

[Translation]

Report on the 148th Business Term

(For the period from April 1, 2016 to March 31, 2017)

**THE FUTURE IS OPEN
TO SUGGESTIONS**

Hitachi Social Innovation



Note: This English translation incorporates, from page 31 to page 46, 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, 2016 to March 31, 2017)

(1) Business Overview and Results of Hitachi Group

Business Results

Looking at the economy during the period under review, the US economy recovered, supported by an improving employment environment. In Europe, foreign exchange markets remained unstable due to developments such as the UK's decision in a referendum to leave the EU. However, the European economy continued to improve at a moderate pace, supported by consumer spending. In China, the economy continued to grow steadily, supported by government infrastructure investment, but economic conditions remained challenging in emerging countries amid stagnating growth. In Japan, in the first half of the fiscal year, the yen appreciated and consumer spending and capital investment remained weak. However, the economy began improving in the second half of the fiscal year as consumer spending recovered and the yen weakened.

Under such circumstances, the Hitachi Group accelerated efforts to globally expand its social innovation business, which utilizes digital technologies, worldwide and made progress on reinforcing its management base, in line with its Mid-term Management Plan formulated in May 2016.

Reporting on the business results of the Hitachi Group for the period under review, revenues decreased 9% from the preceding fiscal year to JPY 9,162.2 billion and earnings before interest and taxes (EBIT) decreased 11% from the preceding fiscal year to JPY 475.1 billion, due to the impact of the strong yen and business portfolio restructuring that included a change in the status of Hitachi Transport System, Ltd. and Hitachi Capital Corporation from subsidiaries to equity-method affiliates. Net income attributable to Hitachi, Ltd. stockholders rose 34% from the preceding fiscal year to JPY 231.2 billion, mainly due to a decline in tax expense.

We declared dividends of 13 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 7 yen per share.

Measures Taken and Aims

Reporting on measures taken during the period under review, we began providing Lumada, the new IoT platform including basic functions such as big data analysis and artificial intelligence. Lumada integrates a range of advanced technologies and expertise from across Hitachi's portfolio, enabling the creation of customized solutions for each customer. In order to accelerate the development of the Lumada IoT platform and related business, a Chief Lumada Officer was appointed in each business unit to expand the solutions business in collaboration with other business units.

We also formulated a new plan to expand sales for China – one of our core markets – to JPY 1.1 trillion in fiscal 2018. Our goal is to expand product businesses such as elevators, escalators and automotive parts and increase the provision of IT-enabled solutions for customers in sectors such as medical, industrial and retail. In Europe, the railway systems business secured an order to supply 95 standard inter-city rail carriages for routes in northern England and to provide a related maintenance services. The business also won an order for 195 double-deck commuter rail carriages in Italy. We are continuing to expand the social innovation business in the global market.

Maintaining our approach from the previous fiscal year, we channeled management resources into target fields. In March 2017, we sold our shares in Hitachi Koki Co., Ltd. to a US investment fund. In addition, in April 2017, we decided to acquire an air compressor manufacturer with the goal of expanding our business by acquiring its sales network centered on North America. We also decided to sell our semiconductor manufacturing equipment related business and to reorganize our video and communication solutions business through the capital reorganization of our subsidiary Hitachi Kokusai Electric Inc.

Results by Segment

Information & Telecommunication Systems

Revenues decreased by 6% from the preceding fiscal year, mainly due to the impact of the appreciation of yen and lower sales of ATMs for overseas markets. EBIT decreased by 30% from the preceding fiscal year despite the improving profitability of systems for the social infrastructure field, due primarily to the restructuring charges.

Social Infrastructure & Industrial Systems

Revenues were at the same level as the preceding fiscal year, mainly due to an increase in revenues in the railway systems business resulting from increased sales for the UK, despite decreased revenues in the elevators and escalators business owing to the impact of the appreciation of yen and in the power & energy business owing to the absence of revenues from large projects in the preceding fiscal year. EBIT became losses, mainly due to impairment losses related to a uranium enrichment business at one of our equity-method affiliates in the US, in addition to the impact of the appreciation of yen.

Electronic Systems & Equipment

Revenues increased by 4% from the preceding fiscal year, mainly due to the acquisition of a German power tools business company by Hitachi Koki Co., Ltd. EBIT increased by 4% from the preceding fiscal year, mainly due to robust sales of semiconductor processing equipment of Hitachi High-Technologies Corporation, in addition to the impact of an increase in revenues.

Construction Machinery

Revenues decreased by 1% from the preceding fiscal year despite the significant impact of the appreciation of yen, mainly due to recovering the demand for hydraulic excavators in China and India. EBIT decreased by 12% from the preceding fiscal year, mainly due to the absence of a net gain on sales of shares.

High Functional Materials & Components

Revenues and EBIT decreased by 6% and 20% respectively from the preceding fiscal year, mainly due to lower revenues at Hitachi Metals, Ltd. resulting from declining demand associated with the slower economic growth in China and emerging countries in Asia.

Automotive Systems

Revenues decreased by 1% from the preceding fiscal year, mainly due to the impact of the appreciation of yen, despite higher sales especially in North America and China, where demand for automobiles was firm. EBIT increased by 22% from the preceding fiscal year, mainly due to an improvement in capacity utilization and the net gain on disposals of fixed assets.

Smart Life & Ecofriendly Systems

Revenues decreased by 18% from the preceding fiscal year, mainly due to the impact of the reorganization of the air conditioning systems business. EBIT decreased by 24% from the preceding fiscal year, mainly due to the absence of profit associated with the reorganization recorded in the preceding fiscal year.

Others

Revenues and EBIT decreased by 48% and 49% respectively from the preceding fiscal year, mainly due to the conversion of Hitachi Transport System, Ltd. to an equity-method affiliate as of May 19, 2016.

Financial Services

As Hitachi Capital Corporation was converted into an equity-method affiliate as of October 3, 2016, there is no business that belongs to this segment and only the result for the period when Hitachi Capital Corporation was a subsidiary has been recorded. As a result, revenues and EBIT decreased by 51% and 51% respectively from the preceding fiscal year.

Revenues and EBIT by Segment

(Billions of yen)

Segment	Revenues			EBIT		
	Fiscal 2015(A)	Fiscal 2016(B)	(B)/(A)	Fiscal 2015(A)	Fiscal 2016(B)	(B)/(A)
Information & Telecommunication Systems	2,109.3	1,982.8	94%	109.1	76.4	70%
Social Infrastructure & Industrial Systems	2,333.1	2,331.9	100%	29.1	(19.9)	—
Electronic Systems & Equipment	1,127.6	1,170.3	104%	64.3	66.7	104%
Construction Machinery	758.3	753.9	99%	25.8	22.7	88%
High Functional Materials & Components	1,564.0	1,464.6	94%	153.5	123.3	80%
Automotive Systems	1,001.1	992.2	99%	53.9	65.8	122%
Smart Life & Ecofriendly Systems	681.0	557.3	82%	41.9	31.8	76%
Others	1,252.7	653.7	52%	40.6	20.6	51%
Financial Services	365.3	179.2	49%	46.6	22.8	49%
Subtotal	11,192.7	10,086.3	90%	565.2	410.4	73%
Corporate Items & Eliminations	(1,158.4)	(924.1)	—	(34.2)	64.7	—
Total	10,034.3	9,162.2	91%	531.0	475.1	89%

- Notes: 1. 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. The businesses of each segment are set out in "(2) Main Products and Services of Hitachi Group."

