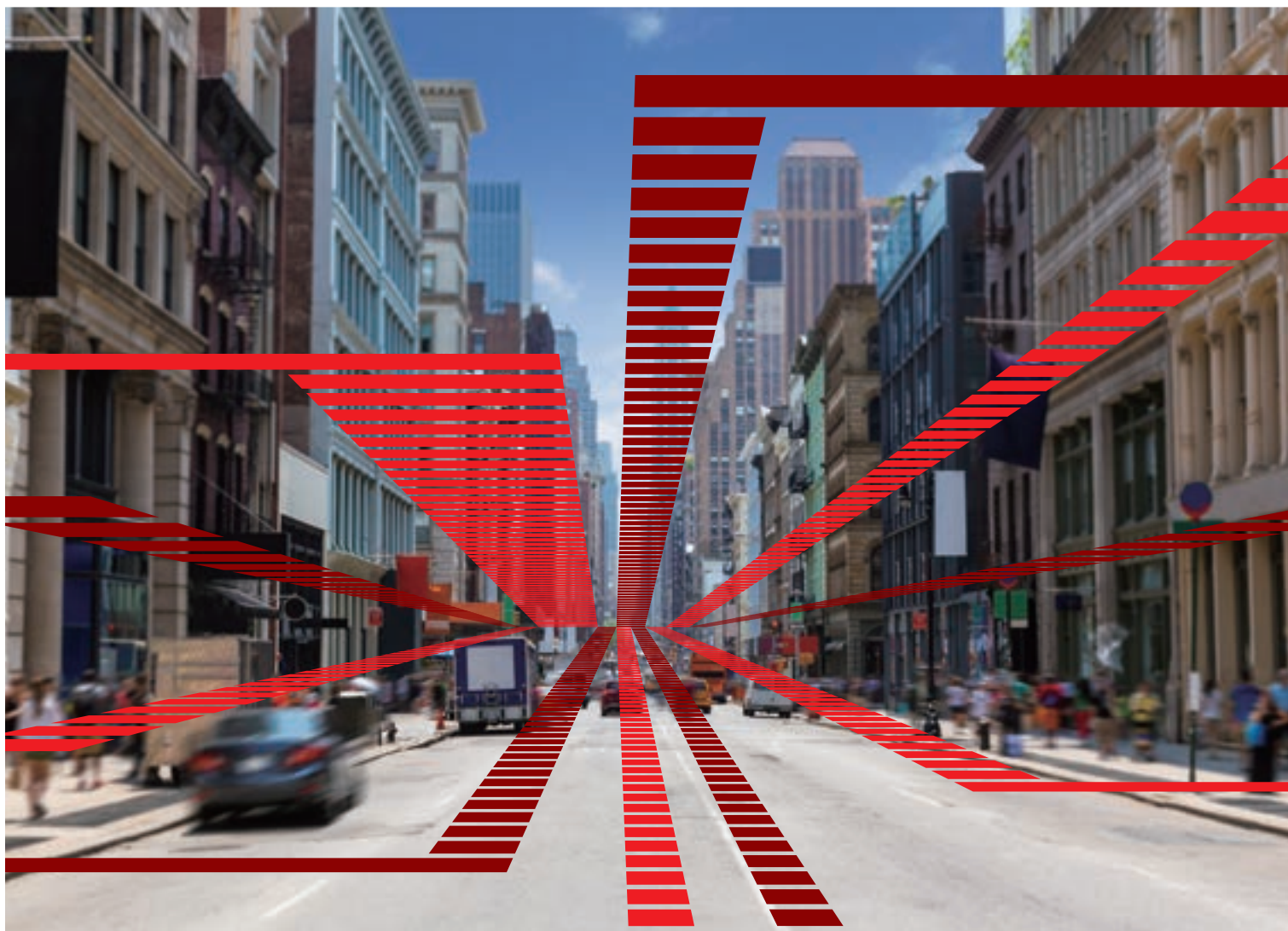


[Translation]

Report on the 147th Business Term

(For the period from April 1, 2015 to March 31, 2016)



Note: This English translation incorporates, from page 30 to page 44, the materials that are provided to the shareholders for their review by posting on the Company's website pursuant to the provisions of the Articles of Incorporation of the Company and the relevant laws and regulations.

1. Business Report (from April 1, 2015 to March 31, 2016)

(1) Business Overview and Results of Hitachi Group

Business Results

During the period under review, the world economy saw a slowdown in exports and capital investment due to growing economic uncertainties worldwide toward the second half of the year, despite a recovery track in the United States and Europe. Economic growth continued to decelerate in China, and growth also slowed down in emerging countries mainly due to the impact of low crude oil and resource prices. The Japanese economy recovered at a slower pace due to the impact of the slowdown of overseas economies and the appreciation of the yen.

Under such circumstances, the Hitachi Group worked to expand business in global markets, while promoting the establishment of a management system that promptly responds to changes in the market environment and further strengthening our management base through structural reforms.

Reporting on the business results of the Hitachi Group for the period under review, revenues increased by 3% from the preceding fiscal year to JPY 10,034.3 billion, due to an increase in revenues from the Information & Telecommunication Systems, Social Infrastructure & Industrial Systems and other segments. Although profit increased in the High Functional Materials & Components, Automotive Systems and other segments, the Social Infrastructure & Industrial Systems, Construction Machinery and other segments recorded a decrease in profit compared to the preceding fiscal year. Earnings before interest and taxes (EBIT) decreased by 1% from the preceding fiscal year to JPY 531.0 billion. Net income attributable to Hitachi, Ltd. stockholders decreased by 21% from the preceding fiscal year to JPY 172.1 billion mainly due to an increase in tax expense.

We declared dividends of 12 yen per share annually, consisting of the interim dividends in the amount of 6 yen per share and year-end dividends in the amount of 6 yen per share.

Measures Taken and Aims

Reporting on measures taken for the period under review, in the information & telecommunication systems business, we forged business partnerships with other companies to actively propose urban infrastructure utilizing information and communication technology for local governments aiming at regional revitalization. In addition, we commenced sales of a service supporting operational reform for companies, including cost reduction, by using artificial intelligence technology in order to contribute to the resolution of issues facing society and companies by utilizing our technologies.

In the railway systems business, we are pushing ahead with the global expansion of our business base. In the UK, we opened a new rail car manufacturing facility and commenced the manufacturing of rail cars for Intercity Express in the UK. We will play an important role as the driving force that supports the growth of the railway systems business in Europe. In addition, we purchased the signaling systems and railway businesses of Finmeccanica S.p.A. in Italy. We will strengthen our position in signaling and traffic management systems and expand turnkey operations business.

In March this year, we concluded an agreement to transfer part of the shares of Hitachi Transport System, Ltd. owned by the Company to a corporate group centering on SAGAWA EXPRESS CO., LTD. Through the integration of resources of both companies, we will promote the expansion of the logistics service business utilizing IT.

As of April 1 of this year, we renewed the product-specific in-house company system and made a transition to a new business structure comprising service-focused businesses that provide optimal solutions close to the customers and product-focused businesses that offer mainly products and materials. We will strive to enhance competitiveness by building a system to address and resolve issues together with customers in order to achieve further growth of the social innovation business.

Results by Segment

Information & Telecommunication Systems

Revenues and EBIT increased by 4% and 3%, respectively from the preceding fiscal year, due primarily to strong sales in the system solutions business mainly in the area of financial systems.

Social Infrastructure & Industrial Systems

Revenues increased by 13% from the preceding fiscal year, mainly due to a significant increase in revenues in the railway systems business following the purchase of the signaling systems and railway businesses of Finmeccanica S.p.A. in Italy. EBIT declined by 74% from the preceding fiscal year, mainly due to a decrease in earnings of equity-method affiliates, in addition to expanding losses for overseas projects in the infrastructure systems business.

Electronic Systems & Equipment

Revenues were almost the same as the preceding fiscal year and EBIT increased by 1% from the preceding fiscal year, mainly due to robust sales of electron microscopes and medical analysis systems of Hitachi High-Technologies Corporation, despite a decrease in revenues in the video and wireless network business of Hitachi Kokusai Electric Inc.

Construction Machinery

Revenues decreased by 7% from the preceding fiscal year, mainly due to stagnant markets in China and other countries in Asia, Oceania, and Russia. EBIT decreased by 57% from the preceding fiscal year, mainly due to the impact of a decrease in revenues and the posting of expenses related to the structural reforms.

High Functional Materials & Components

Revenues increased by 2% from the preceding fiscal year, mainly due to steady sales of automotive parts (molded plastics, etc.). EBIT increased by 24% from the preceding fiscal year, mainly due to the effect of an increase in revenues and structural reforms.

Automotive Systems

Revenues increased by 7% from the preceding fiscal year, mainly due to growth in sales especially in the North American and Chinese markets. EBIT increased by 54% from the preceding fiscal year, mainly due to the effect of an increase in revenues and a decrease in expenses related to competition law.

Smart Life & Ecofriendly Systems

Revenues decreased by 10% from the preceding fiscal year, mainly due to the impact of the reorganization of the air conditioning systems business following the establishment of a joint venture with Johnson Controls, Inc. in the United States. EBIT, however, increased by 21% from the preceding fiscal year, mainly due to the posting of profit associated with the reorganization.

Others (Logistics and Other services)

Revenues and EBIT decreased by 2% and 20%, respectively from the preceding fiscal year, mainly due to a decrease in revenues of the optical disk drives business because of the impact of a decrease in demand.

Financial Services

Revenues increased by 3% from the preceding fiscal year, mainly due to the strong sales in overseas businesses. EBIT increased by 32% from the preceding fiscal year.

Revenues and EBIT by Segment

(Billions of yen)

Segment	Revenues			EBIT		
	Fiscal 2014(A)	Fiscal 2015(B)	(B)/(A)	Fiscal 2014(A)	Fiscal 2015(B)	(B)/(A)
Information & Telecommunication Systems	2,034.0	2,109.3	104%	106.0	109.1	103%
Social Infrastructure & Industrial Systems	2,066.2	2,333.1	113%	110.3	29.1	26%
Electronic Systems & Equipment	1,131.6	1,127.6	100%	63.7	64.3	101%
Construction Machinery	815.7	758.3	93%	60.5	25.8	43%
High Functional Materials & Components	1,529.4	1,564.0	102%	123.9	153.5	124%
Automotive Systems	936.9	1,001.1	107%	35.0	53.9	154%
Smart Life & Ecofriendly Systems	754.2	681.0	90%	34.5	41.9	121%
Others (Logistics and Other services)	1,274.2	1,252.7	98%	51.0	40.6	80%
Financial Services	356.2	365.3	103%	35.4	46.6	132%
Subtotal	10,898.9	11,192.7	103%	620.7	565.2	91%
Corporate Items & Eliminations	(1,123.9)	(1,158.4)	-	(86.6)	(34.2)	-
Total	9,774.9	10,034.3	103%	534.0	531.0	99%

- Notes: 1. From fiscal 2015, the consolidated financial statements of the Company have been prepared in conformity with the International Financial Reporting Standards (IFRS).
2. Revenues by segment include intersegment transactions.
3. EBIT (earnings before interest and taxes) is presented as income from continuing operations, before income taxes less interest income plus interest charges.
4. From fiscal 2015, the "Power Systems" became part of the "Social Infrastructure & Industrial Systems" segments. Figures for each segment, including figures for the preceding fiscal year, reflect the changed segmentation.
5. The businesses of each segment are set out in "(2) Main Products and Services of Hitachi Group."

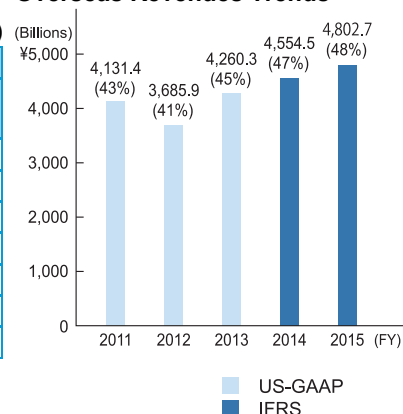
Reference

Domestic and Overseas Revenues

(Billions of yen)

	Fiscal 2014(A)	Fiscal 2015(B)	(B)/(A)	Percentage to total
Domestic Revenues	5,220.3	5,231.5	100%	52%
Asia	2,178.2	2,112.3	97%	21%
North America	1,064.1	1,280.3	120%	13%
Europe	841.9	951.1	113%	9%
Other Areas	470.2	459.0	98%	5%
Overseas Revenues	4,554.5	4,802.7	105%	48%
Total	9,774.9	10,034.3	103%	100%

Overseas Revenues Trends



Note: The number in parentheses is the percentage of overseas revenues to total revenues.

