

[Translation]

Quarterly Report

(The Third Quarter of 153rd Business Term)

From October 1, 2021 to December 31, 2021

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, 2020	Nine months ended December 31, 2021	Year ended March 31, 2021
Revenues	5,979,000 [2,218,943]	7,346,665 [2,514,000]	8,729,196
Income from continuing operations, before income taxes	498,959	593,256	844,443
Net income attributable to Hitachi, Ltd. stockholders	307,878 [57,123]	450,785 [128,341]	501,613
Comprehensive income attributable to Hitachi, Ltd. stockholders	359,131	556,799	838,237
Total Hitachi, Ltd. stockholders' equity	2,928,327	3,950,153	3,525,502
Total equity	3,646,915	4,901,382	4,458,232
Total assets	10,941,428	13,423,876	11,852,853
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	318.73 [59.13]	466.47 [132.80]	519.29
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	318.33	465.86	518.51
Total Hitachi, Ltd. stockholders' equity ratio (%)	26.8	29.4	29.7
Net cash provided by operating activities	426,400	257,156	793,128
Net cash used in investing activities	(766,075)	(1,027,728)	(458,840)
Net cash provided by financing activities	435,173	710,132	(184,838)
Cash and cash equivalents at end of period	917,238	990,202	1,015,886

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

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

3. The figures of "Revenues," "Net income 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, 2020 and 2021, respectively.

2. Description of Business

There were no material changes in principal businesses of Hitachi during the nine months ended December 31, 2021. The Hitachi Group is comprised of the Company, 865 consolidated subsidiaries, and 290 equity-method associates and joint-ventures.

Changes in Business Unit (BU) of the Company and principal affiliated companies during the nine months ended December 31, 2021 were as follows.

(As of December 31, 2021)

Main products and services	BU and principal affiliated companies	
	BU	Affiliated companies
<u>IT</u>		[Consolidated subsidiaries] (Change in company name) (Note 1) Hitachi Channel Solutions Corp. (New) (Note 2) GlobalLogic Worldwide Holdings, Inc. (Change in company name) (Note 3) Hitachi Global Digital Holdings LLC
<u>Energy</u>	(New) (Note 4) Power Grid BU	[Consolidated subsidiaries] (Change in company name) (Note 5) Hitachi Energy Ltd
<u>Smart Life</u>		[Equity-method associates] (Change by reorganization and Change in company name) (Note 6) Arcelik Hitachi Home Appliances B.V. Arcelik Hitachi Home Appliances (Thailand) Ltd.
<u>Automotive Systems</u> (Reclassification of segment) (Note 7) Automotive Systems (Powertrain, Chassis, Advanced Driver Assistance, Motorcycle)		[Consolidated subsidiaries] (Reclassification of segment) (Note 7) Hitachi Astemo, Ltd. Hitachi Astemo Americas, Inc.

- (Notes)
1. Hitachi-Omron Terminal Solutions, Corp. changed its name to Hitachi Channel Solutions Corp. on July 1, 2021.
 2. GlobalLogic Worldwide Holdings, LLC. has become a consolidated subsidiary of the Company on July 13, 2021 as Hitachi Global Digital Holdings LLC, a consolidated subsidiary of the Company, acquired 100% of the outstanding shares of GlobalLogic Worldwide Holdings, LLC.
 3. Hitachi Global Digital Holdings Corporation changed its name to Hitachi Global Digital Holdings LLC on April 1, 2021.
 4. Power Grid BU was newly established on April 1, 2021.
 5. Hitachi ABB Power Grids Ltd changed its name to Hitachi Energy Ltd on June 30, 2021.
 6. Arcelik Hitachi Home Appliance B.V. has become an equity-method associate of the Company as the company took over Hitachi Group's home appliances business outside Japan and started its business on July 1, 2021. In this process, Hitachi Consumer Products (Thailand), Ltd., which was a major subsidiary of the Company, has become an equity-method associate of the Company and changed its name to Arcelik Hitachi Home Appliance (Thailand) Ltd. as Arcelik Hitachi Home Appliance B.V. inherited the shares of Hitachi Consumer Products (Thailand), Ltd.
 7. Hitachi Astemo, Ltd., Hitachi Astemo Americas, Inc. and their main products and services, Automotive Systems, were spun off from the Smart Life segment to the Automotive Systems segment newly established on April 1, 2021.
 8. In addition to the table above, Hitachi Capital Corporation, which was a major equity-method associate of the Company, merged with Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.) and ceased to be an equity-method affiliate of the Company on April 1, 2021.

II. Business Overview

1. Risk Factors

There were no new risk factors recognized during the nine months ended December 31, 2021.

There were no material changes in the risk factors stated in the Annual Securities Report for the 152nd business term pursuant to the Financial Instruments and Exchange Act of Japan.

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

(1) Analysis of Results of Operations

Results of Operations

The results of operations in the nine months ended December 31, 2021 were as follows.

Revenues increased 23% to 7,346.6 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the recovery of market conditions worsened by the impact of COVID-19 (the new coronavirus infection) and the impact of foreign exchange, as well as increased in revenues resulting from the acquisition of the power grid business from ABB Ltd, the management integration related to Hitachi Astemo, Ltd. (the management integration among Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation and Nissin Kogyo Co., Ltd), and the acquisition of GlobalLogic Inc. ("GlobalLogic").

Cost of sales increased 24% to 5,532.2 billion yen and the ratio of cost of sales to revenues increased 1% to 75%, as compared with the nine months ended December 31, 2020, respectively. Gross profit increased 19% to 1,814.4 billion yen, as compared with the nine months ended December 31, 2020.

Selling, general and administrative expenses ("SG&A") increased 10% to 1,329.9 billion yen and the ratio of SG&A to revenues decreased 2% to 18%, as compared with the nine months ended December 31, 2020, respectively.

Adjusted operating income (presented as revenues less cost of sales as well as SG&A) increased 167.5 billion yen to 484.4 billion yen, as compared with the nine months ended December 31, 2020.

Other income decreased 191.1 billion yen to 100.3 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the gains on business reorganization and others posted in the nine months ended December 31, 2020 by selling shares of Hitachi Chemical Company, Ltd. The decrease was partially offset by the gains on business reorganization and others posted by selling a part of shares of Arcelik Hitachi Home Appliances B.V. Other expenses decreased 80.2 billion yen to 31.1 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the impairment losses posted on property in the Automotive Systems business and the impairment losses that had been caused by the declining profitability of the Magnetic Materials business in Hitachi Metals in the nine months ended December 31, 2020.

Financial income (excluding interest income) increased 11.5 billion yen to 14.9 billion yen and financial expenses (excluding interest charges) decreased 3.7 billion yen to 0.5 billion yen, as compared with the nine months ended December 31, 2020, respectively. The main reason for these changes are posting the exchange gain owing to the depreciation of the yen in each country as compared with the loss posted in the nine months ended December 31, 2020.

Share of profits of investments accounted for using the equity method increased 25.9 billion yen to profit of 33.3 billion yen, as compared with the nine months ended December 31, 2020.

EBIT (earnings before interest and taxes, which is presented as income from continuing operations, before income taxes less interest income plus interest charges) increased 97.8 billion yen to 601.4 billion yen, as compared with the nine months ended December 31, 2020.

Interest income decreased 1.0 billion yen to 11.3 billion yen and interest charges increased 2.5 billion yen to 19.5 billion yen, as compared with the nine months ended December 31, 2020, respectively.

