	Classification	Year-end balance
Subsidiary	Hitachi Energy Finance Ltd	Indirect: 100.0%	Loans	Loan (Note 3)	26,736	Long-term loan receivables	320,472
Subsidiary	Hitachi High-Tech Corporation	Direct: 100.0%	Sale of the Company's products, etc.	Deposit received (Note 4)	21,109	Deposit received	112,296
Subsidiary	Hitachi Systems, Ltd.	Direct: 100.0%	Outsourcing of the Company's software development, outsourcing of maintenance of the Company's telecommunications equipment *	Deposit received (Note 4)	9,984	Deposit received	74,676
Subsidiary	Hitachi Global Life Solutions, Inc.	Direct: 100.0%	Manufacturing, sale and maintenance of the Group's products *	Deposit received (Note 4)	(23,945)	Deposit received	71,201
Subsidiary	Hitachi Solutions, Ltd.	Direct: 100.0%	Outsourcing of the Company's information systems and software development *	Deposit received (Note 4)	3,805	Deposit received	61,591
Subsidiary	Hitachi Energy Ltd	Direct: 100.0%	*	Guarantee	528,104	-	-
Subsidiary	Hitachi Rail STS S.p.A.	Indirect: 100.0%	Manufacturing, sale, engineering and maintenance of the Group's products, etc.	Guarantee	271,048	-	-
Subsidiary	Hitachi America Capital, Ltd.	Indirect: 100.0%	*	Guarantee	93,471	-	-
Subsidiary	Hitachi Metals, Ltd. (Note 1)	Direct: (Note 1) 53.4%	Purchase of Hitachi Metals' products	Transfer of shares of Hitachi Metals, Ltd. (Note 1) Transfer price Profits	 382,042 328,648	-	-
Affiliate	Hitachi Transport System, Ltd. (Note 2)	Direct: (Note 2) 39.9%	Oursourcing of the Company's products transport and strage	Transfer of shares of Hitachi Transport System, Ltd. (Note 2) Transfer price Profits	 221,983 210,653	-	-

* The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers at the subsidiary.

Notes: 1. Hitachi Metals, Ltd. changed its company name to Proterial, Ltd. on January 4, 2023. The Company transferred all stocks of Hitachi Metals, Ltd. to Hitachi Metals, Ltd. in association with the acquisition of treasury stock by itself on January 5, 2023. As a result, it is no longer a related party. The transfer price was determined with due consideration to the valuation amount presented by an independent third party.

2. Hitachi Transport System, Ltd. changed its company name to LOGISTEED, Ltd. on April 1, 2023. The Company transferred all stocks of Hitachi Transport System, Ltd. to Hitachi Transport System, Ltd. in association with the acquisition of treasury stock by itself on March 1, 2023. As a result, it is no longer a related party. The transfer price was determined with due consideration to the valuation amount presented by an independent third party.

3. The interest rate was determined with due consideration to market interest rates. The transaction amount of the loans indicates the change from the balance at the beginning of the fiscal year.

4. These are loans or deposits made based on the pooling system wherein the funds of affiliated companies are concentrated at the Company to be loaned to affiliated companies who have financing needs. The interest rates on loans and deposits are determined with due consideration to market interest rates. The transaction amount indicates the increase or decrease from the balance at the beginning of the fiscal year, including interest received and paid.

(Note on Per Share Information)

Net assets per share 3,557.49 yen

Net income per share 1,041.20 yen

(Note on Major Subsequent Events)

Repurchase of Shares of Common Stock

The Board of Directors decided to repurchase shares of its own common stock pursuant to Article 459, Paragraph 1 of the Companies Act of Japan and Article 32 of the Company's Articles of Incorporation, as follows.

(a) Reason for repurchase

The Company views the return of profits to shareholders through enhancing corporate value from mid- and long-term perspective and paying dividends continuously as an important managerial issue. The Company has decided to repurchase its own shares this time, taking into consideration its financial condition and the price of its common stock as well as the progress of the review of the business portfolio.

(b) Outline of the Repurchase

(i) Class of shares to be repurchased
Common stock of the Company

(ii) Aggregate number of shares to be repurchased
Up to 20 million shares
(2.13% of the number of outstanding shares (excluding treasury stocks))

(iii) Aggregate amount of repurchase
Up to 100.0 billion yen

(iv) Period of the repurchase
From April 28, 2023 to March 31, 2024

(v) Method of repurchase
Expected open market purchase through the Tokyo Stock Exchange

(Additional Information)

Transfer of subsidiary's shares

On March 30, 2023, the Company entered into the following two agreements regarding the transfer of a part of the shares of Hitachi Astemo, Ltd. (hereinafter "Hitachi Astemo"), a consolidated subsidiary of the Company, to Hitachi Astemo and Honda Motor Co. Ltd.(hereinafter "Honda") and for inviting JIC Capital, Ltd. (hereinafter "JICC") as a new joint partner.

(i) Share Subscription Agreement with JICC-01 Limited Partnership (hereinafter "JICC-01") managed by JICC-01 G.K., which is a wholly owned subsidiary of JICC including that Hitachi Astemo issues Class shares to JICC-01, and Hitachi Astemo purchases a part of shares of its common shares held by the Company, using a portion of the funds raised through the issuance of Class shares

(ii) Agreement for investment in kind and share transfer with Honda including that Hitachi Astemo issues common shares to Honda in exchange for Honda to invest the shares of Hitachi Astemo Electric Motor Systems, Ltd. in kind and the Company transfers a part of shares of Hitachi Astemo's common shares to Honda.

The consideration is expected to be approximately 158.0 billion yen. Assuming the series of transactions based on the agreements are settled, the Company plans to post an extraordinary gain of approximately 108.0 billion yen in gain on sale of affiliated companies' common stock in the unconsolidated statement of operations for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024).