

PERFORMANCE

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Segment Information

■ Revenues — Adjusted operating income ratio — EBIT ratio

Information & Telecommunication Systems

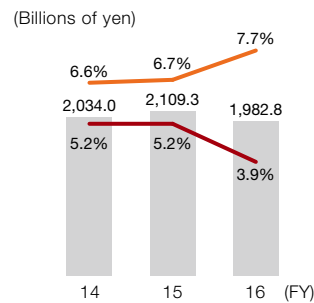


A storage system

Main Products and Services

Systems integration
Consulting
Cloud services
Servers
Storage
Software
Telecommunications & network
ATMs

Revenues and Profit



Share of Revenues

FY 2016

20%

Overseas Revenue Ratio

FY 2016

30%

Social Infrastructure & Industrial Systems

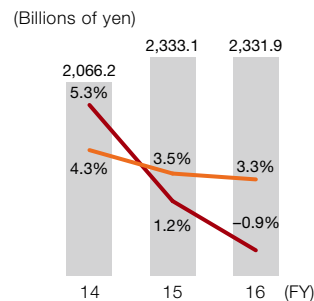


A Class 800 train for the UK Intercity Express Programme (IEP)

Main Products and Services

Industrial machinery and plants
Elevators
Escalators
Railway systems
Thermal, nuclear and renewable
energy power generation
systems
Transmission & distribution
systems

Revenues and Profit



Share of Revenues

FY 2016

23%

Overseas Revenue Ratio

FY 2016

39%

Electronic Systems & Equipment

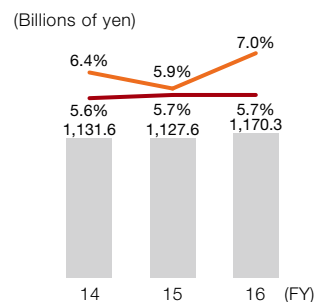


Hokkaido University Hospital's particle beam cancer therapy system

Main Products and Services

Semiconductor manufacturing
equipment
Measurement and analysis
equipment
Advanced industrial products
Medical equipment

Revenues and Profit



Share of Revenues

FY 2016

12%

Overseas Revenue Ratio

FY 2016

60%

Construction Machinery

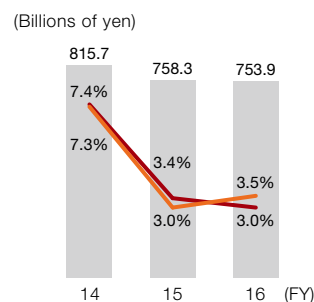


Hitachi Construction Machinery's ultralarge hydraulic excavator and mining dump truck

Main Products and Services

Hydraulic excavators
Wheel loaders
Mining machinery

Revenues and Profit



Share of Revenues

FY 2016

7%

Overseas Revenue Ratio

FY 2016

70%

■ Revenues — Adjusted operating income ratio — EBIT ratio

High Functional Materials & Components

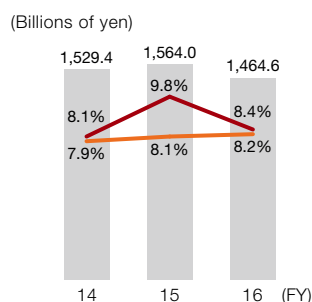


Hitachi Metals' Nd-Fe-B "NEOMAX" magnets

Main Products and Services

Semiconductor- and display-related materials
Printed wiring boards and related materials
Automotive parts (molded plastic products, etc.)
Energy storage devices
Specialty steels
Magnetic materials and components
High-grade casting components
Wires and cables

Revenues and Profit



Share of Revenues

FY 2016

14%

Overseas Revenue Ratio

FY 2016

57%

Automotive Systems

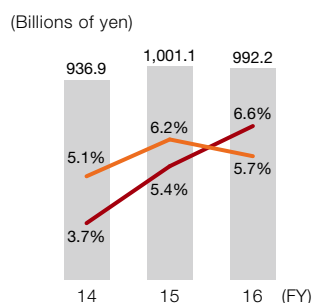


Hitachi Automotive Systems' motor for a hybrid vehicle

Main Products and Services

Engine management systems
Electric powertrain systems
Drive control systems
Car information systems

Revenues and Profit



Share of Revenues

FY 2016

10%

Overseas Revenue Ratio

FY 2016

57%

Smart Life & Ecofriendly Systems

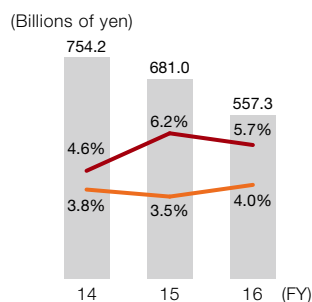


Hitachi Appliances' robot cleaner "minimaru"

Main Products and Services

Refrigerators
Washing machines
Vacuum cleaners
Room air conditioners
Air-conditioning equipment

Revenues and Profit



Share of Revenues

FY 2016

6%

Overseas Revenue Ratio

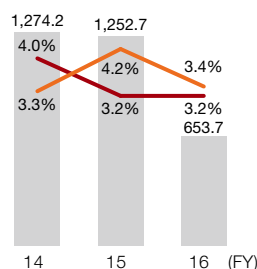
FY 2016

20%

Others*1

Revenues and Profit

(Billions of yen)



Share of Revenues

FY 2016

6%

Overseas Revenue Ratio

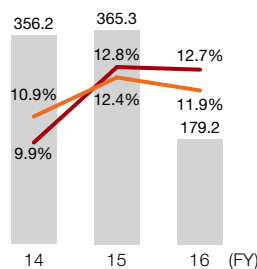
FY 2016

26%

Financial Services*2

Revenues and Profit

(Billions of yen)



Share of Revenues

FY 2016

2%

Overseas Revenue Ratio

FY 2016

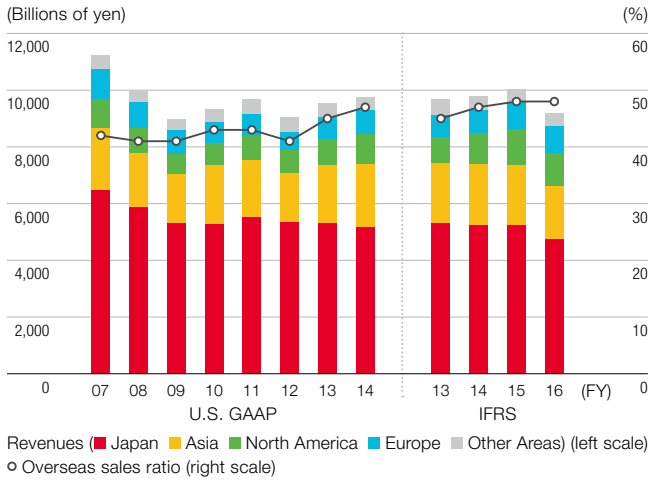
36%

*1 From fiscal 2016, the "Others (Logistics and Other Services)" has been renamed to the "Others" due to conversion of Hitachi Transport System, Ltd. into an equity-method associate on May 19, 2016.

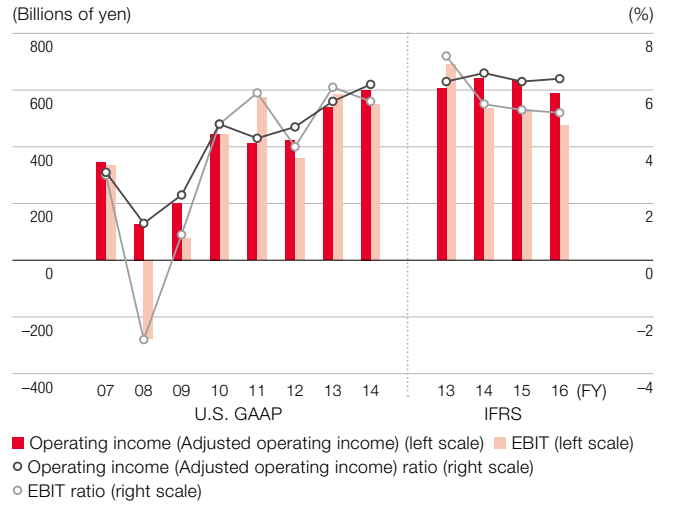
*2 As Hitachi Capital Corporation was converted into an equity-method associate as of October 3, 2016, there is no company which belongs to the Financial Services Segment. Accordingly, only the result for the first half of fiscal 2016 was recorded in this segment for fiscal 2016.

Financial and Non-Financial Highlights

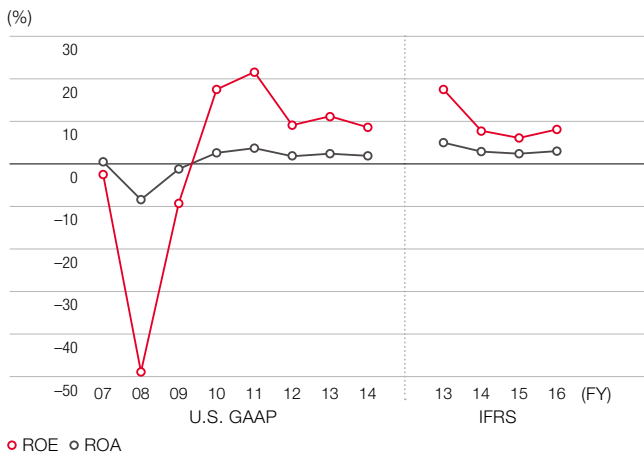
Revenues / Overseas sales ratio



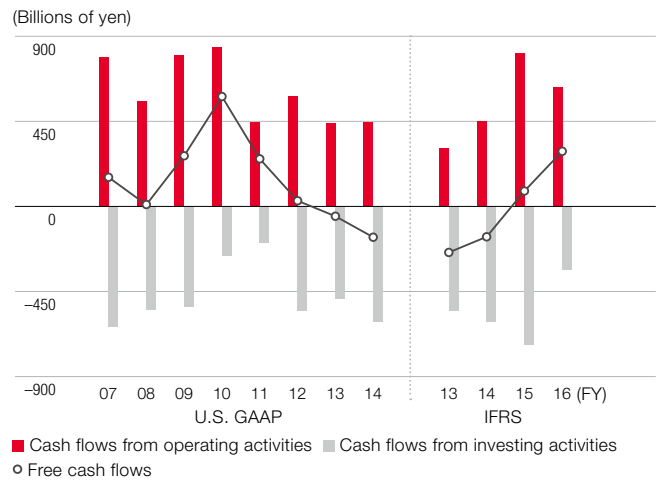
Operating income (Adjusted operating income) / Operating income (Adjusted operating income) ratio / EBIT / EBIT ratio



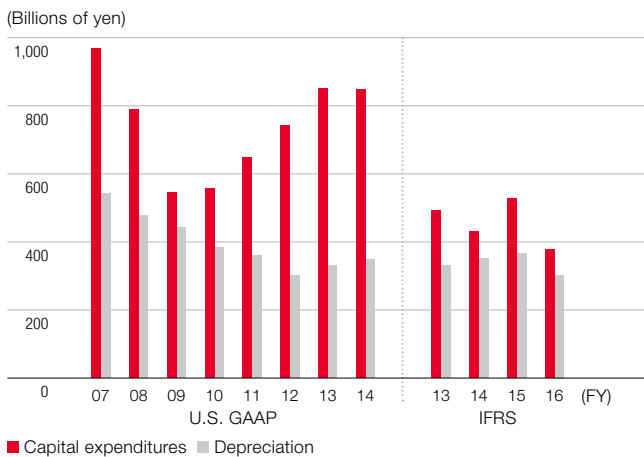
Return on equity (ROE) / Return on assets (ROA)



