[Translation]

Quarterly Report

(The First Quarter of 150th Business Term)

From April 1, 2018 to June 30, 2018

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

Hitachi, Ltd.

[Cover]

[Document Filed]	Quarterly Report ("Shihanki Hokokusho")
[Applicable Law]	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	August 7 , 2018
[Fiscal Year]	The First Quarter of 150th Business Term (from April 1, 2018 to June 30, 2018)
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & CEO
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Phone No.]	03-3258-1111
[Contact Person]	Masachika Sawada, Manager, Legal Division
[Contact Address]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Phone No.]	03-3258-1111
[Contact Person]	Masachika Sawada, Manager, Legal Division
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

This is an English translation of the Quarterly Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan.

The translation of the Confirmation Letter for the original Quarterly Report is included at the end of this document.

Unless the context indicates otherwise, the term "Company" refers to Hitachi, Ltd. and the term "Hitachi" refers to the Company and its consolidated subsidiaries.

Unless otherwise stated, in this document, where we present information in millions or hundreds of millions of yen, we have truncated amounts of less than one million or one hundred million, as the case may be. Accordingly, the total of figures presented in columns or otherwise may not equal the total of the individual items. We have rounded all percentages to the nearest percent, one-tenth of one percent or one-hundredth of one percent, as the case may be.

References in this document to the "Financial Instruments and Exchange Act" are to the Financial Instruments and Exchange Act of Japan and other laws and regulations amending and/or supplementing the Financial Instruments and Exchange Act of Japan.

Contents

Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Year ended March 31, 2018
Revenues	2,088,669	2,165,899	9,368,614
Income from continuing operations, before income taxes	141,553	180,462	638,646
Net income attributable to Hitachi, Ltd. stockholders	75,068	105,245	362,988
Comprehensive income attributable to Hitachi, Ltd. stockholders	80,331	113,121	382,341
Total Hitachi, Ltd. stockholders' equity	3,013,091	3,357,201	3,278,024
Total equity	4,165,236	4,539,373	4,511,671
Total assets	9,691,466	9,934,595	10,106,603
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	15.55	21.80	75.19
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	15.54	21.78	75.12
Total Hitachi, Ltd. stockholders' equity ratio (%)	31.1	33.8	32.4
Net cash provided by operating activities	126,933	134,355	727,168
Net cash used in investing activities	(104,625)	(103,942)	(474,328)
Net cash provided by (used in) financing activities	18,855	87,779	(321,454)
Cash and cash equivalents at end of period	813,019	814,399	697,964

(Notes) 1. Hitachi's consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.
2. Revenues do not include the consumption tax, etc.

2. Description of Business

There were no material changes in principal businesses of Hitachi during the three months ended June 30, 2018. The Hitachi Group is comprised of the Company, 851 consolidated subsidiaries, and 415 equity-method associates and joint-ventures.

Changes in principal affiliated companies during the three months ended June 30, 2018 were as follows.

- Hitachi Information & Telecommunication Systems Global Holding Corporation in the Information & Telecommunication Systems segment changed its company name to Hitachi Global Digital Holdings Corporation on April 1, 2018.
- The Company transferred all shares of Hitachi Kokusai Electric Inc. stock owned by the Company on May 31, 2018, and then Hitachi Kokusai Electric Inc. transferred its semiconductor manufacturing equipment business to HKE Holdings K.K. Subsequently, the Company partially re-acquired shares of Hitachi Kokusai Electric Inc. stock on June 4, 2018. As a result of these transactions, Hitachi Kokusai Electric Inc. in the Electronic Systems & Equipment segment turned into an equity-method associate of the Company and belongs in the Social Infrastructure & Industrial Systems segment.

II. Business Overview

1. Risk Factors

There were no new risk factors recognized during the three months ended June 30, 2018.

There were no material changes in the risk factors stated in the Annual Securities Report for the 149th business term pursuant to the Financial Instruments and Exchange Act of Japan.

2. Management’s Discussion and Analysis of Consolidated Financial Condition, Results of Operation and Cash Flows

(1) Analysis of Results of Operations

Results of Operations

The results of operations in the three months ended June 30, 2018 were as follows.

Revenues increased 4% to ¥2,165.8 billion, as compared with the three months ended June 30, 2017, despite the effect of reorganization of Hitachi Kokusai Electric Inc. This increase was due mainly to the acquisition of the Sullair brand air compressor business (Sullair business) in July 2017, increased revenues from the railway systems business for the U.K. in the Social Infrastructure & Industrial Systems segment, higher revenues in the High Functional Materials & Components segment owing to corporate acquisitions by Hitachi Chemical Company, Ltd. and Hitachi Metals, Ltd., and increased revenues, mainly overseas, in the Construction Machinery segment.

Cost of sales increased 4% to ¥1,586.3 billion, as compared with the three months ended June 30, 2017, and the ratio of cost of sales to revenues was 73%, which was the same level as for the three months ended June 30, 2017. Gross profit increased 4% to ¥579.5 billion, as compared with the three months ended June 30, 2017.

Selling, general and administrative expenses (“SG&A”) increased 1% to ¥431.3 billion, as compared with the three months ended June 30, 2017, and the ratio of SG&A to revenues was 20%, which was the same level as the three months ended June 30, 2017.

Adjusted operating income (presented as revenues less cost of sales as well as selling, general and administrative expenses) increased ¥16.3 billion to ¥148.1 billion, as compared with the three months ended June 30, 2017, despite the lower profits in the Automotive Systems segment and High Functional Materials & Components segment. This increase was due mainly to increased revenues and higher profits because of improved profitability in the Construction Machinery segment, Social Infrastructure & Industrial Systems segment and Information & Telecommunication Systems segment.

Other income increased ¥38.9 billion to ¥39.5 billion, as compared with the three months ended June 30, 2017, due mainly to gains on business reorganization and others by selling shares of Hitachi Kokusai Electric Inc. stock. Other expenses decreased ¥0.5 billion to ¥10.3 billion, as compared with the three months ended June 30, 2017, due mainly to a decrease in expenses related to competition law and others.

Financial income (excluding interest income) increased ¥9.7 billion to ¥14.4 billion and financial expenses (excluding interest charges) decreased ¥0.2 billion to ¥0.2 billion, as compared with the three months ended June 30, 2017, respectively.

Share of loss of investments accounted for using the equity method was ¥11.1 billion, a decrease of ¥28.7 billion as compared with the three months ended June 30, 2017.

EBIT (earnings before interest and taxes, which is presented as income from continuing operations, before income taxes less interest income plus interest charges) increased ¥37.1 billion to ¥180.4 billion, as compared with the three months ended June 30, 2017. This increase was due mainly to the increase in adjusted operating income and posting of gains from sales of shares of Hitachi Kokusai Electric Inc. stock.

Interest income increased ¥1.3 billion to ¥4.5 billion and interest charges decreased ¥0.3 billion to ¥4.5 billion, as compared with the three months ended June 30, 2017.

Income from continuing operations, before income taxes increased ¥38.9 billion to ¥180.4 billion, as compared with the three months ended June 30, 2017.

Income taxes increased ¥13.7 billion to ¥48.9 billion, as compared with the three months ended June 30, 2017.

Income from discontinued operations was ¥5.8 billion, as compared with the loss of ¥70 million for the three months ended June 30, 2017.

Net income increased ¥31.1 billion to ¥137.4 billion, as compared with the three months ended June 30, 2017.

Net income attributable to non-controlling interests increased ¥0.9 billion to ¥32.1 billion, as compared with the three months ended June 30, 2017.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased ¥30.1 billion to ¥105.2 billion, as compared with the three months ended June 30, 2017.

Operations by Segment

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

(Information & Telecommunication Systems)

Revenues increased 1% to ¥440.5 billion, as compared with the three months ended June 30, 2017, due mainly to higher revenues from system integration business for the Japanese market, despite the effect of transfer of a subsidiary operating communication network equipment business.

Adjusted operating income increased ¥7.4 billion to ¥34.5 billion, as compared with the three months ended June 30, 2017, due mainly to improved profitability in system integration business for the Japanese market and the IT platform & products business.

EBIT increased ¥2.7 billion to ¥28.6 billion, as compared with the three months ended June 30, 2017, due mainly to the increased adjusted operating income, despite posting of exchange loss.

(Social Infrastructure & Industrial Systems)

Revenues increased 8% to ¥518.3 billion, as compared with the three months ended June 30, 2017, due mainly to revenue increase in railway systems business for Europe and that in industrial products business owing to the acquisition of air compressor business with Sullair brand (Sullair Business).

Adjusted operating income increased ¥7.5 billion to ¥20.9 billion, as compared with the three months ended June 30, 2017, due mainly to improved profitability in power & energy business and business for industry & distribution field, despite a decline in average sales price in elevators and escalators business in China.

EBIT decreased ¥6.4 billion to ¥10.1 billion, as compared with the three months ended June 30, 2017, due mainly to the impact of foreign currency translation.

(Electronic Systems & Equipment)

Revenues decreased 2% to ¥239.9 billion, as compared with the three months ended June 30, 2017, despite increased revenues at Hitachi High-Technologies Corporation owing to higher sales of clinical analyzers and in healthcare business owing to higher sales of diagnostic imaging equipment. The decrease was due mainly to conversion of Hitachi Kokusai Electric Inc. into an equity-method associate.

Adjusted operating income decreased ¥0.2 billion to ¥19.1 billion, as compared with the three months ended June 30, 2017, due mainly to conversion of Hitachi Kokusai Electric Inc. into an equity-method associate, despite increased revenues at Hitachi High-Technologies Corporation and in healthcare business.

EBIT decreased ¥0.3 billion to ¥18.6 billion, as compared with the three months ended June 30, 2017, due mainly to the decreased adjusted operating income.

(Construction Machinery)

Revenues increased 14% to ¥240.2 billion, as compared with the three months ended June 30, 2017, due mainly to increased sales of construction machinery in Asia-Pacific, North America and China.