Income from continuing operations, before income taxes increased 94.2 billion yen to 593.2 billion yen, as compared with the nine months ended December 31, 2020.

Income taxes decreased 103.1 billion yen to 81.0 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the impact of taxes associated with business reorganizations.

Net income increased 198.1 billion to 512.2 billion yen, as compared with the nine months ended December 31, 2020.

Net income attributable to non-controlling interests increased 55.2 billion yen to 61.4 billion yen, as compared with the nine months ended December 31, 2020.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased 142.9 billion yen to 450.7 billion yen, as compared with the nine months ended December 31, 2020.

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, 2021, the automotive systems business, which is composed of Hitachi Astemo, Ltd. and its affiliated companies, was spun off from the Smart Life segment as the Automotive Systems segment. Accordingly, the amounts previously reported for the six months ended September 30, 2020 have been restated in conformity with the new segments.

(IT)

Revenues increased 4% to 1,495.4 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the growth of Lumada business including increased revenues by the acquisition of GlobalLogic

Adjusted operating income decreased 3.2 billion yen to 170.6 billion yen, as compared with the nine months ended December 31, 2020, despite increased revenues. The decrease was due mainly to the effect of semiconductor shortage and posting amortization of intangible assets and the one-time cost related to acquisition of GlobalLogic.

EBIT increased 0.8 billion yen to 162.6 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the impairment losses on property posted in the nine months ended December 31, 2020, despite decreased adjusted operating income.

(Energy)

Revenues increased 37% to 1,036.3 billion yen, as compared with the nine months ended December 31, 2020, due mainly to increased revenues by the acquisition of the power grid business from ABB Ltd. The increase was partially offset by decreased revenues due to the workload change in nuclear energy business and the strategy change of wind power generation system business.

Adjusted operating income improved 15.6 billion yen to 6.9 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the acquisition of the power grid business from ABB Ltd and cost reduction. The increase was partially offset by posting amortization of intangible assets and business reorganization expenses owing to the acquisition.

EBIT improved 30.9 billion yen to net loss of 20.4 billion yen as compared with the nine months ended December 31, 2020, due mainly to increased adjusted operating income.

(Industry)

Revenues increased 10% to 606.1 billion yen, as compared with the nine months ended December 31, 2020, due mainly to higher sales at JR Technology Group, LLC in industry and distribution business resulting from the recovery of market conditions, air conditioning system business in water and environment business, and industrial products business.

Adjusted operating income increased 29.6 billion yen to 53.6 billion yen, as compared with the nine months ended December 31, 2020, due mainly to increased revenues, as well as improved profitability of digital solution business in industry and distribution business.

EBIT increased 28.6 billion yen to 54.6 billion yen as compared with the nine months ended December 31, 2020, due mainly to increased adjusted operating income.

(Mobility)

Revenues increased 25% to 1,077.7 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the expansion of business for China in the building systems business and the increase of workload in the railway systems business as well as the impact of foreign exchange.

Adjusted operating income increased 5.3 billion yen to 64.7 billion yen, as compared with the nine months ended December 31, 2020, due mainly to increased revenues despite the impact of soaring material prices in the building systems business.

EBIT increased 19.9 billion yen to 90.1 billion yen, as compared with the nine months ended December 31, 2020, due mainly to increased adjusted operating income as well as the gains by selling a part of shares of Agility Trains East (Holdings) Limited stock.

(Smart Life)

Revenues decreased 17% to 743.3 billion yen, as compared with the nine months ended December 31, 2020, due mainly to decreased revenues by the sale of diagnostic imaging-related business and the sale of a part of the overseas home appliance business as well as withdrawal in a part of industrial solution business in Hitachi High-Tech Corporation.

Adjusted operating income decreased 10.8 billion yen to 51.9 billion yen, as compared with the nine months ended December 31, 2020, due mainly to decreased revenues as well as product mix difference and the increase in strategic investments in a part of nano-technology solution business in Hitachi High-Tech Corporation.

EBIT increased ¥46.7 billion yen to 110.0 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the gains on business reorganization and others posted by selling a part of shares of Arcelik Hitachi Home Appliances B.V., despite decreased adjusted operating income.

(Automotive Systems)

Revenues increased 104% to 1151.3 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the management integration related to Hitachi Astemo, Ltd. and improvement of capacity utilization rate which was deteriorated in the nine months ended December 31, 2020 by the spread of COVID-19. The increase was partially offset by reduced production by automobile manufacturers due to semiconductor shortage and reduced component supply due to the lockdown in India owing to the spread of COVID-19.

Adjusted operating income improved 34.6 billion yen to 34.5 billion yen, as compared with the nine months ended December 31, 2020, due mainly to increased revenues. The increase was partially offset by reduced production by automobile manufacturers due to semiconductor shortage and soaring raw material prices.

EBIT improved 71.7 billion yen to 31.9 billion yen, as compared with the nine months ended December 31, 2020, due mainly to increased adjusted operating income and the impairment losses on property posted in the nine months ended December 31, 2020.

(Hitachi Construction Machinery)

Revenues increased 29% to 720.3 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the recovery of market conditions, price adjustment in the Americas market and the impact of foreign exchange.

Adjusted operating income increased 42.9 billion yen to 60.4 billion yen, as compared with the nine months ended December 31, 2020, due mainly to increased revenues, despite cost increase mainly in steel prices.

EBIT increased 54.0 billion yen to 67.6 billion yen, as compared with the nine months ended December 31, 2020, due mainly to increased adjusted operating income and share of profits of investments accounted for using the equity method.

(Hitachi Metals)

Revenues increased 28% to 690.8 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the recovery of market condition including an increase demand for products for automobile.

Adjusted operating income improved 29.2 billion yen to 20.6 billion yen, as compared with the nine months ended December 31, 2020, due mainly to increased revenues.

EBIT improved 59.8 billion yen to 21.5 billion yen, as compared with the nine months ended December 31, 2020, due mainly to increased adjusted operating income and the impairment losses posted in the nine months ended December 31, 2020, owing to the lower than expected revenues for the magnetic material business.

(Others)

Revenues increased 2% to 323.3 billion yen, as compared with the nine months ended December 31, 2020.

Adjusted operating income increased 2.6 billion to 15.3 billion yen, and EBIT increased 7.4 billion yen to 23.5 billion yen, as compared with the nine months ended December 31, 2020, respectively.

Revenues by Market

Revenues in Japan increased 3% to 2,883.8 billion yen, as compared with the nine months ended December 31, 2020, due mainly to increased revenues in the Automotive Systems segment resulting from the management integration related to Hitachi Astemo, Ltd. and the recovery of market conditions, and increased revenues in Hitachi Metals, despite decreased revenues in the Smart Life sector owing to the impact of selling diagnostic imaging-related business and withdrawal in a part of industrial solution business in Hitachi High-Tech Corporation.

Overseas revenues increased 41% to 4,462.8 billion yen, as compared with the nine months ended December 31, 2020, due mainly to increased revenues in the Automotive Systems segment resulting from the management integration related to Hitachi Astemo, Ltd. and the recovery of market conditions and increased revenues in the Energy sector resulting from the acquisition of the power grid business from ABB Ltd, despite decreased revenues in the Smart Life sector owing to the impact of selling diagnostic imaging-related business and a part of overseas home appliance business.