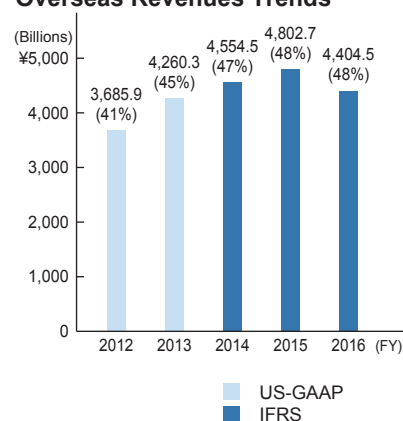
Reference

Domestic and Overseas Revenues

(Billions of yen)

		Fiscal 2015(A)	Fiscal 2016(B)	(B)/(A)	Percentage to total
Domestic Revenues		5,231.5	4,757.6	91%	52%
Overseas Revenues	Asia	2,112.3	1,860.7	88%	20%
	North America	1,280.3	1,144.0	89%	12%
	Europe	951.1	972.6	102%	11%
	Other Areas	459.0	427.1	93%	5%
Overseas Revenues		4,802.7	4,404.5	92%	48%
Total		10,034.3	9,162.2	91%	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, 2017)

Segment	Main Products and Services	Percentage to Total Revenues
Information & Telecommunication Systems	Systems Integration, Consulting, Cloud Services, Servers, Storage, Software, Telecommunications & Network, ATMs	20%
Social Infrastructure & Industrial Systems	Industrial Machinery and Plants, Elevators, Escalators, Railway Systems, Thermal, Nuclear and Renewable Energy Power Generation Systems, Transmission & Distribution Systems	23
Electronic Systems & Equipment	Semiconductor Processing Equipment, Test and Measurement Equipment, Advanced Industrial Products, Medical Electronics Equipment	12
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	10
Smart Life & Ecofriendly Systems	Air-Conditioning Equipment, Room Air Conditioners, Refrigerators, Washing Machines	6
Others	Optical Disk Drives, Property Management	6

Notes: 1. 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.

2. As Hitachi Capital Corporation was converted into an equity-method affiliate as of October 3, 2016, there is no business which belongs to the Financial Services Segment.

(3) Major Facilities of Hitachi Group (As of March 31, 2017)

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, Minato-ku, Shinagawa-ku, Toshima-ku, Taito-ku, Mitaka), Ibaraki (Hitachi, Hitachinaka, Tsuchiura), Kanagawa (Yokohama, Kawasaki, Hadano, Odawara), Yamaguchi (Kudamatsu)
Sales and Area Operations	Tokyo (Chiyoda-ku, Shinagawa-ku, Toshima-ku, Minato-ku, Taito-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), Hokuriku 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, 2017)

Segment	Number of Employees	Change from the End of the Preceding Year
Information & Telecommunication Systems	74,919	-1,532
Social Infrastructure & Industrial Systems	74,616	+965
Electronic Systems & Equipment	19,409	-6,391
Construction Machinery	23,848	+2,940
High Functional Materials & Components	48,528	+1,245
Automotive Systems	33,979	+765
Smart Life & Ecofriendly Systems	11,705	-292
Others	14,267	-24,559
Financial Services	0	-4,552
Corporate (Head Office and others)	2,616	+54
Total (the Company)	303,887 (35,631)	-31,357 (-1,722)

Note: In addition to the figures shown above, the average number of part-time employees during fiscal 2016 at the Hitachi Group was 25,855 (of which, 1,599 worked at the Company).

(5) Major Hitachi Group Companies (As of March 31, 2017)

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 Consulting Corporation	U.S.A.
	Hitachi Data Systems Corporation	U.S.A.
	Hitachi Financial Equipment System (Shen Zhen) Co., Ltd.	China
	Hitachi Payment Services Private Limited	India
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.
	Horizon Nuclear Power Limited	U.K.
Electronic Systems & Equipment	Hitachi High-Technologies Corporation	Minato-ku, Tokyo
	Hitachi Kokusai Electric Inc.	Minato-ku, Tokyo
Construction Machinery	Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo
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	Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo
	Hitachi Life, Ltd.	Hitachi, Ibaraki
	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
	*Hitachi Information & Telecommunication Systems Global Holding Corporation	U.S.A.

- Notes: 1. The total number of consolidated subsidiaries is 864.
2. The number of equity-method affiliates is 388. The major equity-method affiliates are MITSUBISHI HITACHI POWER SYSTEMS, LTD., Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd, Hitachi Capital Corporation and Hitachi Transport System, Ltd.
3. The company marked with * is a holding company; its major operating companies are located in the United States.
4. Hitachi Transport System, Ltd. and Hitachi Capital Corporation have become equity-method affiliates of the Company as a result of the share transfer in May and October 2016, respectively.
5. Hitachi Koki Co., Ltd. has ceased to be a consolidated subsidiary of the Company as a result of the share transfer in March 2017.
6. As Hitachi Capital Corporation was converted into an equity-method affiliate, there is no company which belongs to the Financial Services Segment.

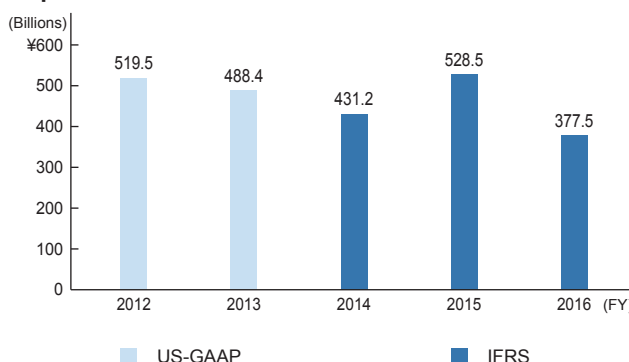
(6) Capital Investment of Hitachi Group

During fiscal 2016, the Hitachi Group carried out capital investment of JPY 377.5 billion, a decrease of JPY151.0 billion from the preceding fiscal year. This decrease is due mainly to concentrating capital investment on the target business fields and converting Hitachi Capital Corporation from a subsidiary to an equity-method affiliate, which has continuously carried out a certain amount of investment in assets to be leased for its leasing business.

A breakdown of capital investment by segment is shown below.

(Billions of yen)	
Segment	Amount
Information & Telecommunication Systems	31.6
Social Infrastructure & Industrial Systems	63.1
Electronic Systems & Equipment	23.4
Construction Machinery	14.0
High Functional Materials & Components	99.9
Automotive Systems	50.4
Smart Life & Ecofriendly Systems	5.7
Others	17.9
Financial Services	67.5
Subtotal	373.9
Corporate Items & Eliminations	3.5
Total	377.5

Capital Investment Trends



(7) Research and Development of Hitachi Group

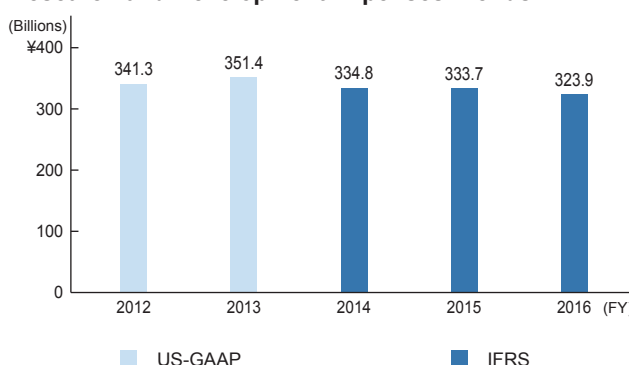
Expenses on research and development during fiscal 2016 amounted to JPY 323.9 billion.

Looking at notable achievements, in the field of fundamental technologies for artificial intelligence, where we have developed a function for artificial intelligence technology that analyzes large volumes of text data and presents both affirmative and negative opinions on specific issues, we have now developed technology to enable application in other language including Japanese, where previously, this technology was only compatible with text data in English. Another notable achievement was in the field of camera technology, where we have developed a technology that can capture video images without a lens and adjust focus after image capture. This technology makes it possible to design and make low-cost, thinner and lighter cameras, and broaden the range of their application by being mounted in mobile devices, vehicles, robots, etc.

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

(Billions of yen)	
Segment	Amount
Information & Telecommunication Systems	50.1
Social Infrastructure & Industrial Systems	48.7
Electronic Systems & Equipment	53.6
Construction Machinery	19.0
High Functional Materials & Components	46.1
Automotive Systems	70.6
Smart Life & Ecofriendly Systems	6.9
Others	5.4
Financial Services	0.0
Corporate Items	23.0
Total	323.9

Research and Development Expenses Trends



(8) Borrowings and Financing Activity of Hitachi Group

Major Financing Activities

Hitachi Capital Corporation issued unsecured straight bonds in June and September 2016, procuring a total of JPY 40.0 billion to fund the redemption of short-term debentures. Hitachi Capital Corporation was converted from a subsidiary into an equity-method affiliate of the Company as of October 3, 2016. The above financial activities were conducted by Hitachi Capital Corporation when it was the Company's subsidiary.

