Results of Value Creation

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Information & Telecommunication Systems

Hitachi provides IT services that address customers’ diverse needs by combining Hitachi’s extensive expertise in a diverse range of business fields, including financial services, with advanced information technology. Our services cover the entire life cycle of systems, ranging from consulting to system integration, operation, maintenance, and other support.

Segment Performance

Revenues increased 1% to ¥2,008.9 billion, as compared with the year ended March 31, 2017, due mainly to higher revenues from system integration business in Japan and the impact of foreign currency translation.

Adjusted operating income increased ¥36.2 billion to ¥189.2 billion, as compared with the year ended March 31, 2017, due mainly to profitability improvement in system integration business in Japan and the effect of structural reform for the IT platform & products business.

EBIT increased ¥62.8 billion to ¥139.2 billion, as compared with the year ended March 31, 2017, due mainly to a decrease in business structural reform expenses as well as the increase in adjusted operating income.

Human Flow Visualization Utilizing CCTV

In a collaborative creation project with Tokyu Corporation, Hitachi has utilized Lumada technology to develop the “Eki-Shi Vision” monitoring service for gauging passenger congestion inside stations in real time based on CCTV (Closed-Circuit Television) footage.

As of the end of July 2018, the service covers 74 Tokyu Line stations, with plans to expand it to all stations on the Tokyu rail network (excluding the Kodomonokuni Line and the Setagaya Line) by the end of March 2019.

Analysis of images taken from CCTV using Hitachi’s people flow analysis technology automatically detects whether people are moving or stopped.

Each human image is replaced with a human-shaped icon and the analysis results are sent at one-minute intervals to the Tokyu Line smartphone app and cable TV feed. By providing information on station congestion level to help Tokyu rail network users choose whether to wait to take a train or take an alternative route if there is significant disruption, the service aims to relieve stress for users and enhance Tokyu rail network safety.

* Eki-Shi Vision is a registered trademark of Tokyu Corporation.
Social Infrastructure & Industrial Systems

Hitachi has a long and proven track record of high reliability in supporting people’s daily lives through such products and services as rolling stock and train management systems, power generation systems and transmission & distribution systems, elevators and escalators, and water solutions. It also offers industrial solutions and equipment to enhance the sophistication of manufacturing workplaces. Hitachi utilizes digital technologies to provide optimum solutions in addressing the issues and diversifying needs of customers worldwide.

Segment Performance

Revenues increased 2% to ¥2,375.0 billion, as compared with the year ended March 31, 2017, despite lower revenues from the power & energy business and shrink of less profitable business in industry & distribution field. This mainly reflected increased revenues from the railway systems business for the U.K. and that in the industrial products business due to the acquisition of Sullair brand air compressor business.

Adjusted operating income increased ¥38.5 billion to ¥115.5 billion, as compared with the year ended March 31, 2017, due mainly to an improvement in profitability of business for the industry & distribution field, power & energy business and industrial products business, despite a decrease in average sales price and an increase in procurement cost in elevators and escalators business in China.

EBIT was ¥101.2 billion, an improvement of ¥121.2 billion from the year ended March 31, 2017, because of the absence of impairment loss recognized in the preceding fiscal year in relation to the uranium enrichment business at an equity-method associate in the U.S.

Examples of Digital Solutions

In recent years, amid rapidly changing business conditions, manufacturers need to develop greater competitiveness to respond to trends such as increasingly fierce global competition, more diverse user requirements, and digitalization. Hitachi is providing smart manufacturing solutions based on Lumada to help customers in the manufacturing sector address these major challenges. One example is the development of the high-efficiency production model established at Omika Works into Lumada solutions. Hitachi offers innovative solutions that contribute to higher manufacturing productivity through IoT-enabled visualization of manufacturing workplace and related workflow, or the adoption of simulator to optimize production planning.

Hitachi is also developing solutions in collaborative creation with customers, such as initiatives to reinforce quality by building systems for detecting abnormal operator actions or facility operations at production sites using image-analysis technology. For customers focusing on skills transfer within the workforce, Hitachi is also building systems that use cameras and sensors to capture the expertise of veteran technicians in digital form as part of efforts to develop personnel and improve quality assurance.
Electronic Systems & Equipment

Drawing on the Hitachi Group’s advanced technologies, Hitachi provides systems supporting the information society, including semiconductor manufacturing equipment, measurement and analysis equipment, broadcasting and video systems, wireless communications and information systems, and healthcare solutions that support healthy lifestyles.

Segment Performance

Revenues decreased 7% to ¥1,086.5 billion, as compared with the year ended March 31, 2017, due mainly to the impact of deconsolidation of Hitachi Koki Co., Ltd. (now Koki Holdings Co., Ltd.) in the preceding fiscal year, despite higher sales of semiconductor manufacturing equipment at Hitachi Kokusai Electric Inc. and Hitachi High-Technologies Corporation.

Adjusted operating income increased ¥5.3 billion to ¥86.9 billion, as compared with the year ended March 31, 2017, due mainly to an increase in profit of Hitachi Kokusai Electric Inc. as a result of higher sales of semiconductor manufacturing equipment.

EBIT increased ¥22.0 billion to ¥88.8 billion, as compared with the year ended March 31, 2017, due mainly to the increased adjusted operating income as well as a decrease in business structural reform expenses of Hitachi Kokusai Electric Inc.

Examples of Digital Solutions

Predictive Maintenance Service for Superconducting MRI Systems

Superconducting MRI systems use powerful superconducting magnets to image the brain or other internal organs. Costs can quickly mount up if these machines unexpectedly break down, due to the need to reschedule scans and undertake emergency repairs. Hitachi has developed AI technology to predict potential breakdowns months in advance by analyzing vast amounts of sensor data acquired from superconducting MRI systems. This predictive maintenance service can help to reduce machine downtime, improving the efficiency of diagnostic procedures within the hospital and ensuring that patients can receive MRI scans with peace of mind. Going forward, Hitachi plans to expand predictive maintenance services to further improve the degree of machine utilization and hospital management by promoting greater utilization of digital data.

* The Company transferred all shares of Hitachi Kokusai Electric Inc. stock owned by the Company on May 31, 2018, and then, the Company partially re-acquired shares of Hitachi Kokusai Electric Inc. stock on June 4, 2018. As a result, Hitachi Kokusai Electric Inc. turned into an equity-method associate of the Company.
Construction Machinery

Leveraging decades of technological expertise and know-how, Hitachi offers solutions that address the needs of a broad range of industries, including civil engineering and construction, building and structural demolition, and mining and excavation. Hitachi also handles the sale, servicing, and maintenance of hydraulic excavators and other construction machinery to provide integrated solutions globally.