As a result, the ratio of overseas revenues to total revenues increased 8% to 61%, as compared with the nine months ended December 31, 2020.

(2) Analysis of Financial Condition and Cash Flows

Liquidity and Capital Resources

During the nine months ended December 31, 2021, there were no major changes in the Company's policies of maintaining liquidity and ensuring funds, efforts for improvement in fund management efficiency, and ideas regarding funding sources and fundraising.

Cash Flows

(Cash Flows from Operating Activities)

Net income in the nine months ended December 31, 2021 increased by 198.1 billion yen, as compared with the nine months ended December 31, 2020. Net cash inflow from a change in trade payables increased by 47.3 billion yen as compared with net cash outflow of 83.3 billion yen for nine months ended December 31, 2020. However, net cash inflow from a change in trade receivables and contract assets decreased by 166.2 billion yen, as compared with the nine months ended December 31, 2020. Net cash outflow from a change in inventories increased by 200.6 billion yen, and income tax payment increased by 64.4 billion yen, as compared with the nine months ended December 31, 2020, respectively.

As a result of the foregoing, net cash provided by operating activities was 257.1 billion yen in the nine months ended December 31, 2021, a decrease of 169.2 billion yen compared with the nine months ended December 31, 2020.

(Cash Flows from Investing Activities)

Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the nine months ended December 31, 2021 decreased by 83.8 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the purchase of shares of Hitachi Energy Ltd. in the nine months ended December 31, 2020, despite the purchase of shares of GlobalLogic Worldwide Holdings, Inc. in the nine months ended December 31, 2021. However, net amount of investments related to property, plant and equipment* was 257.4 billion yen in the nine months ended December 31, 2021. This net sum increased by 45.1 billion yen compared with the nine months ended December 31, 2020. Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the nine months ended December 31, 2021 decreased by 325.3 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the sale of shares of Hitachi Chemical Company, Ltd. in the nine months ended December 31, 2020.

As a result of the foregoing, net cash used in investing activities was 1,027.7 billion yen in the nine months ended December 31, 2021, an increase of 261.6 billion yen compared with the nine months ended December 31, 2020.

* The sum of the purchase of property, plant and equipment and the purchase of intangible assets, less the proceeds from sale of property, plant and equipment, and intangible assets.

(Cash Flows from Financing Activities)

Net cash outflow related to long-term debt** in the nine months ended December 31, 2021 was 210.8 billion yen, as compared with 280.9 billion yen of net cash inflow related to long-term debt in the nine months ended December 31, 2020. However, net cash inflow from a change in short-term debt in the nine months ended December 31, 2021 increased by 300.4 billion yen, as compared with the nine months ended December 31, 2020. And, net cash outflow related to purchase of shares of consolidated subsidiaries from non-controlling interests in the nine months ended December 31, 2021 decreased by 511.3 billion yen, as compared with the nine months ended December 31, 2020, due mainly to the purchase of shares of Hitachi High-Tech Corporation in the nine months ended December 31, 2020.

As a result of the foregoing, net cash provided by financing activities was 710.1 billion yen in the nine months ended December 31, 2021, an increase of 274.9 billion yen compared with the nine months ended December 31, 2020.

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

As a result of the foregoing, cash and cash equivalents as of December 31, 2021 were 990.2 billion yen, a decrease of 25.6 billion yen from March 31, 2021. Free cash flows, the sum of cash flows from operating and investing activities, were an outflow of 770.5 billion yen in the nine months ended December 31, 2021, a decrease of 430.8 billion yen compared with the nine months ended December 31, 2020.

Assets, Liabilities and Equity

The following is an overview of Hitachi's assets, liabilities and equity as of December 31, 2021.

Total assets were 13,423.8 billion yen, an increase of 1,571.0 billion yen from March 31, 2021, due mainly to increased goodwill by the acquisition of GlobalLogic, despite decreases in trade receivables and contract assets, and cash and cash equivalents.

Total interest-bearing debt, the sum of short-term debt and long-term debt, was 3,516.7 billion yen, an increase of 1,119.4 billion yen from March 31, 2021.

Total Hitachi, Ltd. stockholders' equity increased by 424.6 billion yen from March 31, 2021, to 3,950.1 billion yen. The ratio of total Hitachi, Ltd. stockholders' equity to total assets was 29.4%, as compared with 29.7% as of March 31, 2021.

Non-controlling interests were 951.2 billion yen, an increase of 18.4 billion yen from March 31, 2021.

Total equity was 4,901.3 billion yen, an increase of 443.1 billion yen from March 31, 2021. The ratio of interest-bearing debt to total equity was 0.72, as compared with 0.54 as of March 31, 2021.

(3) Management Policy

There were no material changes in Hitachi's management policy during the nine months ended December 31, 2021.

(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, 2021.

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, 2021.

(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 152nd 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, 2021 were 228.8 billion yen, 3.1% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Nine months ended December 31, 2021
IT	37.7
Energy	27.9
Industry	7.6
Mobility	22.2
Smart Life	35.6
Automotive Systems	55.1
Hitachi Construction Machinery	18.5
Hitachi Metals	9.3
Others	1.3
Corporate Items	13.2
Total	228.8

(6) Property, Plant and Equipment

The major property, plants and equipment materially changed during the nine months ended December 31, 2021 are as follows.

Breakdown by Segment

(As of December 31, 2021)

Segment	Book value (Millions of yen)								Number of employees
	Land [Area in thousands of m ²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Smart Life (Note)	16,156 [2,314]	60,410	30,073	26,703	19,142	-	10,285	162,769	18,475
Automotive Systems (Note)	52,783 [10,397]	124,166	249,398	32,036	24,584	-	76,937	559,904	64,819

(Note) From April 1, 2021, the automotive systems business, which is composed of Hitachi Astemo, Ltd. and its affiliated companies, was spun off from the Smart Life segment as the Automotive Systems segment. As a result, the book value of the facilities in the Smart Life segment materially decreased.

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

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

The amount of capital investment for the fiscal year ending March 31, 2022 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 152nd business term.

Segment	The amount of capital investment for the fiscal year ending March 31, 2022 (Billions of yen)	
	Initial Plan	Updated Plan
IT	55.0	70.0
Energy	40.0	40.0
Industry	19.0	19.0
Mobility	26.0	23.0
Smart Life	38.0	40.0
Automotive Systems	105.0	89.0
Hitachi Construction Machinery	60.0	54.0
Hitachi Metals	40.0	37.0
Others	26.0	22.0
Corporate Items & Elimination	24.0	24.0
Total	433.0	418.0

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

(8) Forward-Looking Statements

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

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

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

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

3. Material Agreements, etc.

No material agreements were entered into during the nine months ended December 31, 2021.

III. Information on the Company

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

(1) Total number of shares, etc.

1) Total number of shares

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

2) Issued shares

Class	Number of shares issued as of the end of third quarter (shares) (December 31, 2021)	Number of shares issued as of the filing date (shares) (Note) (February 10, 2022)	Stock exchange on which the Company is listed	Description
Common stock	968,234,877	968,234,877	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	968,234,877	968,234,877	-	-

(Note) The "Number of shares issued as of the filing date" does not include shares issued upon exercise of stock acquisition rights from February 1, 2022 to the filing date.

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

1) Details of stock option plans

Not applicable.

2) Details of other stock acquisition rights, etc.

Not applicable.

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

Not applicable.