Adjusted operating income increased ¥10.7 billion to ¥27.3 billion, as compared with the three months ended June 30, 2017, due mainly to the increase in revenues.

EBIT increased ¥7.4 billion to ¥25.3 billion, as compared with three months ended June 30, 2017, due mainly to the increased adjusted operating income, despite the effect of posting of exchange loss and structural reform expenses.

(High Functional Materials & Components)

Revenues increased 9% to ¥427.9 billion, as compared with the three months ended June 30, 2017, due mainly to the effect of corporate acquisition by Hitachi Chemical Company, Ltd. and Hitachi Metals, Ltd., and sales pricen rise linked to higher raw material costs at Hitachi Metals, Ltd..

Adjusted operating income decreased ¥3.6 billion to ¥27.6 billion, as compared with the three months ended June 30, 2017, due mainly to effects of changes in product mix at Hitachi Chemical Company, Ltd. and of changes in raw material costs at Hitachi Metals, Ltd.

EBIT decreased ¥0.5 billion to ¥33.4 billion, as compared with three months ended June 30, 2017, due mainly to the decreased adjusted operating income, despite gains on business reorganization and others recorded at Hitachi Metals, Ltd.

(Automotive Systems)

Revenues decreased 2% to ¥238.5 billion, as compared with the three months ended June 30, 2017, due mainly to sales decrease in North America and Japan and lower sales of car information systems.

Adjusted operating income decreased ¥5.1 billion to ¥5.3 billion, as compared with the three months ended June 30, 2017, due mainly to deteriorated profitability in North America and an increase in development expenditure as well as the decrease in revenues.

EBIT decreased ¥5.3 billion to ¥4.4 billion, as compared with the three months ended June 30, 2017, due mainly to the decreased adjusted operating income.

(Smart Life & Ecofriendly Systems)

Revenues decreased 13% to ¥114.3 billion, as compared with the three months ended June 30, 2017.

Adjusted operating income increased ¥0.5 billion to ¥2.6 billion, as compared with the three months ended June 30, 2017, due mainly to the effect of structural reform.

EBIT increased ¥0.2 billion to ¥7.6 billion, as compared with the three months ended June 30, 2017, due mainly to the increased adjusted operating income.

(Others)

Revenues decreased 6% to ¥124.4 billion, as compared with the three months ended June 30, 2017.

Adjusted operating income increased ¥0.8 billion to ¥4.9 billion and EBIT increased ¥3.7 billion to ¥6.5 billion, as compared with the three months ended June 30, 2017, respectively.

Revenues by Market

Revenues in Japan increased 1% to ¥981.4 billion, as compared with the three months ended June 30, 2017, due mainly to increased revenues in the Information & Telecommunication Systems segment and High Functional Materials & Components segment.

Overseas revenues increased 6% to ¥1,184.4 billion, as compared with the three months ended June 30, 2017, due mainly to increased revenues in Asia mainly in the Social Infrastructure & Industrial Systems segment and High Functional Materials & Components segments, and increased revenues in Europe and North America, particularly in the Social Infrastructure & Industrial Systems segment due mainly to the sales growth in the railway systems business and the effect of acquisition of the Sullair Business.

As a result, the ratio of overseas revenues to total revenues increased 2% to 55%, as compared with the three months ended June 30, 2017.

(2) Analysis of Financial Condition and Cash Flows

Liquidity and Capital Resources

During the three months ended June 30, 2018, there were no major changes in the Company's policies of maintaining liquidity and ensuring funds, efforts for improvement in fund management efficiency, and ideas regarding funding sources and fundraising.

Cash Flows

(Cash Flows from Operating Activities)

Net income in the three months ended June 30, 2018 increased by ¥31.1 billion, as compared with the three months ended June 30, 2017. Net cash inflow from a net change in trade receivables and contract assets* increased by ¥70.3 billion, as compared with the three months ended June 30, 2017. Net cash outflow from a change in trade payables and inventories increased by ¥5.3 billion and ¥42.4 billion, respectively, as compared with three months ended June 30, 2017.

As a result of the foregoing, net cash provided by operating activities was ¥134.3 billion in the three months ended June 30, 2018, an increase of ¥7.4 billion, compared with the three months ended June 30, 2017.

* Due to the implementation of IFRS 15, "change in trade receivables" is presented as "change in trade receivables and contract assets" from the three months ended June 30, 2018.

(Cash Flows from Investing Activities)

Net amount of investments related to property, plant and equipment** was ¥116.0 billion in the three months ended June 30, 2018. This net sum increased by ¥19.1 billion compared with the three months ended June 30, 2017. Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the three months ended June 30, 2018 increased by ¥21.1 billion because of sale of the stock of Renesas Electronics Corporation, as compared with the three months ended June 30, 2017. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the three months ended June 30, 2018 decreased by ¥11.2 billion, as compared with the three months ended June 30, 2017.

As a result of the foregoing, net cash used in investing activities was ¥103.9 billion in the three months ended June 30, 2018, a decrease of ¥0.6 billion compared with the three months ended June 30, 2017.

** The sum of the purchase of property, plant and equipment and the purchase of intangible assets, less the proceeds from sale of property, plant and equipment, and intangible assets.

(Cash Flows from Financing Activities)

Net cash inflow from a change in short-term debt in the three months ended June 30, 2018 increased by ¥37.3 billion, as compared with the three months ended June 30, 2017. Net cash outflow related to long-term debt*** in three months ended June 30, 2018 decreased by ¥35.9 billion, as compared with three months ended June 30, 2017.

As a result of the foregoing, net cash flows provided in financing activities was ¥87.7 billion in the three months ended June 30, 2018, an increase of ¥68.9 billion compared with three months ended June 30, 2017.

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

As a result of the foregoing, cash and cash equivalents as of June 30, 2018 was ¥814.3 billion, an increase of ¥116.4 billion from March 31, 2018. Free cash flows, the sum of cash flows from operating and investing activities, were an inflow of ¥30.4 billion in the three months ended June 30, 2018, an increase of ¥8.1 billion in the three months ended June 30, 2017.

Assets, Liabilities and Equity

The following is an overview of Hitachi's assets, liabilities and equity as of June 30, 2018.

Total assets were ¥9,934.5 billion, a decrease of ¥172.0 billion from March 31, 2018. This was due mainly to the conversion of Hitachi Kokusai Electric Inc. to an equity-method associate and cash collection of trade payables.

Total interest-bearing debt, the sum of short-term debt and long-term debt, was ¥1,208.5 billion, an increase of ¥158.2 billion from March 31, 2018. This was due mainly to an increase in short-term debt.

Total Hitachi, Ltd. stockholders' equity increased by ¥79.1 billion from March 31, 2018, to ¥3,357.2 billion, due mainly to posting net income attributable to Hitachi, Ltd. stockholders. The ratio of total Hitachi, Ltd. stockholders' equity to total assets increased 1.4% from March 31, 2018 to 33.8%.

Non-controlling interests were ¥1,182.1 billion, a decrease of ¥51.4 billion from March 31, 2018.

Total equity was ¥4,539.3 billion, an increase of ¥27.7 billion from March 31, 2018. The ratio of interest-bearing debt to total equity was 0.27, as compared with 0.23 as of March 31, 2018.

(3) Management Policy

There were no material changes in Hitachi's management policy during the three months ended June 30, 2018.

(4) Challenges Hitachi Group Faces

1) Business and Financial Challenges Hitachi Group Faces

There were no material changes in Hitachi's business strategy during the three months ended June 30, 2018.

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

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

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

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

(5) Research and Development

There were no material changes in the research and development of the Hitachi Group (the Company and consolidated subsidiaries) stated in the Annual Securities Report for the 149th business term pursuant to the Financial Instruments and Exchange Act of Japan. The Hitachi Group's R&D expenditures in the three months ended June 30, 2018 were ¥75.4 billion, 3.5% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Three months ended June 30, 2018
Information & Telecommunication Systems	11.3
Social Infrastructure & Industrial Systems	12.6
Electronic Systems & Equipment	9.9
Construction Machinery	5.5
High Functional Materials & Components	12.4
Automotive Systems	16.5
Smart Life & Ecofriendly Systems	1.8
Others	(0.2)
Corporate (Head Office and others)	5.3
Total	75.4

(6) Forward-Looking Statements

Certain statements found in "2. Management's Discussion and Analyses of Consolidated Financial Conditions, Operating Results and Cash Flows" and other descriptions in this report may constitute "forward-looking statements" as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such "forward-looking statements" reflect management's current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as "anticipate," "believe," "expect," "estimate," "forecast," "intend," "plan," "project" and similar expressions which indicate future events and trends may identify "forward-looking statements." Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the "forward-looking statements" and from historical trends. Certain "forward-looking statements" are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on "forward-looking statements," as such statements speak only as of the date of this report.

Factors that could cause actual results to differ materially from those projected or implied in any "forward-looking statement" and from historical trends include, but are not limited to:

- economic conditions, including consumer spending and plant and equipment investment in Hitachi's major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi's assets and liabilities are denominated;
- uncertainty as to Hitachi's ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- credit conditions of Hitachi's customers and suppliers;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to Hitachi's ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- uncertainty as to Hitachi's ability to attract and retain skilled personnel;
- increased commoditization of and intensifying price competition for products;

- uncertainty as to Hitachi's ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- the potential for significant losses on Hitachi's investments in equity-method associates and joint ventures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to the success of cost structure overhaul;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the possibility of disruption of Hitachi's operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

The factors listed above are not all-inclusive and are in addition to other factors contained elsewhere in this report and in other materials published by Hitachi.

3. Material Agreements, etc.

No material agreements were entered into during the three months ended June 30, 2018.

