

[Translation]

THE **149**th

Notice of Annual General Meeting of Shareholders

Date and Time : Wednesday, June 20, 2018 at 10:00
a.m. (Reception Start: 9:00 a.m.)

Location : **Tokyo Dome City Hall**
(East side of Tokyo Dome Hotel)
3-61, Koraku 1-chome, Bunkyo-ku, Tokyo

Matters to Be : The first item

Resolved Share consolidation

The second item

Election of 12 Directors due to expiration
of the term of office of all Directors

Note: This English translation incorporates, from page 46 to page 63, 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.

Dear Shareholders:

May 28, 2018

6-6, Marunouchi 1-chome Chiyoda-ku, Tokyo

Hitachi, Ltd.

President & CEO
and Director **Toshiaki Higashihara**

Notice of the 149th Annual General Meeting of Shareholders



You are cordially invited to attend the 149th Annual General Meeting of Shareholders of Hitachi, Ltd. to be held as follows:

Date and Time **Wednesday, June 20, 2018 at 10:00 a.m. (Reception Start: 9:00 a.m.)**

Location 3-61, Koraku 1-chome, Bunkyo-ku, Tokyo
Tokyo Dome City Hall (East side of Tokyo Dome Hotel)

Agenda
Reporting Matter Report on the Business Report, Financial Statements, and Consolidated Financial Statements for the 149th Business Term (from April 1, 2017 to March 31, 2018), and the results of the audit on the Consolidated Financial Statements by the Accounting Auditors and the Audit Committee

Matters to Be Resolved
The first item Share consolidation
The second item Election of 12 Directors due to expiration of the term of office of all Directors

In the event you are not able to attend, you may exercise your voting rights in writing or via the Internet. Please refer to the next page for more details.

- The following materials or items 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:

(a) "Information on the stock acquisition rights, etc."* in the Business Report, (b) "Consolidated Statements of Changes in Equity"* and "Notes to Consolidated Financial Statements" of the Consolidated Financial Statements, (c) "Unconsolidated Statement of Changes in Net Assets"* and "Notes to Unconsolidated Financial Statements"* of the Unconsolidated Financial Statements, and (d) Transcript of Accounting Auditors' Audit Report on Consolidated Financial Statements.

The Business Report that was audited by the Auditing Committee and the Consolidated Financial Statements and the Unconsolidated Financial Statements audited by the accounting auditor and Audit Committee, are those materials described in this notice as well as the materials or items with * above.

In addition, the Company website also posts Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flows as supplementary information.

- This notice is also posted on the Company's website.
- In the event the Business Report, Financial Statements, Consolidated Financial Statements or Reference Documentation for the Annual General Meeting of Shareholders need to be modified in the period from the dispatch of this notice to the preceding day of the Annual General Meeting, the Company will post such modification on its website as above.

<http://www.hitachi.com/smeet-e/index.html>

Matters Concerning Exercise of Voting Rights

When attending the Annual General Meeting of Shareholders



You are requested to submit the enclosed voting right card at the reception.

You may appoint only one proxy who exercises your voting rights on your behalf; provided, however, that such proxy must be a shareholder of the Company entitled to vote. In so doing, a document certifying the power of representation is required to be submitted to the Company.

In the event you are not able to attend the Annual General Meeting of Shareholders



Exercise your voting rights in writing

Please fill in the voting form and return it by the exercise due date below. In exercising your voting rights in writing, you will be deemed to have approved the proposal, should no indication be made on the voting form of whether you approve or disapprove the agenda item.

Exercise Due Date

Arrival of the voting form no later than 5:00 p.m. on Tuesday, June 19, 2018



Exercise your voting rights via the internet

Please exercise your voting rights by the exercise due date via the internet.

Exercise Due Date

No later than 5:00 p.m. on Tuesday, June 19, 2018

- Should you exercise your voting rights via the Internet, your vote via the Internet will be deemed to be the official indication of your intent, even if you mail your voting form.
- In the case that you submit multiple forms via the internet, the last one will be deemed to be the official indication of your intent.

The first item **Share consolidation**

(1) Reasons for proposal

Based on the “Action Plan for Consolidating Trading Units,” Japanese Stock Exchanges promotes the standardization of trading units for common shares issued by all listed domestic companies at 100 shares, in order to improve convenience for investors and other market participants and has set the deadline for the transition to the 100-share trading unit on October 1, 2018.

Following this decision the Company decided to change the number of shares per one unit from 1,000 shares to 100 shares on October 1, 2018.

In line with this, the Company decided to consolidate every five Hitachi shares into one share (the “share consolidation”) in order to adjust the investment unit (price of shares per one unit) following the change in the number of shares per one unit from 1,000 shares to 100 shares. In addition, the Company decided to decrease the total shares authorized to be issued by the Company with the same ratio.

(2) Consolidation ratio

The Hitachi shares will be consolidated at the ratio of five (5) shares to one (1) share.

If any fractional shares less than one share arise as a result of the share consolidation, the Company will sell all such fractional shares and distribute the proceeds to the shareholders having fractional shares in proportion to their respective fractions pursuant to the articles of the Companies Act.

(3) Effective date of share consolidation (Effective Date)

October 1, 2018

(4) Total shares authorized to be issued after the Effective Date

2,000,000,000 shares

Pursuant to the articles of the Companies Act, it will be deemed that total shares authorized to be issued provided in the Articles of Incorporation is amended as indicated above on the Effective Date.

[Reference]

The Company’s Articles of Incorporation will be amended as follows on October 1, 2018 if the first item be approved as originally proposed.

(Underlines indicates the amendments.)

Current Articles of Incorporation	Amendments to the Articles of Incorporation
Article 6 (Total shares authorized to be issued) The total shares authorized to be issued by the Company shall be <u>10,000,000,000 shares</u> .	Article 6 (Total shares authorized to be issued) The total shares authorized to be issued by the Company shall be <u>2,000,000,000 shares</u> .
Article 7 (Number of shares per one unit) The number of shares per one unit of shares of the Company shall be <u>1,000 shares</u> .	Article 7 (Number of shares per one unit) The number of shares per one unit of shares of the Company shall be <u>100 shares</u> .

Election of 12 Directors due to expiration of the term of office of all Directors

Due to expiration of the term of office of all Directors at the close of this Meeting, it is proposed that 12 Directors be elected. The Company has proposed the following 12 nominees for Directors (including 8 outside directors) to reflect global and diverse viewpoints to the management as well as to ensure functions of supervision of management.

The list of nominees

No	Name		Current Position and Responsibilities at the Company
1	Katsumi Ihara	NEW OD ID	-
2	Cynthia Carroll	RE OD ID	Outside Director ■ Nominating Committee
3	Joe Harlan	NEW OD ID	-
4	George Buckley	RE OD ID	Outside Director
5	Louise Pentland	RE OD ID	Outside Director
6	Harufumi Mochizuki	RE OD ID	Outside Director ■ Nominating Committee (Chair) ■ Audit Committee ■ Compensation Committee (Chair)
7	Takatoshi Yamamoto	RE OD IND	Outside Director ■ Audit Committee ■ Compensation Committee
8	Hiroaki Yoshihara	RE OD ID	Outside Director ■ Audit Committee (Chair)
9	Kazuyuki Tanaka	RE	Director ■ Audit Committee
10	Hiroaki Nakanishi	RE	Chairman of the Board and Executive Officer ■ Nominating Committee
11	Toyoaki Nakamura	RE	Director ■ Audit Committee
12	Toshiaki Higashihara	RE	Representative Executive Officer, President & CEO and Director ■ Compensation Committee

NEW : Newly selected nominee


RE : Re-selected nominee

OD : Outside Director

ID : Independent Director

No **1** **Katsumi Ihara** (Date of Birth: Sept. 24, 1950) **NEW** **OD** **ID**

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
-	-	0



Brief Biography


- 5/1981 Joined Sony Corporation
- 6/2005 Executive Deputy President, Representative Corporate Executive Officer, Member of the Board, Sony Corporation
- 4/2009 Executive Deputy President, Corporate Executive, Sony Corporation
- 6/2009 Executive Vice President, Representative Director, Sony Financial Holdings Inc.
- 6/2010 President, Representative Director, Sony Financial Holdings Inc.
- 6/2011 President, Representative Director, Sony Life Insurance Co., Ltd.
- 4/2015 Charman, Director, Sony Life Insurance Co., Ltd. (Retired in June 2017)
- 6/2016 Chariman, Director, Sony Financial Holdings Inc. (Retired in June 2017)

Reason for selection as Outside Director nominee

Mr. Ihara was newly selected as an outside director nominee, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on his rich experience and insight in the area of global corporate management.

No **2** **Cynthia Carroll** (Date of Birth: Nov. 13, 1956) **RE** **OD** **ID**

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
Outside Director Member of Nominating Committee	Five years	4,000



Attendance for fiscal 2017
Board of Directors meetings
9 out of 9 days (100%)
Nominating Committee
8 out of 8 days (100%)

Brief Biography

- 10/1991 General Manager, Foil Products, Alcan Inc. (Canada)
- 1/1996 Managing Director, Aughinish Alumina Ltd., Alcan Inc.
- 10/1998 President, Bauxite, Alumina and Speciality Chemicals, Alcan Inc.
- 1/2002 President & CEO, Primary Metal Group, Alcan Inc.
- 3/2007 CEO, Anglo American plc. (UK) (Retired in April 2013)
- 6/2013 Director, Hitachi, Ltd. (currently in office)

Reason for selection as Outside Director nominee

Ms. Carroll was selected as an outside director nominee, since she was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting her global viewpoint to the Company's Board of Directors based on her rich experience and insight as the top executive of major global companies.

No

3

Joe Harlan

(Date of Birth: May 5, 1959)

NEW

OD

ID



Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
-	-	0

Brief Biography

- 9/1999 Vice President and Chief Financial Officer, Lighting Business, General Electric Company (USA)
- 9/2001 Vice President, Corporate Financial Planning and Analysis, 3M Company (USA)
- 11/2002 President and Chief Executive Officer, Sumitomo 3M Ltd.
- 10/2004 Executive Vice President, Electro and Communications Business, 3M Company (USA)
- 10/2009 Executive Vice President, Consumer and Office Business, 3M Company (USA)
- 9/2011 Executive Vice President, Performance Materials, The Dow Chemical Company (USA)
- 9/2012 Executive Vice President, Chemicals, Energy and Performance Materilas, The Dow Chemical Company (USA)
- 10/2014 Chief Commercial Officer and Vice Chairman, Market Business, The Dow Chemical Company (USA)
- 10/2015 Vice Chairman and Chief Commercial Officer, The Dow Chemical Company (USA) (Retired in August 2017)

Other Principal Positions Held

Director, Flowserve Corporation (USA)*

Reason for selection as Outside Director nominee

Mr. Harlan was newly selected as an outside director nominee, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight in the area of global corporate management.

No

4

George Buckley

(Date of Birth: Feb. 23, 1947)

RE

OD

ID



Attendance for fiscal 2017
Board of Directors meetings
9 out of 9 days (100%)

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
Outside Director	Six years	22,000

Brief Biography

- 2/1993 Chief Technology Officer, Motors, Drives and Appliances, Emerson Electric Company (USA)
- 9/1994 President, US Electrical Motors, Emerson Electric Company (USA)
- 7/1997 President, Mercury Marine Division and Corporate Vice President, Brunswick Corporation (USA)
- 4/2000 President and Chief Operating Officer, Brunswick Corporation (USA)
- 6/2000 Chairman and Chief Executive Officer, Brunswick Corporation (USA)
- 12/2005 Chairman of the Board, President and Chief Executive Officer, 3M Company (USA)
- 2/2012 Executive Chairman of the Board, 3M Company (USA) (Retired in May 2012)
- 6/2012 Chairman, Arle Capital Partners Limited (UK) (Retired in December 2015)
Director, Hitachi, Ltd. (currently in office)

Other Principal Positions Held

Chairman, Smiths Group plc (UK)*

Chairman of the Board, Stanley Black & Decker, Inc. (USA)*

Director, PepsiCo, Inc. (USA)*

Reason for selection as Outside Director nominee

Mr. Buckley was selected as an outside director nominee, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight as the top executive of major global companies.

