[Translation]

Quarterly Report

(The Second Quarter of 151st Business Term)

From July 1, 2019 to September 30, 2019

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

Hitachi, Ltd.

[Cover]

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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)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Year ended March 31, 2019
Revenues	4,491,834 [2,325,935]	4,221,327 [2,188,745]	9,480,619
Income from continuing operations, before income taxes	352,920	288,976	516,502
Net income attributable to Hitachi, Ltd. stockholders	192,995 [87,750]	189,293 [68,990]	222,546
Comprehensive income attributable to Hitachi, Ltd. stockholders	204,468	131,271	171,140
Total Hitachi, Ltd. stockholders' equity	3,449,257	3,341,211	3,262,603
Total equity	4,667,038	4,445,844	4,414,403
Total assets	10,060,173	9,719,596	9,626,592
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	199.86 [90.87]	196.02 [71.44]	230.47
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	199.69	195.77	230.25
Total Hitachi, Ltd. stockholders' equity ratio (%)	34.3	34.4	33.9
Net cash provided by operating activities	211,994	205,688	610,025
Net cash used in investing activities	(142,471)	(207,079)	(162,872)
Net cash provided by (used in) financing activities	59,971	70,137	(320,426)
Cash and cash equivalents at end of period	825,598	841,702	807,593

(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.
3. The figures of "Revenues," "Net income attributable to Hitachi, Ltd. stockholders" and "Earnings per share attributable to Hitachi, Ltd. stockholders, basic" in square bracket are those for the three months ended September 30, 2018 and 2019, respectively.
4. On October 1, 2018, the Company completed the share consolidation of every five (5) shares of common stock into one (1) share. The figures for basic and diluted earnings per share attributable to Hitachi, Ltd. stockholders are calculated on the assumption that the Company conducted this share consolidation at the beginning of the fiscal year ended March 31, 2019.

2. Description of Business

There were no material changes in principal businesses of Hitachi during the six months ended September 30, 2019. The Hitachi Group is comprised of the Company, 793 consolidated subsidiaries, and 444 equity-method associates and joint-ventures.

Effective from April 1, 2019, the Company reclassified its reportable segments in ten segments: five areas as IT, Energy, Industry, Mobility and Smart Life, four listed subsidiary groups as Hitachi High-Technologies, Hitachi Construction Machinery, Hitachi Metals and Hitachi Chemical, and Others.

Major business and the positioning of principal affiliated companies and changes in principal affiliated companies during the six months ended September 30, 2019 were as follows. The Company mainly engages in manufacturing and sales of products and providing services in the segments of IT, Energy, Industry, Mobility and Smart Life.

(As of September 30, 2019)

Main products and services	Positioning of principal affiliated companies	
	Manufacturing	Sales and services
IT Systems Integration, Consulting, Control Systems, Cloud Services, Software, IT products (Storage, Servers), ATMs	[Consolidated subsidiaries] Hitachi Information & Telecommunication Engineering, Ltd. Hitachi-Omron Terminal Solutions, Corp. Hitachi Computer Products (America), Inc.	[Consolidated subsidiaries] Hitachi Solutions, Ltd. Hitachi Systems, Ltd. Hitachi Consulting Corporation Hitachi Global Digital Holdings Corporation Hitachi Payment Services Private Limited Hitachi Vantara Corporation
Energy Power Generation Systems (Nuclear, Renewable Energy, Thermal), Power Grid Systems	[Consolidated subsidiaries] Hitachi-GE Nuclear Energy, Ltd. [Equity-method associates] Mitsubishi Hitachi Power Systems, Ltd.	[Consolidated subsidiaries] Hitachi Plant Construction, Ltd. Hitachi Power Solutions Co., Ltd.
Industry Industry & Distribution Systems, Water & Environment Systems, Industrial Machinery	[Consolidated subsidiaries] Hitachi Industrial Equipment Systems Co., Ltd. Hitachi Industrial Products, Ltd. (Note 2) [Equity-method associates] Hitachi Kokusai Electric Inc.	[Consolidated subsidiaries] Hitachi Industry & Control Solutions, Ltd. Hitachi Plant Services Co., Ltd. Sullair US Purchaser, Inc.
Mobility Building Systems (Elevators, Escalators), Railway Systems	[Consolidated subsidiaries] Hitachi Elevator (China) Co., Ltd.	[Consolidated subsidiaries] Hitachi Building Systems Co., Ltd. Hitachi Rail Ltd. (Note 3)
Smart Life Medical Electronics, Smart Life & Ecofriendly Systems (Refrigerators, Washing Machines, Room Air Conditioners, Air-Conditioning Equipment), Automotive Systems (Powertrain Systems, Chassis Systems, Advanced Driver Assistance Systems)	[Consolidated subsidiaries] Hitachi Automotive Systems, Ltd. Hitachi Global Life Solutions, Inc. (Note 4) Hitachi Automotive Systems Americas, Inc. Hitachi Consumer Products (Thailand), Ltd.	[Equity-method associates] Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd
Hitachi High-Technologies Medical and Life Science Products, Analytical Equipment, Semiconductor Processing Equipment, Manufacturing and Inspection Equipment, Advanced Industrial Products	[Consolidated subsidiaries] Hitachi High-Technologies Corporation	
Hitachi Construction Machinery Hydraulic Excavators, Wheel Loaders, Mining Machinery, Maintenance and Services, Construction Solutions, Mine Management Systems	[Consolidated subsidiaries] Hitachi Construction Machinery Co., Ltd.	
Hitachi Metals Specialty Steel Products, Functional Components and Equipment, Magnetic Materials and Power Electronics Materials, Wires, Cables and Related Products	[Consolidated subsidiaries] Hitachi Metals, Ltd.	
Hitachi Chemical Functional Materials (Electronics Materials, Printed Wiring Boards Materials, Electronics Components), Advanced Components and Systems (Mobility Components, Energy Storage Devices, Life Science-related Products)	[Consolidated subsidiaries] Hitachi Chemical Company, Ltd.	
Others Optical Disk Drives, Property Management	[Consolidated subsidiaries] Hitachi-LG Data Storage, Inc.	[Consolidated subsidiaries] Hitachi Life, Ltd. Hitachi Urban Investment, Ltd. Hitachi America, Ltd. Hitachi Asia Ltd. Hitachi (China), Ltd. Hitachi Europe Ltd. Hitachi India Pvt. Ltd.

(Notes) 1. Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China), Ltd., Hitachi Europe Ltd. and Hitachi India Pvt. Ltd. are the Hitachi Group's regional supervising company for Americas, Asia, China, Europe and India, and they sell the Hitachi Group's products.
2. Hitachi Industrial Products, Ltd. is the company which succeeded the electrical systems business and machinery systems business through absorption-type company split from the Company on April 1, 2019.
3. Hitachi Rail Europe Ltd. changed its company name to Hitachi Rail Ltd. on April 1, 2019.
4. Hitachi Appliances, Inc. merged with Hitachi Consumer Marketing, Inc. and changed its company name to Hitachi Global Life Solutions, Inc. on April 1, 2019.
5. In addition to the table above, the major equity-method associates are Hitachi Capital Corporation and Hitachi Transport System, Ltd.

II. Business Overview

1. Risk Factors

There were no new risk factors recognized during the six months ended September 30, 2019.

There were no material changes in the risk factors stated in the Annual Securities Report for the 150th business term pursuant to the Financial Instruments and Exchange Act of Japan.

2. Management's Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows

(1) Analysis of Results of Operations

Results of Operations

The results of operations in the six months ended September 30, 2019 were as follows.

Revenues decreased 6% to ¥4,221.3 billion, as compared with the six months ended September 30, 2018, due mainly to the decreased revenues in the Smart Life segment affected by business sell-off of car information systems business, etc. in automotive systems business, the Mobility segment, Hitachi Metals and Hitachi Chemical. This decrease was partially offset by increased revenues in the IT segment and the Industry segment.

Cost of sales decreased 6% to ¥3,074.7 billion, as compared with the six months ended September 30, 2018, and the ratio of cost of sales to revenues was 73%, which was the same level as for the six months ended September 30, 2018. Gross profit decreased 5% to ¥1,146.5 billion, as compared with the six months ended September 30, 2018.

Selling, general and administrative expenses ("SG&A") decreased 2% to ¥849.3 billion, as compared with the six months ended September 30, 2018, and the ratio of SG&A to revenues increased 1% to 20%, as compared with the six months ended September 30, 2018.