Segment Performance

Revenues increased 27% to ¥959.1 billion, as compared with the year ended March 31, 2017, due mainly to increased sales in China and other overseas countries, the effect of corporate acquisitions in Australia and the U.S. conducted by Hitachi Construction Machinery Co., Ltd. in the preceding fiscal year, and the impact of foreign currency translation.

Adjusted operating income increased ¥66.2 billion to ¥92.5 billion, as compared with the year ended March 31, 2017, due mainly to the increased revenues because of higher sales and the effect of the corporate acquisitions.

EBIT increased ¥74.3 billion to ¥97.0 billion, as compared with the year ended March 31, 2017, due mainly to the increased adjusted operating income as well as an increase in profit of an equity-method associate.

Examples of Digital Solutions

Introduction of Integrated Energy/Facilities Data Management Service EMilia

In the Construction Machinery segment, Hitachi has deployed EMilia, an integrated management service for energy/facilities data management, at five production plants in Japan making hydraulic excavators and wheel loaders. EMilia is a Lumada solution that can realize benefits such as energy savings, improved operational efficiency and enhanced business continuity planning (BCP) through the centralized management of energy and facilities data from multiple sites. The EMilia system collects and visualizes power-related data from monitoring points on around 14,000 breakers installed on the roughly 1,000 pieces of capital equipment located in Hitachi Construction Machinery’s domestic production plants. The analysis and management of power data at this level enables finer control, cutting peak power and realizing other savings through reductions in standby power consumption. In the future, Hitachi aims to develop EMilia to realize even smarter factories, based on the collection and analysis of production management data relating to areas such as product manufacturing history and facilities maintenance. This promises not only to realize energy savings, but also to enable shorter production lead-times and predictive maintenance of onsite facilities, based on real-time understanding of the energy requirements of each machine, process and production line; the cost of production; and the incidence of emergency repairs.
High Functional Materials & Components

Hitachi draws on its wealth of technological expertise and know-how to provide a variety of materials and components—such as semiconductor- and display-related materials, synthetic resin products, specialty steels, magnetic materials, casting components, and wires and cables—that enable advanced functions in products for such sectors as autos, IT and consumer electronics, and industrial and social infrastructure. Business operations are focused in Asia, North America, and Europe.

Segment Performance

Revenues increased 13% to ¥1,657.5 billion, as compared with the year ended March 31, 2017, due mainly to increased sales of electronics- and automotive-related products at Hitachi Metals, Ltd. and Hitachi Chemical Company, Ltd., the effect of acquisitions in Italy, etc. by Hitachi Chemical Company, Ltd., and the increase in sales price linked to higher raw material costs for Hitachi Metals, Ltd.

Adjusted operating income increased ¥1.9 billion to ¥121.8 billion, as compared with the year ended March 31, 2017, due mainly to increased revenues, despite of Hitachi Metals, Ltd. having a drop in profitability of heat-resistant exhaust casting components business and aluminum wheels business, and rise in raw materials prices.

EBIT decreased ¥24.6 billion to ¥98.6 billion, as compared with the year ended March 31, 2017, due mainly to recognition of impairment loss at Hitachi Metals, Ltd. in relation to deteriorated profitability of the aluminum wheel business as well as absence of gain on business reorganization and others recorded in the previous fiscal year, and due to posting expenses related to competition law and others at Hitachi Chemical Company, Ltd.

Data-Visualization Solution to Prevent Inventory Shortfalls in Businesses with Short Delivery Lead-Times and Seasonal Demand Patterns

To help prevent product lines running out of stock within a rapidly changing business environment, characterized by short delivery lead-times and seasonal demand volatility, Hitachi Chemical developed its own data-visualization solution. This case was registered as a Lumada customer case in October 2017. Collecting real-time data on orders, inventories, and shipments from every site, the solution integrates information across sites by using business intelligence tools to show changes in volumes for every product in dashboard format. To ensure full transparency, the dashboard information is also continually displayed on monitors inside offices to promote early measures to mitigate the risk of product lines running out of stock. By supporting more appropriate production planning and inventory management, the solution is helping to eliminate such occurrences.
Automotive Systems

To contribute to the realization of an affluent society by creating new value-added systems, products, and services through the harmonization of people, vehicles, and society, Hitachi is accelerating its technological development in the fields of environment and safety. We will further develop our Advanced Vehicle Control System, integrating our safety and information technologies with the Hitachi Group's social infrastructure services to meet society’s needs for environmental conservation, accident elimination, and traffic congestion reduction.

Segment Performance

Revenues increased 1% to ¥1,001.0 billion, as compared with the year ended March 31, 2017, due mainly to increased sales in China, despite of sales decrease of car information systems business and demand decrease in North America.

Adjusted operating income decreased ¥6.7 billion to ¥49.5 billion, due mainly to profitability deterioration of car information systems business and sales decrease in North America of Clarion Co., Ltd.

EBIT decreased ¥23.4 billion to ¥42.4 billion, as compared with the year ended March 31, 2017, due mainly to the decrease in adjusted operating income as well as absence of gain on sales and disposals of fixed assets in the preceding fiscal year.

Examples of Digital Solutions

Wireless Update Solution for Automotive Software

Software penetration in automobiles has increased in recent years with the greater use of electronics. Timely post-manufacture updates to ECU*1 automotive control software are increasingly needed, too, either for security purposes or adding new functionality to vehicles connected to infrastructure enhancements. The Hitachi Group offers a wireless solution for OTA*2 software updates.

The updated software is received by an onboard wireless receiver and transmitted to the ECU via a gateway board fitted with chips that have OTA software update control and security functions. In addition to this OTA software update solution, the Hitachi Group is actively developing other equipment and solutions to support wider commercialization of connected cars and other types of autonomous vehicles.

*1 ECU: Electronic Control Unit
*2 OTA: Over-the-Air
Exiida Remote Monitoring Service Provides IoT Solution for Air-Conditioning

Since April 2018, Hitachi has been developing Exiida*1 as a service business for creating new value and broadening the possibilities for air-conditioning, based on the utilization of various data and know-how relating to air-conditioning, heating, and cooling systems. This remote monitoring service for commercial refrigeration and scroll & screw chillers (including equipment for creating the chilled water used in office or factory air-conditioning systems) can enable predictive maintenance of such equipment by detecting reliable indicators of pending malfunctions, based on the application of machine learning over a certain period to normal operating data collected from similar equipment. The aim of the service is to curtail opportunity losses for customers due to unexpected breakdowns in air-conditioning or other heating and cooling systems. Building on the equipment maintenance expertise amassed by Hitachi to date, Exiida data analysis is based on patented Hitachi technology that utilizes the LSC*2 classification approach.

*1 The name “Exida” incorporates the elements of Expansion (as a prefix), Internet, Individuality and Data to express the concept of addressing the challenge of creating new value through the connection of Hitachi air-conditioning or other heating and cooling systems to the Internet.