(2) Main Products and Services of Hitachi Group (As of March 31, 2016)

Segment	Main Products and Services	Percentage to Total Revenues
Information & Telecommunication Systems	Systems Integration, Consulting, Cloud Services, Servers, Storage, Software, Telecommunications & Network, ATMs	19%
Social Infrastructure & Industrial Systems	Industrial Machinery and Plants, Elevators, Escalators, Railway Systems, Thermal, Nuclear and Renewable Energy Power Generation Systems, Transmission & Distribution Systems	21
Electronic Systems & Equipment	Semiconductor Processing Equipment, Test and Measurement Equipment, Advanced Industrial Products, Medical Electronics Equipment, Power Tools	10
Construction Machinery	Hydraulic Excavators, Wheel Loaders, Mining Machinery	7
High Functional Materials & Components	Semiconductor and Display Related Materials, Circuit Boards and Materials, Automotive Parts (Molded Plastics, etc.), Energy Storage Devices, Specialty Steels, Magnetic Materials and Components, High Grade Casting Components and Materials, Wires and Cables	14
Automotive Systems	Engine Management Systems, Electric Powertrain Systems, Drive Control Systems, Car Information Systems	9
Smart Life & Ecofriendly Systems	Air-Conditioning Equipment, Room Air Conditioners, Refrigerators, Washing Machines	6
Others (Logistics and Other services)	Logistics, Optical Disk Drives, Property Management	11
Financial Services	Leasing, Loan Guarantees	3

Note: The thermal power generation systems business in the Social Infrastructure & Industrial Systems segment is mainly conducted by MITSUBISHI HITACHI POWER SYSTEMS, LTD., which is an equity-method affiliate of the Company.

(3) Major Facilities of Hitachi Group (As of March 31, 2016)

Major Facilities of the Company

	Location
Head Office	Tokyo (Chiyoda-ku)
R&D	Tokyo (Chiyoda-ku, Minato-ku, Kokubunji), Ibaraki (Hitachi, Hitachinaka), Saitama (Hatoyama), Kanagawa (Yokohama)
Manufacturing, Design and Engineering	Tokyo (Chiyoda-ku, Toshima-ku, Shinagawa-ku, Minato-ku), Ibaraki (Hitachi, Tsuchiura, Hitachinaka), Kanagawa (Yokohama, Kawasaki, Odawara, Hadano), Yamaguchi (Kudamatsu)
Sales and Area Operations	Tokyo (Chiyoda-ku, Toshima-ku, Shinagawa-ku, Minato-ku), Hokkaido Area Operation (Chuo-ku, Sapporo), Tohoku Area Operation (Aoba-ku, Sendai), Kanto Area Operation (Chiyoda-ku, Tokyo), Yokohama Area Operation (Nishi-ku, Yokohama), Hokuiku Area Operation (Toyama), Chubu Area Operation (Naka-ku, Nagoya), Kansai Area Operation (Kita-ku, Osaka), Chugoku Area Operation (Naka-ku, Hiroshima), Shikoku Area Operation (Takamatsu), Kyushu Area Operation (Sawara-ku, Fukuoka)

Major Facilities of Consolidated Subsidiaries of the Company

Major consolidated subsidiaries of the Company and their locations are as stated in “(5) Major Hitachi Group Companies.”

(4) Employees of Hitachi Group (As of March 31, 2016)

Segment	Number of Employees	Change from the End of the Preceding Year
Information & Telecommunication Systems	76,451	+13
Social Infrastructure & Industrial Systems	73,651	+8,229
Electronic Systems & Equipment	25,800	+1,547
Construction Machinery	20,908	+555
High Functional Materials & Components	47,283	-1,680
Automotive Systems	33,214	+1,349
Smart Life & Ecofriendly Systems	11,997	-10,203
Others (Logistics and Other services)	38,826	-828
Financial Services	4,552	-240
Corporate (Head Office and others)	2,562	-168
Total	335,244	-1,426
(the Company)	(37,353)	(+5,978)

Note: In addition to the figures shown above, the average number of part-time employees during fiscal 2015 at the Hitachi Group was 45,111 (of which, 1,467 worked at the Company).

(5) Major Hitachi Group Companies

(As of March 31, 2016)

Segment	Name of Company	Location
Information & Telecommunication Systems	Hitachi Information & Telecommunication Engineering, Ltd.	Yokohama, Kanagawa
	Hitachi-Omron Terminal Solutions, Corp.	Shinagawa-ku, Tokyo
	Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo
	Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo
	Hitachi Computer Products (America), Inc.	U.S.A.
	Hitachi Computer Products (Europe) S.A.S.	France
	Hitachi Consulting Corporation	U.S.A.
	Hitachi Data Systems Corporation	U.S.A.
	Hitachi Financial Equipment System (Shen Zhen) Co., Ltd.	China
	*Hitachi Information & Telecommunication Systems Global Holding Corporation	U.S.A.
Social Infrastructure & Industrial Systems	Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo
	Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki
	Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo
	Hitachi Industry & Control Solutions, Ltd.	Hitachi, Ibaraki
	Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo
	Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo
	Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki
	Hitachi Elevator (China) Co., Ltd.	China
	Hitachi Rail Europe Ltd.	U.K.
Electronic Systems & Equipment	Horizon Nuclear Power Limited	U.K.
	Hitachi High-Technologies Corporation	Minato-ku, Tokyo
	Hitachi Koki Co., Ltd.	Minato-ku, Tokyo
	Hitachi Kokusai Electric Inc.	Chiyoda-ku, Tokyo
Construction Machinery	Hitachi Medical Corporation	Chiyoda-ku, Tokyo
	Hitachi Construction Machinery Co., Ltd.	Bunkyo-ku, Tokyo

Segment	Name of Company	Location
High Functional Materials & Components	Hitachi Chemical Company, Ltd.	Chiyoda-ku, Tokyo
	Hitachi Metals, Ltd.	Minato-ku, Tokyo
Automotive Systems	Clarion Co., Ltd.	Saitama, Saitama
	Hitachi Automotive Systems, Ltd.	Hitachinaka, Ibaraki
	Hitachi Automotive Systems Americas, Inc.	U.S.A.
Smart Life & Ecofriendly Systems	Hitachi Appliances, Inc.	Minato-ku, Tokyo
	Hitachi Consumer Marketing, Inc.	Minato-ku, Tokyo
	Hitachi Consumer Products (Thailand), Ltd.	Thailand
Others (Logistics and Other services)	Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo
	Hitachi Life, Ltd.	Hitachi, Ibaraki
	Hitachi Transport System, Ltd.	Koto-ku, Tokyo
	Hitachi Urban Investment, Ltd.	Chiyoda-ku, Tokyo
	Hitachi America, Ltd.	U.S.A.
	Hitachi Asia Ltd.	Singapore
	Hitachi (China), Ltd.	China
	Hitachi Europe Ltd.	U.K.
	Hitachi India Pvt. Ltd.	India
Financial Services	Hitachi Capital Corporation	Minato-ku, Tokyo

- Notes: 1. The total number of consolidated subsidiaries is 1,056. Consolidated trust accounts are not included in the number of consolidated subsidiaries.
2. The number of equity-method affiliates is 249. The major equity-method affiliates are MITSUBISHI HITACHI POWER SYSTEMS, LTD., Mitsubishi-Hitachi Metals Machinery, Inc. and Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd.
3. The company marked with * is a holding company; its major operating companies are located in the United States.
4. Hitachi Medical Corporation changed its name to Hitachi Healthcare Manufacturing, Ltd. as of April 1, 2016 following the reorganization of the Group's healthcare business.

(6) Capital Investment of Hitachi Group

During fiscal 2015, the Hitachi Group carried out capital investment of JPY 528.5 billion, an increase of JPY 97.3 billion from the preceding fiscal year, to strengthen the global business development of the social innovation business, including investments into cloud services equipment and production facilities for automotive-related products.

A breakdown of capital investment by segment is shown below.

(Billions of yen)	
Segment	Amount
Information & Telecommunication Systems	49.4
Social Infrastructure & Industrial Systems	61.2
Electronic Systems & Equipment	20.0
Construction Machinery	23.7
High Functional Materials & Components	85.8
Automotive Systems	72.5
Smart Life & Ecofriendly Systems	17.0
Others (Logistics and Other services)	56.3
Financial Services	133.6
Subtotal	519.9
Corporate Items & Eliminations	8.6
Total	528.5

Note: From fiscal 2015, capital investment is stated exclusive of investment in lease assets classified as finance lease. Capital investment including investment in the relevant lease assets is JPY 952.9 billion.

(7) Research and Development of Hitachi Group

Expenses on research and development during fiscal 2015 amounted to JPY 333.7 billion, the same level as the preceding fiscal year.

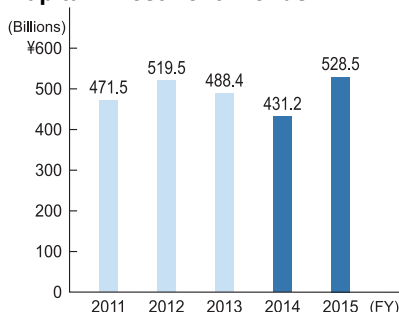
Notable achievements included the development of artificial intelligence technology which contributes to the improvement of work efficiency by providing appropriate work orders based on an understanding of demand fluctuation and *kaizen* (continuous improvement) activity of workers on-site through analysis of big data accumulated daily such as those related to work details or results, and the development of technology which offers a high-accuracy speech recognition capability even in noisy urban street environments and is expected to be used in the multilingual speech translation service.

A breakdown of R&D expenses by segment is shown below.

(Billions of yen)	
Segment	Amount
Information & Telecommunication Systems	59.6
Social Infrastructure & Industrial Systems	47.4
Electronic Systems & Equipment	49.3
Construction Machinery	18.8
High Functional Materials & Components	46.9
Automotive Systems	69.9
Smart Life & Ecofriendly Systems	9.4
Others (Logistics and Other services)	6.3
Financial Services	0.1
Corporate Items	25.6
Total	333.7

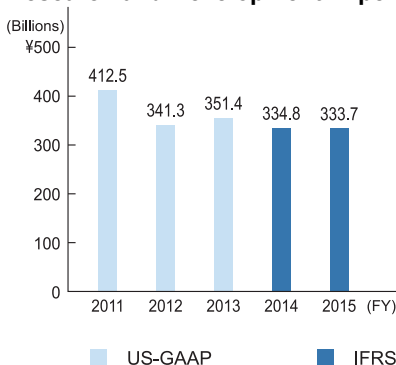
Reference

Capital Investment Trends



Note: Capital investment is stated exclusive of investment in lease assets classified as finance lease.

Research and Development Expenses Trends



(8) Borrowings and Financing Activity of Hitachi Group

Major Financing Activities

Hitachi Capital Corporation issued unsecured straight bonds in May, July and October 2015, procuring a total of JPY 70.0 billion to fund the redemption of short-term debentures and the repayment of debt.

Major Borrowings (As of March 31, 2016)

Name of Company	Creditor	Balance of Borrowings
The Company	Nippon Life Insurance Company	34.0 billion yen
	Meiji Yasuda Life Insurance Company	33.0 billion yen
	Development Bank of Japan Inc.	30.0 billion yen
	Mizuho Bank, Ltd.	30.0 billion yen
	The Dai-ichi Life Insurance Company, Limited	22.0 billion yen
Hitachi Capital Corporation	Mizuho Bank, Ltd.	56.6 billion yen
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	43.9 billion yen
	Development Bank of Japan Inc.	26.2 billion yen
	The Norinchukin Bank	25.0 billion yen
	Sumitomo Mitsui Trust Bank, Limited	23.5 billion yen
Hitachi Koki Co., Ltd.	Sumitomo Mitsui Banking Corporation	21.0 billion yen
	Sumitomo Mitsui Banking Corporation	30.6 billion yen

Note: In addition to the figures shown above, the Company owes JPY 158.3 billion of long-term borrowings by means of syndicated loan agreements.

(9) Challenges Facing Hitachi Group

While the forecast of the world economy still remains uncertain, the Hitachi Group will promote the following measures in order to realize growth as a partner that resolves issues facing customers in an era where all “things” are connected to the Internet under the “2018 Mid-term Management Plan.”

- In order to respond to issues facing customers with optimal solutions, we will establish a structure for providing customized services tailored to customers’

characteristics while utilizing the Hitachi Group’s advanced IT, control technologies and excellent products as a common platform of the entire Group.

- We will ensure to seize business opportunities in growth sectors by providing optimal services and products under localized leadership according to customer needs and the business environment which vary by region and country.
- We will continuously strive to optimize our business portfolio from the perspective of the growth potential, profitability and competitiveness of businesses, by carrying out reorganization, including partnerships with other companies, withdrawals and disposal by sale.
- In order to secure the necessary funds for the growth of the Hitachi Group, we will strengthen our cash-generating capabilities through cost structure reforms, including reduction of fixed costs, and selective investment in focused fields.
- By strengthening research and development to share issues with customers and create new solutions together, we will further reinforce the role of R&D in bolstering the Hitachi Group’s profitability.
- We will improve the environment where the diverse human resources, including female and foreign employees, demonstrate their utmost performance, as well as foster a corporate culture that encourages our employees to act independently and continue growing.
- By providing our customers with high-quality and safe products and services, we will further gain the reliability in the Hitachi Group from society, and increase the value of the Hitachi brand.
- We will ensure compliance with laws and international social standards and dedication to corporate ethics based on a firm commitment to prevent the occurrence of misconduct within the Hitachi Group, and continuously strive to contribute to the environment and the communities.