Adjusted operating income (presented as revenues less cost of sales as well as SG&A) decreased ¥47.3 billion to ¥297.2 billion, as compared with the six months ended September 30, 2018, despite the higher profits in the IT segment and the Smart Life segment, etc. This decrease was due mainly to lower profits in Hitachi Construction Machinery, Hitachi Metals and Hitachi Chemical.

Other income decreased ¥62 million to ¥38.1 billion, as compared with the six months ended September 30, 2018, due mainly to the absence of the gains on business reorganization and others by selling shares of Hitachi Kokusai Electric Inc. stock posted in the six months ended September 30, 2018. This decrease was partially offset by gains on business reorganization and others by selling a part of shares of Agility Trains West (Holdings) Limited stock in the railway systems business and a settlement gain recognized at the time of the shift to a risk-sharing corporate pension plan. Other expenses increased ¥28.9 billion to ¥75.9 billion, as compared with the six months ended September 30, 2018, due mainly to higher impairment losses owing to the lower than expected revenues for the magnetic material business in Hitachi Metals.

Financial income (excluding interest income) decreased ¥9.5 billion to ¥4.9 billion and financial expenses (excluding interest charges) increased ¥0.2 billion to ¥1.3 billion, as compared with the six months ended September 30, 2018, respectively.

Share of profits of investments accounted for using the equity method increased ¥24.3 billion to ¥27.5 billion, as compared with the six months ended September 30, 2018.

EBIT (earnings before interest and taxes, which is presented as income from continuing operations, before income taxes less interest income plus interest charges) decreased ¥61.8 billion to ¥290.5 billion, as compared with the six months ended September 30, 2018, due mainly to the impairment losses recognized in Hitachi Metals as well as decreased adjusted operating income.

Interest income increased ¥0.1 billion to ¥10.3 billion and interest charges increased ¥2.2 billion to ¥11.9 billion, as compared with the six months ended September 30, 2018, respectively.

Income from continuing operations, before income taxes decreased ¥63.9 billion to ¥288.9 billion, as compared with the six months ended September 30, 2018.

Income taxes decreased ¥2.1 billion to ¥90.6 billion, as compared with the six months ended September 30, 2018.

Loss from discontinued operations improved ¥3.2 billion to ¥0.7 billion as compared with the six months ended September 30, 2018.

Net income decreased ¥58.6 billion to ¥197.5 billion, as compared with the six months ended September 30, 2018.

Net income attributable to non-controlling interests decreased ¥54.9 billion to ¥8.2 billion, as compared with the six months ended September 30, 2018.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders decreased ¥3.7 billion to ¥189.2 billion, as compared with the six months ended September 30, 2018.

Operations by Segment

The following is an overview of results of operations by segment. Revenues for each segment include intersegment transactions. Effective from April 1, 2019, the Company reclassified its reportable segments in ten segments: IT, Energy, Industry, Mobility, Smart Life, Hitachi High-Technologies, Hitachi Construction Machinery, Hitachi Metals, Hitachi Chemical and Others. Accordingly, the amounts previously reported for the six months ended September 30, 2018 have been restated in conformity with the new segments.

(IT)

Revenues increased 2% to ¥995.2 billion, as compared with the six months ended September 30, 2018, due mainly to higher revenues from system integration business for social infrastructure, industry and public fields and higher sales of storage and PC servers in Japan.

Adjusted operating income increased ¥10.8 billion to ¥109.1 billion, as compared with the six months ended September 30, 2018, due mainly to increased revenues. This increase was partially offset by an increase in strategic investment for expansion of digital solution business.

EBIT increased ¥17.5 billion to ¥105.8 billion, as compared with the six months ended September 30, 2018, due mainly to the gains by selling the land of former production basis as well as increased adjusted operating income

(Energy)

Revenues decreased 9% to ¥161.6 billion, as compared with the six months ended September 30, 2018, due mainly to the effect of business transfer of power receiving and transforming facilities business for industry field and a decrease of projects related to new regulations in nuclear power generation systems business.

Adjusted operating income decreased ¥5.1 billion to ¥0.2 billion, as compared with the six months ended September 30, 2018, due mainly to decreased revenues.

EBIT increased ¥5.8 billion to net earnings of ¥1.0 billion as compared with the six months ended September 30, 2018, despite decreased adjusted operating income. The increase was due mainly to an improvement in share of profits of investments accounted for using the equity method.

(Industry)

Revenues increased 2% to ¥366.7 billion, as compared with the six months ended September 30, 2018, due mainly to higher revenues from air conditioning systems business for industry field.

Adjusted operating income increased ¥0.2 billion to ¥13.8 billion, as compared with the six months ended September 30, 2018, due mainly to increased revenues.

EBIT increased ¥5.4 billion to ¥20.6 billion, as compared with the six months ended September 30, 2018, due mainly to an improvement in share of profits of investments accounted for using the equity method.

(Mobility)

Revenues decreased 9% to ¥529.9 billion, as compared with the six months ended September 30, 2018, due mainly to decreased revenues from railway systems business in the U.K. and the sales price down of building systems in China as well as the impact of foreign currency translation.

Adjusted operating income increased ¥87 million to ¥38.6 billion, as compared with the six months ended September 30, 2018, despite decreased revenues. This increase was due mainly to profitability improvement resulted from cost reduction, etc. in building systems business.

EBIT increased ¥28.7 billion to ¥63.9 billion, as compared with the six months ended September 30, 2018, due mainly to the gains by selling a part of shares of Agility Trains West (Holdings) Limited stock.

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(Smart Life)

Revenues decreased 12% to ¥708.9 billion, as compared with the six months ended September 30, 2018, due mainly to the effect of business sell-off of car information systems, etc. in automotive systems business.

Adjusted operating income increased ¥10.3 billion to ¥28.8 billion, as compared with the six months ended September 30, 2018, due mainly to profitability improvement resulted from cost reduction in automotive systems business, home appliances business and healthcare business.

EBIT increased ¥26.8 billion to ¥27.9 billion, as compared with the six months ended September 30, 2018, due mainly to the business reorganization expenses in automotive systems business posted in the six months ended September 30, 2018 as well as the increased adjusted operating income.

(Hitachi High-Technologies)

Revenues decreased 5% to ¥346.3 billion, as compared with the six months ended September 30, 2018, despite higher sales of semiconductor processing equipment. The decrease was due mainly to lower sales of liquid crystal display exposure systems and the impact of foreign currency translation.

Adjusted operating income decreased ¥4.8 billion to ¥30.8 billion, as compared with the six months ended September 30, 2018, due mainly to decreased revenues and the impact of foreign currency translation. EBIT decreased ¥3.1 billion to ¥30.7 billion, as compared with the six months ended September 30, 2018, due mainly to decreased adjusted operating income.

(Hitachi Construction Machinery)

Revenues decreased 2% to ¥480.5 billion, as compared with the six months ended September 30, 2018, despite higher sales mainly in North America, Japan and Europe. The decrease was due mainly to the impact of foreign currency translation.

Adjusted operating income decreased ¥8.3 billion to ¥44.4 billion, as compared with the six months ended September 30, 2018, due mainly to an increase in indirect expenses and the impact of foreign currency translation.

EBIT decreased ¥6.5 billion to ¥42.8 billion for the six months ended September 30, 2018, as compared with the six months ended September 30, 2018, due mainly to decreased adjusted operating income and posting of business reorganization expenses.

(Hitachi Metals)

Revenues decreased 12% to ¥456.8 billion, as compared with the six months ended September 30, 2018, due mainly to a decrease in demand for products for automobile, semiconductor and factory automation and the effect of business transfer of aluminum wheels business.

Adjusted operating income decreased ¥27.1 billion to ¥5.9 billion, as compared with the six months ended September 30, 2018, due mainly to posting revaluation losses on inventories as well as decreased revenues.

EBIT worsened ¥94.4 billion to loss of ¥56.3 billion, as compared with the six months ended September 30, 2018, due mainly to posting of impairment losses in the magnetic material business as well as decreased adjusted operating income.

(Hitachi Chemical)

Revenues decreased 8% to ¥316.6 billion, as compared with the six months ended September 30, 2018, due mainly to a decrease in demand for products for semiconductor and automobile.

Adjusted operating income decreased ¥7.9 billion to ¥16.8 billion, as compared with the six months ended September 30, 2018, due mainly to decreased revenues and EBIT decreased ¥8.0 billion to ¥15.5 billion, as compared with the six months ended September 30, 2018, due mainly to decreased adjusted operating income.

(Others)

Revenues decreased 19% to ¥236.3 billion, as compared with the six months ended September 30, 2018, due mainly to the effect of reorganization of Hitachi Kokusai Electric Inc.