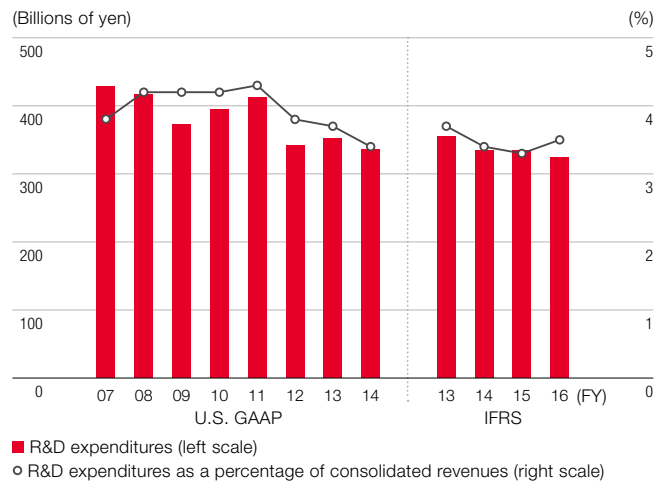
Cash flows



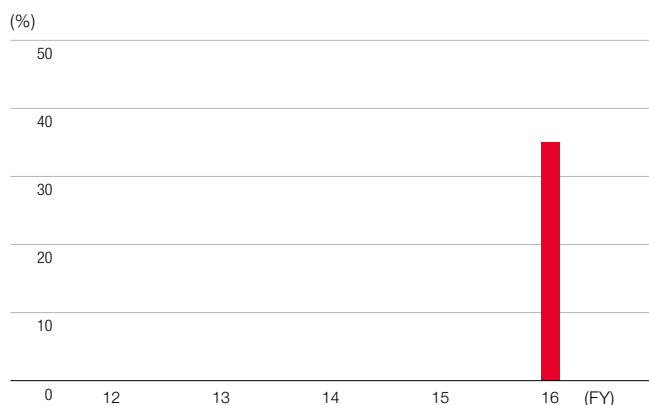
Capital expenditures*1 / Depreciation



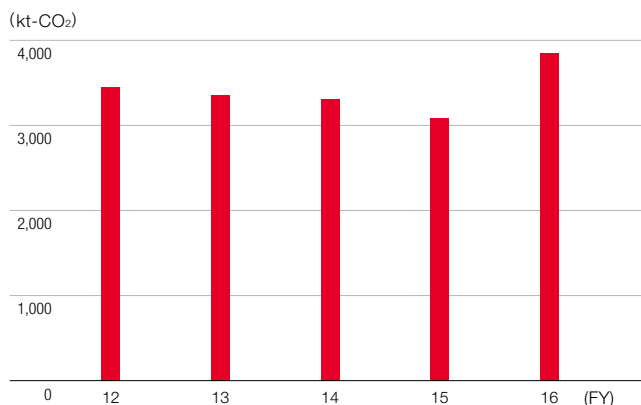
R&D expenditures / R&D expenditures as a percentage of consolidated revenues



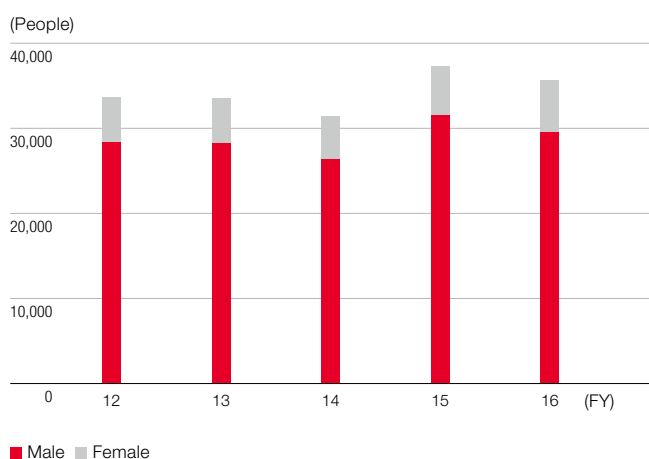
Rate of reduction in CO₂ emissions from use of products and services*²



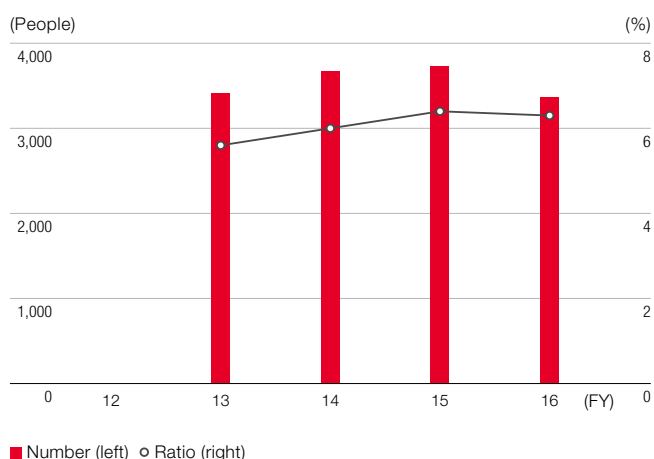
CO₂ emissions from factories and offices*³



Number of employees*⁴*⁵



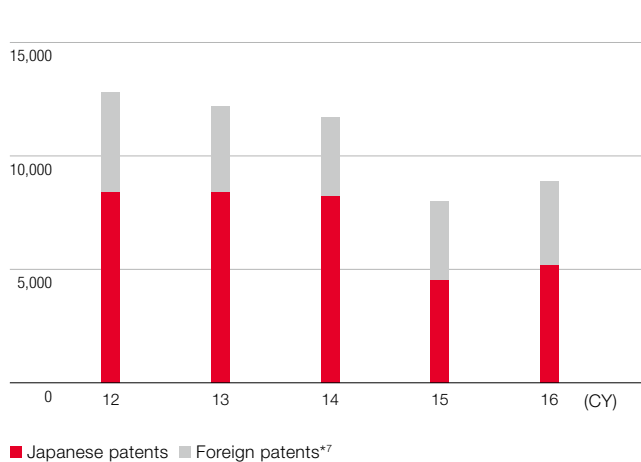
Global number and ratio of female managers*⁶



Occupational accident rate at companies surveyed in Japan



Number of registered patents



*1 In line with IFRS standards, capital investment is stated exclusive of investment in lease assets classified as finance leases.

*2 This new indicator is calculated from fiscal 2016 onward as a percentage of the fiscal 2010 amount.

*3 Fiscal 2016 figure includes a materials company that became a consolidated member of the Hitachi Group that year. *4 Number of full-time employees

*5 Hitachi, Ltd. *6 No data available for fiscal 2012. *7 Total number of patents registered in the United States, Europe, and China. The number of patents registered in Europe is based on European patent applications under European Patent Convention (EPC).

10-Year Financial Data

U.S. GAAP

For the year:	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	¥11,226,735	¥10,000,369	¥8,968,546	¥9,315,807	¥9,665,883	¥9,041,071	¥9,563,791
Operating income	345,516	127,146	202,159	444,508	412,280	422,028	538,288
EBIT (Earnings before interest and taxes)	335,729	(275,239)	77,815	443,812	573,218	358,015	585,662
Net income (loss) attributable to Hitachi, Ltd. stockholders	(58,125)	(787,337)	(106,961)	238,869	347,179	175,326	264,975
Cash flows from operating activities	791,837	558,947	798,299	841,554	447,155	583,508	439,406
Cash flows from investing activities	(637,618)	(550,008)	(530,595)	(260,346)	(195,584)	(553,457)	(491,363)
Free cash flows	154,219	8,939	267,704	581,208	251,571	30,051	(51,957)
Cash flows from financing activities	(185,556)	284,388	(502,344)	(584,176)	(167,838)	(180,445)	32,968
Cash dividends declared	19,947	9,971	-	36,133	36,727	47,690	50,711
Capital expenditures (Property, plant and equipment)	969,087	788,466	546,326	556,873	649,234	742,537	849,877
Depreciation (Property, plant and equipment)	541,470	478,759	441,697	382,732	360,358	300,664	329,833
R&D expenditures	428,171	416,517	372,470	395,180	412,514	341,310	351,426
At year-end:							
Total assets	10,530,847	9,403,709	8,964,464	9,185,629	9,418,526	9,809,230	11,016,899
Property, plant and equipment	2,653,918	2,393,946	2,219,804	2,111,270	2,025,538	2,279,964	2,342,091
Total Hitachi, Ltd. stockholders' equity	2,170,612	1,049,951	1,284,658	1,439,865	1,771,782	2,082,560	2,651,241
Interest-bearing debt	2,531,506	2,820,109	2,367,143	2,521,551	2,396,454	2,370,079	2,823,049
Number of employees	347,810	361,796	359,746	361,745	323,540	326,240	320,725
Per share data:							
Net income (loss) attributable to Hitachi, Ltd. stockholders:							
Basic	¥(17.48)	¥(236.86)	¥(29.20)	¥52.89	¥76.81	¥37.28	¥54.86
Diluted	(17.77)	(236.87)	(29.20)	49.38	71.86	36.29	54.85
Cash dividends declared	6.0	3.0	-	8.0	8.0	10.0	10.5
Total Hitachi, Ltd. stockholders' equity	652.95	315.86	287.13	318.73	382.26	431.13	549.02
Financial ratios:							
Operating income ratio	3.1	1.3	2.3	4.8	4.3	4.7	5.6
EBIT ratio	3.0	-2.8	0.9	4.8	5.9	4.0	6.1
Return on revenues	-0.5	-7.9	-1.2	2.6	3.6	1.9	2.8
Return on equity (ROE)	-2.5	-48.9	-9.2	17.5	21.6	9.1	11.2
Return on assets (ROA)	0.5	-8.0	-0.9	3.3	4.4	2.5	3.5
D/E ratio (Including non-controlling interests) (times)	0.76	1.29	1.04	1.03	0.86	0.75	0.73
Total Hitachi, Ltd. stockholders' equity ratio	20.6	11.2	14.3	15.7	18.8	21.2	24.1

- Notes: 1 In order to be consistent with financial reporting principles and practices generally accepted in Japan, operating income is presented as total revenues less cost of sales and selling, general and administrative expenses. The Company believes that this is useful to investors in comparing the Company's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, restructuring charges, net gain or loss on sales and disposal of rental assets and other property and impairment losses for long-lived assets are included as part of operating income.
- 2 The restructuring charges mainly represent special termination benefits incurred with the reorganization of our business structures and as the result of the Company and its subsidiaries reviewing and reshaping the business portfolio.
- 3 EBIT is presented as income before income taxes less interest income plus interest charges.
- 4 The Company has changed the number of employees to exclude temporary employees starting from the year ended March 31, 2010. The figures for the prior years have been restated to reflect the current year's presentation.
- 5 Effective from fiscal 2014, a part of the thermal power generation systems business is classified as a discontinued operation in accordance with the provision of ASC 205-20, "Presentation of Financial Statements - Discontinued Operations," which was not transferred to MITSUBISHI HITACHI POWER SYSTEMS, LTD. for the business integration in the thermal power generation systems with Mitsubishi Heavy Industries, Ltd. The results of the discontinued operation are reported separately from continuing operations. In line with this classification, "Revenues" and "Operating income" for fiscal 2013 are reclassified.
- 6 ROA (Return on Assets) = Net income / Total Assets (Average between the end of current fiscal year and the end of previous fiscal year) x 100

Millions of yen	IFRS				Millions of yen
FY 2014	For the year:	FY 2013	FY 2014	FY 2015	FY 2016
¥9,761,970	Revenues	¥9,666,446	¥9,774,930	¥10,034,305	¥9,162,264
600,479	Adjusted operating income	604,798	641,325	634,869	587,309
551,018	EBIT	691,230	534,059	531,003	475,182
241,301	Net income attributable to Hitachi, Ltd. stockholders	413,877	217,482	172,155	231,261
447,348	Net cash provided by operating activities	306,777	451,825	812,226	629,582
(610,255)	Net cash used in investing activities	(550,179)	(612,545)	(730,799)	(337,955)
(162,907)	Free cash flows	(243,402)	(160,720)	81,427	291,627
250,335	Net cash provided by (used in) financing activities	228,840	233,206	(26,467)	(209,536)
57,944	Cash dividends declared	50,711	57,944	57,939	62,764
848,716	Capital expenditures (Property, plant and equipment)	491,170	431,201	528,551	377,545
349,614	Depreciation (Property, plant and equipment)	331,228	350,783	366,547	302,757
335,515	R&D expenditures	354,487	334,814	333,730	323,963
12,395,379	At year-end:				
2,564,105	Total assets	11,098,191	12,433,727	12,551,005	9,663,917
2,930,309	Property, plant and equipment	2,258,933	2,472,497	2,500,226	1,998,411
3,354,616	Total Hitachi, Ltd. stockholders' equity	2,668,657	2,942,281	2,735,078	2,967,085
333,150	Interest-bearing debt	3,033,985	3,557,356	3,604,455	1,176,603
	Number of employees	323,919	336,670	335,244	303,887
Yen					Yen
	Per share data:				
¥49.97	Earnings per share attributable to Hitachi, Ltd. stockholders:				
49.93	Basic	¥85.69	¥45.04	¥35.65	¥47.90
12.0	Diluted	85.66	45.00	35.62	47.88
606.87	Cash dividends declared	10.5	12.0	12.0	13.0
	Total Hitachi, Ltd. stockholders' equity	552.62	609.35	566.48	614.56
%					%
	Financial ratios:				
6.2	Adjusted operating income ratio	6.3	6.6	6.3	6.4
5.6	EBIT ratio	7.2	5.5	5.3	5.2
2.5	Return on revenues	4.3	2.2	1.7	2.5
8.6	Return on equity (ROE)	17.5	7.8	6.1	8.1
3.1	Return on assets (ROA)	5.0	2.9	2.4	3.0
0.78	D/E ratio (Including non-controlling interests) (times)	0.78	0.83	0.87	0.29
23.6	Total Hitachi, Ltd. stockholders' equity ratio	24.0	23.7	21.8	30.7
	Notes:				
	1 In order to be consistent with financial reporting principles and practices generally accepted in Japan, adjusted operating income is presented as total revenues less cost of sales and selling, general administrative expenses. The Company believes that this is useful to investors in comparing the Company's financial results with those of other Japanese companies.				
	2 A part of the thermal power generation systems business is classified as a discontinued operation in accordance with the provision of IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations," which was not transferred to MITSUBISHI HITACHI POWER SYSTEMS, LTD. for the business integration in the thermal power generation systems with Mitsubishi Heavy Industries, Ltd. The results of the discontinued operation are reported separately from continuing operations.				
	3 From fiscal 2013, capital investment is stated exclusive of investment in lease assets classified as finance leases.				
	4 ROA (Return on Assets) = Net income / Total Assets (Average between the end of current fiscal year and the end of previous fiscal year) x 100				

Operating and Financial Review

Operating Results

Effective from April 1, 2016, the Company changed the name of the “Others (Logistics and Other services)” segment to the “Others” segment.