(10) Five-year Summary of Assets and Results of Operation of Hitachi Group

1) Consolidated Basis

Accounting Principles Generally Accepted in the United States

(Billions of yen)

Fiscal Year	2011	2012	2013	2014
Revenues	9,665.8	9,041.0	9,563.7	9,761.9
EBIT	573.2	358.0	585.6	551.0
Income Before Income Taxes	557.7	344.5	573.6	535.6
Net Income Attributable to Hitachi, Ltd. Stockholders	347.1	175.3	264.9	241.3
Total Assets	9,418.5	9,809.2	11,016.8	12,395.3

International Financial Reporting Standards (IFRS)

(Billions of yen)

Fiscal Year	2011	2012	2013 (Reference)	2014 (Reference)	2015
Revenues	-	-	9,666.4	9,774.9	10,034.3
EBIT	-	-	691.2	534.0	531.0
Income Before Income Taxes	-	-	678.4	518.9	517.0
Net Income Attributable to Hitachi, Ltd. Stockholders	-	-	413.8	217.4	172.1
Total Assets	-	-	11,098.1	12,433.7	12,551.0

- Notes:
1. From fiscal 2015, the consolidated financial statements of the Company have been prepared in conformity with International Financial Reporting Standards (IFRS). Notes in 4 through 6 below are based on accounting principles generally accepted in the United States.
 2. A portion of the thermal power generation systems business is treated as a discontinued operations from fiscal 2014. Accordingly, the business results of the said business are not included in revenues, EBIT and income before income taxes. Although the figures for fiscal 2013 based on accounting principles generally accepted in the United States have also been reclassified, the figures for fiscal 2012 and earlier have not.
 3. In fiscal 2012, both revenues and net income decreased from the preceding fiscal year due primarily to the impact from the transfer of hard disk drive business in fiscal 2011.
 4. In fiscal 2013, profit increased from fiscal 2012 due primarily to the effects of structural reforms in addition to the increase in revenues.
 5. In fiscal 2014, despite the increase in revenues, net income decreased from the preceding fiscal year due primarily to the decrease in valuation gain recorded in fiscal 2013, associated with the integration of the thermal power generation systems business.

2) Unconsolidated Basis

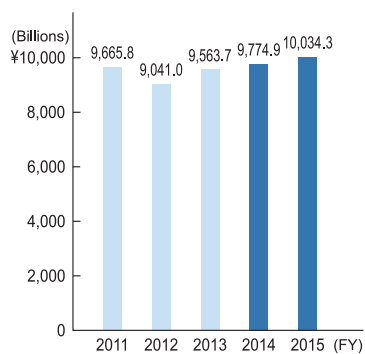
(Billions of yen)

Fiscal Year	2011	2012	2013	2014	2015
Revenues	1,870.4	1,911.5	2,070.1	1,842.1	1,859.6
Operating Income (Loss)	17.8	34.7	6.0	(3.9)	0.3
Ordinary Income (Loss)	48.9	76.0	17.8	(0.3)	(20.9)
Net Income	254.5	57.6	57.8	85.2	64.9
Total Assets	3,331.5	3,423.4	3,570.0	3,749.3	3,868.6

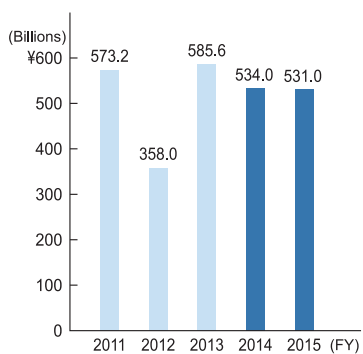
- Notes:
1. In fiscal 2012, both revenues and operating income increased from fiscal 2011 due primarily to the improvement in the power systems business. Net income decreased from fiscal 2011, due to the decrease in extraordinary gains, including gain on sale of affiliated companies' common stock.
 2. In fiscal 2013, although operating income decreased from fiscal 2012, net income increased from fiscal 2012 due to the posting of extraordinary gains, including gain on sale of investment in securities.
 3. In fiscal 2014, despite recording an operating loss, net income increased from fiscal 2013 due to the posting of extraordinary gains including gains on sale of investments in securities and the decrease in extraordinary losses, including impairment loss on investments in capital of affiliated companies.
 4. In fiscal 2015, although revenues increased from fiscal 2014, net income decreased from fiscal 2014 due primarily to the increase in other deductions including provision for loss on business of affiliated companies.

Reference (consolidated)

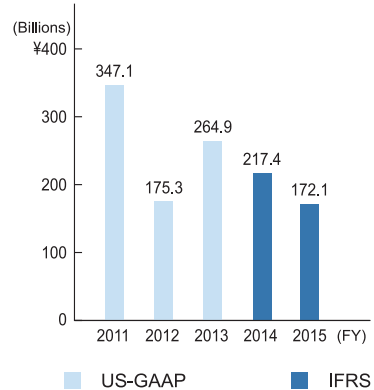
Revenues



EBIT



Net Income Attributable to Hitachi, Ltd. Stockholders



(11) Directors and Executive Officers

1) Directors

Name, Position and Responsibilities, etc.

(As of March 31, 2016)

Name	Position	Committee Membership	Other Principal Positions Held
Nobuo Katsumata	Director	Nominating Committee (Chair) Audit Committee Compensation Committee	Senior Corporate Advisor, Marubeni Corporation
Cynthia Carroll	Director	-	Non-Executive Director, BP plc. (UK)**
Sadayuki Sakakibara	Director	Nominating Committee Compensation Committee	Chief Senior Advisor, Chief Senior Counselor, Toray Industries, Inc. Director, Nippon Telegraph and Telephone Corporation** Chairman, Japan Business Federation
George Buckley	Director	-	Chairman, Smiths Group plc (UK)** Director, Stanley Black & Decker, Inc. (USA)** Director, PepsiCo, Inc. (USA)**
*Louise Pentland	Director	-	Senior Vice President and Chief Legal Officer, PayPal Holdings, Inc. (USA)
Harufumi Mochizuki	Director	Compensation Committee (Chair) Nominating Committee Audit Committee	President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. Corporate Auditor, ITOCHU Corporation**
Philip Yeo	Director	-	Chairman, SPRING Singapore Chairman of the Board, Economic Development Innovations Singapore Pte. Ltd.
Hiroaki Yoshihara	Director	Audit Committee	Director, Murata Manufacturing Co., Ltd.**
Hiroaki Nakanishi	Director	Nominating Committee	-
Toshiaki Higashihara	Director	Compensation Committee	-
Takashi Miyoshi	Director	Audit Committee (Chair)	Chairman of the Board, Hitachi Capital Corporation
Nobuo Mochida	Director	Audit Committee	-

- Notes:
1. The Directors marked with * were newly elected and assumed their positions at the 146th Annual General Meeting of Shareholders on June 25, 2015.
 2. Mr. Hiroaki Yoshihara, Director (Audit Committee), has considerable knowledge of finance and accounting based on his long experience at KPMG Group with businesses related to accounting, etc. Mr. Takashi Miyoshi, Director (Audit Committee (Chair)), has considerable knowledge of finance and accounting due to his long experience as the General Manager of accounting and finance of the Company as well as Executive Officer responsible for accounting and finance for many years.
 3. The Company has appointed Directors Takashi Miyoshi and Nobuo Mochida as Standing Committee members of the Audit Committee. The Company strives to improve the audit and supervisory functions of the Audit Committee by appointing Standing Committee members and creating a system where the Audit Committee can discuss and make its decisions based on coordination with the internal auditing division and others, along with a timely grasp of accurate information through attendance to important internal meetings, etc. and information-sharing with other Committee members.
 4. Director Hiroaki Nakanishi has served as Chairman of the Board since April 1, 2016.
 5. Directors, Messrs. Nobuo Katsumata, Sadayuki Sakakibara, George Buckley, Harufumi Mochizuki, Philip Yeo and Hiroaki Yoshihara and Ms. Cynthia Carroll and Louise Pentland are outside directors who fulfill the qualification requirements as provided for in Article 2, Item 15 of the Companies Act of Japan and have been reported as independent directors to the Japanese stock exchanges where the Company is listed. Of the eight individuals, those with ** in the "Other Principal Positions Held" column serve as an outside Director or an outside Corporate Auditor (or equivalent thereof) of the company listed in said column.
 6. The Company has transactions, including the sales of products and services, purchase of products and services, and payment of membership fees, with Marubeni Corporation, Toray Industries, Inc., Nippon Telegraph and Telephone Corporation, Japan Business Federation, ITOCHU Corporation and Murata Manufacturing Co., Ltd. The volume of transactions with each of the companies and corporations is negligible in comparison to the total business volume of the Company and to the total business volume of the corresponding entity.

General Intent of Limited Liability Agreement with Directors

The Company has entered into a limited liability agreement stipulated in Article 427, Paragraph 1 of the Companies Act with each of Messrs. Nobuo Katsumata, Sadayuki Sakakibara, George Buckley, Harufumi Mochizuki, Philip Yeo, Hiroaki Yoshihara, Takashi Miyoshi and Nobuo Mochida and Ms. Cynthia Carroll and Louise Pentland. The general intent of the agreement is to limit the liability of Directors to the aggregate amount of each item stipulated under Article 425, Paragraph 1 of the Companies Act.

Major Activities of Outside Directors

Name	Attendance	Participation
Nobuo Katsumata	Board of Directors meetings: 8 out of 8 days Nominating Committee: 6 out of 6 days Audit Committee: 16 out of 16 days Compensation Committee: 9 out of 9 days	Mr. Katsumata stated his opinions and asked questions with respect to overall management of the Group as necessary at the Board and Audit Committee meetings based on his management experience and insight with a global general trading company.
Cynthia Carroll	Board of Directors meetings: 8 out of 8 days	Ms. Carroll stated her opinions and asked questions with respect to overall management of the Group as necessary at the Board meetings based on her management experience and insight with a major global business company.
Sadayuki Sakakibara	Board of Directors meetings: 8 out of 8 days Nominating Committee: 6 out of 6 days Compensation Committee: 9 out of 9 days	Mr. Sakakibara stated his opinions and asked questions with respect to overall management of the Group as necessary at the Board meetings based on his management experience and insight with a major global manufacturer.
George Buckley	Board of Directors meetings: 8 out of 8 days	Mr. Buckley stated his opinions and asked questions with respect to overall management of the Group as necessary at the Board meetings based on his management experience and insight with a major global manufacturer.
Louise Pentland	Board of Directors meetings: 7 out of 7 days	Ms. Pentland stated her opinions and asked questions with respect to overall management of the Group as necessary at the Board meetings based on her experience and insight as chief legal officer at a major global business company.
Harufumi Mochizuki	Board of Directors meetings: 8 out of 8 days Nominating Committee: 6 out of 6 days Audit Committee: 16 out of 16 days Compensation Committee: 9 out of 9 days	Mr. Mochizuki stated his opinions and asked questions with respect to overall management of the Group as necessary at the Board and Audit Committee meetings based on his rich experience and insight in such areas as public administration.
Philip Yeo	Board of Directors meetings: 8 out of 8 days	Mr. Yeo stated his opinions and asked questions with respect to overall management of the Group as necessary at the Board meetings based on his extensive experience and insight in such areas as public administration.
Hiroaki Yoshihara	Board of Directors meetings: 8 out of 8 days Audit Committee: 16 out of 16 days	Mr. Yoshihara stated his opinions and asked questions with respect to overall management of the Group as necessary at the Board and Audit Committee meetings based on his rich experience and insight in the area of global corporate management and accounting.