Adjusted operating income decreased ¥5.9 billion to ¥11.8 billion, and EBIT decreased ¥5.2 billion to ¥14.2 billion, as compared with the six months ended September 30, 2018, respectively.

Revenues by Market

Revenues in Japan was ¥2,125.9 billion, which was the same level as the six months ended September 30, 2018, despite decreased revenues in the Smart Life segment owing to the effect of business sell-off in automotive systems business and the Others segment owing to the effect of reorganization of Hitachi Kokusai Electric Inc. as well as decreased revenues in the Energy segment and Hitachi Metals. The decrease was partially offset by increased revenues in the IT segment, the Industry segment and Hitachi Construction Machinery.

Overseas revenues decreased 12% to ¥2,095.3 billion, as compared with the six months ended September 30, 2018, due mainly to decreased revenues in Asia, mainly in the Mobility segment due mainly to lower sales from building systems business, and in Hitachi High-Technologies, Hitachi Construction Machinery, Hitachi Metals and Hitachi Chemicals, decreased revenues in North America, particularly in Hitachi Metals, and decreased revenues in Europe, mainly in the Mobility segment due mainly to lower sales from railway systems business and the IT segment. This decrease was also attributable to decreased revenues owing to the effect of business sell-off in automotive systems business and reorganization of Hitachi Kokusai Electric Inc.

As a result, the ratio of overseas revenues to total revenues decreased 3% to 50%, as compared with the six months ended September 30, 2018.

(2) Analysis of Financial Condition and Cash Flows

Liquidity and Capital Resources

During the six months ended September 30, 2019, 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.

Regarding debt ratings we received, Rating and Investment Information, Inc. (R&I) changed its long-term rating from A+ to AA- and short-term rating from a-1 to a-1+, respectively, on August 29, 2019.

Cash Flows

(Cash Flows from Operating Activities)

Net income in the six months ended September 30, 2019 decreased by ¥58.6 billion, as compared with the six months ended September 30, 2018. Net cash inflow from a change in trade receivables and contract assets decreased by ¥41.4 billion, as compared with the six months ended September 30, 2018. Net cash outflow from a change in trade payables increased by ¥19.6 billion, as compared with the six months ended September 30, 2018. Net cash outflow from a change in inventories decreased by ¥36.6 billion, as compared with the six months ended September 30, 2018.

As a result of the foregoing, net cash provided by operating activities was ¥205.6 billion in the six months ended September 30, 2019, a decrease of ¥6.3 billion, compared with the six months ended September 30, 2018.

(Cash Flows from Investing Activities)

Net amount of investments related to property, plant and equipment* was ¥198.9 billion in the six months ended September 30, 2019. This net sum decreased by ¥25.4 billion compared with the six months ended September 30, 2018. 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 six months ended September 30, 2019 decreased by ¥64.8 billion, as compared with the six months ended September 30, 2018. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the six months ended September 30, 2019 increased by ¥23.0 billion, as compared with the six months ended September 30, 2018, due mainly to the purchase of shares of Yungtay Engineering Co., Ltd.

As a result of the foregoing, net cash used in investing activities was ¥207.0 billion in the six months ended September 30, 2019, an increase of ¥64.6 billion compared with the six months ended September 30, 2018.

* 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 outflow related to long-term debt** in the six months ended September 30, 2019 increased by ¥80.2 billion, as compared with the six months ended September 30, 2018. Dividends paid to Hitachi, Ltd. stockholders in the six months ended September 30, 2019 increased by ¥9.5 billion, as compared with the six months ended September 30, 2018. Net cash inflow from a change in short-term debt in the six months ended September 30, 2019 increased by ¥103.4 billion, as compared with the six months ended September 30, 2018.

As a result of the foregoing, net cash flows provided in financing activities were ¥70.1 billion in the six months ended September 30, 2019, an increase of ¥10.1 billion compared with the six months ended September 30, 2018.

** 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 September 30, 2019 were ¥841.7 billion, an increase of ¥34.1 billion from March 31, 2019. Free cash flows, the sum of cash flows from operating and investing activities, were an outflow of ¥1.3 billion in the six months ended September 30, 2019, a decrease of ¥70.9 billion compared with the six months ended September 30, 2018.

Assets, Liabilities and Equity

The following is an overview of Hitachi’s assets, liabilities and equity as of September 30, 2019.

Total assets were ¥9,719.5 billion, an increase of ¥93.0 billion from March 31, 2019, despite cash collection of trade payables. This increase was due mainly to the impact of adopting IFRS 16 "Leases" and an increase in inventories.

Total interest-bearing debt, the sum of short-term debt and long-term debt, was ¥1,387.3 billion, an increase of ¥382.5 billion from March 31, 2019. This was due mainly to the impact of adopting IFRS 16 "Leases" and an increase in short-term debt.

Total Hitachi, Ltd. stockholders’ equity increased by ¥78.6 billion from March 31, 2019, to ¥3,341.2 billion. The ratio of total Hitachi, Ltd. stockholders’ equity to total assets was 34.4%, as compared with 33.9% as of March 31, 2019.

Non-controlling interests were ¥1,104.6 billion, a decrease of ¥47.1 billion from March 31, 2019.

Total equity was ¥4,445.8 billion, an increase of ¥31.4 billion from March 31, 2019. The ratio of interest-bearing debt to total equity was 0.31, as compared with 0.23 as of March 31, 2019.

(3) Management Policy

There were no material changes in Hitachi’s management policy during the six months ended September 30, 2019.

(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 six months ended September 30, 2019.

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 150th business term pursuant to the Financial Instruments and Exchange Act of Japan. The Hitachi Group's R&D expenditures in the six months ended September 30, 2019 were ¥142.2 billion, 3.4% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Six months ended September 30, 2019
IT	25.5
Energy	3.7
Industry	5.6
Mobility	14.4
Smart Life	30.0
Hitachi High-Technologies	15.3
Hitachi Construction Machinery	12.3
Hitachi Metals	8.2
Hitachi Chemical	16.1
Others	0.8
Corporate Items	9.9
Total	142.2

(6) Property, Plant and Equipment

Hitachi Metals, Ltd. recognized impairment losses on property, plant and equipment such as machinery of ¥22.4 billion for the six months ended September 30, 2019, due to the lower than expected future revenue projected for the magnetic material business. Details of these impairment losses are described in "Condensed Quarterly Consolidated Financial Statements －Notes to Condensed Quarterly Consolidated Financial Statements －(11) Other Income and Expenses."

(7) Plans for Capital Investment, Disposals of Property, Plants and Equipment, etc.

The Hitachi Group (the Company and consolidated subsidiaries) engages in diverse operations in Japan and overseas, and has not decided on specific plans to newly install or expand each of facilities as of the end of the consolidated fiscal year and each quarter of the consolidated fiscal year. For this reason, it discloses amounts of capital investment by segment.

The amount of capital investment for the fiscal year ending March 31, 2020 is updated as follows (new installation and expansions, based on the amount recorded as tangible fixed assets and the investment property) from the amount initially planned as of March 31, 2019.

Segment	The amount of capital investment for the fiscal year ending March 31, 2020 (Billions of yen)	
	Initial Plan	Updated Plan
IT	390	390
Energy	60	60
Industry	170	170
Mobility	200	200
Smart Life	770	770
Hitachi High-Technologies	290	380
Hitachi Construction Machinery	700	700
Hitachi Metals	600	500
Hitachi Chemical	460	460
Others	260	270
Subtotal	3,900	3,900
Corporate Items & Elimination	100	100
Total	4,000	4,000

(Notes) 1. The figures in the above table include the amount of the right-of-use assets and the investment property, each of which is recorded as property, plant and equipment and other non-current assets, respectively.
2. These planned investments are expected to be mostly financed with the Hitachi Group's own capital.
3. There are no plans to dispose or sell principal facilities, with the exception of disposing and selling facilities due to routine upgrading.

(8) Forward-Looking Statements

Certain statements found in "2. Management's Discussion and Analysis 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 six months ended September 30, 2019.

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	2,000,000,000
Total	2,000,000,000

2) Issued shares

Class	Number of shares issued as of the end of second quarter (shares) (September 30, 2019)	Number of shares issued as of the filing date (shares) (Note) (November 12, 2019)	Stock exchange on which the Company is listed	Description
Common stock	967,280,477	967,280,477	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	967,280,477	967,280,477	–	–

(Note) The "Number of shares issued as of the filing date" does not include shares issued upon exercise of stock acquisition rights from November 1, 2019 to the filing date.