Major Borrowings (As of March 31, 2017)

Name of Company	Creditor	Balance of Borrowings
The Company	Mizuho Bank, Ltd.	30.0 billion yen
	Meiji Yasuda Life Insurance Company	28.0 billion yen
	The Dai-ichi Life Insurance Company, Limited	22.0 billion yen
	Japan Bank for International Cooperation	21.3 billion yen

Note: In addition to the figures shown above, the Company owes JPY 276.5 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 under the “2018 Mid-term Management Plan” in order to realize further growth as a partner that resolves issues facing customers in the era of the Internet of Things (IoT) where all “things” are connected to the Internet.

- The Hitachi Group's businesses have been divided into four fields: (i) “Power and Energy,” (ii) “Industry, Distribution and Water,” including industrial products and solutions business, (iii) “Urban,” including smart life & ecofriendly systems and automotive systems in addition to railway and building systems and (iv) “Finance, Public and Healthcare,” focused on IT. Through integrated management in each business field, we will carry out growth strategies with a broader perspective and generate synergies within each field.
- We will utilize the Lumada IoT platform to develop new solutions, while also providing highly targeted services to help solve issues faced by customers and in today's increasingly complex society.
- We will accelerate business growth in the global market by establishing a “front” business structure that allows us to rapidly provide optimum products and services tailored to customer needs and business environments in each region and country.
- We will implement targeted investment in line with our growth strategy, improve capital efficiency and establish our position in artificial intelligence and other strategic fields over the medium and long term.
- 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 extend cost restructure reforms, such as fixed cost reduction, to strengthen our cash-generating capabilities.
- 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.
- To maximize the capabilities of diverse human resources, we will promote productivity and implement wide-ranging reforms to work practices by creating working environments that allow more flexible work choices and by improving operational efficiency.
- 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 eradicating 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	2012	2013	2014
Revenues	9,041.0	9,563.7	9,761.9
EBIT	358.0	585.6	551.0
Income Before Income Taxes	344.5	573.6	535.6
Net Income Attributable to Hitachi, Ltd. Stockholders	175.3	264.9	241.3
Total Assets	9,809.2	11,016.8	12,395.3

International Financial Reporting Standards (IFRS)

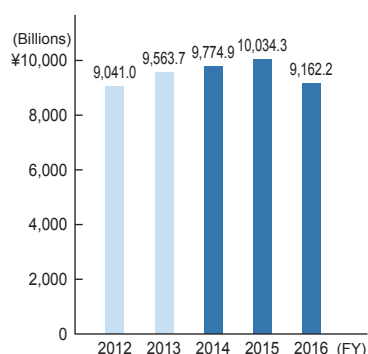
(Billions of yen)

Fiscal Year	2012	2013 (Reference)	2014 (Reference)	2015	2016
Revenues	-	9,666.4	9,774.9	10,034.3	9,162.2
EBIT	-	691.2	534.0	531.0	475.1
Income Before Income Taxes	-	678.4	518.9	517.0	469.0
Net Income Attributable to Hitachi, Ltd. Stockholders	-	413.8	217.4	172.1	231.2
Total Assets	-	11,098.1	12,433.7	12,551.0	9,663.9

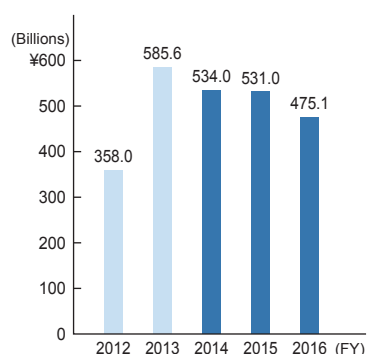
- Notes: 1. From fiscal 2015, the consolidated financial statements of the Company have been prepared in conformity with International Financial Reporting Standards (IFRS). Notes in 3 and 4 below are based on accounting principles generally accepted in the United States.
2. A portion of the thermal power generation systems business is treated as a discontinued operation 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 figure for fiscal 2012 has not.
3. In fiscal 2013, profit increased from fiscal 2012 due primarily to the effects of structural reforms in addition to the increase in revenues.
4. 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.
5. In fiscal 2015, despite the increase in revenues, net income decreased from the preceding fiscal year due primarily to the increase in taxes as a result of business reorganizations.

Reference (consolidated)

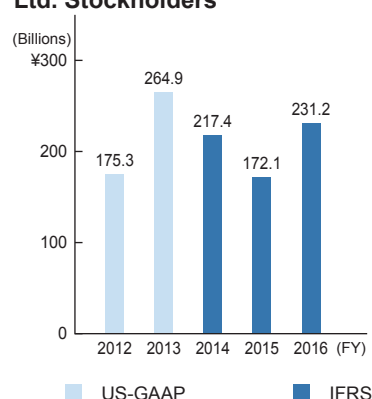
Revenues



EBIT



Net Income Attributable to Hitachi, Ltd. Stockholders



2) Unconsolidated Basis

(Billions of yen)

Fiscal Year	2012	2013	2014	2015	2016
Revenues	1,911.5	2,070.1	1,842.1	1,859.6	1,906.5
Operating Income (Loss)	34.7	6.0	(3.9)	0.3	(9.8)
Ordinary Income (Loss)	76.0	17.8	(0.3)	(20.9)	71.5
Net Income	57.6	57.8	85.2	64.9	97.7
Total Assets	3,423.4	3,570.0	3,749.3	3,868.6	4,070.2

- Notes:
1. 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.
 2. 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.
 3. 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.
 4. In fiscal 2016, despite recording an operating loss, net income increased from fiscal 2015 due to the posting of extraordinary gains including gains on sale of investments in securities.

(11) Directors and Executive Officers

1) Directors

Name, Position and Responsibilities, etc. (As of March 31, 2017)

Name	Position	Committee Membership	Other Principal Positions Held
*Baba Kalyani	Director	-	Chairman & Managing Director, Bharat Forge Limited (India) Director, AB SKF (Sweden)**
Cynthia Carroll	Director	Nominating Committee	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)** Chairman of the Board, Stanley Black & Decker, Inc. (USA)** Director, PepsiCo, Inc. (USA)**
Louise Pentland	Director	-	Executive Vice President, Chief Business Affairs and Legal Officer, PayPal Holdings, Inc. (USA)
Harufumi Mochizuki	Director	Nominating Committee (Chair) Compensation Committee (Chair) Audit Committee	President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. Corporate Auditor, ITOCHU Corporation**
*Takatoshi Yamamoto	Director	Compensation Committee Audit Committee	Outside Audit & Supervisory Board Member, Tokyo Electron Limited**
Philip Yeo	Director	-	Chairman, SPRING Singapore Chairman of the Board, Economic Development Innovations Singapore Pte. Ltd.
Hiroaki Yoshihara	Director	Audit Committee (Chair)	Director, Murata Manufacturing Co., Ltd.**
*Kazuyuki Tanaka	Director	Audit Committee	Chairman of the Board, Hitachi Chemical Company, Ltd.
Hiroaki Nakanishi	Chairman of the Board	Nominating Committee	-
*Toyoaki Nakamura	Director	Audit Committee	Director, Hitachi High-Technologies Corporation Chairman of the Board, Hitachi Metals, Ltd.
Toshiaki Higashihara	Director	Compensation Committee	-

Notes: 1. The Directors marked with * were newly elected and assumed their positions at the 147th Annual General Meeting of Shareholders on June 22, 2016.