Summary

Years ended March 31:	Billions of yen		Percent change
	2016	2017	
Revenues	¥10,034.3	¥9,162.2	-9%
EBIT	531.0	475.1	-11%
Income from continuing operations, before income taxes	517.0	469.0	-9%
Net income attributable to Hitachi, Ltd. stockholders	172.1	231.2	34%

Analysis of Statement of Operations

Revenues decreased 9% to ¥9,162.2 billion, as compared with the year ended March 31, 2016. This was due mainly to lower revenues in the Information & Telecommunication Systems, High Functional Materials & Components, Smart Life & Ecofriendly Systems, Others and Financial Services segments. This decrease was partially offset by higher revenues in the Electronic Systems & Equipment segment.

Cost of sales decreased 9% to ¥6,782.6 billion, as compared with the year ended March 31, 2016, and the ratio of cost of sales to revenues was 74%, which was the same level as the year ended March 31, 2016. Gross profit decreased 8% to ¥2,379.5 billion, as compared with the year ended March 31, 2016.

Selling, general and administrative expenses decreased ¥148.0 billion to ¥1,792.2 billion, as compared with the year ended March 31, 2016, and the ratio of selling, general and administrative expenses to revenues was 20%, as compared with 19% for the year ended March 31, 2016.

Other income increased ¥43.2 billion to ¥100.7 billion and other expenses increased ¥4.6 billion to ¥146.5 billion, as compared with the year ended March 31, 2016. The details are as follows.

Net gain on sales and disposal of fixed assets improved by ¥19.5 billion, as compared with the year ended March 31, 2016, to a gain of ¥15.0 billion.

Impairment losses increased ¥23.8 billion to ¥68.5 billion, as compared with the year ended March 31, 2016. This mainly reflected impairment losses on software for sale and other intangible assets in the Information & Telecommunication Systems segment.

Net gain on business reorganization and others increased ¥26.1 billion to ¥81.3 billion, as compared with the year ended March 31, 2016, reflecting the partial sale of the shares of Hitachi Transport System, Ltd. in the Others segment and the sale of Hitachi Koki Co., Ltd. shares in the Electronic Systems & Equipment segment.

Special termination benefits decreased ¥20.8 billion to ¥24.6 billion, as compared with the year ended March 31, 2016.

Expenses related to competition law and others decreased ¥15.5 billion to ¥6.7 billion, as compared with the year ended March 31, 2016.

Financial income (excluding interest income) decreased ¥3.5 billion to ¥7.0 billion and financial expenses (excluding interest charges) decreased ¥4.0 billion to ¥26.2 billion, as compared with the year ended March 31, 2016.

Share of loss of investments accounted for using the equity method was ¥47.1 billion, a deterioration of ¥47.3 billion as compared with the year ended March 31, 2016, mainly reflecting the posting of an impairment loss in connection with the uranium enrichment business at an U.S. equity-method associate in the Social Infrastructure & Industrial Systems segment.

EBIT decreased ¥55.8 billion to ¥475.1 billion, as compared with the year ended March 31, 2016.

Interest income increased ¥0.8 billion to ¥12.9 billion and interest charges decreased ¥6.9 billion to ¥19.0 billion, as compared with the year ended March 31, 2016.

Income from continuing operations, before income taxes decreased ¥47.9 billion to ¥469.0 billion, as compared with the year ended March 31, 2016.

Income taxes decreased ¥40.0 billion to ¥125.1 billion, as compared with the year ended March 31, 2016, due mainly to recording tax expenses in the year ended March 31, 2016 in connection with the partial transfer of shares of Hitachi Transport System, Ltd. and Hitachi Capital Corporation.

Loss from discontinued operations decreased ¥51.1 billion to ¥5.9 billion, as compared with the year ended March 31, 2016.

Net income increased ¥43.2 billion to ¥338.0 billion, as compared with the year ended March 31, 2016.

Net income attributable to non-controlling interests decreased ¥15.8 billion to ¥106.7 billion, as compared with the year ended March 31, 2016.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased ¥59.1 billion to ¥231.2 billion, as compared with the year ended March 31, 2016.

Operations by Segment

The following is an overview of results of operations by segment. Revenues for each segment include intersegment transactions. Segment profit is measured by EBIT.

(Information & Telecommunication Systems)

Revenues decreased 6% to ¥1,982.8 billion, as compared with the year ended March 31, 2016, due mainly to the negative impact of foreign currency translation causing lower sales from overseas subsidiaries and to lower sales from ATMs for overseas markets.

Segment profit decreased ¥32.6 billion to ¥76.4 billion, as compared with the year ended March 31, 2016, due mainly to the posting of business structural reform expenses, despite the effect of business structural reform centered on the telecommunications & network business, improvement in profitability of the social infrastructure-related information systems, among other positives.

(Social Infrastructure & Industrial Systems)

Revenues were ¥2,331.9 billion, which was the same level as the year ended March 31, 2016. This mainly reflected decreases in revenues in the elevators and escalators business due to the negative impact of foreign currency translation, and in the power and energy business because of the absence of a large project posted for the year ended March 31, 2016, despite substantial revenue growth in the railway systems business due to the acquisition of the businesses of AnsaldoBreda S.p.A. (excluding a part of its operations), the acquisition of Ansaldo STS S.p.A. (both of which are in Italy), and an increase in revenues for the U.K.

Segment loss was ¥19.9 billion, a deterioration of ¥49.1 billion from the year ended March 31, 2016, due mainly to the posting of an impairment loss regarding the uranium enrichment business of an equity-method associate in the U.S. and lower earnings in the elevators and escalators business because of the negative impact of foreign currency translation.

(Electronic Systems & Equipment)

Revenues increased 4% to ¥1,170.3 billion, as compared with the year ended March 31, 2016, due mainly to increased revenues at Hitachi Koki Co., Ltd. because of the acquisition of Germany-based metabo Aktiengesellschaft, despite a decrease in revenues at Hitachi Kokusai Electric Inc. mainly owing to lower sales of telecommunication equipment and video surveillance systems in Japan.

Segment profit increased ¥2.4 billion to ¥66.7 billion, as compared with the year ended March 31, 2016, due mainly to higher earnings at Hitachi High-Technologies Corporation due to firm sales of semiconductor production equipment and higher earnings at Hitachi Koki Co., Ltd. because of the increased revenues, despite a decrease in earnings at Hitachi Kokusai Electric Inc. mainly because of a decline in revenues and the posting of business structural reform expenses.

(Construction Machinery)

Revenues decreased 1% to ¥753.9 billion, as compared with the year ended March 31, 2016, due mainly to the negative impact of foreign currency translation caused by appreciation of the yen, despite the recovery of demand for hydraulic excavators in China and India.

Segment profit decreased ¥3.1 billion to ¥22.7 billion, as compared with the year ended March 31, 2016, due mainly to the absence of a gain on business reorganization and others related to the sale of shares of UniCarriers Holdings Corporation recorded for the year ended March 31, 2016, despite the effect of business structural reforms, decreases in business structural reform expenses and an improvement in exchange gain or loss.

(High Functional Materials & Components)

Revenues decreased 6% to ¥1,464.6 billion, as compared with the year ended March 31, 2016, due mainly to a fall in revenues at Hitachi Metals, Ltd. due to the negative impact of foreign currency translation causing a fall in sales from overseas subsidiaries and a decline in demand associated with the slower economies in China and emerging countries in Asia.

Segment profit decreased ¥30.2 billion to ¥123.3 billion, as compared with the year ended March 31, 2016, due mainly to the decrease in revenues and the absence of gains on business reorganization and others related to the sales of equity interest in Hitachi Tool Engineering, Ltd. by Hitachi Metals, Ltd. in the year ended March 31, 2016.

(Automotive Systems)

Revenues decreased 1% to ¥992.2 billion, as compared with the year ended March 31, 2016, due mainly to negative impact of foreign currency translation, despite sales growth particularly in North America and China, where demand for automobiles was firm.

Segment profit increased ¥11.8 billion to ¥65.8 billion, as compared with the year ended March 31, 2016, due mainly to posting of gain on sales and disposals of fixed assets despite the decline in revenues.

(Smart Life & Ecofriendly Systems)

Revenues decreased 18% to ¥557.3 billion, as compared with the year ended March 31, 2016, due mainly to the effect of reorganization of the air-conditioning systems business with an equity-method associate that is a joint venture with Johnson Controls Inc.

Segment profit decreased ¥10.1 billion to ¥31.8 billion, as compared with the year ended March 31, 2016, due mainly to the effect of a decline in revenues from the reorganization of the air-conditioning systems business and the absence of a gain on business reorganization and others in association with the reorganization of the air-conditioning systems business recorded in the year ended March 31, 2016.

(Others)

Revenues decreased 48% to ¥653.7 billion, and segment profit decreased ¥19.9 billion to ¥20.6 billion, as compared with the year ended March 31, 2016, respectively. This was due mainly to the conversion of Hitachi Transport System, Ltd. to an equity-method associate.

(Financial Services)

As Hitachi Capital Corporation was converted to an equity-method associate as of October 2016, there is no company which belongs to the Financial Services segment. Accordingly, only the results for the period in which said company was a consolidated subsidiary are recorded. As a result, revenues decreased 51% to ¥179.2 billion, and segment profit decreased ¥23.8 billion to ¥22.8 billion, as compared with the year ended March 31, 2016, respectively.

Revenues by Geographic Area

The following is an overview of revenues attributed to geographic areas based on customer location.

Years ended March 31:	Billions of yen		Percent change
	2016	2017	
Japan	¥ 5,231.5	¥4,757.6	-9%
Overseas Revenues Subtotal	4,802.7	4,404.5	-8%
Asia	2,112.3	1,860.7	-12%
North America	1,280.3	1,144.0	-11%
Europe	951.1	972.6	2%
Other Areas	459.0	427.1	-7%
Total Revenues	¥10,034.3	¥9,162.2	-9%

Japan

Revenues in Japan decreased 9% to ¥4,757.6 billion, as compared with the year ended March 31, 2016. This was due to lower revenues across all segments, particularly in the Others segment, reflecting the conversion of Hitachi Transport System, Ltd. to an equity-method associate and in the Financial Services segment in which Hitachi Capital Corporation was converted to an equity-method associate.

Overseas

Overseas revenues decreased 8% to ¥4,404.5 billion, as compared with the year ended March 31, 2016, and the ratio to total revenues was 48%, which was the same level as the year ended March 31, 2016.

(Asia)

Revenues in Asia decreased 12% to ¥1,860.7 billion, as compared with the year ended March 31, 2016. This was due mainly to lower revenues in the Social Infrastructure & Industrial Systems segment, reflecting reduced revenues in the elevators and escalators business, particularly in China, the Others segment in which Hitachi Transport System, Ltd. was converted to an equity-method associate, and the Smart Life & Ecofriendly Systems segment due to the reorganization of the air-conditioning systems business, despite higher revenues in the Electronic Systems & Equipment and the Construction Machinery segments.

(North America)

Revenues in North America decreased 11% to ¥1,144.0 billion, as compared with the year ended March 31, 2016. This was due mainly to lower revenues in the Information & Telecommunication Systems, High Functional Materials & Components and Others segments, despite higher revenues in the Social Infrastructure & Industrial Systems segment.

(Europe)

Revenues in Europe increased 2% to ¥972.6 billion, as compared with the year ended March 31, 2016. This was due mainly to higher revenues in the Social Infrastructure & Industrial Systems segment, reflecting substantial growth in the railway systems business, and the Electronic Systems & Equipment segment, in which Hitachi Koki Co., Ltd. recorded increased revenues due to the acquisition of metabo Aktiengesellschaft, despite lower revenues in the Others and the Financial Services segments, etc.

(Other Areas)

Revenues in other areas decreased 7% to ¥427.1 billion, as compared with the year ended March 31, 2016. This was due mainly to lower revenues in the Smart Life & Ecofriendly Systems and the Others segments, despite higher revenues in the Social Infrastructure & Industrial Systems segment, reflecting increased revenues in the railway systems business, and the Electronic Systems & Equipment segment, reflecting increased revenues by Hitachi High-Technologies Corporation.