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

1) Details of stock option plans

Not applicable.

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 July 1, 2019 to September 30, 2019	―	967,280,477	―	459,862	―	177,828

(5) Major shareholders

(As of September 30, 2019)

Name	Address	Share Ownership (shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	73,533,600	7.61
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	60,532,549	6.26
Hitachi Employees' Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda- ku, Tokyo	20,596,676	2.13
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda- ku, Tokyo	18,922,399	1.96
Japan Trustee Services Bank, Ltd. (Trust Account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	18,824,500	1.95
State Street Bank and Trust Company 505001 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351 Boston, Massachusetts 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	17,751,942	1.84
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351 Boston, Massachusetts 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	17,670,106	1.83
JP Morgan Chase Bank 385151 (Standing proxy: Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (15-1, Konan 2-chome, Minato-ku, Tokyo)	17,501,808	1.81
Nats Cumco (Standing proxy: Mizuho Bank, Ltd.)	C/O City Bank, New York 111 Wall Street, New York, NY, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	17,118,522	1.77
State Street Bank West Client-Treaty 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	15,274,087	1.58
Total	-	277,726,189	28.74

(Notes) 1. Nats Cumco is the nominee name of the depositary bank, Citibank, N.A., for the aggregate of the Company's American Depositary Receipts (ADRs) holders.

2. Some reports on substantial shareholdings regarding the Company under the Financial Instruments and Exchange Act are available for public inspection. However, the information in the reports is not described in the above table since the Company does not confirm the actual status of shareholdings as of September 30, 2019. The major contents of the reports are as follows. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The reports whose date on which the duty to file report is prior to the effective date of the share consolidation show the number of shares before the share consolidation.

Holders	BlackRock Japan Co. Ltd and seven other persons
Date on which the duty to file report	April 14, 2017
Number of shares	304,755,969 shares
Ownership percentage to the total number of issued shares	6.31%

Holders	Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other person
Date on which the duty to file report	February 15, 2019
Number of shares	48,728,827 shares
Ownership percentage to the total number of issued shares	5.04%

Holders	Mitsubishi UFJ Trust and Banking Corporation and two other persons
Date on which the duty to file report	June 10, 2019
Number of shares	45,175,020 shares
Ownership percentage to the total number of issued shares	4.67%

Holders	Asset Management One Co., Ltd. and four other persons
Date on which the duty to file report	September 13, 2019
Number of shares	49,553,000 shares
Ownership percentage to the total number of issued shares	5.12%

(6) Information on voting rights

1) Issued shares

(As of September 30, 2019)

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	1,063,800	－	－
Shares with full voting right (others)	Common stock	963,680,500	9,636,805	－
Shares less than one unit	Common stock	2,536,177	－	－
Number of issued shares		967,280,477	－	－
Total number of voting rights		－	9,636,805	－

(Note) The “Shares with full voting right (others)” column includes 5,300 shares registered in the name of Japan Securities Depository Center, Incorporated (account for managing stocks whose shareholders have not transferred titles) and 53 voting rights for those shares.

2) Treasury stock, etc.

(As of September 30, 2019)

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	1,030,400	－	1,030,400	0.11
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-chome, Chuo-ku, Tokyo	2,100	－	2,100	0.00
ISHII DENKOSHA Co., Ltd.	1-11, Oroshishinmachi 3-chome, Higashi-ku, Niigata-shi, Niigata	200	－	200	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	17,600	－	17,600	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	10,500	－	10,500	0.00
Mizuho Co., Inc.	4-1, Koishikawa 5-chome, Bunkyo-ku, Tokyo	3,000	－	3,000	0.00
Total	－	1,063,800	－	1,063,800	0.11

2. Changes in Senior Management

There were no changes in senior managements from the filing date of the Annual Securities Report for the 150th business term pursuant to the Financial Instruments and Exchange of Act of Japan to September 30, 2019.

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

	Note	September 30, 2019	March 31, 2019
Assets			
Current assets			
Cash and cash equivalents		841,702	807,593
Trade receivables and contract assets	6	2,156,742	2,399,933
Inventories		1,481,539	1,356,762
Investments in securities and other financial assets	7	275,520	284,267
Other current assets		222,275	187,238
Total current assets		4,977,778	5,035,793
Non-current assets			
Investments accounted for using the equity method		767,166	724,461
Investments in securities and other financial assets	7	548,025	568,349
Property, plant and equipment	3	2,144,037	1,956,685
Intangible assets	3	911,983	960,016
Other non-current assets		370,607	381,288
Total non-current assets		4,741,818	4,590,799
Total assets		9,719,596	9,626,592
Liabilities			
Current liabilities			
Short-term debt		340,828	111,031
Current portion of long-term debt	3,7	206,430	185,250
Other financial liabilities	7	193,783	257,792
Trade payables		1,226,922	1,406,012
Accrued expenses		585,272	653,676
Contract liabilities		605,010	553,510
Other current liabilities		411,997	438,289
Total current liabilities		3,570,242	3,605,560
Non-current liabilities			
Long-term debt	3,7	840,065	708,490
Retirement and severance benefits	8	505,628	526,688
Other non-current liabilities		357,817	371,451
Total non-current liabilities		1,703,510	1,606,629
Total liabilities		5,273,752	5,212,189
Equity			
Hitachi, Ltd. stockholders' equity			
Common stock		459,862	458,790
Capital surplus		460,557	463,786
Retained earnings	9	2,440,055	2,287,587
Accumulated other comprehensive income (loss)		(15,541)	56,360
Treasury stock, at cost		(3,722)	(3,920)
Total Hitachi, Ltd. stockholders' equity		3,341,211	3,262,603
Non-controlling interests		1,104,633	1,151,800
Total equity		4,445,844	4,414,403
Total liabilities and equity		9,719,596	9,626,592

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Six months ended September 30, 2019 and 2018 — Millions of yen

	Note	2019	2018
Revenues	10	4,221,327	4,491,834
Cost of sales		(3,074,791)	(3,279,482)
Gross profit		1,146,536	1,212,352
Selling, general and administrative expenses		(849,333)	(867,762)
Other income	8,11	38,156	38,218
Other expenses	11	(75,904)	(46,972)
Financial income	12	4,920	14,484
Financial expenses	12	(1,364)	(1,152)
Share of profits (losses) of investments accounted for using the equity method		27,506	3,166
EBIT (Earnings before interest and taxes)		290,517	352,334
Interest income		10,397	10,238
Interest charges		(11,938)	(9,652)
Income from continuing operations, before income taxes		288,976	352,920
Income taxes		(90,646)	(92,751)
Income from continuing operations		198,330	260,169
Loss from discontinued operations	13	(796)	(4,003)
Net income		197,534	256,166
Net income attributable to:			
Hitachi, Ltd. stockholders		189,293	192,995
Non-controlling interests		8,241	63,171
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders	14		Yen
Basic		196.84	204.01
Diluted		196.60	203.83
Earnings per share attributable to Hitachi, Ltd. stockholders	14		
Basic		196.02	199.86
Diluted		195.77	199.69

Condensed Quarterly Consolidated Statement of Comprehensive Income

Six months ended September 30, 2019 and 2018 — Millions of yen

	Note	2019	2018
Net income		197,534	256,166
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		20,049	(23,750)
Remeasurements of defined benefit plans		-	-
Share of OCI of investments accounted for using the equity method		133	421
Total items not to be reclassified into net income		20,182	(23,329)
Items that can be reclassified into net income			
Foreign currency translation adjustments		(96,172)	34,388
Net changes in cash flow hedges		4,645	(3,231)
Share of OCI of investments accounted for using the equity method		(16,972)	10,642
Total items that can be reclassified into net income		(108,499)	41,799
Other comprehensive income (OCI)		(88,317)	18,470
Comprehensive income		109,217	274,636
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		131,271	204,468
Non-controlling interests		(22,054)	70,168

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Three months ended September 30, 2019 and 2018 — Millions of yen

	Note	2019	2018
Revenues		2,188,745	2,325,935
Cost of sales		(1,586,401)	(1,693,086)
Gross profit		602,344	632,849
Selling, general and administrative expenses		(429,529)	(436,407)
Other income		4,079	199
Other expenses		(83,953)	(38,181)
Financial income		5,112	1,165
Financial expenses		(478)	(2,067)
Share of profits (losses) of investments accounted for using the equity method		10,431	14,300
EBIT (Earnings before interest and taxes)		108,006	171,858
Interest income		5,434	5,668
Interest charges		(6,336)	(5,068)
Income from continuing operations, before income taxes		107,104	172,458
Income taxes		(49,420)	(43,840)
Income from continuing operations		57,684	128,618
Loss from discontinued operations		(387)	(9,879)
Net income		57,297	118,739
Net income attributable to:			
Hitachi, Ltd. stockholders		68,990	87,750
Non-controlling interests		(11,693)	30,989
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders	14		Yen
Basic		71.84	101.10
Diluted		71.75	101.01
Earnings per share attributable to Hitachi, Ltd. stockholders	14		
Basic		71.44	90.87
Diluted		71.35	90.79