2) Executive Officers

Name, Position and Responsibilities, etc. (As of March 31, 2016)

Name	Position	Responsibilities	Other Principal Positions Held
*Hiroaki Nakanishi	Representative Executive Officer and Chairman & CEO	General management	—
*Toshiaki Higashihara	Representative Executive Officer and President & COO	Overall operations and energy solutions business	—
Shinjiro Iwata	Representative Executive Officer, Executive Vice President and Executive Officer	Cost structure reform and information technology strategies	Chairman of the Board & Director, Hitachi Koki Co., Ltd. Director, Benesse Holdings, Inc.
Ryuichi Kitayama	Representative Executive Officer, Executive Vice President and Executive Officer	Marketing and sales	Director, Hitachi High-Technologies Corporation
Yutaka Saito	Representative Executive Officer, Executive Vice President and Executive Officer	Information & telecommunication systems business	Chairman of the Board, Hitachi Kokusai Electric Inc.
Koji Tanaka	Representative Executive Officer, Executive Vice President and Executive Officer	Power & infrastructure systems business	—
Toyoaki Nakamura	Representative Executive Officer, Executive Vice President and Executive Officer	Finance and corporate pension system	Director, Hitachi High-Technologies Corporation Director, Hitachi Metals, Ltd.
Toshikazu Nishino	Representative Executive Officer, Executive Vice President and Executive Officer	Management strategies	—
Masahiro Kitano	Senior Vice President and Executive Officer	Information & telecommunication systems business (platform business)	—
Toshiaki Kuzuoka	Representative Executive Officer, Senior Vice President and Executive Officer	Corporate communications and CSR, legal matters, government & external relations, risk management and corporate auditing	Director, Hitachi Capital Corporation
Kunizo Sakai	Senior Vice President and Executive Officer	Infrastructure systems business	—
Kaichiro Sakuma	Senior Vice President and Executive Officer	Information & telecommunication systems business	President and Director, Hitachi Solutions, Ltd.
Hiroshi Sato	Senior Vice President and Executive Officer	Infrastructure systems business (urban planning and development systems business)	Chairman and CEO, Hitachi Building Systems, Co., Ltd.
Keiichi Shiotsuka	Senior Vice President and Executive Officer	Information & telecommunication systems business (system solutions and service business)	—
Masakazu Aoki	Vice President and Executive Officer	Industrial products business	President and Director, Hitachi Industrial Equipment Systems Co., Ltd.
Ryuichi Otsuki	Vice President and Executive Officer	Social innovation business promotion	—
Shinichiro Omori	Vice President and Executive Officer	Supply chain management (procurement)	—

Name	Position	Responsibilities	Other Principal Positions Held
Kaoru Kawano	Vice President and Executive Officer	Power & infrastructure systems business (sales operations) and energy solutions business (sales operations)	—
Kenichi Kokubo	Vice President and Executive Officer	Regional strategies (China)	—
Keiji Kojima	Vice President and Executive Officer	Research & development	Director, Hitachi Metals, Ltd.
Akira Shimizu	Vice President and Executive Officer	Marketing and sales	Director, Hitachi Kokusai Electric Inc. Director, Hitachi Maxell, Ltd.
Yasuo Tanabe	Vice President and Executive Officer	Government & external relations	—
Yoshitaka Tsuda	Vice President and Executive Officer	Information & telecommunication systems business (sales operations)	—
Alistair Dormer	Vice President and Executive Officer	Infrastructure systems business (rail systems business)	Executive Chairman and CEO, Hitachi Rail Europe Ltd. (U.K.)
John Domme	Vice President and Executive Officer	Regional strategies (Americas)	CEO, Hitachi Data Systems Corporation (U.S.A.)
Hideobu Nakahata	Vice President and Executive Officer	Human capital	—
Hiroshi Nakayama	Vice President and Executive Officer	Cost structure reform and supply chain management (MONOZUKURI and quality assurance)	—
Katsumi Nagasawa	Vice President and Executive Officer	Power systems business	—
Isao Narukawa	Vice President and Executive Officer	Power systems business (sales operations) and energy solutions business (sales operations)	—
Mitsuaki Nishiyama	Vice President and Executive Officer	Finance and corporate pension system	Director, Hitachi Transport System, Ltd.
Masaya Watanabe	Vice President and Executive Officer	Healthcare business	—

Note: The Executive Officers marked with * concurrently hold the position of Director.

New Executive Officers (As of April 1, 2016)

The Company changed its Executive Officers as of April 1, 2016 as follows.

Name	Position	Responsibilities
Toshiaki Higashihara	Representative Executive Officer and President & CEO	Overall operations
Ryuichi Kitayama	Representative Executive Officer, Executive Vice President and Executive Officer	Assistant to the President, marketing and sales, and social innovation business promotion
Yutaka Saito	Representative Executive Officer, Executive Vice President and Executive Officer	Assistant to the President and open innovation promotion
Koji Tanaka	Representative Executive Officer, Executive Vice President and Executive Officer	Assistant to the President
Toshikazu Nishino	Representative Executive Officer, Executive Vice President and Executive Officer	Assistant to the President and management strategies
Masakazu Aoki	Senior Vice President and Executive Officer	Industrial products business
Shinichiro Omori	Senior Vice President and Executive Officer	Cost structure reform and information technology strategies
Toshiaki Kuzuoka	Representative Executive Officer, Senior Vice President and Executive Officer	Corporate communications and CSR, legal matters, risk management and corporate auditing
Keiji Kojima	Senior Vice President and Executive Officer	Service & platform business
Hiroshi Sato	Senior Vice President and Executive Officer	Building systems business
Keiichi Shiotsuka	Senior Vice President and Executive Officer	ICT business
Yasuo Tanabe	Senior Vice President and Executive Officer	Government & external relations
Alistair Dormer	Senior Vice President and Executive Officer	Railway systems business
Mitsuaki Nishiyama	Representative Executive Officer, Senior Vice President and Executive Officer	Finance and corporate pension system
*Hiroyuki Ugawa	Vice President and Executive Officer	Manufacturing & commerce business
Ryuichi Otsuki	Vice President and Executive Officer	ICT business (platform business)
*Atsushi Oda	Vice President and Executive Officer	Electric power business
Kaoru Kawano	Vice President and Executive Officer	Marketing and sales (industrial products business)
Kenichi Kokubo	Vice President and Executive Officer	Regional strategies (China)
*Keizo Kobayashi	Vice President and Executive Officer	Urban solutions business

Name	Position	Responsibilities
Kunizo Sakai	Vice President and Executive Officer	Water business
*Setsuo Shibahara	Vice President and Executive Officer	ICT business
Akira Shimizu	Vice President and Executive Officer	Government & external relations
*Norihiro Suzuki	Vice President and Executive Officer	Research & development
Yoshitaka Tsuda	Vice President and Executive Officer	Marketing and sales (ICT business and healthcare business)
John Domme	Vice President and Executive Officer	Regional strategies (Americas)
Hideobu Nakahata	Vice President and Executive Officer	Human capital
Hiroshi Nakayama	Vice President and Executive Officer	Cost structure reform and supply chain management (MONOZUKURI and quality assurance)
Katsumi Nagasawa	Vice President and Executive Officer	Nuclear power systems business
Isao Narukawa	Vice President and Executive Officer	Marketing and sales (nuclear power systems business, electric power business and energy solutions business)
*Masaaki Nomoto	Vice President and Executive Officer	Energy solutions business
*Kentaro Masai	Vice President and Executive Officer	Railway systems business
*Mamoru Morita	Vice President and Executive Officer	Management strategies
Masaya Watanabe	Vice President and Executive Officer	Healthcare business
Hiroaki Nakanishi	Representative Executive Officer	General management

Note: The Executive Officers marked with * are newly appointed.

3) Compensation for Directors and Executive Officers

Policy on the Determination of Compensation of Directors and Executive Officers

[Method of Determination of Policy]

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

[Summary of Policy]

(i) Matters relating to both Directors and Executive Officers

Compensation will be commensurate with the ability required of, and the responsibilities to be borne by, the Company's Directors and Executive Officers, taking into consideration compensation packages at other companies.

(ii) Matters relating to Directors

Compensation for Directors will consist of a monthly remuneration and a year-end allowance.

- Monthly remuneration will be decided by making adjustments to basic remuneration that reflect full-time or part-time status, committee membership and position, travel from place of residence, etc.
- Year-end allowance will be a pre-determined amount equivalent to about twenty percent of the Director's annual income based on monthly remuneration, although this amount may be reduced depending on Company performance.

A Director concurrently serving as an Executive Officer will not be paid compensation as a Director.

(iii) Matters relating to Executive Officers

Compensation for Executive Officers will consist of a monthly remuneration and a performance-linked component.

- Monthly remuneration will be decided by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment.
- The performance-linked component will be set within a range equivalent to about forty percent of the Executive Officer's annual income, adjusted based on Company and individual performance.

(iv) Miscellaneous

- It was decided at the Compensation Committee meetings held on December 18, 2007 and March 26, 2008 that the compensation structure for Directors and Executive Officers will be re-examined starting with the compensation for fiscal 2008 and that the retirement allowance will

be abolished. The payment of retirement allowance to Directors and Executive Officers due to the abolition of the retirement allowance system will be in an amount determined by the Compensation Committee at the time of the retirement of a relevant Director or Executive Officer.

Total Amount of Compensation to and the Number of Directors and Executive Officers in Fiscal 2015

	Number	Amount (Millions of yen)
Directors (Outside Directors)	11 (8)	398 (280)
Executive Officers	28	1,763
Total	39	2,161

- Notes:
1. The number of Directors indicated excludes two Directors who serve concurrently as Executive Officers.
 2. The compensation to Directors includes the monthly remuneration of one Director, who retired due to expiration of his term of office at the close of the 146th Annual General Meeting of Shareholders held on June 25, 2015.
 3. In addition to the above, there is retirement allowance of JPY 56 million for two Executive Officers, who retired as of March 31, 2016.
 4. Compensation for the preceding fiscal year was JPY 1,950 million for 29 Executive Officers.

(12) Matters Concerning the Company's Stock (As of March 31, 2016)

- 1) **Authorized** 10,000,000,000 shares
- 2) **Number of Shares per Unit** 1,000 shares
- 3) **10 Largest Shareholders**

Name	Share Ownership	Shareholding Ratio
	Shares	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	294,474,000	6.10
Japan Trustee Services Bank, Ltd. (Trust Account)	282,694,415	5.86
Hitachi Employees' Shareholding Association	99,633,384	2.06
Nippon Life Insurance Company	93,265,195	1.93
Japan Trustee Services Bank, Ltd. (Trust Account 9)	76,826,000	1.59
THE BANK OF NEW YORK MELLON SA/NV 10	73,447,113	1.52
State Street Bank West Client-Treaty 505234	71,729,327	1.49
The Dai-ichi Life Insurance Company, Limited	71,361,222	1.48
State Street Bank and Trust Company 505225	68,111,932	1.41
Japan Trustee Services Bank, Ltd. (Trust Account 7)	67,288,000	1.39

- Notes: 1. The number of shares held by The Dai-ichi Life Insurance Company, Limited includes its contribution of 6,560,000 shares to the retirement allowance trust (the holder of said shares, as listed in the Shareholders' Register, is "Dai-ichi Life Insurance Account, Retirement Allowance Trust, Mizuho Trust & Banking Co., Ltd.").
2. Treasury stock (5,247,929 shares) is not included in the calculation of "Shareholding Ratio."

4) Shareholders Composition

Class of Shareholders	Number of Shareholders	Share Ownership (Shares)	Percentage of Total (%)
Financial Institution and Securities Firm	409	1,606,323,857	33.23
Individual	394,280	1,204,843,496	24.93
Foreign Investor	1,259	1,923,591,176	39.80
Other	3,645	98,658,290	2.04
Government and Municipality	4	46,568	0.00
Total	399,597	4,833,463,387	100.00

Note: Treasury stock is included in "Other."

(13) Matters Concerning Accounting Auditor

- 1) **Name of accounting auditor**
Ernst & Young ShinNihon LLC
- 2) **Fees to accounting auditor in Fiscal 2015**
(Millions of yen)

Category	Amount
Total amount of cash and other financial benefits by the Company and its subsidiaries	1,937
Fees etc. by the Company*	439

- Notes: 1. The column marked with * includes fees for audits under applicable Financial Instruments and Exchange Act.
2. The Audit Committee of the Company has given the consent with regard to the fees etc. to accounting auditor, in accordance with Article 399, Paragraph 1 of the Companies Act, after having obtained necessary information and examined the status of the execution of duties by the accounting auditor, content of the audit plan, and grounds for calculating the estimated amount of fees, etc.

3) Description of non-audit services

The Company commissioned various consulting services to Ernst & Young ShinNihon LLC and paid fees.

4) Subsidiaries whose financial statements are audited by certified public accountants, etc. other than Company's accounting auditors

Of the major Hitachi Group companies (listed in (5) Major Hitachi Group Companies), overseas subsidiaries have certified public accountants ("CPA") or auditing firms other than Ernst & Young ShinNihon LLC audit their financial statements.

5) Removal and non-retention policy on accounting auditors
Removal

- (i) In the event an accounting auditor, which is an auditing firm, is ordered by the Prime Minister of Japan to suspend its operation related to the audit of financial statements, in whole or in part, or to dissolve the firm pursuant to Article 34-21, Paragraph 2 of the Certified Public Accountants Act, the accounting auditor shall automatically resign, since said order constitutes a cause for disqualification as accounting auditor provided for in Article 337, Paragraph 3, Item 1 of the Companies Act.
- (ii) In addition to (i) above, in the event the Audit Committee determines that the causes provided for in Articles 340, Paragraph 1, Item 1 or 2 of the Companies Act apply to an accounting auditor, due to such reasons as that it can reasonably be expected that the Prime Minister of Japan shall issue an order to suspend operations, in whole or in part, or to

dissolve the firm, the Audit Committee shall determine the contents of the agenda on the removal of the accounting auditor to be submitted to the general meeting of shareholders.

- (iii) In the event significant adverse effects on the audit of financial statements are reasonably expected in the case of (ii) above, the Audit Committee shall remove the accounting auditor by unanimity. Should this occur, the Audit Committee member selected by the Audit Committee shall give a report on the removal of the accounting auditor and the reason therefor at the first general meeting of shareholders to be convened after said removal.