Summary of Financial Condition, etc.

Liquidity and Capital Resources

Our management considers maintaining an appropriate level of liquidity and securing adequate funds for current and future business operations to be important financial objectives. Through efficient management of working capital and selective investment in new plants and equipment, we are working to optimize the efficiency of capital utilization throughout our business operations. We endeavor to improve our group cash management by centralizing such management among us and our overseas financial subsidiaries. Our internal sources of funds include cash flows generated by operating activities and cash on hand. Our management also considers short-term investments to be an immediately available source of funds. In addition, we raise funds both in the capital markets and from Japanese and international commercial banks in response to our capital requirements. Our management's policy is to finance capital expenditures primarily by internally generated funds and to a lesser extent by funds raised through the issuance of debt and equity securities in domestic and foreign capital markets. In order to flexibly access funding, we maintain our shelf registration with the maximum outstanding balance of ¥300.0 billion.

We maintain commitment line agreements with a number of domestic banks under which we may borrow in order to ensure efficient access to necessary funds. These commitment line agreements generally provide for a one-year term, renewable upon mutual agreement between us and each of the lending banks, as well as another commitment line agreement with a contract term of three years ending on July 29, 2019. As of March 31, 2017, our unused commitment lines totaled ¥599.0 billion, including these of ¥400.0 billion which the Company maintained.

We receive debt ratings from Moody's Japan K.K. (Moody's), Standard & Poor's Rating Japan (S&P), as well as Rating and Investment Information, Inc. (R&I). Our debt ratings as of March 31, 2017 were as follows.

Rating Company	Long-term	Short-term
Moody's	A3	P-2
S&P	A-	A-2
R&I	A+	a-1

With our current ratings, we believe that our access to the global capital markets will remain sufficient for our financing needs. We seek to improve our credit ratings in order to ensure financial flexibility for liquidity and capital management, and to continue to maintain access to sufficient funding resources through the capital markets.

Cash Flows

Years ended March 31:	Billions of yen	
	2016	2017
Net cash provided by operating activities	¥ 812.2	¥ 629.5
Net cash used in investing activities	(730.7)	(337.9)
Net cash used in financing activities	(26.4)	(209.5)
Effect of exchange rate changes on cash and cash equivalents	(57.3)	(16.1)
Change in cash and cash equivalents	(2.3)	65.9
Cash and cash equivalents at beginning of year	701.7	699.3
Cash and cash equivalents at end of year	¥ 699.3	¥ 765.2

(Cash Flows from Operating Activities)

Net income in the year ended March 31, 2017 increased by ¥43.2 billion, as compared with the year ended March 31, 2016. Trade payables increased by ¥111.5 billion in the year ended March 31, 2017, as compared with the decrease of ¥1.6 billion in the year ended March 31, 2016. However, change in trade receivables and change in inventories decreased net cash flow by ¥143.7 billion and ¥67.0 billion, respectively. As a result of the foregoing, net cash provided by operating activities was ¥629.5 billion in the year ended March 31, 2017, a decrease of ¥182.6 billion compared with the year ended March 31, 2016.

(Cash Flows from Investing Activities)

Net amount of investments related to property, plant and equipment*¹ was ¥462.6 billion, a decrease of ¥189.7 billion as compared with the year ended March 31, 2016.

Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) increased by ¥111.1 billion compared with the year ended March 31, 2016, reflecting partial sales of the shares of Hitachi Transport System, Ltd. and Hitachi Capital Corporation, and the sale of all shares of Hitachi Koki Co., Ltd. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) was ¥177.3 billion, a decrease of ¥19.3 billion compared with the year ended March 31, 2016, in which the acquisition of the businesses of AnsaldoBreda S.p.A. (excluding a part of its operations), the acquisition of Ansaldo STS S.p.A., and the acquisition of Pentaho Corporation were conducted. As a result of the foregoing, net cash used in investing activities was ¥337.9 billion in the year ended March 31, 2017, a decrease of ¥392.8 billion compared with the year ended March 31, 2016.

*1 The sum of the purchase of property, plant and equipment, the purchase of intangible assets and the purchase of leased assets, less the proceeds from sale of property, plant, equipment and intangible assets, the proceeds from sale of leased assets and the collection of lease receivables

(Cash Flows from Financing Activities)

The net cash outflow from a change in short-term debt increased by ¥164.0 billion compared with the year ended March 31, 2016. Proceeds related to long-term debt*² were ¥115.5 billion, a decrease of ¥65.1 billion compared with the year ended March 31, 2016. As a result of the foregoing, net cash used in financing activities was ¥209.5 billion in the year ended March 31, 2017, an increase in net cash outflow of ¥183.0 billion compared with the year ended March 31, 2016.

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

As a result of the above items, as of March 31, 2017, cash and cash equivalents amounted to ¥765.2 billion, net increase of ¥65.9 billion from March 31, 2016. Free cash flows, the sum of cash flows from operating and investing activities, represented an inflow of ¥291.6 billion in the year ended March 31, 2017, an increase in net cash inflow of ¥210.2 billion from the year ended March 31, 2016.

Assets, Liabilities and Equity

As of March 31, 2017, total assets amounted to ¥9,663.9 billion, a decrease of ¥2,887.0 billion from March 31, 2016. This was due mainly to the conversion of Hitachi Capital Corporation and Hitachi Transport System, Ltd. into equity-method associates and the sale of Hitachi Koki Co., Ltd. Cash and cash equivalents as of March 31, 2017 amounted to ¥765.2 billion, an increase of ¥65.9 billion from the amount as of March 31, 2016.

As of March 31, 2017, total interest-bearing debt, the sum of short-term debt and long-term debt, amounted to ¥1,176.6 billion, a decrease of ¥2,427.8 billion from March 31, 2016. As of March 31, 2017, short-term debt, consisting mainly of borrowings from banks and commercial paper, amounted to ¥196.3 billion, a decrease of ¥675.0 billion from March 31, 2016. As of March 31, 2017, current portion of long-term debt amounted to ¥190.2 billion, a decrease of ¥461.2 billion from March 31, 2016. As of March 31, 2017, long-term debt (excluding current portion), consisting mainly of debentures, and loans principally from banks and insurance companies, amounted to ¥790.0 billion, a decrease of ¥1,291.5 billion from March 31, 2016.

As of March 31, 2017, total Hitachi, Ltd. stockholders' equity amounted to ¥2,967.0 billion, an increase of ¥232.0 billion from March 31, 2016. This is due mainly to the posting of net income attributable to Hitachi, Ltd. stockholders, despite the impact of converting Hitachi Capital Corporation into an equity-method associate. As a result, the ratio of total Hitachi, Ltd. stockholders' equity to total assets as of March 31, 2017 was 30.7%, compared with 21.8% as of March 31, 2016.

Non-controlling interests as of March 31, 2017 was ¥1,129.9 billion, a decrease of ¥260.5 billion from March 31, 2016.

Total equity as of March 31, 2017 was ¥4,096.9 billion, a decrease of ¥28.5 billion from March 31, 2016. The ratio of interest-bearing debt to total equity was 0.29, compared with 0.87 as of March 31, 2016.

Consolidated Statement of Financial Position

March 31, 2017 and 2016

Assets	Millions of yen	
	2016	2017
Current assets		
Cash and cash equivalents	¥ 699,315	¥ 765,242
Trade receivables	2,992,770	2,433,149
Lease receivables	338,758	42,365
Inventories	1,299,855	1,225,907
Other current assets	541,857	535,943
Total current assets	5,872,555	5,002,606
Non-current assets		
Investments accounted for using the equity method	676,960	691,251
Investments in securities and other financial assets	1,329,974	719,704
Lease receivables	727,485	38,646
Property, plant and equipment	2,500,226	1,998,411
Intangible assets	1,070,403	919,201
Other non-current assets	373,402	294,098
Total non-current assets	6,678,450	4,661,311
Total Assets	¥12,551,005	¥9,663,917

Liabilities	Millions of yen	
	2016	2017
Current liabilities		
Short-term debt	¥ 871,417	¥ 196,357
Current portion of long-term debt	651,518	190,233
Other financial liabilities	280,048	274,270
Trade payables	1,451,918	1,402,233
Other current liabilities	1,739,315	1,657,766
Total current liabilities	4,994,216	3,720,859
Non-current liabilities		
Long-term debt	2,081,520	790,013
Other financial liabilities	115,155	53,422
Retirement and severance benefits	783,670	635,684
Other non-current liabilities	450,874	366,944
Total non-current liabilities	3,431,219	1,846,063
Total Liabilities	8,425,435	5,566,922
Equity		
Hitachi, Ltd. stockholders' equity		
Common stock	458,790	458,790
Capital surplus	586,790	577,573
Retained earnings	1,609,761	1,793,570
Accumulated other comprehensive income	83,543	141,068
Treasury stock, at cost	(3,806)	(3,916)
Total Hitachi, Ltd. stockholders' equity	2,735,078	2,967,085
Non-controlling interests	1,390,492	1,129,910
Total Equity	4,125,570	4,096,995
Total Liabilities and Equity	¥12,551,005	¥9,663,917

Consolidated Statement of Profit or Loss

Years ended March 31, 2017 and 2016

	Millions of yen	
	2016	2017
Revenues	¥10,034,305	¥ 9,162,264
Cost of sales	(7,459,073)	(6,782,677)
Gross profit	2,575,232	2,379,587
Selling, general and administrative expenses	(1,940,363)	(1,792,278)
Adjusted operating income	634,869	587,309
Other income	57,539	100,742
Other expenses	(141,881)	(146,568)
Financial income	10,615	7,091
Financial expenses	(30,295)	(26,206)
Share of profits (losses) of investments accounted for using the equity method	156	(47,186)
EBIT (Earnings before interest and taxes)	531,003	475,182
Interest income	12,028	12,923
Interest charges	(25,991)	(19,014)
Income from continuing operations, before income taxes	517,040	469,091
Income taxes	(165,206)	(125,112)
Income from continuing operations	351,834	343,979
Loss from discontinued operations	(57,081)	(5,950)
Net income	¥ 294,753	¥ 338,029
Net income attributable to:		
Hitachi, Ltd. stockholders	172,155	231,261
Non-controlling interests	122,598	106,768

Consolidated Statement of Comprehensive Income

Years ended March 31, 2017 and 2016

	Millions of yen	
	2016	2017
Net income	¥ 294,753	¥338,029
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(50,323)	59,934
Remeasurements of defined benefit plans	(140,844)	46,086
Share of OCI of investments accounted for using the equity method	(4,275)	(1,887)
Total items not to be reclassified into net income	(195,442)	104,133
Items that can be reclassified into net income		
Foreign currency translation adjustments	(190,099)	(64,761)
Net changes in cash flow hedges	32,785	21,303
Share of OCI of investments accounted for using the equity method	(26,239)	1,166
Total items that can be reclassified into net income	(183,553)	(42,292)
Other comprehensive income (OCI)	(378,995)	61,841
Comprehensive income (loss)	¥ (84,242)	¥399,870
Comprehensive income (loss) attributable to:		
Hitachi, Ltd. stockholders	(127,557)	299,397
Non-controlling interests	43,315	100,473

Consolidated Statement of Changes in Equity

Years ended March 31, 2017 and 2016

Millions of yen

2016

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
As of March 31, 2015	¥458,790	¥608,416	¥1,477,517	¥ 401,100	¥(3,542)	¥2,942,281	¥1,354,061	¥4,296,342
Reclassified into retained earnings	-	-	18,030	(18,030)	-	-	-	-
Net income	-	-	172,155	-	-	172,155	122,598	294,753
Other comprehensive loss	-	-	-	(299,712)	-	(299,712)	(79,283)	(378,995)
Cash dividends	-	-	(57,941)	-	-	(57,941)	(39,502)	(97,443)
Changes in treasury stock	-	(4)	-	-	(264)	(268)	-	(268)
Equity transactions and other	-	(21,622)	-	185	-	(21,437)	32,618	11,181
Total changes in equity	-	(21,626)	132,244	(317,557)	(264)	(207,203)	36,431	(170,772)
As of March 31, 2016	¥458,790	¥586,790	¥1,609,761	¥ 83,543	¥(3,806)	¥2,735,078	¥1,390,492	¥4,125,570