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

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From October 1, 2021 to December 31, 2021	—	968,234,877	—	461,731	—	179,697

(5) Major shareholders

Not applicable.

(6) Information on voting rights

Information on voting rights as of September 30, 2021 is stated in this item because the Company does not identify the number of voting rights as of December 31, 2021 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, 2021.

1) Issued shares

(As of September 30, 2021)

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting right	—	—	—
Shares with restricted voting right (treasury stock, etc.)	—	—	—
Shares with restricted voting right (others)	—	—	—
Shares with full voting right (treasury stock, etc.)	Common stock 1,016,800	—	—
Shares with full voting right (others)	Common stock 964,881,600	9,648,816	—
Shares less than one unit	Common stock 2,336,477	—	—
Number of issued shares	968,234,877	—	—
Total number of voting rights	—	9,648,816	—

(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, 2021)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	983,600	—	983,600	0.10
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-chome, Chuo-ku, Tokyo	2,100	—	2,100	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	17,600	—	17,600	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	10,500	—	10,500	0.00
Mizuho Co., Inc.	4-1, Koishikawa 5-chome, Bunkyo-ku, Tokyo	3,000	—	3,000	0.00
Total	—	1,016,800	—	1,016,800	0.11

2. Changes in Senior Management

There were no changes in senior managements from the filing date of the Annual Securities Report for the 152nd business term pursuant to the Financial Instruments and Exchange Act of Japan to December 31, 2021

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, 2021	March 31, 2021
Assets			
Current assets			
Cash and cash equivalents		990,202	1,015,886
Trade receivables and contract assets	6	2,681,859	2,734,476
Inventories		2,020,896	1,653,395
Investments in securities and other financial assets	7	299,634	328,153
Other current assets	5	372,179	211,390
Total current assets		6,364,770	5,943,300
Non-current assets			
Investments accounted for using the equity method	5	397,489	472,105
Investments in securities and other financial assets	5,7	595,822	534,324
Property, plant and equipment		2,420,621	2,408,887
Goodwill	5	2,037,173	1,161,210
Other intangible assets	5	1,210,088	964,830
Other non-current assets		397,913	368,197
Total non-current assets		7,059,106	5,909,553
Total assets		13,423,876	11,852,853
Liabilities			
Current liabilities			
Short-term debt		1,653,736	416,635
Current portion of long-term debt	7	244,575	274,392
Other financial liabilities	7	297,772	288,973
Trade payables		1,595,041	1,515,954
Accrued expenses		599,690	698,553
Contract liabilities		978,464	933,844
Other current liabilities	5	425,383	468,579
Total current liabilities		5,794,661	4,596,930
Non-current liabilities			
Long-term debt	7	1,618,468	1,706,329
Retirement and severance benefits		430,854	433,954
Other non-current liabilities	7	678,511	657,408
Total non-current liabilities		2,727,833	2,797,691
Total liabilities		8,522,494	7,394,621
Equity			
Hitachi, Ltd. stockholders' equity			
Common stock		461,731	460,790
Capital surplus	5,7	65,369	84,040
Retained earnings	8	3,054,897	2,710,604
Accumulated other comprehensive income		371,118	273,561
Treasury stock, at cost		(2,962)	(3,493)
Total Hitachi, Ltd. stockholders' equity		3,950,153	3,525,502
Non-controlling interests	5,7	951,229	932,730
Total equity		4,901,382	4,458,232
Total liabilities and equity		13,423,876	11,852,853

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Nine months ended December 31, 2021 and 2020

Millions of yen

	Note	2021	2020
Revenues	9	7,346,665	5,979,000
Cost of sales		(5,532,216)	(4,452,102)
Gross profit		1,814,449	1,526,898
Selling, general and administrative expenses		(1,329,989)	(1,209,986)
Other income	5,10	100,377	291,504
Other expenses	5,10	(31,127)	(111,374)
Financial income	11	14,927	3,338
Financial expenses	11	(553)	(4,257)
Share of profits (losses) of investments accounted for using the equity method		33,318	7,413
EBIT (Earnings before interest and taxes)		601,402	503,536
Interest income		11,364	12,426
Interest charges		(19,510)	(17,003)
Income from continuing operations, before income taxes		593,256	498,959
Income taxes		(81,015)	(184,204)
Income from continuing operations		512,241	314,755
Income (loss) from discontinued operations	12	0	(686)
Net income		512,241	314,069
Net income attributable to:			
Hitachi, Ltd. stockholders		450,785	307,878
Non-controlling interests		61,456	6,191
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders	13		Yen
Basic		466.47	319.44
Diluted		465.86	319.04
Earnings per share attributable to Hitachi, Ltd. stockholders	13		
Basic		466.47	318.73
Diluted		465.86	318.33

Condensed Quarterly Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2021 and 2020

Millions of yen

	Note	2021	2020
Net income		512,241	314,069
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		(15,528)	49,568
Remeasurements of defined benefit plans		-	-
Share of OCI of investments accounted for using the equity method		(255)	364
Total items not to be reclassified into net income		(15,783)	49,932
Items that can be reclassified into net income			
Foreign currency translation adjustments		123,539	1,095
Net changes in cash flow hedges		1,908	3,690
Share of OCI of investments accounted for using the equity method		20,401	10,112
Total items that can be reclassified into net income		145,848	14,897
Other comprehensive income (OCI)		130,065	64,829
Comprehensive income		642,306	378,898
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		556,799	359,131
Non-controlling interests		85,507	19,767

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Three months ended December 31, 2021 and 2020

Millions of yen

	Note	2021	2020
Revenues		2,514,000	2,218,943
Cost of sales		(1,884,836)	(1,650,693)
Gross profit		629,164	568,250
Selling, general and administrative expenses		(454,759)	(432,126)
Other income		367	9,086
Other expenses		(15,092)	(42,263)
Financial income		6,452	2,899
Financial expenses		(105)	(917)
Share of profits (losses) of investments accounted for using the equity method		9,914	12,401
EBIT (Earnings before interest and taxes)		175,941	117,330
Interest income		3,699	4,223
Interest charges		(6,491)	(6,848)
Income from continuing operations, before income taxes		173,149	114,705
Income taxes		(25,322)	(47,349)
Income from continuing operations		147,827	67,356
Income from discontinued operations		0	0
Net income		147,827	67,356
Net income attributable to:			
Hitachi, Ltd. stockholders		128,341	57,123
Non-controlling interests		19,486	10,233
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders	13		Yen
Basic		132.80	59.13
Diluted		132.63	59.06
Earnings per share attributable to Hitachi, Ltd. stockholders	13		
Basic		132.80	59.13
Diluted		132.63	59.06

Condensed Quarterly Consolidated Statement of Comprehensive Income

Three months ended December 31, 2021 and 2020

Millions of yen

	Note	2021	2020
Net income		147,827	67,356
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		(5,252)	25,326
Remeasurements of defined benefit plans		-	-
Share of OCI of investments accounted for using the equity method		(23)	(164)
Total items not to be reclassified into net income		(5,275)	25,162
Items that can be reclassified into net income			
Foreign currency translation adjustments		83,130	(6,248)
Net changes in cash flow hedges		29	559
Share of OCI of investments accounted for using the equity method		4,416	2,471
Total items that can be reclassified into net income		87,575	(3,218)
Other comprehensive income (OCI)		82,300	21,944
Comprehensive income		230,127	89,300
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		190,616	73,276
Non-controlling interests		39,511	16,024