III. Information on the Company

1. Information on the Company's Stock, etc.

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	10,000,000,000
Total	10,000,000,000

(Note) Since the item of share consolidation (to consolidate every five Hitachi shares into one share and to change the total shares authorized to be issued by the Company from 10 billion shares to 2 billion shares) was approved at the general meeting of shareholders held on June 20, 2018, the toal shares authorized to be issued by the Company shall be 2,000,000,000 shares on October 1, 2018.

2) Issued shares

Class	Number of shares issued as of the end of first quarter (shares) (June 30, 2018)	Number of shares issued as of the filing date (shares) (Note 1) (August 7, 2018)	Stock exchange on which the Company is listed	Description
Common stock	4,833,463,387	4,833,463,387	Tokyo, Nagoya	The number of shares per one unit of shares is 1,000 shares. (Note 2)
Total	4,833,463,387	4,833,463,387	–	–

(Notes) 1. The "Number of shares issued as of the filing date" does not include shares issued upon exercise of stock acquisition rights from August 1, 2018 to the filing date.

2. At the Board of Directors meeting held on April 27, 2018, the Company decided to change the number of shares per one unit from 1,000 shares to 100 shares on October 1, 2018.

(2) Information on the stock acquisition rights, etc.

1) Details of stock option plans

The stock acquisition rights which the Company issued during the three months ended June 30, 2018 are as follows.

Name of stock acquisition rights	The Third Stock Acquisition Rights of Hitachi, Ltd.
Date of resolution	April 11, 2018
Category and number of person to whom stock acquisition rights are granted	33 Executive Officers of the Company 35 Corporate Officers of the Company
Number of stock acquisition rights	17,399
Class, detail and number of shares to be issued upon exercise of stock acquisition rights	Common stock 1,739,900 shares (Note 1)
Amount to be paid in upon exercise of stock acquisition rights	¥1 per share
Exercise period of stock acquisition rights	From April 27, 2018 to April 26, 2048
Issue price for shares issued upon exercise of stock acquisition rights and amount of capitalization	Issue price: ¥486.2 (Note 2) Amount of capitalization: (Note 3)
Conditions for the exercise of stock acquisition rights	(Note 4,5)
Matters regarding acquisition of stock acquisition rights through transfer	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.
Matters regarding substitute payment	―
Matters regarding grant of stock acquisition rights upon organizational restructuring	(Note 6)

(Notes) 1. If the Company implements a stock split (including gratis allotment of shares of common stock; the same shall apply to references to a stock split hereinafter) or a reverse stock split with respect to common stock of the Company after the date of allotment of the stock acquisition rights, the Number of Shares to be Issued with respect to the stock acquisition rights not exercised at that time will be adjusted in accordance with following formula:

$$\text{Number of Shares to be Issued after adjustment} = \text{Number of Shares to be Issued before adjustment} \times \text{Ratio of stock split or reverse stock split}$$

In addition, if there is an unavoidable ground requiring an adjustment of the Number of Shares to be Issued, the Number of Shares to be Issued may be adjusted to the extent necessary by a resolution of the Board of Directors.
Any fractions of less than one share resulting from the adjustment will be rounded down.

2. Issue price for shares issued upon exercise of stock acquisition rights is the sum of the amount to be paid in upon exercise of the stock acquisition rights (¥1 per share) and the fair value of the stock acquisition right as calculated at the date of allotment.
3. The amount of common stock to be increased upon issuing shares through the exercise of stock acquisition rights shall be one half of the maximum amount of common stock, etc. to be increased calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Company Accounting. Any fractions of less than one yen resulting from the calculation shall be rounded up to the nearest yen.
4. A holder of stock acquisition rights may exercise all the stock acquisition rights together only within 10 days (in case the last day is not a business day, the following business day) from the day immediately following the date on which he/she ceases to be an Executive Officer, a Director or a Corporate Officer of the Company.
5. The number of stock acquisition rights which a holder of stock acquisition rights may exercise shall be determined based on the ratio of (i) the total shareholder return for shares of Hitachi for three years from the beginning of the fiscal year in which the date of allotment of the stock acquisition rights falls to (ii) the growth rate of TOPIX (Tokyo Stock Price Index) for the same period (the "TSR/TOPIX Growth Rate Ratio"), in accordance with the stock price conditions:
   a. In case the TSR/TOPIX Growth Rate Ratio is 120% or more
      All the stock acquisition rights allotted (the "Allotted Rights") may be exercised.
   b. In case the TSR/TOPIX Growth Rate Ratio is 80% or more but less than 120%
      Only a part of the Allotted Rights may be exercised according to the degree of the TSR/TOPIX Growth Rate Ratio (*).

$$\text{*Number of stock acquisition rights exercisable} = \text{Number of Allotted Rights} \times \{(\text{TSR/TOPIX Growth Rate Ratio} \times 1.25) - 0.5\}$$

      Any fraction less than one stock acquisition right will be rounded down.
   c. In case the TSR/TOPIX Growth Rate Ratio is less than 80%
      No Allotted Rights may be exercised.
6. In the event that the Company engages in a merger (only if the Company is to be dissolved as a result of the merger), an absorption-type company split or incorporation-type company split (in each case, only if the Company is to be a split company), or share exchange or share transfer (in each case, only if the Company is to be a wholly-owned

subsidiary) (hereafter all of which are collectively referred to as “Corporate Reorganization”), then stock acquisition rights for the entities specified under Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (such entity hereinafter referred to as the “Reorganized Company”) shall be issued to the Stock Acquisition Right Holders holding stock acquisition rights remaining in effect (the “Remaining Stock Acquisition Rights”) immediately prior to the effective date of the Corporate Reorganization (hereinafter respectively referring to an effective date of absorption-type merger in case of an absorption-type merger, a date of incorporation of a company incorporated through a consolidation-type merger in case of a consolidation-type merger, an effective date of absorption-type company split in case of an absorption-type company split, a date of incorporation of a company incorporated through an incorporation-type company split in case of an incorporation-type company split, an effective date of a share exchange in case of a share exchange, or a date of incorporation of a wholly owning parent company incorporated through share transfer). However, these stock acquisition rights shall be granted only if provisions for issuing the stock acquisition rights of the Reorganized Company in accordance with the following conditions are included in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement, or a share transfer plan.

(1) The number of stock acquisition rights of the Reorganized Company to be issued
The number of stock acquisition rights equal to the number of Remaining Stock Acquisition Rights held by respective Stock Acquisition Right Holders shall be issued.

(2) The class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
Common shares of the Reorganized Company shall be issued.

(3) The number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
The number shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights, taking into account the conditions and other factors concerning Corporate Reorganization.

(4) Amount of assets to be contributed upon the exercise of stock acquisition rights
The amount of assets contributed upon the exercise of stock acquisition rights to be issued shall be amount derived by multiplying the amount to be paid in per share to be delivered upon exercise of stock acquisition rights of the Reorganized Company (the “Post-reorganization Exercise Price”) prescribed below by the number of shares of the Reorganized Company to be issued determined in accordance with paragraph (3) of this section. The Post-Reorganization exercise price shall be one yen.

(5) Exercise period of stock acquisition rights
The exercise period of stock acquisition rights shall be from the later of the first day of the exercise period of stock acquisition rights or the effective date of the Corporate Reorganization to the expiration date of the exercise period of stock acquisition rights.

(6) Matters concerning common stock and capital reserve to be increased due to the issuance of shares upon the exercise of stock acquisition rights
The matters shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights.

(7) Restrictions on acquisition of stock acquisition rights through transfer
The acquisition of stock acquisition rights through transfer shall be subject to the approval of the Reorganized Company.

(8) Conditions for the exercise of stock acquisition rights
The matters shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights.

(9) Matters concerning the acquisition of stock acquisition rights
The matters shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights.

2) Details of other stock acquisition rights, etc.
Not applicable.

(3) Information on moving strike convertible bonds, etc.
Not applicable.

(4) Changes in the total number of issued shares and the amount of common stock and other

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From April 1, 2018 to June 30, 2018	—	4,833,463,387	—	458,790	—	176,757

(5) Major shareholders
Not applicable.

(6) Information on voting rights

Information on voting rights as of March 31, 2018 is stated in this item because the Company does not identify the number of voting rights as of June 30, 2018 due to the lack of information on the number of the Company's shares held by the entity which the Company holds one quarter or more of total number of voting rights of such entity as of June 30, 2018.

1) Issued shares

(As of March 31, 2018)

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting right	−	−	−
Shares with restricted voting right (treasury stock, etc.)	−	−	−
Shares with restricted voting right (others)	−	−	−
Shares with full voting right (treasury stock, etc.)	Common stock 5,901,000	−	−
Shares with full voting right (others)	Common stock 4,806,928,000	4,806,928	−
Shares less than one unit	Common stock 20,634,387	−	−
Number of issued shares	4,833,463,387	−	−
Total number of voting rights	−	4,806,928	−

(Note) The "Shares with full voting right (others)" column includes 26,000 shares registered in the name of Japan Securities Depository Center, Incorporated (account for managing stocks whose shareholders have not transferred titles) and 26 voting rights for those shares.

2) Treasury stock, etc.

(As of March 31, 2018)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	5,735,000	−	5,735,000	0.12
Aoyama Special Steel Co., Ltd.	1-12, Minato 1-chome, Chuo-ku, Tokyo	10,000	−	10,000	0.00
ISHII DENKOSHA Co., Ltd.	1-11, Oroshishinmachi 3-chome, Higashi-ku, Niigata-shi, Niigata	1,000	−	1,000	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	88,000	−	88,000	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	52,000	−	52,000	0.00
Mizuho Co., Inc.	4-1, Koishikawa 5-chome, Bunkyo-ku, Tokyo	15,000	−	15,000	0.00
Total	−	5,901,000	−	5,901,000	0.12

2. Changes in Senior Management

There were no changes in senior managements from the filing date of the Annual Securities Report for the 149th business term pursuant to the Financial Instruments and Exchange of Act of Japan to June 30, 2018.