- Mr. Hiroaki Yoshihara, Director (Audit Committee (Chair)), has considerable knowledge of finance and accounting based on his long experience at KPMG Group with businesses related to accounting, etc. Mr. Toyoaki Nakamura, Director (Audit Committee), 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.
- The Company has appointed Director Toyoaki Nakamura as a Standing Committee member of the Audit Committee. The Company strives to improve the audit and supervisory functions of the Audit Committee by appointing a Standing Committee member 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.
- Directors, Messrs. Baba Kalyani, Sadayuki Sakakibara, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto, 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 nine 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.
- The Company has transactions, including the sales of products and services, purchase of products and services, and payment of membership fees, with Toray Industries, Inc., Nippon Telegraph and Telephone Corporation, Japan Business Federation, ITOCHU Corporation, Tokyo Electron Limited 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. Baba Kalyani, Sadayuki Sakakibara, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto, Philip Yeo, Hiroaki Yoshihara, Kazuyuki Tanaka and Toyoaki Nakamura and Meses. 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
Baba Kalyani	Board of Directors meetings: 6 out of 7 days	Mr. Kalyani 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.
Cynthia Carroll	Board of Directors meetings: 8 out of 8 days Nominating Committee: 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: 9 out of 10 days Compensation Committee: 4 out of 4 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: 8 out of 8 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: 10 out of 10 days Audit Committee: 16 out of 16 days Compensation Committee: 4 out of 4 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.
Takatoshi Yamamoto	Board of Directors meetings: 7 out of 7 days Audit Committee: 11 out of 11 days Compensation Committee: 3 out of 3 days	Mr. Yamamoto 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 corporate analysis and global corporate management.
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, 2017)

Name	Position	Responsibilities	Other Principal Positions Held
*Toshiaki Higashihara	President & CEO	Overall management	-
*Ryuichi Kitayama	Executive Vice President and Executive Officer	Assistant to the President (regional strategies), marketing and sales, and social innovation business promotion	Director, Hitachi Capital Corporation
*Yutaka Saito	Executive Vice President and Executive Officer	Assistant to the President (ICT business, healthcare business and services & platforms business) and open innovation promotion	Chairman of the Board, Hitachi Construction Machinery Co., Ltd. Chairman of the Board, Hitachi Kokusai Electric Inc.
*Koji Tanaka	Executive Vice President and Executive Officer	Assistant to the President (nuclear energy business, power business, energy solutions business, business for industry and distribution sectors and water business)	Director, Hitachi Chemical Company, Ltd.
*Toshikazu Nishino	Executive Vice President and Executive Officer	Assistant to the President (building systems business, railway systems business, urban solutions business and defense systems business) and management strategies	-
Masakazu Aoki	Senior Vice President and Executive Officer	Industrial products business	President and Director, Hitachi Industrial Equipment Systems Co., Ltd.
Shinichiro Omori	Senior Vice President and Executive Officer	Cost structure reform and information technology strategies	-
*Toshiaki Kuzuoka	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 & platforms business	-
Hiroshi Sato	Senior Vice President and Executive Officer	Building systems business	President and Director, Hitachi Building Systems, Co., Ltd.
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	Executive Chairman and CEO, Hitachi Rail Europe Ltd. (U.K.)
*Mitsuaki Nishiyama	Senior Vice President and Executive Officer	Finance and corporate pension system	-
Hiroyuki Ugawa	Vice President and Executive Officer	Business for industry and distribution sectors	-
Ryuichi Otsuki	Vice President and Executive Officer	ICT business (platforms business) and regional strategies (Americas)	CEO, Hitachi Data Systems Corporation (U.S.A.)
Atsushi Oda	Vice President and Executive Officer	Power business	-
Kaoru Kawano	Vice President and Executive Officer	Marketing and sales (industrial products business)	-

Name	Position	Responsibilities	Other Principal Positions Held
Kenichi Kokubo	Vice President and Executive Officer	Regional strategies (China)	-
Keizo Kobayashi	Vice President and Executive Officer	Urban solutions business	-
Kunizo Sakai	Vice President and Executive Officer	Water business	-
Setsuo Shibahara	Vice President and Executive Officer	ICT business	President and Director, Hitachi Solutions, Ltd.
Akira Shimizu	Vice President and Executive Officer	Government & external relations	Director, Hitachi Maxell, Ltd.
Norihiro Suzuki	Vice President and Executive Officer	Research & development	-
Yoshitaka Tsuda	Vice President and Executive Officer	Marketing and sales (ICT business and healthcare business)	-
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 energy business	-
Isao Narukawa	Vice President and Executive Officer	Marketing and sales (nuclear energy business, 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	Executive Officer	General	-

- Notes: 1. The Executive Officers marked with * are the Representative Executive Officers.
2. The President & CEO, Toshiaki Higashihara and the Executive Officer, Hiroaki Nakanishi concurrently hold the position of Director.
3. Mr. John Domme, who was Vice President and Executive Officer (Regional strategies (Americas), CEO of Hitachi Data Systems Corporation (U.S.A.)) resigned on July 31, 2016.
4. Regional strategies (Americas) and CEO, Hitachi Data Systems Corporation (U.S.A.) have been added to the responsibilities and Other Principal Positions Held of Ryuichi Otsuki, Vice President and Executive Officer on August 1, 2016.

New Executive Officers (As of April 1, 2017)

The Company changed its Executive Officers as of April 1, 2017 as follows.

Name	Position	Responsibilities
**Toshiaki Higashihara	President & CEO	Overall management
**Masakazu Aoki	Executive Vice President and Executive Officer	Assistant to the President (business for industry and distribution sectors, water business and industrial products business) and industrial products business
**Ryuichi Kitayama	Executive Vice President and Executive Officer	Assistant to the President (regional strategies), marketing & sales and social innovation business promotion
**Yutaka Saito	Executive Vice President and Executive Officer	Assistant to the President (IoT) and IoT business
**Keiichi Shiotsuka	Executive Vice President and Executive Officer	Assistant to the President (systems & services business, healthcare business and defense systems business) and systems & services business
**Koji Tanaka	Executive Vice President and Executive Officer	Assistant to the President (nuclear energy business, power business and energy solutions business) and nuclear energy business
**Toshikazu Nishino	Executive Vice President and Executive Officer	Assistant to the President (building systems business, railway systems business and urban solutions business) and management strategies
Shinichiro Omori	Senior Vice President and Executive Officer	Cost structure reform, information technology strategies and supply chain management (MONOZUKURI and quality assurance)
**Toshiaki Kuzuoka	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	Services & platforms business
Hiroshi Sato	Senior Vice President and Executive Officer	Building systems business
Yasuo Tanabe	Senior Vice President and Executive Officer	Governments & external relations
Yoshitaka Tsuda	Senior Vice President and Executive Officer	Marketing & sales and social innovation business promotion
Alistair Dormer	Senior Vice President and Executive Officer	Railway systems business
**Mitsuaki Nishiyama	Senior Vice President and Executive Officer	Finance and corporate pension system
Hiroyuki Ugawa	Vice President and Executive Officer	Business for industry & distribution sectors
*Kenji Urase	Vice President and Executive Officer	Water business
Ryuichi Otsuki	Vice President and Executive Officer	Services & platforms business
Atsushi Oda	Vice President and Executive Officer	Power business
*Yoshihiko Kawamura	Vice President and Executive Officer	Investment strategies and strategies for next generation business
Kenichi Kokubo	Vice President and Executive Officer	Regional strategies (China)
Keizo Kobayashi	Vice President and Executive Officer	Urban solutions business
Setsuo Shibahara	Vice President and Executive Officer	Systems & services business
Akira Shimizu	Vice President and Executive Officer	Governments & external relations
Norihiro Suzuki	Vice President and Executive Officer	Research & development
*Katsuya Nagano	Vice President and Executive Officer	Business for government, public corporation and social infrastructure systems

Name	Position	Responsibilities
Hideobu Nakahata	Vice President and Executive Officer	Human capital
*Tadashi Namura	Vice President and Executive Officer	Marketing & sales (business for financial institutions, government, public corporation and social infrastructure systems, healthcare business and defense systems business)
Isao Narukawa	Vice President and Executive Officer	Marketing & sales (nuclear energy business, 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
*Yasushi Manabe	Vice President and Executive Officer	Marketing & sales (business for industry & distribution sectors, water business, building systems business, railway systems business and urban solutions business)
Mamoru Morita	Vice President and Executive Officer	Management strategies
*Tsugio Yamamoto	Vice President and Executive Officer	Business for financial institutions
Masaya Watanabe	Vice President and Executive Officer	Healthcare business
**Hiroaki Nakanishi	Executive Officer	General

Notes: 1. The Executive Officers marked with * are newly appointed.
2. The Executive Officers marked with** are the Representative Executive Officers.

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.

[Basic Policy]

Compensation for Directors and Executive Officers shall be determined in accordance with the following basic policy.

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

[Compensation Structure]

(i) Matters relating to Directors

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

- Basic remuneration will be decided by adjusting basic amount 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 20% of the Director's annual income based on basic remuneration, although this amount may be reduced depending on financial results.

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

(ii) Matters relating to Executive Officers

Compensation for Executive Officers will consist of a basic remuneration, a performance-linked component and a medium and long-term incentive compensation. The higher position Executive Officers hold, the higher proportion of variable pay (the sum of performance-linked component and medium and long-term incentive compensation, except basic remuneration as fixed pay) will be set to the total annual compensation.

