

[Translation]

Quarterly Report

(The Third Quarter of 155th Business Term)
From October 1, 2023 to December 31, 2023

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

[Cover]

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This is an English translation of the Quarterly Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors’ NETwork (“EDINET”) pursuant to the Financial Instruments and Exchange Act of Japan.

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

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

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

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

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Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Year ended March 31, 2023
Revenues	8,108,796 [2,692,017]	7,218,154 [2,258,085]	10,881,150
Income before income taxes	456,819	642,107	819,971
Net income attributable to Hitachi, Ltd. stockholders	292,232 [119,717]	445,092 [235,989]	649,124
Comprehensive income attributable to Hitachi, Ltd. stockholders	481,233	587,227	905,819
Total Hitachi, Ltd. stockholders' equity	4,524,170	5,278,664	4,942,854
Total equity	5,170,596	5,423,393	5,335,567
Total assets	13,281,006	12,073,212	12,501,414
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	306.99 [127.48]	478.24 [254.77]	684.55
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	306.66	477.69	683.89
Total Hitachi, Ltd. stockholders' equity ratio (%)	34.1	43.7	39.5
Net cash provided by (used in) operating activities	380,090	542,865	827,045
Net cash provided by (used in) investing activities	(145,277)	(172,003)	151,063
Net cash provided by (used in) financing activities	(260,857)	(375,760)	(1,142,966)
Cash and cash equivalents at end of period	959,299	864,301	833,283

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

2. The figures of "Revenues," "Net income attributable to Hitachi, Ltd. stockholders" and "Earnings per share attributable to Hitachi, Ltd. stockholders, basic" in square bracket are those for the three months ended December 31, 2022 and 2023, respectively.

2. Description of Business

There were no material changes in principal businesses of Hitachi during the nine months ended December 31, 2023. The Hitachi Group is comprised of the Company, 575 consolidated subsidiaries, and 370 equity-method associates and joint-ventures.

Effective from April 1, 2023, the Company abolished Hitachi Construction Machinery segment and Hitachi Metals segment and discloses its business in five segments: three sectors as “Digital Systems & Services,” “Green Energy & Mobility” and “Connective Industries,” Automotive Systems, and Others.

Major business and the positioning of principal affiliated companies for each segment and changes in Business Unit (BU) of the Company and principal affiliated companies during the nine months ended December 31, 2023 were as follows.

(As of December 31, 2023)

Segments	Main products and services	BU and principal affiliated companies
Digital Systems & Services	<ul style="list-style-type: none"> • Digital Solutions (System Integration, Consulting, Cloud Services) • IT Products (Storage, Servers) • Software • ATMs 	<p>[BU] Financial Institutions BU Social Infrastructure Systems BU Cloud Services Platforms BU (Note 2) Digital Engineering BU (Note 2)</p> <p>[Consolidated subsidiaries] Hitachi Information & Telecommunication Engineering, Ltd. Hitachi Channel Solutions Corp. Hitachi Solutions, Ltd. Hitachi Systems, Ltd. GlobalLogic Worldwide Holding, Inc. Hitachi Computer Products (America), Inc. Hitachi Digital LLC Hitachi Payment Services Private Limited Hitachi Vantara LLC</p>
Green Energy & Mobility	<ul style="list-style-type: none"> • Energy Solutions (Power Grids, Renewable Energy, Nuclear) • Railway Systems 	<p>[BU] (Note 3) Power Grids BU Nuclear Energy BU Railway Systems BU</p> <p>[Consolidated subsidiaries] Hitachi-GE Nuclear Energy, Ltd. Hitachi Plant Construction, Ltd. Hitachi Power Semiconductor Device, Ltd. Hitachi Power Solutions Co., Ltd. Hitachi Energy Ltd Hitachi Rail Ltd.</p>
Connective Industries	<ul style="list-style-type: none"> • Building Systems (Elevators, Escalators) • Smart Life & Ecofriendly Systems (Home Appliances, Air Conditioners) • Measurement and Analysis Systems (Semiconductor Manufacturing Equipment, Clinical Analyzers) • Industry & Distribution Solutions • Water & Environment Solutions • Industrial Machinery 	<p>[BU] Building Systems BU Industrial Digital BU Water & Environment BU</p> <p>[Consolidated subsidiaries] Hitachi Building Systems Co., Ltd. Hitachi Global Life Solutions, Inc. Hitachi High-Tech Corporation Hitachi Industrial Equipment Systems Co., Ltd. Hitachi Industrial Products, Ltd. Hitachi Industry & Control Solutions, Ltd. Hitachi Plant Services Co., Ltd. Hitachi Elevator (China) Co., Ltd. Hitachi Global Air Power US, LLC (Note 4) Hitachi Industrial Holdings Americas, Inc. JR Technology Group, LLC</p> <p>[Equity-method associates] Hitachi Kokusai Electric Inc. Arcelik Hitachi Home Appliances B.V. Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd</p>
Automotive Systems	<ul style="list-style-type: none"> • Powertrain • Chassis • Advanced Driver Assistance • Motorcycle Systems 	<p>[Consolidated subsidiaries] — (Note 5)</p>

(As of December 31, 2023)

Segments	Main products and services	BU and principal affiliated companies
Others	<ul style="list-style-type: none">• Property Management• Others	[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. Services & Platforms BU belonging to Digital Systems & Services segment was reorganized as Cloud Services Platforms BU on April 1, 2023. Digital Engineering BU was established in Digital Systems & Services segment on April 1, 2023.
 3. Energy BU belonging to Green Energy & Mobility segment was abolished on April 1, 2023.
 4. Sullair, LLC changed its name to Hitachi Global Air Power US, LLC on April 12, 2023.
 5. Hitachi Astemo, Ltd. and Hitachi Astemo Americas, Inc. ceased to be consolidated subsidiaries of the Company and became equity-method associates of the Company due to transferring a part of its shares in Hitachi Astemo, Ltd. on October 16, 2023. Consequently, there is no Company which belongs to the Automotive System segment since then.
 6. In addition to the table above, the major equity-method associates are Hitachi Astemo, Ltd. and Hitachi Construction Machinery Co., Ltd.

II. Business Overview

1. Risk Factors

There were no new risk factors recognized during the nine months ended December 31, 2023.

During the nine months ended December 31, 2023, the following is the material change in the risk factors stated in the Annual Securities Report for the 154th business term pursuant to the Financial Instruments and Exchange Act of Japan, and the relevant change is underlined.

(Before the Change)

Rapid Technological Innovation

<Text above omitted>

New technologies are rapidly emerging in the segments in which Hitachi conducts 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. For instance, it is important to respond to technological innovations, including automation and electrification using technologies such as digital and robots and environmentally friendly technologies such as decarbonization and resource circulation. While introducing such products, etc. requires significant resource commitment to research and development, there can be no assurance that Hitachi's research and development will be successful. Failure in Hitachi's 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 Hitachi's business, financial condition and results of operations.

<Text below omitted>

(After the Change)

Rapid Technological Innovation

<Text above omitted>

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<Text below omitted>

(Before the Change)

Sharp Decline in Demand

Oversupply in the markets in which Hitachi competes may lead to declines in sales prices, revenues and profitability. In addition, adjustment to demand may force Hitachi 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 equipment, elevators, semiconductor and automotive equipment industries and a resultant deterioration in market conditions could negatively affect Hitachi's businesses, financial condition and results of operations.

<Text below omitted>

(After the Change)

Sharp Decline in Demand

Oversupply in the markets in which Hitachi competes may lead to declines in sales prices, revenues and profitability. In addition, adjustment to demand may force Hitachi 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 equipment, elevators and semiconductor industries and a resultant deterioration in market conditions could negatively affect Hitachi's businesses, financial condition and results of operations.

<Text below omitted>

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

(1) Analysis of Results of Operations

Results of Operations

The results of operations in the nine months ended December 31, 2023 were as follows.

Revenues decreased 11% to 7,218.1 billion yen, as compared with the nine months ended December 31, 2022, due mainly to decreased revenues owing to selling a part of shares of Hitachi Construction Machinery Co., Ltd. and selling shares of Hitachi Metals, Ltd. (Currently Proterial, Ltd.). The decrease was partially offset by increased revenues in Green Energy & Mobility segment including Hitachi Energy Ltd and Railway Systems business which performed well and Digital Systems & Services segment including Lumada business which performed well.

Cost of sales decreased 13% to 5,355.4 billion yen and the ratio of cost of sales to revenues decreased 2% to 74%, as compared with the nine months ended December 31, 2022, respectively. Gross profit decreased 6% to 1,862.7 billion yen, as compared with the nine months ended December 31, 2022.

Selling, general and administrative expenses ("SG&A") decreased 8% to 1,337.0 billion yen, as compared with the nine months ended December 31, 2022, and the ratio of SG&A to revenues increased 1% to 19% as compared with the nine months ended December 31, 2022.