No

5

Louise Pentland

(Date of Birth: Apr. 11, 1972)

RE

OD

ID



Attendance for fiscal 2017

Board of Directors meetings
 9 out of 9 days (100%)

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
Outside Director	Three years	2,000

Brief Biography

8/1997 Admitted as a Solicitor (UK)
 7/2001 Senior Legal Counsel, Nokia Networks, Nokia Corporation (Finland)
 9/2007 Vice President, Acting Chief Legal Officer and Head of IP Legal, Nokia Corporation (Finland)
 7/2008 Senior Vice President and Chief Legal Officer, Nokia Corporation (Finland)
 6/2009 Admitted to New York State Bar Association
 2/2011 Executive Vice President and Chief Legal Officer, Nokia Corporation (Finland) (Retired in May, 2014)
 4/2015 General Counsel, PayPal, eBay Inc. (USA)
 6/2015 Director, Hitachi, Ltd. (currently in office)
 7/2015 Senior Vice President and Chief Legal Officer, PayPal Holdings, Inc. (USA)
 9/2016 Executive Vice President, Chief Business Affairs and Legal Officer, PayPal Holdings, Inc. (USA) (currently in office)

Other Principal Positions Held

Executive Vice President, Chief Business Affairs and Legal Officer, PayPal Holdings, Inc. (USA)

Reason for selection as Outside Director nominee

Ms. Pentland was selected as an outside director nominee, since she was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting her global viewpoint to the Company's Board of Directors based on deep insight into corporate legal matters and corporate governance gained through her rich experience as the chief legal officer of major global companies.

No

6

Harufumi Mochizuki

(Date of Birth: Jul. 26, 1949)

RE

OD

ID



Attendance for fiscal 2017

Board of Directors meetings
 9 out of 9 days (100%)

Nominating Committee
 8 out of 8 days (100%)

Audit Committee
 14 out of 14 days (100%)

Compensation Committee
 4 out of 4 days (100%)

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
Outside Director Nominating Committee (Chair) Member of Audit Committee Compensation Committee (Chair)	Six years	11,000

Brief Biography

4/1973 Joined Ministry of International Trade and Industry of Japan
 7/2002 Director-General for Commerce and Distribution Policy, Minister's Secretariat, Ministry of Economy, Trade and Industry of Japan ("METI")
 7/2003 Director-General, Small and Medium Enterprise Agency, METI
 7/2006 Director-General, Agency for Natural Resources and Energy, METI
 7/2008 Vice-Minister of Economy, Trade and Industry of Japan
 8/2010 Special Advisor to the Cabinet of Japan (Retired in September 2011)
 10/2010 Senior Adviser to the Board, Nippon Life Insurance Company (Retired in April 2013)
 6/2012 Director, Hitachi, Ltd. (currently in office)
 6/2013 President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. (currently in office)

Other Principal Positions Held

President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd.
 Outside Director, ITOCHU Corporation

Reason for selection as Outside Director nominee

Mr. Mochizuki was selected as an outside director nominee, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on his rich experience and insight in the area of public administration, etc.

No

7

Takatoshi Yamamoto (Date of Birth: Oct. 20, 1952)

RE

OD

ID



Attendance for fiscal 2017

Board of Directors meetings
9 out of 9 days (100%)Audit Committee
14 out of 14 days (100%)Compensation Committee
4 out of 4 days (100%)

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
Outside Director Member of Audit Committee Compensation Committee	Two years	29,000

Brief Biography

- 4/1975 Joined Nomura Research Institute, Ltd.
- 4/1989 Joined Morgan Stanley Japan Limited
- 12/1995 Managing Director, Morgan Stanley Japan Limited
- 6/1999 Managing Director and Vice Chairman, Tokyo Branch, Morgan Stanley Japan Limited
- 7/2005 Managing Director and Vice Chairman, UBS Securities Japan Co., Ltd.
- 6/2009 Managing Director, CASIO COMPUTER CO., LTD.
- 6/2011 Advisor, CASIO COMPUTER CO., LTD. (Retired in June 2012)
- 6/2016 Director, Hitachi, Ltd. (currently in office)

Other Principal Positions Held

Outside Audit & Supervisory Board Member, Tokyo Electron Limited

Reason for selection as Outside Director nominee

Mr. Yamamoto was selected as an outside director nominee, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on a broad range of insight in business and management gained through his experience in the area of corporate analysis and global corporate management.

No

8

Hiroaki Yoshihara (Date of Birth: Feb. 9, 1957)

RE

OD

ID



Attendance for fiscal 2017

Board of Directors meetings
9 out of 9 days (100%)Audit Committee
14 out of 14 days (100%)

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
Outside Director Audit Committee (Chair)	Four years	6,000

Brief Biography

- 11/1978 Joined Peat Marwick Mitchell & Co.
- 7/1996 National Managing Partner, the Pacific Rim Practice, KPMG LLP
- 10/1997 The Board Member, KPMG LLP
- 10/2003 Vice Chairman and Global Managing Partner, KPMG International (Retired in April 2007)
- 6/2014 Director, Hitachi, Ltd. (currently in office)

Other Principal Positions Held

Outside Director, Murata Manufacturing Co., Ltd.

Reason for selection as Outside Director nominee

Mr. Yoshihara was selected as an outside director nominee, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight in the area of global corporate management and accounting.

No

9

Kazuyuki Tanaka

(Date of Birth: Apr. 29, 1953)

RE



Attendance for fiscal 2017

Board of Directors meetings
 9 out of 9 days (100%)

Audit Committee
 14 out of 14 days (100%)

Position and Responsibilities at the Company	Share Ownership
Director Member of Audit Committee	14,000

Brief Biography

- 4/1977 Joined Hitachi Chemical Company, Ltd.
- 4/2005 Executive Officer, Hitachi Chemical Company, Ltd.
- 4/2006 Senior Executive Director, Hitachi Media Electronics Co., Ltd.
- 6/2006 Representative Director and President, Hitachi Media Electronics Co., Ltd.
- 4/2008 Vice President and Executive Officer, Hitachi Chemical Company, Ltd.
- 4/2009 Representative Executive Officer, President & Chief Executive Officer, Hitachi Chemical Company, Ltd.
- 6/2009 Director, Representative Executive Officer, President & Chief Executive Officer, Hitachi Chemical Company, Ltd.
- 4/2016 Chairman of the Board, Hitachi Chemical Company, Ltd. (currently in office)
- 6/2016 Director, Hitachi, Ltd. (currently in office)

Other Principal Positions Held

Chairman of the Board, Hitachi Chemical Company, Ltd.

Reason for selection as Director nominee

Mr. Tanaka has rich experience and a proven performance record in the area of business management, having been engaged in the management of Group companies for many years. Mr. Tanaka was selected as a director nominee, since he was expected to reinforce the decision-making and supervisory functions of the Board of Directors by participating in the determination of Group management policies and the supervision of the execution of duties by Executive Officers and others based on his experience and performance record.

No

10

Hiroaki Nakanishi

(Date of Birth: Mar. 14, 1946)

RE



Attendance for fiscal 2017

Board of Directors meetings
 9 out of 9 days (100%)

Nominating Committee
 8 out of 8 days (100%)

Position and Responsibilities at the Company	Share Ownership
Chairman of the Board and Executive Officer Member of Nominating Committee	148,000

Brief Biography

- 4/1970 Joined Hitachi, Ltd.
- 6/2003 Vice President and Executive Officer
- 4/2004 Senior Vice President and Executive Officer
- 6/2005 Chairman and Chief Executive Officer, Hitachi Global Storage Technologies, Inc. (Retired as CEO in March 2009)
- 4/2006 Executive Vice President and Executive Officer, Hitachi, Ltd. (Retired in December 2006)
- 4/2009 Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi, Ltd.
Chairman of the Board, Hitachi Global Storage Technologies, Inc. (Retired in March 2010)
- 4/2010 Representative Executive Officer and President, Hitachi, Ltd.
- 6/2010 Representative Executive Officer, President and Director, Hitachi, Ltd.
- 4/2014 Representative Executive Officer, Chairman & CEO and Director, Hitachi, Ltd.
- 4/2016 Chairman of the Board and Representative Executive Officer, Hitachi, Ltd.
- 4/2018 Chairman of the Board and Executive Officer, Hitachi, Ltd.(currently in office)

Reason for selection as Director nominee

Mr. Nakanishi has rich experience and a proven performance record, having been engaged in business management in the fields of information & telecommunication systems business, social infrastructure business and hard disk drives business, both at the Company and at overseas Group companies, as well as in the promotion of the Group's global business development. He has been engaged in the management of the Company since April 2010 as President, and as Chairman and CEO since April 2014. He has been serving as Chairman of the Board since April 2016. Mr. Nakanishi was selected as a director nominee, since he was expected to promote information sharing and draw on his rich experience and performance record to reinforce the decision-making function of the Board of Directors as a member of the Board.

No

11

Toyoaki Nakamura

(Date of Birth: Aug. 3, 1952)

RE



Attendance for fiscal 2017

Board of Directors meetings
9 out of 9 days (100%)**Audit Committee**
14 out of 14 days (100%)

Position and Responsibilities at the Company	Share Ownership
Director Member of Audit Committee	75,000

Brief Biography

4/1975	Joined Hitachi, Ltd.
1/2006	General Manager, Finance Department I, Hitachi, Ltd.
4/2007	Representative Executive Officer, Senior Vice President and Executive Officer, Hitachi, Ltd.
6/2007	Representative Executive Officer, Senior Vice President and Executive Officer, and Director, Hitachi, Ltd.
6/2009	Representative Executive Officer, Senior Vice President and Executive Officer, Hitachi, Ltd.
4/2012	Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi, Ltd.
4/2016	Associate, Hitachi, Ltd.
6/2016	Director, Hitachi, Ltd. (currently in office)

Other Principal Positions Held

Director, Hitachi Metals, Ltd.

Reason for selection as Director nominee

Mr. Nakamura has rich experience and a proven performance record, having been engaged in operations in such areas as accounting and financial affairs and management at the Company. Mr. Nakamura was selected as a director nominee, since he was expected to reinforce the supervisory functions of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others based on his rich experience and a proven performance record.

No

12

Toshiaki Higashihara

(Date of Birth: Feb. 16, 1955)

RE



Attendance for fiscal 2017

Board of Directors meetings
9 out of 9 days (100%)**Compensation Committee**
4 out of 4 days (100%)

Position and Responsibilities at the Company	Share Ownership
Representative Executive Officer, President & CEO and Director Member of Compensation Committee	66,000

Brief Biography

4/1977	Joined Hitachi, Ltd.
4/2007	Vice President and Executive Officer
4/2008	President, Hitachi Power Europe GmbH
4/2010	Representative Executive Officer, President and Chief Executive Officer, Hitachi Plant Technologies, Ltd.
6/2010	President and Representative Director, Hitachi Plant Technologies, Ltd.
4/2011	Vice President and Executive Officer, Hitachi, Ltd.
4/2013	Senior Vice President and Executive Officer, Hitachi, Ltd.
4/2014	Representative Executive Officer and President & COO, Hitachi, Ltd.
6/2014	Representative Executive Officer, President & COO and Director, Hitachi, Ltd.
4/2016	Representative Executive Officer, President & CEO and Director, Hitachi, Ltd. (currently in office)

Reason for selection as Director nominee

Mr. Higashihara has rich experience and a proven performance record, having been engaged in business management in a broad range of fields, including social infrastructure business and power systems business, both at the Company and at Group companies, as well as in the promotion of the Group's global business development. He has been engaged in the management of the Company as President & COO since April 2014 and as President & CEO since April 2016. Mr. Higashihara was selected as a director nominee, since he was expected to continue to promote information sharing and draw on his rich experience and performance record to reinforce the decision-making function of the Board of Directors as a member of the Board.