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Changes in Equity

Nine months ended December 31, 2021

Millions of yen

	2021							
	Common stock	Capital surplus (note 7)	Retained earnings (note 8)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 7)	Total equity
Balance at beginning of period	460,790	84,040	2,710,604	273,561	(3,493)	3,525,502	932,730	4,458,232
Changes in equity								
Reclassified into retained earnings	-	-	4,718	(4,718)	-	-	-	-
Net income	-	-	450,785	-	-	450,785	61,456	512,241
Other comprehensive income	-	-	-	106,014	-	106,014	24,051	130,065
Dividends to Hitachi, Ltd. stockholders	-	-	(111,210)	-	-	(111,210)	-	(111,210)
Dividends to non-controlling interests	-	-	-	-	-	-	(45,756)	(45,756)
Acquisition of treasury stock	-	-	-	-	(208)	(208)	-	(208)
Sales of treasury stock	-	(294)	-	-	739	445	-	445
Issuance of new shares	941	941	-	-	-	1,882	-	1,882
Changes in non-controlling interests	-	(19,318)	-	(3,739)	-	(23,057)	(21,252)	(44,309)
Total changes in equity	941	(18,671)	344,293	97,557	531	424,651	18,499	443,150
Balance at end of period	461,731	65,369	3,054,897	371,118	(2,962)	3,950,153	951,229	4,901,382

Nine months ended December 31, 2020

Millions of yen

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

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Cash Flows

Nine months ended December 31, 2021 and 2020

Millions of yen

	Note	2021	2020
Cash flows from operating activities:			
Net income		512,241	314,069
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization		397,833	351,115
Impairment losses		5,296	74,403
Income taxes		81,015	184,204
Share of (profits) losses of investments accounted for using the equity method		(33,318)	(7,413)
Financial income and expenses		(1,755)	1,464
Net (gain) loss on business reorganization and others		(93,905)	(287,604)
(Gain) loss on sale of property, plant and equipment		(5,367)	(3,753)
Change in trade receivables and contract assets		123,450	289,687
Change in inventories		(378,278)	(177,631)
Change in trade payables		47,330	(83,317)
Change in accrued expenses		(109,374)	(70,293)
Change in retirement and severance benefits		(19,607)	(12,497)
Other		(52,217)	(3,708)
Subtotal		473,344	568,726
Interest received		11,967	16,855
Dividends received		12,253	13,426
Interest paid		(19,901)	(16,508)
Income taxes paid		(220,507)	(156,099)
Net cash provided by (used in) operating activities		<u>257,156</u>	<u>426,400</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment		(208,002)	(166,130)
Purchase of intangible assets		(97,710)	(78,335)
Proceeds from sale of property, plant and equipment, and intangible assets		48,224	32,115
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	5	(927,074)	(1,010,889)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		115,157	440,490
Other		41,677	16,674
Net cash provided by (used in) investing activities		<u>(1,027,728)</u>	<u>(766,075)</u>
Cash flows from financing activities:			
Change in short-term debt, net		1,104,163	803,683
Proceeds from long-term debt		38,165	465,316
Payments on long-term debt		(248,983)	(184,323)
Proceeds from payments from non-controlling interests		-	5,190
Dividends paid to Hitachi, Ltd. stockholders		(111,232)	(96,691)
Dividends paid to non-controlling interests		(50,590)	(25,511)
Acquisition of common stock for treasury		(208)	(94)
Proceeds from sales of treasury stock		445	580
Purchase of shares of consolidated subsidiaries from non-controlling interests		(21,607)	(532,955)
Other		(21)	(22)
Net cash provided by (used in) financing activities		<u>710,132</u>	<u>435,173</u>
Effect of exchange rate changes on cash and cash equivalents		34,756	9,409
Change in cash and cash equivalents		<u>(25,684)</u>	<u>104,907</u>
Cash and cash equivalents at beginning of period		1,015,886	812,331
Cash and cash equivalents at end of period		<u>990,202</u>	<u>917,238</u>

See accompanying notes to condensed quarterly consolidated financial statements.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2021

(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, 2021 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 nine segments consisting of IT, Energy, Industry, Mobility, Smart Life, Automotive Systems, Hitachi Construction Machinery, Hitachi Metals and Others.

(2) Basis of Presentation

As the Company meets the requirements of a "Specified Company applying Designated International Financial Reporting Standards" pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), the condensed quarterly consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting," as permitted by the provision of Article 93 of the Ordinance. They do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the financial statements and notes included in the Company's annual consolidated financial statements for the year ended March 31, 2021.

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, 2021.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2021

(3) Significant Accounting Policies

Significant accounting policies adopted in preparation of the condensed quarterly consolidated financial statements are consistent with those used in the preparation of the Company's annual consolidated financial statements for the year ended March 31, 2021.

Income taxes for the nine months ended December 31, 2021 are computed using the estimated annual effective tax rate.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2021

(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 nine reportable segments, corresponding to categories of activities classified primarily by the similarities for the nature of markets, products and services, and economic characteristics. Several operating segments are aggregated into Energy, Industry, Mobility and Smart Life for financial reporting purposes so that users of the financial statements better understand the Company's financial position and business performance. The Company aggregates operating segments based on the similarities of economic characteristics mainly using gross profit margin ratios of operating segments. The primary products and services included in each segment are as follows:

IT:

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

Energy:

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

Industry:

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

Mobility:

Building systems (Elevators, Escalators) and Railway systems

Smart Life:

Smart life & ecofriendly systems (Home appliances, Air conditioners), Measurement and analytical systems (Medical and Bio, Semiconductor, Industry)

Automotive Systems:

Powertrain, Chassis, Advanced driver assistance and Motorcycle

Hitachi Construction Machinery:

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

Hitachi Metals:

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

Others:

Optical disk drives, Property management and others

In January 2021, Hitachi Automotive Systems, Ltd., a consolidated subsidiary of the Company, integrated management with Keihin Corporation, Showa Corporation, and Nissin Kogyo Co., Ltd and established Hitachi Astemo, Ltd. Subsequently, on April 1, 2021, in addition to the current five sectors which are the areas of focus of the Social Innovation Business, Hitachi Astemo, Ltd. was spun off from the Smart Life segment and positioned as a business alongside the five sectors. Also, this change will facilitate swift decision-making to establish a structure that will achieve smooth integration and growth strategies, create synergies and further accelerate the growth of the business. As a result, effective from April 1, 2021, the Automotive systems segment is identified as a separate reportable segment. Figures for the nine months ended December 31, 2020 have been restated on the basis of the reclassification.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2021

The following tables show business segment information for the nine months ended December 31, 2021 and 2020.