Condensed Quarterly Consolidated Statement of Comprehensive Income

Three months ended September 30, 2019 and 2018 — Millions of yen

	Note	2019	2018
Net income		57,297	118,739
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		19,921	(23,862)
Remeasurements of defined benefit plans		-	-
Share of OCI of investments accounted for using the equity method		108	97
Total items not to be reclassified into net income		20,029	(23,765)
Items that can be reclassified into net income			
Foreign currency translation adjustments		(29,503)	30,770
Net changes in cash flow hedges		4,350	(2,949)
Share of OCI of investments accounted for using the equity method		(21,560)	7,551
Total items that can be reclassified into net income		(46,713)	35,372
Other comprehensive income (OCI)		(26,684)	11,607
Comprehensive income		30,613	130,346
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		53,821	91,347
Non-controlling interests		(23,208)	38,999

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Changes in Equity

Six months ended September 30, 2019

Millions of yen

2019	Common stock	Capital surplus	Retained earnings (note 9)	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of period	458,790	463,786	2,287,587	56,360	(3,920)	3,262,603	1,151,800	4,414,403
Cumulative effects of changes in accounting policies (note 3)	-	-	(2,596)	-	-	(2,596)	(1,075)	(3,671)
Restated balance	458,790	463,786	2,284,991	56,360	(3,920)	3,260,007	1,150,725	4,410,732
Changes in equity								
Reclassified into retained earnings	-	-	14,051	(14,051)	-	-	-	-
Net income	-	-	189,293	-	-	189,293	8,241	197,534
Other comprehensive loss	-	-	-	(58,022)	-	(58,022)	(30,295)	(88,317)
Dividends to Hitachi, Ltd. stockholders	-	-	(48,280)	-	-	(48,280)	-	(48,280)
Dividends to non-controlling interests	-	-	-	-	-	-	(26,207)	(26,207)
Acquisition of treasury stock	-	-	-	-	(75)	(75)	-	(75)
Sales of treasury stock	-	(138)	-	-	273	135	-	135
Issuance of new shares	1,072	1,072	-	-	-	2,144	-	2,144
Changes in non-controlling interests	-	(4,163)	-	172	-	(3,991)	2,169	(1,822)
Total changes in equity	1,072	(3,229)	155,064	(71,901)	198	81,204	(46,092)	35,112
Balance at end of period	459,862	460,557	2,440,055	(15,541)	(3,722)	3,341,211	1,104,633	4,445,844

Six months ended September 30, 2018

Millions of yen

2018	Common stock	Capital surplus	Retained earnings (note 9)	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	-	-	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	-	-	19,166	(19,166)	-	-	-	-
Net income	-	-	192,995	-	-	192,995	63,171	256,166
Other comprehensive income	-	-	-	11,473	-	11,473	6,997	18,470
Dividends to Hitachi, Ltd. stockholders	-	-	(38,621)	-	-	(38,621)	-	(38,621)
Dividends to non-controlling interests	-	-	-	-	-	-	(22,919)	(22,919)
Acquisition of treasury stock	-	-	-	-	(112)	(112)	-	(112)
Sales of treasury stock	-	(236)	-	-	432	196	-	196
Changes in non-controlling interests	-	1,540	-	553	-	2,093	(61,709)	(59,616)
Total changes in equity	-	1,304	173,540	(7,140)	320	168,024	(14,460)	153,564
Balance at end of period	458,790	577,113	2,282,144	135,027	(3,817)	3,449,257	1,217,781	4,667,038

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Cash Flows

Six months ended September 30, 2019 and 2018 — Millions of yen

	Note	2019	2018
Cash flows from operating activities:			
Net income		197,534	256,166
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	3	207,830	179,384
Impairment losses		69,669	26,293
Income taxes		90,645	90,145
Share of (profits) losses of investments accounted for using the equity method		(27,506)	(3,166)
Financial income and expenses		(1,415)	(3,742)
Net (gain) loss on business reorganization and others		(28,086)	(37,236)
(Gain) loss on sale of property, plant and equipment		1,030	2,175
Change in trade receivables and contract assets		251,569	293,004
Change in inventories		(185,832)	(222,468)
Change in other assets		2,290	(25,759)
Change in trade payables		(140,314)	(120,687)
Change in retirement and severance benefits		(20,167)	(16,516)
Change in other liabilities		(118,901)	(114,622)
Other		5,137	(3,081)
Subtotal		303,483	299,890
Interest received		13,120	8,326
Dividends received		7,148	8,576
Interest paid		(12,267)	(11,393)
Income taxes paid		(105,796)	(93,405)
Net cash provided by (used in) operating activities		205,688	211,994
Cash flows from investing activities:			
Purchase of property, plant and equipment		(167,342)	(197,873)
Purchase of intangible assets		(41,796)	(41,754)
Proceeds from sale of property, plant and equipment, and intangible assets		10,180	15,247
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		(48,038)	(25,026)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		46,001	110,878
Other		(6,084)	(3,943)
Net cash provided by (used in) investing activities		(207,079)	(142,471)
Cash flows from financing activities:			
Change in short-term debt, net		242,723	139,294
Proceeds from long-term debt		44,889	35,975
Payments on long-term debt	3	(145,990)	(56,876)
Proceeds from payments from non-controlling interests		2,603	4,892
Dividends paid to Hitachi, Ltd. stockholders		(48,163)	(38,591)
Dividends paid to non-controlling interests		(24,772)	(23,396)
Acquisition of common stock for treasury		(75)	(112)
Proceeds from sales of treasury stock		135	196
Purchase of shares of consolidated subsidiaries from non-controlling interests		(1,205)	(1,397)
Other		(8)	(14)
Net cash provided by (used in) financing activities		70,137	59,971
Effect of exchange rate changes on cash and cash equivalents		(34,637)	(1,860)
Change in cash and cash equivalents		34,109	127,634
Cash and cash equivalents at beginning of period		807,593	697,964
Cash and cash equivalents at end of period		841,702	825,598

See accompanying notes to condensed quarterly consolidated financial statements.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2019

(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 six months ended September 30, 2019 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 ten segments consisting of IT, Energy, Industry, Mobility, Smart Life, Hitachi High-Technologies, Hitachi Construction Machinery, Hitachi Metals, Hitachi Chemical 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, 2019.

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, 2019.

(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, 2019, except for the following matters.

(a) Leases

(i) Lessee

The Company and certain subsidiaries lease facilities, mainly buildings, machines, and vehicles, and recognize a right-of-use asset, a right to use the underlying asset, and a lease liability, an obligation to make lease payments, and recognize lease costs as depreciation charges for right-of-use assets and interest expenses on lease liabilities. Lease payments for short-term leases with a lease term of 12 months or less are recognized in profit or loss on a straight-line basis.

Right-of-use asset

A lessee shall apply a cost model to measure the right-of-use asset, and shall present the corresponding amount in Property, Plant and Equipment or Intangible assets as the amount of the right-of-use asset at cost at the commencement date of the lease less any accumulated depreciation and any accumulated impairment losses. The right-of-use asset at cost includes the amount of the initial measurement of the lease liability and the initial direct cost incurred by the lessee. The lessee shall depreciate the right-of-use asset from the commencement date of the lease to the earlier of the end of the useful life of the underlying asset or the end of the lease term on a straight-line basis. Changes in the useful life or the lease term are accounted for on a prospective basis as a change in accounting estimate.

Lease liability

The lease liability is measured at the present value of lease payments that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate, and is included in the Current portion of long-term debt or Long-term debt. Interest expense on the lease liability in each period during the lease term that produce a constant periodic rate of interest on the remaining balance of the lease liability is recognized in profit or loss over the lease term and is included in Interest charges in the condensed quarterly consolidated statement of profit or loss.