*2 LSC: Local Subspace Classifier (a type of classification protocol)
### 10-Year Financial Data

#### U.S. GAAP

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>¥10,000,369</td>
<td>¥9,686,546</td>
<td>¥9,315,807</td>
<td>¥9,665,883</td>
<td>¥9,041,071</td>
<td>¥9,563,791</td>
<td>¥9,761,970</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>127,146</td>
<td>202,159</td>
<td>444,508</td>
<td>412,280</td>
<td>422,028</td>
<td>538,288</td>
<td>600,479</td>
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<tr>
<td><strong>EBIT (Earnings before interest and taxes)</strong></td>
<td>(275,239)</td>
<td>77,815</td>
<td>443,812</td>
<td>573,218</td>
<td>358,015</td>
<td>585,662</td>
<td>551,018</td>
</tr>
<tr>
<td><strong>Net income (loss) attributable to Hitachi, Ltd. stockholders</strong></td>
<td>(787,337)</td>
<td>(106,961)</td>
<td>238,869</td>
<td>347,179</td>
<td>175,326</td>
<td>264,975</td>
<td>241,301</td>
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<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>558,947</td>
<td>798,299</td>
<td>841,554</td>
<td>447,155</td>
<td>583,508</td>
<td>439,406</td>
<td>250,335</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>(550,008)</td>
<td>(530,595)</td>
<td>(260,346)</td>
<td>(195,584)</td>
<td>(553,457)</td>
<td>(491,363)</td>
<td>(610,255)</td>
</tr>
<tr>
<td><strong>Free cash flows</strong></td>
<td>8,939</td>
<td>267,704</td>
<td>581,208</td>
<td>251,571</td>
<td>30,051</td>
<td>(51,957)</td>
<td>(162,907)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td>284,388</td>
<td>(502,344)</td>
<td>(584,176)</td>
<td>(167,838)</td>
<td>(180,445)</td>
<td>32,968</td>
<td>250,335</td>
</tr>
<tr>
<td><strong>Cash dividends declared</strong></td>
<td>9,971</td>
<td>-</td>
<td>36,133</td>
<td>36,727</td>
<td>47,690</td>
<td>50,711</td>
<td>57,944</td>
</tr>
<tr>
<td><strong>Capital expenditures</strong> (Property, plant and equipment)</td>
<td>788,466</td>
<td>546,326</td>
<td>556,873</td>
<td>649,234</td>
<td>742,537</td>
<td>849,877</td>
<td>848,716</td>
</tr>
<tr>
<td><strong>Depreciation</strong> (Property, plant and equipment)</td>
<td>478,759</td>
<td>441,697</td>
<td>382,732</td>
<td>360,358</td>
<td>300,664</td>
<td>329,833</td>
<td>349,614</td>
</tr>
<tr>
<td><strong>R&amp;D expenditures</strong></td>
<td>416,517</td>
<td>372,470</td>
<td>395,180</td>
<td>412,514</td>
<td>341,310</td>
<td>351,426</td>
<td>335,155</td>
</tr>
<tr>
<td><strong>At year-end:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>9,403,709</td>
<td>8,964,464</td>
<td>9,185,629</td>
<td>9,418,526</td>
<td>9,809,230</td>
<td>11,016,899</td>
<td>12,395,379</td>
</tr>
<tr>
<td><strong>Property, plant and equipment</strong></td>
<td>2,393,946</td>
<td>2,219,804</td>
<td>2,111,270</td>
<td>2,025,538</td>
<td>2,279,964</td>
<td>2,342,091</td>
<td>2,564,105</td>
</tr>
<tr>
<td><strong>Total Hitachi, Ltd. stockholders’ equity</strong></td>
<td>1,049,951</td>
<td>1,284,658</td>
<td>1,439,865</td>
<td>1,771,782</td>
<td>2,082,560</td>
<td>2,651,241</td>
<td>2,930,309</td>
</tr>
<tr>
<td><strong>Interest-bearing debt</strong></td>
<td>315.86</td>
<td>287.13</td>
<td>318.73</td>
<td>382.26</td>
<td>431.13</td>
<td>549.02</td>
<td>606.87</td>
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#### Financial ratios:

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating income ratio</strong></td>
<td>1.3</td>
<td>2.3</td>
<td>4.8</td>
<td>4.3</td>
<td>4.7</td>
<td>5.6</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>EBIT ratio</strong></td>
<td>-2.8</td>
<td>0.9</td>
<td>4.8</td>
<td>5.9</td>
<td>4.0</td>
<td>6.1</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>Return on revenues</strong></td>
<td>-7.9</td>
<td>-1.2</td>
<td>2.6</td>
<td>3.6</td>
<td>1.9</td>
<td>2.8</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Return on equity (ROE)</strong></td>
<td>-48.9</td>
<td>-9.2</td>
<td>17.5</td>
<td>21.6</td>
<td>9.1</td>
<td>11.2</td>
<td>8.6</td>
</tr>
<tr>
<td><strong>Return on assets (ROA)</strong></td>
<td>-8.0</td>
<td>-0.9</td>
<td>3.3</td>
<td>4.4</td>
<td>2.5</td>
<td>3.5</td>
<td>3.1</td>
</tr>
<tr>
<td><strong>D/E ratio (Including non-controlling interests) (times)</strong></td>
<td>1.29</td>
<td>1.04</td>
<td>1.03</td>
<td>0.86</td>
<td>0.75</td>
<td>0.73</td>
<td>0.78</td>
</tr>
<tr>
<td><strong>Total Hitachi, Ltd. stockholders’ equity ratio</strong></td>
<td>11.2</td>
<td>14.3</td>
<td>15.7</td>
<td>18.8</td>
<td>21.2</td>
<td>24.1</td>
<td>23.6</td>
</tr>
</tbody>
</table>