IV. Financial Information

Refer to the condensed quarterly consolidated financial statements incorporated in this Quarterly Report.

Part II Information on Guarantors, etc. for the Company

Not applicable.

Condensed Quarterly Consolidated Financial Statements

Condensed Quarterly Consolidated Statement of Financial Position

Millions of yen

	June 30, 2018	March 31, 2018
Assets		
Current assets		
Cash and cash equivalents	814,399	697,964
Trade receivables (notes 3 and 6)	-	2,501,414
Trade receivables and contract assets (notes 3 and 6)	2,142,788	-
Inventories	1,445,750	1,375,232
Investments in securities and other financial assets (notes 3 and 7)	379,921	373,324
Other current assets	237,280	203,866
Total current assets	5,020,138	5,151,800
Non-current assets		
Investments accounted for using the equity method	725,244	743,407
Investments in securities and other financial assets (notes 3 and 7)	664,894	716,431
Property, plant and equipment	2,129,497	2,124,827
Intangible assets	1,058,500	1,054,370
Other non-current assets	336,322	315,768
Total non-current assets	4,914,457	4,954,803
Total assets	9,934,595	10,106,603
Liabilities		
Current liabilities		
Short-term debt	274,279	121,439
Current portion of long-term debt (note 7)	191,056	117,191
Other financial liabilities (notes 3 and 7)	293,226	254,735
Trade payables	1,399,138	1,536,983
Accrued expenses	549,334	697,185
Advances received (note 3)	-	551,182
Contract liabilities (note 3)	626,789	-
Other current liabilities	374,801	516,679
Total current liabilities	3,708,623	3,795,394
Non-current liabilities		
Long-term debt (note 7)	743,172	811,664
Retirement and severance benefits	553,825	575,156
Other non-current liabilities (note 3)	389,602	412,718
Total non-current liabilities	1,686,599	1,799,538
Total liabilities	5,395,222	5,594,932
Equity		
Hitachi, Ltd. stockholders’ equity		
Common stock	458,790	458,790
Capital surplus	576,742	575,809
Retained earnings (notes 3 and 8)	2,194,532	2,105,395
Accumulated other comprehensive income	130,904	142,167
Treasury stock, at cost	(3,767)	(4,137)
Total Hitachi, Ltd. stockholders’ equity	3,357,201	3,278,024
Non-controlling interests	1,182,172	1,233,647
Total equity	4,539,373	4,511,671
Total liabilities and equity	9,934,595	10,106,603

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Three months ended June 30, 2018 and 2017 — Millions of yen

	2018	2017
Revenues (notes 3 and 9)	2,165,899	2,088,669
Cost of sales	(1,586,396)	(1,529,896)
Gross profit	579,503	558,773
Selling, general and administrative expenses	(431,355)	(426,932)
Other income (note 10)	39,563	604
Other expenses (note 10)	(10,335)	(10,903)
Financial income (note 11)	14,437	4,649
Financial expenses (note 11)	(203)	(474)
Share of profits (losses) of investments accounted for using the equity method	(11,134)	17,577
EBIT (Earnings before interest and taxes)	180,476	143,294
Interest income	4,570	3,190
Interest charges	(4,584)	(4,931)
Income from continuing operations, before income taxes	180,462	141,553
Income taxes	(48,911)	(35,194)
Income from continuing operations	131,551	106,359
Income (loss) from discontinued operations (note 12)	5,876	(70)
Net income	137,427	106,289
Net income attributable to:		
Hitachi, Ltd. stockholders	105,245	75,068
Non-controlling interests	32,182	31,221
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders (note 13)		Yen
Basic	20.58	15.56
Diluted	20.56	15.55
Earnings per share attributable to Hitachi, Ltd. stockholders (note 13)		
Basic	21.80	15.55
Diluted	21.78	15.54

Condensed Quarterly Consolidated Statement of Comprehensive Income

Three months ended June 30, 2018 and 2017 — Millions of yen

	2018	2017
Net income	137,427	106,289
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	112	(15,378)
Remeasurements of defined benefit plans	-	-
Share of OCI of investments accounted for using the equity method	324	576
Total items not to be reclassified into net income	436	(14,802)
Items that can be reclassified into net income		
Foreign currency translation adjustments	3,618	18,244
Net changes in cash flow hedges	(282)	2,654
Share of OCI of investments accounted for using the equity method	3,091	7,401
Total items that can be reclassified into net income	6,427	28,299
Other comprehensive income (OCI)	6,863	13,497
Comprehensive income	144,290	119,786
Comprehensive income attributable to:		
Hitachi, Ltd. stockholders	113,121	80,331
Non-controlling interests	31,169	39,455

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Changes in Equity

Three months ended June 30, 2018

Millions of yen

	2018							
	Common stock	Capital surplus	Retained earnings (note 8)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 5)	Total equity
Balance at beginning of period	458,790	575,809	2,105,395	142,167	(4,137)	3,278,024	1,233,647	4,511,671
Cumulative effects of changes in accounting policies (note 3)	-	-	3,209	-	-	3,209	(1,406)	1,803
Restated balance	458,790	575,809	2,108,604	142,167	(4,137)	3,281,233	1,232,241	4,513,474
Changes in equity								
Reclassified into retained earnings	-	-	19,304	(19,304)	-	-	-	-
Net income	-	-	105,245	-	-	105,245	32,182	137,427
Other comprehensive income (loss)	-	-	-	7,876	-	7,876	(1,013)	6,863
Dividends to Hitachi, Ltd. stockholders	-	-	(38,621)	-	-	(38,621)	-	(38,621)
Dividends to non-controlling interests	-	-	-	-	-	-	(20,152)	(20,152)
Acquisition of treasury stock	-	-	-	-	(49)	(49)	-	(49)
Sales of treasury stock	-	(237)	-	-	419	182	-	182
Changes in non-controlling interests	-	1,170	-	165	-	1,335	(61,086)	(59,751)
Total changes in equity	-	933	85,928	(11,263)	370	75,968	(50,069)	25,899
Balance at end of period	458,790	576,742	2,194,532	130,904	(3,767)	3,357,201	1,182,172	4,539,373

Three months ended June 30, 2017

Millions of yen

	2017							
	Common stock	Capital surplus	Retained earnings (note 8)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of period	458,790	577,573	1,793,570	141,068	(3,916)	2,967,085	1,129,910	4,096,995
Changes in equity								
Reclassified into retained earnings	-	-	8,598	(8,598)	-	-	-	-
Net income	-	-	75,068	-	-	75,068	31,221	106,289
Other comprehensive income	-	-	-	5,263	-	5,263	8,234	13,497
Dividends to Hitachi, Ltd. stockholders	-	-	(33,796)	-	-	(33,796)	-	(33,796)
Dividends to non-controlling interests	-	-	-	-	-	-	(17,130)	(17,130)
Acquisition of treasury stock	-	-	-	-	(45)	(45)	-	(45)
Sales of treasury stock	-	(25)	-	-	48	23	-	23
Changes in non-controlling interests	-	(507)	-	-	-	(507)	(90)	(597)
Total changes in equity	-	(532)	49,870	(3,335)	3	46,006	22,235	68,241
Balance at end of period	458,790	577,041	1,843,440	137,733	(3,913)	3,013,091	1,152,145	4,165,236

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Cash flows

Three months ended June 30, 2018 and 2017

	Millions of yen	
	2018	2017
Cash flows from operating activities:		
Net income	137,427	106,289
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	90,175	87,211
Impairment losses	2,043	471
Income taxes	48,912	35,210
Share of (profits) losses of investments accounted for using the equity method	11,134	(17,577)
Financial income and expenses	(2,994)	(2,429)
Net (gain) loss on business reorganization and others	(37,472)	8
(Gain) loss on sale of property, plant and equipment	(1,509)	(60)
Change in trade receivables	-	311,857
Change in trade receivables and contract assets	382,217	-
Change in inventories	(179,524)	(137,106)
Change in other assets	(29,565)	(2,577)
Change in trade payables	(77,740)	(72,344)
Change in retirement and severance benefits	(8,179)	(6,208)
Change in other liabilities	(130,364)	(87,234)
Other	(1,808)	(4,350)
Subtotal	202,753	211,161
Interest received	3,772	3,174
Dividends received	5,726	6,712
Interest paid	(5,712)	(5,596)
Income taxes paid	(72,184)	(88,518)
Net cash provided by (used in) operating activities	134,355	126,933
Cash flows from investing activities:		
Purchase of property, plant and equipment (note 2)	(102,827)	(80,077)
Purchase of intangible assets (note 2)	(20,382)	(21,747)
Proceeds from sale of property, plant and equipment, and intangible assets (note 2)	7,138	4,856
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(21,059)	(32,299)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	51,003	29,809
Other	(17,815)	(5,167)
Net cash provided by (used in) investing activities	(103,942)	(104,625)
Cash flows from financing activities:		
Change in short-term debt, net	152,748	115,435
Proceeds from long-term debt	9,281	21,118
Payments on long-term debt	(19,748)	(67,504)
Proceeds from payments from non-controlling interests	4,731	257
Dividends paid to Hitachi, Ltd. stockholders	(38,665)	(33,838)
Dividends paid to non-controlling interests	(19,519)	(16,559)
Acquisition of common stock for treasury	(49)	(45)
Proceeds from sales of treasury stock	182	28
Purchase of shares of consolidated subsidiaries from non-controlling interests	(1,177)	(22)
Proceeds from partial sales of shares of consolidated subsidiaries to non-controlling interests	-	-
Other	(5)	(15)
Net cash provided by (used in) financing activities	87,779	18,855
Effect of exchange rate changes on cash and cash equivalents	(1,757)	6,614
Change in cash and cash equivalents	116,435	47,777
Cash and cash equivalents at beginning of period	697,964	765,242
Cash and cash equivalents at end of period	814,399	813,019

See accompanying notes to condensed quarterly consolidated financial statements.