Notes:

1. Messrs. Katsumi Ihara, Joe Harlan, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto and Hiroaki Yoshihara and Mses. Cynthia Carroll and Louise Pentland are nominees who fulfill the qualification requirements to be outside director nominees as provided for in Article 2, Paragraph 3, Item 7 of the Enforcement Regulations of the Companies Act. The Company has reported all of them as independent directors to the Japanese stock exchanges where the Company is listed.
2. The Company maintains a limited liability agreement (hereinafter referred to as "Agreement") with Messrs. George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto, Hiroaki Yoshihara, Kazuyuki Tanaka and Toyoaki Nakamura and Mses. Cynthia Carroll and Louise Pentland. The general intent of the Agreement is to limit the liability of Directors provided for in Article 423, Paragraph 1 of the Companies Act to the aggregate amount of each item stipulated under Article 425, Paragraph 1 of the Companies Act. The Agreement will be renewed should the aforementioned individuals be re-elected at this Meeting. Should Messrs. Katsumi Ihara and Joe Harlan be elected, the Company will newly enter into the same agreement with each of them.
3. ITOCHU Corporation, where Mr. Harufumi Mochizuki serves as an outside director (as an outside auditor until June 2017), was found to have committed a breach of Antimonopoly Act for its activities regarding its sales of uniforms, and the Japan Fair Trade Commission issued a cease and desist order to ITOCHU Corporation in January and February 2018. Mr. Mochizuki has been constantly expressing his opinions at the company's Board of Directors and Audit & Supervisory Board etc. with a view of strengthening its compliance program. On receiving the report on the aforementioned facts and the progress thereafter, etc., Mr. Mochizuki expressed various suggestions and opinions for further enhancing the compliance program, including preventive measures.
4. Mr. Hiroaki Yoshihara served as Non-Executive Director (a similar position to outside director under the Companies Act) at the Company's overseas subsidiaries from September 2008 to March 2012.
5. In the event this agenda is approved, the members and the chair of the committees are expected to be as follows:
Nominating Committee :Harufumi Mochizuki (Chair), Cynthia Carroll, Hiroaki Yoshihara, Hiroaki Nakanishi
Audit Committee :Hiroaki Yoshihara (Chair), Katsumi Ihara, Harufumi Mochizuki, Takatoshi Yamamoto, Kazuyuki Tanaka, Toyoaki Nakamura
Compensation Committee :Harufumi Mochizuki (Chair), Katsumi Ihara, Takatoshi Yamamoto, Toshiaki Higashihara
6. The Company has no business relationships with PayPal Holdings, Inc., where Ms. Louise Pentland is currently serving as Executive Vice President, Chief Business Affairs and Legal Officer, and with Tokyo Small and Medium Business Investment & Consultation Co., Ltd., where Mr. Harufumi Mochizuki is currently serving as President and Representative Director.
7. Mr. Katsumi Ihara served as Chairman, Director for Sony Financial Holdings Inc. (including its subsidiary company, Sony Life Insurance Co., Ltd.) (both retired in June 2017), and served as Executive Deputy President, Corporate Executive for Sony Corporation (retired in June 2009), and Mr. Joe Harlan served as Vice Chairman and Chief Commercial Officer for Dow Chemical Company (retired in August 2017). The amounts of transactions between the Company and each of these companies do not exceed 1% of the consolidated revenues of the Company or these companies' respective consolidated revenues.
8. Mr. Hiroaki Yoshihara served as Vice Chairman of KPMG International until April 2007. However, the Accounting Auditors of the Company do not belong to the KPMG Group. In addition, there is no contractual relationship between Mr. Yoshihara and the Company in relation to accounting and other professional services or consulting services, etc.
9. The positions with * in "Other Principal Positions Held" of each nominee are similar positions in each of the foreign corporations to outside director under the Companies Act.

(Reference) Matters considered by the Nominating Committee in nominating a director candidate

Size of the Board

Given the need for diversity of the Board views and efficiency of the Board, the number of directors shall be no more than 20.

The Nominating Committee shall consider the optimal size of the Board following the policy described above in deciding the matters relating to a proposal concerning election and removal of directors to be submitted to the General Meeting of Shareholders.

Composition of the Board

In nominating a director candidate, the Nominating Committee shall consider:

- 1.diversity in the experience and expertise, etc. possessed by the director candidates, the composition ratio between outside directors and other directors (directors concurrently serving as executive officers and non-executive directors from within the Hitachi Group), and other such matters in order to ensure the effectiveness of the management supervision and decision-making functions of the Board;
- 2.that to maintain the continuity of the Board, new candidates do not constitute all or almost all of the nominees; and
- 3.the period of time since the candidate's assumption of office as the Company's director and the candidate's age to keep bringing fresh ideas and viewpoints regularly to the Board.

In principle, a person will not be nominated as a director candidate after his or her 75th birthday. However, the Nominating Committee may nominate a person over 75 as a director candidate in special circumstances.

Qualification for Directors

In nominating a director candidate, the Nominating Committee shall consider that:

- 1.such nominee has the highest personal and professional ethics, integrity and insight; and
- 2.such outside director nominee has distinguished records of leadership or experience at policy making levels in business, law, administration, accounting or education, etc., in addition to satisfying the criteria for independency as provided in this Guideline.

Criteria for Independency of Outside Directors

The Nominating Committee considers an outside director to be independent unless:

- 1.his or her immediate family member* is, or has been within the last three years, a director or an executive officer of the Company or any of its subsidiaries;
- 2.he or she is currently an executive director, an executive officer or an employee of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies' consolidated gross revenues;
- 3.he or she has received during any of the last three fiscal years more than ¥10 million in direct compensation for his or her service as a specialist in law, accounting or tax, or as a consultant from the Company, other than director compensations; or
- 4.he or she serves as an executive officer or director of a not-for-profit organization, and the Company's discretionary charitable contributions to the organization in any of the last three fiscal years are more than ¥10 million and 2% of that organization's annual gross revenues.

* An "immediate family member" includes a person's spouse, parents, children, siblings, grand-parents, grand-children, mothers and fathers-in-law, sons and daughters-in-law, spouses of siblings, grand-parents-in-law, grand-children-in-law, and brothers and sisters-in-law.

Source: Corporate Governance Guidelines of Hitachi, Ltd. (Article 2 to 5)
<http://www.hitachi.com/IR-e/corporate/governance/guidelines.html>

(1) Business Overview and Results of Hitachi Group

Business Results

During fiscal 2017, the global economy expanded at a moderate pace. In the U.S. and Japan, the economies soundly improved, particularly in consumer spending and capital investment. In China, increases in infrastructure spending and consumer spending underpinned economic growth. In Europe, mainly in Germany, the economy continued to expand slowly.

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

Reporting on the business results of the Hitachi Group for the period under review, revenues increased by 2% from the preceding fiscal year to JPY 9,368.6 billion, due to an increase in revenues centering on the Construction Machinery segment and the High Functional Materials & Components segment. Since the Information & Telecommunication Systems, Social Infrastructure & Industrial Systems and Construction Machinery segments recorded increases in income, adjusted operating income recorded JPY 714.6 billion, an increase of 22% from the preceding fiscal year, and earnings before interest and taxes (EBIT) increased by 36% from the preceding fiscal year to JPY 644.2 billion. Net income attributable to Hitachi, Ltd. stockholders rose 57% from the preceding fiscal year to JPY 362.9 billion.

We declared dividends of 15 yen per share annually (the interim dividends in the amount of 7 yen per share and year-end dividends in the amount of 8 yen per share), 2 yen dividend increase from the preceding fiscal year.

Measures Taken and Aims

- Expanding digital solution delivery with the Lumada IoT platform

We fused operational technologies with information technologies, strengths of the Hitachi Group, and strengthened our digital businesses which utilizes the Lumada IoT platform, concentration of our considerable know-how and track record developed over many years. We expanded offering of solutions to customers by utilizing the Lumada IoT platform, such as visualization of work progress and issues in manufacturing processes and productivity improvement through optimization of resources, quality improvement through digitalization of seasoned skills, some of which were demonstrated internally. As use cases of the Lumada IoT platform have been accumulated, we were able to lay foundations for the Lumada business growth.

- Achieving global growth

We have strived to globally expand our main line of our businesses. In the railway systems business, we further expanded our global footprint by utilizing global production systems which had been built, such as sales expansion for the Intercity Express Programme in the U.K. and acceptance of orders for rail cars and signaling systems for the Baltimore Metro Subway in the U.S. For our digital business, we launched Hitachi Vantara Corporation in the U.S. and strengthened operational structure which could provide broad range of services with digital technologies globally.

We also actively engaged in strategic corporate acquisitions to realize global growth of our businesses. In the field of industrial equipment industry, we acquired the air compressor manufacturer in the U.S. and expanded our footprint of such business. Hitachi Construction Machinery Co., Ltd. and Hitachi Chemical Company, Ltd. realized revenue expansion globally by means of acquiring overseas companies.

- Enhancing management base through structural reform

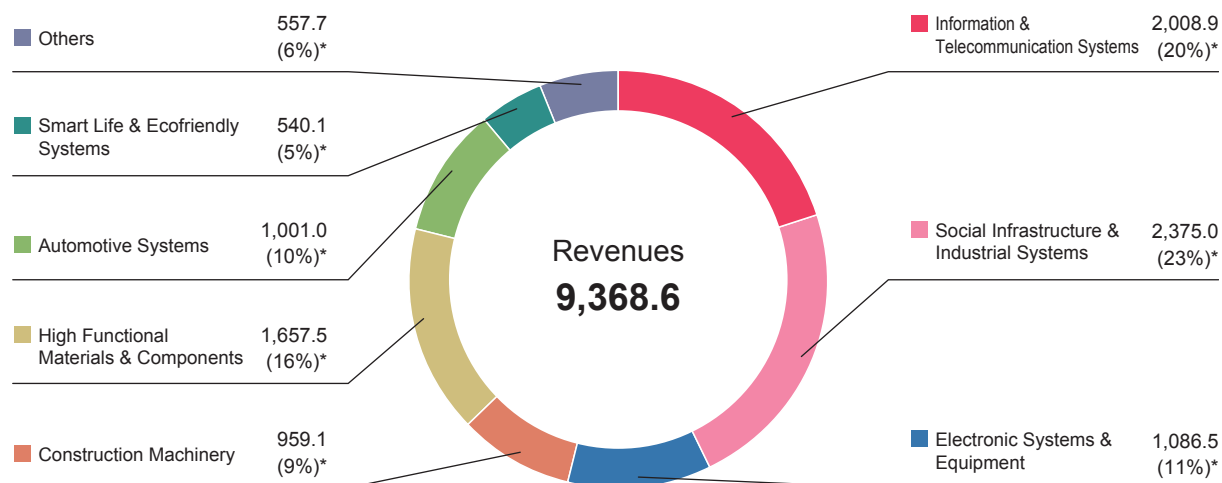
We have promoted concentration in core competence to build optimal business portfolio such as reorganization of Hitachi Kokusai Electric Inc. Furthermore, we strived to improve our capability to generate cash flows and profitability, and enhanced management base by streamlining of business operations, such as implementing drastic reform, including reduction of or withdrawal from unprofitable businesses, and cost structure overhaul.

Consolidated Financial Results for Fiscal 2017 (Billions of yen)

Revenues	9,368.6	(Year over year +2% ↗)
Adjusted operating income ^{※1}	714.6	(Year over year +22% ↗)
Earnings before interest and taxes (EBIT) ^{※2}	644.2	(Year over year +36% ↗)
Net Income Attributable to Hitachi, Ltd. Stockholders	362.9	(Year over year +57% ↗)

※1 "Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.

※2 "Earnings before interest and taxes (EBIT)" is presented as income from continuing operations, before income taxes less interest income plus interest charges.

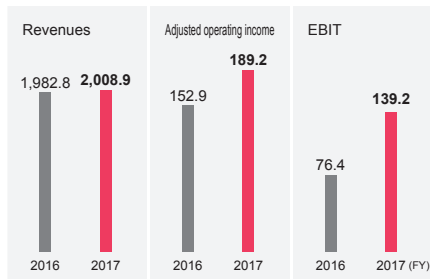


* Percentage to total revenues

Note: Revenues by segment include intersegment transactions.

Results by Segment (Billions of yen)

Information & Telecommunication Systems



Revenues increased by 1% from the preceding fiscal year due mainly to higher revenues from system integration business in Japan and the impact of foreign currency translation.

Adjusted operating income and EBIT increased by 24% and 82% from the preceding fiscal year respectively, due mainly to profitability improvement in system integration business in Japan and the effect of structural reform centered on the IT platform & products business.

Main Products and Services

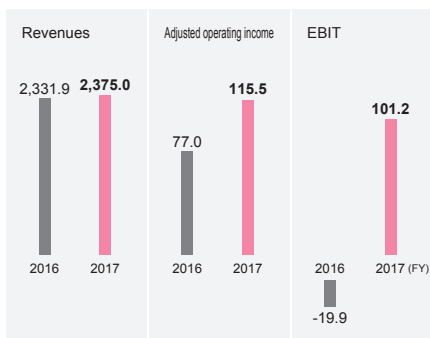
(As of March 31, 2018)

Systems Integration, Consulting, Cloud Services, Servers, Storage, Software, Telecommunications & Network, ATMs



Hitachi Virtual Storage Platform

Social Infrastructure & Industrial Systems



Revenues increased 2% from the preceding fiscal year, due mainly to revenue increase in railway systems business for the U.K. and that in industrial products business by acquiring air compressor manufacturer in the U.S., despite lower revenues from the power & energy business.

Adjusted operating income increased by 50% due mainly to an improvement in profitability of business for the industry and distribution field, power & energy business and industrial products business. EBIT moved back in the black because of the absence of impairment loss recognized in the preceding fiscal year.