(ii) Lessor

The Company and certain subsidiaries, as lessors, lease facilities, mainly buildings, machines, and equipment, whereby substantially all the risks and rewards incidental to the ownership of items of property, plant and equipment are transferred to the lessee. Therefore, such leases are classified as finance leases with the recognition of the underlying asset discontinued and the present value of the total amount of lease payments is used to recognize and measure the net investment in the lease.
If substantially all the risks and rewards incidental to the ownership remain with the lessor in a lease, it is classified as an operating lease, and the underlying asset is continuously recognized, and lease income is recognized over the lease term on a straight-line basis.

Changes in Accounting Policies

From the beginning of the fiscal year ending March 31, 2020, the Company has adopted IFRS 16 "Leases" (IFRS 16). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, and lessees are required to account for all leases under a single on-balance sheet model. As a transitional measure upon the adoption of IFRS 16, the Company applies this standard and the method of recognizing the cumulative effect of the initial application as an adjustment to the beginning balance of retained earnings at the date of initial application.
The Company's leases consist mainly of the leasing of real estate, and the impact of adopting IFRS 16 on the condensed quarterly consolidated statement of financial position at the beginning of the fiscal year ending March 31, 2020 includes an increase in assets of ¥218,161 million associated with the recognition of right-of-use assets, an increase in liabilities of ¥221,832 million associated with the recognition of lease liabilities, and a decrease in equity of ¥3,671 million associated with the recognition of an adjustment to the beginning balance of retained earnings, etc. at the date of initial application. The impact on the condensed quarterly consolidated statement of profit or loss was not material. In addition, with respect to the condensed quarterly consolidated statement of cash flows, while lease payments for operating leases were previously included in cash flows from operating activities, adjustments for depreciation charges for right-of-use assets are included in cash flows from operating activities and payments of lease liabilities are included in cash flows from financing activities as a result of adopting IFRS 16; therefore, compared with the previous accounting standard, cash flows from operating activities increased while cash flows from financing activities decreased.

The Company elects to use the practical expedient under which it is not required to perform a review for the existence of a lease in a contract judged under IAS 17 “Lease” (hereinafter “IAS 17”) and IFRIC 4 “Determining whether an Arrangement contains a Lease” in prior periods at the commencement date of IFRS 16. In addition, when IFRS 16 is applied to a lease that is classified as an operating lease under IAS 17, the following practical expedients are mainly elected to use.

- A lessee accounts for the leases for which the lease term ends within 12 months of the date of initial application, in the same way as short-term leases.
- A lessee uses hindsight, in determining the lease term if the contract contains options to extend or terminate the lease.

The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognized in the condensed quarterly consolidated statement of financial position at the beginning of the fiscal year ending March 31, 2020 is 1.46%.

The difference between the future minimum lease payments of ¥135,963 million under non-cancelable operating leases as of March 31, 2019 disclosed in accordance with IAS 17 and the lease liabilities of ¥273,812 million recognized in the condensed quarterly consolidated statement of financial position at the beginning of the fiscal year ending March 31, 2020 is ¥137,849 million. The main factors for the reconciliation from the future minimum lease payments based on non-cancelable operating leases as of March 31, 2019 to lease liabilities recognized in the condensed quarterly consolidated statement of financial position at the beginning of the fiscal year ending March 31, 2020 include decreases of ¥32,940 million due to the application of the practical expedient related to short-term leases, ¥17,980 million due to the separation of non-lease components of the contract and ¥9,456 million due to the measurement of the discounted present value of lease liabilities, and increases of ¥149,026 million due to the impact of periods covered by extension options and termination options included in the lease term and ¥49,199 million due to the inclusion of lease liabilities classified as finance leases under IAS 17.

(b) Income Taxes

Income taxes for the six months ended September 30, 2019 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 ten 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 IT, Industry, Mobility and Smart Life 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 gross profit margin ratios of operating segments. The primary products and services included in each segment are as follows:

IT:
Systems integration, Consulting, Control systems, Cloud services, Software, IT products (Storage, Servers) and ATMs

Energy:
Power generation systems (Nuclear, Renewable energy, Thermal) and Power grid systems

Industry:
Industry & distribution systems, Water & environment systems and Industrial machinery

Mobility:
Building systems (Elevators, Escalators) and Railway systems

Smart Life:
Medical electronics, Smart life & ecofriendly systems (Refrigerators, Washing machines, Room air conditioners, Air-conditioning equipment) and Automotive systems (Powertrain systems, Chassis systems, Advanced driver assistance systems)

Hitachi High-Technologies:
Medical and life science products, Analytical equipment, Semiconductor processing equipment, Manufacturing and inspection equipment, and Advanced industrial products

Hitachi Construction Machinery:
Hydraulic excavators, Wheel loaders, Mining machinery, Maintenance and services, Construction solutions and Mine management systems

Hitachi Metals:
Specialty steel products, Functional components and equipment, Magnetic materials and power electronics materials, and Wires, cables and related products

Hitachi Chemical:
Functional materials (Electronics materials, Printed wiring boards materials, Electronics components) and Advanced components and systems (Mobility components, Energy storage devices, Life science-related products)

Others:
Optical disk drives, Property management and others

Effective from April 1, 2019, the Company changed its business structure in order to increase customer's social, environmental and economic values by accelerating the Social Innovation Business. Accordingly, the Company reclassified its reportable segments in ten segments which include five focused areas as IT, Energy, Industry, Mobility and Smart Life, four listed subsidiary groups as Hitachi High-Technologies, Hitachi Construction Machinery, Hitachi Metals and Hitachi Chemical, and Others. Figures for the six months ended September 30, 2018 have been restated on the basis of the reclassification.

The following tables show business segment information for the six months ended September 30, 2019 and 2018.

Revenues from Outside Customers

Millions of yen

	2019	2018
IT	921,911	895,674
Energy	133,726	144,159
Industry	292,686	283,052
Mobility	525,105	574,058
Smart Life	689,922	786,847
Hitachi High-Technologies	299,708	312,794
Hitachi Construction Machinery	480,385	490,200
Hitachi Metals	442,125	502,027
Hitachi Chemical	306,856	333,365
Others	123,916	163,843
Subtotal	4,216,340	4,486,019
Corporate items	4,987	5,815
Total	4,221,327	4,491,834

Revenues from Intersegment Transactions

Millions of yen

	2019	2018
IT	73,335	80,518
Energy	27,897	32,972
Industry	74,025	76,892
Mobility	4,849	6,985
Smart Life	19,041	19,997
Hitachi High-Technologies	46,666	50,294
Hitachi Construction Machinery	174	213
Hitachi Metals	14,763	16,931
Hitachi Chemical	9,772	10,153
Others	112,385	128,800
Subtotal	382,907	423,755
Corporate items and Eliminations	(382,907)	(423,755)
Total	-	-

Total Revenues

Millions of yen

	2019	2018
IT	995,246	976,192
Energy	161,623	177,131
Industry	366,711	359,944
Mobility	529,954	581,043
Smart Life	708,963	806,844
Hitachi High-Technologies	346,374	363,088
Hitachi Construction Machinery	480,559	490,413
Hitachi Metals	456,888	518,958
Hitachi Chemical	316,628	343,518
Others	236,301	292,643
Subtotal	4,599,247	4,909,774
Corporate items and Eliminations	(377,920)	(417,940)
Total	4,221,327	4,491,834

Segment Profit (Loss)

Millions of yen

	2019	2018
IT	105,841	88,312
Energy	1,071	(4,750)
Industry	20,648	15,206
Mobility	63,928	35,166
Smart Life	27,946	1,135
Hitachi High-Technologies	30,779	33,970
Hitachi Construction Machinery	42,855	49,372
Hitachi Metals	(56,329)	38,104
Hitachi Chemical	15,512	23,572
Others	14,253	19,470
Subtotal	266,504	299,557
Corporate items and Eliminations	24,013	52,777
Total	290,517	352,334
Interest income	10,397	10,238
Interest charges	(11,938)	(9,652)
Income from continuing operations, before income taxes	288,976	352,920

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 six months ended September 30, 2019, including the period up to the approval date of the condensed quarterly consolidated financial statements.

(a) Reorganization of automotive systems business

On October 30, 2019, the Company and Hitachi Automotive Systems, Ltd. (HiAMS), a consolidated subsidiary of the Company in the Smart Life segment, signed an agreement with Honda Motor Co., Ltd. (Honda), and Keihin Corporation, Showa Corporation, and Nissin Kogyo Co., Ltd. (together, "the Associates of Honda"), to integrate management of HiAMS and the Associates of Honda, in order to strengthen development and distribution of global and competitive solutions in the CASE area.