Notes to Condensed Quarterly Consolidated Financial Statements
June 30, 2018

(1) Nature of Operations

Hitachi, Ltd. (the Company) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The condensed quarterly consolidated financial statements of the Company as of and for the three months ended June 30, 2018 comprise the Company, its subsidiaries and the Company's interests in associates and joint ventures. The Company's and its subsidiaries' businesses are global and diverse, and include manufacturing and services in eight segments consisting of information and telecommunication systems, social infrastructure and industrial systems, electronic systems and equipment, construction machinery, high functional materials and components, automotive systems, smart life and ecofriendly systems and others.

(2) Basis of Presentation

As the Company meets the requirements of a "Specified Company applying Designated International Financial Reporting Standards" pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), the condensed quarterly consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting," as permitted by the provision of Article 93 of the Ordinance. They do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the financial statements and notes included in the Company's annual consolidated financial statements for the year ended March 31, 2018.

Management of the Company has made a number of judgments, estimates and assumptions relating to the application of accounting policies, reporting of revenues and expenses and assets and liabilities in the preparation of these condensed quarterly consolidated financial statements. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated. The effect of a change in accounting estimates, if any, is recognized in the reporting period in which the change was made and in future periods.

Judgments, estimates and assumptions that could have a material effect on these condensed quarterly consolidated financial statements are basically the same as those disclosed in the Company's annual consolidated financial statements for the year ended March 31, 2018.

Regarding the condensed quarterly consolidated statement of cash flows, changes in presentation have been made effective the fiscal year beginning April 1, 2018 due to materiality of some account balances as a result of business reorganization and others. "Purchase of leased assets," which was separately presented, has been included in "Purchase of property, plant and equipment" or "Purchase of intangible assets." "Proceeds from sale of leased assets," which were separately presented, have been included in "Proceeds from sale of property, plant and equipment, and intangible assets." The condensed quarterly consolidated statement of cash flows for the three months ended June 30, 2017 has been reclassified in order to reflect these changes in presentation.

As a result, regarding the condensed quarterly consolidated statement of cash flows for the three months ended June 30, 2017, "Purchase of leased assets" of ¥1,168 million and ¥152 million has been reclassified as "Purchase of property, plant and equipment" and "Purchase of intangible assets" respectively. In addition, "Proceeds from sale of leased assets" of ¥1,253 million have been reclassified as "Proceeds from sale of property, plant and equipment, and intangible assets."

(3) Significant Accounting Policies

Significant accounting policies adopted in preparation of the condensed quarterly consolidated financial statements are consistent with those used in the preparation of the Company's annual consolidated financial statements for the year ended March 31, 2018, except for the following matters.

(a) Financial Instruments

(i) Non-derivative Financial Assets

The Company initially recognizes trade and other receivables on the date such receivables arise. All other financial assets are initially recognized at the transaction date, on which the Company becomes a party to the agreement.

The Company derecognizes financial assets when contractual rights to cash flows from the financial assets expire or when the contractual rights to receive cash flows from the financial assets are transferred in transactions where the risks and economic rewards of owning the financial assets are substantially transferred. In transactions where the risks and economic rewards of owning the financial assets are neither substantially transferred nor retained, the Company continues to recognize the financial assets to the extent of its continuing involvement and derecognizes such financial assets only if its control is transferred.

The classification and measurement model of non-derivative financial assets is summarized as follows:

Financial Assets Measured at Amortized Cost

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

・The financial asset is held within a business model with the objective of collecting contractual cash flows.

・The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (including direct transaction costs). The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method. Interest accrued on financial assets measured at amortized cost is included in Interest income in the consolidated statement of profit or loss.

FVTOCI Financial Assets

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

FVTPL Financial Assets

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

Impairment of Financial Assets

On a regular basis, but no less frequently than at the end of each quarterly reporting period, the Company evaluates allowance for doubtful receivables based on expected credit losses on accounts receivable, contract assets, and other receivables depending on whether the credit risk has increased significantly since initial recognition.

If the credit risk has increased significantly since initial recognition, the allowance for doubtful receivables is measured at the amount equal to the lifetime expected credit losses on the financial assets. If the credit risk has not increased significantly since initial recognition, the allowance for doubtful receivables is measured at the amount equal to 12-month expected credit losses. However, for accounts receivable, contract assets, and lease receivables, allowance for doubtful receivables is always measured at the amount equal to the lifetime expected credit losses.

Whether credit risk has increased significantly is determined based on changes in the risk of default. Default is defined as the state in which a critical problem with debtor's payment of contractual cash flows has been identified and there are no reasonable expectations of recovering the financial assets in its entirety or a portion. To determine whether there have been any changes in the risk of default, external credit ratings, past due information and other factors are mainly taken into consideration.

Expected credit losses are measured by taking the probability weighted average of the discounted present values of differences between the total amount of the contractual cash flows and the total amount of cash flows expected to be received in the future from the financial assets. If one or more events occur, such as overdue payments, extended payment terms, negative evaluation by third party credit rating agencies, and/or a deterioration in financial position and operating results, including capital deficit, the financial assets are individually assessed as credit-impaired financial assets and expected credit losses are measured based mainly on historical credit loss experience, future collectible amounts and other factors. The expected credit losses on the financial assets that are not credit-impaired are measured through collective assessment based mainly on provision rates depending on historical credit loss experience adjusted by the current and future economic situation and other factors, if necessary.

For the expected credit losses on accounts receivable, contract assets, and other receivables, the allowances for doubtful receivables are recorded instead of directly reducing the carrying amounts. Changes in expected credit losses are recognized in profit or loss as impairment losses and are included in Selling, general and administrative expenses in the consolidated statement of profit or loss. For financial assets, after all means of collection have been exhausted and the potential for recovery is considered remote, it is determined that there are no longer any reasonable expectations of recovering the financial assets in their entirety or a portion and the carrying amounts are generally written off.

(ii) Non-derivative Financial Liabilities

The Company initially recognizes debt instruments on the date of issuance. All other financial liabilities are initially recognized at the transaction date, on which the Company becomes a party to the agreement.

The Company derecognizes financial liabilities if extinguished, or if the obligation in the contract is redeemed or the liability is discharged, cancelled or expires.

Non-derivative financial liabilities the Company holds include bonds, debts, trade payables and other financial liabilities. They are initially measured at fair value (less direct transaction costs), and bonds and long-term debt are subsequently measured at amortized cost using the effective interest method. Interest accrued on these financial liabilities is included in Interest charges in the consolidated statement of profit or loss.

(iii) Derivatives and Hedge Accounting

The Company uses derivative instruments including forward exchange contracts, cross currency swaps and interest rate swaps in order to hedge foreign currency exchange risks and interest rate risks. All derivatives are measured at fair value irrespective of the objective and intent of holding them.

The Company accounts for hedging derivatives as follows:

- Fair value hedge: a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the related derivatives are both recorded in profit or loss if the hedge is considered effective.
- Cash flow hedge: a hedge of a forecast transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability. The changes in fair value of the derivatives designated as cash flow hedges are recorded in other comprehensive income (OCI) if the hedge is considered effective. This treatment continues until profit or loss is affected by the variability of cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative are recognized in profit or loss. If a non-financial asset or a non-financial liability is recognized due to a hedged forecast transaction, the changes in the fair value of the derivative recognized in OCI are included directly in the acquisition cost or other carrying amount of the asset or liability at which point the asset or liability is recognized.

The Company follows the documentation requirements as prescribed by IFRS 9 “Financial Instruments” (amended in July 2014), which includes the risk management objective and strategy for undertaking various hedge transactions. In addition, a formal assessment is made at the hedge’s inception and subsequently on a periodic basis, as to whether the derivative used in hedging activities is effective in offsetting changes in fair values or cash flows of the hedged items. Hedge accounting is discontinued if a hedge becomes ineffective.

(iv) Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset and reported as net amounts in the consolidated statement of financial position, only if the Company currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

(v) Changes in Accounting Policies

While the Company had historically adopted IFRS 9 (issued in November 2009, amended in October 2010), it has adopted IFRS 9 (amended in July 2014) from the beginning of the fiscal year ending March 31, 2019. IFRS 9 (amended in July 2014) amends guidance for hedge accounting and classification and measurement of financial instruments and introduces impairment guidance based on expected credit losses on financial assets. As a transitional measure upon the adoption of IFRS 9 (amended in July 2014), the Company applies this standard and recognizes the cumulative effect of the initial application as an adjustment to the beginning balance of retained earnings for the current fiscal year. The effect of adopting this standard on the Company’s financial position and operating results is not material.

(b) Revenue Recognitions

The Company recognizes revenue in accordance with the following five-step approach.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the Company satisfies a performance obligation

The Company offers multiple solutions to meet its customers’ needs which may involve the delivery or performance of multiple elements, such as goods or services. When the Company enters into multiple contracts for providing the goods or services, related contracts are combined based on interdependencies between each contract’s consideration and the time the Company entered into such contracts, and the transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service for the purpose of recognizing revenue.
In estimating the stand-alone selling price, the Company considers various factors such as market conditions, entity-specific factors and information about the customer or class of customer.
The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Variable consideration, such as discounts and rebates, is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The promised amount of consideration does not include a significant financing component.
For a performance obligation satisfied over time, the Company measures its progress towards complete satisfaction of that performance obligation on the basis of output or input methods in consideration of the nature of the goods and services for the purpose of recognizing revenue. When the Company cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred.
The Company recognizes the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract as an asset if those costs are expected to be recovered, and those assets are amortized based on the methods used to recognize revenue of the goods or services to which the assets relate. The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the assets is less than one year.