Main Products and Services

(As of March 31, 2018)

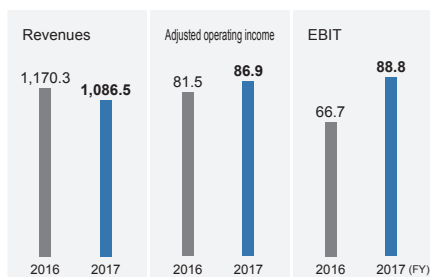
Industrial Machinery and Plants, Elevators, Escalators, Railway Systems, Thermal, Nuclear and Renewable Energy Power Generation Systems, Transmission & Distribution Systems



Class 800 for the Intercity Express Programme (IEP) in UK

Notes: 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.

Electronic Systems & Equipment



Revenues decreased by 7% from the preceding fiscal year due mainly to the impact of deconsolidation of Hitachi Koki Co., Ltd., despite higher sales of semiconductor production equipment at Hitachi Kokusai Electric Inc. and Hitachi High-Technologies Corporation.

Adjusted operating income and EBIT increased by 7% and 33% from the preceding fiscal year respectively, due mainly to higher sales of semiconductor production equipment.

Main Products and Services

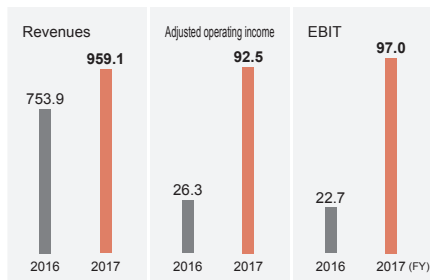
(As of March 31, 2018)

Semiconductor Processing Equipment, Test and Measurement Equipment, Advanced Industrial Products, Medical Electronics Equipment



Particle beam cancer therapy system for Hokkaido University Hospital

Construction Machinery



Revenues increased by 27 % from the preceding fiscal year due mainly to increased sales in China and other overseas countries, and the effect of corporate acquisitions in Australia and the U.S.

Adjusted operating income and EBIT increased by 252% and 327% from the preceding fiscal year respectively, due mainly to the increased revenues and the impact of foreign currency translation.

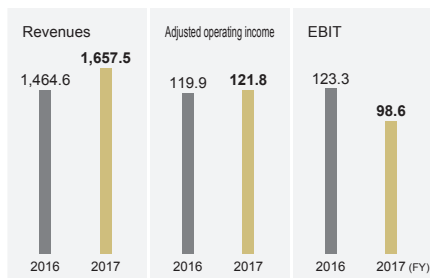
Main Products and Services

Hydraulic Excavators, Wheel Loaders, Mining Machinery



Large hydraulic excavator and rigid dump truck for mining

High Functional Materials & Components

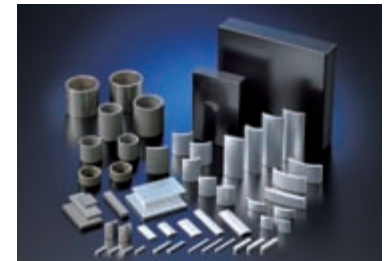


Revenues increased by 13% from the preceding fiscal year due mainly to increased sales of the electronics- and automotive-related products at Hitachi Metals, Ltd. and Hitachi Chemical Company, Ltd.

Adjusted operating income increased by 2% from the preceding fiscal year because of the increased revenues but EBIT declined by 20% from the preceding fiscal year due mainly to recognition of impairment loss at Hitachi Metals, Ltd.

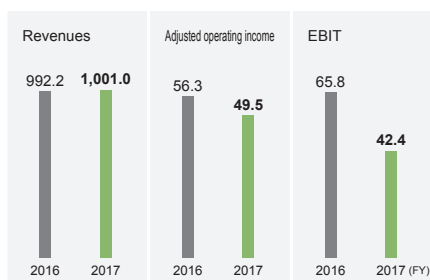
Main Products and Services

Semiconductor and Display Related Materials, Circuit Boards and Materials, Automotive Parts, Energy Storage Devices, Specialty Steel Products, Magnetic Materials and Applications, Functional Components and Equipment, Wires, Cables and Related Products



Nd-Fe-B Magnets NEOMAX®

Automotive Systems

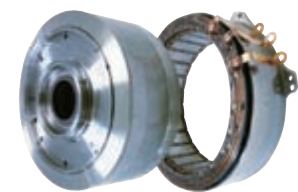


Revenues increased by 1% from the preceding fiscal year due mainly to increased sales in China, despite of sales decrease in North America.

Adjusted operating income and EBIT decreased by 12% and 36% from the preceding fiscal year respectively due mainly to deteriorated profitability of car information systems business. The Hitachi Group has invested in R&D to ensure future competitiveness including electrification and autonomous driving.

Main Products and Services

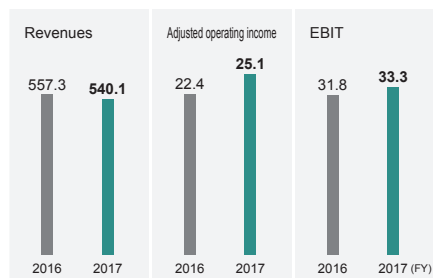
Engine Powertrain Systems, Electric Powertrain Systems, Integrated Vehicle Control Systems, Car Information Systems



Motor for Hybrid Electric Vehicle

Smart Life & Ecofriendly Systems

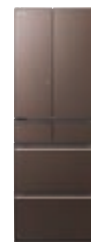
Revenues decreased by 3% from the preceding fiscal year. Adjusted operating income and EBIT increased by 12% and 5% from the preceding fiscal year respectively due mainly to the effect of cost reduction efforts.



Main Products and Services

(As of March 31, 2018)

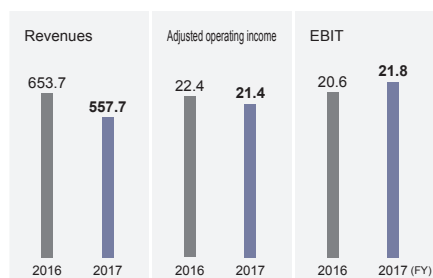
Air-Conditioning Equipment, Room Air Conditioners, Refrigerators, Washing Machines



Refrigerator with original vacuum compartment

Others

Revenues decreased by 15% from the preceding fiscal year due mainly to the conversion of Hitachi Transport System, Ltd. to an equity-method associate in May 2016. Adjusted operating income decreased by 4% and EBIT increased by 6%.



Main Products and Services

(As of March 31, 2018)

Optical Disk Drives, Property Management

Revenues and Operating Results by Segment

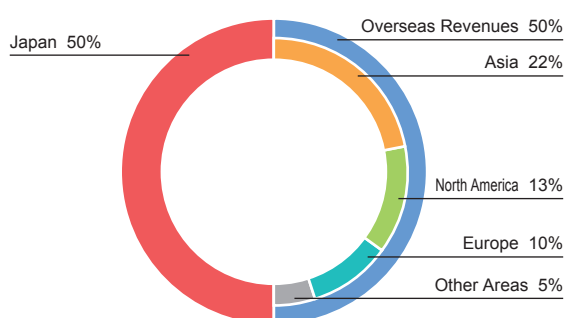
(Billions of yen)

Segment	Revenues			Adjusted Operating Income			EBIT		
	Fiscal 2016(A)	Fiscal 2017(B)	(B)/(A)	Fiscal 2016(A)	Fiscal 2017(B)	(B)/(A)	Fiscal 2016(A)	Fiscal 2017(B)	(B)/(A)
Information & Telecommunication Systems	1,982.8	2,008.9	101%	152.9	189.2	124%	76.4	139.2	182%
Social Infrastructure & Industrial Systems	2,331.9	2,375.0	102	77.0	115.5	150	(19.9)	101.2	—
Electronic Systems & Equipment	1,170.3	1,086.5	93	81.5	86.9	107	66.7	88.8	133
Construction Machinery	753.9	959.1	127	26.3	92.5	352	22.7	97.0	427
High Functional Materials & Components	1,464.6	1,657.5	113	119.9	121.8	102	123.3	98.6	80
Automotive Systems	992.2	1,001.0	101	56.3	49.5	88	65.8	42.4	64
Smart Life & Ecofriendly Systems	557.3	540.1	97	22.4	25.1	112	31.8	33.3	105
Others	653.7	557.7	85	22.4	21.4	96	20.6	21.8	106
Financial Services	179.2	—	—	21.3	—	—	22.8	—	—
Subtotal	10,086.3	10,186.1	101	580.4	702.3	121	410.4	622.8	152
Corporate Items & Eliminations	(924.1)	(817.5)	—	6.8	12.3	—	64.7	21.4	—
Total	9,162.2	9,368.6	102	587.3	714.6	122	475.1	644.2	136

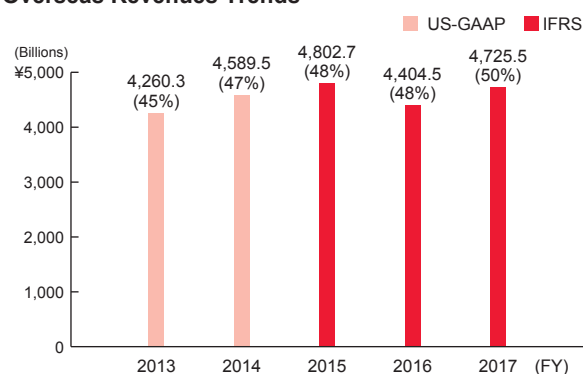
- Notes: 1. The consolidated financial statements of the Company have been prepared in conformity with the International Financial Reporting Standards (IFRS).
2. Revenues by segment include intersegment transactions.
3. "Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.
4. "EBIT" is presented as income from continuing operations, before income taxes less interest income plus interest charges.
5. As Hitachi Capital Corporation has converted into an equity-method affiliate a of October 3, 2016, there is no business which belongs to the Financial Services segment.

Reference

Revenues by Market (Fiscal 2017)



Overseas Revenues Trends



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

(2) 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	2013	2014
Revenues	9,563.7	9,761.9
Operating Income	538.2	600.4
EBIT	585.6	551.0
Income Before Income Taxes	573.6	535.6
Net Income Attributable to Hitachi, Ltd. Stockholders	264.9	241.3
Total Assets	11,016.8	12,395.3

International Financial Reporting Standards (IFRS)

(Billions of yen)

Fiscal Year	2013 (Reference)	2014 (Reference)	2015	2016	2017
Revenues	9,666.4	9,774.9	10,034.3	9,162.2	9,368.6
Adjusted Operating Income	604.7	641.3	634.8	587.3	714.6
EBIT	691.2	534.0	531.0	475.1	644.2
Income Before Income Taxes	678.4	518.9	517.0	469.0	638.6
Net Income Attributable to Hitachi, Ltd. Stockholders	413.8	217.4	172.1	231.2	362.9
Total Assets	11,098.1	12,433.7	12,551.0	9,663.9	10,106.6

Note: From fiscal 2015, the consolidated financial statements of the Company have been prepared in conformity with International Financial Reporting Standards (IFRS). The figures for fiscal 2013 and 2014 are also based on the IFRS for reference.

2) Unconsolidated Basis

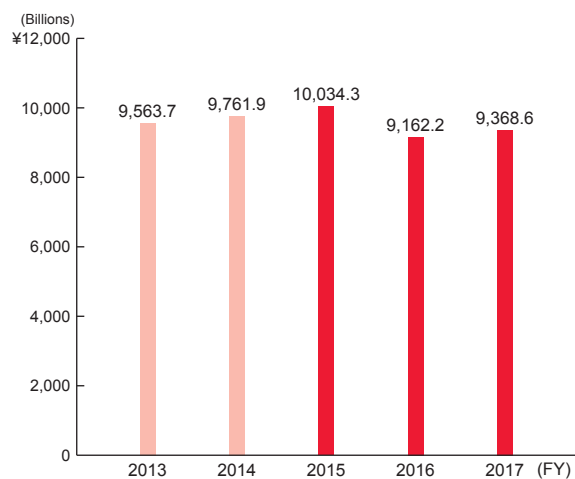
(Billions of yen)

Fiscal Year	2013	2014	2015	2016	2017
Revenues	2,070.1	1,842.1	1,859.6	1,906.5	1,930.2
Operating Income (Loss)	6.0	(3.9)	0.3	(9.8)	59.0
Ordinary Income (Loss)	17.8	(0.3)	(20.9)	71.5	131.2
Net Income	57.8	85.2	64.9	97.7	136.1
Total Assets	3,570.0	3,749.3	3,868.6	4,070.2	4,040.8

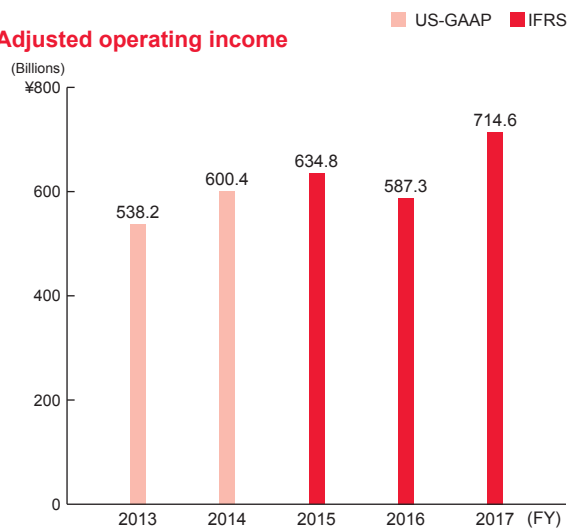
Note: All of the operating income, ordinary income and net income increased from the previous fiscal year due mainly to the affect of structural reform and solid performance of the Information & Telecommunication Systems segment.