#### 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. 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.

5. 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
<table>
<thead>
<tr>
<th>IFRS</th>
<th>Millions of yen</th>
</tr>
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<tbody>
<tr>
<td>For the year: FY2013</td>
<td>FY2014</td>
</tr>
<tr>
<td>Revenues</td>
<td>¥9,666,446</td>
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<tr>
<td>Adjusted operating income</td>
<td>604,798</td>
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<tr>
<td>EBIT</td>
<td>691,230</td>
</tr>
<tr>
<td>Net income attributable to Hitachi, Ltd. stockholders</td>
<td>413,877</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>306,777</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(550,179)</td>
</tr>
<tr>
<td>Free cash flows</td>
<td>(243,402)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>228,840</td>
</tr>
<tr>
<td>Cash dividends declared</td>
<td>50,711</td>
</tr>
<tr>
<td>Capital expenditures (Property, plant and equipment)</td>
<td>491,170</td>
</tr>
<tr>
<td>Depreciation (Property, plant and equipment)</td>
<td>331,228</td>
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<td>R&amp;D expenditures</td>
<td>354,487</td>
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<td>At year-end:</td>
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<tr>
<td>Total assets</td>
<td>11,098,191</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>2,258,933</td>
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<tr>
<td>Total Hitachi, Ltd. stockholders’ equity</td>
<td>2,668,657</td>
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<tr>
<td>Interest-bearing debt</td>
<td>3,033,985</td>
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<td>Per share data:</td>
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<tr>
<td>Earnings per share attributable to Hitachi, Ltd. stockholders:</td>
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<tr>
<td>Basic</td>
<td>¥85.69</td>
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<tr>
<td>Diluted</td>
<td>85.66</td>
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<tr>
<td>Cash dividends declared</td>
<td>10.5</td>
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<tr>
<td>Total Hitachi, Ltd. stockholders’ equity</td>
<td>552.62</td>
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<tr>
<td>Financial ratios:</td>
<td></td>
</tr>
<tr>
<td>Adjusted operating income ratio</td>
<td>6.3</td>
</tr>
<tr>
<td>EBIT ratio</td>
<td>7.2</td>
</tr>
<tr>
<td>Return on revenues</td>
<td>4.3</td>
</tr>
<tr>
<td>Return on equity (ROE)</td>
<td>17.5</td>
</tr>
<tr>
<td>Return on assets (ROA)</td>
<td>5.0</td>
</tr>
<tr>
<td>D/E ratio (Including non-controlling interests) (times)</td>
<td>0.78</td>
</tr>
<tr>
<td>Total Hitachi, Ltd. stockholders’ equity ratio</td>
<td>24.0</td>
</tr>
</tbody>
</table>

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 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.
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
### Human Capital Development

<table>
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<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>323,919</td>
<td>336,670</td>
<td>335,244</td>
<td>303,887</td>
<td>307,275</td>
</tr>
<tr>
<td>Consolidated</td>
<td>323,919</td>
<td>336,670</td>
<td>335,244</td>
<td>303,887</td>
<td>307,275</td>
</tr>
<tr>
<td>Non-consolidated</td>
<td>33,500</td>
<td>31,375</td>
<td>37,353</td>
<td>35,631</td>
<td>34,925</td>
</tr>
<tr>
<td>Average service (years)*1</td>
<td>18.3</td>
<td>18.4</td>
<td>18.4</td>
<td>18.6</td>
<td>18.8</td>
</tr>
<tr>
<td>Turnover ratio (%)**</td>
<td>1.4</td>
<td>1.4</td>
<td>1.3</td>
<td>1.5</td>
<td>1.5</td>
</tr>
</tbody>
</table>

### Diversity and Inclusion

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of female employees (%)*1</td>
<td>16.6</td>
<td>16.3</td>
<td>16.5</td>
<td>16.8</td>
<td>17.2</td>
</tr>
<tr>
<td>Global ratio (number) of female managers*3</td>
<td>5.6</td>
<td>6.0</td>
<td>6.4</td>
<td>6.3</td>
<td>6.4</td>
</tr>
<tr>
<td>(3,415)</td>
<td>(3,670)</td>
<td>(3,727)</td>
<td>(3,365)</td>
<td>(3,459)</td>
<td></td>
</tr>
<tr>
<td>Ratio (number) of female managers*4</td>
<td>3.8</td>
<td>3.7</td>
<td>4.0</td>
<td>4.1</td>
<td>4.2</td>
</tr>
<tr>
<td>(418)</td>
<td>(434)</td>
<td>(474)</td>
<td>(509)</td>
<td>(577)</td>
<td></td>
</tr>
<tr>
<td>Employment ratio of people with disabilities (%)*5</td>
<td>2.02</td>
<td>2.03</td>
<td>2.08</td>
<td>2.11</td>
<td>2.15</td>
</tr>
<tr>
<td>Paid leave ratio (%)*6</td>
<td>64.7</td>
<td>64.3</td>
<td>65.3</td>
<td>68.1</td>
<td>72.0</td>
</tr>
<tr>
<td>Average overtime hours/month*1</td>
<td>13.5</td>
<td>12.2</td>
<td>11.9</td>
<td>12.8</td>
<td>10.9</td>
</tr>
</tbody>
</table>

### Global Human Capital

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of non-Japanese employees*6</td>
<td>340</td>
<td>446</td>
<td>509</td>
<td>638</td>
<td>708</td>
</tr>
</tbody>
</table>

### Occupational Health and Safety*7

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of fatal accidents*1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Occupational accident rate*1</td>
<td>0.10</td>
<td>0.09</td>
<td>0.07</td>
<td>0.18</td>
<td>0.17</td>
</tr>
<tr>
<td>Occupational accident rate*4</td>
<td>0.14</td>
<td>0.27</td>
<td>0.22</td>
<td>0.18</td>
<td>0.25</td>
</tr>
</tbody>
</table>

### Research and Development

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of R&amp;D expenditure to revenue (%)</td>
<td>3.7</td>
<td>3.4</td>
<td>3.3</td>
<td>3.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Patent application ratio outside Japan (%)</td>
<td>59</td>
<td>59</td>
<td>59</td>
<td>57</td>
<td>56</td>
</tr>
</tbody>
</table>

### Environment

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of reduction in CO₂ emissions from use of products and services (base: FY2010)*1 (%)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>35</td>
<td>33</td>
</tr>
<tr>
<td>CO₂ emissions from factories and offices (kt-CO₂)</td>
<td>4,165</td>
<td>4,128</td>
<td>3,895</td>
<td>4,577*1</td>
<td>4,663*2</td>
</tr>
<tr>
<td>Water use (million m³)</td>
<td>49.55</td>
<td>46.86</td>
<td>43.91</td>
<td>41.34*2</td>
<td>38.54*3</td>
</tr>
<tr>
<td>Waste and valuables generation (kt)</td>
<td>677</td>
<td>692</td>
<td>618</td>
<td>1,336*3</td>
<td>1,356*3</td>
</tr>
<tr>
<td>Atmospheric emissions of chemical substances (t)</td>
<td>4,216</td>
<td>4,415</td>
<td>3,615</td>
<td>4,380*3</td>
<td>4,223*3</td>
</tr>
</tbody>
</table>

### Engaging in Responsible Procurement

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of audits by external auditing organizations</td>
<td>16</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>18</td>
</tr>
</tbody>
</table>

### Independent Assurance of Environmental and Social Data

To enhance the reliability of the data disclosed in the Hitachi Sustainability Report 2018, we have received independent assurance of key environmental and social performance indicators by KPMG AZSA Sustainability Co., Ltd. Please refer to the Third-Party Assurance Report on page 135 of the Hitachi Sustainability Report 2018.