Non-retention

- (i) In the event individuals selected by an accounting auditor, which is an auditing firm, from among its employees to perform their duties as accounting auditors are found to fall under any or all of the items under Article 340, Paragraph 1 of the Companies Act or breach the obligation(s) of CPAs provided for in the Certified Public Accountants Act, should said auditing firm fail to select promptly individuals to perform their duties as accounting auditors in the place of the former, the Audit Committee shall determine the contents of the agenda item on the non-retention of the accounting auditor to be submitted to the general meeting of shareholders.
- (ii) In the event it is determined that an adequate performance of duties cannot be ensured with respect to the matters related to the performance of duties by accounting auditors provided for in the Regulations of Companies' Financial Statements, the Audit Committee shall determine the contents of the agenda item on the non-retention of the accounting auditor to be submitted to the general meeting of shareholders.

6) Business suspension order issued to the accounting auditor

Outline of the administrative order announced by the Financial Services Agency on December 22, 2015

- (i) Entity subject to the administrative order
Ernst & Young ShinNihon LLC
- (ii) Details of the administrative order
 - Suspension from accepting new engagements for three months (from January 1, 2016 to March 31, 2016)

- Business improvement order (order to improve the operational management system)
- (iii) Reasons for the administrative order
 - In auditing financial statements of TOSHIBA CORPORATION for the fiscal years ended March 31, 2010, 2012 and 2013, the certified public accountants of Ernst & Young ShinNihon LLC (the "firm"), in negligence of due care, attested the financial statements, containing material misstatements as if the statements contained no material misstatements.
 - The firm's operations are deemed significantly inappropriate.

(14) Policy on Determination of Distribution of Surplus etc.

The Company views enhancement of the long-term and overall interests of shareholders as an important management objective.

The industrial sector encompassing energy, information systems, social infrastructure and other primary businesses of the Company is undergoing rapid technological innovation and changes in market structure. This makes vigorous upfront investment in R&D and plant and equipment essential for securing and maintaining market competitiveness and improving profitability. Dividends are therefore decided based on medium-to-long term business plans with an eye to ensuring the availability of internal funds for reinvestment and the stable growth of dividends, with appropriate consideration of a range of factors, including the Company's financial condition, results of operations and dividend payout ratio.

The Company believes that the repurchase of its shares should be undertaken, when necessary, as part of its policy on distribution to shareholders to complement the dividend payout. In addition, the Company will repurchase its own shares in order to flexibly implement a capital strategy, including business restructuring, to maximize shareholder value so far as consistent with the dividend policy. Such action will be taken by the Company after considering its future capital requirement under its business plans, market conditions and other relevant factors.

(15) Structures and Other Things to Ensure Adequacy of Business Operations (Internal Control System) and Operation of the Internal Control System

1) Summary of resolution of Board of Directors on enhancing the internal control system

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

- (i) When necessary, the Board of Directors may appoint one or more director(s), who does not serve concurrently as an executive officer, as a director responsible for assisting with the duties of the Audit Committee. In addition, the Board of Directors' Office (the "Office") shall be established specifically to assist with the duties of each Committee and the Board of Directors.
- (ii) In order to ensure the independence of the Office personnel from Executive Officers and the effect of instructions by the Audit Committee, the Office is staffed with personnel who work only for the Office and are not subject to orders and instructions of Executive Officers, and the Audit Committee shall be informed in advance of planned transfers of the Office personnel.
- (iii) Executive Officers and employees shall report without delay to the members of the Audit Committee significant matters affecting the Company and its subsidiaries, results of internal audits, and the implementation status of reporting under the internal reporting system. It shall be provided for in the company regulation that reporters using the internal reporting system, which applies to the employees of the company and its subsidiaries, shall not receive disadvantageous treatment for reason of having made a report, and the secretariat of the system shall thoroughly administer this provision.
- (iv) The Office shall be in charge of payment for the expenses incurred in connection with the execution of the duties of the Audit Committee members and other administrative duties, and shall promptly process the payment for the expense or debt except in the case where the expense or debt of the claim is clearly found to be unnecessary to the execution of the duties of them.
- (v) Standing Committee member(s) shall be appointed to the Audit Committee, and activity plans of the Audit Committee shall be prepared in coordination with the audit plans of Internal Auditing Office.

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

- (i) Such fundamental policies as the emphasis of the social responsibilities of business enterprises

shall be shared with the subsidiaries of the Company.

- (ii) Each subsidiary of the Company shall develop systems to ensure the appropriateness of operations corresponding to its size and other characteristics, basic framework of which is similar to ones employed in the Company. In order to ensure development of such systems in each subsidiary, directors and auditors shall be sent from the Company to its subsidiary, and regular audits shall be conducted for the subsidiary.
- (iii) A reporting system to Directors shall be established to ensure that the execution of duties by Executive Officers of the Company is in compliance with laws, regulations, and the Articles of Incorporation.
- (iv) Information pertaining to the execution of duties by Executive Officers of the Company shall be prepared and maintained in accordance with internal rules.
- (v) A structure shall be established in which each relevant department shall establish regulations and guidelines, conduct training, prepare and distribute manuals, and carry out other such measures with respect to various risks. Efforts shall be made to identify possible new risks through such things as progress reports on business operations and, should it become necessary to respond to a new risk, an Executive Officer responsible for responding thereto shall be appointed promptly.
- (vi) Efficient performance of duties of the Executive Officers of the Company, and Directors and Executive Officers of the subsidiaries shall be ensured through the following business management systems.
 - The Senior Executive Committee shall be established in order to deliberate on and facilitate the formulation of decisions based on due consideration of diverse factors regarding important issues that affect the Company and/or the Hitachi Group.
 - Based on the management policy, medium-term business plans and annual budgets, on which performance management is based, shall be prepared in order to operate business in a planned and efficient manner.
 - Internal audits of the Company and its subsidiaries shall be conducted to monitor and

identify the status of their business operations and to facilitate improvements.

- The Audit Committee shall receive the audit plans of the accounting auditors in advance, and the prior approval of the Audit Committee shall be required with respect to the fees to be paid to the accounting auditors.
- Documented business processes for matters to be reflected in financial reports shall be executed at the Company and its subsidiaries, and internal and external auditors shall examine said processes in order to ensure the reliability of financial reports.
- A structure for the adequate and efficient conduct of business operations common to the Hitachi Group companies shall be established.

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

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

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

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

2) Summary of status of operation of the internal control system

- The Board of Directors' Office (the "Office") is staffed with three employees (as of March 31, 2016) who exclusively serve the Office and are not subject to orders and instructions of Executive Officers. In addition to the employees who belong to the Office, employees who belong to the Internal Auditing Office, the legal division and other divisions assist with the administrative duties of the Board of Directors and each Committee.

- Standing Committee members have been appointed to the Audit Committee to closely coordinate with the Internal Auditing Office, grasp information in a timely and accurate manner through attendance to important internal meetings, such as the Senior Executive Committee, and promote information-sharing with other Committee members. In addition, the Audit Committee receives reports on audit plans of the accounting auditor in advance, and exchanges information and opinions on a regular basis with the accounting auditor.
- The Senior Executive Committee meets twice a month, in principle, to deliberate on specific important matters concerning the Company or its subsidiaries and the annual business plan. In addition, the Senior Executive Committee makes efforts to identify possible new risks through such means as progress reports on business operations of the Company and its subsidiaries, on a regular basis.
- With respect to risks related to compliance with anti-corruption, competition and export control laws, information security, environment, disasters, and quality, etc., the Company establishes regulations and guidelines, conducts training, and prepares and distributes manuals, as necessary.
- The Company has formulated business strategies, measures to be taken and financial targets as the medium-term business plan and annual budget, and manages business performance based on these plans.
- The Company has established a Group-wide whistleblowing system, in which employees of the Company and its subsidiaries may make reports to the internal secretariat for the system or an outside attorney, receives reports for suspicion of illegal acts, etc., and carries out necessary investigations. In addition, it has been provided for in the company regulation that reporters using the whistleblowing system shall not receive disadvantageous treatment on the grounds of having made a report. The Company has also established a reporting system to directors to ensure that the execution of duties by Executive Officers of the Company is in compliance with laws, regulations, and the Articles of Incorporation.
- Internal audits of the Company and its subsidiaries are conducted to monitor and

improve their business operations, as well as to confirm the status of their compliance and prevent illegal acts. In addition, the results of the internal audits of the Company and its subsidiaries conducted by the Internal Auditing Office are reported to the Audit Committee members without delay.

same response will also be taken in the event a party attempts to acquire a large percentage of the shares of a Group company.

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

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

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

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

2. Consolidated Statements of Financial Position

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2014 (As of March 31, 2015)
	(Millions of yen)	
(Assets)		
Current assets	5,872,555	5,882,412
Cash and cash equivalents	699,315	701,703
Trade receivables	2,992,770	2,870,042
Lease receivables	338,758	337,353
Inventories	1,299,855	1,458,119
Other current assets	541,857	515,195
Non-current assets	6,678,450	6,551,315
Investments accounted for using the equity method	676,960	681,623
Investments in securities and other financial assets	1,329,974	1,449,734
Lease receivables	727,485	680,620
Property, plant and equipment	2,500,226	2,472,497
Intangible assets	1,070,403	933,582
Other non-current assets	373,402	333,259
Total assets	12,551,005	12,433,727
(Liabilities)		
Current liabilities	4,994,216	4,779,478
Short-term debt	871,417	977,701
Current portion of long-term debt	651,518	483,521
Other financial liabilities	280,048	296,425
Trade payables	1,451,918	1,426,523
Accrued expenses	727,402	759,191
Advances received	480,457	374,241
Other current liabilities	531,456	461,876
Non-current liabilities	3,431,219	3,357,907
Long-term debt	2,081,520	2,096,134
Other financial liabilities	115,155	117,535
Retirement and severance benefits	783,670	724,223
Other non-current liabilities	450,874	420,015
Total liabilities	8,425,435	8,137,385
(Equity)		
Hitachi, Ltd. stockholders' equity	2,735,078	2,942,281
Common stock	458,790	458,790
Capital surplus	586,790	608,416
Retained earnings	1,609,761	1,477,517
Accumulated other comprehensive income	83,543	401,100
Treasury stock, at cost	(3,806)	(3,542)
Non-controlling interests	1,390,492	1,354,061
Total equity	4,125,570	4,296,342
Total liabilities and equity	12,551,005	12,433,727

3. Consolidated Statements of Profit or Loss

	Years ended March 31	
	2016	2015
	(Millions of yen)	
Revenues	10,034,305	9,774,930
Cost of sales	(7,459,073)	(7,198,232)
Gross profit	2,575,232	2,576,698
Selling, general and administrative expenses	(1,940,363)	(1,935,373)
Other income	57,539	9,415
Other expenses	(141,881)	(167,781)
Financial income	10,615	7,727
Financial expenses	(30,295)	(3,284)
Share of profits of investments accounted for using the equity method	156	46,657
Earnings before interest and taxes	531,003	534,059
Interest income	12,028	12,529
Interest charges	(25,991)	(27,594)
Income from continuing operations, before income taxes	517,040	518,994
Income taxes	(165,206)	(122,075)
Income from continuing operations	351,834	396,919
Loss from discontinued operations	(57,081)	(53,501)
Net income	294,753	343,418
Net income attributable to:		
Hitachi, Ltd. stockholders	172,155	217,482
Non-controlling interests	122,598	125,936

4. Unconsolidated Balance Sheets

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2014 (As of March 31, 2015)
	(Millions of yen)	
(Assets)		
Current assets	1,364,772	1,257,317
Cash	70,198	53,899
Notes receivable	1,684	2,080
Accounts receivable	661,971	642,172
Finished goods	20,522	25,004
Semi-finished goods	27,829	24,362
Raw materials	22,452	23,675
Work in process	78,742	89,093
Advances paid	22,076	18,704
Short-term loan receivables	322,124	261,829
Deferred tax assets	82,594	53,814
Others	111,758	109,005
Allowance for doubtful receivables	(57,182)	(46,326)
Fixed assets	2,503,861	2,492,009
Tangible fixed assets	279,430	255,280
Buildings	125,121	119,694
Structures	7,348	6,759
Machinery	24,678	25,878
Vehicles	80	82
Tools and equipment	53,412	53,712
Land	50,160	36,282
Lease assets	7,944	7,026
Construction in progress	10,683	5,844
Intangible fixed assets	124,125	119,727
Patents	41	38
Software	119,483	114,352
Railway and public utility installation	512	535
Lease assets	137	185
Others	3,950	4,614
Investments and others	2,100,306	2,117,001
Affiliated companies' common stock	1,613,825	1,553,509
Investments in affiliated companies	33,292	33,022
Investments in securities	240,183	335,014
Long-term loan receivables	174,336	168,989
Prepaid pension cost	1,396	-
Others	39,581	26,545
Allowance for doubtful receivables	(2,310)	(80)
Total assets	3,868,633	3,749,326