<u>Changes in Accounting Policies</u>

From the beginning of the fiscal year ending March 31, 2019, the Company has adopted IFRS 15 “Revenue from Contracts with Customers.” IFRS 15 provides a comprehensive framework for recognizing revenue. In accordance with the five-step approach, revenue is measured based on changes in assets and liabilities arising from contracts with customers and recognized when control over goods or services is transferred to the customer.
As a transitional measure upon the adoption of IFRS 15, the Company applies this standard retrospectively and recognizes the cumulative effect of the initial application as an adjustment to the beginning balance of retained earnings for the current fiscal year.

Primarily in a transaction whereby the Company provides a customer with a combination of multiple elements such as goods, services or right to use assets, the transaction price is allocated to each performance obligation based on the stand-alone selling price then revenue is recognized in accordance with the five-step approach even if no fair value is available. However, the effect of adopting this standard on the Company's financial position as of June 30, 2018 and operating results for the three months then ended is not material, compared with the application of the previous accounting standard.

In addition, due to the application of IFRS 15, unbilled receivables, which were previously included in Trade receivables, have been reclassified as contract assets, and billed receivables have been classified as trade receivables and presented as Trade receivables and contract assets. Advances received from customers, which were previously presented as Advances received, are presented as Contract liabilities.

.***(c) Income Taxes***

Income taxes for the three months ended June 30, 2018 are computed using the estimated annual effective tax rate.

(4) Segment Information

The operating segments of the Company are the components for which separate financial information is available and which is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company discloses its business in eight reportable segments, corresponding to categories of activities classified primarily by the similarities for the nature of markets, products and services, and economic characteristics. Several operating segments are aggregated into Social Infrastructure & Industrial Systems, Electronic Systems & Equipment and High Functional Materials & Components for financial reporting purposes so that users of the financial statements better understand the Company's financial position and business performance. The Company aggregates operating segments based on the similarities of economic characteristics mainly using profit margin ratios of operating segments. The primary products and services included in each segment are as follows:

Information & Telecommunication Systems:
Systems integration, Consulting, Cloud services, Servers, Storage, Software, Telecommunication & network and ATMs

Social Infrastructure & Industrial Systems:
Industrial machinery and plants, Elevators, Escalators, Railway systems, Thermal, Nuclear and Renewable energy power generation systems and Transmission & distribution systems

Electronic Systems & Equipment:
Semiconductor processing equipment, Test and measurement equipment, Advanced industrial products and Medical electronics equipment

Construction Machinery:
Hydraulic excavators, Wheel loaders and Mining machinery

High Functional Materials & Components:
Semiconductor and display related materials, Circuit boards and materials, Automotive parts, Energy storage devices, Specialty steel products, Magnetic materials and applications, Functional components and equipment and Wires, cables and related products

Automotive Systems:
Engine powertrain systems, Electric powertrain systems, Integrated vehicle control systems and Car information systems

Smart Life & Ecofriendly Systems:
Air-conditioning equipment, Room air conditioners, Refrigerators and Washing machines

Others:
Optical disk drives, Property management and others

The following tables show business segment information for the three months ended June 30, 2018 and 2017.

Revenues from Outside Customers

Millions of yen

	2018	2017
Information & Telecommunication Systems	414,420	408,856
Social Infrastructure & Industrial Systems	472,611	432,584
Electronic Systems & Equipment	215,385	219,536
Construction Machinery	240,130	211,416
High Functional Materials & Components	414,575	380,598
Automotive Systems	236,903	243,518
Smart Life & Ecofriendly Systems	106,400	123,642
Others	62,922	67,733
Subtotal	2,163,346	2,087,883
Corporate items	2,553	786
Total	2,165,899	2,088,669

Revenues from Intersegment Transactions

Millions of yen

	2018	2017
Information & Telecommunication Systems	26,152	25,928
Social Infrastructure & Industrial Systems	45,709	46,127
Electronic Systems & Equipment	24,614	25,572
Construction Machinery	81	83
High Functional Materials & Components	13,353	12,756
Automotive Systems	1,618	670
Smart Life & Ecofriendly Systems	7,929	7,525
Others	61,545	65,157
Subtotal	181,001	183,818
Corporate items and Eliminations	(181,001)	(183,818)
Total	-	-

Total Revenues

Millions of yen

	2018	2017
Information & Telecommunication Systems	440,572	434,784
Social Infrastructure & Industrial Systems	518,320	478,711
Electronic Systems & Equipment	239,999	245,108
Construction Machinery	240,211	211,499
High Functional Materials & Components	427,928	393,354
Automotive Systems	238,521	244,188
Smart Life & Ecofriendly Systems	114,329	131,167
Others	124,467	132,890
Subtotal	2,344,347	2,271,701
Corporate items and Eliminations	(178,448)	(183,032)
Total	2,165,899	2,088,669

Segment Profit (Loss)

Millions of yen

	2018	2017
Information & Telecommunication Systems	28,680	25,920
Social Infrastructure & Industrial Systems	10,111	16,528
Electronic Systems & Equipment	18,691	18,998
Construction Machinery	25,326	17,862
High Functional Materials & Components	33,473	34,055
Automotive Systems	4,489	9,836
Smart Life & Ecofriendly Systems	7,696	7,412
Others	6,599	2,814
Subtotal	135,065	133,425
Corporate items and Eliminations	45,411	9,869
Total	180,476	143,294
Interest income	4,570	3,190
Interest charges	(4,584)	(4,931)
Income from continuing operations, before income taxes	180,462	141,553

Segment profit (loss) is measured by EBIT.

Intersegment transactions are generally recorded at the same prices used in arm's length transactions. Corporate items include corporate expenses not allocated to individual business segments, such as expenditures for leading-edge R&D, a part of net gain (loss) on business reorganization and share of profits (losses) of investments accounted for using the equity method, and others.

(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures for the three months ended June 30, 2018, including the period up to the approval date of the condensed quarterly consolidated financial statements.

(a) Sale of shares and business reorganization of Hitachi Kokusai Electric Inc. (Hitachi Kokusai)

On April 26, 2017, the Company signed a basic agreement with HKE Holdings K.K. (HKE), which is indirectly held and operated by a related investment fund whose equity interests are wholly owned by Kohlberg Kravis Roberts & Co. L.P. and with HVJ Holdings Inc. (HVJ), in which is invested by funds which are managed, operated, provided with information and the like by Japan Industrial Partners, Inc., regarding (i) a tender offer to be conducted by HKE for the common shares of Hitachi Kokusai, which was a consolidated subsidiary of the Company in the Electronic Systems & Equipment segment and a share consolidation of the share of Hitachi Kokusai, and the acquisition of treasury shares by Hitachi Kokusai, through which Hitachi Kokusai becomes a wholly-owned subsidiary of HKE, (ii) an absorption-type company split of the thin-film process solutions business of Hitachi Kokusai, whereby HKE is the company succeeding in the absorption-type split, to be conducted by HKE and Hitachi Kokusai after Hitachi Kokusai becomes a wholly-owned subsidiary of HKE, and (iii) the transfer by HKE of 20% of the share of Hitachi Kokusai to the Company and 20% of the share of Hitachi Kokusai to HVJ to take place after the absorption-type company split, and other transactions that are incidental or related to those transactions. Furthermore, on October 11, 2017, on November 24, 2017 and on March 30, 2018, the Company signed a memorandum of understanding to amend the basic agreement (the Amendment Memorandum) with HKE and HVJ.

HKE commenced the tender offer on October 12, 2017 pursuant to the Amendment Memorandum, and the tender offer was completed on December 8, 2017. Following the completion of the tender offer, the above related transactions, such as the share consolidation of Hitachi Kokusai shares, took place and the all related transactions were completed on June 4, 2018. As a result, the Company's ownership ratio of shares of Hitachi Kokusai decreased from 51.7% to 20.0% and Hitachi Kokusai turned into an equity-method associate of the Company. A gain on the sale of shares of Hitachi Kokusai in the amount of ¥32,049 million was recognized in Other income in the condensed quarterly consolidated statement of profit or loss. Changes in non-controlling interests in the condensed quarterly consolidated statement of changes in equity include derecognition of non-controlling interest in Hitachi Kokusai as a result of its deconsolidation.

On June 1, 2018, HKE changed its name to Kokusai Electric Corporation.

(6) Trade Receivables, Trade Receivables and Contract Assets

The components of trade receivables, trade receivables and contract assets are as follows:

Millions of yen

	June 30, 2018	March 31, 2018
Accounts receivable	1,505,021	2,322,554
Contract assets	441,107	-
Others	196,660	178,860
Total trade receivables	-	2,501,414
Total trade receivables and contract assets	2,142,788	-

Trade receivables, trade receivables and contract assets are stated as net of the allowance for doubtful receivables.
Others include notes receivable and electronically recorded monetary claims.

(7) Fair Value of Financial Instruments

(a) Fair Value Measurements

The following methods and assumptions are used to measure the fair value of financial assets and liabilities.

Cash and cash equivalents, Trade receivables, Short-term loans receivable, Other receivables, Short-term debt, Other payables and Trade payables

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

Investments in securities and other financial assets

The fair value of lease receivables is based on the present value of lease payments receivable calculated for each group of years to maturity using discount rates that reflect the time to maturity and credit risk.

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

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

Derivative assets are measured at fair value based on quoted prices associated with transactions that are not distressed, prices in inactive markets, or based on models using interest rate curves and forward and spot prices for currencies and commodities. If significant inputs are unobservable, the Company mainly uses the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.

Long-term debt

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

Other financial liabilities

Derivative liabilities are measured at fair value based on quoted prices associated with transactions that are not distressed, prices in inactive markets, or based on models using interest rate curves and forward and spot prices for currencies and commodities. If significant inputs are unobservable, the Company uses mainly the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.

(b) Financial Instruments Measured at Amortized Cost

The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of June 30 and March 31, 2018 are as follows.

The fair value estimated for financial assets and liabilities measured at amortized cost is classified in Level 2 of the fair value hierarchy.