Operating and Financial Review

Operating Results

Summary

<table>
<thead>
<tr>
<th></th>
<th>Billions of yen</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years ended March 31:</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Revenues</td>
<td>¥9,162.2</td>
<td>¥9,368.6</td>
</tr>
<tr>
<td>EBIT</td>
<td>475.1</td>
<td>644.2</td>
</tr>
<tr>
<td>Income from continuing operations, before income taxes</td>
<td>469.0</td>
<td>638.6</td>
</tr>
<tr>
<td>Net income attributable to Hitachi, Ltd. stockholders</td>
<td>231.2</td>
<td>362.9</td>
</tr>
</tbody>
</table>

Analysis of Statement of Operations

Revenues increased 2% to ¥9,368.6 billion, as compared with the year ended March 31, 2017, despite the effect of the move to transform the business portfolio such as conversion of Hitachi Capital Corporation and Hitachi Transport System, Ltd., into equity-method affiliates and deconsolidation of Hitachi Koki Co., Ltd. (now Koki Holdings Co., Ltd.) in the year ended March 31, 2017. This increase was due mainly to higher revenues in the Construction Machinery segment, in which overseas sales increased mainly in China, and in the High Functional Materials & Components segment, in which sales of electronics- and automotive-related products increased.

Cost of sales increased 1% to ¥6,866.5 billion, as compared with the year ended March 31, 2017, and the ratio of cost of sales to revenues was 73%, a decrease of 1% from the year ended March 31, 2017. Gross profit increased 5% to ¥2,502.0 billion, as compared with the year ended March 31, 2017.

Selling, general and administrative expenses were ¥1,787.4 billion, which was the same level as for the year ended March 31, 2017, and the ratio of selling, general and administrative expenses to revenues was 19%, as compared with 20% for the year ended March 31, 2017.

Adjusted operating income increased by ¥127.3 billion to ¥714.6 billion yen, as compared with the year ended March 31, 2017. The increase was due mainly to higher profits owing to increased revenues in the Construction Machinery segment, profitability improvement for the industry & distribution field, the power and energy business, and the industrial equipment business in the Social Infrastructure & Industrial Systems segment. The increase was also attributable to higher profits in the Information & Telecommunication Systems segment owing to an improvement in the profitability of the system integration business in Japan and the effect of the structural reform implemented in the year ended March 31, 2017.

Other income decreased ¥88.6 billion to ¥12.0 billion and other expenses decreased ¥5.8 billion to ¥140.6 billion, as compared with the year ended March 31, 2017, respectively. The details are as follows. Net gain on sales and disposal of fixed assets worsened by ¥17.6 billion and turned to a loss of ¥2.5 billion, as compared with the year ended March 31, 2017. Impairment losses decreased ¥19.9 billion to ¥48.6 billion, as compared with the year ended March 31, 2017. This mainly reflected impairment losses on intangible assets, etc., in the Information & Telecommunication Systems segment. Net gain on business reorganization and others decreased ¥71.5 billion to ¥9.7 billion, as compared with the year ended March 31, 2017, due mainly to the absence of the partial sale of the shares of Hitachi Transport System, Ltd. and the sale of Hitachi Koki Co., Ltd. shares recorded in the year ended March 31, 2017. Special termination benefits decreased ¥8.9 billion to ¥15.7 billion, as compared with the year ended March 31, 2017. Expenses related to competition law and others increased ¥7.5 billion to ¥14.2 billion, as compared with the year ended March 31, 2017.

Financial income (excluding interest income) was ¥7.0 billion, the same level as for the year ended March 31, 2017, and financial expenses (excluding interest charges) decreased ¥14.9 billion to ¥11.2 billion, as compared with the year ended March 31, 2017.

Share of profits of investments accounted for using the equity method was ¥62.4 billion, an improvement of ¥109.6 billion from the year ended March 31, 2017, for which an impairment loss for the uranium enrichment business at a U.S. equity-method associate was posted in the Social Infrastructure & Industrial Systems segment.

As a result of the foregoing, EBIT increased ¥169.0 billion to ¥644.2 billion, as compared with the year ended March 31, 2017.

Interest income increased ¥2.0 billion to ¥14.9 billion and interest charges increased ¥1.5 billion to ¥20.5 billion, as compared with the year ended March 31, 2017, respectively.

Income from continuing operations, before income taxes increased ¥169.5 billion to ¥638.6 billion, as compared with the year ended March 31, 2017.

Income taxes increased ¥6.5 billion to ¥131.7 billion, as compared with the year ended March 31, 2017, due mainly to increased income from continuing operations, before income taxes.

Loss from discontinued operations increased ¥10.0 billion to ¥16.0 billion, as compared with the year ended March 31, 2017.

Net income increased ¥152.8 billion to ¥490.9 billion, as compared with the year ended March 31, 2017.

Net income attributable to non-controlling interests increased ¥21.1 billion to ¥127.9 billion, as compared with the year ended March 31, 2017.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased ¥131.7 billion to ¥362.9 billion, as compared with the year ended March 31, 2017.

Revenues by Geographic Area

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

<table>
<thead>
<tr>
<th></th>
<th>Billions of yen</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years ended March 31:</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Japan</td>
<td>¥4,757.6</td>
<td>¥4,643.0</td>
</tr>
<tr>
<td>Overseas Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>4,404.5</td>
<td>4,725.5</td>
</tr>
<tr>
<td>Asia</td>
<td>1,860.7</td>
<td>2,081.1</td>
</tr>
<tr>
<td>North America</td>
<td>1,144.0</td>
<td>1,177.5</td>
</tr>
<tr>
<td>Europe</td>
<td>972.6</td>
<td>964.4</td>
</tr>
<tr>
<td>Other Areas</td>
<td>427.1</td>
<td>502.3</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>¥9,162.2</td>
<td>¥9,368.6</td>
</tr>
</tbody>
</table>
Japan
Revenues in Japan decreased 2% to ¥4,643.0 billion, as compared with the year ended March 31, 2017. This was due mainly to reduced revenues in the Social Infrastructure & Industrial Systems segment, etc. and due to the conversion of Hitachi Transport System, Ltd. and Hitachi Capital Corporation to equity-method associates in the previous fiscal year, despite increased revenues in the High Functional Materials & Components segment.

Overseas
(Asia)
Revenues in Asia increased 12% to ¥2,081.1 billion, as compared with the year ended March 31, 2017. This was due mainly to higher revenues in the Electronic Systems & Equipment segment, Construction Machinery segment, and High Functional Materials & Components segment, etc., despite reduced revenues as a result of the conversion of Hitachi Transport System, Ltd. and Hitachi Capital Corporation to equity-method associates.

(North America)
Revenues in North America increased 3% to ¥1,177.5 billion, as compared with the year ended March 31, 2017. This was due mainly to the higher revenues in the Social Infrastructure & Industrial Systems segment gained by the industrial products business expansion by acquisition and higher revenues in the Construction Machinery segment, despite reduced revenues in the Electronic Systems & Equipment segment due to the impact of the deconsolidation of Hitachi Koki Co., Ltd.