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2014 (As of March 31, 2015)
	(Millions of yen)	
(Liabilities)		
Current liabilities	1,791,843	1,647,296
Trade accounts payable	368,592	399,369
Short-term debt	109,700	50,335
Commercial paper	-	100,000
Current installments of debentures	-	50,000
Lease liabilities	2,144	1,780
Other accounts payable	142,095	127,376
Accrued expenses	181,413	160,517
Advances received from customers	104,864	112,605
Deposits received	820,114	620,887
Provision for product warranties	1,586	2,523
Provision for loss on construction contracts	25,205	18,410
Others	36,126	3,490
Noncurrent liabilities	698,348	702,144
Debentures	60,000	60,000
Long-term debt	348,243	357,000
Lease liabilities	6,159	5,666
Accrued pension liability	85,443	88,816
Provision for loss on repurchasing computers	-	0
Provision for retirement benefits for senior executives	371	512
Provision for loss on business of affiliated companies	101,011	36,747
Deferred tax liabilities	21,782	80,133
Asset retirement obligations	5,500	3,479
Others	69,835	69,787
Total liabilities	2,490,191	2,349,441
(Net assets)		
Stockholders' equity	1,301,730	1,295,006
Common stock	458,790	458,790
Capital surplus	449,936	449,940
Capital reserve	176,757	176,757
Others	273,179	273,183
Retained Earnings	396,809	389,816
Others	396,809	389,816
Reserve for advanced depreciation of fixed assets	1,769	1,868
Reserve for investment loss regarding specified business restructuring	91,683	89,689
Retained earnings carried forward	303,356	298,258
Treasury stock	(3,806)	(3,542)
Valuation and translation adjustments	76,711	104,879
Unrealized holding gains on securities	97,402	152,946
Deferred profit or loss on hedges	(20,690)	(48,067)
Total net assets	1,378,441	1,399,885
Total liabilities and net assets	3,868,633	3,749,326

5. Unconsolidated Statements of Operations

	Years ended March 31	
	2016	2015
	(Millions of yen)	
Revenues	1,859,605	1,842,126
Cost of sales	1,446,524	1,408,986
Gross profit on sales	413,080	433,140
Selling, general and administrative expenses	412,715	437,065
Operating income (loss)	365	(3,925)
Other income	120,610	90,741
Interest and dividends	117,804	84,447
Others	2,806	6,293
Other deductions	141,920	87,116
Interest	6,831	7,646
Provision for loss on business of affiliated companies	64,263	29,051
Others	70,826	50,418
Ordinary income (loss)	(20,944)	(300)
Extraordinary gain	32,694	69,117
Gain on sale of investments in securities	14,487	50,819
Gain on extinguishment of tie-in shares	12,605	-
Gain on sale of real property	5,358	18,269
Gain on sale of affiliated companies' common stock	242	29
Extraordinary loss	20,501	31,656
Impairment loss on affiliated companies' common stock	13,546	4,939
Loss on impairment of assets	3,823	13,210
Impairment loss on investments in capital of affiliated companies	2,267	12,332
Loss on debt forgiveness of affiliated companies	839	-
Impairment loss on investments in securities	25	1,174
Income (loss) before income taxes	(8,752)	37,160
Income taxes		
Current	(21,690)	(24,064)
Deferred	(51,996)	(24,037)
Net income	64,934	85,262

6. Transcript of Accounting Auditors' Audit Report on Unconsolidated Financial Statements

REPORT OF INDEPENDENT AUDITORS

May 11, 2016

Mr. Toshiaki Higashihara, President & CEO

Hitachi, Ltd.

Ernst & Young ShinNihon LLC

Koichi Tsuji
Certified Public Accountant
Designated and Engagement Partner

Takahiro Saga
Certified Public Accountant
Designated and Engagement Partner

Takuya Tanaka
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of operations, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Hitachi, Ltd. (the "Company") applicable to the 147th fiscal year from April 1, 2015 through March 31, 2016.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the 147th fiscal year ended March 31, 2016 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

(Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the unconsolidated financial statements of the company, prepared in Japanese, for the fiscal year ended March 31, 2016. Ernst & Young ShinNihon LLC has not audited the English language version of the unconsolidated financial statements for the above-mentioned year.

7. Transcript of Audit Committee's Audit Report on Unconsolidated Financial Statements

AUDIT REPORT

We, the Audit Committee of the Company, audited the performance by Directors and Executive Officers of their duties during the 147th business term (from April 1, 2015 to March 31, 2016). We hereby report as follows on the method and results thereof:

1. Method of Audit

- 1) We received periodical reports, obtained required explanations, and clarified opinions regarding the state of implementation and operation of the contents of the resolutions of the Board of Directors concerning the matters as listed in Article 416, Paragraph 1, Item 1 (ro) and (ho) of the Companies Act, and the status of the systems (internal control systems) established thereunder.
- 2) In accordance with the audit policy, assignment of audit duties, etc., as determined by the Audit Committee, and in collaboration with the relevant departments, we attended important meetings, received reports or heard from the Directors, Executive Officers, etc. on matters concerning the execution of their duties, requested explanations as necessary, inspected important decision documents, etc., and made investigation into the state of activities and property at the head office and principal business offices of the Company.
- 3) As regards subsidiaries, we sought to communicate and exchange information with the Directors, Executive Officers, Auditors, and others of the subsidiaries, received reports on their business operations, requested explanations as necessary, and visited their Head Offices and principal business offices to conduct interviews and other tasks.
- 4) We examined the contents of the fundamental policy on the conduct of persons influencing decision on the Company's financial and business policies set forth in the business report giving due consideration to such things as the circumstances of deliberations by the Board of Directors and others.
- 5) Further, we monitored and examined whether the Accounting Auditors maintained their independence and performed their auditing duties adequately, as well as received reports from the Accounting Auditors on the performance status of their duties and requested explanations as necessary.
- 6) We also received a notice from the Accounting Auditors to the effect that "structures for ensuring that duties are appropriately performed" (matters stipulated in each item under Article 131 of the Regulations of Companies' Financial Statements) were being developed pursuant to the "Quality Management Standards for Auditing" (Business Accounting Council, October 28, 2005) and requested explanations as necessary.

We examined the business report and its supplementary schedules, the unconsolidated financial statements (the unconsolidated balance sheet, the unconsolidated statement of operations, the unconsolidated statement of changes in net assets, and the notes to unconsolidated financial statements) and their supplementary schedules, as well as consolidated financial statements (the consolidated statements of financial position, the consolidated statements of profit or loss, the consolidated statement of changes in equity, and the notes to consolidated financial statements) for this business term in accordance with the foregoing method.

2. Results of Audit

(1) Results of Audit on Business Report etc.

We are of the opinion:

- 1) that the business report and its supplementary schedules fairly present the state of the Company in accordance with the laws, regulations and the Articles of Incorporation;
- 2) that, in connection with the performance by Directors and Executive Officers of their duties, no dishonest act or material fact of violation of laws, regulations or the Articles of Incorporation exists;
- 3) that the contents of the resolution by the Board of Directors concerning internal control systems are appropriate. Further, there is nothing to note with respect to the performance by Directors and Executive Officers of their duties and description of the business report related to said internal control systems;
- 4) that the fundamental policy on the conduct of persons influencing decision on the Company's financial and business policies set forth in the business report are appropriate.

(2) Results of Audit on Unconsolidated Financial Statements and Their Supplementary Schedules

We are of the opinion that the method and results of the audit made by the Company's Accounting Auditors, Ernst & Young ShinNihon LLC are appropriate.

(3) Results of Audit on Consolidated Financial Statements

We are of the opinion that the method and results of the audit made by the Company's Accounting Auditors, Ernst & Young ShinNihon LLC are appropriate.

May 13, 2016

Audit Committee, Hitachi, Ltd.
Takashi Miyoshi (Standing)
Nobuo Mochida (Standing)
Nobuo Katsumata
Harufumi Mochizuki
Hiroaki Yoshihara

Note: Messrs. Nobuo Katsumata, Harufumi Mochizuki and Hiroaki Yoshihara are outside Directors pursuant to Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

The 147th Annual General Meeting of Shareholders of Hitachi, Ltd.
Materials Disclosed via the Internet

Hitachi, Ltd.

Contents

1. Consolidated Statements of Changes in Equity
2. Notes to Consolidated Financial Statements
3. Consolidated Statements of Comprehensive Income (Supplementary Information)
4. Consolidated Statements of Cash Flows (Supplementary Information)
5. Unconsolidated Statement of Changes in Net Assets
6. Notes to Unconsolidated Financial Statements
7. Transcript of Accounting Auditors' Audit Report on Consolidated Financial Statements

Note: The aforementioned materials are provided to the shareholders for their review by posting on the Company's website pursuant to the provisions of the Articles of Incorporation of the Company and the relevant laws and regulations.

1. Consolidated Statements of Changes in Equity (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of year	458,790	608,416	1,477,517	401,100	(3,542)	2,942,281	1,354,061	4,296,342
Changes in equity								
Reclassified into retained earnings			18,030	(18,030)		-		-
Net income			172,155			172,155	122,598	294,753
Other comprehensive loss				(299,712)		(299,712)	(79,283)	(378,995)
Dividends to Hitachi, Ltd. stockholders			(57,941)			(57,941)		(57,941)
Dividends to non-controlling interests						-	(39,502)	(39,502)
Acquisition of treasury stock					(295)	(295)		(295)
Sales of treasury stock		(4)			31	27		27
Changes in non-controlling interests		(21,622)		185		(21,437)	32,618	11,181
Total changes in equity	-	(21,626)	132,244	(317,557)	(264)	(207,203)	36,431	(170,772)
Balance at end of year	458,790	586,790	1,609,761	83,543	(3,806)	2,735,078	1,390,492	4,125,570

2. Notes to Consolidated Financial Statements

(Notes on Important Matters for Basis of Presentation of Consolidated Financial Statements)

1. Basis of presentation

The consolidated financial statements presented herein, under Article 120, Paragraph 1 of the Regulations of Companies' Financial Statements, have been prepared in conformity with International Financial Reporting Standards (hereinafter "IFRS") from the fiscal year ended March 31, 2016. However, under the second sentence of the above provision, some descriptions and notes required under IFRS are omitted.

2. Scope of consolidation and application of equity method

The number of consolidated subsidiaries is 1,056 and the number of equity-method affiliates is 249.

3. Financial assets

The Company has adopted IFRS 9 "Financial instruments" (issued in November 2009, amended in October 2010).

Financial assets measured at amortized cost

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

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

Financial assets measured at amortized cost are initially measured at fair value (including direct transaction costs). The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method. If there is an objective evidence of impairment, impairment loss is measured and recognized as net income or loss based on the present value of estimated future cash flows, discounted by the initial effective interest rate.

FVTOCI financial assets(financial assets measured at fair value through other comprehensive income)

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

FVTPL financial assets(financial assets measured at fair value through profit or loss)

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

4. Inventories

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

5. Property, plant and equipment and intangible assets

Property, plant and equipment

Property, plant and equipment are measured using the cost model and stated at the cost less accumulated depreciation and accumulated impairment losses. Each asset is depreciated mainly using the straight-line method over its estimated useful lives.

Intangible assets

Intangible assets with finite useful lives are measured using the cost model and stated at the cost less accumulated amortization and accumulated impairment losses. Each asset is amortized mainly using the straight-line method over its estimated useful lives.

Intangible assets with indefinite useful lives and goodwill are stated at the cost less accumulated impairment losses.

Impairment losses

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

6. Accounting methods for retirement and severance benefits
 The Company and certain subsidiaries have defined benefit pension plans and severance lump-sum payment plans to provide retirement and severance benefits to employees. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method. The present value of defined benefit obligations and the fair value of plan assets are remeasured as of the end of reporting period. Actuarial differences arising during the year and changes in fair value of plan assets (excluding interest income) are recognized in OCI and are not subsequently reclassified into profit or loss. Any prior service cost, which arises at the time of a plan amendment, is recognized immediately in profit or loss when such an amendment occurs.
 The present value of defined benefit obligations less the fair value of plan assets is presented as the net amount of defined benefit liability or asset in non-current liabilities or assets.

(Notes to Consolidated Statement of Financial Position)

1. Accumulated other comprehensive income: Foreign currency translation adjustments of JPY 118,635 million, remeasurements of defined benefit plans of JPY (42,337) million, net changes in financial assets measured at FVTOCI of JPY 147,852 million, and net changes in cash flow hedges of JPY (140,607) million.
2. Collateralized assets: Trade receivables of JPY 4,870 million, inventories of JPY 5,137 million, other current assets of JPY 7 million, investments in securities and other financial assets of JPY 846 million, and property, plant and equipment of JPY 34,872 million.
 Secured debts: JPY 27,419 million
3. Allowance deducted directly from assets: JPY 40,969 million from trade receivables, JPY 8,698 million from lease receivables, and JPY 1,582 million from other financial assets measured at amortized cost.
4. Property, plant and equipment include land of JPY 426,569 million and buildings and structures of JPY 748,656 million.
 Accumulated depreciation and impairment losses of property, plant and equipment is JPY (4,830,293) million.
 Intangible assets include goodwill of JPY 528,565 million.
5. Guarantees: JPY 234,244 million

(Note to Consolidated Statement of Profit or Loss)

Income taxes of JPY (165,206) million includes current tax expense of JPY (156,177) million and deferred tax expense of JPY (9,029) million.