Revenues from External Customers

	Millions of yen	
	2021	2020
IT	1,380,135	1,324,577
Energy	997,954	722,031
Industry	498,675	441,094
Mobility	1,073,454	856,760
Smart Life	698,537	829,776
Automotive Systems	1,146,744	560,044
Hitachi Construction Machinery	718,775	558,280
Hitachi Metals	669,983	522,933
Others	155,135	154,627
Subtotal	7,339,392	5,970,122
Corporate items	7,273	8,878
Total	7,346,665	5,979,000

Revenues from Intersegment Transactions

	Millions of yen	
	2021	2020
IT	115,291	109,238
Energy	38,369	33,952
Industry	107,496	109,001
Mobility	4,325	5,927
Smart Life	44,831	68,081
Automotive Systems	4,596	3,884
Hitachi Construction Machinery	1,591	447
Hitachi Metals	20,866	18,470
Others	168,183	161,564
Subtotal	505,548	510,564
Corporate items and Eliminations	(505,548)	(510,564)
Total	-	-

Total Revenues

	Millions of yen	
	2021	2020
IT	1,495,426	1,433,815
Energy	1,036,323	755,983
Industry	606,171	550,095
Mobility	1,077,779	862,687
Smart Life	743,368	897,857
Automotive Systems	1,151,340	563,928
Hitachi Construction Machinery	720,366	558,727
Hitachi Metals	690,849	541,403
Others	323,318	316,191
Subtotal	7,844,940	6,480,686
Corporate items and Eliminations	(498,275)	(501,686)
Total	7,346,665	5,979,000

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Segment Profit (Loss)

	Millions of yen	
	2021	2020
IT	162,618	161,741
Energy	20,402	(10,536)
Industry	54,612	25,936
Mobility	90,142	70,152
Smart Life	110,003	63,228
Automotive Systems	31,924	(39,784)
Hitachi Construction Machinery	67,670	13,633
Hitachi Metals	21,572	(38,313)
Others	23,560	16,067
Subtotal	582,503	262,124
Corporate items and Eliminations	18,899	241,412
Total	601,402	503,536
Interest income	11,364	12,426
Interest charges	(19,510)	(17,003)
Income from continuing operations, before income taxes	593,256	498,959

Segment profit (loss) is measured by EBIT.

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

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(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures for the nine months ended December 31, 2021, including the period up to the approval date of the condensed quarterly consolidated financial statements.

(a) Sale of shares of Hitachi Construction Machinery Co., Ltd. (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 expected to be jointly invested by HCJ Holdings2 G.K., 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.

The consideration is expected to be approximately 182.4 billion yen. Assuming the transaction is settled, it is expected that the Company's ownership ratio of shares of Hitachi Construction Machinery will decrease from 51.4% to 25.4%, and Hitachi Construction Machinery will turn into an equity-method associate of the Company.

An expected gain on the sale of Hitachi Construction Machinery shares in the amount of approximately 77.0 billion yen will be recognized in Other income in the consolidated statement of profit or loss for the year ending March 31, 2023.

(b) Acquisition of Thales' ground transportation systems business

On August 3, 2021, Hitachi Rail Ltd.(Hitachi Rail) , a consolidated subsidiary of the Company in the Mobility segment, signed an agreement with Thales S.A.(Thales) to acquire the ground transportation systems business in order to expand the rail signalling 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 fiscal year ending March 31, 2023. Hitachi Rail agreed on an enterprise value of 1,660 million euro (approximately 215.0 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.

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

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

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

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

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

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

The consideration is expected to be approximately 382.0 billion yen.

Assuming the transaction is settled, it is expected that the Company will transfer Shares to Be Sold by the Company. As a result, the Company's ownership ratio of Hitachi Metals Shares will decrease from 53.4% to 0%, and Hitachi Metals will be deconsolidated. An expected gain on the sale of Hitachi Metals Shares in the amount of approximately 114.0 billion yen will be recognized in Other income in the consolidated statement of profit or loss for the year ending March 31, 2023. Furthermore, non-controlling interest in Hitachi Metals will decrease approximately 230.0 billion yen in the consolidated statement of changes in equity for the year ending March 31, 2023 as a result of its deconsolidation.

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(d) Acquisition of GlobalLogic Inc.

On March 31, 2021, the Company decided to acquire GlobalLogic Inc. (GlobalLogic), a leading U.S.-headquartered digital engineering service company, in order to strengthen the digital portfolio of “Lumada” and the definitive agreement was signed among Hitachi Global Digital Holdings LLC (HGDH) which is a subsidiary located in the U.S., MergeCo H Global Inc. (SPC) which was established by HGDH for the acquisition and GlobalLogic Worldwide Holdings, Inc. (GlobalLogic Worldwide Holdings) which is the parent company of GlobalLogic.

On July 13, 2021, HGDH acquired 100% of the outstanding shares of GlobalLogic Worldwide Holdings and GlobalLogic Worldwide Holdings and GlobalLogic have become wholly owned subsidiaries of the Company, as a result of the transaction, including the merger of SPC with and into GlobalLogic Worldwide Holdings, which is the surviving company.

The following table summarizes the fair value of the consideration paid for GlobalLogic and the provisional amounts of the assets acquired, liabilities assumed and goodwill recognized as of the acquisition date.

	<u>Millions of yen</u>
Cash and cash equivalents	11,391
Trade receivables and contract assets	30,266
Other current assets	2,692
Non-current assets (excluding intangible assets)	4,324
Intangible assets	
Goodwill (not deductible for tax purposes)	822,173
Other intangible assets	231,130
Total	1,101,976
Current liabilities	134,272
Non-current liabilities	45,454
Total	179,726
Cash paid for the acquisition	922,250

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

The Company is currently evaluating the fair values to be assigned to assets and liabilities of GlobalLogic at the acquisition date and therefore the above amounts are subject to change.

Acquisition related costs included in Other expenses in the condensed quarterly consolidated statement of profit or loss for the nine months ended December 31, 2021 were 3,874 million yen and approximately 4,000 million yen will be recorded in the year ending March 31, 2022.

In addition to this acquisition, Hitachi America Capital, Ltd. which is a subsidiary located in the U.S., repaid 1,074 million U.S. dollars (118,554 million yen) of certain loans owed by GlobalLogic.

The operating results of GlobalLogic for the period from the acquisition date to December 31, 2021 were not material.

On a pro forma basis, revenues and net income using an assumed acquisition date for GlobalLogic of April 1, 2021 would not differ materially from the amounts reported in the condensed quarterly consolidated financial statements for nine months ended December 31, 2021.

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

On December 16, 2020, Hitachi Global Life Solutions, Inc. (Hitachi GLS), a consolidated subsidiary of the Company in the Smart Life segment, and Arçelik A.S. (Arçelik) signed a share purchase agreement to establish a new joint venture company.

Based on the agreement, Hitachi GLS established a new company and transferred its global home appliances business outside of Japan into the new company on July 1, 2021, and Hitachi GLS transferred 60% of the shares of common stock of the new company to Arçelik. The consideration is 350 million U.S. dollars (38,797 million yen). As a result, Hitachi GLS’s ownership ratio of shares of the new company decreased from 100% to 40%, and the new company turned into an equity-method associate of the Company.

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The following are the main Business Acquisitions and Divestitures for the nine months ended December 31, 2020.

(a) Settlement regarding the South African project

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

Furthermore, on March 30, 2020, the Company transferred to MHI, the loans receivable to MHPS Africa, and paid 130,000 million yen to MHI comprising the settlement payment offset by the consideration in loans receivable. On September 1, 2020, all shares of MHPS held by the Company, 263,614 million yen, which had been classified as held-for-sale assets, were transferred to MHI, and MHPS ceased to be an associate. Accordingly, the Company reversed other provision of 273,272 million yen related to the transfer of shares of MHPS, which had been included in Other current liabilities in the condensed quarterly consolidated statement of financial position. On September 14, 2020, the Company and MHI received a notice from the Japan Commercial Arbitration Association stating that the arbitration was closed.