(Europe)
Revenues in Europe decreased 1% to ¥964.4 billion, as compared with the year ended March 31, 2017. This was due mainly to the impact of deconsolidation of Hitachi Koki Co., Ltd. and the conversion of Hitachi Capital Corporation to an equity-method associate. This decrease was almost partially offset by higher revenues in the Social Infrastructure & Industrial Systems segment, reflecting substantial sales growth in the railway systems business, and higher revenues in the High Functional Materials & Components segment due mainly to acquisitions.

(Other Areas)
Revenues in other areas increased 18% to ¥502.3 billion, as compared with the year ended March 31, 2017. This was due mainly to higher revenues in Construction Machinery segment owing to acquisitions, etc. As a result of the foregoing, overseas revenues increased 7% to ¥4,725.5 billion, as compared with the year ended March 31, 2017, and the ratio to total revenues was 50%, which was 2% increase as compared with the year ended March 31, 2017.

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 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, 2018, our unused commitment lines totaled ¥503.2 billion, including those 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, 2018 were as follows:

<table>
<thead>
<tr>
<th>Rating Company</th>
<th>Long-term</th>
<th>Short-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody’s</td>
<td>A3</td>
<td>P–2</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>A-</td>
<td>A–2</td>
</tr>
<tr>
<td>R&amp;I</td>
<td>A+</td>
<td>a–1</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Years ended March 31:</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>¥ 629.5</td>
<td>¥ 727.1</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(337.9)</td>
<td>(474.3)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(209.5)</td>
<td>(321.4)</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>(16.1)</td>
<td>1.3</td>
</tr>
<tr>
<td>Change in cash and cash equivalents</td>
<td>65.9</td>
<td>(67.2)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>699.3</td>
<td>765.2</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>¥ 765.2</td>
<td>¥ 697.9</td>
</tr>
</tbody>
</table>

(Cash Flows from Operating Activities)
Net income in the year ended March 31, 2018 increased by ¥152.8 billion, as compared with the year ended March 31, 2017. Net cash outflow from a change in inventories increased by ¥158.4 billion, as compared with the year ended March 31, 2017. Net cash flow from a change in trade payables deteriorated by ¥13.6 billion. Net cash flow from a change in trade receivables improved by ¥244.0 billion. As a result, net cash outflow from changes in working capital decreased. As a result of the foregoing, net cash provided by operating activities was ¥727.1 billion in the year ended March 31, 2018, an increase of ¥97.5 billion compared with the year ended March 31, 2017.

(Cash Flows from Investing Activities)
Net amount of investments related to property, plant and equipment was ¥406.4 billion, a decrease of ¥56.1 billion as compared with the year ended March 31, 2017. Proceeds from sales of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) decreased by ¥70.7 billion compared with the year ended March 31, 2017, due mainly to the acquisition of “Sullair” air compressor business. As a result of the foregoing, net cash used in investing activities was ¥474.3 billion in the year ended March 31, 2018, an increase of ¥136.3 billion compared with the year ended March 31, 2017.

As a result of the above items, as of March 31, 2018, cash and cash equivalents amounted to ¥697.9 billion, a decrease of ¥67.2 billion from March 31, 2017. Free cash flows, the sum of cash flows from operating and investing activities, were an inflow of ¥252.8 billion in the year ended March 31, 2018, a decrease of ¥38.7 billion from the year ended March 31, 2017.

Assets, Liabilities, and Equity
As of March 31, 2018, total assets amounted to ¥10,106.6 billion, an increase of ¥442.6 billion from March 31, 2017. This was due mainly to the acquisition of “Sullair” air compressor business in the Social Infrastructure & Industrial Systems segment and corporate acquisitions undertaken by Hitachi Chemical Company, Ltd. in the High Functional Materials & Components segment. Cash and cash equivalents as of March 31, 2018 amounted to ¥697.9 billion, a decrease of ¥67.2 billion from the amount as of March 31, 2017.

As of March 31, 2018, total interest-bearing debt, the sum of short-term debt and long-term debt, amounted to ¥1,050.2 billion, a decrease of ¥126.3 billion from March 31, 2017 as a result of bond redemption and repayment of borrowings. As of March 31, 2018, short-term debt, consisting mainly of borrowings from banks and commercial paper, amounted to ¥121.4 billion, a decrease of ¥74.9 billion from March 31, 2017. As of March 31, 2018, current portion of long-term debt amounted to ¥117.1 billion, a decrease of ¥73.0 billion from March 31, 2017. As of March 31, 2018, long-term debt (excluding current portion), consisting mainly of debentures, and loans principally from banks and insurance companies, amounted to ¥811.6 billion, an increase of ¥21.6 billion from March 31, 2017.

As of March 31, 2018, total Hitachi, Ltd. stockholders’ equity amounted to ¥3,278.0 billion, an increase of ¥310.9 billion from March 31, 2017. This is due mainly to posting net income attributable to Hitachi, Ltd. stockholders. As a result, the ratio of total Hitachi, Ltd. stockholders’ equity to total assets as of March 31, 2018 was 32.4%, compared with 30.7% as of March 31, 2017.

Non-controlling interests as of March 31, 2018 were ¥1,233.6 billion, an increase of ¥103.7 billion from March 31, 2017.

Total equity as of March 31, 2018 was ¥4,511.6 billion, an increase of ¥414.6 billion from March 31, 2017. The ratio of interest-bearing debt to total equity was 0.23, compared with 0.29 as of March 31, 2017.
## Consolidated Statement of Financial Position
March 31, 2018 and 2017

### Assets

<table>
<thead>
<tr>
<th></th>
<th>2017 (¥)</th>
<th>2018 (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥765,242</td>
<td>¥697,964</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>2,433,149</td>
<td>2,501,414</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,225,907</td>
<td>1,375,232</td>
</tr>
<tr>
<td>Investments in securities and other financial assets</td>
<td>388,792</td>
<td>373,324</td>
</tr>
<tr>
<td>Other current assets</td>
<td>189,516</td>
<td>203,866</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>5,002,606</td>
<td>5,151,800</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>691,251</td>
<td>743,407</td>
</tr>
<tr>
<td>Investments in securities and other financial assets</td>
<td>758,350</td>
<td>716,431</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>1,998,411</td>
<td>2,124,827</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>919,201</td>
<td>1,054,370</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>294,098</td>
<td>315,768</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>4,661,311</td>
<td>4,954,803</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>¥9,663,917</td>
<td>¥10,106,603</td>
</tr>
</tbody>
</table>