(Notes to Consolidated Statement of Changes in Equity)

1. Class and number of issued shares and treasury stocks at end of year

(1) Issued shares	Common stock	4,833,463,387 shares
(2) Treasury stocks	Common stock	5,247,929 shares
2. Cash dividends

Total amount of cash dividends	JPY 57,941 million
--------------------------------	--------------------

(Notes on Financial Instruments)

1. Status of Financial Instruments
 The Company and its subsidiaries, in an endeavor to optimize the capital efficiency of their business activities through efficient management of operating funds, include highly liquid short-term investments, which mature within three months of the date of acquisition and pose very little risk of fluctuation in value, in "cash equivalents" as immediately available financial resources.
 Customer credit risk regarding receivables is managed based mainly on the current economic conditions, inherent risks, the financial position of the relevant customer and the past record.
 Investments in securities and other financial assets mainly comprise equity financial instruments, which are managed by constantly monitoring the fair value.
 Short-term debt and long-term debt are mainly used to fund business operations and capital expenditures.
2. Fair Value, etc. of Financial Instruments
 Information on the fair value of financial instruments as of March 31, 2016 is as follows. Financial instruments measured at fair value in the consolidated statements of financial position and financial instruments, whose carrying amounts and book value are approximately equal, are not included in the following table.

(Millions of yen)

	Carrying amounts	Fair Values
Assets		
Trade receivables [1]	3,676,298	3,691,667
Lease receivables	1,066,243	1,104,607
Investments in securities and other financial assets [2]		
Debt securities	75,326	75,319
Long-term loans receivable	90,944	91,773
Liabilities		
Long-term debt [3]		
Lease obligations	44,600	44,696
Bonds	742,941	755,325
Long-term debt	1,945,497	1,970,687
Other financial liabilities		
Contractual guarantee deposits	31,987	31,528

[1] Trade receivables are included in trade receivables and investments in securities and other financial assets in the consolidated statements of financial position.

[2] Investments in securities and other financial assets are included in prepaid expenses and other current assets and investments in securities and other financial assets in the consolidated statements of financial position.

[3] Long-term debt is included in current portion of long-term debt and long-term debt in the consolidated statements of financial position.

The premises and methods for estimating fair values are as follows:

Cash and cash equivalents, short-term loans receivable, short-term debt, other payables and trade payables

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

Trade receivables

Fair value is measured by the present value of future cash flows discounted by risk-free rates after considering early settlements, cancellation and the balance of doubtful accounts, for each type of receivable, class of receivable based on collection records and term of collection.

Lease receivables

Fair value is based on the present value of lease payments receivable based on years to maturity, using discount rates that reflect the time to maturity and credit risk.

Investments in securities and other financial assets, Other financial liabilities

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 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 and 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 of fair value measurement are unobservable, the Company uses price information provided by financial institutions and other available information to evaluate such investments.

Fair values of subordinated interests and beneficiary interests in trust that are retained in transactions of transferring financial assets are estimated by discounting future cash flows based on economic assumptions including expected rate of credit loss and discount rate since significant inputs for estimation of the fair value are unobservable.

Contract guarantee deposits are financial liabilities received from some customers and other parties as a credit enhancement to trade and lease receivables, and normally returned after the underlying assets are fully collected. The fair value of contract guarantee deposits is measured by discounting the sum of the principals over the time to the contractual return dates, using the risk-free discount rate.

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.

(Note on Per Share Information)

Hitachi, Ltd. stockholders' equity per share	JPY 566.48
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders per share	JPY 47.48
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders per share	JPY (11.82)
Net income attributable to Hitachi, Ltd. stockholders per share	JPY 35.65

(Other Notes)

On February 1, 2014 (hereinafter the “effective date of company split”), the Company and Mitsubishi Heavy Industries, Ltd. (hereinafter “MHI”) integrated their thermal power generation systems businesses into MHI’s consolidated subsidiary, MITSUBISHI HITACHI POWER SYSTEMS, LTD. (hereinafter “MHPS”), through a spin-off in the form of an absorption-type company-split. As part of this business integration, assets and liabilities associated with boiler construction projects for Medupi and Kusile Power Stations for which the Company’s consolidated subsidiaries in the Republic of South Africa, Hitachi Power Africa Proprietary Limited (hereinafter “HPA”) and other companies received orders in 2007, as well as their contractual status in relation to customers, and rights and obligations thereof were transferred from HPA to MHI’s consolidated subsidiary, Mitsubishi Hitachi Power Systems Africa Proprietary Limited (hereinafter “MHPS Africa”) (hereinafter, the “Transfer of South African Business”).

Under the agreement executed between the Company and MHI regarding the Transfer of South African Business, the Company and HPA shall be liable for contingent liabilities resulting from events that occurred before the effective date of company split as well as claims that had already been made as of the said date, while MHPS and MHPS Africa shall be held responsible for the execution of business on and after the effective date of company split. Given these conditions, it has been agreed upon to determine the final transfer price upon agreement on future construction schedule as of the effective date of company split and confirmation of estimated project cash flows based on such schedule between the parties, and settle the difference with the provisional price.

The said transfer price adjustment for the Transfer of South African Business is still under discussion between the Company and MHI and not yet agreed upon at the moment. On March 31, 2016, MHI requested the Company to pay ZAR 48,200 million (approximately JPY 379.0 billion when ZAR 1 = JPY 7.87) to MHPS Africa as a portion of transfer price adjustment, etc. The Company replied to MHI on April 6, 2016 that the details of the demand letter lacked legal grounds under any agreement and thus the Company cannot accept it.

The Company has recorded provisions based on reasonable estimates for the aforementioned agreement related to the South African Business.

3. Consolidated Statements of Comprehensive Income (Supplementary Information)

	Years ended March 31	
	2016	2015
	(Millions of yen)	
Net income	294,753	343,418
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(50,323)	57,957
Remeasurements of defined benefit plans	(140,844)	27,039
Share of OCI of investments accounted for using the equity method	(4,275)	5,633
Total items not to be reclassified into net income	(195,442)	90,629
Items that can be reclassified into net income		
Foreign currency translation adjustments	(190,099)	188,619
Net changes in cash flow hedges	32,785	(16,850)
Share of OCI of investments accounted for using the equity method	(26,239)	(74,604)
Total items that can be reclassified into net income	(183,553)	97,165
Other comprehensive income (OCI)	(378,995)	187,794
Comprehensive income (loss)	(84,242)	531,212
Comprehensive income (loss) attributable to:		
Hitachi, Ltd. stockholders	(127,557)	337,578
Non-controlling interests	43,315	193,634

4. Consolidated Statements of Cash Flows (Supplementary Information)

	Years ended March 31	
	2016	2015
	(Millions of yen)	
1. Cash flows from operating activities		
Net income	294,753	343,418
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	507,790	481,021
Change in receivables	(53,092)	(201,423)
Change in inventories	44,342	(116,328)
Change in payables	(1,602)	(18,041)
Other	20,035	(36,822)
Net cash provided by (used in) operating activities	812,226	451,825
2. Cash flows from investing activities		
Purchase of property, plant and equipment	(369,494)	(358,141)
Purchase of intangible assets	(116,438)	(128,808)
Purchase of leased assets	(539,420)	(444,223)
Proceeds from sale of property, plant and equipment and intangible assets	22,632	32,528
Proceeds from sale of leased assets	23,834	27,122
Collection of lease receivables	326,497	302,899
Proceeds from sale (purchase) of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method), net	(58,756)	(31,226)
Other	(19,654)	(12,696)
Net cash provided by (used in) investing activities	(730,799)	(612,545)
Free Cash Flows	81,427	(160,720)
3. Cash flows from financing activities		
Change in interest-bearing debt	110,821	343,050
Dividends paid to stockholders	(57,907)	(55,443)
Dividends paid to non-controlling interests	(41,671)	(32,143)
Other	(37,710)	(22,258)
Net cash provided by (used in) financing activities	(26,467)	233,206
4. Effect of exchange rate changes on cash and cash equivalents	(57,348)	68,560
5. Change in cash and cash equivalents	(2,388)	141,046
6. Cash and cash equivalents at beginning of year	701,703	560,657
7. Cash and cash equivalents at end of year	699,315	701,703

5. Unconsolidated Statement of Changes in Net Assets (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Stockholders' equity							
	Common stock	Capital surplus			Retained earnings			
		Capital reserve	Others	Total capital surplus	Others			Total retained earnings
					Reserve for advanced depreciation of fixed assets	Reserve for investment loss regarding specified business restructuring	Retained earnings (losses) carried forward	
Balance at beginning of year	458,790	176,757	273,183	449,940	1,868	89,689	298,258	389,816
Change during year								
Reversal of reserve for advanced depreciation of fixed assets					(98)		98	-
Adjustment to reserve for investment loss regarding specified business restructuring due to change in tax rate						1,993	(1,993)	-
Distribution of surplus							(57,941)	(57,941)
Net income							64,934	64,934
Acquisition of treasury stock								
Disposition of treasury stock			(4)	(4)				
(Net) Change in items other than stockholders' equity during year								
Total change during year	-	-	(4)	(4)	(98)	1,993	5,098	6,992
Balance at end of year	458,790	176,757	273,179	449,936	1,769	91,683	303,356	396,809

	Stockholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total stockholders' equity	Unrealized holding gains on securities	Deferred profit or loss on hedges	Total valuation and translation adjustments	
Balance at beginning of year	(3,542)	1,295,006	152,946	(48,067)	104,879	1,399,885
Change during year						
Reversal of reserve for advanced depreciation of fixed assets		-				-
Adjustment to reserve for investment loss regarding specified business restructuring due to change in tax rate		-				-
Distribution of surplus		(57,941)				(57,941)
Net income		64,934				64,934
Acquisition of treasury stock	(294)	(294)				(294)
Disposition of treasury stock	30	26				26
(Net) Change in items other than stockholders' equity during year			(55,544)	27,376	(28,167)	(28,167)
Total change during year	(264)	6,724	(55,544)	27,376	(28,167)	(21,443)
Balance at end of year	(3,806)	1,301,730	97,402	(20,690)	76,711	1,378,441

6. Notes to Unconsolidated Financial Statements

(Notes on Important Accounting Policy)

1. Inventories
Finished goods, semi-finished goods and work in process: Stated at cost. Cost is determined by the specific identification method or the moving average method. (The figures shown in the Balance Sheet have been calculated in accordance with the write-down approach based on decline in profitability.)
Raw materials: Stated at cost. Cost is determined by the moving average method. (The figures shown in the Balance Sheet have been calculated in accordance with the write-down approach based on decline in profitability.)
2. Securities
Affiliated companies' common stock and investments in affiliated companies are stated at cost. Cost is determined by the moving average method.
Other securities which had readily determinable fair values are stated at fair value. The difference between acquisition cost and carrying cost of other securities is recognized in "Unrealized holding gains on securities." The cost of other securities sold is computed based on the moving average method.
Other securities which did not have readily determinable fair values are stated at cost determined by the moving average method.
3. Derivatives
Derivatives are stated at fair value.
4. Depreciation of tangible fixed assets (excluding lease assets)
Straight-line method.
5. Depreciation of intangible fixed assets (excluding lease assets)
Selling, leasing, or otherwise marketing software: Depreciated based on expected gross revenues ratably.
Other intangible fixed assets: Straight-line method.
6. Depreciation of lease assets
Financial leases other than those that are deemed to transfer the ownership of the leased property to the lessee: Depreciation is calculated by the straight-line method with no residual value, using the lease term as useful life.
Of the financial leases other than those that are deemed to transfer the ownership of the leased property to the lessee, leases commencing on or before March 31, 2008 are accounted for based on accounting methods applied to ordinary lease transactions.
7. Allowances and Provisions
Allowance for doubtful receivables:
Estimated uncollectible amounts are accounted for based on loan loss ratios in the case of general receivables and based on case-by-case examination of collectability in the case of specific receivables including doubtful receivables.
Provision for product warranties:
In order to prepare for expenditures related to after-sales product services, estimated in-warranty service costs are accounted for based on past records.
Provision for loss on construction contracts:
In order to provide for losses relating to construction contracts and made-to-order software, an estimated loss for subsequent fiscal years is accounted for.
Accrued pension liability:
Accrued pension liability is provided for employees' retirement and severance benefits. Such liability is determined based on projected benefit obligation and expected plan assets as of the end of this fiscal year. The projected benefit obligation is determined by attributing the expected retirement and severance benefits to each year by the benefit formula basis.
Prior service cost is amortized by the straight-line method over the estimated average remaining service years of employees.
Unrecognized actuarial gain or loss is amortized by the straight-line method over the estimated average remaining service years of employees from the next fiscal year.
Provision for retirement benefits for senior executives:
In order to provide for the payment of retirement benefits to senior executives, corporate officers, and the like, the Company accounted for the amount of payment required as of the end of this fiscal year according to the stipulations in the Company's internal rules.
Decisions were made at the Compensation Committee meetings held on December 18, 2007 and March 26, 2008 to abolish the retirement allowance system and to pay the retirement allowance for the applicable period to senior executives, corporate officers, and the like at the time of their retirement, subject to resolutions of the Compensation Committee following decisions on their retirement.
Provision for loss on business of affiliated companies:
In order to provide for losses relating to the business of affiliated companies, the amount the Company is expected to bear in excess of the amounts invested in and loaned to for such companies is accounted for.