Share of profits of investments accounted for using the equity method increased 8.6 billion yen to profit of 42.6 billion yen, as compared with the nine months ended December 31, 2022 mainly because Hitachi Construction Machinery Co., Ltd. ceased to be the Company's consolidated subsidiary and became its equity-method associate in August 2022.

As a result of foregoing, Adjusted EBITA (defined as Adjusted Earnings before Interest, Taxes and Amortization, and representing the revenues less cost of sales as well as SG&A, adding back the amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting share of profits (losses) of investments accounted for using the equity method) increased 7.9 billion yen to 632.2 billion yen, as compared with the nine months ended December 31, 2022.

Other income increased 48.1 billion yen to 119.7 billion yen, as compared with the nine months ended December 31, 2022, due mainly to the gains on business reorganization by selling a part of shares of Hitachi Astemo, Ltd. despite the gains on business reorganization by selling a part of shares of Hitachi Construction Machinery Co., Ltd. posted in the nine months ended December 31, 2022. Other expenses decreased 96.8 billion yen to 55.4 billion yen, as compared with the nine months ended December 31, 2022, due mainly to expenses by shifting to risk-sharing corporate pension and the impairment losses on Hitachi Energy owing to rise in discount rate following the significant rise in interest rates posted in the nine months ended December 31, 2022.

Financial income (excluding interest income) increased 31.9 billion yen to 41.8 billion yen due mainly to the foreign exchange gain in Green Energy & Mobility segment, as compared with the nine months ended December 31, 2022. Financial expenses (excluding interest charges) decreased 8.6 billion yen to 7.5 billion yen, as compared with the nine months ended December 31, 2022.

Earnings before interest and taxes increased 192.5 billion yen to 667.0 billion yen, as compared with the nine months ended December 31, 2022.

Interest income increased 12.3 billion yen to 29.9 billion yen and interest charges increased 19.5 billion yen to 54.9 billion yen, as compared with the nine months ended December 31, 2022, respectively.

Income before income taxes increased 185.2 billion yen to 642.1 billion yen, as compared with the nine months ended December 31, 2022.

Income taxes increased 42.6 billion yen to 165.6 billion yen, as compared with the nine months ended December 31, 2022.

Net income increased 142.6 billion to 476.5 billion yen, as compared with the nine months ended December 31, 2022.

Net income attributable to non-controlling interests decreased 10.2 billion yen to 31.4 billion yen, as compared with the nine months ended December 31, 2022.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased 152.8 billion yen to 445.0 billion yen, as compared with the nine months ended December 31, 2022.

Operations by Segment

The following is an overview of results of operations by segment. Revenues for each segment include intersegment transactions. Effective from April 1, 2023, the Company reclassified its reportable segment in seven segments: Digital Systems & Services, Green Energy & Mobility, Connective Industries, Automotive systems, Hitachi Construction Machinery, Hitachi Metals and Others. Accordingly, the amounts previously reported for the nine months ended December 31, 2022 have been restated in conformity with the new segments.

Revenues and Adjusted EBITA for Business Management Reinforcement Division, which were previously included in Green Energy & Mobility segment, are included in Others segment from April 1, 2023. Accordingly, the amounts previously reported for the nine months ended December 31, 2022 have been restated in conformity with this change.

(Digital Systems & Services)

Revenues increased 9% to 1,823.2 billion yen, as compared with the nine months ended December 31, 2022, due mainly to strong results of Lumada business and growth of GlobalLogic by harvesting the demand for DX.

Adjusted EBITA increased 33.7 billion yen to 222.0 billion yen, as compared with the nine months ended December 31, 2022, due mainly to increased revenues and promote cost reduction. The increase was partially offset by decreased profits due mainly to continued investment in development for growth to expand business in Services & Platforms business.

(Green Energy & Mobility)

Revenues increased 25% to 2,128.4 billion yen, as compared with the nine months ended December 31, 2022, due mainly to sales increase in Hitachi Energy Ltd by ongoing orders and sales increase in the Railway Systems business resulting from the progress in major projects.

Adjusted EBITA increased 25.4 billion yen to 126.9 billion yen, as compared with the nine months ended December 31, 2022, due mainly to increased revenues and improved profitability in Hitachi Energy Ltd and improved profitability in Railway Systems business resulting from the progress in major projects and better project mix. The increase was partially offset by decreased profits resulting from an increase of cost associated with acquisition of power grids business including PMI related costs.

(Connective Industries)

Revenues increased 2% to 2,203.8 billion yen, as compared with the nine months ended December 31, 2022, due mainly to increased revenues in Industrial Products business and Water and Environment business. The increase was partially offset by decreased revenues in Measurement and Analysis Systems business.

Adjusted EBITA decreased 2.9 billion yen to 224.4 billion yen, as compared with the nine months ended December 31, 2022, due mainly to decreased profits resulting from decreased revenues in Measurement and Analysis Systems business, despite increased revenues.

(Automotive Systems)

Revenues decreased 15% to 1,164.3 billion yen, as compared with the nine months ended December 31, 2022, due mainly to conversion of Hitachi Astemo, Ltd., which was included in Automotive Systems segment, to an equity-method affiliate of the Company from its subsidiary as a result of selling a part of shares of Hitachi Astemo, Ltd. in October 2023. The decrease was partially offset by increased revenues resulting from moderate production recovery of automaker production and resolving semiconductor shortage.

Adjusted EBITA increased 10.8 billion yen to 50.6 billion yen, as compared with the nine months ended December 31, 2022, due mainly to improve profitability despite decreased revenues.

(Others)

Revenues increased 6% to 368.0 billion yen, as compared with the nine months ended December 31, 2022.

Adjusted EBITA improved 13.5 billion to 13.5 billion yen, as compared with the nine months ended December 31, 2022.

Revenues by Market

Revenues in Japan decreased 9% to 2,627.1 billion yen, as compared with the nine months ended December 31, 2022, due mainly to decreased revenues owing to selling shares of Hitachi Metals, Ltd., a part of shares of Hitachi Construction Machinery Co., Ltd and a part of shares of Hitachi Astemo, Ltd. The decrease was partially offset by increased revenues in Digital Systems & Services segment due to steady growth in Front Business, and increased revenues in Green Energy & Mobility segment and Connective Industries segment.

Overseas revenues decreased 12% to 4,590.9 billion yen, as compared with the nine months ended December 31, 2022, due mainly to decreased revenues owing to selling shares of Hitachi Metals, Ltd., a part of shares of Hitachi Construction Machinery Co., Ltd and a part of shares of Hitachi Astemo, Ltd. The decrease was partially offset by increased revenues in Green Energy & Mobility due to steady growth in Hitachi Energy Ltd and Railway Systems business.

As a result, the ratio of overseas revenues to total revenues decreased 1% to 64%, as compared with the nine months ended December 31, 2022.

(2) Analysis of Financial Condition and Cash Flows

Liquidity and Capital Resources

During the nine months ended December 31, 2023, there were no major changes in the Company's policies of maintaining liquidity and ensuring funds, efforts for improvement in fund management efficiency, and ideas regarding funding sources and fundraising.

Cash Flows

The following is a summary of cash flows for the nine months ended December 31, 2023.

(Cash Flows from Operating Activities)

Net cash provided by operating activities was 542.8 billion yen plus in the nine months ended December 31, 2023, and cash increased by 162.7 billion yen compared with the nine months ended December 31, 2022. This was due mainly to an increase in quarterly income, and an increase in advances received(contract liabilities).

(Cash Flows from Investing Activities)

Net cash used in investing activities was 172.0 billion yen minus in the nine months ended December 31, 2023, and cash decreased by 26.7 billion yen compared with the nine months ended December 31, 2022. This was due mainly to the sale of shares of Hitachi Construction Machinery Co., Ltd. which was a consolidated subsidiary in the nine months ended December 31, 2022, despite a decrease in investments to property, plant and equipment compared with the nine months ended December 31, 2023.

(Cash Flows from Financing Activities)

Net cash used in financing activities was 375.7 billion yen minus in the nine months ended December 31, 2023, and cash decreased by 114.9 billion yen compared with the nine months ended December 31, 2022. This was due mainly to a decrease in net proceeds (difference between proceeds and expenditures) from short-term debt, despite the bond offering in the nine months ended December 31, 2023, and the additional acquisition of Hitachi Energy shares in the nine months ended December 31, 2022.

Free cash flow (the sum of cash flows from operating and investing activities) was 370.8 billion yen plus in the nine months ended December 31, 2023, and cash increased by 136.0 billion yen compared with the nine months ended December 31, 2022.

Core free cash flow (free cash flows excluding cash flows from M&A and assets sales, etc.) was 268.5 billion yen plus in the nine months ended December 31, 2023, and cash increased by 193.6 billion yen compared with the nine months ended December 31, 2022.

As a result of the foregoing, cash and cash equivalents as of December 31, 2023, were 864.3 billion yen, an increase of 31.0 billion yen from March 31, 2023.

Assets, Liabilities and Equity

The following is an overview of Hitachi's assets, liabilities and equity as of December 31, 2023.