Millions of yen

	June 30, 2018		March 31, 2018	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Assets				
Investments in securities and other financial assets				
Lease receivables	89,691	90,662	92,198	93,165
Debt securities	132,459	132,464	120,915	120,920
Long-term loans receivable	108,238	109,723	95,373	96,859
Liabilities				
Long-term debt [1]				
Lease obligations	51,631	51,849	49,478	49,723
Bonds	150,963	154,513	149,837	153,614
Long-term borrowings	731,634	737,069	729,540	734,912

[1] Long-term debt is included in Current portion of long-term debt and Long-term debt in the condensed quarterly consolidated statement of financial position.

(c) Financial Instruments Measured at Fair Value

Financial instruments measured at fair value on a recurring basis after the initial recognition are classified into three levels of the fair value hierarchy based on the measurement inputs' observability as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets
Level 2: Valuations measured by direct or indirect observable inputs other than Level 1
Level 3: Valuations measured by significant unobservable inputs

When several inputs are used for a fair value measurement, the level is determined based on the input that is significant with the lowest level in the fair value measurement as a whole.

Transfers between levels are deemed at the beginning of each quarter period.

The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of June 30 and March 31, 2018.

June 30, 2018 — Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	-	-	1,517	1,517
Debt securities	11,011	4,909	10,803	26,723
Derivatives	-	31,409	7,760	39,169
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	258,142	52	109,881	368,075
Total financial assets at fair value	269,153	36,370	129,961	435,484
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	34,979	-	34,979
Total financial liabilities at fair value	-	34,979	-	34,979

March 31, 2018 — Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	-	-	1,114	1,114
Debt securities	10,749	6,535	9,590	26,874
Derivatives	-	27,669	7,760	35,429
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	298,307	669	113,620	412,596
Total financial assets at fair value	309,056	34,873	132,084	476,013
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	35,791	-	35,791
Total financial liabilities at fair value	-	35,791	-	35,791

The following tables present the changes in Level 3 instruments measured on a recurring basis for the three months ended June 30, 2018 and 2017.

June 30, 2018 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	114,734	9,590	7,760	132,084
Gain in profit or loss [1]	71	105	-	176
Gain in OCI [2]	2,553	-	-	2,553
Purchases	679	2,180	-	2,859
Sales and redemption	(1,047)	(1,027)	-	(2,074)
Acquisitions and divestitures	(5,227)	(55)	-	(5,282)
Transfer from Level 3 [3]	(378)	-	-	(378)
Other	13	10	-	23
Balance at end of period	111,398	10,803	7,760	129,961
Unrealized gain relating to financial assets held at end of period [4]	71	104	-	175

June 30, 2017 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	110,470	8,991	6,061	125,522
Gain (loss) in profit or loss [1]	6	(47)	-	(41)
Gain in OCI [2]	3,791	-	-	3,791
Purchases	517	369	-	886
Sales and redemption	(544)	(521)	-	(1,065)
Acquisitions and divestitures	-	1	-	1
Other	168	6	-	174
Balance at end of period	114,408	8,799	6,061	129,268
Unrealized gain relating to financial assets held at end of period [4]	6	20	-	26

[1] Gain (loss) in profit or loss related to FVTPL financial assets is included in Financial income and Financial expenses in the condensed quarterly consolidated statement of profit or loss.

[2] Gain in OCI related to FVTOCI financial assets is included in Net changes in financial assets measured at fair value through OCI in the condensed quarterly consolidated statement of comprehensive income.

[3] Transfer from Level 3 is mainly the result of an investee being listed on the stock market.

[4] Unrealized gain relating to FVTPL financial assets held at the end of period is included in Financial income and Financial expenses in the condensed quarterly consolidated statement of profit or loss.

Written put options on non-controlling interests of subsidiaries are not included in the above table. Such put options are classified as Level 3 financial liabilities measured on a recurring basis, and changes in fair value are recognized in Capital surplus. The fair value of the put options above as of June 30 and March 31, 2018 were ¥16,500 million and ¥17,098 million, respectively, included in Other financial liabilities in the condensed quarterly consolidated statement of financial position.

Fair values are measured by the finance departments in accordance with the Company's policies and procedures. Valuation models are determined so that they reflect each financial instrument's nature, characteristics and risks most appropriately. The finance departments continually examine changes in important inputs that could affect the fair value. In case the fair value of a financial instrument was significantly impaired, administrators review and approve the impairment loss.

(8) Dividends

Dividends paid on the Company's common stock for the three months ended June 30, 2018 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 10, 2018	38,621	Retained earnings	8.0	March 31, 2018	May 29, 2018

Dividends paid on the Company's common stock for the three months ended June 30, 2017 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 12, 2017	33,796	Retained earnings	7.0	March 31, 2017	May 29, 2017

(9) Revenues

(a) Disaggregation of revenue

The Company's revenue primarily arises from contracts with customers. The following table shows the disaggregation of revenue attributable to each reportable segment and geographic area.

(Millions of yen)

June 30, 2018							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
Information & Telecommunication Systems	306,330	39,912	46,774	37,823	9,733	134,242	440,572
Social Infrastructure & Industrial Systems	249,854	126,473	28,805	98,524	14,664	268,466	518,320
Electronic Systems & Equipment	88,128	91,194	23,147	30,316	7,214	151,871	239,999
Construction Machinery	39,452	66,997	38,317	34,816	60,629	200,759	240,211
High Functional Material & Components	172,335	126,951	90,884	31,467	6,291	255,593	427,928
Automotive Systems	96,285	45,420	68,731	14,726	13,359	142,236	238,521
Smarts Life & Ecofriendly Systems	90,864	18,616	252	829	3,768	23,465	114,329
Others	96,053	19,061	5,482	2,487	1,384	28,414	124,467
Subtotal	1,139,301	534,624	302,392	250,988	117,042	1,205,046	2,344,347
Corporate items and Eliminations	(157,899)	(14,317)	(2,781)	(2,878)	(573)	(20,549)	(178,448)
Total	981,402	520,307	299,611	248,110	116,469	1,184,497	2,165,899

The Information & Telecommunication Systems segment consists of Front Business and IT Platform & Products, for which revenue amounted to 313,047 million yen and 163,781 million yen, respectively (including intersegment transactions). Front Business is operated mainly in Japan, and IT Platform & Products is operated mainly in Japan, North America and Europe.

(b) Information about satisfaction of performance obligations

The following is information about satisfaction of performance obligations related to major goods and services of each reportable segment.

(Information & Telecommunication Systems)

Front Business primarily provides services such as system integration, consulting and cloud services. The business provides goods and services according to customers' specifications over a specified period of time, and revenue is recognized based on the pattern of the cost accrual or the passage of time as performance obligations are satisfied over time.

Many of the contracts require payments based on milestones, and in some cases, payments are made before performance obligations are satisfied.

IT Platform & Products primarily sells server, storage, telecommunication network equipment and related software. Revenue is recognized upon the completion of the sale and delivery of goods to customers as performance obligations are satisfied at that point in time. The Company's general terms and conditions apply, and there are no significant transactions in which payment terms include deferred payments, etc.

(Social Infrastructure & Industrial Systems)

This segment includes revenue from businesses such as building systems, railway systems, and power and energy. The building system business is operated mainly in China, the railway system business is operated mainly in Europe, and the power and energy business is operated mainly in Japan.

Contracts such as construction in this segment involve manufacturing and providing goods based on customers' specifications over a long period of time. As performance obligations are satisfied over time, revenue is recognized based on the pattern of the cost accrual. In addition, the segment provides certain services promised in the contracts such as maintenance throughout the duration of the contract, and recognizes revenue over time based on the passage of time. Many of the contracts require payments based on milestones, and, in some cases, payments are made before performance obligations are satisfied.

Further, in the sale of industrial equipment, etc., revenue is recognized when control over the goods is transferred to customers as performance obligations are satisfied at the point in time upon the completion or upon delivery of the goods. The Company's general terms and conditions apply, and there are no significant transactions in which payment terms include deferred payments, etc.

(Other)

In the Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, and Smart Life & Ecofriendly Systems segments, performance obligations are generally satisfied at a point in time upon completion of the sale and customers' acceptance and inspection of the goods, and revenue is recognized when control over goods is transferred to customers. The Company's general terms and conditions apply, and there are no significant transactions in which payment terms include deferred payments, etc.

These segments provide certain services promised in the contracts such as maintenance throughout the duration of the contract, and they recognize revenue over time based on the passage of time. The Company's general terms and conditions apply, and there are no significant transactions in which payment terms include deferred payments, etc.

(10) Other Income and Expenses

The main components of other income and expenses for the three months ended June 30, 2018 and 2017 are as follows:

Millions of yen

	2018	2017
Net gain (loss) on sales and disposals of fixed assets	1,308	44
Impairment losses	(2,043)	(471)
Net gain (loss) on business reorganization and others	37,472	(8)
Special termination benefits	(1,771)	(2,578)
Expenses related to competition law and others	(1,631)	(3,920)

Impairment losses are mainly recognized on property, plant and equipment, investment properties and intangible assets. Net gain (loss) on business reorganization and others include gains and losses related to obtaining and losing control of investees and gains and losses related to obtaining and losing significant influence over investees.

Restructuring charges (structural reform expenses) included in other expenses for the three months ended June 30, 2018 and 2017 were ¥3,814 million and ¥3,049 million, respectively. Restructuring charges (structural reform expenses) mainly include impairment losses and special termination benefits.

(11) Financial Income and Expenses

The main components of financial income and expenses for the three months ended June 30, 2018 and 2017 are as follows:

Millions of yen

	2018	2017
Dividends received	3,041	3,232
Exchange gain (loss)	10,628	401

Dividends received for the three months ended June 30, 2018 and 2017 are from FVTOCI financial assets.