Reference (Consolidated Financial Results)

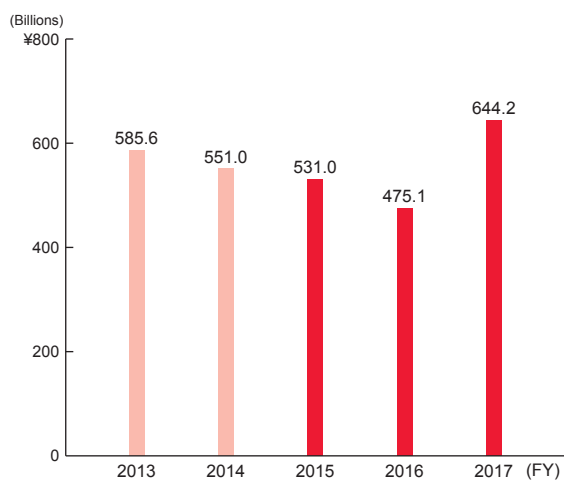
Revenues



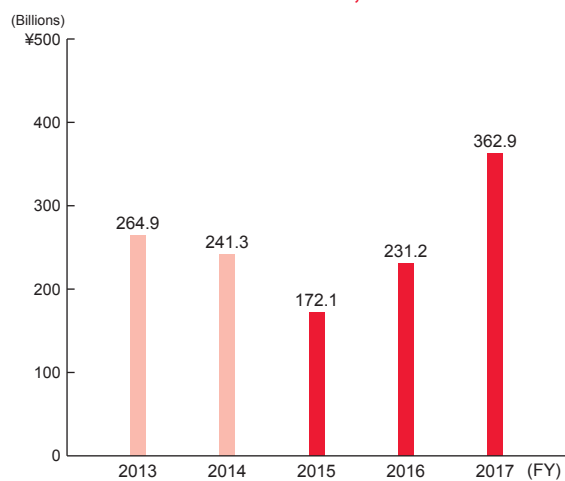
Adjusted operating income



EBIT



Net Income Attributable to Hitachi, Ltd. Stockholders



(3) Course of Actions to Take Considering Challenges for Hitachi Group

During fiscal 2017, the Hitachi Group geared up for its growth and had its sights set on achieving targets associated with the "2018 Mid-term Management Plan." The Hitachi Group will focus on the following measures for fiscal 2018 in order to lead changes in social life through its social innovation business in a society where people seek to realize "Society 5.0" to develop innovative solutions with new technologies and resolve various social challenges. Based on this approach, we aim to evolve into an excellent global company.

- Become the best innovation partner with digital technologies

We will further enhance our digital business by expanding co-creation with customers which utilizes synergetic effects of operational technologies, information technologies and products, based on the Lumada IoT platform, one of the top level IoT platforms. We will seek to become the best innovation partner for the IoT era and, as a leading company, solve social challenges with digital technologies, by accumulating use cases of the Lumada IoT platform and globally expanding applications.

- Expand further businesses globally

We will accomplish growth of our social innovation business globally and evolve into a truly excellent global company. We will further expand each of our core businesses with regional focus: financial/social solutions business and industrial equipment/solutions business in North America and Asia, railway business in North America and Europe, and elevators/escalators business in Asia and China.

- Strengthen cash flow generating capability

We will reinforce our capability to generate cash flows and strengthen management base to evolve into a world class global company by ensuring funds necessary to grow the Hitachi Group through optimizing our business portfolio, reducing or withdrawing from unprofitable businesses, promoting selective investment, and implementing cost reduction initiatives.

Besides the above, the Hitachi Group will proactively and continuously make efforts to meet such needs of societies or the times as ensuring quality assurance and compliance with laws, promoting work-style reforms and contributing to the environment and communities.

(4) Borrowings and Financing Activity of Hitachi Group

Major Financing Activities

There is no material financing such as issuance of stock and corporate bonds for fiscal 2017.

Major Borrowings (As of March 31, 2018)

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	20.1 billion yen

Note: In addition to the figures shown above, the Company owes JPY 232.0 billion of long-term borrowings by means of syndicated loan agreements.

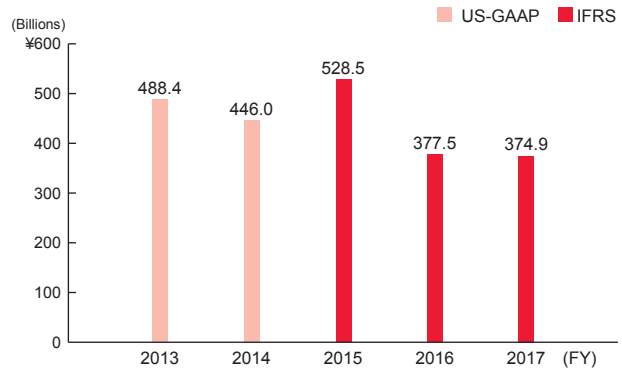
(5) Capital Investment of Hitachi Group

During fiscal 2017, the Hitachi Group carried out capital investment of JPY 374.9 billion, a decrease of JPY2.6 billion from the preceding fiscal year even though the Hitachi Group invested in production facilities for its global business expansion with a focus on the target business fields. This decrease is due mainly to 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.

Segment	(Billions of yen) Amount
Information & Telecommunication Systems	35.5
Social Infrastructure & Industrial Systems	79.9
Electronic Systems & Equipment	19.4
Construction Machinery	18.5
High Functional Materials & Components	131.3
Automotive Systems	66.1
Smart Life & Ecofriendly Systems	8.5
Others	13.1
Subtotal	372.5
Corporate Items & Eliminations	2.3
Total	374.9

Capital Investment Trends



(6) Research and Development of Hitachi Group

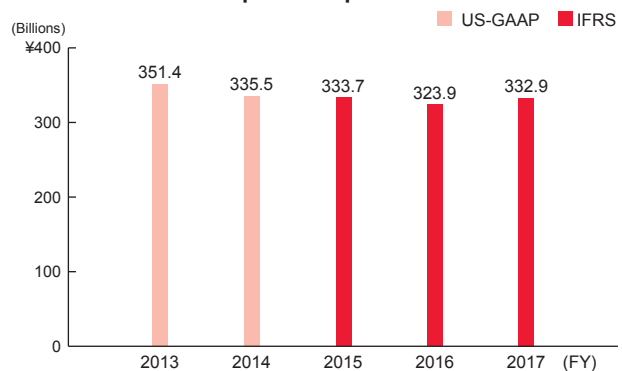
Expenses on research and development during fiscal 2017 amounted to JPY 332.9 billion.

The Hitachi Group is conducting R&D for creating solutions to solve issues customers have, as well as making efforts to develop leading-edge technologies such as artificial intelligence and Internet of Things.

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

Segment	(Billions of yen) Amount
Information & Telecommunication Systems	48.0
Social Infrastructure & Industrial Systems	56.1
Electronic Systems & Equipment	52.1
Construction Machinery	24.0
High Functional Materials & Components	48.5
Automotive Systems	69.2
Smart Life & Ecofriendly Systems	7.2
Others	4.4
Corporate Items	22.9
Total	332.9

Research and Development Expenses Trends



(7) Employees of Hitachi Group (As of March 31, 2018)

Segment	Number of Employees	Change from the End of the Preceding Year
Information & Telecommunication Systems	73,388	-1,531
Social Infrastructure & Industrial Systems	77,476	+2,860
Electronic Systems & Equipment	20,006	+597
Construction Machinery	23,469	-379
High Functional Materials & Components	51,709	+3,181
Automotive Systems	33,958	-21
Smart Life & Ecofriendly Systems	11,290	-415
Others	13,286	-981
Corporate (Head Office and others)	2,693	+77
Total	307,275	+3,388
(the Company)	(34,925)	(-706)

Note: In addition to the figures shown above, the average number of part-time employees during fiscal 2017 at the Hitachi Group was 22,677 (of which, 1,619 worked at the Company).

(8) Major Facilities of Hitachi Group (As of March 31, 2018)**Major Facilities of the Company**

	Location
Head Office	Tokyo (Chiyoda-ku, Minato-ku)
R&D	Tokyo (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 “(9) Major Hitachi Group Companies.”

(9) Major Hitachi Group Companies (As of March 31, 2018)

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 Financial Equipment System (Shen Zhen) Co., Ltd.	China
	*Hitachi Information & Telecommunication Systems Global Holding Corporation	U.S.A.
	Hitachi Payment Services Private Limited	India
	Hitachi Vantara Corporation	U.S.A.
Social Infrastructure & Industrial Systems	Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo
	Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki
	Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo
	Hitachi Industry & Control Solutions, Ltd.	Hitachi, Ibaraki
	Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo
	Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo
	Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki
	Hitachi Elevator (China) Co., Ltd.	China
	Hitachi Rail Europe Ltd.	U.K.
	Horizon Nuclear Power Limited	U.K.
	*Sullair US Purchaser, Inc.	U.S.A.
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	

- Notes: 1. The total number of consolidated subsidiaries is 879.
2. The number of equity-method affiliates is 407. 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 companies marked with * are holding companies; their major operating companies are located in the United States.
4. Hitachi Information & Telecommunication Systems Global Holding Corporation changed its company name to Hitachi Global Digital Holdings Corporation on April 1, 2018.

(10) Directors and Executive Officers

1) Directors

Name, Position and Responsibilities, etc. (As of March 31, 2018)

Name	Position	Committee Membership	Other Principal Positions Held
Baba Kalyani	Director	-	Chairman & Managing Director, Bharat Forge Limited (India)
Cynthia Carroll	Director	Nominating Committee	-
Sadayuki Sakakibara	Director	Nominating Committee Compensation Committee	Senior Advisor, 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. Outside Director, 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	Chairman of the Board, Hitachi High-Technologies Corporation Director, Hitachi Metals, Ltd.
Toshiaki Higashihara	Director	Compensation Committee	-

- Notes: 1. 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.
2. 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.
3. Directors, Messrs. Baba Kalyani, Sadayuki Sakakibara, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto, Philip Yeo and Hiroaki Yoshihara and Mses. 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.
4. Principal position with * is an outside Director or an outside Corporate Auditor (or equivalent thereof) of the said company.
5. 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 (less than 1% of either party's consolidated revenues or the equivalent).

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 Mses. 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: 7 out of 9 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: 9 out of 9 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 9 days Nominating Committee: 8 out of 8 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: 9 out of 9 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: 9 out of 9 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: 9 out of 9 days Nominating Committee: 8 out of 8 days Audit Committee: 14 out of 14 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: 9 out of 9 days Audit Committee: 14 out of 14 days Compensation Committee: 4 out of 4 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: 9 out of 9 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: 9 out of 9 days Audit Committee: 14 out of 14 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, 2018)

Name	Position	Responsibilities	Other Principal Positions Held
*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	Chairman of the Board, Hitachi Industrial Equipment Systems Co., Ltd.
*Ryuichi Kitayama	Executive Vice President and Executive Officer	Assistant to the President (regional strategies), marketing & sales and social innovation business promotion	Director, Hitachi Capital Corporation Director, Hitachi High-Technologies Corporation
*Yutaka Saito	Executive Vice President and Executive Officer	Assistant to the President (IoT) and IoT business	Director, Hitachi Construction Machinery Co., Ltd. Chairman of the Board, Hitachi Kokusai Electric Inc.
*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), management strategies and information security management	-
Shinichiro Omori	Senior Vice President and Executive Officer	Cost structure reform, information technology strategies and supply chain management (MONOZUKURI and quality assurance)	Director, Hitachi Chemical Company, Ltd. Director, Hitachi Capital Corporation
*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	President and Director, Hitachi Building Systems, Co., Ltd.
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	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 & distribution sectors	-

Name	Position	Responsibilities	Other Principal Positions Held
Kenji Urase	Vice President and Executive Officer	Water business	-
Ryuichi Otsuki	Vice President and Executive Officer	Services & platforms business	CEO, Hitachi Vantara Corporation (U.S.A.)
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	President and Director, Hitachi Solutions, Ltd.
Akira Shimizu	Vice President and Executive Officer	Government & 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	-
Hidenobu 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 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	-
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 the Representative Executive Officers.