Total assets were 12,073.2 billion yen, a decrease of 428.2 billion yen from March 31, 2023, due mainly to conversion of Hitachi Astemo, Ltd to an equity-method affiliate of the Company from its subsidiary despite increased assets resulting from the impact of foreign exchange.

Total interest-bearing debt, the sum of short-term debt and long-term debt including current portion of long-term debt, was 1,754.5 billion yen, a decrease of 458.7 billion yen from March 31, 2023.

Total Hitachi, Ltd. stockholders' equity increased by 335.8 billion yen from March 31, 2023, to 5,278.6 billion yen. The ratio of total Hitachi, Ltd. stockholders' equity to total assets was 43.7%, as compared with 39.5% as of March 31, 2023.

Non-controlling interests were 144.7 billion yen, a decrease of 247.9 billion yen from March 31, 2023.

Total equity was 5,423.3 billion yen, an increase of 87.8 billion yen from March 31, 2023. The ratio of interest-bearing debt to total equity was 0.32, as compared with 0.41 as of March 31, 2023.

(3) Management Policy

There were no material changes in Hitachi's management policy during the nine months ended December 31, 2023.

(4) Challenges Hitachi Group Faces

1) Business and Financial Challenges Hitachi Group Faces

There were no material changes in Hitachi's business and financial challenges during the nine months ended December 31, 2023.

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

There were no material changes in Hitachi's fundamental policy during the nine months ended December 31, 2023.

(5) Research and Development

There were no material changes in the research and development of the Hitachi Group (the Company and consolidated subsidiaries) stated in the Annual Securities Report for the 154th business term pursuant to the Financial Instruments and Exchange Act of Japan. The Hitachi Group's R&D expenditures in the nine months ended December 31, 2023 were 218.0 billion yen, 3.0% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Nine months ended December 31, 2023
Digital Systems & Services	37.5
Green Energy & Mobility	44.8
Connective Industries	64.6
Automotive Systems	50.6
Others	0.9
Corporate items & Eliminations	19.4
Total	218.0

(6) Employees

The number of employees of the Hitachi Group (the Company and consolidated subsidiaries) decreased by 60,332 persons during the nine months ended December 31, 2023, to 262,193 persons. The decrease was due mainly to the fact that there is no company which belongs to the Automotive Systems segment as Hitachi Astemo, Ltd. was converted into an equity-method associate of the Company from its subsidiary on October 16, 2023.

There were no material changes in the number of employees of the Company.

(7) Property, Plant and Equipment

The major property, plants and equipment materially changed during the nine months ended December 31, 2023 are as follows.

Breakdown by Segment

(As of December 31, 2023)

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	
Automotive Systems (Note)	- [-]	-	-	-	-	-	-	-	-

(Note) As Hitachi Astemo, Ltd. was converted into an equity-method associate of the Company from its subsidiary on October 16, 2023, there is no company which belongs to the Automotive Systems segment. Consequently, no property, plants and equipment were recorded in the segment.

Domestic subsidiaries and Overseas subsidiaries

As Hitachi Astemo, Ltd. was converted into an equity-method associate on October 16, 2023, Hitachi Astemo, Ltd., Hitachi Astemo Electric Motor Systems, Ltd. Hitachi Astemo Hanshin, Ltd. and Hitachi Astemo Ueda, Ltd. were no longer the facilities of the Company's domestic subsidiaries, and Hitachi Astemo Americas, Inc., Hitachi Astemo Mexico, S.A. de C.V. and Hitachi Astemo Netherlands B.V. were no longer the facilities of the Company's overseas subsidiaries.

(8) Plans for Capital Investment, Disposals of Property, Plants and Equipment, etc.

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

The amount of capital investment for the fiscal year ending March 31, 2024 is updated as follows (new installation and expansions, based on the amount recorded as tangible fixed assets and the investment property). The amount of capital investment which is shown in the Initial Plan is the amount planned as of the filing date of the Annual Securities Report for the 154th business term.

Segment	The amount of capital investment for the fiscal year ending March 31, 2024 (Billions of yen)	
	Initial Plan	Updated Plan
Digital Systems & Services	67.0	67.0
Green Energy & Mobility	99.0	104.0
Connective Industries	80.0	80.0
Automotive Systems	40.0	51.2
Others	22.0	22.0
Corporate Items & Eliminations	2.0	1.8
Total	310.0	326.0

- (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.

(9) Forward-Looking Statements

Certain statements found in “1. Risk Factors” and “2. Management’s Discussion and Analysis of Consolidated Financial Conditions, Operating Results and Cash Flows” and other descriptions in this report may constitute “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such “forward-looking statements” reflect management’s current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as “anticipate,” “believe,” “expect,” “estimate,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “forward-looking statements.” Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ

materially from those projected or implied in the “forward-looking statements” and from historical trends. Certain “forward-looking statements” are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on “forward-looking statements,” as such statements speak only as of the date of this report.

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

- 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;
- credit conditions of Hitachi’s customers and suppliers;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to Hitachi’s ability to respond to tightening of regulations to prevent climate change;
- 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 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;
- exacerbation of social and economic impacts of the spread of COVID-19;
- 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;
- 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;
- 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;
- uncertainty as to the success of cost structure overhaul;
- uncertainty as to Hitachi’s ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- the potential for significant losses on Hitachi’s investments in equity-method associates and joint ventures;
- 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 access to, or ability to protect, certain intellectual property; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

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

3. Material Agreements, etc.

(1) Absorption-type Company Split

The Company decided that it would conduct an absorption-type company split (the "Company Split") under which Hitachi Vantara, Ltd., a newly established company, would succeed to the Company's IT Products business in order to reorganize the IT product business which has been responsible for business development, research and development, and production of data infrastructure in Japan on October 27, 2023, and entered into an absorption-type company split agreement with Hitachi Vantara, Ltd. on January 26, 2024.

The details of the Company Split are as follows.

1) Company Split Method

The split is an absorption-type split under which the Company will be the splitting company and Hitachi Vantara, Ltd. will be the succeeding company.

2) Effective Date of the Company Split

April 1, 2024

3) Assets and liabilities succeeded for the Company Split (As of April 1, 2024 (forecast))

Assets: 93.5 billion yen

Liabilities: 49.6 billion yen

4) Details of Allotments Related to the Company Split

Hitachi Vantara, Ltd. will issue 199,000 ordinary shares upon the Company Split, and allot all of the shares to the Company.

5) Calculation Basis Concerning Allotment under the Company Split

As the Company holds all of the issued shares of Hitachi Vantara, Ltd. it is considered appropriate that Hitachi Vantara, Ltd. issue 199,000 shares of common stock and allots all the shares to the Company.

6) Profile of the succeeding company after the Company Split

Name	Hitachi Vantara, Ltd.
Head office	292 Yoshida-cho, Totsuka-ku, Yokohama City, Kanagawa Prefecture
Representative	President Akinobu Shimada
Capital	10 billion yen
Business	Design and development of data infrastructure products centered on storage, data management software, hybrid cloud infrastructure and related services and sales, operation, monitoring and maintenance in Japan

(2) Cross License Agreement

The material contract renewed during the three months ended December 31, 2023 is as follows.

Party	Party	Country	Item under contract	Contract description	Contract period
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 March 31, 2024

III. Information on the Company

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

(1) Total number of shares, etc.

1) Total number of shares

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

2) Issued shares

Class	Number of shares issued as of the end of fiscal year (shares) (December 31, 2023)	Number of shares issued as of the filing date (shares) (Note) (February 9, 2024)	Stock exchange on which the Company is listed	Description
Common stock	927,167,877	927,167,877	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	927,167,877	927,167,877	—	—

(Note) The "Number of shares issued as of the filing date" does not include shares issued upon exercise of stock acquisition rights from February 1, 2024 to the filing date.

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

1) Details of stock option plans

Not applicable.

2) Details of other stock acquisition rights, etc.

Not applicable.

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

Not applicable.

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

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
October 18, 2023 (Note)	(11,073,400)	927,167,877	—	463,417	—	181,383

(Note) The change in the total number of issued shares is due to the cancellation of treasury stock.

(5) Major shareholders

Not applicable.

(6) Information on voting rights

Information on voting rights as of September 30, 2023 is stated in this item because the Company does not identify the number of voting rights as of December 31, 2023 due to the lack of information on the number of the Company's shares held by the entity which the Company holds one quarter or more of total number of voting rights of such entity as of December 31, 2023.

1) Issued shares

(As of September 30, 2023)

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 11,466,000	—	—
Shares with full voting right (others)	Common stock 924,569,900	9,245,699	—
Shares less than one unit	Common stock 2,205,377	—	—
Number of issued shares	938,241,277	—	—
Total number of voting rights	—	9,245,699	—

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

2) Treasury stock, etc.

(As of September 30, 2023)

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	11,434,900	—	11,434,900	1.22
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.	28-8, Honkomagome 2-chome, Bunkyo-ku, Tokyo	3,000	—	3,000	0.00
Total	—	11,466,000	—	11,466,000	1.22

(Note) The total number of issued shares decreased to 11,073,400 due to the cancellation of treasury stock on October 18, 2023.