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(b) Acquisition of ABB's power grids business

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

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

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

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

Other intangible assets include material intangible assets in the amount of 414,544 million yen (customer relationships of 233,989 million yen, technology of 95,987 million yen, order backlog of 53,542 million yen, and brand license agreement of 31,026 million yen). These intangible assets are measured based on assumptions such as revenue growth rates, gross profit ratios, attrition rates of existing customers, royalty rates and discount rates.

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

Acquisition related costs of 8,300 million yen have been posted up to the year ended March 31, 2021, and acquisition related costs included in Other expenses in the condensed quarterly consolidated statement of profit or loss for the nine months ended December 31, 2020 were 2,686 million yen.

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

The results of operations of Hitachi ABB Power Grid from the date of acquisition to December 31, 2020 (prior to elimination of intercompany transactions) included in the condensed quarterly consolidated statement of profit or loss are Revenues of 507,047 million yen, EBIT of (8,431) million yen, and Net income of (8,739) million yen. EBIT and Net income include depreciation and

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amortization of 37,328 million yen on Other intangible assets and PP&E that were recognized as a result of this acquisition.

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

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

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

On June 30, 2021, Hitachi ABB Power Grid changed its name to Hitachi Energy Ltd.

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

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

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

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

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

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

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

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(6) Trade Receivables and Contract Assets

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

	Millions of yen	
	December 31, 2021	March 31, 2021
Accounts receivable	1,696,596	1,948,569
Contract assets	836,843	634,318
Others	148,420	151,589
Total	2,681,859	2,734,476

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

Others include notes receivable and electronically recorded monetary claims.

(7) Fair Value of Financial Instruments

(a) Fair Value Measurements

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

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

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

Investments in securities and other financial assets

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

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

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

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

Long-term debt

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

Other financial liabilities

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

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(b) Financial Instruments Measured at Amortized Cost

The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of December 31 and March 31, 2021 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, 2021		March 31, 2021	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
<u>Assets</u>				
Investments in securities and other financial assets				
Lease receivables	73,652	74,967	90,044	91,483
Debt securities	54,609	54,610	55,714	55,716
Long-term loans receivable	1,766	1,766	21,103	22,409
<u>Liabilities</u>				
Long-term debt [1]				
Bonds	356,786	358,622	365,959	367,537
Long-term borrowings	1,195,867	1,198,367	1,295,609	1,296,373

[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, 2021.

December 31, 2021				Millions of yen
Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	1,599	-	15,042	16,641
Debt securities	10,113	4,977	5,626	20,716
Derivatives	-	37,696	91	37,787
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	312,702	1,652	108,467	422,821
Total financial assets at fair value	324,414	44,325	129,226	497,965
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	35,320	-	35,320
Total financial liabilities at fair value	-	35,320	-	35,320

March 31, 2021				Millions of yen
Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	131	-	9,865	9,996
Debt securities	12,749	4,548	6,054	23,351
Derivatives	-	34,981	87	35,068
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	235,278	977	110,853	347,108
Total financial assets at fair value	248,158	40,506	126,859	415,523
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	26,739	-	26,739
Total financial liabilities at fair value	-	26,739	-	26,739

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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, 2021 and 2020.

December 31, 2021				Millions of yen
Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	120,718	6,054	87	126,859
Gain in profit or loss [1]	2,269	105	4	2,378
Loss in OCI [2]	(1,803)	-	-	(1,803)
Purchases	9,218	564	-	9,782
Sales and redemption	(5,504)	(871)	-	(6,375)
Acquisitions and divestitures	(25)	(229)	-	(254)
Transfer from Level 3 [3]	(1,278)	-	-	(1,278)
Other	(86)	3	-	(83)
Balance at end of period	123,509	5,626	91	129,226
Unrealized gain relating to financial assets held at end of period [4]	2,236	120	4	2,360

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

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

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

[3] Transfer from Level 3 is mainly due to an investee becoming listed on the stock market.

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

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

(d) Other

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

Put options on non-controlling interests of the Company and its subsidiaries are measured at the present value of the exercise price. The carrying amount of the put options above as of December 31 and March 31, 2021 were 252,047 million yen and 239,218 million yen, respectively, included in Other non-current liabilities in the condensed quarterly consolidated statement of financial position.

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(8) Dividends

Dividends paid on the Company's common stock for the nine months ended December 31, 2021 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, 2021	53,175	Retained earnings	55.0	March 31, 2021	June 2, 2021
The Board of Directors on October 27, 2021	58,035	Retained earnings	60.0	September 30, 2021	November 29, 2021

Dividends paid on the Company's common stock for the nine months ended December 31, 2020 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 13, 2020	48,311	Retained earnings	50.0	March 31, 2020	June 8, 2020
The Board of Directors on October 28, 2020	48,342	Retained earnings	50.0	September 30, 2020	November 30, 2020

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(9) Revenues

(a) Disaggregation of revenue

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

Effective from April 1, 2021, the Company reclassified its reportable segments. Accordingly, figures for the nine months ended December 31, 2020 have been restated on the basis of the reclassification. Details of the reclassification are described in note 4.

Millions of yen

December 31, 2021							
	Japan					Overseas Revenues Subtotal	Total Revenues
		Asia	North America	Europe	Other Areas		
IT	1,046,568	132,253	159,892	124,902	31,811	448,858	1,495,426
Energy	199,411	246,300	199,949	255,982	134,681	836,912	1,036,323
Industry	414,036	64,717	87,589	14,018	25,811	192,135	606,171
Mobility	240,613	528,951	39,739	227,353	41,123	837,166	1,077,779
Smart Life	398,077	181,178	61,069	80,803	22,241	345,291	743,368
Automotive Systems	325,666	439,561	226,380	94,026	65,707	825,674	1,151,340
Hitachi Construction Machinery	154,758	135,633	136,201	112,654	181,120	565,608	720,366
Hitachi Metals	298,803	150,662	197,322	30,630	13,432	392,046	690,849
Others	269,406	41,231	4,123	6,197	2,361	53,912	323,318
Subtotal	3,347,338	1,920,486	1,112,264	946,565	518,287	4,497,602	7,844,940
Corporate items and Eliminations	(463,516)	(24,591)	(3,396)	(5,182)	(1,590)	(34,759)	(498,275)
Total	2,883,822	1,895,895	1,108,868	941,383	516,697	4,462,843	7,346,665

Millions of yen

December 31, 2020							
	Japan					Overseas Revenues Subtotal	Total Revenues
		Asia	North America	Europe	Other Areas		
IT	1,054,703	128,866	119,038	104,216	26,992	379,112	1,433,815
Energy	216,690	164,975	123,940	158,061	92,317	539,293	755,983
Industry	404,689	53,822	70,346	11,517	9,721	145,406	550,095
Mobility	247,298	362,988	36,609	182,581	33,211	615,389	862,687
Smart Life	484,306	226,810	82,976	76,166	27,599	413,551	897,857
Automotive Systems	212,226	127,288	112,760	73,468	38,186	351,702	563,928
Hitachi Construction Machinery	142,647	128,388	71,353	71,919	144,420	416,080	558,727
Hitachi Metals	248,788	115,200	142,088	24,960	10,367	292,615	541,403
Others	267,105	33,735	6,905	5,784	2,662	49,086	316,191
Subtotal	3,278,452	1,342,072	766,015	708,672	385,475	3,202,234	6,480,686
Corporate items and Eliminations	(467,381)	(25,731)	(4,050)	(2,678)	(1,846)	(34,305)	(501,686)
Total	2,811,071	1,316,341	761,965	705,994	383,629	3,167,929	5,979,000

Notes to Condensed Quarterly Consolidated Financial Statements
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The IT segment consists of Front Business and Services & Platforms, for which revenue amounted to 983,948 million yen and 612,853 million yen for the nine months ended December 31, 2021 and 984,571 million yen and 561,970 million yen for the nine months ended December 31, 2020, respectively (including intersegment transactions). Front Business is operated mainly in Japan, and Services & Platforms is operated mainly in Japan, North America and Europe.