Millions of yen

2017

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
As of March 31, 2016	¥458,790	¥586,790	¥1,609,761	¥ 83,543	¥(3,806)	¥2,735,078	¥1,390,492	¥4,125,570
Reclassified into retained earnings	-	-	10,486	(10,486)	-	-	-	-
Net income	-	-	231,261	-	-	231,261	106,768	338,029
Other comprehensive income (loss)	-	-	-	68,136	-	68,136	(6,295)	61,841
Cash dividends	-	-	(57,938)	-	-	(57,938)	(38,283)	(96,221)
Changes in treasury stock	-	(15)	-	-	(110)	(125)	-	(125)
Equity transactions and other	-	(9,202)	-	(125)	-	(9,327)	(322,772)	(332,099)
Total changes in equity	-	(9,217)	183,809	57,525	(110)	232,007	(260,582)	(28,575)
As of March 31, 2017	¥458,790	¥577,573	¥1,793,570	¥141,068	¥(3,916)	¥2,967,085	¥1,129,910	¥4,096,995

Consolidated Statement of Cash Flows

Years ended March 31, 2017 and 2016

	Millions of yen	
	2016	2017
Cash flows from operating activities		
Net income	¥ 294,753	¥ 338,029
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	507,790	415,183
Change in trade receivables	(53,092)	(196,824)
Change in inventories	44,342	(22,731)
Change in trade payables	(1,602)	111,589
Other	20,035	(15,664)
Net cash provided by (used in) operating activities	812,226	629,582
Cash flows from investing activities		
Purchase of property, plant and equipment	(369,494)	(316,116)
Purchase of intangible assets	(116,438)	(101,034)
Purchase of leased assets	(539,420)	(292,943)
Proceeds from sale of property, plant and equipment, and intangible assets	22,632	52,208
Proceeds from sale of leased assets	23,834	14,539
Collection of lease receivables	326,497	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	(58,756)	71,653
Other	(19,654)	53,012
Net cash provided by (used in) investing activities	(730,799)	(337,955)
Free cash flows	81,427	291,627
Cash flows from financing activities		
Change in interest-bearing debt	110,821	(118,314)
Dividends paid to stockholders	(57,907)	(57,935)
Dividends paid to non-controlling interests	(41,671)	(36,508)
Other	(37,710)	3,221
Net cash provided by (used in) financing activities	(26,467)	(209,536)
Effect of exchange rate changes on cash and cash equivalents	(57,348)	(16,164)
Change in cash and cash equivalents	(2,388)	65,927
Cash and cash equivalents at beginning of year	701,703	699,315
Cash and cash equivalents at end of year	¥ 699,315	¥ 765,242

Summarized Consolidated Statement of Financial Position by Manufacturing, Services and Others and Financial Services

Years ended March 31, 2017 and 2016

Billions of yen

	2016			2017		
	Manufacturing, Services and Others	Financial Services	Total	Manufacturing, Services and Others	Financial Services	Total
Assets						
Current assets	¥4,995.6	¥1,256.8	¥ 5,872.5	¥5,002.6	-	¥5,002.6
Cash and cash equivalents	660.9	157.0	699.3	765.2	-	765.2
Trade receivables	2,472.0	710.7	2,992.7	2,433.1	-	2,433.1
Lease receivables	45.6	311.9	338.7	42.3	-	42.3
Inventories	1,291.5	3.7	1,299.8	1,225.9	-	1,225.9
Other current assets	525.3	73.3	541.8	535.9	-	535.9
Non-current assets	4,922.3	1,834.6	6,678.4	4,661.3	-	4,661.3
Investments accounted for using the equity method	676.3	20.4	676.9	691.2	-	691.2
Investments in securities and other financial assets	681.6	675.9	1,329.9	719.7	-	719.7
Lease receivables	38.2	729.8	727.4	38.6	-	38.6
Property, plant and equipment	2,193.6	307.5	2,500.2	1,998.4	-	1,998.4
Intangible assets	1,007.7	62.6	1,070.4	919.2	-	919.2
Other non-current assets	324.6	38.1	373.4	294.0	-	294.0
Total Assets	¥9,917.9	¥3,091.4	¥12,551.0	¥9,663.9	-	¥9,663.9
Liabilities and Equity						
Current liabilities	¥4,095.5	¥1,323.2	¥ 4,994.2	¥3,720.8	-	¥3,720.8
Short-term debt	529.8	497.6	871.4	196.3	-	196.3
Current portion of long-term debt	234.9	485.6	651.5	190.2	-	190.2
Other financial liabilities	265.5	40.1	280.0	274.2	-	274.2
Trade payables	1,379.0	228.9	1,451.9	1,402.2	-	1,402.2
Other current liabilities	1,686.1	70.8	1,739.3	1,657.7	-	1,657.7
Non-current liabilities	2,038.0	1,421.1	3,431.2	1,846.0	-	1,846.0
Long-term debt	750.3	1,356.2	2,081.5	790.0	-	790.0
Other financial liabilities	85.0	28.7	115.1	53.4	-	53.4
Retirement and severance benefits	774.1	9.5	783.6	635.6	-	635.6
Other non-current liabilities	428.5	26.6	450.8	366.9	-	366.9
Total Liabilities	6,133.5	2,744.4	8,425.4	5,566.9	-	5,566.9
Hitachi, Ltd. stockholders' equity	2,540.8	201.3	2,735.0	2,967.0	-	2,967.0
Non-controlling interests	1,243.5	145.7	1,390.4	1,129.9	-	1,129.9
Total Equity	3,784.3	347.0	4,125.5	4,096.9	-	4,096.9
Total Liabilities and Equity	¥9,917.9	¥3,091.4	¥12,551.0	¥9,663.9	-	¥9,663.9
Interest-bearing debt	¥1,515.0	¥2,339.5	¥3,604.4	¥1,176.6	-	¥1,176.6
Total Hitachi, Ltd. stockholders' equity ratio	25.6%	6.5%	21.8%	30.7%	-	30.7%
D/E ratio (including non-controlling interests) (times)	0.40	6.74	0.87	0.29	-	0.29

Summarized Consolidated Statement of Profit or Loss by Manufacturing, Services and Others and Financial Services

March 31, 2017 and 2016

	Billions of yen					
	2016			2017		
	Manufacturing, Services and Others	Financial Services	Total	Manufacturing, Services and Others	Financial Services	Total
Revenues	¥9,833.9	¥365.3	¥10,034.3	¥9,053.3	¥179.2	¥9,162.2
Adjusted operating income	586.8	45.2	634.8	566.8	21.3	587.3
EBIT	490.2	46.6	531.0	458.1	22.8	475.1
Income from continuing operations, before income taxes	476.9	46.6	517.0	452.4	22.8	469.0
Net income attributable to Hitachi, Ltd. stockholders	152.1	19.7	172.1	227.8	9.7	231.2

Summarized Consolidated Statement of Cash Flows by Manufacturing, Services and Others and Financial Services

March 31, 2017 and 2016

	Billions of yen					
	2016			2017		
	Manufacturing, Services and Others	Financial Services	Total	Manufacturing, Services and Others	Financial Services	Total
Cash flows from operating activities	¥ 843.1	¥ (7.4)	¥ 812.2	¥ 638.7	¥ 2.2	¥ 629.5
Cash flows from investing activities	(518.7)	(218.8)	(730.7)	(153.2)	(274.6)	(337.9)
Free cash flows	324.4	(226.2)	81.4	485.5	(272.4)	291.6
Cash flows from financing activities	(262.7)	265.4	(26.4)	(367.1)	117.5	(209.5)
Effect of exchange rate changes on cash and cash equivalents	(55.5)	(1.8)	(57.3)	(14.0)	(2.1)	(16.1)
Change in cash and cash equivalents	6.1	37.3	(2.3)	104.3	(157.0)	65.9
Cash and cash equivalents at beginning of year	654.7	119.7	701.7	660.9	157.0	699.3
Cash and cash equivalents at end of year	¥ 660.9	¥ 157.0	¥ 699.3	¥ 765.2	-	¥ 765.2
Core free cash flows	363.5	(264.8)	113.3	213.8	(109.2)	100.2

Notes: 1 The consolidated financial statements by Manufacturing, Services and Others and Financial Services represent unaudited financial information prepared by the Company for the purpose of this supplementary information.

2 Total figures exclude inter-segment transactions.

3 As Hitachi Capital was converted into an equity-method associate as of October 3, 2016, there is no company that belongs to Financial Services. Accordingly, there is no balance of total assets, total liabilities and total equity in the summarized consolidated statement of financial position for Financial Services as of March 31, 2017. In addition, only the results for the first half of fiscal 2016 were recorded in the summarized consolidated statement of profit or loss for Financial Services and only the cash flows for the first half of fiscal 2016 and the decrease in cash and cash equivalents owned by Hitachi Capital as of the date were recorded in the summarized consolidated statement of cash flows for Financial Services.

4. Core free cash flows are operating cash flows plus collection of investments in leases less cash outflows for the purchase of property, plant and equipment, intangible assets, software, and assets to be leased.

Environmental Performance

The world's population, which was 7.3 billion in 2015, is projected to grow to 9.7 billion by 2050 and to 11.2 billion by 2100.* Global GDP is also continuing to expand, aggravating a host of environmental problems, including global warming caused by higher CO₂ emissions from fossil fuel consumption, the depletion of resources due to increased demand, and ecosystem destruction. Global-scale efforts are being made to develop approaches that lighten the burden on the environment so that a prosperous planet can be passed on to future generations.

Hitachi strives to achieve a more sustainable society by addressing environmental problems, which pose a major challenge for society, based on its corporate mission of contributing to society through the development of superior, original technology and products.

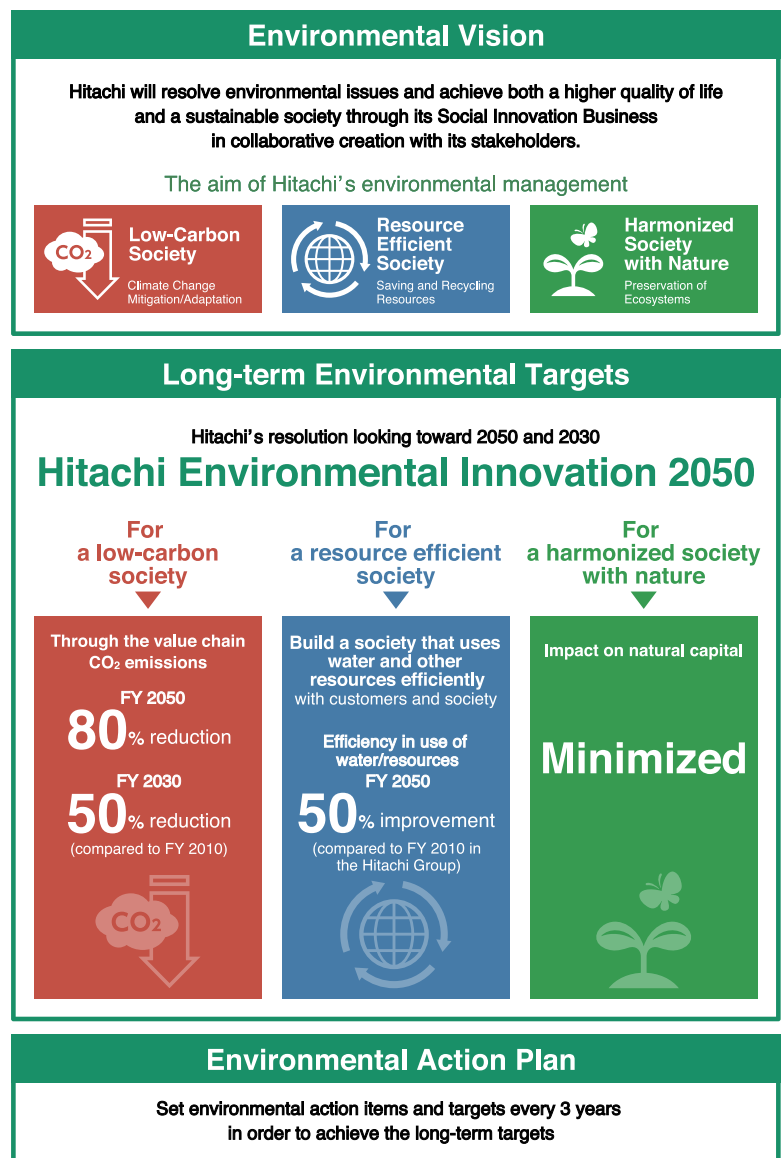
* According to *World Population Prospects: The 2015 Revision*, published by the United Nations.

The Environmental Vision and Hitachi Environmental Innovation 2050

As global warming, resource depletion, ecosystem destruction, and other environmental issues grow more serious, companies face increasing demands and expectations to reduce the environmental burden of their business activities.

The Intergovernmental Panel on Climate Change (IPCC) concluded that limiting global warming “below 2°C relative to pre-industrial levels” would require “40 to 70% global anthropogenic GHG emissions reductions by 2050 compared to 2010.” The Paris Agreement adopted in December 2015 at the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change—and which came into force in November 2016—set ambitious targets, including a global long-term target of keeping global warming to below 2°C and efforts to limit the increase to 1.5°C. Environmental targets have also been set in the Sustainable Development Goals (SDGs)—the centerpiece of the 2030 Agenda for Sustainable Development, adopted by the United Nations in 2015—whose Goal 13 reads: “Take urgent action to combat climate change and its impacts.”