HiAMS and the Associates of Honda plan to conduct an absorption-type merger in which HiAMS will be the surviving company (the Integrated Company) and each of the Associates of Honda will be the disappearing companies after they become wholly-owned subsidiaries of Honda through tender offers to be conducted by Honda for the common shares of the Associates of Honda. The consideration will be the common shares of the Integrated Company. After the merger, the Company's ownership ratio of shares of the Integrated Company will become 66.6% and the Integrated Company will become a consolidated subsidiary of the Company. The effects of this transaction on the Company's consolidated financial statements are currently being evaluated.

(b) Acquisition of Chassis Brakes International B.V. (Chassis Brakes)

On July 24, 2019, the Company and HiAMS, a consolidated subsidiary of the Company in the Smart Life segment, signed an agreement with Caliper Acquisition International S.à r.l. (Caliper), a special purpose vehicle of KPS Capital Partners, for HiAMS to acquire all shares of Chassis Brakes in order to further strengthen core businesses and build HiAMS's global presence. On October 11, 2019, the acquisition was executed. The total consideration for the shares of Chassis Brakes was EUR 506 million (¥60,078 million). Furthermore, Hitachi International (Holland) B.V., a consolidated subsidiary of the Company, repaid EUR 194 million (¥23,066 million) of certain loans owed by Chassis Brakes, in addition to the acquisition cost.

Due to the short period of time between the acquisition date and the issuance date of the condensed quarterly consolidated financial statements, the initial accounting for the business combination is incomplete and therefore the Company is unable to provide disclosures related to the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed and the amount of goodwill.

On a pro forma basis, revenues and net income attributable to Hitachi, Ltd. stockholders using an assumed acquisition date for the business of April 1, 2019 would not differ materially from the amounts reported in the condensed quarterly consolidated financial statements for the six months ended September 30, 2019.

(c) Acquisition of JR Automation's robotic systems integration business

On April 23, 2019, the Company signed an agreement with JR Intermediate Holdings, LLC (JR Intermediate) to acquire the robotic systems integration business mainly operated by JR Automation Technologies, LLC, an American subsidiary of JR Intermediate, in order to expand the robotic systems integration business globally. The acquisition is expected to be executed by the end of 2019. The consideration is expected to be USD 1,425 million (¥153,786 million). The effects of this transaction on the Company's consolidated financial statements are currently being evaluated.

The following are the main Business Acquisitions and Divestitures for the six months ended September 30, 2018.

(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 included in Others under segment information 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.

The following is a material Business Acquisition other than the above.

(a) Acquisition of ABB's power grids business

On December 17, 2018, the Company decided to acquire the power grids business from ABB Ltd (ABB) and signed an agreement with ABB in order to strengthen and expand energy solutions business globally. The Company plans to acquire an 80.1% stake in the company operating the power grids business that will be divested by ABB in the first half of 2020 and make it a consolidated subsidiary of the Company. The consideration is expected to be approximately USD 6.4 billion (approximately ¥690.7 billion). Furthermore, the Company is expected to repay certain loans owed by the company operating the power grids business to be divested by ABB, in addition to the acquisition cost. The effects of this transaction on the Company's consolidated financial statements are currently being evaluated.

(6) Trade Receivables and Contract Assets

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

Millions of yen

	September 30, 2019	March 31, 2019
Accounts receivable	1,528,223	1,790,520
Contract assets	469,717	432,881
Others	158,802	176,532
Total trade receivables and contract assets	2,156,742	2,399,933

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 accounts receivable, Short-term debt, Other accounts payable 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 September 30 and March 31, 2019 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

	September 30, 2019		March 31, 2019	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Assets				
Investments in securities and other financial assets				
Lease receivables	89,069	90,232	95,073	96,377
Debt securities	72,361	72,366	72,418	72,422
Long-term loans receivable	96,728	98,081	105,061	106,390
Liabilities				
Long-term debt [1]				
Bonds	154,528	159,129	170,498	174,747
Long-term borrowings	623,686	628,079	674,043	678,481

[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 September 30 and March 31, 2019.

September 30, 2019 — 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	-	-	3,453	3,453
Debt securities	9,421	4,946	8,801	23,168
Derivatives	-	40,826	6,863	47,689
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	183,213	-	99,933	283,146
Total financial assets at fair value	192,634	45,772	119,050	357,456
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	27,575	-	27,575
Total financial liabilities at fair value	-	27,575	-	27,575

March 31, 2019 — 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	-	-	2,743	2,743
Debt securities	10,127	4,895	9,344	24,366
Derivatives	-	25,269	7,059	32,328
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	183,585	-	102,334	285,919
Total financial assets at fair value	193,712	30,164	121,480	345,356
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	23,078	-	23,078
Total financial liabilities at fair value	-	23,078	-	23,078

The following tables present the changes in Level 3 instruments measured on a recurring basis for the six months ended September 30, 2019 and 2018.

September 30, 2019 — Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	105,077	9,344	7,059	121,480
Gain (loss) in profit or loss [1]	(19)	3	(196)	(212)
Gain in OCI [2]	883	-	-	883
Purchases	1,996	372	-	2,368
Sales and redemption	(1,090)	(892)	-	(1,982)
Acquisitions and divestitures	(45)	-	-	(45)
Other	(3,416)	(26)	-	(3,442)
Balance at end of period	103,386	8,801	6,863	119,050
Unrealized gain (loss) relating to financial assets held at end of period [4]	(19)	25	(196)	(190)

September 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 (loss) in profit or loss [1]	33	99	(833)	(701)
Gain in OCI [2]	3,805	-	-	3,805
Purchases	1,084	2,316	-	3,400
Sales and redemption	(1,126)	(1,163)	-	(2,289)
Acquisitions and divestitures	(5,232)	(55)	-	(5,287)
Transfer from Level 3 [3]	(378)	-	-	(378)
Other	(3)	(190)	-	(193)
Balance at end of period	112,917	10,597	6,927	130,441
Unrealized gain (loss) relating to financial assets held at end of period [4]	33	98	(833)	(702)

[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 (loss) 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 September 30 and March 31, 2019 were ¥10,222 million and ¥17,678 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) Employee Benefits

(Revision of defined benefit pension plan)

On April 1, 2019, for current employees participating in the defined benefit pension plan managed by the Hitachi Pension Fund, the Company and Hitachi Industrial Products, Ltd., a consolidated subsidiary of the Company in the Industry segment, introduced a risk-sharing corporate pension plan. Under this plan, a risk reserve contribution is determined in advance in accordance with the rules governing the plan, and the pension benefits are adjusted annually based on the financial position of the plan to maintain balanced finance.

In terms of the corresponding accounting treatment for retirement benefits, risk-sharing corporate pension plans, for which an entity accepts contribution obligations to the extent stipulated in the rules but has no further obligations to make any additional contributions, are classified as defined contribution plans. Since this risk-sharing corporate pension plan imposes no additional contribution obligations, at the time of the shift to the revised plan, the difference between the defined benefit obligations related to the portion transferred to the revised plan and the amount of assets transferred to the revised plan corresponding to the decrease in defined benefit obligations, ¥21,206 million, was recognized as a settlement gain in Other income in the condensed quarterly consolidated statement of profit or loss, and Retirement and severance benefits in the condensed quarterly consolidated statement of financial position decreased by ¥21,206 million. The amount of risk reserve contributions to be paid for the fiscal year ending March 31, 2020 are not material.

(9) Dividends

Dividends paid on the Company’s common stock for the six months ended September 30, 2019 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, 2019	48,280	Retained earnings	50.0	March 31, 2019	May 31, 2019

Dividends on the Company's common stock whose record date falls in the six months ended September 30, 2019 and the effective date falls in the next period 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 October 30, 2019	43,481	Retained earnings	45.0	September 30, 2019	November 29, 2019

Dividends paid on the Company’s common stock for the six months ended September 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

Note: Dividends per share do not reflect the share consolidation with an effective date of October 1, 2018.

Dividends on the Company's common stock whose record date falls in the six months ended September 30, 2018 and the effective date falls in the next period 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 October 26, 2018	38,625	Retained earnings	8.0	September 30, 2018	November 27, 2018

Note : Dividends per share do not reflect the share consolidation with an effective date of October 1,2018.

(10) Revenues

(a) Disaggregation of revenue

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

Effective from April 1, 2019, the Company reclassified its reportable segments. Accordingly, figures for the six months ended September 30, 2018 have been restated on the basis of the reclassification. Details of the reclassification are described in note 4.