2. The President & CEO, Toshiaki Higashihara and the Executive Officer, Hiroaki Nakanishi concurrently hold the position of Director.

3. Information security management has been added to the responsibilities of Toshikazu Nishino, Executive Vice President and Executive Officer, on October 1, 2017.

New Executive Officers (As of April 1, 2018)

The Company changed its Executive Officers as of April 1, 2018 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)
*Keiji Kojima	Executive Vice President and Executive Officer	Assistant to the President (building systems business, railway systems business, smart life & ecofriendly systems business and automotive systems business) and information security management
*Keiichi Shiotsuka	Executive Vice President and Executive Officer	Assistant to the President (systems & services business, healthcare business and defense systems business), systems & services business and social innovation business promotion
*Hideaki Takahashi **	Executive Vice President and Executive Officer	Assistant to the President (cost structure reform and supply chain management), cost structure reform and supply chain management (MONOZUKURI and quality assurance)
*Toshikazu Nishino	Executive Vice President and Executive Officer	Assistant to the President (nuclear energy business and power business)
Shinichiro Omori	Senior Vice President and Executive Officer	Cost structure reform and information technology strategies
Yoshihiko Kawamura	Senior Vice President and Executive Officer	Management strategies, investment strategies and strategies for next generation business
Kenichi Kokubo	Senior Vice President and Executive Officer	Regional strategies (China)
Setsuo Shibahara	Senior Vice President and Executive Officer	Services & platform business
**Hideaki Seki	Senior Vice President and Executive Officer	Building systems business
*Yoshitaka Tsuda	Senior Vice President and Executive Officer	Marketing & sales, regional strategies and social innovation business promotion
Alistair Dormer	Senior Vice President and Executive Officer	Railway systems business
*Hidenobu Nakahata	Senior Vice President and Executive Officer	Corporate communications, legal matters, risk management, corporate auditing and human capital
*Mitsuaki Nishiyama	Senior Vice President and Executive Officer	Finance and corporate pension system
**Keiichi Akino	Vice President and Executive Officer	Marketing & sales (business for financial institutions, government, public corporation and social infrastructure systems, healthcare business and defense systems business)
**Jun Abe	Vice President and Executive Officer,	Business for industry & distribution sectors
**Hitoshi Ito	Vice President and Executive Officer,	Governments & external relations
Kenji Urase	Vice President and Executive Officer	Water business
Ryuichi Otsuki	Vice President and Executive Officer	Regional strategies
Atsushi Oda	Vice President and Executive Officer	Power business
**Kohei Kodama	Vice President and Executive Officer	Legal matters, risk management and corporate auditing
Keizo Kobayashi	Vice President and Executive Officer	Industrial products business
Norihiro Suzuki	Vice President and Executive Officer	Research & development
**Hidetoshi Takehara	Vice President and Executive Officer	Nuclear energy business
**Osamu Naito	Vice President and Executive Officer	Governments & external relations, CSR & environmental strategy and executive support

Name	Position	Responsibilities
Katsuya Nagano	Vice President and Executive Officer	Business for government, public corporation and social infrastructure systems
Isao Narukawa	Vice President and Executive Officer	Marketing & sales (nuclear energy business and power business)
Kentaro Masai	Vice President and Executive Officer	Supply chain management (MONOZUKURI and quality assurance)
Yasushi Manabe	Vice President and Executive Officer	Marketing & sales (business for industry & distribution sectors, water business, building systems business and railway systems business)
**Shinya Mitsudomi	Vice President and Executive Officer	Railway systems 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 the Representative Executive Officers.
2. The Executive Officers marked with** are newly appointed.

3) Compensation for Directors and Executive Officers

Regarding the compensation for Directors and Executive Officers, the Company's Compensation Committee determines the policy on the determination of compensation of Directors and Executive Officers as well as the amount of compensation, etc. of each Director and Executive Officer.

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.

(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 2017

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)	65	58	6	-	2
Outside Directors	355	338	16	-	9
Executive Officers	3,285	1,488	1,190	607	35
Total	3,706	1,885	1,213	607	46

- Notes: 1. The number of Directors indicated excludes two Directors who serve concurrently as Executive Officers.
2. Other than the above, there is payment of retirement allowance of JPY 59 million to two Executive Officers who retired as of March 31, 2018.

(11) Matters Concerning the Company's Stock (As of March 31, 2018)

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

Name	Share Ownership	Shareholding Ratio
	Shares	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	315,175,000	6.53
Japan Trustee Services Bank, Ltd. (Trust Account)	289,061,315	5.99
Hitachi Employees' Shareholding Association	99,765,384	2.07
Nippon Life Insurance Company	93,264,995	1.93
Japan Trustee Services Bank, Ltd. (Trust Account 9)	92,858,000	1.92
STATE STREET BANK WEST CLIENT - TREATY 505234	92,679,162	1.92
Japan Trustee Services Bank, Ltd. (Trust Account 5)	91,756,000	1.90
The Dai-ichi Life Insurance Company, Limited	71,361,222	1.48
Japan Trustee Services Bank, Ltd. (Trust Account 7)	70,797,000	1.47
Japan Trustee Services Bank, Ltd. (Trust Account 1)	68,201,000	1.41

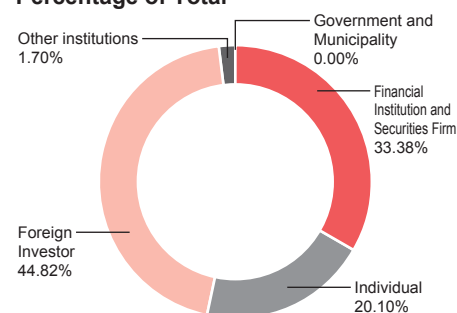
Notes: 1. The number of shares held by The Dai-ichi Life Insurance Company, Limited includes its contribution of 6,560,000 shares to the retirement allowance trust (the holder of said shares, as listed in the Shareholders' Register, is "Dai-ichi Life Insurance Account, Retirement Allowance Trust, Mizuho Trust & Banking Co., Ltd.").

2. Treasury stock (5,735,947 shares) is not included in the calculation of "Shareholding Ratio."

4) Shareholders Composition

Class of Shareholders	Number of Shareholders	Share Ownership (Shares)
Financial Institution and Securities Firm	363	1,613,562,519
Individual	330,471	971,762,712
Foreign Investor	1,474	2,166,160,307
Other institutions	3,099	81,931,281
Government and Municipality	4	46,568
Total	335,411	4,833,463,387

Note: Treasury stock is included in "Other institutions."

Percentage of Total

(12) Matters Concerning Accounting Auditor

1) Name of accounting auditor

Ernst & Young ShinNihon LLC

2) Fees to accounting auditor in Fiscal 2017

(Millions of yen)

Category	Amount
Total amount of cash and other financial benefits by the Company and its subsidiaries	1,535
Fees etc. by the Company*	502

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 (9) 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

In the event the Audit Committee determines that the causes provided for in each item of Paragraph 1 of Article 340 of the Companies Act apply to an accounting auditor and the accounting auditor needs to be removed immediately, 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 the said removal.

Besides the case above, it is determined that an accounting auditor should be replaced for such reason as the difficulty of ensuring an adequate performance of duties by the accounting auditor, 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.

(13) 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 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.

(14) 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, 2018) 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. In addition, the Company seeks to improve risk management for investment activities, including M&As, by establishing the Investment Strategy Division.
- 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.

(15) 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.

While the Company recognizes the importance of its revitalization of business activities and performance that can be brought about through a change in management control, it also 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.

Consolidated Statement of Financial Position

	Fiscal 2016 (Reference) (As of March 31, 2017)	Fiscal 2017 (As of March 31, 2018)
	(Millions of yen)	
(Assets)		
Current assets	5,002,606	5,151,800
Cash and cash equivalents	765,242	697,964
Trade receivables	2,433,149	2,501,414
Inventories	1,225,907	1,375,232
Investments in securities and other financial assets	388,792	373,324
Other current assets	189,516	203,866
Non-current assets	4,661,311	4,954,803
Investments accounted for using the equity method	691,251	743,407
Investments in securities and other financial assets	758,350	716,431
Property, plant and equipment	1,998,411	2,124,827
Intangible assets	919,201	1,054,370
Other non-current assets	294,098	315,768
Total assets	9,663,917	10,106,603
(Liabilities)		
Current liabilities	3,720,859	3,795,394
Short-term debt	196,357	121,439
Current portion of long-term debt	190,233	117,191
Other financial liabilities	274,270	254,735
Trade payables	1,402,233	1,536,983
Accrued expenses	687,905	697,185
Advances received	472,132	551,182
Other current liabilities	497,729	516,679
Non-current liabilities	1,846,063	1,799,538
Long-term debt	790,013	811,664
Retirement and severance benefits	635,684	575,156
Other non-current liabilities	420,366	412,718
Total liabilities	5,566,922	5,594,932
(Equity)		
Hitachi, Ltd. stockholders' equity	2,967,085	3,278,024
Common stock	458,790	458,790
Capital surplus	577,573	575,809
Retained earnings	1,793,570	2,105,395
Accumulated other comprehensive income	141,068	142,167
Treasury stock, at cost	(3,916)	(4,137)
Non-controlling interests	1,129,910	1,233,647
Total equity	4,096,995	4,511,671
Total liabilities and equity	9,663,917	10,106,603

Consolidated Statement of Profit or Loss

	Years ended March 31	
	2017 (Reference)	2018
	(Millions of yen)	
Revenues	9,162,264	9,368,614
Cost of sales	(6,782,677)	(6,866,522)
Gross profit	2,379,587	2,502,092
Selling, general and administrative expenses	(1,792,278)	(1,787,462)
Other income	100,742	12,068
Other expenses	(146,568)	(140,686)
Financial income	7,091	7,005
Financial expenses	(26,206)	(11,243)
Share of profits (losses) of investments accounted for using the equity method	(47,186)	62,483
Earnings before interest and taxes (EBIT)	475,182	644,257
Interest income	12,923	14,928
Interest charges	(19,014)	(20,539)
Income from continuing operations, before income taxes	469,091	638,646
Income taxes	(125,112)	(131,708)
Income from continuing operations	343,979	506,938
Loss from discontinued operations	(5,950)	(16,020)
Net income	338,029	490,918
Net income attributable to:		
Hitachi, Ltd. stockholders	231,261	362,988
Non-controlling interests	106,768	127,930

Unconsolidated Balance Sheet

	Fiscal 2016 (Reference) (As of March 31, 2017)	Fiscal 2017 (As of March 31, 2018)
	(Millions of yen)	
(Assets)		
Current assets	1,684,474	1,555,383
Cash	184,344	21,578
Notes receivable	6,065	6,502
Accounts receivable	758,943	744,997
Securities	100,000	59,800
Finished goods	22,243	25,467
Semi-finished goods	17,418	22,679
Raw materials	28,561	33,021
Work in process	99,387	137,965
Advances paid	24,408	33,621
Short-term loan receivables	305,651	316,907
Deferred tax assets	64,171	64,815
Others	131,752	140,397
Allowance for doubtful receivables	(58,474)	(52,369)
Fixed assets	2,385,773	2,485,470
Tangible fixed assets	263,097	244,884
Buildings	128,993	123,671
Structures	7,362	7,090
Machinery	18,294	15,194
Vehicles	98	117
Tools and equipment	45,685	42,965
Land	54,505	45,444
Lease assets	5,668	5,004
Construction in progress	2,487	5,396
Intangible fixed assets	105,520	102,102
Patents	259	140
Software	100,859	97,727
Railway and public utility installation	493	461
Lease assets	218	149
Others	3,689	3,623
Investments and others	2,017,155	2,138,483
Affiliated companies' common stock	1,522,335	1,681,585
Investments in affiliated companies	34,939	33,282
Investments in securities	324,529	270,507
Long-term loan receivables	89,782	114,744
Prepaid pension cost	-	1,700
Others	47,363	36,690
Allowance for doubtful receivables	(1,795)	(29)
Total assets	4,070,247	4,040,853