2. Changes in Senior Management

Changes in senior managements from the filing date of the Annual Securities Report for the 154th business term to December 31, 2023 were as follows.

1) Changes in Responsibility [Effective October 1, 2023]

Former Position and responsibility		New Position and responsibility		Name
Position	Responsibility	Position	Responsibility	
Senior Vice President and Executive Officer	Business for government, public corporation and social infrastructure systems and defense systems business	Senior Vice President and Executive Officer	Business for government, public corporation and social infrastructure systems, and defense systems business Assistant to Executive Vice President (Digital Systems & Services (Japan))	Katsuya Nagano

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

2) The Number of Men and Women and Women's Percentage after Changes in Senior Management

Men: 44 persons, Women: 4 persons

(Women’s percentage to total number of Directors and Executive Officers: 8%)

The numbers and the percentage mentioned above are the same as those described in the Annual Securities Report for the 154th business term.

IV. Financial Information

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

Part II Information on Guarantors, etc. for the Company

Not applicable.

Condensed Quarterly Consolidated Financial Statements

Condensed Quarterly Consolidated Statement of Financial Position

Millions of yen

	Note	December 31, 2023	March 31, 2023
Assets			
Current assets			
Cash and cash equivalents		864,301	833,283
Trade receivables and contract assets	6	2,720,806	2,874,987
Inventories		1,600,628	1,646,188
Investments in securities and other financial assets	7	292,711	346,916
Other current assets		355,438	227,161
Total current assets		5,833,884	5,928,535
Non-current assets			
Investments accounted for using the equity method	5	771,640	478,620
Investments in securities and other financial assets	7	500,627	496,897
Property, plant and equipment		1,173,573	1,700,471
Goodwill	11	2,230,077	2,165,350
Other intangible assets		1,145,782	1,244,688
Other non-current assets	8	417,629	486,853
Total non-current assets		6,239,328	6,572,879
Total assets		12,073,212	12,501,414
Liabilities			
Current liabilities			
Short-term debt		500,320	777,650
Current portion of long-term debt	7	86,101	141,861
Other financial liabilities	7	307,767	263,748
Trade payables		1,342,390	1,548,497
Accrued expenses		557,023	720,961
Contract liabilities		1,570,486	1,241,366
Other current liabilities		485,067	472,095
Total current liabilities		4,849,154	5,166,178
Non-current liabilities			
Long-term debt	7	1,168,146	1,293,837
Retirement and severance benefits	8	281,775	323,264
Other non-current liabilities		350,744	382,568
Total non-current liabilities		1,800,665	1,999,669
Total liabilities		6,649,819	7,165,847
Equity			
Hitachi, Ltd. stockholders' equity			
Common stock		463,417	462,817
Capital surplus	5	-	-
Retained earnings	9	3,844,041	3,637,184
Accumulated other comprehensive income		976,045	846,392
Treasury stock, at cost		(4,839)	(3,539)
Total Hitachi, Ltd. stockholders' equity		5,278,664	4,942,854
Non-controlling interests	5	144,729	392,713
Total equity		5,423,393	5,335,567
Total liabilities and equity		12,073,212	12,501,414

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Nine months ended December 31, 2023 and 2022

Millions of yen

	Note	2023	2022
Revenues	10	7,218,154	8,108,796
Cost of sales		(5,355,406)	(6,123,921)
Gross profit		1,862,748	1,984,875
Selling, general and administrative expenses		(1,337,047)	(1,457,376)
Other income	5,11	119,775	71,658
Other expenses	8,11	(55,410)	(152,309)
Financial income	12	41,899	9,915
Financial expenses	12	(7,570)	(16,260)
Share of profits (losses) of investments accounted for using the equity method		42,631	34,016
EBIT (Earnings before interest and taxes)		667,026	474,519
Interest income		29,987	17,637
Interest charges		(54,906)	(35,337)
Income before income taxes		642,107	456,819
Income taxes		(165,603)	(122,962)
Net income		476,504	333,857
Net income attributable to:			
Hitachi, Ltd. stockholders		445,092	292,232
Non-controlling interests		31,412	41,625
Earnings per share attributable to Hitachi, Ltd. stockholders	13		Yen
Basic		478.24	306.99
Diluted		477.69	306.66

Condensed Quarterly Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2023 and 2022

Millions of yen

	Note	2023	2022
Net income		476,504	333,857
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		43,966	(17,131)
Remeasurements of defined benefit plans		(211)	17,232
Share of OCI of investments accounted for using the equity method		322	641
Total items not to be reclassified into net income		44,077	742
Items that can be reclassified into net income			
Foreign currency translation adjustments		106,539	209,406
Net changes in cash flow hedges		9,412	5,375
Share of OCI of investments accounted for using the equity method		4,457	22,664
Total items that can be reclassified into net income		120,408	237,445
Other comprehensive income (OCI)		164,485	238,187
Comprehensive income		640,989	572,044
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		587,227	481,233
Non-controlling interests		53,762	90,811

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Three months ended December 31, 2023 and 2022

Millions of yen

	Note	2023	2022
Revenues		2,258,085	2,692,017
Cost of sales		(1,624,903)	(2,022,364)
Gross profit		633,182	669,653
Selling, general and administrative expenses		(432,963)	(466,783)
Other income		98,209	469
Other expenses		(12,635)	(21,198)
Financial income		35,275	7,103
Financial expenses		(3,327)	(14,354)
Share of profits (losses) of investments accounted for using the equity method		9,399	7,339
EBIT (Earnings before interest and taxes)		327,140	182,229
Interest income		10,256	6,329
Interest charges		(17,345)	(13,884)
Income before income taxes		320,051	174,674
Income taxes		(75,885)	(41,663)
Net income		244,166	133,011
Net income attributable to:			
Hitachi, Ltd. stockholders		235,989	119,717
Non-controlling interests		8,177	13,294
Earnings per share attributable to Hitachi, Ltd. stockholders	13		Yen
Basic		254.77	127.48
Diluted		254.48	127.34

Condensed Quarterly Consolidated Statement of Comprehensive Income

Three months ended December 31, 2023 and 2022

Millions of yen

	Note	2023	2022
Net income		244,166	133,011
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		11,686	1,126
Remeasurements of defined benefit plans		(46)	-
Share of OCI of investments accounted for using the equity method		(75)	70
Total items not to be reclassified into net income		11,565	1,196
Items that can be reclassified into net income			
Foreign currency translation adjustments		(283,878)	(343,067)
Net changes in cash flow hedges		(1,292)	6,117
Share of OCI of investments accounted for using the equity method		(18,919)	(15,534)
Total items that can be reclassified into net income		(304,089)	(352,484)
Other comprehensive income (OCI)		(292,524)	(351,288)
Comprehensive income		(48,358)	(218,277)
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		(54,266)	(199,983)
Non-controlling interests		5,908	(18,294)

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Changes in Equity

Nine months ended December 31, 2023

Millions of yen

	2023							Total equity
	Common stock	Capital surplus	Retained earnings (note 9)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 5)	
Balance at beginning of period	462,817	-	3,637,184	846,392	(3,539)	4,942,854	392,713	5,335,567
Changes in equity								
Reclassified into retained earnings	-	-	14,189	(14,189)	-	-	-	-
Net income	-	-	445,092	-	-	445,092	31,412	476,504
Other comprehensive income	-	-	-	142,135	-	142,135	22,350	164,485
Dividends to Hitachi, Ltd. stockholders	-	-	(144,461)	-	-	(144,461)	-	(144,461)
Dividends to non-controlling interests	-	-	-	-	-	-	(30,291)	(30,291)
Acquisition of treasury stock	-	-	-	-	(100,301)	(100,301)	-	(100,301)
Sales of treasury stock	-	(152)	-	-	208	56	-	56
Cancellation of treasury stock	-	(98,793)	-	-	98,793	-	-	-
Issuance of new shares	600	600	-	-	-	1,200	-	1,200
Transfer to capital surplus from retained earnings	-	105,109	(105,109)	-	-	-	-	-
Changes in non-controlling interests	-	(6,764)	(2,854)	1,707	-	(7,911)	(271,455)	(279,366)
Total changes in equity	600	-	206,857	129,653	(1,300)	335,810	(247,984)	87,826
Balance at end of period	463,417	-	3,844,041	976,045	(4,839)	5,278,664	144,729	5,423,393