- Basic remuneration will be decided by adjusting a basic amount to reflect the results of an assessment. The basic amount is set in accordance with the relevant position.
- Performance-linked component will be decided within the range of 0 to 200% of a basic amount by adjusting that amount to reflect financial results and individual performance. The basic amount is set within the range of about 25 to 35% of the total annual compensation of each Executive Officer in accordance with the relevant position.
- Medium and long-term incentive compensation will be stock options as stock-based compensation with share price conditions (stock acquisition rights with the strike price of JPY1), the number of which to be granted will be determined within the range of about 10 to 40% of the total annual compensation of each Executive Officer in accordance with the relevant position. The number of stock acquisition rights that may be exercised will be determined within the range of 0 to 100% of the stock acquisition rights granted in accordance with the conditions. As for expatriates, cash award based on the value of the Company's share price with the similar conditions will be substituted for the stock options.

(iii) Miscellaneous

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

Total Amount of Compensation to and the Number of Directors and Executive Officers in Fiscal 2016

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)			Number of persons
		Basic remuneration	Year-end allowance and performance-linked component	Medium and long-term incentive compensation	
Directors (excluding outside Directors)	75	69	6	-	4
Outside Directors	308	290	17	-	10
Executive Officers	2,569	1,386	982	200	33
Total	2,953	1,747	1,005	200	47

- Notes: 1. The number of Directors indicated excludes two Directors who serve concurrently as Executive Officers.
2. The compensation to Directors (excluding outside Directors) includes the basic remuneration of two Directors who retired due to expiration of their term of office at the close of the 147th Annual General Meeting of Shareholders held on June 22, 2016.
3. The compensation to Outside Directors includes the basic remuneration of one Outside Director who retired due to expiration of its term of office at the close of the 147th Annual General Meeting of Shareholders held on June 22, 2016.

(12) Matters Concerning the Company's Stock (As of March 31, 2017)

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

Name	Share Ownership	Share-holding Ratio
	Shares	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	284,898,000	5.90
Japan Trustee Services Bank, Ltd. (Trust Account)	252,038,415	5.22
Hitachi Employees' Shareholding Association	105,779,384	2.19
Nippon Life Insurance Company	93,264,995	1.93
Japan Trustee Services Bank, Ltd. (Trust Account 5)	88,220,000	1.83
Japan Trustee Services Bank, Ltd. (Trust Account 9)	84,599,000	1.75
State Street Bank and Trust Company 505225	75,789,192	1.57
State Street Bank West Client-Treaty 505234	75,205,327	1.56
The Dai-ichi Life Insurance Company, Limited	71,361,222	1.48
Japan Trustee Services Bank, Ltd. (Trust Account 7)	67,992,000	1.41

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 (5,460,572 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	363	1,538,194,797	31.82
Individual	376,172	1,156,524,302	23.93
Foreign Investor	1,357	2,042,857,017	42.27
Other	3,478	95,840,703	1.98
Government and Municipality	4	46,568	0.00
Total	381,374	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 2016**

(Millions of yen)

Category	Amount
Total amount of cash and other financial benefits by the Company and its subsidiaries	1,646
Fees etc. by the Company*	485

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 Office is staffed with four employees (as of March 31, 2017) 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 grasp information in a timely and accurate manner through attendance to important internal meetings, such as the Senior Executive Committee and the Disclosure Committee, and promote information-sharing with other Committee members. In addition, the Audit Committee receives reports on audit plans of the accounting auditor and the Internal Auditing Office in advance and proposes changes in such plans, if necessary, and closely coordinate with the accounting auditor and the Internal Auditing Office through exchanging information and opinions on a regular basis.

- 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 and amends 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, etc. 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 an 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.

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

2. Consolidated Statement of Financial Position

Fiscal 2016
(As of March 31, 2017)

(Millions of yen)

(Assets)	
Current assets	5,002,606
Cash and cash equivalents	765,242
Trade receivables	2,433,149
Lease receivables	42,365
Inventories	1,225,907
Other current assets	535,943
Non-current assets	4,661,311
Investments accounted for using the equity method	691,251
Investments in securities and other financial assets	719,704
Lease receivables	38,646
Property, plant and equipment	1,998,411
Intangible assets	919,201
Other non-current assets	294,098
Total assets	9,663,917
(Liabilities)	
Current liabilities	3,720,859
Short-term debt	196,357
Current portion of long-term debt	190,233
Other financial liabilities	274,270
Trade payables	1,402,233
Accrued expenses	687,905
Advances received	472,132
Other current liabilities	497,729
Non-current liabilities	1,846,063
Long-term debt	790,013
Other financial liabilities	53,422
Retirement and severance benefits	635,684
Other non-current liabilities	366,944
Total liabilities	5,566,922
(Equity)	
Hitachi, Ltd. stockholders' equity	2,967,085
Common stock	458,790
Capital surplus	577,573
Retained earnings	1,793,570
Accumulated other comprehensive income	141,068
Treasury stock, at cost	(3,916)
Non-controlling interests	1,129,910
Total equity	4,096,995
Total liabilities and equity	9,663,917

3. Consolidated Statement of Profit or Loss

	Year ended March 31
	2017
	(Millions of yen)
Revenues	9,162,264
Cost of sales	(6,782,677)
Gross profit	2,379,587
Selling, general and administrative expenses	(1,792,278)
Other income	100,742
Other expenses	(146,568)
Financial income	7,091
Financial expenses	(26,206)
Share of losses of investments accounted for using the equity method	(47,186)
Earnings before interest and taxes (EBIT)	475,182
Interest income	12,923
Interest charges	(19,014)
Income from continuing operations, before income taxes	469,091
Income taxes	(125,112)
Income from continuing operations	343,979
Loss from discontinued operations	(5,950)
Net income	338,029
Net income attributable to:	
Hitachi, Ltd. stockholders	231,261
Non-controlling interests	106,768

4. Unconsolidated Balance Sheet

Fiscal 2016
(As of March 31, 2017)

(Millions of yen)

(Assets)	
Current assets	1,684,474
Cash	184,344
Notes receivable	6,065
Accounts receivable	758,943
Securities	100,000
Finished goods	22,243
Semi-finished goods	17,418
Raw materials	28,561
Work in process	99,387
Advances paid	24,408
Short-term loan receivables	305,651
Deferred tax assets	64,171
Others	131,752
Allowance for doubtful receivables	(58,474)
Fixed assets	2,385,773
Tangible fixed assets	263,097
Buildings	128,993
Structures	7,362
Machinery	18,294
Vehicles	98
Tools and equipment	45,685
Land	54,505
Lease assets	5,668
Construction in progress	2,487
Intangible fixed assets	105,520
Patents	259
Software	100,859
Railway and public utility installation	493
Lease assets	218
Others	3,689
Investments and others	2,017,155
Affiliated companies' common stock	1,522,335
Investments in affiliated companies	34,939
Investments in securities	324,529
Long-term loan receivables	89,782
Others	47,363
Allowance for doubtful receivables	(1,795)
Total assets	4,070,247

Fiscal 2016
(As of March 31, 2017)

(Millions of yen)

(Liabilities)	
Current liabilities	1,805,709
Trade accounts payable	374,700
Short-term debt	89,047
Lease liabilities	1,808
Other accounts payable	179,556
Accrued expenses	183,000
Advances received from customers	134,621
Deposits received	769,915
Provision for product warranties	1,722
Provision for loss on construction contracts	26,303
Others	45,032
Noncurrent liabilities	767,109
Debentures	60,000
Long-term debt	436,880
Lease liabilities	5,372
Accrued pension liability	81,608
Provision for retirement benefits for senior executives	278
Provision for loss on business of affiliated companies	110,710
Deferred tax liabilities	36,804
Deferred tax liabilities for land revaluation	1,111
Asset retirement obligations	4,814
Others	29,529
Total liabilities	2,572,818
(Net assets)	
Stockholders' equity	1,341,391
Common stock	458,790
Capital surplus	449,921
Capital reserve	176,757
Others	273,164
Retained Earnings	436,596
Others	436,596
Reserve for advanced depreciation of fixed assets	1,616
Reserve for investment loss regarding specified business restructuring	61,155
Retained earnings carried forward	373,823
Treasury stock	(3,916)
Valuation and translation adjustments	155,765
Unrealized holding gains on securities	156,493
Deferred profit or loss on hedges	(594)
Revaluation reserve for land	(133)
Subscription rights to shares	271
Total net assets	1,497,428
Total liabilities and net assets	4,070,247