	Fiscal 2016 (Reference) (As of March 31, 2017)	Fiscal 2017 (As of March 31, 2018)
	(Millions of yen)	
(Liabilities)		
Current liabilities	1,805,709	1,783,194
Electronically recorded obligations	26,305	40,561
Trade accounts payable	374,700	357,141
Short-term debt	89,047	69,652
Current installments of debentures	-	10,000
Lease liabilities	1,808	1,829
Other accounts payable	179,556	160,117
Accrued expenses	183,000	198,463
Advances received from customers	134,621	159,691
Deposits received	769,915	730,829
Provision for product warranties	1,722	1,484
Provision for loss on construction contracts	26,303	34,849
Others	18,726	18,573
Noncurrent liabilities	767,109	722,186
Debentures	60,000	50,000
Long-term debt	436,880	404,228
Lease liabilities	5,372	4,246
Accrued pension liability	81,608	75,572
Provision for retirement benefits for senior executives	278	121
Provision for loss on business of affiliated companies	110,710	126,210
Deferred tax liabilities	36,804	24,026
Deferred tax liabilities for land revaluation	1,111	1,111
Asset retirement obligations	4,814	9,702
Others	29,529	26,968
Total liabilities	2,572,818	2,505,381
(Net assets)		
Stockholders' equity	1,341,391	1,409,674
Common stock	458,790	458,790
Capital surplus	449,921	449,899
Capital reserve	176,757	176,757
Others	273,164	273,142
Retained Earnings	436,596	505,122
Others	436,596	505,122
Reserve for advanced depreciation of fixed assets	1,616	1,482
Reserve for investment loss regarding specified business restructuring	61,155	30,633
Retained earnings carried forward	373,823	473,006
Treasury stock	(3,916)	(4,137)
Valuation and translation adjustments	155,765	124,789
Unrealized holding gains on securities	156,493	127,255
Deferred profit or loss on hedges	(594)	(2,333)
Revaluation reserve for land	(133)	(133)
Subscription rights to shares	271	1,008
Total net assets	1,497,428	1,535,472
Total liabilities and net assets	4,070,247	4,040,853

Unconsolidated Statement of Operations

	Years ended March 31	
	2017 (Reference)	2018
	(Millions of yen)	
Revenues	1,906,532	1,930,293
Cost of sales	1,480,897	1,438,872
Gross profit on sales	425,635	491,420
Selling, general and administrative expenses	435,442	432,415
Operating income (loss)	(9,807)	59,005
Other income	146,816	145,754
Interest and dividends	143,436	136,615
Others	3,379	9,139
Other deductions	65,409	73,466
Interest	5,270	4,311
Others	60,138	69,154
Ordinary income	71,599	131,294
Extraordinary gain	262,909	29,855
Gain on sale of investments in securities	7,483	24,976
Gain on sale of real property	8,520	3,720
Gain on sale of affiliated companies' common stock	209,086	1,159
Gain on extinguishment of tie-in shares	37,681	-
Gain on sale of investments in capital of affiliated companies	137	-
Extraordinary loss	203,555	24,631
Impairment loss on affiliated companies' common stock	187,884	12,212
Loss on impairment of assets	15,111	10,557
Impairment loss on investments in capital of affiliated companies	332	1,750
Impairment loss on investments in securities	225	111
Income before income taxes	130,952	136,518
Income taxes		
Current	23,971	6,784
Deferred	9,256	(6,383)
Net income	97,724	136,117

REPORT OF INDEPENDENT AUDITORS

May 9, 2018

Mr. Toshiaki Higashihara, President & CEO

Hitachi, Ltd.

Ernst & Young ShinNihon LLC

Takashi Ouchida
Certified Public Accountant
Designated and Engagement Partner

Takuya Tanaka
Certified Public Accountant
Designated and Engagement Partner

Ken Sudo
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 149th fiscal year from April 1, 2017 through March 31, 2018.

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 149th fiscal year ended March 31, 2018 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, 2018. Ernst & Young ShinNihon LLC has not audited the English language version of the unconsolidated financial statements for the above-mentioned year.

AUDIT REPORT

We, the Audit Committee of the Company, audited the performance by Directors and Executive Officers of their duties during the 149th business term (from April 1, 2017 to March 31, 2018). 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 10, 2018

Audit Committee, Hitachi, Ltd.
 Hiroaki Yoshihara
 Toyoaki 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 149th 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, 2018)

Name of stock acquisition rights (Date of resolution)	The First Stock Acquisition Rights of Hitachi, Ltd. (June 29, 2016)	The Second Stock Acquisition Rights of Hitachi, Ltd. (April 6, 2017)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock 1,688,800 shares	Common stock 1,743,000 shares
Amount to be paid in upon exercise of stock acquisition rights	¥1 per share	¥1 per share
Exercise period of stock acquisition rights	From July 15, 2016 to July 14, 2046	From April 27, 2017 to April 26 2047
Conditions for the exercise of stock acquisition rights	(Note 1, 2)	(Note 1, 2)
Stock acquisition rights held by senior managements	32 Executive Officers of the Company 16,888 of stock acquisition rights (Note 3)	33 Executive Officers of the Company 17,430 of stock acquisition rights (Note 3)

(Stock Acquisition Rights Granted for Employees, etc. during Fiscal 2017)

Name of stock acquisition rights (Date of resolution)	The Second Stock Acquisition Rights of Hitachi, Ltd. (April 6, 2017)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock 547,600 shares
Amount to be paid in upon exercise of stock acquisition rights	¥1 per share
Exercise period of stock acquisition rights	From April 27, 2017 to April 26, 2047
Conditions for the exercise of stock acquisition rights	(Note 1, 2)
Stock acquisition rights granted for employees, etc.	37 Corporate Officers of the Company 5,476 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 (*).
- $$\text{*Number of stock acquisition rights exercisable} = \text{Number of Allotted Rights} \times \left\{ \left(\frac{\text{TSR/TOPIX Growth Rate Ratio}}{\text{Growth Rate Ratio}} \times 1.25 \right) - 0.5 \right\}$$
- 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, 2017 to March 31, 2018)

(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	577,573	1,793,570	141,068	(3,916)	2,967,085	1,129,910	4,096,995
Changes in equity								
Reclassified into retained earnings			16,428	(16,428)		-		-
Net income			362,988			362,988	127,930	490,918
Other comprehensive income				19,353		19,353	5,848	25,201
Dividends to Hitachi, Ltd. stockholders			(67,591)			(67,591)		(67,591)
Dividends to non-controlling interests							(34,395)	(34,395)
Acquisition of treasury stock					(292)	(292)		(292)
Sales of treasury stock		(27)			71	44		44
Changes in non-controlling interests		(1,737)		(1,826)		(3,563)	4,354	791
Total changes in equity	-	(1,764)	311,825	1,099	(221)	310,939	103,737	414,676
Balance at end of year	458,790	575,809	2,105,395	142,167	(4,137)	3,278,024	1,233,647	4,511,671

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 879 and the number of equity-method affiliates is 407.

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.

- 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 on Changes in Presentation)

Consolidated Statement of Financial Position

Due to materiality of some account balances as a result of business reorganization and others, "Investments in securities and other financial assets," which were included in "Other current assets" as of March 31, 2017, have been reclassified and presented separately as of March 31, 2018. "Lease receivables," which were separately presented under current and non-current assets, have been included in "Investments in securities and other financial assets" under current and non-current assets, respectively. "Other financial liabilities," which were separately presented under non-current liabilities, have been included in "Other non-current liabilities."

(Notes to Consolidated Statement of Financial Position)

- Accumulated other comprehensive income: Foreign currency translation adjustments of JPY 60,807 million, remeasurements of defined benefit plans of JPY 22,675 million, net changes in financial assets measured at FVTOCI of JPY 174,588 million, and net changes in cash flow hedges of JPY (115,903) million.
- Collateralized assets: Trade receivables of JPY 9,349 million, inventories of JPY 10,292 million, other current assets of JPY 37 million, investments in securities and other financial assets of JPY 890 million, and property, plant and equipment of JPY 38,938 million.
Secured debts: JPY 38,880 million
- Allowance deducted directly from assets: JPY 27,640 million from trade receivables and JPY 3,038 million from other receivables.
- Property, plant and equipment include land of JPY 361,758 million and buildings and structures of JPY 686,556 million.
Accumulated depreciation and impairment losses of property, plant and equipment is JPY (3,933,106) million.
Intangible assets include goodwill of JPY 588,165 million.
- Guarantees: JPY 76,097 million

(Note to Consolidated Statement of Profit or Loss)

Income taxes of JPY (131,708) million includes current tax expense of JPY (160,514) million and deferred tax expense of JPY 28,806 million.

(Notes to Consolidated Statement of Changes in Equity)

- 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	5,735,947 shares
- Cash dividends

Total amount of cash dividends	JPY 67,591 million
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- Class and number of shares to be issued upon exercise of stock acquisition rights at end of year

Common stock	4,448,900 shares
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(Notes on Financial Instruments)

- 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.
- Fair Value, etc. of Financial Instruments
Information on the fair value of financial instruments as of March 31, 2018 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
<u>Assets</u>		
Investments in securities and other financial assets		
Lease receivables	92,198	93,165
Debt securities	120,915	120,920
Long-term loans receivable	95,373	96,859
<u>Liabilities</u>		
Long-term debt [1]		
Lease obligations	49,478	49,723
Bonds	149,837	153,614
Long-term debt	729,540	734,912

[1] 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, trade receivables, short-term loans receivable, other receivables, short-term debt, other payables and trade payables

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

Investments in securities and other financial assets, other financial liabilities

The fair value of lease receivables 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.

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

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

Derivative assets 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 are unobservable, the Company mainly uses the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.

Long-term debt

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

(Note on Per Share Information)

Hitachi, Ltd. stockholders' equity per share	JPY 679.00
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders per share	JPY 78.50
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders per share	JPY (3.32)
Net income attributable to Hitachi, Ltd. stockholders per share	JPY 75.19

(Note on Major Subsequent Events)

Change in the Number of Shares per One Unit, Share Consolidation

The Company announced that the Board of Directors held on April 27, 2018, resolved to partially amend its Articles of Incorporation to change in the number of shares per one unit, and to propose the matter for share consolidation to the 149th Annual General Meeting of Shareholders of the Company to be held on June 20, 2018.

1. Change in the number of shares per one unit

(1) Reasons for change

Based on the "Action Plan for Consolidating Trading Units," Japanese Stock Exchanges promotes the standardization of trading units for common shares issued by at all listed domestic companies at 100 shares, in order to improve convenience for investors and other market participants and has set the deadline for the transition to the 100-share trading unit on October 1, 2018.

Following this decision, the Company decided to change the number of shares per one unit from 1,000 shares to 100 shares.

(2) Details of change

The number of shares per one unit stipulated in the Company's Articles of Incorporation will be changed from 1,000 shares to 100 shares.

2. Share consolidation

(1) Reasons for consolidation

The Company decided to consolidate every five Hitachi shares into one share (hereinafter the “share consolidation”) in order to adjust the investment unit (price of shares per one unit) following the change in the number of shares per one unit from 1,000 shares to 100 shares.

(2) Details of consolidation

(a) Class of shares to be consolidated: Common stock

(b) Consolidation ratio: On October 1, 2018, shares owned by shareholders recorded in the latest register of shareholders as of September 30, 2018, will be consolidated at the ratio of five (5) shares to one (1) share.

(3) Number of shares reduced through consolidation

Total number of outstanding shares before share consolidation (as of March 31, 2018)	4,833,463,387 shares
Number of shares reduced through share consolidation	3,866,770,710 shares
Total number of outstanding shares after share consolidation	966,692,677 shares

Note: “Number of shares reduced through share consolidation” and “Total number of outstanding shares after share consolidation” are theoretically calculated based on “Total number of outstanding shares before share consolidation (as of March 31, 2018)” and the consolidation ratio of share consolidation, which may differ from actual figures.

(4) Handling of fractional shares less than one share

If any fractional shares less than one share arise as a result of the share consolidation, the Company will sell all such fractional shares and distribute the proceeds to the shareholders having fractional shares in proportion to their respective fractions.

(5) Change in total shares authorized to be issued

Total shares authorized to be issued will be changed from 10,000,000,000 shares to 2,000,000,000 shares on October 1, 2018.

3. Effects on Per Share Information

Assuming that the share consolidation comes into effect at the beginning of the fiscal year ending March 31, 2018, per share information for the fiscal year ending March 31, 2018 are as follows.