In the light of these global trends and our own management policy, we created an Environmental Vision to better define the kind of society that Hitachi envisions from a long-term perspective. Our Environmental Vision envisions a low-carbon society; a resource efficient society; a harmonized society with nature. To achieve such a sustainable society, we established a set of long-term environmental targets called Hitachi Environmental Innovation 2050.



Hitachi Environmental Innovation 2050
<http://www.hitachi.com/environment/vision/innovation2050.html>

Toward a Low-Carbon Society

We seek to reduce CO₂ emissions by 80% compared to fiscal 2010 levels by fiscal 2050 to realize the drop in global anthropogenic GHG emissions that was deemed necessary in the IPCC's *Fifth Assessment Report*. We will attain this target throughout our value chain. First, this will be achieved by decreasing emissions during the *usage* stage of our products and solutions, which account for a substantial share of emissions in the value chain. We will contribute to our customers and to society by developing innovative technologies and solutions, as well as enhancing the efficiency of our products and supplying low-carbon energy. At the same time, we will also work to cut down on emissions at the *production* stage of our business activities.

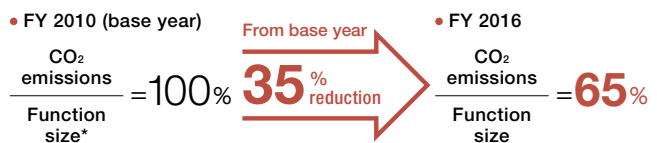
Reduction of CO₂ Emissions During Use

Improved Environmental Performance in Products and Services

Hitachi is improving the environmental performance of its products and services with the hope of contributing to the resolution of environmental challenges through the development and popularization of products and services with high environmental value. We strike a balance between improving functionality and reducing the environmental burden by using, as our index, the reduction rate per product and service function of CO₂ emissions during usage and of the volume of resources used during the life cycle. The group of products that demonstrate a high level of potential in solving environmental issues are the targets of a plan to achieve a 40% reduction in CO₂ emissions by fiscal 2018 (compared to fiscal 2010 products). In fiscal 2016, we attained a

35% CO₂ emissions reduction rate by promoting environmentally conscious designs and expanding sales of products and services with high energy-saving functions.

Reduction in CO₂ Emissions



* Major functions of products correlated to CO₂ emissions.

Environmentally Conscious Design Assessments

We conduct Environmentally Conscious Design Assessments for all products and services involving a design process to ensure environmentally conscious design and development. Thirty environment-related areas are assessed for their impact on climate change, resource depletion, and environmental pollution (ecosystem degradation) at each stage of the product life cycle with a view to reducing the environmental burden. To meet the IEC 62430* criteria for environmentally conscious design, in addition to implementing these assessments, we are advancing environmentally conscious design and development by integrating this process into our existing management system, such as by

keeping abreast of environmental regulations and ascertaining the environment-related needs of our stakeholders. We conduct life cycle assessments focusing on our main, priority products to quantitatively evaluate their burden on the global environment in such areas as the consumption of mineral resources, fossil fuels, and water resources, as well as their impact on global warming and air pollution. The results of such life cycle assessments are disclosed to our stakeholders and utilized in improving the design of next-generation products.

* The standard developed by the International Electrotechnical Commission concerning environmentally conscious design for electrical and electronic products.

Products and Solutions that Help Create a Low-Carbon Society

Reducing CO₂ Emissions Through Energy Savings Amorphous Transformers

Transformers convert the high-voltage electricity produced at power plants into low-voltage electricity that can be used more safely. Since voltage is applied to the coil where electricity is flowing so that electricity can be used at any time, the occurrence of no-load loss (standby power) in which power is lost even when electricity is not being used cannot be avoided. Decreasing the no-load loss of transformers that operate 24 hours a day, 365 days a year, over a mean lifespan of about 25 years could lead to huge energy savings.

Hitachi Industrial Equipment Systems Co., Ltd. uses an amorphous alloy with outstanding magnetic properties in the iron cores around which coils are wound. This has resulted in an annual reduction of about one-fifth in no-load loss compared with previous silicon steel transformers* and an annual reduction of 26 MWh in total loss, including load loss, during use.



An oil-immersed transformer (left) and molded transformer.



* Comparison of loss between Hitachi's silicon steel transformer and amorphous transformer (3,000 kVA capacity, 22 kV/6.6 kV, 50 Hz models at 40% load factor).

Reducing CO₂ Emissions with Renewable Energy Down-wind Turbine System

Hitachi has installed 162 wind turbines in Japan (as of February 28, 2017) and is actively developing this business to contribute to the growth of the renewable energy sector. In Hitachi's original down-wind system, the rotor is on the downwind side of the tower. The system's weather vane effect enables turbines to switch to the free-yaw operation mode in blackout conditions, such as during storms, preventing the dangers posed by cross wind. The characteristic makes the down-wind system very safe. Down-wind turbines also generate energy efficiently by capturing upward blowing winds in mountainous and hilly areas.

At a new wind power plant of the Aoyama-Kogen Wind Farm Corporation, located on the Aoyama plateau in Mie Prefecture, Hitachi supplied 40 down-wind turbines. The output is 80 MW, the largest in Japan.*1 Hitachi is also taking part in research for the Fukushima Floating Offshore Wind Farm Demonstration Project of the Agency for Natural Resources and Energy, Ministry of Economy, Trade, and Industry.



A 5 MW floating wind turbine
(courtesy of the Fukushima Offshore Wind Consortium).

CO₂ emissions reduction amount → **330 kt-CO₂/year*2**
(amount for the 162 wind power turbines installed by Hitachi)

- *1 According to a list of wind power generation facilities installed in Japan (as of March 31, 2016), compiled by the New Energy and Industrial Technology Development Organization (NEDO).
- *2 Comparison with LNG thermal power generation. Calculated from the life cycle CO₂ emissions for each type of power generation listed in the Evaluation of Life Cycle CO₂ Emissions of Power Generation Technologies, published by the Central Research Institute of Electric Power Industry (July 2010).

Reducing CO₂ Emissions During Transport Railway Systems

Among the various modes of transportation, railways have among the lowest CO₂ emissions. As a comprehensive railway systems integrator, Hitachi is a global provider of railcar and transport systems, including signaling and train management systems, and will continue to deliver total railway systems for greater efficiency and environmental consciousness.

Hitachi's aluminum A-train rolling stock is lighter than stainless steel rolling stock, for example, enabling trains to run at high speeds with less energy. Outside of Japan, A-train production has also begun in a UK plant and additional orders have been received for 63 AT-300 cars for a railway in southwest England. Together with an order received in July 2015, the total is for 236 cars (36 trains).

The use of silicon carbide (SiC) in carriage inverters reduces energy loss during operation and cuts mass and volume by 40%. Energy savings are achieved through both lower electrical energy use and the contribution of these inverters to lighter rolling stock.



An AT-300 train for a UK railway company.

CO₂ emissions per transport unit (passenger) → Railway emissions are about $\frac{1}{7}$ those of automobiles*

- * From Ministry of Land, Infrastructure, Transport, and Tourism data on CO₂ emissions in the transportation sector.

Reducing CO₂ Emissions by Improving Automobile Fuel Efficiency Lithium-Ion Battery Packs

Automobile CO₂ emissions are a major environmental issue, and fuel efficiency is being improved through various technologies.

Hitachi Automotive Systems, Ltd. has developed a 48V lithium-ion battery pack for mild hybrid vehicles. An output density 1.5 times existing levels has been achieved by improving the material composition of the positive and negative electrodes and increasing the amount of lithium that can be stored per unit of weight. This not only enhances the motor's torque performance for assisting acceleration but also enables the recovery of substantial regenerative energy when decelerating and reduces energy loss.

Hitachi contributes to reduced CO₂ emissions through improved automobile fuel efficiency by providing storage batteries and other energy-saving automobile parts.



A 48V lithium-ion battery pack for mild hybrid vehicles.

48V lithium-ion battery pack energy density → **1.5 times previous product**

Reducing CO₂ Emissions Through Greater Efficiency with IoT Building Eco-Factories with Lumada

Hitachi Construction Machinery Co., Ltd. uses a network of Japanese and international affiliates centered on four main plants in Japan to produce construction machinery and its principal components. Together with energy reductions during use as these products switch to electric or hybrid power, efforts throughout the network are also being made to reduce energy consumption in the manufacturing stage.

The entire Hitachi Construction Machinery Group continues to implement energy-saving measures and promote greater efficiency in plant and office lighting and air-conditioning. Several locations have also introduced IoT technology to further reduce energy consumption and raise productivity. Specifically, by adopting the Energy and Equipment Management Service, a key solution concept under Hitachi's Lumada IoT platform to comprehensively control energy data and equipment across multiple business facilities, they are able to efficiently analyze and manage electric power data gathered from equipment at each plant. Energy usage by the machine tools, robots, and other production equipment used in plants is finely controlled, reducing standby power and increasing energy efficiency.

With these efforts the energy use per unit has been decreased 32% compared with fiscal 2010 at the company's main plants in Ibaraki Prefecture, contributing to a significant reduction in electric power costs.



Tsuchiura Works East Building and the Hitachi UH03 hydraulic excavator, which is included in the list of Japan's Mechanical Engineering Heritage.

Energy use per unit → **32% reduction compared with fiscal 2010**

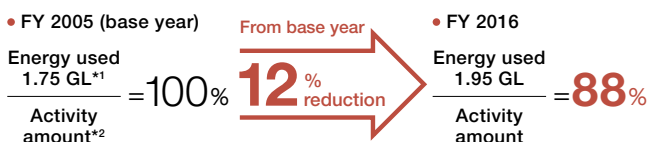
Reduction of CO₂ Emissions During the Production Stage

We are working to reduce energy use per unit—an indicator of energy efficiency—by systematically improving efficiency, such as by installing high-efficiency equipment and devices, from LED lighting to inverter air conditioners, at each facility. In fiscal 2016, we achieved an improvement of 12% (from a base year of fiscal 2005), against a target of 15%. Part of the reason for not hitting the target was because of a decline in sales in energy intensive business divisions, which contracted the denominator in calculating energy use per unit.

The increase in the total volume of CO₂ emissions was due to the fact that a materials company in the Americas newly became a member of the consolidated Hitachi Group in fiscal 2016. There was a general decline in regions other than the Americas.

We will continue to harness our expertise in control and IT technologies to actively pursue energy conservation measures at our factories and offices and promote the efficient use of energy.

Reduction in Energy Use per Unit



*1 Energy volume used both in and outside the organization (SCOPE 1 and 2).

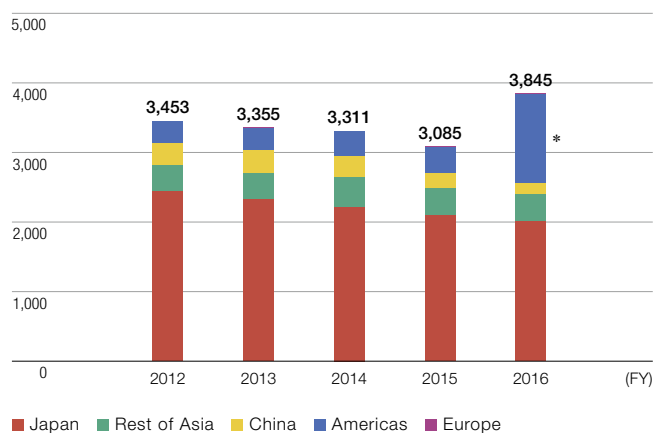
*2 A value closely related to the emission factor numerators (environmental burden) of energy use from business activities (for example, production quantity, output, building floor space, and number of employees).

Introducing Renewable Energy

We are promoting the use of solar, wind, and other forms of renewable energy. During the 2016 fiscal year, Hitachi produced 2,925 MWh of renewable energy for its own use. Hitachi Computer Products (America), Inc. proactively uses renewable energy to power its factory, purchasing 8,769 MWh during fiscal 2016. In Japan, we contracted for 1,000 MWh/year of Green Power through Japan Natural Energy Co., Ltd. to provide power for offices, showrooms, and exhibitions.

CO₂ Emissions

(kt-CO₂/year)



* Includes 958 kt-CO₂/year emitted by a materials company that became a consolidated member of the Hitachi Group in fiscal 2016.

Notes:

- The CO₂ electrical power conversion factor uses the 2005 emission coefficients for individual countries published by the International Energy Agency (IEA) in the 2010 edition of *CO₂ Emissions from Fuel Combustion*.
- Energy-related CO₂ emissions were 1,296 kt-CO₂ (SCOPE 1) and 2,549 kt-CO₂ (SCOPE 2).

Realization of a Resource Efficient Society

Together with our customers and society, Hitachi will do its utmost through its business operations to help build a society that uses water and other resources efficiently. We will expand circulative uses of water by further advancing the entire range of water treatment technologies involved in water use from seawater desalination and other forms of fresh water generation to sewage treatment.