Nine months ended December 31, 2022

Millions of yen

	2022							Total equity
	Common stock	Capital surplus (note 5)	Retained earnings (note 9)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 5)	
Balance at beginning of period	461,731	46,119	3,197,725	639,263	(3,002)	4,341,836	1,013,441	5,355,277
Changes in equity								
Reclassified into retained earnings	-	-	50,205	(50,205)	-	-	-	-
Net income	-	-	292,232	-	-	292,232	41,625	333,857
Other comprehensive income	-	-	-	189,001	-	189,001	49,186	238,187
Dividends to Hitachi, Ltd. stockholders	-	-	(129,148)	-	-	(129,148)	-	(129,148)
Dividends to non-controlling interests	-	-	-	-	-	-	(24,388)	(24,388)
Acquisition of treasury stock	-	-	-	-	(200,160)	(200,160)	-	(200,160)
Sales of treasury stock	-	(94)	-	-	255	161	-	161
Cancellation of treasury stock	-	(199,417)	-	-	199,417	-	-	-
Issuance of new shares	1,086	1,086	-	-	-	2,172	-	2,172
Transfer to capital surplus from retained earnings	-	150,526	(150,526)	-	-	-	-	-
Changes in non-controlling interests	-	1,780	-	26,296	-	28,076	(433,438)	(405,362)
Total changes in equity	1,086	(46,119)	62,763	165,092	(488)	182,334	(367,015)	(184,681)
Balance at end of period	462,817	-	3,260,488	804,355	(3,490)	4,524,170	646,426	5,170,596

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Cash Flows

Nine months ended December 31, 2023 and 2022

Millions of yen

	Note	2023	2022
Cash flows from operating activities:			
Net income		476,504	333,857
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization		350,519	405,975
Impairment losses		7,879	67,290
Income taxes		165,603	122,962
Share of (profits) losses of investments accounted for using the equity method		(42,631)	(34,016)
Financial income and expenses		19,755	7,983
Net (gain) loss on business reorganization and others		(96,601)	(64,980)
(Gain) loss on sale of property, plant and equipment		(21,671)	(5,369)
Change in trade receivables and contract assets		205,904	126,910
Change in inventories		(220,680)	(368,518)
Change in trade payables		(12,242)	(19,233)
Change in accrued expenses		(64,457)	(103,782)
Change in retirement and severance benefits		1,846	54,631
Other		(80,674)	(1,436)
Subtotal		689,054	522,274
Interest received		28,431	16,251
Dividends received		17,655	17,634
Interest paid		(54,729)	(34,490)
Income taxes paid		(137,546)	(141,579)
Net cash provided by (used in) operating activities		542,865	380,090
Cash flows from investing activities:			
Purchase of property, plant and equipment		(160,881)	(196,643)
Purchase of intangible assets		(113,403)	(108,534)
Proceeds from sale of property, plant and equipment, and intangible assets		39,544	48,935
Purchase of investments in securities and other financial assets		(58,265)	(36,873)
(including investments in subsidiaries and investments accounted for using the equity method)			
Proceeds from sale of investments in securities and other financial assets		106,004	151,352
(including investments in subsidiaries and investments accounted for using the equity method)			
Other		14,998	(3,514)
Net cash provided by (used in) investing activities		(172,003)	(145,277)
Cash flows from financing activities:			
Change in short-term debt, net		(72,076)	481,670
Proceeds from long-term debt		95,907	77,730
Payments on long-term debt		(121,228)	(173,272)
Proceeds from payments from non-controlling interests		350	310
Dividends paid to Hitachi, Ltd. stockholders		(144,442)	(129,102)
Dividends paid to non-controlling interests		(32,323)	(43,038)
Acquisition of common stock for treasury		(100,301)	(200,160)
Proceeds from sales of treasury stock		56	161
Purchase of shares of consolidated subsidiaries from non-controlling interests		(1,703)	(274,687)
Other		-	(469)
Net cash provided by (used in) financing activities		(375,760)	(260,857)
Effect of exchange rate changes on cash and cash equivalents		35,916	16,516
Change in cash and cash equivalents		31,018	(9,528)
Cash and cash equivalents at beginning of period		833,283	968,827
Cash and cash equivalents at end of period		864,301	959,299

See accompanying notes to condensed quarterly consolidated financial statements.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2023

(1) Nature of Operations

Hitachi, Ltd. (the Company) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The condensed quarterly consolidated financial statements of the Company as of and for the nine months ended December 31, 2023 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 five segments consisting of Digital Systems & Services, Green Energy & Mobility, Connective Industries, Automotive Systems and Others.

(2) Basis of Presentation

As the Company meets the requirements of a "Specified Company applying Designated International Financial Reporting Standards" pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), the condensed quarterly consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting," as permitted by the provision of Article 93 of the Ordinance. They do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the financial statements and notes included in the Company's annual consolidated financial statements for the year ended March 31, 2023.

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

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

Judgments, estimates and assumptions that could have a material effect on these condensed quarterly consolidated financial statements are basically the same as those disclosed in the Company's annual consolidated financial statements for the year ended March 31, 2023.

(3) Material Accounting Policies

Material accounting policies adopted in preparation of the condensed quarterly consolidated financial statements are consistent with those used in the preparation of the Company's annual consolidated financial statements for the year ended March 31, 2023.

Income taxes for the nine months ended December 31, 2023 are computed using the estimated annual effective tax rate.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2023

(4) Segment Information

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

The Company discloses its business in five 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 Green Energy & Mobility and Connective Industries 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 the segment profit (loss) margin ratio of operating segments. The primary products and services included in each segment are as follows:

Digital Systems & Services:

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

Green Energy & Mobility:

Energy solutions (Power grids, Renewable energy, Nuclear), and Railway systems

Connective Industries:

Building systems (Elevators, Escalators), Smart life & ecofriendly systems (Home appliances, Air conditioners), Measurement and analytical systems (Semiconductor manufacturing equipment, Clinical analyzers), Industry & distribution solutions, Water & environment solutions, and Industrial machinery

Automotive Systems:

Powertrain, Chassis, Advanced driver assistance, and Motorcycle systems

Others:

Property management and others

Effective from April 1, 2023, a portion of the business previously included in the Green Energy & Mobility segment has been transferred to Business Management Reinforcement Division, and included in Others. Figures for the nine months ended December 31, 2022 have been restated on the basis of the reclassification.

In August 2022, the Company sold a certain number of shares of Hitachi Construction Machinery Co., Ltd. (Hitachi Construction Machinery). As a result, Hitachi Construction Machinery and its subsidiaries, which were included in the Hitachi Construction Machinery segment, became equity-method associates of the Company. In January 2023, the Company sold all shares of Hitachi Metals, Ltd. (currently Proterial, Ltd.). As a result, Hitachi Metals, Ltd. was deconsolidated. In October 2023, the Company sold a certain number of shares of Hitachi Astemo, Ltd. (Hitachi Astemo). As a result, Hitachi Astemo and its subsidiaries, which were included in the Automotive Systems segment, became equity-method associates of the Company.

Accordingly, the Hitachi Construction Machinery segment, the Hitachi Metals segment and the Automotive Systems segment ceased to be business segments, but the segment figures for the nine months ended December 31, 2023 and 2022 are disclosed individually to enhance fair disclosure.

The Company includes its share of profits (losses) of investments accounted for using the equity method of Hitachi Construction Machinery and its subsidiaries after the transfer of shares from the second quarter of the fiscal year ended March 31, 2023, and its share of profits (losses) of investments accounted for using the equity method of Hitachi Astemo and its subsidiaries after the transfer of shares from the third quarter of the fiscal year ended March 31, 2024, respectively, in Corporate items & Eliminations.

Notes to Condensed Quarterly Consolidated Financial Statements
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The following tables show business segment information for the nine months ended December 31, 2023 and 2022.

Millions of yen

	2023			
	Segment			
	Digital Systems & Services	Green Energy & Mobility	Connective Industries	Automotive Systems
Revenues				
Revenues from External Customers	1,704,088	2,081,752	2,064,586	1,160,008
Revenues from Intersegment Transactions	119,160	46,700	139,282	4,376
Total Revenues	1,823,248	2,128,452	2,203,868	1,164,384
Segment Profit (Loss)	222,071	126,971	224,409	50,694

Millions of yen

	2023					
	Segment				Corporate items & Eliminations	Total
	Hitachi Construction Machinery	Hitachi Metals	Others	Subtotal		
Revenues						
Revenues from External Customers	-	-	189,012	7,199,446	18,708	7,218,154
Revenues from Intersegment Transactions	-	-	179,074	488,592	(488,592)	-
Total Revenues	-	-	368,086	7,688,038	(469,884)	7,218,154
Segment Profit (Loss)	-	-	13,539	637,684	(5,457)	632,227

Millions of yen

	2022			
	Segment			
	Digital Systems & Services	Green Energy & Mobility	Connective Industries	Automotive Systems
Revenues				
Revenues from External Customers	1,555,957	1,667,924	2,023,418	1,373,442
Revenues from Intersegment Transactions	122,082	39,978	146,960	3,773
Total Revenues	1,678,039	1,707,902	2,170,378	1,377,215
Segment Profit (Loss)	188,321	101,511	227,407	39,868

Millions of yen

	2022					
	Segment				Corporate items & Eliminations	Total
	Hitachi Construction Machinery	Hitachi Metals	Others	Subtotal		
Revenues						
Revenues from External Customers	474,168	825,588	178,123	8,098,620	10,176	8,108,796
Revenues from Intersegment Transactions	946	22,138	170,622	506,499	(506,499)	-
Total Revenues	475,114	847,726	348,745	8,605,119	(496,323)	8,108,796
Segment Profit (Loss)	43,226	43,054	(42)	643,345	(19,112)	624,233

Segment profit (loss) is measured by Adjusted EBITA. Adjusted EBITA is defined as Adjusted Earnings before Interest, Taxes and Amortization. Adjusted EBITA represents profit (loss) calculated by deducting selling, general and administrative expenses from gross profit, adding back amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting share of profits (losses) of investments accounted for using the equity method.