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, 2021 and 2020, the amount of revenue recognized based on the pattern of the cost accrual arising from long-term projects were 1,108,452 million yen and 949,615 million yen, respectively.

(b) Information about satisfaction of performance obligations

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

(IT)

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

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

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

(Energy, Industry and Mobility)

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

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

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

(Other)

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

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

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2021

(10) Other Income and Expenses

The main components of other income and expenses for the nine months ended December 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Net gain (loss) on sales and disposals of fixed assets	5,124	2,911
Impairment losses	(5,296)	(74,403)
Net gain (loss) on business reorganization and others	93,905	287,604
Special termination benefits	(3,827)	(9,873)

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

Restructuring charges (structural reform expenses) included in other expenses for the nine months ended December 31, 2021 and 2020 were 9,123 million yen and 84,276 million yen, respectively. Restructuring charges (structural reform expenses) mainly include impairment losses and special termination benefits.

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

Impairment losses include 37,781 million yen in the Automotive Systems segment, mainly consisting of 27,639 million yen in impairment losses due to the decrease in productivity at some domestic factories, representing impairment losses on property, plant and equipment of 26,351 million yen and on intangible assets of 1,288 million yen. The recoverable amount was determined on the basis of fair value less costs of disposal, which was measured at 10,615 million yen as of December 31, 2020, the date on which impairment losses were recognized. A market approach was used in measuring the fair value of the relevant assets. These fair value measurements were based on real estate appraisal value, and thus classified as Level 3 of fair value hierarchy.

Impairment losses include 24,589 million yen in the Hitachi Metals segment, mainly consisting of 15,657 million yen in impairment losses due to the lower than expected future revenue projected for the magnetic materials business, representing impairment losses on property, plant and equipment of 10,356 million yen and on intangible assets of 5,301 million yen. The recoverable amount was determined on the basis of value in use, which was measured at 74,875 million yen as of September 30, 2020, the date on which impairment losses were recognized. The value in use was discounted at 10.1% (before tax), which was derived from the weighted average cost of capital.

(11) Financial Income and Expenses

The main components of financial income and expenses for the nine months ended December 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Dividends received	5,771	2,677
Exchange gain (loss)	4,929	(2,340)

Dividends received for the nine months ended December 31, 2021 and 2020 are from FVTOCI financial assets.

Notes to Condensed Quarterly Consolidated Financial Statements
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(12) Discontinued Operations

In the Energy segment, the Company classified the part of thermal power generation systems business which was not transferred to Mitsubishi Hitachi Power Systems, Ltd. (currently Mitsubishi Power, Ltd.) for business integration in the thermal power generation systems business with Mitsubishi Heavy Industries, Ltd. but was operated by the Company and certain subsidiaries as discontinued operations in the condensed quarterly consolidated statement of profit or loss since the projects were completed in the year ended March 31, 2015.

Profit or loss and cash flows from the discontinued operations for the nine months ended December 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Profit or loss from discontinued operations		
Revenues	0	7
Cost of sales and expenses	0	(693)
Income (loss) from discontinued operations, before income taxes	0	(686)
Income taxes	-	-
Income (loss) from discontinued operations	0	(686)

	Millions of yen	
	2021	2020
Cash flows from discontinued operations		
Cash flows from operating activities	0	(611)
Cash flows from investing activities	-	-
Cash flows from financing activities	0	736

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2021

(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, 2021 and 2020 are as follows:

Nine months ended December 31

	Number of shares	
	2021	2020
Weighted average number of shares on which basic EPS is calculated	966,384,756	965,946,407
Effect of dilutive securities		
Stock options	516,398	691,800
Restricted stock	713,890	523,601
Restricted stock units	35,737	11,836
Number of shares on which diluted EPS is calculated	967,650,781	967,173,644

	Millions of yen	
	2021	2020
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	450,785	308,564
Effect of dilutive securities	-	-
Diluted	450,785	308,564
Net income (loss) from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	0	(686)
Effect of dilutive securities	-	-
Diluted	0	(686)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	450,785	307,878
Effect of dilutive securities	-	-
Diluted	450,785	307,878

	Yen	
	2021	2020
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	466.47	319.44
Diluted	465.86	319.04
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	0.00	(0.71)
Diluted	0.00	(0.71)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	466.47	318.73
Diluted	465.86	318.33

Notes to Condensed Quarterly Consolidated Financial Statements
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The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the three months ended December 31, 2021 and 2020 are as follows:

Three months ended December 31

	Number of shares	
	2021	2020
Weighted average number of shares on which basic EPS is calculated	966,451,638	965,986,653
Effect of dilutive securities		
Stock options	499,000	691,800
Restricted stock	671,546	499,486
Restricted stock units	29,052	10,196
Number of shares on which diluted EPS is calculated	967,651,236	967,188,135

	Millions of yen	
	2021	2020
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	128,341	57,123
Effect of dilutive securities	-	-
Diluted	128,341	57,123
Net income from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	0	0
Effect of dilutive securities	-	-
Diluted	0	0
Net income attributable to Hitachi, Ltd. stockholders		
Basic	128,341	57,123
Effect of dilutive securities	-	-
Diluted	128,341	57,123

	Yen	
	2021	2020
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	132.80	59.13
Diluted	132.63	59.06
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	0.00	0.00
Diluted	0.00	0.00
EPS attributable to Hitachi, Ltd. stockholders		
Basic	132.80	59.13
Diluted	132.63	59.06

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2021

(14) Contingencies

Litigation

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

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

In December 2017, a subsidiary in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of 263 million euro (34,330 million yen) and interest allegedly incurred by performance defects of a power plant. As of December 31, 2021, the amount of compensation claimed by the customer was changed to 270 million euro (35,242 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.

In November 2021, a fire broke out at a logistics center of an equity-method associate in Japan. As of the approval date of the condensed quarterly consolidated financial statements, the cause of the fire is still under investigation by the third-party agencies. Depending on the results of the investigations, the equity-method associate may be held liable for the loss of assets burned in the fire. In that case, the condensed quarterly consolidated financial statements will be affected. However, as the investigation is still underway, it is not possible to reasonably estimate the timing and amount of the impact. Therefore, the impact has not been reflected in the condensed quarterly consolidated financial statements.

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

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

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

(15) Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements were approved on February 10, 2022 by Keiji Kojima, President and COO of the Company.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	February 10, 2022
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Keiji Kojima, President & COO
[Title and Name of CFO]	Yoshihiko Kawamura, Senior Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

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

Mr. Keiji Kojima, President & COO, and Mr. Yoshihiko Kawamura, Senior Vice President and Executive Officer, confirmed that statements contained in the Quarterly Report for the third quarter of the 153rd fiscal year (from October 1, 2021 to December 31, 2021) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.