(Millions of yen)

September 30, 2019							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
IT	720,760	87,447	94,625	73,865	18,549	274,486	995,246
Energy	141,571	12,662	3,523	2,017	1,850	20,052	161,623
Industry	281,410	43,627	25,101	5,398	11,175	85,301	366,711
Mobility	161,072	181,583	19,635	147,651	20,013	368,882	529,954
Smart Life	416,951	112,016	113,250	38,978	27,768	292,012	708,963
Hitachi High-Technologies	127,879	107,037	56,427	46,052	8,979	218,495	346,374
Hitachi Construction Machinery	99,924	108,534	92,137	73,807	106,157	380,635	480,559
Hitachi Metals	207,673	85,708	130,409	22,524	10,574	249,215	456,888
Hitachi Chemical	115,415	137,004	24,110	30,893	9,206	201,213	316,628
Others	195,327	26,645	8,637	2,584	3,108	40,974	236,301
Subtotal	2,467,982	902,263	567,854	443,769	217,379	2,131,265	4,599,247
Corporate items and Eliminations	(342,040)	(25,774)	(4,782)	(2,892)	(2,432)	(35,880)	(377,920)
Total	2,125,942	876,489	563,072	440,877	214,947	2,095,385	4,221,327

(Millions of yen)

September 30, 2018							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
IT	687,050	86,650	98,337	83,573	20,582	289,142	976,192
Energy	156,244	12,161	3,709	3,016	2,001	20,887	177,131
Industry	266,198	46,154	26,832	7,068	13,692	93,746	359,944
Mobility	155,150	196,482	26,462	183,547	19,402	425,893	581,043
Smart Life	443,531	138,254	144,608	43,240	37,211	363,313	806,844
Hitachi High-Technologies	133,478	138,328	27,893	46,791	16,598	229,610	363,088
Hitachi Construction Machinery	89,734	128,371	79,293	68,307	124,708	400,679	490,413
Hitachi Metals	226,713	104,331	155,705	26,576	5,633	292,245	518,958
Hitachi Chemical	123,255	153,555	24,549	34,723	7,436	220,263	343,518
Others	214,475	56,299	13,428	5,375	3,066	78,168	292,643
Subtotal	2,495,828	1,060,585	600,816	502,216	250,329	2,413,946	4,909,774
Corporate items and Eliminations	(373,960)	(28,993)	(5,305)	(7,967)	(1,715)	(43,980)	(417,940)
Total	2,121,868	1,031,592	595,511	494,249	248,614	2,369,966	4,491,834

The IT segment consists of Front Business and Services & Platforms, for which revenue amounted to ¥667,922 million and ¥378,846 million for the six months ended September 30, 2019 and ¥649,559 million and ¥377,330 million for the six months ended September 30, 2018, respectively (including intersegment transactions). Front Business is operated mainly in Japan, and Services & Platforms 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.

(IT)

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.

Services & Platforms primarily sells control systems, software and IT products. 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.

(Energy, Industry and Mobility)

The Energy segment includes revenue from businesses such as power generation systems, and the Industry segment includes revenue from businesses such as industry & distribution systems. These segments are operated mainly in Japan. The Mobility segment includes revenue from building systems and railway systems businesses. The building systems business is operated mainly in China and the railway systems business is operated mainly in Europe.

Contracts such as construction in these segments 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, these segments provide certain services promised in the contracts such as maintenance throughout the duration of the contract, and recognize 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. included in the Industry segment, and in the sale of elevators, etc. included in the Mobility segment, 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 Smart Life, Hitachi High-Technologies, Hitachi Construction Machinery, Hitachi Metals, and Hitachi Chemical 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.

(11) Other Income and Expenses

The main components of other income and expenses for the six months ended September 30, 2019 and 2018 are as follows:

Millions of yen

	2019	2018
Net gain (loss) on sales and disposals of fixed assets	(1,038)	(2,636)
Impairment losses	(69,669)	(26,293)
Net gain (loss) on business reorganization and others	28,086	37,236
Special termination benefits	(5,052)	(3,632)
Expenses related to competition law and others	(81)	(1,730)

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 six months ended September 30, 2019 and 2018 were ¥74,832 million and ¥29,925 million, respectively. Restructuring charges (structural reform expenses) mainly include impairment losses and special termination benefits.

Impairment losses for the six months ended September 30, 2019 mainly include ¥61,431 million due to the lower than expected future revenue projected for the magnetic materials business in the Hitachi Metals segment consisting of impairment losses on property, plant and equipment of ¥22,479 million and on intangible assets of ¥38,952 million. The recoverable amount was determined on the basis of value in use, which was measured at ¥106,313 million as of September 30, 2019, the date on which impairment losses were recognized. The value in use was discounted at 9.6% (before tax), which was derived from the weighted average cost of capital.

(12) Financial Income and Expenses

The main components of financial income and expenses for the six months ended September 30, 2019 and 2018 are as follows:

Millions of yen

	2019	2018
Dividends received	3,699	4,203
Exchange gain (loss)	1,209	10,281

Dividends received for the six months ended September 30, 2019 and 2018 are from FVTOCI financial assets.

(13) Discontinued Operations

In the Energy 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 six months ended September 30, 2019 and 2018 are as follows:

Millions of yen

	2019	2018
Profit or loss from discontinued operations		
Revenues	20	(6,429)
Cost of sales and expenses	(817)	(180)
Loss from discontinued operations, before income taxes	(797)	(6,609)
Income taxes	1	2,606
Loss from discontinued operations	(796)	(4,003)

Millions of yen

	2019	2018
Cash flows from discontinued operations		
Cash flows from operating activities	(1,805)	870
Cash flows from investing activities	-	-
Cash flows from financing activities	1,851	(779)

(14) Earnings Per Share (EPS) Information

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the six months ended September 30, 2019 and 2018 are as follows:

Six months ended September 30

Number of shares

	2019	2018
Weighted average number of shares on which basic EPS is calculated	965,694,756	965,647,549
Effect of dilutive securities		
Stock options	876,160	827,602
Restricted stock	319,930	-
Number of shares on which diluted EPS is calculated	966,890,846	966,475,151

Millions of yen

	2019	2018
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	190,089	196,998
Effect of dilutive securities	-	-
Diluted	190,089	196,998
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(796)	(4,003)
Effect of dilutive securities	-	-
Diluted	(796)	(4,003)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	189,293	192,995
Effect of dilutive securities	-	-
Diluted	189,293	192,995

Yen

	2019	2018
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	196.84	204.01
Diluted	196.60	203.83
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(0.82)	(4.15)
Diluted	(0.82)	(4.14)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	196.02	199.86
Diluted	195.77	199.69

Note: On October 1, 2018, the Company completed the share consolidation of every five (5) shares of common stock into one (1) share. The figures for basic and diluted EPS attributable to Hitachi, Ltd. stockholders are calculated on the assumption that the Company conducted this share consolidation at the beginning of the fiscal year ended March 31, 2019.

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the three months ended September 30, 2019 and 2018 are as follows:

Three months ended September 30

Number of shares

	2019	2018
Weighted average number of shares on which basic EPS is calculated	965,701,551	965,640,482
Effect of dilutive securities		
Stock options	876,160	840,760
Restricted stock	310,871	-
Number of shares on which diluted EPS is calculated	966,888,582	966,481,242

Millions of yen

	2019	2018
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	69,377	97,629
Effect of dilutive securities	-	-
Diluted	69,377	97,629
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(387)	(9,879)
Effect of dilutive securities	-	-
Diluted	(387)	(9,879)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	68,990	87,750
Effect of dilutive securities	-	-
Diluted	68,990	87,750

Yen

	2019	2018
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	71.84	101.10
Diluted	71.75	101.01
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(0.40)	(10.23)
Diluted	(0.40)	(10.22)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	71.44	90.87
Diluted	71.35	90.79

Note: On October 1, 2018, the Company completed the share consolidation of every five (5) shares of common stock into one (1) share. The figures for basic and diluted EPS attributable to Hitachi, Ltd. stockholders are calculated on the assumption that the Company conducted this share consolidation at the beginning of the fiscal year ended March 31, 2019.

(15) 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 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 these three companies was amended to approximately ¥51.0 billion by the contractee.
In relation to the aforementioned lawsuit, in April 2018, 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. In July 2018, the compensation claim against these two companies was amended to approximately ¥54.8 billion by the construction company of the condominium complex. 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 (¥31,045 million) and interest allegedly incurred by performance defects of a power plant. As of September 30, 2019, the amount of compensation claimed by the customer was changed to EUR 270 million (¥31,869 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 condensed quarterly 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.

(16) Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements were approved on November 12, 2019 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]	November 12, 2019
[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 second quarter of the 151st fiscal year (from July 1, 2019 to September 30, 2019) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.