5. Unconsolidated Statement of Operations

	Year ended March 31
	2017
	(Millions of yen)
Revenues	1,906,532
Cost of sales	1,480,897
Gross profit on sales	425,635
Selling, general and administrative expenses	435,442
Operating income (loss)	(9,807)
Other income	146,816
Interest and dividends	143,436
Others	3,379
Other deductions	65,409
Interest	5,270
Others	60,138
Ordinary income	71,599
Extraordinary gain	262,909
Gain on sale of affiliated companies' common stock	209,086
Gain on extinguishment of tie-in shares	37,681
Gain on sale of real property	8,520
Gain on sale of investments in securities	7,483
Gain on sale of investments in capital of affiliated companies	137
Extraordinary loss	203,555
Impairment loss on affiliated companies' common stock	187,884
Loss on impairment of assets	15,111
Impairment loss on investments in capital of affiliated companies	332
Impairment loss on investments in securities	225
Income before income taxes	130,952
Income taxes	
Current	23,971
Deferred	9,256
Net income	97,724

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

REPORT OF INDEPENDENT AUDITORS

May 10, 2017

Mr. Toshiaki Higashihara, President & CEO

Hitachi, Ltd.

Ernst & Young ShinNihon LLC

Takashi Ouchida
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 148th fiscal year from April 1, 2016 through March 31, 2017.

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 148th fiscal year ended March 31, 2017 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, 2017. 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 148th business term (from April 1, 2016 to March 31, 2017). 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 12, 2017

Audit Committee, Hitachi, Ltd.

Hiroaki Yoshihara

Toyooki Nakamura (Standing)

Kazuyuki Tanaka

Harufumi Mochizuki

Takatoshi Yamamoto

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

The 148th Annual General Meeting of Shareholders of Hitachi, Ltd.
Materials Disclosed via the Internet

Hitachi, Ltd.

Contents

1. Information on the stock acquisition rights, etc.
2. Consolidated Statements of Changes in Equity
3. Notes to Consolidated Financial Statements
4. Consolidated Statements of Comprehensive Income (Supplementary Information)
5. Consolidated Statements of Cash Flows (Supplementary Information)
6. Unconsolidated Statement of Changes in Net Assets
7. Notes to Unconsolidated Financial Statements
8. 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. Information on the stock acquisition rights, etc.

(Stock Acquisition Rights Held by Senior Managements) (As of March 31, 2017)

Name of stock acquisition rights (Date of resolution)	The First Stock Acquisition Rights of Hitachi, Ltd. (June 29, 2016)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock 1,720,500 shares
Amount to be paid in upon exercise of stock acquisition rights	¥1 per share
Exercise period of stock acquisition rights	From July 15, 2016 to July 14, 2046
Conditions for the exercise of stock acquisition rights	(Note 1, 2)
Stock acquisition rights held by senior managements	31 Executive Officers of the Company 17,205 of stock acquisition rights (Note 3)

(Stock Acquisition Rights Granted for Employees, etc. during Fiscal 2016)

Name of stock acquisition rights (Date of resolution)	The First Stock Acquisition Rights of Hitachi, Ltd. (June 29, 2016)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock 701,400 shares
Amount to be paid in upon exercise of stock acquisition rights	¥1 per share
Exercise period of stock acquisition rights	From July 15, 2016 to July 14, 2046
Conditions for the exercise of stock acquisition rights	(Note 1, 2)
Stock acquisition rights granted for employees, etc.	42 Corporate Officers of the Company 7,014 of stock acquisition rights

- Notes: 1. A holder of stock acquisition rights may exercise all the stock acquisition rights together only within 10 days (in case the last day is not a business day, the following business day) from the day immediately following the date on which he/she ceases to be an Executive Officer, a Director or a Corporate Officer of the Company.
2. The number of stock acquisition rights which a holder of stock acquisition rights may exercise shall be determined based on the ratio of (i) the total shareholder return for shares of Hitachi for three years from the beginning of the fiscal year in which the date of allotment of the stock acquisition rights falls to (ii) the growth rate of TOPIX (Tokyo Stock Price Index) for the same period (the "TSR/TOPIX Growth Rate Ratio"), in accordance with the stock price conditions:
- In case the TSR/TOPIX Growth Rate Ratio is 120% or more
All the stock acquisition rights allotted (the "Allotted Rights") may be exercised.
 - In case the TSR/TOPIX Growth Rate Ratio is 80% or more but less than 120%
Only a part of the Allotted Rights may be exercised according to the degree of the TSR/TOPIX Growth Rate Ratio (*).
- $$\text{*Number of stock acquisition rights exercisable} = \text{Number of Allotted Rights} \times \left\{ \left(\frac{\text{TSR/TOPIX Growth Rate Ratio}}{100} \times 1.25 \right) - 0.5 \right\}$$
- Any fraction less than one stock acquisition right will be rounded down.
- In case the TSR/TOPIX Growth Rate Ratio is less than 80%
No Allotted Rights may be exercised.
3. The number of Executive Officers includes two Executive Officers who concurrently serve as Directors.

2. Consolidated Statement of Changes in Equity (April 1, 2016 to March 31, 2017)

(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	586,790	1,609,761	83,543	(3,806)	2,735,078	1,390,492	4,125,570
Changes in equity								
Reclassified into retained earnings			10,486	(10,486)		-		-
Net income			231,261			231,261	106,768	338,029
Other comprehensive income(loss)				68,136		68,136	(6,295)	61,841
Dividends to Hitachi, Ltd. stockholders			(57,938)			(57,938)		(57,938)
Dividends to non-controlling interests						-	(38,283)	(38,283)
Acquisition of treasury stock					(153)	(153)		(153)
Sales of treasury stock		(15)			43	28		28
Changes in non-controlling interests		(9,202)		(125)		(9,327)	(322,772)	(332,099)
Total changes in equity	-	(9,217)	183,809	57,525	(110)	232,007	(260,582)	(28,575)
Balance at end of year	458,790	577,573	1,793,570	141,068	(3,916)	2,967,085	1,129,910	4,096,995

3. 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"). 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 864 and the number of equity-method affiliates is 388.

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 78,987 million, remeasurements of defined benefit plans of JPY (847) million, net changes in financial assets measured at FVTOCI of JPY 192,110 million, and net changes in cash flow hedges of JPY (129,182) million.
2. Collateralized assets: Trade receivables of JPY 6,013 million, inventories of JPY 13,528 million, other current assets of JPY 575 million, investments in securities and other financial assets of JPY 882 million, and property, plant and equipment of JPY 47,884 million.
Secured debts: JPY 42,428 million
3. Allowance deducted directly from assets: JPY 29,223 million from trade receivables, JPY 2,277 million from lease receivables, and JPY 1,189 million from other financial assets measured at amortized cost.
4. Property, plant and equipment include land of JPY 360,330 million and buildings and structures of JPY 687,242 million.
Accumulated depreciation and impairment losses of property, plant and equipment is JPY (3,801,070) million.
Intangible assets include goodwill of JPY 527,247 million.
5. Guarantees: JPY 55,654 million

(Note to Consolidated Statement of Profit or Loss)

Income taxes of JPY (125,112) million includes current tax expense of JPY (178,405) million and deferred tax expense of JPY 53,293 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 5,460,572 shares
2. Cash dividends
Total amount of cash dividends JPY 57,938 million
3. Class and number of shares to be issued upon exercise of stock acquisition rights at end of year
Common stock 2,023,800 shares

(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, 2017 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]	2,471,967	2,472,031
Lease receivables	81,011	82,007
Investments in securities and other financial assets [2]		
Debt securities	155,745	155,751
Long-term loans receivable	102,384	103,257
Liabilities		
Long-term debt [3]		
Lease obligations	49,703	50,027
Bonds	159,820	164,037
Long-term debt	770,723	777,341

[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.