8. Accounting standard for income and expenses
Accounting standard for income on construction contracts and made-to-order software:
Income is accounted for on the percentage of completion basis for progress made by the end of the relevant fiscal year, if said progress is deemed certain to yield results (as a general rule, the estimated percentage of progress is obtained by the cost-to-cost method). Income is accounted for on the completion basis in all other cases.
9. Consumption tax
Consumption tax is accounted for based on the tax segregated method, under which consumption tax is excluded from presentation of revenues, cost of sales and expenses.
10. Hedge accounting
Deferral hedge accounting is employed.

(Change in Presentation)

Unconsolidated Statements of Operations

“Provision for loss on business of affiliated companies” is individually described in “Other deductions” due to an increase of the materiality in this fiscal year, although 29,051 million yen was included in and described as “Others” of “Other deductions” in the previous fiscal year.

(Notes to Unconsolidated Balance Sheet)

1. Collateralized assets

(Millions of yen)

Type of asset	Year-end book value	Description
Affiliated companies' common stock	74	Collaterals for borrowings by affiliated companies
Investments in securities	8	Collaterals for borrowings by investees
Long-term loan receivables	81	Collaterals for borrowings by affiliated companies and investees
Total	163	

2. Accumulated depreciation of tangible fixed assets

Buildings	JPY 191,001 million
Structures	JPY 27,255 million
Machinery	JPY 143,580 million
Vehicles	JPY 1,380 million
Tools and equipment	JPY 180,299 million
Lease assets	JPY 6,393 million

3. Guarantees

(Millions of yen)

Guarantee	Year-end balance	Description
Hitachi Rail Italy S.p.A.	125,069	Guarantee for bonds, etc. issued by financial institutions
Agility Trains West Ltd.	32,320	Guarantee for borrowings from financial institutions
Hitachi International (Holland) B.V.	30,648	Guarantee for commercial paper
Agility Trains East Ltd.	27,483	Guarantee for borrowings from financial institutions
Hitachi America Capital, Ltd.	27,088	Guarantee for commercial paper
Ansaldo STS S.p.A.	22,020	Guarantee for bonds issued by financial institutions
Mitsubishi Hitachi Power Systems Europe GmbH	3,298	Guarantee for collection of trade accounts receivables transferred from the Company's subsidiary to Mitsubishi Hitachi Power Systems Europe GmbH
Horizon Nuclear Power Services Ltd.	2,297	Guarantee for rent expenses during the term pursuant to the rental contract on real estate
Kohki Railway Systems, Ltd.	1,600	Joint and several guarantee for East Japan Railway Company (“JR East”) pursuant to the “Agreement on License to Execute and Use Patents, etc.” between JR East and Kohki Railway Systems
Hitachi Rail Europe Ltd.	1,457	Guarantee for rent expenses during the term pursuant to the rental contract on real estate, etc.
Other	64	Guarantee for borrowings from financial institutions, etc.
Total	273,348	

In addition to the foregoing, the Company has entered into an agreement with each of the following overseas affiliated companies on maintaining their finances in a sound condition, etc., mainly to enhance their credit in order to support their financing activities:

Hitachi America Capital, Ltd., Hitachi International (Holland) B.V., Hitachi International Treasury Ltd., Hitachi (China) Finance Co., Ltd. and Hitachi Power Europe GmbH

4. Short-term receivables from affiliated companies JPY 653,462 million
- Long-term receivables from affiliated companies JPY 166,833 million
- Short-term payables to affiliated companies JPY 1,187,207 million
- Long-term payables to affiliated companies JPY 5,862 million

(Notes to Unconsolidated Statement of Operations)

1. Gain on extinguishment of tie-in shares of JPY 12,605 million was recorded due to an absorption-type company split in which the Company is the successor company and Hitachi Solutions, Ltd. is the splitting company.
2. Loss on debt forgiveness of affiliated companies of JPY 839 million arose because the Company waived claims against its affiliated companies due to liquidation thereof.
3. Loss on impairment of assets

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

Classification	Description	Category	Location
Assets to be held and used	Manufacturing facility of transformation station equipment	Machinery, etc.	Hitachi, Ibaraki
Idle assets	—	Buildings, etc.	Odawara, Kanagawa
Assets scheduled to be disposed	—	Land	Atami, Shizuoka

(2) Reason to recognize impairment loss

The Company recognized the impairment loss for assets to be held and used since amounts invested in the above assets are expected to be irrecoverable due to decline in their profitability. The Company also recognized the impairment loss for idle assets and assets scheduled to be disposed since they are expected to have no future use and the capital invested thereon is unlikely to be recovered mainly due to the decision on the integration of business bases.

(3) Amounts of impairment loss

Buildings	JPY 3,210 million
Structures	JPY 32 million
Machinery	JPY 431 million
Tools and equipment	JPY 46 million
Land	JPY 70 million
Software	JPY 27 million
Other	JPY 3 million
Total	JPY 3,823 million

(4) Method of grouping assets

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

(5) Calculation of recoverable amounts

For land included in assets to be held and used, calculation is based on net sales price, which is calculated by deducting the estimated cost of disposal from real estate appraisal value. For other assets to be held and used and idle assets, as these are considered not to be recoverable, their book values were reduced to their memorandum values and these reductions were recorded as loss on impairment of assets. For assets scheduled to be disposed, calculations based on net sales price, which is calculated by deducting the estimated cost of disposal from estimated selling amounts.

4. Sales to affiliated companies JPY 584,879 million
- Purchases from affiliated companies JPY 936,545 million
- Non-operating transactions with affiliated companies JPY 19,928 million

(Note to Unconsolidated Statement of Changes in Net Assets)

Matters related to Class and Number of Treasury Stock

Class	Number of shares (Shares)			
	At beginning of year	Increase during year	Decrease during year	At end of year
Common stock	4,886,838	402,996	41,905	5,247,929

(Summary of Reason for Change)

The increase during this fiscal year by 402,996 shares is due to the purchase of 401,996 shares from less-than-one unit shareholders at their request and the purchase of 1,000 shares from shareholders opposing the absorption-type company split in which the Company is the successor company and Hitachi Solutions, Ltd. is

the splitting company, pursuant to Article 797, Paragraph 1 of the Companies Act. The decrease during this fiscal year by 41,905 shares is due to the sale of shares to less-than-one unit shareholders at their request.

(Note on Accounting for Deferred Taxes)

The major causes of deferred tax assets were accrued pension liability and accrued bonuses, and the major causes of deferred tax liabilities were reserve for investment loss regarding specified business restructuring and unrealized holding gains on securities.

(Note on Leased Fixed Assets)

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

(Note on Transactions with Related Parties)

(Millions of yen)

Attribute	Name of company etc.	% of voting rights held	Relationship with the related parties	Description of transaction	Transaction amount	Classification	Year-end balance
Subsidiary	Hitachi Rail Europe Ltd.	Indirect: 100.0%	Manufacturing, sale, engineering and maintenance of the Group's products *	Sale of products, etc.	55,756	Accounts receivable	77,914
				Loan (Note 1)	133,829	Short-term loan receivables	133,829
Subsidiary	Hitachi Systems, Ltd.	Direct: 100.0%	Outsourcing of the Company's software development, outsourcing of maintenance of the Company's telecommunications equipment, etc. *	Software development, etc. (Note 2)	186,073	Accounts payable	36,342
				Deposit received (Note 3)	171	Deposit	50,939
Subsidiary	Hitachi Information & Telecommunication Systems Global Holding Corporation	Direct: 100.0%	*	Underwriting of capital increase	49,976	—	—
Subsidiary	Hitachi Vehicle Energy, Ltd.	Direct: 100.0%	Sale of the Company's products, etc.	Loan (Note 3)	1,685	Short-term loan receivables	48,410
Subsidiary	Hitachi Transport System, Ltd.	Direct: 53.3% Indirect: 5.7%	Outsourcing of transport and warehousing of the Company's products *	Loan (Note 3)	—	Long-term loan receivables	20,000
				Loan (Note 3)	(10,000)	Short-term loan receivables	10,000
				Deposit received (Note 3)	12,179	Deposit	23,125
Subsidiary	Hitachi Appliances, Inc.	Direct: 100.0%	Purchase of Hitachi Appliances' products *	Loan (Note 3)	(15,000)	Long-term loan receivables	20,000
				Loan (Note 3)	(19,441)	Short-term loan receivables	—
				Deposit received (Note 3)	9,552	Deposit	9,552
Subsidiary	Hitachi High-Technologies Corporation	Direct: 51.8%	Sale of the Company's products *	Deposit received (Note 3)	7,412	Deposit	136,451
Subsidiary	Hitachi Capital Corporation	Direct: 58.5% Indirect: 2.1%	Leasing equipment and devices to the Company, leasing and sale on credit of the Company's products *	Deposit received (Note 3)	42,841	Deposit	114,846
Subsidiary	Hitachi Building Systems Co., Ltd.	Direct: 100.0%	Manufacturing and sale of products developed by the Company *	Deposit received (Note 3)	13,133	Deposit	83,016
Subsidiary	Hitachi Metals, Ltd.	Direct: 53.0% Indirect: 0.5%	Purchase of Hitachi Metals' products *	Deposit received (Note 3)	41,298	Deposit	65,869

Attribute	Name of company etc.	% of voting rights held	Relationship with the related parties	Description of transaction	Transaction amount	Classification	Year-end balance
Subsidiary	Hitachi Solutions, Ltd.	Direct: 100.0%	Outsourcing of the Company's information systems and software development *	Deposit received (Note 3)	(10,281)	Deposit	46,707
Subsidiary	Hitachi Rail Italy S.p.A.	Indirect: 100.0%	*	Guarantee	125,069	—	—
Affiliate	Mitsubishi Hitachi Power Systems Africa (Pty) Ltd.	Indirect: 35.0%	Loans	Loan (Note 1)	26,250	Long-term loan receivables	64,459
				Loan (Note 1)	2,116	Short-term loan receivables	10,866

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

Terms of Transactions, Policy on Determining Terms of Transactions, etc.

Notes: 1. The interest rate was determined with due consideration to market interest rates. The transaction amount of the loans indicates the change from the balance at the beginning of the fiscal year.

2. The terms related to the development of software are determined based on negotiations.

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

(Note on Per Share Information)

Net assets per share JPY 285.50

Net income per share JPY 13.45

(Note on Major Subsequent Events)

Succession of subsidiaries' business through an absorption-type company split

Effective on April 1, 2016, the Company succeeded non-manufacturing divisions of Hitachi Medical Corporation ("Hitachi Medical") and Hitachi Aloka Medical, Ltd. ("Hitachi Aloka Medical") to strengthen the healthcare business in accordance with the absorption-type company split agreement which the Company had concluded with Hitachi Medical and Hitachi Aloka Medical on January 13, 2016. This is an absorption-type company split in which Hitachi Medical and Hitachi Aloka Medical are the transferring companies and the Company is the successor company.

(Additional Information)

Transfer of subsidiary's shares

The Company concluded an agreement with SG Holdings Co., Ltd. on March 30, 2016 regarding the sale of a part of common stocks of Hitachi Transport System, Ltd. held by the Company with an effective date of May 19, 2016. In accordance with the share transfer, gain on sale of affiliated companies' common stock of approximately JPY 86.0 billion is planned to be recorded under extraordinary gains in the unconsolidated statement of operations for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017).

7. Transcript of Accounting Auditors' Audit Report on Consolidated Financial Statements

REPORT OF INDEPENDENT AUDITORS

May 11, 2016

Mr. Toshiaki Higashihara, President & CEO

Hitachi, Ltd.

Ernst & Young ShinNihon LLC

Koichi Tsuji

Certified Public Accountant

Designated and Engagement Partner

Takahiro Saga

Certified Public Accountant

Designated and Engagement Partner

Takuya Tanaka

Certified Public Accountant

Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statements of financial position, the consolidated statements of profit or loss, the consolidated statements of changes in equity and the notes to the consolidated financial statements of Hitachi, Ltd. (the "Company") applicable to the fiscal year from April 1, 2015 through March 31, 2016.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards with certain disclosure items omitted pursuant to the second sentence of Article 120, Section 1 of the Ordinance on Accounting of Companies, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements prepared in accordance with International Financial Reporting Standards with certain disclosure items omitted pursuant to the second sentence of Article 120, Section 1 of the Ordinance on Accounting of Companies referred to above present fairly, in all material respects, the financial position and results of operations of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2016.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

(Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the consolidated financial statements of the Company, prepared in Japanese, for the fiscal year ended March 31, 2016. Ernst & Young ShinNihon LLC has not audited the English language version of the consolidated financial statements for the above-mentioned year.