Note: Changes in presentation have been made due to materiality of some accounts balances as a result of business reorganization and others. ‘Investments in securities and other financial assets,’ which were included in ‘Other current assets’ as of March 31, 2017, have been reclassified and presented separately. ‘Lease receivables,’ which were separately presented under current and non-current assets, have been included in ‘Investments in securities and other financial assets’ under current and non-current assets, respectively. ‘Other financial liabilities,’ which were separately presented under non-current liabilities, have been included in ‘Other non-current liabilities.’ The consolidated statement of financial position as of March 31, 2017 has been reclassified in order to reflect these changes in presentation.
### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term debt</td>
<td>¥196,357</td>
<td>¥121,439</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>190,233</td>
<td>117,191</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>274,270</td>
<td>254,735</td>
</tr>
<tr>
<td>Trade payables</td>
<td>1,402,233</td>
<td>1,536,983</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>1,657,766</td>
<td>1,765,046</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>3,720,859</td>
<td>3,795,394</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>790,013</td>
<td>811,664</td>
</tr>
<tr>
<td>Retirement and severance benefits</td>
<td>635,684</td>
<td>575,156</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>420,366</td>
<td>412,718</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>1,846,063</td>
<td>1,799,538</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>5,566,922</td>
<td>5,594,932</td>
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</tbody>
</table>

### Equity

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hitachi, Ltd. stockholders’ equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>458,790</td>
<td>458,790</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>577,573</td>
<td>575,809</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,793,570</td>
<td>2,105,395</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>141,068</td>
<td>142,167</td>
</tr>
<tr>
<td>Treasury stock, at cost</td>
<td>(3,916)</td>
<td>(4,137)</td>
</tr>
<tr>
<td><strong>Total Hitachi, Ltd. stockholders’ equity</strong></td>
<td>2,967,085</td>
<td>3,278,024</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>1,129,910</td>
<td>1,233,647</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>4,096,995</td>
<td>4,511,671</td>
</tr>
<tr>
<td><strong>Total Liabilities and Equity</strong></td>
<td>¥9,663,917</td>
<td>¥10,106,603</td>
</tr>
</tbody>
</table>

---

83 Results of Value Creation
# Consolidated Statement of Profit or Loss

Years ended March 31, 2018 and 2017

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>¥ 9,162,264</td>
<td>¥ 9,368,614</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(6,782,677)</td>
<td>(6,866,522)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>2,379,587</td>
<td>2,502,092</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(1,792,278)</td>
<td>(1,787,462)</td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td>587,309</td>
<td>714,630</td>
</tr>
<tr>
<td>Other income</td>
<td>100,742</td>
<td>12,068</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(146,568)</td>
<td>(140,686)</td>
</tr>
<tr>
<td>Financial income</td>
<td>7,091</td>
<td>7,005</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>(26,206)</td>
<td>(11,243)</td>
</tr>
<tr>
<td>Share of profits (losses) of investments accounted for using the equity method</td>
<td>(47,186)</td>
<td>62,483</td>
</tr>
<tr>
<td>EBIT (Earnings before interest and taxes)</td>
<td>475,182</td>
<td>644,257</td>
</tr>
<tr>
<td>Interest income</td>
<td>12,923</td>
<td>14,928</td>
</tr>
<tr>
<td>Interest charges</td>
<td>(19,014)</td>
<td>(20,539)</td>
</tr>
<tr>
<td>Income from continuing operations, before income taxes</td>
<td>469,091</td>
<td>638,646</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(125,112)</td>
<td>(131,708)</td>
</tr>
<tr>
<td>Income from continuing operations</td>
<td>343,979</td>
<td>506,938</td>
</tr>
<tr>
<td>Loss from discontinued operations</td>
<td>(5,950)</td>
<td>(16,020)</td>
</tr>
<tr>
<td>Net income</td>
<td>¥ 338,029</td>
<td>¥ 490,918</td>
</tr>
</tbody>
</table>

Net income attributable to:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hitachi, Ltd. stockholders</td>
<td>231,261</td>
<td>362,988</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>106,768</td>
<td>127,930</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Comprehensive Income

**Years ended March 31, 2018 and 2017**

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
<td></td>
<td>¥338,029</td>
<td>¥490,918</td>
</tr>
<tr>
<td><strong>Other comprehensive income (OCI)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items not to be reclassified into net income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net changes in financial assets measured at fair value through OCI</td>
<td></td>
<td>59,934</td>
<td>1,530</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td></td>
<td>46,086</td>
<td>22,753</td>
</tr>
<tr>
<td>Share of OCI of investments accounted for using the equity method</td>
<td></td>
<td>(1,887)</td>
<td>3,302</td>
</tr>
<tr>
<td><strong>Total items not to be reclassified into net income</strong></td>
<td></td>
<td>104,133</td>
<td>27,585</td>
</tr>
<tr>
<td>Items that can be reclassified into net income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td></td>
<td>(64,761)</td>
<td>(8,042)</td>
</tr>
<tr>
<td>Net changes in cash flow hedges</td>
<td></td>
<td>21,303</td>
<td>5,703</td>
</tr>
<tr>
<td>Share of OCI of investments accounted for using the equity method</td>
<td></td>
<td>1,166</td>
<td>(45)</td>
</tr>
<tr>
<td><strong>Total items that can be reclassified into net income</strong></td>
<td></td>
<td>(42,292)</td>
<td>(2,384)</td>
</tr>
<tr>
<td><strong>Other comprehensive income (OCI)</strong></td>
<td></td>
<td>61,841</td>
<td>25,201</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td></td>
<td>¥399,870</td>
<td>¥516,119</td>
</tr>
</tbody>
</table>

**Comprehensive income attributable to:**

- Hitachi, Ltd. stockholders: 299,397 (2018: 382,341)
- Non-controlling interests: 100,473 (2018: 133,778)
## Consolidated Statement of Changes in Equity

*Years ended March 31, 2018 and 2017*

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Common stock</td>
<td>Capital surplus</td>
</tr>
<tr>
<td>As of March 31, 2016</td>
<td>¥458,790</td>
<td>¥586,790</td>
</tr>
<tr>
<td>Reclassified into retained earnings</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in treasury stock</td>
<td>-</td>
<td>(15)</td>
</tr>
<tr>
<td>Equity transactions and other</td>
<td>-</td>
<td>(9,202)</td>
</tr>
<tr>
<td>Total changes in equity</td>
<td>-</td>
<td>(9,217)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Common stock</td>
<td>Capital surplus</td>
</tr>
<tr>
<td>As of March 31, 2017</td>
<td>¥458,790</td>
<td>¥577,573</td>
</tr>
<tr>
<td>Reclassified into retained earnings</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in treasury stock</td>
<td>-</td>
<td>(27)</td>
</tr>
<tr>
<td>Equity transactions and other</td>
<td>-</td>
<td>(1,737)</td>
</tr>
<tr>
<td>Total changes in equity</td>
<td>-</td>
<td>(1,764)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Common stock</td>
<td>Capital surplus</td>
</tr>
<tr>
<td>As of March 31, 2018</td>
<td>¥458,790</td>
<td>¥575,809</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Cash Flows