We also aim to improve our usage efficiency of water and other resources by 50% compared to fiscal 2010 levels by fiscal 2050. To achieve this target, we will create products that last longer and use less resources, make thoroughgoing efforts to collect and recycle used products, reduce the volume of water used in the production process such as through purification and reuse, and engage in other efforts.

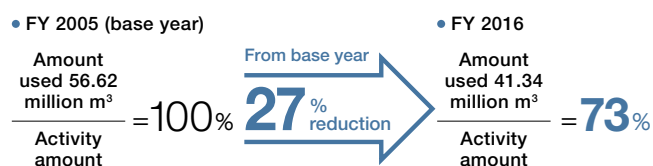
Improving Usage Efficiency of Water and Other Resources

Water Conservation

Hitachi uses water in such production processes as cleaning, cooling, and painting. To reduce water usage through greater efficiency, we are enhancing our level of water management by installing flow meters at more locations, introducing wastewater treatment devices to increase the use of recycled water, and upgrading water supply facilities at our business sites.

Different countries and regions are affected by water-related issues in different ways, so we devise appropriate countermeasures for each region. Our business sites in China, India, and the Philippines, for example, are striving to reduce the volume of water used by strengthening measures against water leakage.

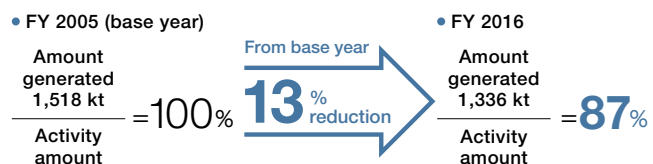
Reduction in Water Usage per Unit



Reducing Waste Volume

For fiscal 2016, we set a target of a 12% reduction (from a base year of fiscal 2005) for waste and valuables generated per unit, bettering this by achieving a 13% reduction. Every business site is reducing waste through onsite recycling of byproducts and scrap from the production process and efforts to curb use of packing materials during transport. Under the Zero Emission initiative, which seeks to minimize landfill disposal, 98 business sites achieved their zero emission goal* as of fiscal 2016.

Reduction in Waste and Valuables Generated per Unit



* Defined as a final disposal rate (landfill disposal/waste and valuables) of less than 0.5% in any given fiscal year.

Zero Emission Sites

<http://www.hitachi.com/environment/activities/data/zeroemission.html>

Creating a Resource Efficient Society Through Business

Water Solutions to Protect Global Water Resources

Water covers 70% of the earth's surface, but only 0.01% of it is potable. Demand for water, however, is on the rise globally, with more than 40% of the world's population expected to face severe water shortages by 2050.

Hitachi has acquired an extensive record in the water business as it strives to become a comprehensive water service provider. We have supplied equipment to around 700 water purification plants and 900 sewage treatment plants in Japan, and over 200 sites in some 40 countries and regions around the world. We continue building on this experience to provide a variety of water infrastructure globally.

We are currently moving forward on IoT-based, optimized, and highly efficient water business solution offerings, including water supply and sewage systems and seawater desalination plants. For example, our energy-

efficient seawater desalination plant dilutes seawater with treated sewage to lower the salt concentration, reducing the pump pressure required for the desalination process and cutting energy consumption by approximately 30%.



Harmonized Society with Nature

We strive to minimize Hitachi's impact on natural capital, which bestows the benefits of nature on humankind by assessing ecosystem impact and advancing measures to minimize the burden at each stage of Hitachi's value chain. Moreover, we are preserving the ecosystem through our products and services, such as our air and water purification systems and environmental monitoring systems. We also endeavor to minimize the environmental burden of our factories and offices.

Ecosystem Assessments and Their Implementation

In fiscal 2016 Hitachi created an Ecosystem Preservation Activities Menu citing the specific activities to be undertaken to promote the preservation of the ecosystem. We are encouraging each business site to advance their own initiatives. This menu was created by adding the pioneering activities of other corporations and organizations to the list of items that had already been subject to assessment since 2010. It consists of 116 items covering all aspects of our business operations, including the value chain. Each business site selects those activities it plans to launch from the menu, and the total number of initiatives becomes Hitachi's target for ecosystem preservation. In fiscal 2016, 144 new initiatives were launched, far in excess of our initial goal of 30.

In the long term, we seek to minimize the impact on natural capital and realize a harmonized society with nature by minimizing

the burden (negative impact) on the ecosystem caused by business activities and maximizing the positive impact, such as by undertaking social contribution activities to protect nature and providing products and services that preserve the ecosystem.

Regarding impact and other ecosystem preservation assessments, we are deliberating the matter not only within the Group but also through our participation in activities outside the company, such as the biodiversity working group of four Japanese electrical and electronic industry associations* and the Japan Business Initiative for Biodiversity (JBIB).

* The Japan Electrical Manufacturers' Association (JEMA), Japan Electronics and Information Technology Industries Association (JEITA), Communications and Information Network Association of Japan (CIAJ), and Japan Business Machine and Information System Industries Association (JBMIA).

Efforts Toward Building a Harmonized Society with Nature

Hitachi Group Forestation Activities

Working together with employees and their families, the Hitachi Group participates in the Japanese Forestry Agency's Corporate Forest Program to preserve forests in several locations.

The Group has been conducting tree-planting activities since 2007 in the Yuyu Forest in Ibaraki Prefecture. Each year employees and their families gather to plant trees, clear underbrush, prune, and perform other forest maintenance activities. They also take part in activities including environmental education and handicraft classes using pruned materials.

The Hitachi High-Tech Yasato Forest embarked on a 60-year plan in 2005 to cultivate trees. Employees and their families participate in the work of pruning and thinning to grow a healthy forest.



Hitachi Power Solutions Co., Ltd. employees at the Yuyu Forest.

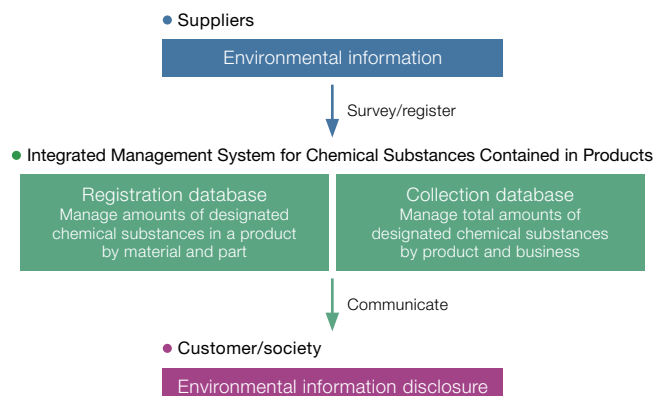


Hitachi High-Technologies Corporation employees at the Yasato Forest.

Appropriate Management of Chemical Substances

Working closely with suppliers and customers, we gather and make available information on chemical substances across the supply chain via the Integrated Management System for Chemical Substances Contained in Products, which has been in operation since fiscal 2005. As of March 31, 2017, chemical substance information for more than 1.31 million parts and products was registered under this integrated management system. In fiscal 2016, we upgraded our system to respond to the shared information transmission scheme (chemSHERPA) on chemical substances contained in products.

Integrated Management System for Chemical Substances Contained in Products



Societal Performance

Companies are increasingly being called upon to create a business framework to advance CSR initiatives covering not only their own in-house activities but also their value chain.

Hitachi aims to continue fulfilling its social responsibilities throughout the value chain. We thus take meticulous care in ensuring the compliance, ethical conduct, and fairness of our own activities and those of our business partners. We also seek to offer safe and rewarding workplaces for all employees based on the belief that enabling them to fully realize their potential is the source of our sustainable growth.

Supply Chain Management

As a company that procures products and services from suppliers in regions and countries around the world, we are reviewing our own CSR standards, and auditing and cooperating with the CSR initiatives of our suppliers. Hitachi is also taking the lead in responding to the issue of conflict minerals by scrutinizing the countries where raw materials are mined in order to prevent infringements on human rights by countries engaged in conflict. Keeping abreast of global trends, we will continue to share and strengthen on a Group-wide basis our commitment to fulfilling our social responsibilities throughout the supply chain.

Creating and Sharing Procurement Policies

Our basic procurement policy is contained in the Hitachi Guidelines for Procurement Activities, drafted in line with the United Nations Global Compact and which call for the elimination of discrimination in employment and occupation, the rejection of all forms of child and forced labor, and environmental protection activities. Suppliers are selected strictly in accordance with the guidelines.

In fiscal 2016, we released the *Hitachi Group CSR Procurement Guidelines*, a full revision of the 2009 *Hitachi*

Group Supply Chain CSR Deployment Guidebook. This revision incorporates the provisions of the Hitachi Group Codes of Conduct and also makes references to version 5.1 of the Electronic Industry Citizenship Coalition (EICC) Code of Conduct, promulgated in January 2016. We distribute the *Guidelines* to the approximately 30,000 suppliers of Hitachi business units and Group companies, from whom we request acknowledgment of suppliers' understanding in writing.

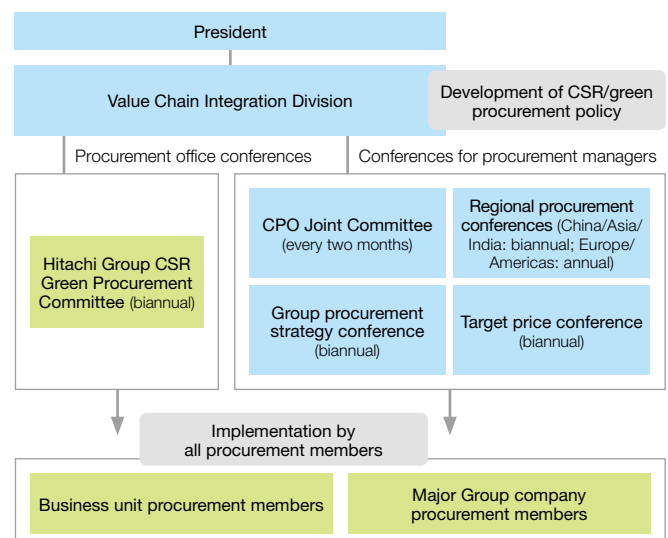
CSR Supply Chain Management Framework

CSR supply chain management and green procurement policies and initiatives are discussed within Hitachi's Value Chain Integration Division, which is headed by the chief procurement officer (CPO) and reports directly to the president of Hitachi, Ltd. Policies and initiatives adopted by the division are shared throughout the Group via the Hitachi Group CSR Green Procurement Committee, which includes members from business units and key Group companies.

In fiscal 2011, we appointed procurement officers to oversee local procurement in China, the rest of Asia, Europe, and the Americas. We are expanding our suppliers in emerging nations while also strengthening our response to CSR-related risks expected to arise from the global expansion of our supply chain.

In fiscal 2015, we introduced a new initiative to provide information directly to suppliers in a face-to-face format. The January 2017 CSR and green procurement seminar held in Shenzhen for Hitachi Group partners in China was attended by 45 people from 32 companies.

Supply Chain Management Organizational Structure



Implementation of CSR Monitoring (Self-Checks)

To monitor how well Hitachi's CSR supply chain management philosophy has been adopted by our suppliers, since fiscal 2007 we have asked key suppliers to conduct CSR Monitoring (self-checks) using the *JEITA Supply Chain CSR Deployment Guidebook* and detailed checklists, and in fiscal 2016 we collected checklists from 316 suppliers inside and outside Japan.

After analyzing the results, we provide feedback for the business operations related to the suppliers, and then work with those involved in the operations to resolve supplier-related issues.

Alongside the revisions made to the *Hitachi Group CSR Procurement Guidelines*, the checklists have also been fully updated to allow us to obtain a more detailed

understanding of the challenges our suppliers face. Starting in fiscal 2017, we will be asking our suppliers to conduct CSR Monitoring using the updated checklists.

CSR Monitoring (Self-Check) Results

FY	Suppliers in Japan	Suppliers outside Japan	Checklists collected
2012	57	41	98
2013	55	45	100
2014	0	200	200
2015	0	218	218
2016	198	118	316
Total*	310	724	1,034

* Total also includes self-check results from fiscal 2011.

Implementation of CSR Audits

Since July 2012, the Hitachi Group Procurement Division has been auditing the manufacturing bases of suppliers in China and the rest of Asia. Our audits are based on the international SA8000 certification standard developed by Social Accountability International (SAI), an American CSR evaluation institution, and are conducted by an EICC-recognized auditor, who checks suppliers' CSR initiatives from such perspectives as labor and human rights, health and safety, the environment, and ethics.

No major infringements were found at the 20 Asian suppliers audited in fiscal 2016, but some small areas needing improvement were noted, such as overtime work exceeding stipulated rules (19 suppliers), failure to conduct periodic inspections of machinery and equipment (6), and insufficient management of hazardous waste (9). We have mandated that suppliers affected by these issues submit improvement action plans and will be working with and advising them until they complete the planned improvements.