(12) Discontinued Operations

In the Social Infrastructure & Industrial Systems segment, the Company classified the part of thermal power generation systems business which was not transferred to Mitsubishi Hitachi Power Systems, Ltd. for business integration in the thermal power generation systems business with Mitsubishi Heavy Industries, Ltd. but was operated by the Company and certain subsidiaries as discontinued operations in the condensed quarterly consolidated statement of profit or loss since the projects were completed in the year ended March 31, 2015.

Profit or loss and cash flows from the discontinued operations for the three months ended June 30, 2018 and 2017 are as follows:

Millions of yen

	2018	2017
Profit or loss from discontinued operations		
Revenues	6,151	245
Cost of sales and expenses	(274)	(299)
Income (loss) from discontinued operations, before income taxes	5,877	(54)
Income taxes	(1)	(16)
Income (loss) from discontinued operations	5,876	(70)

Millions of yen

	2018	2017
Cash flows from discontinued operations		
Cash flows from operating activities	1,996	362
Cash flows from investing activities	-	-
Cash flows from financing activities	(1,741)	189

(13) Earnings Per Share (EPS) Information

The computations of net income attributable to Hitachi, Ltd. stockholders used to derive basic and diluted EPS for the three months ended June 30, 2018 and 2017 are as follows:

Number of shares

	2018	2017
Weighted average number of shares on which basic EPS is calculated	4,828,273,471	4,828,029,198
Effect of dilutive securities		
Stock options	4,400,452	3,924,332
Number of shares on which diluted EPS is calculated	4,832,673,923	4,831,953,530

Millions of yen

	2018	2017
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	99,369	75,138
Effect of dilutive securities	-	-
Diluted	99,369	75,138
Net income(loss) from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	5,876	(70)
Effect of dilutive securities	-	-
Diluted	5,876	(70)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	105,245	75,068
Effect of dilutive securities	-	-
Diluted	105,245	75,068

Yen

	2018	2017
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	20.58	15.56
Diluted	20.56	15.55
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	1.22	(0.01)
Diluted	1.22	(0.01)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	21.80	15.55
Diluted	21.78	15.54

(14) Contingencies

(a) Litigation

In July 2011, a subsidiary in the U.S.A. received a grand jury subpoena from the Antitrust Division of the U.S. Department of Justice, the Company and a subsidiary in Europe received requests for information from the European Commission, and a subsidiary in Canada received requests for information from the Canadian Competition Bureau, all in respect of alleged antitrust violations relating to automotive equipment. In November 2013, a subsidiary in Japan, which had been also primarily responsible for responding to the investigation from the Antitrust Division of the U.S. Department of Justice, paid fines. In January 2016, the Company and the subsidiary in Japan which had been also primarily responsible for responding to the investigation from the European Commission reached a settlement with the European Commission, and paid fines in April 2016.

In April 2014, a subsidiary in the U.S.A. received a grand jury subpoena in connection with the investigation conducted by the Antitrust Division of the U.S. Department of Justice in respect of alleged antitrust violations relating to automotive equipment. In August 2016, a subsidiary in Japan, which had been also primarily responsible for responding to the investigation, concluded an agreement in which the subsidiary will pay fines, and paid fines in March 2017.

In addition to the above, the Company, its subsidiaries and associates have cooperated with the competent authorities. Depending upon the outcome of these matters, fines or surcharge payments, the amount of which is uncertain, may be imposed on them. Also, in connection with pending and settled antitrust violations, civil disputes, including class action lawsuits, involving the Company and some of these companies have arisen in a number of countries, including in the U.S.A. and Canada. An amount, which was considered to be a reasonable estimate in respect of these claims, was accrued for the potential losses in relation to certain of these civil disputes.

In August 2012, a subsidiary in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of EUR 1,058 million (¥135,404 million), additional costs and interest allegedly incurred by the delay in the construction process of a power plant against, jointly and severally, the Company, the subsidiary in Europe, a consortium including the Company and the subsidiary in Europe, and two other companies. In addition, in October 2013 and February 2016, the subsidiary in Europe received additional complaints requesting compensation for consequential losses of EUR 239 million (¥30,633 million) and EUR 105 million (¥13,384 million), respectively. In June 2016, the Company was informed that the customer added an associate in Europe as one of the defendants. Although the Company, the subsidiary and the associate in Europe and the consortium will vigorously defend themselves against this lawsuit, there can be no assurance that they will not be held liable for any amounts claimed.

In December 2013, the Company, a subsidiary in Europe and a consortium consisting of the Company and the subsidiary in Europe, jointly and severally received a request from a customer in Europe to refer a dispute to arbitration demanding EUR 637 million (¥81,500 million) in compensation for consequential losses allegedly incurred by the delay in the construction process of a power plant. In November 2016, an arbitral award was issued by an arbitral tribunal and the award was paid in February 2017. In addition, a settlement regarding a part of unsettled matters was paid in July 2017.
In addition, in December 2015, these companies, jointly and severally received a request for arbitration from the customer demanding EUR 161 million (¥20,635 million) in compensation primarily for performance related deficiencies of a power plant. As of June 30, 2018, the amount of compensation claimed by the customer had been changed to EUR 101 million (¥13,033 million).
In relation to these arbitration cases, the Company, the subsidiary in Europe and the consortium consisting of the Company and the subsidiary in Europe agreed on the terms of the settlement and settled the claims in July 2018.

In November 2017, a subsidiary in Japan received a complaint that was filed against three companies, namely a construction company of a condominium complex, the subsidiary and a secondary subcontractor, by a contractee in Japan seeking approximately ¥45.9 billion in compensation for expenses allegedly incurred arising from concerns over partial deficiencies of piling work during the construction phases of the condominium complex, which the subsidiary contracted as the primary subcontractor. In July 2018, the compensation claim against three companies was amended to approximately ¥51.0 billion by the contractee.
In relation to the aforementioned lawsuit, the subsidiary in Japan received a complaint that was filed against the subsidiary and the secondary subcontractor, by the construction company of the condominium complex seeking approximately ¥49.6 billion in compensation for expenses allegedly incurred arising from the aforementioned lawsuit. Although the subsidiary in Japan will address these claims and explain its position, there can be no assurance that it will not be held liable for any amounts claimed.

In December 2017, a subsidiary and an associate in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of EUR 263 million (¥33,646 million) and interest allegedly incurred by performance defects of a power plant. In addition, in July 2018, the subsidiary and the associate in Europe received a complaint requesting additional compensation for consequential losses of EUR 6 million (¥887 million). Although the subsidiary and the associate in Europe will vigorously defend themselves against this lawsuit, there can be no assurance that they will not be held liable for any amounts claimed.

The Company and its subsidiaries execute a number of business reorganizations, including mergers, acquisitions and divestitures. Contracts for these reorganizations include clauses for transaction price adjustments subsequent to the reorganizations. There is a possibility products or services provided by the Company and its subsidiaries contain defects. As the result of price adjustments, or in compensation for defects in products or services etc. there is a possibility that the Company pays for any amounts.

Depending upon the outcome of the above legal proceedings, there may be an adverse effect on the consolidated financial position or results of operations. Currently, the Company is unable to estimate the adverse effect, if any, of many of these proceedings. The actual amount of fines, surcharge payments or any other payments resulting from these legal proceedings may be different from the accrued amounts.

In addition to the above, the Company and its subsidiaries are subject to legal proceedings and claims which have arisen in the ordinary course of business and have not been finally adjudicated. These actions when ultimately concluded and determined will not, in the opinion of management, have a material adverse effect on the consolidated financial statements of the Company and subsidiaries.

(b) Other

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

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

On March 31, 2016, MHI requested the Company to pay ZAR 48,200 million (approximately ¥379.0 billion when ZAR 1 = ¥7.87) to MHPS Africa as a portion of transfer price adjustment, etc. The Company replied to MHI on April 6, 2016 that the details of the demand letter lacked legal grounds under any agreement and thus the Company cannot accept it.

On January 31, 2017, MHI extended the amount above and requested the Company to pay ZAR 89,700 million (approximately ¥763.4 billion when ZAR 1 = ¥8.51). The Company again replied to MHI that the Company cannot accept the request since it lacks legal grounds under any agreement as does the request of March 2016. On August 21, 2017, the Company received a notice from the Japan Commercial Arbitration Association (hereinafter, the "JCAA") stating that MHI had filed a request for arbitration with the JCAA on July 31, 2017 in order to claim for payment of ZAR 90,779 million (approximately ¥774.3 billion when ZAR 1 = ¥8.53) as the said transfer price adjustment, etc. against the Company. The Company will address this claim and explain its position in the arbitration proceedings.

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

In June 2018, Hitachi Chemical Company, Ltd. (hereinafter "Hitachi Chemical"), a consolidated subsidiary of the Company, found that, for certain products of the industrial-use lead-acid batteries business, pre-shipment testing to measure battery capacity was performed in a different manner from that which had been originally agreed upon with customers, and inspection reports containing different data from measurement results were provided to customers. Hitachi Chemical set up a special investigation committee and the committee has been investigating related facts and causes. Hitachi Chemical has also been notifying customers, etc. The outcome of the investigation by the committee or discussions with customers may adversely affect the consolidated financial position or results of operations in the future. As it is not possible to reasonably estimate the impact on the consolidated financial statements at this time, no amount has been reflected in the condensed quarterly consolidated financial statements.

(15) Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements were approved on August 7, 2018 by Toshiaki Higashihara, President and CEO of the Company.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	August 7 , 2018
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & CEO
[Name and title of CFO]	Mitsuaki Nishiyama, Senior Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Adequacy of Statements Contained in the Quarterly Report

Mr. Toshiaki Higashihara, President & CEO, and Mr. Mitsuaki Nishiyama, Senior Vice President and Executive Officer, confirmed that statements contained in the Quarterly Report for the first quarter of the 150th fiscal year (from April 1, 2018 to June 30, 2018) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.