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 share of profits (losses) of investments accounted for using the equity method, and others.

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Adjustments to income before income taxes from segment profit (loss) are as follows.

Millions of yen

	2023	2022
Segment Profit (Loss)	632,227	624,233
Amortization of Intangible assets, etc. recognized upon business combinations	(63,895)	(62,718)
Other income	119,775	71,658
Other expenses	(55,410)	(152,309)
Financial income	41,899	9,915
Financial expenses	(7,570)	(16,260)
EBIT (Earnings before interest and taxes)	667,026	474,519
Interest income	29,987	17,637
Interest charges	(54,906)	(35,337)
Income before income taxes	642,107	456,819

Notes to Condensed Quarterly Consolidated Financial Statements
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(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures for the nine months ended December 31, 2023, including the period up to the approval date of the condensed quarterly consolidated financial statements.

(a) Sale of shares of Hitachi Astemo, Ltd. (hereinafter “Hitachi Astemo”)

On March 30, 2023, the Company entered into the following two agreements regarding the transfer of a part of the shares of Hitachi Astemo, a consolidated subsidiary of the Company in the Automotive Systems segment, 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 stocks 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 stocks 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 stocks to Honda

On October 16, 2023, the series of transactions was completed. The Company’s consideration was 157,807 million yen.

As a result of the series of transactions, the Company’s ownership ratio of shares of Hitachi Astemo decreased from 66.6% to 40%, and Hitachi Astemo turned into an equity-method associate of the Company.

A gain on the sale of Hitachi Astemo shares in the amount of 121,642 million yen was recognized in Other income in the condensed quarterly consolidated statement of profit or loss for the nine months ended December 31, 2023. The gain of 121,642 million yen included a gain of 77,792 million yen recognized due to fair value revaluation of the remaining Hitachi Astemo shares.

Furthermore, changes in non-controlling interests in the condensed quarterly consolidated statement of changes in equity include derecognition of non-controlling interest in Hitachi Astemo as a result of its deconsolidation.

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The following table shows the assets, liabilities, and equity of Hitachi Astemo as of March 31, 2023.

	<u>Millions of yen</u>
Cash and cash equivalents	138,491
Trade receivables and contract assets	341,914
Inventories	284,449
Investments in securities and other financial assets	39,757
Other current assets	23,301
Total current assets	827,912
Investments accounted for using the equity method	11,406
Investments in securities and other financial assets	12,196
Property, plant and equipment	555,360
Goodwill	86,480
Other intangible assets	125,397
Other non-current assets	68,325
Total non-current assets	859,164
Total assets	1,687,076
Short-term debt	186,002
Current portion of long-term debt	28,547
Other financial liabilities	38,796
Trade payables	267,933
Accrued expenses	111,110
Contract liabilities	676
Other current liabilities	30,900
Total current liabilities	663,964
Long-term debt	279,680
Retirement and severance benefits	31,045
Other non-current liabilities	14,249
Total non-current liabilities	324,974
Total liabilities	988,938
Total Hitachi, Ltd. stockholders' equity	437,640
Non-controlling interests	260,498
Total equity	698,138
Total liabilities and equity	1,687,076

The table above included intercompany liabilities as follows.

	March 31, 2023
Short-term debt	181,165
Accrued expenses	12,154
Long-term debt	43,178

The following are the main Business Acquisitions and Divestitures for the nine months ended December 31, 2022.

(a) Additional acquisition of shares of Hitachi Energy Ltd (hereinafter "Hitachi Energy")

On September 30, 2022, the Company signed an agreement with ABB Ltd (hereinafter "ABB") to acquire 19.9% of the shares of Hitachi Energy, a consolidated subsidiary of the Company in the Green Energy & Mobility segment, owned by ABB by exercising call options, owned by the Company.

As a result of additional acquisition of shares on December 28, 2022, the Company's ownership ratio of shares of Hitachi Energy increased from 80.1% to 100% and Hitachi Energy has become a wholly owned subsidiary of the Company. The consideration was 1,679 million U.S. dollars (243,200 million yen).

The Company derecognized the non-controlling interests and recognized the difference between the consideration and non-controlling interest in capital surplus.

Notes to Condensed Quarterly Consolidated Financial Statements
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(b) Sale of shares of Hitachi Construction Machinery Co., Ltd. (hereinafter “Hitachi Construction Machinery”)

On January 14, 2022, the Company entered into an agreement regarding the transfer of a part of the shares of Hitachi Construction Machinery, a consolidated subsidiary of the Company in the Hitachi Construction Machinery segment, with HCJI Holdings G.K., a special purpose company which is jointly invested by HCJ Holdings Ltd., a special purpose company wholly owned by a fund that Japan Industrial Partners, Inc. manages, operates, and provides information, and Citrus Investment LLC, a special purpose company wholly owned by ITOCHU Corporation. In accordance with this agreement, a certain number of shares of Hitachi Construction Machinery common stocks owned by the Company were transferred to HCJI Holdings G.K., on August 23, 2022.

As a result of this transfer of shares, the Company’s ownership ratio of shares of Hitachi Construction Machinery decreased from 51.4% to 25.4%, and Hitachi Construction Machinery turned into an equity-method associate of the Company. The Company’s consideration was 182,457 million yen.

A gain on the sale of Hitachi Construction Machinery shares in the amount of 39,211 million yen was recognized in Other income in the condensed quarterly consolidated statement of profit or loss for the nine months ended December 31, 2022.

Furthermore, changes in non-controlling interests in the condensed quarterly consolidated statement of changes in equity include derecognition of non-controlling interest in Hitachi Construction Machinery as a result of its deconsolidation.

The following table shows the assets, liabilities, and equity of Hitachi Construction Machinery as of March 31, 2022.

	Millions of yen
Cash and cash equivalents	87,583
Trade receivables and contract assets	237,792
Inventories	368,267
Investments in securities and other financial assets	62,193
Other current assets	8,421
Total current assets	764,256
Investments accounted for using the equity method	26,662
Investments in securities and other financial assets	63,197
Property, plant and equipment	442,904
Goodwill	55,367
Other intangible assets	58,967
Other non-current assets	29,321
Total non-current assets	676,418
Total assets	1,440,674
Short-term debt	103,320
Current portion of long-term debt	81,731
Other financial liabilities	51,239
Trade payables	144,531
Accrued expenses	37,965
Contract liabilities	9,967
Other current liabilities	24,893
Total current liabilities	453,646
Long-term debt	229,487
Retirement and severance benefits	17,622
Other non-current liabilities	50,607
Total non-current liabilities	297,716
Total liabilities	751,362
Total Hitachi, Ltd. stockholders’ equity	318,069
Non-controlling interests	371,243
Total equity	689,312
Total liabilities and equity	1,440,674

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The following is a material Business Acquisition other than the above.

(a) Acquisition of Thales' ground transportation systems business

On August 3, 2021, Hitachi Rail Ltd. (hereinafter "Hitachi Rail"), a consolidated subsidiary of the Company in the Green Energy & Mobility segment, signed an agreement with Thales S.A. (hereinafter "Thales") to acquire the ground transportation systems business in order to expand the rail signaling systems business globally. Based on the agreement, Hitachi Rail will acquire Thales' ground transportation systems business which will be carved out from Thales. The transaction is subject to the usual conditions including regulatory and antitrust clearances and is expected to be completed by the first half of 2024. Hitachi Rail agreed on an enterprise value of 1,660 million euro (approximately 260.8 billion yen) and the final purchase price will be determined after certain adjustments. The effects of this transaction on the Company's consolidated financial statements are currently being evaluated.

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(6) Trade Receivables and Contract Assets

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

	Millions of yen	
	December 31, 2023	March 31, 2023
Accounts receivable	1,666,712	1,972,168
Contract assets	973,859	804,500
Others	80,235	98,319
Total	2,720,806	2,874,987

Trade receivables and contract assets are stated as net of the allowance for doubtful receivables.

Others include electronically recorded monetary claims and notes receivable.

(7) Fair Value of Financial Instruments

(a) Fair Value Measurements

The following methods and assumptions are used to measure the fair value of financial assets and liabilities.

Cash and cash equivalents, Trade receivables, Short-term loans receivable, Other accounts receivable, Short-term debt, Other accounts payable and Trade payables

The carrying amount approximates the fair value because of the short maturity of these instruments.

Investments in securities and other financial assets

The fair value of lease receivables is based on the present value of lease payments receivable calculated for each group of years to maturity using discount rates that reflect the time to maturity and credit risk.