Years ended March 31, 2018 and 2017

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>¥ 338,029</td>
<td>¥ 490,918</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>415,183</td>
<td>364,432</td>
</tr>
<tr>
<td>Change in trade receivables</td>
<td>(196,824)</td>
<td>47,216</td>
</tr>
<tr>
<td>Change in inventories</td>
<td>(22,731)</td>
<td>(181,207)</td>
</tr>
<tr>
<td>Change in trade payables</td>
<td>111,589</td>
<td>97,923</td>
</tr>
<tr>
<td>Other</td>
<td>(15,664)</td>
<td>(92,114)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>629,582</td>
<td>727,168</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |         |         |
| Purchase of property, plant and equipment | (316,116) | (349,388) |
| Purchase of intangible assets           | (101,034) | (90,924) |
| Purchase of leased assets               | (292,943) | (3,263)  |
| Proceeds from sale of property, plant and equipment, and intangible assets | 52,208 | 27,448 |
| Proceeds from sale of leased assets     | 14,539 | 9,628  |
| Collection of lease receivables         | 180,726 | –       |
| Proceeds from sale (purchase) of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method), net | 71,653 | (64,936) |
| Other                                     | 53,012 | (2,893) |
| **Net cash provided by (used in) investing activities** | (337,955) | (474,328) |

| **Free cash flows**                   | 291,627 | 252,840 |

| **Cash flows from financing activities** |         |         |
| Change in interest-bearing debt        | (118,314) | (218,409) |
| Dividends paid to stockholders         | (57,935) | (67,568) |
| Dividends paid to non-controlling interests | (36,508) | (32,066) |
| Other                                    | 3,221 | (3,411) |
| **Net cash provided by (used in) financing activities** | (209,536) | (321,454) |

| Effect of exchange rate changes on cash and cash equivalents | (16,164) | 1,336 |
| Change in cash and cash equivalents        | 65,927 | (67,278) |

| **Cash and cash equivalents at beginning of year** | 699,315 | 765,242 |
| **Cash and cash equivalents at end of year**     | ¥ 765,242 | ¥ 697,964 |
Corporate Data / Stock Information
As of March 31, 2018

Corporate Name
Hitachi, Ltd. (Kabushiki Kaisha Hitachi Seisakusho)

URL
http://www.hitachi.com/

Principal Office
6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8280, Japan

Founded
1910 (Incorporated in 1920)

Capital Stock
458,790 million yen

Number of Employees
307,275

Number of Shares Issued
Common Stock (including treasury stock)
4,833,463,387 shares

Number of Shareholders
335,411

Administrator of Shareholders’ Register
Tokyo Securities Transfer Agent Co., Ltd.
6th Floor, NMF Takebashi Building, 3-11, Kanda Nishiki-cho, Chiyoda-ku, Tokyo 101-0054, Japan

Stock Exchange Listings
Tokyo, Nagoya

10 Largest Shareholders

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares (shares)</th>
<th>Percentage of Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>315,175,000</td>
<td>6.53</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>289,061,315</td>
<td>5.99</td>
</tr>
<tr>
<td>Hitachi Employees’ Shareholding Association</td>
<td>99,765,384</td>
<td>2.07</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>93,264,995</td>
<td>1.93</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 9)</td>
<td>92,858,000</td>
<td>1.92</td>
</tr>
<tr>
<td>State Street Bank West Client-Treaty 505234</td>
<td>92,679,162</td>
<td>1.92</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 5)</td>
<td>91,756,000</td>
<td>1.90</td>
</tr>
<tr>
<td>The Dai-ichi Life Insurance Company, Limited*</td>
<td>71,361,222</td>
<td>1.48</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 7)</td>
<td>70,797,000</td>
<td>1.47</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 1)</td>
<td>68,201,000</td>
<td>1.41</td>
</tr>
</tbody>
</table>

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

Ratings

<table>
<thead>
<tr>
<th>Rating Company</th>
<th>Long-term</th>
<th>Short-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody’s Japan K.K. (Moody’s)</td>
<td>A3</td>
<td>P–2</td>
</tr>
<tr>
<td>Standard &amp; Poor’s Ratings Japan (S&amp;P) *</td>
<td>A–</td>
<td>A–2</td>
</tr>
<tr>
<td>Rating and Investment Information, Inc. (R&amp;I)</td>
<td>A+</td>
<td>a–1</td>
</tr>
</tbody>
</table>

Shareholder Composition

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

* Treasury stock is included in "Other.*

Stock Price and Trading Volume

- Hitachi Stock Price
- Nikkei Stock Average (225)
- Trading Volume (1,000 shares)

<table>
<thead>
<tr>
<th>Year ended March 31,</th>
<th>High (Yen)</th>
<th>Low (Yen)</th>
<th>Price at end of March</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>843</td>
<td>230</td>
<td>266</td>
</tr>
<tr>
<td>2010</td>
<td>404</td>
<td>227</td>
<td>349</td>
</tr>
<tr>
<td>2011</td>
<td>523</td>
<td>313</td>
<td>433</td>
</tr>
<tr>
<td>2012</td>
<td>547</td>
<td>360</td>
<td>531</td>
</tr>
<tr>
<td>2013</td>
<td>578</td>
<td>401</td>
<td>543</td>
</tr>
<tr>
<td>2014</td>
<td>877</td>
<td>508</td>
<td>762</td>
</tr>
<tr>
<td>2015</td>
<td>939.9</td>
<td>660</td>
<td>823.2</td>
</tr>
<tr>
<td>2016</td>
<td>858</td>
<td>431</td>
<td>526.6</td>
</tr>
<tr>
<td>2017</td>
<td>679.5</td>
<td>400</td>
<td>602.5</td>
</tr>
<tr>
<td>2018</td>
<td>944.2</td>
<td>566.3</td>
<td>770.8</td>
</tr>
</tbody>
</table>

*1 The closing price on March 31, 2008 equals 100.
*2 Hitachi, Ltd. undertook a 1-for-5 reverse-split of the Company’s common stock on October 1, 2018. The stock information in this report relates to data prior to the reverse stock split.

Website Information

Detailed information is available on the Company’s website.

About Hitachi Group
- http://www.hitachi.co.jp/about/corporate/ (Japanese)
- http://www.hitachi.com/corporate/about/ (English)

Investor Relations
- http://www.hitachi.co.jp/IR/ (Japanese)
- http://www.hitachi.com/IR-e/ (English)

Sustainability
- http://www.hitachi.co.jp/sustainability/ (Japanese)
- http://www.hitachi.com/sustainability/ (English)