Hitachi, Ltd. stockholders' equity per share	JPY 3,395.00
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders per share	JPY 392.52
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders per share	JPY (16.59)
Net income attributable to Hitachi, Ltd. stockholders per share	JPY 375.93

(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.

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). The Company again replied to MHI that the Company cannot accept the request since it lacks legal grounds under any agreement as does the request of March 2016. On August 21, 2017, the Company received a notice from the Japan Commercial Arbitration Association (hereinafter, the “JCAA”) stating that MHI had filed a request for arbitration with the JCAA on July 31, 2017 in order to claim for payment of ZAR 90,779 million (approximately JPY 774.3 billion when ZAR 1 = JPY 8.53) as the said transfer price adjustment, etc. against the Company. The Company will address this claim and explain its position in the arbitration proceedings.

The Company has recorded provisions based on reasonable estimates for the aforementioned agreement related to the South African Business. The amount of the said transfer price adjustment, etc. to be determined under the agreement may be different from the accrued amount.

4. Consolidated Statement of Comprehensive Income (Supplementary Information)

	Years ended March 31	
	2017	2018
	(Millions of yen)	
Net income	338,029	490,918
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	1,530
Remeasurements of defined benefit plans	46,086	22,753
Share of OCI of investments accounted for using the equity method	(1,887)	3,302
Total items not to be reclassified into net income	104,133	27,585
Items that can be reclassified into net income		
Foreign currency translation adjustments	(64,761)	(8,042)
Net changes in cash flow hedges	21,303	5,703
Share of OCI of investments accounted for using the equity method	1,166	(45)
Total items that can be reclassified into net income	(42,292)	(2,384)
Other comprehensive income (OCI)	61,841	25,201
Comprehensive income	399,870	516,119
Comprehensive income attributable to:		
Hitachi, Ltd. stockholders	299,397	382,341
Non-controlling interests	100,473	133,778

5. Consolidated Statement of Cash Flows (Supplementary Information)

	Years ended March 31	
	2017	2018
	(Millions of yen)	
Cash flows from operating activities		
Net income	338,029	490,918
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	415,183	364,432
Change in receivables	(196,824)	47,216
Change in inventories	(22,731)	(181,207)
Change in payables	111,589	97,923
Other	(15,664)	(92,114)
Net cash provided by (used in) operating activities	629,582	727,168
Cash flows from investing activities		
Purchase of property, plant and equipment	(316,116)	(349,388)
Purchase of intangible assets	(101,034)	(90,924)
Purchase of leased assets	(292,943)	(3,263)
Proceeds from sale of property, plant and equipment, and intangible assets	52,208	27,448
Proceeds from sale of leased assets	14,539	9,628
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	(64,936)
Other	53,012	(2,893)
Net cash provided by (used in) investing activities	(337,955)	(474,328)
Free cash flows	291,627	252,840
Cash flows from financing activities		
Change in interest-bearing debt	(118,314)	(218,409)
Dividends paid to stockholders	(57,935)	(67,568)
Dividends paid to non-controlling interests	(36,508)	(32,066)
Other	3,221	(3,411)
Net cash provided by (used in) financing activities	(209,536)	(321,454)
Effect of exchange rate changes on cash and cash equivalents	(16,164)	1,336
Change in cash and cash equivalents	65,927	(67,278)
Cash and cash equivalents at beginning of year	699,315	765,242
Cash and cash equivalents at end of year	765,242	697,964

6. Unconsolidated Statement of Changes in Net Assets (April 1, 2017 to March 31, 2018)

(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	273,164	449,921	1,616	61,155	373,823	436,596
Change during year								
Reversal of reserve for advanced depreciation of fixed assets					(133)		133	—
Reversal of reserve for investment loss regarding specified business restructuring						(30,522)	30,522	—
Distribution of surplus							(67,591)	(67,591)
Net income							136,117	136,117
Acquisition of treasury stock								
Disposition of treasury stock				(22)	(22)			
(Net) Change in items other than stockholders' equity during year								
Total change during year	—	—	(22)	(22)	(133)	(30,522)	99,182	68,526
Balance at end of year	458,790	176,757	273,142	449,899	1,482	30,633	473,006	505,122

	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	(3,916)	1,341,391	156,493	(594)	(133)	155,765	271	1,497,428
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		(67,591)						(67,591)
Net income		136,117						136,117
Acquisition of treasury stock	(292)	(292)						(292)
Disposition of treasury stock	72	50						50
(Net) Change in items other than stockholders' equity during year			(29,237)	(1,738)		(30,976)	736	(30,239)
Total change during year	(220)	68,283	(29,237)	(1,738)	—	(30,976)	736	38,043
Balance at end of year	(4,137)	1,409,674	127,255	(2,333)	(133)	124,789	1,008	1,535,472

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 Balance Sheet

“Electronically recorded obligations” is individually described in “Others” of “Current liabilities” due to an increase of the materiality in this 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	69	Collaterals for borrowings by affiliated companies and investees
Total	152	

2. Accumulated depreciation of tangible fixed assets

Buildings	JPY 186,793 million
Structures	JPY 26,501 million
Machinery	JPY 137,487 million
Vehicles	JPY 1,218 million
Tools and equipment	JPY 180,395 million
Lease assets	JPY 6,400 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, 2018 JPY (333) 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.	160,421
Ansaldo STS S.p.A.	37,418
Agility Trains East Ltd.	25,263
Horizon Nuclear Power Services Ltd.	1,809
Kohki Railway Systems, Ltd.	1,600
Hitachi America, Ltd.	1,221
Hitachi Rail Europe Ltd.	1,086
Other	1,205
Total	230,027

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 746,084 million
Long-term receivables from affiliated companies	JPY 126,524 million
Short-term payables to affiliated companies	JPY 1,131,503 million
Long-term payables to affiliated companies	JPY 4,397 million

(Notes to Unconsolidated Statement of Operations)

1. 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
	Real estate for rent	Land, etc.	Osaka, Osaka
	Manufacturing facility of medical system	Buildings, etc.	Ome, Tokyo
Idle assets	-	Machinery, etc.	Kamisu, Ibaraki
		Buildings, etc.	Hitachi, Ibaraki

(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 4,101 million
Machinery	JPY 817 million
Land	JPY 5,415 million
Other	JPY 223 million
Total	JPY 10,557 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.

2. Sales to affiliated companies	JPY 639,277 million
Purchases from affiliated companies	JPY 941,498 million
Non-operating transactions with affiliated companies	JPY 27,461 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	5,460,572	375,918	100,543	5,735,947

(Summary of Reason for Change)

The increase during this fiscal year by 375,918 shares is due to the purchase of shares from less-than-one unit shareholders at their request. The decrease during this fiscal year by 100,543 shares is due to the disposition of 79,100 shares as a result of the exercise of stock acquisition rights, and the sale of 21,443 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.

(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.	115,377	Accounts receivable	132,988
Subsidiary	Hitachi America, Ltd.	Direct: 100.0%	Sale of the Company's products *	Underwriting of capital increase	106,218	-	-
Subsidiary	Hitachi America Capital, Ltd.	Indirect: 100.0%	*	Loan (Note 1)	60,769	Short-term loan receivables	116,864
Subsidiary	Horizon Nuclear Power Wylfa Ltd.	Indirect: 100.0%	*	Loan (Note 1)	54,940	Short-term loan receivables	88,559
Subsidiary	Hitachi Vehicle Energy, Ltd.	Direct: 100.0%	Manufacturing and Sale of the Group's products	Loan (Note 2)	729	Short-term loan receivables	49,579
Subsidiary	Hitachi International (Holland)B.V.	Direct: 100.0%	*	Deposit paid (Note 3)	8,216	Current assets - Others	48,945
Subsidiary	Hitachi High-Technologies Corporation	Direct: 51.8%	Sale of the Company's products *	Deposit received (Note 2)	(20,847)	Deposit received	157,785
Subsidiary	Hitachi Building Systems Co., Ltd.	Direct: 100.0%	Manufacturing and sale of products developed by the Company *	Deposit received (Note 2)	3,530	Deposit received	90,791
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)	19,221	Deposit received	81,839
Subsidiary	Hitachi Solutions, Ltd.	Direct: 100.0%	Outsourcing of the Company's information systems and software development *	Deposit received (Note 2)	10,241	Deposit received	65,164
Subsidiary	Hitachi Kokusai Electric Inc.	Direct: 75.0%	Purchase of Hitachi Kokusai Electric's products *	Deposit received (Note 2)	16,118	Deposit received	50,067
Subsidiary	Hitachi Metals, Ltd.	Direct: 53.0% Indirect: 0.5%	Purchase of Hitachi Metals' products *	Deposit received (Note 2)	(76,124)	Deposit received	8,058
Subsidiary	Hitachi Rail Italy S.p.A.	Indirect: 100.0%	Manufacturing of the Group's products *	Guarantee	160,421	-	-
Affiliate	Mitsubishi Hitachi Power Systems Africa (Pty) Ltd.	Indirect: 35.0%	Loans	Loan (Note 1)	-	Long-term loan receivables	70,000
				Loan (Note 1)	2,114	Short-term loan receivables	7,718

* 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 amounts 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 318.05
Net income per share JPY 28.19

(Note on Major Subsequent Events)

Change in the Number of Shares per One Unit, Share Consolidation

The Company announced that the Board of Directors held on April 27, 2018, resolved to partially amend its Articles of Incorporation to change in the number of shares per one unit, and to propose the matter for share consolidation to the 149th Annual General Meeting of Shareholders of the Company to be held on June 20, 2018.

1. Change in the number of shares per one unit

(1) Reasons for change

Based on the "Action Plan for Consolidating Trading Units," Japanese Stock Exchanges promotes the standardization of trading units for common shares issued by at all listed domestic companies at 100 shares, in order to improve convenience for investors and other market participants and has set the deadline for the transition to the 100-share trading unit on October 1, 2018. Following this decision, the Company decided to change the number of shares per one unit from 1,000 shares to 100 shares.

(2) Details of change

The number of shares per one unit stipulated in the Company's Articles of Incorporation will be changed from 1,000 shares to 100 shares.

2. Share consolidation

(1) Reasons for consolidation

The Company decided to consolidate every five Hitachi shares into one share (hereinafter the "share consolidation") in order to adjust the investment unit (price of shares per one unit) following the change in the number of shares per one unit from 1,000 shares to 100 shares.

(2) Details of consolidation

(a) Class of shares to be consolidated : Common stock

(b) Consolidation ratio : On October 1, 2018, shares owned by shareholders recorded in the latest register of shareholders as of September 30, 2018, will be consolidated at the ratio of five (5) shares to one (1) share.

(3) Number of shares reduced through consolidation

Total number of outstanding shares before share consolidation (as of March 31, 2018)	4,833,463,387 shares
Number of shares reduced through share consolidation	3,866,770,710 shares
Total number of outstanding shares after share consolidation	966,692,677 shares

Note : "Number of shares reduced through share consolidation" and "Total number of outstanding shares after share consolidation" are theoretically calculated based on "Total number of outstanding shares before share consolidation (as of March 31, 2018)" and the consolidation ratio of share consolidation, which may differ from actual figures.

(4) Handling of fractional shares less than one share

If any fractional shares less than one share arise as a result of the share consolidation, the Company will sell all such fractional shares and distribute the proceeds to the shareholders having fractional shares in proportion to their respective fractions.

(5) Change in total shares authorized to be issued

Total shares authorized to be issued will be changed from 10,000,000,000 shares to 2,000,000,000 shares on October 1, 2018.

3. Effects on Per Share Information

Assuming that the share consolidation comes into effect at the beginning of the fiscal year ending March 31, 2018, per share information for the fiscal year ending March 31, 2018 are as follows.

Net assets per share JPY 1,590.26
Net income per share JPY 140.97

Sales of shares

The Company has decided to sell a part of the shares of Renesas Electronics Corporation (hereinafter "Renesas"), in the position of a seller, at the secondary offering announced by Renesas on April 3, 2018. As a result of this sales of shares, the Company plans to post an extraordinary gain of JPY 20.7-23.2 billion in gain on sale of investments in securities in the unconsolidated statement of operations for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019).

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

REPORT OF INDEPENDENT AUDITORS

May 9, 2018

Mr. Toshiaki Higashihara, President & CEO

Hitachi, Ltd.

Ernst & Young ShinNihon LLC

Takashi Ouchida
Certified Public Accountant
Designated and Engagement Partner

Takuya Tanaka
Certified Public Accountant
Designated and Engagement Partner

Ken Sudo
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, 2017 through March 31, 2018.

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, 2018.

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, 2018. Ernst & Young ShinNihon LLC has not audited the English language version of the consolidated financial statements for the above-mentioned year.