Investment securities with quoted market prices are estimated using the quoted share prices. In the absence of an active market for investment securities, quoted prices for similar investment securities, quoted prices associated with transactions that are not distressed for identical or similar investment securities or other relevant information including market interest rate curves, referenced credit spreads or default rates, are used to determine fair value. If significant inputs of fair value measurement are unobservable, the Company uses price information provided by financial institutions to evaluate such investments. The information provided is corroborated by the income approach using its own valuation model, or the market approach using comparisons with prices of similar securities.

The fair value of long-term loans receivable is estimated based on the present value of future cash flows using the interest rate applicable to an additional loan of the same type.

Derivative assets are measured at fair value based on quoted prices associated with transactions that are not distressed, prices in inactive markets, or based on models using interest rate curves and forward and spot prices for currencies and commodities. If significant inputs are unobservable, the Company mainly uses the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.

Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using the market interest rates applicable to the same contractual terms.

Other financial liabilities

Derivative liabilities are measured at fair value based on quoted prices associated with transactions that are not distressed, prices in inactive markets, or based on models using interest rate curves and forward and spot prices for currencies and commodities. If significant inputs are unobservable, the Company uses mainly the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.

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(b) Financial Instruments Measured at Amortized Cost

The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of December 31 and March 31, 2023 are as follows.

The fair value estimated for financial assets and liabilities measured at amortized cost is classified in Level 2 of the fair value hierarchy.

Millions of yen

	December 31, 2023		March 31, 2023	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
<u>Assets</u>				
Investments in securities and other financial assets				
Lease receivables	24,888	25,826	22,858	22,858
Debt securities	47,345	47,035	46,729	46,729
Long-term loans receivable	964	964	385	385
<u>Liabilities</u>				
Long-term debt [1]				
Bonds	220,000	218,804	160,000	159,250
Long-term borrowings	794,254	792,566	1,022,994	1,022,130

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

(c) Financial Instruments Measured at Fair Value

Financial instruments measured at fair value on a recurring basis after the initial recognition are classified into three levels of the fair value hierarchy based on the measurement inputs' observability as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2: Valuations measured by direct or indirect observable inputs other than Level 1
- Level 3: Valuations measured by significant unobservable inputs

When several inputs are used for a fair value measurement, the level is determined based on the input that is significant with the lowest level in the fair value measurement as a whole.

Transfers between levels are deemed at the beginning of each quarter period.

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The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of December 31 and March 31, 2023.

December 31, 2023	Millions of yen			
Class of financial instruments	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:				
Investments in securities and other financial assets				
Equity securities	290	-	36,137	36,427
Debt securities	9,670	4,998	2,924	17,592
Derivatives	-	124,530	2,095	126,625
Financial assets measured at fair value through other comprehensive income:				
Investments in securities and other financial assets				
Equity securities	214,702	-	102,971	317,673
Total financial assets at fair value	224,662	129,528	144,127	498,317
Financial liabilities measured at fair value through profit or loss:				
Other financial liabilities				
Derivatives	-	75,084	-	75,084
Total financial liabilities at fair value	-	75,084	-	75,084

March 31, 2023	Millions of yen			
Class of financial instruments	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:				
Investments in securities and other financial assets				
Equity securities	335	-	28,352	28,687
Debt securities	8,684	4,145	4,959	17,788
Derivatives	-	78,327	-	78,327
Financial assets measured at fair value through other comprehensive income:				
Investments in securities and other financial assets				
Equity securities	234,175	-	104,445	338,620
Total financial assets at fair value	243,194	82,472	137,756	463,422
Financial liabilities measured at fair value through profit or loss:				
Other financial liabilities				
Derivatives	-	49,385	-	49,385
Total financial liabilities at fair value	-	49,385	-	49,385

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The following tables present the changes in Level 3 instruments measured on a recurring basis for the nine months ended December 31, 2023 and 2022.

December 31, 2023				Millions of yen
Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	132,797	4,959	-	137,756
Gain (loss) in profit or loss [1]	1,978	(40)	-	1,938
Gain in OCI [2]	3,247	-	-	3,247
Purchases	7,558	39	2,095	9,692
Sales and redemption	(7,730)	(733)	-	(8,463)
Acquisitions and divestitures	(2,170)	(14)	-	(2,184)
Other	3,428	(1,287)	-	2,141
Balance at end of period	139,108	2,924	2,095	144,127
Unrealized gain relating to financial assets held at end of period [4]	1,946	-	-	1,946

December 31, 2022				Millions of yen
Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	123,632	5,686	-	129,318
Gain in profit or loss [1]	2,803	94	-	2,897
Loss in OCI [2]	(12,112)	-	-	(12,112)
Purchases	20,407	514	-	20,921
Sales and redemption	(1,102)	(506)	-	(1,608)
Acquisitions and divestitures	(8,175)	(547)	-	(8,722)
Other [3]	(2,862)	(292)	-	(3,154)
Balance at end of period	122,591	4,949	-	127,540
Unrealized gain relating to financial assets held at end of period [4]	2,792	94	-	2,886

[1] Gain (loss) in profit or loss related to Financial assets measured at fair value through profit or loss is included in Financial income and Financial expenses in the condensed quarterly consolidated statement of profit or loss.

[2] Gain (loss) in OCI related to Financial assets measured at fair value through other comprehensive income is included in Net changes in financial assets measured at fair value through OCI in the condensed quarterly consolidated statement of comprehensive income.

[3] The amount of Hitachi Metals' assets reclassified to Assets held for sale is included in Other.

[4] Unrealized gain relating to Financial assets measured at fair value through profit or loss held at the end of period is included in Financial income in the condensed quarterly consolidated statement of profit or loss.

Fair values are measured by the finance departments in accordance with the Company's policies and procedures. Valuation models are determined so that they reflect each financial instrument's nature, characteristics and risks most appropriately. The finance departments continually examine changes in important inputs that could affect the fair value. In case the fair value of a financial instrument was significantly impaired, administrators review and approve the impairment loss.

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(8) Employee Benefits

(Revision of defined benefit pension plan)

The following is the main revision of defined benefit pension plan for the nine months ended December 31, 2022.

Since the Company and a consolidated subsidiary of the Company introduced a risk-sharing corporate pension plan on April 1, 2019, for current employees participating in the defined benefit pension plan managed by the Hitachi Pension Fund, the same has been promoted to the other subsidiaries that participate in pension plan managed by the Hitachi Pension Fund. On April 1, 2022, newly 43 subsidiaries have changed their pension plans for current employees from defined benefit pension plan to risk-sharing corporate pension plan, and now the revision of Hitachi group pension plan managed by the Hitachi Pension Fund has been almost completed.

Under this plan, a risk reserve contribution is determined in advance in accordance with the rules governing the plan, and the pension benefits are adjusted annually based on the financial position of the plan to maintain balanced finance.

In terms of the corresponding accounting treatment for retirement benefits, risk-sharing corporate pension plans, for which an entity accepts contribution obligations to the extent stipulated in the rules but has no further obligations to make any additional contributions, are classified as defined contribution plans. Since the risk-sharing corporate pension plans, which subsidiaries introduced on April 1, 2022, impose 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, 51,185 million yen, was recognized as a settlement loss in Other expenses in the condensed quarterly consolidated statement of profit or loss for the nine months ended December 31, 2022. And in the condensed quarterly consolidated statement of financial position for the nine months ended December 31, 2022, Other non-current assets decreased by 49,334 million yen, and Retirement and severance benefits increased by 1,851 million yen, respectively. Excluding the settlement loss in above, the impacts of changing pension plans on profit or loss for the fiscal year ended March 31, 2023 were not material.

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(9) Dividends

Dividends paid on the Company's common stock for the nine months ended December 31, 2023 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 12, 2023	70,317	Retained earnings	75.0	March 31, 2023	June 2, 2023
The Board of Directors on October 27, 2023	74,144	Retained earnings	80.0	September 30, 2023	November 27, 2023

Dividends paid on the Company's common stock for the nine months ended December 31, 2022 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 13, 2022	62,870	Retained earnings	65.0	March 31, 2022	June 2, 2022
The Board of Directors on October 28, 2022	66,277	Retained earnings	70.0	September 30, 2022	November 29, 2022

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(10) Revenues

(a) Disaggregation of revenue

The Company derives revenues primarily from contracts with customers.

The disaggregation of revenue attributable to each reportable segment and geographic area for the nine months ended December 31, 2023 and 2022 are as follows.

Effective from April 1, 2023, the Company reclassified its reportable segments. Accordingly, figures for the nine months ended December 31, 2022 have been restated on the basis of the reclassification. Details of the reclassification are described in note 4.