Human Rights Due Diligence in Procurement

Starting in fiscal 2015, the Hitachi Group Procurement Division began implementing human rights due diligence based on the Hitachi Group Human Rights Policy. With the consulting assistance of the nonprofit organization Shift, we have created a working group centered on the procurement and CSR divisions at Hitachi, Ltd.—which serve as the corporate divisions overseeing activities throughout the Group—and also including the procurement and CSR divisions of two in-house and four Group

companies and the CSR division of Hitachi Asia. The working group has evaluated human rights risks within the supply chain, set priorities, and considered measures for reducing risks.

In fiscal 2016, we published the revised *Hitachi Group CSR Procurement Guidelines* based on results obtained from activities in fiscal 2015 as well as input from a range of sources and perspectives, including Hitachi Europe Ltd., Hitachi (China), Ltd., and outside experts.

Response to the Conflict Minerals Issue

Each Hitachi Group company is investigating and responding to the issue of conflict minerals in line with our customers' requests based on Hitachi's conflict mineral policy.

Labor Practices

Hitachi has a human resource strategy that emphasizes the concept of “decent work” (that is, work that is humane and fulfilling). We make a thoroughgoing and meticulous effort to realize this ideal, actively pursuing dialogue with all employees on their basic rights and career development and setting up a variety of consultation opportunities as well as mechanisms—just in case—to report compliance abuses. We also implement a variety of initiatives reflecting the globalization of our business, from promoting diversity and inclusion in our human capital to globally implementing fair employee evaluation systems and working conditions.

Global Human Capital Development

Advancing Global Human Capital

Our global human capital management strategy optimizes both human and organizational performance. One example of our initiatives is the Global Human Capital Database covering all Hitachi Group employees, excluding factory workers outside Japan. This database enables us to fully ascertain the status of worldwide Group human capital. We have also built a global grading system that applies to all managers in the Hitachi Group worldwide, using it as a common platform for job evaluations throughout the Group and as a common standard for assessing the value of management duties.

We began to thoroughly revise our training of management candidates in fiscal 2015, implementing the Global Advanced Program for Key Positions (GAP-K) to

accelerate their development. In fiscal 2016, 23 people were selected to participate in GAP-K over a three-month period. Additionally, Hitachi has held the Global Advanced Program for Leadership Development (GAP-L) in Singapore every year since fiscal 2012. The program mainly targets local human resources with potential for leadership at the respective subsidiaries outside Japan. In fiscal 2016, 24 leaders from around the world took part in the program.

Starting in fiscal 2014, we also initiated a globally standardized training course for general managers and new managers. To date, around 7,200 people worldwide have taken part in this course across our Group.

Conducting a Global Employee Survey

Since fiscal 2013, we have been conducting an annual global employee survey called Hitachi Insights as a way of measuring employee engagement.* In September 2016, the survey was administered for the fourth time. Around 210,000 employees worldwide were sent the survey in one of 14 different languages, and roughly 180,000 responses were received.

The results for internal awareness and understanding of the 2018 Mid-term Management Plan and employee attitudes toward Hitachi’s corporate culture improved in all 14 categories, including those concerning the plan’s targets, compared to the findings of the previous fiscal year’s survey.

Scores were particularly high for “pride in your company” and “teamwork,” but those for “resources and support” remained low from fiscal 2015. Employees may have expected Hitachi to do better on the level of staffing as well as information and resource tools—a situation we will continue to address by reforming working patterns, introducing new tools, and deepening communication with employees.

* Hitachi uses the term “engagement” to refer to employees’ understanding of the company’s strategies and policies, as well as their job satisfaction and desire to take actions on their own initiative to bring about results.

Career Development Initiatives

Hitachi believes that the starting point of career development is the work that employees perform on a daily basis. Based on Hitachi’s Global Performance Management (GPM), we implement a cycle aimed at the growth of each employee through a process in which goals for daily tasks are set and then pursued, followed by the evaluation of the results to formulate the next objectives.

Along with our workplace-centered initiatives, we also provide direct support for individual employees through our career development programs. In fiscal 2002 we launched the Hitachi Career Development Workshop (H-CDW) as a

Group-wide initiative in Japan. Around 9,700 people have participated in the program so far (as of March 31, 2017), with a focus on technicians, managers, and researchers in their thirties. According to the January 2016 survey conducted of the most recent participants, about 80% of the 422 answers received from group managers and about 70% of the 277 answers from section chiefs agreed that “H-CDW has been helpful to my career development and work.” Of the responses from section chiefs, about 60% reported making use of their workshop experiences in managing subordinates.

Diversity and Inclusion

Promoting Diversity and Inclusion

Diversity is the wellspring of innovation and our growth engine. Hitachi regards personal differences—gender, nationality, work history, age, sexual orientation, and philosophy—as facets of people’s individuality. By respecting our employees’ individualities and positioning them as an advantage, Hitachi frames its diversity and inclusion as conducive to both the individual’s and the company’s sustainable growth.

Since the 1990s, we have been at the social forefront in supporting women and other members of our multifaceted workforce. This includes setting up systems to help balance work with child and nursing care. Entering Phase 3 of our diversity management roadmap, we are embracing diversity as a management strategy under the slogan of “Diversity for the Next 100.” This means creating

an environment where women and other members of our varied workforce can use their skills in leadership and business management. In October 2016, we introduced an Allowance for Balancing Child Care and Work to further promote balance between work and child care.

The Diversity Development Project, launched in fiscal 2006 under the president’s direct leadership, was replaced in fiscal 2009 with the Diversity & Inclusion Development Center, which currently operates under the direct supervision of the Human Capital Group.

Additionally, Hitachi and 17 Group companies jointly operate the Advisory Committee and the Diversity Development Council to accelerate awareness across Hitachi as a whole, including support for diverse human capital and work-life management.

Developing Women’s Careers

Hitachi, Ltd. has created two key performance indicators (KPIs), announced in fiscal 2013, to enable as many female employees as possible to take up leadership positions and to participate in management decision making. We organize a variety of seminars to boost women’s motivation and also take steps to enhance awareness and create a women-friendly corporate culture in workplaces as a whole—including managers and male employees. Employee compensation is set according to each individual’s roles and achievements, with no divisions or differences based on gender or age.

In November 2016, we hosted the first Global Women’s Summit for female employees of the Hitachi Group. Held in the United Kingdom, the event was attended by more than 120 staff members from 25 Group companies around the world and featured a keynote speech from an external speaker and workshops on topics ranging from unconscious bias to individual career development. The participants also shared stories about their careers and the issues they faced at their workplace.

Goals for Hitachi, Ltd. (KPIs)

- Appoint female executives by fiscal 2015 by promoting from within (including the CSR and Environmental Strategy Division chief as a corporate officer in April 2015).
- Increase the number of female managers in Japan to 1,000 by fiscal 2020 (2.5 times more than at the end of fiscal 2012).

Recruiting Human Capital in Europe

The railway business, which is an important business field for Hitachi, is promoting the recruitment of local human capital. We shifted the primary site of our railway business to London in 2014 and built a global operations framework managed by Hitachi, Ltd. and several other Group

companies, with 40% of senior management positions held by European personnel. The CEO of global operations is a London local who has since become an executive officer at Hitachi, Ltd.

Occupational Health and Safety

Fundamental Idea for Occupational Health and Safety

Ensuring the health and safety of all employees is the basic principle underlining the Hitachi Group Health and Safety Policy. This policy is shared by all Hitachi Group companies around the world. Employees work together to create safe, secure work environments that aim to be accident free.

Hitachi Group Health and Safety Policy

Principle ► “Health and Safety Comes First.”

Policies ► In accordance with our mission, “Contribute to society through the development of superior, original technology and products,” the Hitachi Group will endeavor to ensure safe and healthy workplaces under the principle of “Health and Safety Always Comes First.”

To accomplish this, we will:

1. Continually be involved in health and safety activities in order to prevent work-related injuries and sickness by designating the health and safety of employees as management’s top priority.
2. Comply with the local laws and regulations in each company regarding health and safety.
3. Develop a safe and comfortable work environment by encouraging employees to maintain their own health and taking a proactive stance on health and safety activities in the workplace.
4. Require an understanding of Hitachi’s principle and the promotion of health and safety awareness from all business partners of the Hitachi Group.
5. Contribute to the creation of a safe and pleasant society by emphasizing activities that make health and safety a top priority in all of Hitachi’s business activities.

Revised November 2013

Framework for Promoting Health and Safety

Hitachi views occupational health and safety as vital preconditions for advancing our business. Manufacturing and maintenance are particularly accident-prone lines of work, and we have around 36,000 employees performing work of this type in Japan. We promote a range of Group-wide occupational health and safety activities globally that include preventing workplace accidents by setting and applying minimum safety standards to be observed by Group manufacturers as well as taking additional measures tailored to the specific conditions at each company. We respond quickly when an accident occurs and use lessons from the incident to make improvements and boost our levels of health and safety management.

In accordance with Japanese law, a health and safety commission—composed of company representatives, labor-union officials, and employees—is convened every month to discuss and share information related to such issues as workplace accident causes and

countermeasures, the situation regarding employees who have taken sick leave, and other points of concern. In 2016, we recorded one fatal workplace accident in Japan and two in the rest of Asia.

We built the Hitachi Group Health and Safety Portal System in 2012 to ensure that the health and safety performance of every Hitachi Group company in Japan is shared by the entire Hitachi Group. Group-wide information on work accidents is registered in the system so that companies can track causes and see what preventive measures have been initiated. To help prevent recurrences, statistics are kept on types of accidents. Since 2014, we have carried out initiatives to share information on workplace accidents globally, including one that tracks and provides feedback on accidents occurring at Group companies outside of Japan.

Communicating CSR Initiatives and Material Issues

Building positive ties with our various business stakeholders is an important management issue that contributes to achieving not only a sustainable society but also to Hitachi's sustainable growth.

Hitachi views CSR as being centered on stakeholder engagement and continually implements initiatives in accordance with a nine-item framework for CSR management. We communicate our achievements through channels including the *Hitachi Sustainability Report* and also engage in stakeholder dialogue to build an even better relationship with society.

Items Covered in the *Hitachi Sustainability Report*

Themes	Material issues	GRI Standards
1 Recognition of social responsibility	Realizing sustainable, innovative management	GRI 203: Indirect economic impacts
	Understanding issues through dialogue and taking part in initiatives	
2 Corporate governance	Pursuing management transparency and efficiency	
	Sharing the Hitachi Group Identity	GRI 205: Anti-corruption GRI 419: Socioeconomic compliance
	Advancing risk management on multiple fronts	
3 Human rights	Respect for human rights throughout the value chain	GRI 412: Human rights assessment GRI 408: Child labor GRI 409: Forced or compulsory labor GRI 410: Security practices GRI 411: Rights of indigenous peoples GRI 414: Supplier social assessment
	Respect for workers' rights	GRI 402: Labor/management relations GRI 406: Non-discrimination GRI 407: Freedom of association and collective bargaining
4 Labor practices	Achieving a fair and equitable work environment	GRI 401: Employment GRI 402: Labor/management relations GRI 202: Market presence
	Promoting diversity and inclusion	GRI 405: Diversity and equal opportunity
	Promoting occupational health and safety	GRI 403: Occupational health and safety
	A strategy for growing together with our global human capital	GRI 404: Training and education
5 Environment	Promoting environmental management	GRI 201: Economic performance
	Enhancing environmental management on an ongoing basis	GRI 302: Energy GRI 305: Emissions GRI 306: Effluents and waste GRI 307: Environmental compliance GRI 308: Supplier environmental assessment GRI 404: Training and education
	Responding to environmental risks and opportunities	GRI 201: Economic performance
	Achieving a low-carbon society	GRI 301: Materials GRI 302: Energy GRI 305: Emissions
	Achieving a resource efficient society	GRI 303: Water GRI 306: Effluents and waste
	Achieving a harmonized society with nature	GRI 304: Biodiversity
6 Fair operating practices	Promoting work practices in line with international ethics codes	GRI 419: Socioeconomic compliance GRI 205: Anti-corruption GRI 206: Anti-competitive behavior GRI 415: Public policy
	Engaging in responsible procurement	GRI 204: Procurement practices GRI 414: Supplier social assessment GRI 308: Supplier environmental assessment
7 Customers (consumer issues)	Pursuing customer satisfaction	GRI 417: Marketing and labeling
	Ensuring accessibility to products and services	GRI 417: Marketing and labeling
	Ensuring thorough management of quality and safety	GRI 416: Customer health and safety GRI 418: Customer privacy GRI 419: Socioeconomic compliance
8 Community involvement and development	Promoting sustainable community involvement and development	GRI 413: Local communities
9 Review and improvement of CSR activities	Enhancing CSR management	