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 614.56
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders per share	JPY 49.13
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders per share	JPY (1.23)
Net income attributable to Hitachi, Ltd. stockholders per share	JPY 47.90

(Subsequent Events)

On April 25, 2017, the Company signed an agreement with Accudyne Industries Borrower, S.C.A. (hereinafter "Accudyne") to acquire Accudyne's subsidiaries and certain related assets that manufacture and sell air compressors under the "Sullair" brand mainly in North America, in order to expand global business of Industrial Equipment business. The total consideration will be USD 1,245 million (JPY 139,676 million). The effects of this transaction on the Company's consolidated financial statements are currently being evaluated.

On April 26, 2017, the Company executed a basic agreement with HKE Holdings G.K. (hereinafter "HKE"), which is indirectly held and operated by a related investment fund whose equity interests are wholly owned by Kohlberg Kravis Roberts & Co. L.P. and with HVJ Holdings Inc. (hereinafter "HVJ"), in which is invested by funds which are managed, operated, provided with information and the like by Japan Industrial Partners, Inc. regarding (i) a tender offer scheduled to be conducted by HKE for the common shares of Hitachi Kokusai Electric Inc. (hereinafter "Hitachi Kokusai"), which is a consolidated subsidiary of the Company in the Electronic Systems & Equipment segment and a share consolidation of the share of Hitachi Kokusai, and the acquisition of treasury shares by Hitachi Kokusai, through which Hitachi Kokusai becomes a wholly-owned subsidiary of HKE, (ii) an absorption-type company split of the thin-film process solutions business of Hitachi Kokusai, whereby HKE will be the company succeeding in absorption-type split, to be conducted by HKE and Hitachi Kokusai after Hitachi Kokusai becomes a wholly-owned subsidiary of HKE, and (iii) the transfer by HKE of 20% of the share of Hitachi Kokusai to the Company and 20% of the share of Hitachi Kokusai to HVJ that is scheduled to take place after the absorption-type company split, and other transactions that are incidental or related to those transactions.

It is expected that upon the completion of the transaction, the ratio of voting rights of Hitachi Kokusai held by the Company will be decreased from 51.68% to 20.00% and Hitachi Kokusai will change to an equity method affiliate of the Company. The effects of this transaction on the Company's consolidated financial statements are currently being evaluated.

(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.

On January 31, 2017, MHI extended the amount above and requested the Company to pay ZAR 89,700 million (approximately JPY 763.4 billion when ZAR 1 = JPY 8.51). While the Company cannot accept the request since it lacks legal grounds under any agreement as well as the request of March 2016 does, the Company intends to continue further discussion with MHI upon the agreement executed between the Company and MHI regarding the Transfer of South African Business and past discussion between the Company and MHI.

The Company has recorded provisions based on reasonable estimates for the aforementioned agreement related to the South African Business. The actual amount of payment resulting from the transfer price adjustment may be different from the accrued amount.

4. Consolidated Statement of Comprehensive Income (Supplementary Information)

	Year ended March 31
	Yen (millions)
	2017
Net income	338,029
Other comprehensive income (OCI)	
Items not to be reclassified into net income	
Net changes in financial assets measured at fair value through OCI	59,934
Remeasurements of defined benefit plans	46,086
Share of OCI of investments accounted for using the equity method	(1,887)
Total items not to be reclassified into net income	104,133
Items that can be reclassified into net income	
Foreign currency translation adjustments	(64,761)
Net changes in cash flow hedges	21,303
Share of OCI of investments accounted for using the equity method	1,166
Total items that can be reclassified into net income	(42,292)
Other comprehensive income (OCI)	61,841
Comprehensive income	399,870
Comprehensive income attributable to:	
Hitachi, Ltd. stockholders	299,397
Non-controlling interests	100,473

5. Consolidated Statement of Cash Flows (Supplementary Information)

	Years ended March 31
	Yen (millions)
	2017
Cash flows from operating activities	
Net income	338,029
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	415,183
Change in receivables	(196,824)
Change in inventories	(22,731)
Change in payables	111,589
Other	(15,664)
Net cash provided by (used in) operating activities	629,582
Cash flows from investing activities	
Purchase of property, plant and equipment	(316,116)
Purchase of intangible assets	(101,034)
Purchase of leased assets	(292,943)
Proceeds from sale of property, plant and equipment, and intangible assets	52,208
Proceeds from sale of leased assets	14,539
Collection of lease receivables	180,726
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	71,653
Other	53,012
Net cash provided by (used in) investing activities	(337,955)
Free cash flows	291,627
Cash flows from financing activities	
Change in interest-bearing debt	(118,314)
Dividends paid to stockholders	(57,935)
Dividends paid to non-controlling interests	(36,508)
Other	3,221
Net cash provided by (used in) financing activities	(209,536)
Effect of exchange rate changes on cash and cash equivalents	(16,164)
Change in cash and cash equivalents	65,927
Cash and cash equivalents at beginning of year	699,315
Cash and cash equivalents at end of year	765,242

6. Unconsolidated Statement of Changes in Net Assets (April 1, 2016 to March 31, 2017)

(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	273,179	449,936	1,769	91,683	303,356	396,809
Change during year								
Reversal of reserve for advanced depreciation of fixed assets					(153)		153	—
Reversal of reserve for investment loss regarding specified business restructuring						(30,527)	30,527	—
Distribution of surplus							(57,938)	(57,938)
Net income							97,724	97,724
Acquisition of treasury stock								
Disposition of treasury stock			(15)	(15)				
(Net) Change in items other than stockholders' equity during year								
Total change during year	—	—	(15)	(15)	(153)	(30,527)	70,466	39,786
Balance at end of year	458,790	176,757	273,164	449,921	1,616	61,155	373,823	436,596

	Stockholders' equity		Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Treasury stock	Total stockholders' equity	Unrealized holding gains on securities	Deferred profit or loss on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of year	(3,806)	1,301,730	97,402	(20,690)	—	76,711	—	1,378,441
Change during year								
Reversal of reserve for advanced depreciation of fixed assets		—						—
Reversal of reserve for investment loss regarding specified business restructuring		—						—
Distribution of surplus		(57,938)						(57,938)
Net income		97,724						97,724
Acquisition of treasury stock	(152)	(152)						(152)
Disposition of treasury stock	42	27						27
(Net) Change in items other than stockholders' equity during year			59,091	20,095	(133)	79,053	271	79,325
Total change during year	(110)	39,661	59,091	20,095	(133)	79,053	271	118,987
Balance at end of year	(3,916)	1,341,391	156,493	(594)	(133)	155,765	271	1,497,428

7. 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 included in and described as "Others" of "Other deductions", due to a decrease of the materiality in this fiscal year, although individually described in "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	75	Collaterals for borrowings by affiliated companies and investees
Total	157	

2. Accumulated depreciation of tangible fixed assets

Buildings	JPY 189,128 million
Structures	JPY 26,646 million
Machinery	JPY 143,533 million
Vehicles	JPY 1,339 million
Tools and equipment	JPY 181,337 million
Lease assets	JPY 6,199 million

3. Land revaluation

Effective on April 1, 2016, the Company succeeded "Revaluation reserve for land" of Hitachi Medical Corporation in conjunction with the absorption-type company split. As of March 31, 1998, in accordance with the "Act on Revaluation of Land" (Act No.34, promulgated on March 31, 1998), land owned by Hitachi Medical Corporation for business use was revalued. The unrealized gains on the revaluation were included in net assets as "Revaluation reserve for land", net of deferred taxes. The deferred taxes on the unrealized gains were included in liabilities as "Deferred tax liabilities for land revaluation".

(1) Method of revaluation

The fair value of land was determined based on the assessed value of fixed assets stipulated in Article 2-3 of the Ordinance Implementing the Act on Revaluation of Land (Article 119 of 1998 Cabinet Order, promulgated on March 31, 1998). Reasonable adjustments are made to the assessed value of fixed assets.

(2) Date of revaluation March 31, 2002

(3) Difference between the fair value of land subject to the revaluation and the book value as of March 31, 2017 JPY (985) million

4. Guarantees

The Company guarantees borrowings from financial institutions, etc. as follows.