Millions of yen

2023							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
Digital Systems & Services	1,183,037	168,706	253,518	176,478	41,509	640,211	1,823,248
Green Energy & Mobility	254,659	337,954	464,212	729,636	341,991	1,873,793	2,128,452
Connective Industries	1,040,787	799,107	193,711	143,761	26,502	1,163,081	2,203,868
Automotive Systems	273,069	395,538	305,639	100,803	89,335	891,315	1,164,384
Hitachi Construction Machinery	-	-	-	-	-	-	-
Hitachi Metals	-	-	-	-	-	-	-
Others	307,227	45,693	5,310	7,500	2,356	60,859	368,086
Subtotal	3,058,779	1,746,998	1,222,390	1,158,178	501,693	4,629,259	7,688,038
Corporate items & Eliminations	(431,592)	(23,771)	(4,520)	(7,316)	(2,685)	(38,292)	(469,884)
Total	2,627,187	1,723,227	1,217,870	1,150,862	499,008	4,590,967	7,218,154

Millions of yen

2022							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
Digital Systems & Services	1,055,289	180,415	241,082	162,641	38,612	622,750	1,678,039
Green Energy & Mobility	244,393	307,851	324,179	590,459	241,020	1,463,509	1,707,902
Connective Industries	996,722	799,236	196,427	150,350	27,643	1,173,656	2,170,378
Automotive Systems	340,883	526,279	315,487	110,571	83,995	1,036,332	1,377,215
Hitachi Construction Machinery	80,640	83,040	94,671	80,460	136,303	394,474	475,114
Hitachi Metals	323,193	181,280	283,606	41,547	18,100	524,533	847,726
Others	291,725	43,325	4,612	6,314	2,769	57,020	348,745
Subtotal	3,332,845	2,121,426	1,460,064	1,142,342	548,442	5,272,274	8,605,119
Corporate items & Eliminations	(459,668)	(28,446)	(1,747)	(6,040)	(422)	(36,655)	(496,323)
Total	2,873,177	2,092,980	1,458,317	1,136,302	548,020	5,235,619	8,108,796

The Digital Systems & Services segment consists of Front Business, IT Services, and Services & Platforms, for which revenue amounted to 745,025 million yen, 686,485 million yen and 722,436 million yen for the nine months ended December 31, 2023 and 665,453 million yen, 621,906 million yen and 697,681 million yen for the nine months ended December 31, 2022, respectively (including intersegment transactions). Front Business and IT Services are operated mainly in Japan, and Services

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& Platforms is operated mainly in Japan, North America and Europe.

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 nine months ended December 31, 2023 and 2022, the amount of revenue recognized based on the pattern of the cost accrual arising from long-term projects was 1,567,034 million yen and 1,240,892 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.

(Digital Systems & Services)

Front Business and IT Services primarily provide goods and services such as system integration, consulting and cloud service. Services & Platforms primarily provides IT products and software.

These long-term projects in system integration, consulting and cloud service businesses 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.

In IT products and software businesses, 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. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

(Green Energy & Mobility and Connective Industries)

The Green Energy & Mobility segment includes revenue from businesses such as energy solutions and railway systems. The energy solutions business is operated mainly in Asia, North America, and Europe. The railway systems business is operated mainly in Europe. The Connective Industries segment includes revenue from businesses such as building systems, smart life & ecofriendly systems, measurement and analytical systems, and industry & distribution solutions. The building systems business is operated mainly in China, the smart life & ecofriendly systems business is operated mainly in Japan, the measurement and analytical systems business is operated mainly in Japan, Asia, North America, and Europe, and the industry & distribution solutions business is operated mainly in Japan.

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 elevators, home appliances, measurement and analytical systems, industrial equipment, etc. included in the Connective Industries 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. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

(Automotive Systems)

In the Automotive Systems segment, 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. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

Notes to Condensed Quarterly Consolidated Financial Statements
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(11) Other Income and Expenses

The main components of other income and expenses for the nine months ended December 31, 2023 and 2022 are as follows:

	Millions of yen	
	2023	2022
Net gain (loss) on sales and disposals of fixed assets	20,873	5,204
Impairment losses	(7,879)	(67,290)
Net gain (loss) on business reorganization and others	96,601	64,980
Special termination benefits	(5,233)	(3,901)

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

Restructuring charges (structural reform expenses) included in Other expenses for the nine months ended December 31, 2023 and 2022 were 13,112 million yen and 71,191 million yen, respectively. Restructuring charges (structural reform expenses) include impairment losses and special termination benefits. Impairment losses for the nine months ended December 31 2022 include 38,446 million yen in the Green Energy & Mobility segment, mainly consisting of 38,394 million yen in impairment losses on goodwill in the power grids business due to the rise in discount rate following the significant rise in interest rates, etc. In addition, the settlement loss of 51,185 million yen recognized for the nine months ended December 31, 2022 due to the change to the risk-sharing corporate pension plan introduced by subsidiaries on April 1, 2022, is included in Other expenses for the nine months ended December 31, 2022. Details of this transaction are described in note 8.

(12) Financial Income and Expenses

The main components of financial income and expenses for the nine months ended December 31, 2023 and 2022 are as follows:

	Millions of yen	
	2023	2022
Dividends received	4,012	7,791
Exchange gain (loss)	36,732	(9,388)

Dividends received for the nine months ended December 31, 2023 and 2022 are from financial assets measured at fair value through other comprehensive income.

Notes to Condensed Quarterly Consolidated Financial Statements
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(13) Earnings Per Share (EPS) Information

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the nine months ended December 31, 2023 and 2022 are as follows:

Nine months ended December 31

	Number of shares	
	2023	2022
Weighted average number of shares on which basic EPS is calculated	930,695,736	951,926,474
Effect of dilutive securities		
Stock options	387,620	417,340
Restricted stock	648,446	560,466
Restricted stock units	27,739	35,727
Number of shares on which diluted EPS is calculated	931,759,541	952,940,007

	Millions of yen	
	2023	2022
Net income attributable to Hitachi, Ltd. stockholders		
Basic	445,092	292,232
Effect of dilutive securities	-	-
Diluted	445,092	292,232

	Yen	
	2023	2022
EPS attributable to Hitachi, Ltd. stockholders		
Basic	478.24	306.99
Diluted	477.69	306.66

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The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the three months ended December 31, 2023 and 2022 are as follows:

Three months ended December 31

	Number of shares	
	2023	2022
Weighted average number of shares on which basic EPS is calculated	926,274,565	939,139,584
Effect of dilutive securities		
Stock options	387,620	417,340
Restricted stock	655,410	525,766
Restricted stock units	32,198	24,216
Number of shares on which diluted EPS is calculated	927,349,793	940,106,906

	Millions of yen	
	2023	2022
Net income attributable to Hitachi, Ltd. stockholders		
Basic	235,989	119,717
Effect of dilutive securities	-	-
Diluted	235,989	119,717

	Yen	
	2023	2022
EPS attributable to Hitachi, Ltd. stockholders		
Basic	254.77	127.48
Diluted	254.48	127.34

Notes to Condensed Quarterly Consolidated Financial Statements
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(14) Contingencies

Litigation

In November 2017, a subsidiary in Japan received a complaint that was filed against three companies, namely a construction company of a condominium complex, the subsidiary and a secondary subcontractor, by a contractee in Japan seeking approximately 45.9 billion yen in compensation for expenses allegedly incurred arising from concerns over partial deficiencies of piling work during the construction phases of the condominium complex, which the subsidiary contracted as the primary subcontractor. The compensation claim against these three companies was amended to approximately 51.0 billion yen in July 2018 and to approximately 50.5 billion yen in September 2022 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 (41,330 million yen) and interest allegedly incurred by performance defects of a power plant. As of December 31, 2023, the amount of compensation claimed by the customer was changed to 270 million euro (42,428 million yen). Although the subsidiary in Europe will vigorously defend itself against this lawsuit, there can be no assurance that it will not be held liable for any amounts claimed.

The Company and its subsidiaries execute a number of business reorganizations, including mergers, acquisitions and divestitures. Contracts for these reorganizations include clauses for transaction price adjustments subsequent to the reorganizations. There is a possibility products or services provided by the Company and its subsidiaries contain defects. As the result of price adjustments, or in compensation for defects in products or services etc. there is a possibility that the Company pays for any amounts.

Depending upon the outcome of the above legal proceedings, there may be an adverse effect on the consolidated financial position or results of operations. Currently, the Company is unable to estimate the adverse effect, if any, of many of these proceedings. The actual amount of fines, surcharge payments or any other payments resulting from these legal proceedings may be different from the accrued amounts.

In addition to the above, the Company and its subsidiaries are subject to legal proceedings and claims which have arisen in the ordinary course of business and have not been finally adjudicated. These actions when ultimately concluded and determined will not, in the opinion of management, have a material adverse effect on the condensed quarterly consolidated financial statements of the Company and subsidiaries.

(15) Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements were approved on February 9, 2024 by Keiji Kojima, President and CEO of the Company.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	February 9, 2024
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Keiji Kojima, President & CEO
[Title and Name of CFO]	Yoshihiko Kawamura, Executive Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

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

Mr. Keiji Kojima, President & CEO, and Mr. Yoshihiko Kawamura, Executive Vice President and Executive Officer, confirmed that statements contained in the Quarterly Report for the third quarter of the 155th fiscal year (from October 1, 2023 to December 31, 2023) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.