(Millions of yen)

Guarantee	Year-end balance
Hitachi Rail Italy S.p.A.	119,050
Agility Trains East Ltd.	23,776
Ansaldo STS S.p.A.	21,734
Horizon Nuclear Power Services Ltd.	1,987
Kohki Railway Systems, Ltd.	1,600
Hitachi Rail Europe Ltd.	1,177
Other	485
Total	169,810

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

5. Short-term receivables from affiliated companies	JPY 730,480 million
Long-term receivables from affiliated companies	JPY 101,942 million
Short-term payables to affiliated companies	JPY 1,163,267 million
Long-term payables to affiliated companies	JPY 5,617 million

(Notes to Unconsolidated Statement of Operations)

- Gain on extinguishment of tie-in shares of JPY 37,681 million was recorded due to an absorption-type company split in which the Company is the successor company and Hitachi Medical Corporation, and Hitachi Aloka Medical, Ltd. are the splitting companies.
- 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
	Power generating equipment	Lease assets	Hitachi, Ibaraki
	Manufacturing facility of Industrial equipment	Machinery, etc.	Tsuchiura, Ibaraki
	Manufacturing facility of telecommunication equipment	Tools and equipment, etc.	Totsuka, Yokohama, Kanagawa
Idle assets	-	Tools and equipment, etc.	Kashiwa, Chiba

(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 since they are expected to have no future use and the capital invested thereon is unlikely to be recovered mainly due to the changes in the business plan.

(3) Amounts of impairment loss

Buildings	JPY 4,207 million
Machinery	JPY 4,214 million
Tools and equipment	JPY 2,157 million
Land	JPY 682 million
Lease assets	JPY 703 million
Software	JPY 969 million
Other	JPY 2,177 million
Total	JPY 15,111 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.

3. Sales to affiliated companies	JPY 608,696 million
Purchases from affiliated companies	JPY 936,704 million
Non-operating transactions with affiliated companies	JPY 24,368 million

(Note to Unconsolidated Statement of Changes in Net Assets)

Matters related to Class and Number of Treasury Stock

(Shares)

Class	Number of shares			
	At beginning of year	Increase during year	Decrease during year	At end of year
Common stock	5,247,929	271,523	58,880	5,460,572

(Summary of Reason for Change)

The increase during this fiscal year by 271,523 shares is due to the purchase of shares from less-than-one unit shareholders at their request. The decrease during this fiscal year by 58,880 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 provision for loss on construction contracts, and the major causes of deferred tax liabilities were unrealized holding gains on securities and reserve for investment loss regarding specified business restructuring.

(Additional Information)

From fiscal 2016, the Company adopted the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

(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.	Direct: 100.0%	Manufacturing, sale, engineering and maintenance of the Group's products *	Sale of products, etc.	86,234	Accounts receivable	135,247
				Underwriting of capital increase	133,381	-	-
				Loan (Note 1)	(107,475)	Short-term loan receivables	26,353
Subsidiary	Hitachi America Capital, Ltd.	Indirect: 100.0%	*	Loan (Note 1)	56,095	Short-term loan receivables	56,095
Subsidiary	Hitachi Vehicle Energy, Ltd.	Direct: 100.0%	Sale of the Company's products, etc.	Loan (Note 2)	438	Short-term loan receivables	48,849
Subsidiary	Horizon Nuclear Power Wylfa Ltd.	Indirect: 100.0%	*	Loan (Note 1)	33,619	Short-term loan receivables	33,619
Subsidiary	Hitachi Appliances, Inc.	Direct: 100.0%	Purchase of Hitachi Appliances' products *	Loan (Note 2)	(20,000)	Long-term loan receivables	-
				Loan (Note 2)	10,000	Short-term loan receivables	10,000
				Deposit received (Note 2)	2,413	Deposit received	11,966
Subsidiary	Hitachi International (Holland)B.V.	Direct: 100.0%	*	Deposit paid (Note 3)	40,728	Current assets - Others	40,728
Subsidiary	Hitachi High-Technologies Corporation	Direct: 51.8%	Sale of the Company's products *	Deposit received (Note 2)	42,181	Deposit received	178,632
Subsidiary	Hitachi Building Systems Co., Ltd.	Direct: 100.0%	Manufacturing and sale of products developed by the Company *	Deposit received (Note 2)	4,244	Deposit received	87,260
Subsidiary	Hitachi Metals, Ltd.	Direct: 53.0% Indirect: 0.5%	Purchase of Hitachi Metals' products *	Deposit received (Note 2)	18,314	Deposit received	84,183
Subsidiary	Hitachi Systems, Ltd.	Direct: 100.0%	Outsourcing of the Company's software development, outsourcing of maintenance of the Company's telecommunications equipment, etc. *	Deposit received (Note 2)	11,678	Deposit received	62,617
Subsidiary	Hitachi Solutions, Ltd.	Direct: 100.0%	Outsourcing of the Company's information systems and software development *	Deposit received (Note 2)	8,215	Deposit received	54,923
Subsidiary	Hitachi Rail Italy S.p.A.	Indirect: 100.0%	Manufacturing of the Group's products *	Guarantee	119,050	-	-
Affiliate	Mitsubishi Hitachi Power Systems Africa (Pty) Ltd.	Indirect: 35.0%	Loans	Loan (Note 1)	5,540	Long-term loan receivables	70,000
				Loan (Note 1)	(5,262)	Short-term loan receivables	5,604

Attribute	Name of company etc.	% of voting rights held	Relationship with the related parties	Description of transaction	Transaction amount	Classification	Year-end balance
Affiliate	Hitachi Capital Corporation	Direct: 33.4%	Leasing equipment and devices to the Company, leasing and sale on credit of the Company's products *	Deposit received (Note 2)	(114,846)	Deposit received	-

* 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. 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.
 3. This is deposit paid by the Company and affiliated companies to be loaned to affiliated companies who have financing needs through overseas financial subsidiaries. The interest rates on deposit are determined with due consideration to market interest rates. The transaction amount indicate the increase from the balance at the beginning of the fiscal year, including interest received.

(Note on Per Share Information)

Net assets per share JPY 310.15

Net income per share JPY 20.24

(Note on Major Subsequent Events)

Conclusion of Stock and business transfer agreement

On April 25, 2017, the Company signed an agreement with Accudyne Industries Borrower, S.C.A. (hereinafter "Accudyne") to acquire Accudyne's subsidiaries and certain related assets that manufacture and sell air compressors under the "Sullair" brand mainly in North America, in order to expand global business of Industrial Equipment business. The total consideration will be USD 1,245 million (JPY 139,676 million).

Transfer of subsidiary's shares

On April 26, 2017, the Company executed a basic agreement with HKE Holdings G.K. (hereinafter "HKE"), which is indirectly held and operated by a related investment fund whose equity interests are wholly owned by Kohlberg Kravis Roberts & Co. L.P. and with HVJ Holdings Inc. (hereinafter "HVJ"), in which is invested by funds which are managed, operated, provided with information and the like by Japan Industrial Partners, Inc. regarding (i) a tender offer scheduled to be conducted by HKE for the common shares of Hitachi Kokusai Electric Inc. (hereinafter "Hitachi Kokusai"), which is a consolidated subsidiary of the Company and a share consolidation of the share of Hitachi Kokusai, and the acquisition of treasury shares by Hitachi Kokusai, through which Hitachi Kokusai becomes a wholly-owned subsidiary of HKE, (ii) an absorption-type company split of the thin-film process solutions business of Hitachi Kokusai, whereby HKE will be the company succeeding in absorption-type split, to be conducted by HKE and Hitachi Kokusai after Hitachi Kokusai becomes a wholly-owned subsidiary of HKE, and (iii) the transfer by HKE of 20% of the share of Hitachi Kokusai to the Company and 20% of the share of Hitachi Kokusai to HVJ that is scheduled to take place after the absorption-type company split, and other transactions that are incidental or related to those transactions. In the case that all of shares to be sold by Hitachi are sold as a result of the tender offer, the share consolidation of the share of Hitachi Kokusai and the acquisition of treasury shares by Hitachi Kokusai, the Company plans to post an extraordinary gain of approximately JPY 60.0 billion in gain on sale of affiliated companies' common stock in unconsolidated statements of operations for the fiscal year ending March 31, 2018 (from April 1, 2017 to March 31, 2018).

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

REPORT OF INDEPENDENT AUDITORS

May 10, 2017

Mr. Toshiaki Higashihara, President & CEO

Hitachi, Ltd.

Ernst & Young ShinNihon LLC

Takashi Ouchida
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, 2016 through March 31, 2017.

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, 2017.

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, 2017. Ernst & Young ShinNihon LLC has not audited the English language version of the consolidated financial statements for the above-mentioned year.